



## INTRODUCTION

The Liberia Market Price Monitor<sup>1</sup> provides a synopsis of the rapidly changing prices and food security situation in the wake of tightening food markets arising from high global prices of essential commodities. It is based on bi-monthly market price monitoring in 10 main food markets across the country.

### Highlights

- **The upward pressure on prices of imported rice continues in domestic markets despite steadiness at the global markets. The price rise surpasses seasonal expectations;**
- **Increasing fuel prices resulting to higher prices for staples and other commodities;**
- **Declining terms of trade for casual labourers is hurting vulnerable families in Liberia.**

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

**Figure 1: Nominal Price changes for 50kg bag of imported rice in LD (July 2010 -July 2011)**

	July-10	June-11	July-11	% increase Jun 2011 to Jul 2011	% increase Jul 2010 to Jul 2011
<b>Pleebo</b>	2700	3,000	2,983	<b>-1%</b>	<b>10%</b>
<b>Red Light</b>	1914	2,300	2,458	<b>7%</b>	<b>28%</b>
<b>Voinjama</b>	2383	2,800	2,867	<b>2%</b>	<b>20%</b>
<b>Zwedru</b>	2300	2,650	2,569	<b>-3%</b>	<b>12%</b>

In general, there is a modest upward trend in prices of imported rice during the last one month in most markets across the country. The exception is however, Red Light Market that recorded a 7 percent price increase between June and July 2011. It is also notable that markets such as Zwedru and Pleebo that had shown more dramatic price increases between January and June 2011, are beginning to show signs of stability since June.

Current domestic prices remain significantly higher (on average, 18% rise) than the same period in 2010 as shown in Figure 1. Red Light market has noted the most dramatic rise (28%) in prices in the last one year. Price differentials across the markets seems to be narrowing, a possibility explained by combination of factors ranging from traders outside Monrovia reducing their profit margins; to lowered transport costs relative to commodity prices compared to previous years as road construction continues in most parts of the country.

Overall, markets far-off from Monrovia, the main import entry point, indicate relatively higher prices of basic commodities compared to those around Monrovia. For instance, consumers in Pleebo market continue to incur 525 Liberian Dollars (21%) higher than those in Monrovia for the same 50 kg bag of imported rice. Although roads are gradually improving, they are not good enough to substantially lower transport costs. This has kept commodity transportation expenses as the main driver for the huge price differentials across regions.

<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.

### GLOBAL TRENDS IN PRICE OF RICE

According to FAO, the world production of paddy rice in 2010 reached a record volume of 696 million tons against 683 million tons in 2009. Projections for the 2011/2012 season indicate a new production increase to 713 million tons of paddy rice, mainly attributed to good conditions in southern hemisphere<sup>2</sup>. Despite this improvement, In July, the world prices remained firm due to promises for domestic prices revaluation made by the new government of Thailand. Though the revaluation measure is not likely to take effect before the end of 2011, its announcement has already caused upward moves in all Asian markets. By end-July, Thai prices tended to reduce because of a larger export supply. With these facts, little attention was given to the return of India to the export market of non-fragrant rice. It is also important to note that global rice price witnessed an increase for the first time since early this year. The OSIRIZ price index for rice rose by 11.7 points during the month to 244.2 points against 232.5 points in June.

In 2010, world trade rose by 6%, from 29.6 million tons in 2009 to 31.9 million tons. In 2011, trade flows are expected to remain relatively stable at 32 million tons. Export availabilities of the major exporters may continue to be largely sufficient to meet global demand. In Africa, rice production in 2011 is expected to rise again, especially in Guinea, Mali and Nigeria. With this increase, imports may remain stable. Africa represent nearly one third of world imports, and Sub-Saharan Africa is the major pole of world imports.<sup>3</sup>

### PRICES OF OTHER COMMODITIES

**Figure 2: Price of 1 gallon of palm oil in LD (July 2010 - July 2011)**

Market	Palm oil price in 2010	Palm oil price in 2011	% Increase
Pleebo	180	275	<b>53%</b>
Red Light	302	326	<b>8%</b>
Voinjama	385	447	<b>16%</b>
Zwedru	358	383	<b>7%</b>

Prices of palm oil rose in all markets during the past one year. The most dramatic price increases are noted in border markets which can be attributed to regional demand which has been rising since 2010. For instance, anecdotal evidence shows that purchase of palm oil by Guinean traders might have doubled within the last one year. The month of July also saw limited

production of palm oil in major producing areas (Lofa, Nimba and Bong counties), as ongoing rains disrupted palm cutting thereby affecting production. According to the Liberia Market Review 2007, palm oil prices are lower during the dry season, in particular from March to May when the market is flooded with palm nuts but significantly higher during rainy seasons (June to October).

