



## East Africa

# Market and Trade Update

Joint Supply Chain & VAM | Food Security Analysis

**WFP Regional Bureau for Eastern Africa** | December 2020

## Highlights



International maize and wheat prices have been generally on an upward trend since August in response to sustained export demand.



Staple food prices in the region showed mixed trends; prices have increased in Burundi, Ethiopia, Somalia, South Sudan and Sudan; while they have decreased in Uganda, Rwanda and Kenya, and remained stable in Djibouti.



Significant depreciation of local currencies has been observed compared to the time just before the pandemic. This has caused an increase in the cost of living, most notably in Sudan and South Sudan.

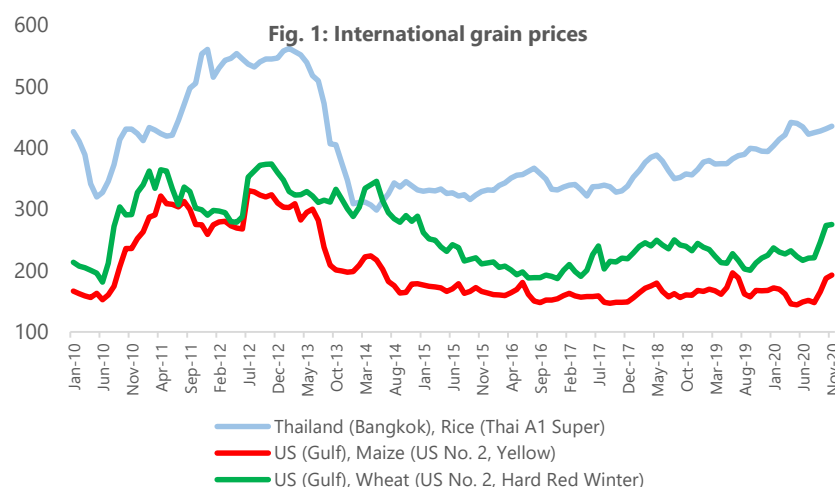


WFP/ Marco Frattini

## Global cereal prices increased with reduced production forecasts



According to [FAO](#), international prices of maize and wheat more or less stabilized in November 2020, after rising sharply in September and October, driven by market adjustments to the reduced production prospects, tighter inventories and strong import demand. FAO's forecast for global cereal production in 2020 has been lowered for the third consecutive month in December, even though it is still expected to reach a record high level of [2,742 million Tonnes](#), 1.3 percent above the 2019 outturn. The bulk of the revision reflects reduced maize yield prospects in the US and Ukraine; reduced forecasts for wheat in Argentina, Brazil and Kazakhstan; and deteriorated production prospects in Bangladesh and Viet Nam.

