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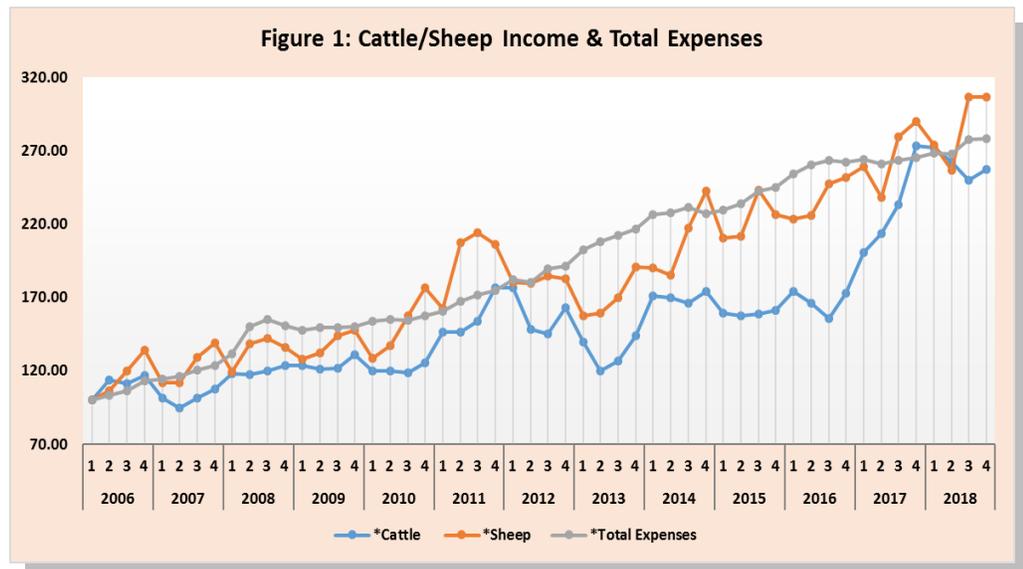
## 2018 AGRICULTURAL REVIEW

### Inflation of agricultural expenses

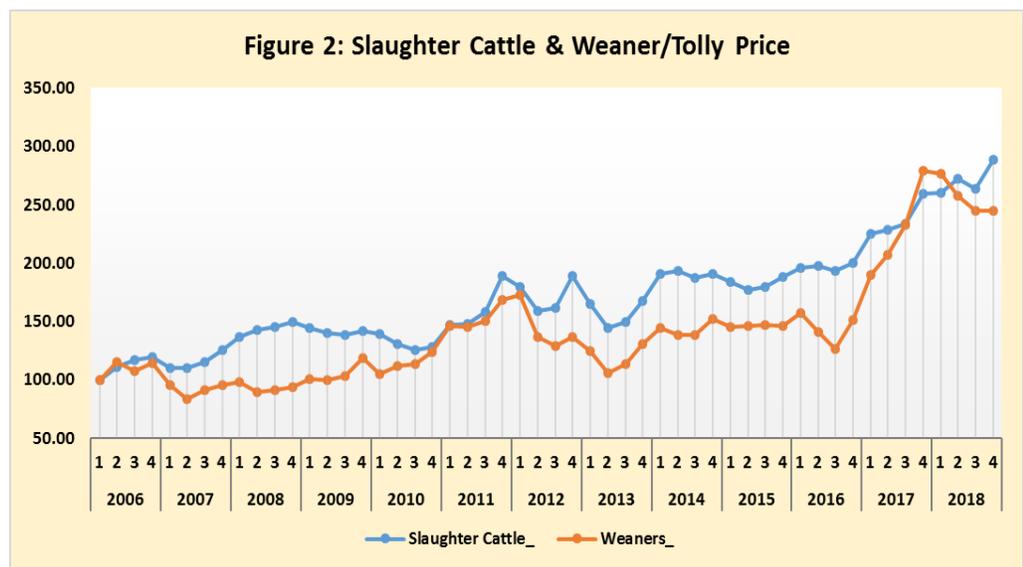
The cattle industry experienced a decrease in cattle prices in the first 3 quarters of 2018, mainly due to a decrease in weaner prices. In the 4<sup>th</sup> quarter both weaner and slaughter cattle prices increased slightly. The annual Agric-inflation rate increased from about 1% in the 4<sup>th</sup> quarter of 2017 to about 5% in the 4<sup>th</sup> quarter of 2018. Rises in fuel price (i.e. fuel price increase of 27% Y-on-Y in the 3<sup>rd</sup> quarter of 2018, and that of 16% Y-on-Y in the 4<sup>th</sup> quarter) augmented the Agric-inflation rate. Farmers import most inputs from South Africa, hence increases in fuel price added to the costs of feed and lick, as well as medicinal inputs, therefore also increasing the Agric-inflation rate.

