

West and Central Africa

WFP Regional Bureau Dakar Markets Update: March 2018

Highlights

- Despite increasing estimates for regional agricultural estimates production (6% above the 2016/17 level, and 14% above the five-year-average), localized production deficits affect stocks, availability and price levels;
- Commercial stock replenishment takes twice as long as usual, since producers hold on to their reserves;
- High sorghum and millet prices (+20% in average compared to previous years) and saturated livestock markets keep terms of trade unfavorable for pastoralists;
- Livestock migration started four months earlier than usual, leading to overgrazing and tension over access to natural resources in the Sahel.

MARKET AND FOOD SECURITY TRENDS IN WEST AFRICA

The latest Cadre Harmonisé analysis in November 2017 concluded that 4.25 million people will require food assistance over the lean season in 2018 in Chad, Burkina Faso, Mauritania, Mali, Niger and Senegal. Current analyses suggest that the number of affected people in need of humanitarian assistance will likely go beyond the current lean season estimates. Early pasture and agricultural production deficits, high food prices combined with growing insecurity have already shown a negative impact on the food and nutrition situation in the Sahel.

To take stock of the market situation in the six countries prior to the PREGEC to be held in March, CILSS organized joint market missions in the region in February.

Assessments were carried out in partnership with local authorities and relevant organizations such as FAO and FEWSNET.

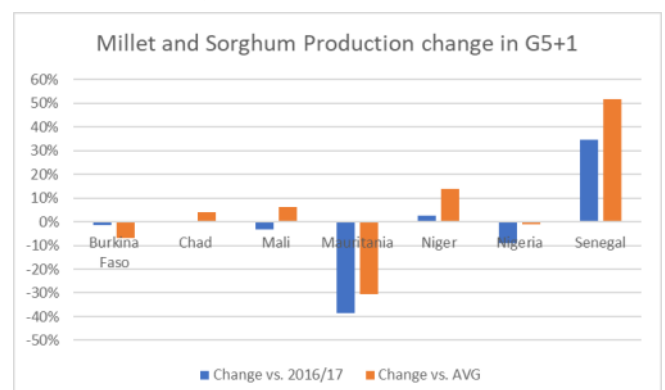
Preliminary results confirmed a difficult situation:

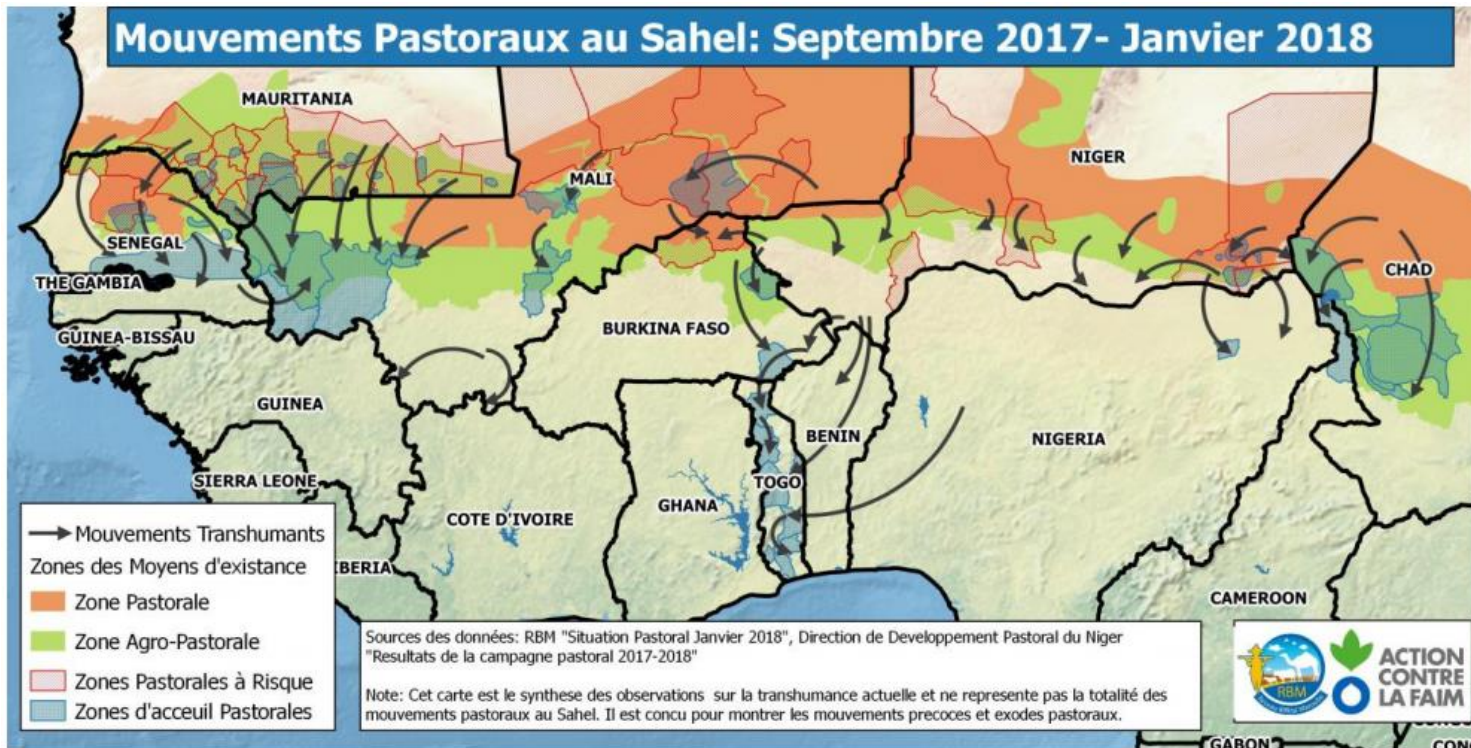
- Trade flows are resuming with Nigeria, as informal restrictions have been lifted. Cereal imports to Niger are also supplying border markets. Nigerian demand/imports for livestock are showing a slight increase, which favours pastoralists from Niger as Nigeria represents an important destination market.
- As cereal production in Burkina is sufficient but limited, the trade levels remain low. Border markets with Niger turn to Nigeria for supply.
- Areas along Malian border in Niger see many locations in emergency state with security measures limiting

