



First Capital Food Price Monitor

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Knowledge | Creativity | Solution



FOOD PRICE MONITOR MAIN FINDINGS

4th Quarter 22 & 1st Quarter 2023↓
8%↑
39%↓
22%↑
9%↑
56%↑
4%↑
6%↑
10%↑
26%

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Our credibility as asset managers is tightly governed by the Namibia Financial Institutions Supervisory Authority (NAMFISA). We are a Namibian based investment team and focus exclusively on the Namibian market and we add value to portfolios through offering specialized Namibian mandates.

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Acronyms

AMTA	: Agro-Marketing and Trade Agency
ATF	: Agricultural Trade Forum
BoN	: Bank of Namibia
bp	: Basis Points (1 Percentage Point=100 Basis Points)
CPI	: Consumer Price Index
FAO	: Food and Agriculture Organization
FC	: First Capital
G	: Grams
IMF	: International Monetary Fund
Kg	: Kilogram
L	: Litres
LCD	: Least Developed Country
N\$/NAD	: Namibia Dollar
NAMFISA	: Namibia Financial Institutions Supervisory Authority
NSA	: Namibia Statistics Agency
OPEC	: Organization of the Petroleum Exporting Countries
(Q/Q)	: Quarter on Quarter Change
RSA	: Republic of South Africa
SACU	: Southern African Customs Union
UK	: United Kingdom
US	: United States
Y/Y	: Year on Year Change

NOTE TO THE READER

We welcome you to our publication of the First Capital (FC) Food Price Monitor report where we monitor trends of food prices. This report is one of our contributions to research on issues affecting society and the economy. Through this report we provide more insight into previous trends of prices and the impact of price changes on households. Furthermore, the report analyses factors that influence food prices. Using current information and other leading indicators, we also present our view on the likely scenarios of prices in the short to medium term. This report is published every quarter. Through this publication we believe every agent of the economy will be informed.

1. First Capital Food Price Monitor

1.1. Introduction

Food inflation can be defined as the persistent and progressive increase in the value of all food goods. While the Namibia Statistics Agency (NSA) measures and produces inflation, First Capital's Food Price Report looks at the relative price increases at retail level (supermarkets). First Capital Food Price Report is a bi-annual publication compiled and produced by First Capital Research Department in collaboration with various stakeholders. The research team monitors and collects historical prices of main food items in Namibia and computes the overall First Capital Food Price Index. In addition to discussions of historical food price developments, the report also provides readers with predictions on the direction of future food prices to help consumers take precautionary measures and entrepreneurs and businesses in the food sector to take advantage of the anticipated future food price increases. In this edition we review prices in 2022 and include price developments for the first quarter of 2023.

1.2. Overview of the Global Food Situation

Global food prices and production in 2023 continue to be shaped by a variety of factors, including supply chain disruptions, weather-related events, trade restrictions, technological advancements, and changing consumer preferences. Continued efforts to address these challenges and invest in sustainable agriculture practices will be critical in ensuring food security and stability in the years to come. The COVID-19 pandemic and the conflict in Ukraine have had a significant impact on global food prices, with disruptions to supply chains, reduced production, and inflationary pressures all contributing to higher food prices globally. According to the Food and Agriculture Organization (FAO), global food prices rose sharply in 2021 and 2022, driven by supply chain disruptions, rising demand, and higher input costs, including energy and fertilizer.

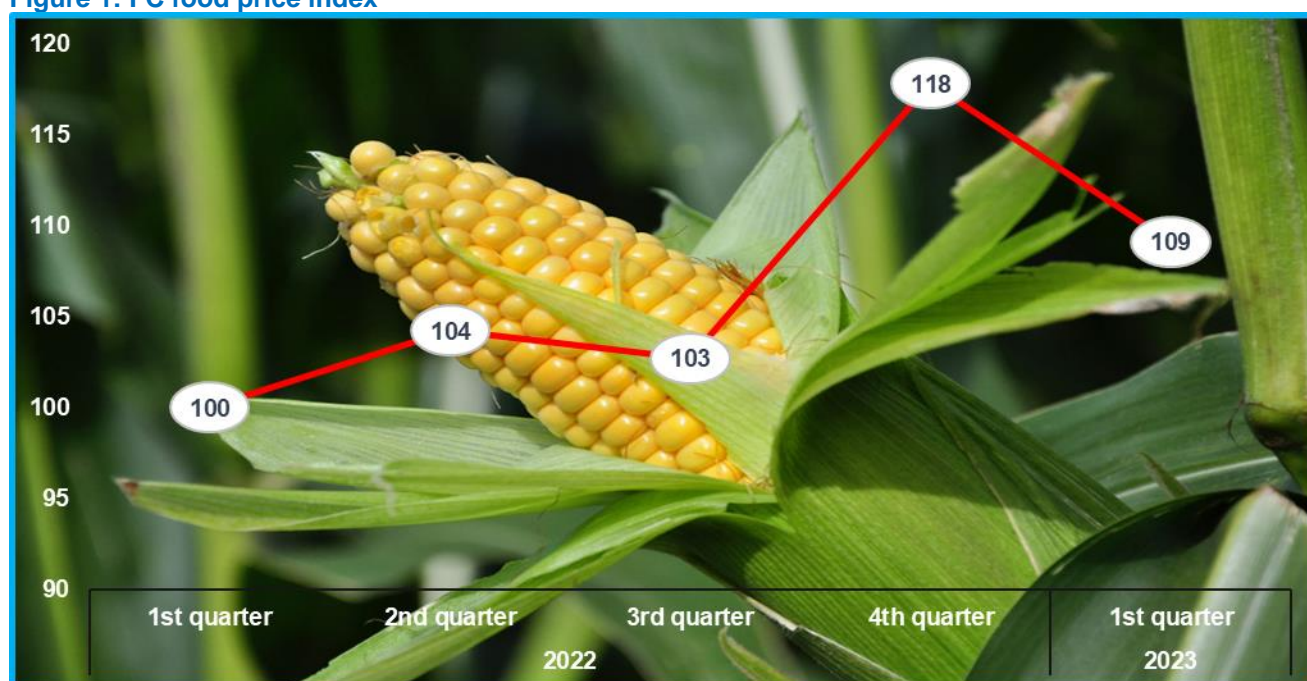
The global food price index increased by 31.5% year-on-year in April 2021, the highest level since 2011, and has remained elevated throughout 2022 and 2023. Additionally, changes in exchange rates and global economic conditions have affected the prices of food commodities. For example, the depreciation of the US dollar and the strength of other currencies have affected the competitiveness of exports and contributed to price fluctuations. Both the COVID-19 pandemic and the conflict in Ukraine have created inflationary pressures, which have further contributed to food price increases. Inflation in many countries has been fuelled by supply chain disruptions, rising input costs, and higher transportation costs, which have all pushed up food prices. As a price taker, small economies like Namibia could not escape the impact of global food chain disruptions and the persistent global price increases. Although the main drivers of food inflation in Namibia is supply shocks such as droughts, rising fuel costs and global food chain disruptions, the Central Bank (Bank of Namibia) resorted to

demand management policies such as tight monetary policy (rising interest rate) to contain stubbornly rising inflation.

1.3 The First Capital Food Price Index

Figure 1 presents the First Capital Food Price Index computed using prices for the first quarter of 2022 as the base period. While the FC food index reached a peak of 118 in the fourth quarter of 2022, it decelerated to 109 in the first quarter of 2023. This upward trend in the last quarter of the year is attributed to retailers taking advantage of consumer spending spree over Christmas holidays. The index was 109 during the first quarter of 2023. This is an increase of 9% in comparison to the same period last year. On a quarterly basis, the index fell by 7.6% quarter on quarter (q/q).

Figure 1: FC food price index



Source: FC Research

1.4. Year on year price changes (1st quarter 2022 Versus 1st Quarter 2023)

Table 1 below presents a comprehensive overview of price developments of main food items in Namibia between the 1st quarter of 2022 and the 1st quarter of 2023. During the review period, the price of top score (10 kg), polana elbow (3kg), sunflower oil (2L), polana macaroni (3kg), and cake(bakpro) white bread (2.5kg) rose by 33, 26, 18, and 28 percent year on year (y/y). In the same way, the price of beef stew (per kg) and chicken real good mixed portion (1.5 kg) increased by 23, and 22 percent (y/y). On the contrary, the price for boerewors, rice mama's classic (2kg) and oranges (per kg) decreased by 1.67, 0.63 and 15.63 percent while that for 1.37% (y/y) during the first quarter of 2023.

