



# **The SBM Jollof Index** **Finally, some stability**

June - August 2017

## DISCLAIMER

The data contained in this report is only up-to-date as at Wednesday, 20 September, 2017. Some of it is subject to change during the natural course of events. SB Morgen cannot accept liability in respect of any errors or omissions that may follow such events that may invalidate data contained herein.

In preparing this report, our researchers employed methods such as one-on-one interviews, desk research and polling to collate the available data. Our editors sifted through the data and prepared the report, using various proprietary tools to fact-check and copy edit the information gathered.

Our publicly released reports are formatted for easy and quick reading, and may not necessarily contain all the data that SB Morgen gathered during a given survey. Complete datasets can be made available on request.

All forecasts were built using data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from respondents and publicly-available information, including from regulators, trade associations, research partners, newspapers and government agencies.

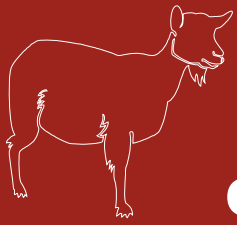
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## Overview of the last three months

Nigeria emerged from recession in the second quarter of 2017 with Africa's biggest economy expanding 0.55 percent year-on-year.

Despite the end of the recession however, inflation is still very high. There is a ray of hope as figures from the National Bureau of Statistics figures released earlier this month showed that annual inflation slowed for a seventh straight month, easing to 16.01 percent, 0.04 percent lower than in July.

While the oil sector returned to growth, it performed much worse than most analysts had expected. Figures collected by Bloomberg had suggested that oil production was 9% higher in Q2 2017 than it had been in Q2 2016. Revisions to the 2016 numbers show that oil production actually rose by less than 2% y/y in Q2, resulting in oil GDP growth of just 1.6%.

Even worse, growth in the non-oil sector actually slowed from 0.7% y/y in Q1 to just 0.5%y/y in Q2. The slowdown was broad-based across most key non-oil industries, with output weakening in agriculture, and manufacturing and stagnating in construction. Financial services and utilities were two of the only key sectors that experienced significant recoveries.

The good news is that early evidence suggests that things picked up in Q3.

The Central Bank of Nigeria's PMI indices rose at the start of Q3. More good news is that a separate food price index showed inflation at 20.25 percent in August, compared with 20.28 percent in July.

**This has translated to relatively stable food prices as compared to our previous indices when prices kept rising sharply. While prices are still very high for the average man on the street, many respondents to our survey expressed hope that in the coming quarter, food prices will drop even further as a result of the harvesting season.**

For this index, we have introduced a new city into our Jollof Index, the city of Calabar, in Nigeria's South-South geopolitical zone. The trend there for a pot of jollof rice has been stable in the three months that we have gathered data from there.

## Perishables, staples and edible consumables

There was general stability in this category with a very few exceptions. In Wuse in Abuja, the price of a basket of tomatoes fluctuated over the three months at ₦4700, ₦4800, ₦4500. This had an effect on the price of 8 small pieces which fluctuated along with the price of the basket.

In both Onitsha and Awka in Anambra state, the price of plantain rose in August. ₦50 for a bunch of five, and double that for a bunch of ten. The price of tomatoes also rose slightly, but this happened in June going into July. It remained at the same price (₦1300 for a plastic container size) in August, while pepper fell slightly in June going into July and stayed stable. Exactly the same prices were recorded in Awka. Respondents said it was due to the rains which made fewer deliveries possible.



**In Lagos, tomatoes saw a net increase in price in the markets surveyed during the period. While they rose sharply moving from June to July, the prices fell going into August, though by the time of the survey, they had not fallen back to June levels. The prices of pepper fell, while those of *egusi* nudged higher, but all other perishables remained stable throughout the survey period.**

In Bodija, in Ibadan, prices were steady all through, except for the unit price of pepper which went down by ₦50 between June and July, while Sabon Gari in Kano saw remarkable price stability over the period of the survey.

