

Increased likelihood of El Niño and harvest season ends in many countries.

April/May 2023

Welcome to the monthly food price tracker. This is an initiative of the African Market Observatory (AMO) of the [Centre for Competition, Regulation and Economic Development](#), at the University of Johannesburg, and its partners. It summarises key trends in prices in East and Southern Africa (ESA) for selected staple food products, focusing on highlighted areas. Please also see the [previous trackers](#).

This issue of the AMO price tracker focuses on the latest developments in the climate emergency, including development of El Niño in 2023, and the latest harvest information in the region.

Key monthly developments

- While the FAO monthly food price index [declined in May](#), prices remained at very high levels in East Africa, and food inflation remains high across the world.
- Trade restrictions continue to exacerbate extreme food prices in East Africa, with Zambia export restrictions and border obstacles between Tanzania and Kenya.
- Kenyan maize prices remain high, rising to US\$730/t in May, well over double international prices.
- Exporting obstacles suppressed soybean prices in Zambia, which dropped to US\$300/t, while the maize prices increased to \$280/t as Food Reserve Agency [raised its buying prices](#).
- Fertilizer prices continue at excessively high levels in African countries even while world prices have come down.
- K565.6 million (US\$554,390) defrauded for the Malawi Affordable Inputs Programme [has been recovered](#).
- Extreme weather continues as over [130 people died, farmland and crops damaged](#) in May heavy rains in Rwanda
- Zambia leaders recognize need to tackle climate, [facilitate trade](#) and [invest in food systems](#), but not matched with action.
- Kenya received a [34,000-ton fertiliser donation](#) from Russia
- Argentina, the world's leading exporter of soybean meal and oil, has been [forced to import soybeans](#) for its animal feed industry owing to one of the worst droughts in its history

The probability of El Niño continues to rise rapidly

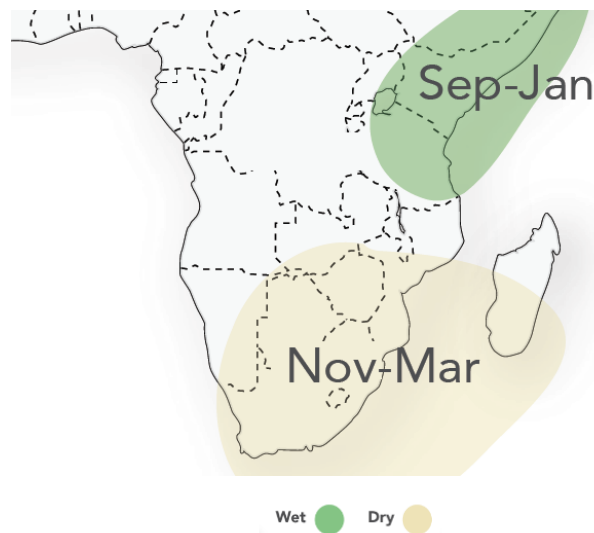
Extreme weather and climate events associated with the two opposing phases of the El Niño Southern Oscillation (ENSO), i.e., El Niño and La Niña, can have detrimental effects on food and agricultural markets, and on society in general. These weather patterns drive global changes in temperature and rainfall.

While La Niña conditions are associated with drier conditions in East Africa – and drought in recent years - with wetter conditions in Southern Africa, El Niño conditions are associated with the reverse. Under El Niño conditions, the East African region is typically wet, [particularly between September and January](#) and the Southern African region is typically dry, with severe droughts being possible, particularly during November to March (Figure 1).

Kenya and the Horn of Africa have experienced their worst drought in 40 years since 2020 [resulting in lower production](#) due to the adverse effects of climate change. This is likely to continue through September 2023 with a high chance of [drier-than-usual conditions](#).

As the year progresses, it is predicted that an El Niño weather pattern will occur from the second half of this year and some indicate it has [already begun](#). This is a significant warning to [encourage early action](#) in anticipation of expected extreme climate events, such as droughts, heatwaves, wildfires, extreme rainfall, floods, hurricanes, cyclones, hailstorms, and more.

