

SUDAN MONTHLY
MARKET UPDATE

Bulletin # 50

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SUMMARY:

The current price trend clearly reflects the widespread shortage of sorghum (an important food grain for poorer consumers in most areas). Compared to the seasonal pattern during last year (a good production year), prices rose very steeply in the pre-harvest period when it became clear that the season was poor. The expected harvest-time price drop in all the major markets has been replaced by an earlier than normal rising trend.

Cereal prices typically decline during the main *summer* harvest (October – January). Counter to expectations, cereal prices failed to decline during the 2011/12 harvest in most Sudanese markets, holding steady at levels significantly above historical average levels throughout 2011 and the beginning of 2012. Since July 2011, in particular, cereal prices have either increased further or remain flat for few months widening the gap between current and average prices.

Staple food prices are currently heading to out of the reach of poor households in both agricultural and livestock dependent areas, leading to increasing the food gap, and a failure of local markets to address local needs. As the dry season progresses, there is a need for closely monitoring changes in market supplies and price behavior that signal impending surpluses or scarcities that could require adjustments in the response to the current serious food shortages.

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 Irrigation /Ministry of Animal Resources and Fisheries (MoAI/MARF). 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 (Jan. 2008 – Jan. 2012)

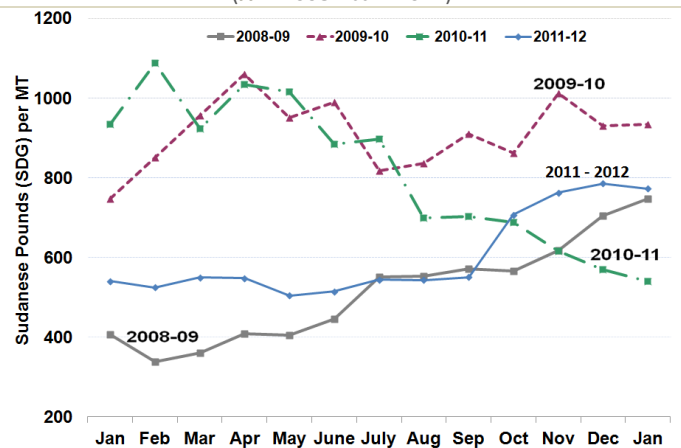
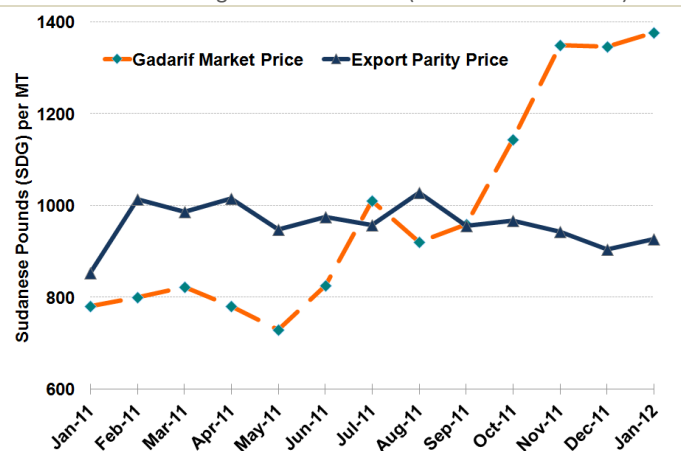


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Jan. 2011 – Jan. 2012)



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: Wholesale Prices of Wheat in Khartoum (Jan. 2008 – Jan. 2012)

