



# Market Monitor Report | Food Security Analysis

MAF | GDS | WFP

*Special focus: Sugar excise tax*

## Highlights:

- The annual food inflation reached a peak in January at 11 percent and remained high for the rest of Q1.
- International rice prices declined during most Q1 2023, due to weak import demand and completion of recent harvests or good production prospects in exporting countries.
- Imported rice prices rose slightly during Q1 and in March were 5 percent higher year on year, while local rice prices declined by 3.4 percent in March.
- Most retail prices of other food items rose during Q1 and were broadly higher than a year before.
- Local sugar prices surged in Q1, showing a twofold increase in three months. This is due to the introduction of new excise taxes in the country in January.
- Retail prices of cooking oil were stable during Q1, at levels 42 percent below the peak reached in June 2022.

**Methodology:** The World Food Programme (WFP) collaborates with the Ministry of Agriculture and Fisheries (MAF) and the General Directorate of Statistics (GDS) to collect food price data on a weekly basis across the country's main markets from thirteen municipalities. Data has been collected since 2020, to monitor the impacts of COVID-19, climate change, and global conflicts on the market prices in Timor-Leste. On average, around six traders per market are surveyed, targeted food commodities weighed, and their prices averaged per kilo.

## Consumer price index (CPI)

Based on the latest CPI data, provided by the General Directorate of Statistics (GDS), the annual inflation rate for food and non-alcoholic beverages reached a peak in January 2023, at 11 percent, and remained high for the rest of the first quarter (Q1) of 2023 (10.2 percent in February and 10.9 percent in March). This is mainly due to the sharp increase of sugar prices (see Figure 4).<sup>1</sup>

## Rice prices

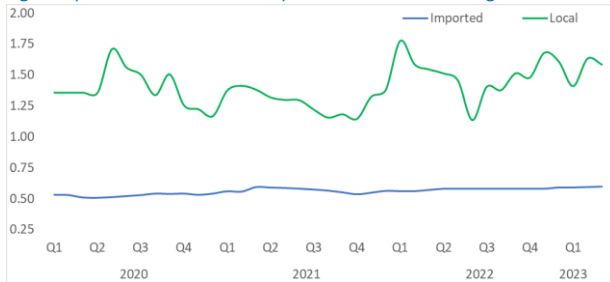
After rising for much of 2022 and in January 2023, international rice prices declined during the rest of Q1 2023, pressured by a slowdown in import demand, the recent completion of the rice harvest in some exporting countries, and favorable production prospects in others.<sup>2</sup>

In the domestic market, as shown in Figure 1, over the past three years, local rice prices have been more volatile than imported rice quotations and have traded at levels almost three times higher, due to its limited availability and consumer preference during ceremonies and special events.

In Q1 2023, households with one employed family member perceiving the monthly minimum wage of US\$ 115 needed to spend 44 percent of it on average to cover their rice consumption needs. This corresponds to US\$ 1.68/household/day spent to consume an average of 290g of rice/person/day\*.

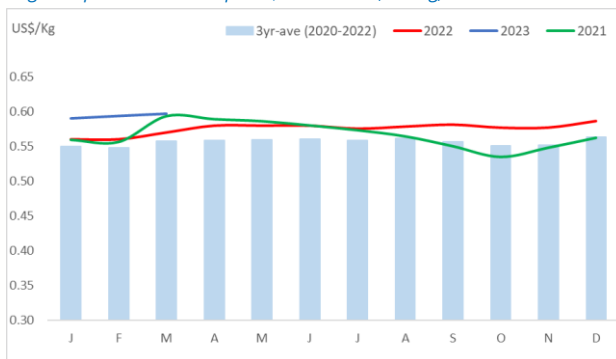
\*Assuming an average household size of 5.4 people (2022 Population Census, preliminary results), and an average yearly rice consumption of 106 kg/person (MAF).

Fig.1: Imported vs local retail rice prices, 2020-2023 (US\$/kg)



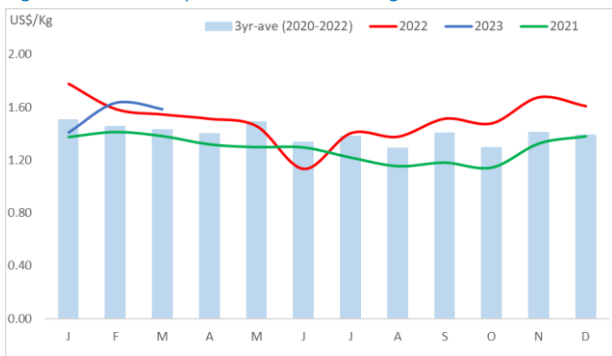
The national average price of imported rice rose slightly during Q1, reaching US\$ 0.60/kg in March, 5 percent above the same month in 2022 (see Figure 2). The gentle upward trend began in Q4 2021 and can be attributable to inflationary pressure and high global transportation costs.

