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Sudan Monthly Market Update

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SUMMARY

Despite favorable global harvest and declining international cereal price trends, very high level sorghum and millet prices persist in Sudan. June 2009 sorghum prices were 96% higher than prices reported during the food crisis period, last year. On the other hand, domestic wheat prices continued to decline following the global trend.

In addition to increasing and high level local prices, staple food price volatility is becoming a major impediment to livelihood recovery and rehabilitation. Without a proper market strategy, producers and consumers will be faced with uncertainty in market demand and prices. This year that has resulted in unprecedented high level prices. In the short run, efforts by the government to minimize the impacts of staple food price increases and market volatility should be carefully considered.

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). Information from the 10 Southern States will be incorporated into future publications when similar outputs are available from a parallel project (SIFSIA-S (GOSS)). Emphasis is given to sorghum, millet and wheat and camels, sheep, goats, and cattle because these selected commodities are the main food commodities which are dominant in the volume of trade.

Figure 1: Real Wholesale Prices for Sorghum in Khartoum (July 2005 – June 2009).

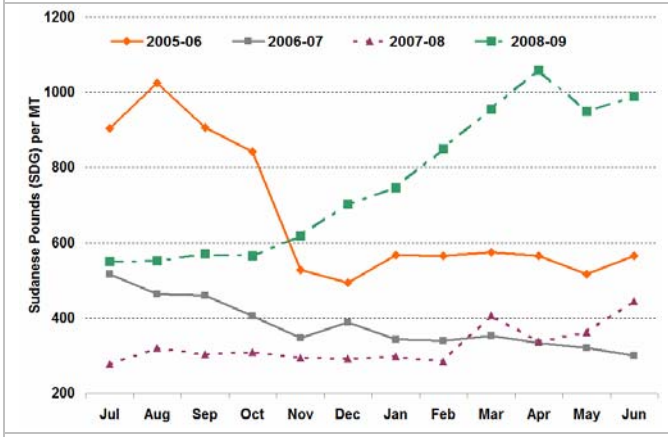
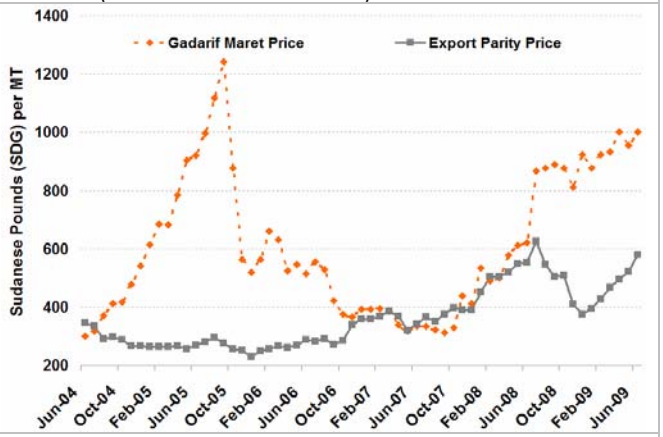


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (June 2004 – June 2009).



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 Nov. 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.

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Figure 3: Crop Calendar (Sorghum and Millet) – Rain-fed[1] and Irrigated

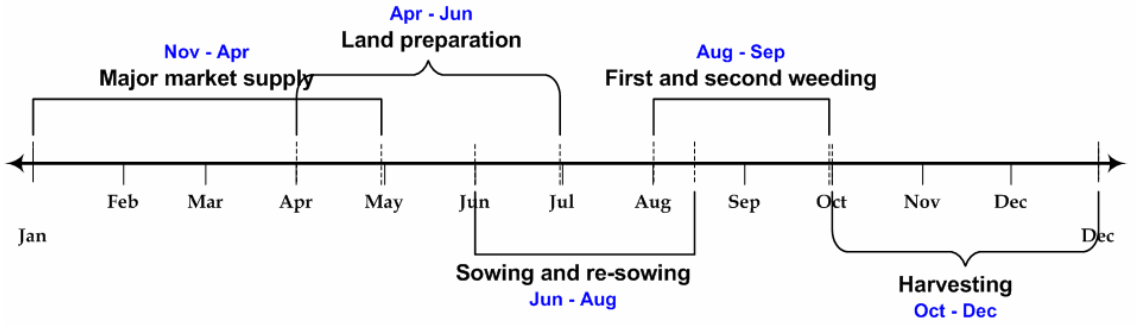
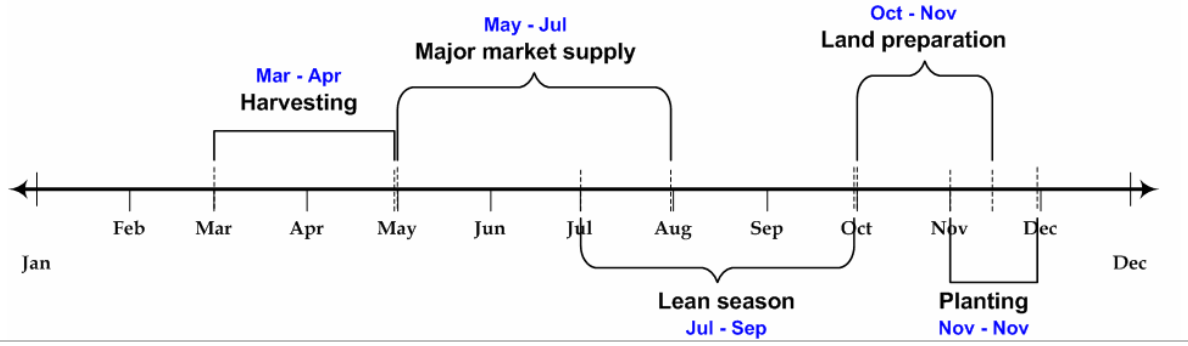


