

Kurmuk Cross-border Market Profile Report

1. Description of the market

Location: Kurmuk is one of the border markets situated along the border between Ethiopia and Sudan. A seasonal river divides Kurmuk Sudan and Kurmuk Ethiopia. Kurmuk is located in a dry Kolla (low land) area of western Benshangul Gumuz where livelihoods are dependent on Sorghum and Maize production. In addition the people also engage in traditional gold mining.

Catchment area: The catchment area for Kurmuk market comprises of the expansive Assosa region (Figure 1). Sorghum and Maize are supplied by producers to Kurmuk market for sale, after which they buy other food and non food items.

There is no official livestock market in Kurmuk as it is a requirement of the government that livestock markets be held more than 10 km away from the border. Most livestock are thus traded informally, and the market is very important for livestock keeping households since they obtain food from Kurmuk market by selling their livestock.

Market days and hours: The market operates daily for both food and livestock. However, the official market days are Saturday for Kurmuk Sudan and Sunday for Kurmuk Ethiopia. The market opens from 9 am to 3 p.m. with the peak time being between 10 a.m. and 12 a.m.

Market infrastructure: The market comprises of an open area with scattered temporary shades where traders display their merchandise on the ground. The open space is maintained by municipality and its capacity is small such that it does not accommodate all the traders.

There are around 7 to 10 stores with a capacity of 10 MT to 50 MT owned by wholesale and small traders. They store food and non food commodities. The road infrastructure from Assosa to Kurmuk is now under construction, being upgraded to a tarmac road. In addition, telephone service is also under expansion.

Other cross border markets near Kurmuk are Bikori, Ulu, El khor, Bulbuk, Atele, Koshenkero and Demazin.

2. Commodities traded in the market

Both food and non food commodities are traded across the border. While livestock trade is largely informal, the trade of food commodities is dominated by formal trade performed under the agreement signed by the government of Ethiopia and Sudan (except for cattle and coffee). There are 18 types of commodities allowed to be traded freely in the border areas. Edible oil and onion inflows from Sudan to Ethiopia while sorghum, maize, faba beans, Check peas, maize, garlic, ground nuts, cattle and goats outflow from Ethiopia to Sudan.

Figure 1. Kurmuk cross border market catchment area

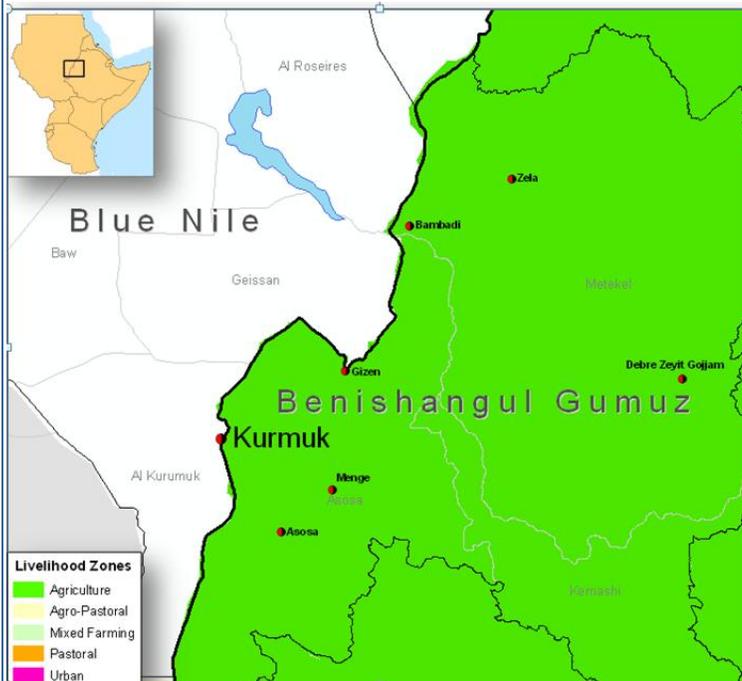


Table 1. Number of food commodities traders in Kurmuk

Commodity	Type of trader/market actor		
	Wholesaler	Retailer	Brokers
Sorghum, Maize, Faba beans, Check peas, Tomato and Ground nuts	25-30	80-100	30-35

