

WFP ETHIOPIA MONTHLY MARKET WATCH

Highlights

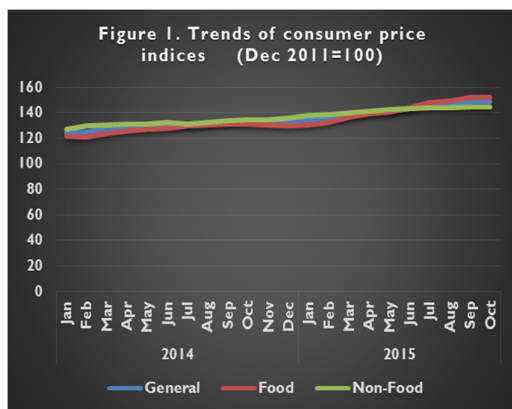
- In October 2015, the overall year-to-year inflation rate was 11.8%. The food and non-alcoholic beverages inflation was higher at 16.2%. This shows an increase in the cost of living, especially in cost of food items. The Central Statistics Agency reported that increase in prices of meat, milk, cheese and egg, oils and fats, pulses (especially Lentils), fruits and spices were drivers of increase in the cost of living. In the food basket, cereal and bread inflation stood at 3.2%, pulses and vegetables at 21.8%, fruit at 22.6%, oils and fats at 16.6%, milk, cheese and eggs at 16.5%.
- Nominal wholesale maize prices were still below the long term average (5% to 29%) and below last year the same month (4% to 31%) as well as below that of September 2015. The exception was in Mekele where maize price increased by 8% as compared to last month. Though white wheat and teff prices stood above the long term average and that of October 2014, prices have remained stable compared to September 2015. Similar to maize price, white wheat prices increased in Mekele by 13% compared to last month.
- Traders in markets visited by WFP staff indicated that they will not withhold grain due to the upcoming harvest, shortage of proper storage and loan based trade system.
- Retail maize prices showed mixed signals; prices remained stable for the most part and continued to decline in some markets. The decline and stability can be attributed to carryover stock from last year maize harvest and emergence of some new maize harvests in markets. In few markets, however, prices increased. In East and West Hararge, Cooperative Unions are supplying white maize from source markets and sell to consumers. This has stabilized prices.
- Retail price of sorghum stabilized at higher level whilst in few markets sorghum prices increased. Some drought affected areas in the north which were normally trading out cereals and pulses are now trading in these items due to the drought. Notably, Kobo Woreda in Amhara is now trading in sorghum while other pulse surplus Woredas are trading in pulses.
- Grain traders have reported increasing request of cereal loan from rural households since June 2015. The poor prospects of crop that may result in higher default rates forced traders to be reluctant to entertain all in-kind loan requests; however, they provide loan depending on their trust and relationships to a maximum of 50Kg.
- Root crops are predominantly consumed in SNNP region. In October, root crops (kocho, sweet potatoes, and Irish potatoes) prices either remained the same or declined compared to September 2015.
- Poor livestock body condition compounded by high market supply of livestock have depressed the price and hence deteriorated terms of trade. However, stability of staple cereal prices safeguarded livestock owners from further deterioration of terms of trade.
- Due to limited work opportunity and high supply of daily labor, wage to staple cereal TOT has deteriorated in Sekota (decreased by 17% with sorghum) and Kobo (20% with sorghum) as compared to September 2015. Similarly, daily wage to sorghum TOT has deteriorated in Korem and Wekro respectively by 25% and 26%.

Inflation and Consumer Price Index

In October 2015, the overall year-to-year inflation rate was 11.8% while the food and non-alcoholic beverages inflation was 16.2%, showing a rise in the cost of living.

Food accounts for 53% of the weights in the calculation of the Consumer Price Index (CPI); two food groups (bread and cereal, pulse and vegetables) account for 60% of the food CPI weights. This high weight means that changes in prices of these commodities, have a higher impact on inflation. The Central Statistics Agency reported that

increase in prices of meat, milk, cheese and egg, oils and fats, pulses (especially Lentils), fruits and spices were drivers of increased food inflation rate in October. Cereal and bread inflation stood at 3.2%, pulses and vegetables at 21.8%, fruit at 22.6%, oils and fats at 16.6%, milk, cheese and eggs at 16.5%. WFP household surveys show low consumption of pulses (normally the main protein sources for rural households); the high pulse prices explain the low levels of pulse consumption.



