



East Africa

Market and Trade Update

Joint Supply Chain & VAM | Food Security Analysis

WFP Regional Bureau for Eastern Africa | May 2021

Highlights



International prices of maize, wheat and rice generally decreased in March 2021, though they remained well above their values during the same month a year ago. The decrease was caused by the start of the harvest in key surplus producing countries.



In the region, steep increase in staple food prices was observed in Sudan and South Sudan in the first quarter of 2021, while there was a modest increase in Burundi, Somalia and Ethiopia. The price remained generally stable in Djibouti, while it decreased in Uganda, Kenya and Rwanda.



Despite persistent effects of COVID-19 control measures on commodity flows, seasonal cross-border trade volumes of major food items improved in 2021 Q1 following increased supply from the December-January harvests. Supply of white maize from Uganda and Tanzania dominated regional cross-border trade during the reporting period.



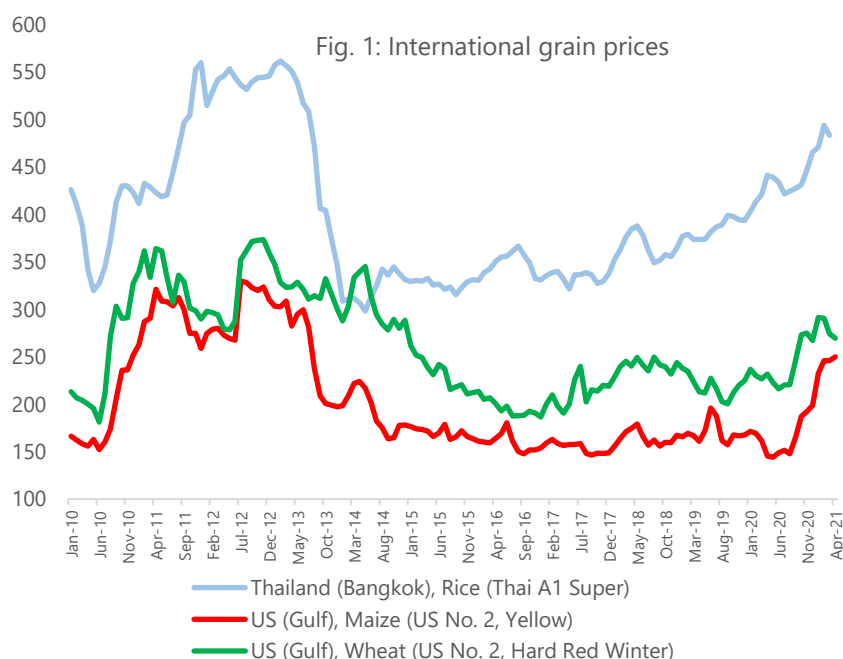
World Food
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Global cereal prices



According to the [International Grain Council \(IGC\)](#) international wheat prices declined in March 2021 (by 6%) after having increased in January (9%). However, they remained 21 percent higher than in the same month last year. The month-on-month decline in wheat prices extended into April, falling by 2.4 percent, mostly due to [a slowdown in export demand](#) and generally good supplies and favourable 2021/22 production prospects in key production regions. [FAO](#) projects global wheat production to reach a new high of 785 million tonnes in 2021, up 1.4 percent from 2020. As a result, lower wheat prices are forecasted for most of 2021.

International maize prices stabilized in March and April after having increased by 17% in January and 6% in February, amid the tightening supplies and strong export demand from China.



According to [FAO](#), recent easing of maize prices after three months of steady gains, was attributed to arrival of freshly harvested crops into the markets. The [FAO Cereal Supply and Demand Brief](#), projected above-average maize production in 2021, with a record harvest anticipated in Brazil and a multi-year high in South Africa.

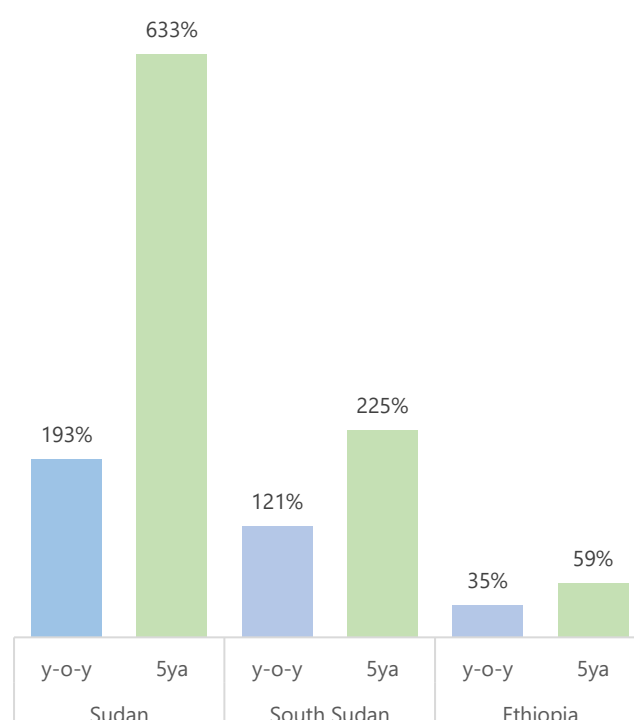
Thailand rice prices decreased slightly by 2% in March after an increase by 5% in February 2021. The reduced prices of Thailand rice was caused by [slow demand and off-season crop harvesting](#).

