

Key Messages

Tightening supplies and anticipated lower than average seasonal production likely to keep prices higher for most of 2019.

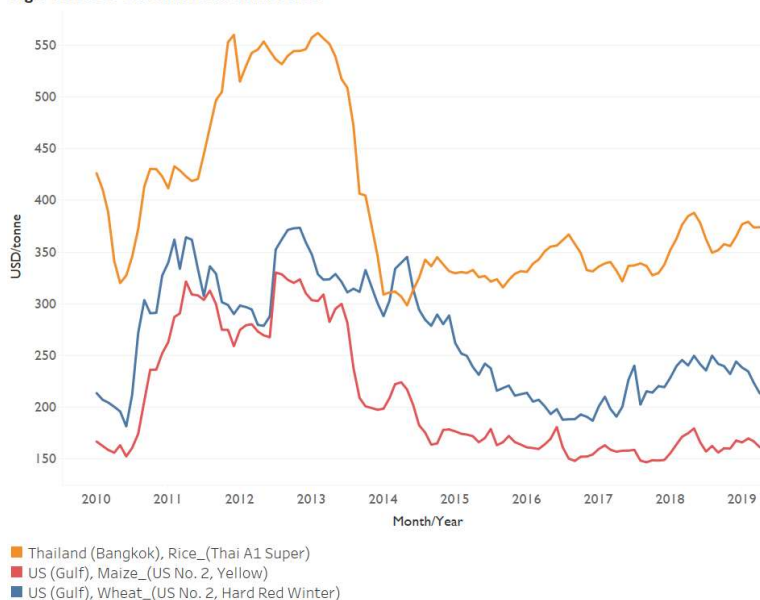
- Staple food prices have started to increase seasonally though they are still near-average as well as lower than 2018 levels across most markets. Maize prices in the region are more than double the prices in the international markets.
- In the areas that have experienced severe rainfall deficits/ dry spells during the March-April-May long rains, maize prices and in some cases the price of sorghum have surpassed 2018 levels by 5-20%.
- Livestock prices across most pastoral markets have reduced due to poor livestock body conditions occasioned by below normal range, browse and water conditions. In contrast, prices of small ruminants increased in most markets in Somalia due to higher consumption demand and limited market supply.
- The poor households' ability to access food from the markets is decimated due to rising cereal prices, reduced agricultural labour opportunities, low casual labour wages and reduced livestock.
- Maize and sorghum exports declined atypically in the first four months of the year due to tightening domestic markets amidst expected production shortfalls in the upcoming harvests. However, for beans, exports in quarter one was higher due to consecutive seasons of above average production in Uganda
- Staple food prices are forecasted to sustain rising trends for most of the year, only expected to temporarily stabilize during the harvest and immediate post-harvest periods.
- The anticipated reduced maize production coupled with higher domestic demand in Uganda could adversely affect regional trade and result in higher prices.

Commodity Prices

International Markets

Internationally, staple food prices continue to remain stable or declining in the first four months of 2019. Among the major cereals, wheat prices fell sharpest (13%) when compared to December 2018 prices, driven by large exportable supplies and a slack demand, particularly for the US origin wheat, and generally favourable prospects for this year's harvest. Maize prices also dropped, pressured by ample export availabilities and expectations of a large crop in Argentina. International rice prices remained unchanged in April pressured down by weak fresh demand.

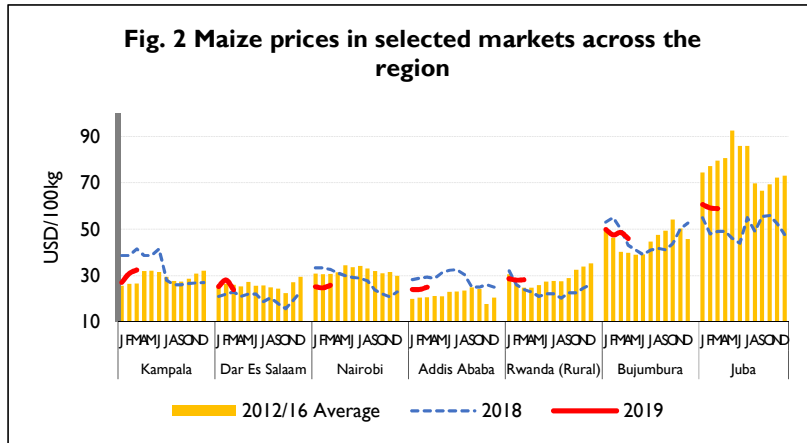
Fig.1 Selected Cereal International Prices



