

Price tracker: key food prices

September 2021, DRAFT FOR PILOT

Welcome to the sixth draft 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.

Each month we will provide a short summary of key trends in prices in East and Southern Africa (ESA) for selected staple food products, and a focus on selected 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](#). There is huge potential for expanded food production across many African countries with good soils and water availability. However, climate change means increased shocks and long-term warming which effects need to be anticipated and adapted to.

In this sixth tracker we include prices from the Market Observatory App that went live in August.

Key developments:

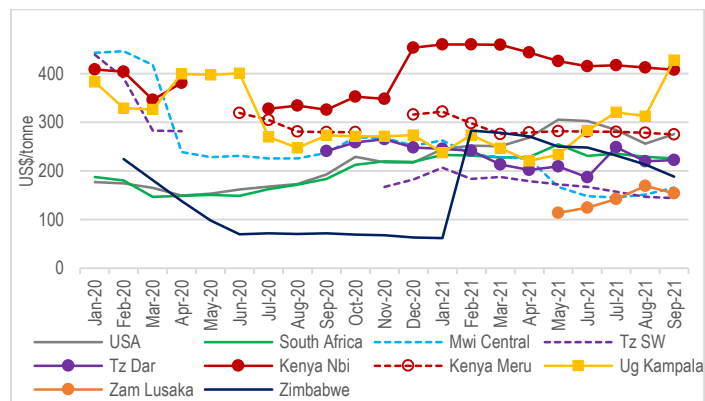
- Maize prices in Uganda (Kampala) have sharply increased to meet Nairobi prices above \$400/t, while prices remain significantly under \$200/t for Malawi, Zambia and south-west Tanzania, margins far above reasonable transport costs.
- Soybean prices in Malawi continued to increase towards prices in Dar es Salaam and Nairobi, above \$800/t, while prices in Zambia have decreased slightly in September. Prices in South Africa remain under \$500/t.
- Building sustainable resilient Africa food systems has been repeatedly emphasized – this requires regional action as reinforced by the ongoing drought effects in Kenya.¹
- Impact of the droughts in North America and Brazil continue to have ongoing effects on global markets.
- Although overall global food prices have increased in August, maize prices have shown a slight decline and international rice prices continue to decrease.²
- Fertilizer prices have seen sharp increases in 2021 driven by higher input costs, yet prices in African countries are at even higher mark-ups above international levels, with potential to negatively impact the regional planting season in ESA.

Maize prices

Prices in producing areas continue to remain low, reflecting abundant production, with prices as low as \$140/t to \$160/t in south-west Tanzania, Zambia and central Malawi (Figure 1). Meanwhile, Nairobi and Kampala prices are above \$400/t, far exceeding those which would be expected from transport costs to supply, which should be no more than \$100/t instead of the \$250/t margins observed. This points to a bifurcation of maize prices in the ESA region and broken regional markets. Poor weather conditions and high demand in some areas should be met by intra-regional trade from where there is good supply and growing conditions. Instead, intermediaries (often called 'middlemen') seem to be profiteering the situation. While Malawi, Zambia and Zimbabwe have experienced good weather conditions in the

2020/2021 harvest season, northern Kenya is experiencing extreme drought affecting 23 of 47 counties, resulting in a poor harvest and food insecurity.³ Higher prices are to be expected but not to the extent being observed. Between June and July, Kampala prices have also sharply increased as a possible response to Kenyan demand.

Figure 1. Maize prices, ESA and international



Notes: based on price tracker data from multiple sources

This is a strong example of why improved market information, through tools such as the market observatory, and greater competition with more participation of smaller and medium traders is vital. Better information on price, and weather patterns, can ensure markets adapt to enable reasonable food prices.

Data from the Market Observatory App is consistent with persisting large differences in maize prices within and across countries in ESA (Table 1). The data collated highlight much higher prices being charged in Dar es Salaam. There are also big gaps having opened-up within Malawi, of more than \$100/t between the central and northern regions. The lower end of the range is in Manicaland in Zimbabwe at \$153/t, close to Malawi central and Lusaka, Zambia.

