

Key Messages

Seasonal increases in staple food prices expected as supplies tighten

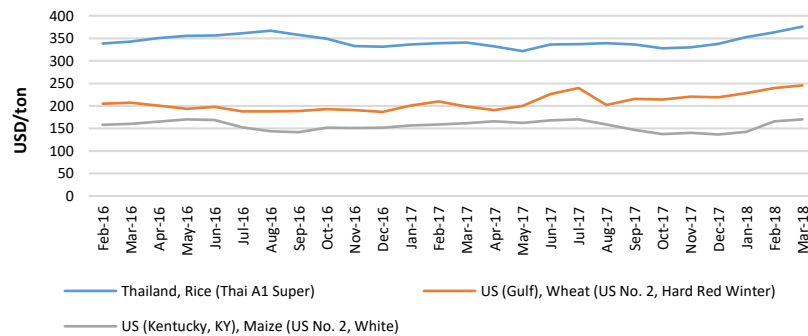
- Recent seasonal harvest across the region eased staple food prices between November 2017 – February 2018, though remaining above average levels, while draw down in supplies is starting to push prices upward.
- Regional trade in staple foods has been below average levels, but expected to improve through mid-2018, boosted by December – January and forthcoming May – August seasonal harvests.
- Livestock prices are expected to recover further as the condition of pastures and livestock improves due to the ongoing seasonal rains. Prices are also expected to increase as demand increases during the Muslim festive season between May and July 2018.
- While the terms of trade between cereals and livestock improved, over the past few months, due to easing of cereal prices and improvements in livestock prices, terms of trade are expected to typically decline through mid-2018, mostly affecting market-dependant pastoral communities.

Staple Food Prices

International Markets

International prices of maize, rice and wheat have continued to gradually increase since the beginning of 2018 (Figure 1), driven by concerns of prolonged dryness in key growing regions (Southern Hemisphere), specifically for wheat and maize. These prices are expected to rise further into the year, as 2018 harvests are projected to be lower than the previous year. However, historical regional price analysis clearly shows that the trends of the international main food commodity markets, seem not to influence the price behaviour in most countries across the region, except for rice - mainly imported from Asia.

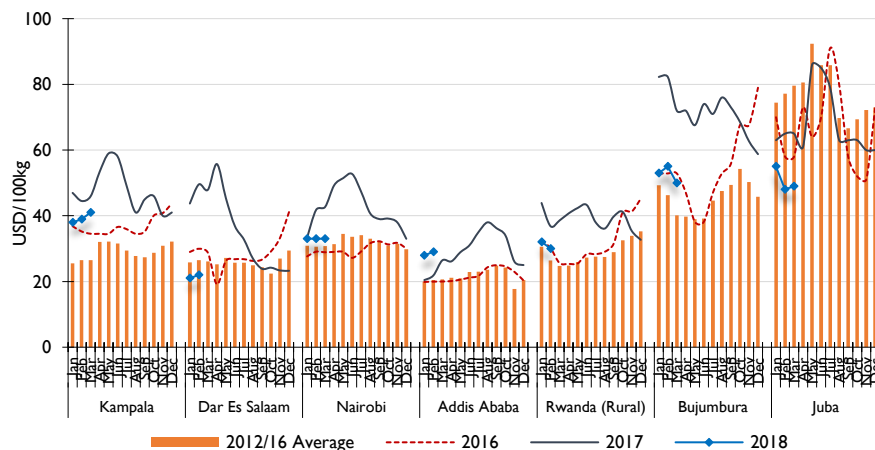
Figure 1: International prices of selected cereals



Regional Markets

Across most countries in the region, prices of staple food commodities exhibited mixed trends between January – March 2018, remaining somewhat stable and or marginally declining, supported by the November-to-January seasonal harvests (Figures 2, 3 & 4). In **Uganda**, maize and beans prices were

Figure 2: Maize prices across the region



at about half their high levels a year earlier, due to improved supplies from the recent harvests, but remained up to 40 percent above recent five-year averages. Sorghum prices on the other hand remained above last year and average prices. Lingering effects of the previous poor seasons harvests sustained high demand amidst low stocks, thereby maintaining prices at elevated levels.

