## Highlights

- The purchasing power of the households which depend on markets remained almost unchanged in February 2013. This has stabilized food access for poor households, though their food security situation remains precarious.

- In January 2013, the 12-month general inflation was 7.12 percent and food inflation was recorded at 6.82 percent. The general consumer price index (CPI) stood at 163.86 while the food CPI was 158.23 and that of cereals was 130.95.

- The <u>wholesale</u> prices of wheat and wheat flour increased by 1.6 percent and 2.2 percent, respectively, between January and February 2013.

- In February the <u>retail</u> prices of wheat and wheat flour increased by 5 percent and 2 percent respectively, compared with the previous month.

- In February 2013, the supply of essential food commodities was normal in most of the markets being monitored. Food supply is expected to continue to be normal during the coming months.

- The average terms of trade (TOT) between a daily unskilled labour wage and the retail price of wheat flour was 15.9Kg/day in February 2013, some two percent lower than that recorded in January (16.2Kg/day).

- The average TOT between retail prices of wheat flour and a sheep stood at 250Kg/sheep in February which was 1.5 percent higher compared to the previous month (246Kg/sheep).

- The FAO Food Price Index averaged 210 points in February 2013, unchanged from January but five points (2.5 percent) below the corresponding month last year. The Cereal Price Index averaged 245 points in February, down just below 1 percent from January but still 8 percent higher than in February 2012.

- International wheat prices have continued to decline during February 2013 which is expected to have a positive impact on domestic markets in Yemen in coming months. The overall market analysis results indicate that food access has remained stable during February 2013.

A. Inflation and Consumer Price Index (CPI)[1]

In January 2013, the country level general inflation was 7.12 percent while that of food inflation stood at 6.82 percent - based on the 12 month average. The general Consumer Price Index (CPI) during that same month was recorded at 163.86 while the food CPI was 158.23 and that of cereals stood at 130.95. All are at similar levels to those recorded in December 2012 (Figure 1).

In January the annual inflation rates for non-staple food items ranged from -2.61 percent for sugar to 22.9 percent for fish. However, the CPI for most of the food commodities increased slightly between December 2012 and January 2013 – an increase ranging from 0.5 percent (meat) to 3.4 percent (fish).
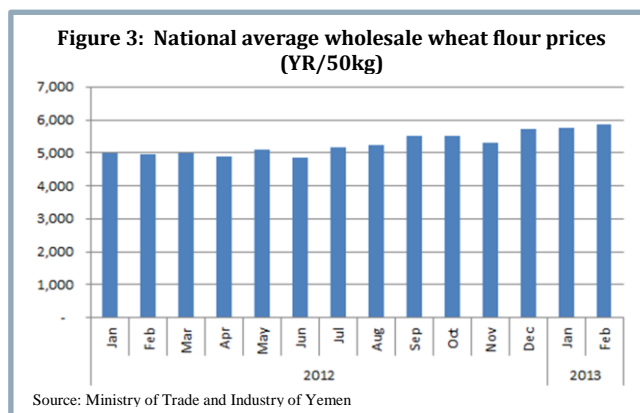

Figure 1: Trends in the Consumer Price Index
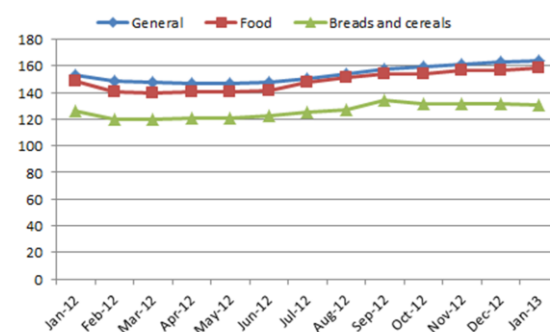
Source: Central Statistics Organization of Yemen

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[1] *The **CPI** is a measure of the average change in the prices of consumer items over time compared with a base year — goods and services that people buy for day-to-day living. The CSO of Yemen uses the 2005/06 Household Budget Survey as a base year. **Inflation** is the percentage change of the CPI over the period of 12 months – percentage changes in the CPI during current month compared with the same month last year.*