Table 2. Number of livestock traders in Kurmuk market

Commodity	Type of trader/market actor	
	Wholesaler	Brokers
Cattle, Sheep & Goats	5	-

The main actors in the food market are wholesalers, retailers and brokers (Tables 1 and 2). Wholesalers on the Ethiopian side of the border buy Sorghum and Maize from producers in neighboring Zones of Assosa, Kamashi and East Wellega which they either sell to retailers or consumers in Kurmuk Ethiopia or to wholesale traders from Kurmuk Sudan. The sale to Sudan wholesalers is facilitated by brokers. Brokers play a key role in linking Ethiopian wholesale sellers to Sudanese wholesale buyers. They also play an important role in negotiations leading to price discovery.

About 30 % of the food commodities handled by Ethiopian wholesalers is sold locally in Kurmuk while the remainder rest is bought by Sudanese wholesalers and transported to other areas inside Sudan such as Kurmuk, Dinka, Bulbuk, Atele, Koshenkero and Demazin.

Maize is graded as white or yellow maize, while Sorghum as white or Red. Cheek peas are graded by size or by source area, i.e. Gonder type or Dessie type. Price of grain varies according to their type. Cell phone is main means of communication among traders and other stakeholders.

3. Commodity distribution system

Cereal trade flow: The cereal trade flow map is shown in Figure 2. The main sources for maize and sorghum are Famsori, Homosha, Abadi, Amba, Nejo, Gimbi, Nekemte, Ambo and Addis Ababa. Wholesalers purchase the grains from producers and transport it to Kurmuk market through Assosa and sell to small traders, and consumer at Kurmuk. In addition, traders from Kurmuk Sudan purchase these cereals from Ethiopian wholesalers either by crossing to Kurmuk Ethiopia or from Ethiopian traders who have set up shops on the Sudan side of border. There are around 3 traders from Ethiopia who own stores in Kurmuk Sudan.

Livestock trade flow: Figure 3 gives the livestock trade flow map. The main sources for livestock are areas located between Assosa and Kurmuk i.e. Sherkole, Famsori, and Abadi. Traders from these areas have business partnership with traders in Kurmuku Sudan to whom they sell cattle informally.

Cereal and livestock trade volumes: According to the data recorded by customs office at Assosa that monitors Kurmuk Ethiopia border trade, from May to September 2010 around 3075 metric tons of Sorghum, 135 mt of maize, 184 mt of Faba beans, 158 mt of Cheek peas, 329 mt of Tomato, 1707 Cattle, 2405, Goats and 1418 Sheep weres traded from Ethiopia in both formal and informal ways. During this period 15760 liters of edible oil and 329 mt of onion traded from Sudan to Ethiopia through Kurmuk. Trade transaction is mostly supported by trucks and donkey carts.

Marketing costs: Main costs that traders expect to pay durng trade transaction are:-

- i. Local municipality tax Birr 10.00 per quintal/Transport /donkey cart/ Birr 20.00 per Quintal
- ii. Loading & offloading (Labor) Birr 4.00 per Quintal
- iii. Storage Cost around Birr 5.00 per Quintal.

