Agriculture Knowledge, Learning Documentation and Policy (AKLDP) Project, Ethiopia

Food Price Brief
February 2017

El Niño in Ethiopia

Maize and Sorghum Price Trends – January 2017

Introduction

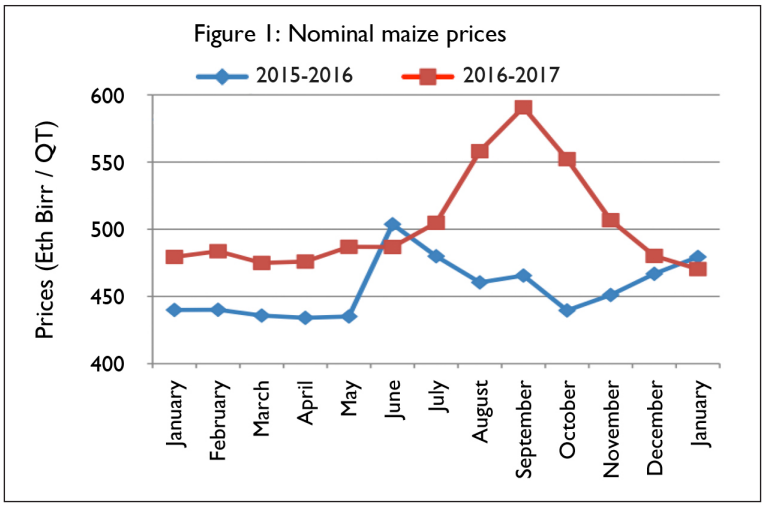
In this Food Price Brief, the AKLDP analyzes nominal Ethiopia Grain Trade Enterprise (EGTE) price data for maize and sorghum from January 2015 to January 2017. As noted in previous Food Price Briefs, maize and sorghum are the staple cereals of poorer, typically rural households – particularly in the eastern and southeastern parts of Ethiopia. Price trends for maize and sorghum therefore impact directly on household cereal consumption, and consequently on calorific intake.

Maize price information

In a normal year, maize prices typically fall in August through February following the onset of the 'green' and the 'main' maize harvest, as increased flows of maize reach local markets. After February, maize prices normally stabilize until May or June – when they start to rise to the July and early-August peak. This pattern was repeated during the period August 2016 to January 2017, with a fall in price of Eth birr 120, or 20%, per quintal (see Figure 1).

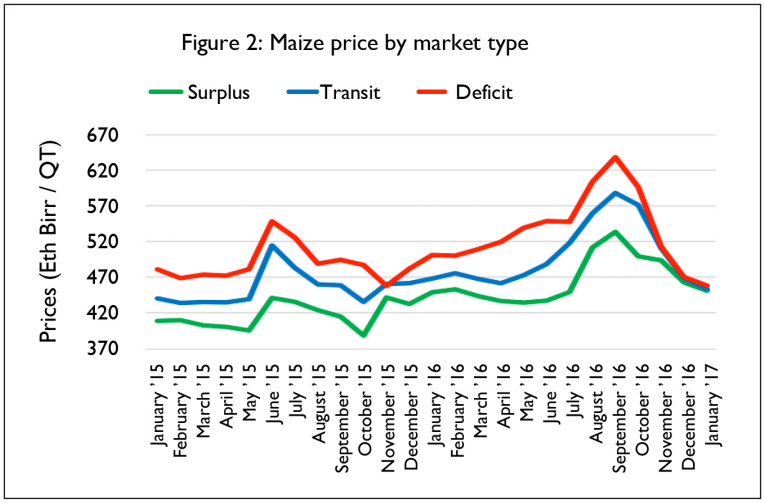
While following normal seasonal food price trends, nominal maize prices for January 2017 were Eth birr 39.43, or 9%, per quintal higher than those for January 2015 – but Eth birr 9, or almost 2%, per quintal lower than those for January 2016.

Figure 1: Nominal maize prices



Further analysis by market type confirms that month-on-month maize prices in the surplus, transit, and deficit markets decreased by 2.5% across all markets, while year-on-year prices decreased by Eth birr 15 (3%) per quintal and Eth birr 43 (9%) per quintal in the transit and deficit markets respectively. In contrast, year-on-year prices in the surplus market increased slightly, by Eth birr 2.2 per quintal (see Figure 2).

Figure 2: Maize price by market type



Furthermore, in January 2017 disaggregated month-on-month market data for 23 EGTE-monitored markets confirmed falling maize prices in 16 markets and price increases in 7 markets. The highest price decreases were recorded in: Mekele, Tigray region; Bahir Dar and Dejen, Amhara region; and in the Dire Dawa markets; price falls were by Eth birr 58 (11.9%) per quintal, Eth birr 37.5 (7.5%) per quintal, Eth birr 37 (6.6%) per quintal, and Eth birr 27 (5.7%) per quintal respectively. In contrast, the highest price increases were recorded in Gondar, Amhara region and Shashamane, Oromia region – by Eth birr 39 (8.7%) per quintal and Eth birr 25 (5.3%) per quintal respectively.

