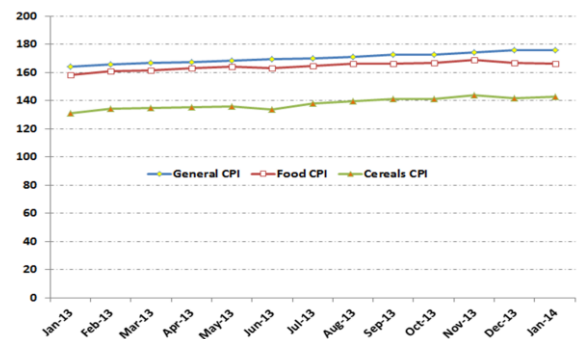## Highlights

- The results of the market monitoring for February 2014 show that food commodities are available in all markets and that retail prices have declined slightly compared with January. Moreover, households' purchasing power was better in February 2014 compared to the same period in 2013. As a result, the food security situation of poor households who depend on purchases is believed to have marginally improved.

- In January 2014, the general inflation rate of the country was 7.44 percent while that of food inflation was 4.93 percent. The general Consumer Price Index (CPI) during the same month was reported at 176.05 while the food CPI was 166.04 and that of cereals stood at 142.51.

- Between January and February 2014, the average domestic wholesale prices of wheat flour have increased by 2.1 percent and 2.8 percent, respectively. The wholesale prices of wheat and wheat flour have consistently followed a relatively stable trend since August 2013.

- In February 2014, the average retail prices of wheat and wheat flour declined by 2 percent and 3 percent, respectively, compared to the previous month. The retail prices of both wheat and wheat flour have shown a declining trend during the past two-three months.

- The supply of food items was normal in February 2014 in most of the monitored markets, though the flow of commodities was disrupted in some parts of the country due to localized conflicts.

- The average TOT between the daily unskilled labour wage rate and the retail price of wheat flour was 20.31Kg/day in February 2014. The TOT improved by 4 percent between January and February 2014, and it was 28 percent higher than during the same month last year.

- During the month of reporting, the average TOT between a sheep and wheat flour was 269.1Kg/sheep – an increase of 2.6 percent compared with the previous month, and 8 percent higher than in February last year.

- The FAO Food Price Index was 2.6 percent more in February 2014 than it was in January, but 2.1 percent down from February 2013. The Cereal Price Index was up by 3.6 percent in February compared to January, but 19 percent below their level in February last year.

- International wheat prices have increased by 6 percent between January and February 2014, but still lower than the prices recorded during the same month last year – down by 8.4 percent.

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

The general inflation rate in Yemen was declined from 8.13 percent in December 2013 to 7.44 in January 2014 – based on a 12 month moving average. The inflation rate for food has also decreased from 6.18 percent in December 2013 to 4.93 percent in January 2014.

In January 2014, the general Consumer Price Index (CPI) was recorded at 176.05 while the Food CPI was 166.04 and that of breads and cereals stood at 142.51 (Figure 1). The general CPI was 175.93 in December 2013 while that of Food CPI during the same month

Figure 1: Trends in Consumer Price Index

Source: Central Statistics Organization of Yemen

was 166.75. The annual inflation rates for most of the non-staple food items have fallen significantly between December 2013 and January 2014. The inflation rates in January 2014 ranged from 1.70 percent for vegetables to 12.34 percent for fruits.
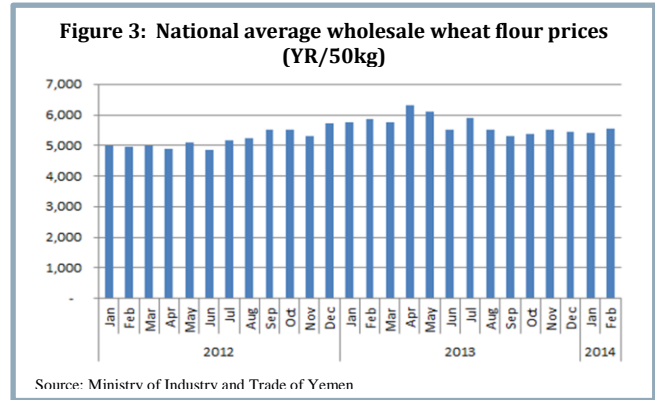
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[1] The **CPI** is a measure of the average change in the prices of consumer items over time compared with a base year — goods and services that people buy for day-to-day living. The CSO of Yemen uses the 2005/06 Household Budget Survey as a base year. **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

