

## Highlights

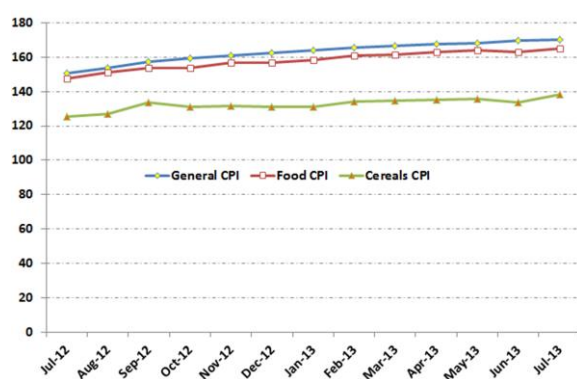
- The overall analysis of the market information in August 2013 indicates that food availability has continued to be normal. However, as a result of the reduction in purchasing power of consumers/buyers, as depicted by the deterioration of TOTs in August 2013 compared to the same month last year, the food security situation of poor households remains precarious.
- The general inflation rate of the country in July 2013 was 12.84 percent while that of food inflation was 11.83 percent. The general Consumer Price Index (CPI) during July 2013 was recorded at 170.06 while the food CPI was 164.82 and that of cereals stood at 138.14.
- Between July and August 2013, domestic wholesale prices of wheat and wheat flour declined by 8 percent and 7 percent, respectively, which may lead to a drop in retail prices in the coming months.
- In August 2013, retail prices of wheat declined by 5 percent while retail prices wheat flour rose by 5 percent reflecting increased milling costs due to rises in fuel prices.
- The supply of essential food commodities has continued to be normal in most of the monitored markets and is expected to remain unchanged during the remaining months of the year.
- The average TOT between a daily unskilled labour wage rate and retail price of wheat flour was 14Kg/day during August 2013 which was 5 percent lower than it was in July 2013. The ToT between wage labour and wheat flour were 22 percent lower in August 2013 than during the same month last year.
- The average TOT between a sheep and wheat flour was 235.3Kg/sheep during the month under reporting, unchanged since July 2013. The ToT between sheep and wheat flour in August 2013 are 12 percent lower than they were in August last year.
- The FAO Food Price Index averaged 201.8 points in August 2013, nearly 2 percent below its July value and 5 percent lower than it was in August 2012. The FAO Cereal Price Index averaged 210.9 points in August, down by 7 percent from July and 19 percent from August 2012.
- International wheat prices have fallen by 2 percent in August 2013 compared to the level in July and 14 percent lower than the price recorded during the same month last year.

### A. Inflation and Consumer Price Index (CPI)<sup>1</sup>

The general inflation rate in Yemen fell between June and July – from 14.53 percent in June to 12.84 percent in July – based on a 12 month moving average. The same trend was observed in the inflation rate for food which fell from 15.36 percent in June to 11.83 percent in July.

The general Consumer Price Index (CPI) during July 2013 was recorded at 170.06 while the food CPI was 164.82 and that of cereals stood at 138.14 (Figure 1). The general CPI was 169.52 in June 2013 while that of Food CPI during the same month was 163.11. The annual inflation rates for all of the non-staple food items fell between June and July 2013. The fall ranged from 3.4 percent for cooking oil to 38.51 percent for vegetables.

