SAVING LIVES
CHANGING LIVES

Eastern Africa
Market and Trade Update

Joint Procurement & VAM | Food Security Analysis

WFP Regional Bureau for Eastern Africa | July 2022

Highlights

Throughout the second quarter, the spill-over effects of the Russia-Ukraine crisis along with climatic & macro-economic shocks and conflict continued to worsen the inflation problem region-wise, because of increased food prices.

Despite the beginning of seasonal harvests in bimodal areas, the prices of staple foods remained significantly higher in the second quarter, much elevated than previous year and the long-term average in most countries, most prominently in Sudan, Somalia, South Sudan and Burundi.

Food prices are expected to remain high in most countries for the rest of the year due to regional production shortfalls and higher than normal demand in addition to the spill-over effects of the global food crisis.

Rising food and fuel prices will continue to keep inflation rates of most countries in double digits, increase cost of living and erode consumer purchasing power.

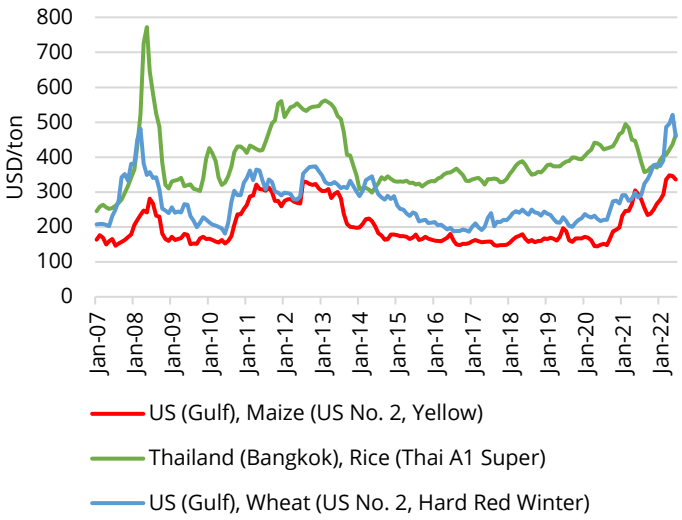
WFP/ Marco Frattini

WFP
World Food Programme

International prices of wheat and maize declined but those of rice increased in June

International grain prices sustained an upward trend in the second quarter of the year, with maize and wheat prices in May surpassing levels observed during the 2008 global economic crisis (Figure 1). According to FAO, the benchmark United States of America (US No. 2) June prices fell by 12 percent month-on-month after reaching record highs in May (Table 1). The decline in June was largely driven by seasonal availability from new harvests in the northern hemisphere, improved crop conditions in some major producers, including Canada, higher production prospects in the Russian Federation, and slower global import demand. However, the current wheat prices are still 62% and 92% above the same period last year and the five year average respectively. Maize export quotations from all major origins eased in June, with downward pressure stemming from seasonal availabilities in Argentina and Brazil, where maize harvests progressed quickly.

Fig. 1: International Grain Prices



The benchmark United States of America (US No.2, Yellow, f.o.b.) maize price declined by 3 percent as crop conditions continued to improve in major producing areas. Concerns over global demand prospects, amidst signs of an economic slowdown, added to the downward pressure on international maize prices.

The refence Thai A1 Super rice prices fell in June, depressed by a pause in fresh Iraqi purchases occurring amid otherwise low demand and a depreciating baht (FAO FPMA Bulletin). International grain prices are likely to remain elevated over the coming months primarily due to production uncertainties brought about by various factors including extreme weather, conflict related disruption such as the Ukraine- Russia crisis and rising fuel prices. A protracted Ukraine crisis which is now more likely will soar global food prices and accelerate food inflation in Eastern Africa countries given regional cereal shortfalls this year.

Table. 1: Average International Cereal Price change

	Price (USD/ton)	Price Change		
	Jun-22	1M	1Y	5Y
US (Gulf) Wheat (US No. 2)	460	-12%	61%	92%
US (Gulf) Maize (US No. 2, Yellow)	336	-3%	14%	74%
Thailand (Bangkok) Rice (Thai A1 Super)	464	6%	10%	19%

Spill-over effects of the Ukraine crisis result in increased imported food prices in Eastern Africa

Wheat flour and vegetable oil prices have increased at a much faster rate in all the countries in Eastern Africa because of the Ukraine crisis. This is because of the high dependence on wheat imports from Russia and Ukraine and up to 30 percent direct pass-through of global food prices to domestic food prices.

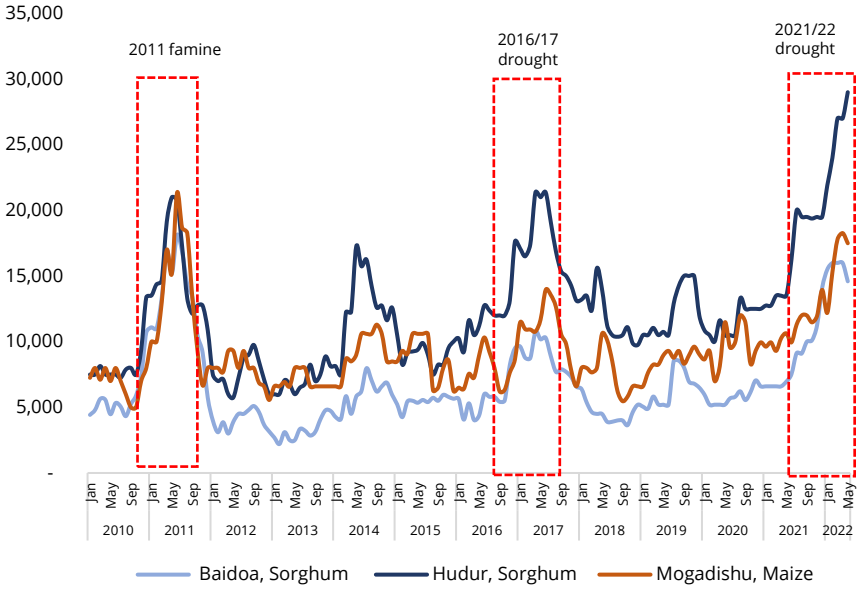
	pasta/wheat floor/wheat grain		vegetable oil		rice	
Country	pre-war (June/ Jan '22)	Annual (2022/2021)	pre-war (June/ Jan '22)	Annual (2022/2021)	pre-war (June/ Jan '22)	Annual (2022/2021)
Burundi			13%	54%	3%	33%
Ethiopia	19%	17%			24%	14%
Rwanda					36%	38%
Somalia (SoShs)	12%	33%			10%	23%
Somalia (SlShs)	41%	16%	30%	81%		
South Sudan	11%	6%	67%	35%		
Sudan	49%	206%				
Uganda	20%	40%				

Table. 2: Changes in imported food commodities

Drought accelerates food prices to historic highs in the Horn of Africa

Food prices continued to soar through the second quarter in most parts of the Eastern Horn of Africa, exacerbated by the ongoing drought, a fourth consecutive main season episode. Kenya, Ethiopia, and Somalia are the worst hit countries, experiencing mild to severe drought conditions since late 2020. Reduced availability due to drought induced below average production has exerted upward pressure on food prices and eroded livelihoods thus undermining economic access to food and consequently worsening food insecurity situation.

