

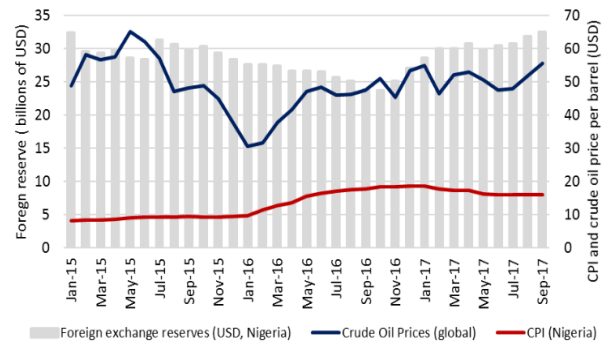
## NIGERIA Market Monitoring Bulletin

December 11, 2017

### Key messages

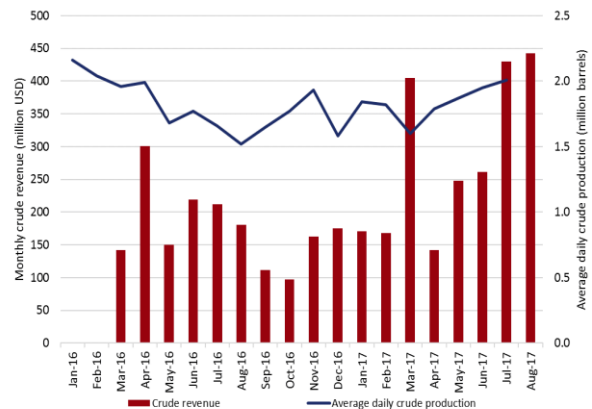
- Recent increases in crude oil production and export prices have supported oil revenues. This recovery in oil export revenues and resulting increase in foreign exchange reserves, coupled with relatively stable inflation are helping to gradually drive Nigeria's economy out of recession (**Figures 1 and 2**).
- The gap between the official inter-bank and the parallel Bureau de Change exchange rates continues to narrow, contributing to relatively stable prices on the national level. Ongoing harvests have also impacted general food prices (**Figures 3 and 4**).
- In general, main staple prices are lower across most markets relative to recent months and the last year. However, prices remain higher than average across most markets and for most commodities. Observed staple food prices are higher in the northeast relative to other areas of the country (**Figures 5, 6 and 7**).
- Prices of millet and sorghum, the major staples traded along the Nigeria-Niger border markets, are relatively less expensive in Kano-Dawanau market, the major regional collection point for traders from Niger. Thus, with a stable Naira (NGN) and in the absence of any increased restrictions on grain exports, traders from Nigeria will likely export their commodities to Niger in the coming months (**Figures 8 and 9**).
- As the harvests continue, market supply and households' food stocks will continue to increase. Prices will decline further for most staple food items, but will remain above the five-year average. Staple food prices will remain relatively high across northeast Nigeria throughout the consumption year due to below-average local harvests, movement restrictions along key marketing corridors, high transaction costs, and below-normal market functioning in certain areas (**Figure 10**).
- Traders' reported capacity to respond to increased demand varies by market. Most traders in the northeast report only having the capacity to absorb a 25 percent increase in demand. Any scale-up of humanitarian cash-based transfer (CBT) interventions should be partial and gradual (**Figure 11**).

**Figure 1.** Nigeria foreign reserves, global fuel price trends and inflation (January 2015 to September 2017)



Source: Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS), 2017

**Figure 2.** Average daily crude oil production and monthly receipts in Nigeria (January 2016 to June 2017)

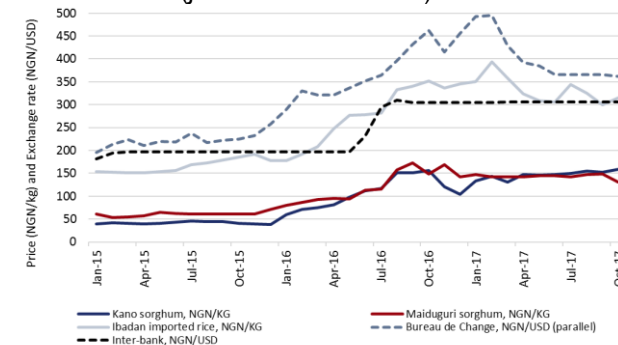


Source: Nigerian National Petroleum Corporation (NNPC) monthly reports, June 2017

In June 2016, FEWS NET released an alert describing the [national and regional implications of declining global crude oil prices on the Nigerian economy and subsequent currency depreciation since 2015](#). Within the context of this national economic shock, [more than 3 million people in Northeast Nigeria already face significant food insecurity due to the Boko-Haram conflict](#). The Nigeria Market Monitoring Bulletin provides a summary of emerging market trends in Nigeria and the broader region.

