



Food Inflation: A Study on Dire Dawa City of Ethiopia

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Abstract: This research identified the causes and rates of food inflation at Dire Dawa city of Ethiopia. It used descriptive and explanatory research designs. Quantitative data were gathered from 403 households using stratified and systematic random sampling techniques. Besides, qualitative data were obtained from 27 in-depth interviews and 18 focus group discussions. The study clearly indicated that there were high inflation rates for food items. The main causes for the general food inflation for Dire Dawa city found to be shortage of dollar and increment in foreign exchange rate, internal conflicts or war, and an increase in fuel price. This study is very important in contributing to scarce literature regarding food inflation at Dire Dawa, Ethiopia. The results of the study support policy makers, federal and regional governments by providing empirical evidence on the causes and rates of food inflation.

Key words: Dire Dawa, Ethiopia, causes of food inflation, rates of food inflation, household.

1. INTRODUCTION:

The rate of growth in the cost of goods and services over a given period of time is known as inflation and the CPI is typically used to measure it. The most widely used price index; the Consumer Price Index (CPI) calculates the weighted average of the prices of a chosen basket of goods and services for consumers in order to gauge inflation (Oner, 2010). Ethiopia, a growing nation in eastern Africa, is confronted with significant political and socioeconomic difficulties. The railway's construction that connected Addis Ababa with Djibouti around the beginning of the 20th century, gave Dire Dawa city a distinctive modern historical aspect (Teshome, 2019). Additionally, a visit to Dire Dawa City arouses amazement since it offers the chance to observe traces of the earliest civilization and its evolution alongside unbreakable industrialization and modernity. Dire Dawa city, which boasts a stunning modern centre and picturesque rural surroundings, is endowed with remnants of ancient and contemporary civilization. The city was well-known for its diversity, housing a wide range of nationalities, ethnicities, and religious traditions (Ibid).

Fuller (2019) stated that Future risk and uncertainty are brought about by climate change in Dire Dawa city. In the history of Dire Dawa, the night of August 6, 2006, will never be forgotten as horrifying flash floods destroyed numerous homes and claimed the lives of numerous residents. 256 people died as a result of this flood, which was the worst the city had seen in the previous 50 years. That evening, there was continuous rain for over two hours, resulting in a flood that claimed many lives. It was noted that the floodwater was up to four meters high in some areas. Many people were unable to flee the water because it arrived in the middle of the night. Over 20,000 people had to leave their homes as a result of this disaster. An estimated four million USD worth of damage was caused to the city by this flood. The survey also revealed that 72,000 residents of Dire Dawa were thought to be food insecure, and that a key element of the city's DRR (Disaster Risk Reduction) action plan is the productive safety net programme. The municipality provides low-income families with employment possibilities by enlisting them in public works projects like as road construction, drain clearing, and land conservation in exchange for money or food (Ibid). Even though Dire Dawa city was once a modern, civilized city next to Addis Ababa, some people who had lived there before explained that, in contrast to other cities in the nation, virtually no major development efforts had been made in Dire Dawa city following the overthrow of the Derge regime in 1991. After overthrowing the Derge Regime in 1991, the Ethiopian People's Revolutionary Democratic Front (EPRDF) regime took control. In the past, Dire Dawa was a well-known, beautiful city where people of all ethnicities and faiths coexisted as a single, loving family. But the city lost its entire splendour and became into a sad place as a result of terrible national, racial, and religious movements and conflicts. And this has a



negative impact on inhabitants' quality of life. Along with all of these dangers and uncertainties, residents also suffer from depressing issues like unemployment and inflation.

Among other cities in Ethiopia, Dire Dawa was the second most advanced and civilized after Addis Ababa, the country's capital. Due to its low cost of living, Dire Dawa was renowned to be a city where anyone could live without any problems some years ago. These days, it's common knowledge in the media and public opinion that rising food costs make living extremely costly for residents. Furthermore, a protest movement emerged in January 2019 in response to the violence on supporters of Christian orthodoxy during Ethiopian Epiphany celebrations. It was claimed during this protest movement that issues with food inflation, poor governance, unemployment, and conflicts based on ethnicity and religion have gotten worse since 2018. Organizational leaders were compromising the efficacy and efficiency of their workforce by hiring people based only on race or ethnicity.

