



## INTRODUCTION

This edition of the Liberia Market Price Monitor<sup>1</sup> provides insight into seasonal trends of price for the Liberian staple, rice, as well as possible effects of global price variations in May and June 2011.

### Highlights

- There is continuing upward trend in prices of imported rice in the domestic markets;
- Imported rice outflow into neighbouring countries threatens to erode gains on domestic food availability and to further escalate domestic prices;
- Increasing fuel prices and depreciation of the domestic currency against the US dollar is resulting to higher prices for staples and other commodities.

### NOMINAL "WHOLESALE" PRICE OF IMPORTED RICE:

**Table 1: Price changes for 50kg bag of imported rice in Liberian Dollars (June 2010 - June 2011)**

	June-10	May-11	June-11	% Price increase June 10 to June 11
<b>Bo Waterside</b>	2,050	2255	2,300	<b>12%</b>
<b>Gbarnga</b>	2,125	2450	2,450	<b>15%</b>
<b>Pleebo</b>	2,467	2967	3,000	<b>22%</b>
<b>Red Light</b>	1,705	2291	2,300	<b>35%</b>
<b>Saclepea</b>	2,100	2350	2,556	<b>22%</b>
<b>Tubmanburg</b>	1,892	2300	2,400	<b>27%</b>
<b>Voinjama</b>	2,400		2,800	<b>17%</b>
<b>Zwedru</b>	2,217	2550	2,650	<b>20%</b>

Retail prices of imported "butter" rice are currently higher across all markets in Liberia compared to a year ago. Domestic prices continue to soar despite fairly stable world prices for rice. Table 1 shows a general price rise in all markets in June 2011 compared to the same period in 2010, with Red Light Market in Monrovia reporting the most dramatic increase of 35%. Nonetheless, the cost of imported rice in Monrovia is cheaper

compared to other markets in different parts of Liberia.

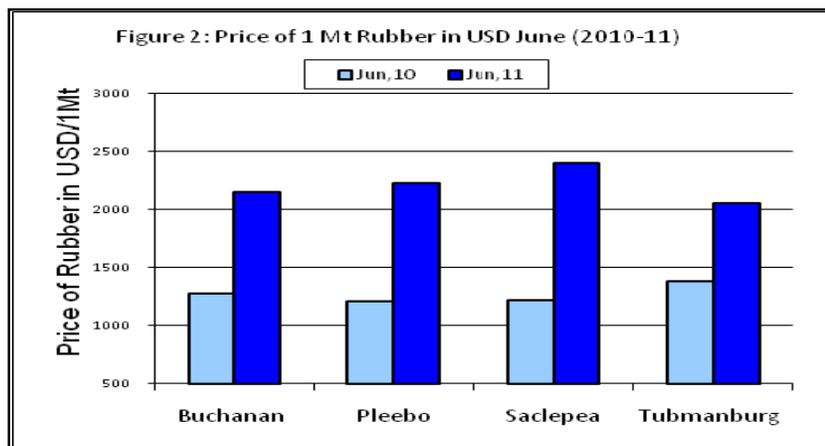
June 2011 also witnessed a further increase in prices of imported rice that began at the beginning of the year – mainly a reflection of fuel and transportation costs as reflected in CIF prices. The upward trend of domestic prices will likely continue into the second half of the year as traders expect current stock orders to arrive at considerably higher costs. Rural markets in Lofa, Grand Gedeh and Maryland also continue to report relatively higher prices compared to markets in central Liberia. Traders buying goods from Monrovia indicate that transport cost is quite high despite better road conditions compared to six

<sup>1</sup> The market price monitoring is a component of the Food Security and Nutrition Monitoring System as coordinated by the Food Security and Nutrition Programme at the Ministry of Agriculture, with technical support from the World Food Programme (WFP) and funding from the European Commission. Prices are collected by the county staff of the Liberia Institute of Statistics & Geo-Information Services (LISGIS) in 10 of the largest food markets in 9 different counties. It provides information on price changes for the commonly consumed staples as well as other essential non-food commodities that have potential of being exchanged for food. Its main objective is to monitor and analyze commodity prices in order to inform stakeholders about the food price changes over time.

months ago, a reflection of increasing fuel prices and depreciation of the Liberian dollar against the US dollar.

