

Food security concerns and initiatives to avert a food security crisis

June 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](#).

In this issue of the price tracker, we provide updates on major challenges in regional food markets. We further focus on funding programmes that have been developed to support agricultural markets in the region.

Key developments:

- Food prices spiked even higher in East Africa due to climate change and governments' belated action to source regionally
- Regional effects are compounding international impacts, such as the [heatwave in US Corn Belt](#) and war in Ukraine.
- Kenya is now opening to maize imports and facilitating trade to [supporting food security](#).
- However, Tanzania has [increased costs of export permits](#) and Zambia has also been restraining exports until recently.
- There are massive margins to be made from cross-border trade if it is facilitated.
- Zambia has bumper harvests and can be the grain basket for the region if regional markets worked better.
- Malawi harvests were impacted by January floods and soybean production is not as robust as expected.

Funding to address food security concerns

Food security remains one of the most significant challenges resulting from the fragilities of agrifood systems. The latest United Nations State of Food Security and Nutrition report highlights that there is inadequate progress being made to eliminate hunger and malnutrition. Globally, the number of people affected by hunger increased to [828 million in 2021](#) – an increase of 46 million since 2020.

The ongoing war in Ukraine continues to disrupt supply chains, resulting in rising prices of grains, fertiliser, and energy across the globe. The effect of this in the first half of 2022 has been an increase in food prices.

The rising food prices are further exacerbated by climate events, such as the drought in Kenya and the horn of Africa, as well as other extreme weather events across the region. Another La Niña weather pattern is predicted for 2023, which indicates poor rains in East and Horn of Africa and good rains further south. Effective regional integration is therefore essential to support exports from countries such as Zambia to meet demands in East Africa.

The World Bank recognizes that food system shocks resulting from extreme weather, pest and disease outbreaks, political and market instability, and conflict are becoming more frequent and severe and are putting more people at risk of food insecurity. To address this, the World Bank has approved a [US\\$2.3 billion](#) program to help countries in Eastern and Southern Africa increase the resilience of the region's food systems and ability to tackle growing food insecurity.

The Food Systems Resilience Program (FSRP) for Eastern and Southern Africa will enhance food crisis response strategies, including strengthening early warning systems and rapid response planning, emergency support to producers, trade measures, food reserves and providing rapid funding. The World Bank Vice President for Eastern and Southern Africa [acknowledges](#) that ensuring regional coordination in addressing the challenges posed by climate change and market volatility should be a key priority.

This follows the approval of a US\$1.5 billion facility by the African Development Bank for smallholder African farmers to receive certified seeds, fertiliser, and extension services. The initiative has been developed to benefit 20 million African farmers who will in turn produce 38 million tons of food.

Our research points to the need to ensure **regional markets work better** as the good supplies currently available in some countries are being blocked from reaching demand.

The [African Emergency Food Production Facility](#) will address other challenges that prevent markets from performing effectively. For instance, it will create a platform to advocate for critical policy reforms to solve the structural issues that impede farmers from receiving modern inputs. This includes strengthening national institutions overseeing input markets. It is predicted to result in an [increase of around 30%](#) in production to address Africa's deficit in food production, with increases of 11 million tons of wheat; 18 million tons of maize; 6 million tons of rice and 2.5 million tons of soybeans. The programme is built as a short and medium-term response for Africa's next four production seasons and involves working with fertiliser manufacturers, seed companies, commodity exchanges, large aggregators and regional member countries.

Better price information benefits farmers - the Clinton Development Initiative use of price tracker data

The Clinton Development Initiative (CDI) has been working to build farmer co-operatives across Malawi and now in Tanzania and Rwanda. CDI is working with around 35,000 thousand farmers in Malawi, 35,000 in Rwanda and 24,000 in Tanzania. As the farmers improve productivity, they need to find markets which offer fair prices.

Exports are attractive for products such as soybeans, but buyers can offer prices which are too low if farmers are not aware of market prices, and it means farmers lose out on the money which they can reinvest. In 2022, market information on prices across the region from the AMO enabled CDI to better negotiate prices which were US\$200/t higher than they would have otherwise accepted. On sales of 1,500 tonnes this was US\$300,000 more for farmers.

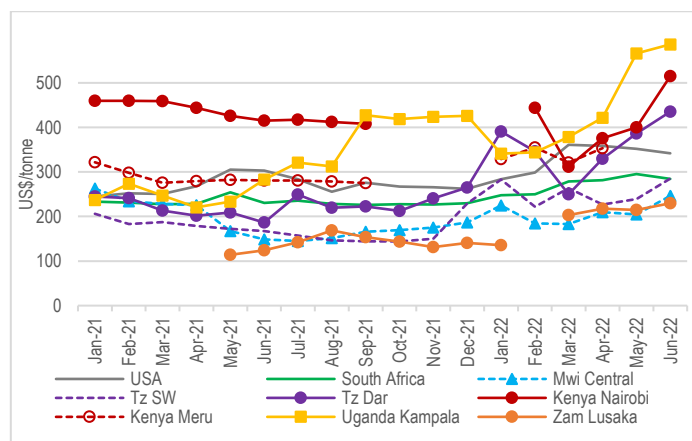
Maize prices

Maize prices have increased across the region in June. In Kenya, prices have been rising sharply and reached US\$515/t in mid-June (Figure 1). Prices are continuing to soar even further, reaching US\$770/t in the first week of July.

