

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

March 2009

- Pastoral areas of the region have experienced declining terms of trade since 2007 due to the combination of three to four successive poor seasons, compounded by animal diseases, insecurity and high food prices. This is indicative of declining incomes and food access of the pastoral areas. Therefore, the current below-normal seasonal forecast for the pastoral region portends heavy economic losses and further erosion of the pastoral livelihood base which could lead to widespread destitution in the pastoral areas. Close monitoring of the start of season, rainfall distribution and rangeland conditions is strongly recommended for the pastoral to avert a potential humanitarian crisis in the pastoral region. Monitoring of agricultural performance in April and May is also crucial.
- Prices of staple foods throughout the region are persistently higher than the long-term average and are likely to continue rising as the hunger season progresses and until the next harvest in June. This is likely to aggravate existing food insecurity.
- There is a general global economic slowdown associated with the current financial crisis. This is likely to reduce overseas remittances flows, especially to Sudan, Somalia, Ethiopia, and Eritrea. The slow-down is beginning to manifest itself through lay-offs in the private sector and low business growth, which will increasingly affect urban livelihoods, which depend on wage labor. Indirectly, this slow down may also affect pastoral areas due to reduced demand for meat and meat products.
- International crude oil prices have dropped by more than half since March 2008. Although these prices are yet to be transmitted to local markets, this trend could help moderate local food prices in the future, through its effect on transportation costs, input prices, and overall production costs.
- International prices for maize and rice have declined by 40-50 percent compared to prices in March 2008. This benefits import-dependent countries such as Somalia and Djibouti and other countries in the region currently faced with increased cereal imports needs until the harvest season in June in some areas of region.

**Figure 1. Selected markets in East Africa**



### Seasonal Progress

The March to May “long rains” account for more than 50 percent of total annual precipitation in the eastern sector of East Africa. This season covers the “bread-basket” areas of Western Kenya, Uganda and Tanzania. This season is critical for the dynamics of regional trade flows and stabilization of regional food prices. According to the IGAD Climate Prediction and Application Centre seasonal climate outlook forum (COF), near normal to normal conditions are forecast for these areas

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(Figure 3), which should support normal maize production. However, the forecast does not address the issue of rainfall distribution, which is also critical for agricultural production. Therefore the onset and distribution of rainfall needs to be monitored from the planting stage through flowering, tasselling, and grain-filling. The first harvest of maize is expected from Tanzania and Uganda in May and from Ethiopia and Kenya from June.

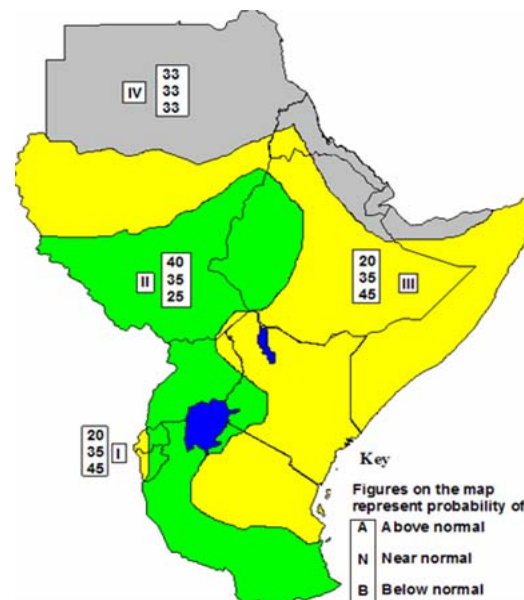
For the pastoral areas, the March to May season is forecast to be below normal to normal in southern and southeast Ethiopia, northern Kenya, northern Uganda, central and southern Somalia, southeastern marginal areas of Kenya, and the pastoral areas of northeastern Tanzania (Figure 3). In these areas, the March to May rains also contribute significantly to total annual precipitation. Most of these areas have experienced 3-4 successive poor seasons compounded with local factors such as civil conflict, insecurity, and trans-boundary animal diseases. Therefore, the prospect of another failed season in these areas could lead to severe deterioration of food security conditions in the pastoral areas. Of particular concern, there have been delays in the start of season throughout the pastoral areas of Kenya, central and southern Somalia, parts of Southern Ethiopia and also at the border areas with Tanzania (Figure 4).

### General Global Macro-Economic Context

There is a general slow-down of the major world economies associated with the current financial crisis. This is characterized by reduced availability of credit for business expansion, increasing unemployment, and households' inability to meet long-term debt obligations such as mortgages. The ongoing financial crisis is already being felt in the region through lay-offs in the private sector and low business growth. This will affect incomes and food access in urban areas and have a direct effect on the effective demand for meat and meat products. This is likely to reduce livestock sales and thereby affect pastoral incomes. Secondly, the crisis means reduced remittances from developed countries, which would also affect food access and household budgets. Remittances from developed countries to the region are quite significant, especially for Somalia, Sudan, Ethiopia, and Eritrea which have the largest numbers of nationals abroad. These remittances are an important and typically consistent source of household income and a source of capital for investment. For instance the Somaliland area receives at least \$500 million in remittances annually, which is four times the value of livestock in the region. Therefore, further reduction in remittances is likely to reduce growth of local economies, particularly in pastoral livelihood zones, where the decline would further reduce the volume of livestock trade and reduce pastoral incomes and food access.

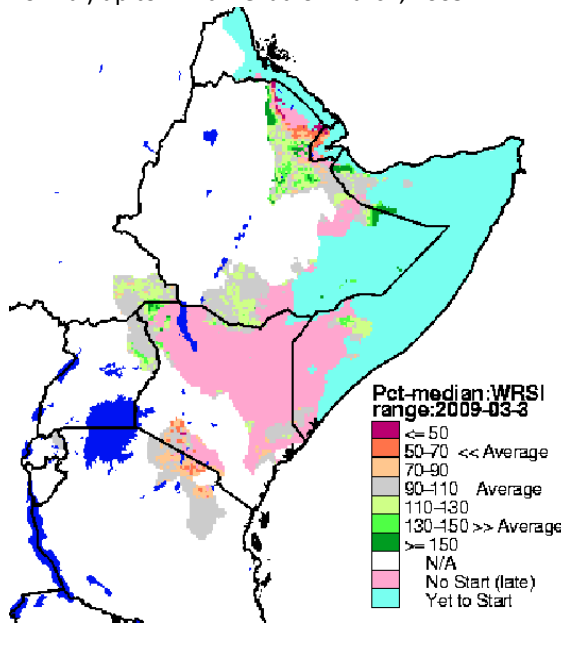
The global food price shock experienced in 2008 was driven by high fuel prices, increased demand for cereals for bio-fuel production and emerging economies as well as major production shortfalls in key production areas. This year global crude oil prices have dropped by more than half compared to March 2008 while the global prices of maize and rice have declined more than 40 percent and 50 percent, during the same period (Figure 5). The global trend of declining international food

