Highlights

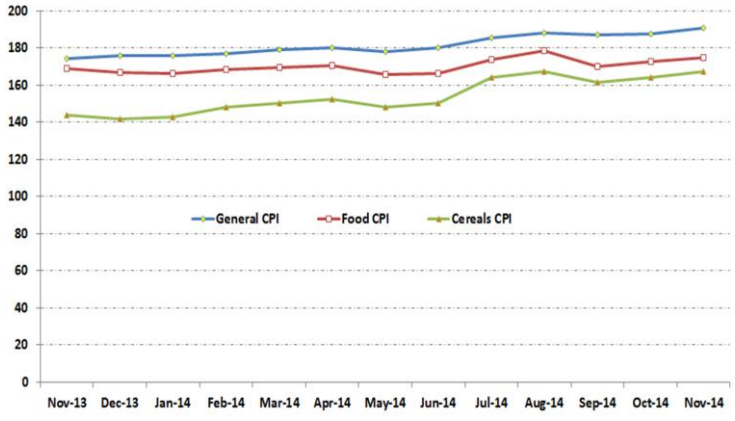
- The overall market information in February 2015 shows that food was available in all markets except in some conflict affected areas such as Al Bayda, Shabwa and Sa'ada. Retail prices of wheat grain and wheat flour slightly rose by 1 percent while the purchasing power of households dropped by 2 percent between January and February 2015. Consequently, the food security situation of poor households is believed to have deteriorated in February 2015.
- In November 2014, the general inflation rate of the country was 9.49 percent while the food inflation was 3.60 percent. The general Consumer Price Index (CPI) during the same month was reported at 190.56 while the food CPI was 174.95 and that of cereals stood at 167.08.
- The average domestic wholesale prices of wheat grain was down by 1 percent but that of wheat flour rose by 0.5 percent in February 2015 compared with January.
- The average retail prices of both wheat grain and wheat flour rose by 1 percent in February 2015 compared with the month before reflecting increased wholesale prices in January.
- 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 such as Al Bayda and Shabwa.
- The average Terms of Trade (TOT) between the daily unskilled labour wage rate and wheat flour were 20.41Kg/day in February 2015 which was down by 2 percent from January, but 1 percent more than in February 2014.
- The average TOT between a sheep and wheat flour were 273.36Kg/sheep in February 2015 – dropped by 2 percent from the previous month, but 2 percent higher than in February 2014.
- The FAO Food Price Index averaged 179.4 points in February 2015, a drop of 1 percent from January and 14 percent down from February 2014. The Cereal Price Index averaged 171.7 points in February, down by 3.2 percent from December and lower by 12.3 percent than in February last year.
- International wheat prices further declined by 4.6 percent between January and February 2015, and much lower than that recorded in February last year – down by 19 percent.

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

Information from the Central Statistics Organization (CSO) of Yemen on inflation and CPI for November 2014 indicated that the general inflation rate rose from 8.49 percent in October 2014 to 9.49 percent in November 2014 – based on a 12 month moving average. Similarly, the inflation rate for food rose from 3.52 in October to 3.60 percent in November 2014.

The general Consumer Price Index (CPI) increased from 187.47 in October to 190.56 in November 2014. Likewise, the Food CPI rose from 172.86 to 174.95 and that of cereals increased from 164.28 to 167.08 during the same period – see Figure 1. The annual inflation rates for the majority of the non-staple food items also rose between October and November 2014.

Figure 1: Trends in Consumer Price Index



Source: CSO of Yemen. As the *information released by CSO lags by three months, the CPI does not reflect the recent food price changes and the likely deterioration of food security conditions during the reporting period.*

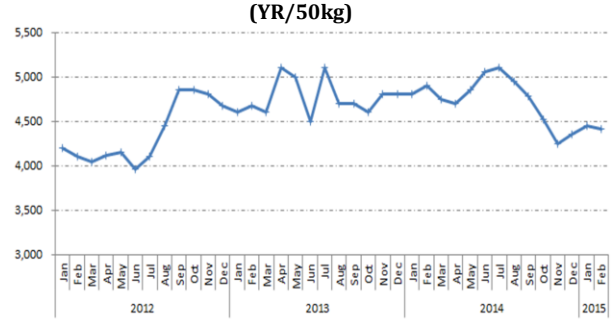
Note: The information on inflation and CPI is from January 2015 report and will be updated as data becomes available.