B. Wholesale Prices of Wheat and Wheat Flour

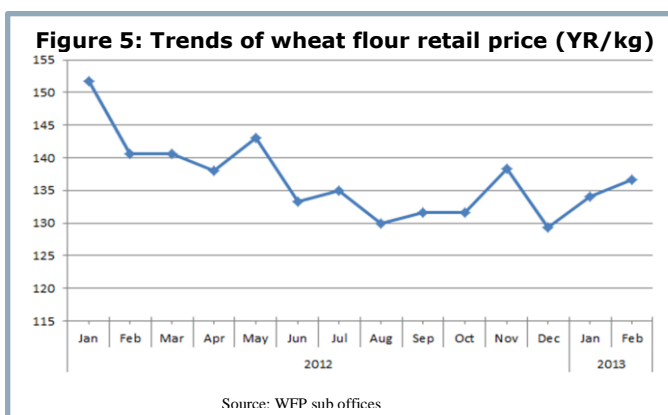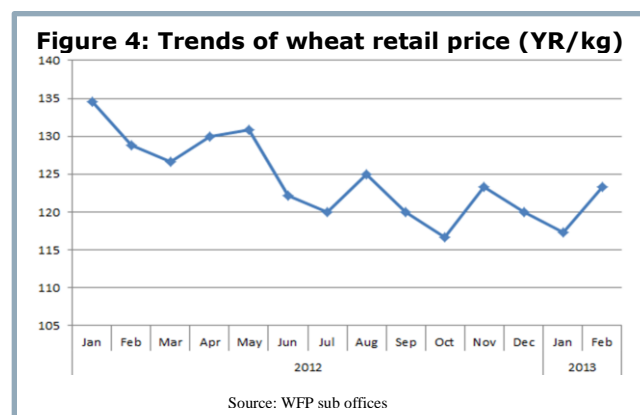The **nominal[2]** wholesale prices of wheat and wheat flour increased by 1.6 percent and 2.2 percent, respectively, between January and February 2013. According to the information from the Ministry of Trade and Industry of Yemen, the average wholesale price of 50Kg wheat grain was 4,675YR while that of wheat flour was 5,875YR during February 2013 (see Figure 2 and Figure 3). Consistently increasing trends on the price of wheat flour could be attributed to the increasing expenses of milling.

Figure 2: National average wholesale wheat prices (YR/50kg)

Source: Ministry of Trade and Industry of Yemen

Figure 3: National average wholesale wheat flour prices (YR/50kg)

Source: Ministry of Trade and Industry of Yemen
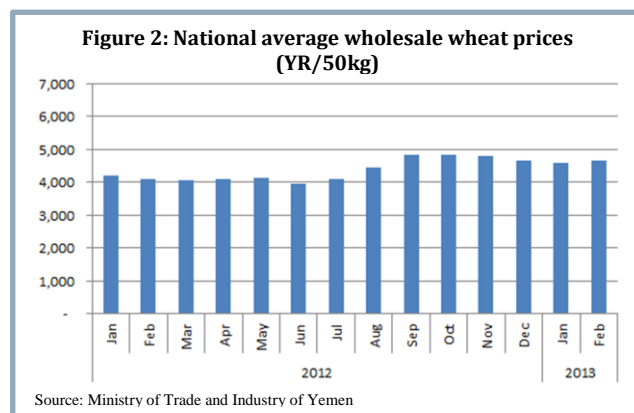
The domestic nominal wholesale prices have also increased slightly for cooking oil (by 2 percent) and sugar (by 1.3 percent). On the other hand, wholesale prices of other essential food commodities such as rice, white and red beans have declined by similar percentage points during February 2013 compared to the previous month.

C. Retail Prices of Wheat and Wheat Flour

The average nominal retail price of wheat and wheat flour increased by 5 percent and 2 percent in February, respectively, compared to January 2013. During the month under reporting, the average nominal retail prices of wheat and wheat flour were 123YR/Kg and 137YR/Kg, respectively (Figures 4 and 5). The retail price of wheat grain in Amran was the lowest (110YR/Kg) and highest in Aden and Sana'a (135YR/Kg). Hodieda market had the lowest price for wheat flour (125YR/Kg) followed by Amran (135YR/Kg) while all of the remaining four markets (Aden, Sana'a, Hajjah and Sa'adah) reported the same highest price of 140YR/Kg. The price variations between different markets arise mainly from variations in quality, their relative distances from the port and transportation costs.