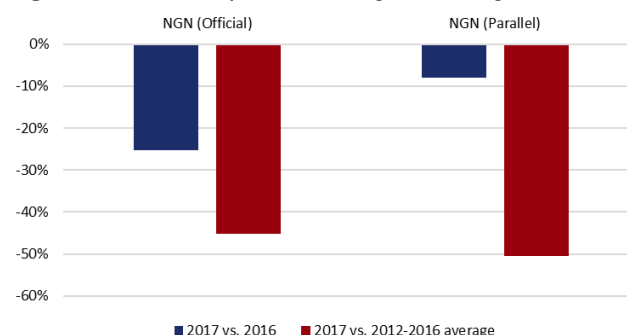
- There has been a slight improvement in the value of the NGN vis-à-vis the US Dollar (USD). The last interbank exchange rate released by the Central Bank of Nigeria in October 2017 was NGN 305.62 to the USD, stable compared to September 2017 and October 2016. The parallel (Bureau de Change) rate was NGN 362.5 to the USD in October 2017, also stable compared to September 2017, but much improved compared to October 2016. However, both interbank and exchange rates remain more than 40 percent below their respective five-year average values (**Figure 4**). Nevertheless, the gap between both rates continues to narrow. Nigeria's inflation rate declined for the ninth consecutive month in October 2017, but it remains elevated at 15.91 percent, caused mainly by food and transport costs.
- The Nigerian economy continued to improve in the second half of 2017, with a modest positive short to medium-term outlook, resulting largely from deliberate macroeconomic stimuli and a stable currency. Available data and forecasts of key macroeconomic variables indicate a relatively positive outlook, predicated on existing policy initiatives, including the Economic Recovery and Growth Plan (ERGP). Other drivers of the economic recovery are the expected growth in government revenue from increasing crude oil production and export prices, as well as the improving trends in other sectors of the economy (agriculture, manufacturing, and services).
- The National Executive Council Meeting (NEC) held on October 29<sup>th</sup> resulted in the approval of the continued ban on rice imports through the land border and continued restrictions on foreign exchange supply to rice importers through the seaport through 2018. This is in support of Nigeria's anticipated trajectory toward self-sufficiency in rice production. The meeting did not result in the introduction of any explicit tariffs or other official trade barriers, although authorities indicated the need to protect local industries from imbalanced competition within the World Trade Organization framework.
- The growing stability in the global oil market continues to favor Nigeria. The country remains exempt from output restrictions imposed on the Organization of the Petroleum Exporting Countries (OPEC) members since January 2017. The extension of the exemption period allows for greater exports and therefore increased revenue earnings.

**Figure 3.** Nigeria exchange rate and staple food price trends in selected markets (Jan 2015- October 2017)



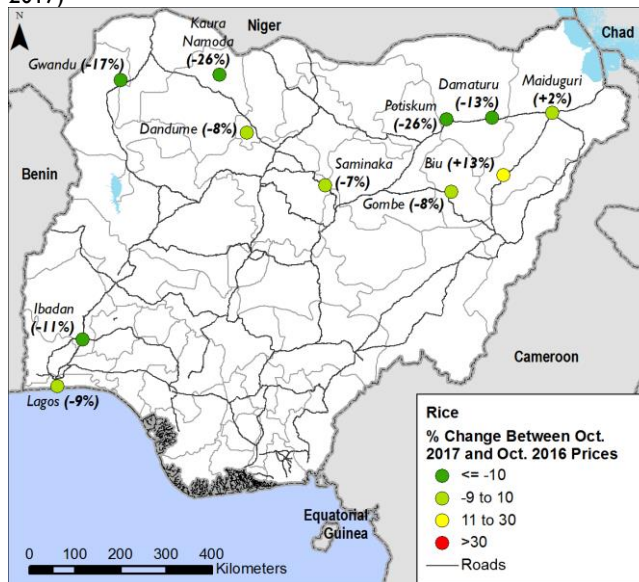
Source: Central Bank of Nigeria (CBN) and FEWS NET

