FOOD PRICE MONITOR: MAIZE AND RICE IN EAST AFRICA

MARCH 2022

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.

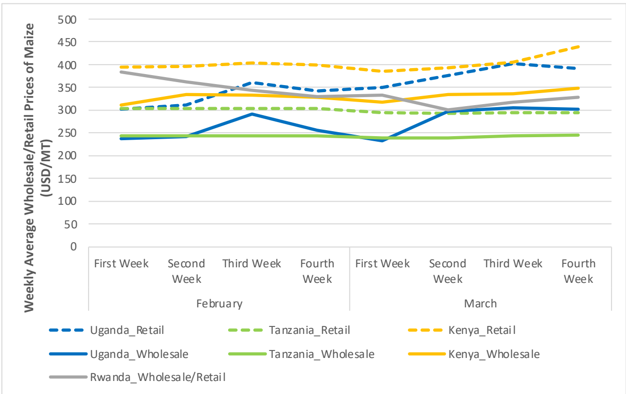
Highlights

- Since February, wholesale and retail maize prices in Kenya and Tanzania have remained stable, while in Uganda, maize prices rose. The highest retail maize prices were in Kenya, followed by Uganda, Rwanda, and Tanzania.
- In March, we continue to observe an increase in maize's wholesale and retail prices across all the East African countries except for Tanzania. The rise in the prices is partially attributed to the supply bottlenecks brought about by the Ukraine/Russia war that has since led to increased fuel prices.
- The stability of maize prices in Tanzania is attributed to the government's efforts to stabilize prices through (1) the high stock of cereals held up in the national food reserve, (2) the government's effort to set indicative prices for agricultural inputs (3) Government's efforts to subsidize fuel prices.
- Given the lean season, the upsurge in the wholesale and retail prices of rice in Uganda may also be due to the dwindled harvest. Increased taxes levied at the Mukutula border between Uganda and Tanzania have also led to an increase in the price of imported rice from Tanzania.

Changing Maize Prices in East Africa

East African countries continue to observe an upsurge in prices of maize, excluding Tanzania, where prices have been stable (Figure 1). Kenya maintains the highest wholesale and retail prices, averaging USD 334/MT and USD 406/MT. In Uganda, the wholesale and retail prices averaged USD 285/MT and USD.380/MT, respectively. In Rwanda, wholesale/retail prices averaged USD 320. Tanzania posted the least wholesale and retail prices averaging USD.242/MT and USD.294/MT, respectively.

Figure 1: Average wholesale and retail price of maize in East Africa (March 2022)



Source: Authors' construction using data from FSP (for Uganda and Tanzania), Ministry of Agriculture Livestock and Fisheries (for Kenya), and e-SoKo (for Rwanda).

In Kenya, the wholesale and retail prices of maize dropped in the first week but rose gently in the second week and throughout the rest of the weeks in March. The rise in maize prices is in tandem with the increase of 0.85 per cent in Kenya's consumer price index (CPI) from February to March, primarily attributed to food inflation (Kenya National Bureau of Statistics, 2022). The escalating Russia/Ukraine war fuels a lot of speculations amongst the private sector actors and has been one of the significant factors explaining the surging prices. For example, on March 14th, the Kenya Transporters Association advised its members country-wide to increase the freight rates by a minimum of 5 per cent to sustain their businesses under the current circumstances (Anyanzwa P2). Other factors explaining the surging prices include: (1) the weakening of the local currency (2) drastic weather patterns in areas along the rift-valley region that have devastated the cropping cycles, and (3) anticipated elections in August this year, could be triggering these changes in the maize prices, as middle-men tend to hoard to benefit from the outcome. Also, given that Kenya mainly relies on maize from Uganda and Tanzania, the dwindling stocks in the neighbouring countries may explain the rise in the price of maize. In Uganda, for example, most of the maize sales are being diverted to Southern Sudan, for higher sale prices. At the same time, Tanzania's recent poor harvest could have impacted its food stock and exports to neighbouring countries like Kenya (Andae 2022)

In Uganda, skyrocketing fuel prices from the end of last year have ravaged food prices emanating from high transportation costs. The current Russia/Ukraine conflict has further exacerbated fuel costs triggering spikes in food prices in the country, this is indicative of the prices of maize shown in Figure 1 above. This, coupled with dwindling harvests from last season, given it was a lean season, has led to an increase in prices above the regular average wholesale and retail prices observed in the previous month. The increase in maize prices alludes to the overall increase in food crop inflation from 0.7 per cent in February to 1.9 per cent in March (Uganda Bureau of Statistics [UBoS], 2022).

