

## ETHIOPIA MONTHLY MARKET WATCH JANUARY 2013

### Highlights

- The Ethiopian Grain Trade Enterprise has procured 400,000mt of wheat grain from the international market for distribution at subsidized price to flour factories to maintain price of white bread affordable to low income groups.
- The country level year-on-year inflation has increased by 12.5% and 11.3% respectively for overall and food inflation rate. However, the month-to-month inflation rate has rose by 0.3% from its level of below zero in the last quarter of 2012.
- The import parity prices of cereal at Addis Ababa remained stable at elevated level against last month with an increase of 2% for maize and 3% for wheat. The import parity price of maize and wheat stood above the wholesale price at Addis Ababa respectively by 57% and 43%.
- The cheapest cereal, maize, has shown increases in the major supplying markets such as Nekempt, Jimma, Shashemene that has direct implication to price rise in the last destination markets. Furthermore, unseasonably movement of maize from these surplus areas to historically deficit areas started earlier than normal time.
- Terms of trade between daily wages to cereal stood above traditional daily ration of 3kg of sorghum in Amhara and barley in Tigray. In locations where public projects are ongoing the wages rate increased; otherwise decreased as the demand for agricultural activities ceased and hence has direct implication on food security of labor dependent households.

### Special Report

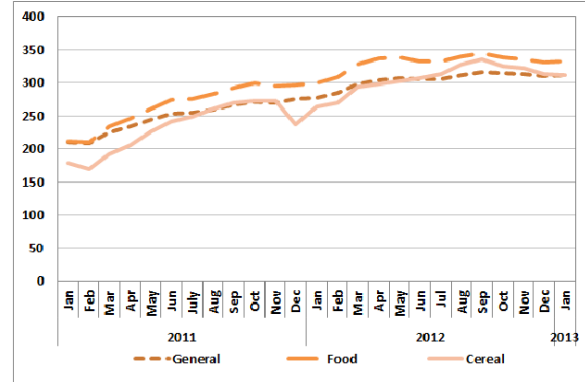
The local production of wheat in Ethiopia failed to meet the increasing domestic demands of wheat and wheat products. This shortage of wheat has been highly pronounced in the recent years following the 2008 food crisis. In order to curb this shortage, Government of Ethiopia imported wheat grain from international market for distribution at subsidized prices for the last five years to protect low income groups from high food prices. In the current year, Ethiopian Grain Trade Enterprise has procured 400,000mt of wheat grain from international market to stabilize wheat markets in the country. Of this volume, the first shipment arrived at Djibouti port and expected to arrive in - country in the weeks to come. On the other hand, the organization is purchasing grain including wheat from local markets through its sub offices located in different parts of the country. The imported wheat is intended for sale to flour factories at subsidized price with the objective of maintaining the weight of white bread at the standard level and also to keep prices low to urban consumers. The flour factories receive allocated amount of wheat grain on monthly basis at price set by the Government; mill it and sale to selected bakeries at pre-determined price. This wheat market

stabilization programme targeted urban centers at most while in few cases rural cooperative unions supply wheat grain to local communities in their operational areas.

### Inflation and Consumer Price Index

The monthly inflation rates that measure the price change between the two latest months were below zero for overall and food inflation in the last quarter of 2012. However, this trend has changed in January 2013 where both general and food inflation rates increased by 0.3% in January 2013. In January 2013, the country level year-to-year inflation rate increased by 12.5% and 11.3% respectively for the overall and food inflation rate. The total price index of cereals in January 2013 has increased by 18.4% as compared to similar month last year. Based on 12 months moving

**Figure 1: Trends of county level CPI**



Source: Central Statistics Agency

average calculation, the country level general inflation stood at 21.1%; food inflation at 22.5% and non-food inflation at 19%. Compared to December 2012, trend of consumer price indices (CPI) for general and food showed very slight upward move while for cereal decreased but all are at elevated level (Figure 1).

### Major Cereal Import Parity and Local Prices

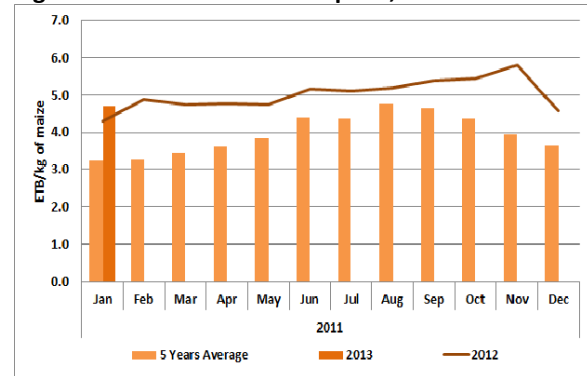
In January 2012, the import parity price of maize (Argentina and Black Sea) at Addis Ababa stood at US\$ 512/mt and at US\$ 521/mt for wheat (USA). The import parity prices of these cereals at Addis Ababa remained stable at elevated level against last month with an increase of 2% for maize and 3% for wheat. The import parity price of maize and wheat stood above the wholesale price at Addis Ababa respectively by 57% and 43%. The price difference between import parity and average wholesale at Addis Ababa becomes diverged in the month.

