

Price tracker: The ongoing conflict between Russia and Ukraine has affected international food prices

February 2022, DRAFT FOR PILOT

Welcome to the tenth monthly food price tracker. This is an initiative of the Market Observatory 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](#).

The price tracker is motivated by the need for greater transparency on prices on the ground to smaller market participants. Small producers and agri-businesses are at the heart of growing production and value, yet research shows they often receive unfair prices. Tracking markets is also very important for African countries which face the challenges of growing agricultural production while adapting to [climate change](#).

In addition to the extreme weather events that we have seen in recent months, the conflict between Russia and Ukraine has affected the global trade of food and fuels. It is imperative that we continue to track the effects of these events on market outcomes.

Key developments:

- Russian-Ukraine war is driving up grains, fertilizer and fuel prices.
- Scientists confirmed the American west has spent the last 20 years in the most extreme megadrought in at least 1200 years because of global warming.¹
- China is significantly increasing purchases of US soybeans as Brazil's production is impacted by drought in that country.²
- Argentina has suspended export sales of soybean meal & oil; while global soybean oil stocks are at lowest in two decades.³
- Soybean and maize prices increased in both the USA and South Africa in February.
- Soybean prices in Malawi, Zambia and Uganda have decreased in anticipation of the forthcoming harvest.

The impact of the conflict in Russia and Ukraine

The conflict between Russia and Ukraine has worsened the already fragile global economy following the impact of the COVID-19 pandemic. High food prices are hitting low-income households in developing countries. Russia and Ukraine are among the major global suppliers of agri-food products, together accounting for 53% of global trade in sunflower oil and seeds, and 27% of global trade in wheat.⁴ In terms of fuels, global energy prices are skyrocketing as Russia is the second-largest oil exporter in the world, selling about 5 million barrels of oil daily.

The rapidly evolving situation is alarming for developing countries, and especially for African countries, some of which are particularly exposed to the war in Ukraine and its effect on trade costs, commodity prices and financial markets. The war is worsening the world economic outlook with rising food, fuel and fertilizer prices, heightened financial volatility, divestments from Russia, complex global supply chain reconfigurations and mounting trade costs.

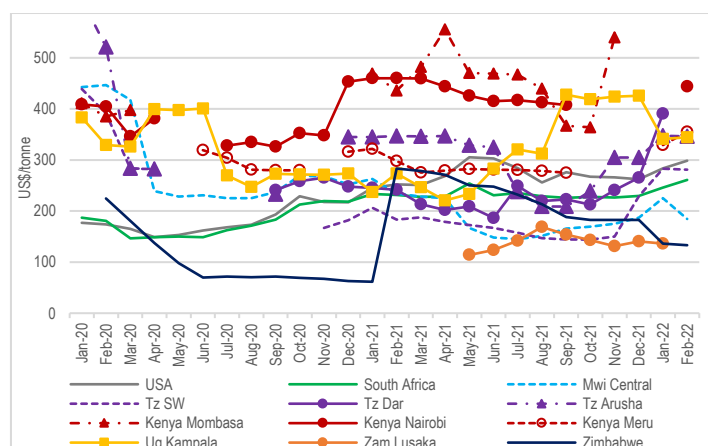
A slump in trade and restrictions in freight movements is another effect. Africa's biggest economies such as Nigeria, Egypt, South Africa, Algeria, and Kenya are major importers of Russia's agricultural exports, putting them at risk of further spikes in food prices if trade is disrupted. According to the UN's International Fund for Agricultural Development (IFAD), early impacts of the war are already being witnessed through rising food prices and shortages of staple crops in some parts of the region.⁵ Increasing food and fuel prices will squeeze the most vulnerable groups in society in developing countries. As a result, there is a risk of civil unrest, food shortages and inflation-induced recessions in many countries.

If the war extends to more than 3 months, this will be catastrophic for most global economies as national commodity stocks will be dwindling. The war, climate emergency and COVID-19 have all illustrated the importance of ensuring resilient food value chains and the need for regional integration. Food producers will benefit from higher prices, however, ESA is a net food importer.

Maize prices

Maize prices have increased in both the USA and South Africa towards US\$300/t. In the region, prices in Kenya and Uganda remained above international levels, increasing in both Nairobi and Meru, while Uganda also saw a slight shift upwards after a significant drop in January. The price in south-west Tanzania remained close to US\$300, however, prices in Malawi dropped to levels below US\$200/t, possibly because of humanitarian food assistance as a result of floods.⁶

Figure 1. Maize prices, ESA and international



Notes: based on price tracker data from multiple sources

Soybean prices

Soybean prices in Malawi, Zambia and Uganda have dropped from the prevailing very high levels, likely in anticipation of the harvest in April/May, however, they remain above US\$900/t. The upcoming harvest may be large, with good yields. From interviews with app users in Malawi, we found that traders are being offered US\$600/t in advance. In Zambia, the price declined to US\$580 from above US\$600/t in January. However, the price in Dar es

¹ <https://www.theguardian.com/environment/2022/feb/15/us-west-megadrought-worst-1200-years-study>

² <https://gro-intelligence.com/insights/india-turns-to-us-for-soybean-oil-as-global-supplies-tighten?>

³ <https://gro-intelligence.com/insights/argentina-s-freeze-on-soy-oil-exports-deals-blow-to-global-vegetable-oil-supplies?>

