NAMIBIA UNIVERSITY OF SCIENCE AND TECHNOLOGY

ATPI AGRICULTURAL TRADE POLICY INSTITUTE

ATPI Baseline 2022

An **agricultural outlook** for 2022-2031

Report by the Agricultural Trade Policy Institute
Namibia University of Science and Technology

Key points

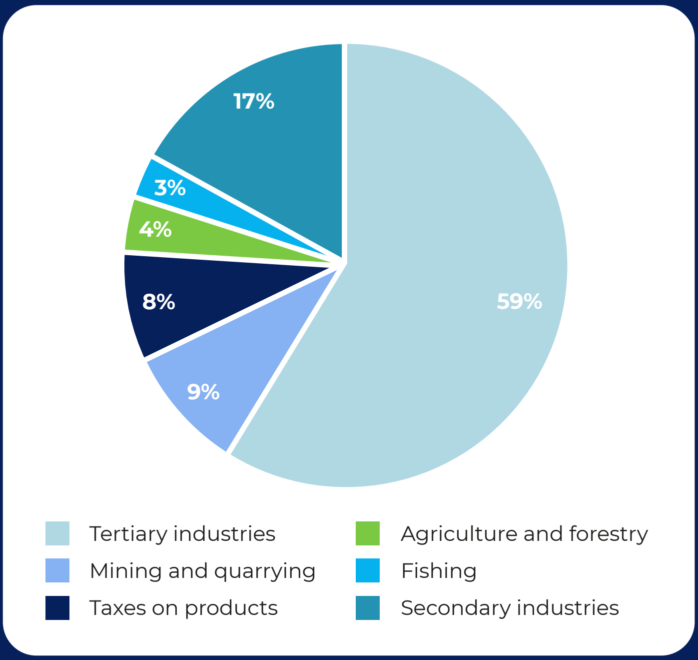
Context on Namibian Agricultural Sector

The agricultural sector contributes approximately 4% to the national GDP

Major export industries:
- cattle and beef,
- sheep and goat,
- grapes and
- charcoal.

Major import industries:
- poultry,
- pork,
- vegetables and
- grains products

Livestock (mainly red meat) dominates the agricultural sector, contributing about a third of the value of production



Approximately 46% of Namibia's land is suitable for cattle production

Policy environment:
- promotion of local value addition,
- reduce export of raw agricultural products to less than 30%

Climate disruption: major impact of drought in Namibia
- Namibian Government declared national drought emergencies in 2013, 2016 & 2019 (Worst drought in 30 years)
- In 2018 - 2019 season receiving less than 50% of the rainfall expected, Namibia declared a national state of emergency again in May 2019

Macroeconomic expectations driving the outlook

The macroeconomic environment still constrained & uncertain

1.5% Average annual growth in Nambia's real GDP from 2022 – 2031
- Global environment less supportive, even if commodity prices remain high in the short term
- Major economic constraints remain, including fiscal pressure, weak employment and low levels of consumer & business confidence

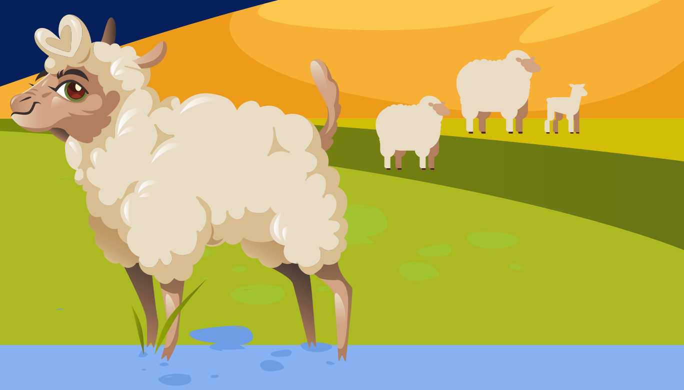
1.0% Average annual population growth from 2022 – 2031

