

Key points

- Significant price increases have been seen across most commodities in the first half of 2011
- The retail price of imported rice is 39% higher than a year earlier, while the price of local rice is 49% higher
- Cassava prices have increased 15% in the past year but remain below peak levels seen in 2009
- Palm oil prices have moderated in the first half of 2011
- Rising world prices and informal cross-border trade are likely contributors to the recent price increases

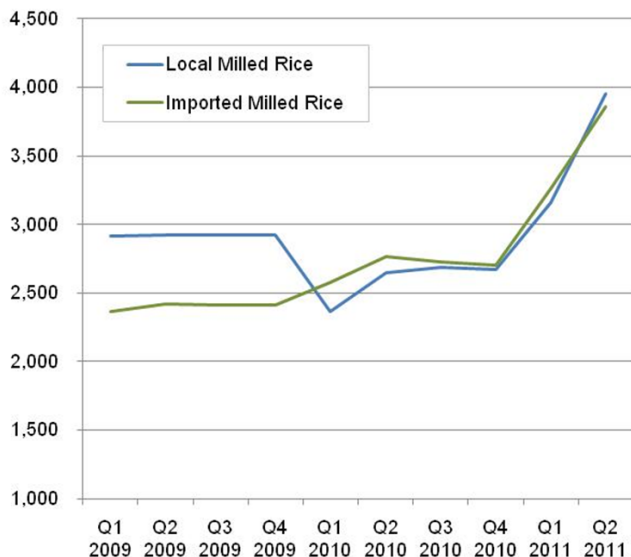
Rice

The price of rice increased sharply over the first half of 2011.

The average price of **local rice** was **49% higher** in the second quarter of 2011 than it was a year earlier, with an average price across all districts of Le 3,952 per kg.

There have been similar movements in the retail price of **imported rice**. The average price was **39% higher** in the second quarter than it was a year earlier, and now sits at Le 3,856 per kg.

Chart 1: Retail price of local and imported rice (Le/kg)

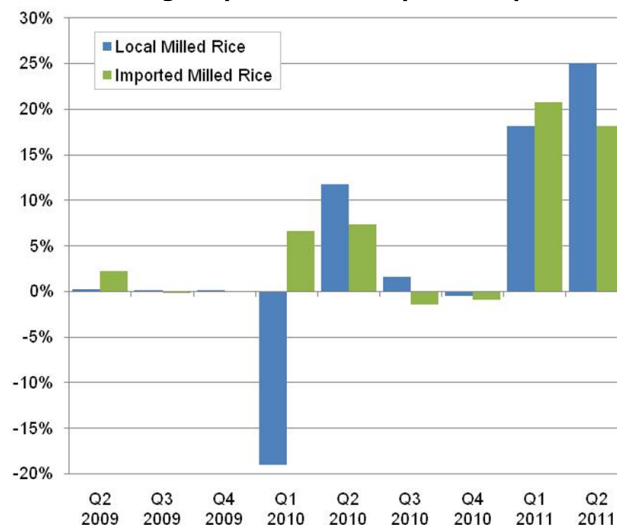


Source: PEMSD

Most of these price increases occurred in the first half of 2011. Local rice prices increased by 18% in the first quarter of the year and 25% in the second quarter. Imported rice prices, which declined slightly in the second half of 2010, rebounded sharply in 2011 with growth in the first and second quarters of 21% and 18% respectively.

This volatility appears much greater than can be explained by seasonal variation. Previous years have not exhibited similar spikes in rice prices, and in early 2010 there was in fact a sharp fall (19%) in local retail rice prices, possibly due to excess supply following a bumper harvest (see chart 2).

Chart 2: Change in prices from the previous quarter



Source: PEMSD

Tubers

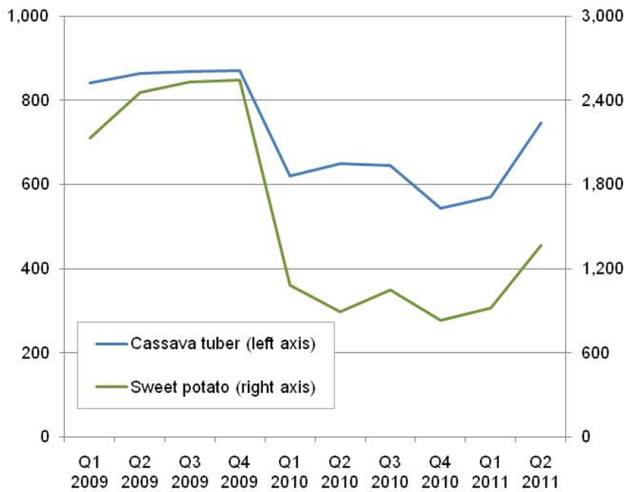
Prices of **cassava**, the second major staple, have also increased over the first half of the year (see chart 3).

