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The Impact of the COVID-19 Pandemic on Staples Food Prices in Local Markets: The Case of Cooking Banana ('Matooke') in Uganda

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This bulletin analyzes the short-run effects of the COVID-19 pandemic and measures taken by government to control it on the prices of cooking banana (locally known as 'matooke') across local markets in Uganda.

Matooke is the primary staple food commodity in Uganda for over 13 million people. Its production is mostly concentrated in the southwest and central regions. Annual production is estimated at between 10-12 million Metric tons. It is a highly perishable commodity and is therefore vulnerable to any market disruptions. The analysis involves a comparison between the actual monthly prices with predicted prices that would have prevailed based on seasonal patterns and historical price data from January 2010 to December 2019. Price data was obtained from Farmgain Africa (Agricultural Marketing and Market Information Service).

The bulletin focuses on 4 markets; Owino market (in Kampala), Masaka (in Central Uganda), Lira (in Northern Uganda) and Mbarara (in Western Uganda). These four markets were selected for analysis because of availability and completeness of long-term time series data (2010-2020) that is a requirement for undertaking such analysis. Prices that would prevail in the absence of COVID-19 were estimated by applying a model to predict local price data from January 2010 to December 2019. The predicted prices are then compared with the actual monthly prices of Matooke to assess the impact of the pandemic and efforts to respond to it on local markets.

LOCAL STAPLE FOOD MARKET DYNAMICS UNDER COVID

The pandemic is likely to be more disruptive to local food markets and thus have more serious effects on the poorest and most vulnerable groups and communities than any of the crises in recent years. This is because the poor and vulnerable are affected by changes in local food staple prices significantly more than other population groups, not only because of more limited purchasing power but also because of differences in consumption baskets. Moreover, domestic markets for local food staples such as yam, cassava, white maize, cowpeas, millet or sorghum tend to behave differently during times of crisis than global markets for major commodities such as rice, wheat or yellow maize. For instance, the last global food price crisis had much more significant impacts on the latter group of food commodities. Local food staples markets tend to be rather segmented from global food markets. Staple food prices therefore tend to be isolated from global market shocks. The difference with Covid is that the disruption of food supply chains has hit both domestic and global food markets rather badly.

The global nature and complex ramifications of the pandemic make it impossible to avoid the pain from rising food prices, in particular among vulnerable groups. Different staples weigh differently in local diets. Different communities are affected differently by changes in prices of different staples. Some markets are more connected than others and therefore price changes for the same staple food vary across geography and over time. Consequently, a good understanding of how local staples markets behave and close tracking of changes in food prices at community level have to be key elements of any strategy to protect livelihoods. AKADEMIYA2063 scientists and their partners are working to ensure that governments and other national stakeholders have sufficient information to plan and respond to the effects of the pandemic on local markets.

Ousmane Badiane, Executive Chairperson

For the sake of simplicity, we interpret price variations between -5% and +5% as indicative of normal price behavior and thus absence of disruption.

Figure 1 : Share of markets with lower/higher than predicted prices in retail markets



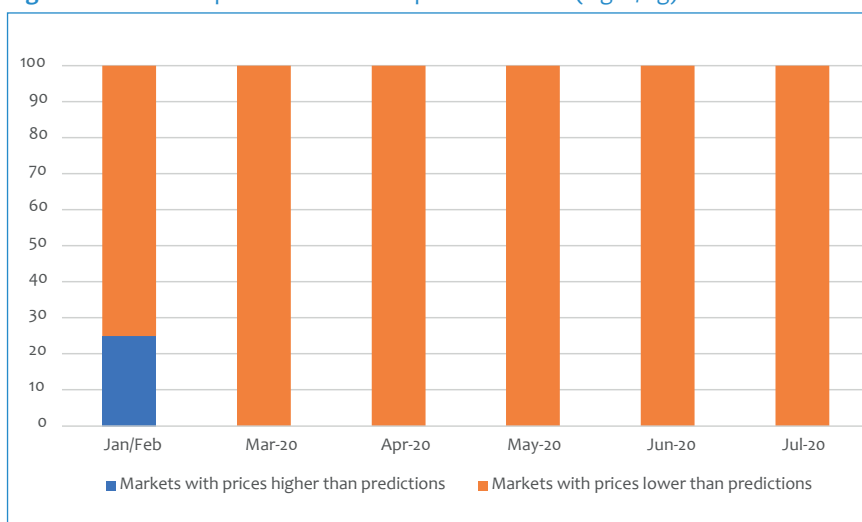
Source: Authors' computation based on Farmgain Africa price data base

