



RADAVA MONTHLY COMMODITY REPORT

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Acknowledgments

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Contents

Acknowledgments	2
<hr/>	
Executive Summary	4
<hr/>	
Performance of Kenya Agricultural Commodity Market	5
<hr/>	
Emerging Factors Shaping the East African Commodities Market	8
<hr/>	
Conclusion	10
<hr/>	

Executive Summary

Despite the country's inflation easing to 7.9%, grains, and food prices remained relatively high. According to the National Bureau of Statistics, "The overall year-on-year inflation rate as measured by the Consumer Price Index was 7.9 percent, in June 2023. The inflation was largely due to an increase in prices of commodities under Food and Non-alcoholic beverages (10.3%); and housing, water, electricity, gas, and other fuels (9.4%) between June 2022 and June 2023. The month-to-month Food and Non-Alcoholic Beverages Index increased by 1.3 percent between May 2023 and June 2023. For instance, the price of maize grain-loose increased 5.5 percent between May 2023 and June 2023. Kenya's inflation in June remained largely flat on slight moderation in the cost of energy amid fears of a rise this month when new taxation measures take effect.

On the regional front, although African governments are pushing for the African Common Free Trade Agreement (AFCFTA), in the Month of June, several Eastern African governments continued to enforce policies that limited the free movement of agricultural commodities. Surprisingly, the restrictions on the free movement of agricultural commodities has come back to bite the governments that have been enforcing them. For instance, according to the Eastern African publication, Tanzania farmers are bearing the brunt of maize export restrictions as prices have dropped by more than half.

Looking ahead, weather conditions, the East African government's policies, prevailing economic conditions, geopolitics, and supply & demand will continue to play a crucial role in shaping agricultural commodity prices.

Performance of the Kenya Agricultural Commodity Market

Agricultural commodities played a critical role in sustaining Kenya's inflation. The year-on-year food and non-alcoholic beverage index increased 10.3 percent while the month-to-month index increased 1.3 percent between May 2023 and June 2023. Here is a breakdown of how each commodity performed in the month of June:

Maize

Maize is the main staple in Kenya, accounting for nearly 40 percent of cultivated area, 2.4 percent of Kenya's GDP, and 12.65 percent of Agricultural GDP. Kenya's per capita maize consumption is estimated to average 103 kg/person/yr compared to 73 kg/person/yr for Tanzania, 52 kg/person/yr for Ethiopia, and 31 kg/person/yr for Uganda (Food and Agricultural Authority).

Month-on-Month analysis of maize (grain-loose) in the Kenyan market shows that the price gained 5.5 percent between May 2023 and June 2023 increasing from Ksh. 81.61 per kg to Ksh. 86.13. Year-on-year, the price of maize increased by 30.7 percent, increasing from Ksh. 65.89 in June 2022 to Ksh. 86.13 in June 2023.

