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TRENDS IN REAL FOOD PRICES IN SIX SUB-SAHARAN AFRICAN COUNTRIES

By

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BACKGROUND: The effects of structural adjustment and food market reform on agricultural productivity and household food security continue to be strongly contested. USAID's Development Fund for Africa Report (DFA)¹ presents evidence of a broad economic turnaround in Africa, and in particular, finds support for increased agricultural productivity growth, in contrast to the gloomier picture commonly painted about stagnating African agriculture. Macroeconomic and agricultural sectoral reform are identified as major factors explaining the rise in productivity growth. The DFA report indicates that "real food prices have fallen in numerous African countries. These price changes are only explicable in the face of substantial increases in production" (p. 48).²

The objectives of USAID/AFR/SD/PSGE in supporting further research on real food prices are, inter alia, to reassess the evidence on the impact of

structural adjustment and food market restructuring on household food security and real food prices paid by low-income consumers.

OBJECTIVES: The objectives of the study funded by SD/PSGE are threefold: (1) to assess the direction and magnitude of changes in real staple food prices since the implementation of food sector policy reforms in Africa; (2) to identify the major factors affecting changes in these food prices; and (3) to assess the resulting effects of food system reform on household food security. The report focuses on six countries: two from East Africa (Kenya and Ethiopia); two from Southern Africa (Zimbabwe and Zambia); and two from West Africa (Mali and Ghana).

FINDINGS: The report highlights three conclusions:

1. Grain and grain meal prices have declined in five of the six countries examined: Ghana, since 1984; Zambia, since 1987; Ethiopia, since 1990; Kenya, since 1988; and Mali, since 1982 (Table 1). In the sixth country, Zimbabwe, frequent government subsidies on maize meal artificially depressed prices during the pre-reform period. When the subsidies were removed, maize meal prices to consumers rose, but by a smaller amount than the former subsidy, because of lower

¹ "Africa: Growth Renewed, Hope Rekindled: A Report on the Performance of the Development Fund for Africa, 1988-1992." Washington, D.C.: USAID, Office of Development Planning, Bureau for Africa.

² Analysis in support of this conclusion is drawn from numerous country studies by the Cornell Food and Nutrition Policy and others (see, for example, Sahn and Sarris 1991).

marketing and processing costs achieved through maize market reform. In four cases (Kenya, Zambia, Mali, and Zimbabwe), the negative effect of eliminating food subsidies on low-income consumers has been partially or wholly compensated by accompanying reforms that have raised consumers' access to less expensive food products formerly suppressed by regulation.

2. The major factors associated with the decline in real consumer food prices in these countries have been: (a) **better transmission of declining real world prices into the domestic economies** by removal of trade barriers (Mali, Ghana); (b) **increased food aid flows in the reform period** (Mali, Ethiopia); and (c) **increased competition and lower costs in food marketing and processing**, which reduces marketing margins (Zambia, Zimbabwe, Mali, and Kenya).

3. In the countries for which downstream marketing margin information is available (Zimbabwe, Zambia, Kenya, and Mali), mill-to-retail marketing margins appear to have fallen since the major aspects of the reforms were initiated (Table 1). This has, other factors constant, passed on tangible benefits to food consumers and/or producers. Declining producer-to-wholesale price spreads were also observed in the two countries where such data was available (sorghum and rice in Mali, and maize in Kenya).

The findings from the six countries, in general, provide support for the DFA Report's conclusion that real food prices have fallen in numerous African countries. The weight of the evidence indicates that consumers, especially urban consumers, have in most cases benefitted from the food marketing and pricing reforms initiated in the countries examined. However, the analysis in this paper does not generally support the DFA's premise that "these price changes [downward] are only explicable in the face of substantial increases in production" (p. 48). Available data indicates that per capita food production has declined in

the post-reform period in at least three of the six countries examined.

However, this is not necessarily indicative of a welfare loss, since in several cases production levels during the pre-reform period were buoyed by large state transfers to agriculture which had effectively shifted the costs of maintaining the pre-reform food systems from one social group to others. The complex distributional effects associated with food market reform (benefitting farmers and consumers in some regions while imposing greater costs on farmers and consumers in other regions) underscore the major difficulty and controversy associated with normative assessments of the effects of food marketing and pricing reform.

A future challenge for food policy is to refocus the emphasis from the liberalization of food markets to the promotion of productivity growth throughout the entire production and marketing portions of the food system, through the development and strategic coordination of markets -- most notably for commodities, inputs and finance, in a financially sustainable way.

**Table 1. Index of Real Food Prices in Pre-reform and Post-reform Periods**

		Phase 1: Pre-Reform	Phase 2	Phase 3
Mali	sorghum, Bamako retail	100	116	79
	rice, Bamako retail	100	99	84
Ghana	maize, wholesale, average of 3 markets ^a	100	84	71
	sorghum, wholesale, average of 3 markets	100	82	62
	millet, wholesale, average of 3 markets	100	103	79
	yams, wholesale, average of 3 markets	100	126	104
	cassava, wholesale, average of 3 markets	100	133	93
Ethiopia	teff white, Addis Ababa, retail	100	--	83
	maize, Addis Ababa, retail	100	--	89
	wheat white, Addis Ababa, retail	100	--	97
	barley white, Addis Ababa, retail	100	--	94
Kenya	Official ex depot maize grain, Nairobi	100	80	83
	Official producer price, Kakamega	58	55	54
	Refined meal, official retail, Nairobi	134	127	131
	Refined meal (retail plus subsidies), Nairobi	161	138	NA
	Maize grain, retail, Nairobi markets	101	89	72
	Whole meal, hammer-milled, Nairobi markets	--	--	82
Zambia	Official ex-depot maize grain, Lusaka	100	70	NA
	Official producer price	97	72	NA
	Roller meal, official retail, Lusaka	143	113	137
	Roller meal (retail plus consumer subsidy), Lusaka	199	179	137
	Maize grain, retail, Lusaka markets	--	--	76
	Whole meal, hammer-milled, Lusaka markets	--	--	93
Zimbabwe	Official ex depot, maize grain	100	71	121
	Official producer price	82	69	102
	Roller meal, official retail	129	150	199
	Roller meal, official retail plus subsidies	170	210	214
	Maize grain, retail, Harare markets	--	--	130
	Whole meal, hammer-milled, Harare markets	--	--	144

Data for pre-reform, Phase 1, and Phase 2 periods based on the following periods:

	<u>Phase 1: Pre-reform</u>	<u>Phase 2</u>	<u>Phase 3</u>
Mali	1970.10-1981.09	1981.10-1985.09	1985.10-1994.12
Ghana	1980.01-1983.09	1983.10-1985.08	1985.09-1990.12
Ethiopia	1980.01-1990.05	--	1990.06-1994.12
Kenya	1980.01-1988.06	1988.07-1993.12	1994.01-1995.09
Zambia	1980.04-1986.03	1986.04-1993.03	1993.04-1995.08
Zimbabwe	1980.04-1991.05	1991.06-1993.05	1993.06-1995.09

notes: ^aunweighted average of Bolgatanga, Techiman, and Kumasi.



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Michigan State University
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This paper is also forthcoming as an SD Publication Series technical paper. It can be obtained through USAID's development information system (CDIE) (catalogue number forthcoming).