



Sudan Monthly Market Update

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SUMMARY

As harvested crops begin to enter the market, prices should have declined. However, except few markets, earlier than normal increases observed in the prices of major cereals and prices remained at a very high level in October. Current cereal prices are substantially higher compared to the same period last year in nearly all markets. If continued, the increase in sorghum prices so early in the harvest season is particularly worrying as sorghum serves as a major source of staple food for the poor. These changes are mainly attributed to poor prospects of the summer season. These high prices at harvest time will continue to have a positive impact on farmers' incomes but will negatively affect poor farmers and livestock owners who continue to be highly dependent on the market for cereal purchases. It should be recognized that poor consumers will be seriously affected with extended periods of high-level prices while prices of all other consumable items continue to rise in the country. The persistent historical record high prices thrust the need for an immediate way out, and price levels need to be monitored closely.

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/MAREF) 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 (Nov 2005 – Oct 2009).

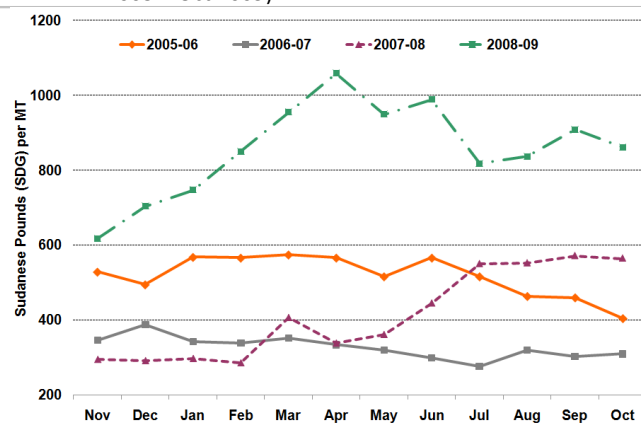
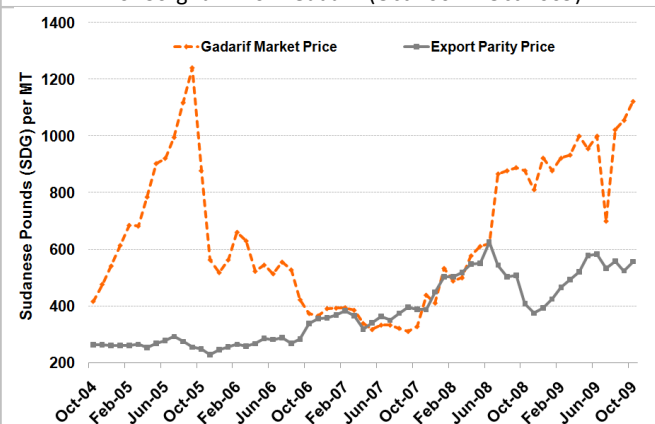


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Oct 2004 – Oct 2009).



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.