Fig.2: Imported retail rice prices, 2020-2023 (US\$/kg)



As shown in Figure 3, the national average retail price of local rice increased at the beginning of Q1, reaching US\$ 1.63/kg in February, and declined by 3.4 percent in March, to US\$ 1.59/kg. This is 2.5 percent higher than in the same month a year earlier. Local rice prices usually rise before April/May, when the main season rice harvest begins, and decline afterward, as increased supplies provide downward pressure on prices.

Fig.3: Local retail rice prices, 2020-2023 (US\$/kg)



### Price trend of other food items

In Q1 2023, prices of other food staples broadly increased, particularly those of sugar and chili (by 45 percent and 22 percent, respectively, compared to January), which also show the strongest gains compared to a year earlier. Month on month, the largest increases were observed for sugar, potato, beans, and onions (12 to 20 percent) (see Table 1). Recent months' data include prices from newly reporting municipalities, slightly biasing the comparison of national average data in Q1 2023 with previous quarters.

Table 1: Percentage change of other food items prices (US\$/kg)

	Mar-23		1M		2M		1Y
Wheat	\$ 1.05	→	3%	→	2%	↑	7%
Sweet Potato	\$ 1.09	→	-2%	↓	-6%	↑	5%
Potato	\$ 1.58	↑	16%	↑	13%	↑	18%
Taro	\$ 0.97	→	0%	→	2%	→	4%
Beans	\$ 2.67	↑	12%	↑	19%	↑	7%
Egg*	\$ 0.23	↑	8%	↑	17%	↑	13%
Chicken	\$ 3.81	↑	9%	↑	6%	↑	21%
Tomato	\$ 2.21	→	-1%	↑	17%	↑	19%
Onion	\$ 2.98	↑	12%	↑	7%	→	1%
Cooking Oil**	\$ 1.63	→	2%	→	0%	→	0%
Chili	\$ 6.53	→	1%	↑	22%	↑	40%
Sugar	\$ 2.07	↑	20%	↑	45%	↑	112%
Salt	\$ 0.58	→	-1%	→	-3%	→	-4%

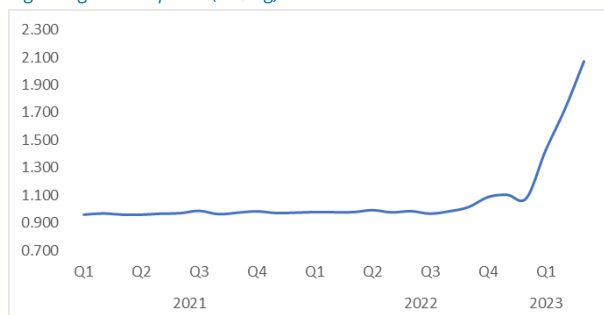
\* US\$/Unit; \*\* US\$/Litre

### Local sugar prices surged with new excise tax

Retail prices of sugar, which is mostly imported, surged in 2023 in the country, following the introduction on 3 January of a new excise tax on sugar and confectionery, and on sugar-sweetened beverages (among other beverages and non-food items). The excise taxes amount to US\$ 1/kg and US\$ 3/litre, respectively.<sup>3</sup> From US\$ 1.09/kg in

December 2022, prices rose by 30 percent, to US\$ 1.42/kg in January and continued rising during Q1, reaching US\$ 2.07/kg in March, almost a twofold increase in three months. According to the WHO Representative to Timor-Leste, the tax increase will positively impact public health outcomes, as evidence shows that higher health taxes are linked to decreased sales and improved health behaviours.<sup>4</sup>

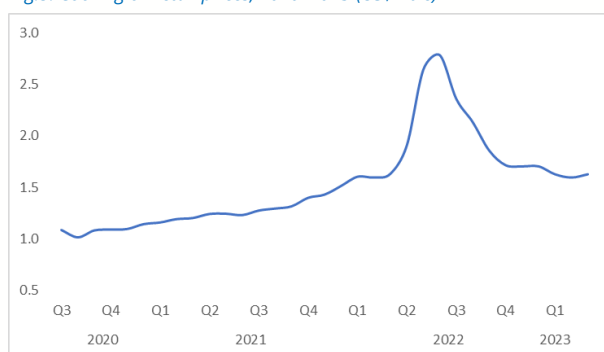
Fig.4: Sugar retail prices (US\$/kg)



### Cooking oil price back at year-earlier level

Vegetable oil is an essential component of the Timorese diet and local consumption needs are mostly covered by imports from Indonesia. Prices of cooking oil have been declining since July 2022 and in Q1 2023 they were overall stable, averaging US\$ 1.63/litre in March. This is equivalent to the level observed in the same month in 2022. Prices dropped by 42 percent since the peak reached in June 2022, when global oil prices surged due to low global supplies and the introduction by the government of Indonesia of temporary restrictions on palm oil exports in the first half of 2022.

Fig.5: Cooking oil retail prices, 2020-2023 (US\$/litre)



### References:

1. GDS, CPI series 3, edition 55
2. FAO FPMA Bulletin - [link](#)
3. Timor-Leste Customs Authority - [link/link](#)
4. WHO Timor-Leste - [link](#)