

Highlights

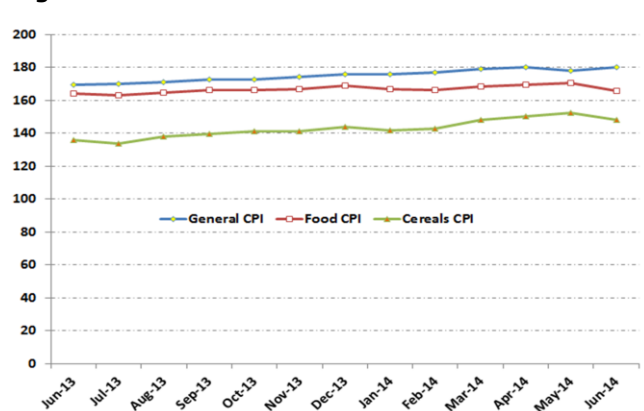
- The overall market monitoring information in July 2014 shows that wholesale and retail food prices have continued to rise – as fuel shortages and rising fuel prices have pushed up milling and transportation costs. As a consequence, household purchasing power has weakened and the food security situation of poor households, who mainly depend on food purchases, has continued to deteriorate during the month of reporting.
- In June 2014, the general inflation rate of the country was 6.36 percent while the food inflation was 1.78 percent. The general Consumer Price Index (CPI) during the same month was reported at 180.30 while the food CPI was 166.01 and that of cereals stood at 150.05.
- The average domestic wholesale prices of wheat and wheat flour slightly increased by 1 percent. The rise in the wholesale prices was due to higher transport costs related to shortages and increased prices of fuel.
- The average retail prices of wheat and wheat flour rose by 2.6 and 1.2 percent, respectively, as a result of the rise in wholesale prices and increased transportation costs due to fuel price rises.
- The supply of food commodities continued to be normal in most parts of the country, though the flow of commodities was disrupted in some areas due to local armed conflicts and fuel shortages.
- The average TOT between the daily unskilled labour wage rate and wheat flour was 17.10Kg/day in July 2014 – a decline of 1.2 percent compared with June, but higher 14 percent than July 2013.
- The average TOT between a sheep and wheat flour was 265.95Kg/sheep in July 2014 – a fall of 1.2 percent compared with the previous month, but 13 percent higher than that in July last year.
- The FAO Food Price Index averaged 203.9 points in July 2014, down by 2.1 percent from the value in June and 1.7 percent below July 2013. The Cereal Price Index averaged 185.4 points in July, down by 5.5 percent from the value in June and 16.6 percent below same month a year ago.
- International wheat prices declined by 8.5 percent between June and July 2014, and also lower by 8 percent than the prices recorded in July last year.

A. Inflation and Consumer Price Index (CPI)¹

According to the Central Statistics Organization of Yemen, the general inflation rate in Yemen increased from 5.83 in May 2014 to 6.36 in June 2014 – based on a 12 month moving average. The inflation rate for food has also risen from 1.26 percent in May 2014 to 1.78 in June 2014.

In June 2014, the general Consumer Price Index (CPI) was recorded at 180.30 while the Food CPI was 166.01 and that of breads and cereals stood at 150.05 (Figure 1). The general CPI was 177.91 in May 2014 while that of Food CPI during the same month was 165.93. The annual inflation rates for most of the non-staple food items have reduced between May and June 2014. The inflation rates in June 2014 ranged from 0.03 percent for dairy products to 4.81 percent for meat.

Figure 1: Trends in Consumer Price Index

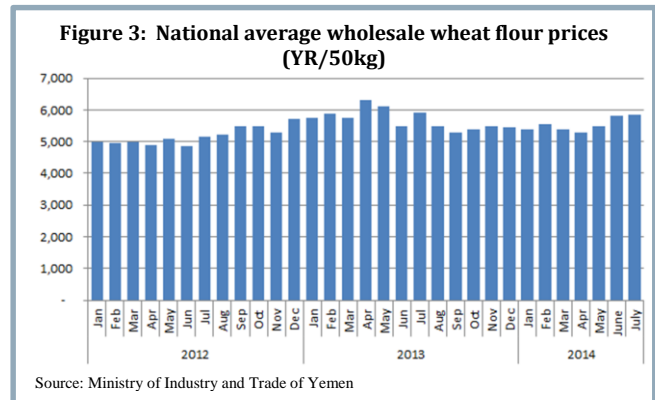
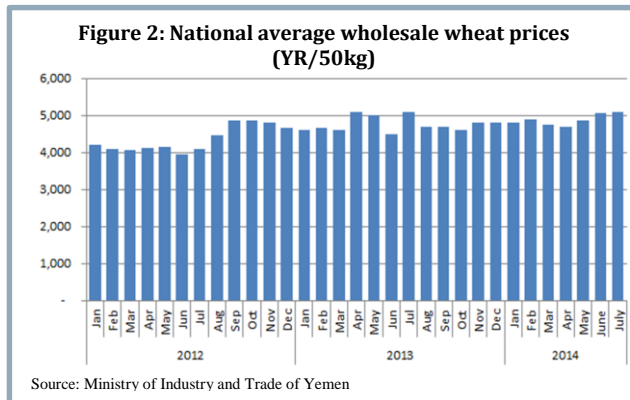


