

SUDAN MONTHLY  
MARKET UPDATE

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## SUMMARY:

According to the November 2010 FAO food outlook report, food import bills for the world's low-income food-deficit countries are predicted to rise by 20 percent. If the international prices pass through the local market, the current trends will have severe implications for Sudan, which depends on 2 million tons of commercial imports of wheat in recent years and the demand is rising.

Contrary to these international market price trends, prices of major cereals in Sudan declined by about 20 percent between July and October 2010. Khartoum sorghum and millet prices declined by 25 and 15%, respectively, between July and October 2010. Khartoum wheat prices increased by a mere 6% while international wheat prices increased by about 39% during the same period. Khartoum wheat prices further declined by about 8 percent in October compared to the previous month though international wheat prices stabilized at 3%. This may indicate that local prices are insulated from international market trends but with a high cost. The decrease in sorghum prices is particularly reassuring for consumers as sorghum is a major staple food for poor households with limited access to food in the market during most of the year. However, these low prices will need to provide adequate returns and maintain domestic production incentives.

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](mailto:Yahia.Awadelkarim@fao.org); [alemu.asfaw@fao.org](mailto:alemu.asfaw@fao.org)

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Figure 1: Real Wholesale Prices for Sorghum in Khartoum  
(Oct. 2006 – Oct. 2010).

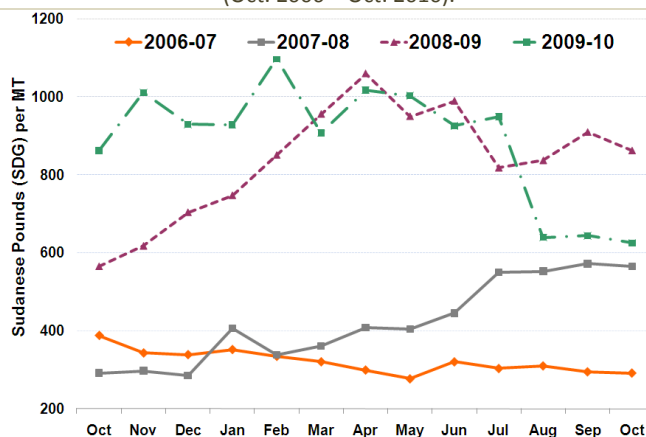
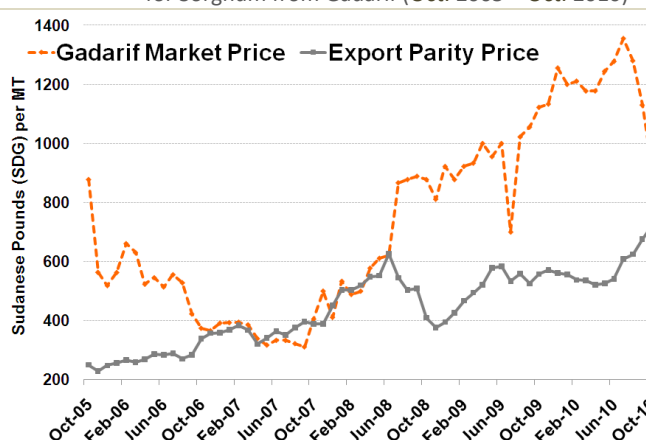
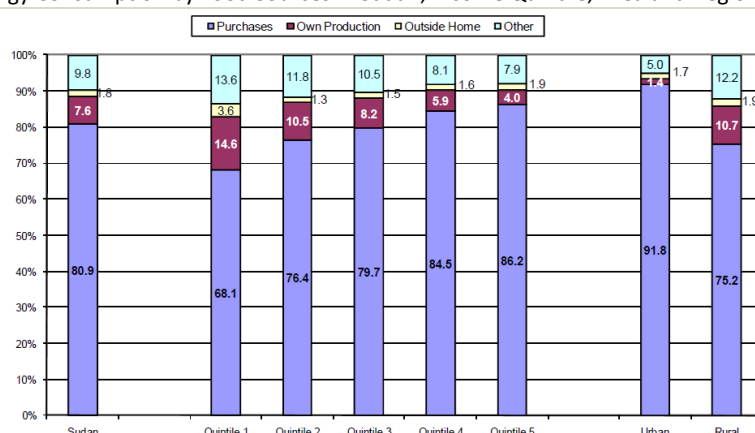
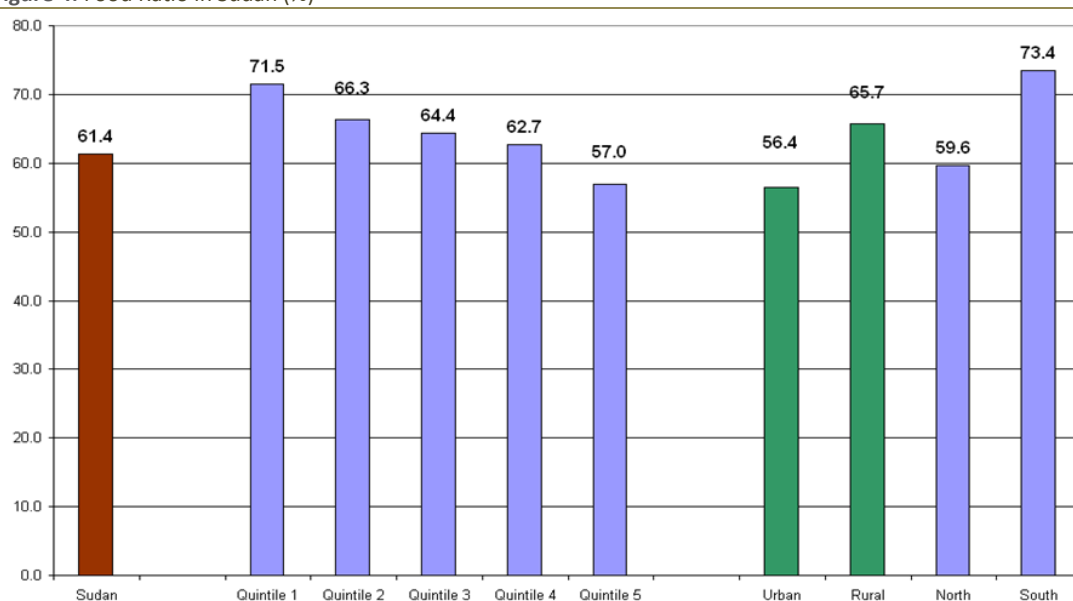


