HIGHLIGHTS

- National food price inflation still remains of significant concern. The most recent year-on-year food price inflation figure provided by the Nepal Rastra Bank in February was 18.1 percent (compared to 17.8 percent last month). High food prices are driving overall high consumer price inflation, which is currently estimated at 11.8 percent.

- Potato prices continue to fall following the strong recent harvest. Prices are down 35 percent compared to last month, however they are still slightly higher than this time last year.

- The outbreak of bird flu which occurred around Pokhara has resulted in an increased demand for mutton and other meats. In Kathmandu the price of mutton has increased by over 50 Nrs per kilo.

NATIONAL MARKET DEVELOPMENTS

Price

The price of staple food grains have generally remained stable or declined across Nepal this month. In the markets regularly monitored by WFP and MoAC the average price of coarse rice in February was Nrs 31 per kilo (compared to Nrs 32 last month); the national average wheat price was Nrs 32 per kilo (compared to Nrs 35 last month); and Blackgram was Nrs 113 per kilo (compared to Nrs 110 last month). Grain prices are relatively stable due to the recent summer harvest which has helped re-stock local markets. However, the summer harvest was too weak to significantly reduce prices as would normally be expected at this time of year.

Vegetable prices around the country are dropping as supply becomes more readily available. For example, the price of potatoes is down 35 percent compared to last month. However, across Nepal prices are still more expensive than this time last year; Nrs 20 per kilo compared to Nrs 16 per kilo in 2009.

National food price inflation still remains of significant concern. The most recent year-on-year food price inflation figure provided by the Nepal Rastra Bank in February was 18.1 percent (compared to 17.8 percent last month). High food prices are driving overall high consumer price inflation, which is currently estimated at 11.8 percent.

The outbreak of bird flu which occurred around Pokhara has resulted in an escalation of demand for mutton and other meats. In Kathmandu the price of mutton has increased by over 50 Nrs per kilo (from 450 Nrs to 500 Npr).

Supply

Generally supply improved across Nepal during February. However, supply to Mugu was hampered by snowfall and this delayed the re-stocking of both local markets and blocked WFP food aid deliveries for a number of days.

The supply of cooking gas was affected across the country due to a strike by the LPG Industry Association. However the strike was lifted in early March. Over 70 percent of Hill markets surveyed had insufficient supply of gas for cooking during February.

During January bandhs closed markets for at least one day in: Saptari, Siraha, Bara, Dailekh, Jumla, Kailali and Kanchanpur.

According to press reports, as part of broader land seizure activities, including 119 hectares of land in Morang and Sunsari, Maoist aligned organizations reportedly seized 8 MT of rice in Sunsari during February.

The government has already negotiated the procurement of 50,000 MT of wheat from India with further negotiations ongoing.

Outlook

It is likely that the poor summer harvest which led to a grain deficit of up to 400,000 MT (representing around 7.5 percent of the total cereal grain requirement) will result in food prices remaining high until the winter harvest.

MAJOR PRICE CHANGE (OVER PAST MONTH)

Largest increases in prices of key commodities

<table>
<thead>
<tr>
<th>District or Commodity</th>
<th>Price NRs/kg/L</th>
<th>% change 1 month</th>
<th>Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dolpa</td>
<td>Various commodities</td>
<td>+10%</td>
<td>Delayed supply.</td>
</tr>
</tbody>
</table>

Largest decreases in prices of key commodities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>% change</th>
<th>Observation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potato</td>
<td>-35%</td>
<td>Strong recent harvest.</td>
</tr>
</tbody>
</table>

% Change in price (1 month & 1 year)**

Average price over 12 month period*

- Prices relate to the Nepali month of Magh.
- Prices are from markets listed on the back of this report, including ‘Hill & Mountain No Road’ markets.
- Change in price considers all markets shown in this report.
### Market Watch - 22

#### Major retail commodity prices for February.

<table>
<thead>
<tr>
<th>Market</th>
<th>Commodity</th>
<th>Current price (NRS per Kg/Lt)</th>
<th>Change in price (%)*</th>
<th>Average monthly change over 1m 3m 1yr</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1 m</td>
<td>3 m</td>
<td>1 yr</td>
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<td>Price decrease below normal price fluctuation</td>
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<td></td>
<td></td>
<td>Price fluctuation considered normal if the price change is within 5% for 1 month, or within 10% for 3 months or within 15% for one year.</td>
<td></td>
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</tr>
</tbody>
</table>