Source: Data from International Grains Council

Regional Markets

Regionally, cereal prices continued to exhibit seasonal rising trends during this time of the year in most major markets (Kampala, Addis Ababa and Nairobi) in line with tightening supplies and early market signals of anticipated shortfall in regional production (Figures 2 & 3). However, these prices are below 2018 levels in most markets. In contrast, in the areas of concern that have experienced severe rainfall deficits/ dry spells during the

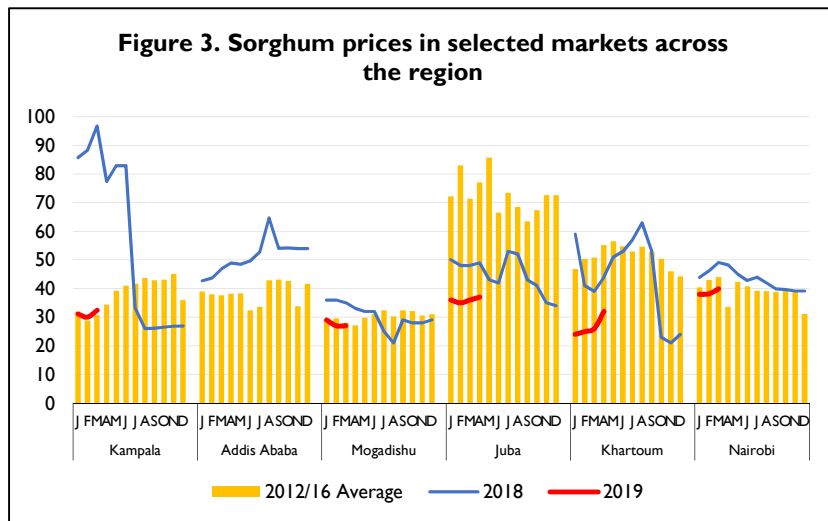


Source: WFP/ FAO GIEWS

March-April-May long rains (southern and eastern Ethiopia, northern and south-eastern Kenya, parts of southern and central Somalia), maize prices and in some cases the price of sorghum have surpassed 2018 levels by 5-20%. In these areas, food prices are steadily rising on a monthly basis, particularly in more remote, rural markets. In Karamoja and Teso Regions of Uganda which are also areas of concern, there was a slight increase in the price of sorghum and maize, in line with seasonal patterns.

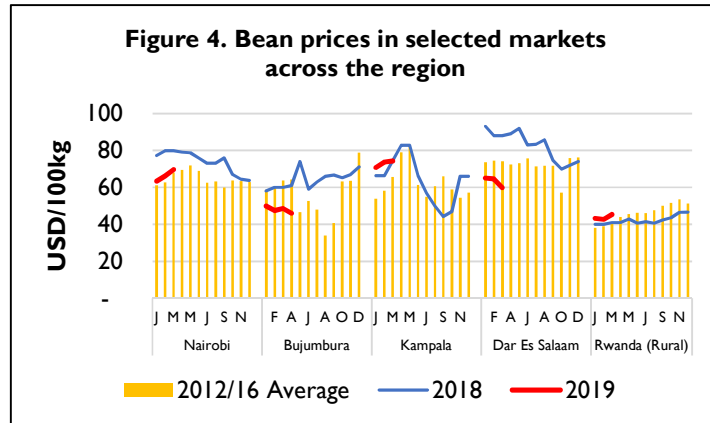
In **Mogadishu**, the high but near average prices was because of below average domestic production and anticipated GU Season crop failure. In **South Sudan** (Rumbek and Aweil) and in most of **Southern Ethiopia**, the prices increased earlier than usual. Continuing conflict, widespread insecurity and severe macro-economic instability have severely disrupted markets resulting in sustained high prices in **South Sudan**. The ongoing political conflict and macro-economic crisis in **Sudan** and the dry spells/ delayed rains in Uganda have also contributed to low cereal imports and high prices in **South Sudan**. Pockets of civil unrest/ insecurity, displacement, low market supplies and depreciation of the Birr in the parallel black market and rising transport costs continued to disrupt markets causing increase in food prices in **Ethiopia**.

