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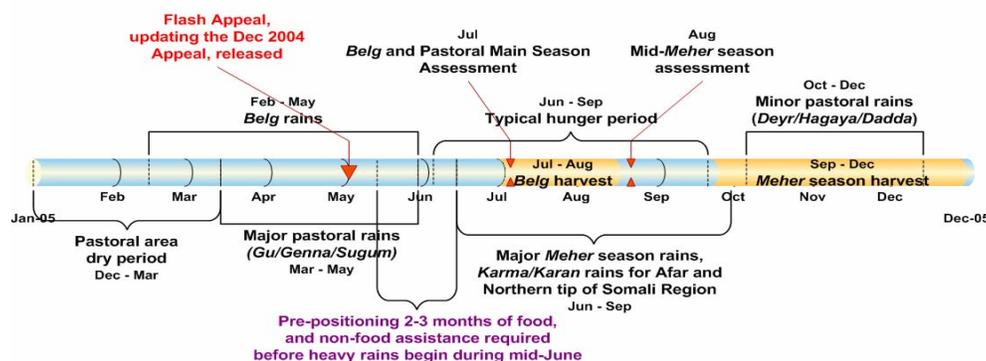
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#### SUMMARY AND IMPLICATIONS

The 2005 *meher* season annual crop production and food aid needs assessment has recently been carried out in several parts of the country. Preliminary results indicate that cereal production is above normal in the majority of crop producing areas. The number of people who will require emergency food assistance in 2006 is expected to be lower than the 3.8 million recipients in 2005 and perhaps will be the lowest in recent years. While there are positive signs that food security is improving, large numbers of people will remain extremely food insecure, particularly in lowlands and pastoral areas of eastern half of the country, from Tigray Region in the north to Oromiya and Somali regions in the south and southeast. These areas continue to remain highly food insecure. In these areas, an average of more than 50 percent of the population has received emergency assistance since 1998. These populations have not recovered from the impact of successive shocks including crop failures and loss of productive assets. An official estimate of the population in need will be available in January 2006, along with recommended actions to alleviate their food insecurity.

The situation is particularly worrying in southern zones of Somali region. Failed *deyr* season rains (October to December) continue to threaten the food security of more than a million people. Pre-famine conditions have already been observed in the region. A rapidly escalating food crisis at such an early point in the year is alarming, especially with the worst of the dry season ahead (January– March). Urgent responses, especially in the non-food sectors, are required to halt the rapid deterioration of food security in the region.

#### SEASONAL TIMELINE



#### CURRENT HAZARD SUMMARY

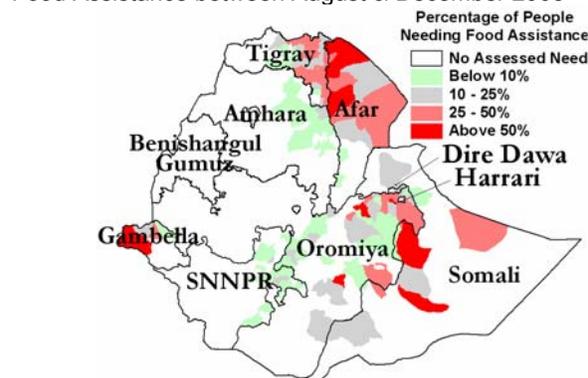
- Cereal prices remain at unseasonably high and record levels, but have started to show some signs of decline.
- Volcanic eruptions and the flooding of the Awash River have caused damage in Afar Region.
- Tribal conflicts occurred in southern Oromiya, Somali and Afar regions.
- Failed *deyr* season rains (October – December) in southern and southeastern parts of the country threaten the lives of millions of pastoralists.

#### FOOD SECURITY SUMMARY

Preliminary Disaster Preparedness and Prevention Agency (DPPA) led multi-agency assessment results indicate that crop production is above normal in the majority of crop producing areas. Good rainfall performance during the two seasons in 2005 has also increased the production of cash crops, such as coffee and *chat* (a mild stimulant) in many areas. Coffee prices have increased significantly this year by more than 100 percent in comparison to the same time last year, boosting the incomes of millions of people in western, southwestern and eastern parts of the country.

