

SUDAN MONTHLY
MARKET UPDATE

Bulletin # 46

October 2011



SUMMARY:

Cereal prices in selected markets were stable between August and September, but are still much above the September 2007 - 2010 averages. Current sorghum and millet prices are reasonably high. However, with the exception of wheat, cereal prices are now consistently lower than (close to 15% lower) the previous three years prices in all observed markets. Compared to the previous five years, wheat prices, on the other hand, are consistently showing ever highest price trends for the past several months.

International prices of all cereals with the exception of rice fell sharply in September. FAO's monthly Food Price Index fell 2 percent in September compared to August. This is mainly due to expected increase in cereal production and declining demand due to recession in many areas. Despite its high level market stability, global wheat production is expected to increase by 4.6 percent (30 million tonnes) and coarse grain by 2.1 percent (24 million tonnes).

Monitoring the unusual behavior of food markets and getting the underlying causes and consequences of price anomalies right will partly help decision makers to improve the efficiency and equity of output markets to ensure that farmers get a fair share of the final consumer price and also to ensure that seasonal price swings and regional price disparities fall within competitive, moderate ranges.

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:

Food Ratio and Inflation rates	2
Nominal and real wholesale prices of cereal	3
Terms of trade and sheep prices	3
Market analysis	4

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

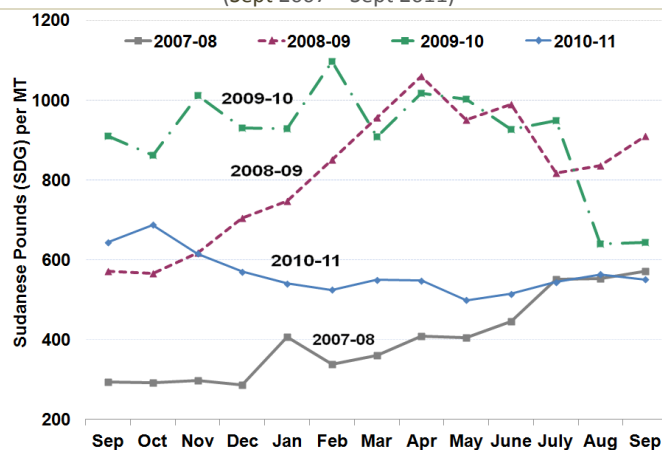
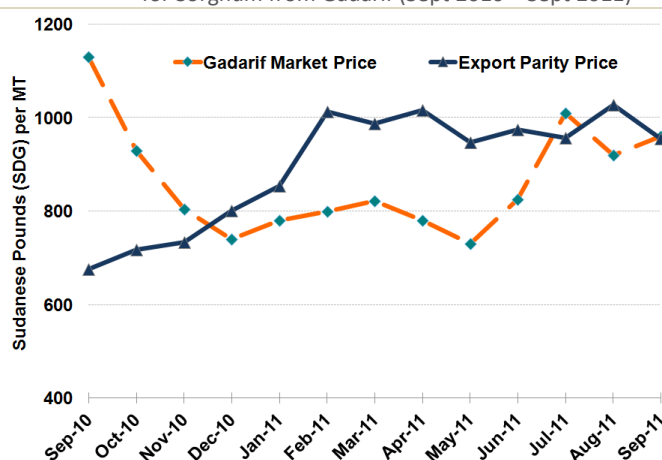


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Sept 2010 – Sept 2011)



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 الأوروبية 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 (Sept 2007 – Sept 2011)

