



Sudan Monthly Market Update

Bulletin # 24

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Summary

In most years this is a time when the main harvest supplies should be leading to a decline in cereal prices – a period which normally lasts through April. This year, however, prices continued to hover much above their historical levels, a long-lasting trend that started in early 2008. Although much above average cereal prices may increase earnings of surplus producers, poor net consuming households, mostly located in the north eastern and western parts of the country, will continue facing deterioration in their incomes as they lose much of their purchasing power due to rising prices. Poor families in Sudan are dependent on the market for staples to manage household food needs during most months of the year. These high level and persistent cereal prices calls for price support measures. Prices will need to be monitored in the coming months in order to help decision makers take relevant measures as prices continue to be high.

This *Monthly Market Update* is designed to better inform decision makers and analysts in Sudan of current prices and market trends. The data sources for the 15 Northern States of Sudan are from the available data collection system of the Ministry of Agriculture and Forestry/Ministry of Animal Resources and Fisheries (MAF/MARF) and Animal Resources Services Company (ARSC). Emphasis is given to sorghum, millet and wheat and camels, sheep, goats, and cattle because these selected commodities are dominant in the volume of trade and consumption patterns of the society.

Figure 1: Real Wholesale Prices for Sorghum in Khartoum (Dec 2005 – Nov 2009).

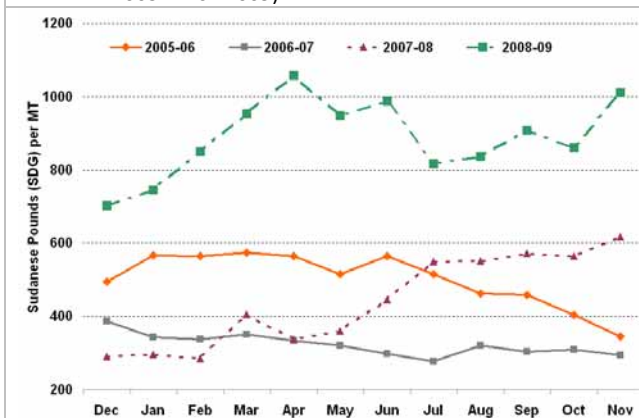
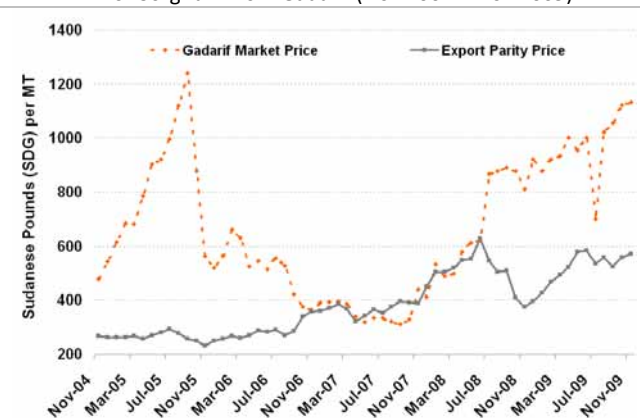


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Nov 2004 – Nov 2009).



Source: Data Archives of Ministry of Agriculture and Forestry (MAF) and the Central Bureau of Statistics (CBS). International prices are from USDA and International Grain Council, <http://www.fao.org/es/esc/prices/>.

Graphics and Computations: SIFSIA-N (GNU), FAO Sudan. Note: Data not available for Southern States of Sudan.

Figure 1: **Real wholesale prices** are computed by dividing the nominal price in a given month by the Consumer Price Index (CPI) in some "base" period. All real prices are expressed in "current" SDG and any current month price may be compared directly with any past real prices. Sorghum prices were significantly higher in 2005, but prices started to exceed 2005 since Nov 08.

Figure 2: **The Export Parity Price (XPP)** is the price that a producer gets or can expect to get for his/her product if exported, equal to the [f.o.b.](#) price minus the cost of getting the product from the farm or factory to the border.

