



Market Monitor Report | Food Security Analysis

MALFF | INETL | WFP

Highlights:

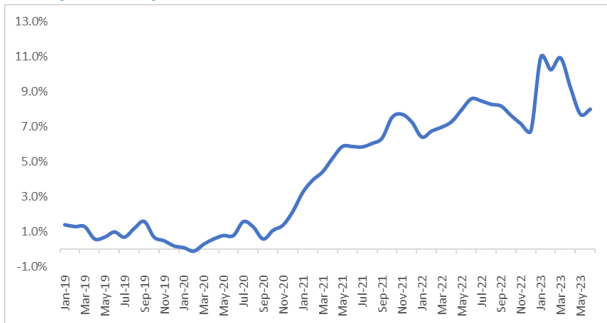
- The annual food inflation rate declined from the high levels of Q1 2023 and amounted to 8% in June.
- El Nino expected to negatively affect affordability of food in Timor-Leste.
- International rice prices reached a peak in May 2023 and eased in June but remained at very high levels amid low global supplies and strong demand.
- Imported retail rice prices rose in April and May and remained stable in June at year-on-year higher levels (+9%), mirroring trends in the international market. Local rice prices peaked in June at US\$ 1.66/kg (+46% year-on-year).
- Retail prices of other food items showed mixed trends but were mostly above their year-earlier levels, especially sugar (+113%) following the introduction of new excise taxes in the country in January and of export bans in key exporting countries.

Methodology: The World Food Programme (WFP) collaborates with the Ministry of Agriculture, Livestock, Fisheries and Forestry (MALFF) 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 (Figure 1), provided by the National Institute of Statistics (INETL), the annual inflation rate for food and non-alcoholic beverages amounted to 8 percent in June 2023, amid high sugar, rice, and vegetable prices. This level marks a decline from the highs reached in the first quarter (Q1) of 2023 (11 percent) and a year earlier, due to the sharp reduction of vegetable oil prices, which spiked in June 2022.

Fig.1: Timor-Leste food inflation (year-on-year CPI change, August 2018 =100), Jan 2020 – Jun 2023



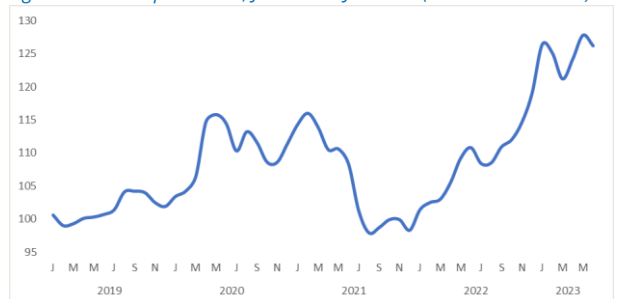
The current **El Niño** state¹ is expected to have a drying impact on Timor-Leste as well as in most of South-East Asia, likely resulting in reduced crop production and thus low supplies. Given the country's dependency on food imports, with an estimated 60 percent of food consumption needs covered by imports, the impact of El Niño on Timor-

Leste is beholden to both domestic and external factors that will affect affordability of food in the country. Not only will agriculture production reduce domestically, but also in exporting countries. This is likely to result in low food supply and further increases of food prices. As a major staple in the country, this is particularly concerning for rice, which is also the main source for caloric intake for the vast majority of the population.

Rice prices

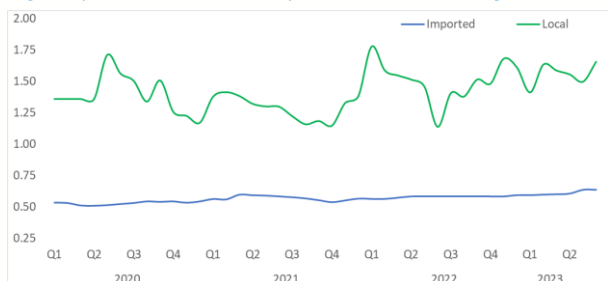
After declining for much of Q1 2023, **international rice prices** rose in April and May 2023 amid tightened supplies in some exporting countries, and declined in June, pressured by a slowdown in import demand (Figure 2). International rice prices increased throughout 2022 and reached record highs in 2023. Following the surge in the price of

