



WFP Market Report June 2008

21 July 2008

1. Summary

The price of major staple food continued to increase in most parts of the country and has reached new record levels in parts of SNNP, Somali, Oromiya and Tigray region. The main reasons among others for the unusual hike of prices include; poor Meher production for some areas last year¹; poor 2008 Belg/Gu harvest; stocks holding by speculative traders and producers; increase in demand of staple food due to natural population growth and global increases in price of oil. As of June 2008, general inflation stood at 25.3%; food inflation at 34.9%; and non-food inflation at 12.5%. Compared to June 2007, general inflation has increased by 9.5%, which is attributed to the increase in; food consumer price index (CPI) to 78.4% (cereals 132.5%) and non-food to 32.2%. Across the regions, the highest food index was recorded in Beneshangul Gumuz at 76.8% compared to 52.1% in May 2008, followed by SNNPR at 74.8% compared to 48.1% in May 2008, followed by Oromiya at 73.1% compared to 54.6% in May 2008, whilst the lowest food CPI was in Addis Ababa at 49.6%, followed by Afar at 50.1% and Somali at 51.7%².

During the month, import parity price was below the local price for all major cereals (maize, wheat and sorghum). In the 4th week of June 2008, the import parity price (cost of insurance and freight (CIF)) of maize was at US\$477 per Mt whilst the prices of local maize was US\$549, 15.1% above import parity price in Mesalemia market of Addis Ababa and US\$492 in Dire Dawa market. The import parity price of wheat continued decreasing from US\$500 in January 2008 to US\$395 in June 2008, a 21% decrease, whilst the local price of wheat in Addis Ababa increased from US\$337 to US\$607 (80% increase) and in Nazareth from US\$386 to US\$586 (a 51.8% increase). The local price of wheat in Addis Ababa was higher by 53.6% compared to the import parity price in the 4th week of June 2008. The local price of sorghum was much higher than import parity price by 72.7% in Mesalemia market of Addis Ababa and 65% in Dire Dawa market. During the 4th week of June 2008, the price of sorghum was estimated at US\$711 in Mesalemia market and US\$680 in Dire Dawa market.

Across all markets in the country, the price of maize continued increasing. In June 2008 unusually high prices of Birr 650 per quintal were registered in many markets of the region namely; **In SNNPR:** Awassa market of Sidama zone, Merkato market of Wolayita zone, Hadero market of Kembata Tembaro zone and Karate market of Konso special woreda; **In Oromiya region:** Babile market of East Harerge zone at Birr 650, Meyo market of Borena zone at Birr 601 and Dire Dawa market Birr 600 per quintal; and **In Somali region:** Kelafo market of Gode zone at Birr 680; Jijiga market of Jijiga zone at Birr 640 and Gode market of Gode zone at Birr 520 per quintal. The average price of maize stood at Birr 636 in Tigray, Birr 628.7 in Oromiya, Birr 557 in SNNPR and Birr 570 in Somali region. Between January and June 2008; the average price of maize increased by 160.8% in Tigray, 227.3% in Oromiya, 160.7% in SNNPR and 107.3 % in Somali region.

Wheat prices continued to increase across all the regions. As of June 2008, the highest average price was observed in Tigray region at Birr 766.70 per quintal an increase of 112.5% compared to January 2008; followed by Amhara at Birr 723.00 an increase of 115.6%; Oromiya at Birr 663.70 an increase of 104%; and SNNPR at Birr 645.20 per quintal an increase of 92.1%. As of June 2008, unusually high prices of wheat were recorded in many markets of the regions namely; in Methara market of Oromiya at Birr 800 per quintal; in Gidole market SNNPR at Birr 720; in Adwa market of East Tigray at Birr 896; in Ajibar market of Amhara at Birr 875 per quintal.

In June 2008, the average price of sorghum in Oromiya was Birr 668.30 per quintal; in Tigray it averaged Birr 633.00 per quintal; in Amhara at Birr 610 per quintal; and in SNNPR at Birr 535 per quintal. Between January to June 2008, average price of sorghum has increased by 143% for Oromiya, 132.9% for Tigray, 166% for SNNPR and 88.5% for Amhara regions. Unusually high price of sorghum was observed in Chinaksen market of East Harerge zone at Birr 850; Shoa Robit market of North Shewa zone at Birr 825; and Jijiga market of Jijiga zone at Birr 640 per quintal.

