

SUDAN MONTHLY  
MARKET UPDATE

Bulletin # 34

October 2010

## SUMMARY:

Sorghum prices in most observed markets declined between August and September, but are still much above the September 2005-2009 average levels. Central Statistical Bureau sources have also indicated that food price inflation declined from around 20% in May to about 10% in September 2010. The food expenditure ratio (FR), in Sudan was 61.4 percent for Sudan in 2009. This means that on average a household in Sudan spends more than three fifths of its total expenditure on food items.

FAO *Crop Prospects and Food Situation* (Sept 2010), shows that international wheat prices increased in the range of 60 to 80% from July to September 2010 due to supply decline. These higher level cereal prices were still one third below their peaks in 2008. However, this is expected to increase the import bill of importing countries by about 8%. Sudan is now importing about 2 million MT of wheat and wheat flour each year. The Government continues to subsidize wheat and hence the impact of higher international wheat prices has not yet been directly transferred to consumers in Sudan. Khartoum wheat prices increased from 103 in July to 120 SDG/ 90 kg bag in Sept 2010 (16%).

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)

## CONTENT:

Seasonal Calendar and Critical Timeline Events	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  
(Sept. 2006 – Sept. 2010).

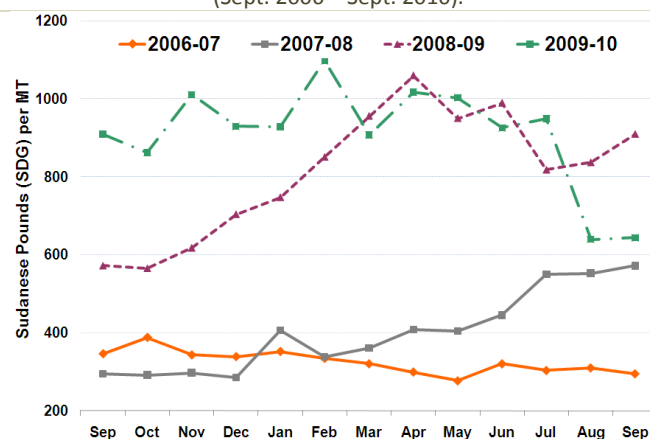
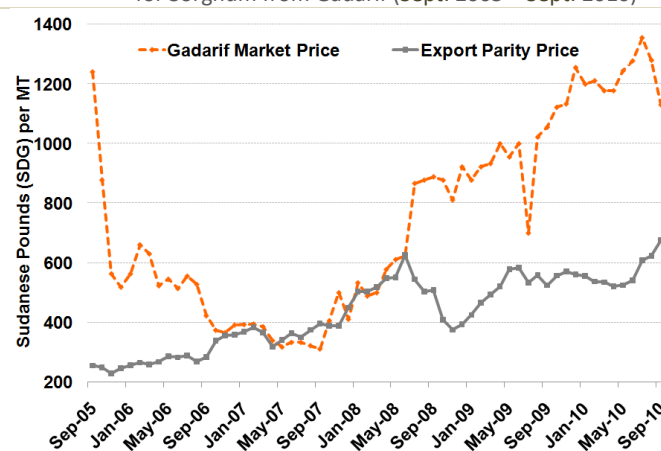


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Sept. 2005 – Sept. 2010)



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: Seasonal Calendar and Critical Timeline Events for Sudan

