

## NIGERIA Market Assessment Summary

February 2012

### *Localized food insecurity in the extreme north as civil insecurity persists in the north.*

- Domestic cereal and tuber crop production in 2011 is at mostly normal levels, and will meet basic food needs throughout the country through June/July 2012.
- Civil insecurity in the Northeast (Borno and Yobe states), and in north central (Niger, Plateau, Kaduna, Kano) is affecting normal internal market flows of staple foods regionally and to deficit areas in the south, and compounding price increases caused by the escalation of fuel costs.
- The recent official border closures between Nigeria and Chad/Niger have reduced market activity to informal commerce among traders for livestock and cereals.

### Markets and Trade

#### *National Production and Availability*

Nigeria is a key food production center in the region and is a particularly important source of regional cereals, primarily sorghum, millet, and maize. The Nigerian national food production level in 2011 is slightly higher than in 2010 despite the localized incidence of hazards such as floods and dry spells. In general, maize, sorghum, millet, and rice supply in the country is estimated at about 22.1 million tons in 2011, slightly above the 21.96 million ton 2010 supply. Tuber production such as cassava and yam is slightly higher than 2010 records.

#### *Conflict and Insecurity*

Civil insecurity has persisted in the north, resulting in the Government of Nigeria closing of the national borders with Niger and Chad, and restricting food flow across borders as well as to Nigerian states directly affected by conflict, especially in the northeast. The civil conflict across the north has impacted food prices in most affected areas.

#### *Increasing Fuel Costs*

In January 2012, the Government of Nigeria removed a long-standing fuel subsidy, resulting in a price increase of over 100 percent. After public outcry and rioting, the subsidy was partially re-instated, resulting in a 49 percent increase in the formal market. The recent increase in fuel pump prices in January 2012 from NGN65/liter to NGN97/liter has led to increased transport and food production costs, consequently increasing food prices across

**Figure 1.** Most likely estimated food security outcomes, February-March 2012



Source: FEWS NET

**Figure 2.** Most likely estimated food security outcomes, April-June 2012



Source: FEWS NET

For more information on FEWS NET's Food Insecurity Severity Scale, please see: [www.fews.net/FoodInsecurityScale](http://www.fews.net/FoodInsecurityScale)

*This report provides an update to the July 2011 FEWS NET Food Security Outlook report which estimated food security conditions from July to December 2011. The next Outlook report will be released in October and will cover October to December 2011.*

the country. Despite fuel prices increase, fuel is scarce country-wide and most fuel is purchased at unofficial rates. This is particularly the case in rural areas in the extreme north, given the distance from fuel depots in the south, which causes delivery delays that are also exacerbated by civil conflict and bad road conditions. The impact of rising fuel prices on food prices is less significant in the north central areas as most poor households depend on their own production for annual food stocks. However poor households in the area will be impacted during the lean season when they resort to market purchase, as food prices typically increase. Another anticipated official increase in fuel pump prices in April, coupled with trader speculation will likely increase food prices in most markets across the country. Food flow to the southern deficit areas and to production deficit areas in the extreme north may be impacted significantly, restricting food access for poorer households. In order to cope with food price hikes, affected poor households will intensify engagement in casual labor, the sale of small ruminants such as goats and sheep, charcoal hawking, and taking on new debt to meet their basic food needs.

#### *Market Supply and Demand*

Out-producing other nations in the West African sub-region and the Sahel, Nigerian food commodity markets are also highly integrated both domestically and regionally, enabling a smooth flow of food commodities from surplus to deficit zones across borders with Niger and Chad, and within the central and eastern market basins. Nigerian cereal exports account for a significant portion of national cereal supply in several countries, including Niger, Chad, and Mali. Industries such as malting companies, food processors, and poultry farmers typically buy cereals such as sorghum, millet and maize as raw materials. However, industrial demand is relatively low as of January 2012 according to traders associations in the northwest, in Zamfara, Sokoto and Katsina states, likely due to limited access to bank loans and high cost of production due to increased fuel price. Additionally, food prices were higher between November and December 2011 during the Eid-el-Adha and Christmas festive seasons due to increased food demand, likely reducing institutional purchases.

