



# EAST AFRICA Regional Market & Trade Update

Regional Bureau Nairobi

November 2019



## Main Highlights:



Cereal prices exhibited mixed trends across most markets between July and September 2019; they were largely within seasonal patterns but significantly higher than last year and the five-year average.



Prices of small ruminants stabilized or decreased and were near normal in Kenya and Ethiopia but increased slightly and were above the five-year average in Somalia during the reporting period.



Household purchasing power of farmers and livestock keepers was lower than the five-year average in many areas given high cereal prices, stable livestock prices and low levels of sellable stock.



Regional trade in maize declined in the first nine months of the year compared to the same period in 2018 and the five-year average, due to below to near normal crop production.



Overall, cereal prices are projected to remain high through December 2019, though some seasonal price decline is expected in most reference markets as new harvests are realized.



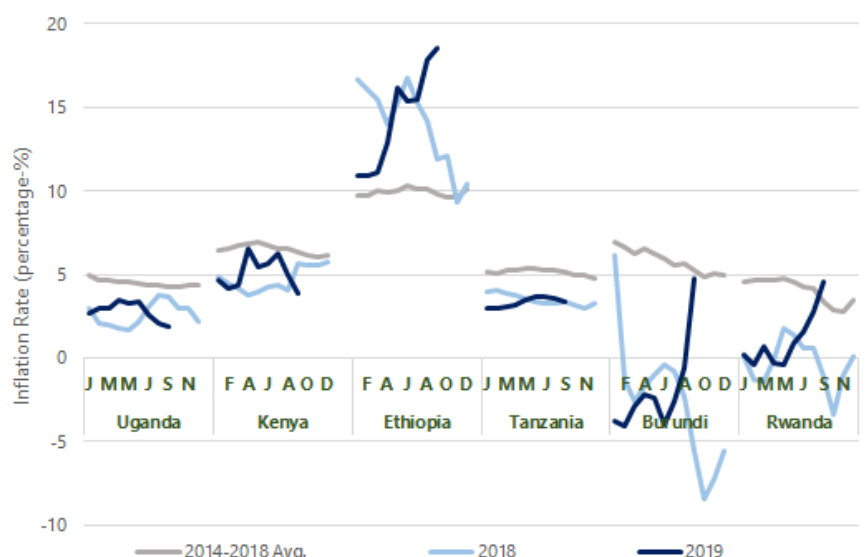
The annual regional supply and trade in maize is expected to decline due to reduced exportable surplus, necessitating cereal imports from beyond the Region.



## Inflation Rates

The cost of living as measured by the year-on-year headline inflation as of September 2019 was highest in South Sudan (171%), followed by Ethiopia (19%) while moderate in Burundi (4.9%) and Rwanda (4.6%) but relatively stable in Uganda, Tanzania & Kenya (1.9-3.8%). The inflation rate has decreased since June in Uganda, Kenya and Tanzania but increased during the same period in Ethiopia, Burundi and Rwanda. The high rate of inflation in South Sudan and Ethiopia were mainly as a result of currency depreciation, high cost of fuel/transport and localized conflicts.

Fig. 1: Inflation Trends





## Regional Market Prices

Maize and sorghum prices exhibited mixed trends across most markets between July and September 2019 even though they were largely within seasonal patterns but significantly higher than last year and the five-year average (Fig 2).

**Maize:** In **Kampala Uganda**, significant price decline was observed following improved domestic supply from local harvests. Prices also declined seasonally between July and September in **Juba South Sudan** due to favorable first harvests in the bi-modal zone of Greater Equatoria as well from increased imports from Uganda. On the other hand, maize prices increased during quarter three in **Dar Es Salaam, Nairobi, Addis Ababa** and in **Rwanda** but remained relatively stable in **Bujumbura**. The increase in maize prices in **Tanzania** was due to higher domestic and export demand from Eastern and Southern Africa Countries; while in **Nairobi** it was due to below average production following early season moisture stress. Price inflation in Kigali was due to reduced imports from Uganda because border closures. The major factors for maize price increase in **Addis Ababa** were increased money supply, increased maize demand including from government purchase, reduced production in 2018/19 *meher* and 2019 *belg* seasons and localized insecurity.

