

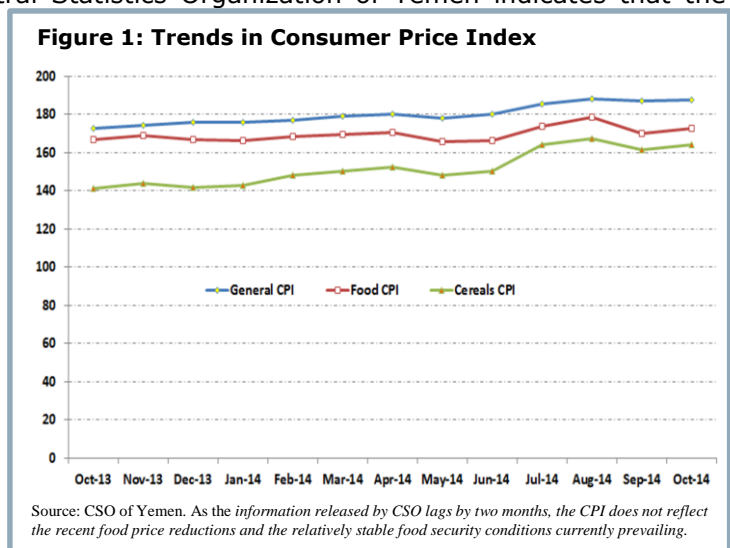
Highlights

- The overall market monitoring information in December 2014 shows that food has been available in all markets except in some areas where localized conflicts had intensified. Retail food prices have continued to decline in December reflecting the improved availability of fuel and stability of fuel prices. As a result, the food security of poor households who depend on purchases is believed to have remained stable in December.
- In October 2014, the general inflation rate of the country was 8.49 percent while the food inflation was 3.52 percent. The general Consumer Price Index (CPI) during the same month was reported at 187.47 while the food CPI was 172.86 and that of cereals stood at 164.28.
- The average domestic wholesale prices of wheat grain rose by 2 percent while that of wheat flour slightly declined in December 2014 compared to the previous month.
- The average retail prices of wheat and wheat flour declined by 1.4 and 1 percent respectively between November and December 2014.
- 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 20.86Kg/day in December 2014 – an increase by 1 percent from November, and 14 percent more than in December 2013.
- The average TOT between a sheep and wheat flour were 274.85Kg/sheep in December 2014 – a deterioration of 5 percent from the previous month, but 13 percent higher than in December 2013.
- The FAO Food Price Index averaged 188.6 points in December 2014, a drop of 1.7 percent from November and 8.8 percent down from December 2013. The Cereal Price Index averaged 184 points in December, up by 0.4 percent from November but lower by 4 percent than December last year.
- International wheat prices rose by 4.2 percent between November and December 2014, but remain lower than December 2013 (down by 7.5 percent).

A. Inflation and Consumer Price Index (CPI)¹

The latest information published by the Central Statistics Organization of Yemen indicates that the general inflation rate declined from 10 percent in August 2014 to 8.49 percent in September and October 2014 – based on a 12 month moving average. However, the inflation rate for food rose from 2.15 percent in September to 3.52 percent in October 2014.

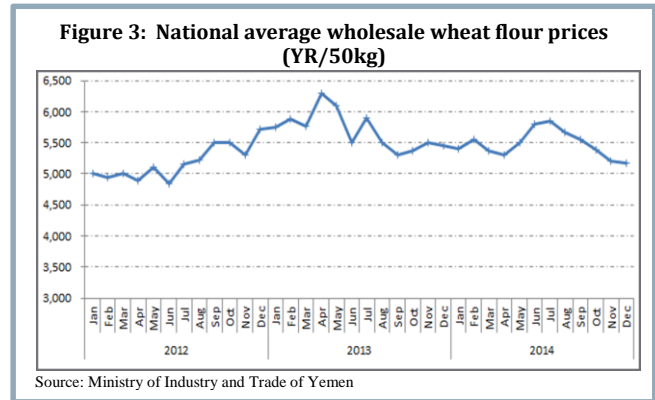
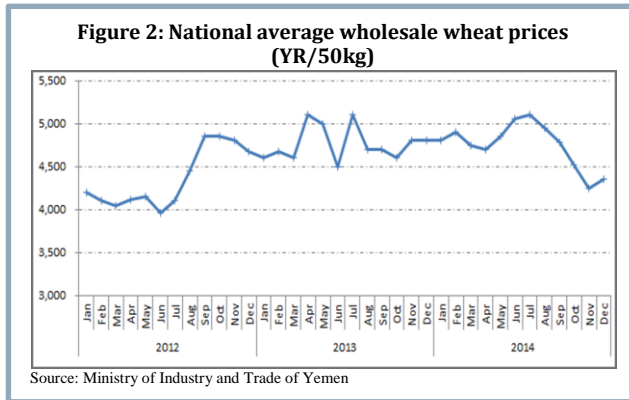
The general Consumer Price Index (CPI) increased from 186.99 in September to 187.47 in October 2014. Similarly, the Food CPI rose from 169.91 to 172.86 and that of cereals increased from 161.37 to 164.28 during the same period – see Figure 1. The annual inflation rates for most of the non-staple food items also rose between September and October 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

