



THE SBM JOLLOF INDEX Q3 2021
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Disclaimer

The data contained in this report is only up-to-date as at Monday, 27 September 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.

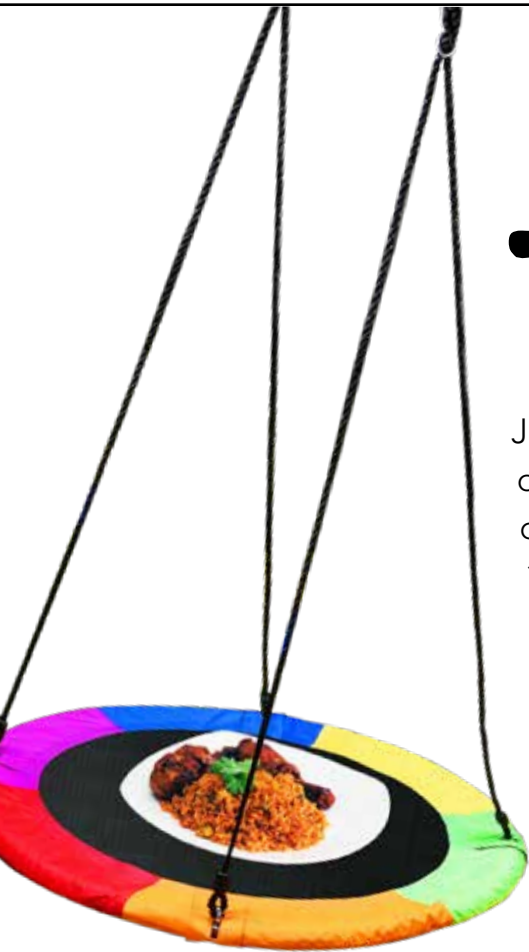
All forecasts were built using data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from respondents and publicly-available information, including from regulators, trade associations, research partners, newspapers and government agencies.

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Introduction

The SBM Jollof Index simplifies food inflation in a way that ordinary citizens can understand by using a delicacy that is common to all Nigerian households - Jollof Rice. The Jollof Index is curated from data on the most common ingredients that go into cooking the Jollof rice. This data is collected from 13 markets across the six geopolitical zones of Nigeria on a monthly basis, except for December because of seasonal spikes caused by year-end celebrations. From these prices, the cost of making a pot of jollof rice for a family of five (which is the average family size according to the National Bureau of statistics) 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, 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.

Our previous quarterly Jollof index reports (Q1, Q2) for the year 2021 had focused on analysing the causes, extent and implications of rising food prices in Nigeria. In the previous reports, we had described the effects of rising food prices on Nigerians and the looming danger of food insecurity for particular socio-

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demographic categories and regions. The reports were concerned with bringing to the fore the predicament that ordinary Nigerians face trying to provide food for themselves and their families in the face of rapidly rising prices. This was done through extensive in-depth interviews with a cross-section of the population in order to make sense of the data from our commodity tracker. While we reiterate the causes and implications in this quarter's report, we will expand the discussion to include the policy imperatives for achieving food security in Nigeria and the efforts that principal actors in the food supply chain can take to improve food security outcomes. The root cause analysis technique is used to arrive at the solutions that this report proposes.

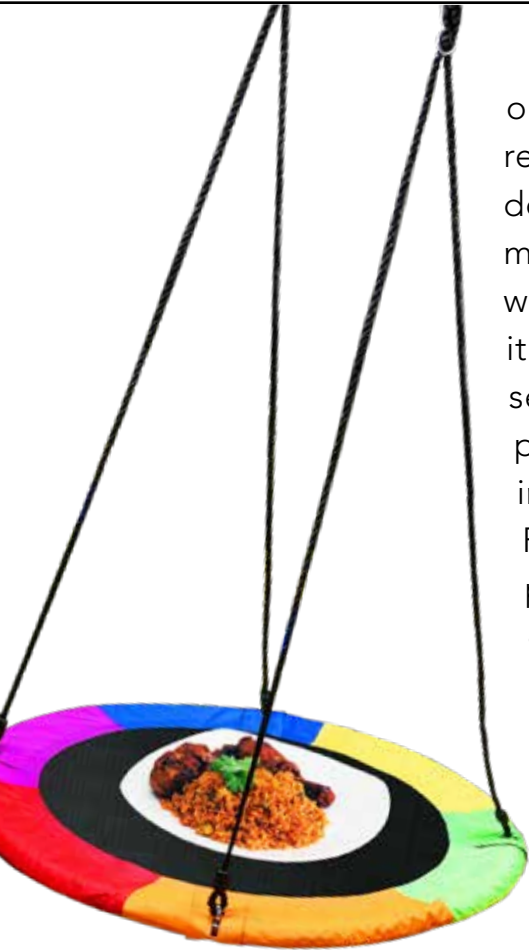
The four dimensions of food security; access, availability, stability and utilisation, have been greatly affected by persistent and widespread insecurity, unfavourable government policies, the occurrence of natural disasters and price swings in global commodity markets. Most of the triggers of food insecurity in the country remain unsolved and it is important that this quarter's index focuses on evidence-based strategies that principal actors can adapt to remedy the situation in the short-term and fix the longer term issues based on the actual realities on ground and away from speculation¹ not backed by data and facts. Food inflation rates have dropped for five consecutive months to a low of 17.01% in August 2021² from 17.38% recorded in July 2021, but, based on

¹[Buhari blames middlemen for hike in food prices, says scarcity of commodities artificial \(The Cable\)](#)

²[Nigeria's inflation rate drops to 17.01% in August 2021, 5th consecutive decline \(Nairametrics\)](#)

