SIFSIA
Sudan Integrated Food Security Information for Action

سيفسيا
برنامج السودان للمعلومات المتكاملة
للأمن الغذائي لدعم القرار

SUDAN MONTHLY MARKET UPDATE

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SUMMARY:

The typical upward trend in sorghum/millet prices that occurs after the month of March/April has not materialized this year. Prices were stable in June, continuing a trend that started in January 2011. Reasonably stable sorghum and millet prices will help rural households obtain what food they can, through the markets during this hunger period, especially during the Ramadan month (August), although rural cash income is critically limited by a lack of labor and other off-farm income opportunities.

Sudan prices of rice and wheat in June 2011 remained close to the all time highs in March/April 2011. Prices of these largely imported items continued their upward trend and in June prices were 49 and 25 percent higher, respectively, than same time last year (which was already high). This is mainly attributed to the increase in world market prices. Inflation rates also remain in double digits due to both domestic and global factors. According to the CBS, imported inflation increased to 12.4 percent in April 2011.

With cereal prices possibly to ascend towards their seasonal peak levels, with the a very high risk of hunger threatening in pastoral areas of neighboring countries, *close monitoring of prices continue to be an utmost importance* in evaluating the food security status of the poor in the coming months.

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; alemu.asfaw@fao.org

CONTENT:

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

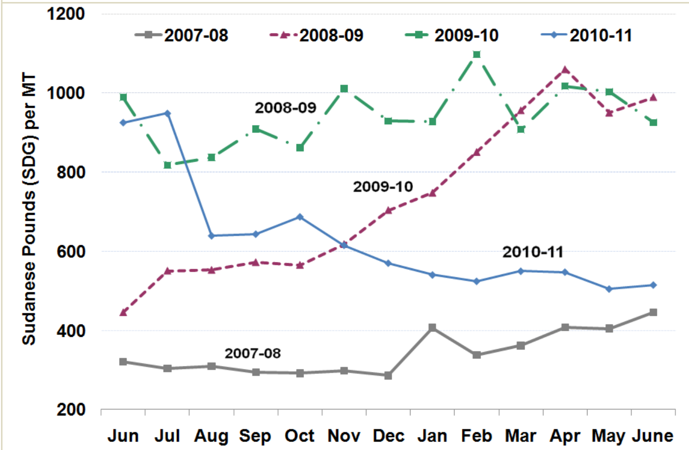
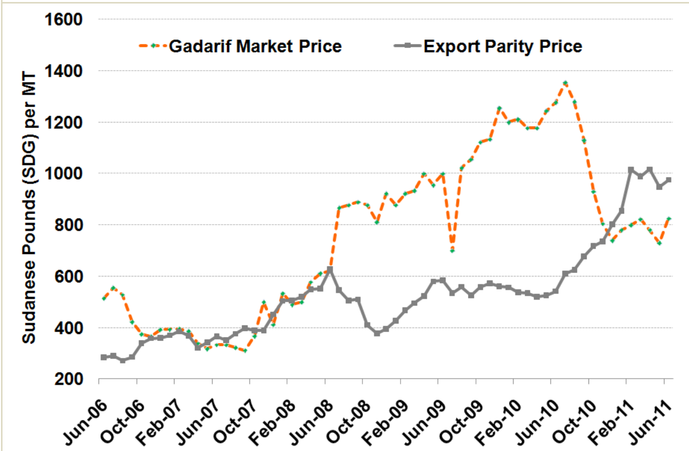


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (June 2006 – June 2011)



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 (June 2006 – June 2011)