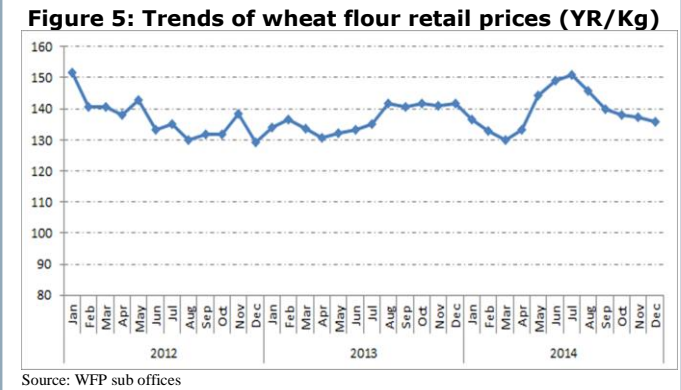
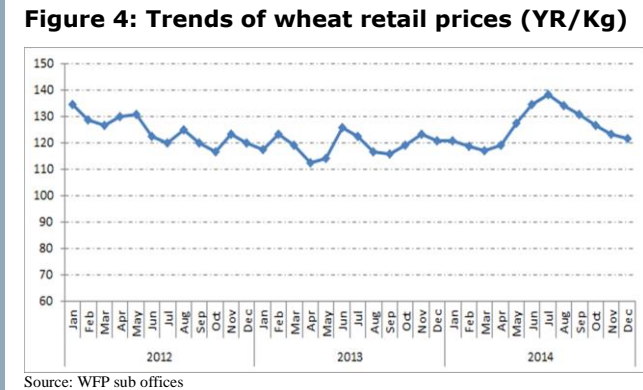
In December 2014, the average nominal² wholesale price of 50Kg wheat grain was 4,350YR while that of wheat flour was 5,175YR. The price of wheat grain rose by 2.4 percent while that of wheat flour slightly declined by 0.5 percent during the month of reporting compared with November 2014 (see Figures 2 and 3). The increase in wheat grain prices in December might be due to the ongoing conflict that believed to have affected supply to markets. On the other hand, the small reduction in the prices of wheat flour was mainly attributed to better availability of fuel and stability of fuel prices.



During the month of reporting, the wholesale prices of other food and non-food commodities have generally remained stable. However, prices of lentils and rice rose by 4 and 15 percent while prices of cooking oil and sugar fell by 8 and 9 percent, respectively. The continuing political instability and conflict will undoubtedly have an effect on markets and the prices of commodities may rise as a result, particularly in areas like Ibb and Mareb where tensions are growing since recent weeks.

C. Retail Prices of Wheat and Wheat Flour

The continued decline in wholesale prices of wheat since August 2014 was reflected in the retail prices. During the month of reporting, the average nominal retail prices of wheat and wheat flour were 122YR/Kg and 136YR/Kg, respectively – a reduction of 1.4 percent and 1 percent in December 2014 compared to the month before (Figures 4 and 5). The fall in prices during past five consecutive months is mainly attributed to the improved availability of fuel and stable fuel prices. Looking at the pattern of retail prices of wheat and wheat flour across the main markets during December, the highest price of wheat was 135YR/Kg which was reported from Sa'ada while the lowest price was recorded in Amran (110YR/Kg) as a result of improved security situation. Sa'ada market had the highest price for wheat flour (145YR/Kg) while Aden, Hajja and Amran markets saw the lowest price (130YR/Kg). Retail prices of other essential commodities have had mixed pattern where prices of red beans and tomato declined by over 10 percent while prices of yellow split peas and onion remarkably increased (see *Table 1*).



