

Food and Energy Prices in Yemen

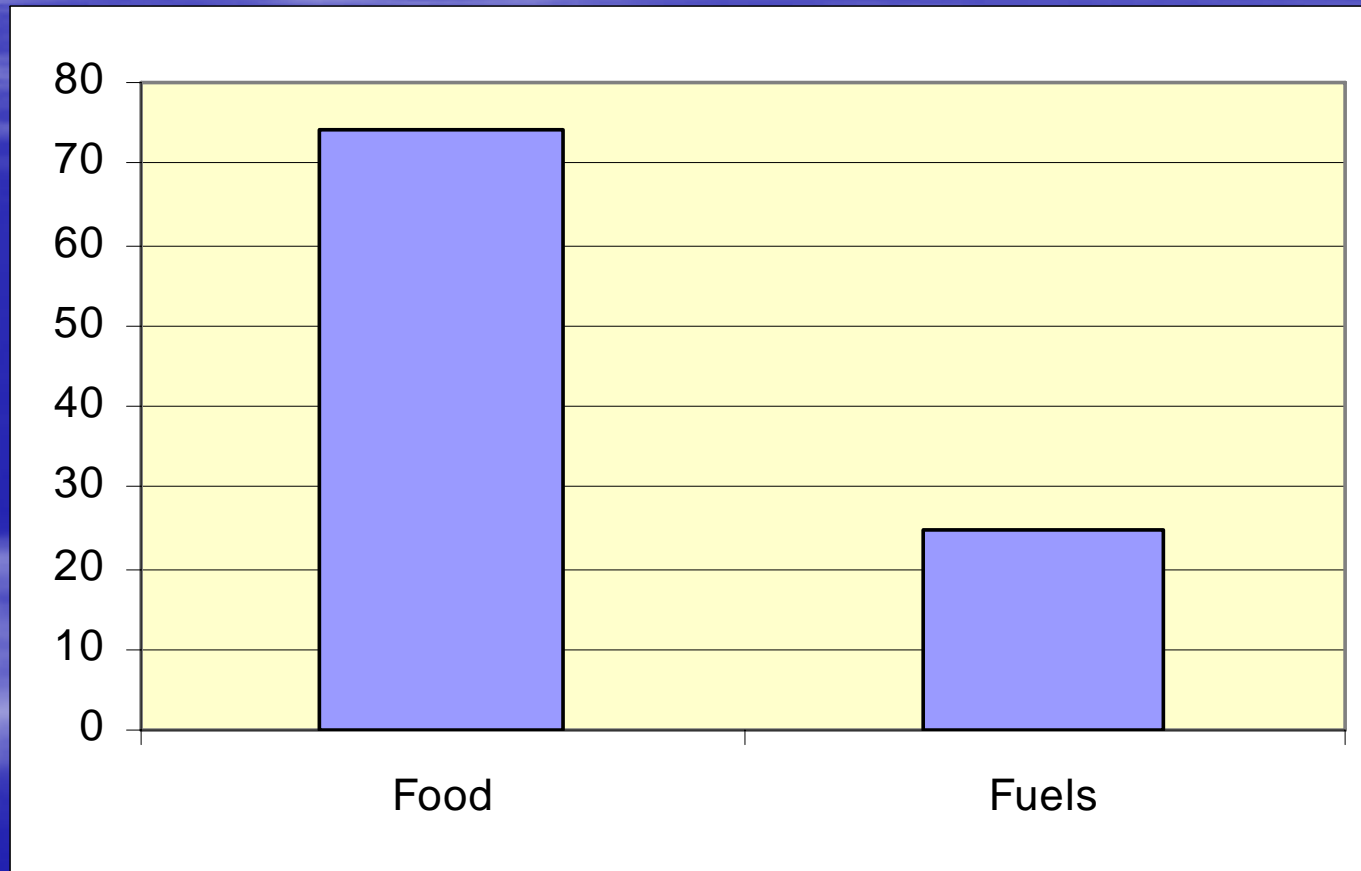
Srinivasan Thirumalai

The World Bank

July 2008

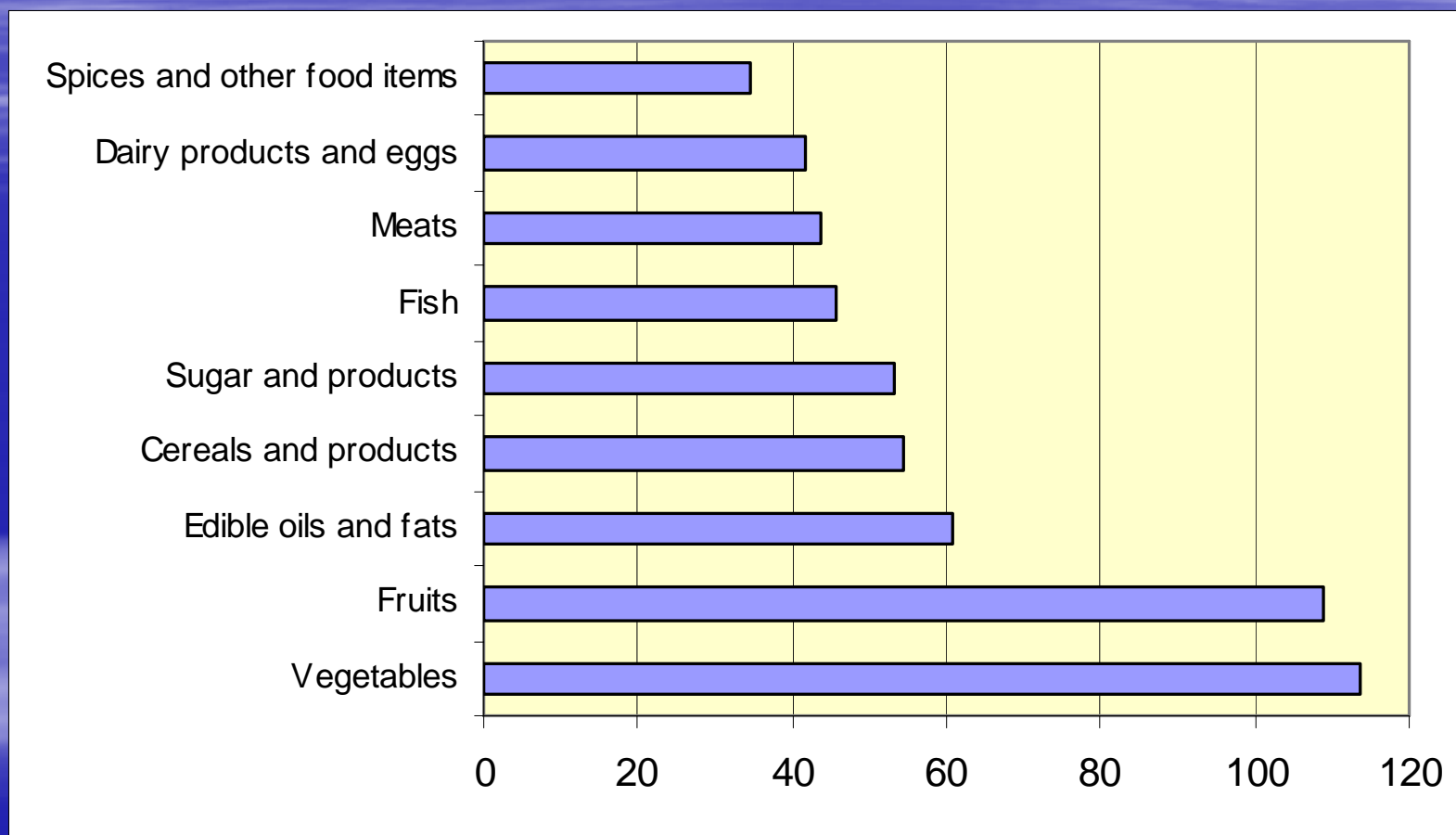
Trend in Food and Energy Prices

