

ETHIOPIA MONTHLY MARKET WATCH February 2014

Highlights

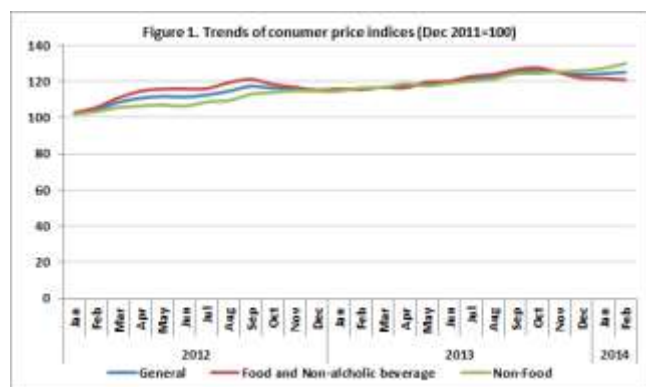
- The year to year general inflation rate rose by 7.9%; food inflation by 4.7% and non-food by 11.4%. Compared to February 2013, the total price index of bread and cereals has increased by 3.6% which contributed to the rise in the indices of food and general consumer price index.
- The Ministry of Trade has made adjustment on retail selling prices of fuel at the beginning of February 2014. The retail prices of regular (benzene) increased by 5.3%, gasoline by 6.9% and kerosene by 10.5% in all gas stations operate in the capital, Addis Ababa.
- The import parity price of maize at Addis Ababa stood higher than the local wholesale price by about 67% while wheat price stood below local price by 2%. The prices spread for maize keep diverging while that of wheat converged and stood at the same level.
- In spite of the general cereal retail prices stability, a month to month price increases higher than the lower limits were observed in many monitored markets located in the eastern, south, south east and northern parts of the country. The stability of cereal prices was also observed in relief cash woredas where the transfer modality is market based response, cash.

The Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) is used to detect abnormally high food prices. The indicator is constructed as the gap between observed prices and their long-term seasonal trend. The tool measures how far the observed prices depart from the seasonal price trends. A price alert is generated when the observed price is above the seasonal price. Thresholds are defined to characterize the situation on a given market: normal - stress - alert - crisis. Food price crises are correlated with food security crises. Early detection of rising prices supports decision making and early action. Alerts are calculated using the latest available price data for selected markets and commodities. WFP HQ puts online access of the ALPS and, to access it please click here <http://foodprices.vam.wfp.org/ALPS-at-a-glance.aspx>

Inflation and Consumer Price Index

The year to year general inflation rate rose by 7.9%; food inflation by 4.7% and non-food by 11.4%. Compared to last year the same month, the total price index of bread and cereals has increased by 3.6% which contributed to the rise in the indices of food and general consumer price index. Compared to last month level, the general inflation showed 0.7% increases while the food inflation dropped by the same percent.



Source: central Statistics Agency

Fuel Prices

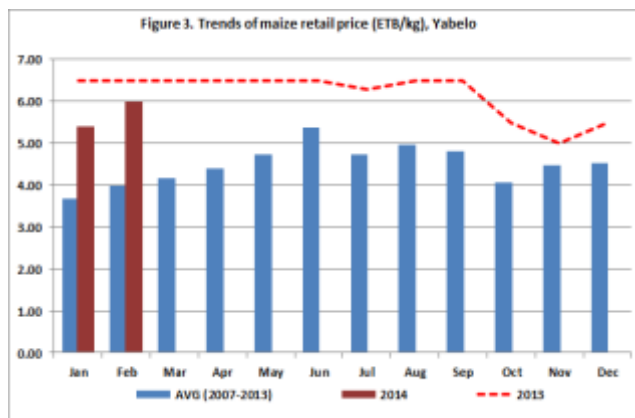
The Ministry of Trade made adjustment on retail selling prices of fuel at the beginning of February 2014. The adjustment was reported being made based on the increase of fuel prices in the international markets. Since September 2013, the fuel prices are adjusted for the second time in the last six months. The retail price of regular (benzene) increased by 5.3%, gasoline by 6.9% and kerosene by 10.5% in all gas stations operate in the capital, Addis Ababa. In October 2014, the adjustment was 3.51% for regular, 2.6% for gasoline and 2.15% for kerosene. Thus, in the last half year, the prices of fuel increased by 9% for regular, 9.7% for gasoline and 12.9% for kerosene. The regular fuel sold at the capital is the one mixed with ethanol produced by the local sugar factories and that contribute to relatively lower rate of adjustment as compared to other parts of the country. The retail price of regular, gasoline and kerosene per liter in all gas stations at Addis Ababa stood respectively at ETB 20.47, ETB 18.55 and ETB 15.75. This price adjustment has a direct implication to the rise in public transport and freight fees.