THE SBM JOLLOF INDEX Q3 2021

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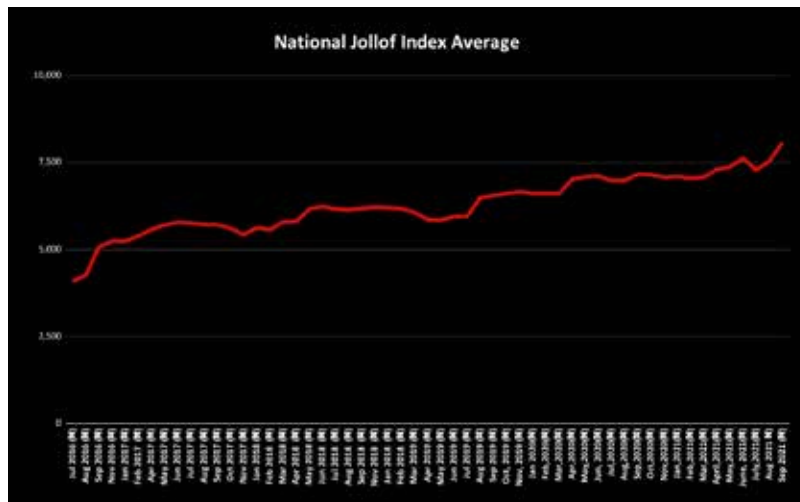
our interviews, people are yet to feel significantly relieved. This is because a drop in the inflation rate does not mean prices have dropped - it simply means that prices are not rising as rapidly. Given that wages in the country have largely remained stagnant, it is important to intensify efforts at ensuring food security and curbing price spikes because of the potential social and political repercussions. For instance, in 2007-2008, the International Food and Policy Research Institute reported that volatile food prices caused violent riots and social unrest in 33 countries³.

³<https://brusselsbriefings.files.wordpress.com/2007/12/hh19en.pdf> (Brussels Briefings)

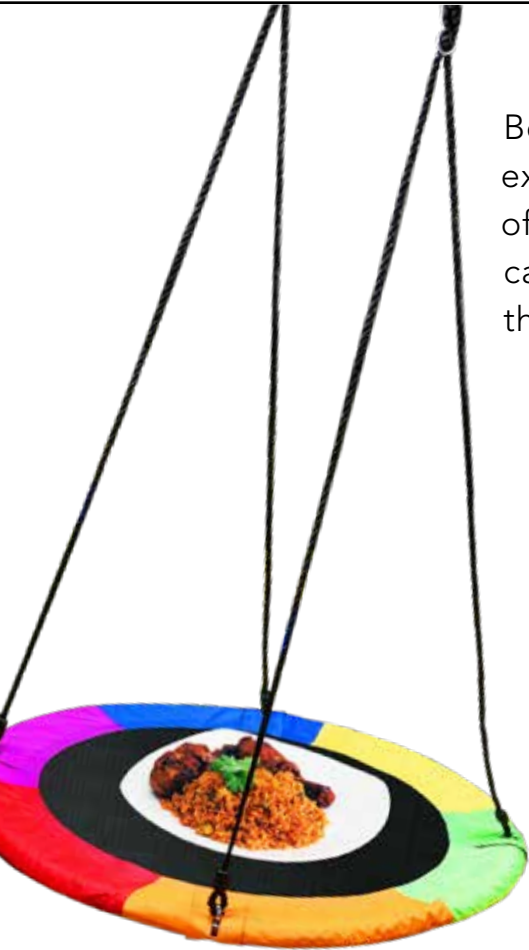


What does this quarter's Jollof index tell us?

The national average shows that there was a reduction in the average cost of making a pot of jollof rice for a family of five in July, but the prices rose again in August and September. The price surge in August coincided with the period when the Central Bank of Nigeria (CBN) stopped the sales of foreign exchange to Bureau de Change (BDC) operators due to the abuses which the regulator said have characterised their operations. This decision also coincided with the advice of the CBN that all websites offering parallel rates should shut down. This led to information asymmetry and panic driven price surges as most importers source their forex from the parallel market which in turn relies on information from such web pages. Our interviews with forex traders show that because there were no central means of determining the parallel rates, most of them increased the prices of forex to be on the "safe" side. Some components of the Jollof Index; Rice and Turkey are imported as demand supersedes internal production rates.



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Because these items are on the list of items excluded by the CBN from sourcing FX from official sources, the FX needed to bring them in can only be sourced from this parallel market. So this policy significantly impacted their pricing.



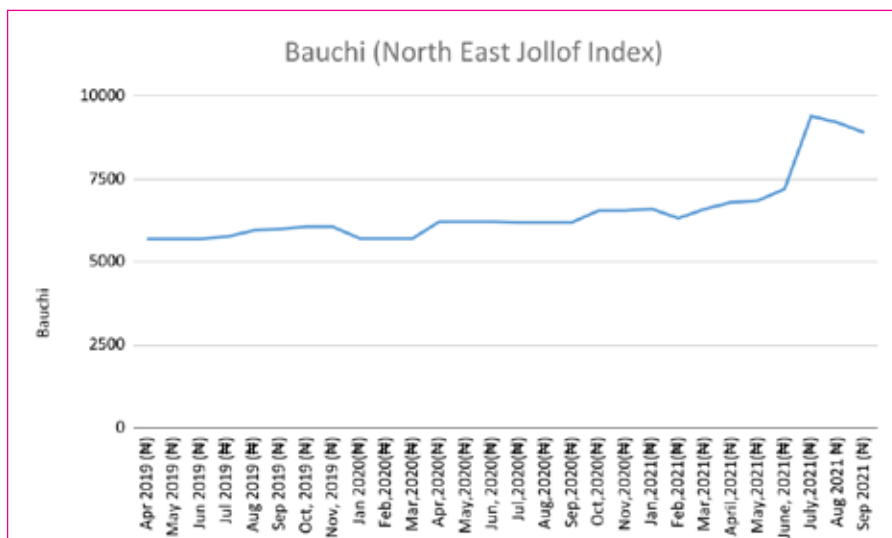
The cost of making a pot of jollof rice for a family of five remains high across the country. On average, it will cost ₦8007.50 which is higher than the average cost in Q2 which stood at ₦7,618, a percentage difference of 4.98. It will cost the highest to make a pot of jollof rice in Nyanya, Abuja at ₦10,050 and it will cost the lowest in Akwa, where the cost is ₦6,910. Abuja markets have since it overtook Kano in Q3 2018, had the highest cost of making a pot of jollof rice, particularly, at Wuse Market. However, shortly after our last report showed that metropolitan dwellers had abandoned neighbourhood markets for outskirts markets in a bid to save costs, the prices of food in Nyanya (an outskirt market) overtook prices in Wuse, a market right in the centre of Abuja.

