



Sudan Monthly Market Update

Bulletin # 25
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Summary

Preliminary results from the MoAF-FAO lead crop and food security assessment, and forecast information from the MoAF indicate that 2009/10 agricultural production is expected to be below average. Cereal price trends support this prediction. Cereal prices remain at unseasonably record high levels, and have shown stability or slight increase in December contrary to seasonal trends. Higher production costs, increase in demand (especially from urban population), plus increased storage in anticipation of further increase in prices later in the season are the main reasons for price increases. Prices are expected to increase further in the coming months. Protection of consumers from the adverse effects of increasing cereal prices remains both a marketing and social policy challenge. Some price support efforts are still required in order to maintain consumer's incentives.

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.

Figure 1: Real Wholesale Prices for Sorghum in Khartoum (Jan 2006 – Dec 2009).

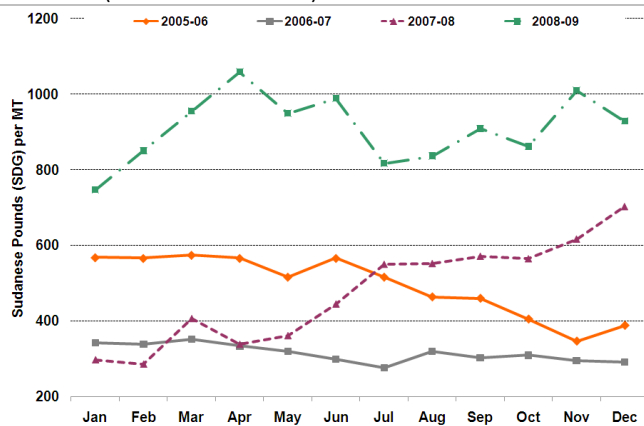
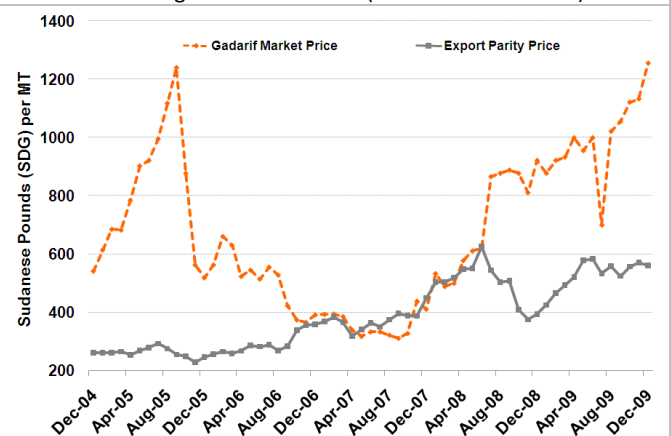


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Dec 2004 – Dec 2009).



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, <http://www.fao.org/es/esc/prices/>.

Graphics and Computations: SIFSIA-N (GNU), FAO Sudan. Note: Data not available for Southern States of Sudan.

Figure 1: **Real wholesale prices** are computed by dividing the nominal price in a given month by the Consumer Price Index (CPI) in some "base" period. All real prices are expressed in "current" SDG and any current month price may be compared directly with any past real prices. Sorghum prices were significantly higher in 2005, but prices started to exceed 2005 since Dec 08.

Figure 2: **The Export Parity Price (XPP)** is the price that a producer gets or can expect to get for his/her product if exported, equal to the [f.o.b.](#) price minus the cost of getting the product from the farm or factory to the border.

