

## SUDAN MONTHLY MARKET UPDATE

Bulletin # 44

August 2011



### SUMMARY:

Despite a little bit of decline from its ever highest level in February, Khartoum July 2011 wheat prices remained 45% higher than last year, which was also very high. International wheat prices remained stable at a relatively very high level though showing some signs of decline for the previous few months. Sorghum and wheat prices in Sudan markets remained consistently above their respective monthly averages since 2007/08. The recent high level sorghum prices erode Sudan's competitiveness in the international market for the first time since Dec 2010.

Although it is still too early to predict the exact magnitude of change of national production, prices have started to show signs of increasing trend due to the much less than average major season (June – Aug) rainfall performances.

Sudan's food and non-food inflation rates increased in July after a one dip in June, reaching their highest levels recorded during the year. The effect of high prices will be particularly acute in traditionally highly food insecure and inaccessible and conflict affected areas of Darfur, S. Kordofan, and Abyei where humanitarian assistance have been reportedly inadequate. By limiting food access, higher cereal prices will result in deterioration in the nutritional status of children in these areas. Sustained interventions to support livelihoods and curbing impacts of high level prices are strongly recommended.

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](mailto:Yahia.Awadelkarim@fao.org); [alemu.asfaw@fao.org](mailto:alemu.asfaw@fao.org)

### CONTENT:

Food Ratio and Inflation rates	2
Nominal and real wholesale prices of cereal	3
Terms of trade and sheep prices	3
Market analysis	4

Figure 1: Real Wholesale Prices for Sorghum in Khartoum (July 2007 – July 2011)

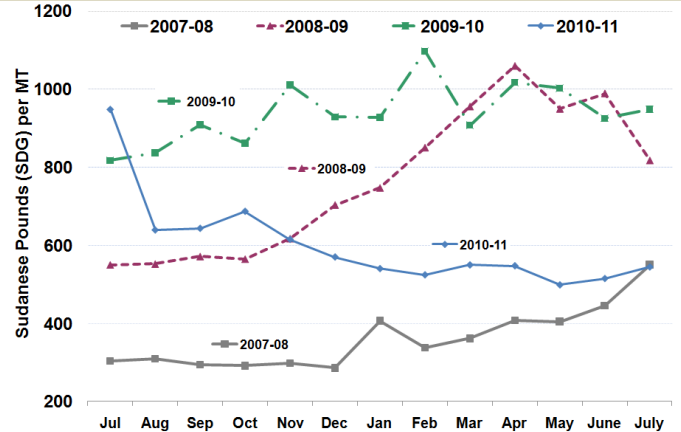
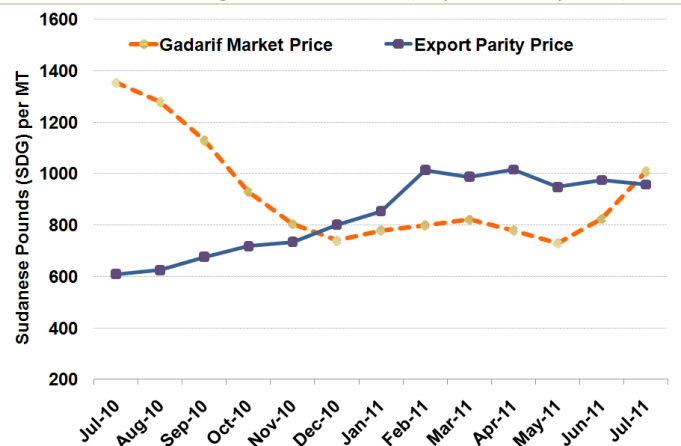


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (July 2010 – July 2011)



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/](http://www.fao.org/es/esc/prices/)

Figure 3: Wholesale Prices of Wheat in Khartoum (July 2007 – July 2011)

