



# First Capital Food Price Monitor

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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

<b>AMTA</b>	: Agro-Marketing and Trade Agency
<b>ATF</b>	: Agricultural Trade Forum
<b>BoN</b>	: Bank of Namibia
<b>bp</b>	: Basis Points (1 Percentage Point=100 Basis Points)
<b>CPI</b>	: Consumer Price Index
<b>FAO</b>	: Food and Agriculture Organization
<b>FC</b>	: First Capital
<b>G</b>	: Grams
<b>IMF</b>	: International Monetary Fund
<b>KG</b>	: Kilogram
<b>L</b>	: Litres
<b>LCD</b>	: Least Developed Country
<b>N\$/NAD</b>	: Namibia Dollar
<b>NAMFISA</b>	: Namibia Financial Institutions Supervisory Authority
<b>NSA</b>	: Namibia Statistics Agency
<b>OPEC</b>	: Organization of the Petroleum Exporting Countries
<b>(Q/Q)</b>	: Quarter on Quarter Change
<b>RSA</b>	: Republic of South Africa
<b>SACU</b>	: Southern African Customs Union
<b>UK</b>	: United Kingdom
<b>US</b>	: United States
<b>Y/Y</b>	: 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 statistics, 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 developments in 2023.

### 1.2. Overview of the Global Food Situation

Global food prices and production in 2023 continued to be shaped by a variety of factors, including supply chain disruptions, weather-related events, trade restrictions, technological advancements, and changing consumer preferences. The Food and Agriculture Organization (FAO)'s latest forecasts point to increases in production and higher closing stocks across several basic comestible. However, global food production systems remain vulnerable to shocks stemming from extreme weather events, geopolitical tensions, policy changes and developments in other markets, potentially tipping the delicate demand-supply balances and impacting prices and world food security. 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 global food price index by Food and Agriculture Organization (FAO) fell by 13.7% year-on-year in December 2023, the highest level since 2011, and has remained elevated throughout 2022 and 2023. Additionally, changes in exchange rates, fuel prices and global economic conditions have affected the prices of food commodities. For example, the strengthening of the US dollar against other currencies have affected the competitiveness of exports and contributed to price fluctuations. The geopolitics 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

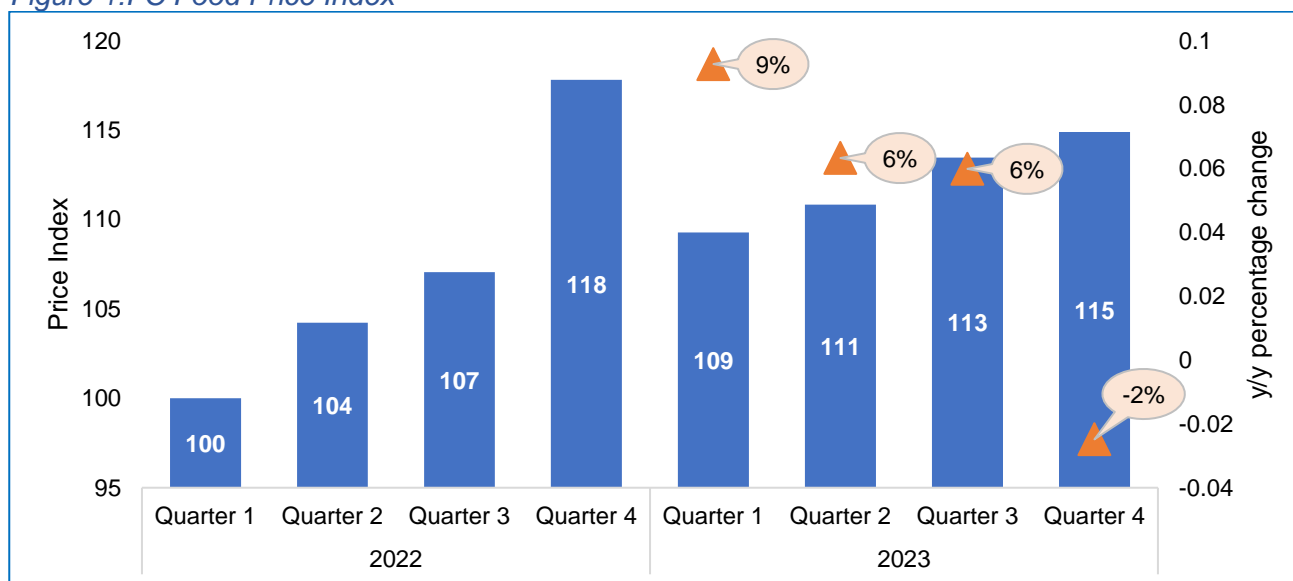


of Namibia) resorted to demand management policies such as tightening monetary policy (rising interest rate) to contain stubbornly rising inflation.

### 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, before increasing again to 115 in the fourth quarter of 2023. This upward trend in the fourth quarters of the year is attributed to high demand foods in festive seasons. Some of the major contributors to the changes in price index in fourth quarter 2023 are Tomatoes, apples and Ricoffy. The figure indicates an increase of 15% in fourth quarter in comparison to the first quarter of 2022. The triangle on the figure shows how the cost of FC basket has changed on a year-on-year basis. Although the price of basket food has increased year on year in the first three quarters of 2023 in comparison to the price of basket food in 2022, the price of the current basket of food is 2 percent lower than the fourth quarter 2022.

Figure 1: FC Food Price Index



Source: FC Research

### 1.4. Year on year price changes (4<sup>th</sup> quarter 2022 Versus 4<sup>th</sup> quarter 2023)

Table 1 below presents a comprehensive overview of price developments of main food items in Namibia between the 4<sup>th</sup> quarter of 2022 and the 4<sup>th</sup> quarter of 2023. During the period under review, the price of Tomatoes, Apples per kg and Oranges per kg rose by 54.6%, 39.8%, and 36.4% year on year (y/y). In the similar vein, the price of boerewors per kg, brown sugar of both Marathon and Sugar King as well increased by 10.4% 12.4% and 12.1% in the 4<sup>th</sup> quarter respectively (y/y). On the contrary, the price of Mutton per kg, Top score maize meal, and sunflower cooking oil dropped in the 4<sup>th</sup> quarter of 2023.



Table 1: First Capital food basket (quarter three 2022 vs quarter 2023)

