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Food Prices: Eastern and Southern Africa Defy Global Trends

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Global food prices started rising sharply in 2006 and reached record levels in the second quarter of 2008. Although domestic food prices in Eastern and Southern Africa (ESA) are not totally unrelated to world prices, a study by the Association for Strengthening Agricultural Research in East and Central Africa (ASARECA), the Regional Strategic and Knowledge Support System for Eastern and Central Africa (ReSAKSS-ECA), and the Consultative Group on International Agricultural Research (CGIAR) Alliance shows that national and regional factors are very important in driving domestic food prices. While global food prices have exhibited declining trends since June 2008, several ESA countries have experienced increasing prices in 2008 and early 2009. The price surges appear to be further fuelled by some of the policy responses that countries have employed in their attempts to address the food price problem. This brief provides an update on food price trends in ESA. It starts by comparing the Food and Agricultural Organization of the United Nations (FAO) global food price index and food price indexes (FPI) in individual countries followed by an update on price trends for specific commodities. This information serves to remind policymakers that the easing global food prices do not present any immediate relief to the food crises facing their individual countries.

Comparing the FAO Global Food Price Index with Country Food Price Indexes (FPIS)

The FAO global food price shot up to unprecedented levels between 2007 and 2008. While global prices exhibited rising trends until March 2008, food prices in ESA also increased but at lower rates. Between March and June 2008, the global food price index stagnated and has even decreased since then. However, the decreasing trend in global food prices has not been reflected in ESA. Food price indexes for the majority of the countries in ESA have continued to rise since July 2008.

Ethiopia experienced the region's highest food price increase beginning in March/April 2008: its FPI shot up by about 54 percent over a four-month period from April to August 2008. Kenya followed Ethiopia in terms of the food price hike, followed by Uganda, Rwanda, Zambia, and Tanzania, respectively.

Tanzania experienced a sharp increase in its FPI between the last quarter of 2007 and the first quarter of 2008—about a 9 percent increase. However, the FPI in Tanzania stagnated throughout the second and third quarter. Rain failure within Tanzania partially caused food prices to rise. By March 2008, the Tanzanian government had imposed various measures (a maize-export ban, tax reduction for rice, and a food-ration (or, food-stamp) system) that might have helped to curtail the rise in food prices. Moreover, a bumper harvest for maize and rice was expected by May 2008, which also helped to drive down food prices within the country.

For Madagascar, Rwanda, and Malawi, there was no strong correlation between the countries' FPIs and the FAO global FPI. Madagascar had experienced a moderate increase in its FPI while Malawi experienced the most volatility. The trend in Rwanda's FPI fell between the ones for Madagascar and Malawi.

Evolution of Maize Prices

Between January and December 2007, maize prices were higher in Rwanda and Uganda than in any of the other selected countries in ESA. The prices in these two countries were more volatile than those of Kenya and Zambia over the same period. It should, however, be noted that the standard measure of quantity in Zambia is litres, as opposed to the kilogram measurement used by other countries. This was countered by assuming an approximation of 1 litre to 1 kilogram. A key observation is that maize prices were on average higher in 2008 than they were in 2007 for any of the selected countries.

In 2008, prices in Uganda shot from about US$235 in March to about $510 in July, which marked the highest change per ton of maize. The 2008 food security updates from Famine Early Warning Systems Network (FEWSNET) report that, with no carryover stocks from the 2007 harvest, the April to June hunger period began two months early (in February 2008), and the dry conditions delayed the onset and establishment of the April to August (or September) rains. This largely hindered crop cultivation for the region's single cropping season. These results follow two consecutive below-average agricultural production seasons and are also reflected in food prices, which have been rising since the third quarter of 2007, eroding households' purchasing power and undermining their potential for alternative sources of food.

In Kenya, maize prices steadily increased during the period between April 2007 and June 2008. This may be attributed to the poor harvest, poor rainfall, increased input prices (especially for fertilizers and seeds), and the political unrest in 2007 and 2008 that largely affected the country's grain basket. Although maize prices in Zambia were highest in April 2008, they dropped significantly following the April and May harvest.

Evolution of Bean Prices

On the other hand, bean prices increased in all of the selected countries for the period between January 2007 and December 2008. The cost of one kilogram of beans was highest in Zambia, followed by Uganda and Kenya respectively. In 2008, *African Agriculture* reported that the bean price increase in Zambia could partially be attributed to the fact that the southern African region as a whole did not have enough beans and had to look outside the region for commodities.