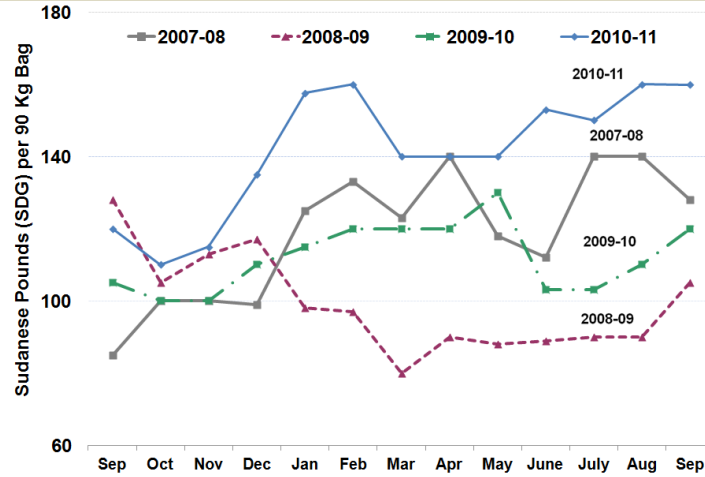
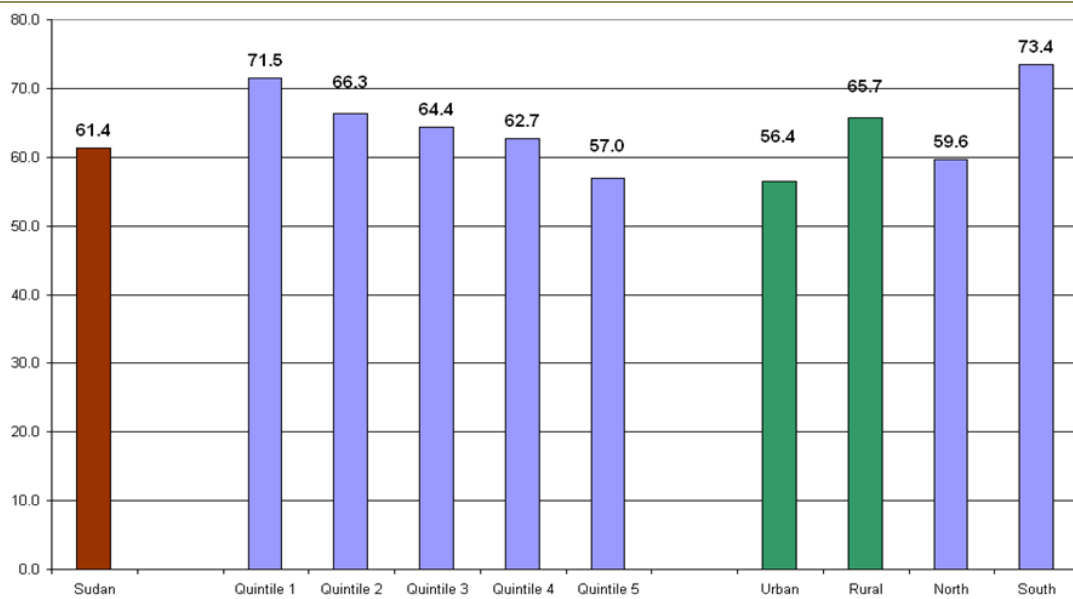


Figure 4: Food Ratio in Sudan (%)



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 in Sudan (Sept 2010 – Sept 2011).

