

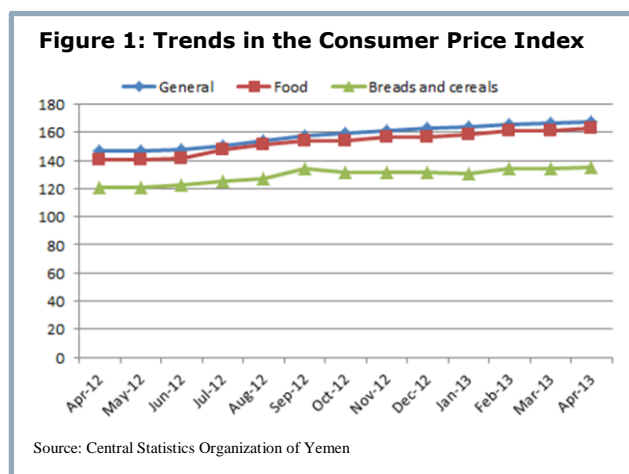
Highlights

- The overall analysis of the market information in May 2013 indicates that all the indicators have remained relatively unchanged. As a result, the food access was generally stable. However, the food security situation of poor households remains precarious due to some deterioration in purchasing power during the month and higher food inflation rate recorded in April.
- During April 2013, the country level general inflation was 13.98 percent while that of food inflation stood at 16.46 percent. The general Consumer Price Index (CPI) during the same month was recorded at 167.55 while the food CPI was 163.16 and that of cereals stood at 135.26.
- The wholesale prices of wheat and wheat flour have fallen by 2 percent and 3.2 percent, respectively, which are not big enough to bring down the retail prices during the coming months.
- Between April and May 2013, the average retail prices of wheat and wheat flour were increased by about 1 percent which may be due to increases on wholesale prices during the previous month. The retail prices may likely to continue increasing as a result of persistently high wholesale prices observed in May 2013.
- The supply of essential food commodities was normal in May 2013 in most of the markets being monitored. Food supply is expected to continue to be normal during the coming months.
- The average TOT between a daily unskilled labour wage and the retail price of wheat flour was 15.8Kg/day in May 2013 which was one percent lower than that recorded April.
- The average TOT between a sheep and retail prices of wheat flour was 231Kg/sheep in May 2013 – 2 percent lower than that reported in April (236Kg/sheep).
- The FAO Food Price Index averaged 215.2 points in May 2013, very close to its April value of 215.8 points and 10 points higher than it was in May last year. The Cereal Price Index averaged 238.9 points in May, up by 2 percent from April and nearly 8 percent higher than that recorded in May last year.
- International wheat prices have increased by 3.4 percent between April and May 2013. The rise in the international wheat prices is expected to have a negative impact on domestic markets in Yemen as the country is 90 percent dependent on wheat imports.

A. Inflation and Consumer Price Index (CPI)¹

During April 2013, the country level general inflation was 13.98 percent while that of food inflation stood at 16.46 percent - based on the 12 month average. The general Consumer Price Index (CPI) during the same month was recorded at 167.55 while the food CPI was 163.16 and that of cereals stood at 135.26. All have been rising steadily since October 2012 (Figure 1).