Table 1. September prices from app users in US\$/t

Region	Maize
Malawi - Southern	188
Malawi - Central	160
Malawi - Northern	276
Tanzania - Dar es Salaam	473
Tanzania - Dodoma	
Tanzania - South West	
Zambia - Lusaka	154
Zambia - Southern	156
Zambia - Copperbelt	
Zambia - Eastern	
Zimbabwe - Harare	184
Zimbabwe - Bulawayo	
Zimbabwe - Manicaland	153

Government intervention in maize markets

A high price was set by the Zimbabwe government in February 2021, with all sales to be made to the Grain Marketing Board, notwithstanding good harvests under favourable weather conditions. The government set price is reinforced by import bans on maize,

¹ <https://agra.org/wp-content/uploads/2021/09/AASR-2021-A-Decade-of-Action-Building-Sustainable-and-Resilient-Food-Systems-in-Africa.pdf>; <https://www.reuters.com/world/africa/drought-northern-kenya-pushes-millions-towards-hunger-2021-10-15/>

² <http://www.fao.org/news/story/en/item/1437401/icode/>

³ <https://www.theguardian.com/global-development/2021/sep/15/drought-puts-21-million-kenyans-at-risk-of-starvation>

maize meal and other maize products to ensure purchases of grain from GMB and to support the official exchange rate.

In Malawi the Agricultural Development and Marketing Corporation (ADMARC) is mandated to support farmers through subsidised buying and selling of agricultural produce to ensure inputs and an income for farmers, food security in Malawi and to increase the volume and quality of agricultural exports through developing new foreign markets. It recently increased its maize selling price from approximately \$195/t to \$205/t, significantly above the prevailing market selling price.⁴

We note, however, that other ESA countries have also engaged in the imposition of trade restrictions and other discretionary interventions at times. For example, both Zambia and Tanzania have imposed temporary export bans in recent years. Kenya imposed an import ban on maize imports from its east African trading partners in late 2020, relaxed in March 2021, on the basis of aflatoxin levels being higher than safety levels. Aflatoxin is a poisonous compound produced by moulds that grow on cereals and nuts in warm and humid conditions.

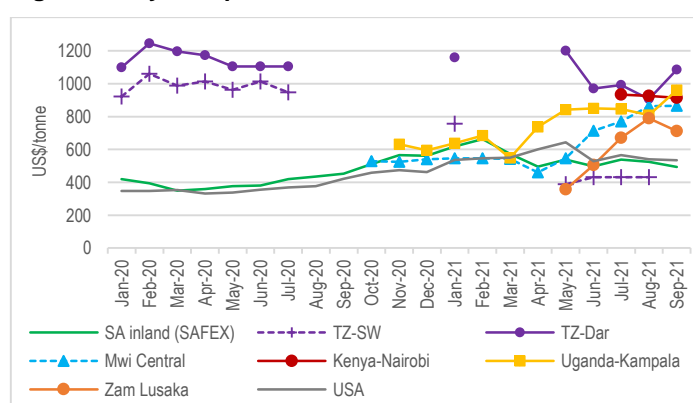
Preliminary findings indicate that these interventions may contribute to the price volatility experienced across ESA in maize markets, possibly benefitting special interest groups. Instead, measures to support more inclusive regional trade and integration are an important part of mitigating the effects of extreme weather.

Soybean prices

International soybean prices continue to be at levels around 50% higher than those over the previous five years. However, the benchmark South African price on SAFEX dropped to \$494/t in September, from \$525/t in August (Figure 2).

In contrast, Malawi and Uganda prices remain at high levels in line with Nairobi and Dar es Salaam and above \$800/t. Prices in Dar es Salaam, which are now well over \$1000/t. App user data shows Malawi northern prices to have climbed even more, reaching \$994/t (Table 2), reinforcing that Malawian prices are being pulled up by those in Dar es Salaam.

