

THE SBM JOLLOF INDEX

Q1 2021



SLIPPERY
Slope



APRIL 2021



Disclaimer

The data contained in this report is only up-to-date as at Monday, 29 April 2021. 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.

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.

- 🌐 Sbmintel.com
- ✉ info@sbmintel.com
- 🐦 [@sbmintelligence](https://twitter.com/sbmintelligence)
- 📘 [Facebook.com/sbmintel](https://www.facebook.com/sbmintel)



Introduction

Nigeria may experience famine in the nearest future if production, consumption and political-economic dynamics remain the same- analysis from our scenarios shows. Food Availability Decline (FAD)¹, exponential population growth and decline in entitlements are the main theoretical explanations for famine as proposed by free market activists, Thomas Malthus and Amartya Sen respectively. Other than these theoretical explanations, history shows that famines with the highest mortality rates resulted from poor harvest, natural disasters (drought, flood), war/conflict, poor governance and policy failures (e.g the great leap forward and British denial policy) - conditions which Nigeria fulfils easily.

Over the last 10 years, food production has been affected by continuous conflicts between herders and farmers in the Middle Belt, terrorist attacks on farmers in the North East and bandit attacks in the North-West which have led to reduced agricultural activities as many flee the farms for safety. More than 62,000 farmers in the Middle Belt were displaced² from their homeland between 2010-2015. More recently, 2020 ended with the news of over 110 farmers executed³ by Boko Haram over allegedly cooperating with the Nigerian Army.

Overlapping with these gruesome conflicts are adverse weather conditions of flood and droughts and decreasing agricultural land due to urbanisation. For instance, in Kaduna State between 1980-2012, agricultural land declined⁴ from 24,282.93 hectares (59% of the total land area) to 17,865.5 hectares or 43.4% of total land area). The effects of the Corona-virus Pandemic, issues of governance failures/resulting unrest, policy failures(border closure policy, Forex restriction policy, increased tariffs on electricity and fuel) and rising exchange rate currently at a controlled rate of ₦410 per dollar, against a parallel rate of ₦475 per dollar, and a 2015 average rate of ₦192 - a combination of internal and external factors.



¹ Food Availability Decline and Exchange Entitlements | bulb - <https://bit.ly/3g4c2qF>

² Conflict between herders and farmers: Nigeria needs to accept there are victims on both sides | The Conversation - <https://bit.ly/3sg8yUy>

³ Boko Haram Killed 110 Farmers in Nigeria Attack, UN Says | Bloomberg - <https://bloom.bg/3mCV2t2>

⁴ Agricultural Land-use Change And Disappearance Of Farmlands In Kaduna Metropolis-nigeria | <https://bit.ly/3tewkS2>



THE SBM JOLLOF INDEX Q1 2021: SLIPPERY SLOPE



These factors have driven up food prices, leading up to a food inflation rate of 21.79%⁵ in February 2021, the highest the country has recorded since 2015 and headline inflation of 17.33%, marking the 18th consecutive month of rising inflation in a country where 56.5% of their income is spent on food⁶. In the fourth quarter of 2020, unemployment rose to 33.3%⁷, positioning the country as the second highest unemployment destination globally, against a backdrop of over 40.1% who live below the poverty line⁸.

The SBM Jollof Index was developed to simplify the appreciation of food inflationary trends using a common delicacy that most Nigerian households enjoy- jollof rice. Across Nigeria's six geopolitical zones, SBM collects data on the most common ingredients that go into cooking jollof rice in 13 markets on a monthly basis except for December because of the seasonal spikes caused by year end celebrations. From these prices, the cost of making a pot of jollof rice for a family of five or six is averaged and used as a proxy to measure food inflation across the county.

The commodities that make up the Jollof index include; rice, curry, thyme, Knorr seasoning groundnut oil, turkey/chicken (poultry), beef, seasoning, pepper, tomatoes, salt and onions.

The SBM Jollof Index is published three times a year, at the end of the first three quarters, while data for October and November data are reflected in the Q1 Jollof index of the following year.

