

REGIONAL SUPPLY AND MARKET OUTLOOK UPDATE

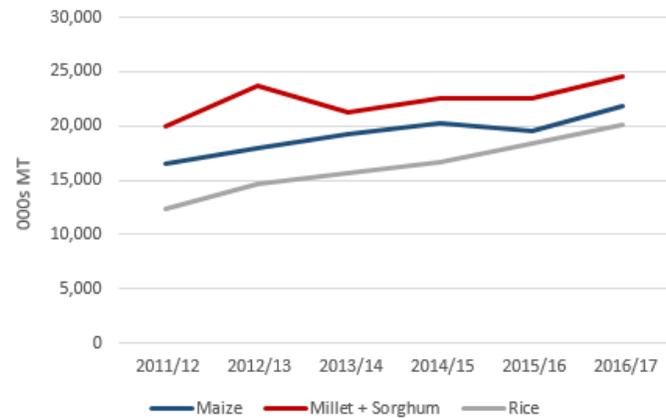
April 30, 2017

West Africa

Key Messages

- Between Feb 7 and March 18, a series of joint market assessments were conducted across West Africa. These annual assessments were carried out under CILSS leadership, with active participation by FEWS NET, WFP, FAO, national Ministries of Agriculture and Market Information Systems. The findings from these assessments are key inputs to this report, which provides an update to the assumptions and analysis outlined in the [West Africa Regional Supply and Market Outlook report](#) published in December 2016. Updates to the major assumptions developed in December are outlined in **Table 1** and **Table 2**. Some of the results were also presented at the [March 2017 PREGEC meeting](#).
- At the regional level, production is above-average (**Figure 1** and **Figure 2**), driven by a third consecutive year of favorable production conditions in key surplus-producing areas and a large supply response in Nigeria to favorable production and marketing conditions (high prices and government support programs). There are nevertheless localized instances of below-average production within Niger, Mali, and Burkina Faso (due to erratic rainfall) and northeastern Nigeria (due to protracted conflict and displacement).
- As anticipated in December, major market anomalies in the region are driven by the direct and indirect impacts of macroeconomic shocks and conflict and are mostly concentrated in or emanating from dynamics in the eastern basin. National-level anomalies in Nigeria and Chad are both linked to low oil export revenues, which have reduced government and private sector spending and access to foreign reserves for essential imports. Demand in both countries is down due to lower purchasing power.

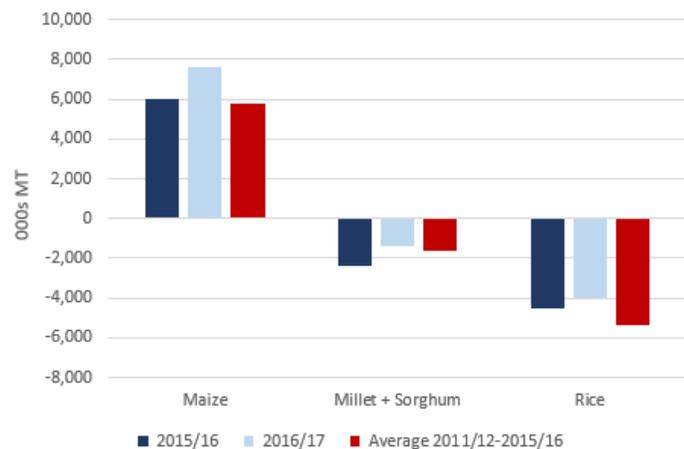
Figure 1. West Africa regional cereal production (000s MT)



Sources: Authors' calculations based on CILSS 2016 data.

Note: The harvest estimates in this report are preliminary, as of March 2017, and may be revised as final estimates become available.

Figure 2. West Africa regional commodity balances (000s MT)



Sources: Authors' calculations based on National Ministry of Agriculture, CILSS, FAO STAT, and World Bank 2016 data.