THE SBM JOLLOF INDEX Q3 2021

PRICES BE SWINGIN'

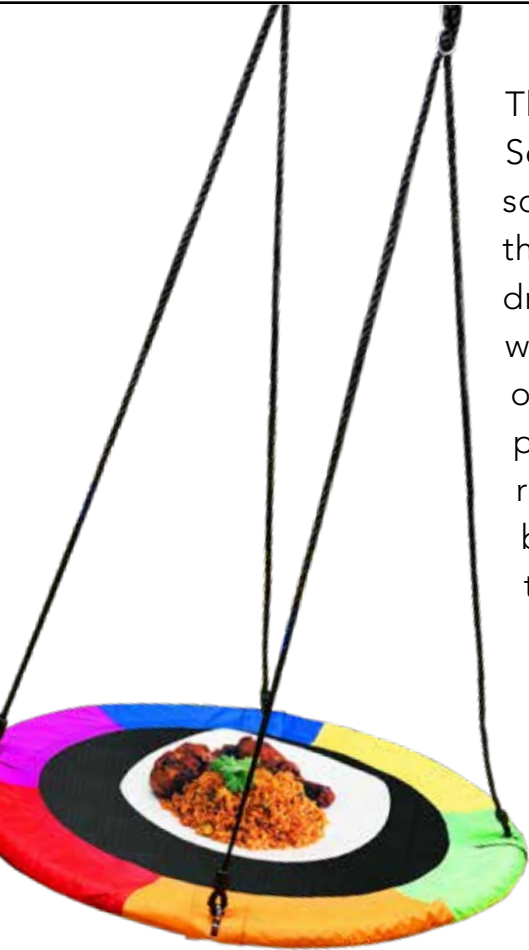


In Abuja, market forces have compelled market people in Nyanya to sell according to how they buy. Prices are going up every day, Nigeria is getting tougher and commodities are getting scarce, making prices go up. Some residents even went all the way to Nyanya and were shocked at the prices there. The main reason is that the cost of transportation is rising, while some farm produce such as ugwu (vegetables) are going out of season and storage remains an issue.

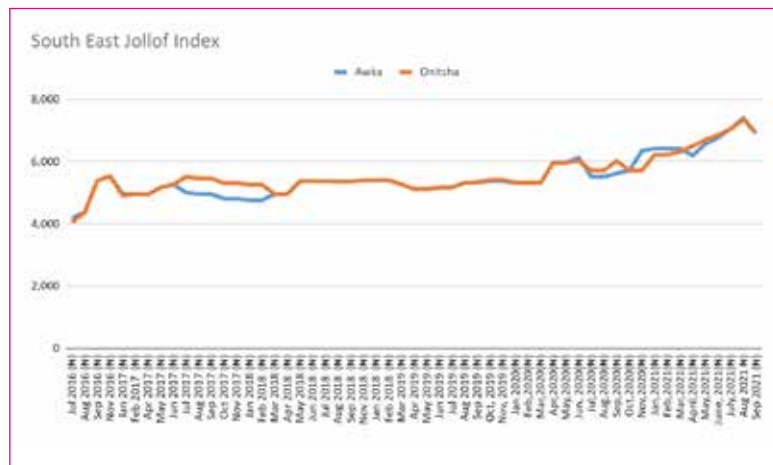


THE SBM JOLLOF INDEX Q3 2021

PRICES BE SWINGIN'



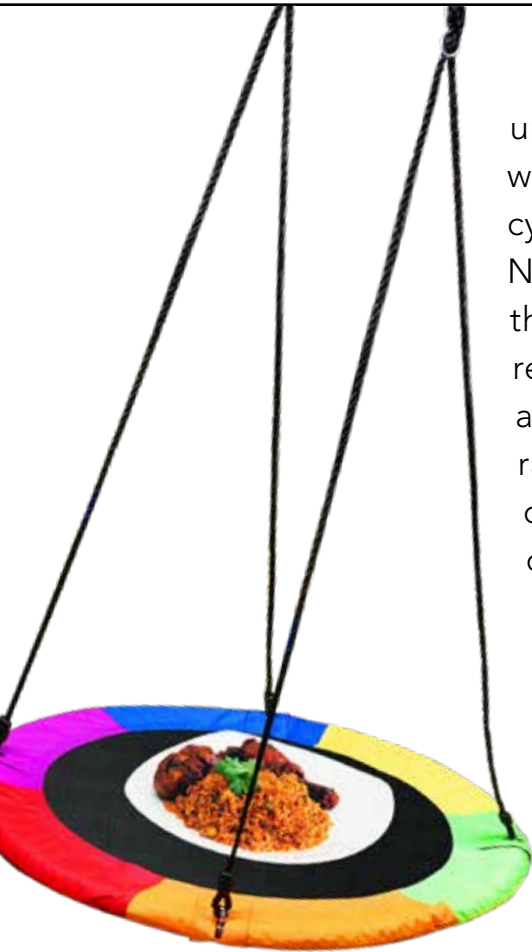
The prices dropped in Bauchi during the month of September because most of the items are recently sourced, and being that we are in the rainy season, these items are more available. The prices did not drop in July and August because the rainfall rate was higher and most of these farmers are residents of rural areas with poor access roads to bring the produce to urban areas for sale. In September, rainfall traditionally decreases meaning that roads became more accessible for transportation of these food items.



