

SUDAN MONTHLY MARKET UPDATE

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SUMMARY:

Cereal prices in most Sudan markets continue to decline since August as the estimated above average harvested crops reach the market. The exceptions are the traditional conflict affected areas of S. Kordofan, and the three Darfur States, where price volatility is high. As Sudan is in the midst of sorghum harvesting season, prices will keep on declining into Feb - Mar.

Nevertheless, unlike the previous few months, wheat prices and inflation rates have significantly increased in December with serious implications on the poor. Wheat prices increased by 22% in December compared to November. The food inflation, unabated by sorghum price declines, nearly doubled in December, reaching to 19.7% from a mere 11% in November and the non-food inflation increased to 8.9% from 6.9%. The increases are mainly attributed to the ongoing referendum related instability and currency devaluation and speculation of possible removal of subsidies on petro, sugar and other products. The food inflation rise is also related to increases in international food prices in which Sudan is a net importer.

Protection of consumers from the adverse effects of escalated food prices remains both a marketing policy and social policy challenge. With very limited purchasing power (ability to pay), Sudan needs to explore measures to protect the vulnerable. On the other hand, reversing the current trend of low sorghum prices cannot be entirely left to supply and demand alone—some indirect control measures are required.

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 (Dec. 2006 – Dec. 2010).

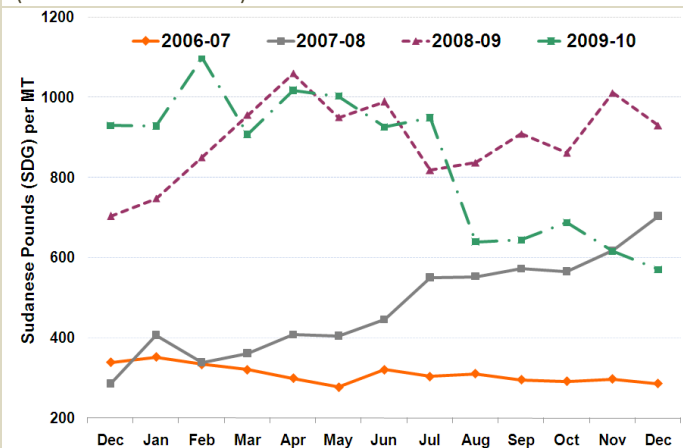
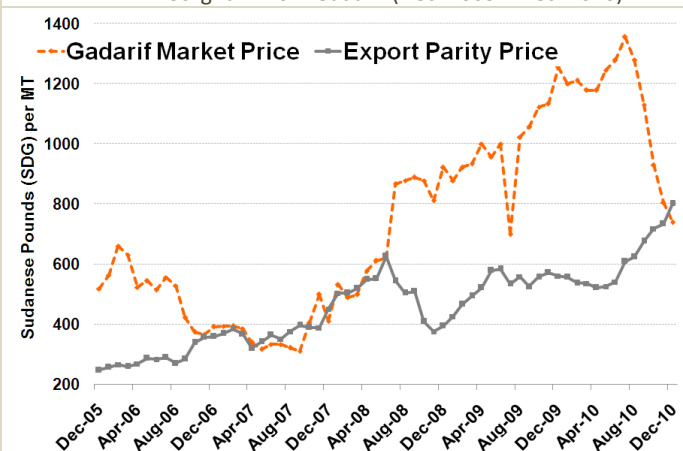


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Dec. 2005 – Dec. 2010)



Source: Data Archives of Ministry of Agriculture (MoA) 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