Increase (%) between 2005 and December 2007



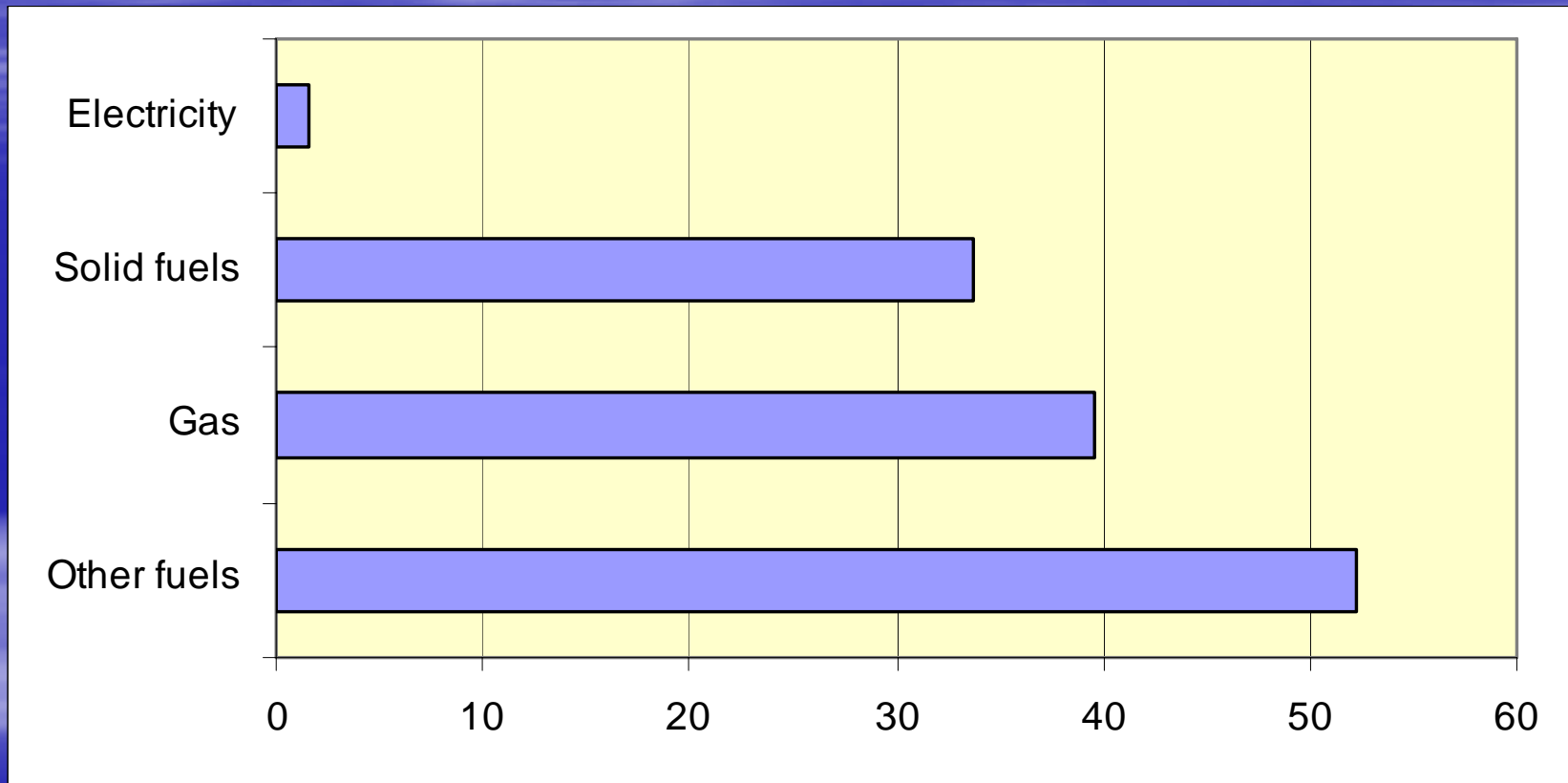
Food Price Increases

Increase (%) between 2005 and December 2007



Energy Price Increases