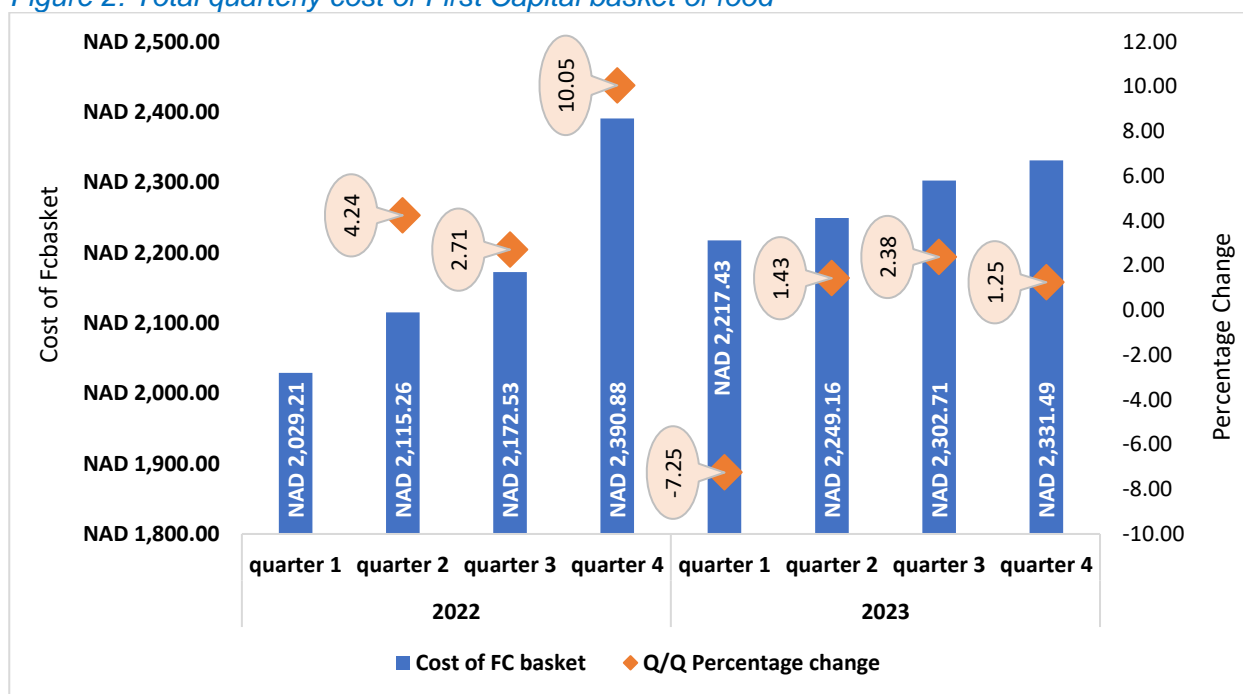
Food Items		2023		2024
		4th quarter	Y/Y % Change	4th quarter
Bread	White	14.19	2.8▲	14.59
	Brown	14.19	2.8▲	14.59
Meat	Beef stew ( Per Kg)	108.39	2.4▲	110.99
	Boerewors	99.77	10.4▲	110.19
	Mutton, Bulk B Grade( Per Kg)	169.99	23.5▼	129.99
	Pork Chops( Per Kg)	106.49	14.2▲	121.59
	Chicken, Real Good Mixed Portion(1.5 kg)	83.79	6.2▼	78.59
	Chicken, Real Good (2 kg) Braai cuts	114.09	4.1▼	109.39
Fish	Lucky Star Pilchard(400g)	33.99	7.6▼	31.39
	Mamas Pilchard(400g)	28.52	11.5▲	31.79
	Horse Mackerel Maasbanker, Efuta(400g)	32.33	.0▼	32.32
Mealie Meal	Top score(5 kg)	77.78	15.7▼	65.59
	Top score(10 kg)	145.19	22.0▼	113.19
Rice	Tastic(2 Kg)	41.59	17.3▲	48.79
	Rice King Long Rrain Parboiled rice (2 Kg)	37.59	11.0▲	41.74
	Rice Mamas Classic	42.66	2.7▼	41.49
Macaroni	Polana Macaroni (3 kg)	102.58	24.8▼	77.19
	Polana Elbows (3 kg)	93.59	10.3▼	83.99
Vegetables	Tomato( Per Kg)	28.59	54.6▲	44.19
	Onion( Per Kg)	30.18	37.1▼	18.97
	Potato( Per Kg)	30.47	4.2▲	31.74
	Cabbage (each)	23.99	12.5▲	26.99
Fruits	Banana( Per Kg)	29.99	12.0▲	33.59
	Oranges( Per Kg)	22.97	61.9▲	37.19
	Apples, Grannys( Per Kg)	27.74	39.8▲	38.79
Margarine	Rama Brick Original(500g)	28.79	9.0▼	26.19
	Sunshine Butter, Lite(500g)	24.09	3.7▼	23.19
Eggs	6 Large eggs	22.28	5.4▼	21.08
	18 Large eggs (Valdschmidt)	64.39	9.3▼	58.41
Milk	Clover Long Life Full Cream(1L)	23.54	15.5▲	27.19
	Farmfresh Long Life Full Cream(1L)	21.58	13.9▲	24.59
	Nam Omaere Sweet(2L)	47.19	6.8▲	50.39
Sugar	White Marathon (2 kg)	37.99	6.3▲	40.39
	White Sugar Kig(2 Kg)	36.59	6.6▲	38.99
	Brown Marathon(2 kg)	35.39	12.4▲	39.79
	Brown Sugar Kig(2 Kg)	34.79	12.1▲	38.99
Cooking oil	Sunflower (2 L)	84.99	16.7▼	70.79
	Sunflower (750 ml)	39.79	23.1▼	30.59
Soup	Knorr Minestrone(50g)	5.91	16.6▲	6.89
Cereal	Oats( Jungle), Original 1 kg	39.39	5.1▲	41.39
Tea	Five Roses (250 g)	60.99	5.6▼	57.59
	Freshpark Rooibos(200g)	54.08	5.0▲	56.79
Coffee	Ricoffy(250 g)	52.59	17.9▲	61.99
Flour	Cake(Bakpro) White bread(2.5Kg)	61.57	11.7▼	54.39
Cool drink(2L)	Tropizone Aqua, Still water(1L)	11.79	3.6▼	11.36
	Bonaqua, Still Water(1.5L)	15.39	1.4▲	15.61
	Coke(2L)	23.55	2.3▼	23.01
	Fanta Orange(2L)	23.55	2.3▼	23.01
Average Price of a basket		2390.88	2.5▼	2331.49

Source: First Capital Research

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

Figure 2 illustrates the quarterly total cost of the First Capital food basket for consumers in the country. Notably, in the 4th quarter of 2023, the basket's cost was 1.2% higher than in the 3rd quarter of the same year. This data indicates a trend of price stability over the last three quarters of 2023. Specifically, the average cost of the First Capital food basket reached N\$ 2,331.49 in the 4th quarter, an increase from N\$ 2,302.71 in the preceding quarter. This reflects an average price increase of N\$ 28.78 from the 3rd to the 4th quarter of 2023. A detailed analysis of price trends throughout the year reveals that the initial months of 2023 experienced generally stable to declining prices, attributed to a decrease in fuel costs. Consequently, the value of the First Capital food basket was 7.3% lower in the 1st quarter of 2023, followed by increases of 1.4% and 2.4% in the 2nd and 3rd quarters, respectively, compared to the preceding quarters.

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 third quarter of 2023 in comparison to preceding quarter giving consumers a bit of relief from the higher prices experienced throughout 2022.

