



East Africa Regional Market and Trade Update

Regional Bureau Nairobi

July 2019



Main Highlights:



Cereal prices remain high, surpassing 2018 and five-year average levels but stabilized slightly in June particularly in parts of Kenya, Tanzania, Ethiopia, Rwanda and Burundi.



Livestock prices in many pastoral markets remained stable in June despite temporary improvements in water and vegetation conditions.



Household purchasing power is low due to high cereal prices, limited labour opportunities and reduced number of sellable livestock.



Regional trade in maize and sorghum declined in the first half of the year. However, trade in rice and beans were above average due to increased supply from Tanzania.



Staple food prices are projected to remain above or near average levels but relatively stable month-on-month through August in line with seasonal trends.



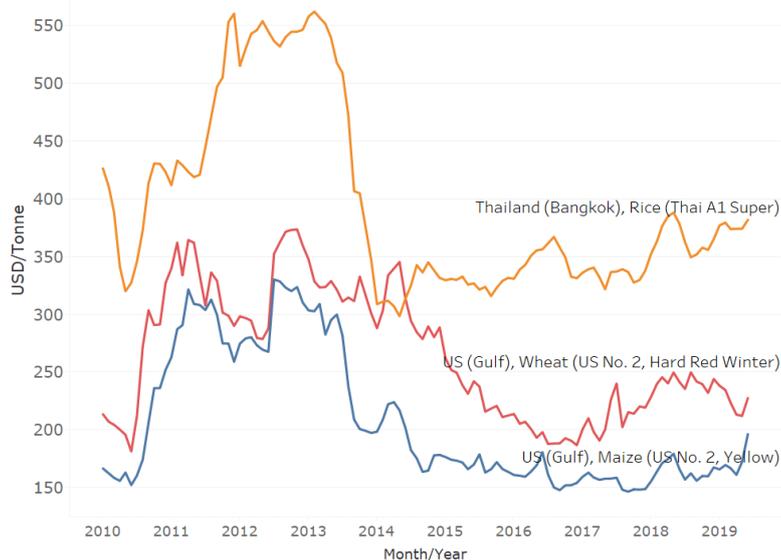
Regional supply and trade of maize and sorghum is expected to decline remarkably because of below normal seasonal production, necessitating cereal imports beyond the region.



International Market Prices

International cereal prices showed mixed trends between May and June – wheat and maize prices rose by 7-14%, while those of rice were largely stable. The increase in maize and wheat prices was triggered by anticipation of a significantly reduced production in the United States of America following excessively wet weather conditions which delayed planting and harvesting of the winter crops. June international cereal prices were higher than the same time last year (Fig. 1).

Fig. 1 Selected Cereal Prices (International Markets)



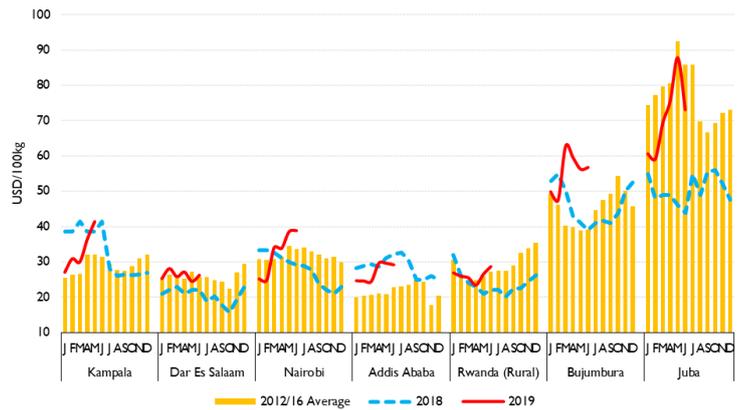


Regional Market Prices

Maize and sorghum prices started to stabilize in June in most markets after sustained surges in recent months as improved rains in May and June lifted crop prospects for the first season harvests that are underway. However, cereal prices remain significantly high in many markets, surpassing 2018 as well as the five-year (2012-16) average levels (Fig. 1 & 2).

