



Sudan Monthly Market Update

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SUMMARY

Cereal prices continued to rise in April 2009 and remained substantially above average levels. As cereal prices continued to rise, grain-livestock terms of trade continued to favor crop growers and traders. Furthermore, the local wholesale cereal prices are significantly rising much above the export parity prices. Efforts since August 2008 to stabilize cereal prices for consumers have been unsuccessful. However, stabilizing prices and food supplies are an incomplete means of tackling the problem. The long-run issue is poverty and the sustainable solution lies in the process of economic development, transforming the rural economy from one based on low productivity subsistence agriculture to a high productivity and more commercialized one.

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 (May 2005 – April 2009).

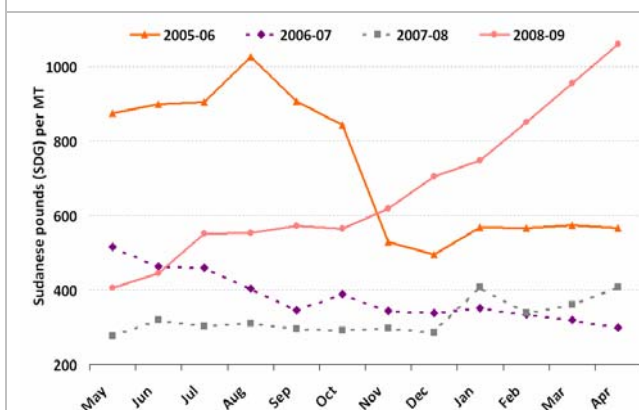
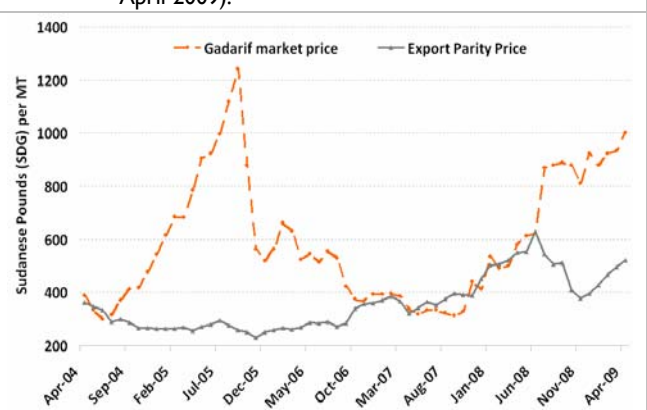


Figure 2: Comparison of Export Parity Prices (XPP) and Domestic Prices for Sorghum from Gadarif (April 2004 – April 2009).



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.

