

SUDAN MONTHLY MARKET UPDATE

Bulletin # 31

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SUMMARY:

Cereal prices continued to show their typical trend in Sudan, either increasing or remain stable at a very high level during the month of June 2010. Given last year's poor agricultural performance, which made conditions even worse this hunger season, cereal prices have been higher than normal this June. Staple prices in selected markets are higher than they were last month and higher than the five year average for this time of year.

Because the lowest 20% of poor people spend more than 70 percent of their total budget on food, these high level and excessive increases and fluctuations in cereal prices have a significant impact on their food security adversely affecting their nutritional status. With cereal prices continuing to climb towards their seasonal peak levels, poor households will be at ever increasing risk of food shortages. Prices are particularly high in the conflict affected areas where supplies of grains are already very limited due to inaccessible transport routes. Close monitoring of prices will be crucial in evaluating the food security status of the poor in the coming months.

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 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 (July 2006 – June 2010).

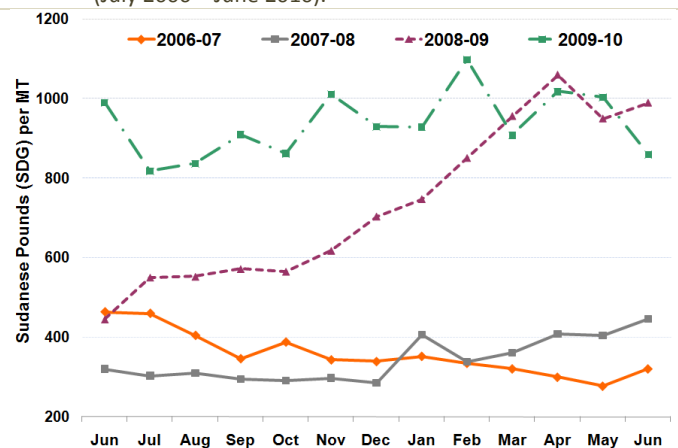
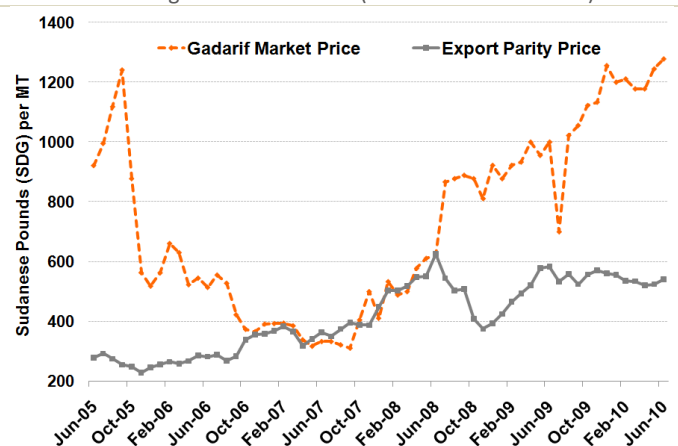


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (June 2005 – June 2010)



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: Seasonal Calendar and Critical Timeline Events for Sudan

