



**World Food
Programme**

Afghanistan Market Price Bulletin (March 2009)

Highlights

Consumer price index (CPI):

- Based on the Consumer Price Index (CPI), the annual food index increased by 7.5 % points. The annual increase in the national food index was 7 % points, while cereals increased by 5.9% points.

Price of Wheat flour in Main Urban Cities

- The prices of wheat flour in most of the main urban markets indicated following changes:
 - Decline of 10% compared to February 2009;
 - Increase of 10% compared to March 2008;
 - Increase of 110% compared to March 2007 (still very high compared to normal year).

Price of Wheat across the Country

- The average price of wheat in March 2009 was reported at Afghani 25.1/kg, which is similar to the price in February 2009.

Wheat Flour price in border town

- In the border markets, the prices of imported wheat flour in March 2009 compared to February 2009 decreased on average by 5%.

International Monthly Wheat Prices

- In Afghanistan the price of wheat in March 2009 was 67% higher than the international prices, 71% than the prices in Dehli (India) and 30% than the price of wheat in Karachi (Pakistan).

Terms of Trade

- The terms of trade between wheat and labour on average in March 2009 compared to February 2009 increased by 7.8%.

Merchants or Large - Scale Importers

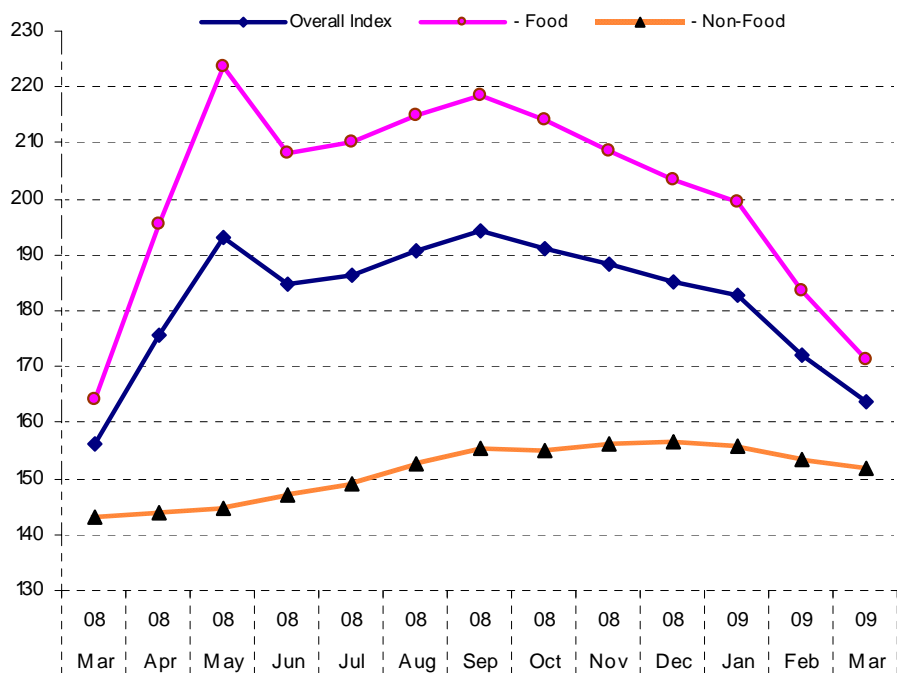
- The terms of trade between a sheep and kg of wheat in March 2009 increased on average by 6% compared to February 2009.

- In Afghanistan there are a relatively limited number of large-scale import/export companies bringing into the country wheat, wheat flour, and other basic food, such as rice and cooking oil.

Consumer price index (CPI):¹

National Consumer Price Index (CPI): in March 2009, general CPI was **7.5 %** points higher than in March 2008. The annual increase² in the national food index was **7 %** points, while **cereals increased by 5.9% points**. Other food such as tubers increased by +37.7, spices by +29.5, sugar and sweets by 14.7, milk cheese and egg by +12.3, fresh and dry fruits by +9.9, and meat decreased by -0.7, oil and fats by -29.1 percent points.