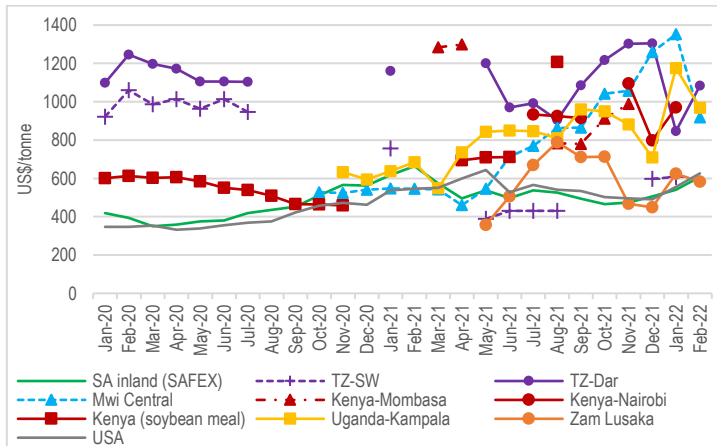
⁴ <https://unctad.org/news/ukraine-wars-impact-trade-and-development>

⁵ <https://www.ifad.org/en/web/latest/-/impacts-of-ukraine-conflict-on-food-security-already-being-felt-in-the-near-east-north-africa-region-and-will-quickly-spread-warns-ifad>

⁶ <https://www.ifpri.org/publication/ifpri-malawi-monthly-maize-market-report-february-2022>

Salaam increased to above US\$1000. Prices in the USA and South Africa have also increased, to around US\$600/t.

Figure 2. Soybean prices, ESA and international



Source: Tanzania and Zambia are from app users; Kenya, Uganda from RATIN; Malawi from IFPRI; South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

Fertilizer prices

High natural gas prices in Europe have resulted in various fertilizer companies being shut, triggering supply concerns around the world. While international fertilizer prices fell back somewhat in February, they are expected to increase again in coming months. As a major global supplier of natural gas and other chemical products, trade restrictions on Russia from most of the western economies will likely drive-up prices in global markets. This will negatively impact on production in the next agricultural season, especially for fertilizer intensive crops such as maize. The increase in fertilizer prices in 2021 contributed to a rise in food prices by about 30%.⁷

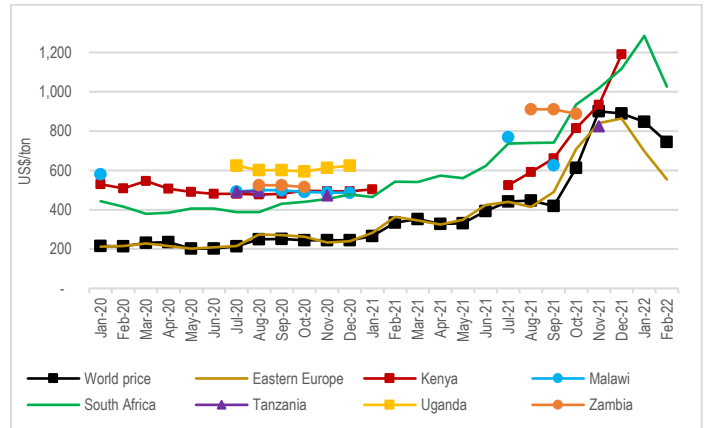
In parts of the ESA region, fertilizer prices have increased since the beginning of 2022. A case in point being in Zimbabwe where a 50kg bag of ammonium nitrate costs between US\$45 and US\$55, from about US\$30 in 2021. This is a result of the ammonium prices that soared by 120% to US\$1400/t in January 2022, from US\$625/t in the same period in 2021. Similarly, fertilizer prices in Malawi also rose from around K22,000 (US\$26) in 2020 to K38,000 (US\$46) per 50kg bag in 2021.⁸ In Tanzania, fertilizer prices are reported to have been increased by more than 50% as well.

The rise in cost of producing fertilizer which culminates in high prices is likely going to affect most of the ESA commercial and small holder farmers. Issues of availability and affordability will be critical in the planning decisions for most farmers. Soybean uses little fertilizer and, as such, will be less affected than maize.

At small holder level, production outputs are likely to be reduced as most countries become squeezed to adequately finance their input subsidy schemes, such as in Malawi and Zimbabwe. However, options of other nutrient enhancing methods such as organic fertilizers can be promoted, although their impact on output might not be comparable to that of fertilizer. In Malawi, the government has already started to warn farmers to brace for a further increase in fertilizer prices between June and July this year due to the Russia-Ukraine war. In Tanzania, the government is

considering reinstating price controls on four main fertilizers to ensure their affordability to farmers.

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.

Urgent measures are required to support agricultural markets in the face of the current war as well as the climate emergency. Making the changes necessary to deal with these challenges requires a regional approach given the differing anticipated impacts within and across different countries, and for groups of producers. Steps can be taken to ensure African food value chains remain resilient and build capabilities to be better positioned in global agricultural markets. The interventions need to be made urgently given the accelerating pace of changes. The market observatory has an important role to play in supporting agricultural value chains and making the case for investment in infrastructure, water management, logistics and storage and support services.

A Market Observatory App

A Market Observatory App has now been launched for crowd-sourcing data, 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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⁷ <https://www.ifad.org/en/web/latest/-/impacts-of-ukraine-conflict-on-food-security-already-being-felt-in-the-near-east-north-africa-region-and-will-quickly-spread-warns-ifad>

⁸ <https://malawi24.com/2022/03/09/malawians-warned-to-brace-for-fertilizer-price-rise/>