

## Price tracker: key food prices

October 2021, DRAFT FOR PILOT

Welcome to the seventh 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, Southern Africa is a climate change hotspot with greater increases in prices and more volatile weather – heatwaves and floods – alongside declining rainfall.<sup>1</sup> For example, in early November there were extremely high temperatures of over 40°C and delayed rainfall in Zimbabwe and Malawi. Engelbrecht and Monteiro (2021) observed that the ‘pace and magnitude at which CO2 emissions will have to be reduced for global warming to be restricted to 1.5 °C is staggering, and will require the formation of the strongest climate pact to date at the 26th Conference of the Parties (COP26).’ We now know that the COP26 agreement did not come close to what was required, including in terms of funding for developing countries to adjust.

The changes have important implications for food systems, with investment required in water management, information storage and logistics, along with ensuring support for expanded production in areas where there is good rainfall while shocks disrupt production elsewhere.

In this seventh tracker we include prices from the Market Observatory App that went live in August as well as important considerations for the 2021/22 harvest.

Key developments:

- Maize prices in Zambia, Malawi and south-west Tanzania remain well below \$200/t, while prices in Kampala (Uganda) and Nairobi (Kenya) remain above \$400/t.
- International maize prices declined slightly due to seasonal factors and the easing of port disruptions in the USA.
- Malawi central soybean prices continue to increase to be in line with prices in Kampala, Nairobi and Dar above \$900/t. These are double the prices in South Africa, on SAFEX.
- Global overall food prices increased for the third consecutive month, reaching the highest level since July 2011.<sup>2</sup>
- Fertilizer prices globally increased by another 20-25% in October and African countries have high mark-ups above international prices, negatively impacting planting in ESA.

<sup>1</sup> Engelbrecht, F.A. and Monteiro, P.M.S. (2021). The IPCC Assessment Report Six Working Group 1 report and southern Africa: Reasons to take action. South African Journal of Science, Vol. 117 No. 11/12.

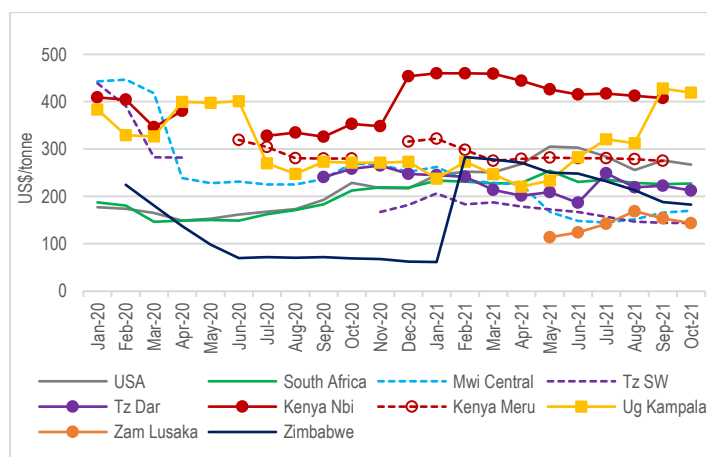
<sup>2</sup> <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

- The La Niña weather pattern appears set for a second consecutive year in 2022,<sup>3</sup> which means relatively good rains in ESA, while conditions are very poor in other regions.

## Maize prices

Maize prices continue to show a massive spread, from around \$140/t in Zambia and south-west Tanzania, to above \$400 in Kampala and Nairobi (Figure 1). Internationally, the USA export price of maize declined slightly to below \$270/t in October and the South African price on SAFEX remained below \$230/t. Prices increased marginally in southern and central Malawi, to \$195/t in October. South-west Tanzanian prices remain unchanged from September, whereas in Dar es Salaam maize prices have dropped by \$10/t. The price in Zimbabwe continues to decline due to the depreciation of the parallel exchange rate.

Figure 1. Maize prices, ESA and international



Notes: based on price tracker data from multiple sources

Data from the Market Observatory App, although limited, confirms considerable differences across countries in ESA. Prices in Harare increased from \$184/t to \$224/t in October and are higher than in central Malawi and in Zambia. However, within the different provinces in Zambia, prices are aligned between \$140/t to \$150/t.

