



Jointly produced by:

WFP – Food Security Monitoring and Analysis System

MoAC – Department of Agriculture, Agribusiness Promotion and Marketing

Development Directorate (ABPMDD)

FNCCI – Federation of Nepalese Chamber of Commerce and Industries

CIPF – Consumer Interest Protection Forum

Market Watch

24 October 2008

Highlights

- Food prices have largely continued to rise across Nepal and in some parts have been further affected by the closure of the East-West highway in the Eastern and Far-Western Terai, and the Karnali highway due to floods and landslides.
- Inflation hit 13.5 % up from 7 % recorded last year and this was largely contributed to the rise in food costs.
- Districts in the Mid- and Far-Western Hills and Mountains continue to face significant problems of food insecurity due to high food prices, natural disasters and hindered access to markets.

NATIONAL PRICE DEVELOPMENT

In line with current trends, the price of key commodities continued to rise during September/ October. This was demonstrated in markets across the country. In particular, the price of musuro (broken lentil), black gram and wheat rose in most markets. Following seasonal trends, the price of wheat is likely to continue rising until the next harvest in April. The price of maize which had decreased during last month's harvest period has also started to increase in many markets.

There were some notable exceptions to the general price increase trends. Overall the price of coarse rice has stabilized in most markets. This is most likely attributed to the arrival of early rice in the Terai markets and/or traders selling off their old stocks. The prices of cooking oils (mustard and soyabean) remained overall fairly stable with a slight decrease in the average cost of mustard oil. Chart 1 shows the average national prices of key commodities based on available data among 12 selected markets in the Terai, Hills and Mountains (source: ABPMDD).

Inflation in September reached 13.5 %, up from 7 % last year, which was driven by a substantial increase in the prices of foods and beverages of 14.2%.

MARKETS/COMMODITIES WITH LARGEST PRICE CHANGES

The largest price increases were in musuro, wheat flour and chicken. The price of goat during the Dashain festival was also much higher than the past year, this was caused by a short supply of mountain goat from Tibet and the Eastern Terai due to Koshi floods. A rise in the price of chicken resulted largely from increased demand over Dashain and the reduced import of chicken eggs and broiler from India over the past months due to fear of bird flu. Kathmandu experienced a 23% rise in the price of chicken during the previous month alone. The average price of potato also went up by 22.2%. The price of maize also increased significantly in the Terai districts, and was largely due to increased demand for chicken feed and the ending of the harvest period.

KEY MARKET ISSUES

- The recent fall of international oil prices has led the NOC to lower the domestic price of diesel and petrol. The price of petrol has fallen by 5 rupees to NRs 95 per liter and the cost of diesel for private vehicles has dropped to NRs 70 per liter. However, for

transportation vehicles the existing price of NRs 70 per liter for diesel has not been reduced. Unless the fuel price for transportation vehicles is lowered, it is unlikely that recent announcements will have a significant impact on reducing food prices.

- Supply of commodities is still affected by the continued closure of the East-West highway in the east caused by the Koshi floods. This has particularly impacted the supply and price of fruit during Dashain and Tihar.
- Similarly the availability of ghee (clarified butter) which is consumed in huge quantities during festivals is significantly strained due to a shortage of supply.
- The Karnali highway which closed because of landslides and monsoon conditions is still not open to transport vehicles.
- The food security situation in the next few months will be largely determined by the harvest of paddy, which will soon start in many parts of the country. The degree of impact that this harvest will have on food security across varying markets is not yet known.
- The fair price shops to be set up by the GoN as announced in the budget speech are yet to be established, but these may have a positive impact on food prices and availability.