*Garri* prices held steady overall, except in Calabar and Lagos where they recorded month on month declines in all markets surveyed. Respondents attributed this to improved supply of cassava. A respondent in Lagos claimed that a focus on export of cassava had made more of the crop, and its products, available in the markets.

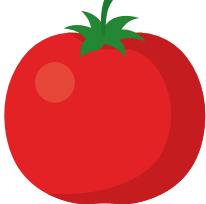


## The SBM Jollof Index, June to August, 2017

The SBM Jollof index is a composite index that tracks the prices of the main ingredients used to prepare a pot of one of Nigeria's primary delicacies – Jollof rice, for a family of six. This meal was selected because it has the near unrivalled distinction of being a delicacy in every part of the country. This is the third Jollof Index and we believe that it gives a bird eye's picture of national inflationary trends.

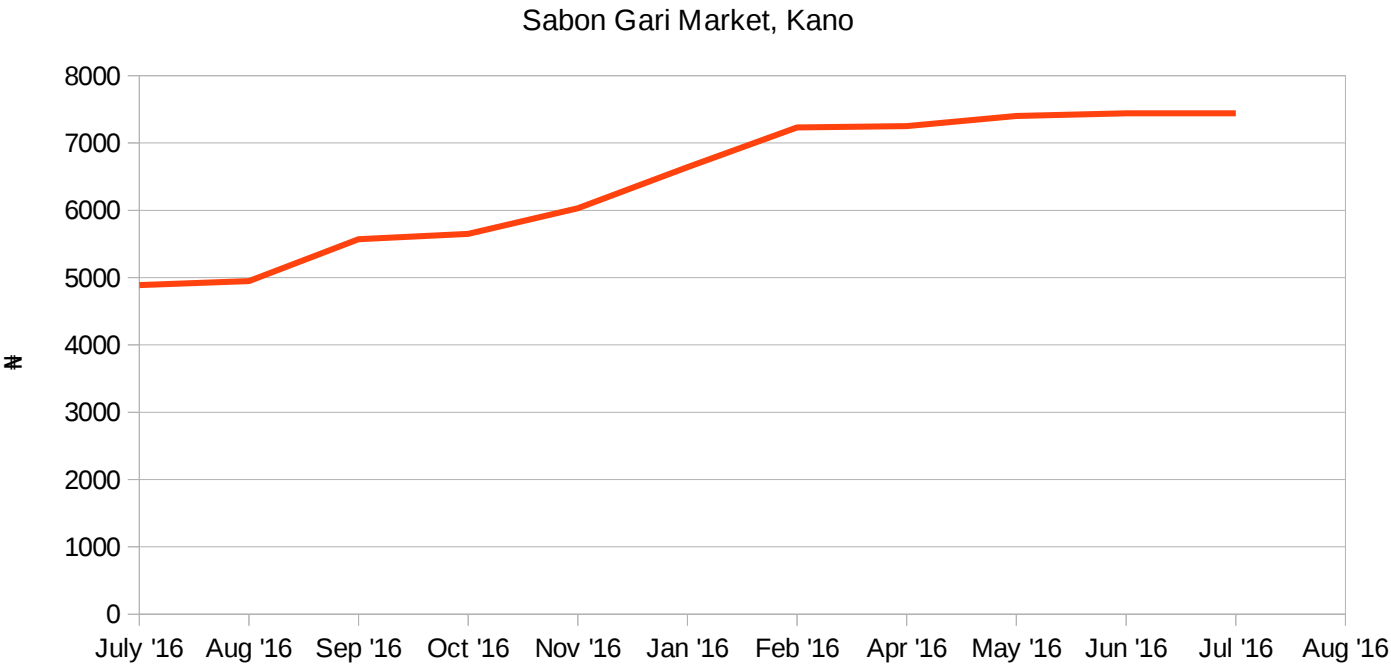
**SBM's tally of these prices has been ongoing since the second half of 2016, and while there were sharp increases in the average price quarter-on-quarter, the last quarter seems to suggest a levelling out, and in a few cases, a decline, in the cost of a preparing a pot of jollof across the country. The declines in a few geopolitical zones were sufficient enough to bring down the average cost of preparing a pot of jollof rice month-on-month across the country. In June it was ₦5,784, in July it was ₦5,746, and in August, it was ₦5,736.**

