



GIEWS Update

The Sudan

Fuel shortages and high prices of agricultural inputs affecting planting of 2018 crops

Highlights:

- Fuel shortages are reported in several areas in the country, triggering sharp price increases in the parallel market.
- Prices of most agricultural inputs surged in the last 12 months to more than twice their year-earlier levels.
- Availability and access constraints to fuel and agricultural inputs are mainly caused by the depreciation of the Sudanese Pound and dwindling foreign currency reserves that have affected imports.
- Despite the provision of fuel by the Government to the agriculture sector, supply shortages have affected land preparation, planting and weeding operations.

Overview

Since late 2017, the Sudan has been facing significant macro-economic challenges, illustrated by a spiralling parallel foreign exchange rate, dwindling foreign currency reserves as well as high and increasing inflation rates, which are expected to cause a slowdown in economic growth in 2018¹. The difficult macro-economic environment has resulted in reduced imports of fuel and agricultural inputs.

To gauge the availability and access constraints that farmers have faced in procuring critical inputs for the 2018 crops planted in July-August and for harvest from November, FAO, jointly with the Government, conducted an agricultural input survey in Khartoum in July. About 100 structured interviews were carried out with agricultural input traders, service providers and key informants. In addition, this information was supplemented with data collected from the recently-concluded country-wide 2018 Mid-Season Assessment, jointly implemented by the Government and FAO, with the participation of WFP, USAID and FEWSNET.

The data indicate that, despite the efforts of the Government to provide fuel for the agricultural sector, supply shortages affected land preparation, planting and weeding operations in several cropping areas. Notably, in El Gedaref, Blue Nile and White Nile states, key crop-producing areas in the southeast,

only between 40 and 65 percent of the fuel required for planting had been provided by the Government as of early August, and farmers with adequate financial capacity had to rely on the parallel market, where the prevailing fuel price is about four times higher than the official petrol price of SDG 6.17 per litre. In addition, high prices of agricultural inputs, including fertilizers, herbicides and pesticides, will likely result in a lower application, which is expected to negatively impact yields and output of the 2018 crop. Production costs are also anticipated to rise, adding further upward pressure on the already high cereal prices. Adequate fuel supplies for weeding, herbicide and pesticide application, as well as harvesting operations, will be crucial for the outcome of the 2018 agricultural season, and, therefore, a close monitoring of the situation is warranted.

High and increasing inflation rates

Since early 2018, inflation has increased sharply mostly reflecting a significant depreciation of the national currency (Sudanese Pound). Following the lifting of the international sanctions in October 2017, which ended a trade embargo and initially resulted in increased availability and lower prices of imported items, the inflation rate temporarily declined from 35.1 percent in September to 24.7 percent in December 2017. However, the removal of the sanctions also caused an upsurge in demand from importers for the limited availability of US dollars and caused a sharp devaluation of the Sudanese Pound on the parallel market. In an effort to narrow the gap between the official and the parallel

¹The World Bank forecasts the GDP growth to decline from 4.3 percent in 2017 to 2.6 percent in 2018.

exchange rates, the Central Bank of Sudan devaluated the official exchange rate from SDG 7 to SDG 18 against the US dollar on 21 January 2018, but the SDG continued to depreciate on the parallel market, reaching a rate of more than SDG 30 per US dollar at the end of January.

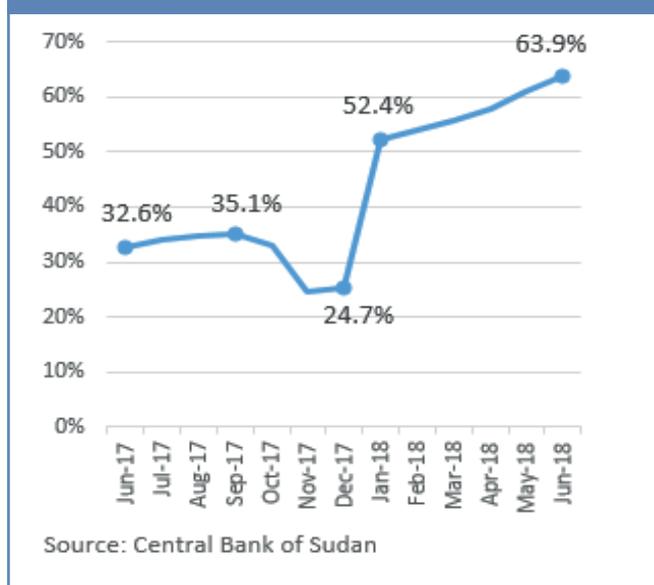
In addition, the Government decided to remove the wheat import subsidy in January 2018, in line with the recommendations of the International Monetary Fund (IMF). This resulted in a sharp increase not only in wheat prices, but also in prices of other cereals (mainly millet and sorghum) as substitutes for wheat. As a result, the year-on-year inflation rate surged in January, more than doubling to reach 52.4 percent. In the subsequent months, the Sudanese Pound continued to depreciate on the parallel market, reaching a record low of SDG 40 per US dollar in June, while fuel shortages, resulting in higher transport costs, also intensified inflationary pressures. As a result, the year-on-year inflation peaked at 63.9 percent in June, compared to 32.6 percent one year earlier.

