

LIBERIA MARKET PRICE MONITOR

A monthly price analysis of food and other essential commodities

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KEY POINTS

- ◆ Prices of imported parboiled rice continue to increase in all markets across the country
- ◆ The price of palm oil, charcoal and especially gasoline also increase compared to same period last year
- ◆ The continued depreciation in the local currency against the US dollars is making imported goods expensive
- ◆ Terms of trade in general shifted against both agricultural workers and palm oil producing households
- ◆ Liberia is currently facing a serious price shock, constraining food access for especially the poor households

INTRODUCTION

The May 2019 48th edition of this bulletin analyzes price trends of key food and other essential commodities. More specifically it analyses the price trends for 50kg imported parboiled rice, 50kg empty bag full of cassava, for transportation from Paynesville to all markets surveyed, and for palm oil and charcoal. Gasoline prices are also reviewed. In addition, this edition examines the impact of rising inflation on prices of food staples and other non-food commodities.

GLOBAL RICE PRICE TRENDS

FAO Rice Price Indices						
	All	Indica		Japonica	Aromatic	
		Higher quality	Lower quality			
		2002-2004 = 100				
2015	211	184	184	263	176	
2016	194	180	187	228	153	
2017	206	183	195	232	204	
2018	224	201	208	256	216	
2018		228	212	222	249	218
		235	209	219	271	219
	May	228	199	208	266	217
	June	224	199	203	258	218
	July	222	197	200	259	213
	August	216	197	200	247	204
	September	215	194	199	244	207
	October	216	192	197	249	209
	November	223	192	196	269	211
	December	221	189	192	266	211
2019	January	222	189	194	267	211
	February	222	191	195	265	217
	March	222	190	195	263	219
	April					
	May					
2018 Jan-May	227	204	214	255	222	
2019 Jan-May	222	190	194	266	214	
% Chg	-2.3	-6.8	-9.3	4.5	-3.7	

Source: FAO

movements in both countries. In India (main source of rice on the Liberian market) and Viet Nam, quotations of white rice proved more resilient, stabilising around April levels, although the firmness did not extend to India's parboiled market. May values of Indian IR36 5% parboiled rice declined by 3.7 percent to USD 368 per tonne, as

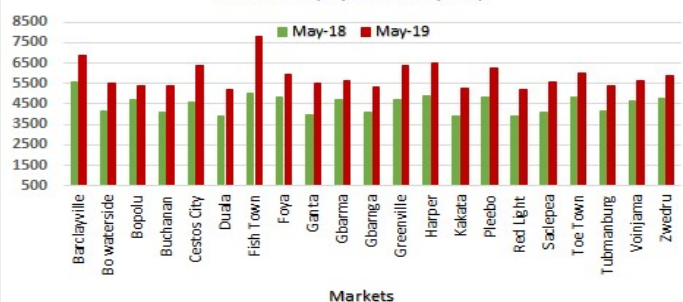


In May 2019, the FAO Food Price Index (FFPI) continued its upward for the 5th consecutive month. The average FFPI index recorded 172.4 points in May 2019, up 1.2 percent (2.1 points) from April but still 1.9 percent below its value compared to the same period last year. Stronger prices in the vegetable oil and dairy sectors followed by cereals were responsible for the slight month-on-month increase in the value of the FFPI. The FAO All Rice Price Index moved within a narrow range of 221-223 points since the beginning of this year. The index averaged 222.0 points in May 2019, unchanged from a month earlier and confirming this general tendency. Across the major rice segments, the most significant price movements took place in the fragrant rice market last month. May export quotations of Indica rice were steady to weaker across much of Asia. In Thailand and Pakistan, prices took a downturn, as a slow pace of sales offset support provided by currency movements in both countries. In India (main source of rice on the Liberian market) and Viet Nam, quotations of white rice proved more resilient, stabilising around April levels, although the firmness did not extend to India's parboiled market. May values of Indian IR36 5% parboiled rice declined by 3.7 percent to USD 368 per tonne, as a slow pace of sales to West Africa was compounded by prospects of even lower shipments to Bangladesh following import duty hikes in that country. According to the Index, international rice prices in the first five months of 2019 were 2.3 percent below their levels in the corresponding period of 2018.

