WFP ETHIOPIA MONTHLY MARKET WATCH

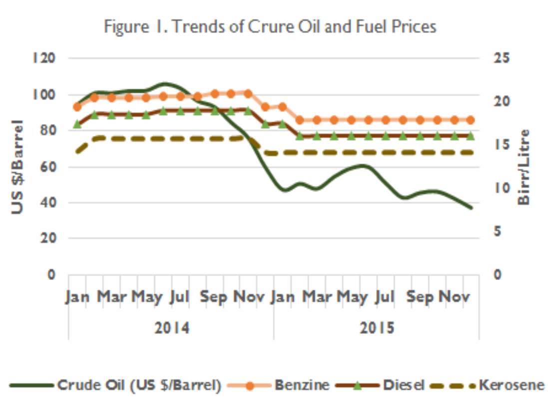
Highlights

- *In December 2015, the overall year-on-year inflation rate was 10%; the food inflation rate was higher, at12.1%. Non-food inflation rate stood at 7.7. Regionally, there were wide disparities: the highest inflation rate was recorded in Afar (15.6%), followed by Addis Ababa and Oromia (12.5%), Gambella (12.4%) and the lowest inflation rate was in SNNP (5.4%).*
- *Compared to the long term average (2010-2014), the national average white wheat prices increased by 29%; when it comes to different markets, the price changes were mixed. In Bure and Debre Markos markets (Amhara) and SNNP (Hosanna), white wheat prices have gone down in December by 11% to 16% while in many other markets, prices remained the same with slight changes.*
- *IFPRI and FAO have estimated a total grain production loss in 2015/16 Meher season of 10-20% and 14% respectively, due to* ***El Nino*** *induced drought, as compared to 2014/15 production volumes. In order to minimize the impacts of drought induced production loss,* EGTE *has a plan to import 400,000 mt. of wheat grain from the international market for market stabilization in the 2015/16 budget year (June 2015 /July 2016). This volume represents about 10% of total wheat production in 2014/15.*
- *In December, unprocessed pulse wholesale prices remained at elevated levels across all wholesale markets which indicates supply constraints. Over the last 12 months, pulse prices have been continually increasing, in particular lentil prices. Prices of lentils, fava beans, field peas and chickpeas have almost increased by 50% or a bit more over the last 12 months.*
- *Overall, retail prices, which are used as an indicator of household food access, remained stable in many of the monitored markets compared to the previous month's level (when they should be coming down). However, in few markets in Oromia (Yabelo, Negelle, Shashemene, Haramaya, Sinana Robe, Bedessa), SNNP (Aleta wendo), Amhara (Kobo), Afar (Abala), SNNP (Hawassa, Turmi, Karat, Dalocha and Sikela), prices of white maize declined significantly by 7% to 29%. The reduction in prices could be associated with harvest from Meher production, especially from supply traded-in from supply sources as well as lower demand on markets due to humanitarian assistance.*
- *The retail price of wheat in most market remained the same to last month's level; exceptions were in few markets of Amhara and Oromia regions where prices have declined by 4% to 10% as compared to November 2015. In Afar, wheat prices have increased by 10% to 25% which is explained by absence of PSNP food distribution that plays role in stabilizing prices.*
- *The price of crude oil declined significantly on international markets over the last year, but remained unchanged in Ethiopia since February 2015.*

Inflation and Consumer Price Index

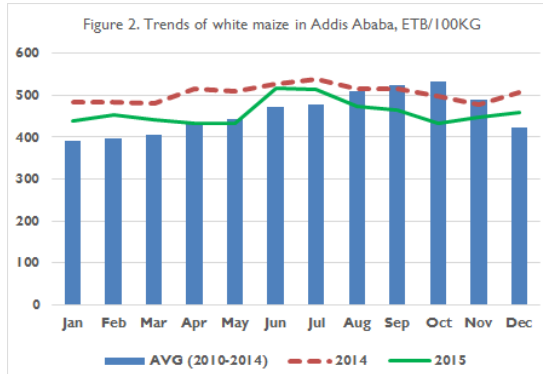
In December 2015, year-on-year inflation rates stood at 10% and 12.1 respectively for general inflation and food inflation. The non-food inflation rate stood at 7.7% as compared to last year the same month. The general inflation rates indicate deterioration in purchasing power of households with uncompensated income or households whose income has increased below the inflation rate. Regionally, there were wide disparities in year-on-year general inflation rates. The highest inflation rate was observed in Afar (15.6%), followed by Addis Ababa and Oromia (12.5%), Gambella (12.4%) and the least inflation rate was recorded in SNNP (5.4%). The major constituents of food and non-alchoholic beverages have also increased: bread and cereal (7.7%), meat (12%), fruits (13.8%) and vegetable and pulse (15.4%). Month-on-month inflation rates have incraesed by 0.1% for general inflation whilst it declined by the same percent for food inflation.

