

SUDAN MONTHLY
MARKET UPDATE

Bulletin # 36

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SUMMARY:

Following the seasonal pattern, sorghum and millet prices are dropping significantly in real terms and more moderately in nominal terms. This period normally lasts through March or April. However, wheat prices have continued to increase mimicking the international wheat prices (though to a lesser extent). While wheat prices increased by about 70% in the international market between July and December, the local wheat prices increased only by 15% during the same period.

Cereal prices have started to get lower than same time last year's though still much above their previous five year's average. Lower prices will benefit poor households, as they gain greater market access. But if prices persist to drop below their average and to the break-even point of cost of production, producers will be hurt as low prices translate into low revenues.

Given current high but decreasing prices, stabilization efforts should be increased but with extra caution as it may also further exacerbate problems in Sudan's fragile and volatile market. Prices will need to be monitored in the coming months to help decision makers take relevant balanced measures in this critical period of the year.

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 (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 Agriculture 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 (Nov. 2006 – Nov. 2010).

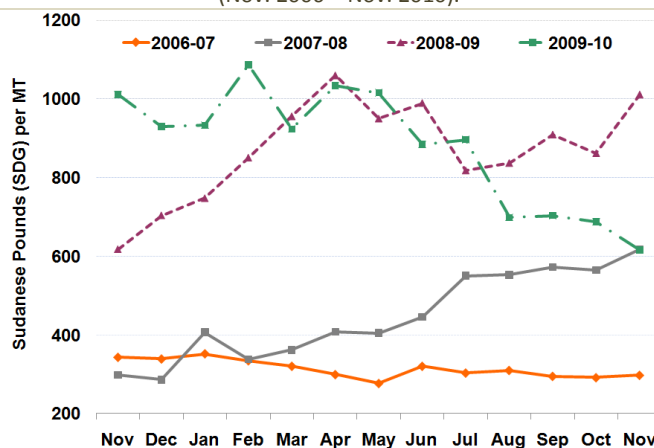
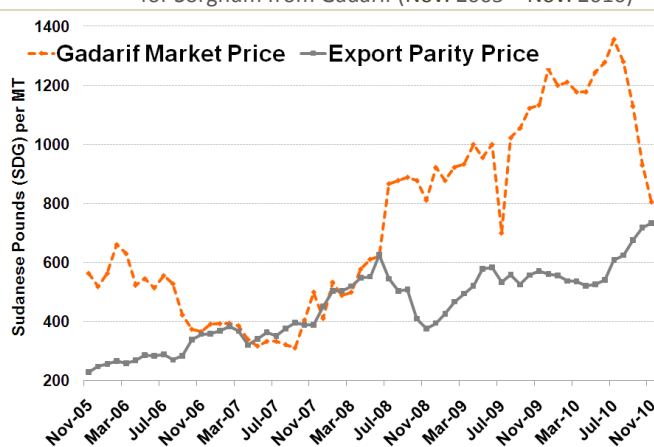
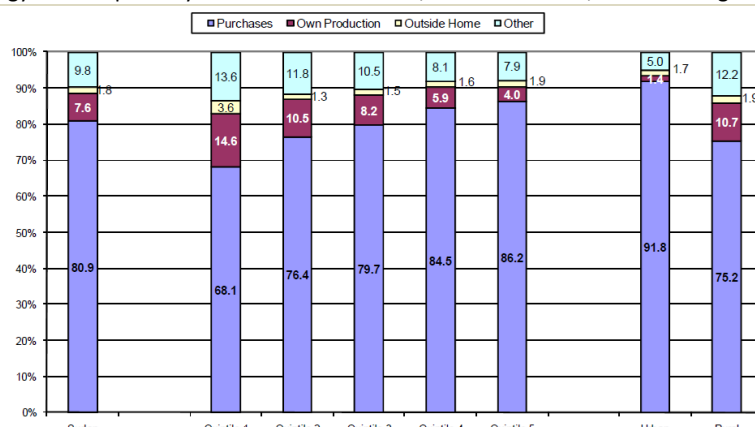
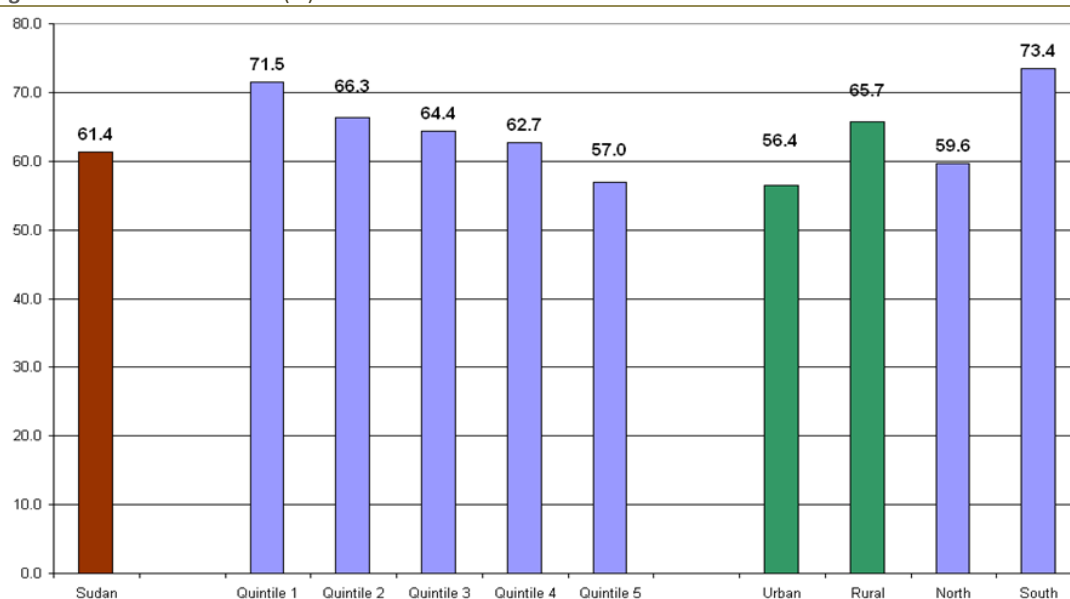


