

SUDAN MONTHLY MARKET UPDATE

Bulletin # 41

May 2011



SUMMARY:

An increase in cereal production has led to significant price declines in the major markets of country. For instance, in Khartoum (the major terminal market and price setter) sorghum prices in April 2011 were 40 percent lower than same time last year (which were already very high). Furthermore, the local wholesale cereal prices are also lower than the export parity prices. Despite significant price decreases since August 2010, prices tend to be stable for the last four to five months.

On the other hand, following international price trends, wheat prices continuously increased from August 2010 and reached its peak in February 2011, and have shown some kind of stability during the previous couple of months (still 3 percent above the peak level of 2007/08).

Close monitoring of prices is necessary in the next few months in order to ensure that market stabilization measures remain consistent with existing market conditions. Prices are also anticipated to start increasing again as of May along normal seasonal lines, reaching their peak during June-September. The magnitude of this increase will of course depend on the performance of the *summer* rains (June – September).

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 /Ministry of Animal Resources and Fisheries (MoA/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.

The authors' views expressed in this publication do not necessarily reflect the view of the European Delegation in Sudan or the Sudanese Government or the Food and Agriculture Organization of the UN. Please send your suggestions to: Yahia.Awadelkarim@fao.org; alemu.asfaw@fao.org

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Figure 1: Real Wholesale Prices for Sorghum in Khartoum (April 2006 – April 2011)

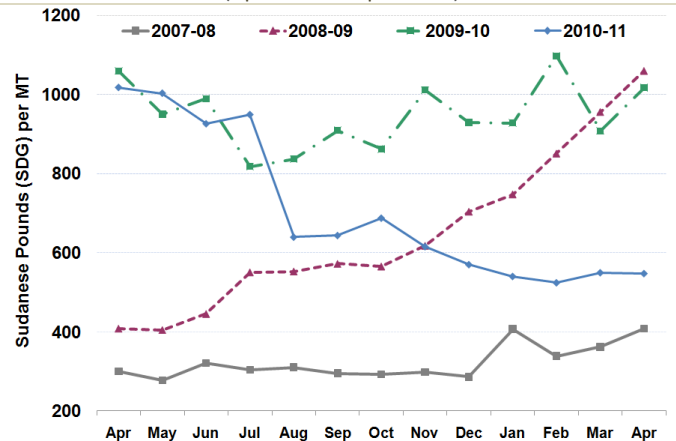
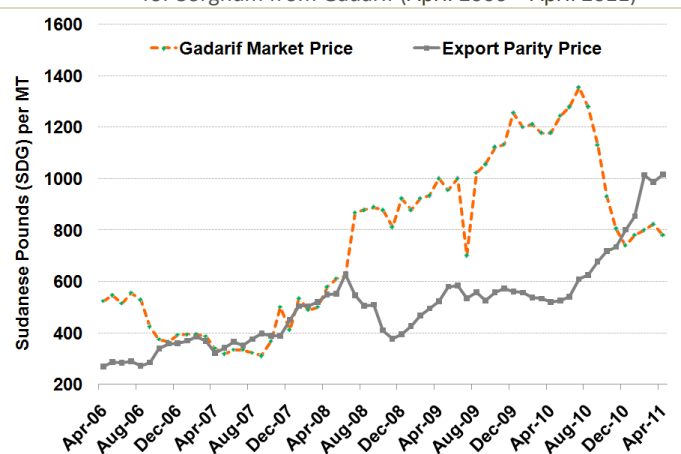


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (April 2006 – April 2011)



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, www.fao.org/es/esc/prices/

Figure 3: Wholesale Prices of Wheat in Khartoum (April 2006 – April 2011)