The reason we saw some prices drop in Anambra is because some of these items have come into season. For instance, there are more tomatoes in the market now. This applies for fresh pepper and onions. The cost of cooking gas also affects the prices. The cost of cooking gas has risen steadily in the past three months, and this is having an effect. Our interviewees said gas sold by gas retail outlets rose from ₦500 per kg in June to ₦700 per kg in September. They have simply reduced the refill weight per visit to gas refill plants, and there is no long term solution in sight. Since our interviews, the price of cooking gas has risen astronomically, with the National Association of Liquefied Petroleum Gas Marketers (NALPGAM), an

THE SBM JOLLOF INDEX Q3 2021

PRICES BE SWINGIN'



umbrella organisation of cooking gas marketers warning that the refilling price for a 12.5kg gas cylinder might hit 10,000 before December. Nigerian consumers are price sensitive and as such, they will explore substitutes, mostly dirty fuels, representing a setback for efforts by government and key private and civil society stakeholders to ramp up gas adoptions in the homes and kitchens of Nigeria. Before the sharp rise in prices, the cost of switching from dirty fuels to cooking gas was a disincentive to most consumers, particularly in rural and periurban areas.

In Anambra however, because there are so many different gas suppliers, the competition has kept the price of gas stable unlike in other parts of the country. Tinned tomatoes also have different types and what most respondents usually look for is the most affordable products. Traders have also taken to looking for cheaper brands to sell.



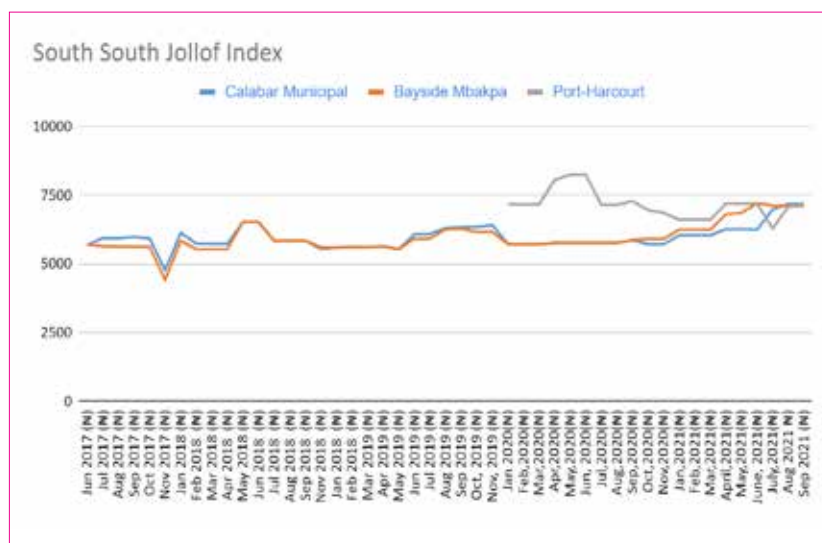
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When we tried to find out from traders and sellers of these commodities the reason for the constant increase, they simply said it is because of the present dollar rate against the naira, especially for commodities imported from outside the country. One rice trader in Lagos retorted with some hostility that, “we should ask the government, that it’s not her fault, that the prices have also increased from her source, so she has to increase so as to break even.”

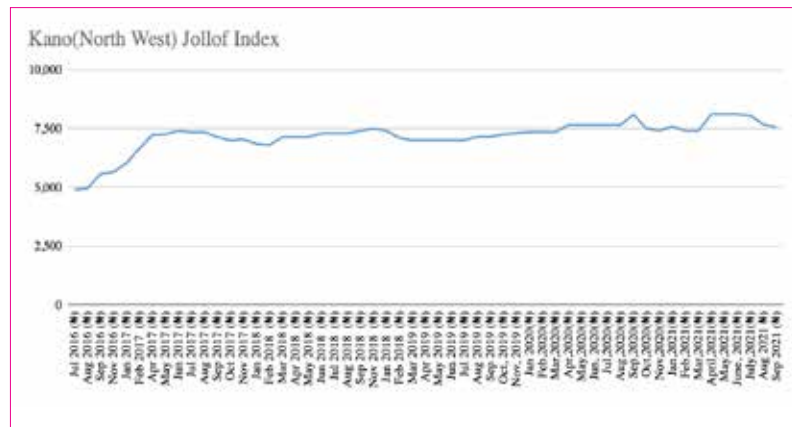
Another reason given by traders, especially for perishables such as tomatoes, peppers and vegetables, is because of the present security situation in the states where these items are produced. According to three different traders, it is now becoming difficult to get these items from the North to the South “because of the security situation on our roads.”

Additionally, farmers have been chased away from their farms by bandits, so the quantity of products from the farms has reduced significantly, hence the increase in the prices.



THE SBM JOLLOF INDEX Q3 2021

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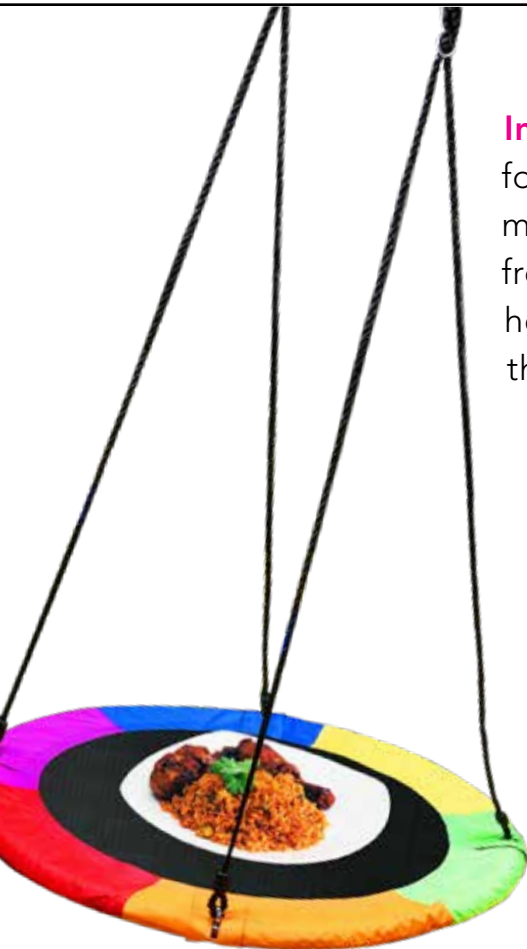
Global food price increases and volatility are attributed⁴ to increasing use of plants for biofuel, climate change and an increased volume of trading in the commodity market.