Cumulative effects of poor Belg/Gu rains, repeated shocks of drought combined with market disruption affected the terms of trade that have deteriorated continuously in most parts of the Somali region. The terms of trade (TOT) between a shoat and one quintal of grain has decreased significantly in Gode market from 48 kgs to 38 kgs of maize per shoat (a 22.6% decrease) or sell 2.7 shoats to buy a quintal of maize compared to selling of 2 shoats in January 2008; in Jijiga from 130 kgs to 78 kgs of maize per shoat (a 40.1% decrease) and in Dire Dawa from 120 kgs to 70 kgs (a 44.4% decrease).

¹ Grain Market price assessment report EC: MULATU.Eshetu@ec.europa.eu

² Central Statistical Agency (CSA) Country and Regional Level Consumer Price Index 12 June 2008

2. General Inflation

The country level general price index has been increasing from time to time particularly for food items such as cereals. As at the end of June 2008, the annual general inflation stood at 25.3% which is 9.5 percent higher compared to the inflation of June 2007. Similarly in June 2008, the country level food inflation rate stood 34.9% which is 17.4 percent higher compared to June 2007; and non-food inflation stood at 12.5% which is one percent lower compared to June 2007. The June 2008 general CPI has increased by 55.2% compared to June 2007. This increase was attributed to the rise in indices of its components: food at 78.4% (of which cereals account for 132.5%) and non-food at 32.2%. According to the CSA³ the 132.5% rise in the food index was due to a rise in the indices of regions mainly: Beneshangul Gumuz at 76.8% compared to 52.1% in May 2008, followed by SNNPR at 74.8% compared to 48.1% in May 2008, followed by Oromiya at 73.1% compared to 54.6% in May 2008 (see Figure 1). Major reasons for a rampant general inflation rise could be due to an increase in cereals demand due to population growth, shortage of supply because of poor Meher production in some areas and poor Belg/Gu harvest, stock holding of food items by farmers and traders and soaring oil prices.

3. Market Performance

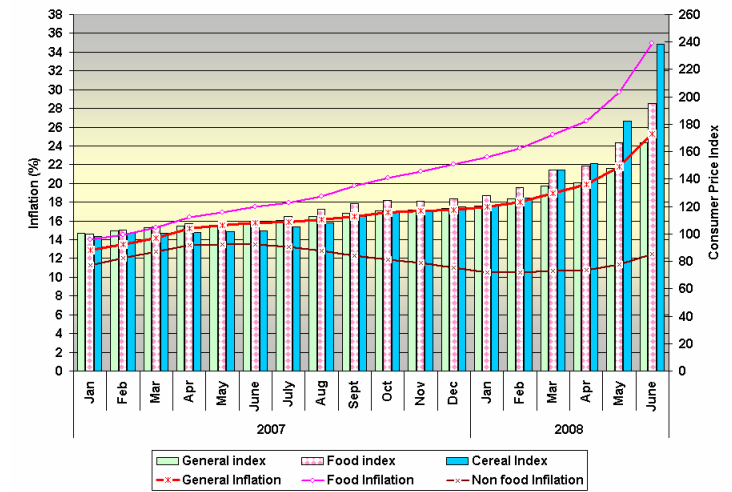
The supply rate to the markets has been decreasing as the season progressed after the harvest. Indicative information on supply rate show that the frequency of markets reporting high to normal supply was much higher in January compared to June 2008. In June 2008, most markets in the regions reported that there was non availability of cereals in some markets, with Somali reporting the highest rate of non availability followed by Tigray and Oromiya regions. High percentage of the SNNPR markets reported none availability of the commodities or low supply in May and June 2008 compared to previous months. The grain supply is expected to continue decreasing as the season progresses and farmers and traders stocks dwindle in the next months (see Figure2).

4. Maize

4.1. Local and Import Prices

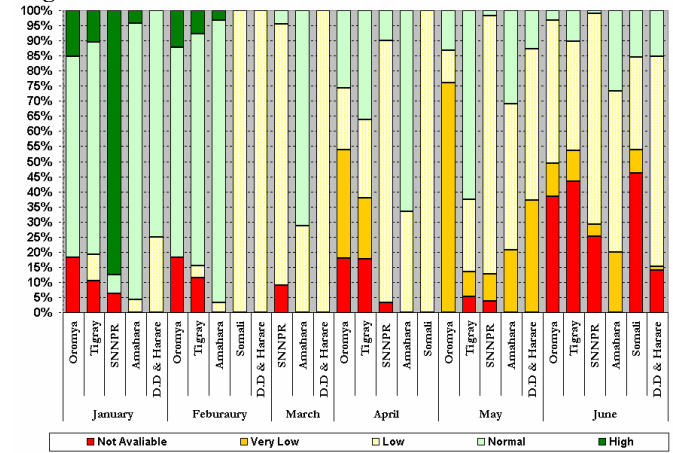
The price of maize, the most common staple food in the country, has changed rapidly due to high demand and low supply. The price of maize at Addis Ababa in Mesalemia market rose