Figure 2. Soybean prices, ESA and international



Source: Tanzania is from WFP(VAM) and from retail prices per kg; Kenya, Uganda from RATIC per tonne; Malawi from IFPRI, per kg. S Africa is SA Futures Exchange price. USA is fob prices from SAGIS. Zambia are user prices.

Zambian prices for September dropped somewhat from \$788/t to \$711/t although the prices in other regions are higher. This is still more than \$200/t above South African inland prices or three times the reasonable transport costs. Within Malawi, there are also huge price disparities. While interviews with participants indicated this was due to less export demand in the south, further from Tanzanian border posts, the differences are extreme.⁵

Table 2. September prices from app users in US\$/t

Region	Soybean
Malawi - Southern	403
Malawi - Central	899
Malawi - Northern	994
Tanzania - Dar es Salaam	1,085
Tanzania - Dodoma	
Tanzania - South West	
Zambia - Lusaka	711
Zambia - Southern	793
Zambia - Copperbelt	
Zambia - Eastern	
Zimbabwe - Harare	304
Zimbabwe - Bulawayo	
Zimbabwe - Manicaland	421

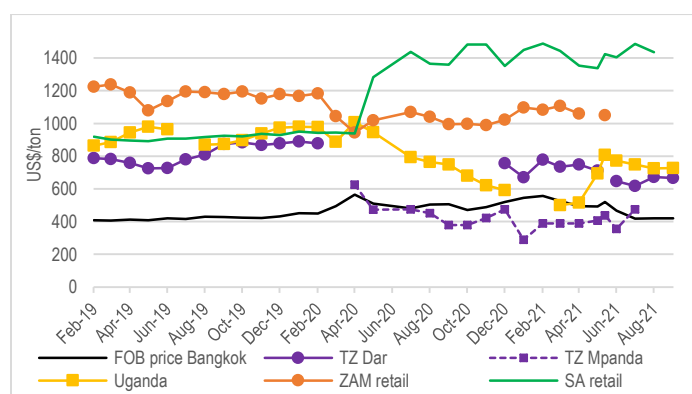
Soybean harvests in Malawi and Zambia are predominantly in April and May, which means that gains from the subsequent further price hikes were realized by traders with access to storage facilities after buying produce during the harvest. Importantly, prices from July onwards were also well above the import parity price from South Africa, as well as deep sea sources.

While there are concerns globally about higher food price inflation flowing through from higher grain prices, price increases in some ESA countries are greater than they should be, especially given good supply conditions in much of the region.

Rice prices

Rice is the second staple food in African countries after maize. Prices in some ESA countries remain extremely high (Figure 3). In the only major producing country, Tanzania, prices are around international prices.

Figure 3. 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. South Africa data is StatsSA price per 2kg.

Data from the app on wholesale prices shows levels in northern Malawi and Manicaland in Zimbabwe are relatively low at \$552/t and \$520/t respectively (Table 3). This differs substantially from prices in Harare, Lusaka and Das es Salaam.

Table 3. September prices from app users in US\$/t

Region	Rice
Malawi - Southern	610
Malawi - Central	

⁴ <https://malawi24.com/2021/09/24/govt-raises-price-of-maize/>

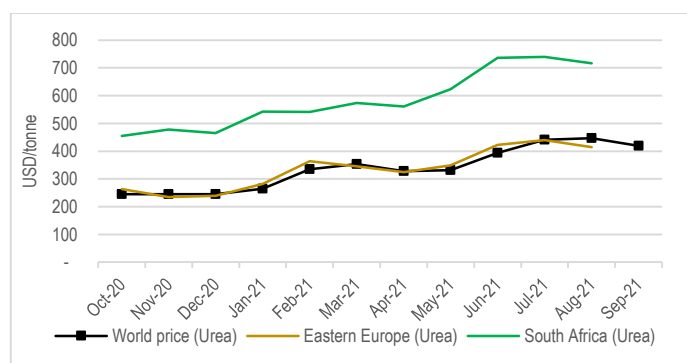
⁵ Interview with App users, 22 September 2021