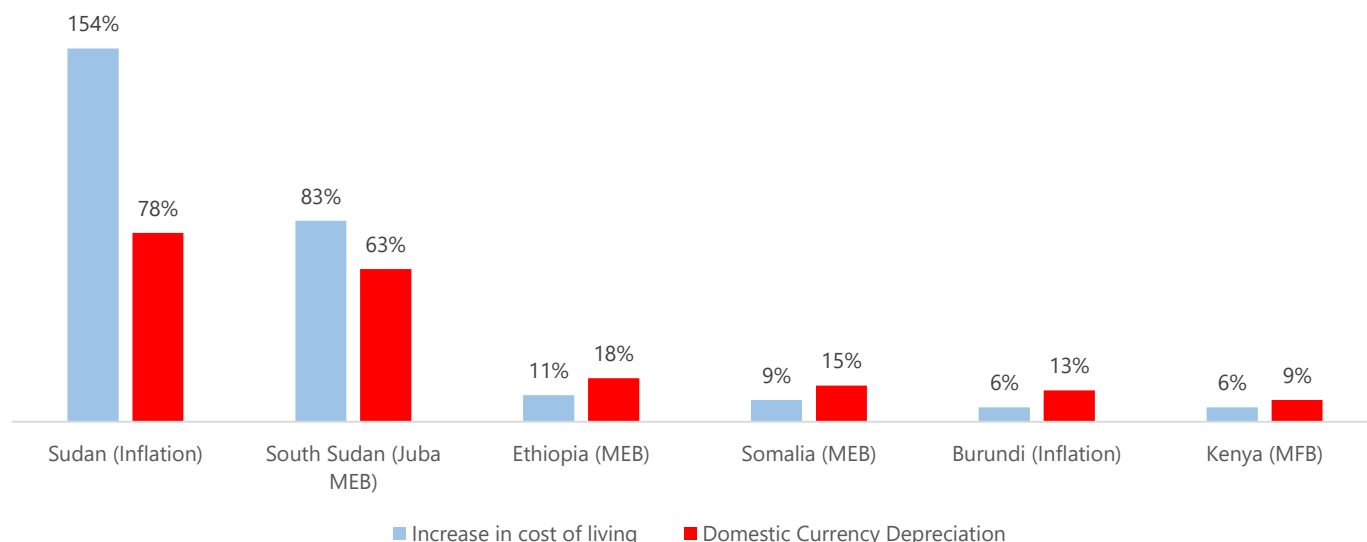


## Currency depreciation and increased cost of living



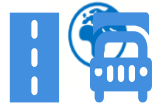
The onset of COVID-19 coincided with a time when many countries were already facing mounting economic challenges, aggravating the situation. Consequently, local currencies have plummeted against the dollar since March 2020, increasing the prices of imports. Compared to the pre COVID-19 period (February 2020), currency depreciations against the US \$ were more pronounced in **Sudan (78%)** and **South Sudan (63%)** but modestly in **Ethiopia (18%)**, **Somalia (15%)**, **Burundi (13%)** and **Kenya (9%)**. **Sudan** and **South Sudan's** reduced oil earnings stretched the foreign currency reserves, resulting in the highest loss of value of their currencies in the region and correspondingly the highest increase in the cost of living (**83%-154%**) from March through November 2020. These two countries are also the highest net importers of food in East Africa. The other countries that experienced relatively lower exchange rate depreciation also registered modest increases in the cost of expenditure baskets. This is an indication that **currency exchange rate against the US \$** and other major global currencies is **a major determinant of food prices and in particular the prices of imported food**, highlighting the country's **risks to currency volatilities**. This is particularly so given the region is a **net importer of food** and highly dependant on food from outside the region but also on exports earnings more so in the agriculture, transport, tourism and oil sectors.

**Fig. 2: Change in depreciation and cost of living (Nov. 2020 vs. Pre-COVID-19 period)**





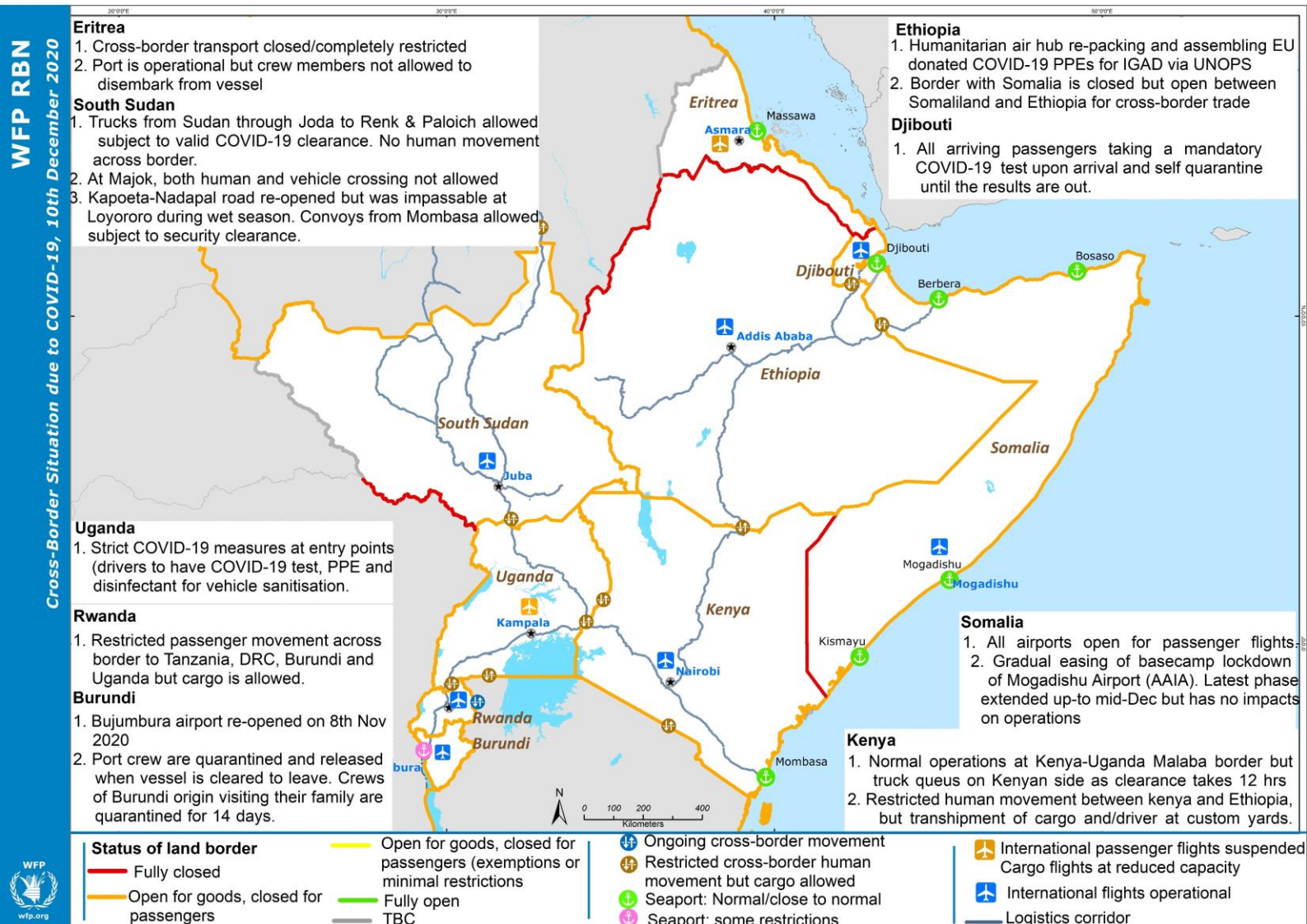
## Border and port operations



Mombasa Port (Photo: Antonio Salort Pons/WFP)

There has been progressive improvement and recovery in cross-border commodity flows following phased easing of COVID-19 movement restrictions and other measures by all the countries. Streamlined work process at the Kenya-Uganda border has resulted in reduced truck queues. However, night curfew in Kenya, partial lock down in parts of Rwanda and Uganda were still in force. Somaliland/Ethiopia/Djibouti transport corridor is functioning normally, despite recent conflict in the Tigray region. The Sudan/South Sudan border at Kosti was officially opened for the first time since its closure in 2012 and is likely to accelerate trade-flows into South Sudan in 2020Q4.