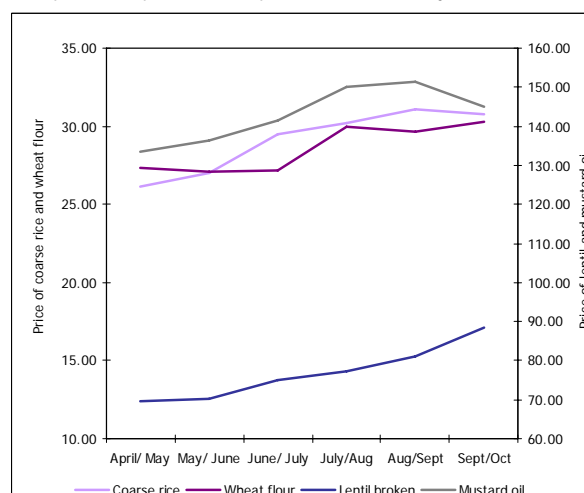


Chart 1: Average prices of key commodities

Largest increases in retail prices of key commodities

District / Commodity	Current price (NRs/kg or L)	% change 1 month	Observation
Kathmandu	Chicken	23.1%	Increased demand and reduced supply of eggs and broiler from India due to fear of bird flu.
	Potato	22.2%	
Jumla	Wheat flour	20.0%	Closure of Karnali highway
	Black gram	36.9%	

Largest decreases in retail prices of key commodities

District / Commodity	Current price (NRs/kg)	% change 1 month	Observation
Jajarkot	Mustard oil	-15.8	Opening of new motorable road from Sallibazar to Chaurjahari
	Wheat	-11.1	
Dhankuta	Mustard oil	-12.22	Lead a nation wide decrease

Source: WFP, Food Security Monitoring and Analysis System

Market Watch is produced by WFP Nepal in collaboration with the Agri-business Promotion and Marketing Development Directorate, Federation of Nepalese Chambers of Commerce and Industries (FNCCI) and Consumer's Interest Protection Forum. This is an initiative to provide timely information and alerts on price and market developments.

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Markets	Major commodities	Current price (NRS/kg or NRS/l)	Change in price (%)*			Average monthly change over		
			1 m	3 m	1 yr	1m	3m	1yr
Major consumer markets								
Kathmandu	Coarse rice	40.0	-1.3	17.6	42.9	▲	▲	▲
	Wheat flour	27.0	1.9	12.5	12.5	▶	▶	▶
	Soya bean oil	127.0	2.4	0.0	49.4	▶	▶	▲
	Musuro	97.0	0.0	14.1	38.6	▶	▶	▲
	Mas (Black gram)	87.0	1.2	19.2	24.3	▶	▶	▲
	Chicken	205.0	23.1	17.1	32.3	▲	▲	▲
	Potato-red	23.0	22.2	76.9	28.1	▲	▲	▼
	Coarse rice	32.0	-4.3	-8.6	45.5	▶	▶	▲
Pokhara	Wheat flour	26.0	-4.5	-13.3	-7.1	▶	▼	▶
	Soya bean oil	135.0	-	-3.6	50.0	-	▶	▲
	Musuro	105.0	16.1	16.7	50.0	▶	▶	▲
	Mas (Black gram)	80.0	1.3	6.7	0.0	▶	▶	▶
	Chicken	250.0	6.8	25.0	38.9	▲	▲	▲
	Potato-red	19.0	-5.0	-5.0	-26.9	▶	▶	▼
Regional Terai markets								
Biratnagar	Coarse rice	25.0	5.4	8.7	20.2	▲	▶	▲
	Wheat flour	27.0	10.4	5.5	4.7	▲	▶	▶
	Soya bean oil	130.0	-	8.3	54.8	-	▶	▲
	Musuro	95.0	8.4	33.4	56.3	▲	▶	▲
	Mas (Black gram)	60.0	3.8	7.1	-23.1	▶	▶	▼
Birgunj	Coarse rice	29.6	6.5	12.5	55.8	▲	▶	▲
	Wheat flour	24.0	-0.8	0.0	4.3	▶	▶	▶
	Soya bean oil	130.0	2.0	8.3	62.5	▶	▶	▲
	Musuro	95.0	3.6	24.0	48.4	▶	▶	▲
	Mas (Black gram)	74.6	12.0	13.0	-5.6	▲	▶	▶
Nepalgunj	Coarse rice	20.0	-7.6	-11.1	0.0	▼	▼	▶
	Wheat flour	21.0	21.6	3.3	31.3	▲	▶	▲
	Soya bean oil	130.0	-	5.4	44.4	-	▶	▲
	Musuro	84.0	7.6	26.0	44.8	▶	▶	▲
	Mas (Black gram)	65.0	-11.7	10.8	30.0	▼	▶	▲
Dhangadhi	Coarse rice	-	-	-	-	-	-	-
	Wheat flour	25.0	12.4	10.6	13.6	▲	▶	▶
	Soya bean oil	95.0	-	52.5	5.6	-	▶	▶
	Musuro	71.0	20.0	7.6	26.8	▶	▶	▲
	Mas (Black gram)	105.0	5.0	27.7	31.3	▶	▶	▲
Bhatrahawa	Coarse rice	26.0	-8.9	0.0	23.8	▼	▶	▲
	Wheat flour	26.0	6.3	4.0	13.0	▲	▶	▶
	Soya bean oil	125.0	-	1.6	38.9	-	▶	▲
	Musuro	90.0	11.3	16.9	40.6	▶	▶	▲
	Mas (Black gram)	62.0	-4.6	3.3	-13.9	▶	▶	▶