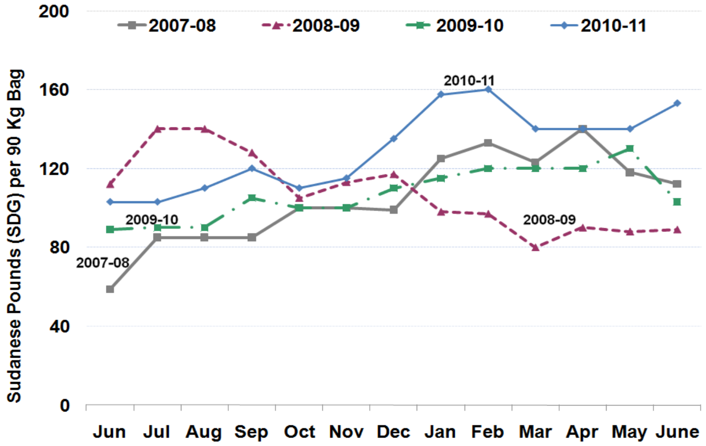
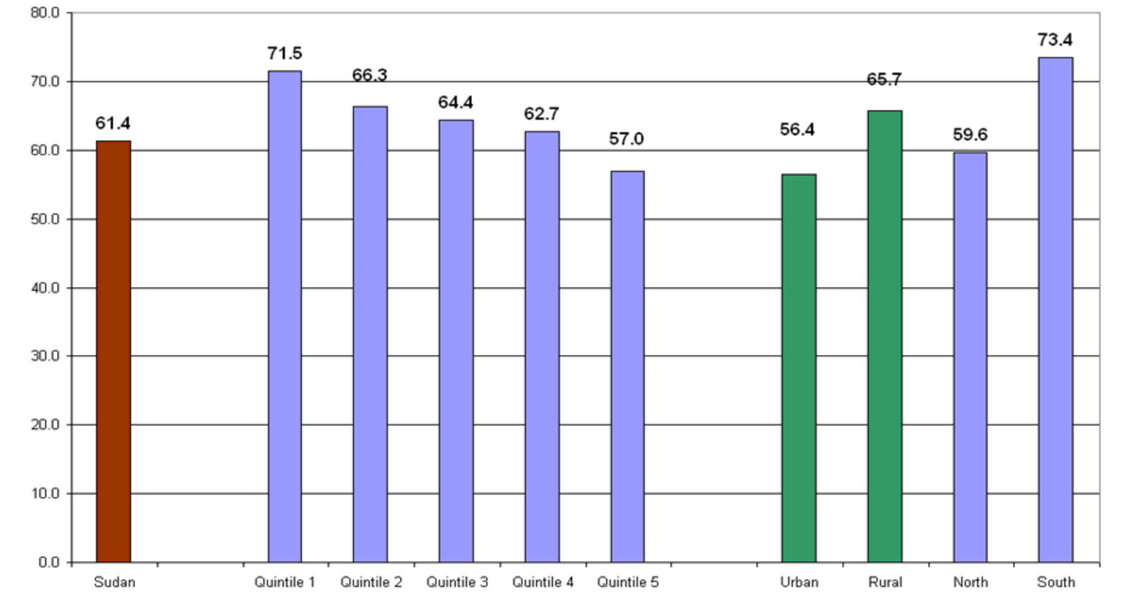


Figure 4: Food Ratio in Sudan (%)



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

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

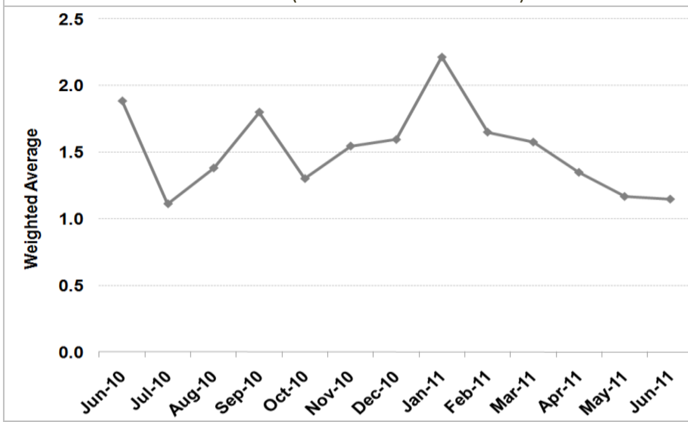
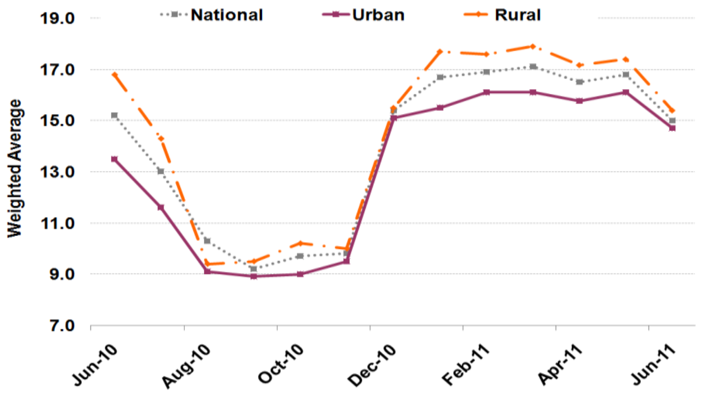


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (June 2010 – June 2011).



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, (June 2010 – June 2011).

