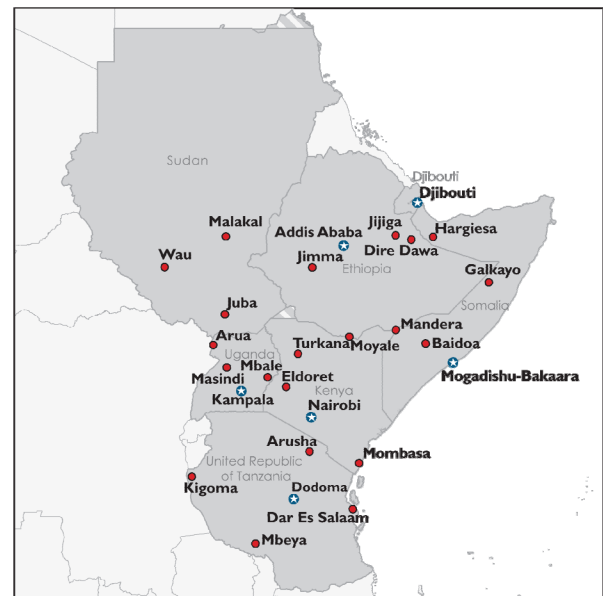


EAST AFRICA Regional Food Security Update: Focus: Regional markets and food prices

May 2009

- In general food prices are stable throughout the region, with the exception of Kenya and Uganda where prices are still rising sharply. Due to the large production shortfall in Kenya and the Tanzanian export ban, Uganda has become the main regional source of cereals for Kenya. In Ethiopia, prices are stable or declining marginally, which is unusual for this time of year (May) when they are normally expected to begin peaking. If sustained through the hunger season, this price stability could translate into improved food access in Ethiopia, which experienced an annual inflation rate of 41 percent in 2008, the second highest inflation rate in Africa in 2008.
- In Somalia and Djibouti, which import the bulk of their staple foods, prices of cereals are declining in line with reduced international cereal and fuel prices. However in Somalia, the rough seas from July to September and continuing sea piracy activities could reduce imports, slowing or reversing this trend.

Figure I. FEWS NET monitored markets in East Africa



- The terms of trade among the pastoral populations of central Somalia have shown some improvement because of improving livestock prices and declining staple food prices. However, the food security conditions in these areas remain dire due to consecutive droughts and significant asset loss. Recent surveys by the FAO/FSNAU of Somalia conducted in March and April show very critical levels of acute malnutrition in the south-central regions of Somalia. Given that the recent rains were insufficient, the possibility of a further deterioration of food security conditions among these pastoral livelihood groups is high.
- The performance of the March to May season was largely below normal in the lowland pastoral and marginal production areas in the eastern sector of the region, as well in the *belg*-cropping areas of Ethiopia. The food security conditions in these areas are therefore likely to remain poor until the short rains, which are expected in October 2009. According to the IGAD Climate Prediction and Applications Center (ICPAC) there are early indications of an El-Niño developing by the next October-December rainy season, which could have largely beneficial impacts on both rangeland and livestock conditions in these areas.

Food security overview

The performance of the March to May rainfall season generally followed the ICPAC March to May Consensus forecast below normal to normal rainfall. Some slight improvement is evident in the pastoral areas but in general the situation in the pastoral areas will remain precarious till the next rainy season which starts in October 2009. Apart from the poor performance of the *belg* season, normal crop performance is expected from the main cropping areas of the region. This could help to stabilize prices in the main markets, which are currently rising sharply especially in Kenya and Uganda,

although markets are unlikely to distribute efficiently in the more remote marginal areas, where prices will likely remain higher. The current relatively stable prices reported in Ethiopia, Somalia, Tanzania and Djibouti is a good prospect of improved food access and improved food security conditions in the next few months. Therefore, close monitoring of market prices is warranted in the next four to six months.

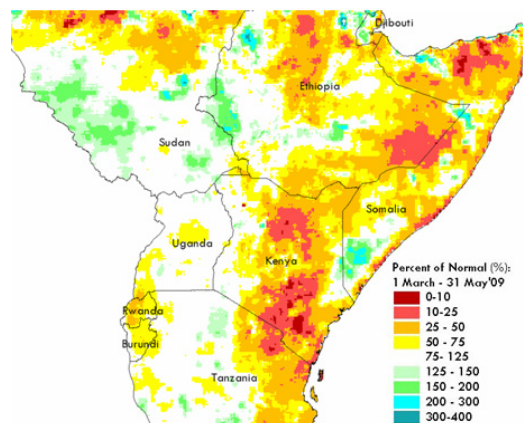
Seasonal Progress

As forecast, the performance of the March to May season was largely below normal, with large areas receiving less than 50 percent of the long-term average rainfall. This is particularly true in the lowland pastoral and marginal production areas of the eastern sector of the region (Figure 2). Following this pattern, NDVI imagery and WRSI indicate that vegetation and rangeland conditions are below normal in most of these areas, including Afar and Somali regions of Ethiopia, Djibouti, central and northern parts of Somalia, north-central Kenya, and areas along the Kenya/Tanzania border (Figure 3). Some of these areas have experienced livestock losses due to pasture and water shortages following consecutive poor seasons and will require a number of consecutive good seasons for herd rebuilding and recovery. Currently, Uganda’s Karamoja region and the northwestern pastoral districts of Kenya have near-normal rangeland conditions, although livestock diseases, tribal conflicts, and degraded land have continued to negatively impact the asset base in these areas. If El-Niño conditions do develop towards the end of the year, the recovery process may be accelerated, unless the phenomenon is accompanied by disease outbreaks and serious flooding, effects that have occurred during past El Niños.

Crops in the main growing areas of the region are generally performing well. In Uganda and western Kenya, the March to May rains have resulted in good crop conditions, while crop establishment for the main *meher* crop in Ethiopia and Sudan is underway. Exceptions include the *belg* areas of Ethiopia and southeastern cropping areas of Kenya, where below normal rains have dampened production prospects (Figure 4).