* Price comparisons are based on available data. Data received after last months market watch cut off date has been incorporated into the previous month prices as applicable.

- ▲ Price increase above normal price fluctuation
- ▶ Normal price fluctuation
- ▼ Price decrease below normal price fluctuation

Price fluctuation is considered normal if the price change is within 5% for 1 month, or within 10% for 3 months or within 15% for one year.

Markets	Major commodities	Current price (NRS/kg or NRS/l)	Change in price (%)*			Average monthly change over		
			1 m	3 m	1 yr	1m	3m	1yr
Hill and Mountain markets with road access								
Dhankuta	Coarse rice	29.0	-1.7	0.0	26.1	▶	▶	▲
	Wheat flour	30.0	3.4	-3.2	30.4	▶	▶	▲
	Soya bean oil	135.0	-1.8	-10.0	-	▶	▶	-
	Musuro	90.0	2.9	12.5	38.5	▶	▶	▲
	Mas (Black gram)	85.0	-2.8	21.4	21.4	▶	▶	▲
Rolpa	Coarse rice	-	-	-	-	-	-	-
	Wheat flour	-	-	-	-	-	-	-
	Soya bean oil	-	-	-	-	-	-	-
	Musuro	-	-	-	-	-	-	-
	Mas (Black gram)	-	-	-	-	-	-	-
Santebagar	Coarse rice	-	-	-	-	-	-	-
	Wheat flour	-	-	-	-	-	-	-
	Soya bean oil	-	-	-	-	-	-	-
	Musuro	-	-	-	-	-	-	-
	Mas (Black gram)	-	-	-	-	-	-	-
Jumla	Coarse rice	45.0	0.0	28.6	0.0	▶	▶	▶
	Wheat flour	67.0	20.0	45.7	48.9	▲	▶	▶
	Soya bean oil	185.0	-	32.1	54.2	-	▶	▶
	Musuro	85.0	3.1	-3.4	6.3	▶	▶	▶
	Mas (Black gram)	119.0	36.9	48.8	48.8	▲	▶	▶
Potato-red	45.0	0.0	28.6	0.0	▶	▶	▶	
Hill and Mountain markets without road access								
Humla	Coarse rice	40.0	0.0	14.3	-	▶	▶	-
	Wheat flour	150.0	0.0	-	-	▶	-	-
	Soya bean oil	280.0	0.0	12.0	-	▶	▶	-
	Musuro	210.0	5.0	23.5	-	▶	▶	-
Dolpa	Coarse rice	80.0	0.0	6.7	-	▶	▶	-
	Wheat flour	90.0	-10.0	0.0	-	▼	▶	-
	Soya bean oil	-	-	-	-	-	-	-
	Musuro	140.0	-	-	-	-	-	-
Bajura	Coarse rice	140.0	0.0	16.7	-	▶	▶	-
	Coarse rice	-	-	-	-	-	-	-
	Wheat flour	-	-	-	-	-	-	-
	Mustard oil	-	-	-	-	-	-	-
Musuro	-	-	-	-	-	-	-	
Mas (Black gram)	-	-	-	-	-	-	-	
Beans	-	-	-	-	-	-	-	