

Highlights

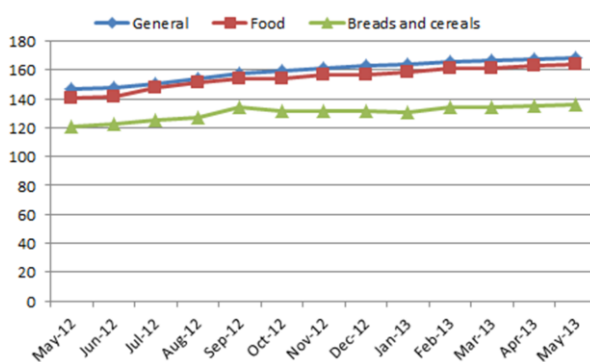
- The overall analysis of the market information in June 2013 indicates that food availability has continued to be normal. However, due to sharp increases in the retail price of wheat combined with falls in household purchasing power (as indicated in the changes on Terms of Trade (TOT) between wages and wheat flour), the food security situation of poor households continues to remain precarious.
- During May 2013, the country level general inflation was 14.21 percent while that of food inflation stood at 16.79 percent. The general Consumer Price Index (CPI) during the same month was recorded at 168.11 while the food CPI was 163.87.
- In June 2013, the wholesale prices of both wheat and wheat flour were around 10 percent lower than during May, which may lead to a decline in the retail prices during the coming months.
- Compared with May and as anticipated in the Market Watch for May, the average retail prices of wheat and wheat flour have increased during June - by 10.4 percent and 1 percent respectively. These price increases may have been due to increased demand for these products in preparation for the month of Ramadan, which started on 10th July.
- In June 2013, the supply of essential food commodities has been normal in most of the monitored markets except in some areas in the south due to the persistent conflicts and instability. Food supply is expected to continue to be normal during the coming months.
- The average TOT between a daily unskilled labour wage rate and the retail price of wheat flour was 15Kg/day during the month of June - some 5 percent lower than that recorded in May and 10 percent lower than during June 2012.
- The average TOT between a sheep and wheat flour was 235Kg/sheep in June 2013, which was 2 percent higher than that reported during May 2013, but 8 percent lower than during June 2012.
- The FAO Food Price Index averaged 211.3 points in June 2013, almost one percent below its value for May, but still nearly 11 points higher than it was in June 2012. The Cereal Price Index averaged 236.5 points in June, down by one percent from May but still 14 points above June last year.
- International wheat prices fell by 2 percent between May and June 2013.

A. Inflation and Consumer Price Index (CPI)¹

During May 2013, the country level general inflation was 14.21 percent while that of food inflation stood at 16.79 percent - based on the 12 month average. The general Consumer Price Index (CPI) during the same month was recorded at 168.11 while the food CPI was 163.87 and that of cereals stood at 135.75. All have been rising steadily since October 2012 (Figure 1).

The annual inflation rates for non-staple food items ranged from 6.33 percent for cooking oil to 63.37 percent for vegetables. The CPI for most of the food commodities also increased slightly between April and May 2013 and ranged from 135.42 for dairy products to 279.08 for vegetables.

Figure 1: Trends in Consumer Price Index

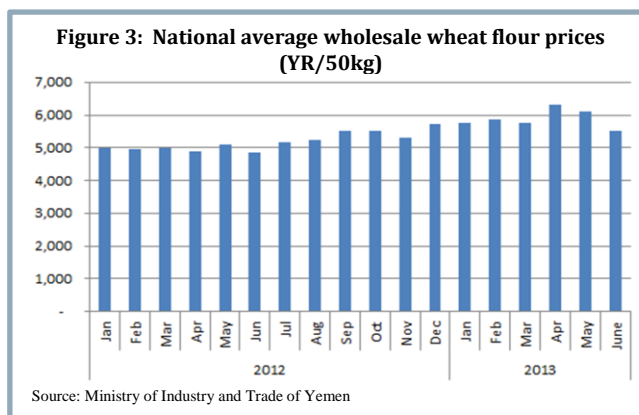
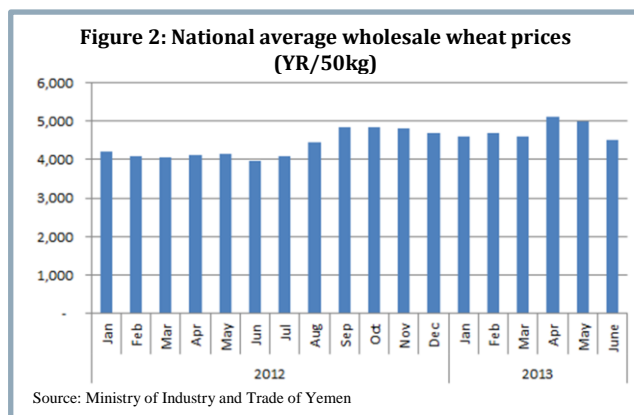