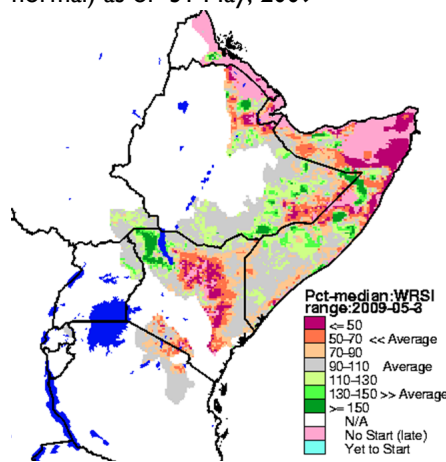
Although crops are performing well, significant harvests are unlikely before August and main harvests will only occur during the last quarter of the year, except for Tanzania and parts of Uganda where harvests are currently ongoing. This means that food security conditions are unlikely to improve over the next 4 months. In addition, concerns over early depletion of water and pasture remain in most lowland/pastoral livelihood groups. In light of staple food prices that generally remain above the recent five-year averages in nearly all markets (and are still rising in Kenya and Uganda), conflict and civil insecurity in Somalia and many other parts of the region, and chronically poor market distribution mechanisms (from surplus production to deficit areas) due to poor transportation infrastructure,

Figure 2. Rainfall Estimates – Percent of Normal (%) March 1 to May 31, 2009



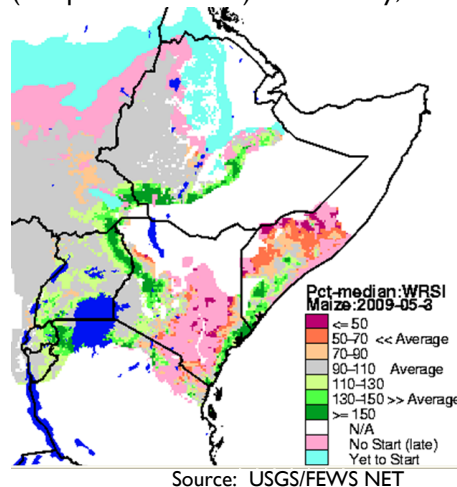
Source: USGS/FEWS NET

Figure 3. Rangeland Conditions (compared to normal) as of 31 May, 2009



Source: USGS/FEWS NET

Figure 4. Maize Performance Conditions (compared to normal) as of 31 May, 2009



Source: USGS/FEWS NET

we are unlikely to see a significant improvement in

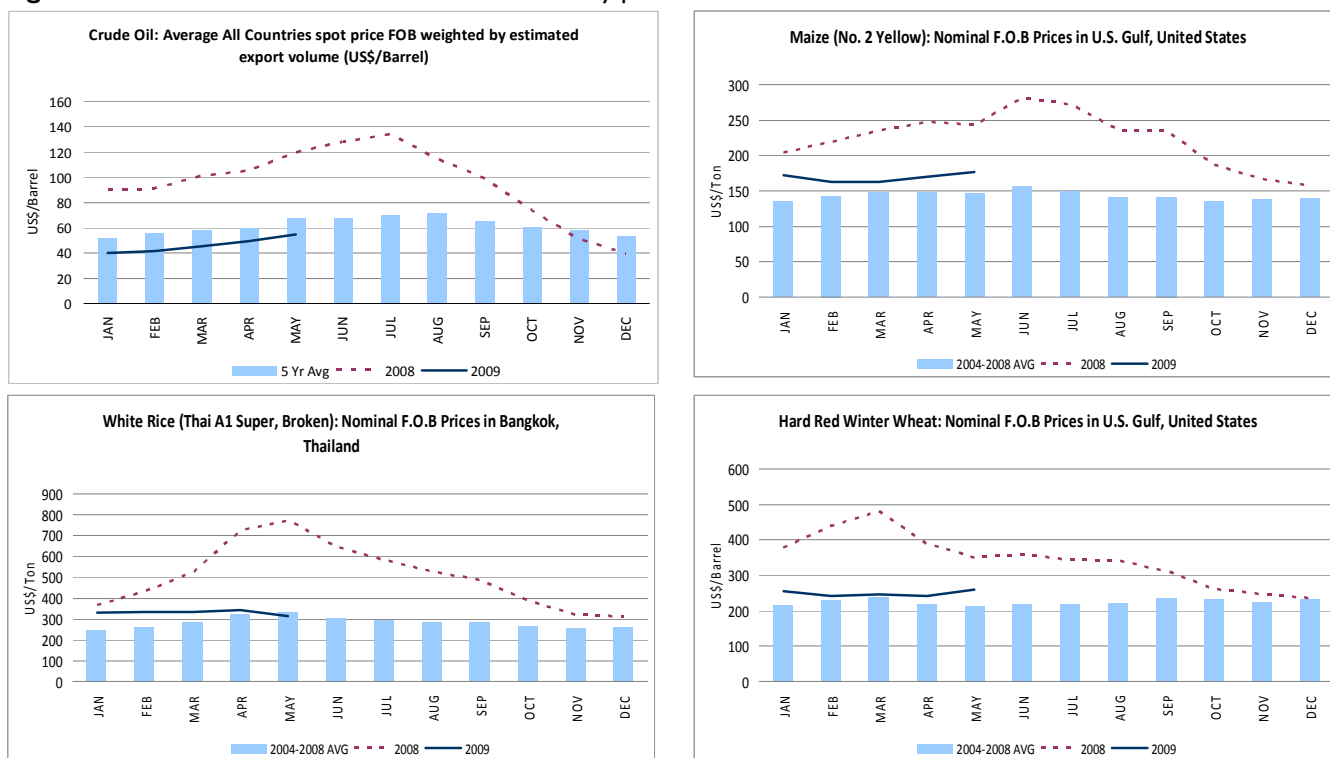
food security even after the main harvests are realized. There are also other concerns that poor rainfall and dam siltation will reduce hydro-power generation capacities, as well as fears of water rationing in some main urban centers due to poor re-charge of the water reservoirs.

International crude oil and cereal prices

International crude oil prices have increased by 50 percent since January from an average of US\$ 40 per barrel to over US\$ 60 per barrel by early June 2009. Despite the increase, the price is still lower than the five-year average (by about 24 percent) and much lower than prices in 2008 (by over 50 percent) (Figure 5). International fuel oil prices affect food prices through its effects mainly on the costs of transportation and production inputs (mainly seed and fertilizers). Unless fuel prices climb significantly, they will likely exert only minimal pressure on food prices in the region in the next few months.

Similarly, the international prices of wheat, maize and rice have also remained fairly stable since the beginning of 2009 and have are at least 50 percent lower than the prices at the height of the 2008 food price crisis (Figure 5). This is beneficial to countries that import a high proportion of their staple foods like Djibouti, Somalia, and Eritrea. In Somalia, however, rough seas from July to September and continued sea piracy could likely dampen the benefits of these lowered international food prices.

Figure 5. World crude oil and international commodity prices.



