FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

Feed the Future Ethiopia Value Chain Activity

Partnering with the Agricultural Growth Program

MAIZE PRICE OUTLOOK BRIEF 06

INTRODUCTION

Maize is the basis for food security in many developing countries in Africa, Asia and Latin America. According to the FAO AMIS 2021/22 forecast, global Maize production has reached 1,191million metric tons, growing at an average annual rate of 3% from 1,156 million metric tons in 2020/21. The global Maize price in 2021 starts to decline since the month of June and reach the lowest point of 256.6 USD/Ton in the month of August 2021. However, the price is higher compared to the 149.3 USD/Ton August 2020 price. [1]

MAIZE PRODUCTION IN ETHIOPIA

Maize is an important food crop in Ethiopia. During the 2020/21 main cropping season, Maize production covered 2.5 million hectares of land with total production of nearly 105 million Quintals. (CSA 2020/21); equivalent to 10.5 million tons. Cereals contributed 81 percent of total Ethiopian grain production, with Maize accounting for 35 percent of cereals production followed by Wheat, Teff and Sorghum with 19, 18 and 15 percent respectively in 2020/21. (CSA, 2020/21).

In 2020/21, Maize production showed an increment of 9.2 million quintals over the previous year 2019/20, equivalent to a 10 percent increase as shown in Table 1. The maize production increment came from the 11 percent increment of area under maize cultivation. Average productivity has slightly declined from 42 Qtl/Hectare to 41Qtl/Hectare.

Table 1: Production of major cereals and cultivated areas 2019/20 -2020/21cropping season

Crop	2019/20 (Area in Hectare)	2020/21 (Area in Hectare)	%	2019/20 Production in Quintals	2020/21 Production in Quintals	% Change
Teff	3,101,177.38	2,928,206.26	-6%	57,357,101	55,099,615	-4%
Barley	950,742.01	926,106.90	-3%	23,780,102	23,391,099	-2%
Wheat	1,789,372.20	1,897,405.05	6%	53,152,703	57,801,306	9%
Maize	2,274,305.90	2,526,212.36	11%	96,357,345	105,570,936	10%
Sorghum	1,828,182.40	1,679,277.06	-8%	52,655,800	45,173,502	-14%
						Source: CSA 2020/21

[1] World bank Publication and data

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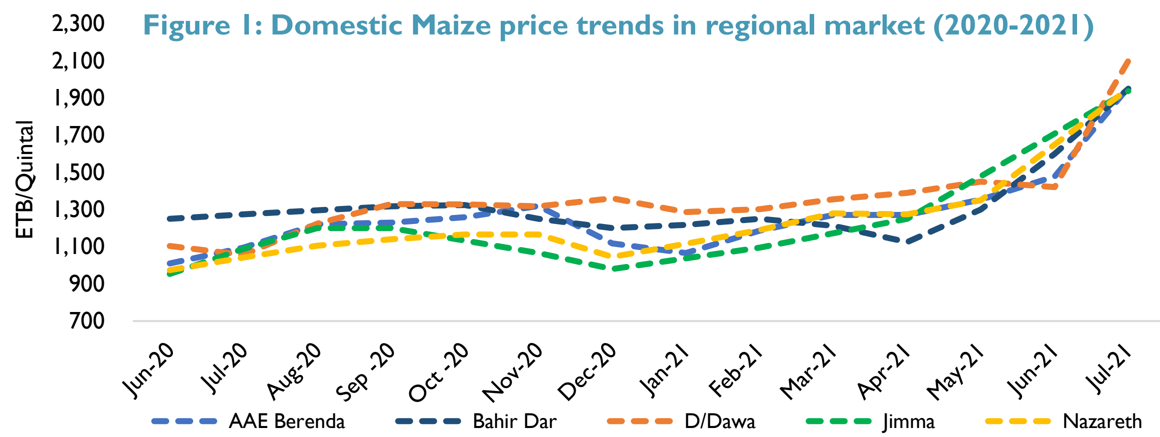
DOMESTIC PRICE TREND

According to Ethiopian Trading Business Corporation (ETBC, 2021); cereal prices in general show a seasonal decrease just after harvest (November-January) as shown in Figure 1. The Maize price increase from May to July 2021 was exceptional, recording a spike of 44 percent in selected major markets. The seasonal upward trends in Maize price were amplified by the soaring inflation rates, depreciation of the local currency that increased prices of fuel and agricultural inputs, inflating transport and production costs.

A report by Central Statistics Agency (CSA, 2021) indicates that the rate of inflation in Ethiopia has reached 30.4 percent in August 2021 and the food inflation rate standing at 37.6 percent in August 2021 is heavily influenced by the rise in Cereal prices.

Figure 1: Domestic Maize price trends in regional market (2020-2021)



Source: ETBC, August,2021

Specific highlights from the ETBC price data are as follows.

- Maize prices in Dire Dawa during July 2021 were 2,100 Birr/Qtl, nearly double the price of 1,100 Birr/Quintal in July 2020
- The price spike in Dire Dawa in four weeks from June 2021 to July 2021 was an extraordinary rate of 48%
- Jimma is one of the areas producing a surplus of Maize, characterized by lower prices during the month of October 2020 until March, 2021. However, the price has been rising from April 2021 parallel to the other markets.
- Overall, the average nominal wholesale prices of maize in July 2021 is 18 to 48 percent above the corresponding price a month before in all monitored markets, including Addis Ababa.
- Markets across all regions seems integrated as they move together with prices.
- The commodity price inflation responds to speculative changes in supply-demand perceptions; as well as the underlying sentiment associated with economic inflation rates, political instability and the depreciation of the local currency impacting the overall supply chains.