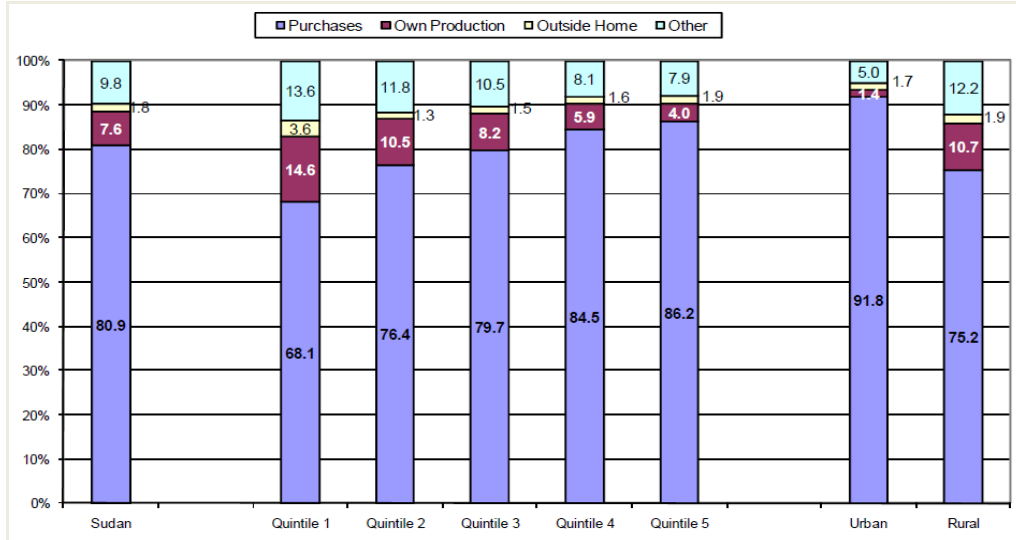
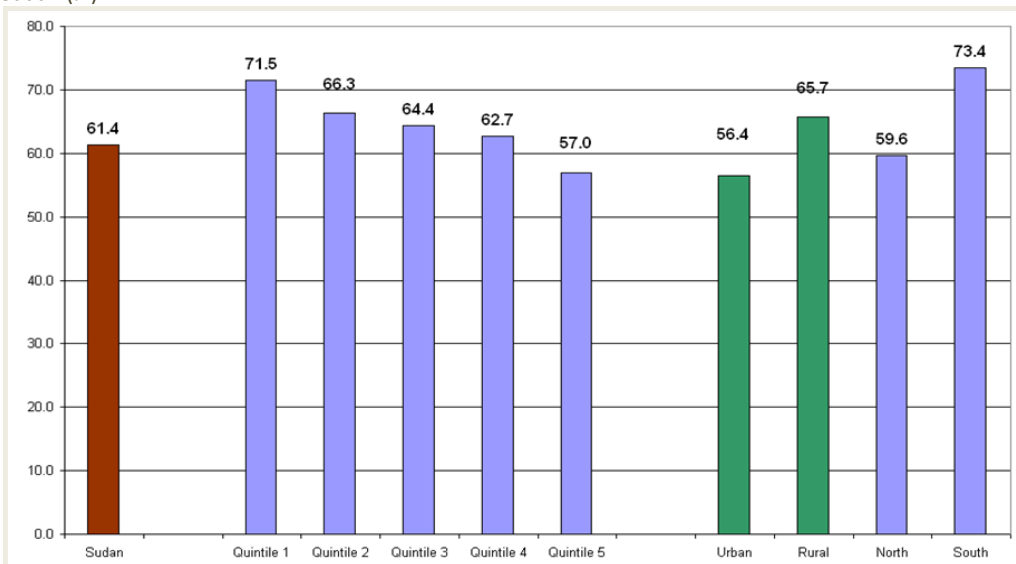


Figure 4: Food Ratio in Sudan (%)



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 (Dec. 2009 – Dec. 2010).

