SIFSIA
Sudan Integrated Food Security Information for Action

سيفسيا
برنامج السودان للمعلومات المتكاملة للأمن الغذائي لدعم القرار

SUDAN MONTHLY MARKET UPDATE

Bulletin # 49 January 2012

SUMMARY:

Preliminary results from the Government lead crop and food security assessment indicate that 2011/12 agricultural production is expected to be much below average. Cereal price and inflation trends support this prediction, with increases observed in most markets during the last couple of months. These early in the season increases are worrying as prices are expected to increase further and beyond.

Contrary to international market trends, cereal prices are anticipated to steadily rise from their current high levels for the coming long dry season. This is likely to worsen in areas where relief supplies are insufficient and/or delayed and also in areas where insecurity deters smooth grain flow. With insufficient rainfall in most parts of the country, animals' physical condition starts to deteriorate early, starting to disfavor the terms of trade for livestock. This is expected to further deteriorate as the long dry season progresses and the existing fragile livestock body condition weakens.

Given the declined production and expected increase in overall prices, a large segment of the rural population will be unable to secure adequate food access. The growing numbers of vulnerable people suggest that at least in the foreseeable future, humanitarian assistance must continue to be a component of an appropriate response, especially in times of such significant deficit.

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.

CONTENT:

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

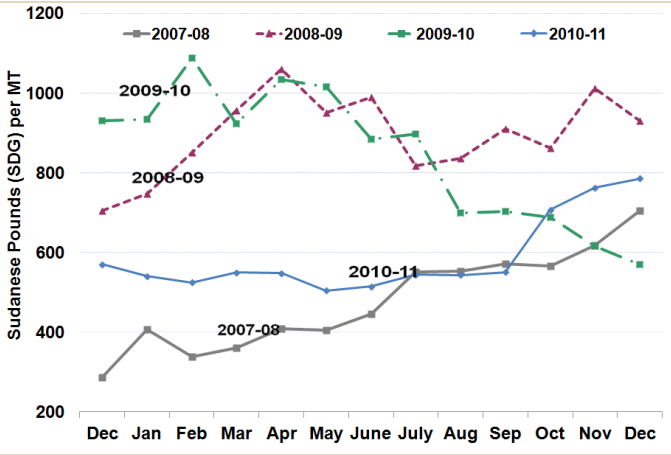
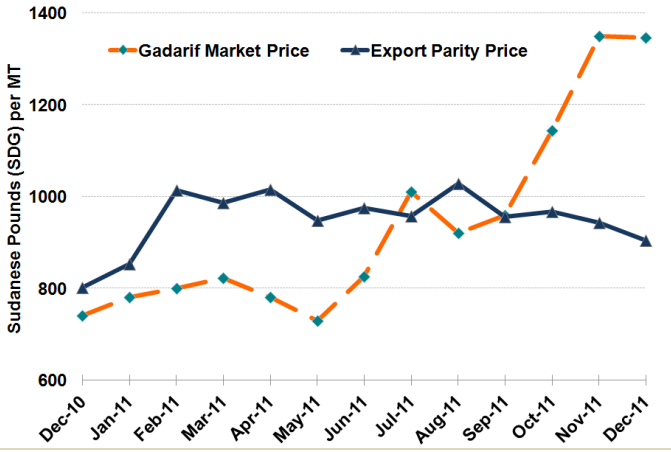


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Dec. 2010 – Dec. 2011)



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/

SIFSIA project is funded by European Union Stabex Funds and jointly implemented by the Government of National Unity (GNU) and the Food and Agriculture Organization of the UN (FAO). The project aims at strengthening the government capacity in collecting, analysing disseminating, and utilizing food security information. http://www.fao.org/sudanfoodsecurity

مشروع سيفسيا ممول من قبل المفوضية الاوربية ومنفذ بواسطة حكومة الوحدة الوطنية بالسودان و منظمة الأغذية والزراعة للأمم المتحدة الفاو. يهدف البرنامج الى رفع القدرات لحكومة الوحدة الوطنية في جمع و تحليل وتوزيع معلومات الأمن الغذائي. http://www.fao.org/sudanfoodsecurity

