

HOMEMAKER'S GUIDE

July 2015 to January 2016



About this report

This report is the second of a series which began as a conversation with ResourceDat about the lack of data monitoring the prices of food/household items in Nigeria.

SB Morgen worked closely with traders and housewives across nine markets in six cities in Nigeria: Lagos, Abuja, Awka, Ibadan, Kano and Onitsha, to gather the data contained in this document. The report is an unbiased and factual expert analysis of the current trends in the marketplace across a geographical spread in Nigeria.

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.

Most of our respondents have reserved the right to not be named in this report.



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Executive Summary

The scope of this report is from July 2015 to January 2016. Our reporters did not visit markets in December, 2015. This report reveals that locally produced consumer goods have maintained stable prices over the last six months, while imported goods have maintained fairly unstable prices over the same period. The general upward trend will put a lot of pressure on people who are already grappling with other social challenges as irregular salaries, fluctuating pump price and availability of petroleum products, insufficient power, etc.

During the course of this research, we found, from a sample of 500 citizens, that 90 percent of workers who fall under the minimum wage category (N18,500) spend almost 60% of their monthly income on feeding and 20% on transportation, leaving them with almost nothing in savings as other issues arise over the course of the month.

The overall picture does not look good in the short term. The upward trends of the price of consumer goods and economic hard times experienced amongst Nigerians which have led to the reduction in their purchasing power are signs that we should expect a fall in the standard of living among Nigerians. This, coupled with Nigerians losing their jobs and delayed wages (more than 30 state governments owe workers' salaries in excess of three months) mean that these people will increase the burden of their already strained relatives.

The government, at all levels, will need to play its part to curtail the persistent rise in consumer commodities, especially in areas that it has reasonable control over such as transportation, and by encouraging small scale farming across the country. Government also needs to invest in agricultural extension programmes to educate farmers on methods that will enhance production. Critical however to increased production is the stability and security of the North East and the North Central regions. Government urgently needs to address the security challenges so that farmers can return to planting. But, government intervention should be measured, in order to ensure that they do not make the situation worse by misguided helpfulness.

Outlook in the last six months

Markets across Nigeria have recorded quite a lot of changes under the various foodstuff categories over the past few months due to the overbearing influence of various factors that range from seasonal changes, reduced production, increased handling costs and weaker foreign exchange rates.

Though some of the increase in the price of some commodities were expected, a significant number of commodities recorded increases in price due to other contingent reasons that came up in the period under review like the petroleum product scarcity in October, and the plummeting value of the Naira in the foreign exchange market.

Perishables, staples and edible consumables

Perishable food items like tomatoes, pepper, yams had stable average prices over the period of this survey, except for slight fluctuations in Bodija and Dugbe, both in Ibadan, where the cost of vegetables and poultry rose by an average of 6%. Most traders in the Ibadan area who responded to the survey reported that they source their produce in and around Dugbe, and that the rise in costs may not be unconnected to the increasing preference of people in the area to do their shopping at the Shoprite mall.

Tomatoes, one of the most common perishable commodities in Nigeria, sold in Lagos, at an average price of ₦679.50 for a paint container (6 litres; 2 kilograms) over the past six months compared to ₦540 in H1 2015 and ₦500 in Q4 2014 representing an average increase of 26%.

The average prices for a paint container of tomatoes in the markets visited are as follows:

- Wuse (Abuja) - ₦425; Nyanya (Abuja) - ₦300
- Onitsha - ₦325
- Awka - ₦350
- Trade Fair (Lagos) - ₦692; Balogun (Lagos) - ₦667
- Dugbe (Ibadan) - ₦300; Bodija (Ibadan) - ₦300
- Sabon Gari (Kano) - ₦140

We found that in Lagos, the price of pepper went up with a paint container of pepper selling for an average price of N700 over the second half of 2015 compared to the period in our previous report where it sold for an average price of N630. This represented an increment of 11%.

The average prices for a paint container of pepper in the visited markets are as follows:

- Wuse (Abuja) - ~~N~~430; Nyanya (Abuja) - ~~N~~350
- Onitsha - ~~N~~400
- Awka - ~~N~~400
- Trade Fair (Lagos) - ~~N~~690; Balogun (Lagos) - ~~N~~700
- Dugbe (Ibadan) - ~~N~~2133; Bodija (Ibadan) - ~~N~~3200
- Sabon Gari (Kano) - ~~N~~633

In Ibadan, we sought to find out why pepper was so much more expensive than the national trend, and were informed that pepper, like most other staples sold in local markets in the Ibadan area, are sourced from surrounding farms, and that the supply was worse during the second half of 2015 than in previous periods.