Total weighted cattle price dropped by 5.8% Y-o-Y, the drop resulted from a decrease of about 12% Y-o-Y in weaner prices. Slaughter price increased by about 11% Y-o-Y. Considering the entire 13 years of livestock price monitoring, cattle price increased by 157.3%, while on-farm expenses increased by 178.4%. Sheep price increased by 5.7% Y-o-Y, and by 206.5% over the entire 13 years of monitoring.

Over a complete 13 years of monitoring, the price-cost squeeze of cattle was 3.9%, and that of sheep was 0.6%. This shows that on-farm expenses continue to have a significant impact on the profits of cattle and sheep producers.



Source: NAU



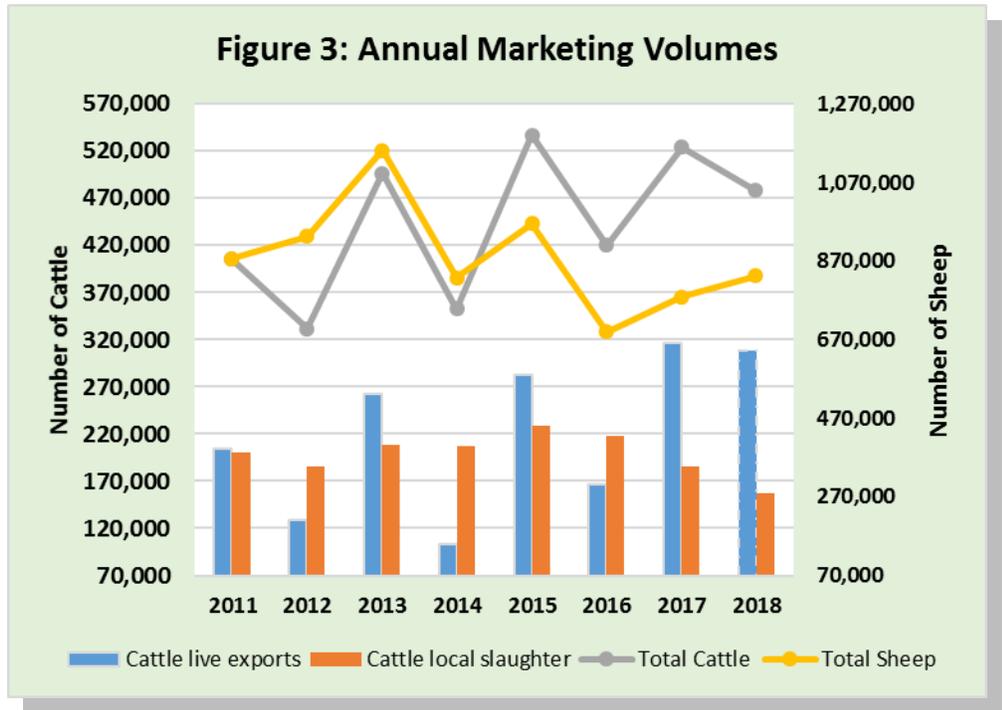
Source: NAU

**Market statistics**

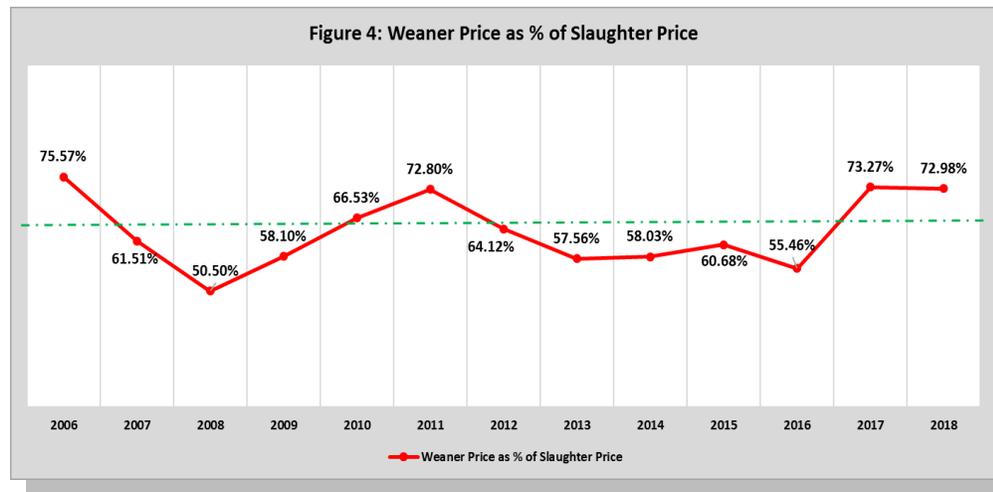
In 2017, low feeding costs at South African feedlots led to an increase in weaner price, which outperformed slaughter price. This caused a significant increase in weaner price as a percentage of slaughter price, see Figure 4. Stabilising weaner price in 2018 resulted in a slight drop in weaner price as a percentage of slaughter price, leaving the value at 73.0%. In the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2018, perhaps due to Meatco's new strategic plan, Meatco's A2 price increased with 2.9% more than the South Africa's A2 price.