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

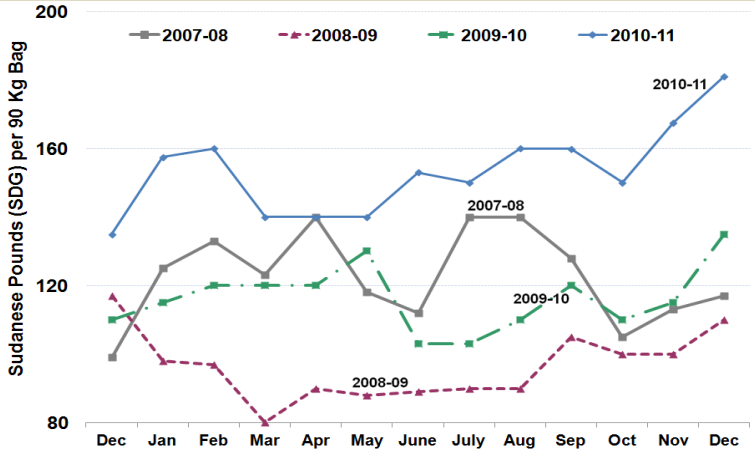
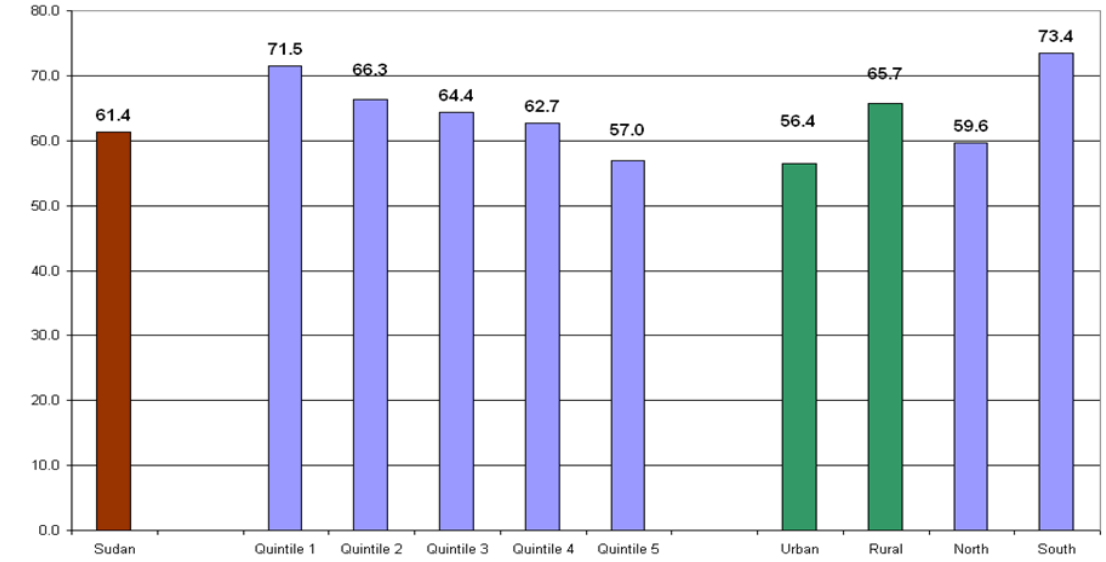


Figure 4: Food Ratio in Sudan (%)



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 Inflations in Sudan (Dec. 2010 – Dec. 2011).

