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1st Quarter Review - 2019

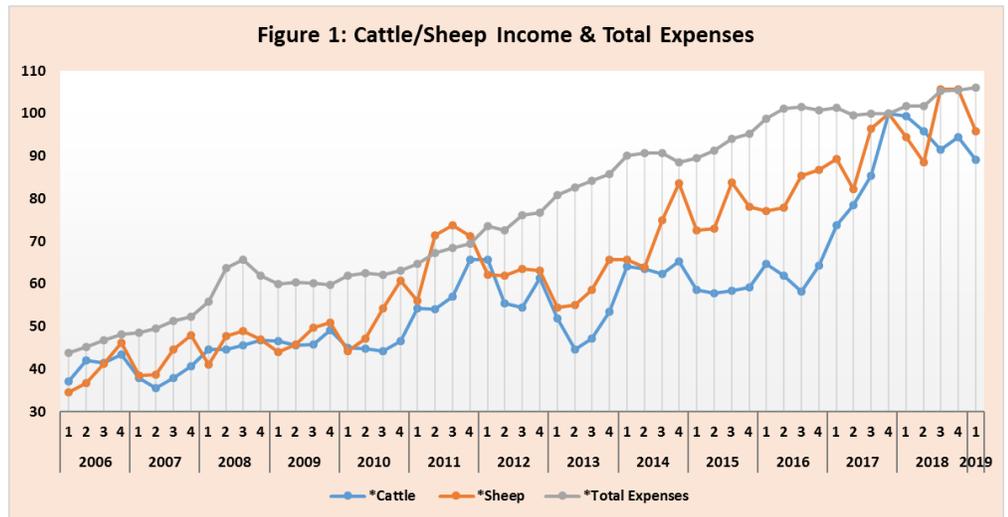
**Please note that the NAU uses 2017 as the new base year.*

Inflation of agricultural expenses

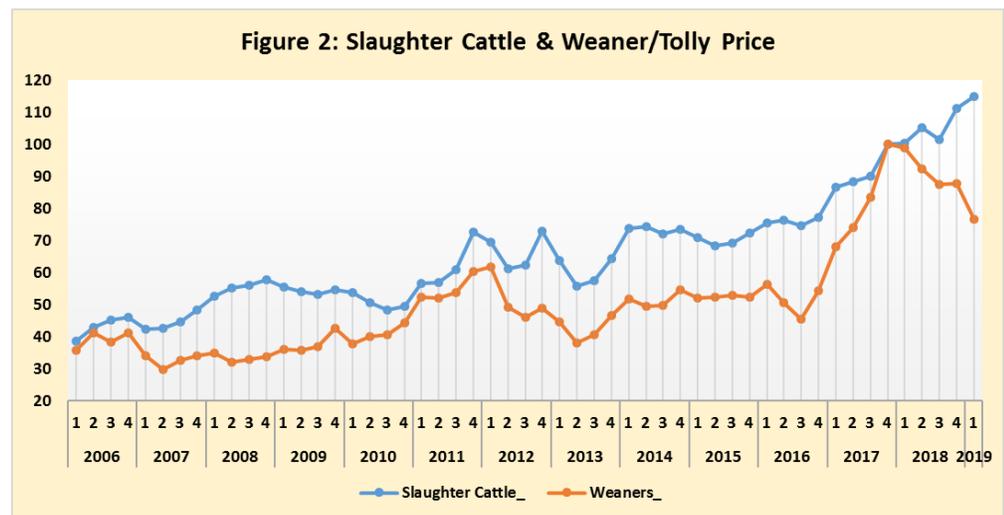
Farmers are braced with yet another drought, which negatively affected both cattle and sheep prices, as well as fodder production. Livestock prices fell drastically, while the Agric-inflation rate increased. Note: NAU changed the Production Cost Index base year from 2006 to 2017. Using the new figures, the Agric-inflation rate increased by 4.4% Y-o-Y during the 1st quarter of 2019. This was mainly driven by an 8.6% Y-o-Y increase in feed costs, a 6.1% Y-o-Y increase in capital expenditure, and a 6.5% Y-o-Y increase in fuel prices.

