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

Food Price Brief
March 2017

El Niño in Ethiopia

Maize and Sorghum Price Trends – February 2017

Introduction

In this Food Price Brief, the AKLDP analyzes nominal Ethiopia Grain Trade Enterprise (EGTE) price data for maize and sorghum from February 2015 to February 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 from September to February the following year, as increased flows of 'green' and then the 'main' maize harvests reach markets. After February, maize prices normally stabilize until May or June – when they start to rise through to the July to early September peak. The peak in 2016 was, however, considerably higher than normal, a result of the 2015 El Niño drought which significantly impacted on local food production in the Ethiopian highlands (see Figure 1).

As can also be seen in Figure 1, nominal prices increased from February 2015 to February 2016, by Eth birr 44 (9.9%) per quintal, and again between February 2016 and February 2017, by Eth birr 7 (1.4%) per quintal.

Further analysis by market type confirms that the month-on-month maize price in the surplus, transit, and deficit markets increased, by Eth birr 16 (3.5%) per quintal, Eth birr 37 (8.2%) per quintal, and Eth birr 27 (5.8%) per quintal respectively. Similarly, year-on-year prices increased in the surplus and transit markets, by Eth birr 14 (3%) per quintal and Eth birr 15 (3%) per quintal respectively, while prices fell in the deficit market by Eth birr 15 (3%) per quintal.

Disaggregated by market, prices increased in 17, remained the same in one, and fell in five markets. The highest price increases were recorded in Nazareth (Oromia), Mekele (Tigray), and Debre Birhan and Bahir Dar (Amhara) – by Eth birr 55 (13%) per quintal, Eth birr 53 (12%) per quintal, Eth birr 50 (11%) per quintal, and Eth birr 37 (8%) per quintal respectively. In contrast, prices fell in Debre Markos and Dejen (Amhara), by Eth birr 37 (7%) per quintal and Eth birr 35 (7%) per quintal respectively.

Figure 1: Nominal maize prices

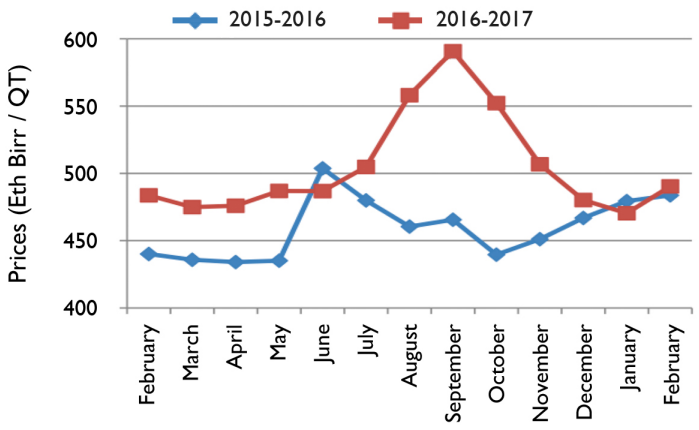
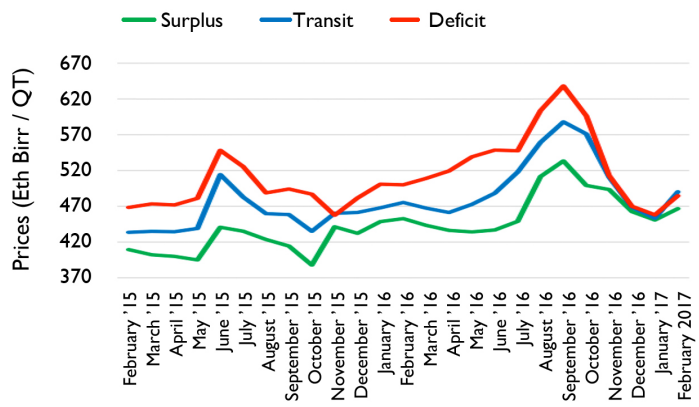


Figure 2: Maize price by market type



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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 August and early September, after which prices fall to February. Prices then normally stabilize to May and June, before rising again to the next peak in August and early September. In contrast to normal years, sorghum prices in the autumn of 2015 increased and continued to rise through to the harvest of 2016 (see Figure 3).