Most of the land borders are open with some exceptions. Kenya- Somalia border and the border of Tigray Region with Eritrea and Sudan remain closed. Rwanda-Uganda and Rwanda- Burundi borders are still officially closed for passengers but cross border cargo movement is allowed. Borders between Ethiopia and Somalia remain closed though the local authorities from both sides periodically allow movement of people and commodities. Borders between Somaliland and Ethiopia & Somaliland and Djibouti remain open for cross border trade. All ports are operating normally except in Djibouti port where cargo ships are operating at limited capacity and facing delays due to congestion.

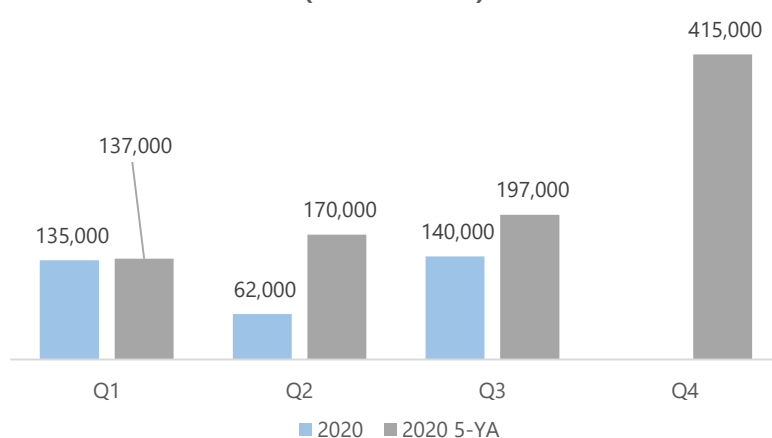


## Cross-border trade



The ongoing harvest has enhanced exportable food surplus from Ethiopia, Uganda and Tanzania, improving cross-border flows. Consequently, the volume of maize traded in the region in the third quarter (Q3) of 2020 increased by 16% from the previous quarter and it remained 41% above the recent five-year average but similar to the Q3 of 2019. The recent growth in cross-border trade volumes are likely to be replicated in Q4 (2020), which is typical in the fourth quarters. COVID-19 restriction measures at cross border points are not likely to be tightened further in the last month of the year despite the recent surge in COVID-19 cases in the region.

East Africa Region XBT Maize Volumes (in MT) Traded (2020 v.s 5-YA)



## Market access situation



According to [WFP real-time monitoring](#), about 40% of HH reported challenges accessing markets in the three countries monitored (Kenya, Somalia and Ethiopia) during the first week of December 2020. The predominant barrier to accessing markets, as perceived by the households, across the board is the lack of money to buy items (14-26%), highest in Kenya. This signifies the effect of COVID-19 on incomes, livelihoods and purchasing power. Other reasons include; long distance to markets particularly in Somalia (12%), travel restrictions in Somalia (6%) and Ethiopia (7%) in addition to insecurity in Ethiopia (7%). Physical access to markets is highest in Kenya with only 5% of HHs interviewed reporting travel restrictions and long distance to markets. During the reporting week, the percentage of HHs reporting challenges accessing markets had increased in all the three countries when compared to the last week of November. This is a pointer to the progressive COVID-19 induced deterioration of household purchasing power particularly for those highly dependant on markets in rural areas and poor living in urban areas in the region.



Barriers to HHs accessing markets (Nov. 2020)

