ETHIOPIA MONTHLY MARKET WATCH April 2011

Highlights

Compared to April 2010, the country level general year to year inflation has increased by 29.5 percent, food inflation by 32.2 percent, and non - food inflation by 25.6 percent. It is the highest inflation rate increases for the last one year. Food contributes 57 percent of expenditure in the consumer price index calculation.

World market prices of maize rose by 11 percent during the past month. As a result, in April 2011 at Addis Ababa the import parity price of maize rose by 9 percent compared to March 2011; however import prices remained stable for wheat and sorghum. The local price at Addis Ababa stood below the import parity prices by 54% for maize, 25% for wheat and 21% for sorghum.

The maize average wholesale price in April 2011 stood at Birr 3.72/kg which is a 15 percent increase on March 2011 and 9 percent higher than in April 2008, the year cereal prices peaked in Ethiopia. The average wheat prices stood at Birr 6.09/kg in the month that is a 10 percent increase on March 2011 and nine percent higher than in April 2008.

The direction of maize supply in Southern Nations, Nationalities and Peoples Region (SNNPR) has shifted its flow direction in recent months. The supply of maize to SNNPR and major markets of Oromia like Shashemene is coming from Addis Ababa and other major producing areas of the country.

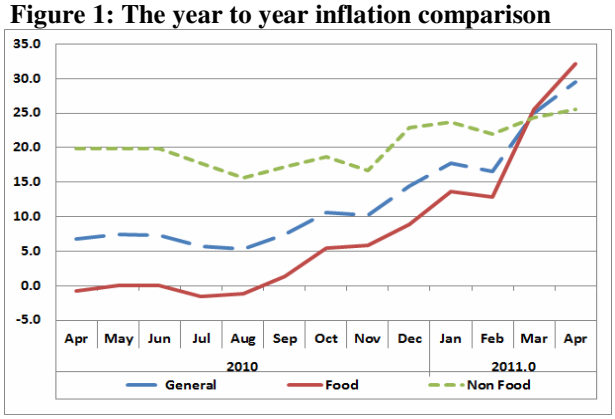
Special Report

Sugar and edible oil distribution: The Government of Ethiopia has imported edible palm oil for sale through the public institutions and consumers association in order to stabilize markets. Private importers are restricted to import edible palm oil, which is commonly consumed by poor households across the country. However, due to limited capacity of these public institutions, consumers are facing long queues to buy from these shops.

Fuel price adjustment: The decreased prices of crude oil in April on the international markets kept the monthly fuel price adjustment by government to remain the same for May 2011.

A. Inflation and Consumer Price Index

Figure 1: The year to year inflation comparison



Source: Central Statistics Authority

According to the Central Statistics Agency, compared to April 2010, the country level general year to year inflation has increased by 29.5 percent points, food inflation by 32.2 percent points, and non - food inflation by 25.6 percent points. This level of year to year inflation increment is the highest for the last one year (Figure 1). The increase in the general inflation is mainly attributed to the increase in general consumer price index to 233.9 from where it was 183.1 the same month last year. Similarly, the reason for the increase in the food inflation rate was the increase in consumer food price index from its level of 186.8 last year the same month to 246.2 in April 2011. The total price index of cereals in April 2011 has increased by 14.6 percent as compared to similar month last year which contributed to the rise in the indices of food and the general consumer price

index. Except for meat and some food items, relative rises were observed in the indices of wheat, maize, barely, pulses, butter, coffee and others in April 2011 as compared to April 2010.

B. Major Cereal Import Parity and Local Prices

According to FAO, world wheat prices in April 2011 increased by 9 percent compared to their levels in March 2011. The benchmark US wheat price (No. 2 Hard Red winter, f.o.b.) averaged US$ 364 per metric ton in April 2011, 82 percent higher than a year earlier although 24 percent below its peak in March 2008. During the first three weeks of the month, the US prices were generally supported by the weakening dollar, concerns about delays in spring wheat plantings and dry conditions in major winter wheat producing areas. However, beneficial rains in the southern Plains of the United States and in Europe helped ease international wheat prices towards the end of the month. International prices of maize in April were up 11 percent from March 2011. The benchmark US maize price (Yellow, No. 2, f.o.b.) averaged US$ 321 per metric ton, more than double its level in April 2010 and 14 percent above the previous peak in June 2008. Maize prices were supported by the slide in the US dollar, strong demand, low inventories in the United States and continuing concern over US planting delays due to wet weather.