Figure 3: Crop Calendar (Sorghum and Millet) – Rain-fed¹ and Irrigated

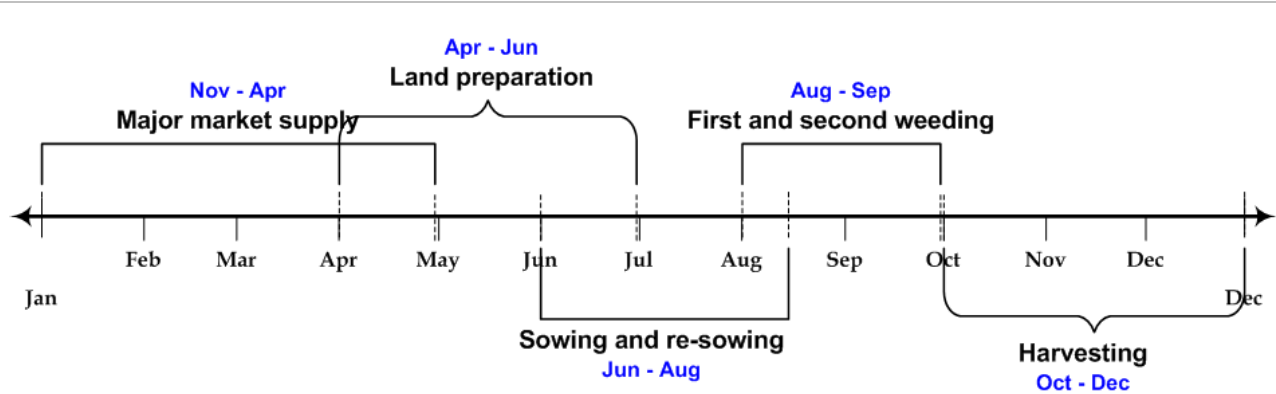
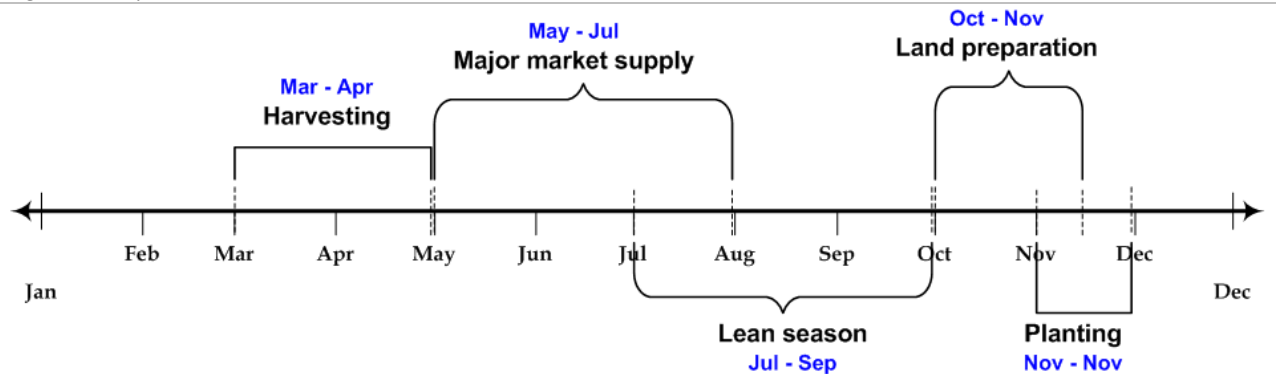


Figure 4: Crop Calendar for Wheat



Source: Ministry of Agriculture and Forestry (MAF), Ministry of Animal Resources and Fisheries (MARF).

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Nov 2008 – Nov 2009).