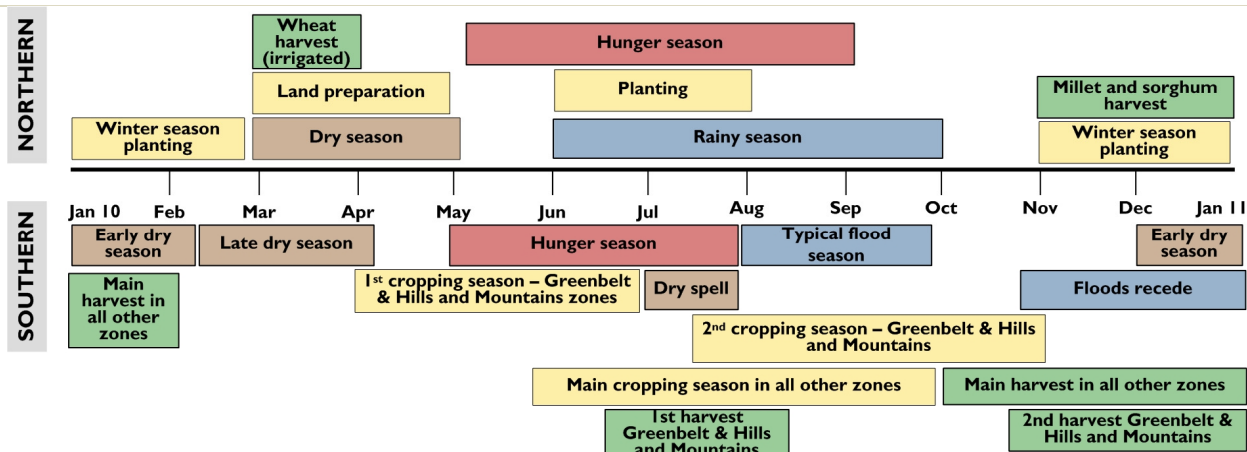
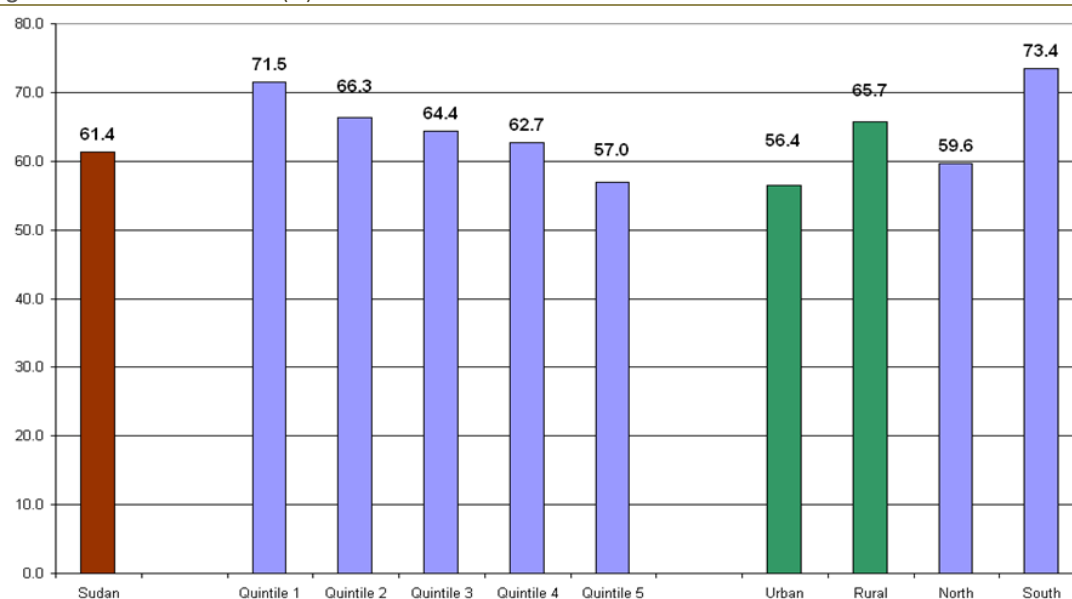
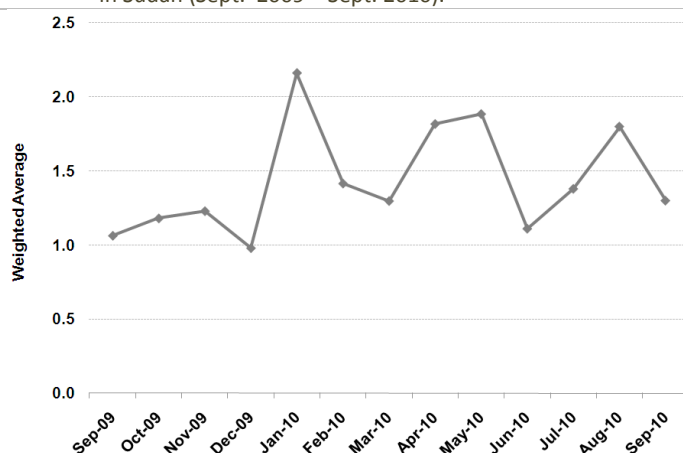


