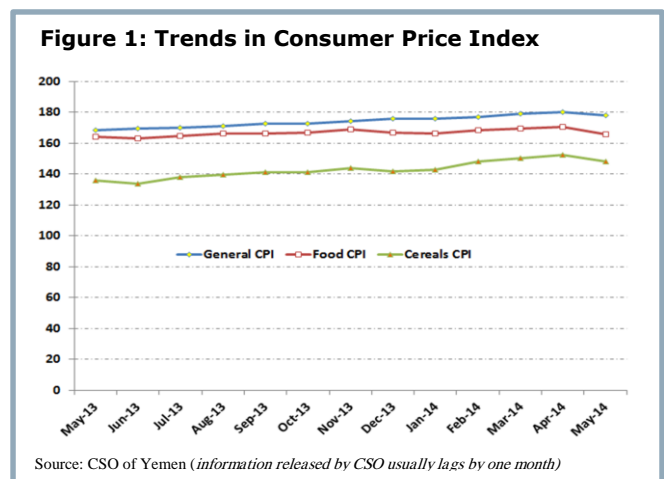## Highlights

- The overall market monitoring information in June 2014 shows that wholesale and retail food prices have continued to rise – as higher international wheat prices flow through to domestic markets and as fuel shortages and rising fuel prices push 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 deteriorated during the month of reporting.

- In May 2014, the general inflation rate of the country was 5.83 percent while the food inflation was 1.26 percent. The general Consumer Price Index (CPI) during the same month was reported at 177.91 while the food CPI was 165.93 and that of cereals stood at 147.91.

- The average domestic wholesale prices of wheat and wheat flour increased by 4.1 percent and 5.5 percent, respectively. The rise in the wholesale prices was due to higher international wheat prices and higher transport costs related to shortages and increased prices of fuel.

- The average retail prices of wheat and wheat flour rose by 5.5 percent and 3.5 percent respectively, reflecting 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 17.32Kg/day in June 2014 – deteriorated by 3.4 percent compared with May 2014, and higher 15 percent than June 2013.

- The average TOT between a sheep and wheat flour was 269Kg/sheep in June 2014 – improved by 5.2 percent compared with the previous month, and 15 percent higher than that reported in June last year.

- The FAO Food Price Index averaged 206.0 points in June 2014, down by 1.8 percent from May and 2.8 percent below June 2013. The Cereal Price Index averaged 196.2 points in June, down by 5.2 percent from the value in May and 15.6 percent below same time last year

- International wheat prices declined by 8 percent between May and June 2014, and also lower than the prices recorded in June last year – down by 2 percent.

A. Inflation and Consumer Price Index (CPI)[1]

According to the Central Statistics Organization of Yemen, the general inflation rate in Yemen further declined from 7.41 in April 2014 to 5.83 in May 2014 – based on a 12 month moving average. The inflation rate for food has also remarkably fallen from 4.46 percent in April 2014 to 1.26 percent in May 2014.
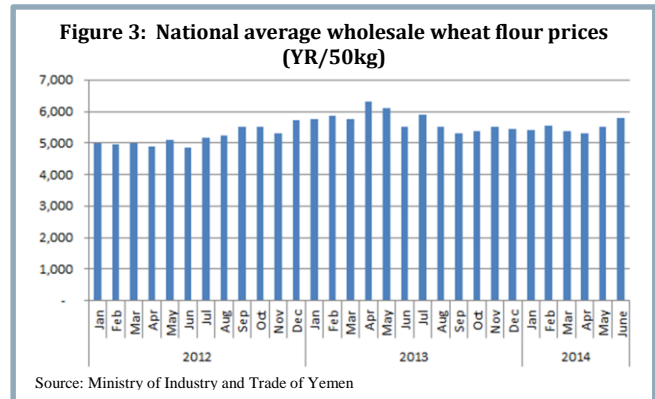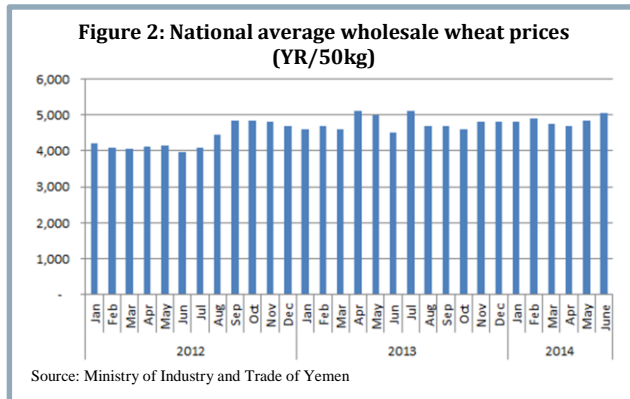
In May 2014, the general Consumer Price Index (CPI) was recorded at 177.91 while the Food CPI was 165.93 and that of breads and cereals stood at 147.91 (Figure 1). The general CPI was 179.96 in April 2014 while that of Food CPI during the same month was 170.28. The annual inflation rates for most of the non-staple food items have also decreased between April and May 2014. The inflation rates in May 2014 ranged from 1.09 percent for dairy products to 6.08 percent for fruits.