**Figure 3: Consensus Outlook Forecast for March-May Season, 2009**



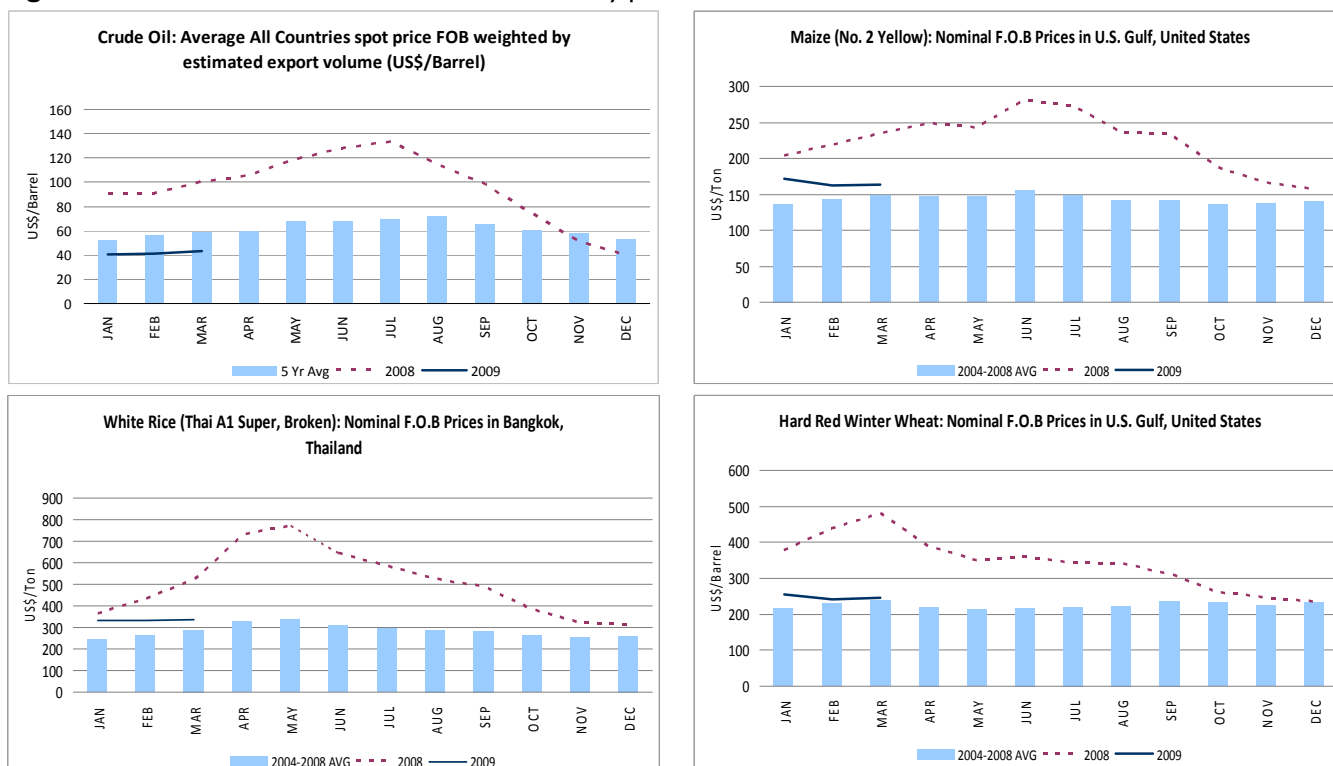
Source: IGAD Climate Application and Prediction Centre ICPAC)

**Figure 4: Rangeland Conditions (compared to normal) up to Third Dekad of March, 2009**



prices will be beneficial to the poor rural and urban population groups in countries such as Djibouti and Somalia that rely on the international markets for their imports as well as other countries (e.g., Kenya) currently faced with the increased import needs through the end of the March-May season. However, these benefits are not yet reflected in local prices, for example for fuel, because of the progressive weakening of economies and local currency value against the US Dollar. This is attributed to among other factors, declining political governance, economic losses because of corruption as well as insecurity. Therefore, to harness the benefits of international trends requires deliberate actions by national economies to minimize economic losses so as to strengthen the local economies.

**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 remains high compared to 2008 and the five-year average across all major cities in the region which are monitored by FEWS NET (Table 1). The latest prices of maize in the region are higher than the five-year average (2004-2008) by 35 percent (recorded in some markets in Tanzania) to 134 percent (Ethiopia). Similarly, these prices are considerably higher than the corresponding prices in March 2008 with the exception of Tanzania where the current price of maize has decreased by 18-20 percent mainly as a consequence of the prevailing maize export ban.

Particularly large increases in maize prices occurred in Tororo, Uganda and Eldoret, Kenya, both markets in the main maize production areas, where prices doubled. These increases followed high demand in Uganda and a large maize shortfall combined with producer price augmentation by the government in Kenya. Regionally, no substantial increase in the cereal stocks is expected until June when the first harvests are expected from parts of Uganda, Tanzania, Kenya, and Ethiopia. Given the lack of new stocks in the region, we expect cereal prices to increase gradually over the next 2-3 months, especially in southern Sudan, Kenya, and Ethiopia, unless food availability is augmented through imports, the most feasible option to address enhance food availability in the region at the moment. In Somalia, price increases are still expected

because of civil conflict and insecurity as well as persistent piracy activities that would disrupt inflow of commercial supplies.