transportation.

- Prices for sorghum and millet remain high throughout the Sahelian belt (see Map 3&4) due to:
 1. decrease in production in most producing countries except Senegal (see Chart 1). Maize is increasingly planted to the detriment of millet and sorghum;
 2. decrease in yields (drought in September 2017);
 3. low stock and stock retention by producers (traders/collectors struggle to build stocks as producers hold on to their stocks or sell at high prices);
 4. low trade flows (for instance coming from Nigeria).
- Difficult pastoral campaign with few water points and biomass deficits, accelerating livestock concentration. (see Map 1)

Chart 1: Millet and Sorghum production in G5+1 countries; source: CILSS



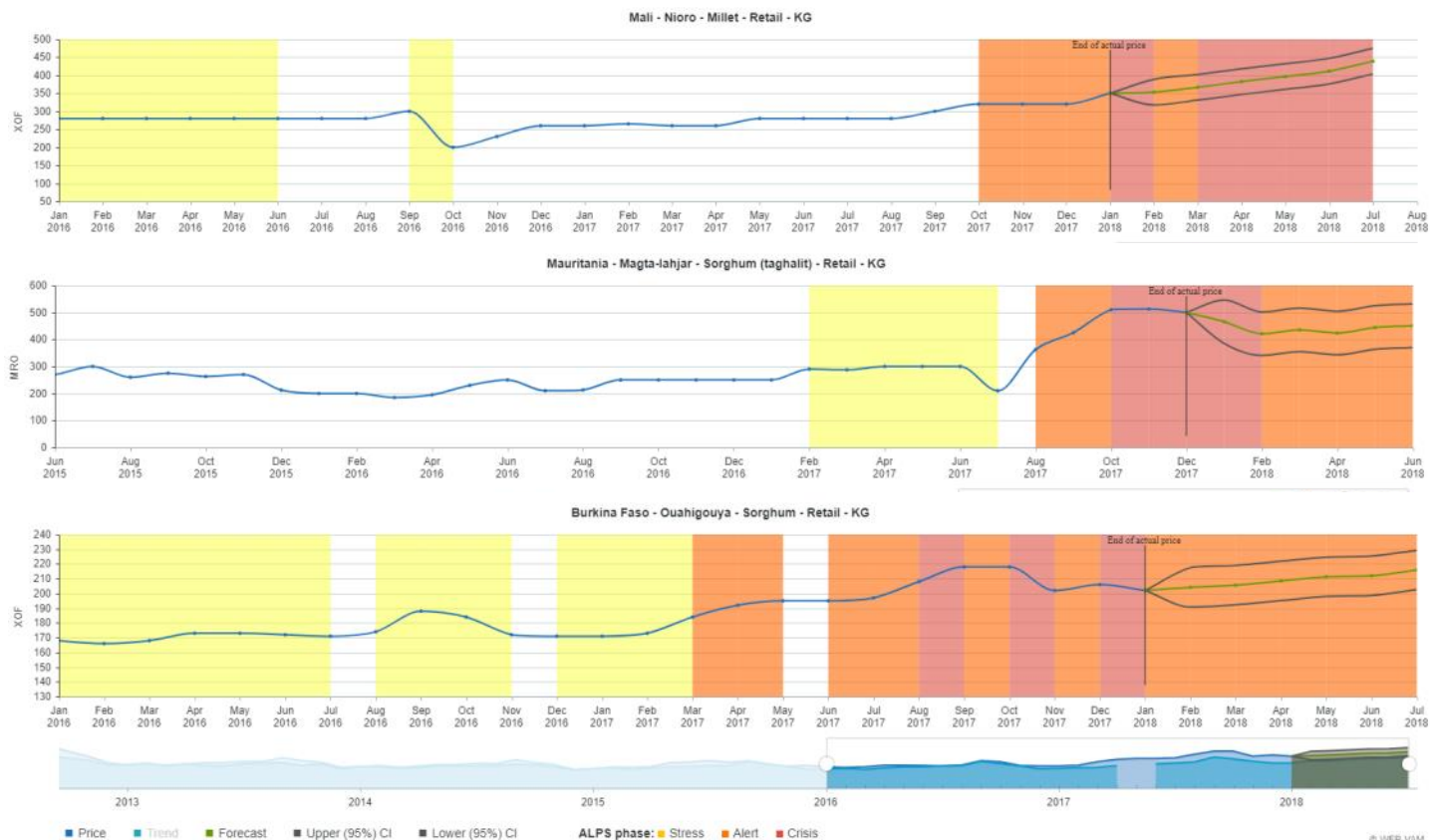


In January 2018, according to the WFP VAM price data base, more than half of the markets in the central basin of the Sahel and in Mauritania are under alert classification or above according to ALPS for millet and sorghum, as prices have barely dropped after the harvest. (see Chart 2 below)

Currently, markets continue to be sufficiently supplied, but important local production deficits are observed particularly in Ma-

li. Demand is relatively low as producers use their own stocks and consume off-season products. However, cereal stocks will diminish quickly and millet/sorghum prices are already increasing, also according to Afrique verte (+24% in Ouagadougou, N° 202, www.afriqueverte.org), and are expected to further increase due to a growing demand, while livestock prices remain low.

Chart 2: Prices spikes in Sahel countries according to ALPS; source: WFP : http://dataviz.vam.wfp.org/economic_explorer/price-forecasts



Senegal

In January, the marketing of agricultural products remained dominated by groundnuts, which are subject to a strong competitive demand among the main market actors (wholesalers, operators responsible for supplying the oil industry, exporters). The demand for basic local cereals (millet, maize) remained low for producers who still had some reserves, but was driven by wholesalers building up their stocks.

On livestock markets, massive destocking of weak subjects occurred in January, which led to an increased supply on consumer markets.

With a drop in cattle prices, the terms of trade allowed farmers to acquire for the sale of a cattle: 910 kg of rice, 1 233 kg of millet; and for the sale of a sheep: 265 kg of rice and 360 kg of millet. (Bulletin SIM January 2018)

The average monthly retail price per kilogram of dry local cereals is 214 F CFA (millet souna), 237 F CFA (sorghum), 201 F CFA (maize). The variations from the reference periods are +4% (millet souna), +12% (sorghum), +2% (maize) compared to five-year averages. (Bulletin SIM January 2018)

With a growing demand for dry cereals, markets will remain animated and prices will further increase.

