

Contact Details:

Tel office: +264 61 379 500
Fax office: +264 61 225 371
E-mail: nabdesk@nab.com.na
Website: www.nab.com.na

Physical address:

Agricultural Boards' Building
30 David Hosea Merero Road
Windhoek
Namibia

Postal address:

PO Box 5050
Ausspannplatz
Windhoek
Namibia



AGREEMENT

Regarding the wheat grain marketing mechanism and price mechanism

2024/2025

made and entered into by the

Namibian Grain Processors' Association (NGPA)

herein represented its Chairman, Mr. Gabriel Badenhorst

and the

Producers Organisations:

Agronomic Producers Association (APA)

herein represented by its Chairman, Mr. Gerhard Engelbrecht

The Green Scheme Irrigation Projects (GSIP)

herein represented by its Chairman, Mr. Floris Smith

Our Vision: "A world class regulator of a vibrant, diversified & sustainable crop industry"

Board of Directors:

Mr. Hubertus Hamm (Chairperson)
Dr. Manna Muller (Vice-Chairperson)
Mr. Gerhard Engelbrecht (Member)

Mr. Jacob Hamutenya (Member)
Ms. Maria Pogisho (Member)
Mr. Peter Kawana (Member)

Ms. Ruthy Masske (Member)
Mr. Salomo Mbai (Member)
Ms. Sonja Molebugi (Member)

Ms. Violet Simataa (Member)
Dr. Fidelis Mwazi (CEO / Ex-Officio Member)

1. OVERALL PRINCIPLES

1.1 The rules and formulas set out in this document are based on principles and not situations.

1.2 This agreement ensures that the producer price must not be less than the Import Parity Price, as per the price formula in this agreement.

1.3 The basis for the wheat grain marketing agreement will be B1 and imported wheat can be downgraded from SB1 to B1 (-2%) or upgraded from B2 to B1(+2%) in line with the Namibian wheat grade standards.

1.4 In this agreement, the definition and calculation of the Fortnight Weighted Average Floor Price (Import Parity Price) calculation shall include the following:

SAFEX Component of the Formula

- a) SAFEX Spot Price Weighted Average Price for the previous two weeks
- b) Actual transport less differential
- c) Applicable statutory import levy differential
- d) If there is a rebate quota on imported wheat, duties/ tariffs are not applicable

Deep- Sea Component of the formula (Forecasted Import Parity Price)

- a) Free on Board (FOB) price
- b) Freight costs
- c) Harbour, Rail and road costs
- d) Applicable tariffs/ duties. Deep sea source will exclude the SACU tariff in the event that wheat is brought in under the rebate mechanism.
- e) Applicable statutory import levy differential.

1.5 The marketing of the wheat grain must be executed or implemented within the parameters of this signed agreement in terms of principles and formulas.

2. PRICE PRINCIPLE AND FORMULAS

2.1 A mill door floor price per ton for B1 wheat grain is determined based on a combination of the following formulas (ANNEXURE A):

- (a) Actual portion (%) of the Five-Year Average Floor Price (inflation-adjusted) of the actual South African Future Exchange (SAFEX) spot price, plus the transport differential ex Prieska landed in Windhoek (official transport applicable for October as determined the first week of November). This formula's actual portion (%) in determining the mill door floor price will be calculated based on the actual import tonnage from South Africa for the previous 5 years and determined in the first week of November each year.

And

- (b) Actual portion (%) of the Five-Year Average Floor Price (inflation-adjusted) Hard Red Winter (HRW) import parity price from Deep-Sea and the Rand/US\$ exchange, including the external import tariff and, the transport ex Walvisbay landed in Windhoek (i.e. official transport applicable for October as determined the first week of November).

This formula's actual portion (%) in determining the mill door floor price will be calculated based on the actual import tonnage from the Deep-Sea for the previous 5 years and determined in the first week of November each year.

- (c) The statutory import levy differential of 3.6% is excluded from the Five-Year Average Floor Price calculation. In this case, it is only applicable when the Five-Year Average Floor Price is less than the Fortnight Weighted Average Floor Price (Import Parity Price) without the 3.6%. In order to bring the Five-Year Average Floor Price on par with the Fortnight Weighted Average Floor Price, the adjustment of the price gap/ difference shall not exceed 3.6%.