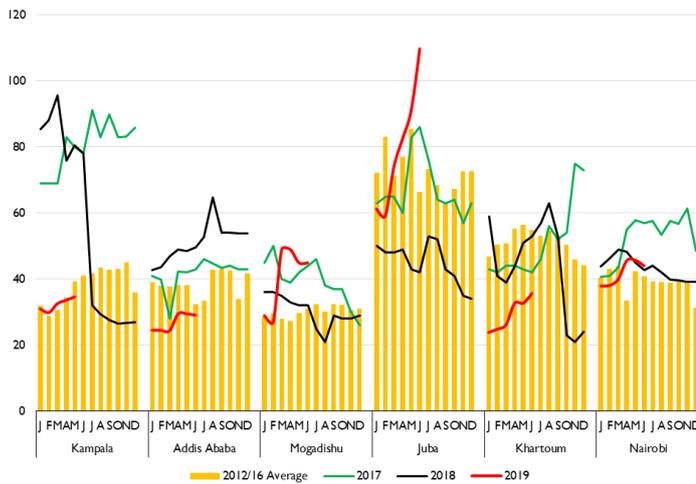
In **Dar es Salam Tanzania**, in line with seasonal trends, prices of maize were largely stable in June, after having increased slightly between march and April, as the ongoing seasonal harvest which is projected to be above-average, increased market supplies to domestic markets. Maize prices in Tanzania are however higher than in 2018, supported by strong demand from Kenya and Southern Africa Countries. In **Nairobi Kenya**, sustained maize imports from Tanzania as well as positive prospects for the seasonal harvests following intensified rains in late April and May helped ease the pressure on maize and sorghum prices in June. Beans on the other hand sustained rising trends in Nairobi. Notably the prices of these staples remained well above their levels a year earlier. In **Addis Ababa**

Fig. 2 Maize prices in selected markets across the region



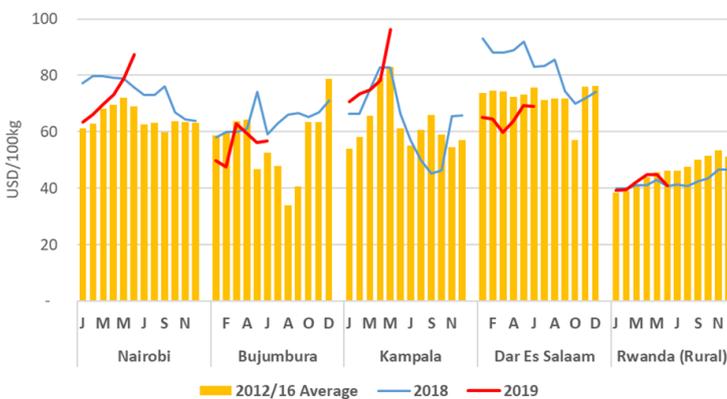
Ethiopia, the start of Belg harvests slightly improved food supplies to markets in June, helping stabilize cereal prices that exhibited an abnormal increases over the past three months. In **Rwanda and Burundi**, the stocks from average season "2019A" production kept maize and beans prices relatively stable through June. Even though the official season 2019B crop assessment findings in both countries are not out, the overall performance is expected to be favorable. Notably, beans prices are currently higher than their levels a year earlier in Nairobi, Kampala and Rwanda but lower in Dar Es Salaam and in Bujumbura.

Figure 3. Sorghum prices in selected markets across the region



In **South Sudan**, despite localized harvests in the green-belt and hills, maize and sorghum prices sustained rising trends mainly due to worsening insecurity in the Equatoria that has disrupted Juba-Mundri-Rumbek, Juba-Yei and Kaya-Maridi trade routes to the Bahr el Ghazal and Greater Upper Nile Regions. In **Sudan**, prices of sorghum increased seasonally in June mainly because of the high cost of production and transportation and civil unrest which has disrupted economic activities. In **Kampala Uganda**, maize, sorghum and beans prices rose in line with seasonal trends, in anticipation of below average seasonal production. Notably, the prices of maize and beans were already above last year and 212-2016 average in June

Figure 4. Bean prices in selected markets across the region



in Kampala but the prices of sorghum were lower than the 2018 levels; sorghum prices in 2017/18 had risen rapidly following 2017 drought and also due to increased demand from alcohol brewers.

In **Somalia**, prices of cereals showed mixed trends in June-sorghum prices remained stable or increased slightly across markets in the Sorghum Belt of Bay Region, while those of maize were largely stable or reduced minimally in the Shabelle Regions.



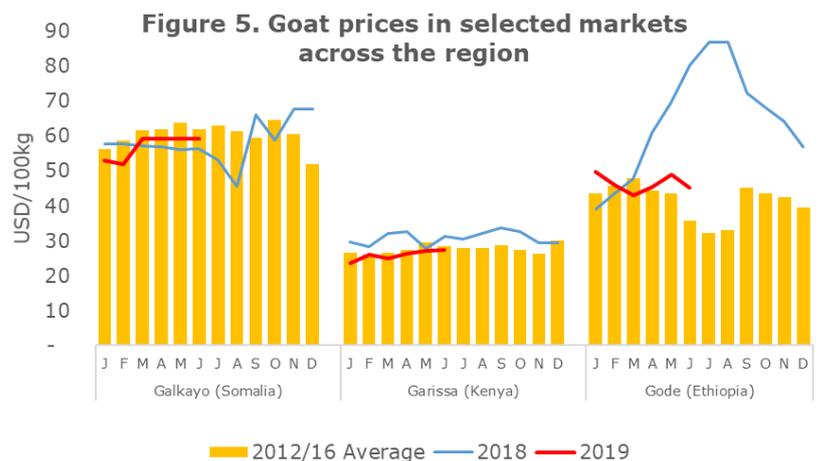
Regional Food Price Outlook (July-September)