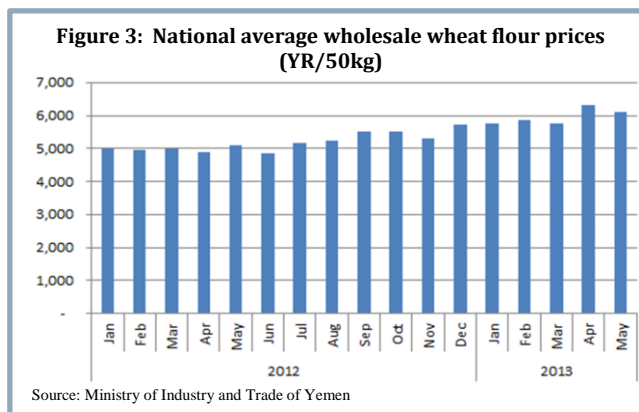
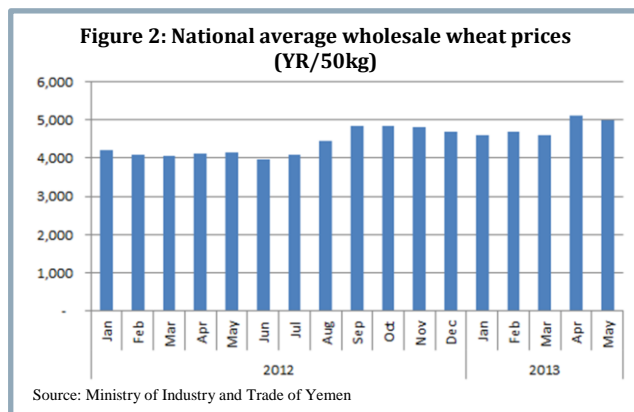
The annual inflation rates for non-staple food items ranged from 6.62 percent for meat to 67.09 percent for vegetables. However, consumer price for sugar was 3.4 percent lower in April 2013 compared to the same month in 2012. The CPI for most of the food commodities also increased slightly between March and April 2013 and ranged from 135.26 for dairy products to 276.02 for vegetables.



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

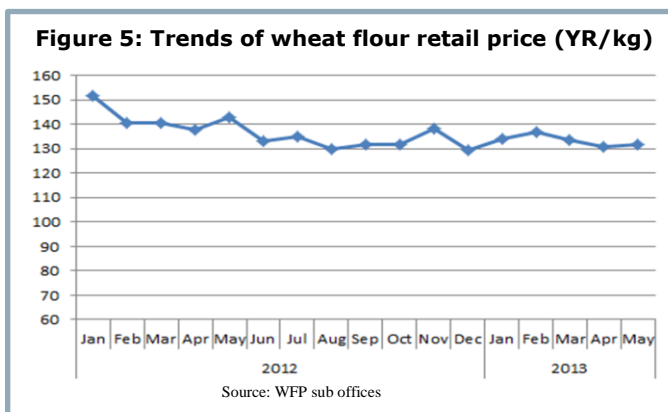
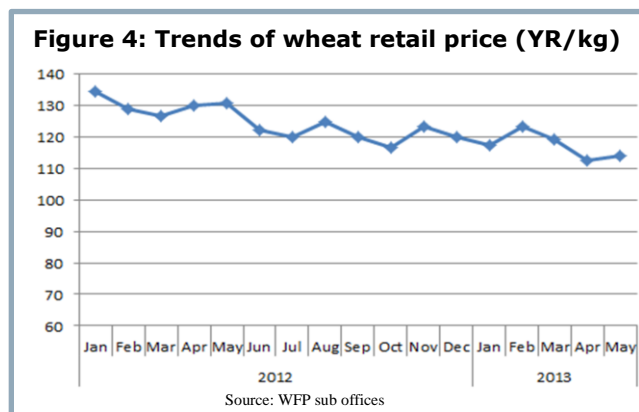
The domestic nominal² wholesale prices of wheat and wheat flour have slightly dropped down between April and May 2013 but still the second highest since the crisis in 2011. The wholesale prices of wheat and wheat flour fallen by 2 percent and 3.2 percent, respectively (Figure 2 and Figure 3). These reductions in the wholesale prices of wheat and wheat flour are not big enough to bring down the retail prices during the coming months. The average wholesale price of 50Kg wheat grain was 5,000YR while that of wheat flour was 6,100YR during the month under reporting.



While the nominal wholesale price of cooking oil was fallen considerably down by 8.5 percent between April and May 2013, most of other food commodities have marginally decreased – ranging between 1.5 percent for rice and 1.8 percent for white beans. However, the price of sugar remained unchanged during the month under reporting.

C. Retail Prices of Wheat and Wheat Flour

In May 2013, the average nominal retail prices of wheat and wheat flour were 114YR/Kg and 132YR/Kg respectively. Between April and May 2013, the average retail prices of wheat and wheat flour were increased by about 1 percent (Figure 4 and 5). This minor increment may be due to the implications from high wholesale price increases in April. The retail prices may likely to continue increasing as a result of high wholesale prices persisted throughout May 2013 although the wholesale prices were slightly went down from their levels in April. The retail prices of wheat in Hajja and Hodieda was the lowest (100YR/Kg) and highest in Aden (130YR/Kg). With the price of 120YR/Kg, the Hodieda market had the lowest price for wheat flour while Aden market reported the highest price (140YR/Kg). The price variations between different markets depend mainly on variations in quality, their relative distance from port and transportation costs.



