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NAMIBIAN AGRONOMIC BOARD

Constituted by Act 20 of 1992

Creating a marketing environment that is conducive to growing and processing crops in Namibia

MARKET INTELLIGENCE REPORT

WHEAT GRAIN

ISSUE 1 OF 2021

INTRODUCTION

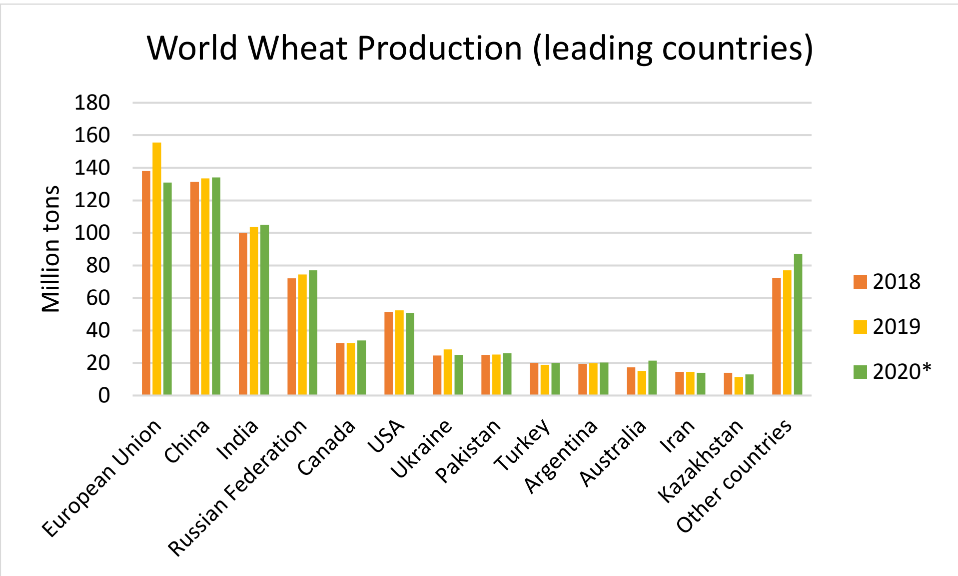
Wheat is a highly-nutritional and widely-cultivated cereal grain. For over 7 centuries, wheat has been raised and harvested in many countries around the world. It is also the second most consumed grain in the world, after rice, and provides 20% of the global population's daily protein intake. In Namibia, wheat is the second highest consumed staple food crop after maize, yet accounts for the lowest in terms of production.

The reason that wheat is such an important dietary staple across so many regions is due to its ability to be produced in many different types of soils and climatic conditions.

To help producers, processors and the general public in learning more about this important global agricultural commodity, the Namibian Agronomic Board (NAB) has prepared this guide on everything you need to know about wheat grain, from global, regional and domestic perspectives.

GLOBAL PERSPECTIVE

PRODUCTION: In 2019, the global wheat production 762.2million tons harvested from 214 million hectares (ha), with an average yield of 3.5 tons per ha. Global wheat production in 2020 is forecasted to fall slightly below the 2019 level, while the dampening effects of the COVID-19 pandemic on demand could still push up global inventories as its effects may not be as significant. The prospect of a modest gain in 2020/21 world trade, amid tighter export availability, could support international wheat prices (FAO, 2020).



World Total (Million tons)

2018: 732.1

2019: 762.3

2020*: 758.4

Figure 1: World wheat production. Source: FAO (2020) (*forecasted)

According to FAO (2020), the global statistics for wheat production indicates a slight decline of about 0.5%, from 762.3 million tons to 758.4 million tons compared to the previous year (2019). This is due to a major production reduction in major producing countries such as the European Union (EU), United States of America (USA), and Ukraine respectively mainly due to less favourable conditions.

