



First Capital Food Price Monitor

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Knowledge | Creativity | Solution



FIRST CAPITAL
NAMIBIA

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About Us

First Capital Namibia is a financial services company specialized in providing treasury and asset (investment) management services. Established in August 2009, First Capital have in-depth, personal knowledge of the Namibian capital markets and the resulting insight enables us to manage Namibian assets across different spectrum including cash management, equity, fixed income, specialist agriculture and property mandates. We are licensed to manage money for private investors, pension funds, insurance groups, public (government) sector, and charities.

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
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
MSP	: Market Share Promotion
N\$/NAD	: Namibia Dollar
NSA	: Namibia Statistics Agency
PPI	: Producer Price Index
RSA	: Republic of South Africa
SACU	: Southern African Customs Union
Y/Y	: year on year change
US	: United States

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. We recognize that food access which is largely affected by prevailing prices is a critical element of economic development. 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.

SUMMARY

Key Findings

- Namibia's annual food inflation increased by 6.98 percent (y/y) in June 2022 this is after a 6.6 percent was recorded in May 2022 (y/y).
- Despite the moderation in recent months, both the medium and long-term trend analysis confirmed a sustained upward trend of the cost of food. From the first quarter of 2020 when inflation slumped to ultra-low levels amid the pandemic induced slowdown of demand, the rate of increase on food prices has maintained a steady growth pushing prices of most food items to record highs.
- Key food items such as cooking oil and fruits were in most parts the drivers of the price of a food basket. Divergently, prices of game meat and vegetables remained subdued.
- The recent pace of Namibia annual inflation rate between June 2021 and June 2022 was largely attributed to the increased fuel prices on the global markets. Consequently, the price of fuel rose by 63 percent during the period under review.
- International prices of wheat and coarse grains started surging in February 2022.
- From a household perspective, inflation can be seen as reducing the buying power of money spent on consumption. Simply put, due to inflation, a dollar today is worth more than a dollar sometime in the future. In this context, using the national food price indices, an average Namibian consumer ought to spend N\$177.00 today to acquire the same basket that costed N\$100 in 2012. As food prices rise, a dollar earned will progressively buy less in future, a situation that does not bode well with households specifically those with constant income levels over time.

Outlook

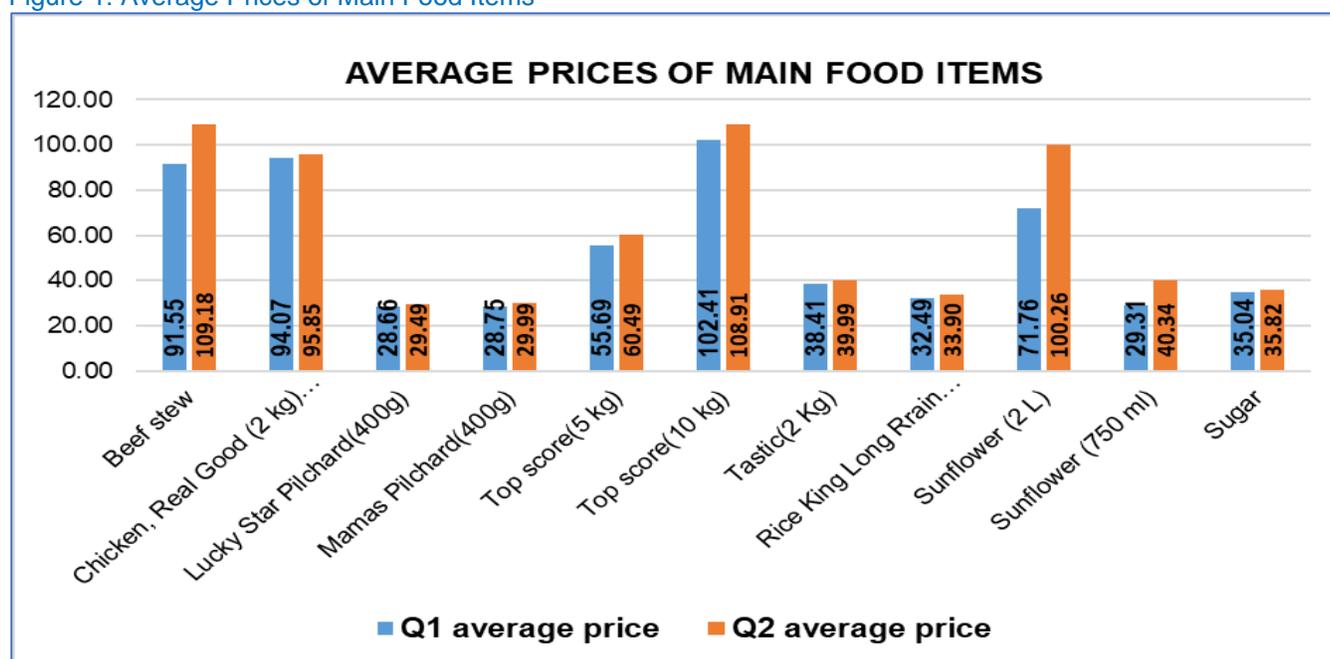
- The global staple food market in 2022 started with various risks. Cost-related risks for production and transportation stemming from geopolitical tensions, as well as rising fuel costs, have contributed to market volatility.
 - We believe that the monetary policy mechanism introduced by Bank of Namibia will be less effective in stabilising the prices, since inflation is to a large extent driven by fuel price and supply shocks which policy makers have no direct control of in a short to medium term. More so, rising interest rates in 2022 might further add to the cost of living in Namibia.
 - Fertilizer prices are expected to remain at elevated levels in the short to medium term.
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1. First Capital Food Price Monitor

1.1. The Cost of Main Food Items

First Capital Namibia monitors the prices of main food commodities in the coastal, northern, central, and northern parts of the Namibia and computes the food price monitor. This is a special edition which includes price developments for both the first and second quarter of 2022. Accordingly, figure 1 below summarises the average prices of main food items in the first and second quarter. The price of meat averaged N\$ 91.55 across the country during the first quarter of 2022 and rose to N\$109.18 during the second quarter while that for Top score a staple food in the Namibia rose from N\$ 55.69 to N\$ 60.49 and from N\$ 102.41 to N\$ 108.91 for a 5 and 10 KG respectively. Strikingly, the price of cooking oil increased from an average of N\$ 71.76 to N\$ 100.26 across the country during the review period.

Figure 1: Average Prices of Main Food Items



Source: First Capital Research

1.2. Quarter One vs Quarter Two Food Price Changes by Item

Table 1 below presents a comprehensive overview of average prices of products in across the country during the second and first quarter of 2022. Most importantly, the percentage of the price change and the direction of change is provided. Cooking oil recorded the most notable price increases of 38% and 40% for 750ML and 2 Litres followed by Ricoffy (24%), Beef stew (19%) and onions with a price increase of 17%. On the contrary, oranges recorded the highest price fall of 50%, followed by potatoes (15%), tomatoes (11%) and sunshine butter (9%).

