

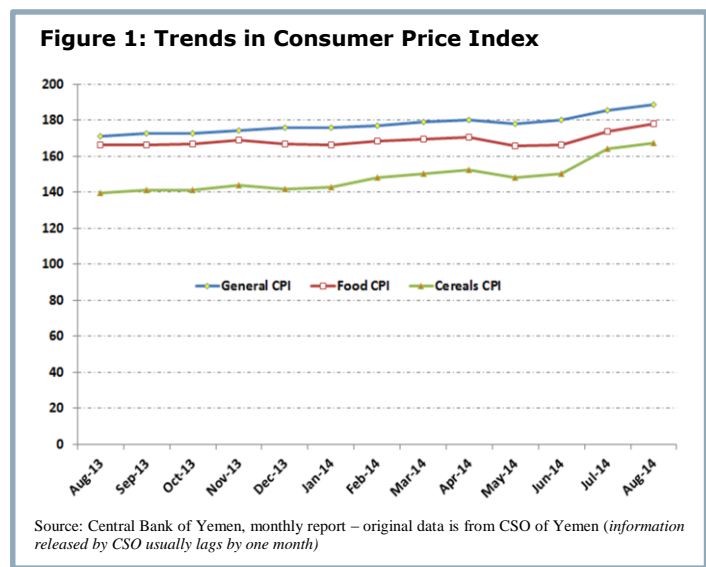
Highlights

- The overall market monitoring information in October 2014 shows that food has been available in all markets except in some areas where localized conflicts intensified. Wholesale and retail food prices have continued to decline in October, reflecting the improved availability of fuel and lower fuel prices as well as reductions in international wheat prices in the past few months. As a result of improved purchasing power and reduced food prices, the food security situation of poor households who depend on market purchases is believed to be improved in October 2014.
- In August 2014, the general inflation rate of the country was 10.04 percent while the food inflation was 7.2 percent. The general Consumer Price Index (CPI) during the same month was reported at 188.5 while the food CPI was 178.11 and that of cereals stood at 167.07.
- The average domestic wholesale prices of both wheat and wheat flour went down by 5 percent and 3 percent respectively in October compared to the month before.
- The average retail prices of wheat and wheat flour declined by 3.2 and 1.4 percent respectively in October compared with September, mainly as a result of a further reduction in fuel prices in October.
- The supply of food commodities continued to be normal in most parts of the country, though the flow of commodities was disrupted in some conflict-affected areas.
- The average Terms of Trade (TOT) between the daily unskilled labour wage rate and wheat flour were 21.14Kg/day in October 2014 – an improvement of 12 percent compared with September, and 16 percent more than in September 2013.
- The average TOT between a sheep and wheat flour were 280.19Kg/sheep in October 2014 – a rise of 6 percent from the previous month, and 10 percent higher than in September 2013.
- The FAO Food Price Index averaged 192.3 points in October 2014, down by 0.2 percent from September and by 7 percent from September 2013. The Cereal Price Index averaged 178.4 points in October, unchanged from September but lower by 9.3 percent than October last year.
- International wheat prices slightly increased by 0.69 percent in October compared with September, but much lower than the same month last year (down by 25 percent).

A. Inflation and Consumer Price Index (CPI)¹

According to the Central Statistics Organization of Yemen, the general inflation rate in Yemen increased from 8.90 percent in July 2014 to 10.04 in August 2014 – based on a 12 month moving average. The inflation rate for food also rose from 5.53 percent in July 2014 to 7.2 in August 2014.

