Latest trade balances in the ESA region
September 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.

2021 trade data for the region has become available. In this issue of the price tracker, we look at the data on trade balances.

Key developments:

- Kenya maize and maize flour prices declined somewhat from historic highs, as the harvest began, although maize prices are still extremely high, above $600/t.
- Kenya approves commercialization of GM maize, making it the first country in East Africa to do so.
- Maize and rice prices in Dar es Salaam, Tanzania are expected to remain high until December 2022, with maize prices close to US$500/t.
- Maize prices in Zambia and Malawi remain under US$250/t, meaning continuing huge differentials with East Africa.
- Zambia has maintained over 1 million beneficiaries of the fertilizer support programme in the 2022/2023 season with the aim of strengthening agricultural production
- Zimbabwe current weather forecasts point to above-average rainfall in the planting season starting this month.

Regional Trade in selected countries

Regional trade can help reduce domestic food price volatility by moving staple foods from countries where local markets are in surplus production to areas where there is a food deficit. Greater regional trade integration can improve food accessibility and affordability in the context of climate change. When coupled with robust storage and transportation facilities, it enables the sale of a country's abundant harvests which might otherwise have gone to waste to a country that is experiencing a shortage.

The Africa Continental Free Trade Agreement (AfCFTA) which came into effect in May 2019, is a step in the right direction with a market size of $312 trillion in potential GDP and 1.3 billion people. This poses an opportunity to promote regional integration as the AfCFTA will progressively eliminate tariffs on intra-Africa trade, making it easier for African businesses to trade within the continent and benefit from the growing African market.

However, in 2021, Intra-Africa trade was incredibly low at 14% of total African exports. The AfCFTA has the potential to increase intra-African trade by between 33% and 100% depending on effectively addressing the obstacles to trade. The success of these measures depends on actions taken to build stronger and resilient regional value chains and ensuring that regional markets are working well.

Maize trade balances

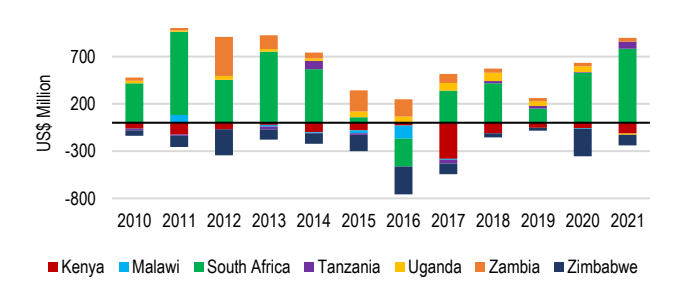
Maize is the most widely grown crop in sub-Saharan Africa and is a stable food to an estimated 50% of the African population. Maize utilises 24% of farmland in Africa, more than any other crop.

In terms of production, South Africa is by far the largest in the Southern Africa region. The country is a major net exporter with a trade balance of US$778 million in 2021, a significant increase over 2020 (Figure 1). Tanzania follows behind South Africa with a positive maize trade balance of US$74 million, and Zambia had positive net exports in 2021 of US$43 million.

South Africa and Zambia are likely to maintain their positions as net exporters of maize among the countries in the ESA region under consideration, due to the ample harvest they had in the 2021/22 marketing year. These two countries were able to meet domestic demand with the harvest and had surpluses that could be exported to other countries.

Countries with negative trade balances in 2021 are Kenya, Zimbabwe (which have had ongoing net imports over the period under consideration), and Uganda. Uganda went from a positive trade balance of US$63 million in 2020 to a small negative balance of US$13 million in 2021.

Figure 1. Maize net exports, selected countries



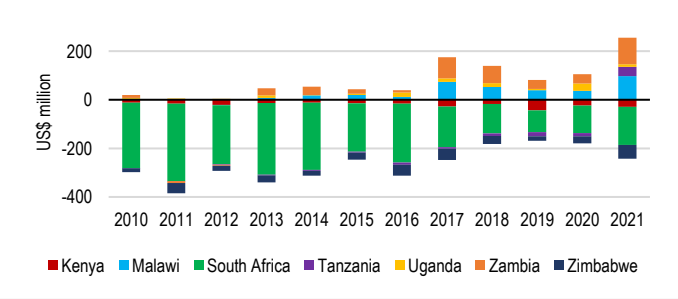
Source: Based on AMO calculations using data from Trade Map

Soybean and oilcake trade balances

Africa produces less than 1% of the world's soybean production. However, the African level of soybean production has been rising at an average of 6.8% a year over the 1961 to 2019 period, higher than the world's annual 4.7% rate.

South Africa and Zambia are the top 2 producers of soybean out of the countries under consideration. However, while South Africa is the largest producer, its soybean production does not meet domestic demand and it has been a consistent net importer of soybean and oilcake (Figure 2). Kenya and Zimbabwe are also net importers with negative trade balances of US$29 million and $56 million respectively in 2021.

Figure 2. Soybean and oilcake net exports

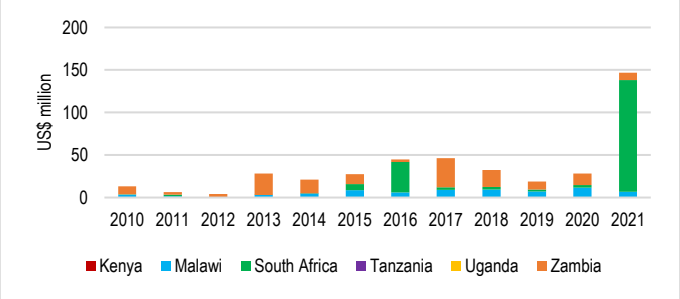


Source: Based on AMO calculations using data from Trade Map

The largest net exporters are Zambia, Malawi, and Tanzania. Zambia and Malawi have been exporters the past five years, with increasing volumes in 2021 and positive trade balances of US$108.7 and US$96.8 million, respectively. Tanzania has only just switched to being a net exporter. Even though Uganda has continued as a net exporter, their trade surplus reduced to US$10 million in 2021 from US$30 million in 2020.