Figure 1: Trends in Consumer Price Index

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

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[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.
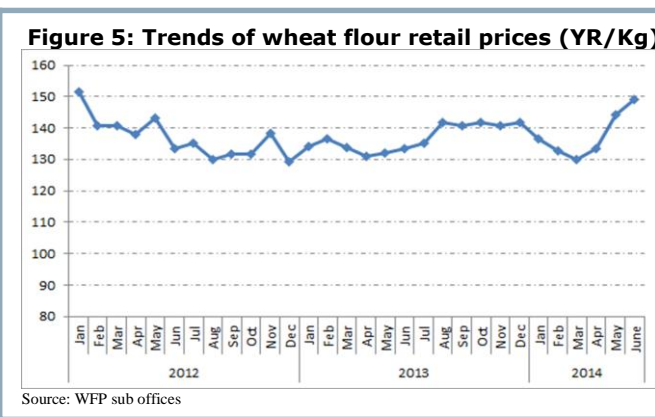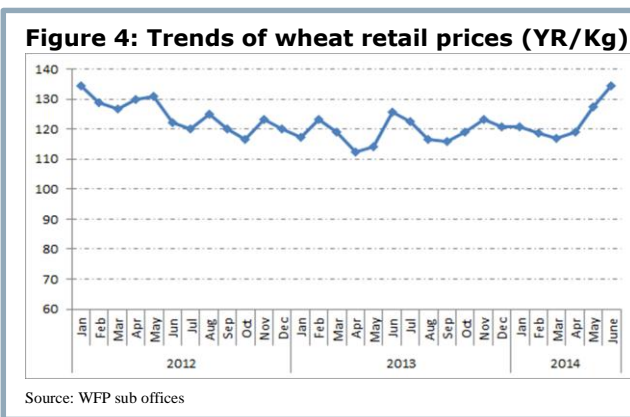
B. Wholesale Prices of Wheat and Wheat Flour

In June 2014, the average wholesale price of 50Kg wheat grain was 5,050YR while that of wheat flour was 5,800YR. Since April the average domestic nominal2 wholesale prices of wheat and wheat flour have risen by 7 percent and 9 percent respectively (See figures 2 and Figure 3). These price rises have been largely driven by a combination of rising international wheat prices, which rose by 18 percent between January and May, and increasing transportation costs within Yemen.

Figure 2: National average wholesale wheat prices (YR/50kg)

Source: Ministry of Industry and Trade of Yemen

Figure 3: National average wholesale wheat flour prices (YR/50kg)

Source: Ministry of Industry and Trade of Yemen

During the same period, the wholesale prices of all the other food and non-food commodities have also increased - between 1.2 percent for lentils and 4.7 percent for white beans. Wholesale prices for most food commodities are expected to increase further during the month of July due to increased transportation costs caused by the shortages of fuel and stronger demand by consumers during Ramadan.

