SUDAN MULTI-DONOR TRUST FUNDS

MDTF-National
Sector Policy Note

Export Marketing of Sudanese Gum Arabic

Thomas Yves Couteaudier

December 31, 2007

Multi Donor Trust Fund-National
Technical Secretariat
The World Bank
Khartoum
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### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CPA</td>
<td>Comprehensive Peace Agreement</td>
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<tr>
<td>FAO</td>
<td>Food and Agricultural Organization</td>
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<tr>
<td>FNC</td>
<td>Forest National Corporation</td>
</tr>
<tr>
<td>FOB (also f.o.b.)</td>
<td>Free on Board</td>
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<tr>
<td>GAC</td>
<td>Gum Arabic Corporation</td>
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<tr>
<td>GoNU</td>
<td>Sudan Government of National Unity</td>
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<tr>
<td>GOS</td>
<td>Government of Sudan</td>
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<tr>
<td>HPS</td>
<td>Hand Picked Selected</td>
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<tr>
<td>JAM</td>
<td>Joint Assessment Mission</td>
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<tr>
<td>JECFA</td>
<td>Joint Expert Committee on Food Additives</td>
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<td>MDTF</td>
<td>Multi-Donor Trust Fund</td>
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<td>MDFT – N</td>
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<td>MDFT – S</td>
<td>Multi-Donor Trust Fund - South</td>
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<tr>
<td>MoFNE</td>
<td>Ministry of Finance and National Economy (GNU)</td>
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<tr>
<td>MFT</td>
<td>Ministry of Foreign Trade (GNU)</td>
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<tr>
<td>MT</td>
<td>Metric Ton</td>
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<tr>
<td>OC</td>
<td>Oversight Committee</td>
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<tr>
<td>SC</td>
<td>Sudan Consortium</td>
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<td>TS</td>
<td>Technical Secretariat</td>
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<td>USA</td>
<td>United States of America</td>
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<td>WB</td>
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<td>WHO</td>
<td>World Health Organization</td>
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ABSTRACT

Sudan is the world’s largest producer of gum arabic, which is one of the four important agricultural export commodities from Sudan, along with livestock, cotton and sesame. Over the last 20 years, gum arabic export value amounted on average to US$ 40 million annually. While there has been government intervention in the marketing of all agricultural exports in the past, gum arabic is the only one for which government controls remain.

Gum arabic is mostly produced by small-scale farmers in traditional rain-fed farming areas. They represent up to 20 percent of Sudan’s population and are among the poorest. The impact of the current gum arabic marketing policy has not been beneficial to this group. This has led to reduced production and consequently exports, declining for the past forty years at an average rate of 2.2 percent per annum. The objective of this policy note\(^1\) is two fold:

- To assess the impact of the Government policy for the export marketing of gum arabic, and
- To identify options for changing the current marketing arrangements in order to increase and stabilize gum exports, capture more value added in Sudan and provide producers with a larger share of export prices.

One of the key commitments made by the Government of National Unity under the Joint Assessment Mission (JAM) framework was to “abolish the export monopoly” over raw gum arabic. This commitment has not been implemented.

The development of the processing industry over the last four years has resulted in increased domestic competition for raw gum, and in turn better prices paid to farmers as well as more value added captured in Sudan. This positive development comes at a propitious time as increased consumption of soft drinks and confectionary products, as well as rapid development of health and dietetic products is boosting the world demand for gum arabic.

This paper concludes that decontrol of the gum arabic export market could increase export revenues for Sudan and raise significantly the income of small scale farmers.

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\(^1\) An earlier version of this policy note was submitted to the Oversight Committee meeting of the Multi-Donor Trust Fund National (MDTF N) in April 2007. It was presented in July 2007 at the national workshop on ‘the future of gum arabic’ organized by FNC with the support of the MDTF N. This final version integrates comments received from the workshop participants.
PREFACE

The livelihoods of a large number of rural Sudanese - among the poorest and most vulnerable to adverse shocks - depend on gum arabic, an agricultural export commodity produced in central Sudan.

In addition to inadequate marketing arrangements, the note highlights two issues that will have to be addressed by future policies and reform actions: the limited participation of gum producers in the development of the sector and a non-conducive business environment which does not favor private sector expansion. Recent developments in the domestic gum sector indicate the way forward: government support to producers associations has reaped good results and could be scaled up throughout the gum belt; the expansion of domestic processing, which resulted in better prices paid to farmers, also offers good prospects for reviving the sector.

The implementation of appropriate policies and investments to support improved gum processing and marketing will generate additional income for small-scale producers, thus contributing significantly to reaching some of the Millennium Development Goal that calls for halving the share of population suffering from extreme poverty and hunger. Such measures would also help increase the level of domestic value-added; which would have a positive effect on the country’s overall economic growth.

The future of gum arabic is also tied to better management of natural resources, as reflected in the Joint Assessment Mission report. Innovations in carbon finance offer an exciting opportunity to use forestry as a means to promote rural and national development. But seizing this opportunity will require the political will to move forward with reforms that improve the governance of natural resources.

Ultimately, success in reforming the gum arabic sector will depend on concerted action with the international development community. Together we must level the domestic and international trade fields, provide improved public goods, empower small-scale producers and address climate change. At stake are the livelihoods of millions of rural poor.

Elsheikh M. Elmak
Chair, MDTF-N Oversight Committee

Corina van der Laan
Co-chair, MDTF-N Oversight Committee
ACKNOWLEDGMENT

This policy note is a product of the Multi-Donor Trust Fund - National. This is one of the two trust funds established under the authority of the Comprehensive Peace Agreement (CPA) which was signed in January 2005. The trust funds which assist the Government of National Unity and the Government of Southern Sudan are both administered by the World Bank.

One of the key design features of the Multi-Donor Trust Funds (MDTFs) is that investment programs and projects would be grounded in the analysis of the Joint Assessment Mission (JAM) which was published in March, 2005. The JAM, started well ahead of the signing of the CPA, was managed jointly by the United Nations and the World Bank with the full endorsement, guidance and participation of the Government of Sudan (GOS) and the Sudan People’s Liberation Movement (SPLM). The report of the JAM was a Framework for Sustained Peace, Development and Poverty Reduction which was endorsed by both the GOS and the SPLM. A core element of the JAM report was a Monitoring Framework which included a reference to gum arabic, namely that the export monopoly would be abolished by 2005.

In the event, nothing was done to abolish the export monopoly on gum arabic. This report takes up the story of a number of unsuccessful efforts to change export policy. At the beginning of 2005 the MDTF-National decided to prepare a policy note on export marketing to assess the impact of past and current Government export marketing policies for gum arabic, and to explore options for changing current marketing arrangements.

This policy note was prepared by Thomas Couteaudier (consultant, WB Technical Secretariat, MDTF-National) in close association with Jack van Holst Pellekaan (consultant, World Bank), and Mohamed O. Hussein who also provided the decrees included as annexes and translated them into English. Youssif El Fadil, (consultant, World Bank) collected and processed gum arabic export data and other information.