In 2021 Zimbabwe registered very large imports of soybean and oilcake from South Africa, even while South Africa remained a substantial net importer itself. South Africa accounted for 89% of all Zimbabwean soybean and oilcakes imports – making South Africa its major importer since 2016.This points to a change in inland and coastal pricing consistent with South African inland prices falling below world prices. South African inland regions are operating at a growing soybean surplus while the coastal regions are net importers. Significant soybean production takes place in the Free State and Mpumalanga – inland provinces in South Africa.

Figure 3. Zimbabwe soybean and oilcake imports



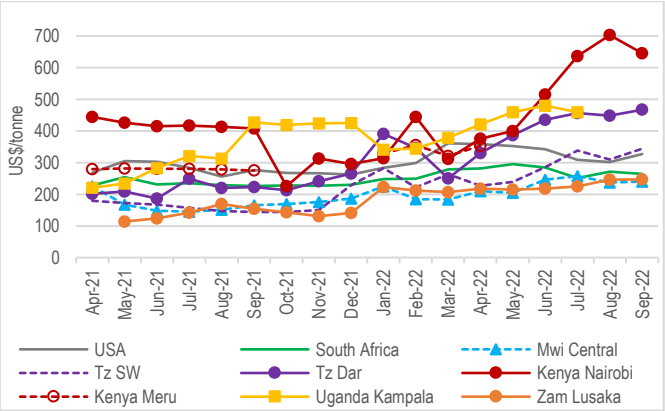
Source: *Based on AMO calculations using data from Trade Map*

Maize prices

In September, maize prices in Nairobi, Kenya remained much higher than in net-exporting countries. Prices did drop somewhat, to below US$700, with reports of prices in some areas at around US$500. This is due to the maize harvest by farmers in the South Rift region. Prices are expected to drop further in the coming months as farmers in the North Rift region begin harvesting. However, the North Eastern and Eastern regions of Kenya continue to be significantly impacted by the ongoing drought.

Nairobi and Dar es Salaam prices are converging as Dar es Salaam prices averaged at around US$470 in September, although some AMO Poket app users reported prices as high as US$515. Prices in producing areas in Malawi and Zambia remained largely unchanged from August to September at levels between US$240 and US$250. The differences between prices in producing and consuming areas are still huge, indicating excess margins over reasonable transport costs.

Figure 4. Maize prices, ESA and international

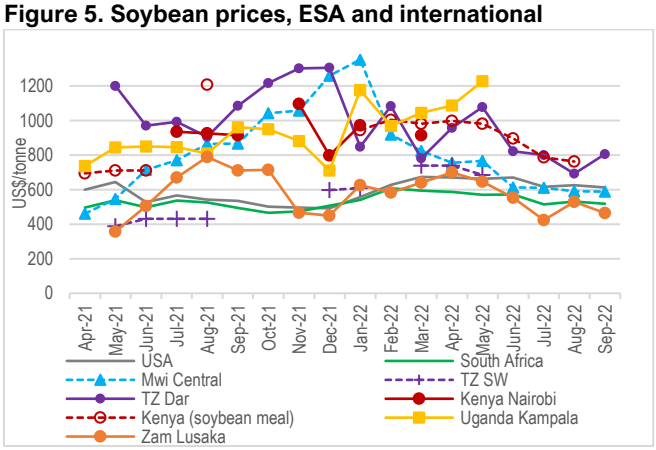


Source: based on price tracker data from multiple sources; South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

Soybean prices

We saw a slight convergence of prices in producing locations in Zambia and Malawi and those in Dar es Salaam in August. However, September prices indicated a divergence once again as Dar es Salaam prices rose to over US$800 while Zambia prices dropped to US$465. Malawi Central prices have shown very little movement since June this year and are currently at levels of US$590.

Figure 5. Soybean prices, ESA and international

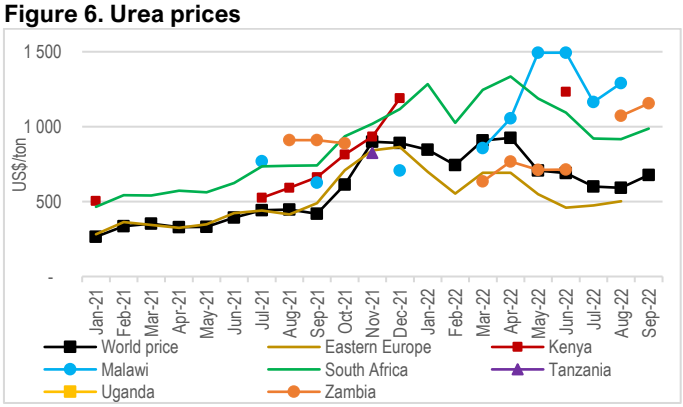


Source: based on price tracker data from multiple sources. South Africa is SA Futures Exchange price; USA is fob prices from SAGIS

Fertilizer prices

The outlook on fertilizer prices remains pessimistic as world fertilizer prices (Urea) increased by 15% month-on-month and by 62% year-on-year in September. Prices in Zambia and South Africa also increased, both rising by 8% month-on-month and are 30% higher than 12 months prior.

Figure 6. 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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