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FOOD PRICE MONITOR: MAIZE AND RICE IN EAST AFRICA

SEPTEMBER 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.

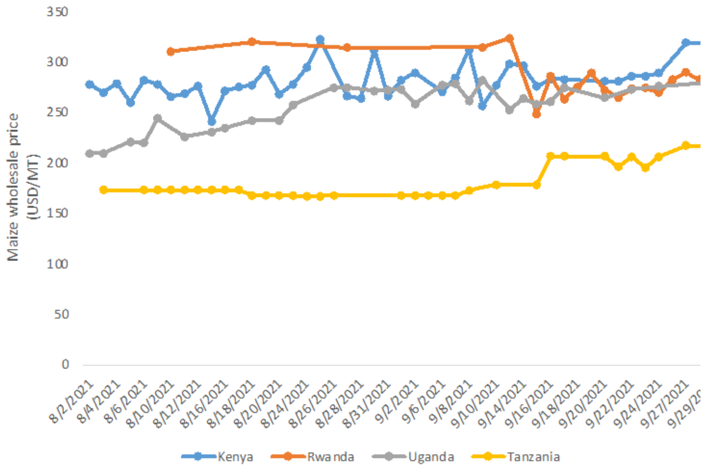
Highlights

- In September, maize prices across East Africa both increased and experienced volatility, including in Tanzania, which has seen consistently stable prices since June 2021.
- In Tanzania, government interventions to purchase maize from the market may explain the sudden rise in wholesale and retail prices seen in September.
- In Uganda and other countries, the start of the lean season may largely explain the increase in the price of maize, as farmers deplete last season's supply and wait for the second harvest.
- There was a marked difference in the wholesale and retail price of rice in Kenya compared to other countries in the region. Prices in other countries converged to almost the same mean and were more stable throughout the month.
- Fluctuations in local currencies against the US dollar and surging fuel prices continue to affect wholesale and retail rice prices within East Africa.

Changing Maize Prices in East Africa

Apart from Rwanda, where a significant drop in prices was recorded, wholesale maize prices gradually increased in September (see Figure 1). In week one, Rwanda had the highest recorded maize price; prices fell substantially in week two but maintained a gradual increase in the remainder of the month. Maize prices in Kenya remained volatile, while Uganda experienced a gradual increase in maize prices. In Tanzania, wholesale prices began to increase in September, with a significant increase in week two. In a move to stabilize prices, the Government of Tanzania purchased maize from farmers through its National Reserve Agency.

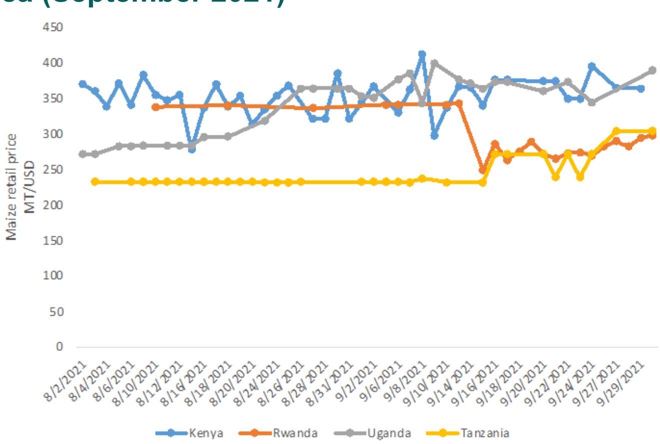
Figure 1: Average wholesale price of maize in East Africa (September 2021)



Source: Authors' construction using data from FSP

Maize retail prices were highly volatile in all surveyed East African countries (see Figure 2). Prices were more volatile in Kenya and Uganda and higher in Uganda than in Kenya on some days. This phenomenon observed in Uganda aligns with a rise in food crop inflation, from 1.2 percent in August to 2.9 percent in September (Uganda Bureau of Statistics [UBoS], 2021).