In **Burundi** and **Tanzania**, maize and sorghum prices were generally stable moving into March at levels comparable or below those of a year earlier-supported by ample availability from the previous harvests. **Sudan**, which is an important source market for sorghum, saw its prices maintain an upward trajectory, worsened by macroeconomic difficulties, shortage of hard currencies, high cost of fuel and transport and political uncertainty.



Source: WFP/ FAO GIEWS

Beans, the widely consumed and main source of protein for many households in the region, also exhibited increasing price trends particularly in Kenya (Nairobi) during quarter one of 2019. Notable exceptions were in Burundi (Bujumbura), Tanzania (Dar es Salaam) and Uganda (Kampala) where above average production in previous seasons kept markets well supplied resulting in reduced or stable prices.



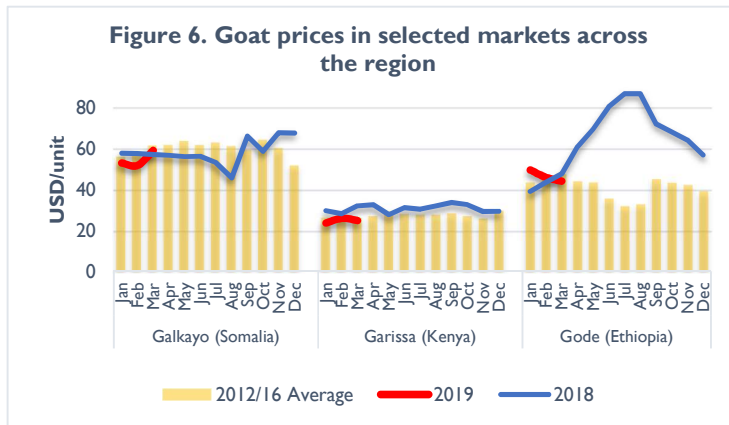
Source: WFP/ FAO GIEWS

Price Outlook (May-June-July)

Staple food prices across the region are expected to remain fairly elevated through June 2019 in line with seasonal trends. Across most markets, maize prices are most likely to temporarily stabilize during the post-harvest period starting from late June/ early July. However, prices are expected to sustain stable trends across most markets in **Tanzania** due to surplus stocks and expected above average harvests between May and August 2019. Similar scenario is projected in **Burundi**, where carry-over stocks from the above-average aggregate crop production in season 2019 A and the likely average to above-average Season 2019 B production in May/June will likely result in decline in food prices in June and remain relatively stable until early September. Bujumbura will also benefit from lower maize prices in Tanzania. In **Kenya**, maize prices are expected to be on an upward trajectory through June until the next harvests in July/August due to below average production and likely reduced exports from Uganda. In **South Sudan**, a largely cereal price taker from the region (from Uganda and Sudan), the prices of staple foods are expected to increase through July due to a number of factors including; increased pressure on markets as household stocks decline, accelerated returnees from Uganda following the signing of Peace Agreement, low import capacity, reduced commodity flows into the hinterland markets as roads become impassable by seasonal rains and expected reduced commodity imports respectively from Sudan and Uganda due to ongoing conflict and projected production shortfalls. A surge in food prices in **Sudan** is expected to persist due start of the lean season in May, macroeconomic instability and social unrest, acute shortage of dollars and high cost of fuel and transport. Food prices in the **south-eastern part of Somali region of Ethiopia** and **Southern Somalia** are expected to remain high due to drier than normal conditions and expected below average GU harvests. In **Uganda**, the expected below average production for first season in bimodal areas and main harvest in unimodal areas in addition to increased domestic demand will keep prices high. The highest price increases are projected in Teso and Karamoja regions. The lower than normal production in Uganda is likely to result in lower than normal cereal (maize/sorghum) exports to Kenya, South Sudan, Burundi and Rwanda which will result in higher prices in these maize deficit countries.

