



## **Africorp International Co. Ltd – FAAS Trade & Investment Ltd**

### **SUDAN: Mid-Season Country and Market Report 2020**

#### **Breaking News**

Sudan (population of 44 million) declares economic emergency after currency plunges and the transitional government criminalises raw gold and precious minerals transactions, blaming opponents for drop in currency.

Sudan has declared an economic state of emergency after its currency fell sharply in recent weeks, setting up special courts to prosecute what officials called a "systematic operation" to vandalise the economy.

The transitional government, in charge of the country since the removal of Omar al-Bashir last year, will criminalise purchasing, selling, possessing or smuggling raw gold or precious minerals, key hard-currency earners.

The move comes days after Sudan declared a national emergency for three months and designated the country a natural disaster zone after flooding that has killed dozens of people.

The Sudanese pound has declined in recent weeks on what officials blamed as manipulation by those opposing the transitional government.

"We are able to simply say what happened is an open war against the revolution, the economy, the government," Information Minister Faisal Saleh told a news conference on Thursday.

Special courts will be set up in coming days to fight smuggling and other illicit activities, and authorities recently noted people selling gold at above market price to intentionally move the exchange rate.

"What is happening is a systematic operation to vandalise the Sudanese economy, choke the transitional government, and we will not relent or be complacent," acting Finance Minister Hiba Mohammed Ali said.

Bashir's government had tried to crack down on the black-market traders by arresting some of them but had little success. The currency has been devalued four times since 2018.

Sudanese online news site *Dabanga* reported on Wednesday that the pound reached 240 per US dollar on the parallel market, compared to 117 Sudanese pounds per dollar at the start of March and 154 in mid-June. It also said many shops in the capital, Khartoum, had closed due to losses caused by the drop in the currency. Other reports confirm the exchange rate reached SDP275:US\$1 last week.

**Inflation in Sudan is second only to that of Venezuela, with the headline rate climbing to 143.78 percent in July. The rate of inflation is reportedly over 166.83% in August 2020 (source: Sudan Statistics Bureau).**



Security forces would also step up border controls to stop the smuggling of commodities, officials said.

Justice Minister Nasredeen Abdelbari said Sudan expected to be removed "soon" from a United States list of state sponsors of terrorism going back to Bashir's Islamist government.

The designation makes Sudan technically ineligible for debt relief and financing from the International Monetary Fund and World Bank. The US Congress must approve any removal.

### **Regional Rainfall Situation**

During August and September, heavy and continuous rainfall in Sudan caused devastating flooding across at least 16 Sudanese states with the Blue Nile reaching water levels not seen for nearly a century. It ranks among the most severe floods recorded in the region. A state of emergency was declared, and teams have worked to prevent damage to threatened archaeological sites. The flood affected more than 500,000 people, destroyed more than 100,000 homes, and left 102 people dead to date.

The water level of the Nile River in Sudan rose and reached record levels, as floods entered homes and destroyed about 60,000 homes, causing dozens of deaths. The level of the Blue Nile reportedly reached more than 17 metres, breaking all records. Floods caused by torrential monsoon rains mostly outside the country in neighbouring Ethiopia raised the Nile River by 17.5 metres (57 ft) in late August, the highest level it has reached in nearly a century, according to the Sudanese Ministry of Irrigation.

The rates of floods and rain exceeded previous records set in 1946 and 1988.

As 90% of the cultivated area yielding agri-crops in Sudan is rain fed, the quantity and distribution of rains remains a dominant factor for the size of the areas to be planted and the expected yield. Due to the exceptional rainfall amounts received this season, the potential area of crops is increased in comparison with last season.

The area of main crops planted till end of August in recent years including the irrigated sector, is approx.. 45 million feds compared to around 32 million feds prior to 2016.

### **Challenges ahead and the Emergency Situation**

The [Sudanese government](#) led and coordinated the emergency response to the flood. The National Flood Mission Forces of the Humanitarian Aid Committee began, and the Prime Minister, [Abdalla Hamdok](#), confirmed that "the levels of the Nile and its tributaries this year, according to the Ministry of Irrigation and Water Resources, have been unprecedented since 1912." He also pointed out that this year's floods resulted in tragic and painful losses of life and property.

The Sudanese Security and Defence Council declared a state of emergency throughout the country for a period of three months, and decided to consider Sudan a natural disaster area, and to form a supreme committee to prevent and address the effects of torrents and floods, which killed about 100 people and flooded more than 100 thousand homes since late July.