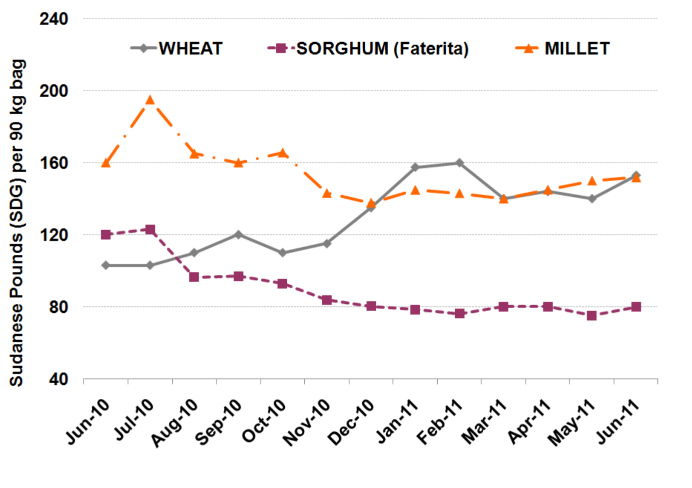


Figure 8: Real average and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (June 2010 – June 2011)

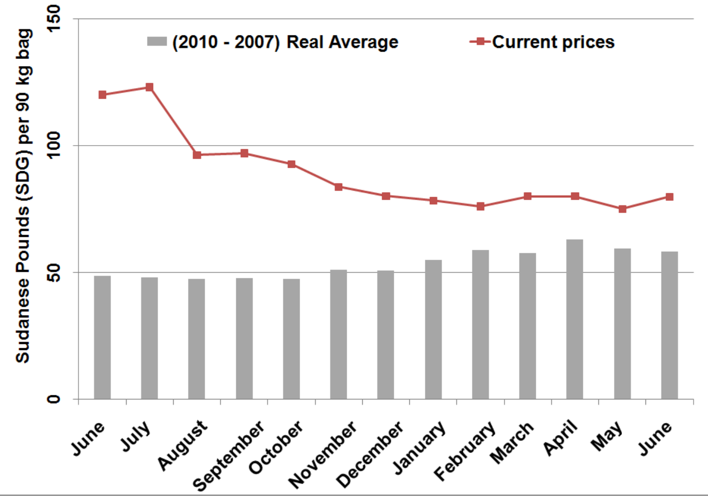


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (June 2010 – June 2011).

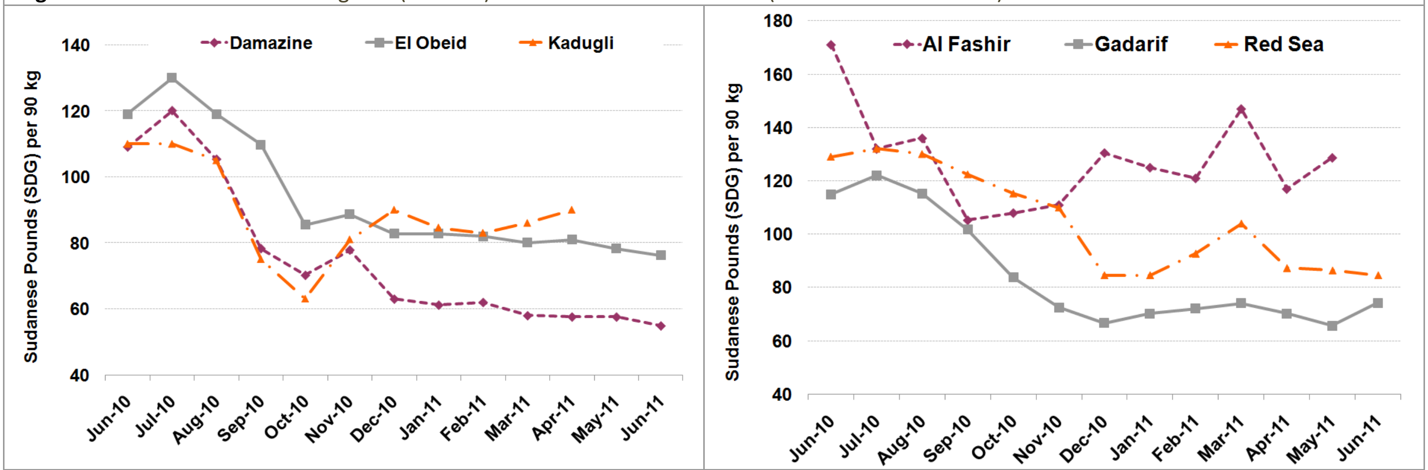


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (June 2010 – June 2011).