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

The supply of essential food commodities continued to be normal in most parts of the country during the month of reporting. However, the flow of food commodities was disrupted in some areas such as Hajja, Sa'ada and Hodieda, due to localized conflicts and restricted border market access with Saudi Arabia 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. However, the volume of imported wheat was sufficient to cover the consumption requirement of the country. Food supply is expected to remain stable in the coming months of 2015.

E. Terms of Trade (TOT)³

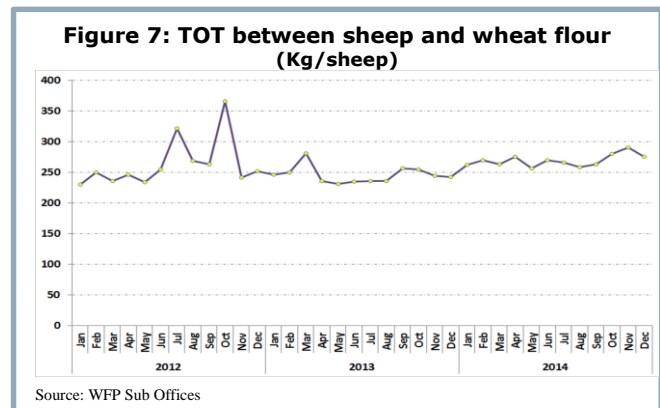
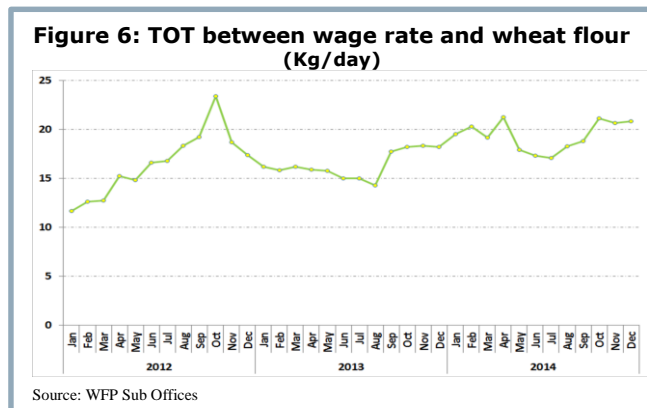
The TOT are proxy indicators of the purchasing power of households which rely on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Changes in the TOT between wages/livestock and staple food 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 reporting period, the nominal average daily wage rate was 2,833YR which is the same as the rate in November 2014. During December 2014, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 20.86Kg/day, an increase of 1 percent from November which is attributed to the minor reduction in the price of wheat flour. Moreover, the average national TOT between wage labour and wheat flour were 14 percent higher in December 2014 than during same month last year, i.e. in December 2013, the average daily wage purchased 18.24Kg of wheat flour (Figure 6).

TOT between sheep and wheat flour

In December 2014, the average price of a two-year old male sheep was 37,333YR, which is 6 percent lower than it was in November which reflects the seasonal trend where demand declines that depresses the prices of sheep. During the month of reporting, the national average TOT between a sheep and wheat flour stood at 274.85Kg/sheep – a deterioration of 5 percent from November. Nonetheless, the national average TOT were 13 percent higher in December 2014 than they were during the same month last year, i.e. one sheep purchased 242.35Kg of wheat flour in December 2013 (Figure 7). The highest TOT during the month of reporting were recorded in Sa'ada (324Kg/Sheep) while the lowest were in Hodieda market (229Kg/Sheep).

