



Ministry of Agriculture
Agricultural Marketing Section

AGRICULTURAL COMMODITY Market Outlook

Seasonal Market Perspective-Trends and Prospects

June, 2023

HIGHLIGHTS

- ✓ International commodity prices continued to fall in the first half of 2023 from their record highs in 2022, owing to weakening demand and improvements in the global trade supply chain
- ✓ Prices are expected to remain above average through 2023 in some East African countries. The projected food deficit in some countries is expected to increase the flow of food commodities from food basket countries like Tanzania
- ✓ Prices of major food crops in domestic markets remained 50% higher in May 2023 than in May 2022. However, as seasonal harvests approach, prices have begun to decrease. Prices are expected to fall by 10 to 20% in the next two months
- ✓ Domestic production of traditional export crops increased in 2022/23 and is expected to increase further in the 2023/24 agricultural season due to improved extension service delivery, farm expansion, and improved distribution of farm inputs such as seeds and fertilizer. Similarly, despite a weakening global market, export values increased marginally during the same period
- ✓ International fertilizer prices continued to fall in 2023. Prices are projected to continue declining throughout 2023 as supply disruptions gradually ease and energy input prices fall. The fertilizer subsidy recently provided in Tanzania is expected to improve crop productivity. Domestic fertilizer production is expected to reach 1.5 million tons by 2030

I. CEREAL AND OTHER FOOD CROPS

Overview of the Commodity Group: Cereal and other food crops consist of maize, rice, beans, sorghum, round potatoes, millet etc. The sector involves approximately 8.5 million households. The sector is predominantly informal with stiff competition from large number of small and medium enterprises. The sector earns at least USD 300 million per year, primarily through regional trade. The scale of commodity value addition and agro-processing varies from small to large, with increased consolidation.

Regional Perspective: Food prices in East African countries have risen dramatically in the last three years. Prices of staple food commodities remained high due to lower-than-average production in the 2021/22 season ([FAO,2022](#); [EAGC,2022](#)). Accordingly, prices are expected to remain above average through 2023, with food availability impacted by below-average rainfall in the 2022/23 season, as well as rising production and transportation costs ([WFP, 2023](#)). Some countries as indicated in table 1 are likely to face food insecurity by August, 2023 and hence emergency food assistance ([FEWS NET¹, 2023](#); [World Bank,2023](#)).

Table 1: East Africa's food insecurity population in 2023

Country	# in million
Ethiopia	>15
DRC	>15
Somalia	>10
South Sudan	>10
Kenya	5-9.9
Uganda	2.5-4.99

Source: FEWSNET, 2023

Domestic Perspective

Tanzania has been food self-sufficient for the past ten years, with a Self-Sufficient Ratio between 115% and 126%. Tanzania's population is 61.74 million, and it is expected to reach 71 million by 2030 ([NBS,2022](#)). Despite being self-sufficient in food, a 15% surplus is insufficient to offset the negative effects of climate change and rapid population growth.

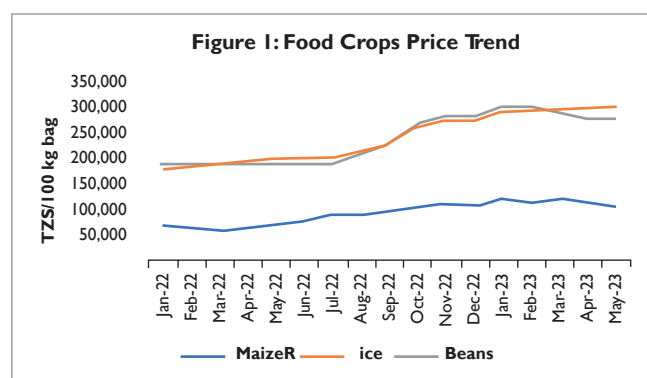
Food prices remained high in the first half of 2023 in comparison to the same period the previous year. Maize (51%), rice (51%), and beans (49%) all saw significant price increases. Food prices, particularly maize

¹ FEWS NET-Food Assistance Outlook Brief, May 2023

and beans, rose significantly in the second half of 2022, peaked in March 2023, and then fell slightly in the months that followed (Figure 1). Maize prices declined by 12% from TZS 119,800 per 100 kg bag in March 2023 to TZS 105,000 in May. Similarly, bean prices fell by three percent during the same period, from TZS 187,000 per 100kg bag to TZS 277,000 per bag. On the other hand, rice prices remained elevated throughout the first half of 2023, increasing slightly by two percent from March to May. Although prices have begun to fall as the harvesting season approaches, they have remained above their levels in 2022 and the five-year average.

