

ETHIOPIA MONTHLY MARKET WATCH October 2011

Highlights

- The Year to Year country level general and food inflation rate increased by 39.8% and 51.7% respectively. Cereal inflation rate increased by 63.1%.
- The Ethiopian Grain Trade Enterprise has started the sale of subsidised wheat to the urban consumers at US \$ 321/mt which is far below the import parity and private traders' retail prices.
- Maize, wheat and sorghum import parity prices remained the same at the elevated level with slight decline of 3% to 4% against last month. The local price at Addis Ababa stood below the import parity prices by 44% for maize, 19% higher for wheat and equivalent with sorghum price.
- In most monitored markets, retail prices of cereal showed a declining trend but still stood above last year the same time. The decreasing price is associated with the progression of upcoming **Meher** season harvest.
- The average price of shoat at Dire Dawa and Jijiga remained the same with slight changes but at Gode declined by 7%. However, the terms of trade remained the same due to marginal decline of cereal price.

Special issues

Subsidised wheat sale: The Government (Ethiopian Grain Trade Enterprise) has started the sale of imported wheat grain to urban consumers through the local level Government institution, **kebele**, particularly in the capital, Addis Ababa. The selling price of grain wheat is decided at US \$ 321/mt at exchange rate of Birr 17.13 against US Dollar. The Government has subsidized the selling price and it stood far below the import parity price. The previous distributions were limited to flour factories to subsidise wheat bread; however in October 2011 consumers in the urban centers are privileged to purchase and created good opportunity for the urban poor who hardly afford to buy from traders at price of US \$ 584/mt. The subsidized wheat selling price of Government might be used by some traders as floor price to purchase from farmers in the upcoming marketing season, particularly in remote locations where markets information is hardly available.

Inflation and Consumer Price Index

According to Central Statistical Agency, the country level general inflation and food inflation rate increased by 39.8% and 51.7% respectively as compared to October 2010. The non - food inflation increased by 23.4%. Similarly, the cereal index of the month rose by 63.1% which contributed to the rise in the indices of food and general consumer price index. The components of food indices have shown increases by: 63.1% for cereal, 86.1% for pulses, 49.8% for potatoes, other tubers and stems, 55.1% for oils and fats, 26.1% for bread and other prepared food. However, the index of vegetables and fruits declined by 8.5%.

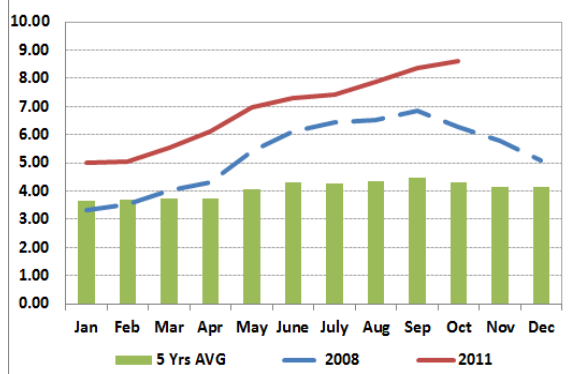
Major Cereal Import Parity and Local Prices

Globally, the prices of cereal in the international markets are showing stability to decline due the improved production as compared to the utilization. The import parity price of maize (Durban) at Addis Ababa stood at US\$ 583/mt, at US\$ 471/mt for wheat (Europe) and at US\$ 436/mt for sorghum (Argentina). The import parity prices at Addis Ababa remained stable for the three commodities against September 2011 and last year the same month; however wheat price stood 21% above last year the same month. The local price of maize at Addis Ababa stood 44% below the import parity whilst wheat stood 19% above the import parity price. Sorghum price at Addis Ababa stood equivalent to the import parity price. The price of on- going subsidised wheat by Government stood 32% below the import parity which indicates the proportion of subsidy that the Government made in stabilizing prices of cereal, if not short lived.