The price of crude oil in the international markets has sharply declined by one third over the last one and half year. In contrast, the retail prices of fuel in Ethiopia adjusted in February 2015 by 7% and 8% respectively for bezine and diesel. Figure 1 shows the trends of crude oil(international market) and retail price of fuel in Ethiopia (Addis Ababa market). Though proportional price decline is not expected with crude oil, the retail fuel prices adjustment lag far behind the prevailing international market.
Source: http://www.eia.doe.gov; Ministry of Trade



Wholesale prices of Staple Cereal

According to Ethiopian Grain Trade Enterprise price data, white maize national average wholesale prices have remained at similar levels to December 2014 prices. **As indicated in the November 2015 Market Watch**, white maize prices have slightly increased; however, in December, they remained almost the same as last year, ; this shows despite the drought, maize is available on markets, being supplied form surplus areas. Major surplus producing areas that serve as supply sources to many deficit markets are not hit by the drought and that could be the factor behind. However, as historically deficit markets continue to trade-in earlier than usual, upward price moves will be expected sooner than later. Though white maize prices were generally normal across many wholesale markets, few markets showed increased prices compared to November 2015 by 7% to 10% in markets of Oromia region (Ambo, Shashemene and Zeway) and SNNP (Alaba market).



Source: EGTE

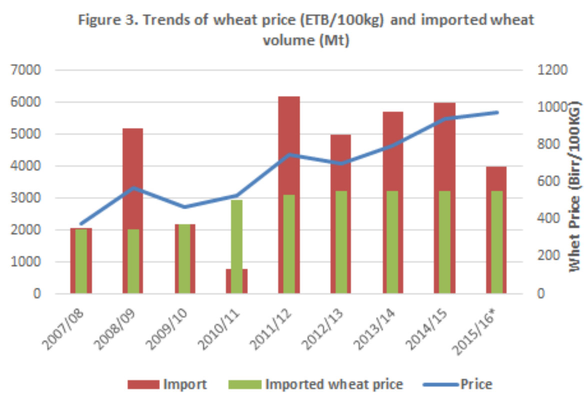
Compared to the long term average, national average white wheat prices have increased by 29% while mixed price changes were observed across wholesale markets. In markets of Amhara region (Bure and Debre Markos) and SNNP (Hosanna), white wheat prices have gone down in December by 11% to 16% while in many other markets, prices remained the same with slight changes (upward/downward) not exceeding 5%.

IFPRI and FAO have estimated a total grain production loss of 10-20% and 14% respectively due **El Nino** induced drought as compared to 2014/15 production volumes. To minimize the impacts of drought, EGTE has planned to import 400,000 MT of wheat grain from the international market for market stabilization. This volume represent almost 10% of national wheat production in 2014/15.

On the other hand, with huge volume wheat from the international markets and its distribution to millers has not kept the price of local wheat prices from increasing year-on-year. Figure 3 shows the trends of imported volume, imported wheat selling price and local wheat prices.

Source: EGTE

With regards to *teff*, prices stood above the



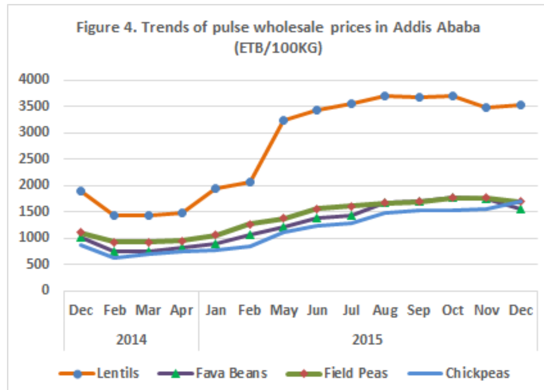
long term average and December 2014 by 29% to 41% and 16% to 23% respectively across markets. Compared to November 2015, wholesale prices of *teff* relatively remained the same.

In December 2015, a quintal (100 Kg) of maize at wholesale market was ranging from ETB 403 in Jiga (Amhara) to ETB 523 in Hosanna (SNNP). White wheat price ranged from ETB 759 in Bure (Amhara) to ETB 1158 in Jima (Oromia). The wholesale price of white *teff* per quintal varies from ETB 1390 in Bichena (Amhara) to ETB 1729 in Bahir Dar.

Generally, pulse (unprocessed) wholesale prices stood at elevated levels across all wholesale markets which is an indication of supply constraints. Over the last 12 months, pulse prices have continually increased in particular for lentils. In December 2015, prices of pulse, except chickpeas, remained stable at escalated levels and never back to seasonal levels. Overall, price of pulse (lentils, fava beans, field peas and chickpeas) have almost increased by higher than 50% over the last 12 months. Figure 4 shows, the trends of pulse wholesale prices in Addis Ababa market where fava beans and chickpeas are the cheapest whilst lentils is the most expensive by far compared to other pulses.

