



**World Food
Programme**

ETHIOPIA MONTHLY MARKET WATCH

Nov- Dec 2014

Highlights

- The general year to year inflation which is based on comparison of current and last year similar month Consumer Price Index, stood at 6.2% for November 2014. The food part of the inflation rate was 4.7% and the non-food 7.3%. In December 2014, the general inflation rate stood at 7.1% comprised of food inflation at 6.5% and non-food inflation at 7.9%.
- The retail price for fuel is adjusted by the Ethiopian government on a monthly basis. In December, the retail price for one liter of petrol was 19.41 birr, diesel 17.49 birr and kerosene 15.40 birr. This is a slight decline from previous months, for example fuel prices in October 2014 stood at 20.99 birr for Benzene, 19 birr for diesel and 15.75 for kerosene.
- In November, the import parity price of maize at Nazareth was 422 USD/MT compared to local price of 290 USD /MT. On the other hand, wheat continues to be more expensive in the local market, with average local price of 549 USD /MT as compared to import price of 397 USD/MT. The only imported cereal into Ethiopia is wheat (government or food aid), a decrease of both is pushing prices up.
- The whole sale price of maize, the cheapest commodity which most poor households consume has declined in November & December compared to previous month prices. This is in line with the harvest season prices. However, maize prices are still higher than the five year average.
- The Terms of Trade between an average shoat and a staple cereal, maize, was much below normal for Gode during November and December 2014. Prices in 2014 have not been favorable to pastoralists in Gode and some other areas as cereal prices remained high and livestock price increase has not kept up. November 2014 wage rates for unskilled labor in Tigray and Amhara regions increased by 10% and 7.8% respectively compared to November 2013 rates. Similarly, December 2014 wage rates increased by 14% in Tigray and 17.5% in Amhara from December 2013.

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](http://FOODPRICES.VAM.WFP.ORG/ALPS-AT-A-GLANCE.ASPX)



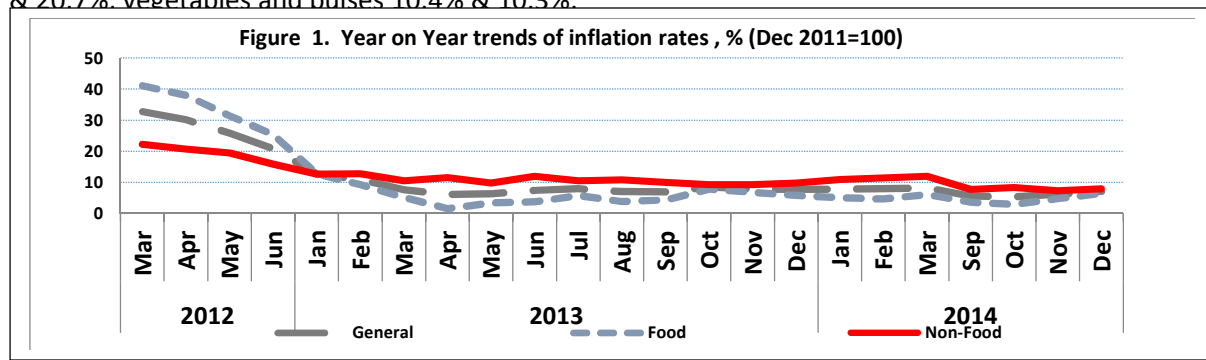
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INFLATION AND CONSUMER PRICE INDEX

According to the Central Statistical Agency of Ethiopia, the overall inflation rate in November and December 2014 stood at 6.2% & 7.1% respectively. The food part of the inflation was 4.7% in November and 6.5% in December while non-food inflation stood at 7.3% in November and 7.9% in December. The bread and cereals index declined by 7.07% in November & 2.59% in December from last year similar time, which will improve access to these staple items; but the index for other key food items has increased: meat 5.6% & 4.6%, while milk, cheese and eggs 9.9% & 10.3 %, oil and fats 18.7% & 20.7%. vegetables and pulses 10.4% & 10.3%.



Source: Central Statistics Agency

As can be seen from Figure 1, the high inflation in 2012 has come down continually, though as we will see later, retail prices of grains are still on the high side compared to normal (the five year average).

MAJOR CEREAL IMPORT PARITY AND LOCAL PRICES

The import parity price of maize at Nazareth in November 2014 was 422 USD/MT as compared to local price of 290 USD /MT. Any purchase of maize by WFP or government is cheaper locally. On the other hand, wheat is more expensive in the local market, averaging to 549 USD /MT as compared to import price of 397 USD/MT during the same month. In recent years, the government imported wheat and sold it at subsidized prices to urban consumer. The plan for this year has not been announced yet.