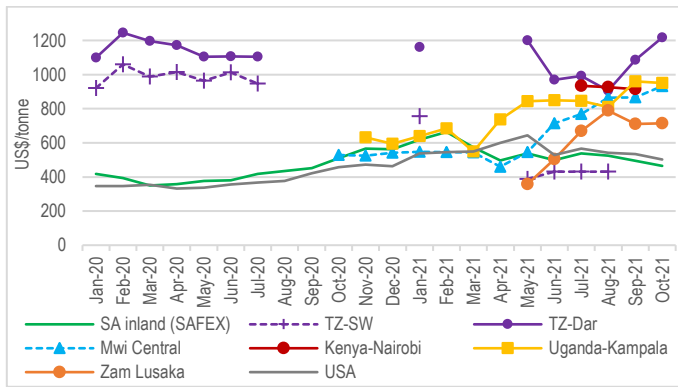
## Soybean prices

The differences in soybean prices are even greater than maize, from prices in South Africa on SAFEX which dropped to \$466/t in October, to Uganda (Kampala) prices at \$950/t (Figure 2). Over six months prices in Malawi have increased from among the lowest to close to the highest, well above \$900/t. Prices in Zambia have increased also, but fallen back somewhat from September. International soybean prices, while lower than most ESA countries, are still at levels around 50% higher than those over much of the previous five years.

Prices from the Market Observatory App show differences within countries. In Zambia, Lusaka and eastern Zambia prices are below \$720/t while prices in southern Zambia are above \$800/t. The price in Harare, Zimbabwe is recorded to be low at around \$600/t. Prices in Tanzania increased again, to \$1217/t, and increased across other regions in the country.

<sup>3</sup> <https://gro-intelligence.com/insights/articles/la-nina-is-back-what-that-means-for-north-and-south-american-crops>

**Figure 2. Soybean prices, ESA and international**

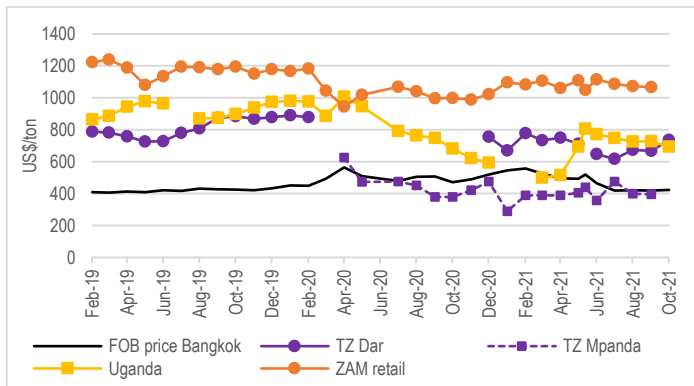


Source: Tanzania is from WFP(VAM) and from retail prices per kg; Kenya, Uganda from RATIN per tonne; Malawi from IFPRI, per kg. S Africa is SA Futures Exchange price. USA is fob prices from SAGIS. Zambia are user prices.

**Rice prices**

Rice is the second staple food in African countries after maize. Prices in some ESA countries remain extremely high (Figure 3). Prices in Dar es Salaam, Tanzania now exceed Uganda prices, and are almost double the international price.

