SIFSIA
Sudan Integrated Food Security Information for Action

سيفسيا
برنامج السودان للمعلومات المتكاملة
للأمن الغذائي لدعم القرار

SUDAN MONTHLY MARKET UPDATE

Bulletin # 30 June 2010

SUMMARY:

Contrary to the international prices of key food staples, the food inflation rates in Sudan continued to rise indicating a rise in effect of the vulnerable group. May 2010 prices for most of the major cereal grains also increasing at a very high level and generally higher than the five years average of 2004 - 2009. While the main drivers for the international price decline are attributed to the increase in world supplies, a significant decline in local production and its supply are the key factors for price increases in Sudan.

Cereal prices are expected to increase further or at least stabilize at their very high May levels as stocks held by big traders dwindle for the coming lean season. However, the level and quality of the upcoming summer harvest could influence price changes in either direction. On the other hand, the world market looks to be heading towards another stable season, which could put further downward pressure on international prices (*FAO-Food Outlook, June 2010*). Local consumers - especially the rural poor – will be forced to buy a small amount of their consumption and other household necessities. It will be, therefore, essential to achieve some degree of price stabilization, to minimize the adverse effects of price hikes on the poor.

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.

CONTENT:

Figure 1: Real Wholesale Prices for Sorghum in Khartoum (June 2006 – May 2010).

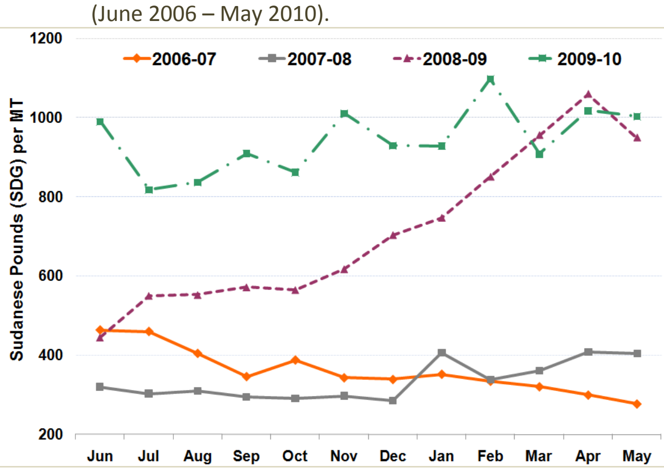
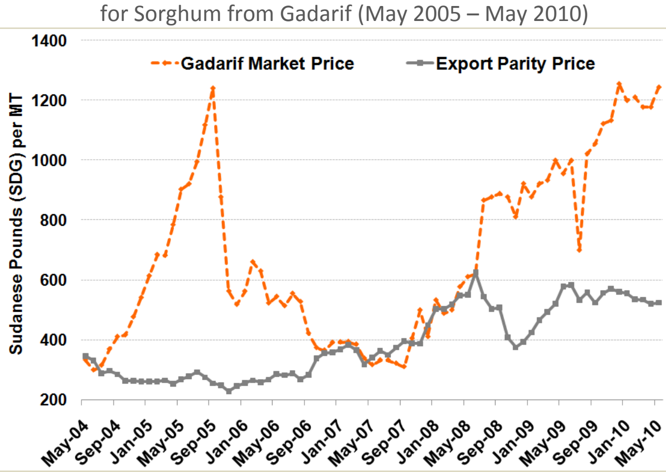


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (May 2005 – May 2010)



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 الاوربية 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: Seasonal Calendar and Critical Timeline Events for Sudan