Market	June 2017 (₦)	July 2017 (₦)	August 2017 (₦)	Zone
Nyanya	5,920	5,870	5,870	NC
Wuse II	5,970	5,970	5,970	NC
Kano	7,400	7,440	7,440	NW
Onitsha	5,260	5,210	5,160	SE
Awka	5,260	5,210	5,160	SE
Bodija	5,850	5,800	5,750	SW
Dugbe	5,850	5,800	5,750	SW
Trade Fair	5,470	5,440	5,490	SW
Balogun	5,270	5,240	5,290	SW
Calabar Municipal	5,680	5,610	5,610	SS
Bayside Mbakpa	5,690	5,620	5,610	SS
National Average	<b>5,784</b>	<b>5,746</b>	<b>5,736</b>	

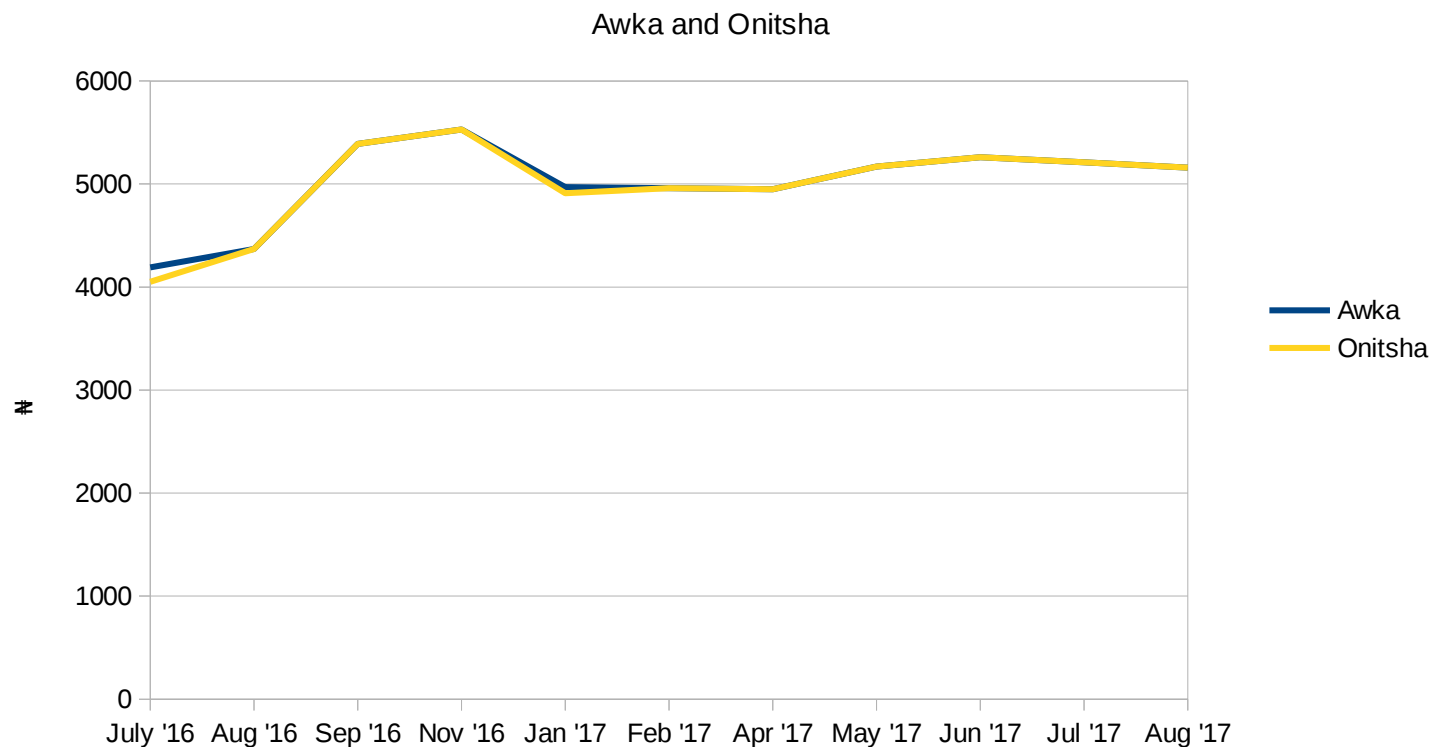


Kano still remains the most expensive place to make a pot of jollof rice nationally, coming in at ₦7,440 per pot, while Awka and Onitsha, tied at ₦5,160, are the cheapest.

