

SUDAN MONTHLY MARKET UPDATE

Bulletin # 45

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SUMMARY:

Cereal prices in Sudan showed mixed signals in August compared to July 2011, increased in some and declined in others though persisted to exceed the previous five years average levels for August. The August international cereal prices measured by the FAO Cereal Price Index increased by 2.2% from July and it was 36 percent higher compared to same time last year. Wheat prices, after following an international price increase, remained stable at a very high level for the past several months, reaching its ever highest again in August 2011.

Inflation rates reached their ever highest level in Sudan since 2008, raising some concerns in the country. Overall inflation rates in August in rural areas were 22.6%, increasing from the previous month of 17.6%. The increase had been much steeper for food, reaching 25.2% in August from 20.5% in July. These high level inflation rates are expected to have a significant negative impact to the rural and urban consumers, who are already hit by recurrent drought, unemployment, conflict and ardent poverty. Government sources indicate that Sudan will temporarily waive taxes and custom duties on a range of basic food items to fight spiraling inflation, after price rises triggered boycott meat. 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 high level and increasing 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 /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

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

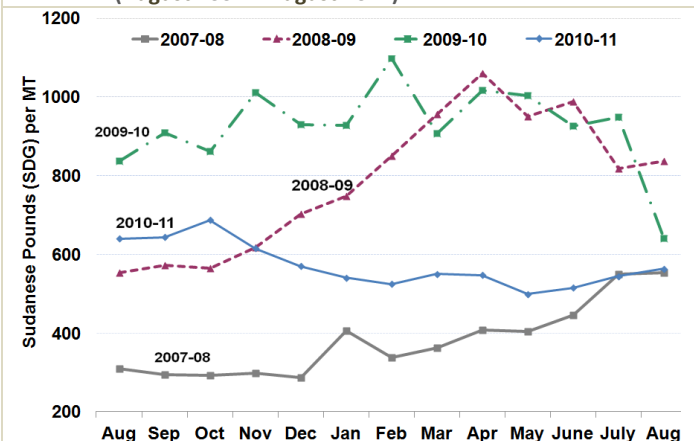
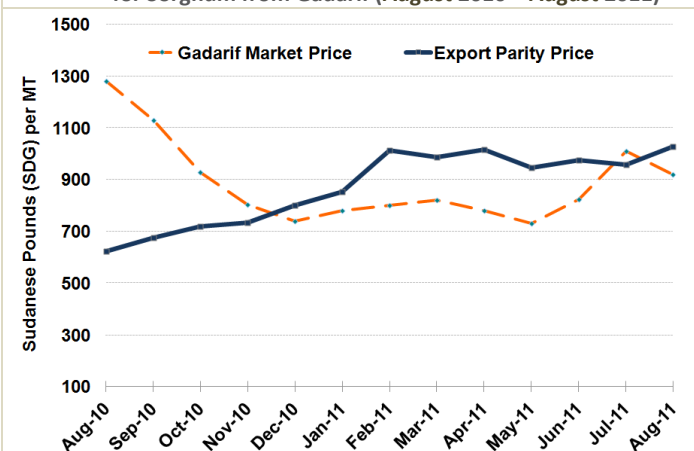


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (August 2010 – August 2011)