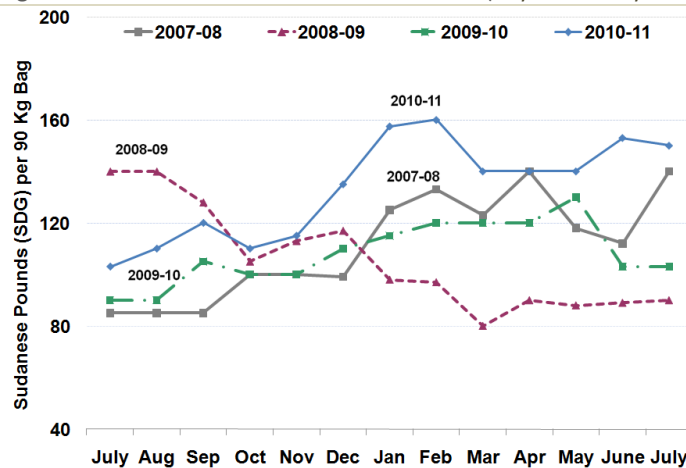
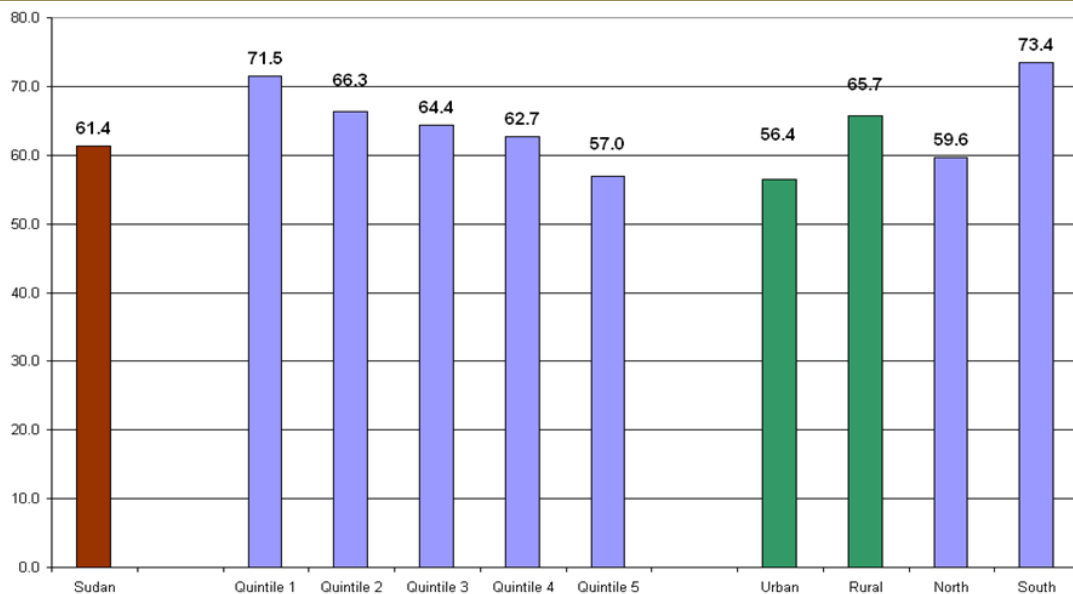


Figure 4: Food Ratio in Sudan (%)



