

SUDAN MONTHLY
MARKET UPDATE

Bulletin # 39

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SUMMARY:

Prices of sorghum in the terminal market of Khartoum were unusually high during the June – July 2010 period, declining gradually from August 2010 to January 2011 in accordance with normal seasonal trends. Prices then stabilized in February, reflecting a widespread food price changes in the country. Sorghum prices are still 30% above their previous five year average. Wheat prices in Khartoum remained stable in February though still much higher than its respective average, has been increasing significantly since July 2010. With the increase in wheat prices, other prices may climb as consumers seek cheaper substitutes.

According to FAO, international cereal prices have increased sharply with export prices of major grains up at least 70 percent from February last year, reaching the level of July 2008. The February food price index shows the highest record in real and nominal terms since the 1990s.

While above average cereal prices may appear good for producers, they erode the purchasing power of many consumers in Sudan. More than 90 percent of the annual food consumed by poor Sudanese is obtained through purchases in local markets, and reliance is particularly high during the typical hunger season (May – August). Close monitoring of the market situation continue to be crucial.

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.

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

CONTENT:

Share of Dietary Consumption and Food Ratio	2
Nominal and real wholesale prices of cereal	3
Terms of trade and sheep prices	3
Market analysis	4

Figure 1: Real Wholesale Prices for Sorghum in Khartoum
(Feb. 2006 – Feb. 2011)

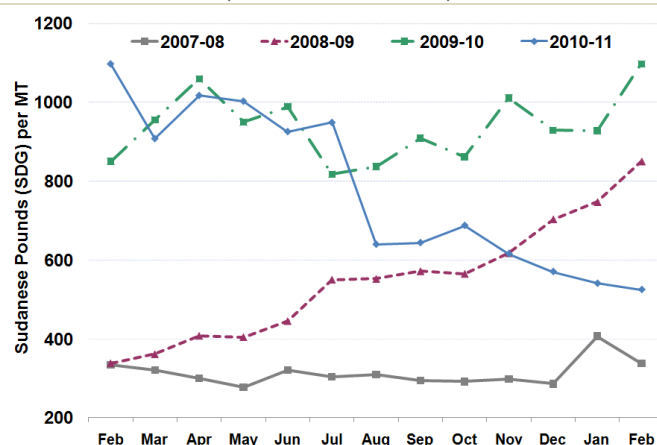
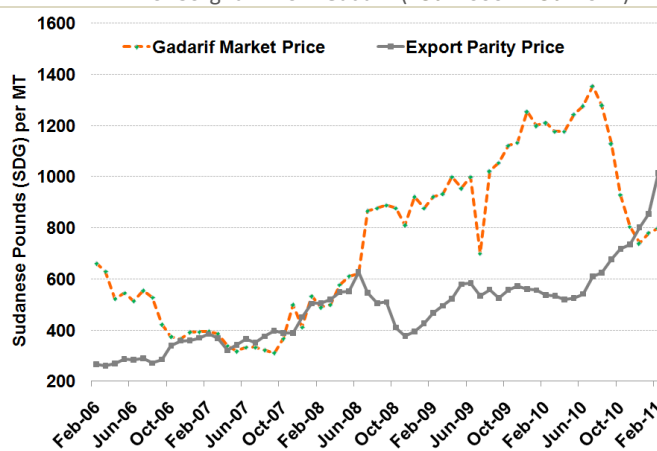


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Feb. 2006 – Feb. 2011)



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/

Figure 3: Share of Dietary Energy Consumption by Food Sources in Sudan, Income Quintile, Area and Region

