SIFSIA
Sudan Integrated Food Security Information for Action

سيفسيا
برنامج السودان للمعلومات المتكاملة
للأمن الغذائي لدعم القرار

SUDAN MONTHLY MARKET UPDATE

Bulletin # 42 June 2011

SUMMARY:

Sorghum prices have been steadily decreasing since July – August 2010, though continued to be well above the five year average. The current trends (stability or decrease) are abnormal as sorghum price increases are expected at this time of the year.

Following the international market price trends, Khartoum wheat prices hit an all-time high in February, reaching 160 SDG per 90 kg bag, which is 14% higher than the peak level of the 2007-2008 food crisis period.

Sorghum prices are expected to increase or at least stabilize at their May levels as stocks held by farmers and traders dwindle. However, the level and quality of the upcoming *summer* season could influence price changes in either direction. Wheat prices are also expected to remain high (FAO - Food Outlook, June 2011).

With very high level prices, the poorest segments of the population spend all their income on food (sacrificing other basic necessities of schooling, medical expenses, housing, etc). Price subsidies will, therefore, be crucial but it can only be a temporary, expensive and partial solution; more pro-poor developments should strongly be promoted.

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.

CONTENT:

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

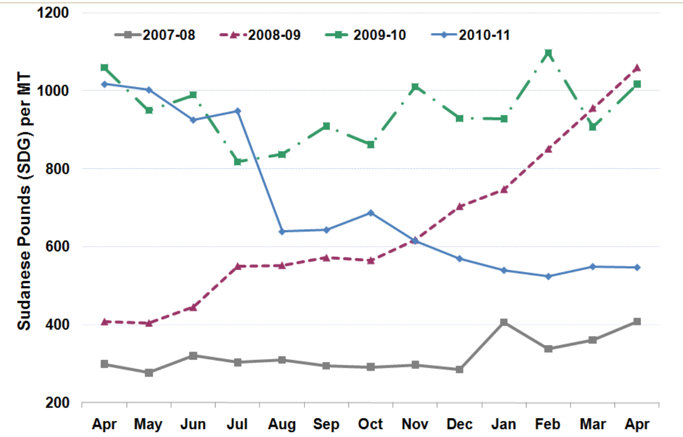
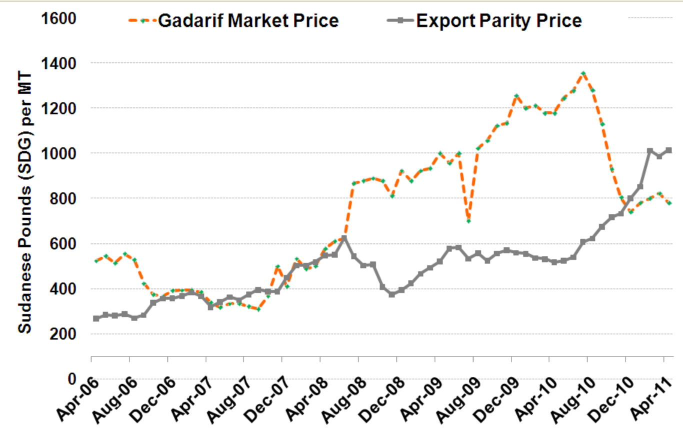


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (May 2006 – May 2011)



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/

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: Wholesale Prices of Wheat in Khartoum (May 2006 – May 2011)

