



Ensuring food security and inclusive development by identifying and addressing barriers to competition in the regional food supply chain

COMESA Experience

ACF WORKSHOP

5 MARCH 2024, LABOURDONNAIS WATERFRONT HOTEL, PORT LOUIS, MAURITIUS

Outline

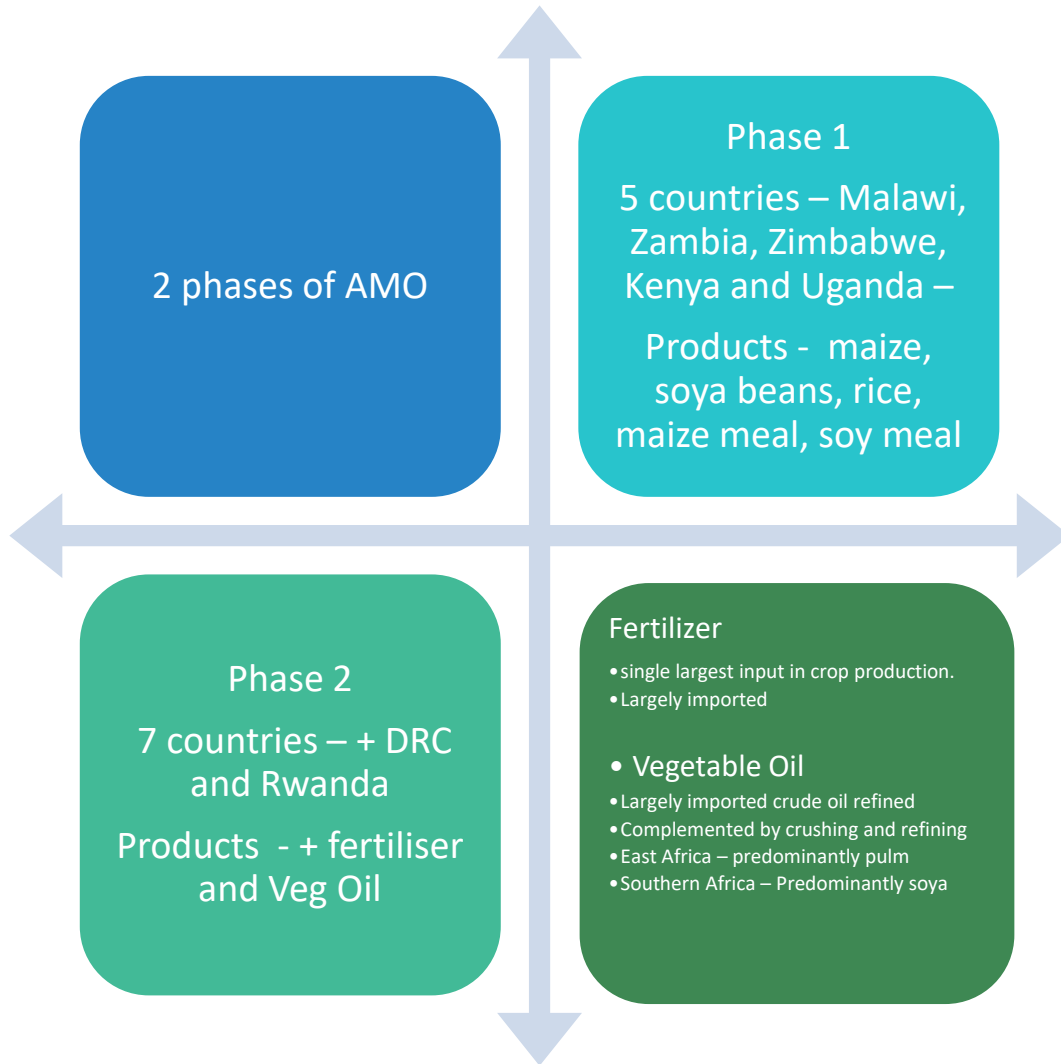
Introduction

Market Structures

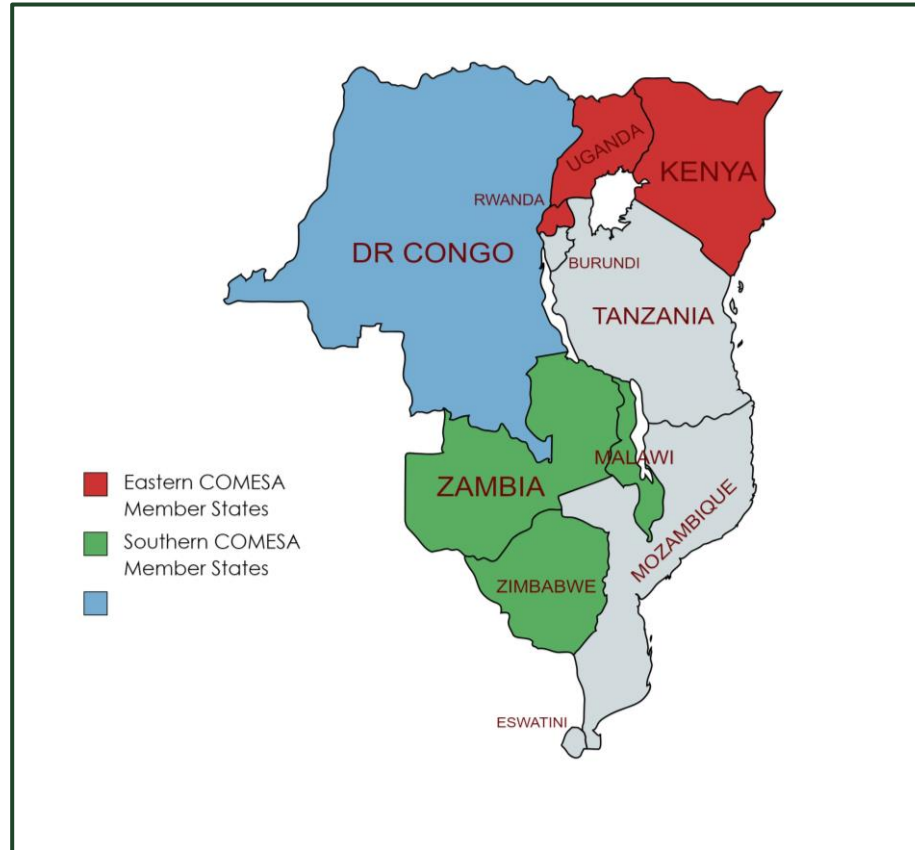
Pricing issues (Fertiliser and Veg Oil)

Observations

Priorities



Introduction



Market Structure Fertilizer

- Product markets: nitrogenous fertilizer, phosphates, potash, NPK blends – major companies bulk supply product basket; distribution
- Geographic markets: ship for East Africa, cross border market; Southern Africa market through Mozambique ports and from SA/Durban

East Africa

(metric tonnes)

Kenya (500 th)	Rwanda (100 th)	Uganda (60-90 th)
Yara (40%)	Yara (35 – 40%)	Yara
ETG/SABIC (40%)	ETG/SABIC (35 – 40%)	ETG/SABIC
OCP (20%)	Rwanda FertCo/OCP (15%)	OCP

Southern Africa

(metric tonnes)

Malawi (700 th)	Zambia (600-800 th)	Zimbabwe (600-850 th)	DRC (80 th)
ETG/SABIC (incl One Acre)	ETG/SABIC	ETG/SABIC	Indigo
Meridian/FSG	Meridian/FSG	Meridian/FSG (30%)	Others
	Yara	Windmill (~20%)	
	Omnia	ZFC Ltd (20%)	
	UCF		

