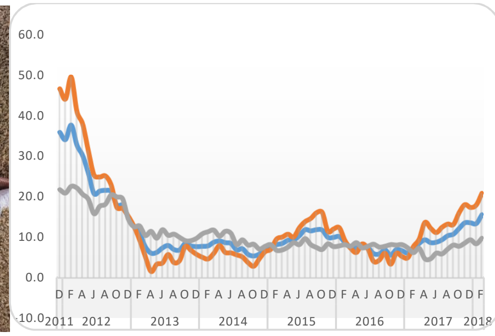
WFP Ethiopia

MONTHLY MARKET WATCH REPORT



April 2018

HIGHLIGHTS

- ***Inflation***: Inflation declined from the previous month but is still high. General inflation declined from 15.2 in March 2018 to 13.1 percent in April. Food inflation declined from 19.9 percent in March to 16.1 percent in April.

- ***Cereal Prices***: In spite of reported good maize harvest at the end of 2017, maize prices started to increase earlier than normal in January; normally maize prices increase after May. However, the monthly increase is less than 5%. On the other hand, cereal prices are much higher than normal and last year prices; on average the prices of maize, sorghum and wheat increased by 34 and 35 percent compared to last year and the five-year average prices respectively. According to the quarterly East Africa cross border trade bulletin, maize export from Ethiopia to Kenya declined in the second quarter of 2018 due to better prices from neighboring countries as well as internal factors in Ethiopia.

- ***Terms of Trade (ToT):*** In April 2018, the average ToT between sheep/goat and maize improved compared to the previous month in most monitored markets. Pastoralists in the south and south eastern parts are seeing improved livestock body condition and increased livestock prices contributing to better purchasing power and food access. On the contrary, the labor wage/wheat ToT for the urban poor showed a declining trend due to increase in wheat price and unhanging wages.

- ***Outlook:*** Seasonally grain prices increase from June to August as it is the lean period in Meher crop producing areas. The impact of the wheat shortage on the urban poor is a concern until imported wheat arrives on the market. For southern pastoralists which covers most of Somali region, and pastoral areas of Oromia and SNNPR, livestock production and income are expected to improve.

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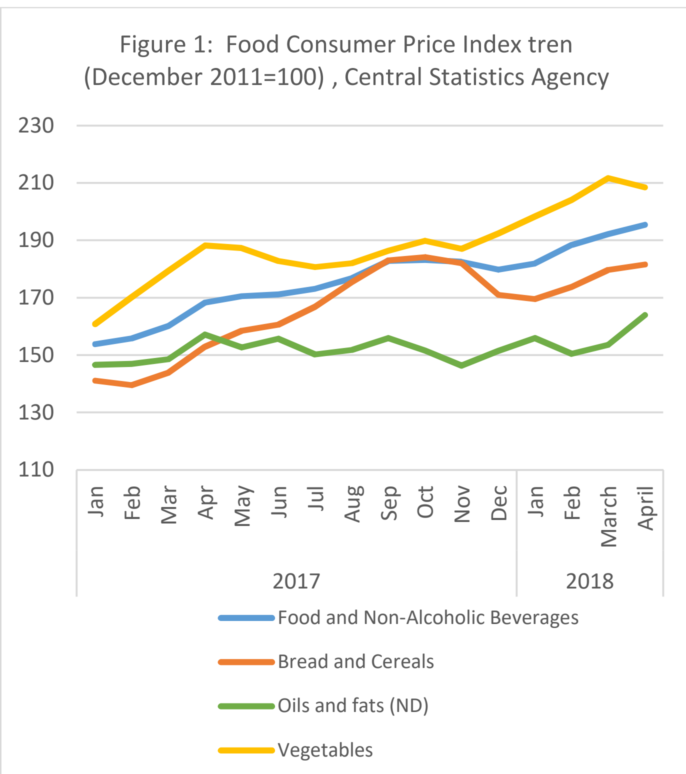
Inflation declined from the previous month but is still high

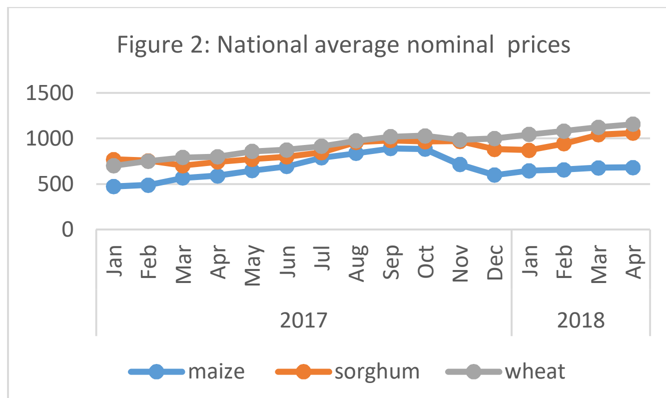
In April 2018, the general inflation rate as measured by the Consumer Price Index was 13.7 percent, which decreased from the previous month inflation of 15.2 percent. Food inflation in April stood at 16.1 percent which also declined from 19.9 percent in March 2018. Inflation rates are still on the high side and need close monitoring in the coming months. As depicted in Figure 1, compared to last year (April 2017), the consumer price index increased for bread and cereals by (18.7 percent), oils and fats (4.3 percent), and vegetables and pulses (10.8 percent). Increase in the price index of oil and fats is relatively lower due to the distribution of vegetable oil at subsidized prices. These inflation figures are based on reports from the Central Statistics Agency (CSA).



