

## ETHIOPIA MONTHLY MARKET WATCH

### Highlights

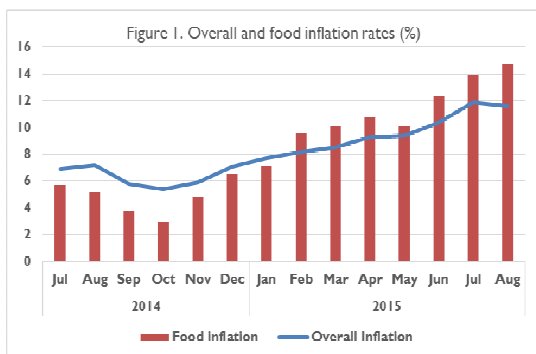
- The year-on-year overall inflation rate in the country stood at 11.60 percent in August 2015, as food inflation increased to 14.7 percent from 13.9 percent in the previous month. This means that the cost-of-living rose by 11.6 percent compared to last year, August 2014.
- The main drivers of inflation in the month were increase in prices of food components mainly meat, milk, cheese and eggs, oils and fats, pulse (especially lentils), fruits and food products. However, bread and cereal which make up 18.48 percent of the food index weight showed a slight decline in prices.
- In spite of continued decline in crude oil price on international markets, the retail fuel prices in the country remained at the same levels as that of February 2015. In February 2015, the retail price of Benzene (ethanol mixed) and Diesel in Addis Ababa decreased by 7.47 percent and 7.95 percent respectively from the previous month prices. At present, a liter of Benzene and Diesel costs US \$ 0.87 and 0.78 respectively in Addis Ababa.
- The wholesale prices of white maize stood below the long term average (by 6 to 20 percent), below prices in the same month of last year (by 8 to 21 percent) and below July 2015 (by 5 to 16 percent) across monitored major markets. This is very unusual, for prices to decrease in the peak of the lean season which is aggravated by a failed Belg season and recurrent dry spells during the Meher/Kiremt rainy season. Unlike white maize, wholesale prices of white wheat, sorghum and Teff stood above their long term average and that of August 2014.
- In most markets, maize price changes did not exceed five percent when compared to the previous month. However, maize prices declined by seven to sixteen percent in different markets, which is unseasonal in the lean season. The markets with decreased price include: Haramaya, Huse, Melkarafu, Chelenko and Haro Dumal in Oromia, Sodo, Sikela, and Qulito in SNNP, and Kobo in Amhara, Awash in Afar region.
- Root and tuber crops are widely consumed in SNNP region. Prices of taro, sweet potatoes and Irish potatoes have declined in markets of Sodo, and Sikela as compared to July 2015 by about 12 to 14 percent; while, kocho (false banana) price remained the same.
- In Afar markets, shoat to maize terms of trade deteriorated as compared to August 2014 and July 2015 by 16-42 percent and 5-17 percent respectively which have led to deteriorating purchasing power for pastoralists. In Dire Dawa, shoat to maize terms of trade deteriorated by 8 percent and 20 percent compared to July 2015 and a five year average.

### Inflation and Consumer Price Index

In Ethiopia, the Consumer Price Index (CPI) measures a broad rise or fall in prices that consumers pay for a standard basket of goods. The change in CPI between two periods (month-on-month, year-on-year

etc.) is referred to as inflation that measures percentage change in cost of living between comparison periods. The CPI has two major components, food and non-food, where the food component accounts 53 percent of the weight in the construction of index.

The year-on-year overall inflation rate in Ethiopia stood at 11.60 percent in August 2015, as food inflation rose to 14.7 percent from 13.9 percent in the previous month; however, the non-food inflation decreased to 8.2 percent from 9.7 percent in July 2015. This means that the cost-of-living rose by 11.6 percent compared to August 2014. According to the Central Statistical Agency, the main drivers of year-on-year inflation in the month were increase in prices of meat (10.7 percent), milk, cheese and eggs (15.9 percent), oils and fats (17.2 percent), pulse (especially lentils) and vegetables (26.7 percent), fruits (15.6 percent) and food products (61.4 percent) while bread and cereal (maize, wheat, barley and sorghum) showed a slight stabilization (-0.1 percent) in their prices.



