

# SUDAN MONTHLY MARKET UPDATE

Bulletin # 47

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## SUMMARY:

Despite a decline in international cereal prices for the past several months, prices of sorghum and millet in Sudan increased in several markets during October. Current cereal prices are substantially higher compared to the same period last year in nearly all markets. On the other hand, following decline in international export prices, wheat domestic prices fell by 6% in October compared to the previous month but remained at their ever highest record levels.

Above average prices are expected during the coming months as farmers are obliged to hold on to the bulk of their produce presuming a tighter supply and further price hikes. If continued, the increase in cereal prices so early in the harvest season is particularly worrying as sorghum serves as a major source of staple food for the poor which will continue to have a significant impact on their incomes.

Higher prices at the start of the season will actually help surplus producers of the country. However, even these commercial farmers will be seriously affected with extended periods of high-level prices while prices of all other consumable items continue to rise in the country. High grain prices will negatively affect the purchasing power of most households in the west, south west, and eastern areas, who rely on the market during most of the year. The price level needs 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 /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](mailto:Yahia.Awadelkarim@fao.org); [alemu.asfaw@fao.org](mailto:alemu.asfaw@fao.org)

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

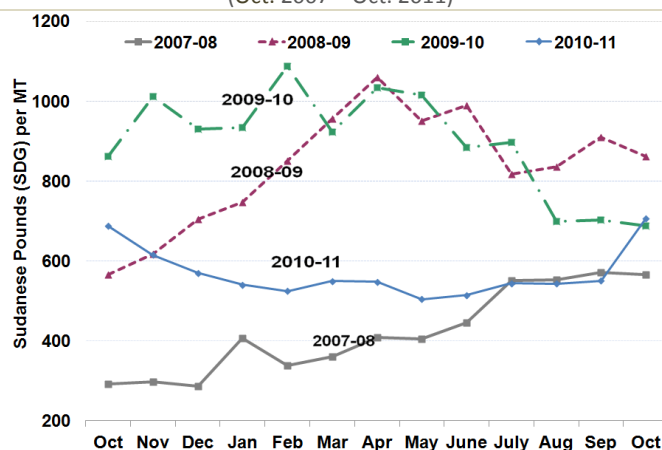
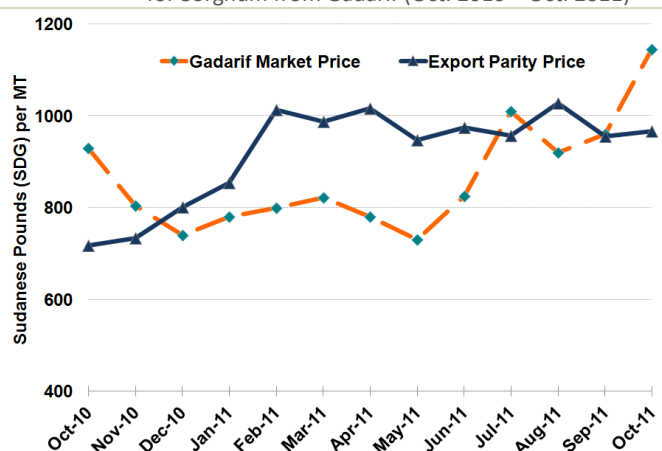


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Oct. 2010 – Oct. 2011)



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/](http://www.fao.org/es/esc/prices/)

Figure 3: Wholesale Prices of Wheat in Khartoum (Oct. 2007 – Oct. 2011)

