

Price developments in key commodities under global and local conditions, and inflation in the region

May 2022

Welcome to the monthly food price tracker. This is an initiative of the African Market Observatory (AMO) of the [Centre for Competition, Regulation and Economic Development](#), at the University of Johannesburg, and its partners. It summarises key trends in prices in East and Southern Africa (ESA) for selected staple food products, focusing on highlighted areas. Please also see the [previous trackers](#). This tracker also marks the first anniversary of the AMO.

In this issue of the price tracker, we focus on the latest key market developments in the international markets and the ESA region.

Key developments:

- Prices in East Africa increased sharply in May, reflecting ongoing drought, linked to the La Niña weather pattern.
- The US Climate Prediction Center is now warning La Niña is likely to return for a 3rd year in 2023, meaning poor production in the Americas, high world prices, and drought in E Africa.
- Kenya suspended the tax on maize imports from outside the East African Community (EAC) to meet local demand.¹
- Zambia, however, instituted an export ban as a result of food security concerns, reducing supplies to the region.
- The African Development Bank approved a US\$1.5 billion facility for smallholder African farmers to receive certified seeds and technology to avert the looming food crisis.²
- Global food price increases of over 30% in past year are likely to push more than 263 million people into acute poverty.³
- The outlook on global food insecurity in 2022 continued to worsen due to the ongoing impact of the war in Ukraine.⁴
- Indonesia lifted its ban on palm oil exports, announced in April 2022, aimed at protecting their domestic market.⁵
- China, the second largest maize producer & biggest importer⁶ is sourcing more from Brazil due to the Ukraine war.⁷

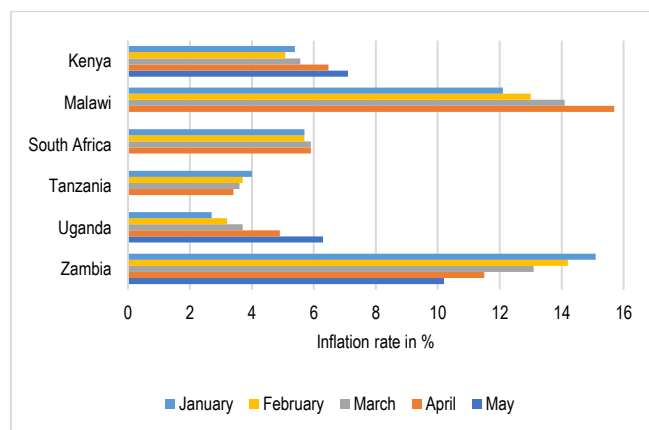
Rising prices resulting from the war between Russia & Ukraine

Macroeconomic pressures have increased globally as the conflict between Russia and Ukraine continues. Energy and food prices have been pushed-up and are impacting on inflation around the world. The impact has been felt across the region with relatively high inflation rates in recent months (Figure 1).

Inflation in Malawi and Uganda has been rising consistently every month since the beginning of the year, while Kenya's inflation rate has been rising since February. Malawi's inflation in April was 15.7% and the recent devaluation of their currency will mean higher prices in local currency terms in coming months. Zambia's inflation rate was above 15% in January and has been declining, to 10.2% in May.

Food prices, along with energy prices, have huge impacts on the headline inflation rates. Understanding the drivers of food prices for key products is important to assess wider inflation effects as well as for the impacts in specific markets.

Figure 1. Consumer price inflation, monthly for 2022



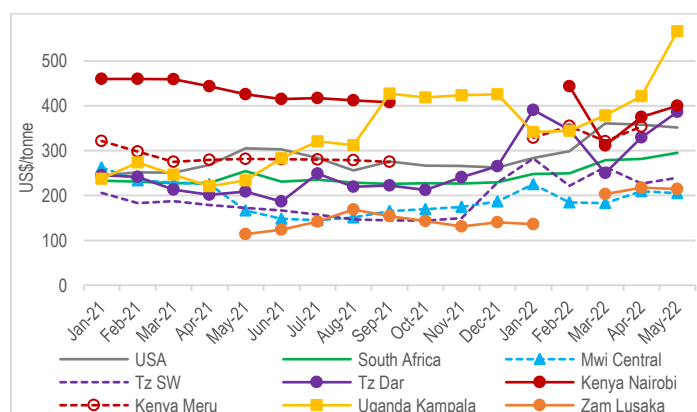
Source: tradingeconomics.com

Maize prices

There have been notable price changes in May. Prices increased in many parts of the region, especially East Africa, while in Lusaka and central Malawi, prices remained largely unchanged at just above US\$200/t (Figure 2).