Considerable assistance was received from a range of Government and non-Government experts in gum arabic production and marketing. The policy note benefited substantially from a series of discussions with the General Manager of the Forest National Corporation (FNC), Dr Abdelazim Mirghani, and the Deputy General Manager, Dr Abdel Hamied as well as other FNC technical staff. FNC Headquarters and state offices in South Kordofan, Blue Nile and White Nile organized field trips as well as meetings with key informants, including gum producers, representatives of producers’ associations, and commercial traders. Meetings with Gum Arabic Corporation staff and Sudanese processors also contributed to an understanding of important issues in gum arabic export marketing.
Drafts of this policy note were reviewed by a number of World Bank staff, namely Steve Jaffee, Jeni Klugman, Philip Schuler, Stephen Mink and Karen Mc. Connell Brooks (Sector Manager). The policy note was prepared under the overall supervision of Jeeva Perumalpillai-Essex, Lead Operations Officer in the World Bank, in collaboration with Asif Faiz, Country Manager for the World Bank in Sudan and Manager of the Technical Secretariat for the MDTF-National. The report was processed by Selma Siddig and Azza Imam under the supervision of Yousra Abdel Rahman.
I. INTRODUCTION

Sudan is the world’s largest producer of gum arabic, which is one of the four important agricultural export commodities from Sudan, along with livestock, cotton and sesame. Over the last 20 years, gum arabic export value amounted on average to $US 40 million annually.

Gum arabic is mostly produced by small-scale farmers in traditional rain-fed farming areas (central and western Sudan); they represent up to 20 percent of Sudan’s population, or around 6 million people\(^2\), and are among the poorest and most vulnerable to food insecurity.

Small-scale farmers who give priority to food crop production (usually sorghum or millet) to secure family nutritional needs but seek other sources of income to meet the household’s basic needs other than grains. In addition to the direct financial returns, they cultivate gum arabic because this activity constitutes a crop diversification strategy to mitigate crop failure, has substantial beneficial environmental impact, and is an important source of on-farm supply of fuel wood and livestock fodder.

In 1969, the Government of Sudan granted an exclusive concession to export raw gum arabic to the Gum Arabic Company (GAC). This policy had three main objectives: a) to exercise market power, as Sudan at this time was producing 80 percent of the global gum traded, b) to guarantee production and protect producers through implementation of a floor price, and c) to preserve the environment (it was expected that maintaining demand for gum high would help expand acacia cover).

Sudan’s effort to manage exports through GAC has led to the appropriation of gains by actors other than small-scale producers. Close to 40 years after the exclusive concession was granted, the situation can be summarized as follows:

- Sudan’s share of the world market is below 50 %;
- Producers’ price is around 15 percent of the f.o.b. price;
- Production and consequently exports have been declining for the past forty years at an average rate of 2.2 percent per annum;
- Low prices received by farmers for gum arabic pushed them to favor crop cultivation over acacia trees; the reduced tree cover has left large areas prone to wind and water erosion;
- Marketing arrangements have led to the creation of a cartel of international buyers of gum, as well as to the entry of less regulated competitors (Chad and Nigeria);

\(^2\) One million households comprising 6 members each on average.
• Delivery of public goods is insufficient: research, improved technology transfer; reforestation activities are under-funded; this has led to decline in productivity.

**Figure 1**: Gum Arabic Exports from Sudan (1970 to 2005)

Source: Gum Arabic Company

**Importance of Gum Arabic**

1. Gum arabic is the dried exudate produced from the trunk and branches of the Acacia senegal tree, known as hashab or hard gum, and the Acacia seyal tree, known as talha or flaky gum. Gum arabic is a pale white to orange brown solid which breaks with a glassy fracture. If stored properly, it stays unaltered for decades. Gum arabic is a complex polysaccharide that has food, pharmaceutical and technical applications; its known uses go back about 5,000 years.

2. Sudan is the world’s largest producer of gum arabic. It produces mostly hashab, principally in the traditional rainfed areas of western and central Sudan (see Annex 1).

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3 Trans is more brittle than hashab.
4 From Acacia senegal var. Senegal.
Gum arabic is produced across sub-Saharan Africa, from Senegal, Mali and Nigeria to Ethiopia, and North of Uganda and Kenya.

3. The supplementary revenues generated by gum arabic are crucial to the livelihoods of up to 6 million people in Sudan who live in traditional rainfed farming areas, where the incidence of rural poverty is in the range of 65 to 90 percent.

4. Gum arabic is primarily produced by small-scale farmers\(^5\) who give priority to food crop production (usually sorghum or millet) to secure family nutritional needs but seek other sources of income to meet the household’s basic needs other than grains. They harvest gum arabic because this activity constitutes a crop diversification strategy to mitigate crop failure. In addition, the acacia tree’s long lateral root system reduces soil and wind erosion. It has a regenerating impact on the land\(^6\). However, gum arabic production does compete with food and cash crops for labor resources and land allocation (see Annex 1).

5. Agricultural operations, including gum arabic harvesting, are primarily financed by village traders using the *sheil* system. Typically, the traders provide cash, seeds, tools but also basic commodities (water, sugar, tea…) for the households to get by during the “hunger gap”. Farmers pay back in kind at prices determined early in the season and usually integrating important credit charges.

### World Trade in Gum Arabic

6. All the gum arabic produced in Sudan, mostly hashab, is exported. Sudan has always been the largest world producer and exporter of gum. From the 50’s to the early 90’s, Sudanese gum accounted for 80 percent of the global gum trade\(^7\).

7. However, considerable year-to-year variations and overall declining gum exports from Sudan - consequences of two severe Sahalian droughts (mid-70s and mid-80s), political unrest and inadequate marketing arrangements - have resulted in the emergence of new gum producing countries, chiefly Chad and Nigeria\(^8\), which produce mostly talha. Over the last 15 years, Sudan’s share in the world markets has declined sharply and is now below 50 percent. World exports of talha are almost on par with exports of hashab (see Annex 1).

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\(^5\) Large gum plantations represent less than 5 percent of the total production.

\(^6\) As a leguminous tree, acacia fixes nitrogen which improves soil fertility.

\(^7\) From 50,000 tons per annum in the 50’s and 60’s, Sudan’s gum exports declined to around 25,000 tons in the late 80’s. Since then, Sudanese exports have been at an average of 25,000 tons. World exports of gum gradually fell from over 60,000 MT in the mid 60’s/early 70’s to around 30,000 MT in the 90’s. They then rose from 30,000 MT in the mid-90s to 50,000 MT in 2000 and have remained fairly stable since then.

\(^8\) It is believed that a non-negligible portion of Chad exports is gum smuggled from Darfur. It seems it concerns mostly hashab gum as Chad has a large production base for talha, which is said to be of better quality than talha from Sudan. Some gum is also smuggled form Gedaref and Blue Nile to Ethiopia and Eritrea - the latter is not known as a producing country - to be later exported as raw gum.
World Demand for Gum Arabic

8. Gum Arabic is used for its properties as an emulsifier, thickener, binder, stabilizer and adhesive. It is believed that soft drinks and confectionary represent 70 percent of the demand for gum arabic.

9. Gum arabic is generally used as an additive which represents a small portion of the cost of the finished product. It is regarded by end users as having technical advantages which makes it difficult to replace completely in many applications\(^9\). This makes demand for gum quite price inelastic; supply is the key factor on the demand side.

**Figure 2: World Trade in Raw Gum Arabic**

\[\text{total exports} \quad \text{exports sudan}\]

Source: Macrae, J. and Merlin, G. - World Bank

10. In the 70s and 80’s, because of reduced supply from Sudan, end-users started to integrate substitutes (principally starches). However, since the 90’s, with the emergence of Chad and Nigeria as gum talha producers, use of substitutes has reduced sharply\(^{10}\).

11. Talha has become hashab’s main competitor\(^{11}\). Talha gum is substantially cheaper than hashab because it has inferior technical properties for some of gum arabic’s important uses such as in the soft drinks industry but has the same chemical composition (see Annex 1).

