



Sudan Monthly Market Update

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SUMMARY

Despite declining international cereal price trends this year, local prices have continued to remain high in Sudan, a trend that started much earlier than normal. Sorghum and millet prices in all observed markets in Sudan either increased slightly or remained stable at a high level in August. Wheat prices, after following an international price decline, remained stable for the past several months. These increases or stability at a very high level will continue to have negative impacts on consumers, especially in traditional vulnerable areas of the east and west. To minimize the negative repercussions of escalated cereal prices on the poor, and abate impacts of price volatility (especially in the traditional vulnerable areas), it will be vital to introduce some degree of interventions. Carefully targeted and timely resource transfers (to fill some critical food and non-food gaps) could help food insecure households' deal with the consequences of persistent high level prices.

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). 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 (Sept 2005 – August 2009).

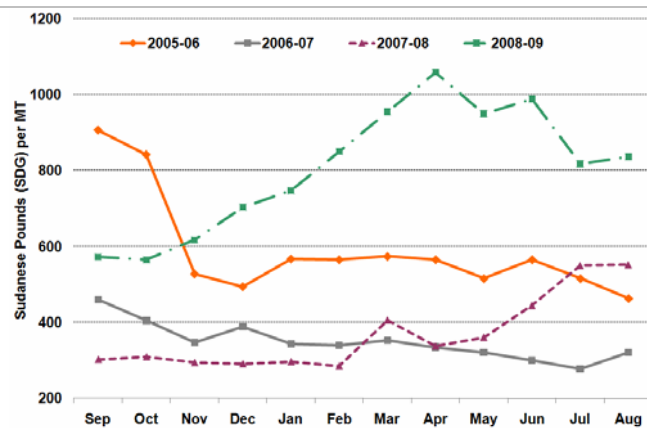
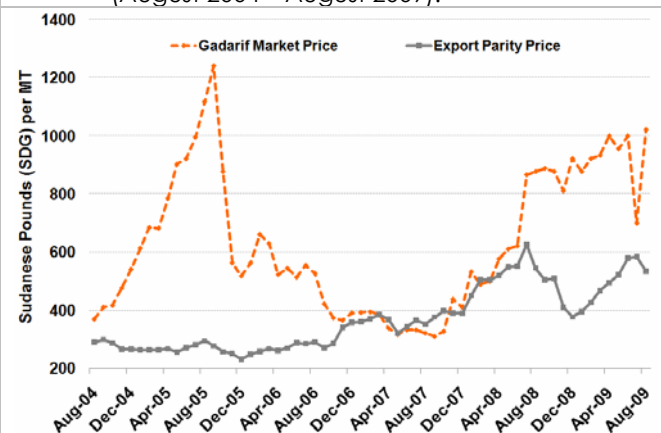


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (August 2004 – August 2009).