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. Food Supply to Markets

The supply of essential food commodities has continued to be normal in most of the monitored markets in May 2013. Nevertheless, continuing conflicts and instability in some areas in the south have jeopardized the normal flow of food commodities into these areas, particularly disrupting the functioning of local markets such as Lahj, Abyan and Al Bayda. The volume of imported wheat stocks held in Yemen was adequate for national consumption needs during May 2013 and the supply is expected to remain normal during the few months to come.

E. Terms of Trade (TOT)³

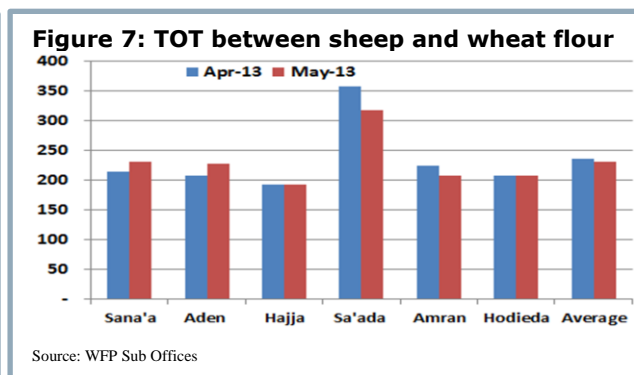
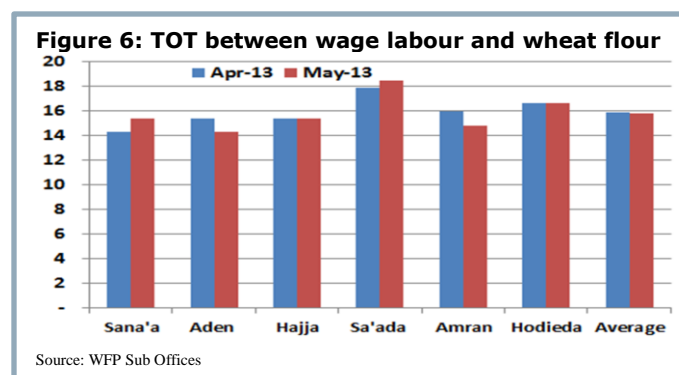
The TOT are proxy indicators of the purchasing power of households relying on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Analysing the terms of trade between wages/livestock and staple 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

The nominal average daily wage rate in the monitored markets remained unchanged between April and May 2013. The average daily wage rate recorded in April was 2,083YR. All the markets except Sa'ada had the same rate (2,000YR/day) while in Sa'ada markets it was 2,500YR. During the month being reported, the average TOT between a daily unskilled labour wage and the retail price of wheat flour was 15.8Kg/day in May which was one percent lower than that recorded during the month before. The slight deterioration in the TOT was due to the minor increase on the retail prices of wheat flour. While the TOT in Sana'a and Sa'ada have improved and remained unchanged in Hajja and Hodieda, some deterioration was observed in Aden and Amran markets (Figure 6).

TOT between sheep and wheat flour

In May 2013, the average price of a two-year old male sheep was 30,500, which is one percent down from the level reported in the month before. Prices sheep ranged from 25,000YR in Hodieda and Hajja to 43,000YR in Sa'ada market. As a result of minor changes in the prices of sheep and prices of wheat flour during the month under reporting, the TOT between a sheep and the retail price of wheat flour has shown slight deviations in some markets and remains unchanged in some others. Accordingly, the average TOT in May 2013 was 231Kg/sheep –2 percent lower than that reported in April (236Kg/sheep). Consequently, households which derive some of their income from the sale of sheep had to continue to sell still a little more in May than they did in April to purchase the same amount of wheat flour. The highest TOT of the month were recorded in Sa'ada (318Kg/Sheep) and the lowest were observed in Hajja (192Kg/Sheep) (Figure 7).