In **Tanzania**, prices of maize and beans seasonally declined and or remained stable supported by the *vuli* harvest, from the north-eastern bi-modal rainfall areas, which boosted supplies. Maize prices were up to 50 percent below 2017 prices, and 10 – 20 percent below average levels, boosted by improved 2017 cereal output and reduced exports following a maize export ban introduced in June last year, which further boosted domestic supplies thus maintaining prices low. In **Kenya**, maize prices were below last year but still above recent five-year average levels. Despite the boost in supplies from recent harvests, albeit at below

normal levels, high commodity demand still surpassed its supply, maintaining elevated prices. In **Burundi** and **Rwanda**, maize and beans prices have dropped and or remained stable between January and March 2018. These prices have remained well below their year-earlier levels, due to improved supplies in the markets from recent harvests and are near average levels. Prices also remain near average levels, except for maize in Burundi, which remained up to 25 percent above recent five-year average levels. **South Sudan** prices for maize and sorghum also remained stable or increased moderately in March but were considerably lower than 2017 and five-year average levels. Lower prices reflect the availability of the 2017 harvests, continued food aid distributions and Government subsidized sales of basic food commodities. Comparatively across the region, Burundi and South Sudan continued to exhibit higher prices, due to the conflict-related trade disruptions and volatile macroeconomic environment. In **Ethiopia**, prices of maize were somewhat stable, but up to 50 percent above year-earlier and five-year average levels. Stability was also observed in the southern and southwestern regions due to ample supplies, while decline was noted in the south-eastern pastoral region plausibly due to relief interventions. An increase was observed in northern pastoral areas where supplies were still low in the markets. Sorghum prices also remained above 2017 and recent five-year average levels. In **Somalia**, prices of locally-produced maize and sorghum declined in March in southern key markets, as newly-harvested *deyr* crops increased supplies, while they remained stable in the capital, Mogadishu, even with high demand. Prices of coarse grains in March were up to 40 percent below the high levels a year earlier, when drought conditions affected crop production, but still 30 – 40 percent above five-year average levels.

Figure 3: Sorghum prices across the region

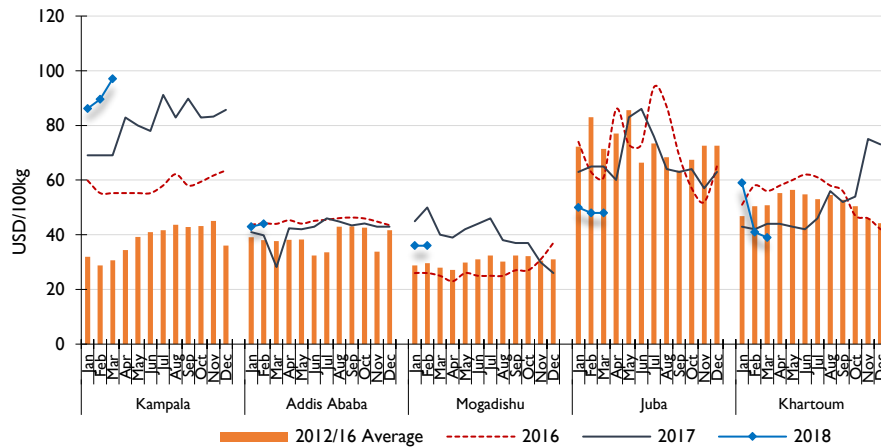
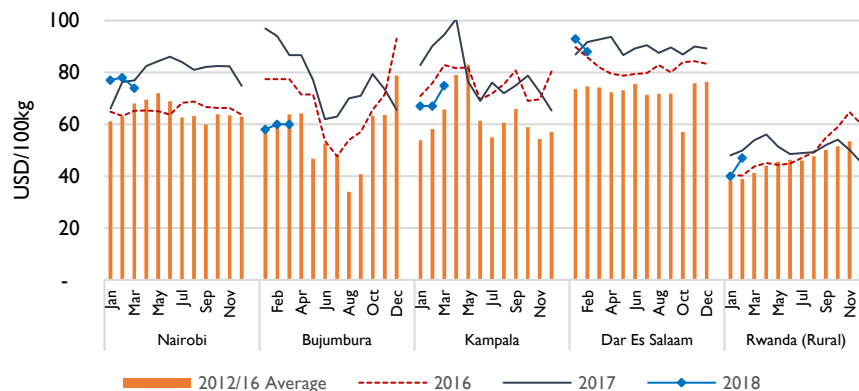


