

ETHIOPIA MONTHLY MARKET WATCH January 2014

Highlights

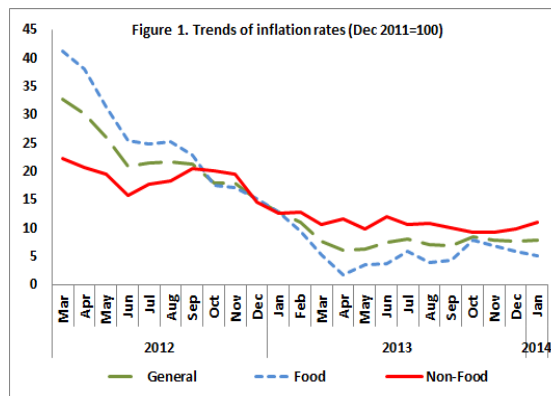
- In January 2014, country level year to year general inflation rate increased by 7.8 percent; food inflation by 5.1 percent and non-food by 10.9 percent. The total price index of bread and cereals has increased by 3.1 percent from last year similar month which significantly contributed to the rise in the indices of general and food index.
- The import parity price of maize (Durban) rose by 8 percent while wheat (Black Sea) showed a decline of 5 percent at Addis Ababa. The price difference between import parity and local at Addis Ababa for maize stood at about 65 percent.
- The nominal wholesale prices of maize, wheat and sorghum have decreased seasonally across big markets. The magnitude of prices reduction was higher in December as compared to the price reduction in January.
- The nominal retail prices of staple cereals have decreased in many of locally monitored markets including East and West Hararghe of Oromia region, Afar and Dire Dawa. However, the prices of maize and sorghum rose in Somali region.
- Terms of trade between shoat and maize deteriorated at Kebridehar (4 percent), Jijiga (9 percent) and Gode (15 per cent). However, the terms of trade with sorghum remained stable at Jijiga and Gode while decreased at Kebridehar by 5 percent.

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

In January 2014, country level year to year general inflation rate increased by 7.8 percent; food inflation by 5.1 percent and non-food by 10.9 percent. The total price index of bread and cereals in has increased by 3.1 percent from last year similar month which significantly contributed to the rise in the indices of general and food consumer price index. The general inflation indicates a rise in cost of living by 7.8 percent unless compensated by income rise. The non-food inflation has increased continually over the last three months while the



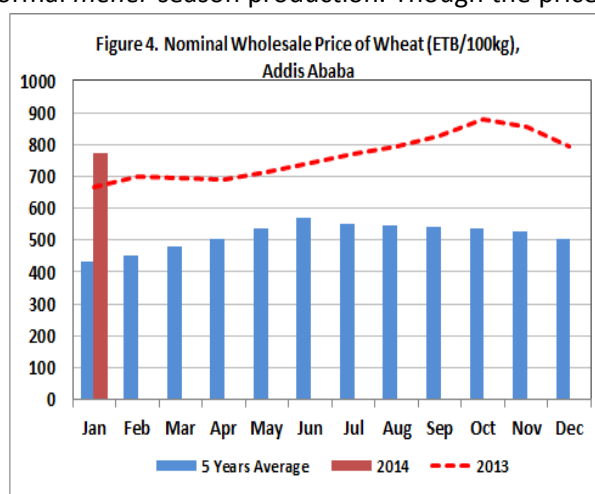
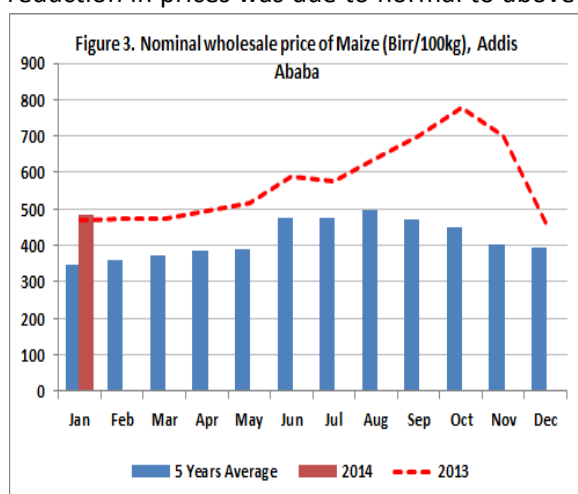
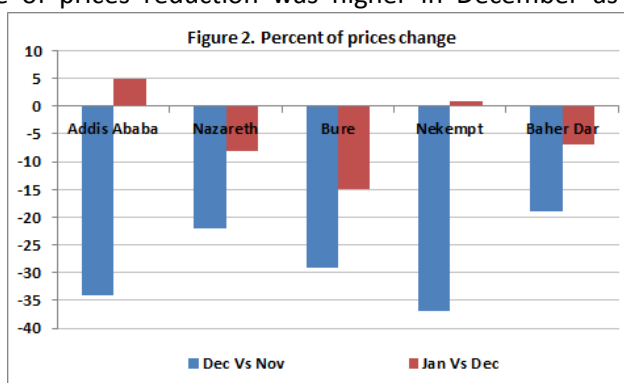
food inflation decreased for the same period. The higher weights (53 percent) of food component in the consumer price index calculation influence the levels of general inflation to follow almost similar trends with minor changes. The month to month inflation changes of food component showed declining trends at different level from the preceding month.