**Figure 1: Trends in Consumer Price Index**

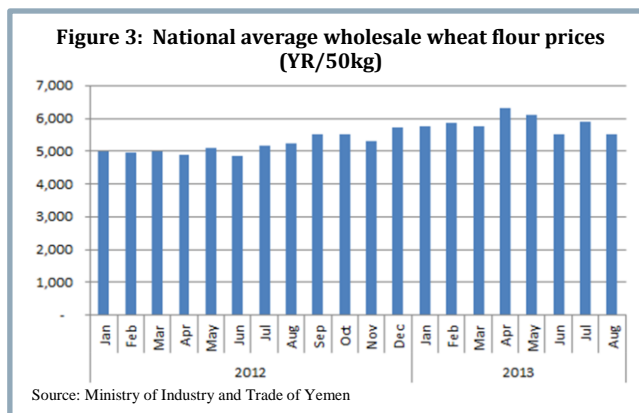
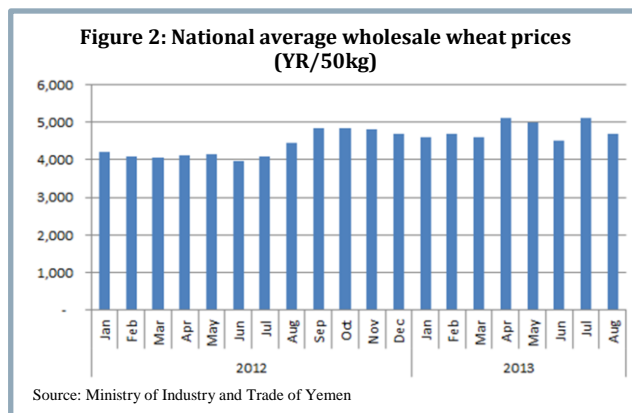


Source: Central Statistics Organization of Yemen

<sup>1</sup> 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

In August 2013, the average wholesale price of 50Kg wheat grain was 4,700YR while that of wheat flour was 5,500YR. Between July and August 2013 the domestic nominal<sup>2</sup> wholesale prices of wheat and wheat flour declined by 8 percent and 7 percent, respectively (Figure 2 and Figure 3). This notable decline in the wholesale prices of wheat and wheat flour may lead to lower retail prices in the coming months.

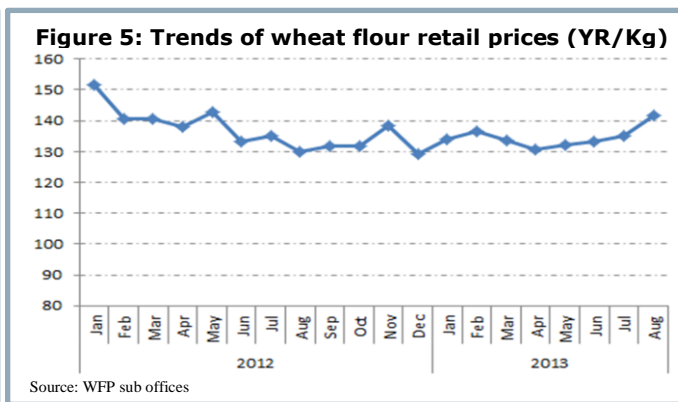
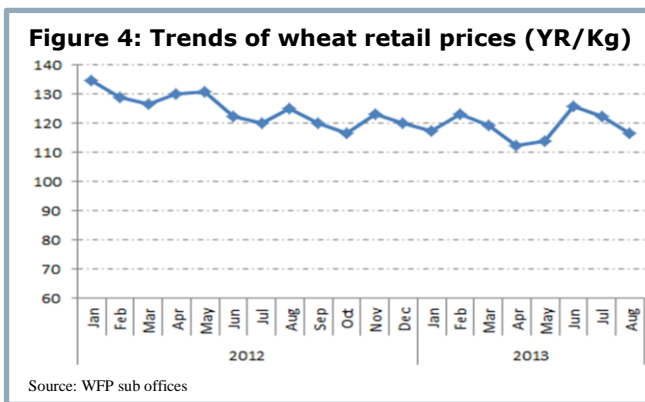


The wholesale prices of sugar and cooking oil also declined between July and August - by 5 and 10 percent respectively. Wholesale prices of all the other food commodities remained largely unchanged over the same period.

## C. Retail Prices of Wheat and Wheat Flour

In August 2013 the average nominal retail prices of wheat and wheat flour were 117YR/Kg and 142YR/Kg respectively. The average retail prices of wheat continued to decline during August (by 5 percent) while the prices of wheat flour rose by a further 5 percent (Figures 4 and 5). One of the reasons behind these opposing trends was higher milling costs which rose in response to increases in the cost of fuel.

