

SUDAN MONTHLY  
MARKET UPDATE

Bulletin # 38

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## SUMMARY:

Prices for all cereals but wheat declined in all selected major markets of the country. Such price declines in January may indicate increased supply to the market as many farming households attempt to meet their financial obligations (taxes, repayment of input credits, household & social expenses, etc.) by selling large quantities of their produce. However, wheat prices increased in several markets, in some significantly. These increases could be attributed to a very low local production prospect, a decrease or removal of subsidies plus a significant increase in the international market prices. The recent removal of subsidies on most of the prices seems to indicate that Sudan's local prices are no longer insulated from international market trends.

The recent food and non-food inflation rise is also related to increases in international food prices in which Sudan is net food importer. According to the updated FAO Food Price Index, world food prices reached to historic peak in January (the highest since 1990s). Given the unsettled situation in the ground, international oil prices on the rise, and possible devaluations and more demands in foreign currency (especially US\$), inflation rates in Sudan are expected to increase further in the coming months and this will reduce the purchasing power of poor households as prices of other commodities and public services are also anticipated to rise.

The next couple of months will be critical in determining whether the current sorghum bulk purchases for stabilizing prices, persistent international price rises plus subsidy removal for imported items will have a long lasting impact or not.

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  
(Jan. 2006 – Jan. 2011)

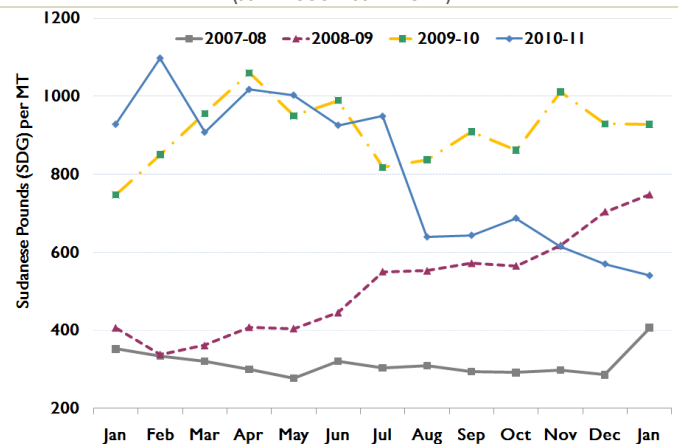
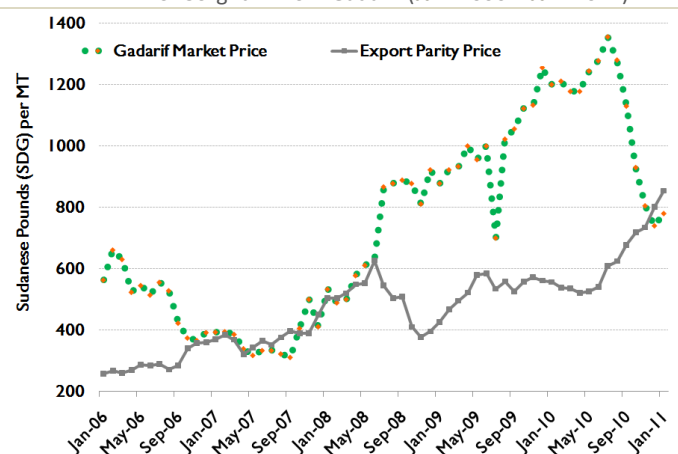


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Jan. 2006 – Jan. 2011)



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: Share of Dietary Energy Consumption by Food Sources in Sudan, Income Quintile, Area and Region