Malawi - Northern	552
Tanzania - Dar es Salaam	833
Tanzania - Dodoma	
Tanzania - South West	
Zambia - Lusaka	910
Zambia - Southern	
Zambia - Copperbelt	
Zambia - Eastern	
Zimbabwe - Harare	966
Zimbabwe - Bulawayo	
Zimbabwe - Manicaland	520

Rising fertilizer prices

2021 has seen a sharp increase in fertilizer prices owing mainly to higher input costs, especially rising natural gas prices. Pricing data for urea over the last year indicates world prices have increased by around \$200/t, close to doubling (Figure 4). South African prices over the same period have been significantly above the world market, indicating its position as a net importer, reaching \$700/t in August 2021. The margin of South African prices over international prices has also increased from last year.

Figure 4. Urea prices



Source: World price is from the World Bank. South Africa & Eastern Europe prices are from Grain SA.

South African prices provide a useful benchmark for prices in the ESA region, particularly for Kenya and Tanzania given their access to seaports. However, there are big gaps in the availability of pricing data for [ESA](#). In addition, there is a history of collusion in fertilizer markets, at international and national [levels](#).⁶ Cartels have been uncovered in Zambia and South Africa at various times.

There has been a sharp increase in fertilizer prices in Malawi with a 50kg bag now costing between \$40 and \$50 or \$800-\$1000/t, from \$20 to \$25 in the previous year.⁷ App users are reporting similar urea prices in Zambia at \$929/t and Malawi at \$956/t. These are more than \$200/t above South African prices or much more than double the transport cost. Prices in Zimbabwe are less than half of that at \$326/t, using the parallel exchange rate.

From a breakdown computed by the Mwapata Institute⁸, the Malawi price increase is driven by increases world prices along with transport costs, however, the difference with South Africa raises some concerns about the margins made (as a difference of \$167 in 2020 has now increased to \$240).

Table 4: Urea price drivers in Malawi, US\$/t

Price component	2020	2021	% change
a) World (US FOB) price	214	442	106%
b) Transport to Malawi	264	358	36%
c) FOB Malawi (USD/ton) = (a+b)	478	800	67%
d) Domestic margin	125	156	25%
e) Malawi retail price	603	956	58%
South Africa price	430	716	67%
Eastern Europe	274	414	51%
Zambia price		929	
Zimbabwe price		326	

Source: Price components a) to e) are from the Mwapata Institute. South Africa & Eastern Europe prices are from Grain SA. Zambia & Zimbabwe prices are from POKET app users (converted at parallel exchange rate in Zimbabwe).

Under the Agricultural Inputs Subsidy (AIP), the Malawian government meets up to 75% of the cost of a 50kg bag of fertilizer. However, rising prices have meant that the government is faced with either having to reduce the number of beneficiaries on the AIP given the existing budget or increase the market price for fertilizer. The Ministry of Agriculture subsequently moved to trim the number of beneficiaries on the AIP from 3.7 million to 2.7 million.⁹ This decision has now been reversed.

As the planting season in Malawi and other ESA countries now approaches, developments in fertilizer markets need to be monitored closely as they will inevitably affect the yield for the 2021/2022 harvest season, together with other concerns such as climate change concerns and the ongoing drought in Kenya.

A Market Observatory App

A market observatory is essential for sustainable food systems in East and Southern Africa, to the benefit of smaller producers and consumers.

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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⁶ See Vilakazi, T. and Roberts, S. (2019). Cartels as 'fraud'? Insights from collusion in southern and East Africa in the fertiliser and cement industries. Review of African Political Economy, Vol. 46 (161), 369-386

⁷ https://www.voanews.com/a/africa_malawi-president-pledges-intervene-fertilizer-price-rise/6209863.html

⁸ <https://www.mwapata.mw/>

⁹ https://www.voanews.com/a/africa_malawi-president-pledges-intervene-fertilizer-price-rise/6209863.html