**Figure 4.** Official and parallel exchange rate changes



Source: Central Bank of Nigeria (CBN) and FEWS NET

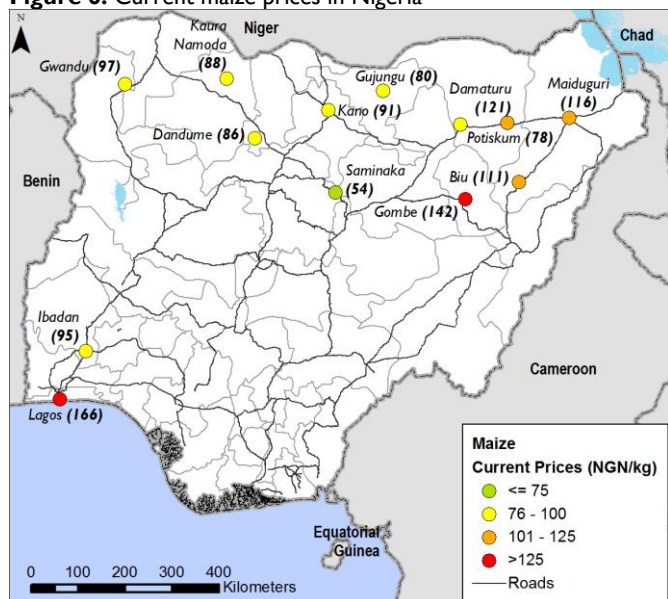
**Figure 5.** Rice prices in Nigeria (October 2016 vs October 2017)



Source: FEWS NET

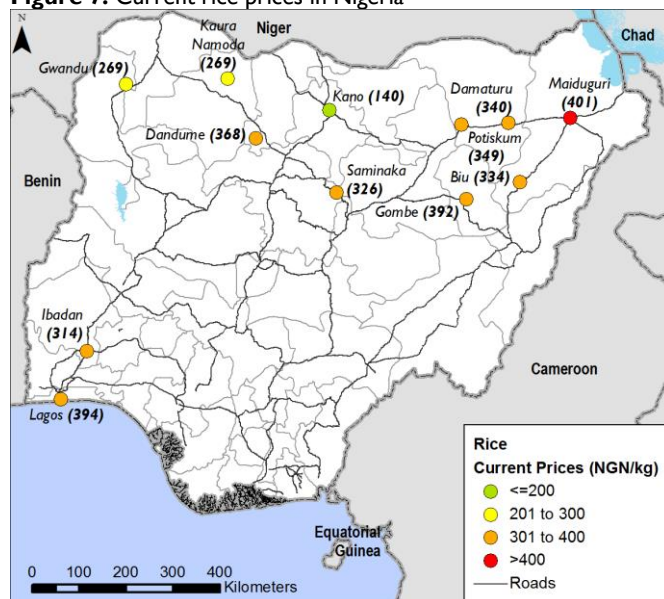
- The federal government plans to improve economic indicators through agricultural expansion and productivity by continuing to reduce constraints faced by farmers through various programs and interventions. These include the Growth Enhancement Support Scheme launched in 2012 to supply subsidized inputs to smallholder farmers; the Commercial Agricultural Credit Scheme; and two programs, the Anchor Borrowers Program and the Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending, both of which aim to increase access to agricultural financing, map soil characteristics and implement irrigation projects. Additionally, the federal government is building on the foundation laid by the Agricultural Transformation Agenda through the establishment of the Green Alternative or Agriculture Promotion Policy. This aims to enhance productivity by improving access to land, information, and inputs.
- Main crop harvest is underway across the country and production is promising in most areas due to favorable rainfall conditions, increased access to inputs, and satisfactory marketing conditions in most areas. Overall, early crop assessment figures indicate that aggregate cereal production in 2017/18 is stable or slightly above-average compared to the previous year, but significantly higher than the five-year average. The level of staple cereals, tubers, and legumes supplied to markets has continued to increase steadily due to ongoing harvests across the country. However, the sorghum harvest, a long cycle crop, will peak during December and January, resulting in relatively low market supply compared to previous months.
- Some traders are replenishing their reserves, particularly for millet, cowpea, and groundnut. Similarly, poultry farmers and food processors are purchasing maize and millet. Household stocks are increasing resulting in households consuming more of their own production from the harvest.