In Nigeria, only one of these factors holds - climate change and adverse weather conditions.

The causes of food crises are important to reiterate because of the recommendations that this article aims at proffering. To corroborate this, the International Food Institute reported that understanding the root causes of price volatility and spikes and the global policy options that exist to curtail them can save policymakers from making policies that are bound to fail from inception. Our root cause analysis shows that the main drivers of Nigerias' food crises are insecurity, unfavourable government policies, adverse weather conditions and reactions to global commodity prices.

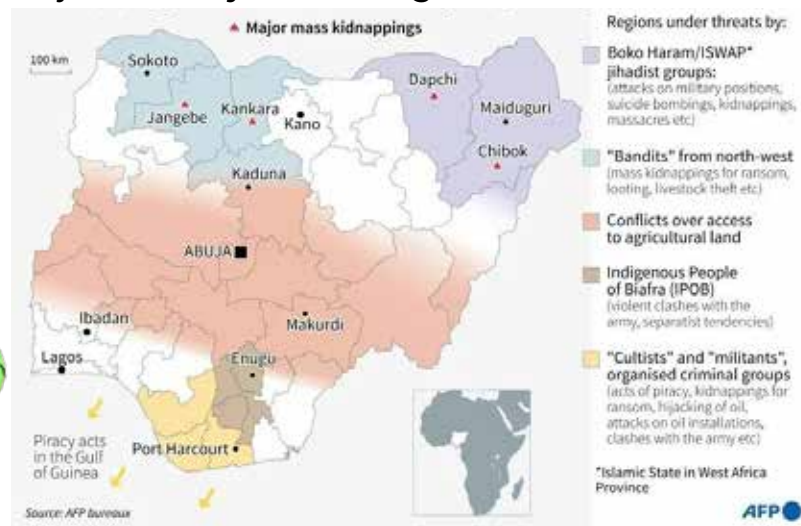
⁴<https://brusselsbriefings.files.wordpress.com/2007/12/hh19en.pdf> (Brussels Briefings)

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Insecurity: Insecurity is the foremost cause of food price increase and volatility in Nigeria, at the moment, the country is at war with itself on different fronts, Boko Haram in the North-East, Farmers-herders conflicts in the North Central, Banditry in the Northwest and insurrections in the South East.

Major insecurity zones in Nigeria



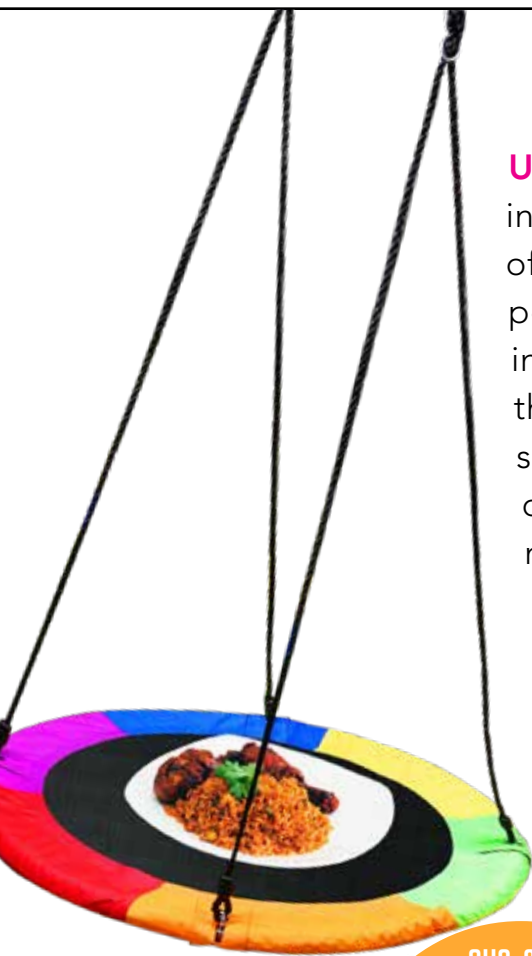
Farmers have been killed⁵, kidnapped⁶ and have had to pay ransoms⁷, leading to the abandonment of farmlands and reduced cultivation of farmland. An insurrection and sit-at-home orders in the southeastern states have complicated the food security issues as they disrupt the supply chain in the area.

⁵Dozens of farm workers killed in 'insane' Nigeria attack (BBC)