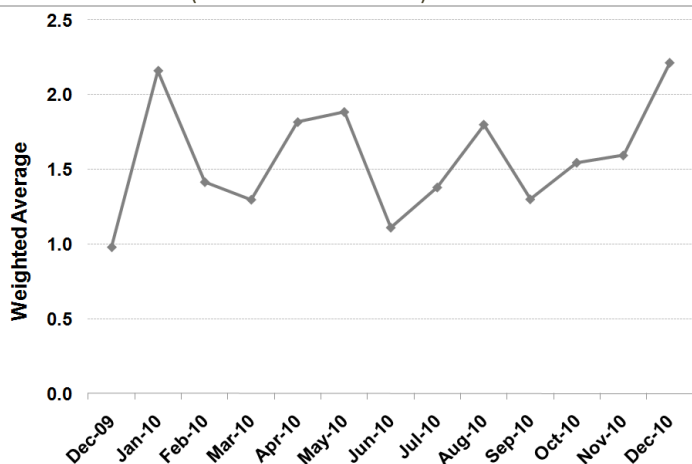
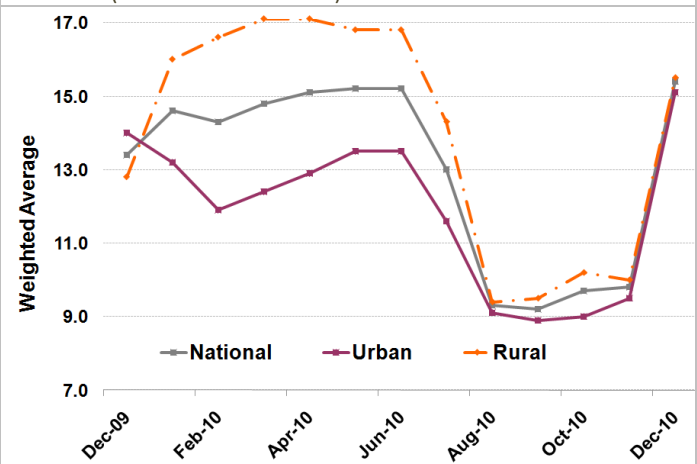


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Dec. 2009 – Dec. 2010).



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, (Dec. 2009 – Dec. 2010).

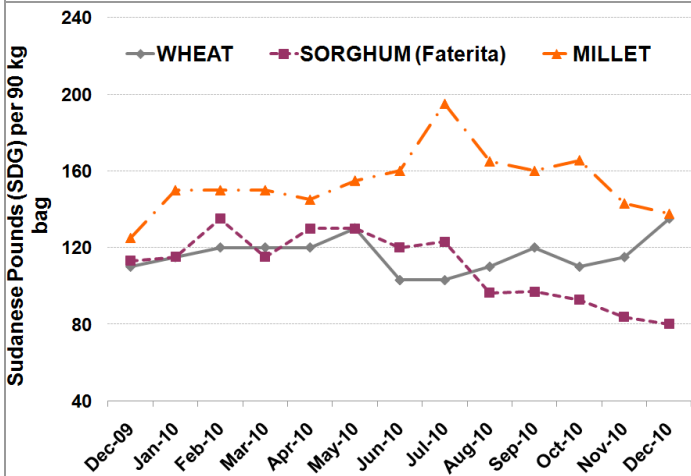


Figure 8: Average and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (Dec. 2009 – Dec. 2010).

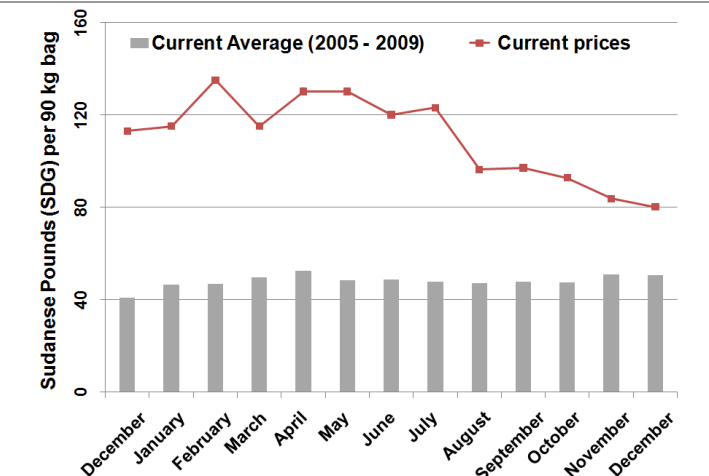


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (Dec. 2009 – Dec. 2010).

