HIGHLIGHTS

The Consumer Price Index (CPI) for food commodities was 22.8% higher in February 2009 compared to February 2008. The increase for “bread and cereals” was reported as 35.6% during the same period. However, compared to last month, the food index declined by 15.9%.

The overall CPI declined by 10.7% during February 2009 compared to January 2009.

Price of wheat has gone down by 14.5%, in the country, during February 09 compared to last month, but still 74% higher than the price in February 07 and 5.2% than February 2008.

The terms of trade between labour wage and price of wheat has improved by 17%, when compared with last month, but declined by 35% against the TOT of February 2007 and improved by 12% compared to February 2008.

International wheat prices have shown a decline of 6% during February 09 compared to last month.

Market price of Rice slightly declined, in the country, during February 09 since last month (2.6% for high quality and 3.5% for lower quality).

Price of edible oil declined by 4%, on average, compared to last month.

Diesel price moved down by 13% in the country compared to last month.

Wheat harvest is being started in Pakistan, where the government has forecasted a bumper crop of 25 million MTs, a surplus production.

A good harvest of wheat is expected in Kazakhstan and government is planning for its export.

Prices of wheat in the neighboring countries like Pakistan have also shown a downward trend.
1. **Consumer Price Index (CPI)**

The National Consumer Price Index (CPI) in February 2009 was 17.3 percent higher than in February 2008. The annual increase in the food index was 22.8 percent. Among the food items, annual rise was 35.6 percent for “bread and cereals”, 47.4 percent for “vegetables including tubers” and 13.7 percent for “sugar and sweets”.

While comparing to last month, overall CPI decreased by 10.7 percent, with decreases in the food index by 15.9 percent.

The highest annual change in CPI was recorded in Herat (36.6%) and followed by Khost (22.3%). The annual food index was 48.9 percent higher in Herat, 30.4 percent in Khost, 21.3 percent in Kandahar and 15.9 percent in Kabul. The higher good index was because of the higher food commodities prices, especially of wheat.

2. **Wheat prices in the country**

Wheat is the major staple food of the households in Afghanistan. On average, 15 kg of wheat is consumed per capita per month. Wheat prices started declining in the country during last couple of months. A decline of 14.5% in wheat price, compared to last, was reported. However, the prices of wheat are still 74% higher when compared to February 2007 and 5.2% higher than February 2008.

A sharp decline of wheat price was reported in Kabul. However, price is still high in Nili at AfS. 30.5 per one kg of wheat. Price in Ghor remained the same as that of Kabul.

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1 Consumer Price Indices are a measure of the average price of consumer goods and services purchased by households. It is a price index determined by measuring the price of a standard group of goods meant to represent the typical market basket of a typical urban consumer. Source: Central Statistics Office (CSO)
last month. The lowest price of wheat was reported in Mazar-I-Sharif (Afs. 16.5 per kg) and followed by Maimana, during February 2009.

Wheat price in Mazar-I-Sharif is normally lower as compared to other parts of the country, because of wheat supply from Iran and being a wheat producing area. Similar is the case of Faryab and Herat. Wheat price in Jalalabad is inline with prices in Peshawar because of easy access to imported wheat.

The price of diesel lowered down by 13% during February as compared to last month. This decline has impacted the cost of transportation and subsequently the prices of food commodities. Due to expected bumper harvest in Pakistan and Kazakhstan this year, the wheat prices in the region may not go up.

The decline in wheat price was comparatively sharp in Kabul than in other areas. Despite direct correlation between the sharp decline of food prices in Kabul and WFP food distribution, the reader may note that general WFP distribution covers the needs of 450,000 people/month; i.e. 13% of the estimated population in the province.

3. Terms of Trade (ToT).

The terms of trade (ToT) is one of the indicators of the ability of the poor households to secure their food in terms of financial access. The terms of trade in this report is defined as the quantity of wheat flour that can be purchased, from the income earned through one day of unskilled labor. Wheat is a better indicator to be picked, for assessing the household’s purchasing power, being the major food staple consumed by almost all households in the country. The terms of trade has improved by 17% in the country since last month and 12.2% since February 2008. However, it is still 35% lower than the ToT of February 07. The improvement in ToT is the result of declining wheat prices across the country.

3. International wheat prices

International wheat prices have shown a downward trend during the month of February, although they remained quite volatile. The US wheat (No.2 Hard Red Winter, f.o.b. Gulf) averaged USD 240.8 per MT in February 2009; six (6) percent lower than the preceding month’s average, and was 45 percent below the peak price of February 2008. Wheat price in Delhi is USD 242.5 per MT, close to international prices. Wheat prices in Pakistan (USD 306 per MT in Karachi) also went down by 8%, however still 26% higher than...
the international prices and 27% lower than prices in Afghanistan.

The expected bumper wheat crop in Pakistan will help in stabilizing the market prices in Pakistan and will also impact markets in Afghanistan. The prices of wheat are expected to remain in the range of USD 0.30-0.40 per kg in local markets of Pakistan in the next couple of months. Because of higher government support price of Rs. 950 per 40 kg, significant decline in wheat price is not foreseen.

There is a significant positive correlation between Pakistan and Afghanistan wheat prices. Market prices of wheat in both the countries fluctuate in the same direction. It implies that availability and market prices of wheat in Pakistan will impact Afghanistan the same way. International wheat prices are at the lowest in the past one-and-a-half year, however, transportation cost will make it more expensive. Moreover, majority of Afghans like Pakistani wheat, being suited to their taste and preferences. A good wheat harvest is expected in Kazakhstan and government intends to make part of it ready for export.

An expected good harvest in Pakistan and Kazakhstan will keep a downward pressure on wheat prices in Afghanistan, however, domestic wheat production will determine the fate of prices in coming months at local markets.

Note: Price data is from the WFP weekly market price dataset, sources for other data, if any, are specified. Country prices, other than CPI, are weighted by population.
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The boundaries and names on the maps do not imply official endorsement or acceptance.
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