Livestock prices

Livestock prices across most pastoral markets in the region have remained relatively stable or slightly reduced in the first quarter of 2019. This follows the long rainfall deficits and persistent and warmer-than-normal land surface temperatures that accelerated the depletion of pasture, range, browse, and water resources resulting in poor livestock body conditions, prolonged livestock migration and limited milk availability. Although the resurgence of rainfall in late April temporarily recharged surface water sources and regenerated pasture and browse conditions, the gains were short-lived due to very high surface temperatures. The rains were also less beneficial and came too late for crops in unimodal areas that relies heavily on March-April-May rains as crops had dried up/ withered, lowering the prospects of crop output and fodder for livestock. In **Uganda's** Karamoja region, delayed rains and the combined pressure on pasture and water resources by local herds and livestock that in-migrated from Turkana resulted in faster deterioration of pasture and water resources. As a result,



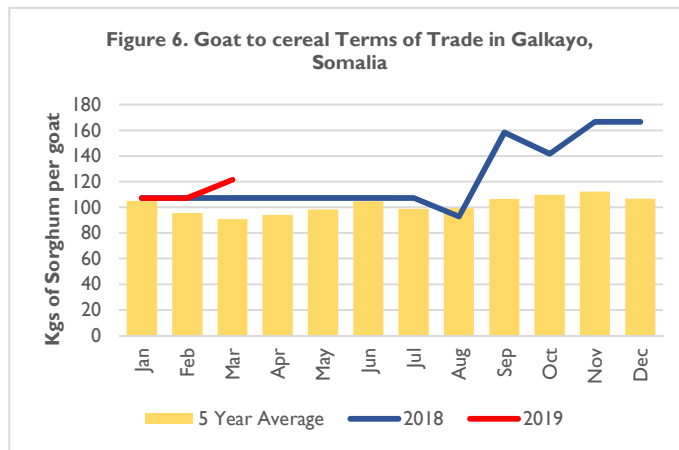
Source: WFP/ FAO GIEWS

pasture and water resources in Karamoja are below average resulting in lower than normal livestock body conditions and prices. Rainfall forecasts for the period May-September point to wetter than average conditions across a wide area from northeast DRC to South Sudan, southern Ethiopia, Uganda, western Kenya and northwest Tanzania. If realized, this may lead to wetter than normal conditions in the last stages of the March-April-May rainfall season, which may allow partial recovery in pasture and rangeland conditions but

is likely too late to improve crop production for unimodal areas. In **Ethiopia's** southern and southeastern pastoral areas, livestock prices reduced due to poor body conditions. These markets were also characterized by low livestock supplies as most households are yet to recover their herds from the 2017 drought. In **Somalia**, goat/sheep prices increased between December 2018 and March 2019 mainly due to limited market supplies and increased domestic and export consumption demand during the Ramadhan.

Terms of Trade (ToT)

In line with rising cereal prices and reduced or stable casual labour rates and livestock prices, the purchasing power as measured by the ToT has declined or remained relatively stable in many areas in the first quarter of 2019. The decline in purchasing power was partly due to the impact of delayed and below-average rainfall which significantly affected cropping and pastoral conditions. As a result, opportunities for agriculture labour reduced significantly, lowering labour rates. Compared to December 2018 levels, the ToT goat to cereal went down from 167 kgs per goat in December 2019 to 121 kg/ goat in March 2019 in **Galkayo Somalia**. In March 2019, however, the ToT between local quality goat and sorghum showed a moderate increase of up to 20 percent (from 100 to 120 kg/head) compared to February level, mainly due to increased goat prices (as a result of limited supply and increased export demand from United Arab Emirates during the Ramadhan). However, the increase in goat prices in Galkayo is unlikely to keep pace with projected increase cereal prices. Moreover, the gains are unlikely to benefit poor pastoralists given majority of them have fewer saleable animals. In **South Sudan**, the combined effect of a decline in goat prices and rise in sorghum prices led the ToT to deteriorate in Mingkaman, Bor and Rumbek month-on-month, negatively affecting the purchasing power of livestock dependent households. The purchasing power of pastoralists in southern and southeastern **Ethiopia** (Gode) is also low due to high cereal prices and limited number of sellable animals. Pastoralists in Gode are reportedly not selling as many as usual since they are yet to recover from the 2017 drought. Deteriorated livestock body conditions together with high cereal prices have also kept pastoralists' purchasing low in the first quarter of 2019 in **Kenya**. In Karamoja region (**Uganda**), the combined effect of