Table 1: First capital food basket (quarter one 2022 vs quarter one 2023)

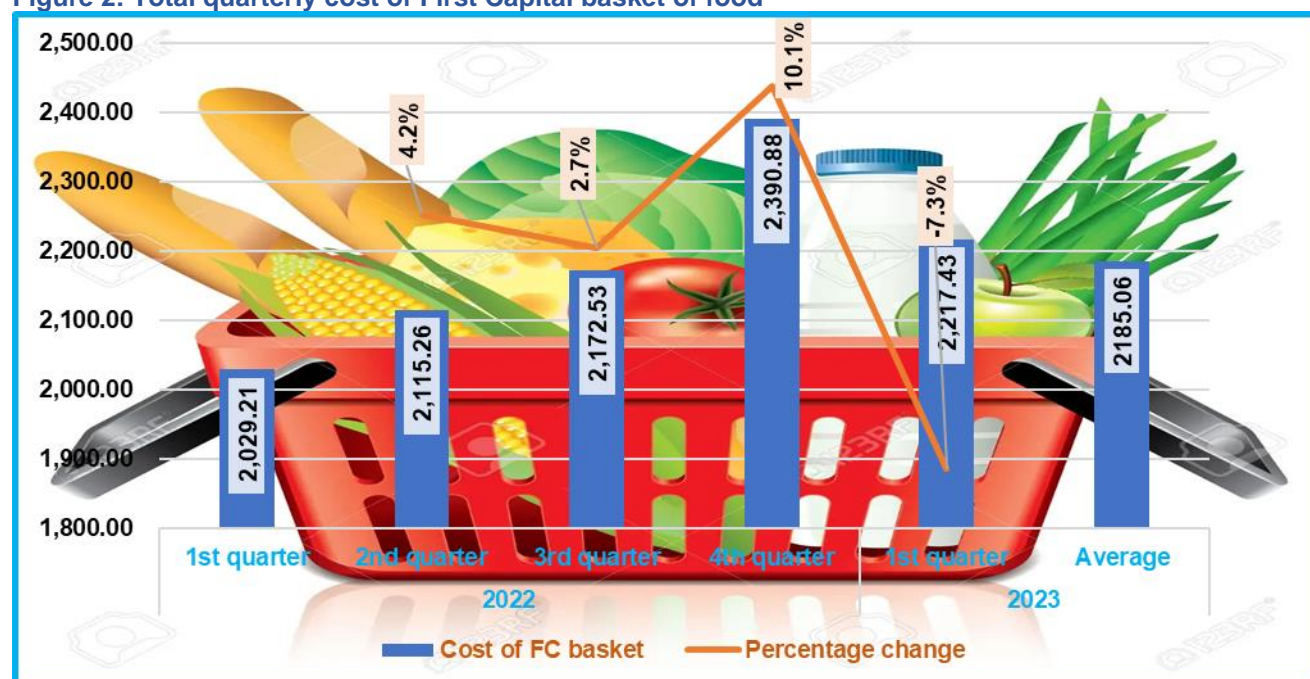
Food Items		2022			2023
		1st quarter	% Change		1st quarter
Bread	White	11.06	24.72%	↑	13.79
	Brown	11.06	24.72%	↑	13.79
Meat	Beef stew (Per Kg)	91.55	23.39%	↑	112.96
	Boerewors	101.95	-1.67%	↓	100.24
	Mutton, Bulk B Grade(Per Kg)	131.77	-0.40%	↓	131.24
	Pork Chops(Per Kg)	87.76	32.45%	↑	116.24
	Chicken, Real Good Mixed Portion(1.5 kg)	65.39	22.02%	↑	79.79
	Chicken, Real Good (2 kg) Braai cuts	94.07	11.60%	↑	104.99
Fish	Lucky Star Pilchard(400g)	28.66	21.40%	↑	34.79
	Mamas Pilchard(400g)	28.75	-0.03%	↓	28.74
	Horse Mackerel Maasbanker, Efuta(400g)	26.87	25.53%	↑	33.73
Mealie Meal	Top score(5 kg)	55.69	28.18%	↑	71.39
	Top score(10 kg)	102.41	36.30%	↑	139.59
Rice	Tastic(2 Kg)	38.41	10.89%	↑	42.59
	Rice King Long Grain Parboiled rice (2 Kg)	32.49	19.23%	↑	38.74
	Rice Mamas Classic	39.04	-0.63%	↓	38.79
Macaroni	Polana Macaroni (3 kg)	82.17	32.64%	↑	108.99
	Polana Elbows (3 kg)	75.93	25.89%	↑	95.59
Vegetables	Tomato(Per Kg)	30.16	32.61%	↑	39.99
	Onion(Per Kg)	16.80	76.13%	↑	29.59
	Potato(Per Kg)	23.09	3.03%	↑	23.79
	Cabbage (each)	25.41	47.55%	↑	37.49
Fruits	Banana(Per Kg)	29.39	4.76%	↑	30.79
	Oranges(Per Kg)	34.37	-15.65%	↓	28.99
	Apples, Grannys(Per Kg)	24.55	9.11%	↑	26.79
Margarine	Rama Brick Original(500g)	25.25	11.62%	↑	28.19
	Sunshine Butter, Lite(500g)	21.17	8.12%	↑	22.89
Eggs	6 Large eggs	18.49	15.68%	↑	21.39
	18 Large eggs (Valdschmidt)	52.50	22.66%	↑	64.39
Milk	Clover Long Life Full Cream(1L)	22.17	15.44%	↑	25.59
	Farmfresh Long Life Full Cream(1L)	22.36	16.25%	↑	25.99
	Nam Omaere Sweet(2L)	47.07	6.62%	↑	50.19
Sugar	White Marathon (2 kg)	35.04	4.43%	↑	36.59
	White Sugar Kig(2 Kg)	33.02	11.40%	↑	36.79
	Brown Marathon(2 kg)	31.86	7.30%	↑	34.19
	Brown Sugar Kig(2 Kg)	31.72	7.80%	↑	34.19
Cooking oil	Sunflower (2 L)	71.76	18.16%	↑	84.79
	Sunflower (750 ml)	29.31	-0.41%	↓	29.19
Soup	Knorr Minestrone(50g)	4.62	38.24%	↑	6.39
Cereal	Oats(Jungle), Original 1 kg	37.31	16.31%	↑	43.39
Tea	Five Roses (250 g)	52.62	8.68%	↑	57.19
	Freshpark Rooibos(200g)	46.61	7.69%	↑	50.19
Coffee	Ricoffy(250 g)	43.52	13.48%	↑	49.39
Flour	Cake(Bakpro) White bread(2.5Kg)	45.69	28.24%	↑	58.59
Cool drink(2L)	Tropizone Aqua, Still water(1L)	11.03	4.81%	↑	11.56
	Bonaqua, Still Water(1.5L)	14.59	-1.37%	↓	14.39
	Coke(2L)	21.40	11.73%	↑	23.91
	Fanta Orange(2L)	21.32	12.17%	↑	23.91
Average Price of a basket		2029.21	9.28%	↑	2217.43

Source: First Capital Research

1.5. Average cost of the First Capital basket of food by quarter

Figure 2 below depicts the total quarterly cost of the First Capital food basket to consumers in the country. On a quarterly basis, the cost of the basket was 7.3% less during the first quarter of 2023 when compared to the fourth quarter of 2022 (figure 2). Evidently so, this is the first noticeable fall recorded since the attack of Russia on Ukraine. First Capital's basket of food recorded N\$ 2390.88 on average during the fourth quarter, compared to 2,172.53 recorded during the third quarter. Before that, the average price of the basket was N\$ 57.27 lower during the second quarter when compared to the third quarter of 2022. A thorough review of price developments showed that 2022 was characterized by persistent price rises exacerbated by rising fuel prices. Resultantly, the FC food basket costed 4.2% more during the second quarter of 2022 and 2.7 and 10.7 percent more during the 3rd and 4th quarter when compared to the previous quarters. The 10.1% food price increase over the fourth quarter of 2022 as per figure 2 is mainly attributed to strong demand over the Christmas holiday season.

Figure 2: Total quarterly cost of First Capital basket of food



Source: First Capital Research

1.6. Quarterly price review by products

Table 2 below presents an overview of the prices of main food items on the First capital food basket. Notably price decreases were recorded during the first quarter of 2023 in comparison to the last quarter of 2022 giving consumers a bit of relief from the higher prices experienced throughout 2022.