Fig. 2 Maize prices in selected markets across the region

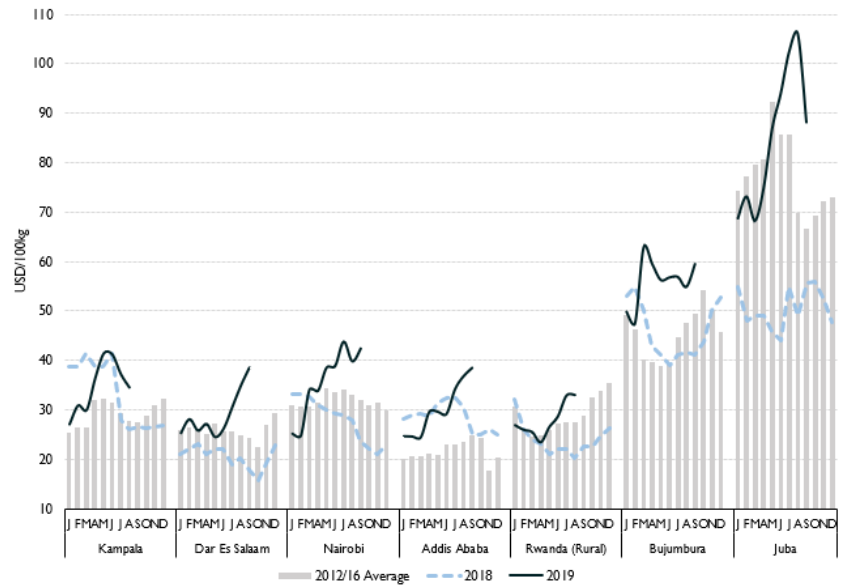
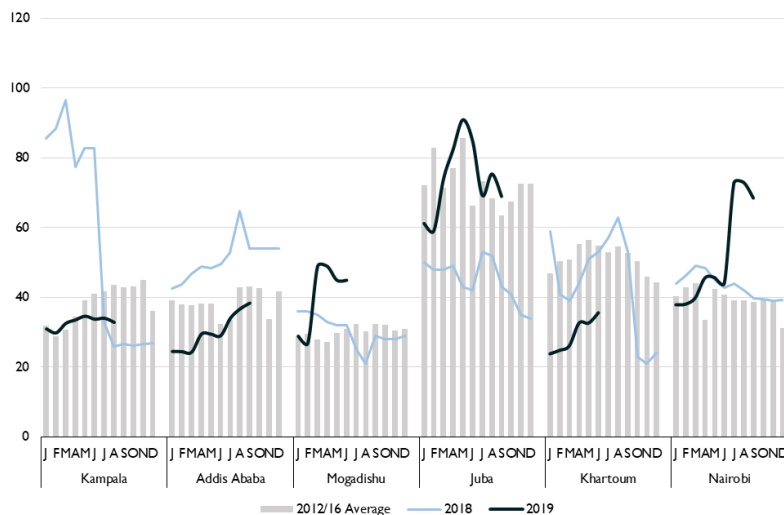
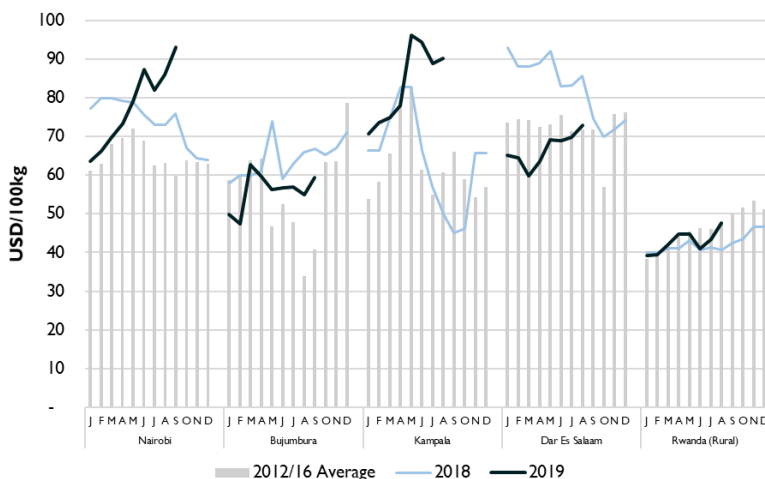


Figure 3. Sorghum prices in selected markets across the region



**Sorghum:** prices remained at high levels, near to above normal in many markets between July-September 2019; increased in Addis Ababa, Khartoum and Nairobi but remained relatively stable in Kampala, Mogadishu and Nairobi.

