

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Ethiopia

Grain and Feed Annual

Grain Production Better than Expected

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Report Highlights:

MY17/18 grain production was better than expected due to favorable weather conditions and relatively minor losses from Fall Army Worm. MY18/19 production levels are expected to remain at or above the previous year, while wheat and sorghum imports will continue. Meantime, MY18/19 corn exports are forecast to grow to 100,000 metric tons as local production is forecast to increase.

Executive Summary:

The production of major grains is forecast to remain fairly strong in MY18/19 due to a variety of factors and assumptions. These factors include continued investment in improved seeds, fertilizers, and mechanization. At the same time, after several failed years, the short rainy season (Mar-Apr), known as the *Belg*, appears to have returned this year. While it's still too early to determine the extent of these rains, it does increase the likelihood of higher levels of production come harvest time in MY18/19. With that being said, though, the main factor that will determine production is the long rainy season (Jun-Sep), called the Meher. In addition, efforts have been made to mitigate the potential impact of Fall Army Worm (FAW).

Production of all major grains increased in MY17/18 due to favorable weather conditions, particularly timely and adequate rainfall in the western and central highlands of the country where most of the grain is grown. In contrast, rains in the lowlands, especially in the eastern half and southeastern parts of the country were insufficient, resulting in lower than expected production in these areas. Meantime, FAW-related crop losses were relatively minor throughout the country.

These losses, both weather and pest related, were more than offset by gains in the surplus grain-producing areas of the country. It should be noted that while there are areas with grain surpluses, the country as a whole does not have enough grain as evidenced by imports of wheat and sorghum for food aid and the bread subsidy. See figure 1 at the end of the report for a map of the grain growing areas in the country.

Wheat

Production:

Post is forecasting MY18/19 (Oct-Sep) wheat production to hold steady from last year at 4.2 million metric tons, with yield and area harvested to remain unchanged at 2.6 metric tons per hectare and 1.6 million hectares, respectively. This out-year estimate assumes favorable weather conditions, sufficient availability of inputs, and minimal disease and pest pressures.

In MY17/18, owing primarily to optimal rainfall, wheat production is expected to climb 300,000 metric tons from the previous year to 4.2 million metric tons, which matches the current USDA official figure.

For more than a decade, Ethiopia's wheat production has shown steady growth, increasing more than 50 percent since MY08/09. With little change to area harvested, most of this growth is attributed to better yields resulting from expanded access to improved seed, mechanization, minimal pest and disease pressure, as well as the opening of commercial farms. These yield-improving investments were largely made possible because farmers were able to make a little extra from the strong local wheat prices.

Wheat is the second mostly widely produced cereal crop after corn. Hard red wheat accounts for about 75-80 percent of production, while durum makes up roughly 10-15 percent.

Consumption

Wheat consumption for MY18/19 is projected at a little more than 6 million metric tons as demand continues its upward trend due to rising incomes, population growth, urbanization, combined with a growing preference for wheat-based products, such as bread and pasta.

MY17/18 consumption is adjusted upward to nearly 6 million metric tons, an increase roughly 300,000 metric tons above the USDA official estimate. This revision is mostly due to projected increases in wheat import volumes.

Even though demand for wheat continues to grow, the actual consumption of wheat is being held back because of insufficient supplies. Specifically, import volumes, which account for about 40 percent of consumption, are inadequate to bridge the gap between local wheat supplies and demand. Rising demand is one factor contributing to higher average retail wheat prices, which reached more than \$460 per metric ton in Addis Ababa in CY17. See table 1 for price data.

According to the Central Statistical Agency's (CSA) crop utilization survey, 60 percent of wheat production is consumed by the producing farm household, 20 percent is sold to the market, and the balance is used for seed, in-kind wages, animal feed, and other minor uses. Wheat is the third most important staple food crop in the Ethiopian diet behind corn and sorghum.

Trade

MY18/19 imports are forecast at 1.7 million metric tons, down 100,000 metric tons from the previous year's revised estimate since the government is likely to pull back on imports since it is anticipated that they will have just replenished government-held reserves.