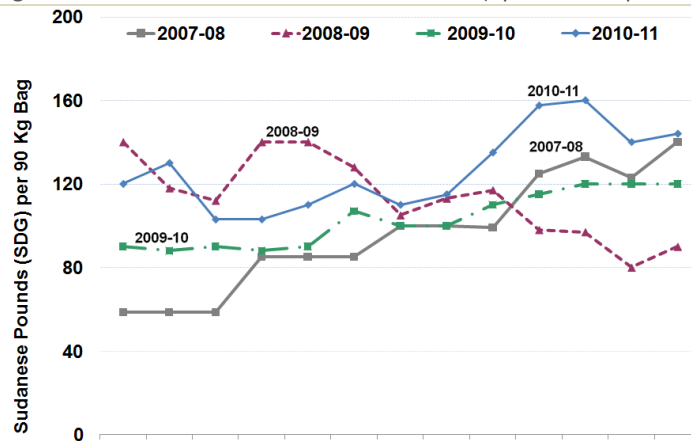
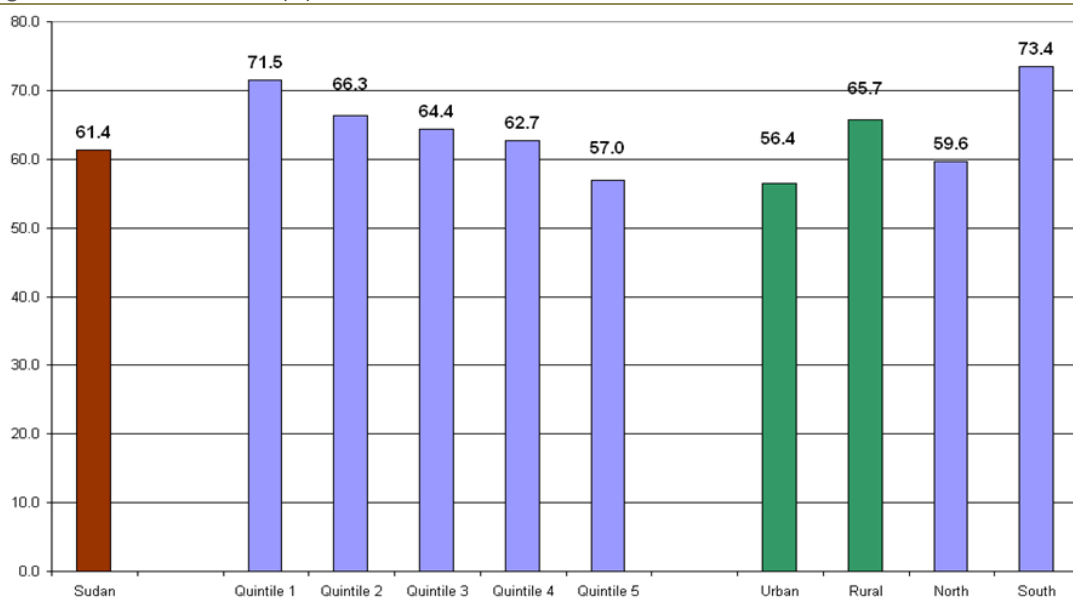


Figure 4: Food Ratio in Sudan (%)



Source: The Sudan Baseline Household Survey (SBHS-2009), CBS - FAO-SIFSIA-MoAF, July 2009.

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (April 2010 – April 2011).

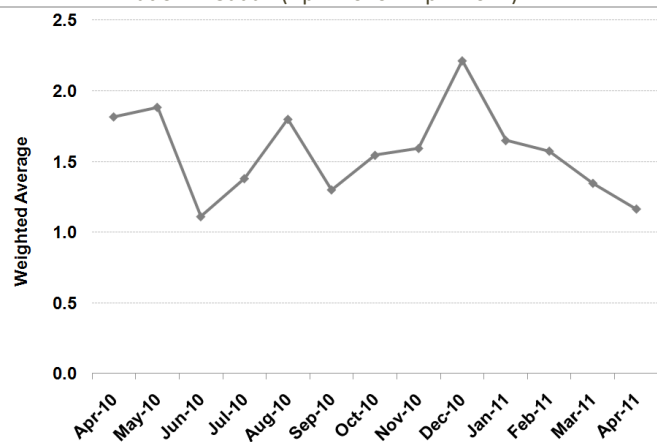
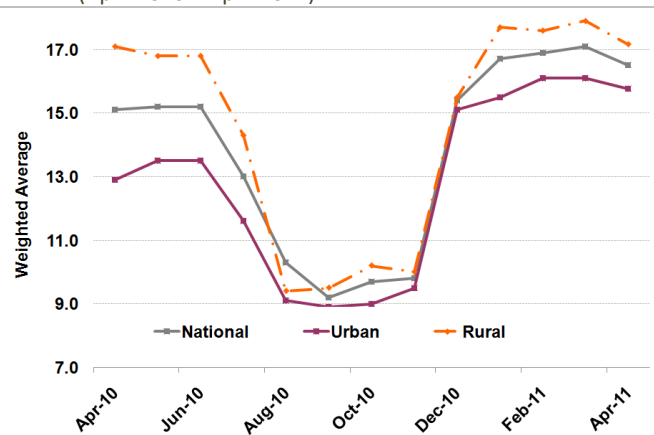


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (April 2010 – April 2011).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates, Sudan and Khartoum 2009/10.

Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (April 2010 – April 2011).