Currency depreciation and high inflation



Sustained and substantial increase in prices and headline inflation have been observed in Sudan, South Sudan and Ethiopia. Key drivers are currency devaluation and low domestic production. COVID-19 crisis led to economic slowdown, reduced foreign exchange earnings and weakened the balance of payments situation which triggered a sharp drop in the value of local currencies in the three countries since March 2020. This coupled with already high pre-COVID-19 inflation rates, increased the cost of living. In March 2021, currency depreciation against the US \$ were more pronounced in **Sudan (193%)**, **South Sudan (121%)** and in **Ethiopia (15%)** compared to a year ago. Loss in the value was most notable when compared to the recent five-year average (5ya) in Sudan where the Pound was down more than 600% to the dollar while the South Sudan Pound declined by more than 200% and the Ethiopian Birr depreciated by 59%. The high food prices in these countries signifies the role of inflation through exchange rate depreciation and substitution driven demand for relatively fairly priced substitutes. In the rest of the Eastern Africa, even though there were significant downward swings in foreign exchange markets initially, their currencies have recently been recovering albeit at slower rates.

Fig. Exchange rate depreciation

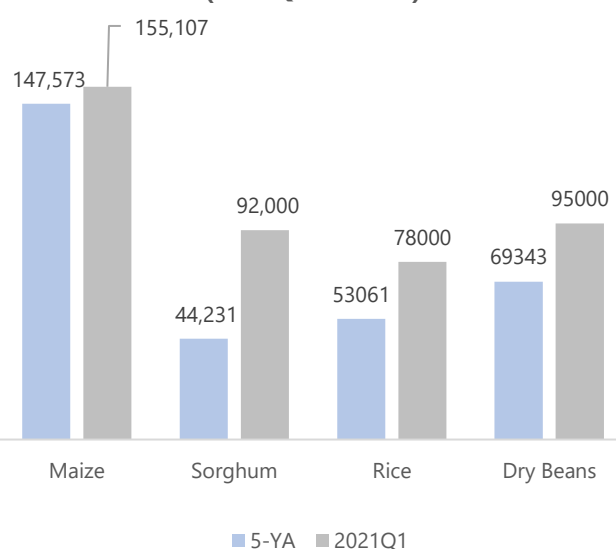


Cross-border trade



Despite persistent effects of COVID-19 control measures on commodity flows, seasonal cross-border trade volumes improved in the first quarter (Q1) of 2021 for the four main food items monitored, mainly because of increased supply from the December-January harvests. White maize dominated regional cross-border trade during the reporting period, accounting for 37% of all volumes, followed by dry beans (23%), sorghum (22%) and rice (19%). In terms of country of origin, Uganda and Tanzania accounted for 89 and 10 percent of the maize exports while Kenya and South Sudan imported around 69 and 28 percent of the total maize, respectively. At the same time, Uganda and Sudan represented 86 and six percent of the total sorghum exports while South Sudan and Kenya accounted for 75 and 13 percent of the imports, respectively. Rice exports were dominated by Tanzania (38%), Uganda (21%), and Somalia (21%) mainly to South Sudan, Kenya, Ethiopia, and Uganda respectively. Dry beans exports originated mainly from Uganda and Ethiopia.

East Africa Region XBT Volumes, in MT
(2021Q1 v.s 5-YA)



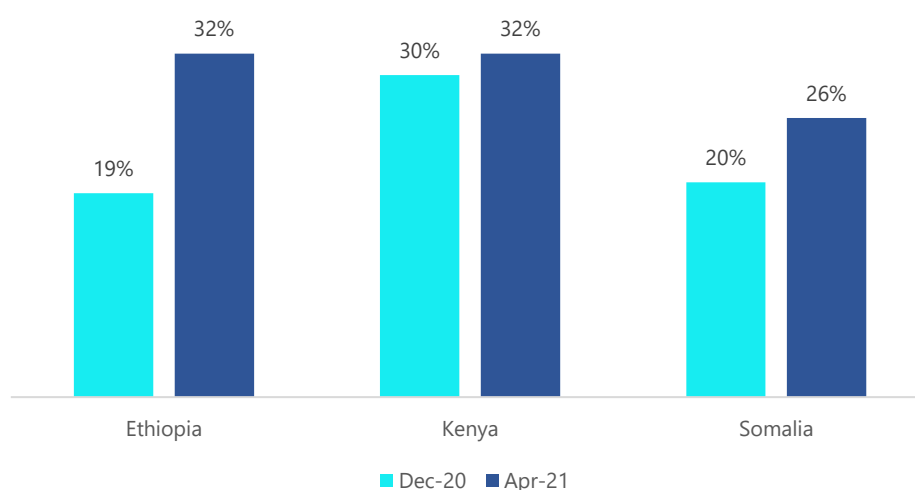
Market access situation



According to [WFP real-time monitoring](#) in Kenya, Somalia and Ethiopia, about half (50%) of households reported challenges accessing markets during the third week of April 2021 mainly because of lack of purchasing power resulting from economic challenges facing households. About a third of the interviewed households (26%-32%) cited lack of money as the main barrier to accessing markets. Insecurity was cited by 4% of households interviewed during the reporting period. The proportion of households who reported that they were not able to access markets because they lack money increased by 2% in Kenya, 6% in Somalia and 13% in Ethiopia when compared to Dec 2020 (Figure). The findings reflect the continued negative effect of COVID-19 on household incomes, livelihoods and purchasing power, mostly affecting residents in urban areas that highly dependent on daily market economy.