Table 2: Quarterly price review by product

	Items	2022	2023			
		4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter
<b>Wheat products:</b> The price of wheat products such as Backpro white bread 2.5 kg and Polana Macaroni shows some signs of stability after experiencing prices shows in the past few months. This follows a similar trend of global wheat price which also stabilized see figure 14. The price Polana Macaroni 3 kg and Backpro white bread 2.5 kg fell by 24.8% and 11.7% (y/y) to N\$ 77.19 and N\$ 54.39 respectively.	White	14.19	13.79	14.11	14.18	14.59
	Brown	14.19	13.79	14.11	14.18	14.59
	Bakpro White bread (2.5Kg)	61.57	58.59	59.24	55.99	54.39
	Polana Macaroni (3 kg)	102.58	108.99	95.99	87.99	77.19
	Polana Elbows (3kg)	93.59	95.59	94.99	87.99	83.99
	<b>Meat and poultry products:</b> Although Boerewors prices increased by 10.4% (y/y), the price of Mutton recorded a significant reduction of 23.5% compared to the same period last year. Most of meat products recorded increases in prices in the 4 <sup>th</sup> quarter (q/q).	Boerewors (Per Kg)	99.77	100.24	98.66	102.24
Mutton (per kg)		169.99	131.2	141.99	161.24	129.99
Pork Chops (per kg)		106.99	116.24	57.99	87.39	121.95
<b>Maize meal:</b> Meanwhile, prices of Top Score maize meal (5 kg) and 10 kg in 4 <sup>th</sup> quarter of 2023 were N\$ 12.19 and N\$ 32.00 below the prices recorded during the same quarter of 2022. This shows some signs of recovery from a price shock which was experienced in mid-2022.	Top Score (5 kg)	77.78	71.39	74.49	64.59	65.59
	Top Score (10 kg)	145.19	139.59	137.74	119.99	113.19
<b>Rice:</b> The prices of rice recorded a price increase in third quarter of 2023 on both (y/y) and (q/q). Both Tastic and Mamas rice prices remain stable from the 3 <sup>rd</sup> quarter prices, while Rice King prices increased by 11% to N\$ 41.74	Tastic rice (2 kg)	41.59	42.59	48.24	48.99	48.79
	Rice King (2 kg)	37.59	38.74	35.24	35.59	41.74
	Rice Mamas Classic (2 kg)	42.66	38.79	41.74	43.99	41.49
	<b>Vegetable:</b> The majority of vegetables' price dropped in the 3 <sup>rd</sup> quarter before increasing in the 4 <sup>th</sup> quarter apart from Onions which recorded a fall of 37% to N\$18.97 y/y.	Tomato (Per Kg)	28.59	39.99	32.99	28.74
Onion (Per Kg)		30.18	29.59	30.74	22.99	18.97
Potato (Per Kg)		30.47	23.79	23.24	25.59	31.74
Cabbage (each)		23.99	37.49	32.99	23.74	26.99
<b>Fruits:</b> The price for apples, bananas and oranges increased in the 4 <sup>th</sup> quarter 2023 in comparison to the preceding quarter. Furthermore, the prices of fruits recorded increases (y/y), with the highest increment observed in the price of Apple.	Banana (Per Kg)	29.99	30.79	29.49	29.79	33.59
	Oranges (Per Kg)	22.97	28.99	29.79	23.19	37.19
	Apples (Per Kg)	27.74	26.79	22.99	30.59	38.79
<b>Tea:</b> Tea also recorded notably price increases during the 3 <sup>rd</sup> quarter of 2023, before it stabilized to normal prices in 4 <sup>th</sup> quarter. There has been a notable increase in the prices of Ricoffy in the 4 <sup>th</sup> quarter of 2023, compared to same period a year before.	Five Roses (250g)	60.99	57.19	58.24	68.59	57.59
	Freshpark Rooibos (200g)	54.08	50.19	51.99	56.19	56.79
	Ricoffy (250g)	52.59	49.39	46.74	62.75	61.99
<b>Cooking oil:</b> The price of sunflower cooking shows some signs of stabilizing cooking oil price, after a shock which experienced in 2022. Sunflower oil fell by 16.7% for 2 liters and by 23.1% % for 750ml (y/y).	Sunflower (2L)	84.99	84.79	77.24	74.39	70.79
	Sunflower (750ml)	39.79	29.19	29.49	28.99	30.59
<b>Sugar:</b> Sugar also recorded notably price increases during the review period. The White Marathon (2kg), Brown Marathon (2kg) and Brown Sugar King (2Kg) fell by 6.8%, 8.6% and 7.1% (y/y) respectively.	White Marathon (2kg)	37.99	36.59	38.74	41.39	40.39
	White Sugar King (2Kg)	36.59	36.79	37.24	38.79	38.99
	Brown Marathon (2kg)	35.39	34.19	34.24	37.19	39.79
	Brown Sugar King (2Kg)	34.79	34.19	34.74	37.19	38.99

Source: FC Research

## 2. An analysis of the Namibia food industry

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

Table 3 showcases the anticipated demand and supply dynamics for horticultural products, excluding imports, up until March 2024. It highlights the projected surplus or deficit for various horticultural items during this period. Notably, the most significant shortfall is expected for Potatoes, with a forecasted deficit of 11,748 tons in the first quarter of 2024. Carrots are also projected to experience a deficit, albeit smaller, estimated at 903.14 tons in the same timeframe. Green peppers are anticipated to face a consistent deficit throughout the five-month period, with an expected minimal production averaging 5 tons against a monthly demand of 71 tons. These statistics do not account for the imported quantities of horticultural products, which could further influence the market prices of these items. The data presented in the table was compiled by the Agronomic Board of Namibia, based on information gathered from local producers.

Table 3: Demand and supply analysis of the horticultural products

Numbers in this table represents tonnage						
Crops	Expected Surplus or Shortage	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Butternuts	Projected local tonnages	162	476	428	223	71
	Average Demand	134	134	134	134	134
	Surplus/ shortage	28	342	294	89	-63
Cabbage	Projected local tonnages	1123	1384	512	349	293
	Average Demand	414	413	413	413	413
	Surplus/ shortage	711	970	98	-65	-120
Gem Squash	Projected local tonnages	7	3	20	3	0
	Average Demand	30	29	29	29	29
	Surplus/ shortage	-23	-27	-10	-27	-29
Onions	Projected local tonnages	2951	2722	1250	0	0
	Average Demand	758	758	758	758	758
	Surplus/ shortage	2193	1963	492	-758	-758
Potatoes	Projected local tonnages	1563	1784	21	0	0
	Average Demand	3924	3923	3923	3923	3923
	Surplus/ shortage	-2360	-2139	-3902	-3923	-3923
Pumpkins	Projected local tonnages	66	116	137	85	0
	Average Demand	70	71	71	71	71
	Surplus/ shortage	-5	46	67	14	-71
Tomato Round	Projected local tonnages	510	582.17	384.85	365	207
	Average Demand	302.74	302.74	302.74	302.74	302.74
	Surplus/ shortage	207.26	279.43	82.11	62.26	-95.74
Tomato Jam	Projected local tonnages	356.62	494.46	210.88	102.47	39.56
	Average Demand	2.86	2.86	2.86	2.86	2.86
	Surplus/ shortage	353.76	491.6	208.02	99.61	36.7
Carrot	Projected local tonnages	514.93	507.66	249	225	40
	Average Demand	472.38	472.38	472.38	472.38	472.38
	Surplus/ shortage	42.55	35.28	-223.38	-247.38	-432.38
Green Pepper	Projected local tonnages	9	9	6	0	0
	Average Demand	71.96	71.96	71.96	71.96	71.96
	Surplus/ shortage	-62.96	-62.96	-65.96	-71.96	-71.96
Cherry Tomato	Projected local tonnages	12.14	13.81	6.07	2.74	0.66
	Average Demand	6.92	6.92	6.92	6.92	6.92
	Surplus/ shortage	5.22	6.89	-0.85	-4.18	-6.26
Spinach	Projected local tonnages	18.14	18.14	18.14	18.14	18.14
	Average Demand	8.72	3.91	-3.42	-8.14	-8.14
	Surplus/ shortage	9	9	6	0	0
Beetroot	Projected local tonnages	158	72	40	40	80
	Average Demand	86	85	85	85	85
	Surplus/ shortage	72	-13	-45	-45	-5
EnglishCucumber	Projected local tonnages	185	111	114	80	62
	Average Demand	150	149	149	149	149
	Surplus/ shortage	35	-38	-35	-69	-87
Sweet Potato	Projected local tonnages	165	46	12	0	0
	Average Demand	84	84	84	84	84
	Surplus/ shortage	81	-37	-72	-84	-84
Watermelon	Projected local tonnages	783	1298	1204	275	290
	Average Demand	140	139	139	139	139
	Surplus/ shortage	644	1158	1065	136	151
Sweet melon	Projected local tonnages	365	358	310	0	0
	Average Demand	76	76	76	76	76
	Surplus/ shortage	289	281	234	-76	-76

Source: Agronomic Board of Namibia

## 2.2. Namibia's white maize production

The Agronomic Board of Namibia's data indicated that the domestic production of white maize in 2023 fell short of meeting the country's demand from July to December. The most significant shortfall was observed in September, November, and December, with each month recording a deficit of 14,405 tons. The smallest deficits were noted in July, at 8,639 tons, followed by August with a 12,893-ton shortfall, and October experiencing a 13,258-ton deficit. To address these shortages, Namibia had to rely on maize imports. Additionally, the data revealed that approximately one-third of the country's maize production is attributed to the Karstveld, which utilizes both rainfed and irrigated farming methods to cultivate the crop (The Karstveld is the name given to extensive dolomite and limestone formations located to the southeast and east of the Etosha Pan in Namibia).

Table 4: Domestic production of maize.