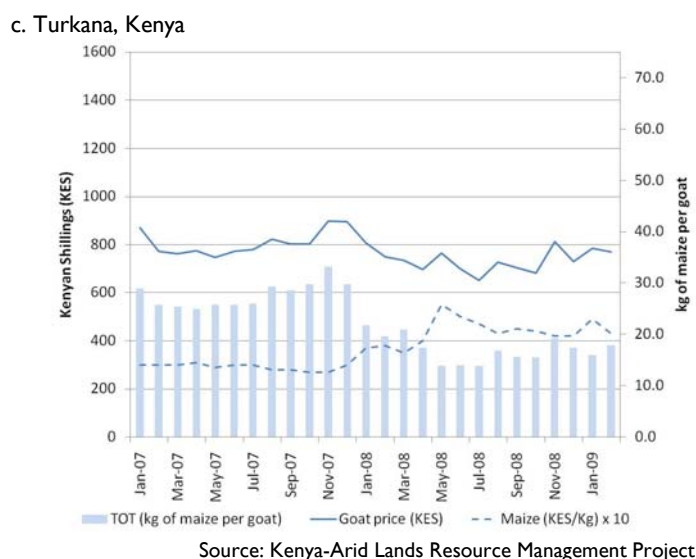
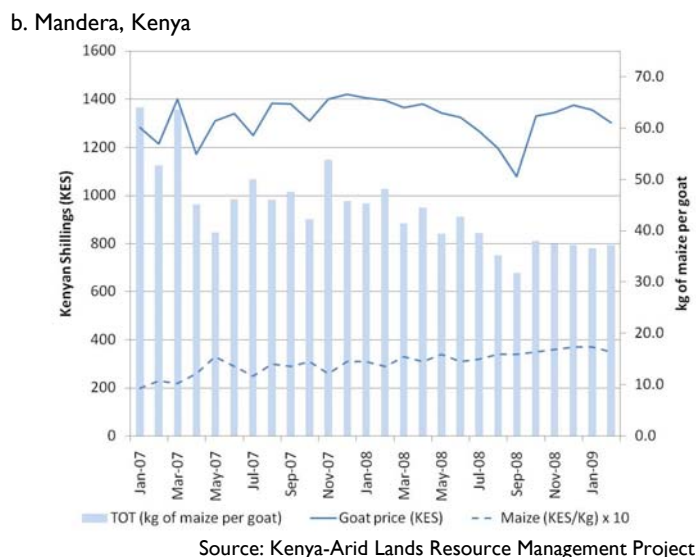
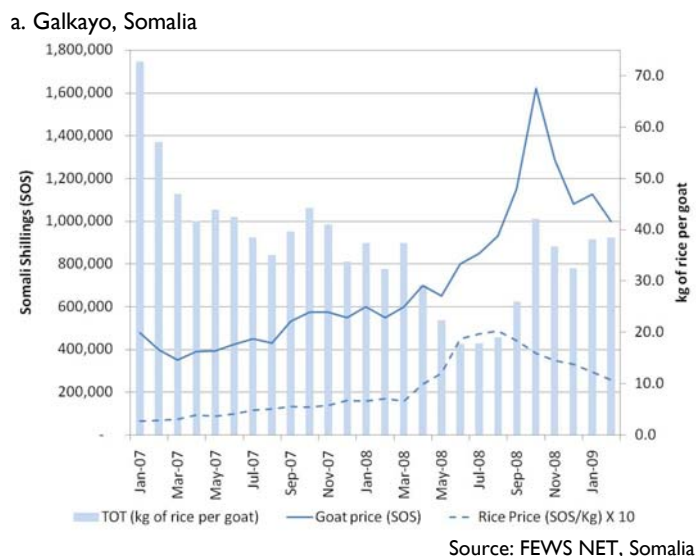
High food prices have persisted since 2008 and continue to affect the net-food buying households. A recent urban vulnerability assessment done in February 2009 in the urban informal settlements in Nairobi and Mombasa, Kenya, indicated that high prices had reduced the amount of maize and other foods purchased by poor urban dwellers by 20

percent. In Somalia, an urban assessment showed a switch to locally produced foods, which are always in short supply, even in relatively good year. The result is an increasing number of extremely food insecure urban poor. There are also other effects, which are less obvious, but are likely to have far reaching consequences for households' ability to meet their needs in future. For example, in the face of high food prices, households inevitably have to cut-back on other expenditures, like education and health, and these cuts have serious long-term effects on human capital and households' future resiliency.

Governments within the region have responded to high food prices using different measures including producer price augmentation as an incentive for farmers (Kenya), input subsidies (Kenya, Tanzania), maize/wheat subsidies for the poor (Kenya, Ethiopia) and export bans (Ethiopia, Tanzania, and Kenya). While these actions were well meant, they have not worked as well as intended. For instance, government involvement in adjusting producer prices has ended up increasing overall maize prices rather than increasing maize production. Additionally, providing maize/wheat subsidies for the urban poor has not worked well because of operational problems of targeting and due to the huge fiscal burden it imposes on the national budget. Export bans imposed within the region seem to have had some role in reducing the price of maize, for example in Tanzania, but they continue to stifle regional cereal flows, leading to sharp price rises in other maize producing areas (e.g., Eldoret, Kenya and Tororo, Uganda). In addition, maize export bans are a disincentive to local production. Therefore, it is clear that the policy actions being used do not sufficiently address the root-causes of the problem.

Instead, the problem of high food prices needs to be addressed through efficient and diversified agricultural production systems as well as efficient input and commodity markets. High fuel prices and cost of

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



transportation was one of the main reasons for high food prices last year. Therefore, the reducing global crude oil price provides an opportunity to address the cost components of production related to high fuel prices. .

### Terms of Trade in pastoral areas

Figure 6 shows a decline in the terms of trade in the pastoral areas since 2007. This is a consistent effect of the past successive rainfall failures, insecurity, occurrence of *Peste Petite Des Ruminants* (PPR) and high food prices. . The consequence of declining terms of trade is decreased food access manifesting through high a risk of malnutrition and reduced income. The inevitable effect of reduced income is increased poverty levels and a cut-back of essential household expenditure in areas such as health and education, which in the long-term also undermine pastoral livelihood recovery and stability.

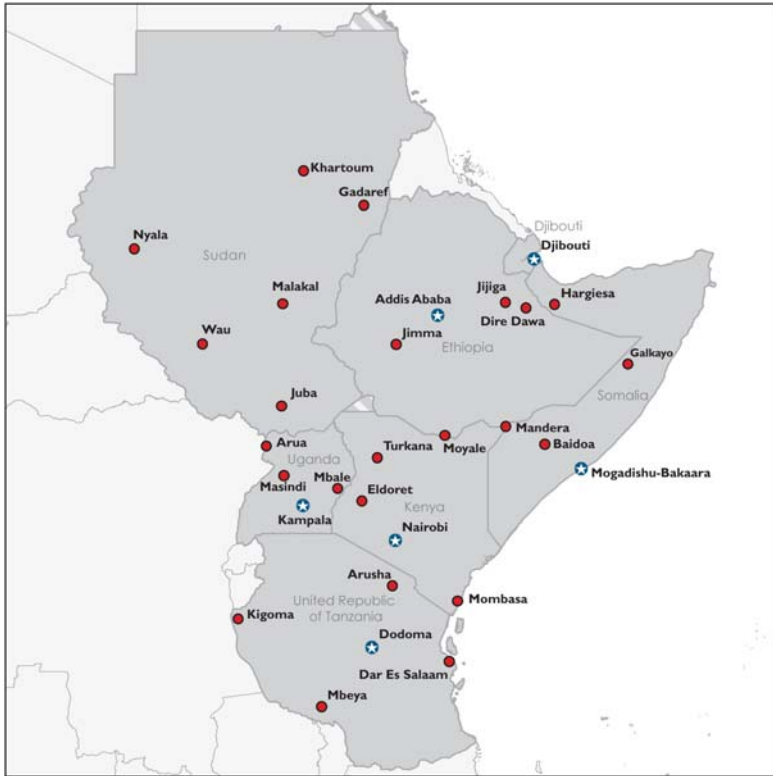
The past successive poor seasons and other factors have steadily eroded pastoral assets. Therefore, the prospect of another below normal March to May rainfall therefore signals the possibility of massive economic losses for pastoralists and further weakening of the livelihood base, leading to widespread destitution. Therefore, close monitoring of the rainfall performance and other factors such as trans-boundary livestock diseases in the pastoral areas is recommended as part of preparedness measures to mitigate against the effects of a possible poor performance of the March to May rainfall season.