Source: Central Statistics Organization of Yemen

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

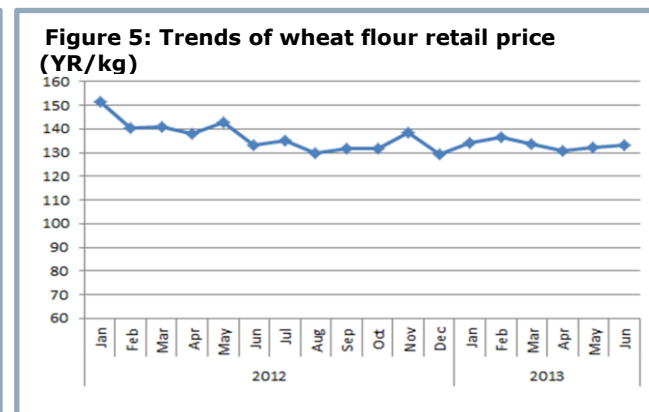
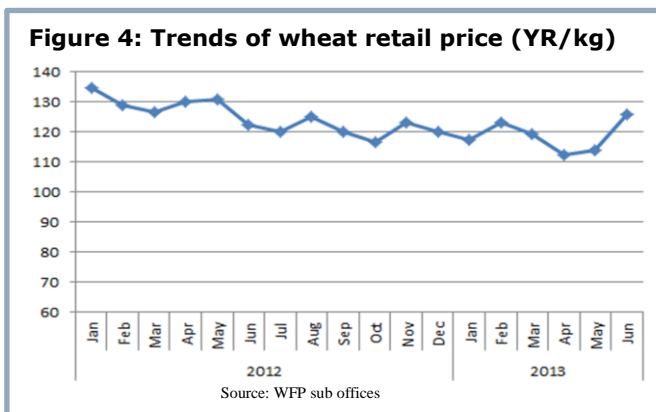
The domestic nominal² wholesale prices of wheat and wheat flour fell by about 10 percent between May and June 2013 (Figure 2 and Figure 3). If the decline in wholesale prices is maintained, it may result in a decline in the retail prices of wheat and wheat flour during the coming months. The average wholesale price of 50Kg wheat grain in June was 4,500YR while that of wheat flour was 5,500YR during the month under reporting.



Between May and June 2013, the wholesale prices of all the other food commodities except for those of red beans and sugar increased significantly - ranging from 12.1 percent for cooking oil to 23.9 percent for lentils. The price of red beans declined by 2.1 percent while the price of sugar remained unchanged.

C. Retail Prices of Wheat and Wheat Flour

The average nominal retail prices of wheat and wheat flour were 126YR/Kg and 133YR/Kg, respectively, during June 2013. As anticipated in the Market Watch for May, the average retail prices of wheat and wheat flour rose during June - by about 10.4 percent and 1 percent respectively (Figures 4 and 5). These price increases may be attributed to a combination of two factors (i) high wholesale prices during April and May 2013 flowing through to retail prices in June, and (ii) an increase in demand for these products during preparations for the month of Ramadan. As the high demand for wheat will continue during Ramadan, retail prices can be expected to remain at their present high levels. The retail price of wheat ranges from 120YR/Kg in Hajja, Amran and Hodieda to 130YR/Kg in Sana'a. The highest retail prices of wheat flour were recorded in Sana'a and Sa'ada (140YR/Kg) while all the other four markets reported the same prices (130YR/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

In June 2013, the supply of essential food commodities has been normal in most of the monitored markets. However, as a result of persistent conflicts and instability in some areas in the south the flow of food commodities was disrupted, mainly affecting local markets in Lahj, Abyan and Al Bayda. The volume of imported wheat stocks was adequate for national consumption needs during June 2013 and the supply is expected to remain normal during the coming months.

