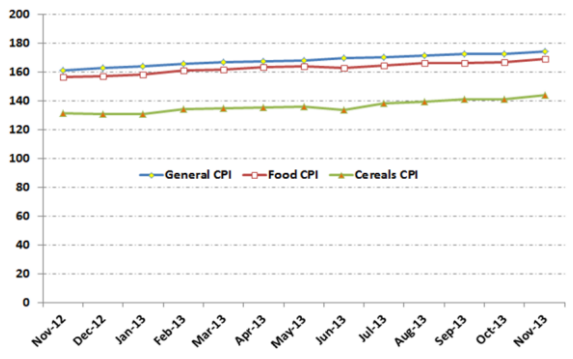
Highlights

- The overall analysis of the market information in December 2013 indicates that food availability has continued to be normal and food prices have declined slightly. Though households' purchasing power is more or less similar to the same period in 2012, the food security situation of poor households who mainly depend on purchases is still sensitive to changes in market prices.
- In November 2013, the general inflation rate of the country was 8.13 percent while that of food inflation was 7.85 percent. The general Consumer Price Index (CPI) during November 2013 was recorded at 174.04 while the food CPI was 168.87 and that of cereals stood at 143.93.
- Between November and December 2013, the average wholesale prices of wheat flour decreased by about 1 percent while that of wheat remained unchanged, and they have both been relatively stable during the past five months.
- During the reporting period, the average retail prices of wheat decreased by 2 percent while the prices of wheat flour increased by 0.6 percent compared with November. The market situation in Sa'ada has marginally improved but prices remained volatile as the conflict has continued.
- The supply of essential food commodities continued to be normal except in areas being affected by conflict and is expected to remain unchanged in the few coming months.
- In December 2013, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 18.24Kg/day. The TOT deteriorated by 0.5 percent compared with November, though it was 4 percent higher than during the same month last year.
- During the month of reporting, the average TOT between a sheep and wheat flour was 242.4Kg/sheep – declined by 0.6 percent from November, and 4 percent lower than they were in December last year.
- The FAO Food Price Index averaged 206.7 points in December 2013, nearly unchanged from November. The FAO Cereal Price Index averaged 191.5 points in December, down by 1.4 percent from November.
- International wheat prices declined by about 5 percent between November and December 2013, but much lower than the price recorded during the same month last year – down by 16 percent.

A. Inflation and Consumer Price Index (CPI)[1]

The general inflation rate in Yemen fell between October and November 2013 – from 8.58 percent in October to 8.13 percent in November– based on a 12 month moving average. Similarly, the inflation rate for food decreased from 8.61 percent in October to 7.85 percent in November 2013.

Figure 1: Trends in Consumer Price Index



Source: Central Statistics Organization of Yemen

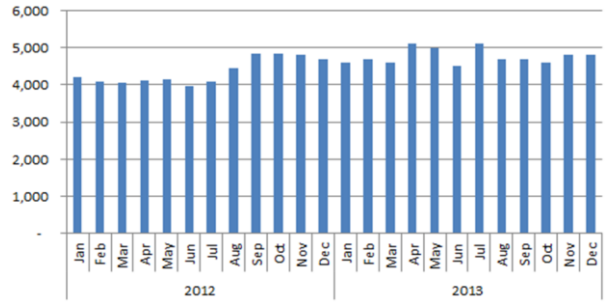
The general Consumer Price Index (CPI) during November 2013 was recorded at 174.04 while the Food CPI was 168.87 and that of cereals stood at 143.93 (Figure 1). The general CPI was 172.80 in October 2013 while that of Food CPI during the same month was 166.98. In November, the annual inflation rates for most of the non-staple food items have dropped down remarkably. The inflation rates in November 2013 ranged from 3.75 percent for dairy products to 16.83 percent for vegetables.