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

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

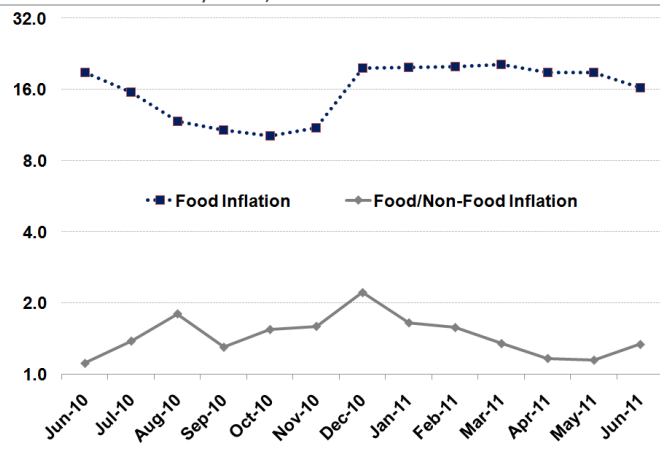
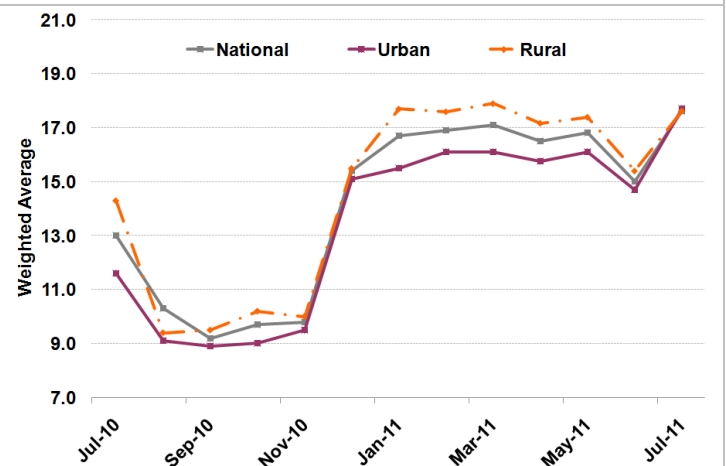
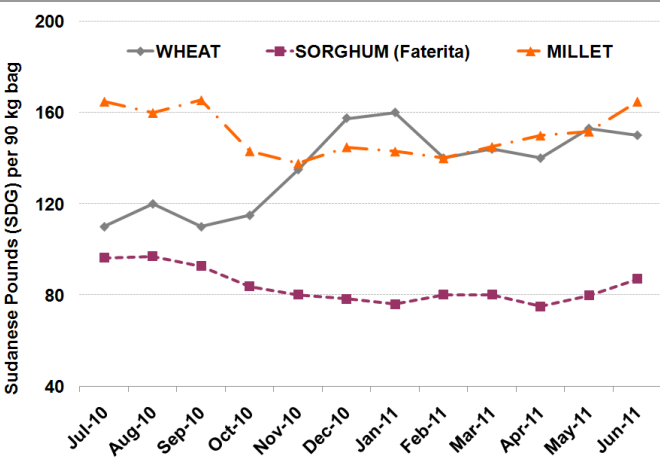


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (July 2010 – July 2011).

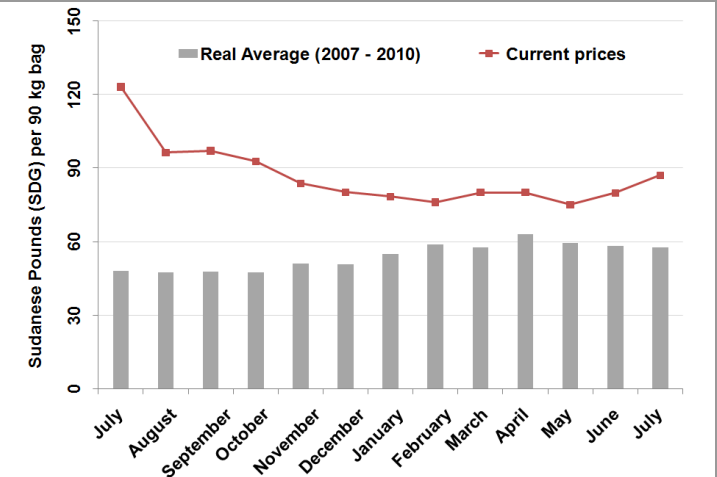


Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates, Sudan and Khartoum 2010/11.

