

Market Watch - 14



Market Watch
May 2009

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

HIGHLIGHTS

- **Staple food prices across Nepal remain significantly higher when compared to the same period last year. The good news is that commodity prices, however, have begun to stabilize.**
- **On the other hand, wheat, which normally decreases in cost during this period of the year has risen in price over last month because of the winter drought. Potato prices, also very high, have increased by up by 28 percent.**
- **Food price inflation in Nepal remains of high concern. Compared to 18 months ago, the price of musuro (broken lentil) has increased by nearly 50 percent, soybean oil by 32 percent and rice by 25 percent.**
- **Compared to recent months, the supply situation improved across much of Nepal due to the lifting of bandhs in the Terai.**

NATIONAL MARKET DEVELOPMENTS

Price

- The recent joint MoAC, WFP & FAO winter drought assessment confirmed that production of the major winter crops, wheat and barley, decreased nationally in 2009 by 14.5 and 17.3 percent respectively compared to last year.
- Because of the poor winter crop harvest, food prices of winter crops did not decline as usual – they remained largely unchanged or increased slightly during May. For instance, blackgram increased in price by 3 percent and wheat flour and rice increased by 1 percent. Lentils also increased by 11 percent but this is likely due to rising regional prices as opposed to a poor harvest.
- The greatest monthly price increase was for potato, up by 28 percent; the price increase was caused by reduced supplies because of poor harvests in hill and mountain districts due to drought and crop damage due to blight in the Terai.
- Cooking oil prices remain high, despite some gradual decline since the very high price peaks of late 2008/09. Compared to last month, mustard oil is down by 1.5 percent and soybean oil is down by 1 percent.
- Across Nepal sugar prices continued to increase throughout May, and were up by an average of 7 percent compared to April. This is largely due to reduced sugar production in Nepal and the broader region in 2008/09 combined with increased demand.
- Food price inflation in Nepal remains a significant concern. Over the past 18 months musuro (broken lentil) has increased by nearly to 50 percent, soybean oil by 32 percent and rice by 25 percent.

Supply

- During May, the supply situation generally improved across the country. This was largely due to the lifting of bandhs in the Terai and the produce of recent winter harvest entering markets. Seventy-eight percent of markets now have adequate rice supply and 81 percent have adequate wheat flour supply. Given the poor potato crop, only 20 percent of markets had adequate stock levels.
- Despite the easing of bandhs nationally, markets in Dhanusha, Sinhuli and Dailekh were significantly impacted by bandhs during May.
- During May, heavy rainfall severely hindered food deliveries to Doti. It is likely that heavy rainfall will continue to cause supply constraints in mountain and hill markets across Nepal until the end of monsoon.

THE MARKET OUTLOOK

- The government is currently implementing a strategy to subsidize sugar prices in Kathmandu; this may stop further price increases over the coming months.
- Due to the poor winter harvest, it is expected that the price of wheat, maize and barley areas will continue to increase in hill and mountain areas over the coming months as stock levels will be lower than demand.
- The government of India is reportedly considering the lift of the current trade ban on wheat exports, by allowing up to 2 million tons to be exported. This would increase wheat supply in Nepal

and reduce wheat prices.

MARKETS/ COMMODITIES WITH LARGEST CHANGE

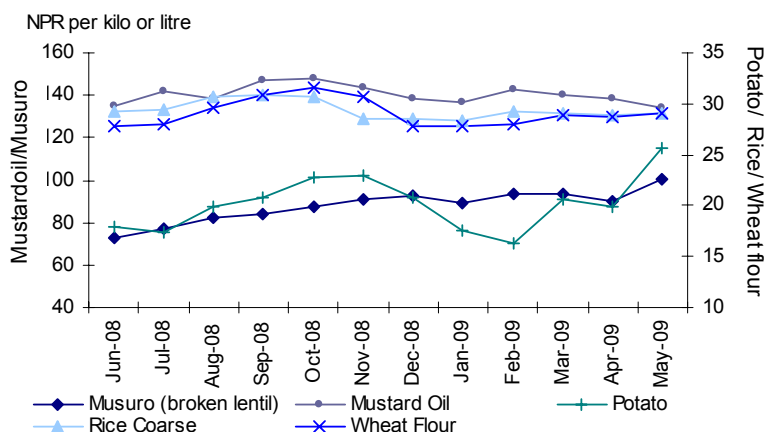
Largest decreases in retail prices of key commodities

District or Commodity	Price NRs/kg/L	% change 1 month	Observation
Cooking oil			
Soybean oil	Ave. 138/L	-1%	Lack of Terai bandhs improved the movement of goods (and therefore supply) to much of Nepal resulting in reduced prices.
Mustard oil	Ave. 160/L	-1.5%	