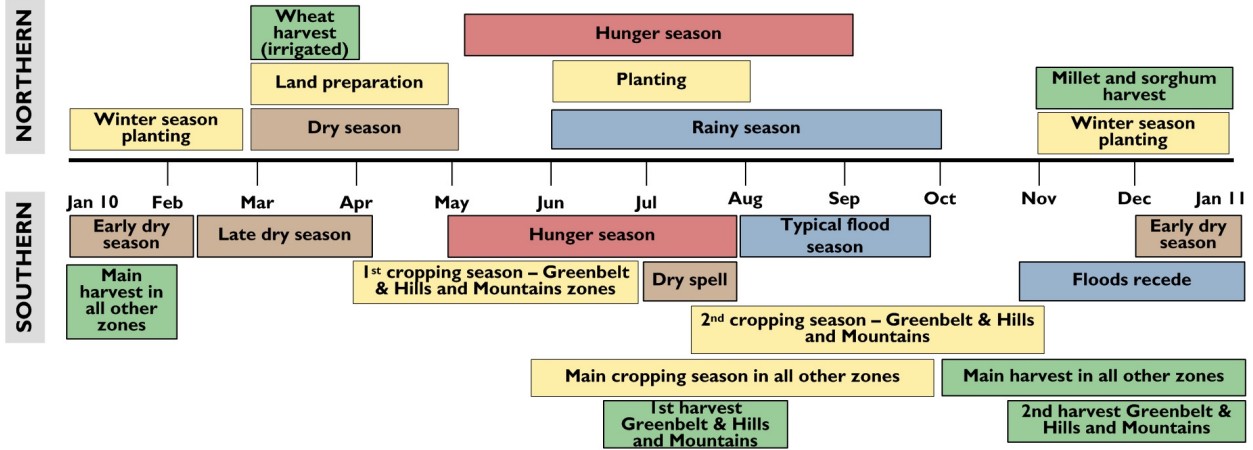
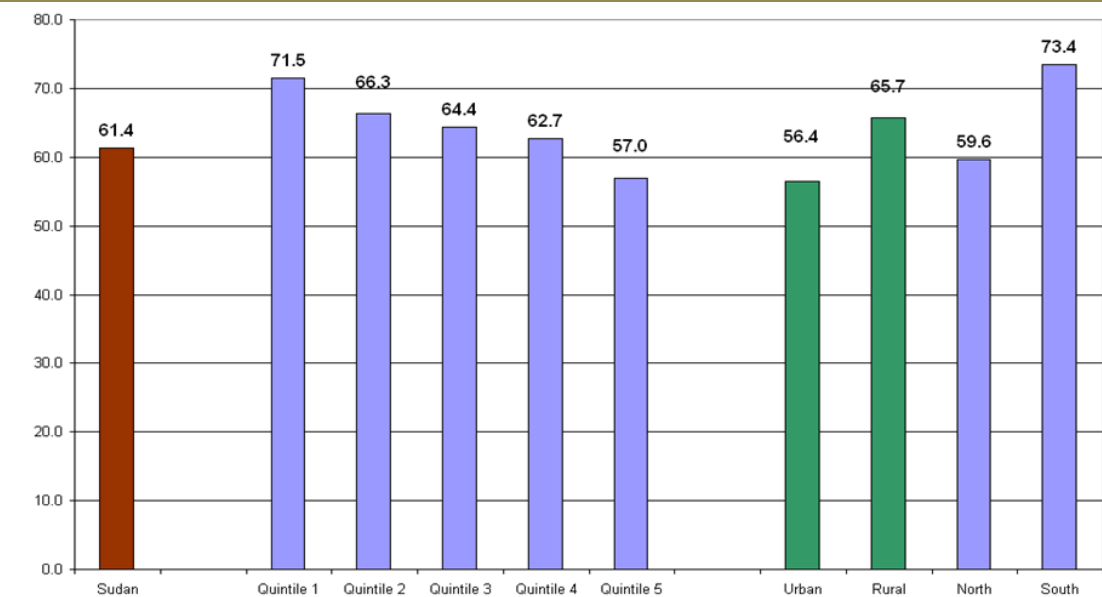
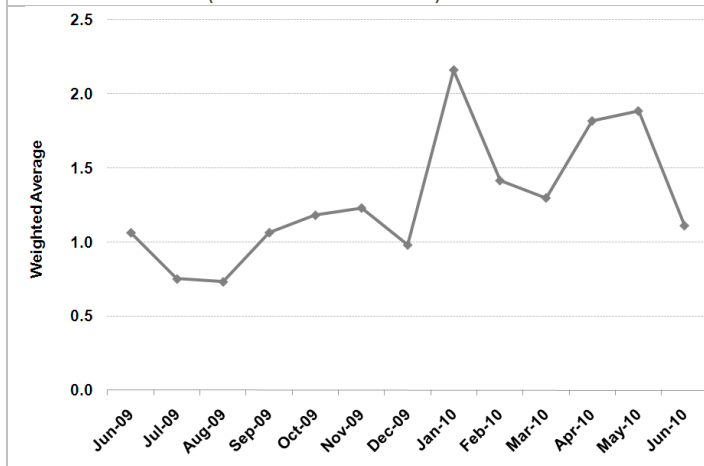