Figure 1: Country level General Inflation and Consumer Price Indices (Base Dec 2006=100)



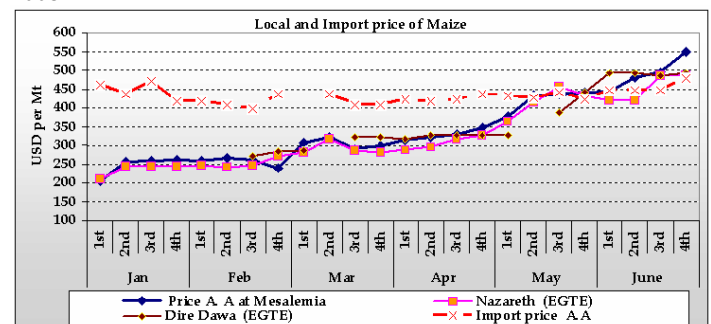
Source: CSA

Figure 2: General Supply Rates of Major Cereals across Regions



Source: WFP Sub Offices

Figure 3: Local and Import Price of Maize 1st January-4th June 2008



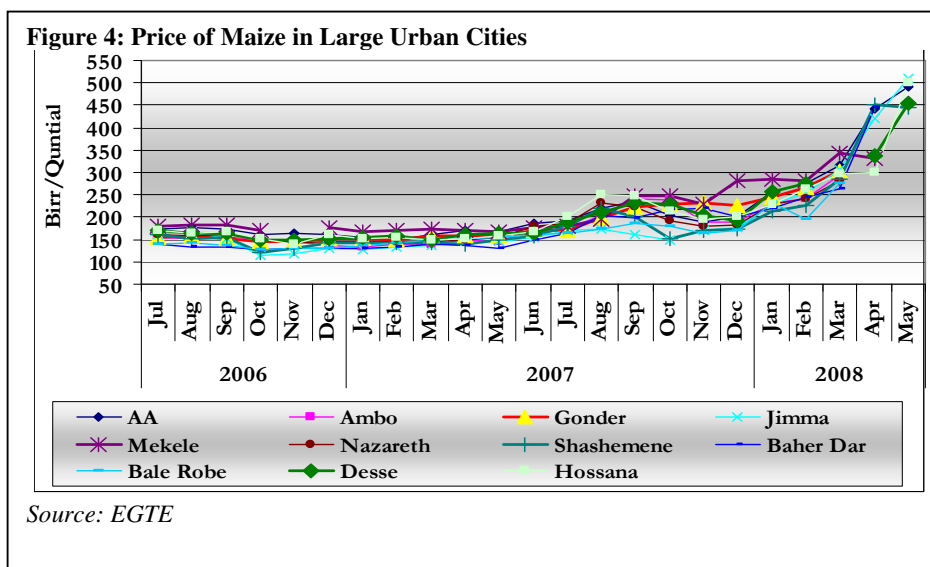
Source: WFP Procurement

³ Central Statistics Agency

from US\$261⁴/Mt in January to US\$549/Mt in June 2008 (a 110% increase and an increase of 24.5% within June 2008). The price in Nazareth increased from US\$431 to US\$436 an increase of 12.9% in a month and in Dire Dawa market price increased by 11.4% within a month. The import parity price of maize was above the local price of maize before June 2008, and starting the 2nd week of May 2008 the local prices exceeded import parity price. For instance, the 4th week of June 2008, the local price of maize at Mesalemia market was higher than the import parity by 15.1% (see Figure 3).

