

Food Security Information Note - FOSIN

Food Situation in the Sahel and West Africa: Issues linked to the rise in prices of food products

Note 16 – January 2008

1. The rising price of food products: an international phenomenon

The rising price of food products is not only a West African occurrence but a global trend. Despite the high level of world cereal production in 2007 (2.1 billion tonnes according to the latest FAO estimates or 4.6 % more than in 2006), cereal prices continue to rise. This price hike comes at time when world stocks are dropping and demand is increasing. This is due in particular to: (i) livestock feed manufacturing industries and increasing demand for meat products; (ii) biofuel manufacturing industries.

In January 2008, the global market average wheat export price was 81% higher than in 2007, the export price of corn has reached a 10-year high. Several reasons explain this trend: (i) price of oil and its impact on inputs and transport costs; (ii) the exchange rate as the US dollar is dropping sharply against other currencies. The increase in world rice and wheat prices as well as their replacement with millet and sorghum could lead to stock retention so as to avoid problems of access to cereals as was the case in 2005.

Some countries such as Mauritania, Cape Verde, Senegal and Guinea Bissau greatly depend on commercial rice and wheat imports for their food security. These products are directly affected by this international hike in cereal prices. Not only could cereal prices be higher in these countries, their urban populations and rural households with production deficits will be even more affected.

2. But the local West African context could also lead to this price hike

In addition to exogenous factors linked to the international environment, there are also local circumstances that could heighten this price increase exacerbating poor populations' difficulties in accessing food.

Among local factors are:

- a. Low production levels in some Sahel countries but above all where there is high demand for cereal for local brewing and poultry feed manufacturing

industries such as in northern Nigeria. Low production levels were caused by a drought at the end of the rainy season as well as flooding in several countries. According to provisional estimates total corn production in Nigeria should reach 6.5 million tonnes, or 1.3 million tonnes less than in 2006. Analysis carried out by FEWS NET clearly indicates that compared to December 2006 local cereal and legume prices on the Dawanu market (Nigeria) reached the following levels in December 2007: 29% for millet, 54% for corn, 47% for sorghum and 30% for cowpeas. These increases are perceptible when comparing current levels to the average over the last five years. Furthermore, this analysis reveals the same price increase trend for corn in northern Ghana, Benin, Togo, southern Mali and Burkina Faso.

- b. **Cereal stock retention by market operators**, reacting to the situation of the flood- and drought-affected agricultural campaign has led to a hike in prices which has been felt in some Sahel countries. In Burkina Faso, Mali and Niger, for example, statistics provided by Afrique Verte indicate that cereal prices remained the same during the harvest until December 2007 with only an insignificant drop in prices in Burkina Faso and Mali at the beginning of January 2008. This was mostly due to the arrival of a large amount of new harvest on the market at the end of December 2007 as well as cereal sales at subsidised prices implemented locally by public authorities in some countries.

In summary, current indications such as the rise in international cereal and food commodity prices along with localised low cereal production levels in high-demand zones such as northern Nigeria and a premature hike in local cereal prices, reveal that **2008 will require close monitoring of a possible hike in prices** of some food commodities on the regional markets.

3. What can be done?

- a. **Develop measures to protect at-risk populations in vulnerable zones**, in particular through:
 - The constitution and use of food crop stocks in order to reduce possible price hikes in vulnerable zones








- The strengthening of purchasing power of populations at-risk of food and nutritional insecurity by implementing projects and programmes aiming to improve revenues thus strengthening their access to food commodities.
 - The promotion of food crisis management tools: assuring complementary provisions through imports and facilitating smooth market functioning, etc.
- b. **Request information and early warning systems to maintain vigilance on market dynamics (price, flows, availability)** at the national, regional and international levels in order to enable timely decision-making. Market monitoring should be accompanied by the constant dissemination of information in order to encourage decision-making and deter

some actors from speculating on food commodity prices. It should also focus in particular on monitoring the already weak nutritional situation in structurally deficient and vulnerable zones with particular access-related problems.

- c. **Strengthen regional local market fluidity** by encouraging free movement of persons and goods and thus promoting intra-regional agricultural and food product trade.
- d. **Taking advantage of opportunities provided by this price increase trend in order to boost local production of regional food products**, through: (i) investment in the professionalization of actors; (ii) concrete measures in terms of facilitating access to inputs and other production factors.

Information Sources

This FCPN analytical note was produced on the basis of information or analyses provided by various specialised Network (non) member institutions. More information can be obtained from the respective websites.

				
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Afrique Verte: www.afriqueverte.org, Reliefweb: www.reliefweb.int/
 OCHA: www.humanitarianinfo.org & <http://ochaonline.un.org/>; SISA/CNSA: www.sisabf.net

Better Access to Information on the Food and Nutritional Situation in the Sahel and West Africa

The FCPN has set up a website to encourage access to information on the food and nutritional situation in the region in view of decision-making for action.

For any information questions, and/or analytical document you may need with regard to the food and nutritional situation, please access the site at: www.food-security.net.