

SUDAN MONTHLY
MARKET UPDATE

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SUMMARY:

Cereal prices in all major markets are not following normal seasonal trends. Prices have stabilized at a high level or increased since July 2009, and gone much above their average levels. This potentially reflects a stiff supply of grain compared to demand throughout the country. Cereal prices have also increased during February, in some significantly. February's sorghum prices in Khartoum, the largest terminal market, are more than 150 percent above its 2005 - 2008 average prices for this time of the year. Although a slight increase in cereal prices is normal in the immediate post-harvest season (February - March), given the very high level of current prices in the country, the trend is particularly worrying this year. Unless this trend is reversed, further cereal price increases could jeopardize the fragile food security situation in the conflict prone and subsistence farming areas.

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.

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 Agricultural 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 (March 2006 – Feb 2010).

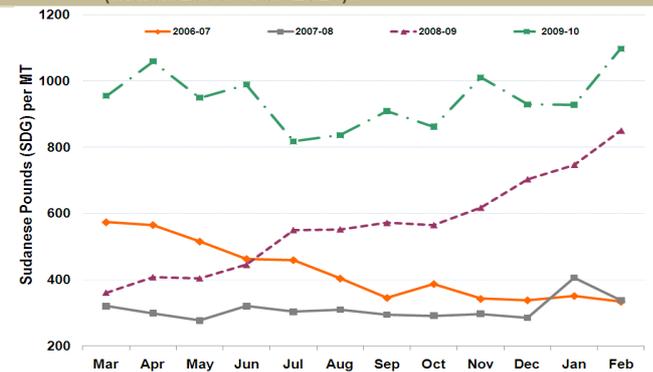
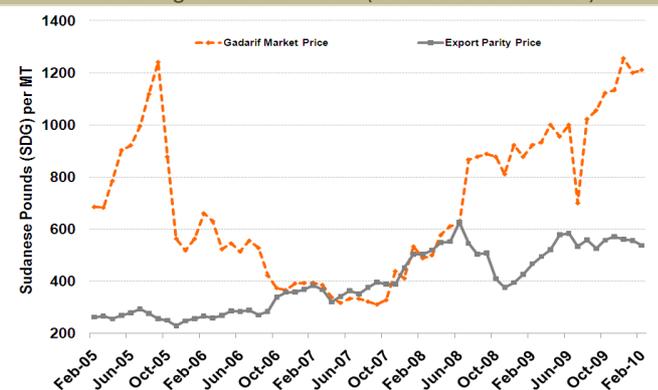


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Feb. 2005 – Feb. 2010).



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/

Figure 3: Crop Calendar (Sorghum and Millet) – Rain-fed¹ and Irrigated

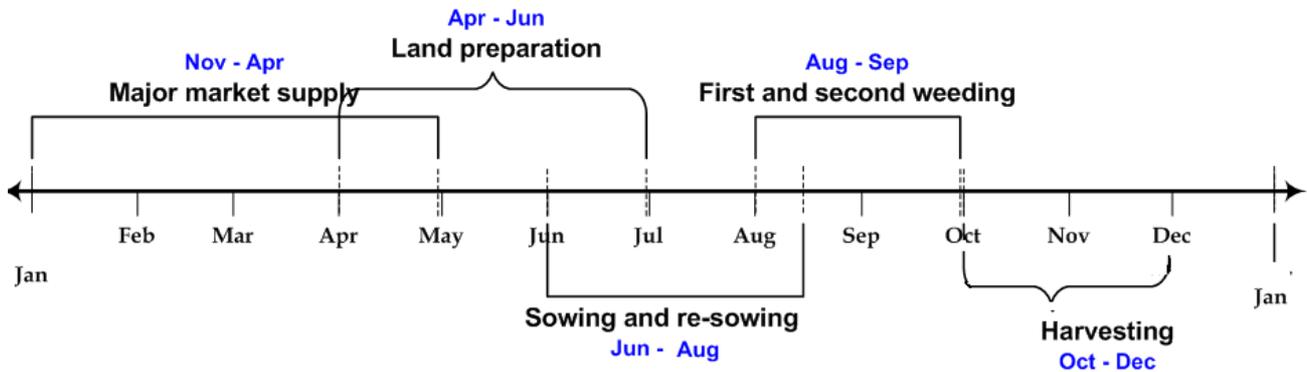
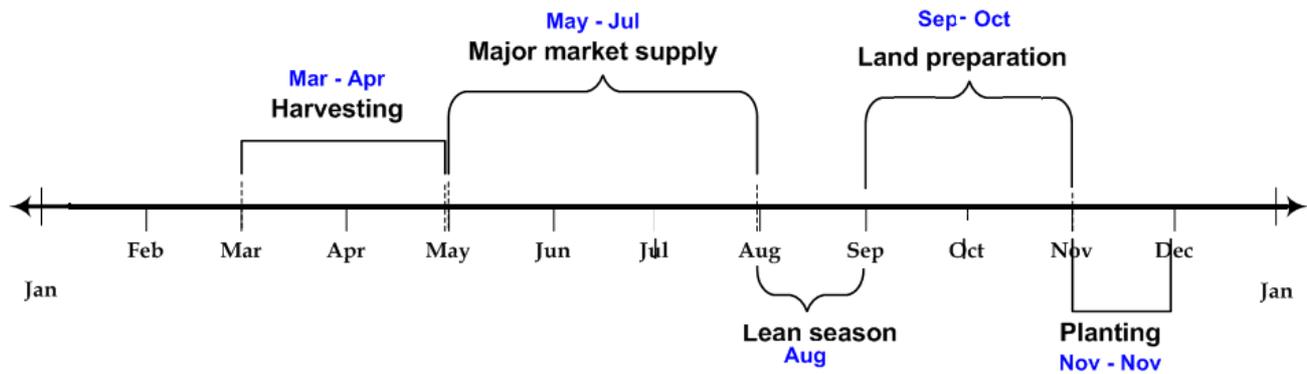