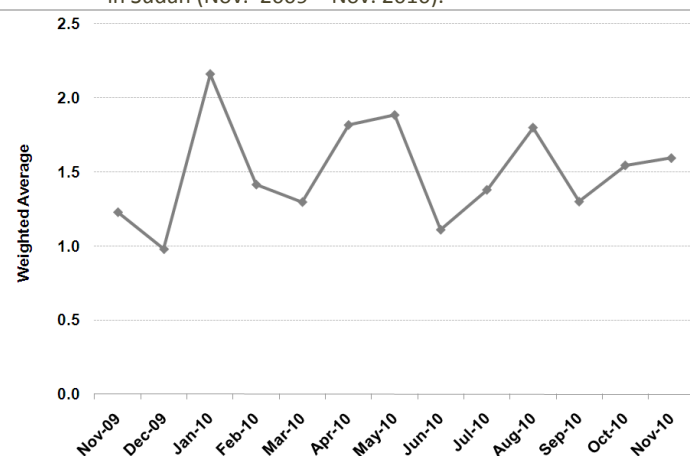
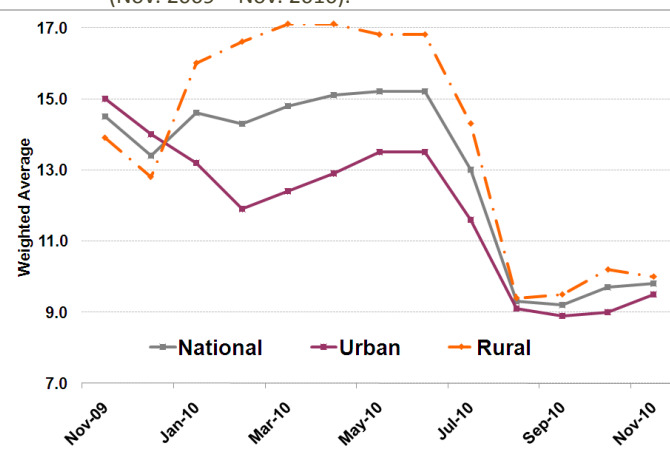
Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Nov. 2005 – Nov. 2010)