As a result of changes in world markets, the import parity price of maize in April 2011 at Addis Ababa increased by 9 percent compared to March 2011; however import prices remained stable for wheat (which is mainly imported from Central Asia) and sorghum. The prices of maize, wheat and sorghum in the month April 2011 compared to April 2010 were higher respectively by 48 percent, 84 percent and 64 percent. As a consequence of local cereal prices increase more than the import parity prices, the difference between the local and import parity prices have started to decline since February. The local price at Addis Ababa stood below the import parity prices by 54% for maize, 25% for wheat and 21% for sorghum. In April 2011, at the exchange rate of Ethiopian Birr 16.64/US Dollar the import parity prices at Addis Ababa stood; at US$ 572/mt for maize, at US$ 554/mt for wheat and at US$ 469/mt for sorghum (see Table 1).

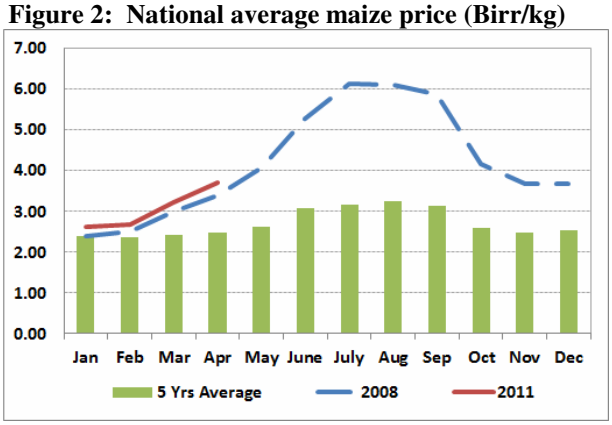
The continuous increase in the price of cereals on the international and local markets has reduced the amount food assistance humanitarian organizations like WFP can procure with available resources. Furthermore, the increasing prices are seriously challenging the government's ability to import in order to stabilize markets. The government had a plan to import wheat from the international market amounting to 150,000mt but it has not yet realized this.

C. Cereal Wholesale Prices in Large Urban Markets

The national average wholesale prices of cereal, particularly maize and wheat, increased in April 2011. The average wholesale prices of maize stood above the five years average (49%), compared to March 2011 (15%), April 2010 (37%) and April 2008 (9%). However, the prices were below the peak of 2008 and 2009 respectively by 39 percent and 6 percent. The wholesale prices of wheat stood well above the long term average (63%), April 2010 (39%) and March 2011 (10%). The cheapest and widely consumed staple food commodity (maize) price in April 2011 stood at Birr 3.72/kg which is the highest since September 2009; and the average wheat prices stood at Birr 6.09/kg in the month that is the highest since February 2009. There is a sharp increase in the prices of maize and wheat as indicated on below figures (Figure 2 and 3). The increased prices of staple food commodities at the major urban wholesale markets automatically transmitted to the next trade levels. The longer the supply chain routes the higher the

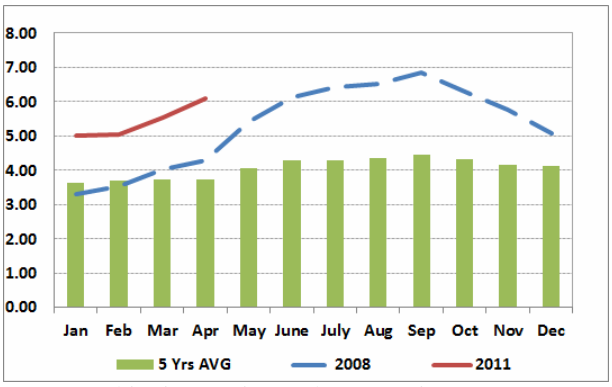
increases in price when the cereal reaches the consumer level and particularly in rural deficit locations it leads to the deterioration of the households' purchasing power that depends largely on markets.

