

SUDAN MONTHLY
MARKET UPDATE

Bulletin # 40

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SUMMARY:

The overall food inflation rates increased to 17.1% in March 2011 compared to the 14.8% level same time last year. The rates steadily increased from 9.8% in November 2010 to 17.1% in March. According to the Food & Agriculture Market Information System (FAMIS), food prices, including wheat followed international market price trends as Sudan is a net importer of the whole set of food commodities – Sudan imports between 1.5 – 2.0 million MT of wheat every year. Wheat prices in March increased by about 17% compared to last year. On the other hand, following a significant increase in production, sorghum (which is the main staple food) prices in Sudan declined by about 30% compared to same time last year.

However, all food prices stabilized in March 2011 compared to the previous month except wheat prices where it decreased by about 15% following the international price. According to FAO, the international food prices decreased from its peak in February 2011 for the first time after eight months of continuous price increases but it is still 37 percent above March of last year.

The Government should implement a two pronged approach - insulating consumers from imported high level international prices through various means including private sector development and ensuring reasonably high price to local surplus products (like Sorghum) via market based strategies.

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 (March 2006 – March 2011)

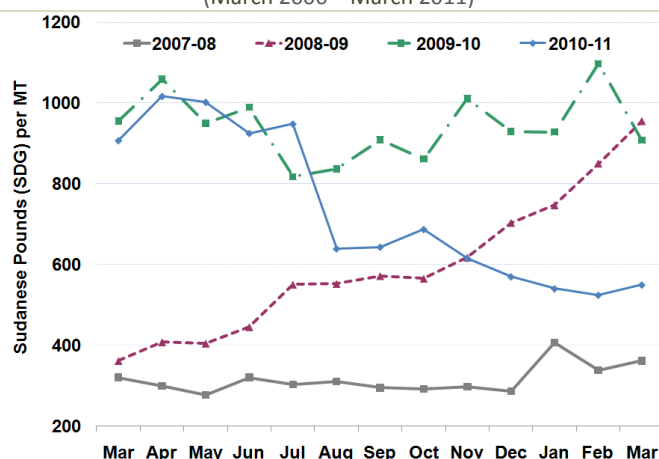
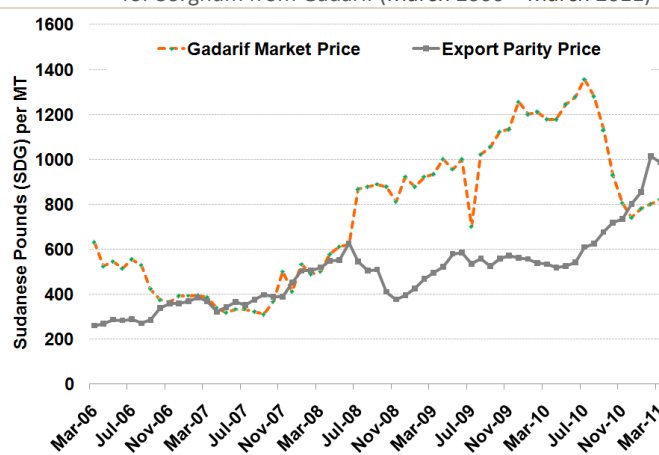


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (March 2006 – March 2011)



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: Share of Dietary Energy Consumption by Food Sources in Sudan, Income Quintile, Area and Region