**Figure 6. Current maize prices in Nigeria**



Source: FEWS NET

**Figure 7. Current rice prices in Nigeria**

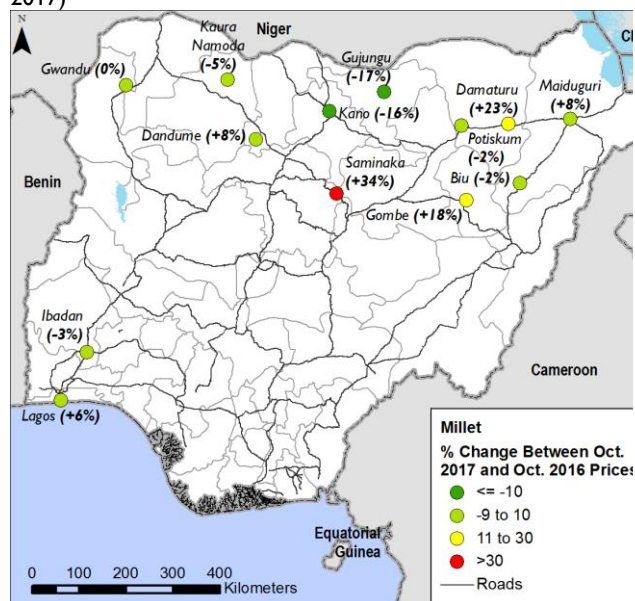


Source: FEWS NET

- Favorable main harvests across the country, increased market stocks, and greater household reliance on their own production for consumption, has reduced pressure on markets. Coarse grain prices are lower across most markets relative to previous months and last year's prices. However, prices remain above-average across most markets and for most commodities. Observed staple prices are higher in the northeast relative to other areas. The ongoing harvests have also impacted on the prices of cash crops like cowpea and groundnut, leading to reduced prices compared to last month.

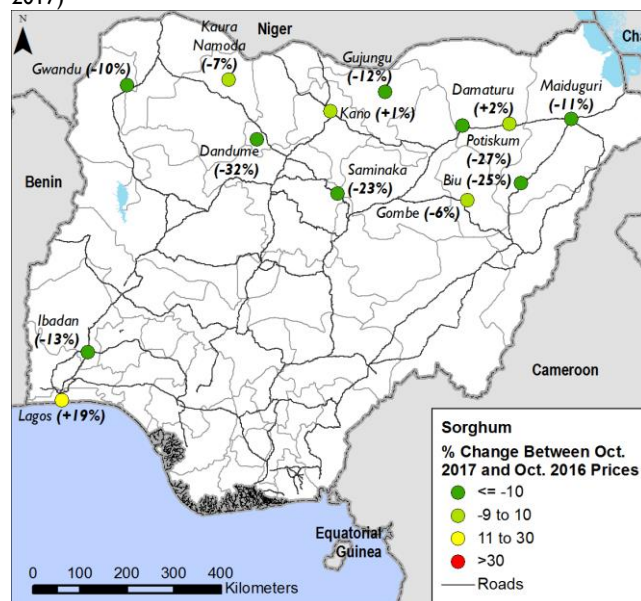
- The price of locally-milled rice has declined moderately across most markets relative to last year, except in northeast markets where prices increased (**Figure 5**). This is part of the more general trend of relatively higher prices in the northeast as a result of persisting conflict, increased transaction costs, and high demand predicated on below-average local harvests in the area. The price of imported rice has increased in the north mainly due to elevated exchange rates and high transaction costs.
- Rice and maize, which are common commodities in the food basket mainly distributed by humanitarian actors in key northeast markets, also remain elevated in the northeast relative to other markets (**Figures 6 and 7**). Additionally, prices remain higher in the southern markets of Lagos compared to the average. This is attributable to high demand from poultry farmers and processing industries, coupled with high transportation costs from northern markets.
- Prices of millet and sorghum, the major staples traded along the Nigeria-Niger border markets, are lower than last year (**Figures 8 and 9**). Similarly, prices are also lower in Kano-Dawanau market, the major regional collection point and major market for the traders from Niger. These staples are relatively more expensive in most markets in Niger. Thus, Nigerian traders are expected to sell their commodities to Niger where prices are relatively higher. The NGN to CFA exchange rate remains favorable to Nigerien traders, leading to increased demand.
- As the harvests continue, market supply and households' food stocks will continue to increase. Prices will decline further for most of the staple food items, but will likely remain above-average. Staple food prices will remain relatively higher in most markets in northeast Nigeria throughout the consumption year due to below-average harvests in the region, restricted food flow, and high transaction costs.

