

## ETHIOPIA MONTHLY MARKET WATCH September 2011

### Highlights

- The country level general and food inflation rate increased by 40.1% and 51.3% respectively compared to September 2010. Cereal inflation rate increased by 61.9%.
- Out of total procurement of EGTE from international markets, 115,000mt (38%) has arrived in country for distribution at subsidized price. The distribution of wheat grain depends on the price determined by the Government.
- The Government adjusted the fuel prices following the declining oil prices in the international market at the beginning of October 2011. Benzene price decreased by 6.88%, diesel by 4.29% and kerosene by 0.71% compared to last adjustment of April 2011.
- Compared to August 2011, maize, wheat and sorghum import parity prices remained the same at the elevated level. Compared to the local price at Addis Ababa, the import parity stood 42% higher for maize, 7% below for wheat and 2% for sorghum.
- The retail prices of staple cereals remained stable at the elevated levels in most of monitored markets. The availability of green and dry maize at household level in maize producing parts of the country has started to relax demand pressure on available supply of the local markets.
- The average price of shoat at Gode, Jijiga and Dire Dawa rose respectively by 18%, 8% and 7%. It is attributed to the increase in demand for livestock from Gulf countries for for the upcoming Eld Alfetir Holyday and local demand too.

### Special issues

**Wheat Import:** It was reported in August 2011 markets watch report that EGTE (Ethiopian Grain Trade Enterprise) procured 300,000mts of wheat grain from the international markets. Out of total procurement 115,000mt (38%) has arrived in country for distribution at subsidized price. The distribution of wheat grain depends on the price to be determined by the Government. The increased prices of wheat in the international markets makes the purchasing price higher than the subsidized selling price (Birr 437/100kg) of previous distribution. The Government didn't determine yet the selling price of imported wheat and it is expected to decide soon for the start of distribution.

**Fuel Prices:** The Government adjusted monthly fuel prices as a consequence of declining oil prices in the international market at the beginning of October 2011. Hence, public transport rate is adjusted accordingly. The price of benzene stood at Birr 19.5/litre, at Birr 16.97/litre for diesel and at Birr 13.95/litre for kerosene. Benzene price decreased by 6.88%, diesel by 4.29% and kerosene by 0.71% compared to last adjustment of April 2011.

### Inflation and Consumer Price Index

The country level general inflation and food inflation rate in September 2011 increased by 40.1% and 51.3% respectively as compared to the same month a year ago. Similarly, the cereal index of the month has increased by 61.9% against September 2010 which contributed to the rise in the indices of food and general consumer price index. The components of food indices have shown increases by: 61.9% for cereal, 89.4% for pulses,

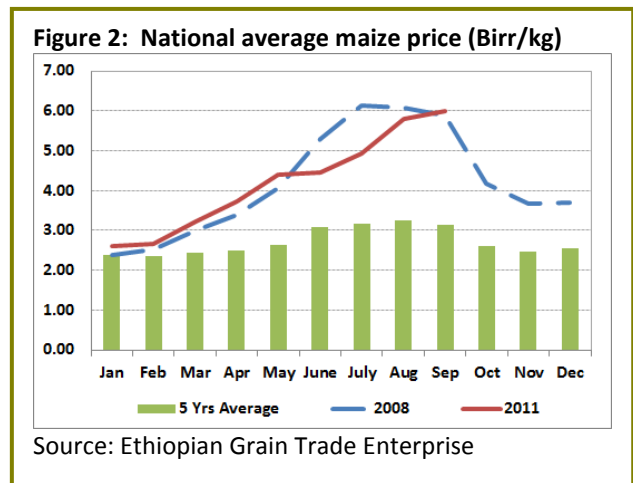
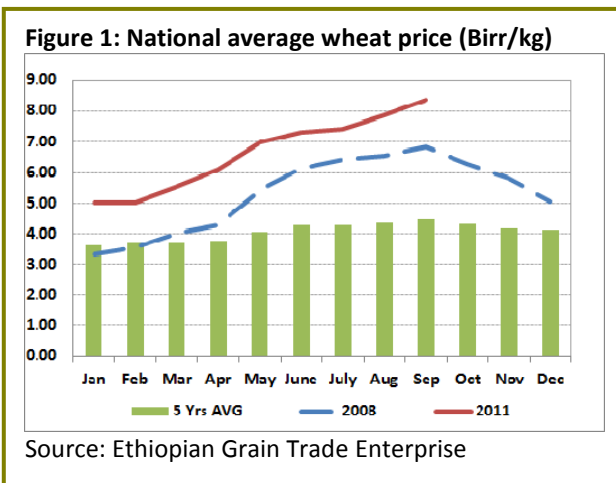
41.7% for potatoes, other tubers and stems, 69% for oils and fats, 21.3% for bread and other prepared food. However, the index of vegetables and fruits declined by 3.4%.