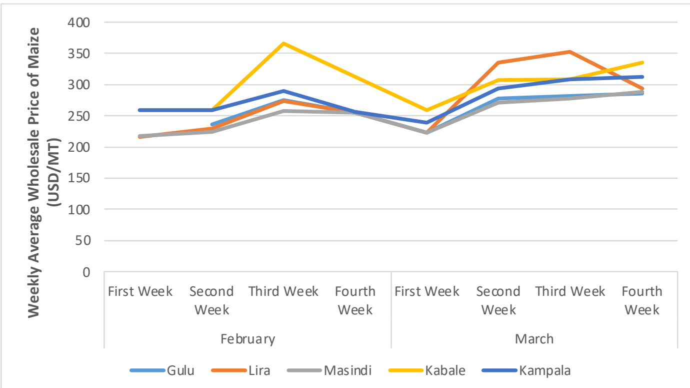
In Rwanda, the weekly average wholesale/retail prices of maize rose in the second week and maintained an upward trend until the end month. This rise is consistent with March's consumer price index, which increased by 3.1 per cent compared to February, mainly due to food inflation (National Institute of Statistics of Rwanda [NISR], 2022). Further, local food prices have surged in response to the ongoing spike in energy and fertilizer prices (National Bank of Rwanda, 2022).

In Tanzania, the weekly average wholesale and retail prices of maize were moderate and stable throughout the month akin to the previous month. Like in other countries in the East African region, Tanzania is experiencing the adverse effects of the geopolitical war in Ukraine that has elevated domestic commodity prices (Bank of Tanzania, 2022). However, prices of maize have remained lowest in the region due to the high stock of cereals held up in the national food reserve (Bank of Tanzania). Also, the government set other measures to keep the prices of agricultural inputs in check. For example, as part of its efforts to prevent agro-input traders from inflating prices, the government set indicative prices for the fertilizers (The Citizen, 2022). Also, in a bid to control the skyrocketing prices of fuel, the government removed 100 shillings on levies charged on every litre of petrol (Karashani, 2022)

Uganda

Markets within Uganda reported an upward trend in the wholesale price of maize throughout March except in the case of the Lira market. In Lira, there was a spike in the average wholesale price of maize in the second week but then it dropped from the third to the fourth week (Figure 2). Prices were generally high in Lira district which is situated in the Northern region compared to the neighbouring markets in Gulu and other markets in the country. Markets in Lira district, unlike Gulu, might have had a lower harvest from the second season of 2021. Apart from the hiked fuel prices, the preceding rains were insufficient, adversely affecting the yield. In addition, ongoing conflicts in the neighbouring North-East region (Karamoja sub-region) have partially caused supply shortages of food crops within the region. Albeit, wholesale prices remain high in Kampala markets given the high demand from urban consumers and the high transportation costs from maize-producing districts to the capital city. Prices are low in maize-producing districts like Masindi (Figure 2).

Figure 2: Average weekly wholesale prices of maize in selected markets in Uganda (March 2022)

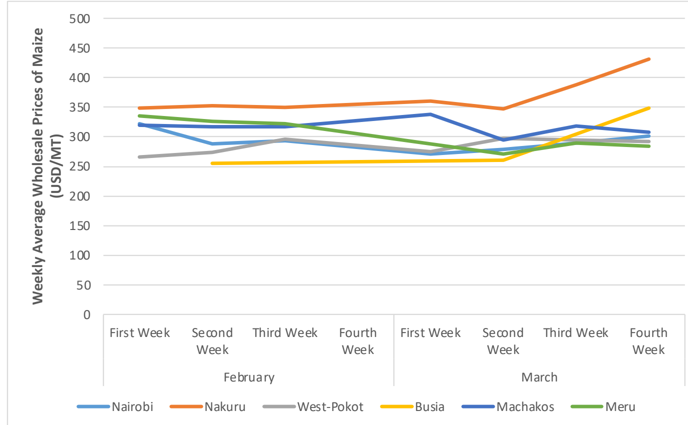


Source: Authors' construction using data of RATIN from FSP

Kenya

The markets in Kenya show a variation in the wholesale price of maize observed in March (Figure 3). Unlike in February and the previous months, where the price of maize was lowest in Busia, in March, the wholesale price of maize in Busia surpassed other markets except markets in Nakuru. Rising prices in Busia could be attributed to a price contagion from the soaring food prices in Uganda. Busia is a border town between Kenya and Uganda. Markets in Nakuru had higher wholesale prices than in Nairobi even when Nakuru is one of the top maize-producing areas in Kenya. High prices are majorly due to high production costs in purchasing inputs like fertilizer. The unstable wholesale prices of maize exhibited in the rest of the markets are due to long dry spells that had hit the semi-arid area of the country and, in part, the effect of the electoral cycle pending the August elections.