In regional markets the retail prices of wheat in August were 110YR/Kg in Sa'ada and Hudieda and 120YR/Kg in all other markets. The highest retail prices of wheat flour were recorded in Hajja (150YR/Kg) while in all the other five markets it was 140YR/Kg. The price variations between different markets are a reflect variations in quality and their relative distance from port and transportation costs.



<sup>2</sup> **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

As anticipated in the last edition of the Market Watch, the supply of essential food commodities has continued to be normal in August 2013 in most of the monitored markets. However, as a result of localized conflicts and instability in some southern parts of the country, the flow of food commodities were disrupted which created food availability problems, mainly affecting local markets in Abyan and Al Bayda. The volume of imported wheat stocks was adequate for national consumption needs during August 2013 and the supply is expected to remain normal during the coming months.

## E. Terms of Trade (TOT)<sup>3</sup>

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 daily wage labour and/or livestock.

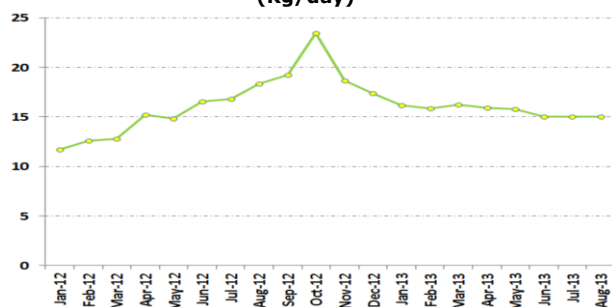
### TOT between wage labour and wheat flour

During the month under reporting, the nominal average daily wage rate was recorded at 2,028YR, unchanged from July. During August the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour was 14Kg/day during the month – a fall of 5 percent compared with July and the result of the rise in the price of wheat flour. At a regional level, the ToT remained unchanged in Sana'a, Amran and Sa'adah, but deteriorated in Aden, Amran and Hudieda. The ToT between wage labour and wheat flour were 22 percent lower in August 2013 than during the same month last year, i.e. in August 2012 the average daily wage purchased 18.3Kg of wheat flour but only 14.3Kg in August 2013 (Figure 6).

### TOT between sheep and wheat flour

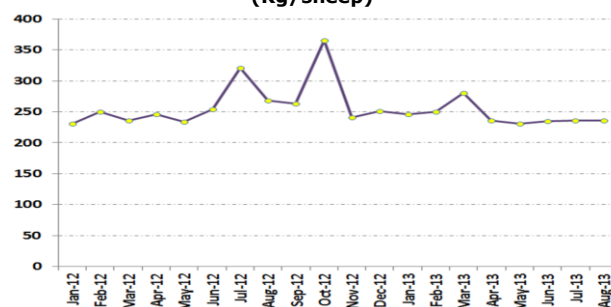
In August 2013, the average price of a two-year old male sheep was 33,333YR – an increase of 5 percent compared with that reported during the previous month. Prices of a sheep ranged from 25,000YR in Aden to 50,000YR in Sa'ada market. The average TOT between a sheep and wheat flour was 235.3Kg/sheep during the month under reporting – essentially unchanged compared with July. Households which derive some of their income from the sale of sheep were able to purchase similar amount of wheat flour in August as they did in July. The highest TOT during the month were recorded in Sa'ada (357Kg/Sheep) while the lowest were observed in Sana'a and Hudieda (214Kg/Sheep). Apart from peaks in July and October 2012 the ToT between sheep and wheat flour have remained fairly constant since January 2012. They are nevertheless, 12.3 per cent lower than they were in August last year, i.e. one sheep purchased 268.4Kg of wheat flour in August 2012 but only 235.3Kg in August 2013 (Figure 7).

**Figure 6: TOT b/n wage rate and wheat flour (Kg/day)**



Source: WFP Sub Offices

**Figure 7: TOT between sheep and wheat flour (Kg/sheep)**



Source: WFP Sub Offices

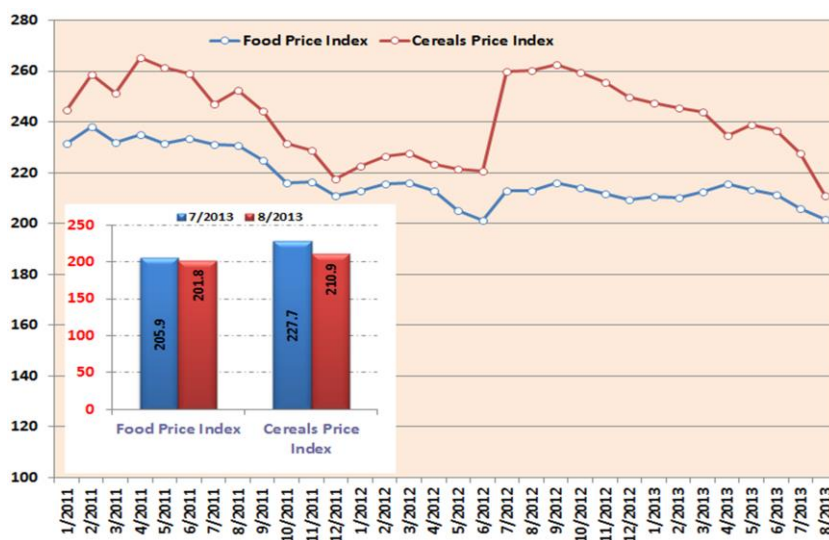
<sup>3</sup> The **terms of trade (TOT)** is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for **purchasing power**. 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 201.8 points in August 2013, nearly 4 points (1.9 percent) below its July value and 11 points (or 5.1 percent) lower than in August 2012 (Figure 8). The decline, which has persisted since May 2013, was driven by continued falls in the international prices of cereals and oils, though dairy, meat and sugar prices rose slightly.

The FAO Cereal Price Index averaged 210.9 points in August, down 16.4 points (7.2 percent) from July and 49.4 points (or 19 percent) from August 2012 (Figure 8). This steep decline follows an already sizeable drop in July and is consistent with expectations for strong growth in world cereal production this year and, especially, a sharp recovery in maize supplies. While prices of wheat and rice were down by 2 percent, the fall in maize prices was 14 percent.

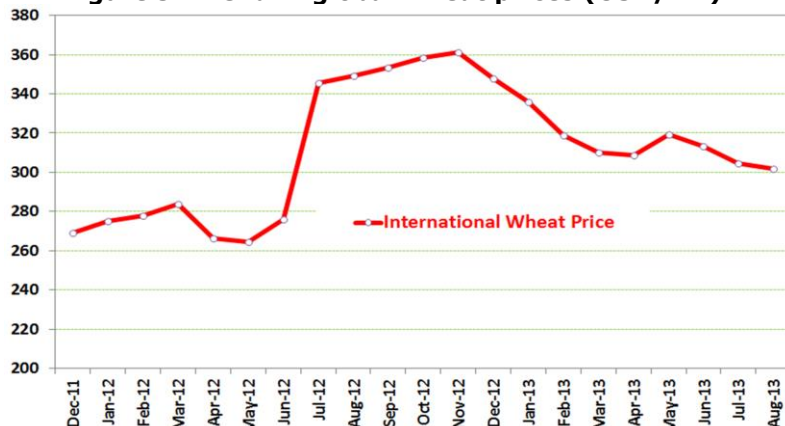
**Figure 8: Trends of food and cereals price indices**



Data Source: <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>

International wheat prices declined by 2 percent in August 2013 compared to the level in July and much lower than the price recorded during the same month last year – down by 14 percent (Figure 9). As the transmission of international prices to the domestic markets in Yemen is not particularly high (only 20 percent)<sup>4</sup>, the small decline in the international wheat prices is not expected to bring any major changes to domestic prices. Due to the rigidity of the market structure and monopolistic nature of the market behaviour, wholesale and retail prices of wheat in Yemen are largely determined by the big importers and their agents.

