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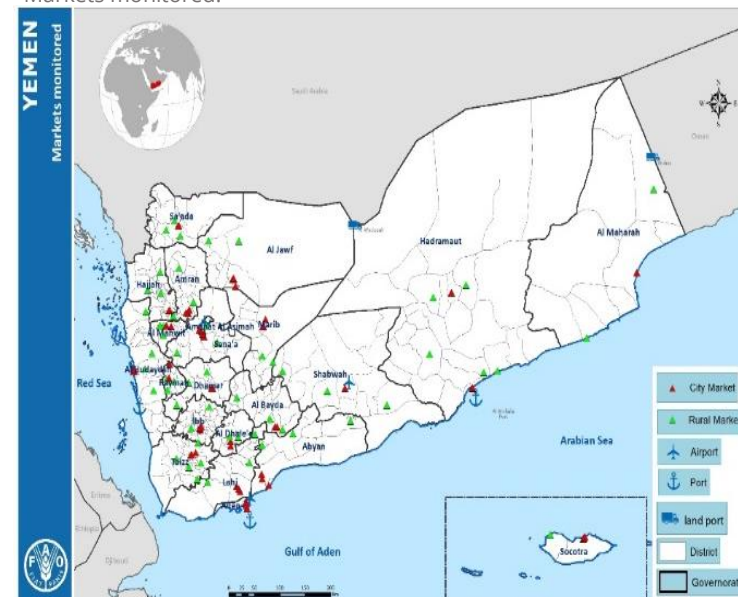
Market & Trade Bulletin Yemen

August 2023 – Issued 26th September 2023

KEY HIGHLIGHTS

- The prices of basic food items during August 2023 remained generally unchanged from the previous month in most markets in the country despite declining global food prices, the price trends determined mostly by domestic factors.
- However, food prices remained prohibitively high in most markets when compared to three-year average, disproportionately in the South (GoY), limiting most household’s access to adequate diet in an environment of limited income opportunities and reduced purchasing power of casual laborers and livestock keepers.
- Domestic diesel and petrol prices increased (3 – 7 percent) in GoY areas in the wake of rising global crude oil prices but were lower than they were a year ago by 6 -8 percent. In SBA areas, the prices of petrol and diesel were mostly unchanged month-on-month but decreased by 29 – 35 percent compared to the same month last year mostly because of price controls.
- Staple food prices are expected to trend seasonally higher through December above the three-year average in most markets but predominantly in GoY controlled areas. If the recent increase in global crude oil prices is sustained, there is a high likelihood of fuel prices in Yemen going up in the coming months, impacting food inflation through increased transport costs and further limiting the purchasing power and food access of most consumers in the country.

Markets monitored.



Area	Commodity	Aug 2023 Price	m-o-m	y-o-y	3YA
GoY	Agricultural Labor - Per day	11,301	1%	11%	49%
	Basmati Rice - 1 kg	2,176	3%	23%	61%
	Diesel (Official) - 1 L	1,107	7%	-6%	66%
	Imported Kidney Beans (Grain) - 1 kg	2,668	4%	17%	65%
	Imported Sunflower Oil - 1 L	3,125	2%	13%	64%
	Imported Wheat Flour - 1 kg	962	3%	6%	55%
	Minimum Food Basket	127,511	3%	9%	64%
	Petroleum (Official) - 1 L	998	3%	-8%	62%
	Unofficial Exchange Rate - Buying - YER/USD	1,403		24%	47%
	Unskilled / Casual Labor - Per day	11,050	1%	17%	45%
SBA	Agricultural Labor - Per day	5,202	0%	2%	17%
	Basmati Rice - 1 kg	975	1%	-6%	0%
	Diesel (Official) - 1 L	464	-2%	-35%	-9%
	Imported Kidney Beans (Grain) - 1 kg	1,137	2%	-2%	23%
	Imported Sunflower Oil - 1 L	1,302	0%	-7%	8%
	Imported Wheat Flour - 1 kg	376	0%	-19%	0%
	Minimum Food Basket	51,339	0%	-13%	10%
	Petroleum (Official) - 1 L	451	-1%	-29%	-4%
	Unofficial Exchange Rate - Buying - YER/USD	528		-5%	-10%
	Unskilled / Casual Labor - Per day	5,228	0%	3%	16%

m-o-m: % change from previous month; y-o-y: % change from the same month last year;
3YA: % change from the same month in 2020,2021, 2022

I. GLOBAL FOOD PRICES

Global food prices extend declining trends through August, but these developments negated in Yemen by currency depreciation effects on food import costs.

- The FAO Food Price Index (FFPI) was down 2.1 percent from July and 24 percent below its peak reached in March 2022 and about 12 percent below its value a year ago. The decline in August reflected drop in the prices of dairy products, vegetable oils, meat, and cereals.
- The FAO Cereal Price Index was about 1 percent down from July and 14.1 percent below its value a year ago. International wheat prices fell by 3.8 percent, mostly reflecting higher seasonal availability from ongoing harvests in several leading exporters.
- Maize prices fell for the seventh consecutive month, hitting their lowest value in three years, supported by ample global supplies from a record harvest in Brazil and the start of the harvest in the USA. Rice prices, however, went up in August with FAO all price index 9.8 percent higher than the previous month mainly because of trade disruptions following India's July ban on India white rice exports but also tight seasonal availability.

II. FOOD & FUEL IMPORTS

- The volume of food imports through Al Hudaydah & Al Salif Ports in the first eight months of the year is lower compared to the same period in 2021 and 2022 linked to lack of dollars. During Jan-August 2023 period, an estimated 2.361 million MT of food was imported through Al Hodeidah and As Salif Ports, which is 24 percent and 9 percent lower than in 2021 and last year's volumes respectively. Compared to import volumes of last year (Jan -Aug), the decrease in import volumes in the first eight months of the year was across all the food commodities viz rice (48%) and other foods (28%) except wheat imports which increased by 2 percent.
- During August 2023, an estimated 343,815 MT of food was imported through Al Hodeidah and As Salif Ports, which 85 percent higher than during the previous month and the same month in 2022. Wheat (grains & and flour) constituted the largest share of the total food imports at 71% of the total imports. Similar trends were observed under IRG ports. In August Aden and Mukalla seaports as well as the land ports during the reporting month received an amount of 134,363 MT of imported basic food, which is higher by 40% compared to the previous month. Of which, wheat (grains and flour) constitutes the major ones by 81%.
- Petroleum fuel imported through Al Hodeidah and As Salif Ports during the reporting month is estimated at 171,344 MT which is 10 percent higher than the volumes last month but 46 percent lower than the same month last year. It is however notable the cumulative fuel imports this year from January through the reporting month is 28 percent higher than the same time in 2022.
- Despite availability of imported food and fuel in domestic markets, food prices remain higher than the typical 3-year average which continues to limit consumer purchasing power while the volume of exports remain below the last two year's trends implying that traders will need to be facilitated to import more in the coming months.

III. EXCHANGE RATES

The Yemeni Rial continued to lose ground to the dollar in GoY areas inflating the cost of food imports as the YER held steady against the US \$ in SBA areas

The exchange rate between the Yemeni Rial (YER) and the US\$ in the GoY-controlled areas extended weakening trends in August, depreciating by 1 percent month-on-month while the YER in SBA areas held steady to the USD over the same period. The weakening currency in the GoY areas is making cost of imports more expensive and adding to the inflationary pressures. The value of the YER is significantly weaker in GoY areas than they are in SBA areas when compared to the same period last year; partly explaining the high and volatile food inflation in the former. This has implications on food access as the country relies on the lion share of food imports to meet consumptions needs.