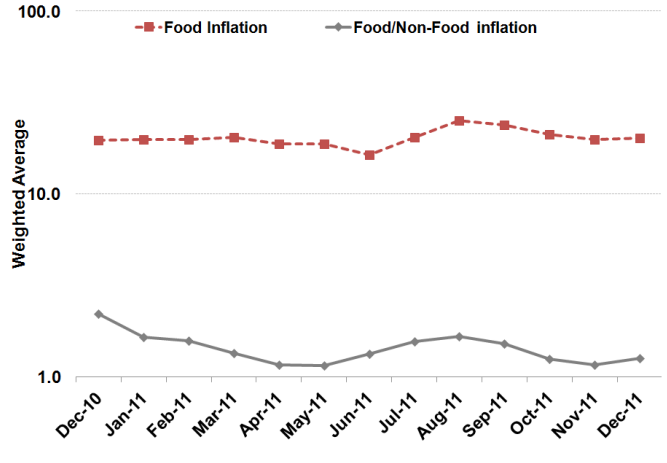
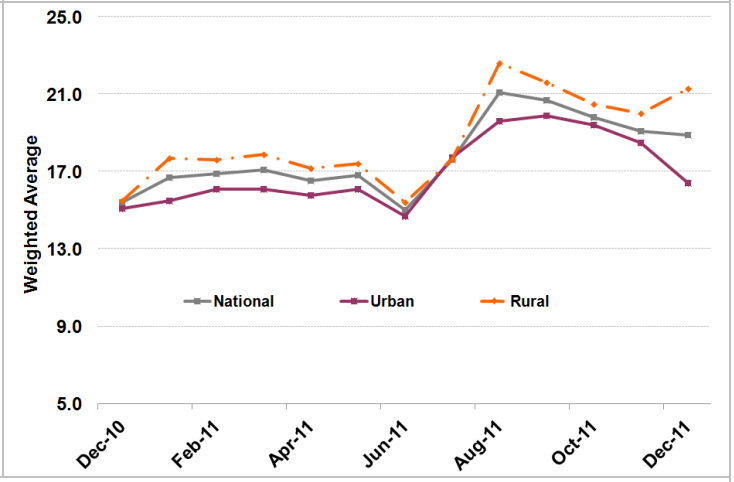


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Dec. 2010 – Dec. 2011).



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, (Dec. 2010 – Dec. 2011).

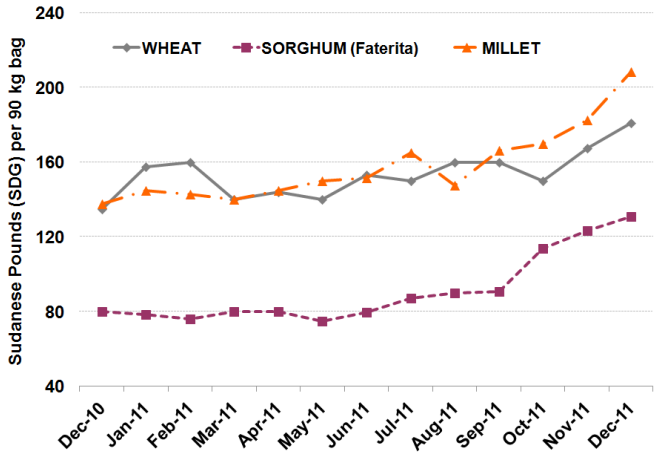


Figure 8: Real average and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (Dec. 2010 – Dec. 2011)

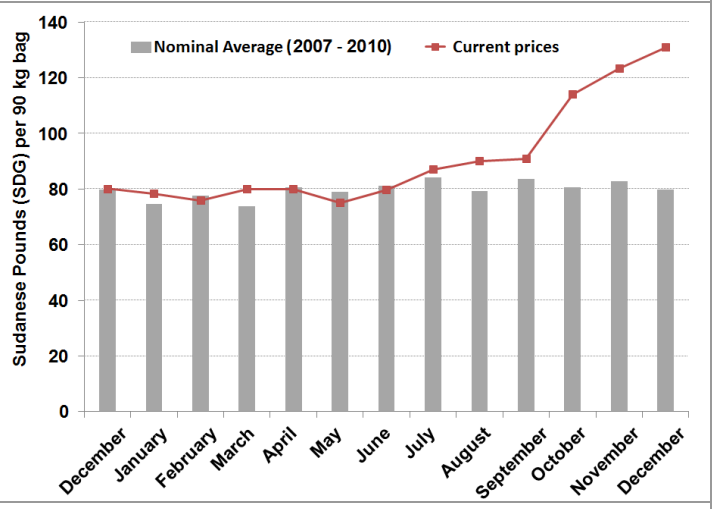
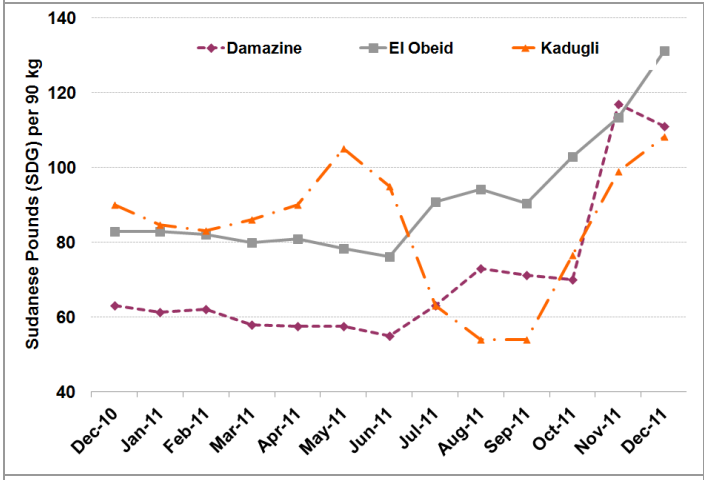


