Staple food prices in Ethiopia

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Staples are critically important

- They are important in terms of:
  - Total cultivated land
  - Rural employment / livelihoods
  - Agricultural GDP
  - A typical households’ calorie intakes
  - A typical households’ food expenditure
  - Even as percentage of national GDP

All growth and poverty alleviation strategies of GoE place heavy emphasis on cereals!!
Production is diversified, but crop shares are changing

- In the 1990s' total production of four major cereals was 6.2 million tons.
- Of the total production, maize accounted for the most (37%), followed by Teff (26%), Sorghum (20%), and Wheat (17%).
- In 2007, total production was 11.2 million tons with a very different composition.

Major cereals are non-tradable (internationally)

- According to FAO data, export as percent of production in 2000-03 was negligible (0.2%).
- Import as percentage of consumption, however, is shown to be high at more 31.4% in case of wheat.
- The share of import as percent of consumption is a bit deceiving—as imports mainly reflects the food aid imports.
Domestic trade is very significant

Three main factors:
- Regional concentration of production
- Market size
- Small holder dominance

Regional concentration
- Two regions—Amhara and Oromia—account for about 87% of total production

Market size
- Roughly 30% of the total production of four major cereals are marketed → a trade value of US$840 million

Smallholders dominance
- More than 60% of the cereal farmers are smallholders
- Cereal trade is conducted predominantly by smallholders

Price trends - Maize (Real vs. Nominal)

- Low inflation used to be the hallmark of Ethiopian economy until 2006—nominal used to be lower than real price
- It started changing since 2007, with food price inflation reaching 100% in late 2007-early 2008.
- Macroeconomic measures resulted in decline, prices still remain high
- Wheat price trend is more or less similar
Teff price trend is quite different from the other cereal. This trend appears to be new. Despite curving inflation and substantial GoE efforts for price stabilization, teff prices continue to rise.

Direct interventions instruments
- Strategic grain reserves (430 thousand tons)
- Large social safety net (Productive Safety Nets)
- Price stabilization in recent years
- Trade bans (imposed 2006)

Indirect instruments
- Heavy investments in infrastructure
- Increased public spending in agriculture
- Large scale extension and input distribution
- Institutions building (WRS and Com Exch)
Responses to food crisis

- Large scale GoE imports to:
  - Re-introduce urban food rationing
  - Open market sales but suspended
  - At cost distribution through millers
  - Extensive use of strategic food reserves

- Measures to curve inflation and improve BoP
  - Almost elimination of fuel subsidies
  - Reduction in bank reserve ratio
  - Imposition of export ban, although export was never large

Recent changes / ongoing discussion

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  - Re-introduce urban food rationing
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- Measures to curve inflation and improve BoP
  - Elimination of fuel subsidies
  - Extensive use of strategic food reserves
  - Reduction in bank reserve ratio
  - Export ban, although export was never large
Some updates

- The productive safety net program (PSNP)—largest of its kind in Africa—is scaled up
- Review underway to increase strategic grain reserves from 430 thousand tons to roughly a million tons
- Efforts to bring cereal trade under commodity exchange
- Major multi-donor programs to boost agricultural production