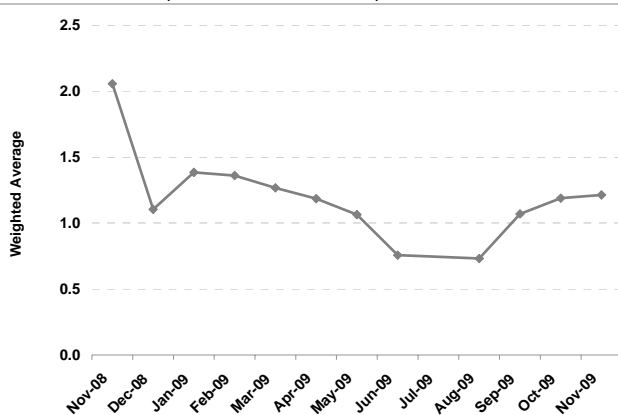
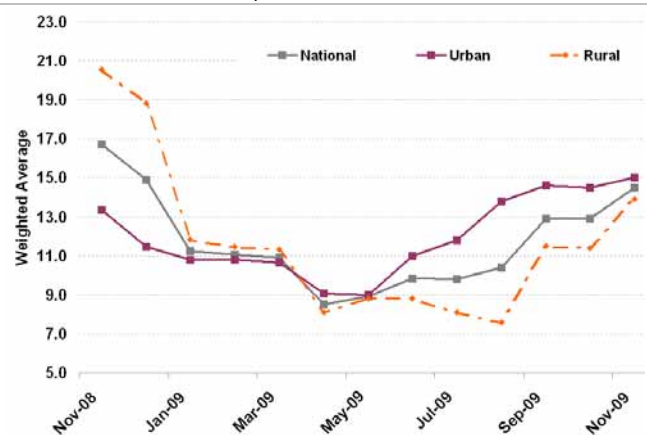


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Nov 2008 – Nov 2009).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates - Sudan and Khartoum 2008/09.

Note: Consumer Price Indices (CPI) for the relative price increases and inflation rate trends are weighted averages representing all income groups' trend analysis. The recent consumer price indices are introduced since August 2008 after the revisions done through expenditure surveys. In Sudan, volatilities of price indices and inflation rates are higher in rural areas compared to urban settings. However, the variations look to be disappearing and consistent for the last six months.

¹ The rain-fed farming system (traditional and semi-mechanized) covers about 70 percent of overall cereals (sorghum, millet, and wheat) and cash crops (sesame, groundnut, cotton, and sunflower) production in the Northern States of Sudan. However, significant variations exist among States and also by crop type.

Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (Nov 2008 – Nov 2009).

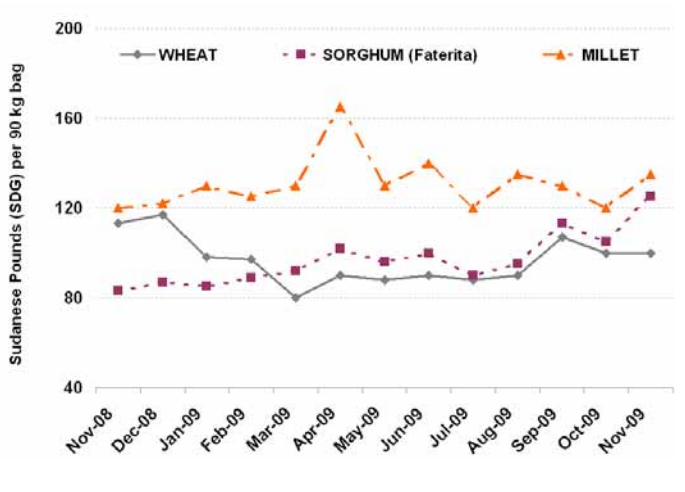


Figure 8: Real and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (Nov 2008 – Nov 2009).

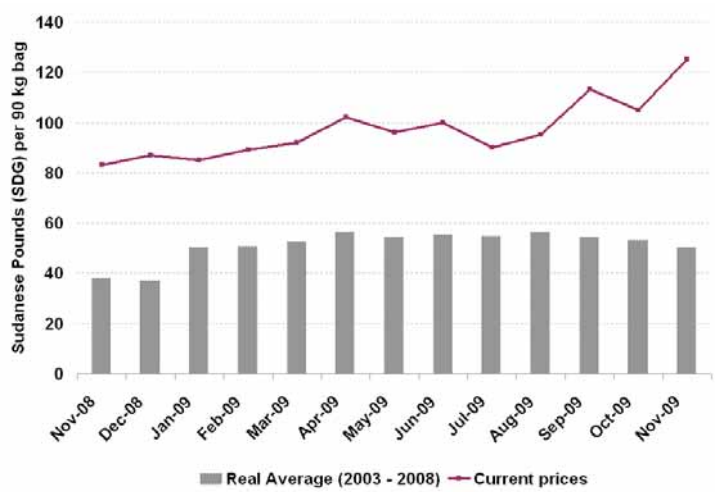


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (Nov 2008 – Nov 2009).

