FOOD PRICE INDEX REPORT

LAGOS STATE

2024

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Introduction

In December 2023, the Food Price Index (FPI) increased by 64.57% compared to December 2022. This report examines the changes in food prices for various categories and identifies the key factors driving these fluctuations.

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Executive Summary

In December 2023, the Food Price Index (FPI) increased by 64.57% compared to December 2022. This report examines the changes in food prices for various categories and identifies the key factors driving these fluctuations.

Purpose of the Report

This report aims to provide a detailed evaluation of meal fee trends in December for two consecutive years. By inspecting these changes, we intend to help stakeholders grasp their implications on the economy, food safety, and policy. The document makes a speciality of December, a period often marked by means of heightened consumer activity because of festive seasons and holidays. We aim to provide actionable insights into the financial panorama, customer behaviour, and capability policy considerations through a concise yet comprehensive method, emphasizing the important link between food costs, accessibility, and affordability.

Scope of the Study

The analysis in this report is focused on food prices in December 2022 and December 2023.

Methodology

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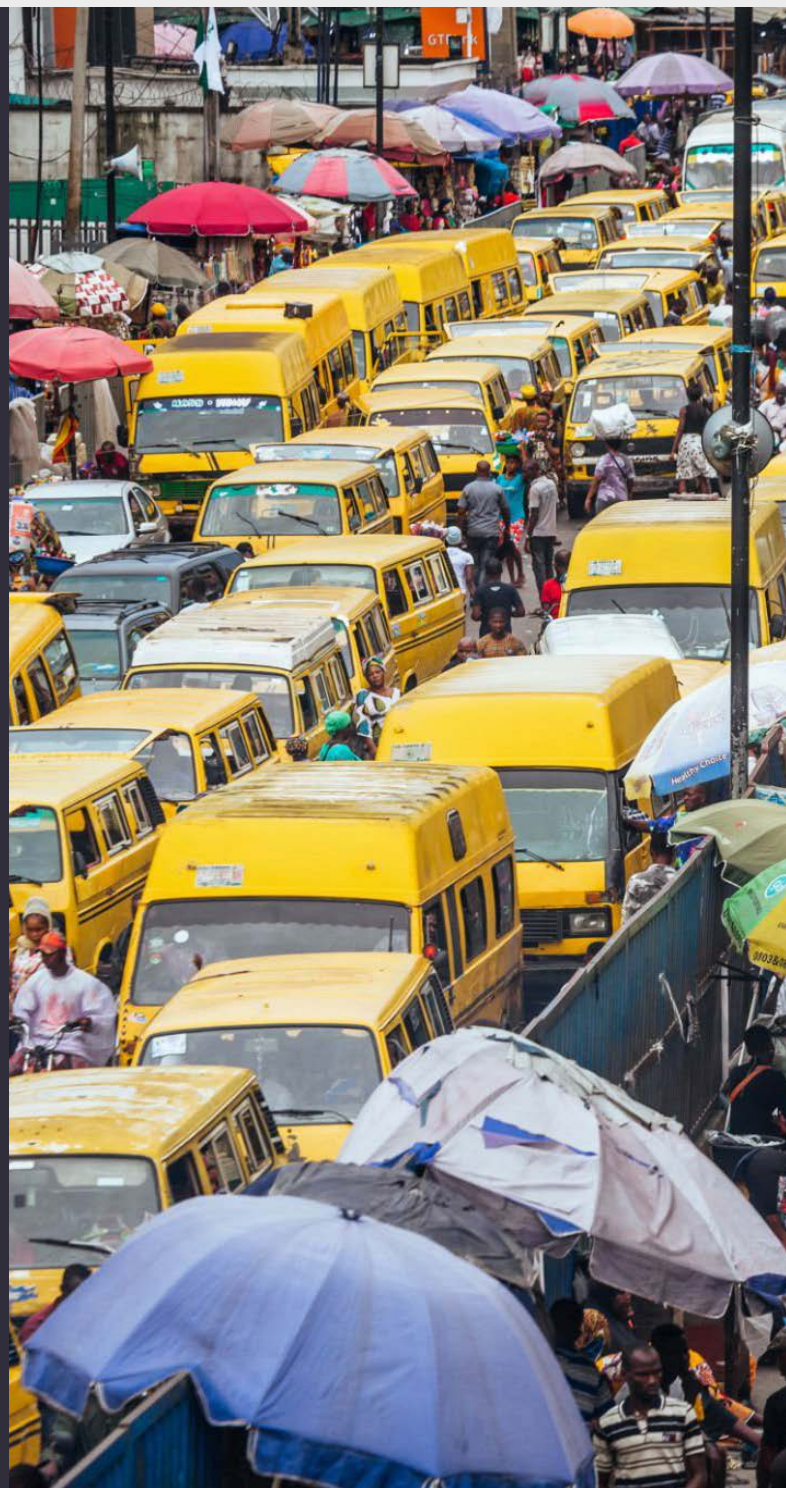
Data Collection