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

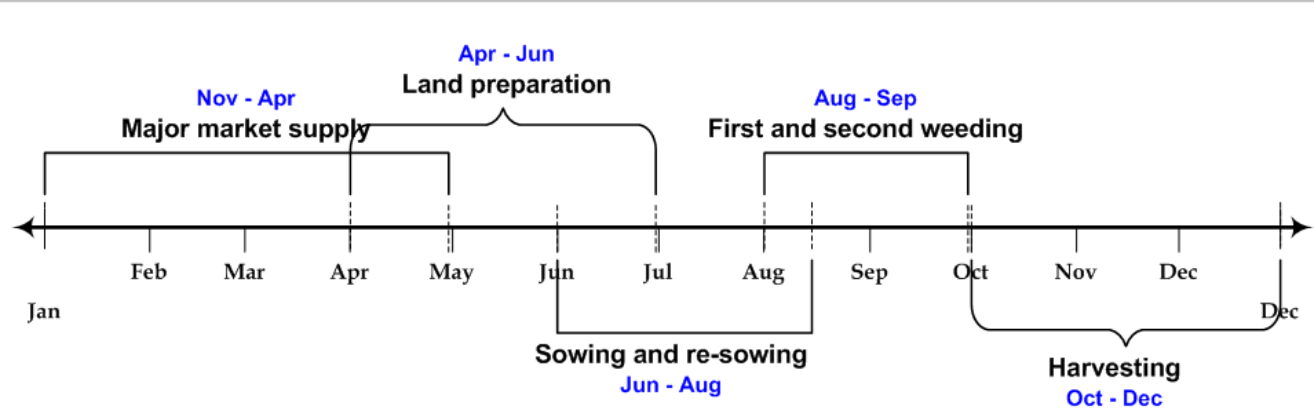
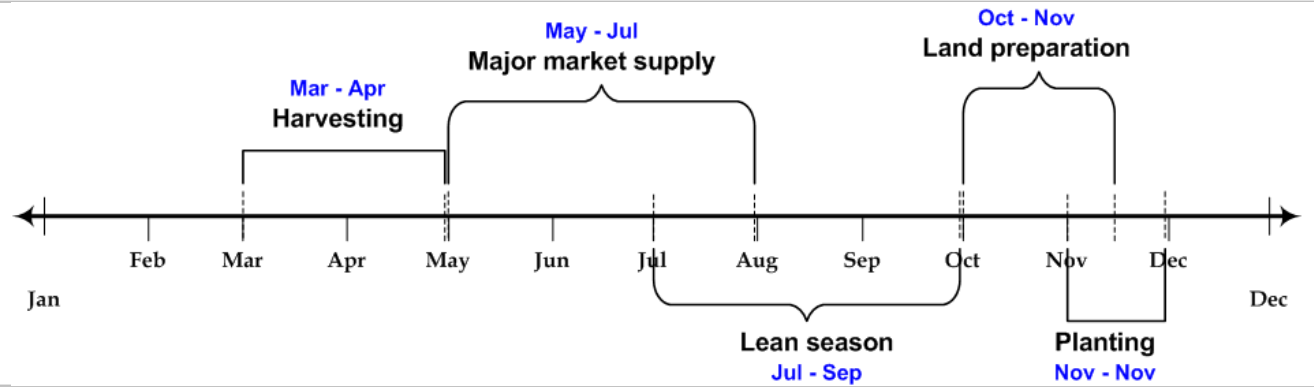


Figure 4: Crop Calendar for Wheat



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 (Oct 2008 – Oct 2009).

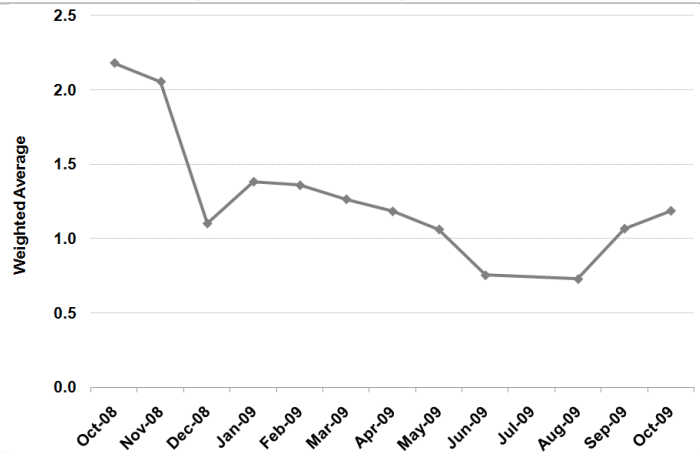
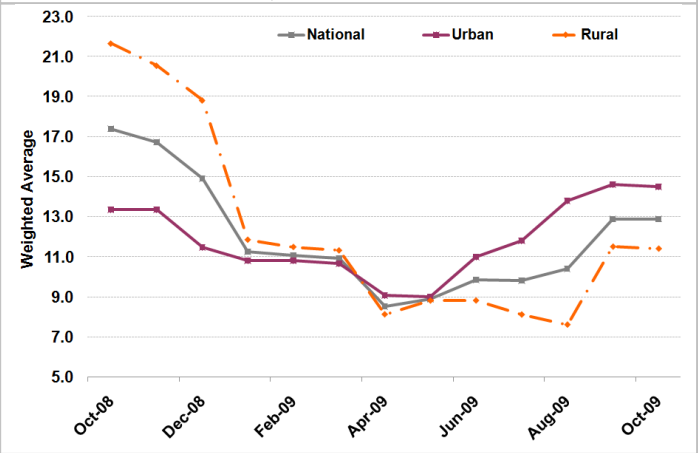


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Oct 2008 – Oct 2009).



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, (Oct 2008 – Oct 2009).

