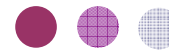


# Market Watch - 16



**Market Watch**  
July 2009<sup>†</sup>

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

## WITH SPECIAL SUPPLEMENT ON FRUIT & VEGETABLE PRICE DEVELOPMENTS

### HIGHLIGHTS

- The price of most staple food commodities increased slightly during July. The price of rice increased on average by 3 percent, black gram by 7 percent, lentils by 2 percent and the price of wheat increased by 1 percent.
- In recent months the prices of vegetables and fruits have increased significantly across Nepal due to reduced supply. The average price of potato in Nepal is more than double last year's price. Cabbage cost now almost 5 times as much as one year ago.
- Monsoon rainfall has started to impact many districts and the damage caused to roads by heavy rain and landslides is hampering supply, particularly in some Hill and Mountain districts, including Karnali.

### NATIONAL MARKET DEVELOPMENTS

#### Price

- The price of most staple food commodities increased slightly during July. The price of rice increased on average by 3 percent, black gram by 7 percent, lentils by 2 percent and the price of wheat increased by 1 percent. Price increases are common at this time of year as Nepal is between agricultural harvest seasons. However, prices are particularly high across Nepal due to the recent winter drought and are likely to continue to rise until the next harvest in September/October.
- The prices of fruits and vegetables have increased sharply across Nepal due to reduced supply. This is largely due to the winter drought, which hampered production, however the situation is being exasperated by strikes and bandhs which are regularly blocking supply between the Terai and Kathmandu, and causing produce to spoil. The price of potato is currently more than double the price of last year.
- Cooking oil prices are continuing to decrease gradually following the very high price peaks towards the end of 2008. Compared to last month, mustard oil is down by 3 percent nationally and soybean oil is down by 4 percent.
- The price of chicken in major consumer markets fell by around 3 percent this month. However, towards the end of the month poultry entrepreneurs in Kathmandu announced that the price of chicken would increase by NRs 5 (live) and NRs 7 (processed) per kg and this will likely increase August prices.

#### Supply

- The supply of fresh fruit and vegetables has decreased significantly. In the Kalimati Fruit and Vegetable Market in Kathmandu, average daily supply of vegetables, fruits, fish and spices combined has reportedly declined by half compared to last year; down by around 300 tons a day. This is largely due to poor harvests.
- Heavy rainfall and landslides associated with the monsoon have started to severely impair food supply in various Hill and Mountain villages. This has affected districts in the Mid-West dependent on their food supply via the Karnali Highway. Other districts hard hit by monsoon rains include: Syangja, Tanahun and Rautahat.

### MARKET OUTLOOK

- It is likely that heavy rainfall will continue to cause supply difficulties in Mountain and Hill markets across Nepal until the end of monsoon.

### MARKETS/ COMMODITIES WITH LARGEST CHANGE

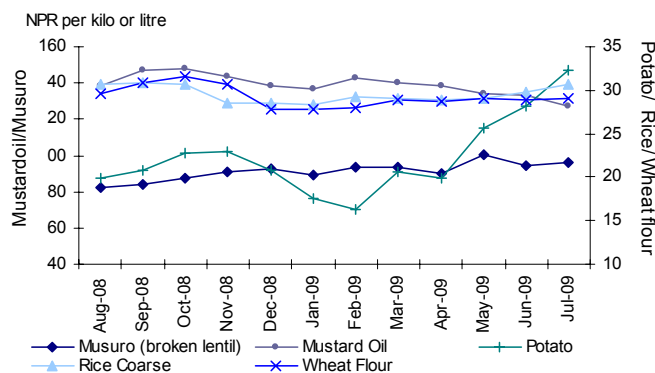
#### Largest decreases in retail prices of key commodities

District or Commodity	Price NRs/kg/L	% change 1 month	Observation
Mustard oil	Ave. 128/L	-4%	Prices of oil products have decreased regionally. Oil supply has improved across Nepal.
Soybean oil	Ave. 108/L	-6%	

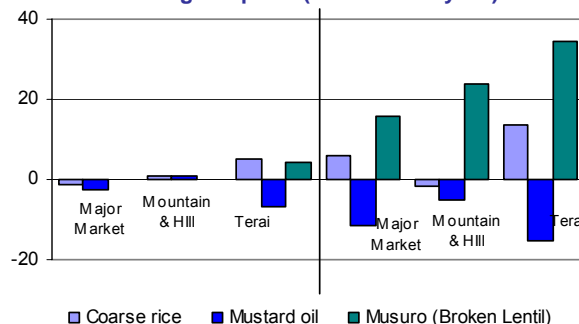
#### Largest increases in retail prices of key commodities

District or Commodity	Price NRs/kg/L	% change 1 month	Observation
Potato Nationally	Ave. 32/kg	15%	Reduced potato harvest due to winter drought has caused the potato price to rise across the country.