10.4% Average annual Interest rate from 2022 – 2031
- Souring international commodity and energy prices driving higher interest rate locally

1.74% Average annual depreciation in exchange rate from 2022 – 2031
- Namibia remains vulnerable to global market sentiments, but domestic risk adding to volatility

Average cost per barrel of Brent Crude Oil is 76 USD from 2022 – 2031
- Short term prices remain higher amid supply chain challenges and generally high energy costs
- Short term further influenced by Black Sea region tensions
- Key driver of inflation

Sheep market outlook



Namibia has approximately **1.6 million sheep** of which **84% of the flock is found south of the Veterinary Cordon Fence (VCF)**.

86%

LOCAL

The lamb and beef sector dominates the meat industry in Namibia, and collectively accounts for 86% of all livestock consumption annually.

84%

EXPORTS
CATTLE

77%

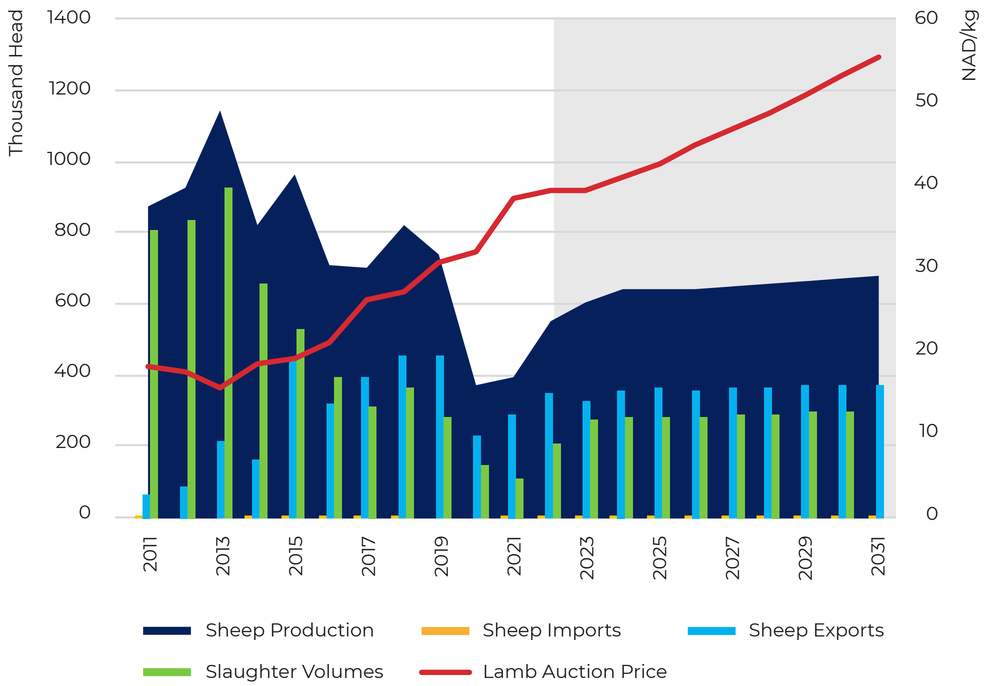
EXPORTS
SHEEP

97%

EXPORTS
GOATS

Most livestock are intended for consumption in South Africa, with only a portion being exported further abroad.

Sheep Market Outlook: 2022-2031



Sheep production has decreased in the past five years as a result of the **drought. The Small Stock Marketing Scheme (SSMS),** which had a **negative impact on the profitability** of thesheep industry also contributed to a decline in production levels.

The SSMS was suspended in 2019, leading to a projected **slight recovery for the sheep industry, with an expected growth rate of 1.7% per annum.** However, reinvestment in the sheep sector remains slow, primarily due to a lack of policy confidence.