Figure 3: Average weekly retail prices of maize in selected markets in Kenya (March 2022)

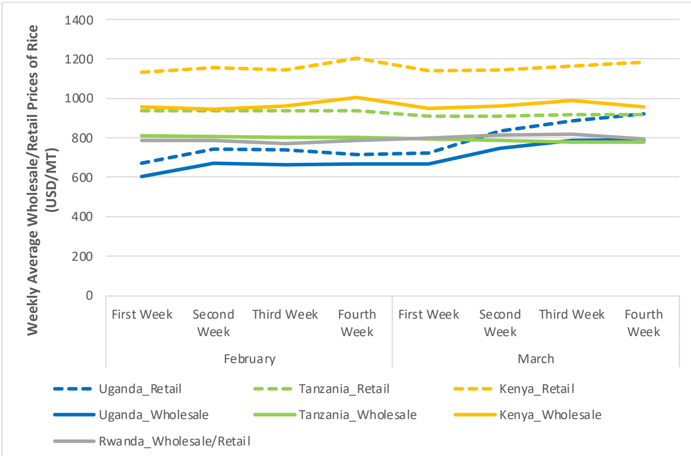


Source: Authors' construction using data from FSP

Changing Rice Prices in East Africa

The wholesale and retail prices of rice in the East African region were generally stable except for Uganda, where the prices rose steadily over the weeks in March (Figure 4). The highest wholesale and retail prices were in Kenya, averaging USD 964/MT and USD.1158/MT, respectively. Tanzania followed, averaging USD.784/MT and USD.913/MT, respectively. While in Uganda, they averaged USD.784/MT and USD.842/MT. The wholesale/retail of rice prices in Rwanda averaged USD807/MT. The East African region has been ravaged by the increase in the cost of living caused by the rise in domestic fuel prices induced previously by the covid-19 supply constraints and now worsened by the Russia/Ukraine conflict. The surge in fuel prices has triggered an upsurge in food prices, as evidenced in Uganda by a sudden sharp rise in rice wholesale and retail prices.

Figure 4: Average retail price of rice in East Africa (March 2022)



Source: Authors' construction using data from FSP (for Uganda), Ministry of Agriculture Livestock and Fisheries (for Kenya), Ministry of Agriculture (for Tanzania) and e-SoKo (for Rwanda)

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

Country	Market Levels	Monthly Average Prices February	Monthly Average Prices March	Monthly % Change
Kenya	Retail	1158	1158	0
Uganda	Retail	717	842	17
Rwanda	Retail	783	807	3
Tanzania	Retail	936	913	-2
Kenya	Wholesale	967	964	0
Uganda	Wholesale	652	748	15
Rwanda	Wholesale	783	807	3
Tanzania	Wholesale	804	784	-2

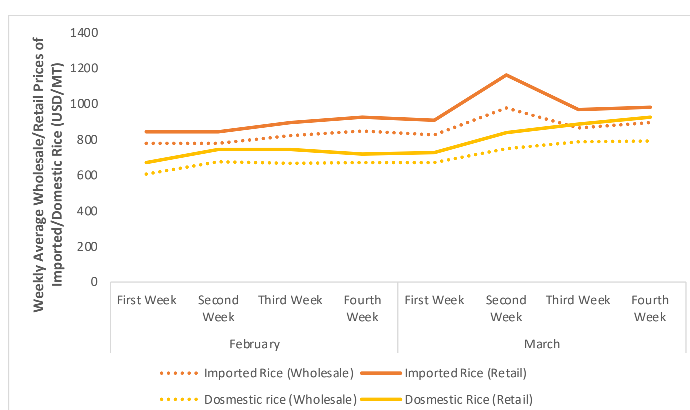
Source: Authors construction using data from FSP (for Uganda), Ministry of Agriculture Livestock and Fisheries (for Kenya), Ministry of Agriculture (for Tanzania), and e-SoKo (for Rwanda)

From Table 1, the changes in the average weekly wholesale and retail prices of rice in East Africa vary. Uganda showed the highest increment in the average monthly percentage change in wholesale and retail prices by 15 and 17 per cent respectively. There were no changes in the average monthly percentage change in rice wholesale and retail prices in Kenya, and Tanzania and Rwanda recorded minor changes.

Comparing domestic and imported rice in Uganda and Rwanda.