Table 1: Quarter One vs Quarter Two Food Prices

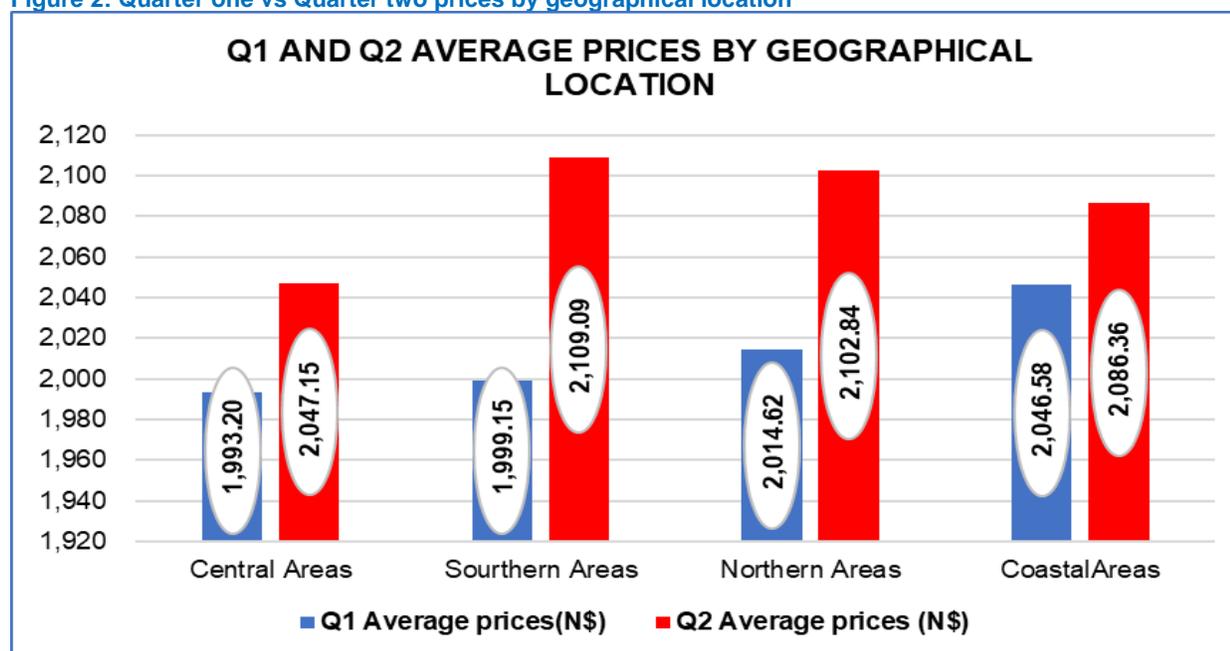
		Prices (N\$)			
Food items		Ave. Retail price (Q1), N\$	Ave. Retail price (Q2), N\$	Changes in Average prices, N\$	Indicators
Bread	White	11.06	11.68	6%	↑
	Brown	11.06	11.68	6%	↑
Meat	Beef stew (Per Kg)	91.55	109.18	19%	↑
	Boerewors	101.95	100.55	-1%	↓
	Mutton, Bulk B Grade(Per Kg)	131.77	122.49	-7%	↓
	Pork Chops(Per Kg)	87.76	92.08	5%	↑
	Chicken, Real Good Mixed Portion(1.5 kg)	65.39	68.18	4%	↑
	Chicken, Real Good (2 kg) Braai cuts	94.07	95.85	2%	↑
Fish	Lucky Star Pilchard(400g)	28.66	29.49	3%	↑
	Mamas Pilchard(400g)	28.75	29.99	4%	↑
Mealie Meal	Top score(5 kg)	55.69	60.49	9%	↑
	Top score(10 kg)	102.41	108.91	6%	↑
Rice	Tastic(2 Kg)	38.41	39.99	4%	↑
	Rice King Long Rrain Parboiled rice (2 Kg)	32.49	33.90	4%	↑
	Rice Mamas Classic	39.04	33.73	-14%	↓
Macaroni	Polana Macaroni (3 kg)	82.17	79.58	-3%	↓
	Polana Elbows (3 kg)	75.93	77.33	2%	↑
Vegetables	Tomato(Per Kg)	30.16	26.89	-11%	↓
	Onion(Per Kg)	16.80	19.66	17%	↑
	Potato(Per Kg)	23.09	19.74	-15%	↓
	Cabbage (each)	25.41	23.82	-6%	↓
Fruits	Banana(Per Kg)	29.39	30.18	3%	↓
	Oranges(Per Kg)	34.37	17.34	-50%	↓
	Apples, Grannys(Per Kg)	24.55	26.49	8%	↑
Margarine	Rama Brick Original(500g)	25.25	28.09	11%	↑
	Sunshine Butter, Lite(500g)	21.17	19.32	-9%	↓
Eggs	6 Large eggs	18.49	19.62	6%	↑
	30 Large eggs	52.50	57.87	10%	↑
Milk	Clover Long Life Full Cream(1L)	22.17	21.34	-4%	↓
	Farmfresh Long Life Full Cream(1L)	22.36	22.64	1%	↑
	Nam Omaere Sweet(2L)	47.07	49.51	5%	↑
Sugar	White Marathon (2 kg)	35.04	35.82	2%	↑
	White Sugar Kig(2 Kg)	33.02	35.29	7%	↑
	Brown Marathon(2 kg)	31.86	33.95	7%	↑
	Brown Sugar Kig(2 Kg)	31.72	33.81	7%	↑
Cooking oil	Sunflower (2 L)	71.76	100.26	40%	↑
	Sunflower (750 ml)	29.31	40.34	38%	↑
Soup	Knorr Minestrone(50g)	4.62	5.27	14%	↑
Cereal	Oats (Jungle), Original 1 kg	37.31	41.54	11%	↑
Tea	Five Roses (250 g)	52.62	53.21	1%	↑
	Freshpark Rooibos(200g)	46.61	44.72	-4%	↓
Coffee	Ricoffy(250 g)	43.52	53.77	24%	↑
Flour	Cake(Bakpro) White bread(2.5Kg)	45.69	51.51	13%	↑
Cool drink(2L)	Tropizone Aqua, Still water(1L)	11.03	11.12	1%	↑
	Bonaqua, Still Water(1.5L)	14.59	14.69	1%	↑
	Coke(2L)	21.40	21.73	2%	↑
	Fanta Orange(2L)	21.32	21.73	2%	↑
Average Price of a basket		2002.34	2086.36	4%	↑

Source: First Capital Research

1.3. Quarter One vs Quarter Two Prices by Geographical Location.

Figure 2 below depicts the average prices of food in Namibia by geographical location. According to First Capital's basket of food, on average coastal areas recorded N\$ 2,086.36 in the second quarter, compared to 2,046.58 recorded in during the first quarter. On the other hand, the average price of a basket of food was the lowest in central areas, this could be explained by the fact that most of warehouses are situated in central areas. Interestingly, a basket of food in coastal areas was cheaper than in the southern and northern areas during the second quarter, they recorded N\$ 2,109.09 and N\$ 2,102.84 respectively. This can be attributed to the distance from central areas and the cost of fuel at the coastal areas, which is much cheaper than the rest of the country. Between the first and second quarter of 2022, average prices rose by 1.9%, 4.4%, 5.5% and 2.7% in Coastal areas, Northern areas, in Southern areas and central parts of the country respectively.

Figure 2: Quarter one vs Quarter two prices by geographical location



Source: First Capital Research

1.4. Food Price Inflation by Category

Figure 3 below displays the food inflation by food category in the country. The various categorial price developments are discussed in greater detail below.

Bread & Cereal Prices went up by 6.8 percent in June 2022(y/y). The main drivers within this category are the prices of cake flour, (baby food and cereals which increased by 11.7% and 15.7% respectively). The price increase of bread and cake flour as well as mealie rice/malt are attributed to increased cost of inputs (cereals and fuel) while that for cakes is largely explained by rising global and domestic prices of wheat. Over the past four years producer prices of both maize and Mahangu cereals remained flat. However, Namibia's largest grain-processing company Namib Mills confirmed an increase of prices of wheat flour, pasta, bread, rice, maize meal, and instant porridge in April. Namibia imports most of its wheat

requirements which makes the price of products produced from Wheat vulnerable to external factors. Ukraine and Russia produce roughly 20% to 30% of all corn, maize and wheat consumed around the world. Therefore, the ongoing conflict between Russia and Ukraine caused major supply disruptions of Wheat on international markets. Consequently, the price of products produced from wheat increased significantly during the review period.

Meat prices on average rose by 3.79% during the second quarter of 2022 following an increase of 7.39% during the first quarter of 2022. The price increase was the highest for offals and meat waste and Canned meat with average inflation rates of 17.0 and 15.7 (y/y) during the second quarter and 18.2 and 12.6 (y/y) percent during the first quarter of 2022 respectively. This is partly attributed to supply shortfalls created by climate conditions (drought) which were experienced in Southern Africa over the past few years. On the other hand, high price increases of livestock meat are attributed to low supply levels of livestock marketed both for local and export markets mainly due to ongoing herd restocking by farmers. National census statistics on livestock with the Ministry shows that the head count of livestock available has reduced over the past four years partly due to severe drought situations. The ever-rising prices of meat pose nutritional challenges to households given the reach source of protein derived from meat consumption.

Dairy & Eggs This category recorded price increases of 4.39 and 4.72 percent (y/y) on average during the second and first quarters of 2022 respectively. Within this category, the price of milk increased by 2.2 and 1.2 percent, cream by 8.18 and 4.17 percent, yoghurt by 5.65 and 8.0 percent and eggs by 10 and 8.8 percent during the second and first quarter. The uninterrupted supply of milk both from local and south african supply sources helped to contain milk prices on local shelves. Notably, during the second quarter of 2022 the price for eggs recorded the highest quarterly price rise.

Vegetables prices rose by 4.2 percent during the second quarter of 2022 after an increase of 3.9 percent in the previous quarter. However, the prices of such as cabbage, potatoes and spinach fell by 27.2, 10.2 and 16.5 percent y/y in June 2022. Over the past months, most producers especially small-scale producers in the northern regions found it difficult to find a way to sell their products on shelves partly due to sufficient supply to retailers countrywide.