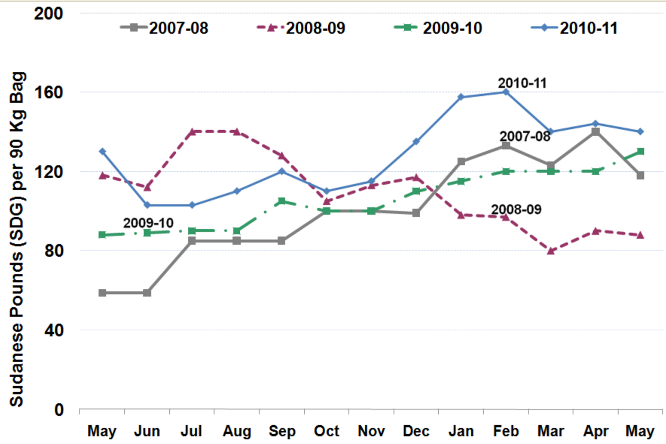
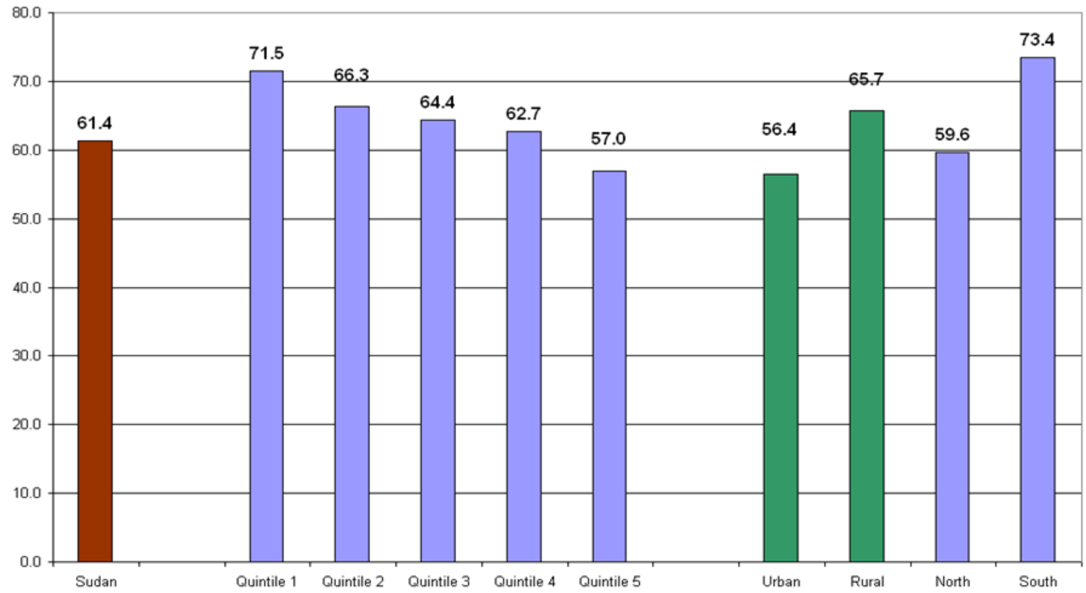


Figure 4: Food Ratio in Sudan (%)



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 (May 2010 – May 2011).

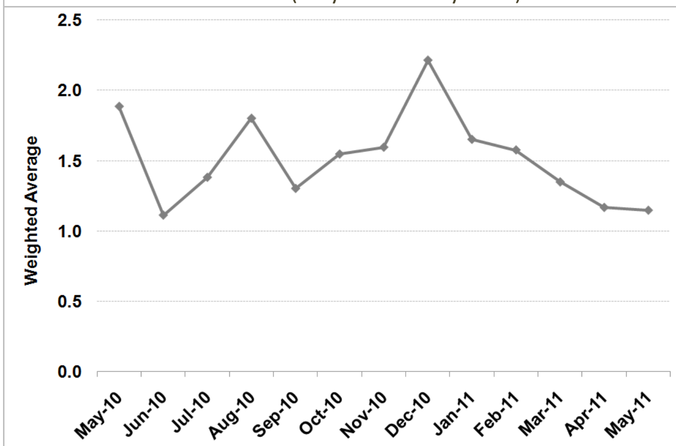
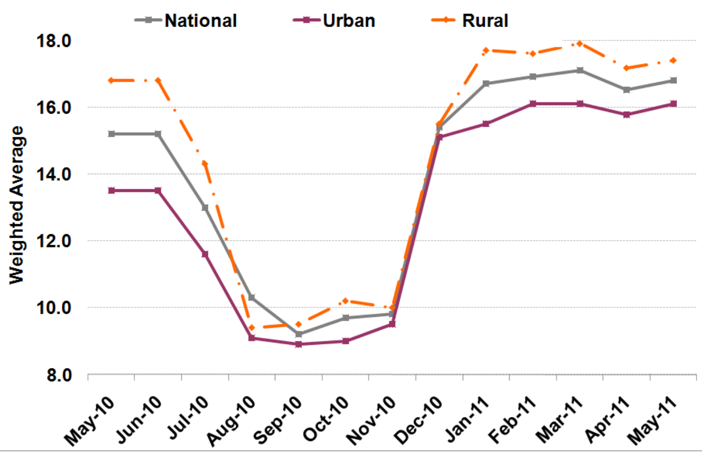


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (May 2010 – May 2011).



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 2010 – May 2011).

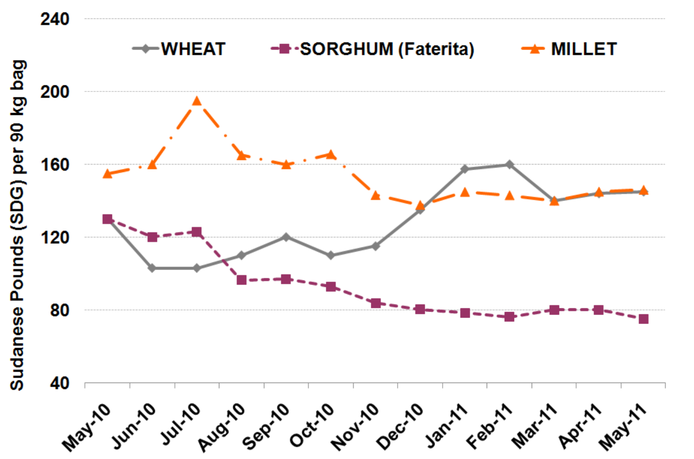


Figure 8: Real average and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (May 2010 – May 2011).