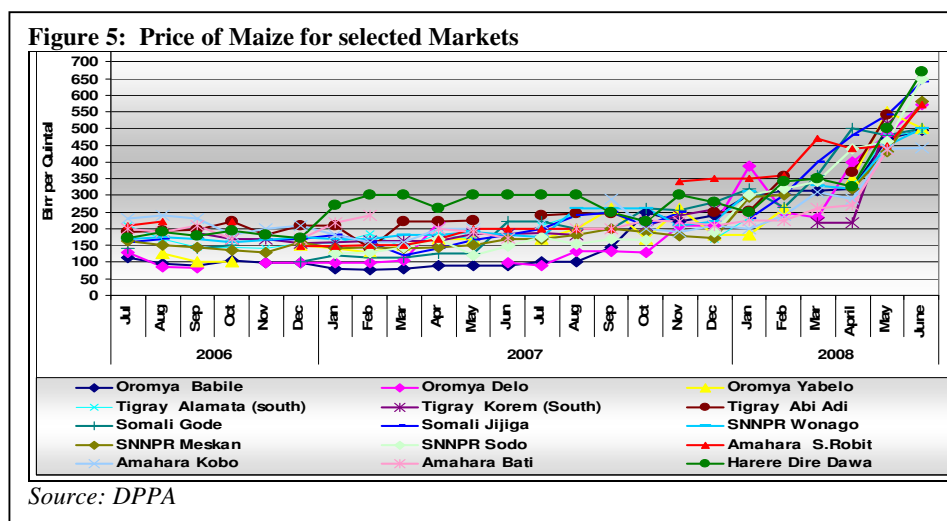
4.2. Large Urban cities Prices

The price of maize has been soaring continually across all urban markets, due to the high demand of cereals by most households in rural and urban areas. Between January and May 2008, maize price increased in: Jimma from Birr 229 to 510 (by 122 %); in Hossana from Birr 230 to 500 (by 117.3%); and in Shashemene from Birr 213 to 446 (by 119%). The average price of maize across the urban markets stood at Birr 480 in May 2008 from its value of Birr 239 per quintal in January 2008, a 101% increase (see Figure 4).



4.3. Market Prices across Regions

The price of grain continued to rise in most parts of the country particularly in parts of Somali, SNNPR, Tigray and Oromiya regions. In general, across all regions, the price of maize has increased on average from Birr 176.20 to Birr 550.70 a 225% increase between June 2007 and June 2008 and a 102.7% increase between January and June 2008 (see Figure 5).



In SNNPR, most markets reported the price of maize at Birr 650 per quintal on average. In many markets of the region such as in Awassa of Sidama zone, Merkato of Wolayita zone, Hadero of Kembata Tembaro zone and Karate of Konso special woreda, a quintal of maize was sold for Birr 650 in June 2008. The average price of maize rose from Birr 213.60 in January 2008 to Birr 557 per quintal in June 2008, a 160.8% increase.

In Oromiya region, the highest price was recorded in Chinaksen market of East Harerge zone at Birr 755 per quintal (a 151.6% increase compared to January 2008) and the lowest price in Yabelo market of Borena zone at Birr 490 per quintal, a 55.6% increase. The average price of maize increased from Birr 192.14 in January 2008 to Birr 628.7 per quintal in June 2008, which represents a 227.3 % increase. The price of maize for markets in the hot spot woredas of the region was very high, for instance at Birr 650 in Babile market of East Harerge zone and Birr 610 in Meyo market of Borena zone. In neighbouring Dire Dawa the price was at Birr 600 per quintal.

⁴ During the week Exchange Rate : US\$1 = 9.56 Birr

In Tigray region, the price of maize continued increasing for most zones of the region. In June 2008, the highest price of maize was registered in Adwa market of central Tigray zone at Birr 773 per quintal and the lowest in Senkata market of Eastern Tigray zone at Birr 600 per quintal. The price of maize increased by 166.6% in Adwa and by 160% in Senkata market compared to January 2008. The average price of maize in the region during the month stood at Birr 636 per quintal which is a 160.7% increase compared to January 2008. In most markets of the region the most common price recorded for maize was Birr 633 per quintal.

In Amhara region, in June 2008 the price of maize ranged between Birr 444 in Kobo market of North Wello zone and Birr 572 per quintal in Shoa Robit market of North Shewa zone. Between January 2008 and June 2008, the price of maize increased by 63.4% in Bati and by 122% in Shoa Robit. The average price of maize in the region increased from Birr 270.70 in January to Birr 508 in June 2008, which is a 87.6% increase. Most markets in the region recorded a price of Birr 500 per quintal.