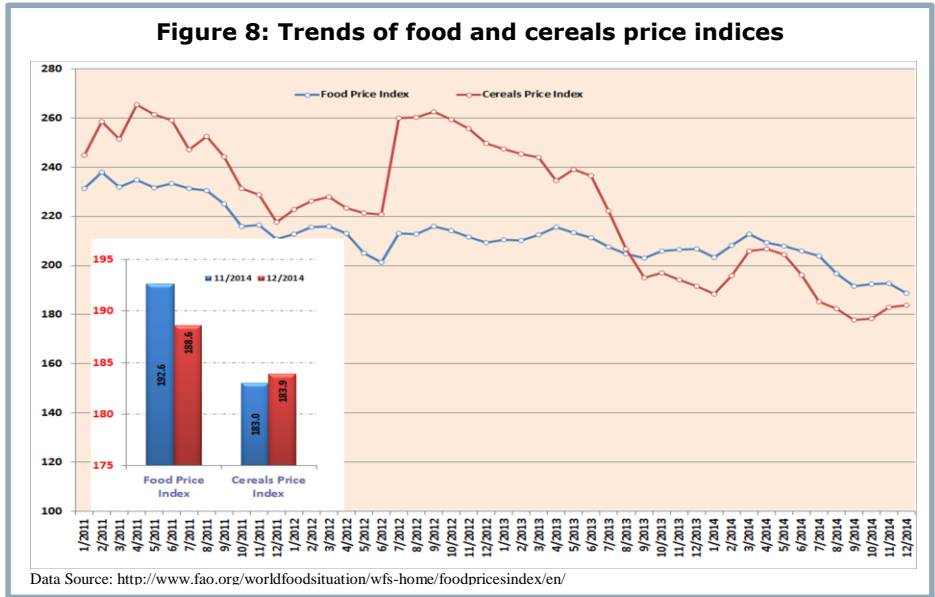


³ The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. The livestock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

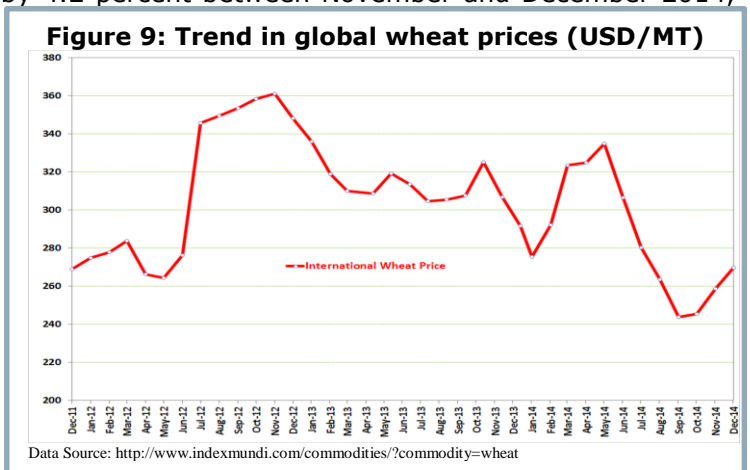
F. Global Food Prices

The FAO Food Price Index averaged 188.6 points in December 2014, a drop of 1.7 percent from November, and 8.8 percent below December 2013 (Figure 8). For the whole of 2014, the Food Price Index averaged 202 points, down 3.7 percent from 2013, marking the third consecutive annual decline.

The FAO Cereal Price Index averaged 183.9 points in December, up 0.4 percent from November as wheat prices rose on the back of worries that Russia may restrict exports. (Figure 8). However, the index was down by 4 percent from the same month last year. Conversely, the increase was capped by the stronger U.S. dollar. Moreover, rice prices fell markedly amid abundant export supplies.



International wheat prices slightly increased by 4.2 percent between November and December 2014, but were lower than the prices recorded during December last year – down by 7.5 percent (Figure 9). Although local market dynamics are more influenced by the monopolistic nature of the domestic markets than global price changes, the rise in the international wheat prices in recent months may lead to some increases of prices in Yemen domestic markets in the coming 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 December 2014 shows that food has been available in all markets except in some areas where localized conflicts had intensified. Retail food prices have continued to decline in December reflecting the improved availability of fuel and stability of fuel prices. The food security of poor households who depend on purchases is believed to have remained stable in December. Although the purchasing power dropped for livestock dependent households, declining retail prices of staple food commodities has compensated for the impact of continuing local conflicts and instability.