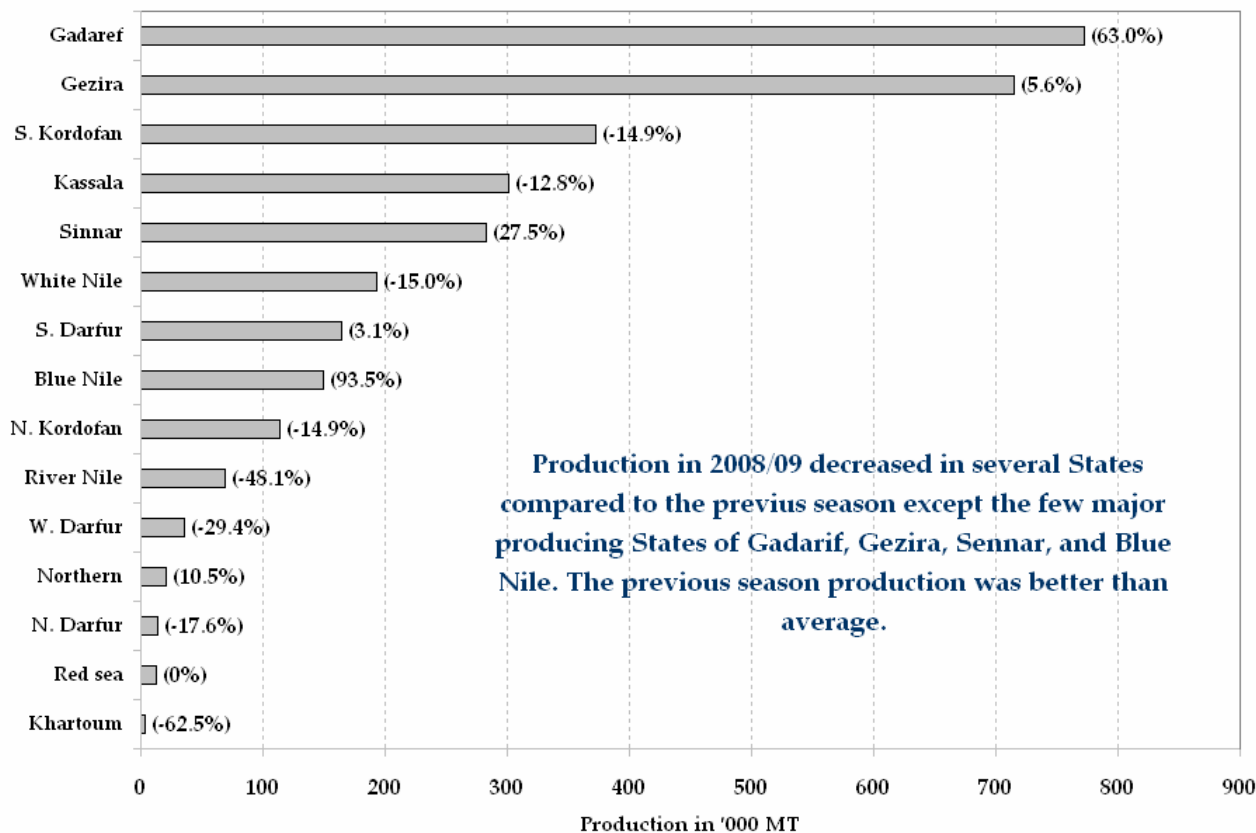
Figure 1: **Real wholesale prices** are computed by dividing the nominal price in a given month by the ratio of the Consumer Price Index (CPI) in that month to the CPI in some "base" period. All real prices are expressed in "current" SDG and any current month price may be compared directly with any past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

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. Both ExPP and Import Parity Prices (IPP) together define a range of possible equilibrium prices for an equivalent domestically produced good serving as an important commercial benchmark for both sellers and buyers. (<http://www-personal.umich.edu/~alandear/glossary/>).

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Figure 3: 2008/09 Sorghum Production (in '000 MT) and Percentage Change from Previous Season



Source: Ministry of Agriculture and Forestry (MAF) - Based on the latest estimates of cereal production.

Note: Despite declines in many traditionally deficit producing areas, the recorded increases in the major surplus producing areas resulted in an overall increase of national production by about 10 percent. However, the increases in these States compared to the previous season have not so far been reflected in the marketed output and hence prices continue to be high.

Figure 4: Relative Price Increases – Food Index / Non-food Index in Sudan (April 2008 – April 2009).

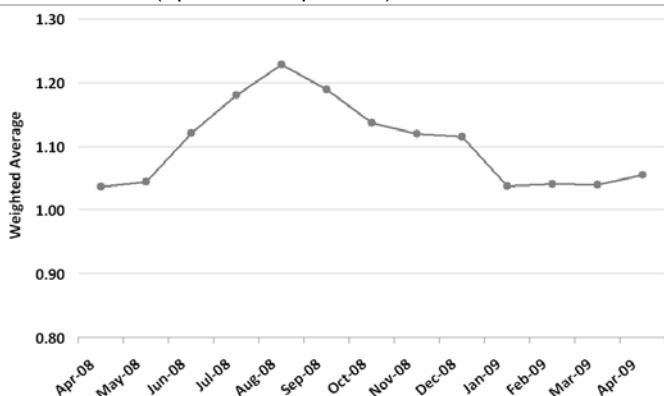
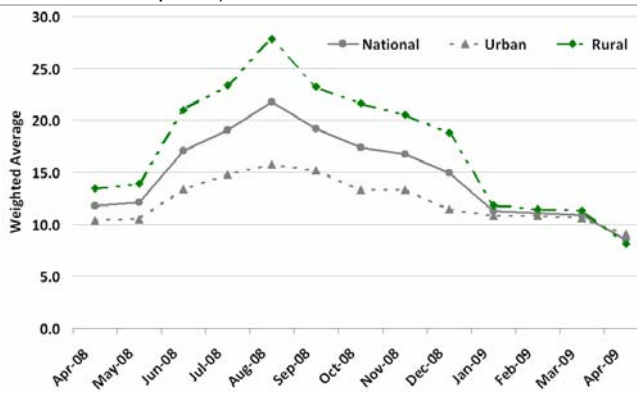


Figure 5: Monthly Inflation Rates in Sudan (Base 2007 = 100) (April 08 – April 09).