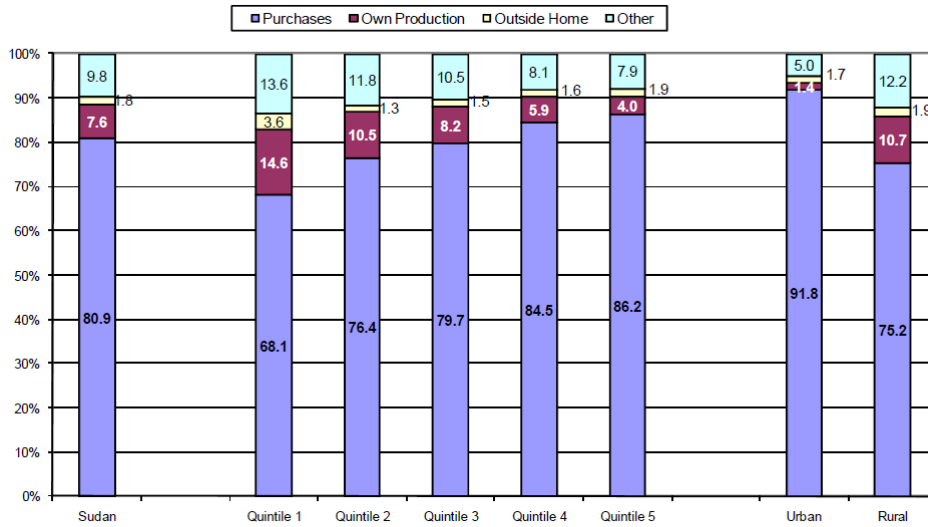
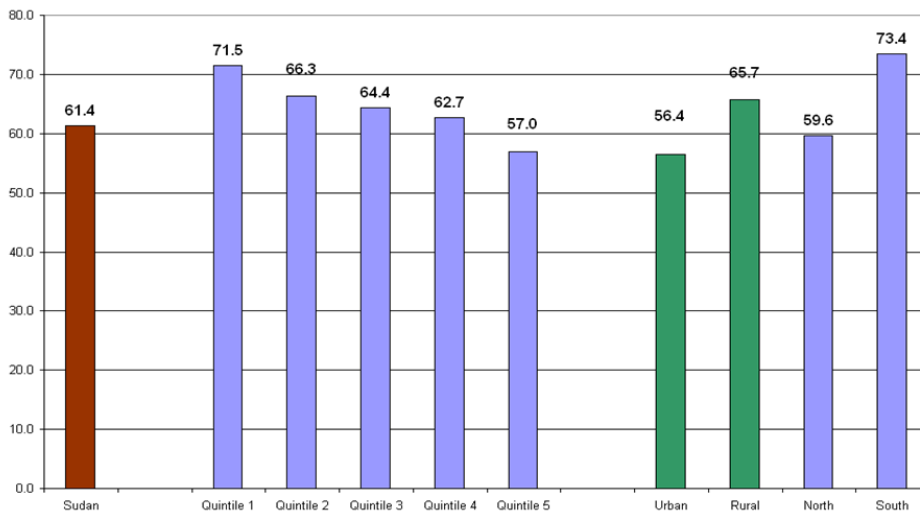


Figure 4: Food Ratio in Sudan (%)



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

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

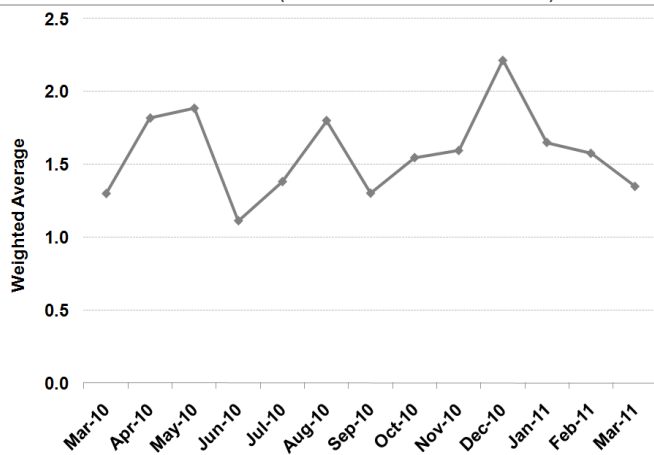
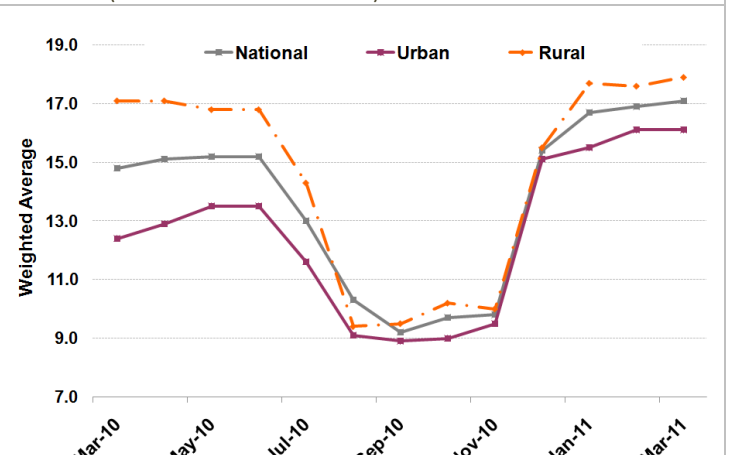


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (March 2010 – March 2011).



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, (March 2010 – March 2011).

