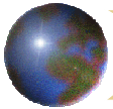


# Staple food prices in Ethiopia

Shahidur Rashid (IFPRI)

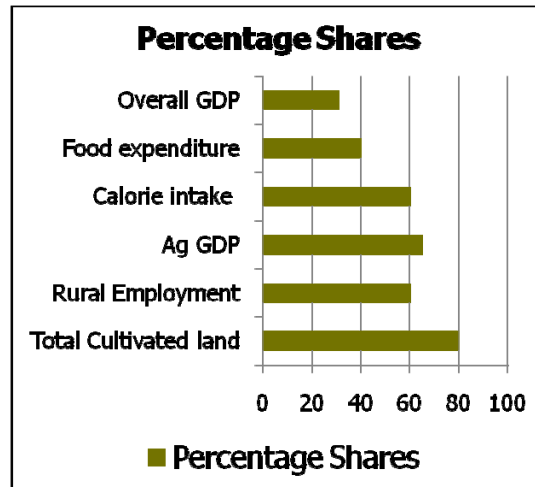
Asfaw Negassa (IFPRI)

Presented at the COMESA policy seminar  
"Food price variability: Causes, consequences, and policy options"  
on 25-26 January 2010 in Maputo, Mozambique  
under the COMESA-MSU-IFPRI African Agricultural Markets Project (AAMP)

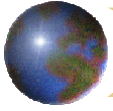


## Staples are critically important

- 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

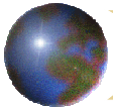
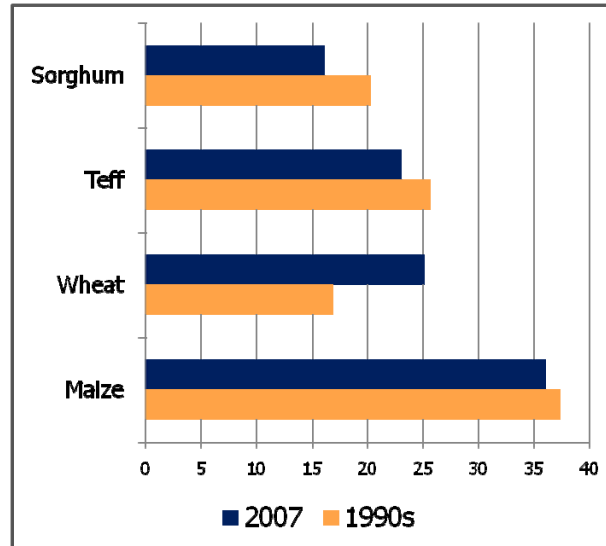


**All growth and poverty alleviation strategies of GoE place heavy emphasis on cereals!!**



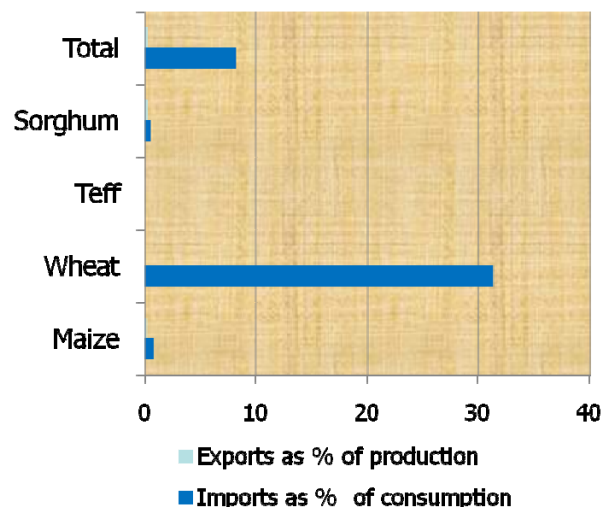
## Production is diversified, but crop shares are changing

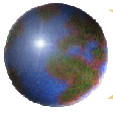
- In the 1990s' total production of four major cereals was 6.2 million tons.
- Of the total production, maize accounted for the most (37%), followed by Teff (26%), Sorghum (20%), and Wheat (17%).
- In 2007, total production was 11.2 million tons with a very different composition