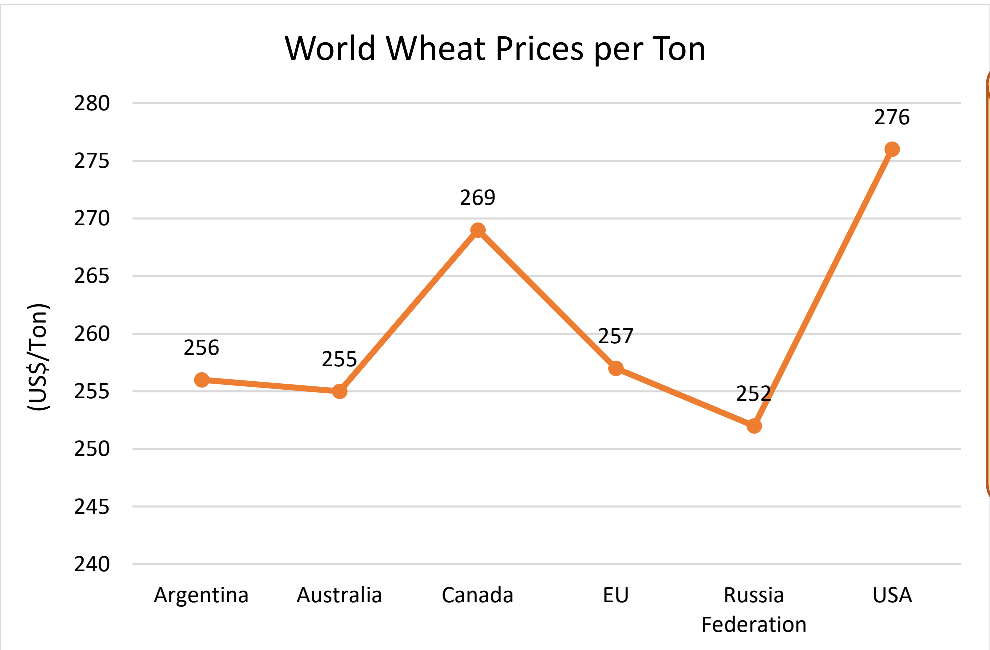
On the contrary, wheat production in countries such as the Russian Federation and India is projected to rise to 77 million tons and 105 million tons respectively due to expansion in planted areas driven by records of price increases. Despite the decline in production, the EU remains the world's leading wheat producer with an average of over 141 million tons over the past three years (2018-2020) followed by China, India, Russia

Federation, and the USA, respectively. Furthermore, statistics show that the biggest global wheat producers account for 75% of the world's total production and other countries merely 25%.

In terms of exports, in 2019, Russia (32.5 million tons), the U.S. (27 million tons), Canada (21.5 million tons), France (20 million tons), and Ukraine (20 million tons) were the main exporters of wheat in the world, generating 68% of total export. Argentina took the next position in the ranking, followed by Australia.

From an import perspective, Egypt remains the world's largest wheat importing country having imported about 12 500 million tons in 2019/2020 alone. This is mostly because in Egypt, bread has been the most subsidized good and Egyptian cuisine is heavily dependent on wheat and wheat products. EU being the world's largest wheat producer is also the world's largest wheat exporter at about 33 000 million tons (Sen Nag, 2019).

Furthermore, as of 06th November 2020, world wheat prices were as follows: US$ 256/ton for Argentina, US$ 255/ton for Australia, US$ 269/ton for Canada, US$ 257/ton for EU, US$ 252/ton for Russia, and US$276/ton for the USA respectively (USDA, 2020). This shows that the world wheat prices remained quite firm mostly due to unfavourable conditions impacting production especially in the largest wheat-growing regions of the EU and USA.



