ETHIOPIA MONTHLY MARKET WATCH
May 2014

Highlights

- In May 2014, year-to-year general inflation rate increased by 8.7%; food inflation by 6.3% and non-food by 11.43%. Bread and cereals index increased by (4%), meat (7.5%), milk, cheese and eggs (10.4%), vegetables and pulses, potatoes and tubers (5.7%), other food products (9.7%) and non-alcoholic beverages and coffee by (18.7%).

- The import parity price of maize (Durban) at Addis Ababa was 54% higher than local wholesale whilst wheat (Black Sea) price stood 11% below the local. The price of wheat at the reference international market rose in May as compared to April and the difference with local becomes converging.

- The nominal wholesale prices of staple cereals remained stable within 5% changes as compared to previous month including Addis Ababa market that has price setting role across bigger markets. Compared to long term average, the prices of maize, wheat, teff, and sorghum in the month stood far higher (over 50%) in monitored markets.

- Market prices of shoat in monitored markets decreased, thus, low demand against normal supply in market further pressed the terms of trade in the wake of soaring food prices in the Somali region. This has negative implication for the pastoralists who depend on the sale of their livestock to purchase staple food.

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

In May 2014, the year-on-year general inflation rate increased by 8.7%; food inflation by 6.3% and non-food by 11.43%. In the month, the components of food index showed increase: bread and cereals (4%), meat (7.5%), milk, cheese and eggs (10.4%), oils and fats (3.4%), fruits (1.6%), vegetables and pulses, potatoes and tubers (5.7%), sugar, jam, honey, and chocolate (2.3%), other food products(9.7%) and Non-Alcoholic beverages and coffee by (18.7%).

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. The import parity price of maize (Durban) at Addis Ababa was 54% higher than local wholesale whilst wheat (Black Sea) price stood 11% below the local price. The price of wheat at the reference international market rose in May as compared to April and the difference becomes converging. The import parity price of maize and wheat stood above its long term average and 12 months earlier. The import parity price of maize at Addis Ababa stood at US $ 492/mt and at US $446/mt for wheat.

Wholesale Prices of Staple Cereal in Large Urban Markets

The nominal wholesale prices of staple cereals (maize, wheat and sorghum) showed increased behavior in April 2014 against preceding month. The trend didn’t keep continue; rather it remained stable at elevated level with mixed trends of less than 5%; exceptions were at markets of Mekele, Nazareth, Shashemene and Debre Markos for wheat, and at Mekele and Shashemene for maize (see Figure 1 and 2). Compared to long term average, the prices of maize, wheat, teff, and sorghum in the month stood far higher (over 50%) in most of monitored markets (see Table 1). The prices of staple at Addis Ababa market remained the same to earlier month; this market plays significant role in price setting at supply markets. The stability of prices at wholesale have an immediate effect of price transmission at retail levels and hence the poor and very poor market dependent households are the most to benefit from such stability, otherwise could have been affected the most.

Retail Prices of Staple Cereals in District Markets

The retail prices of staples in monitored district markets showed mixed trends but dominated by stable prices. In market where prices increased, the level of increase varies per items; maize price increased by 7% to 28%; wheat by 6% to 17%, sorghum 8% to 21% and barley by 5% to 22%. East and West Hararghe, South Wello, North Gonder and Wag Hemra monitored markets are areas where increased prices were observed during the month. In most markets, the increasing trends of prices were observed for maize and local wheat grain. The stability of cereal prices in Afar was factored to the on-going PSNP food distribution that reduced the market demand of programme beneficiaries. The per KG retail price of staple cereals varies widely; maize prices ranges Birr 5.5 to Birr 8.50 in Tigray and Oromia, Birr 10 to 12.50 in Somali, Birr 5.70 to 6.80 in Amhara and Birr 5.00 to 6.50 in SNNP (see Table 1). In May, retail price of sorghum was the highest in Somali region markets and ranges from Birr 10 at Jijiga to Birr 16 at Warder; however, at Dolo Ado market it was the lowest, Birr 6/kg. Though prices are stable, the prevailing level of prices were high and elevated that compromise the purchasing power of low income households. Households who spend the highest...
proportion of income on staple food commodities are the most affected group in terms of their food security status.

The imported food commodities (rice, wheat flour, pasta and sugar) are consumed more in Somali region. These commodities are imported through formal and informal routes. The observed prices in April remained the same in May too in monitored markets of Somali and Afar regions. In Somali region markets, per kg price of imported rice ranges Birr 15 to Birr 20; sugar Birr 15- Birr 21; pasta Birr 21-25.

Supply to Markets

In many of monitored markets, the supply of staple cereals were found normal except few areas where price increases reported in the previous section of the report. In areas food assistance distribution carried out (PSNP in Afar), the market demand of the beneficiaries was low that contributed to normal availability of staples. In preparation of meher agricultural season, farmers’ sale food stocks which has contribution to the prevailed supply situation. On the other hand, imported food commodities in parts of the Somali region were available at normal conditions.

Terms of Trade (TOT)

TOT for shoot to cereal: market prices of shoot in monitored markets decreased, thus, low demand against normal supply in market further pressed the terms of trade in the wake of soaring food prices in the Somali region. This has negative implication for the pastoralists who depend on sale of their livestock to purchase staple foods. Though livestock supply at Gode market was normal, traders were not buying as usual due to lack of pasture along the trade routes leading to export outlets coupled with low demand from importing Arab countries. The price of shoot decreased by 8% at Jijiga and Dire Dawa, and by 12% at Gode market. In Afar, prices of shoot remained the same to previous month, except at Worser where decreased by 7%. Compared to long term average, May 2013 and last month, TOT between shoot and maize deteriorated at Gode and Jijiga market (see Figure 6). Compared to a year earlier, the terms of trade decreased within 4% to 14% in monitored markets of Somali, Afar and Dire Dawa.

TOT for wage labour to cereal: daily unskilled wages remained stable across monitored markets. The month of May is the time of the year whereby agricultural activities of the meher season started or on-going. In parts of SNNPR and Tigray where the demand for agricultural labor was high, wage rates has improved in May 2014. Owing to stable prices of staple cereals and wage rates in most of monitored woredas, the TOT remained the same to last month level. The daily wage rates varies between Birr 45-90 in Tigray, Birr 35-70 in Amhara, Birr 40-70 in East and West Hararghe of Oromia,
Birr 45-60 in Afar and Birr 30-50 in SNNP monitored markets. Figure 7 shows trends of TOT in selected markets of Amhara and Tigray regions.

Source: WFP
## Table 1: Market Watch on Main Food Commodities in Selected Monitored Markets

<table>
<thead>
<tr>
<th>Major Markets</th>
<th>Major Commodities</th>
<th>Current Price</th>
<th>5Y</th>
<th>1Y</th>
<th>1M</th>
<th>5Y</th>
<th>1Y</th>
<th>1M</th>
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<td>Addis Ababa</td>
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<td>Teff white</td>
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</table>

### 2. Wholesale Price (SBD/
\[\text{Commodity Price}\] = \[\text{Retail Price}\] 

### 3. Livestock (BIRR/Shout)

### 4. Terms of Trade: Number of Quintal per Shout

### 5. Unskilled casual labour wage per day (BIRR/Day)

### 6. Terms of Trade: Base of grain per unskilled wage

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**Notes:**

- **Normal Price Fluctuation:**
  - Price decreases below normal price fluctuation

- **Exchange rate:** 19.43

**Price fluctuation is considered normal if the price change is within 5% for 1 month, within 15% for 1 year, within 50% for 4 or 5 years average**

**Both compared to April 2014**

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