Note: Due to a lack of data, industrial demand was not included in this analysis. However, demand for cereals for livestock/poultry feed and for agro-industries, such as breweries, is expected to be average in 2016/17.

ABOUT THIS REPORT

This report provides a summary of changes to regional cereal availability estimates and markets across West Africa. It updates FEWS NET's [Regional Supply and Market Outlook Report](#) published in December 2016 and follows the recently concluded joint CILSS/WFP/FEWS NET/FAO market assessments that took place across the region in February and early March. Furthermore, this report reflects the most up to date production estimates presented during the March 2017 PREGEC meeting.

- In the Eastern Basin, the ongoing market disruptions in the northeast of Nigeria are driven by the protracted conflict (and related displacement). Nationally, macroeconomic conditions have resulted in relatively high local nominal prices, while export parity prices are relatively low (**Figure 5**). These trends are expected to persist in the short to medium term. In areas of Niger bordering Nigeria, prices have increased compared to 2016 due to local deficits and supply disruptions around Maradi and Zinder. This has led to increased reliance on imports from Nigeria at this point in the marketing year (usually this demand is stronger during the lean season) and higher prices in these key markets (**Figure 3**). In Chad, market activities are expected to remain below average, resulting in lower food prices (**Figure 4**).
- In the Central Basin market supplies are adequate, but trader restocking is at below average levels due to good household stocks. Households and traders are retaining stocks in anticipation of higher prices later in the year. By and large in the basin, prices are stable or below average, except in Ghana. Trade flows are below average for this time of year due to (1) adequate grain supply in importing countries and (2) reduced livestock demand from Nigeria (there are even instances of trade flow reversals, with Nigerian livestock traded in Burkina Faso and Ghana, which is atypical).

Table I. Revised Assumptions for the Eastern Marketing Basin

December 2016 Assumption	March 2017 revision
Staple food prices are expected to remain well above average in Nigeria and in Ghana. Trade with Nigeria will remain disrupted by the atypical import and export parity prices, driven by the depreciation of the Naira.	In Nigeria, prices are higher than last year and the five-year average on all markets visited due to higher transportation costs, high production costs and high rate of inflation. The depreciation of the Naira is a major factor this price trend (see also next point).
The low values of the Nigerian Naira (NGN) has also encouraged Nigerian cereal exports to regional markets, while reducing Nigerian livestock and cash crop imports. Low global crude oil and mineral prices have likewise put downward pressure on other regional currencies.	The Naira exchange rate in border markets with the CFA zone is at its lowest level in more than a decade (Figure 6). There is a large difference between the exchange rate on the black market and the official exchange rate. This situation makes trading very difficult and greatly reduces banking transactions in favor of black markets. According to discussions with traders, there are also certain restrictions on exports of cereals to Niger, particularly on maize. However, the level of application of the law differs from one State to another
In northeastern Nigeria, along with neighboring areas of Chad and Niger, Boko-Haram related conflict has contributed to large-scale displacement of local populations. This has contributed to reduced livelihood and market activities, depending on the locality, and below-average production in some areas.	The market situation is slowly improving with security conditions (Figure 9). Still many IDPs and displaced populations in border areas of Niger, Chad, and Cameroon.
Despite an overall good pastoral condition across the region, livestock prices are below average in some areas of the Sahel, negatively affecting terms of trade for pastoralists. These prices and terms of trade trends are driven largely by low export demand from large coastal importing countries like Nigeria and Ghana.	In the border markets (Jigawa and Katsina), supply has decreased significantly due to the exchange rate that would not incentivize imports from the CFA zone and high maintenance costs. On the local markets, supply has increased significantly due to attractive prices. Livestock trade between Chad and Nigeria has suffered from the border closures leading to major drop in livestock prices.
Price decreases are expected to be most pronounced in Chad (given the current season crop performance). Prices will stabilize during the first quarter of 2017, and then start increasing through to the lean season, as stocks deplete and households rely more and more on markets. As for livestock, persistent low export demand will maintain prices at below normal levels. Prices will remain at very high levels in Nigeria, despite record production	Demand in Chad is very low, due to the economic slow down. Prices in Niger (Maradi, Zinder) are higher than expected, following some localized production deficits triggering Nigerian imports. In Nigeria inflation is stabilizing around 18%, with persistent very high prices.