Imports in MY17/18 are estimated at 1.8 million metric tons, up 200,000 metric tons from the USDA official estimate. This revision is based on the assumption that the government will use a sizeable portion of the 400,000 metric tons, which it expects to purchase in the coming weeks, to replenish the strategic grain reserve. See [ET1809](#) for details. As a result, Post expects that the government will need to buy additional wheat to adequately run the govern-supported bread subsidy.

Imports primarily consist of government purchases and outside food aid, most of which comes from the United States. Most of the government-purchased wheat comes from the Black Sea region since it generally is the least expensive on the international market.

Policy

Aside from food aid wheat, the government controls all wheat imports. With the mounting costs of the bread subsidy, the government in the past few years has reportedly explored transitioning the import business back to the private sector. For commercial imports to happen, though, the milling industry will require predictable and timely access to foreign exchange to purchase the needed wheat.

The Ministry of Trade and Ethiopian Trading and Business Corporation (ETBC) controls wheat imports, except food aid, and oversees the bread subsidy. Only designated flour mills, mostly in and around the capital city, can buy the subsidized wheat from the government at a discounted price, mill the wheat, and then sell the flour at a fixed price to select bakeries in Addis.

Stocks

MY18/19 stocks are forecast at 170,000 metric tons, down by nearly half from the previous year's newly-revised estimate. Post anticipates stocks will decrease due to rising consumer demand.

MY17/18 stock levels are estimated at 320,000 metric tons, almost 50,000 tons lower than the official USDA estimate, but higher than the previous year (MY16/17) since the government seeks to rebuild its grain reserve, most of which is said to be wheat.

Wheat Market Begin Year Ethiopia	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1600	1600	1600	1600	0	1600
Beginning Stocks	567	567	167	270	0	320
Production	3900	3900	4200	4200	0	4200
MY Imports	1100	1500	1600	1800	0	1700
TY Imports	1025	1200	1600	1500	0	1700
TY Imp. from U.S.	301	301	0	0	0	0
Total Supply	5567	5967	5967	6270	0	6220
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	300	317	300	350	0	350
FSI Consumption	5100	5380	5300	5600	0	5700
Total Consumption	5400	5697	5600	5950	0	6050
Ending Stocks	167	270	367	320	0	170
Total Distribution	5567	5967	5967	6270	0	6220
Yield	2.4375	2.4375	2.625	2.625	0	2.625

(1000 HA) ,(1000 MT) ,(MT/HA)

Corn

Production

Post is projecting MY18/19 corn production at 7.1 million metric tons, up 100,000 metric tons from the previous year's newly-revised estimate. This anticipated increase is partially driven by an expected increase in area planted due to higher corn prices, which climbed more than 40 percent from January to December in CY17. This out-year estimate also assumes favorable weather conditions, sufficient availability of inputs, and minimal disease and pest pressures, especially Fall Army Worm (FAW).

MY17/18 corn production is estimated at 7.0 million metric tons, up 500,000 from the USDA official figure. This increase is primarily attributed to favorable weather conditions and, to a lesser extent, the ongoing rollout of improved seed and fertilizer. At the same time, the impact of FAW on overall corn production was relatively minor because of various government and development partner-supported interventions, including manual removal, pesticide application, and other measures. In addition, the longer than expected rainy season (Meher) was also said to have suppressed the spread of the pest due to the cooler temperatures.

In the coming years, corn production is expected to continue its upward trend as more farmers start using improved seed, fertilizer, and other inputs. The Ethiopian government, development partners, and private sector are continuing to devote resources aimed at increasing corn production since it's an important food security crop as well as an increasingly important ingredient for livestock feed.

Consumption

MY18/19 corn consumption is forecast to reach a little more than 7 million metric tons, up about 150,000 metric tons from the newly-revised estimate for the previous year due mostly to increased levels of production. The increased production will mostly be absorbed by consumers, but also an increasing amount going for livestock feed.

MY17/18 corn consumption is estimated at nearly 6.9 million metric tons, which is about 270,000 metric tons higher than the USDA official estimate. The upward revision is due to increased availability of corn in the market which is being consumed in greater quantities by consumers and livestock, especially poultry.