#### Average price over 12 month period\*



#### % Change in price (1 month & 1 year)\*\*



<sup>†</sup> Prices relate to the second half of Nepali month of Asadh.

\* Prices are taken from markets listed on the back of this report, not including 'Hill & Mountain No Road' markets.

\*\* Change in price considers all markets shown in this report



## FRUIT AND VEGETABLE MARKET PRICE DEVELOPMENTS

The country witnessed rapid rise in vegetable and fruit prices in recent months and compared to one year ago. This is the case for whole sale and retail prices.

### General Observation

- The prices of vegetables have increased rapidly in most markets. The prices of red potato, tomato (big), cabbage and cauliflower in Kathmandu have increased significantly by 57, 78, 147 and 54% respectively in the past three months.
- The prices of fruits have also increased dramatically. In Kathmandu, the prices of apple and banana have gone up by 42 and 14% respectively in the past three months.
- It is normal to have fluctuation in the prices of fruits and vegetables depending on the harvesting periods. However, recent rises in the prices have been far above normal seasonal fluctuations.
- Data presented in figure 1 and 2 for prices in Kathmandu have been smoothed out by taking a 2-month moving average. This takes account of the short-term price fluctuations due to for example bandhs and strikes and seasonality.
- Compared to the same month one year ago, the retail prices of red potato, tomato(big), cauliflower and dry onion have increased by 154, 90, 103 and 32% respectively. In Kathmandu a cabbage cost now almost 5 times as much as one year ago.
- Similarly, fruit prices, including apple and banana, have gone up by 80 and 14%, respectively.
- Figure 3 presents the whole sale price increases over a period of one year for selected fruit and vegetables in Kathmandu's main whole sale market, Kalimati. Whole sale prices show a similar pattern as retail prices; five out of the seven presented commodities have more than doubled in price.

### Key Factors Causing Price Increases

Poor crop production caused by drought has been the main reason for reduced supply in the consumer markets. Bandhs and strikes have further exacerbated the supply situation. Poor supply, increasing demand and imperfect market mechanisms are believed to underlie the price increases.

### Food Security Implications

Fruit and vegetables form an essential part of a healthy and nutritious diet. Food price rises as seen in the past months are particularly worrisome for the poor who have limited purchasing power. The urban poor are especially vulnerable and with these recent price increases a deterioration in their diet with obvious nutritional implications can be expected.

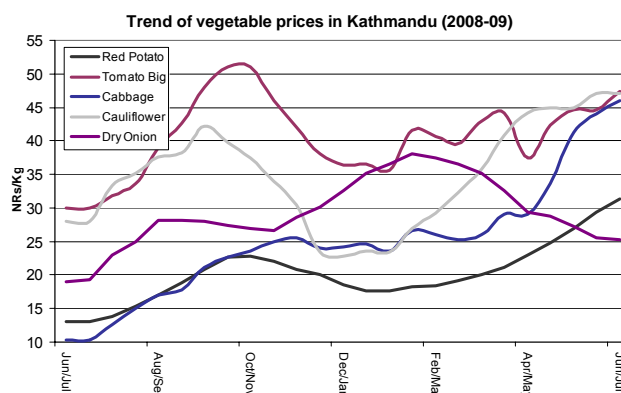


Figure 1 – Development of retail vegetable prices in Kathmandu over the past one year (ABPMDD data)

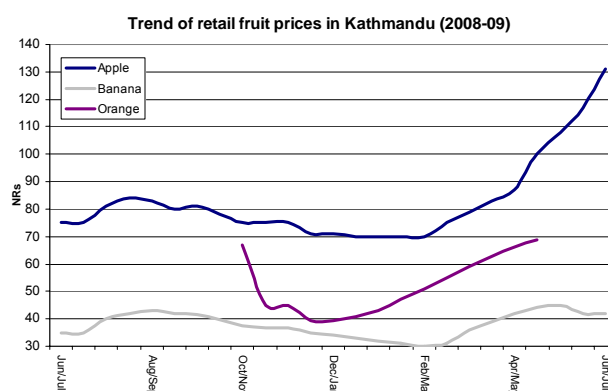


Figure 2 – Development of retail fruit prices in Kathmandu over the past one year (ABPMDD data)