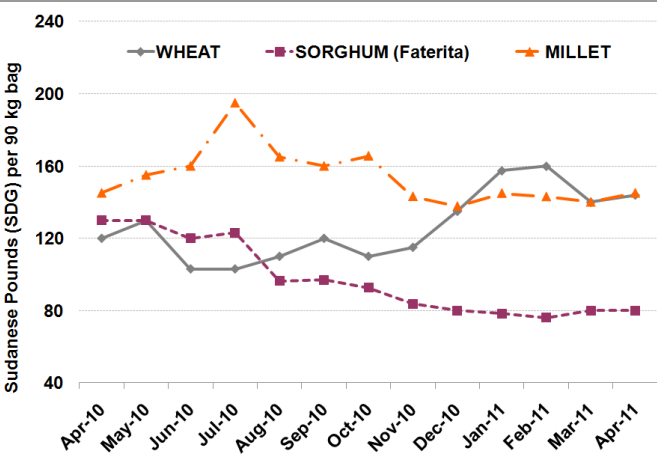


Figure 8: Average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (April 2010 – April 2011)

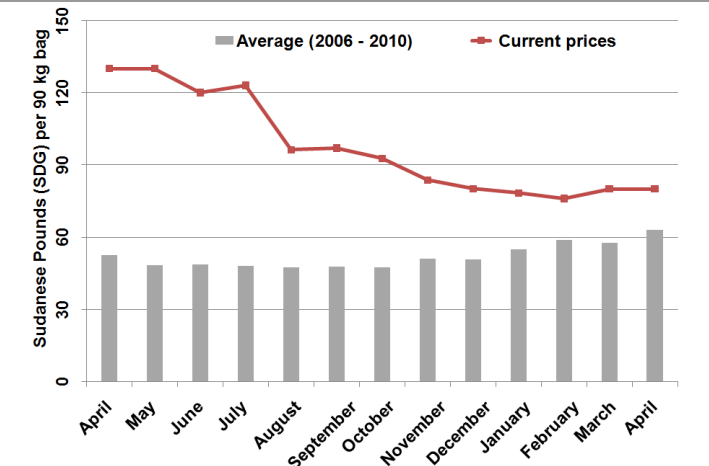


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (April 2010 – April 2011).

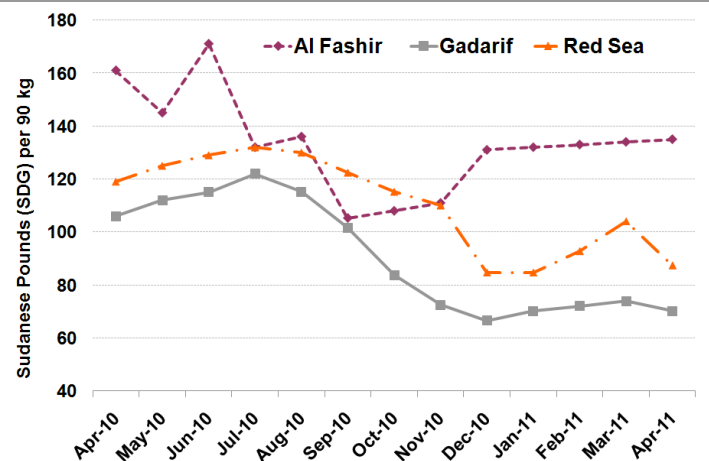
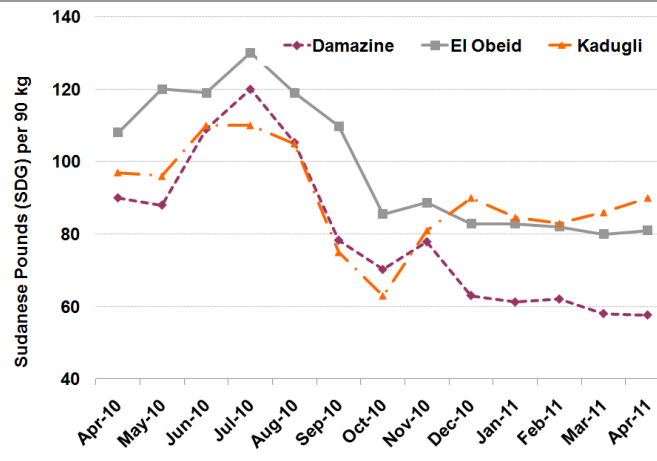


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (April 2010 – April 2011).