IV. FUEL PRICES

Domestic fuel pump prices increase in the wake steadily rising global fuel prices, inflating the cost of transport and basic food commodities.

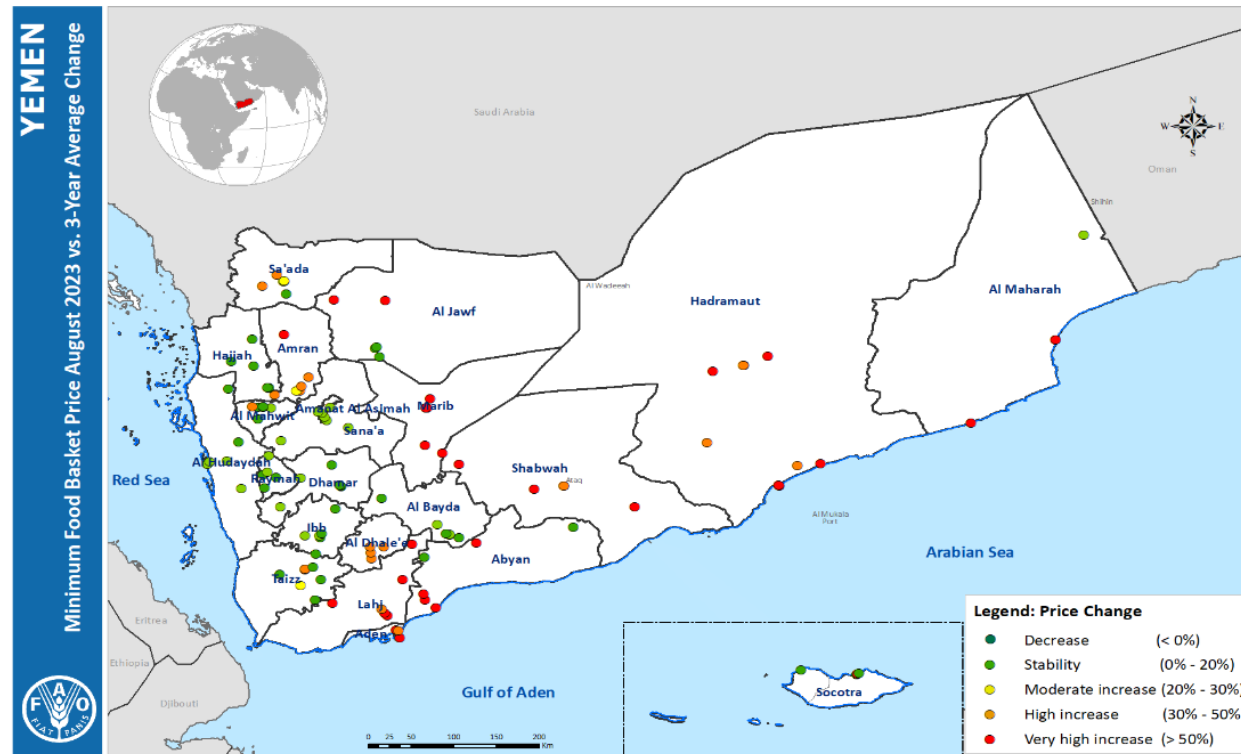
Even though the global oil prices were still 12 percent below their levels a year ago, they increased steadily during July and August, rising by 7 percent month-on-month and up to 16 percent in the last two months, reflecting market tightening following deepening OPEC+ supply cuts and higher world oil demand. Fuel prices in Yemen followed in cue, rising by 3 percent in GoY areas but remained stable in SBA areas because of strict price controls. Notwithstanding recent fuel price increases, the cost of diesel and petrol in most domestic markets were still lower than same month last year and the 3-year average. There is however increased concern that the continued surge in global oil prices could potentially result in fresh heightening inflation in GoY controlled areas and fuel hoarding and alternative black market in SBA areas which will aggravate food insecurity.

V. MINIMUM FOOD BASKET (MFB)

Cost of MFB remained generally unchanged from the previous month in both GoY and SBA areas in line with commodity price trends.

The August 2023 monthly household (HH) cost of the MFB remained unchanged in SBA areas but went up by 3 percent in GoY markets month-on-month, reaching YER. 127,511 in the latter and about 51,339 in the former respectively, equivalent to an estimated USD 89 and USD 97 respectively during the reporting month. This implies that households in SBA areas requires an equivalent of \$9 more money to meet the MFB cost than their counterparts in the GoY areas in an environment of decreasing casual labour wages, a reflection of higher economic vulnerability in SBA areas. The MFB was relatively stable in GoY areas but was 17 percent lower in SBA areas compared to the same period in 2022. The increase in the cost of the MFB was significantly higher in GOY areas (46 percent) and stable in SBA areas against the 3-year average.

Fig. 3a: August 2023 Minimum Food Basket cost variation from the 3-Year average (2020-2022)



VI. COMMODITIES IN THE MINIMUM FOOD BASKET

Similarly, prices of key staples (wheat flour, cooking, oil, rice, and beans) remained generally unchanged month-on-month in most markets.

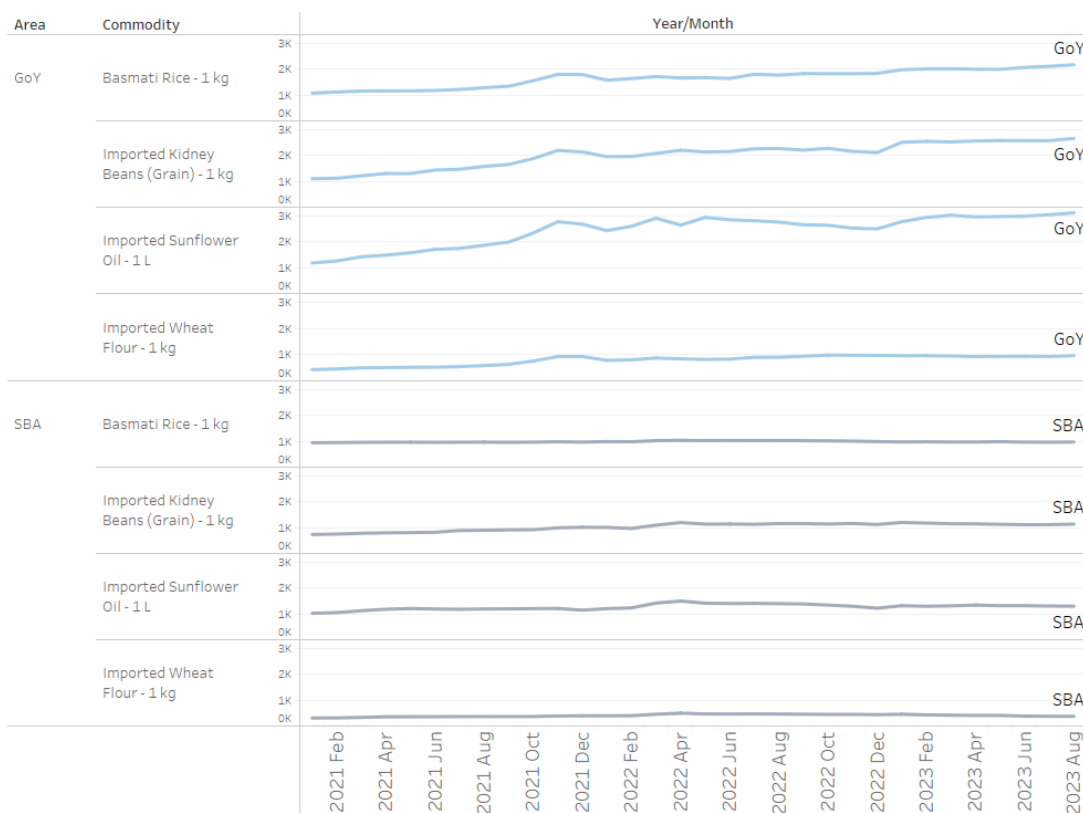
Wheat Flour: the August 2023 staple wheat flour prices increased slightly (3%) on average in GoY areas but remained unchanged in SBA areas month-on-month. The highest monthly increase in wheat flour prices were recorded in Abyan (16%), Marib (14%), Al Bayda (4%); decreased in Sana’a City (6%) and Saada (5%) while remained stable in the rest of the Governorates. Compared to the same month last year, the highest wheat price increase was recorded in Al Jawf (78%), Socotra (67%), Abyan (39%), Amran (25%) and Shabwa (8%) but reduced in the rest of the governorates. Wheat flour prices are higher all over the country when compared to the 3-year average, but most significantly in GoY areas as opposed to SBA areas where they are lower than average.