NW Index, July 2016 to August 2017



SE Index, July 2016 to August 2017

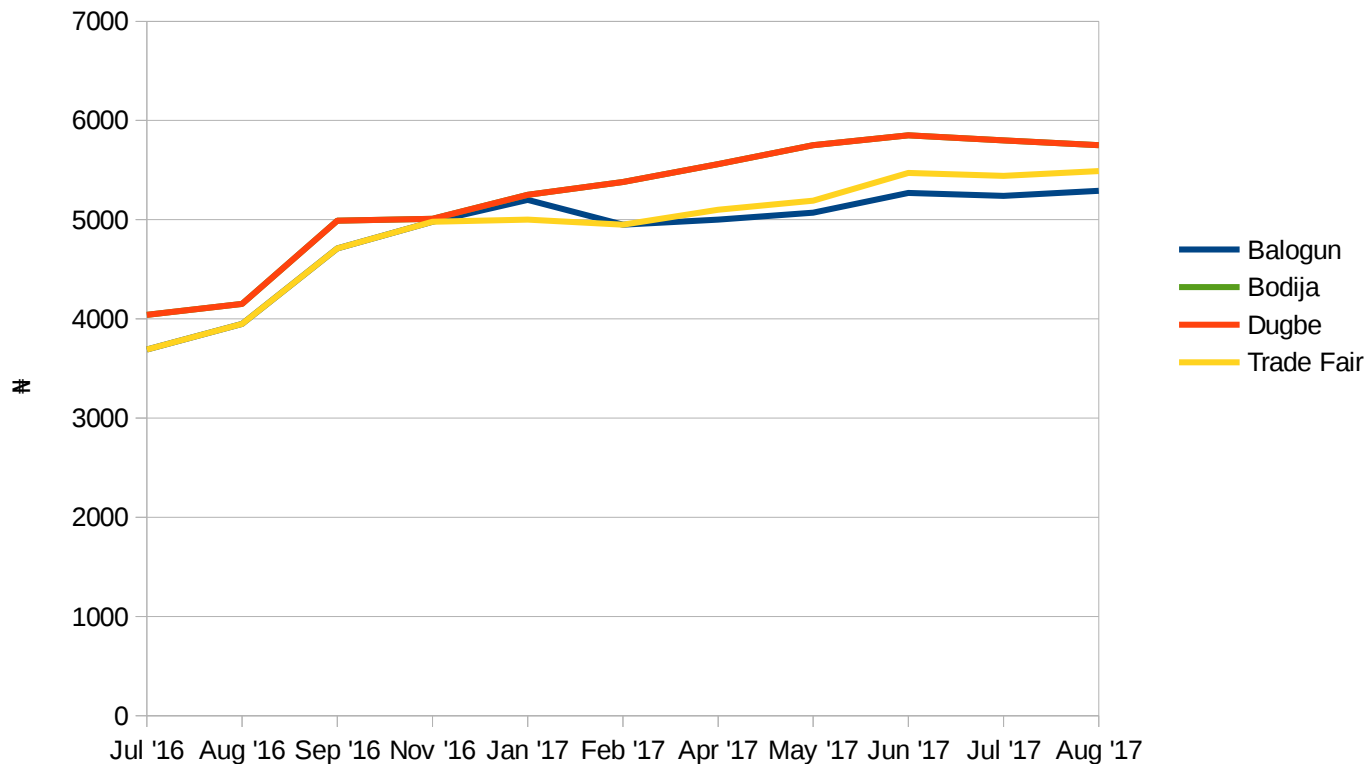


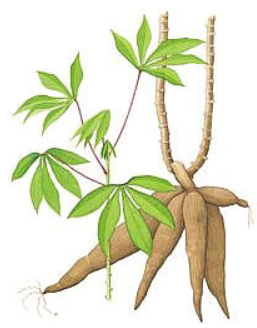


For hard pressed commuters and residents in Nigeria’s commercial capital, Lagos, a pot of the meal now costs ₦5,390 on average. In the country’s political capital, federal employees can expect to get their jollof fix at ₦5,970 if the cooking ingredients are obtained from Wuse, the closest major market to the Federal Secretariat and Central Area, where most federal establishments are head-quartered. Prices retained their somewhat elevated levels in both Wuse and Nyanya, even though they did not rise or fall in the period under review. It is worth noting that unusually high rainfall, which led to some flooding in the neighbouring agrarian states of Benue, Kogi and Nasarawa, while not impacting food prices in the review period, may begin to turn the needle in an inflationary direction as the year draws to a close.