[1] *The **CPI** is a measure of the average change in the prices of consumer items over time compared with a base year — goods and services that people buy for day-to-day living. The CSO of Yemen uses the 2005/06 Household Budget Survey as a base year. **Inflation** is the percentage change of the CPI over the period of 12 months – percentage changes in the CPI during current month compared with the same month last year.*

B. Wholesale Prices of Wheat and Wheat Flour

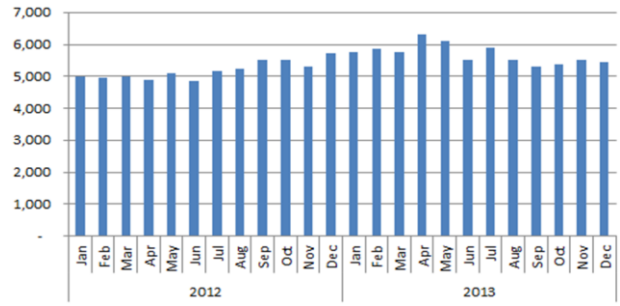
In December 2013, the average wholesale price of 50Kg wheat grain was 4,800YR while that of wheat flour was 5,450YR. Between November and December 2013, the average domestic nominal[2] wholesale prices of wheat flour decreased by about 1 percent while that of wheat remained unchanged. Although the wholesale prices of wheat and wheat flour were volatile during the first half of 2013 and reached the highest peak in April, they have been relatively stable during the past five months (Figure 2 and Figure 3).

Figure 2: National average wholesale wheat prices (YR/50kg)



Source: Ministry of Industry and Trade of Yemen

Figure 3: National average wholesale wheat flour prices (YR/50kg)



Source: Ministry of Industry and Trade of Yemen

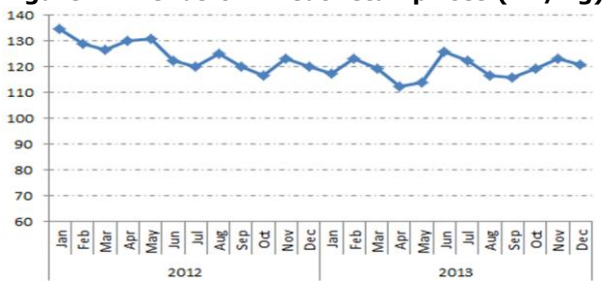
During the month of reporting, the wholesale prices most of the other food and non-food commodities have stayed at their levels reported in November 2013. However, the prices of red beans have increased by about 6 percent.

C. Retail Prices of Wheat and Wheat Flour

During the month of reporting, the average nominal retail prices of wheat and wheat flour were 121YR/Kg and 142YR/Kg, respectively. In December 2013, the average retail prices of wheat have decreased by 2 percent while the prices of wheat flour have slightly increased (by 0.6 percent) compared to the previous month (Figures 4 and 5). As a result of stable wholesale prices during the reporting month, the retail prices may likely to follow similar trend during the months to come.

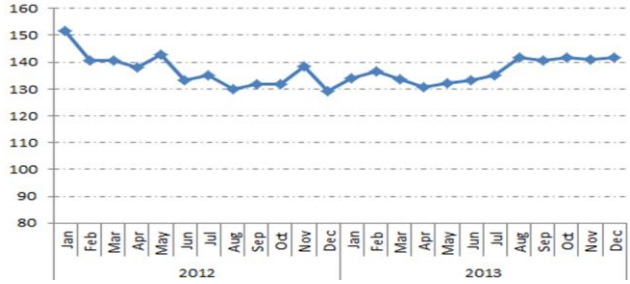
The pattern of retail wheat prices across the main markets indicates that the highest price of wheat has still prevailed in Sa'ada (135YR/Kg) while the lowest price was reported from Amran (100YR/Kg). Similarly, the highest retail price of wheat flour was recorded in Sa'ada market (155YR/Kg) and Amran had the lowest retail price (130YR/Kg). Between November and December 2013, the market situation in Sa'ada has shown minor improvement – prices of vegetables declined ranging from 11 percent for tomatoes to 36 percent for potatoes and vegetable oil reduced by 14 percent. Prices for all the remaining food commodities stabilized at their high levels though the price of red beans increased by 19 percent during the reporting month compared to the month before (*Table 1 has more details*). The effect of the ongoing conflict/fighting in the area has still persisted.