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/

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

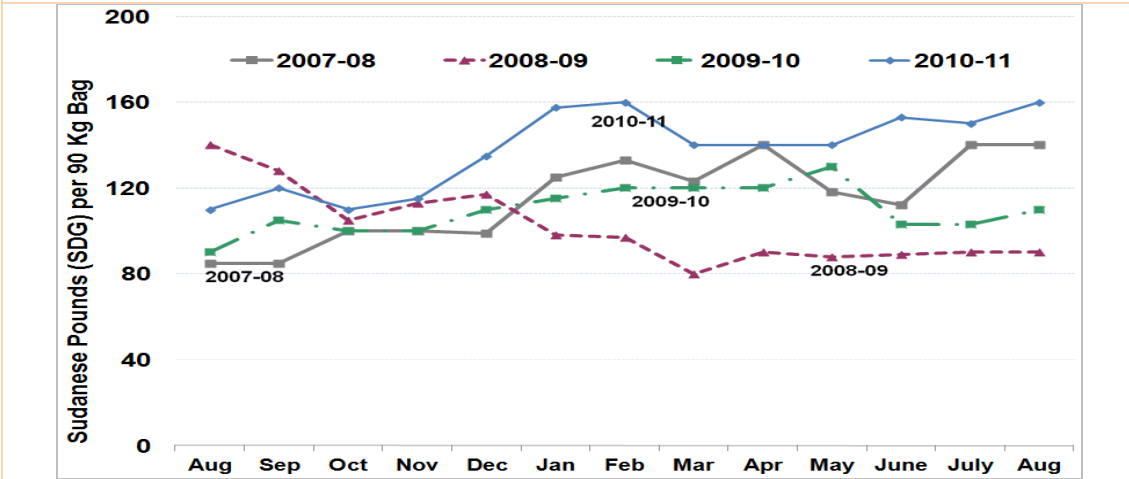
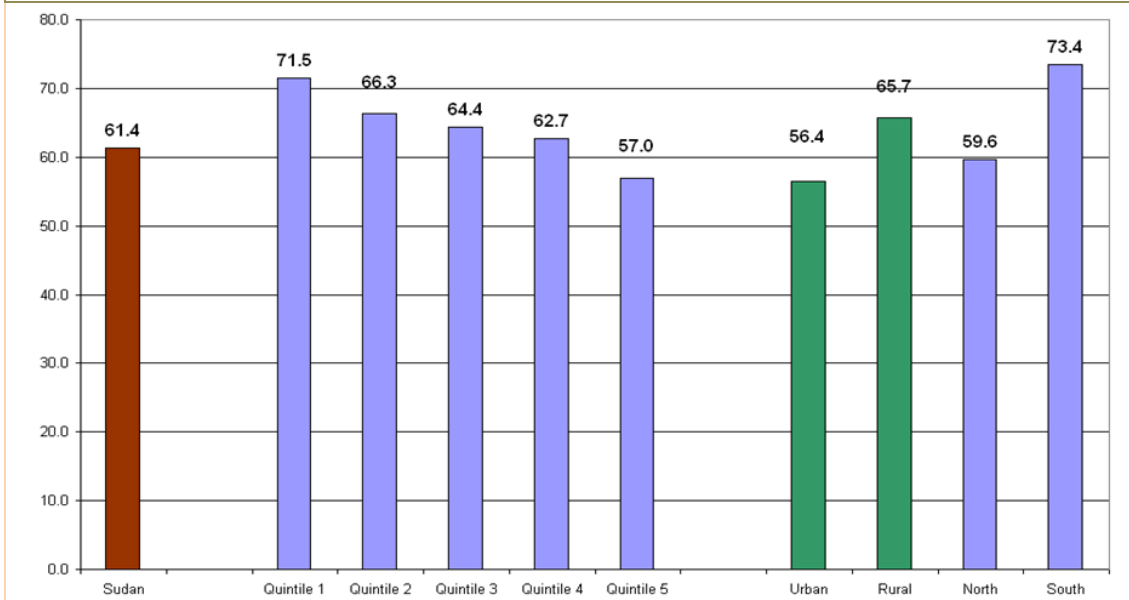


Figure 4: Food Ratio in Sudan (%)



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 (August 2010 – August 2011).