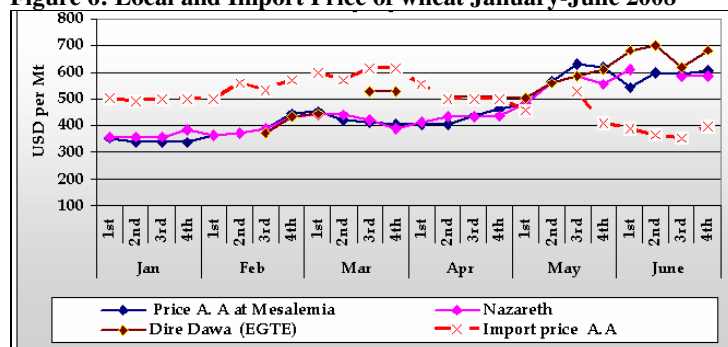
In Somali region during the month of June 2008, the highest price of maize was recorded in Kelafo market of Gode zone at Birr 680; Jijiga market of Jijiga zone at Birr 640; in Gode market of Gode zone at Birr 520 per quintal. Compared to January 2008, the price of maize has increased by 195.6% in Kelafo market and by 178.2% in Jijiga market. As of June 2008, the average price of maize stood at Birr 570 per quintal, an increase of 107.3% compared to January 2008.

5. Wheat

5.1. Local and Import Prices

Wheat is the second most expensive grain in the country next to teff. The local price of wheat in Addis Ababa at Mesalemia market has shown a slight decrease from US\$620 in the 4th week of May 2008 to US\$607 in the 4th week of June 2008, a 2.1% decrease. The price of wheat has stabilized but increasing in Nazareth from US\$577 in the 4th week of May 2008 to US\$586 in the 4th week of June 2008, a 5.2% increase and in Dire Dawa from 609 in the 4th week of May 2008 to 680 in the 4th week of June 2008, a 11.6% increase. Despite the increase in the price of local wheat, the import price of wheat continued decreasing and was at US\$396 in the 4th week of June 2008, a 3.7% decrease compared to the 4th week of May 2008. The price of wheat increased by 99.6% in June 2008 compared to January 2008 in Addis Ababa market (see Figure 6).

Figure 6: Local and Import Price of wheat January-June 2008

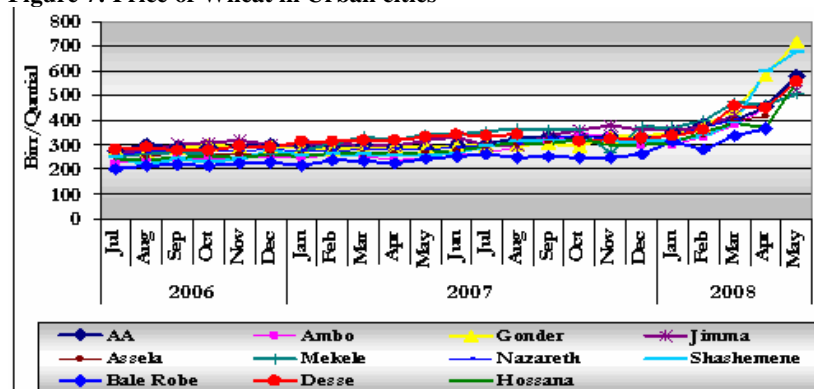


Source: WFP Procurement

5.2. Large Urban cities Prices

The price of wheat across urban cities has shown a general increase in all markets starting from November 2007. Between January and May 2008, the price of wheat has significantly increased in most of the urban markets of the country namely; in Addis Ababa from Birr 350 to 580, a 37.9% increase; in Gonder from Birr 344 to 720, a 52.2% increase; in Jimma from Birr 360 to 525, a 31.4% increase; in Shashemene from 319 to 680, a 53.1% increase; and in Desse from Birr 336 to 555, a 39.5% increase. The average price of wheat across the urban

Figure 7: Price of Wheat in Urban cities



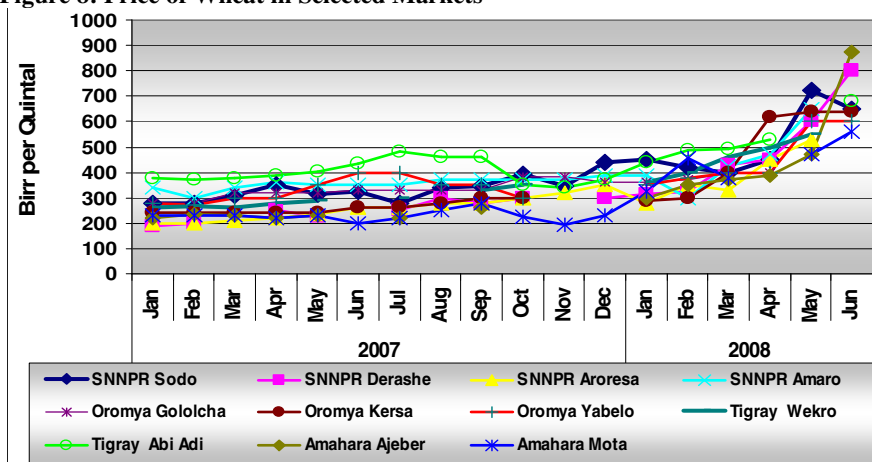
Source: EGTE

markets stood at Birr 587.50 in May 2008 from Birr 332 per quintal in January 2008, a 43.4% increase (see Figure 7).