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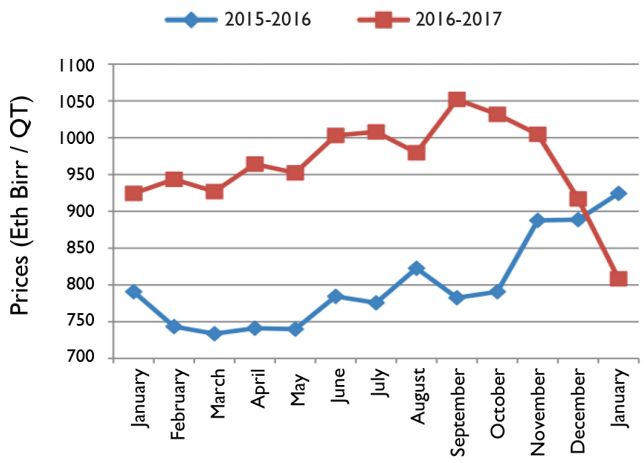
Sorghum prices

Sorghum is the staple cereal in eastern and southeastern parts of Ethiopia, including the zones most affected by the El Niño-induced drought. As with maize prices, sorghum prices typically peak in July and August, after which prices fall to February. Prices then normally stabilize in May and June, and then slowly start to rise to the July and early-August peak.

However, because of the El Niño drought, prices rose steadily throughout 2015 and on into 2016 – until the onset of the 2016 *meher* harvest in September, after which prices began to fall.

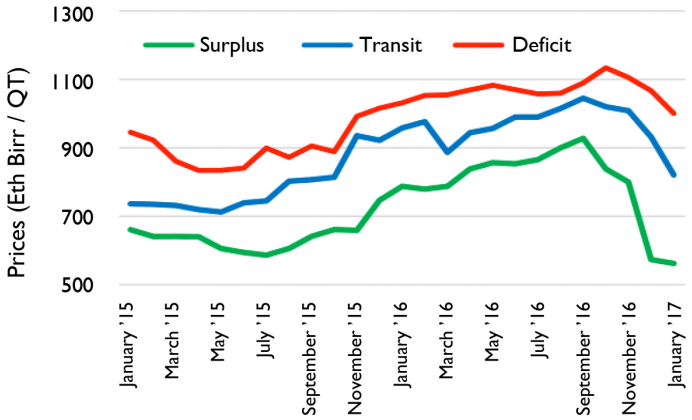
January 2017 prices were like those in January 2015, but considerably lower than they were in January 2016 – by Eth birr 116, or 13%, per quintal. The price decline from September 2016 was, however, more dramatic – by Eth birr 244, or 23%, per quintal. Month-on-month prices also fell steeply, with a price fall of Eth birr 109, or 12%, per quintal (see Figure 3).

Figure 3: Comparison of sorghum price



Disaggregated market price analysis in January 2017 for sorghum confirmed month-on-month price decreases in seven markets. The highest price decreases were recorded in: Jimma and Ziway, Oromia region, and in Gondar and Debre Birhan, Amhara region – by Eth birr 305 (25.8%) per quintal, Eth birr 217 (17.8%) per quintal, Eth birr 133 (21.1%) per quintal, and Eth birr 133 (14.3%) per quintal respectively.

Figure 4: Sorghum price by market type



Further analysis by surplus, transit, and deficit market type confirmed average month-on-month price decreases to January 2017 – of Eth birr 11.4 (2%) per quintal, Eth birr 111 (11.9%) per quintal, and Eth birr 66.3 (6.2%) per quintal respectively. Similarly, the year-on-year prices to January 2017 showed decreases of Eth birr 225 (29%) per quintal, Eth birr 137 (14%) per quintal, and Eth birr 31 (3%) per quintal in the surplus, transit, and deficit markets respectively (see Figure 4).

Conclusion

Following a year of high food prices – caused by the El Niño, this Food Price Brief suggests a return to near-normal seasonal food price trends, with prices peaking in September 2016 and then falling through to January 2017. However, what is not clear is the extent to which prices will continue to fall in February or if, as in normal years, they will stabilize and then steadily rise to a peak in August. If prices stabilize, then farm-gate prices will continue to stay healthy – Ethiopia maize and sorghum prices are well above global averages, with sorghum prices more than double farm-gate prices in the majority world. While high farm-gate prices are good for smallholder farmers – many of whom are also net consumers – high food prices disadvantage poor and very poor householders, who are dependent on purchases.