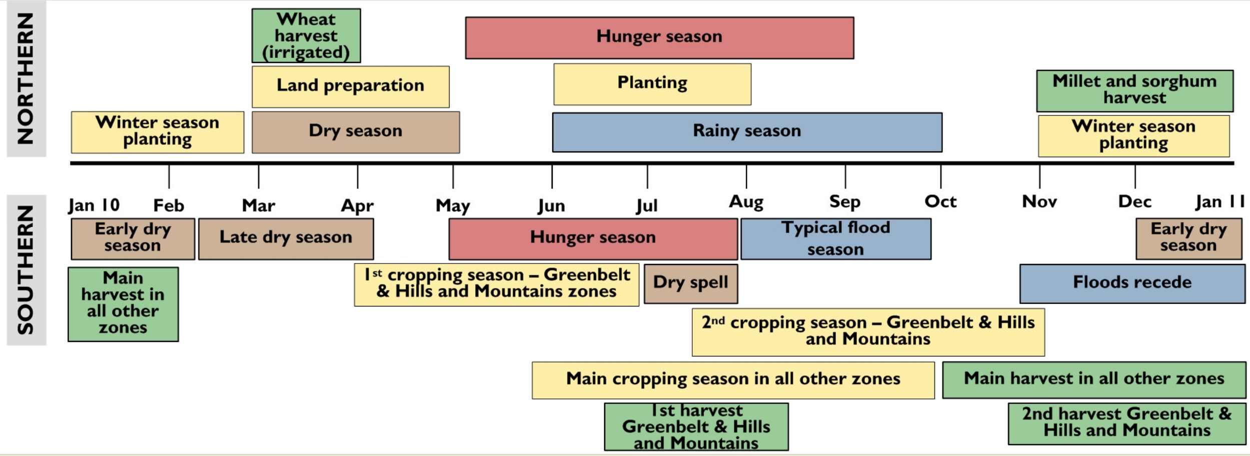
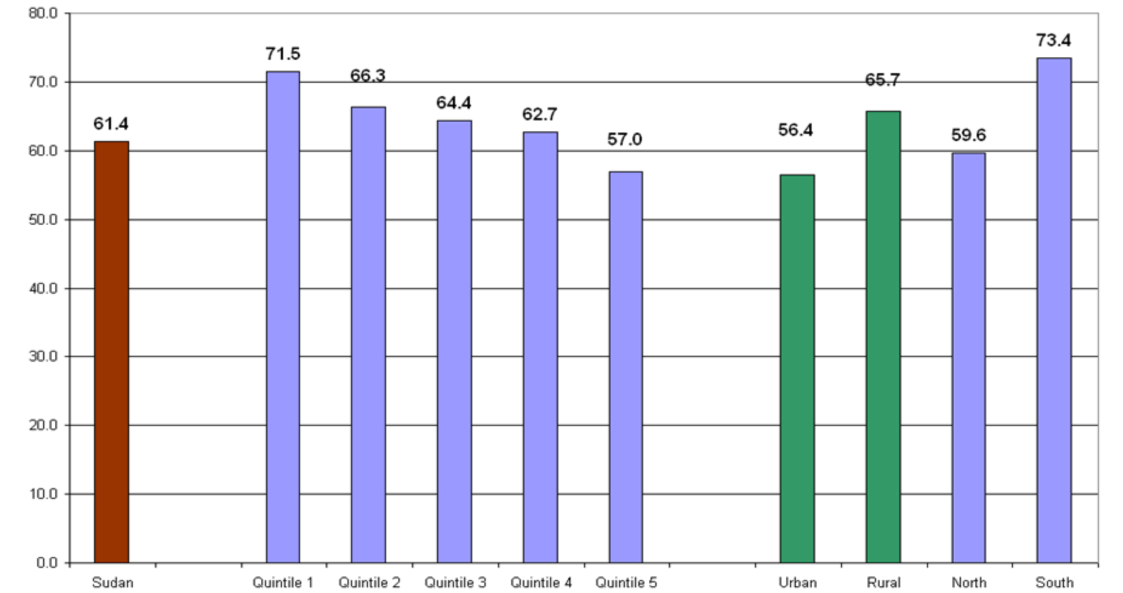


Figure 4: Food Ratio in Sudan (%)



Source: Household Income and Expenditure Survey, FAO-SIFSIA-MoAF-CBS, June 2009.

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (May 2009 – May 2010).

