

ETHIOPIA MONTHLY MARKET WATCH

November 2011

Highlights

- The country level general inflation and food inflation rate increased by 39.2% and 50.3% respectively as compared to November 2010. However, month to month general and food inflation rates stood below zero at -0.3% and -1.1% respectively.
- The Ministry of Trade adjusted fuel price for fourth times in 2011. The increment is 4.72% for Benzene, 5.42% for Diesel and no change on kerosene compared to the previous adjustment in September 2011. The price of fuel per litre stood at Birr 20.42 for benzene, at Birr 17.89 for diesel and at Birr 13.95 for kerosene.
- The import parity prices at Addis Ababa remained stable for wheat and sorghum while increased by about 6% for maize. The local price of maize and sorghum at Addis Ababa stood respectively 46% and 3% below the import parity whilst wheat stood 12% above the import parity price.
- In November 2011, the average wholesale and retail prices of maize, wheat and sorghum decreased in most monitored markets. The average wholesale prices stood at Birr 4.73/kg for maize, at Birr 7.93/kg for wheat and at Birr 6.60/kg for sorghum.
- Livestock price in Gode has increased due to increased demand from local traders for export and low supply from livestock herders. As a result the terms of trade improved.

Special issues

Fuel price adjustment: The price of fuel in the international markets has remained stable for the last months with minor changes. The Ethiopian Government, Ministry of Trade, makes fuel price adjustment following changes in the international markets. In 2011, the local retail price of fuel was adjusted four times (January, April, September and December). The current fuel adjustment showed an increment of 4.72% for Benzene, 5.42% for Diesel and no change for kerosene compared to the previous adjustment in September 2011. The price of fuel per litre stood at Birr 20.42 for benzene, Birr 17.89 for diesel and Birr 13.95 for kerosene. It is the second highest fuel price following the adjustment made in September 2011. The transport tariff is also adjusted based on the distance and road types.

The increment will have an implication on the food security of the poor and very poor as commodity prices are influenced by transport cost.

Inflation and Consumer Price Index

According to Central Statistical Agency, the country level general inflation and food inflation rate increased by 39.2% and 50.3% respectively as compared to November 2010. The non - food inflation increased by 24%. Similarly, the cereal index of the month rose by 64.8% which contributed to the rise in the indices of food and general consumer price index. However, month to month general and food inflation rates stood below zero at -0.3% and -1.1% respectively. Since February 2011, for the first time month to month inflation rate has showed

negative trend. The decline in prices of cereal in the month compared to last months has the contribution to the decline in monthly food inflation rate.

Major Cereal Import Parity and Local Prices

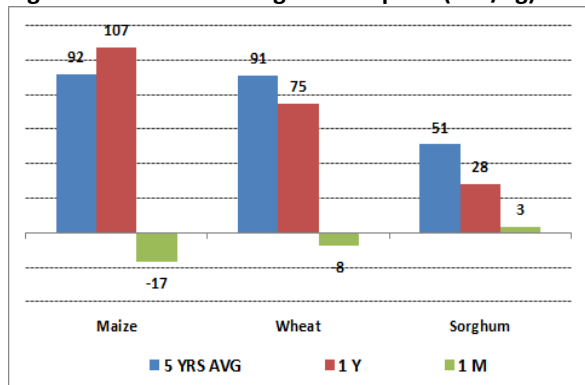
According to FAO, international prices of wheat declined marginally in November 2011. Improved supplies of wheat from the Black Sea region and from the on-going 2011 winter harvests in Argentina and Australia have put downward pressure on prices in recent weeks, more than offsetting gains in early November on concerns of dry weather in Ukraine. Strong competition on global markets from feed wheat and concerns about a global economic downturn prompted a slide of prices in the second half of the month, compensating support from the downward revision of the 2011 maize production estimate in the United States. In Eastern Africa, prices of main staples maize and sorghum followed diverging directions during November. Prices increased in the Sudan and Kenya, where prospects for the 2011 crops are unfavorable, but declined in Ethiopia where a good harvest is expected. Overall, however, prices in the sub region remained well above the levels of November 2010 as a result of reduced harvests in several countries and high fuel prices.

