# FOOD PRICE MONITOR: MAIZE AND RICE IN EAST AFRICA

AUGUST 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.

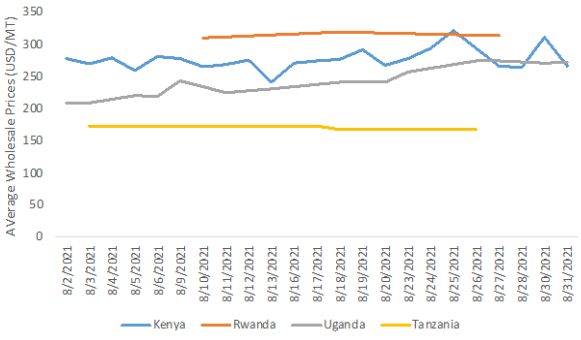
## Highlights

- Wholesale maize prices in August were more volatile in Kenya than in the other surveyed countries. In Tanzania and Rwanda, maize and rice prices remained stable in August, while the wholesale price of maize gradually increased in Uganda.
- The high maize prices seen in Rwanda may be due to heightened household and retail demand following the easing of the COVID-19 lockdown in the first week of August.
- Variations in prices among the surveyed countries could be explained by government purchases of extra maize and increased supply following the harvest period.
- For imported rice, fluctuations in local currencies against the US dollar as a result of economic shocks from COVID-19 affected wholesale and retail prices in East African regional markets.

## Changing Maize Prices in East Africa

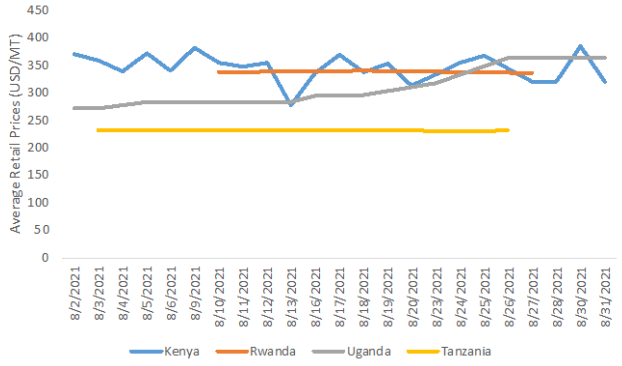
Wholesale maize prices in East Africa were highest in Rwanda in August, followed by Kenya, Uganda, and Tanzania. Wholesale prices were more volatile in Kenya than in any other country in East Africa (Figure 1). Prices were more stable in Rwanda and Tanzania, while Uganda experienced a sustained upward trend throughout the month. The same patterns were seen in retail maize prices. However, retail prices in Rwanda were overtaken by a surge in prices in Kenya and Uganda (Figure 2).

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



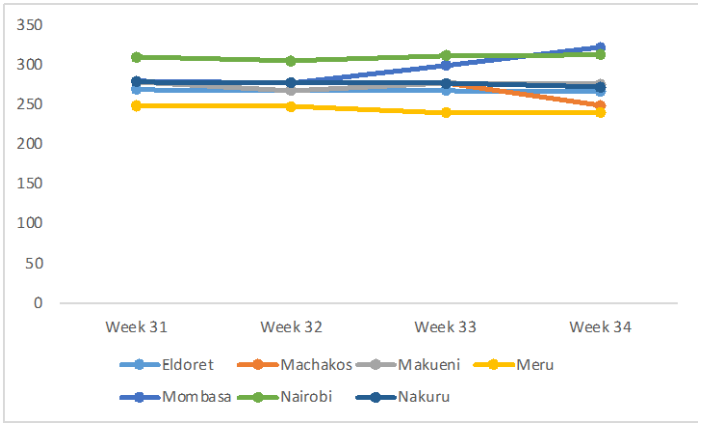

Source: Authors' construction using data from FSP

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




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

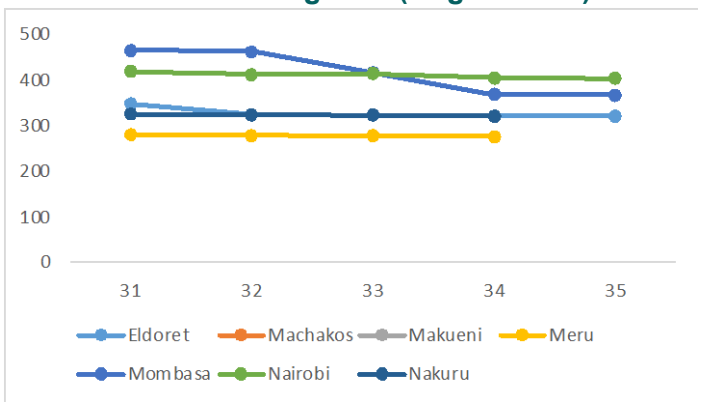
## Figure 3: Average weekly wholesale prices of maize in selected markets in Uganda (August 2021)