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\(^9\) In confectionery, for example, starches - the main substitute for gum arabic - do not retain the flavour as well as gum arabic; in cola-type of soft drinks, use of substitutes can adversely affect shelf life (FAO Coppen, 1999).

\(^{10}\) Reverting to gum arabic was also encouraged by the sharp decline in raw gum arabic export prices that started in the mid-90’s. Though demand for gum is quite price inelastic, it would be relevant to study price substitutability by assessing some evidence on starch prices (or other substitutes) relative to processed gum arabic prices. This is quite a complex task as substitutes do not have the same technical properties as gum, so volumes required are different and can vary strongly according to applications and products.

\(^{11}\) In 1998, the Joint FAO/WHO Expert Committee on Food Additives (JECFA) specification for gum arabic for food use, which hitherto only included hashab, was modified to also include talha.
12. Demand for gum arabic is driven up by the increasing world consumption of soft drinks and sweets. It is reinforced by the attention given by consumers to food products’ quality and naturalness. Because of its high fiber content, gum arabic has recently found a new range of applications in the dietetic food and health sub-sectors.\(^\text{12}\)

13. Four processors account for about 70 percent of the world trade of raw gum. Based in Europe and the USA, they buy raw gum for further transformation and re-sale as additive for the industry. The USA is the largest single market for gum arabic, accounting for approximately 30 percent of the total trade. Europe is around 20 percent of the world trade. Confectionary represents the major use for gum in Europe while soft drinks production is the largest in the USA. Japan accounts for a little less than 10 percent of world trade. India, South Korea and China are emerging markets; it is believed that the demand from these countries is mainly for talha.

II. GUM ARABIC MARKETING IN SUDAN

14. Export marketing of gum arabic for Sudan has been characterized by the monopoly of the Gum Arabic Company (GAC) over export of raw gum arabic and, over the last fifteen years, by the assumed strong influence GAC’s main four international agents have had on GAC export prices. This cartel situation has translated into low prices paid to farmers, and in turn declining gum production and exports. However, since the recent development of the Sudanese processing industry, farmers have started to receive better prices, thus stimulating production, and more value added has been captured in Sudan.

The Gum Arabic Company (GAC)

15. In 1969, the Minister of Supply and Internal Trade granted the Gum Arabic Company, a public company incorporated under the Companies Ordinance of 1925, an exclusive concession to export raw gum arabic. The Grant of Concession Act stipulates that GAC is empowered to buy from licensed local dealers and “is obliged to pay special attention to the quality, shipments schedules and any other aspect that may promote the export of gum”.

16. Granting GAC an exclusive concession over raw gum arabic export\(^\text{13}\) had one main objective: to exercise market power at the international level (i.e. to regulate exports to achieve advantages in price) in order to support the country’s export revenues in foreign currency. This was justified by Sudan’s large share of the world market. Two other objectives were: (a) to guarantee production and protect producers through the provision

\(^{12}\) This application would concern primarily talha, which has a nutritional value similar to hashab.

\(^{13}\) According to the investment law of 1992 promulgated by MoFNE, investors and/or land owners with more than 50000 feddans (around 20000 hectares) planted with Acacia trees also have the right to export raw gum arabic. Currently, there is only one company (Gandeel) exporting raw gum from its plantation. It is also possible for companies to export processed gum providing they obtain a license.
of a minimum price policy (floor price) and the implementation of gum production development programs through provision of water, seedlings, and research services, and (b) to protect the environment because of the expectation that the policy would encourage the maintenance of gum arabic trees.

17. The involvement of the Government in the company’s management is strong. The board of the GAC is chaired by the Under Secretary of the Ministry of Foreign Trade; other board members include: the General Manager of the Forest National Corporation (FNC), the Governor of the Central Bank of Sudan, four representatives of the Farmers Union from the main producing regions (North Kordofan, South Darfur, Blue Nile/Sinnar, and South Kordofan/Upper Nile) and three representatives of individual shareholders who are elected at the yearly GAC General Meeting. Government owns 30 percent of GAC’s shares, producers through the Farmers Union and individual shareholders respectively keep 20 and 50 percent of the shares.

The GAC Exclusive Concession

18. Every year, two months before tapping starts, the Ministry of Foreign Trade (MFT) announces the floor price. This floor price is set based on the export price which is determined by GAC using world demand estimates (provided by GAC’s agents overseas and trade officers in Sudanese embassies), as well as the anticipated availability of domestic gum production and stocks. The export price is used as a benchmark by exporters in other countries, i.e Chad and Nigeria for setting the price for their gum arabic.

19. GAC enforces the announced floor price at auction markets, where raw gum arabic is purchased by independent buyers who clean, grade and sell their gum to the GAC or processors. If gum arabic is not bought or not offered the floor price at auction, GAC has the obligation to procure at the floor price.

20. Taxes are levied at locality level; they represent currently between $200 to $400/MT (see Annex 2A and 2B). Additional taxes are collected from transport operators by localities on the way to Khartoum and Port Sudan where GAC and processors have their stores and processing facilities; processors and transporters claim that some of these taxes are illegal.

14 Responsibility for technical support to producers was later transferred to the National Forestry Corporation of the Ministry of Agriculture while research is now the responsibility of the Agricultural Research Center.
15 Estimated costs for cleaning, handling and preparing the gum for export, transport to Port Sudan as well as domestic and export fees and taxes, and other financial charges, and GAC profits are deducted from the export price to set the floor price.
16 El Obeid is by far the largest auction markets in Sudan, other important markets are in Damazine and Kosti. Auction yards are managed by local authorities, i.e. states or localities.
17 Until 2002, GAC had its own network of domestic agents.
18 In 2001, the Government of Sudan abolished the State agricultural commodity tax. A federal fund was established to compensate losses to States.
19 Most stakeholders claim that illegal taxes represent a major barrier to the development of the sector. There is a need to conduct a study on gum-related taxation to assess the validity of these claims.
21. According to specifications set by the Sudan Standards & Metrology Organization (SSMO), there are two main categories of gum arabic for export - raw and processed - and six different gum grades: HPS, Cleaned, Dust and Kibbled, Spray Dried, Mechanical Powder. Their specifications are described in Box 1.

22. Until the recent development of processing in Sudan, all the gum arabic from Sudan was exported by GAC in raw form. A few facts concerning GAC export volumes and marketing strategy can be presented as follows:

- The cleaned grade raw gum, which constitutes the bulk of GAC’s exports, is exported mostly via the GAC “international agents” 20; international companies which are GAC marketing agents with exclusive rights. Four of these international agents buy an estimated 70 to 80 percent of the GAC’s exports 21; they have their own processing capacity, and sell processed gum (mostly spray dried gum) to large confectionary and soft drinks manufacturers in Europe and the USA;
- Two major European confectionary manufacturers buy up to 5,000 metric ton per year of cleaned grade raw gum directly from GAC;
- All HPS from Sudan is sold by GAC; it is purchased mainly by Japanese traders who account for about 10 percent of total gum arabic exports from Sudan.