The floods have so far affected more than 650,000 people (UN source) and damaged more than 100,000 homes in at least 16 states across the country. This has left thousands of people homeless. Tents have been put up to accommodate the displaced in Sudan's capital, [Khartoum](#).

Sudan was facing a health crisis even before the flood emergency. Pharmacies have been reporting shortages of medicine and many hospitals lack adequate equipment. Since the floods began three weeks ago, the number of cases of water-borne diseases in areas affected by the floods has dramatically increased.

The political situation is more than troubled. Long lockdown because of COVID-19, added to the misery inflicted by floods as well as the state of political transition are all impacting the economy adversely.

## Labour

Labour is generally available in good supply as the number of labourers coming from Ethiopia and the South is on the increase. Their cost / wages however are soaring in-line with the runaway inflation situation afflicting the country.

## Oilseeds

### *Ground nuts*

The planted area is expected around 6 million feddans, with the area in the irrigated sector estimated at 350,000 feddans. 2020-21 is a highly favourable year for the groundnut in the traditional rain-fed sector, with significant increases in harvestable area anticipated compared with earlier years.

The average yield is expected approx.. 760 kg/ha, which, although low for groundnut in context of other origins, is substantially better than the long-term average of about 500 kg/ha.

Sudanese groundnuts, whose exports have been banned since February 2020, have lately resumed with the ban lifted by the Federal Minister of Trade & Industry.

### *Sesame Seeds*

Sesame seeds is one of the most popular seeds in the world, due to the fact that they contain health-promoting nutrients and elements and the famous sesame oil. But besides the nutritional value, these seeds are also packed with flavor, crunchiness and a certain smokiness that helps them find use in many cuisines. The world produces about 3 million tons of sesame seeds every year on an average. About 60 to 65 countries produce these seeds out of which Asian and African countries are the key sesame seeds producers.

Sudan is among the top sesame seeds producers and exporters in the world, producing typically ~600,000 metric tons per year which represents about 10-12% of the world's production.

The cultivated area of sesame in the current season is approx. 5.5 million feddans.

At an estimated 500, 000 tones, this year's sesame production is typical of Sudan's year-on-year sesame yields.. The average yield of 240 kg/ha is similar to last year's but above the long-term average of about 180 kg/ha.

## Botanical plants

### *Hibiscus Flowers*

Hibiscus flowers [*H. sabdariffa*, and also known as Roselle] are grown in various parts of the Sudan, particularly Kordofan and Darfur. It is one of the cash crops cultivated by traditional farmers under rain-fed conditions, where large quantities are produced both for local consumption and for export.

Hibiscus is a cash crop in arid areas of Sudan, traditionally consumed as karkadeh, a sweet flavoured and popular drink. It is drought-resistant, requires little inputs and creates income for women farmers. European manufacturers also use hibiscus as the bulk constituent of many herbal teas. In the past ten years Sudanese annual exports more than doubled. Earnings from this increase are, however, threatened by competition from China, Thailand, Nigeria and Burkina Faso. Sudanese hibiscus is attractively bright red, very acidic, and it is extremely popular in Germany, which imports most of the crop.

Hibiscus flowers in Sudan are harvested from late November onwards. The harvest is timed according to the ripeness of the seed. The fleshy calyces are harvested after the flower has dropped but before the seed pod has dried and opened. The longer the capsule remains on the plant after the seeds begin to ripen, the more susceptible the calyx is to disease and sun cracking.

Harvesting is carried out by intensive hand labor, the calyces being picked singly at the appropriate stage. The fruit may be harvested when fully grown but still tender, when they can be easily snapped off by hand; some harvesting requires clippers. The fruit is easier to break off in the morning than at the end of the day.

The estimated planted area reached 160,000 feds during last season, representing ~7% increase when comparing to the area planted in the previous season. The total production of the Sudanese Hibiscus this season is unclear but estimated at around 7,000mt, being below the anticipated average and may only represent 60% of last season's production. The decrease in production is attributed to heavy infestation by insects.

Challenges facing the export of Sudanese hibiscus flowers during 2020 will be essentially concerns over a lower crop yield and price increases/instability. The challenge of a comparatively lower Nigerian price remains an issue on the international market, especially Mexico's continued ban of imports of Sudanese, Nigerian and Senegalese origin hibiscus.

### *Senna Pods and Leaves*

Botanical Name *Cassia senna* L & Family: Fabaceae (beans).