Figure 4: Crop Calendar for Wheat



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 (June 2008 – June 2009).

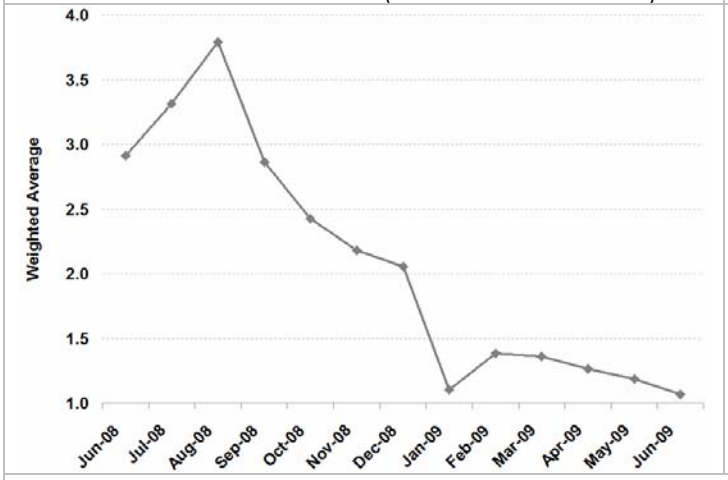
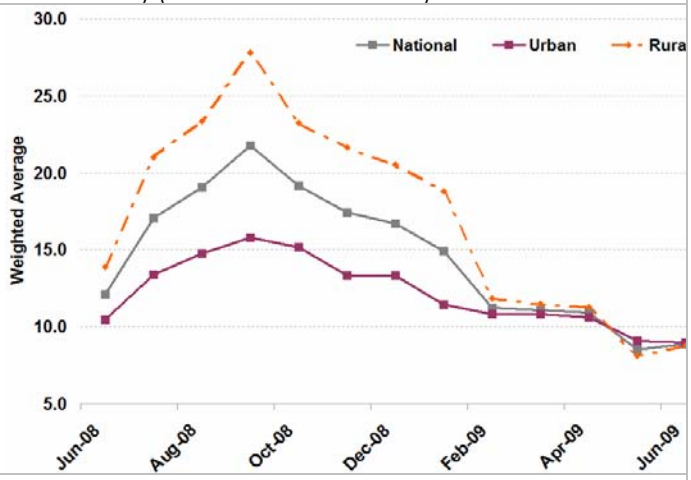


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (June 2008 – June 2009).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates - Sudan and Khartoum 2007/08.

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, (June 2008 – June 2009).

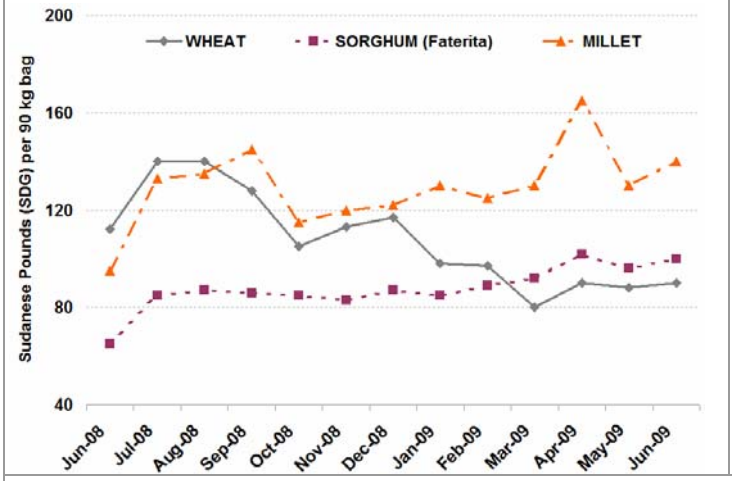


Figure 8: Real and Current Wholesale Prices of Sorghum (Feterita) in Khartoum (June 2008 – June 2009).