Box 1: The Six Grades of Gum Arabic Exported from Sudan.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
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<tbody>
<tr>
<td>Raw</td>
<td>Hand Picked Selected (HPS): raw globules of clean gum arabic specially sorted and graded.</td>
</tr>
<tr>
<td></td>
<td>Cleaned grade gum: gum lumps broken manually, with no limit on the granule size; it constitutes GAC’s main export.</td>
</tr>
<tr>
<td></td>
<td>Dust: gum arabic by-product from screening/grading or cleaning process.</td>
</tr>
<tr>
<td>Processed</td>
<td>Kibbled gum: mechanically broken granules of gum with a maximum size of 14 mm and a minimum size of 3mm and a maximum range of 8mm.</td>
</tr>
<tr>
<td></td>
<td>Spray dried: white powder of mesh size inferior to 100 microns, which results of a process by which raw gum is dissolved in water, centrifuged to remove impurities, pasteurized and sprayed in hot air to evaporate water. This process - similar to milk powdering - produces free-flowing powder with high solubility.</td>
</tr>
<tr>
<td></td>
<td>Mechanical powder: white powder of mesh size inferior to 200 microns, which results from mechanically crushing raw gum until free-flowing powder is obtained.</td>
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</table>

Source: Sudan Standards and Metrology Office

Figure 3: Floor Price as a Percentage of Export Price -Hashab Gum from Sudan (1977 to 2006)

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20 It is understood that there are 8 companies registered as GAC international agents. It seems there are no transparent criteria to select and appoint GAC agents.
21 One of these four companies has 50 percent share of the world market for processed gum arabic and is said to buy around 40 percent of GAC’s exports.
23. The gum marketing arrangements have provided producers with only a small share of export prices; from 1993 to 2005, the average floor price/export price was 21 percent (Figure 3). It has to be made clear that producers usually get substantially less than the floor price because they rarely access auction markets directly: the gum is handled by the village merchant and sometimes an additional intermediary before it reaches the auction market. From 1998 until 2003, GAC export prices and therefore floor prices were exceptionally low. (Figure 4). This had a depressing impact on production. Because the export price is determined by GAC in close consultation with its international agents, disclosure of financial statements of the four main GAC international agents who process raw gum and sell it to end users would be desirable to provide transparent information on profits.

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22 According to field interviews with producers, traders and processors, producers obtain between 60 to 80 percent of the price paid at the auction yards.

23 In 2000, hashab production in Sudan reached an all time low level of 3,500 tons. With very low floor price, producers did not have incentives to tap acacia trees, an activity competing with harvesting of food and cash crops. In some areas, farmers even resorted to fell acacia trees to plant more crops. Exports were constituted of GAC stocks accumulated since the mid 90’s.

24 The GAC export price from 1998 to 2003 was around 10 percent of the estimated price for processed hashab, and even lower than raw talha gum (of inferior quality) exported by Chad and Nigeria.
**Source:** GAC
III. DEVELOPMENT OF THE SUDANESE PROCESSING INDUSTRY

24. Key policy changes on the sector over the last fifteen years and their impact can be presented as follows:

- From 1990 to 1992, the GAC concession was withdrawn. During this short period, traders and banks bought gum arabic from auction markets, domestic demand was high, and producers received a high share of export prices. At the end of 1992, the exclusive GAC concession was reintroduced.

- In 2003, a presidential decree was passed to withdraw the concession from GAC with the objective to allowing more firms to trade in raw gum arabic in order to revive gum production. Three months later, the Parliament refused to endorse this decree.

- In 2003, the Ministry of Investment granted 12 licenses to gum processors. Main processing plants were established with the support of the four main GAC agents to export kibbled gum to supply their processing lines. This has had the following impact:
  - Increased competition for domestic gum between GAC, domestic processors but also local traders/individuals and banks pushed up prices paid to producers and export prices.
  - GAC purchased at a very high price gum that it could not export because of lower actual purchases by its usual clients (GAC main international agents which developed their own kibbling facilities in Sudan); and the two European confectionary factories traditionally buying from GAC now sourcing kibbled gum directly from Sudanese processors.

25. Current estimates for GAC stocks are between 25,000 to 30,000 MT. Accrued in two years, these stocks represent a real threat to the company’s financial stability. This underlines GAC weak marketing capacity. Because of its poor financial situation, GAC

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25 Processing licenses are granted by Ministry of Investment following recommendations by Ministry of Industry. Export licenses are granted by the Ministry of Foreign Trade, which also chairs the GAC board.
26 The Investment Law promulgated by MoFNE was passed in 1992. In 1994, a first license was granted to Gum Arabic Processing Company (GAPC). It was sold to GAC in 1998.
27 There are also two active independent processors (one produces spray dried gum, the other mechanical powder and kibbled gum.
28 In 2004, while floor price was set at SD 3000/kintar prices at auction markets went from around SD8,000/kintar (first tapping) to SD16,000/kintar (second tapping). In 2005, with a floor price around SD7,500 SD, price paid at auction markets was around SD20,000 at the opening of the season; and rose to an unprecedented SD 40,000 at the second tapping. In 2006, prices were a bit above the high floor price set at SD12,000/kintar. Export prices (fob Port Sudan) for 2004 and 2005 were at an unprecedented high price of $ 5,000/MT (f.o.b. Port Sudan). In 2006, export price was around $3,300/MT.
29 GAC stocks are primarily made of gum arabic bought in 2004 and 2005, when prices paid at auction markets were at least $1000 higher than the 2006 or 2007 export prices.
has not procured gum from producers over the past 4 years; it has been unable to implement the floor price policy. It is believed that traders and banks also keep significant stocks of gum arabic. Total estimate for domestic gum stock is around 50,000 MT (including GAC stocks), which is equivalent to two years of production.

26. Another consequence of the development of the processing industry and increased domestic demand that followed is that farmers have received better prices, which had a positive impact on gum production. Prices they obtained were 4 of 5 times the 1998-2002 average producer price\textsuperscript{30}. In 2006, it is estimated that gum arabic sales represented close to 20 percent of the household total annual income in some areas of North Kordofan and Blue Nile (see Box 2).

27. Though development of domestic processing offers good prospects, kibbling constitute a low degree of processing\textsuperscript{31}, it is remotely more expensive than clean grade raw gum\textsuperscript{32}. Development of processed gum arabic with high added value, i.e. spray dried, is limited currently by low marketing capacity of domestic processors.

**IV. RECENT GOVERNMENT DECISIONS CONCERNING GUM ARABIC EXPORTS**

28. The contradictory recent decisions by various arms of the Government presented below illustrate the serious difficulties the sector faces but also its economic, social and political importance.

29. The Council of Ministers Decree No. 118 dated March 09, 2003 (see Annex 3A) states that the monopoly on raw gum arabic should be lifted and that an independent entity in charge of regulating export marketing should be created. This decree was endorsed by the President of the Republic of Sudan. In 2005 the Ministry of Finance and National Economy commissioned a study to assess the impact of the monopoly on the sector, and propose alternative marketing arrangements. Based on the results of the study the Economic Committee of the Council of Ministers issued in October 2006 a recommendation stating that the exclusive concession should be removed by the end of year 2007.

30. On August 9, 2006 the Minister of Foreign Trade signed a ministerial order (No 7/2006) stipulating that “except for the Gum Arabic Company, all permits for the export of gum arabic in all its forms are hereby suspended until further notice”. This order, which undermined the profitability of local processing, had a detrimental effect on the reputation of the Sudanese gum industry in international markets.

\textsuperscript{30} Though farmers obtained less than auction prices (because of intermediaries), they received up to SD 13,000 /kintar in 2006, against SD 2000/kintar in 2000 and SD 3000 in 2003 (based on interviews in North Kordofan).

\textsuperscript{31} Kibbled gum is either processed further into spray dried gum or dissolved in water by confectionary manufacturers.