Figure 1. Typical El Niño precipitation patterns



Source: International Research Institute for Climate and Society, Columbia Climate School

Global temperatures are further predicted to [rise to record levels](#) in the next five years. This is also partly due to the El Niño weather pattern but also due to heat-trapping greenhouse gases. A significant increase in global temperatures will have negative impacts on health, food security, water management and the environment.

African countries need to find ways to cooperate with one another to address food security challenges as these challenges continue to be exacerbated by the climate emergency. In the absence of such coordinated mitigation measures, the ESA region, and the continent at large, will continue to face challenges of rising inflation, increasing production and import costs, and unending nutrition challenges.

In line with the key message of the African Market Observatory to encourage cross-border trade with the aim to build resilient food markets and support food systems transformation, regional policymakers and business leaders in the East African Community (EAC) have called for open borders to [alleviate food shortages](#) in the region. This will mitigate some of the challenges resulting from the climate emergency, which continues to have devastating impacts across the world. However, the opposite has been the case with many short-term trade restrictions being imposed in the region – harming farmers and consumers.

Harvest season: Maize and soybean developments

The harvest season has come to an end for the countries such as Zambia, Malawi, and South Africa, with good rains and production. However, high fertilizer costs and low output prices have undermined maize production in Zambia and Malawi. Production in the countries in the Eastern parts of the region, on the other hand, [has been declining since 2020/21](#) due to poor rainfalls caused by the [catastrophic droughts caused by La Niña](#), that laid bare the need to prioritize irrigation infrastructure. The extent of

the declines will be made clear during the harvest seasons in this region, with the first in May through to August and the second starting in October until February.

South Africa had favourable harvests this season, leading as the highest maize producer in the region, with total maize production of [16.55 million tonnes](#). Local maize consumption is 11.8 million tons; therefore, South Africa goes into the 2023/24 season with the potential to carry over stocks and for substantial exports.

Malawi's maize production for this season is [3.4 million tonnes](#), down by 6% from the 3.7 million in previous year. The harvest season provided relief to consumers as maize prices decreased in April and May. The government of Malawi has chosen the National Food Reserve Agency (NFRA) instead of the Agricultural Development and Marketing Corporation (ADMARC) to [buy strategic maize reserves](#) on behalf of the government. NFRA has now opened the procurement of maize for the 2023/24 Strategic Grain Reserve (SGR) replenishment at a buying price of K550 per kg (US\$541/t), substantially above the prevailing price (Figure 2).

Zambia [increased the area planted](#) of maize by 21% from 1.6 million hectares in the previous years to 1.9 million hectares. As a result, maize production somewhat improved from 2.7 million tonnes in 2022 to 3.2 million tonnes; even though production seems to have improved, the current production values are still lower than the [3.6 million tonnes in 2021/22](#). Yields, on the other hand, remain low at just 1.7t/ha – this is significantly lower than the average grain yields of a properly [fertilized and irrigated field of 6-9t/ha](#).

Notwithstanding this production, the Zambian government initiated an [export ban](#) of maize and maize meal which drove prices to farmers down [to around US\\$200/t in March](#). In May, in an effort to discourage demand from neighbouring countries and smuggling, the Food Reserve Agency then raised the prices of 50kg bag of maize [to around US\\$14 \(or US\\$280/t\)](#). Given good soils and water, Zambia should be producing year-on-year surpluses and pricing at export parity, as in South Africa.

The export ban in Zambia has had adverse effects that transcend beyond the borders of Zambia, affecting maize imports in prices in countries such as the DRC. The price of a 25kg bag of maize in the DRC rose sharply in the space of a week, [from US\\$11.21 to US\\$40.37](#), due to the maize shortages caused by the lack of Zambian imports.

Zimbabwe experienced an [impressive harvest](#) and is food secure, with current maize stocks expected to last for almost 6 months. Following their bumper harvest of [2.3 million tonnes of maize](#) production, a 58% increase from the previous season, Zimbabwe has suspended grain imports until next year. The increased production has been attributed to well-distributed rainfall in terms of space and time and will be used to cushion against food uncertainty in the future. Additionally, Zimbabwe's Grain Marketing Board (GMB) plans to build [US\\$112 million silos](#) at the GMB depots, with support from the Belarusian government.

