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FOOD PRICE MONITOR: MAIZE AND RICE IN EAST AFRICA

JULY 2021

The Food Price Monitor: East Africa is a monthly report developed for the Food Security Portal (FSP), facilitated by IFPRI, with the goal of providing clear and accurate information on price trends and variations in selected maize and rice markets throughout East Africa. The reports are intended as a resource for those interested in maize and rice markets in East Africa, namely producers, traders, consumers, or other agricultural stakeholders.

Highlights

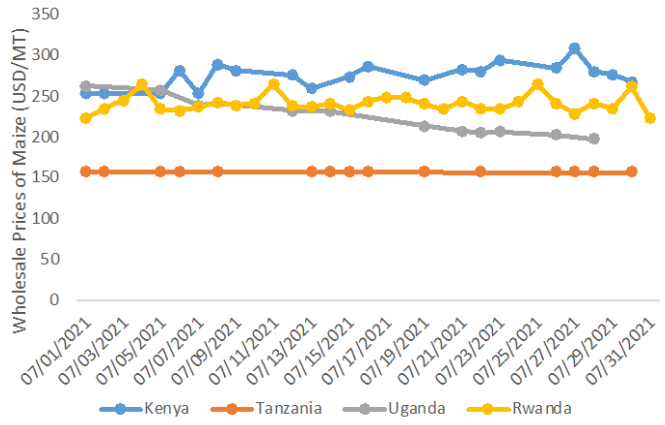
- Compared to the other surveyed countries, Kenya saw the highest and most volatile prices for maize and rice in July. This can be partially explained by drought in some maize-producing counties, which led to reduced harvests.
- In Uganda, there was a steady reduction in wholesale and retail maize prices throughout July due to increased supply from the first season harvest and despite government travel restrictions to minimize the spread of COVID-19.
- Tanzania saw the lowest and most stable wholesale and retail maize prices. This can be primarily explained by the recent bumper harvest. The average percentage differences in the wholesale price of maize between Tanzania and the other surveyed countries was 42.9 percent for Kenya, 12.2 percent for Rwanda, and 18.4 percent for Uganda.
- The differences in maize and rice prices between countries in subsequent months will primarily be driven by (1) differences in supply following first season harvests, (2) restrictions in internal movement to curb the spread of COVID-19, and (3) other direct government market interventions aimed at controlling prices.

Changing Maize Prices in East Africa

Throughout July, average daily wholesale and retail maize prices were generally lowest in Tanzania, followed by Uganda and Rwanda, and were highest in Kenya (Figures 1 and 2). In addition, wholesale and retail maize prices were generally more stable in Tanzania than in the other countries. The average percentage differences in the wholesale price of maize between Tanzania

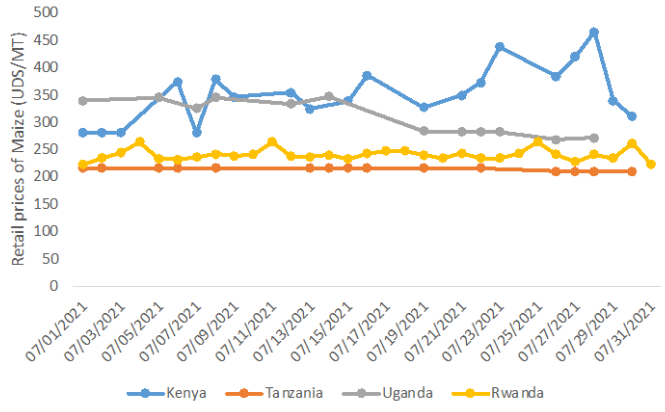
and the other surveyed countries was 42.9 percent for Kenya, 12.2 percent for Rwanda, and 18.4 percent for Uganda.