**Figure 8.** Millet prices in Nigeria (October 2016 vs October 2017)



Source: FEWS NET

**Figure 9.** Sorghum prices in Nigeria (October 2016 vs October 2017)



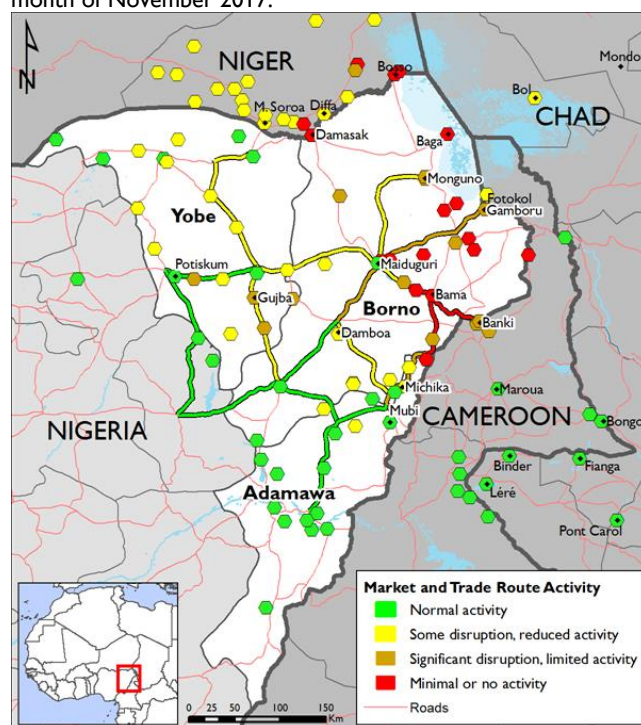
Source: FEWS NET

- During the consumption year, the NGN will remain stable. Prices of imported food items such as rice will be high towards the Christmas and New Year period, when demand normally increases. Similarly, increased cereal demand from Nigerien traders will also persist due to favorable CFA to NGN rate. Maize demand by the poultry industry in anticipation of Christmas and New Year sales may affect the price of maize. Trader activity and institutional demand will also begin to increase in December and January leading to increased overall demand and price hikes for most staples. Trader and institutional purchases are currently at average levels as prices remain elevated for most commodities.



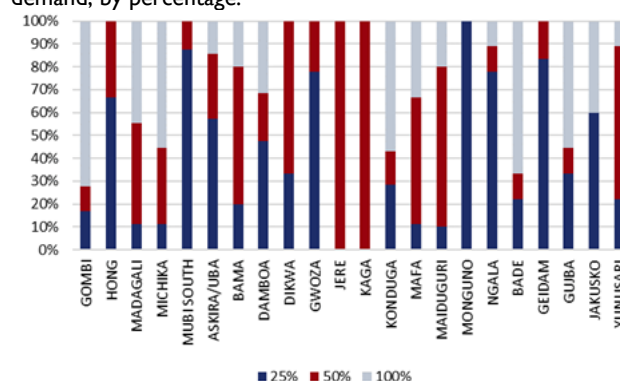
- A large-scale market assessment conducted by WFP in partnership with FEWS NET concluded in September 2017. Key markets across Borno, Yobe, and Adamawa states showed a marked improvement in market functionality, and an increase in trading activities and availability of key staples within markets in the northeast. Nonetheless, market activity remains low in LGAs in Borno (Gwoza, Ngala, Bama, Konduga) and Adamawa (Madagali) States affected by the ongoing conflict.
- Findings from the same assessment showed that compared to the same period last year, the amount of weekly sales of key staples increased between six percent and 50 percent across markets in Borno, Adamawa and Yobe due to increased customer demand, as reported by traders.
- Market functioning in northeast Nigeria, as of November, remained largely the same as in October. Disruptions along trade routes to Damboa in Borno State have declined compared to previous months. Markets in northern Borno are still not functioning completely (**Figure 10**).
- While most markets in northern Borno are operational, there are lingering insecurity constraints affecting availability of staple food commodities in sufficient quantities. Hence, the implementation of cash-based interventions in these locations could be problematic as it is likely that such interventions could contribute to rising prices due to inadequate market availability of food items.
- Most surveyed market traders were confident in their ability to respond to a slight increase in demand. However, major concerns arise from traders located in Konduga, Monguno, Geidam, Gulani, and Jakusko. In these areas between 33 percent and 67 percent of traders would not be able to absorb a 25 percent increase in demand. Thus, it is important to investigate and monitor the local supply conditions in these areas. Only traders in Jere and Kaga could meet a 50 percent increase in demand whereas none of the LGAs can completely handle a 100 percent increase in demand. Considering these findings, scale-up of a CBT interventions should be partial and gradual. However, these findings should be put in context for markets in urban areas like Maiduguri, Jere, and Damaturu where demand is relatively higher compared to rural areas (**Figure 11**).
- Due to the ongoing harvest, the prices of main staples witnessed a significant month-on-month (m-o-m) decline in most markets in Borno and Yobe. The m-o-m price reduction for key staples ranged from five percent for local rice and 38 percent for maize flour.