Fig. 2: Cereal price trends in Somalia

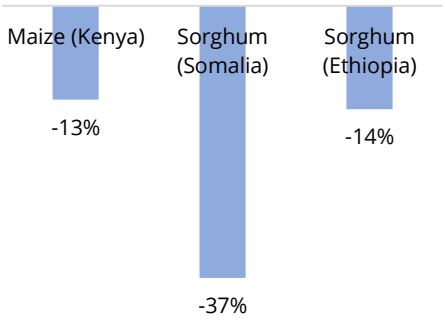


In Somalia (where a risk of famine exists), May 2022 staple food prices in drought hit areas have more than doubled or tripled previous year and long-term average levels since the beginning of the year, even surpassing levels recorded in recent drought episodes (2017 drought and the 2011 famine) (Fig. 2). In Kenya, significant drop in production due to drought creating shortages has led to record high price levels in major maize producing regional markets and consequently in ASAL areas. Food prices have also remained elevated in most drought hit southern Ethiopia. Food prices are also historically high in Northern Ethiopia which emerging from more that 17 months of conflict.

Cereal production shortfalls on the backdrop of poor seasonal rains

The availability of staples has a direct positive impact on price stability to the benefit of end consumers. Most countries in the region have seen a considerable y-o-y reduction in the output of staple grains during the 2020/2021 cropping year (Fig. 3), primarily due to unfavourable weather and rising production costs, among other factors. Persistent rainfall deficits are sharply curbing production prospects this year and have already caused a delay in the harvest season in the surplus maize producing countries, Uganda, and Tanzania. In Uganda the seasonal rains were characterized by a delayed onset and below-average amounts, especially over northern areas, negatively impacting yields. The first season harvest has started to trickle into markets from July 30 to 50 days later than normal and production is expected to be below-average.

Fig. 3: Percentage change in cereal output 2020/2021



Similarly, in the unimodal rainfall Karamoja Region, the ongoing rainy season has been characterized by a delayed onset and prolonged dry spells, and the harvest is forecast to be below average and delayed by one to two months to September/October, extending the lean season by about 2 months[2]. in Tanzania, harvesting of "Masika" and "Msimu" crops is underway, and production is estimated at below-average levels due inadequate amounts of rainfall. Reports indicate that yields might be compromised more than originally expected by below normal rains during the early growing season and less fertilizer applied. The decline in grain production in the major producing countries poses threats to price stability not only in those countries but also countries in the region that rely on imports to make up for local production shortfalls. For instance, Kenya, Somalia, and South Sudan heavily rely on cereal imports from its neighbours Tanzania and Uganda to supplement domestic production and meet demand. According to FEWSNET, the regional stock of sorghum, which is widely consumed in South Sudan and Somalia, was 46 percent below the long-term average in the opening of 2021/2022 because of reduced output in Ethiopia and Somalia.

Staple prices increase ahead of harvests as regional supplies tighten

FEWSNET 2021/22, estimates for the regional sorghum balance and self-sufficiency, were at 101% and 18% below average respectively due to estimates of below-average harvests in the three structurally surplus countries (Ethiopia, Sudan, and Uganda), below-average stocks, and above-average demand for imports in South Sudan and Somalia. Similar tight supply of cereals is expected in Uganda because of below average harvests. While exportable surplus is expected to be near normal in Tanzania, above average demand given increased consumption substitution away from the more expensive wheat will widen the regional maize deficit.

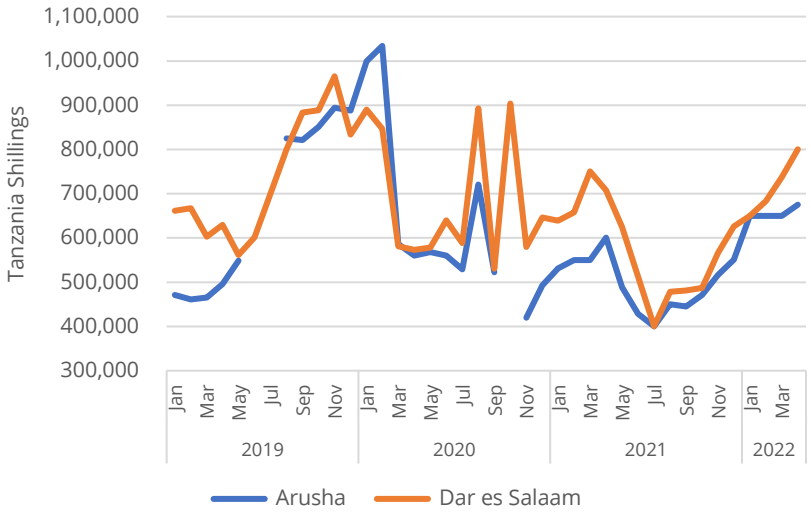
Adding to surging regional demand, sorghum, maize and other staple food prices have increased across the region ahead of harvests in bimodal areas (Table 4). Current y-o-y staple cereal price increase were highest in Sudan (182 percent), Kenya (123), Ethiopia (67-101 percent), Burundi (94 percent), South Sudan (35%), Somalia (28-35 percent) as reflected in table 4. Staple cereal prices have been consistently high in Sudan, South Sudan, and Ethiopia in the, last three years or more while in Somalia, the 2022 prices were the highest in recent years. Staple food prices have increased in the region when compared to the pre-Ukraine war (January 2022). Maize prices in Tanzania has been on an upward trend since August 2022 and will likely be up into 2023 because of tight regional supplies