Major Cereal Import Parity and Local Prices

The import parity price of maize at Addis Ababa stood higher than the local wholesale price by about 67% while for wheat price stood below local wholesale price by 2%. The prices spread for maize keep diverging while that of wheat come to converge and almost at the same level with the difference of 2%. Both the wholesale and import parity prices at Addis Ababa of both cereals remained stable as compared to last month with minor changes not exceeding 3%. The import parity price of maize at Addis Ababa stood at US \$ 503/mt and at US \$405/mt for wheat. The lower level of wheat import parity price indicates the profitability of wheat grain import from the international markets for sale in domestic markets. In the current context, Government owned business organization (Ethiopian Grain Trade Enterprise) is the sole importer of wheat grain for sale at subsidized price.

Retail Prices of Staple Cereals at District Markets

The retail price of major staple cereals (maize, wheat, sorghum and barley) remained almost normal as compared to the preceding month in most of the monitored district markets. The stability of cereal prices was also observed in relief woredas where the transfer modality is market based response option, cash, except in four district markets (Tarma Ber, Ankober, Sasiga and Chora Boter) of 26 relief cash woredas in Amhara and Oromia regions. However, the current level of prices stood far higher than last year the same month and long term average.



Source: WFP

In spite of the general cereal retail prices stability, month to month price increases higher than the lower limits of 5% were observed in markets located in the eastern (Fedis, Kurfachele, Gola Odaa, Meyumuluke, Huse, Mieso, Daro lebu, Harar, Dire Dawa, Gode), central (Abomsa, Wolenchiti), south and south east (Yabelo, Delo, Esenso, Sodo) and northern (Hintalo Wajirat, Ofla, Saesi Tseada Amba) parts of the country. The increase of prices in these markets ranges from 7 -12% for maize, 6-18% for wheat, 6-10% for sorghum and 7-17% for barley (see Table 1). At this peak marketing season, such price behavior is not normal trend and might compromise the purchasing power and food security status of market dependent poorer households.

In Somali and Afar regions monitored markets, the retail prices of imported food items mainly rice, spaghetti, sugar and wheat flour remained the same as to last month's level. In Somali region, these food items are imported as duty free on the basis of quota allocated to selected woredas. This provision contributed the prices to remain almost the same over months. Furthermore, camel milk price at Gode and Kebridehar markets remained the same to past month's level while increased at Jijiga by 5%. Milk is one of the commonly consumed food items and has an important role to maintain households' food security of the regional rural population. Thus, the stability of milk price will be contributing factor to access the product by households who depend on purchases; and, at the same time the stability shows the availability of the product at normal scenario. In SNNP region, cash crop prices showed mixed behavior where coffee prices decreased and that of ginger showed increases as compared to last year.



Source: WFP

Supply to Markets

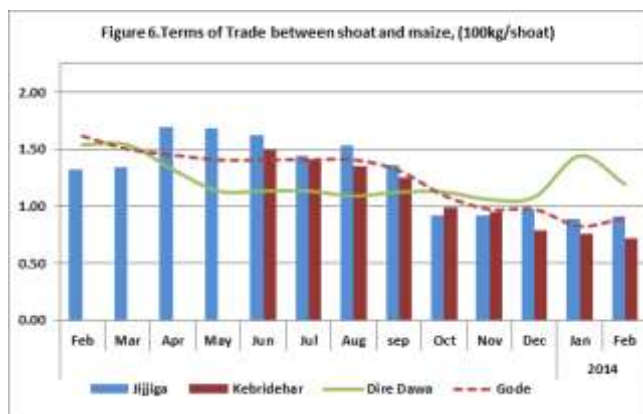
Meher season production contributes about 90% of overall grain production and about two months elapsed since *meher* season production harvests completed. The month of February is in the middle of peak marketing season where district markets are predominantly supplied by local producers. The Central Statistics Agency estimates of 2013/14 production showed an increment of overall grain production by about 10% and this might contribute to the continuous supply of staples to markets by farmers for the next months to come, in particular to markets closer to production estimates is moderate to higher. In Afar region, the distribution of in-kind humanitarian food assistance has made beneficiaries of the programme to be less dependent on markets for staples and hence played role to the stability of supply. The supply of imported food commodities (rice, sugar, wheat flour, vegetable oil etc) in Somali region was found normal.

Terms of Trade (TOT)

TOT for shoat to cereal: On average the price of shoat increased at Gode (9%), at Jijiga (3%) but decreased at Dire Dawa (10%) and at Kebridehar (5%). The price increases at Gode markets was due to demand rises and relatively lower supply of shoats. The rise in prices of maize at Dire Dawa and Kebridehar has adversely impacted the terms of trade in these two markets. At Gode and Jijiga markets, the relatively stable price of maize and increased prices of shoat has improved the terms of trade. The improvement in terms of trade in these two markets might put the pastoralists in better purchasing power, assuming that they get fair share of the margin.

The terms of trade between average shoat and maize stood the lowest at Kebridehar (72kg), Gode (90kg), Jijiga (91kg) and the highest at Dire Dawa (119kg). Compared to February 2013, the terms of trade between average shoat to maize and sorghum has reduced in these markets. Compared to January 2014, the terms of trade with maize improved at Gode (9%), Jijiga (4%) while deteriorated at Dire Dawa and Kebridehar respectively by 17% and 4%.