Palm oil is a major source of income for smallholder farmers and also the main source of dietary fat in Sierra Leone and Liberia. According to FAOSTAT, palm oil consumption amounted to some 198 kcal per person per day in Sierra Leone, and 327 kcal per person per day in Liberia in 2007. In addition to its contribution to the diet, the commodity is also an income source for smallholder farmers.

Local prices of gasoline are currently higher in all markets across Liberia compared the same period in 2010 (see Figure 3), an observation associated with the concurrent high fuel prices due to the political unrest in the Middle East. Costs of transportation have therefore increased inducing further upsurge in prices of essential goods and services in domestic

**Figure 3: Price of 1 gallon of Gasoline in LD (July 2010 - July 2011)**

	July-10	June-11	July-11	% Price increase Jul 2010 - Jul 2011
<b>Pleebo</b>	480	453	497	<b>3%</b>
<b>Red Light</b>	244	325	325	<b>33%</b>
<b>Voinjama</b>	300	394	393	<b>31%</b>
<b>Zwedru</b>	275	400	392	<b>42%</b>

<sup>2</sup> <http://www.infoarroz.org>

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

markets. The impact is more in rural areas as goods have to be transported from Monrovia. Apart from the seasonal tightness in production during the rainy period, transportation costs to markets occasioned by high fuel prices is currently exerting an upward pressure on prices of basic commodities like cassava and charcoal.

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

Most poor households in rural areas increasingly rely on casual wage labour (mainly in agriculture and construction) for their livelihood as they deplete stocks from previous harvests or to complement their limited amount of basic food commodities. In July, the dominant agriculture activities in rural Liberia are fencing, weeding and swamp brushing—primarily undertaken by both men and women. In the major urban centres of Monrovia and Buchanan, construction remains the dominant source of casual employment. The terms of trade (TOT) reflects the amount of rice in kilogram that households may purchase in exchange for earnings from daily casual work either in construction sites (Red Light and Buchanan Markets) or from agricultural activities for the rest of the markets. Figure 4 shows that for once, casual labourers in the construction sector are experiencing reducing purchasing power and no longer access the same amount of rice they could a year ago based on their daily labour. For instance, whereas labourers in Monrovia could afford up to 5.6 kgs of rice for a day's labour wage in July 2010, currently they can only afford 4.7 kgs (an equivalent of 14% deterioration on their purchasing power). The deterioration is attributed to rising price of rice against stagnant or disproportionately low increases in wage rates within the construction sector. Other markets also showed either declining or insignificant changes in terms of trade over the past year.

Markets	Jul,10	Jul,11	Main Activity
Pleebo	4.4	4.7	Agriculture
Red Light	5.6	4.8	Construction
Voinjama	2.7	2.7	Agriculture

### OUTLOOK AND CONCLUSION

This is the time when demand for imported rice is at its peak. Liberian households—including the predominantly farming families usually deplete their stocks at this period and increasingly rely on market purchases for basic food commodities including rice. Local rice is hardly found on the domestic markets—even in Foya and Voinjama districts, Lofa County that have witnessed remarkable turn-around in production in the last three years.

While demand for imported rice is increasing, prices are not showing any reprieve. In fact domestic prices continue to rise despite steadiness in the world trade markets. Domestic volatility is exacerbated by the simultaneous increase in fuel prices and difficult road conditions that increase transportation costs to rural areas. The upward pressure on price of food commodities is expected to continue until October, when some rural households will be expecting the initial harvests. Vulnerable households will increasingly depend on external support to meet their food requirements.

The government of Liberia through Ministry of Agriculture and the Liberia Institute of Statistics and Geo-Information Services (LISGIS) in collaboration with her partners will continue to closely monitor food prices in the country.

#### FOR MORE INFORMATION CONTACT

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