Figure 4: Beans prices across the region

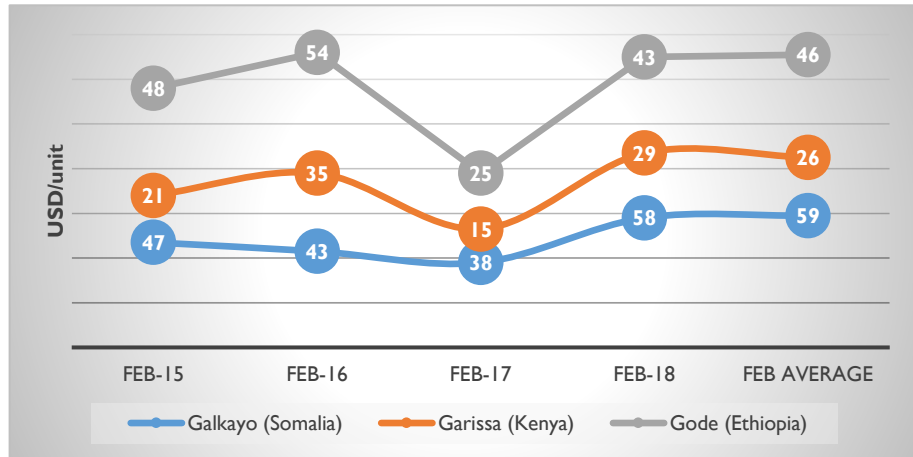


Outlook: Staple food prices across the region are expected to typically increase, through June 2018, as households' previous season's harvested stocks are depleted and demand increases. However, these prices are expected to remain below 2017 levels, but still above recent five-year average levels, due to lingering effect of previous below average national harvests. Prices are expected to ease again from July, as 2018 harvested crops start becoming available, easing households' reliance on markets.

Livestock prices

Compared to a year ago, most pastoral markets in the region exhibited increases in livestock prices (Figure 5). Between February 2017 and 2018, goat prices remarkably increased by 50 – 90 percent across the three markets monitored. This increase was due to a combination of factors including improved body conditions, following the

Figure 5: Goat prices in some pastoral markets in the region

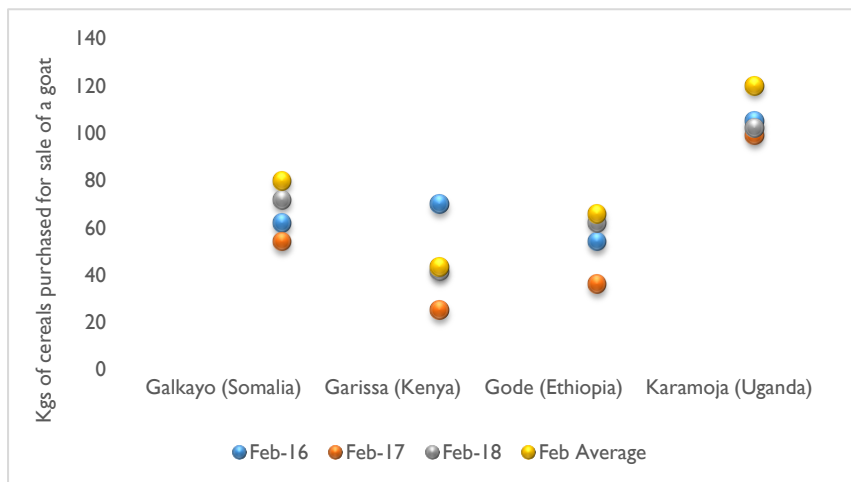


favorable October – December short rains, which supported regeneration of forage and improved water availability; reduced supply of livestock in the markets due to livestock losses sustained during the 2017 drought but also due to attempts by pastoral communities to rebuild their herds. Current livestock prices were near average levels in Galkayo (Somalia), seven percent below average in Gode (Ethiopia) and up to 12 percent above average in Garissa (Kenya).