During the month of reporting, the average wholesale price of 50Kg wheat grain was 4,900YR while that of wheat flour was 5,550YR. Between January and February 2014, the average domestic nominal[2] wholesale prices of wheat and wheat flour increased by 2.1 percent and 2.8 percent, respectively. The wholesale prices of wheat and wheat flour have consistently followed a relatively stable trend since August 2013 (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)

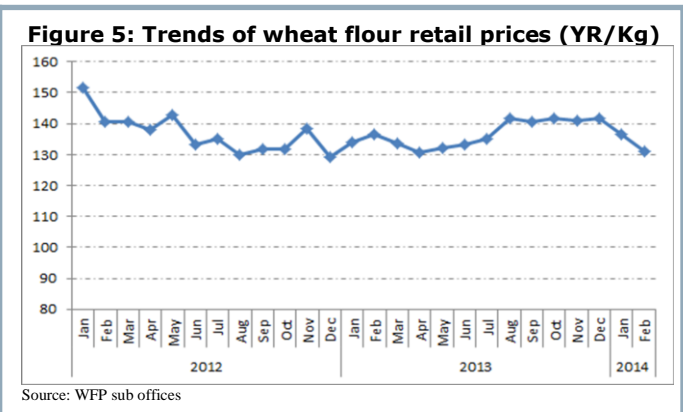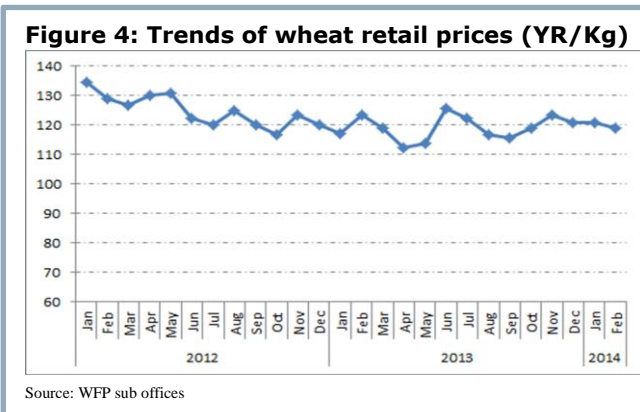Source: Ministry of Industry and Trade of Yemen
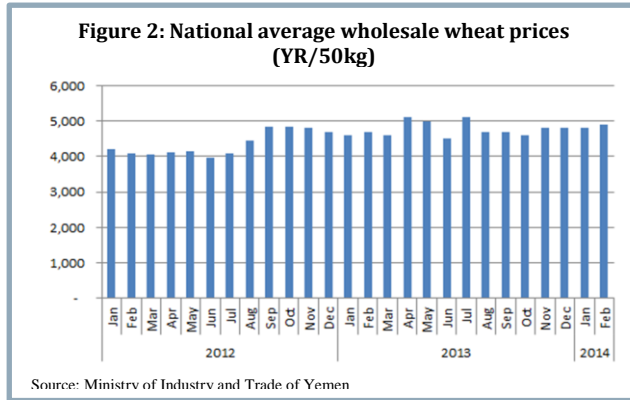
The wholesale prices of most of the other food and non-food commodities have remained unchanged between January and February. However, a small increase in the price of cooking oil (1.4 percent) was observed while prices of red and white beans as well as rice fell slightly (by approx. 1 percent).

C. Retail Prices of Wheat and Wheat Flour

In February 2014, the average nominal retail prices of wheat and wheat flour were 119YR/Kg and 133YR/Kg, respectively. Between January and February, the average retail prices of wheat were declined by 2 percent and 3 percent, respectively (Figures 4 and 5). The retail prices of both wheat and wheat flour have shown a declining trend during the past two-three months.