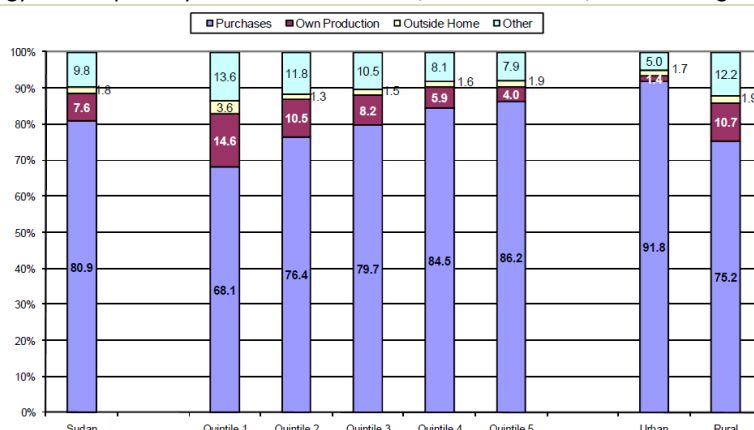
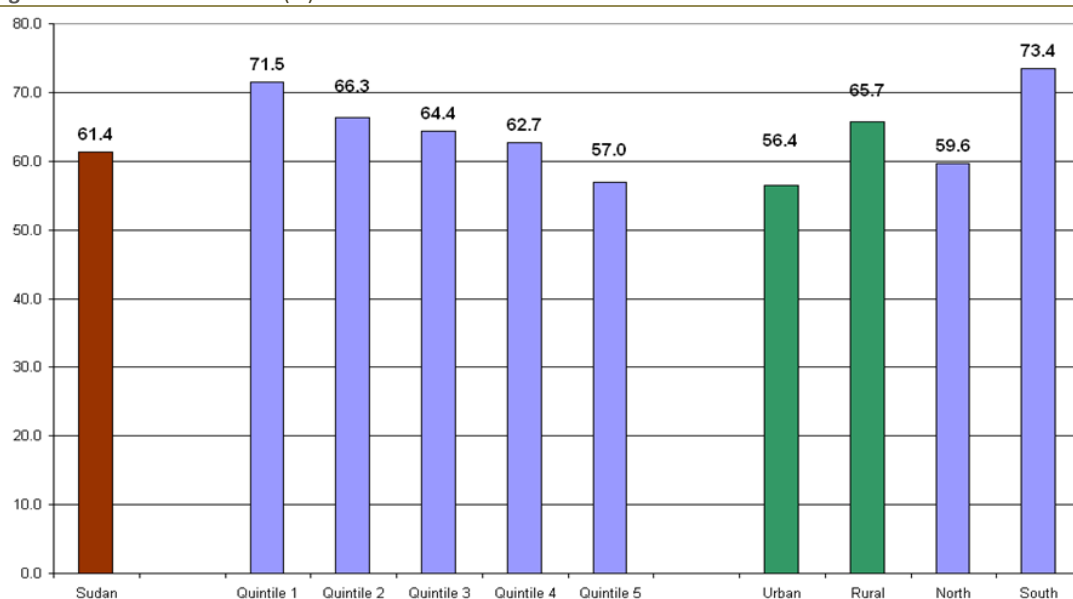
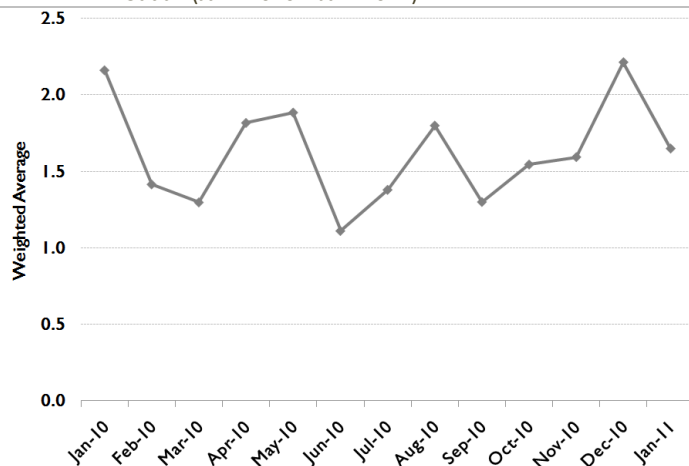