E. Terms of Trade (TOT)³

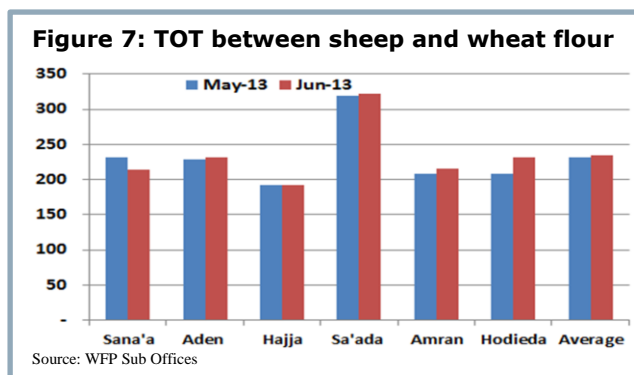
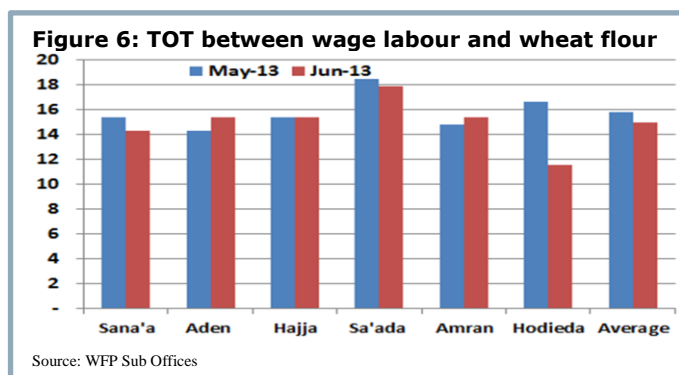
The TOT are proxy indicators of the purchasing power of households relying on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Analysing changes the terms of trade between wages/livestock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

During June 2013, the nominal average daily wage rate was recorded at 2,000YR which is slightly lower than that reported in May. All the markets except Hodieda and Sa'ada had the same rate (2,000YR/day) while in Hodieda and Sa'ada markets it was 1,500YR and 2,500YR, respectively. The average TOT between a daily unskilled labour wage rate and the retail price of wheat flour was 15Kg/day during June – some 5 percent lower than that recorded in May and 10 percent lower than during June 2012. The deterioration in the TOT during June 2013 can be attributed to the increase on the retail prices of wheat flour. While the TOT in Aden and Amran have improved and remained unchanged in Hajja, some deterioration was observed in the other three markets (Figure 6). The purchasing power of households whose incomes are mainly wage labour, is 11.1 percent lower than during June 2012 - as measured by the changes in the TOT.

TOT between sheep and wheat flour

The average price of a two-year old male sheep was 31,333YR in June 2013, which is approximately one percent higher than the price reported during May. The price of sheep ranged from 25,000YR in Hajja to 45,000YR in Sa'ada market. The average TOT between a sheep and wheat flour was 235Kg/sheep in June 2013, which was about 2 percent higher than that reported in May (231Kg/sheep) and 8 percent below that during June 2012. Consequently, households which derive some of their income from the sale sheep were able to exchange more wheat flour for a sheep in June than in May. The highest TOT of the month were recorded in Sa'ada (321Kg/Sheep) and the lowest were observed in Hajja (192Kg/Sheep) (Figure 7). The purchasing power of those households who are wholly dependent on the sale of livestock was 9 percent lower than during the same month last year as measured by the changes in the TOT.