Data was collected from government agencies, including the National Bureau of Statistics, and market surveys. Where local markets, supermarkets and online markets were visited. The criteria for selecting data sources were their reliability and coverage.

A cluster sampling method was used to create two clusters, one for the mainland and one for the island, to ensure that all areas within the state were captured for inclusivity.

A total of 15 prices were gathered for each food item in the basket to ensure we had enough price samples for efficient calculations.

Selection of food items

The FPI includes:

- **50kg rice**
- **1kg chicken**
- **50kg beans**
- **1 litre palm oil**
- **1 litre groundnut oil**
- **Basket of pepper**
- **Basket of tomatoes**
- **Pack of noodles**
- **Crate of eggs**
- **Paint of garri**

The food categories selected for analysis represent a significant portion of the Nigerian food basket. These categories were chosen based on their importance in the diets of Nigerian households and their sensitivity to price changes.

Calculation of the Food Price Index (FPI)

The Food Price Index (FPI) calculation employed the Laspeyres index method, a widely recognised approach in economic analysis. This method involves comparing the prices of a selected basket of goods to their prices in a base period, which, in this instance, is 2022. The selection of this method was driven by its ability to provide a meaningful snapshot of how food prices have changed over time.

Moreover, the data underwent a meticulous weighting process to ensure a more accurate representation of real-world scenarios. This involved assigning different levels of importance to various food items based on the consumption patterns observed in an average household. By incorporating this weighted approach, the FPI aims to mirror the spending habits of a typical consumer, acknowledging that certain food items may carry more significance in the overall budgetary considerations of an average household.

This emphasis on weighting adds a layer of realism to the index and enhances its relevance in reflecting the actual impact of price changes on consumers. It recognises that a one-size-fits-all approach may not capture the nuances of individual consumption behaviour. Thus, the FPI strives to be a more nuanced and representative measure of the fluctuations in food prices, considering the diverse preferences and priorities within a typical household.

Data Analysis

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Data Presentation

The average prices for each food category in December 2022 and December 2023 are presented in the following table:

Food Category	2022	2023
Groundnut Oil	₦1,408.00	₦2,138.00
Palm Oil	₦1,360.00	₦1,920.00
50kg Rice	₦32,067.00	₦53,800.00
Pepper	₦11,929.00	₦22,071.00
Tomatoes	₦21,300.00	₦30,400.00
1kg Chicken	₦2,143.00	₦2,957.00
Noodles	₦3,111.00	₦5,795.00
Garri	₦1,127.00	₦1,533.00
50kg Beans	₦33,733.00	₦57,467.00
Eggs	₦1,780.00	₦2,873.00

Using the Laspeyres Method, as follows:

LPI = (Σ(P_t x Q_b)) / (Σ(P_b x Q_b)) x 100

Where:

LPI is the Laspeyres price index

P_t is the price of the good or service in the current period

Q_b is the quantity of the good or service in the base period

Σ is the sum of the values for all goods and services in the basket

Food Price Index Result

The FPI for 2023 is 164.57, indicating a significant increase of 64.57% compared to the base year. This increase is driven by a combination of factors, including supply chain disruptions, rising input costs, and exchange rate fluctuations.
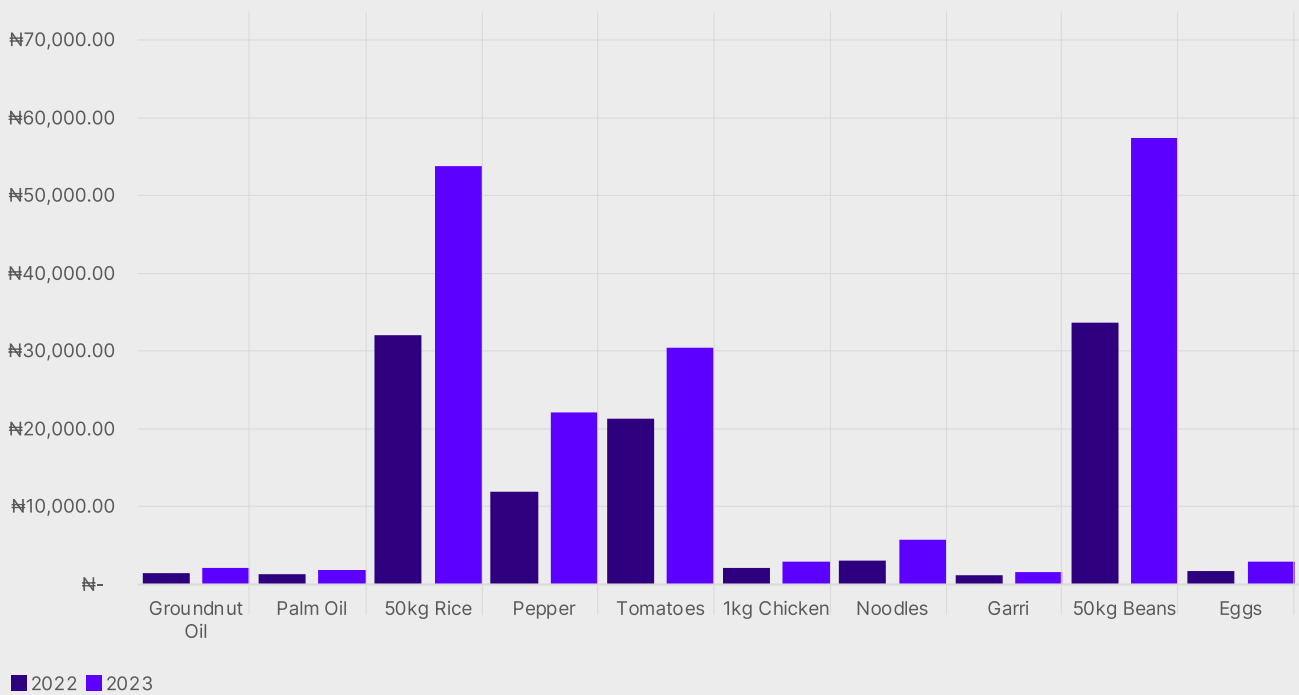
Food Prices (December 2022 vs 2023)

Data Presentation

Food Category	Laspeyres Index	% Increase
Groundnut Oil	151.85	51.85
Palm Oil	141.18	41.18
50kg Rice	167.77	67.77
Pepper	185.02	85.02
Tomatoes	142.72	42.72
1kg Chicken	137.98	37.98
Noodles	186.27	86.27
Garri	136.02	36.02
50kg Beans	170.36	70.36
Eggs	161.40	61.40