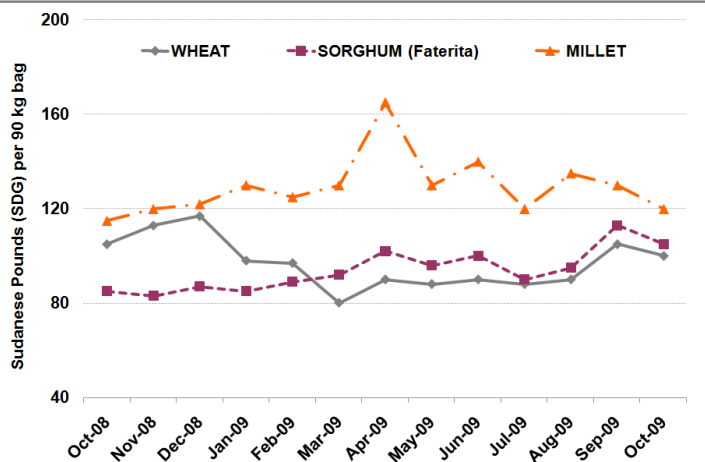


Figure 8: Real and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Oct 2008 – Oct 2009).

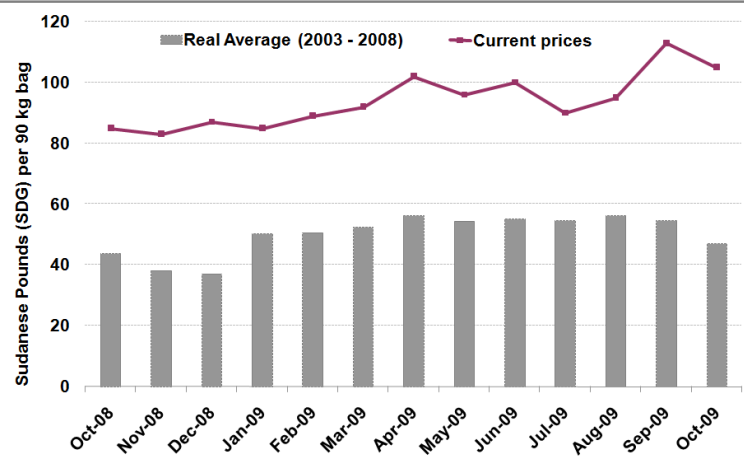


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Oct 2008 – Oct 2009).

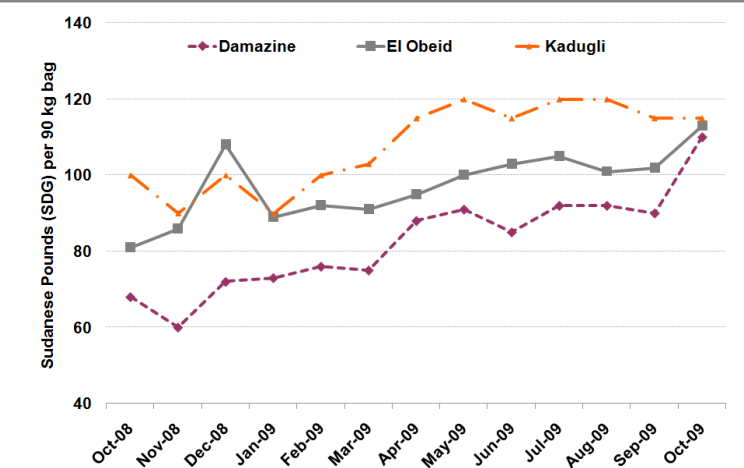
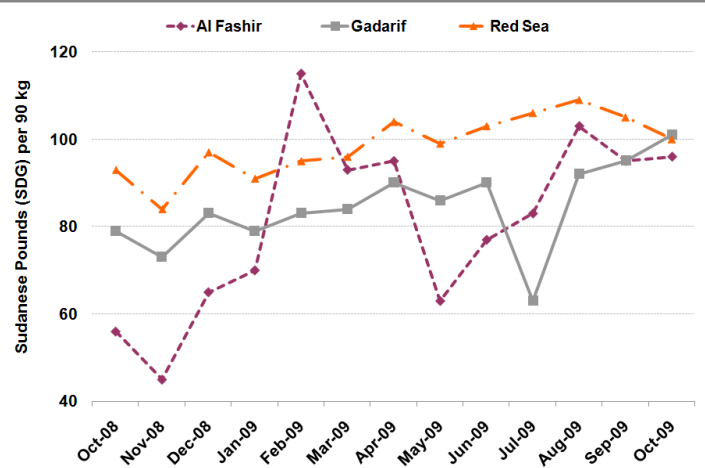


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Oct 2008 – Oct 2009).