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

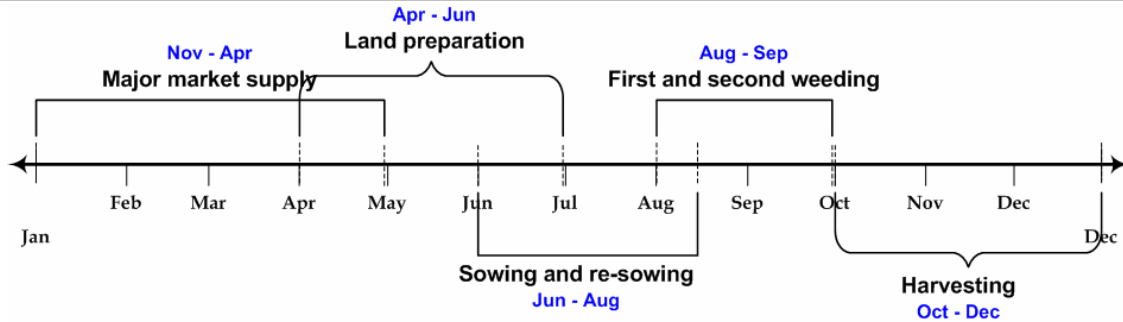
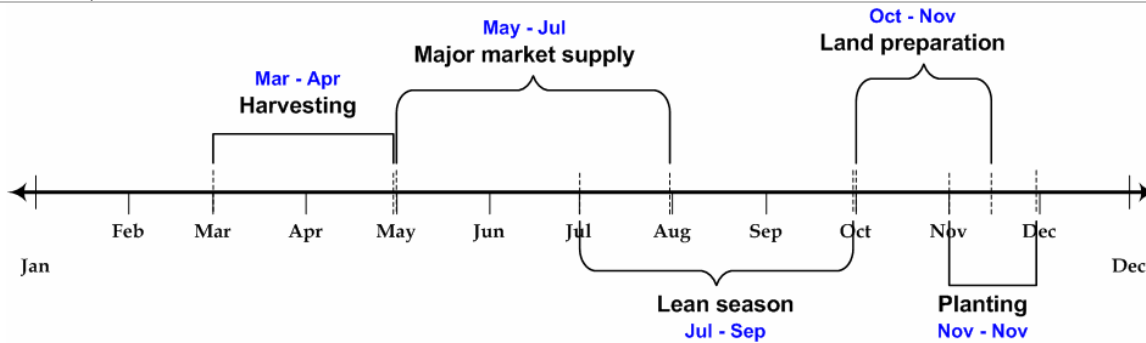


Figure 4: Crop Calendar for Wheat



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 (August 2008 – August 2009).

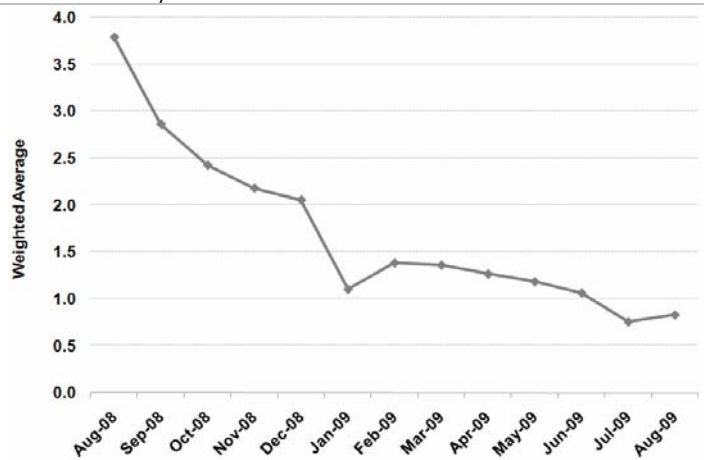
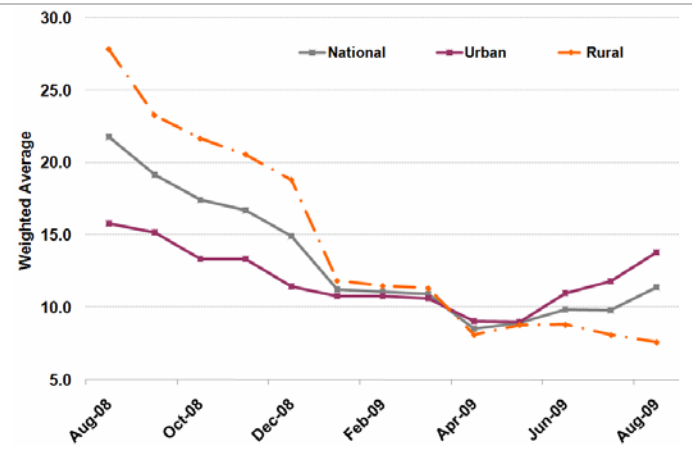


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (August 2008 – August 2009).



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, (August 2008 – August 2009).