### Whole sale Price Increase July 08 compared to July 09

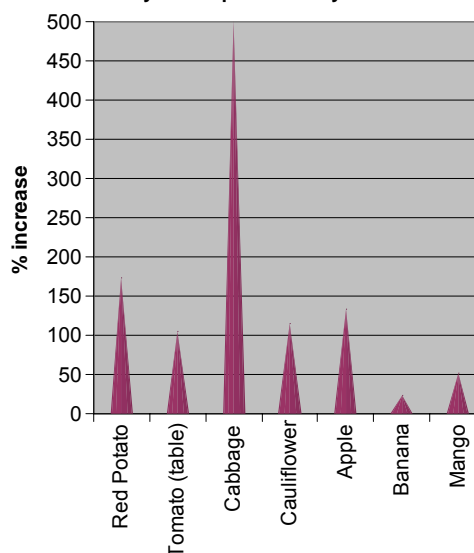


Figure 3 – Whole sale price increases in Kathmandu's main whole sale market (FNCCI data)



Market	Commodity	Current price (NRs per Kg/Lt.)	Change in price (%)*			Average monthly change over			
			1 m	3 m	1 yr	1m	3m	1yr	
<b>Major consumer markets</b>									
Kathmandu	Coarse rice	37.0	-2.6	0.0	8.8	▶	▶	▶	
	Wheat flour	27.0	0.0	0.0	12.5	▶	▶	▶	
	Soybean oil	87.0	-10.3	-3.3	-31.5	▼	▶	▼	
	Chicken	240.0	0.0	17.1	20.0	▶	▶	▶	
	Mustard oil	113.0	-5.0	-16.3	-16.3	▼	▶	▼	
	Mas (black gram)	84.0	1.2	-1.2	15.1	▶	▶	▶	
	Musuro	97.0	0.0	-3.0	14.1	▶	▶	▶	
	Potato - red	33.0	10.0	57.1	153.8	▶	▶	▶	
	Potato - red	36.0	0.0	2.9	2.9	▶	▶	▶	
Pokhara	Wheat flour	28.0	0.0	0.0	-6.7	▶	▶	▶	
	Soybean oil	125.0	4.2	13.6	-7.4	▶	▶	▶	
	Chicken	240.0	-20.0	20.0	50.0	▼	▶	▶	
	Mustard oil	140.0	0.0	0.0	-6.7	▶	▶	▶	
	Mas (black gram)	90.0	0.0	12.5	20.0	▶	▶	▶	
	Musuro I	100.0	0.0	2.0	17.6	▶	▶	▶	
	Potato - red	36.0	0.0	50.0	80.0	▶	▶	▶	
	<b>Regional Terai markets</b>								
	Biratnagar	Coarse rice	24.0	0.0	6.7	4.3	▶	▶	▶
Wheat flour		22.0	-8.3	-12.0	-14.1	▼	▼	▶	
Soybean oil		90.0	-8.2	-19.6	-25.0	▼	▶	▼	
Chicken		220.0	-16.7	22.2	57.1	▼	▶	▶	
Mustard oil		120.0	9.1	-4.0	-9.8	▶	▶	▶	
Mas (black gram)		68.0	-4.5	-2.9	21.4	▶	▶	▶	
Musuro		96.0	12.9	17.1	34.8	▶	▶	▶	
Potato - red	34.2	29.5	185	289	▶	▶	▶		
Birgunj	Coarse rice	NA	-	-	-	-	-	-	
	Wheat flour	24.4	4.3	6.1	1.7	▶	▶	▶	
	Soybean oil	90.0	-5.3	-18.2	-25.0	▼	▶	▼	
	Chicken	250.0	25.0	38.9	-	▶	▶	-	
	Mustard oil	107.0	-2.7	-10.8	-17.7	▶	▶	▶	
	Mas (black gram)	74.8	6.9	1.1	16.0	▶	▶	▶	
	Musuro	95.0	5.6	5.6	27.0	▶	▶	▶	
Potato - red	26.0	18.2	85.7	85.7	▶	▶	▶		
Nepalgunj	Coarse rice	27.2	3.1	13.1	20.7	▶	▶	▶	
	Wheat flour	22.9	1.0	-0.4	12.6	▶	▶	▶	
	Soybean oil	110.0	0.0	-4.3	-10.8	▶	▶	▶	
	Chicken	300.0	50.0	66.7	87.5	▶	▶	▶	
	Mustard oil	130.0	0.0	8.3	-2.5	▶	▶	▶	
	Mas (black gram)	83.5	1.8	19.3	42.3	▶	▶	▶	
	Musuro	93.8	0.6	25.1	40.7	▶	▶	▶	
Potato - red	27.0	22.7	68.8	80.0	▶	▶	▶		
Dhangadhi	Coarse rice	28.0	9.8	12.0	21.0	▶	▶	▶	
	Wheat flour	22.0	-4.3	-4.3	-2.3	▶	▶	▶	
	Soybean oil	90.0	-14.3	-21.7	44.8	▼	▶	▶	
	Chicken	280.0	40.0	51.4	57.3	▶	▶	▶	
	Mustard oil	100.0	-9.1	-23.1	-20.6	▼	▶	▶	
	Mas (black gram)	90.0	12.5	9.8	9.6	▶	▶	▶	
	Musuro	94.0	-1.1	-1.1	42.4	▶	▶	▶	
Potato - red	35.0	16.7	169	129	▶	▶	▶		