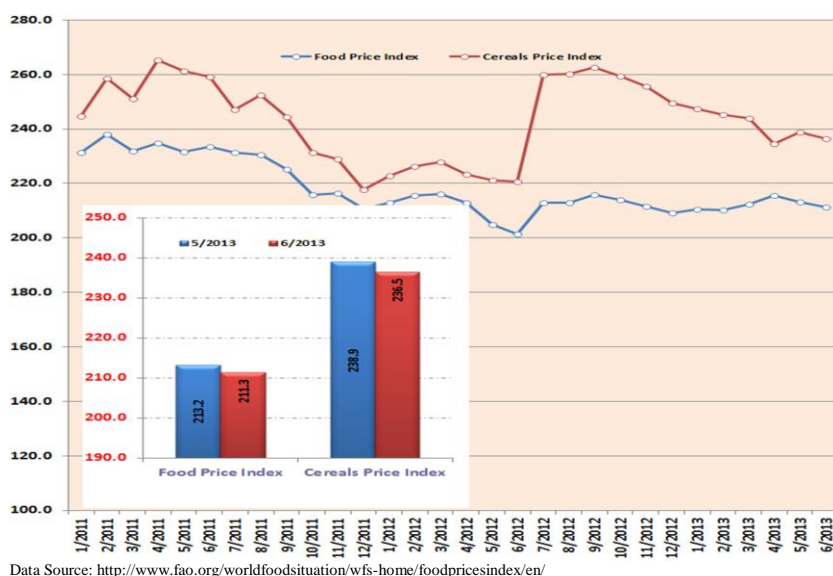
³ The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. The livestock 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 211.3 points in June 2013, almost 2 points (one percent) below its value for May, but still nearly 11 points higher than it was in June 2012. Last month's decline reflects a drop in sugar and, especially, dairy prices, with more contained slides affecting cereals and oils.

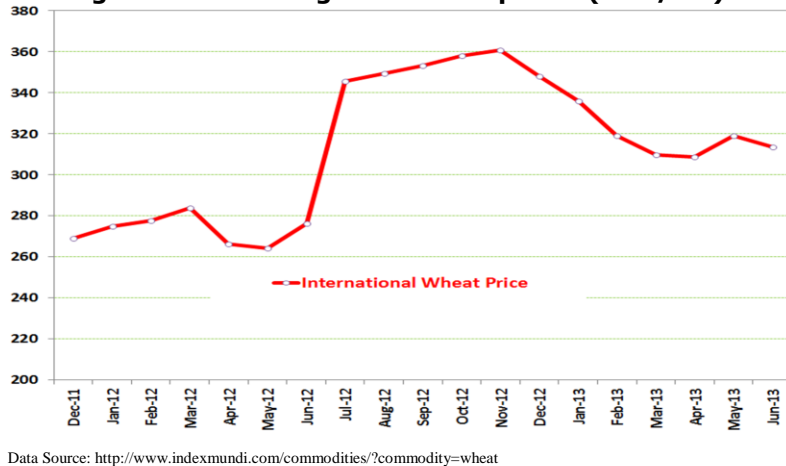
The FAO Cereal Price Index averaged 236.5 points in June, down 2.5 points (one percent) from May but still 14 points above June last year. Expectation of bumper crops this year is the main reason for the decline in international cereal prices. Wheat prices retreated most, because of seasonal harvesting pressure from the northern hemisphere crops. However, tight supplies are likely to continue supporting major coarse grains until the start of harvests in October (Figure 8).

Figure 8: Trends of food and cereals price indices



International wheat prices declined by 2 percent between May and June 2013 (Figure 9). As the transmission of changes in international prices to the domestic markets is not particularly high (only 20 percent)⁴, the small fall in international wheat prices is not expected to have any meaningful impact on market prices in Yemen. Due to the monopolistic structure of the market, the few big importers and their agents are able to fix wholesale prices and strongly influence the conduct and performance of domestic markets, including prices at the retail level.