SUPPLY AND DEMAND ANALYSIS (TONNAGE)								
Production Zone	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Zambezi	0	0	15	0	0	0	0	0
Kavango	7,434	11,636	180	0	0	0	0	0
North Central	694	1,131	0	0	0	0	0	0
Karst area	10,343	9,146	1,450	200	0	1,147	0	0
Central/ East	5,235	4,198	4,121	1,312	0	0	0	0
South	8,815	330	0	0	0	0	0	0
Total Expected Tonnage	32,520	26,441	5,766	1,513	0	1,147	0	0
Average Domestic Demand	14,405	14,405	14,405	14,405	14,405	14,405	14,405	14,405
Shortage/ Surplus	18,115	12,036	-8,639	-12,893	-14,405	-13,258	-14,405	-14,405

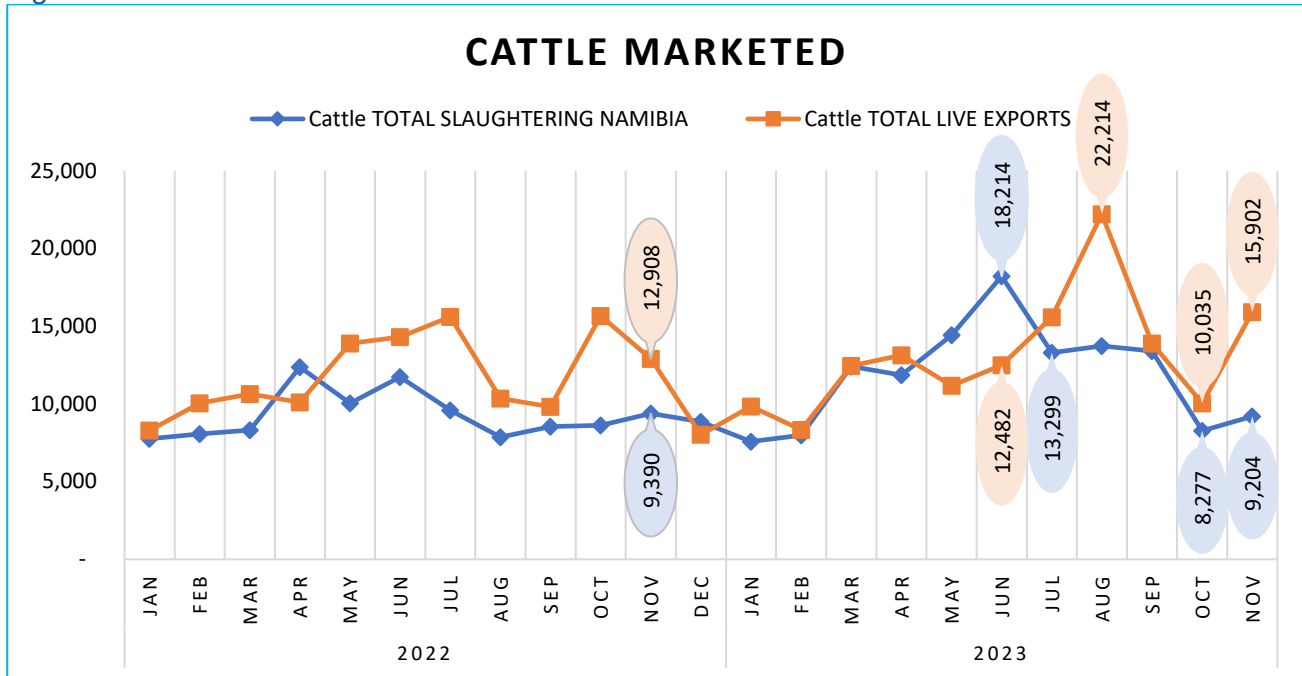
Source: Namibia Agronomic board

## 2.3 Marketed livestock

### 2.3.1 Total Cattle Marketed

Figure 4 displays the total number of cattle marketed over a 10-month period from January 2022 to November 2023. It is clear from the data that live cattle exports saw a significant increase of 23.2% year-over-year, rising from 12,908 in November 2022 to 15,902 in November 2023. Conversely, the domestic slaughter of cattle decreased by 2% during the same timeframe. The figure also illustrates that the trend for live cattle exports was consistently higher than that for domestic slaughters in the last two quarters of 2023, marking a departure from the earlier months of May and June 2023, when the domestic slaughter figures exceeded those of live cattle exports.

Figure 3: Cattle Marketed in Namibia

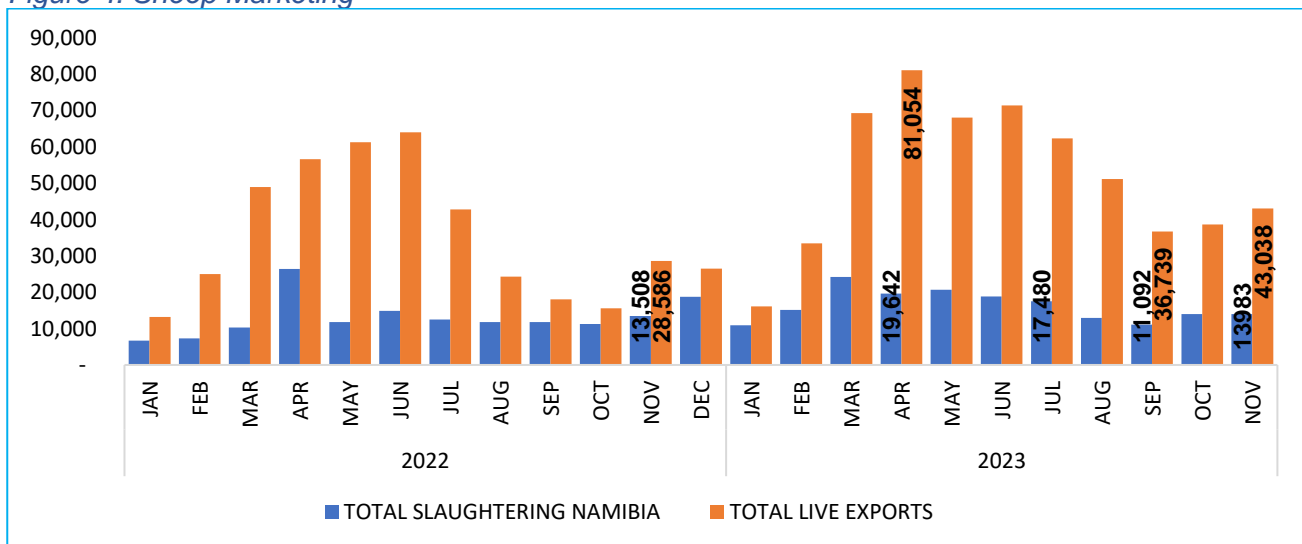


Source: Meat board of Namibia

### 2.3.2 Total Sheep Marketed

Figure 5 shows the total sheep marketed from January 2022 to November 2023. In November 2023, there was a 34% year-over-year increase in the total number of live sheep exports, while domestic sheep slaughters saw a 3.4% rise compared to the previous year. The export of live sheep means the exporting country is trading its raw commodity without further processing or value addition. This approach restricts the potential economic advantages that could be derived from domestic processing activities, including meat processing and the creation of value-added products such as wool and leather goods.