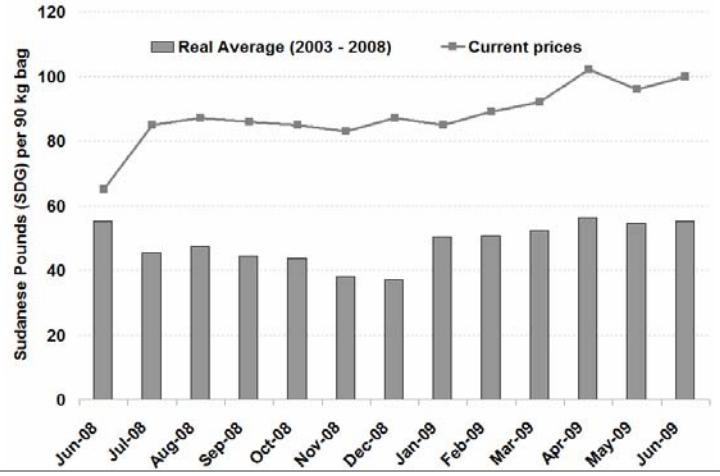
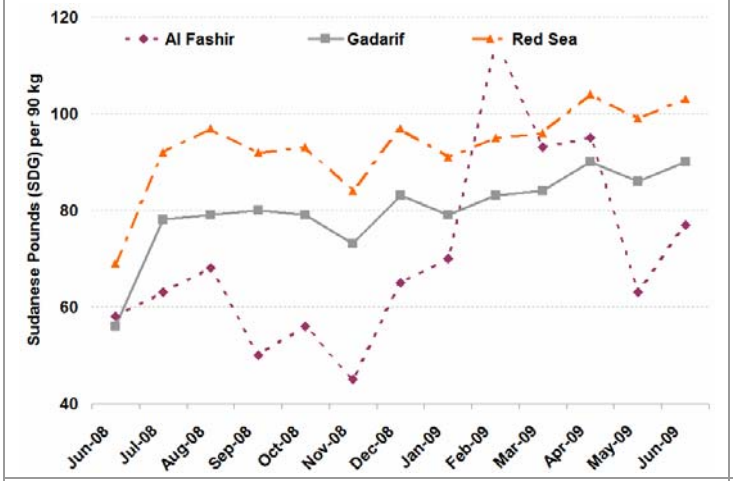


Figure 9: Nominal Wholesale Sorghum (Feterita) Prices for Selected Markets (June 2008 – June 2009).



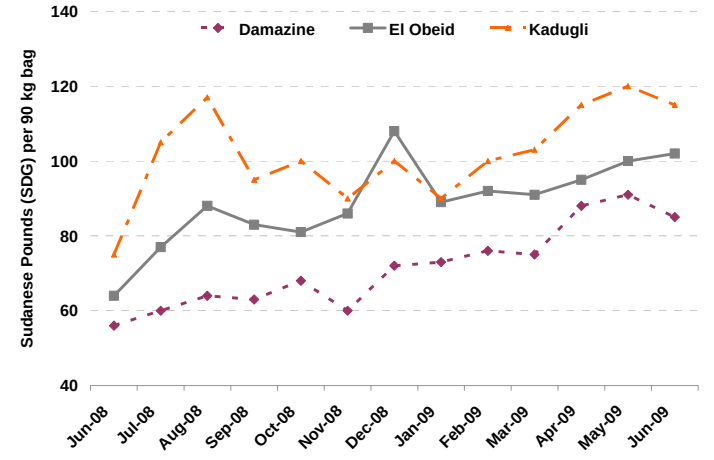


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (June 2008 – June 2009).