Lack of Money as a challenge to accessing markets as perceived by households



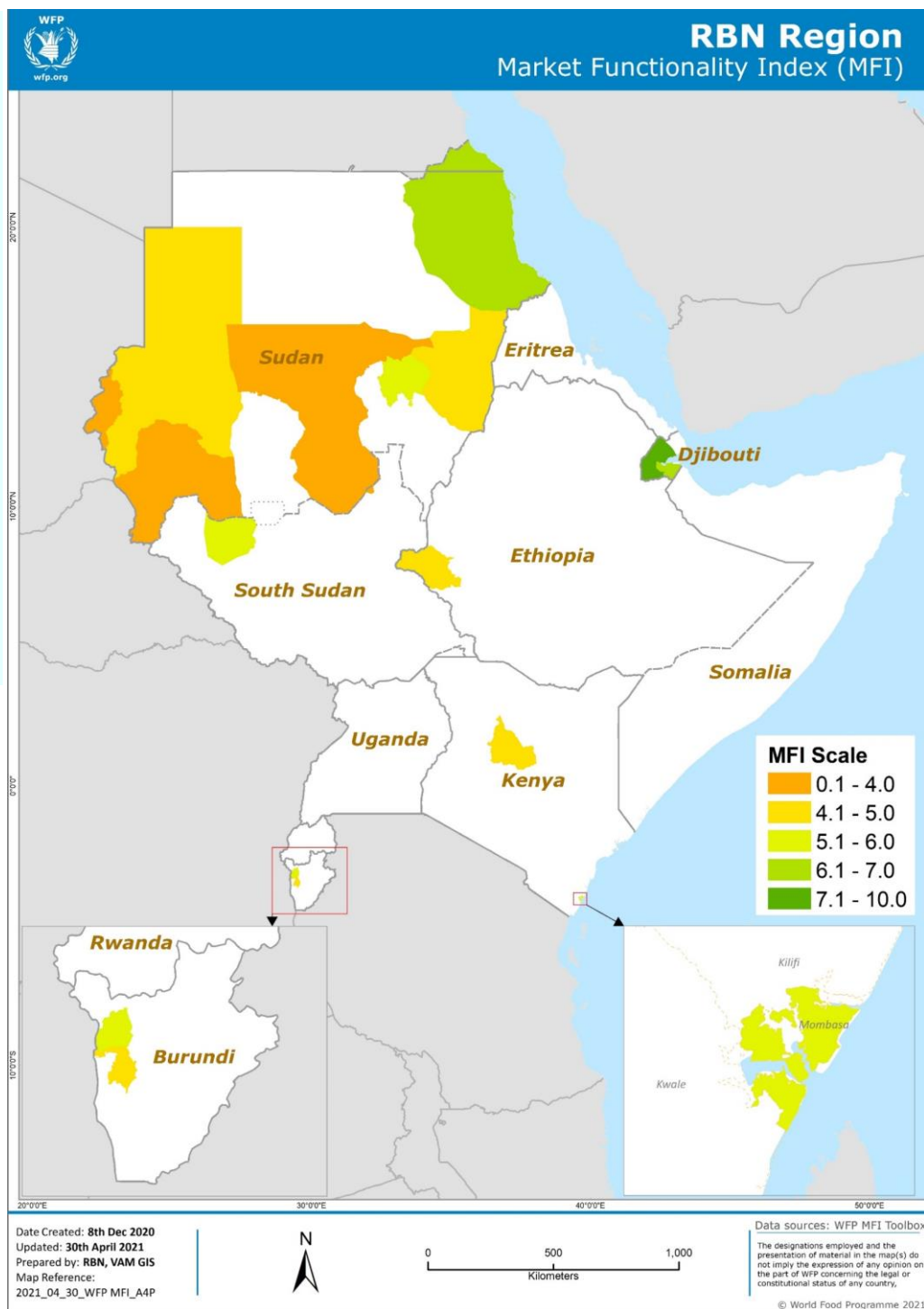
Market functionality index (MFI)



WFP provides assistance to beneficiaries through different modalities and in line with the new Country Strategic Plans and COVID-19 social distancing 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 helps detect changes in market functionality over time and informs supply chain and market development strategies.

[MFI assessments](#) have been conducted recently in **South Sudan, Ethiopia, Kenya (Mombasa and Samburu), Burundi, Sudan and Djibouti**. The findings showed that main urban markets in Djibouti have relatively higher MFI compared to the other surveyed markets. The higher value of MFI is a pointer to high market maturity and conducive conditions for possible cash interventions in Djibouti. The main regional markets assessed in the other countries- Bujumbura Rural (Burundi), Aweil Center in South Sudan, Sudan, Ethiopia (Gambela) and Kenya (Mombasa and Samburu Counties) recorded low or mid maturity MFI scores, potentially favouring in-kind assistance or delivery of vouchers coupled with market and supply chain development activities to support the development of those markets for better suitability to cash transfers.