Comparing the 2018-quarter 1 (Q1) prices to that of 2019-Q1, cattle prices dropped by 10.3% Y-o-Y, while the agricultural production expenses increased (see Figure 1). A decrease in the total weighted cattle prices, over the past 12 months was primarily due to a 22.6% drop-in weaner prices, while slaughter prices increased by 14.7% (see Figure 2). The increase in slaughter prices resulted from Meatco keeping their prices stable for the past months despite a drop in other livestock prices. Sheep prices increased slightly by about 1.4% Y-o-Y.

Evidently, producers continue to pay more for a basket of inputs used than what they receive for their output. For over 13 years of monitoring, the price-cost squeeze of cattle is estimated at 4.0% per annum, and for sheep at 0.7% annum. Besides recurring droughts, on-farm expenses continue to have a significant impact on producer profits.



Source: NAU



Source: NAU

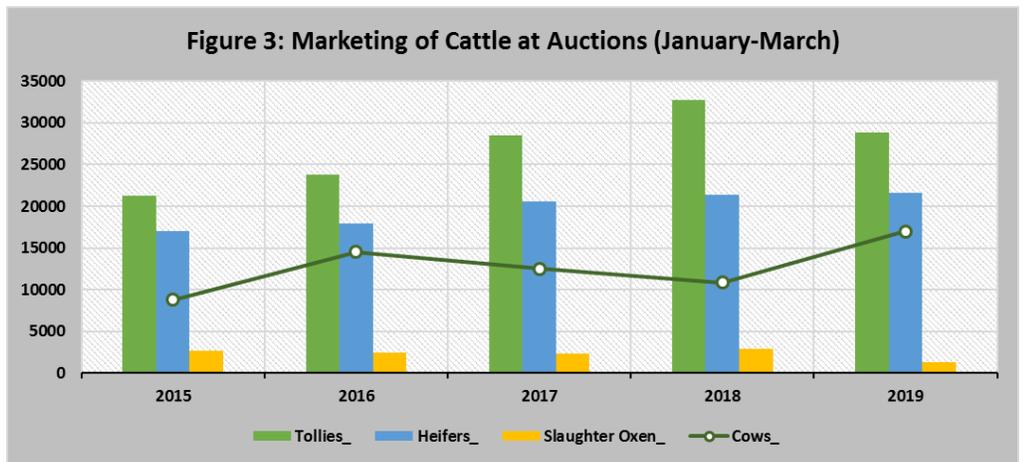
Market statistics

Livestock mortality rates are increasing and the current grazing condition is threatening the livestock industry. To reduce pressure on the limited grazing and to prevent financial losses farmers are destocking.

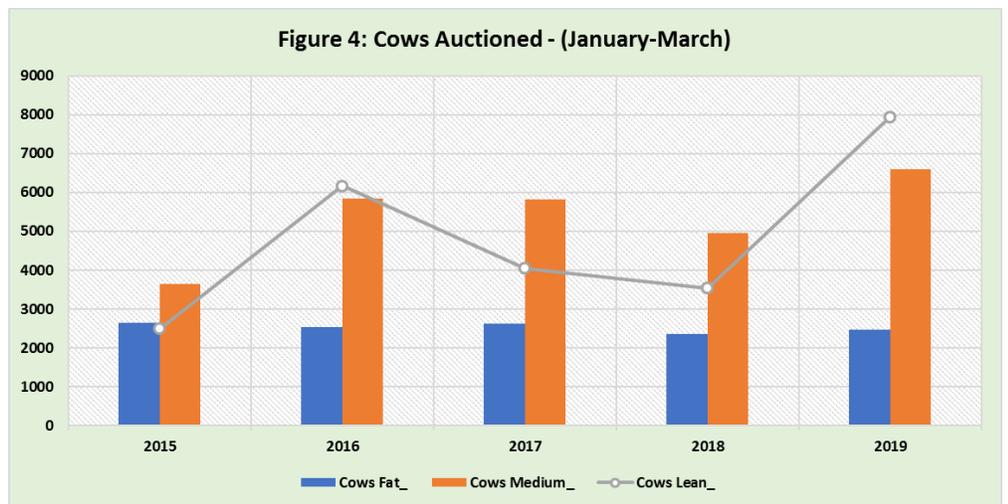
For the 1st quarter of 2019, and based on Meat Board’s statistics, 63 067 live cattle were exported to South Africa, 219 were exported to Angola and 131 to other countries. Export abattoirs slaughtered about 21 494 units of cattle. Sheep export abattoirs received a throughput of about 53 851 heads of sheep and 104 196 live sheep were exported. Of the total live sheep exported, 40.3% were slaughter sheep, 11.4% were fat-tailed sheep, and a remarkable 48.3% were too lean-too small sheep that increased due to insufficient pasture and drought conditions.