Figure 4: Food Ratio in Sudan (%)



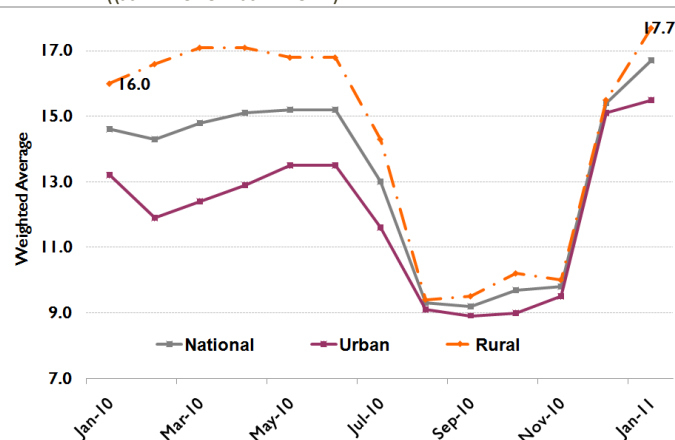
Source: The Sudan Baseline Household Survey (SBHS-2009), CBS - FAO-SIFSIA-MoAF, July 2009.

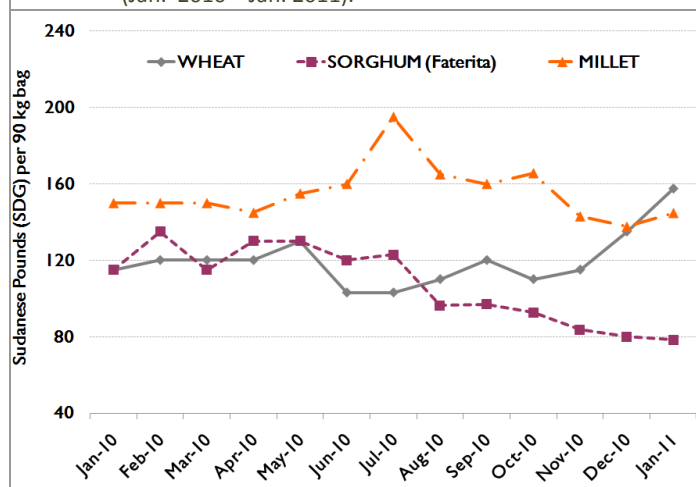
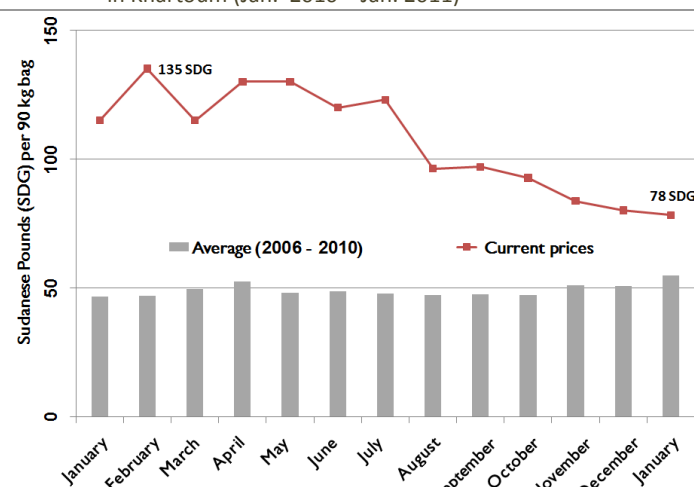
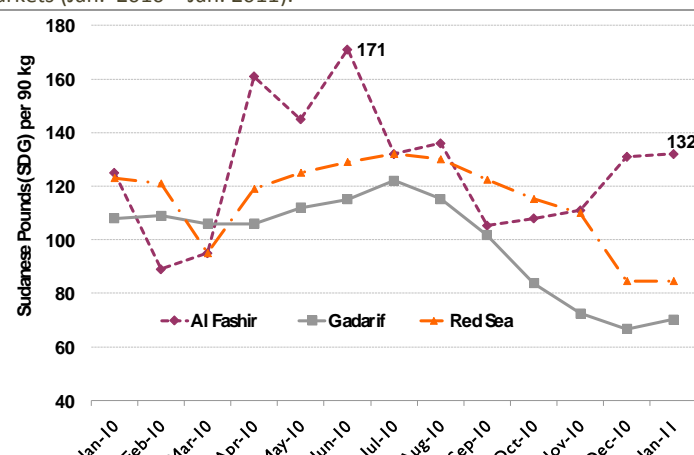
