



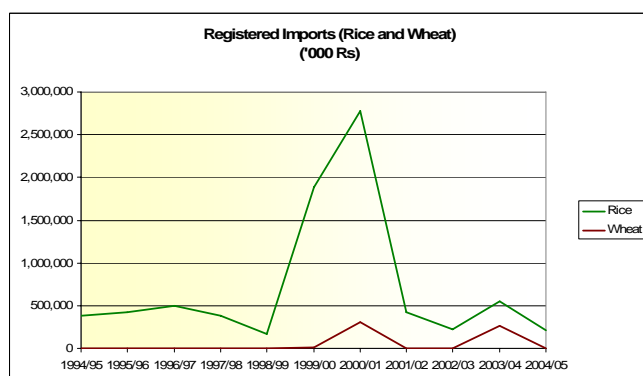
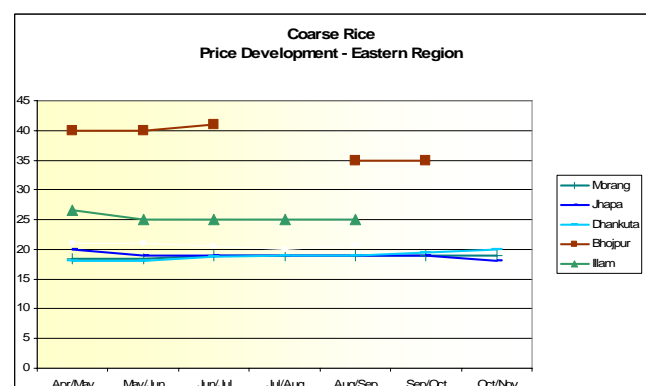
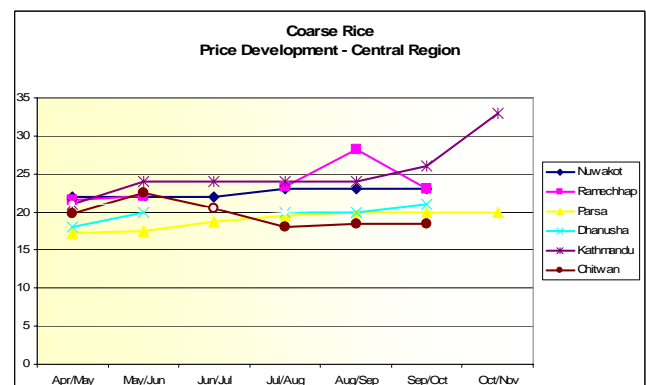
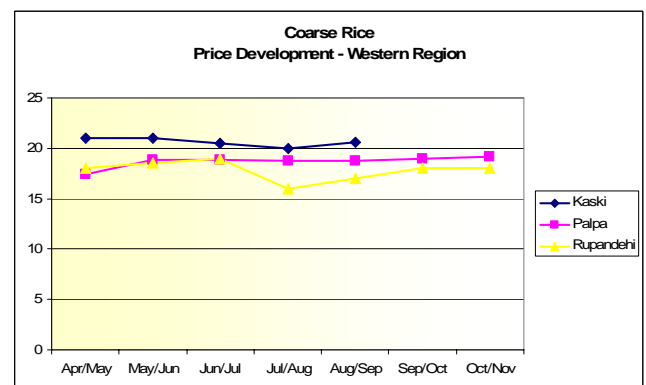
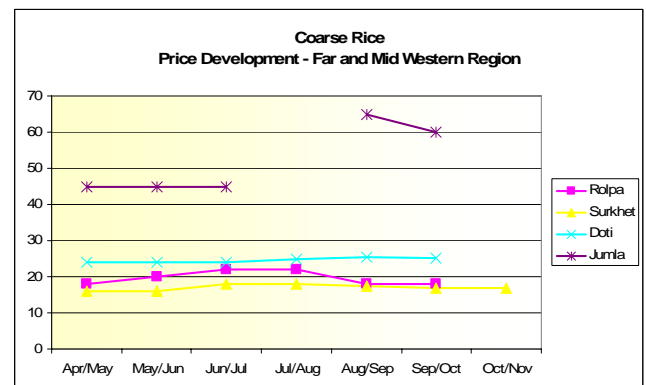
Overview of market developments