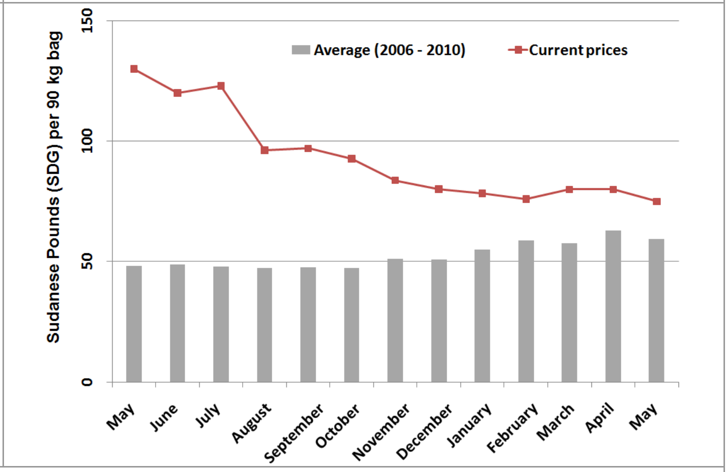


Figure 9: Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (May 2010 – May 2011).

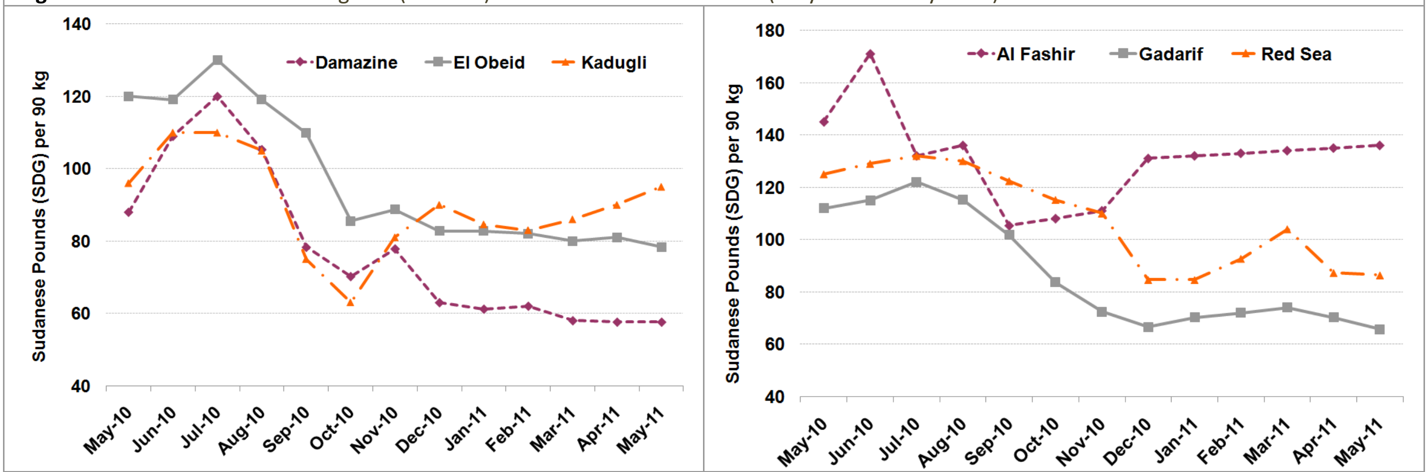


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (May 2010 – May 2011).