SW Index, July 2016 to August 2017

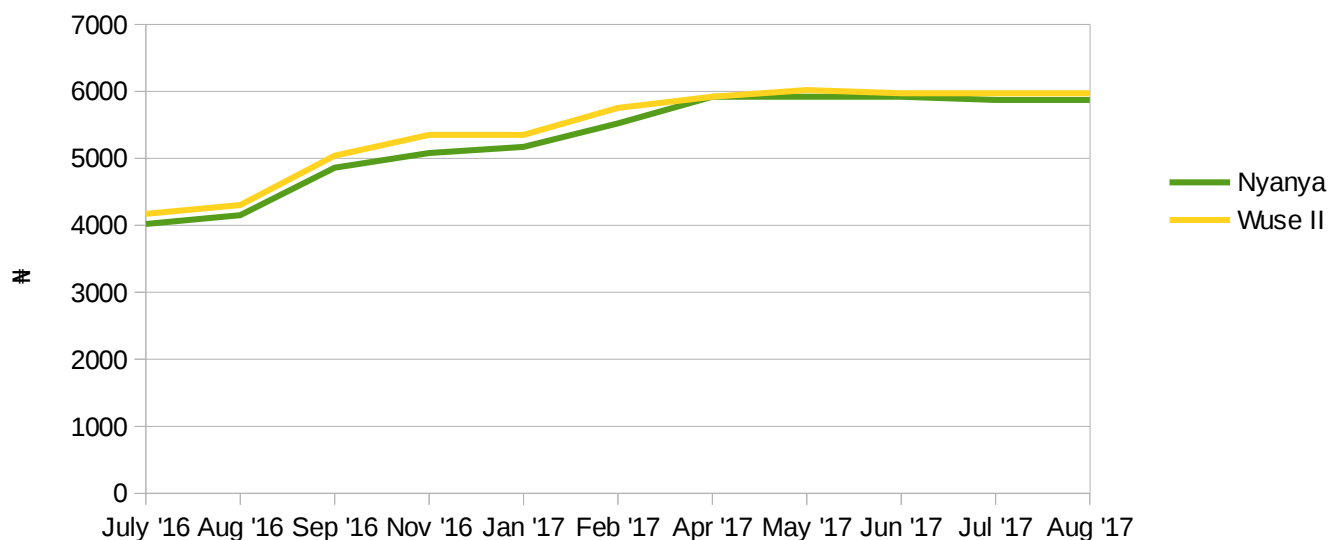
Balogun, Bodija, Dugbe and Trade Fair





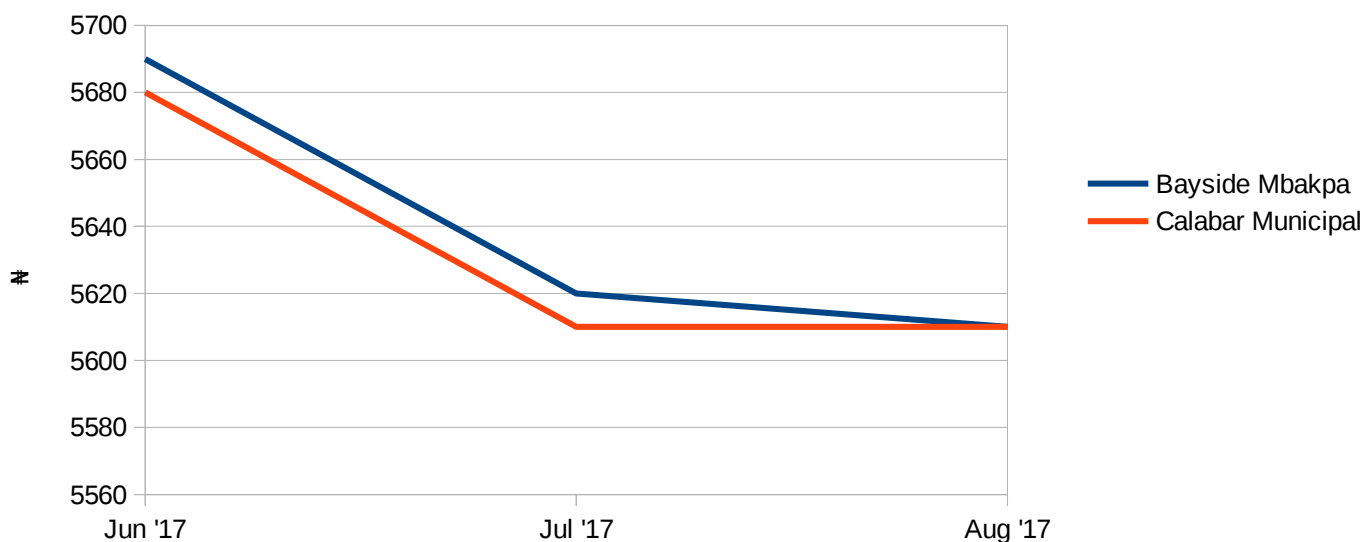
## NC Index, July 2016 to August 2017

Nyanya and Wuse II, Abuja



## SS Index, June 2017 to August 2017

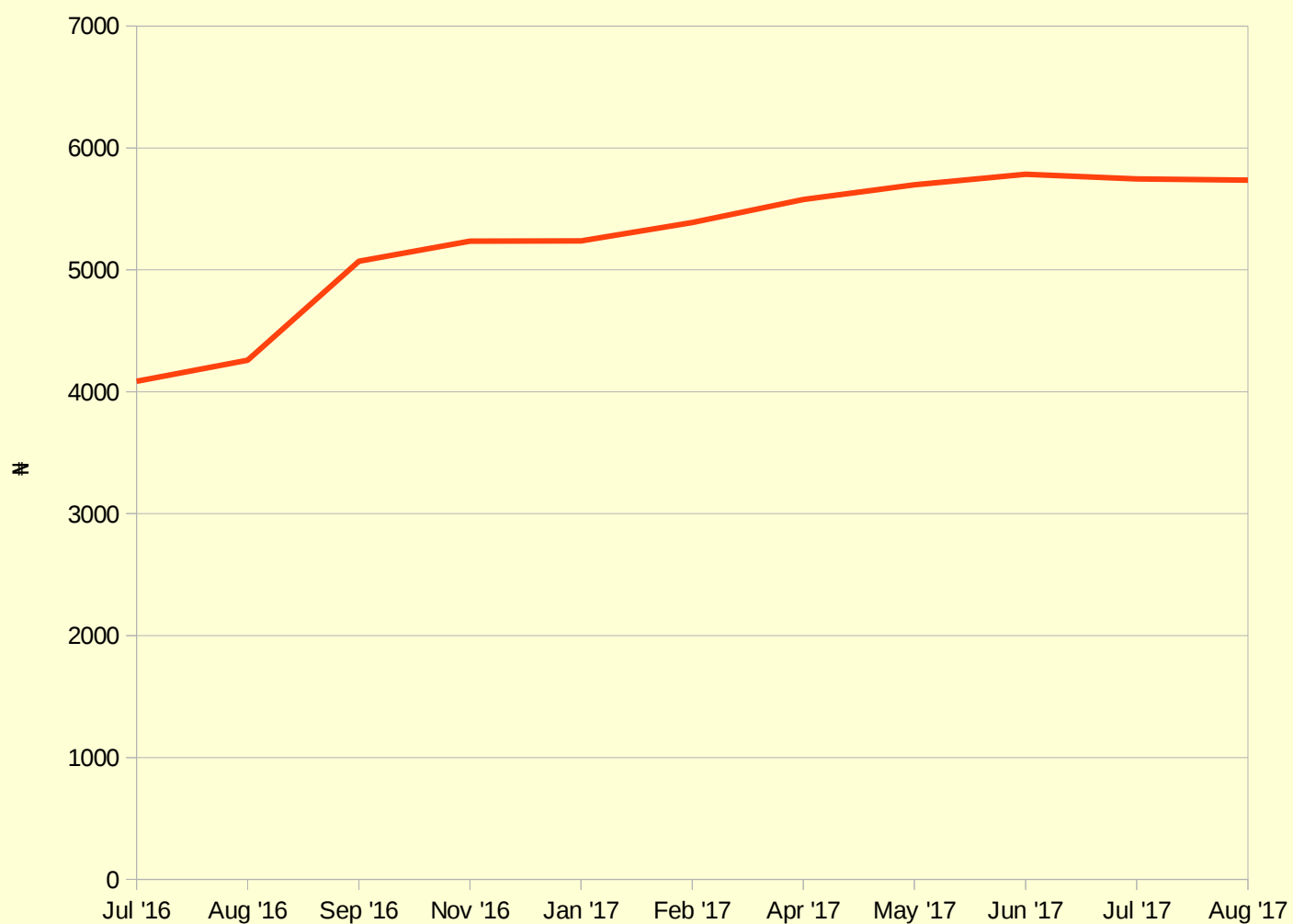
Bayside Mbakpa and Calabar Municipal



Incidences of localised violence and other security challenges in the main food growing regions of the country continue to remain a concern from a consumer standpoint and will need to be closely monitored and addressed if consumers are to experience any relief at the checkout point.

## Jollof Index, July 2016 to August 2017

National Average



## How are housewives coping?

At Oyingbo Market, we spoke to a housewife, and mother of two, who runs a catering business from home, about how food prices have affected her shopping and family habits.