C. Retail Prices of Wheat and Wheat Flour

During the month of reporting, the average nominal retail prices of wheat and wheat flour were 135YR/Kg and 149YR/Kg, respectively. Since March 2014 the average retail prices of both wheat and wheat flour have risen by 15 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, the increases in international wheat prices, higher seasonal consumer demand as Ramadan approaches and the present political uncertainties. Looking at the pattern of retail prices of wheat and wheat flour across the main markets in June 2014, the highest price of wheat was 140YR/Kg which was reported from Sa'ada and the lowest price was recorded in Amran market (130YR/Kg), though this price is the highest for Amran since May 2012. Sa'ada market had the highest price for wheat flour (155YR/Kg) while Aden market saw the lowest price (143YR/Kg) (*See Table 1 for more details*).

Figure 4: Trends of wheat retail prices (YR/Kg)

Source: WFP sub offices

Figure 5: Trends of wheat flour retail prices (YR/Kg)

Source: WFP sub offices

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[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 June 2014, 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 parts of the country, including Amran, due to conflict, fuel shortages which affected both supplies from food processors (flour mills) and transportation – and which in combination 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.
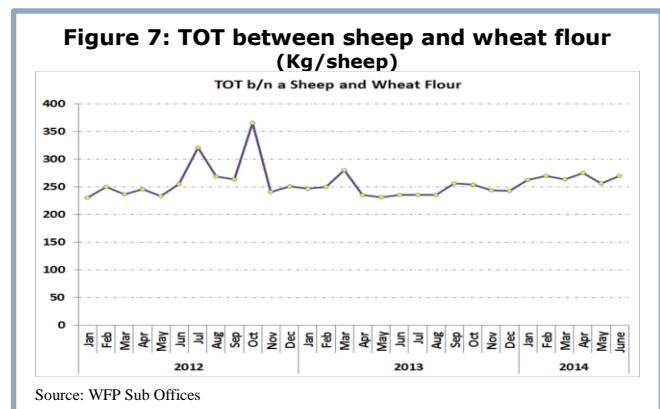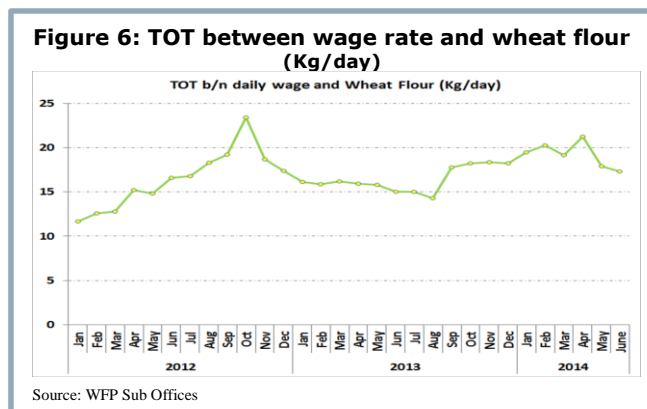
E. Terms of Trade (TOT)[3]

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

During the reporting month, the nominal average daily wage rate was 2,583YR, which remained unchanged from the previous month. The average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 17.32Kg/day, a decline of 3.4 percent due to the significant increase in the retail price of wheat flour. However, the average national ToT between wage labour and wheat flour were 15 percent higher in June 2014 than during same month last year, i.e. in June 2013 the average daily wage purchased 15Kg of wheat flour but 17.32Kg in June 2014 (Figure 6).

TOT between sheep and wheat flour

In June 2014, the average price of a two-year old male sheep was 40,167YR, which is 9 percent higher than during the previous month. In June, the national average TOT between a sheep and wheat flour was 269.27Kg/sheep – an improvement of by 5.2 percent compared with May 2014. Moreover, the national average TOT were 15 percent higher in June 2014 than they were during the same month last year, i.e. one sheep purchased 235Kg of wheat flour in June 2013 but has risen to 269Kg in June 2014 (Figure 7). The highest TOT during the month were recorded in Sa'ada (290Kg/Sheep) while the lowest were observed in Hodieda market (253Kg/Sheep).

