

THE SBM JOLLOF INDEX Q4 2021 & Q1 2022

# GEOPOLITICS COMES FOR FOR DINNER



APRIL 2022



# Disclaimer

The data contained in this report is only up-to-date as of Friday, 14 April 2022. 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

It is no longer news that food prices in Nigeria have risen to record levels in the last five years and Nigeria faces a food security crisis. In our previous Jollof Index, we have highlighted the causes, impacts and policy solutions to the rising food prices in the country and the threat to food security<sup>1</sup>. This has been corroborated by the Food and Agricultural Organisation and has just recently made it to policy circles. In May 2018, the United Nations Food and Agriculture Organisation warned that 12.8 million Nigerians will go into famine between June and August 2021 and a more recent report<sup>2</sup> by the organisation confirms that 19.4 million people in Nigeria will be in a food crisis by August this year.

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NIGERIA’S POLICY RESPONSES TO RISING INFLATION HAVE BEEN COMICAL, LEADING TO MORE PEOPLE FACING FOOD INSECURITY. ACCORDING TO THE FOOD AND AGRICULTURE ORGANISATION, ALMOST 20 MILLION PEOPLE IN THE COUNTRY WILL BE FACING A FOOD CRISIS BY Q3 THIS YEAR.  
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The policy responses have been slow and sometimes comical. While we were putting finishing touches to the last Jollof Index, a House of Representatives member moved a motion to investigate the causes of food inflation<sup>3</sup> and the Lagos State government launched<sup>4</sup> a five-year agricultural development roadmap that aims to solve the problem of food inflation in the state. In the meantime, geopolitical tensions have followed Russia’s invasion of Ukraine have started to affect inputs across the global agricultural value chain<sup>5</sup>.



<sup>1</sup>SBM Intel. (2021) The SBM Jollof Index: Prices be swingin'. Available online: <https://bit.ly/3uPGpZ2> [Accessed 14/4/2022]

<sup>2</sup>Udegunam, O. (2022) 19.4 million Nigerians to face food insecurity by August 2022 — FAO. Available online: <https://bit.ly/3xxFDS6>. [Accessed 14/4/2022].

<sup>3</sup>Majeed, B. (2021) Reps to probe rising cost of food, goods, services in Nigeria. Available online: <https://bit.ly/3uPlmpz>. [Accessed 14/4/2022].

<sup>4</sup>Salau, G. (2021) Lagos unveils five-year agric roadmap. Available online: <https://bit.ly/3jNzn0l>. [Accessed 14/4/2022].

<sup>5</sup>Emediegwu, L. (2022) How is the war in Ukraine affecting global food security? Available online: <https://bit.ly/3JNUAIB>. [Accessed 14/4/2022].

It is with these and some other factors in the background that the latest SBM Jollof Index has been released. The SBM Jollof Index provides a simple explanation for food inflation by using a delicacy that is common to all Nigerian households—Jollof Rice. The Jollof Index is compiled using the information on the most popular ingredients used to prepare Jollof rice. This data is collected on a monthly basis from 13 markets across Nigeria's six geopolitical zones, with the exception of December, which has seasonal surges due to year-end celebrations.

