

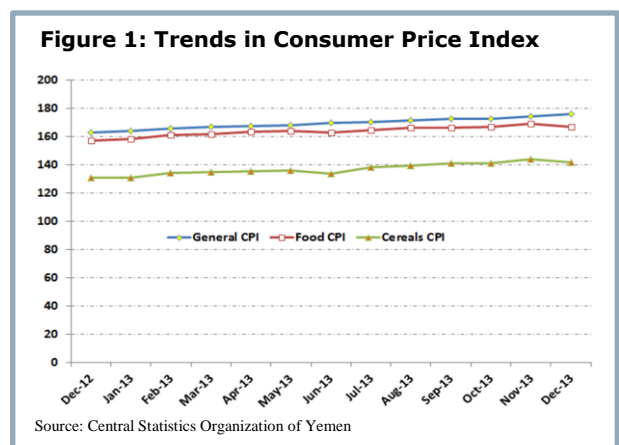
Highlights

- The overall analysis of the market information in January 2014 indicates that food availability has been normal and food prices have slightly declined. Though households' purchasing power was improved in January 2014 compared to the same period in 2013, the food security situation of poor households who mainly depend on purchases is still sensitive to changes in market prices.
- In December 2013, the general inflation rate of the country was 8.14 percent while that of food inflation was 6.18 percent. The general Consumer Price Index (CPI) during December 2013 was recorded at 175.93 while the food CPI was 166.75 and that of cereals stood at 141.63.
- The average domestic wholesale prices of wheat flour have decreased by about 1 percent while that of wheat remained unchanged in January 2014 compared to the previous month, and they have both been relatively stable during the past five months.
- In January 2014, the average nominal retail prices of wheat have remained the same while the prices of wheat flour dropped by 3.5 percent compared to December 2013. The retail prices of both wheat and wheat flour have been stable in the past few months.
- During the month of reporting, the supply of essential food commodities has been normal, though food availability was affected negatively in some areas due to localized conflicts.
- In January 2014, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 19.51Kg/day. The TOT improved in January 2014 by 7 percent compared with December, and it was 21 percent higher than during the same month last year.
- During the month of reporting, the average TOT between a sheep and wheat flour was 262.2Kg/sheep – increased by 8.2 percent from December 2013, and 6 percent higher than it was in January last year.
- The FAO Food Price Index averaged 203.4 points in January 2014, down by 1.3 percent from December and 4.4 percent below January last year. The FAO Cereal Price Index averaged 188.4 points in January, down by 1.6 percent from December and 23 percent below January 2013.
- International wheat prices have further declined by about 3 percent between December 2013 and January 2014, and 15 percent lower than that recorded during the same month last year.

A. Inflation and Consumer Price Index (CPI)¹

The general inflation rate in Yemen remained virtually the same between November and December 2013 – 8.13 percent in November and 8.14 percent in December– based on a 12 month moving average. However, the inflation rate for food also declined from 7.85 percent in November to 6.18 percent in December 2013.