Table 2: Quarterly price review by product

	Items	2022				2023
		1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Wheat products: The price of white and brown bread fell by 3% quarter on quarter (q/q) during the first quarter of 2023. On the contrary, prices for polana macaroni (3kg), and Polana Elbows (3kg) costed 6 and 2 percent more (q/q) respectively. The fall in the price of bread is attributed to the fall in the price of Cake (Bakpro) White bread flour (2.5Kg) by 5% (q/q).	White	11.06	11.68	12.69	14.19	13.79
	Brown	11.06	11.68	12.89	14.19	13.79
	Cake (Bakpro) White bread (2.5Kg)	45.69	51.51	52.59	61.57	58.59
	Polana Macaroni (3 kg)	82.17	79.58	84.19	102.58	108.99
	Polana Elbows (3kg)	75.93	77.33	84.19	93.59	95.59
Meat and poultry products: At the same time, the price of beef stew was 4% higher (q/q) while Chicken, real good mixed portions (1.5 kg) and 2 kg costed 5 and 8 percent less.	Beef stew (Per Kg)	91.55	109.18	94.24	108.39	112.96
	Chicken, Real Good Mixed Portion (1.5 kg)	65.39	68.18	72.19	83.79	79.79
	Chicken, Real Good (2 kg) Braai cuts	94.07	95.85	93.79	114.09	104.99
Maize meal: Meanwhile, prices for top score (5 kg) and top score (10 kg) were 8 and 6 percent below those recorded during the fourth quarter of 2022.	Top score (5 kg)	55.69	60.49	61.79	77.78	71.39
	Top score (10 kg)	102.41	108.91	110.79	145.19	139.59
Vegetable: Correspondingly, price for tomatoes and cabbages increased by 40 and 56 percent (q/q) respectively while for onions and potatoes fell by 2 and 22 percent (q/q) during the review period.	Tomato (Per Kg)	30.16	26.89	27.42	28.59	39.99
	Onion (Per Kg)	16.80	19.66	20.19	30.18	29.59
	Potato (Per Kg)	23.09	19.74	22.89	30.47	23.79
	Cabbage (each)	25.41	23.82	22.99	23.99	37.49
Fruits In the same way, the price for apples fell by 3% (q/q) during the review period while that for bananas and oranges increased by 3 and 26 percent (q/q) respectively.	Banana (Per Kg)	29.39	30.18	26.99	29.99	30.79
	Oranges (Per Kg)	34.37	17.34	20.86	22.97	28.99
	Apples, Granny's (Per Kg)	24.55	26.49	22.43	27.74	26.79
Sugar: Sugar also recorded notably price decreases during the review period. The White Marathon (2kg), Brown Marathon (2kg) and Brown Sugar King (2Kg) fell by 4, 3 and 2 percent (q/q) respectively while the White Sugar King (2Kg) increased by 1%.	White Marathon (2kg)	35.04	35.82	37.79	37.99	36.59
	White Sugar King (2Kg)	33.02	35.29	34.39	36.59	36.79
	Brown Marathon (2kg)	31.86	33.95	34.19	35.39	34.19
	Brown Sugar King (2Kg)	31.72	33.81	33.99	34.79	34.19
Cooking oil: The price of sunflower oil fell by 0.24% for 2 liters and by 27 % for 750ml (q/q).	Sunflower (2L)	71.76	100.26	90.79	84.99	84.79
	Sunflower (750 ml)	29.31	40.34	36.19	39.79	29.19

2. An analysis of the Namibia food industry

2.1 Demand and supply analysis of the horticultural products (Imports excluded)

Table 3 below presents the demand and supply fundamentals for horticultural products. The table also shows the surplus/deficit of horticultural products during the first quarter of 2023. The highest deficit during the first quarter was that for potatoes (8,579 tons), followed by onions with 2,044 tons, cabbages (546 tons) and then butternut (293 tons). These figures are exclusive of quantities horticultural products imported. Notable price falls of 2 and 22 percent of onions and potatoes were recorded during the first quarter of 2023 in comparison to the last quarter of 2022. At the same time, noticeable surpluses were recorded for tomatoes (137.3 tons), green pepper (197.8 tons), and colour pepper (265.3 tons) were recorded. This data was collected from producers by the Agronomic Board of Namibia.

Table 3: Demand and supply analysis of the horticultural products

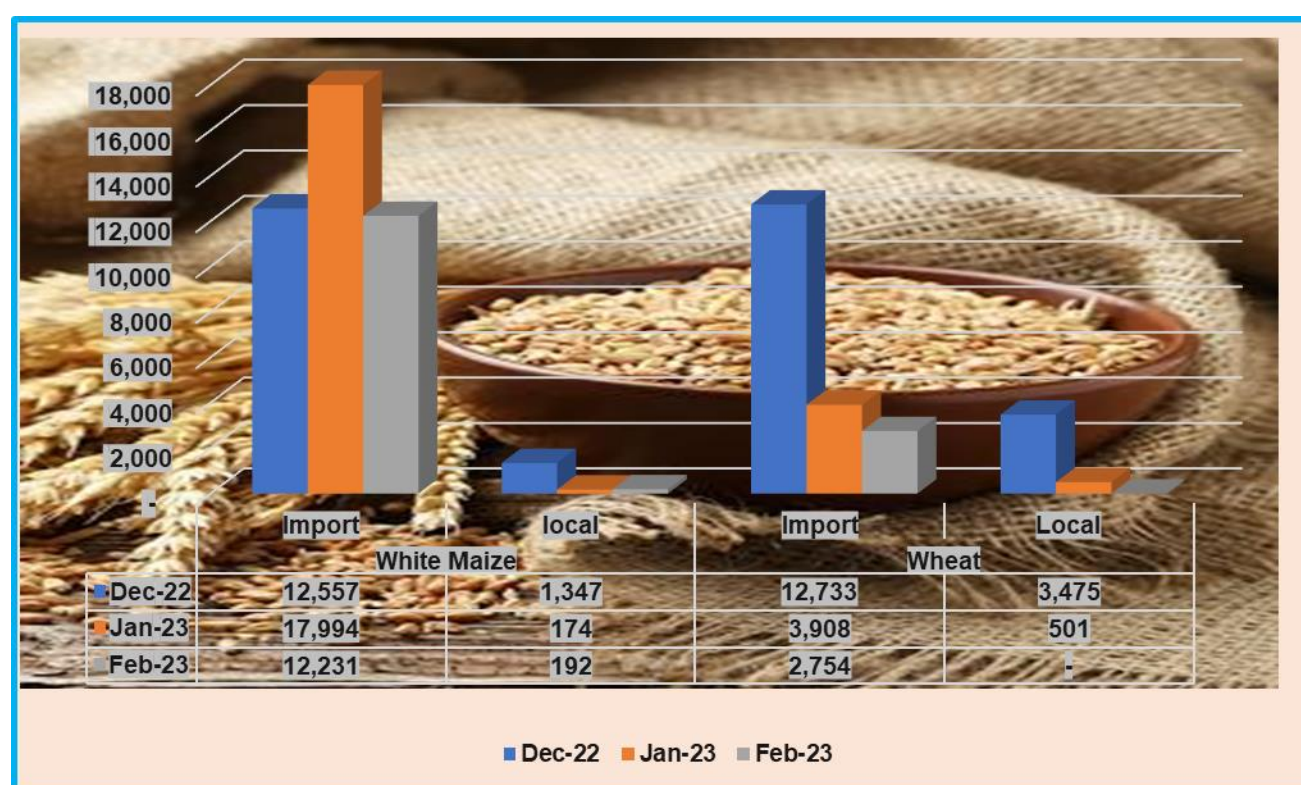
		January 2023	February 2023	March 2023	Total
Butternut	Expected tonnage for domestic market	314	223	134	671
	Average domestic demand	322	321	321	964
	Surplus/Shortage (Tonnage)	-8	-98	-187	-293
Cabbage	Expected tonnage for domestic market	440	263	359	1062
	Average domestic demand	536	536	536	1608
	Surplus/Shortage (Tonnage)	-96	-273	-177	-546
Gemsquash	Expected tonnage for domestic market	50	53	23	126
	Average domestic demand	42	41	41	124
	Surplus/Shortage (Tonnage)	8	12	-18	2
Onions	Expected tonnage for domestic market	870	0	8	878
	Average domestic demand	974	974	974	2922
	Surplus/Shortage (Tonnage)	-104	-974	-966	-2044
Potatoes	Expected tonnage for domestic market	1054	1007	0	2061
	Average domestic demand	3546	3547	3547	10640
	Surplus/Shortage (Tonnage)	-2492	-2540	-3547	-8579
Pumkins	Expected tonnage for domestic market	214	151	44	409
	Average domestic demand	110	110	110	330
	Surplus/Shortage (Tonnage)	104	41	-66	79
Tomatoes round	Expected tonnage for domestic market	206.3	369.9	263.7	839.9
	Average domestic demand	234.2	234.2	234.2	702.6
	Surplus/Shortage (Tonnage)	-27.9	135.7	29.5	137.3
Carrot	Expected tonnage for domestic market	252.8	366.8	306	925.6
	Average domestic demand	321.4	321.3	321.3	964
	Surplus/Shortage (Tonnage)	-68.6	45.5	-15.3	-38.4
Green pepper	Expected tonnage for domestic market	103.8	90.5	78.9	273.2
	Average domestic demand	25.2	25.1	25.1	75.4
	Surplus/Shortage (Tonnage)	78.6	65.4	53.8	197.8
Colour pepper	Expected tonnage for domestic market	135.4	135.4	136.7	407.5
	Average domestic demand	47.4	47.4	47.4	142.2
	Surplus/Shortage (Tonnage)	88	88	89.3	265.3
Spinach	Expected tonnage for domestic market	12.8	23.5	22	58.3
	Average domestic demand	14	13.9	13.9	41.8
	Surplus/Shortage (Tonnage)	-1.2	9.6	8.1	16.5
Beetroot	Expected tonnage for domestic market	126	120	40	286
	Average domestic demand	80	80	80	240
	Surplus/Shortage (Tonnage)	46	40	-40	46
English cucumber	Expected tonnage for domestic market	89	103	93	285
	Average domestic demand	100	100	100	300
	Surplus/Shortage (Tonnage)	-11	3	-7	-15
Sweet potato	Expected tonnage for domestic market	164	74	201	439
	Average domestic demand	150	150	150	450
	Surplus/Shortage (Tonnage)	14	-76	51	-11
Watermelon	Expected tonnage for domestic market	1713	339	296	2348
	Average domestic demand	200	200	200	600
	Surplus/Shortage (Tonnage)	1513	139	96	1748
Sweet melon	Expected tonnage for domestic market	230	108	139	477
	Average domestic demand	80	80	80	240
	Surplus/Shortage (Tonnage)	150	28	59	237