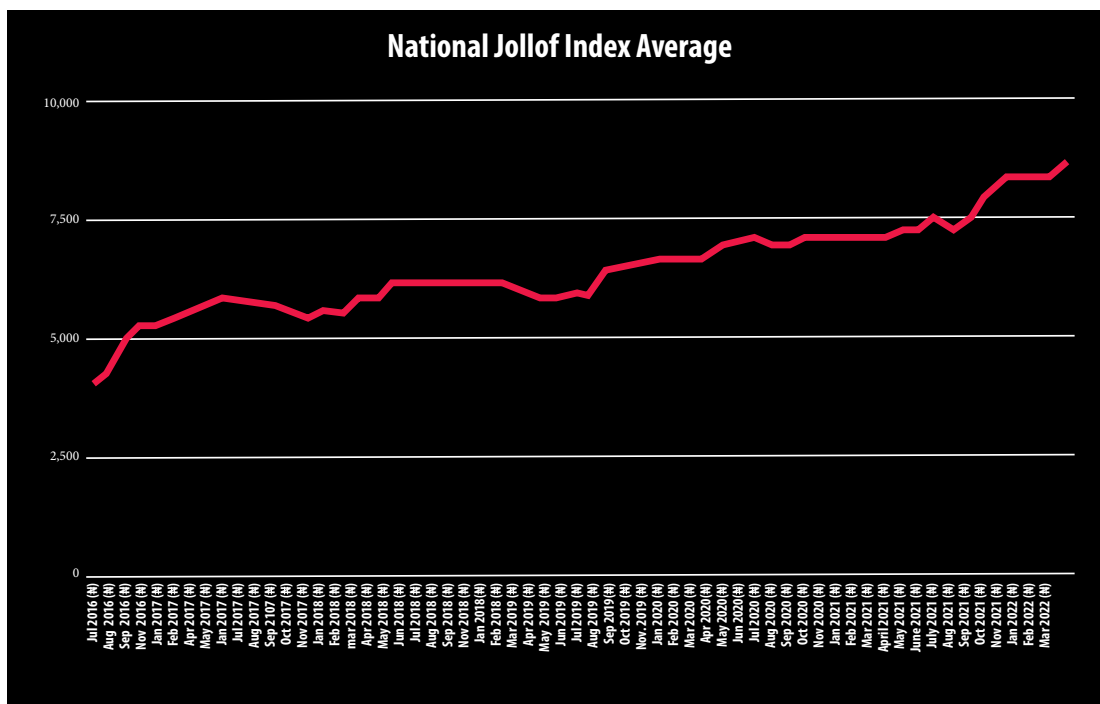
The cost of producing a pot of jollof rice for a family of five (the average family size according to the National Bureau of Statistics) is calculated using the prices of these ingredients and then used as a proxy to gauge food inflation across the country. Rice, curry, thyme, seasoning, groundnut oil, turkey/chicken (poultry), beef, pepper, tomatoes, salt, and onions are the commodities that make up the Jollof index.

The SBM Jollof Index is released three times a year, at the end of each of the first three quarters, with data for October and November included in the next year's Q1 Jollof index, which means that this report also analyses prices for October and November 2021.

### **NATIONAL AVERAGE**

The national average shows that prices rose in October and November, slightly declined in January and began an upward trend in February and March. The spike in October and November is attributed to the increasing demand for food items in anticipation of the holiday season in December. Rice and groundnut oil account for this increase as companies purchased end-of-the-year welfare packages for their employees.





In October, diesel prices began inching up on the back of supply shortages, and this was augmented by continuous concerns about insecurity which has been keeping more and more farmers away from their farms. In February and March, the issues that caused food prices to increase include a continued increase in diesel prices, petrol scarcity and heightened insecurity. Petrol prices typically have a knock-on effect on the cost of transportation and food storage, especially for products like turkey given Nigeria’s precarious power situation which forces pretty much every business to run on expensive petrol or diesel generators.

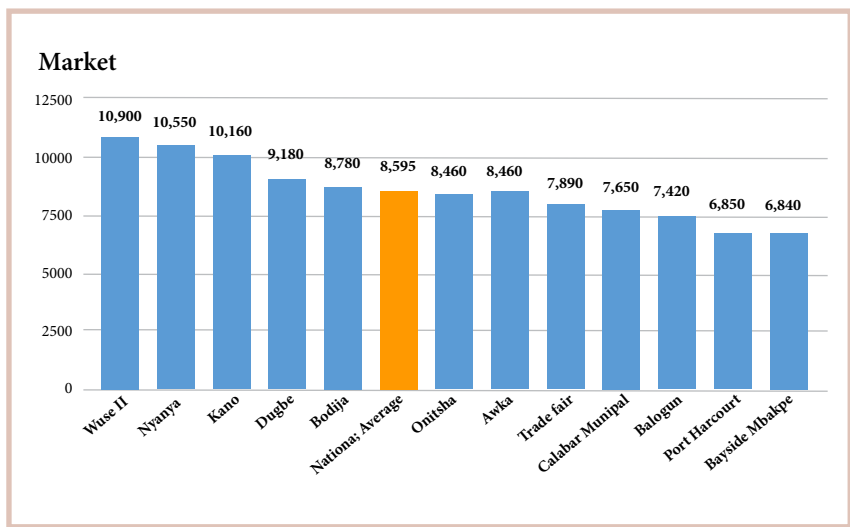


All our respondents indicated that the price decline in January was because of a sell-off of the stock that most traders acquired in anticipation of bigger sales during the festive season. Most respondents indicated that these anticipated sales did not happen as many buyers did not open their purses during the 2021 yuletide. Inadequacy of storage facilities forced them to sell off stock at lower prices, especially perishables.