The non-food index showed an increase of 8.9 % points in March 2009. Annual increase in exchange-rate index was 4.9 % points.



Comparing to last month (Feb 2009), overall CPI decreased by 8.3% points, with decreases in the food index of 12.4% and non food index 1.7% points.

¹ Consumer Price Indices are a measure of the average price of consumer goods and services purchased by households. It is a price index determined by measuring the price of a standard group of goods meant to represent the typical market basket of a typical urban consumer Source: Central Statistics Office (CSO)

² March 2004 = 100

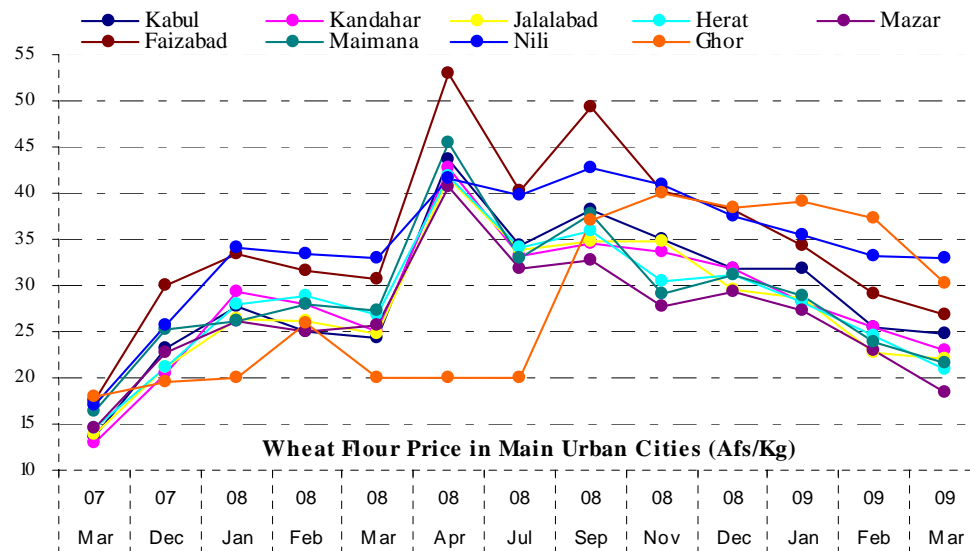
Wheat Flour Price in Main Cities:³

Afghanistan is increasingly reliant on imported wheat flour, with approximately one million metric tons of flour currently imported each year. At the national level, these imports are on the order of 25% of total consumption, as estimated by MAIL. The urban populations depend much more heavily on imports than any other segment of the population.

Price of wheat flour continued to decrease following the import of large amounts of very good quality of wheat flour from Kazakhstan by traders, government price stabilization programme, decrease of cereal price in international markets and continued food aid interventions.

The prices of wheat flour in most of the main urban markets indicated a slight decline of **10%** in March 2009 compared to February 2009. The prices of wheat flour decreased by 20% in Mazar, 19% in Ghor, 14% in Hirat, 10% in Kandahar, 9% in Maimana, 8% in Faizabad, 3% Jalalabad and Kabul and only 1% in Nili (Daikundi) markets.

Despite some decrease in the prices of wheat flour in March 2009 compared to the last five months, the prices of wheat flour still



