

ETHIOPIA MONTHLY MARKET WATCH

May 2014

Highlights

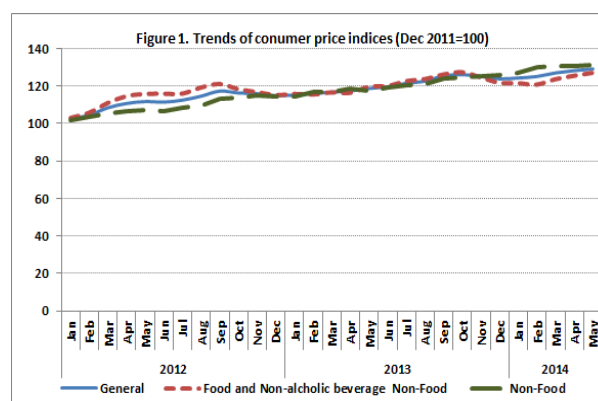
- In May 2014, year-to-year general inflation rate increased by 8.7%; food inflation by 6.3% and non-food by 11.43%. Bread and cereals index increased by (4%), meat (7.5%), milk, cheese and eggs (10.4%), vegetables and pulses, potatoes and tubers (5.7%), other food products (9.7%) and non-alcoholic beverages and coffee by (18.7%).
- The import parity price of maize (Durban) at Addis Ababa was 54% higher than local wholesale whilst wheat (Black Sea) price stood 11% below the local. The price of wheat at the reference international market rose in May as compared to April and the difference with local becomes converging.
- The nominal wholesale prices of staple cereals remained stable within 5% changes as compared to previous month including Addis Ababa market that has price setting role across bigger markets. Compared to long term average, the prices of maize, wheat, teff, and sorghum in the month stood far higher (over 50%) in monitored markets.
- Market prices of shoat in monitored markets decreased, thus, low demand against normal supply in market further pressed the terms of trade in the wake of soaring food prices in the Somali region. This has negative implication for the pastoralists who depend on the sale of their livestock to purchase staple food.

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 May 2014, the year-on-year general inflation rate increased by 8.7%; food inflation by 6.3% and non-food by 11.43%. In the month, the components of food index showed increase: bread and cereals (4%), meat (7.5%), milk, cheese and eggs (10.4%), oils and fats (3.4%), fruits (1.6%), vegetables and pulses, potatoes and tubers (5.7%), sugar, jam, honey, and chocolate (2.3%), other food products (9.7%) and Non-Alcoholic beverages and coffee by (18.7%).



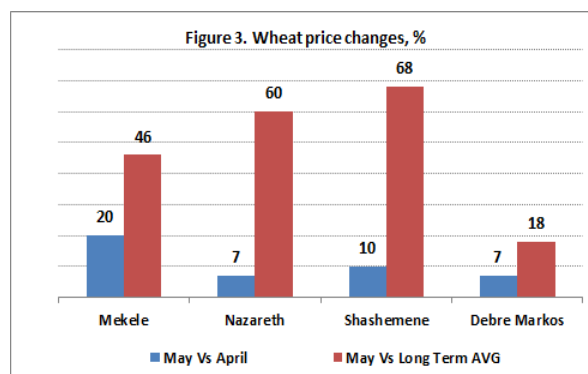
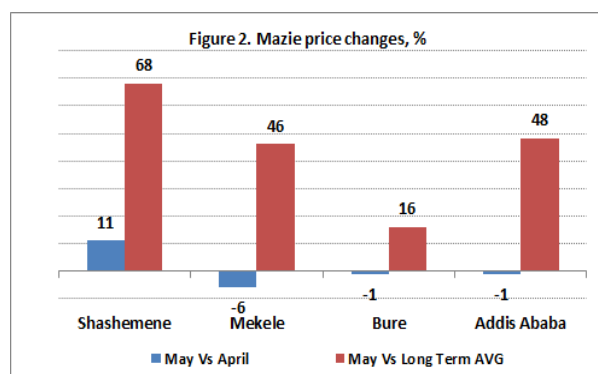
Source: Central Statistics Agency