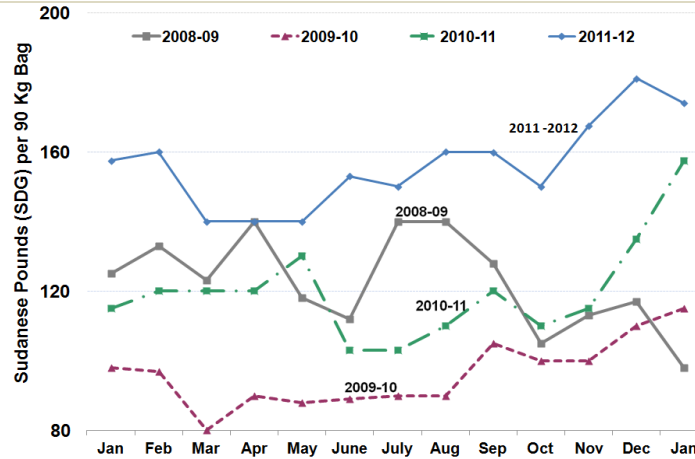
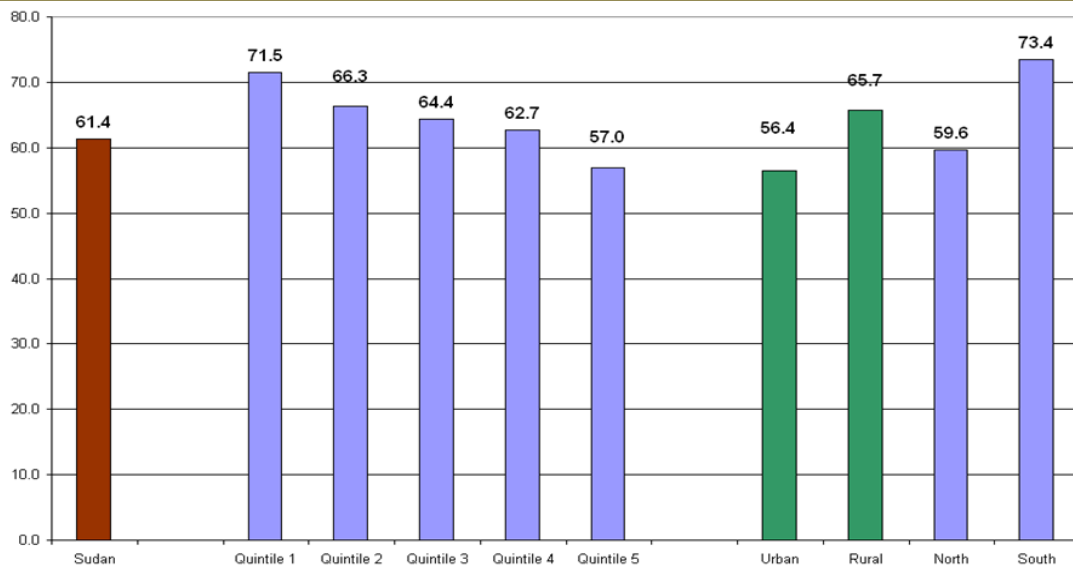


Figure 4: Food Ratio in Sudan (%)



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

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation and Food Inflation in Sudan (Jan. 2011 – Jan. 2012).