Maize Prices

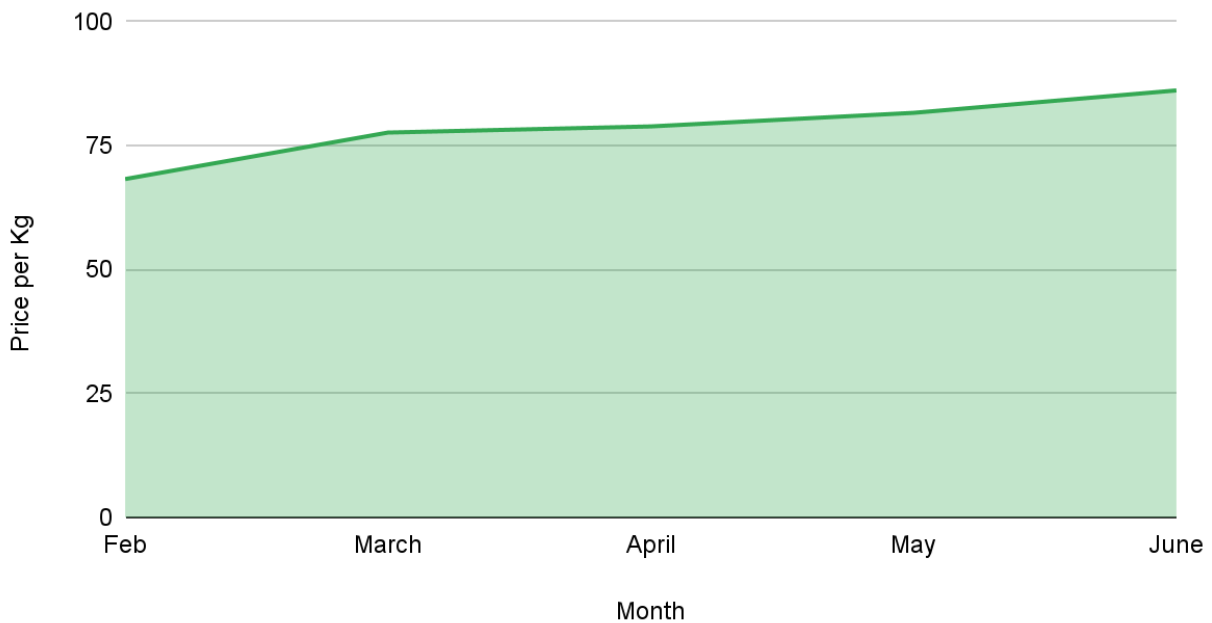


Figure 1.1: Monthly Average Maize Prices in Kenya

Beans

According to the Global Alliance for Improved Nutrition (2021), “Kenya is the seventh largest producer of beans globally and the second leading producer in East Africa after Tanzania. National consumption of common beans is estimated at about 755,000 MT annually against production of about 600,000 MT per year. Nationally, average consumption per person is approximately 14 kg per year.”

Month-on-month analysis of beans shows that the average price has increased by 19.83 percent from Ksh.169.75 in May to Ksh. 202.82. This year, the price of beans has increased by 63.00 percent from 124.45 in January to 202.82 in June.

Beans Price

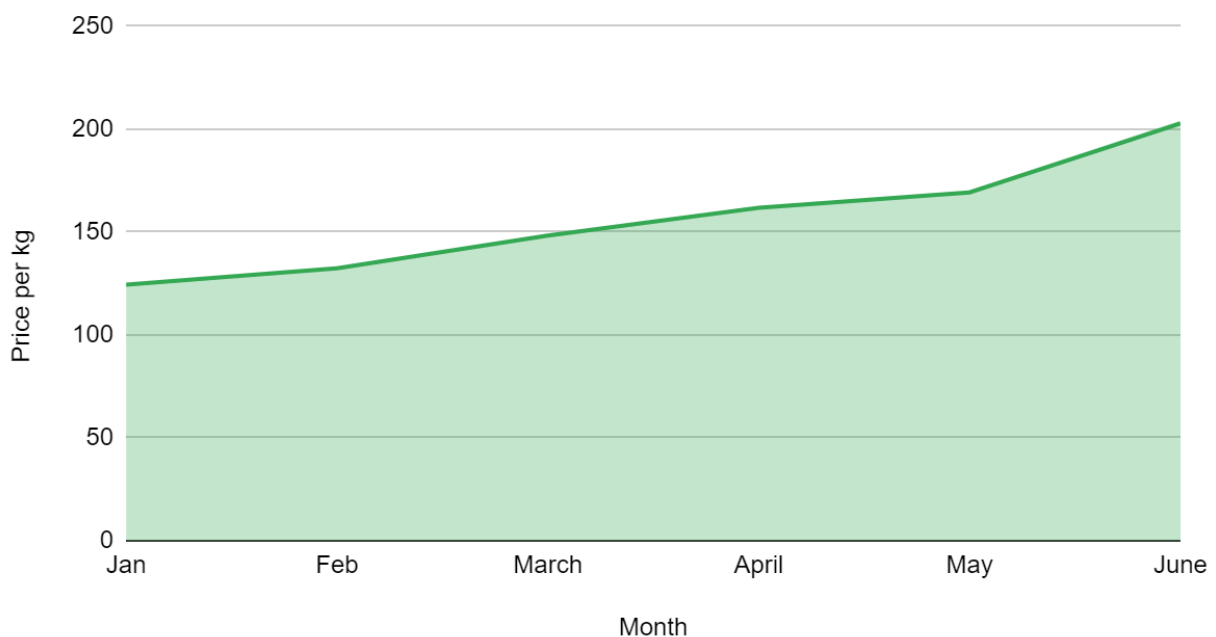


Figure 1.2: Monthly Average Beans Prices in Kenya

Wheat

Wheat is the second most important staple food in Kenya, making it critical for food security (Kenya National Bureau of Statistics). As of 2020, the per capita consumption of wheat in the country stood at 46 kgs per person and is higher among high-income households at 67 kgs. Wheat consumption has been growing at an average of 4 percent per year propelled by rising population, increased income, and urbanization. Currently, Kenya imports nearly two (2) million

metric tons of wheat, about six times its production. Due to Kenya’s Wheat Purchase Program, millers must contract to buy all locally produced wheat before importing wheat at discounted tariffs, assuring wheat farmers of a secure market. The Black Sea region is a key supplier for Kenya, typically accounting for 40 to 50 percent of total imports.

