

## EXECUTIVE BRIEF: EASTERN BASIN OF WEST AFRICA October 9, 2009

### Agricultural Markets and Food Security in 2009: Summary and Updates

- The outlook for the 2009-10 harvest in the eastern basin is average, but several areas affected by adverse weather are likely to exhibit deficits.
- In the short run, the harvest will lead to a decline in prices, but these will probably stay at above-average levels into 2010.
- Commercial and public stocks are still relatively low in Nigeria, Chad, and Niger and buying is expected to continue.
- Poor households accessing food through markets will remain exposed to food insecurity.

This brief summarizes the February to March 2009 CILSS-led assessment of agricultural markets in the eastern trade basin of West Africa and provides an update for some key market variables through the current harvest period. Despite successive good harvests in the recent past, prices have remained above the levels that prevailed prior to the food price crisis of 2007–08 as households, traders, and governments were rebuilding their stocks and thus strengthening the demand. Prices should decline through the harvest period, but, all else equal, re-stocking will likely maintain an upward pressure on prices.

Throughout the eastern trade basin of West Africa (Benin, Nigeria, Chad, and Niger), the 2008 harvest was above average (output growth from the previous season was even above the long-term trend) and exceptional in some places. This bumper harvest resulted from favorable climatic conditions, government programs and NGO initiatives to support production, and a good response from producers who invested more resources in production and expanded the area planted. Maize and rice production was particularly high. In Benin, cereal output rose significantly as the area planted increased and yields improved. In Nigeria, cereal output was generally good, although there were significant losses in some northern locations. The production of cowpea and groundnut reached record levels in Niger. Only Chad experienced no growth in cereal production compared to the three previous seasons due to adverse climatic conditions (flooding in the south, and rainfall deficit in the regions of flood-recession crops and in the regions of rain-fed cereals).

Nonetheless, prices remained high through the end of 2008 and the first half of 2009 as demand was strong and producers, livestock producers, traders, and governments, facing a still uncertain agricultural outlook, strived to replenish largely depleted stocks. As of July, 2009, nominal cereal prices were generally higher than the five-year average. As a result, in some locations, households had difficulty accessing affordable foods.

In 2009, rainfall has been about normal in the region bordering the Gulf of Guinea. However, in the presence of El Niño, the Sahel was subject to irregular, below-normal rainfall from March to mid-July (with some variation across areas). Although the rainfall pattern has reverted to normal since late July and crops endured the dry weather fairly well early in the season, an average harvest is most likely in the eastern basin (whereas a good harvest remains possible in the western basin).

In addition, localized, weather-related events have had adverse impacts on agriculture and populations:

- In early September, flooding occurred in Chad, Niger, and Nigeria, causing damage to agricultural land and infrastructures, and losses to food stocks, crops, and livestock.
- Early-sowing failures, due to rainfall deficits, in northern areas of Chad's cash-crop regions, in the Tillabéri, Zinder, Diffa, and Agadez regions of Niger, and in the northeast of Nigeria may lead to production deficits.

- The drought early in the season in the northern, pastoral regions of Chad (Kanem, Batha, and Biltine) and Niger negatively affected crops and delayed the regeneration of pastures, which led to livestock weight loss and low milk production.

These events are expected to lead to localized food insecurity around harvest (October through December, depending on the area). In general, governments promptly delivered assistance that somewhat mitigated food insecurity. For instance, the regions of Tillabéri and Téra in Niger benefitted from sales of sorghum at below-market prices and sales of cereals from cooperatives.

As a consequence of low production in West Africa and in exporting countries in 2007 and high international commodity prices in 2008, producers, intermediaries, and governments incurred near depletion of their stocks of cereals, cowpea, and oilseeds. Because prices remained at relatively high levels through 2008 and into 2009, they also had difficulty fully replenishing their stocks despite the good 2008 harvest. As of late March 2009, public cereal stocks were lower than those in the preceding year, and they amounted to only 58, 20, 46, and 39 percent of the target levels in Benin, Nigeria, Chad, and Niger, respectively. As of early October, these stocks reached 80, 2, 26, and 44 percent of the desired levels for Benin, Nigeria, Chad, and Niger, respectively (Figure 1). Note that the target level for Nigeria was recently raised to 2 million MT. Besides Benin, these low to intermediate levels of public stocks may weaken national governments' capacity to assist households facing food insecurity through local food assistance programs.

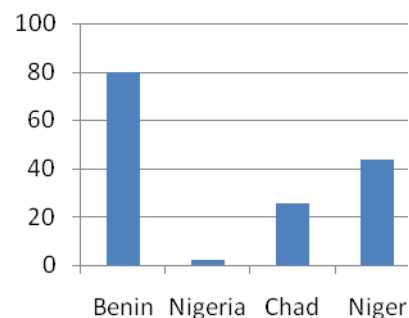
In Benin and Nigeria, many producers were unwilling to market their cereals after the 2008–09 harvest because they expected an opportunity to sell at higher prices at a later time. Also, anticipating scarcity in the marketplace and associated higher prices for food, they held stocks to assure their ability to meet their own food needs. Producer stocks of millet and sorghum appeared to be particularly important. In Nigeria, private intermediaries were unwilling to purchase cereals (in particular, maize) at the high prices prevailing around harvest time. The situation was different for cowpea due to expectations of strong demand.