Figure 4: Trends of wheat retail price (YR/kg)

Source: WFP sub offices

Figure 5: Trends of wheat flour retail price (YR/kg)

Source: WFP sub offices

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[2] **Nominal prices** *denote the current monetary value of a good or service i.e. as seen or actually observed by the monitor in the field, in a shop or at a market stall.* **Real prices** *are prices adjusted for inflation using a consumer price index of the corresponding year. The process of adjusting for inflation is called deflating by a price index in order to determine the real value of some monetary magnitude in reference to a "base period".*

D. Supply to Markets

In February 2013, the supply of essential food commodities was normal in most of the monitored markets. However, continuing conflicts and instability in some areas in the south and north have disrupted the normal flow of food commodities into these areas which disturbed the normal functioning of some local markets such as Lahj and Aden. According to information from Ministry of Trade and Industry of Yemen, the amount of imported wheat stocks held in Yemen was adequate for national consumption needs during February 2013 and the supply is expected to continue to be normal during the coming few months.

E. Terms of Trade (TOT)[3]

The TOT are proxy indicators of the purchasing power of households relying on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Analysing the terms of trade between wages/livestock and staple food commodities is indicative of the trends in purchasing power and the impact on the food security situation of households which are dependent on food purchases through income from wage labour and/or livestock.

TOT between wage labour and wheat flour

Following a decline in wage rates for unskilled labour during November and December, they remained unchanged between January and February 2013. During February, the nominal average daily wage rate in the monitored markets was stable at 2,167YR, varying between market locations and ranging between 2,000YR (in Aden, Sa'ada, Hajja and Sana'a) and 2,500YR in Amran and Hodieda markets.

The average TOT between a daily unskilled labour wage and the retail price of wheat flour was 15.9Kg/day in February 2013 which was two percent lower than that recorded in January (16.2Kg/day). While the average TOT declined slightly overall, they remained unchanged in Sana'a, Aden, Hajja, and Sa'ada, but deteriorated in Amran and Hodieda (Figure 6).

TOT between sheep and wheat flour

The average price of a two-year old male sheep was 34,167YR in February which is 3.5 percent higher than the month before. It ranged between 30,000YR in Sana'a and Hodieda to 40,000YR in Aden market. Increases in sheep prices were greater than increases in wheat flour prices and as a result the TOT between a sheep and the retail price of wheat flour improved in February 2013, thus favouring livestock dependent households. The average TOT in February was 250Kg/sheep – some 1.5 percent higher than that recorded in January (246Kg/sheep). The highest TOT of the month were recorded in Sa'ada (271Kg/Sheep) and the lowest were observed in Sana'a (214Kg/Sheep) (Figure 7).

Figure 6: TOT between wage labour and wheat flour

Figure 7: TOT between sheep and wheat flour
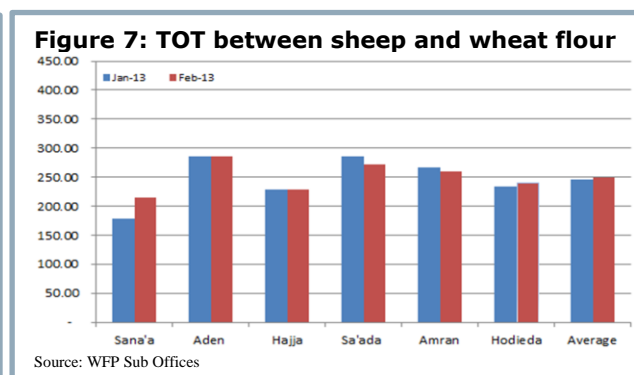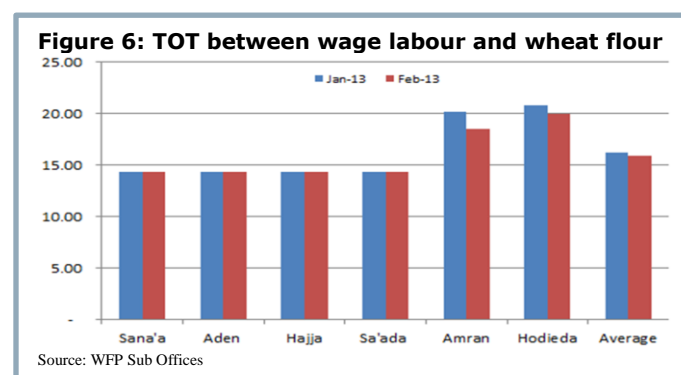
[3] *The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for purchasing power. The livestock to cereal ratio gives an indication of the purchasing power of households selling livestock and purchasing staple foods. Purchasing power is a measurement of the relative value of money in terms of the quality and quantity of goods and services it can buy. It represents the ability of a household to acquire goods and services based on its access to money or other forms of wealth.*

F. Global Food Prices

The FAO Food Price Index averaged 210 points in February 2013, unchanged from January but five points (2.5 percent) below the corresponding month last year. Since November the Index has moved within a narrow 210 - 212 point range, as increases in the prices of dairy products and oils/fats were largely balanced out by declines in the prices of cereals and sugar. The FAO Cereal Price Index averaged 245 points in February, down just below 1 percent from January but still 8 percent higher than in February 2012 (Figure 8).