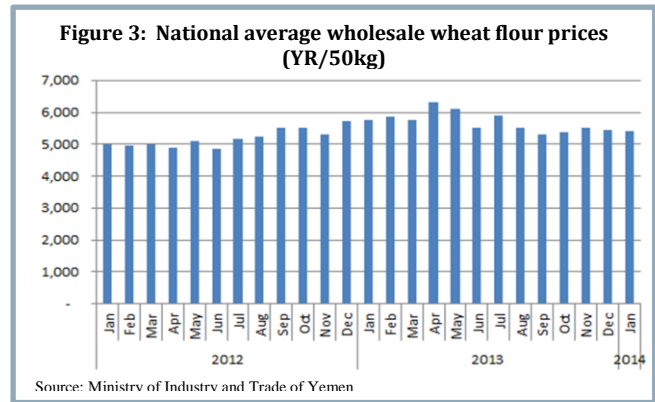
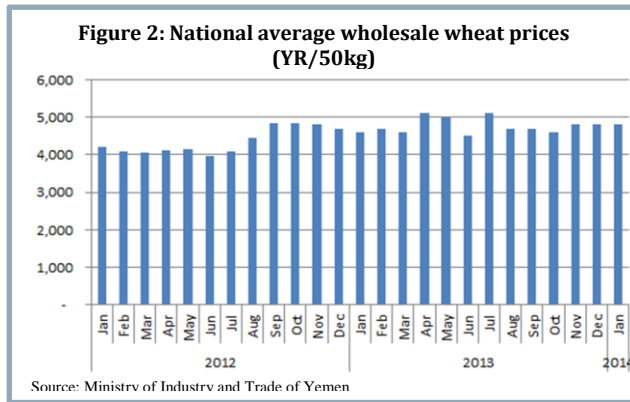
The general Consumer Price Index (CPI) during December 2013 was recorded at 175.93 while the Food CPI was 166.75 and that of cereals stood at 141.63 (Figure 1). The general CPI was 174.04 in November 2013 while that of Food CPI during the same month was 168.87. The annual inflation rates for most of the non-staple food items have stayed almost unchanged in December 2013. The inflation rates ranged from 0.18 percent for food oil to 13.45 percent for fruits during the month.



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 January 2014, the average wholesale price of 50Kg wheat grain was 4,800YR while that of wheat flour was 5,400YR. The average domestic nominal² wholesale prices of wheat flour have decreased by about 1 percent while that of wheat remained unchanged in January 2014 compared to the previous month. The wholesale prices of wheat and wheat flour have been relatively stable during the past five months (Figure 2 and Figure 3).

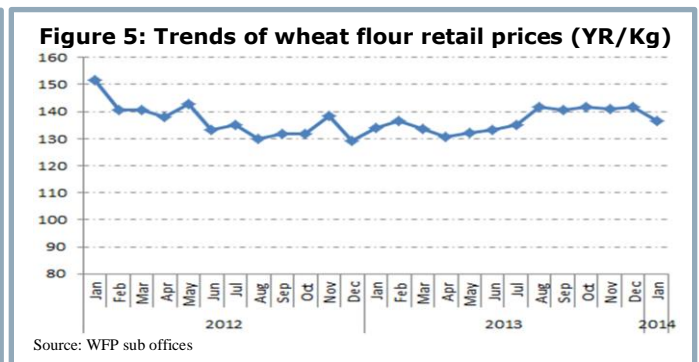
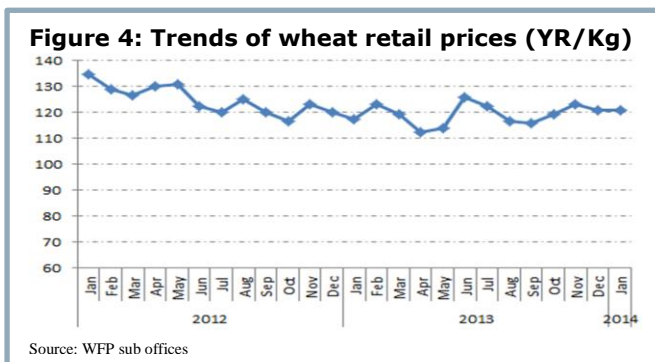


During the month of reporting, the wholesale prices of most of the other food and non-food commodities have remained unchanged compared with December 2013. However, the prices of red beans have increased by about 11 percent and sugar by prices rose by 2.7 percent while that of lentils dropped by 3 percent.

C. Retail Prices of Wheat and Wheat Flour

In January 2014, the average nominal retail prices of wheat and wheat flour were 121YR/Kg and 137YR/Kg, respectively. Compared to the previous month, the average retail prices of wheat have remained the same while the prices of wheat flour dropped by 3.5 percent during the reporting month (Figures 4 and 5). The retail prices of both wheat and wheat flour have been stable in the past few months following constant pattern in the wholesale prices and may likely to follow similar trend during the months to come.