Figure 3: Crop Calendar (Sorghum and Millet) – Rain-fed¹ and Irrigated

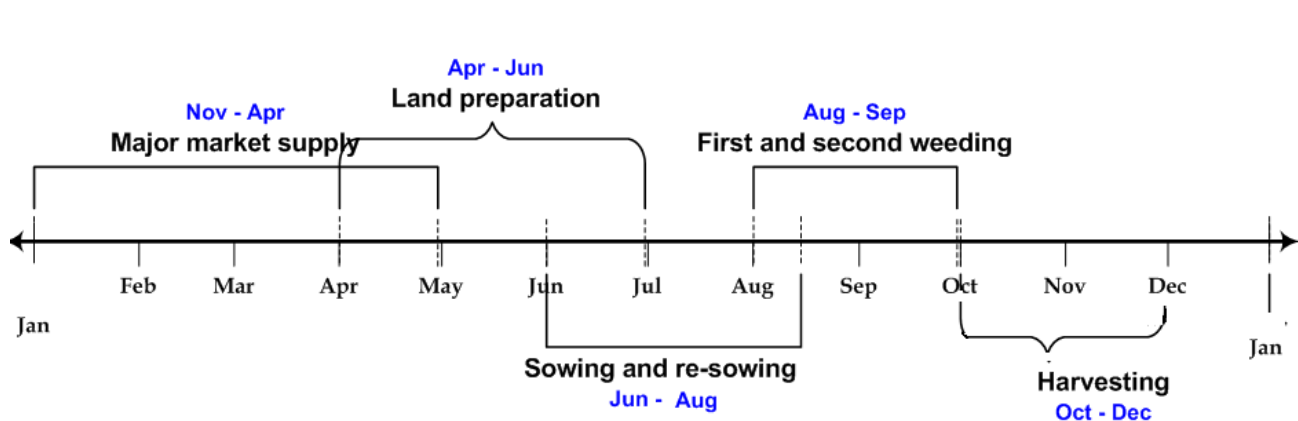
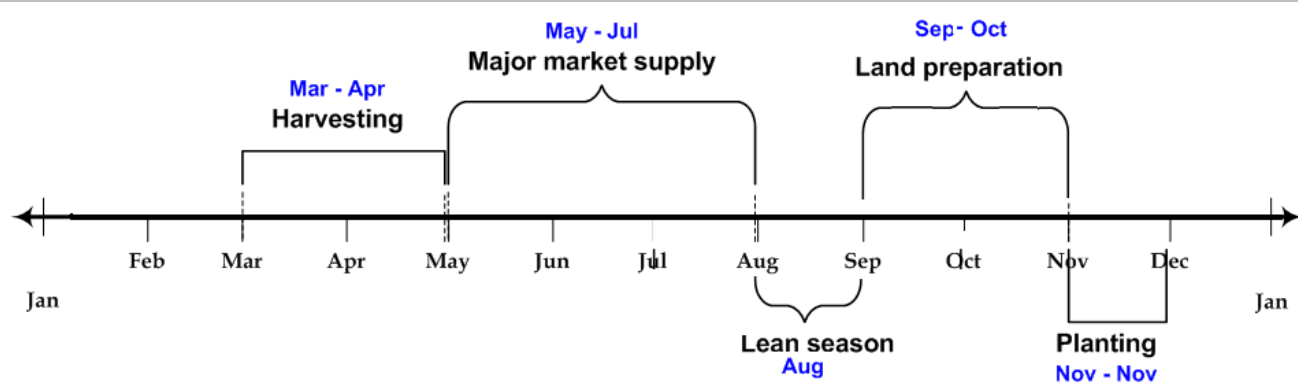


Figure 4: Crop Calendar for Wheat



Source: Ministry of Agriculture and Forestry (MAF), Ministry of Animal Resources and Fisheries (MARF).

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Dec 2008 – Dec 2009).