Sources: Crude Oil: US Energy Information Administration
International Agricultural Commodity Prices: FAOSTATS

Current food prices and trade flows in East African countries

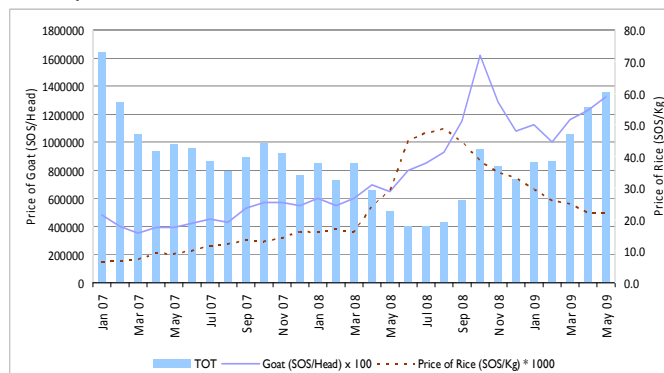
The price of maize, a key staple commodity in the region is generally stable or declining in Tanzania, Ethiopia, Djibouti, and Somalia. The decline in these countries results from a number of factors, including: increased supplies from the 2008 harvests, and 2009 harvests in the case of Tanzania; policies that keep local produce in-country and encourage imports of food (such as export bans and tariff removal) in Tanzania, Ethiopia and more recently, Kenya; and declining international food prices in the case of Somalia and Djibouti. In Ethiopia, stable/declining food prices have been observed through May

(the month where usually prices begin to rise) for the first time in over 4 years. This is because of a number of deliberate actions by the government to keep prices low, such as: (i) reversing its credit policy for large traders that allowed them to purchase on credit. This has reduced trader purchasing capacity, keeping more cereals in the market; (ii) banning bulk purchases by NGOs and (iii) importing large quantities of food, which are being released into the market by the Ethiopian Grain Trade Enterprise. These actions have reduced effective local demand and increased supplies (in addition to a good local production in 2008), and if the trend holds, this will be the first time in over 4 years that steady food price declines are seen throughout the first half of the year.

In both Kenya and Uganda the price of maize continues to increase sharply. Maize is the main staple in Kenya while in Uganda it is also an important commercial crop. On the Uganda side, the price of maize is 100-124 percent higher than the recent five year average and is 39-65 percent higher than last year's prices. Similarly, on the Kenya side, current prices are about 85-100 percent more than the five year average and about 55-65 percent more than the price last year (Table 1). The sharp increase in prices in Kenya is a result of low supplies and high demand, while the increases in Uganda can be associated, in part, to the high demand for maize in Kenya combined with an export ban in Tanzania, Kenya's usual source for imports. This ban has resulted in Kenya's increased reliance on Uganda as a source of maize, pushing prices higher in this country. However, the sharp price rises could ease-off with harvests expected from parts of Kenya and Uganda starting in July 2009, though for Kenya the July harvests are unlikely to be large enough to bring prices down. The magnitude and direction of the expected food price movements will be shaped by the policies that East Africa governments will adopt to deal with the fiscal challenges caused by the global financial crisis as they present their budgets for the 2009/2010 fiscal year during the month of June.

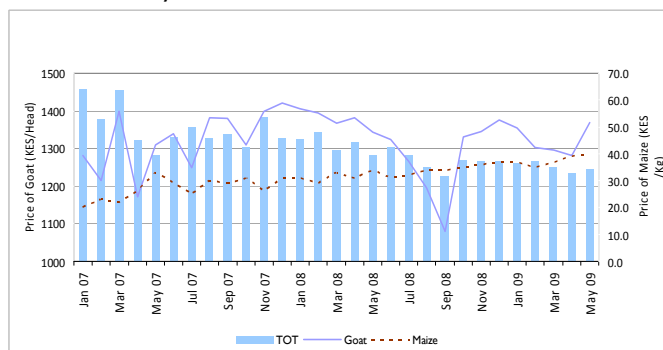
Figure 6: Terms of Trade in pastoral areas of the region

a. Galkayo, Somalia



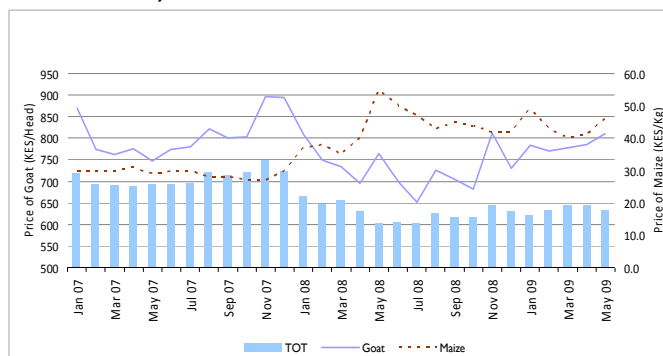
Source: FEWS NET, Somalia

b. Mandera, Kenya



Source: Kenya-Arid Lands Resource Management Project

c. Turkana, Kenya



Source: Kenya-Arid Lands Resource Management Project

Terms of Trade in pastoral areas

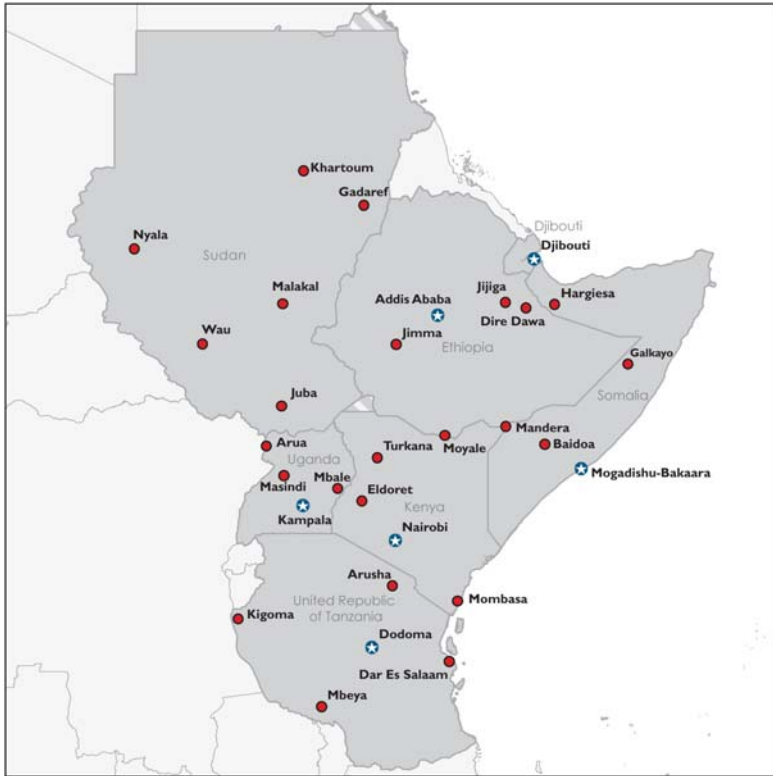
Over the last three months there has been a gradual improvement in the goat-rice terms of trade in Galkayo, Somalia (from 38.5 in February to 60 in May) due to falling prices of cereals and high prices for goats in good condition (Figure 6a). The current price of a goat has doubled compared to the same time last year, which suggests that goats in good condition have become scarce. This scarcity can be associated with two factors (i) this time of year (rainy season) is fattening season and pastoralists typically do not like to sell at this time, especially if they have faced a difficult previous dry period, as occurred in central Somalia/eastern Ethiopia this year; (ii) due to the 3-4 successive dry seasons and occurrence of livestock diseases, there are few good quality animals for sale.