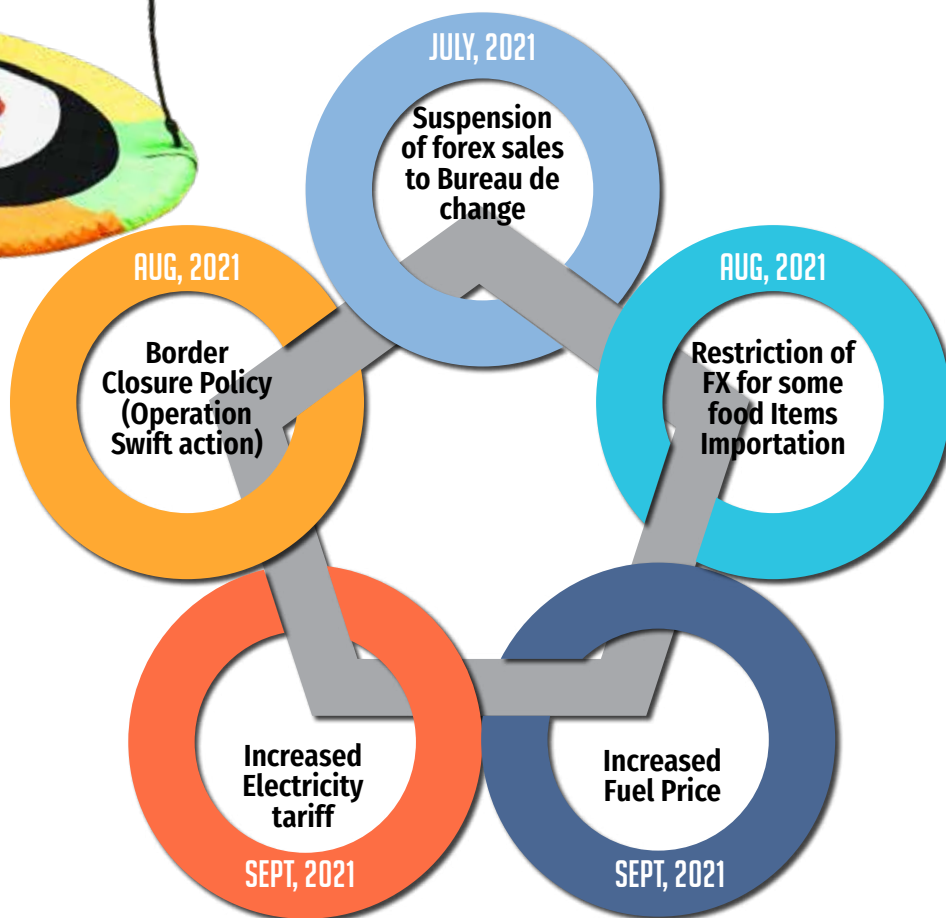
⁷Gunmen kidnap 4 farmers in Ekiti, demand N50m ransom (Vanguard)

⁸Despite ransom payment, bandits still kill our people; abduct wives, daughters — Farmers lament (Vanguard)

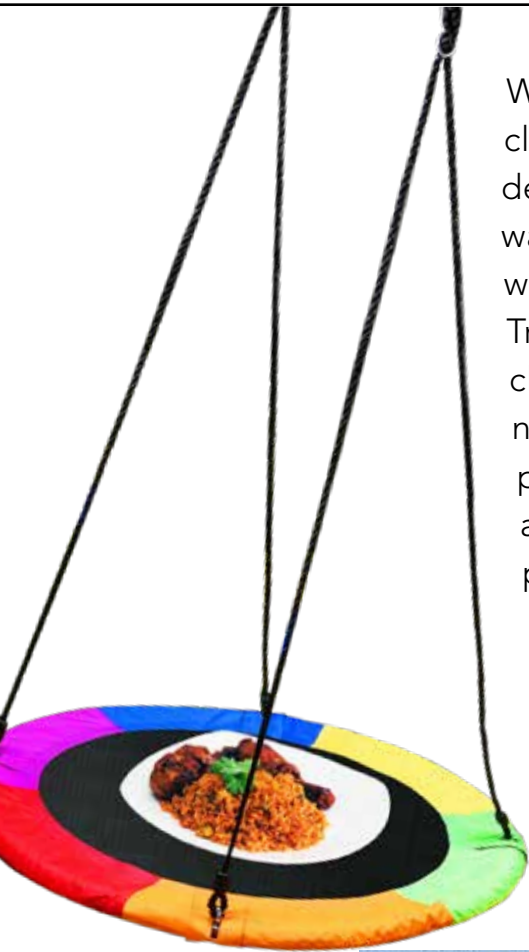
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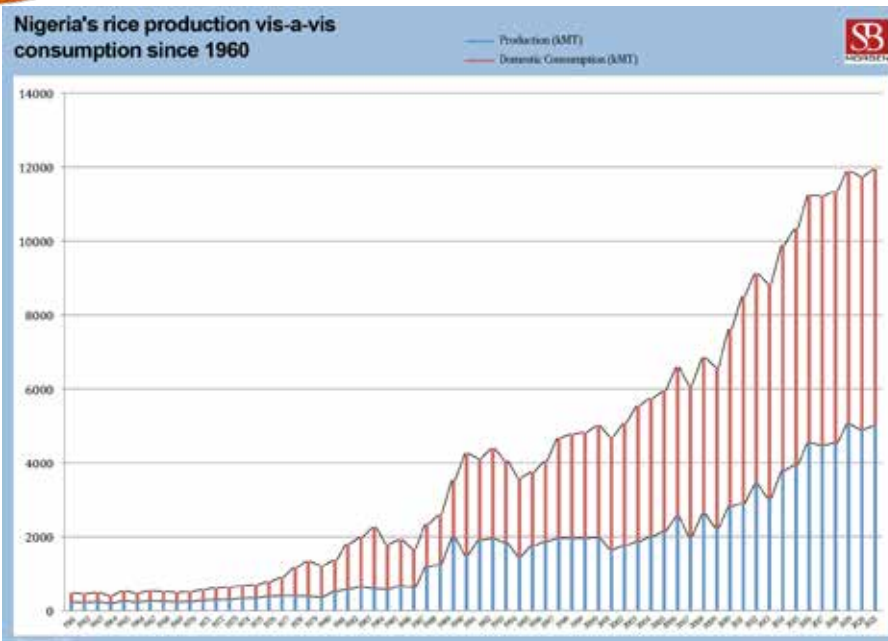
Unfavourable Government Policies: Food insecurity has been exacerbated by some policies of the Nigerian Government; the border closure policy from August 2019 to December 2020, increased energy tariffs (petrol and electricity), the ban on the imports of some items, and the suspension of forex sales to BDCs. The border closure policy is one of the policies that had the most effect on the food crises in the country.



