

# FOOD SECURITY FOR MACROECONOMIC STABILITY AND INCLUSIVE GROWTH<sup>1</sup>

1. **In the last decade, Niger suffered from a succession of food and nutrition crises.** Many Nigeriens are chronically vulnerable to food insecurity, which could affect more than 45 percent of the total population during crises years. Nigerien food crises arise from grains deficits due to poor harvests and locust attacks, leading to increased food prices and making food less accessible (Table 1). Niger has put in place a public prevention system: the National System for Disaster and Crisis Prevention and Management (NSDCPM) supports for more than 15 years a dynamic of food security, by strengthening grain banks and developing labor intensive jobs, promoting small scale irrigation, and other initiatives to improve households' income.

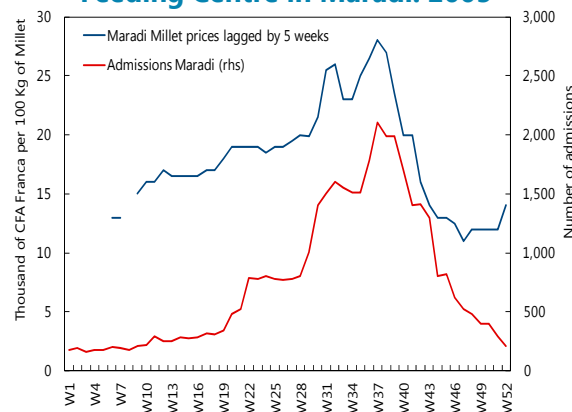
**Table 1. Niger: Food Crisis, 2000-12**

Year	Explanatory factors	Affected people (Million)
2000-2001	Grain deficit Rising grain prices Employee salaries areas	3.4
2004-2005	Grain deficit Rising grain prices Strained regional trade flows	3.6
2008-2009	Increase of international and regional prices	4
2009-2010	Livestock farming crisis Grain deficit decrease in production	7.5
2011-2012	Livestock farming crisis poor harvests Northern mali political crisis Impact of previous crisis	6.4

Source: Food across borders

2. **Food crises, however, are still eroding households' capital stocks and weakening their nutrition status.** The Nigerien food crisis prevention system—the Food Security Fund and the National Security Stock— have been more effective in some years, for instance in 2010, than others (2001, 2005). Nigerien households contract debt and sell accumulated assets (livestock) to meet rising costs of food. These effects of food crises (see table 1) do not, however, allow affected households to rebuild their capital and means before the occurrence of the next crisis. In addition, increased food prices, by forcing households to concentrate expenses on basic staples (at the expense of health and education), reduce food diversity and households' balance diet, in particular adversely affecting the

**Figure 1. Niger: Weekly Millet Price (lagged five weeks) and Admissions to MSF Feeding Centre in Maradi. 2005**



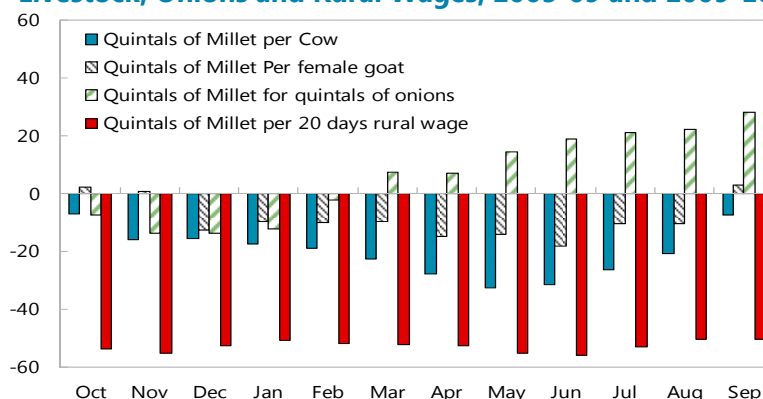
Sources: Weekly admissions to nutritional centres-MSF France 2005, millet prices- SIMA; and MSF-France.

<sup>1</sup> This note was prepared by Cheikh A. Gueye.

nutritional status of children (Figures 1). This makes it unlikely the achievement of the millennium development goals.