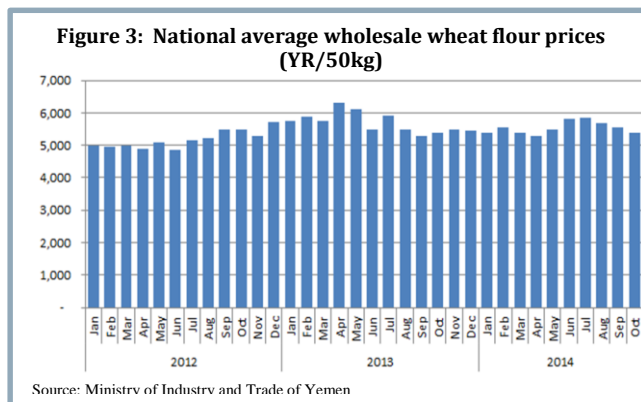
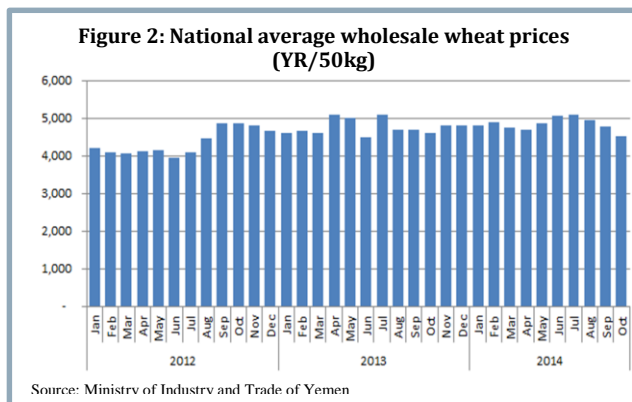
The general Consumer Price Index (CPI) rose from 185.2 in July to 188.5 in August. Increases were also recorded for the Food CPI which rose from 173.93 to 178.11 and for cereals it also rose from 164.02 to 167.07 during the same period – see Figure 1. The annual inflation rates for most of the non-staple food items also increased between July and August 2014.



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

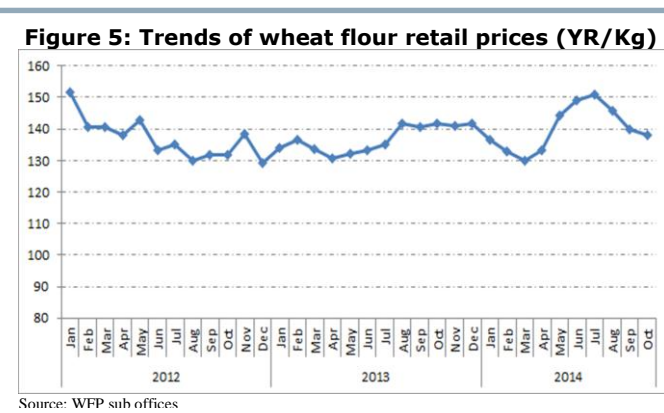
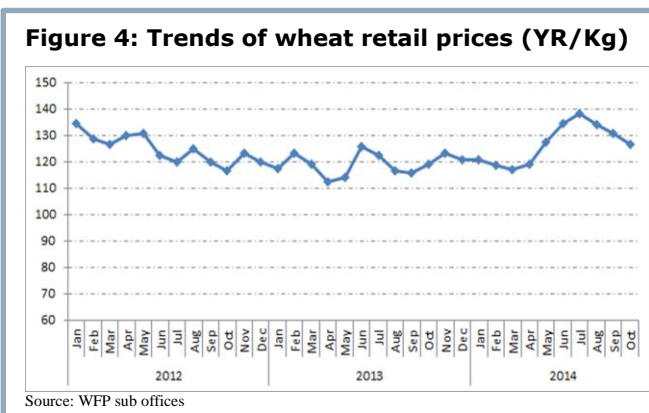
In October 2014, the average nominal² wholesale price of 50Kg wheat grain was 4,520YR while that of wheat flour was 5,390YR – which have declined by 5 percent and 3 percent, respectively, compared with September (see Figures 2 and 3). On the average, fuel prices were lower by 10.5 percent in October than in September following the restoration of the fuel subsidy by the government. The reduction in wheat prices in October can be mainly attributed to better availability of fuel, the fall in fuel prices and the continuing decline in international prices – see Figure 8.