\textsuperscript{32} 2007 export prices for gum are: $3400 / MT of HPS, $2800 / MT of clean grade raw gum, $3000 / MT of kibbled gum, $3200 / MT of mechanical powder and between $ 4500 to 5500 / MT of spray dried.
31. In September 2006, the Economic Committee of the Council of Ministers recommended to the Council that a decree be passed to cancel the order promulgated by the Ministry of Trade to suspend export licenses granted to gum processors. The Council of Ministers did not endorse this recommendation. In December 2006, the Minister of Trade annulled the order issued five months earlier and allowed 14 licensed processors\textsuperscript{33} to restart exports of processed gum arabic (see Annex 3B).

\textsuperscript{33} Two newly established processors were about to start their activities when the order No 7/2006 was passed by the Minister of Trade.
In Western and Central Sudan, staple food is sorghum (millet in certain areas of Darfur). Sorghum harvested is usually not enough to cover the household’s food requirements until the next harvest. Cash crops and livestock are crucial to ensure the family’s food security, as well as to finance water and basic social service costs, like schooling and health.

Revenue estimates are calculated for a household of 6 in Kordofan, cultivating 10 feddans of sorghum, 8.5 feddans of cash crops, tending a 10-feddan acacia garden and owning 10 head of sheep.

<table>
<thead>
<tr>
<th>Area cultivated (feddan)</th>
<th>Labor required (hours)</th>
<th>Yield (kilos per feddan)</th>
<th>Farm gate price (Sd / kilo)</th>
<th>Total value (Sd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sesame</td>
<td>3</td>
<td>410</td>
<td>290</td>
<td>150</td>
</tr>
<tr>
<td>Groundnuts</td>
<td>4</td>
<td>690</td>
<td>585</td>
<td>95</td>
</tr>
<tr>
<td>Roselle (Hibiscus)</td>
<td>1.5</td>
<td>175</td>
<td>260</td>
<td>220</td>
</tr>
<tr>
<td>Gum Arabic (2002)</td>
<td>10</td>
<td>530</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>Gum Arabic (2006)</td>
<td>10</td>
<td>530</td>
<td>60</td>
<td>250</td>
</tr>
<tr>
<td>Sheep</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Casual labor</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Total income (with 2002 gum price) 638,400 (*)

Total income (with 2006 gum price) 746,400 (**)%

% income from gum arabic (2002) 6,5

% income from gum arabic (2006) 20

*US$ 3114, per household per year, around $519 per capita ($1.42/day)

**US$ 3645, per household per year, around $ 607 per capita

- Prices for sesame, groundnuts and roselle are 2002 average farm gate prices for 20 Kordofan villages. The price for roselle is subject to a great year-to-year variation,
- Gum arabic revenue estimates calculated on a base of 150 trees per feddan, with 400 grams per tree,
- Two producer prices for gum arabic were used: a/estimate for 2002 farm gate price in Kordofan (around US$ 280/MT, or 20 percent of the export price, at $1400/MT); b/ estimate for 2006 farmer price in Kordofan (at $1250/MT, or 37 percent of the export price, at $3400/MT).

Under 2002 conditions, with a very low price paid to farmers, the contribution of gum arabic to the total household income is small (around 6.5 percent), which in views of the labor required does not make gum arabic cultivation profitable. If producer price is higher, like in 2006, gum sales can represent a substantial 20 percent of the household total income.

Providing farmers with a better share of the export price would increase cash revenues and in turn the food security level of up 6 million individuals, who are among the poorest groups in Sudan.

Data from “Economic Analysis of Deforestation: the Case of the Gum Arabic Belt in Sudan”
V. IMPACT OF THE MARKETING ARRANGEMENTS

32. An analysis of the performance of current marketing arrangements for gum arabic since 1969 leads to the following conclusions:

- Sudan’s share of the world market has declined from 80 to about 50 percent. This share has been lost to new producing countries which do not control exports of gum.
- Prices paid to producers were for many years typically about 10 to 15 percent of the fob price.
- Taxes of various kinds during marketing have further depressed prices received by farmers, and reduced competitiveness of gum on export markets.
- Low prices received by farmers for gum arabic lead them to favor crop cultivation over acacia trees, which have had a negative impact on environment.
- GAC marketing strategy has resulted in high stocks (estimated at 20,000 MT, about one year’s production), which represent a contingent liability to GAC’s main shareholder: the Government.

33. It is evident that despite many years of operations, the GAC has not been able to provide the benefits anticipated when its concession as the sole exporter of raw gum arabic was assigned. Instead, Sudan’s effort to manage exports through GAC led to results observed in other such efforts: the entry of new less regulated international competitors and erosion of global share, lack of transparency in accounting for impact of export regulation, appropriation of gains by actors other than small-scale producers, and in turn erosion in incentives for primary producers. This paper concludes that therefore the exclusive concession should be removed.

34. There is a vast gum production base in Sudan which could be easily revived. The very recent expansion of domestic processing has resulted in increased domestic competition for raw gum, and better prices paid to farmers. This positive development comes at a propitious time, since increased consumption of soft drinks and confectionary products, as well as development of health and dietetic products are expected to keep the demand for gum high. Changes in the industry within Sudan could position the country to benefit from these favorable circumstances.

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34 In April 2006 Sudan agreed with Nigeria and Chad to set up a joint task force to monitor, supervise and report on the activities leading to the establishment of a gum arabic security (buffer) stock in the three countries. One of the purposes of such a buffer stock would be to stabilize supplies on world markets. It is interesting to see that the GAC’s current stock is apparently incapable of providing supply stability because the stock was purchased at high prices and international traders are not buying the stock but instead presumably waiting for the price of the stock to be discounted.
VI. PROPOSED GUM ARABIC MARKETING REFORMS

35. Changes in rules governing marketing and export of gum Arabic could improve the livelihoods of the small-scale gum arabic producers, the quality of the environment and Sudan’s export trade balance. Such changes should aim to (a) achieve higher producer prices to stimulate production and boost producer incomes; (b) increase the level of domestic value-added through processing.

36. The following actions are envisaged as a package of integrated measures to achieve a more efficient gum arabic production, and marketing system with benefits to most stakeholders in the sector:

Concerning the GAC:

• Additional concessions for export of raw gum are tendered out.
• If GAC is bankrupt, its stock could be transferred to a liquidating institution independent of the government that would auction them in a manner that would not deter gum producers.

To support the processing industry:

• Provide a transparent business environment, i.e. removal of barriers to entry by granting gum processing and export licenses based on transparent requirements applying to all investors, avoid policy decisions that would reintroduce restrictions on the processors’ ability to operate.
• Support research into global market opportunities, understand changing structure on the demand side, monitoring breakthroughs in substitute development.
• Bring taxation on gum at the same level as other agricultural commodities and enforce legislation against illegal taxation.

In order to oversee the implementation of the measures listed above, a gum arabic marketing governance structure - bringing together the government, private sector and producers - could be created. It would oversee the tendering of raw gum export concessions, and sponsor market research. It could also act as the liquidating institution responsible for auctioning GAC stocks.

To increase incomes of small-scale producers:

• Support voluntary producers’ organizations. Forming producers’ organizations or cooperatives35 and helping them access new technologies to increase yields and tapping, and credit would enable producers to fetch higher

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35 The National Forest Corporation (Ministry of Agriculture and Forestry) has supported the development of such cooperatives but absence of credit to finance production and marketing operations impedes their development.
prices at auction markets or to negotiate direct contracts with processors/exporters.

38. In addition to providing up to 6 million individuals with substantially increased incomes, setting a transparent and enabling business environment for private processors could result in gum arabic export value amounting to around $US 150 million annually (see box 3).