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



The overall analysis of the market information available in June 2013 indicates that food availability has continued to be normal. However, due to sharp increases in the retail price of wheat combined with falls in household purchasing power (as indicated in the changes on ToT between wages and wheat flour), the food security situation of poor households continues to remain precarious.



⁴ Source: WFP Yemen Market Study conducted in 2010 and could be accessed at the link: <http://www.wfp.org/content/yemen-market-study-december-2010>.

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

Markets	Commodity	Current Price	Price change (%)			Average Change		
			1Y	6M	1M	1Y	6M	1M
Commodity Prices (Yemeni Rials)								
Sana'a	Wheat /kg	135	4	4	13	↔	↔	↑
	Wheat flour/ kg	140	-7	0	8	↔	↔	↔
	SUGAR/kg	220	-12	0	5	↓	↔	↔
	V. OIL/ kg	450	0	7	-6	↔	↔	↔
	RICE/kg	280	-2	40	40	↔	↑	↑
	Red beans/kg	350	0	-13	0	↔	↓	↔
	White beans/kg	250	-17	0	0	↓	↔	↔
	Lentils/kg	320	-9	-16	7	↔	↓	↔
	Yellow Split peas/kg	280	0	-7	12	↔	↔	↑
	Salt/kg	80	0	7	33	↔	↔	↑
	Potato/kg	250	25	25	0	↑	↑	↔
	Tomato/kg	220	10	29	-52	↔	↑	↓
	Onion/kg	200	11	11	-20	↔	↑	↔
	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	-14	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	8	0	0	↔	↔	↔
	Wheat flour/ kg	130	-7	8	-7	↔	↔	↔
	SUGAR/kg	200	-9	0	0	↔	↔	↔
	V. OIL/ kg	390	-13	-3	-3	↓	↔	↔
	RICE/kg	200	-29	0	0	↓	↔	↔
	Red beans/kg	400	14	11	5	↑	↑	↔
	White beans/kg	250	-17	9	0	↓	↔	↔
	Lentils/kg	400	21	0	0	↑	↔	↔
	Yellow Split peas/kg	250	-4	-17	-11	↔	↓	↓
	Salt/kg	40	-33	0	-33	↓	↓	↓
	Potato/kg	100	-44	-44	-50	↓	↓	↓
	Tomato/kg	200	-9	11	-20	↔	↑	↓
	Onion/kg	150	0	0	0	↔	↔	↔
	Eggs/1egg	35	17	0	0	↑	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
DIESEL/ltr	100	0	0	0	↔	↔	↔	
Gas/bottle	1400	-7	-7	-7	↔	↔	↔	
Sheep/head	30000	-6	-14	-6	↔	↓	↔	
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	120	-14	0	20	↓	↔	↑
	Wheat flour/ kg	130	8	-7	0	↔	↔	↔
	SUGAR/kg	200	0	0	-20	↔	↔	↓
	V. OIL/ kg	400	0	-20	-5	↔	↓	↔
	RICE/kg	300	6	50	100	↔	↑	↑
	Red beans/kg	300	20	-6	0	↑	↔	↔
	White beans/kg	250	-12	0	-29	↓	↔	↓
	Lentils/kg	350	9	-13	0	↔	↑	↔
	Yellow Split peas/kg	300		3	-14	NA	↔	↓
	Salt/kg	70	83	40	40	↑	↑	↑
	Potato/kg	150	-25	-40	-40	↓	↓	↓
	Tomato/kg	200	0	54	-20	↔	↑	↓
	Onion/kg	200	11	33	100	↑	↑	↑
	Eggs/1egg	26	-13	-13	-26	↓	↓	↓
	PETROL/ltr	125	0	0	-29	↔	↔	↓