Based on Meat Board statistics, in 2018, 306 697 live cattle were exported to South Africa, and 1 176 cattle were exported to Angola. Export abattoirs (Meatco, Brukkaros [before closure], Beefcor and N-VCF) slaughtered 77 471 units of cattle, while B&C class abattoirs' throughput was estimated to be around 80 000. According to the DVS records, 11 883 cattle were moved from the S-VCF to N-VCF.

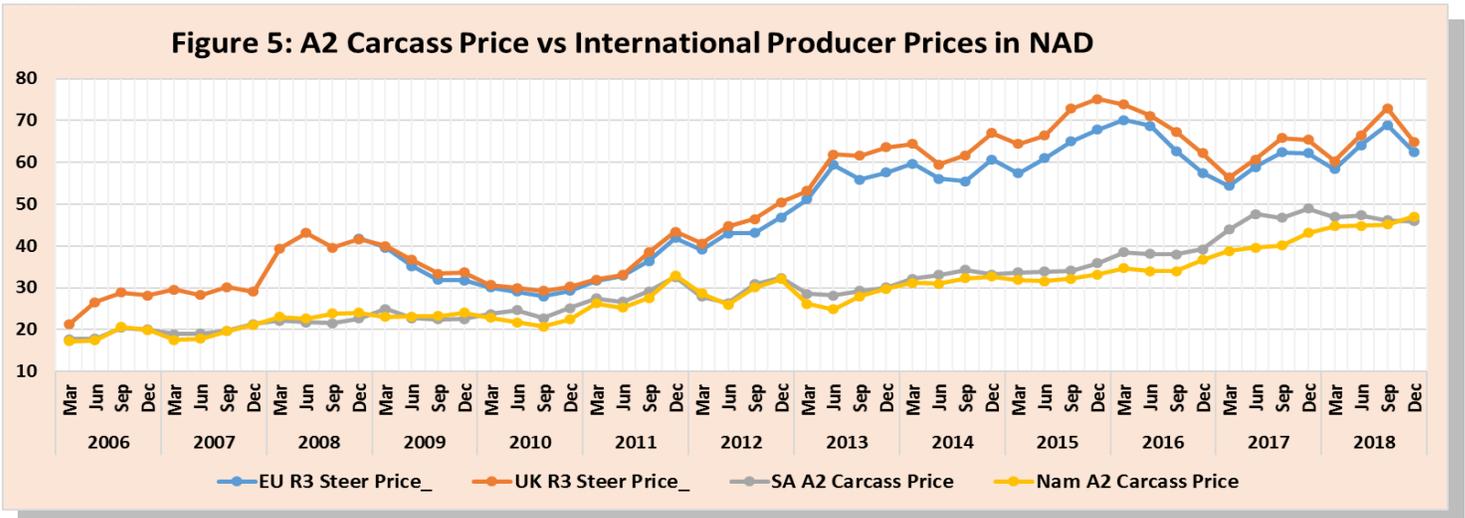
The small stock industry continues to produce despite the negativity surrounding the Small Stock Marketing Scheme. In that, 6.5% more sheep were marketed in 2018 compared to 2017. 205 025 heads of sheep were marketed to export abattoirs, 164 404 to B&C class abattoirs and 456 069 were exported. Of the total live sheep exported 455 189 went to South Africa, 831 to Angola, and 49 went to other countries, e.g. Botswana. Of the live sheep that went to South Africa 71.3% were normal sheep, 24.4% were too lean-too small sheep, 0.04% were studs and 4.24% were fat-tailed. As determined by DVS, 4 752 sheep were moved from the S-VCF to N-VCF.