Source: Authors based on regional market assessment findings.

Table 2. Revised Assumptions for the Central Marketing Basin

December 2016 Assumption	March 2017 revision
<p>There will be important maize deficits in Ghana. There are minor projected rice surpluses in Côte d’Ivoire and Mali, but countries across the region will continue to import large quantities of rice to meet requirements. There will be substantial quantities of pulse/legumes available for regional trade, including from Burkina Faso.</p>	<p>The levels of stocks on markets are slightly lower than normal. For the purpose of cost reduction and to avoid price fluctuation losses, traders are limiting their cereal stock quantities in anticipation of higher prices later in the marketing year. Maize, sorghum, cowpea, and groundnut exports from Burkina Faso are highly dynamic. The Central basin is importing large quantities of rice, especially Côte d’Ivoire, Ghana, and Burkina Faso (over 2 million MT for the three countries alone), from the international markets. About 1.2 million MT of wheat are expected to be imported in the basin.</p>
<p>Regional coarse grain deficits will be offset mostly by supplies from the Central basin, where there are important marketable surpluses.</p>	<p>Despite some observed flows (e.g., Niger buying coarse grains), overall cross-border flows are timid due to poor demand from importing countries.</p>
<p>Grain prices will follow normal seasonal trends during the 2016/17 marketing year and will remain below the previous five-year average thanks to above-average production, especially in Mali and Burkina Faso.</p> <p>In contrast, in Ghana, though maize prices declined during the post-harvest period, they remained above average given this year’s deficits coupled with the effects of the depreciation of the local currency (GHS). Ghana’s maize import needs and high prices could also put pressure on maize supplies and prices in neighboring Burkina Faso.</p>	<p>In most countries in the basin, prices are relatively low to stable compared to previous months and following normal seasonal trends. However in Ghana, a certain price instability was reported with higher trends. The depreciation of GHS is reported to have now less impact on regional trade flows than the impacts of the depreciation of the Naira.</p>

Source: Authors based on regional market assessment findings.