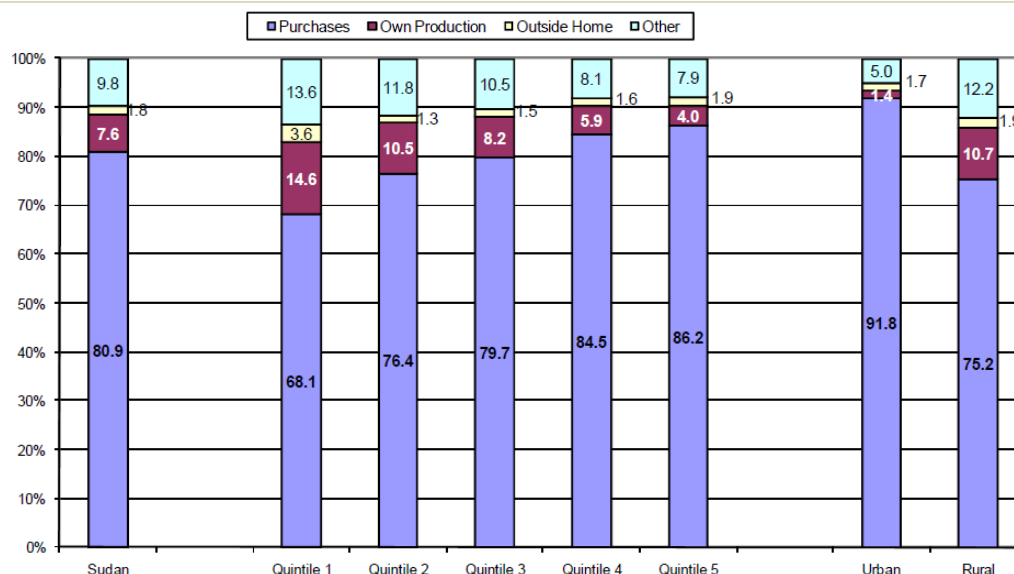
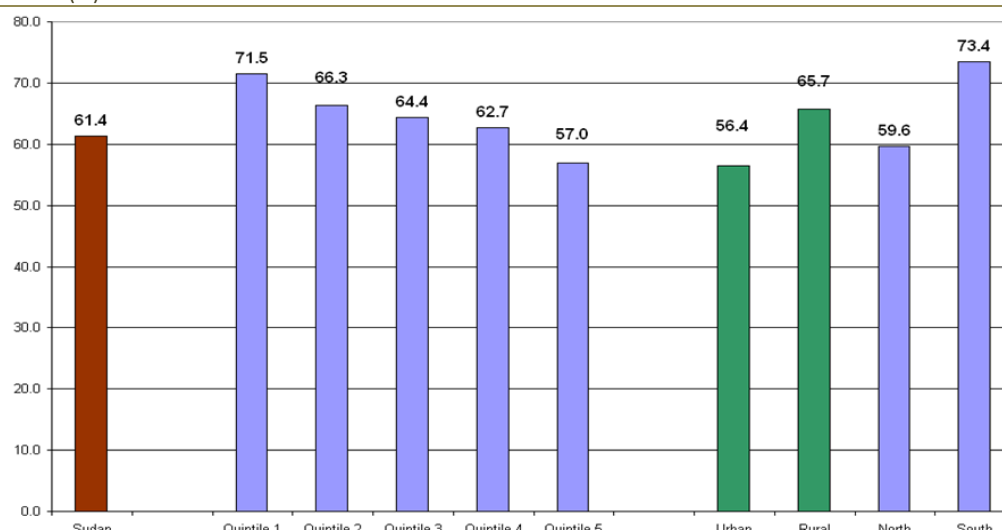


Figure 4: Food Ratio in Sudan (%)



Source: The Sudan Baseline Household Survey (SBHS-2009), CBS - FAO-SIFSIA-MoAF, July 2009.

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Feb. 2010 – Feb. 2011).