Figure 4: Crop Calendar for Wheat



Source: Ministry of Agriculture and Forestry (MAF), Ministry of Animal Resources and Fisheries (MARF).

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

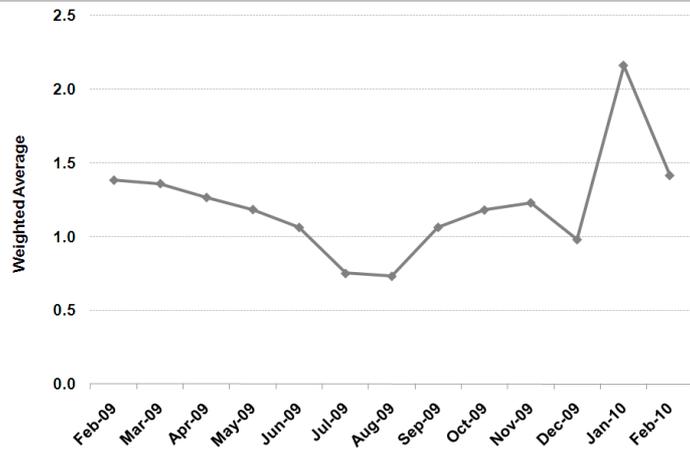
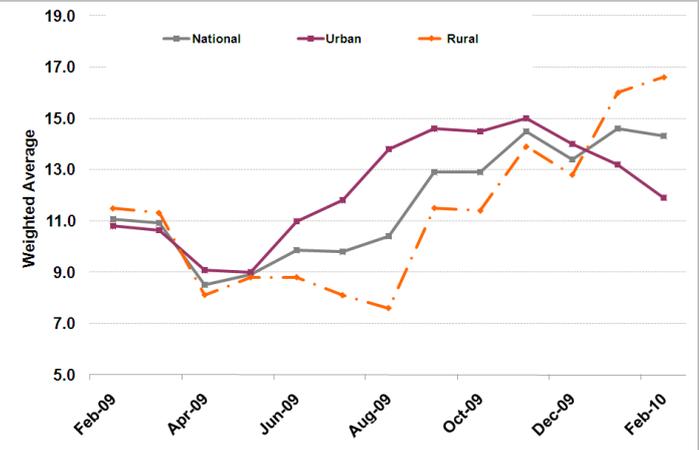


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Feb 2009– Feb 2010).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates - Sudan and Khartoum 2008/09.

Note: Consumer Price Indices (CPI) for the relative price increases and inflation rate trends are weighted averages representing all income groups' trend analysis. The recent consumer price indices are introduced since August 2008 after the revisions done through expenditure surveys. In Sudan, volatilities of price indices and inflation rates are higher in rural areas compared to urban settings. However, the variations look to be disappearing and consistent for the last six months.

¹ The rain-fed farming system (traditional and semi-mechanized) covers about 70 percent of overall cereals (sorghum, millet, and wheat) and cash crops (sesame, groundnut, cotton, and sunflower) production in the Northern States of Sudan. However, significant variations exist among States and also by crop type.