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



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

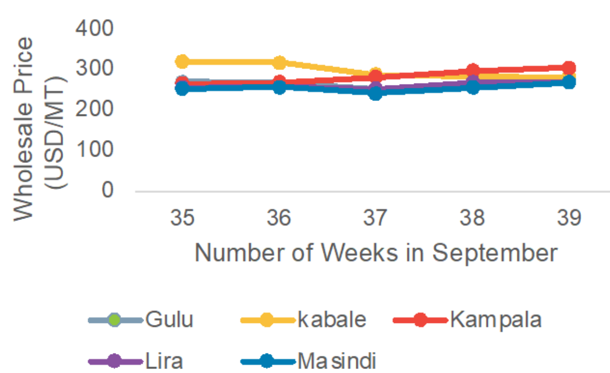
In Rwanda, maize retail and wholesale prices fell substantially in week two and then gradually increased again. Growing demand following the easing of restrictions to curb the spread of COVID-19 explained the rise in prices seen in August. However, the reason for the subsequent reduction in maize prices in week two of September remains unclear. In Tanzania, maize retail prices were more volatile in September than in August, although they remained the lowest in the region.

Weekly average prices of maize within markets in the East African countries

Uganda

Across Uganda, wholesale maize prices were generally unstable throughout September (Figures 3 and 4). In most markets, prices were high in the first weeks of the month, dropped in mid-month, and gradually rose thereafter.

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

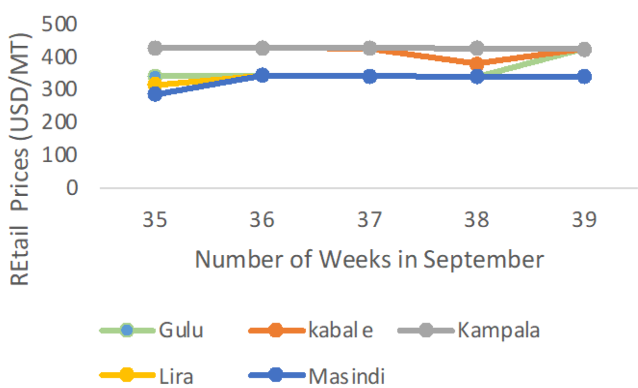


Source: Authors' construction using data from FSP

Kabale saw the highest prices in week one: about USD. 319/MT. Prices then dropped to USD. 288/MT mid-month and further to USD. 282/MT in the last week of the month. Kampala saw an upward trend rising, with prices from USD. 265/MT in week one to USD. 305/MT in the final week of the month. The other markets in the northern parts of the country saw prices in the same range: between USD. 241/MT and USD. 270/MT.

Average maize retail prices remain relatively stable in most Ugandan markets, albeit some deviations were observed in certain weeks (Figure 4). Retail prices in Kampala and Kabale were almost the same in the first weeks of the month, but prices dropped from USD. 427/MT in the middle of the month to USD. 377/MT in week four. They then rebounded to USD. 423/MT in the last week of the month. Retail maize prices varied in week one and converged in week two in other markets in the country.

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



Source: Authors' construction using data from FSP

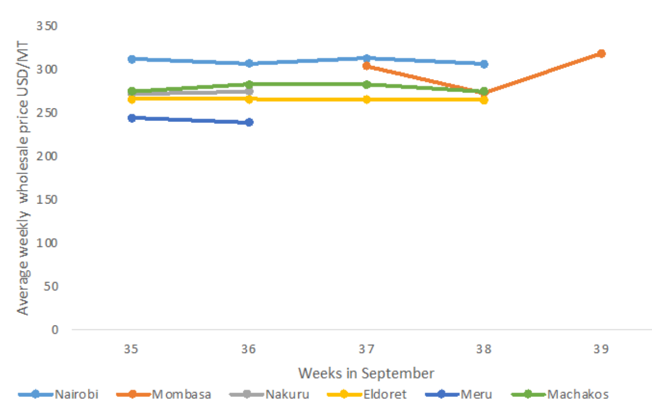
The extended closure of schools to curb the spread of COVID-19 continues to have an unprecedented effect on maize prices, as the staple is consumed in many schools in Uganda (see box below). The reduced demand means that prices have remained low compared to previous years.