[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

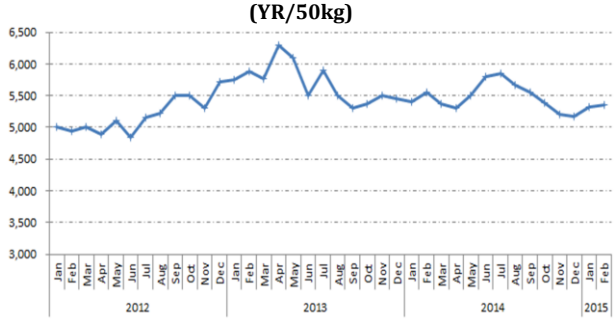
In February 2015, the average nominal[2] wholesale price of 50Kg wheat grain was 4,410YR while that of wheat flour was 5,350YR. Average price of wheat grain was down by 1 percent, but wheat flour price rose by 0.5 percent between January and February 2015 (see Figures 2 and 3). Despite the ongoing socio-political instability and conflicts in the country, the wholesale prices have continued to be relatively stable during the past few months.

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



Source: Ministry of Industry and Trade of Yemen

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



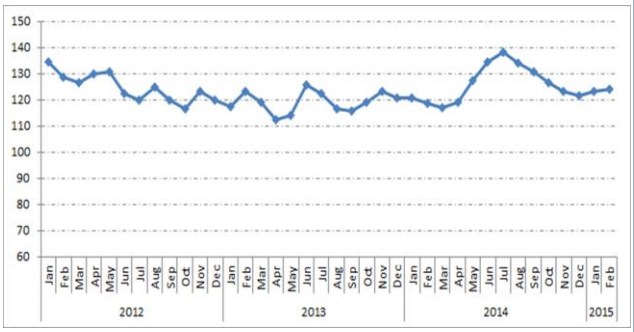
Source: Ministry of Industry and Trade of Yemen

The wholesale prices of other food and non-food commodities showed mixed pattern during the month of reporting. Wholesale prices were dropped for sugar, cooking oil, red and white beans by 8.4, 12.7, 6.0 and 11.7 percent, respectively. Prices of lentils and local salt rose by about 11 percent.

C. Retail Prices of Wheat and Wheat Flour

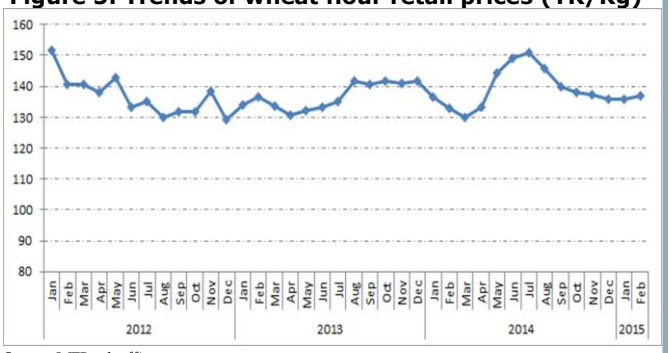
During the month of reporting, the average nominal retail prices of wheat and wheat flour were 124YR/Kg and 137YR/Kg, respectively – both slightly rose by about 1 percent compared with the January 2015 (Figures 4 and 5). The increase in prices of wheat grains could be a reflection of the rise in the wholesale prices during the previous month. Looking at the pattern of retail prices of wheat and wheat flour across the main markets during the reporting period, the highest price of wheat was 138YR/Kg which was reported from Sa'ada while the lowest price was recorded in Amran (100YR/Kg) as a result of improved security situation in the area in the past few months. Sa'ada market had the highest price for wheat flour (145YR/Kg) while Amran market saw the lowest price (117YR/Kg). Retail prices of other essential commodities have had mixed pattern where prices of tomato and potato declined further (18 percent and 10 percent, respectively), while prices of lentils rose by 6 percent (*Table 1 has 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

As the retail prices of commodities are collected from six strategic towns/cities in Yemen, the trends of prices presented in the report reflects the market situation in those locations and surrounding areas. WFP is exploring to capture possible price variations and changes across the country.