Major Cereal Import Parity and Local Prices

Import parity price shows the cost of importing a food commodity of interest from international market to specific location. The import parity price of maize (Durban) at Addis Ababa was 54% higher than local wholesale whilst wheat (Black Sea) price stood 11% below the local price. The price of wheat at the reference international market rose in May as compared to April and the difference becomes converging. The import parity price of maize and wheat stood above its long term average and 12 months earlier. The import parity price of maize at Addis Ababa stood at US \$ 492/mt and at US \$446/mt for wheat.

Wholesale Prices of Staple Cereal in Large Urban Markets

The nominal wholesale prices of staple cereals (maize, wheat and sorghum) showed increased behavior in April 2014 against preceding month. The trend didn't keep continue; rather it remained stable at elevated level with mixed trends of less than 5%; exceptions were at markets of Mekele, Nazareth, Shashemene and Debre Markos for wheat, and at Mekele and Shashemene for maize (see Figure 1 and 2). Compared to long term average, the prices of maize, wheat, *teff*, and sorghum in the month stood far higher (over 50%) in most of monitored markets (see Table 1). The prices of staple at Addis Ababa market remained the same to earlier month; this market plays significant role in price setting at supply markets. The stability of prices at wholesale have an immediate effect of price transmission at retail levels and hence the poor and very poor market dependent households are the most to benefit from such stability, otherwise could have been affected the most.



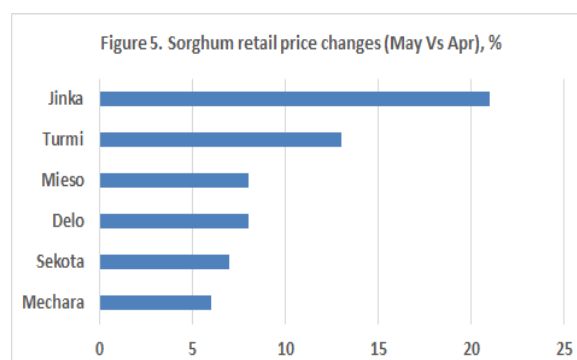
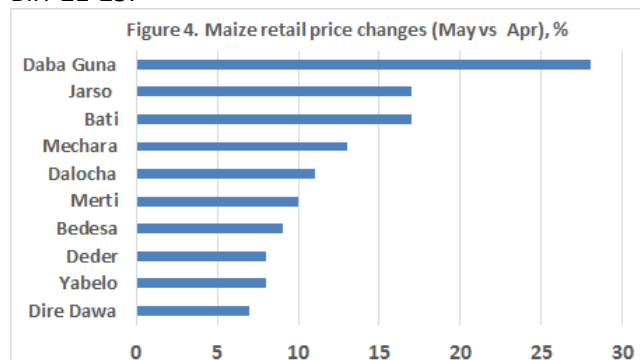
Source: EGTE

Retail Prices of Staple Cereals in District Markets

The retail prices of staples in monitored district markets showed mixed trends but dominated by stable prices. In market where prices increased, the level of increase varies per items; maize price increased by 7% to 28%; wheat by 6% to 17%, sorghum 8% to 21% and barley by 5% to 22%. East and West Hararghe, South Wello, North Gondar and Wag Hemra monitored markets are areas where increased prices were observed during the month. In most markets, the increasing trends of prices were observed for maize and local wheat grain. The stability of cereal prices in Afar was factored to the on-going PSNP food distribution that reduced the market demand of programme beneficiaries. The per KG retail price of staple cereals varies widely; maize prices ranges Birr 5.5 to Birr 8.50 in Tigray and Oromia, Birr 10 to 12.50 in Somali, Birr 5.70 to 6.80 in Amhara and Birr 5.00 to 6.50 in SNNP (see Table 1). In May, retail price of sorghum was the highest in Somali region markets and ranges from Birr 10 at Jijiga to Birr 16 at Warder; however, at Dolo Ado market it was the lowest, Birr 6/kg. Though prices are stable, the prevailing level of prices were high and elevated that compromise the purchasing power of low income households. Households who spend the highest

proportion of income on staple food commodities are the most affected group in terms of their food security status.

