

## WFP ETHIOPIA MONTHLY MARKET WATCH

### Highlights

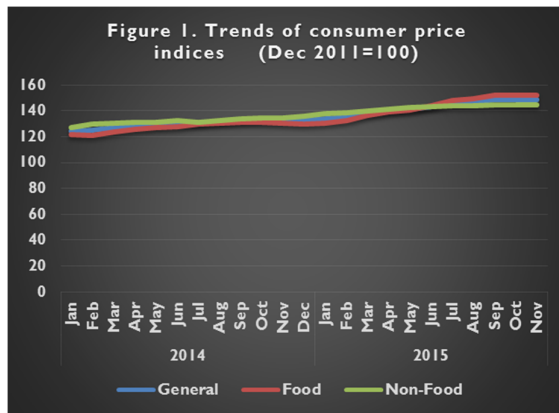
- The year-on-year general consumer price index in November has increased by 10%, thus increasing the cost of living compared to last year the same time. In November 2015, the food and beverages inflation rate stood at 11.5% while non-food inflation was 8.4%. Several food sub-groups showed year-on-year increase: bread and cereal (4.6%); oils and fats (11.2%); vegetable, pulses, potatoes and tubers (15.7%). Month-on-month, food and beverages inflation declined by 4.6%.
- Normally, cereal prices decline in November as the main harvest gets into full swing. However, this year November whole sale maize prices increased unseasonably in many markets, compared to October prices. Prices increased by a range of 10 to 30% in Mekelle, Jiga, Gonder, Bure, Debre Markos and Jimma, the later three being surplus maize markets. In Addis Ababa (a distribution hub) whole sale maize prices also increased but only marginally.
- The retail price of white maize has also increased in several markets compared to October. Maize prices increased by 25 to 33% in Sikela and Awassa (SNNP) and Shewa Robit (Amhara) and by 9 to 13% in Yabelo, Ginir, Babile, Deder, Bedessa (Oromia); Sheraro and Wekro (Tigray). On the other hand, seasonal price decline was observed in a few markets: Negelle (Oromia), Adwa, Alamata (Tigray), Kobo (Amhara), Awash and Ayssaita (Afar). This could be due to the stabilization effect of food assistance.
- A WFP field visit to Southern and Central Tigray revealed that households have unusually started to depend on markets for staples, primarily maize. Normally, at this time households depend on own production from the fresh harvest. Early and high dependence on purchase will likely lead to more increase in prices.
- The terms of trade between an average shoat and white maize stood at 78kg in Dire Dawa, 125kg in Ayssaita and at 146Kg in Awash Fentale. In Afar, the ongoing food assistance has helped households not to sale large number of livestock as they did a few months ago. Consequently, shoat prices increased slightly in Ayssaita and Awash Fentale, which is favorable for the pastoralists.
- Poor households in rural areas depend a lot on labor for cash income and for in kind food payments. The terms of trade between unskilled daily wage and staple cereal has deteriorated due to decreased daily wage rates, as more and more labor is supplied than needed. Compared to October, the highest deterioration of terms of trade with maize was observed in Shewa Robit (Amhara) by 37%; in Sheraro (Tigray) by 29%. Daily wage to sorghum TOT has also deteriorated in Adigrat, Hawzien and Wekro on average by 9.2% and in Kobo and Shewa Robit by 24% compared to October. Labor to cereal TOT has also deteriorated in several other markets.

### Inflation and Consumer Price Index

The cost of living measured by year-on-year changes in consumer price indices showed that the general consumer price index has increased by 10%. The food and non-alcoholic beverages inflation rate

stood at 11.5% while non-food inflation rates at 8.4%. The CSA reported that various sub-groups of the food index increased: bread and cereal (4.6%); meat (11.9%), milk, cheese and eggs (21%); oils and fats (11.2%); fruits (22.9%); vegetables,

pulses, potatoes and tubers (15.7%), sugar, jam, honey and chocolate (2.4%), and other food products and spices (41.8 percent). On the other hand, the index of Non-Alcoholic beverages and coffee declined (17.5%). Month-on-month, food and non-alcoholic beverages inflation rates declined by 4.5%.