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



Data Source: <http://www.indexmundi.com/commodities/?commodity=wheat>

The overall analysis of the market information in August 2013 indicates that food availability has continued to be normal. However, as a result of the reduction in purchasing power of consumers/buyers, as depicted by the deterioration of TOTs in August 2013 compared to the same month last year, the food security situation of poor households remains precarious.



<sup>4</sup> 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 - August 2013

Report 1: Market Watch on Main Commodities Across Markets August 2023									
Markets	Commodity	Current Price	Price change (%)			Average Change			
			1Y	6M	1M	1Y	6M	1M	
Commodity Prices (Yemeni Rials)									
Sana'a	Wheat /kg	120	-8	-11	-11	↔	↓	↓	
	Wheat flour/ kg	140	8	0	0	↔	↔	↔	
	SUGAR/kg	220	-4	-12	0	↔	↓	↔	
	V. OIL/ kg	450	-4	-8	0	↔	↔	↔	
	RICE/kg	250	39	0	-11	↑	↔	↓	
	Red beans/kg	350	-8	0	0	↔	↔	↔	
	White beans/kg	250	0	-17	0	↔	↓	↔	
	Lentils/kg	320	7	0	0	↔	↔	↔	
	Yellow Split peas/kg	280	-57	-7	0	↓	↓	↔	
	Salt/kg	50	-38	-50	-38	↓	↓	↓	
	Potato/kg	250	25	0	0	↑	↔	↔	
	Tomato/kg	250	67	-11	14	↑	↓	↑	
	Onion/kg	150	-25	-25	-25	↓	↓	↓	
	Eggs/1egg	35	17	0	0	↑	↔	↔	
	PETROL/ltr	125	0	0	0	↔	↔	↔	
	DIESEL/ltr	100	0	0	0	↔	↔	↔	
	Gas/bottle	1500	-12	0	0	↓	↔	↔	
Sheep/head	30000	-19	0	0	↓	↔	↔		
Skilled lab wage/day	4500	0	0	0	↔	↔	↔		
Casual lab wage/day	2000	-20	0	0	↓	↔	↔		
Exchange rate/USD	215	0	0	0	↔	↔	↔		
Aden	Wheat /kg	120	0	-11	-8	↔	↓	↔	
	Wheat flour/ kg	140	17	0	17	↑	↔	↑	
	SUGAR/kg	200	-29	-13	0	↓	↓	↔	
	V. OIL/ kg	400	-18	-20	0	↓	↓	↔	
	RICE/kg	220	-45	-27	10	↓	↓	↔	
	Red beans/kg	380	0	15	-5	↔	↑	↔	
	White beans/kg	250	0	-17	0	↔	↓	↔	
	Lentils/kg	350	0	17	-13	↔	↑	↓	
	Yellow Split peas/kg	250	-17	0	NA	↓	↓	↔	
	Salt/kg	50	0	-50	0	↔	↓	↔	
	Potato/kg	200	33	-33	67	↑	↓	↑	
	Tomato/kg	300	100	-6	-14	↑	↔	↓	
	Onion/kg	120	-60	-52	0	↓	↓	↔	
	Eggs/1egg	35	17	17	0	↑	↑	↔	
	PETROL/ltr	125	0	0	0	↔	↔	↔	
	DIESEL/ltr	100	0	0	0	↔	↔	↔	
	Gas/bottle	1500	0	0	0	↔	↔	↔	
Sheep/head	25000	-17	-38	0	↓	↓	↔		
Skilled lab wage/day	4000	-11	-20	0	↓	↓	↔		
Casual lab wage/day	2000	0	0	0	↔	↔	↔		
Exchange rate/USD	215	0	0	0	↔	↔	↔		
Hajja	Wheat /kg	120	0	0	0	↔	↔	↔	
	Wheat flour/ kg	150	15	7	0	↑	↔	↔	
	SUGAR/kg	220	-12	0	10	↓	↔	↔	
	V. OIL/ kg	400	100	-23	0	↑	↓	↔	
	RICE/kg	250	-17	0	-17	↓	↓	↓	
	Red beans/kg	320	-36	0	7	↓	↔	↔	
	White beans/kg	280	12	-7	-7	↑	↔	↔	
	Lentils/kg	350	-13	6	0	↓	↔	↔	
	Yellow Split peas/kg	300	0	-25	NA	↔	↓	↔	
	Salt/kg	70	40	-13	0	↑	↓	↔	
	Potato/kg	200	0	0	-20	↔	↔	↓	
	Tomato/kg	250	25	-17	25	↑	↓	↑	
	Onion/kg	150	-40	-25	-25	↓	↓	↓	
	Eggs/1egg	30	0	0	0	↔	↔	↔	
	PETROL/ltr	125	0	0	0	↔	↔	↔	
	DIESEL/ltr	100	-90	0	0	↓	↔	↔	
	Gas/bottle	1500	0	25	0	↔	↑	↔	
Sheep/head	30000	0	-6	0	↔	↔	↔		
Skilled lab wage/day	5000	-29	11	0	↓	↑	↔		
Casual lab wage/day	2000	-50	0	0	↓	↔	↔		
Exchange rate/USD	215	0	0	0	↔	↔	↔		
Amran	Wheat /kg	120	-14	9	20	↓	↔	↑	
	Wheat flour/ kg	140	-7	4	8	↔	↔	↔	
	SUGAR/kg	220	-27	-8	-12	↓	↓	↓	
	V. OIL/ kg	450	-25	-8	-5	↓	↔	↔	
	RICE/kg	230	-8	-6	28	↔	↔	↑	
	Red beans/kg	300	-12	-6	20	↓	↔	↑	
	White beans/kg	250	-29	-17	0	↓	↓	↔	
	Lentils/kg	300	30	0	20	↑	↔	↑	
	Yellow Split peas/kg	300	20	0	0	↑	↔	↔	
	Salt/kg	50	0	-38	0	↔	↓	↔	
	Potato/kg	200	33	0	0	↑	↔	↔	
	Tomato/kg	250	108	14	0	↑	↑	↔	
	Onion/kg	150	-25	-25	-25	↓	↓	↓	
	Eggs/1egg	30	20	-9	0	↑	↔	↔	
	PETROL/ltr	125	0	0	0	↔	↔	↔	
	DIESEL/ltr	100	-17	-9	0	↓	↔	↔	
	Gas/bottle	1200	-20	-20	0	↓	↓	↔	
Sheep/head	35000	-5	0	7	↔	↔	↔		
Skilled lab wage/day	4500	13	0	0	↑	↔	↔		
Casual lab wage/day	2167	8	-13	0	↔	↓	↔		
Exchange rate/USD	215	0	0	0	↔	↔	↔		
Hodieda	Wheat /kg	110	-8	0	-8	↔	↔	↔	
	Wheat flour/ kg	140	17	12	8	↑	↑	↔	
	SUGAR/kg	200	-20	-9	5	↓	↔	↔	
	V. OIL/ kg	450	-10	-8	-24	↔	↔	↓	
	RICE/kg	220	-21	-21	-8	↓	↓	↔	
	Red beans/kg	350	-5	6	-13	↔	↔	↓	
	White beans/kg	250	14	-11	14	↑	↓	↑	
	Lentils/kg	320	-3	7	0	↔	↔	↔	
	Yellow Split peas/kg	250	-17	0	NA	↓	↓	↔	
	Salt/kg	50	0	-38	25	↔	↓	↑	
	Potato/kg	200	33	-9	100	↑	↔	↑	
	Tomato/kg	250	25	0	25	↑	↔	↑	
	Onion/kg	150	-17	-25	-12	↓	↓	↓	
	Eggs/1egg	30	0	-14	0	↔	↓	↔	
	PETROL/ltr	125	0	0	0	↔	↔	↔	
	DIESEL/ltr	100	0	0	0	↔	↔	↔	
	Gas/bottle	1300	-13	-7	0	↓	↔	↔	
Sheep/head	30000	-9	0	0	↔	↔	↔		
Skilled lab wage/day	5000	43	43	0	↑	↑	↔		
Casual lab wage/day	1500	-50	-40	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.