World wheat prices in N$/Ton*

Argentina - 3,842.56
Australia - 3,827.55
Canada - 4,037.69
EU - 3,857.57
Russia Fed.- 3,782.52
USA - 4,142.76

*Conversion date: 09.12.2020

Figure 2: World wheat price per ton. Source: United States Department of Agriculture (USDA) (2020)

AFRICA, SADC AND DOMESTIC PERSPECTIVE

Africa produces more than 25 million tons of wheat on 10 million ha and accounts for 3.3% of the global total wheat production. The most important wheat producing countries in Africa are; Egypt, Ethiopia, South Africa, Morocco, Tunisia, Sudan, Kenya, Tanzania, Nigeria, Zimbabwe and Zambia in descending order. Egypt alone accounts for the largest production in Africa (8.9 million tons). In the Southern African Development Community (SADC), South Africa is the biggest producer of wheat, projected to produce about 2.148 million tons of wheat for the 2019/20 marketing season. Furthermore, South Africa estimated its total demand for wheat to be at 3 569 600 tons (S&DEC, 2020, pp. 1–3).

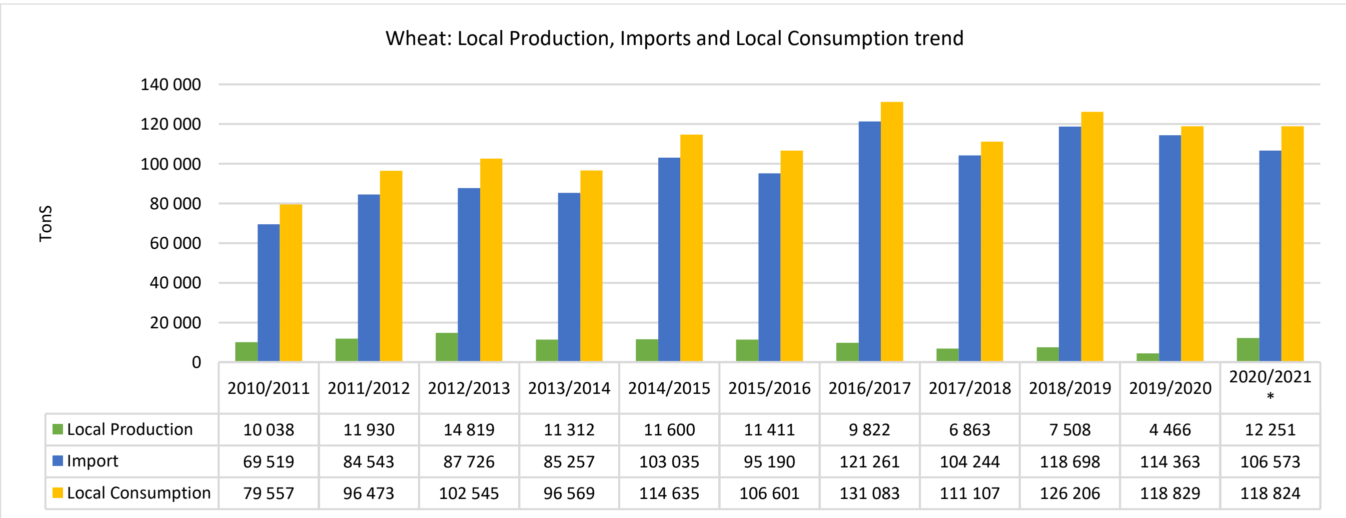
Table 1: The below table shows the forecasted wheat supply and demand balance for the 2020/21 marketing year in Southern Africa.

Country	Forecasted Yield/Production (tons)	Demand (tons)	Shortage/ Surplus (tons)
Angola	5 000	705 000	700 000 Shortage
Botswana	1 000	121 000	120 000 Shortage
Eswatini	-	50 000	50 000 Shortage
Lesotho	8 000	88 000	80 000 Shortage
Madagascar	5 000	281 000	276 000 Shortage
Malawi	1 000	142 000	141 000 Shortage
Mauritius	11 000	165 000	155 000 Shortage
Mozambique	45 000	695 000	650 000 Shortage
Namibia	12 251	118 824	114 363 Shortage
South Africa	2 147 900	3 569 600	1 421 700 Shortage
Zambia	192 000	268 000	76 000 Shortage
Zimbabwe	100 000	221 000	121 000 Shortage

Source: FAO (2020)

Overall, Table 1 indicates that all the countries in Southern Africa do not produce sufficient wheat to meet the domestic demand, and thus the gap between local production and demand is met through imports.