Mauritania

The domestic cereal production covers about 30% of the national utilization requirements in a given year. On average, the country imports two-thirds of its total domestic cereal requirements. Wheat imports (for human consumption) amount to approximately 400 000 tons, accounting for about 80% of the total imports, followed by smaller quantities of millet and sorghum. (FAO, 2018)

This year, the supply of these local cereals and cash crops is low but supported by imports from Mali and Senegal. Livestock feed is available; however, price levels are higher than last year, with the exception of subsidized products. Regarding the outlook for imported foodstuffs, prices are expected to remain stable, apart from local cereals, cowpeas and groundnuts, which will see a price increase. The supply of livestock will be reduced with a potential increase in prices for animals in good state of weight. Animals in poor condition will be increasingly sold with the risk of not finding buyers.

In Boghé, the sheep-to-rice exchange rate is unfavourable to breeders at -25%, and compared to the five-year average at 16%.

In Magta Lahjar, the terms of sheep-to-wheat exchange is in favor of the farmer at +9% compared to last year. This can be explained by the fall in the wheat price. Compared to the five-

year average, the terms of trade are positive for about 6% to the breeder.

As for the traditional cereals, the prices will significantly increase, because of the national production deficit (-30% compared to the five-year average for millet and sorghum, see Chart 1). The demand will increase relative to the supply despite the supply dynamics of cross-border markets. The terms of trade of traditional animal to grains are likely to further deteriorate to the disadvantage of the farmer as livestock prices are already low and prices are expected to increase.

Mali

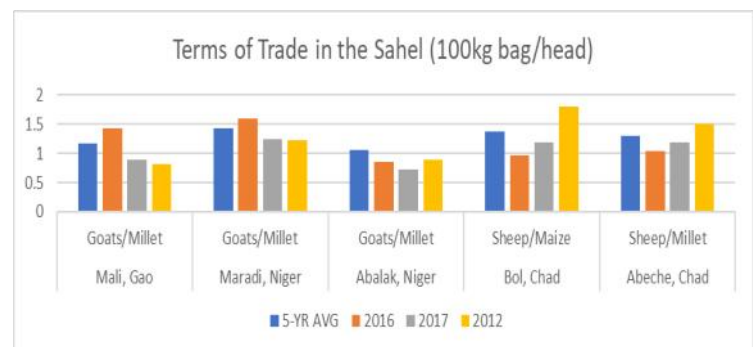
In Mali, the market is currently characterized by low cereal availability in all markets due to the decline in agricultural production. The early depletion of household reserves has led to an increased demand. The price level remains higher than last year and the five-year average in the same period. For example, the farm gate price of millet is up 29% in San and 26% in Bankass compared to last year in the same period; and 31% in San and 28% in Bankass compared to the five-year average. As for the evolution of the producer price of sorghum, the price has increased by 46% in Dioila and 41% in Koutiala compared to the same time last year. In all the regional capitals, the price of millet is higher than last year in the same period and the five-year average.

Compared to last year, the increase in millet prices is between 10% in Gao and 46% in Timbuktu. Compared to the five-year average, it ranges from 8% in Koulikoro to 49% in Timbuktu.

This negatively affects access to food for poor and very poor households. It is expected that these poor supply and high price level conditions will remain until the end of the lean season.

For livestock, the early deterioration of breeding conditions, which announces an early lean season, will result in a destocking of animals that will be sold at below-average prices affecting farmers' incomes and resulting in the erosion of their livelihood (see Chart 3). The terms of trade for cereals will be gradually deteriorating because of poor farming conditions, especially since cereal prices are expected to remain high until the end of the pastoral lean season. Throughout the whole country, terms of trade are currently 20% lower than last year.

Chart 3: Terms of trade in selected markets of the Sahel, comparison top previous years; Source: FEWSNET, WFP



Burkina Faso

In February, markets in Burkina Faso were well supplied with cereals. Basic cereals (maize, millet, sorghum) are available despite a decline in supply compared to a normal year and the same time last year. The decrease in supply ranges from 40% to 50% compared to the same period in the previous year.

In certain municipalities in the Sahel region defined at risk by the Government, the grain supply is low and estimated to be nearly 70% lower than in the same period last year.

This decline is due to a significant reduction in cereal production following various difficulties recorded during the cropping season (poorly distributed rainfall in space and time, attack of armyworms, early cessation of rains). This pushes traders to deficit zones (North, Sahel, Center) for an extended period to resupply. Currently, commercial stock replenishment lasts seven days, whereas last year it only took two days.

Cereal demand overall is strong, especially for millet and sorghum. Since the end of the harvest, the outlook of a bad agricultural season has compelled households to retain their stocks.