The decline in the index mainly reflects the drop in wheat prices and to a lesser extent maize, while rice values strengthened slightly. Wheat prices eased in recent weeks, reflecting improved crop prospects in the US.

International wheat prices have continued to decline during February 2013 (Figure 9). The weakening trend in international wheat prices is expected to have a positive impact on domestic markets in Yemen in coming months.

The overall market analysis results indicate that food access has remained stable throughout February 2013 in most of the governorates covered by the market monitoring system.

Although the fall in international prices will likely create favourable conditions for the domestic markets and eventually lead to improvements in the overall household food access in the country, the food security situation of poor households remains precarious.

Figure 8: Trends of food and cereals price indices

Data Source: http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/
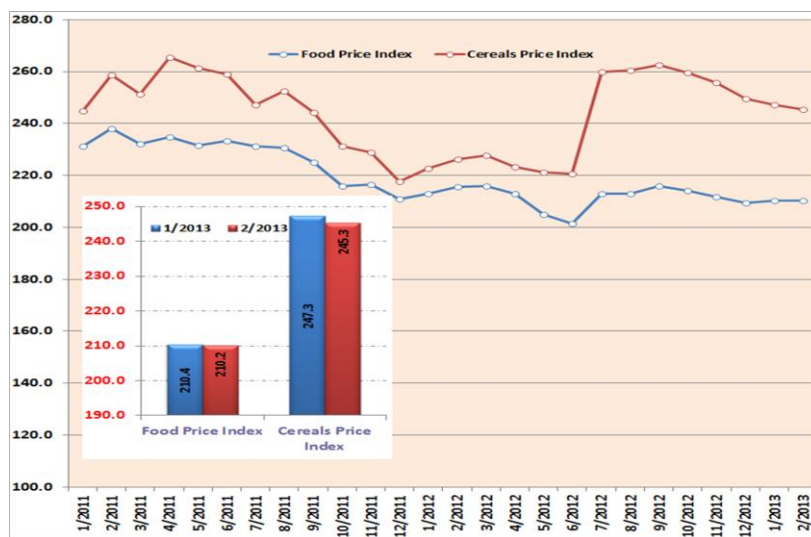
Figure 9: Trend in global wheat prices (USD/MT)

Data Source: http://www.indexmundi.com/commodities/?commodity=wheat
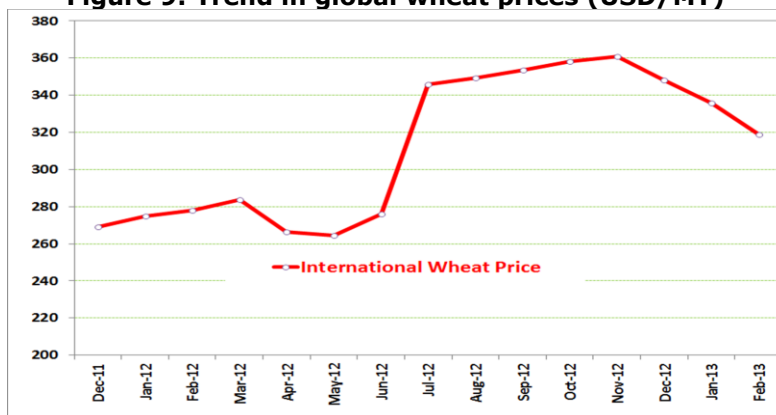
Table 1. Market Watch on Main Commodities Across Markets - February 2013

Commodity Prices (Yemeni Rials)

