

Market Watch - 4



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

28 July 2008

Bi-weekly update

HIGHLIGHTS

- The transport sector is currently experiencing multiple problems in the form of price hikes, fuel shortages and protests, since the Government of Nepal announced a fuel price rise in the range of 9 to 27% effective from 10 June, 2008.
- Cereal prices have been rising since last October and have continued to rise further in recent months.

FUEL PRICE HIKE AND SHORTAGES

The Government of Nepal announced an increase in fuel prices up to 27% on June 10. Current prices are shown in Table 1.

	Unit	Price (NRs)		
		Old	New	%
Petrol	litre	80	100	25
Diesel	litre	56.25	70	24.4
Kerosene	litre	51.2	65	27
Gas	cylinder	1100	1200	9.1

Table 1: Fuel price rise on June 10, 2008

Despite fuel price increases, the Nepal Oil Corporation (NOC) is still suffering losses of NRs 1.5 billion per month (compared to NRs 2.62 billion prior to the price increase). As a consequence, fuel supplies are very low and unable to meet current demand. This is seriously affecting the transportation sector as well as WFP's humanitarian deliveries.

TRANSPORTATION COSTS AND PROTESTS

The Government announced a rise in public transportation fares by 25%. Since then, there have been sporadic protests. This has in turn affected the transport of goods, creating further upward pressure on prices of all commodities including food items.

It is widely believed that the syndicate system used by transport associations complicates the movement of goods, resulting in very high transportation costs, which affects the price of commodities. As a result, there have been disputes

between the transporters, traders and consumers. Negotiations are ongoing to resolve this issue.

FOOD PRICES

Food prices in the markets have continued to rise in the past months for key commodities. Chart 1 to 3 show the updated prices of coarse rice, broken lentil (musuro) and soya bean oil in selected markets based on data collected by WFP field monitors (Bajura and Kalikot) and ABPMDD (all other areas). While prices of these commodities have continued to rise, wheat prices have remained more or less stable in the past few months.

SUPPLY CONSTRAINTS

Food supply to markets in the Far-Western Hills and Mountains were affected by a 12-day strike beginning July 12th in the regional market of Dhangadhi. Sanfebagar market, another important transit point for districts in the Far West including Achham, Doti, Bajura and Bajhang, was not able to supply its consumers due to market closure and depleted stocks. Transport of goods to districts in the Karnali has been hindered because monsoon rains have made much of the Karnali highway unmotorable beyond Ramaghat in Dailekh. This is likely to worsen the food supply situation in the Karnali region.

POLICY RESPONSES

The Nepal Food Corporation (NFC) received an additional budget of NRs 150 million for increased requirements due to the present food security situation. However, this amount is not enough to meet the needs in those areas. According to the NFC an additional NRs 500 million is required. WFP is preparing to launch a new programme to expand its assistance to communities most affected by the hike in food prices based on the results of the recent WFP/NDRI Market and Price Impact Assessment.

ASSESSMENTS

The final report of the WFP/NDRI Market and Price Impact Assessment is available. WFP and MoAC completed a joint

assessment of the food security situation in nine districts of the Far- and Mid-West, where the current food security situation is critical, due to poor winter crop production coupled with high food prices.

A joint FAO, WFP, WB, ADB, and IFAD mission on food prices is currently underway.

Chart 1 - Coarse rice prices

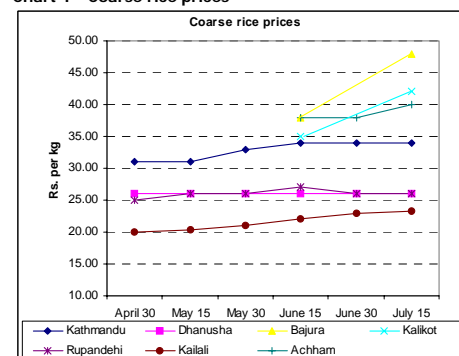


Chart 2 - Lentil prices

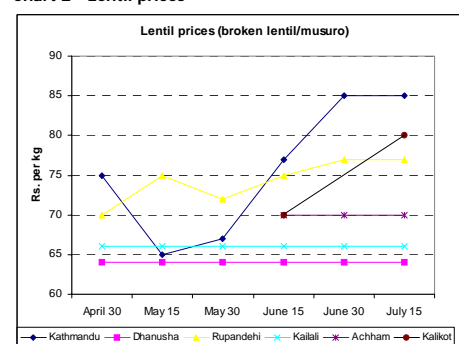
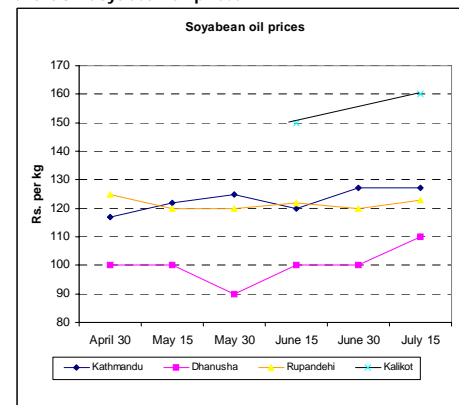


Chart 3 - Soyabean oil prices



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.

All information products produced by the FSMAS are available on the UN Nepal Information platform (www.un.org.np) or on the WFP website: <http://vam.wfp.org/country/docs?country=524>
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