## 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.

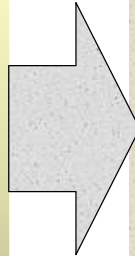




## Domestic trade is very significant

### ● Three main factors:

- Regional concentration of production
- Market size
- Small holder dominance



### ● Regional concentration

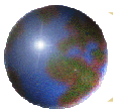
- Two regions—Amhara and Oromia—account for about 87% of total production

### ■ Market size

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

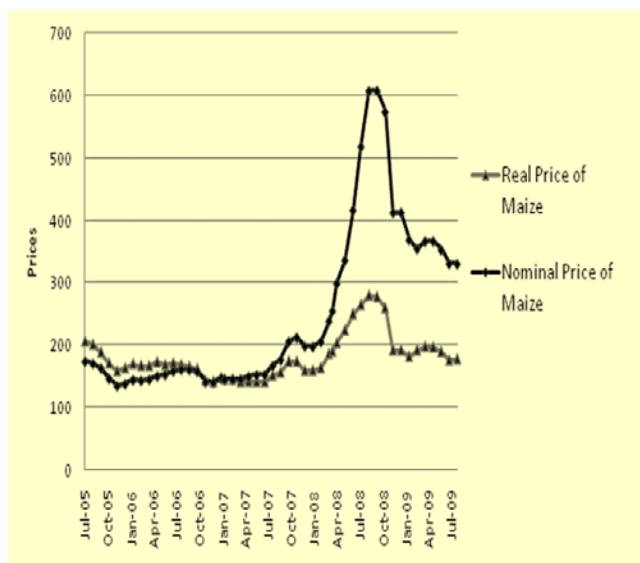
### ■ Smallholders dominance

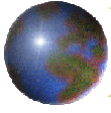
- More than 60% of the cereal farmers are smallholders
- Cereal trade is conducted predominantly by smallholders



## Price trends - Maize (Real vs. Nominal)

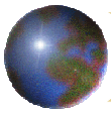
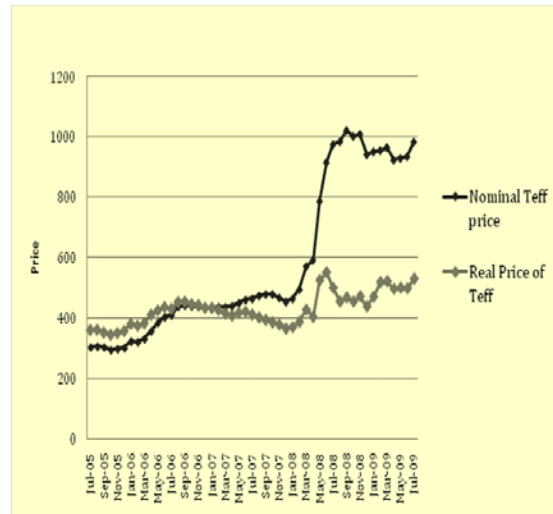
- Low inflation used to be the hallmark of Ethiopian economy until 2006—nominal used to be lower than real price
- It started changing since 2007, with food price inflation reaching 100% in late 2007-early 2008.
- Macroeconomic measures resulted in decline, prices still remain high
- Wheat price trend is more or less similar





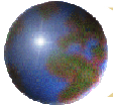
## Price trends - Teff (real vs. nominal)

- Teff price trend is quite different from the other cereal.
- This trend appear to be new
- Despite curving inflation and substantial GoE efforts for price stabilization, teff prices continue to rise.



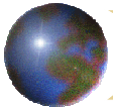
## Food policy

- 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)



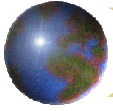
## Responses to food crisis

- 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

- Large scale GoE imports to:
  - Re-introduce urban food rationing
  - Open market sales in 2008, but suspended
  - At cost distribution through millers
- 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