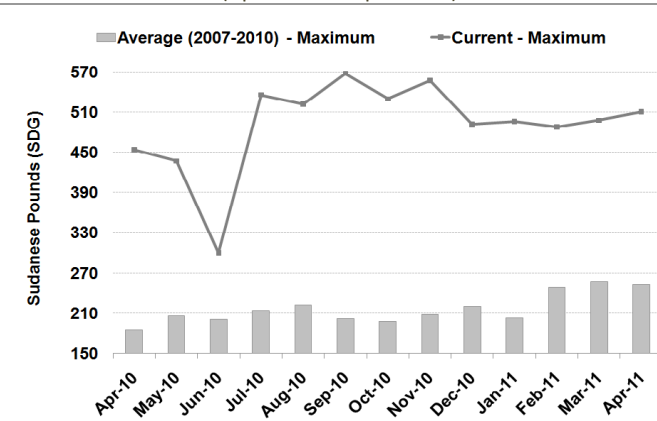
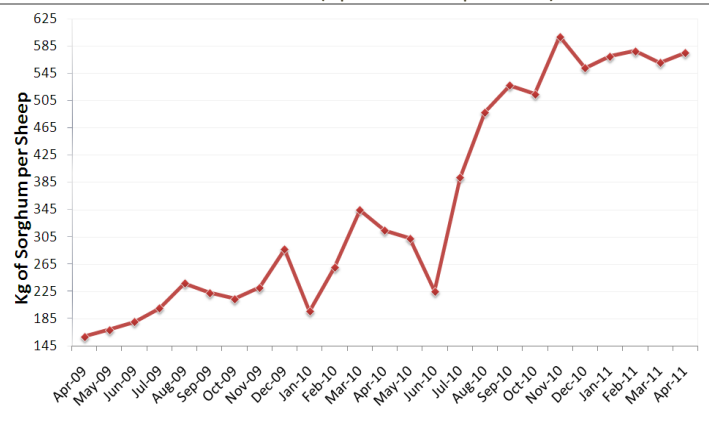


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (April 2010 – April 2011).



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 - 07) 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:

Sorghum prices, after reaching their peak during June – July 2010, declined steadily and significantly up until November – December 2010 and stabilized since then. Sorghum prices are on average 25% lower than last year but still 27 percent higher than the five year average (2006 - 2010). (Figures 1, and 7 - 9). These stable trends are attributed to bulk purchases by various local and international institutions. The current sorghum price trends and comparisons with Export Parity Prices (ExPPs) indicate that local prices are lower than the ExPPs indicating that local prices continue to be cheaper as compared to international market prices (Figure 2).

Following international price trends, wheat prices continuously increased from August 2010 and reached its peak in January and February, and have shown some kind of stability for the last couple of months, but still higher than the highest level recorded in 2007/08 (Figure 3). According to FAO Food Price Monitor, world wheat prices in April increased by 9 percent compared to their levels in March. The wheat local markets continued to be partially insulated by the Government from the inherent volatility of the international wheat market.

Grain-livestock terms of trade have been stable since the beginning of 2011 favoring livestock owners and traders against crop growers. The observed deterioration in the sheep per sorghum terms of trade for crop producers/traders between July 2010 and April 2011 was the result of sharper increases in sheep prices and a subsequent decline or stability of sorghum prices. (Figures 10 and 11). If the general stable price trend persists in the coming months, particularly for sorghum, further stability in grain-livestock terms of trade favoring livestock owners can be expected. For most markets, cereal prices tend to increase with the approach of the hungry season (June to August).

The food inflation decreased to 18.8% in April from the 20.4% in March whereas the non-food inflation reached to 16.1% from its 15.1% level in March. This resulted in the food to non-food relative price changes to decline. (Figures 5 and 6). Following cereal price trends, food prices continued to be stable for the past few months. The general inflation showed a decline in April for the first time since October 2010 as it had been steadily increasing for the past several months, reaching the highest in March 2011 (17.1%). The rural and urban inflation rates also declined in April.

A reasonably stable food price should have been good to farmers' planting decision for the next season, but rising prices of everything (other food and non-food items, seed, fertilizer, and diesel fuel) that the farmer must buy to grow his grain and to consume are big concerns. In addition, the current stability is a respite to net-consumers, who spend more than 60 percent of their income on food (Figure 4).

Given persistent price declines since August 2010, Government and the humanitarian agencies have attempted to stabilize cereal prices with various attempts, including grain purchases from surplus producing areas implemented by SRCO and ABS; donor-funded procurement of sorghum on local markets; promotion of exports and a corresponding reduction in food aid imports. The Strategic Reserve Corporation alone purchased more than 400,000 MT of sorghum and millet this year. These efforts which attempted to boost cereal prices for farmers have been partially successful as sorghum prices have remained stable at a reasonably above average level in all traditional surplus and deficit markets of the country since the beginning of 2011.

However, stabilizing prices and food supplies is only partial way of tackling the complex food insecurity problem in Sudan. Even in periods following good harvests, more than 3 million people continue to be food insecure because of conflict, inadequate purchasing power and failure to acquire enough food through traditional coping mechanisms and safety net programs. Hence, more long-term strategies are required to deal with the underlying causes of food insecurity.