³ WFP VAM Market Data from Afghanistan main cities

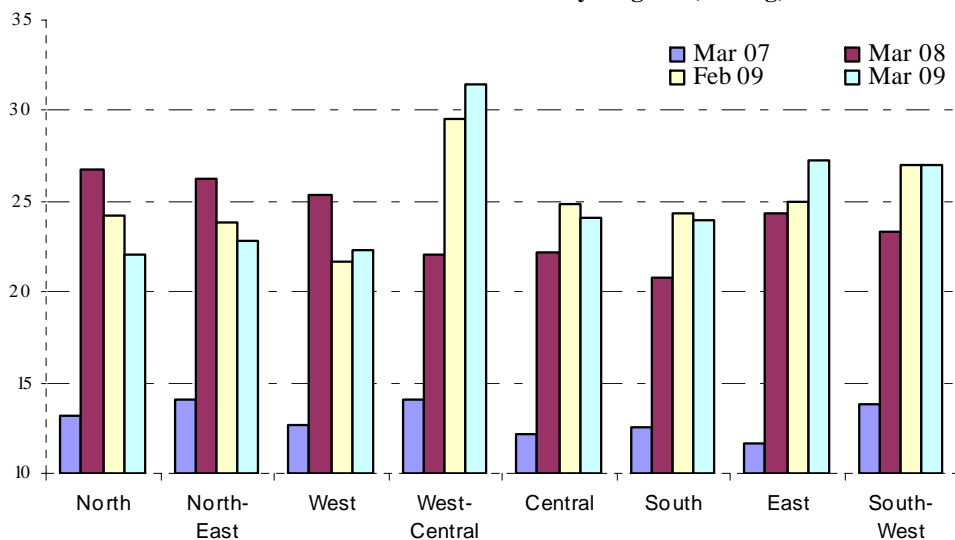
remain very high. For instance, compared to a year ago (March 2008), average wheat prices for all markets increased by about **10%**. The price of wheat flour compared with March 2007 (normal price/long term price), showed an increase of **110%**.

Price of Wheat across the Country:

Most of produced wheat in Afghanistan never arrive in the markets. It is consumed by farm households or used as barter payment in rural areas.

The average price of wheat in March 2009 was reported at Afghani 25.1/kg, which is similar to the price in February 2009. The below chart shows a slight decrease (3% to 9%) in the prices of wheat in March 2009, compared to February 2009, in the north, northeast, central and south part of the country. The price of wheat in provincial centers of south and southeast has been reported similar to the price of wheat of previous month (March 2009 compared to February 2009). Whilst west, west central and east parts of the country experienced a slight increased (3% to 9%).

Wheat Retail Market Price by Region (Afs/Kg)



Despite the above decrease compared to last month, the prices of wheat in March 2009 are 7% higher than the price of March 2008 and 94% compared to March 2007.

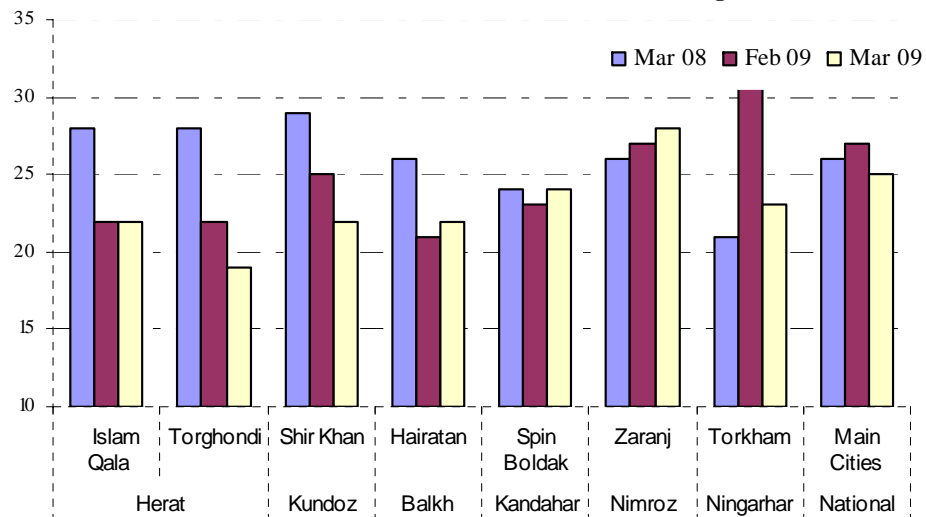
Market prices in border towns

There is slight change between the prices reported from the border towns and the ones reported from main cities. In March 2009, in border towns, on average price of imported wheat flour is 10% lower than the price of imported wheat flour in the main cities/urban areas, in the same month.