A total of 79 334 cattle were marketed at auctions, and of that number about 21.4% were cows. Comparing 2018-Q1 to 2019-Q1, the marketing of cows at auctions increased by about 56.4%, i.e. farmers auctioned 10 862 cows in 2018-Q1 and 16 989 head of cows in 2019-Q1. A lack of grazing and fodder in some areas led to an increased marketing of lean cows. Hence, farmers auctioned 3 538 lean cows in 2018-Q1, and 7 941 lean cows in 2019-Q1, which means that the marketing of lean cows grew by 124.4%. An increase in cow marketing reduces the future reproductive capacity of the cattle industry.

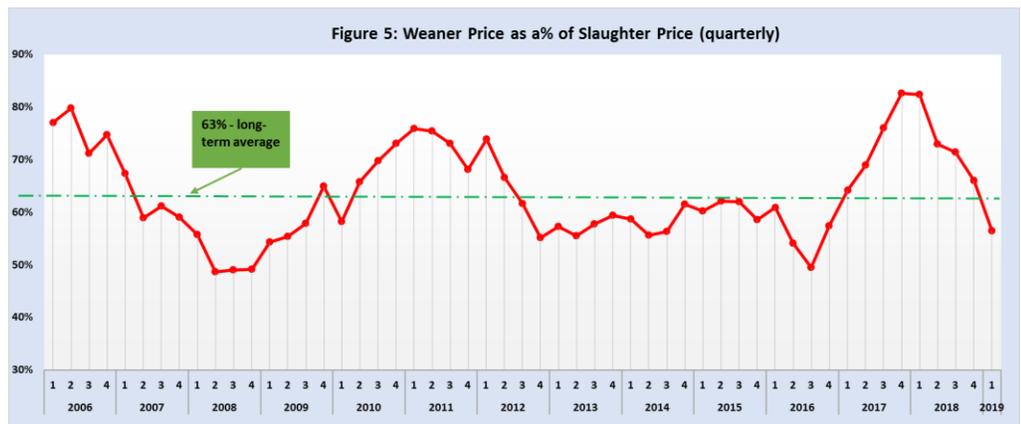
Weaner price as a percentage of slaughter price stood at 56.5% in 2019-Q1, which falls below the long-term average (see Figure 4). This means an ox production system is currently more profitable than a weaner production system, all thanks to Meatco’s stable slaughter prices. Meatco’s A2 price continues to be higher than the South African’s A2 price by 13.3%.



Source: LABTA / NAU



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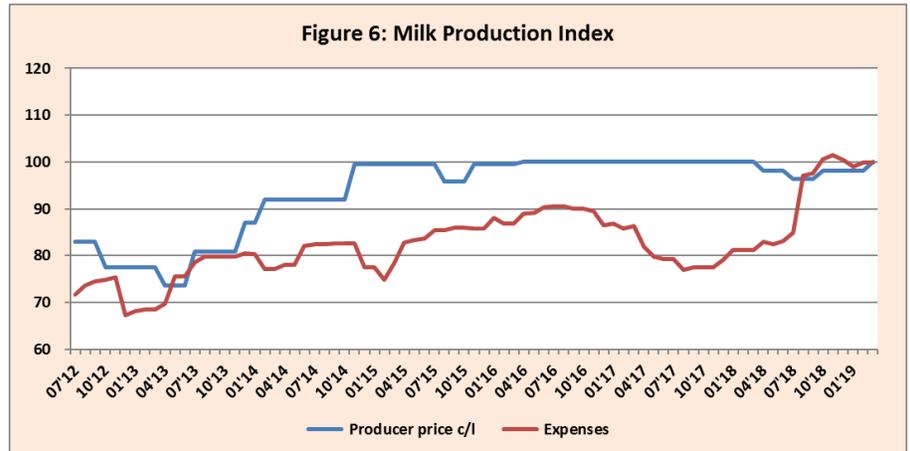


Source: NAU

Dairy industry

The current low level of water in the Hardap dam is affecting fodder (e.g. Lucerne) production, which is a very important component in dairy production for optimal milk quantities. Additionally, the small industry has no Government support leaving it vulnerable and barely able to compete with large South African dairy industries.