### Major Cereal Import Parity and Local Prices

The import parity price of maize (Durban) at Addis Ababa stood at US\$ 600/mt, at US\$ 489/mt for wheat (Europe) and at US\$ 438/mt for sorghum (Argentina). Compared to August 2011, maize, wheat and sorghum import parity prices remained the same at the elevated level. Compared to the local price at Addis Ababa, the import parity stood 42% higher for maize, 7% below for wheat and 2% for sorghum. With the exception of sorghum at Addis Ababa which increased by 7% compared to last month, both the local and import parity prices stood at the same level of August 2011.

### Cereal Wholesale Prices in Large Urban Markets

Compared to August 2011, the national average wholesale price of maize, wheat and sorghum rose by 3%, 6% and 11% respectively. The wholesale prices of these cereals remained high at the elevated level; exception to this was minor decline in price of maize in very few markets where the new harvest comes in. The national average wholesale price increased by; 91% for maize, 87% for wheat and 48% for sorghum compared to 5 years long term average. The national wholesale average price of cereal stood at Birr 8.36/kg for wheat, 6.57/kg for sorghum and Birr 5.99/kg for maize (see Figure 1, Figure 2 and Table 1).



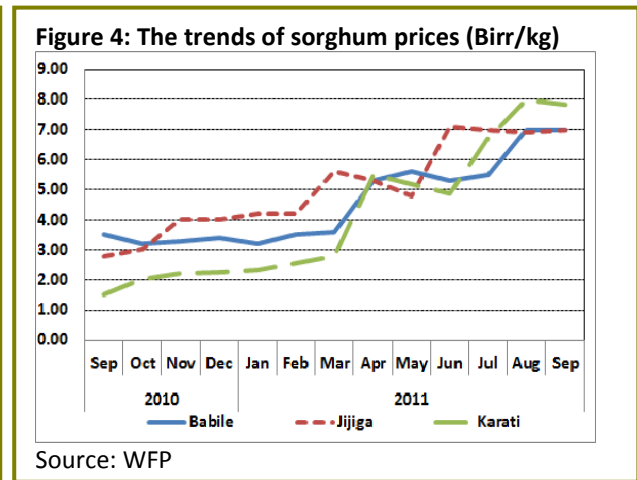
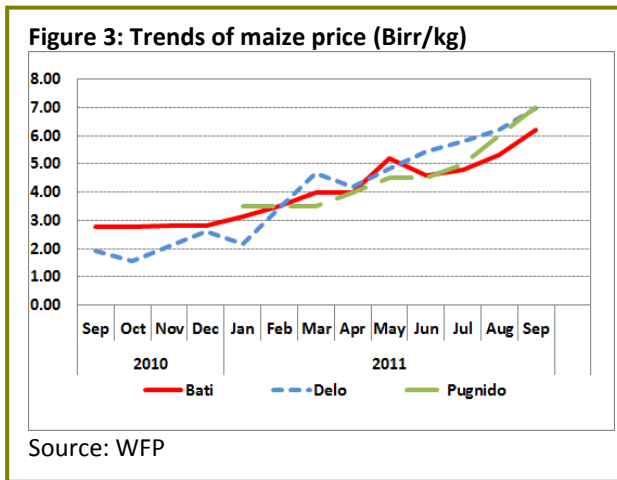
### Cereal Retail Prices in District Markets