This is worrisome.

In the face of limited production due to insecurity, storage problems and a growing population, the importation of food is bound to increase, and at higher costs, considering the restrictions on forex and the exorbitant black market rates. Already, the CBN reported that Nigeria's food import bill has risen by 45% to \$2.71 billion<sup>6</sup>, despite government intervention and initiatives toward food sufficiency, such as the Rice Pyramid.

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PRICE SURGES ARE NOW A COMMON PHENOMENON IN ALL THE MARKETS AND THE AVERAGE COST OF MAKING A POT OF JOLLOF RICE FOR A FAMILY OF FIVE WENT UP BY 7.3% FROM ₦8007.50 IN Q3 2021 TO ₦8595 AT THE END OF Q1 2022.  
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The average cost of making a pot of Jollof rice for a family of five went up from ₦8007.50 in Q3 2021 to ₦8595 at the end of Q1 2022, a 7.3% increase.

Price surges are now a common phenomenon in all the markets and the erstwhile judicious approach of running to outskirts

<sup>6</sup>MMS Plus. (2022) Food import bill jumps by 45% to ₦1.12tn - CBN. Available online: <https://bit.ly/3KRTdUe> [Accessed 14/4/2022].

markets in a bid to save costs is no longer tenable. This showed particularly in Abuja. It will cost the most to make a pot of jollof rice in Wuse II at ₦10,900 while Bayside Mbakpa in Calabar accounts for the lowest cost of making a pot of Jollof rice at ₦6,840. Our interviews across these markets revealed a few trends; adapting to the fluctuating prices is one thing that customers told us they have learnt to do. One of our respondents said that when making her market list, she adds at least ₦200 to the previous price for all the items. Similarly, traders were also of the opinion that they called their dealers on a daily basis to confirm if there is a price change before they begin the day's sales because they stand a risk of not being able to replace stocks, as profits are very marginal due to the high cost of goods.

Customers also complained about their inability to add protein to their meals. One of the respondents said that “Beef, chicken, and fish have become so costly these days. I am not even talking about turkey, I removed that one from my menu a long time ago, and now that everybody wants to add egg, it has gone up too. It is now about ₦80 or ₦90, depending on whether you buy the small or big one.”

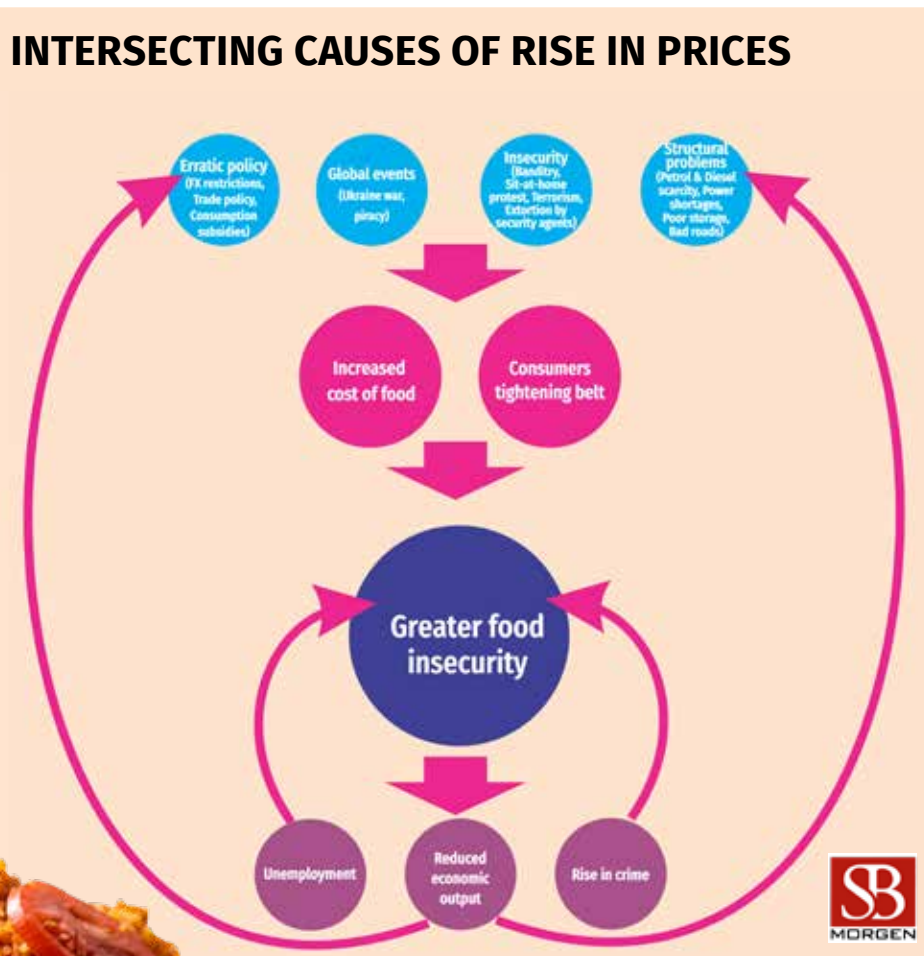
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Corroborating this, the NBS inflation report showed that the price of eggs increased by 45.5% in March 2022<sup>7</sup>, compared to the same period in the previous year. Dietary requirements and food quality are no longer concerns for most consumers. Their concerns are more around food quantity as that is what most consumers' income can cater for considering the fact that about half of the population are below the poverty line.