In the border markets, the prices of imported wheat flour in March 2009 compared to February 2009, decreased on average by 5%. As indicated in the below charts, the wheat flour price in March 2009 decreased by 28% in Turkham, 14% in Torghondi and 12% in Shirkhan Bander compared to February 2009. In other border towns, the price is similar or slightly increased compared to the price of February 2009.

In March 2009, on average, the price of imported wheat flour in border towns is 12% lower compared to March 2008.

Wheat Flour Price in Border Towns (Afs/Kg)

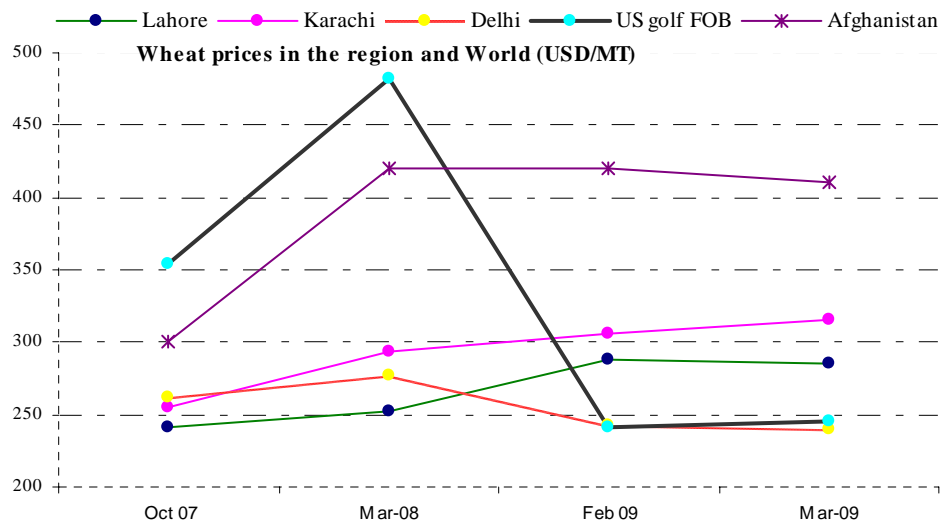


Monthly Price of Wheat on Global Market

International wheat prices have shown similar trend during the month of March 09, although they remained quite unstable. The US wheat (No. 2 Hard Red Winter, FOB Gulf) averaged US\$ 246 per MT in March 2009; two percent higher than the previous month's average, and was 49 percent below than the peak price of March 2008. Wheat price in Delhi (India) is US\$ 239.6 per MT, close to international prices and 14% lower than in March 2008.

Wheat prices in Karach (Pakistan) are US\$ 316 per MT, and were 3.3% higher compared to February 2009 and 8% higher than March 2008.

In Afghanistan, wheat price in March 2009 was 67% higher than the international prices, 71% than the prices in Dehli and 30% than the price of wheat in Karachi.