Major Cereal Import Parity and Local Prices

The import parity price of maize (Durban) rose by 8 percent while wheat (Black Sea) showed a decline of 5 percent at Addis Ababa in January from December level. The price difference between import parity and local at Addis Ababa for wheat has converged while for maize the import parity is higher by about 65 percent. The import parity price of maize at Addis Ababa stood higher than its five years average (2008-2012) while stood below for wheat. The comparative lower price of local maize provides humanitarian organization to make local procurement subject to the permission of Government for bulk purchase from markets.

Cereal Wholesale Prices in Large Urban Markets

The wholesale prices of maize, wheat and sorghum have decreased seasonally across big markets that serve as distribution hubs. The magnitude of prices reduction was higher in December as compared to the preceding month in particular in markets closer to the surplus production locations of the country. In December, the prices of maize have decreased by about more than a quarter in markets of Nekempt, Bure and Debre Markos, Addis Ababa. Though prices decreased in other markets too by about two digits, it was at lower rate than indicated markets. The wheat prices have also reduced by about 18-21% in markets of Bure, Debre Markos, Ambo and Hossaena. These markets are one of the many supply markets to other parts of the country. Though prices decreased in January, the magnitude was lower than the changes observed in December (see Figure 2). The reduction in prices was due to normal to above normal *meher* season production. Though the prices

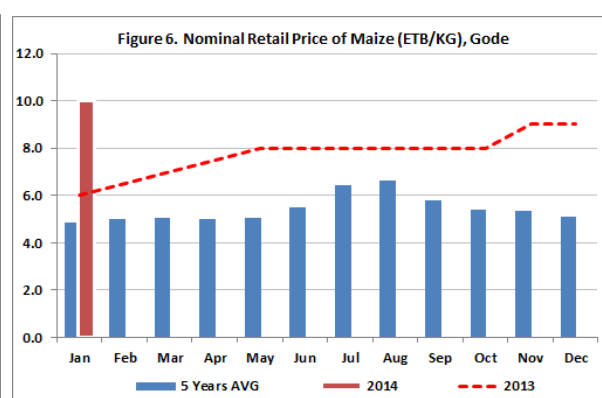
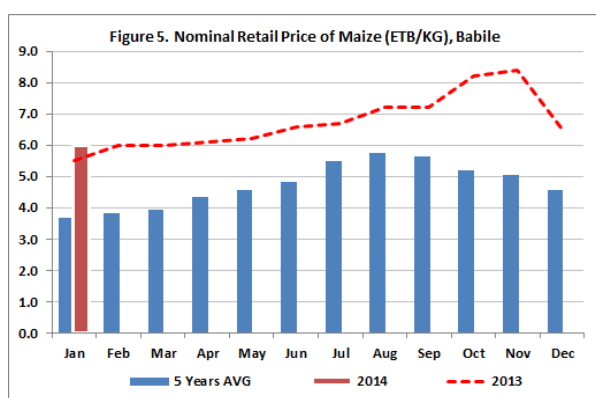


Source: Ethiopian Grain Trade Enterprise

showed declining trends in the past two months, the levels of prices are higher than the long term average and last year the same month (see Table 1). The nominal wholesale prices of cereals at Addis Ababa market are depicted in Figure 3 and Figure 4. Addis Ababa market is a terminal market that has influence in price settings.

