

ETHIOPIA MONTHLY MARKET WATCH April 2014

Highlights

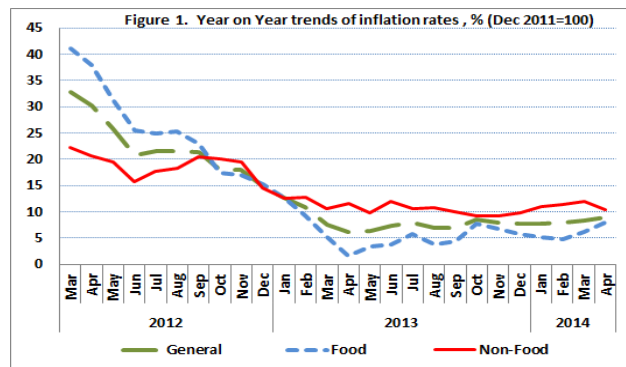
- Compared to April 2013, country level general inflation rate increased by 9.1%; food inflation by 8% and non-food by 10.3%. Of the food index components, higher increase in indices were observed on: meat (12%), vegetables and pulses, potatoes and tubers (14.1%) and Non-Alcoholic beverages and coffee by (16.6%).
- The import parity price of maize at Addis Ababa was 51% higher than local wholesale whilst wheat price stood 19% below the local price. Compared to March 2014, the import parity prices of maize (Durban) increased slightly (2%) and remained the same for wheat (Black sea).
- The nominal wholesale prices of staple cereals rose at varied levels both at the sources and distribution center markets. The level of increases reached the maximum of 16% for maize at Shashemene and for wheat 22% at Bale Robe. Comparatively, the increase of prices on *teff* and sorghum were lower.
- The prices of locally produced and imported cereals showed increased trends in April against the preceding month. These trend of prices could stretch the incomes of poor and very poor households' who devote higher proportion of their income to food expenditure.

The Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) is used to detect abnormally high food prices. The indicator is constructed as the gap between observed prices and their long-term seasonal trend. The tool measures how far the observed prices depart from the seasonal price trends. A price alert is generated when the observed price is above the seasonal price. Thresholds are defined to characterize the situation on a given market: normal - stress - alert - crisis. Food price crises are correlated with food security crises. Early detection of rising prices supports decision making and early action. Alerts are calculated using the latest available price data for selected markets and commodities. WFP HQ puts online access of the ALPS and, to access it please click here <http://foodprices.vam.wfp.org/ALPS-at-a-glance.aspx>

Inflation and Consumer Price Index

Compared to April 2013, country level general inflation rate increased by 9.1%; food inflation by 8% and non-food by 10.3%. During the month, most of the components of food index showed increase: bread and cereals (2.5%), meat (12%), milk, cheese and eggs (5.8%), oils and fats (5.8%), fruits (1.6%), vegetables and pulses, potatoes and tubers(14.1%), sugar, jam, honey, and chocolate (0.4%), other food products(7.6%) and Non-Alcoholic beverages and coffee by (16.6%).



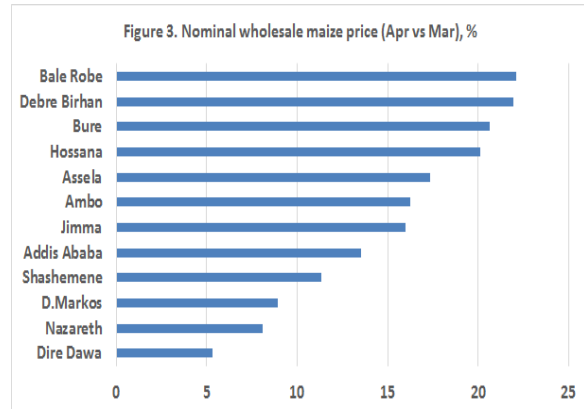
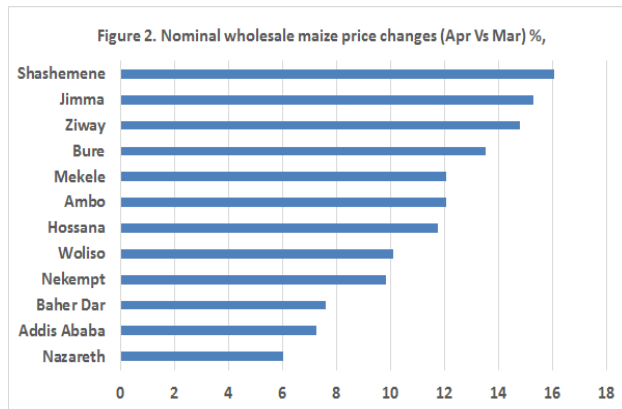
Source: Central Statistics Agency