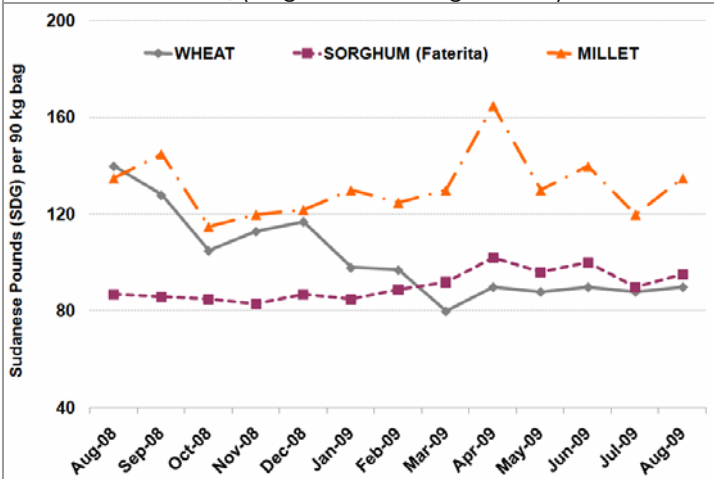


Figure 8: Real and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (August 2008 – August 2009).



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

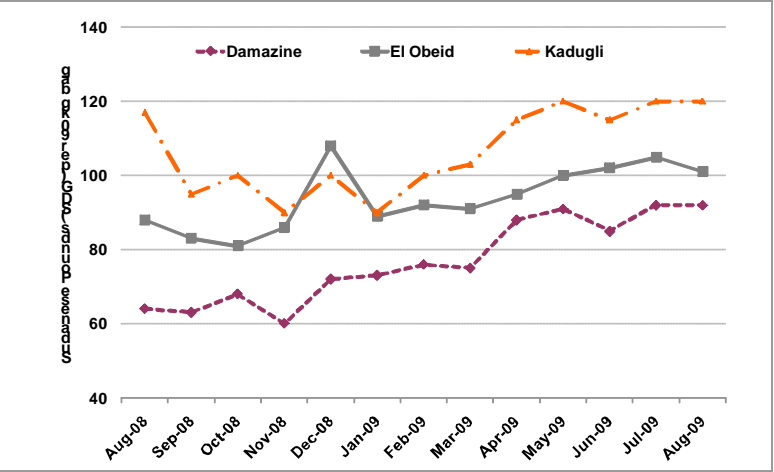
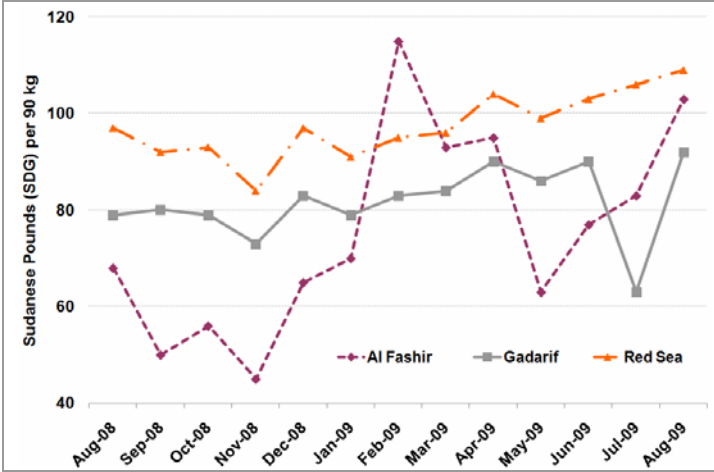


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (August 2008 – August 2009).

