

ETHIOPIA MONTHLY MARKET WATCH January 2012

Highlights

- The Ethiopian Grain Trade Enterprise procured 500,000mt of wheat as part of markets stabilization programme and the first shipment arrived at Djibouti port.
- In January 2012, the country level general inflation and food inflation rate are 32% and 41.4% respectively as compared to the same month of last year
- Generally, the wholesale nominal prices of maize, wheat and sorghum have remained the same to previous month in monitored markets. However, these prices level stood above the long term average and last year the same month.
- The local price of maize and wheat at Addis Ababa stood respectively 52% and 7% below the import parity whilst sorghum stood 3% above the import parity price.

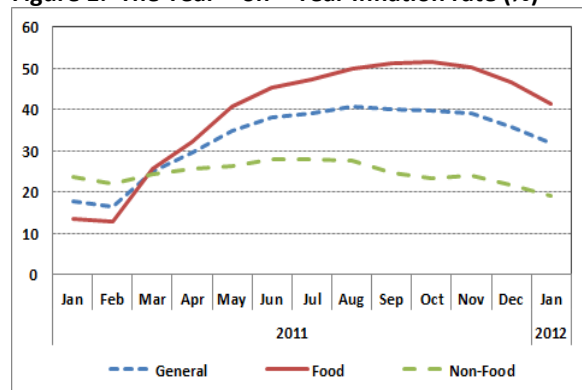
Special issues

Grain markets stabilization: Since the food crisis in 2008, the EGTE (Ethiopian Grain Trade Enterprise) is importing wheat grain from the international markets and is distributing at subsidized rate. In 2011, the EGTE has imported 300,000mt of wheat for markets stabilization and of total import; half of the volume was carried over to 2012. This year the enterprise has procured 500,000mt of wheat grain from the international markets. The first shipment amounted 40,000mt arrived at Djibouti port and is being transported to Ethiopia. The total volume of carried over and current purchase comprises about 20% of forecasted production from **Meher** season of 2011/12. In 2011, the selling price of wheat to consumer association and flour factories stood respectively Birr 520/100kg and Birr 550/100kg. The consumer associations add profit margin while distributing to final consumers. Generally, unless new selling price is fixed by the Government, the prevailing selling rate is expected to be applicable.

Inflation and Consumer Price Index

The year – on – year inflation is calculated based on the changes of consumer price indices of the month against last year the same month. In January 2012, the country level general inflation and food inflation rate increased by 32% and 41.4% respectively as compared to the same month of last year. The non - food inflation increased by 19.2%. Similarly, the cereal index of the month rose by 47.9% which contributed to the rise in the indices of food and general consumer price index. In 2011, year on year inflation continued to increase but started to decline since the

Figure 1: The Year – on – Year Inflation rate (%)



Source: Central Statistics Agency

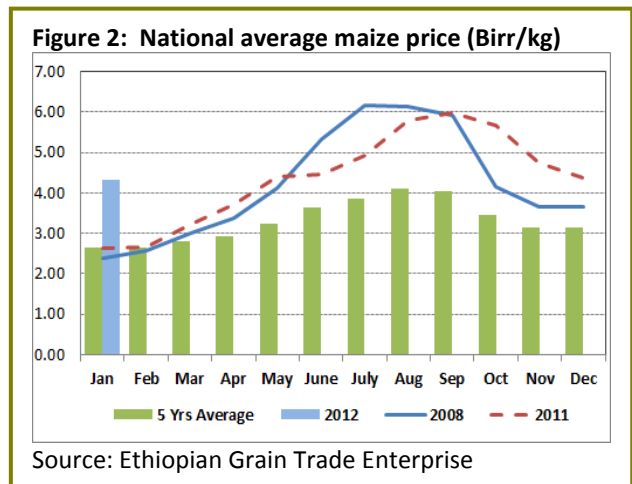
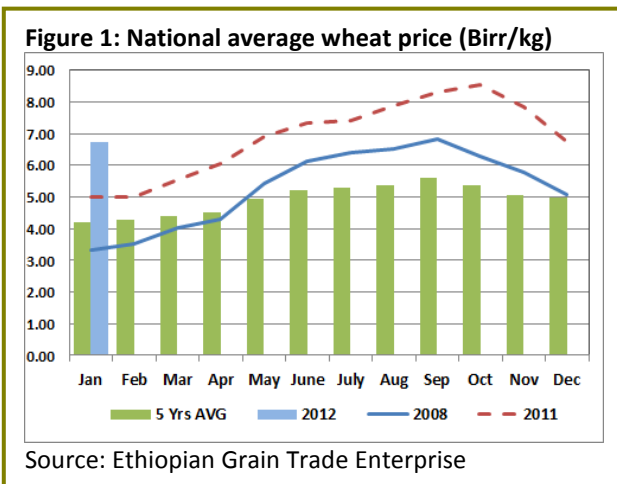
last quarter and that trend continued in January 2012 (see Figure 1). However, month to month general, food and cereal inflation rates increased by 0.6%, 0.8% and 11% respectively.

Major Cereal Import Parity and Local Prices

The import parity price of maize (Durban) at Addis Ababa stood at US\$ 638/mt, at US\$ 462/mt for wheat (Europe) and at US\$ 469/mt for sorghum (Argentina). These prices stood above the long term average. Wheat and sorghum prices stood below the levels of last year the same month but maize price is higher by 34%. The import parity prices at Addis Ababa remained stable with slight increases of not exceeding 5% against previous month. The local price of maize and wheat at Addis Ababa stood respectively 52% and 7% below the import parity whilst sorghum stood 3% above the import parity price.