Figure 4: Food Ratio in Sudan (%)



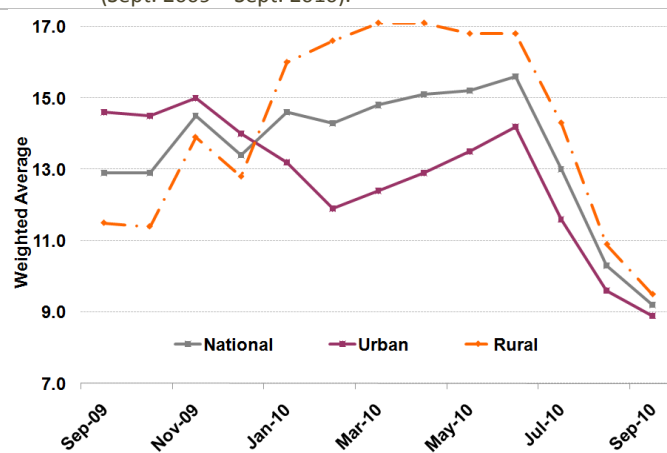
Source: The Sudan Baseline Household Survey (SBHS-2009), CBS - FAO-SIFSIA-MoA, July 2009.

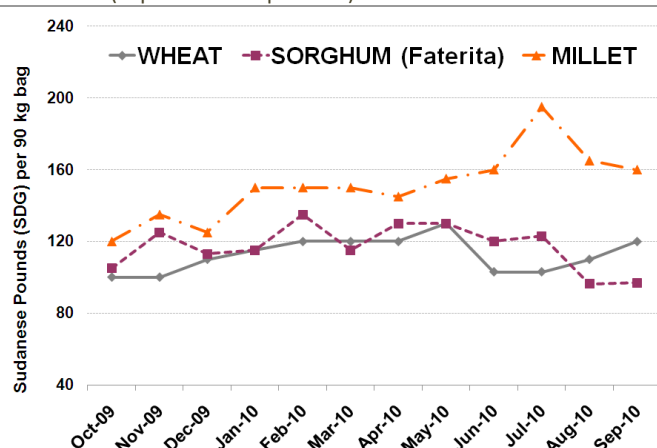
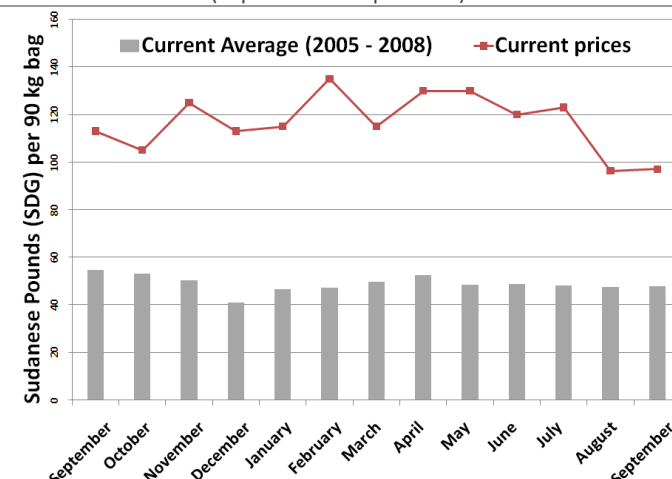