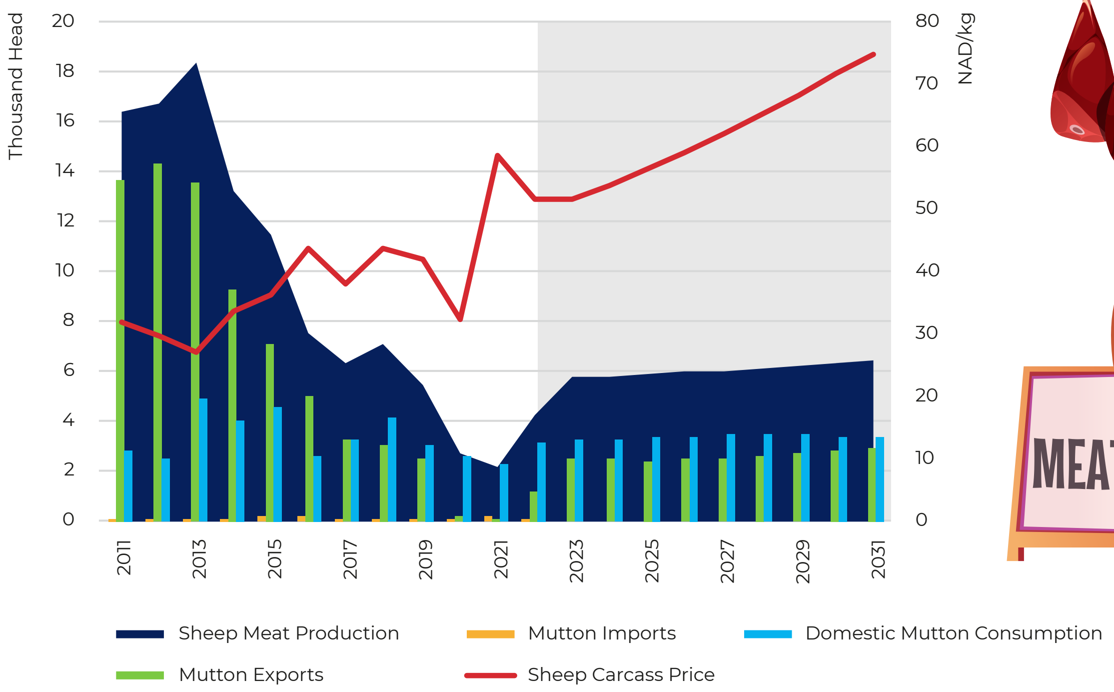
Additionally, **increased fuel prices** make transporting live sheep to South Africa more expensive, **limiting exports and resulting in a slower recovery rate of 1.1% per annum** during the outlook period.

The emergence of **new markets in the Middle East** is expected to contribute to a recovery in the export market.

Local slaughter is projected to grow by 2.6% per annum over the next decade, driven by the positive price forecast of a 4.4% annual growth in the Lamb Auction Price in the local market.

Mutton market outlook

Mutton Market Outlook: 2022-2031



The SSMS resulted in **oversupply in the domestic market**, which was exacerbated by **drought-led herd slaughters**. This led to **declining prices and downward pressure on producer income**, causing limited flock-building efforts.

The suspension of the SSMS, combined with supply limitations post-drought, drove producer prices up, **stimulating reinvestment in the industry and leading to the reopening of some local abattoirs**. As a result, slaughter numbers are expected to rise, with **mutton production set to increase by 2.9% per annum** over the outlook period and enabling slight growth in domestic consumption (1% per annum) over the same period.

Sheep carcass prices are expected to stabilise in the short run, stimulating exports which had declined for 5 consecutive years.