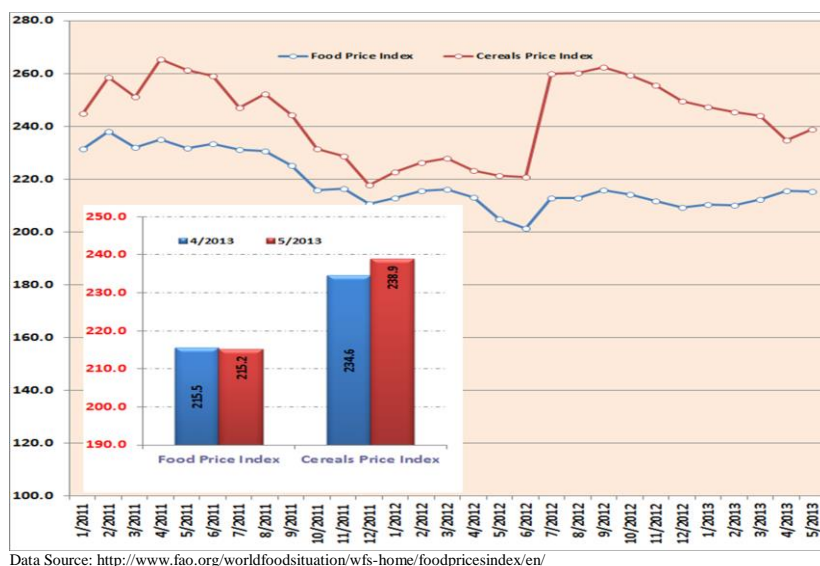
³ The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for purchasing power. The livestock 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 215.2 points in May 2013, very close to its April value of 215.8 points and 10 points (5 percent) higher than it was in May last year. At that level, the index is nearly 10 percent below the peak reached in February 2011. The small decline in May was the result of falling dairy and sugar prices, which more than offset an increase in cereals. Oils and meat prices remained unchanged.

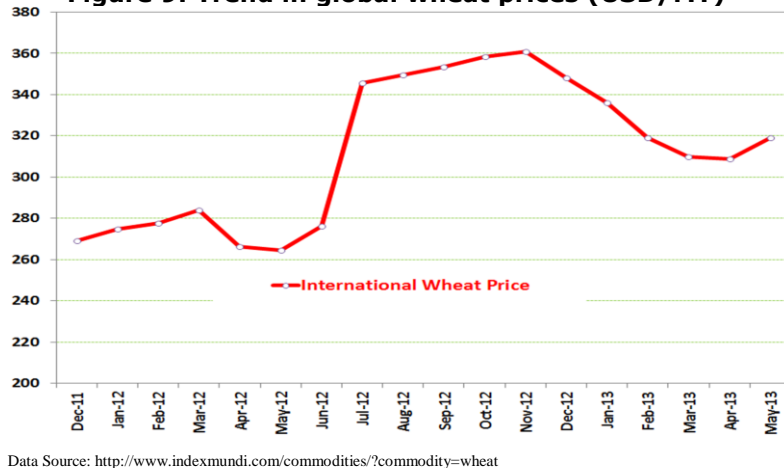
The FAO Cereal Price Index averaged 238.9 points in May, up 4 points (1.9 percent) from April and nearly 17 points (7.8 percent) above May last year. Last month's increase was mostly associated with a strong bounce in maize prices, mostly a reaction to tightening export supplies and planting delays in the United States. By contrast, wheat and rice prices were largely unchanged from the previous month (Figure 8).

Figure 8: Trends of food and cereals price indices



International wheat prices have increased by 3.4 percent between April and May 2013 (Figure 9). Although the rise in the international wheat prices is expected to have a negative impact on markets in Yemen, as the transmission of international prices to the domestic markets is not particularly high (only 20 percent), the local market structure is more important than international market dynamics in determining staple prices in the country. Due to the monopolistic nature of the market behavior in the country, those few big importers and their agents fix the wholesale prices and hugely influence the conduct and performance of the domestic markets which is usually reflected in the retail prices (WFP Market Survey, 2010).