WFP procurement origins and cereal production in major source markets



In line with the commercial cross-border trade patterns, Tanzania and Uganda remain the key regional supply origins for the bulk of white maize grains procured by WFP for humanitarian assistance in the region. In 2021, WFP could potentially procure most of its white maize requirements regionally from Uganda and Tanzania, given the favourable supplies from December 2020-January 2021 seasonal harvests, and also the prospects of increased cross-border trade flows because of relaxed COVID-19 restriction measures at cross border points.

The markets in the region are also preparing for the first harvest of the March-May season in bimodal areas from June and the July-September harvests in unimodal areas, which are projected to be average to above average in Burundi, Uganda, Rwanda, and bimodal rainfall areas of South Sudan. At the same time, regional markets are anticipating potential negative effects of La Niña, which typically result in below-average rainfall and poor harvests are likely in some areas. Areas to watch are the north-eastern Ethiopia, Somalia and ASAL counties in Kenya. WFP regional procurement of dry beans is likely to be hindered by high regional and domestic demand amidst reduced carryover stocks into June 2021 season which is likely to keep prices significantly above average and less competitive.

Uganda: The market situation has favored local white maize purchases for WFP, as tradable volumes and carry-over stocks have well supplied the local markets. Harvesting for the first maize crop typically starts towards mid-year.

Tanzania: Availability of maize is still good in the Tanzanian markets. Commercial actors have been releasing some stocks lately in preparation for the new harvest. 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. According to [WFP Southern Africa Region Market Watch](#), the national average maize price is trending below the five-year average and previous year levels by roughly 20% and 40% respectively while monitored market prices across the country are normal, thus favouring WFP maize grain procurement from the country.

Rwanda: The country has been relying mostly on Tanzania for its imports. Prices of beans have remained high while carry-over stocks are low in local markets, a disincentive for WFP local procurement from the country.

Ethiopia: The recent events in Tigray region disrupted markets and commodities' logistic flows in the region. 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 cause higher prices and thus limiting local procurement of WFP humanitarian food.

Sudan: Sorghum export from Sudan has been banned since April 2020. However, WFP Sudan has obtained waiver for export of 100,000 MT to South Sudan during the year 2021.

In less favourable years for the region, WFP taps into overseas markets to avoid over pressurizing local and regional markets. Alternative overseas origins for white maize include South Africa, Zambia and Mexico.

Zambia: is reported to have surplus maize harvests, while another good harvest is expected this year. Even though maize prices are expected to drop seasonally from May, the country's national average maize price continues to trend above the 5-year average levels. Should the maize export ban be extended into June 2021, WFP maize procurement from the country will be limited.

South Africa: according to [WFP Southern Africa Region Market Watch](#), maize prices remained above the recent five-year average in 2021Q1 due to strong demand from both regional and international markets worsened by weaker local currency (the Rand). Despite another good harvest anticipated this year, maize prices may not dip significantly in coming months making WFP procurement from South Africa less competitive.

Mexico: A recent drought and limited irrigation is expected to impact Mexico's corn production, according to [USDA's](#) Global Agricultural Information Network report. This represents a slight reduction from the previous forecast. Mexico has two maize crops: the larger spring/summer cycle typically harvested in October-January, and the smaller autumn/winter crop harvested in May-July. According to [FAQ](#), prices of white maize in February 2021 was about 25 percent higher year-on-year as the weak national currency increased production costs. However, markets are reportedly well supplied with the 2020 maize, harvested in the main October 2020-January 2021 period.