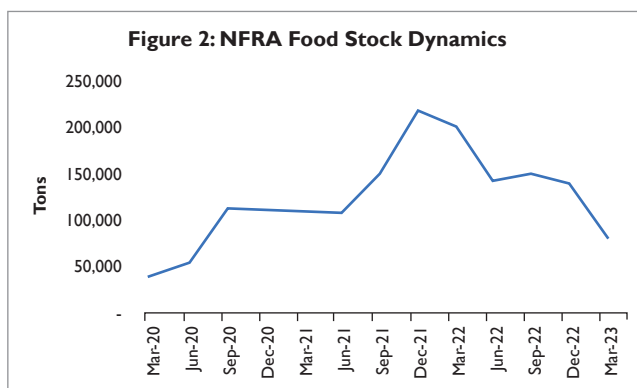
Factors behind the observed trend include;

- ✓ First, increase in production costs due to increase in fertilizer. Domestic fertilizer prices increased up to TZS 150,000 per 50 kg bag.
- ✓ Second, fuel costs increased significantly with implication on higher transportation costs. Domestic average prices of petrol and diesel were higher by 14% and 33% respectively in the quarter ending March 2023 than in the corresponding quarter in 2022 ([BoT, 2023](#)).
- ✓ Third, decline in production in some producing areas in the 2021/2022 season caused by the effects of climate change and thus led to rising prices for some food crops. In response, the National Food Reserve Agency (NFRA) recently distributed about 75,000 tons to food deficit districts at subsidized prices to curb the effects of price increase.



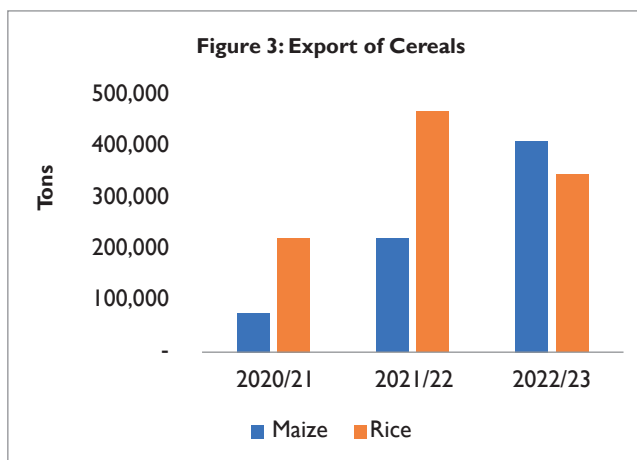
Source: MIIT, 2023

Food stock: Generally, food situation remained satisfactory despite price increase. However, the recently release of stock by NFRA has depleted the stock level significantly (Figure 2). As a result, stock of food held by the Agency decreased to 80,000 tons in March 2023, from 200,000 tons in the similar period of 2022 ([MoA, 2023](#)).



Source: BoT, 2023

Tanzanian cereal exports have increased in the last three years. As of April 2023, 415,000 tons of maize worth USD Mil 71.5 and 352,000 tons of rice worth USD Mil 181 were exported in the regional markets (MoA, 2023). Tanzania is the region's primary source of cereals, accounting for a sizable share of total exports. ([EAGC, 2022](#)).



² Bank of Tanzania-Quarterly Economic Bulletin, March 2023.