Figure 2: National average maize price (Birr/kg)



Source: Ethiopian Grain Trade Enterprise

Figure 3: National average wheat price (Birr/kg)

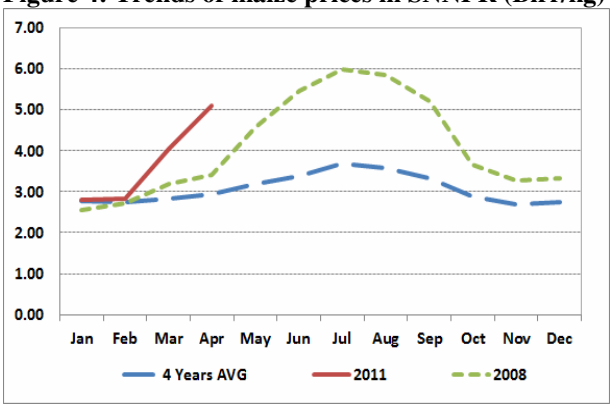


Source: Ethiopian Grain Trade Enterprise

D. Cereal Retail Prices in District Markets

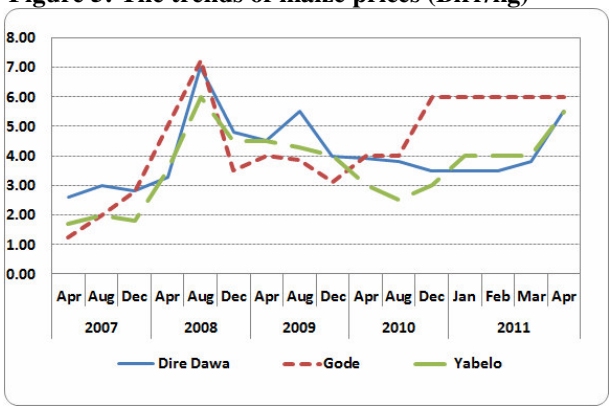
The retail prices of staple cereal in the district markets increased as a consequence of poor/failed ***Belg*** season performance and shortage of market supply. The increase in prices of cereal at the wholesale markets coupled with other factors contributed to the significant change in recent months. In the last two months, the increase in cereal prices were significant and unusual. In terms of monitored markets average retail prices at regional level, the highest increase of maize prices was observed at Dire Dawa (45%) followed by Oromia (27%) and

Figure 4: Trends of maize prices in SNNPR (Birr/kg)



Source: WFP

Figure 5: The trends of maize prices (Birr/kg)



Source: WFP

Southern Nations, Nationalities and Peoples Region (SNNPR) (26%) markets in April 2011 as compared to the previous month. The highest retail price of maize was observed in the markets of Gode (Birr 6.00/kg), Yabelo and Dire Dawa markets that stood at Birr 5.50/kg and Babile at Birr 5.40/kg (see Figure 5). Similarly, the price of wheat in all monitored markets has increased as compared to the four years average, last year the same month and March 2011. The increase of wheat average price in monitored markets was the highest in Dire Dawa (33%), Oromia (24%), Amhara (17%), SNNPR (16%), Somalia (15%) and Tigray (9%). The increase in price of cereal is more significant in ***Belg*** producing areas of the country especially where the root crops also failed. The absence of root crops forced consumers to switch to the consumption of maize in particular and hence further pushed the price of maize up. Generally, the increases in price of the staple food commodities

particularly in ***Belg*** producing parts of the country demands close monitoring of the prices and flow of commodities as we approach the lean season.