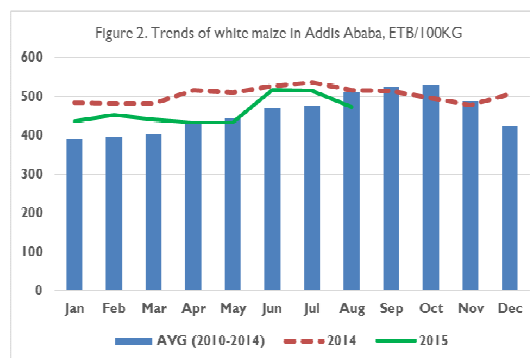
Source: CSA

### Wholesale prices of Staple Cereal

Ethiopian Grain Trade Enterprise (EGTE) price data shows wholesale prices of white maize continually declined in the months of July and August 2015. It is very unusual to observe a decrease in maize prices at this time, in the peak of the lean season that coincided with *Belg* season failure and dry spells in *Meher* season rainfall. The wholesale prices of white maize stood below the long term average by 6 to 20 percent, below the same month of last year by 8 to 21 percent and below the July 2015 by 5 to 16 percent across monitored main markets.

Unlike white maize, wholesale prices of white wheat, sorghum and *Teff* stood above their long term average and that of August 2014 levels. Compared to a five year average, white wheat prices rose by 24 percent in Debre Markos (surplus area) to 58 percent in Dire Dawa (deficit areas). The prices of wheat are higher than last year similar time by 24 percent in Dire Dawa and Jima. With regards to *Teff* (white, mixed and red), increased prices were observed where the highest increase (11 to 30 percent) was observed in Addis Ababa, Nazareth, Dire Dawa and Bahir Dar against the long term average. In other major markets, prices of *Teff* increased at lower percentage (less than 15 percent). Though prices of *Teff* increased compared to August 2014 and July 2015, the increases were below 15 percent and 10 percent respectively.

The increased prices of *Teff* and wheat could be associated with high demand in preparation of Ethiopian New Year (September 12, 2015) festivity. Generally, the prices behaviour of staple cereal across main wholesale markets were unseasonal for maize while month-on-month changes of wheat and sorghum could be considered seasonal but at lower paces that usual. The stability and low rate of increases in this lean month indicate the availability of cereals in the markets that are supplied by grain traders and producers as well. The decreasing trend of maize prices in July and August could be considered as favorable condition to poor households.



Source: EGTE

A quintal (100 Kg) of staple at wholesale market costs ETB 370 in Jijiga to ETB 570 in Hossana for white maize; ETB 876 in Robe (Bale) to ETB 1235 in Dire Dawa for white wheat; ETB 550 in Humera to ETB 880 in Addis Ababa for sorghum.

### **Retail Prices of Staple Cereal**

**Maize:** a mixed trend in retail prices of maize was observed across markets including in historical food deficit areas such as East and West Hararghe. In most of the markets, price changes not exceeding five percent prevailed against the previous month. While in markets of Haramaya, Huse, Melkarafu, Chelenko and Haro Dumal of Oromia, Sodo, Sikela, and Qulito of SNNP, Kobo of Amhara, Awash of Afar region, maize prices have declined by seven to sixteen percent which is unseasonal in the lean season. Such stability and prices decline could indicate the sufficiency of supply to these markets from various sources such as surplus areas.

On the other hand, eight to eighteen percent prices increase were recorded in markets of Mieso, Daro Lebu, Mechara (Oromia); Wekro, Korem, Alamata, Sheraro (Tigray); Hawassa and Hadero (SNNP); and, Gog and Korgang (Gambella).

While Belg failure and below average Meher season occurred, maize prices were also lower than the long term average and August 2014 in most of the monitored markets (see Table I).

**Sorghum:** Sorghum prices have either remained the same or slight changes observed (less than 5 five percent) in many markets. The exceptions were in markets of Mieso, Haramaya, Mechara, Chiro of Oromia; Wekro, Alamata and Adigrat of Tigray and Dalifage of Afar where prices increased by seven to twenty nine percent as compared to July 2015. The increase in prices in these markets could be associated with supply shortages. In markets of Hirna, Fedis and Melkarafu of Oromia region,

sorghum prices have decreased by six to eight percent.

**Wheat:** locally produced wheat grain have been below the demand that necessitated commercial imports by Government. Up to June 2015, prices of wheat were continually rising; however, the unseasonal price situation also reflected on wheat prices in few markets. Wheat prices have went down in markets of Ginir, Delo, Kersa, Feids, Yabelo (Oromia), Alamata, Abiy Adi (Tigray), Akeste (Amhara) where the highest price reduction was observed in markets of Abiy Adi by 26 percent against July 2015. The retail price of a locally produced wheat per a kilo gram was ranging from ETB 8.05 at Hawzien (Tigray) to ETB 12.50 in Machara (Oromia).

**Root crops:** Root and tuber crops are widely consumed in SNNP region. The prices of taro, sweet potatoes and Irish potatoes have declined in markets of Sodo, and Sikela as compared to July 2015 by about twelve to fourteen percent; while, kocho (false banana) prices remained the same. A kilo gram of root and tubers stood at ETB 2.00/KG for taro, sweet potatoes at ETB 2.80-3.50/KG for sweet potatoes, at ETB 5.00-6.00 for kocho and ETB 3.50-5.50/KG for Irish potatoes.