Major Cereal Import Parity and Local Prices

Import parity price shows the cost of importing a food commodity of interest from international market to specific location. In this regard, the import parity price of maize at Addis Ababa was 51% higher than local wholesale whilst wheat price stood 19% below the local price. Compared to March 2014, the import parity prices of maize (Durban) increased slightly (2%) and remained the same for wheat (Black sea). The import parity price of maize was well above its level of long term average and 12 months earlier; whilst the revers observed for wheat, lower than the long term and last year the same month. The import parity price of maize at Addis Ababa stood at US \$ 534/mt and at US \$401/mt for wheat.

Wholesale Prices of Staple Cereal in Large Urban Markets

Generally, the prices of cereal in the market start to increase slightly in the month of April and keep rising through the lean season (May – September). It is the beginning of the season where local level supply diminishes and grain traders begin to source demanded cereals from major urban centers and also directly from original sources, main surplus production area markets. In reference markets, nominal wholesale prices of staple cereals (maize, wheat, sorghum, *teff*, barley) rose at different levels both at the sources and distribution center markets. The level of increase in the month reached the maximum of 16% for maize at Shashemene and for wheat 22% at Bale Robe. Comparatively, the increase of prices on *teff* and sorghum were lower as compared to the two cereals, maize and wheat. The relative cheaper price levels of maize and its substitutability might be one of the reason for increased demand and prices of the product. In April, nominal price of cereals increased as compared to a month earlier; 4% to 16% for maize, 5% to 22% for local wheat and showed mixed trends for *teff* and sorghum within 5% changes (see Table 1). The increase in prices at wholesale markets have an immediate effect of price transmission at retail levels and hence the poor and very poor market dependent households are the primary affected groups of the households. The below two figures shows the percent changes of maize and local wheat prices in



different markets.

Source: EGTE

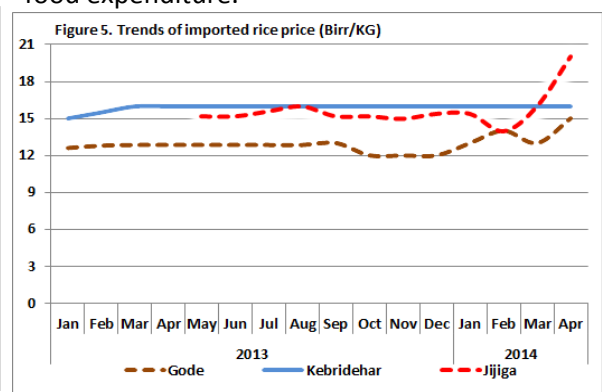
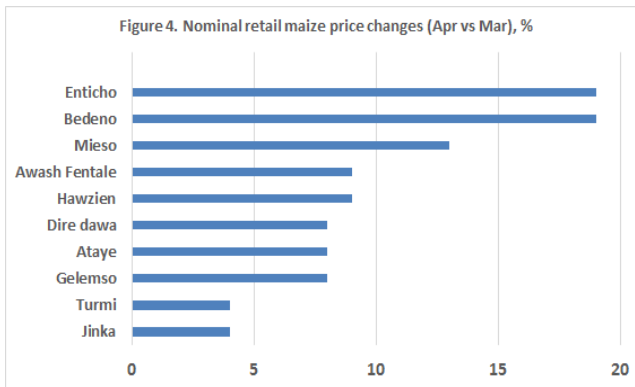
Retail Prices of Staple Cereals in District Markets