> **Lira traders decry closure of schools**
>
> "Traders in Lira city have decried the prolonged closure of schools and other learning institutions saying it has reduced the market for their produce. In 2019, traders used to sell more than 8,000Kgs of maize to schools every day, further. Currently, the price of a kilo of maize goes for Shs. 700 (USD 0.19/Kg) yet it would go for Shs. 1000 (USD 0.27.KG)".
>
> Source: Daily Monitor, September 9, 2021. https://www.monitor.co.ug.

Kenya

Average weekly wholesale maize prices were highest in the commercial towns of Nairobi and Mombasa and lowest in Meru and Eldoret (Figure 5). The two towns also experienced higher volatility compared to Eldoret and Machakos.

Figure 5: Average weekly wholesale price of maize in selected markets in Kenya (September 2021)

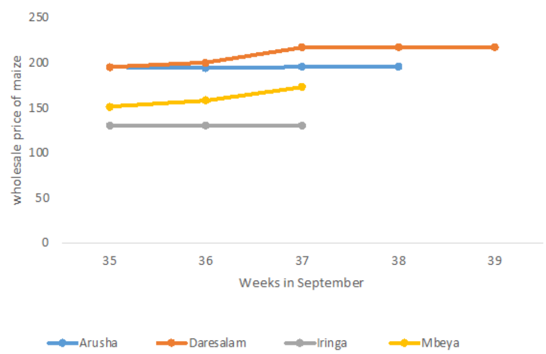


Source: Authors' construction using data from FSP

Tanzania

In Tanzania, the wholesale price of maize was highest in Dare Salam and Arusha and lowest in Iringa (Figure 6). An increase in maize wholesale prices from week two was seen mainly in the markets of Dare Salam and Mbeya.

Figure 6: Average weekly wholesale prices of maize in selected markets in Tanzania (September 2021)

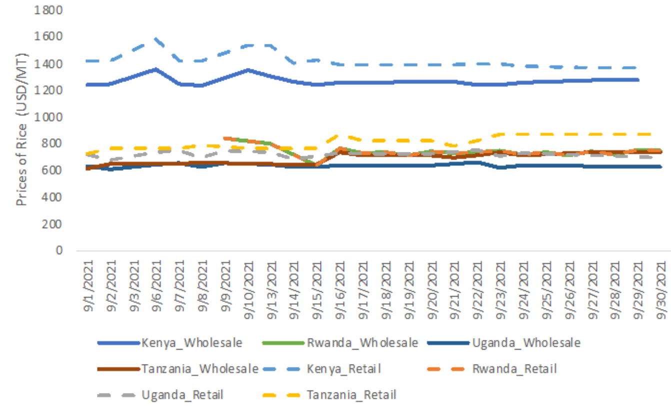


Source: Authors' construction using data from FSP

Changing Rice Prices in East Africa

In September, there was a very high deviation in both wholesale and retail rice prices between Kenya and the other countries in the region (Figures 7). Both retail and wholesale prices in Kenya were the highest in the region. In the other surveyed countries, prices converged to almost the same mean and were more stable throughout the month (See Figure 7).

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



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

The depreciation of the Kenyan currency against the US dollar, which caused an increase in the price of imported commodities, largely explains the price differences seen between Kenya and other countries. In September, retail and wholesale rice prices in Kenya averaged USD.1424 /MT and USD. 1268/MT, respectively, which is much higher than the other surveyed countries. For example, in Uganda, retail and wholesale prices averaged USD. 722 /MT and USD. 637/MT, respectively. In Rwanda, retail and wholesale rice prices averaged USD. 735 /MT and USD. 735 /MT, respectively, while in Tanzania, monthly retail and wholesale prices averaged USD. 807 /MT and USD. 687/MT, respectively (see Table 1). The monthly percentage change (August to September) in the average wholesale and retail rice prices was positive for Kenya and Tanzania, both of which showed higher rice prices in September than in August. In Rwanda, there is a significant reduction in the percentage monthly change in the wholesale and retail price of rice.