Cereal Wholesale Prices in Large Urban Markets

Normally, prices of cereals tend to decline immediately after the main harvesting season. Undoubtedly, the prices of cereals showed downward movement in the last two months, but low for the season. Generally, the wholesale nominal prices of maize, wheat and sorghum have remained the same to previous month in monitored markets. In January 2012, the average wholesale prices of maize, wheat and sorghum stood at Birr 4.33/kg, Birr 6.74/kg and Birr 6.26/kg respectively (see Figure 2, Figure 3 and Table 1). These prices level stood above the long term average and last year the same month by more than 50 %.



The on - going wheat import from the international markets by EGTE and its subsequent distribution to final users at subsidized price, which is far below the local retail prices, can maintain the existing level. Furthermore, the EGTE has carried over stock of imported wheat in 2011. The EGTE distributes grain wheat through consumers associations and for its processed form as white bread through selling to flour factories and subsequently these factories sale flour directly to selected bakeries. The selling price of agricultural inputs, fertilizer, for the upcoming farming season has increased by more than 20%. As a mechanism to compensate the increased agricultural input prices by farmers, producers' price increment is likely and hence pushes upward wholesale and retail prices in the coming months.



Supply to Markets

The supply of cereals to the markets is normal at this time of the year but it impacted marginally in terms of price decline. The purchase of wheat by the EGTE and its distribution to consumers contributes to the improvement in the supply of markets. . This has its own impact on the supply as well as to the attitude of traders who may speculate for higher price increase in the coming months. If the supply of wheat by the EGTE reaches **Belg** producing parts of the country too (2012 **Belg** season is expected to be below normal - source: NMA Weather Outlook Feb 2012), it plays significant role in stabilizing the markets.

Table 1. Market Watch on Main Food Commodities in Selected Monitored Markets

Markets	Major Comm	Current Price change (%)			Average Change			
			4Y AVG	1Y	1 M	4Y AVG	1Y	1 M
1. Local Wholesale and Import Parity Price (USD/MT)								
Addis Ababa	Maize	304	2	61	6	▲	▲	▲
	Wheat	432	3	26	-4	▶	▲	▶
	Sorghum	483	0	56	-2	▶	▲	▶
	Teff white	566	22	28	2	▲	▲	▶
	Teff mixed	507	23	34	2	▲	▲	▶
Nazrath	Teff red	446	40	39	1	▲	▲	▶
	Maize	296	2	53	4	▶	▲	▶
	Wheat	430	-1	17	-4	▶	▲	▶
	Sorghum	455	-7	47	2	▶	▲	▶
	Teff white	591	33	42	1	▲	▲	▶
Dire Dawa	Teff mixed	521	43	64	3	▲	▲	▶
	Teff red	472	47	69	-1	▲	▲	▶
	Maize	blank						
	Wheat	blank						
	Sorghum	blank						
Import Parity Price	Teff white	630	22	21	-9	▲	▲	▼
	Teff mixed	535	24	43	3	▲	▲	▶
	Teff red	492	32	56	0	▲	▲	▶
	Maize	638	42	34	4	▲	▲	▶
Import Parity Price	Wheat	462	9	-10	3	▶	▶	▶
	Sorghum	469	21	-4	3	▲	▶	▶
2. Wholesale Price (BIRR/100KG)								
			5Y	1Y	1M	5Y	1Y	1M
Addis Ababa	Maize	429	59	67	-3	▲	▲	▶
	Wheat	601	37	11	-6	▲	▲	▼
	Sorghum	689	44	56	-5	▲	▲	▶
Ambo	Maize	381	56	65	2	▲	▲	▶
Gonder	Maize	480	70	67	10	▲	▲	▲
	Wheat	blank						
	Sorghum	468	28	27	0	▲	▲	▶
Jimma	Maize	400	63	67	1	▲	▲	▶
Nekempt	Maize	350		58	-9		▲	▼
Mekele	Maize	blank						
	Wheat	756	50	37	-2	▲	▲	▶
	Sorghum	560	32	56	6	▲	▲	▲
Nazareth	Maize	437	71	67	4	▲	▲	▶
	Wheat	665	60	30	0	▲	▲	▶
Shashemene	Maize	433	73	66	7	▲	▲	▲
	Wheat	698	74	39	-2	▲	▲	▶
Bale Robe	Wheat	663	83	50	9	▲	▲	▲
Bure	Maize	403	68	68	-4	▲	▲	▶
Desie	Maize							
	Wheat	480	78	62	2	▲	▲	▶
Hossana	Wheat	685	74	36	1	▲	▲	▶
	Maize	427	72	69	-3	▲	▲	▶
Baher Dar	Wheat	640	71	31	1	▲	▲	▶
Assela	Wheat							
Remark:	▲	Prices increase above normal price fluctuation						
	▶	Normal Price Fluctuation						
	▼	Price decrease below normal price fluctuation						
Exchange rate applied		17.27						
Price fluctuation is considered normal if the price change is within 5% for 1 month; within 15% for 1 year; within 20% for 4 or 5 years average								
6M= Compared to July 2011								
1Y= Compared to January 2011								
3Y/4Y= Compared to 4 or 5 years monthly average								