### Cereal Nominal Wholesale Prices in Large Urban Markets

In January 2013, the nominal wholesale prices of maize and sorghum in monitored major urban centers stood above the five years average and last year the same month; wheat price stood above five years average but mixed trends observed compared to December and January 2012 (Table 1). The cheapest cereal, maize, has shown increases in the major supplying areas such as Nekempt, Jimma, Shashemene that has direct implication to price rise in the last destination markets. Unseasonably, the movement of maize from these surplus areas to the historically deficit areas such as East and West Hararghe zones have started. In these two zones, early cessation of last *Meher*

rainfall reduced the expected production and as a result market dependence of the rural community started early of the usual trend. This situation contributes highly to the rise in prices of maize and its substitute cereals in advance of the normal lean season. In spite of increased production forecast of cereals, the prices of staple cereals in most monitored wholesale markets remained at elevated level at this time of marketing season. Reduced sorghum production forecast of *Meher* season has implication on the price of its substitute, maize. The relatively observed decrease in wheat price might be related to the on-going distribution of subsidized wheat to flour factories by EGTE and hence reduced market demand from flour factories. Generally, nominal price decreases of cereal observed in the last quarter of 2012 deterred to continue in January 2013.

Figure 2: Nominal wholesale price, Addis Ababa

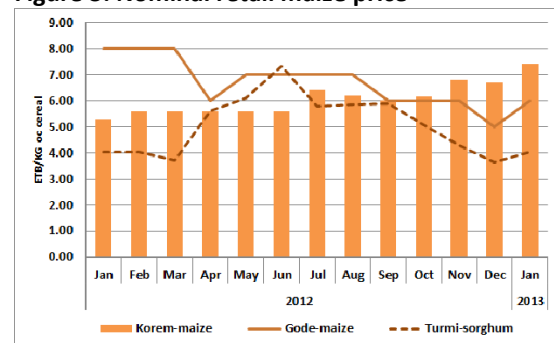


Source: Ethiopian Grain Trade Enterprise

### Cereal Nominal Retail Prices in District Markets

Overall, the prices of staple cereals remained stable at elevated level in most markets with slight upward movement in markets but not limited; such as Gode, Abi Adi, Korem, Yabelo Shoa Robit compared to last month. The increase in prices of staple cereals is factored to localized poor *meher* production, absence of humanitarian food aid distribution, additional demand from refugee communities (in refugees' location), distribution of PSNP cash and other markets related factors. However, minor improvement is noted in prices of staple grains (maize & sorghum) in pastoral and agro-pastoral areas of south Omo zone with the commencement of green harvest from flood recession farming in Hamer, Dasenech, Gnagatom and Benatsemay woredas. In January 2013, price level stood above the five years average (2008-2012) for maize, wheat and sorghum; mixed trends compared to last year the same month and December 2012 (see Table 1). Compared to December 2012, highest price increase was observed at Gode (20%), Abi Adi (13%), Korem (11%) for maize; and at Gode (33%), Turmi (11%) and Shoa Robit (6%) for sorghum. Such price behavior of cereal considered as unseasonal after main harvest and peak marketing season of the year. The magnitude of current staple food price remains challenging for market dependent vulnerable groups.

Figure 3: Nominal retail maize price



Source: WFP

### Supply to Markets

Grain supply to markets comes either directly from farmers or by traders depending on the structure of the markets. In addition to the local production, EGTE is supplying wheat grain purchased from

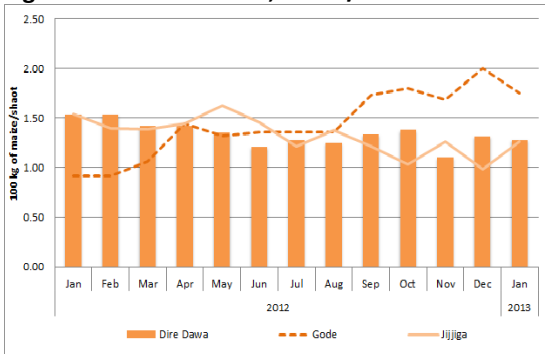
the international market to flour factories in its markets stabilization programme. Following *meher* season harvest, supply to markets has showed improvement but its impact on price is short lived. Under normal condition, most markets were supplied from local area production at this time of the year and traders aggregate and keep stock for future sale in historically food deficit area markets and transaction for immediate sale was limited to very few areas. However, with poor performance of *meher* production in parts of the country and delay in official release of Humanitarian Requirement Document to launch emergency assistance aggravated early staple cereal grain movement for immediate sale in most markets of East and West Hararghe zones, Borena zone and others suffered similar cases.