Cereal Wholesale Prices in Large Urban Markets

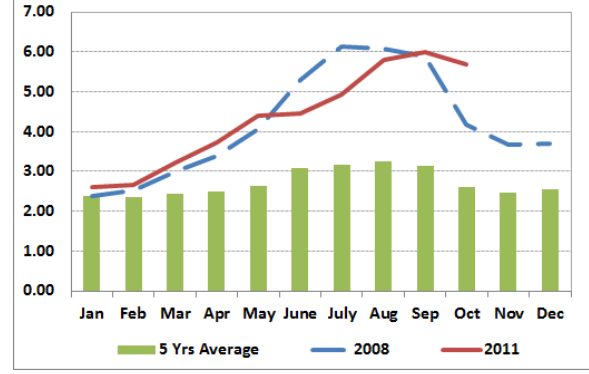
The average national wholesale prices of maize, wheat and sorghum remained with slight changes; whereby maize and sorghum declined by 5% and 3% respectively whilst wheat increased by 3%. As new harvest of maize comes in to markets, about 20% decline of maize price in major producing areas of the country was observed particularly in markets of Shashemene, Woliso and Ziway compared to a month ago. In most markets, the price of cereal remained stable which is normal while harvesting season progress. Furthermore, due to the substitution effect of maize and the commencement of subsidised wheat distribution, other cereal prices either remained stable or declined slightly. The national average wholesale price increased by; 118% for maize, 100% for wheat and 44% for sorghum compared to 5 years long term average. The national wholesale average price of cereal stood at Birr 8.61/kg for wheat, 6.38/kg for sorghum and Birr 5.68/kg for maize (see Figure 1, Figure 2 and Table 1).

Figure 1: National average wheat price (Birr/kg)



Source: Ethiopian Grain Trade Enterprise

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

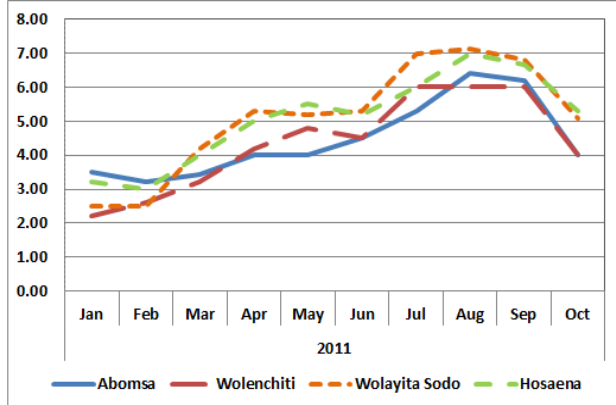


Source: Ethiopian Grain Trade Enterprise

Cereal Retail Prices in District Markets

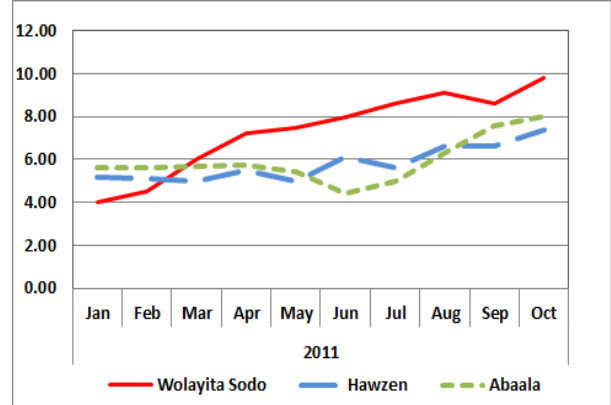
As the harvest season approaches, the price of cereal in most of monitored markets showed decreasing trend in particular maize price. Out of 20 monitored markets, maize price decline was observed in 70% of markets and in the remaining either remained stable or increased below 10% compared to September 2011. The price of maize decreased at: Abomsa (35%), Wolenchiti (33%), Wolayita Sodo (25%) and Hosaena (20%) in October 2011 compared to September 2011 (see Table 1). However, the decline on maize applies to newly harvested maize having high moisture content. On the other hand, most of monitored markets for wheat showed stability at the elevated level whilst Wolayita Sodo and Hawzen markets showed increased price of by 14% and 12% respectively. Similarly, sorghum price showed mix

Figure 3: Trends of maize price (Birr/kg)



Source: WFP

Figure 3: Trends of wheat price (Birr/kg)



Source: WFP

of prices depending on the supply and demand situation of the markets. Generally, the prices of all cereals stood above the long term average and the same month of 2010. The trends of maize and wheat price in selected markets are depicted on below figures.