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

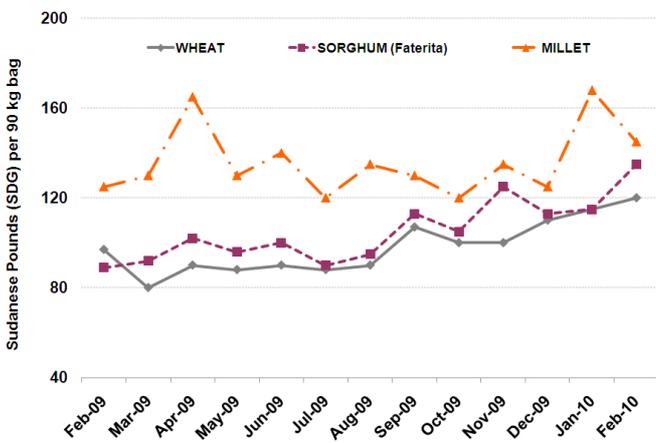


Figure 8: Real and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Jan 2009– Jan 2010).

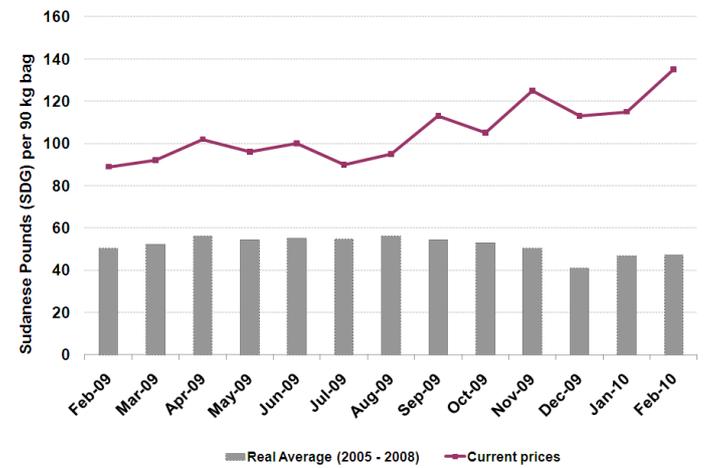


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Feb 2009– Feb 2010).

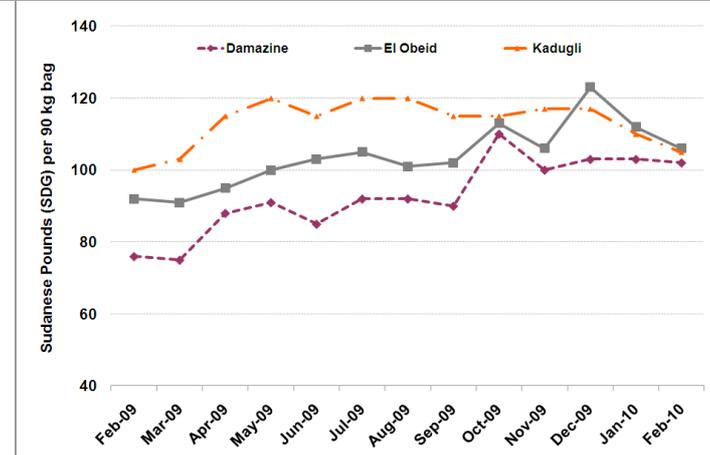
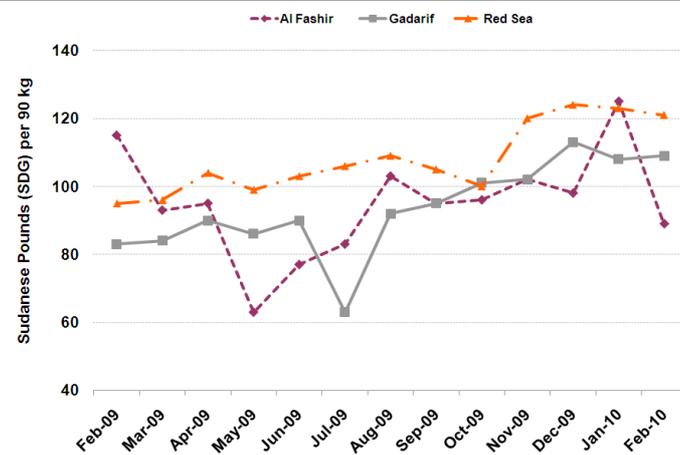


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Feb 2009– Feb 2010).