39. In July 2007, with the support of the Multi-Donor Trust Fund National, the Forest National Corporation (FNC) organized a national workshop to discuss ‘the future of gum arabic’. In his opening speech, the GNU Minister of Finance and National Economy stressed the inadequacies of the current marketing arrangements, called for decontrol and suggested that an independent entity be set up to oversee the decontrol process.

40. In order to support the decontrol, senior spokesmen in GNU have reaffirmed their commitment to implement the following activities:
   • to allocate additional temporary concessions for export of raw gum arabic (through a transparent competitive bidding process);
   • to establish an independent regulatory body to monitor the decontrol process;
   • to revitalize the gum arabic production base through support to producers’ associations.

Proper implementation of the above mentioned activities would require that additional analytical activities be conducted to understand better the characteristics of the sub-sector, especially the current structure of the domestic market and gum-related taxes.
Box 2: An Exercise: Estimating Potential Exports of Gum Arabic from Sudan under an Improved Policy Environment.

Assumptions made:
- Additional raw gum export concessions are granted,
- Government provides a transparent and enabling business environment for domestic processors to develop,
- Producers’ voluntary organizations are formed and have access to improved technology, and credit
- World market for gum arabic is around 60,000 MT (*) per annum, distributed equally between hashab - produced by Sudan - and talha,

As a result:
- Sudan exports primarily HPS/kibbled to major confectionary manufacturers and Japan (traditional importing country), and spray dried gum; the cleaned grade raw gum is not exported anymore,

Market perspectives for Sudan can then be estimated as follows:
- Export of HPS/kibbled from Sudan = 11,000 MT, at US$ 3000 / MT, or US$ 33 Million annually,
- Export of spray dried gum from Sudan = 19000 MT at US$ 6000 / MT (†), or US$ 114 Million annually

Gum arabic export value could amount on average to around US$ 150 million annually. This does not take into consideration the possibility for Sudan to manufacture and sell gum-based dietetic and health products.

(*)(†) these are rather conservative assumptions. World demand is growing fast. In 2006, market value of spray dried gum Arabic was between $6,600 to $13,200 per MT.

(Source comtrade data and foodnavigator.com)
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- Exudate gums, Gum Arabic, Gum Talha and other Acacia Gums, Non-Wood forest products for rural income and sustainable forestry, FAO, (Internet reference fao.org/docrep/v9236e/V9236e05.htm)

Articles consulted and internet references:

- Gum Acacia Market Reports by Agriproducts UK 
- Dispersed raw material sources cushion CNI gum arabic supplies 
- Corn fibre gum could be effective alternative to gum arabic. 
- French colloids firm recognised for export expertise 

Websites of main international gum arabic processors

- http://www.cniworld.com/
- http://www.alwolff.com/
• http://www.agriproducts.com/
Annex 1

GUM ARABIC: BASIC FACTS

Production Areas in Sudan

1. The Gum arabic belt spans over 12 states of Sudan (around one fifth of the country’s total surface or 500,000 km²), principally in the traditional rainfed areas of western and central Sudan. It is estimated that 6 to 8 % of the gum belt is under acacia tree cover. The Kordofan region produces more than half of the Sudanese gum. Darfur, with around 20 percent of the national production (and most of Sudanese talha), is also an important gum producing region. However, Darfur’s gum production potential, comparable with Kordofan, is limited by its remoteness and the current conflict.

2. Generally acacia trees are resistant to periods of low rainfall, however the combination of severe droughts of the mid-seventies and mid-eighties, civil conflict, population movements and change in farming practices have negatively impacted gum arabic production in North Kordofan and North Darfur. As a result, the gum arabic belt is moving south, towards clay soil areas with better rainfall patterns; acacia cover is expanding in Blue Nile and Upper Nile and the southern parts of Southern Kordofan.

Gum Arabic Cultivation System

3. Gum arabic is primarily produced by small-scale farmers in traditional rainfed farming areas; large gum plantations represent less than 5 percent of the total production. It is part of an integrated farming system which is characterized by largely subsistence production and the use of family labour with no modern equipment and inputs. Under this system, crop production (usually sorghum or millet) to secure the food needs of the family is given priority. However, small-scale farmers seek other sources of income to meet the household’s basic needs other than grains. In addition to the direct financial returns, they cultivate gum arabic because this activity constitutes a crop diversification strategy to mitigate crop failure, has beneficial environmental impact, and is a source of on-farm supply of fuel wood and fodder. However, gum arabic production does compete with food and cash crops for labor resources and land allocation.

4. Acacia trees are grown following a ‘bush fallow’ system: agricultural crops are cultivated for 4 to 5 years, when productivity declines, acacia trees are planted. It takes 5 to 7 years before a tree can produce gum arabic and 15 to 20 years for its productivity to start declining. Acacia trees are tapped in November by removing pieces of bark to form wounds in sandy dry areas, and in December and January in the wetter clay zones. The nodules of gum are picked 5 to 6 weeks after the tapping. There is a second tapping in March or April. The average gum yield per tree per season is around 300 grams but production can vary from less than 200 grams to several kilograms. The density of trees in gum tree gardens also varies greatly: from 20 trees per feddan in natural gardens to

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36 A feddan equals to 4200m² or 1.038 acre
above 400 in acacia plantations. According to the Agricultural Research Corporation, gum yields could be increased by 47% - 60%, with good management, quality could also be enhanced through improved tapping methods.

**Uses of Gum Arabic and Substitutes**

5. Gum arabic is multifunctional: it is used as an emulsifier, stabilizer, film-former (it forms an impenetrable film around the flavour particle), texturizer and low-viscosity water binder. In the **soft drink industry**, gum arabic is used as an emulsifier and stabilizer of aromatic emulsions and spray-dried flavors for beverages. In **confectionary**, gum arabic is used to bind water, and prevent sugar crystallization. Its emulsification quality is important to enable fat to be distributed throughout the product and not move to the surface and make the food appear greasy. Gum arabic is also used as a suspending agent in syrups, antiseptic preparations, cosmetics and adhesives. As a suspending agent, it is also used in paints, inks, lithography and textiles. Gum arabic is not chemically modified and qualifies for "natural" labeling or "no artificial additives" claims. It is a high source of fiber - it contains no less than 85% soluble dietary fiber (dry basis) - and has low caloric value.

6. Confectionary and soft drinks represent the core of the demand for gum arabic. The pharmaceutical industry used to integrate a significant portion of gum arabic but is a declining market. Technical applications (printing, glues, ceramics…) constitute a small outlet. Gum arabic has recently found a new range of applications in the dietetic food and health sub-sectors because of its high fiber content.

7. Modified starch is a food additive which is prepared by treating starch or starch granules. Modified starch is used as a thickening agent, stabiliser, or an emulsifier. Modified starches effectively match the properties of gum arabic in certain processes: apart from food products, it is also found in pharmaceuticals.

8. Food additives manufacturers have tried to develop gum arabic substitutes other than starches (corn-based, cellulosics…) but it seems that none has the functionality of gum arabic. In addition to its non toxicity and “naturalness”, gum arabic has comparative technical advantages over substitutes: products incorporating gum arabic retain flavor better; their shelf lives is also superior.

9. According to the FAO Coppen Report (1999), the majority of international buyers and end-users perceive gum arabic from Sudan as the best in the world (top quality Hashab gum is referred to as "Kordofan gum" on international markets). In 1998, the Joint FAO/WHO Expert Committee on Food Additives (JECFA) specification for gum arabic for food use, which hitherto only included hashab, was modified to also include talha. Cheaper than hashab, talha has inferior technical properties for some gum arabic’s important uses such as in the soft drinks industry. On the other hand its chemical properties are the same and it substitutes well for hashab in the confectionary industry where larger quantities of gum arabic are required in the final products.