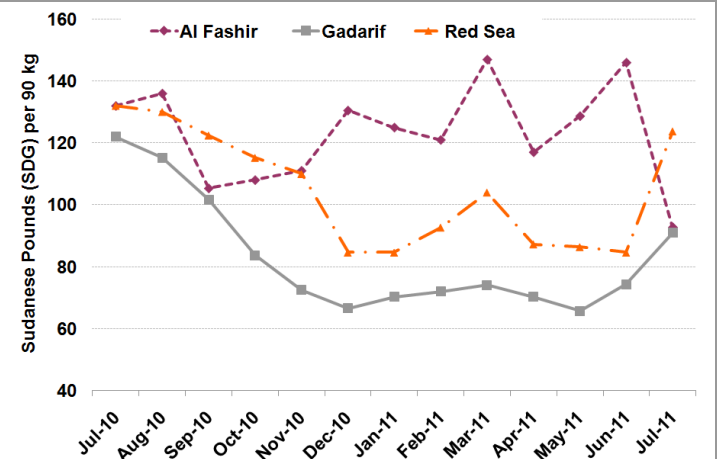
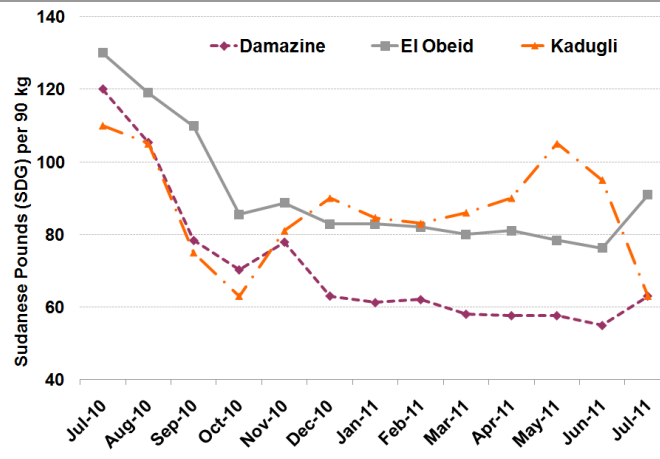
**Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (July 2010 – July 2011).**



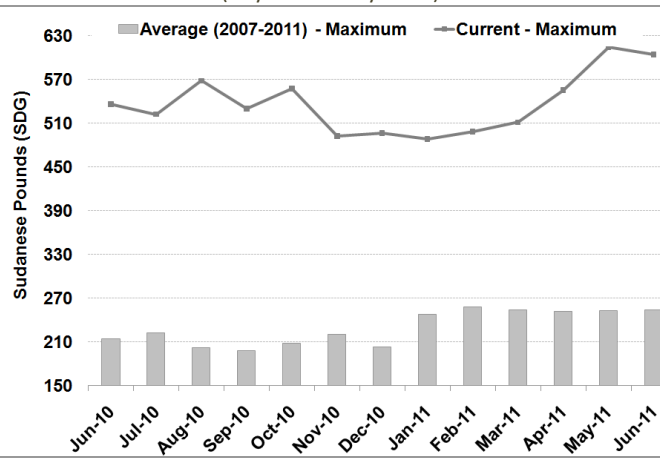
**Figure 8: Real average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (July 2010 – July 2011)**



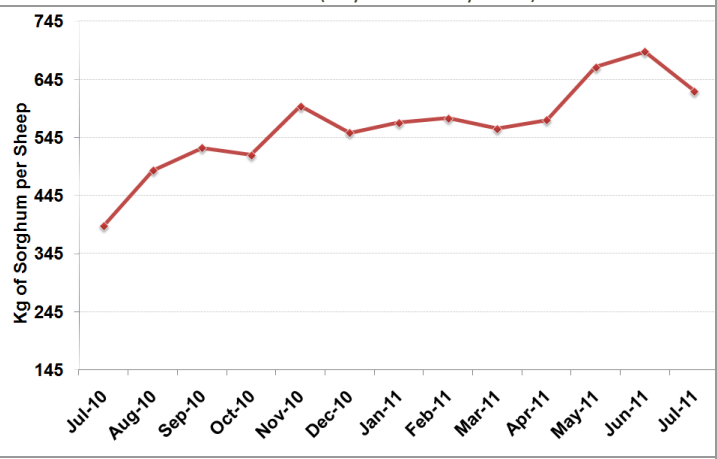
**Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (July 2010 – July 2011).**