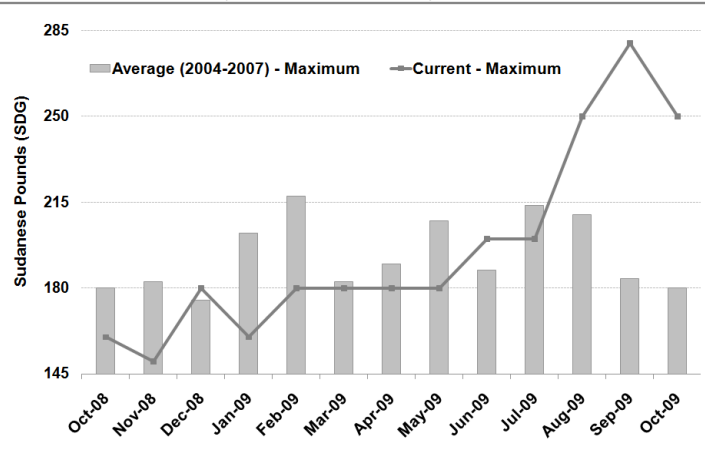
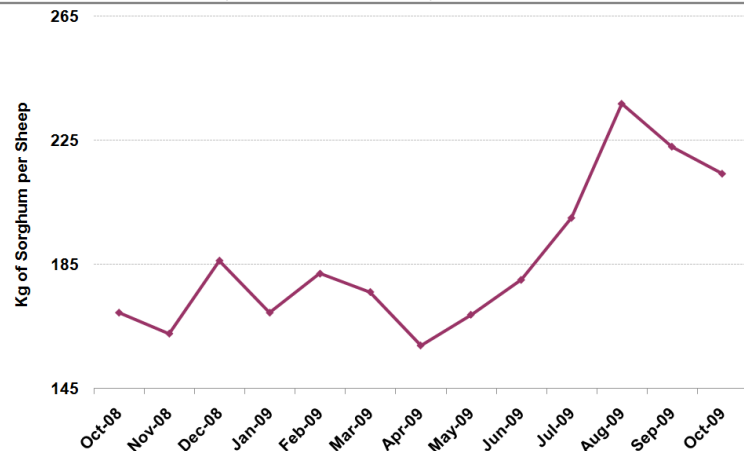


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Oct 2008 – Oct 2009).



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

While cereal prices in most Sudanese markets typically start declining as the new harvest comes in October, this trend seems to have faltered this year. Prices in the big terminal markets in the country, including Khartoum, Gadarif, and Red Sea, have been steadily increasing during the entire year for sorghum and millet. October wholesale sorghum and millet prices in the major terminal markets have still remained much above their respective monthly averages (2003-2008) (Figures 7 and 8) and much higher compared to the same period last year. Wheat prices, on the other hand, reflected the trend in the international market and declined up until March 2009 and continued to show a steady rise since then. October wheat prices are slightly lower compared to the same period last year.

Poor production prospects in the traditional surplus producing areas of the country might have sustained cereal prices at above average levels during the last four to five months (Figure 9). However, prices should stabilize or decline in November and December, increasing thereafter as the extent of the national cereal shortage becomes more apparent. The following factors may further increase prices over the next few months: the prospect of another poor harvest in 2009/10; limited or no carry-over stock from last year (representing limited flexibility in the supply of grains); increasing international wheat prices which will further increase locally produced wheat; and producers may attempt to compensate for higher prices by decreasing their sales volume, driving prices even higher.

According to field information from the predominantly livestock market, livestock prices declined in October. At the same time cereal prices have been stable in the same livestock producing areas, negatively affecting the terms of trade for livestock owners. The rate of decline for livestock prices looks to be greater than the marginally declined sorghum prices in October. (Figures 10 and 11). However, both prices are at their high level which tends to affect poor consumers.

Central Bureau of Statistics (CBS) sources have also indicated that the food and non-food inflation rates remained constant in Sudan in October 2009. Overall inflation rates in October in urban areas have been 15%, remained the same as compared to the previous month. The urban and rural inflation rates showed similar stable trends in October 2009. On the other hand, the relative food to non-food changes has continued to be high in October - the food inflation rates have increased above the non-food rates. (Figures 5 and 6).

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

Higher prices at the start of the season will actually help surplus producers of the country. However, price increases at the already historical record high levels will continue to have a significant negative impact on consumers' incomes. It should be recognized that consumers would find it very difficult to survive extended periods of very high level prices while other income sources continue to dwindle. Unless an immediate solution is forwarded, it may be too late to curb the problem, which may result in significant depletion of income sources.

Should cereal prices continue to increase further in the coming months, there is a high risk that this could worsen the already poor situation in many areas. Such increases in cereal prices, without a compensating increase from other off-farm income sources, would adversely affect the purchasing power of most households in many areas, who rely on the market during most of the year. The increase in sorghum prices so early in the season is particularly worrying as sorghum serves as a major source of staple food for the poor.