The skilled labour unemployment rate rose as a result of this scenario, as the protest movement explained. Furthermore, it is evident that managing the issue of inflation requires having an adequate income. As a result of these protest movements and ongoing struggles, local residents began to lead the city administration. Subsequently, as reported by various news outlets and public opinion, significant progress was made in the city, particularly with matters of security and peace. However, the issue of rising food prices continued to be a problem for the people of Dire Dawa. In light of this, this study attempted to comprehend the issue of food inflation as of 2018. This study, which covered all nine (9) urban kebeles—the lower tier of the administrative hierarchy—in Dire Dawa, Ethiopia, was primarily concerned with the rate and reasons of food inflation.

1.1 Research Objectives

The aim of this study focused on the rate and possible causes of food inflation at Dire Dawa city which is found in the eastern part of Ethiopia. The objectives of this study were the following.

1. To understand the rate of food inflation at Dire Dawa city of Ethiopia.
2. To identify the causes of food inflation on the study area.

1.2 Hypothesis

H₀: The Consumer Price Index (CPI), the Food Price Index (FPI) and the non-food Price Index are not correlated.

H₁: The Consumer Price Index (CPI), the Food Price Index (FPI) and the non-food Price Index are correlated.

H₀: There is only one cause for the food inflation at Dire Dawa city of Ethiopia.

H₁: There are several causes for the food inflation at Dire Dawa city of Ethiopia.

2. LITERATURE REVIEW:

Inflation which is a macroeconomic and institutional phenomenon became a problem for many countries. According to Totonchi (2011), while the expansion of the money supply is widely acknowledged as the source of inflation in industrialized nations, inflation in emerging nations is not solely a monetary issue. In other words, the inflation process in emerging nations is driven by fiscal imbalances such as increased money growth and exchange rate depreciation brought on by a balance of payments crisis. The origins of inflation are schematized in six blocks (Ibid). These include shocks to the money supply, shocks to the demand, supply-side (or actual) shocks, political and structural issues, and the function of institutions. The Quantity Theory of Money, the Monetary Theory of Inflation, the Demand Pull Theory, the Cost Push Theory, the Structural Inflation Theory, the Rational Expectations Revolution, the New Neoclassical Synthesis (NNS), and the New Political Macroeconomics of Inflation are the different theories of inflation as stated by different scholars like Totonchi (2011), Guru, (n.d) and Tardi (2020).

A rise in food prices has become a worldwide occurrence. Haji and Gelaw (2012) described that Ethiopia has experienced a sharp rise in food price inflation despite a double-digit growth rate. According to their analysis, even though it has also been rising since 2000, the non-food price index is rather stable when compared to the food price index (FPI). Furthermore, a strong correlation was reported between the Food Price Index (FPI) and the Consumer Price Index (CPI), with almost 57% of consumption spending going towards food. Ethiopian food prices in 2007–2008 contributed about 62% of the country's overall inflation. Food prices in Ethiopia make up the majority of the country's Consumer Price Index (Ibid). This suggests that widespread inflationary pressures in the economy are imposed as a direct and indirect result of rising food prices. Furthermore, food costs rose at a quicker rate than non-food items, which made them a major cause of overall inflation (Ibid). According to Rao and Tolcha's (2015), the food inflation index was over 12% and didn't appear to be declining. Essential food items have significantly increased in price compared to prior years (Ibid).

According to the study of Ambachew et.al (2012), Harari Regional State and the Dire Dawa City Administration have seen significant price volatility over the past ten years. The fluctuations in food prices in these regions exhibit both seasonal and trend characteristics. The rise in world oil price and future price expectation exacerbated domestic food price in the short-run whereas, long-term inflation is mitigated by domestic currency depreciation or devaluation (Ibid).



Kebede and Fufa's (2020) mentioned the significant rise in food commodity prices over the decade that required the attention of policymakers and market participants. Their study simply attempted to evaluate the structure and integration among some agricultural food product prices in Dire Dawa City Administration, despite the fact that these recent price surges have raised concerns and questions about the reasons behind and potential future prospects of product markets.