Source: Authors' construction using data from FSP

There was some variation in the average weekly price of maize in some markets (Figure 3 and Figure 4). For example, in Mombasa, wholesale prices remained relatively stable, but there was a drastic reduction in retail prices. This could explain the recent drop in maize flour prices seen in supermarkets to Kshs.100 (about USD 0.91) for a 2kg packet (Andae, 2021). In Machakos, the average weekly wholesale price of maize dropped by 10.8 percent throughout August. Prices were generally higher in the commercial centers of Mombasa and Nairobi, where demand was high.

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



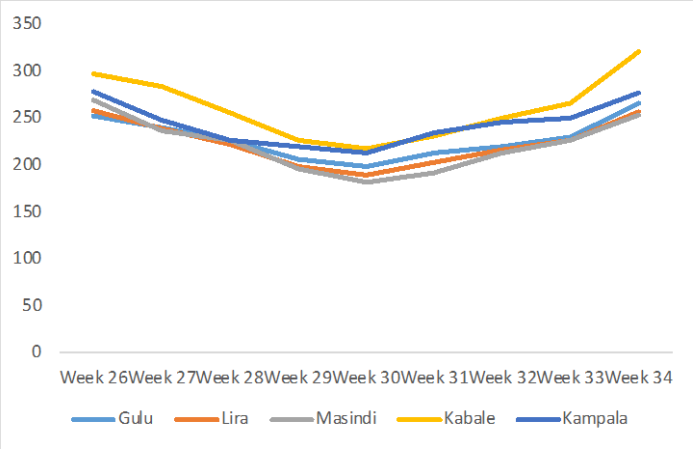

Source: Authors' construction using data from FSP

In Uganda, there was a sustained rise in wholesale maize prices in all markets from the first week of August following a substantial decrease throughout July. In the July monthly report[1], that decline was attributed to the easing of government restrictions on travel and transport, as well as on increased supply from the maize stored by farmers during the COVID-19 lockdown period.

[1] Available at Monthly Report East Africa_July_2021.pdf (foodsecurityportal.org)

The gradual increase seen in August could be attributed to increased demand coupled with limited supply from reduced harvests following unpredictable weather during the previous growing season (Bank of Uganda, 2021a). In addition, annual headline inflation between June and July rose from 2.0 percent to 2.1 percent due to an increase in food prices, and inflation is expected to continue to increase gradually in the near term due to the temporary effects for COVID-19 containment measures (Bank of Uganda, 2021b). The increase in Uganda's maize prices could have also affected maize prices in Kenya, given that most of the maize consumed in Kenya is imported from Uganda and Tanzania.

**Figure 4: Average weekly wholesale price of maize in selected markets in Uganda in the weeks of July and August**




In Tanzania, there was a stable evolution in wholesale maize prices throughout the month of August, apart from a 2.9 percent decline seen from August 17 -18 (Figure 1). This drop was likely in response to sudden shocks on domestic petroleum prices that may have affected transportation costs of food items; these shocks can be attributed to changes in global oil market prices (Ndalu, 2021). However, the transmission of those shocks to retail prices was insignificant (Figure 2) because the Government of Tanzania intervened and retained previous pump prices (ibid). Aside from this brief increase, maize prices remained substantially stable in Tanzania. This stability can be partially explained by government purchases of maize from farmers with excess supply.