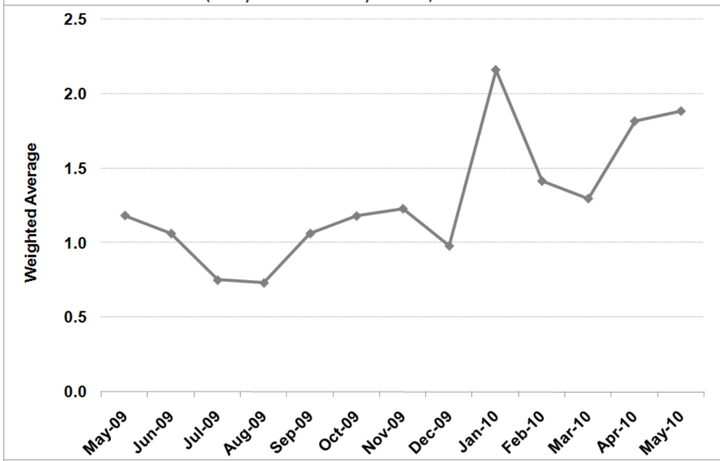
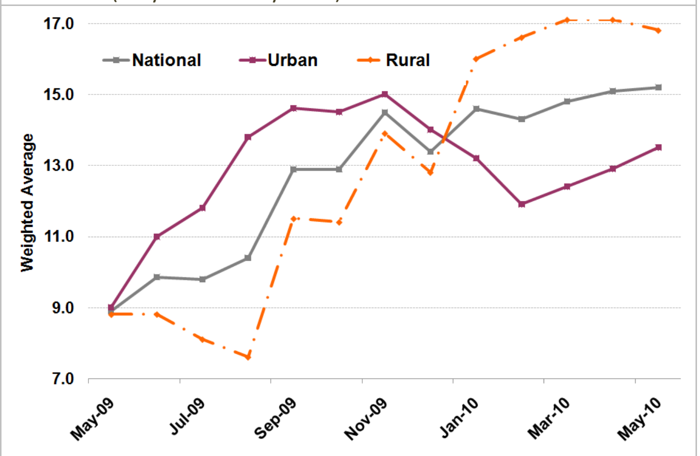


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (May 2009 – May 2010).



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

Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (May 2009 – May 2010).

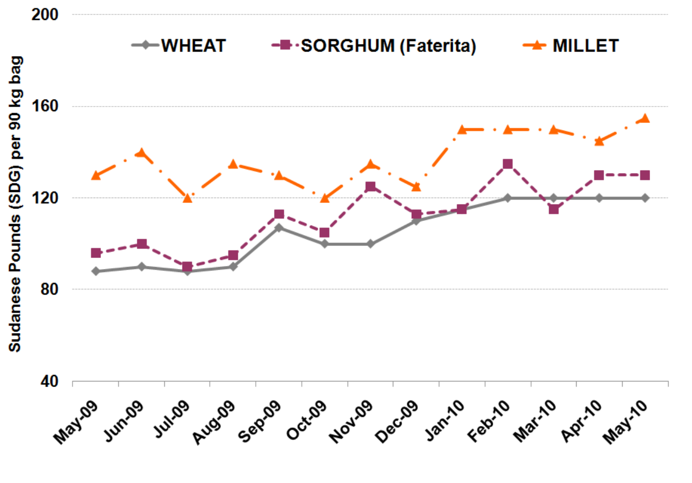


Figure 8: Real and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (May 2009 – May 2010).

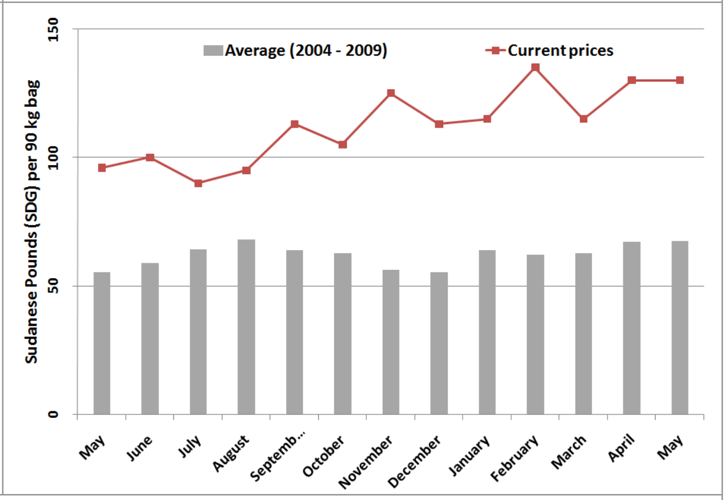


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (May 2009 – May 2010).