Beans, a common staple, maintained a relatively stable price over the second quarter of 2015, with the price staying constant in most places, and recording slight drops in January 2016 in a few places, and sharp rises in others. In Wuse Market, Abuja, a *mudu* (400g) of beans was steady at ~~N~~350 for the entirety of H2, 2015, and dropped to ~~N~~300 in January, 2016. In Nyanya, the same measure cost ~~N~~300 for the entire survey period. In Sabon Gari, Kano, a similar measure of beans held steady at ~~N~~100 for the entire survey period. The same measure of beans held steady at ~~N~~100 for the entire period in both Onitsha and Awka, but, in both towns rose sharply to ~~N~~350 in January. Traders blamed a shortage of supply because of the season. In Ibadan the same measure cost ~~N~~150 all through the survey period, with the exception of July 2015, when a *derica* (400g) of beans cost ~~N~~130 in Bodija.

Garri was another staple whose price maintained relative stability through the entire period under review. Our measure was the typical paint bucket, and the prices are presented below:

- Wuse (Abuja) - ₦200 (₦150 in January 2016); Nyanya (Abuja) - ₦150
- Onitsha - ₦250 (₦300 in January 2016)
- Awka - ₦250 (₦300 in January 2016)
- Trade Fair (Lagos) - ₦300 (₦350 in January 2016); Balogun (Lagos) - ₦300 (₦350 in July 2015; ₦400 in January 2016)
- Dugbe (Ibadan) - ₦200; Bodija (Ibadan) - ₦200
- Sabon Gari (Kano) - ₦500

Note that in our previous survey which was restricted to Lagos, the price of 2kg of *garri* averaged ₦375 over the period, so this was one staple that has become cheaper. Food items, our survey pointed out, tend to increase in price as you travel south. However, *garri* bucked that trend as it is most expensive in Kano. A trader interviewed explained that *garri* is not a staple in the Kano area, and as such is less in demand.

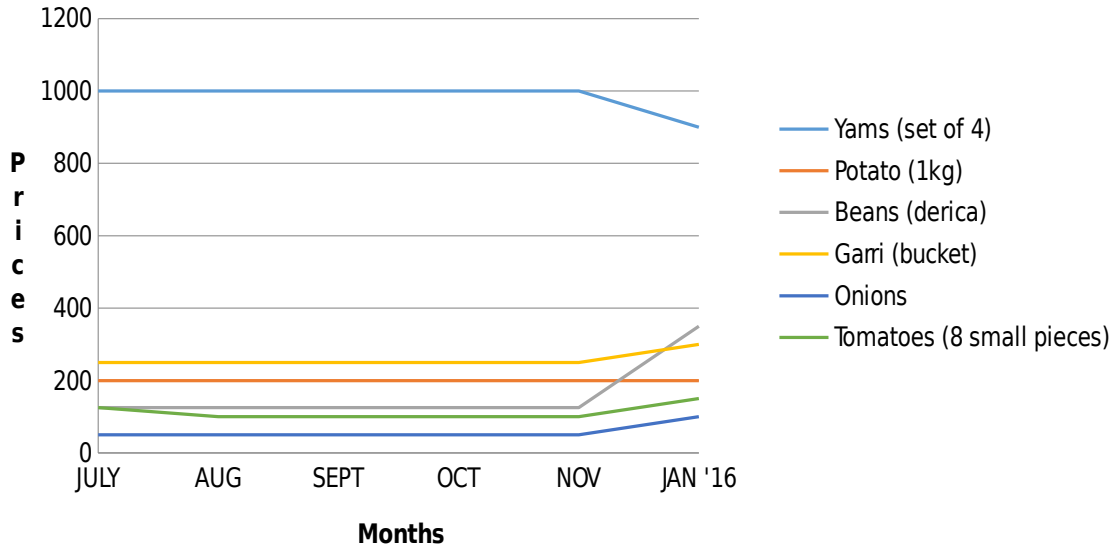
An interesting local variation was noted in Abuja where prices tended to be higher in Wuse Market than in Nyanya. Traders interviewed indicated that this trend is based on the perception that shoppers in the Wuse area are more affluent. It was as simple as that.

Fresh vegetables e.g. the popular green leaf (soko & tete), water leaves and pumpkin leaves (ugwu) all maintained stable prices because of their relative abundance in the markets. Prices for these items were similar all over the country.