#### **Price Trends- Key Food Commodities**

Markets are well integrated across the country and food commodities (cowpea, maize, millet, sorghum) are flowing normally from the surplus production zones in the north to the deficit areas in the south. Food flow from the north central to the extreme north is very good, especially for maize and sorghum, offsetting localized food deficits in Zamfara, Sokoto, Katsina and Jigawa states. From December 2011-January 2012, high levels of civil insecurity in the north resulted in a brief reduction in food flowing to deficit areas in the south. During this period food prices were relatively high in the south as market supply declined, especially for millet, maize, cowpea and sorghum.

#### *Cereals and Tubers*

Most markets are well-supplied with major staples such as sorghum, maize, cassava and yam, except in localized areas affected by civil conflicts in the north. A slight decrease in the production of millet and rice has resulted in subsequent decreases in market supply of these commodities. The prices of major staples such as millet, sorghum and maize in the north are slightly higher in 2011 than 2010 levels at the same time. In Maiduguri, despite being the epicenter of the civil insecurity, the prices of food stuffs such as millet, maize and sorghum are maintaining a normal range between NGN5500 and NGN6500, similar to prices in other markets, indicating typical market functioning across the country. In the south, cereal prices are also within normal range, despite the increased transport costs and the impending lean season in the area. Prices for Gari (fermented cassava), the cassava-based primary staple in the south, have steadily declined since December 2010. This may be attributed to increased cassava production, the raw material for the production of Gari in 2011, which has eased household access. The continuing market availability of Gari at current prices may reduce household impact of the lean season for poorer households.

Contrary to cereal price trends, rice prices are increasing in some markets, particularly Maiduguri where the price of local rice is higher (NGN17000) relative to NGN14000 and NGN15200 in Sokoto and Dutse markets respectively. Price variations may be the combined result of reduced production caused by localized drought and

persistent conflict in rice-producing areas which has significantly affected rice crops restricted the flow of the commodity from the assembly markets in the area.

Millet supply in most markets in the north-west and in the southern areas is low due to restricted flow from the northeastern areas, the relatively surplus production zone, due to conflict and reduced production resulting from localized drought. Millet prices in most northern markets range between NGN5500 and NGN6500, compared to the range of NGN4200 and NGN6000 at same time in 2011. In Bodija market, in the south, millet currently costs NGN7000/100kg, an 8 percent increase from 2011 prices during the same period.

#### *Pulses*

Market supply of cowpea in 2011 is slightly less relative to 2010. However, the price of cowpea is relatively high (NGN13000) in Maiduguri market and may be attributed to border closures with Chad and Niger, where traders import cowpea for sale throughout Nigeria. Cowpea prices in the north-west range from NGN10000 to NGN11000. The demand for cowpea in Maiduguri may be higher than in the northwest areas due to increased commercial activity in the east, relative to cowpea marketing in the west. While in Bodija market, southwest, cowpea costs for about NGN20000/100kg. Traders from the south may soon resort to purchasing cowpea from the north-west as prices are competitive relative to the northeast areas.

#### *Vegetables/Fruits/Other*

Market supply of dry season crops such as onion, tomatoes, and pepper are significantly above average across the northern states, considered the surplus production zone for these foods. Given the high level of supply, and normal demand levels, prices of these food commodities are very low, and in some cases, as much as 40 percent lower than last year. In a normal year, one bag of tomatoes usually costs NGN3000, compared to the current 2012 price of NGN1800 Kebbi. Onions, which currently cost NGN2500 in the same market, sold for NGN16000 at the same time in 2011, a cost reduction of approximately 85 percent. The millet/onion terms of trade have declined in 2012 to one third bag of millet for a bag of onion from about 3 bags of millet for one bag of onion in 2011. Market flows of vegetables to deficit areas in southern markets is restricted due to fear of reprisal attacks coupled with high transport costs and low prices due to a glut of vegetables in northern markets. The low dry season prices offered by farmers will reduce income and purchasing power. Cost benefit speculation for the coming year by farmers given current prices trends may discourage farmers from increasing production in the near term.