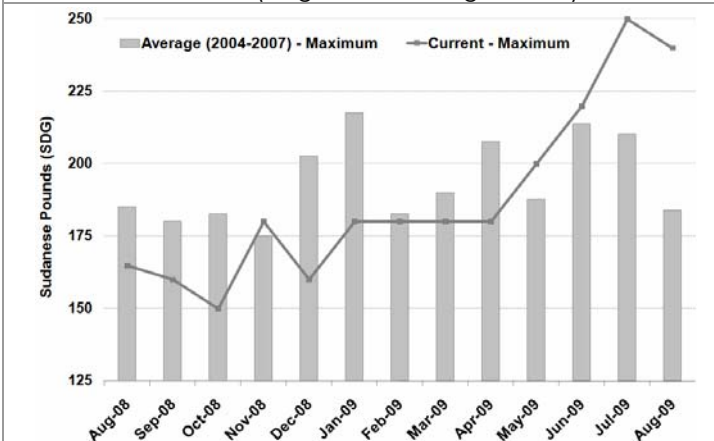
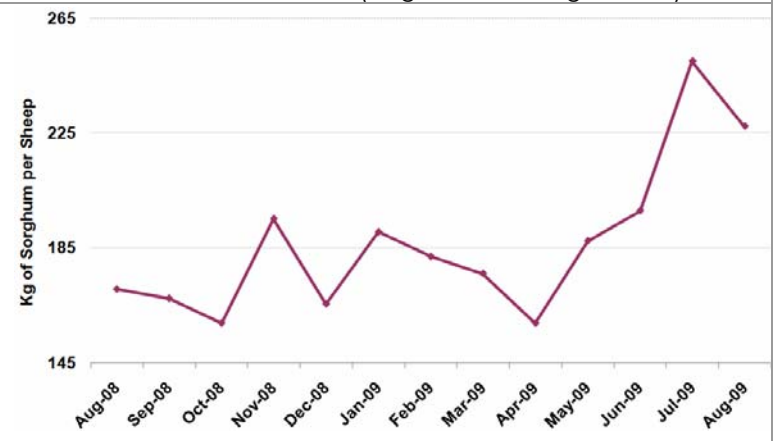


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (August 2008 – August 2009).



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 \$ ≈ 2.45 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

Cereal prices in all observed markets in Sudan either increased slightly or remained stable at a high level in August. With minor exceptions in few markets, sorghum and millet prices have shown a rising trend since January 2009. Despite continuous stability in wheat prices, cereal prices persisted to exceed averages (2003 – 2008) (Figures 7 and 8).

Decreased supply, farmers' engagement in their agricultural activity, increased demand due to *Ramadan*, flood incidents in some areas, depletion of traders' and Government stock combined with poor prospects of harvest in Southern and transitional states may be the main reasons for the current price increases and/or high level stability in the major markets, such as Khartoum, and Gadarif.

Prices are normally expected to decrease as the harvest period (October to February) approaches. However, prices are not showing any signs of declining trend and are instead increasing due to several factors (stated above). This indicates that prices may further increase for the coming few months, contrary to average seasonal movement for this time.

With the current record high level sorghum prices, the terms of trade start to favor grain producers against livestock owners, though both prices increased – sorghum prices increased more rapidly than livestock prices in August (Figures 10 and 11).

The food and non-food inflation rates in urban areas increased in August 2009 while the rates declined in rural settings. Overall inflation rates in August in urban areas have been 13.8%, increasing from the previous month of 11.8%. The urban and rural inflation rate trends started to diverge since June 2009; while urban inflation rates have been increasing, rural areas showed a persistent decline since then. On the other hand, the relative food to non-food changes has been showing similar trends for the past few months. The food to non-food inflation rate ratio declined from 3.8 in August 2008 to about 0.8 in August 2009 - the food inflation rates were about 4 times higher during last year's food crisis period (Figures 5 and 6).

With a significant decline in sorghum prices in Gadarif and increased international prices in July, the gap between the Export Parity Prices (XPP) and the local wholesale prices in Gadarif narrowed. However, that change got reversed in August as prices returned back to their peak level. As depicted in Figure 2, sorghum prices in Gadarif (traditional sorghum producing area) started to rise from January 2009, remained high till June and showed an exceptional decline in July (bringing some hope of stability) but returned back to its record high level in August 2009. This, therefore, made it again expensive to buy sorghum from local markets as compared to the global markets.

Stability in terms of prices, given their already high levels, will favor producers in getting better earnings at the start of the harvest season, but will continue to have a significant negative impact to the rural and urban consumers, by limiting market access as prices are still at record high levels. To minimize the negative repercussions of escalated cereal prices on the poor, and minimize impacts of price volatility (especially in the traditional vulnerable areas), it will be vital to introduce some degree of intervention. Carefully targeted and timely resource transfers (to fill some critical food and non-food gaps) could help food insecure households' deal with the consequences of persistent high level prices.