Conceptual Framework

The following conceptual framework shows the possible causes of inflation of food prices which would affect households' livelihood.

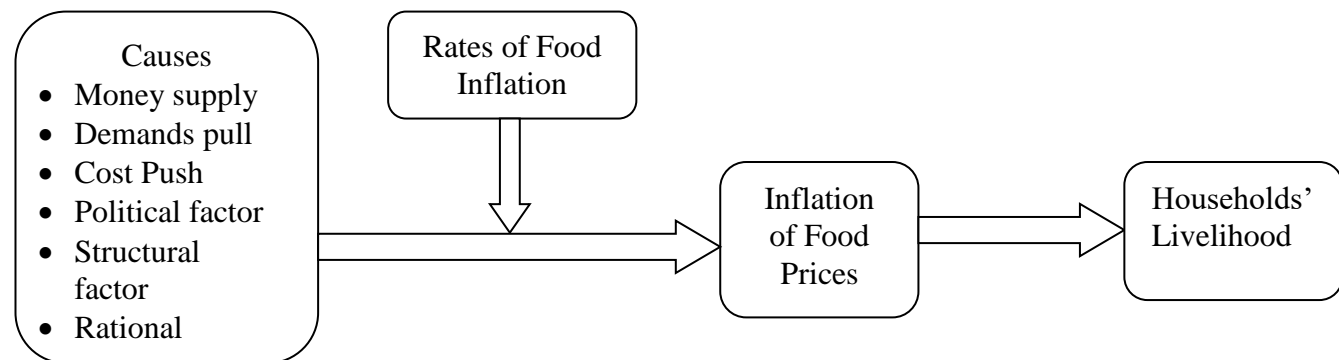


Figure 1: Conceptual Framework of the study

3. MATERIALS AND METHODS:

3.1. Research Design

This study used mixed research design. It used descriptive and explanatory research designs. The researcher used both quantitative and qualitative collection mechanisms to fulfil the required data to answer the research questions and objectives of this research study.

3.2. Data Type and Collection Techniques

The study used primary and secondary sources. The primary data were collected from the different targeted households, local markets, restaurants, and representatives of the society and cooperative members using structured and unstructured questionnaires. Secondary data which were published and unpublished were gathered from different institutions.

3.3. Sampling Technique and Procedure

There are 9 urban kebeles and 38 rural kebeles in Dire Dawa Administration. Kebele is the lower level of government administration structure. According to the estimation from CSA 2007 Population & Housing Census Result, the people living in Dire Dawa Administration in 2022 would be 535,000 with the majority of them residing in metropolitan areas. Based on the information received from Dire Dawa Office of Plan and Economic Development (under Bureau of Finance and Economic Development) and the nine urban kebele administrations, the urban population in the year 2022 was 331,406 and the number of urban households of Dire Dawa Administration was found to be 78,907.

Yemane's 1967 formula was used to determine the number of household participants in this study. The sample size formula by Yemane (1967) states that $n = N / (1 + N(e)^2)$, where $\rho = 0.5$, 95% confidence level, $e =$ margin of error (acceptable sampling error), sample size (n), and population size (N) were all present. Following this, the sample size (n) for this study would become approximately 398 households. The overall sample size became 440 households after adding a minimum of 10% probability of non-response rate.

The number of samples for each kebeles and village (under each kebele) was chosen using stratified sampling technique. Then, systematic random sampling technique was used to select the sampled households.

In addition, eighteen focus group discussions (FGDs) and twenty-seven in-depth interviews (IDIs) conducted for the qualitative study. For the in-depth interviews, local leaders and concerned bodies were participated. For the focus group discussions, community representatives and cooperative members from each kebeles were participated in separate focus group sessions.

3.4. Data Analysis Tools

The quantitative data was analyzed using descriptive and inferential statistics like tables, percentages, frequencies, graphs, and correlation. The quantitative data in this study were analyzed using SPSS Version 26 and Microsoft Excel. During the data collection process, the qualitative data that was found was transcribed, analyzed, and interpreted by linking it within and across the different categories in a manner that gave support to the research questions.