These favorable terms of trade do not necessarily mean that poor pastoralists in central Somalia have improved purchasing power and therefore food access. Galkayo market in central Somalia is an important collection center for livestock for south-central Somalia and also eastern parts of Somali Region of Ethiopia, and prices are affected by more than conditions in central Somalia. Secondly, central Somalia and neighboring areas have faced 3-4 successive dry seasons, resulting in significant livestock mortality, which usually affects poor households the most given their smaller herd sizes and more limited coping options. This means that the poor pastoral households are unlikely to have sufficient livestock to sell in order to benefit from the good terms of trade. Therefore, the currently favorable terms of trade only benefit the better off households who own these animals and does not translate to an overall improvement in the region's food security. Preliminary findings from nutrition surveys conducted by the FAO Food Security and Nutrition Analysis Unit of Somalia in March and April show critical to very critical nutrition conditions in Central Somalia, with GAM rates ranging from 16 to 25.5 percent (WHO growth standards), which corroborates the fact that the successive droughts have depleted the pastoralists' assets, food sources and therefore food access.

In the northern pastoral districts of Kenya the increase in the price of goats seen in both Turkana and Mandera is consistent with the expected seasonal pattern. This trend, compared to the similar period in 2008 (when prices were falling), suggests that initial recovery from past successive below-normal seasons is occurring. Although livestock prices are increasing, the terms of trade has improved only slightly in Mandera but declined in Turkana due to high staple food prices. The positive change in livestock prices, however, may be short-lived because of the current dry season and the expectation that water and pastures will become scarce sooner than expected due to below normal rains.

Table 1: Percent Change in Latest Prices compared with 2008 prices, 2004-2008 Average Price and Jan 2009

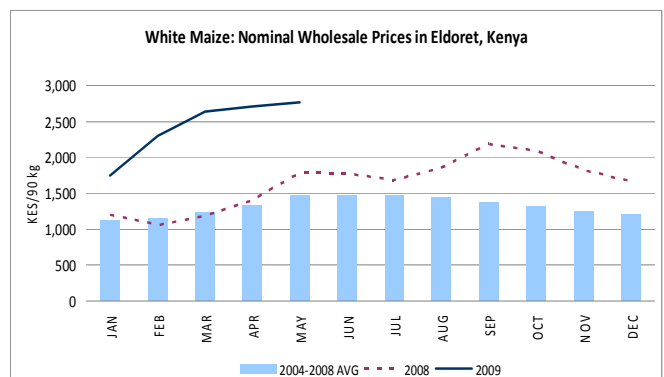
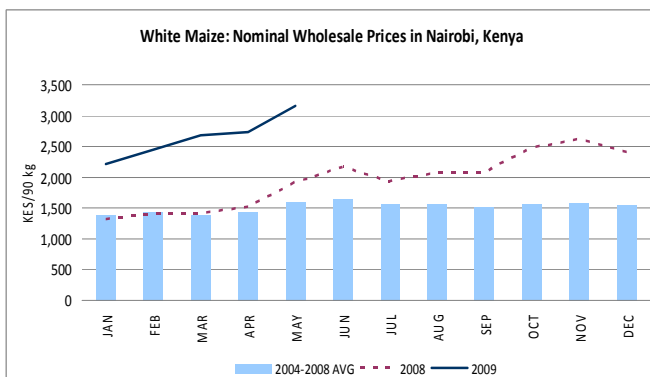
Country	Market	Country	Type of price	Month of latest price data available	Percent (+/-) Change of Latest Price Compared to:		
					Five Year Average (2004-2008)	corresponding 2008 price	January 2009
Maize	Addis Ababa	Ethiopia	Wholesale	May	75%	-16%	-6%
	Masindi	Uganda	Wholesale	May	124%	65%	17%
	Tororo	Uganda	Wholesale	May	100%	39%	8%
	Kampala	Uganda	Wholesale	May	116%	61%	10%
	Nairobi	Kenya	Wholesale	May	98%	65%	16%
	Eldoret	Kenya	Wholesale	May	86%	55%	2%
	Dar-es-Salaam	Tanzania	Wholesale	May	68%	5%	-6%
	Kigoma	Tanzania	Wholesale	May	52%	17%	-2%
	Mbeya	Tanzania	Wholesale	May	67%	0%	-3%
Beans	Tororo	Uganda	Wholesale	May	57%	2%	17%
	Kampala	Uganda	Wholesale	May	59%	12%	4%
	Nairobi	Kenya	Wholesale	May	40%	2%	12%
	Eldoret	Kenya	Wholesale	May	43%	3%	1%
	Dar-es-Salaam	Tanzania	Wholesale	May	65%	18%	1%
	Mbeya	Tanzania	Wholesale	May	90%	6%	2%
Red Sorghum	Baidoa	Somalia	Retail	May	82%	-36%	-6%
	Addis Ababa	Ethiopia	Wholesale	May	73%	-11%	3%
	Djibouti City	Djibouti	Retail	May	96%	71%	-3%
	Juba	Sudan	Retail	Apr	19%	18%	3%
Imported Red Rice	Djibouti City	Djibouti	Retail	May	56%	0%	-17%
	Mogadishu	Somalia	Retail	May	70%	-33%	10%
	Hargeisa	Somalia	Retail	May	45%	-15%	-26%
	Galkaayo	Somalia	Retail	May	91%	-24%	0%
Local Rice	Mbeya	Tanzania	Wholesale	May	43%	9%	-3%
	Kigoma	Tanzania	Wholesale	May	47%	-13%	-2%
	Dar-es-Salaam	Tanzania	Wholesale	May	40%	4%	-13%