## PRICES OF OTHER COMMODITIES

The price of the main cash crop, rubber, witnessed a rise in all markets compared to the same period one year ago. There has been a sharp increase in prices of rubber over the year with the most dramatic rise (99%) reported in Saclepea. Since October 2009, natural rubber has witnessed an upward trend in

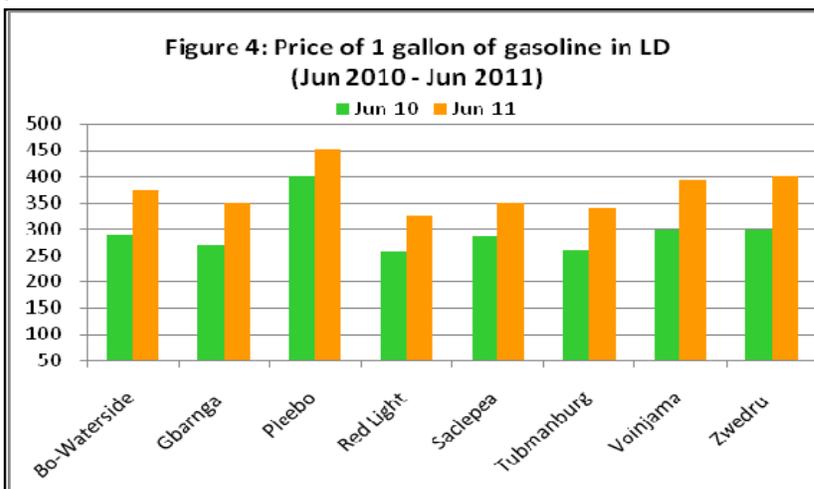


prices globally, driven by strong demand in the Asian and Pacific countries (mainly China). The current price of rubber on the local markets has doubled compared to a year ago (see Figure 2). The prevailing price of rubber, therefore, provides an opportunity to boost government revenue.

Palm oil, a common ingredient in the diet of most Liberians and an income source for smallholder households, reported an increase in price compared to the same period a year ago. The rise in prices can be explained by the low seasonal availability during the rainy season coupled with the high demand for the commodity in domestic and regional (mainly Guinean) markets. The depreciation of the local currency against the US dollar is another factor responsible for the increase. Palm oil prices are expected go up in the third quarter (July – September) of the year as this coincides with the lowest production period during heavy rains.

Market	Palm oil price in 2010	Palm oil price in 2011	% Increase
Bo-Waterside	368	468	27%
Gbarnga	245	325	33%
Pleebo	192	260	36%
Red Light	300	350	17%
Saclepea	250	300	20%
Tubmanburg	283	325	15%
Voinjama	363	447	23%
Zwedru	358	425	19%

Fuel prices are now higher in comparison to the same period a year ago (see Figure 4). Most traders reported that increase in fuel prices have led to higher transportation costs and a corresponding price rise in food and essential commodities. As observed in previous publications, fuel is considerably more expensive in Maryland, Grand Gedeh and Lofa Counties as compared to other areas, mainly due to transportation costs.



## GLOBAL TRENDS IN PRICE OF RICE

On the global scene, the price of rice continued to decline. The rice price index in June 2011 dropped by 3.4 points compared to the level of a month before (from 227.4 points in May to 224 points in June). China, the main source of rice in Liberian markets also reported a price decline. Exportable supplies from Thailand and Vietnam – the world’s main exporters – coupled with the announcement of Myanmar’s return to the export market and the large supply from Mercosur<sup>2</sup> countries are pushing down rice prices. The volume available for export is likely to exert more downward pressure on global markets by the second half of the year, mainly over low quality and parboiled rice prices.