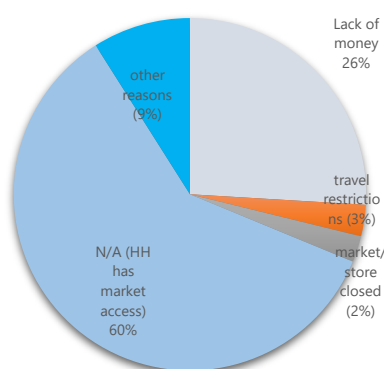


Fig. 5: Kenya

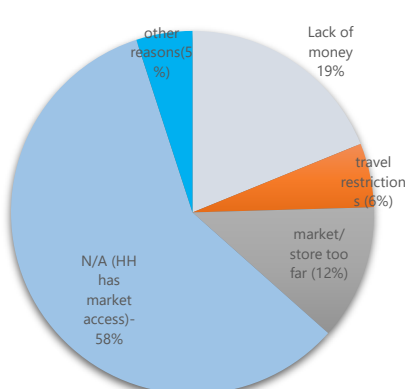


Fig. 6: Somalia

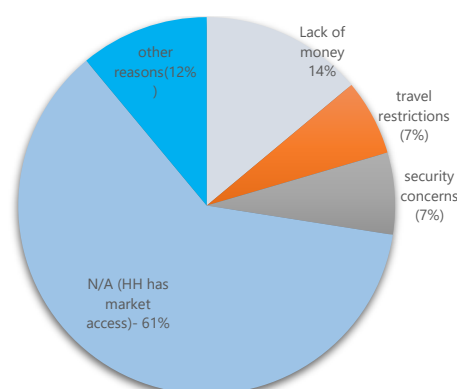


Fig. 7: Ethiopia

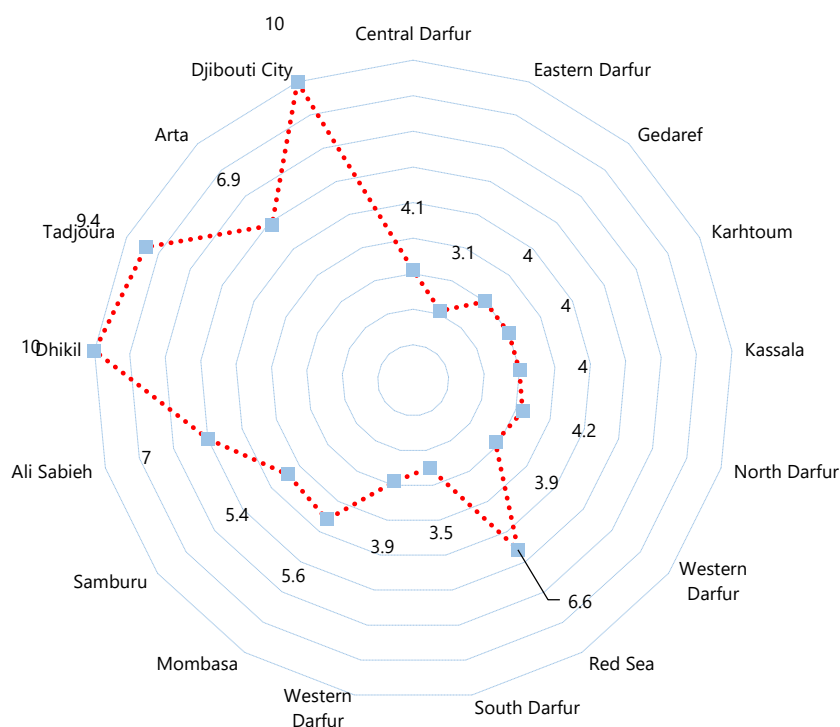
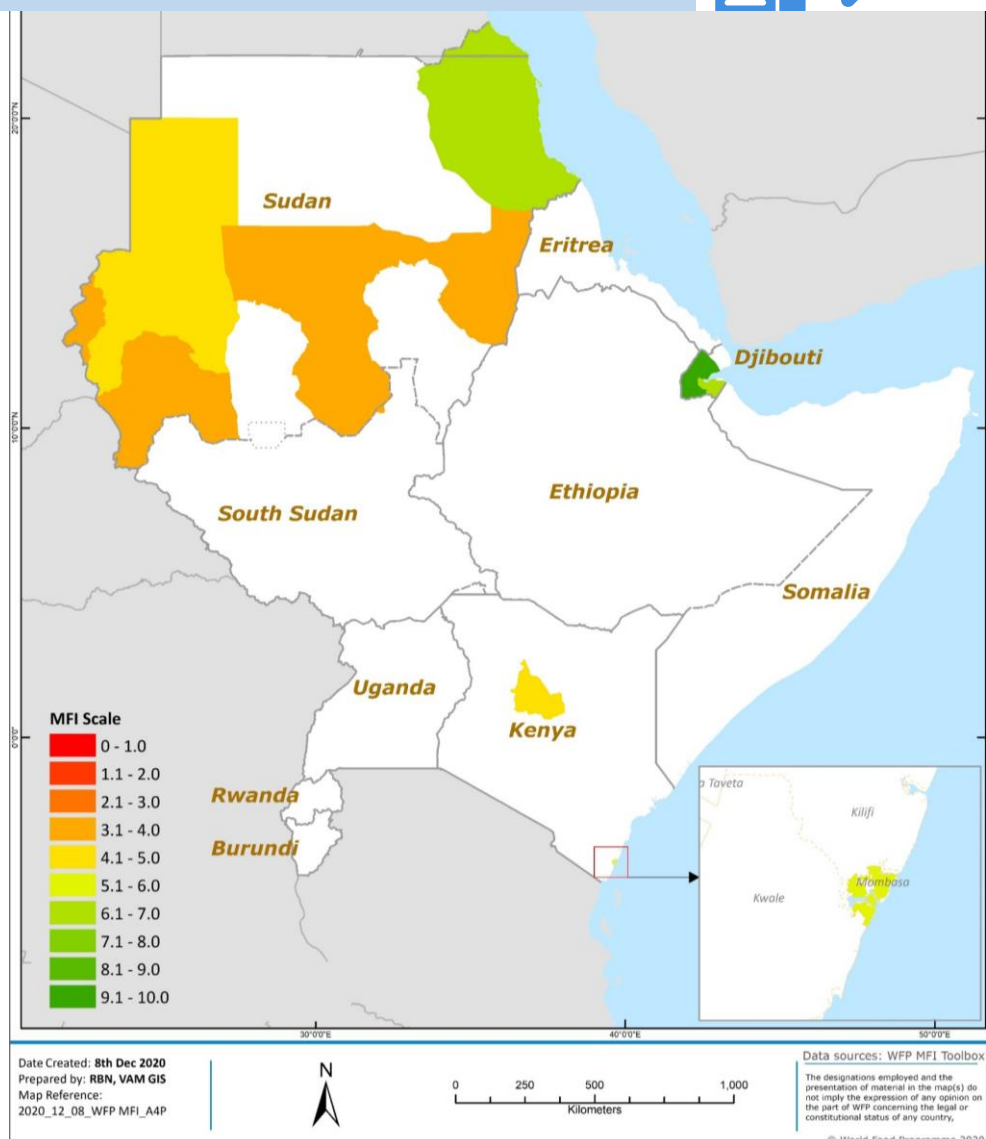