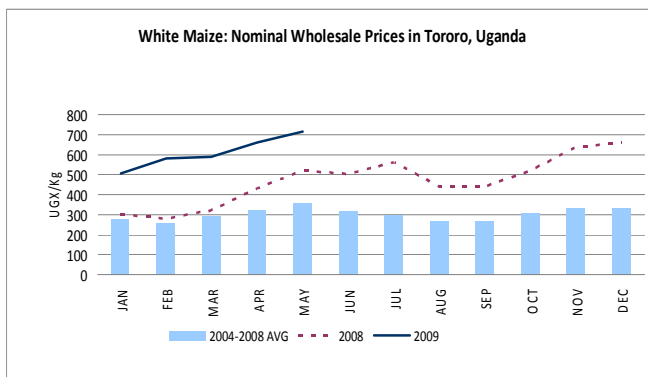
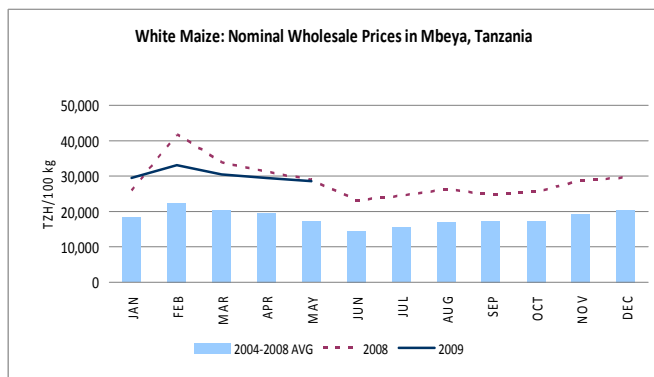
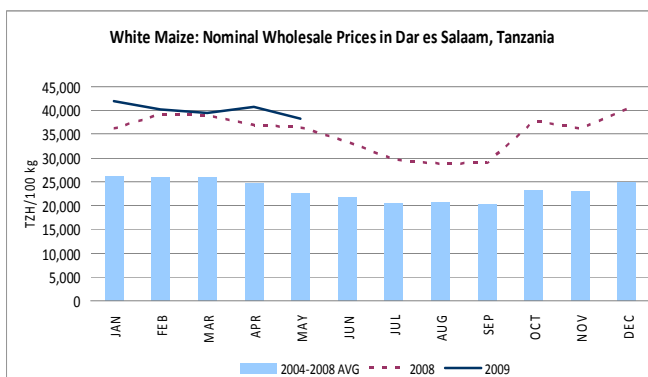
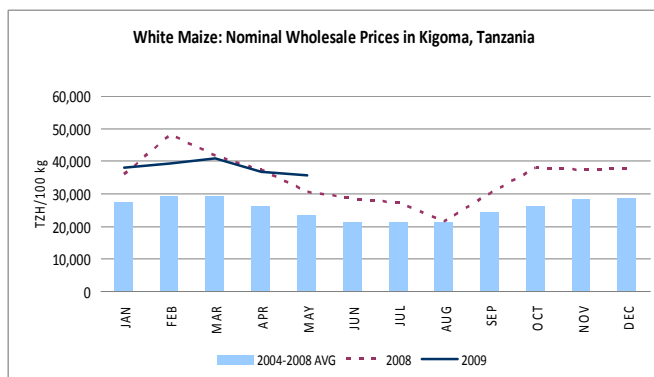
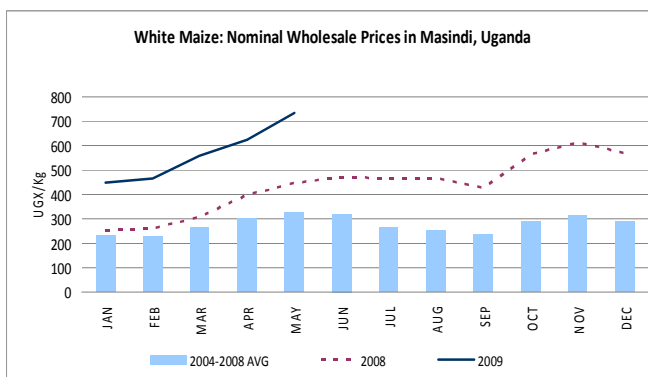
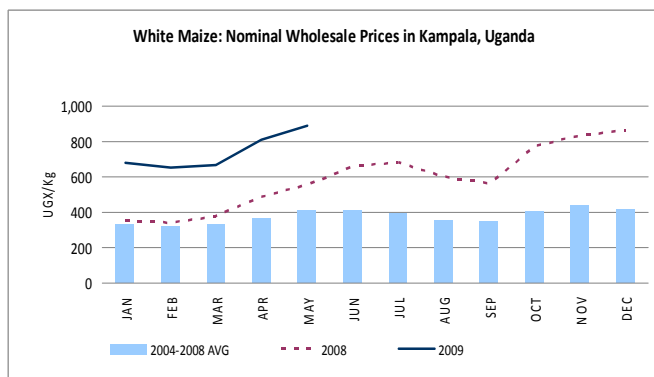
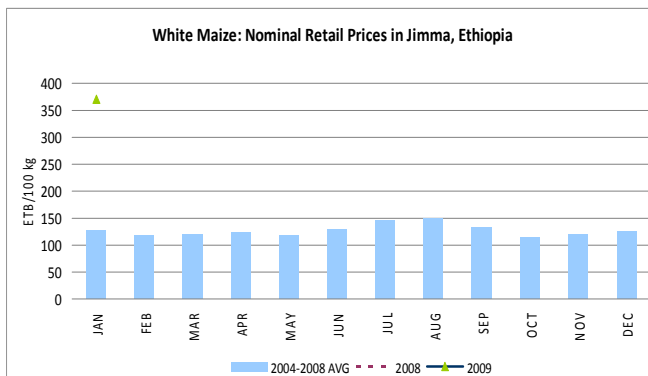
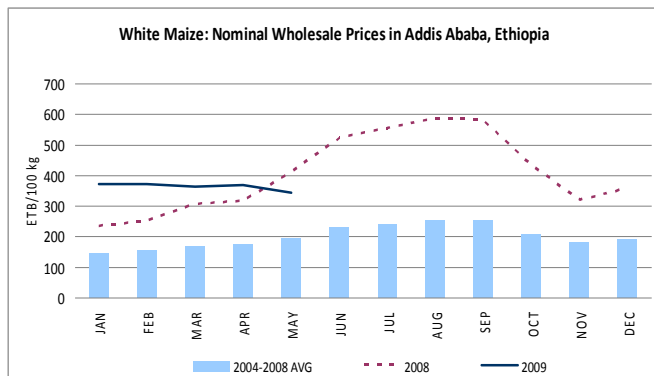


Monthly prices are supplied by FEWS NET enumerators and a range of partners: in Ethiopia, the Central Statistics Agency and FEWS NET; in Kenya, the Ministry of Agriculture (Market Research Branch); in Uganda, the Uganda Market Information System; in Tanzania, the Ministry of Trade, Industries, and Marketing; in Djibouti, the Ministry of Finance; in Somalia, FEWS NET; in Sudan, WFP.