Figure 4: Food Ratio in Sudan (%)



Source: The Sudan Baseline Household Survey, CBS - FAO-SIFSI-MoAF, June 2009.

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (June 2009 – June 2010).



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

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

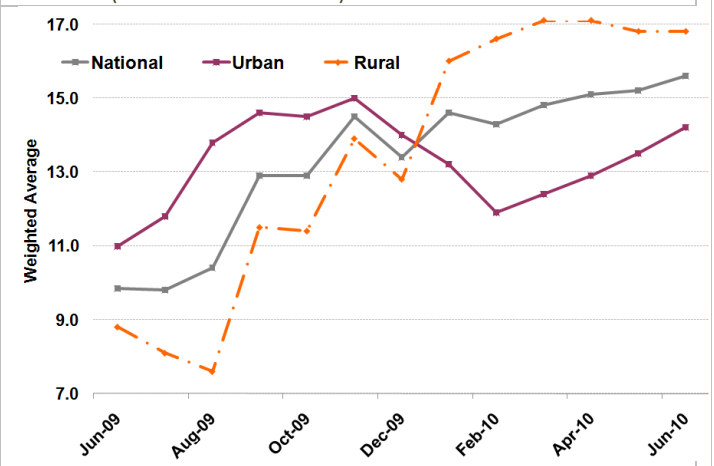


Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (June 2009 – June 2010).

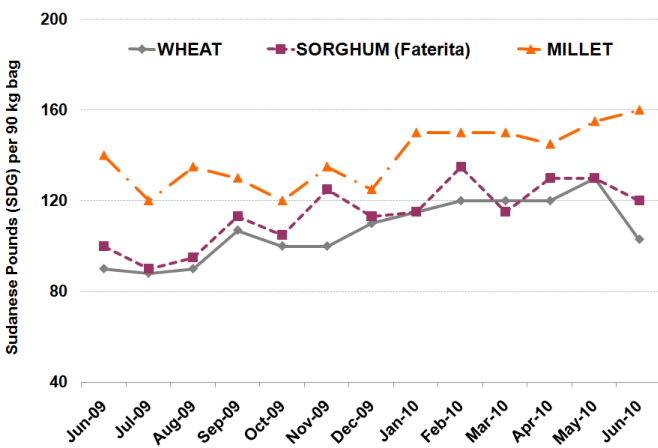


Figure 8: Real and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (June 2009 – June 2010).

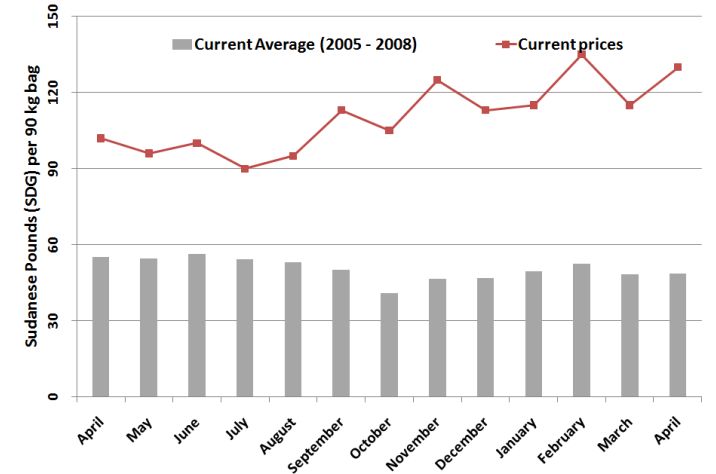


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (June 2009 – June 2010).