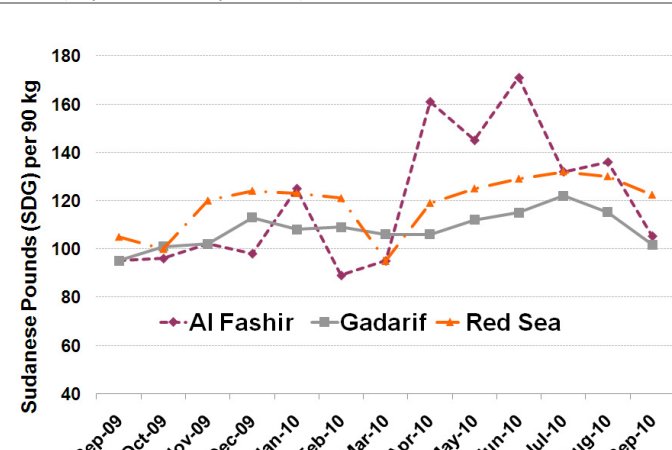
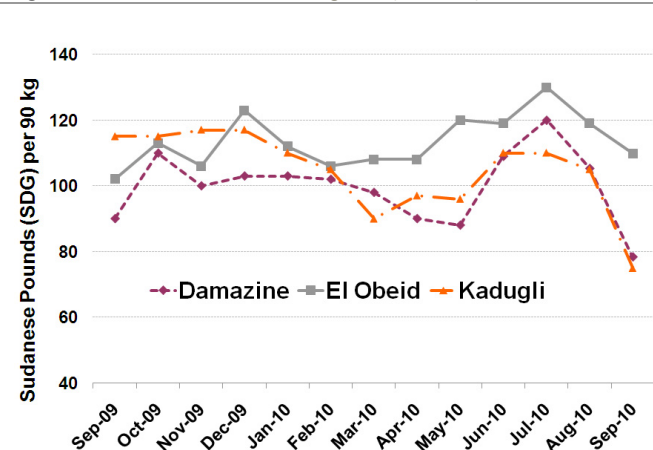
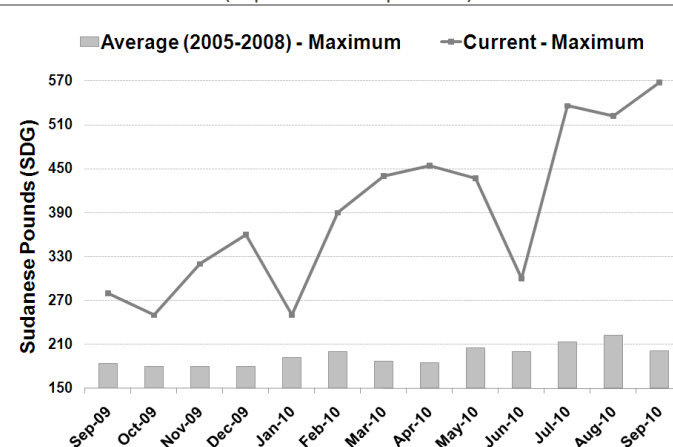
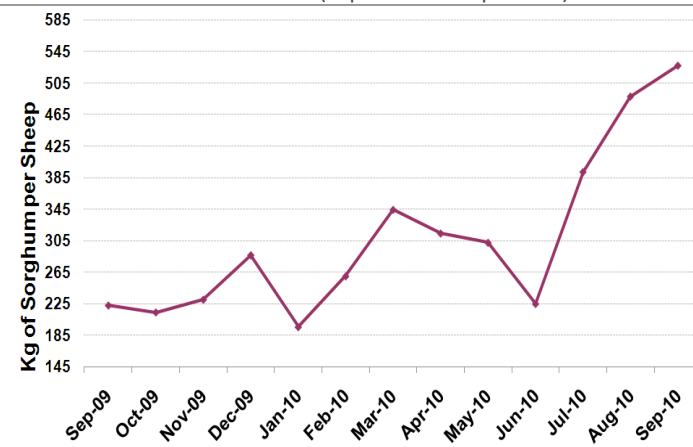
Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Sept. 2009 – Sept. 2010).