Terms of Trade (ToT)

Terms of trade is used as a proxy to measure purchasing power of market-dependant households.

Figure 6: Livestock-to-cereal terms of trade



Across the pastoral markets, the livestock-to-cereal terms of trade improved by about 30 – 60 percent between February 2017 and 2018 (Figure 6). This improvement was necessitated by the somewhat positive recovery in livestock prices. February 2018 terms of trade were 12 percent below average levels in Galkayo (Somalia), but remained near average levels in pastoral areas of Kenya and Ethiopia. This remarked recovery in terms of trade

somehow boosted pastoral households' ability to access food from the markets. However, it should be noted that these improvements were not so much experienced by pastoral households who lost their livestock during

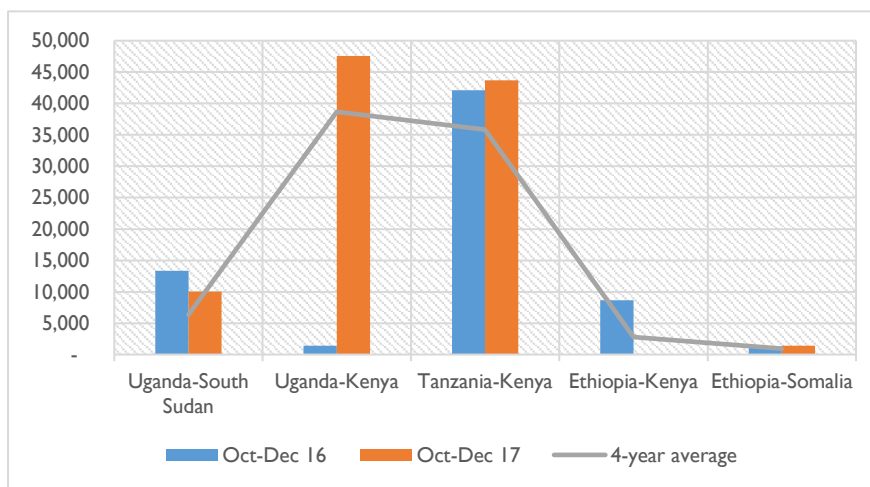
the 2016/17 drought that wiped out substantial amount of livestock populations in these areas. In Uganda, there were marginal improvements between February 2017 and 2018.

In **South Sudan**, the goat-to-sorghum TOT improved by up to 23 percent between November 2017 and February 2018, in the representative market of Aweil, due to improved goat prices and relative stability in sorghum prices over the same period. February ToTs were up to 100 percent higher compared to same time last year. Across the other monitored markets, mixed trends were observed, with areas like Kapoeta South and Minkaman noted improvements while others like Torit and Wunrock recorded declining ToTs.

Regional Trade

In this region, about 800,000 mt of maize; 290,000 mt of sorghum; 240,000mt of rice and 310,000 mt of beans are traded yearly. The fourth quarter of the calendar year (October – December) accounts for about 15, 13, 18 and 27 percent of annual tradable volumes for maize, sorghum, rice and beans respectively.

Figure 7: Maize exports across the region (metric tons)



In the fourth quarter of 2017, about 120,000 metric tons of **maize** was traded, an increase of about 19 percent from same period the previous year, and almost near the four-year average levels (Figure 7). Uganda and Tanzania¹ accounted for most of the exports, mainly to Kenya, boosted by harvested stocks between May and August. Across the region, maize prices remain firm, due to heightened demand

from domestic and commercial consumers, following previous year's poor cropping season. Maize exports from Uganda, Tanzania and Ethiopia were expected to increase exceptionally through the first and second quarter of 2018, boosted by increased supply from the October-to-December-January (Uganda and Ethiopia) and May-to-August (Tanzania) harvests. Most of the outflows, would still be to Kenya, due to relatively higher prices stemming from below normal harvest, low opening stocks and the end of duty-free international maize imports and concomitant subsidy on flour prices by government earlier in the year.

