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covid-19 Brief

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Maize price trend in Kompienga, Ndorola, Solenzo and Tita markets.

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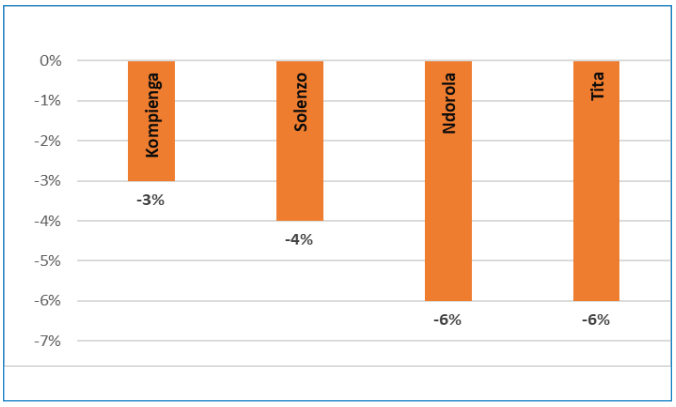
This brief aims to determine the COVID-19's impact on maize price in some markets located in production areas: Kompienga, Ndorola, Solenzo and Tita. Based on the modelling of trend in maize prices, we analyze the differences between actual and predicted prices from the 13th week (last ten days of March) to the 26th week (end of June) of 2020.

Downward trend in maize prices during confinement (last ten days of March to early May)

The restrictive measures taken during confinement led to a decrease of actual maize prices below expected prices in the localities of Kompienga, Solenzo, Ndorola and Tita; that is, a downward trend in prices in said localities. This drop from expected prices was small in Kompienga (-3%) and Solenzo (-4%) and moderate in Ndorola (-6%) and Tita (-6%).

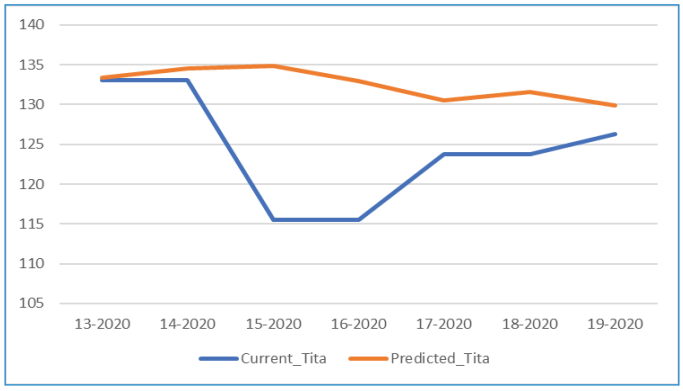
Figure 1: Differences between actual and predicted prices during confinement (%)



Source: Authors' calculations based on modeling results

Figure 2 illustrates the evolution of maize prices on Tita market. Restrictions on movement to contain the spread of the virus caused maize prices to decline from week 13 to week 16, before recovering from week 17, but they remained below the prediction. This non-linear evolution could be explained by a discontinuation of supply to deficit areas at the beginning of the confinement period followed by an adaptation period in which market players found ways to resume trade.

Figure 2: Maize price behavior on Tita market during confinement



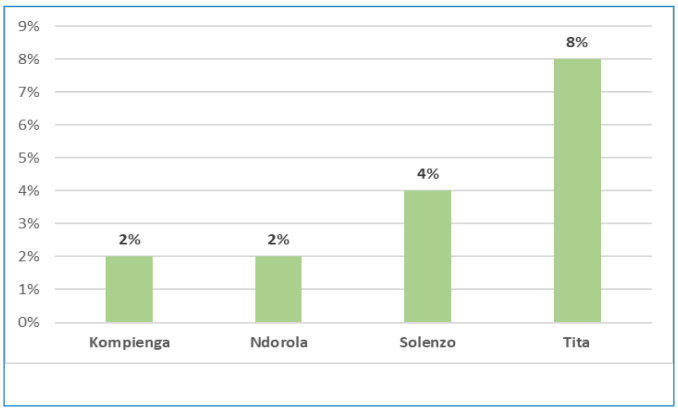
Source: Authors' calculations based on modeling results

Post-confinement upward trend in prices with a latency period

With the lifting of the restrictive measures from the beginning of May, the price of maize gradually increased to above predicted price in the analyzed markets. The difference with the predicted price was on average 8% in Tita, 4% in Solenzo and lower in Kompienga and

Ndorola (2%). The increase in demand following the reopening of the markets and the resumption of inter-city transport explains this upward trend in the price of maize.

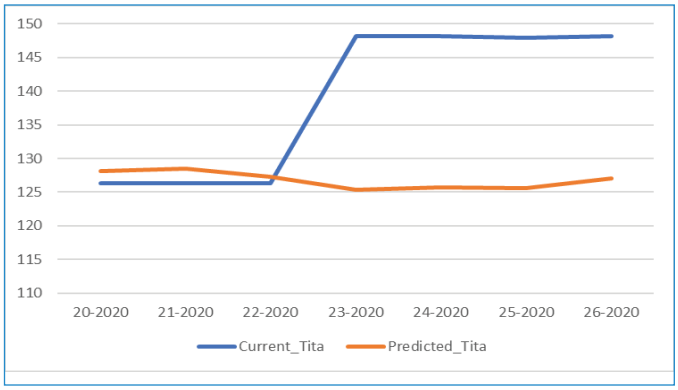
Figure 3: Post-confinement maize price trend compared to predictions



Source: Authors' calculations based on modeling results

At the end of the confinement period (from week 20 onwards), as shown in Figure 4, at Tita, prices initially remained stable for 3 weeks before rising sharply by 17% to 18% above predicted prices. It seems that the actors needed time to adapt to the new situation. And then, the differences between actual and predicted prices remained constant until the 26th week.

Figure 4: Maize price post-confinement behavior at Tita market



Source: Authors' calculations based on modeling results

Conclusion

In this surplus area, a downward trend in prices during confinement was followed by an upward trend at the end of the confinement period. In both situations, the market reacted with a time lag.

The positive difference between the actual price and the predicted price after the end of confinement is an opportunity for producers with surpluses for marketing. However, the food security of net-buying farm households could become fragile if this trend continues. Monitoring price behaviors in these localities is necessary to trigger timely initiatives to support vulnerable households, particularly during the lean season.

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