E. Supply to Markets

The poor performance of ***Belg*** rainfall in 2011 impacted the plantation of root crops (gap filling crop) and ***Belg*** crops and hence the availability of cereal in the markets. Despite an average to above-average 2010 main season harvest, the poor rainfall performance of ***Belg*** in 2011 forced farmers with surpluses to hold higher household stocks and thus reduce their supply to the markets. As a result, the direction of supply particularly maize in SNNPR has shifted its direction in recent months. In March and April 2011, supply of maize to SNNPR and major markets of Oromia like Shashemene is coming from Addis Ababa and other major producing areas of the country (Wollega and Bure). The increase in demand for maize from food deficit poor households, rise in transport cost, speculation of price increase in the coming months and other factors led to supply shortages in many local district markets. Furthermore, the increasing trends of cereal prices will impact in the deterioration of terms of trade in pastoralist areas where prices of livestock is reduced due to poor livestock body condition.

F. Terms of Trade:
a. TOT for shoat to cereal

In April 2011, the average price of shoat increased in monitored markets by 37 percent at Dire Dawa, 36 percent at Jijiga and 22 percent at Gode compared to March 2011. The increased price of shoat at Dire Dawa and Jijiga is associated with the Easter holiday. However, in remote parts of the pastoralist and agro pastoralist areas the poor performance of livestock body conditions led to lower prices. The high increase in price of maize and wheat at Dire Dawa market in April 2011 kept the terms of trade stable that otherwise would have improved. The terms of trade between maize and shoat has improved at Gode and Jijiga due to the increased prices of shoat while the maize price, although the highest in country, did not change in April. In the reported month, the terms of trade between shoat and maize at Gode and Jijiga increased respectively by 22 percent and 30 percent as compared to March 2011. However, the terms of trade at Gode and Dire Dawa stood below the long term average. The terms of trade between shoat and maize stood; 235kg/shoat at Jijiga, 72kg/shoat at Dire Dawa and 69kg/shoat at Gode (see Table 1).

b. TOT for wage labour to cereal
The average daily nominal wage rates in monitored markets remained stable in Somali and Tigray regions whilst slightly improved in Amhara region. The daily average wage in monitored markets stood at Birr 40 in Somali, Birr 45 in Amhara and Birr 50 in Tigray regions. However, the unskilled labour wage in Tigray and Amhara stood about half of the average wage. The terms of trade between wage and maize in monitored markets remained stable in Somali and Tigray whilst improved in Amhara. The increase in TOT in Amhara was associated with the increased wage as compared to the increase in maize price. In April 2011, the terms of trade between wage rate and maize stood at 7.1kg/day in Somali; at 13.77kg/day in Tigray and 13.1kg/day in Amhara (see Table 1). With the current productive safety net programme wage rate, the terms of trade between the wage rate and maize stood at 2.14kg in Oromia and Tigray, 1.96kg in SNNPR and 2.9kg in Amhara region.