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

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



**Figure 7:** Nominal Wholesale Prices of Staple Cereals in Khartoum, (Sept. 2009 – Sept. 2010).**Figure 8:** Real and Current Wholesale Prices of Sorghum (*Faterita*) in Khartoum (Sept. 2009 – Sept. 2010).**Figure 9:** Nominal Wholesale Sorghum (*Faterita*) Prices for Selected Markets (Sept. 2009 – Sept. 2010).**Figure 10:** Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Sept. 2009 – Sept. 2010).**Figure 11:** Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Sept. 2009 – Sept. 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 :

During July and August, cereal prices followed their normal seasonal rise, as the marketable surplus of crops declined during the peak of the lean season. The period between September and November normally marks a decline in staple food prices, as the prospect of crops started to be seen. (See Figures 7 to 9.) Prices showed a normal seasonal trend in September, as prices either declined or remained stable in most observed markets. Prices are, however, still much higher than their five year average and last year (which was also very high).

Currently declined prices are attributed to good prospect of the upcoming harvest and to grain speculators (and big grain traders) releasing grains in anticipation of price declines. Very high crop prices throughout the year, which encouraged farmers to invest more on agricultural inputs and increase area cultivated plus improved weather are the main reasons why the coming harvest is expected to be above average and prices declined. However, prices are expected either to remain high or increase as we approach the referendum time as producers would withhold more grain and speculation may also create an artificial increase in demand and decrease supply.

According to the CBS, the food and non-food inflation rates continued to decline in September 2010. Inflation rates on average declined from around 17% in June to about 10% in September 2010. The food inflation rates are higher compared to the non-food components expressed by the relative price increases. This is the same for both urban and rural settings. The rural inflation rates (9.6%) continue to be higher than the urban (8.9%). (Figures 5 and 6).

Local wholesale prices continued to be very high as compared to international prices though the gap a little bit narrowing as international cereal prices increasing and local wholesale prices decreasing. (Figure 2).

With the current decline in cereal prices, the terms of trade stabilized but favorable for livestock owners as livestock prices are still on the high side. Livestock prices are recently increasing more rapidly than cereal prices.

Current decrease in food prices may provide a little bit of respite to consumers as they have been hit by escalating prices since 2008. With the decline of other food prices (as shown by inflation rates), lower cereal prices will help to boost consumers' confidence on the market. Such benefits are likely to improve the existing poor condition of the food insecure. Traders would also benefit if farmers were able to earn enough income to buy farming inputs and the government would collect income taxes.

Should cereal prices increase from their already recorded high levels in the coming months, there is a high potential risk that this could further exacerbate the food insecurity situation of the poor. This may add another challenge to the possible stress that may occur during the referendum period. According to the Household Survey in 2009, households in Sudan acquire their food mostly from purchases (80.9 percent), followed by other sources (9.8 percent), which include gifts, food aid, and payment in kind and so on.

Despite a positive seasonal development, price hikes are anticipated due to the upcoming referendum in January. Hence, the Government and other actors must regularly monitor prices in food markets (particularly the food markets) to quickly identify unusual price behavior. Understanding the causes and consequences of price anomalies will help decision makers take appropriate actions. The Strategic Reserve Corporation (SRCo), Agricultural Bank of Sudan (ABS), the Ministry of Agriculture and other related core institutions should be coordinated in playing a market-stabilizing role in tackling the underlying issues. In addition, improving the financial system and the provision of credit, strengthening cereal banks, eliminating government and/or private systems that limit competition among grain traders and opening markets with neighboring countries to overcome market stagnation due to market thinness would also help.