### Conclusion

Prices of staples in the region have persistently remained higher than the five-year average. Because of the diminishing supplies relative to demand during the hunger season, the prices of staples are likely to continue rising at least until June 2009 when food availability is likely to improve due to the expected harvest. Therefore, production needs to be monitored closely as it is crucial to stabilizing food prices in the short-term. In contrast, the terms of trade have declined since 2007 thus affecting incomes and food access. The livelihood conditions in the pastoral areas are rather precarious because of the 3-4 successive rainfall failures. Therefore, monitoring rainfall performance in terms start of season as well as distribution, and rangeland conditions during March to May is strongly recommended to provide mitigative measures in the event that the current below normal to near normal March to May seasonal forecast materializes. In addition the production from the key agricultural areas also needs to be monitored during the critical stages in April and May. A number of actions— including grain/flour subsidy programs for urban poor, export bans and input subsidies—have been used by governments to address the problem of high food prices but have not been very successful. Additional effort is required to review and harmonize regional trade policies to remove trade barriers such as export bans and other impediments to trade, and to pool resources to develop regional fertilizer production facilities to reduce cost of fertilizers for the entire region.

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

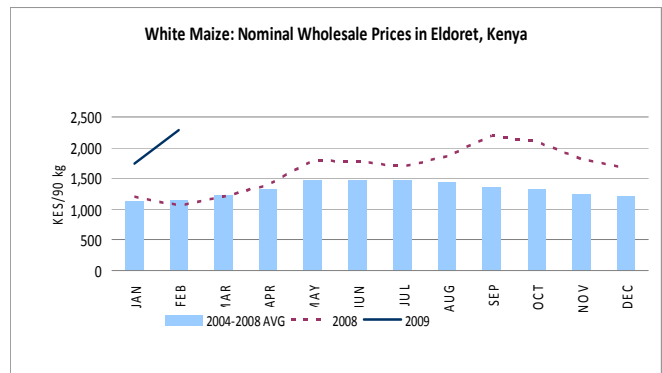
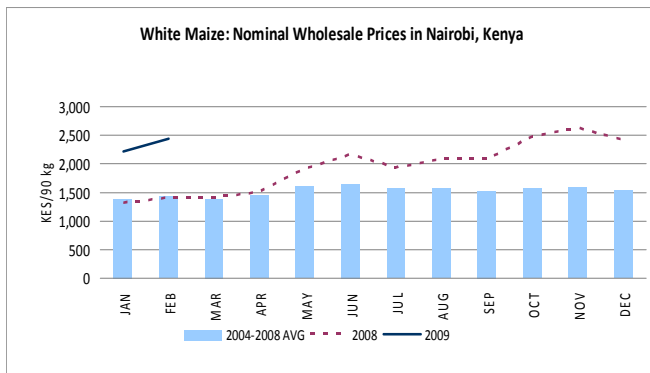
Country	Market	Country	Type of price	Month of latest price data available	Percent (+/-) Change of Latest Price Compared to:		
					Five Year Average (2004-2008)	corresponding 2008 price	January 2009
Maize	Addis Ababa	Ethiopia	Wholesale	Jan	134%	46%	n/a
	Masindi	Uganda	Wholesale	Feb	105%	79%	4%
	Tororo	Uganda	Wholesale	Feb	126%	108%	15%
	Kampala	Uganda	Wholesale	Feb	105%	92%	-4%
	Nairobi	Kenya	Wholesale	Feb	71%	74%	10%
	Eldoret	Kenya	Wholesale	Feb	100%	119%	32%
	Dar-es-Salaam	Tanzania	Wholesale	Feb	56%	3%	-4%
	Kigoma	Tanzania	Wholesale	Feb	35%	-18%	4%
	Mbeya	Tanzania	Wholesale	Feb	47%	-21%	12%
Beans	Tororo	Uganda	Wholesale	Feb	30%	-13%	2%
	Kampala	Uganda	Wholesale	Feb	51%	12%	7%
	Nairobi	Kenya	Wholesale	Feb	54%	23%	2%
	Eldoret	Kenya	Wholesale	Feb	56%	23%	-3%
	Dar-es-Salaam	Tanzania	Wholesale	Feb	51%	3%	-7%
	Mbeya	Tanzania	Wholesale	Feb	73%	-9%	-3%
Red Sorghum	Baidoa	Somalia	Retail	Feb	274%	66%	-10%
	Addis Ababa	Ethiopia	Wholesale	Feb	284%	153%	3%
	Djibouti City	Djibouti	Retail	Feb	103%	82%	-11%
	Khartoum	Sudan	Wholesale	Jan	55%	51%	n/a
	Juba	Sudan	Retail	Jan	40%	55%	n/a
Imported Red Rice	Djibouti City	Djibouti	Retail	Feb	89%	42%	0%
	Mogadishu	Somalia	Retail	Feb	199%	55%	-22%
	Hargeisa	Somalia	Retail	Feb	96%	63%	0%
	Galkaayo	Somalia	Retail	Feb	210%	53%	-12%
Local Rice	Mbeya	Tanzania	Wholesale	Feb	79%	46%	7%
	Kigoma	Tanzania	Wholesale	Feb	65%	51%	-4%
	Dar-es-Salaam	Tanzania	Wholesale	Feb	52%	20%	-7%