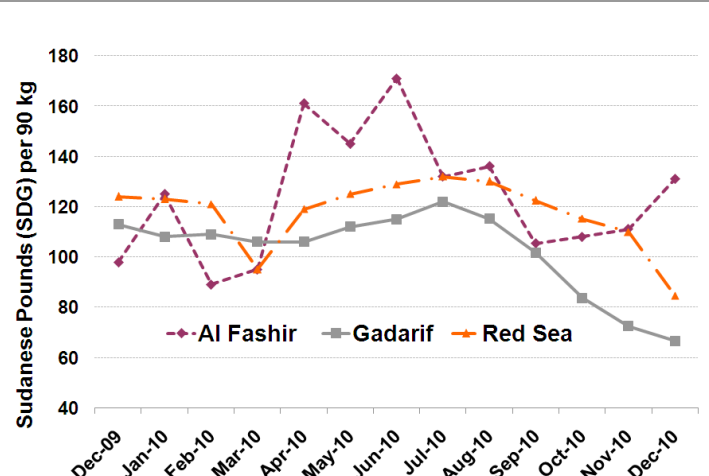
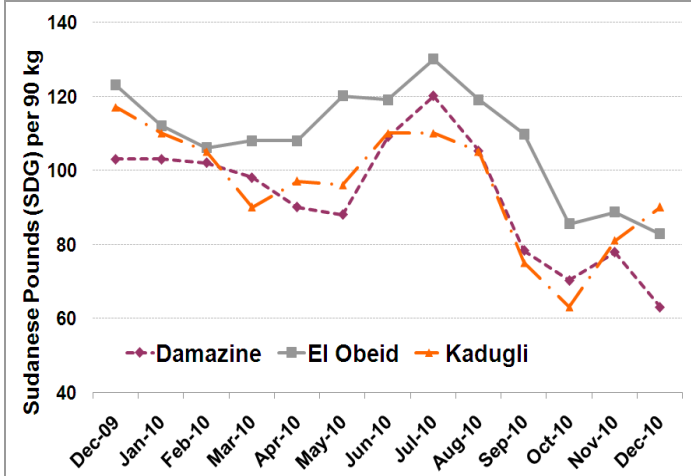


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Dec. 2009 – Dec. 2010).

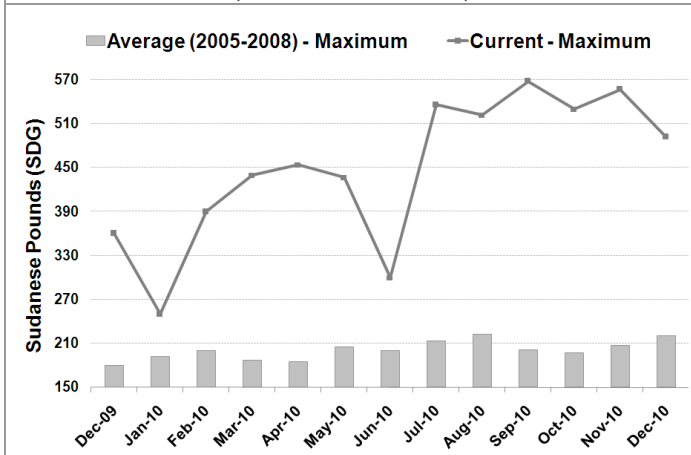
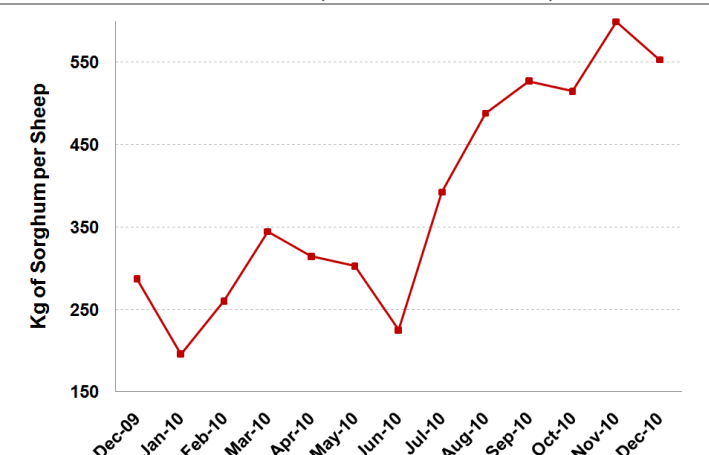


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Dec. 2009 – Dec. 2010).