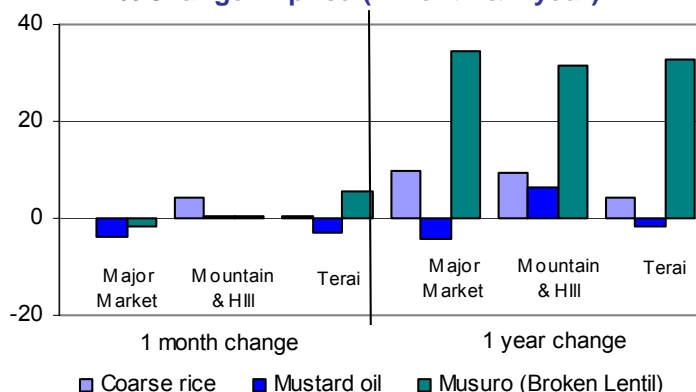
Largest increases in retail prices of key commodities

District or Commodity	Price NRs/kg/L	% change 1 month	Observation
Potato Nationally	Ave. 30/Kg	28%	Reduced potato harvest in many hill and mountain districts due to a poor winter crop caused prices to rise across the country.

Average price over 12 month period*



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



* Prices relate to the Nepali month of Baishakh.

** 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

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: www.wfp.org/odan

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Market	Commodity	Current price (NRS per Kg/Lt.)	Change in price (%)*			Average monthly change over			
			1 m	3 m	1 yr	1m	3m	1yr	
Major consumer markets									
Kathmandu	Coarse rice	37.0	0.0	2.8	19.4	▶	▶	▲	
	Wheat flour	27.0	0.0	3.8	17.4	▶	▶	▲	
	Soybean oil	87.0	-3.3	-28.1	-27.2	▶	▼	▼	
	Chicken	230.0	12.2	84.0	27.8	▲	▲	▲	
	Mustard oil	125.0	-7.4	-8.8	-8.8	▼	▶	▶	
	Mas (black gram)	85.0	0.0	0.0	10.4	▶	▶	▶	
	Musuro	100.0	0.0	3.1	42.9	▶	▶	▶	
	Potato - red	23.0	9.5	35.3	76.9	▲	▲	▲	
	Pokhara	Coarse rice	35.0	0.0	-5.4	0.0	▶	▶	▶
Wheat flour		28.0	0.0	0.0	-6.7	▶	▶	▶	
Soybean oil		120.0	9.1	-4.0	-7.7	▲	▶	▶	
Chicken		280.0	40.0	40.0	27.3	▲	▲	▲	
Mustard oil		140.0	0.0	-9.7	0.0	▶	▶	▶	
Mas (black gram)		90.0	12.5	12.5	16.1	▲	▲	▲	
Musuro I		95.0	-3.1	-5.0	25.8	▶	▶	▶	
Potato - red		24.0	0.0	33.3	20.0	▶	▲	▲	
Regional Terai markets		Biratnagar	Coarse rice	23.0	2.2	-4.2	5.5	▶	▶
	Wheat flour		24.0	-4.0	0.0	-9.8	▶	▶	▶
	Soybean oil		106.0	-5.4	-10.2	-15.2	▼	▼	▼
	Chicken		252.0	40.0	44.0	41.6	▲	▲	▲
	Mustard oil		132.8	6.2	4.6	6.2	▲	▶	▶
	Mas (black gram)		68.0	-2.9	-8.1	17.2	▶	▶	▶
	Musuro		87.0	6.1	-3.3	25.0	▲	▶	▶
	Potato - red		23.2	93.3	0	6	▲	▲	▲
	Biratnagar		Coarse rice	25.0	2.5	6.8	0.0	▶	▶
Wheat flour		23.0	0.0	0.0	-8.0	▶	▶	▶	
Soybean oil		110.0	0.0	0.0	-8.3	▶	▶	▶	
Chicken		180.0	0.0	0.0	28.6	▶	▶	▶	
Mustard oil		120.0	0.0	-4.0	0.0	▶	▶	▶	
Mas (black gram)		74.0	0.0	11.4	17.8	▶	▲	▲	
Musuro		88.0	-2.2	-6.4	27.2	▶	▶	▶	
Potato - red		20.0	42.9	2	0	▲	▲	▲	
Nepalgunj		Coarse rice	25.0	4.2	4.2	11.1	▶	▶	▶
	Wheat flour	24.5	6.5	2.1	20.5	▲	▶	▶	
	Soybean oil	115.0	0.0	-11.5	-6.8	▶	▼	▶	
	Chicken	210.0	16.7	16.7	31.3	▲	▲	▲	
	Mustard oil	120.0	0.0	-11.1	-2.7	▶	▼	▶	
	Mas (black gram)	75.0	7.1	7.1	27.8	▲	▶	▶	
	Musuro	85.0	13.3	-5.6	27.5	▲	▶	▶	
	Potato - red	20.0	25.0	66.7	33.3	▲	▲	▲	
	Dhangadhi	Coarse rice	21.3	-15.0	-18.3	4.7	▼	▼	▶
Wheat flour		20.0	-13.0	-16.7	-7.0	▼	▼	▶	
Soybean oil		120.0	4.3	41.2	98.3	▶	▲	▲	
Chicken		200.0	8.1	17.6	33.3	▲	▲	▲	
Mustard oil		110.0	-15.4	-21.4	-12.0	▼	▼	▶	
Mas (black gram)		75.0	-8.5	-33.0	-7.4	▼	▼	▶	
Musuro		105.0	10.5	-4.5	59.1	▲	▶	▶	
Potato - red		28.0	4	8	5	▲	▲	▲	

- ▲ 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.