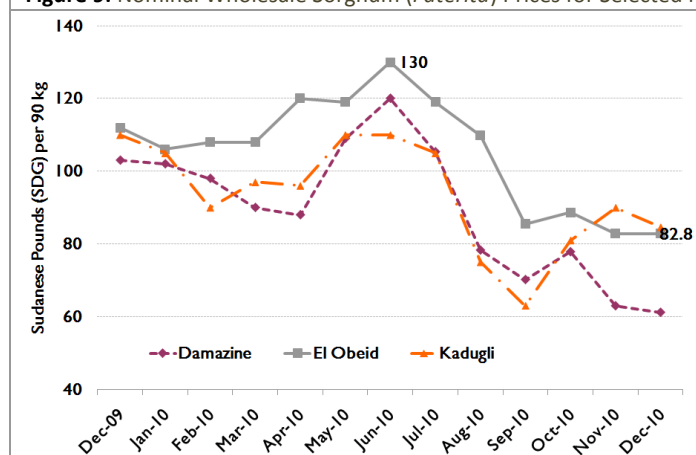
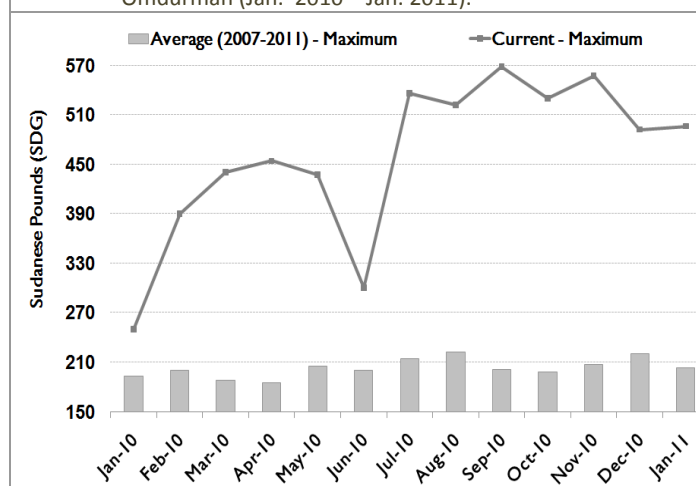
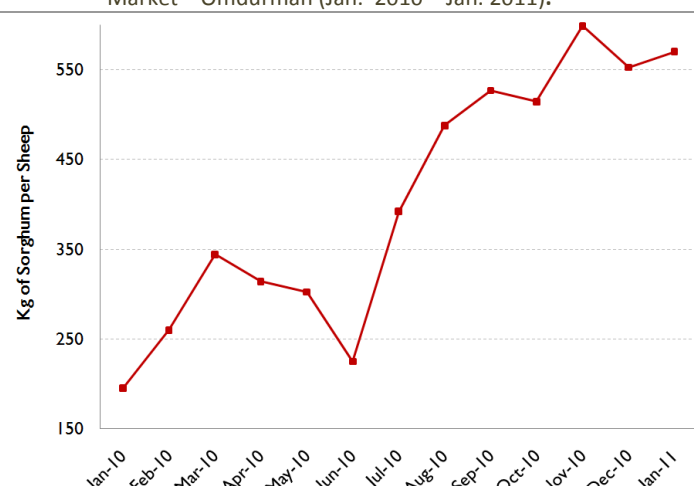
Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Jan. 2010 – Jan. 2011).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates, Sudan and Khartoum 2009/10.