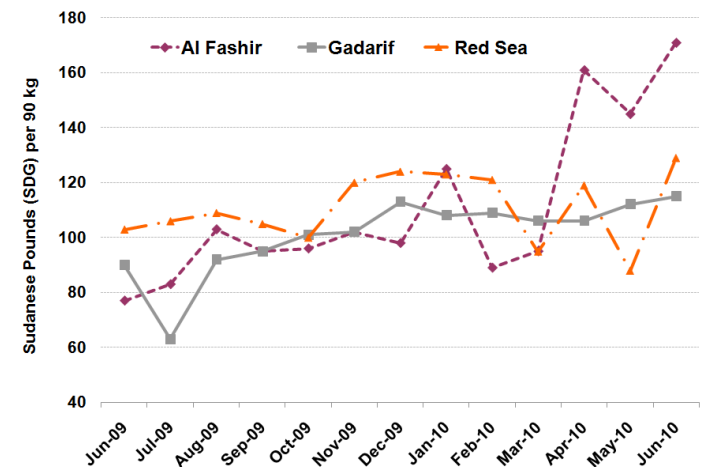
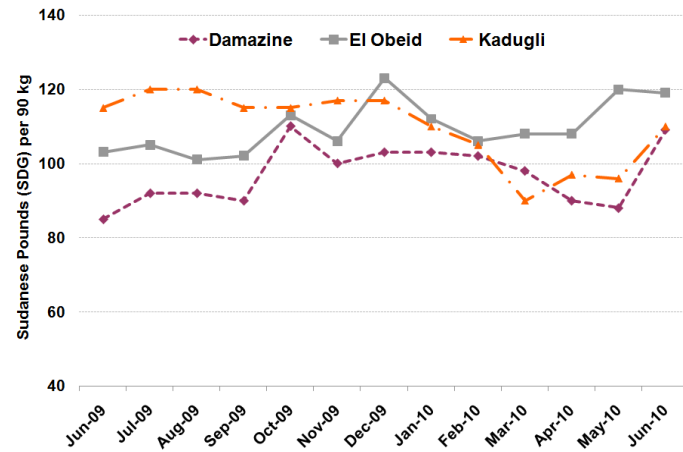


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (June 2009 – June 2010).

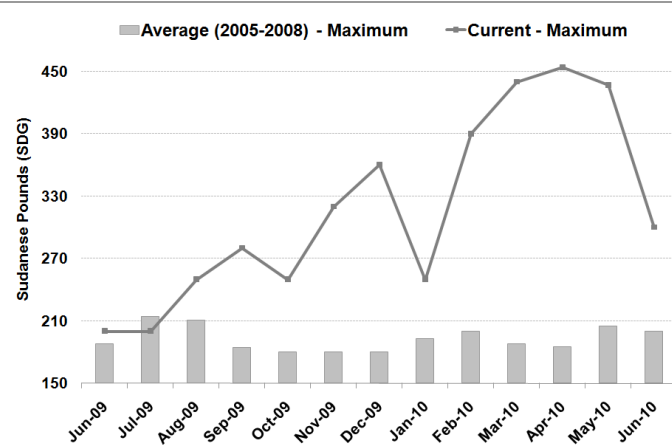
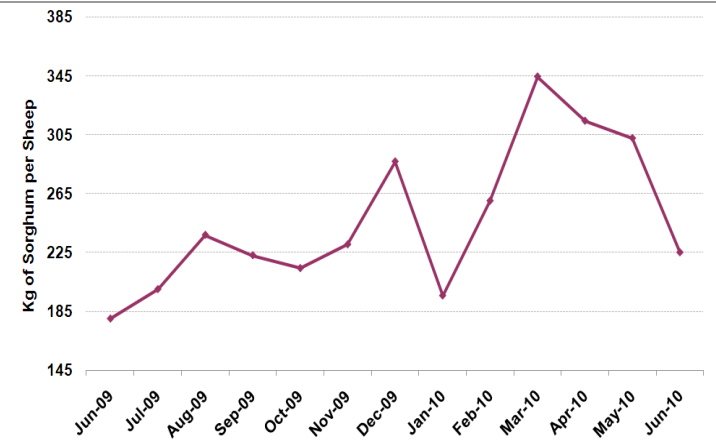


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (June 2009 – June 2010).