Outlook

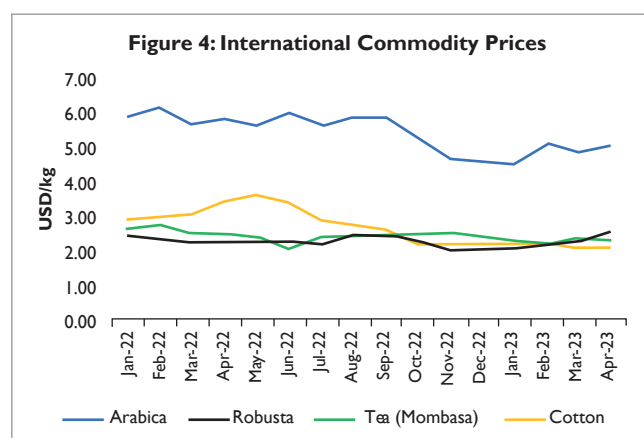
- ✓ Prices of staples continued to edge down during the first half of the year, mainly due to favorable ongoing or upcoming harvests prospects in key supplying regions. Markets are currently being supplied by early harvests of maize and beans, coupled with traders releasing stocks in anticipation of better harvests.
- ✓ Based on market trends and production prospects, we anticipate a 10 to 20 percent drop in food crop prices across markets over the next two months.
- ✓ Tanzania's supplies to regional markets are expected to improve as a result of comparatively lower cereal prices and the removal of export restrictions.

2. TRADITIONAL EXPORT CROPS

Overview of the Commodity Group:

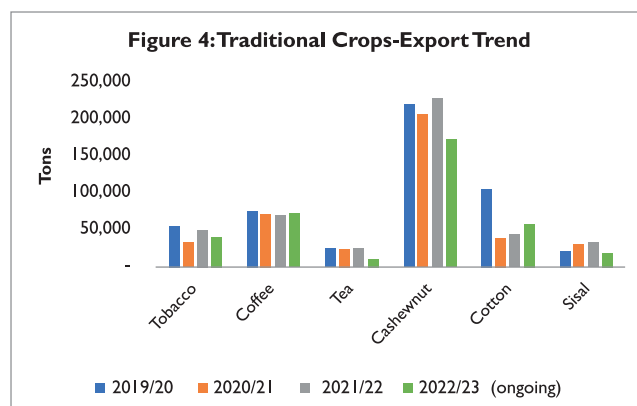
Traditional export crops consist of coffee, cashew nut, cotton, tobacco, tea, sisal, and pyrethrum. The sector is predominantly formal, with at least 1.5 million households involved. The sector includes large enterprises (both domestic and international corporations) with moderate competition. It primarily involves the formal export of crops, with annual foreign earnings ranging between USD 700 million and USD 1 billion. The sector is primarily processing, with most crops exported in raw form.

Global Perspective: Climate change, Covid-19, Russia's invasion of Ukraine, and inflation have all had a significant impact on the world's agricultural commodity markets, resulting in higher-than-average food and energy prices in 2022 (Figure 4). However, prices fell slightly in the first half of 2023 as a result of several factors, including weakening global demand and improvements in the trade supply chain (World Bank, 2023).



Source: World Bank, 2023

Domestic Performance: Overall production of cashew nut, coffee, seed cotton and sisal performed better than other crops in terms of production for 2021/22 season. While producer prices of coffee, seed cotton, green tea and tobacco increased, prices of cashew nuts and sisal slightly decreased (BoT, 2022). While export volumes show a mixed trend, commodities such as cotton and sisal increased (Figure 4).



Source: MoA, 2023



Traditional export crop export values increased to varying degrees in 2023 compared to last year. For the year ending March 2023, there was a significant increase in sisal (40%), cotton (29), tobacco (19), and coffee (12%) (Table 2). Tea export value, on the other hand, fell marginally by 3% ([BoT, 2023](#)).

Table 2: Traditional Export Crop Performance

Commodity	Mar-22 (Mil USD)	Mar-23 (Mil USD)	Change (%)
Cashewnuts	195.5	199.8	▲ 02
Coffee	161.8	181.9	▲ 12
Cotton	81.3	107.7	▲ 29
Sisal	19.1	26.6	▲ 40
Tea	31.3	30.4	▼ 03
Tobacco	145.7	173.1	▲ 19

Source: BoT, 2023

Prospects: Domestic production of traditional export crops is expected to rise in the 2023/24 agricultural season as a result of improved extension service delivery, farm expansion, and improved distribution of farm inputs such as seeds and fertilizer ([MoA, 2023](#)). International prices are expected to remain relatively stable in the rest of 2023, owing to anticipated supply improvement and a decline in global demand ([World Bank, 2023](#)).

3. NON-TRADITIONAL EXPORT CROPS

Overview of the Commodity Group: It includes horticulture and pulses. About 3.5 million households are engaged in the value chain. The sector is both formal and informal involving large and small size enterprises.