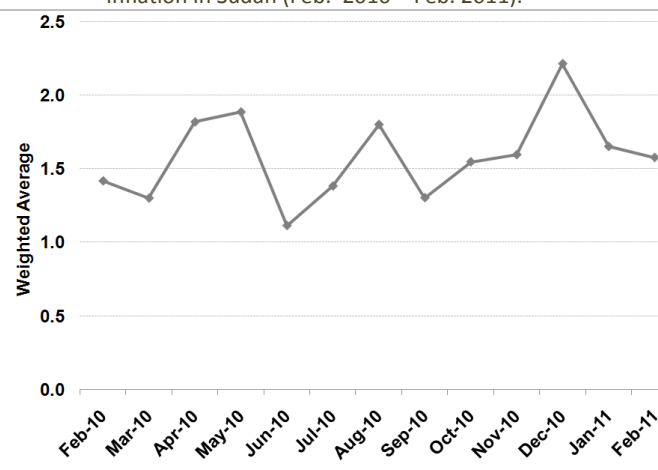
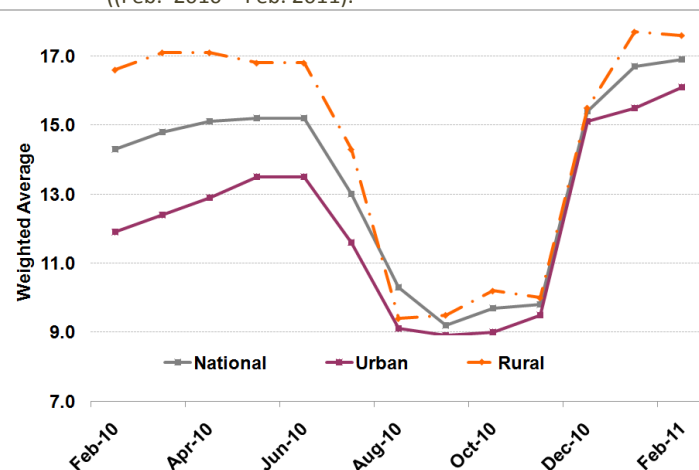


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) ((Feb. 2010 – Feb. 2011).



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, (Feb. 2010 – Feb. 2011).

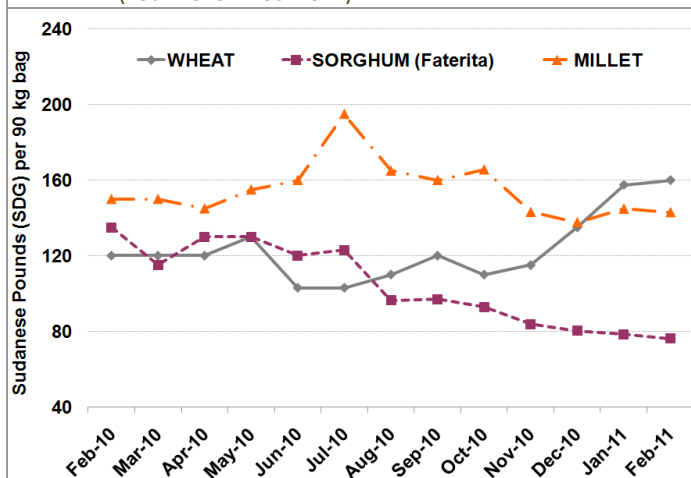


Figure 8: Average and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Feb. 2010 – Feb. 2011)

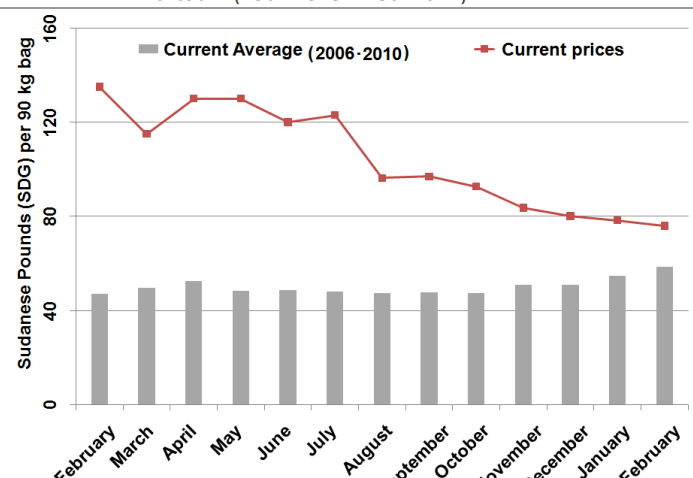


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Feb. 2010 – Feb. 2011).

