

ETHIOPIA MONTHLY MARKET WATCH

June 2014

Highlights

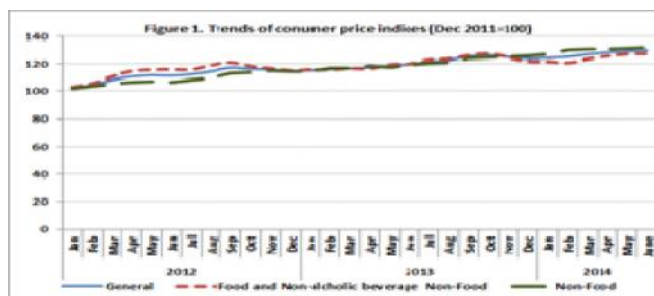
- The general year-to-year inflation which measures the cost of living compared to the same month last year stood at 8.5%; the food part of the inflation stood at 6.2% and that of non-food at 11%.
- In June 2014, the Ethiopian Government made an adjustment to the retail of prices fuel. The retail prices of petrol increased by 0.8%, diesel by 2.4% while no changes were made on kerosene prices. A liter of petrol at Addis Ababa was sold at US \$1.06 while diesel and Kerosene were sold at US \$ 0.97 and US\$ 0.81 per liter respectively.
- The import parity price of maize (Durban) at Addis Ababa stood at US \$ 396/mt and wheat (Ukraine and India) at US \$ 471/mt. Sea freight transport, port handling, intermediate storage handling cost, and inland transport accounts one third of the import parity prices. Compared to local wholesale prices at Addis Ababa, the import parity is higher for maize (23%) while lower for wheat grain (14%).
- The wholesale price of maize, which is the cereal mostly consumed by poor rural households across the country remained stable compared to the previous months. However, prices are higher compared to the long term averages.
- The terms of trade between an average shoat and staple cereals deteriorated at Gode market whilst improved at Jijiga and Dire Dawa markets. The unskilled wage rates in monitored markets of Amhara and Tigray showed mixed trends with stable situation that prevailed in most markets.

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 June 2014, the year-on-year general inflation stood at 8.5%, food inflation at 6.2% and non-food inflation at 11%. During the month of June, the consumer price indices of the food component increased when compared to the same months last year: bread and cereals (3.3%), meat (8.4%), milk, cheese and eggs (12.3%), oils and fats



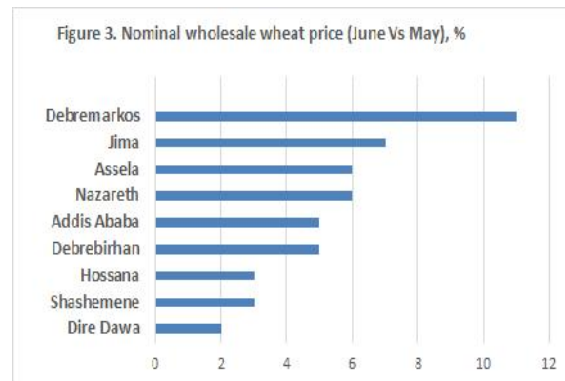
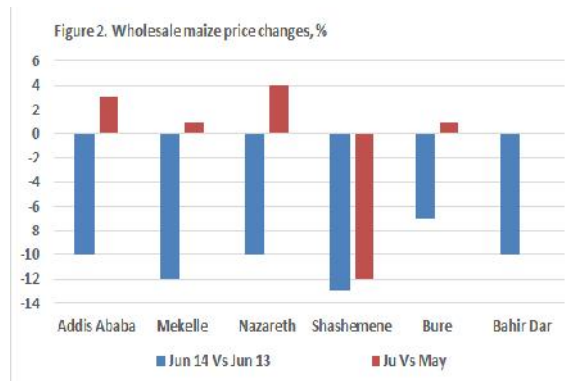
(8.4%), fruits (5.2%), vegetables and pulses, potatoes and tubers (2.1%), sugar, jam, honey, and chocolate (1.2%). The graph is based on data from the Central Statistical Agency.

Major Cereal Import Parity and Local Prices

Import parity price shows the cost of importing a food commodity of interest from an international market to a specific location within a country. The import parity price of maize (Durban) at Addis Ababa stood at US \$ 396/mt and wheat (Ukraine and India) at US \$ 471/mt. The cost of sea freight transport, port handling, intermediate storage handling cost, and inland transport accounts for the highest share of the total import parity price. These costs account for about one third of the total commodity cost at destination, Addis Ababa. Compared to local wholesale prices at Addis Ababa, the import parity is higher for maize (23%) while lower for wheat grain (14%).

Wholesale Prices of Staple Cereal in Large Urban Markets

Compared to the long term monthly average (2009-2013), the nominal wholesale prices of maize, wheat and sorghum rose respectively by about 25%-57% for maize, 15%-40% for wheat and 3%-11% for sorghum in monitored major urban markets. However, the prices of maize in June stood below last year the same month by about 10% in major urban markets. Wholesale urban markets do have greater influence in determining prices both at source such as Bure, Bahir Dar, and Nekempt and also at destination markets like Addis Ababa, Nazareth, and Shashemene etc. In deficit area major markets the wholesale price of maize stood below that of last year June. For instance at Dire Dawa and Mekele markets, the price of maize stood 7% and 12% below that of June 2013. The price of



Wheat in June 2014 stood higher than the price in June 2013 and also higher than the wheat price in May 2014; the absence of subsidized wheat grain directly to consumers and the gradual reduction of imported wheat volume by Government have direct implication on wheat prices dynamics. The price of maize remained the same with slight changes over the last two months as opposed to the historic trends. The stability of maize price at major urban centers leads to maintain retail prices at lower level markets to remain stable. Figure 2 and Figure 3 depict percentage changes of wholesale price of maize and wheat in selected major urban centers.

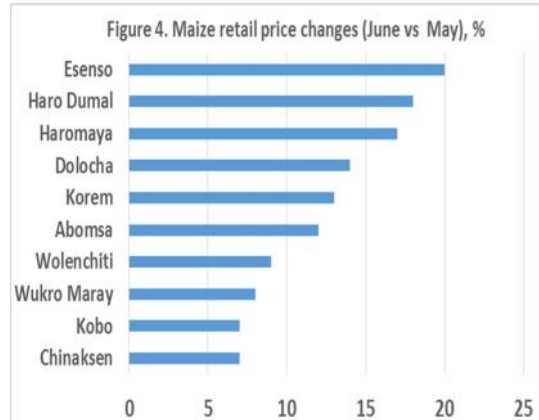
Source: EGTE

Retail Prices of Staple Cereals in District Markets

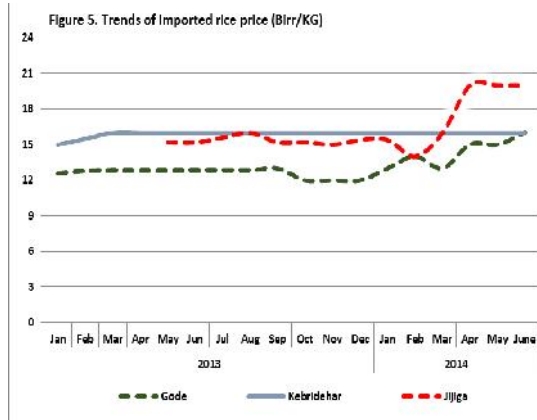
The retail prices of staples in monitored district markets showed mixed trends. In markets where prices increased, the level of increase varies by commodity. Maize price increased by 7% to 20%; wheat by 6% to 27%, sorghum by 6% to 33% and barley by 6% to 25%. In most markets, the increasing trends of prices were observed specially for sorghum and local wheat grain. The retail price of staple cereals also varies from region to region; maize prices range from Birr 6.25 to Birr 8.00 per kg in Oromia, Birr 6.00 to Birr 7.25 in Amhara, Birr 5.00 to Br. 7.65 in Tigray, Birr 5.40 to

6.50 in SNNP, Br.6.00 to Br.6.50 in Afar and Br. 10 to Br 11 in Somali. In June, retail price of sorghum was the highest in Afar, Amhara and Somali regions which is Br.12/kg in Awash (Afar), Br.10/kg each in Bati (Amhara) & Jijiga markets respectively. The average price of wheat in June in SNNP is higher as compared to previous month of maize, with an increment of Br.100/qt while almost stable in Tigray and Amhara regions. Though prices are stable over the course of 2014, the prevailing level of prices are high and 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 May remained the same in June too in monitored markets of Somali and Afar regions except Sugar showed slight increase. In Somali region markets, per kg price of imported rice ranges from Birr 15 to Birr 20; sugar Birr 16- Birr 23; pasta Birr 20-24.



Source: WFP



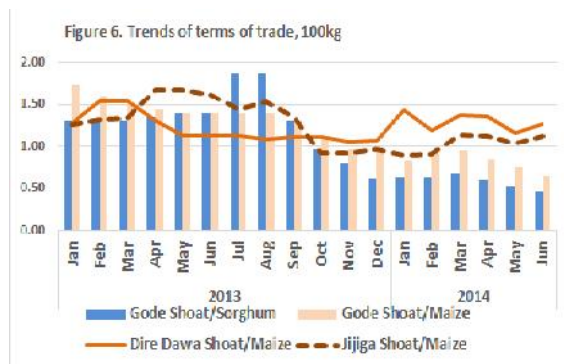
Supply to Markets

In many of monitored markets, the supply of staple cereals were found normal except few areas (eastern parts of the country) where price increases reported in the previous section of the report. The relatively better 2014 belg season production prospect in cropping areas has contributed to the stable supply of grains to the markets. In areas where food assistance distribution is carried out (such a PSNP in Afar), the market demand of the beneficiaries was low which contributed to normal availability of staples. In preparation of *meher* agricultural season, farmers' sale food stocks to buy agricultural inputs (artificial fertilizers & improved seeds), which has contribution to normal /increased cereal supply. On the other hand, imported food commodities in parts of Somali and Afar regions were available at normal conditions.

Terms of Trade (TOT)

TOT for shoat to cereal: the terms of trade between average shoat and staple cereals deteriorated at Gode whilst improved at Jijiga and Dire Dawa markets. The proximity of Jijiga and Dire Dawa markets to urban population could be one of the major reason for such differences, though prices of shoat in Somali region is widely associated with markets in Gulf countries. The demand from Gulf countries has decreased for the last few months and badly affecting the income and purchasing power of pastoralists, in particular in Gode and Kebridehar. The terms of trade between an average shoat at Gode deteriorated by 13% as compared to last month. Owing to the stable prices of maize and increased shoat price, the terms of trade at Jijiga and Dire Dawa markets improved respectively by 8% and 9%. The start of Muslim fasting period, **Ramadan**, in couple of weeks' time is expected to increase the demand for livestock (local and as well in Gulf Countries) so that the terms of trade is expected to improve and hence the purchasing power of pastoralists.

TOT for wage labour to cereal: June is the start of the agricultural season in **meher** producing areas of the country and hence high demand for agricultural labor. The daily wage in monitored markets remained the same as compared to last month level with minor changes in both directions. Normally, the wages at this time of the year are expected to increase but this is not yet observed in many areas. This might be associated with the unusual high supply of unskilled wage labor so that wages are depressed. Markets with stable prices of cereals might be less affected compared to markets experienced higher prices. The average daily wage rate in Tigray stood at Birr 62, Birr 41 in Amhara and Birr 46 in East and West Hararghe of Oromia region. In June 2014, terms of trade between daily wage and sorghum fluctuated within 5-10Kg in Tigray and 3-7.5Kg in Amhara. The below two Figures show trends of terms of trade in selected monitored markets.



Source
: WFP