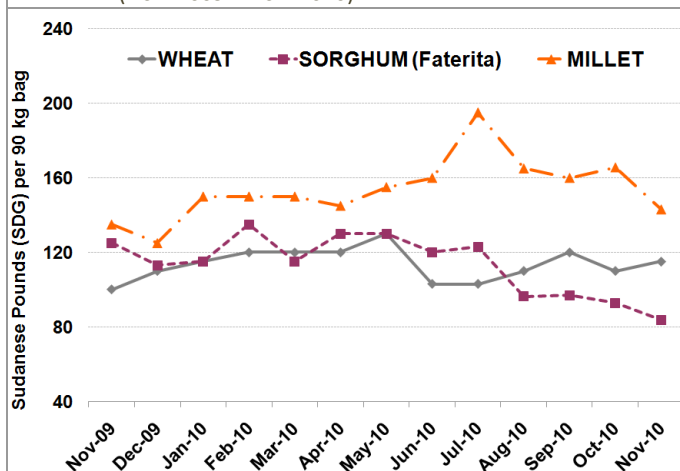
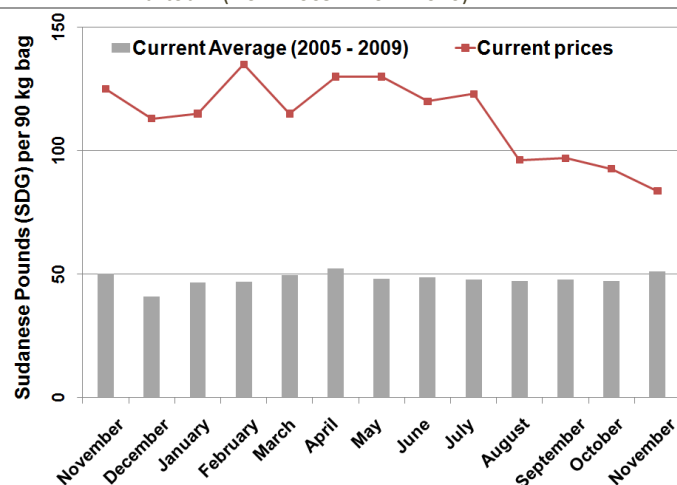
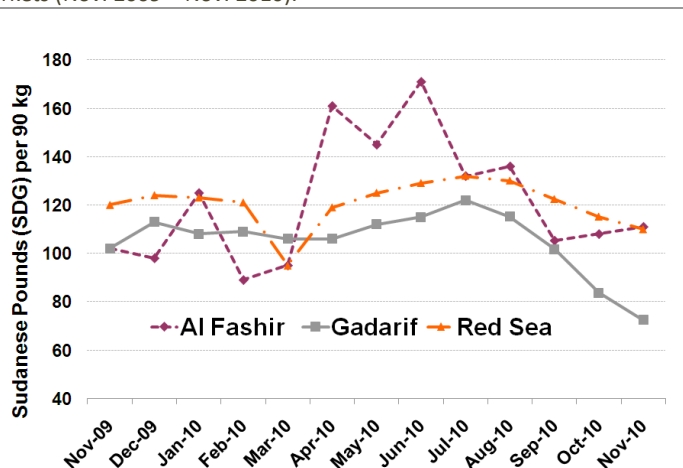
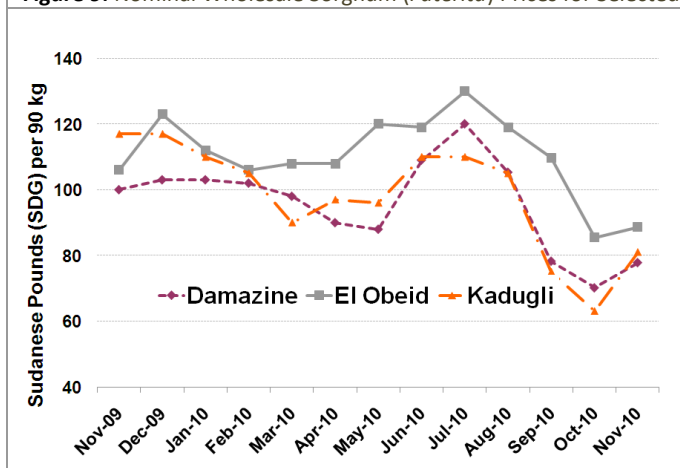
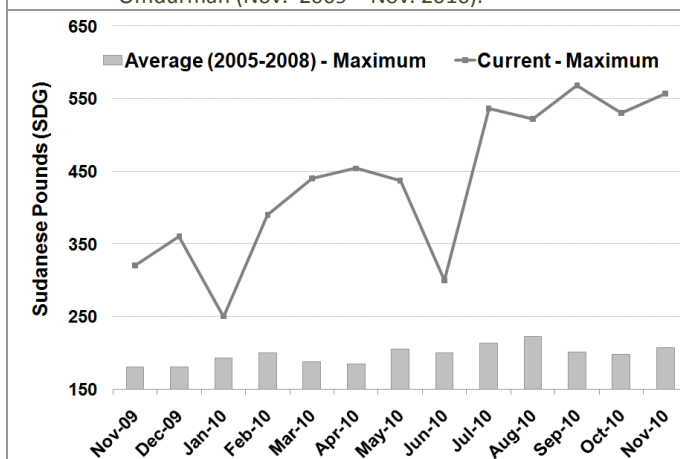
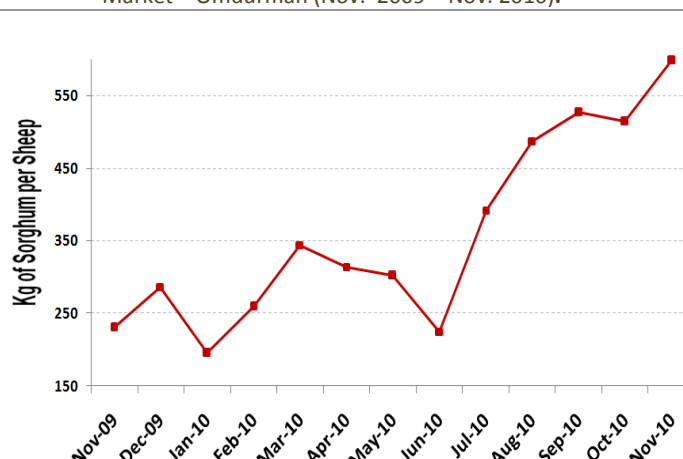
Source: Data Archives of Ministry of Agriculture and Forestry (MAF) and the Central Bureau of Statistics (CBS). International prices are from USDA and International Grain Council, www.fao.org/es/esc/prices/