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April 2011

Table 1. Market Watch on Main Food Commodities Across Markets

Markets	Major Comm	Current Price	Price change (%) 1Y	6M	1 M	Avarage Change 1Y	6M	1 M
1.Local and Import Price (USD/MT)								
Addis Ababa	Maize	264	10	36	13	►	▲	▲
	Wheat	414	20	30	14	▲	▲	▲
	Sorghum	371	-16	0	7	▼	►	▲
	Teff white	522	2	2	0	►	►	►
	Teff mixed	460	13	39	4	►	▲	►
	Teff red	399	16	23	6	▲	▲	▲
Nazrath	Maize	261	15	49	11	►	▲	▲
	Wheat	409	14	28	8	►	▲	▲
	Sorghum	335	-8	7	18	►	►	▲
	Teff white	495	-10	-2	7	►	►	▲
	Teff mixed	424	-3	0	6	►	►	▲
	Teff red	378	21	12	14	▲	▲	▲
Dire Dawa	Maize	277	-6	29	24	►	▲	▲
	Wheat	427	9	31	13	►	▲	▲
	Sorghum	379	-20	-6	6	▼	►	▲
	Teff white	507	-15	0	6	►	►	▲
	Teff mixed	427	2	-5	16	►	►	▲
	Teff red	376	2	5	13	►	►	▲
Import Parity Price	Maize	572	48	19	9	▲	▲	▲
	Wheat	554	84	11	4	▲	▲	►
	Sorghum	469	64	11	-3	▲	▲	►
2. Large urban cities (BIRR/100K			**5Y**	**1Y**	**1M**	**5Y**	**1Y**	**1M**
Addis Ababa	Maize	396	58	46	22	▲	▲	▲
	Wheat	705	70	53	8	▲	▲	▲
	Sorghum	456	2	-20	-2	►	▼	►
Ambo	Maize	356	54	48	19	▲	▲	▲
	Wheat	578	74	54	11	▲	▲	▲
Gonder	Maize	341	30	11	2	▲	►	►
	Wheat	516	25	3	0	▲	►	►
	Sorghum	454	42	6	23	▲	►	▲
Jimma	Maize	343	37	61	16	▲	▲	▲
Nekempt	Maize	325	0	0	16	►	►	▲
Mekele	Maize	383	41	20	47	▲	▲	▲
	Wheat	573	28	7	0	▲	►	►
	Sorghum	420	0	-32	-5	►	▼	►
Nazareth	Maize	398	61	52	19	▲	▲	▲
	Wheat	633	70	47	12	▲	▲	▲
Shashemene	Maize	433	83	63	20	▲	▲	▲
	Wheat	644	82	46	16	▲	▲	▲
Bale Robe	Wheat	635	83	66	25	▲	▲	▲
Bure	Maize	341	0	0	15	►	►	▲
Desie	Maize	365	35	31	7	▲	▲	▲
Hossana	Maize	395	55	38	7	▲	▲	▲
	Wheat	648	83	56	12	▲	▲	▲
Baher Dar	Maize	343	56	32	7	▲	▲	▲
Assela	Wheat	618	78	46	11	▲	▲	▲

Markets	Major Comm	Current Price	Price change (%) 4Y AVG	1Y	1 M	Avarage Change 4Y AVG	1Y	1 M
3. Regional average (BIRR/100KG)								
Oromya	Maize	466	45	35	27	▲	▲	▲
	Wheat	680	52	60	24	▲	▲	▲
	Sorghum	503	53	36	33	▲	▲	▲
Tigray	Maize	466	45	35	27	▲	▲	▲
	Wheat	610	24	29	9	▲	▲	▲
	Sorghum	381	-10	-29	3	►	▼	►
Somali	Maize	560	56	40	2	▲	▲	►
	Wheat	690	68	53	15	▲	▲	▲
	Sorghum	blank						
SNNPR	Maize	510	73	68	26	▲	▲	▲
	Wheat	698	66	84	16	▲	▲	▲
	Sorghum	550	84	83	75	▲	▲	▲
Amahara	Maize	344	8	6	2	►	►	►
	Wheat	681	82	77	17	▲	▲	▲
	Sorghum	366	-7	-29	3	►	▼	►