Rice: Rice prices increased by an average of 3 percent in markets under GoY but remained generally stable or slightly increased in most markets under SBA month-on-month. Markets in Abyan recorded the highest monthly price increase for basmati rice at an average of 11 percent, followed by Al Maharah (5%), Marib (4%), and 3 percent each in Shabwah, Al Bayda and Taizz. Compared to the same month last year and the three-year average, rice prices were significantly higher (+16% to +59%) in GoY areas but generally decreased (3 -10 percent) in SBA areas.

Beans: imported kidney beans prices generally increased in most markets in the country month-on-month during August 2023, mostly in Marib (10%), Aden (9%) and Abyan (7%). When compared to the same month last year, beans prices went up in GoY areas by 17 percent while decreased slightly (2%) in SBA areas. When compared to the 3-year average, the current beans prices are very high in GoY markets as opposed to markets in SBA areas where the rise was modest.

Cooking Oil: imported sunflower oil prices remained generally unchanged over the month of August when compared to the previous month in most markets countrywide except for slight increase in Aden (10%), Abyan and Lahj (5%) and in Hadramaut Coastal (4%). When compared to the corresponding month last year, the price of cooking oil increased on average by 13 percent in GoY but was down 7 percent SBA areas. Imported sunflower oil prices are significantly high in many markets in GoY areas when compared to their three-year average (Fig. 12)

Fig. 7: MFB Componnets trends



VII. LIVESTOCK & LABOUR MARKETS

Livestock prices decrease seasonally while wage rates remained generally unchanged from previous month.

Livestock prices (sheep/goat): reduced during the reporting month, reversing the upward trend witnessed since the beginning of the year. Local sheep/ goat (6 months old/12 kg) prices were 5 – 6 percent lower in August than their levels the previous month. When compared to the same month last year and the three-year average, livestock prices increased by 15 -35 percent in GoY-controlled areas but decreased by 3 -4 percent in SBA-controlled areas. The declining prices of sheep/goats is in line with typical seasonal trends following the end of the peak demand from Ramadan, Eid al-Fitr, and Eid al-Adha festivities.

Casual labor rates: farm and off-farm casual labour rates remained generally unchanged in both GoY and SBA areas, the trend attributable to minimal change in labour demand for the ongoing agricultural operations which are coming to an end in the highlands. Compared to the same period in 2022, non-farm labor wage rates went up by 14 percent in GoY areas but increased modestly (3%) in SBA areas. Although casual labour wage rates are higher than three-year average in both GoY (47 percent) and SBA (16 percent) areas, the purchasing power of households that rely on casual labour is lower because of faster increase in the headline inflation and erosion of the value of the YER especially in the GoY areas.

FIGURE 13: Trends in Daily Casual Labour Wage Rates and livestock prices



VIII. PURCHASING POWER/ TERMS OF TRADE

Purchasing power of casual labourers and livestock keepers decline in August 2023 because of unchanged labour rates, declining livestock prices and increasing food prices.

The terms of trade (casual/ agricultural labor to cereal), a measure of purchasing power, declined in both GoY and SBA areas month-on-month, in line with reduced labour rates, after months of steady increase in 2023. Terms of trade local goat/sheep to cereal equally decreased in most areas nation-wide in line with reduced livestock prices. The reduced terms of trade reflects typical seasonal changes after the end of peak demand for casual labour and small ruminants.

It's important to note that the terms of trade in most markets below the three-year average implying reduced purchasing power of casual laborers and livestock keepers because of faster inflation growth of the cost of basic food items in the last three years.

During August, a day's worth of agricultural casual labor could afford 14 kgs and 12 kgs of wheat grain in SBA and GoY areas while sale of a 12-month-old sheep could afford 120 kgs and 124 Kgs of wheat flour in SBA and GoY areas respectively. A day's wage from non-farm casual labour could enable workers buy 26 kgs and 19 kgs of wheat flour in SBA and GoY areas respectively (Fig. 14).

FIGURE 14: Terms of Trade (purchasing power)