3.5. Descriptions of Variables

CPI (Consumer Price Index)



It shows the level of inflation or an increment in the prices of the food items, other goods and services. The CPI data which was found from CSA (Central Statistical Data) of Ethiopia for the different months of the year was used for this study.

Causes of Food Inflation

Causes of food inflation like raise in aggregate demand and shortage of supply; rise in cost of production, drought, an increase in money supply to the economy, political factor/war, speculation (future price expectation), rate of foreign exchange, increase in fuel cost, Covid-19 and locust invasion can be considered as a variable in this paper.

4. RESULT AND DISCUSSION:

4.1. Socio-economic Characteristics of the Respondents

It was described on the research methods part that the study's sample size increased to 440 households when at least a 10% chance of a non-response rate in the quantitative survey was included. Out of the total 440 sampled households, the responded households were 403 indicating a 91.6% response rate. The following table exhibits the total sample size together with the stratified samples and the responded sampled households among the nine urban kebeles and the villages that fall under those kebeles.

Table 1: Details of sample size, distribution and sample response of the study

DDA Urban Kebeles	Urban Population	Urban Household Size	Sample Size Initial	Sample Size (After adding a minimum of 10% non-responsive rate)	Village(s) under the Kebele	Sample taken from villages	Responded Samples from villages
01	17,459	4,157	21	23	Melkajebdu	23	21
Sub total					1	23	21
02	63,754	15,180	77	85	Sabiyen	21	20
					Seyido	8	8
					Gendetesfa	16	14
					Goro	17	15
					Jeriba	12	10
					Meskelegna	11	10
Sub total					6	85	77
03	29,182	6,948	35	39	Kezira	15	14
					Number one	10	10
					Gende Dipo	9	8
					Shemeteriya	5	4
Sub total					4	39	36
04	29,350	6,988	35	39	Gendekore	10	9
					Greekcamp	11	9
					Gendeboye	7	7
					Mebrathayil	4	4
					Gendeshebel	3	3
					Gendeloni	2	2
					Kaba	2	2
Sub total					7	39	36
05	26,341	6,272	32	35	AddisKetema	13	12
					Ginfile	9	8
					Coca	8	8
					Fiwuha	5	5
Sub total					4	35	33
06	23,888	5,688	29	32	Megala	7	7
					Dechatu	8	7
					Kefira	8	7
					Gendegara	5	5
					Amistegna	4	4
Sub total					5	32	30
07	33,757	8,037	40	45	Taiwan	7	6



DDA Urban Kebeles	Urban Population	Urban Household Size	Sample Size Initial	Sample Size (After adding a minimum of 10% non-responsive rate)	Village(s) under the Kebele	Sample taken from villages	Responded Samples from villages
					Ruztera	7	6
					Afetesa	6	6
					Megalachebtu	7	6
					Alayibede	6	6
					Konel	6	5
					Chatera	6	6
Sub total					7	45	41
08	43,498	10,357	52	57	Legehare	57	52
Sub total					1	57	52
09	64,177	15,280	77	85	Shinile	17	16
					Policemeret	25	23
					Kela	14	14
					Gendegerada	13	11
					Ashewa	16	13
Sub total					5	85	77
Total	331,406	78,907	398	440	40	440	403