Fig.2: FAO all rice price index, Jan 2019 – Jun 2023 (2014-2016 av.=100)



other major grains (mainly wheat and maize) since the start of the Russia-Ukraine war in February 2022, rice became an increasingly attractive alternative, driving up demand. In addition, unfavourable weather conditions and extreme climatic events led to production shortfalls in several main producing and exporting countries, resulting in limited global availabilities. The reduced supplies, coupled with the increased demand, exerted upward pressure on rice prices in 2023.

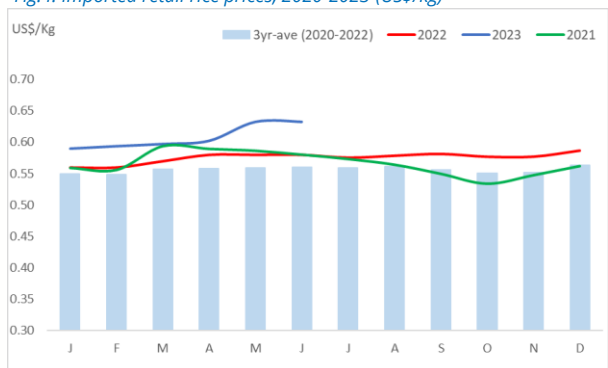
Fig 3: Imported vs local retail rice prices, 2020-2023 (US\$/kg)



In the **domestic market**, as shown in Figure 3, local rice prices tend to be more volatile and generally higher than imported rice quotations. This is due to limited local production and high consumer demand for ceremonies and special events.

In Q2 2023, households with one employed family member perceiving the monthly minimum wage of US\$ 115 needed to spend 45 percent of it to cover their rice consumption needs. This corresponds to US\$ 1.72/household/day spent to consume an average of 290g of rice/person/day and marks a slight increase compared to the previous quarter (US\$ 1.67/household/day).²

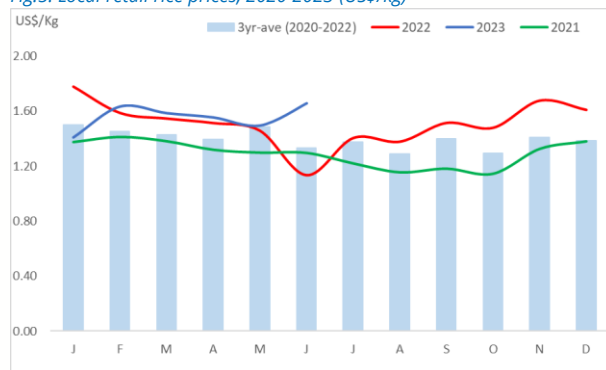
Fig.4: Imported retail rice prices, 2020-2023 (US\$/kg)



In Timor-Leste, the cost of food has increased considerably in recent years. This is shown by the results of the **2023 update of the Cost of the Diet**, which calculates how much a household must spend to consume the lowest cost nutrient-adequate basket³. In 2019, the monthly cost for a household to consume a nutrient diet amounted on average to about USD 170. The 2023 update of the analysis finds that the cost has now increased

to over USD 300 per month, which is more than double the minimum wage.

Fig.5: Local retail rice prices, 2020-2023 (US\$/kg)



The national average price of **imported rice** rose slightly in the first two months of Q2, reaching US\$ 0.63/kg in May 2023 and remained stable in June, 9 percent higher year-on-year (see Figure 4), reflecting trends of international rice prices. Between 2018 and 2022, the country purchased increasing quantities of rice: from 131,900 tonnes in 2018 to 160,360 tonnes in 2022, mainly from India, China, Vietnam, Thailand and Pakistan. In 2023, 90 percent of rice imports were sourced from India.⁴

As shown in Figure 5, the national average retail price of **local rice** decreased at the beginning of Q2 2023, reaching US\$ 1.50/kg in May, and increased by 11 percent in June, to US\$ 1.66/kg. This is 46 percent above the level recorded in June 2022 amid general inflationary pressures and influenced by year-on-year higher imported rice quotations.