Prices in Uganda climbed substantially, with the Kampala price at US\$566/t, a month-on-month increase of a massive 34%. The price in Nairobi Kenya rose to US\$400/t, which is double the prices in Lusaka and central Malawi. Prices in Dar es Salaam also increased above world prices, to close to US\$400/t and in line with the Nairobi price, breaching international prices which have dropped slightly to US\$350/t. In south-west Tanzania, Malawi and Zambia, where the harvest began towards the end of May and weather has been relatively good, prices remained between \$200-\$240/t.

Figure 2. Maize prices, ESA and international



Source: based on price tracker data from multiple sources; South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

The price hikes in East African countries are far above recent reports highlighting food security concerns and indicate that the impacts are being *understated* in these countries. For example, the Food Security Tracker launched by Gro-Intelligence records a maize price for Uganda of \$345/t as of end May, a massive 40%

¹ <https://nation.africa/kenya/business/-treasury-boosts-imports-of-maize-with-fee-waiver-3822224>
² <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-board-approves-15-billion-facility-avert-food-crisis-51716>
³ <https://www.theguardian.com/news/2022/may/23/food-and-energy-billionaires-453bn-richer-oxfam-davos-wealth-tax-soaring-prices>
⁴ <https://reliefweb.int/report/world/global-report-food-crisis-2022>
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⁵ <https://gro-intelligence.com/insights/indonesia-lifts-palm-oil-export-ban-easing-global-supply-worries-and-prices>
⁶ <https://www.competition.org.za/s/WP-Assessing-agriculture-food-markets-in-Eastern-and-Southern-Africa-an-agenda-for-regional-competit-fjwa.pdf>
⁷ <https://gro-intelligence.com/insights/china-to-buy-brazil-corn-as-ukraine-exports-remain-blocked>

below the actual prices on the ground.⁸ This again points to the need for an African Market Observatory to track bulk transaction prices.

The prices are also far in excess of what it should cost to import to meet demand and mitigate the effects of the drought in Kenya and the horn of Africa. Efficient transport costs from Malawi and Zambia are around US\$70-120/tonne, taking into account higher fuel prices.⁹ Excess margins over transport costs are well over \$200/t to Kampala and US\$123/t even within Tanzania (Table 1).

Table 1. Excess margins, after reasonably efficient transport costs, May 2022, US\$/t

| Source to destination | Maize prices, source and destination | Efficient transport | Excess margin |
|-----------------------|--------------------------------------|---------------------|---------------|
| Lusaka – Dar | 215 to 386 | 97 | 74 |
| Lusaka - Kampala | 215 to 566 | 120 | 231 |
| Lilongwe-Dar | 205 to 386 | 76 | 106 |
| Lilongwe-Kampala | 205 to 566 | 107 | 254 |
| Iringa-Dar | 239 to 386 | 24 | 123 |
| Iringa-Kampala | 239 to 566 | 75 | 252 |

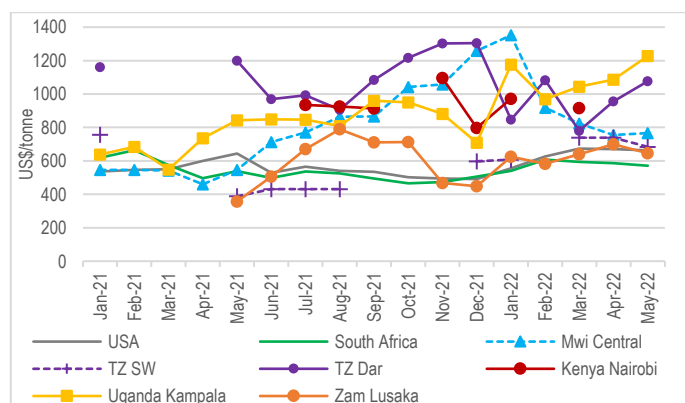
Source: Authors' own calculations

The export restrictions in Zambia have prevented the good harvests in that country meeting needs in the region and rewarding Zambian farmers. In Malawi exports have been the subject of disagreements between the head of ADMARC and the board.¹⁰ Similarly in Tanzania farmers are not being rewarded for the potential to meet demand in the major cities in East Africa.