In many district markets, retail prices of maize, wheat, sorghum and barley showed mixed trends as compared to previous month. In most markets, the increasing trends of prices were observed for maize and local wheat grain. In the case of sorghum and barley, the magnitude of prices increase in monitored district markets were not exceeding 10%. Though increased prices of cereals observed in many markets, the retail price of barley decreased (2% -15%) in more than half of monitored woreda

markets of Amhara and Tigray regions. In Somali region monitored markets (Gode, Jijiga and Kebridehar), the prices of maize and sorghum remained the same to last month level; however, the current prices were extremely elevated in these markets. The price of maize stood at Birr 10/kg at Jijiga and Gode while Birr 12/kg at Kebridehar. Similarly, the price of sorghum per kg varies between Birr 10-14 in these Somali region markets. In Afar region, the prices of cereals, maize and sorghum, remained stable owing to the on-going Productive Safety Net Programme (PSNP) food distribution that has immediate effect in stabilizing market through reducing effective demand of the programme beneficiaries. Furthermore, the distribution of PSNP food has contribution to improve markets supply as some beneficiary households' exchange portion of their entitlement to meet other food and non-food needs.

Of the imported food items, rice, pasta and sugar are widely consumed by households in Somali region. The prices of these commodities were almost remained the same and stable for many months owing to the proximity of these markets to Somalia (Barbara Port) and the privileges of the region to import on duty-free basis for distribution within the targeted woredas. In April, the prices of rice increased by 15% and 25%, sugar prices by 14% and 11% respectively at Jijiga and Kebridehar. Surprisingly, the prices of imported pasta and wheat flour remained the same in these markets and also at Gode including sugar and rice. Of the reasons for such abrupt prices increase, low volume supply of these two commodities compared to the usual amount and also the increased demand for rice (better off households that emanated from higher local cereals) were found to be the primary factors; otherwise the changes could have happened to all imported items and across all markets.

Generally, the prevailing prices of locally produced and imported cereals and cereal products showed increased trends in April against the preceding month. These trend of prices could stretch the incomes of poor and very poor households' who devote higher proportion of their income to food expenditure.



Source WFP

Supply to Markets

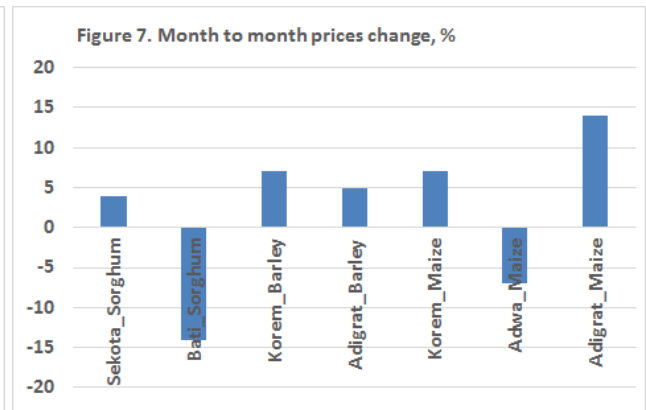
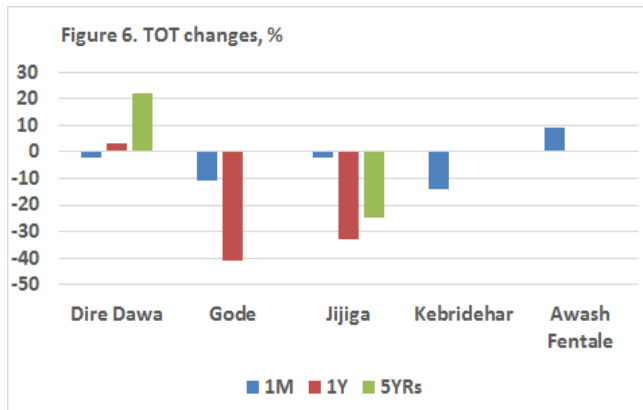
Normally, most of district level markets are supplied from localized production for few months next to harvest. As the localized level supply to markets became exhausted, grain traders' bring preferred cereals to markets from major urban centers and this was the case happened in many of monitored markets. The exhaustion of market supply from local areas lead to stretched market supply in many monitored markets. Considering the limited availability of cereals in the markets of Gode zone, the restriction on humanitarian food aid movement across woredas of Gode zone was relaxed as long as huge volume is not exchanged. On the other hand, the supply of imported food items (rice and

sugar) was found lower in Somali region markets in particular at Kebridehar and the surrounding area markets. The limited supply of imported food items might be explained by tight border control over the informal trade from neighboring Somalia.