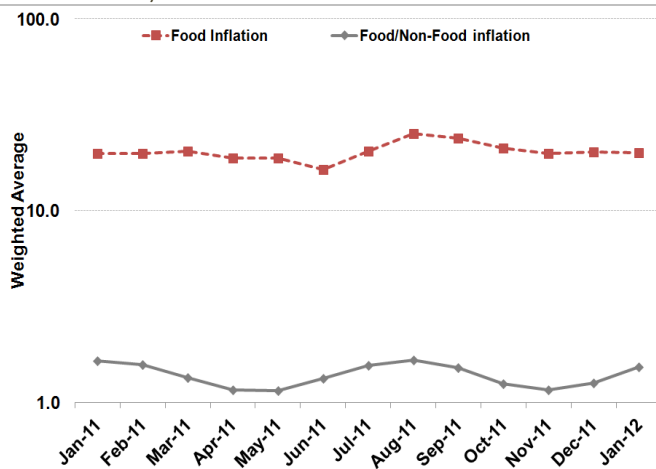
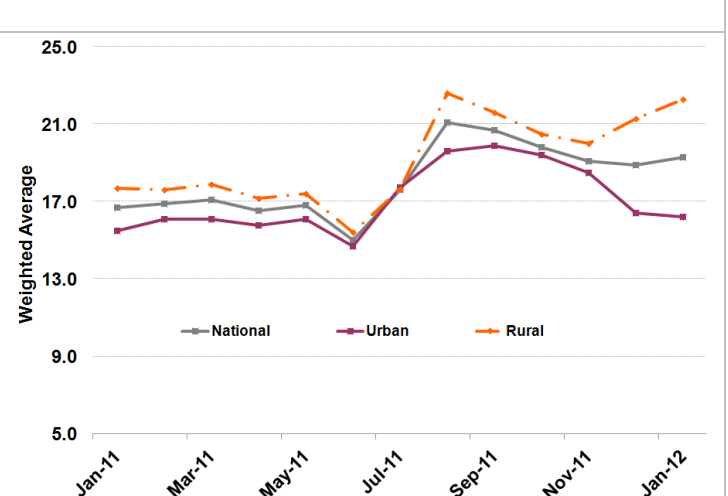


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Jan. 2011 – Jan. 2012).



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, (Jan. 2011 – Jan. 2012).

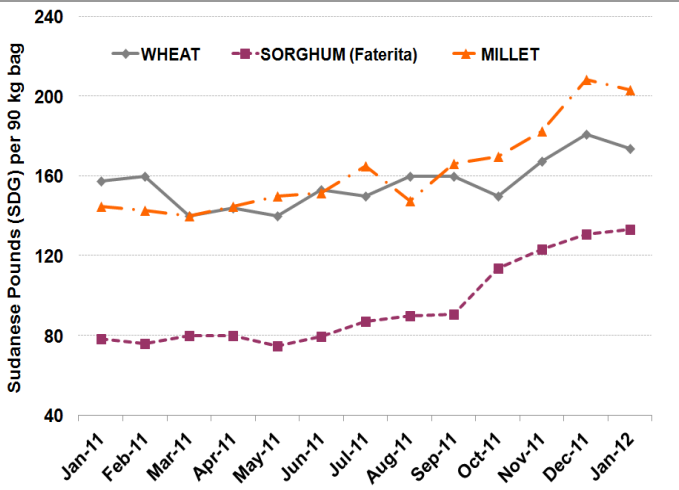


Figure 8: Real average and Current Wholesale Prices of Sorghum (Feterita) in Khartoum (Jan. 2011 – Jan. 2012)

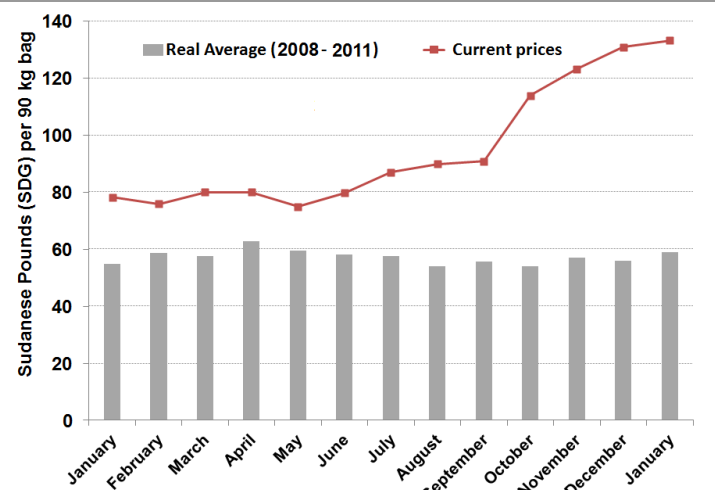


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Jan. 2011 – Jan. 2012).