Month-on-month price of wheat remained flat, decreasing marginally from Ksh.82.55 in May to Ksh.82.49 in June. Wheat price in the country is 6.20 percent down from January 2023 when it averaged Ksh.87.93. This information shows that the shocks caused by the Russian-Ukrainian war are easing.

Wheat Prices

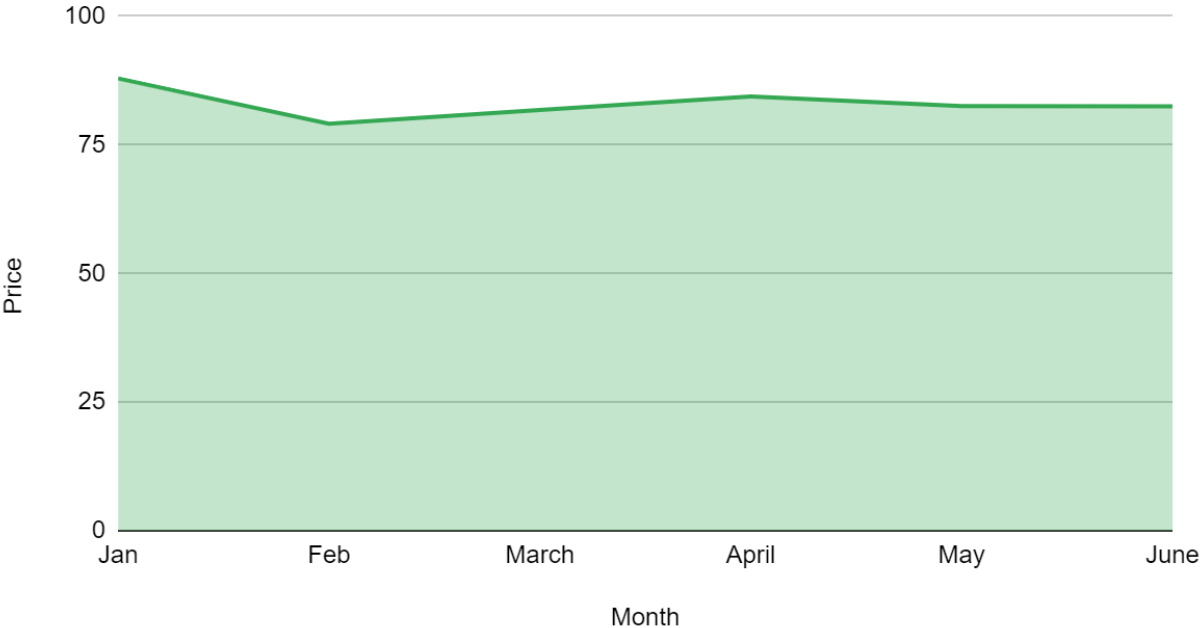


Figure 1.3 Average Wheat Prices in Kenya

Rice

Kenya rice production is forecast to increase in MY2022/23 to 90,000 metric tons (MT) from 80,000 MT due to an expansion of the Mwea irrigation scheme following the completion of the Thiba dam. However, the country will remain dependent on imports for the majority of its rice supply (Global Agricultural Information Network). Kenya's gross consumption of rice stands at 720,000 MT. As of 2020/2021, Kenya imported rice majorly from Pakistan (34 percent),

Tanzania (32 percent), and India (31 percent). Pishori is the most popular rice, accounting for 53.00 percent of the total volume of rice traded in the first half of 2023.

Month-on-month price of pishori rice decreased by 18.82 percent from Ksh.201.70 in May to Ksh.163.74 in June. Rice prices in June traded at a 2.50 percent high it was trading in January.