Figure 6: TOT between wage rate and wheat flour (Kg/day)

Source: WFP Sub Offices

Figure 7: TOT between sheep and wheat flour (Kg/sheep)

Source: WFP Sub Offices

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[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 206.0 points in June 2014, down 3.8 points (1.8 percent) from May and nearly 6 points (2.8 percent), below June 2013 (Figure 8). Last month's decline, which was the third in succession, was largely the result of a marked drop in cereal and vegetable oil prices, following further improvements in global production prospects.

The FAO Cereal Price Index averaged 196.2 points in June, down 10.9 points (5.2 percent) from the value in May and 36.2 points (15.6 percent) below last year (Figure 8). The slide was mainly caused by reduction in prices of wheat and maize, both fell

Figure 8: Trends of food and cereals price indices

Data Source: http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/

by nearly 7 percent, a reflection of a further improvement in world crop prospects and diminishing concerns over disruption of shipments from Ukraine. By contrast, rice prices were marginally up from May, mostly reflecting the suspension of large public stock sales in Thailand.
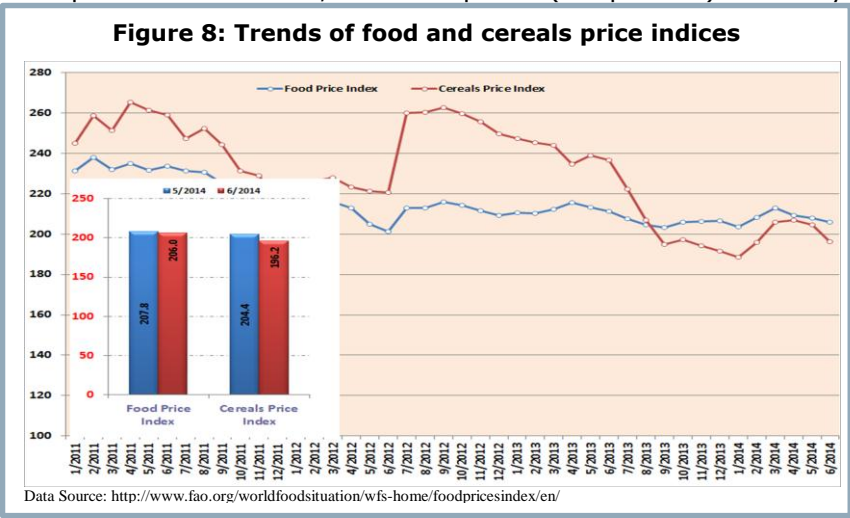
International wheat prices have declined by 8 percent between May and June 2014, and are also lower than the prices recorded during the same mont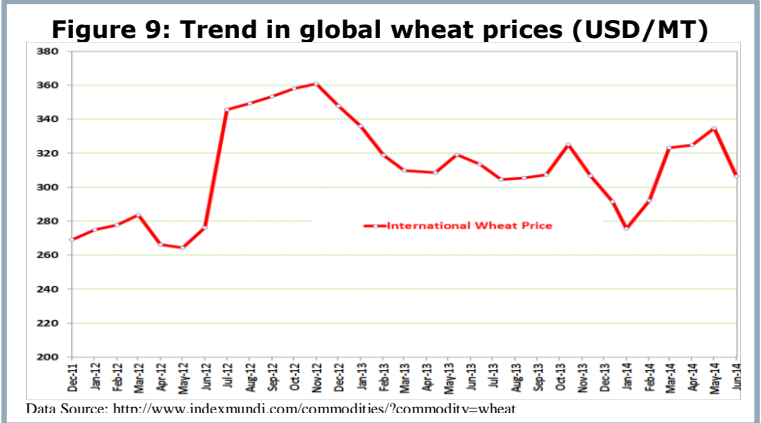h last year – 2 percent lower (Figure 9). However, the decline in the international wheat prices may not result in an easing of prices in domestic markets as previous increases in international wheat prices are not yet fully reflected in domestic prices and increases in local fuel prices have yet to be fully absorbed into processing (milling) and transport costs. Historically, the rate of transmission of international prices to the domestic markets in Yemen averages only 20 percent[4].