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

	Jun-23	1M	2M	1Y
Wheat	\$ 1.12	↑ 8%	↑ 11%	↑ 13%
Sweet Potato	\$ 0.98	↓ -19%	↓ -22%	↑ 7%
Potato	\$ 1.71	↓ -8%	↑ 5%	↑ 26%
Taro	\$ 0.81	↓ -20%	↓ -17%	↑ 8%
Beans	\$ 2.95	↑ 17%	↑ 9%	↑ 13%
Egg*	\$ 0.21	↓ -7%	↓ -6%	↑ 11%
Chicken	\$ 3.72	→ 1%	→ 4%	↑ 10%
Tomato	\$ 2.78	↓ -16%	↓ -28%	↑ 45%
Onion	\$ 3.12	↑ 5%	↑ 5%	↑ 18%
Cooking Oil**	\$ 1.65	↑ 17%	↑ 13%	↓ -30%
Chili	\$ 6.84	→ -4%	→ -3%	↑ 64%
Sugar	\$ 2.06	→ 4%	→ -2%	↑ 113%
Salt	\$ 0.57	→ -1%	→ -1%	↓ -7%

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

Price trend of other food items

Prices of other food items followed mixed trends (see Table 1).⁵ In June, wheat and cooking oil prices increased by 8 percent and 17 percent respectively compared to May, likely influenced by higher import prices as these commodities are entirely sourced from other countries (mostly Indonesia). **Beans** and **onion** prices also increased since April 2023, while prices of tubers (**sweet potato, potato, taro**) and **tomatoes** declined, due to seasonality. Prices of **sugar** and **chili** remained overall stable, but were

both well above the year-earlier levels. Retail prices of sugar, which is mostly imported, surged in 2023 in the country, following the implementation in Timor-Leste of a new excise tax on sugar and confectionery, and on sugar-sweetened beverages on 3 January⁶, as well as the introduction of an export ban in key exporting countries (India and Pakistan) until end-2023. The excise taxes amount to US\$ 1/kg and US\$ 3/litre, respectively. From US\$ 1.09/kg in December 2022, prices rose by 30 percent, to US\$ 1.42/kg in January and remained at high levels in Q1 and Q2, reaching US\$ 2.06/kg in June. National average prices of most items are higher compared to a year before, with the notable exception of **cooking oil** prices and to a lesser extent **salt** prices, which dropped by 30 percent from the peak reached in June 2022 due to the introduction by the government of Indonesia of temporary restrictions on palm oil exports.

References

1. El Niño is the warm phase of the Pacific Ocean's temperature cycle which can lead to either excessive rainfall or very little.
2. Calculated by WFP Timor-Leste country office, based on local and imported retail rice prices, collected by staff from the Ministry of Agriculture, Livestock, Fisheries and Forestry (MALFF) in collaboration with WFP, in Q2 2023. Assuming an average household size of 5.4 people (source: Timor-Leste Population Census 2022), and an average yearly rice consumption of 106 kg/person (source: MALFF).
3. A nutrient-adequate basket meets needs for energy, protein, and 13 micronutrients, which include a diversity of items such as fruits, vegetables, dairy, and starchy staples. An energy-adequate basket meets energy needs only and can often be limited to grains and fats.
4. Source: Timor-Leste Customs Authority.
5. National average price fluctuations also depend on the availability of data from the different municipalities, which is not always consistent across months.
6. Source: Timor-Leste Customs Authority: <https://customs.gov.tl/wp-content/uploads/formidable/2/Circular-240123-Consumer-Tax-2023.pdf>



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