The retail prices of staple cereals remained stable at the elevated levels in most of monitored markets. The availability of green and dry maize at household level in maize producing parts of the country has started to relax demand pressure on available supply of the local markets particularly in Southern Nations Nationalities Peoples Region (SNNPR). As a result, prices of maize reduced in SNNPR monitored markets and most of other markets except at Delo (12%), Abi Adi (6%), Pugnido (17%), Meti (10%) and Bati (17%) markets which showed increment (see Table 1). The trends of maize price at Bati, Delo and Pugnido markets are depicted on Figure 3. It is reminded that maize was traded from Addis Ababa and other major towns to SNNPR

monitored markets; however the availability of maize from the current harvest in the region kept down the volume and frequency of this supply to the region.

At Gode, where the peak of maize price in August was at Birr 11/kg, the two rounds of food aid distribution at one go decreased the demand on markets and prices reduced by 27%, at Birr 8.00/kg.

The availability new maize harvest in parts of the country contributes to the improvements of food security and to the stability of prices too. However, in most areas of the country the peak of harvest season will be reached in the coming one to two months and drop in prices of cereals are expected, assuming good production. Out of 27 monitored markets, increment of maize price observed in 19% of markets ranging 6% to 17% whilst remained stable in other with minor changes as compared to August 2011. Similarly, 4 out of 20 monitored markets for wheat showed price increases of 6% to 19% and in the remaining



remained stable with up and down of 5% against a month ago. Only 2 markets out of 20 monitored for sorghum exhibited price increases of 7% to 18% compared to last month; and most markets exhibited no change (see Figure 4 and Table1).

## Supply to Markets

The supply of cereal to markets are both from major urban markets center and, in **Meher** dependent areas, new harvest maize started to appear to the market, though with high moisture content. In general the consumers prefer the dry cereal compared to the current harvest with high moisture; however the poor and very poor prefer new harvest due to price advantage. On the other hand the distribution of food aid kept beneficiary households to be less dependent on markets. As a result, cereal demand of food aid recipients household reduced that contributes to stability of prices.. Wheat imported by EGTE from the international markets started to arrive in country and supply to millers may start once selling price is fixed by Government. It may reduce the pressure of demand from millers for the new harvest though not totally cover the overall demand.

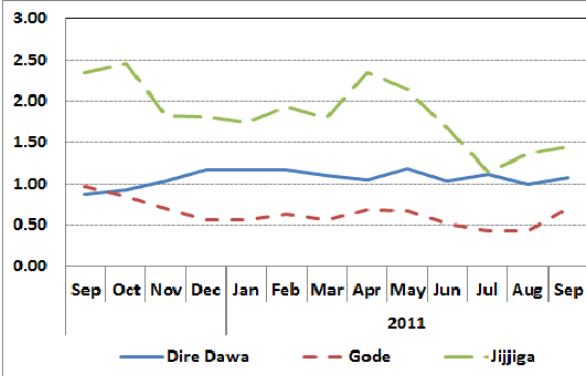
## Terms of Trade (TOT)

