

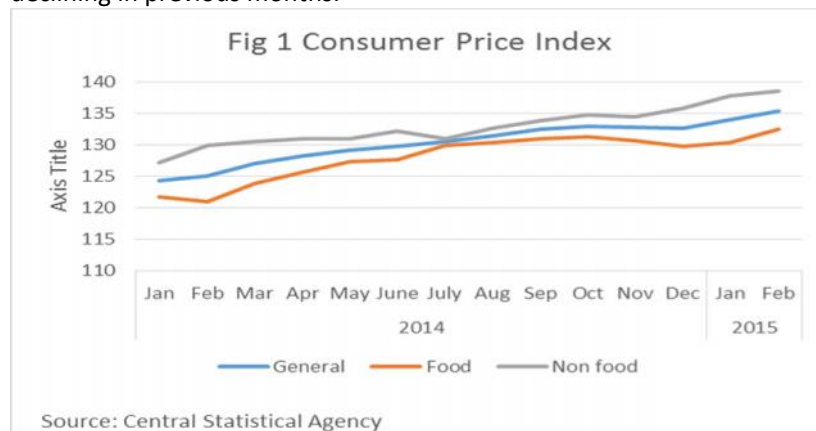
## ETHIOPIA MONTHLY MARKET WATCH February 2015

### Highlights

- The year on year inflation in February 2015 stood at 8.2%, composed of 9.6% food inflation and 6.8% non-food inflation. All food components of the Consumer price index increased in February 2015 compared to February 2014, showing a rise in cost of living.
- The whole sale maize price in February has remained stable compared to the previous month. The bumper maize harvest has not led to major decline in price, which is good for farmers. Nonetheless, February prices are still higher than the long term average, which shows prices are on the higher side than normal.
- Similarly, retail prices of staple grains were more or less stable in February compared to the previous month, but some of the monitored markets recorded a decline in price of sorghum by up to 10% and increase in maize price by 5%.
- In Gode, the terms of trade between an average goat and staple cereal slightly improved in February compared to the previous month. However, TOT has deteriorated for the most part of 2014 and needs close monitoring. Wage rates have increased in the last couple of years, while displaying a normal seasonal trend.
- The February Import Parity Price for maize was \$452/MT, much higher than the local price of \$263/MT. Wheat continues to be expensive domestically with local price of \$536/MT compared to an IPP of \$381/MT. Wheat demand continues to outstrip supply.

### Inflation and Consumer Price Index

Data from the Central Statistical Agency shows that year-on-year inflation in February 2015 stood at 8.2%, composed of 9.6% food inflation and 6.8% non-food inflation. Almost all food item components of the Consumer Price Index increased, including Bread and cereal indices which were declining in previous months.



Month to month comparison shows an increase in the Consumer Price Index by 1.12 percent in February 2015 compared to January 2015. The food CPI increased by 1.61% while non-food CPI increased by 0.65 percent. Prices of all food items included

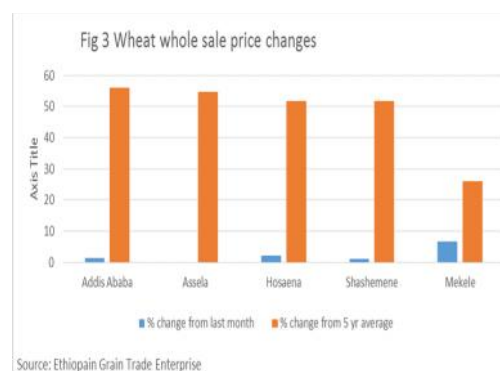
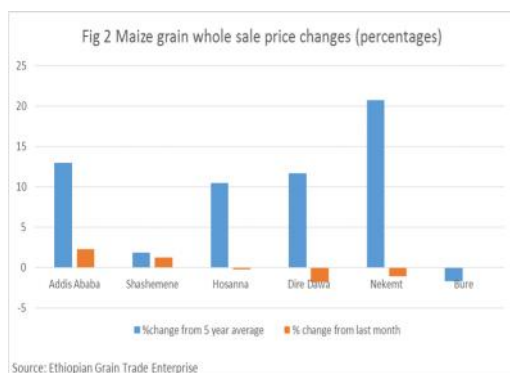
in the CPI calculation increased in February 2015 as compared to February 2014; Non-food price indices also increased, Source: Central Statistical Agency, Ethiopia mainly due to Increase in prices of clothing and foot wear, firewood and household furniture. On the other hand, transport costs have declined compared to last year similar month owing to decrease in fuel prices and adjustment in transport prices.