Figure 4. Bean prices in selected markets across the region



The price of **beans** increased in most monitored markets during the reporting period due to overall low regional supply as a result of poor seasonal rains. The price increase was higher in **Nairobi, Kampala, and Dar es Salaam**, the latter due to increased export demand. The lowest prices were observed in **Burundi and Rwanda** supported by recent Season B harvests in June/July. Compared to the previous year, bean prices were higher in **Nairobi, Kampala and Rwanda**. Generally, beans prices were above the

five-year average in most reference markets.



## Regional Cereal Price Outlook (October-December)

Maize and sorghum prices are expected to follow typical seasonal trends while remaining high through December, exceeding 2018 and the five year average levels in most markets, as increased demand in structurally deficit Kenya, South Sudan and Somalia will likely exert additional pressure on cereal prices in Uganda and Tanzania.

In Ethiopia, Burundi, Sudan and South Sudan, the 2019 harvests from October through December 2019 will temporarily stabilize cereal prices as households start accessing own foods. However, the underlying high inflation driven by macro-economic factors (currency depreciation, high fuel prices, high marketing cost etc) are expected to further reinforce higher prices in these countries.

The maize harvests from long rains in Western and Rift-Valley areas of Kenya from October through December will likely moderate maize prices domestically. At the same time, main harvests in unimodal areas of Uganda are expected to result in moderate prices of cereals in Karamoja.

In Rwanda, staple food prices are expected to increase seasonally until harvests are realized from December, aggravated by continued cross-border trade restrictions with Uganda.

Sustained export demand from the Eastern and Southern Africa countries is highly likely to extend pressure on cereal prices in Tanzania.

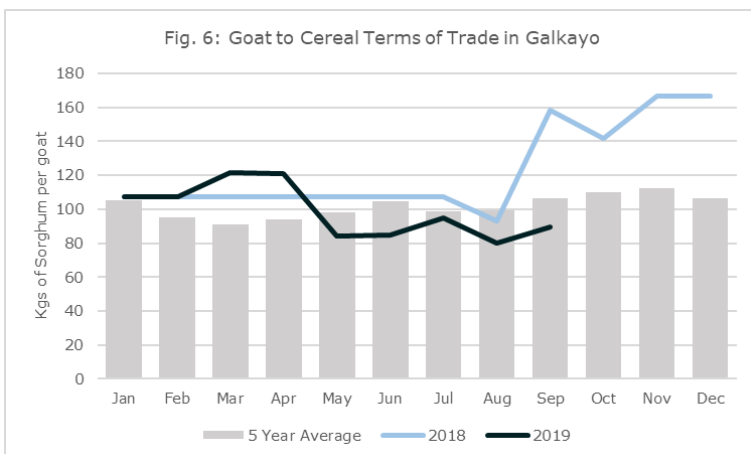
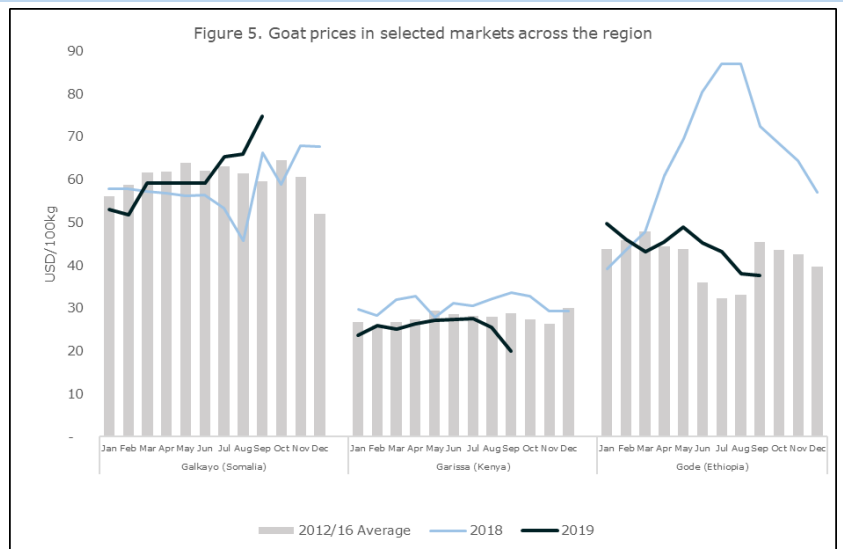