Markets	Commodity	Current Price	Price change (%) 1Y	6M	1 M	Avarage Change 1Y	6M	1 M
Sanaa	Wheat /kg	135	4	4	4	↔	↔	↔
	Wheat flour/ kg	140	-7	8	0	↔	↔	↔
	SUGAR/kg	250	-17	9	14	↓	↔	↑
	V. OIL/ kg	490	-4	4	2	↔	↔	↔
	RICE/kg	250	-31	39	14	↓	↑	↑
	Red beans/kg	350	17	-8	-8	↑	↔	↔
	White beans/kg	300	0	20	7	↔	↑	↔
	Lentils/kg	320	-20	7	-11	↓	↔	↓
	Yellow Split peas/kg	300	0	-54	0	↔	↓	↔
	Salt/kg	100	-33	25	25	↓	↑	↑
	Potato/kg	250	25	25	25	↑	↑	↑
	Tomato/kg	280	27	87	12	↑	↑	↑
	Onion/kg	200	11	0	0	↑	↔	↔
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	125	-29	0	0	↓	↔	↔
	DIESEL/ltr	100	100	0	0	↑	↔	↔
	Gas/botle	1500	-50	-12	0	↓	↓	↔
	Sheep/head	30000	0	-19	20	↔	↓	↑
	Skilled lab wage/day	4500	18	0	0	↑	↔	↔
	Casual lab wage/day	2000	33	-20	0	↑	↓	↔
	Exchange rate/USD	215	-5	0	0	↔	↔	↔
Aden	Wheat /kg	135	13	13	4	↑	↑	↔
	Wheat flour/ kg	140	14	17	0	↑	↑	↔
	SUGAR/kg	230	15	-18	-15	↑	↓	↓
	V. OIL/ kg	500	23	2	-17	↑	↔	↓
	RICE/kg	300	-2	-25	-23	↔	↓	↓
	Red beans/kg	330	-9	-13	-6	↔	↓	↔
	White beans/kg	300	22	20	0	↑	↑	↔
	Lentils/kg	300	-24	-14	7	↓	↓	↔
	Yellow Split peas/kg	300	20		20	↑	NA	↑
	Salt/kg	100	25	100	0	↑	↑	↔
	Potato/kg	300	221	100	-25	↑	↑	↓
	Tomato/kg	320	269	113	-29	↑	↑	↓
	Onion/kg	250	114	-17	0	↑	↓	↔
	Eggs/1egg	30	0	0	0	↔	↔	↔
	PETROL/ltr	125	-29	0	0	↓	↔	↔
	DIESEL/ltr	100	100	0	0	↑	↔	↔
	Gas/botle	1500		0	0	NA	↔	↔
	Sheep/head	40000	45	33	0	↑	↑	↔
	Skilled lab wage/day	5000	58	11	0	↑	↑	↔
	Casual lab wage/day	2000	15	0	0	↑	↔	↔
	Exchange rate/USD	215		0	0	NA	↔	↔
Hajja	Wheat /kg	120		0	9	NA	↔	↑
	Wheat flour/ kg	140	17	8	0	↑	↔	↔
	SUGAR/kg	220	-29	-12	0	↓	↓	↔
	V. OIL/ kg	520	30	160	-2	↑	↑	↔
	RICE/kg	250	-50	-17	0	↓	↓	↔
	Red beans/kg	320	7	-36	0	↔	↓	↔
	White beans/kg	300	0	20	0	↔	↑	↔
	Lentils/kg	330	-24	-18	-8	↓	↓	↔
	Yellow Split peas/kg	300		0	0	NA	↔	↔
	Salt/kg	80	41	60	0	↑	↑	↔
	Potato/kg	200	50	0	-20	↑	↔	↓
	Tomato/kg	300	221	50	0	↑	↑	↔
	Onion/kg	200	33	-20	0	↑	↓	↔
	Eggs/1egg	30	-18	0	0	↓	↔	↔
	PETROL/ltr	125	-29	0	0	↓	↔	↔
	DIESEL/ltr	100		-90	0	NA	↓	↔
	Gas/botle	1200	-29	-20	0	↓	↓	↔
	Sheep/head	32000		7	0	NA	↔	↔
	Skilled lab wage/day	4500	80	-36	0	↑	↓	↔
	Casual lab wage/day	2000	43	-50	0	↑	↓	↔
	Exchange rate/USD	215	0	0	0	↔	↔	↔