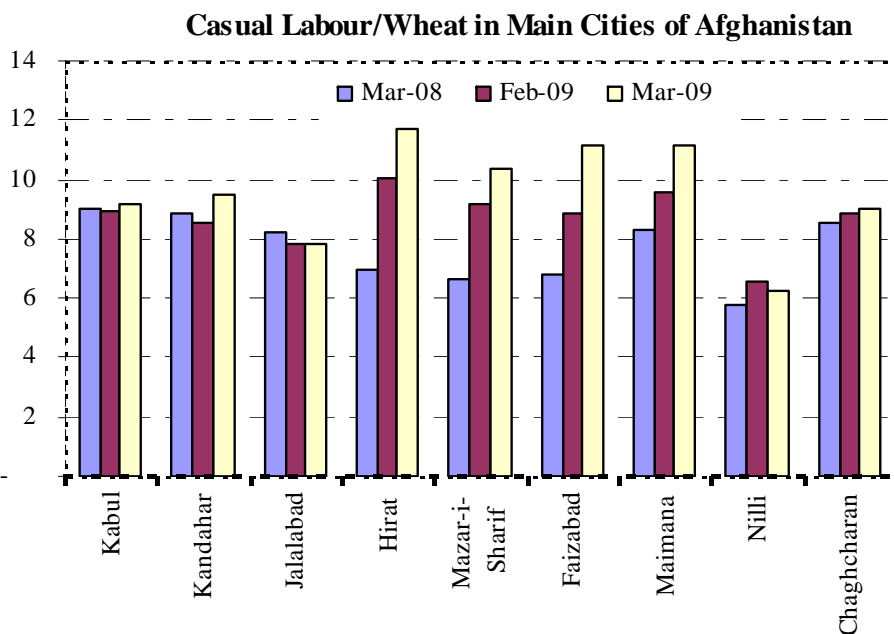


Terms of Trade (ToT)

Casual Labour and Wheat: The terms of trade between casual labour and wheat are a proxy for the purchasing power of those households who are mainly reliant on casual labour and those who purchase wheat from the market.

On average the ToT between wheat and casual labour in March 2009 compared February 2009, increased by 7.8%.

The terms of trade for the casual labour and wheat in March 2009 have remained the same in Cheghcheran, Nili, Jalalabad and Kabul cities, compared to March 2008.



The terms of trade between these two commodities considerably increased by 41% in Hirat, 39% in Faizabad and 25% in Maimana (March 2009 compared to March 2008). There was a slight decline by 5% in Nili of Daikundi province compared to last year.

Sheep and Wheat: The terms of trade between sheep and wheat are a proxy for the purchasing power of those households that are mainly reliant on income from livestock (pastoralists).

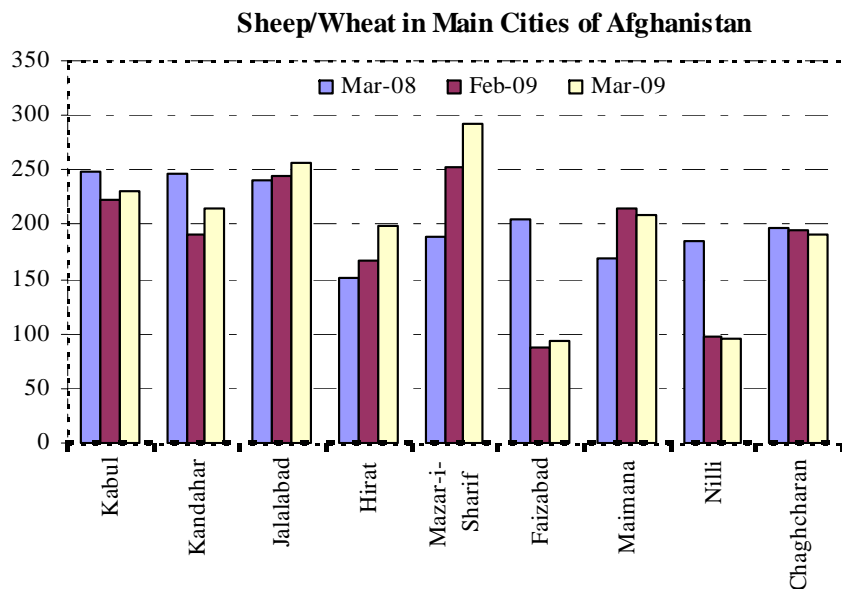
The terms of trade between a sheep and kg of wheat in March 2009 increased on average by 17% compared to March 2008. This increase was particularly large in Mazar by 35.6%, in Hirat by 23.5%, in Maimana by 18.8% and in Jalalabad by 6.3%.