[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 month of reporting, 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 Al Bayda and Shabwa as a result of the ongoing conflicts and in Sa'ada due to 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 negatively affected local food availability in those areas. Nevertheless, the volume of imported wheat was sufficient to cover the consumption requirement of the country and 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.

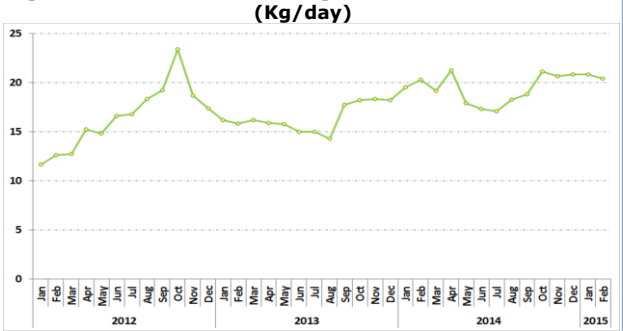
TOT between wage labour and wheat flour

In February 2015, the nominal average daily wage rate was 2,792YR which is 1.5 percent lower than that reported last month. During the month of reporting, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour stood at 20.41Kg/day, which were dropped by 2 percent compared with January 2015. The small reduction of the TOT were due to minor increase of the price of wheat flour and dropping of the daily wage rate. However, the average TOT were 1 percent higher in February 2015 than during same month last year where the average daily wage rate purchased 20.31Kg of wheat flour (Figure 6). The highest TOT was recorded in Sa'ada (23.28Kg/day) as a result of higher wage rates and the lowest was reported from Hajja and Hodieda markets (18.18Kg/day).

TOT between sheep and wheat flour

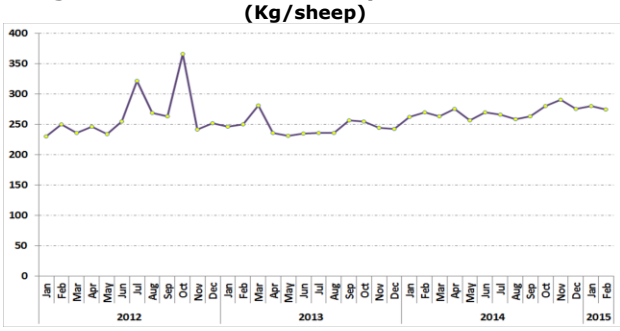
During the reporting period, the average price of a two-year old male sheep was 37,388YR, which was 1.6 percent lower than it was in January 2015. The national average TOT between a sheep and wheat flour stood at 273.36Kg/sheep in February 2015 which was deteriorated by 2 percent from January. Nonetheless, the national average TOT were 2 percent higher in February 2015 than they were during the same month in 2014 where one sheep purchased 269.13Kg of wheat flour (Figure 7). The highest TOT during the month of reporting were recorded in Sa'ada (317Kg/Sheep) due to much higher sheep prices than in any other markets, while the lowest TOT were in Hodieda market (224Kg/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)