2.2 Should the Fortnight Weighted Average Floor Price (SAFEX Spot Price + Deep-Sea) for the previous fortnight be higher than the Five-Year Average Floor Price on the 30th of October 2024, then the new floor price formula for B1 wheat grain for the next two weeks shall be determined based on a combination of the following formulas (**ANNEXURE B**):

- (a) The forecasted/ contracted portion (%) of the (SAFEX Spot Price – Weighted Average for the previous fortnight + Official transport differential ex Prieska landed in Windhoek+ Import levy differential of 3.6%), and this price shall be the applicable floor price (mill door) for the next two weeks, for the portion of South African wheat. Three (3) quotations will be obtained from the transporters to determine the official transport cost for bulk wheat based on the road transport rate.

The actual portion (%) of this formula in determining the mill door floor price will be calculated based on the forecasted/ contracted import tonnage from South Africa for the Marketing Period from 1 November 2024 to 31 January 2025 as estimated in the first week of November 2024.

and

- (b) The contracted/ forecasted portion (%) of the Deep-Sea imports of B1 wheat grain to be imported for the Marketing Period, 1 November 2024 to 31 January 2025. The price shall be in Namibian Dollars on a Delivered Duty Paid (DDP) basis, landed in Windhoek based on Import Parity Pricing Principles.

The actual portion (%) of this formula in determining the mill-door floor price will be calculated based on the forecasted/contracted tonnage of Deep-Sea imports + applicable duties, if any, for the Marketing Period from 1 November 2024 to 31 January 2025 as estimated in the first week of November 2024.

- (c) Furthermore, a statutory import levy differential of 3.6% shall be added to the Fortnight Weighted Average Floor Price (SAFEX and Deep-Sea Formula), in order to determine Final Fortnight Weighted Average Floor Price (Mill-door Floor Price).

2.3 The floor price determined in clause 1 or 2 of this agreement will serve as the mill door floor price for grade 1 wheat harvested and marketed from the 1st of October until the 31st of January the following year, subject to changes based on clause 2 of this agreement.

- 2.4 In addition to the mill door price, millers and producers may mutually agree on a farm-gate price. The farm-gate price will reflect a realistic and mutually agreed transport price from the specific farm gate to the buying mill door to be deducted from the applicable mill door floor price.

3. GRADING AND GRADE DISCOUNTS

- 3.1 The Namibian wheat industry agrees to use the bread wheat grading standards and grade discount/ deduction outlined in **ANNEXURE C**, as the applicable bread wheat grading principles in the Republic of Namibia, until such time the Namibian regulation/ standard has been developed.
- 3.2 To verify the grade of the wheat imported from deep-sea, the NAB's regulatory Services Division will collect samples from imported wheat, during August/ September before the start of the marketing period. The NAB will cover the cost associated with the sampling and grading of the wheat, as part of its regulatory services. The grading standard outlined in Annexure C shall be used as the basis for grading imported wheat.
- 3.3 A consignment with siftings/screenings above 3 % will imply a mass reduction according to the weight of the siftings;
- 3.4 A consignment with siftings/screenings above 5 % will not be accepted;
- 3.5 There shall be no premium prices nor additional deductions based on the cultivar and the grading is final.
- 3.6 Should there be a grading dispute, both parties must be present and agree on the prescribed method of sampling. Both parties must make sure that the sample is properly sealed and delivered to the NAB.

The sample will then be sent to the SA Grain Laboratory (independent 3rd party) for final analysis. The party proven to be in the wrong will be responsible for all the costs incurred.

4. PAYMENT TERMS

- 4.1 Producers delivering during October will have two (2) price options for their wheat, as the final floor price only becomes available during the first week of November:
- (a) A mill-door price per ton based on SAFEX spot price for the day plus transport (negotiated between miller and producer in terms of actual import cost), landed in Windhoek.
- or;
- (b) The mill door floor price per ton for payments is to be made within the first week of November.
- 4.2 Payments to producers for grain purchased must be finalised within 14 days of mill-door delivery. Failure to adhere to the 14-day payment principle will result in an interest penalty of prime + 5 %. In addition, the NAB will not issue import permits to the specific miller until the producer debt (interest included) is fully settled.

5. STORAGE PRINCIPLES FOR B3 WHEAT GRAIN

As a last resort, B3 wheat grain may be stored and the following principles shall apply:

- a. On-farm until such time when the market becomes available. On-farm stored wheat should be sold within the same marketing period. Storage should not jeopardize the quality of the grain, as it may result in losses (producer risk). The producer is responsible for any cost that may arise from storing his/her grain on the farm.
- b. Millers or silo operators must notify the NAB about their intention to store B3 wheat grain at their facility.
- c. At the Miller facility (storage or silo operator), the wheat must be stored on behalf of the producer at such facility.
- d. Millers must notify the producer and the NAB if wheat is transferred from the silo/storage facility to the milling facility.
- e. At the miller's facility in a pool storage facility (silo or silo bags), All the arrangements/ modalities relating to the marketing of such wheat must be communicated to the NAB by the millers or silo owners before 1 November.
- f. At the miller or silo owner storage facility: The quality and quantity of grain must be maintained by the owner (risk for the miller or silo owner). Any wheat delivered at the miller's facility or silo facility by the producer for storage shall be graded to ensure adherence to the minimum standard.
- g. Wheat will be stored by a miller on a cost-recovery basis and will be sold by the owner of the grain at the applicable Floor Price/ Fortnight Weighted Average Floor Price on the date of sale.
- h. The stored wheat shall be subjected to market-related handling (handling in or out) + fumigation and storage fees charged to the producer + cost of bags where applicable, and these charges will also depend on the method of handling or storage, and such charges must be calculated and communicated to the NAB by the miller or silo owner before 1 November.
- i. A maximum of 1% will be deducted from the producer price for screenings for the wheat that is loaded out to other millers to compensate for losses in the handling thereof (broken kernels with handling/screenings collected before storage) and shall be calculated on the volume stored.
- j. Producers will only pay a handling fee for bulk loose/ bagged wheat that is stored for and on behalf of the producer at a fall-back storage facility, and no handling fee will be charged to the producer for wheat that is bought by the storing miller or silo owner at the primary storage facility.

- k. Loading out of wheat for sale to other millers will only take place upon receipt of a prior written instruction/ notice (at least 2 days' notice) from the producer or any person with a title deed to the wheat grain.
- l. Delivery slots of wheat meant for storage should be arranged by the producer at least 48 hours before delivery.
- m. The wheat stored on-farm or miller facility for commercial purposes shall form part of the national harvest to be marketed during the specific period and to be allocated to millers.
- n. Wheat stored on behalf of the producer will be paid by the miller within 14 days after it has been sold, based on the applicable Floor Price/ Fortnight Weighted Average Floor Price on the date of sale. The payment will be distributed proportionately to the concerned producers, based on the quantity sold from the stored wheat grain and each producer's share from the total stored wheat grain.

6. GENERAL MATTERS

6.1 The content of this Agreement will apply on the condition that the NAB endorse and manage this mutually agreed price by way of:

- (a) Its regulatory powers as implemented;
- (b) Making adherence to the content of this Agreement a part of the milling license conditions.

6.2 This agreement (in terms of principles and formulas – not in terms of absolute value) will continue indefinitely until either party gives notice to renegotiate this agreement. Notice for such a renegotiation has to be at least before February in any given year. The final agreement must be ratified by parties and approved by the NAB Board before or on 1 April each year.

Thus, agreed and signed at Windhoek on 14 October 2024

Chairman: NGPA:  Chairman: APA: 

GSIP Representative: 

NAB Representative (As witness): _____

NB: This is an example only for the purposes of this agreement to demonstrate how the Five-Year Average Floor Price is calculated.

Contact Details

Tel: 00254 20 222 2222
Fax: 00254 20 222 2222
E-mail: info@namibianagronomic.co.ke
Website: www.namibianagronomic.co.ke

Physical address

P.O. Box 42448
Nairobi, Kenya
00102

Postal address

P.O. Box 42448
Nairobi, Kenya
00102

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

PRELIMINARY WHEAT GRAIN (BI GRADE): 5-YEAR FLOOR PRICE PER TON 2023/2024 MARKETING SEASON

ISSUE DATE: 20/02/2023

A. SAFEX: 5-YEAR AVERAGE PRICE CALCULATION

Based on SAFEX RAND spot price (1 Nov 2022-14 February 2023)

Fin Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/2024
Infl rate	4.20%	2.26%	3.28%	5.65%	3.48%	*
SAFEX Spot Annual Average	N\$4,377	N\$5,087	N\$5,226	N\$6,879	N\$6,717	**
Infl adj factor	1.215	1.166	1.129	1.093	1.035	1.000
Infl Adj SAFEX spot	N\$5,440	N\$5,932	N\$5,903	N\$7,520	N\$6,951	N\$6,349
Add Upington basis						204.61
Landed WHK						N\$6,554

* 5 year average including SAFEX national export

** Official Inflation rate for the period 01 November 2022 to January 2023

** SAFEX Spot Price for the period 01 November 2022 to 14 February 2023

*** 5 year average, to which must be added transport differential from RSA

**** Transport from Upington to Nakop is N\$229.61, plus transport from Nakop to WHK is N\$609.00, minus the inward differential of N\$625.00