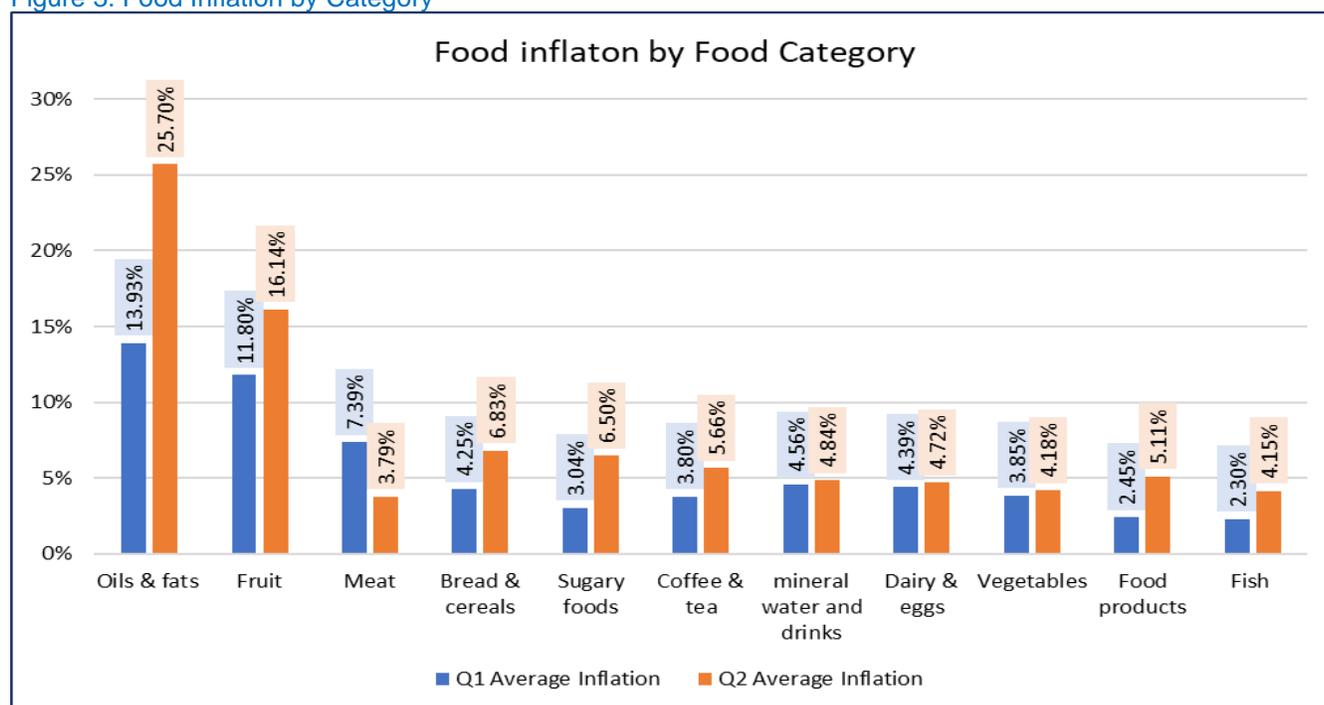
Fruits: The price of the most perishable food category, fruits, rose by 16.1 percent (y/y) on average during the second quarter of 2022. Within this category, the highest price inflation was that of avocados and citrus fruits which increased by 72.4 percent and 8.26 percent respectively. However, prices of grapes and watermelons fell by 3.9 and 3.3 percent on account of increases supply on local markets.

Sugar prices increased by 6.5 percent during the second quarter. Namibia, Botswana, and Lesotho are net importers of sugar mainly from Eswatini and the republic of South Africa. However, the price of sugar

from these two countries became too costly due to poor supply. As a result, these countries had to look elsewhere for sugar subjecting them to a 40% massive tariff protecting the two sugar producers in SACU, exchange rate risks and import tariffs. Consequently, The Namibian Agricultural Trade Forum announced an increase of white sugar prices of 20% as from the 7th of April 2022, thereby adding more pressure on consumers already faced with rising food prices. Fortunately, The Government of Namibia intervened and subsidized the price of sugar which led to a price increase of 6.5%.

Coffee & Tea The prices for coffee and tea moved in divergent directions. A noticeable high price increase of 14.2 percent of coffee was observed during the second quarter while the price of tea fell by 0.2 percent. This trend presents an opportunity for consumers to trade-off on the consumption of the two commodities. Similar behaviour was seen during the first quarter of the year when an average increase of 9.9 percent was recorded for coffee and a fall of 0.4 percent for tea (see figure 3 below).

Figure 3: Food Inflation by Category



Source: NSA

1.5. Factors Behind Rising Food Prices

1.5.1. Price of Sunflower oil

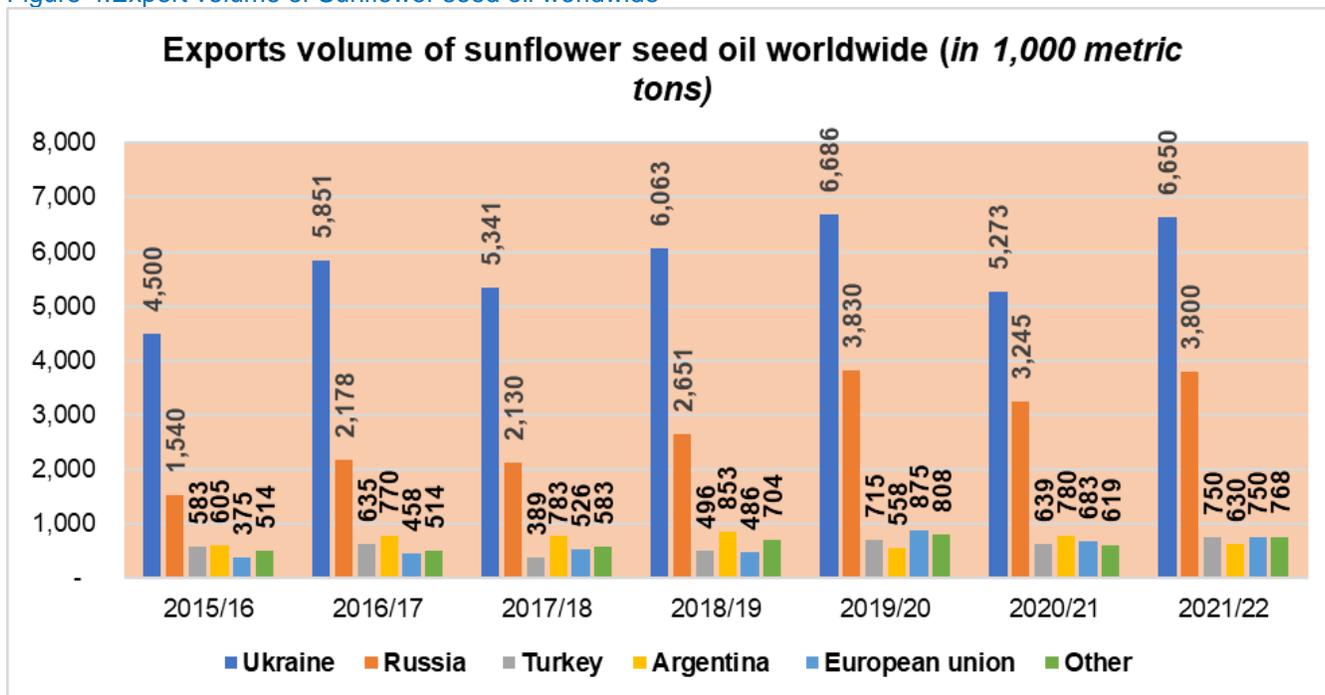
The rise in the price of cooking oil compounded by continued uncertainty in the commodities market has consumers reeling and is adding to the stress felt by ordinary citizens, fast food entrepreneurs and restaurant owners. Price jump in edible oils globally has started to reflect on the Namibian market, with sunflower oil, and other edible oils seeing massive price hikes.

How did it happen? In 2021, America had its worst drought in years, this led to expectations that less Soya will be available in the market, thereby causing a soybean oil price hike. In the same vein, in 2020 Canada had the worst canola crop harvest, coupled with high prices at the time, the price of Soya rose significantly. This saw a need for the market to opt for alternatives, one alternative was sunflower oil, and the other is palm oil. Palm oil is mainly produced in Asia. The palm oil is an industry that requires a lot of manual labour and was greatly impacted by the outbreak of COVID-19. Therefore, due to sustainability concerns, Sunflower oil became the best alternative.

Effect of the war between Russia and Ukraine on the price of Sunflower oil

With Sunflower oil being the next best alternative, its demand on international markets rose significantly. Russia and Ukraine are the world's largest exporters of sunflower seed oil. Ukraine contributed 49.6, 49.8 and 55.4 percent to total world exports of Sunflower from 2019, 2020 and 2021 respectively. In 2021 alone, it exported 6, 650 000 metric tons of Sunflower oil to international markets (see figure 4 below). On the other hand, Russia is the second highest exporter of Sunflower oil. It contributed 28.9, 28.5 and 19.5 percent to total exports globally between 2019 and 2021. Evidently, the war between Russia and Ukraine removes about 80 percent of Sunflower seed oil from international markets. This is a cause for concern and is expected to put an upward pressure on the price of Sunflower oil in the short to medium term. Above all, prices are expected to moderate towards October/November due the harvesting of sunflower and canola (crops) in Europe depending on the weather. Equally so, the war between Russia and Ukraine might further disrupt the planting which might further affect prices in 2023.

Figure 4: Export volume of Sunflower seed oil worldwide



Source: Statista

1.5.2. Price of Sugar

Namibians continue to experience an increase of sugar prices which is exacerbating household situation, who are already experiencing high food prices. The Agricultural Trade Forum (ATF) in March 2022 announced an increase of white sugar of 20% from the 7th of April 2022.

