



El Niño in Ethiopia Wheat and Teff Price Trends - December 2015

Introduction

The 2015 global El Niño episode was one of the strongest on record. In Ethiopia, El Niño was associated with a drought that led to a reversal of impressive agriculture sector gains, with crop reductions of between 50 and 90 per cent in some regions, according to the Humanitarian Requirements Document (HRD) released by the Government and international development partners.ⁱ The HRD also includes a joint appeal for food and related emergency needs for an estimated 10.2 million people. The scale of this request, coupled with the early launch of the HRD,ⁱⁱ underlines the severity of drought.

If food assistance can be distributed in Ethiopia in a timely manner, a major food security crisis can be averted. However, delays in distribution will adversely affect food prices and increase hardship for poorer households, especially in the more severely drought-affected areas.

The AKLDP reported on maize and sorghum price trends in Ethiopia in a Food Price Brief in December 2015.ⁱⁱⁱ In this second Food Price Brief the AKLDP analyses nominal Ethiopia Grain Trade Enterprise (EGTE) price data^{iv} for wheat and teff in the period March 2014 to December 2015.

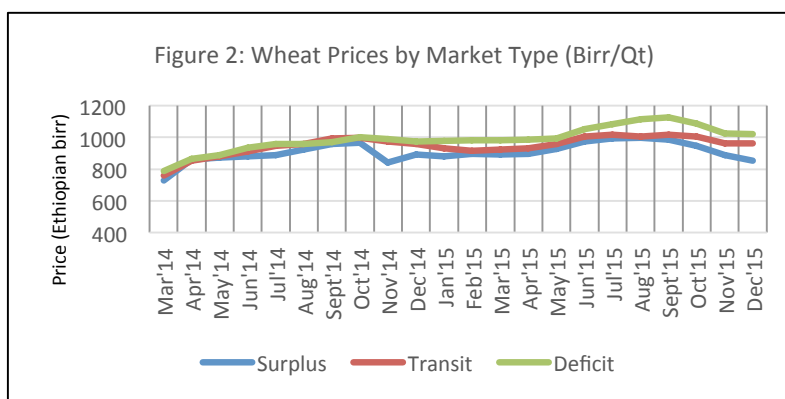
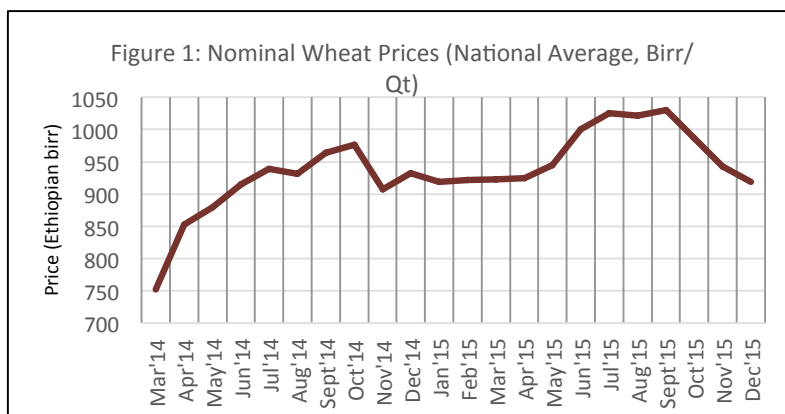
Wheat and wheat products account for approximately 14 per cent of the total caloric intake in Ethiopia, while teff and teff products account for an additional 12 per cent of total caloric intake.^v Wheat and teff are preferred foods in Ethiopia, and demand is increasing – especially in urban populations, with rising incomes. Therefore, wheat and teff price trends are a useful proxy-indicator of food security status among the wealthier rural and urban populations.

Wheat Prices

Nominal national wheat prices increased from November to December in 2014, but declined in the same period in 2015 (by around 4.7 per cent)(Figure 1). Nevertheless, December 2015 prices remain at least 20 per cent above the prices of early 2014, and before EGTE entered the market in March 2014.^{vi} In 2015 prices were constant in July and August following EGTE intervention and fell from September to December possibly in anticipation of the harvest and EGTE's release of 258,000 mt in the period July to the end of 2015.

Disaggregated market data for November - December 2015 data confirms recent downward price trends, with prices falling in 16 out of 19 markets surveyed by the EGTE. The largest recorded price fall was in Eteya, Arsi Zone, Oromia Region, where prices fell from ETB 1020 to ETB 887/qt, or a decline of 13 per cent. The largest price increase was recorded in Mekele of 2 per cent. Further analysis by market type - surplus, deficit, and transit markets (Figure 2) confirms average price declines in surplus markets of 3.9 per cent; average price increases in transit markets of 2.1 per cent; and a modest decline in deficit markets of 0.5 per cent.

Initial market surveys carried out by AKLDP suggest the decline may be due not only to the recent harvest and increased supply, but also the impact of the El Niño episode and the unusually poor quality of the first wheat that is entering the market.