Table 4: *Cereal/staple prices changes (pre-war and annual)*

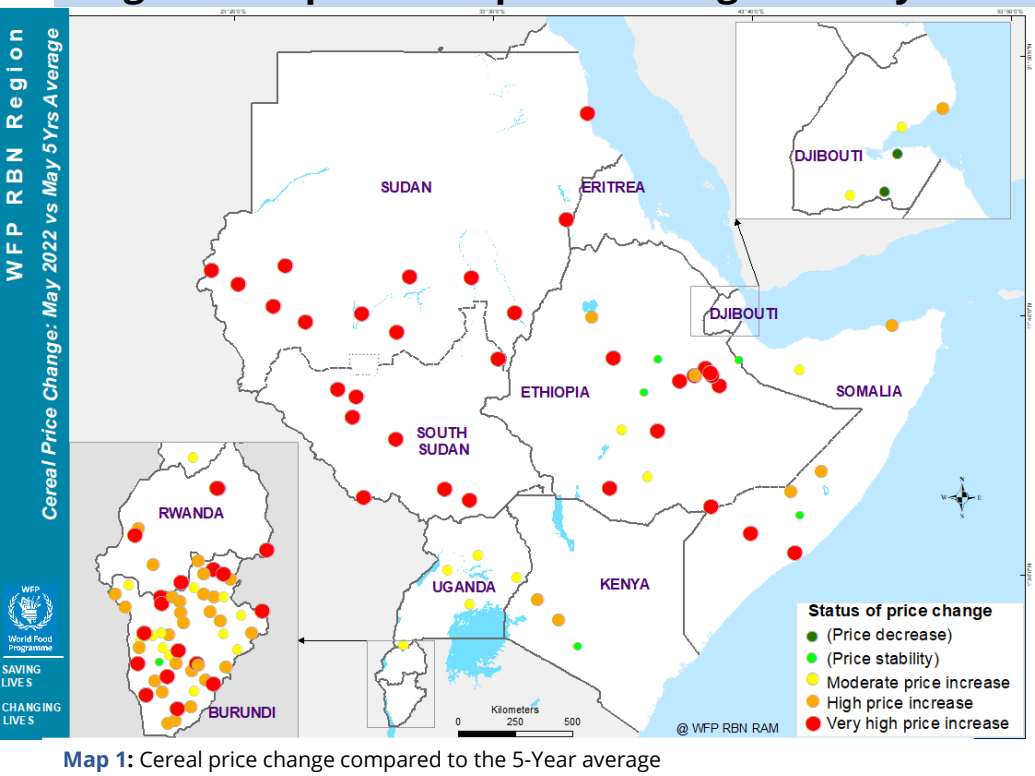
	maize flour/grain		sorghum/millet/ casava flour		beans/ lentils	
Country	pre-war (June/ Jan '22)	Annual (2022/2021)	pre-war (June/ Jan '22)	Annual (2022/2021)	pre-war (June/ Jan '22)	Annual (2022/2021)
Burundi	-4%	60%	10%	38%	32%	94%
Ethiopia			15%	67%	45%	101%
Kenya	17%	123%				
Rwanda	-5%	78%			58%	11%
Somalia (SoShs)	4%	18%	11%	35%		
Somalia (SlShs)	-1%	28%	8%	17%		
South Sudan	67%	35%	73%	12%		
Sudan			86%	182%		
Uganda	54%	88%	46%	52%	47%	6%

* Cereals used in columns 4&5 of the table: Sudan-Millet; Burundi- Cassava flour; the rest sorghum

Fig. 4: Wholesale maize prices in Tanzania



Regional staple cereal prices are significantly above the 5-year average



Map 1: Cereal price change compared to the 5-Year average

When compared to the five-year average, the current prices remained significantly higher, most prominently in Ethiopia, South Sudan, Sudan and Somalia (map 6). The seasonally higher staple cereal prices are driven by a combination of factors including climatic shocks, conflict and macro economic challenges and the spill-over effects of the Ukraine crisis. The highest staple cereal price increases were recorded across most markets in Sudan, Somalia, South Sudan, Burundi and Ethiopia while in Kenya and Uganda prices were moderately above the long-term average. Its only pockets where the seasonal supplies from the MAM harvests have started to trickle in that prices have stabilized.

Soaring inflation as domestic currencies extend weakening trends

The increasing food prices have been reflected in rising headline inflation in double digit terms (triple digits in Sudan) year-on-year. The annual change in food inflation in May was even steeper particularly in Sudan (141%), Ethiopia (43%), Rwanda (24%), Burundi (19%), Kenya (12%) and Uganda (11%). The May 2022 annual domestic food price inflation remained high (above 5 percent) in all countries except in South Sudan because of the effects of the global food crisis in addition to country specific domestic challenges. Sudan, Ethiopia, Burundi, and Somalia are likely to be the most severely affected by high cost of food. Compared to pre Ukraine war period, the May headline inflation was more that 5 percent in Rwanda, Burundi and South Sudan, countries that rely heavily on East Africa cross-border imports of cereals mainly from Uganda and Tanzania. This is a reflection that the Ukraine crisis is piling additional pressure on the below average regional cereal production. This comes at time when the region is already over stretched by different shocks, limited policy space and strained external and negative fiscal balances.

Moreover, higher fertilizer and pump prices will increase the costs for production, transport, and processing, exerting further upward pressure on food prices. Inflation will likely be up in the whole of 2022 given the global food crisis, continued conflict in Ukraine and increasing fuel and fertilizer prices. Worst still, regional domestic currencies have depreciated against the USD dollar in May 2022 making food imports more expensive while ballooning the external public debt repayment costs. Sudan recorded the highest currency depreciation (down 29 percent), followed by Ethiopia (down 28 percent), and Kenya (down 21 percent), while remaining relatively stable in the rest of the countries. In South Sudan and Burundi where black market forex trading is outlawed, shortage of foreign currencies persists, increasing transaction cost of doing business and making it difficult for ordinary traders to import food. Table 5 provides a summary of currency exchange rate and inflation trends.

Table. 5: Trends in currency exchange rates and inflation

Country	Currency fluctuation/ change against the US $		Annual Headline Inflation			Food Inflation		
	LCU/USD (June 2022)	June Y-o-Y ('22 vs. '21)	pre-war (January '22)	May-22	Change	pre-war (January '22)	May-22	Change
Sudan	**428**	-29%	260%	193%	-67%			
Ethiopia	**41**	-28%	35%	38%	3%	40%	43%	3%
Kenya	**117**	-21%	5%	8%	3%	9%	14%	**5%**
Uganda	**3787**	-6%	3%	7%	4%	5%	11%	**6%**
Rwanda	**1000**	-5%	1%	15%	**14%**	-3%	24%	**27%**
Burundi	1957	-3%	12%	19%	**6%**	14%	23%	**9%**
Djibouti	178	0%	3%	5%	3%	4%	7%	3%
Eritrea	15	0%	5%					0%
Somalia	**575**	0%	7%	7%	0%	12%	15%	3%
South Sudan	**465**	5%	-12%	-4%	**8%**	-15%	0%	**15%**

source: Trade Economics

Household purchasing power declines as stagflation risks heightens

Table. 6: Trends in currency exchange rates and inflation

	GDP Annual percentage change			
Country	**2019**	**2020**	**2021**	**2022f**
Burundi	1.8%	0.3%	1.8%	2.5%
Eritrea	3.8%	-0.6%	2.9%	4.7%
Ethiopia	9.0%	6.1%	6.3%	3.3%
Kenya	5.0%	-0.3%	7.5%	5.5%
Rwanda	9.5%	-3.4%	10.9%	6.8%
South Sudan	3.2%	9.5%	5.1%	-0.8%
Sudan	-2.2%	-3.6%	0.1%	0.7%
Uganda	6.4%	3.0%	3.4%	3.7%

source: World Ban (2022)