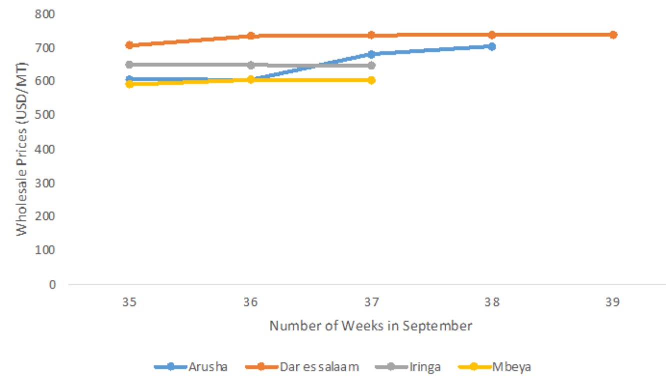
Table 1: Changes in the average monthly retail and wholesale price of rice in East Africa for August and September

Country	Market Levels	Monthly Average Prices August	Monthly Average Prices September	Monthly % Change
Kenya	Retail	1314	1424	8
Uganda	Retail	727	722	-1
Rwanda	Retail	918	735	-20
Tanzania	Retail	724	807	11
Kenya	Wholesale	1148	1268	10
Uganda	Wholesale	634	637	0
Rwanda	Wholesale	869	735	-15
Tanzania	Wholesale	616	687	12

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

The volatility observed in both wholesale and retail rice prices across East Africa may be explained by several factors, including: (1) uncertainties in the weather pattern throughout September; (2) the rising cost of living in the region, emanating from surging global fuel prices; and (3) supply constraints stemming from COVID-19 (Mutunda, 2021). In Kenya, the removal of fuel subsidies induced petrol prices to jump from Kshs. 7.58 per litre in Nairobi to Kshs. 134.72, while diesel surged from Kshs. 7.94 per litre to Kshs. 115.6 per litre (Mutua, 2021). In Tanzania, the wholesale price of maize was highest in the commercial towns of Dare Salam and Arusha (Figure 8).

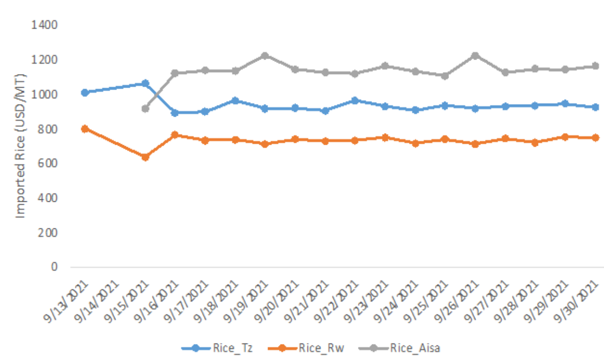
Figure 8: Average daily wholesale and retail prices of imported rice in East Africa (September 2021)



Source: Authors' construction using data from FSP

Figure 9 shows that the price of imported rice in Rwanda was more volatile than the price of domestically grown rice. The price of rice imported from Asian countries was much higher than that of rice imported from Tanzania. This could be explained by the recent depreciation of the Rwanda Francs against the US dollar, which increased the cost of importation. In addition, escalating global energy prices could also have a great impact on price variations.

Figure 9: Average daily prices of imported rice in Rwanda (September 2021)



Summary and Future Outlook

In September, price trends in Tanzania for both maize and rice changed compared to the previous three months. A significant increase in the price of maize was from week two of September; this increase was postulated in last month's market report. The Government of Tanzania's intervention in purchasing maize from the market may largely explain shift. In Kenya, the price of maize continues to be volatile, and the fact that Kenya relies on the importation of maize from Tanzania and Uganda means that any local price increases, such as those seen in Uganda in September, will affect prices in Kenya as well. In addition, the currently weakened Kenya shilling against the US dollar has increased importation costs and thus final consumer prices. Surging global fuel prices also help explain rising maize prices within East Africa. Finally, the gradual increase in maize prices seen in September compared to August can also largely be explained by the start of the lean season, as farmers deplete their supplies from last season's harvest.

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.

[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

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