Despite better than normal *meher* 2005/06 production, pastoral areas and the eastern highlands remain food insecure. Production in marginal agriculture areas, including those areas along the eastern peripheries of Tigray, Amhara and Oromiya Regions and in the mainly pastoral Afar Region and southern parts of Somali Region has been mixed. Inadequate rainfall during both the 2005 seasons (see timeline) has led to prolonged dry periods and exacerbated ethnic conflict over scarce grazing and water sources, especially in southern Somali and Borena zone of Oromiya region.

**Figure 1: Percentage of Rural Population Needing Emergency Food Assistance between August & December 2005**



Date source: DPPC. Graphics by FEWS NET

## ILLUSTRATIVE EXAMPLES OF 2005/06 MEHER SEASON NEEDS ASSESSMENT RESULTS USING LIVELIHOOD ANALYSIS IN SNNPR<sup>1</sup>

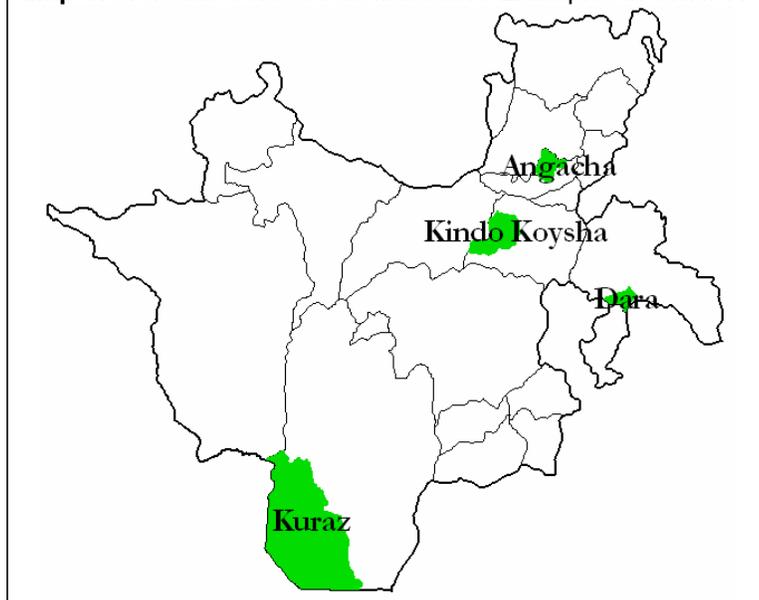
The DPPA-led multi-agency annual *meher* season pre-harvest needs assessment for crop dependent areas for the calendar year (CY) 2006 started on 19<sup>th</sup> November. This year, assessments in Southern Nations Nationalities and People's Region (SNNPR) were conducted using an improved household livelihood-based needs assessment methodology, which draws heavily upon the concepts of food access and food deficits. This method uses baseline data on food access, income sources and household expenditure disaggregated by livelihood zone<sup>2</sup> (or LZ) and wealth group<sup>3</sup>. These baseline data<sup>4</sup> have been collected over the course of 2005 in the region as a basis for assessment, early warning and food security analysis. Using this improved livelihood-based methodology; four multi-agency teams collected current food security information from the whole region with the exception of some zones and special woredas in the west. Using this information an analysis was completed for each LZ in each woreda (district) in mid-December.

Preliminary results indicate that the region had generally good *belg* and *meher* rainfall and good crop and livestock production conditions. At present conditions in the health, nutrition, water and education sectors are generally good. High prices for food crops, cash crops and livestock were found, translating into increased household income from the sale of these items. However, despite overall favorable crop production in 2005, above average cereal prices for consumers and localized poor performance of crops have reduced real earnings for many households. Production in much of Sidama and in north-east lowland areas of the region (Gurage, Hadiya, Selti and KT) was poor due to late and erratic rains, excessive rain or hailstorms.

The results of this assessment will form the basis for humanitarian assistance for the region for CY 2006. The woreda level figures found in the analysis are provisional and the final figures are expected to be released in January 2006. A review of the experience with this methodology in SNNPR will then inform decision making with regard to scale-up of the method to other regions.