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



**Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (Jan. 2010 – Jan. 2011).****Figure 8: Average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Jan. 2010 – Jan. 2011).****Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Jan. 2010 – Jan. 2011).****Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Jan. 2010 – Jan. 2011).****Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Jan. 2010 – Jan. 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 \$ ≈ 2.48 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.

## MARKET ANALYSIS :

Compared to the seasonal pattern in 2009/10 (a bad harvest production year), sorghum prices declined very steeply in the pre-harvest period due to the good performances of 2010/11 season. The expected harvest-time price drop in all the major markets has been followed by an earlier than normal declining trend for sorghum. Sorghum prices drop from a high of 135 SDG per 90 kg in February 2010 to 78 SDG in January 2011, showing an ongoing declining trend. However, sorghum prices in Khartoum are still 42% higher than the previous five years average, it has not yet reached the lowest levels recorded in 2006/07. On the other hand, wheat prices continue to follow the international trend – prices continue to increase surpassing its ever peak since 2008. Wheat prices reached 158 SDG per 90 kg, 37 percent higher than same time last year and 21 percent higher than the historical peak price recorded in 2008. (Figures 1, 7, 8 and 9).

Low sorghum prices will have a positive impact on the purchasing power of the food insecure, poorer households, who rely on the market to meet their food needs for major parts of the year. Given the ongoing interventions and increases in international market prices, price increases are expected in most markets in the post-harvest period (starting from March 2011) and during the typical hungry season (June-August).

Due to the persistent decline in sorghum prices and relatively better prices for livestock, grain-livestock terms of trade have turned in favor of livestock owners (especially between July 2010 and January 2011) who now tend to get more grain per animal traded than previously. Livestock prices remained very high in many areas. (Figures 10 and 11). Given a significant decrease in local sorghum prices and a continued increase in international market prices of most commodities, the local price continued to go below the international parity prices. (Figure 2).

Contrary to sorghum price declines, country wide general food price indices have shown an increase of 0.5% compared to the previous month. The food inflation reached 19.8% in January from its 19.7% in December. This is the highest since the food crises in 2008 while the non-food inflation reaching to 12% in January from its 8.9% level in December. The non-food component increase looks to be significantly higher (34% increase) than the food indices, which only risen by 0.5%. Hence, relative prices (food to non-food ratio) declined in January. The overall high level inflation rates are mainly attributed to the removal of subsidies on petro products and sugar in January which resulted in significant increase of fuel (32% on average) and sugar (22% - international sugar prices also remain very high). (Figures 5 and 6). Similar inflation rate changes have been observed for both urban (from 15.1% in December to 15.5% in January) and rural (from 15.5% in December to 17.7% in January) settings.

Despite its positive impact on consumers, the declining sorghum prices may discourage farmers for the next season. The ongoing bulk purchases of the SRCO, promotion of exports and WFP's plan of local purchases for redistribution as food aid seem to have the intended effect on the market - bolster farmers' confidence, possibly enhancing their producing capability for next season, at least in the short run. According to field level information, not only are prices stabilizing (though at a relatively high level), the grain flow has increased in many markets during January. Without these interventions, prices could have further depressed, negatively affecting the next year's production prospects.

As stabilization efforts are costly and complicated, it may become difficult to maintain the current efforts for an extended period. Local purchases of food aid and bulk purchases of cereals, if implemented appropriately, can help stabilize the price of staples in deficit areas, and bring revenue to farmers in surplus areas. However, given that prices are still higher than normal, and given that other money injections (WFP, Zakat, other cash interventions) are ongoing, it will be critical to ensure that bulk purchases (by WFP and SRCO) combined with the cash injection do not have a further inflationary effect on food prices. Coordination among various agencies engaged in stabilization efforts is critical to avoid speculation and consequent price hikes. Any local purchase or sale in the coming months, therefore, has to be synchronized, preferably under the auspicious of the Government (probably through the SRCO).