Bean prices in Rwanda were lowest for almost all the months considered, apart from the period between August and December of 2007 when bean prices across the region were lowest in Kenya. However, prices dropped from May 2008 for two countries: Kenya and Uganda. According to the food trade bulletin of the Regional Agricultural Trade Intelligence Network (RATIN), "during that time in Uganda, bean harvesting was reported in most areas while fresh bean supplies had been received at the Busia border of Kenya and Uganda."

Evolution of Rice Prices

Rice prices did not vary much in Uganda, Rwanda, and Zambia until September 2008, when they shot up to unprecedented levels in Uganda and Zambia. *African Agriculture* observed that the increase in rice prices in Uganda could partially be explained by a "temporary imbalance in the supply and demand, which created more profits for farmers as farmgate prices for rice shot to unprecedented levels.

Evolution of Wheat Prices

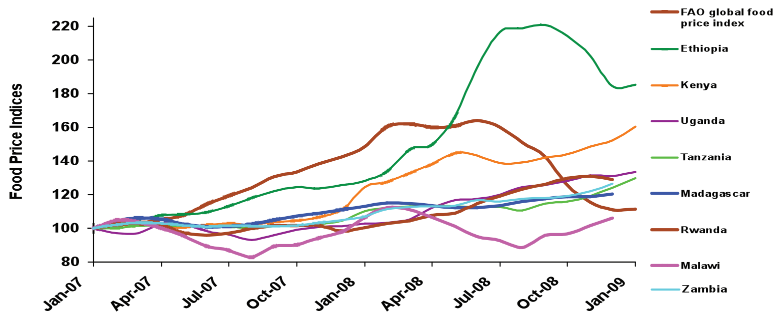
After maize, wheat is the most important crop produced in Kenya. According to the International Maize and Wheat Improvement Center (CIMMYT), Kenya's wheat production is about 350,000 tons every year, but the country needs to import about 450,000 tons annually to meet national consumption. Wheat prices in Kenya steadily increased from $300 per ton in January 2007 to $780 per ton by May 2008. Some analysts attributed this leap to the influence of the overall rise in wheat prices internationally. Prices, however, significantly dropped from July to October 2008. Rwanda's wheat prices mostly stagnated between 2007 and 2008, with a national average wheat price ranging between $400 and $600 per ton.

Evolution of Meat Prices

Meat prices increased between January 2007 and June 2008, followed by a notable downward trend beginning in July 2008 in almost all of the selected countries. The price was highest in Zambia, followed by Kenya, Uganda, and Rwanda respectively. In Zambia, the price per ton of mixed-cut hit a record high of $5,200 in the month of June 2008 and a low of $3,300 in December of the same year.

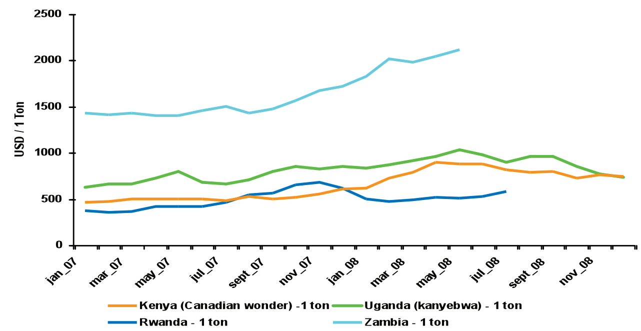
Kenya's meat prices increased gradually over the period in consideration, hitting a record high of $3,200 per ton in May 2008 and a low of $2,400 per ton in January 2007. However, the prices decreased slightly between June and August 2008. Uganda's meat prices followed a trend similar to the trend observed in Kenya, with prices rising from $1,700 per ton in January 2007 to $2,700 per ton in September 2008.

Food Prices



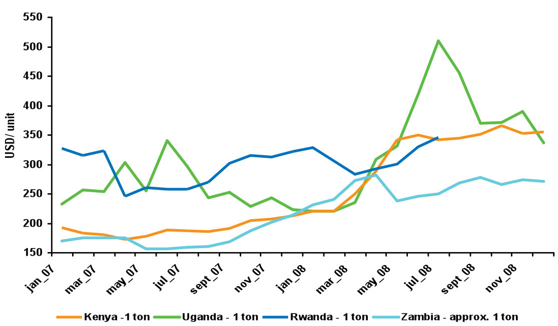
Source: FAO, 2008; country statistics offices