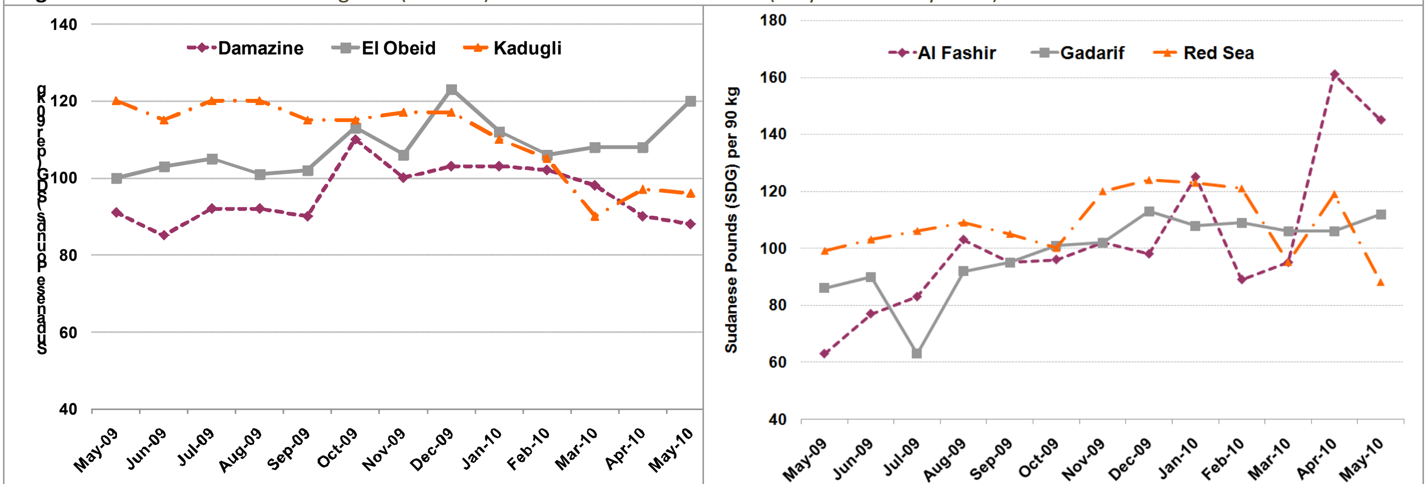


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (May 2009 – May 2010).

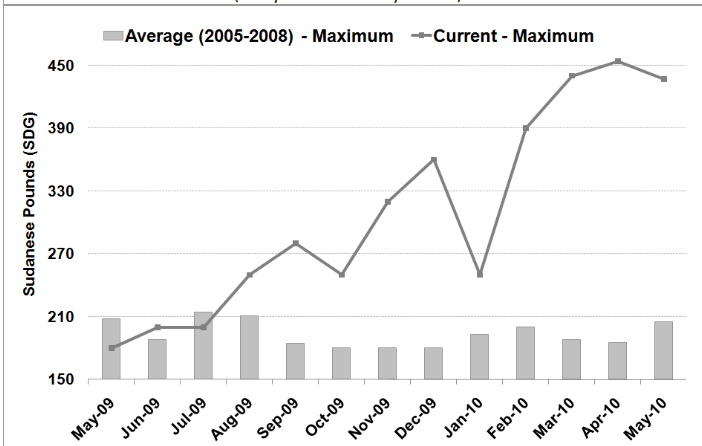
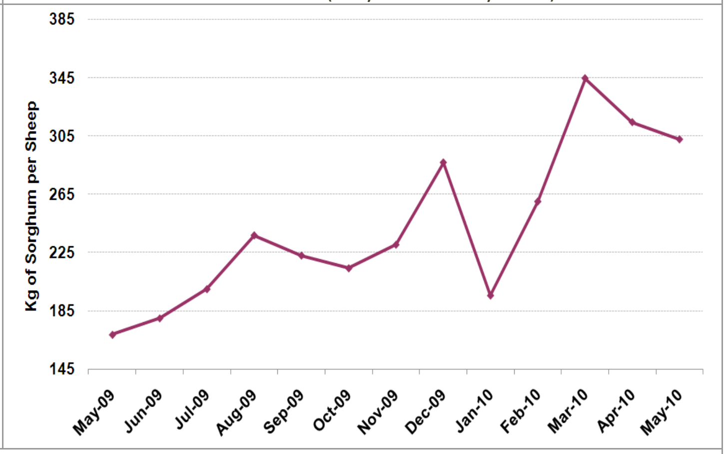