Figure 4: Sheep Marketing



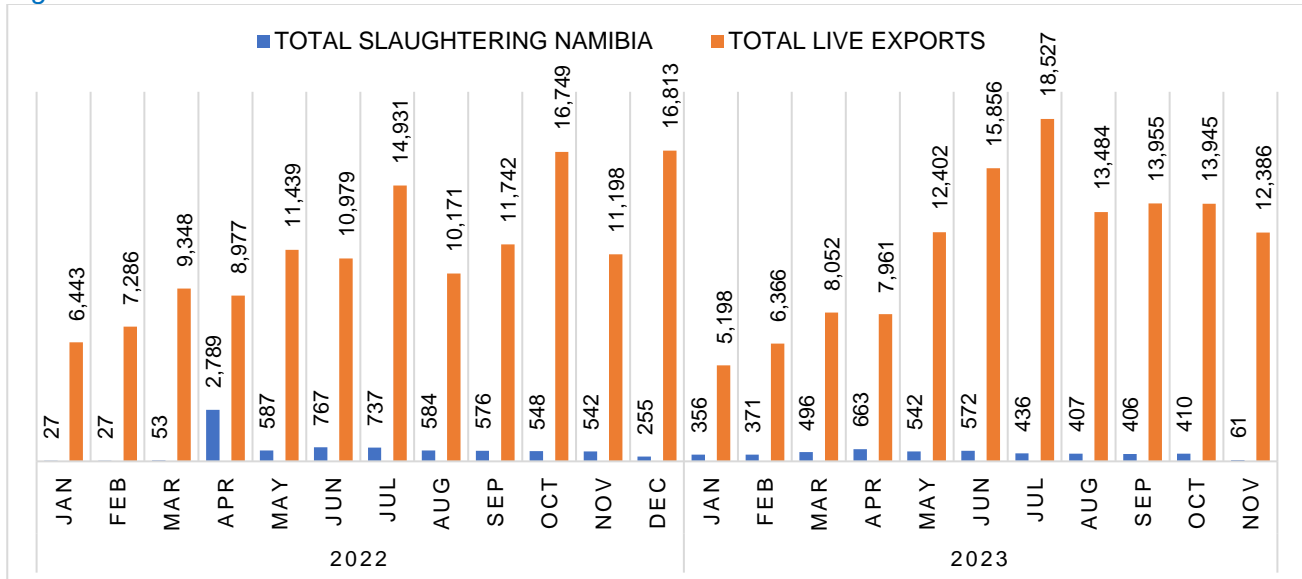
Meat board of Namibia



### 2.3.3 Total goats marketed.

Total goats marketed experienced a significant month-over-month decrease of 27.2% in August 2023, compared to a smaller decrease of 11.8% during the same period in the previous year. Figure 6 illustrates that between July and September 2023, approximately 99% of marketed goats were auctioned live, whereas in October, there was a slight increase in the number of slaughtered goats, accounting for 2.8% of sales. Additionally, the data from the meat board indicates a decline in the number of goats slaughtered when compared to the figures from 2022.

Figure 5: Total Goats Marketed

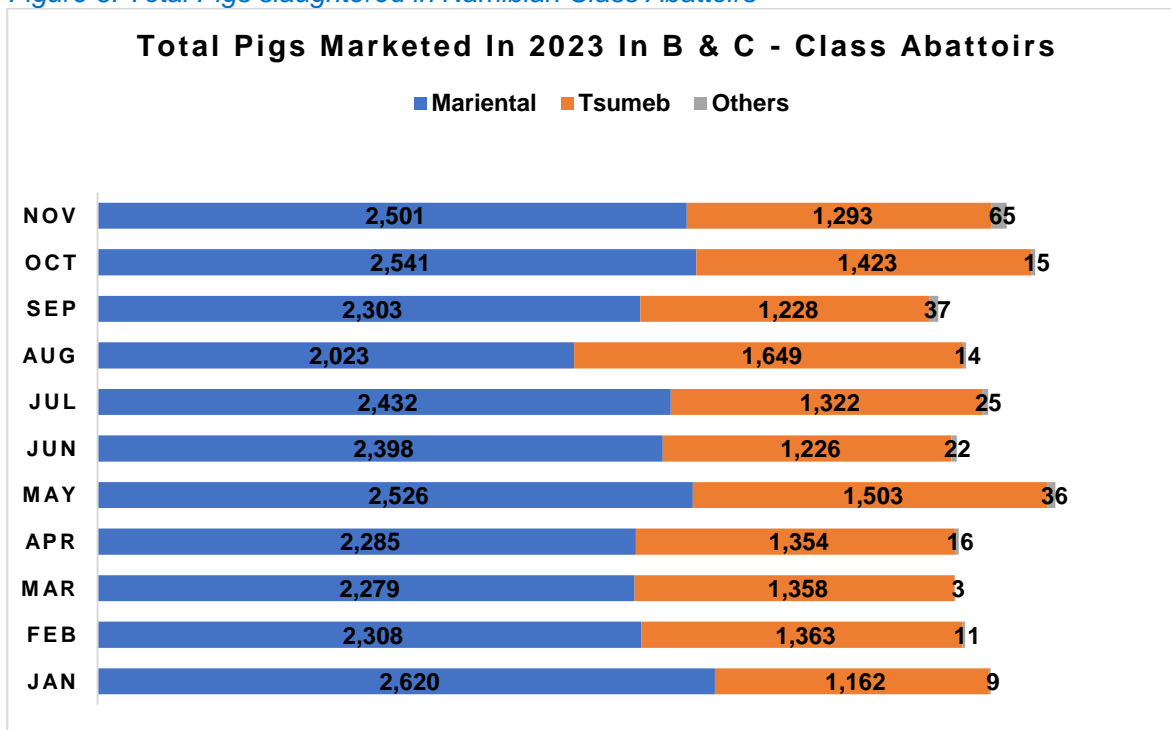


Meat board of Namibia

### 2.3.4 Total Pigs slaughtered in Namibian Class Abattoirs

Figure 7 presents the total number of pigs slaughtered in Namibian Class A abattoirs during the first ten months of 2023. The abattoirs in Mariental and Tsumeb are the primary locations for pig slaughtering in the country, together accounting for more than 99% of the total pigs processed. The data shows that the slaughtering numbers from these two abattoirs were consistently distributed across all ten months, as illustrated in the figure.

Figure 6: Total Pigs slaughtered in Namibian Class Abattoirs

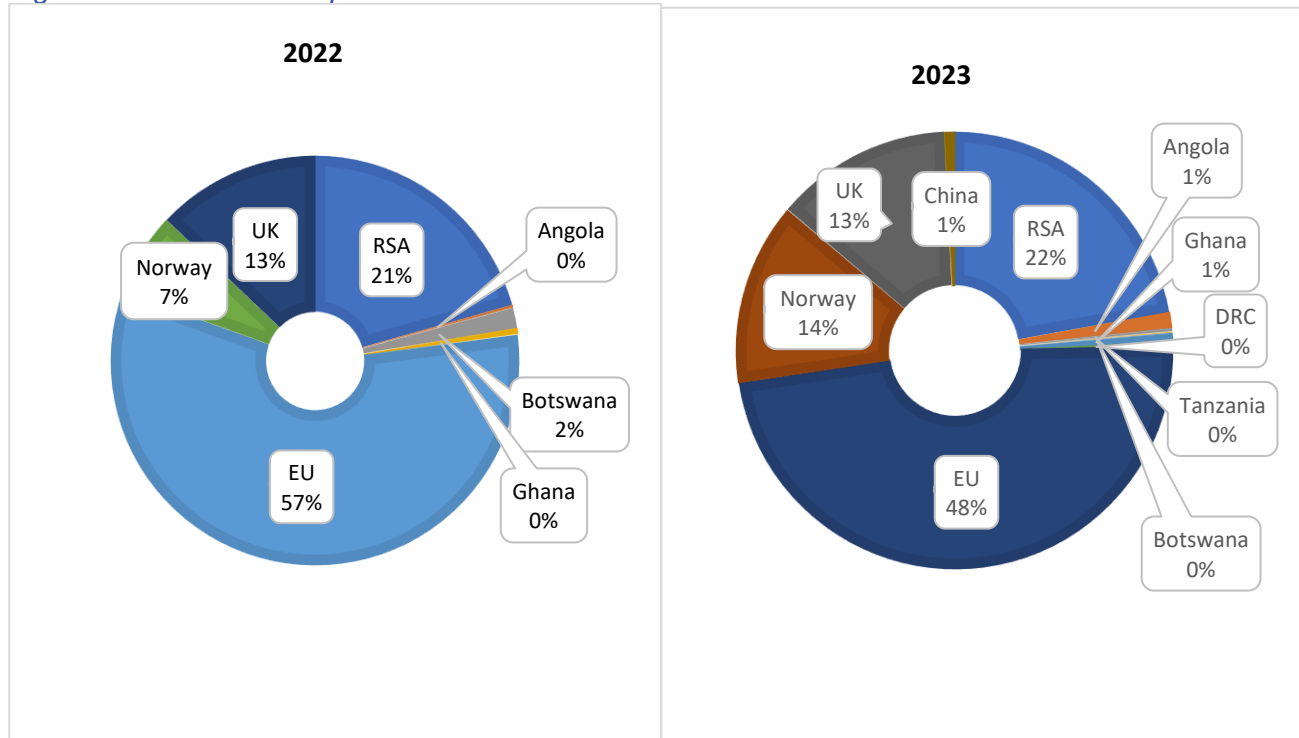


Meat board of Namibia

## 2.4 Meat exports destination First three quarters of 2023

Figure 8 below shows comparisons of total exports of beef in Namibia for the first three quarters of 2022 as well as 2023 using data from the Meat board of Namibia. The figure shows that exports to South Africa in 2022 has increased in real terms, however, as a percentage of total beef exports it declined from 22% to 21%. In 2022, Namibia exported 57% to the European Union while in 2023, they exported 48%. The European Union was Namibia's largest beef export market, followed by South Africa, while Norway and UK stood at 14% and 13% respectively.