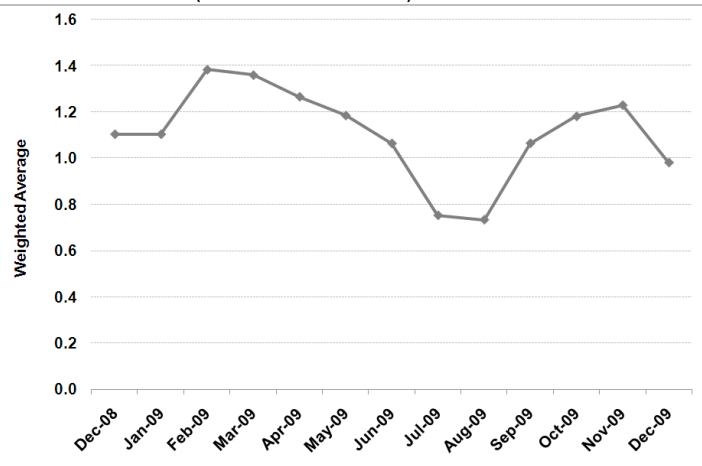
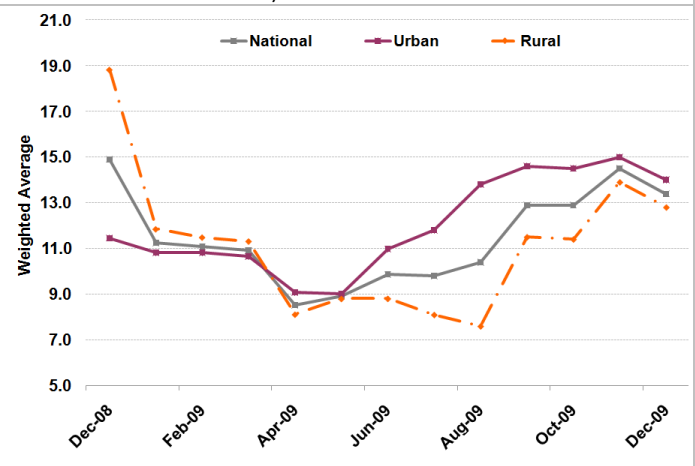


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Dec 2008 – Dec 2009).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates - Sudan and Khartoum 2008/09.

Note: Consumer Price Indices (CPI) for the relative price increases and inflation rate trends are weighted averages representing all income groups' trend analysis. The recent consumer price indices are introduced since August 2008 after the revisions done through expenditure surveys. In Sudan, volatilities of price indices and inflation rates are higher in rural areas compared to urban settings. However, the variations look to be disappearing and consistent for the last six months.

¹ The **rain-fed farming system** (traditional and semi-mechanized) covers about 70 percent of overall cereals (sorghum, millet, and wheat) and cash crops (sesame, groundnut, cotton, and sunflower) production in the Northern States of Sudan. However, significant variations exist among States and also by crop type.

Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (Dec 2008 – Dec 2009).

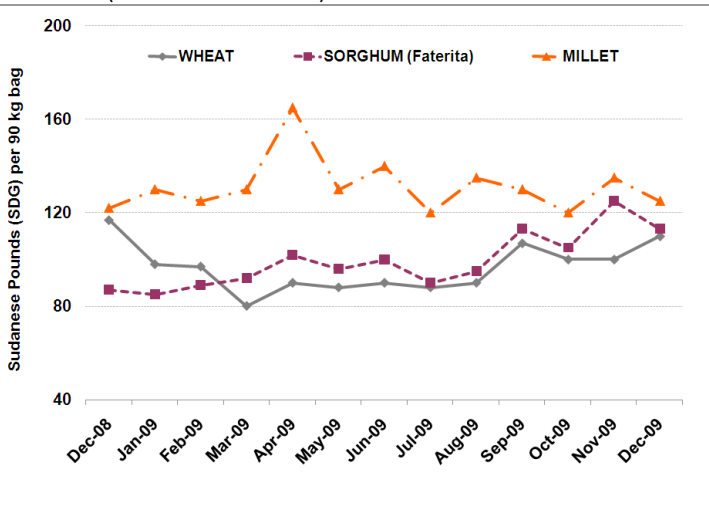


Figure 8: Real and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Dec 2008 – Dec 2009).