Increase (%) between 2005 and December 2007



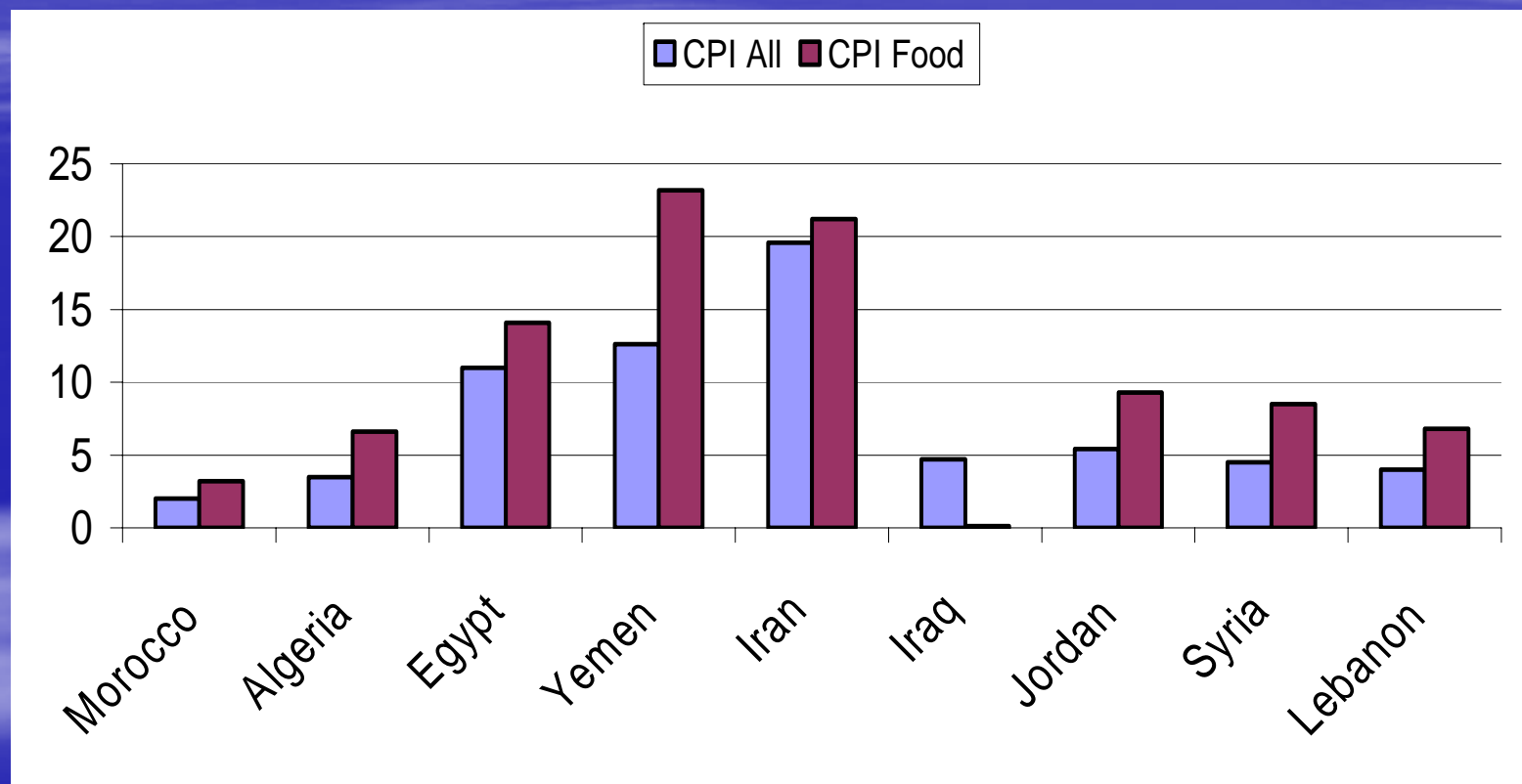
Extent of Fuel Subsidies

	Reference cost	Price Paid	Share of Cost Paid
	YR/I	YR/I	%
Diesel for transport and other uses	136	35	26%
Diesel for electricity	136	17	13%
HFO for electricity	99	25	25%
Gasoline	125	60	48%
Kerosene	135	35	26%
Jet fuel	135	36	27%
LPG	136	24	18%