The ToT between sheep and wheat in March 2009 compared to March 2008 declined by 116.8% in Faizabad, 95% in Nili, 15% in Kandahar and 7.4% in Kabul. Main reason for this decline could be a low level of demand for sheep and poor economic situation of the

households following the very poor 2008 harvest due to drought and price increases. In Cheghchran city, the terms of trade between sheep and wheat have remained similar to last year's level.

and the slim profit margins suggest that price collusion among the merchants is not likely.

On average the ToT between sheep and wheat in the month of March 2009 compared to February 2009 increased only by 6%.



Merchants or Large-Scale Importers

There are a relatively limited number of large-scale import/export companies, bringing into the country wheat, wheat flour and other basic foods such as rice and cooking oil. Some also import other goods, ranging from petroleum to furniture. Most have agents, and in some cases offices, in nearby countries. They typically have their own warehouses or storage facilities and sell on credit mostly to wholesalers. Their resources and contacts allow them to successfully operate in neighboring countries and react swiftly to market conditions. A number of new merchant companies have entered into the flour business and gross margins have decreased. As a result, some of the former major players have moved out of the flour business and now focus on more lucrative products, such as petroleum. The fluid nature of entry and exit into the business

Annex1: Market Watch on Main food Commodities in Main Cities of Afghanistan Markets