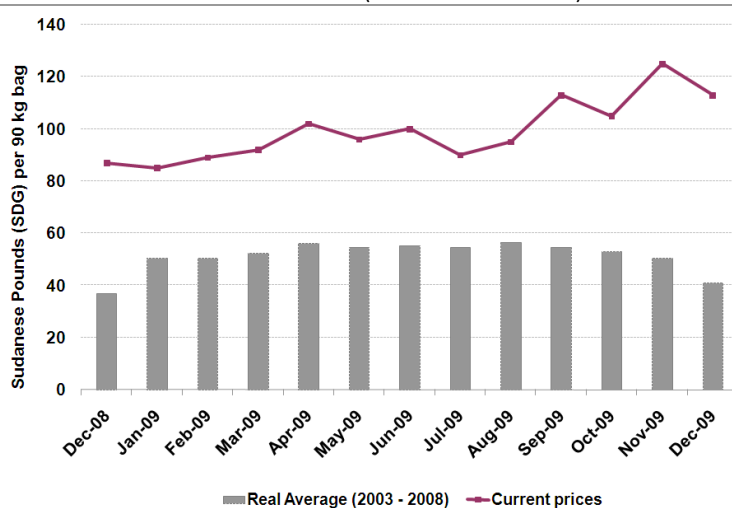


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Dec 2008 – Dec 2009).

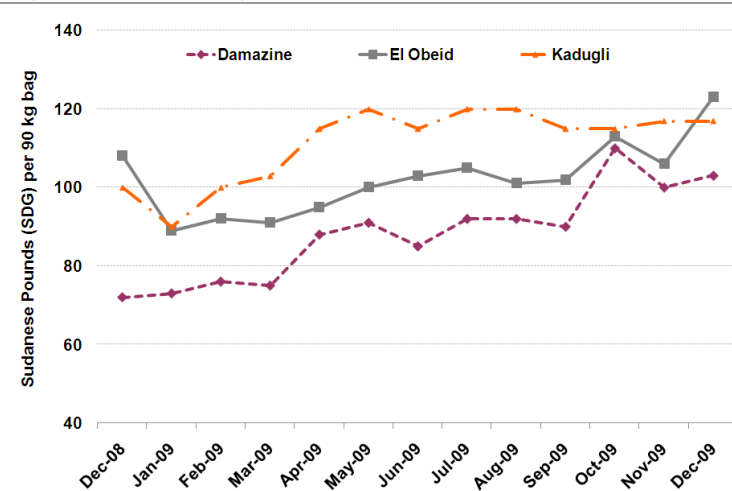
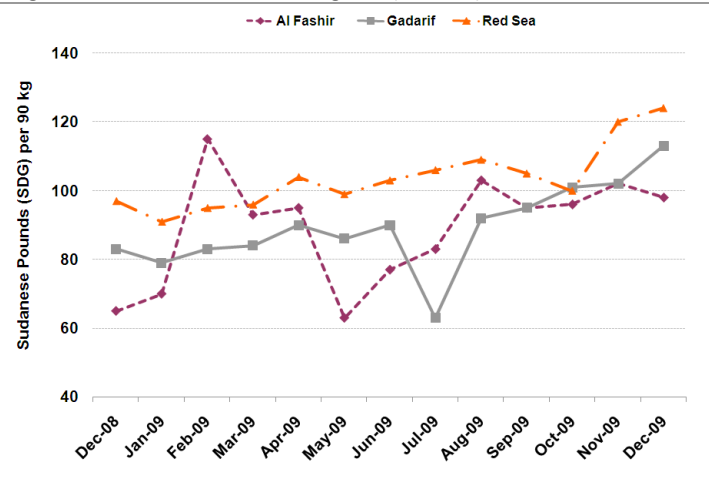


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Dec 2008 – Dec 2009).