Merger review – changes to market structure

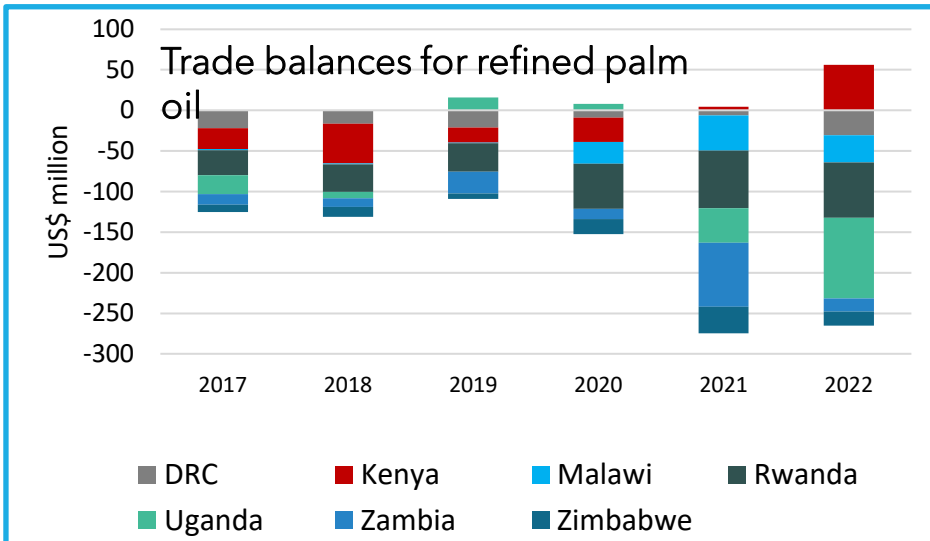
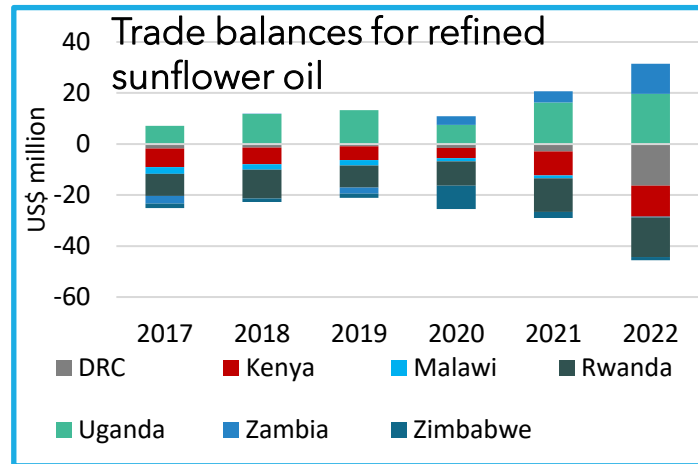
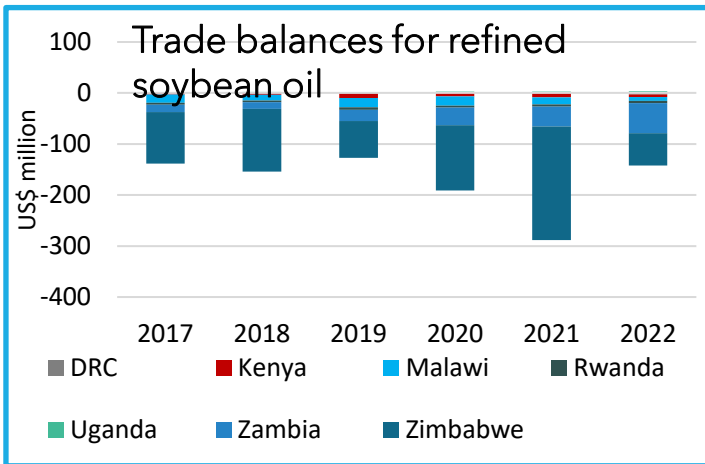
- Five mergers in recent years with possible effects in ESA
- Three involving major regional suppliers:
 - Yara Nederland BV & Greenbelt, December 2015
 - Saudi Arabian Mining Co & Meridian Cons Investments Ltd, May 2019
 - SABIC Agri-Nutrients Co and ETG Inputs Holdco Ltd, February 2023
 - Ø All approved based on little/no geographic overlap
 - Ø Regional analysis suggests were actual/potential competitors in highly concentrated markets, and coordinated effects concerns
- Two of multinational producers with sales into COMESA
 - Borealis AG and OMV Aktiengesellschaft 21st April 2020
 - Solevo Holding B.V. and its Subsidiaries and Development Partners International LLP On 13 December 2022

Southern Africa annual crushing capacity, MT

Zambia	Malawi	Zimbabwe
Global/Wilmar – 360 th	Sunseed-180 th	Wilmar/Olivine – 100 th
Mount Meru – 270 th	Mount Meru-150 th	ETG Parrogate – 80 th
ETG Parrogate – 240 th	ETG Parrogate/Agri Value Chain-100 th	Mount Meru – 75 th
Alliance Ginneries – 100 th	CORI – 70 th	Can Grow – 50 th
Sunglobe – 55 th		