Figure 8: Namibia beef export markets



Source: Meat Board of Namibia

## 3. Analysis of the global food industry

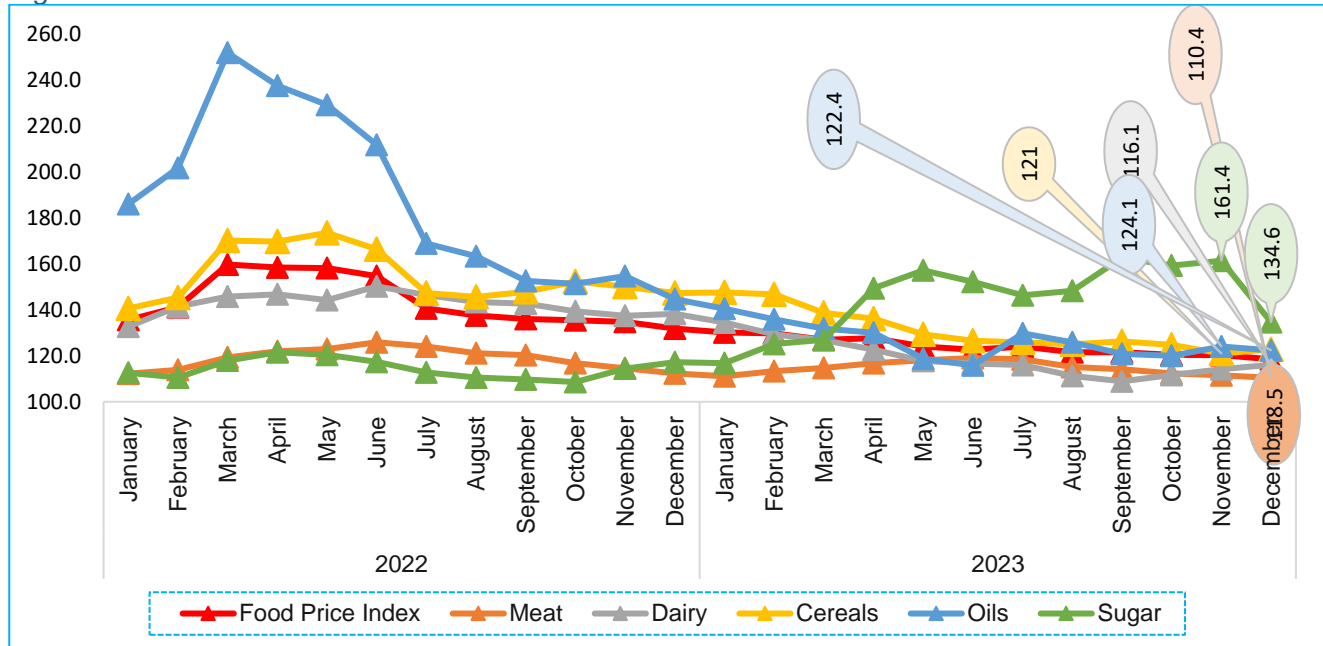
### 3.1. FAO Price indices

The latest FAO Food Price Index for December 2023 averaged 118.5 points, which is a 1.5% decrease from November. This decrease was mainly due to lower prices in sugar, vegetable oils, and meat, which offset increases in dairy and cereals. Overall, the index for 2023 was 13.7% lower than in 2022.

In December 2023, the FAO Cereal Price Index rose by 1.5%, reaching 122.8 points, yet was 16.6% lower than December 2022 due to factors like Black Sea tensions affecting wheat prices. The Vegetable Oil Index fell by 1.4%, with a notable 32.7% decrease for the year, reflecting improved supplies. The Dairy Index saw a 1.6% increase, the third consecutive rise, driven by higher butter, milk powder, and cheese

prices. Conversely, the Meat Index dropped by 1.0%, influenced by weak demand in Asia. The Sugar Index plummeted by 16.6%, hitting a nine-month low, largely due to Brazil's increased production and India's ethanol production policies, yet the annual average was 26.7% higher than in 2022.

Figure 7: FAO Price indices 2022/23

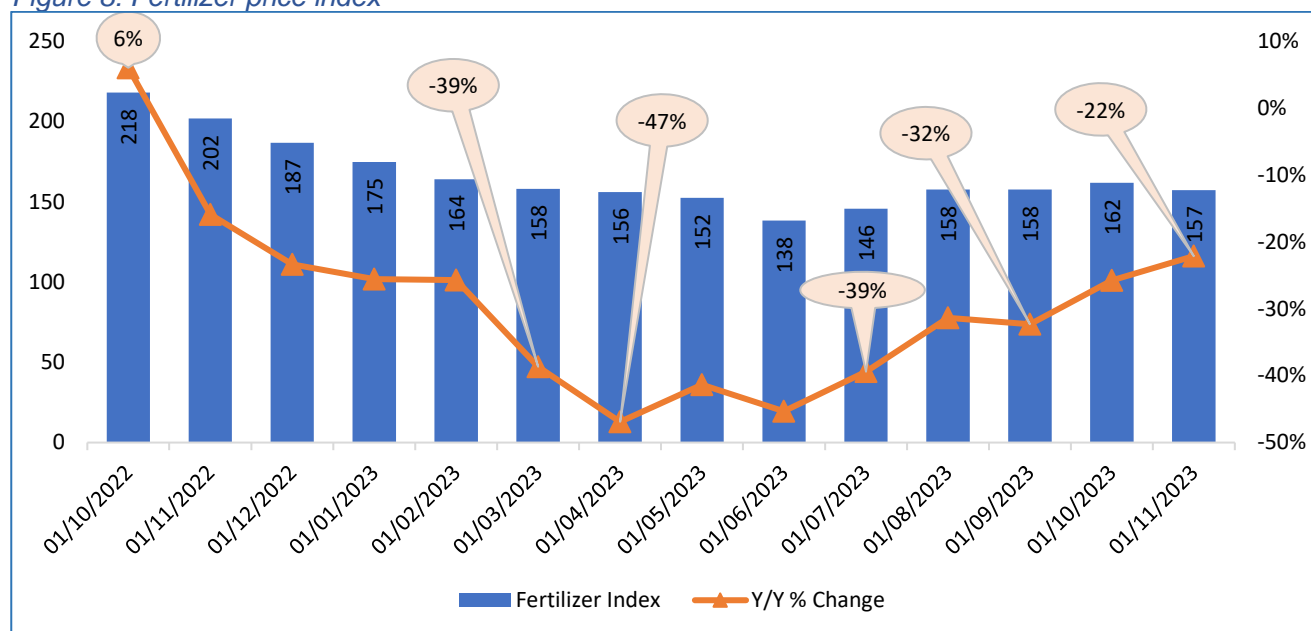


Source: FAO

### 3.2. Fertilizer Prices

Fertilizer prices have shown a significant decline from their peaks in early 2022, indicating a recovery phase. By November 2023, the fertilizer price index dropped by 22% year-over-year and 3% month-over-month. This reduction has brought the index to levels lower than those before the geopolitical tensions between Russia and Ukraine, mainly due to an improvement in fertilizer supply. This trend suggests a potential easing of cost pressures for farmers and the agricultural sector at large.

Figure 8: Fertilizer price index



Source: World Bank

## 4. Risks to The Outlook of Prices

### 4.1 Confronting inflation and low growth

The global economy proved more resilient than expected in the first half of 2023, but the growth outlook remains weak. Monetary authorities have been effective in combating inflation. Resultantly, prices of goods and services are increasing at a decreasing rate. While headline inflation has been declining, core inflation remains persistent, driven by the services sector and still relatively tight labour markets. Inflation could continue to prove more persistent than anticipated, with further disruptions to energy and food markets still possible. A sharper slowdown in China would drag on growth around the world even further. Public debt remains elevated in many countries.