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 - December 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	115	-12	-15	-8	↔	↔	↔
	Wheat flour/ kg	140	0	-3	4	↔	↔	↔
	SUGAR/kg	200	-9	-22	0	↔	↔	↔
	V. OIL/ kg	350	-27	-8	0	↔	↔	↔
	RICE/kg	180	-10	-10	0	↔	↔	↔
	Red beans/kg	380	-16	-16	-5	↔	↔	↔
	White beans/kg	350	17	-13	17	↑	↔	↑
	Lentils/kg	350	17	-13	0	↑	↔	↔
	Yellow Split peas/kg	280	-7	-11	0	↔	↔	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	240	-4	9	-4	↔	↔	↔
	Tomato/kg	390	30	56	-13	↑	↑	↓
	Onion/kg	250	39	25	0	↑	↑	↔
	Eggs/1egg	35	0	0	0	↔	↔	↔
	PETROL/ltr	150	20	20	0	↑	↑	↔
	DIESEL/ltr	150	50	50	0	↑	↑	↔
	Gas/bottle	1500	0	-12	0	↔	↔	↔
Sheep/head	39000	30	-3	0	↑	↔	↔	
Skilled lab wage/day	4000	-20	0	0	↔	↔	↔	
Casual lab wage/day	3000	0	20	0	↔	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Aden	Wheat /kg	120	0	-10	4	↔	↔	↔
	Wheat flour/ kg	130	-4	-9	0	↔	↔	↔
	SUGAR/kg	200	-9	-13	0	↔	↔	↔
	V. OIL/ kg	350	-22	0	0	↔	↔	↔
	RICE/kg	200	0	-7	0	↔	↔	↔
	Red beans/kg	375	-13	-13	-6	↔	↔	↔
	White beans/kg	350	25	-17	-3	↑	↔	↔
	Lentils/kg	400	14	5	25	↑	↔	↑
	Yellow Split peas/kg	250	-17	-10	0	↔	↔	↔
	Salt/kg	50	25	0	25	↑	↔	↑
	Potato/kg	220	47	5	-12	↑	↔	↓
	Tomato/kg	340	36	55	-15	↑	↑	↓
	Onion/kg	250	25	32	25	↑	↑	↑
	Eggs/1egg	25	-29	-17	-29	↓	↔	↓
	PETROL/ltr	150	20	20	0	↑	↑	↔
	DIESEL/ltr	150	50	50	0	↑	↑	↔
	Gas/bottle	1500	7	-9	0	↔	↔	↔
Sheep/head	38000	36	0	-5	↔	↔	↔	
Skilled lab wage/day	5000	25	0	25	↑	↔	↑	
Casual lab wage/day	3000	50	0	0	↑	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hajja	Wheat /kg	120	0	-10	0	↔	↔	↔
	Wheat flour/ kg	130	-13	-14	-4	↔	↔	↔
	SUGAR/kg	200	-29	-22	0	↔	↔	↔
	V. OIL/ kg	350	-27	0	-13	↔	↔	↔
	RICE/kg	200	-26	-9	0	↔	↔	↔
	Red beans/kg	350	-27	-17	0	↔	↔	↔
	White beans/kg	300	0	-19	-14	↔	↔	↔
	Lentils/kg	450	50	10	0	↑	↔	↔
	Yellow Split peas/kg	350	17	9	40	↑	↔	↑
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	250	25	11	-17	↑	↑	↓
	Tomato/kg	320	7	39	-20	↔	↔	↔
	Onion/kg	250	25	0	0	↑	↔	↔
	Eggs/1egg	30	-14	0	-25	↓	↔	↓
	PETROL/ltr	150	20	20	0	↑	↑	↔
	DIESEL/ltr	150	50	50	0	↑	↑	↔
	Gas/bottle	2000	33	11	0	↑	↑	↔
Sheep/head	35000	-8	-13	-13	↔	↔	↔	
Skilled lab wage/day	4500	-10	13	-10	↔	↔	↔	
Casual lab wage/day	2500	0	25	0	↔	↑	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodaida	Wheat /kg	130	8	-4	0	↔	↔	↔
	Wheat flour/ kg	140	0	-7	-7	↔	↔	↔
	SUGAR/kg	200	0	-22	0	↔	↔	↔
	V. OIL/ kg	350	-17	-13	-3	↔	↔	↔
	RICE/kg	220	10	-48	10	↔	↔	↔
	Red beans/kg	380	-16	-17	-16	↔	↔	↔
	White beans/kg	350	40	-13	-13	↑	↔	↔
	Lentils/kg	300	0	-25	-25	↔	↔	↔
	Yellow Split peas/kg	280	0	-11	8	↔	↔	↔
	Salt/kg	50	25	0	0	↑	↔	↔
	Potato/kg	230	-8	15	-8	↔	↑	↔
	Tomato/kg	330	10	53	-13	↔	↔	↔
	Onion/kg	299	99	50	20	↑	↑	↑
	Eggs/1egg	35	17	0	17	↑	↔	↑
	PETROL/ltr	150	20	20	0	↑	↑	↔
	DIESEL/ltr	150	50	50	0	↑	↑	↔
	Gas/bottle	1500	0	-12	0	↔	↔	↔
Sheep/head	32000	0	-16	-14	↔	↔	↔	
Skilled lab wage/day	5000	25	25	25	↑	↑	↑	
Casual lab wage/day	2500	0	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.