Cereal Retail Prices in District Markets

In December and January, the retail prices of staple cereals (maize, wheat and sorghum) have seasonally decreased in many of the reference markets. The seasonal price decreases was also observed in woredas of East and West Hararghe or Oromia, Afar and Dire Dawa regions where prices stood the highest as compared to other reference markets. The down ward move of these staples prices is associated with better harvest of the season and hence less dependence of farming households on markets. The magnitude of price reduction is high on maize as compared to sorghum and wheat. Though retail prices decreased in many markets, Gode, Kebridehar and Jijiga (Somali), Abomsa, Jarso, Gelemso (Oromia) and Meskan (SNNPR) markets showed 9 to 20 percent maize price rises; Delo (Oromia), Kebridehar (Somali), Kobo (Amhara) and Dire Dawa markets also experience 5 to 10 percent sorghum prices increase (see Table 1). Similar to the wholesale prices trend, the magnitude of price changes has diminished in January from the preceding month. In spite of prices reduction, the current prices are higher than last year the same month and long term average (see Table 1). Compared to pre-harvest months, the current levels of price have contribution to the improvements of food insecurity of poor and vulnerable households. The price level and its changes of staples cereals in selected markets are indicated in Figure 5 and 6.



Source: WFP

The prices of imported food items such as rice, spaghetti, macaroni, sugar and wheat flour have remained stable in many of reference markets of Somali and Afar regions. The stability of prices of these commodities in Somali region is mainly due to the presence of quota based duty-free import to most of the woredas in the region. Furthermore, the price at the international markets and exchange rates are the main driving forces to the level of prices. The selling prices of these duty free imported items are determined by the Government and are below the market prices to benefit the poor and vulnerable communities.

Supply to Markets

The supply of staple cereals at the woreda level markets comes from farming households. The exchange in the highland parts of the country takes place between farmers and consumers. At this peak marketing season, most markets get supply from local production. The purchase of cereals from grain traders is dominantly the experience of urban centers and in localities where weekly

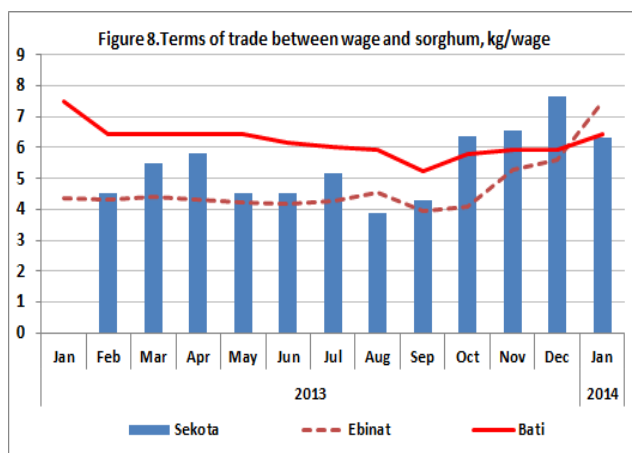
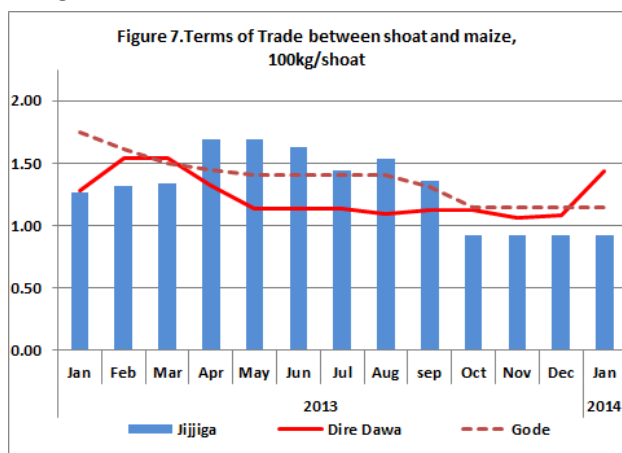
open markets are inexistence. In most highland areas, market days are held on fixed days of the week and in such markets small scale farmers sell their produce to traders and consumers. In Somali region, markets operate all days of the week and the usual practice is that grain trade takes place between traders and consumers. On the other hand, imported food commodities such as rice, spaghetti, vegetable oil, wheat flour and macaroni are supplied from the international markets. These imported items are dominantly preferred and consumed in the pastoral communities of Somali and afar regions.