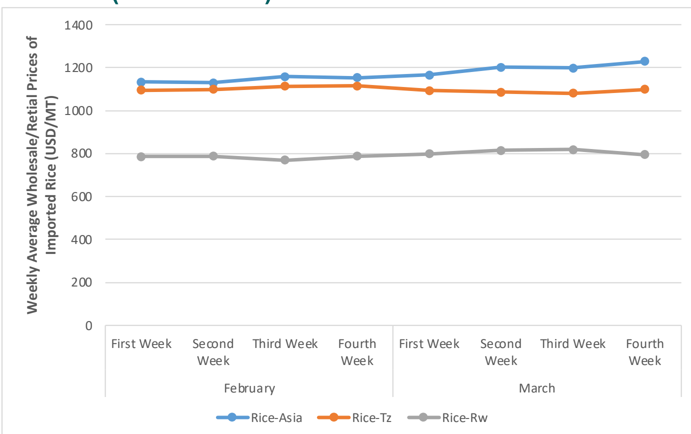
Uganda and Rwanda rely on imported rice from neighbouring Tanzania and Asian countries. The price of both imported and domestic rice has maintained an upward trend from February into March. In Rwanda, the imported price of rice remained relatively stable in March. Uganda has maintained a strong local currency, heavily supported by foreign currency inflows against the backdrop of enhanced exports in recent weeks. However, the invasion of Ukraine by Russia sparked tumultuous global shocks that have since adversely affected the value of the foreign currencies (US dollars), ultimately leading to the observed volatility in the wholesale and retail prices of imported rice in Figure 5. Also, the same effect explains the upsurge in wholesale and retail prices of domestically produced rice. The recently ended rice season in most rice-growing parts of Uganda and Tanzania also explains the increase in the price of rice. The increase in the amount of taxes levied at the Mukutula border that borders Uganda and Tanzania has also led to the rise in the price of imported rice from Tanzania (Kigongo 2022). Relatedly, the adverse impacts of the Russia/Ukraine war on the domestic prices did not spare Rwanda, and it has since seen an increase in the price of imported products (Figure 6). Despite being primarily stable throughout the month, we observe significant deviations in rice imported from Asia (Rice-Asia) and rice from Tanzania (Rice-Tz) than domestically produced rice in Rwanda (Rice-Rw). For example, Rice-Asia averaged USD 1199/MT, USD.1090/MT for Rice-Tz, and Rice-Rw averaged USD 807/MT.

Figure 5: Average daily wholesale and retail prices of imported rice in Rwanda (March 2022)



Source: Authors' construction using data of RATIN from the FSP

Figure 6: Weekly average wholesale/retail prices of imported rice in Rwanda (March 2022)Average daily wholesale and retail prices of imported rice in Rwanda (March 2022)



Source: Authors' construction using data from e-SOKO

Summary and Future Outlook

In March, we observed high rice and maize market prices in the East African countries except in Tanzania. The driving factors include (1) supply bottlenecks caused by high fuel costs from global supply interruptions following the Russian Ukraine war, (2) prolonged dry spells in countries like Uganda, and the upcoming lean season characterized by planting of crops and dwindled harvests from last season (3) market diversions such as Uganda diverting some of its maize sales to Southern Sudan rather than to Kenya.

The above factors, particularly the supply bottles associated with the Russian-Ukraine war, will continue to influence the market outlook of prices in April unless the respective Governments intervene like in the case of Tanzania. The Tanzanian government has proposed some measures to deal with the domestic and external shocks. For example, the government is to establish a revolving fund that will cushion farmers by bearing the price burden and set single-digit lending rates for agricultural loans (Malanga, 2022).

In countries like Rwanda and mainly Kenya, low production may be witnessed due to the high fertilizer and seed costs. In Uganda, the outbreak of armyworms in some areas might affect the production and price of maize in the future.

Data and Methodology

Data for wholesale and retail prices of rice and maize for Uganda and Tanzania were obtained from the (1) Food security Portal (FSP)[1] facilitated by the International Food Policy Research Institute, (2) Kenya Market Information System [2] sourced for the Ministry of Agriculture Livestock Fisheries and Co-operatives (MALF) for Kenya, and e-Soko (3)[3] for Rwanda. Also, we maintain that the data source for commodity prices for Rwanda neither indicates whether the prices are retail or wholesale. Further, the data for Kenya and Rwanda were collected in the local currencies, measured in Kshs/Kg and Rwf/Kg, and converted to USD/MT. Additionally, we averaged the weekly and daily wholesale and retail prices of maize and rice across the markets for each country in East Africa while drawing comparisons between January and February. We also analysed within-country weekly average wholesale prices of maize in selected markets of Uganda and Kenya. We also computed monthly average changes in rice wholesale and retail prices between January and February for the East African region to quantify any changes in the two periods. Finally, we constructed graphs of wholesale and retail prices of domestically produced and imported rice for Uganda and Rwanda.

[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 (foodsecuritypportal.org)

[2] Ministry of Agriculture Livestock Fisheries and Co-operatives, Kenyan Market Information System. Data available via http://amis.co.ke/site/market/900?product=1&per_page=100

[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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