ETHIOPIA MONTHLY MARKET WATCH
September 2011

Highlights

- The country level general and food inflation rate increased by 40.1% and 51.3% respectively compared to September 2010. Cereal inflation rate increased by 61.9%.
- Out of total procurement of EGTE from international markets, 115,000mt (38%) has arrived in country for distribution at subsidized price. The distribution of wheat grain depends on the price determined by the Government.
- The Government adjusted the fuel prices following the declining oil prices in the international market at the beginning of October 2011. Benzene price decreased by 6.88%, diesel by 4.29% and kerosene by 0.71% compared to last adjustment of April 2011.
- Compared to August 2011, maize, wheat and sorghum import parity prices remained the same at the elevated level. Compared to the local price at Addis Ababa, the import parity stood 42% higher for maize, 7% below for wheat and 2% for sorghum.
- The retail prices of staple cereals remained stable at the elevated levels in most of monitored markets. The availability of green and dry maize at household level in maize producing parts of the country has started to relax demand pressure on available supply of the local markets.
- The average price of shoot at Gode, Jijiga and Dire Dawa rose respectively by 18%, 8% and 7%. It is attributed to the increase in demand for livestock from Gulf countries for for the upcoming Eld Al fetir Holyday and local demand too.

Special issues

Wheat Import: It was reported in August 2011 markets watch report that EGTE (Ethiopian Grain Trade Enterprise) procured 300,000mts of wheat grain from the international markets. Out of total procurement 115,000mt (38%) has arrived in country for distribution at subsidized price. The distribution of wheat grain depends on the price to be determined by the Government. The increased prices of wheat in the international markets makes the purchasing price higher than the subsidized selling price (Birr 437/100kg) of previous distribution. The Government didn’t determine yet the selling price of imported wheat and it is expected to decide soon for the start of distribution.

Fuel Prices: The Government adjusted monthly fuel prices as a consequence of declining oil prices in the international market at the beginning of October 2011. Hence, public transport rate is adjusted accordingly. The price of benzene stood at Birr 19.5/litre, at Birr 16.97/litre for diesel and at Birr 13.95/litre for kerosene. Benzene price decreased by 6.88%, diesel by 4.29% and kerosene by 0.71% compared to last adjustment of April 2011.

Inflation and Consumer Price Index

The country level general inflation and food inflation rate in September 2011 increased by 40.1% and 51.3% respectively as compared to the same month a year ago. Similarly, the cereal index of the month has increased by 61.9% against September 2010 which contributed to the rise in the indices of food and general consumer price index. The components of food indices have shown increases by: 61.9% for cereal, 89.4% for pulses.
41.7% for potatoes, other tubers and stems, 69% for oils and fats, 21.3% for bread and other prepared food. However, the index of vegetables and fruits declined by 3.4%.

**Major Cereal Import Parity and Local Prices**

The import parity price of maize (Durban) at Addis Ababa stood at US$ 600/mt, at US$ 489/mt for wheat (Europe) and at US$ 438/mt for sorghum (Argentina). Compared to August 2011, maize, wheat and sorghum import parity prices remained the same at the elevated level. Compared to the local price at Addis Ababa, the import parity stood 42% higher for maize, 7% below for wheat and 2% for sorghum. With the exception of sorghum at Addis Ababa which increased by 7% compared to last month, both the local and import parity prices stood at the same level of August 2011.

**Cereal Wholesale Prices in Large Urban Markets**

Compared to August 2011, the national average wholesale price of maize, wheat and sorghum rose by 3%, 6% and 11% respectively. The wholesale prices of these cereals remained high at the elevated level; exception to this was minor decline in price of maize in very few markets where the new harvest comes in. The national average wholesale price increased by: 91% for maize, 87% for wheat and 48% for sorghum compared to 5 years long term average. The national wholesale average price of cereal stood at Birr 8.36/kg for wheat, 6.57/kg for sorghum and Birr 5.99/kg for maize (see Figure 1, Figure 2 and Table 1).