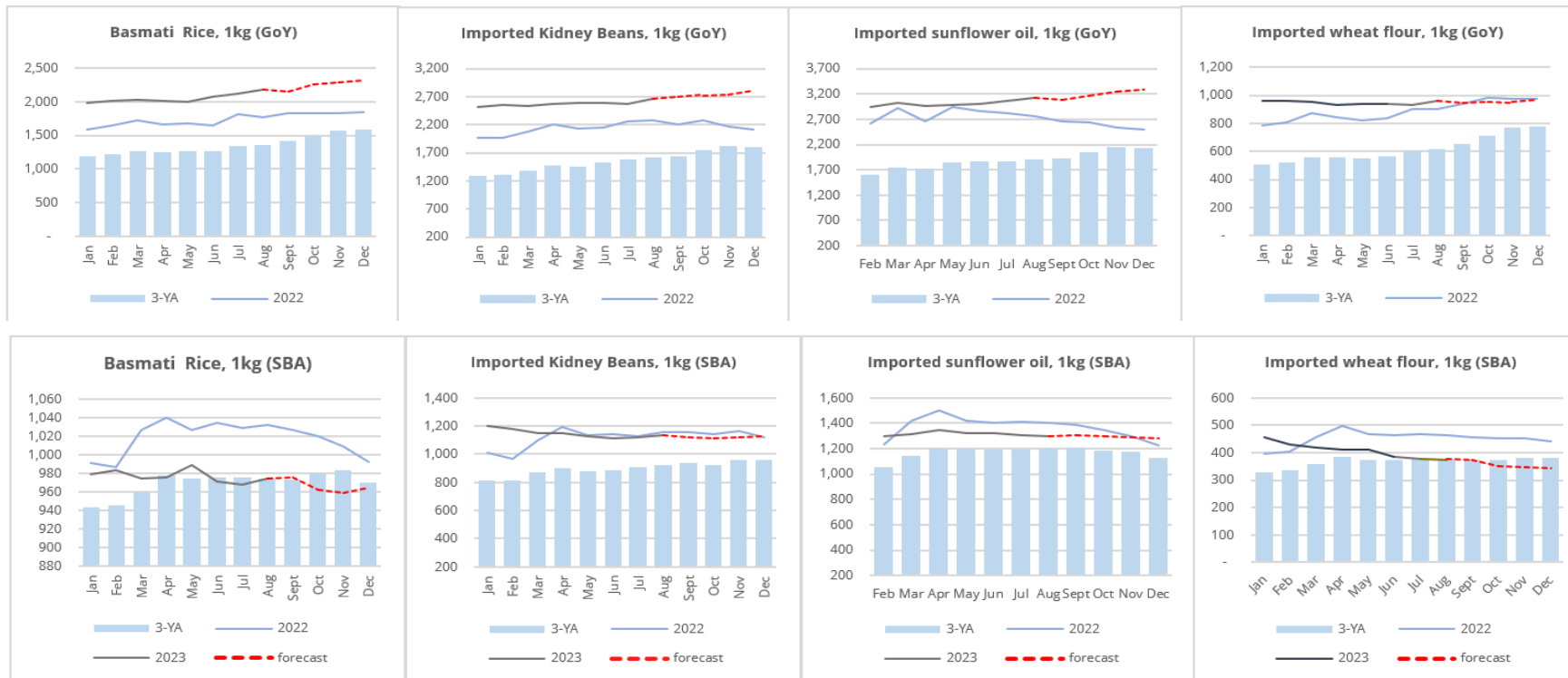


IX. OUTLOOK AND IMPLICATIONS ON FOOD ACCESS

Trade outlook: the volume of food imports is expected to continue normally through December 2023 but will trend below the 2022 and 2021 levels given continued foreign exchange challenges and reduced exports through the Black Sea Trade Corridor. Fuel import volumes are, however, expected to trend higher than last year given increased demand despite increasing global crude oil prices.

Food prices: staple food prices are expected to trend seasonally higher in GoY areas but remain relatively stable in SBA areas above the three-year average in the next three months. The prices are also expected to trend above the 2022 levels in both GoY areas but slightly below last year’s levels in most markets in SBA controlled areas. If the recent increase in global crude oil prices is sustained, there is a high likelihood of fuel prices in Yemen going up as well in the coming months likely impacting inflation through increased transport costs. This will continue to limit economic access to food to majority of Yemeni’s population that rely on markets given high food prices and stable or declining labour rates and livestock prices.

FIGURE 17: Staple food commodity price forecasts/ projections (July – October 2023) (in Yemeni Rial)



ANNEXES

Fig. 1: Global Food Prices (FAO) food price indices

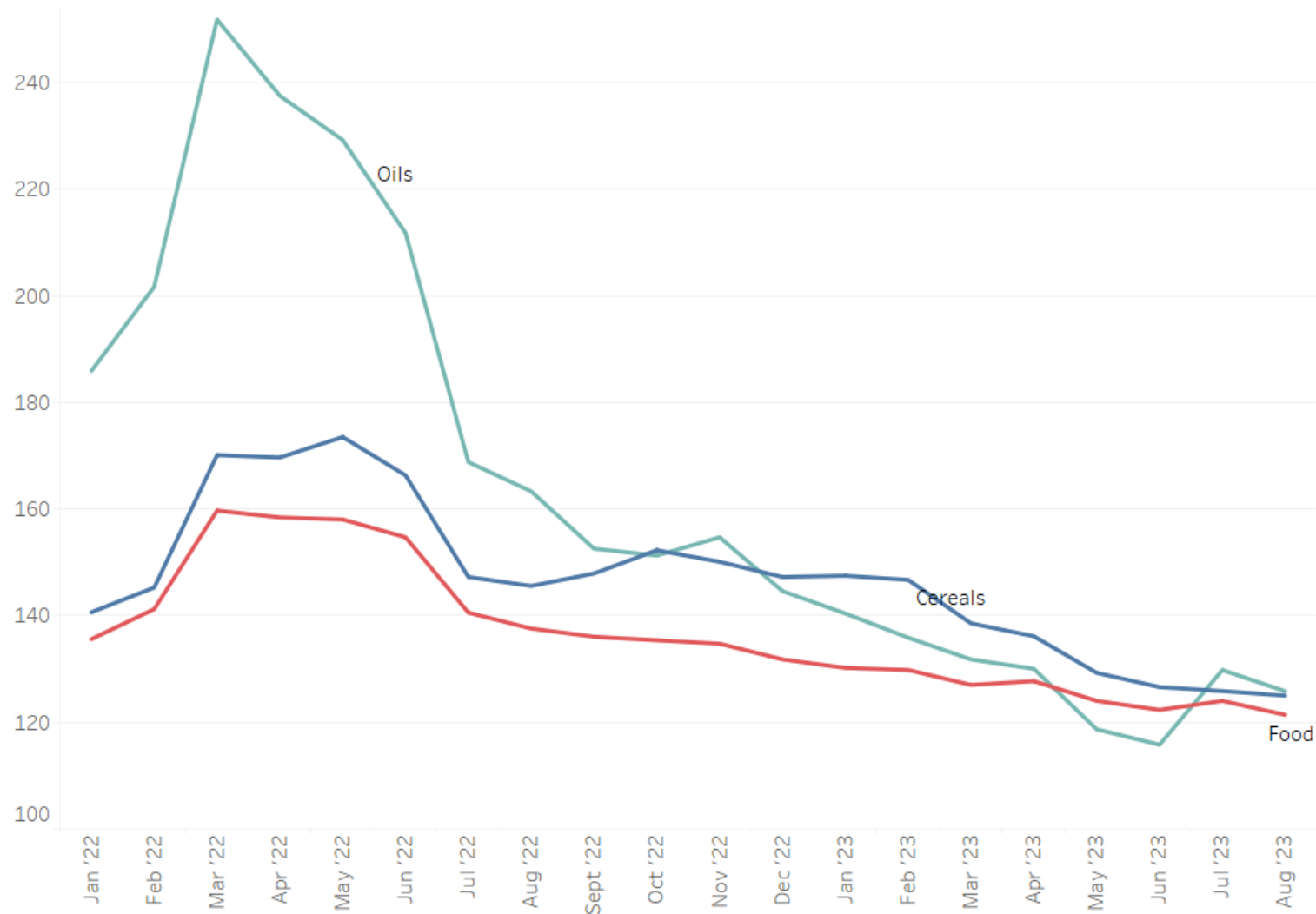


Fig. 2: Food Imports thro' Al Hudaydah & Assalif Ports (Jan - August)