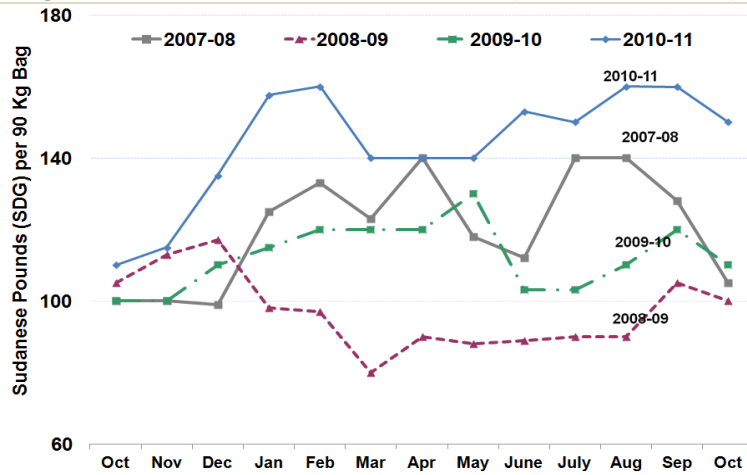
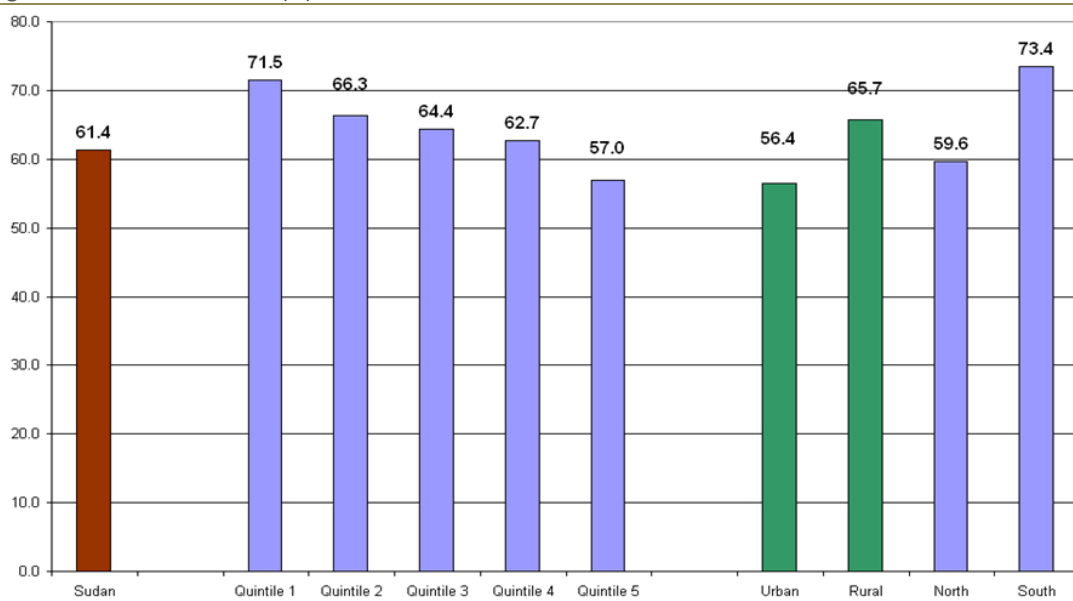


Figure 4: Food Ratio in Sudan (%)



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

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

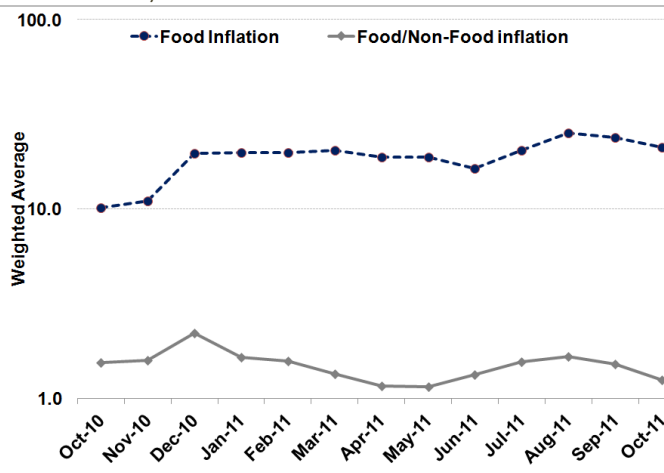
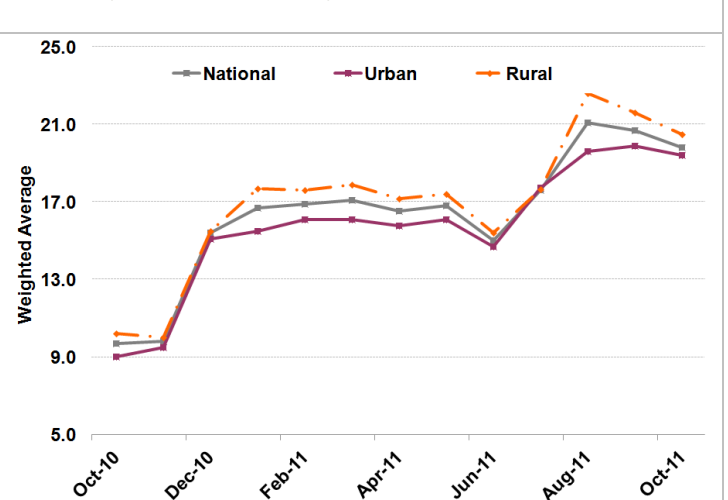
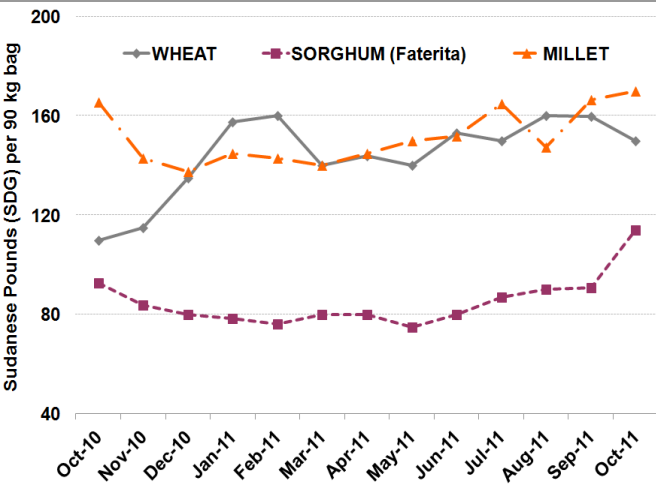


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Oct. 2010 – Oct. 2011).