5.3. Prices Across Regions

Unlike maize price, the price of wheat was relatively stable (see Figure 8). It ranged between Birr 560 and 896 per quintal during the month of June 2008. In Oromiya region, which has most of the main wheat growing areas, the highest price was recorded in Methara market of East Shewa zone at Birr 800 and the lowest in Yabelo market of Borena zone at Birr 600 per quintal. The price of wheat increased by 138.8% in Yabelo and by 71.4% in Methara market compared to January 2008. In the 4th week of June 2008, the price of wheat was at Birr 667 in Delo market of Bale zone and at Birr 640 in Kersa market of Arsi zone. In Oromiya region, the average price of wheat increased from Birr 325.40 in January 2008 to Birr 663.70 in June 2008, a 104% increase.

Figure 8: Price of Wheat in Selected Markets



Source: DPPA

In SNNPR region, the price of wheat ranged between Birr 550 in Hossana market of Hadiya zone and Birr 800 per quintal in Gidole market of Derashe zone in June 2008. The June 2008 price of wheat was higher by 154% in Gidole and by 69.2% in Hossana compared to January 2008. Between January and June 2008, the price of wheat continued to increase in most markets of the region including Sikela market of Gamo Gofa zone at Birr 700, a 75% increase; Hadero market of Kembata Tembaro zone at Birr 700, a 137.3% increase; and Aleta Wondo markets of Sidama zone at Birr 700, a 105.8% increase; and Gussa markets of Dawro zone at Birr 720, a 111.7% increase. In the region, the average price of wheat increased from Birr 335.9 in January 2008 to Birr 645.2 in June 2008, which is a 92.1% increase.

In Tigray region, the price of wheat was the highest among all regions in the country. The price ranged between Birr 700 Senkata markets of eastern Tigray to Birr 896 per quintal at Adwa market of central Tigray in June 2008. The price of wheat increased by 100% in Adwa and 91.8% in Senkata markets compared to January 2008. As of June 2008, the price of relief wheat ranged between Birr 560 at Adwa market of Central Tigray and Birr 700 per quintal in Senkata markets of Eastern Tigray. In June 2008 the average price stood at Birr 766.70 from Birr 366 in January 2008, which is a 112.6% increase.

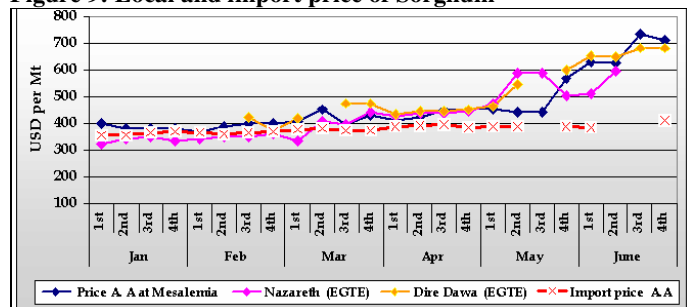
In Amhara region, during the month of June 2008 the highest price of wheat was registered in Ajibar market of South Wollo zone at Birr 875 and the lowest in Mota markets of East Gojam zone at Birr 560 per quintal. The price of wheat increased by 191.7% in Ajibar and by 72.3% in Mota market compared to January 2008. Unusual price were also recorded in Sekota market of Wag Hamra zone at Birr 756; NefasMewcha market of South Gonder zone at Birr 750; and Debark markets of South Gonder at Birr 720 per quintal. As of June 2008, the average price of wheat was Birr 723, a 112.6% increase compared to January 2008.

6. Sorghum

6.1. Local and Import

The local price of sorghum in Addis Ababa at Mesalemia market was US\$567.20 in the 4th week of May 2008 and US\$711.30/Mt in the 4th week of June 2008, a 25.4% increase. In Dire Dawa, the price of wheat increased from US\$599/Mt in the 4th week of May 2008 to US\$680/Mt in June 2008, a 13.6% increase. Since the 2nd week of March 2008, the local price of sorghum at Mesalemia market remained above the import parity price and in June 2008 was 72.6% above the imported price of sorghum (see Figure 9).