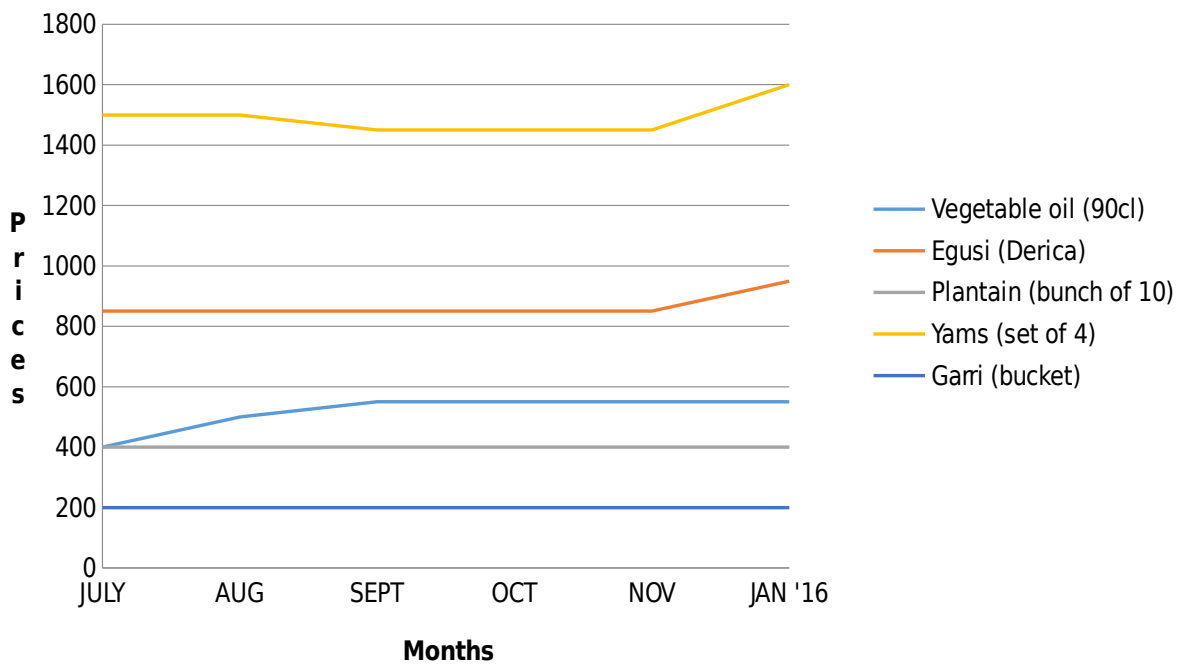
Other processed food and consumable items with import components like bread, sugar, noodles, wheat meal, oatmeal, and a host of other consumable items maintained fairly stable prices over the period in review.

Charts below show the trend for perishable items in Awka, Onitsha and both markets in Ibadan in the review period:

Selected commodity prices in Anambra (July 2015-January 2016)



Selected commodity prices in Ibadan (July 2015-January 2016)