Figure 9: Trend in global wheat prices (USD/MT)

Data Source: http://www.indexmundi.com/commodities/?commodity=wheat

The overall market monitoring information in June 2014 shows that supplies of essential food commodities have been disrupted in some markets due to armed conflict, fuel shortages and the associated increased costs of milling and transportation. Both wholesale and retail food prices have continued to rise between May and June 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 the removal of the fuel subsidy by the government.

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[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 - June 2014

Commodity Prices (Yemeni Rials)

Markets	Commodity	Current Price	Price change (%) 1Y	6M	1M	Average Change 1Y	6M	1M
Sana'a	Wheat /kg	135	0	4	4	↔	↔	↔
	Wheat flour/ kg	145	4	4	4	↔	↔	↔
	SUGAR/kg	255	16	16	-2	↑	↑	↔
	V. OIL/ kg	380	-16	-21	0	↓	↓	↔
	RICE/kg	200	-29	0	0	↓	↔	↔
	Red beans/kg	450	29	0	-2	↑	↔	↔
	White beans/kg	400	60	33	5	↑	↑	↔
	Lentils/kg	400	25	33	3	↑	↑	↔
	Yellow Split peas/kg	315	13	5	2	↑	↔	↔
	Salt/kg	50	-38	0	0	↓	↔	↔
	Potato/kg	220	-12	-12	0	↓	↓	↔
	Tomato/kg	250	14	-17	0	↑	↓	↔
	Onion/kg	200	0	11	-9	↔	↑	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1700	13	13	0	↑	↑	↔
	Sheep/head	40000	33	33	4	↑	↑	↔
	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	133	2	11	2	↔	↑	↔
	Wheat flour/ kg	143	10	6	2	↔	↔	↔
	SUGAR/kg	230	15	5	5	↑	↔	↔
	V. OIL/ kg	350	-10	-22	0	↔	↓	↔
	RICE/kg	215	8	8	2	↔	↔	↔
	Red beans/kg	430	8	0	2	↔	↔	↔
	White beans/kg	420	68	50	0	↑	↑	↔
	Lentils/kg	380	-5	9	0	↔	↔	↔
	Yellow Split peas/kg	277	11	-8	40	↑	↔	↑
	Salt/kg	50	25	25	0	↑	↑	↔
	Potato/kg	210	110	40	5	↑	↑	↔
	Tomato/kg	220	10	-12	0	↔	↓	↔
	Onion/kg	190	27	-5	6	↑	↔	↔
	Eggs/1egg	30	-14	-14	0	↓	↓	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1650	18	18	3	↑	↑	↔
	Sheep/head	38000	27	36	0	↑	↑	↔
	Skilled lab wage/day	5000	25	25	0	↑	↑	↔
	Casual lab wage/day	3000	50	50	0	↑	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hajja	Wheat /kg	134	12	12	3	↑	↑	↔
	Wheat flour/ kg	152	17	1	1	↑	↔	↔
	SUGAR/kg	255	28	-9	2	↑	↔	↔
	V. OIL/ kg	350	-13	-27	0	↓	↓	↔
	RICE/kg	220	-27	-19	0	↓	↓	↔
	Red beans/kg	420	40	-13	-2	↑	↓	↔
	White beans/kg	370	48	23	0	↑	↑	↔
	Lentils/kg	410	17	37	0	↑	↑	↔
	Yellow Split peas/kg	320	7	7	2	↔	↔	↔
	Salt/kg	50	-29	0	0	↓	↔	↔
	Potato/kg	225	50	13	2	↑	↑	↔
	Tomato/kg	230	15	-23	2	↑	↓	↔
	Onion/kg	250	25	25	0	↑	↑	↔
	Eggs/1egg	30	15	-14	0	↑	↓	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1800	20	20	-3	↑	↑	↔
	Sheep/head	40000	60	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	↔	↔	↔