Source: CSO of Yemen (information released by CSO usually lags by one month)

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

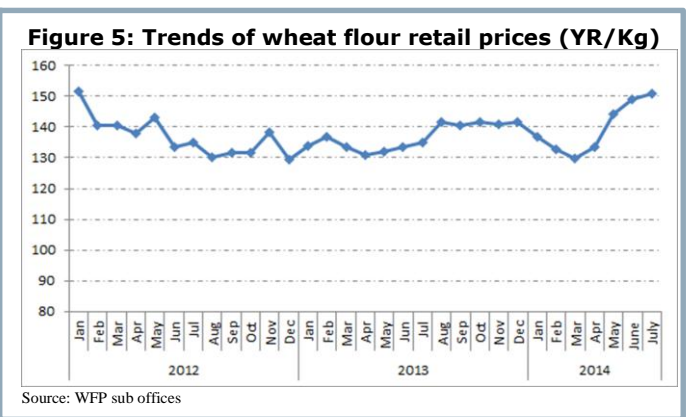
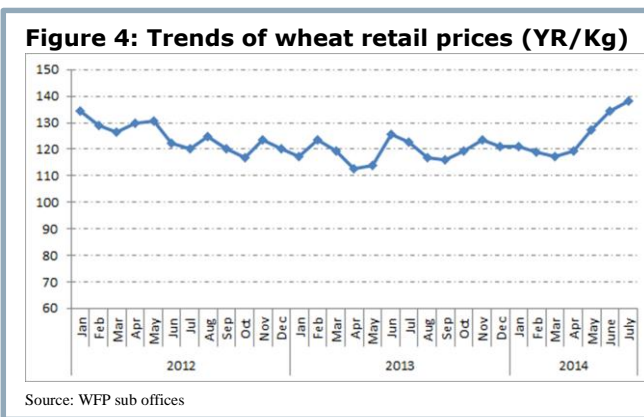
In July 2014, the average nominal² wholesale price of 50Kg wheat grain was 5,100YR while that of wheat flour was 5,850YR – both have risen by 1 percent compared with June. Since April 2014, the average domestic wholesale prices of wheat and wheat flour have risen by 8 percent and 10 percent, respectively (See Figures 2 and 3). These price rises have been largely driven by rising transportation costs resulting from fuel price increases within Yemen.



Between June and July 2014, the wholesale prices of all the other food and non-food commodities have remained unchanged and remained at their high present levels. Wholesale prices for most food commodities are expected to increase further during the month of August due to increased transportation costs caused by the shortages of fuel and increased conflicts affecting normal flows of commodities.

C. Retail Prices of Wheat and Wheat Flour

During July 2014, the average nominal retail prices of wheat and wheat flour were 138YR/Kg and 151YR/Kg, respectively – an increase of 2.6 percent and 1.2 percent since June. Since March 2014, the average retail prices of both wheat and wheat flour have risen by approximately 17 percent and are now at the same levels that were observed after the 2011 crisis (see Figures 4 and 5). The rises in retail prices reflect the price increases observed at the wholesale level and have been driven by fuel price increases, higher seasonal consumer demand associated with Ramadan and the present political uncertainties. Looking at the pattern of retail prices of wheat and wheat flour across the main markets during the month of reporting, the highest price of wheat was 146YR/Kg which was reported from Sana'a and the lowest price was recorded in Hajja market (134YR/Kg). Sa'ada market had the highest price for wheat flour (156YR/Kg) while Aden market saw the lowest price (145YR/Kg) (See Table 1 for more details).



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

During the reporting period, the supply of essential food commodities has continued to be normal in most parts of the country. However, the flow of food commodities was disrupted in some due to conflict and fuel shortages which affected both supplies from food processors (flour mills) and transportation costs that in turn have had a negative impact on local food availability. Nonetheless, the volume of imported wheat was enough to cover the consumption requirement of the country and the supply is expected to remain unchanged in the coming months.