Cereal prices higher than normal and start to increase earlier than normal

Maize and sorghum are key staple cereals for poor households in rural areas. Wheat is crucial for the urban poor. Normally, maize and sorghum prices start to decrease between September and February with the onset of green maize harvest followed by the main harvest. Grain prices increase in the June to August hunger period. As can be seen from the figure below, both maize and sorghum prices started to decrease from September 2017 on, but started to increase earlier than normal from January for maize and February for sorghum. This is despite a report of good maize harvest.

Also, maize and sorghum prices are much higher than last year prices by 15.6 and 42 percent respectively. Cereal Price increase is seen both in surplus and deficit areas.



Wheat prices, for the most part increased steadily throughout 2017 and continued to increase in 2018. Although national wheat production has grown, it has not kept pace with the increasing demand. Wheat prices increased significantly compared to last year.

Table 1: Percentage price changes

	change from last year	change from 5 year average	change from last month
Maize	15.6	34	0.54
Sorghum	42.4	31	1.7
Wheat	44.6	40.5	2.9

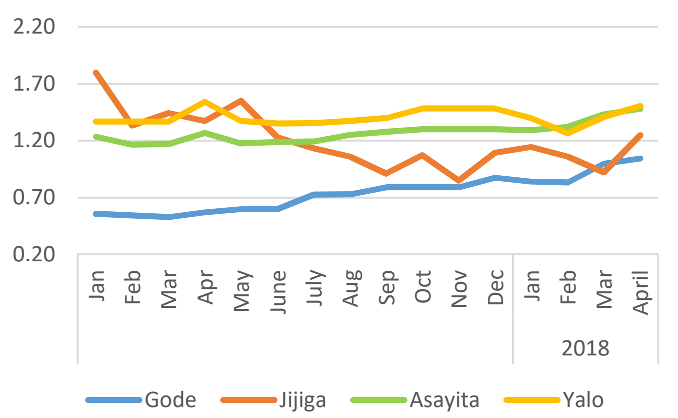
The government imports wheat and sells at subsidized prices to urban consumers and bread factories. This year's import is delayed, exacerbating shortages and price increase. According to information on FAO GEWIS website, international wheat prices have been increasing in the last three months, which would increase the import price and affect the governments wheat and bread subsidy program.

Terms of Trade (ToT): Purchasing Power

Shoat to maize TOT

In April 2018, sheep & goat to maize average ToT improved compared to the previous month in most monitored markets. Figure 3 shows, markets in Gode, Jijiga, Asayita, and Yalo are improving in favour of pastoralists who sell sheep and goats to buy maize. Pastoralists in Asayita and Gode are better off also when compared to last year; in Gode income from sell of an average sheep or goat was fetching only 57 kg maize in April 2017, while in April this year, 105 kg of maize could be bought by selling an average sheep/goat. The improvement is due to a combination of factors: increasing demand from the Highlands for Ethiopian Easter celebration in April, increased demand for export and better livestock prices as a result of improved body condition with the overall better Gu rains.

Figure 3: Terms of Trade (TOT) of Shoat to Maize in selected markets (Jan 2017 -April 2018)



Wage to maize TOT:

The Terms of Trade (ToT) between casual labour wage and the price wheat is a proxy indicator for the purchasing power of urban households who rely on casual labour as a key income source. This ToT reveals how many Kilograms of wheat can be purchased with one-day's casual unskilled labour wage, but does not tell how many days a month a labourer can get work. As shown in figure 4, the labour wage/wheat ToT for the reporting month is lower compared to ToT in April 2017 in most of the monitored markets. For example, a casual labourer who was able to buy 14.1 kg of wheat in April 2017 in Adigrat, could buy only 9.6 kg in April 2018. In Diredawa, ToT deteriorated from 9.1 kg to 6.3 kg during the same period. Compared to the previous month, Alamata and Harar experienced deterioration in TOT.

Figure 4: Terms of Trade (TOT) of wage to wheat in selected markets

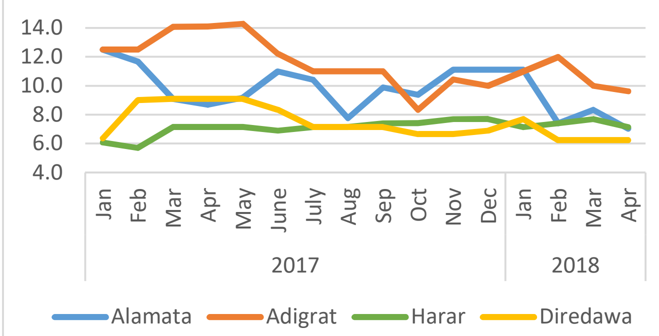


Table 2: Retail prices by market and month-on-month price Changes-April 2018

	Lowest Price			Highest Price		
	Market	**Price (ETB/Kg)**	**Month to month Change (%)**	**Market**	**Price (ETB/Kg)**	**Month to month Change (%)**
White Maize (per Kg)	Shewarobit	6.00	0.0	Jijiga	16.00	23.1
White Maize (per Kg)	Turmi	6.50		Chereti	13.0	-
White sorghum (per Kg)	Turmi	6.60		Sekota	16.00	5.6
White Sorghum (per Kg)	Ebinat	6.50		Gode	20.00	0.0
White wheat (per Kg)	Ginir	9.80	0.0	Diredawa	16.00	0.0
White wheat (per Kg)	Bale Robe	9.80	-1.6	Bedeno	15.00	13.5