<sup>7</sup>NBS (2022) CPI and Inflation Report March 2022. Available online: <https://bit.ly/3KQ3Hn6>. [Accessed 17/4/2022].

One of our respondents, a meat seller, described what he has noticed recently that people are abandoning beef for cheaper parts such as intestines, and other innards in a bid to save cost. Additionally, more customers ask that their meats be sliced into smaller pieces.







In the North Central, both Nyanya and Wuse II markets experienced an increase in food prices between October and November, a decline in January and an upward trend in March. Nyanya market, being a market on the outskirts of Abuja, had previously cost less than the Wuse II market which is a cosmopolitan market in the city centre. The run to the outskirt market in a bid to reduce cost has ended and prices in both markets are roughly the same. In these North Central markets, the prices of turkey, beef, and onions increased. The price increase in February and March can be attributed to the fuel scarcity<sup>8</sup> which increased the cost of transportation of goods—some drivers had to spend the night<sup>9</sup> at filling stations to be able to get fuel for their vehicles and others had to buy from black market vendors at higher rates.



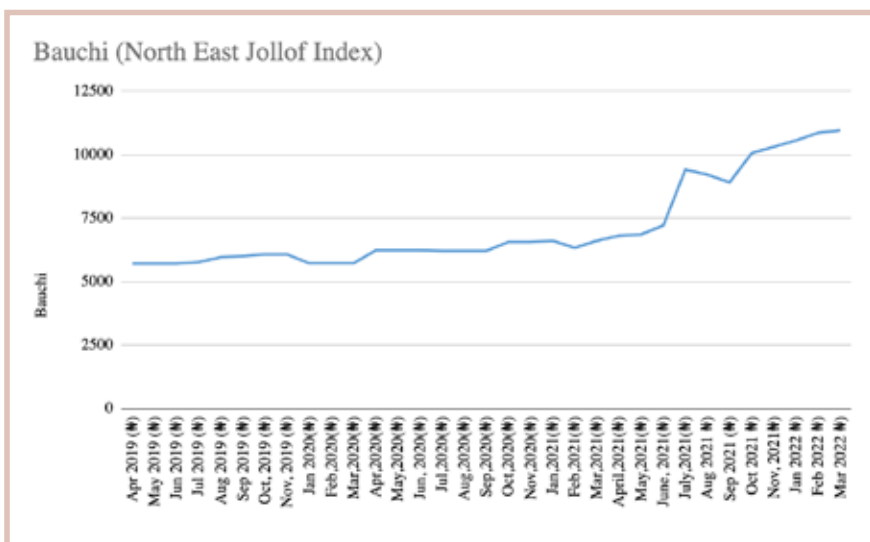
In addition to the fuel scarcity in this period, the country also experienced episodes of blackouts<sup>10</sup> which increased the cost of food storage, especially for items like turkey and beef. This problem of storage has led to the increase in prices of some food items in the North-West Markets. Insecurity also affects the transportation of food from nearby northern states to Abuja.

<sup>8</sup>Izuaka, M. (2022) Fuel scarcity worsens across Nigeria, grounds economic activities. Available online: <https://bit.ly/3uNjWHd>. [Accessed 14/4/2022].  
<sup>9</sup> ibid  
<sup>10</sup>BBC Pidgin. (2022) National Grid: Why some states for Nigeria dey experience blackout. Available online: <https://bbc.in/36kVJU9> [Accessed 14/4/2022].