Key Findings

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Year on Year Analysis

Legend: —2022 —2023
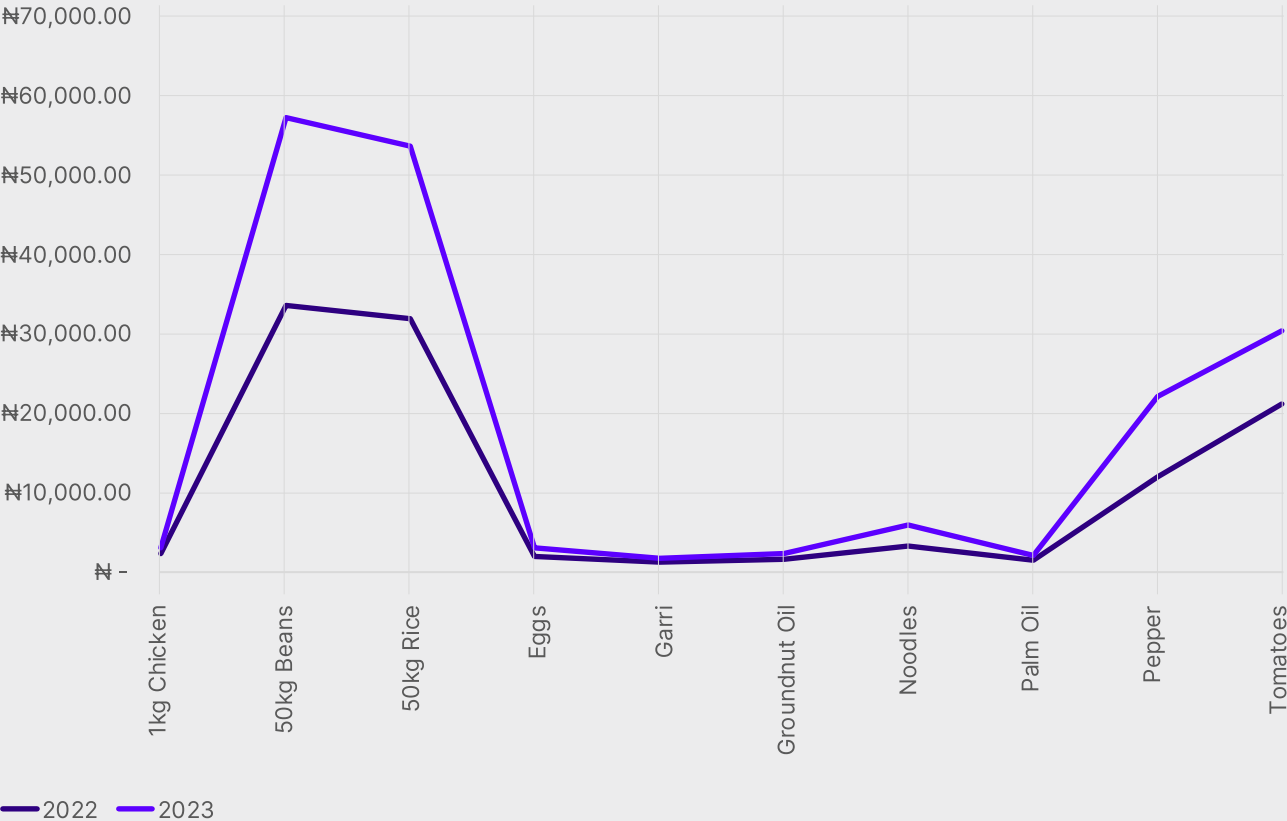
While Chicken, Garri and Palm oil did not have a very significant rise, other food items in the basket grew significantly. Food prices have increased significantly across all categories in 2023 compared to the base year.

The most significant increases were observed in the prices of

Noodles	Pepper	Beans	Rice	Eggs
86.27%	**85.02%**	**70.36%**	**67.77%**	**61.40%**

The rising food prices are having a negative impact on the Nigerian economy and food security.

Individual Food Categories

The price increases for individual food categories vary depending on factors such as production costs, transportation costs, and seasonal availability.