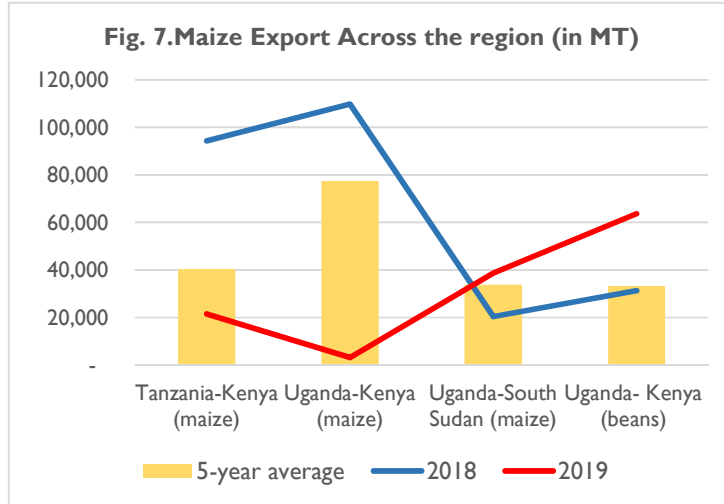


Source: WFP/ FAO GIEWS

rising sorghum prices in many markets, reduced agricultural labour opportunities, seasonally low casual labour wages and reduced prices of firewood and charcoal resulted in declining terms of trade, restricting poor households' ability to access foods from the markets. In the projection period, household purchasing power is expected to be low through June in many countries given low demand for agricultural labour and labour rates occasioned by delayed planting/ insufficient rains that generally disrupted season and the anticipated below-average crop production.

Regional Trade and Outlook

Nearly 112,000 MT of maize was traded in the region between January-April 2019, of which Uganda accounted for 45 percent of the total regional exports followed by Tanzania at 38% and Kenya (12%). Notably maize exports to Kenya from Uganda and Tanzania reduced significantly respectively from 110,000 MT to 3,000MT and from 94,00 MT to 21,00 MT in the first four months of 2019 when compared to the same period last year. The reduction of maize exports from Uganda is due to tightening domestic markets amidst expectations of below average production in the upcoming harvests.



Source: Eastern African Grain Council (EAGC)

Moreover, the carryover stocks and ample availability from the previous harvests in Kenya disincentivised maize imports from both countries. South Sudan (35%), Kenya (22%) and Rwanda (21%) were the main destinations for regional maize trade in Q1 2019. Regional trade in beans on the other hand was estimated 107,000 MT between Jan-April 2019 which was 29 percent more than the same period in 2018. The higher regional trade in beans was mainly attributed to consecutive seasons of above average production in Uganda. Restriction on population and commodity movement between Rwanda and Uganda and between Ethiopia and Eritrea have affected commodity flows between these countries.

Regional Trade Outlook

Domestic and regional maize supplies are expected to decline due to poor March-April-May seasonal performance and resultant likely production shortfalls. The likelihood of higher prices and below-average cereal production due to erratic rains and reduced area planted is likely to slow down maize volume exports from Uganda to Kenya, with the latter likely to increase competitive imports from Tanzania and Zambia. Trade between Rwanda and Tanzania will increase but less between Rwanda and Uganda due to the ongoing unresolved border restrictions. Exports from Uganda to South Sudan is expected to continue in line with growing domestic demand in Juba but will be moderated by likely high prices in Uganda owing to expected reduced production.

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