According to ATF, Namibia, along with Botswana and Lesotho, are all net importers of sugar. These countries import white and brown sugar from Eswatini, and South Africa. However, in recent years, it has become difficult for Namibian sugar packers to obtain sufficient white and brown sugar from these SACU suppliers and the price of sugar has been rising.

As a result, non-sugar producing countries were forced to look for sugar suppliers outside of the Southern African Customs Union (SACU). However, SACU's massive tariff protection of 40 percent, which is intended to protect Eswatini and South Africa, makes importing sugar from non-SACU countries quite expensive for Namibian sugar packers. Luckily, the government of Namibia intervened and subsidized the price of sugar for local consumers and the price of sugar on local markets did not rise as initially expected.

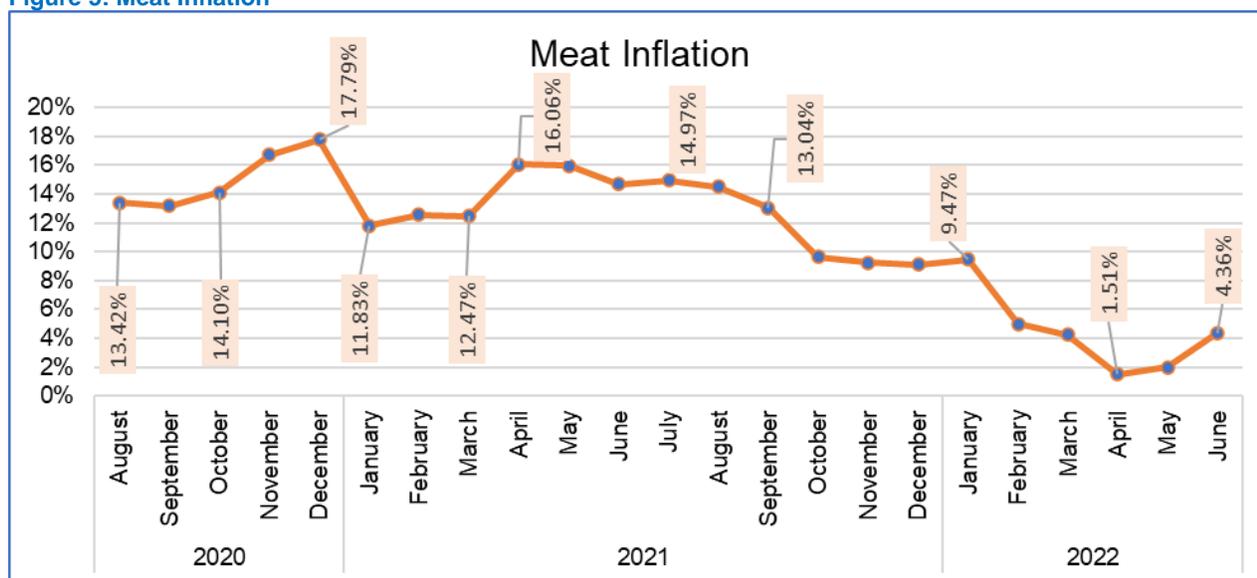
1.5.3 The Price of Beef

Meatco plays a vital role in Namibia's red meat industry. It is the single biggest abattoir with international export certification, enabling livestock producers to access lucrative international markets. Namibia

continues to have a relatively high producers price compared to other regional countries such as Botswana which have the same net export status as Namibia and serve the same international markets as Meatco.

The effect of the prolonged drought, which began in 2015 in most parts of the country, was felt countrywide as it culminated in 2019, when the whole country experienced full blown drought conditions. According to Meatco, its 2019's high slaughter numbers are a clear effect of producers taking cattle off the field, whereas this year's low numbers reflect producers re-building herds considering better rainfall season in some parts of the country. Producers were in a herd building phase and made few cattle available in the market, and this contributed to high beef price in the preceding years. The fluctuation is well illustrated by figure 5 below, where double-digit inflation as well as very low inflations are recorded.

Figure 5: Meat Inflation

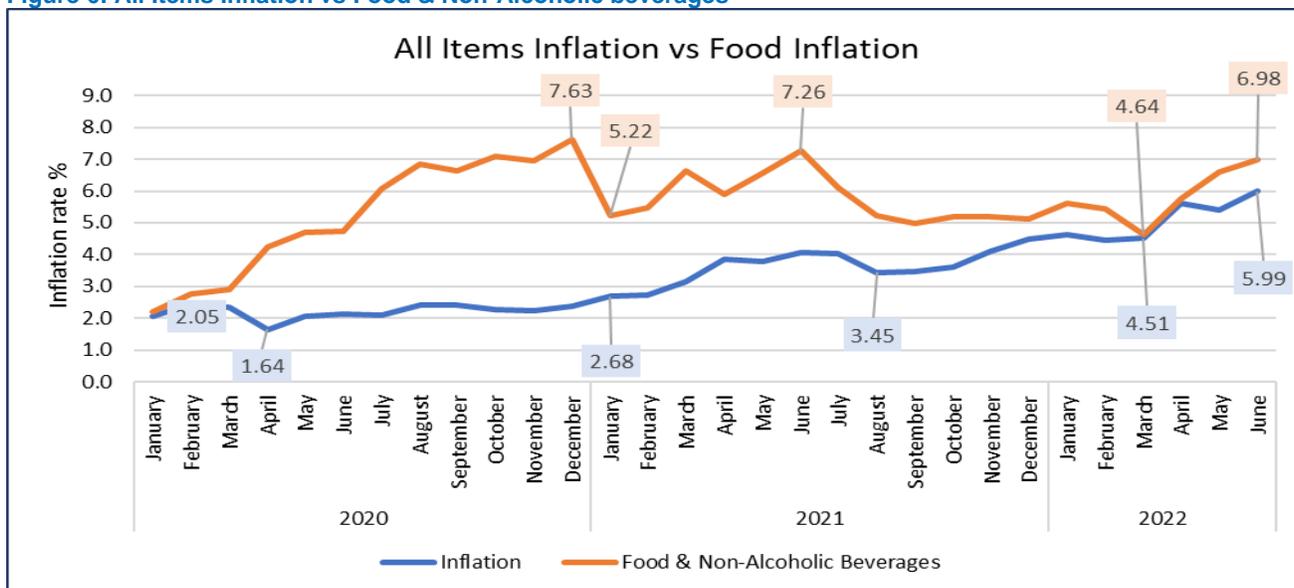


Source: NSA

2. Overall Inflation Versus Food Inflation

Figure 6 depicts the trends in the headline general inflation, along with the food and non-alcoholic beverage inflation rates from the January 2018 and June 2022. Accordingly, The Namibia Statistics Agency found that during the second quarter of 2022, Namibia recorded an average inflation of more than 5.7 percent (y/y), with highest all items inflation being recorded of 6.0 percent in June. An analysis of the trends revealed that this is the highest recorded inflation in Namibia in five years. Food & non-alcoholic beverages inflation averaged 6.44 percent (y/y) in the second quarter of 2022, of which the highest recorded being 6.98 recorded in June 2022 (see figure 6 below).

Figure 6: All Items Inflation vs Food & Non-Alcoholic beverages

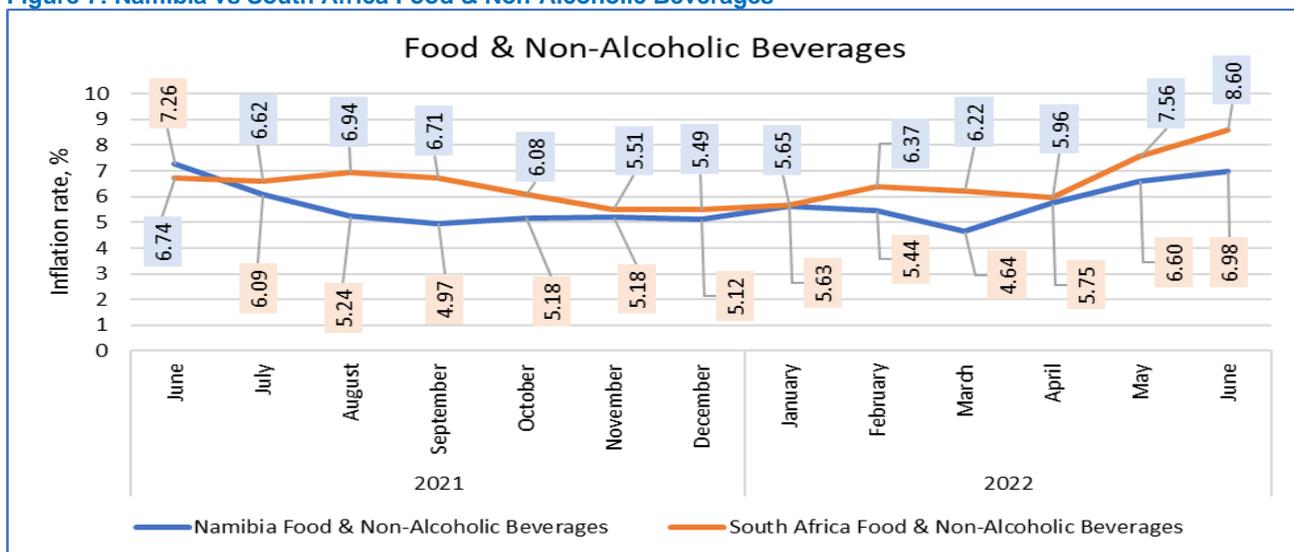


Source: NSA

2.1. Namibia and South Africa Food & Non-Alcoholic beverages Inflation

Figure 2 shows that the last 13 months South African food & non-alcoholic beverages inflation has been higher than Namibian food & non-alcoholic beverages inflation except for June 2021. Since most of the domestic food & non-alcoholic beverages inflation are imported from South Africa, it is expected that both countries will exhibit similar trends. However, with the rising agricultural sub-sectors in the country, such as horticulture and livestock farming in addition to some government initiatives such as the Market Share Promotion (MSP) scheme, tariffs which helped domestic producers grow, much of South African food & non-alcoholic beverages inflation rarely felt on domestic market