Cattle market outlook

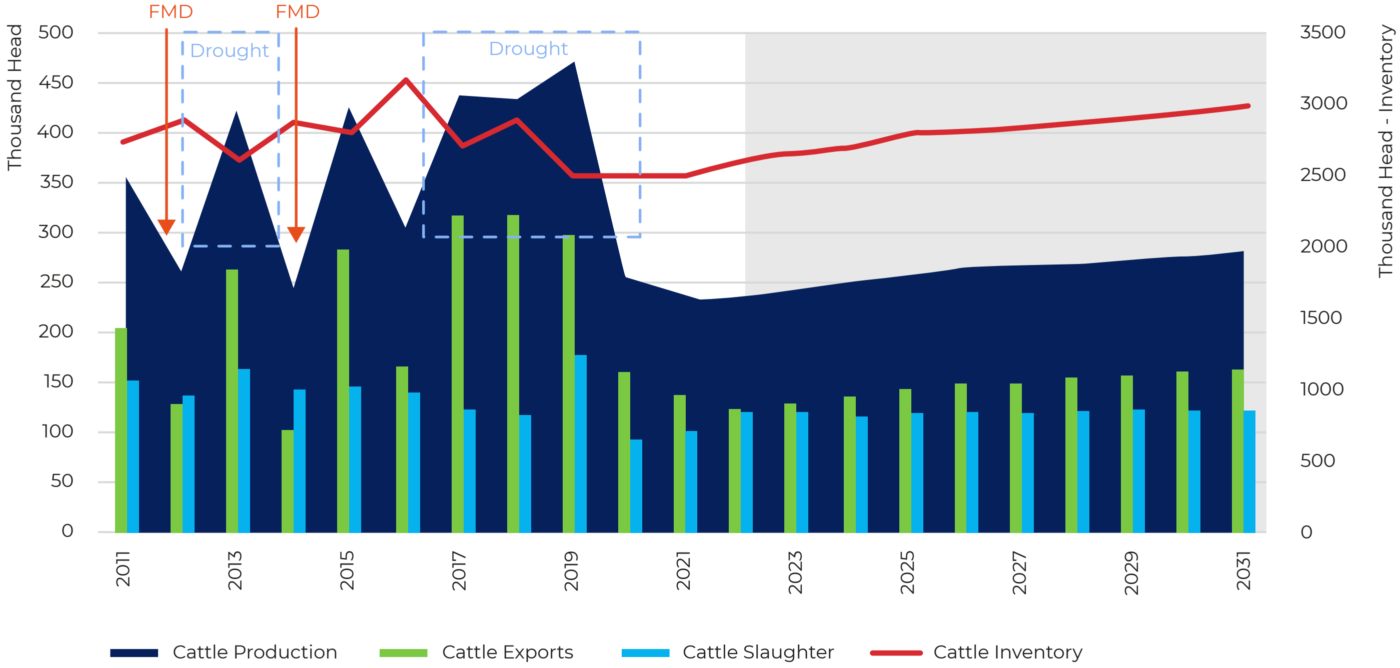
The foundation of Namibia's agricultural sector is meat and cattle. In terms of revenue creation and employment opportunities, the sub-sector forms the backbone of the rural economy.

The country's herd size is significantly impacted by drought. Namibia saw herd liquidations in 2014 and 2018 as a result of farmers' destocking efforts in an effort to adapt to unfavourable environmental conditions.

Animal infections are a serious threat to the growth of Namibia's red meat industry. **The outbreak of Foot and Mouth Disease (FMD) in 2012 and 2014 had a negative effect on the marketing and sale of cattle.**

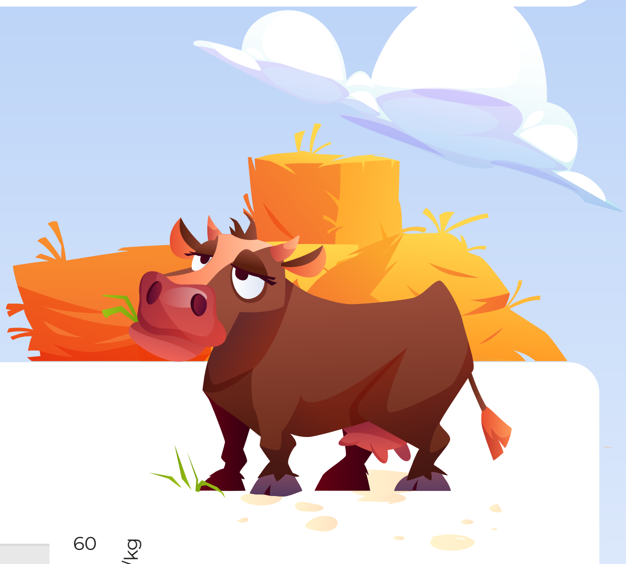
Over the outlook, the cattle inventory is anticipated to **expand by 1.5% per annum.**