Soybean prices

As with maize, soybean prices in Kampala, Uganda and Dar es Salaam have risen sharply, reaching levels between US\$1000/t and US\$1200/t. Meanwhile, prices in Malawi, southwest Tanzania and Zambia are substantially lower, ranging between US\$645/t and US\$787/t (Figure 3). Within the month there have been substantial weekly increases in Tanzania and Malawi. In Zambia, the government export restriction pushed prices down sharply, from US\$762/t prior to the announcement, to US\$528/t.

Figure 3. Soybean prices, ESA and international



Source: based on price tracker data from multiple sources. South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

As with maize, the differences in prices between net importers and net exporting countries are much larger than reasonably efficient transport costs. Excess margins in May from Lusaka to Kampala and to Dar es Salaam were over \$500/t and over \$300/t respectively, and similar from Iringa. From Lilongwe, excess margins are around \$400/t and \$200/t.

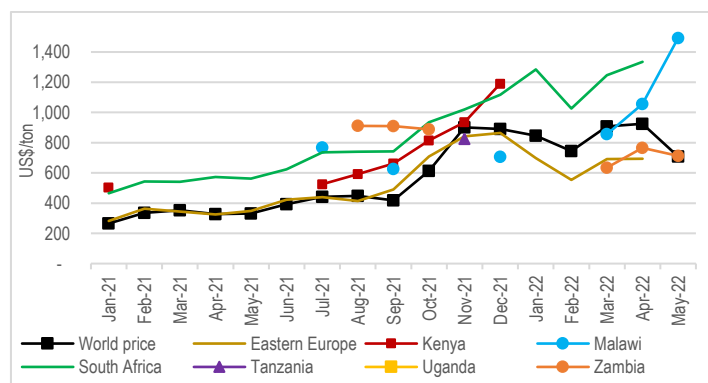
The Zambia National Farmers' Union anticipates that soybean prices will increase moving forward due to high soybean demand, both in Zambia and in the region, notwithstanding the current export restrictions.¹¹ Those able to access export permits can therefore make substantial profits.

The rationale for restricting exports in Zambia is to restrain price increases. In soybeans this relates to effects along the value chain as soybeans are processed into vegetable oil and animal feed. The price benefits to consumers depend on the linkages here.

Fertilizer prices

Our app user price uploads have indicated a significant rise in fertiliser prices in Malawi between March and May 2022, up to almost US\$1500/t for Urea, an increase of 74% (Figure 4). The price of Urea fertilizer in Zambia is much lower, and is at half the price in Malawi, showing a slight month-on-month decrease. It is in line with the international price of US\$708/t, and likely reflects government support measures given the costs to import to Zambia.

Figure 4. Urea prices



Source: World price is from the World Bank. Eastern Europe & South Africa prices are from Grain SA. Kenya and Uganda are from AfricaFertilizer. Malawi, Tanzania and Zambia are from AfricaFertilizer and from POKET app users.

Market Observatory App

For crowd-sourcing data, we use a Market Observatory App which is available for download on the Google play store (POKET, only available on android devices), please contact gnsomba@uj.ac.za or +27 65 9965936 for the relevant country code.

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If you are interested in partnering with us, please get in touch with Ntombi Tshabalala on ntombit@uj.ac.za.

⁸ <https://community.gro-intelligence.com/food-security-tracker-africa>. In the absence of actual prices Gro-Intelligence imputes a price from a benchmark import source.

⁹ [Nsomba, G., Roberts, S., Tshabalala, N. and Manjengwa, E. \(2022\). Assessing agriculture & food markets in Eastern and Southern Africa: an agenda for regional competition enforcement.](https://www.competition.org.za/africanmarketobservatory)

¹⁰ <https://times.mw/admarc-aborted-maize-deal-exposed/>

¹¹ <https://zambianbusinessetimes.com/soya-beans-prices-to-increase/>