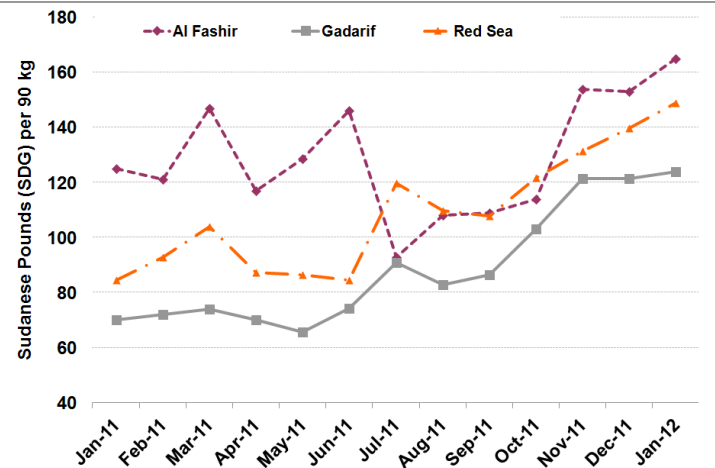
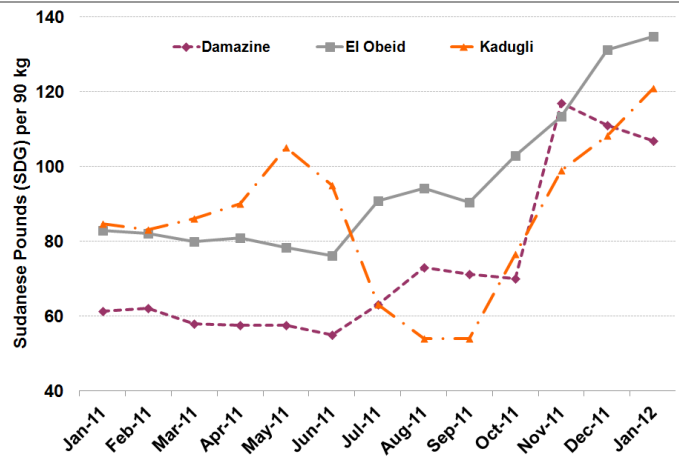


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Jan. 2011 – Jan. 2012).

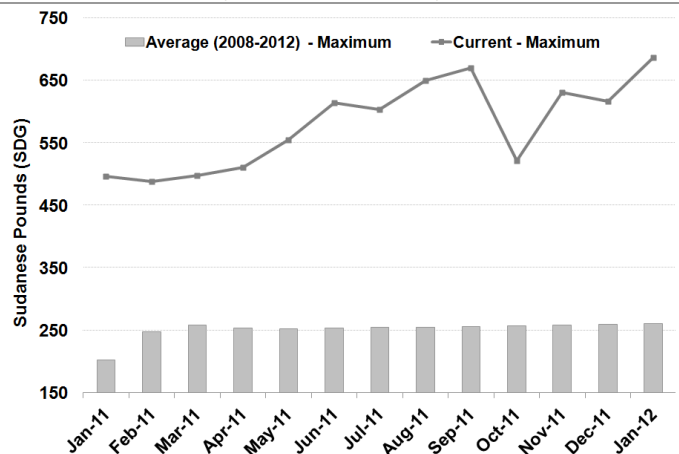
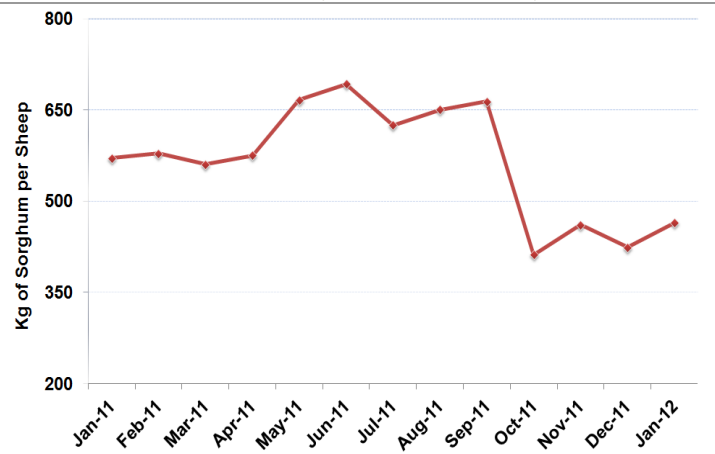


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Jan. 2011 – Jan. 2012).