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (Dec. 2010 – Dec. 2011).



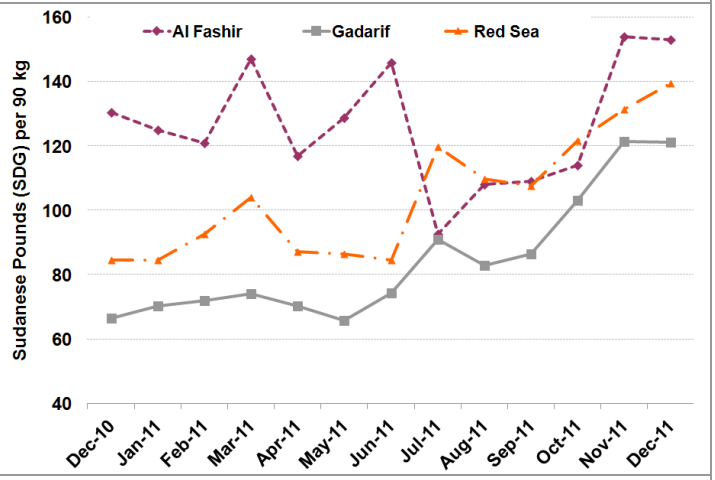


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Dec. 2010 – Dec. 2011).

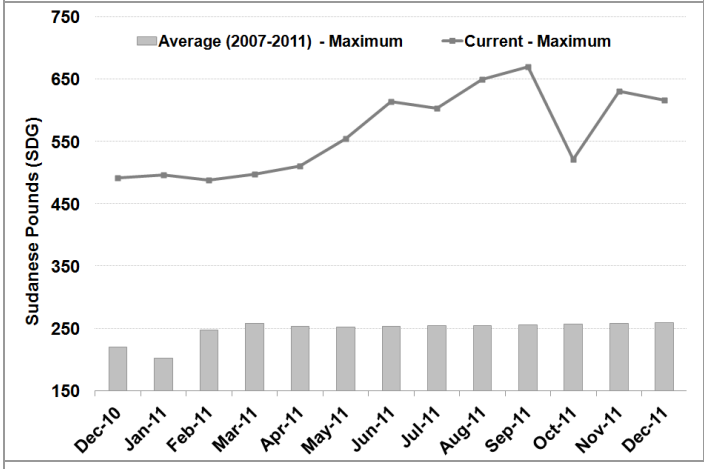
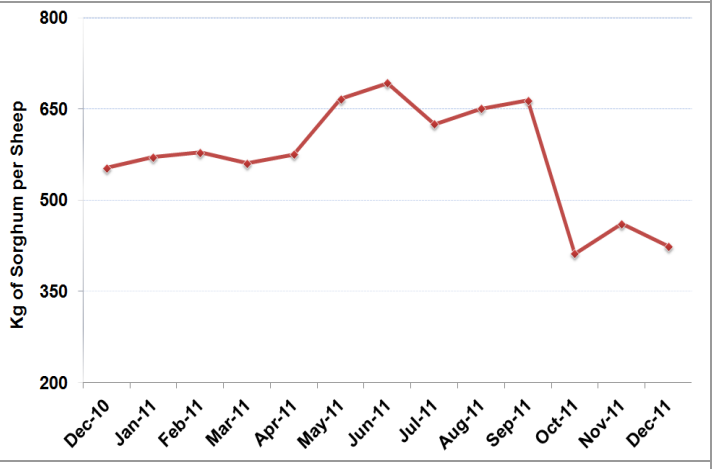


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Dec. 2010 – Dec. 2011).