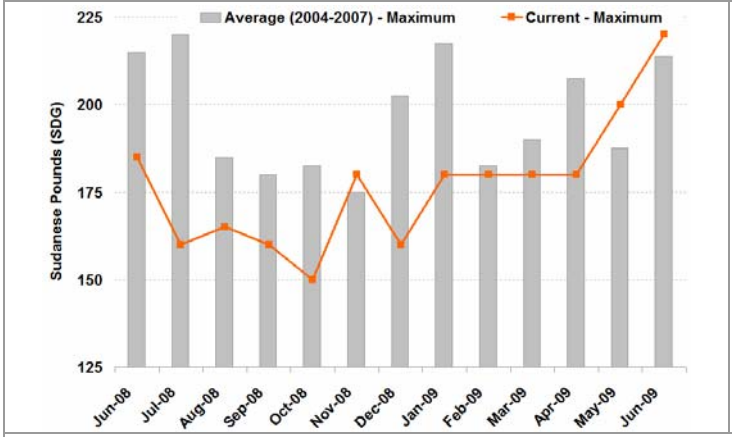
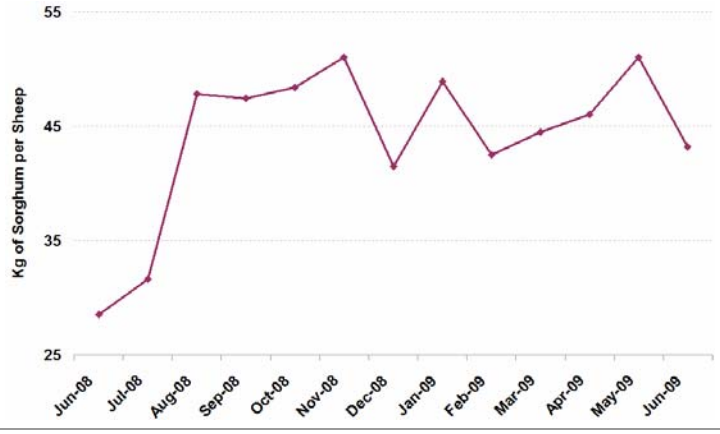


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (June 2008 – June 2009).



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 $ ≈ 2.45 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

Sorghum and millet prices continued to be high in June, a trend that started as early as November 2008 in many markets after a prolonged period of high level prices (with the global food crisis). Given last year's persistent high level prices, which made conditions even worse this lean season, cereal prices continued to remain on their record high levels in June and significantly higher than the 2003 to 2008 average levels (or normal) for this time of year. Sorghum prices in June 2009 has already risen by over 59% and 81% in Khartoum compared to same time last year and the previous six years average, respectively. (Figures 7 to 9). Main reasons for the observed sorghum and millet price increase in recent months include increased local demand, depletion of grain stocks held by traders and the Government, delayed start of season for some parts, speculation and excessive exports during the previous year.

Grain-livestock terms of trade are continuing to favor livestock owners as prices of livestock are increasing much more than prices of sorghum. (Figures 10 and 11). In recent months, both cereal and livestock prices have generally increased in many markets, but the rise in livestock prices have been more rapid and significant. Similar price movements were observed in other eastern and central livestock markets.

The food and non-food inflation rates increased in June 2009. These increases were observed in both urban and rural areas. The overall inflation rate has increased to 9.9%, the first time since August 2008. Inflation rates in June in urban settings have been 11%, increasing from the previous month of 9%. The increases in the non-food indices were very high (from 8.4 to 10.2%). In Sudan, the food and non-food inflations are beginning to have equal weights for the first time since the food crisis period last year. The ratio declined from 3.8 in August 2008 to 1.1 in June 2009. The food inflation rates were higher during the food crisis period (Figures 4 and 5).

Given very high level domestic sorghum prices combined with the declining international cereal prices, the gap between the Export Parity Prices (XPP) and the local wholesale prices in Gadarif continued to widen in June 2009. (Figure 2). It then continued to be hard for local grain traders to compete with the international market.

The recent increases exceeded the high levels of last year indicating that this year's hunger season peak (July – September) will be difficult as high level staple food prices have already put food out of the reach of the very poor in some rural areas. Because poor people spend much of their total budget on cereals, especially as we approach the Ramadan season, these excessive increases in cereal prices have a significant impact on their food security.

In addition to increasing and high level prices, staple food price volatility is becoming a major impediment to livelihood recovery and rehabilitation. As can be observed in Figure 9, prices in deficit markets, like El Fashir, have been highly volatile in recent months, mainly due to unstable market conditions (poor market infrastructure, lack of reliable information systems, and lack of risk management institutions, and uncoordinated market interventions and food aid[2]). This volatility is particularly acute in western part of the country, due to recurrent conflict and insecurity which limits access to markets. In this volatile and unstable environment, the poor or net consumers of these cereals face the highest risks and take the highest burden. Without a proper market strategy, producers and consumers will be faced with uncertainty in market demand and prices. This year that has resulted in unprecedented high level prices.

In the short run, efforts by the government to minimize staple food price increases and market volatility should be carefully considered. Moreover, government actions that could exacerbate the situation such as further devaluation, local purchase of food aid, further depletion of strategic reserves, etc. should be scrutinized and in some cases postponed to minimize the impact on staple food prices during the hunger season (and during the upcoming Ramadan month (August 21 – Sept 21)).

[2] Food aid always has temporary and localized impacts in creating some price fluctuations.