In Kenya, the government intends to [form co-operatives](#) so that maize farmers can consolidate their produce and sell in bulk to eliminate middlemen. Currently, most small-scale farmers are forced to sell at significantly low prices as they are not aggregating their produce and negotiating for better prices.

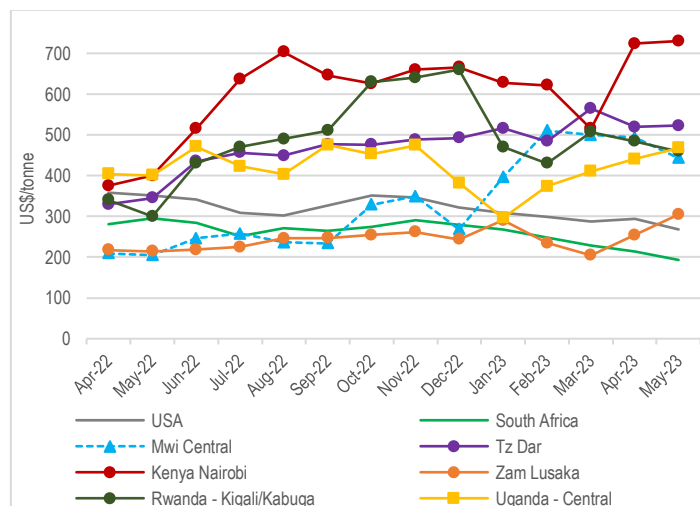
Zambia and Malawi, two of the biggest soybean producers in the region, have an estimated [total production of 1.1 million tonnes](#) in 2023, constituting 760 000¹ tons for Zambia and 400 000 tons for Malawi.

Even though the countries in the southern parts of the region have had good harvests this year, El Niño could bring drought. This points to a need for farmers to plan for the next planting season with the prospects of dry weather conditions and water deficits. This also demonstrates the urgent need for regional integration as efficient cross-border trade will allow for trade between countries with surplus food production and good rains which will be further north.

Maize prices

Maize prices in Kenya rose to extreme levels of US\$730/t in April and May, two to three times the prices in Zambia and South Africa (Figure 2). Uganda, Tanzania, and Malawi prices have also remained high, around US\$400 to US\$500/t. This has added more pressure on the price of [maize flour](#) in Kenya and, although there has been some maize grain imports from Uganda and Tanzania, there have been many obstacles including export restrictions from Zambia and Tanzania. Traders have only been able to import [48 000 tonnes of maize](#) against the expected 500 000 tonnes following the announcement on duty-free maize. This slow importation of duty-free maize means that Kenyans are forced to wait longer for a drop in the price of maize and maize flour.

Figure 2. Maize prices, ESA and international



Source: based on price tracker data from multiple sources; South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

The Kenyan government has urged millers to present a memorandum on how to address the high cost of maize as they are [unable to find cheap maize](#) on the international market. Additionally, with the increasing maize prices in Kenya, the government is resorting to [blended flour](#) to reduce reliance on maize. The country has planned to blend maize flour with cassava, millet, sorghum or amaranth to mitigate the effects of the maize shortage and high maize prices.

In the southern parts of the ESA region, prices in Malawi are gradually declining following a significant rise at the start of 2023. Although still high, Malawi maize prices declined in April and May as [newly harvested maize](#) came into the market.