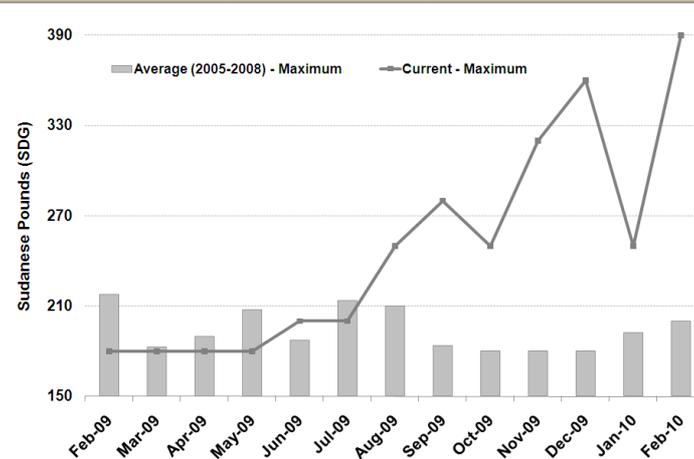
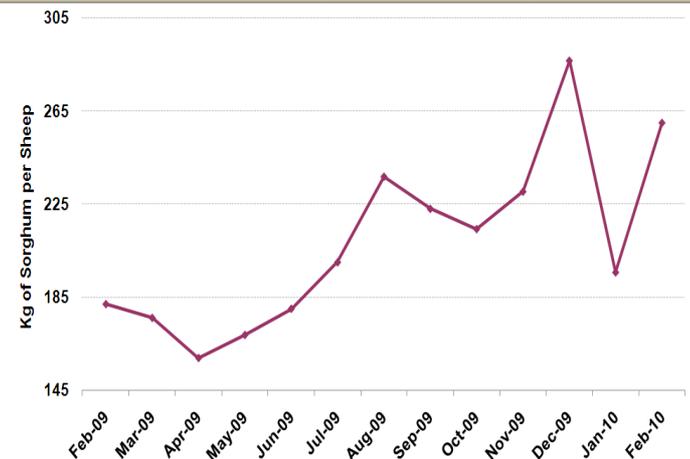


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Feb 2009– Feb 2010).



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).

MARKET ANALYSIS :

Prices of all important cereals either remained stable at high levels or increased, contrary to average seasonal trends for this time of the year. The February price of sorghum in Khartoum, the largest terminal market, is more than 150 percent higher than its average price for this time of year and is also 17 percent higher than the previous month (Figure 8). Possible explanations for these high prices include: an inadequate supply of grain; informal export of grain to neighboring countries; high storage costs and grain speculators holding large volumes of grain in anticipation of further price increases as we approach the typical hunger season. The current market situation continues to provide evidence that the 2009/10 harvest was no more than average.

The Animal Resources Service Company (ARSC) information show that terms of trade turned in favor of pastoralists in February 2010, as livestock prices have risen more than cereal prices. Livestock owners now tend to get more sack of grain traded than previously.

A comparison of domestic cereal prices with export parity prices (XPP) portrays a similar picture (where it compares an imported commodity price with the locally-produced commodity price, both delivered to the same location or market). February white sorghum XPP at Gadarif were higher by about 125 percent for their corresponding international wholesale prices (Figure 6). It is, therefore, considerably cheaper to purchase sorghum on the international market both for food aid buyers and commercial importers. Importing food aid continued to be more cost-effective than procuring it locally, notwithstanding donor or Government's constraints to do so. This supports earlier statements made about the urgent need for consideration by donors and the Sudan Government for the purchase of a significant part of food aid for 2010 on the international market.

Rural cereal and general food price indices have followed the same abnormal trend in contrast to the previous years. According to the Central Bureau of Statistics (CBS) sources, overall rural inflation rates increased from 16% in January 2010 to 16.6% in February 2010. On the other hand, the urban inflation rates further declined from 13.2% to 11.9%. The relative food to non-food changes has declined dramatically. However, in February 2010 food inflation rates are still going much above non-food rates. (Figures 5 and 6).

Prices are expected to rise further in the coming months as an increasing number of rural households deplete their stocks and turn to the markets to purchase their food; a trend that will intensify as the typical hunger period of June – August approaches and compromises the effectiveness of any cash distributions in ensuring food access.

Current prices are well above average in most markets, hurting the poorest households, who invariably rely on the market to meet their food needs during much of year. Purchases by the Strategic Reserve Corporation, Agricultural Bank of Sudan, and traders have kept prices up, and any additional interventions, including large purchases need to be coordinated and timed carefully so as not to further escalate prices. Given the existing tight supply, it seems as though government interventions including the releasing of grain through various means and the grain export ban are inadequate to counterbalance other factors keeping prices beyond the reach of the poor.

While very high cereal prices may appear good for producers, they erode the purchasing power of many consumers in Sudan, and ultimately act to reduce effective demand. More than 75 percent of the annual food consumed by rural Sudanese is obtained through purchases in local markets, and reliance is particularly high during the typical hunger season (May – August). Most rural households have very limited income options, and further price increases will simply put food out of the reach of the majority, leading to failure of local markets to address local needs. It will be essential to ensure that the proposed and on-going market related interventions (providing cash through Zakat, local purchase by SRCo, Agricultural bank of Sudan, and others) do not distort the market further. Close monitoring of the market situation will continue to be crucial.