The findings focus on the period from March to July, during which different measures were put in place to contain and control the spread of COVID-19 whose first case was reported in Uganda on March 21st, 2020. The government instituted measures that included strict restriction of vehicular transport and movements, closure of hotels, restaurants and lodges, night-time curfews, closure of markets and imposition of strict rules for opening and operation of the markets. Other measures included partial closure of borders and a requirement of COVID-free certificates for cross-border truck drivers, prohibition of unnecessary travel, requirement of disinfection of transport vehicles, requirement for personal protective equipment for truck drivers, night curfew throughout the country among other measures with potential to directly or indirectly affect the prices of agricultural commodities including the staple *matooke*. The findings are discussed in the subsequent sections.

Restrictions affected the ‘matooke’ market by causing a sharp decline in prices

The restriction measures undertaken by the government led to a near collapse of the *matooke* prices. This matter was widely reported in local media in Uganda. The closure of hotels and restaurants and learning

Figure 2: Actual and predicted Matooke prices in Owino (Ugsh/Kg)



Source: Authors' computation based on Farmgain Africa price data base

institutions that are a major market for *matooke* led to a decline in demand and plummeting of prices. The restriction in movement and partial closure of borders also affected the export of banana to neighboring countries. The strict restrictions within the country also severely affected the ability to access markets by sellers and buyers of the *matooke*. Furthermore, the operations of the markets were restricted by new standard operating procedures implemented by the government to control the spread of COVID-19.

The effects of COVID-19 and the related government actions are observable from behavior of ‘*matooke*’ prices between March and July across local markets. As would be expected, restrictions enacted in March to limit the movement of people, which in turn affected the movement of goods, led to a decline in *matooke* prices relative to long term prediction. Figure 1 shows that all the markets (100%) recorded lower than predicted prices from March to July 2020. In the period preceding COVID-19 restrictions (January-February 2020), about 25% of the markets were experiencing prices that were higher than predicted. With the onset of COVID and related restrictions, price decline spread to all the markets considered in the study and stayed below the predicted levels throughout to the month of July, the latest month covered by the study.

Actual prices in the retail markets were observed to range between -48% to -16% below the predicted prices across the markets over the March to July 2020 period (See Figure 6, below). During the months of May and June (at the peak of restrictions) all the markets experienced their largest decline in prices. The observation of declining prices of ‘*Matooke*’ is an expected phenomena given the perishable nature of the commodity and the type

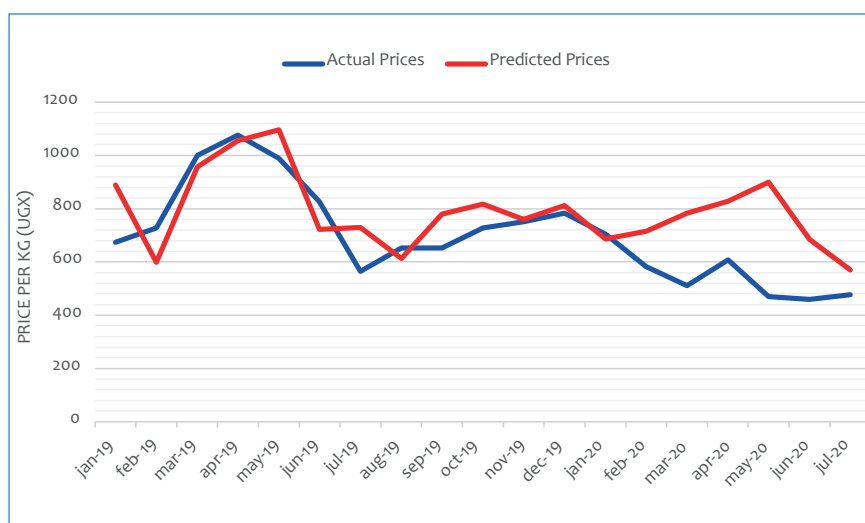
of restriction measures put in place by the government that hampered transport and trade.