**Figure 10.** Market Functioning in North East Nigeria for the month of November 2017.



Source: FEWS NET

**Figure 11.** Traders' maximum capacity to absorb increase in demand, by percentage.



Source: WFP 2017

## Food Basket Monitoring

- Based on the recommendation of the Harmonization Committee of the Food Security Sector Working Group, humanitarian actors have been monitoring the Survival Minimum Expenditure Basket (SMEB) for a family of five people to respond to price changes and ensure that the purchasing power of cash based assisted households is sustained. The SMEB decreased by five percent to eight percent in Borno and Yobe respectively between September and October 2017. Compared to the onset of the lean season in July 2017, the SMEB has dropped by eight percent in Maiduguri and 10 percent in Damaturu. Humanitarian actors implementing cash based programs are recommended to continue to closely monitor transfer values through the end of 2017 due to the ongoing harvest in the northeast (Tables 1 and 2).

**Table 1.** Transfer value calculated for 5 household members in Maiduguri markets for one month

HOUSEHOLD SIZE: 5							
Food item	grams/ day/ person	Kc/ day/ person	grams/HH /day	grams/ HH/ month	kg/HH /month	Price/kg (Naira)	Price/HH/month (Naira)
Rice	150	540	750	22,500	22.50	444	9,990
Millet	0		0	0	0.00		0
Maize	250	913	1250	37,500	37.50	150	5,625
Beans	75	255	375	11,250	11.25	367	4,129
Palm oil	10	88	50	1,500	1.50	354	531
Groundnut	15	85	75	2,250	2.25	313	704
Sugar	10	39	50	1,500	1.50	484	726
G/nut oil/Veg oil	20	177	100	3,000	3.00	388	1,164
Salt	5	0	25	750	0.75	70	53
Onion	8	3	40	1,200	1.20	175	210
<b>Total</b>		<b>2,100</b>					<b>N 23,131.50</b>
Cost food basket at 70%	70%	<b>1,470</b>					<b>N 16,192.05</b>
Per capita based on 70% transfer value							<b>N 3,238.41</b>

Source: WFP 2017

**Table 2.** Transfer value calculated for 5 household members in Damaturu markets for one month

HOUSEHOLD SIZE: 5							
Food item	grams/ day/ person	Kc/ day/ person	grams/HH /day	grams/ HH/ month	kg/HH /month	Price/kg (Naira)	Price/HH/month (Naira)
Rice	150	540	750	22,500	22.50	400	9,000
Millet	0		0	0	0.00		0
Maize	250	913	1250	37,500	37.50	170	6,375
Beans	75	255	375	11,250	11.25	340	3,825
Palm oil	10	88	50	1,500	1.50	525	788
Groundnut	15	85	75	2,250	2.25	320	720
Sugar	10	39	50	1,500	1.50	440	660
G/nut oil/Veg oil	20	177	100	3,000	3.00	518	1,554
Salt	5	0	25	750	0.75	160	120
Onion	8	3	40	1,200	1.20	150	180
<b>Total</b>		<b>2,100</b>					<b>N 23,221.50</b>
Cost food basket at 70%	70%	<b>1,470</b>					<b>N 16,225.05</b>
Per capita based on 70% transfer value							<b>N 3,251.01</b>

Source: WFP 2017