Source: Agronomic Board of Namibia

2.2. Namibia's white maize and wheat 2022/2023 harvesting season (tons)

Data from the agronomic board of Namibia revealed that Namibia is a net importer of maize and wheat (figure 3). The quantity of imported maize increased by 43% from December 2022 to January 2023 and then fell by 32% in February 2023. The increase of imports between December 2022 and January 2023 was necessitated by a major decline in local output of 87% during the same period due to below than normal rainfall received in most parts of the country. At the same time, the volume of imported wheat to Namibia fell by 69 and 30 percent in January and February 2023 (m/m). In the same way, the local output of wheat fell by 86 % in January 2023 from 3,475 tons recorded in December 2022 to 501 tons in January 2023 (figure 3).

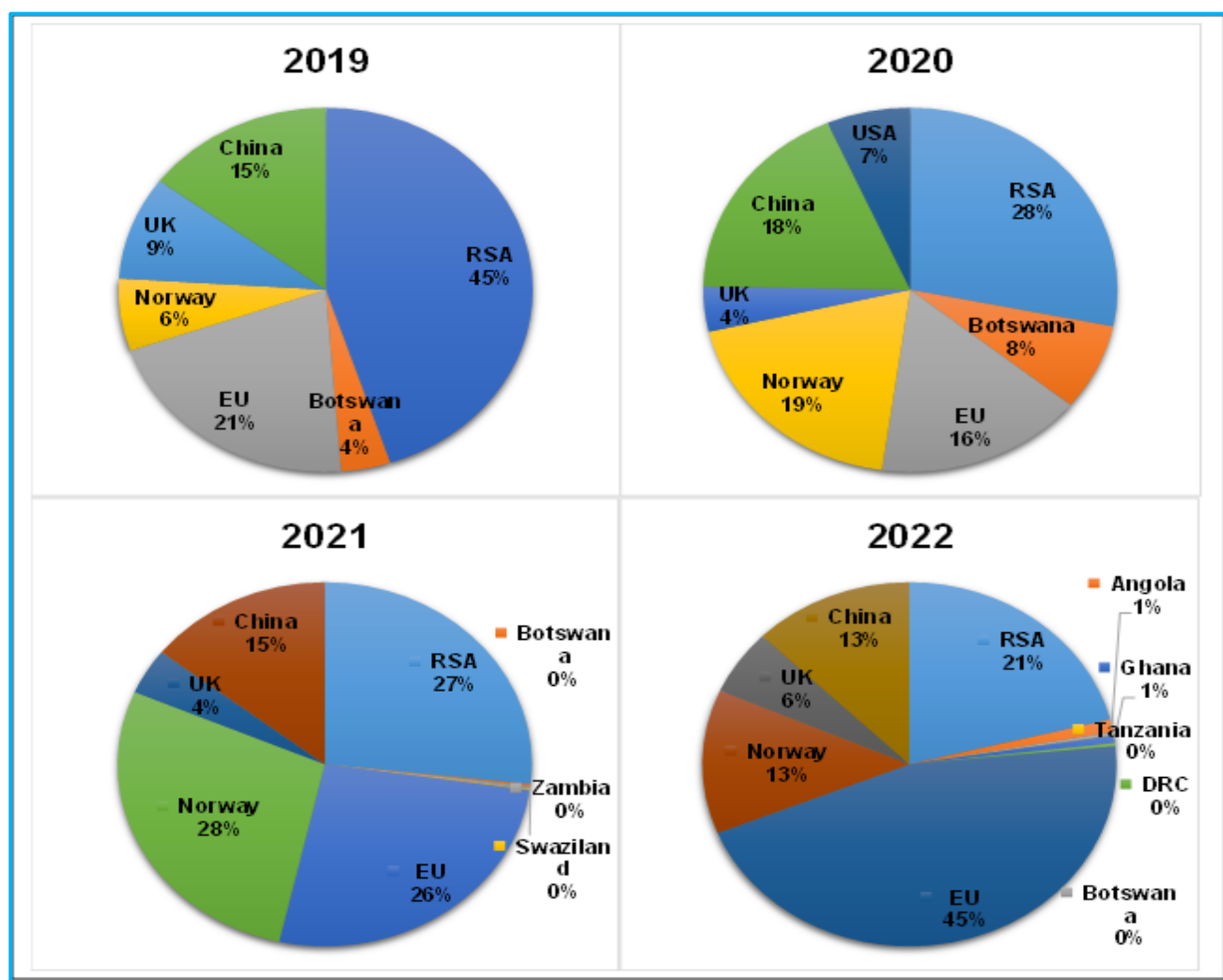
Figure 3: Supply of maize and wheat 2022/23 harvesting season.



Source: Namibia Agronomic board

2.3 Analysis of Meat Corporation of Namibia export markets 2019/20 to 2022/23

Figure 4 below shows total exports of beef in Namibia from 2019 to 2022 using data from the Meat board of Namibia. The figure shows that exports to south Africa have been declining over the years. In 2019, Namibia exported 45% to South Africa while in 2020, 2021 and 2022 they exported 28, 27 and 21 percent respectively. The European Union was Namibia's largest beef export market in 2022 comprising of 45%, followed by South Africa with 21%, and then China and Norway with 13 % each.

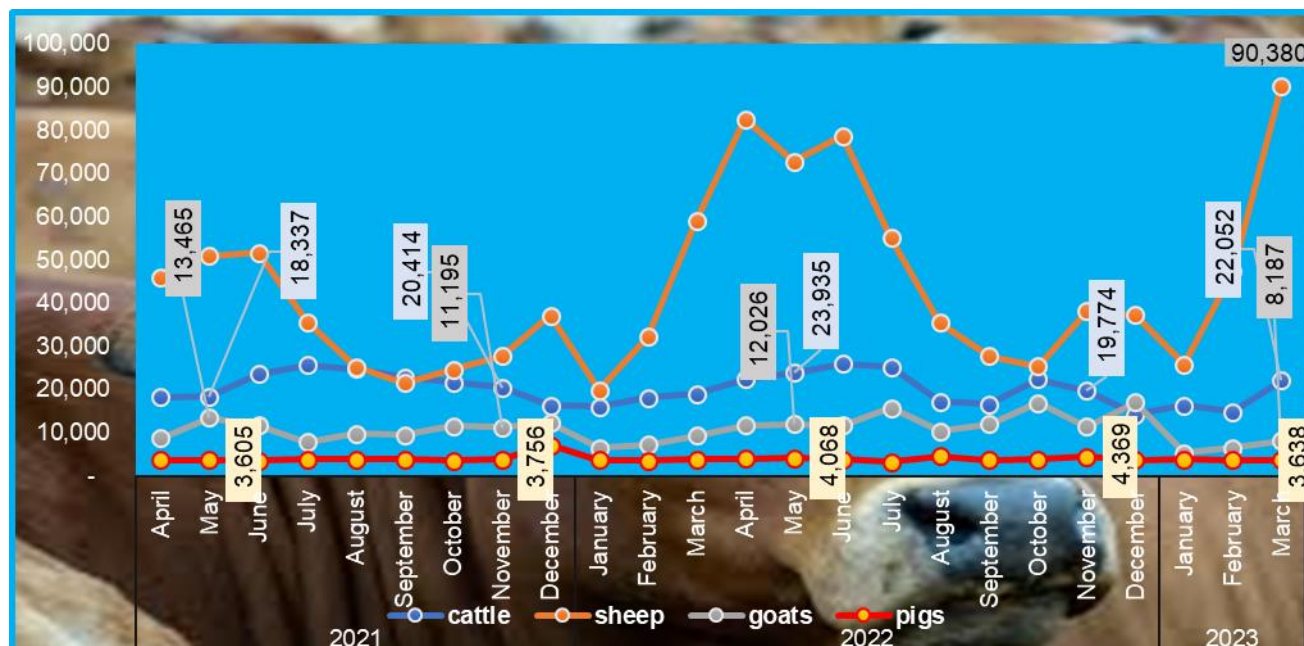
Figure 4: Namibia beef export markets

Source: Meat Board of Namibia

2.4 Marketed livestock

Figure 5 below presents data of total marketed livestock from 2021 to March 2023. The number of cattle and sheep marketed increased by 16.3 and 52.6 percent during March 2023 (y/y) while that for goats and pigs fell by 12.9 and 6.1 (y/y) percent respectively. Monthly, the number of sheep marketed recorded the highest marginal increase of 90.7%, after cattle (48.5%), and goats (25.8%). This research attributes the increase in livestock marketed in March in comparison to February 2023 to fears of drought among farmers due to poor rainfall (figure 5).

