ETHIOPIA MONTHLY MARKET WATCH
May 2012

Highlights

- The year-on-year overall country level inflation and food inflation rate increased by 25.48% and 29.24%. Cereal inflation rate rose by 33.35%. However, these increments were lower as compared to the previous month year-to-year inflation rates.
- Sorghum price at Addis Ababa stood 30% above the import parity price whilst maize and wheat stood below the import parity respectively by 45% and 5% respectively.
- Normally, the price of cereal in the country start to rise in May/June as the lean season approaches; but in 2012 the situation started earlier with slow pace of upward move. In May, the nominal wholesale price of maize, wheat and sorghum across all monitored markets remained stable compared to the preceding month.
- The retail price of maize, major staple food, in SNNP region monitored markets showed increases that range 6% to 21%. Failure of Belg root crops in the region is one of the main reasons for such situation and in the coming month's further increases will be anticipated.

Inflation and Consumer Price Index

In May 2012, country level general and food inflation rate increased by 25.48% and 29.24% respectively as compared to last year the same month. The non - food inflation increased by 19.57%. The components of food index showed increases as compared to similar month last year; cereal (33.4%), pulse (27.3%), bread and other prepared food (24.6%), meat (88%), milk, cheese and eggs (34.8%) and potatoes, other tubers and stems (46.6%). The same source indicated that, month to month comparison (May to April) of general and food inflation rate stood below 1% for the first time since the beginning of 2012.

Major Cereal Import Parity and Local Prices

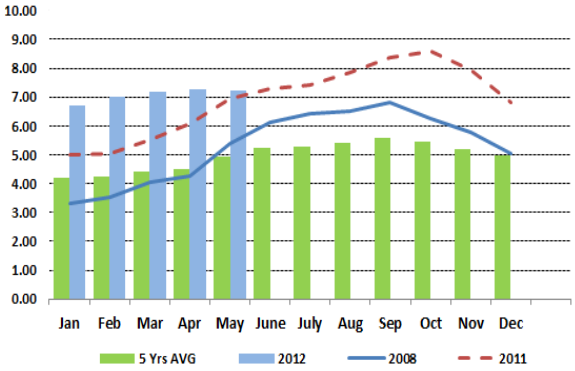
Local price of maize and wheat at Addis Ababa stood below the import parity respectively by 45% and 5% but sorghum stood above the import parity by 30%. The import parity price of maize (Durban) at Addis Ababa stood at US$ 577/mt, at US$ 471/mt for wheat (Europe) and at US$ 434/mt for sorghum (Argentina). The import parity price at Addis Ababa remained the same for wheat and sorghum whilst decreases for maize (5%). The availability of the commodity in the market and purchase restriction of Government on humanitarian organizations to buy from open markets is another factor beyond price spread for local purchases.

Cereal Wholesale Prices in Large Urban Markets

The wholesale price of maize, wheat and sorghum had increased in February 2012 compared to the preceding month; however, since then it remained at elevated level across the monitored markets. Normally, the price of cereal in the country start to rise in May/June as the lean season approaches but in 2012 the situation started earlier with slow pace of upward move. In May, the nominal wholesale price of

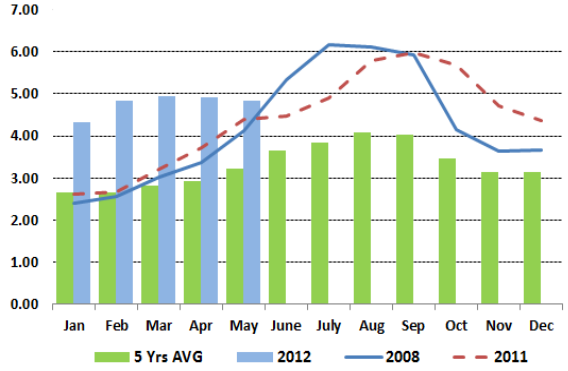
maize, wheat and sorghum across all monitored markets remained stable compared to the preceding month. The average wholesale price of wheat stood little bit above 2011 but far from five years monthly average (2007 – 2011) and 2008. Maize price stood above the same month of 2008 and 2011(11%) but higher than long term average by about 50% (see Table 1, Figure 1, and Figure 2). The distribution of Government subsidized wheat is on – going in selected major urban centers at below the markets price by about 20%. The average wholesale price of maize and wheat stood respectively at Birr 4.85/kg and Birr 7.22/kg. The lowest and highest price of maize was observed at Nekempt (Birr 4.25/kg) and Dire Dawa (Birr 5.50/kg).