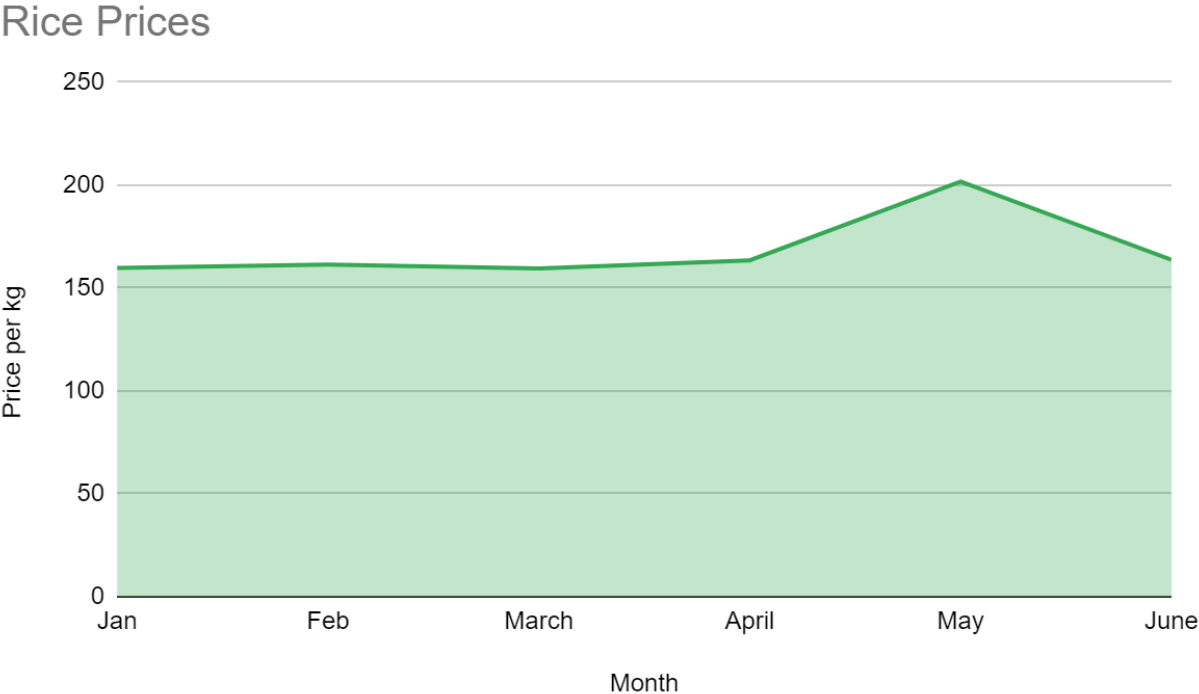


Figure 1.4: Price of Pishori Rice 2023

Emerging Factors Shaping the Eastern Africa Agricultural Commodities Market

Despite African governments pushing for the African Common Free Trade Agreement, in the Month of June, respective East African governments continued to enforce policies that limited the free movement of agricultural commodities. For instance, the Tanzanian government enacted a policy restricting only traders with permits from the national government to trade in Maize. Similarly, the Zambian government banned maize export to the Southern Democratic

Republic of Congo (DRC) asserting that the cross-border trade should be formal and DRC should pay for the commodity through Zambian banks. Also, South Sudan and Uganda are in a row, with the former intercepting trucks asserting that grain from Uganda contains high levels of Aflatoxin. Such development put the achievement of the AFCFTA into question.

Surprisingly, the restrictions on the free movement of agricultural commodities has come back to bite the governments that have been enforcing them. For instance, according to the Eastern African publication, Tanzania farmers are bearing the brunt of maize export restrictions as prices have dropped by more than half. “Tanzania’s restrictions on cereals exports to Kenya and Uganda have seen prices of maize dip in the country, prompting maize farmers to petition their Members of Parliament to press the government to liberalize the trade.” These concerns came as Tanzania continued to field accusations of imposing barriers to intra-EAC trade

Looking ahead, weather conditions, the East African government’s policies, prevailing economic conditions, geopolitics, and supply & demand will continue to play a crucial role in shaping agricultural commodity prices

About Radava Mercantile (www.radava.co)

Radava Mercantile is an agri-fintech company linking agriculture to financial markets. Radava addresses fundamental agricultural market failures that threaten food security by facilitating the electronic trade of agricultural commodities. The company aims to connect more than 250 million smallholder farmers in Sub-Saharan Africa to global commodity markets, open up finance for smallholder farmers, and provide a portfolio of commodities-backed products as an alternative asset class for investors

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