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) are expressed in quantity of sorghum per sheep.

MARKET ANALYSIS:

Contrary to the traditional post harvest decline in prices expected at this time of the year, cereal prices in most Sudanese markets continue to be either stable at historically high levels or increased in December 2011. Prices continue to be substantially higher compared to their 2007-2010 averages and were more than 60 percent higher for all major cereals and markets compared to December 2010 prices, which were also historical record highs. The increase in sorghum prices were particularly significant as available stocks from last year's modest harvest continue to dwindle. December 2011 sorghum prices on average were 53% higher than same time last year and the Gadarif sorghum prices are much higher (82% higher) compared to other market prices followed by Damazine (76%) and Red Sea (65%). (Figures 7 to 9). Wholesale local sorghum prices are also about 50% higher than international export parity prices which strongly suggests that Sudan sorghum prices are no longer attractive for international marketers as they are not competitive. The 2011 wheat prices are also higher compared to all the previous three year prices, exceeding by more than 40 percent of their respective monthly averages. (Figures 1 - 3).

High cereal prices are partly ascribed to increases in the cost of inputs (cost push factors) and decreased in supply due to poor weather during the 2011/12 season. Higher production costs and decreased supply are passed on to consumers, causing a rise in all prices. Furthermore, very high prices since 2008 may have changed farmers' trading behavior and encouraged significant on-farm storage in anticipation of further increases in prices later in the season. These early in the season increases are worrying as prices expected to increase further into February and beyond which will significantly affect the whole vulnerable community, especially people who have been mired by persistent conflicts in Darfur, S. Kordofan and Blue Nile. (Figures 7 and 8). Prices are likely to increase more in areas where relief supplies are insufficient and/or delayed and also in areas where civil insecurity deters smooth grain flows.

The December 2011 food inflation rate has shown a modest increase compared to the previous month, reaching 20.2 percent while the non-food inflation rates declined from 17.2% to 16%, resulting the food to non-food ratio to increase - mostly due to the decrease in non-food inflation rate than the increase in food ones. The rural inflation rate increased, reaching to 21.3% in Dec 2011 from 20% in Nov 2011 while the urban inflation decreased to 16.4% in December from its 18.5% level in Nov 2011. The national inflation rates are somehow stable around the 20% rate. (Figures 4 and 5). On the other hand, food prices fell in Dec 2011 with the FAO Food Price Index dropping 2.4 percent from Nov 2011.

Prices of livestock for December 2011 are also generally higher than normal for all classes of livestock in livestock dependent areas. For example, sheep prices are 617 SDG, compared to the last five year average of 259 SDG. High prices are due to increased demand from local slaughter houses and increase in demand from international markets. Prices of animal products are also still higher than average due to scarcity of supply. Despite significant increases in sorghum prices, terms of trade is still favoring livestock owners as livestock prices are still much higher than normal. However, given an early deterioration of pasture and water conditions that characterize many of the current major livestock producing areas, terms of trade are expected to worsen against livestock owners as the dry season progresses the existing fragile livestock body condition weakens while crop prices are increasing. (Figures 9 and 10).

Generally increasing cereal prices, especially at harvest time, are beneficial to surplus producers who will get prices much more than production costs. However, this may have a serious negative impact to consumers, who spend more than 60% of their income on food and are struggling to cope with a close to 20% overall inflation rates. Given the existence of very high and escalating food prices combined with other compounding factors of food insecurity, the Government and donors should join hands in minimizing the negative impacts on the poorest and highly food insecure segment of the population. Both marketing and social welfare strategies need to be employed in boosting consumers' purchasing capabilities. The government should continue monitoring the strategic reserve situation and regularly assess price volatilities. Facilitating grain imports (such as, by introducing guaranteed credit schemes to grain importers) and releases from the grain reserve can also provide respite to the current constrained supply. In addition, any assistance (including cash transfers and vouchers) should be well examined to minimize the possible unintended negative impacts. Finally, saving lives and protecting livelihood strategies need to be well integrated into the medium to long term efforts of increasing productivity and pro-poor development.