Looking at the pattern of retail prices of wheat and wheat flour across the main markets, Sa'ada persistently had the highest prices (135YR/Kg for wheat and 145YR/Kg for wheat flour) while the lowest prices was recoded from Amran (105YR/Kg for wheat and 125YR/Kg for wheat flour). In January 2014, the market situation in Sa'ada has further improved compared to the previous two months. Except the price of white beans, which increased by 17 percent between December 2013 and January 2014, the prices of most commodities have declined significantly ranging from 11 percent for Petrol to 25 percent for Tomatoes (Table 1 has more details).



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 month of reporting, the supply of essential food commodities has been 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, though the situation has recently improved in Sa'ada as a result of the cease fire agreement reached by the conflicting parties. The volume of imported wheat was adequate for national consumption in January and the supply is expected to remain normal in the coming months.

E. Terms of Trade (TOT)³

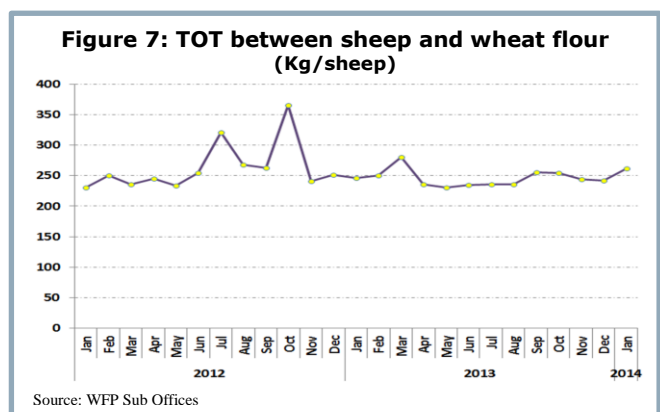
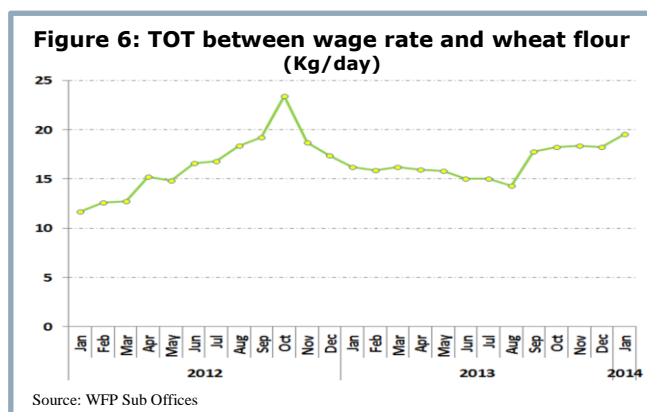
The TOT are proxy indicators of the purchasing power of households which rely on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Changes in the terms of trade between wages/livestock and 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

During the month of reporting, the nominal average daily wage rate was recorded at 2,667YR, which is 3.2 percent higher than it was in December 2013. The average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 19.51Kg/day. Compared to December 2013, the TOT in January 2014 was improved by 7 percent, as a result of the decrease in the retail prices of wheat flour and increases in the daily wage rates. At the regional level, the ToT improved in all markets except in Sana'a where it remained unchanged. The ToT between wage labour and wheat flour were 21 percent higher in January 2014 than during same month last year, i.e. in January 2013 the average daily wage purchased 16.17Kg of wheat flour but 19.51Kg in January 2014 (Figure 6).

TOT between sheep and wheat flour

In January 2014, the average price of a two-year old male sheep was 35,833YR, which is 4.4 percent higher than it was December 2013. The average TOT between a sheep and wheat flour was 262.2Kg/sheep – increased by 8.2 percent from the month before. Households who derive some of their income from the sale of sheep were able to purchase an average of 16kgs more wheat flour in January 2014 than in December 2013. The highest TOT during the month were recorded in Sa'ada (324.14Kg/Sheep) while the lowest were observed in Hodieda (200Kg/Sheep). Apart from a peak in March, the ToT between sheep and wheat flour have remained fairly constant since January 2013. Moreover, they were 6 percent higher during the month of reporting than they were in January last year, i.e. one sheep purchased 246.27Kg of wheat flour in January 2013 but increased to 262.2Kg in January 2014 (Figure 7).