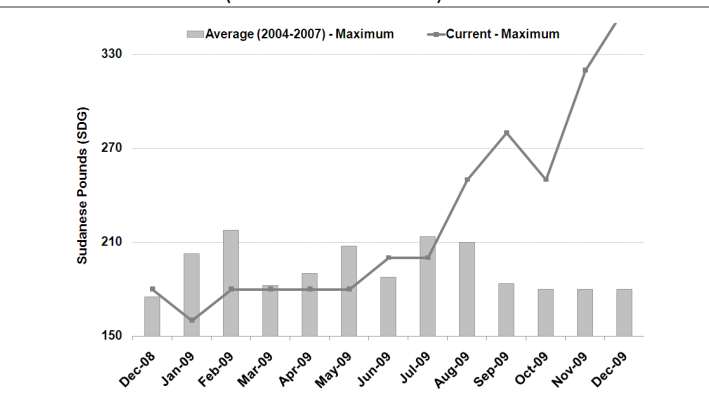
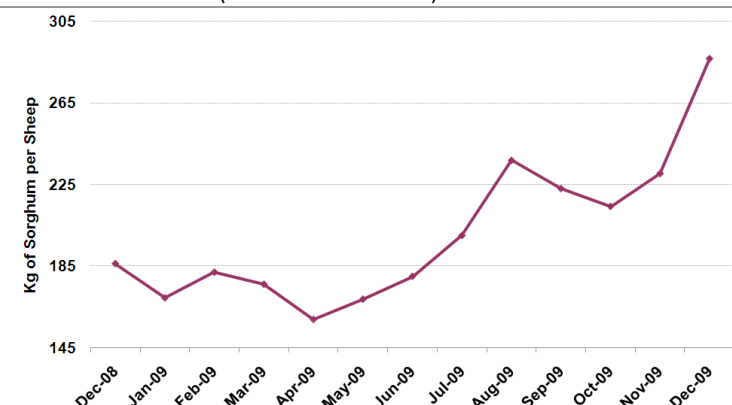


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Dec 2008 – Dec 2009).



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 - 2007) 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

Usually prices of cereals decline during the typical harvest period of October – December. This year, however, the expected downward trend in cereal prices has not occurred in any of the terminal, traditional surplus and deficit markets of the country. Cereal prices in most Sudanese markets continue to be either stable at historically high levels or increasing in December 2009 (Figures 7 to 9). December 2009 prices also continue to be substantially higher compared to their 2003 to 2008 averages and were more than 30 percent higher for Sorghum than December 2008 prices, which were also historical record highs. The only exception here is wheat in the major markets for which prices of 2009 are lower by about 6 percent than the previous year levels reflecting international market trends.

High cereal prices are partly ascribed to increases in the cost of inputs (cost push factors) and increased in demand from households, grain trading businesses, increased urban population (demand pull factors). Higher production costs are passed on to consumers, causing a rise in all local producer prices and hence retail prices. Furthermore, very high prices since 2008 may have changed farmers' trading behavior and encouraged significant storage in anticipation of further increases in prices later in the season.

Prices of livestock for December 2009 are also generally higher than normal for all classes of livestock in livestock dependent areas. Increased demand from local slaughter houses and increase in demand from international markets are the major reasons for price hikes. With relatively good rainfall at the end of the summer season, animals' physical condition improved and their products are also the main reasons for good prices for livestock owners. Prices of animal products are also still higher than average due to scarcity of supply. For the past few months, terms of trade favors livestock owners as livestock price increases are much higher than the increase in cereal prices. However, this is expected to deteriorate as the long dry season progresses and the existing fragile livestock body condition weakens.

With a very high level and increasing sorghum prices in Gadarif and continued stable international prices in December, the gap between the Export Parity Prices (XPP) and the local wholesale prices has widened. (Figure 2). The international sorghum prices continued to be cheaper compared to the local market.

Central Bureau of Statistics (CBS) sources have also indicated that the food and non-food inflation rates remained high in December. Overall inflation rates in November in rural areas were 13.9%, decreased to 12.8% in December 2009. The urban inflation rates also declined from 15% to 14%. On the other hand, the relative food to non-food changes has declined – in December food inflation rates are going below non-food rates. (Figures 5 and 6).

Cereal prices are expected to increase further in the coming long dry months (January – May) and this will reduce the purchasing power of poor households even further, thereby diminishing their access to food even during the post harvest period. 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 flow. Generally increasing and higher level cereal prices at the harvest time are beneficial to large scale producers who have the capacity to sell more.

With the current high level cereal prices, widespread provision of cash assistance may need to be examined to mitigate against potential unintended negative effects, such as further upward pressure on cereal prices. Some indirect price control measures may be required in order to maintain poor consumers' effective demand, thereby improve their access to food. Importing of grain with other innovative approaches of price support (such as, facilitating guaranteed credit to grain importers) can help reduce some of these negative effects of escalating prices.