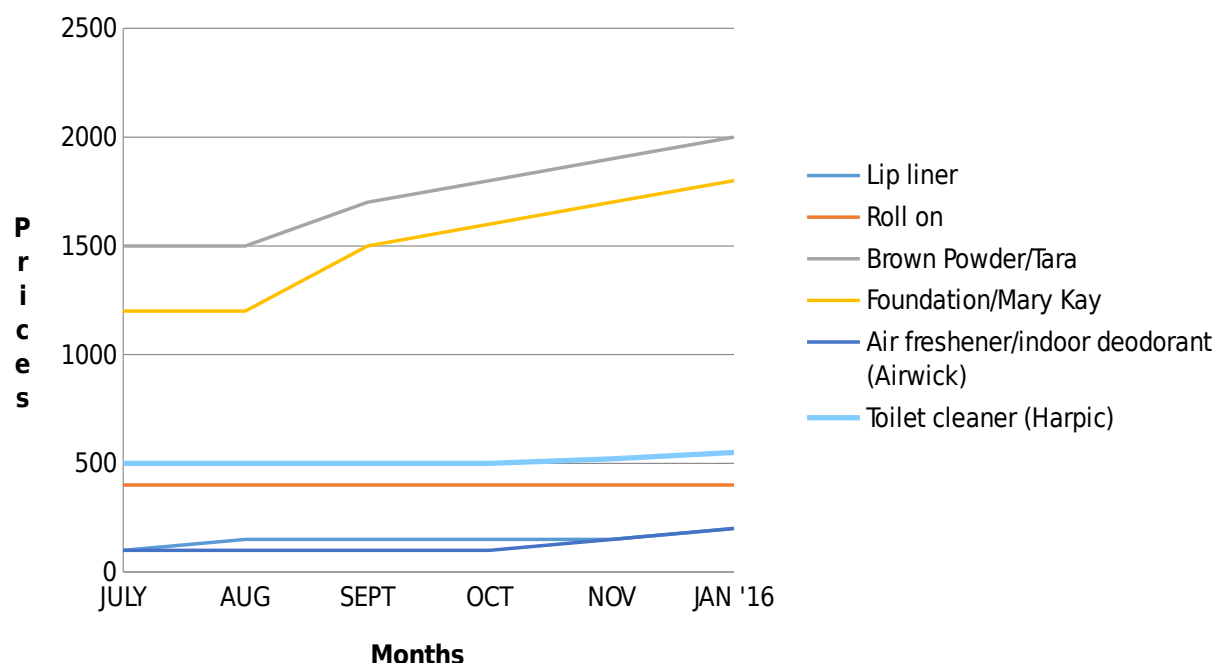


Household and personal hygiene products

Many products in this group are imported, and those which are produced in Nigeria are industrially produced from raw materials which are in their turn imported. This means that these items are very easily affected by the fluctuations and uncertainties currently prevalent in the foreign exchange market. This segment of the market is at the mercy of the Naira's exchange rate and availability. Little surprise therefore that there has been a larger rise in costs here than in other sectors.

Household consumables and personal hygiene products such as detergent, toiletries, and vanity items saw an average price increase of 27.15% in the Lagos area during the second half of 2015 and January 2016, while in Ibadan the increase came in at 18.01%. The increase in the Anambra area for the household items on our list averaged at 18.16%. However, in both Abuja and Kano, the increase in price of household items was comparatively tiny, 6.09% for Abuja, and 7.69% for Kano.

Selected commodity prices in Kano (July 2015-January 2016)



Causative factors

The market outlook for the present quarter has been greatly influenced by a host of geographical, social and economic factors.

Transportation costs

Much of Nigeria's food is transported hundreds of kilometres before it reaches the local food markets, thus, the cost of transportation must be accounted for. While it is not unusual for food to be transported for such long distances, the inefficiency of the Nigerian transport system means that transport costs are significantly higher, with much of the produce being lost to rot and decay in transit, leading to a huge disparity in potential supply and actual supply.

In various cities, local dynamics may also affect prices. For example, in Lagos, yam is principally sourced from Mile 12 market, and as a result, is subject to the temperaments of middlemen. A plantain seller informed us that she buys her plantain from middlemen who source their produce directly from Edo and Delta states. Many retailers at Balogun and Trade Fair Markets revealed that they buy goods either from major distributors at the same markets or directly from company distributors. Cosmetics, however, are largely imported and then distributed by the importers in the market. This has contributed to the rise in the cost of those items.

Our survey also revealed that while most imported goods sold in Awka and Onitsha towns in Anambra state, there was no significant price differential between unit prices in Anambra and unit prices in Lagos, perhaps mainly due to the volumes purchased.

In the month of October 2015, prices went up slightly across board because of the scarcity of petroleum products which resulted in a hike in the cost of transportation.

Insurgency and instability

Many states in the northern part of Nigeria have continued to witness various forms of security unrest, a situation which has been a big disruption to the movement of produce such as groundnuts,

vegetables, onions, sugar cane and yams. These areas are the biggest producers of the aforementioned farm produce.

The continued attack by the terrorist group, Boko Haram, has continued to be a major threat to farmers and food production in the northern part of Nigeria.

In Benue state for instance, a state known as the food basket of the nation, continued communal clashes have created a drop in food production, resulting in demand outweighing supply and causing an increase in the prices of the few available commodities.

If the unrest continues in the north and middle belt region, for the foreseeable future, foodies and families alike will have little choice but to bear it as they shell out more and more money to put food on the table.

Availability of labour

Labour challenges faced by Nigerian farmers is another reason why they have not been able to maintain their share of the domestic market. There have been shortages of farmhands, and this has proved to be a major problem exacerbating the already dwindling productivity.