Beans



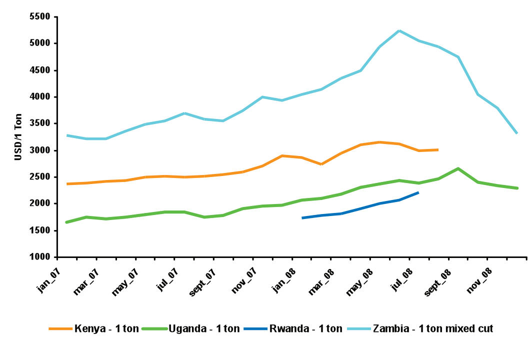
Data Source:
1 Kenya: Ministry of Agriculture; 2 Uganda: CPI data, Uganda bureau of statistics; 3 Rwanda: Ministry of Agriculture; 4 Zambia: Monthly Statistical Bulletin, Central Statistical Office; 5 Currency data: National central banks

Maize



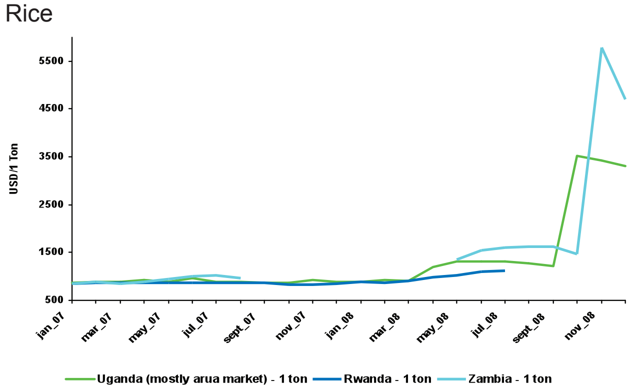
Data Source:
1 Kenya: Ministry of Agriculture; 2 Uganda: CPI data, Uganda bureau of statistics; 3 Rwanda: Ministry of Agriculture; 4 Currency data: National central banks

Meat



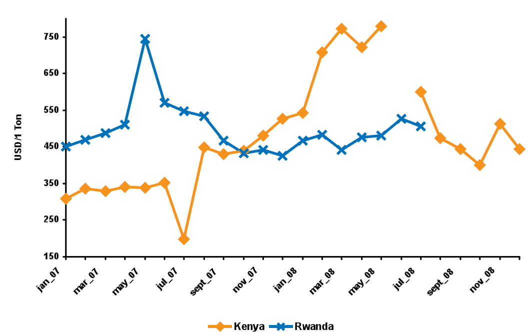
Data Source:
1 Kenya: Ministry of Agriculture; 2 Uganda: CPI data, Uganda bureau of statistics; 3 Rwanda: Ministry of Agriculture; 4 Zambia: Monthly Statistical Bulletin, Central Statistical Office; 5 Currency data: National central banks

Rice



Data Source:
1 Uganda: Uganda bureau of statistics; 2 Rwanda: Ministry of Agriculture; 3 Zambia: Monthly Statistical Bulletin, Central Statistical Office; 4 Currency data: National central banks

Wheat



Data Source:
1 Kenya: Ministry of Agriculture; 2 Rwanda: Ministry of Agriculture; 3 Zambia: Monthly Statistical Bulletin, Central Statistical Office; 4 Currency data: National central banks

This study is available at http://www.asareca.org/resources/reports/resp2food_pr_main.pdf.

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The Regional Strategic Analysis and Knowledge Support System (ReSAKSS) is an Africa-wide network of regional nodes supporting the Common Market of Eastern and Southern Africa (COMESA), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC), in collaboration with the International Food Policy Research Institute (IFPRI) and the Africa-based centers of the Consultative Group on International Agricultural Research (CGIAR), to facilitate the implementation of the AU/NEPAD Comprehensive Africa Agriculture Development Programme (CAADP).

The ReSAKSS nodes offer high-quality analyses to improve policymaking, track progress, document success, and derive lessons for the implementation of the CAADP agenda. ReSAKSS is jointly funded by the United States Agency for International Development (USAID), the UK Department for International Development (DFID), and the Swedish International Development Cooperation Agency (SIDA). The nodes are implemented by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), the International Institute of Tropical Agriculture (IITA), the International Livestock Research Institute (ILRI), and the International Water Management Institute (IWMI), in collaboration with regional and national partners.

This brief has undergone a standard peer-review process involving one reviewer from within the ReSAKSS network of technical partners.

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