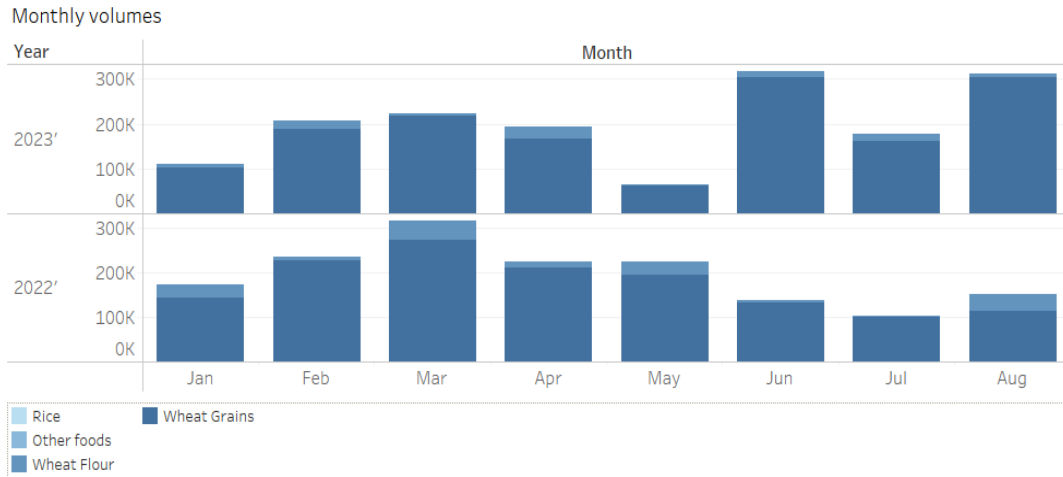
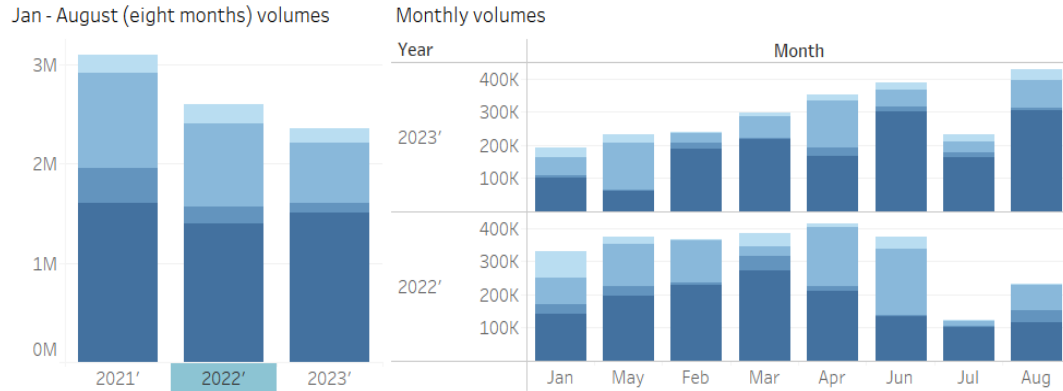


Fig. 3: Fuel Imports thro' Al Hudaydah & Assalif Ports (Jan - August)

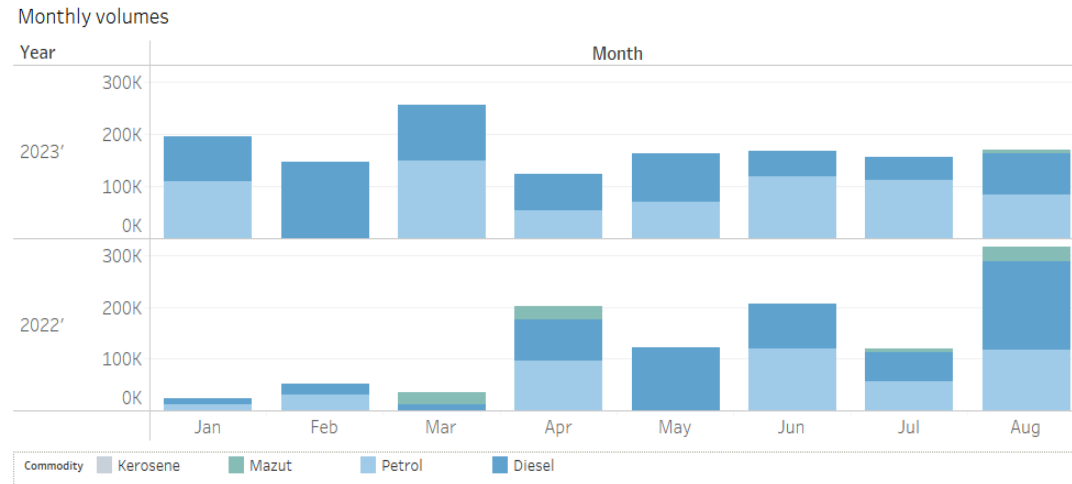
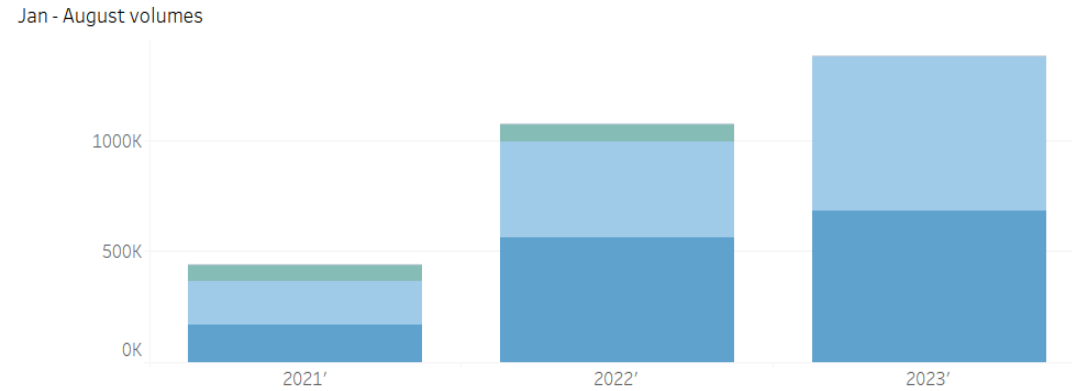