## Livestock Prices and Terms of Trade

Goat prices were mixed during the reporting period- mainly decreased or stable and near normal in many markets in Kenya and Ethiopia but increased and were above five-year average in most of Somalia. The increase in goat prices in Somalia was due to low supply of sellable stock.

Overall, the poor performance of the March-May seasonal rains resulted in poor pasture and water conditions, causing poor livestock body conditions. Despite enhanced rains towards late April and end of May, significant moisture deficits prevailed throughout the season, supporting recovery of livestock body conditions only partially. The July-September dry season offset the temporary gains realized in May, further delaying recovery. Improved rains and floods during the October-November period and expected continuation through December is likely to result in improved livestock conditions and strengthen livestock prices as most pastoralists will hold existing stock for fattening.

According to the 53<sup>rd</sup> Greater Horn of Africa Climate Outlook Forum (GHACOF), wetter conditions are expected during the October-December season over much of the region.

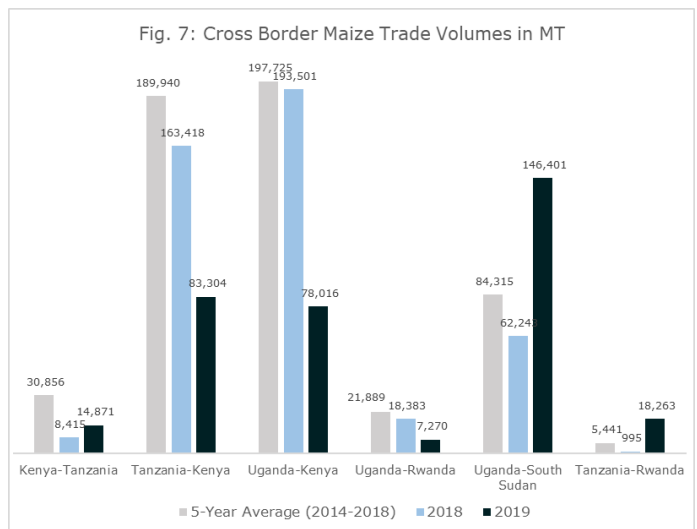


In line with increased cereal prices and stable or reduced livestock prices, the purchasing power of most pastoralists, as measured by the terms of trade between livestock and cereals, was generally reduced from July-September 2019 in many reference markets. For instance in Galkayo Somalia, the purchasing power of herders declined slightly during the reporting period with a goat fetching 90 kgs of cereal, 5 kgs less than the July levels and 17 kgs lower than the five-year average (Fig. 6).