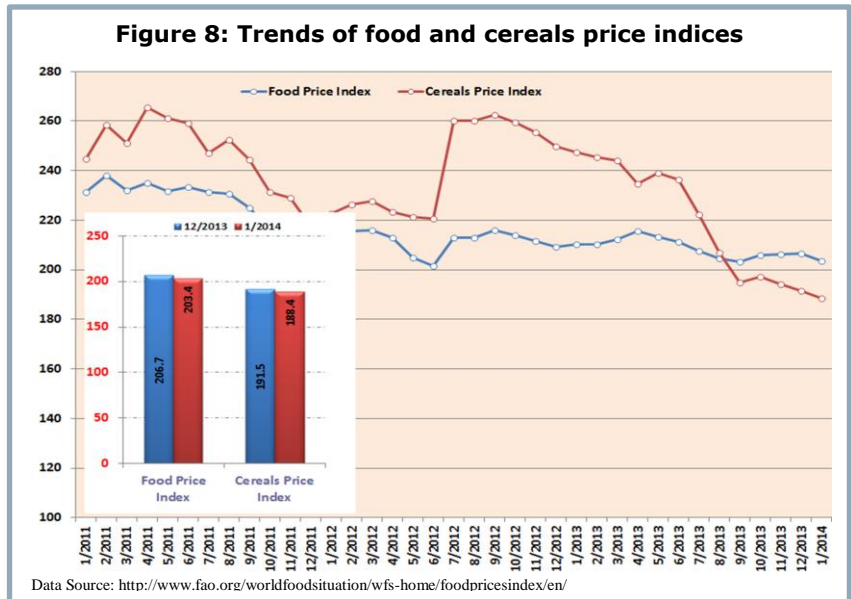


³ The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. The livestock 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.

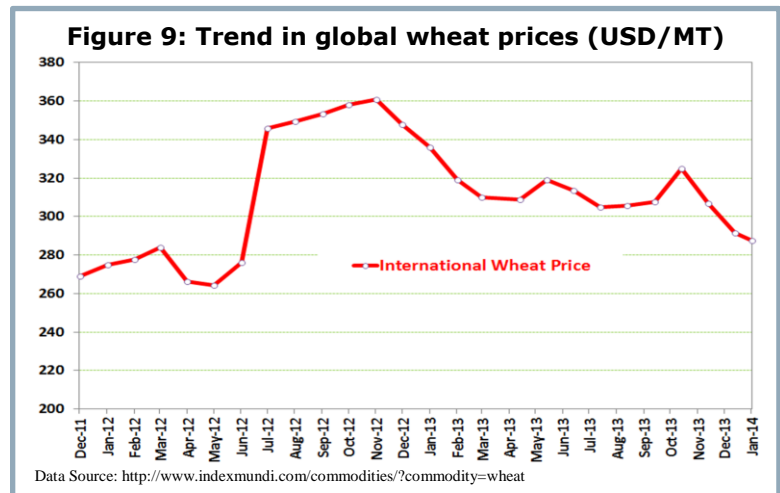
F. Global Food Prices

The FAO Food Price Index averaged 203.4 points in January 2014, down 1.3 percent from December and 4.4 percent below January last year (Figure 8). Except for the FAO dairy price index which rose, the values of other indices that make up the FAO Food Price Index declined last month, in particular sugar and vegetable oils, which dropped by 5.6 percent and 3.8 percent respectively.

The FAO Cereal Price Index averaged 188.4 points in January, down 3 points, or 1.6 percent, from December and as much as 56 points, or 23 percent, below January 2013 (Figure 8). Bumper crops in 2013 helped to boost inventories, which, along with large export supplies, have pushed down international prices of cereals to well below their high levels in 2012 and early months of 2013. With early prospects for 2014 crops also favourable, prices of most cereals declined further in recent weeks.



