

SUDAN MONTHLY
MARKET UPDATE

Bulletin # 28

April 2010

SUMMARY:

Cereal price increases, induced by poor performance of 2009/10 *summer* and *winter* seasons and the corresponding fall in production, have continued much above their historical averages. The upward trend persisted even during the harvest season (September to December) when prices are expected to decline, if not stabilize.

With stability in world market prices, wheat prices somehow stabilized during the first half of 2009 and have been steadily increasing since then.

Current price trends are very worrying, particularly for sorghum, with current prices often reaching to historical record highs. Further decline in the income sources can be expected during the 2010/11 season unless the current high level trend is reversed. The level and quality of the upcoming *summer* season could further influence price changes in either direction.

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.

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 Agricultural 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 – March 2010).

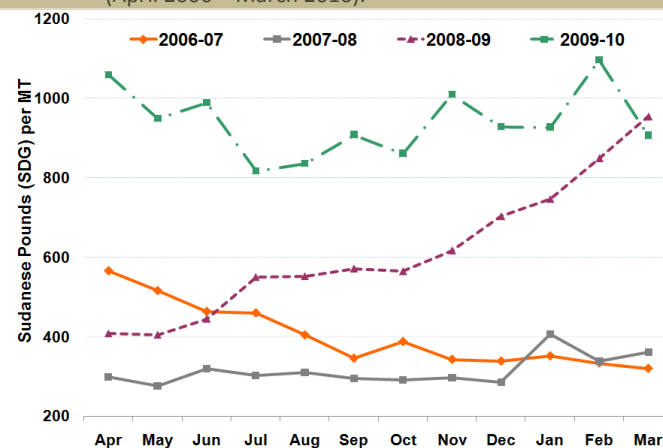
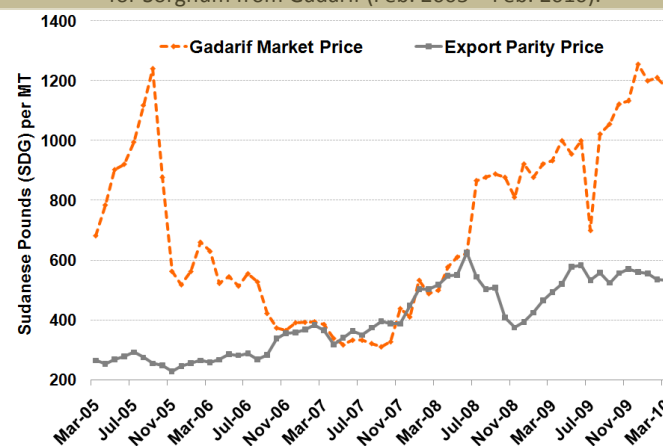


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Feb. 2005 – Feb. 2010).