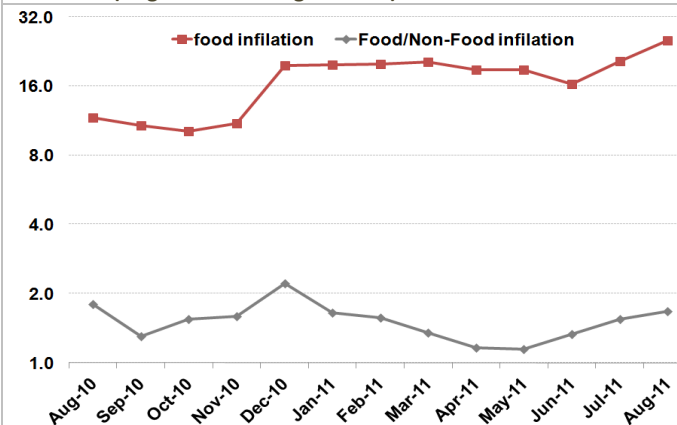
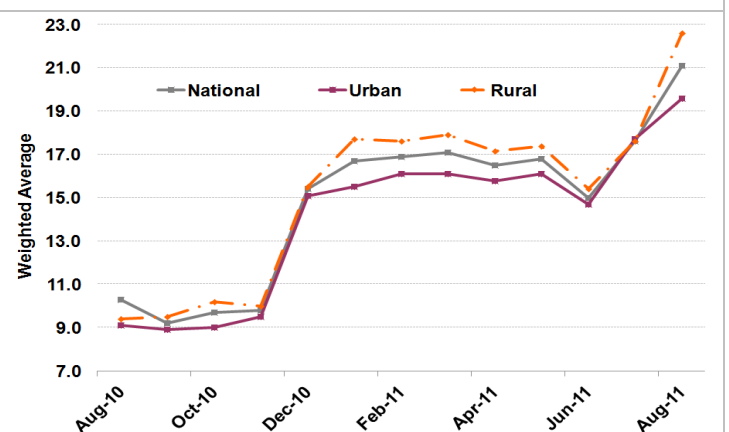


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (August 2010 – August 2011).



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, (August 2010 – August 2011).

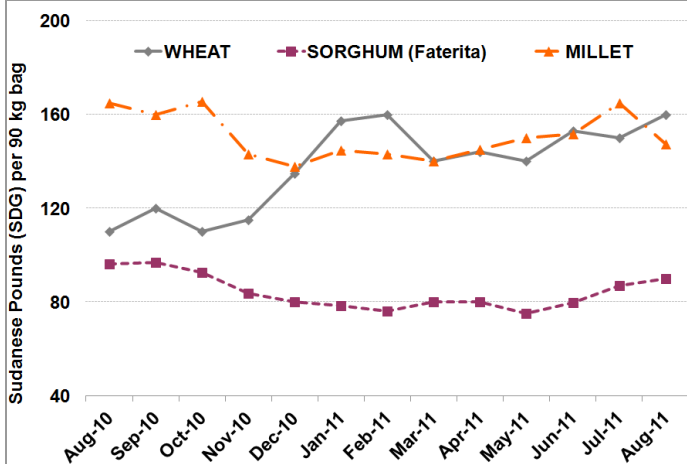


Figure 8: Real average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (August 2010 – August 2011)

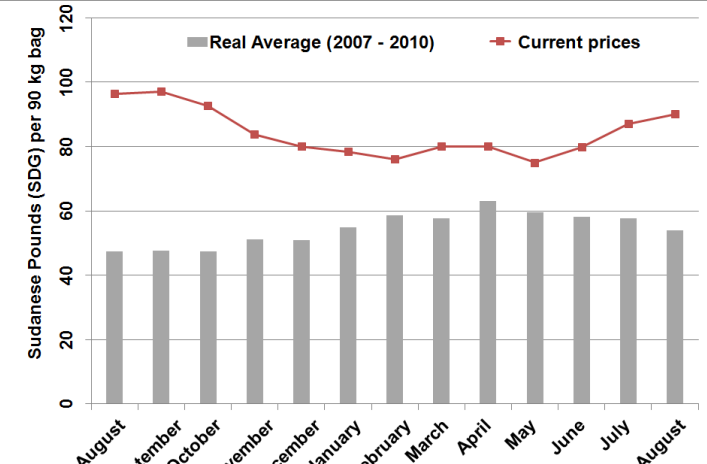


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (August 2010 – August 2011).