Figure 3. Terms of trade (ToT) in Maradi, Niger



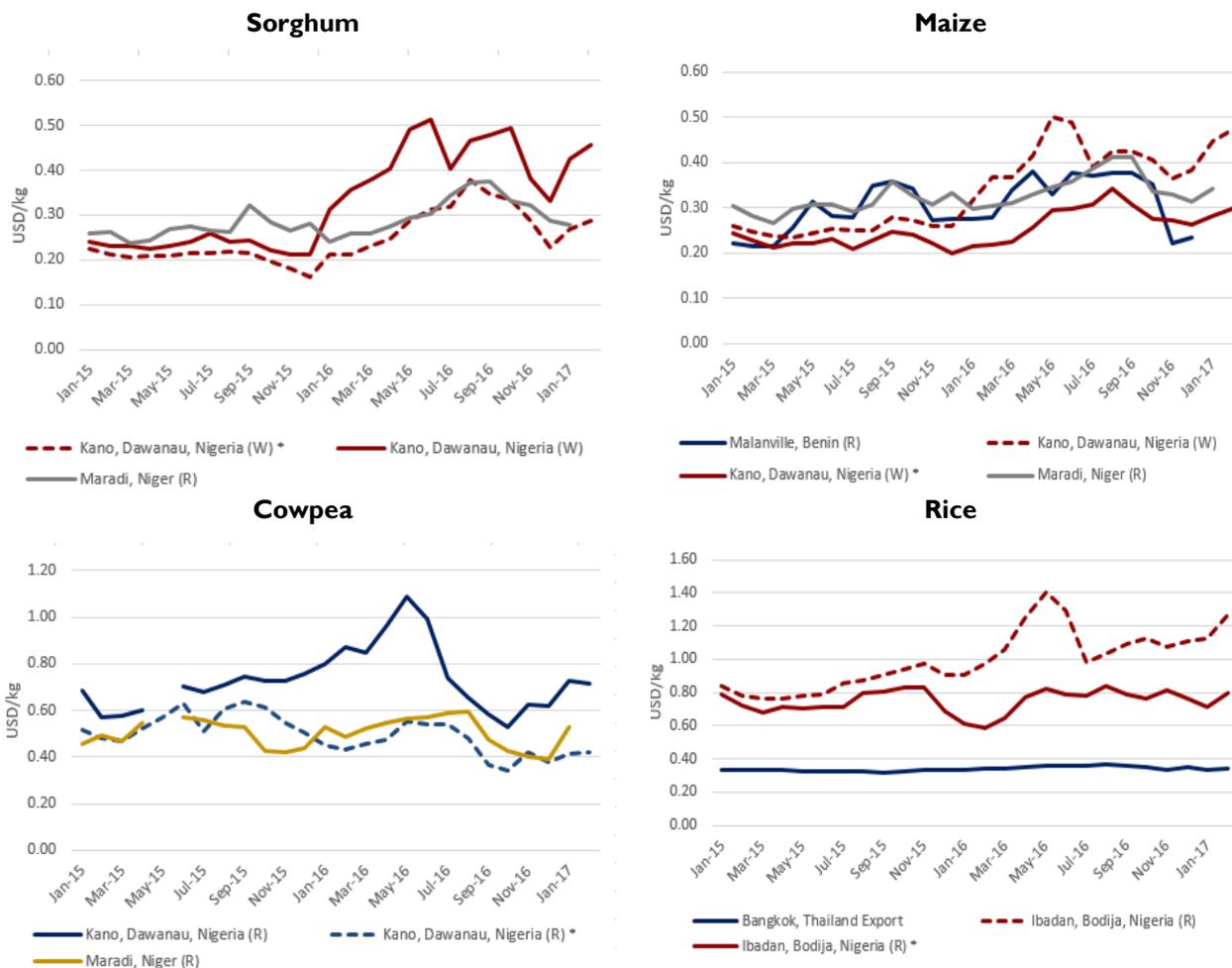
Figure 4. Terms of trade (ToT) in Moundou, Chad



Source: Authors’ estimates based on national Market Information System, WFP, and FEWS NET data.

Note: The sorghum for cattle terms of trade in Niger show the 000s kg of sorghum one can exchange for one head of cattle. The sorghum for goats terms of trade in Chad show the number of kg of sorghum one can exchange for one head of goat.

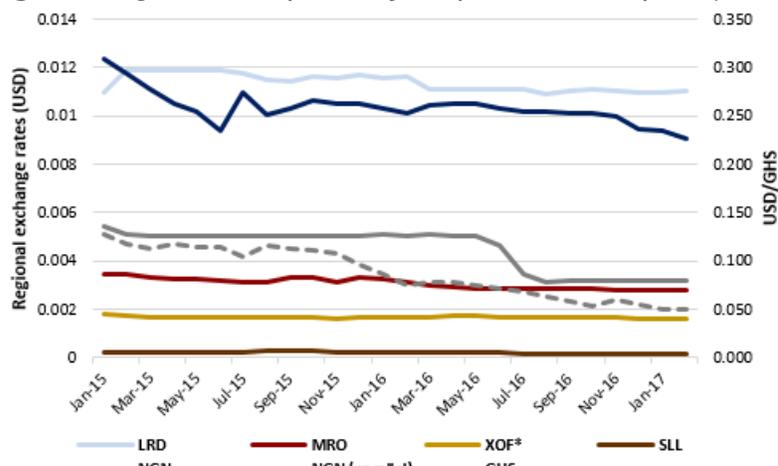
Figure 5. Export and import parity price trends in the Eastern Basin of West Africa, USD/kg



Source: Authors' estimates based on national Market Information System, WFP, and FEWS NET data.