Staple food prices are expected to remain largely in line with seasonal trends- mostly remain stable month-on-month through August in major producing zones during the harvest period but will largely be elevated in deficit and pastoral markets. Stability or near average maize prices is expected to be more pronounced in **Tanzania** due to carry-over stocks and expected above average harvests. Sustained maize imports from Tanzania into Kenya together with new harvests will likely temporarily relieve pressure on maize prices. Trend of increasing food prices is likely to continue in **Somalia, Sudan and South Sudan** due to continued shortage of fuel, high cost of transportation, currency devaluation and localized conflicts. Food prices are expected to remain above or near average in arid and pastoral markets in **Ethiopia, Kenya, Somalia and Uganda**, which have been worst hit by dry spells, due to expected below average main season production as well due to delayed harvests. In **Uganda**, the expected below average production will have knock-off effects on food prices, resulting in higher maize prices domestically and in regional export markets. Continued border closure between Uganda and Rwanda will also keep maize prices high in Rwanda. Increased supply of maize from Uganda to South Sudan is expected to exert additional pressure on food prices in Uganda.



Livestock Prices and Terms of Trade

Livestock prices across most pastoral markets in the region have remained mostly stable in the first six months of 2019, due to net effect of below average body conditions and low demand following months of below average seasonal rains that depleted household incomes, range and water resources. Resurgence of rains in late April helped re-charge water and vegetation, slightly improving livestock body conditions. Rainfall forecasts through September in traditional pastoral areas in Kenya, Ethiopia and Somalia point to persistent normal dry conditions, which together with forecasted higher than average land surface temperatures between July-September could stagnate or reverse recent gains in pasture, browse, and water, dimming the hopes of meaningful recovery in livestock body conditions. Livestock prices are not expected to improve through September as this time coincides with the lean season in most affected areas when pastoralists are not expected to re-stock much while holding to existing stock for fattening.

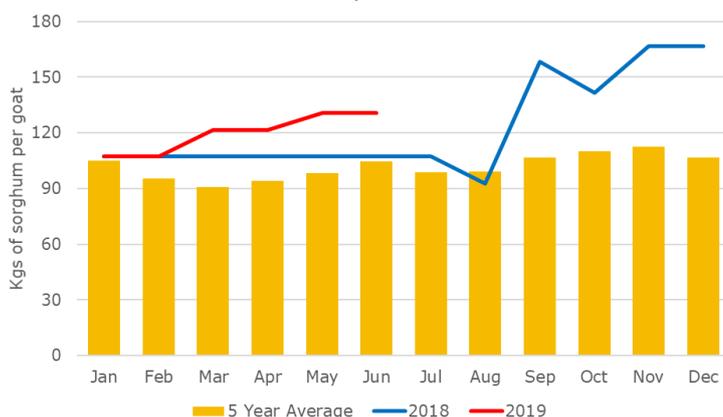


In line with stable cereal and livestock prices, the purchasing power, as measured by the Terms of Trade, remained stable or slightly improved between May and June 2019. Compared to June 2018, the purchasing power of herders in Galkayo

Somalia was slightly improved with a goat fetching 131 kgs of cereal, which was 26kgs more. However, due to reduced livestock assets, the increase in goat-to-cereal terms of trade will likely not benefit poor pastoralists who have few animals to sell.

Purchasing power among households who depend on seasonal agricultural labour was also low in June but is expected to improve from July with the start of harvests and anticipated stability or slight decline in cereal prices.

Figure 6: Goat to Cereal Terms of Trade in Galkayo Market, Somalia

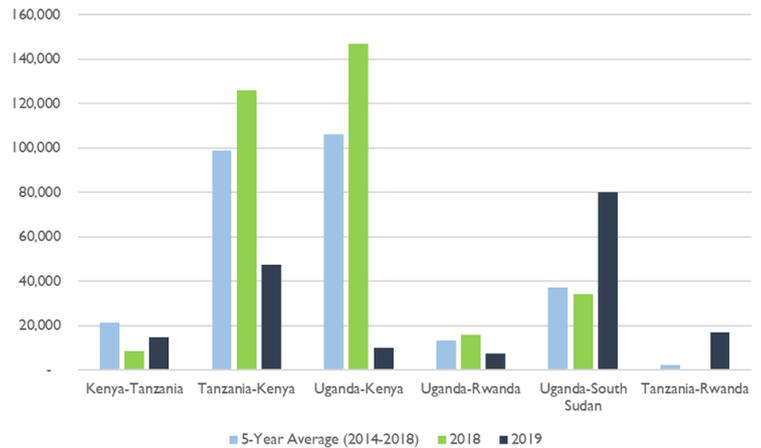




Regional Trade and Outlook (July-September)