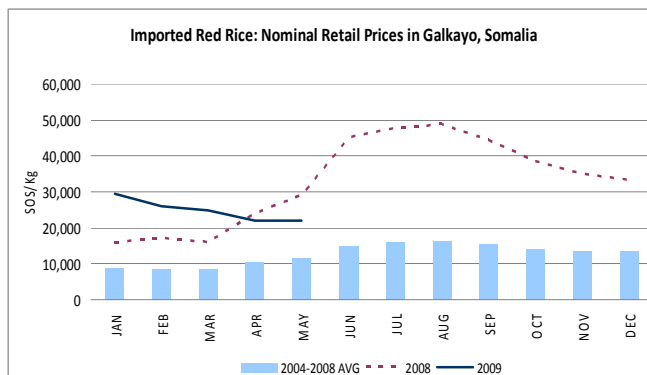
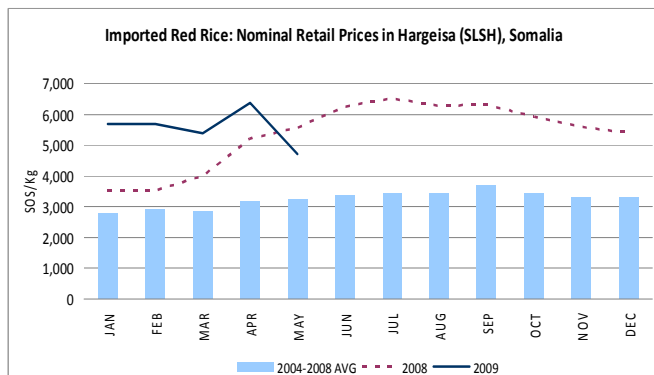
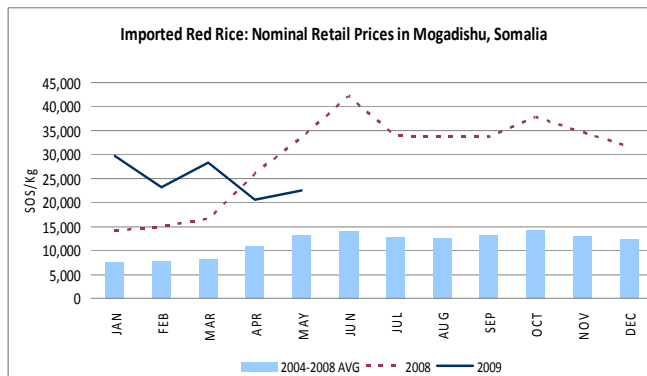
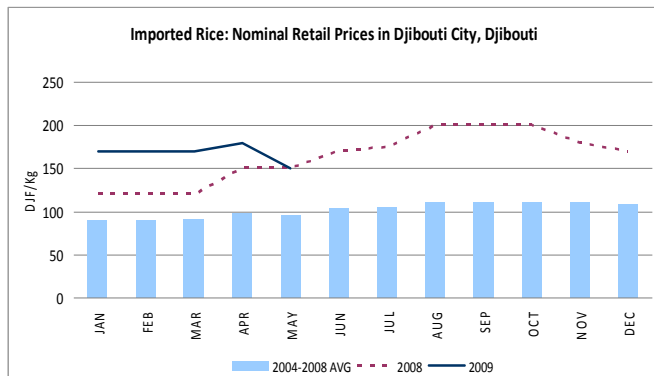
White maize is the main staple grain consumed in Tanzania, Kenya, and Ethiopia. In Uganda, white maize is grown mainly as a commercial crop for export in the region. Imported rice is a major staple for Djibouti and Somalia, which mainly consume *belem*—the imported red rice. Tanzania is also a major producer and source of rice in the region while Kenya and Uganda are minor producers. Both red and white sorghum are produced and consumed in the region. This is an important staple in Sudan, Djibouti and Somalia as well as in other marginal agricultural areas of the region. It is also a substitute cereal among the rural poor. Red sorghum is mainly grown in Ethiopia, Sudan, and Somalia, and is the preferred type for households in Djibouti. Beans are an important source of protein and a complementary food crop grown in the high potential agricultural areas of Kenya, Uganda, Tanzania, Rwanda, Burundi and Ethiopia. It is consumed across household types. Maize and beans are the most heavily traded commodities in the region. The cooking banana—*matoke*—is the primary staple in Uganda. Uganda is also a main source of cooking and other types of bananas traded in the region especially in Southern Sudan. However, bananas are not trade nearly as heavily as maize or beans.

WHITE MAIZE: The markets below represent the major producer and consumer markets in countries where white maize is heavily consumed as the staple.

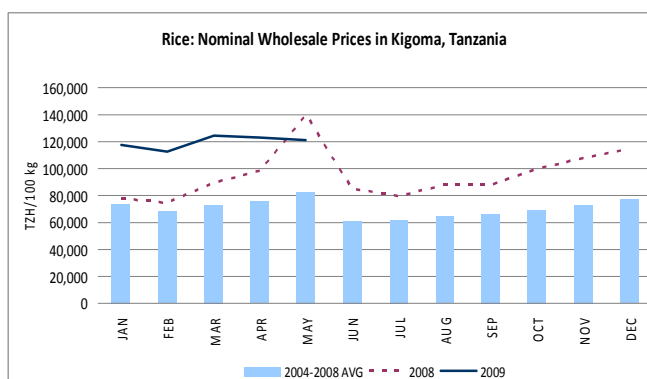
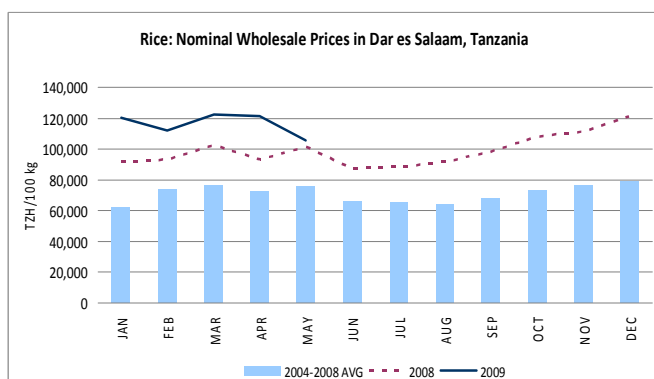