#### *Livestock/Animals*

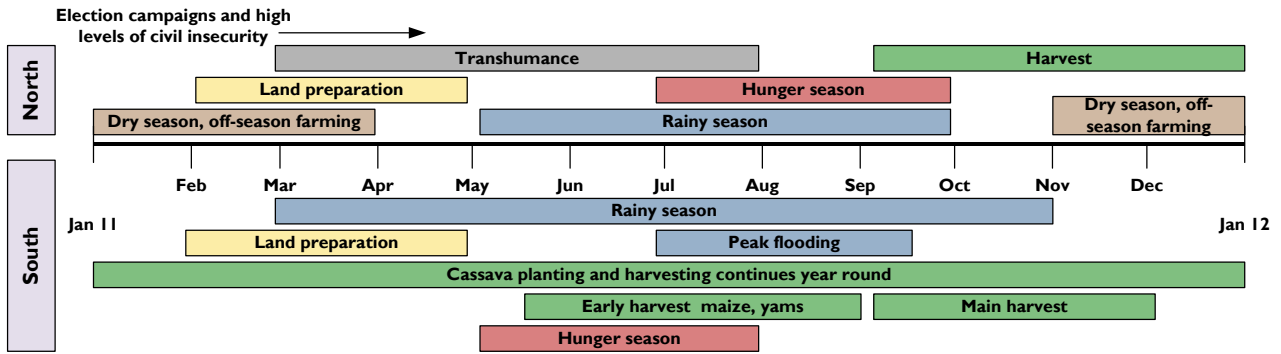
Livestock supply is limited in most markets in the north due to the Niger and Chad border closure, increasing demand and creating higher prices for animals, particularly cows, sheep and goats. Given this market trend, livestock-cereal terms of trade currently favor Nigerian pastoralists, increasing income and purchasing power. The informal trade of livestock such as cattle, sheep and goats from the Sahelian countries (especially Niger), is still supplying Nigerian markets. Likewise, informal cereal flow to Sahelian traders continues in small scale.

In the coming months, traders will replenish their stocks through market purchase, increasing demand as the lean season approaches and more households will resort to market for food, pushing food prices upwards. Poor households will depend on intense casual labor work, remittances, sale of cash crops and charcoal to earn income and access food. If Nigerian borders with Sahelian countries reopen in the coming months, which is possible given government efforts to reduce insurgency in the north, livestock supply such as cow, sheep and goat will increase in Nigerian markets and prices will decline. However, prices typically increase between now and the peak of the lean season as market demand increases, particularly in areas with localized production deficits.

#### **Household Market Access**

In the north and in the south, market demand is low, though within normal levels as most households depend on their own food stock for at least three months after harvest. Households are generally maintaining normal food stocks, except in the extreme north where the food reserves are relatively lower for millet, cowpea and groundnut due to low production levels. In the north central and in the south, household food stock is within normal levels, with the exception of households within the millet, sorghum, cowpea livelihood zone, where most households have shifted to cheaper substitutes such as sorghum and maize, since December 2011, as prices for the preferred cereal (millet) have increased. This trend has been observed by traders in Katsina, Gusau and Sokoto in the north-west. Household dependency on market purchase during the lean season will increase demand beginning in July, by which time most poor households will have exhausted their food reserves.

### Seasonal calendar and critical events



Source: FEWS NET

I also reviewed the latest version that I have worked on with Jenny, who provided some additional suggestions. In summary, please revise the document according to the comments provided, and addressing the following issues throughout:

1. Please review all dates in the document and clarify comparison years. If we select 2010, please explain why—otherwise, please identify the year and/or date for all price comparisons, and present both the price increase (in amount) as well as in a percentage. Where possible, please compare to a five-year average or other acceptable baseline year/timeframe.
2. Border closure- we reference Niger but not Chad. Please add some information regarding who closed the borders in both cases, and what the implications are on those two countries. Also, the document asserts that the borders will reopen soon- what evidence or information do we have to support this? We should include what we have.
3. We should provide more information about the fuel price issues—I have added some info about the subsidy but perhaps you can add some information/data to this and bring out any key issues regarding this price issue and future projections of what will happen with this commodity.
4. In referencing food as a commodity, we should also highlight where possible whether we are talking about cereals, pulses, tubers, etc.
5. Price discussion- we talk about raising prices—especially those that are increasing “slightly”—can we make a distinction between normal inflation and price increases and reference this in the document?

If you can return the draft to me by 4pm your time, we can plan to discuss at 6pm your time just so I have time to go over the return draft. Many thanks in advance for your assistance and efforts-

Best,  
Meredith

Meredith Sisa  
Food Security Analyst  
Famine Early Warning Systems Network (FEWS NET)  
Chemonics International Inc.  
Phone: +1 (202) 955-4195  
Email: [msisa@fews.net](mailto:msisa@fews.net)  
Skype: fn-msisa