TOT for wage labour to cereal: daily wage rates of unskilled labour in most of monitored markets showed neutral to decreased changes except in few markets where labour demand has increased for non-agricultural activities. It so happened due to the fact that the harvest season was completed a month ago that absorbs the highest unskilled labourers. In February 2014, the wage rates stood in ranges of ETB 40-60 in Afar, ETB 25-50 in Amhara, ETB 40-70 in Oromia (East and West Hararghe) and ETB 45-70 in Tigray monitored markets. Compared to the same month of last year and the January 2014, the terms of trade between daily wage and sorghum remained the same in Amhara and Tigray woredas. The terms of trade with sorghum stood within the ranges of 3-7kg in Amhara and 4-13kg in Tigray. The daily wage in the month can purchases at least the minimum of 3kg of specific cereal (maize, sorghum or barley) in all monitored markets.



Source: WFP

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

1. Current Retail Price				Prices change (%)					
Region	Market	Major Comm	Current Price (ETB/100kg)	5Y	1Y	1 M	5Y	1Y	1 M
Oromia	Babile	Maize	565	52	-6	-6	▲	▶	▼
	Bedeno	Sorghum	791	16	11	5	▶	▶	▶
		Maize	680	73	8	5	▶	▶	▶
	Bedessa	Maize	550	46	0	0	▲	▶	▶
	Deder	Maize	600	50	0	0	▲	▶	▶
	Wolenchiti	Maize	550	69	10	10	▲	▶	▲
	Yabelo	Maize	650	63	0	8	▲	▶	▲
		Wheat	900	61	18	13	▲	▲	▶
Amhara	Merti	Sorghum	570	36	-15	10	▶	▶	▲
		Maize	450	25	-10	-10	▶	▶	▼
	Shewa Robit	Maize	600	42	9	0	▲	▶	▶
	Ebinet	Sorghum	700	90	21	-7	▲	▲	▼
	Ajebar	Wheat	936	76	8	0	▲	▶	▶
	Sekota	Sorghum	798	69	23	0	▲	▲	▶
	Kobo	Maize	573	55	-15	-3	▲	▶	▶
	Bati	Maize	560	48	0	0	▲	▶	▶
Tigray	Korem	Barley	725		-3	7		▶	▲
	Hawzien	Barley	700		25	0		▲	▶
	Wukro	Wheat	730	55	-1	0	▲	▶	▶
	Abi Adi	Wheat	825	51	15	-4	▲	▶	▶
		Sorghum	795	66	16	-3	▲	▲	▶
	Hadero	Maize	549		12	0		▶	▶
	Hossaena	Maize	534	53	0	0	▲	▶	▶
	Awassa	Maize	500	52	0	0	▲	▶	▶
SNNPR	Wenago	Maize	500	38	2	2	▲	▶	▶
	Esenso	Maize	480	41	1	0	▲	▶	▶
	W.Sodo	Maize	500	56	11	2	▲	▶	▶
Somali	Jijiga	Sorghum	1000	143	43	0	▲	▲	▼
		Maize	1000	131	43	0	▲	▲	▶
	Gode	Sorghum	1400	138	75	8	▲	▲	▼
	Kebridehar	Maize	1040			0			▶
2. Milk (Birr/Litre)			Price		1Y	1M		1Y	1M
Somali	Gode	Milk	20		0	0		▶	▶
	Jijiga	Milk	20		-20	5		▼	▶
	Kebridehar	Milk	18		0	0			▶
		Commodity	Current Price	5Y	1Y	1 M	5Y	1Y	1 M
3. Livestock (BIRR/Shoat)									
Somali	Jijiga	Shoat	913	34	-1	3	▲	▶	▶
	Gode	Shoat	900	90	-14	3	▲	▶	▶
	Dire Dawa	Shoat	775	39	-23	-10	▲	▼	▼
4. Terms of Trade Number of Quintal per Shoat									
Jijiga		maize/shoat	0.91	-37	-31	3	▼	▼	▶
		wheat /shoat	1.01	-21	-12	3	▼	▶	▶
Gode		maize /shoat	0.90	29	-44	9	▲	▼	▲
		sorghum/shoat	0.64	-8	-51	1	▶	▼	▶
Dire Dawa		maize/shoat	1.19	12	-23	-17	▶	▼	▼
5.Unskilled casual labour wage per day (BIRR/Day)					1Y	1M		1Y	1M
Amhara		Debark	35		0	0		▶	▶
Tigray		Korem	50		-17	0		▼	▶
Oromia		Bedeno	70			17			▲
6. Terms of Trade: kgs of grain per unskilled wage					1Y	1M		1Y	1M
Korem		sorghum/wage	5.62		-44	0		▼	▶
Ebinet		sorghum/wage	6.92		61	-8		▲	▼
Bati		sorghum/wage	6.43		0	0		▶	▶
Remark:	▲	Price increases above normal price fluctuation							
	▶	Normal Price Fluctuation							
	▼	Price decreases below normal price fluctuation							
Exchange rate applied			19.18						
Price fluctuation is considered normal if the price change is within 5% for 1 month; within 15% for 1 year; within 20% for 5 years average and above									
1M=Compared to Januray 2014									
1Y=Compared to February 2013									
5Y=Compared to 5+ years monthly average									