This section provides four examples of the type of analysis and results that can be expected from this improved method, using the preliminary analysis that has been conducted so far. Four different examples are presented from Kindo Koysha, Angacha, Dara and Kuraz woredas (see map) showing the likely food security issues faced by households in 2006 in these areas.

Map 1: Woredas Selected as Illustrative Examples in SNNPR



<sup>1</sup> The examples provided in this section are based on the DPPA SNNPR livelihoods baseline study, 2005.

<sup>2</sup> The first step in the process of establishing the food security baseline is to prepare a **livelihood zone map** which delineates geographical areas within which people share basically the same patterns of access to food (i.e. they grow the same crops, keep the same types of livestock, etc.) and the same patterns of access to markets.

<sup>3</sup> The second step in the process involves defining different wealth groups in each zone as part of the **wealth breakdown**. The wealth breakdown describes the distribution of the livelihood assets, strategies and other factors that determine the ability of a household to exploit the available livelihood options within a given zone.

<sup>4</sup> The baseline picture provides a starting point or context for understanding the likely impact of a shock or hazard (as well as a positive change) on food access at household level. Understanding access to food in a baseline (or reference year) period requires an investigation into sources of food, income (cash), and expenditure and how households survive by using their household assets and strategies. The baseline analysis helps to define what the most important food security indicators are and thus focus assessment and early warning data collection.

### ILLUSTRATIVE EXAMPLE 1: KINDO KOYSHA WOREDA (IN WOLAYITA ADMINISTRATIVE ZONE), WOLAYITA MAIZE AND ROOT CROP LIVELIHOOD ZONE

Example 1 demonstrates the utility of the livelihood-based methodology to **identify population groups facing acute food insecurity, in cases where aggregate production statistics suggest an overall amelioration of the food security situation.**

Kindo Koysha Woreda has three livelihood zones: Wolayita Maize and Root Crop LZ, the Wolayita Wheat and Barley LZ; and the Omo Valley Maize and Sorghum LZ. This example focuses on the part of Kindo Koysha that falls within the Wolayita Maize and Root Crop LZ, which is characterized by chronic poverty and food insecurity, very high population density, acute land shortages and declining land fertility. The main livelihood strategies households employ to respond to shocks include: increasing sale of livestock; increasing sale of butter and milk; increasing consumption of enset (false banana); increasing out-migration in search of casual labor; intensifying local income generating activities; and switching of expenditure from non-food to staple food items in a crisis. Figure 2 illustrates the analysis for this zone comparing the sources of food for poor and very poor households from the baseline year with the projected situation in 2006.

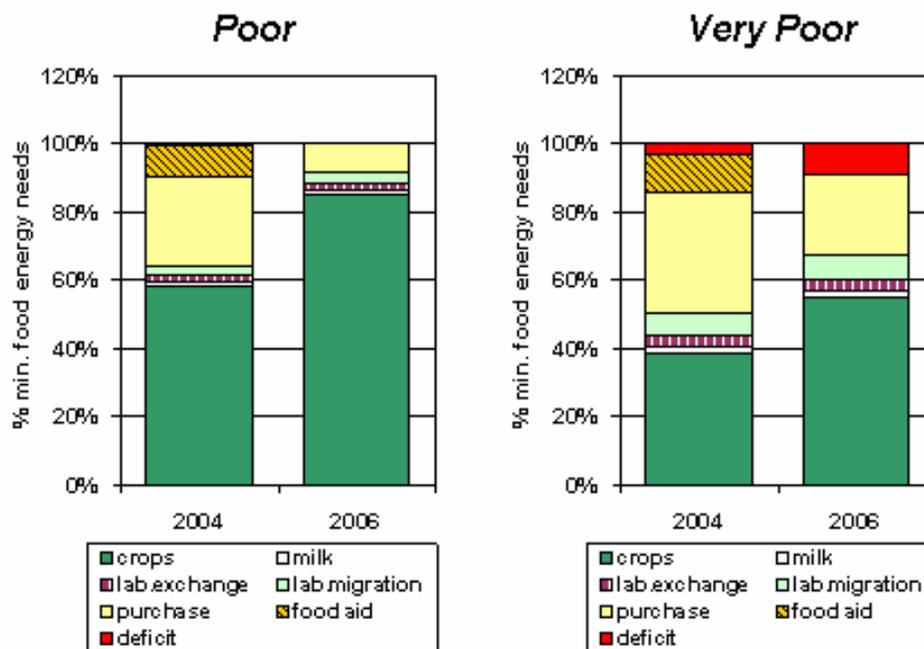
#### Current Food Security Indicators (% of 2004):