(<http://www.fao.org/worldfoodsituation/foodpricesindex/en/>)

WHOLESALE PRICE OF IMPORTED RICE

Figure 2: Nominal Price changes for 50kg bag of Imported Parboiled Rice 5% broken in Liberia Dollars (May 2018 and May 2019)



The retail price for a 50kg bag of imported parboiled rice 5% broken grain in May 2019 averaged LD\$5,865, up 30 percent compared to last year. Annual price comparisons showed increase in the price of rice in all markets monitored with Fish Town, Cestos City, Ganta, Saclepea, Greenville and Kakata markets recording the biggest increases of 56%, 38%, 38%, 37%, 36% and 35% respectively. According to traders interviewed, the continued devaluation of the Liberia dollar against the United States dollars is the main driver responsible for increasing rice prices across the country. Most traders sell in Liberian dollars but usually purchase in US dollars which is a serious challenge simply because they have

to buy the US dollars at a higher rate to enable them replenish their stocks. Additionally, price differentials witness in far-off markets especially in southeastern Liberia is associated with seasonal factors (increase in demand for imported rice as most farming households have exhausted food stocks from previous harvest. For example, consumers in Fish Town spend LD\$2,620.00 (US\$15.00) more for a 50kg bag of imported rice than consumers in Monrovia.

Meanwhile, the new farming season have started with rice planting currently taking place in most parts of the country. Forecast from the Liberia Hydrological Services (LHS) indicates favourable weather conditions which favors the production of rice, cassava, maize and vegetables.

In general, the food situation across the country is expected to be good with adequate commercial stocks in-country. According to the Ministry of Commerce and Industry (MCI), current commercial stocks in-country stands at 91,744.85 MT which is expected to last until August 11, 2019. Notwithstanding, current domestic factors (high food inflation coupled with currency depreciations) could constrain households' food access especially among the rural poor.

PRICES OF OTHER COMMODITIES

In May, the price for a full 50kg bag of cassava averaged LD\$1135, (33 percent) more than what it was sold for in May 2018. The price for cassava was reported to be lower or higher in most markets monitored across the country. According to Figure 3, the most dramatic price increase was witnessed in Ganta and Greenville markets (147%) in Nimba and Sinoe counties but also peaked in Saclepea (144%) and Cestos City (137%). Cassava prices were also reportedly high in Foya (90%), Voinjama (78%) and Zwedru (76%). The cheapest market to purchase cassava is Fish Town in River Gee county. The increase in cassava prices is mainly associated with the local currency depreciations. Farmers tend to sell their products relative to the price of other commodities found in the markets. In addition, most poor households use cassava as a substitute to bridge their food gaps.

Figure 3: Nominal Price changes for 50kg bag of Cassava in Liberia Dollars (May 2018 and May 2019)

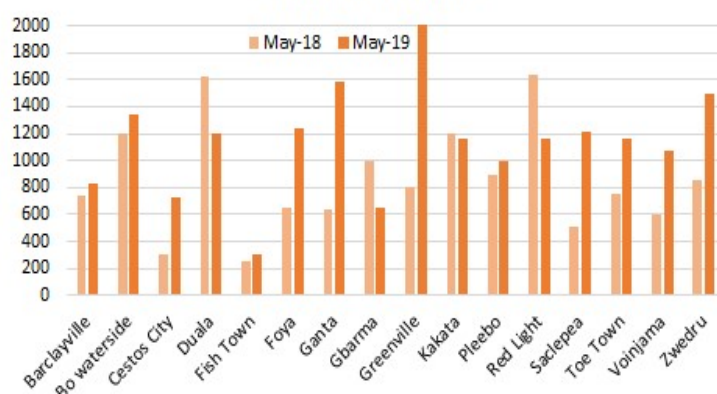
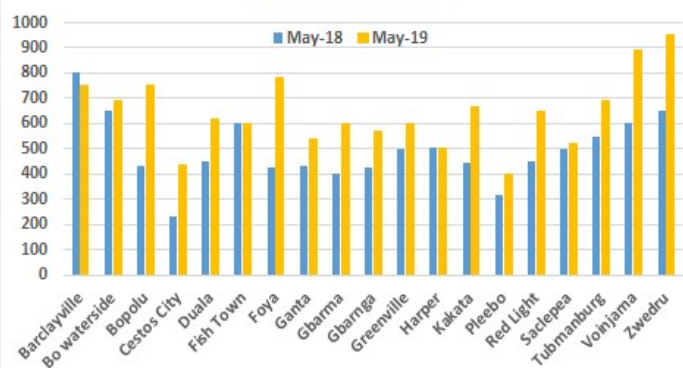