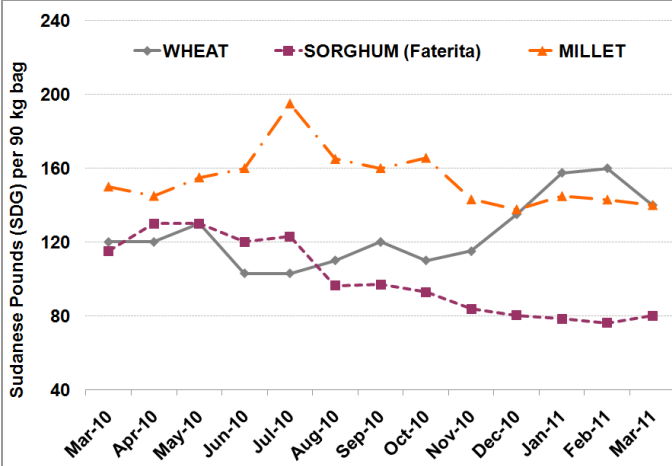


Figure 8: Average and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (March 2010 – March 2011)

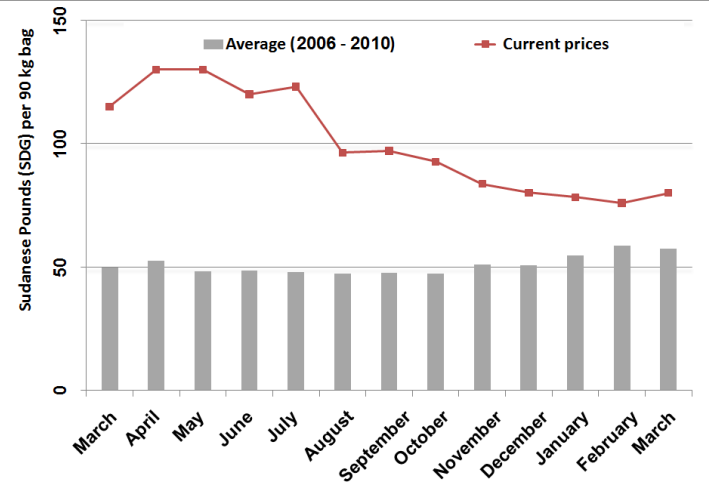


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (March 2010 – March 2011).

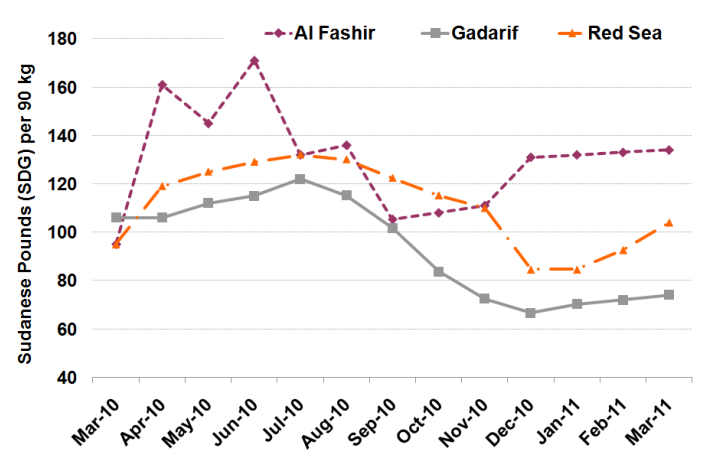
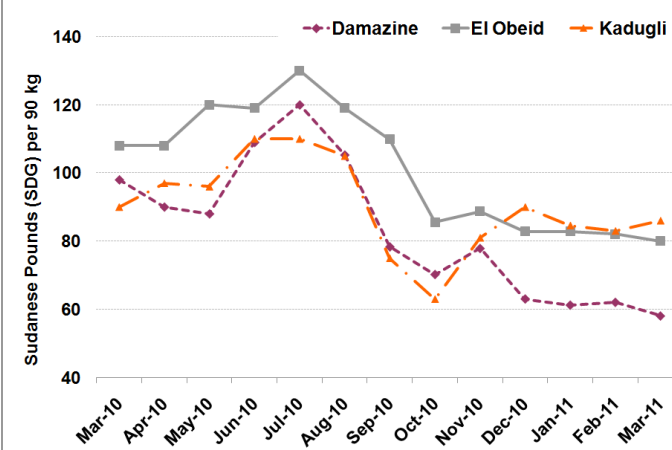


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (March 2010 – March 2011).