According to USDA (2020), the wheat prices in South Africa recorded its first highest record of R5,567 per ton (equivalent to US$ 300) in April 2020 which can be attributed to the COVID-19 lockdown measures implemented in that country. This price is highly comparable with those of the neighbouring countries such as Namibia, Botswana, Swaziland, and Lesotho respectively.



	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021 *
Local Production	10 038	11 930	14 819	11 312	11 600	11 411	9 822	6 863	7 508	4 466	12 251
Import	69 519	84 543	87 726	85 257	103 035	95 190	121 261	104 244	118 698	114 363	106 573
Local Consumption	79 557	96 473	102 545	96 569	114 635	106 601	131 083	111 107	126 206	118 829	118 824

Figure 3: Wheat local production, import and local consumption. Source: NAB (2020) (*forecasted figures).

Figure 3 shows that the total local production of wheat during 2019/2020 marketing season was 4 466 tons, while the imports stood at 114 363 tons. This means that only 4% of the local demand was met through imports during that marketing year. Figure 3 also indicates that a reduction in local wheat production was recorded during 2019/2020 marketing season compared to the previous years. Although this could be attributed to drought experienced in the previous years, detailed research for climate-resilient agriculture practices is highly recommended to exploit the favourable marketing environment created by the NAB.

For the 2020/2021 marketing season, domestic wheat production is estimated at 12 251 tons, and this is more than double, when compared to the 2019/2020 (4 666 tons) marketing season. Although this is good news, this will only cover 11% of the total domestic demand, with 89% (106 573 tons) of the wheat expected to be imported in order to meet the estimated total domestic demand of 118 824 tons.

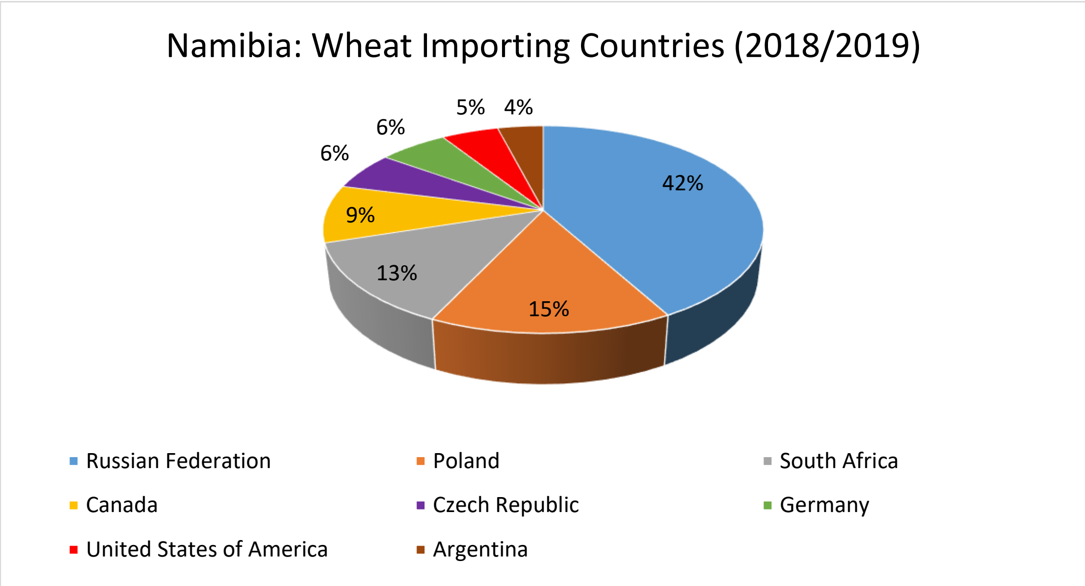


Figure 4: Namibia; wheat importing countries. Source: NAB (2020)

Figure 4 indicates that Namibia imported the biggest tonnage of wheat from the Russian Federation (49,853 tons) which represents 42%, during the 2018/2019 season. This situation is attributed to lower import price of about US$ 252 per ton or N$ 3,782.52 per ton compared to other countries.