Figure 3: Actual and predicted Matooke prices in Masaka (Ugsh/Kg)



Source: Authors' computation based on Farmgain Africa price data base

Figure 4: Actual and predicted Matooke prices in Mbarara (Ksh/Kg)



Source: Authors' computation based on Farmgain Africa price data base

Figure 5: Actual and predicted Matooke prices in Lira (Ksh/Kg)



Source: Authors' computation based on Farmgain Africa price data base

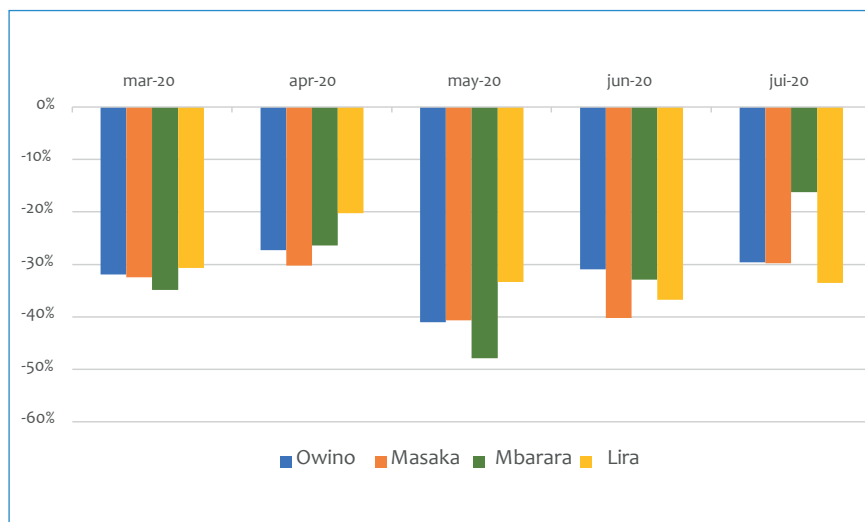
The dynamics in local prices are illustrated in Figures 2-5, which show the actual and predicted prices of *matooke* for the four markets of Owino, Masaka, Mbarara and Lira, respectively. A similar pattern is observed

in all the four markets; *matooke* prices were lower than predicted from March to July 2020. An uptick in prices is observed in all markets during the month of April following the imposition of COVID-19 related restrictions beginning Mid to late March. COVID-19 disease was declared a notifiable disease in Uganda on 17th March 2020. An array of restrictive measures were instituted on 23rd March 2020. The uniform surge in actual prices during the month of April can therefore be interpreted as a short term reaction resulting from imposition of these measures. During the month of May slight adjustment in prices downward were observed in all the markets. The downward trend in prices continued throughout the following months, with a slowing pace of decline in June and July.

In July, the actual and predicted prices were on trend towards a convergence especially in Mbarara Market in Western Uganda (see Figure 4).

It is clear from the observed price trends that the COVID-19 pandemic and related control measures, which have literally clogged the supply chain of a perishable staple commodity such as *matooke* from production areas to consumer markets, have had a significant, immediate, uniform and negative impact on prices in local markets as shown in Figure 6. Interestingly, the behavior of *Matooke* prices in Uganda differs quite a bit from what is observed in staples food markets in other countries. Similar studies in West Africa have shown different price behavior in millet and maize markets with decreases in surplus markets and increases in deficit markets (Taondyande, 2020). Maize markets in Southern Africa (Malawi and Mozambique), exhibit similar trends of depressed prices, primarily in border area markets, but with more variation across markets (Matchaya 2020). The difference in behavior of prices observed in Uganda may

Figure 6: Percentage difference between actual and predicted Matooke prices (March to July 2020)



Source: Authors’ computation based on Farmgain Africa price data base

be tied to the perishable nature of matooke (as compared to millet and maize in West Africa) and the fact that Uganda is more of an exporter of the staple into neighboring markets (similar to border area markets in Southern Africa).

Conclusions

Measures taken by the government to control and contain the spread of COVID-19 had unintended effects of disrupting the prices of *Matooke* which is an important staple food in Uganda. As discussed in this bulletin, the containment measures made it difficult for *Matooke* to flow uninterrupted from production markets to consumption markets. The closure of hotels and restaurants that are major demand points for the staple exacerbated the situation. The declining actual prices relative to predicted prices continued even into the month of July despite some relaxation of the initial measures.

To cushion the most vulnerable people in urban areas, the government initiated a food distribution programme targeting 1.5 million persons in urban areas of Kampala and Wakiso districts whose livelihoods depended on daily earnings and lost work due to the measures. Other measures

included, extension of period for filing tax returns, rescheduling of due tax payments, waiver of penalties by the Uganda Revenue Authority (URA). To better manage future shocks like COVID-19, it is critical to ensure minimal disruption in the flow of perishable staple commodities from farms to markets areas. Furthermore, better informed targeting of areas for which to impose restrictions would help reduce large scale disruptions.

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