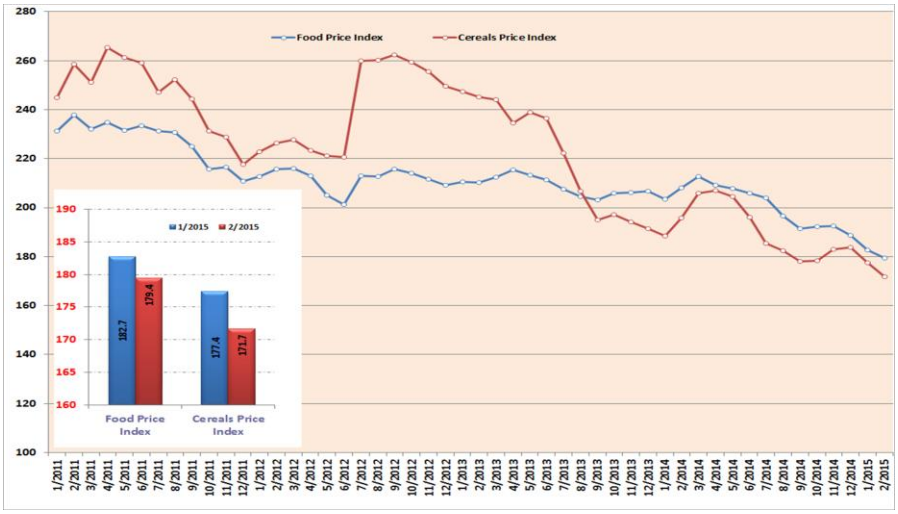
Source: WFP Sub Offices

[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 179.4 points in February, down by 1 percent from January and by 14 percent from February 2014 (Figure 8). Its continuing decline - to its lowest level since July 2010 - reflects robust supply conditions and reduction in cereal and sugar prices as well as ongoing weakness in many currencies versus the U.S. dollar, which is anticipated to continue.

Figure 8: Trends of food and cereals price indices

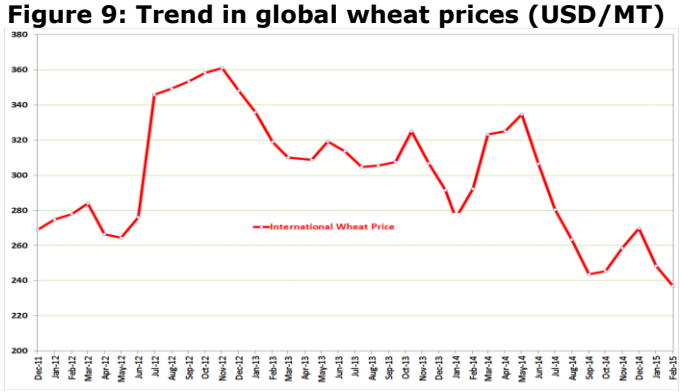


Data Source: http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/

The FAO Cereal Price Index averaged 171.7 points in February, down by 3.2 percent from January and 12.3 percent from same month last year (Figure 8). The bulk of the decline was due to booming prospects for wheat output and dropping prices. Rice prices were more stable, with aromatic rice prices increasing markedly, compensating for much of the price declines observed in the other rice varieties.

International wheat prices further declined by 4.6 percent between January and February 2015, and were much lower than the prices recorded in February last year – down by 19 percent (Figure 9). The international wheat prices during the reporting period is the lowest since August 2010. Although local market dynamics are more influenced by the monopolistic nature of markets in Yemen than global price changes, the current big fall in the international prices could result in significant reduction of prices in domestic markets in the coming months. Historically, the rate of transmission of international prices to the domestic markets in the country is only 20 percent[4].

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



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

The market information in February 2015 shows that food was available in all markets except in some conflict affected areas such as Al Bayda. The continued downward trends of international food prices have not had any noticeable impact on the local markets in Yemen. Retail prices of both wheat grain and wheat flour slightly rose by 1 percent while the purchasing power of households dropped by 2 percent between January and February 2015. Consequently, the food security situation of poor households is believed to have deteriorated during the reporting period.