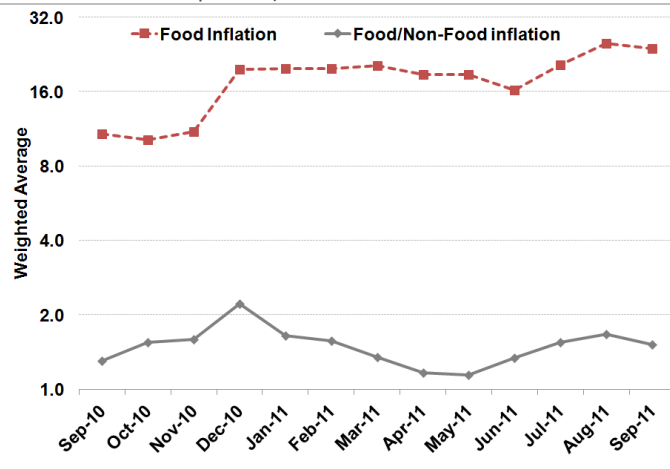
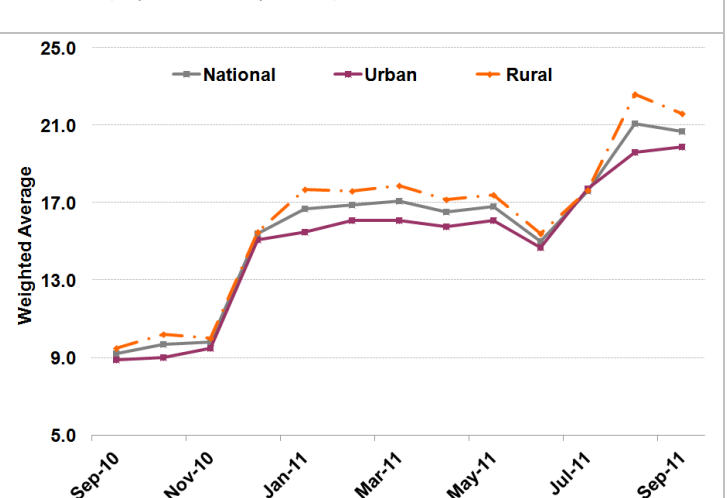


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Sept 2010 – Sept 2011).



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, (Sept 2010 – Sept 2011).

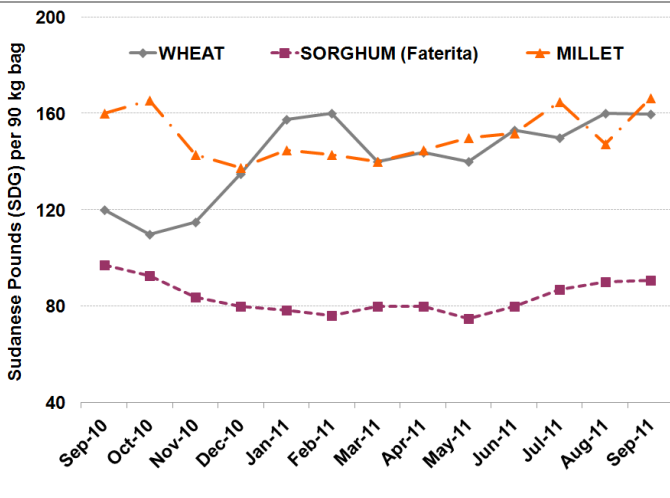


Figure 8: Real average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Sept 2010 – Sept 2011)

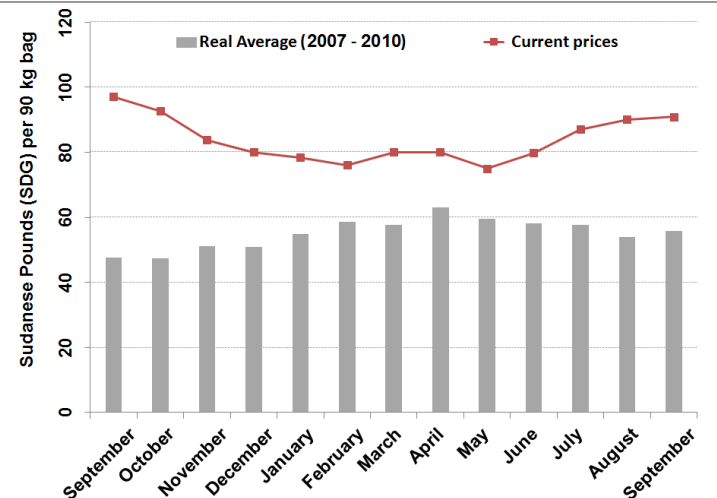


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Sept 2010 – Sept 2011).