Despite significant increases in the price of corn, it is still the cheapest cereals available, making it an often-used substitute for other more expensive grains. For example, some consumers are mixing corn with *teff* when making the traditional Ethiopian flat bread, known as *injera*. Small village flour mills add corn when milling wheat flour. See table 1.

Trade

MY18/19 exports are forecast to reach 100,000 metric tons, up 20,000 from the previous year. The anticipated growth in exports, from Post's perspective, will be driven by the country's pressing need to generate foreign exchange, especially US dollars, to pay for government infrastructure projects and imports.

For the first time in about a decade, the government authorized one major grain trader to export corn to neighboring countries in early CY17. The decision to allow exports was based on the assumption that MY16/17 corn production had been a "bumper harvest" with 1 million metric tons available for export. Post disagreed with the surplus claim given the humanitarian needs in the country. Nevertheless, the country exported 62,000 metric tons of corn, according to official trade statistics, while informal exports are believed to be of comparable size, if not greater. At the same time, a small amount of corn was imported for food aid for use in the Somali region.

Stocks

Ending corn stocks in MY18/19 are forecast at 445,000 metric tons. MY17/18 stocks are estimated at 470,000 metric tons, which is 280,000 metric tons higher than the official USDA estimate. This upward revision is mainly due to increased corn production in the country.

Corn Market Begin Year Ethiopia	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2200	2200	2220	2230	0	2250
Beginning Stocks	596	596	288	400	0	470
Production	6350	6500	6500	7000	0	7100
MY Imports	4	10	0	22	0	0
TY Imports	4	10	0	22	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6950	7106	6788	7422	0	7570
MY Exports	62	62	0	80	0	100
TY Exports	62	62	0	80	0	100
Feed and Residual	500	600	500	650	0	725
FSI Consumption	6100	6044	6100	6222	0	6300
Total Consumption	6600	6644	6600	6872	0	7025
Ending Stocks	288	400	188	470	0	445
Total Distribution	6950	7106	6788	7422	0	7570
Yield	2.8864	2.9545	2.9279	3.139	0	3.1556

(1000 HA) ,(1000 MT) ,(MT/HA)

Sorghum

Production

Post expects MY18/19 sorghum production to stay largely unchanged from the previous year at 4 million metric tons. This out-year estimate assumes favorable weather conditions, sufficient availability of inputs, and minimal disease and pest pressures.

MY17/18 production is revised upward to a little more than 4 million metric tons, up almost 300,000 metric tons from the official USDA figure. This increase is primarily attributed to favorable growing conditions.

Sorghum is the third mostly widely produced cereal crop after corn and wheat.

Consumption

Sorghum consumption for MY18/19 is forecast at almost 4.1 million metric tons. MY17/18 production is revised upward to almost 4.1 million metric tons, which is an increase of nearly 300,000 metric tons above the official USDA figure. This increase is mostly attributed to higher levels of sorghum production as well as some households switching from corn to less expensive sorghum.

Households consume about 65 percent of production is consumed by the farm household, 20 percent is sold to the market, and the balance is used for seed and livestock feed. Sorghum is the third most widely-consumed grain in the Ethiopian diet behind corn and wheat.

Trade

Sorghum imports in MY18/19 are forecast at 50,000 metric tons. MY17/18 imports are estimated at 65,000 metric tons, most of which is U.S. food aid. Of note, some of the sorghum shipments destined for Ethiopia, especially the Somali region, are coming through the Port of Berbera in Somalia.

Stocks

MY18/19 stocks are forecast at 185,000 metric tons. MY17/18 stocks are revised slightly upward to 240,000 metric tons due to increased production.