Figure 5: Namibia's exports of meat

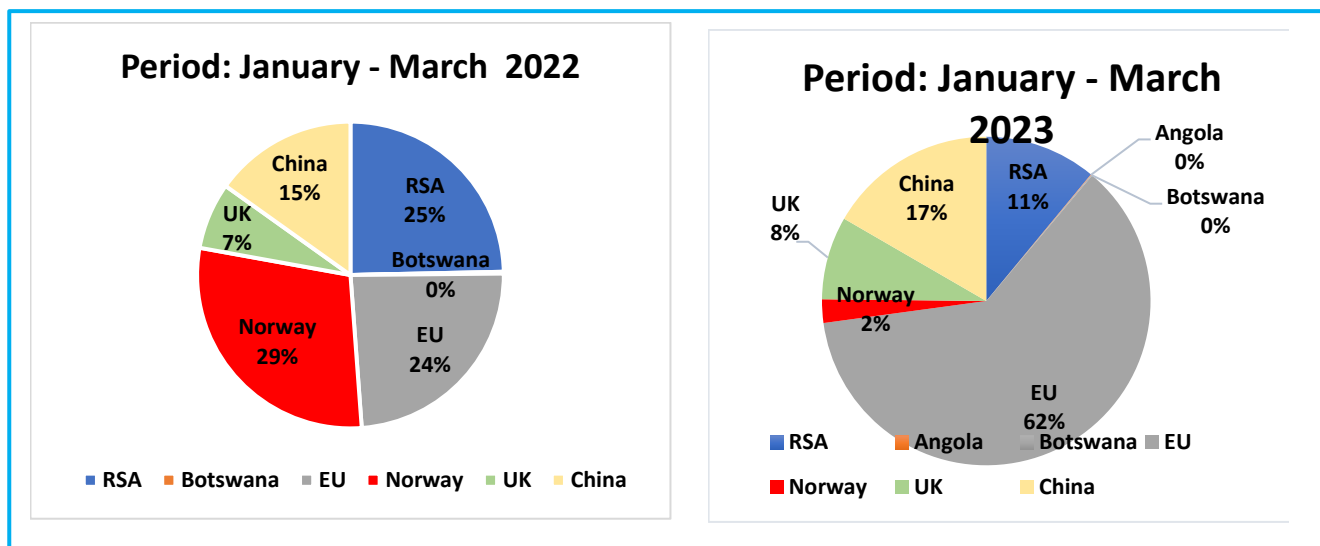


Source: Meat board of Namibia

2.4.1 Meat exports destination First Quarter of 2023

Figure 6 below presents comparisons of exports of meat for January to March 2022 and January to March 2023. China, RSA, UK, Norway, and the EU remained Namibia's main export destinations during the review period although noticeable changes were recorded in the quantities exported. Most notably, exports to China and the EU increased from 15 to 17 percent and from 24 to 62 percent respectively while those to Norway and RSA fell from 29 to 2 percent and from 25 to 11 percent.

Figure 6: Destination of meat exports 2022 and 2023



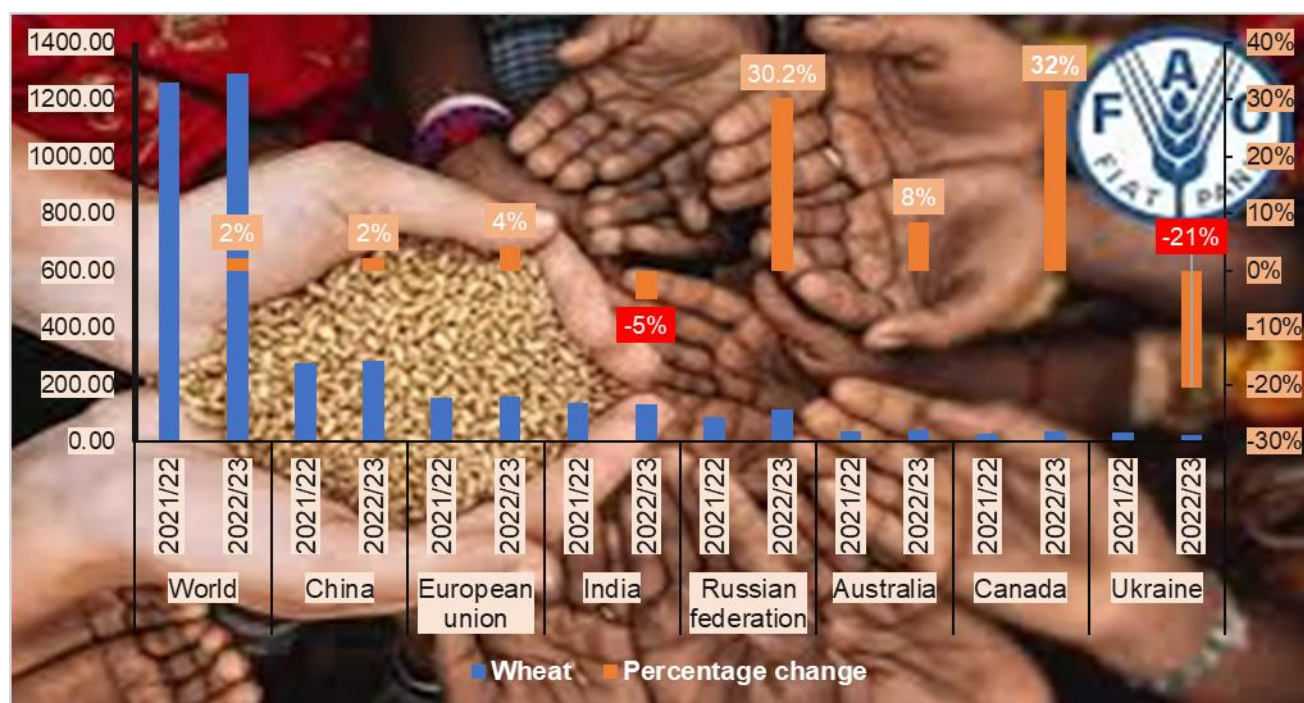
Source: Meat board of Namibia

2.5. Analysis of the global food industry

2.5.1 FAO outlook for wheat 2022/23

Namibia is heavily dependent on foreign markets for its domestic requirements of wheat and white maize. This exposes the price of these products to external shocks such as demand and supply fundamentals in larger markets. Figure 7 below provides an overview of the quantities of wheat supplied by major wheat producing countries in 2021/22 and 2022/23. Aggregately, data from the Food and Agricultural Organisation indicates that global output of wheat in 2022/23 is above levels in 2021/22 by 2% boosted by increased output from China, the European Union, Russian federation, Australia, and Canada of 2, 4, 30.2, 8 and 32 percent respectively. On the other, FAO expects the production of wheat in Ukraine and India to fall by 21 and 5 percent in 2022/2023 respectively (figure 7).

Figure 7: FAO outlook for wheat 2022/23



Source: FAO

2.5.2. The output of rice in larger markets

Global output of rice fell by 1.6% (y/y) in 2022/23 due to declines recorded in major rice producing countries such as China (1.6%), Bangladesh (0.3%), Viet Nam (2.7%), and Japan (2.3%) (see table 4 below). Concurrently, Thailand recorded the highest marginal increase of 4.3%, followed by India (1%) and then Indonesia (0.6%) on an annual basis in comparison to the previous year.