FIGURE 4: Exchange Rates: YER vs. 1US\$

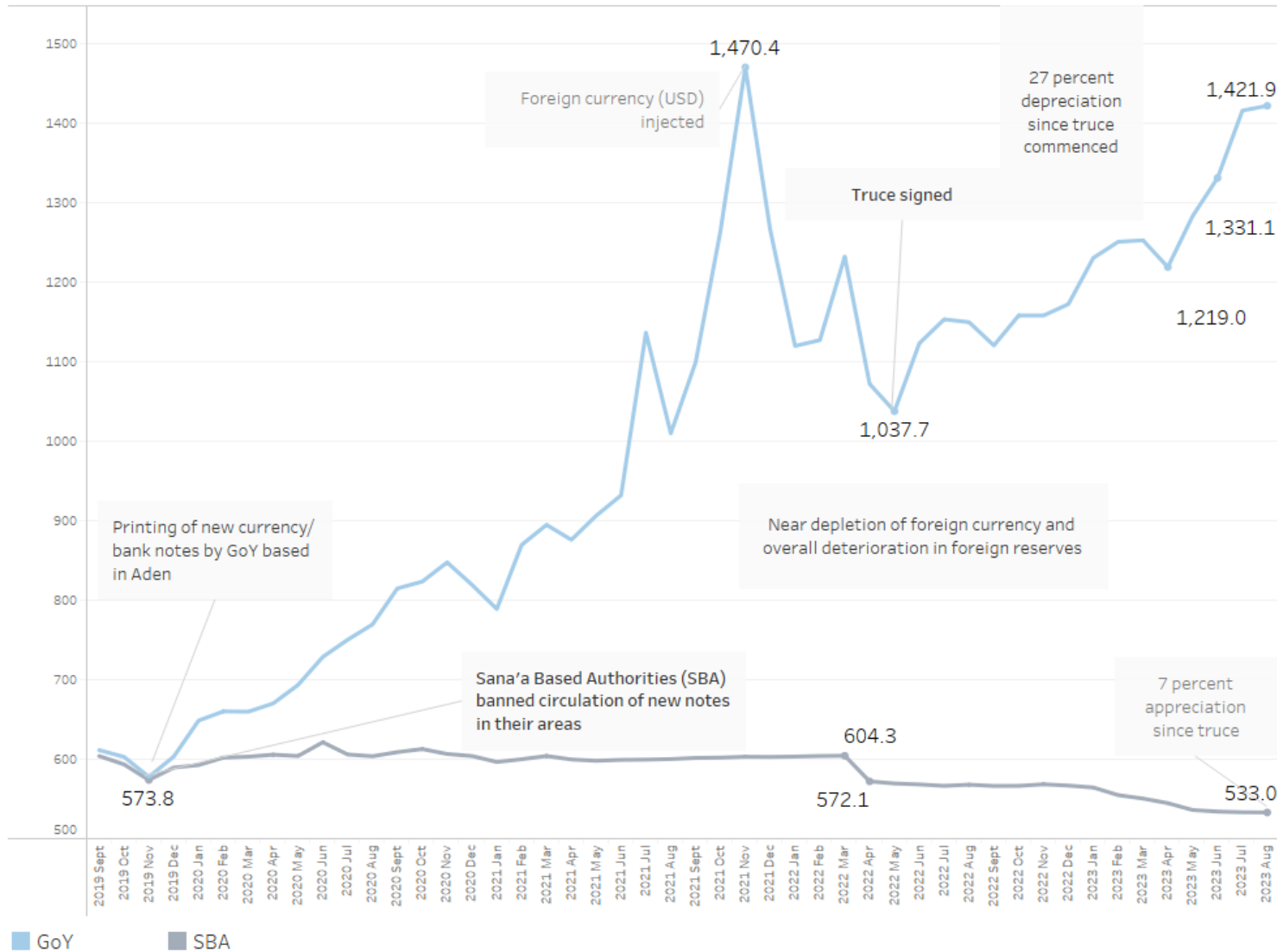


Fig. 4: Global crude oil prices

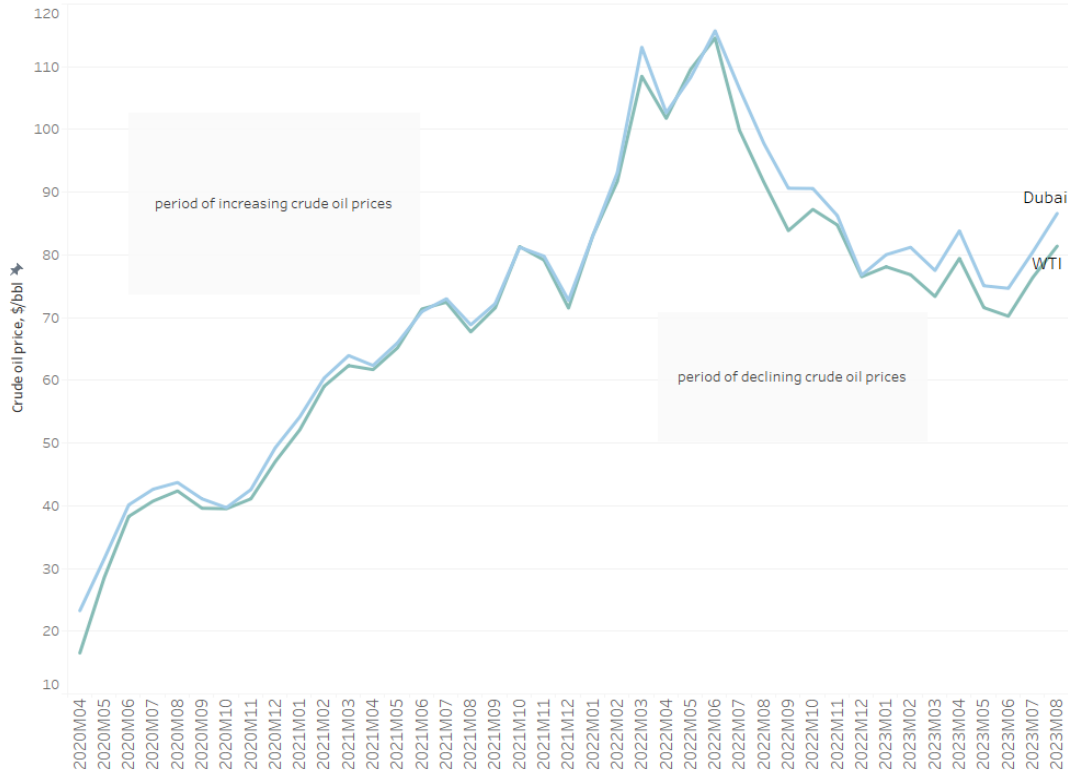


Fig. 5: Diesel Prices in Yemen

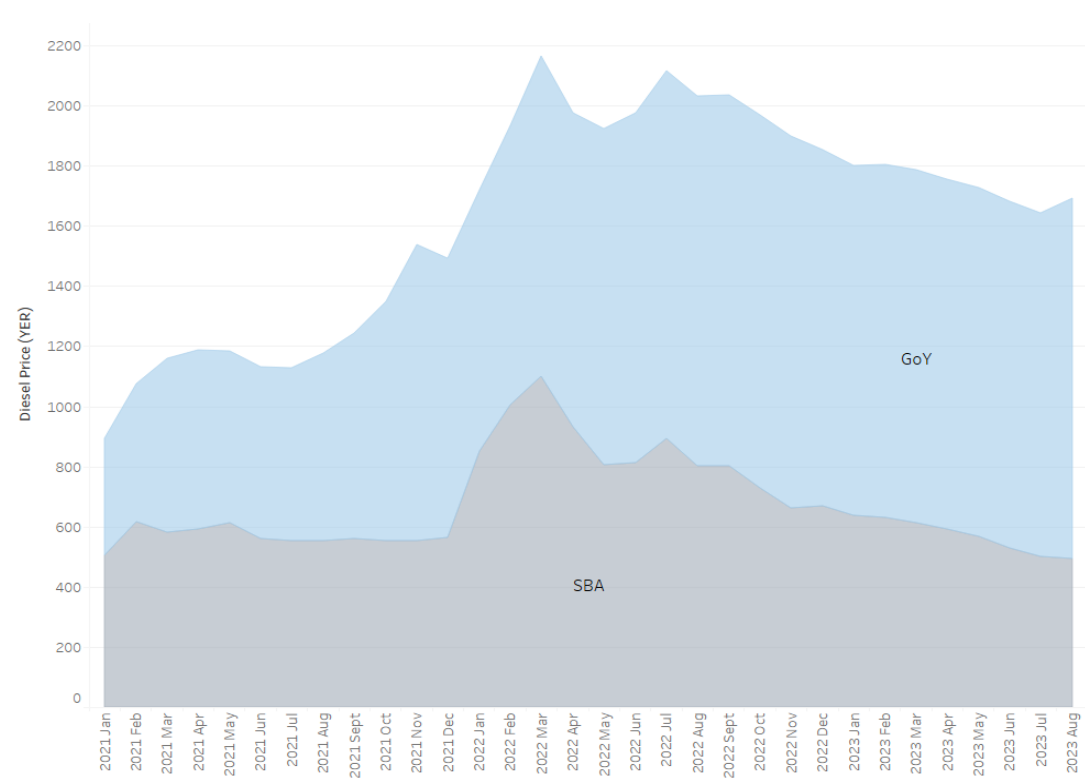


Fig. 6: Minimum Food Basket