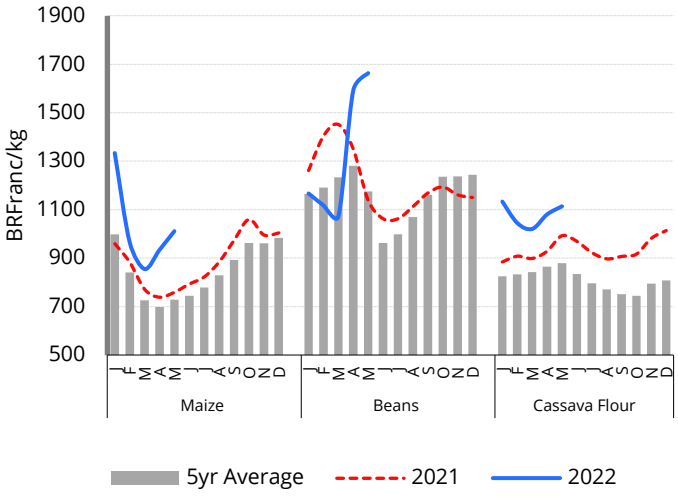
According to the World Bank, the economies of Ethiopia, Kenya, Rwanda, Somalia & South Sudan are projected to slow down in 2022 because of a combination of reduced agricultural output, increasing debt distress, rising food prices that will depress domestic demand, conflict, tightened macro-economic policy and drought in the Horn of Africa. Double digit inflation will likely continue throughout the year because of weaker domestic currencies, global food crisis and high dependence of more expensive imported food. This together with projected slower economic growth sets in a toxic mix of stagnating growth and rising prices (stagflation) which is expected to erode household purchasing power especially among the market dependent urban poor and pastoralists.

Country market updates

Burundi

Staple food prices followed seasonal patterns at the begging of second quarter though with sharp increases observed as from April. The national average retail price of maize and cassava flour hit record highs in May, retailing at least 27 and 12 percent up the long-term average and previous year levels respectively. The national average bean price recorded the highest price increase in April after trending below the long-term average throughout the first quarter with a m-o-m increase of 48 percent at the start of the planting season. The sudden rise in cereal prices at the beginning of the second quarter could be attributed to depletion of stocks from previous below average season A harvests besides other factors including rising inflation and cost of transportation as fuel prices continue to soar, all exerting upward pressure on prices.

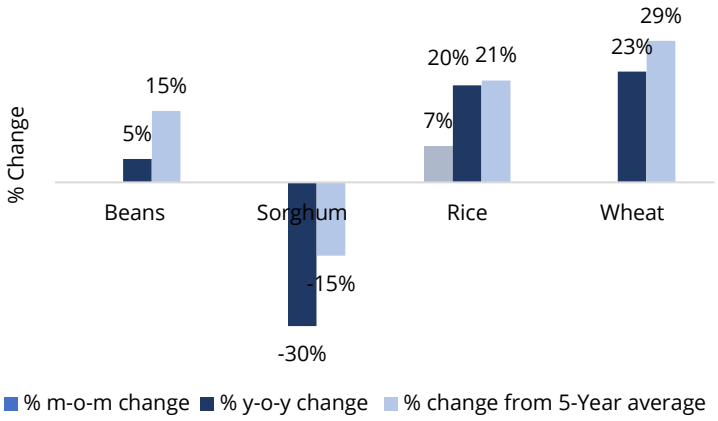
Fig. 5: National staple food price trends



Djibouti

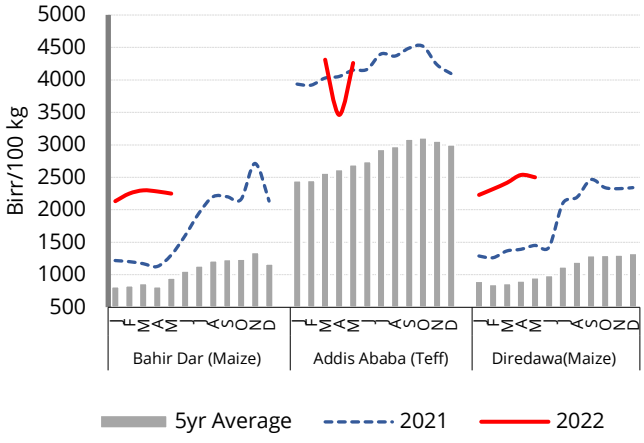
The national average price for most staple cereals has remained stable since the beginning of the year with minimal changes observed in the second quarter. Between April-May, on average, white beans retailed at 273 DJF/kg, 15 and 5 percent above the 5-year average and previous year levels respectively while sorghum price eased since the beginning of April retailing 15 and 30 percent below long-term average and year-earlier levels. Imported food (wheat flour, imported rice, pasta and vegetable oil) prices continued to firm up through the second quarter, with wheat flour and rice prices hitting record highs in recent years. The steady upward trend on these commodities' prices reflects the rising international prices having ripple effect on local markets since the country heavily relies on imports to meet local demand. If uncertainties in the global markets persist, food price stability in the country will likely be undermined.

Fig. 6: Staple cereal price trends in Djibouti



Ethiopia

Fig. 7: Staples price trends in selected markets



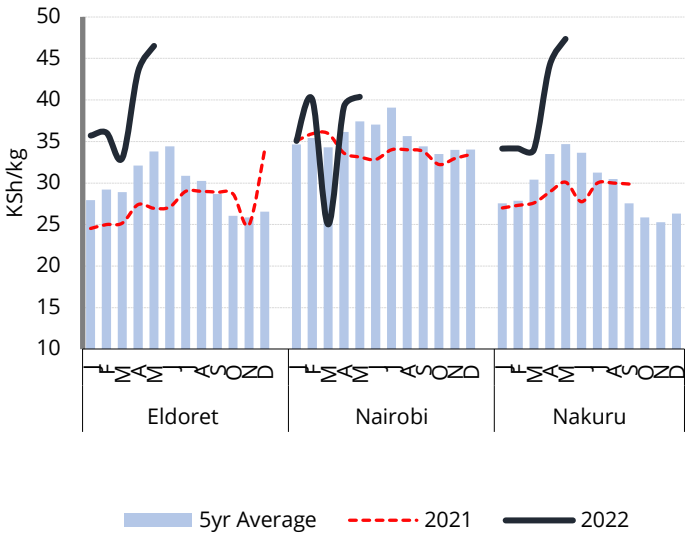
Overall, staple food prices have remained elevated throughout the country for several months driven by a combination of factors including failed seasonal harvests due to the ongoing drought, conflict and macro-economic fallout characterized by soaring inflation and devaluation of local currency. During 2022Q2, staple cereal (maize, sorghum and teff) prices reached record high levels in various markets, but with slight ease for maize in some markets by May. Latest wholesale maize price in Diredawa was at 2500 Birr/100 kgs, 72 and 161 percent up above the year-earlier and long-term average levels. In Addis Ababa, maize and sorghum prices trended at least 69 and 153 percent above previous year and 5-year average levels while teff the widely consumed cereal in urban areas recorded the least average price change.