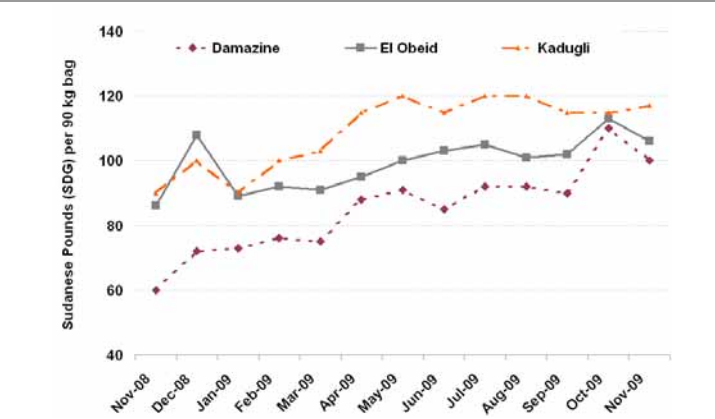
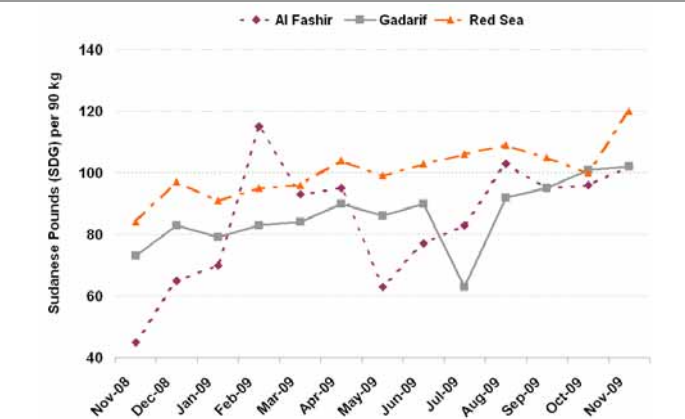


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Nov 2008 – Nov 2009).

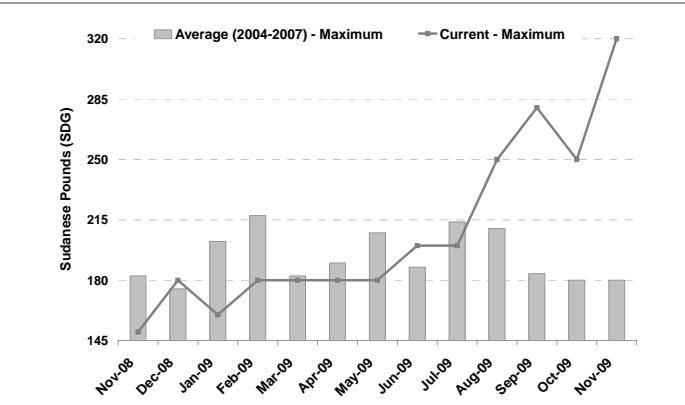
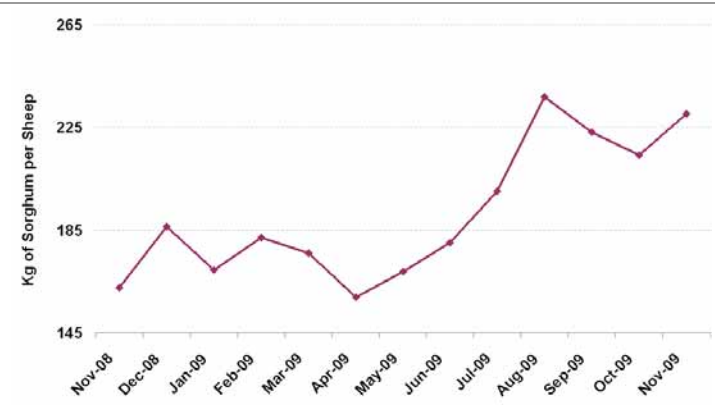


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Nov 2008 – Nov 2009).



