



El Niño in Ethiopia

Maize and Sorghum Price Trends - December 2015

Introduction

Following a decade of impressive agriculture sector gains, including a reported doubling of cereal production, the Government of Ethiopia and Ethiopia Humanitarian Country Team launched the 2016 Humanitarian Requirements Document (HRD)ⁱ on the 14th December 2015. The result of one of the strongest El Niño episodes on record, the HRD recorded crop reductions of between 50 and 90 per cent in some regions. The HRD also made reference to the strong Government-led response including the release of US\$ 200 million in emergency assistance to November 2015 and the additional planned disbursement of US\$ 97 million in early 2016. Given the scale of need however the HRD requested international donor support to meet the food and related emergency needs for an estimated 10.2 million people. The forecast funding gap across all humanitarian sectors was US\$1.4 billion, including US\$ 1.1 billion in food aid.

The scale of the 2016 HRD request coupled with the early launchⁱⁱ confirms the severity of the El Niño-induced drought and potential scale of the food security situation. In order to meet the increased needs the Government is importing more food than in a normal yearⁱⁱⁱ and provided this can be distributed in a timely manner, a food security crisis can be averted. Delays in distribution have the potential however to lead to increased pressure on food prices, which would adversely affect the lives and livelihoods of poor and very poor households in particular in the most severely drought affected areas.

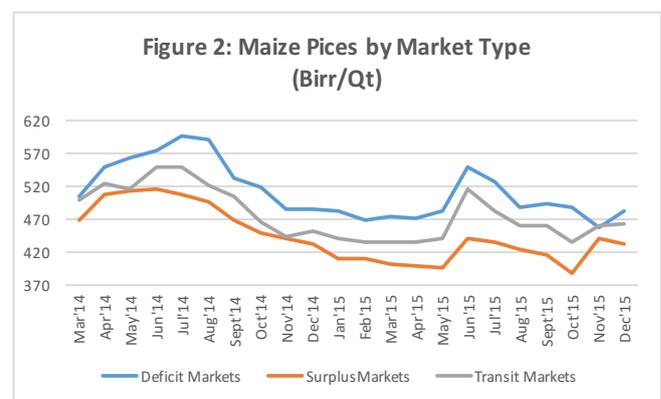
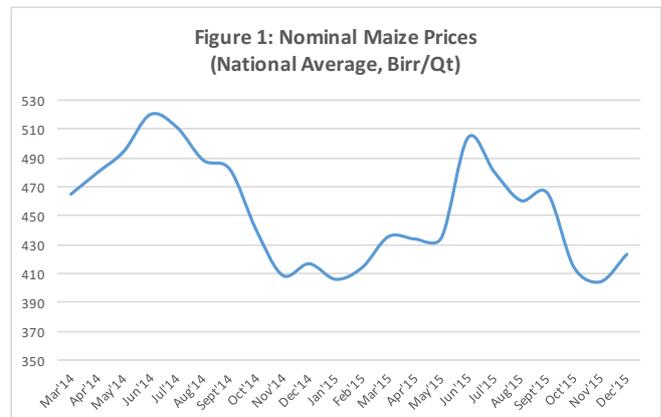
This AKLDP Food Price Brief presents an analysis of Ethiopia Grain Trade Enterprise (EGTE) price data^{iv} from March 2014 to December 2015 for maize and sorghum, which are staples for poorer households. Maize and sorghum prices trends therefore can be used as a proxy-indicator for the food security amongst poorer households.

Maize Prices

Nominal maize prices increased by 4.7 per cent from November to December 2015, up from a 2 per cent increase in the same period in 2014. In contrast, maize prices increased by 1.6 from December 2014 to December 2015 (see Figure 1). The increase in maize prices in this period in both 2014 and 2015 is significant, as typically cereal prices generally decline from August to February 2014. The up-turn in maize price in 2015 is however more marked than in 2014.

Disaggregating November - December 2015 price data confirms a mixture of price increases in 13 markets and price decreases in 10 markets. The highest price increase was recorded in Debre Birhan from ETB 417/qt to ETB 474/qt or an increase of 13.6 per cent. The biggest price decrease was recorded in W/Sodo with a decrease of 7.6 per cent.