⁵ Food inflation rate in Nigeria surges to highest in over 15 years | Nairametrics - <https://bit.ly/3uHskKg>

⁶ Why Do Nigerians spend so much on food? | The Money Africa - <https://bit.ly/3wStogb>

⁷ Nigeria's unemployment rose to 33.3% in fourth quarter, stats office says | Reuters - <https://reut.rs/3gbYU2K>

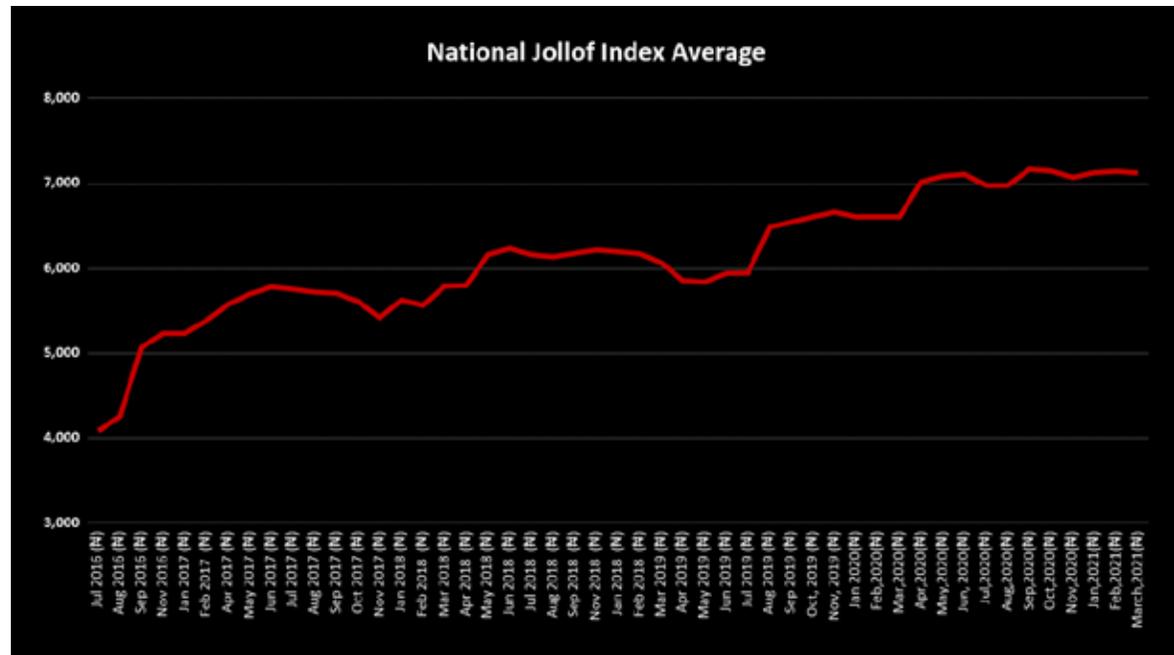
⁸ Forty percent of Nigerians live below the poverty line: Report | Al Jazeera - <https://bit.ly/3g19aLr>



National Average

The average cost of making a pot of jollof rice rose by 7.8% between March 2020 and March 2021. This period saw significant events that have greatly impacted food prices; The COVID-19 lockdown from March to May, the border closure and forex restriction policies in August were consolidated by increased energy tariffs in September, 2020.

While the coronavirus pandemic and the restriction of forex for importation (caused by falling oil prices) are external triggers, the prolonged border closure and increased energy tariffs are internal contributors. In addition, protests against police brutality and the government response which brought the main consumer markets of Lagos and Abuja to a standstill for parts of October 2020, disrupted agricultural supply chains and the movement of people and goods, piling more pressure on food prices.





In the review period of this report, from October, 2020 to March 2021, the effect of these events have lingered, despite Nigeria’s re-opening of its land borders in December of last year. The cost of a bag of rice has only slightly dropped by a margin of ₦1,000 - ₦3,000 depending on the market, but this has not translated into a significant reduction in the cost of making jollof rice especially for the majority of Nigerians who buy from retailers. Reduced local production, exchange rate fluctuations, poor harvest due to adverse weather conditions, high cost of energy (electricity/transport) tariffs are some of the reasons why food prices have remained high.

Some of the Jollof rice ingredients “rice, onions, tomatoes, have witnessed reduced local production because of protracted conflicts and terrorist attacks on farmers. Out of the 11 main rice producing states in the country, Benue, Borno, Ebonyi and Kaduna have witnessed attacks on farmers with the most gruesome being the execution of about 110 rice farmers in Borno in November 2020. As a result of these incidents, several farmers are leaving the countryside and moving to the cities to take up menial jobs.

Another reason why prices have remained high is the high exchange rate of ₦410/1\$ and up to ₦475/1\$ in the parallel market, Jollof constituents like tinned tomatoes, rice, turkey and seasoning are affected by the exchange rates.