Country Updates

Kenya

Maize, the staple cereal in Kenya recorded higher wholesale prices in most parts of the country through 2022Q2 owing to reduced availability due to below average production in previous harvest seasons both in the country and in Uganda and Tanzania. As of May, the average wholesale maize price in major producing regional markets (Eldoret and Nakuru) was 47 KSh/Kg, at least 57 and 36 percent above year-earlier and long-term average levels. There was significant variation in prices across the country, with markets in the drought hit areas recording the highest average price during the reporting period (e.g., 56 KSh/Kg in Mandera Town). The observed variation in food prices could also be attributed to rising transportation cost besides reduced availability and seasonality. Prices of other foods such as rice and beans also remained elevated in some parts of the country, in particular the drought hit areas.

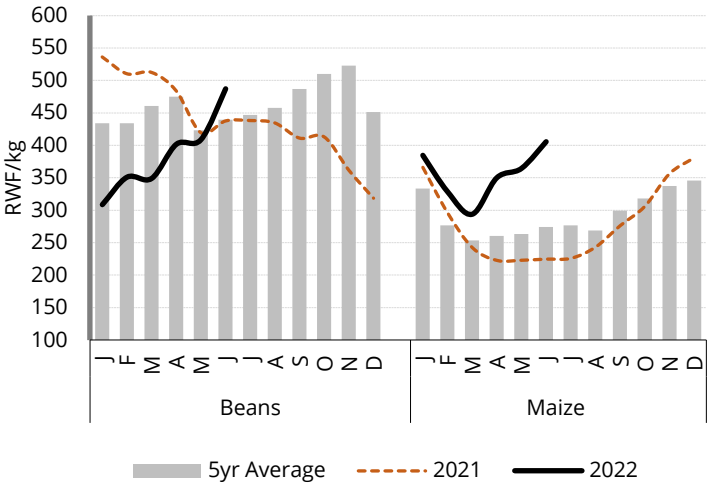
Fig.8: Maize wholesale price trends in Kenya



Rwanda

On average, staple cereal prices have increased seasonally since March, with maize and beans prices hitting highest in June since the beginning of the year. Throughout 2022Q2, national average maize retail price ranged between 350-405 RWF per kg, at least 34 and 57 percent above 5-year average and previous year levels respectively, with variation across markets. Whereas bean has retailed below long-term average since January, moderate m-o-m increase of 19 percent was recorded in June, primarily due to reduced availability. Other food prices such as beef and imported rice have also continued to rise through quarter two. The rising cost of production due to sharp increase in fertilizer and transportation cost pose threats to price stability in the near future.

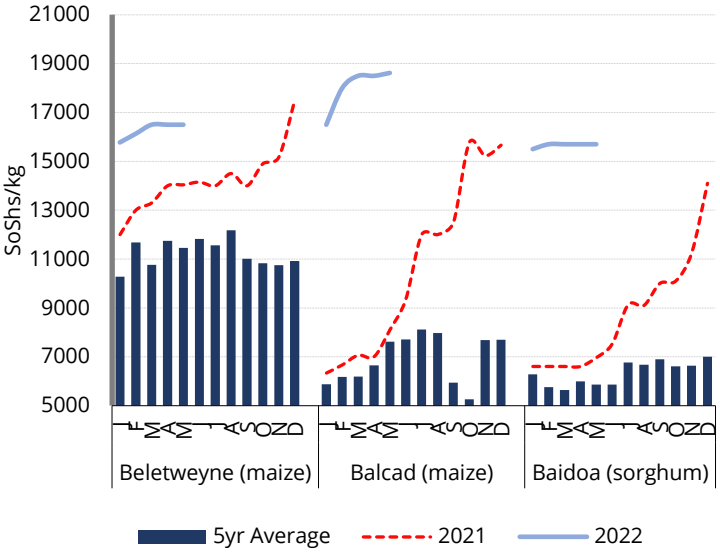
Fig. 9: Staple cereals price trends in Rwanda



Somalia

The effects of drought on food prices continue to be felt across most parts of the country reflected in elevated staple food prices, that has since doubled or tripled previous year levels in some markets since the beginning of the year. Moreover, as a country that largely depend on imports, the rising international food and fuel prices also exerts additional upward pressure on food prices. The high staple food prices are mostly elevated in South-Central areas. As of May, the average price of maize in Balcad was 18,621 SoShs/kg, at least 130 and 144 percent above previous year and 5-year average levels with slight average increase from previous month. In Beletweyne market, maize prices have remained at same level over the past three months, retailing at least 18 and 40 percent above previous year and 5-year average levels. Similar trends were observed for sorghum over the reference period however, with significant variation across markets with prices in drought affected areas hitting as high as 46,000-48,000 SoShs/kg (In Bossaso and Garowe) by May.

Fig. 10 Cereal price trends in selected markets in Somalia

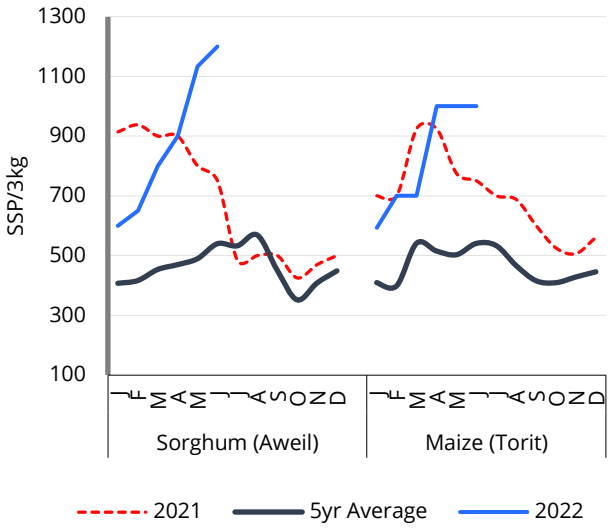


Country Updates

South Sudan

At the beginning of the second quarter, the national average price of staple cereals exhibited mixed trends, slightly increasing in some markets while remaining stable/easing in some. As of May, the national average price of maize was 903 SSP/3.5 kgs, having recorded a 3 percent m-o-m drop while trending slightly below previous year levels and 72 percent up the long-term average. There was considerable variation in maize price across markets with some recording as low as 667 SSP/3.5 kgs (in Nyamlel) while some as high as 1200 SSP/3.5 kgs (in Konyokonyo). Whereas maize prices eased in May, abnormally sharp m-o-m increase of 40 percent was observed for sorghum retail price reflecting reduced availability stemming from below average production in the country as well as in Uganda. Other staples such as dried cassava and rice also showed mixed trends, characterized by slight changes throughout second quarter.