During the month of reporting, the wholesale prices of other food and non-food commodities have also reduced significantly ranging from 7 percent for sugar to 14 percent for red beans. As the conflict and political instability has continued, the prices of commodities may likely to escalate again.

C. Retail Prices of Wheat and Wheat Flour

The fall in wholesale prices during October 2014 was reflected in retail prices - the average nominal retail prices of wheat and wheat flour were 127YR/Kg and 138YR/Kg, respectively – a reduction of 3.2 percent and 1.4 percent in October compared to September (Figures 4 and 5). The decrease in prices is mainly attributed to the improved availability of fuel and the reduced fuel prices which in September were 15 percent lower than during August, and further declined by 10.5 percent in October after the restoration of the fuel subsidy by the government. Since March 2014, the average retail prices of both wheat and wheat flour had risen by approximately 17 percent and had reached to the levels that were observed during the 2011 crisis. 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 140YR/Kg which was reported from Sa’ada and the lowest price was recorded in Aden (115YR/Kg). Sa’ada market had the highest price for wheat flour (150YR/Kg) while Aden market saw the lowest price (130YR/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

In October 2014, the supply of essential food commodities continued to be normal in most parts of the country. However, the flow of food commodities was disrupted in some areas such as Amran and Hudieda, due to localized conflicts which affected the movements of traders and the flow/supply of commodities, as well as the normal functioning of markets, which have had a negative impact on local food availability in some areas. 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

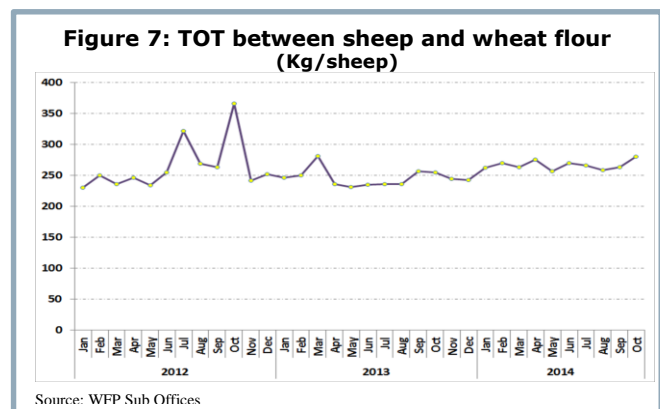
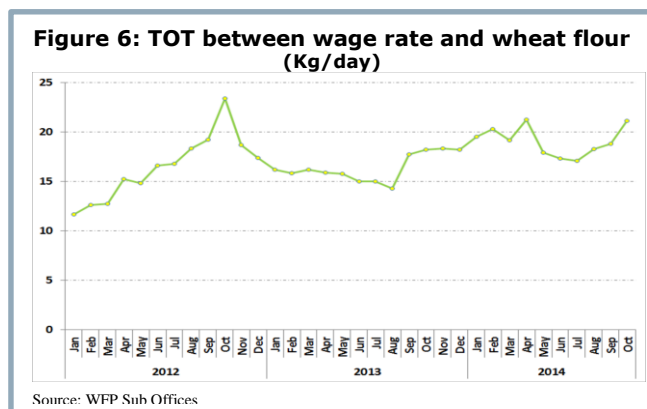
The TOT are proxy indicators of the purchasing power of households which rely on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Changes in the TOT between wages/livestock and staple food 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 month of reporting, the nominal average daily wage rate was 2,917YR – an increase of 11 percent from September. In October 2014, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 21.14Kg/day, an improvement of 12 percent from previous month – attributable to the increase in the wage rates and reduction in the retail price of wheat flour during the month. Moreover, the average national TOT between wage labour and wheat flour were 16 percent higher in October 2014 than during same month last year, i.e. in October 2013, the average daily wage purchased 18.24Kg of wheat flour but 21.14Kg in October 2014 (Figure 6).