Our interviews with traders show that the cost of farm items like onions have gone up because the number of suppliers have reduced, and most of their complaints are around the security situation on their source routes.

In Abuja, market forces have compelled market people, especially retailers, to sell according to how they buy. This is to avoid keeping inventory and incurring any losses by price fluctuations.

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DISTANCE  
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In the North-East, heightened insecurity has sustained price increases in the region even as there was a price reduction in January in other regions. The humanitarian situation created by the activities of various Islamist groups have made farming in the region difficult. Arable lands are increasingly left unplanted and farmers have not been farming as the security conditions are not getting any better.

Seasoning (Knorr), and beef accounted for the biggest increase in this market. Corroborating this, the report of the FAO on the food crises and insecurity that Nigerians face, listed all the states in the North-East- Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe as states that are currently facing a food crisis<sup>11</sup>.



The sit-at-home protest by separatists in the South-East and associated violence in the region is one of the causes of food insecurity in the region. Prices went up in both Awka and Onitsha between October and November, dropped slightly in January, and took off again in February and March. Turkey, tomatoes, vegetable oil, beef and onions accounted for the increase in these markets. Our interviews with traders on the state of events confirmed this.



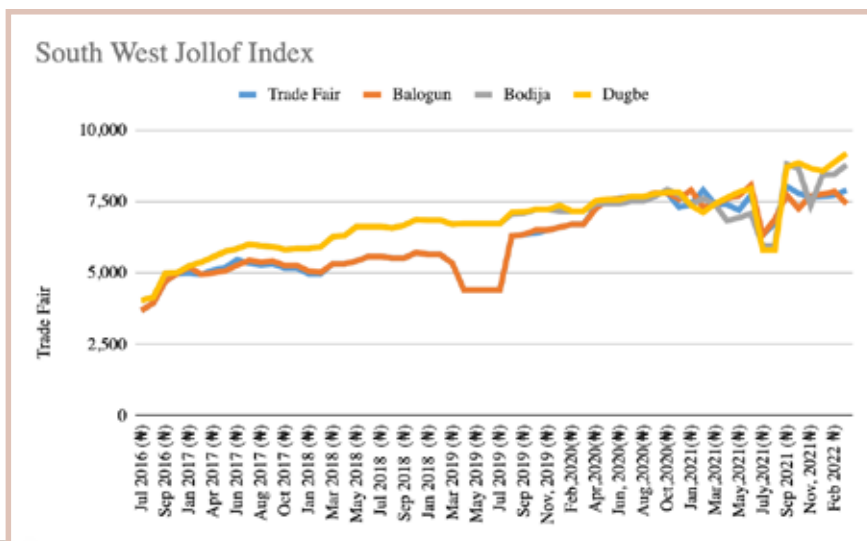
One of the respondents said that since July last year when a trailer with cows was burnt in Anambra<sup>12</sup>, the price of beef had gone up. Despite the fuss about boycotting cow meat as a form of protest, beef is still one of the most used proteins in cooking and the alternatives are few. Apart from the Jollof rice

<sup>11</sup>Azeez, W. (2022) FAO: 14.4m Nigerians facing food crisis amid insecurity, rising inflation. Available online: <https://bit.ly/37TfdQ4>. [Accessed 14/4/2022].

<sup>12</sup>Abdulazeez, B. (2021) Anambra Livestock Dealer Loses 50 Cattle To Hoodlums. Available online: <https://bit.ly/3En08k1>. [Accessed 14/4/2022].