E. Terms of Trade (TOT)³

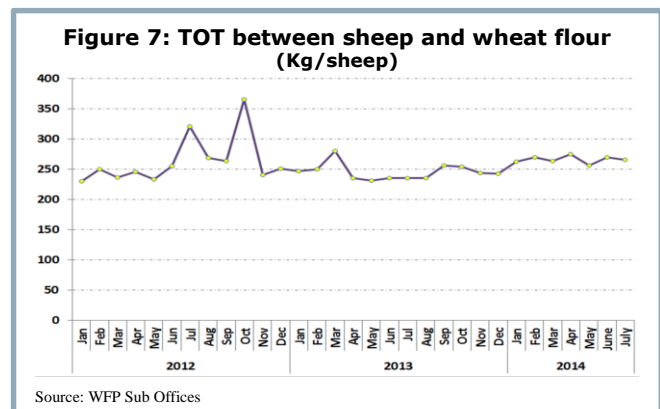
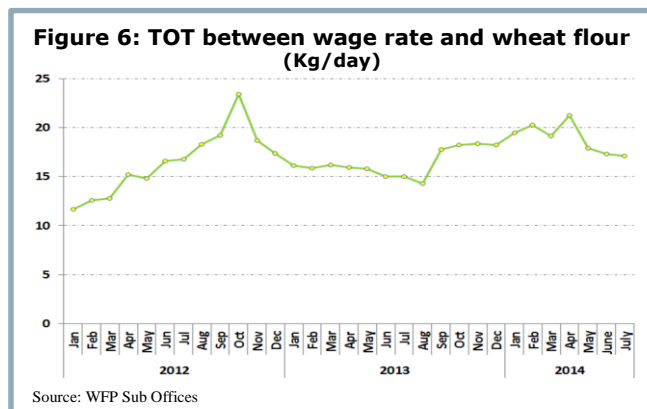
The TOT are proxy indicators of the purchasing power of households which rely on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Changes in the terms of trade between wages/livestock and 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

In July 2014, the nominal average daily wage rate was 2,583YR, unchanged since June. In July 2014, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 17.10Kg/day, a decline of 1.2 percent from previous month and arising from an increase in the retail price of wheat flour. Despite this decline, the average national ToT between wage labour and wheat flour were 14 percent higher in July 2014 than during same month last year, i.e. in July 2013 the average daily wage purchased 15.02Kg of wheat flour but 17.1Kg in July 2014 (Figure 6).

TOT between sheep and wheat flour

During the reporting month, the average price of a two-year old male sheep was 40,167YR, which remains unchanged compared to the month before. In July 2014, the national average TOT between a sheep and wheat flour was 265.95Kg/sheep – a decline of 1.2 percent compared with June and arose from the increase in the price of wheat flour. Moreover, the national average TOT were 13 percent higher in July 2014 than they were during the same month last year, i.e. one sheep purchased 235.39Kg of wheat flour in July 2013 but has risen to 265.95Kg in July 2014 (Figure 7). The highest TOT during the month were recorded in Sa'ada (289Kg/Sheep) while the lowest were observed in Hodieda market (253Kg/Sheep).

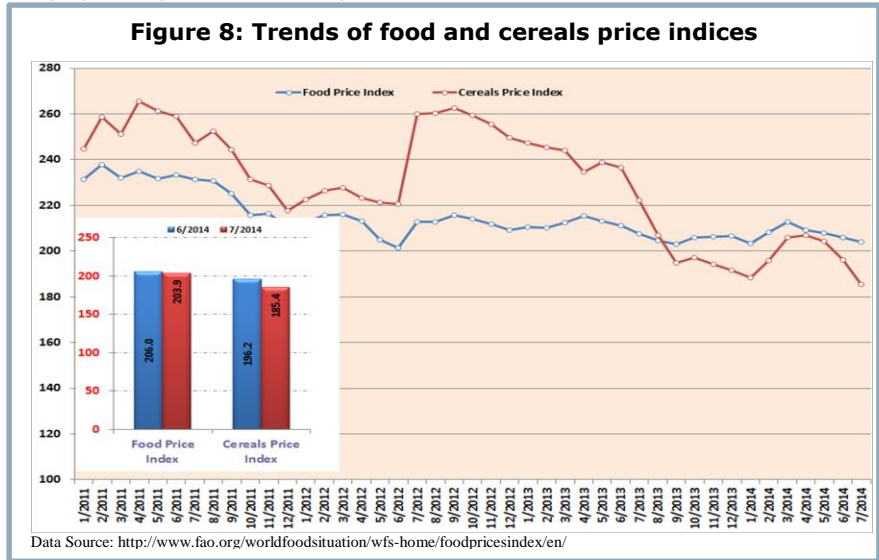


³ The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. The livestock 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.