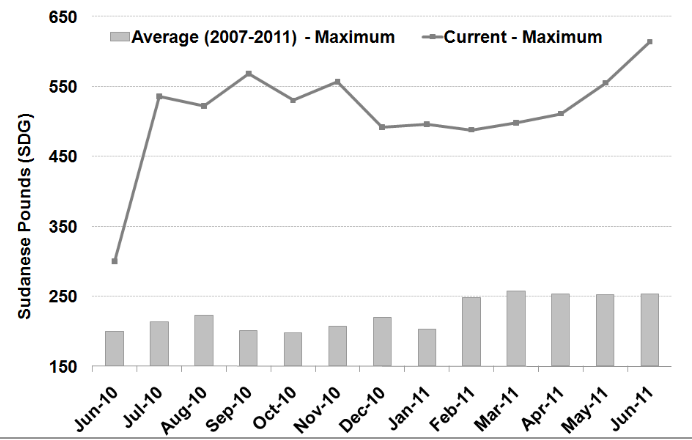
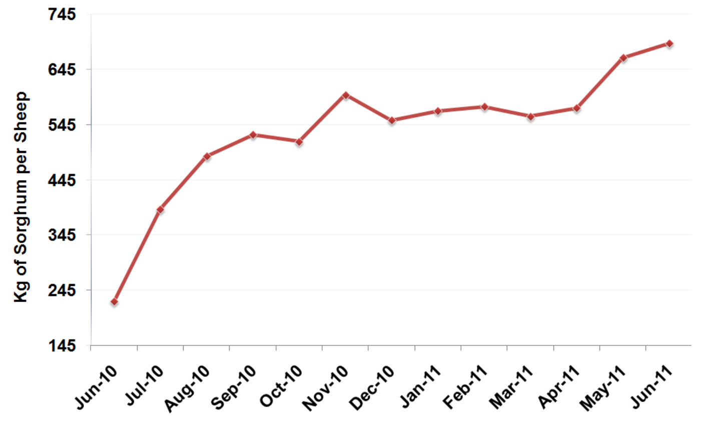


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (June 2010 – June 2011).



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:

Since August 2010, sorghum and millet prices in all markets reporting price data have increased or stabilized though still remaining above their monthly average levels. June sorghum prices in Khartoum were about 37% higher than the previous five years average. Local sorghum prices have also continued to be competitive as compared to the international market prices. (Figure 2). Wheat prices, on the other hand, continued rising in June (from their record high levels) and remain significantly higher than the 2006 to 2010 average levels (or normal) for this time of year. (Figures 1, 3, 7, 8 and 9).

For most markets, cereal prices tend to increase sharply with the on-going hunger season (July to August). This year recent increases of sorghum prices are lower than the high levels of last year indicating that this year's hunger season will be relatively stable for sorghum consumers while wheat and wheat product consumers are facing serious problem as recent prices are 49% and 79% higher than last year and the previous five years average, respectively.

Grains to livestock terms of trade in Khartoum are favoring livestock owners to the disadvantage of crop producers (Figures 10 and 11). The observed decline in sorghum per sheep terms of trade for crop producers for the past several months was more the result of significant increase in livestock prices than a drop in the price of sorghum prices (though the later declines reasonably). Similar price movements were observed in western, southern, and southeastern livestock markets of North Sudan.

Sudan's inflation rate in June declined from May 2011 level but remained at double-digits. The overall June inflation rate was 15.0 percent, lower than the 16.8 percent in May and the 17.1 percent in March (Figures 5 and 6). Recent developments in food prices in Sudan are driven by both domestic and global factors. The decline was largely due to the slight ease in food price inflation (cereals, rice, vegetables and fruits), which decreased to 16.3 percent compared to 20.4 percent in March 2011. As reported by the Central Bank of Sudan, imported inflation increased to 12.4 percent in April 2011 compared to 9.1 percent in December 2010. This is largely attributed to the pass-through of the exchange rate impact on imported consumer goods and the cost of locally produced goods (through higher cost of imported raw materials and very high labour cost).

According to World Bank (July 2011), the Government has undertaken several policy measures to contain inflationary pressures and to mitigate their adverse impact on the vulnerable poor. These included policy measures such as cutting import tariffs for wheat, flour, sugar, and capital goods; and releasing grain stocks of domestic reserves (through the SRCo and Zakat system), particularly for sorghum. Cash transfer, school feeding, free health support, and agriculture and industry support funds are reportedly on the pipeline but their actual implementation is yet to come.

Because the urban/rural poor people spend much of their total budget on cereals (Figure 4), further escalations and fluctuations in food prices will have a negative impact on their food security. With cereal prices continuing to climb towards their seasonal peak levels, and possibility of widespread starvation looming in east African countries, *close monitoring of prices will be critical.* According to a study done in some neighboring African countries, a 20 percent rise in cereal prices may reduce poor households' consumption by more than 10 percent, adversely affecting their nutritional status.

In the short run, efforts by the government to *export should be seriously reconsidered*. It should be remembered that an estimated 400,000 MT export of sorghum during the 2008/09 period resulted in a significant widespread cereal price increase afterwards. Moreover, government actions that could exacerbate the situation such as devaluation, bulk purchase of sorghum, fuel price hike, etc. *should be scrutinized and in some cases postponed to minimize the impact on staple food prices during the hunger season*.