Markets	Major Comm	Current Price per Kg	Price change (%)			Average Change			Markets	Major Comm	Current Price	Price change (%)			Average Change		
			1Y	6M	1M	1Y	6M	1M				1Y	6M	1M	1Y	6M	1M
KABUL	Wheat (kg)	22	11.8	-36.5	-3.3	▲	▼	▼	Livestock-One year live Sheep (Female)								
	Wheat/Flour (kg)	25	1.3	-35.3	-2.9	▲	▼	▼	KABUL	Sheep	5100	4.1	-3.4	0.5	▲	▼	▲
	Rice Low Quality (Kg)	35	77.1	-12.5	2.1	▲	▼	▲	KANDAHAR	Sheep	4500	-10.0	-10.0	0.0	▲	▼	▲
	Oil (kg)	60	-15.4	-26.1	-1.9	▲	▼	▲	JALALABAD	Sheep	5000	2.8	0.0	0.0	▲	▼	▲
KANDAHAR	Wheat (kg)	20	3.7	-34.9	-10.6	▲	▼	▼	HIRAT	Sheep	3500	2.6	5.6	1.0	▲	▼	▲
	Wheat/Flour (kg)	23	-8.0	-33.3	-9.8	▲	▼	▼	MAZAR-I-SHARIF	Sheep	4200	-4.8	56.0	1.8	▲	▼	▲
	Rice Low Quality (Kg)	32	18.5	-23.8	-8.6	▲	▼	▼	FAIZABAD	Sheep	2000	-61.9	-59.0	0.0	▲	▼	▲
	Oil (kg)	50	-27.9	-33.8	-1.9	▲	▼	▼	MAIMANA	Sheep	4000	-1.3	70.7	-1.9	▲	▼	▲
JALALABAD	Wheat (kg)	18	-3.7	-38.6	-4.9	▲	▼	▼	NILI	Sheep	3200	-41.3	-34.1	1.7	▲	▼	▲
	Wheat/Flour (kg)	22	-11.3	-36.7	-3.3	▲	▼	▼	GHOR	Sheep	4000	9.7	38.2	-2.9	▲	▼	▲
	Rice Low Quality (Kg)	22	14.3	-30.0	-6.7	▲	▼	▼	Terms of Trade								
	Oil (kg)	52	-29.3	-27.5	-7.6	▲	▼	▼	KABUL	Casual Labour/wheat		2.1	57.5	3.2	▲	▼	▲
HIRAT	Wheat (kg)	16	-21.5	-50.5	-14.3	▲	▼	▼	KANDAHAR	Casual Labour/wheat		7.1	53.5	11.4	▲	▼	▲
	Wheat/Flour (kg)	20	-22.0	-41.7	-14.4	▲	▼	▼	JALALABAD	Casual Labour/wheat		-4.9	55.7	0.4	▲	▼	▲
	Rice Low Quality (Kg)	26	-21.2	-18.8	-3.6	▲	▼	▼	HIRAT	Casual Labour/wheat		69.4	88.6	16.8	▲	▼	▲
	Oil (kg)	53	-33.5	-35.9	1.1	▲	▼	▲	MAZAR-I-SHARIF	Casual Labour/wheat		56.4	127.6	13.0	▲	▼	▲
MAZAR-I-SHARIF	Wheat (kg)	14	-38.6	-49.6	-12.1	▲	▼	▼	FAIZABAD	Casual Labour/wheat		64.4	59.6	26.5	▲	▼	▲
	Wheat/Flour (kg)	18	-28.6	-43.9	-20.1	▲	▼	▼	MAIMANA	Casual Labour/wheat		34.1	99.3	16.0	▲	▼	▲
	Rice Low Quality (Kg)	33	4.8	-10.8	-2.9	▲	▼	▼	NILI	Casual Labour/wheat		7.3	16.4	-5.1	▲	▼	▲
	Oil (kg)	57	-34.0	-32.6	-8.9	▲	▼	▼	GHOR	Casual Labour/wheat		5.4	7.9	1.1	▲	▼	▲
FAIZABAD	Wheat (kg)	21	-17.4	-40.5	-7.1	▲	▼	▼	KABUL	Sheep /wheat		-6.9	52.2	4.0	▲	▼	▲
	Wheat/Flour (kg)	25	-12.8	-45.8	-8.0	▲	▼	▼	KANDAHAR	Sheep /wheat		-13.2	38.2	11.9	▲	▼	▲
	Rice Low Quality (Kg)	54	18.9	-16.4	-6.6	▲	▼	▼	JALALABAD	Sheep /wheat		6.7	62.8	5.1	▲	▼	▲
	Oil (kg)	74	-11.0	-28.0	-13.8	▲	▼	▼	HIRAT	Sheep /wheat		30.7	98.8	17.9	▲	▼	▲
MAIMANA	Wheat (kg)	19	-19.9	-40.4	1.1	▲	▼	▲	MAZAR-I-SHARIF	Sheep /wheat		55.2	209.2	15.8	▲	▼	▲
	Wheat/Flour (kg)	24	-21.1	-42.9	-9.2	▲	▼	▼	FAIZABAD	Sheep /wheat		-53.9	-31.0	7.7	▲	▼	▲
	Rice Low Quality (Kg)	43	11.1	-21.9	-6.3	▲	▼	▼	MAIMANA	Sheep /wheat		23.2	186.2	-2.9	▲	▼	▲
	Oil (kg)	58	-22.2	-20.7	11.6	▲	▼	▲	NILI	Sheep /wheat		-48.9	-23.0	-3.5	▲	▼	▲
NILI	Wheat (kg)	32	14.7	-14.3	5.3	▲	▼	▼	GHOR	Sheep /wheat		-3.0	49.1	-1.8	▲	▼	▲
	Wheat/Flour (kg)	33	0.0	-22.8	-0.8	▲	▼	▼	Remark								
	Rice Low Quality (Kg)	32	-22.3	-10.4	-3.7	▲	▼	▼	▲ Price increase above normal price fluctuation								
	Oil (kg)	65	-28.4	-31.1	-6.3	▲	▼	▼	▲ Normal Price fluctuation								
GHOR	Wheat (kg)	21	13.1	-7.3	-1.1	▲	▼	▼	▼ Price decrease below normal price fluctuation								
	Wheat/Flour (kg)	28	6.1	-18.2	-18.8	▲	▼	▼	Price fluctuation is considered normal if the price change is within 5% for 1 month, or within								
	Rice Low Quality (Kg)	32	24.6	-10.7	-9.0	▲	▼	▼	10% for 3 months								
	Oil (kg)	58	-24.3	-27.2	-12.8	▲	▼	▼	1M= Compared to month ago 6M= Compared to September 2008; and 1Y= Compared to March 2008								