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Maize meal Price trends in urban districts of Lesotho under COVID-19.

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This brief presents maize meal price trends in urban districts of Lesotho, and attempts to interpret them in relation to measures and actions that were implemented to limit effects of the COVID-19 Pandemic in the country. Analysing price movements of maize meal in this context is important for guiding interventions that would enhance food security among urban households, which are mostly targeted by COVID restrictions, and the country as a whole.

Maize is the major staple crop in Lesotho as evident in food consumption data (Bureau of Statistics, 2013/2014). It is one of the common crops grown by every farming household for subsistence as well as commercial purposes, selling primarily to the milling plants. Despite its importance, maize production has been dwindling in Lesotho and the country mostly import maize from neighbouring countries, including South Africa, to supplement local maize supplies. Available data show that maize production has decreased by 12% from 107 000 tons to 94 000 tons from 1961 to 2013 (Morojele & Sekoli, 2016). The declining production has been

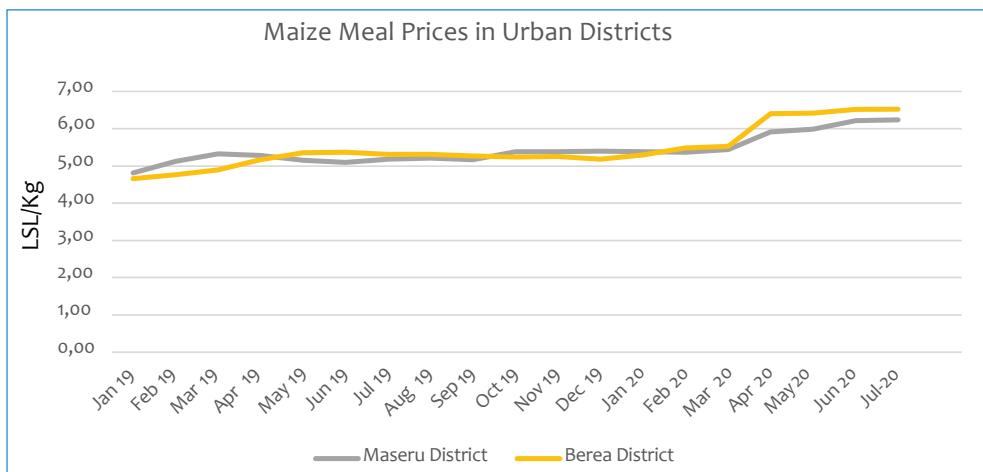
a great concern to the producers, milling companies and government (Morojele and Sekoli, 2016)

Lesotho has ten districts, which could be classified as rural, and urban districts depending on the nature of their agricultural production and consumption. In this brief, the focus is on urban districts, which are Maseru, the capital city, and Berea. These two districts are not major maize producers but rather depend mostly on imported maize meal for their consumption. It is therefore possible that the impact of COVID 19 on the prices of maize meal would be more visible here than in other districts. The two districts have populations of 519,186 and 262,616, respectively (Lesotho Bureau of Statistics, 2016). The two combined account for around 35% of Lesotho's total population of just around 2million.

From Figure 1, it can be seen that the average prices of maize meal in the two districts have been almost stable with a gradual increase averaging LSL5.24/kg and LSL5.20/ Kg for Maseru and Berea, respectively, from January 2019

to February 2020. The first observation to make is that prices have generally risen in the two urban districts since March 2020 likely owing to the effects of Covid-19 responses. Even though the difference is not significant, it can be noted that the more populous Maseru has higher average maize prices as compared to its counterpart Berea that is smaller in population size. The possible reason could be that, a high demand of maize due to high population and restricted supply due to movement restrictions,