TOT between sheep and wheat flour

In October 2014, the average price of a two-year old male sheep was 38,667YR, which is 5 percent higher than it was in September. During the month of reporting, the national average TOT between a sheep and wheat flour rose to 280.19Kg/sheep – an increase of 6 percent from September. The national average TOT were also 10 percent higher in October 2014 than they were during the same month last year, i.e. one sheep purchased 254.12Kg of wheat flour in October 2013 but this has risen to 280.19Kg in October 2014 (Figure 7). The highest TOT during the month of reporting were recorded in Aden (308Kg/Sheep) while the lowest were in Amran market (248Kg/Sheep).

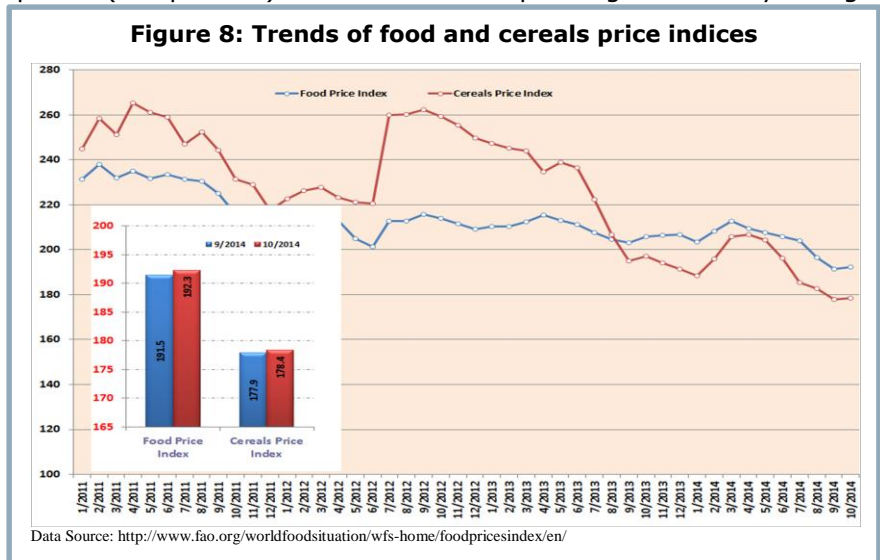


³ The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. The livestock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

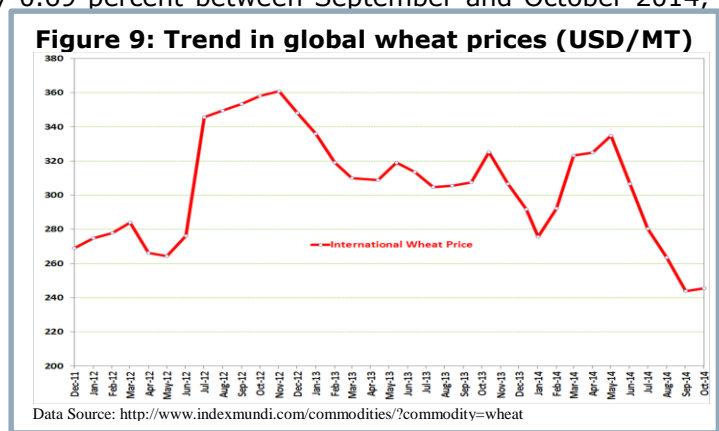
F. Global Food Prices

The FAO Food Price Index averaged 192.3 points in October 2014, marginally (0.2 percent) below the revised September figure but 14.3 points (6.9 percent) short of its corresponding level one year ago (Figure 8). A firming of international prices of oils and, especially, of sugar, compensated for a retreat of dairy and meat, while cereal prices remained stable around their relatively low September value.

The FAO Cereal Price Index averaged 178.4 points in October, virtually unchanged from September, but 18.2 points (9.3 percent) lower year-on-year (Figure 8). After five months of steep falls, international prices of wheat and coarse grains firmed slightly in October, supported by harvest delays in the United States (maize) and deteriorating prospects in Australia (wheat). On the other hand, rice prices tended to soften on newly harvested supplies and a slowing pace of sales.