B. DEEP-SEA: 5-YEAR AVERAGE IMPORT PARITY PRICE CALCULATION

AVERAGE FREE ON BOARD (FOB) HARD RED WINTER (HRW) PRICES FOR 1 NOV to 24 OCTOBER

FOB HRW IMPORT PRICE

	2018/19	2019/20	2020/21	2021/22	2022/23	5 Year Ave
FOB HRW (US\$)	204.00	209.00	261.00	355.00	320	
R / US\$	14.28	16.88	15.52	17.65	17.23	
N\$ / ton	2,913.12	3,527.92	4,050.72	6,265.75	5,518.08	
Infl rate	4.20%	2.26%	3.28%	5.65%	3.48%	
Infl adj factor	1.203	1.155	1.129	1.093	1.035	
Infl Adj SAFEX spot	3,504.89	4,073.49	4,573.77	6,850.13	5,710.11	4,942.48

FREIGHT COST

Freight Charges (US\$)	43.29	47.43	49.89	71.25	71.25	
R / US\$	14.28	16.88	15.52	17.65	17.23	
Freight Charges (N\$)	618.18	800.62	774.29	1,257.36	1,227.64	
Infl adj factor	1.203	1.155	1.129	1.093	1.035	
Infl adj factor Freight Charges	743.76	924.43	874.27	1,374.85	1,227.64	1028.99

RAIL AND HARBOUR COSTS

Rail and Harbour Costs	537.00	508.64	508.64	595.92	595.92	
Infl adj factor	1.203	1.155	1.129	1.093	1.035	
Infl adj Rail and Harbour Costs	646.09	587.30	574.32	651.50	538.34	599.51

SACU TARIFF

SACU Tariff	664.7	832.1	0	0	0	
Infl adj factor	1.203	1.155	1.129	1.093	1.035	
Infl adj SACU Tariff	799.73	960.78	0.00	0.00	0.00	352.10

LANDED COST (WHK) N\$/TON

Inflation adj factor - Landed costs	5,694.46	6,546.00	6,022.36	8,876.48	7,533.67	6,934.59
-------------------------------------	----------	----------	----------	----------	----------	----------

WHEAT FLOOR PRICE CALCULATION BASED ON AGREED RATIO

A combination of SAFEX and Deep-Sea Forecast Import volume is a ratio of 52:48


N\$ 6,554 x 0.52 = N\$3,408.08

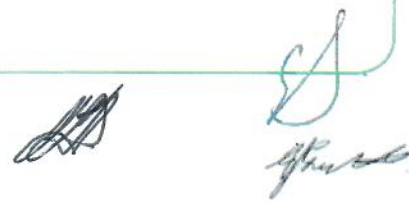
N\$ 6,934.59 x 0.48 = N\$ 3,328.60

MILL DOOR FLOOR PRICE (N\$/TON) = N\$6,736.68

ANNEXURE B

NB: This is an example only for the purposes of this agreement to demonstrate how the Fortnight Weighted Average Floor Price is calculated.