ANNEX 1: Commodity prices by market and trend of price changes (April 2018)

		Price Change (%)					
	Price (ETB)	1 month		3 Months		1 Year	
White Maize (Wholesale in 100 kg)							
AA	669	0.4	▶	3.1	▶	11.5	▶
Nazareth	674	-3.7	▶	4.5	▶	17.6	▲
Shashemene	698	5.8	▲	6.6	▶	2.6	▶
Bure	624	-1.0	▶	5.8	▶	20.0	▲
Jimma	600	0.0	▶	-1.2	▶	-3.2	▶
Baher Dar	700	0.0	▶	16.7	▲	16.7	▲
Dessie	684	0.6	▶	2.5	▶	16.7	▲
Gonder	750	0.0	▶	19.0	▲	25.0	▲
Mekelle	702	0.4	▶	5.6	▶	20.1	▲
Wheat (Wholesale in 100 kg)							
Addis Ababa	1239	5.2	▲	10.7	▲	48.3	▲
Assela	1200	10.1	▲	14.6	▲	58.4	▲
Bale Robe	1132	9.9	▲	13.2	▲	47.8	▲
Debremarkos	1172	0.2	▶	19.6	▲	57.3	▲

	Price (ETB)	Price Change (%) 1 month		3 Months		1 Year	
Dessie	1232	7.1	▲	18.5	▲	63.2	▲
White Maize (Retail in 1 kg)							
Negelle (Guji)	7.8	0.0	▶	3.3	▶	3.3	▶
Jijiga	16.0	23.1	▲	33.3	▲	60.0	▲
Ginir	9.0	5.9	▲	0.0	▶	20.0	▲
Yabello	11.5	4.5	▶	4.5	▶	27.8	▲
Shashemene	7.8	4.5	▶	15.3	▲	20.6	▲
Korem	8.0	0.0	▶	-3.6	▶	29.0	▲
Bedeno	12.0	9.1	▲	9.1	▶	50.0	▲
Alamata	8.4	0.0	▶	5.0	▶	25.0	▲
Arbaminch	6.5	-	-	-13.8	▼	8.8	▶
Hawassa	7.5	0.0	▶	15.4	▲	-8.5	▶
Turmi	6.5	-		-3.0	▶	-25.5	▼
Meskan	-	-		-		-	
Kobo (North Wollo)	9.5	-		-		50.0	▲
Assayita	6.9	0.7	▶	0.7	▶	5.4	▶
Awash Fentale	6.9	0.7	▶	0.7	▶	15.0	▲
White Sorghum (Retail in 1 kg)							
Turmi	6.6	-		-5.7	▶	1.5	▶
Abomsa	9.0	0.0	▶	5.9	▶	12.5	▶
Abaala	10.0	0.0	▶	11.1	▲	17.6	▲
Abyi Adi	9.5	0.0	▶	-3.1	▶	39.7	▲
Korem	8.8	0.0	▶	-7.4	▶	22.2	▲
Wukiro	-	-		-		-	
Sekota	15.0	5.6	▲	15.4	▲	87.5	▲
Kobo (North Wollo)	9.8	-		-		9.3	▶
Terms of Trade (TOT) (Average size Shoat to Cereals)							
Gode							
Shoat/Sorghum	0.6	15.0	▲	30.5	▲	53.3	▲
Shoat/maize	1.1	4.5	▲	24.3	▲	83.2	▲
Diredawa							
Shoat/Wheat	0.7	7.3	▲	-3.4	▶	-31.3	▼
Shoat/Maize	1.1	7.3	▲	18.9	▲	-20.0	▼
Jijiga							
Shoat/Wheat	1.3	45.8	▲	27.3	▲	0.0	▶
Shoat/Maize	1.3	35.4	▲	9.1	▶	-9.1	▶
Yabello							

		Price (ETB)	Price Change (%) 1 month		3 Months		1 Year	
Negelle	Shoat/ Maize	0.7	-4.3	►	9.3	►	39.1	▲
Asayita	Shoat/ Maize	1.8	19.0	▲	20.4	▲	76.5	▲
	Shoat/ Maize	1.5	3.3	►	14.7	▲	16.7	▲

▲ Price increase above normal (above 5% within one month, above 10% within three months, and above 15% within one year)

► Normal Price change (±5% within one month, ±10% within three months, and ±15% within one year)

▲ Price decrease below normal (Below -5% within one month, below -10% within three months, and below -15% within one year)