**Pulse:** As indicated in previous reports, the prices of pulse remained at escalated levels. It seems that prices have reached the maximum level beyond many poor households afford to pay. In August, pulse price remained steady in most monitored markets. In very few markets of Amhara and Tigray regions, prices of fava beans and lentils have increased. On the other hand, prices of haricot beans have decreased in Sodo, Qulito and Sikela markets. In these areas, the haricot beans price reduction could be linked to minor localized harvest from the available moisture over the last few months.

## Supply to Markets

Overall the supply of staple cereals in markets could be considered close to normal for the season. However, there are areas where supply has diminished over time like in Afar, Gambella, parts of Amhara region markets. With the continuity of rainfalls in August, improvements of supply to the market and stock release by traders were noted in Amhara region markets.

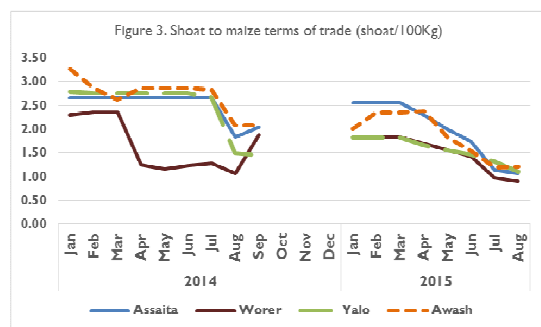
The supply of processed food commodities (pasta, wheat flour, macaroni, sugar, cooking oil etc.) were found normal mainly across the border markets of Somali and Afar regions. The import of these commodities as duty free and their availability in Somali region played key role in stabilizing the prices in the region and neighboring Oromia region markets.

shoat terms of trade deteriorated by 8 percent and 20 percent against July 2015 and a-five year average.

**Wage to cereal:** the daily wage rate of unskilled agricultural labor in many markets decreased or remained the same to previous month levels. Furthermore, delay and reduced agricultural activities have also deprived the opportunity to earn incomes through agricultural wage labor. In August, daily wage to maize and to sorghum terms of trade have deteriorated compared to last month while the terms of trade stood above August 2014.

## Terms of Trade (TOT)

**Shoat to cereal:** Livestock prices have continually decreased in many markets (mainly in pastoral/agro-pastoral areas of Afar, Oromia, and Amhara) due to poor body condition and high supply of livestock. Lower prices of livestock coincided with high prices of staple cereal which resulted in deteriorating terms of trade. In particular, households with small herd size would face difficulty to access adequate amount of food items from local market.



In Afar markets, shoat to maize terms of trade has deteriorated as compared to August 2014 and July 2015 by 16-42 percent and 5-17 percent respectively that led to deteriorated purchasing power of livestock owners. In Dire Dawa, maize to

Table I. Prices in selected markets

Market	Price	% changes compared to	
		Average (2010-2014)	July 2015
Maize - Wholesale (100KG)			
Addis Ababa	474	-7	-8
Nazareth	470	-6	-1
Nekempt	430	-2	+2
Shashemene	515	-7	-3
Bure	428	-11	-7
Maize (Retail -KG)			
Haro Dumal	4.00	ND	-15
Haramaya	6.50	ND	-16
Chelenko	7.00	ND	-7
Mieso	5.35	ND	-11
Sodo (Wolayta)	8.45	-4	+13
Sikela	5.25	+9	-9
Qulito	4.80	ND	-5
Kobo	5.95	+10	-9
Awash	6.00	ND	-8
Korem	6.80	+11	+17
Alamata	7.50	+17	+12
Korgang	6.50	ND	+18
Pungido	6.00	ND	+9
Sorghum _Retail (KG)			
Delo	5.40	-14	-3
Babile	8.00	+22	0
Fedis	8.50	ND	-17
Hawzien	5.30	-21	0
Karati	6.25	+9	-4
Kobo	7.40	-8	-20
Shoa Robit	9.00	-16	+13
Sekota	9.05	+24	+18
Wheat (KG)			
Delo	9.00	ND	-7
Kersa	9.00	+46	-5
Hawzien	8.05	+9	0
Mota	9.00	+38	0
Debark	9.80	ND	-4
Shoat to maize TOT(100KG/shoat)			
Aysaita	1.08	ND	-5
Yalo	1.10	ND	-17
Awash Fentale	1.21	ND	+1
Dire Dawa	0.84	-20	-8
Exchange rate	20.696	18.72	0.37