The price development of key commodities and inputs provide a direct indication of food security and vulnerability in different regions of the country. The Food Security Monitoring and Analysis System collects and analyses price and market information in 34 districts in the country. This Market Update is the first issue that presents a selection of key price and market indicators collected during the monitoring cycle October – November 2006 as well as price information collected through the Agricultural Marketing Information System of the Agri-Business Promotion and Marketing Development Directorate of the Department of Agriculture.

PRICE DEVELOPMENT OF COARSE RICE

Rice is the main cereal crop in Nepal. It contributes about 55% to national cereal production and is the main staple food for many households, particularly in the Terai and Hill Regions. Coarse rice is the staple for a large part of the poorer segment of the population and therefore its price development is a key indicator for monitoring the national food security status. Graph 1 on the right shows the price development of coarse rice by Development Region.

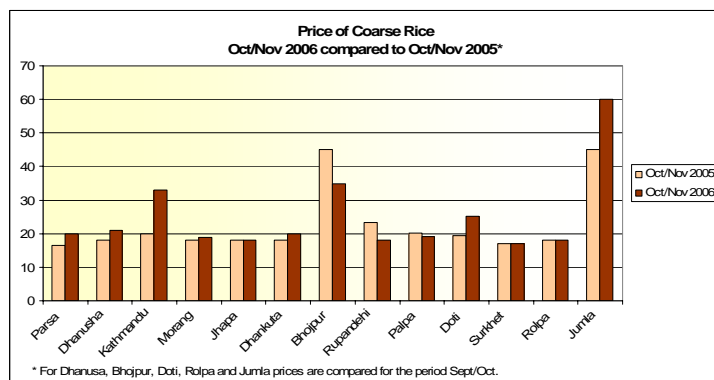
Despite the drought conditions that severely affected the paddy production in the Eastern Terai, rice prices in the Terai have remained stable at around Rs 20/kg. This indicates that markets in the Terai are well integrated and that rice is flowing through private channels from surplus producing areas to deficit areas. In addition, coarse rice imported from India has a stabilizing effect on the market prices. However, due to the extent of informal rice imports along the porous border with India, the exact amount of rice imports are unknown. Graph 2, shows the amount of official rice and wheat imports in value terms since 1994/95.



Despite consistent prices in the Terai, the price of coarse rice in Kathmandu, the main consumer centre, has increased sharply from Rs 24/kg in August/September to Rs 33/kg in October/November, reflecting an increased scarcity of coarse

rice caused by the drought conditions. Prices in the Hill and Mountain areas are higher than in the Terai due to transportation costs. In Jumla, the price differential has increased substantially from 2.2 to 3 times that over prices in Terai markets.

Compared to last year, the price of coarse rice has jumped from Rs 20/kg to Rs 33/kg, Rs 20/kg to Rs 25/kg and Rs 45/kg to Rs 60/kg in Kathmandu, Doti and Jumla, respectively. A slight price increase can be observed in Parsa, Dhanusha, Morang and Dhankuta, while in the other districts for which data are available, the price has remained constant or has declined (see graph 3).



FARM GATE PRICES OF SUMMER CROPS

Table 1 shows farm gate prices for paddy and maize collected by the field teams of the joint crop assessment mission conducted by Ministry of Agriculture and Co-operatives, with support from WFP and FAO, for 12 districts.

The price of paddy compared to last year has increased considerably in drought affected districts due to substantial decrease in paddy production. In the Eastern Terai districts, Siraha and Saptari, where the paddy crop losses were very high, the paddy price increased by 42.8 and 66.6% respectively, compared to last year. In Udayapur, paddy prices increased by 20%.