Figure 4: Trends of wheat retail prices (YR/Kg)



Source: WFP sub offices

Figure 5: Trends of wheat flour retail prices (YR/Kg)



Source: WFP sub offices

[2] ***Nominal prices*** *denote the current monetary value of a good or service i.e. as seen or actually observed by the monitor in the field, in a shop or at a market stall.* ***Real prices*** *are prices adjusted for inflation using a consumer price index of the corresponding year. The process of adjusting for inflation is called deflating by a price index in order to determine the real value of some monetary magnitude in reference to a "base period".*

D. Food Supply to Markets

During the reporting period, the supply of essential food commodities has continued to be normal in most of the monitored markets. However, as a result of continued localized conflicts in some southern and northern parts of the country, the flow of food commodities was disrupted which negatively affected food availability, particularly the recently intensified fighting in Sa'ada caused food prices to soar. The volume of imported wheat stocks was adequate for national consumption needs in December and the supply is expected to remain normal in the coming months.

E. Terms of Trade (TOT)[3]

The TOT are proxy indicators of the purchasing power of households which rely on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Changes in the terms of trade between wages/livestock and staple food commodities are indicative of the trends in purchasing power and the impact on the food security situation of households which are dependent on food purchases through income from daily wage labour and/or the sale of livestock.

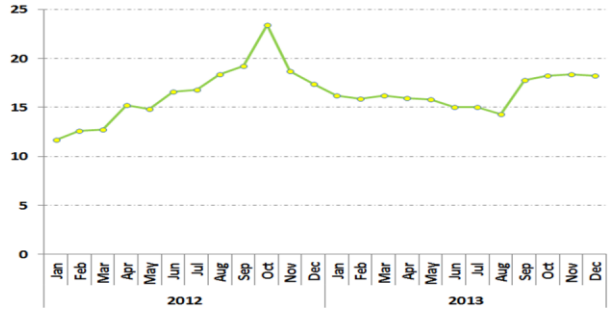
TOT between wage labour and wheat flour

In December 2013, the nominal average daily wage rate was recorded at 2,583YR, which is the same as reported in November. The average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 18.24Kg/day. Between November and December 2013, the TOT was slightly deteriorated (by 0.5 percent), as a result of the small increase in the average retail price of wheat flour. At a regional level, the ToT slightly improved in Sana'a, Aden and Sa'ada, but minor deterioration has been noted in Amran, Hajja and Hodieda markets. The ToT between wage labour and wheat flour were 5 percent higher in December 2013 than during same month last year, i.e. in December 2012 the average daily wage purchased 17.40Kg of wheat flour but 18.24Kg in December 2013 (Figure 6).

TOT between sheep and wheat flour

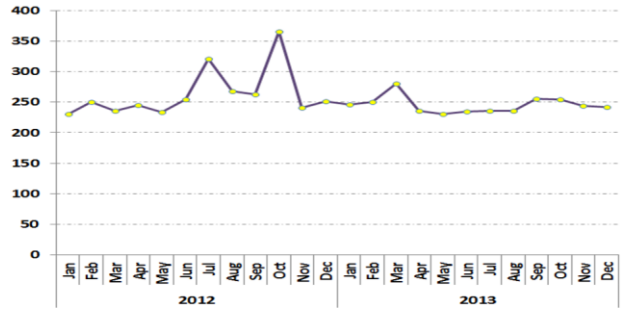
The average price of a two-year old male sheep was 34,333YR during the month of reporting, which is the same as that reported in November 2013. The average TOT between a sheep and wheat flour was 242.4Kg/sheep – declined by 0.6 percent from November. Households which derive some of their income from the sale of sheep were able to purchase an average of 1.5kgs less wheat flour in December than in November 2013. The highest TOT during the month were recorded in Sa'ada (290.3Kg/Sheep) while the lowest were observed in Aden (207.4Kg/Sheep). Apart from a peak in March, the ToT between sheep and wheat flour have remained fairly constant since January 2013. Moreover, they were 4 percent lower during the month of reporting than they were in December last year, i.e. one sheep purchased 251.3Kg of wheat flour in November 2012 and 242.4Kg in December 2013 (Figure 7).

