ETHIOPIA MONTHLY MARKET WATCH
April 2015

Highlights

- In April 2015, country level year-on-year consumer price index, and therefore the cost of living, increased by 9.3%. The food and non-alcoholic beverages and non-food price indices have increased by 10.8% and 7.6% respectively as compared to last year the same month, April 2014. The food inflation in the last two months surpassed a single digit that prevailed over a year time. Furthermore, all components of food indices rose in the month.

- The retail prices of fuel (petrol, diesel and kerosene) in the last three months, February – April 2015 haven’t changed and remained at the same rates. However, the prices of crude oil on international markets started to increase slightly from its lowest prices over the last one year.

- The prices of staple cereals remained stable in most of the markets. The stability of prices were mainly attributed to the general improved harvest of last meher season social events and a need of cash by farmers in preparation of the next planting season, which increases supply to the market. Such stability contributes positively to the purchasing power of market dependent households’ and hence their food security.

- The terms of trade between unskilled wage and staple cereals (sorghum and maize) have shown improvement in most of Tigray and Amhara markets. It was attributed to the stability of cereal prices and changes in wage rates.

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 April 2015, year–on-year general inflation rate increased by 9.3%; food inflation by 10.8% and non-food by 7.6%. It means that the costs of living have increased by the same percentages indicated above as compared to April 2014. The food inflation in the last two months surpassed a single digit that prevailed over a year time. Furthermore, all components of food indices rose in the month: oils and...
fats (+25.6%), milk, cheese and eggs (+20%), vegetables (+15.3%), meat (+8%), sugar, jam, honey, and chocolate (+5.8%) bread and cereals (+1.5%), and other food products (+27.5). In the absence of compensatory incomes, the increase in consumer price indices have negative implication on the ability of poor and very poor households’ purchasing power and hence their food security.

**Retail Prices of Staple Cereals in District Markets**

The price of food commodities serve as an indicator to assess the two pillars of food security; availability and ability of household’s to access food. In order to monitor the food security, WFP Ethiopia monitors the prices of staple cereals (maize, wheat and sorghum), pulses and as well livestock (goat and sheep) in pastoral areas. Furthermore, imported food commodities (rice, pasta, macaroni, sugar) and wages of unskilled daily labour are monitored to see the terms of trade between wages and staple cereals in pastoral area markets.

**Maize:** In April 2015, the retail price of staple cereals in most markets showed stability with upward and downward changes of 5% while higher price changes were observed in some of the markets compared to March 2014. Figure 2 shows markets that have showed price increases higher than 5%. For instance, in few markets of East and West Hararghe, increase in price of maize was ranging from 7% to 17%; Tigray markets 10% to 13% increases with the exception of 31% decrease in Korem market. In most of SNNP region, maize prices have remained the same to preceding month. Afar, Gambella and Benishangul Gumuz markets have showed maize price increases of 8% to 11% (Ayssaita, Worer, Lare, Meti and Assosa) while in other markets of these three regions no changes observed as compared to March 2015.

**Sorghum:** In most of monitored markets, prices haven’t changed much with the exception of Korem (-40%), Wekro (-35%), Hawzien (-31%) and Sheraro (+13%) in Tigray region; Kewet (-22%), Ankober (-11%) Amhara region; and Meti (+20%), Gambela region; Delo (+9%), Kurfachele (+17%), Oromiya region (see Figure 3). Such a significant decreases in prices of sorghum in few of Tigray region markets was associated with restriction to purchase grain by non-licensed traders coupled with improved harvest from last meher season. The restriction of grain purchase by non-licensed traders depressed prices and impacted negatively incomes earning capacity of farmers while it could be seen as an advantage to market dependent consumers.
Wheat: prices of wheat also showed lower levels of change but the direction of change was upward movements as opposed to maize and sorghum that were mixed with more of downward price movements. It is known that national wheat production is not sufficient to meet the increasing demand of wheat and wheat products in the country; that initiated Government to import from international markets.

Generally, the stability of cereal prices as compared to March 2015 was mainly attributed to improved harvest of last meher season and a need of cash by farmers in preparation of the next planting season. However, the prevailing prices were higher than a five year average.

Pulses: fava beans, lentils and field peas are the commonly consumed pulses across the country. Fava beans is the major traded out pulse through formal and informal trade mainly to Sudan and as a result the price of pulses also depend on demand from the neighboring country, Sudan. The prices of fava beans increased by 12% to 28% in Amhara region markets (Mehal Meda, Nefas Mewcha, Ankober, Woreillu), 12% in Abi Adi and Adigrat, Tigray region; lentils price increased by 11% to 39% in Ebinet, Ajeber, Akesta, Debark, Mehal Meda, Nefas Mewcha and Woreillu markets, Amhara region. In other monitored markets, the price increases remained below 5% compared to the preceding month.

Supply to Markets

The main meher harvest season (December - January) followed by social events have contribution to improve the supply of staple grain to markets. April month is characterized by the beginning of land preparation for the next main agricultural season. Farmers demand cash to purchase agricultural inputs and also to meet other social and economic obligations. As a result, farmers took grain to markets and hence improved the supply to grain to markets in many locations. In particular, markets close to the major producing areas of the country had better supply of staple grains.

Terms of Trade (TOT)

TOT for wage labour to cereal: As indicated above, the price of staple cereals in most markets remained stable as compared to March 2015. The terms of trade between unskilled wage and sorghum has improved in most of monitored markets. The percentage change was ranging between 46-66% in Wekro, Hawizen and Korem markets, Tigray region. It happened so due to significant reduced sorghum prices in these markets. On the other hand, deterioration of terms of trade between unskilled wage and sorghum observed in Alamata, Tigray region; and Shewa Robit, Amhara region, respectively by 35% and 27%. A daily wage rate of unskilled labor able to buy 9 to 22kg of maize and 8 to 20kg of sorghum in Tigray markets; 9 to 13 kg of maize and 5 to 9kg of sorghum in Amhara markets. The relatively cheaper prices of maize against sorghum implicated on higher amounts of terms of trade between unskilled wages to maize.