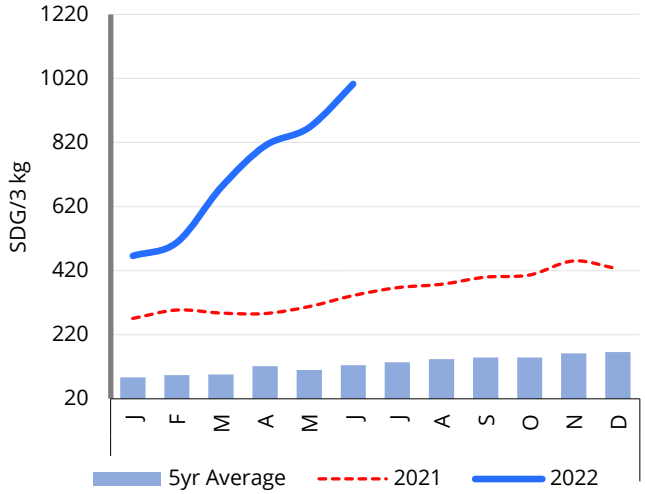
Fig.11: Sorghum and maize price trends in South Sudan



Sudan

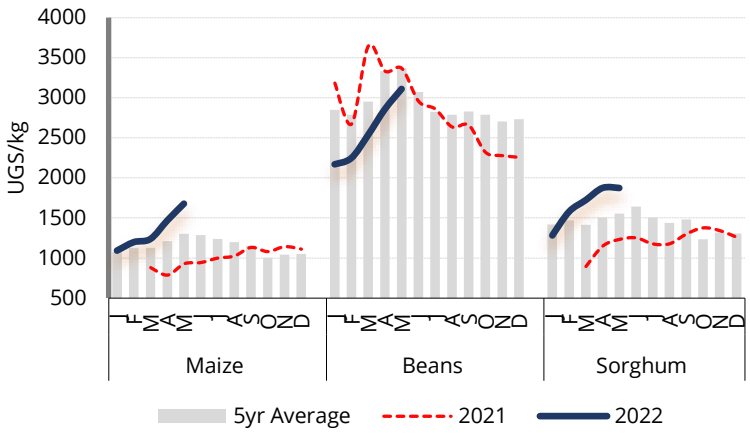
Food prices generally remained elevated through the second quarter driven by multiple factors including macro-economic instability, high cost of fuel and production and reduced availability due to below average harvests in previous seasonal harvest. In May, the national average price of sorghum was up 691 and 182 percent above the long-term and year-earlier levels, with a m-o-m increase of 7 percent. There was a general upward trend across most markets in the country with minimal variation from the national average. According to Sudan CO update, wheat flour price slightly eased in May, while remaining high at more than double the levels recorded a year ago. Mixed price trends were observed across the country, with sharp rise in some markets while easing others. Elevated wheat flour prices are attributed to below average wheat production in previous season and rising international commodity price, all exerting an upward pressure on the commodity's price locally.

Fig. 12: National average sorghum price trends in Sudan



Uganda

Fig.13: Staple cereal price trends in Uganda



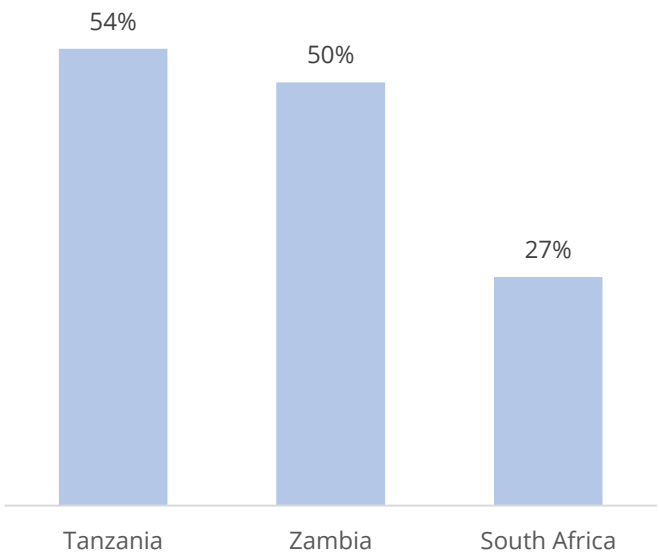
Staple cereal prices sustained seasonal upward trend through the beginning of the second quarter. As of May, the national average price of maize and sorghum were at least 20 and 52 percent above the 5-year average and previous year levels respectively, with significant variations across markets. For instance, in Lira and Masindi, maize price had more than doubled levels recorded in previous year. The increasing prices are driven by reduced availability underpinned by below average harvest in the previous season and concerns over possibility of yet another below average harvest in upcoming season A harvests, and increased export demand to neighbouring countries. On the contrary, beans price across most markets has remained below the five-year and previous year levels since February, though increasing seasonally.

Opportunities exist for global sourcing for cereals and pulses despite regional shortfalls

Maize

Southern Africa - In consideration of the large domestic harvests in 2020 and 2021, most countries are estimated to hold above-average opening maize stocks. The bulk of maize imports are likely to be sourced from *South Africa*, given the substantial maize output in 2022 and overall plentiful supplies. Nominal wholesale prices of yellow maize hit new record highs in May, while white maize prices also continued to climb and moved closer to their all-time highs of early 2016. These increases were underpinned by rising international benchmark quotations, with the impacts of the war in Ukraine and prospects of overall tighter global availabilities in 2022/23 the predominant factors fueling the high levels. Some dampening pressure came from the good domestic cereal outturn in 2022, with the harvest underway, and a moderate appreciation of the national currency against the United States dollar in May, which helped keep prices close to export parity levels.

Fig. 14: % of exportable maize surplus



Smaller volumes will potentially be sourced from *Zambia*. On average, landed in Lusaka, the price is estimated at about $240/MT. This is speculated to slip at the peak of the harvest, from Mid-July, and to further dip to about $260-$300 by the end of the year, driven by export demand. The crop forecast for Zambia is about 2.7M MT with an annual consumption of about 2.2M Mt. This leaves a substantial amount for export, however, the potential export campaign to East Africa may be limited to about 40,000 MT due to logistical complexities.

Although the subregional availability of maize supplies for importation is foreseen to be adequate in 2022/23, the rising international prices are being transmitted to domestic markets. According to the Southern Africa Regional maize supply and outlook, the percent of exportable surplus during 2021/22 production year is highest in Tanzania and Zambia (Fig.).