Cattle Inventory Outlook: 2022-2031

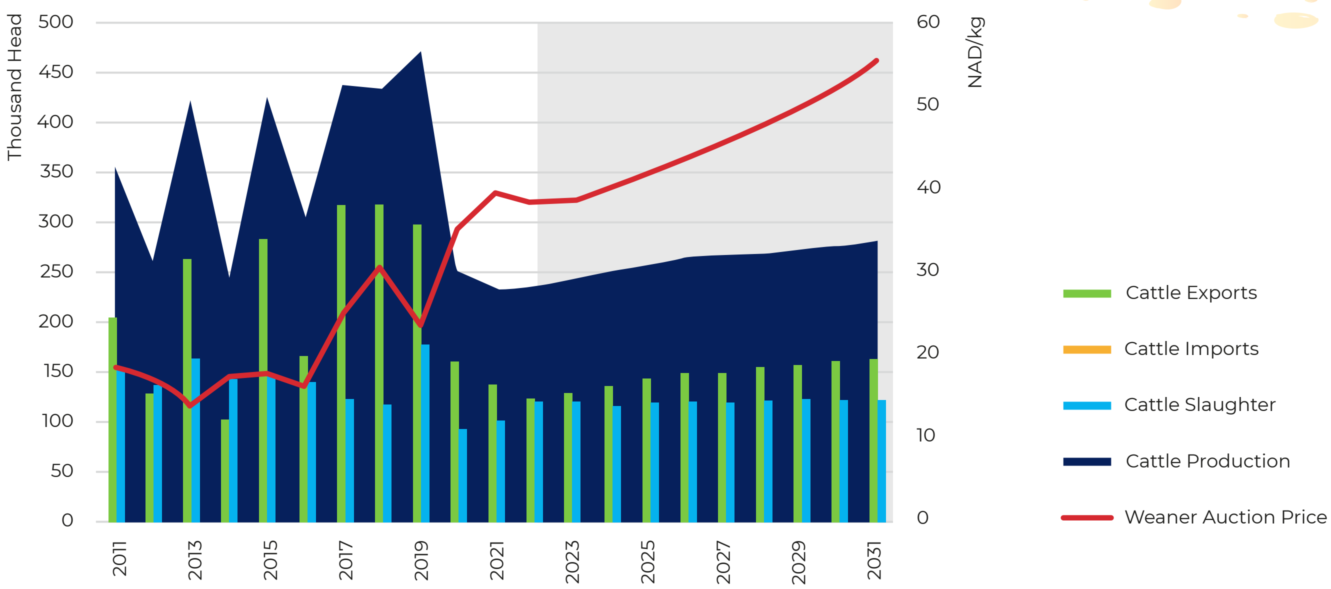


Per annum, **weaner auction prices are projected to increase by around 4.1%** between 2022 and 2031.

Namibia exports live cattle on a net basis, and **live cattle exports are projected to increase by 3%** per annum over the coming decade compared to a slight 0.3% increase in slaughter volume.