Figure 6: TOT between wage rate and wheat flour (Kg/day)



Source: WFP Sub Offices

Figure 7: TOT between sheep and wheat flour (Kg/sheep)



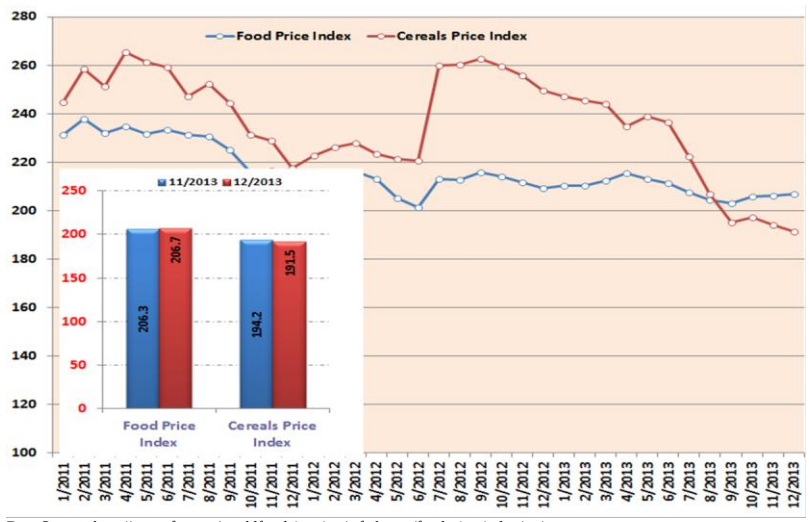
Source: WFP Sub Offices

[3] *The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. The livestock to cereal ratio gives an indication of the purchasing power of households selling livestock and purchasing staple foods. **Purchasing power** is a measurement of the relative value of money in terms of the quality and quantity of goods and services it can buy. It represents the ability of a household to acquire goods and services based on its access to money or other forms of wealth.*

F. Global Food Prices

The FAO Food Price Index averaged 206.7 points in December 2013, nearly unchanged from November, as a sharp increase in dairy prices and firming meat values largely balanced out a steep decline in sugar quotations and lower cereal and oil prices. Over the full year of 2013, the Index averaged 209.9 points, down 1.6 percent from 2012, but still the third highest annual value on record (Figure 8).

Figure 8: Trends of food and cereals price indices

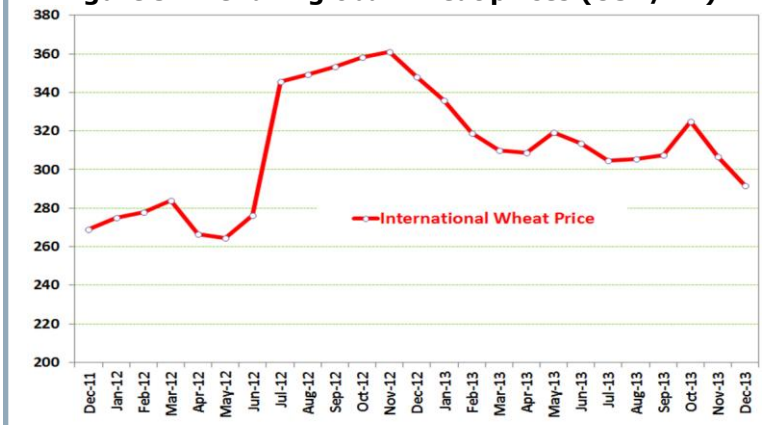


Data Source: http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/

The FAO Cereal Price Index averaged 191.5 points in December, down 2.8 points, or 1.4 percent, from November and the lowest monthly value since August 2010 (Figure 8). Large global supplies, following record harvests in 2013, continued to exert downward pressure on international prices of wheat and maize in particular. In 2013, the Cereal Price Index averaged 219.2 points, down as much as 17 points, or 7.2 percent, from 2012.

International wheat prices have continued the downward trend and declined by about 5 percent between November and December 2013, but remarkably lower than the price recorded during the same month last year – down by 16 percent (Figure 9). Although the transmission of international prices to the domestic markets in Yemen is not particularly high (only 20 percent)[4], the decline in the international wheat prices is likely to bring the domestic prices down. However, given the fact that the domestic wholesale and retail prices of wheat in Yemen are largely determined by the big importers and their agents, the drop in the international prices may not be exactly reflected domestically.

Figure 9: Trend in global wheat prices (USD/MT)



Data Source: http://www.indexmundi.com/commodities/?commodity=wheat

The overall analysis of the market information in December 2013 indicates that food availability has continued to be normal and food prices have declined slightly. Though households' purchasing power is more or less similar to the same period in 2012, the food security situation of poor households who mainly depend on purchases is still sensitive to changes in market prices. Due to the continued instability in Sa'ada, abnormalities in the performance of the market in the area persisted. WFP will continue monitoring the market and food security situation of the population in the governorate.