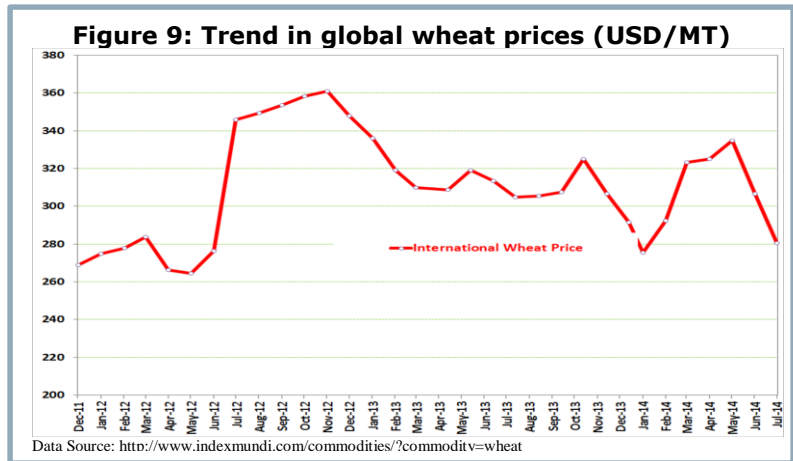
F. Global Food Prices

The FAO Food Price Index averaged 203.9 points in July 2014, down by 2.1 percent from the value in June and 1.7 percent below July 2013 (Figure 8). While meat prices rose for the fifth consecutive month and sugar remained firm, sharp declines in grains, oilseeds and dairy quotations pushed down the FAO Food Price Index to its lowest level since January 2014.

The FAO Cereal Price Index averaged 185.4 points in July, down by 5.5 percent from June and 16.6 percent below the same month one year ago (Figure 8). The recent sharp slide in cereal prices reflected significant falls in international prices of maize and wheat; a reaction to excellent production prospects in many major producing countries and in anticipation of abundant exportable supplies in the 2014/15 marketing season. On the other hand, rice prices edged marginally higher, on renewed import demand, especially as Thailand’s sales from public reserves remained suspended.



International wheat prices have declined by 8.5 percent between June and July 2014, and are also lower than the prices recorded during the same month last year – down by 8 percent (Figure 9). However, the decline in the international wheat prices may not result in an immediate or significant reduction of prices in Yemen as local market dynamics are more influenced by the monopolistic nature of the domestic markets than foreign price changes. Historically, the rate of transmission of international prices to the domestic markets in the country is only 20 percent⁴.



The overall market monitoring information in July 2014 shows that supplies of essential food commodities have been disrupted in some markets due to armed conflicts, fuel shortages and the associated increased costs of milling and transportation. Both wholesale and retail food prices have continued to rise between June and July 2014 weakening household purchasing power. Consequently, the food security situation of poor households, who mainly depend on food purchases, is likely to have deteriorated during the month of reporting and may worsen further in the coming months as a result of removal of the fuel subsidy by the government on 30th July 2014.