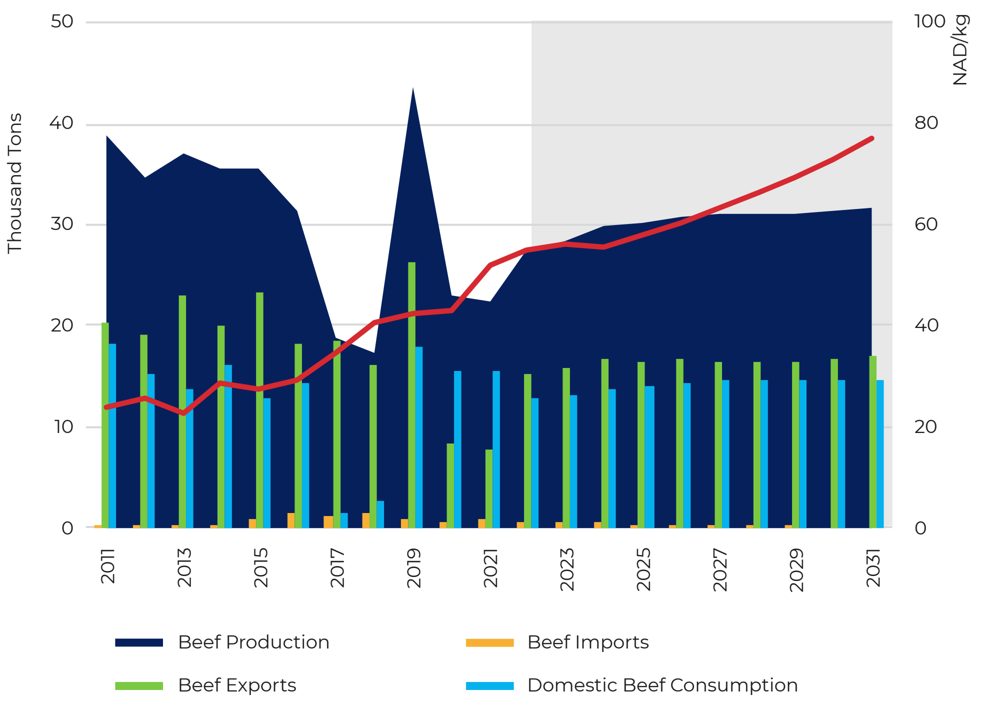


Cattle Market Outlook: 2022-2031



Beef market outlook

Beef Market Outlook: 2022-2031



High-quality beef is a net export from Namibia to South Africa, the European Union, China, and Norway.

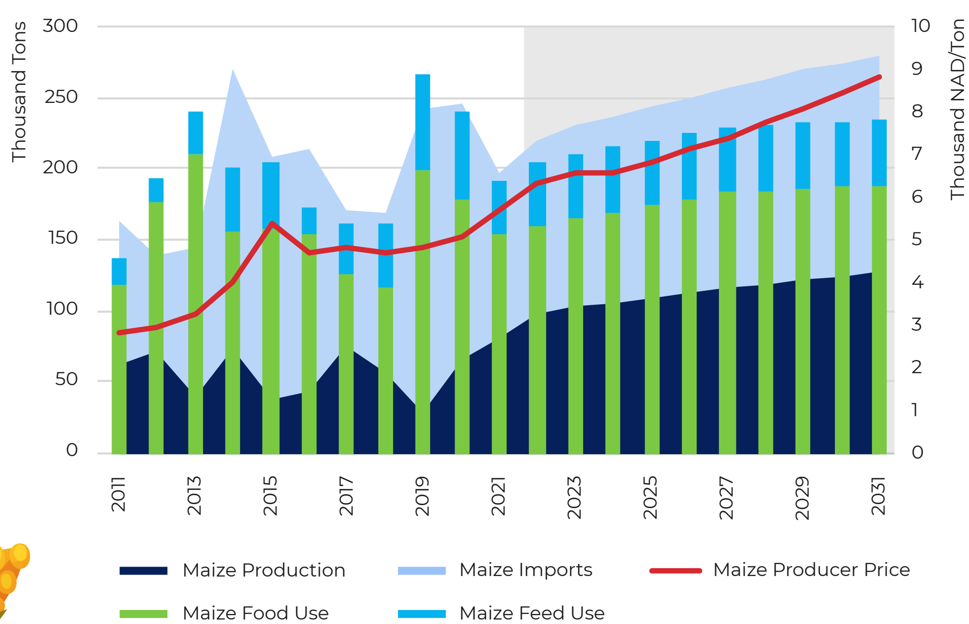
The growth and competitiveness of exports are **supported by preferential access and a livestock traceability system.**

Due to enormous slaughters brought on by the drought, beef output fell between 2013 and 2018, and it marginally increased in 2019.