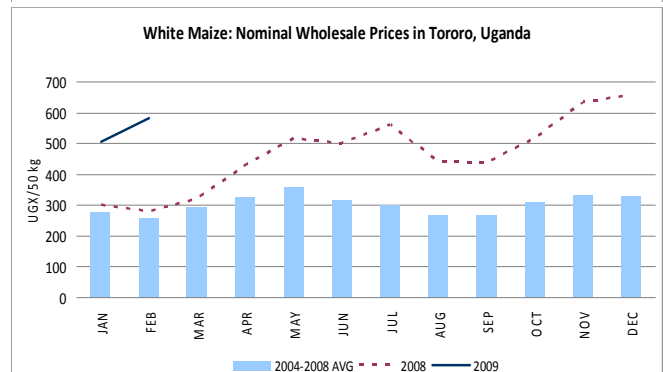
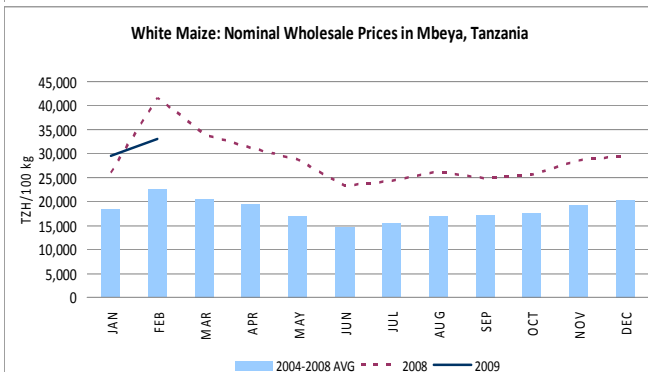
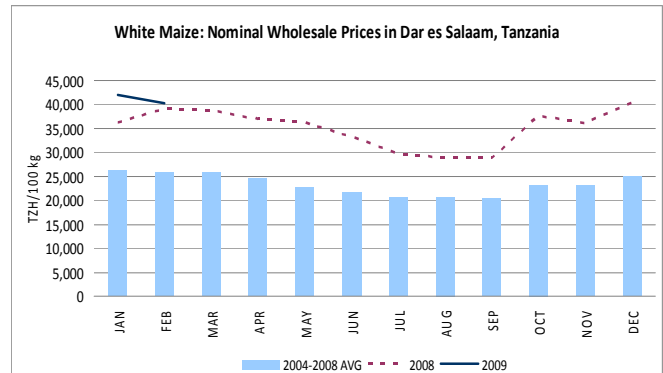
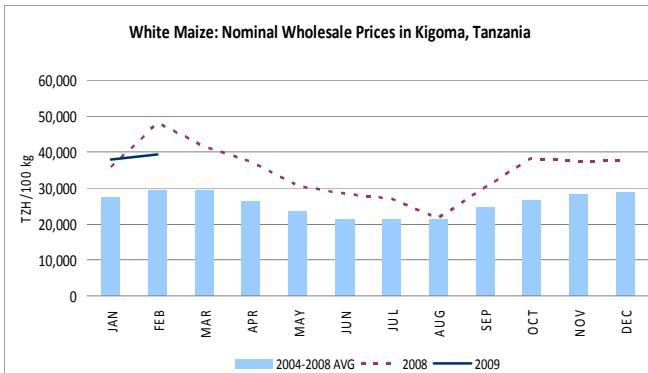
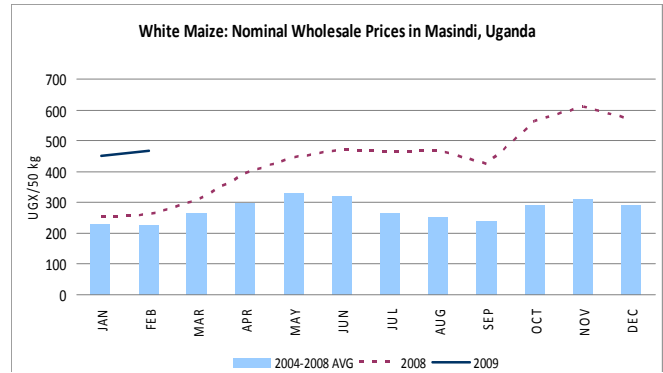
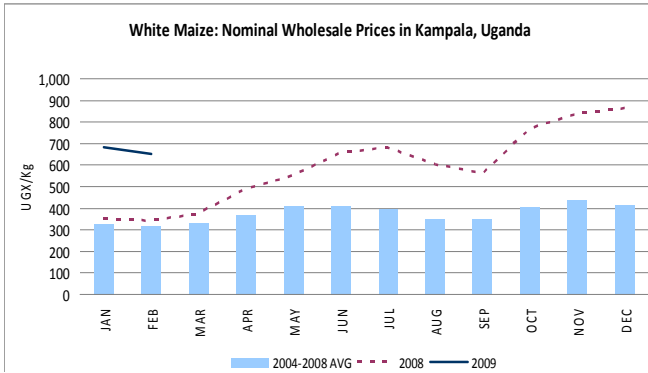
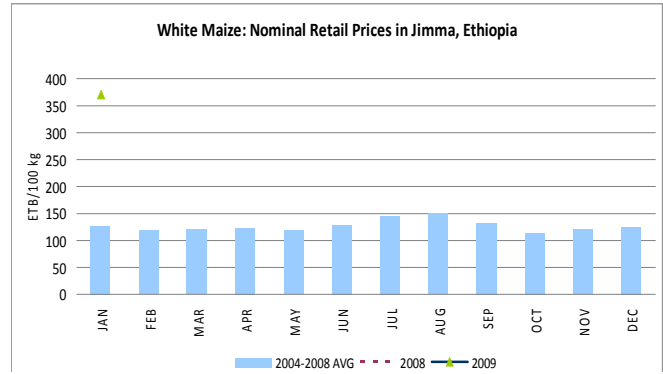
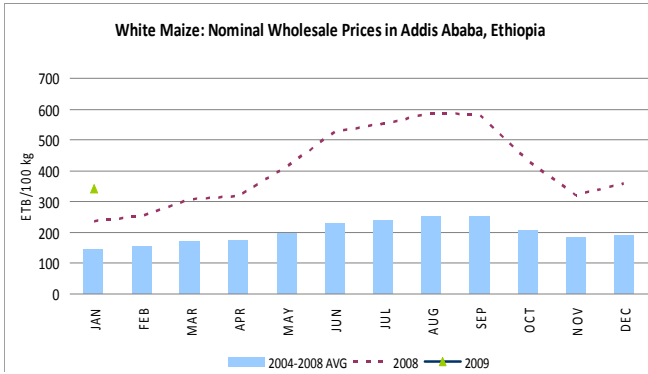


Monthly prices are supplied by FEWS NET enumerators and a range of partners: in Ethiopia, the Central Statistics Agency and FEWS NET; in Kenya, the Ministry of Agriculture (Market Research Branch); in Uganda, the Uganda Market Information System; in Tanzania, the Ministry of Trade, Industries, and Marketing;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