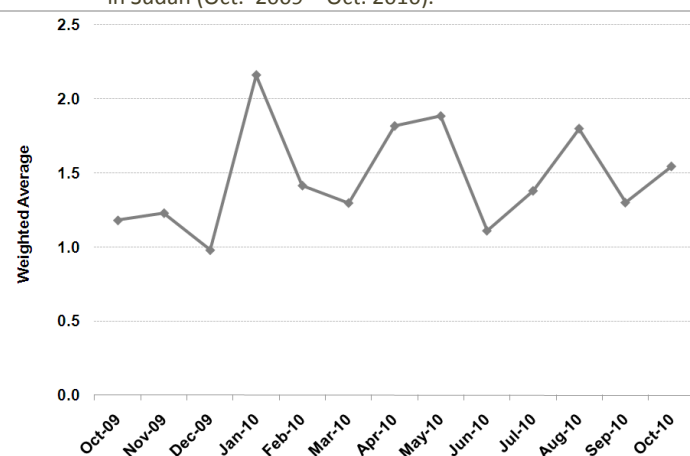
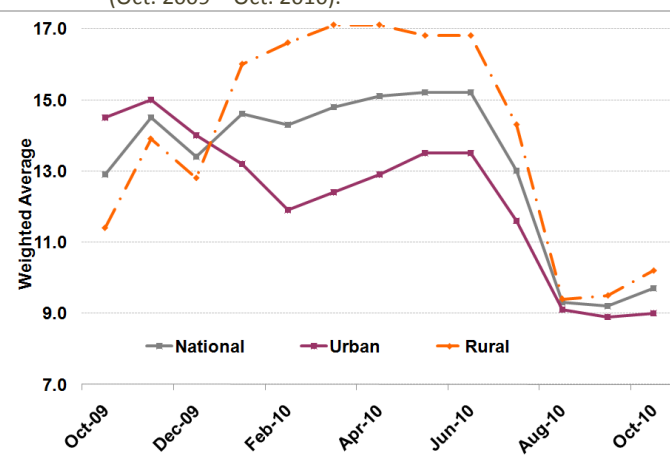
Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Oct. 2005 – Oct. 2010)



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/](http://www.fao.org/es/esc/prices/)