Figure 4: Nominal Price changes for (1 gallon) of Palm oil in Liberia Dollars (May 2018 and May 2019)

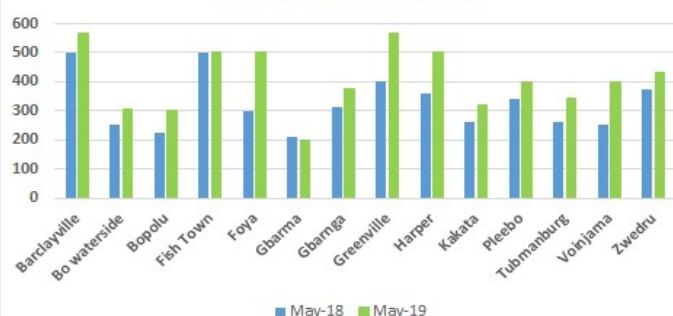


The average price for a gallon of palm oil currently stands at L\$ 645, up 30 percent compared to a year ago. Palm oil prices are reportedly higher compared to a year ago in Cestos City (86 percent), Foya (85 percent), Bopolu (75 percent), Gbarma and

Kakata markets (50 percent), see palm oil or more is sold to traders from Guinea on market days. Figure 4. Palm oil traders interviewed during market visits attributed the price increase to the prevailing exchange rate—depreciating Liberian Dollar against the US Dollar as well as the increase in transportation costs which is mostly due to the poor condition of farm to market roads. Important to note is the huge domestic demand in addition to regular cross-border flows to neighboring Guinea and Sierra Leone. According to traders interviewed in Foya market, approximately 11,340 litres of palm oil cross over from Ganta market in Nimba County into neighboring Guinea. Additionally, as the peak season of palm oil reaches to an end in June, most traders tend to buy more of the commodity and keep it to sell later when price is higher. Palm oil prices may continue its upward trend into the third quarter of the year partly because of the local currency devaluation and peak of the rainy season when production is low.

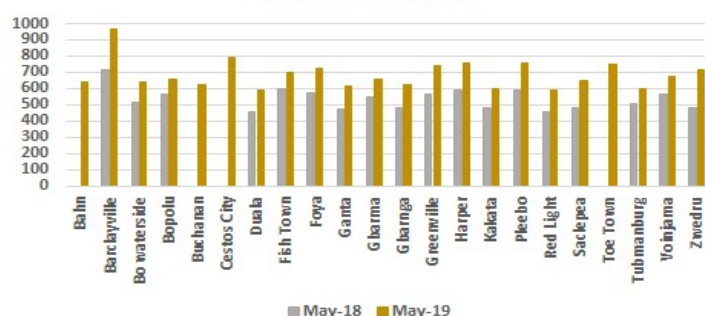
PRICES OF OTHER COMMODITIES

Figure 5: Nominal Price change for 1 (50kg) bag of Charcoal in Liberian Dollars (May 2018 and May 2019)



Majority of the people residing in Tubmanburg, Gbarma and Bo Waterside rely on charcoal production as means of livelihood. Figure 5 shows that current prices of charcoal increased in almost all markets compared to last year. The average price for a bag of charcoal currently stands at LD\$410 (25 percent) higher than what it was sold for in the past one year. Like other commodities, the increase in charcoal prices is a reflection of the prevailing exchange rate—depreciating local currency against the US dollars. Charcoal prices may likely continue going up due to the latter coupled with growing demand in urban areas. Gbarma market in Gbarpolu county remains the cheapest place to purchase charcoal.

Figure 6: Nominal Price change for 1 gallon of Gasoline in Liberian Dollars (May 2018 and May 2019)



The average price for a gallon of gasoline is LD\$685, up 28 percent compared to a year ago. According to Figure 6, all Liberian markets recorded increase in the price of gasoline. Local currency depreciation is reportedly responsible for the increase in the price of gasoline which explains the current trend. The official retail pump price for a gallon of gasoline currently stands at LD\$595 (US\$3.30) while Fuel oil (AGO) is LD\$665 (US\$3.70). Comparative price analysis of petroleum products in selected countries in the sub region indicates that the prices of petroleum products in Liberia are among the lowest in the sub region with Guinea at US\$3.94, Ivory Coast US\$4.01, Sierra Leone US\$3.60 and Ghana US\$4.16 per gallon.