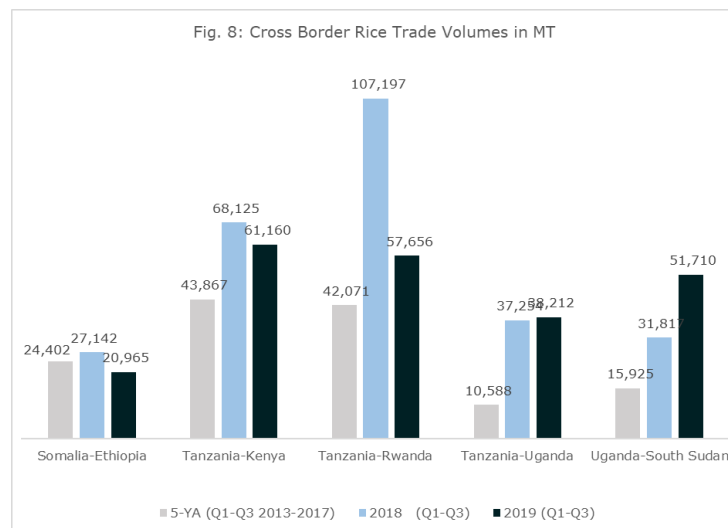


## Regional Cross-Border Trade

Close to 400,000 MT of maize was traded in the region from January-September 2019, which was 30% lower than the five-year average and 13% below the same period last year. Sixty (60%) of the regional maize trade originated from Uganda mainly destined to South Sudan (146,401 MT) and to Kenya (78,016 MT). Tanzania accounted for the second highest regional cross border maize trade, exporting 83,304 MT to Kenya and 18,263 MT to Rwanda. Maize exports from Uganda and Tanzania to Kenya reduced significantly in the first nine months of the year when compared to the same period last year and the five-year average, mostly due to increased domestic and export demand and significantly below average harvests in Uganda. However, maize exports from Uganda to South Sudan increased during the same period, supported by higher demand and better prices in Juba and generally improved market functioning in South Sudan. Traders in Uganda rushed to sell more maize stocks in order to benefit from better returns before prices start declining with expected new October-to-December harvests. Intermittent disruptions and restrictions on cross-border trade between Uganda and Rwanda reduced trade flows into Rwanda but supported increased maize exports from Tanzania to Rwanda (Fig. 7).



The sorghum quantities traded in the first nine months of the year (107,873 MT) were much lower compared to that of maize, but were significantly higher (66%) than the same period last year. Most of the sorghum exports originated from Uganda and Tanzania, the latter mainly exporting to Rwanda while Uganda exported to South Sudan. Notable, Sudan's role as the traditional sorghum export source to South Sudan has reduced considerably due to high cost of production and transportation and inflation.



Regional trade in rice rose by 23% compared to the same period in 2018 and more than double the five year average in the first nine months of 2019, sustaining prominent growth as supplies of coarse grains tightened (Fig. 8). Rice exports particularly from Uganda and Tanzania into the region was 210,000 MT which is about 50% of the total maize traded over the same period. Rice exports increased from Tanzania to Kenya and Rwanda while it was also higher from Uganda to South Sudan over Q1-Q3 of 2019 when compared to the same period last year. There were also up to 25,000 MT re-exports of imported rice from Somalia to the Somali regions of Ethiopia and Kenya, although at reduced levels compared to

seasonal trends.

Trade in dry beans between January–September 2019 stood at 271,856 MT, 20% higher than the same period in 2018, with most of the beans originating from Uganda (60%), Ethiopia (17%) and Tanzania (14%) exported to Kenya (67%), favoured by exportable surplus from May-August production in Tanzania and increased supplies from Ethiopia and higher prices in Kenya.

The total January-September regional trade in livestock (cattle, camels, goat and sheep) stood at 375,211 which is 25% and 50% lower than same period in 2018 and the 5-year average; the decline was caused by reduced number of exportable quality animals given poor pastoral conditions. Regional trade in livestock is projected to trend lower than average through December 2019 because of reduced demand, fattening practices by livestock keepers as well as export bans by Gulf countries following outbreak of Rift Valley Fever in Ethiopia.



## Global Cereal Prices

Global cereal prices showed mixed trends between July and September 2019– maize and wheat declined while those of rice increased slightly. The benchmark US wheat (No.2 Hard Red Winter, f.o.b.) decreased for the third consecutive month, averaging USD 201 per tonne in September, down 1 percent from August and 17 percent from the corresponding period last year. At the same time, The benchmark US maize (No.2, Yellow, f.o.b.) averaged USD 157 per tonne, down nearly 3 percent from August and 20 percent from the 11-month high reached in June.

The decline in international cereal prices in September reflected ample export availabilities as a result of slow import demand. According to the FAO AMIS Market Monitor, wheat and rice markets look set to remain particularly well supplied in 2019, while overall supply conditions for maize and soybeans are also favourable, in spite of a projected contraction in production for maize in the US, wheat in Australia and rice in Brazil, China, India and the US. This presents an opportunity for maize procurement from the international markets far beyond Tanzania and Uganda in the region where supplies are tightening.

**Fig. 9 Selected Cereal Prices (International Markets)**