Grain production much increased: **150%**

Purchase price for maize during 2006 hunger season: **estimated 175%**

The baseline for Kindo Koysha shows that despite unreliable rainfall, **crop production is the main income source for rural households in normal years.** This year grain production has been estimated at 150 percent of 2004 production levels. **Equally important in the zone are market prices** because poor families purchase staples from the market during much of the year. The very poor and poor households purchased 30-40 percent of their staple food needs in 2004. Thus, the poor and the very poor, who constitute 38 percent and 18 percent of that woreda's population, respectively, in this LZ are highly vulnerable to increases in staple food prices. This year maize prices are expected to be approximately 75 percent higher than in 2004.

**Figure 2: Sources of Food for 2006 (Projected) and 2004(Baseline), Very Poor and Poor Households**



The preliminary conclusions of the livelihood-based assessment for this area indicate that although poor households are unlikely to face a food deficit in 2006, very poor households will likely face a food deficit despite the good production. While poor households get the majority of their food from their own production, very poor households purchase more of their food and are thus more vulnerable to high market prices. This deficit could be covered by different interventions, including the Productive Safety Net Program (PSNP) which covers the woreda.

### ILLUSTRATIVE EXAMPLE 2: ANGACHA WOREDA (IN KEMBATA TIMBARO ADMINISTRATIVE ZONE), HADIYA-KEMBATA CEREAL AND ENSET AND BADAWACHO-ALABA MAIZE LIVELIHOOD ZONE

Example 2 illustrates the utility of the livelihood-based method for analyzing the different impacts of a shock across different geographic areas in a single woreda (i.e., across different LZ in the woreda), to do more effective geographic targeting.

In Angacha Woreda, woreda-level crop production figures can mask important differences between the two livelihood zones in the woreda. The highland Hadiya-Kembata Cereal Enset LZ is a densely populated but productive and historically food secure area within Hadiya and Kembata Tembaro administrative zones. Mixed farming is the means of livelihood for households and agriculture is predominantly rain fed.

#### Current Food Security Indicators (% of 2004)

Total grain production increased: **115%**  
 Maize production much reduced: **55%**  
 Wheat production much increased: **135%**  
 Barley production increased: **120%**

This year total grain production has been assessed at 115 percent of the production in 2004. Increases in wheat and barley production mask a decrease in maize production.