Source: CSA

Wholesale prices of Staple Cereal

The 2015/16 *meher* season harvest, mainly maize, has started to appear in few markets. Given a high moisture content of new maize, the price of the new harvest is lower compared to more dry maize from carryover stocks. The appearance of new maize harvest in the market could be one of the factors behind decline in price of maize grain across several markets. The nominal wholesale price of maize in October 2015 stood below the long term average (5% to 29%), below last year the same month (4% to 31%) and that of September 2015. The exception was in Mekele market where maize price increased by 8% as compared to last month.

In markets visited by WFP staff in Amhara (Kobo, Sekota, Bati) and Oromia (Haramaya, Fedis, Mieso), wholesale warehouses were half full in terms of grain stocks. Traders are sourcing white maize grain from surplus

production areas (Guten, Bure, and Nekempt) and still buying last year carryover stocks. Given the coming seasonal harvest, and due to the loan based grain trade transaction system, as well as absence of modern storage facility to protect grain from infestation, traders have indicated that it is less likely that they will withhold grain in expectation of price rises.

White wheat and *teff* prices stood above the long term average and above prices of October 2014, but prices have remained stable against September 2015. Similar to maize price, white wheat price also showed an increase in Mekele market compared to last month, in the case of wheat by 13%. Wheat products and *teff* are predominantly consumed by the urban population.

A quintal (100 Kg) of maize at wholesale markets ranged from ETB 316 in Jima (Oromia), to ETB 510 in Dire Dawa. White wheat price ranged from ETB 863 in Ambo (Oromia) to ETB 1180 in Dire Dawa. The wholesale price of white *teff* per quintal varied from ETB 1332 in Bichena (Amhara) to ETB 1670 in Dire Dawa.

Retail Prices of Staple Cereals

Maize: retail maize prices show mixed signals. Prices increased in some markets including, in Shearao and Adwa (Tigray), Dolo Ado (Somali), Ataye and Awash Fentale (Oromia) by about 15% to 33%. However, prices continued to decline in many other markets: In East and West Hararge (Oromia) white maize price decreased by 8% - 25%, in Tigray by 6% - 25%, in SNNP 7% - 15% when compared to September 2015 prices.

One of the reasons for price stability and decline is that, in East and West Hararge, Cooperative Unions are securing white maize from source markets and sell to consumers through their channel.

Most rural households mainly drought affected ones depend on maize due to high

prices of other cereals. Grain traders stated that rural households are increasingly requesting traders for cereal loans since June 2015. Traders further noted that they are reluctant to entertain all in-kind loan requests due to fear of high default rates given the poor prospects of crop in drought affected areas; however, traders provide a maximum of 50 kg of cereal loans depending on their trust and relationships with a customer. Furthermore, most grain traders get supply as in-kind loan so that sale of commodities on credit with longer repayment period (more than a month) compromise their trade volume.

Sorghum: retail price of sorghum stabilized at elevated levels while in few markets sorghum price increased: by 14% in Adigrat Tigray, 25% in Kobo, 7% Debre Sina, 11% in Gorobela, all three markets in Amhara; 38% Woreder and 16% Awash in Afar. Compared to maize, sorghum is not widely available in bulk on markets and also the rate of decline in sorghum prices is lower mainly due to its relatively lower production volume and availability on markets.

The ongoing drought has negatively affected the prospect of sorghum harvest in drought affected areas. For instance, Raya Kobo woreda (Amhara) is one of the supply sources of sorghum both to the Woreda and to other markets outside the Woreda in the Northern parts of the country. The situation in this season is quite exceptional where traders in Kobo are trading-in sorghum from distant markets. The poor sorghum producing prospect have led to decline in the number of grain traders operating in the Kobo in the current season.

Wheat: retail prices of wheat remained at elevated levels for some years now across different markets. Wheat prices declined only in very few markets. Imported wheat by EGTE (Ethiopia Grain Trade Enterprise) is mainly sold to bakers in order to subsidize bread prices. This contributes indirectly by

preventing dramatic hike in prices of wheat grain.