Terms of Trade (TOT)

TOT for shoat to cereal: prices of average shoat in monitored markets of pastoral regions (Afar and Somali) and Dire Dawa showed mixed trends. Gulf countries are the main importers of livestock from Somali region and in the month of April the demand was low. As a result, the prices of shoat decreased by 14% and 11% respectively at Kebridehar and Gode markets as compared to previous month. At Jijiga, the prices of shoat decreased but at lower rate, 2%. Dire Dawa market showed prices increase of 6% mainly factored to Ethiopian Easter Holiday held in the month. The increased prices of cereals and decreased prices of shoat lead to the deteriorated terms of trade that directly impact the purchasing power of pastoralist who depend on their livestock as their main sources of income. Except at Awash market of Afar region where TOT increased by 9%, other markets showed declined TOT as compared to March 2014. The current TOT stood far below the 12 months earlier and long term average at Gode and Jijiga markets (see Figure 6 and Table 1).

TOT for wage labour to cereal: similar to the preceding month of March, the daily unskilled wages remained stable across monitored markets. The last two to three months were slack season in *meher*, main agriculture season, dependent areas where agricultural activities were not carried out extensively and hence less demand for daily laborer. Of 52 markets where wages rate were collected, only seven (13%) markets showed wages rate changes whilst in others it remained the same to March 2014 level. Given the stable wages rate and increased cereal prices, the terms of trade put unskilled labor wages dependent households in disadvantaged positions. Figure 7 shows the month to month price changes of TOT between daily wages and cereals.