Terms of Trade (TOT)

TOT for shoat to cereal: The prices of shoat in reference markets remained stable while staple cereals price in Somali region rose in particular for maize. As a result, the terms of trade between shoat and maize deteriorated at Kebridehar (4 percent), Jijiga (9 percent) and Gode (15 percent). However, the terms of trade with sorghum remained stable at Jijiga and Gode while decreased at kebridehar by 5 percent. In Dire Dawa market, the price of staple showed seasonal decrease and hence the terms of trade improved for maize (33 percent) and wheat (6 percent). The substitutability of maize and sorghum may protect households from bad terms of trade with maize in Jijiga and Gode.

The terms of trade between average shoat and maize stood the lowest at Kebridehar (75kg), Gode (83kg), Jijiga (89kg) and the highest at Dire Dawa (144kg). The terms of trade stood below the five years average and last year the same month by about 20 to 40 percent. The deterioration of terms of trade at the current peak marketing season is uncommon and may impact the purchasing power of pastoralists; especially if the prices of shoat continued to decline.

TOT for wage labour to cereal: Following end of *meher* harvest activities, the demand for unskilled agricultural labour either declined or remained the same in most markets. In few markets, increased



wage rate was observed in areas where the harvests were late and in localities public projects are on-going. In markets where wages increased and cereals prices remained stable or decreased, the terms of trade between daily wage and sorghum improved such as in Ebinat (33 percent) and Bati (9 percent). Given the decreasing trends of staple cereals, labour dependent households are in a better position as compared to previous months.

Source: WFP

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

Major Markets	Major Comm	Current Price	Prices change (%)					
			5Y	1Y	1 M	5Y	1Y	1 M
1.Local Wholesale and Import Parity Price (USD/MT)								
Addis Ababa	Maize	509	3	-5	-6	▲	▲	▼
	Wheat	404	-5	11	-6	▲	▲	▼
	Sorghum	510	5	-12	-18	▲	▲	▼
	Teff white	692	42	-6	-4	▲	▲	▼
	Teff mixed	679	49	-2	-4	▲	▲	▼
	Teff red	541	48	-1	-5	▲	▲	▼
Nazrath	Maize	306	5	-3	-8	▲	▲	▼
	Wheat	429	-1	8	-2	▲	▲	▼
	Sorghum							
	Teff white	762	53	-6	-1	▲	▲	▼
	Teff mixed	703	62	-6	-3	▲	▲	▼
	Teff red	578	53	-7	-3	▲	▲	▼
Dire Dawa	Teff white	767	38	-5	-3	▲	▲	▼
	Teff mixed	703	52	-3	0	▲	▲	▼
	Teff red	618	48	-4	-3	▲	▲	▼
Mekelle	Teff white	751		-3	0		▲	▼
	Teff mixed	546		-9	7		▲	▲
	Teff red	499		4	-1		▲	▼
import parity price	Maize	509	5	-1	8	▲	▲	▲
	Wheat	408	-6	-22	-3	▲	▼	▲
2. Wholesale Price (BIRR/100KG)			5Y	1Y	1M	5Y	1Y	1M
Addis Ababa	Maize	485	39	3	5	▲	▲	▲
	Wheat	773	79	16	-2	▲	▲	▲
	Sorghum	908	51	5	-8	▲	▲	▼
Ambo	Maize	430	33	-7	-2	▲	▲	▲
	Wheat	683	70	13	-2	▲	▲	▲
Gonder	Maize	613	62	17	9	▲	▲	▲
	Ziway Maize	465		-1	-3		▲	▲
Dire Dawa	Wheat	823	41	-1	-6	▲	▲	▼
	Jimma Maize	438	36	2	-4	▲		▲
	Nekempt Maize	408		-6	1		▲	
	Mekele Maize	527	32	-3	-1	▲	▲	▲
	Wheat	737	43	-5	-1	▲	▲	▲
	Sorghum	847	57	10	3	▲	▲	▲
Nazareth	Maize	477	37	-7	-8	▲	▲	▼
	Wheat	727	71	13	0	▲	▲	▲
Shashemene	Maize	485	45	5	3	▲	▲	▲
	Wheat	740	75	21	0	▲	▲	▲
Bale Robe	Wheat	645	65	19	-1	▲	▲	▲
	Bure Maize	461		-6	-15		▲	▼
	Wheat	625		15	-3		▲	▲
Hossana	Maize	520	39	-7	-4	▲	▲	▲
	Wheat	722	74	19	3	▲	▲	▲
Baher Dar	Maize	557	64	12	-7	▲	▲	▼
	Assela Wheat	705	74	18	3	▲	▲	▲
Remarks:	▲	Price increases above normal price fluctuation						
	▲	Normal Price Fluctuation						
	▼	Price decreases below normal price fluctuation						
Exchange rate applied		19.10						
Price fluctuation is considered normal if the price change is within 5% for 1 month; within 15% for 1 year; within 20% for 4 or 5 years average								
1M=Compared to December 2013								
1Y=Compared to January 2013								
5Y=Compared to 5 years monthly average								

