Booming market for wheat

by David McKee

Demand for bread and other wheat-based products is surging in Sudan as well as other sub-Saharan Africa countries

Sub-Saharan Africa accounts for just 14% of the world wheat trade and a small fraction of all consumption. But in coming decades, demand from the region will result in the lion's share of increases in global wheat production and trade.

This is because nearly all net global population growth up to 2050 will be in the 45-plus countries of the region. Rapid urbanization will mean greater per capita consumption of bread and other wheat-based foods at the same time as average consumption goes down or remains stable in developed countries as well as in the Middle East, China and India.

Sudan is one country that has been leading the regional trend. Sorghum and millet are the traditional cereals grown and consumed throughout the country, but in recent years imports of wheat have totaled 1.7 million tonnes per year. In the sub-Saharan region, only Nigeria at 3.5 million tonnes imports more.

(Above) Wheata Flour Mills, founded in 2001, has 1,750 tonnes of daily milling capacity at its single plant in North Khartoum, Sudan. Photos courtesy of David McKee.

As late as the 1980s, bread for most people in Khartoum (the nation's capital) was a luxury purchased only when guests came. Annually only 100,000 tonnes of wheat was ground in modern mills. Today, three powerful milling companies are producing 1.5 to 2 million tonnes of wheat flour per year. In Khartoum, where the population has burgeoned to 10 million, the average person now consumes over 200 grams of wheat flour daily, equivalent to four or five typical loaves.

The most aggressive player in the sector in recent years has been Seen Flour Mills, which took over the former government mill in Khartoum, the original wheat mill in the country, and then acquired a couple of failed mills in Khartoum as well.

More than 20 years of civil wars in the west, south and east of the country have caused millions of displaced people to relocate to the capital. Millers report that 90% of these migrants within a few years have switched from sorghum to bread as their main food. The traditional flat bread from sorghum flour, kisra, is now baked in urban households just one day per week or only on holidays. Many women in cities have never learned to bake kisra.

About half of the country's production of 70,000 to 80,000 50-kg bags per day is consumed in Khartoum, which represents about one-third of the 30 million population of the northern part of the country.

Similar changes in eating habits are occurring in most of the country's urban areas thanks to an efficient network for distribution of wheat flour, which often costs less than local grain. Few villages these days are without a bread baker. Many farm families now sell part of their sorghum harvest for animal feed use in order to have money to buy bread. Even in Darfur, internally displaced people living in the huge refugee camps frequently sell a portion of their sorghum ration in order to buy bread.

THE BIG THREE

One of Africa's most modern wheat milling industries has developed as both a contributor to and beneficiary of the trend toward greater bread consumption. The three mill operators in Sudan are the basis for the major food groups and indeed some of the largest private business groups in the country.

Sayga Flour Mills, which is part of Dal Group, is the biggest miller in terms of installed capacity. It started up in 1996 with a 300-tonne-per-day capacity mill. Today it has nearly 4,000 tonnes of milling capacity at three sites: four production lines with 2,250 tonnes of capacity in Khartoum, 1,200 tonnes at a leased mill in Port Sudan, and 500 tonnes at Atbara, located between Khartoum and Port Sudan.

Sayga has built a pasta plant next to one of its mills in Khartoum, where capacity was expanded in the last two years to 300 tonnes per day. Vermicelli, suitable for making a traditional Sudanese sugary desert, accounts for 80% of the plant's output.

Sayga's parent company, Dal Group, is in the process of investing $60 million in a major dairy operation that will have 10,000 cows fed by Sayga's bran production.

Wheata Flour Mills, which started up in 2001, was the second company to become a major wheat flour producer in Sudan. Currently, it has three production lines with 1,750 tonnes of daily capacity at its single milling plant in Khartoum. Wheata is part of Araak Group whose other food interests include fruit juices.

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Relying on special access to the domestic wheat crop of 300,000 to 400,000 tonnes combined with Black Sea wheat, the company has used a low-price strategy to rapidly win market share, particularly in the low-income districts of greater Khartoum. Seen Flour Mills is planning the construction of a new 1,000-tonne-per-day mill in north Khartoum near its main mill, as well as an industrial bakery with five tunnel ovens.

IMPACT OF DEREGULATION

Deregulation of the industry in 1998 has been an important factor in its dynamic growth since then. Formerly the government held a monopoly on wheat imports, which were supplied to about 20 small millers on a quota system at subsidized prices in order to keep bread prices down. Once the government gave up its control due to chronic supply shortages, most of the smaller millers, lacking the financial strength to buy boatloads of wheat, were forced to close or operate only intermittently.

Sayga developed a strong supply relationship with the Australian Wheat Board and Wheata with the Canadian Wheat Board. Thus the two companies were able to dominate a market that could not be satisfied by local wheat production.

It could be argued that investment by the three largest milling groups —

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not just in milling, but also in storage and transport — has done a lot to improve food security in Sudan. There is now 240,000 tonnes of steel silo storage capacity for wheat at Port Sudan. Pending projects could add another 100,000 tonnes. The eight milling sites have another 140,000 tonnes of storage. In total, this is nearly 400,000 tonnes of wheat storage that has been built in the past 15 years.