## Market functionality index (MFI)



WFP provides assistance to beneficiaries through different modalities and in line with the new Country Strategic Plans and COVID-19 social distance measures that require limited human-to human interaction, WFP strives to scale-up Cash Based Transfers (CBTs) modality. [WFP's Market Functionality Index \(MFI\)](#) is a quantitative measure designed to support the "market assessment and risk identification" and "market situation monitoring" for cash-based assistance operations. On a scale of 0 to 10, the full package analyses nine different dimensions (assortment of essential goods, availability, price, resilience of supply chains, competition, infrastructure, services, food quality, and access and protection). MFI monitoring help detect changes in market functionality over time and informs supply chain and market development strategies.

According to the MFI assessments conducted this year in **Kenya (Mombasa and Samburu), Sudan and Djibouti**, main urban markets in Djibouti have a relatively higher MFI compared to the surveyed markets in Kenya (Mombasa & Samburu) and Sudan. The later main regional markets recorded the lowest MFI reflecting low market maturity except in Port Sudan (Red Sea) which showed moderate market maturity, potentially favouring in-kind assistance and or voucher assistance in the country. Mombasa and Samburu markets in Kenya showed moderate maturity mostly requiring market and supply chain improvement interventions to enable them to be suitable for cash transfers. In Djibouti, main urban markets reflect high market maturity and thus provide conducive conditions for possible cash transfers.



## WFP Procurement Origins



Tanzania and Uganda are key regional supply origins of white maize grains procured by WFP for humanitarian assistance in the region. Alternative overseas origins for white maize include South Africa and Mexico. In 2020, WFP could procure most of its white maize requirements regionally from Uganda and Tanzania, given the relatively favourable crop production prospects. In less favourable years for the region, WFP taps into overseas markets in order to avoid over pressurizing local and regional markets.

The markets in East Africa are now preparing for the second harvest of the year. The availability of commercial maize has remained relatively favourable. However, beans and white sorghum supply have remained limited. Regional markets are also anticipating potential negative effects of La Niña, which typically causes dry weather conditions in East Africa. La Niña already started affecting the weather patterns in other parts of the world and had a noticeable impact on crops and markets. The risk of receiving lower than usual rainfall comes on top of the locust invasion, floods and Covid-19 pandemic. In East Africa, rainfall performance in the short rains season to date has been mixed, with some areas having experienced rainfall deficits while other areas received above normal rains. The effects of La Niña are expected to continue impacting the long rains in March-May 2021.

## Maize Production in Major Source Markets



**Uganda:** the market situation has favoured local white maize purchases for WFP food, as tradable volumes have well supplied the local markets. Harvesting for the second maize crop typically starts towards the end of the year. This will coincide with the main harvest for white sorghum, whose availability has remained limited as only few farmers are reported to have planted the crop this season.

**Tanzania:** maize still shows a good availability on the Tanzanian markets. Commercial actors have been releasing some stocks lately in preparation for the new harvest. Prices in Tanzania this year have been significantly influenced by institutional buying and export demand from neighbouring countries, including to Kenya and Rwanda. Minimum beans stocks are held by market players. However, abundant availability of pigeon peas has been observed recently in view of favourable main harvest and reduced demand from overseas. Sorghum crop is present on the market, although there is reported high competition from buyers.

**Rwanda:** the country has been relying mostly on Tanzania for its imports. As for beans, prices have remained high.

**Ethiopia:** The recent events in Tigray region disrupted markets and commodities logistic flows in the country. According to FEWSNET, local production was already impacted by excessive rainfall, flooding, desert locusts, politically related insecurity and inter-communal clashes. Persistent currency depreciation and high inflation are expected to further underpin higher prices in Ethiopia

**Kenya:** In early April, the Government authorized the importation of 360,000 mt of maize, (180,000 mt white maize and 180,000 mt yellow maize - with respectively a 14% and 10% import duty instead of 50%). The import window lasted until 31<sup>st</sup> July. The local crop has started reaching markets at the onset of Q3 which contributed to released trade pressure on neighboring countries.

**South Africa:** the country has produced its second largest crop in history with a 35% increase year on year (60% for white maize). Planting of the new crop takes place between October and December, and the country is entering the season with a positive outlook.

**Mexico:** the country predominantly produces white maize (about 85% of its production), mainly used for food and exports, while importing yellow maize for feed use. According the USDA, the 2020/2021 marketing year crop (Oct 2020 – Sep 2021) should be slightly higher at 28m mt based on plantings done and intended, but exports should decrease down to 600,000mt. Mexico has two maize crops: the larger spring/summer cycle typically harvested in November-January, and the smaller autumn/winter crop harvested in May-July.