**Figure 3. Rice prices**



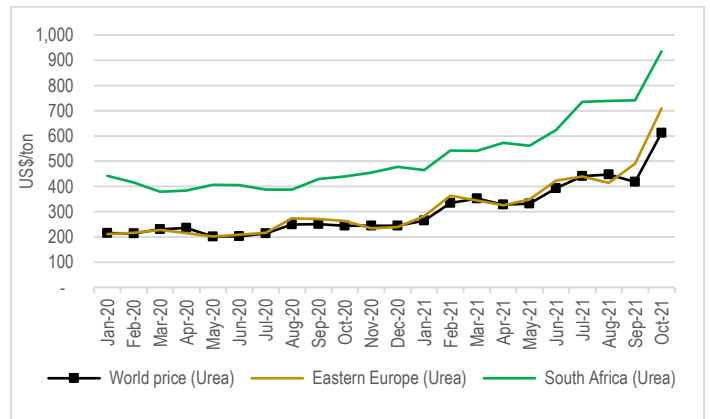
Source: Tanzania and Uganda is from WFP(VAM) and Min of Agriculture in Tanzania wholesale prices per 100kg. Bangkok prices are fob from USDA. ZAM retail from ZamStat, per kg. South Africa data is StatsSA price per 2kg.

Data from the app on wholesale prices indicate very high prices of above \$1000/t in Zimbabwe while central Malawi is on the lower end with prices below \$800/t. There are large disparities in the Zambian prices with the price in eastern Zambia being much lower than the price in Lusaka.

**Rising fertilizer prices**

Pricing data for urea over the last year indicates world prices have increased by around \$250/t-\$300/t, more than doubling over 12 months, including big increases in October 2021 (Figure 4). South African prices over the same period have been significantly above the world market prices, reaching \$935/t in October 2021. The margin of South African prices over international prices has also increased from last year from a mark-up just under \$200/t to more than \$300/t higher than world prices in October 2021.

**Figure 4. Urea prices**



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

As costs to manufacture fertilizer continue to rise due increases in the price of natural gas, the price of fertilizer is projected to continue to increase.<sup>4</sup> Moreover, exporting countries such as China and Russia have begun to impose bans and quotas on fertilizer exports for at least the next 6 months to support their domestic markets.<sup>5</sup> All ESA countries studied as part of the market observatory are net importers of fertilizer with prices ordinarily above the world market. Trade restrictions by exporters will further exacerbate the already very high prices in ESA.

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.<sup>6</sup> App users are reporting even higher urea prices in Zambia at \$1030/t up from \$929/t in September. Our September price tracker raised concerns about margins in Malawi on fertilizer imports increasing by at least 25%. These concerns also apply to Zambia.

With global supply constraints, attention needs to be paid to potentially higher margins being made as the planting season begins, and what lower fertilizer usage will mean for yields.

Subsidies on inputs such as fertilizer have been used extensively throughout Africa, including in Malawi, Tanzania and Zambia, yet the results have been very mixed in terms of agricultural productivity growth, food security and poverty reduction. They have also imposed substantial financial burdens on implementing governments and there are concerns about subsidies being used for political patronage.

The massive increases in fertilizer prices in 2021 has led to renewed attention on input subsidy programmes. For example, in Malawi and Zambia, governments are facing mounting pressure to address management malpractices, while maintaining subsidy beneficiaries and safeguarding farmers from rising input costs.<sup>7</sup> Higher mark-ups further undermine the intended production and welfare effects of input subsidies, on top of concerns that subsidies may mainly benefit well connected groups of farmers.

**Looking ahead: the 2021/22 harvest**

Climate change is having massive impacts on global agricultural production, which has brought on calls for more sustainable food

<sup>4</sup> <https://www.farmprogress.com/fertilizer/global-fertilizer-crisis-may-push-food-prices-higher>  
<sup>5</sup> <https://gro-intelligence.com/insights/articles/russia-fertilizer-export-quotas-to-control-inflation>

<sup>6</sup> <https://www.voanews.com/a/africa-malawi-president-pledges-intervene-fertilizer-price-rise/6209863.html>  
<sup>7</sup> <https://diggers.news/business/2021/10/15/well-commence-fisp-distribution-on-october-18-govt/>; <https://farmersreviewafrica.com/malawi-farm-input-subsidy-programme-is-it-a-worthy-cause/>

systems through climate positive actions. The world has already begun to witness extreme weather events, such as more severe and frequent droughts and flooding, and overall changes to rainfall patterns that have been linked to climate change.