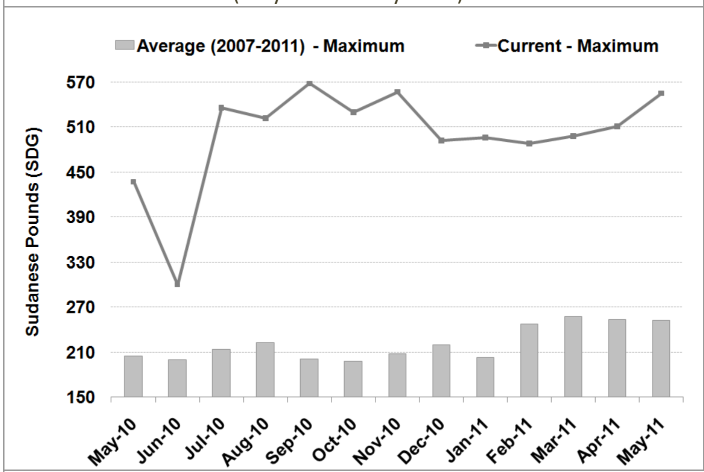
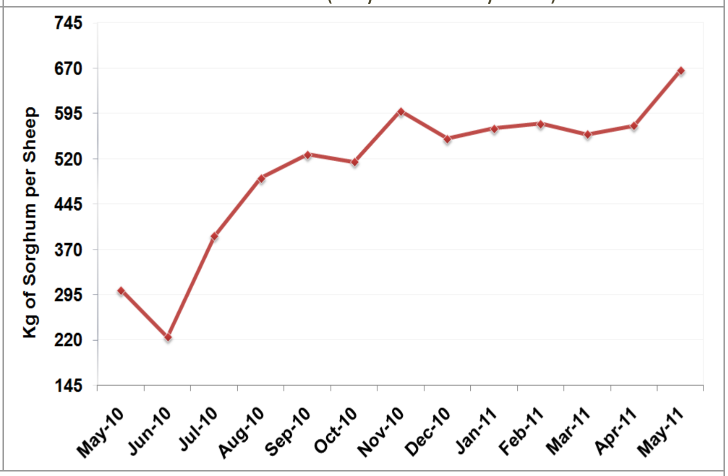


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (May 2010 – May 2011).



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:

Sorghum prices in most Sudan markets usually increase as stocks decline between May and August. This year, because of the very good harvest during the 2010/11 summer season and the well established start of the *summer* season rains in the southern part of the country, prices steadily declined and currently remained reasonably above the 2006-2010 average. Sorghum prices are still 25% higher than average in Khartoum at the onset of this hunger season.

Since January, prices remained constant, reaching the lowest since 2008 providing some respite to poor farm households who typically purchase food at this time. (See Figures 7 to 9). May 2011 sorghum prices in Gadarif market (a typical surplus producing area) were 41 percent lower than during the same month in 2010. Sorghum prices, which were as high as 130 SDG/90 kg per bag in Khartoum last year decreased to 75 SDG per 90 kg bag in May this year. Thus, local sorghum prices continued to be competitive as compared to the international market prices. (Figure 2).

Following the international market price trends, wheat prices hit an all-time high in February, reaching 160 SDG/ 90 kg bag, which was even 14% higher compared to the highest level recorded during the 2008 food crisis. It, however, has remained constant in May as compared to the April 2011 prices though it is still at its peak level, 12% higher than same time last year. International wheat prices persisted to be very high in 2011. The increase in international prices are only partially transmitted to Sudan market as Government continues to subsidize the wheat market.

In this hunger season, cereal prices are expected to slowly climb from their May levels towards their seasonal peak (June – Mid-September) until harvests begin in November, as stocks held by farmers and traders dwindle. The rising trends of international market prices, on-going bulk purchase of grain by Strategic Reserve Corporation (SRCo) and cash transfers by *Zakat* beneficiaries may put upward pressures on prices. Poor households' vulnerability to shocks increases during this lean season due to the increased reliance on food from the market as households progressively deplete their food stocks and liquid assets.

However, the level and quality of the on-going main *summer* season, coupled with food security related interventions, will also influence the magnitude of cereal price changes. Bulk purchases and increasing cash injections could, if done at the wrong time, escalate grain prices. It is therefore recommended that any extra bulk purchases of grain and cash injections through Zakat during this hunger period be undertaken with great caution. The next few months will be critical in determining how the price will change. Although prospects are encouraging, weather conditions, unevenly distributed rains could hamper sorghum yields.

With an ever increasing demand and limited export availability in international markets, high level livestock prices continues to favor the terms of trade for livestock owners. (Figures 10 and 11). According to FAO, high feed prices, disease outbreaks and depleted animal inventories were reported to limit the expansion of global meat production causing the international meat price index to hit a new record high in May 2011.

The food inflation remained constant at 18.8% in May whereas the non-food inflation reached to 16.4% from its 16.1% level in April. This resulted in the food to non-food relative price changes to increase. (Figures 5 and 6). The general inflation showed a slight increase in May. The rural and urban inflation rates also remained stable.

With over 50 percent of the population subsisting on a dollar a day or less, and with most poor people in Sudan spending more than two-thirds of their income on food – even in a normal year – (Figure 4) the current price stability at a relatively high level quickly translate into household food access problem. With very high level prices, the poorest segments of the population spend all their income on food (sacrificing other basic necessities of schooling, medical expenses, housing, etc). Price subsidies will, therefore, be crucial but it can only be a temporary, expensive and partial solution; a more pro-poor developments should strongly be promoted.