From the 403 responded households, 76.7 percent (309) were male headed households while 23.3 percent (94) were female headed households. Among the respondents, 80.4 percent (324) of the households were married, 5.7% percent (23) of the households were unmarried, 6.9% percent (28) of the households were divorced, and 5.5% percent (22) of the households were widowed. The majority of the head of the households, 42.9 percent (173) and 30.3 percent (122) of the head of the households were between in the age group of 41 to 50 and 31 to 40 respectively. The mean or age average of the head of the households was 42.36. Regarding education, 1.5 percent (6) of the heads of the households were illiterate, one percent (4) of the heads of the households could only read and write, 7.4 percent (30) of the heads of the households could only attend grades 1 through 4, 15.6 percent (63) of the heads of the households could only attend grades 5 through 8, 22.1 percent (89) of the heads of the households could only attend grades 9 through 12. 17.1 percent (69) of the heads of the households were completed their diploma, 27.5 percent (111) of the heads of the households got their first degree and 7.7 percent (31) of the heads of the households were completed a master's degree or higher. The mean and median for the household size was determined to be 4.99 and 5 respectively. Four and five were found to be the mode values for household size. The principal source of income for around 24.8 percent of the sampled respondent household heads was working as a merchant, whilst the responses from 22.3 and 19.1 percent of the household heads were employed in the private sector and as civil servants, respectively, while 6.2 and 6 percent of the head of the households were engaged to groceries and transport services respectively. Those household heads who engaged to boutique, farming and repair work were found to be 5, 3.2 and 3 percent respectively. 2.7, 2.2, 1.7 and 1.5 percent of the households were involved in housekeeping, security guard duties, daily labourer, pensions respectively. The other household heads who were involved in middlemen/brokers, artisan, religious organizations and non-governmental organizations found to be 0.7, 0.5, 0.5 and 0.5 percent respectively. 50.4 percent of the heads of the sampled households overall did not hold a secondary occupation. A total of 58.6 percent of the households were residing in their own home, followed by 27.5 percent renting a home, 13.6 percent living in government-provided housing, and 0.2 percent living in company-provided housing. Of all the households in the sample, 62.8 percent of respondents said that only one person worked to support the family, 36.2% said that two people worked to support the family, and 1% said that three people worked to support the family.

4.2. The Rate of Inflation at the Study Area

Rate of inflation is usually measured using Consumer Price Index (CPI). The secondary data that was received from the Ethiopian Central Statistics Authority (CSA) about the CPI (general index, food and non-alcoholic beverages index, and non-food index) of the study area is presented below.

Table 2: Secondary data on rate of inflation at the study area

Month and Year	General Index	Food and Non-Alcoholic Beverages Index	Non-Food Index
Months			



Month and Year	General Index	Food and Non-Alcoholic Beverages Index	Non-Food Index
July 2018	124.3	136.6	115.1
August 2018	124.5	132.6	118.5
September 2018	122.4	132.3	115.0
October 2018	121.3	129.6	115.1
November 2018	117.9	129.2	109.4
December 2018	120.9	128.6	115.2
January 2019	120.6	131.7	112.4
February 2019	124.0	133.5	116.9
March 2019	125.6	136.1	117.7
April 2019	128.7	141.9	118.8
May 2019	134.9	154.5	120.2
June 2019	135.3	154.3	121.1
July 2019	136.9	157.0	122.0
August 2019	140.7	162.5	124.3
September 2019	143.3	168.3	124.7
October 2019	149.2	177.6	128.0
November 2019	146.3	168.7	129.5
December 2019	147.4	163.3	135.5
January 2020	148.2	161.3	138.4
February 2020	150.6	166.6	138.7
March 2020	153.1	173.9	137.6
April 2020	159.7	178.5	145.6
May 2020	163.4	186.3	146.2
June 2020	170.2	197.4	149.9
July 2020	188.4	225.1	161.0
August 2020	181.4	213.2	157.6
September 2020	175.6	211.3	149.0
October 2020	173.2	207.6	147.4
November 2020	171.9	201.8	149.7
December 2020	172.5	202.8	150.0
January 2021	174.3	209.2	148.3
February 2021	178.3	213.8	151.9
March 2021	183.5	223.3	153.7
April 2021	183.3	222.1	154.3
May 2021	189.6	233.9	156.5
June 2021	194.1	245.0	156.1
July 2021	203.5	255.4	164.8
August 2021	216.1	283.3	166.0
September 2021	233.6	300.5	183.6



Month and Year	General Index	Food and Non-Alcoholic Beverages Index	Non-Food Index
October 2021	236.9	308.0	183.8
November 2021	230.0	294.4	181.9
December 2021	231.9	284.9	192.4
Year			
2018	121.8833	131.4833	114.7167
2019	136.075	154.1167	122.5917
2020	167.35	193.8167	147.5917
2021	204.5917	256.15	166.1083

Source: Central Statistics Authority of Ethiopia (CSA)