Markets	Commodity	Current Price	Price change (%) 1Y	6M	1M	Average Change 1Y	6M	1M
Sa'ada	Wheat /kg	140	8	4	8	↔	↔	↔
	Wheat flour/ kg	155	11	0	3	↑	↔	↔
	SUGAR/kg	350	75	17	13	↑	↑	↑
	V. OIL/ kg	400	-11	-33	21	↓	↓	↑
	RICE/kg	380	90	9	27	↑	↔	↑
	Red beans/kg	450	50	-10	13	↑	↔	↑
	White beans/kg	400	100	33	11	↑	↑	↑
	Lentils/kg	410	37	37	3	↑	↑	↔
	Yellow Split peas/kg	325		8	2	NA	↔	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	315	58	-10	2	↑	↔	↔
	Tomato/kg	265	33	-34	-2	↑	↓	↔
	Onion/kg	370	270	23	-8	↑	↑	↔
	Eggs/1egg	35	17	0	0	↑	↔	↔
	PETROL/ltr	125	0	-44	0	↔	↓	↔
	DIESEL/ltr	100	0	-43	0	↔	↓	↔
	Gas/botle	1800	13	13	0	↑	↑	↔
	Sheep/head	45000	0	0	0	↔	↔	↔
	Skilled lab wage/day	4500	0	-10	0	↔	↔	↔
	Casual lab wage/day	3000	20	0	0	↑	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Amran	Wheat /kg	130	8	30	8	↔	↑	↔
	Wheat flour/ kg	150	15	15	7	↑	↑	↔
	SUGAR/kg	260	30	16	4	↑	↑	↔
	V. OIL/ kg	450	0	13	25	↔	↑	↑
	RICE/kg	200	-9	-9	0	↔	↔	↔
	Red beans/kg	450	29	-10	15	↑	↔	↑
	White beans/kg	420	68	40	40	↑	↑	↑
	Lentils/kg	460	53	53	31	↑	↑	↑
	Yellow Split peas/kg	350	40	40	17	↑	↑	↑
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	210	5	5	5	↔	↔	↔
	Tomato/kg	210	5	-16	5	↔	↓	↔
	Onion/kg	220	10	10	10	↔	↔	↔
	Eggs/1egg	35	6	17	6	↔	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	150	36	50	36	↑	↑	↑
	Gas/botle	1680	29	12	5	↑	↑	↔
	Sheep/head	40000	43	21	33	↑	↑	↑
	Skilled lab wage/day	4000	14	0	0	↑	↔	↔
	Casual lab wage/day	2500	25	0	0	↑	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hodieda	Wheat /kg	135	13	13	8	↑	↑	↔
	Wheat flour/ kg	150	15	7	3	↑	↔	↔
	SUGAR/kg	255	34	28	2	↑	↑	↔
	V. OIL/ kg	400	-32	-5	0	↓	↔	↔
	RICE/kg	420	75	110	5	↑	↑	↔
	Red beans/kg	460	15	2	2	↑	↔	↔
	White beans/kg	400	82	60	5	↑	↑	↔
	Lentils/kg	400	25	33	0	↑	↑	↔
	Yellow Split peas/kg	315	0	21	2	↔	↑	↔
	Salt/kg	50	25	25	25	↑	↑	↑
	Potato/kg	200	100	-20	0	↑	↓	↔
	Tomato/kg	215	8	-28	8	↑	↓	↔
	Onion/kg	200	18	33	11	↑	↑	↑
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/botle	1700	31	13	6	↑	↑	↔
	Sheep/head	38000	27	19	27	↑	↑	↑
	Skilled lab wage/day	4000	14	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.*