[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 - February 2015

Markets	Commodity	Current Price	Price change (%) 1Y	Price change (%) 6M	Price change (%) 1 M	Avarage Change 1Y	Avarage Change 6M	Avarage Change 1 M
Retail prices of commodities (Yemeni Rials)								
Sana'a	Wheat /kg	120	-4	-11	9	↔	↓	↔
	Wheat flour/ kg	141	2	-3	1	↔	↔	↔
	SUGAR/kg	183	-19	-28	-9	↓	↓	↔
	V. OIL/ kg	340	-15	-8	-3	↓	↔	↔
	RICE/kg	208	4	4	4	↔	↔	↔
	Red beans/kg	320	-30	-27	-16	↓	↓	↓
	White beans/kg	290	-11	-27	-17	↓	↓	↓
	Lentils/kg	353	1	-10	1	↔	↔	↔
	Yellow Split peas/kg	283	-13	-10	1	↓	↔	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	205	14	3	3	↑	↔	↔
	Tomato/kg	238	40	-41	-15	↑	↓	↓
	Onion/kg	238	36	19	-5	↑	↑	↔
	Eggs/1egg	29	-18	-18	-18	↓	↓	↓
	PETROL/ltr	150	20	-25	0	↑	↓	↔
	DIESEL/ltr	150	50	-23	0	↑	↓	↔
	Gas/botle	2100	40	27	5	↑	↑	↔
	Sheep/head	36500	4	-9	-9	↔	↔	↔
	Skilled lab wage/day	4250	-15	6	6	↓	↔	↔
	Casual lab wage/day	2875	-4	15	-4	↔	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Aden	Wheat /kg	128	6	-6	-2	↔	↔	↔
	Wheat flour/ kg	141	5	-3	1	↔	↔	↔
	SUGAR/kg	193	-4	-16	-4	↔	↓	↔
	V. OIL/ kg	348	-1	-2	-1	↔	↔	↔
	RICE/kg	203	13	-4	1	↑	↔	↔
	Red beans/kg	318	-21	-30	-9	↓	↓	↔
	White beans/kg	343	37	-18	-2	↑	↓	↔
	Lentils/kg	385	5	1	-4	↔	↔	↔
	Yellow Split peas/kg	303	21	9	21	↑	↔	↑
	Salt/kg	50	15	0	0	↑	↔	↔
	Potato/kg	183	24	-9	-9	↑	↔	↔
	Tomato/kg	200	100	-33	-20	↑	↓	↓
	Onion/kg	188	50	-6	-25	↑	↔	↓
	Eggs/1egg	25	-21	-17	0	↓	↓	↔
	PETROL/ltr	150	20	-25	0	↑	↓	↔
	DIESEL/ltr	150	50	-23	0	↑	↓	↔
	Gas/botle	1475	5	-8	-2	↔	↔	↔
	Sheep/head	39500	-1	-12	4	↔	↓	↔
	Skilled lab wage/day	4875	144	8	-3	↑	↔	↔
	Casual lab wage/day	3000	50	0	0	↑	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hajja	Wheat /kg	129	1	-1	-1	↔	↔	↔
	Wheat flour/ kg	139	1	-4	3	↔	↔	↔
	SUGAR/kg	198	-1	-23	-1	↔	↓	↔
	V. OIL/ kg	388	-7	11	-3	↔	↑	↔
	RICE/kg	248	6	15	24	↔	↑	↑
	Red beans/kg	305	-13	-27	2	↓	↓	↔
	White beans/kg	330	-10	-11	10	↔	↓	↔
	Lentils/kg	403	5	2	1	↔	↔	↔
	Yellow Split peas/kg	315	-1	2	13	↔	↔	↑
	Salt/kg	65	-28	30	30	↓	↑	↑
	Potato/kg	210	15	-16	5	↑	↓	↔
	Tomato/kg	180	80	-55	-28	↑	↓	↓
	Onion/kg	230	25	-8	-8	↑	↔	↔
	Eggs/1egg	29	-22	-4	-4	↓	↔	↔
	PETROL/ltr	150	20	-25	0	↑	↓	↔
	DIESEL/ltr	150	50	-23	0	↑	↓	↔
	Gas/botle	2325	45	31	1	↑	↑	↔
	Sheep/head	38250	9	28	-4	↔	↑	↔
	Skilled lab wage/day	5500	10	-8	10	↔	↔	↔
	Casual lab wage/day	2625	-13	5	5	↓	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔

Markets	Commodity	Current Price	Price change (%) 1Y	Price change (%) 6M	Price change (%) 1 M	Avarage Change 1Y	Avarage Change 6M	Avarage Change 1 M
Retail prices of commodities (Yemeni Rials)								
Sa'ada	Wheat /kg	138	6	-2	-2	↔	↔	↔
	Wheat flour/ kg	145	4	-3	-3	↔	↔	↔
	SUGAR/kg	333	13	-2	-5	↑	↔	↔
	V. OIL/ kg	295	-23	-22	-2	↓	↓	↔
	RICE/kg	360	48	-4	-5	↑	↔	↔
	Red beans/kg	363	28	-19	4	↑	↓	↔
	White beans/kg	345	4	-14	-1	↔	↓	↔
	Lentils/kg	313	4	-22	4	↔	↓	↔
	Yellow Split peas/kg	285	1	-11	2	↔	↓	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	255	-19	2	-6	↓	↔	↔
	Tomato/kg	250	-21	25	0	↓	↑	↔
	Onion/kg	245	-8	23	-2	↔	↑	↔
	Eggs/1egg	34	-4	-4	-4	↔	↔	↔
	PETROL/ltr	150	20	-25	0	↑	↓	↔
	DIESEL/ltr	150	50	-23	0	↑	↓	↔
	Gas/botle	2325	41	29	16	↑	↑	↑
	Sheep/head	46000	1	2	-2	↔	↔	↔
	Skilled lab wage/day	5000	7	0	0	↔	↔	↔
	Casual lab wage/day	3375	7	-4	-4	↔	↔	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Amran	Wheat /kg	100	0	-26	0	↔	↓	↔
	Wheat flour/ kg	117	-4	-22	2	↔	↓	↔
	SUGAR/kg	190	-16	-25	-5	↓	↓	↔
	V. OIL/ kg	332	0	-17	0	↔	↓	↔
	RICE/kg	178	4	-11	-1	↔	↓	↔
	Red beans/kg	235	4	-47	-6	↔	↓	↔
	White beans/kg	269	8	-36	8	↔	↓	↔
	Lentils/kg	265	6	-41	6	↔	↓	↔
	Yellow Split peas/kg	250	0	-29	0	↔	↓	↔
	Salt/kg	53	5	5	5	↔	↔	↔
	Potato/kg	200	23	-20	0	↑	↓	↔
	Tomato/kg	210	68	-30	-30	↑	↓	↓
	Onion/kg	218	45	-28	-13	↑	↓	↓
	Eggs/1egg	25	-28	-24	0	↓	↓	↔
	PETROL/ltr	200	60	0	33	↑	↔	↑
	DIESEL/ltr	150	36	-23	0	↑	↓	↔
	Gas/botle	1825	22	9	22	↑	↔	↑
	Sheep/head	33325	9	19	1	↔	↑	↔
	Skilled lab wage/day	3875	3	11	-3	↔	↑	↔
	Casual lab wage/day	2375	6	19	-5	↔	↑	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔
Hodieda	Wheat /kg	130	18	0	0	↑	↔	↔
	Wheat flour/ kg	138	10	-2	2	↔	↔	↔
	SUGAR/kg	190	8	-24	-5	↔	↓	↔
	V. OIL/ kg	345	-6	-12	-1	↔	↓	↔
	RICE/kg	288	-10	-28	-4	↔	↓	↔
	Red beans/kg	340	-15	-24	-15	↓	↓	↓
	White beans/kg	303	1	-30	-14	↔	↓	↓
	Lentils/kg	300	-14	-21	0	↓	↓	↔
	Yellow Split peas/kg	280	0	-11	0	↔	↓	↔
	Salt/kg	50	25	0	0	↑	↔	↔
	Potato/kg	200	50	0	0	↑	↔	↔
	Tomato/kg	190	27	-5	-14	↑	↔	↓
	Onion/kg	185	23	3	-8	↑	↔	↔
	Eggs/1egg	33	3	-7	-7	↔	↔	↔
	PETROL/ltr	150	20	-25	0	↑	↓	↔
	DIESEL/ltr	150	50	-23	0	↑	↓	↔
	Gas/botle	1500	0	-12	0	↔	↓	↔
	Sheep/head	30750	9	-19	3	↔	↓	↔
	Skilled lab wage/day	5000	15	25	0	↑	↑	↔
	Casual lab wage/day	2500	-10	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.*