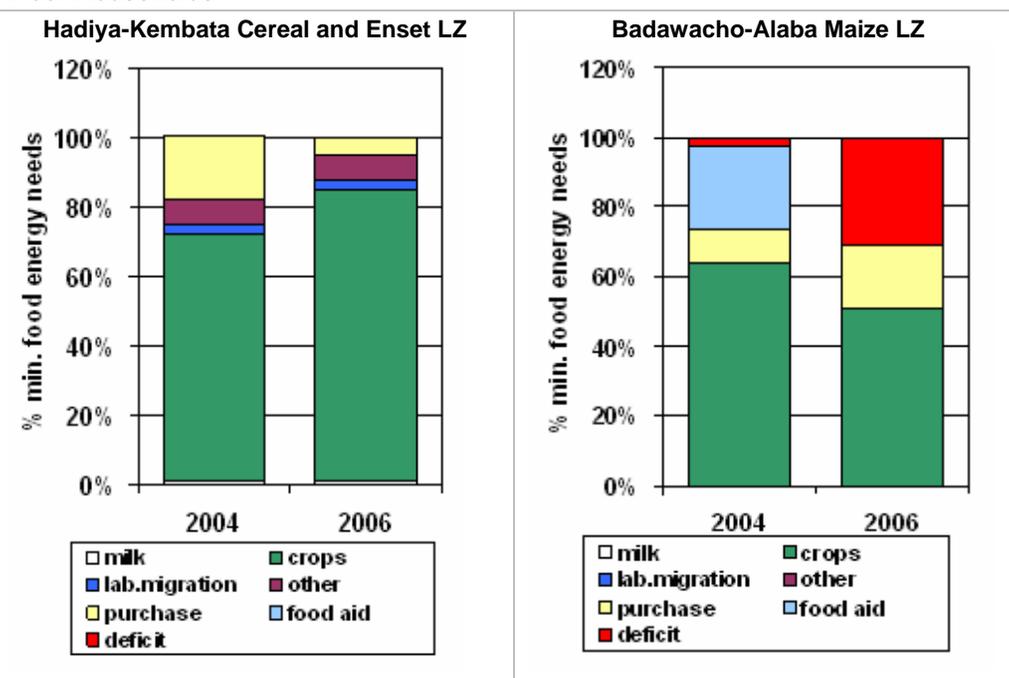
This is good for households in the Hadiya-Kembata Cereal and Enset LZ where wheat, barley and enset are the main crops and most of the increased cereal crop production has been concentrated. On the other hand, maize, sorghum and haricot beans are the most important crops in the Badawacho-Alaba Maize LZ. Small land holdings, shortage of plow-oxen, lack of improved agriculture technology and low yields mean that the lowlands part of Angacha Woreda nearly always faces a grain deficit. People in these areas do not have enough to eat even under normal conditions (thus a deficit is evident in 2004 in Figure 4).

The preliminary livelihood analysis for this woreda shows

that within Angacha Woreda in the Hadiya Kembata Cereal and Enset LZ households will not face a food deficit in 2006 due to a significant increase in wheat and barley production. But, the lowland part of Angacha Woreda contained in the Badawacho-Alaba Maize LZ will face a serious deficit in 2006 due to poor performance of maize and also due to the chronic nature of food insecurity in the areas.

Using this information, decision makers can more effectively target interventions within the woreda. If lowland Peasant Associations (PAs) of Angacha Woreda are already included in the PSNP, the food deficits households will face could be covered by the program. If not, the food deficits will need to be covered through emergency food or cash programs for the first half of 2006 when the deficit will be most felt by these households.

**Figure 4: Sources of Food for 2006 (Projected) and 2004 (Baseline), Poor Households**



**ILLUSTRATIVE EXAMPLE 3: DARA WOREDA (IN SIDAMA ADMINISTRATIVE ZONE), SIDAMA COFFEE LIVELIHOOD ZONE**

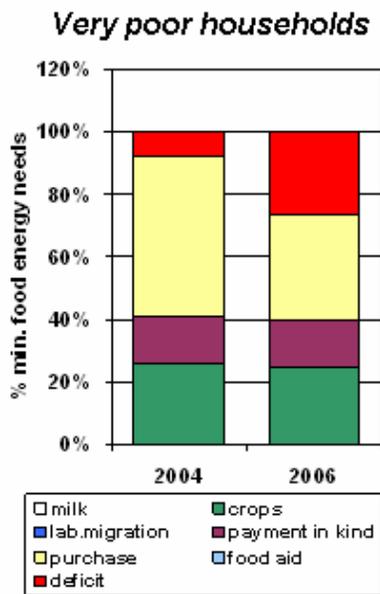
Example 3 illustrates the identification of **different impacts of a market-level shock – in this case changes in a labor market for an export-driven industry - on different wealth groups in a population.**

Dara Woreda has three livelihood zones: Sidama Coffee LZ, Sidama Gedeo Enset and Barley LZ, and Sidama Maize Belt LZ. This example focuses only on the Sidama Coffee LZ which is characterized by a relatively productive midland area that attracts migrant laborers from nearby highland areas during the busy coffee-picking season. The area has its problems, of which the best known was the extreme slump in coffee prices in 2002-03 which caused hardship for households in the LZ and beyond. Fortunately, prices have now returned to more favorable levels, yet chronic problems remain: high population density and population growth; landholding fragmentation (which results in low levels of crop production per household); declining pasture land and livestock holdings; increasingly erratic and insufficient rainfall; and endemic coffee plant diseases.