Thirdly, flooding destroyed several hectares of rice farms across the country. up to 500,000 hectares were destroyed⁹ in Kebbi alone. Our interviews with traders shows that transportation costs have not reduced since they were increased during the introduction of the COVID-19 protocols. One of the traders stated that she pays almost twice her former transportation cost prior to COVID-19, and the prices have not gone down even after drivers began to carry more passengers than permitted by the social distancing protocol. The prices of turkey have increased as a result of increased electricity tariffs which has forced increases in cold room costs.

Compounding this bleak situation is the high rates of unemployment, in the fourth quarter of

⁹ Nigeria Economy Latest: Floods Destroy Rice Harvest | Bloomberg - <https://bloom.bg/2lbDm7z>



2020, Nigeria’s unemployment figure reached 33.3%, making it the country with the second highest number of unemployed people globally.

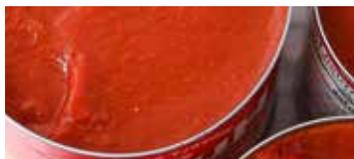
High food prices in the face of dwindling income means that affordability becomes a problem which conveys a decline in “entitlements” as described by Amartya Sen in his theory of famine. According to Sen, famine occurs when there is a decline in one or more of these four categories of entitlement (ways in which people obtain food). The categories of entitlement include; production-based entitlement (growing food), trade-based entitlement (buying food), own-labour entitlement (working for food) and inheritance and transfer entitlements (being given food by others). Nigerians have experienced a decline across all the dimensions of entitlement. Their ability to grow food has been reduced by adverse weather conditions and conflicts, food buying ability has been reduced by inflation rates, high exchange rate, and in the previous months, the border closure policy. The ability to work for food has been reduced given the high unemployment rate and a combination of these factors have reduced people’s ability to support their dependent family members.



However, the severity of these food security issues varies across the geographical regions as compared in the metrics below. In the metrics, a score of 8-10 depicts high entitlements, 5-7 depicts medium while 1-4 is low entitlements. The cities with the highest numbers have high entitlement and those with lower numbers have experienced decline in their ability to have food (entitlement). Data from Interviews and secondary sources were used in this analysis.



The decline in production-based entitlement (ability to grow food) occurs if there has been a case of flood, drought or conflict that has affected the capacity of farmers in the region to produce. A decline in trade-based entitlement (ability to buy food) occurs if there are obstructions to food access or food purchase due to conflict or other issues such as the food blockade. Own-labour entitlement is measured by the rate of unemployment in the state. Where the unemployment figures are very high, it means that one’s own-labour entitlement (ability to work for food) declines. Transfer entitlements are measured by the contributions of donor activities, faith-based activities, government relief packages and diaspora remittances.





Cities	Production based entitlement	Trade based entitlement	Own Labour entitlement	Transfer entitlement	Total
Abuja	5	10	5	7	27
Awka	5	6	6	8	25
Bauchi	3	5	5	5	18
Calabar	10	8	3	5	26
Ibadan	3	7	8	5	23
Kano	7	10	5	5	27
Lagos	7	10	5	5	27
Onitsha	5	6	6	8	25
Port Harcourt	10	5	5	5	25

In all the states surveyed, out of a score of 50, the combined score ranged from 18-27 which shows a general decline in entitlements across the states and similar levels of severity. While Bauchi has a higher chance at getting food insecure, the other states are slightly above the border line, showing medium decline in their entitlement (ability to get food).

In **Calabar**, a decline in local agricultural production or harvests due to flood and droughts have not been recorded in the last six months and the only time access to food stuff in the city was a problem was during a largely unsuccessful week-long nationwide effort (the so-called food blockade) in early March 2021 by northern food suppliers, under the aegis of the Amalgamated Union of Foodstuff and Cattle Dealers of Nigeria to block the supply of food items to southern markets over political considerations. Although cult clashes were recorded in the state, they have not led to market disruptions. The state has one of the highest unemployment rates at 53.65% which shows a decline in their ability to work for money that can be exchanged for food. While humani-



tarian and government assistants/outreaches may not be totally absent from the state, they are not commonplace in the past five months, which also shows a decline in transfer entitlements.

Port Harcourt follows a similar pattern to Calabar, local production capacity has not reduced, but food distribution in its environs was disrupted following the #EndSARS protests especially in places like Oyigbo. Unemployment rates are high but remain in the average line when compared with other states at 41.59%.

Bauchi's production rates were greatly affected by floods in September 2020 leading to the destruction of over 2,200 hectares of farmland. Conflicts around the region have affected its food trades and unemployment remains on the average. However, like most conflict prone states, humanitarian assistance is commonplace.