**TOT for shoot to cereal:** The average price of shoot at Gode, Jijiga and Dire Dawa rose respectively by 18%, 8% and 7%. It is attributed to the increase in demand for livestock from Gulf countries for the upcoming Eld Alfetir Holyday and local demand following the Ethiopian New Year. The stability of cereal, though high, coupled with increased shoot prices improved

the terms of trade and purchasing power of pastoralists in these areas. Compared to August 2011, the terms of trade between average shoat and maize increased by 63% at Gode and by 7% at Jijiga and Dire Dawa. Compared to last year for the same month, average shoat to maize terms of trade decreased at Gode and Jijiga and increased by Dire Dawa. The terms of trade between shoat and maize stood at 107kg at Dire Dawa, at 70kg at Gode and 145kg at Jijiga (see Figure 5 and Table 1). However, in drought stricken parts of pastoralist areas, like Borena, livestock body condition is poor and improvement in terms of trade is yet to be attained. The arrival of **Deyr** rain in pastoralist areas is expected to improve availability of pasture and water and hence improvement of livestock body condition. The continuation of **Deyr** rain should have significant contribution for the pastoralists to take advantage of expected price decline in the upcoming main harvest season.

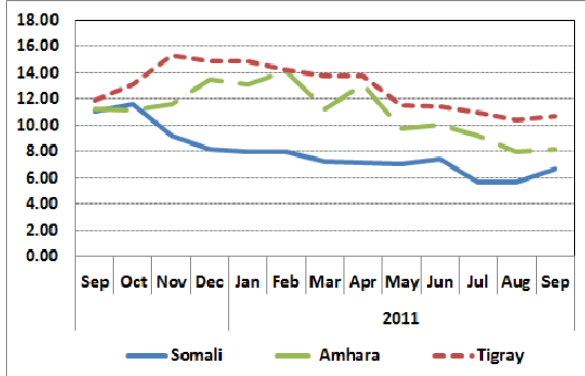
**TOT for wage labour to cereal:** Compared to August 2011, the average daily nominal wage rate (skilled and unskilled casual daily labour) in monitored markets of Tigray and Amhara rose respectively by 10% and 8%. In Somali region the daily wage remained the same. The daily average wage in monitored markets stood at Birr 47 in Amhara, Birr 50 in Somali and Birr 57 in Tigray (see Table 1). The stability at elevated level and reduction of cereal price in monitored markets contributed to improve the terms of trade. Compared to August 2011, wage to maize terms of trade have increased by 19% in Somali, and about 3% in Amhara and Tigray. However, the terms of trade in September 2011 stood below the same month of last year. Though the wage remained the same, the improvement in Somali region monitored market was due to reduced maize price particularly at Gode by 27%. The average wage to maize terms of trade stood at 10.71kg/day in Tigray, 8.14kg/day in Amhara and 6.71kg/day in Somali (see Figure 6).

Figure 5: Trends of TOT (100kgs of maize/shoat)



Source: WFP

Figure 6: Trends of TOT (kg of maize/daily wage)