Performance: Pulse production has increased from 2.1 million tons in 2022/21 to approximately 2.3 million tons in 2021/22. In the same time period, avocado production increased from 149,000 tons to 188,700 tons ([MoA, 2023](#)). Similarly, exports of these crops are increasing. Avocado export increased significantly from 28,000 tons in 2021 to approximately 29,000 tons in 2022, with export value tripling in 2022 over 2020. Sesame and chick pea exports increased in 2022 compared to the previous year. Pigeon pea exports, on the other hand, fell (by 7%) from 116,000 tons in 2021 to 108,200 tons in 2022 (Table 3).

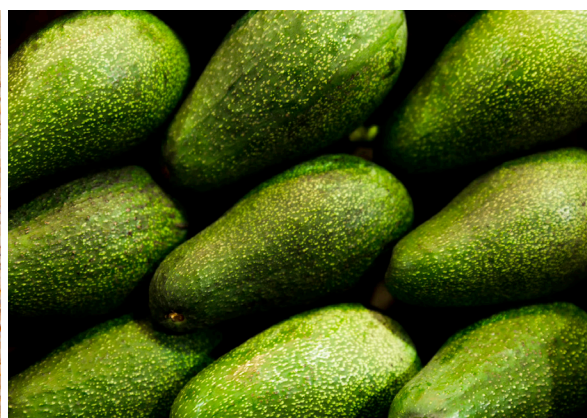


Table 3: Horticulture and Pulses Export Quantity and Value

		2020	2021	2022
Avocado	Volume (tons)	9,978	28,452	29,000
	Value (USD Mil)	17.96	51.21	52.25
Sesame (Ufuta)	Volume (tons)	114,920	110,701	120,987
	Value (USD Mil)	111.79	123.00	143.79
Pigeon pea (Mbaazi)	Volume (tons)	165,726	116,041	108,222
	Value (USD Mil)	79.24	63.96	51.73
Chick peas (Dengu)	Volume (tons)	47,827	65,050	167,547
	Value (USD Mil)	26.10	37.95	83.89

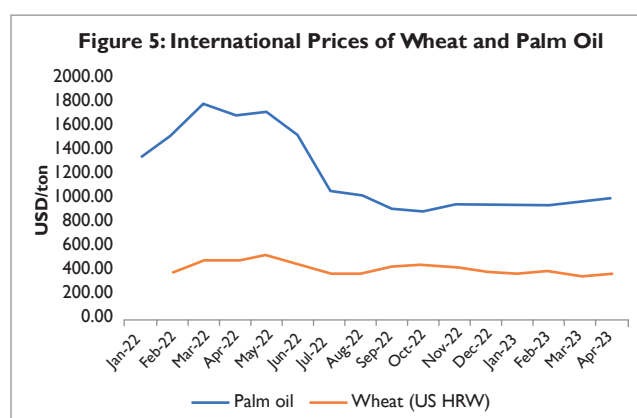
Source: MoA, 2023

Prospects: Pulse and avocado production are expected to increase in the 2023/24 season as a result of ongoing efforts in seed production and distribution to farmers, as well as market diversification to include both international markets while strengthening the domestic market.

4. IMPORT SUBSTITUTION COMMODITIES

Overview of the Commodity Group: Import substitutes consist of wheat, edible oil, and sugar. The value chain involves about one million people. It is predominantly formal sector with large and few oligopolistic enterprises, and limited competition. It also involves large local and international corporations. The commodities are mainly imported in a semi-processed level for domestic value addition. The import bill ranges from USD 300 mil to USD 640 million annually.

Global Perspective: The war in Ukraine has impacted the prices of wheat and edible oil. Prices have risen substantially in 2022 but declined and remained fairly stable in 2023 (Figure 5). The decline in international prices of wheat is a result of ample supplies, strong export competition and favorable production prospects ([FAO, 2023](#)). Edible oil prices, on the other hand, rose in the first half of 2022, then fell and remained relatively stable. The price drop was caused by improved crop prospects in major edible oil producing regions such as East Asia, as well as the lifting of Indonesia's export ban, which increased supply ([World Bank, 2022](#)).