WHOLESALE PRICES OF STAPLE CEREAL IN LARGE MARKETS

In November, whole sale wheat prices increased by 25-67% from the long term average, sorghum by 9-18% and maize by 3-33% in major urban markets. At the same time, sorghum and maize prices declined slightly in some other urban markets such as Bahir Dar, Hosanna, Dire Dawa and Bure, the decline ranging from 1-8% for maize and about 14% for sorghum compared to the long term average. Compared to the previous year, November sorghum prices decreased by 13-39% and maize prices by 1-38% while wheat prices increased by 14-36% in most markets. December whole sale prices in major urban markets were higher than the long term average by 33-65% for wheat, 11-16% for sorghum and 4-33% for maize. However, prices fell from that of December last year. In December, wheat prices decreased compared to November prices in some major markets like Nazareth and Debre Markos while prices increased in other major markets.



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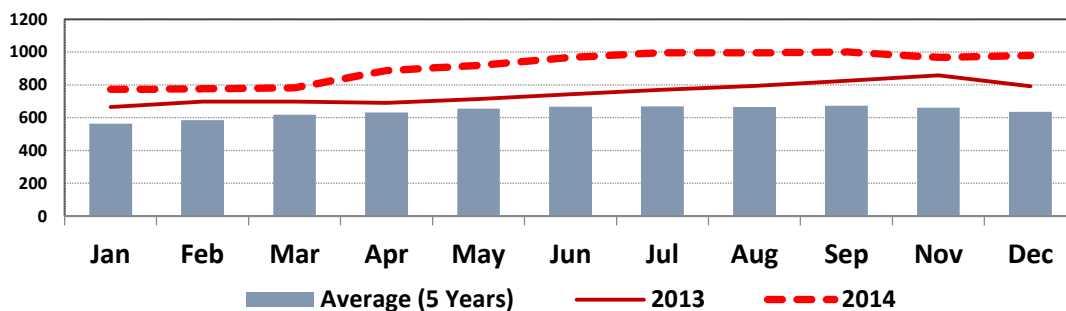
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Sorghum prices also decreased in some markets in December compared to November but increased in others. Price increases in some markets while reducing in others could be due to the slightly different time fresh harvest reaches the markets as well as reduction in production in some source markets.

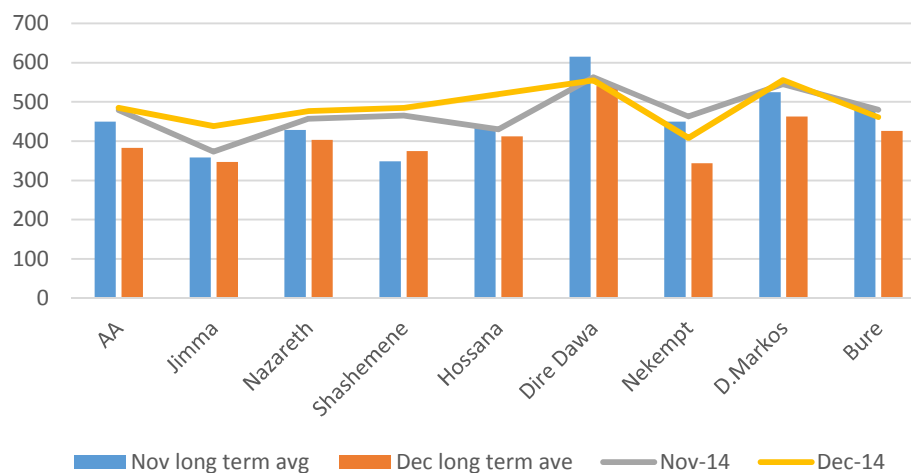
The graph below shows, 2014 wheat prices in Addis Ababa, the capital city, were higher than both the long term average and that of last year. Reduced availability of imported wheat in the country contributed to the increase of wheat prices.

Figure 2. Nominal Wholesale Price of Wheat (ETB/100kg), Addis Ababa



When it comes to maize, the figure below shows that whole sale prices are also still above the long term average in some markets, while prices are close to the long term average in other markets.

Figure 3, Maize whole sale Prices , ETB/100kg





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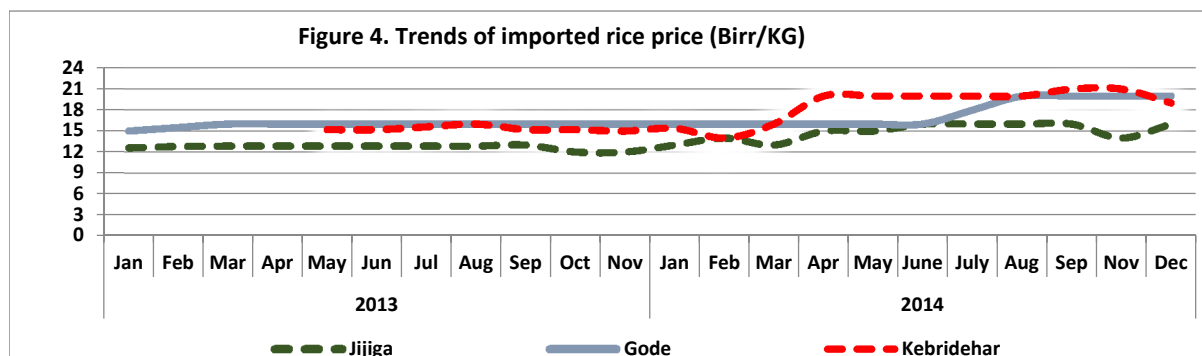
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RETAIL PRICES OF STAPLE CEREALS IN DISTRICT MARKETS