International wheat prices have continued the downward trend and further declined by about 3 percent between December 2013 and January 2014, but remarkably lower than the price recorded during the same month last year – down by 15 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 little impact domestically.



The overall analysis of the market information in January 2014 indicates that food availability has been normal and food prices have slightly declined. Though households' purchasing power was improved in January 2014 compared to the same period in 2013, the food security situation of poor households who mainly depend on purchases is still sensitive to changes in market prices. The market situation in Sa'ada has improved, though the performance of the market is still fragile. 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 - January 2014

Markets	Commodity	Current Price	Price change (%)			Average Change		
			1Y	6M	1M	1Y	6M	1M
Commodity Prices (Yemeni Rials)								
Sana'a	Wheat /kg	130	0	-4	0	↔	↔	↔
	Wheat flour/ kg	140	0	0	0	↔	↔	↔
	SUGAR/kg	220	0	0	0	↔	↔	↔
	V. OIL/ kg	480	0	7	0	↔	↔	↔
	RICE/kg	250	14	-11	25	↑	↓	↑
	Red beans/kg	450	18	29	0	↑	↑	↔
	White beans/kg	300	7	20	0	↔	↑	↔
	Lentils/kg	350	-3	9	17	↔	↔	↑
	Yellow Split peas/kg	300	0	7	0	↔	↔	↔
	Salt/kg	50	-38	-38	0	↓	↓	↔
	Potato/kg	200	0	-20	-20	↔	↓	↓
	Tomato/kg	180	-28	-18	-40	↔	↓	↓
	Onion/kg	180	-10	-10	0	↔	↔	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1500	0	0	0	↔	↔	↔
Sheep/head	36000	44	20	20	↑	↑	↑	
Skilled lab wage/day	5000	11	11	0	↑	↑	↔	
Casual lab wage/day	3000	50	50	0	↑	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Aden	Wheat /kg	125	-4	-4	4	↔	↔	↔
	Wheat flour/ kg	140	0	17	4	↔	↑	↔
	SUGAR/kg	220	-19	10	0	↓	↔	↔
	V. OIL/ kg	450	-25	13	0	↓	↑	↔
	RICE/kg	230	-41	15	15	↓	↑	↑
	Red beans/kg	400	14	0	-7	↑	↔	↔
	White beans/kg	380	27	52	36	↑	↑	↑
	Lentils/kg	350	25	-13	0	↑	↓	↔
	Yellow Split peas/kg	250	-29	0	-17	↓	↔	↓
	Salt/kg	50	-50	0	25	↓	↔	↑
	Potato/kg	200	-50	67	33	↓	↑	↑
	Tomato/kg	100	-78	-71	-60	↓	↓	↓
	Onion/kg	150	-40	25	-25	↓	↑	↓
	Eggs/1egg	30	0	-14	-14	↔	↓	↓
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1400	-7	-7	0	↔	↔	↔
Sheep/head	35000	-13	40	25	↓	↑	↑	
Skilled lab wage/day	3000	-40	-25	-25	↓	↓	↓	
Casual lab wage/day	2500	25	25	25	↑	↑	↑	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hajja	Wheat /kg	120	9	0	0	↔	↔	↔
	Wheat flour/ kg	140	0	-7	-7	↔	↔	↔
	SUGAR/kg	280	27	40	0	↑	↑	↔
	V. OIL/ kg	480	-9	20	0	↔	↑	↔
	RICE/kg	270	8	-10	0	↔	↔	↔
	Red beans/kg	480	50	60	0	↑	↑	↔
	White beans/kg	300	0	0	0	↔	↔	↔