By comparison, the government strategic grain reserve, which is mainly sorghum and millet, operates two concrete grain elevators built in the 1960s by the Soviet Union: one 50,000-tonne port facility at Port Sudan and a 100,000-tonne elevator in the main sorghum producing area around Gadarif, where there is also a new 100,000-tonne concrete silo built by a Chinese contractor.

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The importance of food security in Sudan should not be understated. From 1995 to 2010, Sudan's population doubled from 20 million to 40 million. Add to this civil wars and periodic droughts that reduced the sorghum and millet harvest, and it is not surprising that the country has hosted one of the largest food aid distribution operations of the World Food Program. The United Nations agency as recently as a few years ago imported and distributed up to 800,000 tonnes of food commodities to distribute to 6 million beneficiaries, the great majority being people in Darfur displaced to camps that have now become permanent settlements.

Red sorghum donated from the United States has traditionally amounted to about two-thirds of the WFP food basket. Now with more political stability and the scaling down of food distribution, some of this donated sorghum will inevitably be replaced by wheat imported commercially.

Recent improvements in grain transport infrastructure have also served to keep wheat prices down and improve food security. This has resulted from a combination of public and private investment. Port Sudan's harbor has been

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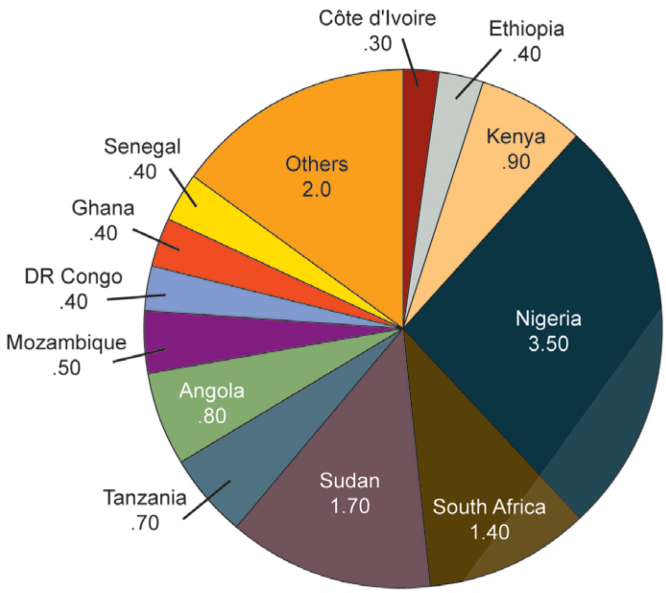
Sub-Saharan Africa wheat imports
(in million tonnes)
2010



Note: Includes wheat flour in wheat equivalent
Source: International Grains Council and author's estimates for 2009-10

dredged to accommodate vessels with 40,000 tonnes of grain versus only 25,000 tonnes five years ago. A new highway has shortened the road distance from Port Sudan to Khartoum from 1,200 to 800 kilometers and truck transit time from over 20 hours to less than 12. At least 5,000 tonnes of wheat must be transported daily over this distance to satisfy the capital's milling demand.

Sayga has invested in a fleet of Australian-designed grain hopper cars as well as locomotives made in China in order to operate its own grain trains on the government tracks. Wheata operates a fleet of 220 trucks with cylinder tanks for bulk transport of its wheat.

Sudan has a long history of wheat production. But in the deregulated environment since 1998, local wheat has not always been competitive with imports. Varying quality of small lots from numerous individual farmers makes local wheat less desirable to the big milling companies.

However new investment is taking place, much of it from Saudi Arabia, where large agricultural companies have stopped production due to reversal of the 30-year policy of self-sufficiency in wheat. One major Saudi investor has transferred from Saudi Arabia center pivot irrigation equipment, combines, tractors and even technicians to establish over 32,000 hectares of wheat farms between Port Sudan and Khartoum. With yields of five tonnes per hectare, an extra 160,000 tonnes of local wheat is anticipated.

Two of the millers have also turned their focus to sorghum flour in 1-kg retail packaging. Sayga was the first to launch such

Sayga Flour Mills has its own fleet of Australian designed grain hopper wagons and locomotives to transport wheat on 1,200 km of government tracks from Port Sudan to Khartoum.

a product, but Seen Flour Mills has announced its purchase of two 100-tonne-per-day sorghum mills. Nevertheless sorghum remains the domain of chakki-style stone mills found in villages as well as urban markets.

Corporate social responsibility programs are important to all three milling companies. Since 2005, Wheata has fortified all of its production with iron and folic acid. In the last year it became the first company in Sudan to gain ISO 9000 food safety management certification. Sayga has financed the conversion of many bakers from wood- and charcoal-fired ovens to gas and electric. The company has even trained female prison inmates to become bakers. Seen Flour Mills is best known for its commitment to purchase local wheat from small holder farmers.

Can a handful of private wheat millers help solve the food security, public health, environmental, economic and social problems of an African country? In Sudan, they are certainly doing their part. WG

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