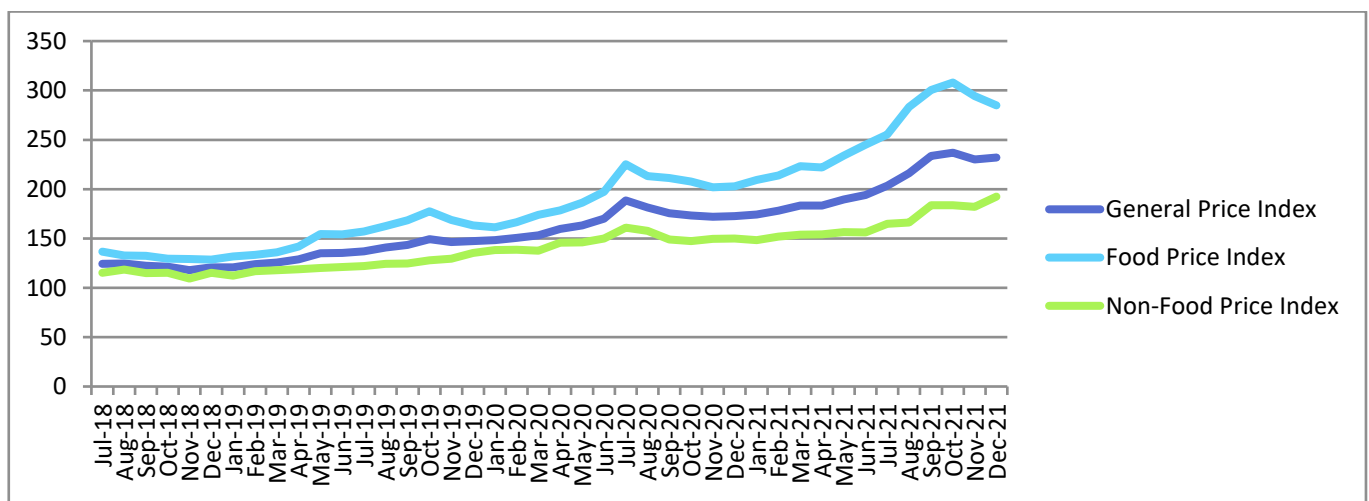


Figure 2: Rate of inflation on monthly basis

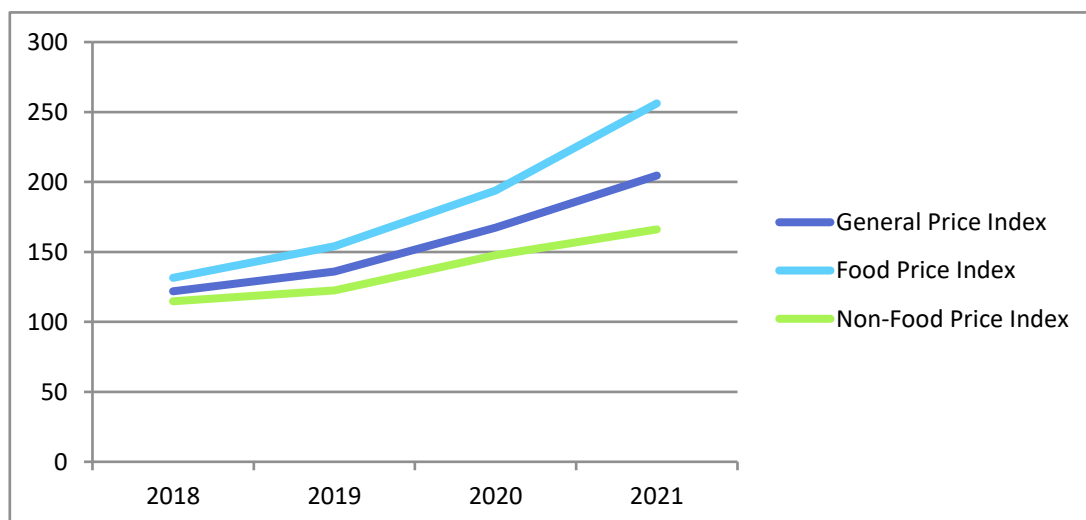


Figure 3: Rate of inflation on yearly basis

The food price index for the study period was extremely high, as the table and graphs demonstrated. The percentage changes of the level of inflation from July 2018 to December 2021 were 86.6 for the general index, 108.6 for Food Price Index and 67.2 for the non-food price index. The percentage changes of the level of inflation from December 2020 to December 2021 were 34.4 for the general index, 40.5 for Food Price Index and 28.3 for the non-food



price index. Also, as seen in the following table, the Pearson correlations show that there are significant positive correlations between the indexes which support the alternative hypothesis of this study.