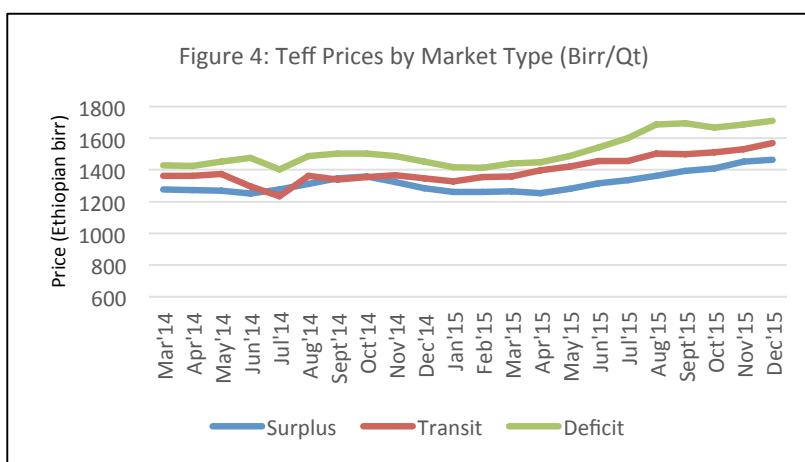
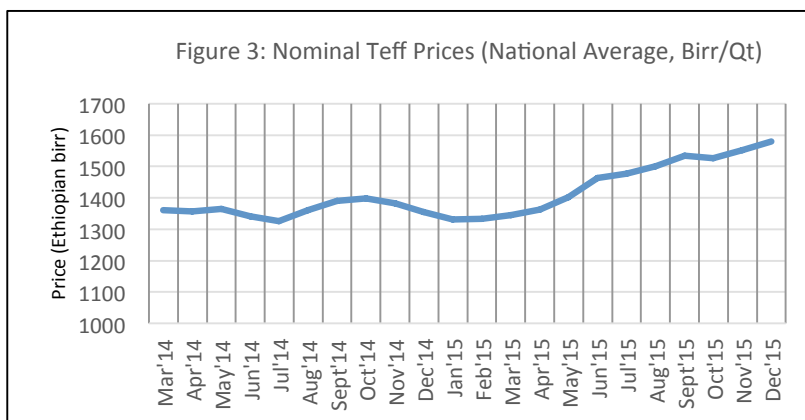
Teff

About 20 per cent of Ethiopia's arable land is planted with Teff, and it is widely grown across the highland and mid-altitude areas.^{vii} Teff is also the most prized cereal with strong price differentials between red, mixed and white teff; white teff is the most preferred. Nominal teff prices have increased since March 2014.

From November to December 2015 nominal teff prices increased by 1.7 per cent, up from a 2 per cent decline in the same period in 2014. Significantly, teff prices rose by 16.6 per cent from December 2014 to December 2015.

Disaggregated prices appear to confirm the general upward trend in prices, as November to December 2014 prices rose in 14/20 markets. The highest price increases were registered in Ambo and Ziway, with increases of 11.2 per cent and 7.5 per cent respectively. Prices declined in four markets, with the largest fall of 3.8 per cent recorded in Eteya.

Further analysis by aggregated market type - surplus, deficit, and transit markets (Figure 4) confirms a general increase in prices in all market types. Prices from December 2014 to December 2015 rose by 14, 16, and 18 per cent respectively.



Conclusion

Wheat and teff are considered preferred foods in Ethiopia. As disposal income increases among the wealthy and middle class, demand for these cereals is increasing. Nominal wheat and teff prices have increased since March 2014. However, recent Government imports and wheat price interventions have led to some stabilization of prices. In the short-term, teff and wheat prices may rise, especially in urban areas, if Government and development partners' efforts to import food are delayed. In contrast, wheat and teff prices may ease in particular in drought affected rural areas, as the poor summer *meher* harvest and declining daily wage rates have compromised household purchasing power.

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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.

ⁱ 2016 Humanitarian Requirements Document. Joint Government of Ethiopia and Ethiopia Humanitarian Country Team. December 2015. www.dppc.gov.et

ⁱⁱ The HRD is typically launched in January. The release of the 2016 HRD on the 14th December is unprecedented in recent years.

ⁱⁱⁱ AKLDP (2016). El Niño in Ethiopia: Maize and sorghum price trends – December, 2015 <http://www.agri-learning-ethiopia.org/wp-content/uploads/2016/01/Maize-and-Sorghum-Jan2016.pdf>

^{iv} See Ethiopia Grain Trade Enterprise, Market Statistics, <http://www.egte-ethiopia.com/en/2014-04-07-05-30-44/market-statistics.html>

^v FAO (2015). Food Balance Sheets. FAOSTAT. Rome.

^{vi} In an attempt to avert a perceived potential collapse in wheat prices EGTE was asked to purchase wheat and pegged the purchase price at ETB930/MT.

^{vii} Bachewe, F. N., Koru, B. and Taffesse, A. S., (2015). *Productivity and efficiency of smallholder teff farmers in Ethiopia*. IFPRI/ESSP II Working Paper 79. International Food Policy Research Institute, Addis Ababa.