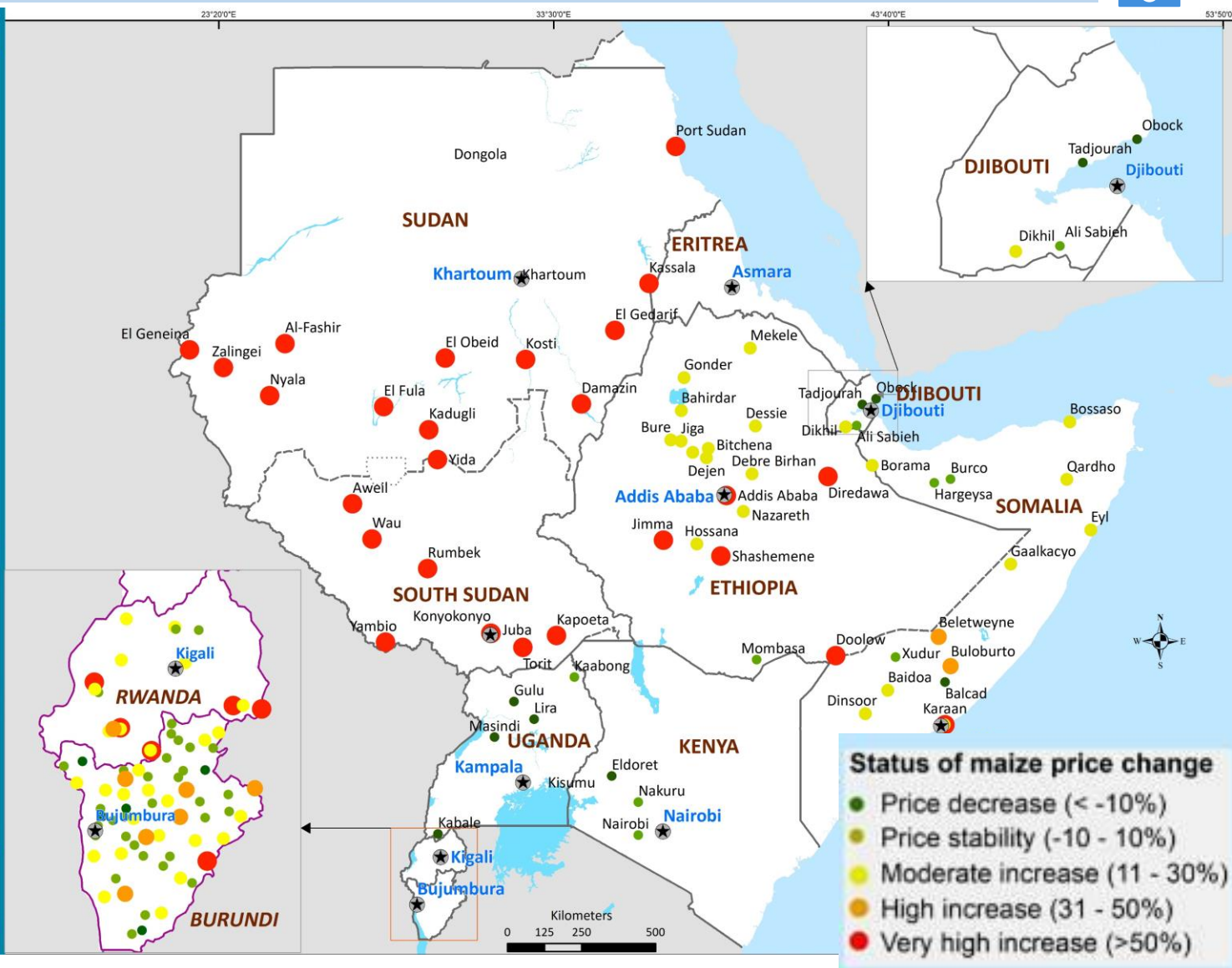
Regional overview of staple food prices



WFP RBN Region

Cereal Price Change: March 2021 Compared to 5-Years Average

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In general terms, prices of maize and sorghum followed typical seasonal patterns across most markets in the first quarter of 2021 in the region. In Uganda, Tanzania, Kenya and Rwanda, staple cereal prices trended below their 2020 and five-year average levels, reflecting adequate domestic and trade stocks but also reduced demand due to COVID-19 related economic stagnations/ contractions.

By contrast, prices were exceptionally high in South Sudan and Sudan, somewhat elevated in Somalia and Ethiopia reinforced by insufficient supplies and but also severe macro-economic difficulties in Ethiopia, Sudan and South Sudan, including weak local currencies and high food inflation. Pockets of significant price increases were also recorded in the conflict affected Tigray Region of Ethiopia where prices of maize doubled between November 2020 and January 2021 but has since resumed downward correction following opening up of the region to commercial transport, trade and humanitarian access.

Compared to the recent five-year average, the price of maize, the most consumed cereal in the region was very high particularly in Sudan (more than 500%), South Sudan (more than tripled) and Ethiopia (doubled). (Map1).

Beans prices decreased in Rwanda, Tanzania and Kenya but increased seasonably in Uganda and Burundi, the latter trend attributable to tightening domestic stocks due to poor seasonal harvests in 2020.

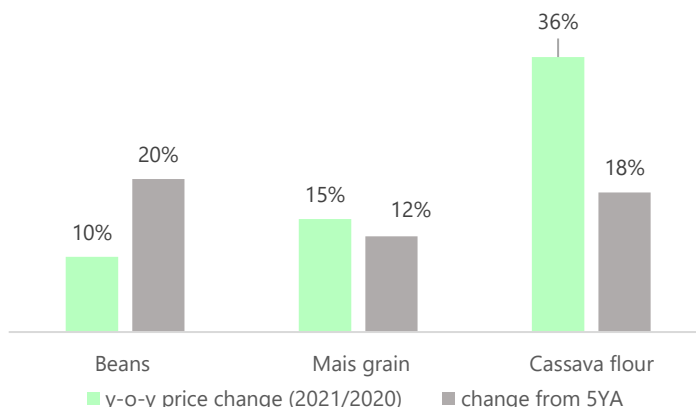


Burundi



Staple food prices increased in Burundi, rising between 10-36 year-on-year and 12-20% above the recent five-year average. The increase in food prices is in line with the start of the short lean season that has seen market demand rise while trade stocks have reduced particularly for rice and beans. At the same time, the maize availability has improved remarkably since the beginning of seasonal harvests in February but government price controls and the ban on maize imports from Tanzania has kept maize prices higher than the previous year and also the five-year average.