Source: Data archives of MAF/MARF, and Animal Resources Services Company (ARSC). Graphics by SIFSIA-N (GNU).

Notes: (1) Prices are expressed in Sudanese Pounds per 90 kg bag for cereals and per animal for sheep.

(2) One bag = 90 kg; 1 US \$ ≈ 2.48 Sudanese Pounds (SDG).

(3) The average difference between maximum and minimum prices of Baladi sheep is about 25 Sudanese pounds (SDG). Sheep price is for an average weight of 13 kg. Average prices (2002 - 2007) for Figure 8 are deflated by their respective consumer price index values.

(4) Terms of Trade (TOT) is expressed in quantity of sorghum per sheep.

Market Analysis

In almost all observed major markets in the country, cereal prices increased or remain very high in November as the main season harvest failed to meet trader and consumer expectations (Figures 7 - 9). According to the preliminary 2009/10 crop and food security assessment results, this trend is widespread, covering almost all areas of traditionally large deficit and surplus-producing areas, including the major terminal markets of the country. The persistent high levels are notable for sorghum and millet, with the former predominantly consumed in the North and central parts of the country and the latter widely consumed in the western areas.

A number of factors are thought to be at the root of these high price trends including but not limited to: the prospect of below average production and reduced cereal sales; increased formal and informal cross-border trade; very limited carryover stocks from last season's harvest; adhoc injection of cash into the economy through food safety net programs; increased investments in urban areas; higher livestock prices and sales income²; and producers attempting to make up for higher prices by decreasing their sales volume, driving prices even higher; and traders and big producers holding onto stocks in anticipation of further price increases.

With increase in demand on livestock to the Gulf States, the prices of livestock in the livestock producing areas have reportedly increased, indicating improved terms of trade favoring pastorals. Higher prices of livestock helped livestock owners meet their food needs and sell a few livestock to buy other non-cereal necessities. Given declining pasture and water conditions that characterize many of these areas, however, prices may decrease as owners try to release more of their livestock which may result in a possible disfavor in terms of trade as the dry season progresses. However, the increase in both cereal and livestock prices will continue to affect the urban consumers more significantly.

Central Bureau of Statistics (CBS) sources have also indicated that the food and non-food inflation rates remained high in November. Overall inflation rates in October in rural areas were 11.4%, increased to 14% in November 2009. The urban inflation rates remained stable close to 15%. On the other hand, the relative food to non-food changes has continued to be high in November - the food inflation rates continued to be above the non-food rates. (Figures 5 and 6).

With a very high level and increasing sorghum prices in Gadarif and continued stable international prices in November, the gap between the Export Parity Prices (XPP) and the local wholesale prices has widened. (Figure 2). The international sorghum prices continued to be cheaper compared to the local market.

Based on information from market informants and current assessments, it is likely that prices will continue to be much higher than average and will continue to show abnormal trends in the post-harvest period. Some coordinated price support measures are required to reverse the current trend and protect the poor consumers from the adverse effects of continued and increasing high level cereal prices while allowing producers to sustain their livelihoods and maintain domestic production incentives. These consumers are net buyers and mostly labour dependent and dominantly rely on markets as opposed to relying on their own production. Such measures can also maintain farm income and crop profitability, and provide some price certainty at next planting time. Sudan's agricultural finance institutions can also take immediate concrete steps to ease credit availabilities for grain traders as a way of stabilizing prices at viable levels.

Given current high and increasing prices, normal interventions that occur during the harvest period, like local purchases of food aid, exports of grains, bulk purchases by SRCO, and Unions, etc., should be closely examined as they may further exacerbate problems in the current fragile and volatile markets.

² High livestock prices in rural areas where more than 90 percent of the meat supply to urban areas comes from, means more income for rural households who can then purchase more grain at higher prices.