Markets	Commodity	Current Price	Price change (%) 1Y	6M	1 M	Avarage Change 1Y	6M	1 M
Saada	Wheat /kg	130	8	8	0	↔	↔	↔
	Wheat flour/ kg	140	8	8	0	↔	↔	↔
	SUGAR/kg	270	-10	35	0	↓	↑	↔
	V. OIL/ kg	500	11	19	-17	↑	↑	↓
	RICE/kg	280	40	-7	-20	↑	↔	↓
	Red beans/kg	320	60	-9	-9	↑	↔	↔
	White beans/kg	300	-14	50	0	↓	↑	↔
	Lentils/kg	300	-14	0	7	↓	↔	↔
	Yellow Split peas/kg	300	36		-14	↑	NA	↓
	Salt/kg	100	0	100	0	↔	↑	↔
	Potato/kg	220	-12	120	-45	↓	↑	↓
	Tomato/kg	350	75	338	-22	↑	↑	↓
	Onion/kg	250	25	67	0	↑	↑	↔
	Eggs/1egg	30	0	20	0	↔	↑	↔
	PETROL/ltr	125	-29	0	0	↓	↔	↔
	DIESEL/ltr	100	100	0	0	↑	↔	↔
	Gas/botle	1500	-21	-3	-3	↓	↓	↓
	Sheep/head	38000	-30	-5	-5	↓	↓	↓
	Skilled lab wage/day	5000	43	-9	0	↑	↓	↔
	Casual lab wage/day	2000	0	-20	0	↔	↓	↔
	Exchange rate/USD	215	-5	0	0	↔	↔	↔
Amran	Wheat /kg	110	-28	-21	17	↓	↓	↑
	Wheat flour/ kg	135	-29	-10	9	↓	↓	↔
	SUGAR/kg	240	-17	-20	-4	↓	↓	↔
	V. OIL/ kg	490	-15	-18	-13	↓	↓	↓
	RICE/kg	245	2	-2	63	↔	↔	↑
	Red beans/kg	320	7	-6	7	↔	↔	↔
	White beans/kg	300	-14	-14	0	↓	↓	↔
	Lentils/kg	300	-29	30	0	↓	↑	↔
	Yellow Split peas/kg	300	20	20	50	↑	↑	↑
	Salt/kg	80	60	60	60	↑	↑	↑
	Potato/kg	200	0	33	0	↔	↑	↔
	Tomato/kg	220	120	83	-27	↑	↑	↓
	Onion/kg	200	33	0	33	↑	↔	↑
	Eggs/1egg	33	10	32	0	↔	↑	↔
	PETROL/ltr	125	-29	0	0	↓	↔	↔
	DIESEL/ltr	110	-12	-8	0	↓	↔	↔
	Gas/botle	1500	-32	0	0	↓	↔	↔
	Sheep/head	35000	6	-5	6	↔	↔	↔
	Skilled lab wage/day	4500	13	13	0	↑	↑	↔
	Casual lab wage/day	2500	25	25	0	↑	↑	↔
	Exchange rate/USD	215	-4	0	0	↔	↔	↔
Hodieda	Wheat /kg	110	-10	-8	0	↔	↔	↔
	Wheat flour/ kg	125	-4	4	4	↔	↔	↔
	SUGAR/kg	220	-4	-12	10	↔	↓	↔
	V. OIL/ kg	490	50	-2	-18	↑	↔	↓
	RICE/kg	280	25	0	17	↑	↔	↑
	Red beans/kg	330	24	-11	65	↑	↓	↑
	White beans/kg	280	35	27	40	↑	↑	↑
	Lentils/kg	300	0	-9	0	↔	↔	↔
	Yellow Split peas/kg	300	0		0	↔	NA	↔
	Salt/kg	80	-33	60	0	↓	↑	↔
	Potato/kg	220	89	47	57	↑	↑	↑
	Tomato/kg	250	150	25	0	↑	↑	↔
	Onion/kg	200	33	11	43	↑	↑	↑
	Eggs/1egg	35	17	17	0	↑	↑	↔
	PETROL/ltr	125	-29	0	0	↓	↔	↔
	DIESEL/ltr	100	100	0	0	↑	↔	↔
	Gas/botle	1400	-48	-7	0	↓	↔	↔
	Sheep/head	30000	-10	-9	7	↔	↔	↔
	Skilled lab wage/day	3500	0	0	0	↔	↔	↔
	Casual lab wage/day	2500	25	-17	0	↑	↓	↔
	Exchange rate/USD	215	-5	0	0	↔	↔	↔

Remark:

↑	Prices increase above normal price fluctuation
↔	Normal Price Fluctuation
↓	Price decrease below normal price fluctuation

Important Remark: The market price data contained in the report should be interpreted with caution as they do not capture the impacts of long term trends in food prices. This approach does not measure or indicate the severity of the likely impact that changes may have on different households due to different income and food basket variations by wealth, by livelihood groups and households' capacities to cope with changes.