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 :

Cereal prices continued rising in June (or remain stable at a high level) and are significantly higher than the previous five years average. The wholesale price of sorghum in June has already risen by over 20% and more than 150% in Khartoum compared to same time last year and the previous five years average, respectively.

According to the CBS, the food and non-food inflation rates continue to be high in June 2010 indicating another serious concern for Sudanese as the percentage of food to total consumption is more than 61 percent (which is about 66% for rural and 56 for urban). (Figures 5 and 6). This is the same for both urban and rural settings. This also affects the household seriously as more than 80 percent of the population in Sudan are getting their dietary energy consumption from purchases (as opposed to own production) (Sudan Baseline Household Survey (SBHS) 2009).

Price data from Animal Resource Service Company (ARSC) shows that grain-livestock terms of trade are favoring crop growers to the disadvantage of livestock owners (Figures 10 and 11). The observed decline in sorghum per goat terms of trade for livestock owners between May and June was more the result of a significant drop in the price of male goats. The livestock prices have dropped by more than 45% in June 2010 compared to the previous month while sorghum prices remain very high. Similar price movements were observed in other livestock markets.

Until harvests begin in November, prices are expected to continue climbing with the on-going hunger season (especially during the upcoming Ramadan month (August 10 – Sept 10)). Despite reports of good start to the *summer* season rains, prices have not yet shown any sign of decline implying that the current season's performance have not yet boosted the confidence of producers and traders to release their small stocks.

According to the recent Cereal Availability Study (CAS 2010), as of mid April 2010, it is estimated that producers and traders are withholding within a magnitude of 100,000 to 130,000 MT of cereals, in which 50% is held by producers. These amounts will serve as a buffer till the coming harvest starts in November in which they will be slowly releasing the grain in small proportions. The magnitude of on-going government strategies determines the proportion of grain that will be released in bulk and hence affecting price changes. Local wholesale prices continued to be very high as compared to international prices which still show that there are rooms for importing grains before the two prices are comparable. At present, the level of domestic wholesale price of sorghum is 76% higher than its import parity price, but with the timely import and distribution of wheat and the introduction of a competitive tender system, domestic wholesale prices of sorghum could decrease to a level of about 20%-30% above the import parity price. In that case, it would be appropriate to locally procure a limited amount at above the Import Parity Prices (IPP).

Volatility in prices (especially in conflict prone areas) coupled with very high prices and low levels of rural/urban income prevent poor households from obtaining adequate food during the hunger period. The relatively high degree of price unpredictability of sorghum prices might have continued to contribute to a more unstable market environment for producers and consumers. Hence, in addition to other efforts, diversification of farmers produce looks pertinent. A 100 percent reliance on one cereal, as the primary cash crop, has left producers vulnerable to asset depletion, and increased poverty. Diversifying into crops for different markets helps offset commodity price swings. It can spread economic risk on the farm and offer profitable niche markets, lessen impact on environmental resources strained by mono-cultural systems and, sometimes, offer new opportunities to strengthen communities.

This year price increase exceeded the high levels of last year indicating that this year's hunger season will be difficult as staple food prices are already out of reach of the very poor households in many of urban and rural areas. Because the lowest 20% of poor people in Sudan spend more than 70 percent of their total budget on food (SBHS 2009), further escalations in cereal prices have a significant negative impact on their food security. Close monitoring of prices continue to be an utmost importance in evaluating the food security status of the poor in the coming months.