Figure 1: Average wholesale price of maize in East Africa (July 2021)



Source: Authors' construction using data from FSP

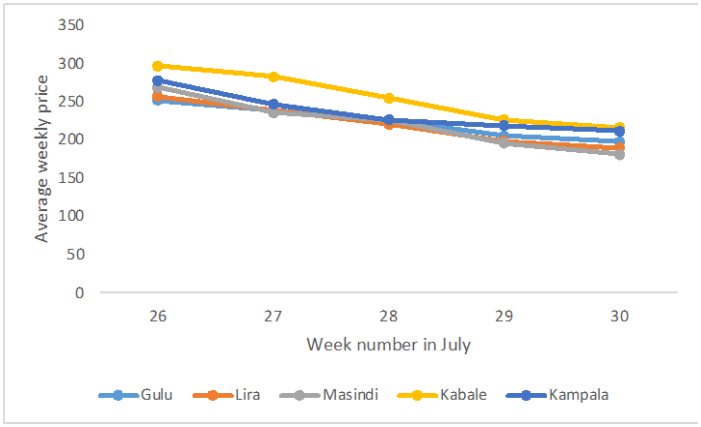
Figure 2: Average retail price of maize in East Africa (July 2021)



Source: Authors' construction using data from FSP and e-SOKO (for Rwanda)

Notably, Uganda saw a significant reduction in both wholesale and retail maize prices between the first two weeks of July and the end of the month. All markets across the country saw a uniformly steady reduction in wholesale maize prices (Figure 3). The highest decline was recorded in the markets located in Kabale and Masindi in the country's western region. This reduction in prices may be explained by the start of the country's significant harvest season combined with the partial (or expected) relaxation in COVID-19 transport and movement restrictions, which were lifted on July 27. Since some farmers stored maize during the COVID-19 lockdown, there was an increase in supply once that lockdown ended that coincided with the start of the harvest.

Figure 3: Average weekly wholesale prices of maize in selected markets in Uganda (July 2021)

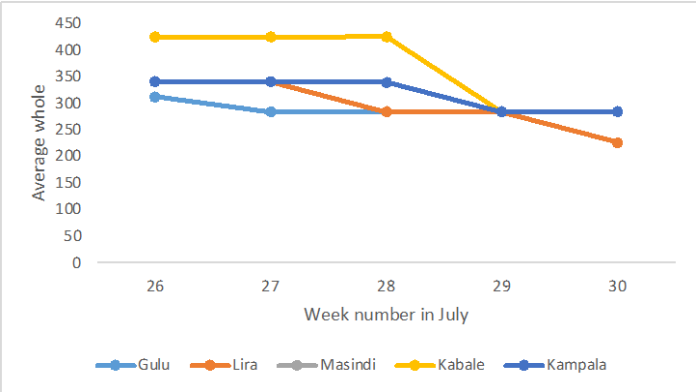


Source: Authors' construction using data from FSP

Unlike wholesale prices, retail maize prices in Uganda started to decline significantly only in week three. This reduction possibly stemmed from the delayed transmission of price changes from wholesalers to retailers. In addition, unlike in June when the price of maize in Uganda was the highest among the surveyed East African countries (check Appendix, Figure A1), July

wholesale and retail maize prices in Kenya surpassed prices in Uganda after week one.

Figure 4: Average weekly retail prices of maize in selected markets in Uganda (July 2021)



Source: Authors' construction using data from FSP

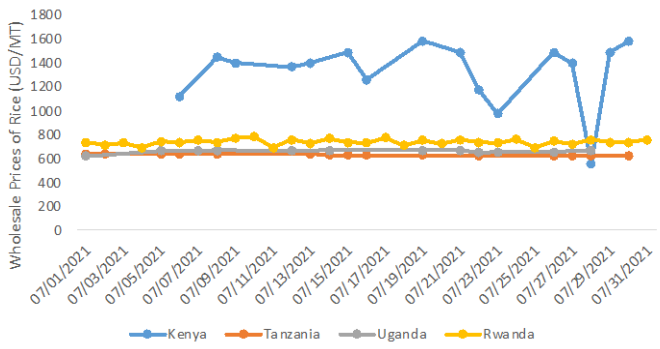
In Kenya, the poor rainfall distribution from March to May could largely explain the higher maize prices seen in July relative to other countries (Figures 1 and 2). Below-average rainfall affected the first season harvest for many maize-producing districts. Other factors associated with the observed prices include locust infestations during the growing season, high taxes, and trade barriers due to restricted movements (ASAL, 2021). Kenya also relies on maize imports from Uganda and Tanzania, and factors that affect cross-border trade (such as non-tariff barriers due to restrictions in movement) might also cause price volatility.