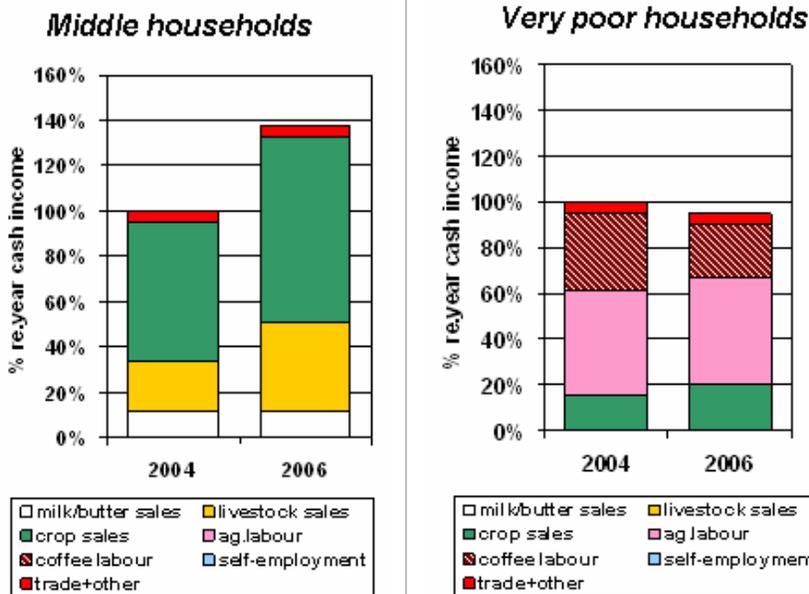
**Current Food Security Indicators (% of 2004):**  
 Coffee production decreased: **70%**  
 Coffee prices much increased: **15%**  
 Livestock prices generally increased: **170-200%**  
 Purchase price for maize during 2006 hunger season: **140%**

Very poor households in this predominantly cash-cropping area purchase most of their food rather than producing it (Figure 5). These very poor households get more than 35 percent of their annual earnings from working on coffee farms within and sometimes outside the zone. A decrease in coffee production means less work and less cash income for the very poor (1 in 6 households in this LZ) from coffee employment and an increase in maize prices for these households implies a bigger deficit in 2006 than 2004. In contrast, despite a decrease in production, a significant increase in the price of coffee (about 115 percent increase from the baseline year) and livestock (more than 100 percent in some cases) will increase incomes for middle income households (Figure 6). The impact of a maize price increase on the middle income group is minimal as their earnings from coffee and livestock sales far outweigh the effects of the price increase.

**Figure 5: Sources of Food for 2006 (Projected) and 2004 (Baseline)**



**Figure 6: Sources of Cash Income for 2006 (Projected) and 2004 (Baseline)**



Thus, decision makers should understand that the food gaps of the very poor in Dara Woreda increased not due to crop production failure but due to the decrease in the availability of employment in the coffee sector and an increase in maize prices. The appropriate intervention options for these areas should focus on transferring resources (probably cash) to the very poor and trying to find ways to boost their income through increased coffee production and other income generating activities. The livelihood baselines can also be used to model the impact of this type of intervention on household food security and to explore various non-food intervention options.

### ILLUSTRATIVE EXAMPLE 4: KURAZ WOREDA (IN SOUTH OMO ADMINISTRATIVE ZONE), SOUTH OMO PASTORALIST LIVELIHOOD ZONE

Example 4 shows how the same approach has been used to assess pastoral and agro-pastoral areas.

Kuraz Woreda, a remote, livestock-dependent area found in the basin of the Rift Valley, is predominantly included in the South Omo Pastoralist LZ. This sparsely populated LZ is distinguished by its *bereba* (semi-arid) climate, with low and erratic annual rainfall, low altitudes and warm temperatures. An extensive traditional livestock rearing system is practiced in the zone. Households in this LZ have a number of strategies to respond to hazards (particularly to drought) including migration with their animals; increasing livestock sales; reducing non-essential expenditure and spend more money on staple food; consuming more wild foods, meat from hunting and blood from their livestock; and increased gifts of food and cash from better off households.