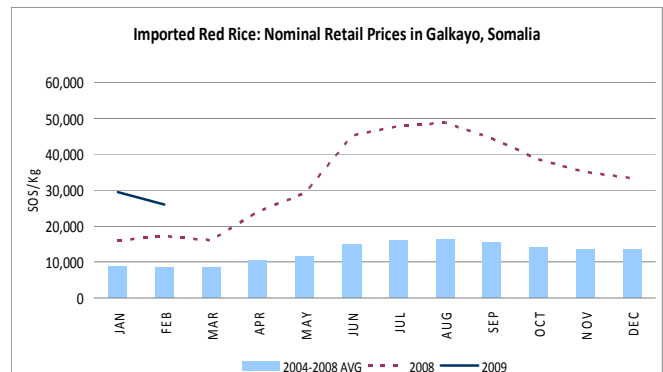
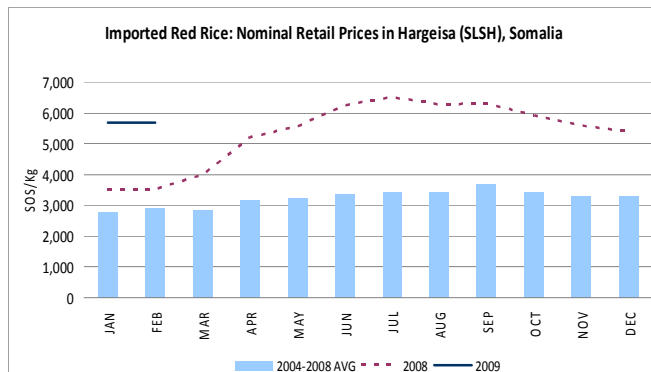
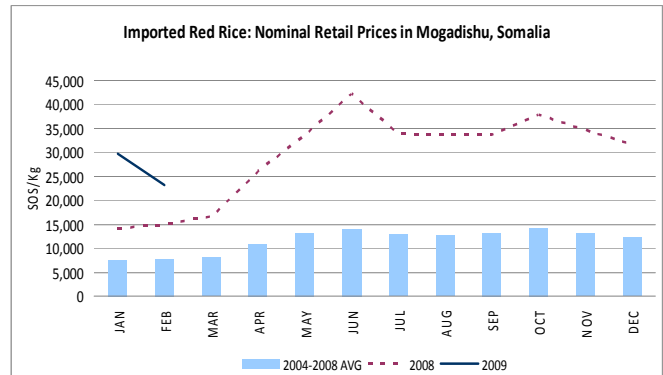
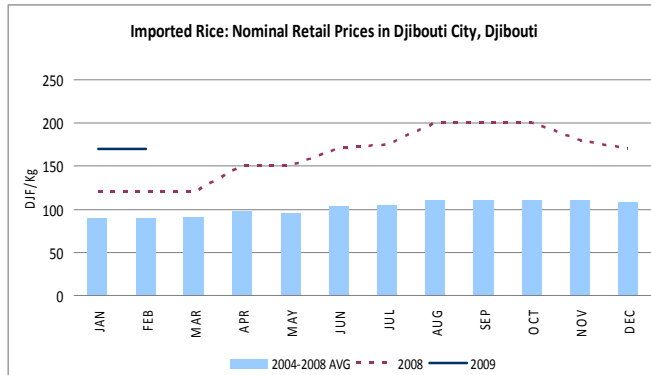
White maize is the main staple grain consumed in Tanzania, Kenya, and Ethiopia. In Uganda, white maize is grown mainly as a commercial crop for export in the region. Imported rice is a major staple for Djibouti and Somalia, which mainly consume *belem*—the imported red rice. Tanzania is also a major 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.

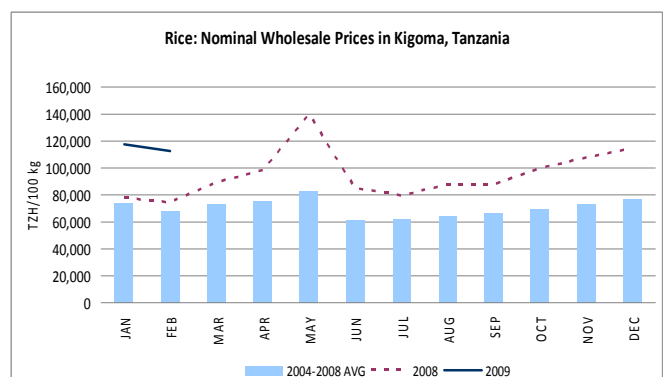
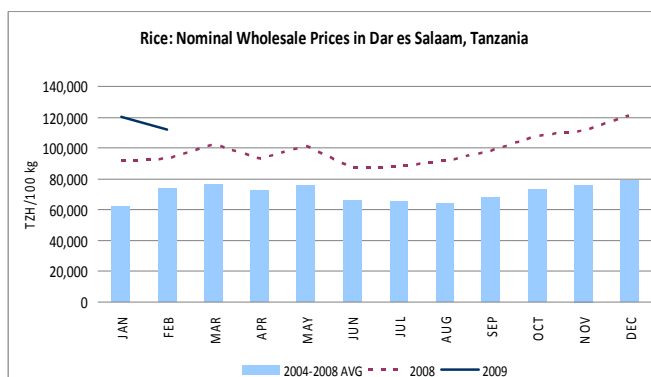