Climate change

That climate change is becoming a major factor affecting food prices can hardly be denied any longer. Climate change has caused an upswing in both the frequency and severity of droughts, which mean farmers in drier agricultural zones, must increasingly make tough choices regarding which of their crops and livestock they choose to water. Desertification remains a significant issue in Northern Nigeria.

Farming methods are also a major challenge. Many Nigerian farmers still practice shift cropping. The farmers, both of livestock, tubers and of fruits, vegetables and nuts, have also had to leave fields fallow due to drought and many times, due to unending communal clashes.

Foreign exchange rate fluctuation

The last 6 months have witnessed a decline of the value of the Naira against the American dollar. This event, which is mainly as a result of the fall in global oil prices, has in turn affected the prices of imported products. As stated earlier in this report, a sharp upward trend was noticed in the price of imported goods in the January 2016 and it is projected that this trend will continue, especially if the Naira is officially devalued.

The situation for the “average” Nigerian

At the moment, the “average” Nigerian is not financially well placed to cope with the rapidly increasing price of commodities. This is due to the fact that the Public Service (the major employer of labour in the country) which is responsible for the source of income for a majority of the country’s workforce has been bedevilled by serious cash flow problems caused by one or a combination of factors, thereby affecting the wages of their workforce.

Up to thirty of Nigeria's thirty-six states were, at the time of writing this report, owing workers at least three months' wages, with even more states meeting their wage obligations after due dates.

This in itself poses a serious challenge as the average Nigerian not only faces the challenge of increasing prices, but also a scarcity of funds to meet up the daily spending requirements.

This in turn puts pressure on private sector workers, who are still being are paid on time. Many have relatives in states that are owing salaries, and have to help with money for those relatives to meet their obligations. In many cases, they give, knowing that the money will never be returned.

“Security challenges have caused scarcity and shortage of some of what I sell. As you can see, I sell, Yams, Plantain, Tomatoes, Onions, etc.

Farmers fighting in the north and boko haram terrorist.

Plantain, Yam, Tomatoes have been in short supply because of the security problems.

No, my suppliers don't complain about shortage of labour, they only complain about how hard it is to move freely in their farms in the North.

Even though they do not complain about shortage of labour, other factors which I mentioned earlier have led to a negative output in supply.

Weather is a key factor to planting as this is a general norm anywhere in the world. So yes, bad weather has also affected food production.

Anybody you ask or talk to in this market now, you will notice that prices of produces are on the high and this is as a result of a higher exchange rate of Naira to the dollar.”

Iya Lola, a trader in Oyingbo, Lagos.

Kunle Barber, an IT expert at a bank in Lagos.

“I am coping really bad but God has been faithful. He also said he knows friends and family who have lost their jobs and even businesses.”

Kunle also said he is living on a deficit and believes more people are spending less because of the current economic situation.

Tayo, is a graphics designer.

“People like us who are self-employed are finding it difficult to cope, not to talk about people who do even have any job, things are not easy at all.

“Yes, I know people who have lost their jobs in these few months of government change. Companies are firing instead of hiring. The people I know who have lost their jobs are even lucky because they have saved enough to help them start their own businesses.

“People are spending less and the way forward for me is divided into two categories: the government should work more on our economy and secondly individual should not depend or wait for white collar job. They can start up a small scale business / work hard instead of depending on the government for everything.”

Conclusion

The overall picture does not look good in the short term. The upward trends of the price of consumer goods and economic hard times experienced amongst Nigerians which have led to the reduction in their purchasing power are signs that we should expect a fall in the standard of living among Nigerians. This, coupled with Nigerians losing their jobs and delayed wages mean that these people will increase the burden of their already strained relatives.

The government, at all levels, will need to play its part to curtail the persistent rise in consumer commodities, especially in areas that it has reasonable control over such as transportation, and by encouraging small scale farming across the country. Government also needs to invest in agricultural extension programs to educate farmers on methods that will enhance production. Critical however to increased production is the stability and security of the North East and the North Central regions. Government urgently needs to address the security challenges so that farmers can return to planting.

As shown in the case of tomatoes in Ibadan, there are areas that have comparative advantage in production of specific items as opposed to local sourcing. Government needs to invest in storage infrastructure and further encourage trade taking advantage of these comparative advantages.

Asides direct funding there is so much that the three tiers of government can do to help stabilize food prices in the medium to long term. Making sure that research and development in order to stimulate productivity in the agriculture sector is focused on will be a major step.

Finally, government intervention should be measured, in order to ensure that they do not make the situation worse by misguided helpfulness.