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

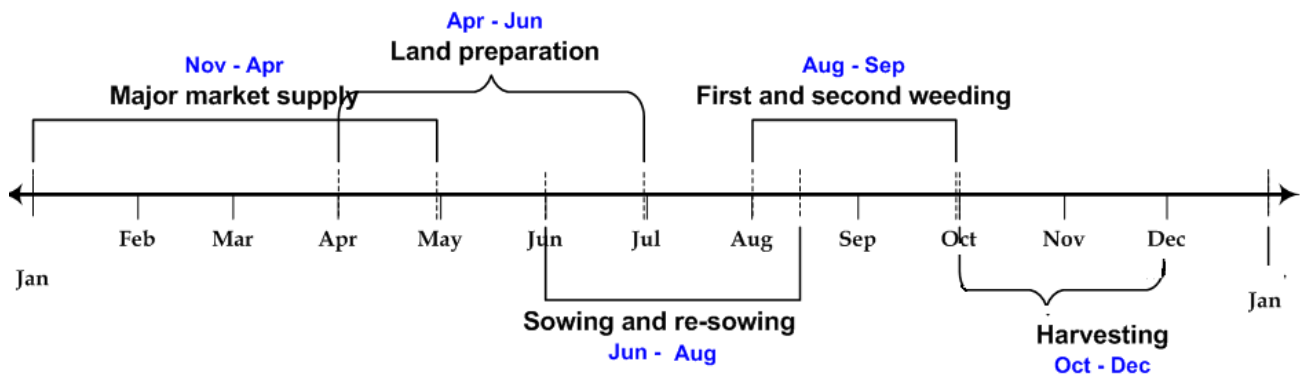
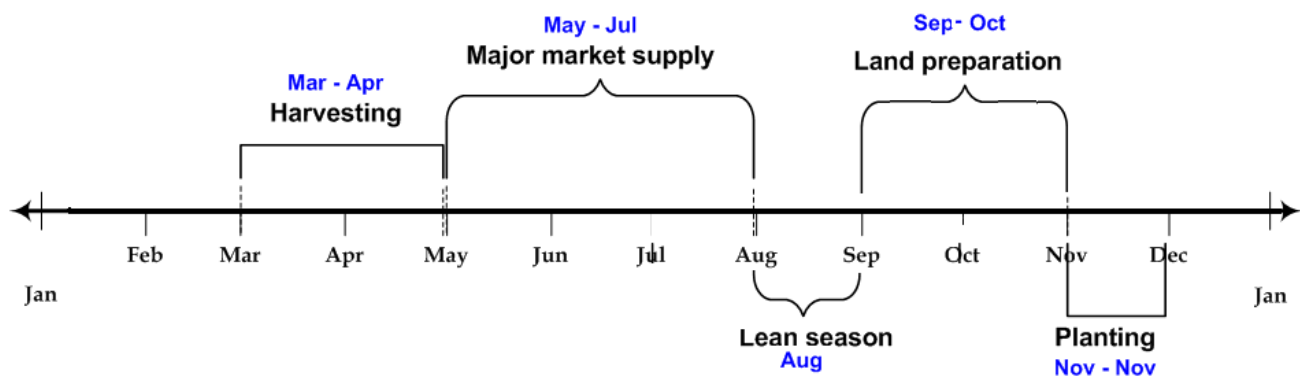


Figure 4: Crop Calendar for Wheat



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 (March 2009 – March 2010).

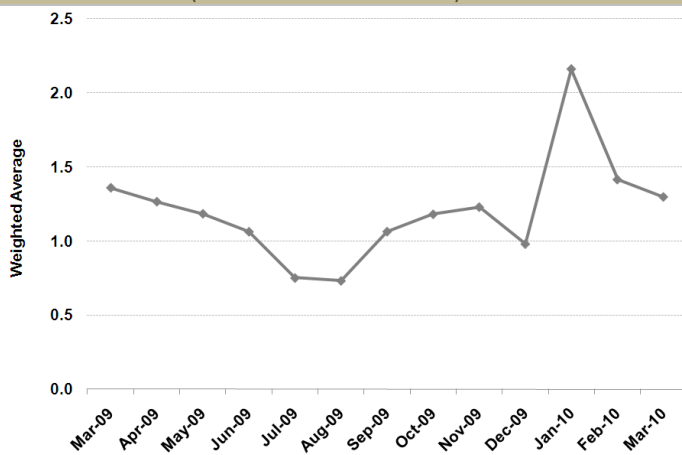
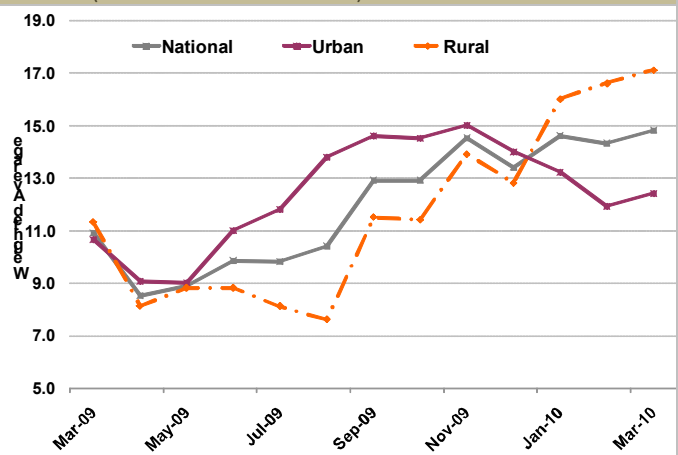


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (March 2009 – March 2010).



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, (March 2009 – March 2010).