Root crops: Root crops are key food items in SNNP region. In October, prices of root crops (*kocho*, sweet potatoes, and Irish potatoes) either remained the same or declined as compared to September 2015. *Kocho* (false banana root and tuber) price declined by 25% in Hawassa while it remained stable in Aleta Wendo market. On the other hand, sweet potatoes in Sikela declined by 10% against last month. A kilo gram of *kocho* ranges from ETB 4.50 in Hawassa to ETB 6.00 in Aleta Wendo market. A kilo gram of sweet potatoes fetch ETB 3.75 in Sikela markets.

Pulses: as it was indicated in previous reports, the price of pulses continued to increase. Some of the areas that used to produce and trade out pulses in Northern parts of the country suffered from the current drought and hence are obliged to trade-in from other locations at higher prices. The retail price of horse bean, cheapest pulse, has almost doubled in many markets over a period of one year.

Terms of Trade (TOT)

Shoat to cereal: poor livestock body condition compounded by high market supply of livestock have depressed prices and led to deteriorating terms of trade. However, stability of staple cereal prices safeguarded livestock owners from further deterioration of terms of trade that could have been more severe. Terms of Trade deteriorated in Dire Dawa and Jijiga markets impacting the purchasing power of livestock dependent households. A shoat to maize terms of trade in Dire Dawa and Jijiga markets declined by 30% to 34% as compared to the five-year average and by 20% against October 2014 TOT. In Dire Dawa, Livestock to maize TOT deteriorated from last month by 8% and livestock to wheat TOT by 7%. Dire Dawa is one of the markets where shoats from Sitti zone of Somali region are transacted. Maize to shoat

TOT in Jijiga declined by 3% as compared to September 2014.

Wage to cereal: Due to limited work opportunity and high supply of daily labor, wage to staple cereal TOT has deteriorated in Sekota (decreased by 17% with sorghum) and Kobo (20% with sorghum) as compared to September 2015. Compared to a year ago, the wage to sorghum TOT has also deteriorated in Sekota and Kobo areas. Similarly, daily wage to sorghum TOT has deteriorated in Korem and Wekro respectively 25% and 26%.

Market	Price (Birr)	% changes compared to	
		Average (2010-2014)	Sep-15
Maize (Wholesale in 100KG)			
Addis Ababa	434	-18	-6
Nazareth	433	-15	-4
Nekempt	405	-16	-3
Shashemene	466	0	-7
Bure	374	-25	-3
Wheat -Wholesale in 100KG			
Addis Ababa	1045	+35	-3
Assela	899	+22	-7
Shashemene	1018	+37	-4
Mekelle	1100	+38	+13
Maize -Retail in KG			
Yabelo	5	-8	-23
Babile	6	-5	-14
Bedeno	6	-6	-25
Bedessa	5.5	-3	-8
Wekro	4.7	-31	-28
Hawzien	5.7	-15	-6
Sheraro	5.75	+17	+15
Enseno	4.3	-12	-2
Sikela	5.2	+19	-2
Kobo	6.5	19	-2
Shewa Robit	6	15	0
Bati	5.2	-16	-7
Sorghum-Retail price in KG			
Babile	8.2	22	3
Bedessa	10	23	0
Wekro	6.5	-15	-3
Korem	8.2	+4	0
Jijiga	8.5	+9	-11
Kobo	12.5	37	25
Sekota	8.8	+9	0
Shewa Robit	8.5	-19	-6
Awash Fentale	11	42	16
Roots and Tubers (Kocho) -Retail price in KG			
Hawassa	4.5		-25
Dila	5.5		-1
Sugar -Retail price in KG			
Jijiga	16.5		-3
Dolo Ado	15.6		+3
Worer	24		-31
Awash Fentale	24		-20
Milk -Retail in Litre			
Jijiga	35		0
Dolo Ado	15		0
TOT - Shoa to maize- in KG			
Dire Dawa	78	-30	-8
Jijiga	92	-34	-3
TOT-wage to mazie in KG			
Adwa	9.06		-12.5
Korem	10.45		-25
Kobo	7.67		0
TOT-wage to sorghum in KG			
Sekota	2.84		-16.7
Kobo	4.8		-20
Shewa Robit	7.06		6
Exchange rate (ETB/US \$)	20.8624	15.57	0.344

Table I. Prices in selected markets