



El Niño in Ethiopia

Wheat and Teff Price Trends – March 2014 to March 2016

Introduction

In this Food Price Brief, the AKLDP analyses nominal Ethiopia Grain Trade Enterprise (EGTE) price data for wheat and teff over a two-year period from March 2014 to March 2016. Wheat and teff are typically the staple cereals of wealthier households in Ethiopia including the emerging middle class. Wheat and teff are however also eaten by poorer households in urban areas, although, at least with teff, it is typically only the cheaper quality that is affordable.

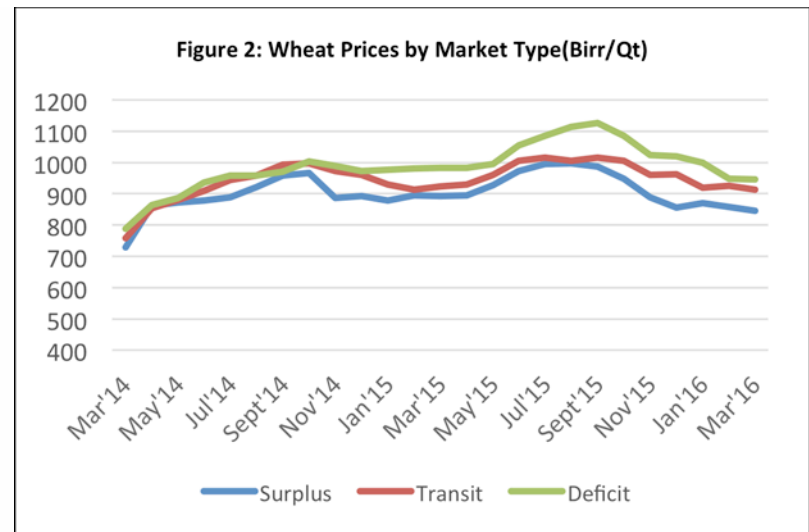
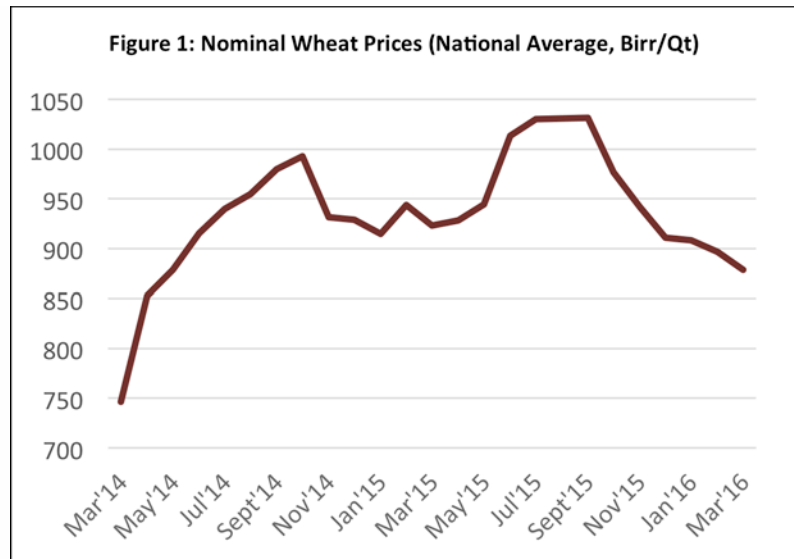
Wheat Price Information

In contrast to nominal maize and sorghum prices that increased from October 2015 to February 2016, the nominal price of wheat fell by Eth birr 98 birr/quintal or 17.2% in the same period. In-line with this decline, month-on-month wheat prices February to March 2016 fell by 2%. Wheat prices however remain approximately 18% above March 2014 prices (Fig. 1).

The decline in wheat prices after a poorer harvest – the result of the El Niño induced drought – is attributed to both reduced yields and poorer quality. Reduced yields also required the importation of significant amounts of wheat to stabilize market prices and to be distributed under food assistance initiatives. As Ethiopia will need to continue to import wheat through to the 2016 autumn *meher* harvest, local wheat prices can be expected to remain depressed, unless there is a break in the food import pipeline.

Disaggregated market prices for March 2016 confirms declining prices in 14 EGTE surveyed markets and price increases in 7 others. The biggest price decline of 12% was recorded in Ambo, Oromia and the highest price increase of 2.6% was recorded in Hosanna, SNNP Region.

Further analysis by market type – deficit, transit and surplus markets – confirms aggregate price declines of 4%, 1% and 5% respectively, in the period March 2015 to March 2016 (Fig. 2).



Teff

Teff is the most prized of Ethiopia's cereals, with white teff the most expensive followed by mixed and red teff respectively.

Nominal average teff prices increased steadily from January 2014 to February 2016 (Fig 3). Further analysis by disaggregated market type – deficit, transit and surplus markets – confirms increases of 25%, 22% and 21% respectively in the same period (Fig. 4).

In contrast to these steadily increasing teff prices, month-on-month nominal teff prices fell from February to March 2016 by 1.5%. The reasons for this price reversal are thought to include:

- middle-class households in urban switching from white to mixed and to red teff
- poorer households switching from teff to imported and cheaper wheat
- reduced purchasing power in drought affected areas including in nearby urban centres, the result of falling casual wage labour rates

Disaggregated market analysis for February to March 2016 confirms that teff prices fell in 11 major markets with the highest decline of 4.7% in Hosaena, 3% in Mekele and 2.9% in Asela.

Conclusion

As Ethiopia's preferred cereals for middle-class and wealthier urban households, the price trends of wheat and teff serve as a proxy indicator for household consumption patterns of better-off households that have rising levels of disposable income. As presented, wheat prices have declined steeply since September 2015 the result of a combination of reduced and poorer quality domestic production and Government imports. In contrast, teff prices continued upwards to March 2016 after which prices eased the result of a fall in demand in urban areas as middle class and poorer households switch to wheat as it is cheaper.

Disclaimer

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