Figure 7: Namibia vs South Africa Food & Non-Alcoholic Beverages



Source: NSA and Statistics South Africa

2.2. Cost Of Inflation on Households: Loss of Buying Power Perspective

Inflation is a measure of how prices of goods and services are changing, and it can have a big impact on people's cost of living. Each month, Namibia Statistics Agency (NSA) publishes the latest annual inflation rate, which measures the change in the price of regularly purchased products (known as the basket of goods and services) compared with the same time of the previous year.

From a household perspective, inflation can be seen as a reduction in purchasing power of money spent on consumption. Put differently, with inflation, a dollar spend today is worth more than a dollar spent some time in the future. In this context, using the national food price indices, an average Namibian consumer ought to spend N\$177.0 at the end of second quarter of 2022 to keep up with the similar food consumption pattern that costed N\$100 in December 2012. As food prices rise, a dollar earned will progressively buy less in future, a situation that does not bode well with households specifically those on the lower end of the poverty spectrum as their income remain relatively constant over time.

Figure 8: Impact of Inflation on Households



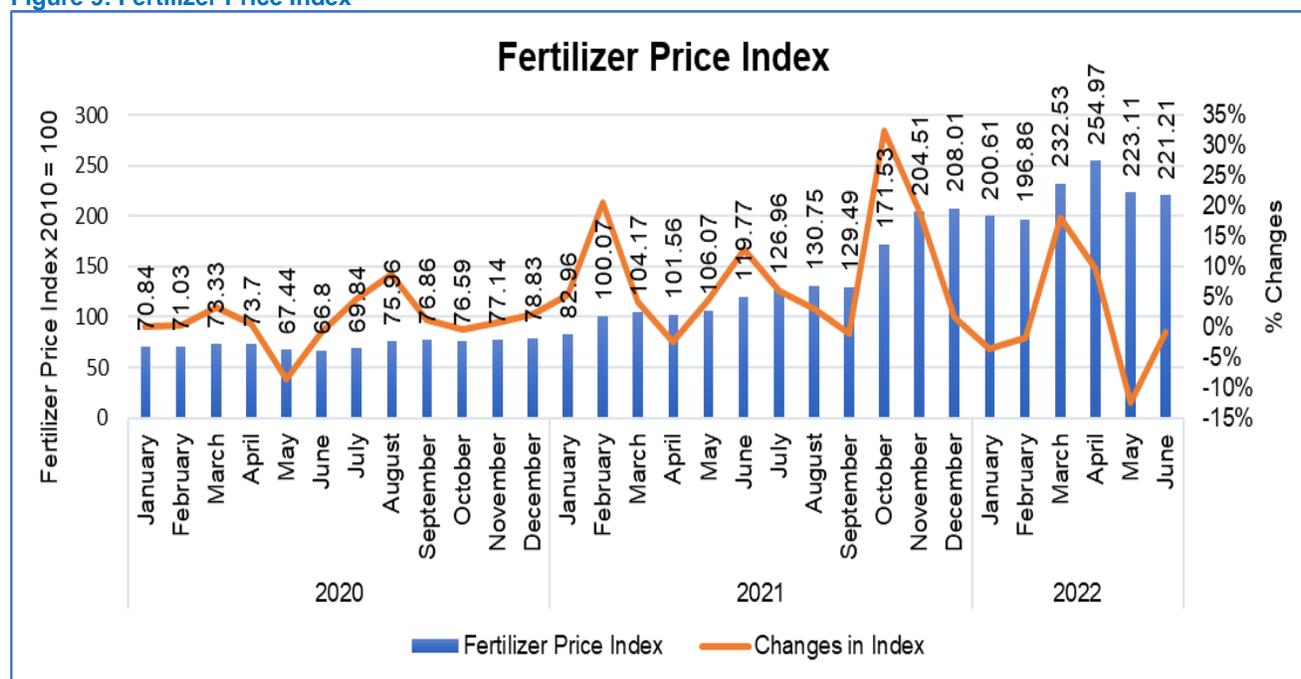
source: NSA

3. INPUTS AND SUPPLY CHAIN COSTS

3.1. Fertilizer Prices

The fertilizer price index increased by 84.75 (y/y) in June 2022 from 119.77 to 221.21 (see figure 9 below). Importantly, in April 2022, the index rose substantially recording an all-time high of 254.97, before contracting by 12.5 percent in May 2022. The surging prices of fertilizer remain a major upside risk for food prices since fertilizers are key in the value chain of food production.

Figure 9: Fertilizer Price Index

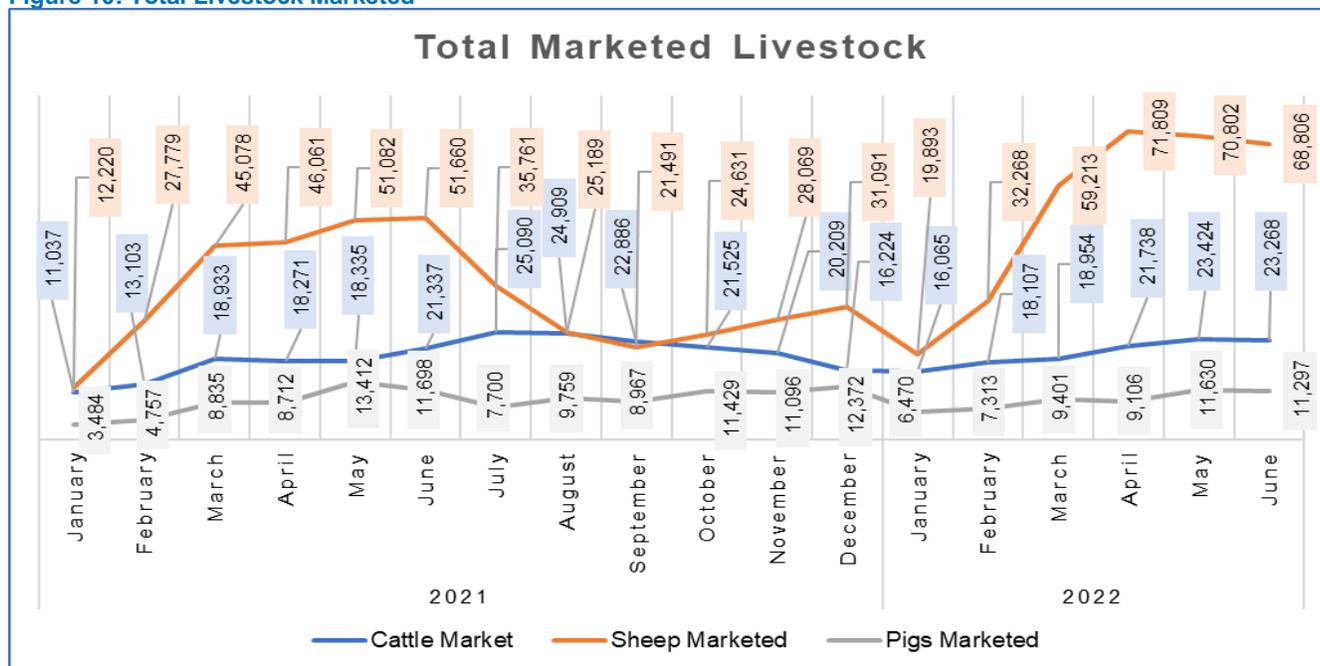


Source: World Bank

3.2. Supply Prices and Producer Prices of Livestock

In June 2022, total sheep marketed were three times higher than the total cattle marketed, and about six times more than total sheep livestock marketed (see figure 10 below). Evidently, the total sheep and cattle marketed increased by 33.2 and 9.1 percent respectively, while the total number of pigs marketed fell by 3.4 percent in June(y/y). The figure below shows that market for sheep in Namibia is more volatile than that for cattle and pigs. In addition, the reduction in livestock marketed in recent years is pinned down to reduced livestock herds due to previous droughts and compounded by the ongoing restocking drive by farmers.