Although emitting the least greenhouse gases relative to other regions, Africa stands to bear the brunt of climate change. Southern Africa in particular is a climate change hotspot, and it is likely to become drier with further drastic warming is expected in the region resulting in more frequent droughts. Options for adaptation will likely become increasingly limited.<sup>8</sup> This has important implications for food systems, where the combination of more frequent heatwaves and multi-year droughts may be devastating to agriculture, local livelihoods and food production. Therefore, in terms of mitigation and adaptation, ESA needs to act fast.

#### *Opportunities for the region*

The effects of climate change mean that there is need for preparedness in order to adapt to the effects of extreme weather on food production and prices. At the centre of this is access to information that can unlock the potential for the region to increase regional trade of food products, where demand in areas affected by extreme weather and high prices can be met by supply in areas with good harvests. Information on transport and storage costs, market prices, along with weather patterns, will be useful for ESA farmers and traders as we've learnt over the past 6 months (see previous price trackers [here](#)).

This is even more pertinent as the 2021/2022 harvest season begins. The La Niña weather pattern is expected to return for a second consecutive year in 2022 with important consequences for global agricultural production. This weather pattern is associated with drought conditions in important producing regions in the Americas. In 2021 under La Niña Brazil experienced its worst drought in a century and there was extreme heat in the north west USA and Canada. International prices increased while ESA countries overall has relatively good growing conditions. There is the potential to grow agricultural input and unlock trade between ESA countries to meet demand and compete with deep-dea imports given the expected good harvest season forthcoming.<sup>9</sup> This requires improving intra-regional trade to ensure farmers earn better prices while consumers pay less. 2020/21 saw huge margins being made by traders which had the opposite effect, reducing prices to farmers while increasing prices to buyers [respectively](#). In addition, farmers appear to receive especially low prices at harvest and then prices were increased sharply thereafter once traders had acquired much of the crop.

ESA grain markets have not been realizing their potential, owing to various reasons such as the limited access to grain storage at the farmer level, resulting farmers' inability to meet unpredictable supply [requests](#). This points to the need to ramp up access to storage facilities and alternative transport to enable smaller farmers and agribusinesses sufficient means to link-up with buyers as demand increases post-harvest. Storage facilities mean that farmers do not have to sell immediately on harvesting.

Storage facilities are not readily available and/or are expensive for small farmers. In Zambia, for example, access to a fully secure and functional 40x20 sqm storage facility costs approximately

\$4000/month.<sup>10</sup> This equates to storage charges of around \$5-10 per tonne each month on the assumption that 400 to 800 tonnes are being stored on average. The government provides storage facilities through the Food Reserve Agency for approximately \$800/month for the same size but access is constrained due to limited availability.<sup>11</sup> High levels of concentration have been identified in silos in a number of countries including South Africa and attention needs to be paid to these being sources of market power.

While opportunities for cross border trade within ESA continue to grow, rising fertilizer costs, extreme weather patterns and access to affordable transport and storage facilities point to the need to make markets work better for smaller farmers and agribusinesses both within and across borders. The market observatory provides a useful tool in integrating markets within the region through providing market information necessary to helping regional markets work better.

#### **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](mailto:gnsomba@uj.ac.za) or +27 65 9965936 for the relevant country code.

Centre for Competition, Regulation and Economic Development, University of Johannesburg; [www.competition.org.za](http://www.competition.org.za). Email: [gnsomba@uj.ac.za](mailto:gnsomba@uj.ac.za)

<sup>8</sup> Engelbrecht, F.A. and Monteiro, P.M.S. (2021). The IPCC Assessment Report Six Working Group 1 report and southern Africa: Reasons to take action. South African Journal of Science, Vol .117 No. 11/12.

<sup>9</sup> <https://www.sardc.net/en/southern-african-news-features/prospects-of-adequate-rainfall-in-sadc-in-the-2021-22-agricultural-season/>

<sup>10</sup> Interview with market observatory App user, 11 November 2021. This equates to storage charges of around \$5-10 per tonne each month on the assumption that 400 to 800 tonnes are being stored on average.

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