Source: World Bank, 2023



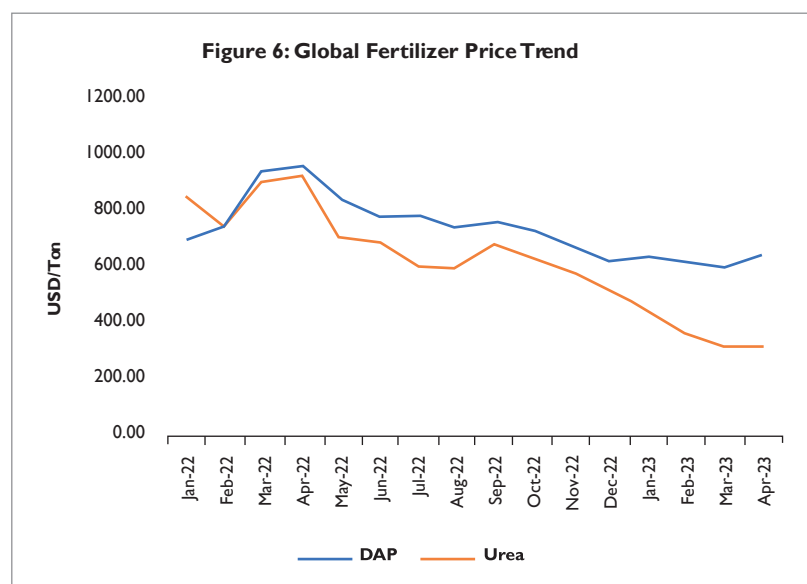
Domestic Perspective: Tanzania imports approximately 90% and 60% of its wheat and edible oil requirements respectively. Global commodity price increases have had a significant impact on domestic retail prices over the last two years. However, the drop in global palm oil and wheat prices in mid-2022 has caused price drops in domestic markets. To minimize the effect of global price increases, the government subsidized the sectors by distributing inputs including seeds to farmers in order to boost domestic production. Other initiatives in progress include providing tax incentives for local sunflower oil industries ([MoA, 2023](#)).

5. FARM INPUTS

Overview of the Commodity Group: Farm inputs consist of seed, fertilizer, and pesticides. The sector is predominantly import and formal, with approximately large importers linked with Small and Medium Scale Enterprises (SME's).

Global Perspective: International fertilizer prices continued to fall in 2023 (Figure 7). The price drop is associated with weak demand due to availability and affordability in many importing countries ([World Bank, 2022, AMIS, 2022](#)). Fertilizer prices, especially Urea, are affected by natural gas prices. Any increase in natural gas prices will have greater impact on fertilizer production. Prices are projected to continue declining throughout 2023 as supply disruptions gradually ease and energy input prices fall ([World Bank⁴, 2023](#)).

Domestic: To improve availability and affordability, the government subsidized the import of approximately 650,000 tons of fertilizer in 2022/23 season. The average price of subsidized fertilizer has been reduced from TZS 130,000 to TZS 70,000 per 50 kg bag. Furthermore, the new fertilizer factory in Dodoma (Itracom Fertilizer Limited) is expected to increase domestic production, improve fertilizer availability, lower production costs, and, ultimately, improve productivity. Domestic fertilizer production is expected to reach 1.6 million tons by 2030 as investor interest grows.



² World Bank-Commodity Markets Outlook, April 2023

LIST OF ABBREVIATIONS

AMIS	- Agricultural Market Information System
BoT	- Bank of Tanzania
EAGC	- Eastern Africa Grain Council
FEWS NET	- Famine Early Warning Systems Network
FAO	- Food and Agriculture Organization of the United Nations
MoA	- Ministry of Agriculture
MIIT	- Ministry of Investment, Industry and Trade
NFRA	- National Food Reserve Agency
WFP	- World Food Programme

About the Outlook

This report provides trend and outlook synthesis of six-months production, and harvesting and marketing seasons perspectives of agricultural commodities. The first outlook (January-July) provides outlook as approaching harvesting and marketing season while the second outlook (August to December) focuses on market trends and perspective as we head towards cropping season. The outlook covers five value chain groups including food crops, traditional export commodities, non-traditional export crops, import substitution commodities, and farm inputs.

Disclaimer

This market outlook is solely for informational purposes about market trends and what to expect as the harvest season or new cropping season approaches. The authors have made every effort to ensure the accuracy of the information provided; however, such accuracy cannot be guaranteed.

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