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 four months.

Figure 6: Nominal Wholesale Prices of Staple Cereals in Khartoum, (April 2008 – April 2009).

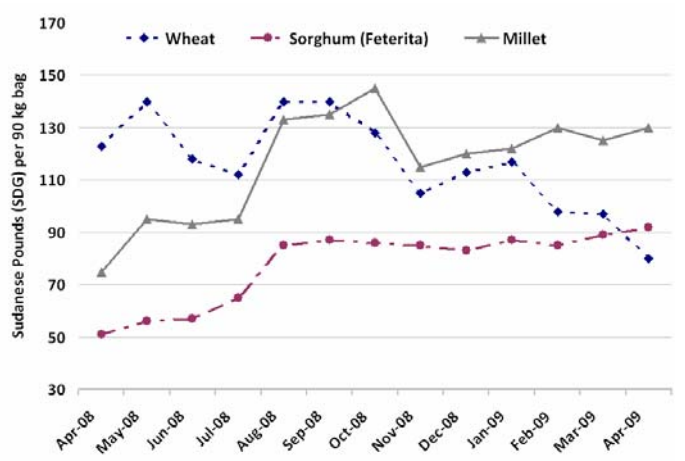


Figure 7: Real and Current Wholesale Prices of Sorghum (Feterita) in Khartoum (April 2008 – April 2009).



Figure 8: Nominal Wholesale Sorghum (Feterita) Prices for Selected Markets (April 2008 – April 2009).

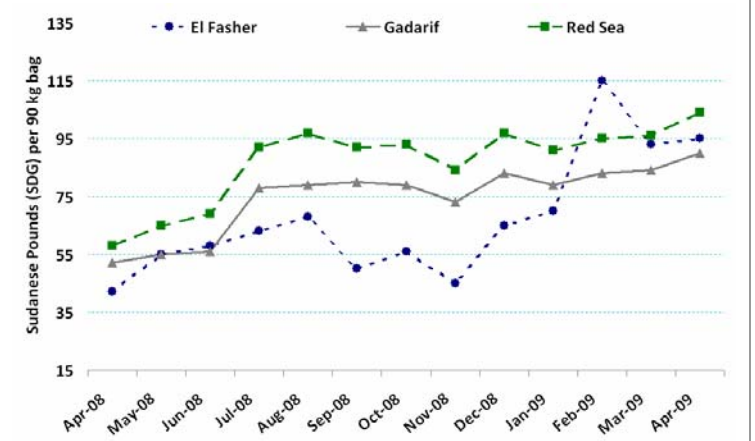
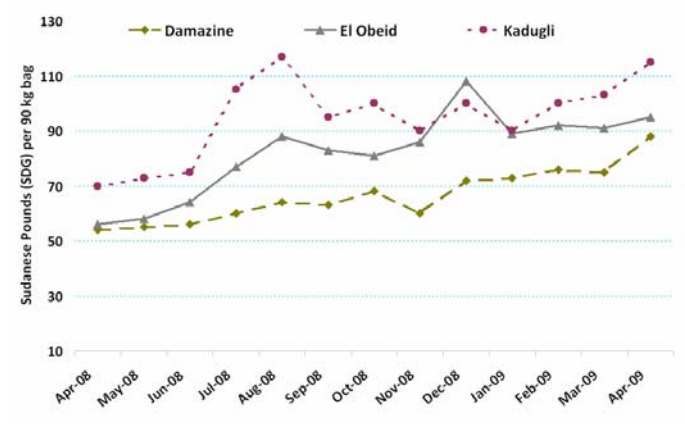


Figure 9: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (April 2008 – April 2009).