Looking at the pattern of retail prices of wheat and wheat flour across the main markets during the month of reporting, Sa'ada had the highest prices (130YR/Kg for wheat and 140YR/Kg for wheat flour) while the lowest prices were recoded from Amran (100YR/Kg for wheat and 122YR/Kg for wheat flour). The market situation in Sa'ada has shown further improvement in February 2014. Except the retail price of sugar, which increased by 13 percent between January and February 2014, the prices of most commodities have remained relatively stable and prices of fuel, vegetable oil, rice and red beans have declined - ranging from 18 percent for rice to 37 percent for red beans (*See Table 1*).

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

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[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

Like the previous months, the supply of essential food commodities has been normal throughout February 2014 in most of the monitored markets. Nevertheless, the flow of food commodities was disrupted in some southern and northern parts of the country due to the sustained localized conflicts, which had a negative impact on food availability. During the month of reporting, the volume of imported wheat was sufficient to cover the national consumption requirement and the supply is expected to remain normal in the coming months.

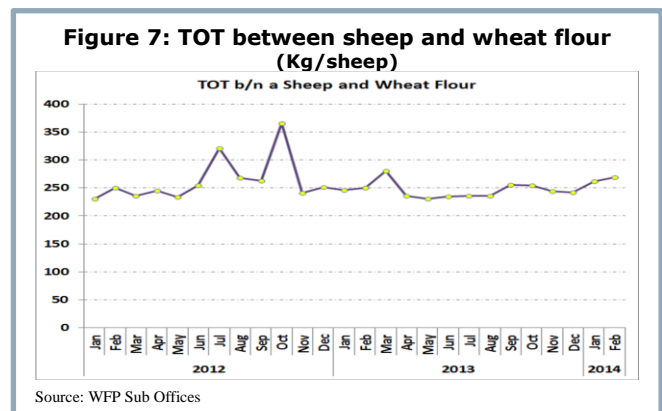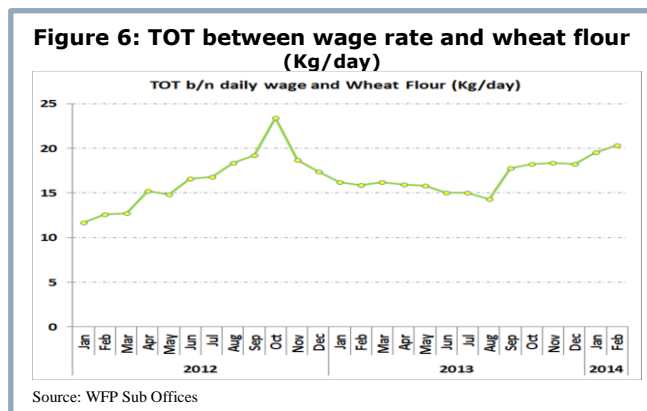## E. Terms of Trade (TOT)[3]

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

The nominal average daily wage rate in February 2014 was 2,697YR, which is 1.1 percent higher than the rate in January 2014. The average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 20.31Kg/day. The TOT in February 2014 was further improved by 4 percent due to the reduction in the retail prices of wheat flour and minor increases in the daily wage rates. At the regional level, the ToT improved in all markets except in Aden and Amran where it deteriorated by 17 percent and 8 percent, respectively. The ToT between wage labour and wheat flour were 28 percent higher in February 2014 than during same month last year, i.e. in February 2013 the average daily wage purchased 15.85Kg of wheat flour but 20.31Kg in February 2014 (Figure 6).

TOT between sheep and wheat flour

During the month of reporting, the average price of a two-year old male sheep was 35,750YR, which is 2.8 percent lower than it was in January 2014. The average TOT between a sheep and wheat flour was 269.13Kg/sheep – improved by 2.6 percent from that reported in January 2014. Households who derive some of their income from the sale of sheep were able to purchase an average of 7Kgs more wheat flour in February 2014 than during the previous month. The highest TOT during the month were recorded in Sa'ada (326.19Kg/Sheep) while the lowest were observed in Hodieda (226.67Kg/Sheep). Apart from a peak in March, the ToT between sheep and wheat flour have remained fairly constant since January 2013, though they have shown a rising trend during the past two months. Moreover, they were 8 percent higher in February 2014 than they were in February last year, i.e. one sheep purchased 250Kg of wheat flour in February 2013 but increased to 269Kg in February 2014 (Figure 7).