Large-scale Maize purchases remain difficult to quantify with a scarcity of accurate records. The National Disaster Risk Management Commission (NDRMC) office has procured around 400,000 quintals of maize for humanitarian use[2] during 2020/21. Agro food processing companies have consistent demand of Maize as a key

[2] Informal discussion with staff from NDRMC.

ingredient for snack foods and for energy giving foods (where Maize accounts for some 80% of the recipe).[3] The growing demand for flour, where Millers use a blended mix of Maize with other more expensive cereals like Teff and Wheat, is a demand factor influencing prices. In addition, animal feed processing factories rely on large quantities of Maize; which constitutes around 50 percent of total raw material requirements. Localized production of beer, based on Maize fermentation, is also a significant demand source.

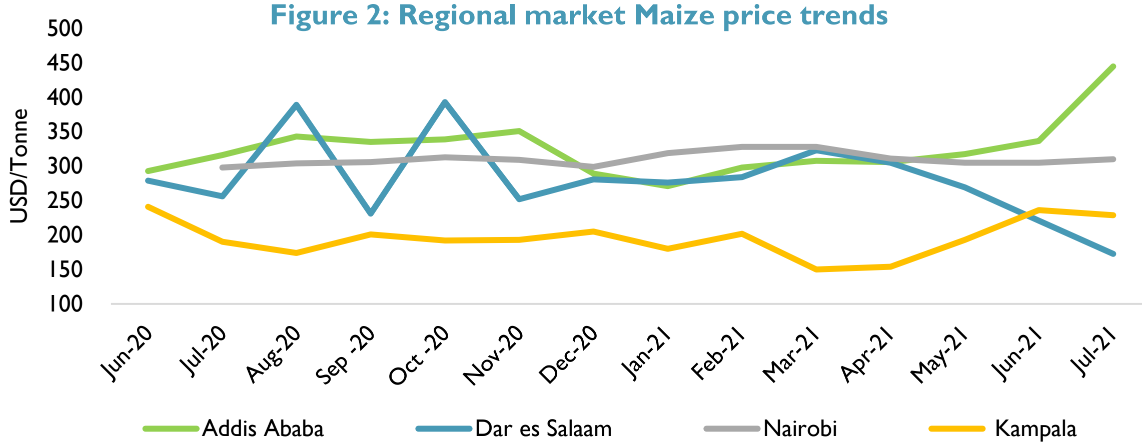
According to the FAO GIEWS (Global Information and Early Warning System) report, Ethiopian Cereal production in 2022 is expected at below-average levels. The cumulative rainfall amounts forecast for the February-May 2022 short rainy season range from 30 to 80 percent below average in Southern Tigray, Eastern Amhara and Eastern Oromia regions, resulting in delayed and reduced plantings as well as in seed germination failures[4]. This will likely push prices slightly upward in the coming production year.

Regional Maize Price Trends in EAST AFRICA

The regional market price trends shown in Figure 2 presents a mixed picture. According to GIEWS report, prices in Uganda, Kenya, and Tanzania were similar to the previous year due to adequate market supplies from 2020 cereal outputs. The spread of COVID19 has impacted livelihood opportunities resulting in a declining purchasing power and exerting a downward pressure on the price[5].

By contrast, in Ethiopia the Maize price remained at higher levels due to seasonal upward trends and the soaring inflation rate. Prices in July 2021were well above the previous year for reasons already mentioned.

Figure 2: Regional market Maize price trends



Source: FAO GIWES, July 2021

Apart from regional price trends, it is useful to contextualize the scale of the Ethiopian Maize sector compared to other African countries, as shown in Table 2. Based on the annual production volumes using data from the United States Department of Agriculture (USDA), Ethiopia is one of the largest producers of Maize in Africa.

Table 2: Major Maize producers in Africa in 2020/21 production year

Month	Egypt	Ethiopia	Kenya	Nigeria	South Africa	Tanzania	Uganda	Zambia
Production (1000 MT)	6,400	8,600	4,000	10,000	16,900	6,300	2,750	3,387

[3] Discussion with staff and owners of Agro Food processing companies.

[4] FAO GIEWS (Global Information and Early Warning System, June 2021.

[5] GIEWS FPMA Bulletin June, 2021

CONCLUSION

The volatility in Ethiopian Maize prices may benefit Traders and wholesalers in the short-term. The recent spike in price may incentivize farmers to invest in suitable post-harvest storage to also benefit from the increase in price.

However, in general terms the Ethiopian Maize price is un-competitive with regional countries; discouraging export potential and significantly increasing food costs for domestic processors and consumers. The forecast for below-average rainfall in 2022 will likely exacerbate the Maize supply issues; putting further upward pressure on prices. This will negatively impact supply and affordability of basic foodstuffs like flour; as well as a knock-on impact in livestock sectors influencing the production cost of meat, dairy, and poultry.

The “stagnation” in average Maize yields around the 40 Qtls/Ha level, is a serious concern given underlying inflation of input costs. Although farmers have committed more land to Maize production, the need for improving yields and efficiency of input use remains a strategic priority if the sector is to remain competitive and sustainable.