Sorghum Market Begin Year Ethiopia	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1800	1800	1800	1820	0	1820
Beginning Stocks	361	361	211	220	0	240
Production	3600	3700	3765	4050	0	4000
MY Imports	15	65	20	65	0	50
TY Imports	15	65	20	65	0	50
TY Imp. from U.S.	15	65	0	0	0	0
Total Supply	3976	4126	3996	4335	0	4290
MY Exports	15	5	20	5	0	5
TY Exports	15	5	20	5	0	5
Feed and Residual	150	186	200	200	0	200
FSI Consumption	3600	3715	3600	3890	0	3900
Total Consumption	3750	3901	3800	4090	0	4100
Ending Stocks	211	220	176	240	0	185
Total Distribution	3976	4126	3996	4335	0	4290
Yield	2	2.0556	2.0917	2.2253	0	2.1978

(1000 HA) ,(1000 MT) ,(MT/HA)

Barley

Production

MY18/19 barley production is up marginally to almost 2.2 million metric tons with a slight uptick in area harvested and yield. This anticipated increase is primarily being driven by the growing demand for malt barley used in beer production. Barley production in MY17/18 is estimated at 2.1 million metric tons, slightly more than the official USDA estimate for this period.

Consumption

MY18/19 barley consumption is estimated at almost 2.2 million metric tons, up slightly from the previous year's newly-revised estimate. Barley is not only increasingly popular for beer production, but is also eaten as a snack and is substituted for *teff* when making *injera*.

Trade

MY18/19 barley imports are forecast at 10,000 metric tons, unchanged from the previous year's newly-revised estimate. MY17/18 imports are adjusted downward based on trade to date and a slight increase in local production.

Ethiopia's beer industry continues to import barley malt, most of which is from Europe. In MY16/17, malt barley imports reached about 70,000 metric tons. In the future, the volume of imports is expected to diminish as the country's capacity to produce malt increases. In fact, towards the end of 2017, a major European malt company announced plans to build a factory in Ethiopia. Barley malt is not reflected in the PSD.

Stocks

MY18/19 ending stocks are forecast just shy of 100,000 metric tons. MY 17/18 stock levels are forecast at 113,000 metric tons, or roughly half of the USDA official estimate.

Barley Market Begin Year Ethiopia	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1200	1200	1200	1200	0	1205
Beginning Stocks	173	173	216	188	0	113
Production	2050	2050	2070	2100	0	2170
MY Imports	18	18	20	10	0	10
TY Imports	18	18	20	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2241	2241	2306	2298	0	2293
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	125	130	125	135	0	135
FSI Consumption	1900	1923	1950	2050	0	2060
Total Consumption	2025	2053	2075	2185	0	2195
Ending Stocks	216	188	231	113	0	98
Total Distribution	2241	2241	2306	2298	0	2293
Yield	1.7083	1.7083	1.725	1.75	0	1.8008

(1000 HA) ,(1000 MT) ,(MT/HA)

Millet

Production

Post is forecasting millet production at 810,000 metric tons in MY18/19, unchanged from the previous year's newly-revised estimate. MY17/18 production is revised upward to 810,000 metric tons, up 110,000 metric tons from the USDA official figure. This increase was due to better than expected rainfall.

Consumption

MY18/19 consumption is forecast at 810,000. Owing to increased production levels, MY17/18 consumption is raised to 805,000 metric tons, which is about 100,000 metric tons higher than the current USDA official estimate. Millet is grown for its multiple uses for food and feed.

Trade

There is no formal trade of millet.