**Cereal Retail Prices in District Markets**

The retail prices of staple cereals remained stable at the elevated levels in most of monitored markets. The availability of green and dry maize at household level in maize producing parts of the country has started to relax demand pressure on available supply of the local markets particularly in Southern Nations Nationalities Peoples Region (SNNPR). As a result, prices of maize reduced in SNNPR monitored markets and most of other markets except at Delo (12%), Abi Adi (6%), Pugnido (17%), Meti (10%) and Bati (17%) markets which showed increment (see Table 1). The trends of maize price at Bati, Delo and Pugnido markets are depicted on Figure 3. It is reminded that maize was traded from Addis Ababa and other major towns to SNNPR
monitored markets; however the availability of maize from the current harvest in the region kept down the volume and frequency of this supply to the region.

At Gode, where the peak of maize price in August was at Birr 11/kg, the two rounds of food aid distribution at one go decreased the demand on markets and prices reduced by 27%, at Birr 8.00/kg.

The availability new maize harvest in parts of the country contributes to the improvements of food security and to the stability of prices too. However, in most areas of the country the peak of harvest season will be reached in the coming one to two months and drop in prices of cereals are expected, assuming good production. Out of 27 monitored markets, increment of maize price observed in 19% of markets ranging 6% to 17% whilst remained stable in other with minor changes as compared to August 2011. Similarly, 4 out of 20 monitored markets for wheat showed price increases of 6% to 19% and in the remaining remained stable with up and down of 5% against a month ago. Only 2 markets out 20 monitored for sorghum exhibited price increases of 7% to 18% compared to last month; and most markets exhibited no change (see Figure 4 and Table1).

**Supply to Markets**

The supply of cereal to markets are both from major urban markets center and, in *Meher* dependent areas, new harvest maize started to appear to the market, though with high moisture content. In general the consumers prefer the dry cereal compared to the current harvest with high moisture; however the poor and very poor prefer new harvest due to price advantage. On the other hand the distribution of food aid kept beneficiary households to be less dependent on markets. As a result, cereal demand of food aid recipients household reduced that contributes to stability of prices...

**Terms of Trade (TOT)**

**TOT for shooat to cereal:** The average price of shooat at Gode, Jijiga and Dire Dawa rose respectively by 18%, 8% and 7%. It is attributed to the increase in demand for livestock from Gulf countries for the upcoming Eld Alfetir Holyday and local demand following the Ethiopian New Year. The stability of cereal, though high, coupled with increased shooat prices improved...
the terms of trade and purchasing power of pastoralists in these areas. Compared to August 2011, the terms of trade between average showat and maize increased by 63% at Gode and by 7% at Jijiga and Dire Dawa. Compared to last year for the same month, average showat to maize terms of trade decreased at Gode and Jijiga and increased by Dire Dawa. The terms of trade between showat and maize stood at 107kg at Dire Dawa, at 70kg at Gode and 145kg at Jijiga (see Figure 5 and Table 1). However, in drought stricken parts of pastoralist areas, like Borena, livestock body condition is poor and improvement in terms of trade is yet to be attained. The arrival of Deyr rain in pastoralist areas is expected to improve availability of pasture and water and hence improvement of livestock body condition. The continuation of Deyr rain should have significant contribution for the pastoralists to take advantage of expected price decline in the upcoming main harvest season.

**TOT for wage labour to cereal:** Compared to August 2011, the average daily nominal wage rate (skilled and unskilled casual daily labour) in monitored markets of Tigray and Amhara rose respectively by 10% and 8%. In Somali region the daily wage remained the same. The daily average wage in monitored markets stood at Birr 47 in Amhara, Birr 50 in Somali and Birr 57 in Tigray (see Table 1). The stability at elevated level and reduction of cereal price in monitored markets contributed to improve the terms of trade. Compared to August 2011, wage to maize terms of trade have increased by 19% in Somali, and about 3% in Amhara and Tigray. However, the terms of trade in September 2011 stood below the same month of last year. Though the wage remained the same, the improvement in Somali region monitored market was due to reduced maize price particularly at Gode by 27%. The average wage to maize terms of trade stood at 10.71kg/day in Tigray, 8.14kg/day in Amhara and 6.71kg/day in Somali (see Figure 6).

