

Agriculture: Future Scenarios for Southern Africa Country Briefing – Namibia

Prepared for Trade Knowledge Network Southern Africa

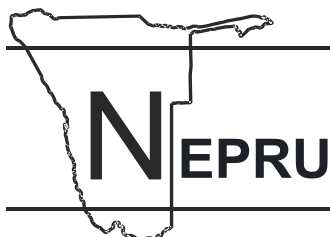
Mona Frøystad

Jürgen Hoffmann

Klaus Schade

December 2008

NEPRU WORKING PAPER NO. 113



THE NAMIBIAN ECONOMIC POLICY RESEARCH UNIT

Postal: P. O. Box 40710, Ausspannplatz, Windhoek, Namibia

Street: Cnr Louis Raymond & Grant Webster, Windhoek, Namibia

Tel.: +264 61 277500 *Fax:* +264 61 277501

eMail: nepru@nepru.org.na *Web Site:* www.nepru.org.na

NEPRU produces:

- Books
- Namibia Economic Review & Prospects
- Namibia Business Climate Survey
- Research Reports
- Working Papers
- Travel and Meeting Reports
- Occasional Papers
- NEPRU Viewpoints
- NEPRU News Bulletin
- NEPRU Policy Brief

Please turn to the back pages for a list of publications.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying, recording and storage in a retrieval system, without the written permission of the copyright holder except in accordance with the copyright legislation in force in the Republic of Namibia.

© Copyright 2008 by the Namibian Economic Policy Research Unit.

NEPRU Working Paper ISSN 1026-9258

First published in 2008 by the Namibian Economic Policy Research Unit,
P.O. Box 40710, Ausspannplatz, Windhoek, Namibia

Acknowledgements

We gratefully acknowledge the financial support of the International Institute for Sustainable Development. We would like to thank all institutions, companies and individuals who contributed with much needed data and information, most notably the personnel at the Ministry of Agriculture, Water and Forestry and the Namibian Agronomic Board.

Disclaimer

The opinions presented are those of the authors and should not be regarded as the views of the Trade Knowledge Network.

Executive Summary

In Namibia, food prices rose in May 2008 by 16.5 per cent compared to prices in May 2007, and by 40 per cent compared to May 2005. The driving forces of the current price spike of staple and other food products can largely be found in the regional and global context. However, food prices in Namibia increased less than in other countries due to a conservative pricing agreement between producers and millers. Roughly 1.5 million of Namibia's total population of about 2 million depend on subsistence farming for their household food security. While they are vulnerable to changing climate conditions the other part of the population, especially poor urban dwellers, are more vulnerable to food price increases.

As a member of the Southern African Customs Union (SACU), Namibia has surrendered its sovereignty over trade policy to a large extent to SACU. Namibia is also a member of the Southern African Development Community (SADC) Free Trade Agreement. Namibia has initialled an Interim Economic Partnership Agreement that allows duty-free and quota-free access to the European Union (EU) market. Namibia is a founding member of the World Trade Organization (WTO) and has been declared a net food importing developing country (NFIDC), a designation that will provide Namibia with more policy space in order to increase national food production.

Agriculture and agricultural development is one of the key policies of the Namibian government. The agricultural sector's performance is strongly dependent on weather conditions; hence food self-sufficiency varies between 35 per cent and 75 per cent of total demand. The government has implemented and continues to implement a set of measures to counteract the effects of climate change and rising food prices on the national food security situation of Namibia. Some of these are the usage of natural water courses for irrigation farming, the construction of national storage capacity for staple grains, increased long-term production through title deeds and targeted extensions, and targeted food assistance. Furthermore, the government is controlling the import of staple food and horticultural products in order to increase food security and exploit Namibia's agricultural production potential.

Table of contents

Acknowledgements	iii
Disclaimer	iii
Executive Summary	iv
List of abbreviations	vi
1. Introduction	1
2. Background	1
3. The Agricultural Sector's Development	3
4. Food Prices and Food Security	5
5. Household Food Security and Staple Food Prices	6
6. Government Action Plans	7
7. Trade Considerations	9
8. Conclusion	10
Bibliography	12
About the authors	13

List of abbreviations

EMU	Emergency Management Unit
EPA	Economic Partnership Agreement
GDP	gross domestic product
NAB	Namibian Agronomic Board
NFIDC	net food-importing developing country
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAFEX	South African Futures Exchange
WTO	World Trade Organization

1. Introduction

Namibia is affected by the global mismatch of food supply and demand, as well as increased oil prices. In Namibia, food prices rose in May 2008 by 16.5 per cent compared to prices in May 2007, and by 40 per cent compared to May 2005. During the same period, prices for all goods and services increased by 9.7 per cent and 23 per cent, respectively¹. Even though the food price increases have been substantial, they have not increased to the same extent as in other countries, due to Namibia's price setting mechanism for some staple commodities. While higher food prices affect all consumers, they also provide incentives for increased food production. However, due to the increase in the oil price, fertilizers and diesel have become substantially more expensive. More research is needed to assess the full effects of price increases on food security, livelihoods and agricultural opportunities.