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:

Following poor summer season harvest, the Jan 2012 sorghum prices are more than 60% higher than their respective prices last year while prices look to remain constant compared to the previous month which was already record high levels, especially at the time when prices are expected to decline during the peak of the harvest season. With smaller changes compared to the previous month, the 2011/12 wheat prices continue to be very high. The 2012 prices are about 50% higher than the previous three year prices which were already very high. Even in the typical surplus producing areas of Gadarif, where one would expect the supply to be most apparent, prices are well above average. Despite increases in international prices, January Gadarif sorghum local price was about 50% higher than the international parity prices making it almost impossible to export sorghum to the international market. (Figures 1 to 3).

According to FAMIS field level information and interviews with private sector traders, grain supply to the main-terminal markets is much lower than demand. This is reflected in the market price, which is at historically high levels at the start of the season. Very high prices at this time of the year seem to indicate that supply is very tight. Possible reasons for these high prices include high level prices helping farmers to hold more grain in stock; increased informal cross-border trade; injection of cash into the economy via the safety net payments; higher livestock prices for good quality animals; and lower production in 2011/12 than was estimated by Quasi-CFSAM.

Although cereal prices increased, grain terms of trade continue to favor livestock owners due to a persistent high level livestock prices as livestock owners continue to get more grain per animal traded. The observed worsening terms of trade for crop traders during 2011 and early 2012 was the result of persistent high level sheep prices which could not match with the increase in sorghum prices. Livestock prices are very high in many areas because of excess demand spurred on by the increase in livestock exports to the Gulf countries. Livestock prices, which showed a little bit of dip for the previous few months, has continued to remain very high, recording ever highest level in January 2012. (Figures 10 and 11).

Country wide cereal and general food price indices have followed the same abnormal trend like crops in contrast to the previous years. Despite limited or no changes for the past few months, inflation rates remain very high, especially that of rural areas, which reaches to 22.3% in January 2012. The food inflation rate remained almost constant where as the non-food inflation rates declined to about 18% compared to the Dec 2011 inflation rates making the food to inflation ratios to rise and the overall rate increased from 18.9 to 19.3%. (Figures 5 and 6).

The higher prices of both livestock and cereals will continue to have a deleterious impact on the purchasing power of the food insecure, poorer households, who rely on the market to meet their food needs for major parts of the year, already putting staple food out of the reach of poor households in both agricultural and livestock dependent areas. For most markets, cereal prices are expected to further increase sharply with the approach of the traditional hungry season (May to August).

To ameliorate the possible negative impact of escalating cereal prices, the government through the SRCO started to sell grain in different urban areas during January and early February at relatively lower prices than the prevailing market prices. The government is further attempting to release grain into urban areas through other channels as well. Without these interventions, prices could have further escalated, restricting food access for many households reliant on markets. As stabilization efforts are costly and complicated, it may become difficult to maintain the current efforts for an extended period. The next couple of months will be critical in determining whether the current cereal price stabilization efforts will have a sustainable impact or not.

While the sustainability of SRCO and other related efforts remains to be seen, market-stabilization must also involve other stakeholders including donors, NGOs and private grain traders who can play a significant role, at least in the short run, in helping poor consumers to get reasonably lower prices at the market. Coordination among various agencies engaged in stabilization efforts is critical to avoid speculation and consequent price hikes.