Anambra's food production is threatened by farmer-herder clashes. Its unemployment rate stands at 44.22% which is average, and there have not been food trade disruptions apart from that of the food blockade which affected all the southern states. Also, remittances from diaspora are common, speaking to a good transfer entitlement.

Abuja's food production is mainly undertaken by its neighbouring states Benue, Kaduna, Kogi and Niger, all of which have seen several attacks in the past few years, showing a decline in that dimension. Food distribution has not been affected and unemployment rates are over 40%, but being the administrative headquarters of the government and most international NGOs, outreaches and food distribution are common.

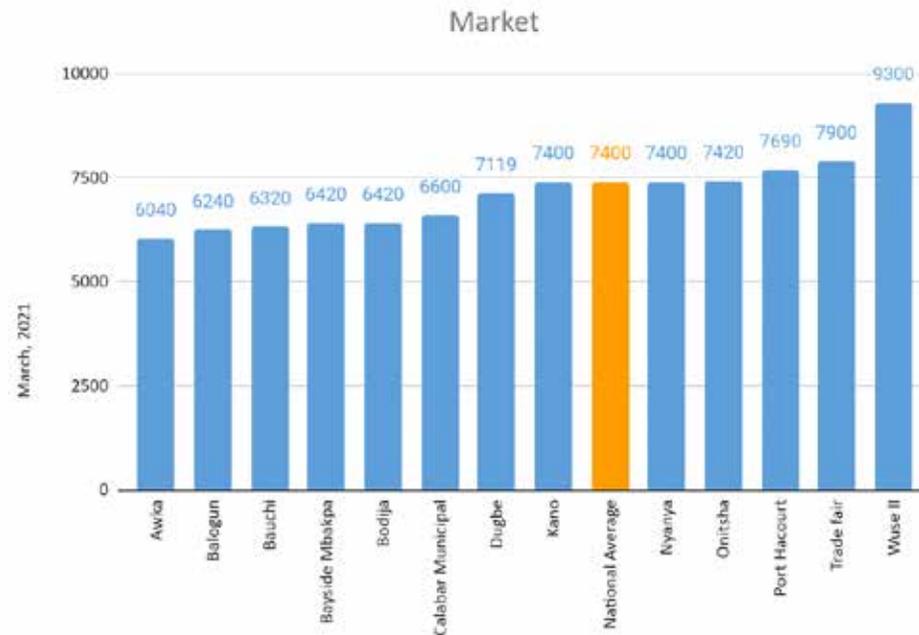
While **Ibadan** witnesses indigene-settler conflicts around its Shasha community, which affects production and distribution, being the main cause of the food blockade to the southern part of the country, its unemployment rate is low, showing a good purchasing power, although the rates of food transfer are not high.

Kano's food production is going on well, especially with recent distribution of 5,000 water



pumps to support irrigation and the Agro Processing Productivity Enhancement and Livelihood improvement support (APPEALS) project that is set to raise the productivity level of more than 10,000 rice, wheat and tomato farmers in the State. The state unemployment rate is relatively low, at 25.36% and recent food or palliative distribution in the state have not taken place- most of our interviewees confirm.

While **Lagos** farmers complain of the changing pattern of rain, the city still receives food supplies from its neighbouring states, especially from Ogun. The unemployment rate is average at 37.14% compared to other cities which shows that its purchasing power is higher than average.





The average cost of making a pot of jollof rice in Nigeria increased to ₦7400 from ₦7167 in the last quarter. This is despite the border reopening and the slight reduction in the cost of a bag of rice. Retail prices have stayed roughly the same and for other commodities, The cost of making a pot of rice is most costly in Wuse and least costly at Awka. These differences may be due to operational costs rather than the actual cost of commodities. While it is possible for people in Awka to substitute buying some of the commodities with products from their subsistence agriculture, the same is not possible in Wuse, largely because of its very urban nature.

In all the markets surveyed, the cost of making a pot of jollof rice increased in Awka, Calabar Municipal Market, Mbakpa, Onitsha, Port Harcourt and Trade Fair, while Balogun, Bauchi, Bodija, Dugbe, Kano, Nyanya and Wuse experienced a slight decrease. While the South-South and South-East states experienced an increase in the cost of making Jollof rice, Northern states experienced a price reduction. This price decrease can be attributed to the harvest period which usually forces prices of some commodities like onions and tomatoes down. However, these decreases may have failed to happen in the Southern part of the country because of the cost of transporting the goods down south and because of the price surge introduced by the food blockade.