Table 4: Output of rice in larger markets 2019/20 to 2022/23

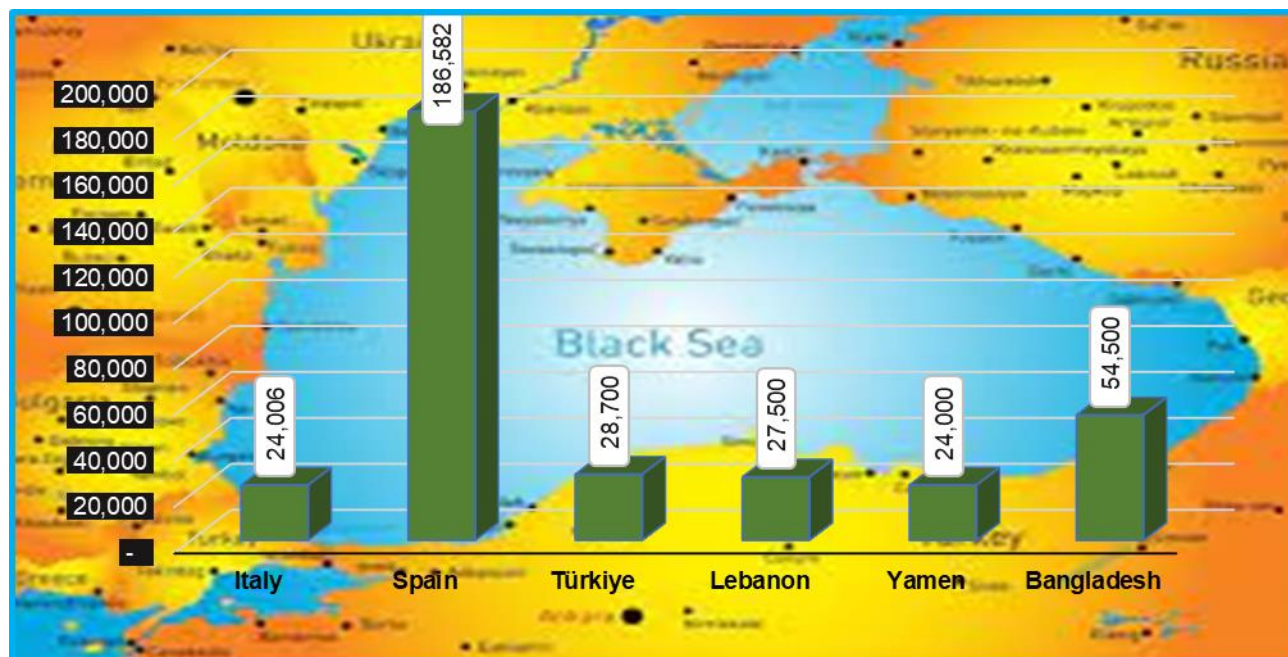
		2019/20	2020/21	2021/22	2022/23
World	Production	503.57	517.94	524.36	516.04
	Annual change	-0.9%	2.9%	1.2%	-1.6%
China	Production	143.58	145.12	145.8	142.82
	Annual change	-1.2%	1.1%	0.5%	-2.0%
India	Production	118.87	124.37	129.47	130.84
	Annual change	2.1%	4.4%	3.9%	1.0%
Bangladesh	Production	35.9	34.6	35.9	35.8
	Annual change	-2.9%	-3.6%	3.8%	-0.3%
Indonesia	Production	34.96	34.99	34.84	35.05
	Annual change	-7.8%	0.1%	-0.4%	0.6%
Viet Nam	Production	28.27	27.8	28.51	27.73
	Annual change	32.0%	-1.7%	2.6%	-2.7%
Indonesia	Production	34.96	34.99	34.84	35.05
	Annual change	-7.8%	0.1%	-0.4%	0.6%
Thailand	Production	18.95	21.01	21.83	22.77
	Annual change	-11.5%	10.9%	3.9%	4.3%
Japan	Production	7.39	7.38	7.45	7.28
	Annual change	-0.7%	-0.1%	0.9%	-2.3%

Source: United States Department of Agriculture

2.5.3 Export of Wheat from Ukraine under the black sea initiative

The main objective of the black sea grain initiative allows for commercial food and fertilizer (including ammonia) exports from three key Ukrainian ports in the black sea (Odesa, Chornomorsk, Yuzhny/Pivdennyi). The deal unlocked millions of tons of desperately needed grains and other food that would otherwise be stuck in Ukraine. As a result, over 1.3 million metric tons of wheat have been shipped from Ukraine to low and lower-middle income countries through this initiative. Figure 7 below presents data of wheat exports in March 2023. Evidently, the highest export of wheat through the black sea were destined to Spain (186,586), followed by Bangladesh (54,500), and then Türkiye (28,700) (see figure 8 below).

Figure 8: Export of Wheat from Ukraine under the black sea initiative (March 2023)

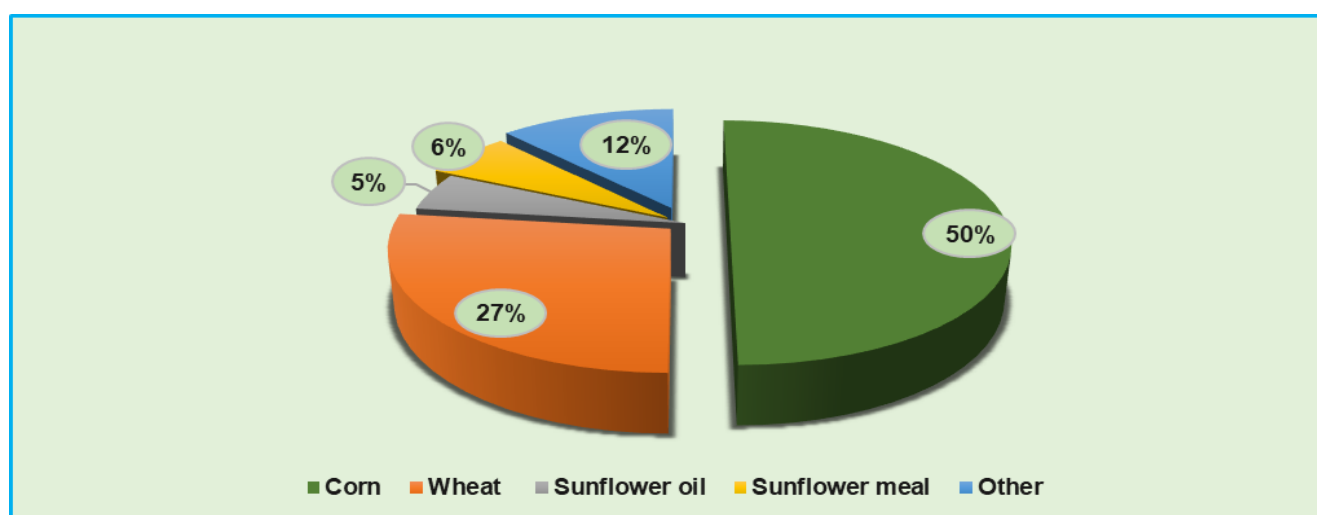


Source: United Nations

2.5.4 The Grains exported under the black sea initiative.

The black sea initiative led to the movement of significant volumes of commercial grain exports from three key Ukrainian ports in the Black Sea to world markets. Currently, about 50% of grains exported comprises of corn followed by wheat (27%) and others (12%) such as fertilizers, barley, and peas (figure 9).

Figure 9: Grains exported under the black sea grain initiative.

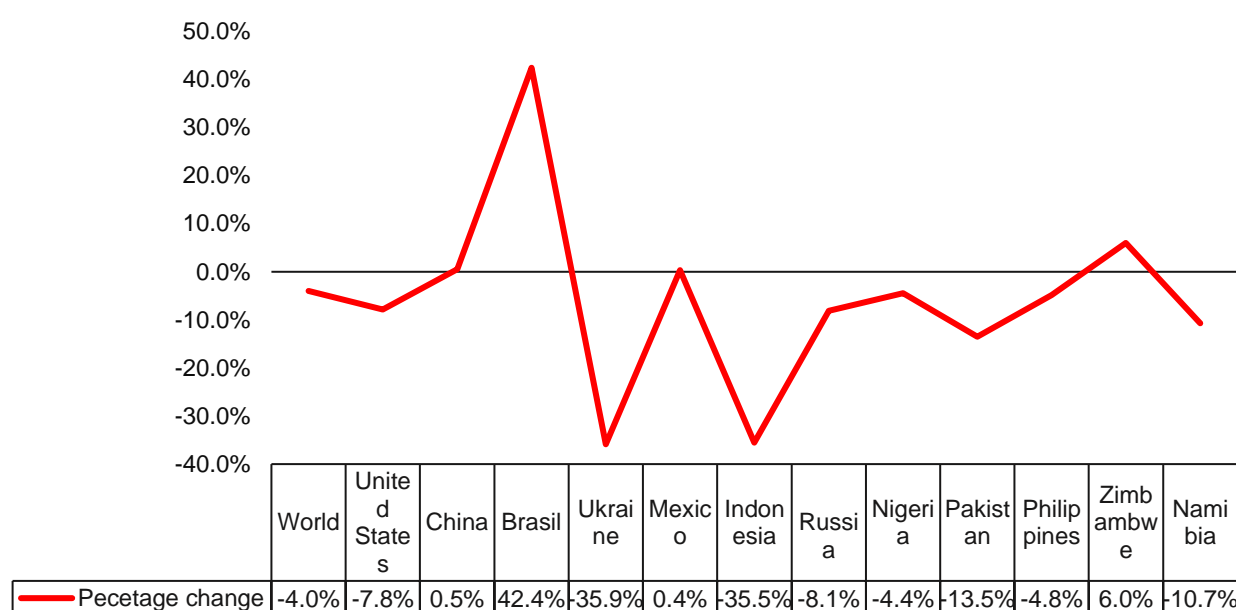


Source: United Nations

2.5.5 Output of maize 2022/23 agricultural season

Data from FAO shows that global output of maize in 2022/23 is below levels in 2021/22 by 4%. This is due to significant declines in major maize producing countries around the world such USA (7.8%), Ukraine (35.9%), Indonesia (35.5%), Russia (8.1%) and Nigeria (4.4%) among others (figure 10). These declines were recorded on account of drought experienced in the USA and Indonesia, the ongoing war between Russia and Ukraine and flood experienced in Nigeria. Equally so, output of maize in Namibia during the 2022/23 agricultural season is projected to be below 2021/22 levels by 10.7% due to poor rainfall received in most parts of the country. On the contrary, output of maize in China, Brazil and Zimbabwe is expected to increase by 0.5, 42.5, and 6 percent respectively (see figure 10).