Central and Southern America - Cereal production in 2022 is estimated at 300 million tonnes, a record high and 10 percent higher than the five-year average. These prospects reflect significant production upturns forecast in South America, particularly *Brazil*, where maize production is expected to reach record high driven by large plantings. In Central America, a slightly below-average cereal output is anticipated due to an expected contraction in the overall maize plantings, on account of unfavourable weather conditions and high costs of agricultural inputs.

In *Mexico*, harvesting of the minor season maize crop is underway and production is expected at a below-average level, primarily reflecting a decrease in maize plantings. The reduced sown area is mainly due to dry weather conditions at planting time, particularly in the key producing Sinaloa state. Maize prices increased during March – May period and remained up on a yearly basis. Despite the dampening effect from the ongoing minor season harvest, prices remained under stronger upward pressure as a result of high costs of agricultural inputs and expectations of a decline in the minor season output.

Maize production in *Argentina* is officially anticipated at an above-average level of 57 million tonnes, mainly due to record-high plantings. Despite the ongoing harvests, prices of yellow maize increased between March and May - As of May, Argentinian yellow maize prices were 50 percent higher compared to a year earlier, reflecting the impact of strong export demand.

Opportunities exist for global sourcing for cereals and pulses despite regional shortfalls

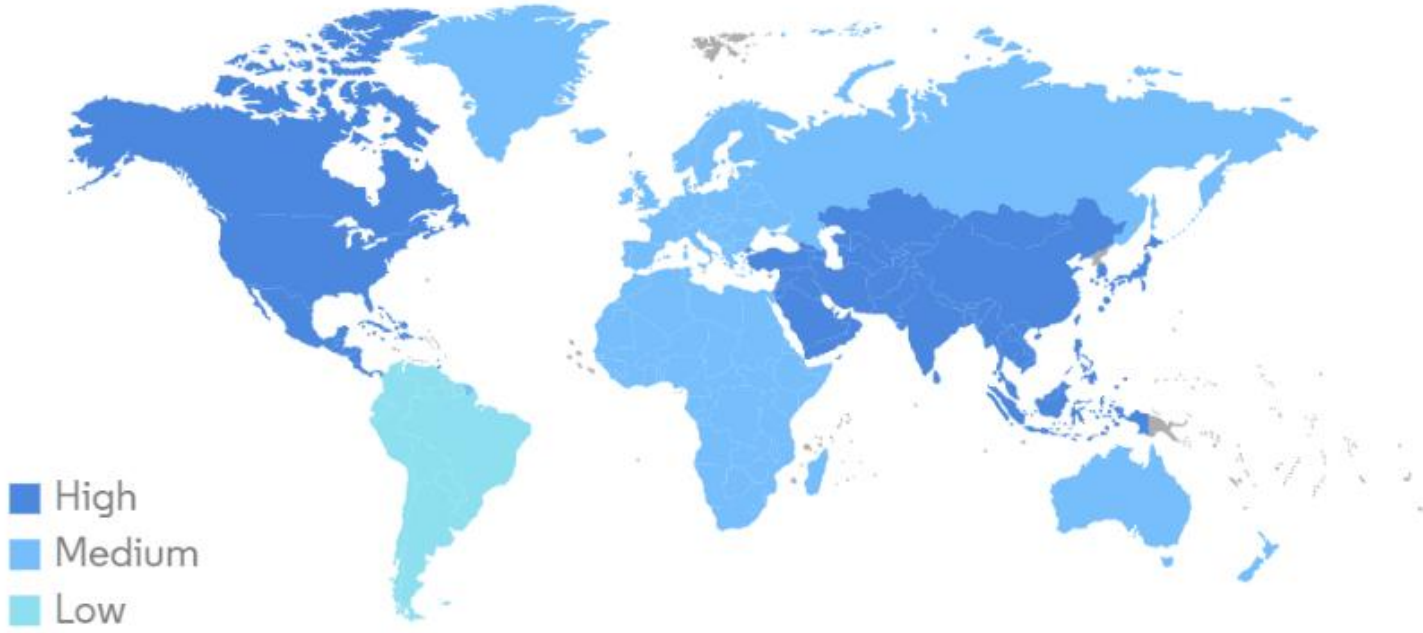
Pulses,

Availability of beans in the region is limited despite the ongoing harvests in Rwanda, Uganda, and Tanzania. Prices remain elevated, higher than the 5-year average and are expected to persist post the harvest period. As a result of the delayed onset of the rains, and poor rainfall, the yield has been negatively affected, limiting the availability, and requiring substitution and imports to complement the available regional sources.

Ukraine is by far the largest origin of the yellow split peas sourced by WFP, as Ukrainian and Russian peas are significantly cheaper and offer more favorable freight cost and lead-time compared to other alternatives (e.g., Turkey, Canada, etc.). In the short-term, the impact of closed Black Sea ports and restricted exports will have minimal impact on pea markets. Export shipments from both countries tend to be "frontloaded", which leaves only small amounts left to be shipped in the final few months of 2021/22 MY. The bigger impact would likely arise for the 2022/23 marketing year. If shipping restrictions remain in place, the lack of Black Sea peas would push more demand toward Canada from destinations that are normally serviced by Ukraine or Russia. And since Europe is a major buyer of Russian peas, there's also the potential for sanctions on commodity trade. With the ongoing crisis, substitutes and alternative sources should be considered. Other traditional sources for pulses in Central Asia and Kazakhstan prevail due to availability and no export bans put in place. Exporters in Canada and other countries would have some ability in the short-term to respond to smaller pulse supplies available from the Black Sea region.

Source: https://albertapulse.com/2022/03/black-sea-conflict-and-pulse-markets/

Dry beans market size (production and exports), 2021



source: Mordor Intelligence

Opportunities exist for global sourcing for cereals and pulses despite regional shortfalls

Wheat

In *Ukraine*, 2022 wheat production is forecast at 20 million tonnes, 27 percent below the five-year average. It is estimated that about 20 percent of the planted area may not be harvested because of direct destruction, constrained access to fields, labour shortages and lack of economic resources due to the ongoing war. Closures of ports and damages to transport and storage infrastructure because of the war are expected to continue to limit the export of grain from Ukraine - Currently, grain is mostly transported by rail, which has a much lower capacity compared to sea freight