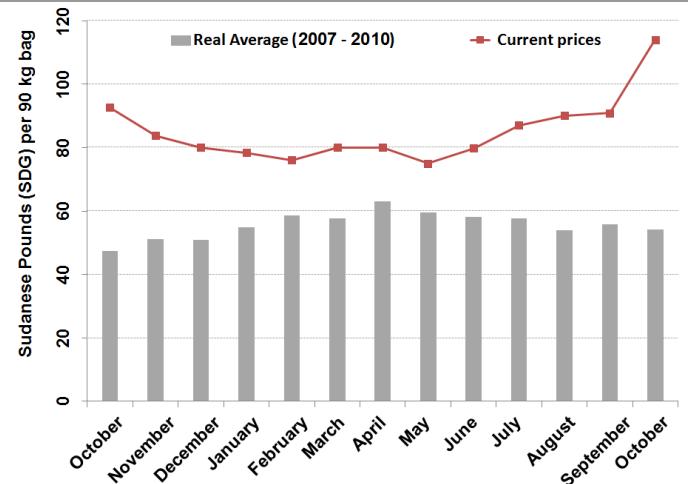


Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates, Sudan and Khartoum 2010/11.

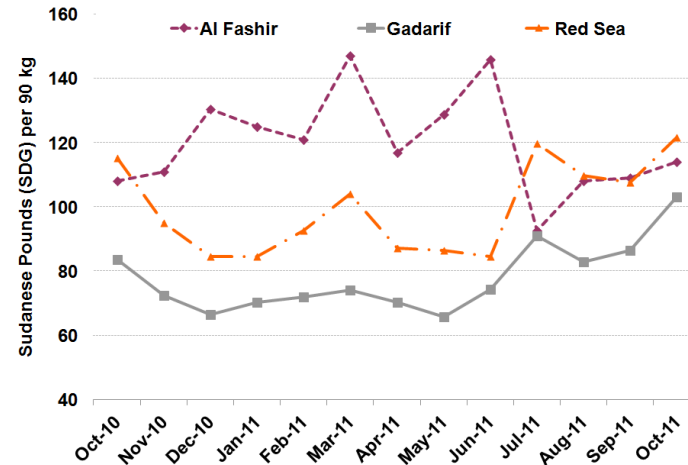
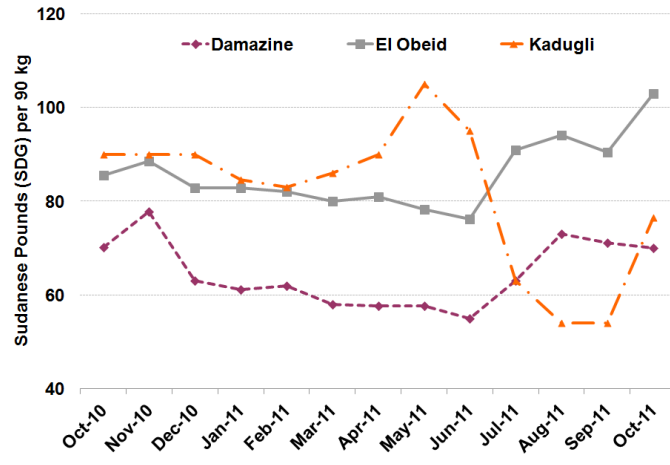
**Figure 7:** Nominal Wholesale Prices of Staple Cereals in Khartoum, (Oct. 2010 – Oct. 2011).



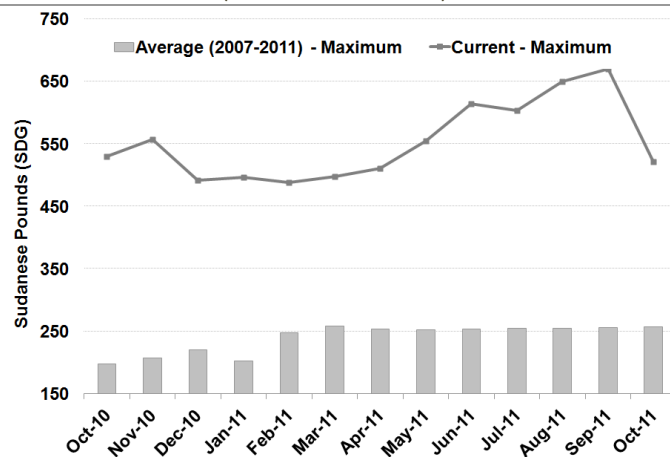
**Figure 8:** Real average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Oct. 2010 – Oct. 2011)