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.

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

MARKET ANALYSIS :

Results from the Government lead crop and food security assessment indicate that 2010/11 sorghum and millet production is expected to be 130% and 49%, respectively, higher than last year and is above average. Sorghum and millet price trends strongly support this prediction, with significant decreases observed in most markets. December Khartoum and Gadarif sorghum prices declined by about 35 and 45 percent, respectively, compared to the July high prices. Generally declining sorghum and millet prices are beneficial to poor people who have the purchasing capacity.

The only exception here is wheat where it showed a more than 30 percent increase compared to July which is attributed to the decrease in supply and escalating prices in the international market. December 2010 prices are still above the 2005-2009 average levels. (Figures 7 to 9). While prices of sorghum and millet expected to further decrease for the coming months, wheat and other food prices are likely to increase following other market trends.

Prices of livestock for December 2010 are significantly higher than normal for all classes of livestock in almost all observed markets. This is ascribed to increased demand from local slaughter houses, scarcity of supply and increase in demand from international markets. Improved physical condition of livestock resulting from good forage availability and improved body condition of the animals and their products are also the main reasons for good prices. Given a bumper national harvest of sorghum and millet this year, terms of trade are expected to worsen further against cereal producers for the coming months. (Figures 10 and 11).

Given a significant decrease in local sorghum prices and a continued increase in international market prices of most commodities, the local price has gone below the international parity prices for the first time since March 2008, when the world food crisis reached around its peak. (Figure 2). Despite a very high cost of local production, local producers are for the first time able to export to the international market at a competitive price.

Unlike the previous few months, inflation rates have significantly increased in December with serious implications on the poor. The food inflation reached 19.7% in December from its 11% in November. This is the highest since the food crises in 2008 while the non-food inflation reaching to 8.9% from its 6.9% level in November. The increases are mainly attributed to devaluation of Sudanese Pounds and the speculation of possible removal of subsidies on petro products and sugar with serious implications on other sectors. The food inflation rise is also related to increases in international food prices in which Sudan is net food importer. As the food inflation rate increases much higher than non-food, relative price increases continue to jump. Similar inflation rate changes have been observed for both urban (from 9.5% in November to 15.1% in Dec) and rural (from 10% in November to 15.5% in December) settings. (Figures 5 and 6).

Given the unsettled situation in the ground, and possible removal of fuel and sugar subsidies and more demands in foreign currency, inflation rates are expected to increase further in the coming months and this will reduce the purchasing power of poor households as prices of other commodities and public services are also anticipated to rise.

Despite a decline in sorghum and millet prices, there is a growing concern in Sudan over the impact of current swings in inflation rates. This will have a serious impact on the poor, who are more than 60 percent of the population and dominantly relying on the market for accessing their food (Figures 3 and 4). According to WFP, there are already about 3.2 million people who are still unable to secure adequate food access in the 15 Northern states of Sudan during 2011. These are mainly conflict-affected populations, including IDPs, refugees, returnees, and vulnerable residents. Protection of consumers from the adverse effects of escalated food prices remains both a marketing policy and social policy challenge. With very limited purchasing power (ability to pay), Sudan needs to explore measures to protect the vulnerable, including the use of Zakat resources innovatively for safety nets and reinforce the best use of the strategic reserve resources to mitigate price hike consequences by providing poor people direct access to food. In the medium to long run, increasing agricultural productivity and diversification of income sources and consumptions that proves both competitive and sustainable are viable ways of forward.