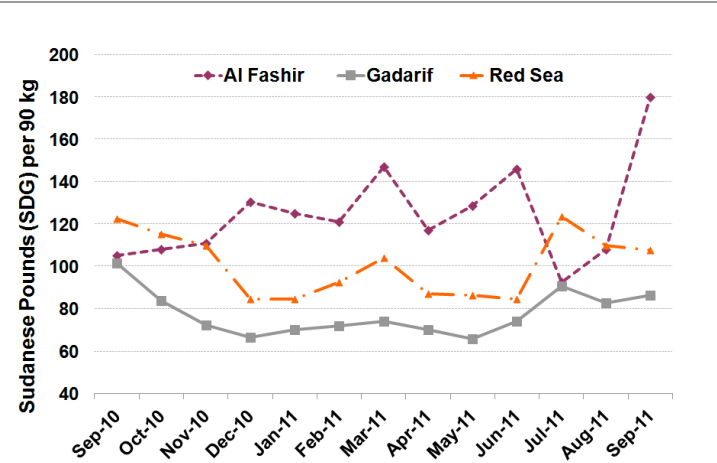
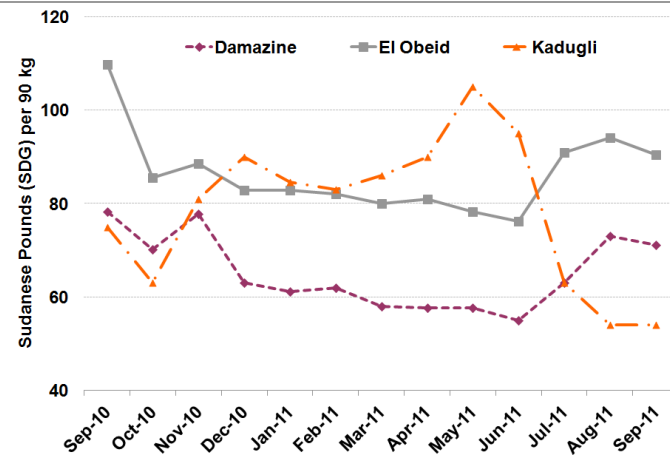


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Sept 2010 – Sept 2011).

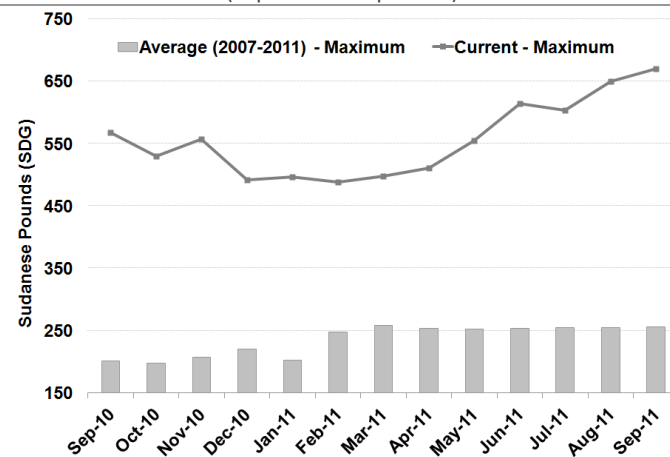
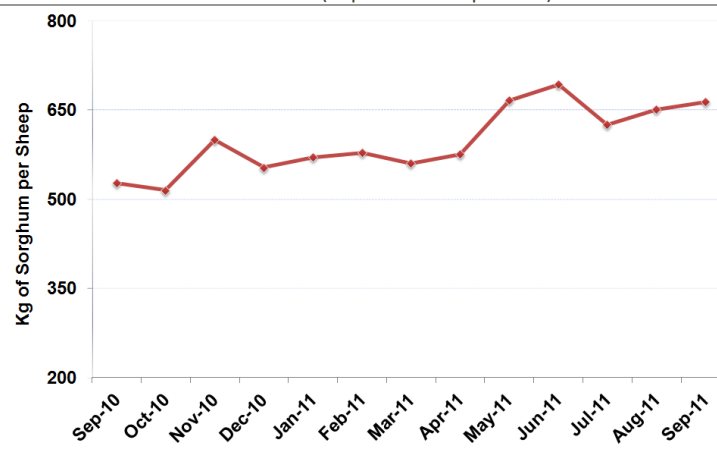


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Sept 2010 – Sept 2011).