East Africa annual refining capacity, MT

Kenya	Uganda	Rwanda
Bidco – 450 th	Mukwano – 90 th	Mount Meru – 72 th
Kappa – 400 th	Pembe	Kuyonja Distributors
Pwani Oil – 360 th	Bidco	
Menengai Oil Refiners – 100 th	Nayo Agro	
Gil Oil – 75 th		



Southern

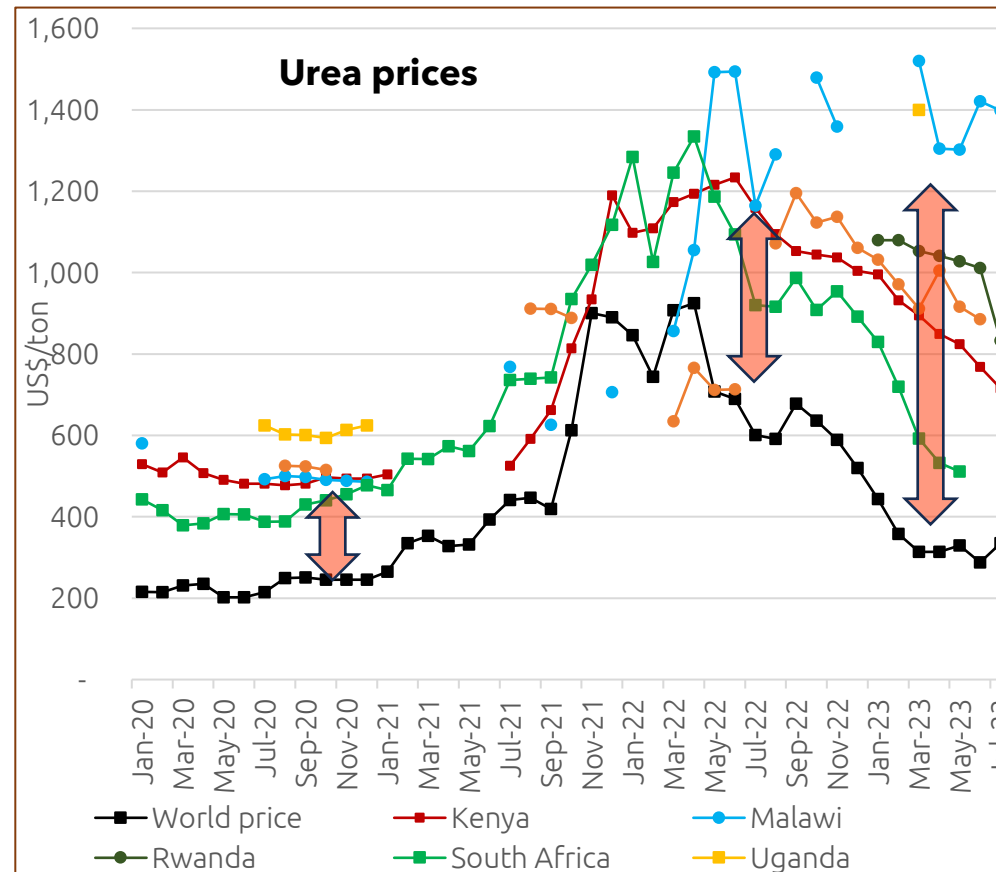
- Refined soybean and sunflower imports

Eastern:

- Refined oil exports by Kenya, refined oil imports Rwanda

Trade,
geographic
markets &
product
substitutability

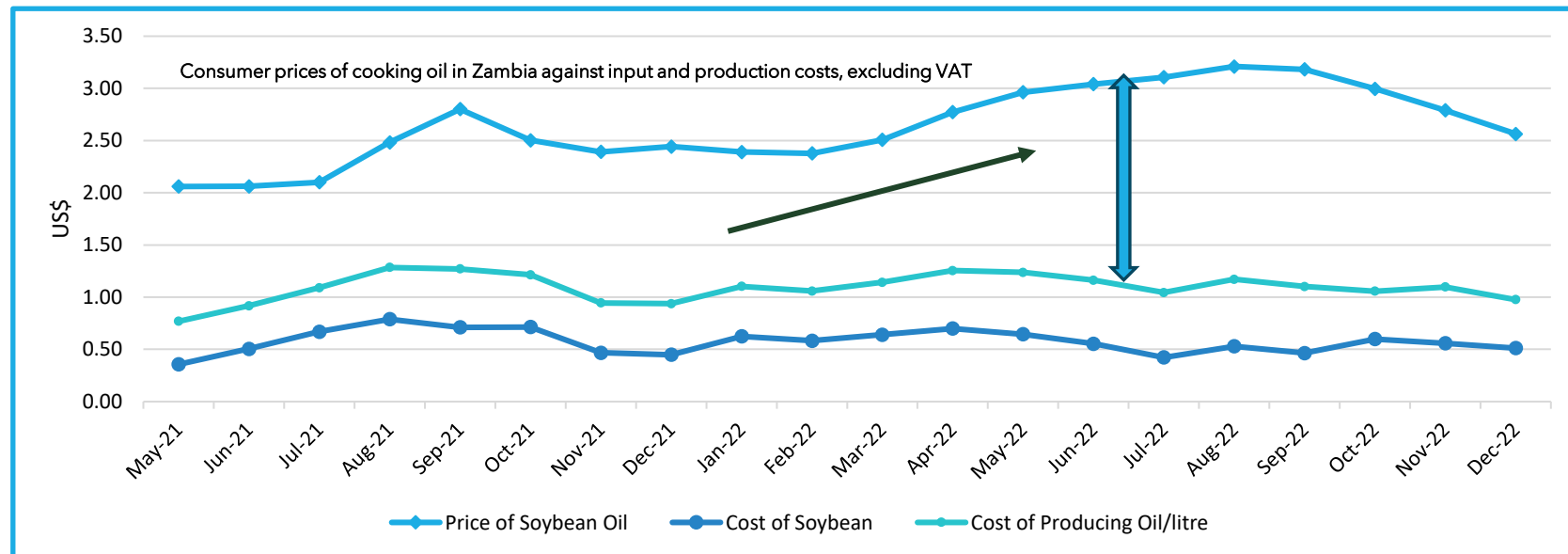
Fertiliser Pricing with Benchmarks



- High fert prices because natural gas price increases
- Prices in the region increased more & remain higher - as international prices decline
- Freight & logistics not cause of high fertiliser prices in the region
- Import price even higher in inland countries (US\$300-400/Mt more in Malawi & Zambia)

Vegetable Oil Pricing in Zambia

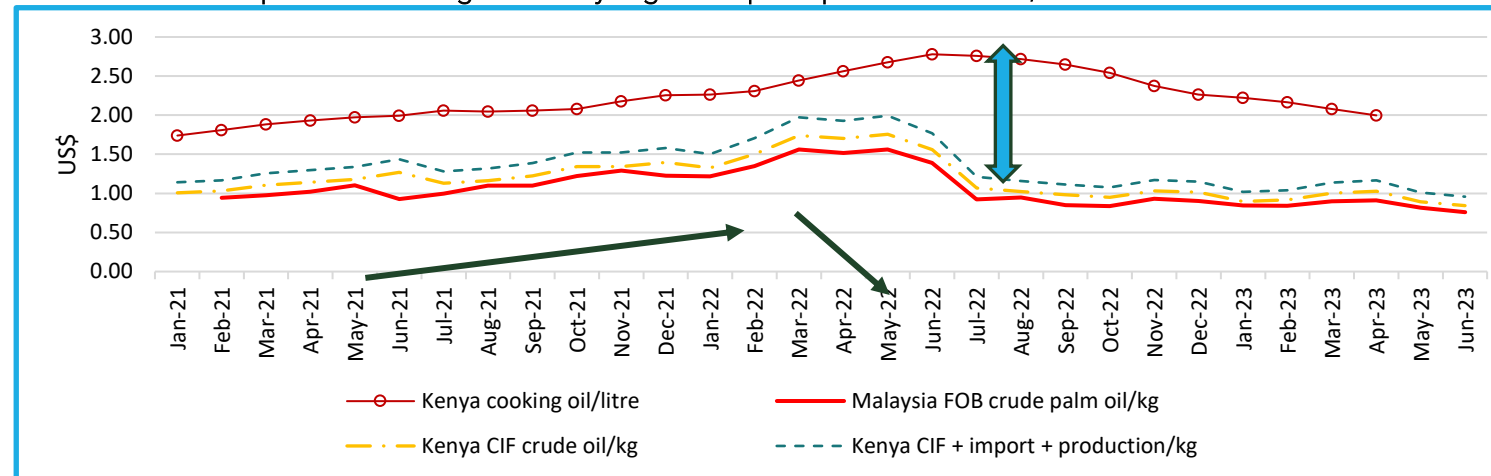
- Retail prices, excl. VAT, against input and production costs
- Rise in retail prices in July 2021, and from March 2022, yet:
 - Rise in production of soybean, 400th MT (2021), 500th (2022), soybeans 80-85% of production costs
 - Significantly low prices to farmers relative to prices in export markets (Nsomba et al 2021, 2022a, 2022b)
 - Noted exchange rate fluctuations over the same period, price fluctuations in local currency terms