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While this is not the first time that Nigeria has closed its borders⁸ with its neighbours, this had devastating effects as it happened when the region was moving towards greater integration within the wider framework of the African Continental Free Trade Agreement. Furthermore, like other border closure attempts, borders were closed against all its neighbours (Benin, Cameroon, Chad and Niger). The policy which was aimed at protecting local farmers and reducing smuggling led to increased food prices and increased smuggling through unofficial borders as local production lagged behind demand. The CBN's ban of 44 import items⁹ from



⁸<https://edi.opml.co.uk/wp-content/uploads/2019/08/Benin-informal-trading-with-nigeria.pdf> (Oxford Policy Management)

⁹Setback hits importers of banned items as FX freeze may induce inflation (Guardian Nigeria)

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accessing forex further compounds the problem of food insecurity as food items such as rice, maize/corn, milk and dairy products, tomatoes/pastes, sardines etc were included.

Rice is one of Nigeria's staples and the ban has only increased its price but has not impacted its availability as our interviews confirmed that foreign rice is still available at pretty much every neighbourhood shop and market. The recent suspension of forex sales to BDCs and the closure of websites that offer parallel rates has also affected food prices. The resulting information asymmetry increases the cost of forex as black marketers raise their prices because they are uncertain of the current market value.

Increased fuel prices coupled with the COVID-19 distancing adjustments had increased the cost of transporting food items, all of which were eventually passed on to the final consumers. The market now responds to proposed measures by the CBN, even before they are implemented, in anticipation of them. For example, the CBN recently began to speak on wheat, and almost instantly, the price of bread on the streets went up by 20% and has continued rising. On the other hand, increased electricity tariffs increased the cost of food preservation as traders paid for electricity and to put their food(e.g turkey and chicken) in cool rooms.

Climate change and adverse weather events: Flood and drought have greatly affected production quantities in recent

¹⁰ANALYSIS OF FARMERS & FOOD TRANSPORTERS CHALLENGES LIKELY TO IMPEDE NATIONAL FOOD SECURITY JANUARY 2021 (SBM Intelligence)

¹¹Flood destroys Bauchi 6,000-hectare farm, N900m property, road linking Cameroon (Punch)

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years. In a previous survey by SBM, 52.6% of farmers agreed that their harvest was affected by adverse weather conditions of flooding and drought¹⁰. In August 2021, floods destroyed¹¹ 6,000 hectares of farm and ₦900 million (\$1.6 million) worth of property in Bauchi State apart from other episodes in 2020 and 2021 across the country. Drought and shrinking river bodies are some of the leading causes of conflict in the middle belt, as herders move down their flocks in search of pastures. Furthermore, scientific reports projected decreased rainfall in the southeast, northeast and north-central regions of Nigeria as well as a rise in temperature for the entire country during most of the cropping seasons. There has been increased weather variability in recent times and farmers will be some of the worst affected.

¹²Projection of meteorological droughts in Nigeria during growing seasons under climate change scenarios | Scientific Reports (Nature)

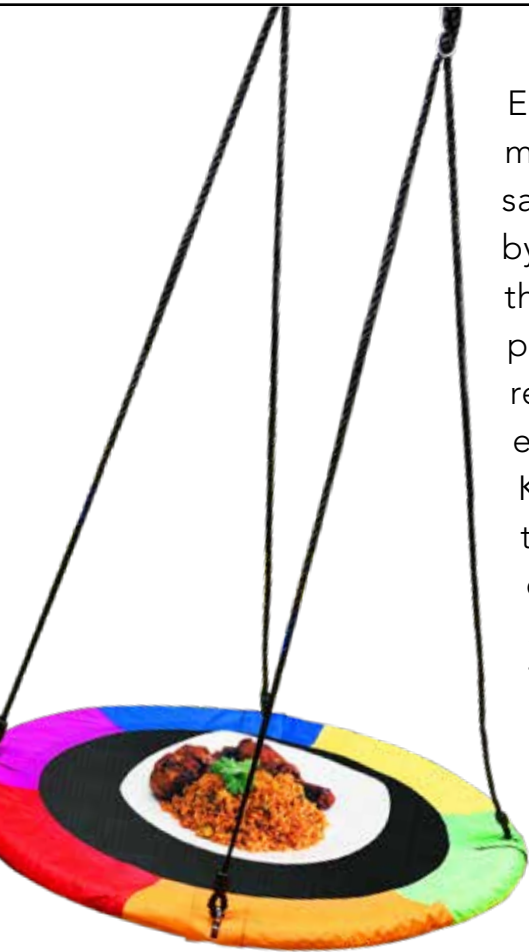


Recommendations and policy options to reduce food price swings

Central to our recommendation is the concept of governance, this concept places the responsibility of effecting change not just with the government but with multiple actors, the entire food supply chain consisting of farmers, processors, distributors and final consumers. A multi-actor strategy that ensures sustainability. The recommendations are as follows;

a) **Improving market information:**

Information asymmetry affects the cost of food prices and it should be the first concern of the government as it can help both in the long and short term. The lack of real market information on parallel rates will further push up the cost of forex which is passed on to the final consumers. The second type of information that needs to be available is information on the current levels of production of particular crops which will serve as evidence for policy decisions. For instance, the government needs to be able to estimate local production volumes so that it will know the difference that needs to be imported rather than rely on speculations. This role of providing timely market information on production and deficit levels can be undertaken by distributors and research institutions who are working in the area of agriculture so that the government can have available data for decision making. Another information that is needed in the food market in Nigeria is information on drought and floods.



Early warning systems and the best practices in mitigating adverse conditions can go a long way in saving many farmlands that have been destroyed by floods. Proactive methods of reporting rather than reactive reporting are needed for farmers to plan ahead of time, as well as meteorological and remote sensing data on yields and production expectations. In Nepal, an ICT company Smart Krishi Nepal¹³ is filling this space. The company through its apps shares timely information on quality seeds, good practices, technologies, services and other smart farming practices.