Retail prices were **15% higher** in the second quarter of 2011 compared with the previous year, averaging Le 748 per kg across all districts.

As with rice, the increase in retail cassava prices were concentrated in the first two quarters of 2011, with quarter-on-quarter growth of 5% and 31% respectively. This reversed the decline in prices seen in the final quarter of 2010, when the average retail price fell by 16%.

Cassava prices are continuing to recover from the significant drop in the first quarter of 2010, when prices fell 29%. However prices still remain below the levels seen in 2009 when they averaged Le 861 per kg.

Chart 3: Retail price of cassava, sweet potato Le/kg)



Source: PEMSD

Sweet potato prices have tracked the movements of cassava, albeit at higher levels (see chart 3). Average retail prices were Le 1,366 per kg in the second quarter of 2011, **48% higher** than a year earlier. Prices still remain 43% lower than the average in 2009.

»» Pulses

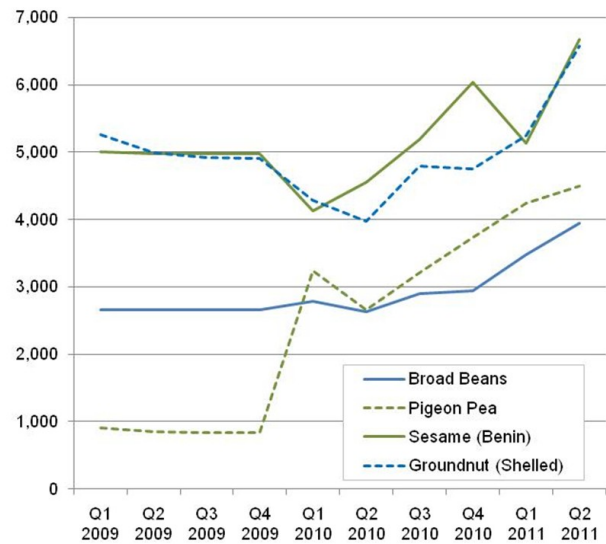
The retail prices of pulses have continued to rise over the past year and are now 46–66% higher than a year ago (see chart 4).

Average **groundnut (shelled)** prices increased to Le 6,581 per kg in the second quarter, **an annual increase of 66%**. These have climbed steadily since the second quarter of 2010, with a particularly sharp (25%) increase in the second quarter of 2011.

Sesame (beni seed) prices were **46% higher** in the second quarter of 2011 than a year earlier, averaging Le 6,674 per kg. Prices have been volatile in 2011, falling 15% in the quarter but increasing 30% in the second.

The retail price of **broad beans** has exhibited much more stability. But, as with most commodities described in this bulletin, prices have increased noticeably in the first half of 2011. Prices in the second quarter are **50% higher** than a year earlier, averaging Le 3,942 across the districts. The first half of 2011 has seen quarter-on-quarter increases of 18% and 13% respectively.

Chart 4: Retail price of pulses (Le/kg)



Source: PEMSD

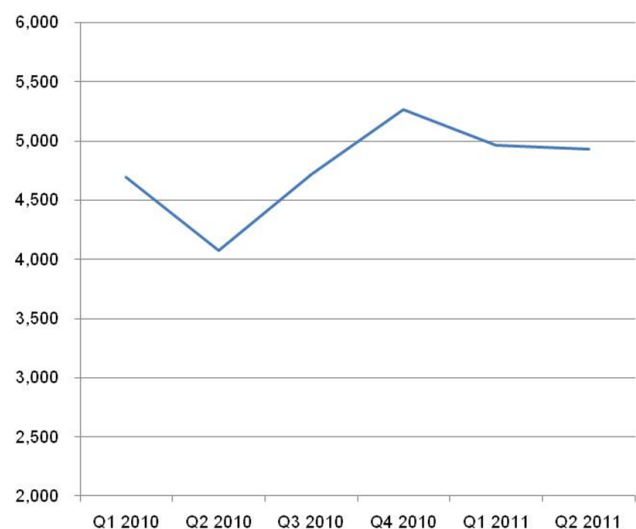
Finally, **pigeon peas** prices have increased steadily since the second quarter of 2010 and are now **69% higher** than a year earlier.