[4] Source: WFP Yemen Market Study conducted in 2010 and could be accessed at the link: http://www.wfp.org/content/yemen-market-study-december-2010.

Table 1. Market Watch on Main Commodities Across Markets - December 2013

Markets	Commodity	Current Price	Price change (%) 1Y	6M	1 M	Avarage Change 1Y	6M	1 M
Commudity Prices (Yemeni Rials)								
Sana'a	Wheat /kg	130	0	-4	0	↔	↔	↔
	Wheat flour/ kg	140	0	0	-7	↔	↔	↔
	SUGAR/kg	220	0	0	-12	↔	↔	↓
	V. OIL/ kg	480	14	7	0	↑	↔	↔
	RICE/kg	200	0	-29	-9	↔	↓	↔
	Red beans/kg	450	13	29	-10	↑	↑	↔
	White beans/kg	300	20	20	0	↑	↑	↔
	Lentils/kg	300	-21	-6	-6	↓	↔	↔
	Yellow Split peas/kg	300	0	7	0	↔	↔	↔
	Salt/kg	50	-33	-38	0	↓	↓	↔
	Potato/kg	250	25	0	0	↑	↔	↔
	Tomato/kg	300	76	36	-25	↑	↑	↓
	Onion/kg	180	0	-10	0	↔	↔	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1500	0	0	0	↔	↔	↔
	Sheep/head	30000	20	0	-14	↑	↔	↓
	Skilled lab wage/day	5000	11	11	25	↑	↑	↑
	Casual lab wage/day	3000	50	50	0	↑	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Aden	Wheat /kg	120	-8	-8	-8	↔	↔	↔
	Wheat flour/ kg	135	13	4	-4	↑	↔	↔
	SUGAR/kg	220	10	10	10	↔	↔	↔
	V. OIL/ kg	450	13	15	13	↑	↑	↑
	RICE/kg	200	0	0	11	↔	↔	↑
	Red beans/kg	430	19	8	-4	↑	↔	↔
	White beans/kg	280	22	12	0	↑	↑	↔
	Lentils/kg	350	-13	-13	-13	↓	↓	↓
	Yellow Split peas/kg	300	0	20	0	↔	↑	↔
	Salt/kg	40	0	0	0	↔	↔	↔
	Potato/kg	150	-17	50	0	↓	↑	↔
	Tomato/kg	250	39	25	-17	↑	↑	↓
	Onion/kg	200	33	33	0	↑	↑	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1400	-7	0	0	↔	↔	↔
	Sheep/head	28000	-20	-7	-7	↓	↔	↔
	Skilled lab wage/day	4000	0	0	0	↔	↔	↔
	Casual lab wage/day	2000	0	0	0	↔	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hajja	Wheat /kg	120	0	0	0	↔	↔	↔
	Wheat flour/ kg	150	7	15	7	↔	↑	↔
	SUGAR/kg	280	40	40	12	↑	↑	↑
	V. OIL/ kg	480	-4	20	0	↔	↑	↔
	RICE/kg	270	35	-10	8	↑	↔	↔
	Red beans/kg	480	50	60	-4	↑	↑	↔
	White beans/kg	300	20	20	0	↑	↑	↔
	Lentils/kg	300	-25	-14	0	↓	↓	↔
	Yellow Split peas/kg	300	3	0	0	↔	↔	↔
	Salt/kg	50	0	-29	0	↔	↓	↔
	Potato/kg	200	-20	33	0	↓	↑	↔
	Tomato/kg	300	131	50	-25	↑	↑	↓
	Onion/kg	200	33	0	0	↑	↔	↔
	Eggs/1egg	35	17	35	0	↑	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1500	25	0	0	↑	↔	↔
	Sheep/head	38000	19	52	9	↑	↑	↔
	Skilled lab wage/day	5000	11	0	0	↑	↔	↔
	Casual lab wage/day	2500	25	25	0	↑	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔

Markets	Commodity	Current Price	Price change (%) 1Y	6M	1 M	Avarage Change 1Y	6M	1 M
Commudity Prices (Yemeni Rials)								
Sa'ada	Wheat /kg	135	13	4	-4	↑	↔	↔
	Wheat flour/ kg	155	19	11	-3	↑	↑	↔
	SUGAR/kg	300	50	50	0	↑	↑	↔
	V. OIL/ kg	600	20	33	-14	↑	↑	↓
	RICE/kg	350	25	75	-8	↑	↑	↔
	Red beans/kg	500	67	67	19	↑	↑	↑
	White beans/kg	300	36	50	0	↑	↑	↔
	Lentils/kg	300	-9	0	0	↔	↔	↔
	Yellow Split peas/kg	300	0		0	↔	NA	↔
	Salt/kg	50	25	0	0	↑	↔	↔
	Potato/kg	350	133	75	-36	↑	↑	↓
	Tomato/kg	400	264	100	-11	↑	↑	↓
	Onion/kg	300	131	200	-14	↑	↑	↓
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	225	80	80	0	↑	↑	↔
	DIESEL/ltr	175	75	75	0	↑	↑	↔
	Gas/botle	1600	3	0	0	↔	↔	↔
	Sheep/head	45000	13	0	5	↑	↔	↔
	Skilled lab wage/day	5000	-9	11	11	↔	↑	↑
	Casual lab wage/day	3000	20	20	0	↑	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Amran	Wheat /kg	100	0	-17	0	↔	↓	↔
	Wheat flour/ kg	130	3	0	4	↔	↔	↔
	SUGAR/kg	225	-6	13	13	↔	↑	↑
	V. OIL/ kg	400	-17	-11	-7	↓	↓	↔
	RICE/kg	220	-8	0	38	↔	↔	↑
	Red beans/kg	500	43	43	2	↑	↑	↔
	White beans/kg	300	20	20	20	↑	↑	↑
	Lentils/kg	300	0	0	20	↔	↔	↑
	Yellow Split peas/kg	250	-11	0	0	↓	↔	↔
	Salt/kg	50	67	0	0	↑	↔	↔
	Potato/kg	200	43	0	0	↑	↔	↔
	Tomato/kg	250	108	25	-17	↑	↑	↓
	Onion/kg	200	11	0	0	↑	↔	↔
	Eggs/1egg	30	-14	-9	0	↓	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	-9	-9	↔	↔	↔
	Gas/botle	1500	36	15	0	↑	↑	↔
	Sheep/head	33000	18	18	0	↑	↑	↔
	Skilled lab wage/day	4000	14	14	0	↑	↑	↔
	Casual lab wage/day	2500	25	25	0	↑	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hodieda	Wheat /kg	120	0	0	0	↔	↔	↔
	Wheat flour/ kg	140	17	8	8	↑	↔	↔
	SUGAR/kg	200	0	5	33	↔	↔	↑
	V. OIL/ kg	420	-13	-29	0	↓	↓	↔
	RICE/kg	200	-17	-17	-13	↓	↓	↓
	Red beans/kg	450	29	13	-10	↑	↑	↔
	White beans/kg	250	25	14	0	↑	↑	↔
	Lentils/kg	300	0	-6	0	↔	↔	↔
	Yellow Split peas/kg	260	-13		4	↓	NA	↔
	Salt/kg	40	-20	0	0	↓	↔	↔
	Potato/kg	250	67	150	0	↑	↑	↔
	Tomato/kg	300	150	50	-17	↑	↑	↓
	Onion/kg	150	0	-12	0	↔	↓	↔
	Eggs/1egg	30	0	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1500	7	15	0	↔	↑	↔
	Sheep/head	32000	-9	7	7	↔	↔	↔
	Skilled lab wage/day	4000	0	14	0	↔	↑	↔
	Casual lab wage/day	2500	-17	67	0	↓	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔

Remark:		
	↑	Prices increase above normal price fluctuation
	↔	Normal Price Fluctuation
	↓	Price decrease below normal price fluctuation

Important Remark: The market price data contained in the report should be interpreted with caution as they do not capture the impacts of long term trends in food prices. This approach does not measure or indicate the severity of the likely impact that changes may have on different households due to different income and food basket variations by wealth, by livelihood groups and households' capacities to cope with changes.