Overall, cattle demand is considered low compared to the five-year average in almost all markets. This slump is linked to the decline in exports to the countries of the subregion, particularly Nigeria and Ghana, whose traders suffer from unfavorable currency exchange rates against the CFA.

Due to high cereal prices, terms of trade are deteriorating. In fact, in a normal year, the sale of a goat in good condition should allow the farmer to acquire 200 kg of millet in the Sahel region and 100 kg of sorghum in the North-Central region. Compared to the average of the last five years, the terms of trade are down between 3% in the Djibo market and 22% in the Youba market.

In the coming months, the supply of cereals will probably decline in all markets.

Insufficient feed and fodder, as well as the drying up of water points, could force pastoralists to travel further in search for greater pastures.

Cereal demand will increase over the next three months as household stocks decrease. In deficit provinces in the North, households will be more dependent on the market to strengthen their own production.

With a decrease in supply and an increase in demand, cereal prices are expected to rise gradually. In the consumption zones, price increases are expected to exceed 30% compared to the

seasonal average.

Government cereal subsidies and humanitarian assistance may help to keep prices between 20% and 30% above the five-year seasonal average. Nevertheless, according to field assessments, SONAGESS also struggles to replenish its own stocks.

Niger

In February, agricultural markets in Niger were characterized by a satisfactory supply of grains in most markets in the country. This is mainly due to the gradual recovery of imports from Nigeria (millet, sorghum and maize) and the continued influx of maize and sorghum from Benin, Burkina Faso and Ghana. Demand has remained weak since December 2017, which explains the relative stability of millet prices between January and February 2018. Nevertheless, the levels reached in February 2018 were still higher than those of the same period last year (+4%) and the average of the five last years (+9%).

Thus, this trend is negatively affecting the ability of the population to meet their basic food needs, with the strongest impact on vulnerable and poor households.

Livestock markets are characterized by an average supply of animals. However, the supply is relatively low for large ruminants in all markets visited. Thanks to the appreciation of the Naira, there was a slow recovery in animal exports. Despite this trend, recorded animal prices remain low compared to the average of the last five years.

Looking ahead, the demand for food will increase especially with households referring to markets to meet their food needs. This demand will continue to increase until the end of the lean season. The low availability of millet and sorghum will lead to the substitution with maize as already observed in Diéma and Kayes circles. Also, the consumption of imported rice will be favored by some households; this choice will be facilitated by the price differential between rice, millet and sorghum, while also reducing the pressure on millet and sorghum. Demand for legumes will remain average for groundnuts, but higher for cowpea.

The evolution of the market situation will depend on:

- the flow of cereals from Nigeria depending on the Naira / CFA exchange rate fluctuations;
- the volume of institutional purchases at both national and regional levels;
- trade policies of the countries of the subregion (currently, informal cereal export restriction measures are in force at the border between Burkina Faso and Niger); and
- the volume/scale of projects and Government and partner support programs for vulnerable populations, particularly during the lean season.

Chad

In Chad, the western Sahel regions have been affected by a significant decrease in agricultural production this year (-20% in Barh el Gazal and - 28% in Kanem compared to the five-year average). This decline in production limits local availability, traders' stocks and stocks at the household level. Even in the markets of production areas, the supply by producers is very limited. Indeed, since the economic downturn, several years ago, the trend of loan provision by traders season against grain bag equivalents during the lean season, due to lack of liquidity, withholds large amount of grain to access the market.

As a result, market supplies are low and prices are high compared to a normal year and last year. Although increased market dependence is expected, consumer demand is very low. Decreasing purchasing power due to lower employee incomes, income from livestock sales and income from various other activities related to the economic crisis does not allow households to acquire sufficient quantities of cereals and other products for their consumption. (Rapport Tchad Missions conjointes).

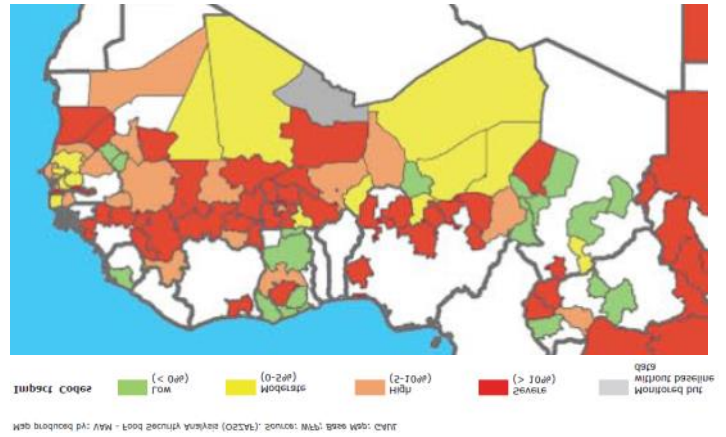
Livestock prices have fallen in all markets. In the Lac region, for example, an average price decrease of 2,500 to 3,000 francs per capita of sheep or goats sold is observed, which represents a drop of 20% compared to last year. For the same period, the terms of trade for cattle to grain are unfavourable to breeders for all species of livestock and grain speculation.