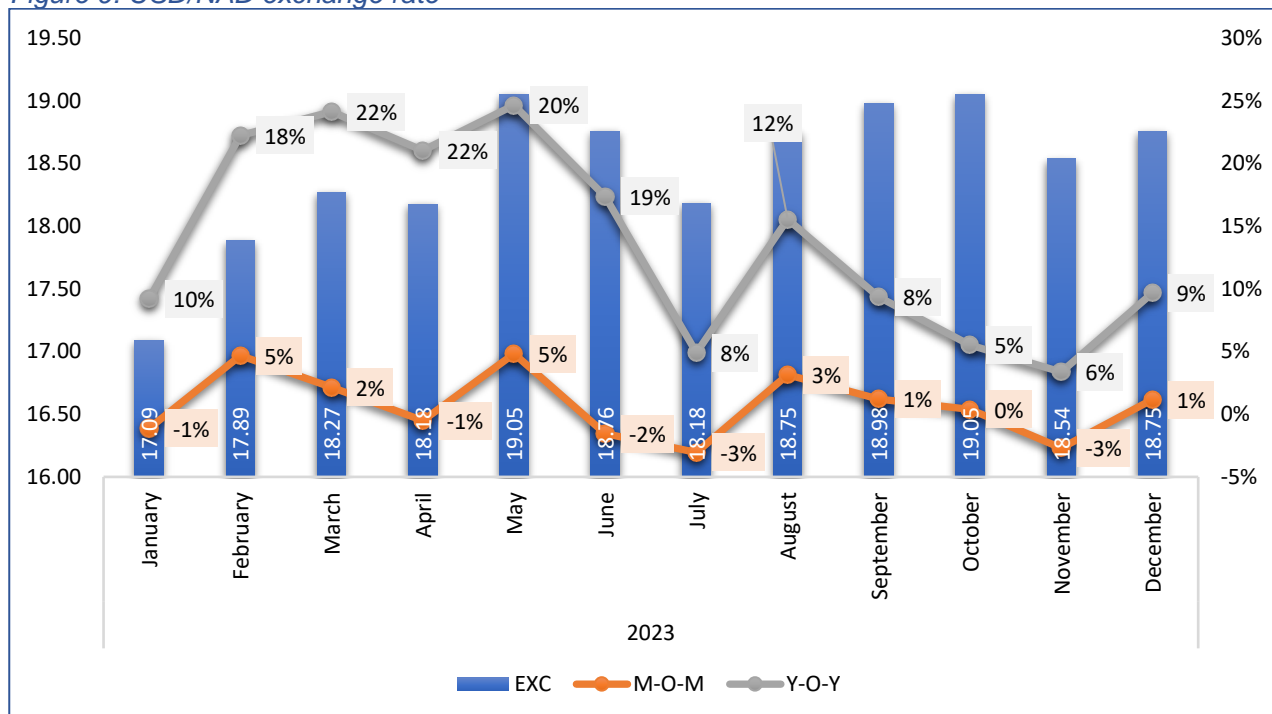
### 4.2. Energy prices

A related risk is that adverse supply shocks in global commodity markets might reoccur. Food and energy prices have a large weight in the consumer price indices of many countries and are an important determinant of households' inflation expectations. Energy prices are a long way from their peaks in 2022 in the wake of geopolitical tensions between Russia and Ukraine, but energy markets remain tight and the potential for disruptions to supply in oil, coal and gas markets remains high. A renewed spike in energy prices would give new impetus to headline inflation and hurt growth in commodity-importing economies like Namibia. There is also a risk that a resurgence of food prices and shortages could worsen food security in several emerging markets which are not self-sufficient.

### 4.3 Exchange rate risks

Namibia, being a net importer of food, is significantly affected by exchange rate fluctuations, particularly between the Namibian dollar (NAD) and the US dollar (USD). An appreciation of the NAD against the USD makes imports cheaper, requiring fewer NAD units per USD, while a depreciation means more NAD units are needed. In the third quarter of 2023, the NAD depreciated by 12% year-over-year against the USD and by 8% from June to July. For 2024, projections regarding the USD will depend on various global economic factors, including trade policies, inflation rates, and geopolitical developments, which could influence exchange rate risks further.

Figure 9: USD/NAD exchange rate

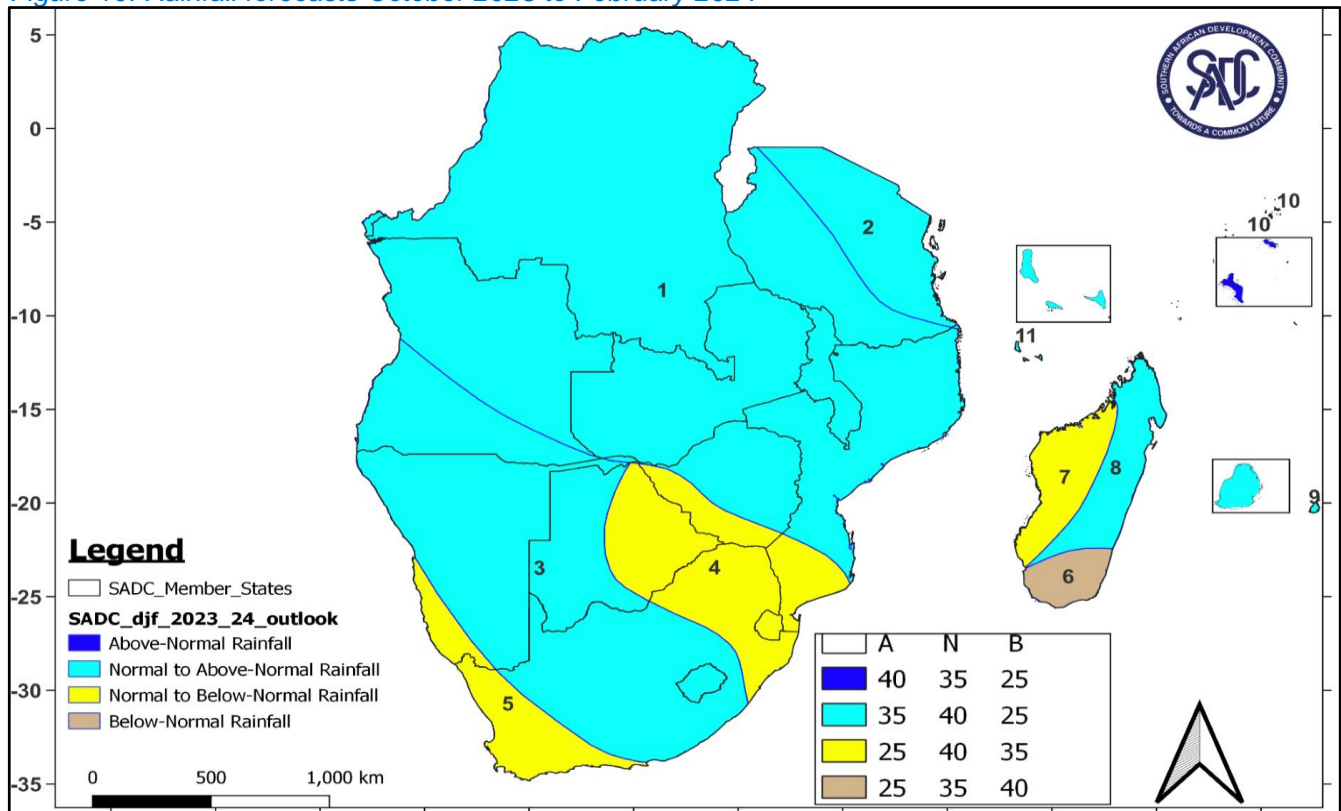


Source: BoN

## 5. Rainfall Forecast for December 2023 – January - February 2024

A report from the Southern African Development Community (SADC) showed that Namibia is projected to receive normal to above rainfall from October to February 2023/24. This pattern is expected in the Northern part of the SADC region, which includes Tanzania, the Democratic Republic of the Congo (DRC), and Northern Mozambique. Additionally, small island states like Comoros, Mauritius, and Seychelles are also forecasted to experience above-normal conditions during this period. Conversely, there is an increased likelihood of below-normal conditions in South-Western Zambia, Zimbabwe, Botswana, and Northeastern South Africa for the October to December (OND) period. This probability of below-normal rainfall is anticipated to extend to cover south-western South Africa and Namibia throughout the December to February (DJF) period.