Figure 9: Local and import price of Sorghum



Source: WFP Procurement

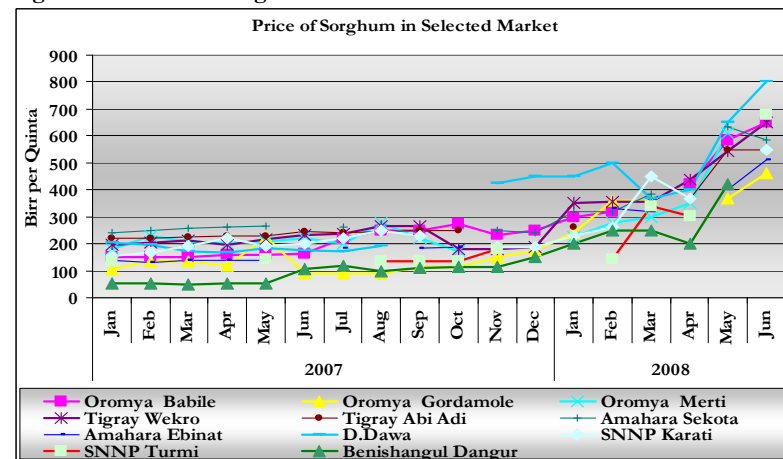
During the 4th week of June 2008, the local price of sorghum ranged between US\$711/Mt in Addis Ababa and US\$680/Mt in Dire Dawa market and whilst the imported price of sorghum stood at US\$412.90/Mt.

6.2. Prices Across Regions

The price of sorghum ranged between Birr 400 and 850 per quintal during the month of June 2008.

In Oromiya region, in June 2008 the highest price of sorghum was registered in Chinaksen market of East Harerge zone at Birr 850 and the lowest in Methara market of East Shewa zone at Birr 560 per quintal. Compared to January 2008, the price of sorghum increased by 183.3% in Chinaksen and by 89.8% in Methara market. The average price of sorghum rose from Birr 275 in January 2008 to Birr 668.30 per quintal in June 2008, a 143% increase. During the 4th week of June 2008, unusual prices of sorghum were observed in some markets of the region namely: in Dire Dawa at Birr 800; in Babile market of East Harerge at Birr 650 and Messela market of West Harerge at Birr 700 per quintal (see Figure 10).

Figure 10: Price of Sorghum in selected markets



Source: WFP Sub office

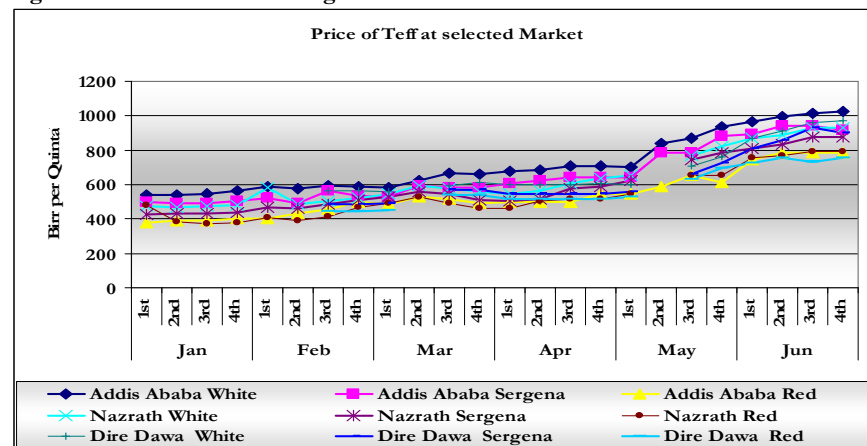
In SNNPR, the price of sorghum ranged between Birr 680 in Turmi market of South Omo zone and Birr 400 in Bensa Market of Sidama zone. The price of sorghum in June 2008 increased by 151.8% in Turmi and by 48.5% in Bensa Market compared to January 2008. In June 2008, the average price of sorghum across the region was Birr 535, a 166.7% increase compared to January 2008. The price of sorghum in Karat market of Konso special woreda was recorded at Birr 550; Gidole market of Derashe Special woreda at Birr 650; and Meskan market of Gurage zone at Birr 520 per quintal in June 2008.

In Amhara region, the highest price of sorghum was registered in Shoa Robit Market of North Shewa zone at Birr 825 and the lowest in Ebinat market of South Gonder zone at 510 per quintal. In June 2008, the price of sorghum increased by 83.3% in Shoa Robit and 59.4% in Ebinat compared to January 2008. Across selected markets in the region, the average price of sorghum stood at Birr 610 in June 2008, which is a 88.5% increase compared to January 2008. **In Benishangul region**, the price of sorghum decreased from March to April 2008 by 25%. However, compared last year, the price of sorghum increased from birr 54.40 in April 2007 to 200 Birr/100 kg in April 2008, which represents a 267.6% increase.