Figure 10: Total Livestock Marketed

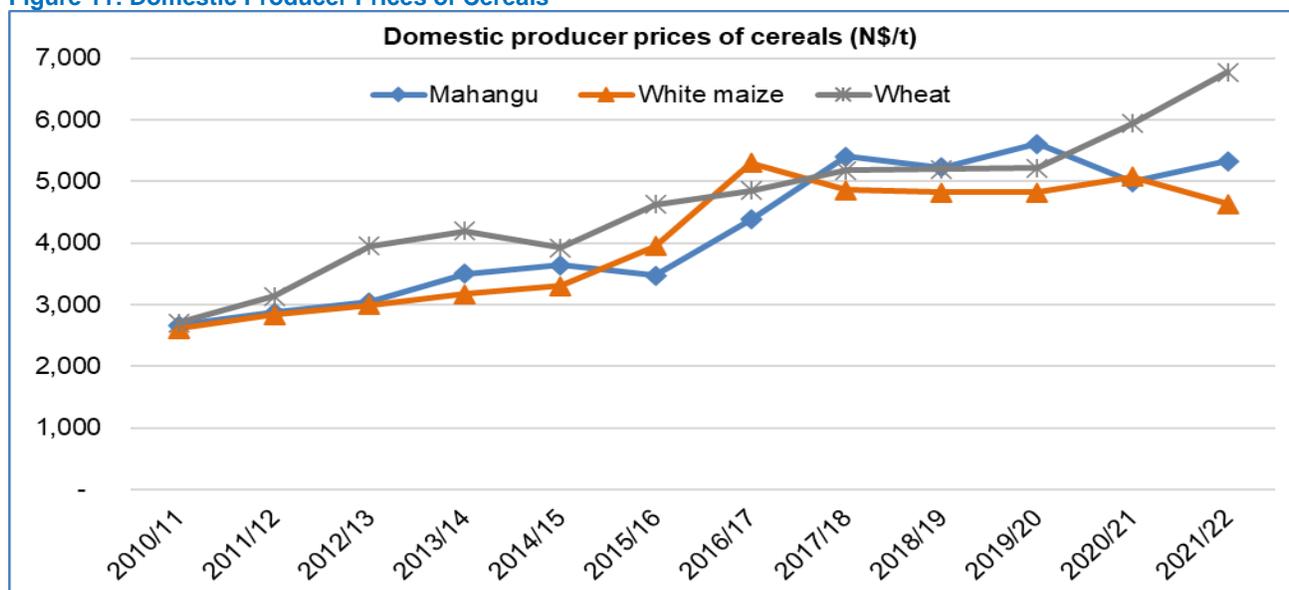


Source: Meat Board

3.3. Cereal Crop Floor Prices

For the present marketing season, the price of maize and that of mahangu remained well contained relative to previous year prices. Both maize and mahangu prices have over the past 5 years remained encored at similar prices without major yearly changes. On the other hand, wheat prices increased reaching N\$6,771 per ton from N\$5,940 and N\$5,220 per tonne in 2020/21 and 2019/20 seasons respectively. The stable maize grain price is largely a key factor on subdued maize meal prices (see figure 11).

Figure 11: Domestic Producer Prices of Cereals



Source: Agronomic Board

3.4. Domestic Horticulture Industry

Horticulture is a segment of the agriculture industry. The term horticulture literally means the culture of a garden. The horticulture industry embraces the production, processing, and shipping of fruits and vegetables. The government of Namibia established Namibia Agronomic Board to facilitate border control, including issuing of permits, checks and control of cross border flow of agronomic and horticultural products. This industry is growing steadily in Namibia, despite the challenges it is facing such as drought, high input cost, pest, and diseases.

According to the Agronomic Board, Namibia remains a net-importer of mainly fresh fruits, while the domestic production of most vegetables has been on an improving path for the past 10 years after the introduction of the Market Share Promotion Scheme (MSP). MPS is implemented by Agro-Marketing and Trade Agency (AMTA) as the agent of the NAB, which requires traders to buy a certain minimum, currently 47% of the value of locally produced products from local producers, as a condition for importing. Through MSP, importers of fresh horticulture produce are required to source a minimum percentage of their products from Namibian producers, prior to qualifying for an import permit in each quarter. This is to create a more dynamic and favourable marketing environment for local producers.

Despite a high horticulture levies and transport cost on imports, and the 47% of the value of locally produced products from local producers, the average import parity price (IPP) (South Africa where most of horticulture imports are from) was low compared to average retail prices in Windhoek both in first and second quarter. The table 3 shows that both red pepper and green pepper's average retail prices in Windhoek is more than 400 percent higher than average IPP south Africa, before improving to about 300 percent in the second quarter. In addition, potatoes, onions, and sweet potatoes were more than 300 percent higher in Windhoek retail markets compared to average IPP in South Africa in the first quarter.

The prices of both potatoes and onions prices improved by 241 percent and 232 percent respectively. On the contrary, the average price of sweet potatoes worsened by 354% compared to average IPP South Africa. Domestic cabbage price also worsened from first quarter compared to second quarter in comparison to average IPP south Africa.

Table 2: Domestic Horticulture industry

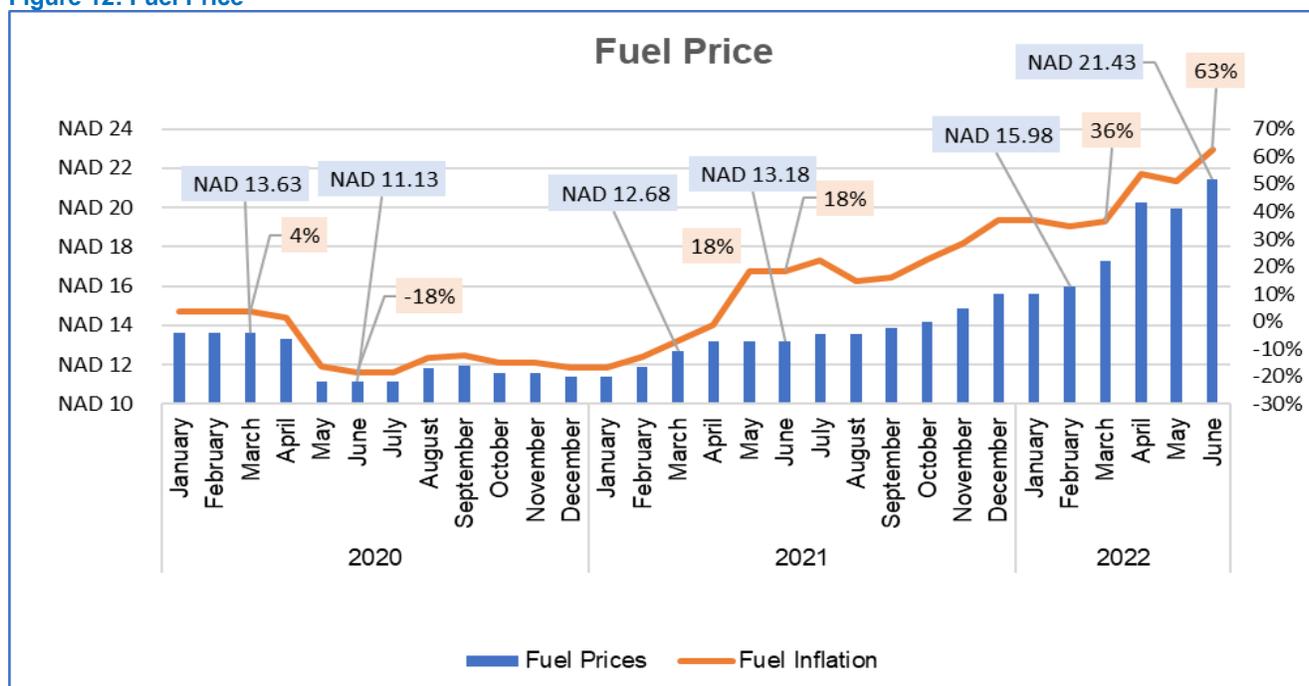
Horticulture	Weight	First Quarter			Second Quarter		
		Ave. Retail Price (WHK)	Ave. Import Parity Price (RSA)	% of IPP on Ave. Retail Price (WHK)	Ave. Retail Price (WHK)	Ave. Import Parity Price (RSA)	% of IPP on Ave. Retail Price (WHK)
Potato	1kg (N\$/kg)	20.16	6.15	328%	19.79	8.205	241%
Onion	1kg (N\$/kg)	16.425	4.2	391%	19.03	8.2	232%
Tomatoes	1kg (N\$/kg)	33.75	18.6	181%	30	12.7	236%
Cabbage	N\$/head (unwrap)	23.745	10.99	216%	22.98	7.635	301%
Butternut	1kg (N\$/kg)	15.25	0		13.56	0	
Watermelon	N\$/Fruit (each)	63.56	37.86	168%	85.685	53.865	159%
Sweet potato	1kg (N\$/kg)	28.1	9.25	304%	33.805	9.55	354%
Spinach	N\$/(500g)	10.745	7.335	146%	20.68	18.105	114%
Red pepper	N\$/Kg	69.84	14.65	477%	71.05	24.17	294%
Sweetcorn	N\$/pack 4s)	36.835	32.415	114%	34.995	37.335	94%
Lettuce (Iceberg)	N\$/Head	24.51	16.27	151%	19.335	15.325	126%
Green pepper	1kg (N\$/kg)	45.865	10.525	436%	43.78	14.065	311%
English cucumber	N\$/Fruit	14.6	12.25	119%	17.15	12.275	140%
Beetroot	1kg (N\$/kg)	15.96	11.215	142%	18.72	8.83	212%