Source: Meat Board of Namibia / NAU

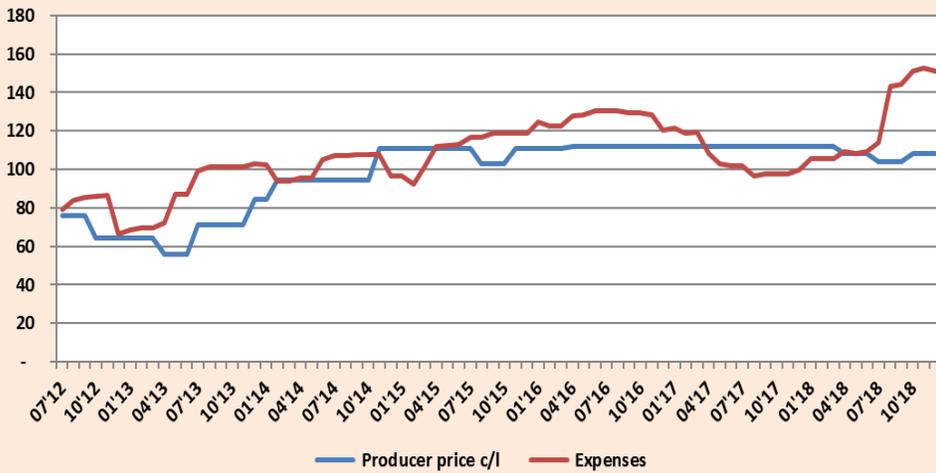


Source: NAU



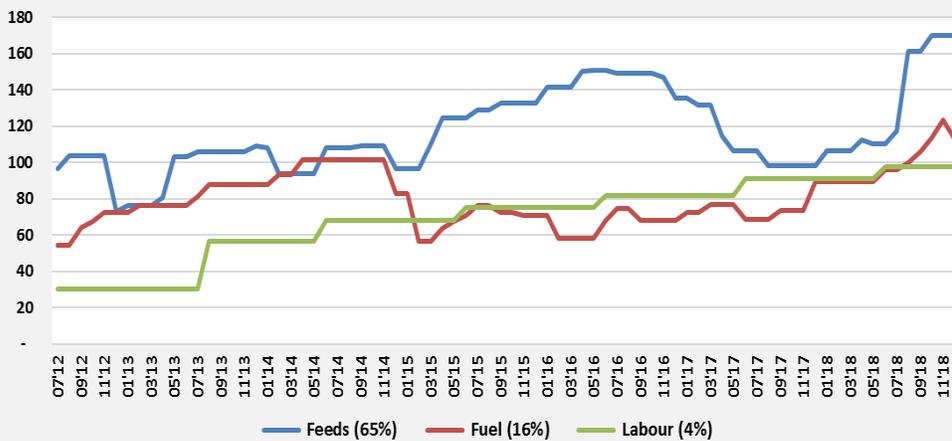
Source: NAU

Figure 6: Milk Production Index



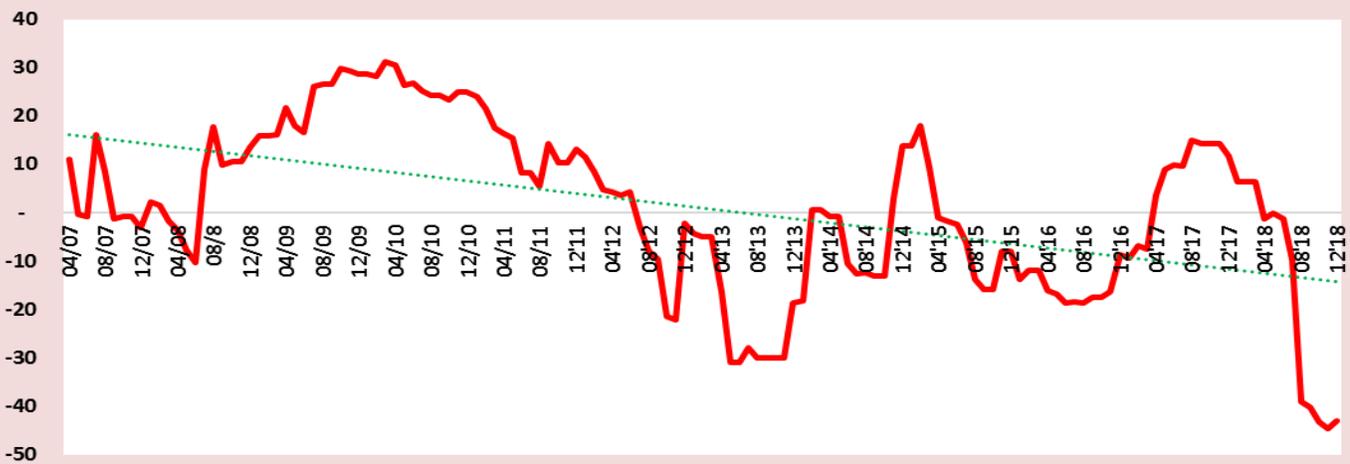
Source: NAU

Figure 7: High Impact Inputs



Source: NAU

Figure 8: Raw Milk Profit Margin



Source: NAU

### Dairy industry

The profitability and survival of the dairy industry is at risk. In 2017, a bumper harvest in South Africa led to reduced feed prices, causing feed costs to decrease. Nevertheless, increases in fuel price in 2018, increased feed costs. Since, feed has a high total weighted average of 65% in the milk production cost index (PCI), any increase or decrease in feed price is expected to have a major impact on the milk index. Feed costs, in 2018, increased by 72.9% Y-o-Y, and fuel price increased by 25.7% Y-o-Y. In addition, milk producers had 2 (x 10 cents) price cuts in 2018. As a result, the farm-gate price of milk decreased by 1.8% Y-o-Y, whereas total expenses increased by 50.9% Y-o-Y.