National average staple food prices

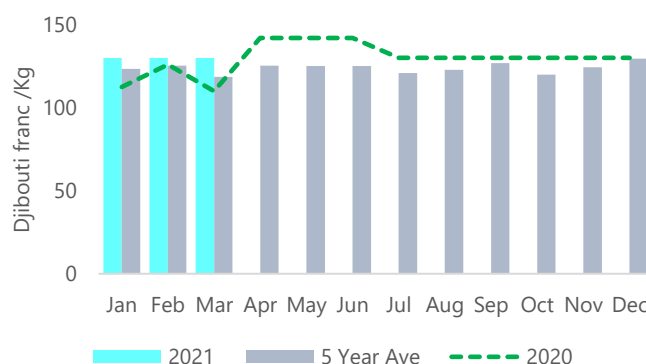


Djibouti



Prices of basic staples (beans, rice and sorghum) remained generally unchanged in the first quarter of 2021. The prices were at around the same level as the previous year and the five year average, mainly on account of stable/controlled exchange rate and Government food and fuel price controls. The country relies heavily on imported food and the Government's tight hold on the local currency exchange rates is reflected in stable food prices. Djibouti Port is also a regional hub for food imports, this trade partly contributing to stable price of food.

Average prices of Sorghum (Red)

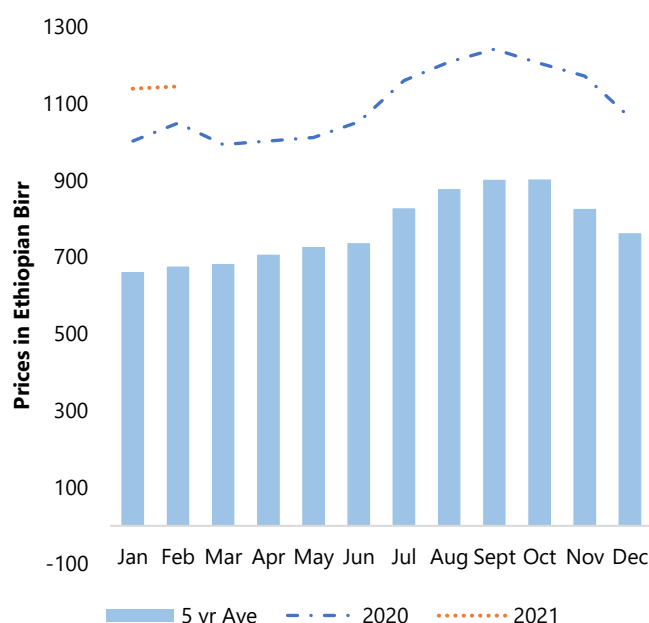


Ethiopia



Average national price of maize in March 2021 was significantly higher than the 5-year average (by 70-72%) and moderately (9-14%) above the 2020 levels. Wheat prices increased steadily in 2021Q1 with the highest price recorded in March, which was about 156 percent higher than that at the same month the previous year. Ethiopia's economy continues to grapple with expansionary inflation, currency depreciation, high fuel price and low domestic food supplies that have outpaced the growing demand, all contributing to increase in food prices. After Government reduced fuel subsidies from 100 percent to 75 percent, the price of gasoline and diesel increased by 18 percent and 21 percent, respectively, in 2021Q1, consequently leading to increase in transport costs. According to the monthly Consumers' Price Index (CPI) data released by the Central Statistical Agency (CSA), households should now spend 19 percent more than the previous year in order to be able afford the same basket of goods and services, largely driven by increased food price index that constitutes a larger share of the CPI.

Average Wholesale prices of Maize in Ethiopian Birr



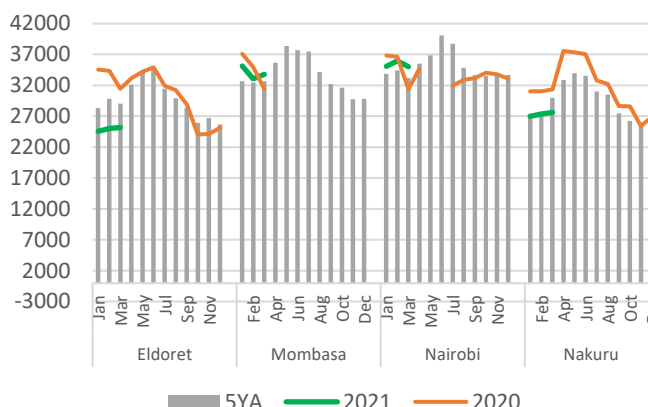


Kenya



Maize and sorghum prices trended below their 2020 and five-year average levels, reflecting adequate domestic and trade stocks from the recent harvests but also reduced demand from COVID-19 induced economic contractions. Harvesting of the long-rains cereal crops in major unimodal rainfall growing areas of Central, Rift Valley and Western provinces supplied the markets from January 2021 resulting in lower cereal prices. Recently, monthly prices have started rising seasonally with the start of the lean season and because of traders' speculation following delayed planting in many areas.