Senna appears to have been used since the ninth or tenth century, its introduction into medicine being due to the Arabian physicians, who used both the leaves and the pods.

The plant has a pale green stem with long spreading branches, with small yellow flowers and oblong pods about 2 inches long.

It is also called Nubian Senna or Alexandrian Senna or even Khartoum Senna. It grows extensively in Sudan and mainly wild though with some cultivated areas. The best senna is distinguished by a bright yellowish-green color of the



leaves with a faint odor resembling the smell of green tea and a bittersweet taste. It was formerly exported through Alexandria, from where the name of the Sudanese drug is derived.

Senna grows in September after the autumn rains and in April. Senna contains a family of hydroxyanthracene glycosides, the most plentiful of which are sennosides A and B.

It is known for increasing the movement of the colon by increasing the functions of the intestinal wall. It is also a remedy for hemorrhoids, alimentary canal and prolapsus. Similarly, both leaves and pods of the plant are used to cure breathing problems. An infusion of the pods is used as an effective way to suppress fever and to stop chronic nosebleeds. The roots of the plant are also consumed with milk to treat malaria.

New crop yields are difficult to ascertain/ estimate early in the season in Sudan because senna is a wild crop, spread across large areas and normally collected after other traditional food and cash crops are harvested [namely sesame and groundnuts].

Estimated senna pods crop yield this year is estimated at an annual typical average of approx..800 tons

#### **Gum Arabic**

Gum Arabic is one of the most important agricultural exports in Sudan, with an estimated 5 million Sudanese farmers depending on the crop for their livelihood. The gum usually leaves the country in its raw, unprocessed form, as cleaned nodules in 25-50kg bags.

Gums are extracted from branches of acacia trees growing in Sudan's southern Savannah. Excess summer rains in the traditional Gum Arabic growing areas of Kordofan initially gave the market signals that the new season will be very good. Carried-over stocks of old crop, 2018-2019 material were around 4,000mt,

#### *Gum Hashab and Talha*

Hashab Gum harvest starts from mid-November. The first batches arrive at auction markets from end December. Hashab gum supplies tend to improve markedly in January as producers start to bring larger gum quantities to the auction market

Sudan's total Hashab production for 2020 is estimated to be around an annual typical 25,000 MT.

Gum Talha is picked after Hashab gum, with the new crop material typically coming to market around 4-6 weeks after Hashab. Sudan's total estimated production of Talha gum this season was initially expected at around 38,000 MT.

However, the low price during 2019 and carry-over stocks has caused the local price for new crop to remain low. This has not incentivised farmers to tap the trees in many of the areas and added to this a part of the gum workforce departed to work in the gold mining industry.



## Africorp (ACI) in Brief

Africorp's warehouses and supply chains remains intact. Our storage capacity has increased by adding a total of 2580 square meters within a plot of 10000 square meters including a new 2 floors admin office, in Khartoum's Soba Industrial Area (35km south of Khartoum).

ACI has added two new lines of sesame/ pulses / grains cleaning plant with a capacity up to 15MTs/hour.

A new groundnut cleaning and sorting factory is underway, scheduled to be operational at beginning of new crop season around December 2020, with capacity of 120MTs of Peanut HPS/per day.

A new Brazilian deshelling system has also been purchased, installed in El Obeid (North Kordofan State - main land of Spanish type Groundnut) and is operational with a capacity of up to 30MTs per day. ACI already owns and operates two Indian origin deshelling systems of a capacity of up to 40MTs/day.

## Looking forward

Recent rainfall season across much of Sudan has been substantial and ongoing, and hence bumper crops for 2021 are anticipated across all agri-commodities. Heavy rain fall is causing a shrinking of areas planted with **sesame**, whereas areas planted with **sorghum** have increased significantly.

The excess rainfall and flooding is irrigating the soil across large areas of farmed crops across the country, and hence expectations of **sizeable crop yields**. However, this anticipated excess supply has to be considered in context of the multiple worrying challenges currently impacting Sudan's economy, on top of the typical restrictions of Covid-19.

The worrying sky-high inflation rate is a major concern affecting local labour costs and overall costs across the economy are increasing exponentially. The continued depreciation of the national currency has also caused local sellers of agri-commodities to increase their offer prices and build stocks in anticipation of prolonged period of price increases.

*Note:*

*A feddan is divided into 24 Kirats (175 m2).*

*1 feddan = 24 kirat = 4200 square metres (m2) = 0.42 hectares*