### Terms of Trade (TOT)

**TOT for shoat to cereal:** Compared to December 2012, the price of average shoat increased at Jijiga (50%) and remained stable at Gode and Dire Dawa markets within 5% change. The low demand from Middle East countries keep prices of shoat to remain stable at its last month level in Gode; and completion of Christmas and Epiphany Christian holidays attributed to stable price at Dire Dawa. Compared to last month, increases in price of maize at Gode lead the terms of trade with maize to deteriorate by 13% while stable at Dire Dawa. The increase in price of shoat at Jijiga (28%) and stability of maize at elevated level contributed to the improvements of terms of trade by about 28% over last month. The trends of terms of trade between shoat and maize depicted on Figure 5 and for detailed changes see Table 1.

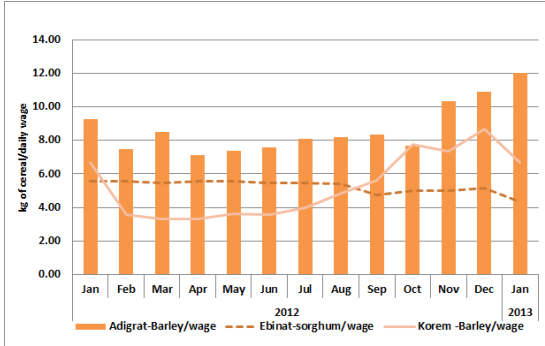
**TOT for wage labour to cereal:** The daily wages rate of unskilled labor decreased in 54% of monitored markets by 10% to 20%; increased in 31% of markets by 11% to 30% as compared to December 2012. In January 2013, daily wage rate of unskilled laborer in Tigray *woredas* ranges from ETB 40 at Wekro to ETB 80 at Sheraro; in Amhara the daily rate ranges from ETB 25 at Kobo and Mota to ETB 45 at Bati. Depending on the magnitude of changes on wages and cereal prices, the terms of trade with barley improved at Adwa (30%), Adigrat (10%) whilst deteriorated at Korem (23%), Hawzen (17%) and Abi Adi (8%). TOT with sorghum improved at Bati (37%) and Kobo (11%) whilst deteriorated at Ebinat (16%). The current TOT stood above the traditional daily ration of 3kg of sorghum in Amhara and barley in Tigray. In locations where public projects are on-going the wages rate increased; otherwise decreased as the demand for agricultural activities ceased and hence implication on food security of labor dependent households.