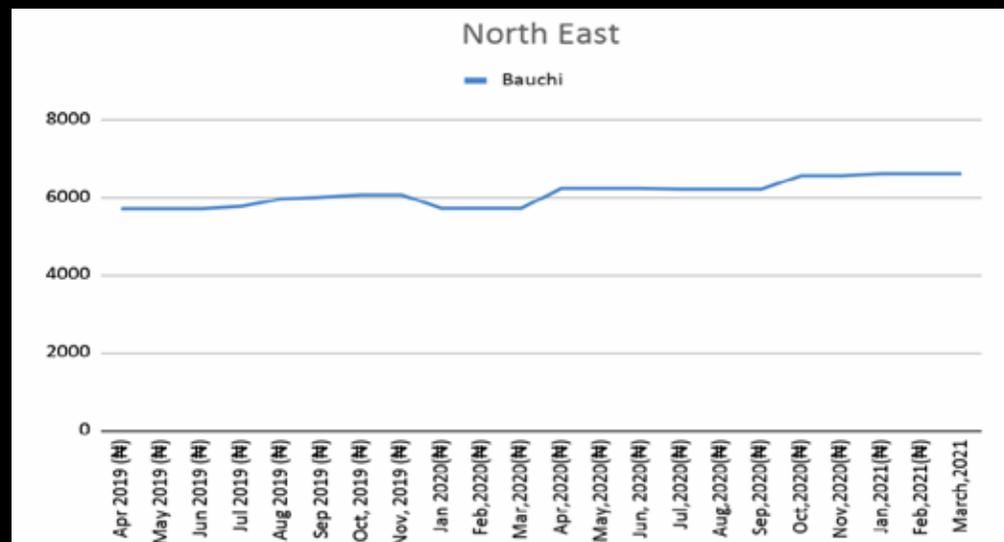
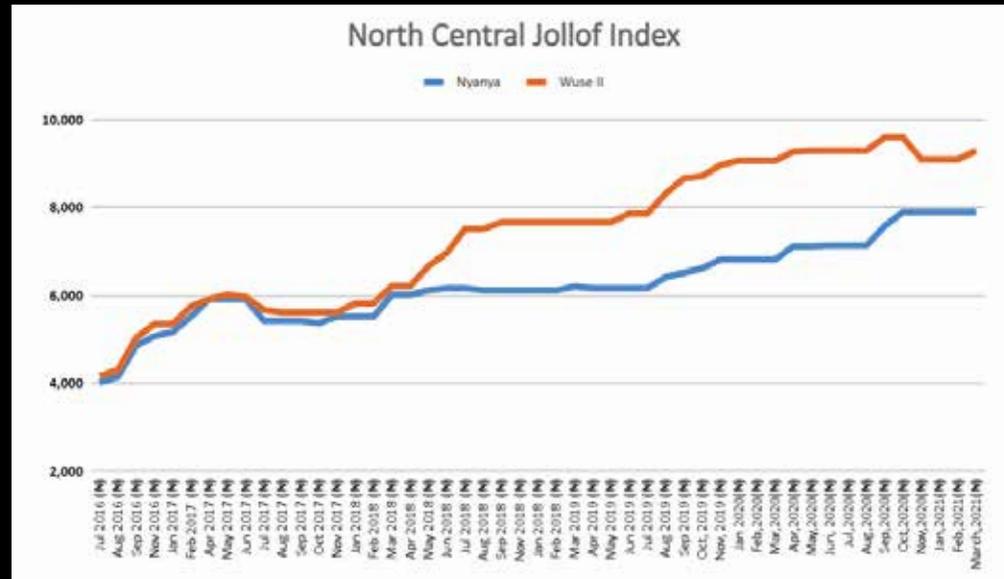