#### Current Food Security Indicators (% of 2004):

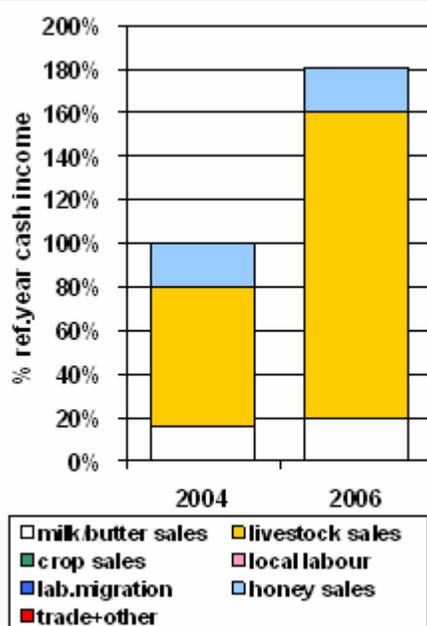
Grain production little changed: 105%

Milk production slightly increased: 110%

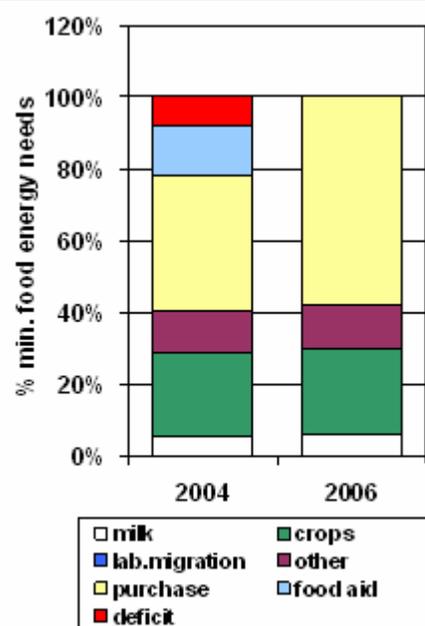
Livestock prices much increased: ~250%

Livestock and livestock product sales generate the bulk of cash income in these pastoral and agro-pastoral areas. Hence, a significant increase in livestock prices this year (more than 150 percent) resulted in a dramatic increase in pastoralists' access to income compared to 2004. Higher incomes and better purchasing power with favourable pasture and water conditions and with no serious livestock disease incidents should allow households to purchase sufficient food in 2006 (Figures 7 and 8). Thus, other than monitoring the regular rain patterns and cereal prices, monitoring the livestock health and market status is equally important in this LZ.

**Figure 7: Sources of Cash Income for Poor Households**



**Figure 8: Sources of Food for Poor Households**



Note: Other includes blood, gifts and wild foods.

## MARKET ANALYSIS

The 2005/06 *meber* crop harvest in the main crop dependent areas is on-going, and thus cereal prices continue to show moderate declines in all major markets, and are expected to continue declining through February - March. However, cereal prices are still higher than last year's prices and much above their past five year's average levels (Figures 9 and 10).

Cereal prices continued to hover much above their average levels throughout 2005, a long-lasting trend that started in 2004. According to the preliminary DPPA led 2005 *meber* season assessment results, this trend is widespread, covering almost all areas of traditionally large deficit and surplus-producing areas of the country. This high level cereal price trend is mainly attributed to:

#### Increased demand:

- **Grain purchases by cooperatives and unions** – unlike previous years, Ethiopia's agricultural finance institutions made credit more available to cooperatives and unions in surplus producing areas this year as a way to boost purchases and support producer prices at viable levels (those which cover their cost of production and provide a small profit margin). With increased resources, cooperatives and unions actively purchased grain directly from farmers and released grain onto the market during the hunger season, hence spreading the supply move evenly throughout the year.
- **Local purchase of food aid** – close to 200,000 MT of grain has been purchased from the marketable surplus in the country in 2005. These purchases were based on a cereal availability study that used overestimated production figures.
- **Increased informal cross-border trade** – according to field level information, informal trade (mostly exports) has increased significantly in 2005, especially to Sudan and Djibouti.