Figure 4: Terms of trade, maize/shoat



Source: WFP

Figure 5: Terms of trade, cereal/wage



Source: WFP

Table 1. Market Watch on Main Food Commodities in Selected Monitored Markets

Markets	Major Comm	Current change (%)			Average Change			4. Current Retail Price (BIRR/100KG)													
		5Y	1Y	1M	5Y	1Y	1M	Regions	Zone	Market	Major Comm	Current Price	change (%)	Average Change							
<b>1. Local Wholesale and Import Parity Price (USD/MT)</b>																					
Addis Ababa	Maize	326	9	7	-6	▶	▶	▼	Oromia	East & West	Babile	Maize	550	49	6	-8	▲	▶	▼		
	Wheat	363	-14	-16	-3	▶	▼	▶			Haraghe	Bedeno	Maize	620	67	24	0	▲	▶	▶	
	Sorghum										Bedessa	Maize	570	61	54	-2	▲	▶	▶		
	Teff white										Deder	Maize	580	55	-3	5	▲	▶	▶		
	Teff mixed	690	69	44	-4	▲	▲	▶			East Sho	Wolenchiti	Maize	420	39	-7	-7	▲	▶	▼	
	Teff red	547	68	29	-2	▲	▲	▶			Borena	Yabelo	Maize	650	83	63	0	▲	▶	▶	
	Nazrath	Maize	317	8	7	-3	▶	▶		▶		Arisi	Merti	Sorghum	650	23	-6	-6	▲	▶	▼
		Wheat	396	-8	-8	-4	▶	▶		▶			Merti	Maize	450	29	-10	-10	▶	▶	▼
		Sorghum										Bale	Delo	Maize	357	1	-29	-17	▶	▶	▼
		Teff white	837	86	50	1	▲	▲		▶		Amhara	S.Wollo	Ebinet	Sorghum	575	73	24	-1	▲	▶
Teff mixed	756	101	53	2	▲	▲	▶		N.Wollo	Mota	Wheat		580	37	0	-6	▲	▶	▼		
Teff red	631	90	41	3	▲	▲	▶		N.Wollo	Kobo	Maize		632	91	33	5	▲	▶	▶		
Teff white	818	60	37	-4	▲	▲	▶			Kobo	Sorghum		902		83	0	▲	▶	▶		
Dire Dawa	Teff mixed	760	78	50	-1	▲	▲	▶		Oromya	Bati	Maize	525	47	5	-13	▲	▶	▼		
	Teff red	649	73	39	-4	▲	▲	▶		Tigray	S.Tigray	Korem	Barley	750		0	9	▶	▶	▲	
	Teff white	808			3	▶	▶	▶				Hawzien	Barley	560		17	0	▶	▶	▶	
Mekelle	Teff mixed	671			1	▶	▶	▶			E.Tigray	Wukro	Wheat	740	42	6	0	▶	▶	▶	
	Teff red	495			-6	▶	▶	▼			C.Tigray	Abi Adi	Wheat	718	27	-8	-11	▲	▶	▼	
	Maize	512	4	-20	2	▶	▼	▶				Sorghum	680	45	19	-8	▲	▶	▼		
Import Parity Price	Wheat	521	25	13	3	▲	▶	▶				Maize	680	70	23	13	▲	▶	▲		
	Sorghum									SNNPR	S.Omo	Turmi	Sorghum	405	31	1	11	▲	▶	▲	
											Guraghe	Meskan	Maize	476	41	6	0	▲	▶	▶	
												Wheat	595	0	-15	0	▶	▶	▶		
											Wolaita	W.Sodo	Maize	455	40	1	-3	▲	▶	▶	
										S.Omo	Turmi	Sorghum	405	31	1	11	▲	▶	▲		
										Hadiya	Hossaena	Wheat									
										Somali	Gode	Gode	Sorghum	800	39	-20	33	▲	▶	▲	
												Maize	600	24	-25	20	▲	▶	▲		
<b>5. Milk (Birr/Litre)</b>												Price	1Y	1M	1Y	1M					
Somali	Gode	Gode	Milk	20		54	0	▶	▶												
	Jijjiga	Jijjiga	Milk	25		25	32	▶	▶												
<b>6. Livestock-Shoat (BIRR/Shoat*)</b>												Price change (%)					Average Change				
Somali	Jijjiga	Jijjiga	Shoat	1075	69	16	28	▶	▶	▶											
	Gode	Gode	Shoat	1050	191	42	5	▶	▶	▶											
	Dire Dawa	Dire Dawa	Shoat	900	86	-3	-3	▶	▶	▶											
<b>7. Terms of Trade Number of Quintal per Shoat</b>												Price change (%)					Average Change				
Somali	Jijjiga	maize/shoat		1.26	-16	-18	28	▶	▶	▶											
		sorghum/shoat		1.31	111	78	-21	▶	▶	▶											
	Gode	maize/shoat		1.75	141	90	-13	▶	▶	▶											
Dire Dawa	Dire Dawa	maize/shoat		1.29	12	-17	-3	▶	▶	▶											
		wheat/shoat		1.75	123	70	-13	▶	▶	▶											
<b>8. Unskilled casual labour wage per day (BIRR/Day)</b>												1Y	1M	1Y	1M						
Tigray	Adigrat			60		20	0	▶	▶												
	Korem			50		0	-17	▶	▶												
Amhara	Ebinat			25		-17	-17	▶	▶												
<b>9. Terms of Trade: kgs of grain per unskilled wage</b>												1Y	1Y								
Adigrat	barley/wage			12		30	10	▶	▶												
	sorghum/wage			12		-2	0	▶	▶												
Korem	barley/wage			7		0	-23	▶	▶												
Ebinat	sorghum/wage			4		-22	-16	▶	▶												

Remark: ▲ Prices increase above normal price fluctuation  
 ▶ Normal Price Fluctuation  
 ▼ Price decrease below normal price fluctuation

Exchange rate applied 18.22  
 Price fluctuation is considered normal if the price change is within 5% for 1 month; within 15% for 1 year;  
 1M-Compared to December 2012  
 1Y-Compared to January 2012  
 5Y-Compared to 5 years monthly average