Figure 9: Trend in global wheat prices (USD/MT)



The overall analysis of the market information in May 2013 indicates that all the indicators have remained relatively unchanged. As a result, the food access was generally stable. However, the food security situation of poor households remains precarious due to some deterioration in purchasing power and higher food inflation rate recorded during the previous month.



Table 1. Market Watch on Main Commodities Across Markets - May 2013

Markets	Commodity	Current Price	Price change (%)			Average Change		
			1Y	6M	1M	1Y	6M	1M
Commodity Prices (Yemeni Rials)								
Sana'a	Wheat /kg	120	0	-8	-8	↔	↔	↔
	Wheat flour/ kg	130	-10	-13	-7	↔	↓	↔
	SUGAR/kg	210	-25	-5	5	↔	↔	↔
	V. OIL/ kg	480	7	14	0	↔	↑	↔
	RICE/kg	200	-30	0	-9	↓	↔	↔
	Red beans/kg	350	0	-13	0	↔	↓	↔
	White beans/kg	250	-22	0	0	↓	↔	↔
	Lentils/kg	300	-21	0	0	↓	↔	↔
	Yellow Split peas/kg	250	-11	-17	0	↓	↓	↔
	Salt/kg	60	-25	-20	0	↓	↓	↔
	Potato/kg	250	25	25	0	↑	↑	↔
	Tomato/kg	455	128	128	82	↑	↑	↑
	Onion/kg	250	67	25	25	↑	↑	↑
	Eggs/1egg	35	17	0	0	↑	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1500	-25	0	0	↓	↔	↔
Sheep/head	30000	0	20	0	↔	↑	↔	
Skilled lab wage/day	4500	0	0	0	↔	↔	↔	
Casual lab wage/day	2000	-5	0	0	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Aden	Wheat /kg	130	18	8	8	↑	↔	↔
	Wheat flour/ kg	140	8	17	8	↔	↑	↔
	SUGAR/kg	200	-20	0	0	↓	↔	↔
	V. OIL/ kg	400	-11	0	0	↓	↔	↔
	RICE/kg	200	-29	0	0	↓	↔	↔
	Red beans/kg	380	9	12	0	↔	↑	↔
	White beans/kg	250	-26	25	0	↓	↔	↔
	Lentils/kg	400	14	60	0	↑	↑	↔
	Yellow Split peas/kg	250	-4	-17	-14	↔	↓	↓
	Salt/kg	60	0	-25	0	↔	↓	↔
	Potato/kg	200	18	11	0	↑	↑	↔
	Tomato/kg	250	-11	67	0	↓	↑	↔
	Onion/kg	150	25	0	0	↑	↔	↔
	Eggs/1egg	35	17	0	0	↑	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1500	0	0	7	↔	↔	↔
Sheep/head	32000	0	7	19	↔	↔	↑	
Skilled lab wage/day	4000	-11	0	0	↓	↔	↔	
Casual lab wage/day	2000	0	0	0	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hajja	Wheat /kg	100	-29	-29	0	↓	↓	↔
	Wheat flour/ kg	130	-7	-7	0	↔	↔	↔
	SUGAR/kg	250	-4	25	0	↔	↑	↔
	V. OIL/ kg	420	-7	-16	0	↔	↓	↔
	RICE/kg	150	-50	-25	-12	↔	↓	↓
	Red beans/kg	300	0	-25	0	↔	↓	↔
	White beans/kg	350	17	40	0	↑	↑	↔
	Lentils/kg	350	-13	17	-8	↔	↑	↔
	Yellow Split peas/kg	350	17	0	NA	↑	↑	↔
	Salt/kg	50	-17	0	0	↓	↔	↔
	Potato/kg	250	67	67	0	↑	↑	↔
	Tomato/kg	250	150	-38	0	↑	↓	↔
	Onion/kg	100	0	-50	-33	↔	↓	↓
	Eggs/1egg	35	17	0	-13	↑	↔	↓