	Lentils/kg	300	-17	-14	0	↔	↓	↔
	Yellow Split peas/kg	300	0	-25	0	↔	↓	↔
	Salt/kg	50	-38	-29	0	↓	↓	↔
	Potato/kg	200	-20	-20	0	↓	↓	↔
	Tomato/kg	180	-40	-10	-40	↔	↔	↓
	Onion/kg	200	0	0	0	↔	↔	↔
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1500	25	0	0	↑	↔	↔
Sheep/head	38000	19	27	0	↑	↑	↔	
Skilled lab wage/day	5000	11	0	0	↑	↔	↔	
Casual lab wage/day	2500	25	25	0	↑	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Sa'ada	Wheat /kg	135	4	4	0	↔	↔	↔
	Wheat flour/ kg	145	4	4	-6	↔	↔	↔
	SUGAR/kg	260	-4	18	-13	↔	↑	↓
	V. OIL/ kg	500	-17	11	-17	↓	↑	↓
	RICE/kg	300	-14	50	-14	↓	↑	↓
	Red beans/kg	450	29	50	-10	↑	↑	↔
	White beans/kg	350	17	75	17	↑	↑	↑
	Lentils/kg	300	7	0	0	↔	↔	↔
	Yellow Split peas/kg	270	-23	-10	-10	↓	NA	↔
	Salt/kg	50	-50	0	0	↓	↔	↔
	Potato/kg	300	-25	50	-14	↓	↑	↓
	Tomato/kg	300	-33	50	-25	↓	↑	↓
	Onion/kg	250	0	150	-17	↔	↑	↓
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	200	60	60	-11	↑	↑	↓
	DIESEL/ltr	150	50	50	-14	↑	↑	↓
	Gas/bottle	1600	3	0	0	↔	↔	↔
Sheep/head	47000	18	9	4	↑	↔	↔	
Skilled lab wage/day	4500	-10	0	-10	↔	↔	↔	
Casual lab wage/day	3000	50	20	0	↑	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Amran	Wheat /kg	105	12	5	5	↑	NA	↔
	Wheat flour/ kg	125	1	-4	-4	↔	↔	↔
	SUGAR/kg	200	-20	-20	-11	↓	↓	↓
	V. OIL/ kg	440	-22	-7	10	↓	↔	↔
	RICE/kg	220	47	22	0	↑	↑	↔
	Red beans/kg	300	0	20	-40	↔	↑	↓
	White beans/kg	250	-17	0	-17	↓	↔	↓
	Lentils/kg	280	-7	12	-7	↔	↑	↔
	Yellow Split peas/kg	250	25	-17	0	↑	↓	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	200	0	0	0	↔	↔	↔
	Tomato/kg	150	-50	-40	-40	↓	↓	↓
	Onion/kg	150	0	-25	-25	↔	↓	↓
	Eggs/1egg	33	0	10	10	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	110	0	10	10	↔	↔	↔
	Gas/bottle	1500	0	25	0	↔	↑	↔
Sheep/head	33000	0	1	0	↔	↔	↔	
Skilled lab wage/day	4000	-11	-11	0	↔	↔	↔	
Casual lab wage/day	2500	0	15	0	↔	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodheda	Wheat /kg	110	0	-8	-8	↔	↔	↔
	Wheat flour/ kg	130	8	0	-7	↔	↔	↔
	SUGAR/kg	180	-10	-5	-10	↔	↔	↔
	V. OIL/ kg	400	-33	-32	-5	↓	↓	↔
	RICE/kg	400	67	67	100	↑	↑	↑
	Red beans/kg	400	100	0	-11	↑	↔	↓
	White beans/kg	300	50	36	20	↑	↑	↑
	Lentils/kg	350	17	9	17	↑	↔	↑
	Yellow Split peas/kg	280	-7	12	8	↔	↑	↔
	Salt/kg	50	-38	25	25	↓	↑	↑
	Potato/kg	200	43	100	-20	↑	↑	↓
	Tomato/kg	200	-20	0	-33	↔	↔	↔
	Onion/kg	200	43	18	33	↑	↑	↑
	Eggs/1egg	30	-14	0	0	↓	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1500	7	15	0	↔	↑	↔
Sheep/head	26000	-7	-13	-19	↔	↓	↓	
Skilled lab wage/day	4000	14	-20	0	↔	↓	↔	
Casual lab wage/day	2500	0	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.