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

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

[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 208.1 points in February 2014, 5.2 points, or 2.6 percent more than the index for January, but still 2.1 percent less compared to the value in February 2013 (Figure 8). Prices have increased for all the commodity groups making that up the index, except meat, which fell marginally.

The FAO Cereal Price Index averaged 195.8 points in February, up 6.8 points, or 3.6 percent, from the previous month. However, cereal prices are currently 19 percent below their level in February last year, a clear sign that the world supply/demand situation has eased considerably compared to last year.
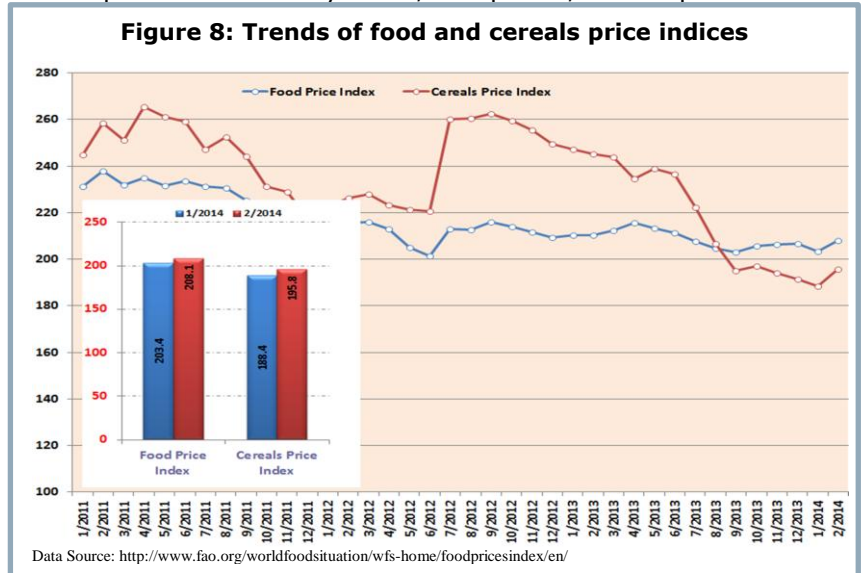
Figure 8: Trends of food and cereals price indices

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

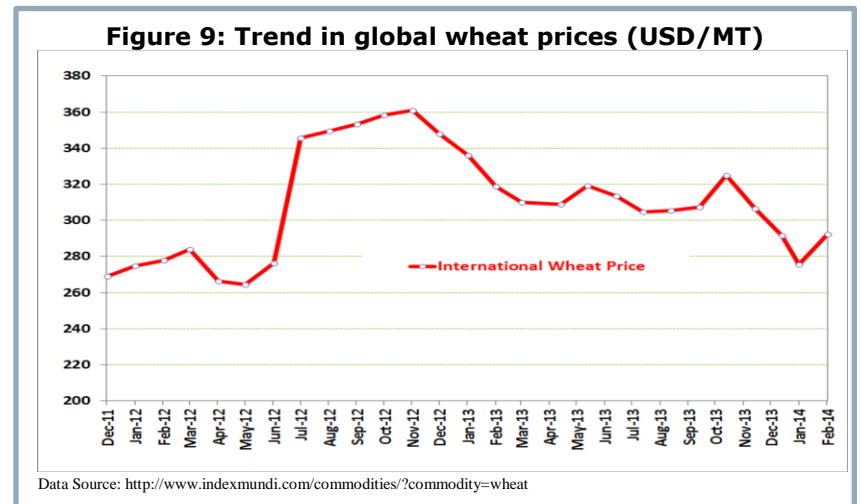International wheat prices have increased by 6 percent between January and February 2014, but still lower than the prices recorded during the same month last year – down by 8.4 percent (Figure 9). Though the transmission of international prices to the domestic markets in Yemen is only 20 percent[4], the rise in the international wheat prices during the month of reporting may likely to push the domestic prices up to some extent. Nonetheless, 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 increase in the international prices may have very little impact domestically.