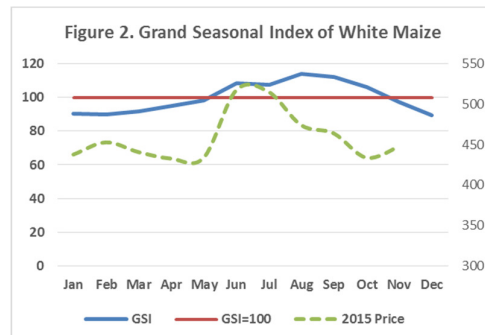


Source: CSA

### Wholesale prices of Staple Cereal

Normally, grain prices start to decline from November as new Meher harvest begin to be readily available on markets and prices continue to decline at least till February. The Grand Seasonal Index (GSI) shows the seasonal pattern of prices over a period of analysis. The GSI for long term average price of maize in Ethiopia indicates that November is the month where prices are below the seasonal index, meaning the normal seasonal pattern is for November prices to be declining from previous months. Nevertheless, this year, November maize prices increased in many whole sale markets compared to prices in the previous month. In markets such as Jimma, Bure, Debre Markos, Jiga, Gonder and Mekelle maize prices increased by 10 to 30%. Markets like Bure, Jimma and Debre Markos are supply sources of maize to many other markets and such changes in these markets have implication on prices at final destination markets. In Addis Ababa (a distribution hub) and Nekempt (another major supply market), maize prices have increased slightly. On the other hand, white wheat prices have

declined by up to 10% in various wholesale markets.



Despite stability and slight decline from October 2015 prices, teff prices have remained higher than the long term average and from the same month of last year.

Source: EGTE

In November 2015, a quintal (100 Kg) of maize at wholesale markets ranged from ETB 393 in Jiga to ETB 520 in Gondar, both markets in Amhara region. White wheat price ranged from ETB 850 in Assela to ETB 1200 in Jimma, both markets in Oromia. The wholesale price of white teff per quintal varied from ETB 1350 in Bichena (Amhara) to ETB 1695 in Dire Dawa.

### Retail Prices of Staple Cereal

**Maize:** The price of white maize showed mixed signals: prices have increased compared to October in Yabelo, Ginir, Babile, Deder, Bedessa (Oromia); Sheraro and Wekro (Tigray) by 9% to 13%. Higher price increases (25% to 33%) were observed in Sikela and Awassa (SNNP) and Shewa Robit (Amhara). Other markets showed stability while in few markets seasonal decline of retail prices was observed; these include markets in Negelle (Oromia), Adwa, Alamata (Tigray), Kobo (Amhara) and Awash and Ayssaita (Afar).

White maize is the cheapest cereal compared to other staple cereals like, wheat, sorghum, barley, and obviously the more expensive cereal teff. During a WFP field visit to Central and Southern Tigray, grain traders noted that large volume of

white maize is exchanged in the markets. They added that households use a large proportion of maize to mix with other cereals while milling.

Households, in Southern and Central Tigray have started to depend on markets for staple grain, primarily maize, which is unusual at this time of harvest period. High dependence on purchase earlier than the usual time will likely lead to supply constraints and increased prices.

As carry-over stock is exhausted from surplus areas, supply of white maize from the new harvest has already emerged in markets. Normally, when new harvest appears on markets, grain prices decline for the season. However this year, such decline is not observed in many markets. This can be explained by the effect of the drought on supply to markets.

**Sorghum:** month-on-month, sorghum prices increased by 10 to 30% in markets of Bedeno, Haramaya (East Hararghe), and Shewa Robit (Amhara), Wekro (Tigray). Prices increases were very high in Dalocha (SNNP), increasing by 60%. Many other markets have also exhibited increased prices of sorghum by up to 10%. This could be due to the fact that, sorghum is normally harvested later than other cereals and hence no new harvest has yet started to appear on markets to bring a temporary price decline. However, given this year's reduction in sorghum production in drought affected areas, and also the overall increased demand for cereals, it remains to be seen if prices will come down, even if temporarily.

In a good agricultural season, the Southern Woredas of Raya Alamata and Raya Azebo in Tigray are known for their sorghum production and the cereal is traded-out to other markets in the region as well as to neighboring Woredas of Amhara region (Sekota, Dessie and Kombolcha). Due to the drought, sorghum production is badly hit

and no sorghum supply is expected to come from local production to markets in Alamata and Mehoni Woredas in Tigray which could lead to price increases in the coming months.