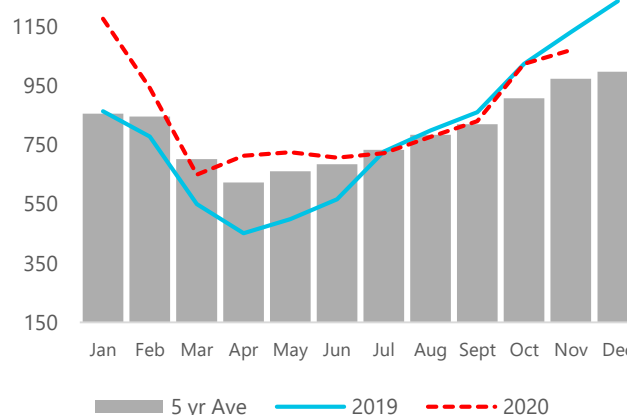


## Burundi



Maize prices in Bujumbura increased seasonally through November 2020, trending above the five-year average but slightly lower than the same month last year. Prices of beans prices increased more rapidly during the reporting month, reaching the highest level this year, significantly (46%) higher countrywide compared to November last year and record highest level in the last 5 years. The increased food prices are attributable to delayed harvests, extended lean season and disruptions on cross-border trade that reduced supply on the markets. Continued COVID-19 border trade restrictions and stoppage of traditional seasonal economic migration to DRC/ Tanzania disrupted livelihoods of border communities, reduced cross-border income-earning opportunities and consumer purchasing power.

Maize Prices in Bujumbura BIF/ kg

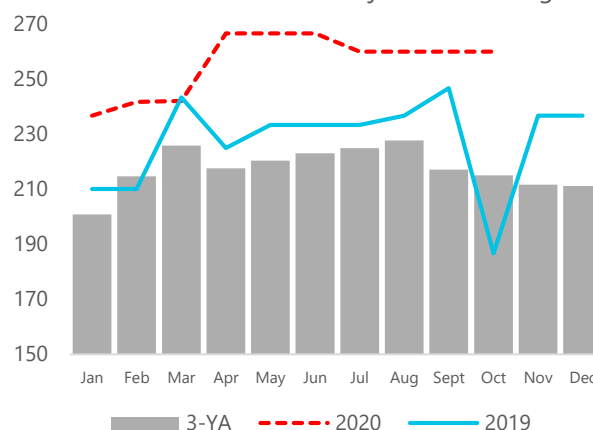


## Djibouti



Prices of basic staples (sorghum, beans and rice) remained relatively unchanged since July 2020 after having risen significantly between March and April in response to panic buying after COVID-19 control measures were initiated but also because of increased consumption demand during Ramadan festivities. Recent price trends are partly attributable to stability in the exchange rate of the local currency (Djibouti Franc) to the dollar, improved supply from harvests in Ethiopia and Government price controls. However, food prices in November remained higher than 2019 and average price levels in the key cities monitored.

Beans Djibouti francs/kg

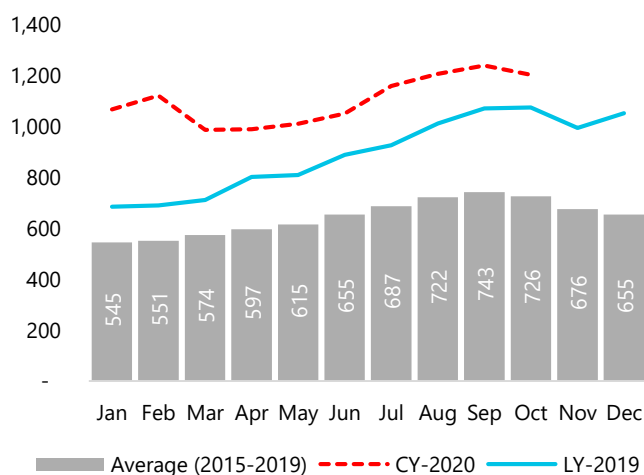


## Ethiopia



In Ethiopia prices of maize dipped slightly in line with the seasonal trends after showing typical increases in previous months. The decrease in maize prices is due to improved market supply from the new Meher harvests. Teff and chicken pea prices stabilized while wheat decreased seasonally. The conflict in Tigray region led to blockage of roads, disrupted food supply and markets leading to scarcity of commodities and soaring food prices in the region. Prices in the locust affected areas (Bati and Kobo markets) and Somali region trended upwards. Overall, 2020 prices in the country have been significantly above the 2019 and the five-year average levels. The high food prices was driven by local currency (Birr) depreciation against the US \$, affecting prices of imports directly but also locally produced foods through consumption substitution.