"I generally do my major shopping in Oyingbo market and in Lagos Island.

"For the past 3 months the prices of food stuff and provisions have been fluctuating in the sense that the price of an item today may not be the same tomorrow or the day after.

"Word in the market is that the prices of foodstuff will soon be on a constant downward trajectory so shoppers like myself are hopeful.

"Prices of farm produce like yam, yellow and *Ijebu garri*, stock-fish, crayfish and *ogbono* have been fluctuating over the past few months. Examples of products which have seen some sustained price reduction are cooking oil, sugar and flour, but such price reductions are still in the minority.

"Some provisions like milk and fruit juices have seen reduction in the package sizes, for example, Dano milk, Chi products and Coca-Cola products.

"In other cases where prices have remained, the quality of products may have taken a dive.

"I look forward to receiving the benefit of the rumoured price decrease. For now we just have to make do with what is available."

## Causative factors

### Climate change

Climate change, as observed at the beginning of this report, is becoming a significant factor affecting food prices. Climate change has caused an upswing in both the frequency and severity of droughts during the dry season. Flooding during the rainy season, as we recently saw in Makurdi, the capital of Benue, and twelve other local governments in a state which prides itself as Nigeria's food basket, has destroyed a lot of productive farmland and dealt a blow to product delivery timelines, supply chains and the supporting infrastructure that helps get food and other perishables from farm to the markets in the big population centres.