Reference price: last quarter of 2007

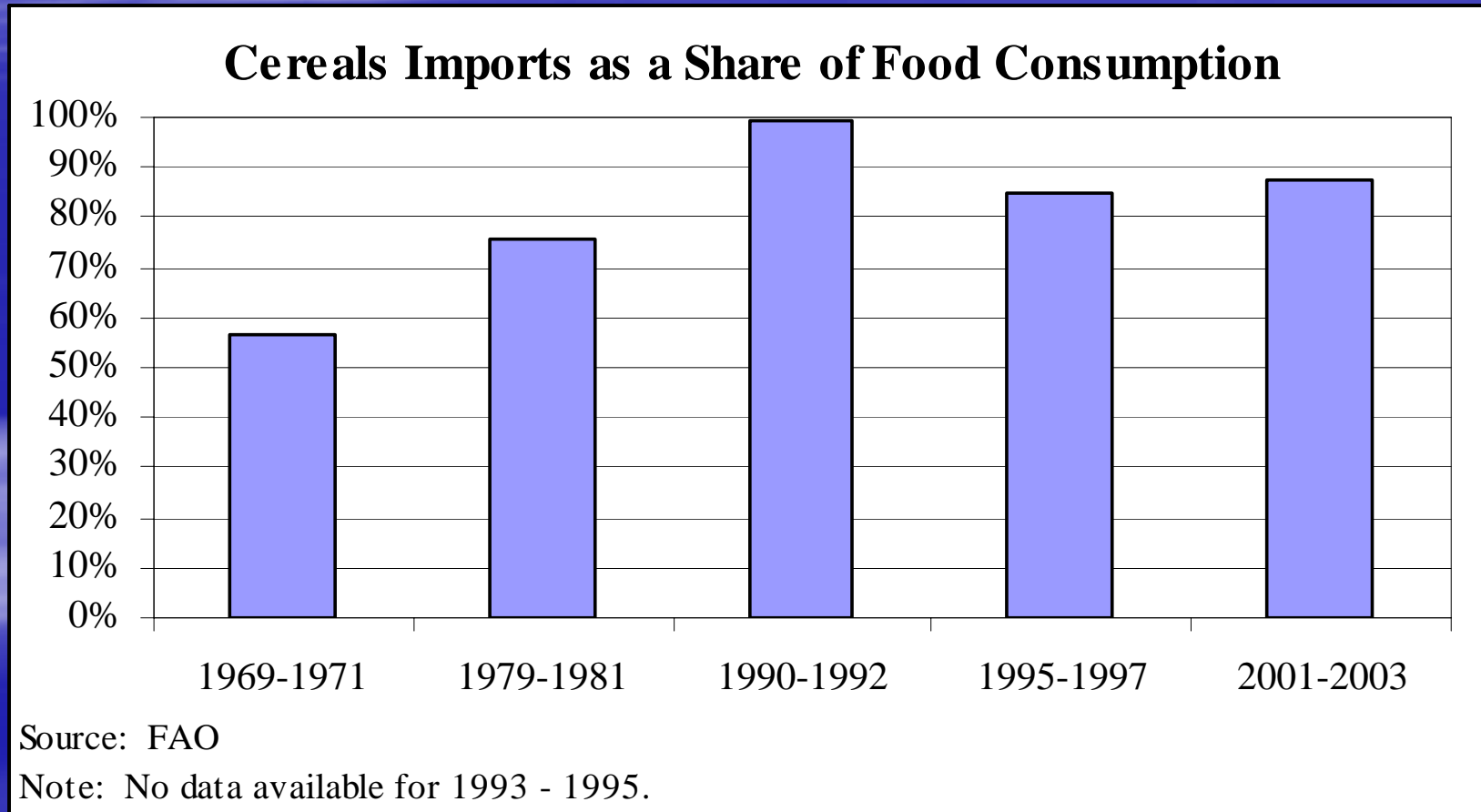
Inflation in CPI and Food CPI is very high for Yemen