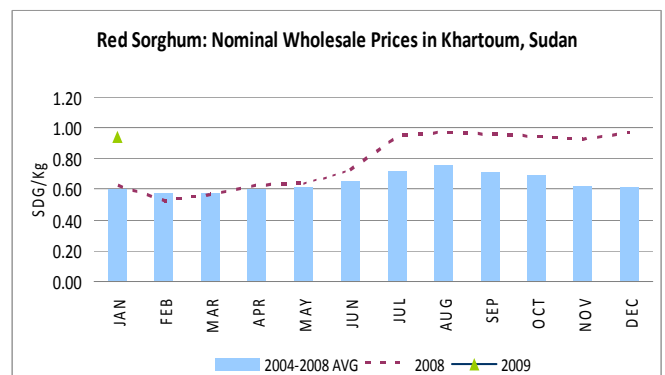
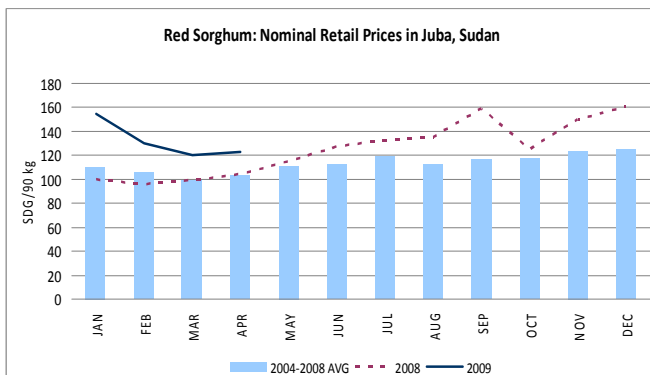
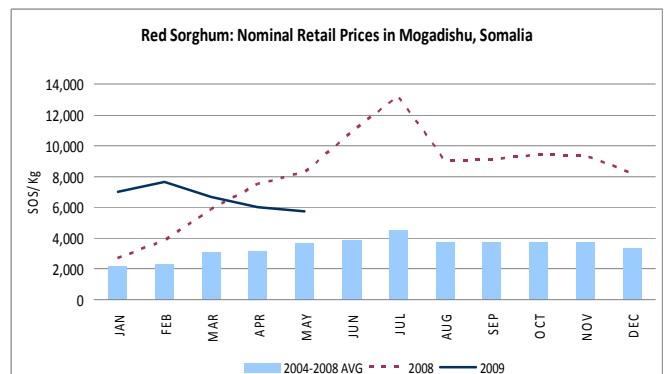
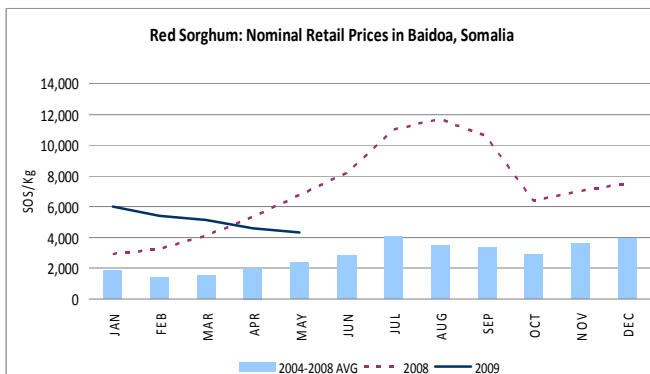
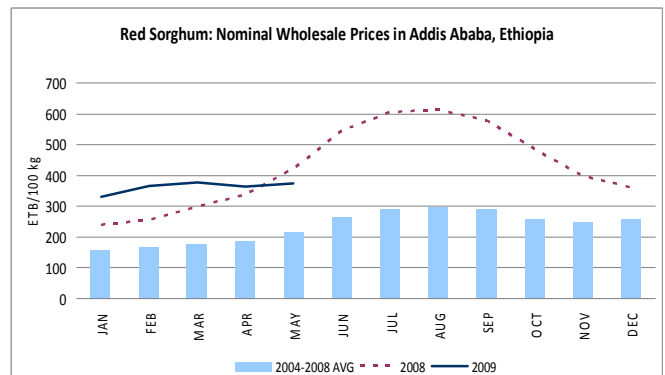
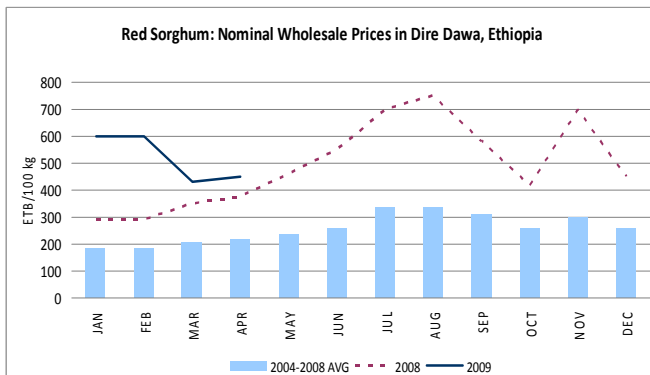
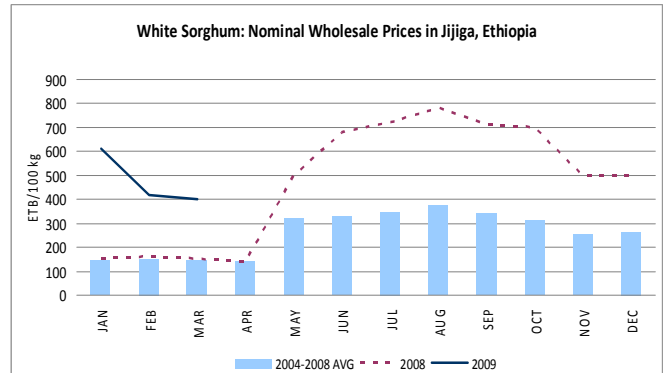
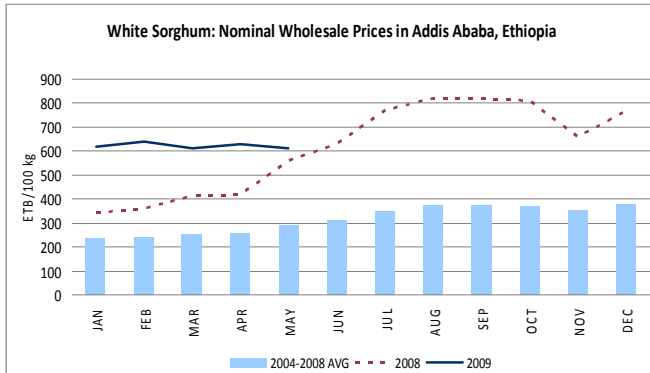
IMPORTED RICE: These are the main retail markets in Djibouti and Somali where imported rice is heavily consumed.

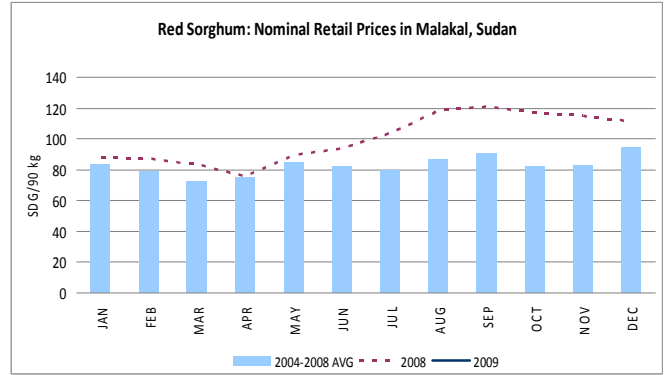
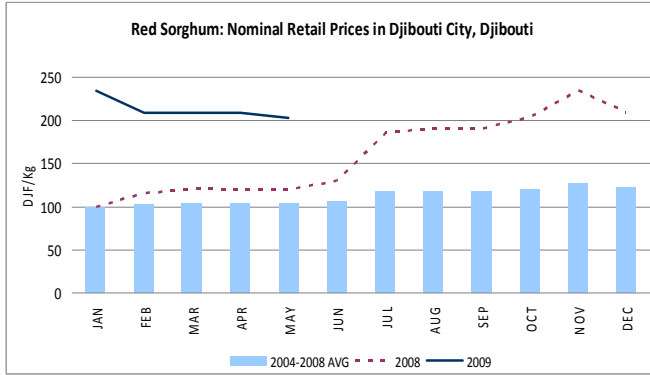


LOCAL RICE: Local rice is produced mostly in Kenya, Uganda and Tanzania. With the exception of Tanzania, most countries in the region are net importers of local rice, which has high demand in urban areas.