In Tanzania, both wholesale and retail maize prices remained relatively stable in July and were the lowest compared to the other surveyed East African countries. Aside from the fact that Tanzania is a major producer of cereals in the region, the price drop seen in July might be due to the successful first season harvest (FEWS-NET, 2021). In addition, COVID-19-induced export restrictions (specifically restrictions of cross-border movements) to neighboring countries such as Kenya and non-tariff barriers continue to hinder export volumes (The Citizen, 2021). In response to the low prices seen in July, the Government of Tanzania intends to procure maize at higher prices through its National Food Reserve Agency; this policy will affect maize prices in subsequent months.

Changing Rice Prices in East Africa

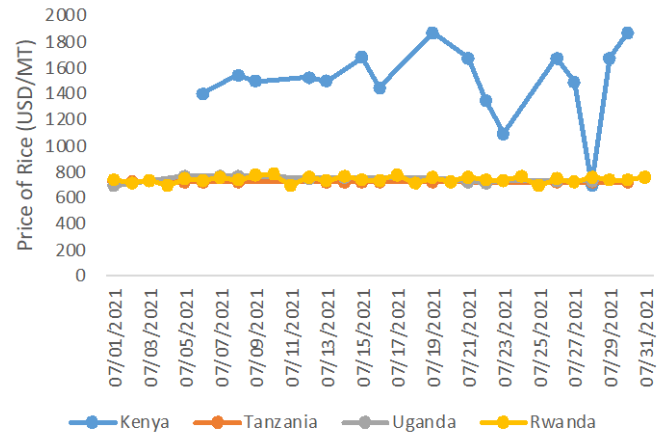
In July, average daily wholesale and retail rice prices in Tanzania, Uganda, and Rwanda were more stable and less volatile than in Kenya (Figures 6 and 7). The lowest retail price seen in Kenya was USD 699 per metric tonne in Mombasa, while the highest price was USD 1869 per metric tonne in Nakuru. The stability of rice prices in Tanzania, Rwanda, and Uganda was primarily driven by the harvest (May-August). It could also be due to the fact that rice is not widely consumed as a staple food and so and its demand remains relatively constant.

Figure 6: Average Daily Wholesale Prices of Rice in East Africa (July 2021)



Source: Authors' construction using data from FSP and e-SOKO

Figure 7: Average retail price of rice in East Africa (July 2021)



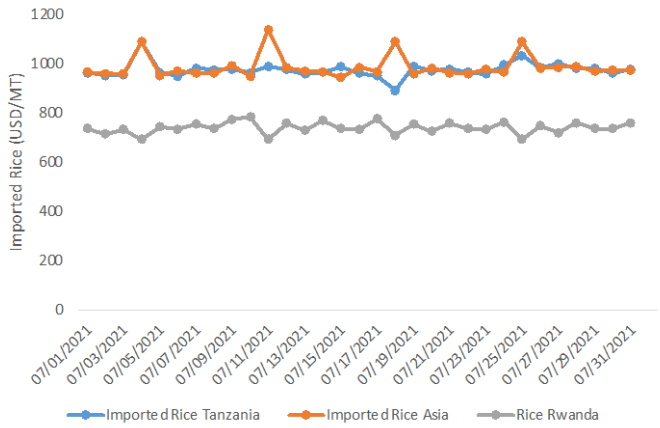
Source: Authors' construction using data from FSP and e-SOKO

The erratic rice prices seen in Kenya in July could be explained by recent drought and floods experienced in scattered rice-producing areas. The following box contains a key informant interview conducted by ASAL (2021) that explains some of the likely factors affecting the price of agricultural commodities in Kenya.

"Food prices went up, there are shortages of farm products due to less rain receives during planting season, and COVID-19 affected many businesses. There is also no movement of food in the county. There are road blocks put by the government which limits the transportation of food in the county"
Source: ASAL(2021)

Figure 8 illustrates average daily retail rice prices in Rwanda, for both exported rice from Tanzania and Asia (Pakistan and Thailand) and domestically produced rice. Both exported and domestic rice showed a similar trend in price movements. However, the price of Asian rice varied more than that of rice from Tanzania and Rwanda; this likely emanated from a 5.1 percent increase in the price of imported goods in Rwanda in July (National Bank of Rwanda, 2021). In addition, the recent increase in global crude oil prices could have fed into increased shipping and transportation costs, ultimately resulting in the rise in imported rice prices. Energy prices in Rwanda rose by 4.4 percent throughout July, up from 2.1 percent in June 2021 (National Bank of Rwanda, 2021).