For **sorghum**, the quantities traded in the fourth quarter of 2017 were up to 60 percent above the recent four-year average levels for the quarter, with Sudan accounting for most of the exports followed by Uganda (Table 1). Improved exports to South Sudan and Eritrea, from Sudan, in the last quarter of 2017 was triggered by higher prices in those countries. Also, frequent conflict-related supply disruptions from southern to northern South Sudan resulted in more reliance on the Sudan corridor for supplies to northern markets in South Sudan. Exports to Eritrea (from Sudan) and South Sudan (from Sudan and Uganda), are expected to increase through the second quarter of 2018 (April – June), following increased supplies from the November-to-January harvest in the source countries. The easing of cross-border trade by the Sudan government will also support increased exports to South Sudan (estimated at 30,000 metric tons against an average of 12,000 metric tons) and Eritrea, besides the higher prices in these markets. Exports from Uganda to Kenya are expected to increase during the second quarter of 2018, boosted by favourable production in Uganda, and higher demand for beer production in Kenya hence better prices.

¹ Tanzania's grain export ban was lifted in November 2017.

Table 1: Cross-border trade flows in the region

		Oct-Dec 16	Oct-Dec 17	% change Oct-Dec 17 vs 4-year average
Sorghum	Uganda-South Sudan	5,757	4,136	-15%
	Uganda-Kenya	7,547	6,654	-1%
	Uganda-Rwanda	7,874	1,322	-67%
	Ethiopia-Somalia	783	1,383	166%
	Sudan-South Sudan	5,975	10,538	17%
	Sudan-Eritrea		21,206	369%
	Somalia-Djibouti	56	91	-71%
Rice	Uganda-South Sudan	6,662	6,895	-8%
	Tanzania-Kenya	25,000	24,776	21%
	Tanzania-Rwanda	13,473	13,039	22%
	Tanzania-Burundi	759	672	-46%
	Tanzania-Uganda	8,829		
	Somalia-Kenya	3,174	5,634	195%
	Somalia-Ethiopia	5,983	10,089	40%
Beans	Uganda-South Sudan	5,199	3,417	4%
	Uganda-Kenya		55,521	18%
	Uganda-Rwanda		3	-100%
	Rwanda-Uganda		1,890	-47%
	Uganda-DRC	3,104	2,954	101%
	Tanzania-Kenya	2,076	1,917	-29%
	Ethiopia-Kenya	7,841	8,727	43%
	Ethiopia-Sudan	1,944	9,698	-37%

limited by the depreciation of the Burundi Franc and low purchasing power due to the worsening economic situation. Re-exports of rice from Somalia to eastern Ethiopia and Kenya, is expected to increase between April and September 2018 coinciding with May-to-June Ramadan, and August Hajj religious festivities.

Dry Beans trade was however near average levels, with Uganda exports dominating the trade, especially to Kenya (due to better prices), boosted by favourable June – July and December – January harvests. Exports from Uganda to Kenya will typically increase through June 2018, supported by increasing supplies from the November – January 2018 harvests and better prices in Kenya. Dry bean exports from Ethiopia to Kenya will also increase typically through June 2018, as supplies from recent harvests get into the markets. Exports of Faba beans from Ethiopia to Sudan typically declined in the first quarter of 2018, as demand from Sudan declined, but would pick up in the second quarter of 2018, due to heightened demand during religious festivities.

Livestock: Expectedly, trade in livestock was much affected by the drought that characterised this region for the better part of 2017. Compared to the quarterly average, fourth quarter trade in livestock declined by 40 – 60 percent, attributed to consecutive seasons of poor rainfall performance which led to substantial degeneration of rangeland resources, hence livestock health and body conditions, and substantially reducing the number of export quality animals. In addition, the heavy drought related deaths experienced by livestock-rearing pastoral communities further reduced numbers that could be supplied to markets. The first quarter of 2018 was also characterised by lower than normal supply of animals to the markets, as the recent improvements in rangeland conditions, from the October – December 2017 rains, prompted pastoral communities with livestock to hold back on them in attempts to rebuild stocks and also to fatten them with the hope of getting better prices later in the year. Price increase are expected due to increase in demand during the Ramadan and Hajj related religious festivities in the region and in the export market of the Middle East.

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