Vegetable Oil Pricing in Kenya

- Retail prices, excl. VAT, against input, import and production costs
- Rise in costs from June 2021:
 - Rise in crude palm oil from \$0.93/kg to \$1.56 in May 2022
 - Rise in sea freight by 55% into first half of 2022
 - Effects on Kenya CIF prices
- BUT, drop in crude oil and sea freight costs from June 2022

Consumer prices of cooking oil in Kenya against input & production costs, excl VAT





General Conclusions

- African countries continue to be net food importers while having the potential for substantially greater agricultural production
- Yet food in African cities is expensive – prices have generally been much higher (30%+) than in other developing regions in the world
- Global shocks have contributed to rising food prices including in fertiliser and vegetable oil markets
- The study has found that markets are not working well across the east and southern African (ESA) region resulting in high food prices
 - Outcomes of broken regional markets, including through non-tariff barriers, exacerbated by climate change effects
 - Farmers at the heart of improved food systems, but earn little for produce
 - Concentrated markets at inputs, trade and processing

Fertiliser Market

Highly concentrated in ESA countries at the level of large volume import and supply with ability to source, ship and offload at ports

Tight oligopoly with few large firms, vertically integrated from production into wholesale and retail level across region

Local/regional distributors source from & compete with large suppliers

Mergers increase level of concentration, with cross-shareholdings, multi-market contact, information exchange

East Africa: similar market shares of two lead firms

Southern Africa: two lead firms, with some additional suppliers

Extremely high mark-ups in prices over international prices, not justified by freight & logistics

Prices across region are far above monthly benchmarks of prices & cost build-ups, which are in excess of actual import costs

Vegetable Oil Market



The Vegetable oil market is regional and is oligopolistic in nature.



Few number of players controlling the market which is highly concentrated.



Mergers and acquisitions contributing to high levels of concentration.



Prices of vegetable oil rise with the rise in global prices, high prices sustained even when the global prices fall.



Prices are high in relation to cost, the sustained high prices, attributed to high levels of concentration and market dynamics.



Need for policies that support the growth of oilseed production

Status

Given the current elnino-induced drought

Gvt policy (Food Security)

Financialisation of markets

Cross Ownership

High concentration

Inefficient markets



Priorities



COLLABORATION AT
NATIONAL, REGIONAL
AND INTERNATIONAL
LEVEL



ADVOCACY WITH
GVTS

COMPETITIVE
NEUTRALITY ON FDI



CONSTANT
MONITORING OF
MARKETS -
PROVISION OF
INFORMATION TO
REDUCE
INFORMATION
ASYMMETRY



THOROUGH SCRUTINY
OF MERGING PARTIES
BEYOND
INFORMATION
SUPPLIED IN THE
FORMS. – CHECK ON
POSSIBILITIES OF
CROSS
DIRECT...S AND

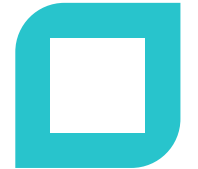
APPROPRIATE
REMEDIES.



POST MERGER
REVIEW



ANTI COMPETITIVE
PRACTICES
INVESTIGATIONS IN
AGRICULTURE
MARKETS.



A VALUE CHAIN
APPROACH TO FOOD
MARKET ANALYSIS