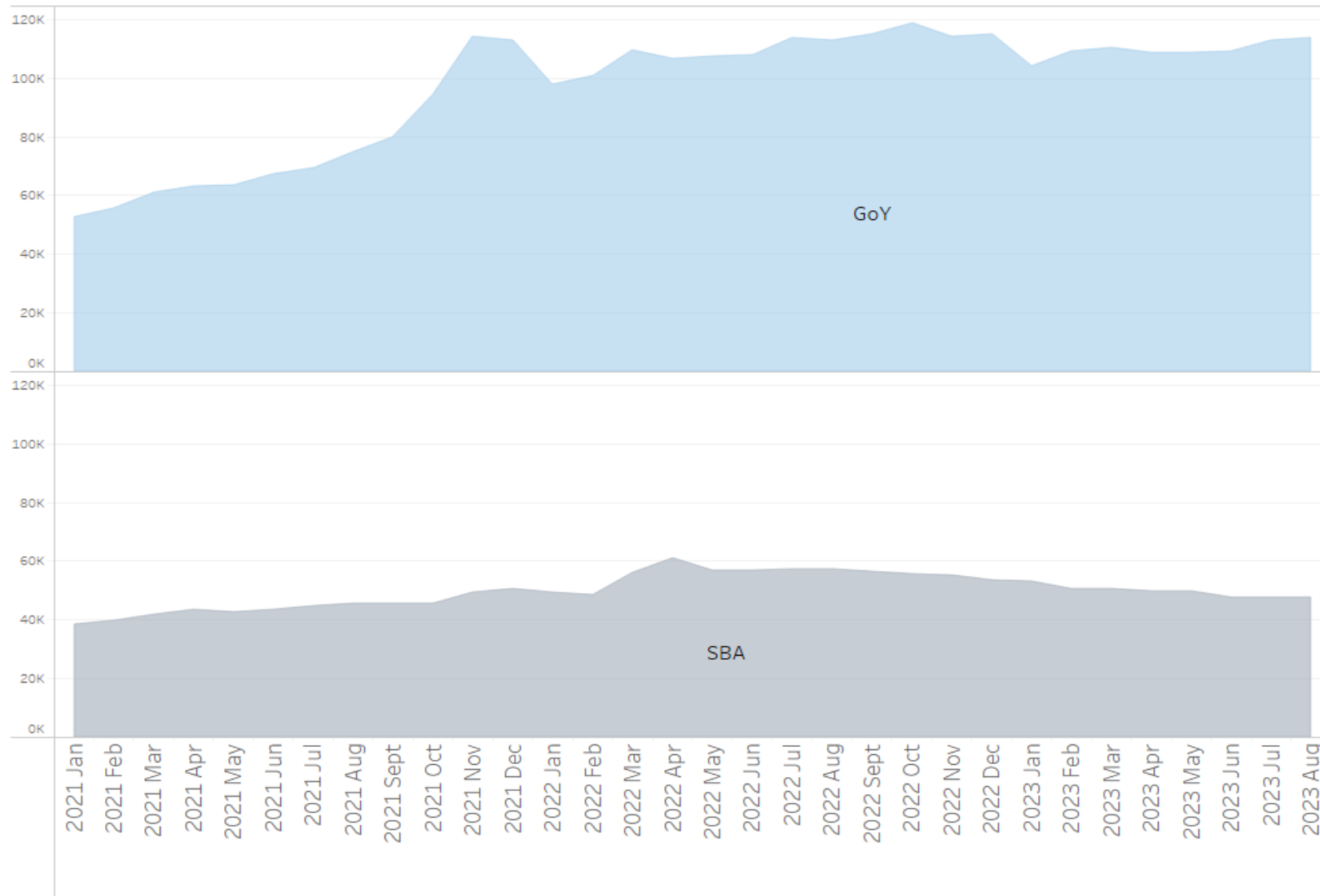


Fig. 8a: Imported wheat flour price variation: August 2023 from the 3-year Average (3-YA)

Fig. 8b: Basmati rice price variation: August 2023 from the 3-year Average (3-YA)

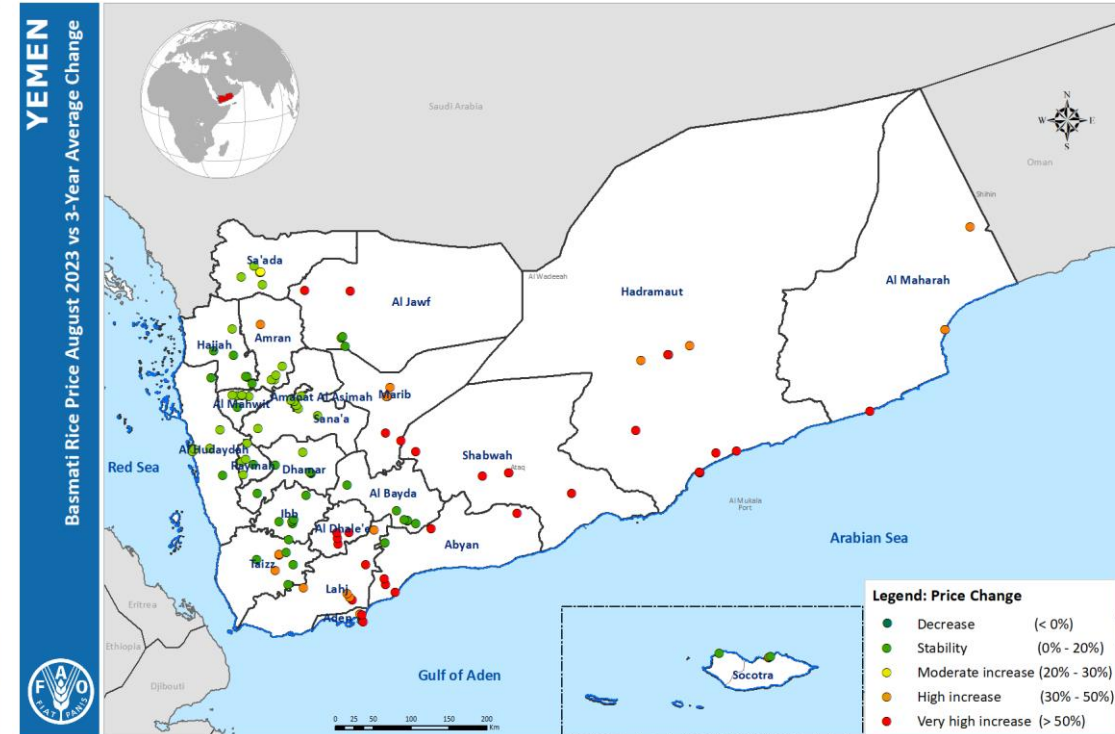
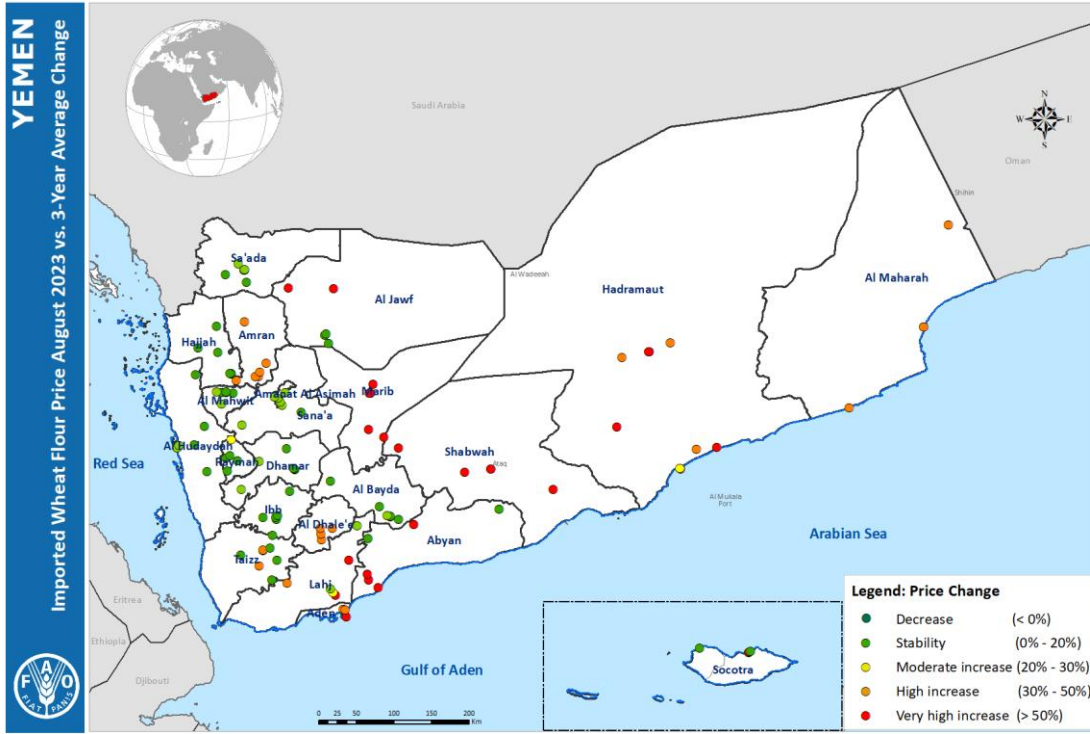