Source: Namibia Agronomic Board

3.5. Fuel Prices and Logistics Delivery Costs

The price of fuel has been rising faster since 2021, mainly on account of firming oil prices. Namibia recorded a 63 percent inflation (y/y) in June 2022, while a 51 percent (y/y) inflation was recorded in May 2022. Higher fuel prices mean higher cost of fuel for agricultural tractors and other production machines. The indirect effect comes through higher transport and logistics costs that are aligned to the cost of fuel. However, the general inflation on vehicles & machinery spare parts and accessories have somewhat eased though still elevated by historical comparison. In June 2022, fuel price at coastal area was NAD 21.43 (see figure 12), this was the highest recorded fuel inflation in Namibia in recent times even though government suspended some fuel levies to ease pressure on consumers.

Figure 12: Fuel Price

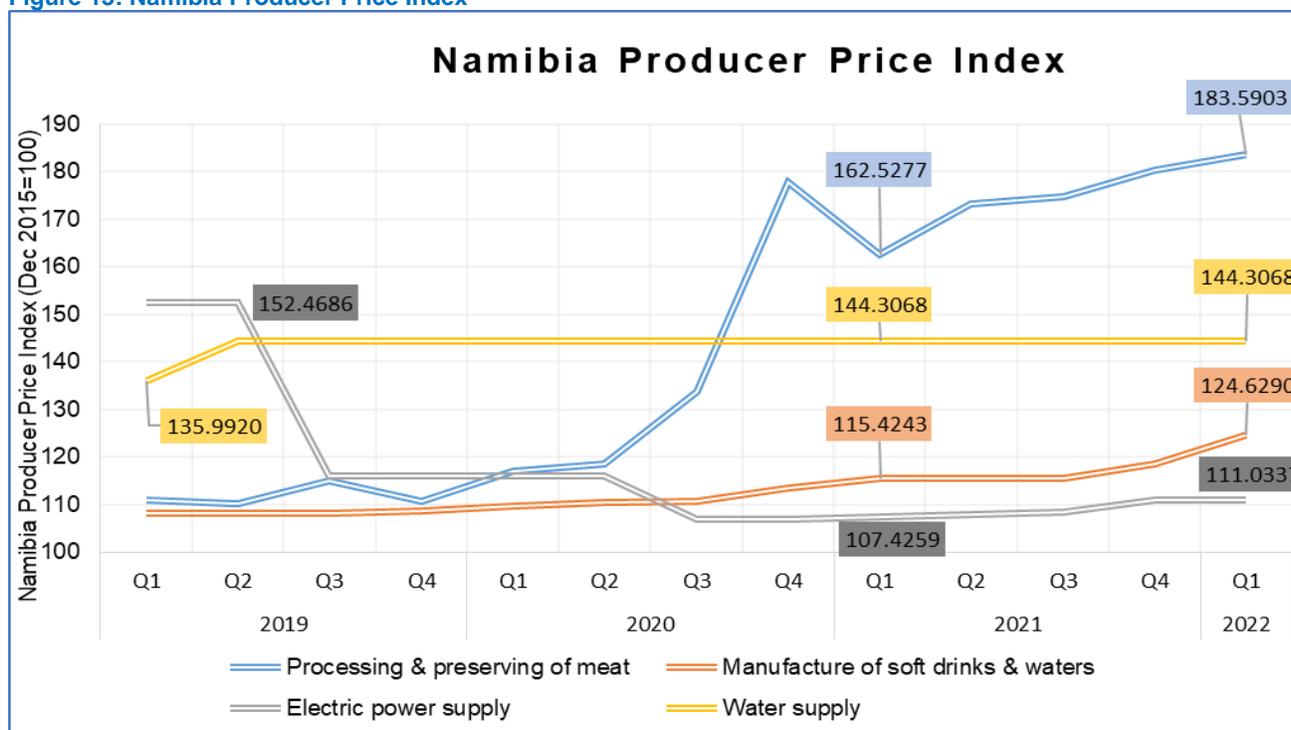


Source: Ministry of Mines and Energy

3.6. Producer Prices: Cost of Production Metric

The Producer Price Index (PPI) is a family of indices that measures the average change of selling prices over time received by domestic producers of goods and services. Sellers' and consumers' prices may differ due to government subsidies, sales and excise taxes, and distribution costs. Although, they are both good indicators of inflation, the PPI is not as strong as the CPI in detecting inflation, because it includes goods being produced. It is however an excellent tool for forecasting of the CPI. The index for processing and preserving meat seems to be the most volatile among the family of Producer Price Indices, it stood at 183.59 during the first quarter of 2022 which is a rise of 13% when compared to the same period last year. The index for the manufacture of drinks and water as well as the electricity power supply were 8 and 3.3 percent high (y/y) in comparison to the same period last year (see figure 13).

Figure 13: Namibia Producer Price Index



Source: NSA

3.7. Weather Patterns

The current 2021/22 rainfall season had normal to above normal rainfall ruling out the possibility of a drought season. Despite the periodic delay of rainfall, the normal to above average rainfall outlook bodes well with the agricultural production. The impact will go beyond crop and horticultural production to livestock, which feeds on mostly crop feeds. For livestock, bumper harvest would mean, increased supply of feeds and grazing pastures which is key to the livestock subsector especially at this moment of herd restocking.

4. GLOBAL FOOD PRICE TRENDS

4.1. Southern Africa

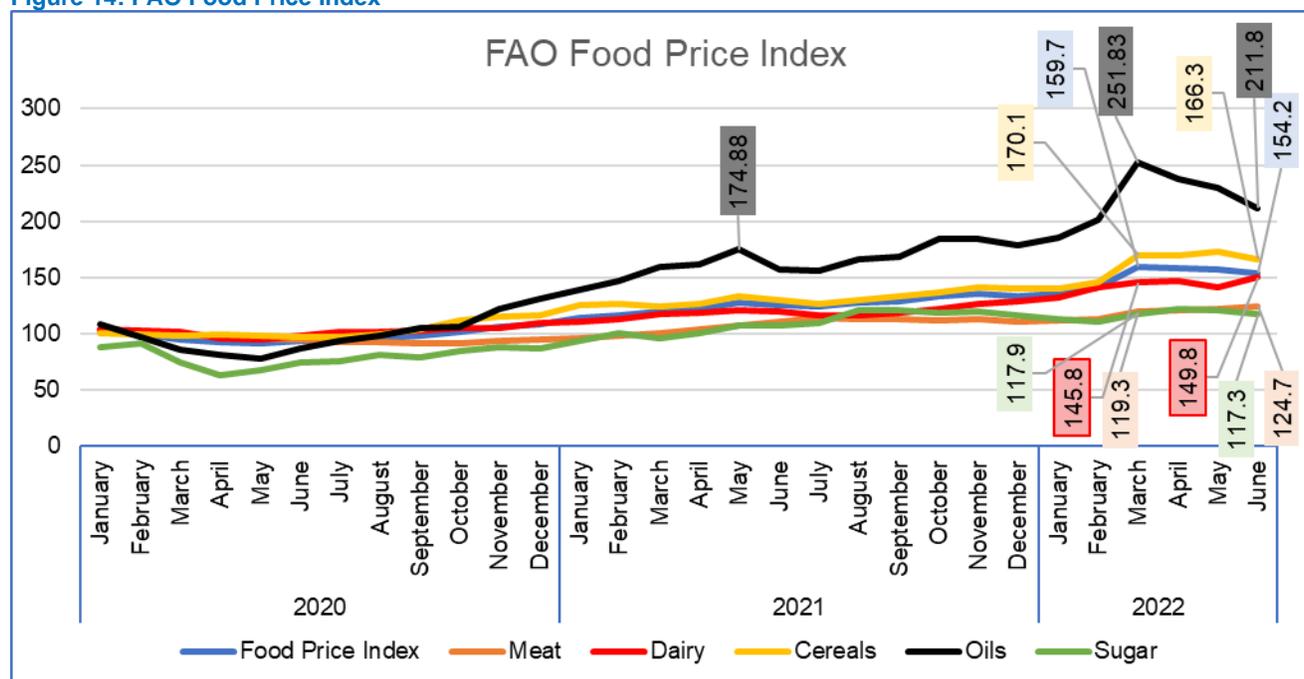
Prices of wheat have reached record highs in several southern African countries, owing to rising international benchmark prices, and considering the sub-region is a net importer of the cereal. Prices of maize, however, which is the primary food staple and produced in large quantities across Southern Africa, posted some seasonal increases in February and March. In South Africa, the average wholesale price of maize jumped in March by 25 percent higher year on year, and nearly 10 percent compared to February's level. However, South Africa's domestic prices were trending below the export parity prices, inferring favourable domestic supply conditions that reflect both the substantial outturn in 2021 and favourable production prospects for 2022.