Figure 2: CPI for all goods and food, 2007



Source: World Bank database

Yemen is a net importer of cereals and net exporter of petroleum products



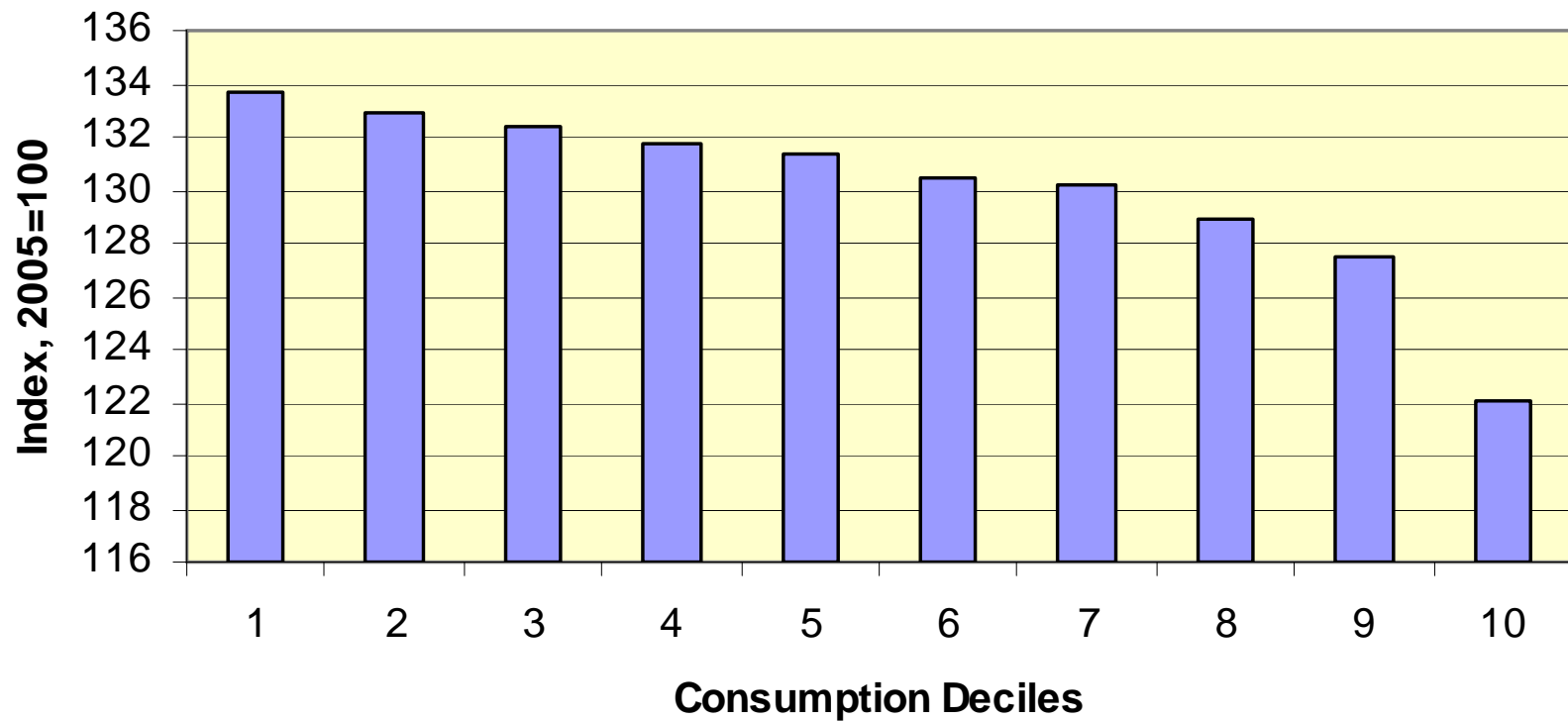
Terms of Trade for Yemen Still Positive



High oil prices have compensated for increased food prices.

The poor suffer more under price increases

CPI for 2007, 2005=100



Additional Factors in country specific analysis

- Share of imports in food
- The role of freight costs
- Competition among whole sale traders
- Exchange rate policy
- Relative profitability of food versus other crops
- Risk of increase in malnutrition and its long-term adverse effects.

Impacts for Yemen

- Country context (oil exporter, net food-importer)
- Wheat is the main staple, imports more than 95 percent of consumption
- 5 major importers
- Unchanged exchange rate
- Profitability of Qat super dominant.
- Ceteris paribus, doubling of wheat prices, reverses gain in poverty reduction between 1998 and 2005.
- The already worse malnutrition situation can deteriorate further.

What can governments do?

- Strengthen targeted safety nets
- Lower domestic food prices by trade and administrative measures
- Stimulate medium-term food grain supply response

Policy response in select MENA countries

Country	Economy-wide Policies				Existing Social Protection Programs			
	Reduce taxes on foodgrains ²	Increase supply using foodgrain stocks	Export restrictions	Price Controls/ Consumer Subsidies	Cash transfer	Food for work	Food ration/ stamp	School feeding
Egypt			√	√	√		√	
Morocco	√	√		√				√
Tunisia	√	√		√	√			
Yemen		√	√	√				√

Outstanding Issues and Lessons

- With positive terms of trade gains, the issue in Yemen is that of distribution of gains.
- Aggravation of already serious malnutrition is a serious issue.
- With no SP program able to reach most of the poor, the options are limited for intervention.
- Supply response is not assured when there are super-dominant qat. Discouraging demand for qat is vital for long-term response.