High prices are attributed to scarcity, with poor harvests due to the ongoing drought. Uganda has also shifted to supply maize to South Sudan. Kenya has not been a reliable trading partner with various restrictions from time-to-time undermining regional markets. The country has now started talks with Zambia, Tanzania and Uganda to [ensure exports reach Kenya](#).

Prices in Tanzania have also increased substantially, with Dar es Salaam prices increasing to US\$435 in June.

Figure 1. 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 failure of cross-border markets is evident. There is abundant supply and low prices in south-west Tanzania, Malawi and Zambia. Prices in these countries have increased somewhat, to US\$285 in south-west Tanzania, the same price as South Africa. Malawi and Zambia prices also rose to just under US\$250.

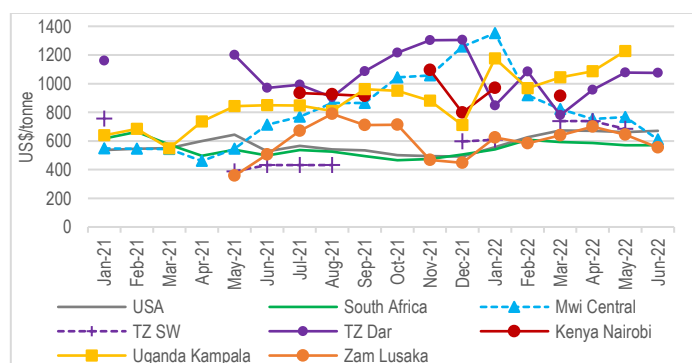
After taking into account higher fuel costs in road freight, there are huge margins between areas of demand and areas of supply. Prices are around US\$250/t higher in East Africa than Zambia yet transport costs should not account for more than US\$150/t. Price differences within Tanzania also suggest massive profits for traders.

Soybean prices

There are also huge margins in soybean prices between the exporting countries of Zambia and Malawi, and locations of demand in East Africa (Figure 2). As prices have declined in Zambia and Malawi these margins have even increased.

In Zambia, this is attributed to the government regulations restricting exports for some traders. Prices have decreased under \$600/t in Zambia and Malawi, and some prices of under \$500/t are being quoted in each country. These imply that excess margins over efficient transport costs of around \$450/t are being made. Again, regional markets appear to be broken, undermining the competitiveness of value chains relying on soybeans such as for poultry.

Figure 2. Soybean prices, ESA and international

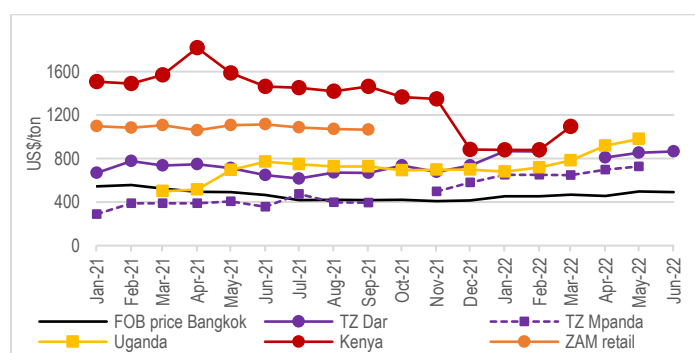


Source: based on price tracker data from multiple sources. South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

Rice prices

Rice prices in the region have remained far above the international export prices from Bangkok in 2022. Prices in Tanzania, the major producer and exporter have increased and are now 76% above the international benchmark.

Figure 7. Rice prices

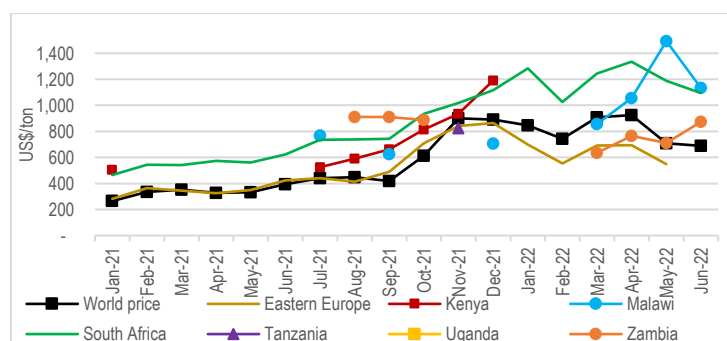


Source: Tanzania and Uganda is from WFP(VAM) and Min of Agriculture in Tanzania wholesale prices per 100kg. Bangkok prices are fob from USDA. ZAM retail from ZamStat, per kg.

Fertiliser prices

The good news is that while overall fertiliser prices remain extremely high, data from our app user price-uploads indicated a significant drop in fertiliser prices in Malawi in June, in line with the South African price at around US\$1100 (Figure 3). The world price also declined to below US\$700, largely due to a sluggish domestic demand in the US due to the late start to the US planting season. The price of fertiliser in Zambia increased by over 23%.

Figure 3. 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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