1. Current Retail Price			Current Price (ETB/100kg)	Prices change (%)					
Regions	Market	Major Comm		5Y	1Y	1 M	5Y	1Y	1 M
Oromia	Babile	Maize	600	63	9	-8	▲	▶	▼
	Bedeno	Sorghum	750		6	-6		▶	▼
		Maize	650	75	5	-7	▲	▶	▼
	Bedessa	Maize	550	55	-4	-8			▼
	Deder	Maize	600	60	3	-20	▲	▶	▼
	Wolenchiti	Maize	500	66	19	0	▲	▲	▶
	Yabelo	Maize	600	69	-8	11	▶	▶	▲
		Wheat	800	31	7	7	▶		▲
	Merti	Sorghum	520	18	-20	-13	▶	▼	▼
		Maize	500	43	11	11	▲	▶	▲
Amhara	Shewa Robit	Maize	600	39	9	-6	▲	▶	▼
	Ebinet	Sorghum	750	125	30	-4	▲	▲	▶
	Ajebar	Wheat	936	106	31	-19	▲	▲	▼
	Sekota	Sorghum	800	62	13	-3			
	Kobo	Maize	592	79	-6	-1	▲	▶	▶
	Bati	Maize	560	57	7	-26	▲	▲	▼
Tigray	Korem	Barley							
	Hawzien	Barley							
	Wukro	Wheat							
	Abi Adi	Wheat							
		Sorghum							
	Hadero	Maize	550		20	2		▲	▶
	Hossaena	Maize	535	60	7	-1	▲	▶	▶
SNNPR	Awassa	Maize	500	43	-6	0	▲		
	Wenago	Maize	490	24	13	-2	▲	▶	▶
	Esenso	Maize	480	43	1	20	▲	▶	▲
	W.Sodo	Maize	489	50	7	-2	▲	▶	▼
Somali	Jijiga	Sorghum	1000	143	25	-9	▲	▲	▼
		Maize	1000	140	18	11	▲	▲	▲
	Gode	Sorghum	1300	125	63	-7	▲	▲	▼
	Kebridehar	Maize	1040			4			▶
2. Milk (Birr/Litre)			Price	1Y	1M		1Y	1M	
Somali	Code	Milk	20		0	0			
	Jijiga	Milk	19		-24	3		▼	▶
	Kebridehar	Milk	18			0			▶
Markets		Major Comm	Current Price	Prices change (%)					
				5Y	1Y	1 M	5Y	1Y	1 M
3. Livestock-Shoat (BIRR/Shoat)									
Somali	Jijiga	Shoat	888	25	-17	1	▲	▼	▶
	Gode	Shoat	825	73	-21	1	▲	▼	
	Dire Dawa	Shoat	865	57	-4	0	▲	▶	▶
4. Terms of Trade Number of Quintal per Sh									
Jijiga	maize/shoat		0.89	-41	-30	-9	▼	▼	▼
Dire Dawa	sorghum /shoat		0.63	2	-52	2	▶	▼	▶
	maize /shoat		0.83	13	-53	-15		▼	▼
	maize/shoat		1.44	25	12	33			▲
	wheat/shoat		0.96	22	7	6	▶	▶	▲
5.Unskilled casual labour wage per day (BIRR/Day)					1Y	1M		1Y	1M
Amhara	Debark		35		0	0		▶	▶
	Korem		45		80	0		▲	▶
Oromia	Bedeno		60			0			▶
6. Terms of Trade: kgs of grain per unskilled wage									
Sekota	sorghum/wage		6.33		39.39	-15.54		▲	▼
Ebinet	sorghum/wage		7.50		72.50	33.33		▲	▲
Bati	sorghum/wage		6.43		####	8.57		▶	▲