Shortages of agricultural inputs and fuel

The majority of the respondents from the survey indicated that supplies of most agricultural inputs, although generally considered to be adequate for farming requirements, were lower compared to the previous year, resulting in high prices and access constraints.

By contrast, fuel shortages were reported in several areas despite the intervention by the Government and the cooperation between the Ministry of Agriculture, the Ministry of Petroleum and Gas and the National Economic Security to provide fuel for the agriculture sector. Notably, in El Gedaref State, a key crop-producing area, where the total amount of fuel required for land preparation and planting was estimated at 126 000 barrels, as of the first week of August only 81 000 barrels (64 percent of the required amount) were distributed to the farmers. The corresponding percentage for South Kordofan State is 60 percent: here, in addition, the late provision of fuel resulted in planting delays and forced farmers to plant lower yield, short cycle varieties of sorghum. In the Blue Nile and White Nile states more severe shortages were reported, with the fuel received for land preparation and planting not exceeding 38 and 32 percent of the requirements, respectively, while in West Kordofan State only 9 percent of the fuel requirements was fulfilled by August. Fuel shortages were also reported in Kassala State (both in rainfed areas and in the Gash Irrigation Scheme, where planting activities had to be carried out using traditional manual techniques) and in Sennar State. By contrast, no serious fuel shortages were reported in Gezira

Figure 1: Sudan - Year-on-year inflation rates June 2017 - June 2018



State (both in the Gezira Irrigation Scheme and in rainfed areas), in North Kordofan State and in the New Halfa and Rahad Irrigation schemes, respectively, located in Kassala and El Gedaref states. Fuel availability was also adequate in most cropping areas of the Darfur Region where, however, traditional agricultural practices prevail and fuel requirements are low.

In the areas most affected by fuel shortages, land preparation, planting and weeding were negatively impacted. While planting delays were reported, the area planted is not estimated to have declined substantially compared to the previous year, as farmers employed a number of coping strategies to mitigate the impact of the fuel shortages, including:

- Accessing fuel on the parallel market, where the prevailing petrol price is about four times the official price of SDG 6.17 per litre.
- Reducing fuel use by decreasing the application of fertilizers, herbicides and pesticides.

However, the financial strain on farmers is not sustainable in the long term and is expected to cause an increase in production costs that could reduce profits and/or result in higher farm gate prices, while the reduced input application is anticipated to cause a drop in yields.

High prices of agricultural inputs pushing up production costs

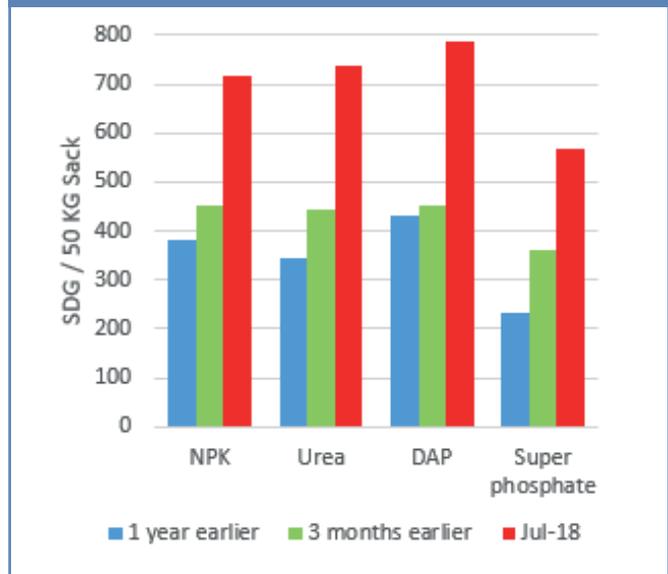
In Khartoum, prices of **seeds** of the most common varieties of sorghum (Feterita, Wad Ahmed, Arfa Gadamec and Tabat) in July ranged between SDG 14 and SDG 19 per kg, about

twice their year-earlier levels. Millet seeds (Ashana variety) were traded at about SDG 23 per kg, almost three times their levels of July 2017, while seeds of groundnuts (Sodari and Gibaish varieties), were sold at SDG 24 per kg, more than twice their year-earlier levels. In the Rahad Irrigation Scheme, located in Gedaref State, sorghum and groundnut seeds were also traded in early August at about twice their levels of the previous year. Prices of seeds of cash crops (sesame and cotton) are also at very high levels. For example, sesame seeds were traded in July in Khartoum at SDG 60 per kg, 135 percent more than 12 months earlier and in the Rahad Scheme, prices of cotton seeds in early August were up to SDG 150 per kg, three times their levels of August 2017. In Khartoum, prices of agricultural **tools**, including digging and weeding hoes, were up to almost three times their year-earlier levels in July 2018.