PRICES OF OTHER COMMODITIES

Figure 7: Nominal Price changes for Fresh Pepper in Liberian Dollars (May 2018 and May 2019)

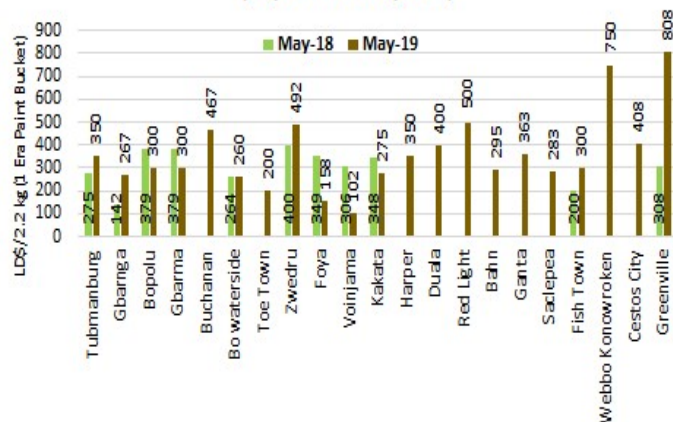
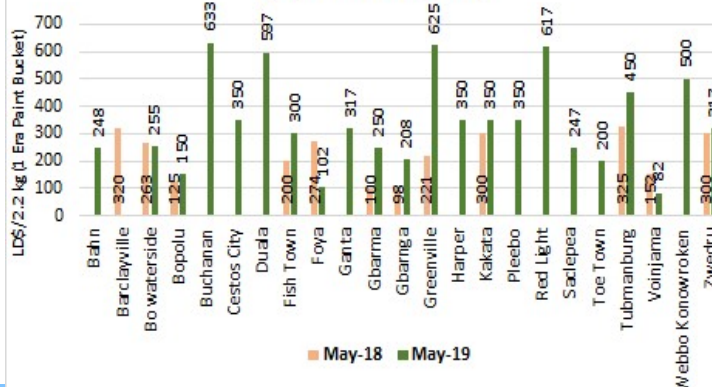


Figure 8: Nominal Price changes for Bitterball in Liberian Dollars (May 2018 and May 2019)



TRANSPORTATION CORNER

From Market to Capital Monrovia		May' 2019				
County	Market	Taxi LD\$	Bus LD\$	Pickup LD\$	Cam Motor LD\$	Truck LD\$
Bomi	Tubmanburg	350	325		300	
Bong	Gbarnga	800	500	450		
Gbarpolu	Bopolu	1100		1000		
Gbarpolu	Gbarma	700		550		
Grand Bassa	Buchanan	600	500			
Grand Cape Mount	Bo Waterside	700	550	500		
Grand Gedeh	Toe Town	4000	3500	3000		
Grand Gedeh	Zwedru	4500	3000	3000		
Grand Kru	Barclayville			13500	12000	
Lofa	Foya	3500	3300	3300		
Lofa	Voinjama	2800	2500	2300		
Margibi	Kakata	200	125			
Maryland	Harper	7500	6000	5000		
Maryland	Pleebo	7000	5500	5000		
Montserrado	Duala	70	40			
Montserrado	Red Light	100	50			
Nimba	Bahn	1600	1450		900	
Nimba	Ganta	800	450	600		
Nimba	Saclepea	1300	1100	900		
River Gee	Fish Town	5500	5300	5000		
River Gee	Webbo Konowroken	6800	7000	6000		
Rivercess	Cestos City	4000	3500			2500
Sinoe	Greenville	3800		4000		3400

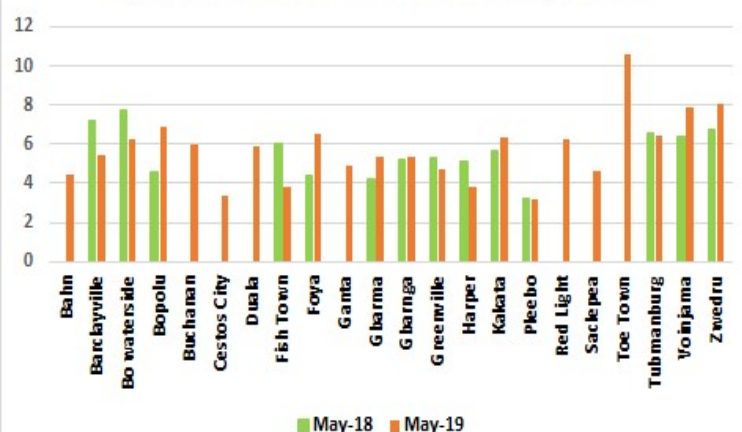
TERMS OF TRADE (TOT)