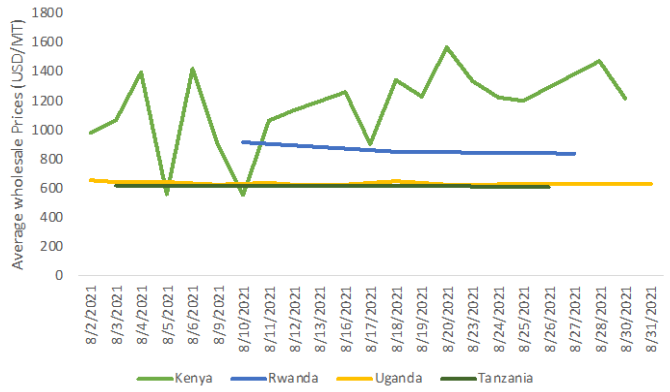
The higher maize prices seen in Rwanda were due to the further relaxation of COVID-19 lockdown restrictions, which allowed more businesses and schools to reopen in the first week of August. This increased the aggregate demand for maize, which in turn drove up prices. An additional contributing factor may have been the highly volatile consumer price index (CPI) for food commodities (National Bank of Rwanda, 2021) seen in August.

## Changing Rice Prices in East Africa

Both wholesale and retail rice prices were highest and most volatile in Kenya and more stable in Uganda and Tanzania throughout August (Figures 6 and 7). The rice prices observed in Kenya could be attributed to the surge in overall inflation stemming from food and fuel inflation (Bank of Kenya, 2021). On the other hand, the low wholesale and retail rice prices seen in Uganda could be attributed to the easing of COVID-19 lockdown restrictions and the bumper harvest that increased supply. In addition, domestically produced rice in Uganda is supplemented by tax-free rice imported from Tanzania. As a major producer

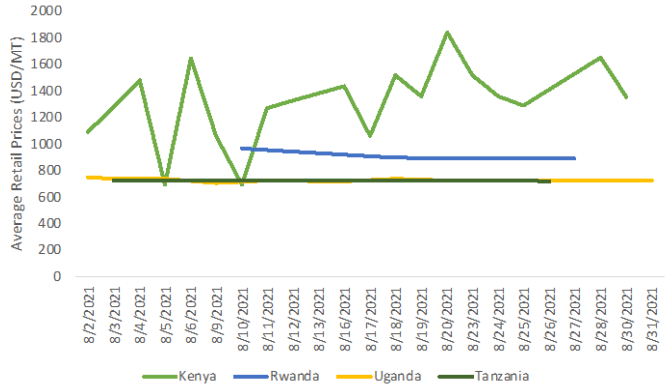
and supplier of rice in East Africa (FEWSNET, 2021), Tanzania dampens prices, resulting in persistently low wholesale and retail rice prices in that country throughout August.

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




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

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




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

## Variations in Imported Rice Prices in East Africa

Most of the rice sold on the East African markets comes from Tanzania and several Asian countries. In August, both the wholesale and retail prices of imported rice were highest in Rwanda; these prices were slightly volatile in Uganda and more stable in Kenya throughout the month (Figure 7). The sustained increase of imported rice prices in Rwanda could be due to heightened demand from households and retail businesses following the further easing of COVID-19 restrictions in the first week of August. In addition, the depreciation of the Rwandan Franc against the US dollar led to high demand for FOREX to cater to growing import needs (National Bank of Rwanda, 2021). Depreciation of the Rwandan Franc increased the prices of imported commodities, including imported rice. On the other hand, the stability of the Ugandan Shilling against the US dollar (Bank of Uganda, 2021b) favours export commodities; this is harmful to imports, which could explain the volatility observed in imported rice prices in that country. In Kenya, the buffers created against short-term shocks in the foreign exchange market (Bank of Kenya, 2021) could explain the stability of imported rice prices in August.

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


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

## Summary and Future Outlook

In August, maize and rice prices continued to be relatively more volatile in Kenya and more stable prices in Rwanda and Tanzania. The respective Governments of Rwanda and Tanzania both intervened in domestic markets by setting farm gate prices (Rwanda) and increasing purchases (Tanzania). Referring to conditions within the country as an "emergency," the Government of Kenya responded to demands from farmers by beginning to purchase maize from the market (Sauwa, Citizen Newspaper, September 2021). This move will essentially affect how maize prices evolve in subsequent months. In addition, because Kenya depends on imports from Uganda and Tanzania, any price variations in those countries may affect Kenya's observed prices.

Overall, the evolution of maize and rice prices within East Africa, as well as any observed price differences in subsequent months, will primarily be driven by: (1) government efforts to regulate prices, (2) continuing or new COVID-19 restrictions, (3) supply levels from the harvest period from July-August, which will depend on weather conditions, and (4) restrictions on trade, including those imposed by the stability of local currencies.

## 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)[2] ; for Rwanda, data is also sourced from e-SOKO[3]. 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.

[2] 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)

[3] 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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