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

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

The overall market monitoring information in February 2014 and results of the analysis show that essential food commodities have generally continued to be adequately available in all markets and retail food prices have slightly declined. Moreover, household purchasing power has improved in February 2014 compared to the same period in 2013. As a result, the food security situation of poor households, who mainly depend on food purchases, is believed to be marginally improved.

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[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 - February 2014

Commodity Prices (Yemeni Rials)

Markets	Commodity	Current Price	1Y	6M	1M	Avg 1Y	Avg 6M	Avg 1M
Sana'a	Wheat /kg	125	-7	4	-4	↔	↔	↔
	Wheat flour/ kg	138	-1	-1	-1	↔	↔	↔
	SUGAR/kg	225	-10	2	2	↔	↔	↔
	V. OIL/ kg	400	-18	-11	-17	↓	↓	↓
	RICE/kg	200	-20	-20	-20	↓	↓	↓
	Red beans/kg	460	31	31	2	↑	↑	↔
	White beans/kg	325	8	30	8	↔	↑	↔
	Lentils/kg	350	9	9	0	↔	↔	↔
	Yellow Split peas/kg	325	8	16	8	↔	↑	↔
	Salt/kg	50	-50	0	0	↓	↔	↔
	Potato/kg	180	-28	-28	-10	↓	↓	↔
	Tomato/kg	170	-39	-32	-6	↓	↓	↔
	Onion/kg	175	-13	17	-3	↓	↑	↔
	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	35000	17	17	-3	↑	↑	↔
	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	120	-11	0	-4	↓	↔	↔
	Wheat flour/ kg	135	-4	-4	-4	↔	↔	↔
	SUGAR/kg	200	-13	0	-9	↓	↔	↔
	V. OIL/ kg	350	-30	-13	-22	↓	↓	↓
	RICE/kg	180	-40	-18	-22	↓	↓	↓
	Red beans/kg	400	21	5	0	↑	↔	↔
	White beans/kg	250	-17	0	-34	↓	↔	↓
	Lentils/kg	367	22	5	5	↑	↔	↔
	Yellow Split peas/kg	250	-17	0	-17	↓	↔	↓
	Salt/kg	43	-57	-13	-13	↓	↓	↓
	Potato/kg	147	-51	-27	-27	↓	↓	↓
	Tomato/kg	100	-69	-67	0	↓	↓	↔
	Onion/kg	125	-50	4	-17	↓	↔	↓
	Eggs/1egg	32	6	-10	6	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1400	-7	-7	0	↔	↔	↔
	Sheep/head	40000	0	60	14	↔	↑	↑
	Skilled lab wage/day	2000	-60	-50	-33	↓	↓	↓
	Casual lab wage/day	2000	0	0	-20	↔	↔	↓
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hajja	Wheat /kg	128	7	7	7	↔	↔	↔
	Wheat flour/ kg	137	-2	-9	-2	↔	↔	↔
	SUGAR/kg	200	-9	-9	-29	↔	↔	↓
	V. OIL/ kg	417	-20	4	-13	↓	↔	↓
	RICE/kg	233	-7	-7	-14	↔	↔	↓
	Red beans/kg	350	9	9	-27	↔	↔	↓
	White beans/kg	367	22	31	22	↑	↑	↑
	Lentils/kg	383	16	10	28	↑	↔	↑
	Yellow Split peas/kg	317	6	6	6	↔	↔	↔
	Salt/kg	90	13	29	80	↑	↑	↑
	Potato/kg	183	-8	-8	-8	↔	↔	↔
	Tomato/kg	100	-67	-60	-44	↓	↓	↓