Figure 1: Average Maize Meal Prices in the Lesotho



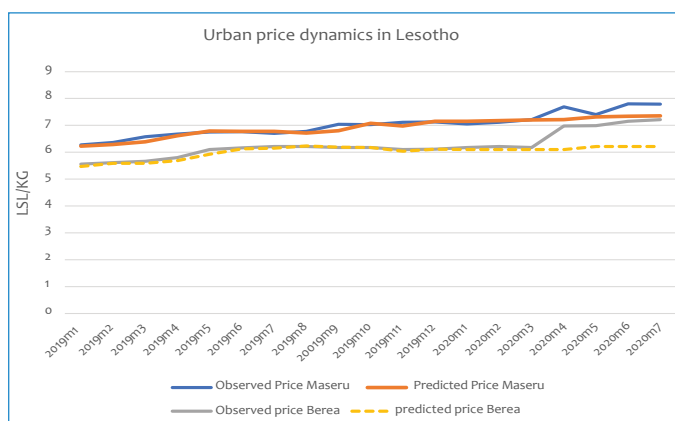
Source: Authors' Computation based on data from Lesotho Bureau of Statistics 2020

might have increased prices in Maseru more than in Berea. From March 2020 to July 2020, maize prices in Maseru rose higher than the pre-pandemic average of LSL5.50 to reach as high as LSL 6.5 per kg after the onset of the Covid-19 pandemic.

In order to show whether the observed price trends may be attributable to the Covid-19 restrictions in 2020, we applied the seasonally adjusted ARIMA methodology where data from 2014 to December 2019 were used to calibrate the model, and thereafter, the model parameters were used to predict prices for the first half of 2020. The assumption is that in the absence of unusual events, predicted prices should not be different from observed prices. In other words, a finding that the prices in 2020 were different from the expected prices would be evidence that Covid-19 restrictions had an impact on the price movements.

Figure 2 below shows the trends in observed and predicted maize meal Prices for urban districts in Lesotho in order to show the possible effects of Covid-19 restrictions on maize price dynamics.

Figure 2 : Observed and Predicted Maize Meal Prices for Urban Districts in Lesotho



Source: Authors' Computation based on data from Lesotho Bureau of Statistics 2020

The figure compares the predicted maize prices with the observed prices over the same periods for both Maseru and Berea. It can be noted that, before Covid-19 restrictions (January – March 2020) in Lesotho, the predicted prices were generally similar to the observed prices, but this trend changed after March 2020. Prices of maize meal increased from the model predictions, which provided further evidence that indeed prices in Lesotho increased following the onset of the Covid-19 pandemic and related restrictions around March 2020

The departure of observed prices from the predicted prices was visible from March 2020 and the gap widened towards July 2020. This difference implies that in both Maseru and Berea, maize flour prices increased more than would have been expected in the same period, which means that

consumers, in particular the poor and most vulnerable, have been negatively impacted by maize market disruptions during the Covid-19 pandemic. Because both Maseru and Berea depend largely on imports from South Africa, the restrictions in movement within Lesotho as well as South Africa have disrupted the operations of local and cross border markets and reduced supply of food commodities in both cities, leading to the observed price increases. It is interesting to note that the rise in prices held through the harvest period around May and June. The increase in domestic supply did not lead to lower prices. Prices continued their rise in the face of heavy reliance on imports in the context of trade disruptions as well as domestic restrictions stifling the operation of domestic markets.

Key Observations and Policy Recommendations

The above analysis demonstrates that maize meal prices in Lesothos' largest urban districts were influenced by the COVID-19 Pandemic and related measures to control its effects. This is reflected in a significant increase in prices starting from March 2020, when governments in both Lesotho and South Africa declared State of Emergency in their respective countries. The states of emergency led to a shortage of maize meal in the country as maize imports from South Africa became hard or impossible to find and local supplies struggled to find their way to local markets.

To overcome similar problems in the future, the government of Lesotho should consider interventions and measures that limit market closures and disruptions and should, instead allow trade of essential commodities like staple foods. Since South Africa is the most important trading partner of Lesotho, being its only neighbour, the two countries ought to coordinate decisions on trade under such conditions to ensure better outcomes than unilateral border closures.

Furthermore, polices that emphasize the use of Personal Protective Equipment (PPE), social distancing, and thermometers in the market places to limit the spread of disease should be given higher priority than market closures.

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