With more than 20 million livestock heads, the country has one of the largest herds in the Sahel Region and the sector contributes to about 18% of the GDP. A pastoral crisis was already de-

clared by the Government in June 2017, due to the unusual deterioration of livestock conditions and increased mortality in pastoral areas. (FAO, 2017)

Map 2: Impact of staple commodity price changes on the cost of the basic food basket

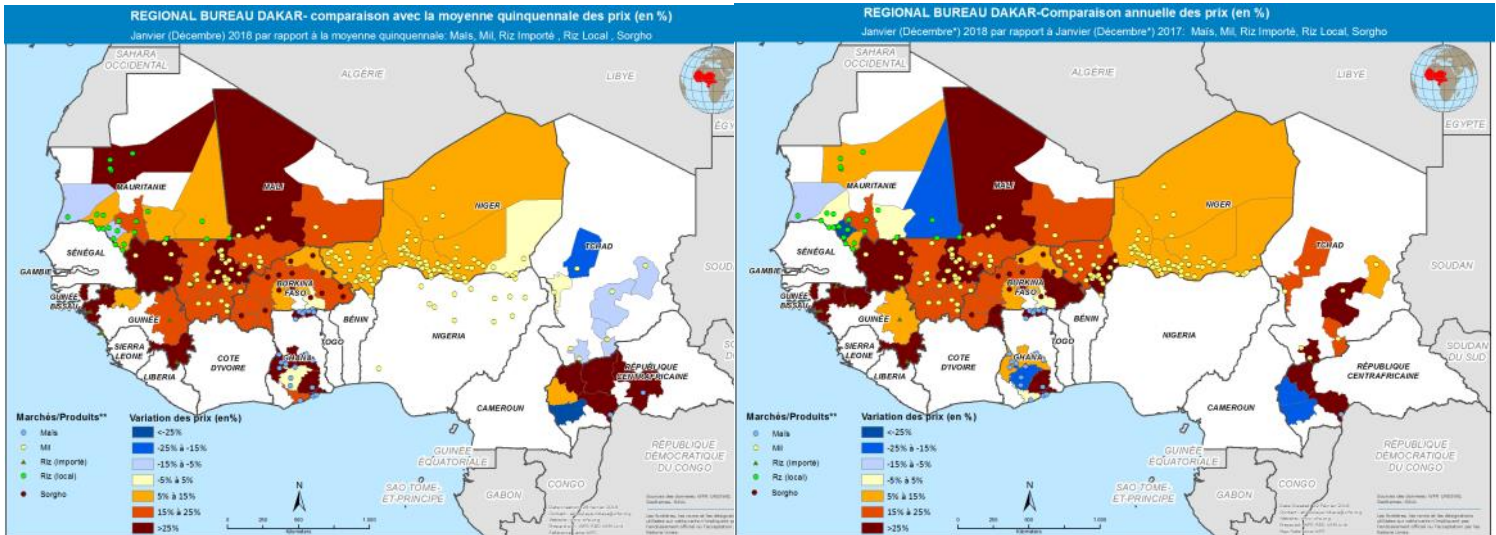
Q4– 2017 (Oct–Dec) vs. Q4 Baseline (average Oct–Dec) : Source : WFP Market Monitor, Jan 2018



The 'cumulative impact from the baseline' shows the change from the baseline. This approach seeks to derive the quantities of food consumed from the caloric contribution of each item in order to estimate the cost of the food basket and from there, the impact of price changes.

See full documentation and methodology: <http://www.wfp.org/content/market-monitor>

Map 3 & 4: 5-year average and annual comparison for staple food prices, January 2018; source: WFP



For further information please contact the RBD VAM Market Analysis Unit: Rbd.vam@wfp.org