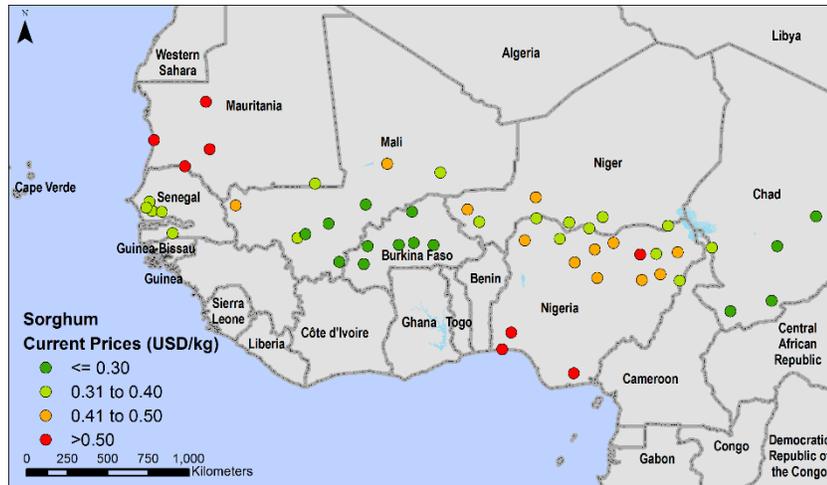
* Denotes the value using the parallel exchange rate.

Figure 6. Regional currency trends (January 2015 – February 2017)



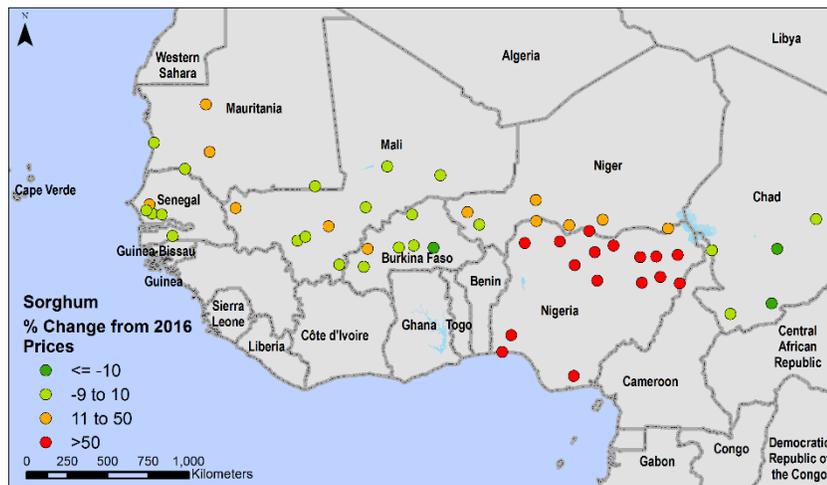
Source: Authors' estimates based on Oanda.com and Central Bank of Nigeria (CBN) data.