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 - July 2014

Markets	Commodity	Current Price	Price change (%)			Average Change		
			1Y	6M	1M	1Y	6M	1M
Commodity Prices (Yemeni Rials)								
Sana'a	Wheat /kg	146	8	13	8	↔	↑	↔
	Wheat flour/ kg	150	7	7	4	↔	↔	↔
	SUGAR/kg	255	16	16	0	↑	↑	↔
	V. OIL/ kg	380	-16	-21	0	↓	↓	↔
	RICE/kg	200	-29	-20	0	↓	↓	↔
	Red beans/kg	450	29	0	0	↑	↔	↔
	White beans/kg	400	60	33	0	↑	↑	↔
	Lentils/kg	400	25	14	0	↑	↑	↔
	Yellow Split peas/kg	315	13	5	0	↑	↔	↔
	Salt/kg	50	-38	0	0	↓	↔	↔
	Potato/kg	220	-12	10	0	↓	↔	↔
	Tomato/kg	400	82	122	60	↑	↑	↑
	Onion/kg	200	0	11	0	↔	↑	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1700	13	13	0	↑	↑	↔
Sheep/head	40000	33	11	0	↑	↑	↔	
Skilled lab wage/day	4000	-11	-20	0	↓	↓	↔	
Casual lab wage/day	2500	25	-17	0	↑	↓	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Aden	Wheat /kg	138	6	10	4	↔	↔	↔
	Wheat flour/ kg	145	21	4	1	↑	↔	↔
	SUGAR/kg	230	15	5	0	↑	↔	↔
	V. OIL/ kg	360	-10	-20	3	↔	↓	↔
	RICE/kg	215	8	-7	0	↔	↔	↔
	Red beans/kg	452	13	13	5	↑	↑	↔
	White beans/kg	420	68	11	0	↑	↑	↔
	Lentils/kg	380	-5	9	0	↔	↔	↔
	Yellow Split peas/kg	277	11	11	40	↑	↑	↑
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	210	75	5	0	↑	↔	↔
	Tomato/kg	308	-12	208	40	↓	↑	↑
	Onion/kg	211	76	41	11	↑	↑	↑
	Eggs/1egg	35	0	17	17	↔	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1650	10	18	0	↔	↑	↔
Sheep/head	38000	52	9	0	↑	↔	↔	
Skilled lab wage/day	5000	25	67	0	↑	↑	↔	
Casual lab wage/day	3000	50	20	0	↑	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hajja	Wheat /kg	134	12	12	0	↑	↑	↔
	Wheat flour/ kg	155	3	11	2	↔	↑	↔
	SUGAR/kg	255	28	-9	0	↑	↔	↔
	V. OIL/ kg	360	-10	-25	3	↔	↓	↔
	RICE/kg	220	-27	-19	0	↓	↓	↔
	Red beans/kg	420	40	-13	0	↑	↓	↔
	White beans/kg	370	23	23	0	↑	↑	↔
	Lentils/kg	410	17	37	0	↑	↑	↔
	Yellow Split peas/kg	320	-20	7	0	↓	↔	↔
	Salt/kg	50	-29	0	0	↓	↔	↔
	Potato/kg	225	-10	13	0	↔	↑	↔
	Tomato/kg	314	57	74	36	↑	↑	↑
	Onion/kg	250	25	25	0	↑	↑	↔
	Eggs/1egg	35	17	0	17	↔	↔	↑
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1800	20	20	0	↑	↑	↔
Sheep/head	40000	33	5	0	↑	↔	↔	
Skilled lab wage/day	4000	-20	-20	0	↓	↓	↔	
Casual lab wage/day	2000	0	-20	0	↔	↓	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Amran	Wheat /kg	135	35	29	4	↑	↑	↔
	Wheat flour/ kg	150	15	20	0	↑	↑	↔
	SUGAR/kg	260	4	30	0	↔	↑	↔
	V. OIL/ kg	450	-5	2	0	↔	↔	↔
	RICE/kg	200	11	-9	0	↑	↔	↔
	Red beans/kg	450	80	50	0	↑	↑	↔
	White beans/kg	420	68	68	0	↑	↑	↔
	Lentils/kg	460	84	64	0	↑	↑	↔
	Yellow Split peas/kg	350	17	40	0	↑	↑	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	233	17	17	11	↑	↑	↑
	Tomato/kg	315	26	110	50	↑	↑	↑
	Onion/kg	244	22	63	11	↑	↑	↑
	Eggs/1egg	35	17	6	0	↑	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	-9	-33	↔	↓	↓
	Gas/bottle	1680	40	12	0	↑	↑	↔
Sheep/head	40000	22	21	0	↑	↑	↔	
Skilled lab wage/day	4000	-11	0	0	↓	↔	↔	
Casual lab wage/day	2500	15	0	0	↑	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodieda	Wheat /kg	135	13	23	0	↑	↑	↔
	Wheat flour/ kg	150	15	15	0	↑	↑	↔
	SUGAR/kg	255	34	42	0	↑	↑	↔
	V. OIL/ kg	400	-32	0	0	↓	↔	↔
	RICE/kg	442	84	11	5	↑	↑	↔
	Red beans/kg	483	21	21	5	↑	↑	↔
	White beans/kg	434	97	45	9	↑	↑	↔
	Lentils/kg	400	25	14	0	↑	↑	↔
	Yellow Split peas/kg	315	0	13	0	↔	↑	↔
	Salt/kg	50	25	0	0	↑	↔	↔
	Potato/kg	200	100	0	0	↑	↔	↔
	Tomato/kg	301	51	51	40	↑	↑	↑
	Onion/kg	200	18	0	0	↑	↔	↔
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1700	31	13	0	↑	↑	↔
Sheep/head	38000	27	46	0	↑	↑	↔	
Skilled lab wage/day	4000	-20	0	0	↓	↔	↔	
Casual lab wage/day	2500	67	0	0	↑	↔	↔	
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.