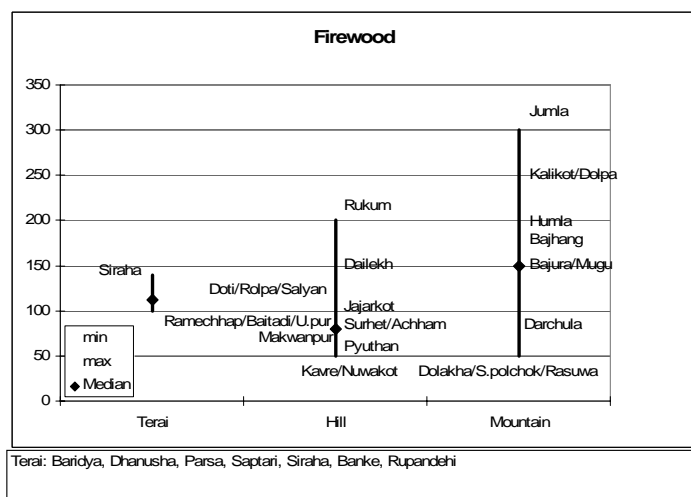
At the national level the maize production was not affected by the drought. In several districts, maize prices have however increased compared to last year. In Banke, the flood in the last week of August damaged the standing crop. Consequently, prices are much higher this year than during the same period in 2005. In the southern part of Dolpa, maize production decreased sharply due to the drought which has translated to a price increase of 25% compared to last year.

**Farm gate prices (summer crops)
Selected Districts (Rs / Quintel)**

District	Paddy			Maize		
	Nov'06	Last yr	%	Nov'06	Last yr	%
Siraha	1000	700	42.8	1300	1000	30
Saptari	1000	600	66.6	1200	1000	20
Udayapur	1200	1000	20	1000	950	5.2
Dhanusha	1150	1000	15	1200	1000	20
Banke	950	900	5.5	1050	850	23.5
Bardiya	940	825	13.9	1125	1030	9.2
Dang	1150	1025	12.1	1125	1100	2.2
Surkhet	900	825	9.0	1200	1200	0
Dailekh	1350	1200	12.5	1200	1200	0
Pyuthan	1000	1000	0	1500	1300	15.3
Dolpa	n/a	n/a		5000	4000	25.0
Doti	1450	1350		1800	1700	

FUEL PRICES

The price of firewood is an important livelihood indicator. Collection and selling of firewood provide an income and coping strategy for many poor households in rural Nepal. The Food Security Monitoring System collects price data of firewood sold in the market. At this stage, no time series data are available. Graph 4 provides an overview of the spatial range of firewood prices as collected by the field monitors during the September-October monitoring cycle. In general, firewood is cheapest in the Hills but prices vary much more from one district to the next compared to the Terai, where the median price is slightly higher at Rs 120 per bundle. The median price in the Mountain zone is Rs 150 per bundle but the price of firewood goes as high as Rs 300 in Jumla.