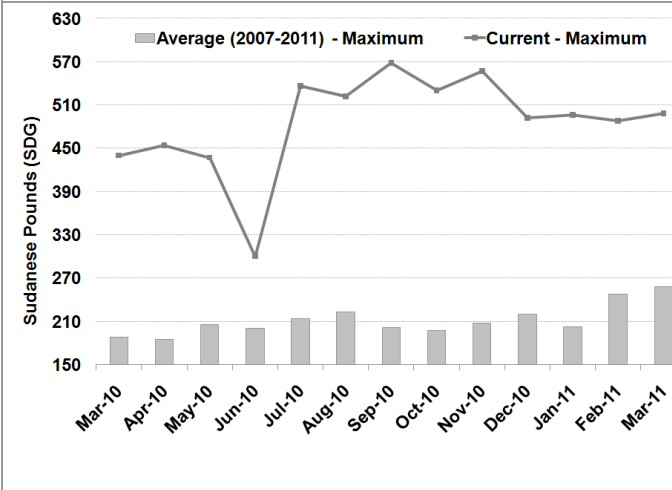
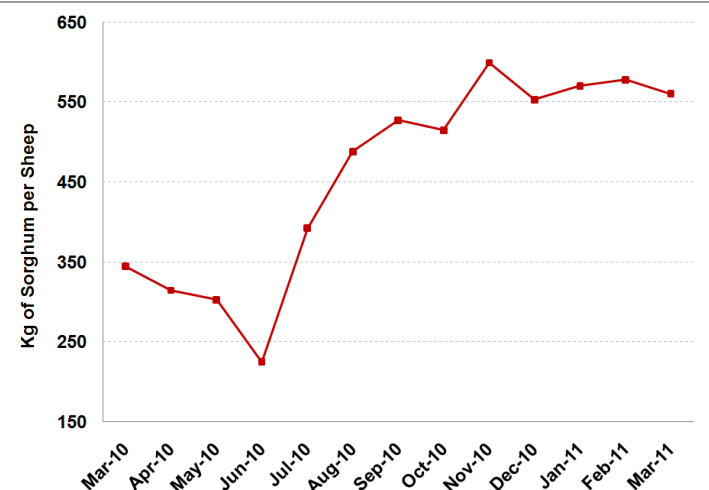


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (March 2010 – March 2011).



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:

March tends to be a time when prices stabilize throughout the country, and this has occurred this year with all cereal prices stabilizing in March except wheat. In contrast to the previous month changes, Khartoum wheat prices declined by about 15% in March. However, wheat prices are still 17% higher than last year and have reached their seven year record high in February 2011 (15% higher than the 2008 peak price level) but decreased to its 2008 peak level in March 2011. Sorghum prices stabilized in March but still higher than their 2006-2010 average (Figures 7 - 9). Despite high level and stabilizing trends, the local prices continue to be below the export parity prices which encourage commercial traders to export (Figure 2).

In many major markets, sorghum prices continued on a downward trend approaching the 2006-07 low level (Figure 1). There had been concern by the government that if the declining price trend of sorghum continues, farm incomes will be significantly reduced and a disincentive effect may take hold, reducing production next season. However, prices have not yet surpassed the average level indicating prices are now stabilizing at a reasonably high level.

Despite a little respite in March 2011, food price increases in Khartoum is expected to continue following the international price trends. Given the decline in food stock (supply) in the international markets, and oil price surge (with an elongated middle-east crisis), the effects of the destruction in Japan, and some political uncertainty in the country all make a possible price increase over the coming months. Furthermore, as Sudan approaches to the hunger season (typically, May – August) and as the major share (more than 90 percent) of the 2010/11 production is being depleted (either sold or consumed), locally produced food prices are expected to show increases for the coming few months. However, the increases will continue to be less than the international price hikes as the Government will continue to protect or subsidize consumers (especially on wheat and wheat product prices). The level and quality of the upcoming *summer* season could also further influence price changes in either direction.

The food inflation increased to 20.4% in March from its 19.9% level in February while the non-food inflation reached to 15.1% from its 12.6% level in February. The non-food component increase looks to be significantly higher than the food increase in March indicating the food to non-food relative price changes to decline. (Figures 5 and 6). Although cereal and food prices continued to be stable for the past few months, general inflation continue to steadily increase for the past several months, reaching the highest in March 2011 (17.1%) since the food crises in 2008. Rural and urban inflation rates also remain very high – the rural inflation increased from 17.6% in February to 17.9% March and the urban inflation remained constant in March at 16.1%.

The observed increase in livestock prices in the previous months, which improved livestock terms of trade, have now started to stabilize, further stabilizing the terms of trade though still favoring livestock owners. Coupled with relatively high commodity prices, these high level livestock prices may exacerbate the food insecurity situation of the poor. There is a high risk that the existing food insecurity could worsen in many traditional food insecure areas as food (including livestock prices) continue to increase further in the coming months. The poor, whose production is always limited by inadequate land, labor and capital reserves, depend on the market to fill a majority of their food needs every year. It is also possible that price increases may erode the value of cash distributions made through *Zakat* chamber or other NGO channels.

Despite the current stability in prices, the high levels of commodity prices have had a negative effect on access to food for poor households that depend on the market for most of their consumption (Figure 3). For subsistence farmers and poorer people facing food shortage, lower yields and escalating livestock and cereal prices, if they occur this year, may result not only in measurable income source losses but also in malnutrition. Therefore, direct and well-targeted productive safety nets aimed at increasing the productive assets or production capacity of households looks to be important. Provision of targeted input subsidies (including seed aid) and provision of seed protection rations to vulnerable groups, would also play a significant role in maintaining food security and increase the asset base, at least for this time of crisis.