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	26.0	8.3	-3.7	0.0	▶	▶	▶			
	Wheat flour	25.0	4.2	4.2	0.0	▶	▶	▶			
	Soybean oil	95.0	-20.8	-26.9	-22.4	▼	▼	▼			
	Chicken	220.0	29.4	29.4	-	▲	▲	-			
	Mustard oil	140.0	-6.7	-6.7	0.0	▼	▶	▶			
	Mas (black gram)	80.0	14.3	14.3	16.8	▲	▲	▲			
	Musuro	90.0	0.0	-5.3	24.1	▶	▶	▶			
	Potato - red	20.0	5.3	66.7	0	▲	▲	▲			
	Hill and mountain markets with road access	Dhankuta	Coarse rice	25.0	0.0	4.2	-7.4	▶	▶	▶	
Wheat flour			26.0	-7.1	0.0	-18.8	▼	▶	▶		
Soybean oil			248.0	0.0	8.8	-	▶	▶	▶		
Chicken			150.0	0.0	3.4	0.0	▶	▶	▶		
Mas (black gram)			85.0	0.0	6.3	6.3	▶	▶	▶		
Musuro			95.0	-3.1	0.0	46.2	▶	▶	▶		
Potato - red			28.0	40.0	0	55.6	▲	▲	▲		
Hill and mountain markets without road access			Rolpa	Coarse rice	27.0	1.9	-3.6	9.8	▶	▶	▶
				Wheat flour	33.0	3.1	0.0	27.9	▶	▶	▶
	Soybean oil	200.0		0.0	2.6	25.0	▶	▶	▶		
	Chicken	145.0		-12.1	-10.5	14.2	▼	▼	▶		
	Mas (black gram)	95.0		5.6	10.5	29.8	▲	▲	▲		
	Musuro	100.0		3.1	9.9	41.6	▶	▶	▶		
	Potato - red	30.0		20.0	25.0	70.5	▲	▲	▲		
	Sanfebagar	Coarse rice		30.0	3.4	13.2	7.1	▶	▶	▶	
		Wheat flour		33.5	4.7	9.8	11.7	▶	▶	▶	
Soybean oil		210.0	6.1	10.5	5.0	▶	▶	▶			
Chicken		155.0	3.3	5.4	10.7	▶	▶	▶			
Mas (black gram)		88.0	3.5	8.0	17.3	▶	▶	▶			
Musuro		90.0	2.3	9.8	38.5	▶	▶	▶			
Potato - red		35.0	16.7	-10.3	-12.5	▲	▼	▶			
Jumla		Coarse rice	45.0	0.0	-2.2	28.6	▶	▶	▶		
		Wheat flour	55.0	10.0	22.2	19.6	▲	▲	▲		
	Soybean oil	260.0	-3.7	4.0	-3.7	▶	▶	▶			
	Chicken	160.0	0.0	-5.9	0.0	▶	▶	▶			
	Mas (black gram)	70.0	0.0	-5.4	-12.5	▶	▶	▶			
	Musuro	80.0	0.0	-5.9	0.0	▶	▶	▶			
	Potato - red	30.0	20.0	66.7	0	▲	▲	▲			
	Humla	Coarse rice*	32.0	-20.0	-8.6	-	▼	▶	-		
		Wheat flour	180.0	12.5	12.5	-	▲	▲	-		
Soybean oil		300.00	7.14	7.14	-	▲	▶	-			
Beans		60.0	20.0	20.0	-	▲	▲	-			
Musuro		-	-	-	-	-	-	-			
Potato - red		30.0	-25.0	0.0	20.0	▼	▶	▶			
Dolpa		Coarse rice	75.0	7.1	7.1	-	▶	▶	-		
		Wheat flour	90.0	0.0	0.0	-	▶	▶	-		
		Soybean oil	240.0	0.0	0.0	-	▶	▶	-		
	Beans	120.0	20.0	33.3	-	▲	▲	-			
	Mas (black gram)	130.0	0.0	0.0	-	▶	▶	-			
	Musuro	170.0	0.0	0.0	-	▶	▶	-			
	Potato - red	40.0	33.3	60.0	21.2	▲	▲	▲			
	Bajura	Coarse rice	40.0	37.9	48.1	-	▶	▶	-		
		Wheat flour	42.0	5.0	0.0	-	▶	▶	-		
Beans		-	-	-	-	-	-	-			
Mas (black gram)		100.0	25.0	25.0	-	▲	▲	-			
Musuro		110.0	0.0	10.0	-	▶	▶	-			
Potato - red	40.0	33.3	33.3	60.0	▲	▲	▲				

All price information in this report refers to retail prices until April 15.