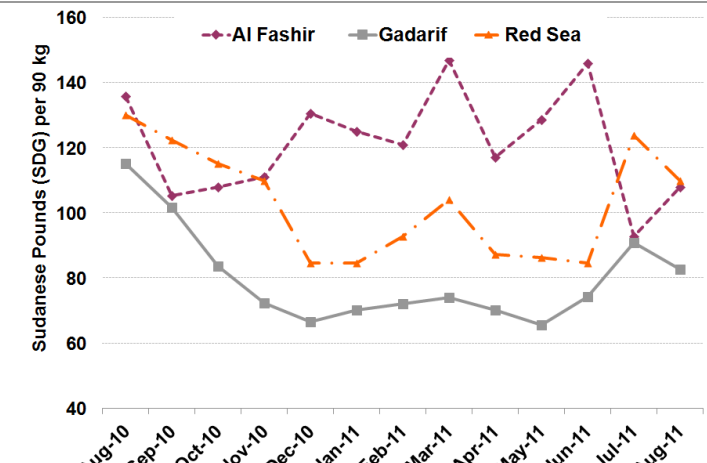
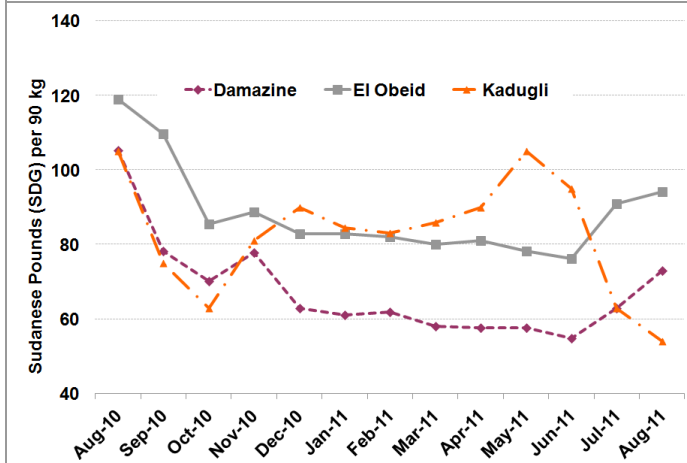


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (August 2010 – August 2011).

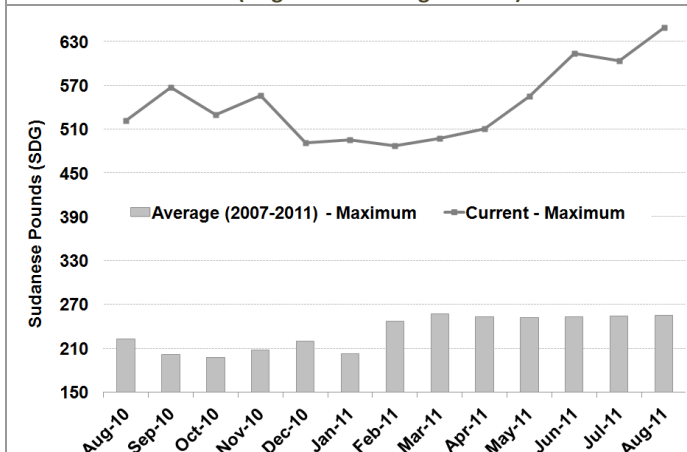
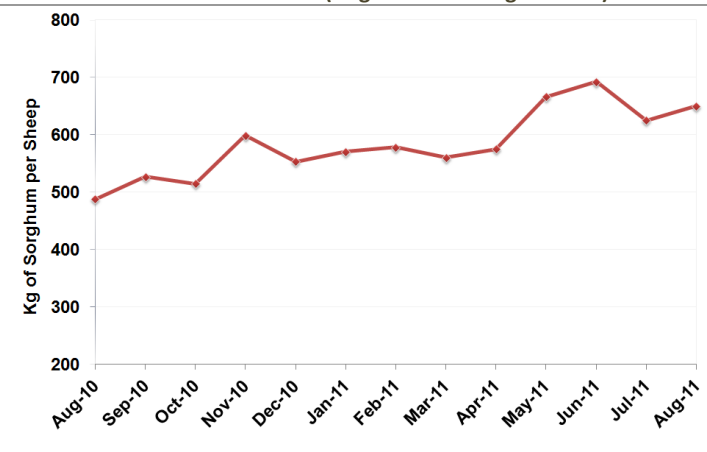


