

Africorp International – FAAS Trade & Investment Ltd New Season Agri-Commodities Report 2016/2017

Breaking News

On Friday 13th January the US Treasury announced that most of the U.S. economic sanctions imposed on Sudan have been lifted, and almost all trade between the U.S. and Sudan that was previously prohibited under the Sudanese Sanctions Regulations (SSR) in 31 C.F.R. Part 538 are now authorized.

The lifting of these sanctions was as a result of Presidential Executive Order on January 13th, as well as the implementation of a new General License on 17th January by the Treasury Department's Office of Foreign Assets Control (OFAC) in Section 538.540 of the SSR.

As a result of this news, commercial events in the Sudanese agri-commodity sector over the last two weeks have been reacting with uncertainty due to the considerable appreciation [~20%] of the Sudanese Pound against the US Dollar, resulting in delayed quotations and offers being made to the international market. We see the situation as stabilising shortly and the normalisation of trading to ensue within the next few weeks ..

REGIONAL RAINFALL AND VEGETATION SITUATION

Persistent and above-average seasonal rains were recorded during the last quarter of 2016 over Sudan, Western Ethiopia, Western Eritrea, and Eastern / Western parts of South Sudan, where as a result vegetation growth conditions were recorded as above average.

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 above-average rainfall amounts received throughout the season, the area of crops is increased in comparison with last season. The area of main crops planted till end of August 2016, including the irrigated sector, is 45.5 million feds compared to the over 32 million feds in the previous season.

Challenges

The situation of pests and infestations was calm with no serious incidents of pests and diseases reported till end of rainy season. Crop[s] health has been generally good with minor outbreaks of locusts and migratory birds were reported in parts of South Darfur, East Darfur, North Kordofan and West Kordofan states. Crop losses were mostly minimal as a result of local authorities taking appropriate control measures. Watermelon bug, however, caused damage in North Kordofan. Mealy bug infestation was also reported on some crops in various parts of the country.

Flooding

Above-average rainfall amounts received throughout the season, caused flooding that caused to crop losses and temporarily displaced a significant number of households, most significantly in Kassala, Sennar, Kordofan, Al Gezira, Gedaref, White Nile, and Darfur States.

The above-average rainfall since the end of June led to flooding over many parts of Sudan, including Kassala, Sennar, Gazeira, South Kordofan, and North Darfur States.

Labour

Labor is generally available in good supply as the number of labourers coming from Ethiopia and the South is on the increase. Their cost / wages is generally stable.

Oilseeds

Ground nuts

The planted area till end of August 2016 reached nearly 6 million feddans constituting ~85% of targeted area. The area in the irrigated sector is estimated at 350,000 feddans. The crop performance is excellent and harvest started in New Halfa from mid-September and in Rahad in late September 2016.

2017 is a highly favourable year for the groundnut in the traditional rain-fed sector, with significant increases in harvestable area compared with 2015-16. Production was up by over 30 percent on last season and estimated at over 1million metric tons, in the semi-mechanized rain-fed sector, but down by ~20 percent in the irrigated sector, the result largely of a reduction in planted area. Much of the reduction in planted area was attributable to farmers' growing the more lucrative pigeon pea instead

The average yield this year was 760 kg/ha, which, although low for groundnut, is slightly higher than that of last year (720 kg/ha) and substantially better than the long-term average of about 500 kg/ha.

Sesame Seeds

Sesame seeds are 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 5.587 million feddans.

At an estimated 520, 000 tones, this year's sesame production is slightly lower than last year's. The average yield of 240 kg/ha is similar to last year's but above the long-term average of about 180 kg/ha.

Watermelon seeds

The total targeted planted area is ~500,000 feds, representing around 90%of the area planted in the last season.

The total production of the Sudan watermelon seeds [of the Super and Sadir qualities] this season is below average which attributed to infestation with watermelon bug. Area affected was mostly in North Kordofan.

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 planted area reach 160,000 feds in the season 2016/2017 represents ~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 5-6,000mt, being far below average and may only represent 35% - 40% 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 2017 will be essentially concerns over a lower crop yield and price increases/stability following the recent removal of US trade sanctions. The challenge of a markedly lower Nigerian origin price remains an issue on the international market, especially Mexico.

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. It was formerly exported through Alexandria, from where the name of the Sudanese drug is derived.

The plant has a pale green stem with long spreading branches. The sweetish taste of the leaves distinguish Senna from the Argel leaves. It has 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.

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]. Another consideration is the rainy season was very good in last year and hence good crop yields are expected for senna and other Agri-commodities during 2017.

Estimated new production however is estimated at 700 - 800 Tons which is less than the previous season. The reasons cited for this are:

Competition from other herbs and plants that achieve a higher premium at auctions compete for the same plantation areas [such as hibiscus flowers this season].

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. Good summer rains in the traditional Gum Arabic growing areas of Kordofan initially gave the market signals that the new season 2016-17 crop will be good. Carried-over stocks of old crop, 2015-2016 material were around 3,000-4,000mt,

Gum Hashab

The Hashab gum harvested started from mid-November. The first batches arrived at the auction markets from end December. Hashab gum supplies improved markedly in January as producers started to bring larger gum quantities to the auction market

Sudan's total production is estimated to be around 25,000 MT for 2016-17.

Gum Talha

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 2016 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.

Many consider the 2016 levels of Hashab at \$2450 and Talha at \$750 Talha as not tenable especially when comparing these levels to the Chad Friable and Kitir which are currently at around \$1,000 and \$3,000/mt FOB respectively. In this context many expect Sudan's new crop gum prices to increase during 2017.

Note: A feddan is divided into 24 Kirats (175 m2).
1 feddan = 24 kirat = 4200 square metres (m2) = 0.42 hectares