The imported food commodities (rice, wheat flour, pasta and sugar) are consumed more in Somali region. These commodities are imported through formal and informal routes. The observed prices in April remained the same in May too in monitored markets of Somali and Afar regions. In Somali region markets, per kg price of imported rice ranges Birr 15 to Birr 20; sugar Birr 15- Birr 21; pasta Birr 21-25.



Source WFP

Supply to Markets

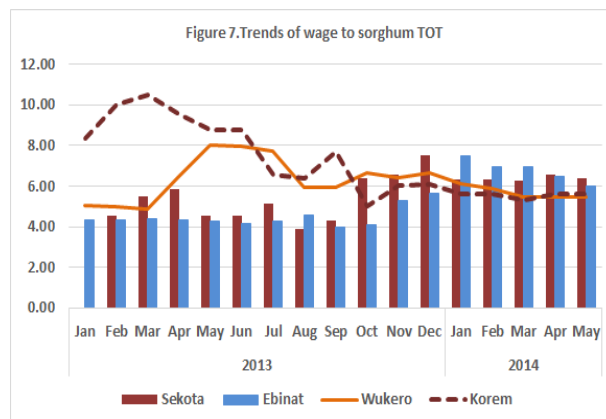
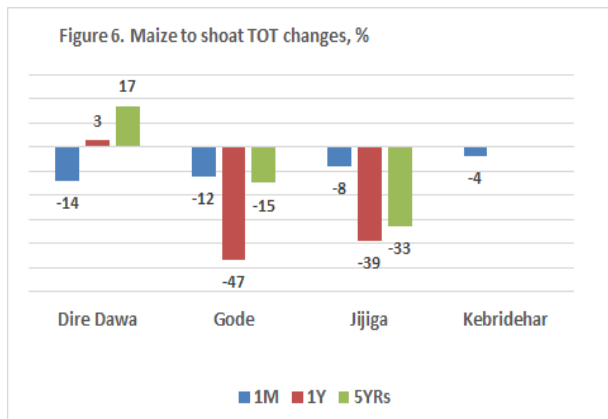
In many of monitored markets, the supply of staple cereals were found normal except few areas where price increases reported in the previous section of the report. In areas food assistance distribution carried out (PSNP in Afar), the market demand of the beneficiaries was low that contributed to normal availability of staples. In preparation of *meher* agricultural season, farmers' sale food stocks which has contribution to the prevailed supply situation. On the other hand, imported food commodities in parts of the Somali region were available at normal conditions.

Terms of Trade (TOT)

TOT for shoat to cereal: market prices of shoat in monitored markets decreased, thus, low demand against normal supply in market further pressed the terms of trade in the wake of soaring food prices in the Somali region. This has negative implication for the pastoralists who depend on sale of their livestock to purchase staple foods. Though livestock supply at Gode market was normal, traders were not buying as usual due to lack of pasture along the trade routes leading to export outlets coupled with low demand from importing Arab countries. The price of shoat decreased by 8% at Jijiga and Dire Dawa, and by 12% at Gode market. In Afar, prices of shoat remained the same to previous month, except at Worer where decreased by 7%. Compared to long term average, May 2013 and last month, TOT between shoat and maize deteriorated at Gode and Jijiga market (see Figure 6). Compared to a year earlier, the terms of trade decreased within 4% to 14% in monitored markets of Somali, Afar and Dire Dawa.

TOT for wage labour to cereal: daily unskilled wages remained stable across monitored markets. The month of May is the time of the year whereby agricultural activities of the *meher* season started or on-going. In parts of SNNPR and Tigray where the demand for agricultural labor was high, wage rates has improved in May 2014. Owing to stable prices of staple cereals and wage rates in most of monitored woredas, the TOT remained the same to last month level. The daily wage rates varies between Birr 45-90 in Tigray, Birr 35-70 in Amhara, Birr 40-70 in East and West Hararghe of Oromia,

Birr 45-60 in Afar and Birr 30-50 in SNNP monitored markets. Figure 7 shows trends of TOT in selected markets of Amhara and Tigray regions.



Source: WFP

Table 1. Market Watch on Main Food Commodities in Selected Monitored Markets									
Major Markets	Major Comm	Current Price	Prices change (%)						
			5Y	1Y	1M	5Y	1Y	1M	
1.Local Wholesale and Import Parity Price (USD/MT)									
Addis Ababa	Maize	320	3	-13	-9	▶	▶	▼	
	Wheat	500	8	26	1	▶	▶	▶	
	Sorghum	483	-6	-10	-2	▶	▶	▶	
	Teff white	654	23	-11	0	▶	▶	▶	
	Teff mixed	601	26	-12	-1	▶	▶	▶	
	Teff red	513	33	-8	3	▶	▶	▶	
	Nazrath	Maize							
Wheat									
Sorghum									
	Teff white	786	45	-2	5	▶	▶	▶	
	Teff mixed	633	36	-9	0	▶	▶	▶	
	Teff red	542	39	-3	2	▶	▶	▶	
	Dire Dawa	Teff white	735	36	-3	1	▶	▶	▶
Teff mixed		692	48	-1	4	▶	▶	▶	
Teff red		601	46	-4	0	▶	▶	▶	
Mekelle	Teff white	737		-7	-2		▶	▶	
	Teff mixed	573		-12	2		▶	▶	
import parity price	Teff red	498		-12	2		▶	▶	
	Maize	492	4	15	-8	▶	▶	▼	
	Wheat	446	4	16	11	▶	▶	▶	
2. Wholesale Price (BIRR/100KG)									
Addis Ababa	Maize	511	48	-1	-1	▶	▶	▶	
	Wheat	919	67	29	3	▶	▶	▶	
	Sorghum	864	52	-2	-1	▶	▶	▶	
Ambo	Maize	487	55	1	-1	▶	▶	▶	
	Wheat								
Gonder	Maize	600	60	5	3	▶	▶	▶	
Ziway	Maize	529		-6	2		▶	▶	
Dire Dawa	Wheat	923	71	15	4	▶	▶	▶	
Jimma	Maize	503	52	7	0	▶	▶	▶	
Nekempt	Maize	480		6	2		▶	▶	
Mekele	Maize	560	46	-8	-6	▶	▶	▼	
	Wheat	912	54	8	20	▶	▶	▶	
	Sorghum	825	61	-4	1	▶	▶	▶	
Nazareth	Maize	530	60	3	0	▶	▶	▶	
	Wheat	903	74	34	7	▶	▶	▶	
Shashemene	Maize	595	68	8	11	▶	▶	▶	
	Wheat	931	88	43	10	▶	▶	▶	
Bale Robe	Wheat	868	86	40	5	▶	▶	▶	
Bure	Maize	518		3	-1		▶	▶	
	Wheat	784		25	0		▶	▶	
Hossana	Maize	593	57	2	1	▶	▶	▶	
	Wheat	930	84	38	4	▶	▶	▶	
	Maize	530	63	-4	-1	▶	▶	▶	
Baher Dar	Maize	530	63	-4	-1	▶	▶	▶	
Assela	Wheat	893	82	35	4	▶	▶	▶	
Remarks:	▶								
	▼	Normal Price Fluctuation Price decreases below normal price fluctuation							
Exchange rate applied		19.43							
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 April 2014									
1Y=Compared to May 2013									
5Y=Compared to 5 years monthly average									

1. Current Retail Price		Items	Current Price (ETB/100kg)	Prices change (%)						
Region	Market			5Y	1Y	1M	5Y	1Y	1M	
Oromia	Babile	Maize	625	46	1	2	▶	▶	▶	
	Bedeno	Sorghum	780	9	-8	-1	▶	▶	▶	
		Maize	760	60	17	1	▶	▶	▶	
	Bedessa	Maize	600	31	0	9	▶	▶	▶	
	Deder	Maize	650	41	0	8	▶	▶	▶	
	Mieso	Maize	650			3			▶	
	Yabelo	Maize	700	48	8	8	▶	▶	▶	
	Delo	Maize	650	31	4	0	▶	▶	▶	
	Merti	Sorghum	600	30	-8	0	▶	▶	▶	
		Maize	550	36	-8	10	▶		▶	
Amhara										
	Ataye	Maize	680			-3				
	Ajebar	Wheat	1008	69	8	8	▶	▶	▶	
	Sekota	Sorghum	825	44	9	7	▶	▶	▶	
	Mekoy	Maize	600			0			▶	
	Bati	Maize	700	65	23	17	▶	▶	▶	
Tigray	Korem	Barley	750		-14	0		▶	▶	
	Hawzien	Barley	740		3	6			▶	
	Wukro	Wheat	740	30		0	▶	▶	▶	
		Maize	750	53	17	0	▶	▶	▶	
	Adwa	Maize	773	19	0	0	▶	▶	▶	
	SNNPR	Karati	Sorghum	700	62	27	0	▶	▶	▶
		Turmi	Sorghum	600	31	-11	13	▶	▶	▶
		Turmi	Maize	540	-17	-17	0	▶	▼	▶
Esenso		Maize	500	45	0	-6	▶	▶	▼	
	W.Sodo	Maize	530	27	-12	0	▶	▶	▶	
	Afar	Awash	Maize	600		0	0		▶	▶
Somali		Jijiga	Sorghum	1000	133	33	0	▶	▶	▶
		Maize	1000	109	25	0	▶	▶	▶	
Gode		Sorghum	1400	224	75	0	▶	▶	▶	
Kebridehar	Maize	1250			4			▶		
2. Milk (Birr/Litre)			Price		1Y	1M		1Y	1M	
Somali	Gode	Milk	20		50	50		▶	▶	
	Jijiga		20		15	15		▶	▶	
	Kebridehar		37		-24				▼	
		Commodity	Current Price		5Y	1Y	1M	5Y	1Y	1M
3. Livestock (BIRR/Shoot)										
Somali	Kebridehar	Shoot	625			0				▶
	Gode	Shoot	750	34	-33	-12	▶	▼	▼	▼
Afar	Ayssaita	Shoot	1725		116	0		▶	▶	▶
4. Terms of Trade Number of Quintal per Shoot										
Kebridehar	maize/shoot		0.50			-4				▶
Gode	maize /shoot		0.75	-15	-47	-12	▶	▼	▼	▼
	sorghum/shoot		0.54	-45	-62	-12	▼	▼	▼	▼
Ayssaita	maize/shoot		2.65			0				▶
5.Unskilled casual labour wage per day (BIRR/Day)					1Y	1M		1Y	1M	
Amhara	Debark		35		0	0		▶	▶	▶
Oromia	Bedessa		50		-17	0		▼	▶	▶
Tigray	Adwa		62		3	3		▶	▶	▶
6. Terms of Trade: kgs of grain per unskilled wage					1Y	1M		1Y	1M	
Korem	sorghum/wage		5.63		-36	0		▼	▶	▶
Sekota	sorghum/wage		6.40		-74	0		▼	▶	▶
Bati	sorghum/wage		10.00		56	17		▶	▶	▶