International wheat prices slightly increased by 0.69 percent between September and October 2014, and were also much lower than the prices recorded during the same month last year – down by 25 percent (Figure 9). The current level is the lowest price recorded since August 2010. Although local market dynamics are more influenced by the monopolistic nature of the domestic markets than foreign price changes, the significant decline in the international wheat prices in the past four months have resulted in some reduction of prices in Yemen during the last two months. 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 October 2014 shows that food has been available in all markets except in some areas where localized conflicts had intensified. Wholesale and retail food prices have continued to decline in October reflecting the improved availability of fuel and lower fuel prices as well as reductions in international wheat prices in the past few months. Although conflicts continued in some parts of the country since late September 2014, as a result of improved purchasing power and reduced food prices, the food security of poor households who depend on market purchases is believed to be improved in October 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. Retail price watch on main commodities across major markets in Yemen - October 2014

Markets	Commodity	Current Price	Price change (%)			Average Change		
			1Y	6M	1M	1Y	6M	1M
Retail prices of commodities (Yemeni Rials)								
Sana'a	Wheat /kg	125	-7	4	-5	↔	↔	↔
	Wheat flour/ kg	135	-7	0	-4	↔	↔	↔
	SUGAR/kg	200	-9	-20	-20	↔	↔	↔
	V. OIL/ kg	370	-23	-3	0	↔	↔	↔
	RICE/kg	200	-9	5	0	↔	↔	↔
	Red beans/kg	380	9	-16	-12	↔	↔	↔
	White beans/kg	350	17	9	-10	↔	↔	↔
	Lentils/kg	350	9	-8	-8	↔	↔	↔
	Yellow Split peas/kg	280	-7	-7	-9	↔	↔	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	250	0	25	25	↔	↔	↔
	Tomato/kg	400	-20	100	5	↔	↔	↔
	Onion/kg	250	25	25	25	↔	↔	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	150	20	20	-12	↔	↔	↔
	DIESEL/ltr	150	50	50	-9	↔	↔	↔
	Gas/bottle	1500	0	0	-9	↔	↔	↔
Sheep/head	39000	11	3	0	↔	↔	↔	
Skilled lab wage/day	4000	0	-20	0	↔	↔	↔	
Casual lab wage/day	3000	0	0	15	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Aden	Wheat /kg	115	-12	-4	-12	↔	↔	↔
	Wheat flour/ kg	130	0	0	-7	↔	↔	↔
	SUGAR/kg	200	0	0	-15	↔	↔	↔
	V. OIL/ kg	350	-13	0	0	↔	↔	↔
	RICE/kg	220	10	22	10	↔	↔	↔
	Red beans/kg	400	0	0	-12	↔	↔	↔
	White beans/kg	360	44	-10	-14	↔	↔	↔
	Lentils/kg	320	-20	-9	-15	↔	↔	↔
	Yellow Split peas/kg	250	0	0	-11	↔	↔	↔