Wuse Market



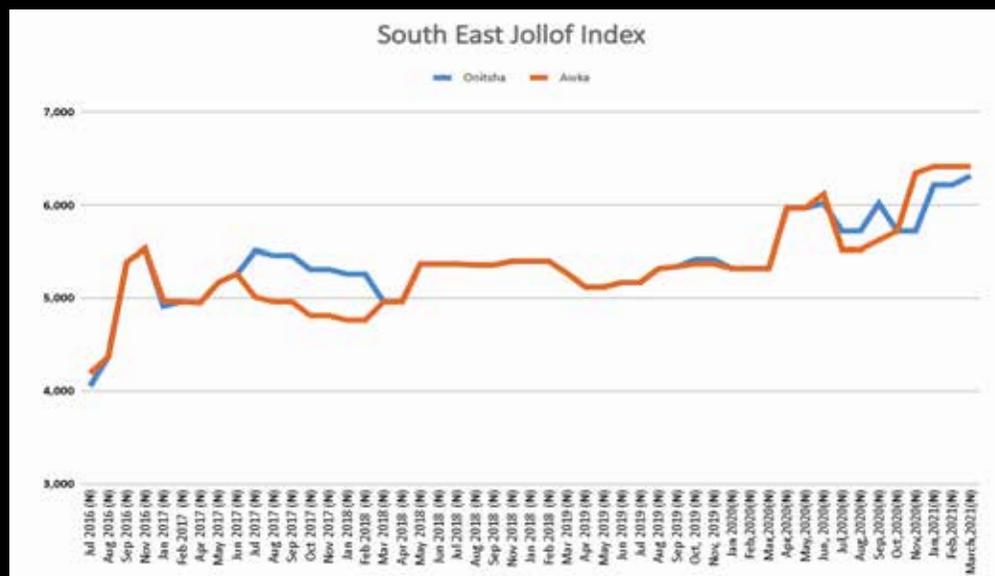
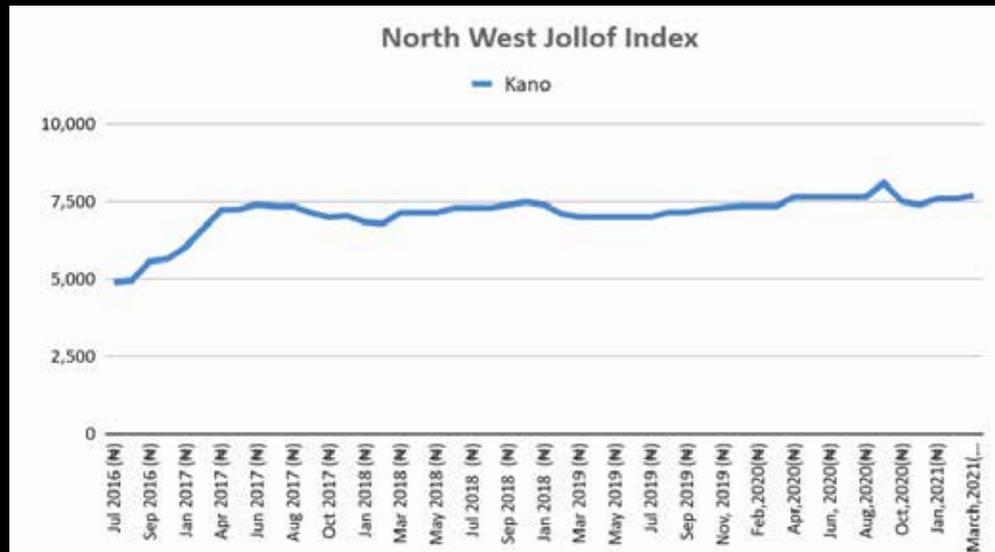