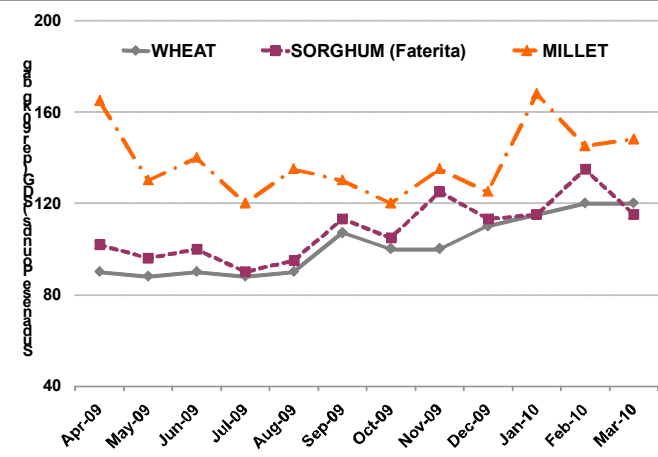


Figure 8: Real and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (March 2009 – March 2010).

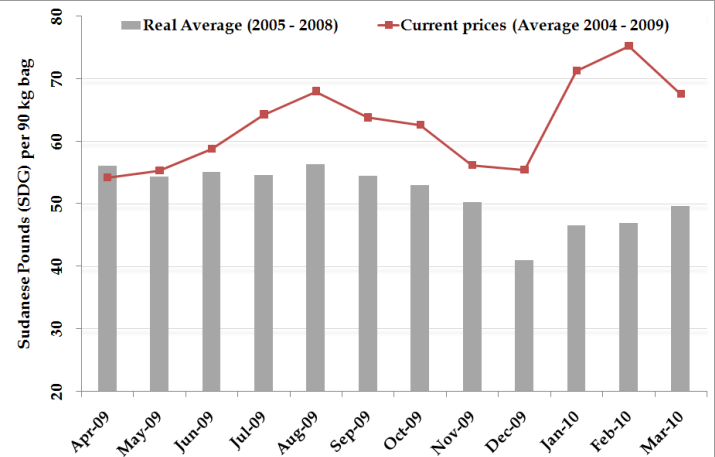


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (March 2009 – March 2010).

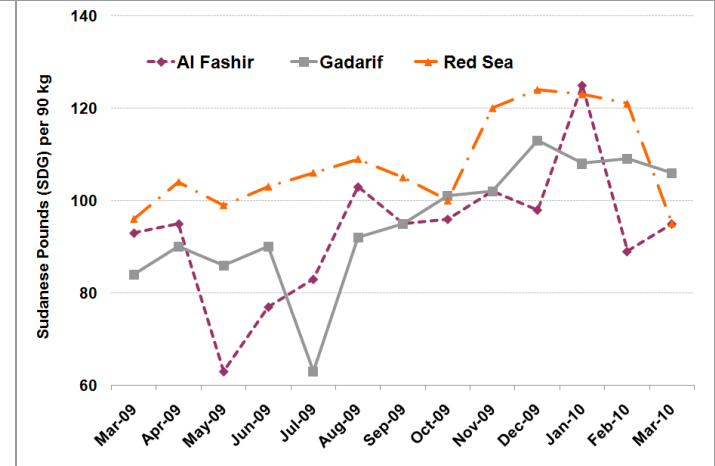
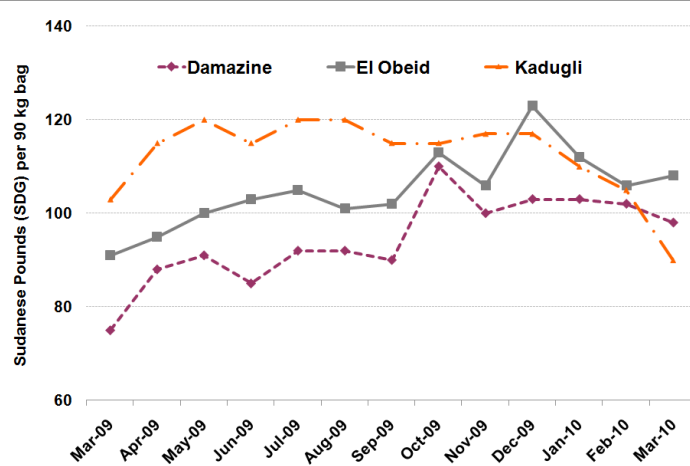


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (March 2009 – March 2010).