Figure 10: Output of maize 2022/23 agricultural season



Source: FAO and World Agricultural Production.com

3. RISKS TO THE OUTLOOK OF PRICES

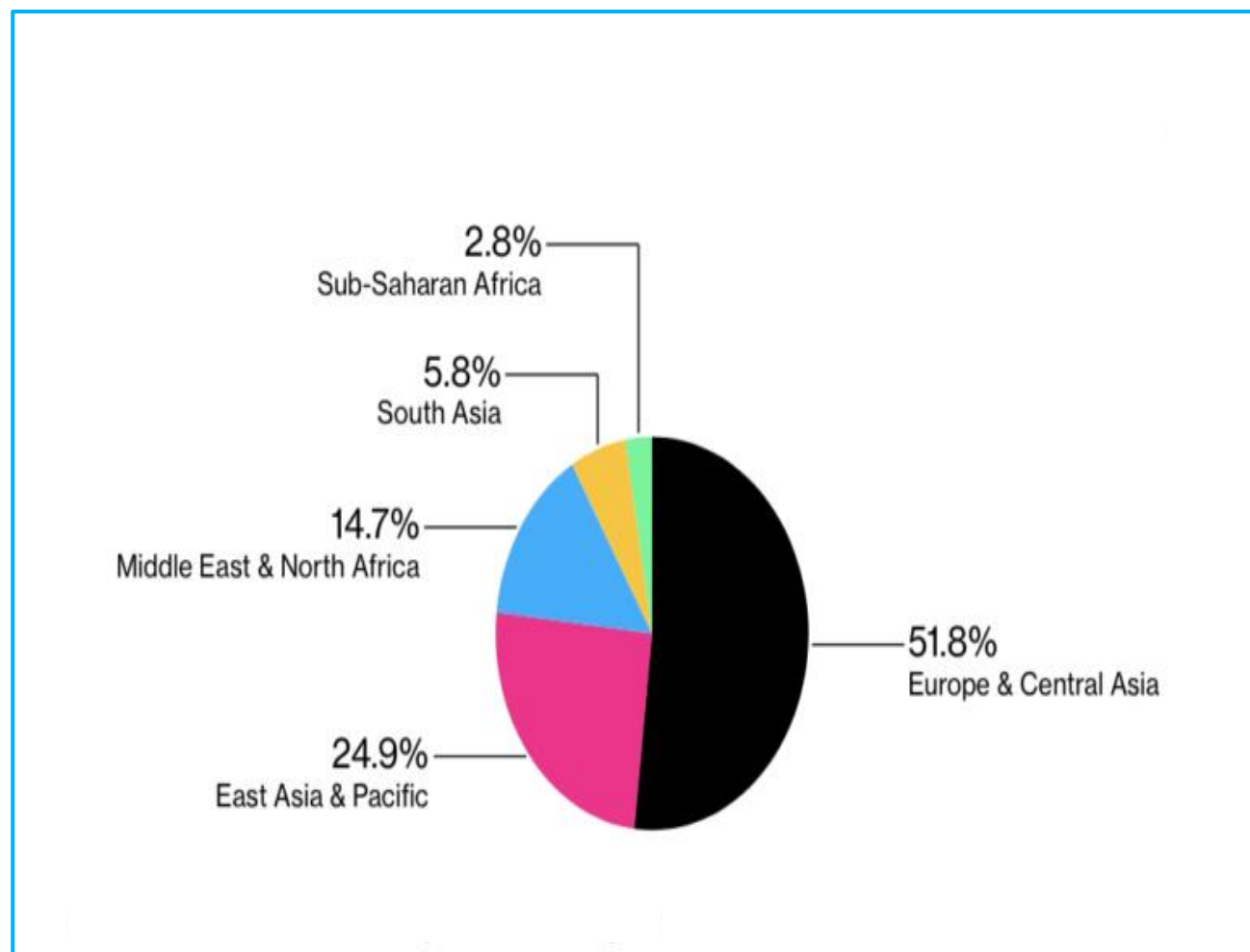
3.1 Uncertainty regarding the black sea Initiative

The deal to free up grain exports from Ukraine's southern black seaports was extended on March 18 for 60 days until May 18. This initiative decreased the cost of food, stabilized, and kept global markets open. Resultantly, both developed and developing countries have benefited from trade with Ukraine through this initiative (figure 11). The agreement has brought greater consistency and predictability to global what supplies since Russia attacked Ukraine on the 24th of February 2022.

However, Russia has warned that the extension of the agreement beyond the 18th of May 2023 will only be possible if non-food or fertilizer that still affects shipments, such as the restriction on payments, logistics

and insurance industry are removed. This causes uncertainty and poses a risk to the outlook of prices on global markets in the short to medium term.

Figure 11: Exports from Ukraine under the black sea initiative

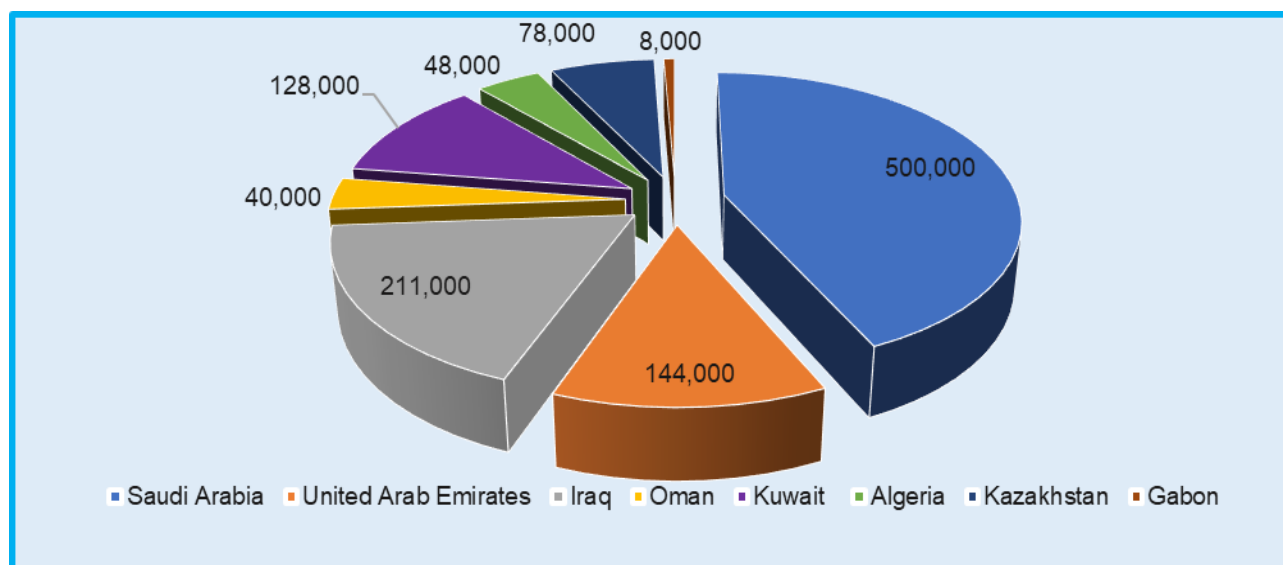


Source: UN data, breakdown by World Bank region

3.2. OPEC oil cuts scheduled for May 2023

The Organization of the Petroleum Exporting Countries is considering a massive cut of 1.16 million liters daily from May 2023. The cut will also punish oil short sellers or those who bet on oil price declines. Oil is a critical input in the production of food, a higher cost of oil raises the cost of production for farmers causing the price paid by consumers for food to rise. The highest expected cut is by Saudi Arabia (500,000 litres) per day), followed by Iraq (211, 000 litres), Oman (144,000 litres) and Kuwait (128,000 litres) (figure 12).

Figure 12: OPEC expected oil cuts.