Comparing 2018-Q1 prices to 2019-Q1 prices, feed costs increased by 32.8% Y-o-Y, fuel prices increased by 4.5% Y-o-Y and labour increased by 3.6% Y-o-Y, and all these expense items permitted total expenses to increase by 23.0% Y-o-Y. Whereas, there was no change in farm-gate prices of milk (see Figure 6).



Source: NAU

Looking at the past 12 years, the price-cost squeeze of dairy producers stood at 0.98% per annum. High increases in total expenses accompanied by minimal increases or no changes in farm-gate prices negatively affect producer income. The Namibian dairy industry is in a predicament and support to this industry is required, otherwise if the current trend persists, jobs will be lost and this will have negative impact on the economy at large.

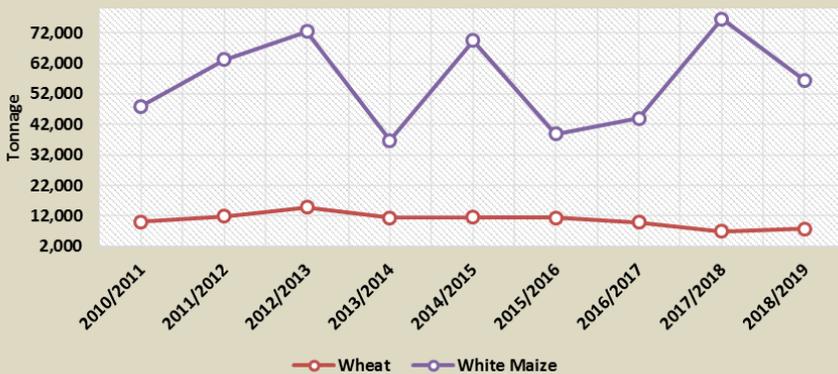
Agronomy industry

Wheat is a winter crop produced under irrigation. According to AMTA, during the 2018/2019 season farmers marketed 7 626 ton of wheat from October 2018 - February 2019. More than half (i.e. 4 369 ton) of the total marketed wheat came from areas in the South, whereas 2 359 ton (30.9%) came from Kavango, and 898 ton (11.8%) came from Karstland (Maize Triangle).

White maize is produced under rainfed and irrigation. In the 2018 season, 56 421 ton of white maize was marketed from May 2018 – December 2018. Of the total white maize marketed during the 2018/2019 period, 32 598 ton (57.8%) was from irrigated areas, and 23 823 ton (42.2%) was from rainfed areas.

For the 2019/2020 season, the white maize sector anticipates a harvest of about 35 530 ton of white maize, which will be 37% less of the 2018/2019 harvest. The decrease in production is attributable to crop failure and lack of planting due to poor rains. It is unanticipated that there will be a shortage of white maize in the local market throughout 2019/2020 season, given that the monthly production tonnage is below the average monthly domestic demand by millers of at least 14 500 tons (according to AMTA’s report).

Figure 7: Wheat & White Maize production marketed through formal local markets



Source: AMTA

Dam levels

Table 1: Dam Levels in Namibia			
Date of NamWater Bulletin: 06/05/2019			
Reservoir	Present % of Full Capacity	% of Full Capacity One Week Ago	% Last Season
Swakoppoort Dam	14.3	14.8	40.1
Von Bach Dam	43.8	44.1	56.2
Omatako Dam	0	0	7.1
Friedenau Dam	27.4	27.5	38.7
Goreangab Dam	100	100.2	100.2
Otjivero Main Dam	3.3	3.4	9.6
Tilda Viljoen Dam	3.6	3.6	31.9
Daan Viljoen	2.3	1.9	22.4
Hardap Dam	22.4	22.9	47.2
Naute Dam	91.8	92.4	86.4
Oanob Dam	50.4	50.7	68.1

Source: NamWater

Due to a lack of rainfall, dam levels in Namibia have decreased (See Table 1). For example, last season the Hardap dam was 47.2% of full capacity, by the 06th of May 2019 the dam stood at 22.4% of full capacity. Both the Mariental community and irrigation farms surrounding the Hardap dam use water from the dam.