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (August 2010 – August 2011).



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:

Prices were expected to either remain high or increase during this peak hunger period. However, sorghum prices have shown mixed signals in August as compared to the previous month. Deficit markets of Red Sea, and Kadugli have shown a more than 10 percent decrease compared to the July 2011 prices which may have been due to injection of humanitarian assistance into the market. Sorghum prices, on the other hand, have increased by more than 15% in El Fashir and Damazine, in which both areas have been affected by conflict in recent times. These increases are due to several factors including decreased supply due to depletion of grain stocks held by farmers and traders, on going conflict (exacerbating access problem), and traders holding onto stocks in anticipation of further price increases. Sorghum prices stabilized in Gadarif, Khartoum and El Obeid markets. (Figures 7 to 9).

Wheat prices, on the other hand, remained very stable at their ever highest level. The unpredictable global wheat supply was again revealed by historical wheat price hikes and yet again prices have returned back to their peak level in August.

Cereal prices are consistently below same time last year but remained generally much above their previous five years average (2007-2010) levels for August. (Figure 8). The upcoming main season harvest, which begins in November, may stabilize prices for the few months to come, but prices are expected to start rising much earlier than normal due to poor prospects of the season. High level and increasing prices at this time of the year may help producers get better prices at the start of the harvest season, but the increase in some markets may have significant impact on consumers, especially in conflict affected vulnerable areas.

With a significant decline in sorghum prices in Gadarif and increased international prices, local prices had been much lower than the Export Parity Prices (XPP) from December 2010 through June 2011. With Sorghum prices oscillations for the past few months, the comparisons had not been that consistent and clear – local wholesale prices had been higher than XPP in July and then that change got reversed in August providing no clear indications of trends. Although the August prices indicate that local prices are cheaper, the instability in price changes may not encourage bulk purchases from local markets. (Figure 2).

Despite the instability in sorghum prices, persistent high level and increasing livestock prices continues to favor livestock owners against the terms of trade of grain producers. Livestock prices increased more rapidly than all cereal prices combined for the past several months (Figures 10 and 11).

Inflation rates reached their ever highest in Sudan since 2008, raising serious concern in the country. Overall inflation rates in August in rural areas have been 22.6%, increasing from the previous month of 17.6%. The urban inflation rate also increased to 19.6% in August from its 17.7% in July 2011. The food and non-food inflation rates in both urban and rural settings increased in August 2011. The increase had been much steeper for food, reaching 25.2% in August, than the non-food, which increased to 15.1% from its 13.2% level in July 2011. Hence, the food to non-food inflation rate ratio increased marginally. (Figures 5 and 6). These high level inflation rates are expected to have a significant negative impact to the rural and urban consumers, who are already hit by recurrent drought, unemployment, conflict and ardent poverty. Government sources indicate that Sudan will temporarily waive taxes and custom duties on a range of basic food items to fight spiraling inflation, after price rises triggered an exceptional call to boycott meat.

The increase in prices may help producers get better earnings at the start of the harvest season because producers can sell grain at current high prices. However, these high level, and in some cases increasing prices will continue to have a significant negative impact to the rural and urban consumers, by limiting market access as some prices are still at record high levels. 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 high level and increasing prices.