These are gaps that technology industries can fill. In Nigeria, while there are a number of apps that are designed to fill these gaps, uptake has been slow¹⁴; Hello Tractor, for example, has a total download count of 71 as of Monday, 11 October 2021 on the Google App Store.

This shows that while some of these apps may be available, the level of engagement remains low.

Therefore the need to step up advocacy in this regard, goes beyond making the apps to engaging with the app.

b) Investment in agricultural interventions targeted at increasing production levels for real farmers with built-in monitoring and evaluation techniques: The government of Nigeria has invested in agricultural programmes in the last five years such as the Anchor Borrowers Programme. While these schemes are laudable in theory, the programme design must include methods of measuring impact so that the extent to which

¹³Timely information at every stage of the crop cycle for farmers in Nepal (CGIAR)

¹⁴These 10 apps will help you practise farming in a modern way (in Nigeria)

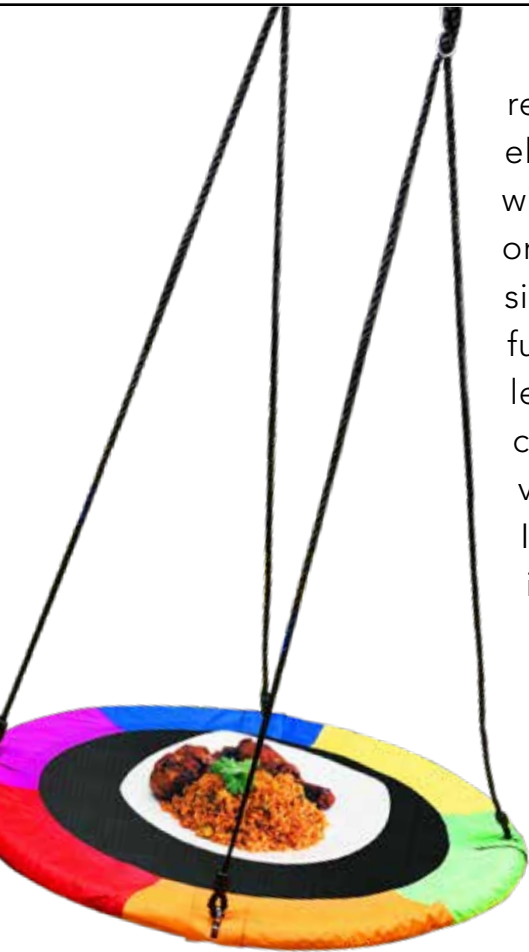
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these interventions have brought the needed change can be measured in quantitative terms and what works best can be replicated. Correct baseline data on the current production capacities of farmers have to be taken into consideration which will be used in estimating the impact of the intervention. Trial and error interventions do not go far, rather they complicate the problem and waste taxpayers money. The minister of Agriculture commented¹⁵ on establishing an online portal for effective monitoring of agricultural interventions but the portal registrations appear in the pipeline. There is a need for monitoring and evaluation organizations to fill this gap of matching intervention results to impact the agricultural sector. Furthermore, rather than intervene by pumping money into the sector, reaching out with farmers' needs will be a more useful method, distribution

of fertilizers, promoting improved seedlings and resistant varieties. In 2012, Akin Adeshina introduced the Electronic Wallet system for farmers through which subsidized electronic vouchers for inputs were delivered directly to farmers through their mobile phones. Farmers could use the vouchers to buy fertilizers at agro-dealers, thus eliminating middle men who siphoned these resources in earlier interventions. Transparency programmes as this could have latent functions such as profiling farmers across the country which could serve as baseline data for further interventions. Schemes like this will go a long way in fixing these loopholes. Investment in agriculture must be informed by

¹⁵[FG Begins Monitoring Intervention in Agriculture \(Science Nigeria\)](#)



research and not simply the beliefs of the ruling elite. There is a need for increased partnership with existing agricultural institutions and research organizations in the country that are operating in silos. There is also a need for the government to fund research in agriculture, apart from donor led interventions and funding. Research fundings can help discover drought and flood-resistant varieties of plants and crops. In Bangladesh and India, flood-tolerant varieties of rice have been identified, crossbred and used to overcome the losses posed by flood

c) Incentivising and de-risking investment in agriculture:

Our interviews with ordinary people who have been hit with food price volatility shows that there is a good interest in investing in Agriculture, however, they are not keen on doing so because of the risks involved.

Incentivising agricultural investment and de-risking the investment will go a long way to encourage investment in the sector. The same applies to smallholder farmers; in Ondo State, Governor Akeredolu had remarked recently that farmers who were affected by the floods last year are yet to be settled which can halt production levels. In Ghana, a tech start-up "Complete Farmers" is filling this space by connecting farmers to investors and connecting buyers to farmers. Through this solution, farmers are able to expand production and the traditional risk of getting buyers for harvest is removed.

d) Investing in food storage infrastructures: Investing in food storage infrastructures: Storage facilities are important in reducing post-harvest losses. There is a need to subsidise small storage

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facilities for farmers, incentivise distributors and producers to improve their storage capacities. This is a short term and more manageable process than building government-managed storage facilities and reserves.

e) **Import restrictions for essential food items must be removed.**

Nigeria simply cannot produce enough for its people to eat. Making food more expensive by consigning essential food items to smuggling and sourcing expensive black market FX will only result in more expensive food for Nigerians, while making these smugglers richer.

It achieves little in terms of boosting agricultural production. Nigeria must focus on producing what it has a competitive advantage for and trade for the rest, with the rest of the world.

The fixation on banning food so we can produce that informs a lot of the policymaking needs to stop.

Away from “government should” recommendations, we recommend that solving the problems of food insecurity should take a “whole of society approach” -- involving the participation of different stakeholders across the food supply chain rather than the top-down approach. Working through some of the best interventions and approaches around the world, we can adapt practicable solutions to our local context utilising in-country know how that is supported by the right policy setting.



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 ■