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**Figure 5:** Trends of TOT (100kgs of maize/showat)

Source: WFP

**Figure 6:** Trends of TOT (kg of maize/daily wage)

Source: WFP
### Table 1. Market Watch on Main Food Commodities Across Markets

<table>
<thead>
<tr>
<th>Markets</th>
<th>Major Commodities</th>
<th>Current Price (BIRR/100Kg)</th>
<th>Price change (%)</th>
<th>Average Change</th>
</tr>
</thead>
</table>
| 1. Local and Import Price (USDD/M) | maize | 421 | 94 | 80 | 1<br>Wheat | 498 | 42 | 37 | 1<br>Teff white | 579 | 16 | 13 | -1<br>Teff mixed | 518 | 36 | 20 | -1<br>Teff red | 458 | 45 | 22 | 2<br>Maize | 417 | 05 | 70 | 5<br>Sorghum | 557 | 52 | 46 | 10<br>Teff white | 419 | 13 | 58 | 6<br>Teff red | 458 | 18 | 29 | 2<br>Maize Munk | 498 | 52 | 54 | 3<br>Wheat Munk | 38 | 34 | 24 | 2<br>Sorghum Munk | 22 | 18 | 10 | 2<br>Bale | 421 | 84 | 106 | 2<br>Bedena | 720 | 70 | 92 | 3<br>Dobasa | 650 | 92 | 123 | 5<br>Wolaita | 700 | 79 | 127 | 0<br>Diri | 750 | 55 | 168 | 0<br>Burena | 720 | 101 | 209 | -3<br>Arga | 400 | 31 | 118 | 2<br>Soda | 510 | 17 | 27 | -15<br>Kersa | 930 | 103 | 125 | 19<br>Amhara | 620 | 92 | 130 | -3<br>Woliso | 520 | 55 | 82 | -10<br>Woliso | 276 | 10 | 56 | -18<br>Sekota | 650 | 31 | 118 | -2<br>Amhara | 620 | 76 | 125 | 17<br>Tigray | 580 | 48 | 95 | 0<br>Gore | 740 | 30 | 16 | 0<br>Soroch | 750 | 44 | 41 | 0<br>Adi | 770 | 17 | 25 | 0<br>Chalbi | 800 | 82 | 142 | 0<br>Tigray | 571 | 17 | 12 | 0<br>Haram | 532 | 17 | 17 | 0<br>Jijiga | 450 | 63 | 103 | 0<br>Garage | 700 | 94 | 233 | -10<br>KCMS | 665 | 94 | 122 | -5<br>Wole | 860 | 54 | 84 | 0<br>Diri | 680 | 114 | 284 | -10<br>Jijiga | 700 | 77 | 150 | 0<br>Gode | 800 | 90 | 82 | 27<br>5. Milk (BIRR/Litre) | Gode | 17 | 0 | 0 | 0<br>Jijiga | 16 | 33 | 7 | 0<br>6. Terms of Trade Number of Quintal per She | Jijiga | 1000 | 156 | 78 | 8 | 0<br>Gode | 503 | 137 | 37 | 18 | 0<br>Diri | 750 | 152 | 114 | 7 | 0<br>7. Average causal labour wage per day | Jijiga | 1.29 | 58 | 1 | 5 | 0<br>Gode | 1.45 | 63 | 19 | 5 | 0<br>Diri | 0.72 | 37 | 37 | 5 | 0<br>Jijiga | 0.75 | 36 | 27 | 7 | 0<br>8. Terms of Trade kg of grain to casual labour wage | Jijiga | 7 | 39 | 6 | 19 | 0<br>Amhara | 6 | 22 | 12 | 3 | 0<br>Wale | 6 | 23 | 12 | 3 | 0<br>Wale | 8 | 28 | 28 | 2 | 0<br>Wale | 8 | 18 | 18 | 4 | 0<br>Wale | 11 | 20 | 22 | 3 | 0<br>Wale | 10 | 24 | 10 | 0 | 0<br>Wale | 47 | 51 | 23 | 8 | 0<br>Wale | 57 | 24 | 10 | 0 | 0<br>Amhara | 47 | 51 | 23 | 8 | 0<br>Somali | 57 | 24 | 10 | 0 | 0<br>Wale | 47 | 51 | 23 | 8 | 0