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



Source: Ethiopian Grain Trade Enterprise

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

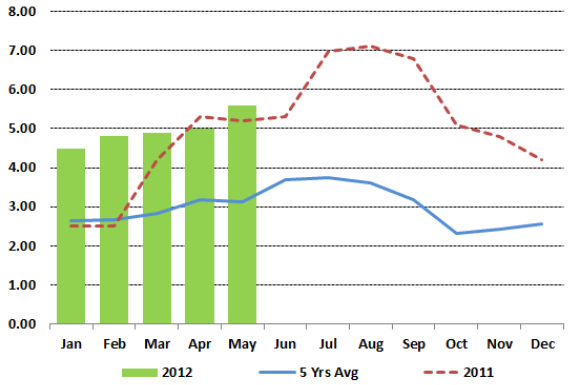


Source: Ethiopian Grain Trade Enterprise

Cereal Retail Prices in District Markets

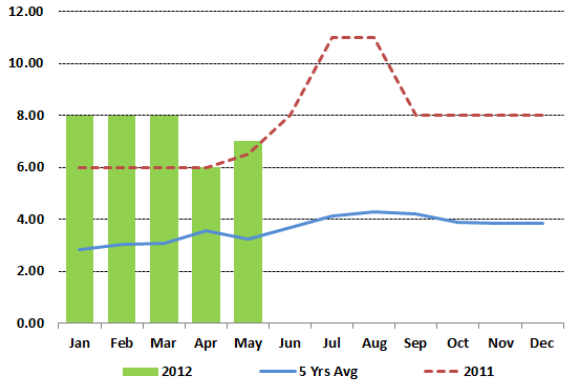
Overall retail price trends of cereal in monitored district level markets showed stability in the view of increasing trends that had been observed in the first quarter of the year. In most parts of the food insecure areas, the transfer of PSNP was switched to food that contributed to the stability of price at elevated level.

Fig 3: Maize price at Wolaita Sodo, (Birr/kg)



Source: WFP

Fig 4: Maize price at Gode (Birr/kg)



Source: WFP

However, the assistance of additional food insecure households using PSNP contingency budget (in Belg dependent areas) posed pressure on available markets supply. Hence, the price of maize, a major staple food, increased in monitored markets of SNNP region: at Hadero (↑21%); Wolaita Sodo (↑12%), Awassa

(↑ 9%) and Hossaena (↑ 6%). In the coming months, further price rise will be anticipated that will impact food security of poor and very poor. The current price level reveals that the Birr 14 contingency budget transfer rate can buy below the traditional 3kg of maize and as the lean season approaches the beneficiaries face challenges in meeting the minimum requirements. In Pastoral and agro - pastoral area markets the price of cereal increased. Maize retail price at Gode and sorghum at Turmi market increased by 17% and 9% respectively compared to April 2012. In most of the monitored markets similar situation was seen and the situation will impact the food security of markets dependent households. The trends of cereal retail price of selected markets are indicated on above Figure 3 and Figure 4.