Figure 3: Average nominal wholesale Price trends of Maize



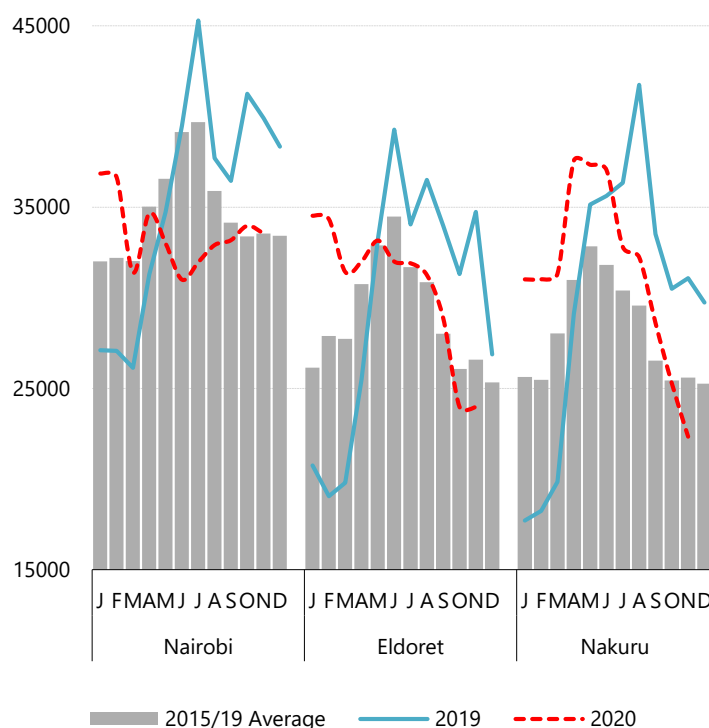
## Kenya



Maize prices reduced or remained stable since June through August in most markets following harvests in unimodal areas but also increased imports from Uganda and Tanzania after the Government issued permits for private companies to import about 4 million bags of maize. Traders in the breadbasket Rift-Valley have reportedly [released stocks](#) ahead of the upcoming harvests in unimodal areas that is expected to be above-average. Current maize prices remain below the five-year average and also below or at par with the same period in 2019 in most urban markets.

Prices of beans in Kenya are however significantly higher than average levels in most markets country-wide, linked to below normal long rains production. The weakening of the Kenya Shilling is likely to reflect in increased cost of food imports, only mitigated by seasonal harvests and lower costs of fuel. The Kenyan Shilling continued to record historic lows against the US Dollar since the onset of COVID-19 pandemic in the country in March in response to reduced foreign exchange earnings from agricultural exports, remittances and tourism sectors.

Fig. 2 Maize prices in selected markets (KES/Ton)



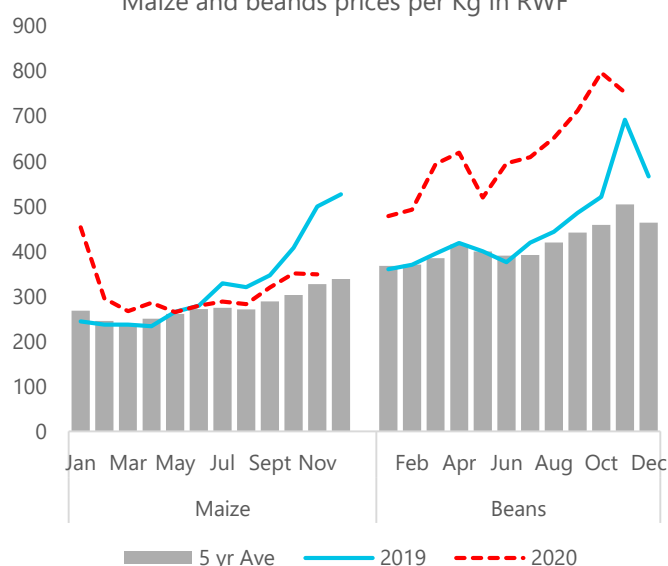
## Rwanda



Prices of beans, the most predominant source of protein for most households, increased by 9 percent by November 2020 compared to the same time last year. There was hope that availability shall further improve with the new crop in June, but prices have remained high.

Maize prices on the contrary declined by 30% when compared to November 2019. The decrease is attributable to increased supplies from 2020 season A harvests, imports from Tanzania and also reduced demand from institutional buyers following nationwide curfew and closure of schools linked COVID-19 pandemic. According to the [NISR](#), the purchasing power of households in urban and cross-border trading areas have been severely affected by the temporary measures put in place to prevent the spread of COVID19. .

Maize and beans prices per Kg in RWF





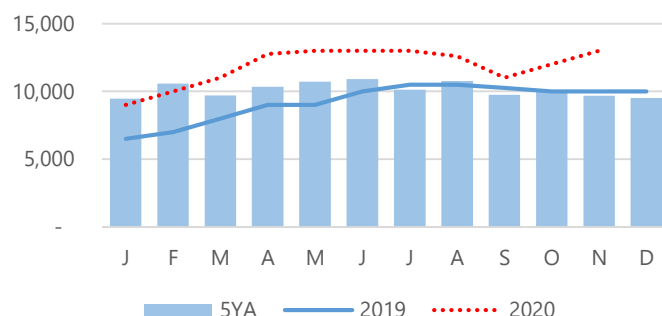


## Somalia



Heavy Deyr rains and consequent flash floods disrupted food transport and supplies in South-Central Somalia particularly the main Mogadishu/Jowhar/ Baidoa/ Afgoye transport corridors leading scarcity and increased food prices in most of the markets in the area. Food prices remained stable or declining in Puntland but local cereal prices increased in Somaliland due to scarcity. Current prices are higher than the same time last year and the five year average

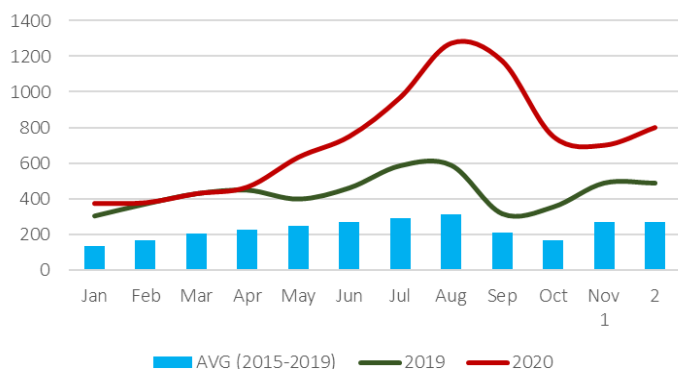
White Maize Prices in Beletweyne, Hiran Region