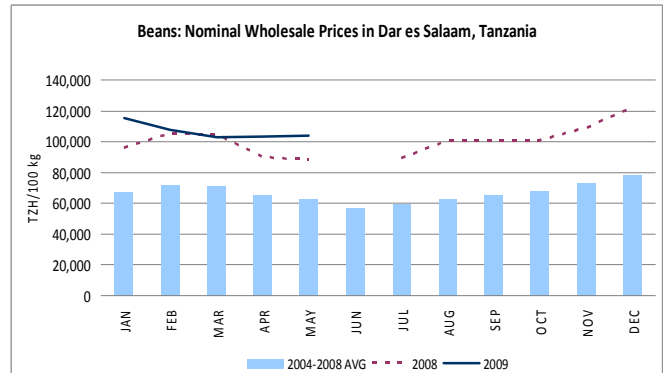
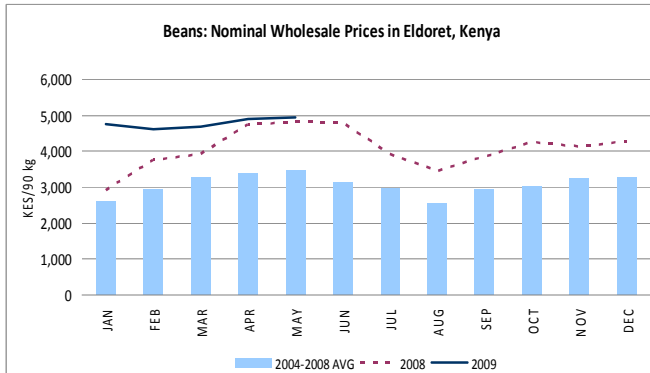
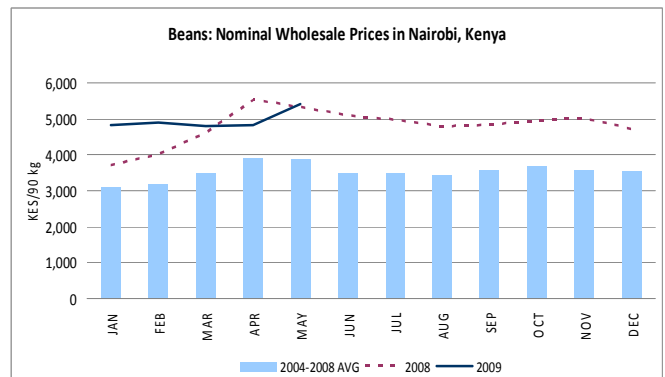
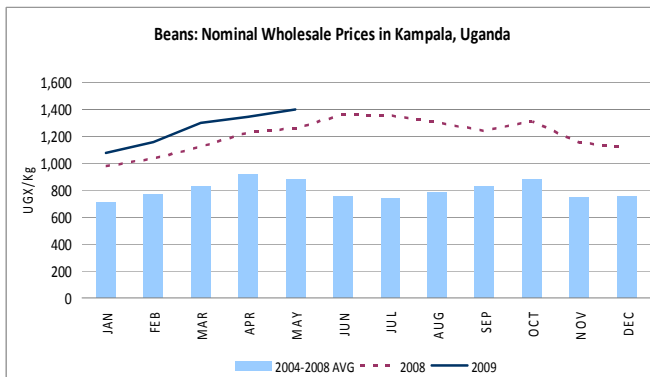


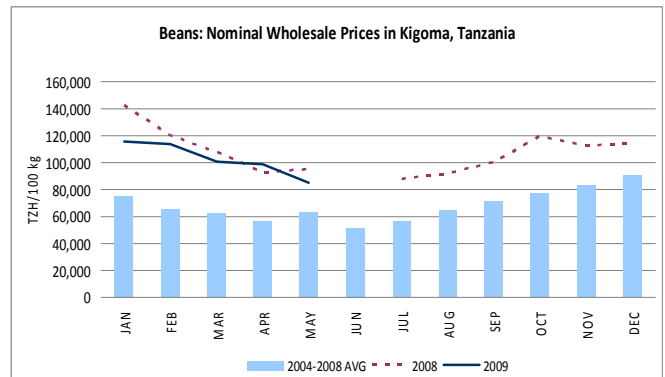
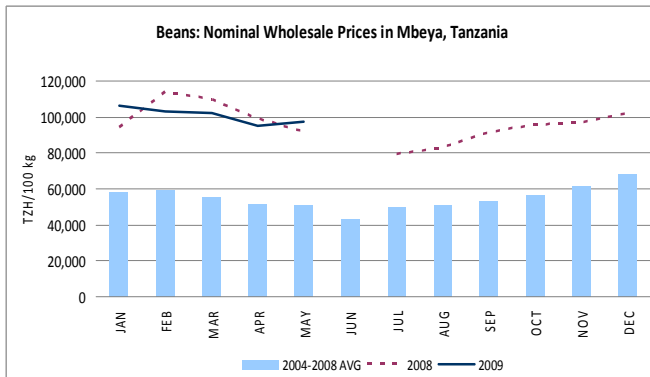
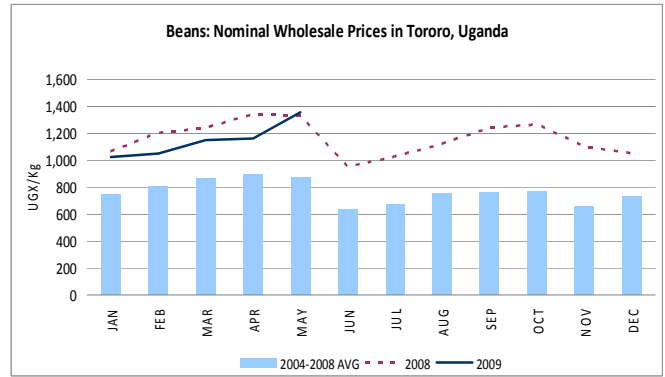
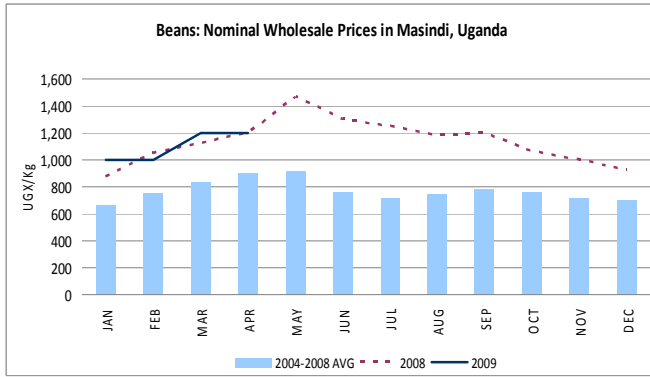
RED AND WHITE SORGHUM: Sorghum, both red and white, is an important consumption and production staple for many households in the region. These markets demonstrate the variety of places it is produced and consumed.





BEANS: Beans are a primary protein source throughout the region, especially in Kenya, Uganda and Tanzania. It is also a staple food in northern Sudan as well as in Rwanda and Burundi. These represent the capital city markets in Kenya, Uganda and Tanzania as well as the main production areas.





MATOKE/BANANA: These are the wholesale and retail prices for matoke, cooking banana, in the capital city market of Uganda.