4.2. Global food market

Since April 2020 global food prices has been steadily rising. This trend of gradual increase in prices is broad-based on all food categories. This trend is consistent with the global inflationary outcomes and by extension also tracks the trend of local prices. The synchronized inflationary trajectory across the globe indicates the deepening of integration of supply systems. More so, part of this trend is explained by the common cyclical challenge induced by the pandemic which is affecting all countries nearly in the same way. For example, the mismatch between supply and demand due to prevailing supply chain bottlenecks amid the build-up of pent-up demand compounded by the recovery. International wheat prices soared in March, reflecting reduced exportable supplies resulting from the sharp reduction in exports from Ukraine and a slowdown in shipments from the Russian Federation.

Furthermore, ongoing Ukraine - Russia conflict has further added pressure on global supply, which in turn put an upward pressure on global fuel prices. Consequently, the price of goods and services increased. Since Namibia is a price taker of global prices the impact will be felt in Namibia through high prices. This is shown by the upward trend in the food price index in the figure 11 below, where the most significance surge has been in oil markets which went up to 250 in March 2022. Global oil price index has stabilised since then by reaching 229.25 in May 2022, however, cereals price index remains on an upward trend.

Figure 14: FAO Food Price Index



Source: FAO

4.3. Impact of Russia-Ukraine conflict on food prices

The Russian Federation and Ukraine are among the most important producers of agricultural commodities in the world. Both countries are net exporters of agricultural products and are leading suppliers of

agricultural foods and fertilizers to global markets, where exportable supplies are often concentrated in a handful of countries. However, the high concentrations could make the food market very vulnerable to shocks.

According to Food and Agriculture Organization of the United Nations (FAO) In 2021, either the Russian Federation or Ukraine, or both, ranked among the top three global exporters of wheat, barley, maize, rapeseed and rapeseed oil, sunflower seed, and sunflower oil. The Russian Federation also ranked as the world's top exporter of nitrogen fertilizers, the second leading supplier of potassium fertilizers and the third largest exporter of phosphorous fertilizers.

Many food and fertilizer importing countries, which fall into the Least Developed Country category rely on Ukrainian and Russian food supplies to meet their consumption needs. Many of these countries were already grappling with the negative effects of high international food and fertilizer prices prior to the Russian-Ukraine conflict. However, conflict exacerbated the situation, thereby exposing the LDC food market to various risk. Therefore, various studies were conducted to assess the risks emanating from the Russian-Ukraine conflict on food market and food prices.

Energy associated risks

The Russian Federation is a key player in the global energy market. The sharp increase in energy prices because of the war will likely affect agriculture, as it is a highly energy-intensive industry, especially in developed regions. Agriculture requires a directly large amount of energy using fuel, gas and electricity in their daily operations, and indirectly through agri-chemicals such as fertilizers, pesticides and lubricants. With the prices of fertilizers and fuel rising because of the war, the overall input prices are expected to rise considerably. The higher prices of these inputs will translate into higher production costs and eventually into higher food prices. They could also indirectly lead to lower use of inputs, thereby lowering yields and harvests in the 2022/23 season, risking further price hikes, and threatening global food security in coming years.

Trade associated risks

The current Russia-Ukraine crises raises concerns over whether crops will be harvested. It has already led to closures of ports and oilseed crushing operations, affecting products intended for the export markets. These are taking a toll on the country's exports of grains and vegetable oils. Russian export prospects are also uncertain, given the economic and financial sanctions imposed on the country.

Price associated risks

According to FAO, the sudden and steep reduction in cereals and sunflower seed exports by Russia and Ukraine have potential implications on the price, this is because these countries supply are among the top 3 largest global supplies. The FAO's simulations indicates that these shortfalls may only be partly

compensated by alternative sources expected in the 2022/23 marketing season. Furthermore, if the war keeps crude oil prices high and continues to limit the two countries' exports beyond the 2022/23 season, a considerable supply gap would remain in global grain and sunflower seed markets, even as other exporting countries expand their output in response to the higher output prices. This would keep global prices elevated well above baseline levels.

Logistical associated risks

Active fighting in Ukraine has damaged inland transport infrastructure and seaports, as well as storage and processing infrastructure. It has also led to the suspension of all commercial shipping operations across the Europe and Asia ports. This raises significant concerns, given the limited means of alternative transportation, such as rail, river, or road transport, to seaports and smaller processing facilities to compensate for suspended operations at modern oilseeds crushing facilities. The increase in insurance premium rates or the lack of war coverage in insurance contracts for vessels sailing into the Black Sea has exacerbated the already elevated costs of maritime transportation, increasing costs of food imports.

Production associated risks

Agricultural Production prospects for 2022/23 winter crops are favourable but there is uncertainty in both Ukraine and the Russian Federation. In the western part of Ukraine where the fighting has subdued activities on accessible areas and sowed spring (March – April) crops like maize, barley, and sunflower seeds, even though war remnants hindered agricultural activities. Disruptions to essential public services and localized shortages of inputs due to supply chain bottlenecks have also negatively affected agricultural operations. It is estimated that the areas where major spring crops are sown have declined by about 20 percent across the territory controlled by Ukraine.

In the Russian Federation, no major disruption to crops in the ground are anticipated, but uncertainties exist over their capacity to export although international trade restrictions exclude both food and fertilizers. Any loss of export markets could depress farmer incomes, negatively affecting future planting decisions. Economic sanctions imposed on the Russian Federation could disrupt its imports of agricultural inputs it is highly dependent on, especially pesticides and seeds. This could result in less planting, lower yields, and lower qualities of crops in the future, exposing the Russian agricultural sector and global food supplies to risks for the next planting season.

Exchange rate, and growth associated risks

The economic sanctions and export restrictions imposed on the Russian Federation have also led to significant swings in the exchange rate of the Russian Ruble. An initial sharp depreciation of the Ruble against major currencies was followed by a notable upsurge, mounting up to 40% against the US dollar since January, which has made Russian exports of agricultural commodities less competitive. In other words, the Russian agricultural exports become more expensive to the outside world, thereby putting

pressure on food prices of importing countries such as Namibia. In similar vein the Ukrainian hryvnia exchange rate stability is in turn affecting the market negatively.

Moreover, if the war results in a prolonged reduction of food exports by Ukraine and the Russian Federation, it will exert additional pressure on international food prices, with detrimental effects on economically vulnerable countries. Furthermore, If the crisis is further extended, the impacts will last well beyond 2022/23, thereby further worsening the household position

[The Society for Worldwide Interbank Financial Telecommunication \(SWIFT\) Payment System](#)

As global commerce evolves, countries have searched for safer and secure means to get money from one bank to the next. International transactions often require a network or intermediary institution to ensure everything goes smooth. In Europe, it's called the Society for Worldwide Interbank Financial Telecommunications, also known as SWIFT. In 2019, more than 11,000 SWIFT member institutions sent approximately 33.6 million transactions per day through the network across 200 countries. The financial service creates a global level of connectivity that speeds up international business and brings the world a little closer together.

The European Union, United States, United Kingdom, and other countries decided to remove some Russian banks from the Swift system. This was done to ensure they are disconnected from the international financial system and harm their ability to operate globally. The aim is for Russian companies to lose access to the normal smooth and instant transactions provided by Swift, disrupting payments for its valuable energy and agricultural exports. However, this decision has also affected most of the importers from Russia as it became very difficult for them to access Russian imports. Since Russia is one of the main exporters of cereal grains and fertilizer, it disrupts the overall prices in food market thereby forcing prices to go up. This is because Banks must now deal directly with one another, leading to transactional delays and extra costs.

5. CONCLUSION

According to First Capital's basket of food, on average coastal areas recorded N\$ 2,086.36 in the second quarter, compared to 2,046.58 recorded in during the first quarter. On the other hand, the average price of a basket of food was the lowest in central areas, this could be explained by the fact that most of warehouses are situated in central areas. Interestingly, a basket of food in coastal areas was cheaper than in the southern and northern areas during the second quarter, they recorded N\$ 2,109.09 and N\$ 2,102.84 respectively.

In the final analysis, the price of fuel rose substantially due to supply shocks on the global markets. Consequently, Namibia recorded a 63 percent inflation (y/y) in June 2022, while a 51 percent (y/y) inflation was recorded in May 2022. The fertilizer price index increased by 84.75 (y/y) in June 2022 from 119.77 to 221.21. These price hikes of inputs in the production of goods and services have serious implications for prices of a basket of food in the short to medium term. In addition, prices are expected to rise further throughout 2022 due to energy crises, trade risks, removal of Russian banks from the The Society for Worldwide Interbank Financial Telecommunication (SWIFT) and productions risks due to supply disruptions caused by the war.



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