Supply to Markets

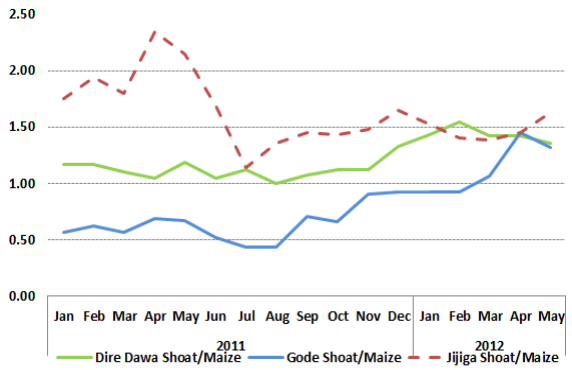
The markets supply of cereal at district level markets is sourced from smallholder farmers and traders who move commodities from the surplus producing parts of the country. Furthermore, in major urban centers Government subsidized wheat grain is on sale for the residents. In SNNP *Belg* producing areas, root crop (sweet potatoes) and haricot bean are major foods at this time of the year; but due to failure of 2012 *Belg* rainfall, no supply of these food items are available. The start of lean season for *Meher* dependent areas (May) coincided with failure of *Belg* in most parts limited the supply of grain to markets below normal situation. The normal onset and continuation of *Meher* season rainfall coupled with availability of green harvest (vegetables and potatoes etc) in the next months may have minor implication on the improvement of markets supply by better - off farmers and some traders.

Terms of Trade (TOT)

TOT for shoat to cereal: As a result of increased livestock demand from Somalia traders for export to Gulf Countries, increased average price of livestock observed in markets of Gode, Jijiga and Dire Dawa. Compared to April 2012, the average price of shoat rose at Jijiga by 8%, at Gode by 7% and at Dire Dawa by 3%. The marketing structure and conduct determines how far the pastoralists are reaping the benefits from the increased livestock demand from abroad. The higher rate of cereal price increases more than the average shoat, limited the improvement in terms of trade at Gode and Dire Dawa markets. However, at Jijiga shoat-to-maize and shoat-to-wheat terms of trade showed improvement as a result of high cereal price level stability. The terms of trade between shoat to maize decreased at Gode (9%) and at Dire Dawa (5%) whilst rose at Jijiga (12%). Generally, the onset of *Gu* rainfall contributes to the improvements of livestock body condition; this situation coupled with continuity of demand for livestock will have direct impact on purchasing power of pastoralist in the Somali region. The trends of terms of trade for the selected markets are depicted on Figure 5.

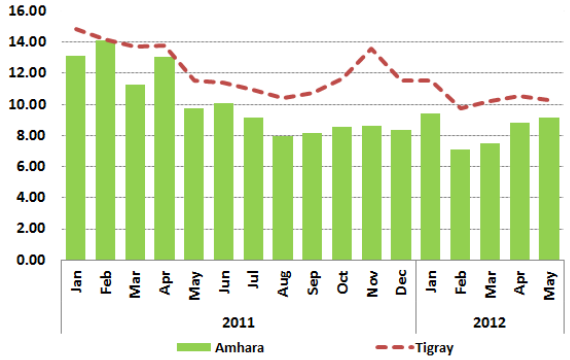
TOT for wage labour to cereal: The monthly average wage rate (skilled and unskilled) rose in monitored markets of Amhara (6%) and Tigray (4%). Though the daily wage rate of unskilled laborer is far beyond the PSNP transfer rate, it is about half of the skilled laborer. The average wage rate of unskilled laborer in Amhara monitored markets stood at Birr 31/day and at Birr 49/day in Tigray. Considering the current staple food prices, daily wage buys more than 4kg of cereal but not *teff.* In most of monitored markets, increased wage rate stood below cereal price increment and hence the terms of trade remained the same compared to April 2012 (see Figure 6 and Table 1). As the Meher season planting starts shortly, availability of daily laborer will be limited; households with surplus labor will have an advantage over others in obtaining the work regularly compared to the slack months. Furthermore, laborers engaged on work in their locality have more advantage in supporting their dependents compared to those work at distant locations.