	PETROL/ltr	175	40	40	0	↑	↑	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1200	-29	0	0	↓	NA	↔
Sheep/head	25000	-24	0	0	↓	↔	↔	
Skilled lab wage/day	4000	14	0	0	↑	↔	↔	
Casual lab wage/day	2000	-17	0	0	↓	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodieda	Wheat /kg	110	-8	-8	-15	↔	↔	↓
	Wheat flour/ kg	135	4	4	-4	↔	↔	↔
	SUGAR/kg	220	10	10	0	↔	↔	↔
	V. OIL/ kg	420	-2	-16	-7	↔	↓	↔
	RICE/kg	200	-17	-33	0	↓	↓	↔
	Red beans/kg	300	0	0	0	↔	↔	↔
	White beans/kg	200	13	0	0	↑	↔	↔
	Lentils/kg	300	0	20	0	↔	↑	↔
	Yellow Split peas/kg	0	-100	NA	NA	NA	↓	NA
	Salt/kg	50	0	25	0	↔	↑	↔
	Potato/kg	200	0	33	0	↔	↑	↔
	Tomato/kg	200	9	100	0	↔	↑	↔
	Onion/kg	100	-14	-33	0	↓	↓	↔
	Eggs/1egg	30	6	20	0	↔	↑	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1600	0	3	0	↔	↔	↔
Sheep/head	43000	-4	8	-14	↔	↔	↓	
Skilled lab wage/day	4250	-6	-23	-6	↔	↓	↔	
Casual lab wage/day	2500	15	0	0	↑	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Amran	Wheat /kg	124	-25	-5	31	↓	↔	↑
	Wheat flour/ kg	135	-21	-10	8	↓	↔	↔
	SUGAR/kg	250	-17	0	25	↓	↔	↑
	V. OIL/ kg	473	-18	-1	0	↓	↔	↔
	RICE/kg	180	-25	-28	0	↓	↓	↔
	Red beans/kg	250	-25	-26	0	↓	↓	↔
	White beans/kg	250	-17	-17	0	↓	↓	↔
	Lentils/kg	250	-36	-17	0	↓	↓	↔
	Yellow Split peas/kg	300	20	-14	0	↑	↓	↔
	Salt/kg	50	0	0	0	↔	↔	↔
	Potato/kg	300	100	67	20	↑	↑	↑
	Tomato/kg	300	200	67	0	↑	↑	↔
	Onion/kg	200	33	0	0	↑	↔	↔
	Eggs/1egg	33	10	10	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	110	0	10	0	↔	↔	↔
	Gas/bottle	1300	-13	-19	0	↓	↓	↔
Sheep/head	28000	-15	-30	0	↓	↓	↔	
Skilled lab wage/day	3500	-13	-50	0	↓	↓	↔	
Casual lab wage/day	2000	0	-50	0	↔	↓	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodieda	Wheat /kg	100	-23	0	0	↓	↔	↔
	Wheat flour/ kg	120	-14	-14	0	↓	↓	↔
	SUGAR/kg	180	-18	-18	0	↓	↓	↔
	V. OIL/ kg	350	-17	-22	0	↓	↓	↔
	RICE/kg	180	6	-36	0	↔	↓	↔
	Red beans/kg	400	0	5	0	↔	↔	↔
	White beans/kg	200	-23	-20	-13	↓	↓	↓
	Lentils/kg	350	3	9	0	↔	↔	↔
	Yellow Split peas/kg	0	-100	NA	NA	NA	↓	NA
	Salt/kg	40	0	0	-20	↔	↔	↓
	Potato/kg	250	108	39	0	↑	↑	↔
	Tomato/kg	300	131	67	0	↑	↑	↔
	Onion/kg	200	122	0	0	↑	↔	↔
	Eggs/1egg	30	0	0	-14	↔	↔	↓
	PETROL/ltr	125	0	0	0	↔	↔	↔
	DIESEL/ltr	100	0	0	0	↔	↔	↔
	Gas/bottle	1500	-25	-12	0	↓	↓	↔
Sheep/head	25000	-7	-38	0	↔	↓	↔	
Skilled lab wage/day	2500	-38	-29	0	↓	↓	↔	
Casual lab wage/day	2000	0	-33	0	↔	↓	↔	
Exchange rate/USD	215	0	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.