Supply to Markets

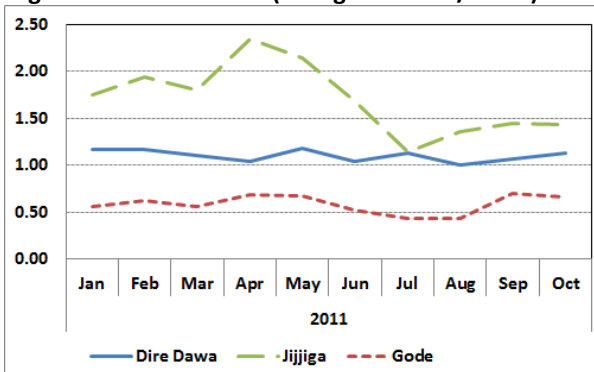
The supply of cereal to markets is both from major urban markets center; and in **Meher** dependent areas the new harvest maize started to appear to the market. The EGTE has started the supply of subsidised wheat to markets through lower level Government structures directly to urban consumers; and the distribution of this wheat to consumers has contributed to the poor and very poor in making available at lower price compared to private traders. Furthermore, the distribution of food aid in emergency **woredas/districts** kept beneficiary households to be less dependent on markets and hence declining to stability of prices in these areas are observed. The cumulative effect of all these will have contribution in making the prices to decline and as a result poor and very poor people might have access to it depending on their purchasing power.

Terms of Trade (TOT)

TOT for shoat to cereal: Compared to September 2011, the average price of shoat at Dire Dawa rose by 5%, declined at Gode by 7% and remained the same at Jijiga. On the other hand, the prices of maize and wheat remained the same in these markets; as a result the terms of trade between shoat to maize and shoat to wheat increased by 5% at Dire Dawa while remained the same at Gode and Jijiga. The terms of trade between shoat to maize stood at 113kg/shoat, at 143/shoat and at 66kg/shoat respectively at Dire Dawa, Jijiga and Gode. Similarly, shoat to wheat terms of trade at Dire Dawa stood at 79kg/shoat and at 131kg/shoat at Jijiga. In Dolo ado where the market monitoring started, the terms of trade between shoat and maize stood at 121kg/shoat. The commencement 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 will have significant contribution for the pastoralists to take advantage of expected cereal price decline in the upcoming main harvest season.

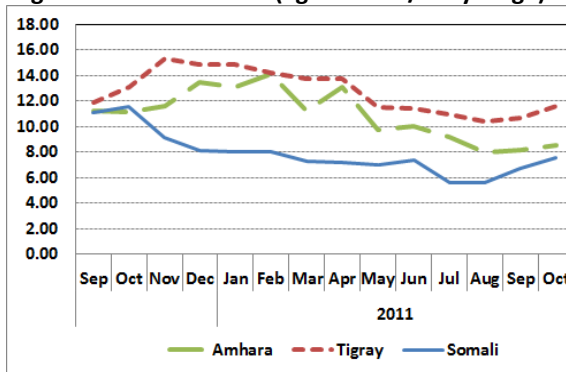
TOT for wage labour to cereal: The average daily nominal wage rate (skilled and unskilled casual daily labour) in monitored markets of Tigray and Somali rose by 9% and 5% respectively while declined in Amhara by 4%. Compared to October 2011, the increases in cereal price have outstripped the change in wage rate and as a result the terms of trade stood below last year the same month. The daily average wage in monitored markets stood at Birr 45 in Amhara, Birr 53 in Somali and Birr 62 in Tigray (see Table 1). The stability and even decline of cereal price and improved wage rate in Tigray and Somali favored for the purchasing power of wage dependent households; however the slight decline in maize price lead to terms of trade improvement between wage and maize in Amhara. The average wage to maize terms of trade stood at 11.651kg/day in Tigray, 8.53 kg/day in Amhara and 7.6kg/day in Somali (see Figure 6 and Table 1). Similarly, wage to wheat terms of trade stood at 8.2kg/day at Tigray, 6.9kg/day in Somali and 5.1kg/wage at Amhara.

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 in Selected Monitored Markets