Production is anticipated to slightly **increase throughout the outlook period by 0.2%** per annum. The price of **cattle carcasses** is expected to **increase below inflation by 3.9%** per annum.

Maize market outlook

Maize Market Outlook: 2022-2031



Many farmers are investing in setting up **centre pivots for irrigation purposes** on the back of strong current prices.

This in conjunction with the adoption of **improved maize varieties** are factors that are driving maize production through the outlook. **Maize production is projected to increase by 2.8%** per annum over the coming decade driven by an **area harvested increase of 4%** per annum.

The **benefit of an annual increase in producer price of 5.7% over the last 10 years** is being offset by **high input costs seen in recent years resulting in a higher risk environment for dryland production**.

Maize is a staple commodity in Namibia and with **consumer incomes under pressure**, many lower-income households are moving to cheaper food staples. This is evident in the **projected increase in domestic consumption of Maize of 2.8%** per annum which has historically been on a decline of 1.4%. Despite the annual increase, domestic consumption is still forecasted to move lower than the 3-year (2018-2020) average throughout the outlook.

Table Grape market outlook

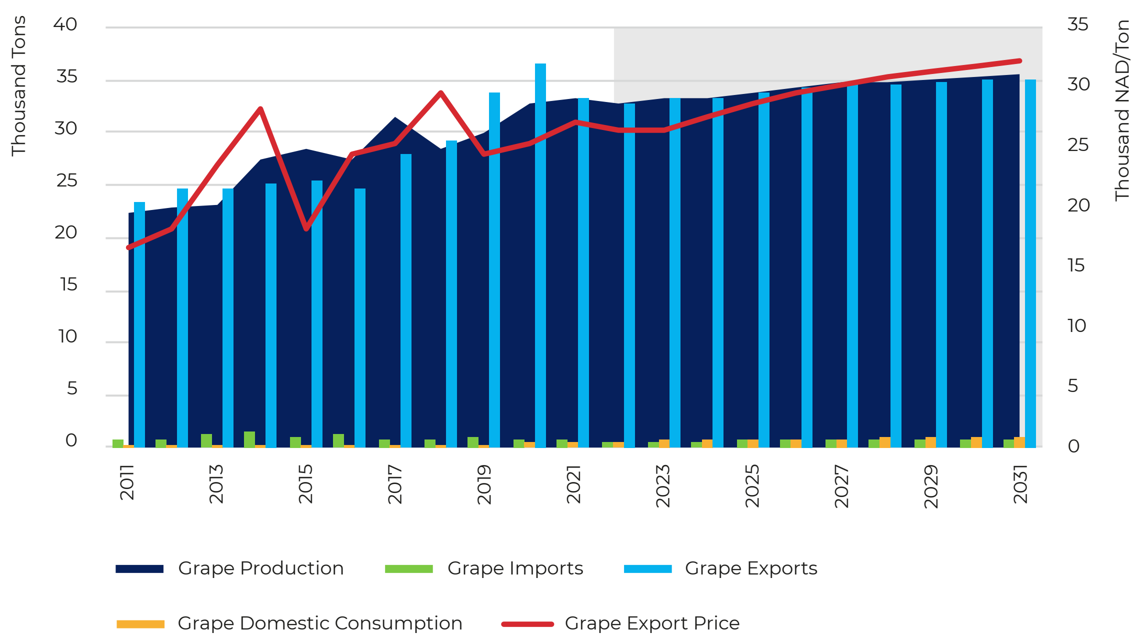
The **table grape industry in Namibia** is important to the Namibian agricultural sector and **contributes significantly to the country's foreign exchange earnings and the economy**.