Regional averages



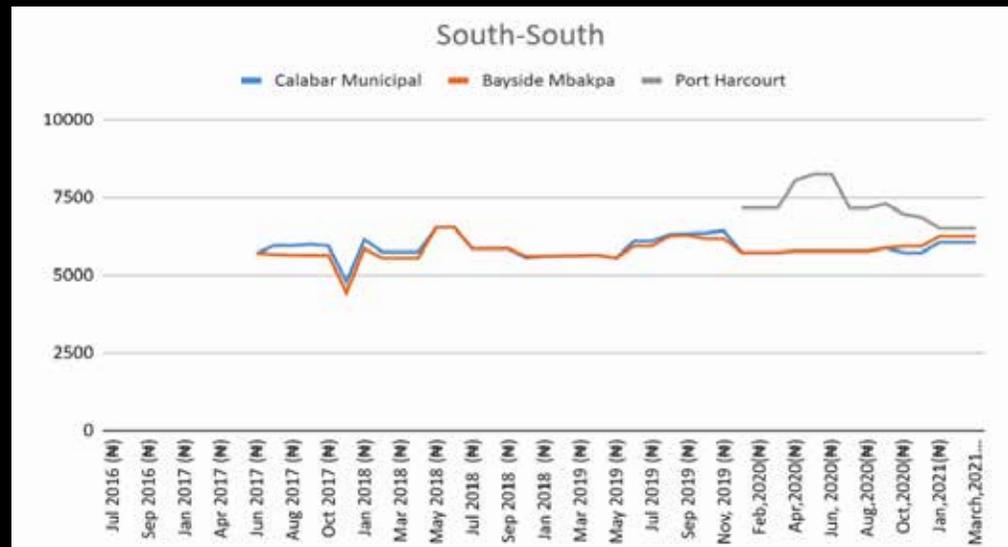
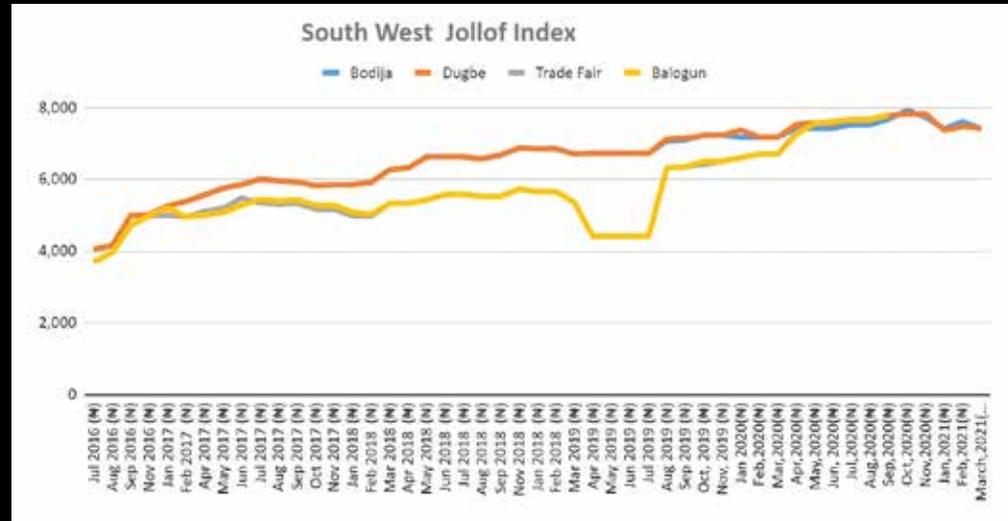


Regional averages





Regional average





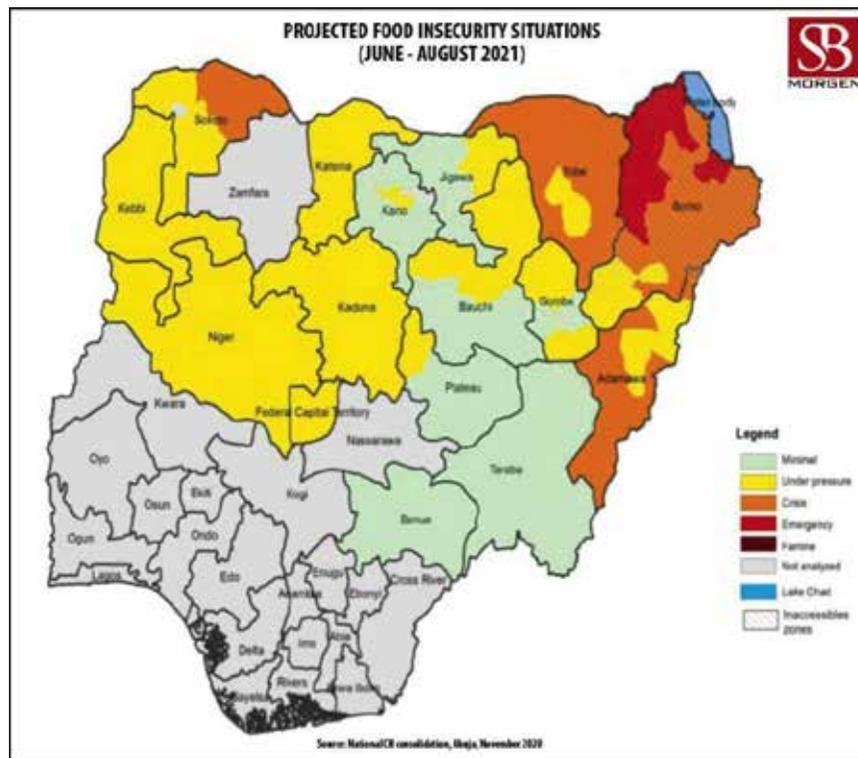
THE SBM JOLLOF INDEX Q1 2021: SLIPPERY SLOPE



In addition to Nigeria’s growing population is an overall decrease in land available for agricultural activities due to increased urbanisation, adverse weather conditions, and insecurity - especially in Northern Nigeria where banditry, herder-farmer crises and Boko-Haram terrorists have displaced millions of farmers and created humanitarian conditions. In Borno, Jigawa and Yobe for instance, 7.9 million people needed humanitarian assistance in 2020 and 3.8 million were classified as food insecure out of a regional population of 13 million, excluding the effect of the coronavirus pandemic.