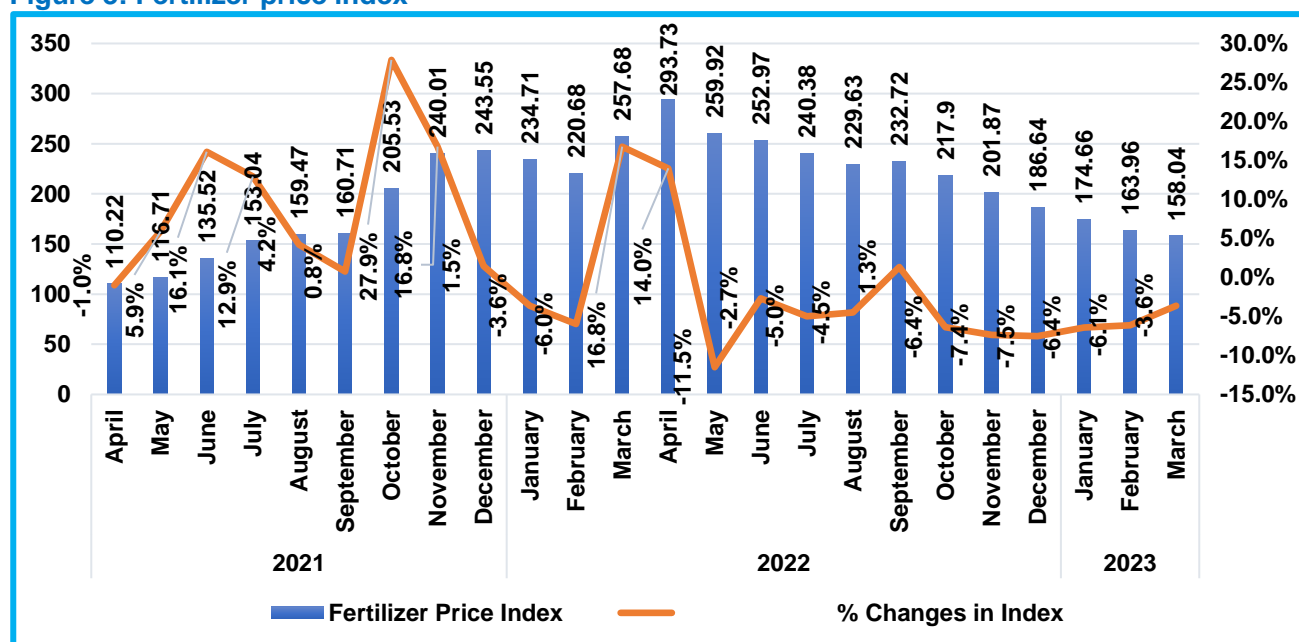


Source: reuters.com

3.4 Fertilizer Prices

Fertilizer prices have eased from their early 2022 peaks, but they remain at historically elevated levels. In March 2023, the fertilizer price index fell by 38.7% (y/y) and by 3.6% (m/m) (figure 13). At this level, the index is now below levels before the attack Russia and Ukraine due to improved supply of fertilizer from Ukraine to the rest of the world through the Black Sea initiative. However, uncertainty regarding the black sea grain initiative could put pressure on the price of fertilizers in the short to medium term.

Figure 3: Fertilizer price index

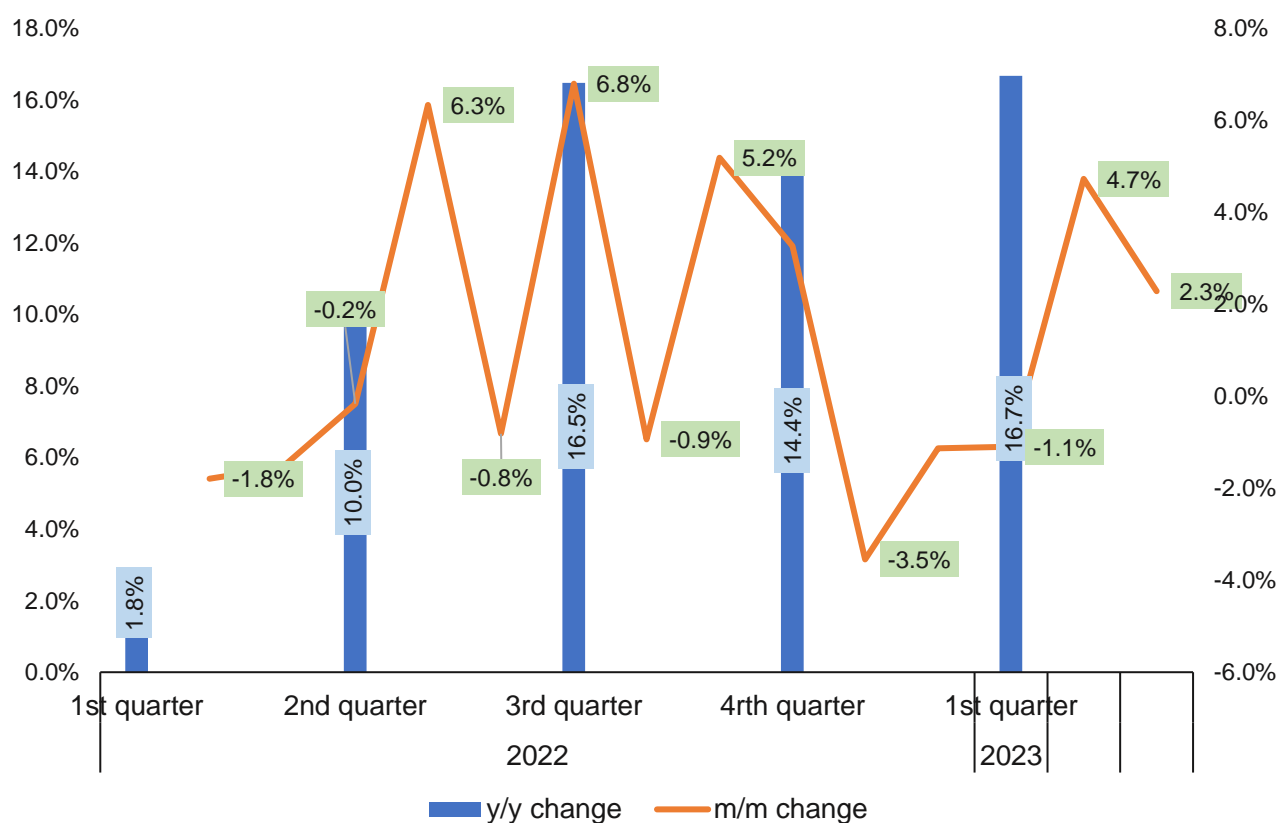


Source: World Bank

3.5 Exchange rate risks

Namibia is a net import of food. The price of these products is therefore largely influenced by the prevailing exchange rate especially the exchange rate between the Namibian dollar (NAD) and the US dollar a major trading currency. An appreciation of the NAD makes imports relatively cheaper because less units of the domestic currency are required in exchange of the USD while a depreciation means that more NAD units are required in a trade. Table 5 below presents the exchange rate between the USD and NAD monthly from 2022 to the first quarter of 2023. During the first quarter of 2023, the NAD depreciated by 16.7% (y/y) against the USD and by 2.3% from February to March 2023.

Figure 14: USD/NAD exchange rate



Source: BoN and exchangerates.org.uk

4. WHAT TO EXPECT IN 2023: FOOD SECURITY AND AFFORDABILITY

Food Security and Affordability remain a major concern by consumers and governments in Namibia and many countries especially on the African continent. As the price of food remain high and continue to increase, food production disruptions, rising interest rate and depreciating currency that makes food import expensive, Namibians will have to prepare themselves for tough times ahead in the absence of government intervention. Although First Capital can provide readers with insights and forecasts based on the historical data and current trends, the reader must note that the accuracy of these predictions may vary depending on unforeseen events, such as natural disasters, political instability, or pandemics, which can affect global food and commodity prices and production. Looking ahead to 2023 and beyond, the FAO forecasts that global food prices are likely to remain high due to several factors, including:

1. **Supply Chain Disruptions:** The COVID-19 pandemic continues to disrupt global supply chains, causing delays and shortages of essential goods, including food and agricultural commodities. While the situation is expected to improve, the effects of supply chain disruptions are likely to persist into 2023.
2. **Weather-Related Events:** Extreme weather events, such as droughts, floods, and wildfires, can affect crop yields and food production. Climate change is also expected to increase the frequency and severity of weather-related events, which can lead to higher food prices.
3. **Input Costs:** The cost of energy (oil/fuel prices), fertilizers, and other inputs required for food production has increased in recent years. This trend is expected to continue in 2023, putting upward pressure on food prices.
4. **Trade Restrictions:** Trade restrictions, such as export bans and tariffs, can limit the availability of food and agricultural commodities on the global market, leading to higher prices.
5. **Technology and Innovation:** Advances in agricultural technology and innovation, such as precision farming and genetic engineering, have the potential to increase food production and improve yields. However, the adoption of these technologies may be limited by factors such as cost, access, and public perception.

Overall, while the global food and commodity prices and production outlook are uncertain, it is expected that food prices will remain high in 2023 due to rising global political tensions and possible outbreak of another war, global food supply chain disruptions, rising input costs, trade restrictions, and weather-related events. First Capital cannot quantify and predict these events with certainty, but these are highlighted to enable readers and consumers make informed decisions.



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