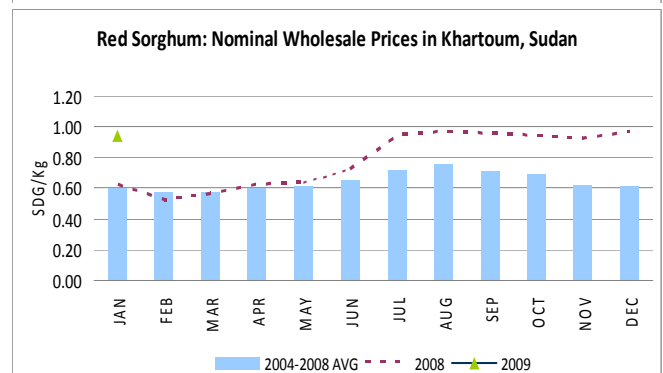
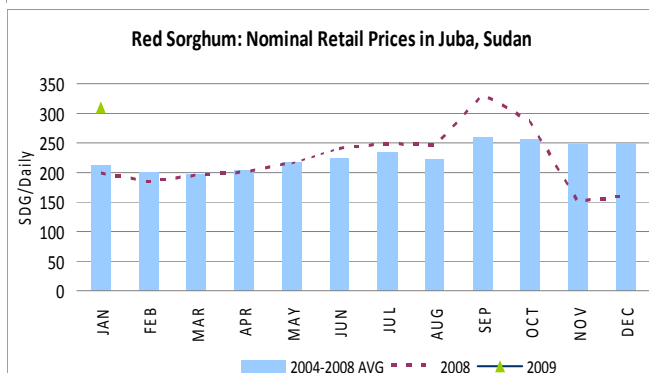
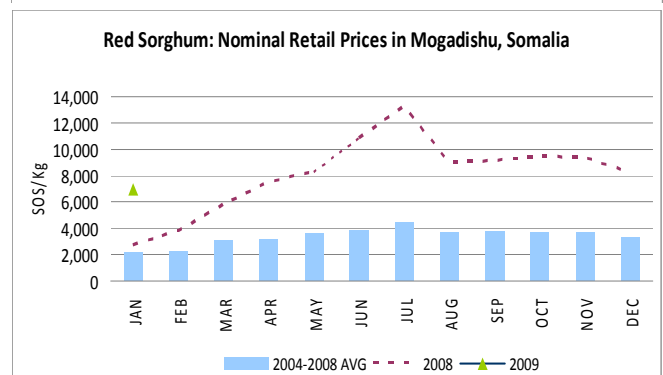
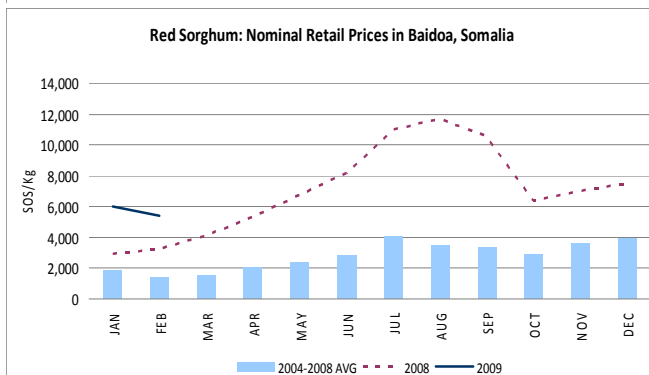
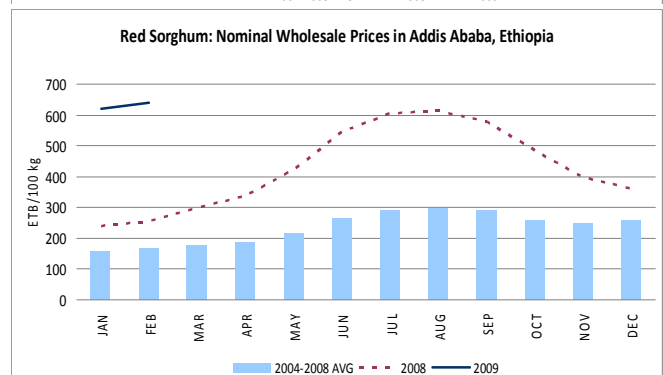
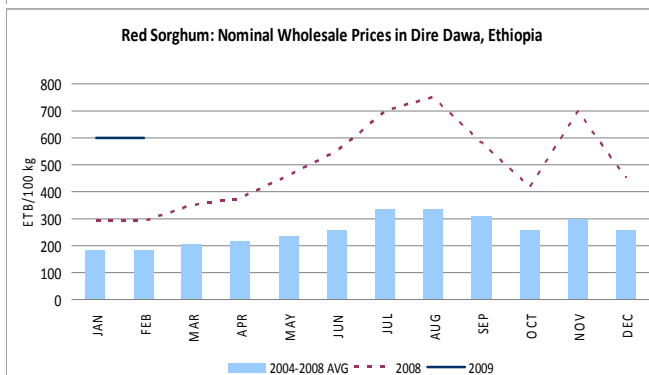
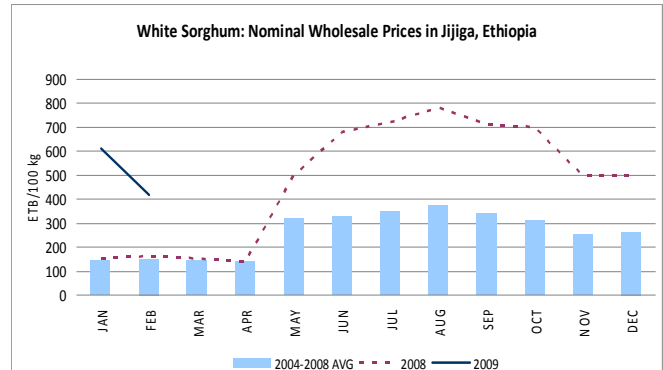
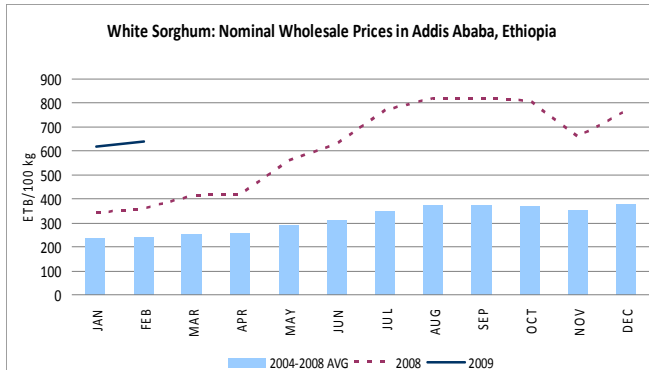
**IMPORTED RICE:** These are the main retail markets in Djibouti and Somali where imported rice is heavily consumed.

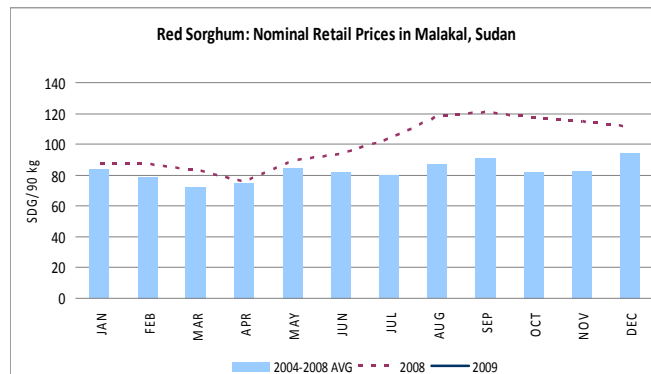
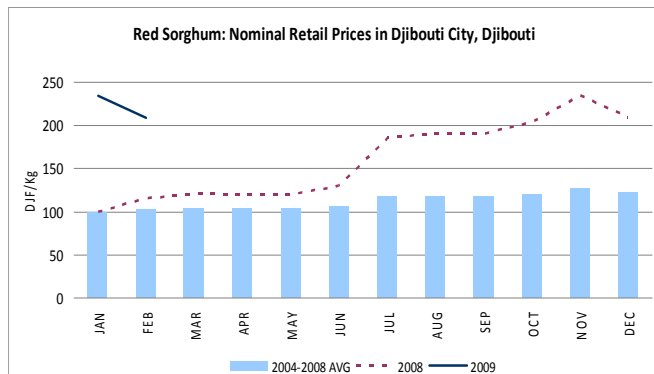


**LOCAL RICE:** Local rice is produced mostly in Kenya, Uganda and Tanzania. With the exception of Tanzania, most countries in the region are net importers of local rice, which has high demand in urban areas.