Pigeon pea prices remain elevated following a large jump in the first quarter of 2010, which was most likely a result of their inclusion in the WFP's *Purchase for Progress* initiative.

»» Palm oil

The retail price of **palm oil** has declined slightly in 2011, falling by 6% over the first half of the year. Prices in the second quarter of the year are **21% higher** than a year earlier, averaging Le 4,934 per kg (see chart 5).

Chart 5: Retail price of palm oil (Le/kg)

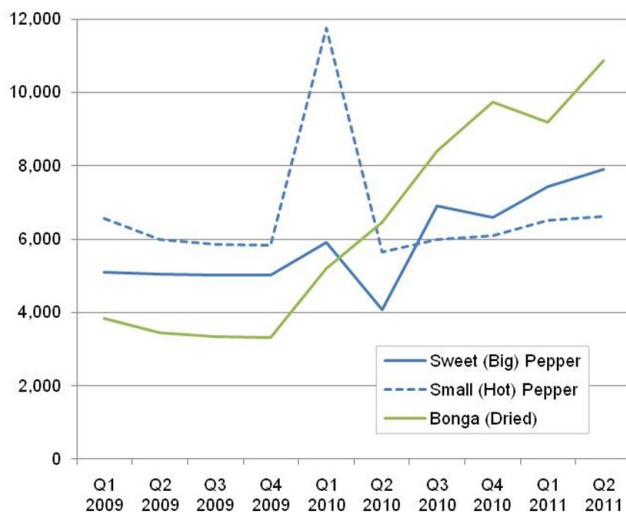


Source: PEMSD

Other products

Pepper prices have seen modest increases in 2011. Prices of the large/sweet variety are almost twice as high (94%) as they were a year ago, however this largely reflects the unusually low prices seen in the second quarter of 2010 (see chart 6). Prices of the small/hot variety are 17% higher than they were a year earlier.

Chart 6: Retail price of peppers, fish (Le/Kg)



Source: PEMSD

The retail price of **fish (bonga)** has continued to climb steadily since the end of 2009, with **annual growth of 68%** as of the second quarter of 2011. A quarterly decline of 6% at the start of the year was reversed by an 18% increase in the second quarter.

Analysis

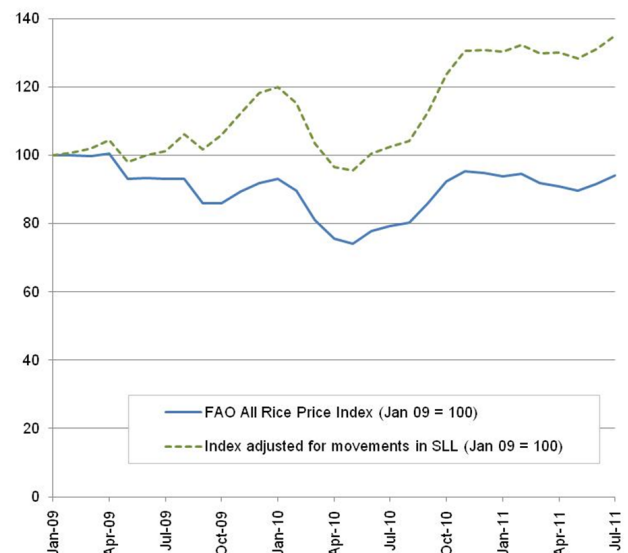
The rise in the price of rice is likely to reflect developments on world markets, the impact of informal cross-border trade and rising fuel and transport prices.

World Rice Export Prices

The FAO's All Rice Price Index, a measure of export prices denominated in US dollars, rose 26% between May and December 2010. The leone depreciated against the US dollar by 7% over the same period, implying an effective increase in Sierra Leone's imported rice prices of around 37% (see chart 7).

There is typically a lag of several months in the transmission of world prices to Sierra Leone's markets (previously noted by the WFP for example)¹, so the 2011 price increases will partially reflect the delayed impact of these developments on world markets.