Further analysis by market type - surplus, deficit, and transit markets (see Figure 2) confirms average price increases in deficit markets - Dire Dawa, Mekele, Shashamane, and Ziway - of 5.9 per cent.; average price decreases in three surplus markets - Bahir Dar, Bure and Nekempt - of 2.1 per cent; and a modest increase in three transit markets - Addis Ababa, Adama, and Woliso - of 0.4 per cent.

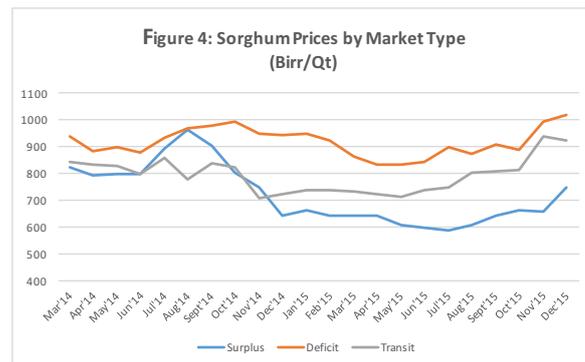
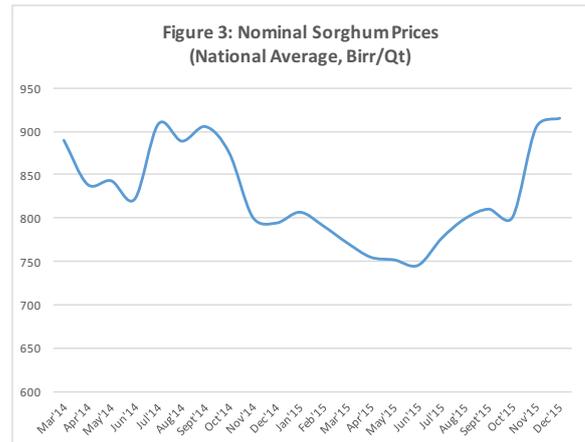


Sorghum Prices

Sorghum is a staple cereal in eastern part of Ethiopia including those areas most affected by the El Niño-induced drought. As with other cereals, sorghum prices peak around July and August after which they decline steeply to December and January after which they may continue to fall or stabilize. In 2015 however prices have risen steadily from June with steep price increases of 12.9 per cent in October and November. Nominal sorghum price also increased by 1.2 per cent November to December 2015.

Disaggregated sorghum price confirm increase in all markets surveyed October to November 2015 with the highest price increase of 19 per cent in Addis Ababa and price increases of 15, 14 and 11 per cent respectively in Bahir Dar, Dessie, and Gondar. The lowest price increase of 2.6 per cent was recorded in Humera. In contrast, November to December price movements were more mixed with the highest price increase of 8 per cent in Dire Dawa, while prices fell in some markets including a 3 per cent reduction in Addis Ababa.

Further analysis by market type - surplus, deficit, and transit markets (see Figure 4) confirms an increase in prices in all markets with the exception of the slight decline in transit markets November to December 2015. The sharp increase in prices in surplus markets in December is expected to be passed on to transit and deficit markets in January 2015.



Conclusion

Cereal prices in Ethiopia typically decline in the period after harvest from September through to January and February as farmers harvest and sell their grain in local markets and traders purchase and transport grain to other markets. Maize and sorghum price increases November to December 2015 are therefore atypical and occurred at a time when cereal prices are more normally declining at a rate of between 5 and 10 per cent.

The AKLDP will continue to analyze and report on food price trends in the coming months.

For further information:

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Disclaimer

The views and information in this brief are an output of the AKLPD project and do not necessarily reflect the views of USAID or the United States Government.

ⁱ 2016 Humanitarian Requirements Document¹. Joint Government of Ethiopia and Ethiopia Humanitarian Country Team. December 2015. www.dppc.gov.et

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

ⁱⁱⁱ In a normal year Ethiopia typically imports between 1 and 1.5 million metric tonnes of cereals and in more recent years 400,000 metric tonnes of cooking oil.

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