Figure 7. March 2017 sorghum prices, (USD/kg)



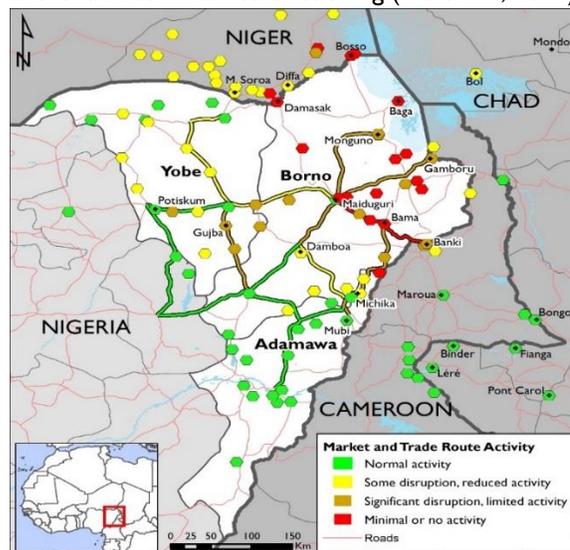
Source: FEWS NET estimates.

Figure 8. March 2017 sorghum prices compared to 2016



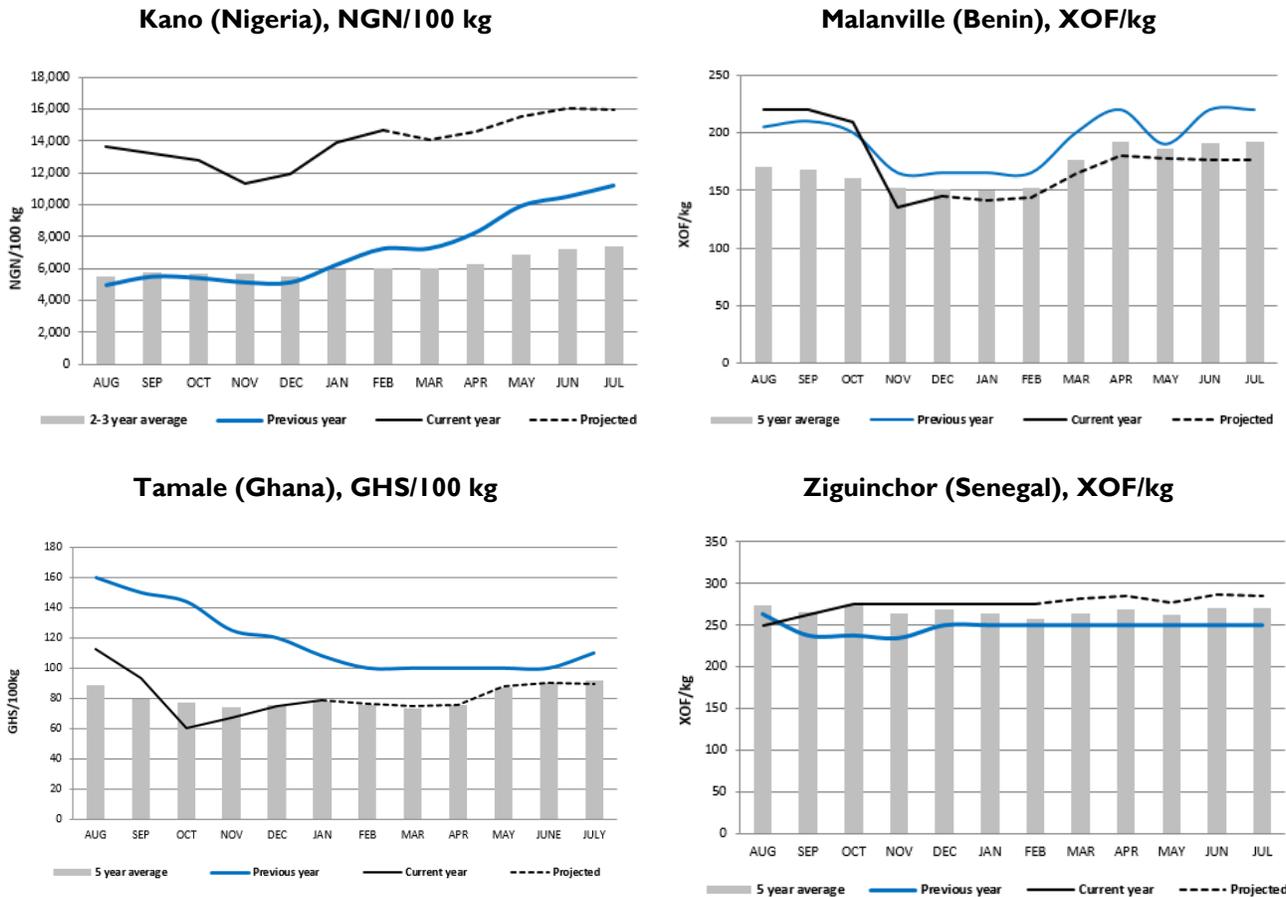
Source: FEWS NET estimates.