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	change (%) 4Y	1Y	Avarage Change 1 M	4Y	1Y	1 M
1.Local Wholesale and Import Parity Price (USD/MT)								
Addis Ababa	Maize	317	-7	-1	-6	▶	▶	▼
	Wheat	449	-16	-12	0	▶	▶	▶
	Sorghum	563	11	53	7	▶	▲	▲
	Teff white	711	41	38	3	▲	▲	▶
	Teff mixed	652	49	43	6	▲	▲	▲
	Teff red	569	65	48	5	▲	▲	▶
Nazrath	Maize	309	-9	0	-2	▶	▶	▶
	Wheat	460	-7	-5	1	▶	▶	▶
	Sorghum	457	-3	33	-2	▶	▲	▶
	Teff white	745	51	50	2	▲	▲	▶
	Teff mixed	608	41	42	0	▲	▲	▶
	Teff red	554	56	40	2	▲	▲	▶
Dire Dawa	Maize	blank						
	Wheat	blank						
	Sorghum	blank						
	Teff white	741	47	38	0	▲	▲	▶
	Teff mixed	646	54	45	3	▲	▲	▶
	Teff red	570	54	40	0	▲	▲	▶
Import Parity Price	Maize	577	26	-1	-5	▲	▶	▶
	Wheat	471	10	-16	-1	▶	▼	▶
	Sorghum	434	18	-4	2	▶	▶	▶
2. Wholesale Price (BIRR/100KG)			5Y	1Y	1M	5Y	1Y	1M
Addis Ababa	Maize	473	47	5	-1	▲	▶	▶
	Wheat	715	32	-9	0	▲	▶	▶
	Sorghum	816	58	70	6	▲	▲	▲
Ambo	Maize	453	57	8	-2	▲	▶	▶
	Wheat	711	54	9	-1	▲	▶	▶
Gonder	Maize	550	60	38	1	▲	▲	▶
Ziway	Maize	474		1	0		▶	▶
Dire Dawa	Wheat	753		3	1		▶	▶
Jimma	Maize	485	57	37	-1	▲	▲	▶
Nekempt	Maize	425	45	9	0	▲	▶	▶
Mekele	Maize	524	48	8	-2	▲	▶	▶
	Wheat	805	42	15	-2	▲	▶	▶
	Sorghum	585	18	22	-2	▶	▲	▶
Nazareth	Maize	487	63	8	1	▲	▶	▶
	Wheat	720	45	-1	2	▲	▶	▶
Shashemene	Maize	465	38	-8	0	▲	▶	▶
	Wheat	725	53	1	1	▲	▶	▶
Bale Robe	Wheat	636	40	-12	-3	▲	▶	▶
Bure	Maize	448		15	-3		▶	▶
Hossana	Maize	510	44	2	-5	▲	▶	▶
	Wheat	700	44	-7	-7	▲	▶	▼
Baher Dar	Maize	460	58	10	-9	▲	▶	▼
Assela	Wheat	648	36	-12	-4	▲	▶	▶

Remark:
- ▲ Prices increase above normal price fluctuation
- ▶ Normal Price Fluctuation
- ▼ Price decrease below normal price fluctuation

Exchange rate applied 17.55

Price fluctuation is considered normal if the price change is within 5% for 1 month; within 15% for 1 year;
1M=Compared to April 2012
1Y=Compared to May 2011
3Y/5Y=Compared to 4 or 5 years monthly average