The import parity price of maize (Durban) at Addis Ababa stood at US\$ 601/mt, at US\$ 463/mt for wheat (Europe) and at US\$ 463/mt for sorghum (Argentina). The import parity prices at Addis Ababa remained stable for wheat and sorghum while increased by about 6% for maize. The local price of maize and sorghum at Addis Ababa stood respectively 46% and 3% below the import parity whilst wheat stood 12% above the import parity price.

Cereal Wholesale Prices in Large Urban Markets

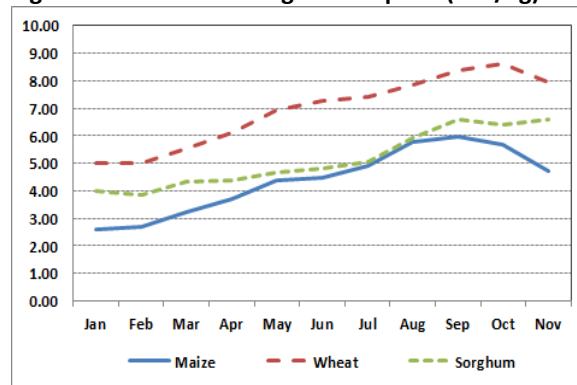
The price of cereals particularly maize has shown decreasing trends as new harvest come in to the markets and the distribution of subsidised wheat by Government. In November 2011, the average wholesale prices of maize, wheat and sorghum stood at Birr 4.73/kg, Birr 7.93/kg and Birr 6.60/kg respectively. These prices level stood above the long term average and last year the same month by about 91% and 75% for wheat; 92% and 107% for maize; and 51% and 28% for sorghum. Compared to October 2011, the prices of cereal decreased in monitored markets by; 8% for wheat, 17% for maize and remained the same for sorghum with 3% increment (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)



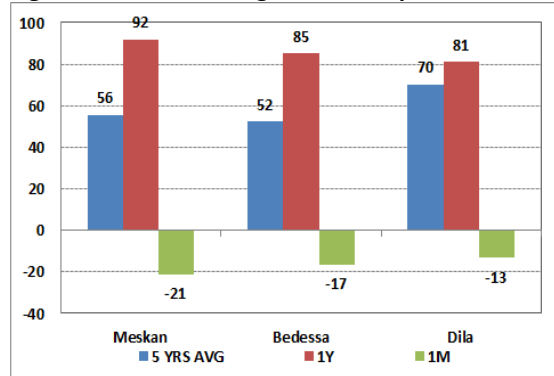
Source: Ethiopian Grain Trade Enterprise

As harvesting month progress, in the coming weeks of December and main marketing season (January – April) the prices of cereal expected to decline but it is unlikely that the price stood below the five years average and 2010 levels.

Cereal Retail Prices in District Markets

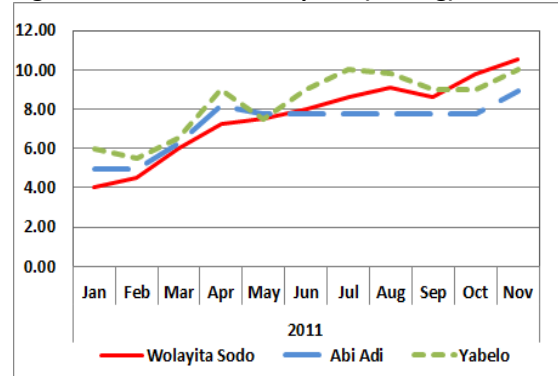
Generally, the on – going main harvest season, **Meher**, in most parts of the country improved the supply and as a consequence decline in prices are observed in most of monitored markets. However, in November prices of maize, wheat and sorghum stood above the long term average and last year the same month. The reasons are factored to last **Belg** below average yield and cash transfer through Productive Safety Net Programme and Safety Net Risk Financing which is believed to increase markets demand. The price of maize in most of monitored markets showed a declining trend that reaches about 21% in Meskan, 17% at Bedessa, 13% at Dila, 13% at Jijiga, 11% at Abi Adi and in other markets (see Figure 1). However, exceptional cases were observed in Bedeno, Wukero and Kobo markets for maize;

Figure 3: Percent changes of maize price



Source: WFP

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



Source: WFP

and wheat price increase at Yabelo, Abi Adi and Wolayita Sodo (see Figure 2 and Table 1). The short cycle crops such as wheat, barley, **teff** etc harvest is on –going and supply of these cereals are limited to push the price down like that of maize. The details of price in selected markets with the percent changes are depicted on attached Table 1.

