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

Food Price Brief

February 2016

El Niño in Ethiopia

Wheat and Teff Price Trends to January 2016

Introduction

Following the release by the Ethiopia Grain Trade Enterprise (EGTE) of nominal food price data for January 2016, this Food Price Brief provides an update on trends in wheat and teff prices, and covers the period March 2014 to end January 2016.

Wheat Prices

Nominal national wheat prices have been declining since October 2015, registering month-on-month declines of 5.3%, 3.6% and 3.3% declines in October, November and December respectively (Figure 1). This downward trend can be attributed to various factors such as:

- the peak wheat harvest season;
- EGTE imports - 235,000 mt;
- imports by the Strategic Food Reserve Agency, World Food Programme, Productive Safety Net Programme and USAID imports - an additional 213,520 mt;
- the mixed quality of locally harvested wheat.

Additional significant imports will arrive in the coming months and these can be expected to depress local prices.

In January 2016, wheat prices were stable with only a 0.3% month-on-month decline. However, wheat prices remain 22% above the prices of early 2014.

Disaggregated market data for November 2015 - January 2016 data confirms downward or stabilizing prices, with prices increasing in 11 EGTE surveyed markets and declining in 10 others. Further analysis by market type - surplus, deficit, and transit markets (Figure 2) - shows a mix of price increase and decrease. On average, prices increased in surplus markets by 3.9%, declined by 4% in transit markets, and again declined in deficit markets by 2%.

Figure 1: Nominal National Average Wheat Prices

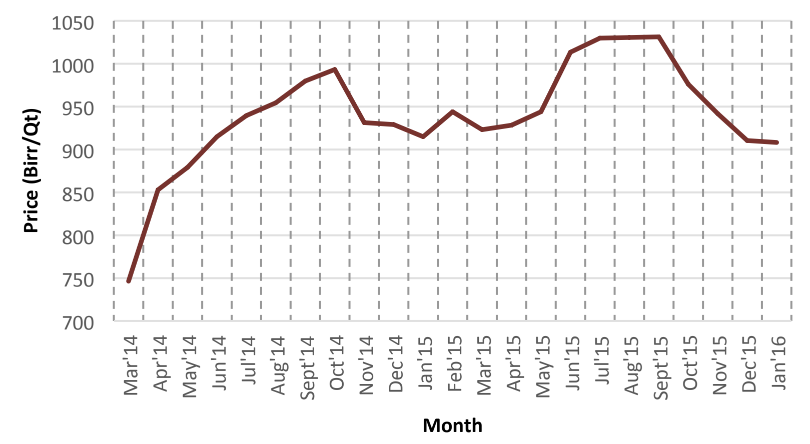
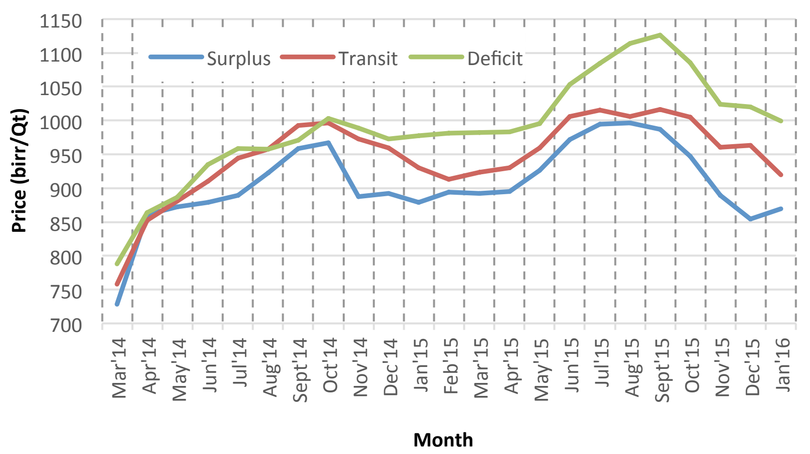


Figure 2: Wheat Prices by Market Type



Under normal circumstances, prices might be expected to be lowest in surplus producing areas and highest in deficit areas. The difference may be explained by the volume of imports and the release of wheat in deficit areas, which reduces demand. Prices in Bale Robe increased by 4%.