A disproportionate increase in farm-gate price and total expenses negatively influenced the profits received by producers resulting in a price-cost squeeze of 2.6%. Dairy production has become costly and producers are not realizing any profits. There is a dire need for stakeholders to come together to save the dairy industry and prevent it from collapsing, accordingly prevent job losses and its negative impact on the economy at large. Supportive policy measures are required to protect the industry, and retailers are urged to support local dairy produce.

**Production value of different enterprises**

Table 1: Estimated Production Value	2016	2017	2018	Increase/Decrease (2017-2018) - %
Cattle	2,241,063,522	3,346,046,489	3,488,637,276	4.3
Sheep	621,642,533	867,788,315	946,366,865	9.1
Goats	122,966,812	144,496,607	142,280,829	-1.5
Agronomy	267,208,677	398,142,454	311,877,503	-21.7
Dairy	134,122,990	130,012,667	131,017,621	0.8
Pigs	114,268,583	120,995,833	113,514,103	-6.2
Grapes	770,000,000	819,833,875	673,833,000	-17.8
Poultry	535,965,000	850,653,292	908,641,667	6.8
Fresh Produce (Veg and Fruit)	174,208,986	210,832,000	221,566,093	5.1
Charcoal	168,000,000	184,800,000	306,720,000	66.0
Swakara	48,926,945	45,545,287	30,720,027	-32.6
<b>Total</b>	<b>5,198,374,049</b>	<b>7,119,146,818</b>	<b>7,275,174,984</b>	