Supply to Markets

The on - going 2011 main harvest contributed to the supply of cereal in the markets particularly for maize and hence decline in prices are observed in most monitored markets. Furthermore, the distribution of Government subsidised wheat, though short lived, to urban consumers in major urban centers has also improved the supply to markets. The poor and very poor people will be benefiting from the improved supply to markets and as the main marketing season progresses, the price of cereals will be expected to be stable. In pastoral areas of Somali region, the supply of imported food commodities from Somaliland has slightly declined due to inaccessible roads caused by heavy rains and hence increased prices.

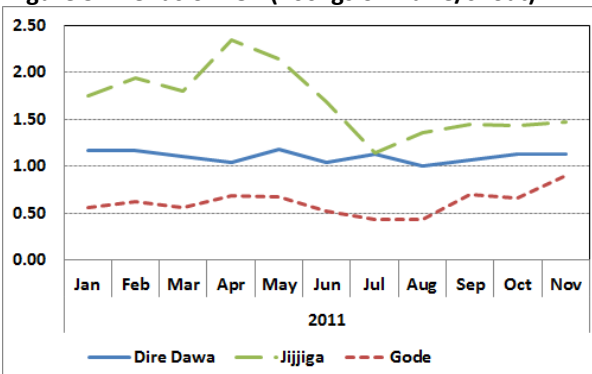
Terms of Trade (TOT)

TOT for shoat to cereal: The average price of shoat at Gode rose by 38%, declined at Jijiga by 10% and remained the same at Dire Dawa compared to October 2010. Livestock price in

Gode has increased due to increased demand from local traders to export to the neighbouring Somaliland and low supply from livestock herders, who are not willing to supply livestock to the market during the good rainy seasons. The increased price of shoat at Gode translated to improved purchasing power, owing to high stable price of cereals. On the other hand, at Jijiga the purchasing power declined while remained the same at Dire Dawa. As a result, the terms of trade between shoat to maize and shoat to wheat increased by 38% and 24% at Gode, remained the same at Dire Dawa and decreased at Jijiga by 12% with wheat and remained stable with maize. The terms of trade between shoat to maize stood at 113kg/shoat, at 148/shoat and at 91kg/shoat respectively at Dire Dawa, Jijiga and Gode.