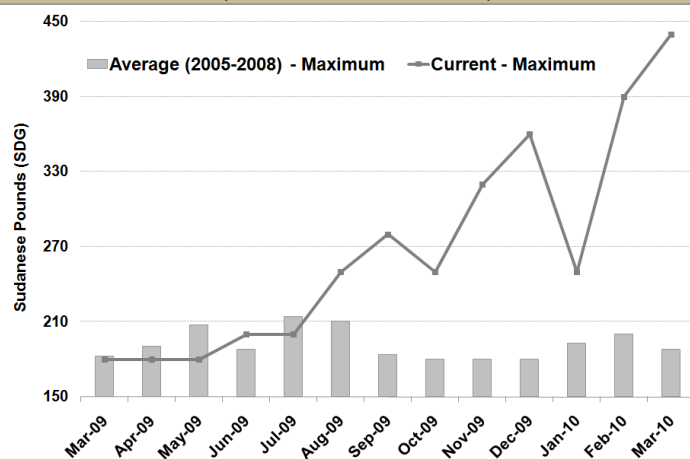
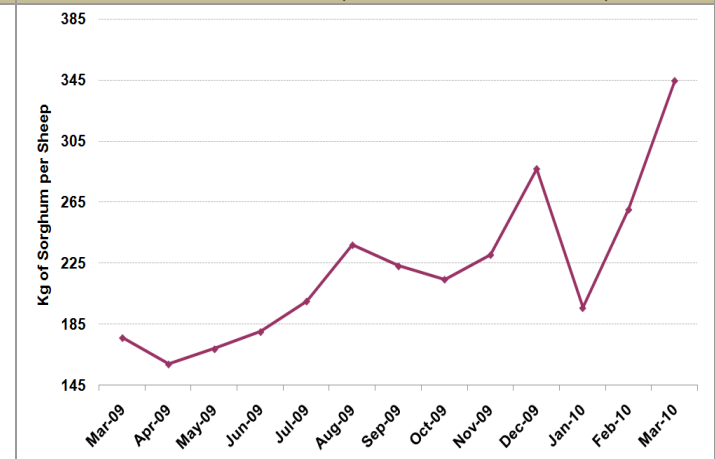


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (March 2009 – March 2010).



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.

MARKET ANALYSIS :

Prices remained at very high and above average levels throughout 2009, a situation that persisted through in 2010 as prices peaked between January and February 2010 in most markets in the country. Despite some signs of declines and stability, prices of major cereals remained at previously recorded high levels in March 2010. sorghum prices in March have shown moderate declines in almost all observed markets (Figures 7 to 9). Prices for millet and wheat have either continued to increase or stabilized at or near their February levels in most reporting markets.

Major reasons for the high level prices continue to be decreased domestic production, very high input and storage costs, inadequate infrastructure, traders' speculation, depletion of grain stocks held by big farmers and traders, some informal exports of sorghum to neighboring countries, and with higher prices, earning increases with decreased quantities and forces suppliers to sell less which further increases prices.

Price stability or a little bit of decline in this post-harvest period is a good sign. If it continues, this will encourage traders to release more cereals from storage. However, as we approach to the typical hunger period (June – August), prices are expected to continue to slowly climb as the major share (more than 90 percent) of production is being depleted (either sold or consumed).

With a high level and increasing trends, the local cereal prices are continuing to be much above the export parity prices which encourage commercial traders for filling available gaps. (Figure 6). This continues to support earlier statements made about the urgent need for consideration by the Sudan Government for the purchase of a significant part of cereal gaps of 2010 from the international market.

Rural cereal and general food price indices have increased in March, and rural consumers have been hit particularly hard. According to the Central Bureau of Statistics (CBS) sources, overall rural inflation rates increased from 16% in January 2010 to 17.1% in March 2010, which is the highest recorded figure since November 2008. On the other hand, the urban inflation rates declined from 13.2% to 12.4% during the same time. The relative food to non-food changes has continued to decline - the March 2010 food inflation rates are still going above non-food rates. (Figures 5 and 6).

With significant increase in livestock demands for export, the increase in cereal prices is currently accompanied by increase in livestock prices. The March 2010 increases in livestock prices are significantly higher than cereal price increases favoring livestock owners' terms of trade. Livestock owners continued to get more sack of grain traded than previously.

Simultaneous increase in livestock and cereal prices will consistently worsen the already extreme food insecurity situation in many areas as 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. For subsistence farmers and poorer people facing a food shortage, lower yields and escalating cereal prices have resulted not only in measurable income source losses but also in malnutrition and possible increase in risk of hunger. Therefore, crop production input subsidies (including seed aid) and provision of safety nets to support vulnerable groups, would continue to play a significant role in maintaining food security, at least for this time of very high level food prices.