Markets	Major Comm	Current Price	Price change (%)			Average Change				
			1Y	6M	1M	1Y	6M	1M		
1. Local and Import Price (USD/MT)										
Addis Ababa	Maize	328	69	24	-22	▲	▲	▼		
	Wheat	558	75	35	12	▲	▲	▲		
	Sorghum	429	15	16	-13	▶	▲	▼		
	Teff white	976	14	12	-1	▶	▲	▶		
	Teff mixed	882	59	14	0	▲	▲	▶		
	Teff red	450	42	15	-1	▲	▲	▶		
Nazrath	Maize	415	137	59	-1	▲	▲	▶		
	Wheat	579	81	41	1	▲	▲	▶		
	Sorghum	451	44	35	1	▲	▲	▶		
	Teff white	572	15	18	-2	▶	▲	▶		
Dire Dawa	Teff mixed	502	21	21	-5	▲	▲	▶		
	Teff red	472	43	28	-5	▲	▲	▶		
	Maize	blank								
Import Parity Price	Wheat	blank								
	Sorghum	blank								
	Teff white	592	19	19	1	▲	▲	▶		
2. Large urban cities (BIRR/100KG)	Teff mixed	522	19	25	-1	▲	▲	▶		
	Teff red	512	46	39	0	▲	▲	▶		
	Maize	583	19	0	-3	▲	▶	▶		
Addis Ababa	Wheat	471	-8	-17	-4	▶	▼	▶		
	Sorghum	436	1	-9	0	▶	▶	▶		
	Maize	603	115	152	-4	▲	▲	▶		
Ambo	Wheat	798	79	71	3	▲	▲	▶		
	Sorghum	683	33	23	-11	▲	▲	▼		
	Maize	608	133	229	1	▲	▲	▶		
Gonder	Maize	543	77	117	6	▲	▲	▲		
	Wheat	blank								
	Sorghum	568	55	56	-23	▲	▲	▼		
Jimma	Maize	470	127	154	6	▲	▲	▲		
	Wheat	578	0	240	-2	▶	▲	▶		
Nekempt	Maize	577	93	122	-1	▲	▲	▶		
	Wheat	852	68	63	6	▲	▲	▲		
Mekele	Sorghum	610	28	7	2	▲	▶	▶		
	Maize	623	155	160	-3	▲	▲	▶		
Nazareth	Wheat	885	98	95	-1	▲	▲	▶		
	Maize	501	136	133	-20	▲	▲	▼		
Shashemen	Wheat	920	141	100	4	▲	▲	▶		
	Wheat	805	147	109	-2	▲	▲	▶		
Bale Robe	Wheat	805	147	109	-2	▲	▲	▶		
	Maize	520	0	142	-6	▶	▲	▼		
Desie	Maize	610	123	119	-6	▲	▲	▼		
	Wheat	900	112	97	0	▲	▲	▶		
Hossana	Maize	900	112	97	0	▲	▲	▶		
	Wheat	565	112	131	-4	▲	▲	▶		
Baher Dar	Maize	565	112	131	-4	▲	▲	▶		
	Wheat	900	117	105	6	▲	▲	▲		
Assela	Maize	900	117	105	6	▲	▲	▲		
	Wheat	900	117	105	6	▲	▲	▲		
Markets	Major Comm	Current Price	Price change (%)			Average Change				
3. Regional average (BIRR/100KG)										
Oromya	Maize	602	82	142	-10	▲	▲	▼		
	Wheat	800	65	122	-1	▲	▲	▶		
	Sorghum	657	70	113	1	▲	▲	▶		
Tigray	Maize	515	20	44	-6	▶	▲	▼		
	Wheat	758	27	24	1	▲	▲	▶		
	Sorghum	559	17	24	1	▶	▲	▶		
Somali	Maize	693	78	101	-7	▲	▲	▼		
	Wheat	765	52	66	-1	▲	▲	▶		
SNNPR	Maize	533	85	111	-21	▲	▲	▼		
	Wheat	916	77	105	1	▲	▲	▶		
	Sorghum	672	108	192	2	▲	▲	▶		
Amahara	Maize	528	46	96	-8	▲	▲	▼		
	Wheat	884	122	92	0	▲	▲	▶		
Sorghum	555	35	31	-8	▲	▲	▼			
4. Current Price (BIRR/100KG)										
Regions	Zone	Market	Major Comm	Current Price	Price change (%)			Average Change		
4.1. Oromia										
Oromia	E.Haraghe	Babile	Maize	720	95	140	9	▲	▲	▲
			Sorghum	700	74	119	0	▲	▲	▶
		Bedeno	Maize	600	43	100	-17	▲	▲	▼
	Bale	Bedessa	Maize	600	82	114	-8	▲	▲	▶
		Deder	Maize	700	101	150	0	▲	▲	▶
		Guradamo	Wheat	750	50	146	0	▲	▲	▶
Borena	Yabelo	Maize	700	155	218	-3	▲	▲	▶	
		Wheat	900	76	125	0	▲	▲	▶	
		Sorghum	540	29	54	6	▲	▲	▶	
Arisi	Merti	Maize	400	15	44	-35	▶	▲	▼	
	Kersa	Wheat	750	69	100	-2	▲	▲	▶	