## South Sudan



Trends of white sorghum (feterita) in Aweil, SSP/3.5KG



Depreciation of the SSP; floods in Jonglei/Bor increased transport costs; disrupted food transport and markets, and led to increased sorghum prices in Kapoeta, Aniet, Aweil, Kuajok, Bor, Mingkaman markets. There was also increased cost of fuel (17-67%) in Northern Frontier Markets (Kuajok, Bunj, Malakal and Aweil. In the Juba and much of the markets in the Greater Equatoria, improved availability of staples from the ongoing main seasonal harvests augmented by increasing supplies from Uganda and distribution of humanitarian food assistance to flood/ crisis affected beneficiaries contributed to stable prices of maize, sorghum and beans month-on-month. However, staple food prices remained extremely high when compared to same period last year and the five-year average.

## Sudan

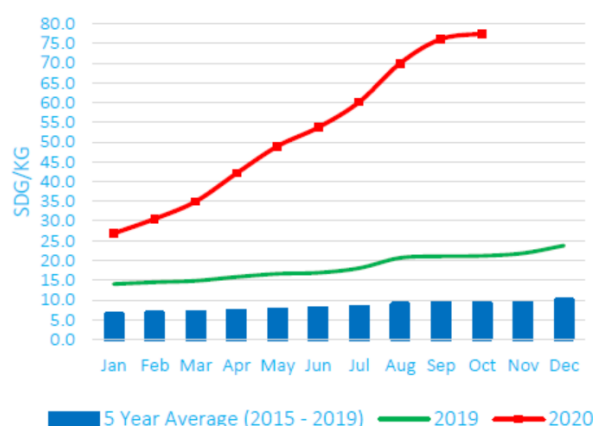


The prices of sorghum and millet continued rising trends although at a slower rate due to the onset of seasonal harvests. The current prices have reached historic record highs, driven by limited supply from local production, weak currency, disruptions in market supplies caused by the COVID-19 measures, shortage of fuel and high input prices

Staple food prices remain much higher than the 5-year average sustained by deteriorated macroeconomic situation.

The high staple food prices are causing a decline in the purchasing power of poor market dependant households.

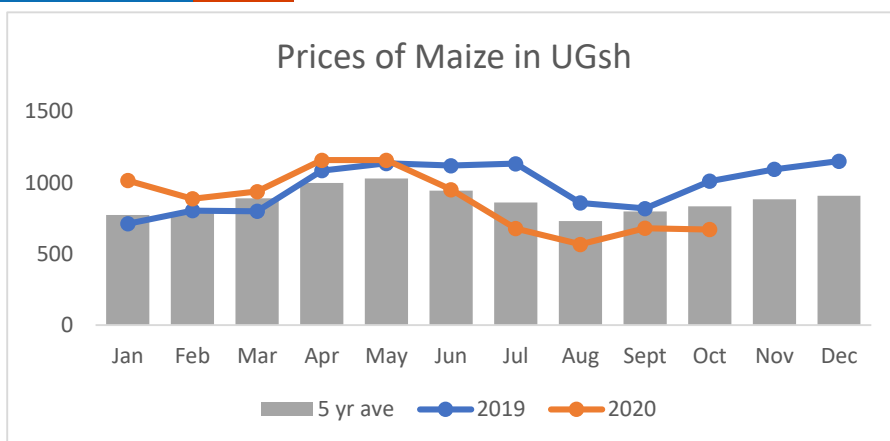
Sorghum Prices - National Average



## Uganda



The price of maize has been on a declining trend since June 2020 but has slightly increased from August before stabilizing in October. As of October the prices were still lower than 2019 by 34 percent- the lower prices of cereals is due to first season harvest flows into the markets, decline in the domestic demand and lower export demand from Kenya.



## Outlook through March 2021



- ❖ Seasonal easing in prices between now and March 2021 expected across most markets supported by regional trade and ongoing harvests. However, the decrease in prices will likely be narrow and short-lived because of tight maize supplies in Somalia, and or hyper-inflation in South Sudan and Ethiopia
- ❖ Currency depreciation and high inflation are expected to further underpin higher than normal prices in Sudan, Ethiopia, South Sudan and Burundi.
- ❖ High and increased prices are expected in Jonglei State, Southern Somalia and Tigray Region of Ethiopia. The price increase in Tigray may be short-lived and likely mitigated once the supply from the surplus producing areas improve.





**Burundi:** MFI and Supply chain assessment in refugee camps and in provinces benefiting from school meals programme

**Ethiopia:** Cash Feasibility/ MFI Assessment in Gambella

**South Sudan:** cargo truck monitoring at Nimule, Abyei/Amiet, Elegu and Renk borders in conjunction with International Organization of Migrations (IOM).

**Uganda:** Refugee settlement price and market functionality monitoring



WFP/Selina Chan

This is a joint publication of the Vulnerability Analysis and Mapping (VAM) and the Supply Chain unit of the World Food Programme (WFP) Regional Bureau for Eastern Africa in Nairobi (RBN).

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