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37 Both Pepsi and Coca cola contain hashab.
Trade in Gum Arabic - Sudan and the World

10. In 1968, Sudanese exports accounted for 52,000 of the 65,000 tons utilized globally. From 50,000 tons per annum in the 50’s and 60’s, Sudan’s gum exports declined to around 25,000 tons in the late 80’s. Since then, Sudanese exports have been at an average of 25,000 tons. From the 50’s to the early 90’s, Sudanese gum accounted for 80 percent of the global gum trade; over the last 15 years, it has fallen below 50 percent.

11. World exports of gum gradually fell from over 60,000 MT in the mid 60’s/early 70’s to between 25,000 MT to 35,000 MT in the 80’s to mid 90’s. The severe Sahalian droughts of the mid-70s and mid-80s accelerated this trend. Gum trade volumes rose from 30,000 MT in the mid-90s to 50,000 MT in 2000 and have remained fairly stable since then. The increase in global exports of gum in the recent period is said to be correlated to rising demand for talha, principally sourced from Chad and Nigeria. The 1998 change in the JECFA specification for gum arabic as food additive to include talha has certainly encouraged this trend. Though slightly increasing, exports of Sudanese talha do not exceed 15 percent of total exports from Sudan.

12. In the 70’s, three countries were producing most of the world production: Sudan, by far the main producer/exporter, Nigeria and Chad. Since then, fifteen African countries have emerged as gum producing countries. Chad, which produces mostly talha gum, now accounts for a quarter of the global exports, Nigeria’s export is around 10 percent.
## GUM ARABIC VALUE CHAIN – KORDOFAN

Value Chain for Gum Arabic (Acacia Senegal - Hashab)
(based on information in Um Ruwaba Village - North Kordofan at end February, 2006)

<table>
<thead>
<tr>
<th>Description</th>
<th>Jan-06</th>
<th>Feb-06</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sd/kantar $/MT</td>
<td>Sd/kantar $/MT</td>
</tr>
<tr>
<td>Price received by producers from village trader</td>
<td>13,000 1256</td>
<td>17,000 1643</td>
</tr>
<tr>
<td>Price received by village trader at Um Ruwaba market</td>
<td>13,500 1304</td>
<td>17,500 1691</td>
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<tr>
<td>Costs at Um Rawaba market (flat taxes per kantar)</td>
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<td></td>
</tr>
<tr>
<td>Locality tax</td>
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<td>200 19</td>
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<tr>
<td>Zakat</td>
<td>1,300 126</td>
<td>1,300 126</td>
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<tr>
<td>Natl. Forest Corporation levy</td>
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<td>Wounded soldiers levy</td>
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<td>50 5</td>
</tr>
<tr>
<td>Sub-total</td>
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<td>2150 208</td>
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<tr>
<td>Cleaning and Grading by Um Ruwaba trader</td>
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<td></td>
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<tr>
<td>Labor</td>
<td>100 10</td>
<td>100 10</td>
</tr>
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<td>Management etc</td>
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<td>10 1</td>
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<tr>
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<td>Jute bags</td>
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<td>75 7</td>
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<td>Sub-total</td>
<td>285 28</td>
<td>285 28</td>
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<td>Cost ex trader store per Kantar purchased</td>
<td>15,935 1,540</td>
<td>19,935 1,926</td>
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<td>Cost ex trader store (compensated for 25% weight loss)</td>
<td>21,247 2,053</td>
<td>26,580 2,568</td>
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<td>Cost ex trader store assuming 15 percent profit</td>
<td>24,434 2,361</td>
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<tr>
<td>Transport from Um Ruwaba to GAC in Khartoum</td>
<td>300 29</td>
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<td>Total cost for trader (including profit) in Khartoum</td>
<td>24,734 2,390</td>
<td>30,867 2,982</td>
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**GUM ARABIC VALUE CHAIN – BLUE NILE**

Value Chain for Gum Arabic (Acacia Senegal - Hashab)
(based on information in Damazin - Blue Nile at end June, 2006)

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<td>Sd/kantar</td>
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<td>Price received by producers from village trader</td>
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<td>Costs at Damazin market (flat taxes per kantar)</td>
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<td>Locality tax</td>
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<td>Wounded soldiers levy</td>
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<td>Gum Arabic Union levy</td>
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<td>General Tax (GNU 60% and State 40%)</td>
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<td>Crop Marketing tax (state)</td>
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<td>Transport from Damazin to GAC in Khartoum</td>
<td>400</td>
<td>40</td>
</tr>
<tr>
<td>Total cost for trader (including profit) in Khartoum</td>
<td>39,017</td>
<td>3,941</td>
</tr>
</tbody>
</table>

Annex 2B
Council of Ministers’ Decrees
Decree No. 118 for year 2003
Endorsement of the recommendation of the study on
Gum Arabic Production and Marketing

Council of Ministers

Reviewing the Article No. 47 of the Constitution of the Republic of the Sudan, and after
thorough discussion of the report on “Gum Arabic Production and Marketing”, and based
on the recommendations of the Economic Sector Ministerial Council at session ‘8’ of 09
March 2003, decided the following:

Report Endorsement

1. The recommendations of the committee led by Expert Prof. Abdalla Ahmed Abdalla
and the recommendations of the Economic Sector Ministerial Council concerning the
development of production and marketing of Gum Arabic value chain added and to
keep the comparative advantages of Sudan for this commodity are hereby endorsed
according to the following directives:

(a) Maintain the concession given to the Gum Arabic Company temporarily, and
coordinates with Ministry of Foreign Trade and other concerned ministries and
institutions to set specific programmes in a fixed timeframe for decontrol
according to the following directives:
   i. Establishment of Specialized Gum Arabic Export Council;
   ii. Establishment of Scientific Council for Gum Arabic Research under
   the supervision of Ministry of Agriculture and Forestry in coordination
   with line ministries and concerned institutions;
   iii. Reduction of taxes and fees to the lowest level possible to meet the
   requirements of the gum arabic scientific research and generalized that
   for all gum arabic export companies;

(b) Review the conduct of the Gum Arabic Company with regard to composition,
   objectives, marketing organizational structures, approaches and work methods
   and associated legislations to develop its performance and increase its capital
   seeking its upgrading and expansion in production and open gum arabic
   markets;

(c) Coordination between Ministry of Foreign Trade and Gum Exporters to
   consolidate vision and consensus on gum arabic export policies, marketing and
   establish world fares to reduce buyers exploitations;
(d) Support to policies concerned with increase in production and gum arabic areas, improve extension and tapping techniques;

Annex 3A

(e) Ministry of Foreign Trade and Industry should prepare scientific plan to upgrade the approach for gum arabic marketing and open external markets;
(f) Ensure the government role for technical supervision and monitoring for the export sector to avoid harmful competition;
(g) Ensure the appropriate policies for local finance and credit for gum arabic and ensure producers access to such credit venue;
(h) Attention should given for gum arabic processing (spray drying) to cover local and regional demands;
(i) Continuation of production of gum arabic granules and ensure processors follow the export policies, pay taxes and export fees similar to that paid by Gum Arabic Company;
(j) Implementation of policies to stop gum arabic smuggling and concerned institutions should set administrative orders to counter smuggling to neighbouring countries;
(k) Work to establish African consultation group for Gum Arabic Research lead by Sudan;
(l) The National Council for Export Development should be established in coordination with Ministry of Foreign Trade to prepare for a national workshop that involves all stakeholders to draw a future vision for gum arabic production and marketing in Sudan;
(m) The development of gum arabic export, development of gum arabic belt, give more attention to producers, and provision of basic social services in production areas and support researches;
(n) The National Council for Export Development should coordinate with Ministry of Foreign Trade and Ministry of Industry to:
   i. review the details for implementation of fees and timeframe schedules for the decontrol process;
   ii. prepare a detailed action plan for the implementation of this decree.