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (May 2009 – May 2010).



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.
(4) Terms of Trade (TOT) is expressed in quantity of sorghum per sheep.

MARKET ANALYSIS :

Cereal prices in many observed Sudan markets continued to be stable at a very high level in May, a trend that started in April – May 2008 (during the 2008 international food crisis) followed by continued high level prices throughout 2009 and 2010. These prices have remained substantially higher than their 2004 - 2009 average levels. (Figures 1, 7 and 8).The sorghum wholesale price in Khartoum averaged 130 SDG per 90 kg in May 2010, reaching its peak. Millet which are widely consumed cereal in the western part of the country have also shown a similar though less pronounced price trend, with the rate of price increase varying significantly across markets. Wheat prices have also steadily increased since November 2009 – predominantly influenced by the international market.

According to the CPI information, the food and non-food inflation rates continue to rise in May 2010 indicating a rise in effect of the vulnerable group. These increases were observed in both urban and rural settings. The increases in the food indices were higher than the non-food sector making the food to non-food ratio continue to rise. (Figures 5 and 6). In Sudan, more than 80% of the population is acquiring food from the market as opposed to getting it from own production (and transfers). In addition, the non-food expenditures, which are mostly imported, are expected to rise by about 20% affecting the overall population of Sudan.

During the month of May 2010, despite a little bit of decline in livestock prices, the terms of trade continued to favor livestock owners as livestock prices continued to be stabilizing at a very high level. (Figure 10 and 11). Similar price movements were reported in the other livestock markets monitored by Animal Resources Service Company (ARSC).

Comparisons of the Export Parity Prices (XPP) with local wholesale prices in Gadarif during May 2010 indicate that the current local price is much higher than the Gadarif XPPs. (Figure 2). With a more stability and possible decline in the international market prices, local market persists to be expensive and non-competitive.

Despite positive forecast of summer season rains (June – September), cereal prices have remained very high. In this lean season (June to September), cereal prices are expected to slowly climb from their May levels towards their seasonal peak until harvests begin in November - December, as stocks held by big traders dwindle.

Although food price increases are expected at this time of the year, the current increases (caused by production shortfalls) represent record highs, and the magnitude of these price changes are seriously undermining the food security of most households. With 33% of the population reported to be undernourished (consuming less than the internationally accepted KCAL – as per recent FAO-MoAF-CBS findings), and with most poor people in Sudan spending more than 60% of their income on food and about 40% of the poorest spending 69% of their income on food – even in a normal year – these price increases quickly translate into household food shortages. (Figure 4).

Of course, the persistently high level cereal prices may encourage farmers for greater planting of sorghum production (during July – August) as it happened last year (in which area planted increased by more than 30%). In addition, the purchase of improved seeds and fertilizer is also likely to positively affect farmers' winter season planting decisions of wheat crop during the November – December period. The summer season harvest contributes about 90 percent of the cereal produced in the country.

However, there is an urgent need to strengthen price stabilization mechanisms to minimize the adverse effects of such price hikes on the poor. Employment-generation schemes, credit provision for agricultural inputs (seed and fertilizer) or income transfer programs targeted to the food insecure could temporarily help them deal with the negative consequences of short term increases in food prices. The on-going Zakat distribution, used wisely can also assist low-income households in coping with food price increases by off-setting their need to purchase food when prices are highest.