In Chad and Niger, farmers tended to market their cowpea and groundnuts to earn cash while they stored their cereals to hedge against the risk of food insecurity later in the season. In some areas of Chad, primarily in the south, farmers received assistance from micro-credit providers to finance the storage of their cereals. Traders, in contrast, were reported to carry low inventories as they faced high prices and expected supply to rise after the off-season harvest. The retention of cereals by producers and the restoration of public stocks (to some extent but well under target levels) sustained the demand and thus prevented prices from falling. The 2009 off-season cereal harvest allowed for further replenishment of public reserves before this year's rainy season. In Niger, estimates of producer stocks were also relatively high, whereas public stocks stayed below desired levels. However, in various locations, traders' stocks of cereals rose significantly and cowpea inventories were abundant.

The relatively high level of farmers' stocks may strengthen their own food security, but in the context of high prices, the relatively low level of trader inventories and government national security stocks may not be adequate to respond to attractive consumer prices and potential food insecurity. Although the supply of cereals in 2008–09 compared favorably to that in 2007–08, further efforts to restore stocks are expected to keep putting upward pressure on prices in the region, at least into the harvest period, from October to December. Poor households in and around urban areas and pastoralists may be negatively affected by these persistent high prices.

The demand for agricultural commodities from consumers, livestock producers, and food industries remained strong from 2008 to 2009. In addition, traders and governments absorbed a large amount of output to rebuild stocks. Hence, throughout the region, prices stayed at a higher level than the five-year average. In March 2009, only in some places in the Lake Chad region did prices decline in conjunction with a good outlook for the off-season harvest. The late start of the rainy season led to pessimistic expectations and reinforced the upward pressure on prices through the first half of 2009.

**Figure 1.** Ratio of actual to targeted public cereal stock levels in October 2009 (in percent)



Source: FEWS NET

The cost of importing rice into Nigeria increased as this country's currency (the Naira) depreciated, which may have raised the risk of disruption in the supply of rice. In addition, the government of Niger's purchases of cowpea seemingly raised the cost of importing this commodity into Nigeria, which could have impaired the supply during the hunger season. Nigerian suppliers were responsive in sourcing this commodity, which up until March limited the increase in the cowpea price in the face of sustained demand, but the price of cowpea in Nigeria continued to increase from March to August. In Chad, in the region of N'Djamena, as early as March, prices for millet and other cereals were unusually high, which portended a situation of food insecurity among poor households at the peak of the hunger season, between July and September. In Niger and in the north of Nigeria, poor urban and peri-urban households were reported to have difficulty affording food.

Generally, cereal prices are still higher than the five-year average. The return of rainfall back to normal, healthy crops, good early harvests, and the sale of stocks by governments and traders initiated a downward trend in some prices in August. In Niger, as of early August, the price of rice was stabilizing and even slightly decreasing in some markets. Prices of other cereals were generally increasing. In other places, recent data indicated that maize, millet, and sorghum prices started to steadily decline after the first harvests and an increase in the sale of inventories. If abundant rainfall continues, prices of rain-fed crops might return closer to the historical average.

The normalization of trade flows within the region, through the relaxation of trade restrictions, has ensured the balance between supply and demand in most locations. Temporary restrictions imposed on exports in 2008 generally had a minor impact on supply in importing countries. For instance, exports of cowpea from Niger to Nigeria were not discontinued despite restrictions imposed on exports through Zinder and Diffa (until February 2009). In the context of increasing flows of maize from the Lake region of Chad to Nigeria, the attempt by the government of Chad to limit these exports have had little effect due to smuggling. However, barriers to trade erected by governments may have prevented prices from adjusting downward in deficit regions. In the case of Nigeria, the volatility of the Naira, the burden of administrative costs, product standards, inadequate infrastructure, and insufficient access to credit to finance trade have limited the flows of commodities between this country and its regional trading partners. In Niger, maize imports are diversified with respect to the country of origin and the inflow of maize has been sufficient. Imports of cereals from Nigeria have been normal. However, the cost of importing rice rose because of a change in transport regulations, whereas trade costs were already high due to official and informal border duties. Policy barriers to trade became less prevalent and restrictive in 2009.

In Chad and Niger, in early 2009, the scarcity of good quality forage adversely affected pastoralists and forced herd movements to distant, southward locations with better pastures earlier than normal and increased the use of complementary feed. This led to higher production costs, leaner animals, and thus less favorable terms of trade, especially for breeders of small livestock. The high price of cereals and other commodities used in feed, such as cotton seed meal, entailed a further increase in livestock production costs. The price of cotton seed went up as the demand from Cameroon and Nigeria's agro-industries (oil production in particular) and their exports increased. These factors explain why livestock prices remained high. However, as the Naira weakened the Nigerian demand for livestock from Chad and Niger (especially cattle) went down, which tended to depress prices. The late regeneration of the vegetation in the first half of the year also curbed the production of milk, an essential source of income for pastoralists. Hence, pastoralists experienced a relatively difficult hunger season and eventually suffered moderate food insecurity. With the return of rains, and the early liquidation of some livestock, good pastures allowed for the restoration of animal weight and improvements in output quantity and quality, especially for sheep and goats herders.

Due to adverse weather early in the season, the prospects for the 2009–10 harvest are generally average. This harvest will probably bring about lower commodity prices in the short term, which would ease the burden of food purchases for poor households. In the medium term, trader and government purchases of cereals to restore stocks will likely push prices back to the above-average levels that have prevailed in recent years. Furthermore, while some locations will have surpluses, other places will incur deficits. Thus, in a context where poor urban and rural households and pastoralists have seen their purchasing power eroded by persistently high staple food prices, and where localized pockets of food insecure households have emerged, the access to affordable food by households living in these deficit regions (rural regions of Chad and Niger that are subject to structural deficits, eastern Chad, the southern regions of Niger and Chad having experienced rainfall deficits, etc.) will heavily rest upon well functioning markets and interregional and international trade systems, especially those for staple foods.