

El Niño in Ethiopia

Maize and Sorghum Price Trends – March 2016

Introduction

In this Food Price Brief, the AKLDP analyses nominal Ethiopia Grain Trade Enterprise (EGTE) price data for maize and sorghum from March 2014 to March 2016. As has been noted in previous Food Price Briefs, maize and sorghum are the staple cereals of poorer, typically rural households. Price trends of maize and sorghum therefore directly impact on household cereal consumption.

Maize Price Information

In a normal year, maize prices typically fall from August through to February following the onset of the main harvest and the increased flow of maize to markets. After February, maize prices typically stabilize until May or June when the prices slowly start to rise to August.

Between August 2014 and March 2015, maize prices fell by Eth birr 106/quintal or 20%. However, in the period August 2015 to March 2016, nominal prices of maize increased by Eth birr 14.5/quintal or 3%. Year-on-year maize prices to March 2016 have also increased by 9%. Running counter to this trend, month-on-month prices to March 2016 declined by Eth birr 8.73/quintal or about 2% (see Fig. 1).

Disaggregated market price data for March 2016 confirms variable price trends. For example, price increases were observed in eight markets, while prices fell across 15 markets. The highest monthly price increases were recorded in the deficit markets of Alaba, SNNPR and Shashemane, Oromia Region, where month-on-month prices increased by 5.6% and 5% respectively. In contrast, the biggest monthly price decreases were recorded in D/Birhan and Jijigga where prices fell by 6.3% and 5.8% respectively.

Further analysis by market type - surplus, deficit, and transit markets - indicates average price increases from March 2015 to March 2016 of 7.9% for deficit markets, 13.4% for transit markets and 10% for surplus markets (see Fig. 2).

Figure 1: Maize price trends by year

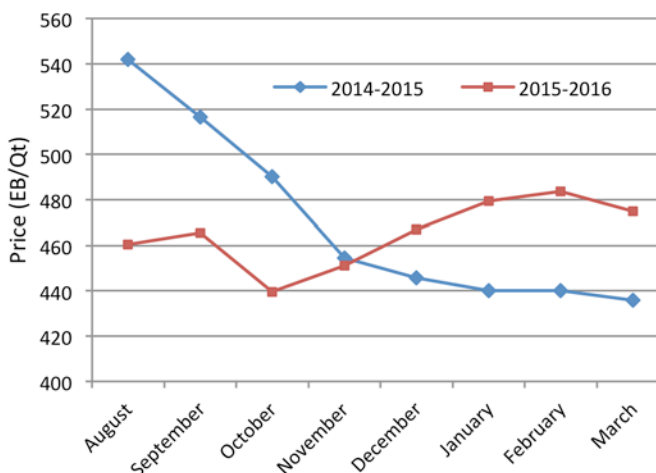
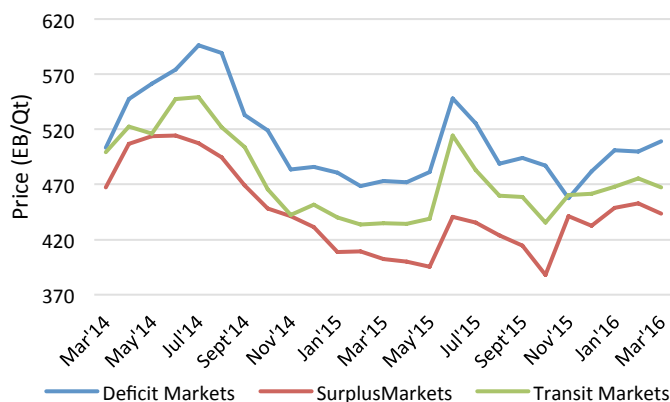


Figure 2: Maize prices by market type



Sorghum Prices

Sorghum is the staple cereal in the eastern part of Ethiopia, including zones that have been most affected by the El Niño-induced drought. As with other cereals, sorghum prices typically peak in August, after which prices fall to February. As with maize, prices then typically stabilize through to May and June, after which they start to rise to the August peak. For example, from August 2014 to March 2015 nominal sorghum prices declined by Eth birr 185/quintal or 20%.

In-line with recent maize price trends however, nominal sorghum prices have deviated from the long-term price trend with price increases from August 2015 to March 2016 of Eth birr 104/ quintal or 13%. As a result, year-on-year March prices to March 2016 were 26% higher than in March 2015. Further analysis by market type – deficit, transit and surplus – confirms year-on-year sorghum price increases of 21%, 22% and 23% respectively (see Fig. 4).

In contrast to these longer-term trends, month-on-month sorghum prices fell from February to March 2016 by Eth birr 17/quintal or 2% (see Fig. 3). Disaggregated month-on-month market price data for sorghum confirms price increases in three markets and declines across four markets. Price increases of 1.8% were recorded in Mekele and 1.5% in D/Dawa, while price declines of 13.4% were recorded in Dessie and 4.9% in D/Birhane.

Conclusion

Maize and sorghum prices are currently volatile and are following unusual long and short-term trends. Prices have risen – instead of falling – in the period August 2015 to March 2016, while aggregate nominal month-on-month, February to March 2016 prices for maize and sorghum have fallen – when they might have been expected to start rising. Within these aggregate price increases, prices in surplus, transit and deficit markets have both increased and decreased.

The reason for these atypical price fluctuations is most likely the result of substantial import increases and associated food assistance distribution that is helping to fill the gap left by the 2015/16 El Niño drought and reduced harvest. It may also be the case that poorer households in the most severely drought-affected areas have reduced access to cash – the result of reduced crop sales, poor livestock markets and suppressed local wage rates. Such households will be reducing cereal purchases. The markets have therefore responded to these market forces with reduced prices.

The onset of the 2016 *belg* rains has been both delayed and erratic and so the *belg* harvest will be delayed. If planting continues through April, the first substantial harvest to reach the market will be from mid-July onwards. Until this time, cereal prices will continue to be determined by a combination of imports – including food aid – and household cash availability.

Disclaimer

The views expressed in this food price brief are those of the AKLDP project and do not necessarily reflect the views of USAID or the United States Government.

Figure 3: Comparison of sorghum price trends

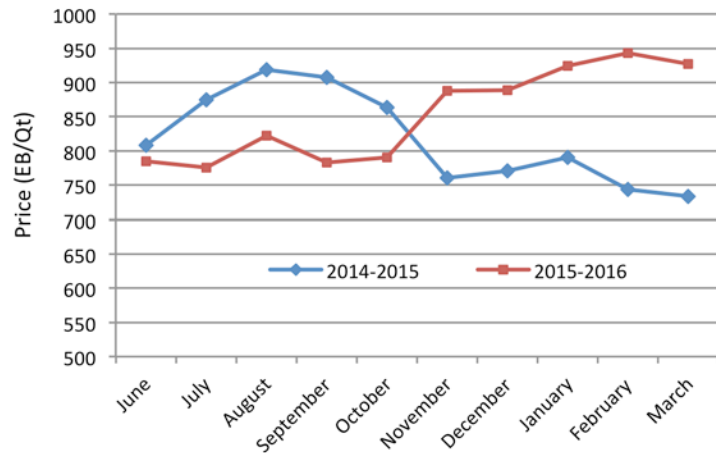


Figure 4: Sorghum prices by market type