	Onion/kg	183	-8	22	-8	↔	↑	↔
	Eggs/1egg	37	22	22	5	↑	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1600	33	7	7	↑	↔	↔
	Sheep/head	35000	9	17	-8	↔	↑	↔
	Skilled lab wage/day	5000	11	0	0	↑	↔	↔
	Casual lab wage/day	3000	50	50	20	↑	↑	↑
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Sa'ada	Wheat /kg	130	0	18	-4	↔	↑	↔
	Wheat flour/ kg	140	0	0	-3	↔	↔	↔
	SUGAR/kg	293	9	33	13	↔	↑	↑
	V. OIL/ kg	383	-23	-15	-23	↓	↓	↓
	RICE/kg	243	-13	22	-19	↓	↑	↓
	Red beans/kg	283	-11	-6	-37	↓	↔	↓
	White beans/kg	333	11	67	-5	↑	↑	↔
	Lentils/kg	300	0	0	0	↔	↔	↔
	Yellow Split peas/kg	283	-6		5	↔	NA	↔
	Salt/kg	50	-50	0	0	↓	↔	↔
	Potato/kg	317	44	58	6	↑	↑	↔
	Tomato/kg	317	-10	58	6	↔	↑	↔
	Onion/kg	267	7	167	7	↔	↑	↔
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	125	0	0	-38	↔	↔	↓
	DIESEL/ltr	100	0	0	-33	↔	↔	↓
	Gas/bottle	1650	10	3	3	↔	↔	↔
	Sheep/head	45667	20	-9	-3	↑	↔	↔
	Skilled lab wage/day	4667	-7	4	4	↔	↔	↔
	Casual lab wage/day	3167	58	27	6	↑	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Amran	Wheat /kg	100	-9	-17	-5	↔	↓	↔
	Wheat flour/ kg	122	-10	-13	-2	↔	↓	↔
	SUGAR/kg	225	-6	2	13	↔	↔	↑
	V. OIL/ kg	332	-32	-26	-25	↓	↓	↓
	RICE/kg	170	-31	-26	-23	↓	↓	↓
	Red beans/kg	225	-30	-25	-25	↓	↓	↓
	White beans/kg	250	-17	0	0	↓	↔	↔
	Lentils/kg	250	-17	-17	-11	↓	↓	↓
	Yellow Split peas/kg	250	-17	-17	0	↓	↓	↔
	Salt/kg	50	-38	0	0	↓	↔	↔
	Potato/kg	163	-19	-19	-19	↓	↓	↓
	Tomato/kg	125	-43	-50	-17	↓	↓	↓
	Onion/kg	150	-25	0	0	↓	↔	↔
	Eggs/1egg	35	6	16	6	↔	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	110	0	10	0	↔	↔	↔
	Gas/botle	1500	0	25	0	↔	↑	↔
	Sheep/head	30500	-13	-13	-8	↓	↓	↔
	Skilled lab wage/day	3750	-17	-17	-6	↓	↓	↔
	Casual lab wage/day	2250	-10	4	-10	↔	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hodieda	Wheat /kg	110	0	0	0	↔	↔	↔
	Wheat flour/ kg	125	0	-11	-4	↔	↓	↔
	SUGAR/kg	177	-20	-12	-2	↓	↓	↔
	V. OIL/ kg	367	-25	-19	-8	↓	↓	↓
	RICE/kg	320	14	45	-20	↑	↑	↓
	Red beans/kg	400	21	14	0	↑	↑	↔
	White beans/kg	300	7	20	0	↔	↑	↔
	Lentils/kg	350	17	9	0	↑	↔	↔
	Yellow Split peas/kg	275	-8	10	-2	↔	↔	↔
	Salt/kg	40	-50	-20	-20	↓	↓	↓
	Potato/kg	133	-39	-33	-33	↓	↓	↓
	Tomato/kg	150	-40	-40	-25	↓	↓	↓
	Onion/kg	150	-25	0	-25	↓	↔	↓
	Eggs/1egg	32	-10	6	6	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1500	7	15	0	↔	↑	↔
	Sheep/head	28333	-6	-6	9	↔	↔	↔
	Skilled lab wage/day	4333	24	-13	8	↑	↓	↔
	Casual lab wage/day	2767	11	84	11	↑	↑	↑
	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.