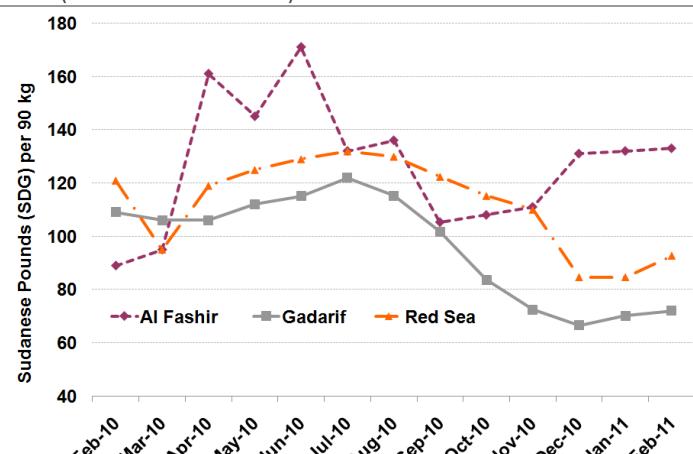
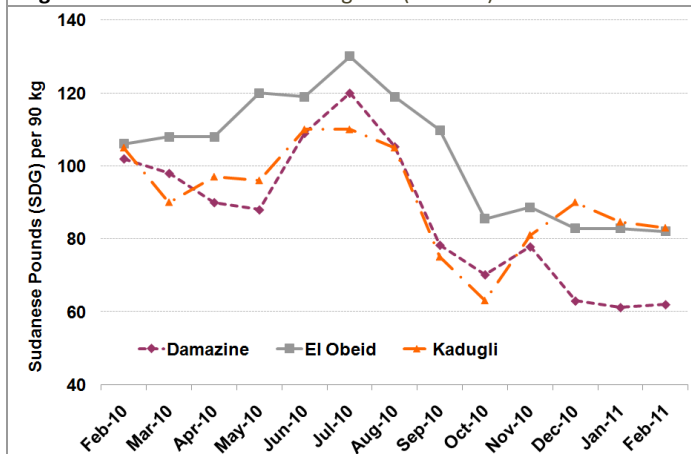


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Feb. 2010 – Feb. 2011).

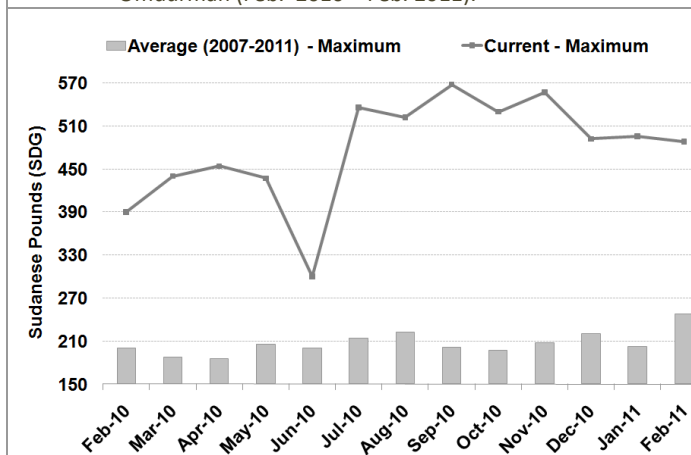
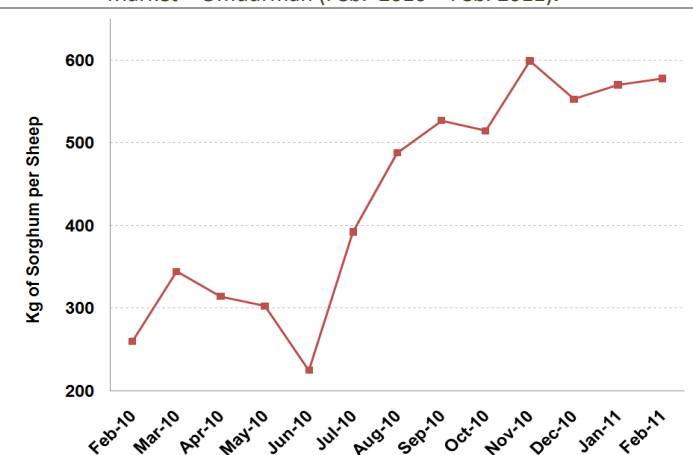


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Feb. 2010 – Feb. 2011).