Maize Price Trends

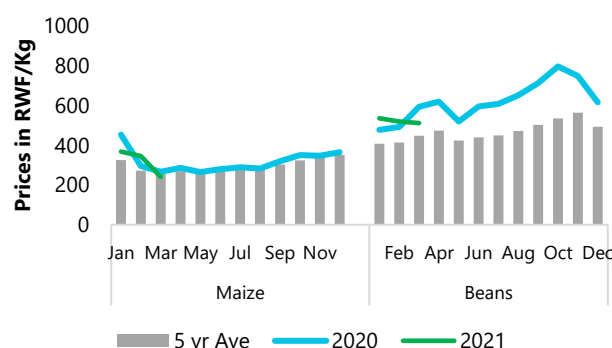


Rwanda



Like in Kenya, staple food prices declined in Rwanda seasonally in 2021Q1, trending slightly lower or at par with the 2020 and 5YA levels. This is in line with the increased domestic availability of first season A harvests in January through March 2021 and reduced domestic demand because of COVID-19 related decline in purchasing power.

Maize and Beans per Kg in RWF



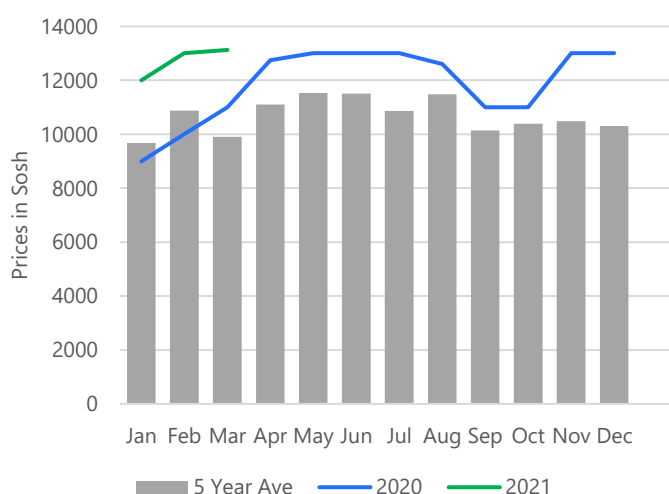
Somalia



Staple food prices were somewhat elevated in March in Somalia, caused by insufficient supplies from poor Deyr harvests, increased consumption demand during Ramadhan, disruption of transport services and markets caused by ongoing GU seasonal rains in Southern parts of the country, and political tension linked to election stand-off in Mogadishu. This has led to increased transport cost and consequent increase in food prices.

There was delayed and poor onset of GU rains in many places. However, most parts were still facing critical water shortages, with many districts in Central and northern areas facing moderate to severe drought conditions while water prices have increased by more than 50 percent in parts of Bari and Nugaal.

Maize (White) prices in Beletweyne Hiran Region



The situation is worrisome as forecasts indicate a second successive season of below-average rainfall during the main April to June Gu season. This adds an additional layer of income vulnerabilities for livestock keepers that have to spend more to obtain water for their animals at a time when households are struggling with COVID-19 caused decline in purchasing power. Women and children are also required to walk longer distances to fetch water, heightening protection risks. Livestock have also migrated in search of water, limiting supply of milk and increased milk prices.

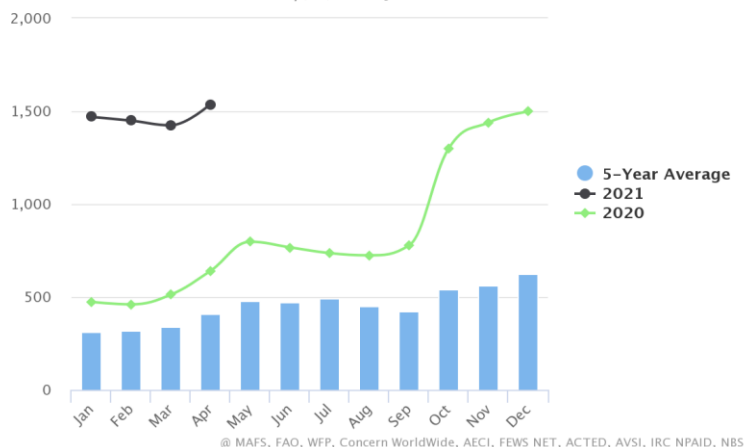


South Sudan



White maize grain – Malwa (3.5Kg): Central Equatoria

County(ies) Used: Juba



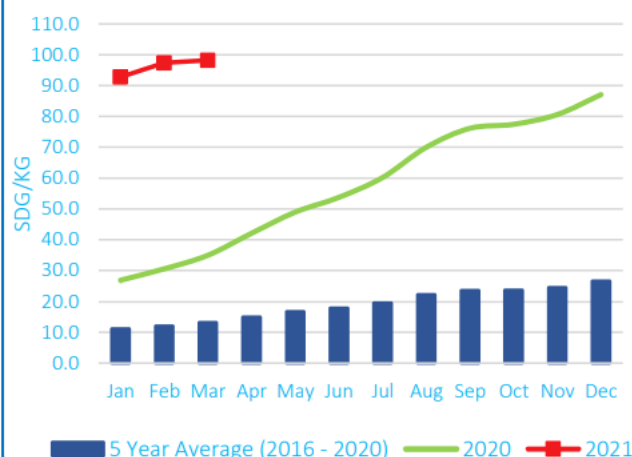
Food prices remained exceptionally high throughout the country due to continuous weakening of the SSP and increased seasonal cost of transporting cargo into the hinterland given poor state of roads from Juba. For instance, average national sorghum prices in 2021Q1 were well over the prices recorded in 2020 and the five-year average. Retail prices of white sorghum were higher by 65% in Juba, 50% in Mingkaman, and 161% in Wau in March 2021 compared to March 2020. Maize grain in Juba and white sorghum in Rubkona, Kuajok and Mingkaman showed significant price increases. Temporary disruptions of supply from Amiet could be the main reason for an increase in Rubkona (25%) and Kuajok (8%) markets. Beans prices were high in 2021Q1 with a 36 percent increase in March compared to same time last year.