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



**Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (July 2010 – July 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 \$ ≈ 2.9 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 increased in all markets in July except in areas where humanitarian assistance is on going. July 2011 prices in Khartoum (major terminal market) and Gadarif (traditional surplus producing area) increased by 9% and 22%, respectively, from June 2011. The increase was 46% in Port Sudan, Red Sea State. July 2011 sorghum prices are still 50% higher compared to the previous five year average (2007-2010). Wheat prices in Khartoum in a normal year fluctuates between 90 to 120 Sudanese Pounds per 90 kg bag, but it reached 160 Sudanese pounds in February 2011 and it is 150 in July 2011. (Figures 3, 7 – 9). In the typical food deficit and conflict affected areas of Kadugli and El Fashir, prices declined due to an ongoing humanitarian assistance.

Prices are expected to increase further in the coming few months because many farmers have depleted what they held in storage and traders are also holding stocks (for speculation) due to the poor prospect of the 2011/12 season. Recent price rises are mainly due to poor start of the on-going summer season that lowered consumer and traders' expectations about prospects for the main harvest. Local sorghum prices competitiveness wanes with significant increase in sorghum prices. Local sorghum prices again exceed international sorghum prices in July 2011 after showing some competitiveness for the past six months. With possible rising trend, local prices are likely to continue exceeding international ones for the coming months. (Figure 2).

As most smallholder farmers would have depleted their stocks by July, the recent price increases are expected to benefit mostly grain traders as well as commercial farms that have large grain stocks. Local wheat flourmills may also be affected by the significant wheat price increases because this is when they usually purchase wheat grain before the coming season harvest, which will start in December.

Sudan's inflation rate in July increased again after a one dip in June, reaching to its highest level recorded during the year. The July inflation rate was 17.6%, higher than the 15.0% in June and the 17.1% in March. The increase was largely due to the increase in food price inflation (cereals, rice, vegetables and fruits), from 16.3% in June to 20.3% in July 2011. The relative price ratio (food/non-food) also increased as the rise in the food component was relatively higher than the rise in the non-food inflation rates. (Figures 5 and 6).

Grain-livestock terms of trade have improved significantly for livestock owners since last year in all livestock dependent areas as a result of a momentous increase in livestock prices (which are much higher than the increase in sorghum prices). As shown in Figures 10 and 11 for Omdurman market, the price of a sheep has been very high and stable, fluctuating around 600 Sudanese Pounds per head since May 2011. Due to improved pasture and water availability during 2010 and 2011 combined with increased local and international demands on livestock, the prices of livestock in all livestock markets have reportedly increased at an unprecedented level or much sharper rate than sorghum prices. The terms of trade is likely to worsen for the coming few months against crop producers with expected further climbing or very high level stabilizing livestock prices. As both prices are expected to be high or on the rise, the situation will be aggravated for the poor, food insecure net-consumer households.

The persistent high level prices will have a continuous negative impact on areas of major food security concern, which have limited food access. This is particularly the case in highly food insecure areas of S. Kordofan, Darfur and Abyei and some parts of Red Sea and Kassalal. With the upcoming expected poor harvest, the price stability or decline which usually occurs during harvest time will not last long as prices are anticipated to rise earlier than normal. Without a sustained intervention to support livelihoods, or without an offsetting expansion of other income sources, the current rise in cereal prices could lead to a further deterioration of the food security of poor urban and rural dwellers (who need to turn to the market to meet most of their food needs at this time of the year) (Figure 4) and pastoralists that account for a majority of the rural population.