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


INFLATION AND CONSUMER PRICE INDEX

According to the Central Statistical Agency of Ethiopia, the overall inflation rate in October 2014 increased by 5.4% compared to October 2013. The food part of the inflation increased by 2.9% while the non-food inflation increased by 8.3%. The bread and cereals index declined by 7.6% which will improve access to these staple items; but the index for other key food items has increased: meat 4.9%, milk, cheese and eggs 10.8%, oil and fats 14%, vegetables and pulses 4.5%.

Highlights

- The year-on-year general inflation based on comparison of current and last year similar months, increased by 5.4 per cent in October 2014 compared to October 2013. This shows the current situation of inflation. Of this 5.4 percent increase, 2.9% is accounted by increase in food inflation and 8.3% by increase in non-food inflation. The increase in the food component of the consumer price index is mainly due to increase in the indices of oil and fats (14 %) milk, cheese and eggs (10.8%), non-alcoholic beverages and coffee (28.1%). On the other hand, the bread and cereals index decreased by 7.6% compared to October 2013.

- Normal to above normal grain production is expected at national level from the Meher season (October to December harvest period). This will improve food security in most parts of the country.

- In October, the import parity price of wheat at Nazareth, a central warehouse area, was lower than local wholesale price by about 43%.

- The wholesale price of maize in Addis Ababa, are lower than that of last year and also close to normal or the five year average.
As can be seen from figure 1, the high inflation in 2012 has come down continually, though as we will see later, real prices of grains are still on the high side compared to normal (the five year average).

MAJOR CEREAL IMPORT PARITY AND LOCAL PRICES

In October, the import parity price of wheat at Nazareth, a central warehouse area, was lower than local whole sale price by about 43%. This could be due to a combination of factors such as stable international wheat prices, growing domestic demand for wheat by flour factories and the growing population, wheat rust in parts of the country as well as discontinuation of government wheat import this year to stabilize the market.

WHOLESALE PRICES OF STAPLE CEREAL IN LARGE MARKETS

Maize, sorghum, and wheat are the cereals widely consumed in rural areas while Teff, a cereal with high cash value is mostly consumed in urban areas and by better-off rural households. The October 2014 whole sale price of maize at Addis Ababa, the capital city, was lower than the October 2013 maize price by 38%. The following two graphs are based on data from the Ethiopian Grain Trade Enterprise.
As can be seen from figure 3, maize price in different regional markets show a mixed trend. In some markets, current whole sale maize prices are lower than the 5 year average; for instance in Hosanna (a food deficit area) and Shashemene (a surplus area), October 2014 prices are lower than the 5 year average by 16.7% and 25% respectively. In other markets, whole sale maize prices are still a bit higher than the 5 year average. It can also be seen in four out of seven markets, maize prices have already declined from the previous month prices (September 2014 prices). This is in line with the normal seasonal trend as the harvest gets into full swing.

The story is different when it comes to wheat. Current year wheat prices are much higher than the 5 year average as well as last year’s prices. For example, wheat prices increased by 33% between January and October 2014 in Addis Ababa. Wheat production has been affected by wheat rust in recent years; production has not kept up with growing demand and government has been importing wheat and subsidizing prices in recent years, but not yet in 2014. Reportedly, there is a plan to resume government import which is expected to stabilize wheat prices somewhat.

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**Figure 4: wholesale Wheat Prices, Addis Ababa**

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**RETAIL PRICES OF STAPLE CEREALS IN DISTRICT MARKETS**

As the following graph shows, current prices of maize, the main staple for the poorest households, are lower than last year prices in many markets; but current prices remain much higher than the long term average. In the two pastoral Woredas, Yabello and Gode, current prices are higher than both that of last year. The seasonal decline in maize are expected to hold until March, normally cereal prices start to increase from April on peaking in July and August. At the same time for framers who sale maize, it is important marketing support is given, so that prices do not decline much to create a disincentive for producers.
SUPPLY TO MARKETS

Normal to above normal crop production is expected nationally from the harvest between October to December 2014, which is the main harvest to supply food for 2015. The Belg season crop production around July/August 2014 was also relatively better than in recent years. As a result, the supply of staple cereals is normal except in different pastoral areas such as Borena and Guji zones in Oromia region, Nogob zone in Somali region. Trade disruption in some conflict affected Woredas in Somali region have led to sharp rises in staple food prices.

TERMS OF TRADE

In Gode zone, a predominately pastoral zone, in 2014, terms of trade between an average goat/sheep and maize has been lower than the 5 year average as well as that of 2013. This signals declining purchasing power for pastoralists. In crop dominant areas wages to sorghum (another staple cereal) has more or less remained stable. The current period is the start of the agricultural season in Meher producing areas of the country and hence high demand for agricultural labor. Wages have started to pick up for the season and ToT is slightly increasing.
Source: WFP