DIESEL/ltr	100	0	0	0	↔	↔	↔	
Gas/bottle	1500	-12	25	25	↓	↑	↑	
Sheep/head	25000	-24	-22	0	↓	↓	↔	
Skilled lab wage/day	5000	100	11	25	↑	↑	↑	
Casual lab wage/day	2000	0	0	0	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Sa'ada	Wheat /kg	130	26	8	18	↑	↔	↑
	Wheat flour/ kg	140	0	8	4	↔	↔	↔
	SUGAR/kg	200	0	0	-9	↔	↔	↔
	V. OIL/ kg	450	5	-10	7	↔	↔	↔
	RICE/kg	200	-17	-29	0	↓	↓	↔
	Red beans/kg	300	0	0	0	↔	↔	↔
	White beans/kg	200	13	-9	0	↑	↔	↔
	Lentils/kg	300	0	-9	0	↔	↔	↔
	Yellow Split peas/kg	0		-100	NA	↑	↓	NA
	Salt/kg	50	15	25	0	NA	↑	↔
	Potato/kg	200	0	33	0	↔	↑	↔
	Tomato/kg	200	9	82	0	↔	↑	↔
	Onion/kg	100	-14	-23	0	↓	↓	↔
	Eggs/1egg	30	6	0	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
DIESEL/ltr	100	0	0	0	↔	↔	↔	
Gas/bottle	1600	0	3	0	↔	↔	↔	
Sheep/head	45000	11	13	5	↑	↑	↔	
Skilled lab wage/day	4500	0	-18	6	↔	↓	↔	
Casual lab wage/day	2500	15	0	0	↑	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Amran	Wheat /kg	120	0	20	-3	↔	↑	↔
	Wheat flour/ kg	130	-19	3	-4	↓	↔	↔
	SUGAR/kg	200	-13	-17	-20	↓	↓	↓
	V. OIL/ kg	450	-22	-6	-5	↓	↔	↔
	RICE/kg	220	-8	-8	22	↔	↔	↑
	Red beans/kg	350	4	0	40	↔	↔	↑
	White beans/kg	250	-17	0	0	↓	↔	↔
	Lentils/kg	300	-14	0	20	↓	↔	↑
	Yellow Split peas/kg	250	0	-11	-17	↔	↓	↓
	Salt/kg	50	0	67	0	↔	↑	↔
	Potato/kg	200	33	43	-33	↑	↑	↓
	Tomato/kg	200	100	67	-33	↑	↑	↓
	Onion/kg	200	33	11	0	↑	↑	↔
	Eggs/1egg	33	10	-6	0	↔	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
DIESEL/ltr	110	0	10	0	↔	↔	↔	
Gas/bottle	1300	-13	18	0	↓	↑	↔	
Sheep/head	28000	-15	0	0	↓	↔	↔	
Skilled lab wage/day	3500	-13	0	0	↓	↔	↔	
Casual lab wage/day	2000	0	0	0	↔	↔	↔	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Hodieda	Wheat /kg	120	0	0	20	↔	↔	↑
	Wheat flour/ kg	130	44	8	8	↑	↔	↔
	SUGAR/kg	190	-10	-5	6	↔	↔	↔
	V. OIL/ kg	590	-2	23	69	↓	↑	↔
	RICE/kg	240	-14	0	33	↓	↔	↑
	Red beans/kg	400	8	14	0	↔	↑	↔
	White beans/kg	220	0	10	10	↔	↔	↔
	Lentils/kg	320	-3	7	-9	↔	↔	↔
	Yellow Split peas/kg	0	-100	-100		↓	↓	NA
	Salt/kg	40	33	-20	0	↑	↓	↔
	Potato/kg	100	-41	-33	-60	↓	↓	↓
	Tomato/kg	200	-17	67	-33	↓	↑	↓
	Onion/kg	170	31	13	-15	↑	↑	↓
	Eggs/1egg	30	25	0	0	↑	↔	↔
	PETROL/ltr	125	0	0	0	↔	↔	↔
DIESEL/ltr	100	0	0	0	↔	↔	↔	
Gas/bottle	1300	-35	-7	-13	↓	↔	↓	
Sheep/head	30000	0	-14	20	↔	↓	↑	
Skilled lab wage/day	3500	0	-13	40	↔	↓	↑	
Casual lab wage/day	1500	-50	-50	-25	↓	↓	↓	
Exchange rate/USD	215	0	0	0	↔	↔	↔	
Rem ark:	↑	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.