

ETHIOPIA MONTHLY MARKET WATCH July 2014

Highlights

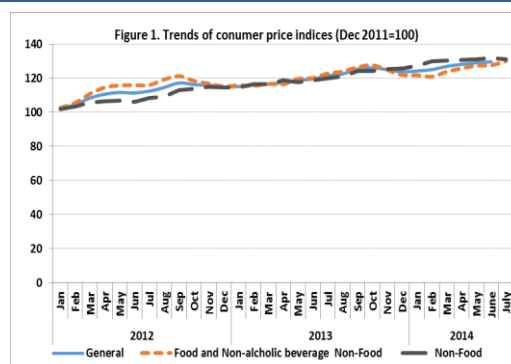
- Compared to July 2013, country level general inflation rate increased by 6.9%; food inflation by 5.8% and non-food by 8.2%. Of the food index components, higher increases in indices were observed on: oil and fats (13.9%), other food products (16.4%) and non-alcoholic beverages and coffee (23.2%).
- The import parity price of maize at Addis Ababa stood higher than the local whole sale price by about 2% while for wheat price stood below local whole sale price by 17%. The whole sale price of local wheat is increasing while stable for maize. The import parity price of maize (Durban) at Addis Ababa stood at US \$ 349/mt and wheat (India) at Nazareth stood US \$ 454/mt.
- The wholesale price of widely consumed cereals by rural communities have remained almost synonymous to the preceding month. The prices change were below 10% as compared to June. The current harvest from the *belg* season might be one of the reasons that partly attributed to this stability as farmers supply markets with fresh harvests for sale in exchange of commodities demanded. Compared to similar month of last year (July 14 vs July 13), maize prices showed an average decrease about 7% while wheat increased by an average of 25%.
- The terms of trade between average shoat and staple cereals deteriorated in most areas of Somali region (Jigjiga, Gode and Kebridehar) and Direedawa markets. The unskilled wage rates in most monitored markets of Amhara and Tigray regions were either stable or showed minor changes.

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

Compared to July 2013, country level general inflation rate increased by 6.9%; food inflation by 5.8% and non-food by 8.2%. Details of increases by specific food and non-food groups are: bread and cereals (2%), meat (7.1%), milk, cheese and eggs (9.5%), oils and fats (13.9%), fruits (9.7%), vegetables and pulses (1.3%), sugar, Jam, honey and chocolate (1.8%), other food products (16.4%) and non-alcoholic beverages and coffee by (23.2%).



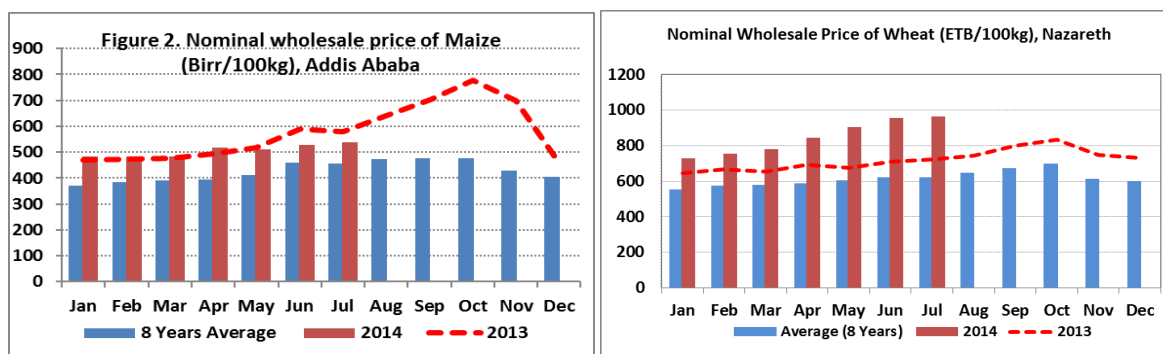
Source: Central Statistics Agency

Major Cereal Import Parity and Local Prices

The import parity price of maize at Addis Ababa stood higher than the local whole sale price by about 2% while for wheat price stood below local whole sale price by 17%. The whole sale price of local wheat is increasing while stable for maize. The import parity price of maize (Durban) at Addis Ababa stood at US \$ 349/mt and wheat (India) at Nazareth stood US \$ 454/mt. The lower level of wheat import parity price indicates the profitability of wheat grain import from the international market for sale in domestic markets by government owned business organizations (Ethiopian Grain Trade Enterprise). The cost of sea freight transport, port handling, intermediate storage handling cost, and inland transport accounts the highest share of the total import parity price. These costs account about one third of the total commodity cost at destination, Addis Ababa.