	Ebinet	Sorghum	480	41	60	-8	▲	▲	▼	
N.Wollo	Mota	Wheat	395	9	45	-13	▶	▲	▼	
	Kobo	Maize	608	25	11	-6	▲	▲	▼	
	Sekota	Sorghum	660	78	139	6	▲	▲	▲	
Oromya	Bati	Maize	660	78	139	6	▲	▲	▲	
	S.Tigray	Korem	blank							
	Tigray	E.Tigray	Wukro	Wheat	740	31	Blank	0	▲	Blank
		Sorghum	670	40	Blank	-7	▲	Blank		
		Wheat	779	26	28	0	▲	▲	▶	
C.Tigray	Abi Adi	Sorghum	571	18	27	0	▶	▲	▶	
		Maize	532	18	52	0	▶	▲	▶	
	S.Omo	Turmi	Sorghum	560	71	115	4	▲	▲	▶
SNNPR	Guraghe	Meskan	Maize	610	97	190	-13	▲	▲	▼
	K.Temba	Hosaena	Maize	530	70	77	-20	▲	▲	▼
	Wolayeta	Sodo	Wheat	981	82	104	14	▲	▲	▲
Somali	Jijjiga	Jijjiga	Maize	510	121	168	-25	▲	▲	▼
		Sorghum	720	76	140	3	▲	▲	▶	
		Wheat	700	78	192	1	▲	▲	▶	
Liben	Dolo Ado	Maize	765	58	66	-1	▲	▲	▶	
		Maize	580	No comparison data						
5. Milk (Birr/Litre)										
Markets	Major Comm	Current Price	Price change (%)			Average Change				
Somali	Gode	Gode	Milk	15	-6	-12	▼	▲	▲	
	Jijjiga	Jijjiga	Milk	16	31	6	▲	▲	▶	
	Kebrideha	Kebrideha	Milk	blank						
5. Livestock-Shoat (BIRR/Shoat*)										
Markets	Major Comm	Current Price	Price change (%)			Average Change				
Somali	Jijjiga	Jijjiga	Shoat	1000	150	70	0	▲	▲	▶
	Liben	Dolo Ado	Shoat	700	No comparison data					
	Dire Dawa	Shoat	788	129	113	5	▲	▲	▶	
6. Terms of Trade Number of Quintal per Shoat										
Markets	Major Comm	Current Price	Price change (%)			Average Change				
Somali	Jijjiga	No. of Qt. of wheat /S	1.31	71	2	1	▲	▶	▶	
		No. of Qt. of maize /S	1.43	41	-42	-1	▲	▼	▶	
	Gode	No. of Qt. of maize /S	0.66	9	-22	-7	▶	▼	▼	
		No. of Qt. of maize /S	1.21	No comparison data						
	Dire Dawa	No. of Qt. of wheat /S	0.79	24	28	5	▲	▲	▶	
	No. of Qt. of maize /S	1.13	3	22	5	▶	▲	▶		
7. Average casual labour wage per day										
Regions	Current Wage	Price change (%)			Average Change					
Oromia	53	31	31	5	▲	▲	▲			
Tigray	62	35	24	9	▲	▲	▲			
Amahara	45	50	0	-4	▲	▶	▶			
8. Terms of Trade kg of grain/casual labour wage										
Markets	Kg grain/daily wage	TOT	Price change (%)			Average Change				
Somali	Wage/ 1kg Maize	8	-35	6	13	▼	▶	▲		
	Wage/ 1kg Sorghum	6	-35	-14	10	▼	▶	▲		
	Wage/ 1kg Wheat	7	-21	18	6	▼	▶	▲		
Amahara	Wage/1kg of maize	9	-23	-35	5	▼	▶	▲		
	Wage/ 1kg wheat	5	-22	-23	-4	▼	▶	▲		
Tigray	Wage/ 1kg Maize	12	-11	-15	9	▼	▶	▲		
	Wage/ 1kg Sorghum	11	blank	-15	8	blank	▶	▲		
	Wage/ 1kg Wheat	8	blank	0	8	blank	▶	▲		
Remark:				▲ Prices increase above normal price fluctuation						
				▶ Normal Price Fluctuation						
				▼ Price decrease below normal price fluctuation						
Exchange rate applied				17.11						
				Price fluctuation is considered normal if the price change is within 5% for 1 month; 10% within 6 months; within 15% for 1 year; within 20% for 3 or 4 years average						
				6M=Compared to April 2011						
				1Y=Compared to October 2010						
				3Y/4Y=Compared to 4 or 5 years monthly average						