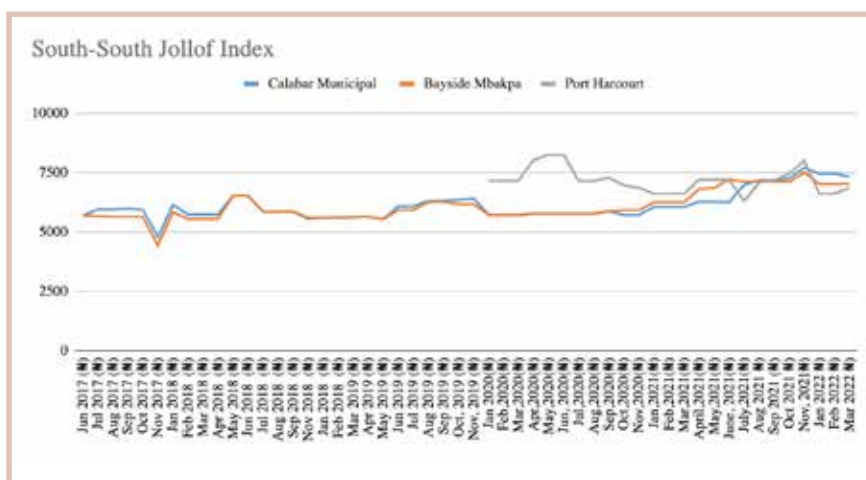
ingredients, fruit and vegetable sellers also complained about food spoilage and losses as a result of the sit-at-home protest. A fruit seller had this to say: “Since the protest started, I don’t sell for about four days in a week. I cannot buy perishable fruits and vegetables after Thursday because I have only Saturday to complete all my sales. If anything remains after Saturday, it will spoil because there is no market on Sunday and Monday.”

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IPOB’S SIT-AT-HOME HAS CAUSED THE PRICES OF PERISHABLES TO RISE SHARPLY. A TRADER COMPLAINED THAT HE CAN SELL HIS PERISHABLE GOODS ONLY THREE DAYS A WEEK, LEADING TO MAJOR LOSSES. DESPITE RISING COSTS ESPECIALLY AFTER AN ATTACK ON A TRAILER FILLED WITH COWS LAST YEAR, BEEF STILL REMAINS THE MOST POPULAR PROTEIN IN THE SOUTH-EAST.  
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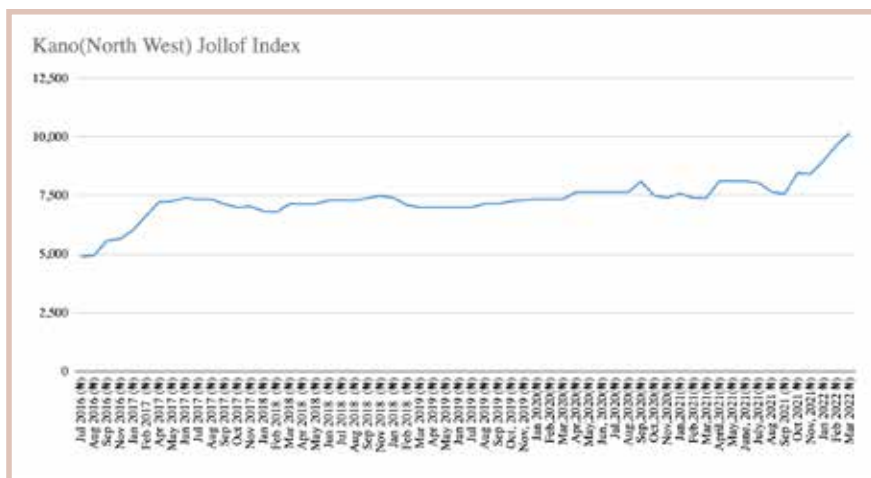
The South-West Jollof Index showed price swings in the last five months. Balogun, Bodija, Dugbe and Trade Fair markets experienced price swings. Dugbe Market in Ibadan experienced a slight rise in October, dropped through November and January and rose again in February and March.

The Balogun Market in Lagos experienced a drop in October, rose through February and plunged in March. Prices in Trade Fair Market also in Lagos, dropped in October, rose through February and declined in March. As things change very fast in these markets, traders are left with no option other than to set their prices as autonomous prices as a way of keeping up with the rapid price changes. Price discrimination is used by most traders as a strategy to stay afloat in the market.



In Port Harcourt, prices increased from October to November and went downward in January, maintained a low in February and increased in March. The same trend is noticeable in Calabar Municipal and Bayside Mbakpa markets. Market prices rose in October and November and started a downward trend in January. However, Calabar Municipal and Bayside market rates remained constant through February and March.





In Kano, the cost of making a pot of Jollof rice increased in October, flattened in November and began moving upwards in January, a movement maintained through March. This, according to all our respondents, was due to a sharp rise in the prices of perishable foods such as tomatoes and peppers, caused by the closure of the Tiga Dam for repairs. The dam is an important source of water for irrigation

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THE CLOSURE OF KANO’S TIGA DAM FOR REPAIRS AFFECTED IRRIGATION DURING THE DRY SEASON, LEADING TO AN INCREASE IN THE PRICES OF INGREDIENTS SUCH AS ONIONS, PEPPERS AND TOMATOES.  
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farmers during the dry season, during which tomatoes, peppers and onions are farmed in large quantities. This closure created a scarcity of water, and in turn, reduced the yield of farmers.