Global demand could, meanwhile, rise in tandem with the projected increase in world production, even in importing countries of Southeast Asia and Sub-Saharan Africa. The Philippines and Nigeria, some of the world’s largest importers, have announced that they plan to significantly reduce their imports in the months and years ahead.<sup>3</sup>

## TERMS OF TRADE (TOT) BETWEEN WAGE RATES AND IMPORTED RICE

For majority of the rural households, daily wage rate is derived from agricultural activities (or from charcoal burning in the case of Tubmanburg) while urban areas in Monrovia and Buchanan depend on construction as the dominant source of casual work to purchase food commodities. The

**Figure 5: Terms of Trade between daily wage and imported rice  
Jun 2010 - Jun 2011**

Markets	Jun,10	Jun,11	Main Activity
Bo waterside	4.1	5.4	Agriculture
Gbarnga	3.4	3.3	Agriculture
Pleebo	4.3	4.5	Agriculture
Red Light	5.7	4.9	Construction
Saclepea	2.3	3.2	Agriculture
Tubmanburg	2.7	3.1	Charcoal
Voinjama	3.2	2.9	Agriculture
Zwedru	5.1	4.2	Agriculture

terms of trade (TOT) reflecting the amount of rice in kilogram that households may purchase in exchange for earnings from daily work either in construction sites (Red Light and Buchanan Markets), or agricultural labour, was computed.

In general, there were mixed responses in terms of what the average daily wage rate would exchange for in rice terms across the markets between 2010 and 2011. Terms of trade in Red Light, Voinjama and Zwedru declined compared to other markets during the same period one year ago. Since the influx of the refugees in Grand Gedeh, labourers in Zwedru have been experiencing declining TOT due to high supply of labour and consequent drop in wage rates. The decline in Red Light market, on the other hand, is a reflection of increasing rice prices. It is important to note that wage rates in this market have remained stable since January this year.

<sup>2</sup> Mercosur countries include Argentina, Brazil, Paraguay, Uruguay and Venezuela.

<sup>3</sup> <http://www.infoarroz.org>

### RISING INFORMAL CROSS BORDER TRADE ON RICE

Assessment of informal cross-border trade conducted by the government in collaboration with WFP in July reveals huge outflows of imported rice in Guinea—estimated at more than 2,000 mt per month. Though informal trading of food commodities has existed over the years, the practice has gained a new dynamic involving “re-exportation” of imported rice since April 2011. Increasingly, traders started re-directing imported rice across Liberia’s borders—mainly with Guinea as the main recipient. The renewed upsurge in prices of basic commodities since the beginning of 2011 saw Liberia re-activate some of the measures begun following the 2008 crisis including encouraging importers to increase in-country stocks, engaging friendly governments for concessionary terms of rice imports, supporting pre-positioning of rice in rural Liberia and maintaining suspension of import duties on rice. This has led to cheaper prices for imported rice in Liberia compared to Guinea (50 kg of imported rice costs US\$ 42-50 in Guinean markets compared to US\$ 33-40 in Liberian markets), making it attractive to sell in Guinea. This is a concern to the government of Liberia given the limited food availability in the country coupled with rising commodity prices.

### OUTLOOK AND CONCLUSION

Liberia is approaching the peak of the rainy season (July – September) which coincides with the hunger season. Farming households usually run out of food stocks and increasingly depend on markets for food. The harvest season is expected in October in some parts of Southeastern Liberia, and November to December in the rest of the country. Farming households rely heavily on markets to buy food during this critical period, triggering seasonal rise in prices. The situation is likely to be exacerbated by global increases in food and fuel prices, the demand from refugees and the new market dynamic of huge “re-exports” of imported rice. The food security situation of households is likely to deteriorate especially in remote parts of the country where road networks will be further damaged during the rains resulting to higher transportation costs.

The Ministry of Agriculture, in collaboration with its partners, will continue to closely monitor food prices in the country.

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