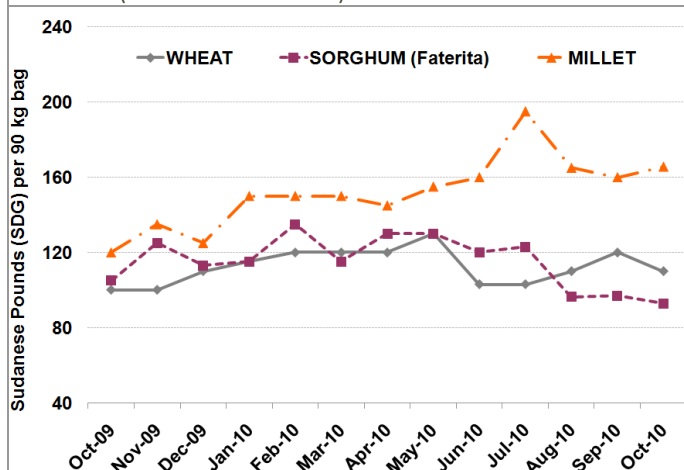
**Figure 3: Share of Dietary Energy Consumption by Food Sources in Sudan, Income Quintile, Area and Region****Figure 4: Food Ratio in Sudan (%)**

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

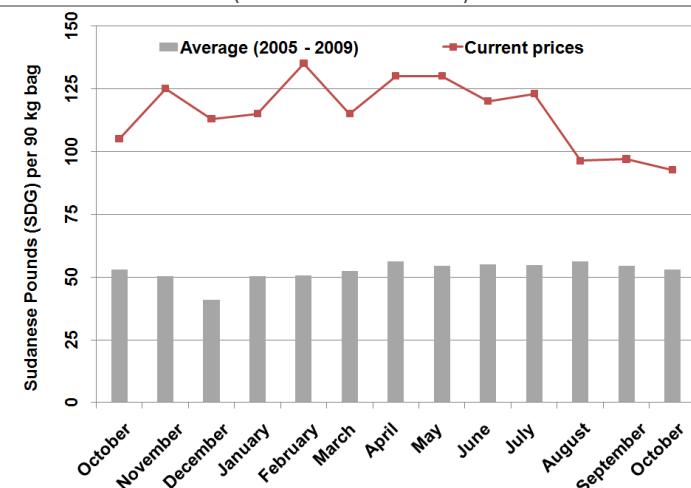
**Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Oct. 2009 – Oct. 2010).****Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Oct. 2009 – Oct. 2010).**

**Source:** The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates, Sudan and Khartoum 2009/10.

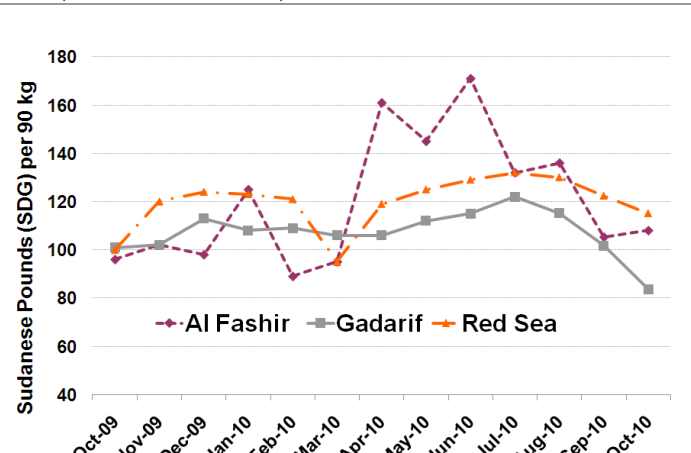
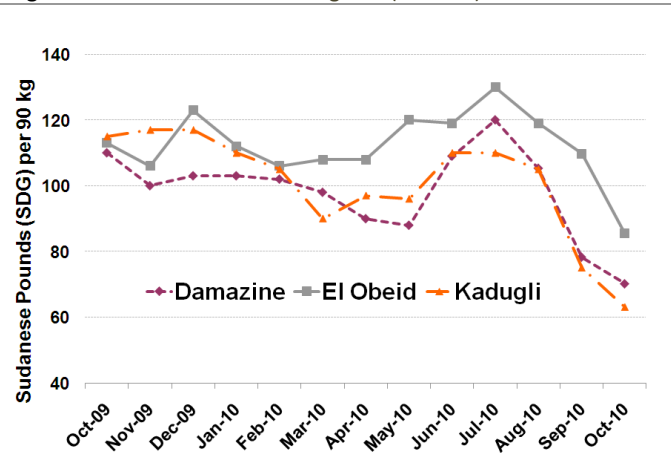
**Figure 7:** Nominal Wholesale Prices of Staple Cereals in Khartoum, (Oct. 2009 – Oct. 2010).