### Major Cereal Import Parity and Local Prices

The February import parity price for maize at Nazareth was \$452/MT as compared to local price of \$263/MT. Local prices have come down compared to the previous month by 7% as more maize is brought to the market from the harvest that ended in January. On the other hand, the IPP for wheat stood at \$536/MT relative to local price of \$381/MT. Demand for wheat continues to outstrip supply.

### Wholesale Prices of Staple Cereal in Large Urban Markets

As the graphs below show, Maize prices in February have remained stable compared to the previous month with slight decline in Dire Dawa (2%) and Nekempt (1%); prices increased slightly in Addis Ababa (2%) and Shashemene (1%), while remaining the same in Hosanna and Bure. The stability is due to more dry maize being brought to the market from the recent harvest that ended in January.

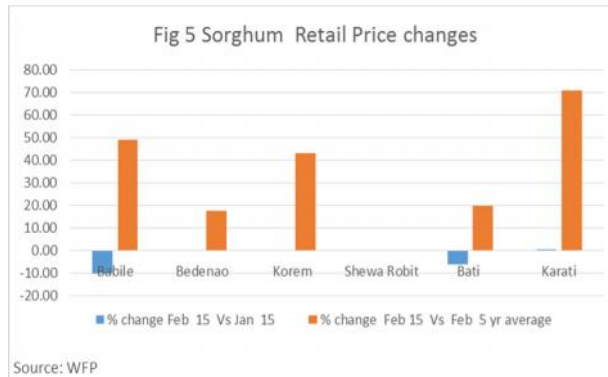
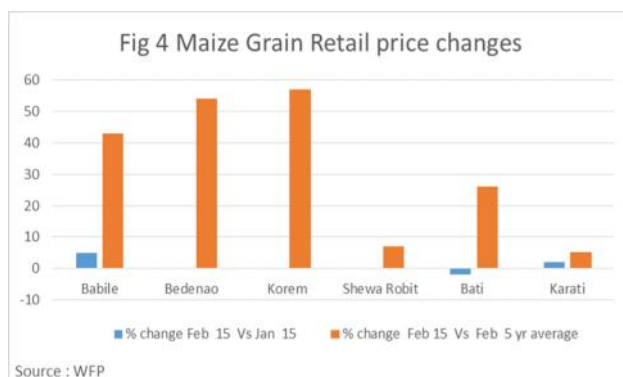


However, February 2015 maize prices are high compared to the long term average (2010-2014) by 2 to 21%; the exception is Bure, where Feb 2015 wholesale maize prices fell by 2% from the long term average. When it comes to wheat, February 2015 prices are much higher than the long term average of 2010 - 2014, while they increased by about 7% in Mekele compared to January and only slightly increased from January in other markets, again due to seasonal availability of wheat on the market. Addis Ababa is the capital city, which also serves as a distribution hub, maize from the surplus areas comes through Addis and goes to the North, East and South of the country. Bure and Nekempt are urban centers in major maize producing areas, Dire Dawa is a major urban center in food deficit area, Shashemene is a distribution and transshipment center for maize and other cereals, Hosanna is in the south, a generally food sufficient area.

### Retail Prices of Staple Cereals in District Markets

During February 2015, staple cereal prices were relatively stable compared to the previous month. Babile and Bati markets recorded reduction in Sorghum prices by 10% (Babile) and 5.8% (Bati). Maize price increased in Babile by 5%; this is most likely due to low maize production in the lowland parts of this district. There are big differences in prices among regions. For example, in February

2015, the price of 100 kg of maize in Karati district in the south was birr 500 while the same amount was sold for birr 780 in the north in Korem district, Tigray region. Similarly 100 kg Sorghum cost birr 615 in Karati as compared to birr 830 in Korem. One factor is proximity to the source markets and the resulting transport cost. Grain prices are still much higher compared to the long term average, in this case from 2009-2013 prices.



### Supply to Markets

Due to the normal to above normal Meher harvest between October and January, grain supply to most markets is normal. However, in some areas, the Meher rains performed poorly and supply from local production is below normal; these areas include districts in Wag Himra zone in Eastern Amhara and low lands of east and West Hararge, and West Arsi in Oromia region.

### Terms of Trade (TOT)

**TOT - Goat to cereal:** TOT between an average goat and staple cereals started to pick up slightly in February compared to January. However, TOT has been deteriorating for much of 2014 and needs close monitoring in the coming months.

**Wage rates:** Poor households in the rural parts engage in agricultural labor to obtain cash income. Though labor rates change seasonally, in general they have shown an increase. Wage rates for unskilled labor are higher in Tigray region.