**Coarse rice**
- Kathmandu: 32.0, 0.0 -20.0 -11.1
- Pokhara: 36.0, 4.7 29.7 -2
- Pothana: 36.0, 4.7 29.7 -2

**Wheat flour**
- Kathmandu: 29.0, 3.6 11.5 11.5
- Pokhara: 34.0, 6.3 21.4
- Pothana: 29.0, 3.6 11.5 11.5

**Soybean oil**
- Kathmandu: 97.0, 0.0 -11.8
- Pokhara: 98.0, -10.9 8.9 -21.6
- Pothana: 90.0, 7.0 15.3

**Chicken**
- Kathmandu: 273.0, -2.5 43.7 4
- Pokhara: 250.0, 4.2 25.0
- Pothana: 145.0, 3.6 36 -6.5

**Mustard oil**
- Kathmandu: 107.0, 0.0 -21.9
- Pokhara: 120.0, 1.6 -1.6 50.0
- Pothana: 100.0, -6.5 -10.7 0.0

**Musuro**
- Kathmandu: 107.0, 0.0 -5.3 10.3
- Pokhara: 120.0, -1.6 1.6 50.0
- Pothana: 100.0, 0.0 0.0 11

**Potato - red**
- Kathmandu: 21.0, -34.1 -47.5 23.5
- Pokhara: 22.0, -37.1 -52.2 22.2
- Pothana: 22.0, -37.1 -52.2 22.2

#### Hill and mountain markets with road access.

<table>
<thead>
<tr>
<th>Market</th>
<th>Commodity</th>
<th>Current price (NRS per Kg/Lt)</th>
<th>Change in price (%)*</th>
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</tr>
</tbody>
</table>

**Coarse rice**
- Dhankuta: 26.0, 0.0 0.0 8.3
- Rolpa: 26.0, 0.0 0.0 8.3

**Wheat flour**
- Dhankuta: 31.0, 3.3 3.3 19.2
- Rolpa: 31.0, 3.3 3.3 19.2

**Soybean oil**
- Dhankuta: 105.0, 0.0 5.0 -11.0
- Rolpa: 105.0, 0.0 5.0 -11.0

**Chicken**
- Dhankuta: 340.0, 59.6 6.3 49.1
- Rolpa: 340.0, 59.6 6.3 49.1

**Mustard oil**
- Dhankuta: 100.0, 0.0 0.0 25.0
- Rolpa: 100.0, 0.0 0.0 25.0

**Musuro**
- Dhankuta: 110.0, 0.0 0.0 15.8
- Rolpa: 110.0, 0.0 0.0 15.8

**Potato - red**
- Dhankuta: 25.0, -28.6 44.4 78.6
- Rolpa: 25.0, -28.6 44.4 78.6

**Coarse rice**
- Kathmandu: 28.0, 16.7 7.7 3.7
- Nepalgunj: 26.0, 0.0 0.0 30.8

**Wheat flour**
- Kathmandu: 26.0, 4.0 -3.7 8.3
- Nepalgunj: 26.0, 4.0 -3.7 8.3

**Soybean oil**
- Kathmandu: 90.0, -5.3 0.0 -30.8
- Nepalgunj: 90.0, -5.3 0.0 -30.8

**Chicken**
- Kathmandu: 160.0, -42.9 -11.1 -5.9
- Nepalgunj: 160.0, -42.9 -11.1 -5.9

**Mustard oil**
- Kathmandu: 150.0, 0.0 0.0 0.0
- Nepalgunj: 150.0, 0.0 0.0 0.0

**Musuro**
- Kathmandu: 125.0, 0.0 0.0 31.6
- Nepalgunj: 125.0, 0.0 0.0 31.6

**Potato - red**
- Kathmandu: 15.0, -25.0 -57.1 25.0
- Nepalgunj: 15.0, -25.0 -57.1 25.0