In monitored district markets retail prices of maize showed mixed trend when compared to the five year Average (2009-2013). In some markets, prices fell compared to the long term average while prices increased in other markets. The change from the average also has a wide range whereby November 2014 prices increased from the long term average by 2-49% , the biggest increase in pastoral areas; while retail prices reduced by 7-26% in other markets. Information by market can be viewed from the price data sent to WFP Regional Bureau and Headquarters, also requests can be made to the country Office. When compared to last year prices fell by 5-26% in some markets while they increased by 2-36% in other markets which include pastoral areas such as Yabello, and lowlands where maize production was negatively affected in 2014 such as in Hirna.

The maize price during December showed a decline of 13-31% from the long term as well as 5-23% decline from the last year & 3-26% from last month. Contrary to this in some markets an increase of 4-32% from long term, 9-24% from last year and 25% from last November was observed. The price variation is different from region to region in most cases. For instance one kilogram of maize costs 6.17 Birr in Harari & Oromia, 6.09 in Tigray, 10.50 in Somali, 4.20 at SNNPR, 5.43 in Amhara and 7.00 in Dire Dawa. The highest maize price was at Somali region followed by Dire Dawa as these regions are one of the deficit areas of the country. The decline in the prices of maize may continue to hold in the next 2 to 3 months as the seasonal harvest was completed

The price of imported commodities (rice, spaghetti and wheat flour) in the pastoral regions of Somali and Afar is stable with slight fluctuation. In November, price of one kg of rice ranged from 14-21, sugar from 15-24, pasta from 21-25 and wheat flour from 16-19 Ethiopian Birr/kg. In December, the price was 16-19 for rice, 15-24 sugar, and 24 pasta and 16-19 birr for wheat flour. But, prices in the remotest zones like Kebridehar and Gode were higher than that of Jijiga.





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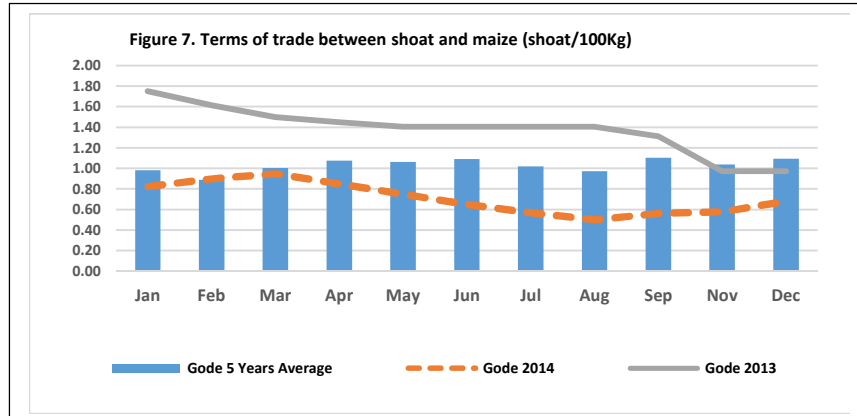
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SUPPLY TO MARKETS

The supply of staple food commodities in the market was normal in most monitored markets during November and December. This is a result of the normal to slightly above normal Meher harvest that started in October 2014. Ongoing food assistance in food insecure areas also contributed to stabilize food prices. However, in some pastoral areas and in crop areas affected by various hazards, food supply has been below normal and cereal prices continue to be high especially in the pastoral areas of Afar and parts of Somali region, Borena and Guji pastoral zones in Oromia as well as lowlands of East & West Hararge zones.

TERMS OF TRADE

ToT for shoat and staple cereal: In Gode zone, the terms of trade between an average shoat and a staple cereal, maize, was much below normal as compared to the long term average and last year similar period both during November and December 2014. High staple cereal prices in pastoral areas, particularly since June 2014 are weakening the purchasing power of pastoralists in many parts.



ToT for unskilled wage and sorghum: Normally there is a need for agricultural labor during November and December since it was peak harvest season in crop dependent areas. As a result, the Terms of Trade between wage and sorghum has slightly improved benefiting the poorer households. The average daily wage rate was 76 birr in Tigray, 55 birr in Oromia and 50 birr in Amhara regions during December.