In Khartoum, average prices of the most common **fertilizers**, including NPK (nitrogen, phosphorus, potassium), Urea, DAP (Diammonium Phosphate) and Superphosphate, ranged in July between SDG 570 and SDG 790 per 50 kg, between 82 and 143 percent up from 12 months earlier. In the Rahad and in the Gezira Irrigation schemes, DAP was traded in early August at SDG 820 and SDG 950 per 50 kg, respectively, almost double the level of one year earlier. Similarly, prices of common **pesticides**² and **herbicides**³ were on average between 55 and 70 percent higher year-on-year in July 2018 in Khartoum's main markets.

Prices of **agricultural services** are also at very high levels, reflecting the increased cost of labour and fuel. In Khartoum,

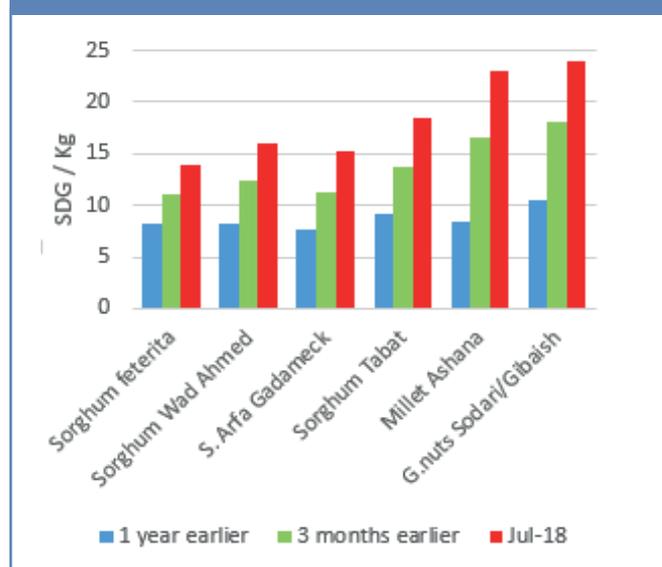
Figure 3: Sudan - Price trends of selected fertilizers in Khartoum



prices of agricultural operations in July were 40-70 percent higher than during the previous season.

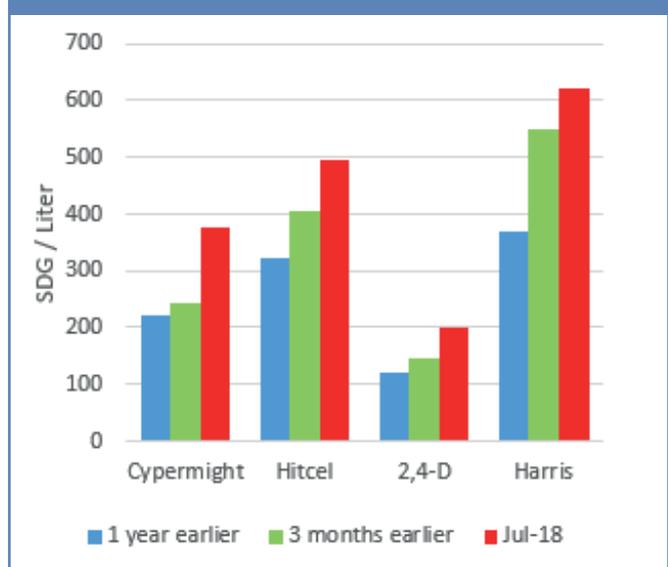
Given the high costs of agricultural inputs, and consequently an expected decrease in their use, the crop production outcome is likely to be negatively impacted in 2018. Furthermore, the higher production costs are anticipated to continue exerting increased upward pressure on the already elevated cereal prices⁴. As a result, prices of cereals are not expected to decline significantly in late 2018/early 2019, when the newly harvested 2018 crops will be available for consumption, adversely impacting food access.

Figure 2: Sudan - Price trends of seed varieties of selected staple crops in Khartoum



²Cypermight (Cypermethrin) and Hitcel (Prophenofos + Cypermethrin).
³2,4-D (2,4-Dichlorophenoxyacetic acid) and Harris (Oxyfluorfen).

Figure 4: Sudan - Price trends of selected pesticides and herbicides in Khartoum



⁴In August, retail prices of sorghum and millet were about three times their year-earlier levels in several key markets.

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