	Salt/kg	40	-20	-20	-20	↔	↔	↔
	Potato/kg	250	25	67	25	↔	↔	↔
	Tomato/kg	380	-5	90	27	↔	↔	↔
	Onion/kg	200	0	33	0	↔	↔	↔
	Eggs/1egg	35	0	40	17	↔	↔	↔
	PETROL/ltr	150	20	20	-12	↔	↔	↔
	DIESEL/ltr	150	50	50	-9	↔	↔	↔
	Gas/bottle	1500	7	0	-5	↔	↔	↔
Sheep/head	40000	0	0	-5	↔	↔	↔	
Skilled lab wage/day	4000	0	100	-11	↔	↔	↔	
Casual lab wage/day	3000	50	-25	3	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hajja	Wheat /kg	130	8	4	2	↔	↔	↔
	Wheat flour/ kg	140	0	8	2	↔	↔	↔
	SUGAR/kg	200	-20	0	-19	↔	↔	↔
	V. OIL/ kg	450	-6	29	30	↔	↔	↔
	RICE/kg	220	-12	10	5	↔	↔	↔
	Red beans/kg	360	3	-10	-14	↔	↔	↔
	White beans/kg	400	33	14	8	↔	↔	↔
	Lentils/kg	380	27	-5	-3	↔	↔	↔
	Yellow Split peas/kg	400	33	33	33	↔	↔	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	200	0	0	-18	↔	↔	↔
	Tomato/kg	350	-13	75	-10	↔	↔	↔
	Onion/kg	200	0	0	-20	↔	↔	↔
	Eggs/1egg	30	-14	0	0	↔	↔	↔
	PETROL/ltr	150	20	-40	-12	↔	↔	↔
	DIESEL/ltr	150	50	-50	-9	↔	↔	↔
	Gas/bottle	2000	33	11	14	↔	↔	↔
Sheep/head	35000	0	0	9	↔	↔	↔	
Skilled lab wage/day	5000	0	25	-17	↔	↔	↔	
Casual lab wage/day	2500	0	25	0	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Amran	Wheat /kg	120	9	9	-8	↔	↔	↔
	Wheat flour/ kg	133	-5	2	-6	↔	↔	↔
	SUGAR/kg	250	-11	25	-1	↔	↔	↔
	V. OIL/ kg	333	-31	1	-15	↔	↔	↔
	RICE/kg	180	-38	13	-16	↔	↔	↔
	Red beans/kg	375	25	88	-17	↔	↔	↔
	White beans/kg	350	25	40	-15	↔	↔	↔
	Lentils/kg	300	0	20	-31	↔	↔	↔
	Yellow Split peas/kg	250	-17	0	-26	↔	↔	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	300	100	100	20	↔	↔	↔
	Tomato/kg	320	-9	113	7	↔	↔	↔
	Onion/kg	250	14	67	-11	↔	↔	↔
	Eggs/1egg	33	10	0	0	↔	↔	↔
	PETROL/ltr	150	20	20	-12	↔	↔	↔
	DIESEL/ltr	150	36	36	-9	↔	↔	↔
	Gas/bottle	1500	0	0	-11	↔	↔	↔
Sheep/head	33000	10	0	18	↔	↔	↔	
Skilled lab wage/day	4000	0	0	14	↔	↔	↔	
Casual lab wage/day	2500	0	0	25	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodieda	Wheat /kg	130	18	8	0	↔	↔	↔
	Wheat flour/ kg	140	-3	4	4	↔	↔	↔
	SUGAR/kg	200	-20	0	-18	↔	↔	↔
	V. OIL/ kg	390	-13	-3	3	↔	↔	↔
	RICE/kg	220	10	-45	-44	↔	↔	↔
	Red beans/kg	400	25	0	-10	↔	↔	↔
	White beans/kg	330	18	-6	-20	↔	↔	↔
	Lentils/kg	380	27	9	0	↔	↔	↔
	Yellow Split peas/kg	280	0	-7	-10	↔	↔	↔
	Salt/kg	50	0	25	0	↔	↔	↔
	Potato/kg	250	25	67	19	↔	↔	↔
	Tomato/kg	330	10	120	50	↔	↔	↔
	Onion/kg	230	130	53	28	↔	↔	↔
	Eggs/1egg	30	0	-14	-14	↔	↔	↔
	PETROL/ltr	150	20	20	-12	↔	↔	↔
	DIESEL/ltr	150	50	50	-9	↔	↔	↔
	Gas/bottle	1600	14	7	-6	↔	↔	↔
Sheep/head	40000	21	48	8	↔	↔	↔	
Skilled lab wage/day	4500	-10	13	13	↔	↔	↔	
Casual lab wage/day	3000	20	20	20	↔	↔	↔	
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.