Figure 3: 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-SIFSI-MoAF, July 2009.

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Nov. 2009 – Nov. 2010).**Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Nov. 2009 – Nov. 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, (Nov. 2009 – Nov. 2010).**Figure 8: Average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Nov. 2009 – Nov. 2010).****Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Nov. 2009 – Nov. 2010).****Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Nov. 2009 – Nov. 2010).****Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Nov. 2009 – Nov. 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 :

Field level information plus the FAO/Government lead mission's assessment indicates that in almost all observed major markets in the country, sorghum prices decreased significantly in November noting that this could mainly be attributed to the prospect of more than average production during the 2010/11 season and farmers' desire to sell their stocks to make up for lost income from last year's poor harvest. Sorghum prices in the surplus-producing market of Gadarif declined by about 14% compared to the previous month and by 29% compared to same time last year. Similarly, Khartoum November sorghum prices dropped by about 10% from the previous month and by 33% compared to same time last year. Current sorghum prices have also for the first time started to get closer to their respective averages (Figures 7 to 9). However, revenues are still substantially higher than last year because prices are still above their 2005 - 2009 averages, a long-lasting trend that started in 2008. On the other hand, wheat prices continued to follow the international market trend (though with a lesser magnitude), increasing by about 15% compared to the peak month of July. According to FAO Global Food Security Review, December international wheat prices increased by about 70% compared to July but still 32% below its record level of March 2008.

Based on information from market informants and current assessments, it is likely that prices will continue to be decreasing for the coming few months. This raises concern over further cereal price declines in the next several months especially if prices drop to the break-even point (to the cost of production). These in turn could increase vulnerability among farmers as low prices translate into low revenues. In general, however, the next few months could prove crucial in determining whether the current declining but high level trends will change or not. Lower prices may benefit poor households, as they gain greater market access.

According to the Central Bureau of Statistics (CBS), the overall inflation rates remained flat in November 2010. The urban and rural inflation rates declined below 1 percent. The urban and rural inflation rates remain around 10%. On the other hand, the food and non-food inflation rates increased in November. The increase in food inflation rates is higher than non-food ones indicating a higher food to non-food percentage change ratio expressed by the relative price increases. (Figures 5 - 6).

Given a significant decrease in local sorghum prices and a continued increase in world prices of most commodities, the gap between the two almost disappeared for the first time since the world food crisis in March 2008. (Figure 2). Despite a very high cost of local production, the Gadarif export parity prices are becoming competitive to the international market prices in which local producers competitiveness has improved through time and investment support to agriculture should continue.

The prices of livestock in livestock dependent areas have reportedly remained very high indicating deteriorating terms of trade against crop sellers. Given good pasture and water conditions that characterize many of these areas due to good overall performances of the season, combined with an increase demand of livestock (from local and international markets), terms of trade are expected to deteriorate even further against crop producers. (Figure 11).

An adhoc effort by the Strategic Reserve Corporation (SRCo) and Agricultural Bank of Sudan (ABS) in setting up minimum sorghum prices plus bulk purchases by humanitarian agencies through purchase of food aid on the domestic market was not able to reverse the downward trend. Hence, to protect producers from the adverse effects of declining cereal prices that are in some cases below costs of production while allowing prices to sustain producer livelihoods, some price support efforts are required. Increased local purchases for food aid distribution, systematic export promotion and a limit on food aid imports can protect farmers by keeping prices from falling below the existing depressed levels. Such measures can also raise farm income and maintain production incentive, and provide some price certainty at next planting time. Should sorghum prices persist to decline, Sudan's agricultural finance institutions can take immediate concrete steps to ease credit availabilities for grain traders as a way of propping up producer prices at viable levels while at the same time allowing prices to sustain consumers' livelihood.