Food and Agriculture Organization of the United Nations

GLOBAL INFORMATION AND EARLY WARNING SYSTEM ON FOOD AND AGRICULTURE (GIEWS)

SPECIAL ALERT

No. 342

REGION: The Sudan **DATE: 26 January 2018**

Record prices of food staples in December 2017 endanger food access

Highlights

- Prices of cereals and other food products surged in November-December 2017, reaching record or near-record highs.
- The sharp increases were mainly driven by a depreciation of the Sudanese Pound.
- The Government's decision to cut wheat import subsidies was reported to further underpin the increase in the prices of wheat flour and bread.

Prices of the main staples, sorghum, millet and wheat, increased significantly at the end of 2017 despite the ongoing main season harvest. Prices of locally-produced sorghum and millet, after some declines in October with the beginning of the harvest, surged in most markets in November-December. By December, prices increased by 20 to 50 percent from October and were up to more than twice their year-earlier values and at near-record to record levels. Prices of wheat grain, mostly imported and consumed in urban areas, also increased in the capital, Khartoum, in the second half of 2017, reaching record highs of SDG 800 in December. Sharp increases in the prices of other food items, especially wheat flour, bread, meat and sugar, were also reported, with an annual food inflation rate of around 37 percent.

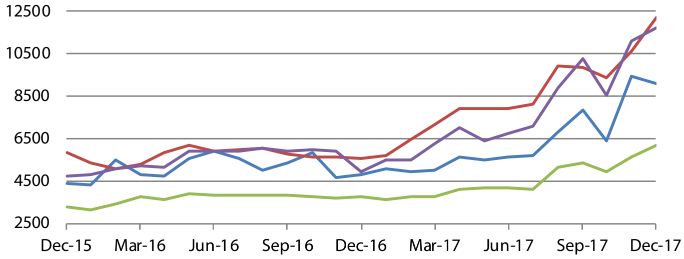
The abrupt increase in food prices was mainly driven by a sharp depreciation of the local currency in the parallel market that triggered a significant rise in the general inflation rate. The exchange rate of the Sudanese Pound (SDG) reached an historic low value of SDG 28 against the US dollar in the parallel market in November. It occurred when the United States of America lifted the sanctions against the Sudan in October, which ended a trade embargo and unfroze financial assets. This caused an upsurge in demand from importers for the limited availability of the US dollar. The strong depreciation has further widened the gap between the unofficial and official exchange rates, mostly reflecting low foreign currency reserves. The Central Bank of the Sudan has held the official exchange at a fixed rate of an average of SDG 6.6 to the US dollar during 2017. However, in January 2018, the Government lifted the rate to SDG 18 in an attempt to spur the depreciation in the parallel market, unify the official and unofficial currency rates and restore business confidence. The devaluation has caused an increase in prices of imports in the local currency.

In early January 2018, the Government decided to remove the wheat import subsidies, as outlined in the 2018 budget. Most of the domestically-consumed wheat is imported and, given its importance in the local diet particularly in urban areas, the Government had consistently subsidized imports in the past. Under the previous regulations, the major milling companies had access to preferential exchange rates for wheat imports and distributed subsidized wheat flour to the bakeries, which in turn would sell bread at a fixed price. The Government eliminated this mechanism as part of a series of economic reforms in line with the recommendations by the International Monetary Fund. This exerted further upward pressure on the prices of wheat flour and bread. As a result, in January, wheat flour prices surged from SDG 167 to SDG 450 for a 50 kg-sack, while the price of one loaf of bread increased from SDG 0.50 to SDG 1.

In some areas, support to prices was provided by localized production shortfalls in 2017, due to unfavourable weather conditions and a decline in area planted, as farmers switched to more profitable cash crops.

Wholesale prices of millet in the Sudan

Sudanese Pound per tonne

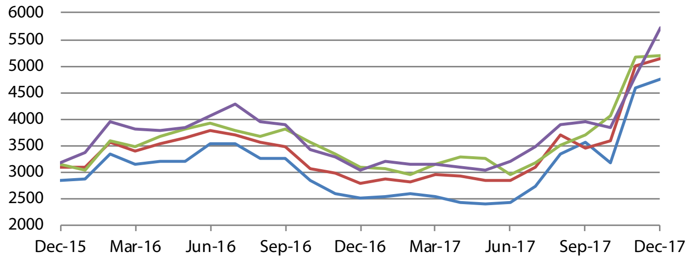


	Latest Price (Dec-17)	Percent Change 1M	3M	1Y
Khartoum	9075.00	-3.9	15.1	90.1
Al-Fashir	12237.5	14.9	23.6	118.7
Al-Damazin	6160.00	8.7	14.3	64.7
Port Sudan	11733.3	5.6	14.3	136

Source(s): Food Security information for Action (SIFSIA)

Wholesale prices of sorghum in the Sudan

Sudanese Pound per tonne

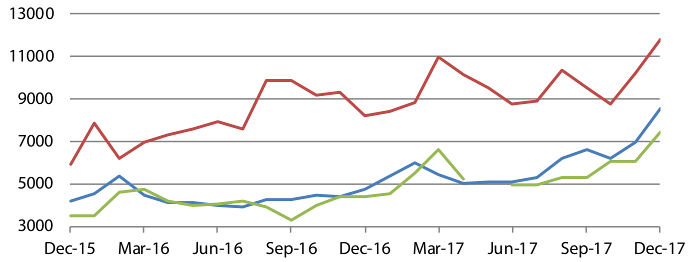


	Latest Price (Dec-17)	Percent Change 1M	3M	1Y
El Gedarif	4765.75	3.9	33.7	89.5
Khartoum	5128.75	2.5	48.8	83.6
El Obeid	5197.50	0.4	40.7	67.8
Port Sudan	5720.00	18.7	44.4	87.7

Source(s): Food Security information for Action (SIFSIA)

Wholesale prices of wheat in the Sudan

Sudanese Pound per tonne



	Latest Price (Dec-17)	Percent Change 1M	3M	1Y
Khartoum	8566.25	22.3	28.7	80.7
Al-Fashir	11825.0	15.6	24	44.3
Dongola	7425.00	22.7	40.6	68.8

Source(s): Food Security information for Action (SIFSIA)

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