 <p style="text-align: center;">NAMIBIAN AGRONOMIC BOARD</p> <p style="text-align: right;">Issued on: 20/02/2023</p>			
<p style="text-align: center;">PRELIMINARY: WHEAT GRAIN (B1 GRADE): FORTNIGHT WEIGHTED AVERAGE FLOOR PRICE FORTNIGHT PERIOD: 15 February TO 01 MARCH 2023</p>			
SAFEX WEIGHTED AVERAGE CALCULATION			
DATE	SAFEX-TONNAGE SOLD	SAFEX- VALUE OF QUANTITY SOLD	SAFEX SPOT PRICE/TON
1-Feb-23	36	242,496.00	6736.00
2-Feb-23	53	354,305.00	6685.00
3-Feb-23	30	199,650.00	6655.00
4-Feb-23	30	199,650.00	6655.00
5-Feb-23	30	199,650.00	6655.00
6-Feb-23	87	585,045.00	6735.00
7-Feb-23	108	730,620.00	6765.00
8-Feb-23	42	286,398.00	6819.00
9-Feb-23	22	150,546.00	6843.00
10-Feb-23	112	765,520.00	6835.00
11-Feb-23	112	765,520.00	6835.00
12-Feb-23	112	765,520.00	6835.00
13-Feb-23	251	1,751,980.00	6980.00
14-Feb-23	191	1,328,214.00	6954.00
SAFEX WEIGHTED AVERAGE	87	594,715.29	6847.05
Plus Official Transport cost (Prieska -Windhoek) Less inwarders (Prieska -Randfontein -625) based on three (3) quotations from the bulk transporters. (Prieska -Windhoek -R1355.00)			730.00
(A) FINAL SAFEX- FORTNIGHT WEIGHTED AVERAGE PRICE			7,577.05
(B) AVERAGE FORECASTED IMPORT PRICE OF B1 WHEAT GRAIN FROM DEEP-SEA			8,578.19
to 31 Jan 2023 = SAFEX: 21,623 tons. Deep-Sea Imports 19,800 tons, as obtained from the importers. The Deep-Sea price portion is based on the forecasted average import parity price of N\$8,578.19 for B1 Wheat, landed in Windhoek, and this import parity price excludes 5% import levy.			
SAFEX SPOT PRICE PORTION	N\$	7,577.05 X 0.52	3,940.07
DEEP-SEA PRICE PORTION	N\$	8,578.19 X 0.48	4,117.53
(C) FORTNIGHT WEIGHTED AVERAGE FLOOR PRICE			N\$ 8,057.60
Add- Import Levy Differential of 3.6%			290.07
(D) FINAL- FORTNIGHT WEIGHTED AVERAGE FLOOR PRICE (MILL DOOR PRICE)			8,347.67
N\$/TON (incl 3.6% import levy differential). This price excludes the Producer levy of 1.4%			
(D) WHEAT GRAIN: 5 YEAR SAFEX AVERAGE FLOOR PRICE (N\$/TON)			N\$ 6,736.66
DIFFERENCE (C-D) N\$/TON			1,320.94
DIFFERENCE %			16%
IMPORTANT INFORMATION			
The FORTNIGHT WEIGHTED AVERAGE FLOOR PRICE for the previous two weeks 01 to 14 February 2023 is higher than the 5-YEAR AVERAGE FLOOR PRICE by N\$1,320.94 per ton (16%) . Therefore, the FORTNIGHT WEIGHTED AVERAGE FLOOR PRICE of N\$8,347.67 per ton is the applicable Mill Door Floor Price per Ton for B1 Wheat grain purchased/ paid during the fortnight period of 15 February 01 March 2023 . The Fortnight Weighted Average Floor Price (Mill Door Floor Price) excludes the producer levy and, hence, a producer levy of 1.4% (N\$112.81 per ton) should be deducted by the miller from the Mill Door Floor Price and paid over to the NAB. This means the producer must be paid a Final Mill Door Floor Price of N\$8,234.86 per ton for a B1 wheat grain delivered at the mill door.			



ANNEXURE C

WHEAT GRAIN GRADING STANDARD AND PRICE DISCOUNT

1. Wheat grain in Namibia shall be graded as B1, B2, B3
2. All grades of wheat grains:
 - a) shall be free from a musty, sour or other undesired odour; shall be free from glass, metal, coal or dung;
 - b) shall be free from a substance which renders it unfit for human consumption or for processing into or utilisation thereof as food;
 - c) shall be free from live insects as determined in the table 1 below;
 - d) shall be free from stones which cannot pass through the 6.35mm round-hole sieve;
 - e) shall not contain not more than one gram of stones, which can pass through the 6.35 mm round hole sieve, per 10kg;
 - f) shall have a moisture content of not more than 14%; and
 - g) shall not exceed the maximum percentage of permissible deviation as determined in table 2 below.

Table 1: Categories of live insects

Category	Maximum permissible deviation		
	B1	B2	B3
1. Weevil [Maize/Rice Weevil; Granary Weevil; Foreign Grain Weevil; Bean Weevil; Cowpea Weevil]	0%	0%	0%
1. Beetle [Saw Toothed Grain Beetle; Rust Red Grain Beetle; Rust Red Flour Beetle; Dried Fruit Beetle; Confused Flour Beetle, Khapra Beetle]	0%	0%	0%
2. Grain Borer [Lesser Grain Borer; Large Grain Borer]	0%	0%	0%

Table 2: Standards for Grades of Class Wheat Grains

BREAD WHEAT GRADING		SG	B1	B2	B3
KLM(KG/HL)		78	77	76	74
Protein (12%MB)		>12.51%	>11.51%	10.51%	9.51%
A.	% Frost damage			Max 5%	
B.	% Field fungi			Max 2%	
C.	% Storage fungi			Max 0.5%	
D.	% Screenings			Max 3%	
E.	% Other grains/uncath			Max 1%	
F.	% Stones/glass/turf			Max 0.5%	
G.	% Foreign matter + (F)			Max 1%	
H.	% Heat damage			Max 0.5%	
I.	% Damage + (H)			Max 2%	
J.	Total deviations (D)+(E)+(G)+(I)			Max 5%	
Pricing:		2%	Base price	-2%	-4%
• Additional Notes to Wheat Grading Table Pricing and deductions on mill-door prices Implement a 0.5 handling loss as per RSA regulation for the first handler of wheat based on mill-door pricing No animal filth allowed in shipment or cargo					