### Policy and practices

Farming methods remain an age-old challenge. Many Nigerian farmers are steeped in various forms of shift cropping. The farmers, both of livestock, tubers and of fruits, vegetables and nuts, have to leave fields fallow due to drought, migrating to other areas to look for precious land, thus fuelling in part, many of the clashes and crises which have occurred in Nigeria's food growing regions. Nigerian farming methods, based on centuries of ingrained practices in many of the country's ethnic groups and handed down from generation to generation are in dire need of modernisation. This is particularly important if the seasonality of the farming of specific crops in Nigeria, which disproportionately affects food prices is to be effectively addressed. Improved storage methods and infrastructure for annual crops such as yams which are staple commodities in the country are also imperatives in order to counter large seasonal price movements. All of this must be driven by deliberate and coordinated agriculture policies with the aim of both food security, and price stability.

### Transportation costs

Much of Nigeria's food is transported over significant distances before it reaches the local food markets, thus, the cost of transportation is an important input in the price setting mechanism. Plans by the federal government to upgrade the country's rail network will not reach full implementation for a few more years, so road transportation will continue to be an important component in getting produce from farm to market.

The poor state of the country's roads look set to remain a near permanent drag on prices for the foreseeable future.

## Conclusion

While there is some reason to be upbeat, the overall outlook remains tricky and caution is advised. As we observed in previous two Jollof index debriefs, the Nigerian consumer remains constrained by a host of well documented factors.

We are not out of the woods yet. The recession may be over, but growth is still anaemic, and the factors which got the economy in a negative trend in the first place still persist. In brutal terms, while Gross Domestic Product (GDP) is still an appropriate and relevant measure to determine the ebbs and flows of economic growth a full recovery will have to take into account the effects of the negative quarters. The end of the recession has not yet seen companies recall people who were laid off, and wages are still being delayed, or in some cases, not paid at all. The accompanying economic angst has shown up in the news in the form of workers strikes by a bevy of trade unions over the last three months.

Another causative factor of rising food prices, unrest in key farming regions, has been, for now, mitigated by the rainy season and the harvests which follow. The country, for example, should see a bumper cocoa harvest in the coming season as late rains have helped boost pod production. The Cocoa Association of Nigeria expects output for the new season which starts in October to hit between 300,000 tonnes and 320,000 tonnes, up sharply from a 2016 season which was blighted by poor weather as a long dry spell that following near record rainfall wasn't broken by the intermittent rains that would have helped the development of buds.

Despite the drop in food prices, it is not time for policy makers to pat themselves on the back over a job well-done. Indeed, the job has not yet been done. Addressing the country's rickety infrastructure will play a critical role in easing the logistical challenges all economic participants in the food industry currently face.

Aid to farmers can, and should ensure standardisation and yield improvements in the farming practices. There is also a need for more investment in agricultural extension programmes to ensure that farmers – a full 30 percent of the population – imbibe 21st Century practices and increase the average yield per crop per land cultivated.

The country's security challenges have not gone away. Despite some people returning to their farms in the North East, the Boko Haram crisis shows no real sign of abating, and may yet threaten once again to escalate significantly. Famine is still a threat all over the north-east. Flooding in the Middle Belt will have an effect on production, an effect which we anticipate will show up in the data in the coming months. Also, the elevated tensions in parts of the south-east in the wake of the military's engagement with secessionist elements could affect the availability of certain crops, particularly cocoyam, cassava and rice at a time of the year when demand for those food commodities traditionally peaks.

Finally, the government's foreign exchange policy, which has seen some stability in the FX market over the last few months, still needs to be reviewed. While the various currency rates have generally moved towards convergence – bringing some relief to suppliers and importers, more needs to be done to prevent the turmoil of the last few quarters from repeating itself, and impacting on the pockets of Nigerian consumers.



Founded in 2012, SBM Intelligence, an arm of SB Morgen, is an organisation devoted to the collection and analysis of information. We offer comprehensive analysis for, and support to governments, businesses and NGOs. SBM Intelligence runs a Nigeria-wide network of contacts and associates

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