## Consumer Highlight: Changing consumer behaviour

*A full-time housewife in Lagos who goes to the market very often said that the rapid increase in food prices usually left her feeling sad whenever she returns from the market. When asked how she copes with the general increase in prices, she stated that she usually buys in bulk so as to reduce prices, but that this was no longer feasible because of power instability.*

*“Prices are not stable so I used to buy my foodstuff in bulk and before buying from any trader, I visit multiple stores and also spend time to bargain with the trader just so he/she can reduce the price,” she said. “Since this year, I have not been able to do that as much as since the fuel scarcity started, we are now rationing how we use the gen[erator].”*

*She added that she does not switch to alternatives when she realises that the cost of her preferred products have increased. Instead, she would drop off some items on her list to manage money. Yet, “the amount I go to the market with does not cater for what I need all the time,” she lamented. She went further to say that unlike in the past, she no longer had specific ‘customers’ who she patronised regularly. She has adjusted her behaviour and now only patronises those who offer the best quality and best prices.*



# Conclusion

The Jollof Index shows that in most of the regions, there was a price increase in October and November, a decline in January and an upward trend through February and March. The decline in January was caused by a combination of belt-tightening by consumers during the festive season, and power shortages which combined together had the knock-on effect of making sellers attempt to offload stock quickly before they perished. The belt-tightening is an example of modified consumer behaviour which we had warned of in at least three previous editions of this report. As our interview implies, we expect even more modification of consumer behaviour, which is likely to have adverse consequences on food prices.

Protein sources like turkey and beef accounted for the increase in most of the states in February and March, thus making it difficult for many Nigerians to afford protein in their meals as many families are now more concerned about food quantity other than food quality or dietary requirements. In the face of this sad reality, it is disturbing that a member of the House of Representatives only recently moved a motion for the investigation of food inflation when the very causes of food inflation are obvious.

A good place to begin such investigations would be to examine why in the last seven years, more than 10 companies in the food, drink and beverage industry have shut their operations and businesses in Nigeria. The reasons for this are not far-fetched. The business environment is not friendly owing to unfavourable government policies, multiple taxations, over-regulation, unstable electricity supply and other similar issues.





While the country is still struggling with poor electricity supply which makes food storage, mostly done by refrigeration, difficult, the national grid recently collapsed twice in three weeks. The alternatives, petrol and diesel which account for a major increase in the cost of food production, were also not readily available. In January, diesel prices went up to ₦700 from ₦288 and a bad batch of petrol was imported which had unsafe levels of methanol, leading to a prolonged scarcity.

Insecurity has also plagued the country to disturbing degrees. This menace has kept many farmers away from the farms, disrupted economic activities and affected food distribution as some food supply routes are considered unsafe.

Despite different policies seemingly geared towards food sufficiency, Nigeria is still a predominantly import-reliant country as about 70% of the country's dietary products are imported, and as production capabilities dwindle further in the face of a rising population and dwindling power of the naira, the trend is likely to continue. In 2018, about 52% of the rice demand was met from imports, and a similar trend has continued. 99.7% of the country's total wheat demand is sourced from imports and amid the Russia-Ukraine war, the supply of wheat, which is used to produce rice substitutes like noodles and pasta, is likely to take a dip. Currently, Ukraine and Russia produce 29% of the world's wheat exports and 62% of sunflower oil.

Moreover, the war has led to a global surge in fertiliser prices as shipments from the Black Sea region have been reduced. Hence, food prices are likely to take an upward trend in the coming months. Already, the cost of a 50kg bag of NPK increased from ₦8,000 in the previous year to about ₦17,000 presently. A bag of Urea fertiliser now costs ₦17,000, up from ₦6,000 last year, thus increasing the



cost of food production. While the commissioning of the three million ton fertiliser facility is expected to improve the availability of fertiliser, it may not improve the cost.

The United Nations Food and Agricultural Organisation have reported that 14.4 million people in Nigeria are already in a food crisis, and another five million are likely to be added to this number by August. We can only imagine how many more Nigerians will be faced with a food crisis by the end of the year if there are no actionable steps to tackle the already daunting challenges.





## 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.