Over the past decade, **the area as well as the total production has expanded at growth rates of 2.9 % and 3.8% per annum**, respectively.

Export prices are expected to come under pressure in the short term – slowing production and export growth to 0.9% and 0.8%, respectively per annum over the outlook period. Furthermore, during the outlook period, a **marginal increase of about 0.8% is expected in grape exports**, owing to increased competition in the global market emanating from increased production in exporting countries such as Peru.

In addition, **imports are expected to decline slightly** over the outlook period as **local consumption increases by 6.2%** per annum.

Grape Market Outlook: 2022-2031

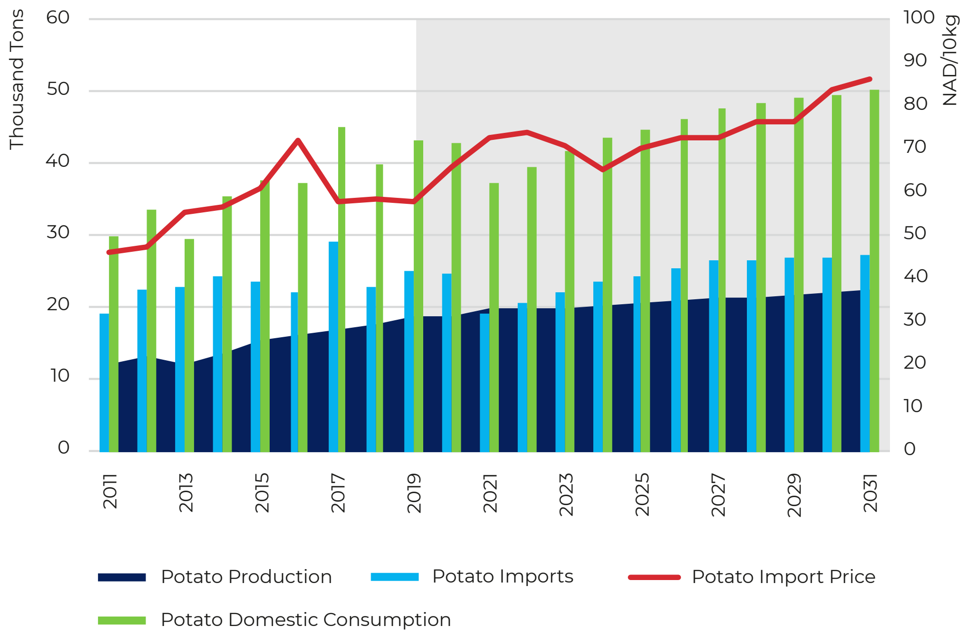


Potato market outlook

The production and marketable volumes of the potato sector are high compared to other horticultural commodities and **account for on average 30% of horticultural production in Namibia**. **The local market is, however, import driven, as local demand exceeds local supply.**

An average of 66% of local consumption is imported. However, the potato market is regulated. **The Namibian Agronomic Board regulates the horticulture sector through the Market Share Promotion (MSP) system. The system is centred on domestic industry protection through import restrictions.**

Potato Market Outlook: 2022-2031



The COVID-19 pandemic and drought contributed to numerous trade restrictions which led to reduced trade volumes. **The decrease in potato supply resulted in higher prices that stimulated production of 5.5%** per annum.

The **recent fertiliser, chemicals and fuel price increases** seen globally are putting **profitability under pressure due to the input-intensive nature of potato production**.

Import prices from South Africa are expected to decline in the short-term resulting in further **pressure on production growth of 1.4%** per annum over the outlook period. The **slow growth (2.2% per annum) in import price** over the outlook period **is supporting domestic consumption, which is price sensitive.**

For more information about this report, please get in touch with:

Thinah Moyo: thmoyo@nust.na

Salomo Mbai: smbai@nust.na

Jodie Hattingh: jodie@bfap.co.za

Tracy Davids: tracy@bfap.co.za

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH