

ETHIOPIA MONTHLY MARKET WATCH

July 2011

Highlights

- In July 2011, the country level general and food inflation rate increased by 39.14% and 47.43% respectively as compared to a year ago. Cereal price index has increased by 42.13% against July 2010.
- The international prices of wheat which had fallen in May and June continued to decline in July. The import parity price of maize in July 2011 at Nazareth stood at US\$ 591/mt for maize, at US\$ 490/mt for wheat and at US\$ 430/mt for sorghum.
- The local and import parity prices of wheat stood at the same level in July 2011. The import parity of maize stood above wheat parity price since April 2011.
- The national average wholesale price of maize has increased by about 10% compared to a month ago and that of wheat and sorghum by 2% and 5% respectively. Compared to July 2008, the prices of maize and sorghum are below July 2008 but not for wheat.
- The retail price of cheapest cereal, maize, kept increasing trend and stood in the ranges of Birr 6.50/kg to Birr 7.00/kg in most monitored markets. It is challenging to poor and very poor people to afford.

Special issues

Most of major markets in Southern Nations Nationalities and Peoples (SNNP) Region and Shashemene market in Oromia usually get maize supply from the surrounding woredas. Rapid monitoring visits (Wolayita Sodo and Shashemene) showed that these markets are now supplied from Addis Ababa, Bure, Nekempt and Wolkite markets. Earlier this year, the volume of supply and frequency were high. This month, with the availability of green maize, haricot bean and root crops supply from **Belg** producing areas, the frequency and volume of maize supply from Addis Ababa and major supplying areas lowered. The new maize harvest (particularly from Gamo Gofa zone woredas) is appearing in the markets but with high moisture content, therefore consumers purchase less of it and more of the dried ones. In most of these markets surrounding areas (Wolayita Sodo, Arbaminch, Shashemene) the standing maize is at different stages of growth (seed setting to drying). Coupled with haricot bean harvest and appearance of root crops from irrigated land, it is expected that the maize price would remain at its current level.

In SNNP region the price of one head of green maize was ranging from Birr 1.25 to 1.75 in May 2011; the improvement of green maize supply lowered the price ranging from Birr 0.80 to Birr 1.00. Furthermore, sweet potato, irish potato and taro are appearing on the markets of Wolayita Sodo and Shashemene and these contribute to the stability of the price of maize, though at elevated level. In previous months, small traders from rural areas were coming frequently to buy for resale in their locality but this month it diminished highly both in terms of frequency and volume of purchase. As a result the wholesalers are also facing less volume of cereal sale and lower frequency of stock replenishment.

The retail price of maize stood at high level almost in all markets ranging Birr 6.50 – Birr 7.00 per kg depending on quality. The price of maize varies within a week and traders are

reasoning the central market of Addis Ababa as a decisive factor in deciding selling prices of stock they have.

Inflation and Consumer Price Index

According to the Central Statistics Agency, compared to July 2010, the country level general year to year inflation has increased by 39.14%, food inflation by 47.43%, non - food inflation by 27.62% and cereal by 42.13%. The general consumer price index increased to 254.9 from where it was 183.2 the same month last year. Similarly, the food consumer price index rose from 186.8 last year the same month to 275.4 in July 2011. The increase in total price index of cereals in July 2011 contributed to the rise in the indices of food and the general consumer price index.

Major Cereal Import Parity and Local Prices

According to FAO report the international prices of wheat which had fallen in May and June continued to decline in July. The benchmark US wheat price (No.2 Hard Red Winter, f.o.b.) averaged USD 308/mt down 8% from its June level. Wheat prices remained 45% higher than a year earlier although they are 36% below their peaks in 2008. The decline in July mainly reflected pressure from the 2011 winter wheat harvest in the US and Europe, as well as large export availabilities expected in the Black Sea region in the 2011/12 marketing season. Export prices of maize decreased somewhat in July, with the benchmark US maize price (Yellow, No. 2, f.o.b.) averaging USD 304 per/mt, still 89% above its level of a year ago. Maize prices declined in early July after the US revised upwards the estimates of their 2011 planted area and 2010/11 carryover stocks for maize.

The import parity price of maize in July 2011 at Nazareth stood at US\$ 591/mt for maize, at US\$ 490/mt for wheat and at US\$ 430/mt for sorghum. Compared to June 2011, wheat import parity decreased by 10% while that of maize and sorghum showed minimal changes. The lifting of export ban by Russia since the beginning of July can be one of the factors behind the decreases in wheat import parity. The local and import parity prices of wheat stood at the same level whilst local maize and sorghum prices stood below the import parity by 45% and 16.5% respectively. Though wheat local and import parity price are the same, it doesn't mean that wheat in the local markets is available for bulk purchase.

Cereal Wholesale Prices in Large Urban Markets

The national average wholesale price of maize increased by 10% compared to June 2011 and for wheat and sorghum increased by 2% and 5% respectively. In July 2011, the prices of maize, wheat and sorghum have increased in almost all of the monitored markets compared to the long term average (55% for maize; 74% for wheat and 14% for sorghum) and July 2010 (81% for maize, 67% for wheat and 2% for sorghum). The prices of maize and sorghum are below July 2008 but wheat price stood above the same month of 2008. The price of cereal at Addis Ababa is decisive in setting prices in other parts of the country.

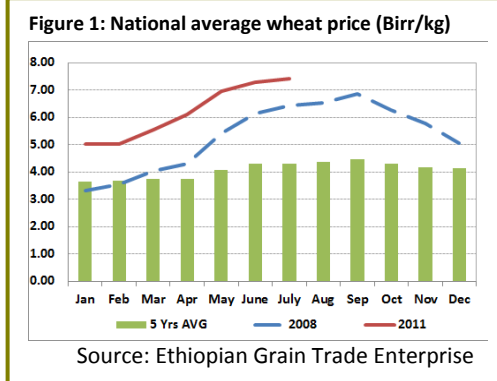
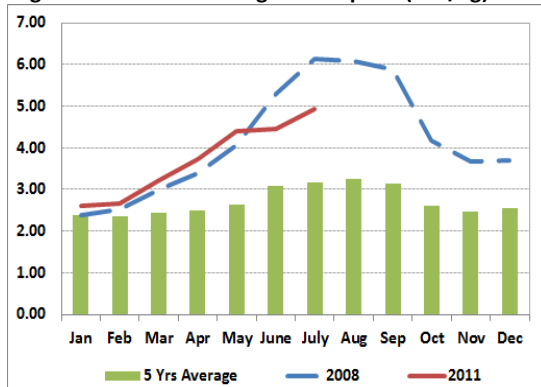


Figure 2: National average maize price (Birr/kg)



Source: Ethiopian Grain Trade Enterprise

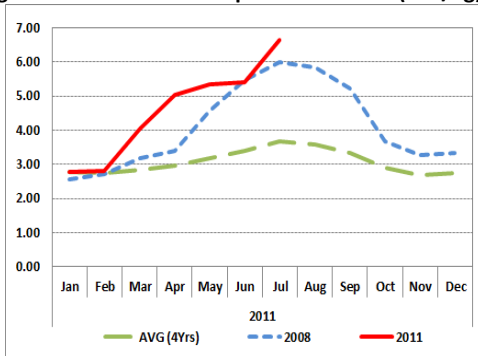
The surplus producing areas of the country, particularly Bure and Nekempt markets, are supplying maize to Addis Ababa and other major markets. In recent months maize being traded from Addis Ababa to Arsi zone of Oromia and Dolo Ado of Somali region have lifted up the demand and hence soaring prices. The national wholesale average prices of cereal stood at Birr 4.92/kg for maize, Birr 7.42/kg for wheat and Birr 5.06/kg for sorghum (see Figure 1, Figure 2 and Table 1). The trend of prices is similar to 2008 situation but stood below the peak of 2008 except for wheat. The availability of

new maize harvest in some parts of the country may contribute to depress the demand and the price to remain the same though major decline is not expected till the main season harvest.

Cereal Retail Prices in District Markets

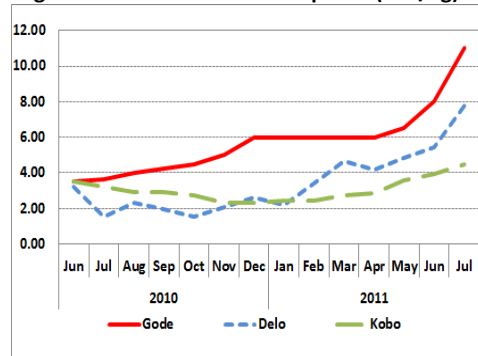
The retail prices of maize, wheat and sorghum in the district markets are increasing continuously almost in all monitored markets. In monitored markets of each region, the average price of widely consumed maize increased by 32% in Somali, 26% in Gambela, 23% in SNNP, 19% in Oromia, 8% in Amhara and 5% in Tigray compared to June 2011. The average price of maize in monitored markets of the regions stood at Birr 8.90/kg in Somali, at Birr 6.65/kg in SNNP, at Birr 6.26/kg in Oromia, at Birr 5.73/kg in Gambela, at Birr 5/kg in Tigray and Birr at 4.63/kg in Amhara. The lowest price of maize stood at Birr 4.46/kg at Kobo and the highest at Birr 11/kg at Gode market (see Figure 3, Figure 4 and Table 1). In areas where green maize as well as root crops is coming to the markets the increases in the prices are relatively lower compared to other markets. Similarly, the average retail prices of wheat stood above Birr 7.00/kg in all regions with the exception of Tigray that stood at Birr 6.91/kg. The highest retail price of wheat stood at Birr 10/kg at Dire Dawa and Yabelo markets located in food deficit areas of the country. Generally, the increasing prices of cereal in all parts of the monitored markets are impacting badly the food security of the poor and very poor population. The availability of new harvest in some areas coupled with the ongoing emergency food aid may contribute to maintain the prices at their existing level. Otherwise the food security situation of these groups might deteriorate.

Figure 3: Trends of maize prices in SNNPR (Birr/kg)



Source: WFP

Figure 4: The trends of maize prices (Birr/kg)



Source: WFP

Supply to Markets

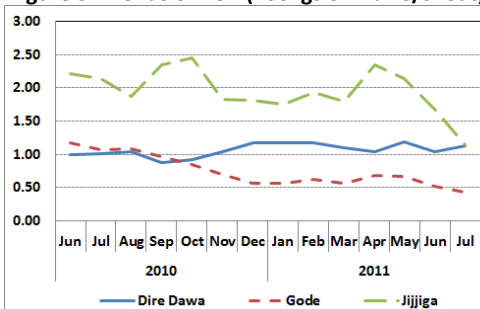
The availability of cereal to markets depends on proximity of each market to supplying areas and emergence of new harvest particularly maize and root crops. In most of the markets the supply of maize is relatively better than wheat, sorghum and other cereals due to its volume of production in the country's surplus producing areas. Furthermore, the emergence of new maize and root crops in the markets of SNNP region particularly Wolayita Sodo and Shashemene of Oromia contributed to the less frequent supply of maize from Addis Ababa and major supplying sources. On the other hand, the new harvest of haricot bean is coming to the markets of Shashemene and Wolayita Sodo where wholesalers started to collect the product. The farmer's households producing haricot bean will be in a better position in improving their food basket than others.

Terms of Trade (TOT)

TOT for shoat to cereal: In July 2011, the average price of shoat increased at Gode and Dire Dawa markets by 15% and 8% respectively whilst declined at Jijiga by 16%. The increases in prices of cereal more than shoat prices, kept the terms of trade in monitored markets to deteriorate as compared to June 2011. The impact of deteriorating terms of trade is stronger in remote part of pastoralist areas where shortages of water and livestock feed have occurred. The prices of wheat stood at the peak relative to maize and sorghum and thus shoat to wheat terms of trade declined in all markets. The terms of trade between shoat and maize have deteriorated by 16% at Gode and 32% at Jijiga. The terms of trade stood at 114kg/shoat at Jijiga, at 113kg/shoat at Dire Dawa and at 43kg/shoat at Gode market (see Figure 5 and Table 1).

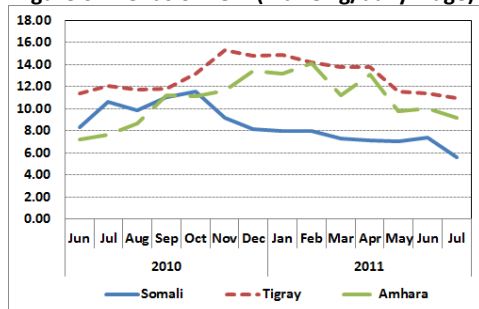
TOT for wage labour to cereal: The average daily nominal wage rate (skilled and unskilled casual daily labour) in monitored markets remained the same. The daily average wage in monitored markets stood at Birr 42 in Amhara, Birr 50 in Somali and Birr 52 in Tigray. The unskilled labour wage stood as far as half of the indicated rate. The increases in cereal prices impacted the terms of trade to deteriorate in these regions. For instance the terms of trade between wage rate and maize in July 2011 stood: at 10.92/day in Tigray; at 9.16kg/day in Amhara and at 5.6kg/day at Somali (see Figure 6 and Table 1). Compared to June 2011 terms of trade have decreased by 24% in Somali, 9% in Amhara and 4% in Tigray. Considering July 2011 average retail price of wheat in monitored markets, PSNP wage needs to be adjusted at Birr 21 in Somali and Tigray and at Birr 23 in Amhara region to buy 3kg of wheat.

Figure 5: Trends of TOT (100kgs of maize/shoat)



Source: WFP

Figure 6: Trends of TOT (maize kg/daily wage)



Source: WFP

Table 1. Market Watch on Main Food Commodities Across Markets

Table 1: Market Watch on Main Food Commodities Across Markets										
Markets	Major Comm	Current Price	Price change (%)			Average Change				
			1Y	6M	1M	1Y	6M	1M		
1. Local and Import Price (USD/MT)										
Addis Ababa	Maize	355	46	88	11	▲	▲	▲		
	Wheat	462	29	35	-18		▲	▼		
	Sorghum	344	-33	11	-4	▼	▲	▲		
	Teff white	563	14	27	2	▲	▲	▲		
	Teff mixed	512	29	34	1	▲	▲	▲		
	Teff red	424	35	31	1	▲	▲	▲		
Nazrath	Maize	323	43	67	5	▲	▲	▲		
	Wheat	490	31	33	8	▲	▲	▲		
	Sorghum	359	-10	16	5	▲	▲	▲		
	Teff white	573	7	34	-1	▲	▲	▲		
	Teff mixed	483	14	51	1	▲	▲	▲		
	Teff red	443	54	57	1	▲	▲	▲		
Dire Dawa	Maize	blank								
	Wheat	blank								
	Sorghum	blank								
	Teff white	599	7	12	-1	▲	▲	▲		
Import Parity Price	Teff mixed	485	17	37	7	▲	▲	▲		
	Teff red	445	43	55	12	▲	▲	▲		
	Maize	591	51	24	1	▲	▲	▲		
	Wheat	490	59	-5	-10	▲	▲	▼		
	Sorghum	430	42	-12	-3	▲	▼	▲		
2. Large urban cities (BIRR/100KG)										
			5Y	1Y	1M	5Y	1Y	1M		
Addis Ababa	Maize	487	57	78	8	▲	▲	▲		
	Wheat	803	80	77	-6	▲	▲	▼		
	Sorghum	555	11	1	2	▲	▲	▲		
Ambo	Maize	493	59	112	16	▲	▲	▲		
Gonder	Maize	414	31	45	8	▲	▲	▲		
	Wheat	755	61	46	5	▲	▲	▲		
	Sorghum	431	10	17	0	▲	▲	▲		
Jimma	Maize	384	27	105	-11	▲	▲	▼		
Nekempt	Maize	468	0	131	23	▲	▲	▲		
Mekele	Maize	461	32	49	0	▲	▲	▲		
	Wheat	728	55	29	3	▲	▲	▲		
	Sorghum	503	5	-11	3	▲	▲	▲		
	Maize	518	67	102	13	▲	▲	▲		
Nazareth	Wheat	745	78	70	5	▲	▲	▲		
	Maize	516	61	83	2	▲	▲	▲		
Shashemen	Wheat	818	97	98	1	▲	▲	▲		
Bale Robe	Wheat	733	99	120	1	▲	▲	▲		
Bure	Maize	463	0	0	16	▲	▲	▲		
Desie	Maize	493	49	71	16	▲	▲	▲		
Hossana	Maize	593	73	100	12	▲	▲	▲		
Baher Dar	Wheat	785	87	75	-1	▲	▲	▲		
	Maize	458	53	72	17	▲	▲	▲		
Assela	Wheat	723	75	68	2	▲	▲	▲		
Markets	Major Comm	Current Price	Price change (%)			Average Change				
			4Y AVG	1Y	1M	4Y AVG	1Y	1M		
3. Regional average (BIRR/100KG)										
Oromya	Maize	627	67	112	19	▲	▲	▲		
	Wheat	823	66	94	8	▲	▲	▲		
	Sorghum	639	60	74	13	▲	▲	▲		
Tigray	Maize	500	19	35	5	▲	▲	▲		
	Wheat	692	8	11	-3	▲	▲	▲		
	Sorghum	527	0	-5	14	▲	▲	▲		
Somali	Maize	890	119	176	32	▲	▲	▲		
	Wheat	700	63	67	-7	▲	▲	▼		
SNNPR	Maize	665	80	119	23	▲	▲	▲		
	Wheat	833	68	96	5	▲	▲	▲		
	Sorghum	674	92	210	16	▲	▲	▲		
Amahara	Maize	463	14	13	8	▲	▲	▲		
	Wheat	781	64	50	1	▲	▲	▲		
	Sorghum	512	17	-3	10	▲	▲	▲		
Remark:	▲	Prices increase above normal price fluctuation								
	▲	Normal Price Fluctuation								
	▼	Price decrease below normal price fluctuation								
Exchange rate applied		16.94								
4. Current Price (BIRR/100KG)										
Regions	Zone	Market	Major Comm	Current Price	Price change (%)			Average Change		
					4Y AVG	1Y	1M	4Y AVG	1Y 1M	
Oromia	E.Haraghe	Babile	Maize	550	34	80	2	▲	▲	
			Sorghum	550	35	76	4	▲	▲	
		Bedeno	Maize	600	32	38	3	▲	▲	
		Bedessa	Maize	600	54	100	9	▲	▲	
		Deder	Maize	660	59	57	27	▲	▲	
	Bale	Guradamo	Wheat	720	34	0	-1	▲	▲	
			Maize	700	104	250	17	▲	▲	
		Yabelo	Wheat	1000	90	122	11	▲	▲	
	Arisi	Merti	Sorghum	535	34	27	7	▲	▲	
			Maize	530	54	66	18	▲	▲	
Amhara	S.Wollo	Kersa	Wheat	750	67	88	15	▲	▲	
		Ebinet	Sorghum	495	32	24	5	▲	▲	
			Maize	495	32	24	5	▲	▲	
	N.Wollo	Mota	Wheat	675	69	82	2	▲	▲	
		Kobo	Maize	245	15	39	13	▲	▲	
	Sekota		Sorghum	550	10	-17	11	▲	▼	
			Maize	480	28	55	4	▲	▲	
	Oromya	Bati	Maize	480	28	55	4	▲	▲	
	S.Tigray	Korem	Maize	560	44	65	8	▲	▲	
	Tigray	E.Tigray	Wekro	Wheat	670	8	7	8	▲	▲
			Sorghum	620	20	22	11	▲	▲	
			Wheat	779	17	25	0	▲	▲	
C.Tigray		Abi Adi	Sorghum	571	7	-4	28	▲	▲	
			Maize	476	7	23	3	▲	▲	
SNNPR	S.Omo	Turmi	Sorghum	675	100	214	0	▲	▲	
		Guraghe	Meskan	Maize	660	84	149	38	▲	▲
		K.Temba	Hosaena	Maize	600	58	94	15	▲	▲
	Wolayeta		Wheat	860	79	95	8	▲	▲	
			Maize	698	87	125	32	▲	▲	
Somali	Jijjiga		Sorghum	700	74	133	-1	▲	▲	
			Maize	680	70	143	24	▲	▲	
	Gode	Gode	Wheat	700	52	67	-7	▲	▲	
		Maize	1100	167	201	38	▲	▲		
5. Milk (Birr/Litre)										
				Price	1M					
Somali	Gode	Gode	Milk	17	70					
	Jijjiga	Jijjiga	Milk	14	0					
	Kebrideh	Kebrideha	Milk	blank						
Markets	Major Comm	Current Price	Price change (%)			Average Change				
			4Y AVG	1Y	1M	4Y AVG	1Y	1M		
5. Livestock-Shoat (BIRR/Shoat*)										
Somali	Jijiga	Jijiga	Shoat	775	83	29	-16	▲	▲	
	Gode	Gode	Shoat	475	111	22	15	▲	▲	
	Dire Dawa		Shoat	675	120	72	8	▲	▲	
6. Terms of Trade Number of Quintal per Shoat										
Somali	Jijiga	No. of Qt. of wheat /S	1.11	26	-23	-10	▲	▼	▼	
		No. of Qt. of maize /S	1.14	19	-47	-32	▲	▼	▼	
	Gode	No. of Qt. of maize /S	0.43	-19	-60	-16	▲	▼	▼	
		No. of Qt. of wheat /S	0.68	-21	-7	-3	▼	▼	▼	
	Dire Dawa	No. of Qt. of maize /S	1.13	75	12	8	▲	▲	▲	
7. Average casual labour wage per day										
Regions				Current Wage	Price change (%)			Average Change		
					1Y	6M	1M	1Y	6M 1M	
Somali				50	45	25	0	▲	▲	▲
Tigray				52	16	9	-1	▲	▲	▲
Amahara				42	36	15	-1	▲	▲	▲
8. Terms of Trade kg of grain/casual labour wage										
Markets	Kg grain/daily wage		TOT	Price change (%)			Average Change			
				1Y	6M	1M	1Y	6M 1M		
Somali	Wage/ 1kg Maize		5.6	-47	-30	-24	▼	▼	▼	
	Wage/ 1kg Sorghum		blank							
	Wage/ 1kg Wheat		7.1	-13	-11	7	▲	▼	▲	
Amahara	Wage/1kg of maize		9.2	20	-30	-9	▲	▲	▼	
	Wage/ 1kg wheat		5.4	-10	-24	-2	▲	▼	▼	
Tigray	Wage/ 1kg Maize		10.9	-10	-26	-4	▲	▼	▲	
	Wage/ 1kg Sorghum		9.9	21	0	-13	▲	▲	▲	
	Wage/ 1kg Wheat		7.5	4.5	0	1.6	▲	▲	▲	
Price fluctuation is considered normal if the price change is within 5% for 1 month; 10% within 6 month; within 15% for 1 year; within 20% for 3 or 4 years average										
6M=Compared to January 2010										
1Y=Compared to July 2010										
3Y/4Y=Compared to 4 or 5 years monthly average										