These conditions of food scarcity/insecurity are not peculiar to one part of the country although the intensity varies with location. Poor policy decisions continuously exacerbate these conditions - the border closure policy,

Forex restriction for importation and the effects of fluctuating oil prices, matching some of the causes of the world’s greatest famines. This is worrying because food production will need to grow by 70% to feed the world’s population by 2050, and this includes in countries with resilient food systems. Some countries are as yet unable to provide sufficient food for their population - Nigeria inclusive. Nigeria imports 10% of what it consumes, revealing a demand/supply gap.





THE SBM JOLLOF INDEX Q1 2021: SLIPPERY SLOPE



In the face of this gap, the border closure policy was introduced, forcing a serious hike in prices leading up to an inflation rate of 17.33% in February 2021 marking the 18th consecutive month of rising inflation. For more context, a bag of rice, one of Nigeria's staples costs ₦27,000,00 - ₦35,000,00, which is higher than the minimum wage (₦30,000,00) and the average monthly cost of living in the country (₦43,200,00).

Policymakers are trying to address these issues through increased food production - the Anchor Borrowers Programme is targeted at boosting rice and maize production and has reached 3.8 million farmers and disbursed ₦554 billion according to the government¹⁰ but challenges persist. The government has found it difficult to ensure loan repayments in certain northern states¹¹ while some southern states, chiefly in the South South, have accused Abuja of failing to provide loans to their farmers¹². The future of the programme is now in doubt as corruption allegations in the programme's supervising agency have forced the Central Bank of Nigeria to suspend it¹³.

Furthermore, a lot of policy thinking has focused on production to the detriment of upgrading the post-production ecosystem. Nigeria loses 55-72% of its fruits and vegetables as well as 30% of its grains to post-harvest losses, primarily due to poor storage infrastructure and rudimentary efforts at value addition, processing and market preparation as well as atrocious transport infrastructure which inhibits market access. The National Strategic Grain Reserve which is the only effort at food management operates below capacity. It currently has 30,000 metric tons of grains out of a capacity of 1.3 million tons by its own assessment. A lot of infrastructural investment is required in order for Nigerians to derive significant benefit from present food production. The government can route a lot of that through its Directorate of Foods, Road and Rural Infrastructure, a little known agency set up in 1987 to identify geographic areas of high production potential for the

¹⁰ CBN says 3.8 million farmers benefited from Anchor Borrowers' Programme, disburses 554 bn | Nairametrics - <https://bit.ly/3sdtaG>

¹¹ CBN denies suing rice farmers in Kebbi over unpaid loan | Premium Times - <https://bit.ly/3mGPTA5>

¹² South South accuses FG of denying its farmers Anchor Borrowers loans | Guardian Nigeria - <https://bit.ly/2PQa7vs>

¹³ CBN suspends anchor borrowers scheme, others in agric loans agency | Today - <https://bit.ly/3a1GKgf>



country’s priority food and fibre requirements, improve rural access to infrastructure and drive overall rural development.

The country’s significant political, social and economic challenges are showing up in the shrinking, wilting pockets of Nigerian households. The ease of coronavirus restrictions should have eased up the pressure on family checkbooks. Instead, other headwinds more than made up for the cushion. In a country where inflation, unemployment, insecurity and policy miscalculations have made the pursuit of affordable alternatives a race to the bottom, a holistic regulatory approach that shifts from attaining food self-sufficiency to pursuing food security, addresses conflict and security based issues in prime agricultural regions, overhauls infrastructure from farm to market and modernises farming and industry practices has never been more imperative. Achieving this became a matter of national urgency three years ago. Anything sort of this will condemn the country to its current slippery glide towards a more problematic state of affairs. A country that cannot sustainably feed its people is flirting with a day of reckoning.



ABOUT SBM

SBM Intel is an Africa focused geopolitical research and strategic communications consulting firm focused on addressing the critical need for political, social, economic and market data, and big data analytics. We employ various methods of data collection. Our Data Collection Methodology team advises on data collection methods for all ONS social and business surveys. With clients both within the business and the wider government community, we aim to provide expert advice on data collection procedures and carry out research leading to improvements in survey quality.

Since 2013, we have provided data analytics and strategic communication solutions to clients across various sectors in Nigeria, Ghana, the Ivory Coast, Kenya, South Africa, the UK, France and the United States.