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 \$ ≈ 2.48 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 :

Prices of sorghum and millet remained stable at a relatively low level in February, in line with average seasonal trends for this time of year, and also in line with the expectation that was generated by the forecast of a 2010/11 bumper harvest. February sorghum price in Khartoum, the largest terminal market, is 43 percent lower than last year and 55 percent lower compared to the peak period of June - July 2010. However, sorghum prices are still higher than the previous five years average though it is getting closer to the average for the first time since 2006 - 07. Sorghum current prices were as high as 187 percent higher than average during same time last year but in February 2011 the difference reached a mere 30%. Hence, the current prices comparably represent an average for the season in the respective markets. Wheat prices, on the other hand, are stable at a very high level - February 2011 prices are 33 and 45 percent higher compared to same time last year and July 2010, respectively.

However, the current stability is considered a short term phenomenon and prices are expected to rise in the coming months as international commodity prices rise with growing demand, a decline in world cereal production in 2010, and ongoing rise in fuel prices. Change in consumption habits of emerging and developing economies (structural changes in the global economy), rising demand for bio-fuels and bad weather also tightened supply. According to FAO, the stability in the international commodity prices may take some time as the output response needed to ease supply concerns may take years. The major change observed this year compared to 2008 is that there are more commodities involved in this current spike.

Despite stability in cereal prices, general inflation continue to increase steadily for the past several months, reaching the highest in February 2011 since the food crises in 2008. The food inflation reached 19.9% in February from its 19.8% level in January while the non-food inflation reaching to 12.6% from its 12% level in January. The food and non-food component increase looks to be close and the food to non-food relative price increases remained somewhat flat. (Figures 5 and 6). Rural and urban inflation rates also remain very high - the rural inflation stay put at 17.6% in February from its 17.7% level in January and the urban inflation increased from 15.5% in January to 16.1% in February.

Livestock price information show that terms of trade have been worsening for crop producers and traders as sorghum prices have been declining and livestock prices increasing due to the current cereal surplus and increasing demand for livestock. Despite stability in both livestock and cereal prices in February, the terms of trade continued to favor livestock owners against cereal producers and traders. (Figures 10 and 11).

A comparison of domestic cereal prices with export parity prices (ExPP) (where it compares a tradable commodity price with the locally-transacted commodity price, both delivered to the same location or market) portrays that it is now cheaper to purchase sorghum on the domestic market both for food aid buyers and commercial purposes. February sorghum ExPP at Gadarif market was higher by about 27 percent for commercial exports than its corresponding domestic wholesale prices (Figure 2). This supports earlier statements made about the urgent need for consideration by donors and the Government for the purchase of a significant part of food aid for 2011 on the domestic market. If the current lower price trend continues in the coming months, it should be possible to procure sorghum more cost-effectively than importing it from abroad, notwithstanding donor constraints to do so.

Current prices (especially wheat) are still above average in most markets (though getting closer in recent months), hurting the poorest households where consumers spend a greater percentage of their incomes on food (Figures 3 and 4). It will be essential to ensure that the proposed and on-going market related interventions (providing cash through Zakat chamber, local purchase of food aid by WFP, purchases by SRCO and ABS, export promotion and others) continue to stabilize sorghum prices, preventing its downward spiral. Wheat and other commodity prices need to be closely examined as well. As the typical hunger period of June - August approaches, an increasing number of rural households deplete their stocks and resort to purchases from the market which may also compromise the effectiveness of any interventions in ensuring food access. However, any additional interventions, need to be coordinated and timed carefully so as not to destabilize the market.