Figure 2. Food commodities trade flow map

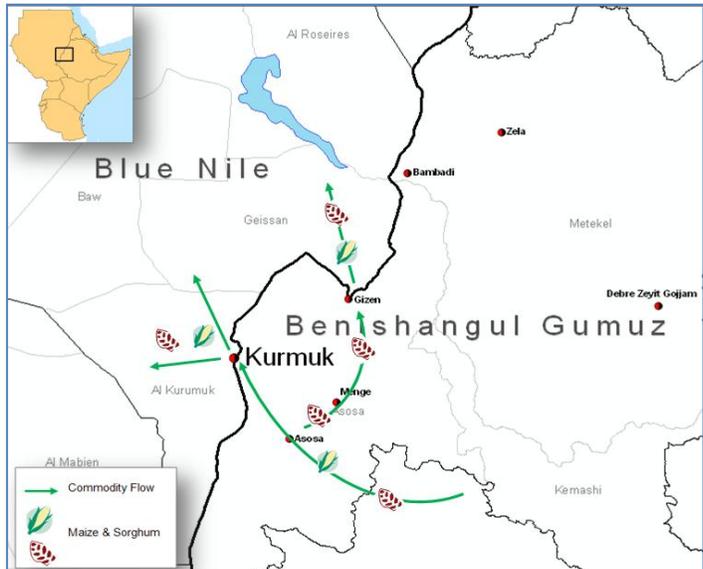
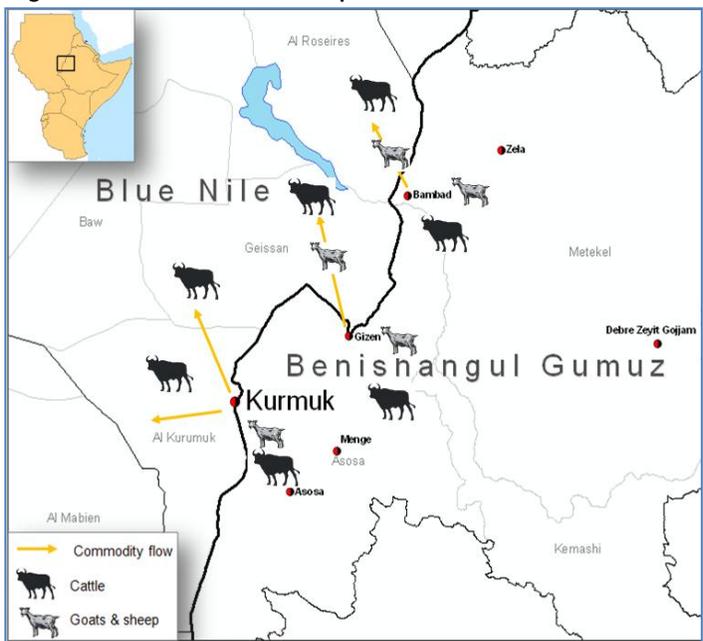


Figure 3. Livestock trade flow map



4. Seasonal variation in market supply and prices:

Cereal calendar: January-February is main harvest season for grains. During this period there is adequate grain supply and price is lower (Figures 4 and 5).

Maize and Sorghum are the main staple food of local people and it is more available during harvest season of local produce. Starting from April, volume of supply starts to decrease and prices show increasing trend.

The period between 2008 and 2009 was a year when price of grain showed significant increase all over the country including Kurmu market. Following the inflationary pressure due mainly to the rise in staple prices, the government took different measures such as increasing commercial import of wheat to stabilize consumer markets in urban areas, banning the export of cereals etc. Favorable weather condition and governments effort to stabilize price, since January grain has resulted in a declining price trend in Kurmuk and catchments areas.

Livestock trade: Despite restriction of livestock marketing to distances of about 25 kms from the border, there is still an active informal trade in Assossa zone. Prices of cattle, goat and sheep at Kurmuk have shown increasing trend in the last 9 months (Figure 6) improving the livestock cereal terms of trade (Figure 7).

Table 2: Seasonal variation per commodity supplied in the market in a normal year

Commodity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maize	A	A	A	S	S	S	S	S	S	S	S	S
Sorghum	A	A	A	S	S	S	S	S	S	S	S	S
Teff	S	A	A	A	A	A	S	S	S	S	S	S
Horse Bean	A	A	A	S	S	S	S	S	S	NA	NA	NA
Check pea	S	S	S	S	S	S	S	NA	NA	NA	NA	NA
Cattle	A	A	A	A	A	A	A	A	A	A	A	A

(Note A-indicates Abundant, S-Scarce & NA- Not Available)