**Wheat:** Generally, wheat prices remained stable, though still at elevated levels in many monitored markets; in few markets in Afar and East and West Hararghe, wheat prices showed a marginal decline. Wheat prices have also declined in Ginir, Shashemene, Deder and Bedessa (Oromia); Wekro and Korem (Tigray) markets. On the other hand prices increased in markets of Adigrat, Awassa, Ajeber and May Tsemri.

In many urban centers, wheat flour is sold through consumer associations and retail traders at prices set by the Government. It is part of the urban market stabilization programme which has contributed to relatively stable wheat prices, albeit at elevated levels. In the absence of the stabilization programme, wheat prices would have been much higher.

**Pulses:** pulse prices have been continually increasing over the last year or so, in most monitored markets. Compared to November 2014, the price of the cheapest pulse, fava beans, has doubled in many markets of Amhara, Tigray and Oromia. Exceptionally, fava bean price has marginally decreased (3-10%) in markets of Ajeber, Mota, Ataya, Mekoy (Amhara), Wekro, Hawzien and Korem (Tigray) and Abomsa (Oromia). Due to very high prices of lentils, households demand has declined and as a result lentil supply is being reduced from local level markets including from some Woreda centers markets.

### Terms of Trade (TOT)

**Shoat to cereal:** the terms of trade between an average shoat and white maize stood at 78kg in Dire Dawa, 125kg in Ayssaita and 146Kg in Awash Fentale. In Afar region, the ongoing humanitarian food assistance has enabled households to limit

the excessive sale of livestock which they did a few months ago. Consequently, slight increases in price of shoats in Ayssaita and Awash Fentale was observed.

**Wage to cereal:** the terms of trade between unskilled daily wage and staple cereal (maize and sorghum) has deteriorated due to decreased daily wage rates. As high number of people are looking for daily labor, wage rates have been declining. The average unskilled wage to sorghum terms of trade stood at 8.6kg in Tigray (5.71kg to 10kg), at 4.04kg in Amhara (3.41kg to 4.55kg). Compared to October, the highest deterioration of terms of trade with maize was observed in Shewa Robit (Amhara) by 37%; in Sheraro (Tigray) by 29%. Daily wage to sorghum TOT has also deteriorated in Adigrat, Hawzien and Wekro on average by 9.2% and in Kobo and Shewa Robit by 24% against last month.

Table I. Prices in selected markets

Markets	Price (Birr)	% chnages compared to		
		Average (2010-2014)	Nov-14	Oct-15
White maize (wholesale in 100KG)				
Addis Ababa	448	-8	-6	3
Nazareth	460	0	1	6
Shashemene	437	13	-6	-6
Bure	458	-6	-5	22
Jimma	410	7	10	30
Bahir Dar	428	-15	-6	6
Dessie	460	3	5	7
Jiga	393			12
Mekelle	500	ND	ND	11
Wheat-Wholesale in 100KG				
Addis Ababa	984	32	2	-6
Assela	850	26	-1	-5
Bale-Robe	781	26	-3	-5
Debre Markos	937	24	-5	2
Dessie	460	3	5	7
White maize(Retail in KG)				
Babile	660	3	-1	10
Deder	600	1	3	9
Bedessa	600	20	20	9
Wekro	620	-22	-22	11
Alamata	723	49	8	-7
Sheraro	650	25	30	13
Yabelo	550	-3	-27	10
Abomsa	600	31	9	0
Moyale	550	ND	ND	-8
Hawassa	650	45	63	33
Sikela	650	73	46	25
Shewa Robit	800	53	36	33
Kobo	612	24	19	-6
Bati				
Ayssaita	600	24		-12
Awash Fentale	600	ND	ND	-29
Sorghum (Retail in KG)				
Bedeno	1150	42	35	25
Haramaya	1200	ND	71	26
Abomsa	700	22	-7	8
Wolenchiti	900	ND	6	6
Karati	600	10	-11	0
Korem	720	-10	-18	-12
Sekota	880	18	3	0
Shewa Robit	1100	13	21	29
TOT (Shoat to maize in KG)				
Ayssaita	125	ND	ND	-7
Dire Dawa	78	-28	-27	0
TOT (wage to maize in KG)				
Shewa Robit	6.3		-26	-37
Alamata	9.68		-19	3
Sheraro	12.31		-38	-29
Exchange Rates (Birr/US \$)	20.9468	15.6	4.98	0.4