An estimated monthly water usage from the Hardap dam is 2% per month, and with the current status quo the dam will only be able to supply water for less than a year. This is likely to affect Government irrigation projects, the Mariental community as well as different farms that rely on the dam as a source of water supply, thus leading to more diminishing agricultural produce, job losses and a negative influence on the Mariental economy.

Rangeland

Temperatures are expected to increase in the long-term by 2-6 degree celcius on average, and over the past years Namibia has been experiencing the consequence of climate change, which include higher evaporation rates, water shortage, floods and recurring droughts. Variable rainfall, and other factors have placed a lot of stress on the Namibian rangeland leading to fragile and poor vegetation cover, and hence a low carrying capacity on agricultural land. Figure 8, gives an indication of the current vegetation cover in comparison to the same time in the last 17 years.

It is seen that the available vegetation cover cannot support a large number of livestock animals on farms with the current drought conditions. According to Figure 9, the vegetative condition of 92% of all hectares of land in Namibia is below normal, while a staggering 64% of all land has a condition less than 20% of the norm. In order to ease pressure on the available vegetation farmers are urged to urgently destock to prevent financial losses.

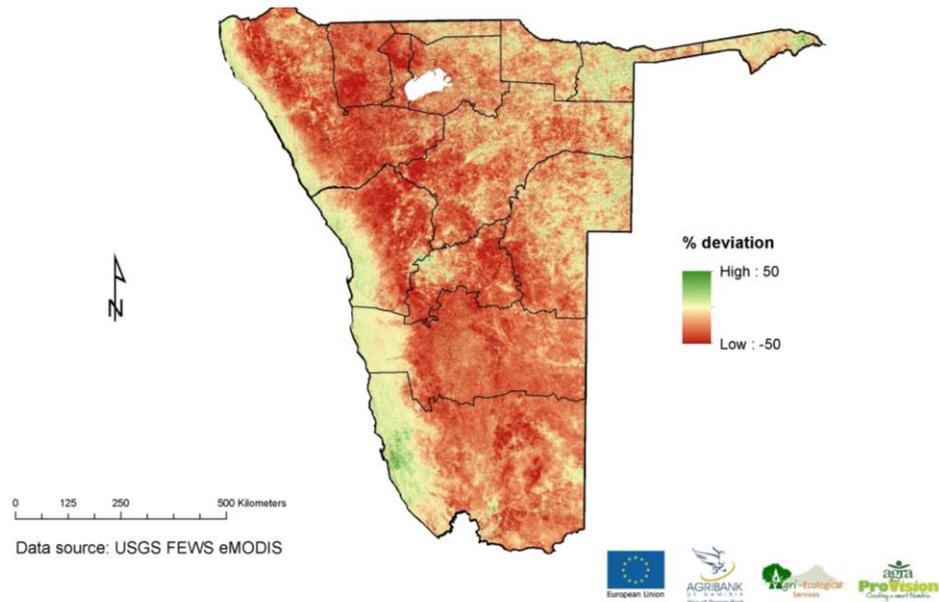


Figure 8: Deviation of the 01 to 10 May 2019 period’s vegetation index (NDV) from the long-term average (since 2002)

Source: Namibia Rangelands website

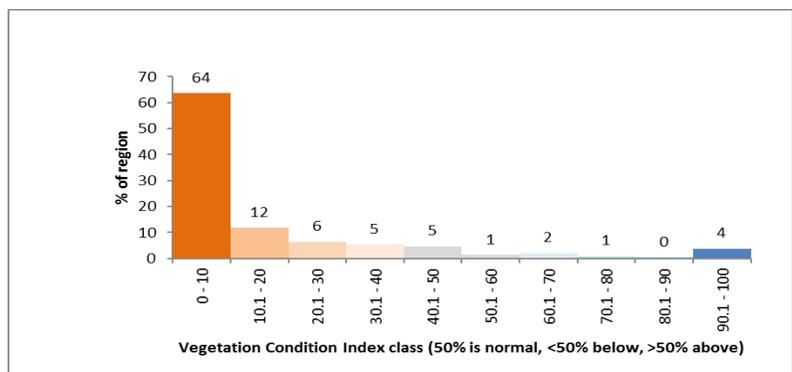


Figure 9: Total vegetation cover in Namibia

Source: Dr C. van der Waal