RURAL LABOUR MARKETS

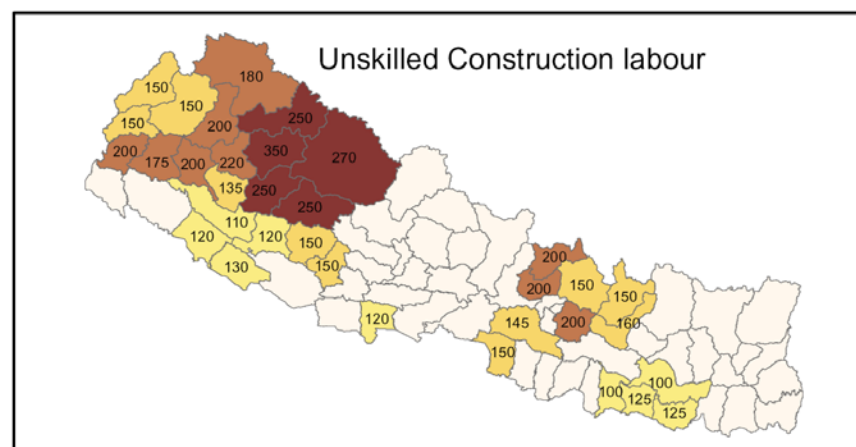
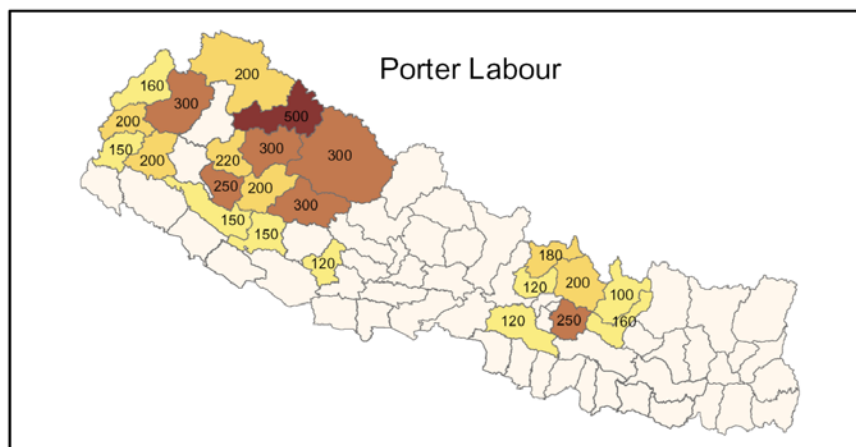
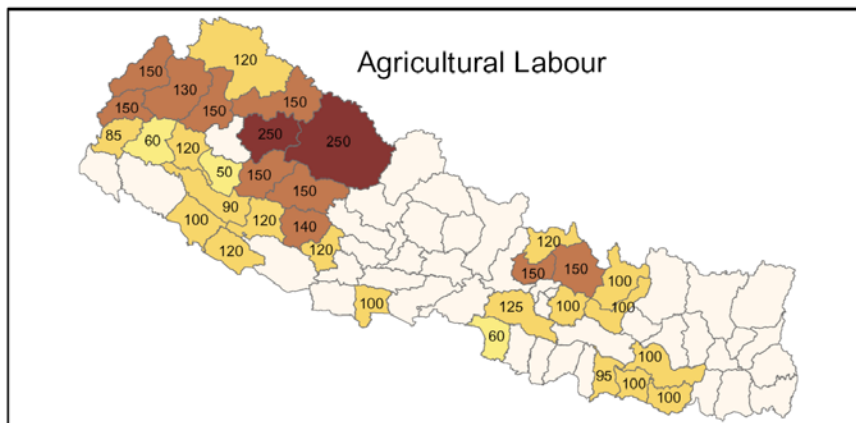
Average daily wage rates for unskilled labour (agricultural, portering and construction) as reported by WFP field monitors are presented in map 1 to 3 on the right hand side. In general, it can be concluded that wage earnings for a porter are higher than those for an agricultural labourer and construction worker. The daily wage for agricultural work is on average 41% lower than for portering and 28% lower than for unskilled construction work.

For all categories, the daily wage rate is lowest in the Terai (portering is not practiced in the Terai), and highest in the Mountain belt. However, given the much higher cost of food items in the Mountain belt, real wages may in effect be lower, but to determine this, further analysis is required.

CONCLUSION

In several districts, coarse rice prices increased sharply compared to last year. In the main consumer centre, Kathmandu, the price of coarse rice shows an increasing trend indicating shortage of supply compared to demand. Farm gate prices reported by farmers have also substantially increased since last year. This indicates that the drought and other adverse weather conditions left their imprint on the market conditions determining supply and demand. High food prices may prevent many poor households from participating in the market and accessing sufficient amounts of foods.

WFP is currently collecting household information that should provide insight on the extent that this year's adverse weather conditions have impacted the household food security status. These household level data will be presented in the upcoming Food Security Bulletin of January 2007.



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