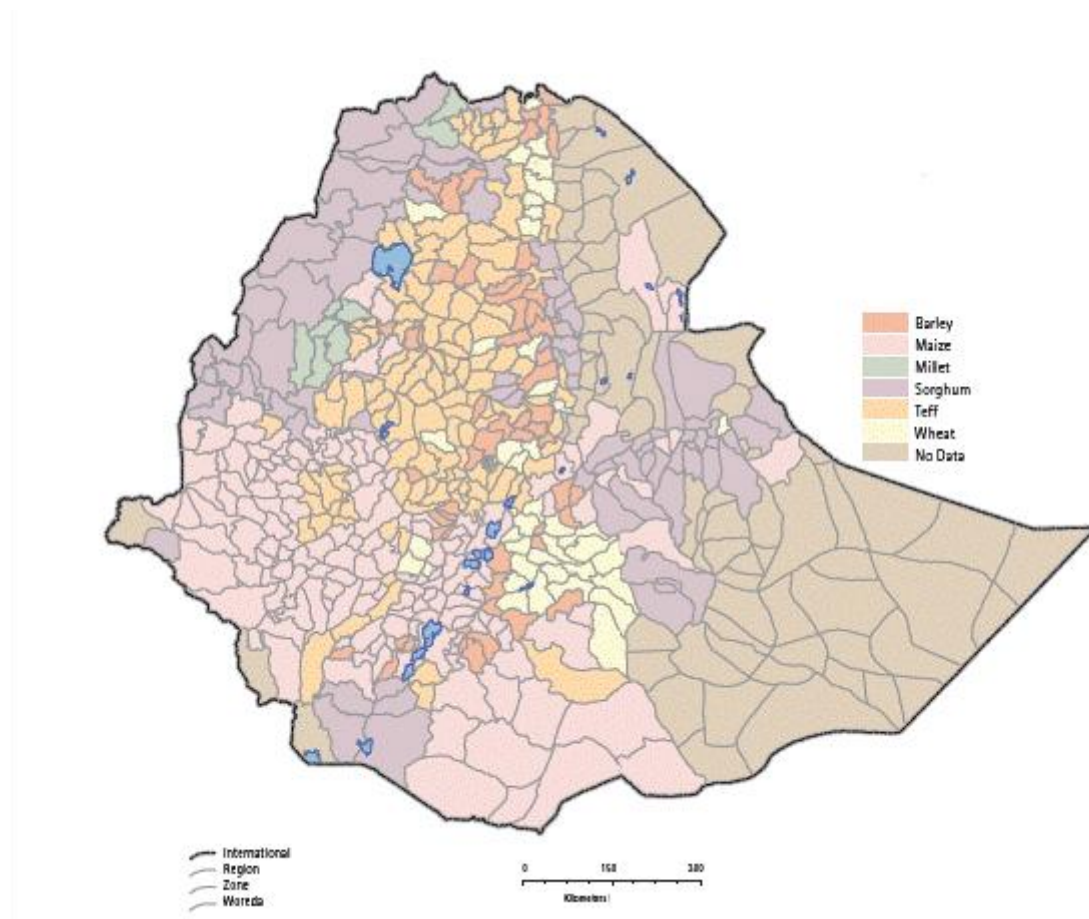
Stocks

Ending stocks are insignificant.

Millet Market Begin Year Ethiopia	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	440	440	440	440	0	440
Beginning Stocks	0	0	0	15	0	20
Production	700	800	700	810	0	810
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	700	800	700	825	0	830
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	25	35	25	50	0	50
FSI Consumption	675	750	675	755	0	760
Total Consumption	700	785	700	805	0	810
Ending Stocks	0	15	0	20	0	20
Total Distribution	700	800	700	825	0	830
Yield	1.5909	1.8182	1.5909	1.8409	0	1.8409

(1000 HA) ,(1000 MT) ,(MT/HA)

Figure 1: Map of Cereal Growing Areas



Source:

International Food Policy Research Institute (IFPRI)

Table 1: Average Retail Prices of Cereals in Addis Ababa for CY 2017 (Birr/kg)						
Commodities	Teff	Wheat	Barley	Sorghum	Corn	Avg Exchange Rate (\$1/Birr)
Month						
January	21.5	11.9	13.1	13.2	7.9	22.7
February	21.2	11.9	12.9	12.7	7.8	22.8
March	21.6	11.9	13.5	13.3	7.7	22.9
April	22.0	11.9	13.6	12.9	8.5	22.9
May	22.3	12.4	13.9	13.0	8.8	23.0
June	22.8	12.2	14.3	13.3	9.0	23.2
July	23.6	12.8	16.0	13.8	10.2	23.3
August	24.1	13.0	16.7	14.3	10.6	23.4
September	25.0	13.1	18.1	13.5	12.4	23.5
October	25.0	13.2	18.6	13.4	12.3	25.9
November	25.0	13.8	19.2	14.1	13.1	27.2
December	24.2	14.2	18.9	14.2	11.3	27.3

Source: Central Statistics Agency