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:

This year, during July and August, cereal prices showed some mixed signals, as the marketable surplus of crops declined during the peak of the lean season. Cereals account for about 80 percent of total food grain production and more than 90 percent of grain flow in the country. Normal seasonal trends observed in September as prices either declined or remained stable in most observed markets. The only major exception is El Fashir where Sorghum prices increased by about 60% compared to August prices due to mediocre performances of the *summer* season. Khartoum September sorghum prices are about 15 percent lower than same time previous three year prices. However, current overall cereal prices are still higher than their respective averages. (Figures 7 to 9). Despite improved international wheat production prospects, wheat prices remain very high (at their ever highest level). (Figure 3).

According to FAO's Crop Prospects and Food Situation (October 2011), international prices of all cereals with the exception of rice fell sharply in September. FAO's monthly Food Price Index also fell by 2 percent in September compared to August, mostly on lower international prices of grains, sugar and oils. This is mainly due to expected increase in cereal production and declining demand with recession in many areas. World cereal production is anticipated to increase by 3 percent or 68 million tonnes higher than in 2010/11. The overall year-on-year increase includes a 4.6 percent (30 million tonnes) rise in global wheat production, and a 2.1 percent (24 million tonnes) increase for coarse grains.

After persistent swings of Gadarif sorghum prices for the past several months, the variation between local and export parity prices (ExPP) continues to be unpredictable. The September Gadarif prices again overlap with ExPP indicating inconsistent trends which does not boost traders' confidence to promote bulk purchases from local markets. (Figure 2).

Given the stability or decline in sorghum prices, the current escalating livestock prices persisted to favor livestock owners against the terms of trade of grain producers. The favorable terms of trade are more a result of very high level and increasing demands of livestock throughout the year than decrease in sorghum prices. (Figures 10 and 11).

Central Bureau of Statistics (CBS) sources have indicated that the consumer price index in September remained constant at a higher level after showing an average of 5 percent increase for the past five months (still a serious concern for consumers). Overall inflation rates in September remained to 20.7% from its 21.1 level in August. Similar constant trends observed for both rural and urban settings. The food inflation decreased from its ever highest level of 25.2% in August to 23.9% in September while the non-food inflation rates increased from 15.1% to 15.8%. Hence, the food to non-food inflation rate ratio decreased marginally. (Figures 5 and 6).

Currently stable local prices are attributed to the upcoming harvest, decrease in effective demand and to grain speculators releasing grains in anticipation of price declines following the harvest. However, prices are expected to increase much earlier than normal and are anticipated to remain at much above average levels in 2012 due to the expected significant declines in the main season harvest, particularly for sorghum and millet. According to this year's State of Food Insecurity (SOFI) report, international high prices are also likely to continue and possibly increase, making poor farmers, consumers and countries more vulnerable to poverty and food insecurity.

Monitoring the unusual behavior of food markets and getting the underlying causes and consequences of price anomalies will partly help decision makers to improve the efficiency and equity of output markets to ensure that farmers get a fair share of the final consumer price and also to ensure that seasonal price swings and regional price disparities fall within competitive, moderate ranges.

This also helps Governments to ensure that a transparent and predictable regulatory environment is in place, one that promotes private investment and increases farm productivity which are more effective than other strategies, such as, export bans. This, however, requires investments in transport infrastructure, market price information systems, and institutional innovation and policy reforms at all levels of the supply chain. These include improving the financial system and eliminating government and/or private systems that limit competition among grain traders.