Source: EGTE

Retail Prices of Staple Cereal



Maize: Overall, retail prices which serve to household food access remained stable in many of monitored markets against previous month's level. However, few markets in Oromia (Yabelo, Negelle, Shashemene, Haramaya, Sinana Robe, Bedessa), SNNP (Aleta wendo), Amhara (Kobo), Afar (Abala), SNNP (Hawassa, Turmi, Karat, Dalocha and Sikela), and prices of white maize declined significantly by 7% to 29%. The reduction in prices could be associated with harvest from *Meher* production and other factors that improve supply such as trading-in from supply sources, lower demand on markets due to humanitarian assistance as well.

In drought affected markets of East and West Hararghe, Afar and Sitti zone of Somali region, supply of white maize comes from surplus area markets or from distribution hub markets such as Addis Ababa and Nazareth. The effect of El Nino drought has impacted to trade-in large volumes of white maize earlier than the usual time which might have implication on future prices and hence purchasing power of households.

Sorghum: Though sorghum prices have peaked above the long term average, it remained the same to last month levels. On the other hand, red sorghum prices in East and Hararghe zone markets (Bedeno, Deder and Haramaya) showed decreasing trend by about 17% to 25%; South Omo and Silte zones by 8%. Actually, red sorghum variety from Wellega zones locally known as "*Bobe*" is entering abundantly to markets of East and West Hararghe that pushed price to be lower as compared to the local variety. Consumers considered "Bobe" sorghum as inferior in terms of grain quality as compared to local variety red sorghum. In these markets, a kilogram of "*Bobe*" sorghum fetched Birr 8.80 to Birr 9.80. Furthermore, the distribution of humanitarian food and imminent harvest from *Meher* harvest (at least for the next one to two month) has contribution to such prices behavior.

Wheat: the stability of wheat prices at escalated level continued for the last two consecutive months. The stability of price behavior of other staples do have impact on prices of wheat; furthermore, the distribution of wheat grain to flour factories at subsidized price depresses derived demand from these factories and hence stability at elevated level continues.

The retail price of wheat in most markets remained the same to last month's level; exceptions were in few markets of Amhara and Oromia regions where prices have declined by 4% to 10% as compared to November 2015. In Afar, wheat prices have increased by 10% to 25% in Amibara, Abaala and Yalo markets which is factored to absence of PSNP food distribution that plays role in stabilizing prices.

Terms of Trade (TOT)

Shoat to cereal: the prices of average size shoat in Dire Dawa, Afar and Gode have shown no changes that impacts the terms of trade with staple cereal. Shoat to maize terms of trade stood at 100Kgs in Dire Dawa, 117Kgs in Gode and they range between 125Kgs to 162Kgs in Afar markets. In Worer, the purchasing power of pastoralists deteriorated by 8% compared to November 2015 whilst in other markets it remained the same.

Wage to cereal: unskilled daily wage to maize terms of trade in the month was ranging from 9.68Kgs to 12.50Kgs in Tigray; and 7.5Kgs to 12.50 Kgs in Amhara. The terms of trade was lower with sorghum; 5.71Kgs to 10Kgs in Tigray and 3.41Kgs to 9.09Kgs in Amhara region. Low agricultural activities coupled with labor supply to the market kept the wage rates to remain the same across many markets.

Table 1. Prices in selected markets

		% chnages compared to		
Markets	Price (Birr)	Average (2010-2014)	Dec-14	Nov-15
White maize (wholesale in 100KG)				
Addis Ababa	459	8	-9	2
Nazareth	458	5	0	0
Shashemene	476	17	2	9
Bure	425	-1	4	-7
Jimma	413	10	3	1
Bahir Dar	453	2	5	6
Dessie	464	13	5	1
Jiga	403			2
Mekelle	503			1
Wheat-Wholesale in 100KG				
Addis Ababa	972	35	-1	-1
Assela	878	32	-6	3
Bale-Robe	785	28	-3	1
Debre Markos	838	24	-3	-11
Dessie	870			-8
White maize(Retail in KG)				
Babile	670	20	3	2
Deder	580	3	0	-3
Bedessa	530	9	6	-12
Yabelo	600	7	-10	9
Abomsa	600	44	20	0
Korem	560	-6	-28	0
Wekro	520	-23	-20	0
Alamata	723	58	19	0
Gode	1000	25	-17	
Enseno	450	12	-4	2
Hawassa	500	22	11	-23
Karati	445		27	-15
Kobo	651	41	37	6
Bati	560	0	4	4
Ayssaita	600	20		0
Awash Fentale	600			0
Sorghum (Retail in KG)				
Bedeno	960	32	23	-17
Haramaya	900		29	-25
Abomsa	750	35	12	7
Wolenchiti	900		13	0
Korem	720	-6	-10	0
Karart	550	5	-10	-8
Sekota	880	31	5	0
Shewa Robit	1100	27	57	0
TOT (Shoat to maize in KG)				
Worer	162			-8
Dire Dawa	59	-28	-5	4
TOT (wage to maize in KG)				
Shewa Robit	7.5		-25	20
Kobo	7.68		-27	-33
Alamata	9.68		-16	0
Exchange Rates (Birr/US $)	21.046	16.16	5	0.47