Chart 7: World export prices of rice



Source: FAO, PEMSD

Cross-border trade

Informal cross-border trade has contributed to rising rice prices in Liberia, where price differentials have led to "huge outflows" of imported rice to neighbouring Guinea. According to the WFP, imported rice is significantly cheaper in Liberia, where 50kg of imported rice costs US\$33-40 compared to US\$42-50 in Guinea.² This has made it attractive for Liberian traders to transport rice for sale across the border.

In Sierra Leone the equivalent price currently sits at US\$36, which suggest traders face similar incentives for "re-exporting" rice to Guinea. An official export ban has been in place since February 2011, but enforcement challenges mean that informal cross-border flows could nevertheless be reducing the availability of rice on local markets.

Domestic fuel prices

Transport costs were 13.3% higher in the second quarter of 2011 than a year earlier, contributing to the general price increase. This includes the one-off effect of reduced fuel subsidies, implemented in March 2011, as part of the government's strategy to reduce its debt obligations.

For more information on this bulletin please contact

Mr Brima Bangura (Database Manager)
Ministry of Agriculture, Forestry and Food Security
Email: bangurabb@yahoo.com, brima.bangura@maffs.gov.sl

References

- (1) World Food Programme, *Rapid Food Security Assessment in Western Area, Sierra Leone*, December 2008.
- (2) Ministry of Agriculture, Liberia, and World Food Programme, *Liberia Market Price Monitor*, June 2011.

Data

Commodity	Retail prices (leones per kg)								Annual growth rates								Quarterly growth rates							
	2010				2011				2010				2011				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Local Milled Rice	2,367	2,646	2,687	2,675	3,161	3,952	-19%	-9%	-8%	-9%	34%	49%	-19%	12%	2%	0%	18%	25%						
Imported Milled Rice	2,576	2,766	2,726	2,702	3,263	3,856	9%	14%	13%	12%	27%	39%	7%	7%	-1%	-1%	21%	18%						
Cassava Tuber	620	650	646	544	571	748	-26%	-25%	-26%	-37%	-8%	15%	-29%	5%	-1%	-16%	5%	31%						
Sweet Potato	1,079	895	1,045	834	920	1,366	-49%	-64%	-59%	-67%	-15%	53%	-58%	-17%	17%	-20%	10%	48%						
Broad Beans	2,793	2,626	2,906	2,947	3,480	3,942	5%	-2%	9%	11%	25%	50%	5%	-6%	11%	1%	18%	13%						
Pigeon Pea	3,242	2,655	3,205	3,732	4,250	4,497	260%	213%	282%	346%	31%	69%	287%	-18%	21%	16%	14%	6%						
Sesame (Benin)	4,125	4,561	5,191	6,035	5,133	6,674	-18%	-8%	4%	21%	24%	46%	-17%	11%	14%	16%	-15%	30%						
Groundnut (Unshelled)	2,900	4,043	2,819	2,628	4,795	4,409	-24%	4%	-27%	-32%	65%	9%	-25%	39%	-30%	-7%	82%	-8%						
Groundnut (Shelled)	4,290	3,971	4,793	4,753	5,247	6,581	-18%	-20%	-3%	-3%	22%	66%	-13%	-7%	21%	-1%	10%	25%						
Sweet (Big) Pepper	5,908	4,076	6,903	6,601	7,427	7,908	16%	-19%	37%	31%	26%	94%	18%	-31%	69%	-4%	13%	6%						
Small (Hot) Pepper	11,753	5,644	5,996	6,106	6,514	6,626	79%	-6%	2%	5%	-45%	17%	102%	-52%	6%	2%	7%	2%						
Palm Oil	4,697	4,076	4,722	5,265	4,962	4,934	-5%	-17%	-4%	7%	6%	21%	-5%	-13%	16%	11%	-6%	-1%						
Boniga (Dried)	5,197	6,468	8,407	9,735	9,189	10,873	35%	88%	152%	194%	77%	68%	57%	24%	30%	16%	-6%	18%						
Cow Meat	10,949	11,853	11,933	16,082	17,905	20,374					64%	72%		8%	1%	35%	11%	14%						
Cocoa	3,208	4,392	4,180	6,862	9,028	8,815	-53%	-34%	-37%	3%	181%	101%	-52%	37%	-5%	64%	32%	-2%						
Coffee	3,433	5,140	2,414		7,673	6,968	72%	157%	21%		123%	36%	72%	50%	-53%	-100%		-9%						