Sudan



Currency depreciation, high transport and production costs, transportation bottlenecks occasioned by COVID-19-related restrictive measures and high inflation continued to cause very high sorghum and millet prices in 2021Q1 in Sudan, much above 2020 and the recent five-year average. The average retail price of sorghum reached 98.21 Sudanese pound per Kg in March 2021, continuing the month-on-month price increases recorded in the recent years. The relatively modest increase in March is due to increase in the supply of sorghum with the onset of the new production season and stabilization in the exchange rate. However, average retail price of sorghum in March 2021 was still 181% higher than the same month in 2020, while it remained 640 percent higher than the recent five-year average.

Sorghum Prices - National Average



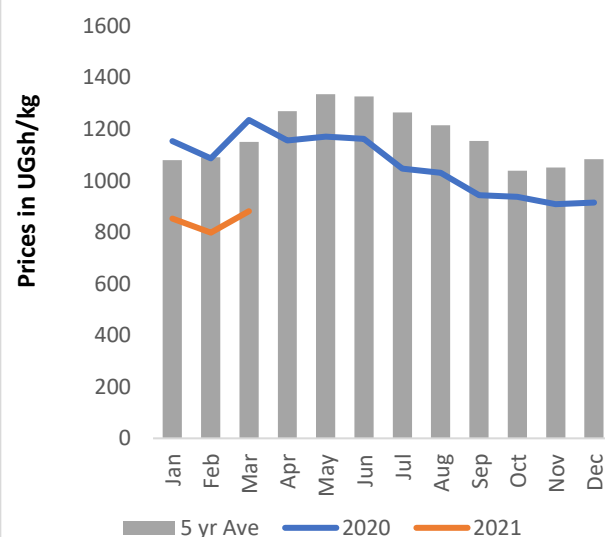
Uganda



Maize prices in the first quarter of 2021 have been lower than the prices recorded last year. They were also lower than the five-year averages.

Uganda had better crop production in the second season of 2020 compared to 2019. This increased availability of maize grain in the market and consequently led to a reduced price. In March 2020, prices of maize grain had registered a sharp increase due to anticipated shortage that would be caused by COVID-19 restriction measures.

Prices of Maize in UGSh





Staple food prices are expected to increase seasonally during April -June 2021 and remain near or above the recent five-year averages in most markets. The exception will be in Uganda, Tanzania and parts of Kenya where price stability or slight price increases are expected ahead of harvest in unimodal agricultural areas from May/June. On the other hand, high food prices (significantly above the recent 5-YA) is still expected to persist in Sudan, South Sudan and Ethiopia. The Underlying projection assumptions include the following:

- March-June period coincides with the peak lean season in most livelihoods when households deplete their food stocks and resort to market purchases causing increased demand for food. Supply of grain and beans markets in the second quarter of 2021 is likely to be seasonally limited ahead of the harvest.
- The main cropping season in central and southern part of the region normally starts with the onset of the March to May rains. However, majority of the cropping regions experienced delayed rains. The prospects of delayed harvests would exert additional pressure on prices
- In the worsening macro-economic conditions in South Sudan, Sudan and Ethiopia, weakening balance of payment situation, local currency depreciation, shortage of dollars and high inflation rates will mostly likely cause continued inflation and keep food prices high and above the five-year average. In South Sudan, during the last week of April, the government auctioned \$3 million in a bid to revive declining economy, resulting in the local currency gaining value in the parallel market. It is not yet clear the extent of this intervention on food prices as no major impact has been observed so far.
- Ongoing conflict and resulting displacements in Tigray, parts of Equatoria South Sudan, Darfur Sudan, and Southern Somalia are still expected to disrupt market functioning and farming activities, limit commercial and humanitarian food supply, leading to increased food prices
- Expected seasonal floods in South Sudan, Burundi, Karamoja region of Uganda, Sudan and Southern Somalia are also likely to disrupt markets
- Poor road conditions in South Sudan following seasonal rains are likely to limit commodity flows in the hinterland.
- Kenya and Burundi imposed temporary bans in March and enhanced food safety standards to control mycotoxin on maize imports from Uganda and Tanzania. This will likely lead to faster depletion of available national stocks and exert additional pressure on food prices. Kenya Ministry of Agriculture estimates that the current stocks could be depleted by the end of May 2021 before the supplies from unimodal region harvests become available from June/July.
- High and above-average fuel prices in Kenya, Sudan, South Sudan and Ethiopia will likely exert upward pressure on food prices through increased transportation costs in the coming months
- Renewed COVID-19 movement restrictions and other measures including tighter border controls could likely slow down cross-border trade and result in higher cost of moving cargo and limit market supply and consequent increase in staple food prices.



WFP/Selina Chan

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

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