Execution

2. The Ministry of Agriculture and Forestry, Ministry of Industry, Ministry of Foreign Trade, Ministry of Finance and National Economy, and National Council for Export Development should take necessary actions for implementation of this decree.

Issued by Council of Ministers Decree No. 118 for year 2003 at Session No. 8, dated 6 Muharam 1424 Hijeri, equivalent to 09 March 2003
Signed by: Lieutenant-General

Omar Hassan Ahmed Al-Bashir
President of the Republic of Sudan
Annex 3A

Decree No. 118 for year 2003: Original Arabic
يجوز توصيات لجنة الخبراء / عبد الله أحمد عبد الله وتحريرات القطاع الإقتصادي بشأن ترقية

- إنتاج وتسويق الصمغ العربي لرقم 18- غريدة القمة المضافة بالدوام على إثر السودان في هذه السلعة

وفق الوجهات التالية:

(أ) الإبقاء على الإمتياز المدرج لشركة الصمغ العربي لإنتاج وتسويق الصمغ مؤقتاً.

(ب) التنسيق بين وزارة التجارة الخارجية والوزاراة والجهات المعنية الأخرى لوضع برامج عديدة

(ج) إنشاء مجلس متخصص لصناديق الصمغ العربي.

(د) إنشاء مجلس متخصص للإجادات الصمغ العربي بإضافة وزاراة الريادة والتنمية بالتنسيق مع

الوزارات والجهات المعنية الأخرى.

(ه) تسفير المستحقات والرسوم لأقل حد ممكن لحماية الإجادات الصناعية للصمغ العربي.

(أ) تم إصدار ذلك على كل شركات صادر الصمغ العربي.

(آ) مراجعة أداة شركة الصمغ العربي من حيث التنظيم، الأهداف، التسويق، مساحة العمل، والتدريبات التي تجري عملاً على تطويرها مع زيادة رأس مال ما يؤدي إلى

تطويرها وتوزيعها في زيادة الإنتاج ووضع الأسواق لتسويق الصمغ العربي.

(ب) التنسيق بين وزارة التجارة الخارجية وصناديق الصمغ العربي حول سياسات صادر

الصمغ العربي وتسويق وإقامة الأسواق الدولية لتجربة استغلال الموارد.
دعم السياسات الخاصة زيادة الإنتاج من حيث المساحات، الإرشاد وتطوير (الطق)، الآن، تقوم وزارة التجارة الخارجية والصناعة بإعداد خطة علمية لتقويم نحو تبنيه، ووفق الأعمال الخارجية.

(5) التأكيد على الدور الإشراف والرقابي الحكومي في مجال الصناعات القادمة للم dap، لضمان استفادة المجتمع من هذا التمويل.

(6) الإشادة بصناعة الصمغ العربي (التحقيق الريفي) بالقدر الذي يعكس الاستهلاك المحلي والعالمي.

الاستمرار في تصنيع حبيبات الصمغ العربي وإلزم أصحاب المساكن بسياسات الصادر، ضوابط ورسوم الصادر التي تنفذها شركة الصمغ العربي، ضرورية من حيث سياسة حماية وتنمية الصناعة لكافحة التهريب للدول المجاورة.

(7) العمل على إنشاء إمداد أفيق لأعان الصبغي العربي بقياد السوان، يقوم الخمس القومي لتنمية الصادرات بالتنسيق مع وزارة التجارة الخارجية في الإعداد لإقامة ورشة عمل تشارك فيها كافة الجهات المعنية لوضع رؤية مستقبلية حول إنتاج وتجارة الصمغ العربي، ضرورة تقويم صادر الصمغ العربي، وتنمية حماية الإرشاد، والمجالس، وتوفير الخدمات الأساسية من خلال إنتاج ورعاية البحث.

(8) يقوم الخمس القومي لتنمية الصادرات بالتنسيق مع وزارة التجارة الخارجية والصناعة، بالأتي:

1. النظر في تطبيق الرسوم واللوائح لملك الإحترام.
2. إعداد برنامج تفصيلي لنفس القرار.

التنفيذ

1. على وزارات الزراعة والغابات، التجارة الخارجية والمالية والاقتصاد الوطني والجيش القومي لتنفيذ إجراءات تنفيذ هذا القرار.

أصدر مجلس الوزراء القرار رقم (18) لسنة 2003م في حملته رقم (8)

نيرس: 6 مارس 1424هـ الموافق 9 مارس 2003م

عمر حسن أحمد البشير
رئيس الجمهورية
Ministerial Order No. 22
Lifting of restriction on Gum Export

Minister of Foreign Trade:

Reference to the Ministerial Order No. 7/2006 concerning the organization of gum arabic export, and after reviewing the letter of State Minister of Ministry of Industry dated 05 December 2006 concerning endorsement of some gum arabic factories that met the required standards and conditions, and activating the authorities and responsibilities assigned to me as per Article 73 of Sudan Transitional Constitution, I issue the following stated order:

1. **Order Name and start of its effectiveness:**
   This order is named as “Order of Minister of Foreign Trade for lifting restriction on gum arabic export” and should be effective from the date of its signature.

2. **Lifting of restriction:**
   The lifting of restriction on processed gums from the factories listed in the table attached to this ministerial order and their number are fourteen factories are allowed to export their products immediately.

3. For the **Sudanese Standards and Metrology Organization** to ensure that exported products are fulfilling the set standards.

*Issued under my signature on 11 December 2006*

Signed by

**HE Prof. George Bureng Nyombe**
Minister of Foreign Trade
أمر وزاري رقم (65)
يرفع الحظر عن تصدير الصمغ

وزير التجارة الخارجية:

إلغاء الأمر الوزاري رقم 297/2005 الخاص بتنظيم صادرات الصمغ العربي - وبعد الإبلاغ على خطاب السيد وزير الدولة وزيرة التجارة والعلاقات المدنية بتاريخ 15/11/2005 الخاص بإعفاء بعض مصانع الصمغ العربي التي تغطي النواحي والسياسات المطلوبة، وإعلانًا للسلطات المختلطة بناءً على المادة (72) من دستور السودان الحالي - أصدر الأمر الآتي:

1/ اسم الأمر عدد العمل به:

يسمى هذا الأمر 65 أمر وزارة التجارة الخارجية يرفع الحظر عن تصدير الصمغ العربي.

2/ موعد الحظر:

يتم رفع حظر الأسماع المصنعة من الصمغ الوارد ذكره بالدبلوم المرفق بهذا القرار وعدها أربعة عشر مصمماً ويسمح لها بتصدير منتجاتها فوراً.

3/ على الهيئة السودانية للمواصفات والمقاييس التأكد من مطابقة المنتجات المصدرة للمواصفات المطلوبة.


بروفيسير / جورج بوري هوبوي
وزير التجارة الخارجية

الجـ: 2005
جدول المرفق بالقرار الوزاري
رقم (25)
المصادر المسموح لها بالتصدير وعددها (14) أربعة عشر

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<td>6- دار سوافا المحدودة</td>
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<td>8- عالي لإنتاج الصمغ العربي</td>
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12/12/86

[Signatures]
Multi Donor Trust Fund-National
Technical Secretariat
The World Bank
Khartoum