Figure 9. Lake Chad Basin market functioning (March 14, 2017)



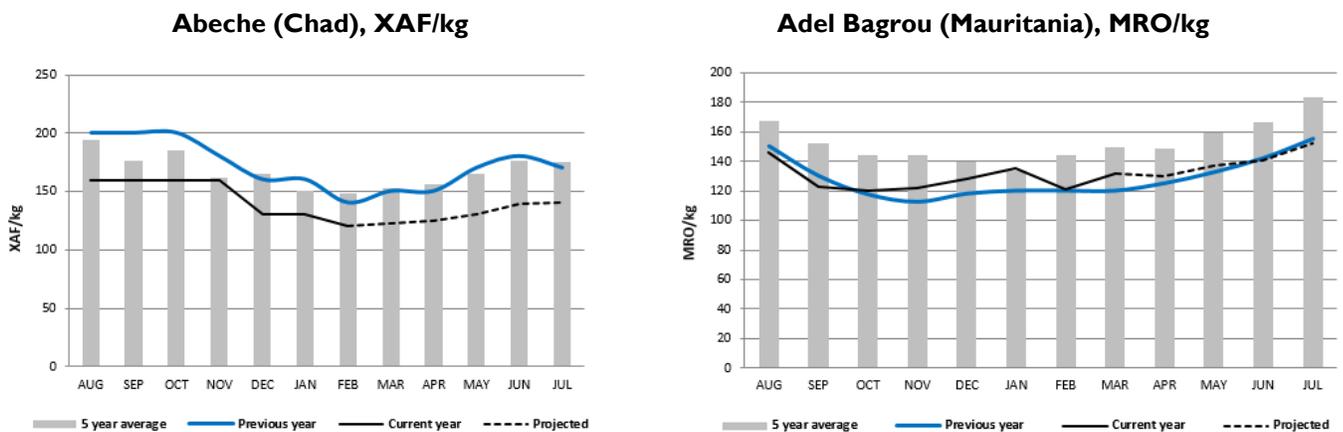
Source: FEWS NET.

Figure 10. Maize price projections in selected markets for the 2016/17 marketing year



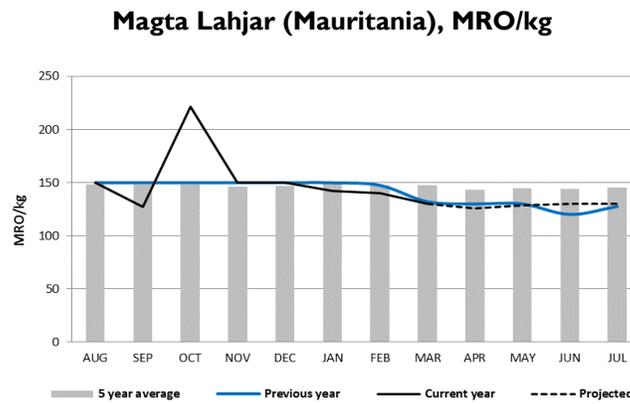
Source: Authors' estimates based on national Market Information System, WFP, and FEWS NET data.