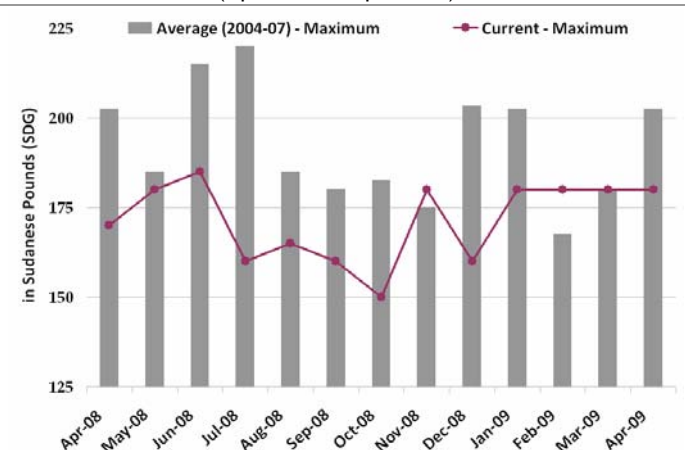
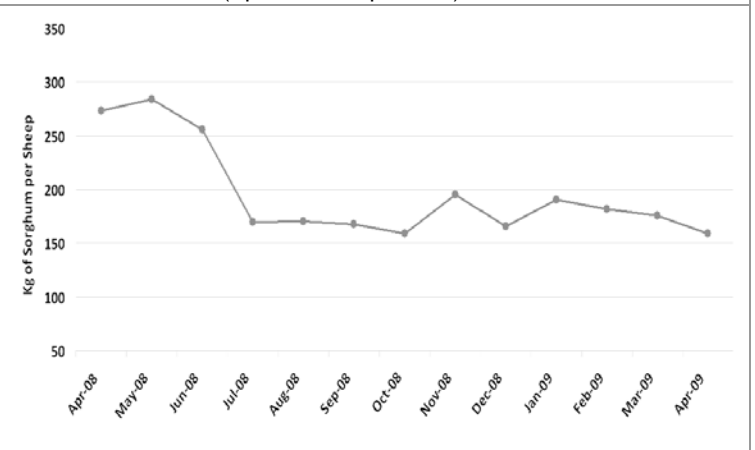


Figure 10: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (April 2008 – April 2009).



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 \$ ≈ 2.2 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

Compared to the previous month, prices in April 2009 showed an increment ranging between 1.1% in Dongola of sorghum and 34% in El Obeid of wheat prices on the average. The lowest increments were observed in millet and sorghum while the highest was observed for white wheat. Sorghum prices were in the range of 90 SDG to 102 SDG per 90 kg in April in Gadarif (typical surplus market) and Khartoum (typical consumer market), respectively. In Khartoum (the major terminal market) sorghum prices in April 2009 were 82 percent higher than same time last year, and 48 percent higher than the average (2002 - 2007). (Figures 6 and 7).

In addition to considerable increases in cereal prices, the typical seasonal behavior of prices altered throughout 2008/09. Prices increased all through the year even during the harvest season of November – January when prices usually decline. (Figures 6 to 8). Sorghum continues to be in overall short supply as evidenced by significant price increases in many markets. This is due to reduced or failed production in most areas during the previous season. Prices are still increasing in Khartoum and almost in all surplus and deficit markets of the country.

Wholesale price data from ARSC show that grain-livestock terms of trade is continuing to favor crop growers, to the disadvantage of livestock owners. (Figure 10). The observed deterioration in the sorghum per sheep terms of trade for livestock owners for the past several months in Omdurman market was the result of sharper increases in sorghum prices than in sheep prices. Similar price movements were observed in the other livestock markets monitored by ARSC. If the general upward price trend in April persists in the coming months, particularly for sorghum, further declines in grain-livestock terms of trade can be expected, to the detriment of sheep sellers. For most markets, this general upward trend will not be abated in the coming months before reaching a peak during the June-August lean period.

Despite increases in cereal prices, the food and non-food inflation rates have declined in April 2009. These declines were observed in both urban and rural settings. The declines in the food indices were higher than the non-food sector making the food to non-food ratio on the rise. (Figures 4 and 5).

The current local price trends and comparisons with Gadarif market Export Parity Prices (XPPs) indicate that prices are higher than historical averages and also higher compared to XPPs (Figure 2). It, therefore, continues to be cheaper to buy these cereals on the international market. To stabilize markets, international purchases of cereals are encouraged before the ensuing lean season (typically, June – August) as prices are expected to further escalate during these months. These purchases, if timed inappropriately, may not be that useful, hurting particularly poor consumers in rural and urban areas. Close monitoring of prices is necessary in the next two months in order to ensure that international purchase recommendations remain consistent with existing market conditions. Furthermore, coordination between the various line ministries engaged in these decisions is necessary to avoid speculations and consequent price hikes.

These high prices will undermine the value of the guaranteed transfers to be made by Zakat and others, most of which were meant to be made in the form of cash rather than food. As staple prices rise, the food equivalent of this cash amount continues to erode exacerbating the already poor condition of these net-consumers.