Source: NAU

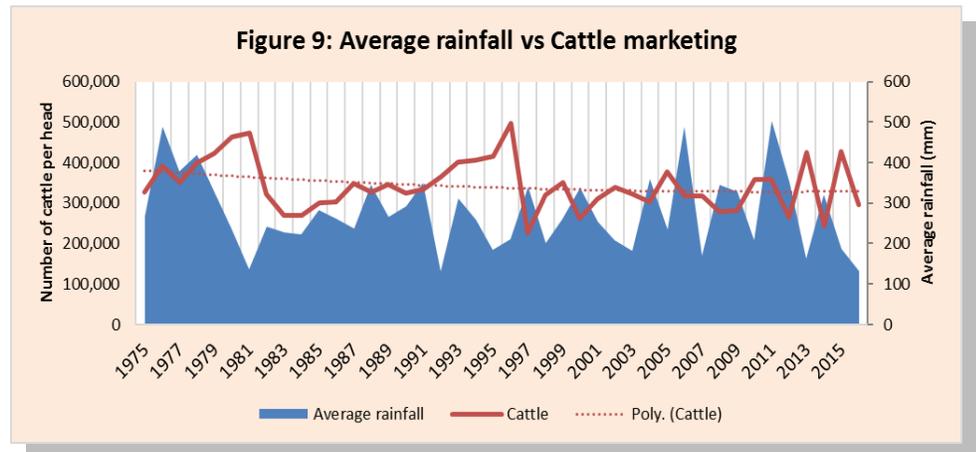
Table 1, contains production value estimates of various agricultural enterprises defined as the annual output from primary produce marketed in the formal market at actual nominal producer prices. Cattle, sheep, poultry and dairy had a positive production value. A slight increase in the value of cattle can be attributed to the slight increase in weaner and slaughter prices in the 4<sup>th</sup> quarter of 2018, and that of sheep due to an increase in live export marketing and better producer prices. The poultry industry saw a few more SME poultry producers entering the sector making a significant contribution to the sector. Beside the 2 price cuts in 2018, dairy producers also received a 10 cent increase the same year, causing the production value to increase by 0.8%. The production value of pigs and goats dropped by 6.2% Y-o-Y and 1.5% Y-o-Y, respectively. The value of pigs dropped as a result of a decrease in marketing, whereas that of goats was due to a 3.7% (Y-o-Y) decrease in goat price. Swakara industry experienced a drastic 32% Y-o-Y drop in production value, because of a decrease in price and quantity marketed.

The estimated production value for the Agronomic and Grapes industry declined. In terms of Agronomy, the reduction resulted from low production, whereas, that of grapes was due to a decrease in price. The charcoal industry had a great 2018, because total production as well as price increased resulting in a massive 66% Y-o-Y increase.

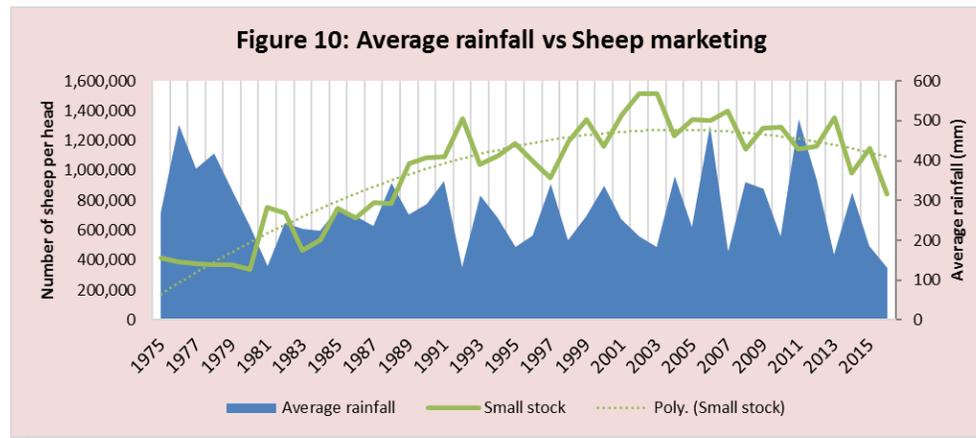
**Rainfall**

When rainfall is below average, the farm’s carrying capacity reduces, which negatively influence on-farm stocking rates. Furthermore, below average rainfall brings about increased marketing of livestock (see Figure 9 and 10) in order to reduce the number of animals on the veld and decrease pressure on the available rangeland, as well as prevent major financial losses.

**Outlook:** For 2019, Namibia is experiencing below average rainfall, which is anticipated to be worse than the 2013 drought because rangelands did not have enough time to recover. Farmers are expected to destock by selling their livestock, however at lower producer prices. The foot-and-mouth disease (FMD) outbreak in South Africa has made the situation worse, as it has put further pressure on producer prices. Again, with increasing feed and input costs and the current low producer prices, most if not all farmers will be experiencing financial losses.



Source: Metrological Service of Namibia/NAU



Source: Metrological Service of Namibia/NAU