3. **Food crisis shocks also increased volatility of production, adversely affecting inflation and terms of trade.** Low and stagnant land yields, and rapid growth of the rural population have increased output volatility and heightened the vulnerability of Niger's food security.<sup>2</sup> As households' cereal balance sheet (production minus consumption) deteriorate, they become more dependent on markets for food supply. At the same time, food imports from regional markets<sup>3</sup> as well Asian markets (for the case of rice) become an increasingly important component of total food supply. As a result, Niger's growing dependence on import affects adversely the terms of trade in time of crises (Figure 2). Despite the importance of imported food in households' baskets, however, inflation seems to be mostly driven by domestic factors,<sup>4</sup> adversely affecting overall inflation which would have been even higher in the absence of food subsidies. The annualized fiscal costs of food tax decreases were estimated at around .7 percent of GDP between 2006 and 2008, among the highest in a group of 31 countries.

**Figure 2. Niger: Changes in the Terms of Trade Between Millet, Livestock, Onions and Rural Wages, 2005-09 and 2009-10**



Note: the terms of trade are expressed as the number of 100 kg sacks of millet obtainable by selling one female goat, 100kg of onions, or 20 days of agricultural work. For the latter, FEWS NET reports a constant daily wage of CFA Francs 500 and 1000 for 2009-10 and 2008-9.

Source: Cornia *et al* (2012), based on data by FEWS NET.

4. **With the increasing role of markets in food supply, inadequate bank financing of cereals markets and lack of reliable information could compound volatility of prices.** Nigerien farmers have benefited from numerous public supports and public investments in the agriculture

<sup>2</sup> Prior to the 1980s droughts were recorded on average every ten years, over the last 20 years they took place every five years, while over 1997-2004 there were three crisis, though over 2005-10 there were one bad year, and a semi-bad one.

<sup>3</sup> Northern Nigeria and to a lesser extent Mali, Burkina Faso, and Benin.

<sup>4</sup> Cornia and Deotti, 2009.

sector, in particular in irrigation; this limited somehow the impact of insufficient rainfall on available food and consequently on price volatility. However, as recent food crises revealed the increasing role of markets in the supply of food and the dynamics of grains' prices, further increased of bank credit to cereal markets traders may help to better leverage the markets and subdued volatility of prices. So far, only limited number of Nigerien banks (Sonibank, BIA, and Ecobank) started in 2005 opening branches in the agriculture zone of Niger (Marad). As the cereal markets function largely on speculation, lack of reliable information on markets could lead speculative traders to incur significant losses as result of unpredictable price movement during some years.

5. **Policies seem not to have fully integrated the role of markets and traders in managing food security.** Structural food security had been first implemented in the framework of Rural Development Strategy (RDS) which was recently replaced recently by the "3N" Initiative (Nigeriens Nourishing Nigeriens)<sup>5</sup> aimed at ensuring national and household food security. Despite the 3N initiative to integrate markets and regional interdependences, more needs to be done. The implementation of short-term food security policies by the governments in response to economic crises often come as a surprise to the private stakeholders, thus disrupting the normal functioning of the markets. This type of situation increases the risk to private-sector investment in marketing activities stockpiling, adversely affecting the markets.

## Challenges Ahead

6. **Role of markets.** The "3N" reflects strong political leadership in food security; staff will stress the importance of the markets in food security as it has been shown by the 2010 crisis: Food transfers provided by the market are incommensurate with the volume of transfers provided by humanitarian organizations. In addition markets responded more timely, while the resources from international organization take more time to assemble.

7. **Role of regionalization.** Given the prominent role of the regional economy and the many interdependencies with agricultural and food economies of neighboring countries, staff will urge authorities to leverage on the integration framework such as WAEMU Agricultural Policy (WAP) and the ECOWAS agricultural policy.

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<sup>5</sup> "3N" Initiative, defined up to 2035, is included in the Economic and Social Development Plan (PDES) for the 2012-2015 period. Although, it refers to formal integration framework such WAEMU Agricultural Policy (WAP) and the ECOWAS agricultural policy, references were not broken down in the initiative.