Figure 10: Rainfall forecasts October 2023 to February 2024



Source: SARCOF-27 SEASONAL RAINFALL OUTLOOK

## 6. 2023/24 Agricultural Season

The December 2023 AMIS Market Monitor indicates a decline in commodity market volatility, with grain and oilseed prices 15-20% lower than January 2022, excluding rice. Despite a global economic slowdown, demand for agricultural products is expected to reach record levels in the 2023/24 marketing season. Lower prices pose challenges for farmers, but reduced fuel and fertilizer costs are expected to mitigate some impact. In December 2023, the wheat production forecast for 2023/24 increased, albeit still expected to be 2.1% below 2022/23. At the same time, maize production forecast rose by 4.6%, primarily driven by the United States. Moreover, rice production forecasts increased slightly, with optimistic expectations for Indonesia and Tanzania. Meanwhile, soybean production projections for 2023/24 were downgraded due to reduced prospects in Brazil and India.

Harvesting and sowing activities are ongoing globally, with concerns about hot, dry conditions affecting wheat harvesting in countries like Argentina, Australia, and Brazil. Winter sowing in the northern hemisphere is concluding amid mixed conditions, and the maize harvest is favourable. Soybean harvest in the northern hemisphere is concluding, while sowing is underway in the southern hemisphere. Late-season rice harvesting is happening in China, Kharif rice harvesting continues in India, and Southeast Asia



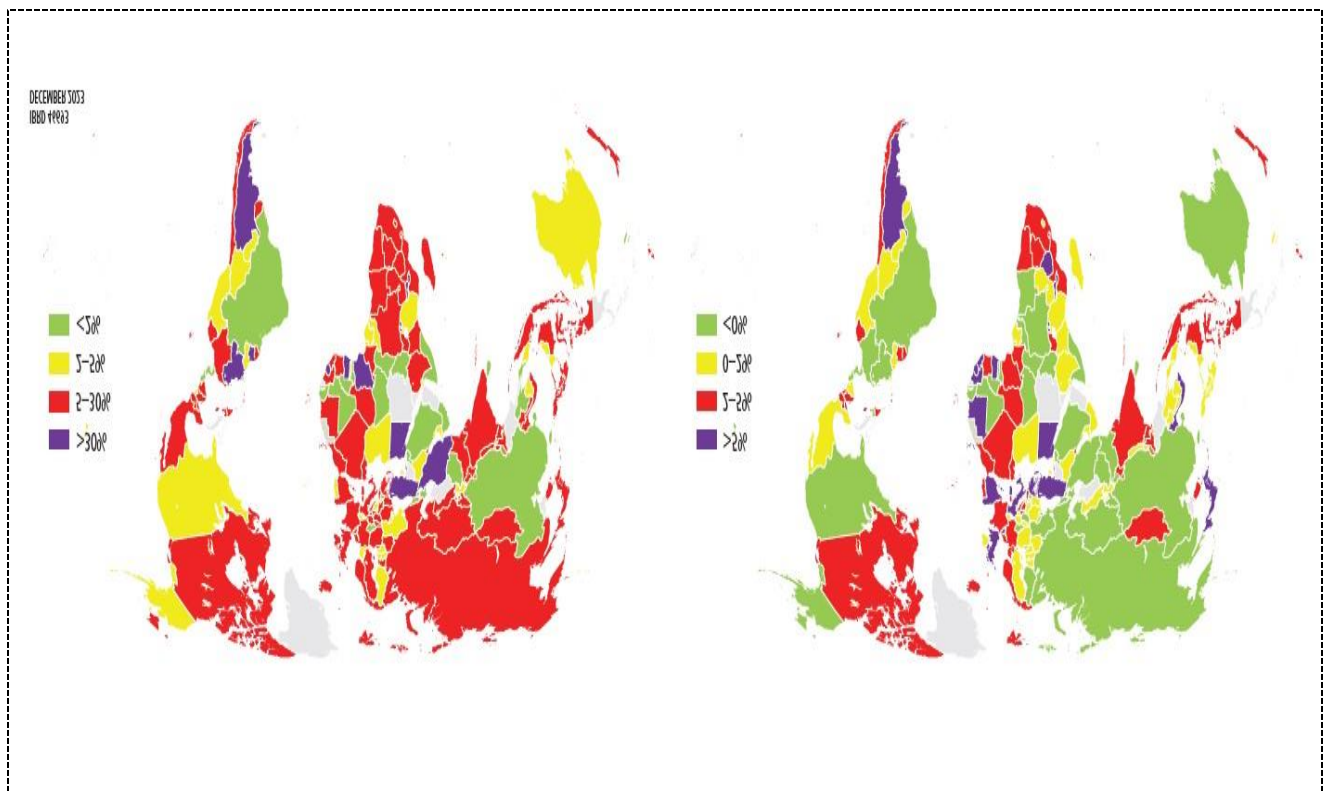
is harvesting wet-season rice. Indonesia is completing the dry-season rice harvest in the southern hemisphere.

## 7. Food Inflation Dashboard

Food prices are still going up in many countries according to World Bank. This means the cost of food is increasing compared to the same time last year. In the latest information between August and November 2023, a lot of low- and middle-income countries are facing high inflation, especially in Africa, North America, Latin America, South Asia, Europe, and Central Asia (see figure 10 below).

Specifically, 61.9% of low-income countries, 76.1% of lower-middle-income countries, 50.0% of upper-middle-income countries, and 57.4% of high-income countries have food inflation higher than 5%. The situation has stayed the same for low-income countries, decreased by 3.9 percentage points for lower-middle-income countries, and remained unchanged for upper-middle-income countries. However, high-income countries experienced a 2.6 percentage point decrease. In real terms, which means considering the actual buying power, food prices are increasing more than the general inflation rate in 74% of the 167 countries where both food CPI and overall CPI data are available.

Figure 11: Food inflation dashboard



Source: World Bank

## 8. 2024 Global Food Prices

In 2024, global food prices are expected to ease from the record highs seen in previous years, influenced by various factors including weather conditions, agricultural production, and economic growth. According to Rabobank's annual Agri Commodity Markets Outlook report, a decrease in agricultural commodity prices is anticipated, which has been a significant driver behind food price inflation. This trend is attributed to an increase in production responding to high prices and a continuation of weak demand due to economic challenges such as high inflation and interest rates. Specifically, prices for key commodities like corn, soybeans, sugar, and coffee are expected to soften, while wheat prices may still face uncertainty due to weather and export-related factors. South American agriculture, particularly in Brazil and Argentina, is poised for improvement, potentially benefiting sectors like bakery, dairy, and animal proteins with lower input costs. However, challenges remain, with the El Niño weather phenomenon expected to strain staple food supplies, particularly in Asia, affecting crops like rice, wheat, and palm oil. This could lead to tighter supplies and support higher prices for certain commodities, despite the overall trend of easing prices.

In the U.S., food price inflation showed signs of slowing in 2023, with an overall increase of 2.3% throughout the year, marking the slowest growth since before the COVID-19 pandemic. This trend is expected to continue into 2024, with a forecasted increase in food prices by 1.2%. This includes a predicted decrease in Food at Home prices by 0.6% and an increase in Food Away from Home prices by 4.9%. Notably, beef and sugar are expected to see the highest price increases. Despite these changes, the cumulative effect of inflation in recent years has significantly elevated food prices compared to pre-pandemic levels, impacting consumer purchasing power. However, improved economic conditions in the latter half of 2023 and increased incomes may offer some relief to consumers.

In conclusion, while the outlook for 2024 suggests some easing of food prices globally, localized factors such as weather conditions and economic policies will continue to play a crucial role in determining the actual price trends and food security in various regions. Factors contributing to this include rising global political tensions, potential outbreaks of conflicts, disruptions in the global food supply chain, increasing input costs, trade restrictions, and weather-related events. First Capital cannot predict these events with certainty but highlighting them aims to empower readers and consumers to make informed decisions.



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