Table 3: correlations of the indexes

		General_Index	Food_NonAlcoholic_ Beverages	NonFood_Index
General_Index	Pearson Correlation	1	.996**	.988**
	Sig. (2-tailed)		.000	.000
	N	46	46	46
Food_NonAlcoholic_ Beverages	Pearson Correlation	.996**	1	.970**
	Sig. (2-tailed)	.000		.000
	N	46	46	46
NonFood_Index	Pearson Correlation	.988**	.970**	1
	Sig. (2-tailed)	.000	.000	
	N	46	46	46

** . Correlation is significant at the 0.01 level (2-tailed).

4.3. Causes of Food Inflation

Based on the data, it was revealed that each of the 403 households identified multiple factors contributing to food inflation. In order to examine or analyze the corresponding frequencies, the researchers employed the multiple response technique in SPSS. The descriptive analysis is presented on the following table.

Table 4: Causes of food inflation at the study area

		Responses		Percent of Cases
		N	Percent	
Causes of Food Inflation ^a	Raise in Aggregate Demand and Shortage of Supply	58	5.6%	14.4%
	Raise in Cost of Production	16	1.5%	4.0%
	Drought	17	1.6%	4.2%
	Increase in Money Supply	5	0.5%	1.2%
	Political Factor or War	242	23.3%	60.0%
	Future Price Expectation (Speculation)	105	10.1%	26.1%
	Increase in the Rate of Foreign Exchange	256	24.6%	63.5%
	Increase in Fuel Cost	202	19.4%	50.1%
	Occurrence of Covid-19	118	11.4%	29.3%
	Locust Invasion	20	1.9%	5.0%
Total		1039	100.0%	257.8%

a. Dichotomy group tabulated at value 1.

According to the descriptive analysis, the main causes of food inflation were an increase in foreign exchange rates, political factors (war), and an increase in fuel price that showed a response rate of 24.6 percent, 23.3 percent, and 19.4 percent respectively. The other causes for food inflation at the study area that were stated were the occurrence of COVID-19 (11.4 percent), future price expectation or speculation (10.1 percent) and, an increase in aggregate demand and shortage of supply (5.6 percent) . In addition, as causes for food inflation at the study area, locust invasion, drought, rise in production costs, and an increase in money supply received response rates of 1.9%, 1.6%, 1.5%, and 0.5%, respectively.

According to data gathered from the Ethiopia Customs Commission's Dire Dawa Branch, import prices of goods (food items) remained almost unchanged in terms of dollars. However, the issue was the amount of Ethiopian birr required to reach the necessary dollar amount which required for importation of the food items. The scarcity of foreign currency, specifically dollars, coupled with the sharp increase in the dollar's exchange rate, particularly on the black market, contributed to an increase in the cost of imported food which aggravated food inflation. It was also indicated that efforts to work towards import substitution were still facing capacity issues. Shortage of raw materials, technology, and skilled labour prevented several factories located in the country from operating efficiently and effectively. Some of the factories were non-operational, some of them even lacked the means to import the raw materials needed for their manufacturing processes due to experiencing financial difficulties in procuring the essential raw materials for their production procedures from outside. As the information that was attained from Dire Dawa Trade office, the food cooking oil factories were importing crude cooking oil while the county exports sesame which prevented the oil refineries or



manufacturers from operating profitably. The fundamental food items that were being imported and utilized often were having an impact on society as a whole. The daily price fluctuations also made these costs unaffordable for the society. This resulted from a dollar shortage and a spike in the dollar's international exchange rate, particularly on the black market, which raised the price of food. The unstable political situation, the internal conflict and war of the country brought social, economic and political crisis which greatly contributed for food inflation. There were crises in many people's lives as well as in output and productivity due to the internal conflict and war in various parts of the nation. Internal conflicts and wars that broke out across the nation forced people to leave their jobs in factories and on farms because the conditions made it impossible for them to carry out their jobs, which had a significant negative impact on output and productivity. These led to commodity shortages in the nation, which increased food prices. In addition, the various internal wars and conflicts in the country limited people's ability to travel freely and the free flow of goods or products which worsened food inflation. Due to the majority of the goods that the people of Dire Dawa consumed came from other parts of the nation, the city's residents suffered more as a result of the travel restrictions. Therefore, the society experienced food inflation as a result of the wars and conflicts that were occurring in various places of the nation state.