### ○ Injection of cash into the economy

- **Safety net payments** - in the previous years the multi-agency annual food aid needs assessment led to emergency food aid distributions. However, in 2005 the Productive Safety Net Program targeting chronically food insecure Ethiopians began to transfer cash as well as food aid during the hunger season (July – August).
- **Budgetary support at woreda level (salary payments)** – Donors are currently providing Direct Budgetary Support (DBS) to the government and the resources are being used to directly employ additional woreda (district) level personnel. This increased cash income has a multiplier effect on the economy and has increased effective demand.

### Reduced Supply:

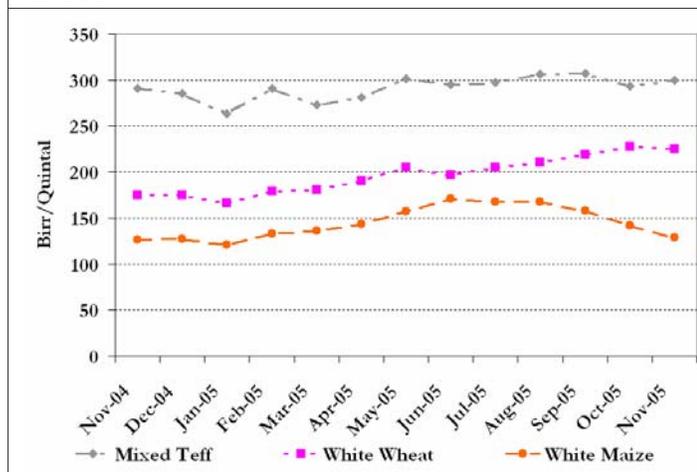
- **Reduced cereal sales immediately following harvest:**
  - **Repayment of credit to woredas spread throughout the year** – in 2005, farmers were advised to release their stocks over the course of the year rather than their usual practice of selling all their produce at harvest time.
  - **Higher livestock prices and sales income** – higher prices of livestock helped livestock owners meet their food needs and sell a few livestock to buy other non-cereal necessities and this translates into less cereals sales.
- **Reduction in food aid with start of safety net payments in cash** – With the start of the PSNP in 2005, the amount of food aid that was being directly transferred to about 5 million chronically food insecure has decreased and cash injections have increased.
- **Lower production in 2004-05 (contrary to estimates made 12 months ago)** – there have been credible claims that 2003/04 and 2004/05 *meber* crop production was overestimated. The fact that prices have remained high during this time indicates that supply is tight, giving credibility to these claims of overestimation.

Based on field level information, it is likely that prices will continue to be much higher than average and will increase after March as cereal stocks from the new harvest start to decline. Although much above average cereal prices may increase earnings of surplus producers in the western and northwestern parts of the country, poor net consuming households, mostly located in the eastern half of the country, will continue facing deterioration in their incomes as they lose much of their purchasing power due to rising prices. Poor families in Ethiopia are dependent on the market for staples to manage household food needs during most months of the year.

Some price control measures may be required to protect poor households from the adverse effects of continued high level of staple cereal prices that is, in many cases, much higher than the previous five-year average. These control measures will need to provide adequate returns to producers and maintain domestic production incentives.

In pastoral areas, increased sales of livestock at relatively high prices are being widely reported, indicating improved terms of trade for livestock owners. Given poor pasture and water conditions that characterize many of these areas, improved terms of trade are expected to help them sustain their livelihoods as the dry season progresses if they can sell off some stock at good prices when land and water become insufficient to sustain the herd.

**Figure 9: Addis Ababa Wholesale Prices for Selected Staple Cereals**



**Figure 10: Real Retail Prices of White Maize in Addis Ababa, 13 Month Trend and 1999 – 2004 Monthly Average**



Source: Data archives of FEWS NET/Ethiopia, and Ethiopian Grain Trade Enterprise (EGTE). Graphics by FEWS NET/Ethiopia.  
Notes: 1. Prices are expressed in Ethiopian Birr per Quintal. 2. One Quintal = 100 kg; 1 Ethiopian Birr ≈ 12 US Cents.