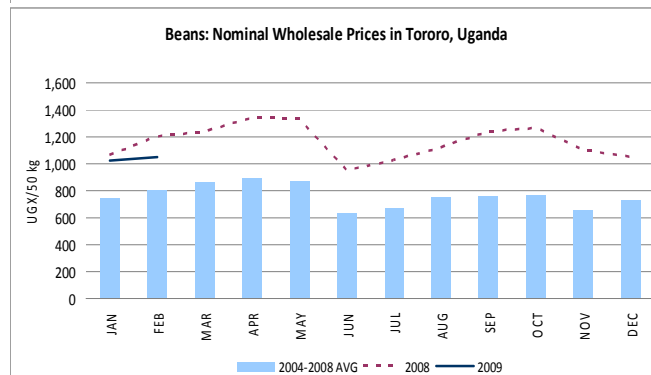
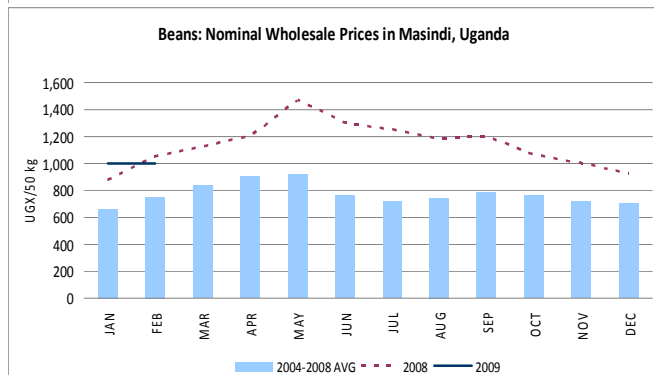
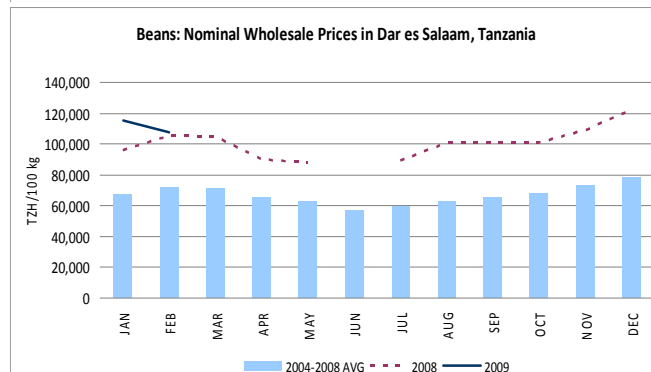
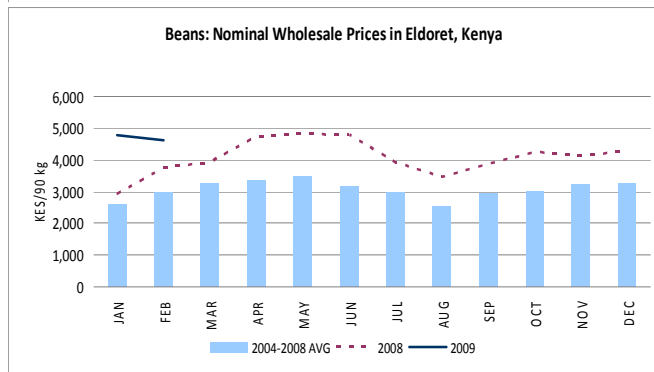
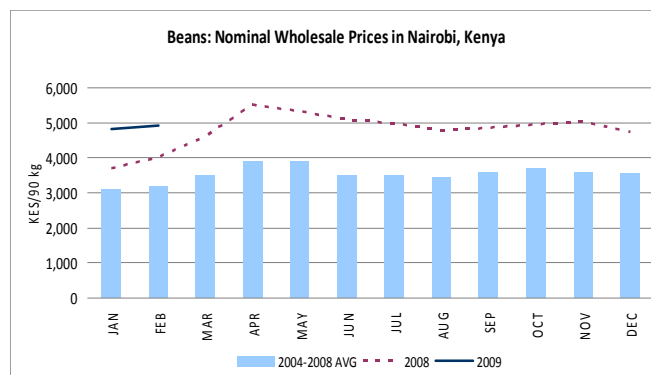
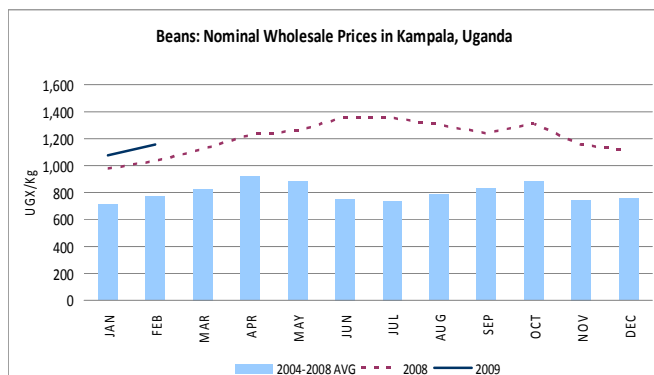


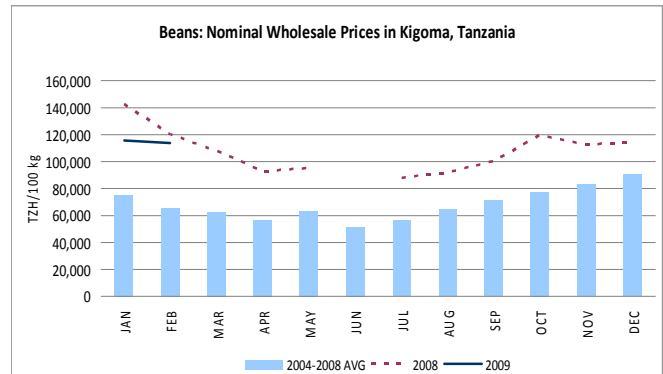
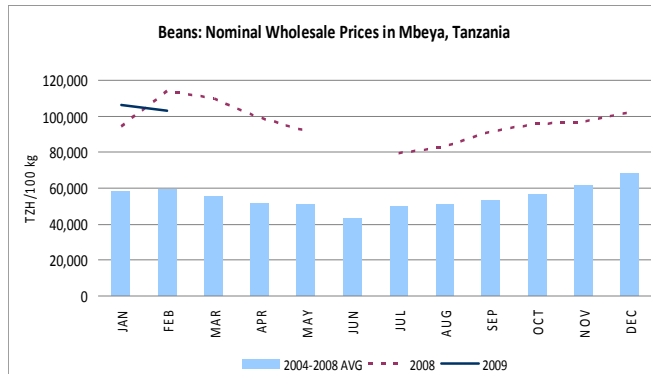
**RED AND WHITE SORGHUM:** Sorghum, both red and white, is an important consumption and production staple for many households in the region. These markets demonstrate the variety of places it is produced and consumed.





**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.