Fig. 8c: Imported sunflower oil prices variation: August 2023 from the 3-year Average (3-YA)

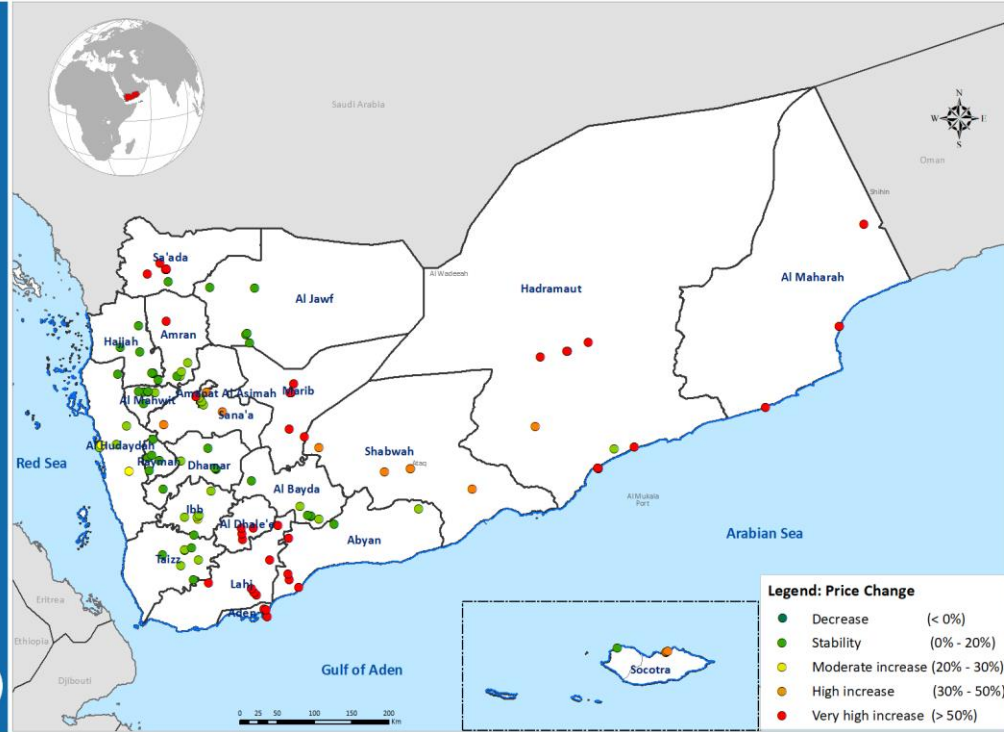
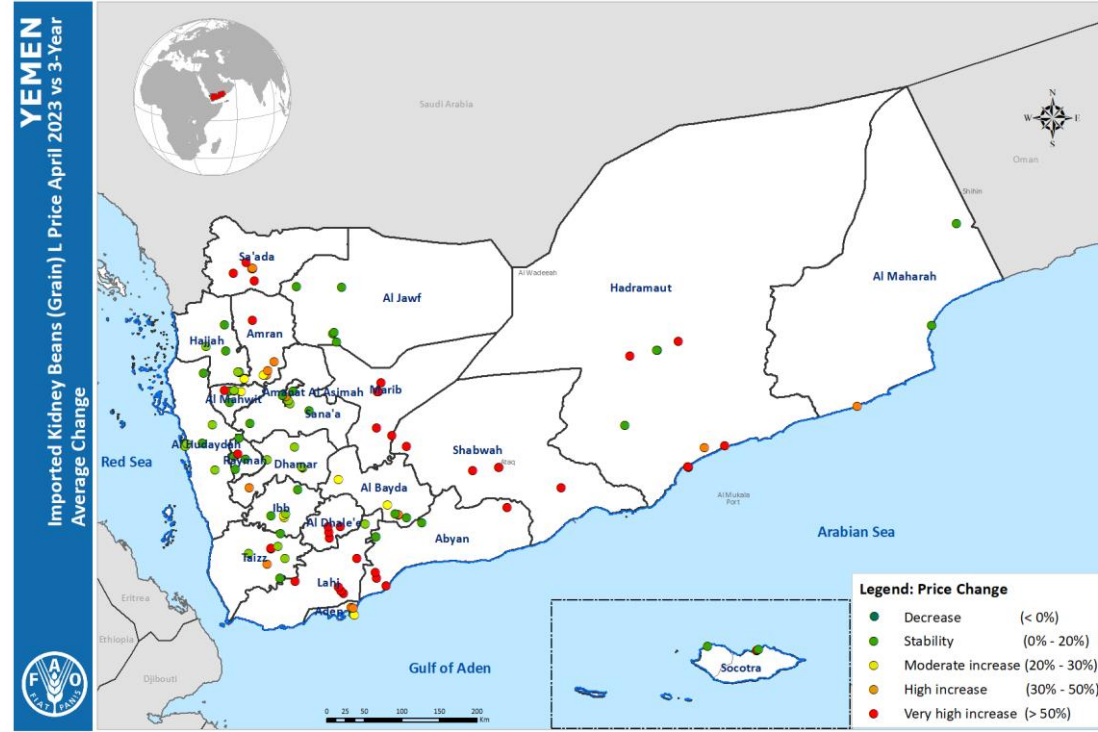


Fig. 8d: Imported kidney beans price variation: August 2023 from the 3-year Average (3-YA)





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