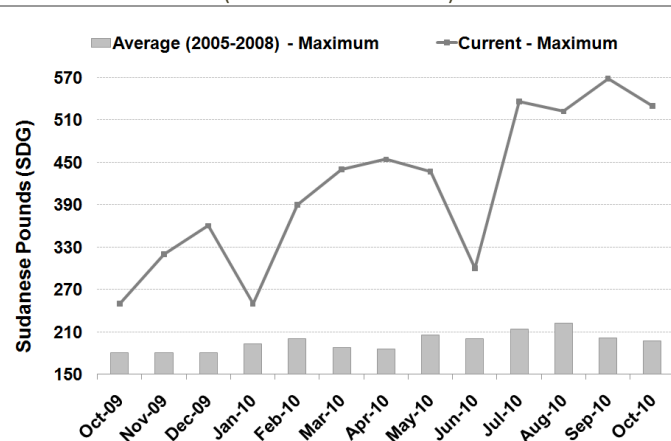
**Figure 8:** Average and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (Oct. 2009 – Oct. 2010).



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



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



**Figure 11:** Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Oct. 2009 – Oct. 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 :

The normal cereal price seasonal declining trend seems to have started earlier than normal this year. In almost all major markets in the country, cereal prices that declined slightly or remained flat in August and September continued to decline in October. With the on-going *summer* harvest, Khartoum sorghum prices started to drop from their extremely high levels in June-July, 125 Sudanese Pounds (SDG) /90 kg bag, to about 90 SDG/ per 90 kg bag in October. However, current cereal prices are still substantially higher compared to their 2005-2009 average levels. (Figures 7 - 8).

A bad harvest from the last season combined with international food crisis might have sustained cereal prices much above average levels throughout 2009 and first half of 2010 (Figure 1). However, sorghum, wheat and millet prices decreased in October in all observed markets. In some the declines were significant, e.g., Elobeid sorghum prices decreased by 22% and Gadarif prices reported to have declined by 17%. For the first time since November 2009, cereal prices have started to go below the same period last year which was already very high (Figure 1).

Cereal prices are expected to further decline during the coming months as: farmers are obliged to dispose off the bulk of their produce to repay debt for agricultural inputs, taxes and other commitments; storage facilities are limited; grain speculators are releasing large volumes in expectation of further price declines; and on-going flow of food aid for the traditionally vulnerable areas. The rate and extent of price change for the coming months will partly depend on: the magnitude of main season (*summer*) harvest; the impact of on-going Government intervention (promotion of exports in anticipation of very good harvest); donors food security related interventions (local purchase of food aid and its distributions); the results of the referendum in January; and on changes in the international markets.

According to the CBS, the food and non-food inflation rates continued to stabilize in October 2010. Inflation rates on average increased less than 0.5% in both urban and rural areas. The food inflation rates (10.2%) are higher compared to the non-food components (6.6%) expressed by the relative price increases. This is the same for both urban and rural settings. The rural inflation rates (10.2%) continue to be higher than the urban (9.0%). (Figures 5 - 6).

With an increase in world prices of most commodities and declining local prices, the gap between the two narrowed in October 2010. (Figure 2). With very high cost of production and hence high market prices, the Gadarif export parity prices continue to be very high compared to the international market in which local producers competitiveness has declined through time and hence investment support to agriculture in increasing competitiveness is important.

According to field information from major livestock markets, livestock prices persisted to be very high negatively affecting the terms of trade against grain traders as cereal prices continued to decline. Following improvements in animal body conditions and increases in livestock demand from the Middle East, livestock prices are expected to further increase during the coming months affecting consumers.

Price volatilities have a significant impact on farmers' and consumers' decisions and hence Government should take precautionary measures before prices go to another extreme. Persistent low prices, if it goes below the production costs, could negatively impact producers who rely on market sales which could further have an impact on the next year's harvest. The decrease in sorghum price so early in the season is particularly worrying as sorghum serves as a major source of income for so many grain producers. Of course, there is an obvious benefit of lower prices for poor households with limited means to access food in the market as it improves food security situation.

Hence, close monitoring and ensuring a balance (high/low prices) is critical. Some price control measures may be required as households in Sudan acquire their food mostly from purchases (Figure 3), where particularly the poor spends largest share of expenditure on food (Figure 4). These measures will need to provide adequate returns to producers and maintain domestic production incentives. Local purchases of cereals for food aid programs and current promotion of grain exports in anticipation of above average harvest would also help to stabilize prices.