7. Teff

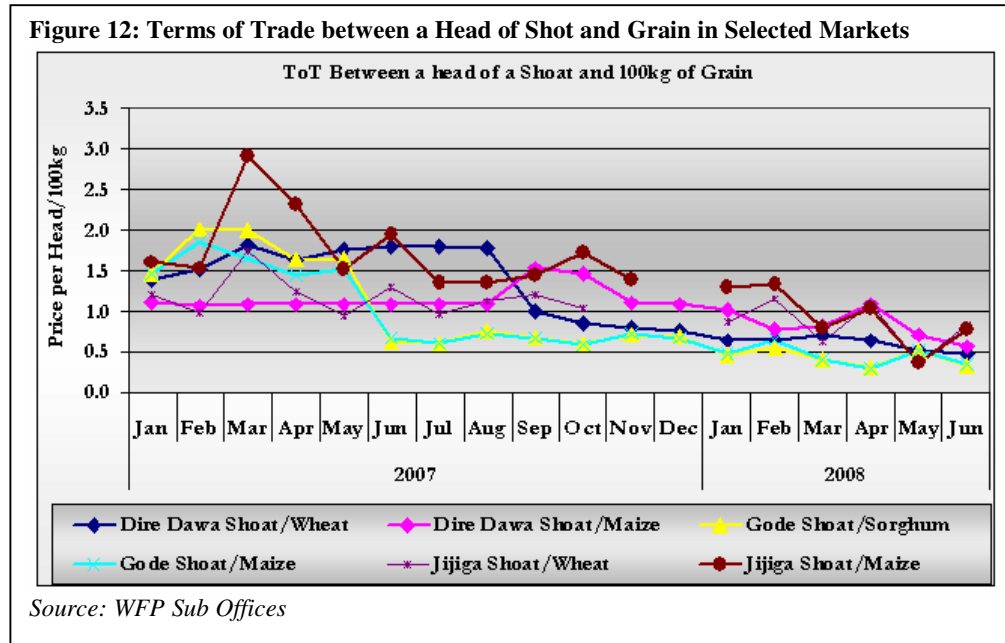
Teff is one of the most expensive but highly demanded and frequently consumed staple food in the country. During the 4th week of June 2008, the price of white teff significantly increased in Dire Dawa from Birr 762 to Birr 973, a 27.4% increase; followed by Nazareth from Birr 819 to 931, a 13.6% increase; and Addis Ababa from Birr 935 to 1025, a 9.6% increase compared to the 4th week of May 2008. In June 2008, the price of red teff continued to increase in most urban markets namely: in Mesalemia market of Addis Ababa the price was at Birr 785, a 28.7% increase; Nazareth Market at Birr 790, a 21.2% increase; and in Dire Dawa Market increased by 8.6% compared to the 4th week May 2008. The average price of red teff increased significantly relative to the white and sergena teff. Between the 4th week of May 2008 and the 4th week of June 2008, red teff increased from Birr 651 to 776, a 19.1% increase; white teff from Birr 839 to 976, a 16.4% increase; and sergena from Birr 798 to 900, a 12.7% increase per quintal (see Figure 11).

Figure 11: Price of Teff in large Urban Markets



Source: WFP procurement

8. Terms of Trade (TOT)



The Somali region is one of the main pastoralist areas in the country. The terms of trade continued to deteriorate since last year. Despite high supply of shoats to the market, the corresponding price remained very low due to the limited demand partly emanating from the ban placed on livestock trade across the border, poor body condition and less domestic demand for shoats. In Gode market, the terms of trade between a shoat and one quintal of sorghum stood at 0.34, and between a shoat and one quintal of maize stood at 0.38, implying one shoat had a purchasing power of about 34 kgs of sorghum or 38 kgs of maize in June 2008. In Jijiga the ToT between a shoat and one quintal of wheat stood at 0.83 and between a shoat and one quintal of maize stood at 0.78 in June 2008. Between January and June 2008, terms of trade between a shoat and grain declined by 26.3% in Gode market and by 40.1% in Jijiga market. In Dire Dawa, the ToT between a shoat and a quintal of maize was at 1.02 in January 2008 which declined to 0.57 in June 2008, a 44.4% decrease.