Prices increased from February 2015 to February 2016, by Eth birr 200 (27%) per quintal. In the period from February 2016 to February 2017, however, prices fell by Eth birr 99 (10%) per quintal. Following four consecutive months of falling prices, prices in February rose by Eth birr 37 (4.5%) per quintal.

Disaggregated by markets, February prices confirm month-on-month price increases in four markets, stable prices in two markets, and price decreases in three markets. The highest increases were recorded in: Jimma (Oromia), Gondar (Amhara), and Humera (Tigray), by Eth birr 175 (20%) per quintal, Eth birr 33 (7%) per quintal, and Eth birr 25 (5%) per quintal respectively. The highest price declines were observed in Dere Dawa and Dessie (Amhara), by Eth birr 55 (5%) per quintal and Eth birr 30 (3.5%) per quintal (3.5%) respectively.

Further analysis by market type confirms average month-on-month price decreases in the transit and deficit markets – of Eth birr 40 (4%) per quintal and Eth birr 14 (2%) per quintal. In contrast, month-on-month prices in surpluses increased – by Eth birr 20 (3.5%) per quintal (see Figure 4).

Figure 3: Comparison of sorghum price

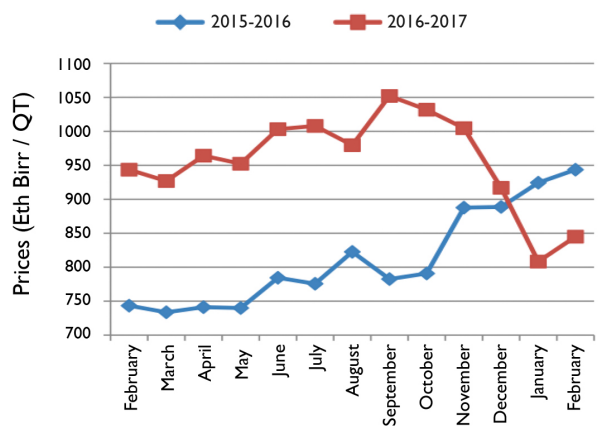
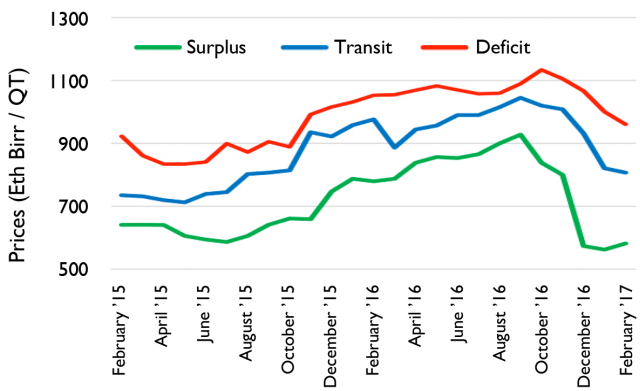


Figure 4: Sorghum price by market type



Conclusion

Smallholder farmers play a lead role in national maize and sorghum production, contributing to their own and national food security through sales. Many and perhaps most smallholders are, however, net consumers, as their total production is unable to meet their annual needs. Smallholders are, therefore, concerned about both low farm-gate prices at harvest time and high prices in the 'lean season'.

Nominal farm-gate prices for the 2016/2017 *meher* season have been strong, only dipping below those of 2015/2016 in January 2017, before rising again in February 2017. Therefore it can be assumed that the vast majority of smallholder farmers have sold well. However, the increase in February 2017 prices will concern many, as if these price increases continue, farmers who sold later in the season may find they are buying maize in May, June, and July at higher prices than the farm-gate prices they sold for.

Similarly, for sorghum, farmers sold well throughout the period September to December 2016 and indeed in January and February, although in the latter two months prices were below those of the same months in 2016, at a time of national food shortages (as a result of the El Niño). Prices are, however, above normal farm-gate prices for the season. Again, the increase in February 2017 prices will be of concern to some, in particular if they continue through to the lean season in the summer months. High prices in the summer would impact not only on poorer households, but also on those recovering from the El Niño drought, who are battling to pay off increased household indebtedness and rebuild their asset base.