Figure 8: Average retail prices of imported rice in Rwanda (July 2021)



Source: Authors' construction using data from e-Soko

Summary and Future Outlook

In July, Kenya saw highly volatile wholesale and retail prices for both rice and maize; prices in Tanzania for both commodities remained low and stable. In Uganda, maize prices recorded a daily reduction in all surveyed markets. While Uganda saw sharp increases in wholesale and retail maize prices in June, which corresponded with the country's lockdown to minimize the spread of COVID-19, those effects only continued into the first five days of July. Subsequently, Uganda saw a decline in wholesale and retail maize prices in all surveyed markets. Rice and maize prices in Rwanda, Uganda, and Tanzania remained relatively unchanged from June.

Price movements in subsequent months will be driven by:

1. Government interventions to regulate prices. Rwanda and Tanzania provide typical examples of government interventions to control the price of agricultural commodities. The Government of Rwanda directly regulates major agricultural commodities by setting farm gate prices. The Government of Tanzania plans to purchase large volumes of maize to raise the consumer price to help bolster recent low prices for farmers.
2. Changing COVID-19 restrictions. The pandemic continues to have unprecedented effects on the price of commodities in East Africa. Restrictions on movement within the surveyed countries and across borders affect cross-border trade. As of July 30, the Government of Kenya has lifted movement restrictions in areas that were hotspots of COVID-19, including border counties like Busia. The Governments of Uganda and Rwanda also lifted some measures restricting transport, which will have a bearing on rice and maize prices in subsequent months.
3. The harvest period from July/August. Given that July marks the beginning of the first season harvest in many areas, future price differences between countries will largely be explained by the supply generated from that harvest in the respective countries.

Data and Methodology

This monthly market report analyzes the evolution of daily maize and rice prices in four countries within East Africa: Uganda, Kenya, Tanzania, and Rwanda. Price data is sourced from the COVID-19 Food Price Monitor of IFPRI's Food Security Portal (FSP)[1] ; for Rwanda, data is also sourced from e-SOKO[2]. The e-SOKO data does not distinguish between wholesale or retail prices. For all countries, prices are averaged across markets within the country to allow for comparison. Graphical illustrations are also used, as are secondary data from publicly available information sources like press releases. The findings are only indicative of the current prevailing price movements for maize and rice in the region.

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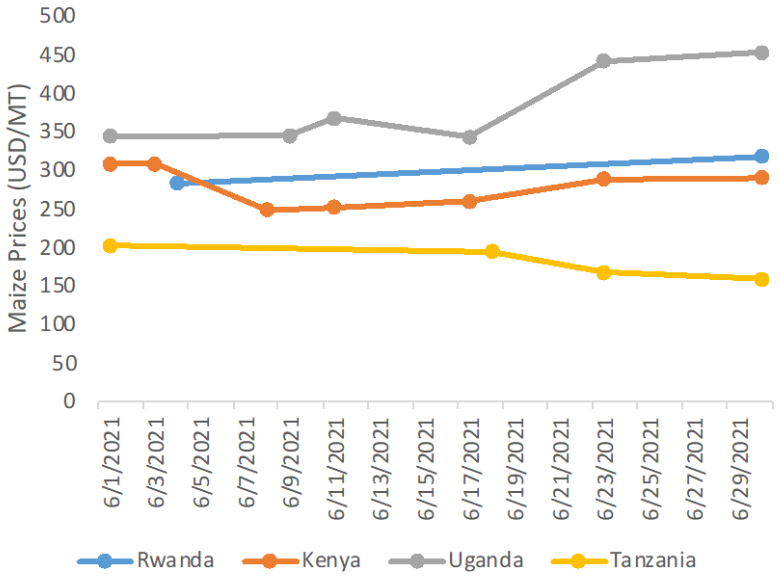
[1] The Food Security Portal data for East African countries is from the Regional Agricultural Trade Intelligence Network (RATIN) and is available at food price monitoring africa weekly average - dataset - ckan (foodsecurityportal.org)

[2] e-SOKO price data is available from the Ministry of Agriculture and Animal Resources of the Republic of Rwanda: http://www.esoko.gov.rw/esoko/Dashboard/Login.aspx?DashboardId=4&dash=true&Login=true

Appendix

Figure A1: Average wholesale maize prices in East Africa (June 2021)



Source: Authors' construction using data from FSP and e-SOKO

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