Regions	Zone	Market	Major Comm	Curren	change (%) 5Y	1Y	Avarage Change 1 M	5Y	1Y	1 M
4. Current Retail Price (BIRR/100KG)										
Oromia	W.Hara	Babile	Maize	570	58	6	2	▲	▶	▶
			Sorghum	700	71	25	6	▲	▲	▲
		Bedeno	Maize	650	75	18	0	▲	▲	▶
		Bedessa	Maize	670	93	22	12	▲	▲	▲
		Deder	Maize	650	85	25	0	▲	▲	▶
	East Sho	Wolenchiti	Maize	470	63	-2	0	▲	▶	▶
	Borena	Yabelo	Maize	500	36	-29	-17	▲	▼	▼
			Wheat	1000	69	33	5	▲	▲	▶
	Arisi	Merti	Sorghum	570	42	63	0	▲	▲	▶
			Maize	520	59	30	4	▲	▲	▶
Amhara	Bale	Ginir	Wheat	645			-7			▼
	S.Wollo	Ebinet	Sorghum	540	51	15	0	▲	▶	▶
	N.Wollo	Mota	Wheat	660	47	0	-3	▲	▶	▶
	N.Wollo	Kobo	Maize	555	64	56	0	▲	▲	▶
		Sekota	Sorghum	650	26	18	0	▲	▲	▶
	Oromya	Bati	Maize	562	70	8	6	▲	▶	▲
Tigray	S.Tigray	Korem	Barley	825		10	10	▲	▶	▲
	E.Tigray	Wukro	Wheat	700	29	10	10	▲	▶	▲
	N.Wollo		Barley	730		4	0		▶	▶
	C.Tigray	Abi Adi	Wheat	760	27	-2	-2	▲	▶	▶
			Sorghum	700	49	64	2	▲	▲	▶
			Maize	710	79	69	7	▲	▲	▲
SNNPR	S.Omo	Turmi	Sorghum	610	58	-10	9	▲	▶	▲
	Guraghe	Meskan	Maize	480	69	7	-2	▲	▶	▶
	K.Temba	Hosaena	Maize	540	68	-2	6	▲	▶	▲
	Sidama	Hawassa	Maize	490	54	-12	9	▲	▶	▲
	Wolaita	Sodo	Maize	560	79	8	12	▲	▶	▲
Somali	Jijiga	Jijiga	Sorghum	590	77	23	-2	▲	▲	▶
			Maize	630	77	29	-3	▲	▲	▶
			Wheat	600	32	0	-1	▲	▶	▶
	Gode	Gode	Maize	700	116	8	17	▲	▶	▲

Regions	Zone	Market	Major Comm	Price	1Y	1M	1Y	1M
5. Milk (Birr/Litre)								
Somali	Gode	Gode	Milk	13	-13	0	▶	▶
	Jijiga	Jijiga	Milk	12	0	-33	▶	▼
	Kebrideh	Kebrrideh	Milk	20	67	0	▲	▶

Markets			Major Comm	Curren t Price	Price change (%) 5Y	1Y	1 M	Avarage Change 5Y	1Y	1 M
6. Livestock-Shoat (BIRR/Shoat*)										
Somali	Jijiga	Jijiga	Shoat	1025	85	-2	8	▲	▶	▲
	Gode	Gode	Shoat	925	208	111	7	▲	▲	▲
	Dire Dawa		Shoat	950	132	46	3	▲	▲	▶
7. Terms of Trade Number of Quintal per Shoat										
Somali	Jijiga	wheat /Shoat		1.71	43	-2	9	▲	▶	▲
		maize /Shoat		1.63	7	-24	12	▶	▼	▲
	Gode	maize /Shoat		1.32	43	96	-9	▲	▲	▼
Dire Dawa	Dire Dawa	maize/Shoat		1.36	44	15	-5	▲	▶	▶
		wheat /Shoat		0.95	12	32	-2	▶	▲	▶
8.Average casual labour wage per day (BIRR/Day)				3YRS	1Y	1M	3Y	1Y	1M	
Somali		Somali		50	81	25	-6	▲	▲	▼
		Tigray		73	85	51	4	▲	▲	▶
		Amhara		51	55	19	6	▲	▲	▲
9. Terms of Trade: kgs of grain per wage										
Tigray		kg maize/wage		10	6	-11	-2	▶	▶	▶
		kg wheat/wage		10	52	38	8	▲	▲	▲
Amhara		kg wheat/wage		6	-5	7	3	▶	▶	▶
Somali		kg maize/wage		8	14	7	-11	▶	▶	▼