Regions	Zone	Market	Major Comm	Current Price	Price change (%) 4Y AVG	1Y	1 M	Avarage Change 4Y AVG	1Y	1 M
4. Current Price (BIRR/100KG)										
Oromya	E.Haragh	Babile	Maize	540	86	69	64	▲	▲	▲
			Sorghum	530	55	56	47	▲	▲	▲
	Bale	Bedeno	Maize	500	36	5	28	▲	►	▲
		Bedessa	Maize	450	26	29	32	▲	▲	▲
		Deder	Maize	450	35	5	29	▲	►	▲
		Guradamo	Wheat	580	27	0	29	▲	►	▲
	Borena	Yabelo	Maize	550	73	83	38	▲	▲	▲
			Wheat	900	89	80	38	▲	▲	▲
	Arisi	Merti	Sorghum	350	5	-13	25	►	►	▲
		Kersa	Wheat	560	35	60	4	▲	▲	►
Amahara	S.Wollo	Ebinet	Sorghum	350	7	0	17	►	►	▲
	N.Wollo	Mota	Wheat	630	85	80	34	▲	▲	▲
		Kobo	Maize	273	0	-13	4	►	►	►
		Sekota	Sorghum	385	-17	-44	-1	►	▼	►
	Oromya	Bati	Maize	400	42	31	0	▲	▲	►
Tigray	S.Tigray	Korem	Maize	360	16	6	13	►	►	▲
	E.Tigray	Wekro	Wheat	537	7	0	0	►	►	►
			Sorghum	340	-18	-31	0	►	▼	►
	C.Tigray	Abi Adi	Wheat	815	67	99	31	▲	▲	▲
			Sorghum	363	-17	-37	1	►	▼	►
			Maize	363	0	-11	0	►	►	►
SNNPR	S.Omo	Turmi	Sorghum							
		Karati	Sorghum	550	70	0	96	▲	►	▲
	Guraghe	Meskan	Maize	480	65	66	33	▲	▲	▲
		Hosena	Maize	500	68	67	25	▲	▲	▲
	Gamo Go	Sikela	blank							
	Wolayeta	Sodo	Wheat	725	64	73	21	▲	▲	▲
			Maize	530	67	89	26	▲	▲	▲
Somali	Jijiga	Jijiga	Sorghum	530	68	33	-5	▲	▲	►
			Maize	520	44	30	4	▲	▲	►
			Wheat	690	48	38	15	▲	▲	▲
	Gode		Sorghum	530	68	33	-5	▲	▲	►
		Gode	Maize	600	68	50	0	▲	▲	►

Markets		Major Comm	Current Price	Price change (%) 4Y AVG	1Y	1 M	Avarage Change 4Y AVG	1Y	1 M
5. Livestock-Shoat (BIRR/Shoat*)									
Somali	Jijiga	Jijiga	Shoat	1220	157	68	36	▲	▲	▲
	Gode	Gode	Shoat	413	57	13	22	▲	►	▲
	Dire Dawa		Shoat	575	56	35	37	▲	▲	▲
6. Terms of Trade Number of Quintal per Shoat									
Somali	Jijiga	No. of Qt. of wheat /S		1.77	84	22	18	▲	▲	▲
		No. of Qt. of maize /S		2.35	68	29	30	▲	▲	▲
	Gode	No. of Qt. of Sorghur								
		No of Qt. of maize /S		0.69	-22	-25	22	▼	▼	▲
Dire Dawa		No of Qt. of wheat /S		0.72	-26	-9	3	▼	►	►
		No of Qt. of maize /S		1.05	1	-4	-5	►	►	►

Regions	Current Wage	Price change (%) 1 Y	6 M	1 M	Avarage Change 1 Y	6 M	1 M
7. Average casual labour wage per day							
Somali	40	43	0	0	▲	►	►
Tigray	50	11	0	0	►	►	►
Amahara	45	87	50	18	▲	▲	▲

Markets	Wage/1kg of grain	TOT	Price change (%) 1 Y	6 M	1 M	Avarage Change 1 Y	6 M	1 M
8. Terms of Trade Casual labour wage per day/kg of grain								
Somali	Wage/ 1kg Maize	7.1	2	-38	-2	►	▼	►
	Wage/ 1kg Sorghum							
	Wage/ 1kg Wheat	5.8	-7	-33	-13	►	▼	▼
Amahara	Wage/1kg of maize	13.1	77	18	16	▲	▲	▲
	Wage/ 1kg wheat	6.6	6	1	1	►	►	►
Tigray	Wage/ 1kg Maize	13.8	17	0	0	▲	►	►
	Wage/ 1kg Sorghum	13.1	56	0	-3	▲	►	►
	Wage/ 1kg Wheat	8.2	-13.9	0.0	-7.9	►	►	▼

Remark:		
	▲	Prices increase above normal price fluctuation
	►	Normal Price Fluctuation
	▼	Price decrease below normal price fluctuation
Exchange rate applied	16.76	

Price fluctuation is considered normal if the price change is within 5% for 1 month; 10% within 6 month; within 15% for 1 year; within 20% for 3 or 4 years average

6M=Compared to October 2010

1Y=Compared to April 2010

3Y/4Y=Compared to 4 or 5 years monthly average