1kg Chicken

2022	2023
₦2,143	₦2,957

50kg Beans

2022	2023
₦33,733	₦57,467

50kg Rice

2022	2023
₦32,067	₦53,800

Eggs

2022	2023
₦1,780	₦2,873

Garri

2022
₦1,127

2023
₦1,533

Groundnut

2022
₦1,408

2023
₦2,138

Noodles

2022
₦3,111

2023
₦5,795

Palm Oil

2022
₦1,360

2023
₦1,920

Tomatoes

2022
₦21,300

2023
₦30,400

Pepper

2022
₦11,929

2023
₦22,071

In December 2023, inflation surged to 27.33%, up from 21.34% in December 2022, indicating a persistent upward trend. This inflationary spike can be attributed to significant economic events causing a 6% increase compared to the previous period.
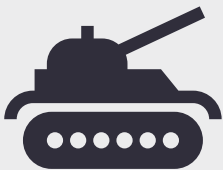
Factors Influencing Price Changes

Fuel Subsidy Removal:

Removing the fuel subsidy and subsequent adjustments in Premium Motor Spirit (PMS) prices are expected to have an immediate inflationary impact. This is evident in the rise in transport inflation to 27.04%.

Russia-Ukraine conflict:

The ongoing Russia-Ukraine conflict risks undermining Nigeria's economic progress by disrupting oil supplies and inflating vegetable oils and dairy goods expenses.

FX Rate:

The FX rate, previously at a high of N900, has now moderated to N838.49. A more stabilised exchange rate may contribute to reduced costs of imported goods, positively impacting the CPI.

Raising Taxes:

Raising taxes alongside introducing a 10% tax on sugar-containing beverages for companies may significantly impact prices and how people spend money, the economy could see notable effects from these policy changes.

Discussion
and Implications

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Economic Impact

Increased Inflation:

Rising meal charges are a primary contributor to average inflation in Nigeria. As food charges boom, the dwelling price for households also increases, setting pressure on their budgets and decreasing their purchasing strength. This can cause a downward inflation spiral as organisations boost charges to cover their increased prices, fueling inflation.

Reduced Consumer Spending:

When meal costs are upward thrust, families are pressured to allocate more earnings toward crucial food items, leaving much less cash for other purchases. This can cause a decline in purchaser spending, which can ripple impact throughout the financial system, affecting businesses and average economic growth.

Decline in Real Incomes:

The buying power of households is decreased whilst food prices are on an upward thrust, although their nominal earning continues to be the same. This is because the same amount of money can buy less food, which means that real incomes efficiently decline. This can hit low-income families particularly tough, as they may be much more likely to spend much of their earnings on meals.

Impact on Vulnerable Populations:

The effect of rising food expenses is disproportionately felt using susceptible populations, including the negative, the elderly, and those with restricted access to food assistance packages. These businesses regularly have restricted budgets initially, making it hard to modify to growing meal costs. The declining earnings and reduced purchasing spending can also exacerbate poverty and inequality.

Mitigating Measures

Addressing the financial impact of growing food fees requires a combination of measures. These include:

Enhancing meal production:

Supporting agricultural productivity through advanced infrastructure, access to inputs, and agricultural extension offerings can assist in increasing domestic meal supply and reduce reliance on imports.

Promoting meal rate transparency:

Providing accurate and timely records on food charges can assist clients in making informed choices and decrease rate volatility. Designing targeted social help packages: Providing targeted support to inclined populations, including coin transfers or meal vouchers, can help mitigate the impact of rising meal fees on their livelihoods.

Promoting green delivery chains:

Improving the efficiency of supply chains can lessen transportation costs and assist in stabilising meal charges. Increasing awareness of food conservation techniques: Educating families on food maintenance and garage strategies can help them stretch their food budgets similarly.
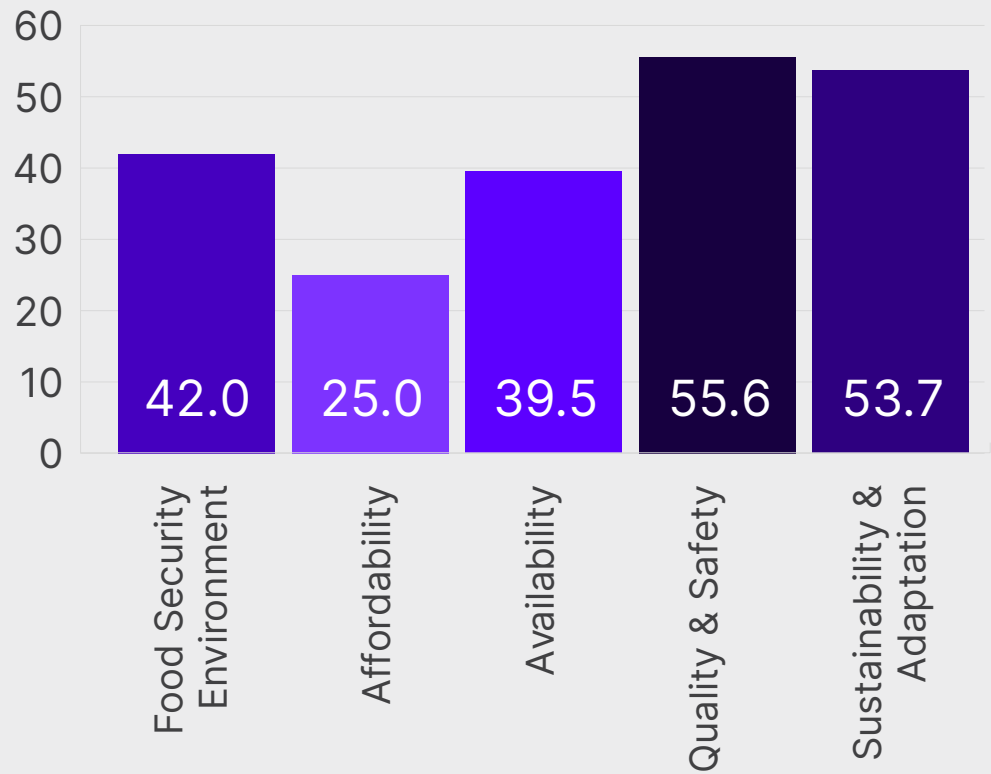
Nigeria Food Security and Policy

In 2022, Nigeria faced significant food security challenges as shown in Figure 2. Affordability is a pressing concern, ranking last globally (113th) with a score of 25. This multifaceted problem arises from the combined pressures of sustained high poverty feeding into the inflation rate.

Nigeria continues to struggle with immense difficulties in guaranteeing sustenance for all people, as emphasised by its 107th among 113 countries according to the Global Food Security Index. According to the Global Food Security Index, the nation is ranked 25th among the 28 countries within Sub-Saharan Africa, having attained an aggregate score of 42 across the various factors assessed. The index sheds light on various food security factors with notable implications for the population's well-being.

Availability poses hurdles, with Nigeria ranking 108th globally and 26th regionally. "Very weak" scores in indicators like agricultural research, supply-chain infrastructure, and policy commitments highlight deficiencies in addressing supply challenges and political support.

In Quality and Safety, Nigeria ranks 79th globally, showing commitment to maintaining food quality. Commendable scores in nutritional standards and micronutrient availability highlight this commitment.

In Sustainability and Adaptation, Nigeria ranks 57th globally, reflecting moderate success. "Moderate" scores in exposure and political commitment showcase efforts to manage environmental risks and adapt to climate change, including initiatives like environmental-economic accounting and increased climate finance flows.

Global Food Security Index 2022: Scores for Nigeria

Category	Score
Food Security Environment	42.0
Affordability	25.0
Availability	39.5
Quality & Safety	55.6
Sustainability & Adaptation	53.7

Conclusion

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Summary of Findings

- The Consumer Price Index (CPI) for December 2023 witnessed a substantial surge to 64.57%, marking a persistent upward trend from December 2022. Compared to the previous period, this inflationary spike is attributed to several key factors influencing price changes.

- Each food item in the basket grew significantly, with a few items like Rice, Beans and Noodles having very high spikes.

- Addressing rising food prices requires a multifaceted approach that targets the underlying causes. Enhancing supply chain resilience, supporting agricultural productivity, and implementing targeted social safety nets can help mitigate the impact of these factors and ensure food affordability for vulnerable populations.

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