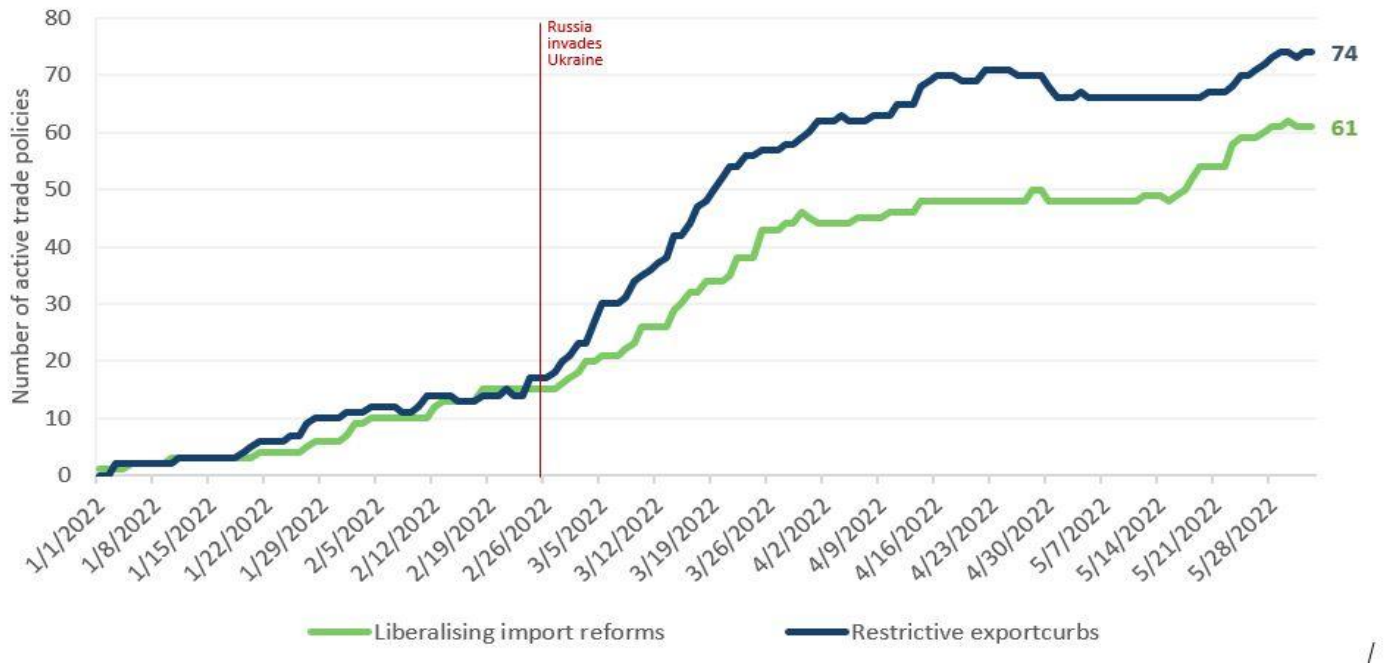
In the *Russian Federation*, export prices of milling wheat increased by over 20 percent between February and May 2022. They surged in March, in line with trends of other origins, as the war in Ukraine reduced exportable global supplies and caused a rise in demand. Although prices declined slightly in April, amid favourable domestic wheat production prospects and a strong appreciation of the Russian rouble, prices increased again in May and reached levels over 40 percent higher year on year.

India offers an alternative source to the Black Sea origins. However, domestic challenges have come into sharper focus. Hundreds of acres of wheat crops were damaged during India's hottest March on record, causing yields to potentially slump by as much as 50% in some pockets of the country. That raised concerns for the domestic market leading to an export ban put in place by the Government. Controlling wheat exports by India is a logical move to ensure domestic availability and manage inflation. However, Exports will still be allowed to countries that require wheat for food security needs and based on the requests of their governments.

In Australia, there are good prospects for the main winter cereal crop owing to favorable weather conditions and further underpinned by remunerative prices.

Increase export restrictions on wheat origins from the above countries will however limit trade opportunities and inflows into the regions. According to the World Bank, food markets have been wildly disrupted by the war in Ukraine. Export restrictions have made a bad situation worse, contributing to food scarcity and higher food prices. World Bank information on the Global Trade Alert from January 2022 though June 2, 2022 show that a total of 135 policy measures have been implemented, majority (74 measures) restricting while the rest liberalizing food and fertilizer exports (Fig. 14).

Figure 14: Number of active trade policies on food and fertilizers—January 1 to June 2, 2022



Source: World Bank and Global Trade Alert trade policy monitoring in essential goods

Market and Trade Outlook: July 2022 to Sep 2022

Ethiopia: Multiple shocks including conflict related trade and production disruptions, rising inflation and drought in the southern parts of the country have exerted an upward pressure on food prices. With the below average rainfall in the just concluded rainy season, food prices are expected to remain high in most parts of the country in near term.

Djibouti: Despite stable macro-economic conditions because of price and exchange rate controls in the country that has seen food prices remain generally unchanged over several months, global food and fuel crisis are having significant ripple effects on local markets reflected in modest increases for imported food commodities such as wheat, vegetable oil, rice, and pasta. If current global conditions persist, food prices will likely remain elevated in the country over the coming months.

Kenya: Staple food prices are expected to remain elevated in the coming months in most areas across the country due to below average production of staple cereals in the country and neighbouring Uganda and the worsening drought in ASALs. In addition, the possibility of yet another failed season and the rising cost of fuel and transportation is likely to keep prices up. Even though crude oil prices eased slightly in recent weeks, the planned phasing out of fuel subsidies will drive fuel prices at the pump to historic highest levels leading to higher cost of food.

Rwanda & Burundi: Food prices generally followed seasonal patterns however, elevated high above long term trends in both countries mainly due to reduced availability and rising inflation. For Rwanda, massive post-harvest losses in January harvests also impacted on prices. Staple food prices are expected to remain elevated till next seasonal harvests start entering markets from July 2022.

Somalia: Staple food prices have remained elevated for several months in most parts of the country due to the ongoing severe drought. In quarter two, in some markets in South-Central regions, sorghum prices have surpassed levels observed during the 2016/17 drought and the 2011 famine and with projections pointing to another below average Gu harvest, prices will likely continue rising trends and remain elevated in the coming months.

South Sudan: Fairly stable prices observed in the country throughout the first quarter were attributed to improved macro-economic conditions and increased imports from neighbouring countries. However, the below average production in Uganda and Kenya will likely be passed through to local markets in the form of increased staple food prices over the coming months.

Sudan: The key food price driver in the country over the past several months has been the macro-economic fallout characterized with high inflation and devaluation of local currency in addition to localized community violence in parts Darfur. This combined with below average 2021/2022 harvests and the rising global food prices will likely to keep prices up for a while.

Uganda: Quarter two was generally characterized with seasonably upward trend for most staple food commodities. Below average production in the previous season, together with increased cross-border exports because of higher prices in destination countries will likely reduce the thin domestic surplus and create shortages in local markets driving higher food inflation although slight easing can be envisioned in the next seasonal harvests starting in July in unimodal areas. The general elections in Kenya in August 2022 could potentially interrupt supply and flow of food and fuel from Mombasa Port to Kampala and keep price up.

WFP/Selina Chan

This is a Joint Vulnerability Analysis and Mapping (VAM) and Procurement publication of the World Food Programme (WFP) Regional Bureau for Eastern Africa in Nairobi (RBN).

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