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Teff Prices

About 20% of Ethiopia's highland and mid-altitude arable cropping area is planted with teff, and this is the most prized of all cereals. White teff if the most preferred and there are strong price differentials between the three types of teff - red,
mixed and white. Nominal teff prices have increased steadily since March 2014 and increased by 5% from December 2015 to January 2016
- in contrast to a 3.4% decline in the same period in 2014/15. Significantly, teff prices rose by 27% from January 2015 to January 2016 (Figure 3).

Disaggregated prices confirm the general upward trend, as January month-on-month prices increased in 20 out of 21 markets. The highest price increases were registered in Shashamane and Debre Markos, with increases of 14.2% and 10.3% respectively.

Further analysis by aggregated market type - surplus, deficit, and transit markets – confirms a general increase in prices in all market types, with January 2015 to January 2016 prices increasing by 24%, 25%, and 26% respectively (see Figure 4).

Figure 3: Teff price trends in 2014-15 vs. 2015-16

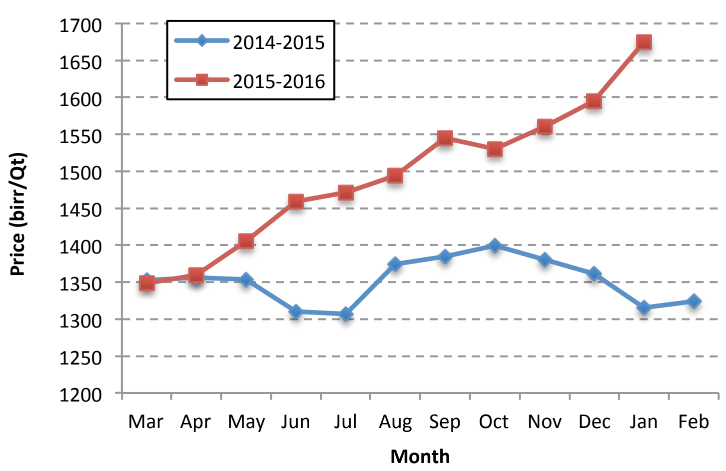
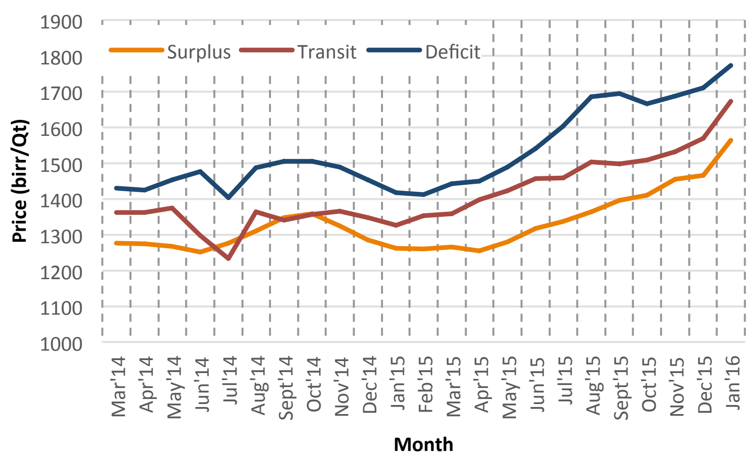


Figure 4: Teff Prices by Market Type



Conclusion

Wheat and teff are preferred foods in Ethiopia, and consumed mainly by wealthier urban populations. Demand is therefore a proxy indicator for rising levels of disposable income among the urban population. Nominal wheat and teff prices have increased since March 2014, and this suggests that demand is increasing faster than supply. Recent Government wheat imports have helped stabilize prices in the short-term, but more imports will be needed through the spring and summer to prevent further price increases. In contrast, wheat and teff prices may ease in drought affected rural areas, as household purchasing power is much reduced as a result of a poor summer *meher* harvest, declining daily wage rates, and livestock prices fall.

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