Source: WFP

Table 1. Market Watch on Main Food Commodities Across Markets

Markets	Major Comm	Current Price	Price change (%)			Average Change						
			1Y	6M	1M	1Y	6M	1M				
<b>1. Local and Import Price (USD/MT)</b>												
Addis Ababa	Maize	421	94	80	1	▲	▲	▶				
	Wheat	498	42	37	1	▲	▲	▶				
	Sorghum	469	7	35	7	▶	▲	▲				
	Teff white	579	16	13	-1	▲	▲	▶				
	Teff mixed	518	36	20	-1	▲	▲	▶				
	Teff red	458	45	23	2	▲	▲	▶				
Nazrath	Maize	417	85	78	5	▲	▲	▶				
	Wheat	557	52	46	10	▲	▲	▶				
	Sorghum	449	13	58	6	▶	▲	▲				
	Teff white	586	18	29	2	▶	▲	▶				
Dire Dawa	Teff mixed	528	27	34	2	▲	▲	▶				
	Teff red	498	52	54	3	▲	▲	▶				
	Maize	blank										
	Wheat	blank										
Import Parity Price	Sorghum	blank										
	Teff white	586	18	25	0	▲	▲	▶				
	Teff mixed	528	20	46	0	▲	▲	▶				
	Teff red	515	46	57	0	▲	▲	▶				
Import Parity Price	Maize	600	33	12	0	▶	▲	▶				
	Wheat	489	1	-10	0	▶	▼	▶				
	Sorghum	438	10	-12	0	▶	▼	▶				
<b>2. Large urban cities (BIRR/100KG)</b>												
Addis Ababa	Maize	631	102	165	3	▲	▲	▶				
	Wheat	778	74	64	5	▲	▲	▶				
	Sorghum	768	54	38	16	▲	▲	▶				
Ambo	Maize	603	88	202	5	▲	▲	▶				
Gonder	Maize	513	57	91	3	▲	▲	▶				
	Wheat	blank										
	Sorghum	735	83	101	28	▲	▲	▶				
Jimma	Maize	443	48	139	5	▲	▲	▶				
Nekempt	Maize	587	0	245	11	▶	▲	▲				
Mekele	Maize	580	68	109	5	▲	▲	▶				
	Wheat	805	59	46	6	▲	▲	▶				
	Sorghum	600	25	6	0	▲	▶	▶				
Nazareth	Maize	640	127	167	6	▲	▲	▶				
	Wheat	893	99	103	10	▲	▲	▶				
Shashemen	Maize	628	115	185	-4	▲	▲	▶				
	Wheat	885	110	103	4	▲	▲	▶				
Bale Robe	Wheat	823	107	129	7	▲	▲	▶				
Bure	Maize	555	0	155	3	▶	▲	▶				
Desie	Maize	590	75	123	5	▲	▲	▶				
Hossana	Maize	650	89	128	-2	▲	▲	▶				
	Wheat	900	108	99	4	▲	▲	▶				
Baher Dar	Maize	588	97	114	10	▲	▲	▶				
Assela	Wheat	850	95	95	11	▲	▲	▶				
<b>3. Regional average (BIRR/100KG)</b>												
Oromya	Maize	672	81	141	1	▲	▲	▶				
	Wheat	860	84	152	3	▲	▲	▶				
	Sorghum	648	62	86	-4	▲	▲	▶				
Tigray	Maize	550	29	52	1	▲	▲	▶				
	Wheat	750	21	19	0	▶	▲	▶				
Somali	Sorghum	553	9	11	-1	▶	▶	▶				
	Maize	745	80	124	-16	▲	▲	▼				
SNNPR	Wheat	775	64	76	3	▲	▲	▶				
	Maize	679	103	161	-5	▲	▲	▶				
	Wheat	930	86	142	7	▲	▲	▶				
Amahara	Sorghum	662	87	223	-10	▲	▲	▼				
	Maize	575	44	108	6	▲	▲	▶				
Amahara	Wheat	880	87	84	4	▲	▲	▶				
	Sorghum	605	45	45	-1	▲	▲	▶				
<b>4. Current Price (BIRR/100KG)</b>												
Regions	Zone	Market	Major Comm	Current Price	4Y AVG	1Y	6M	1M	4Y AVG	1Y	6M	1M
Oromia	E.Haraghe	Babile	Maize	660	61	106	2	▲	▲	▲	▲	▶
			Sorghum	700	72	100	0	▲	▲	▲	▶	
		Bedeno	Maize	720	70	92	3	▲	▲	▲	▶	
			Maize	650	92	128	0	▲	▲	▲	▶	
			Maize	700	79	137	0	▲	▲	▲	▶	
	Bale	Guradamo	Wheat	750	55	168	0	▲	▲	▲	▶	