Figure 4: Sorghum price trends

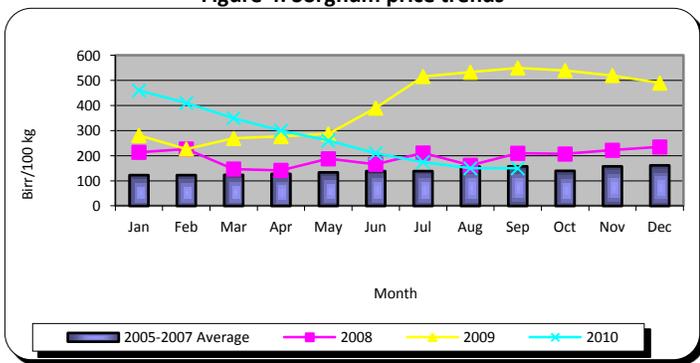


Figure 5: Maize price Trends

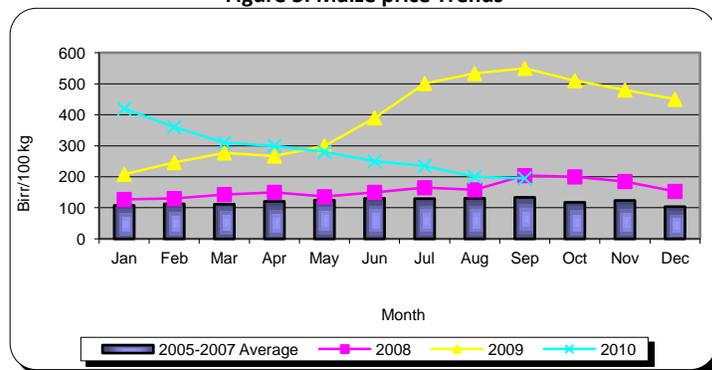


Figure 6: Cattle price Trends

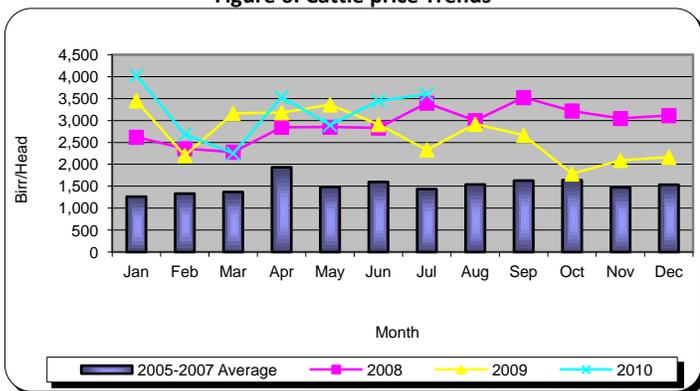
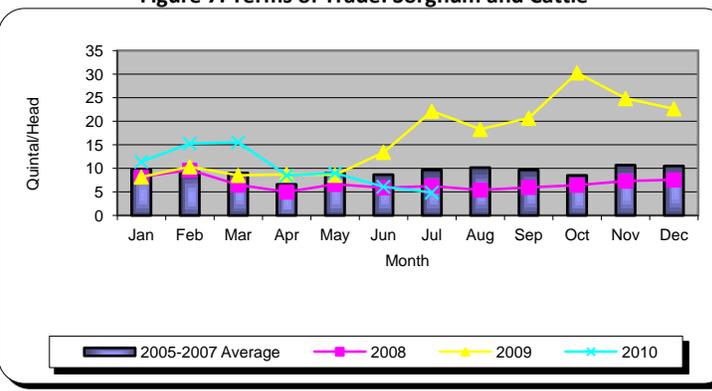


Figure 7: Terms of Trade: Sorghum and Cattle



5. Shocks to the market

According to the Ethio-Sudan free border trade agreement traders who engage in free border trade are able to buy or sell consumer goods worth 2000 Birr at single transaction but at the same time in return they would have to buy or sell commodity worth of equivalent

value. In applying this rule most of the time it is difficult for traders to get profitable commodity with equivalent value. The traders are also complaining that the amount of allowed money quantity is insufficient.

Despite big effort by the government to improve infrastructure high transport cost due to high price of fuel it is affecting selling price and availability of commodities. In addition to this recent official devaluation of Ethiopian Birr by about 17percent has brought sharp price increment on imported commodities and to some extent on local commodities.

Value added tax (VAT) was introduced in the country since January 2003 and all traders are expected to be registered and work in this system. But currently this doesn't cover all traders hence VAT registered legal traders have complained about the system. But it is expected in the future this will not be a major marketing problem when more and more traders become VAT registered.

Following price shoot-up in 2009 in most market areas, to avoid unnecessary competition which can worsen the problem government has restricted bank loans to grain traders. Since then traders at different market places including Kurmuk are facing financial constraint to perform large transaction. Limited number and capacity of warehouse are also other problems of traders at Kurmuk.

Except the above mentioned market problems there were no major market shock observed so far.