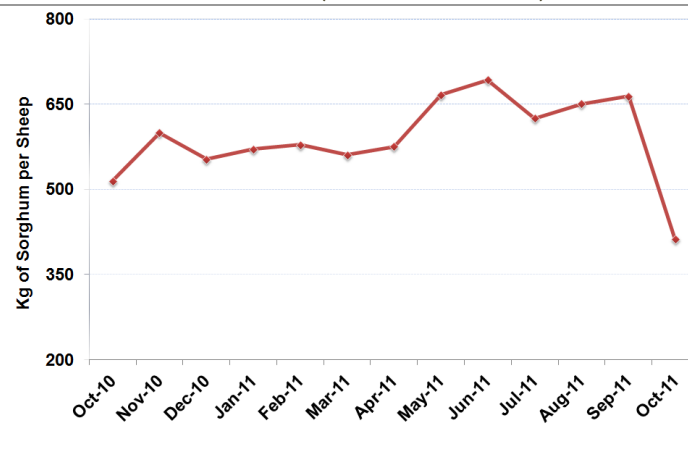
**Figure 9:** Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Oct. 2010 – Oct. 2011).



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



**Figure 11:** Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Oct. 2010 – Oct. 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:

While cereal prices in most Sudanese markets normally start declining as the new harvest comes in November - December, this trend seems to have faltered this year. In almost all major markets in the country, cereal prices that declined slightly or remained flat in August and September already started increasing in October (Figures 7 to 9). Cereal prices continued to surpass their previous year averages in all observed markets, reaching to about 50% higher since May 2011. Cereal prices are currently higher compared to the same period last year, which was already higher than the 2007-08 levels. Local wheat prices also remained persistently higher than the previous five year prices. However, following a decline in international prices, domestic wheat prices declined by about 6% in October compared to the September prices. (Figure 3). The recent decline in international wheat prices is mainly attributed to slowdown progress in the global economy.

In October 2011, sorghum price increases were severe in the traditional deficit area of Kadugli (42%) which may be due to a significant reduction of relief subsidies that were in place since May-June conflict; while in a terminal market of Khartoum, and a traditional surplus area of Gadarif, prices increased by about 23.1%, and 23%, respectively, compared to September. These abnormal seasonal price trends in both deficit and surplus markets indicate very limited supply that will negatively affect access for rural and urban populations, which spend the largest share of their income on food (Figure 4). The following factors may further increase prices over the next few months: the prospect of another poor winter season harvest in 2011/12; prospect of poor harvest of the summer season will force farmers and traders to hold more as they will be able to earn more by selling less; dwindling carryover stock for next year; declining livestock prices obliges livestock owners to hold more that increases demand for cereals; on going conflicts may limit access to some vulnerable areas further driving prices even higher.

The comparisons of local Gadarif wholesale prices with that of its respective export parity prices (ExPP) show unstable trends, currently the local prices exceeding the export one by about 18%. This makes the local sorghum production expensive and uncompetitive in the international markets, which discourages export. (Figure 2).

Overall inflation rates declined in October 2011 to 19.8% from 20.7% level in September. The declines are more or less similar in all urban and rural settings. This decline also follows a sharp decrease in international prices of food commodities in which Sudan is a major food importer. The previous five months developments further indicate a stable trend though at a high level. The food inflation also declined but remained high (21.2%) while the non-food inflation rate increases with the same magnitude making the food to non-food inflation ratio decline. (Figures 5 and 6).

Livestock prices declined by about 22% in October 2011 compared to the previous month but still much higher than average while sorghum prices increased by almost similar magnitude making the terms of trade favorable to crop producers and sellers. However, livestock prices are still high, and livestock owners are getting the benefit of high level livestock prices. The close to 40% decline in terms of trade against livestock owners is, therefore, a combination of a significant increase in crop prices and a considerable decline in livestock prices.

Significant increases in cereal prices followed by very high inflation rates, including of input prices, will have an impact on reducing next year's input utilization thereby reducing planted area and harvest for the coming season. Unless an immediate solution is forwarded, it may be too late to curb the problem, which may result in significant depletion of productive assets. Continued increases in cereal prices over the coming months would aggravate the recently worsened food security in conflict affected and chronically food insecure areas.

Any bulk purchases of cereals by humanitarian agencies, big government (SRCo) or non-government institutions and provision of cash for work during or immediately following the harvest time, which would increase the demand and drain surplus grain, could exacerbate the problem and hence should be monitored closely. Of course, higher prices at the start of the season will obviously benefit large scale commercial producers.