			Maize	725	101	209	-3	▲	▲	▲	▶	
		Yabelo	Wheat	900	95	157	-8	▲	▲	▲	▶	
			Sorghum	510	17	28	-15	▶	▲	▲	▼	
			Maize	620	92	130	-3	▲	▲	▲	▶	
Ambara	Kersa	Wheat	930	103	135	19	▲	▲	▲	▶		
		Sorghum	520	55	82	-10	▲	▲	▲	▼		
	N.Wollo	Mota	276	10	56	-18	▶	▲	▲	▼		
		Kobo	650	31	18	-2	▲	▲	▲	▶		
		Sekota	620	76	125	17	▲	▲	▲	▶		
Tigray	S.Tigray	Korem	580	48	96	0	▲	▲	▲	▶		
		Wheat	740	30	16	0	▲	▲	▲	▶		
	Wekro	Sorghum	720	44	41	0	▲	▲	▲	▶		
		Wheat	779	17	25	0	▶	▲	▲	▶		
		Sorghum	571	12	17	0	▶	▲	▲	▶		
SNNPR	S.Omo	Turmi	540	53	108	-19	▲	▲	▲	▼		
		Maize	700	94	233	-10	▲	▲	▲	▼		
	Wolayeta	Hosaena	665	94	122	-5	▲	▲	▲	▶		
		Sodo	860	54	91	-5	▲	▲	▲	▶		
		Maize	680	114	258	-4	▲	▲	▲	▶		
Somali	Jijjiga	Sorghum	700	77	150	1	▲	▲	▲	▶		
		Maize	690	69	188	1	▲	▲	▲	▶		
	Gode	Wheat	775	68	76	3	▲	▲	▲	▶		
5. Milk (Birr/Litre)	Somali	Gode	Milk	17		0	0		▶	▶		
			Jijjiga	Milk	16		33	7		▲	▲	
		Kebrideha	Milk									
	Somali	Gode	Milk									
			Milk									
<b>5. Livestock-Shoat (BIRR/Shoat*)</b>												
Somali	Jijjiga	Jijjiga	Shoat	1000	156	78	8	▲	▲	▲		
	Gode	Gode	Shoat	563	142	37	18	▲	▲	▲		
	Dire Dawa	Dire Dawa	Shoat	750	152	114	7	▲	▲	▲		
<b>6. Terms of Trade Number of Quintal per Shoat</b>												
Somali	Jijjiga	No. of Qt. of wheat /S	1.29	58	1	5	▲	▶	▶			
		No. of Qt. of maize /S	1.45	63	-38	7	▲	▼	▲			
	Gode	No. of Qt. of maize /S	0.70	32	-27	63	▲	▼	▲			
		No. of Qt. of wheat /S	0.75	36	29	7	▲	▲	▲			
Dire Dawa	No. of Qt. of wheat /S	1.07	38	22	7	▲	▲	▲				
	No. of Qt. of maize /S											
<b>7. Average casual labour wage per day</b>												
Regions	Current Wage	Price change (%)	Average Change									
Somali	50	36 25 0	▲ ▲ ▲ ▶									
Tigray	57	24 14 10	▲ ▲ ▲ ▶									
Amahara	47	51 23 8	▲ ▲ ▲ ▶									
<b>8. Terms of Trade kg of grain/casual labour wage</b>												
Markets	Kg grain/daily wage	TOT	Price change (%)	Average Change								
Somali	Wage/ lkg Maize	7	-39 -8 19	▼ ▶ ▲								
	Wage/ lkg Sorghum											
	Wage/ lkg Wheat	6	-23 -3 -3	▼ ▶ ▶								
Amahara	Wage/lkg of maize	8	-28 -28 2	▼ ▼ ▶								
	Wage/ lkg wheat	5	-18 -18 4	▼ ▼ ▶								
Tigray	Wage/ lkg Maize	11	-10 -22 3	▶ ▼ ▶								
	Wage/ lkg Sorghum	10	12 -24 10	▶ ▼ ▶								
	Wage/ lkg Wheat	8	0 -15 9	▶ ▼ ▶								
<b>Remark:</b>												
▲	Prices increase above normal price fluctuation											
▶	Normal Price Fluctuation											
▼	Price decrease below normal price fluctuation											
Exchange rate applied		17.06										
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 March 2011												
1Y= Compared to September 2010												
3Y/4Y= Compared to 4 or 5 years monthly average												