The increase in fuel prices, which had an impact on transportation costs, was the other major factor contributing to food inflation. It is clear that the rise in transportation costs will lead to higher product pricing at the local market. The increase in fuel prices had an impact on Dire Dawa's livelihood because the residents were primarily dependent on goods imported from outside and other parts of the country. The Dire Dawa Administration supported the cooperatives by granting licenses, offering various awareness trainings, facilitating loans, and giving legal letters so they could easily import goods from farms and factories in other parts of the nation and sell them to the Dire Dawa community at reasonable prices. The cooperatives stated that increasing transportation costs resulted in higher final prices at Dire Dawa local markets, despite the fact that they obtained the goods from farmers and manufacturers at comparatively fair rates. It was revealed on the qualitative data that although a little rise in fuel rates noticed, several merchants came up with a significant shift in food prices without any additional value being added. For example, a kilogram of bananas cost fifteen birr at Arbaminch, in southern Ethiopia, but were sold for seventy birr at Dire Dawa with no value addition. Unless they generated unethical or unjustified gains, it was obvious that the shipping cost wouldn't result in such a large variation. It had been described that certain avaricious retailers and middlemen unlawfully kept essential items like sugar, cooking oil, and other goods in their warehouses, only to resell them at higher rates when the market experienced a scarcity. Such actions would also cause artificial scarcity of goods in the local market. In addition, these retailers interact with one another via mobile phones in order to fix higher commodity prices. This study found out that commodities prices would never exhibit a declining trend, even if the scarcity of supply was addressed. It was noted that there were gaps on the government's close supervision and control to take necessary measures or actions concerning this issue.

It was well known during the Corona time that general lockdowns had a detrimental impact on production and productivity problems globally, which also affected Ethiopia as a part of the globe since this made importation of products difficult. Besides, Ethiopia also faced constraints on output and productivity during this period which led to food inflation. The government of Ethiopia spent much during the Corona period on food and other goods, such as medical supplies, in an effort to lessen the negative effects of Corona on the populace as a whole. And this impacted the national economy of the country adversely.

Like most other parts of the nation, the farming system in the rural kebeles of Dire Dawa was based on rainfall and employed a backward farming method, as indicated by the qualitative data. In addition, the farmers were not receiving enough fertilizers that help them to increase output and productivity. Dire Dawa's soil composition and environmental circumstances were not that much particularly conducive to agriculture. The majority places of DDA had warmer temperatures and the soil type is sandy and saline soil, which prevented the land from producing the anticipated levels of agricultural production. Additionally, a locust invasion occurred in 2020 on the agricultural areas of the rural kebeles under the Dire Dawa Administration, resulting in devastation to the crops.

As per this study, it can be said that there were several causes for the food inflation at Dire Dawa city of Ethiopia which supports the alternative hypothesis of this study.

5. RECOMMENDATIONS:

The federal and regional governments should collaborate with the nation's citizens to promote sustainable peace and development across the nation. Furthermore, it is crucial to improve production and productivity through comprehensive support for farmers and manufacturers, as this contributes to the goal of import substitution which also fulfils the basic needs of the dwellers. Since imported food prices increased due to the paucity of foreign currency (dollar) and the sharp increase in the dollar's exchange rate, particularly on the black market, it is very crucial to work on import substitution.



6. CONCLUSION:

The study clearly indicated that there were high inflation rates for food items. The causes for the occurrence of food inflation were inter-related to each other. It can be concluded from the study that shortage of dollar and increment in foreign exchange rate, internal conflicts or war, and an increase in fuel price were the main causes for the general food inflation for Dire Dawa city. The occurrence of COVID-19, future price expectation (speculation), rise in aggregate demand and shortage of supply were also found to be other causes for the food inflation at the study area.

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