¹ AMO interviews in Zambia
AMO Price tracker – May 2023

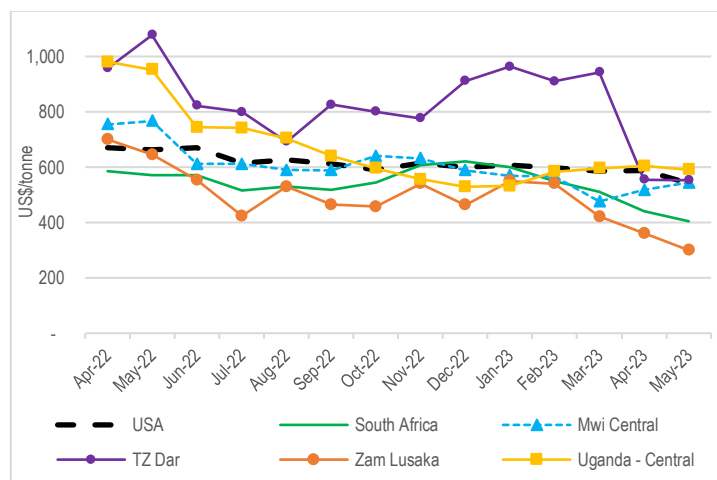
In Zambia, prices in May rose above US\$300/t. This increase was welcomed as it is beneficial for Zambian maize farmers who will receive higher prices for their crops. However, [maize meal prices are expected to increase](#) following the increase in maize prices, in addition to the increased cost of inputs.

Soybean prices

Zambian soybean prices are at \$300/t in May, the lowest level we have recorded for the AMO and roughly half international prices (Figure 3). This harms farmers who planted expecting similar prices to last year of US\$600/t. With transport costs to Dar es Salaam now reported at around US\$80/t, export prices from Zambia should be above US\$400/t or more to meet demand in East Africa and in India and China. But, problems with export permits make it difficult for smaller traders to access markets. Minister of Agriculture, Reuben Mtolo Phiri, has said that markets such as Zimbabwe, Mozambique and Tanzania can [readily take up](#) the soybean produced in Zambia but this means facilitating rather than undermining exports.

By comparison, Malawi prices rose to US\$545/t, in line with Dar es Salaam and Uganda. Prices in Rwanda remained relatively unchanged at around US\$400/t, in line with South African prices which are declining with good harvests in that country.

Figure 3. Soybean prices, ESA and international



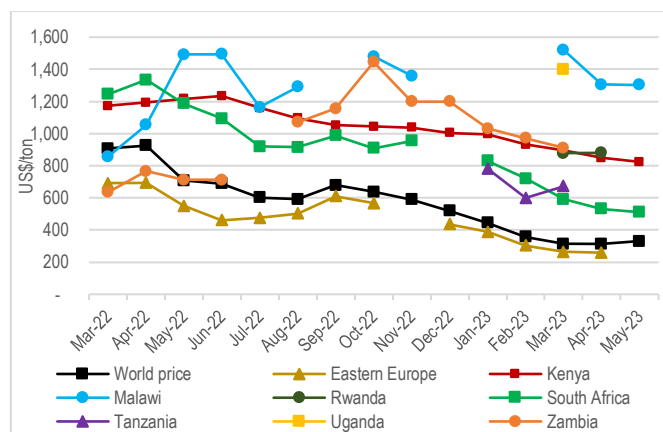
Source: based on price tracker data from multiple sources. South Africa is SA Futures Exchange price; USA is fob prices from SAGIS.

Fertilizer prices

World fertilizer prices are gradually [returning to their historical averages](#) or even lower, following the global shocks over the past few years that resulted in extreme market volatility and record-high prices. However, fertilizer prices in the ESA region continue to remain at extremely high levels, while [fertilizer use is low](#). The price of urea in Malawi remains at US\$1300/t, almost four times higher than the world price. In Kenya, the price is US\$825/t, while the South African price is much lower at US\$510/t. The high prices are costing governments substantial sums to subsidise the price to farmers. For example, Tanzania’s price reported in Figure 4 is in line with South Africa only after the subsidy.

In Kenya, KSh4 billion (US\$28.7 million) was been added to the [fertiliser subsidy programme](#) for the 2023-2024 financial year in efforts to lower the cost of living. This raises the total subsidy to KSh8.5 billion (US\$70 million).

Figure 4. Urea prices



Source: based on price tracker data from multiple sources. World price is from the World Bank.

The high cost of fertiliser is a significant challenge for farmers and poses a huge food security risk for crops such as maize where fertilizer is important for yields. Alternating with nitrogen fixing crops such as soybeans and moving to regenerative farming techniques requiring less fertilizer are other options.

African Market Observatory

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The [African Market Observatory](#) is supported by the [COMESA Competition Commission](#).

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