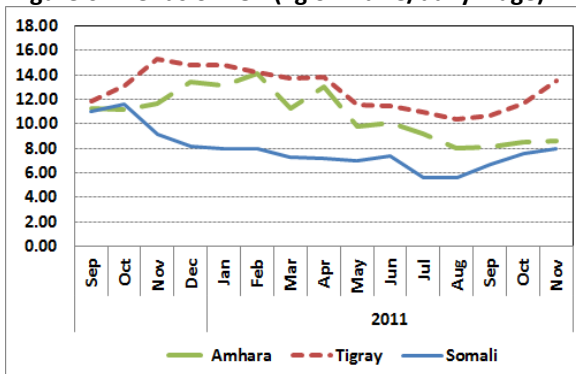
TOT for wage labour to cereal: Compared to October, the monthly average wage rate (skilled and unskilled) remained stable in monitored markets of Somali, Tigray and Amhara regions. The on - going cereal price decrease in most monitored markets improved the purchasing power of labor dependent households. The terms of trade between daily wage and maize has increased in Somali by 5% and by 16% in Tigray. The daily average wage in monitored markets stood at Birr 46 in Amhara, at Birr 53 in Somali and at Birr 64 in Tigray (sees Table 1). The decline in price of cereal, particularly maize, in most parts of the country contributes to the improvements to food security of wage dependent households, considering job is available. The average wage to maize terms of trade stood at 13.56kg/day in Tigray, 8.6 kg/day in Amhara and 8 kg/day in Somali (see Figure 6 and Table 1). Similarly, wage to wheat terms of trade stood at 8 kg/day at Tigray, 6.7kg/day in Somali and 5.8 kg/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 | 325 | 69 | 24 | -22 | ▲ | ▲ | ▼ |
| | Wheat | 520 | 75 | 35 | 12 | ▲ | ▲ | ▲ |
| | Sorghum | 449 | 15 | 16 | -13 | ▲ | ▲ | ▼ |
| | Teff white | 587 | 17 | 12 | 3 | ▲ | ▲ | ▲ |
| | Teff mixed | 529 | 38 | 13 | 3 | ▲ | ▲ | ▲ |
| | Teff red | 465 | 48 | 18 | 4 | ▲ | ▲ | ▲ |
| Nazrath | Maize | 315 | 137 | 59 | -1 | ▲ | ▲ | ▲ |
| | Wheat | 527 | 81 | 41 | 1 | ▲ | ▲ | ▲ |
| | Sorghum | 448 | 44 | 35 | 1 | ▲ | ▲ | ▲ |
| | Teff white | 560 | 20 | 10 | -2 | ▲ | ▲ | ▲ |
| | Teff mixed | 478 | 44 | 9 | -4 | ▲ | ▲ | ▲ |
| Dire Dawa | Teff red | 449 | 57 | 11 | -5 | ▲ | ▲ | ▲ |
| | Maize | blank | | | | | | |
| | Wheat | blank | | | | | | |
| | Sorghum | blank | | | | | | |
| Import Parity Price | Teff white | 612 | 14 | 11 | 4 | ▲ | ▲ | ▲ |
| | Teff mixed | 496 | 21 | 9 | -5 | ▲ | ▲ | ▲ |
| | Teff red | 478 | 48 | 15 | -6 | ▲ | ▲ | ▲ |
| Import Parity Price | Maize | 601 | 25 | 1 | 3 | ▲ | ▲ | ▲ |
| | Wheat | 463 | -8 | -19 | -2 | ▲ | ▲ | ▲ |
| Price | Sorghum | 463 | 8 | 1 | 7 | ▲ | ▲ | ▲ |
| | 2. Large urban cities (BIRR/100K | | | | | | | |
| Addis Ababa | Maize | 442 | 69 | 84 | -27 | ▲ | ▲ | ▲ |
| | Wheat | 767 | 68 | 60 | -4 | ▲ | ▲ | ▲ |
| | Sorghum | 703 | 39 | 22 | 3 | ▲ | ▲ | ▲ |
| Ambo | Maize | 450 | 92 | 133 | -26 | ▲ | ▲ | ▲ |
| Gonder | Maize | 450 | 58 | 84 | -17 | ▲ | ▲ | ▲ |
| | Wheat | blank | | | | | | |
| | Sorghum | 575 | 61 | 68 | 1 | ▲ | ▲ | ▲ |
| Jimma | Maize | 420 | 103 | 128 | -11 | ▲ | ▲ | ▲ |
| Nekempt | Maize | 520 | | 219 | -10 | ▲ | ▲ | ▲ |
| Mekele | Maize | blank | | | | | | |
| | Wheat | 855 | 79 | 56 | 0 | ▲ | ▲ | ▲ |
| Sorghum | Wheat | 630 | 35 | 2 | 3 | ▲ | ▲ | ▲ |
| | Maize | 430 | 91 | 90 | -31 | ▲ | ▲ | ▲ |
| Nazareth | Wheat | 750 | 93 | 66 | -15 | ▲ | ▲ | ▲ |
| | Maize | 370 | 74 | 72 | -26 | ▲ | ▲ | ▲ |
| | Wheat | 780 | 107 | 77 | -15 | ▲ | ▲ | ▲ |
| Bale Robe | Wheat | 730 | 126 | 98 | -9 | ▲ | ▲ | ▲ |
| Bure | Maize | 450 | 0 | 116 | -13 | ▲ | ▲ | ▲ |
| Desie | Maize | | | | | | | |
| Hossana | Maize | 500 | 101 | 107 | -18 | ▲ | ▲ | ▲ |
| | Wheat | 750 | 89 | 62 | -17 | ▲ | ▲ | ▲ |
| | Maize | 560 | 123 | 163 | -1 | ▲ | ▲ | ▲ |
| Baher Dar | Maize | 560 | 123 | 163 | -1 | ▲ | ▲ | ▲ |
| Assela | Wheat | 740 | 87 | 67 | -18 | ▲ | ▲ | ▲ |
| Assela | Wheat | 740 | 87 | 67 | -18 | ▲ | ▲ | ▲ |
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| Assela | Wheat | | | | | | | |