Table 2: Terms of Trade between daily wage and imported rice

Market	May-18	May-19		Main Activity
Bahn		2.3		Agriculture
Barclayville	5.9	2.0	↓	Agriculture
Bo waterside	3.9	2.8	↓	Charcoal
Bopolu	2.9	2.5	↓	Agriculture
Buchanan		4.2		Construction
Cestos City		3.9		Construction
Duala		13.0		Construction
Fish Town	4.3	2.7	↓	Agriculture
Foya	2.2	1.5	↓	Agriculture
Ganta		2.5		Agriculture
Gbarma	2.9	2.4	↓	Agriculture
Gbarnga	2.3	1.9	↓	Agriculture
Greenville	4.4	3.5	↓	Agriculture
Harper	3.8	2.9	↓	Agriculture
Kakata	3.8	4.3	↑	Agriculture
Pleebo	3.9	3.0	↓	Agriculture
Red Light		13.0		Construction
Saclepea		2.9		Agriculture
Toe Town		5.4		Agriculture
Tubmanburg	3.9	3.0	↓	Agriculture
Voinjama	2.5	2.2	↓	Agriculture
Zwedru	4.9	5.1	↑	Agriculture

Terms of Trade (TOT) between daily wage and imported rice was unfavorable for agricultural workers in almost all Liberian markets across the country, the exception was Kakata and Zwedru markets. The current dominant agricultural activity is planting while construction remains the main source of casual employment in Monrovia and Buchanan. The terms of trade (TOT) here reflect the amount of rice in kilo grams that a household may purchase in exchange of earnings from their daily work either in construction, agricultural labor or the production of charcoal. Casual laborers in Barclayville, Fish Town, Harper and Bo-waterside are getting 3.8, 1.5 and 1.0 kilograms of rice less respectfully from his/her daily earnings this year compared to a year ago. The decline in terms of trade is due to stable to lower wage rates for casual laborers against the increase in imported rice prices.

Figure 9: Terms of Trade between Palm oil and Imported rice



The terms of trade (ToT) reported here reflect the amount of rice in kilograms that smallholder oil palm producers may purchase in exchange for a gallon of palm oil. Figure 9 shows mixed reactions for terms of trade for palm oil producers across the country. Palm oil producers in Barclayville, Bo-waterside, Fish Town and Harper experienced unfavorable terms of trade slightly. According to figure 9, palm oil producers/sellers in Fish Town are obtaining 2.2 kilograms of rice less than the past one year from sale of a gallon of palm oil. A similar situation was also observed in Barclayville (1.7 grams), Bo-waterside (1.5 grams) and Harper (1.3 grams). The decline in terms of trade in these areas will weaken palm oil producing households and sellers purchasing power, thus constraining their food access.

CONCLUSION AND OUTLOOK

In comparison to last year, the prices of imported parboiled rice, cassava, palm oil and pepper, charcoal and gasoline have increased in all markets monitored across the country due to the poor economy and high food inflation. Liberia is currently facing a serious price shock, a situation which may adversely impact the food security of vulnerable households, especially the poor. According to the Central Bank of Liberia 2018 Annual Report, the inflation rate jumped to 23.4 percent at the end of December 2018 from 15.4 percent in January 2018. The inflation is mainly driven by currency depreciation. The Liberian dollars (LRD) has lost approximately 80 percent of its value in one year, leading to additional pressure on prices of main staples and other basic commodities.

It is also important to note that the continued depreciation in the local currency against the US dollars since the beginning of last year could offset the global rice price trends (lower prices in main sources of imported rice in Liberia) effect on the domestic markets. With Liberia as a net importer of food, currency devaluation normally leads to higher import parity price in comparison to domestic prices. This is very critical considering the already high food inflation and poor performance of the country's economy. These factors could seriously impact on the food access of both the urban and rural poor.

In general, food availability across the country is expected to be good with adequate commercial imported rice stocks in-country.

With the prevailing currency depreciation and double digit high food inflation, the Ministry of Agriculture and partners will continue to closely monitor food prices in the country.