Source: WFP

Table 1. Market Watch on Main Food Commodities in Selected Monitored Markets								1. Current Retail Price										
Major Markets	Major Comm	Current Price	Prices change (%)						Region	Market	Items	Current Price (ETB/100kg)	Prices change (%)					
			5Y	1Y	1M	5Y	1Y	1M					5Y	1Y	1M	5Y	1Y	1M
1. Local Wholesale and Import Parity Price (USD/MT)								Oromia										
Addis Ababa	Maize	353	14	-1	16	▶	▶	▶	Babile	Maize	610	49	0	5	▶	▶	▶	
	Wheat	494	13	24	15	▶	▶	▶	Bedeno	Sorghum	790	14	1	13	▶	▶	▶	
	Sorghum	494	-1	-9	-1	▶	▶	▶		Maize	750	59	11	19	▶	▶	▶	
	Teff white	655	27	-11	0	▶	▶	▶	Bedessa	Maize	550	26	-5	-1	▶	▶	▶	
	Teff mixed	612	35	-9	1	▶	▶	▶	Deder	Maize	600	37	-4	0	▶	▶	▶	
	Teff red	497	33	-7	1	▶	▶	▶	Mieso	Maize	630			13			▶	
Nazrath	Maize	282	-4	-8	-3	▶	▶	▶	Yabelo	Maize	650	48	0	0	▶	▶	▶	
	Wheat	434	0	3	-1	▶	▶	▶	Delo	Maize	650	48	9	8	▶	▶	▶	
	Sorghum								Merti	Sorghum	600	40	-20	9	▶	▶	▶	
	Teff white	750	44	-5	-1	▶	▶	▶		Maize	500	41	0	0	▶	▶	▶	
	Teff mixed	638	44	-8	-6	▶	▶	▶	Amhara									
	Teff red	536	44	-5	-8	▶	▶	▶	Ataye	Maize	700			8			▶	
Dire Dawa	Teff white	734	39	-4	-2	▶	▶	▶	Ajebar	Wheat	936	77	0	4	▶	▶	▶	
	Teff mixed	668	50	-4	0	▶	▶	▶	Sekota	Sorghum	770	46	-4	0	▶	▶	▶	
	Teff red	601	54	4	3	▶	▶	▶	Mekoy	Maize	600			9			▶	
Mekelle	Teff white	754		-4	3		▶	▶	Bati	Maize	600	60	6	0	▶	▶	▶	
	Teff mixed	562		-15	-3		▶	▶	Tigray									
	Teff red	491		-13	0		▶	▶	Korem	Barley	750		-9	-1		▶	▶	
Import Parity Price	Maize	534	11	25	2	▶	▶	▶	Hawzien	Barley	700		2	0		▶	▶	
	Wheat	401	-11	4	0	▶	▶	▶	Wukro	Wheat	740	37		0	▶	▶	▶	
2. Wholesale Price (BIRR/100KG)								SNNPR										
Addis Ababa	Maize	517	58	4	7	▶	▶	▶	Karati	Sorghum	700	57	40	1	▶	▶	▶	
	Wheat	888	70	29	14	▶	▶	▶		Turmi	Sorghum	530	33	-10	1	▶	▶	▶
	Sorghum	870	61	1	-1	▶	▶	▶		Turmi	Maize	540	-4	-4	4	▶	▶	▶
Ambo	Maize	493	61	5	12	▶	▶	▶		Esenso	Maize	530	42	13	0	▶	▶	▶
	Wheat	830	86	37	16	▶	▶	▶		W.Sodo	Maize	530	30	-6	0	▶	▶	▶
Gonder	Maize	584	70	6	4	▶	▶	▶	Afar									
Ziway	Maize	520		-8	15		▶	▶	Awash	Maize	600		0	9			▶	
Dire Dawa	Wheat	890	75	13	5	▶	▶	▶	Somali									
Jimma	Maize	505	60	16	15	▶	▶	▶	Jijiga	Sorghum	1000	126	41	0	▶	▶	▶	
Nekempt	Maize	470		6	10		▶	▶		Maize	1000	111	41	0	▶	▶	▶	
Mekele	Maize	595	66	3	12	▶	▶	▶	Gode	Sorghum	1400	212	75	0	▶	▶	▶	
	Wheat	758	36	-11	1	▶	▶	▶	Kebridehar	Maize	1200			0			▶	
	Sorghum	818	67	1	-2	▶	▶	▶	2. Milk (Birr/Litre)									
Nazareth	Maize	528	62	7	6	▶	▶	▶		Gode	Milk	20		0	0		▶	
	Wheat	843	73	22	8	▶	▶	▶		Jijiga		20		0	0		▶	
Shashemene	Maize	535	65	5	16	▶	▶	▶		Kebridehar		37		23			▶	
	Wheat	846	79	32	11	▶	▶	▶	3. Livestock (BIRR/Shoat)									
Bale Robe	Wheat	828	83	37	22	▶	▶	▶	Somali	Kebridehar	Shoat	625		-14		▶	▶	
Bure	Maize	521		6	14		▶	▶		Gode	Shoat	850	58	-22	-11	▶	▶	
	Wheat	783		29	21		▶	▶	Afar	Assaita	Shoat	1725		116	0		▶	
Hossana	Maize	590	72	8	12	▶	▶	▶	4. Terms of Trade Number of Quintal per Shoat									
	Wheat	895	87	37	20	▶	▶	▶	Kebridehar	maize/shoat		0.52		-14			▶	
Baher Dar	Maize	538	73	0	8	▶	▶	▶		sorghum/shoat		0.52		-14			▶	
Assela	Wheat	860	87	33	17	▶	▶	▶	Gode	maize/shoat		0.85	0	-41	-11	▶	▶	
										sorghum/shoat		0.61	-37	-55	-11	▶	▶	
										Assaita	maize/shoat		2.65		82	0	▶	
Remark:								5. Unskilled casual labour wage per day (BIRR/Day)										
▶			Price increases above normal price fluctuation						Amhara	Debarik				35		0	0	▶
▶			Normal Price Fluctuation						Oromia	Bedessa				50			0	▶
▶			Price decreases below normal price fluctuation						Tigray	Adwa				60		0	0	▶
Exchange rate applied								6. Terms of Trade: kgs of grain per unskilled wage										
19.36								Korem	sorghum/wage		5.63		-41	6		▶	▶	
Price fluctuation is considered normal if the price change is within 5% for 1 month; within 15% for 1 year; within 20% for 4 or 5 years average								Sekota	sorghum/wage		6.50		12	4		▶	▶	
IM=Compared to March 2014								Bati	sorghum/wage		8.57		33	-14		▶	▶	
1Y=Compared to April 2013																		
5Y=Compared to 5 years monthly average																		