Figure 11. Sorghum price projections in selected markets for the 2016/17 marketing year



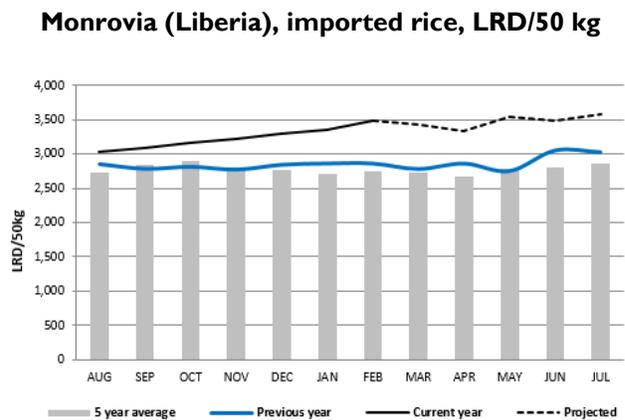
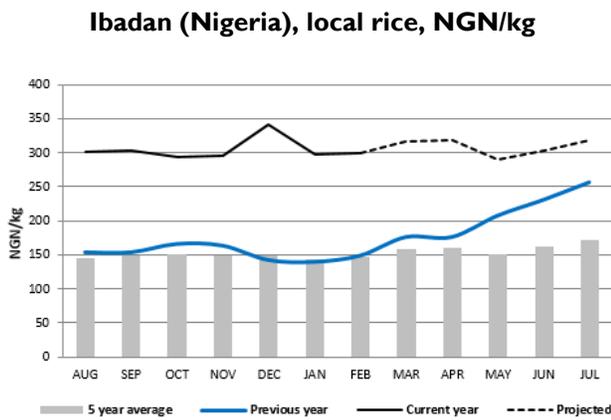
Source: Authors' estimates based on national Market Information System, WFP, and FEWS NET data.

Figure 12: Wheat price projections in Mauritania for the 2016/17 marketing year



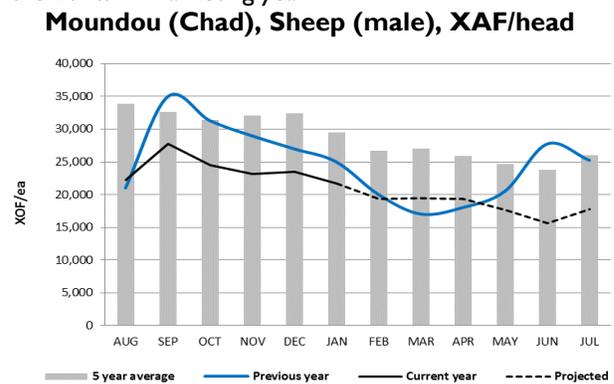
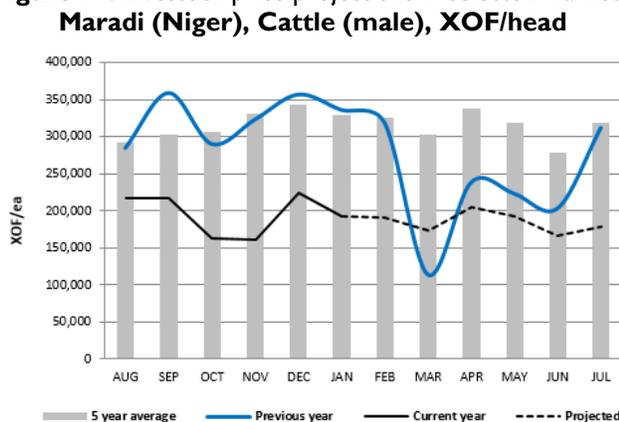
Source: Authors' estimates based on FEWS NET data.

Figure 13: Rice price projections in selected markets for the 2016/17 marketing year



Source: Authors' estimates based on national Market Information System, WFP, and FEWS NET data.

Figure 14: Livestock price projections in selected markets for the 2016/17 marketing year



Source: Authors' estimates based on national Market Information System, WFP, and FEWS NET data.