Market	Commodity	Current price (NRs per Kg/Lt.)	Change in price (%)*			Average monthly change over		
			1 m	3 m	1 yr	1m	3m	1yr
Bhairahawa	Coarse rice	28.0	7.7	16.7	7.7	▶	▶	▶
	Wheat flour	22.0	-8.3	-8.3	-12.0	▼	▶	▶
	Soybean oil	95.0	-5.0	-20.8	-21.8	▶	▶	▶
	Chicken	N/A	-	-	-	-	-	-
	Mustard oil	110.0	-31.3	-26.7	-26.7	▼	▶	▶
	Mas (black gram)	105.0	59.1	50.0	75.0	▶	▶	▶
	Musuro	98.0	3.2	8.9	27.3	▶	▶	▶
	Potato - red	25.0	4.2	31.6	108	▶	▶	▶
<b>Hill and mountain markets with road access</b>								
Dhankuta	Coarse rice	25.0	0.0	0.0	-15.3	▶	▶	▶
	Wheat flour	29.0	3.6	3.6	-4.9	▶	▶	▶
	Soybean oil	110.0	-8.3	-8.3	-24.9	▼	▶	▶
	Chicken	NA	-	-	-	-	-	-
	Mas (black gram)	85.0	-5.6	0.0	17.2	▶	▶	▶
	Musuro	100.0	0.0	2.0	25.0	▶	▶	▶
	Potato - red	30.0	0.0	50.0	100	▶	▶	▶
Rolpa	Coarse rice	28.0	3.7	5.7	7.7	▶	▶	▶
	Wheat flour	33.0	0.0	3.1	37.5	▶	▶	▶
	Soybean oil	135.0	3.8	2.3	12.5	▶	▶	▶
	Chicken	200.0	0.0	0.0	-	▶	▶	-
	Mas (black gram)	92.0	15.0	2.2	46.0	▶	▶	▶
	Musuro	100.0	0.0	3.1	37.0	▶	▶	▶
	Potato - red	30.0	20.0	20.0	66.7	▶	▶	▶
Santefebagar	Coarse rice	28.0	0.0	-3.4	-28.2	▶	▶	▶
	Wheat flour	30.0	0.0	-6.3	3.4	▶	▶	▶
	Soybean oil	NA	-	-	-	-	-	-
	Chicken	250.0	0.0	26.3	21.4	▶	▶	▶
	Mas (black gram)	90.0	0.0	5.9	28.6	▶	▶	▶
	Musuro	100.0	0.0	13.6	42.9	▶	▶	▶
	Potato - red	40.0	14.3	33.3	0.0	▶	▶	▶
Jumla	Coarse rice	45.0	0.0	0.0	28.6	▶	▶	▶
	Wheat flour	60.0	9.1	20.0	30.4	▶	▶	▶
	Soybean oil	150.0	0.0	0.0	7.1	▶	▶	▶
	Chicken	200.0	-28.6	-25.9	14.3	▼	▶	▶
	Mas (black gram)	70.0	0.0	0.0	-12.5	▶	▶	▶
	Musuro	80.0	0.0	0.0	-9.1	▶	▶	▶
	Potato - red	40.0	33.3	60.0	100	▶	▶	▶
<b>Hill and Mountain markets without road access</b>								
Humla	Coarse rice	32.0	0.0	8.6	-8.6	▶	▶	▶
	Wheat flour	230	43.8	43.8	-	▶	▶	-
	Soybean oil	320	0	0	-	▶	▶	-
	Beans	60	9.1	20	-	▶	▶	-
	Potato	60	50	50	-	▶	▶	-
Doiipa	Prices not collected this month							
	Bejura	Prices not collected this month						

- ▲ 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.

\* This is the price of NFC subsidized rice, as there is virtually no other stock available.