About 205,00 MT of maize was traded in the region during January-June, which is 30%-40% lower than the five-year average and the same period in 2018. Uganda and Tanzania accounted for most of these exports, respectively at 48% and 36% mainly to South Sudan (40%), Kenya (12%) and Rwanda (10%). Maize exports from Uganda and Tanzania to Kenya reduced significantly in the first half of the year when compared to January-June 2018 and the five-year average. However, maize exports from Uganda to South Sudan increased, driven by higher prices in Juba. Uganda-Rwanda border closure opened opportunities for increased maize exports from Tanzania to Rwanda while from Uganda to Rwanda reduced year-on-year

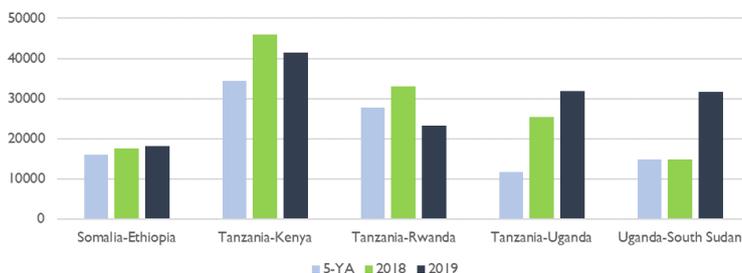
Fig. 7: Cross Border Maize Trade Volumes in MT



(Fig. 7). The sorghum quantities traded in the first half of the year (64,000 MT) were much lower compared to that of maize and was 52% lower than the recent 5-year average—implying reduced trade in sorghum in the region principally because of reduced regional production, growing demand for brewing and increased consumption substitution to more preferred cereals. Most of the sorghum exports originated from Uganda and Tanzania, the latter replacing Sudan, the traditional source of sorghum to South Sudan, due to high cost of production and transportation. The bulk of the sorghum exports were destined to South Sudan and Rwanda.

Regional trade in rice has grown prominence against a backdrop of dwindling supplies of course cereals (Fig. 8). Rice exports particularly from Uganda and Tanzania has been growing steadily rising from 73,000 MT in 2014 to the current 164,000 MT, surpassing export of sorghum three-fold and nearly levelling with that of maize. In the first six months of 2019, regional rice trade was 11% and 42% higher than the same period in 2018 and the six months average, as exports increased from Tanzania to Kenya, Uganda and Rwanda. There were also increased re-exports of imported rice from Somalia to the Somali regions of Ethiopia (18,260 MT) and Kenya (3,436 MT) respectively 4% and 27% higher than the first half of 2018. The regional growth in trade of rice was supported by above average harvests in Tanzania and increased consumption substitution to rice.

Fig. 8: Cross Border Rice Trade Volumes in MT



Trade in dry beans (182,000 MT) was above average and higher than the same period in 2018 by 35%, with most of the beans originating from Uganda (56%), Ethiopia (18%) and Uganda (16%) exported mainly (70%) to Kenya, favoured by exportable surplus from previous harvests and higher prices in Kenya. The total January-June regional trade in livestock (cattle, camels, goat and sheep) stood at 274,000 which is 7% lower than same period in 2018. Compared to the January-June 5-year average, the half year trade in livestock declined by 41%, mainly due to reduced number of export quality animals, weak demand and stable prices.

The regional supply of course grains is expected to reduce in line with lower regional production-necessitating imports beyond the region. Maize exports from Uganda to Kenya will likely be lower, with the latter, Rwanda and Burundi likely to increase imports of maize from Tanzania, although may be limited for Burundi given shortage of hard currency and depreciation. Despite reduced domestic availability, maize exports from Uganda to South Sudan is expected to continue in line with higher prices in Juba. Rice exports from Tanzania to Kenya, Uganda and Rwanda are expected to continue, compensating for shortage of course grains. Prolonged border restrictions between Rwanda and Uganda is expected to continue stifling imports and trade. Regional trade in livestock is expected to slow down through September as pastoralists are more likely to prefer fattening their livestock during the Oct-December Deyr rains. Increased demand of maize from Eastern and Southern African countries is likely to overstretch the supply capacity of Tanzania.