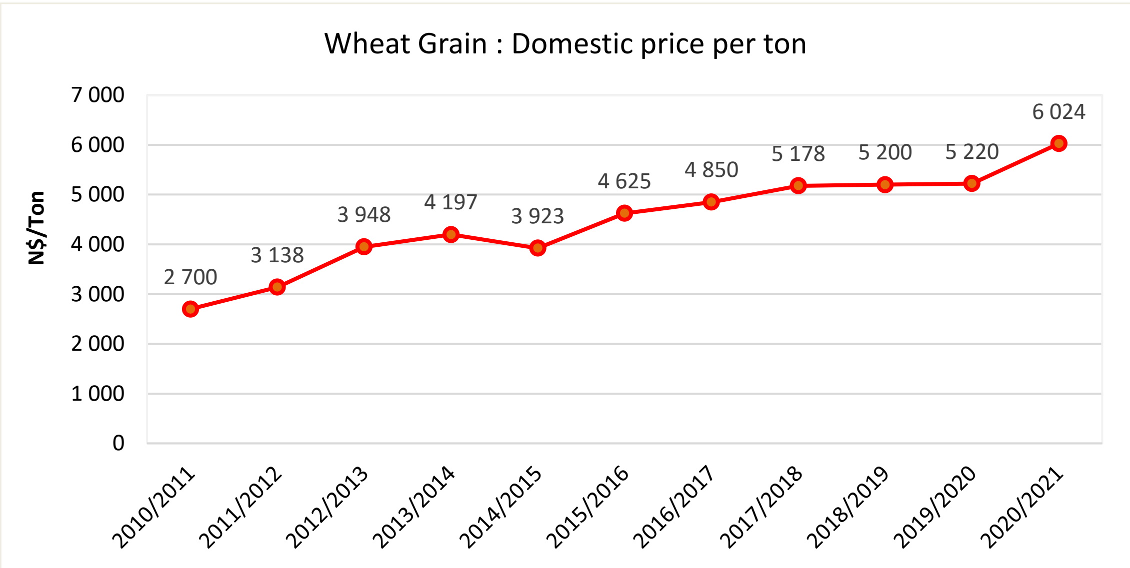


Figure 5: Namibia; wheat price per ton. Source: NAB (2020)

Figure 5 shows that the domestic price for wheat increased by 15% in 2020/2021 marketing season, from merely N$5 220 in 2019/2020 to N$6 0024 in 2020/2021 season. This significant escalation in domestic price is attributed to an increase in global wheat prices, influenced by the impact of COVID 19 pandemic on wheat market supply and demand.

KEY POTENTIALS TO UNLOCK GROWTH IN WHEAT PRODUCTION

Namibia is a net importer of wheat, and imports about 90% of its wheat requirement annually. Therefore, this presents an opportunity for increased local production of wheat in Namibia.

The NAB has implemented a grain marketing scheme to ensure that local producers have got a secured market in Namibia, as local processors have committed through a mutual agreement to buy locally produced wheat, and at a price not less than the set minimum.

Additionally, to promote value addition in the country, the Namibian government through the NAB is implementing import restrictions on wheat flour, and thus only the raw materials can be imported and, in most cases, only specialised wheat flour can be imported.

However, climate variability is one of the most common factors that affect wheat production globally, and Namibia is not an exception. Therefore, there is a need for Namibia to continuously conduct research trials on different varieties of wheat, in order to find varieties that can perform better in the Namibian climatic conditions. The other important aspect to unlock Namibia's potential to increase wheat production is to find ways to reduce the input production cost for wheat. There is also a need for the crop industry to collectively lobby commercial or development banks to offer reliable and affordable financing for crop production, in order for our farmers to be more competitive from a production cost viewpoint.

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