Wholesale Prices of Staple Cereal in Large Urban Markets

Maize, sorghum, barley and wheat are the widely consumed cereals by rural communities while *teff* is mostly consumed by urban communities and better-off rural households. In July 2014, the prices of these cereals have remained almost synonymous to the preceding month. In all of monitored markets, the price changes were below 10% as compared to June. The current harvest from the *belg* season might be one of the reasons that partly attributed to this stability as farmers supply markets with fresh harvests for sale in exchange of commodities demanded. Compared to similar month of last year (July 14 vs July 13), maize prices showed an average decrease of 7% while wheat increased by an average of 25%. Compared to long term average (2009-2013), the current prices are far higher between 20-50% in most cases, except the supply source markets such as Nekempt, Bure, Debremarkos, Ziway where the increases were less than 20%. In most markets, the price of wheat grain showing increasing trend in 2014 and stood above 2013 level. The prevailing price stability is normal to the season and signifies better access for market dependent households. The nominal wholesale prices of maize and wheat in major markets are depicted in the two graphs below.



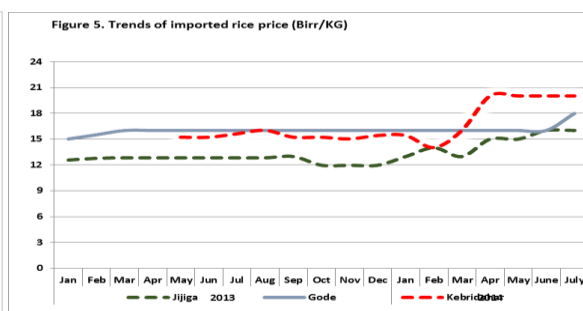
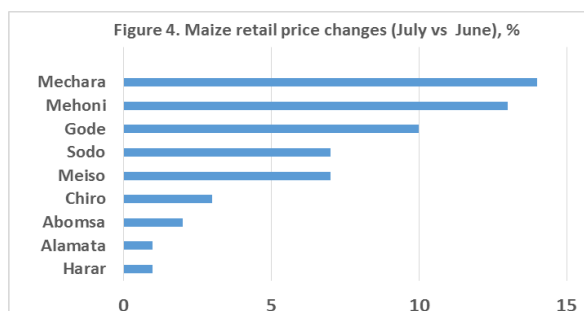
Source: EGTE

Retail Prices of Staple Cereals in District Markets

In many district markets, the retail prices of staples in July in monitored markets showed mixed trend but dominated by stable price where changes against the preceding month stood below 5%. In market where prices increased, the level of increase varies per items; maize price increased by 3%; wheat grain by 4%, sorghum by 1- 19% and barley by 2-4%. The average per kg retail price of staple cereals varies in regions; maize is Br 7.01/kg in Oromia, Br 6.57/kg in Tigray, Br 10.96/kg in Somali, Br 6.32/kg in Amhara, Br 5.96/kg in Afar and Br 5.83/kg in SNNP. In some areas the price of staples tended to decline this year (for example maize lower by 2% in Amhara & 1% in SNNP as compared to June). In most markets, the increasing trends of prices were observed for wheat grain and sorghum.

In July, retail price of sorghum was the highest in Somali followed by Amhara and Oromiya which is Br 11.88/kg, 8.81/kg and Br 8.23/kg respectively. The average price of wheat grain in July in Somali (Br 11/kg) and SNNP (Br10.1/kg) is stable while increased in Amhara (Br 9.68/kg) and Tigray Br 8.68/kg) as compared to the preceding month. In Dollo Ado, the price of wheat grain has been found to have increased by 12.5% while wheat flour declined by 20%. The decrease in the price of wheat flour may attribute to the opening of new flour mill in the area early in July 14. Though prices are stable, the prevailing elevated prices 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.

In Somali and Afar regions, imported food items mainly rice, Spaghetti, wheat flour, and sugar are consumed. These commodities are imported through formal and informal routes. In Somali region, the observed prices in July remained the same as in June except that of rice in Gode that increased from Br 16 to 18/Kg. In July, in Somali region markets, per kg price of imported rice ranged Birr 16 - 20; sugar Birr 16-23; pasta Birr 20-25 and wheat flour Birr 14-16.



Source: WFP

Supply to Markets

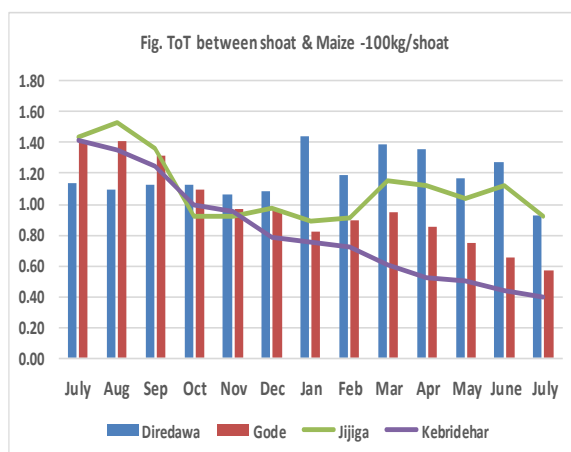
The supply of staple cereals to large urban as well as rural markets were found normal except few areas (eastern parts of the country) where price increases reported. The relatively better 2014 belg season production in some of the cropping areas perhaps contributed to the stable supply of grains to the markets. In Afar, unlike the past months, the price of wheat grain increased in Assaita and Abala markets due to the absence of distribution of in kind food assistance (PSNP & Relief) in July. In Somali, the market supply of imported food commodities (rice spaghetti, wheat flour, sugar and vegetable oil etc.) was found normal. In preparation of *meher* agricultural season, farmers' sale/exchange food stocks to buy agricultural inputs (artificial fertilizers & improved seeds) has contribution to the prevailed supply situation.

Terms of Trade (TOT)

TOT for shoat to cereal: the terms of trade between average shoat and staple cereals deteriorated in Somali region. The start of Muslim fasting period and Ramadan holiday was expected to increase the demand for livestock (local as well as export) but not improved even in main towns markets like Dire Dawa & Jijiga. This is apparently due to the seasonal closure of Indian Ocean seaports from the beginning of July because of bad weather in the Hagaa season, declining in body condition of livestock, decrease in the demand of livestock from Gulf countries, discouragement of local petty livestock traders because of unsatisfactory price etc. The deterioration in livestock price in the last few months has badly affected the purchasing power of pastoralists, in particular Gode and

Kebridehar markets. The terms of trade between average shoat and maize at Direedawa, Jijiga, Gode and Kebridehar deteriorated by 27%, 18%, 13% & 11% respectively as compared to last month. The high price of staple foods and low price and demand of livestock have negative impact on purchasing power of pastoral communities and will significantly aggravate the already fragile food security. However, although the price of shoats in Afar region remains stable, the terms of trade may still be un-favorable due to rising food prices, unless the ongoing food assistance is not continued.

TOT for wage labour to cereal: The current period 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. The current wage rate is expected to improve in the coming months (August and September) during the weeding and hoeing period. Markets with stable prices of cereals might be less affected compared to markets with higher prices. The average daily wage rate stood at Birr 42 in Amhara, Birr 64 in Tigray, Birr 70 in Direedawa, Birr 51 in Afar, Birr 43 in SNNP and Birr 50 in East and West Hararghe of Oromia region. In July 2014, terms of trade between daily wage and sorghum fluctuated within 4-7Kg in Amhara and 5-11 Kg in Tigray. The figures below show trends of terms of trade in selected monitored markets.



Source: WFP

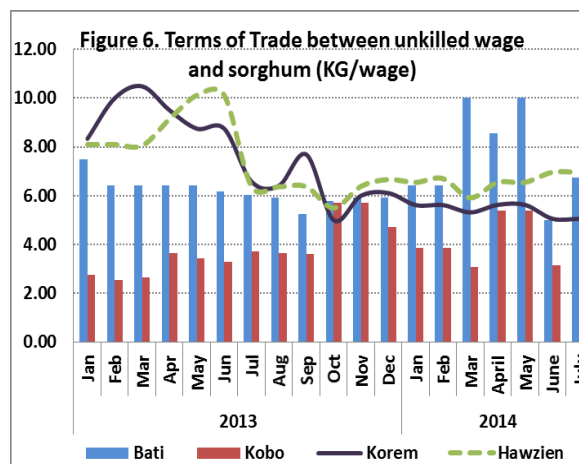


Table 1. Market Watch on Main Food Commodities in Selected Monitored Markets									
1. Current Retail Price			Current Price (ETB/100 kg)	Prices change (%)					
Region	Market	Items		5Y	1Y	1 M	5Y	1Y	1 M
Oromia	Wolenchiti	Maize	600	17	-4	2	▲	▶	▶
	Burka	Sorghum	800	7	-6	0	▶	▶	▶
		Maize	750	30	-1	0	▲	▶	▶
	Haromaya	Maize	700	24	8	2	▲	▶	▲
	Jarso	Maize	700	14	-7	0	▲	▶	▲
	Chiro	Maize	700		-4	7			
	Hirna	Maize	700	47	15	0	▲	▶	▲
	Deder	Maize	650	50	58	-3	▲	▶	▶
	Delo	Sorghum	673	9	-100	#DIV/0!	▲	▶	▶
Amhara		Maize	660	32	4	2	▲	▶	▲
	Mekoy	Maize	610		12	0			▶
	Debank	Wheat	1100	51	-6	11	▲	▶	▲
	Gorebela	Sorghum	950	41	-3	13	▲	▶	▶
	Kobo	Maize	553		0	5			▶
	Bati	Maize	700	44	12	0	▲	▲	▲
Tigray	Enticho	Barley	940	0	-13	0		▶	▶
	Abiadi	Barley	802	0	8	0		▶	▲
	Mehoni	Wheat	916	18	17	-3	▲	▶	▶
		Maize	630	44	12	2	▲	▲	▶
	Fatsi	Maize	650	13	-3	0	▶	▶	▲
SNNPR	Dolcha	Sorghum	480	24	4	-4		▲	▶
	Turmi	Sorghum	620	53	-5	3	▲	▶	▲
	Turmi	Maize	550	-12	-12	2	▶	▶	▶
	Esenso	Maize	560	8	-13	-7	▲	▶	▶
	Keyafer	Maize	530	16	-6	7	▲	▶	▶
Afar	Awash	Maize	600	8	0	0		▶	▶
Somali	Jijiga	Sorghum	1000	74	33	0	▲	▲	▶
		Maize	1000	70	25	0	▲	▲	▶
	Gode	Sorghum	1500	195	-100	#DIV/0!	▲	▶	▶
	Kebridehar	Maize	1400			#DIV/0!			▶
2. Milk (Birr/Litre)			Price		1Y	1M		1Y	1M
Somali	Gode	Milk	20		75	#DIV/0!		▶	▲
	Jijiga		20		-100	#DIV/0!		▶	▶
	Kebridehar		35			#DIV/0!			▶
		Commodity	Current Price	5Y	1Y	1 M	5Y	1Y	1 M
3. Livestock (BIRR/Shoat)									
Somali	Kebridehar	Shoat	550			0			▶
	Gode	Shoat	625	-2	-44	-4	▲	▶	▶
Afar	Ayssaita	Shoat	1725		#DIV/0!	0		▲	▶
4. Terms of Trade Number of Quintal per Shoat									
Kebridehar	maize/shoat		0.39			-11			▶
Gode	maize /shoat		0.57	-44	-60	-13	▶	▶	▶
	sorghum/shoat		0.42	-69	-78	-10	▶	▶	▶
Ayssaita	maize/shoat		2.65			0			▶
5. Unskilled casual labour wage per day (BIRR/Day)					1Y	1M		1Y	1M
Amhara	Bati		70		0	0		▶	▶
Oromia	Deder		50		-20	-20		▶	▶
Tigray	Axum		95		0	0		▶	▶
6. Terms of Trade: kgs of grain per unskilled wage					1Y	1M		1Y	1M
Kobo	sorghum/wage		3.88		-23	0		▶	▶
Ebinat	sorghum/wage		5.83		-17	-12		▶	▶
Shoa Robit	sorghum/wage		4.44		11	35		▲	▲
Remark:	▲	Price decreases below normal price fluctuation							
	▶	Normal Price Fluctuation							
	▼	Price decreases below normal price fluctuation							
Exchange rate applied			19.67						
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 June 2014									
1Y=Compared to July 2013									
5Y=Compared to 5 years monthly average									