2. Background

Namibia is located in the south-west of Africa bordering South Africa, Botswana, Zambia and Angola. It covers 824,000 square kilometres, but accommodates a small population of just 2 million people. Namibia is the driest country in sub-Saharan Africa, with an annual average rainfall of about 100 millimetres in the south, 400 millimetres in the central regions and around 600 millimetres mm in the north-east. The only perennial rivers form the borders with Angola and Zambia in the north and north-east, Botswana in the north-east and South Africa in the south. All rivers within the country are ephemeral and carry water during heavy rainfalls only. The Namib Desert – one of the oldest deserts on earth – stretches about 80 kilometres inland from the coast, while Namibia's eastern parts are characterized by the Kalahari Desert. Namibia is classified as a 'lower middle income' country, with a gross domestic product (GDP) per capita of around US\$3,000. However, income and wealth are very unevenly distributed in Namibia, illustrated by the Gini-coefficient of 0.6, based on the National Household Income and Expenditure Survey in 2003/04.² Namibia shares many developmental challenges with countries in the region: poverty; natural disasters such as floods and drought; the HIV/AIDS epidemic; concerns for quality education; and exposure to globalization, as well as rising food and fuel prices.

The tertiary sector contributes more than 50 per cent to GDP, followed by primary and secondary industries. Mining and quarrying account for about 13 per cent of GDP, compared with 6 per cent and 4 per cent for agriculture and fisheries,

¹ Central Bureau of Statistics, 2008, *The Namibian CPI bulletin*, Windhoek.

² Ibid.

respectively. Tourism is the third largest foreign exchange earner after diamond and fish exports. Although agriculture contributes only about 6 per cent to GDP, it is an important sector in terms of employment opportunities. About 29 per cent of the total population indicated subsistence farming as their main source of income, while in rural areas the corresponding figure is 48 per cent. Furthermore, agriculture provides the inputs for the manufacturing sector, in particular meat and food processing, hence adding further to employment creation.

The annual national budget allocates on average 7 per cent to agriculture and agricultural development. This is below the 10 per cent agreed in the Dar es Salaam Declaration of the SADC heads of state. Nevertheless, agriculture and agricultural development comprise one of the key policies of the Government of Namibia. Namibia's economic policy is based on the long-term Vision 2030, implemented through medium-term National Development Plans. The Third National Development Plan covers the period 2007–12, and aims, among other things, to enhance agricultural production both at the household and national levels in order to increase food security and create employment opportunities. One of the main goals is to utilize the soil in an optimal and sustainable manner in order to enhance crop and horticulture production. Another goal is to promote sustainable livestock production through the optimal and sustainable utilization of rangeland. It is the national objective to achieve national food security, not food self-sufficiency. Hence, government has embarked on initiatives to increase food security, such as the construction of silos in the communal areas and the finalization of the Green Scheme Policy, which will boost crop and horticultural production.

Namibia is a member of the Common Monetary Area, together with Lesotho, South Africa and Swaziland, and the Namibian dollar is pegged to the South African rand on a one-to-one basis. The countries have their own central banks and monetary policies, as reflected in differing interest rates.³ However, Namibia's economy is closely linked to the South African economy due to South African subsidiaries being involved in, among others, the Namibian wholesale, retail and financial sectors. In addition, Namibia sources about 80 per cent of her imports from or through South Africa, while about 30 per cent of exports are destined for South Africa. Namibia is thus exposed to imported inflation from South Africa.

As a member of SACU, Namibia has surrendered its sovereignty over trade policy to a large extent to that organization. Namibia is also a member of the SADC Free Trade Agreement. Furthermore, Namibia is a founding member of the WTO and has been declared an NFIDC. The country participates in WTO discussions as a member of SACU, which has been registered with the WTO as a customs union under Article XXIV of the General Agreement on Tariffs and Trade. However, the status of SACU at WTO level is not clear, as SACU's request to be acknowledged by the WTO as 'small and vulnerable economies' is still under consideration.

³ The central bank's repurchasing rate in Namibia is 10 per cent, compared to 11.5 per cent in South Africa at the end of 2008.

SACU is in the progress of harmonizing the agricultural policies of its member states. Therefore, an audit of the agricultural policies of all member states has been completed and will be discussed at the next SACU Technical Liaison Committee meetings. The implication for Namibia is that its agricultural policy, which dates back to 1995, will be revisited and brought in line with common SACU agricultural development goals. Namibia, as a SACU member, has finalized the tariff phase down in 2006 towards all SADC member states. Namibia has notified maize and maize products, as well as pearl millet and pearl millet products as sensitive, and these products will be treated according to Article 7 of the SADC Protocol. Hence, these products are exempted from free trade and require import permits. As long as the national harvest is not sold, no such permits are issued.

From the above perspective, it is clear that the household and national food safety positions are closely linked to the broader Southern African picture and need to be explained in this context.

3. The Agricultural Sector's Development

In spite of the country's semi-arid character, the Namibian agricultural sector, over centuries, sustained the rather small, but stable population of about 245,000 inhabitants before the arrival of the first colonialists in the form of missionaries and foreign hunters. The northern ethnic groups lived as subsistence farmers, planting pearl millet adapted to the vagaries of rainfall and very poor soils. Each household also kept a few goats and cattle.⁴ In the central and north-western areas of Namibia, ethnic groups relied on herds of indigenous cattle (which were also their pride and joy) and also on the fruits of the wild (veld), without any mentionable agronomic activities other than the cultivation of tobacco and narcotic plants, when surface water was available. In the southern and very arid parts of Namibia, nomadic groups herded their small stock, which consisted of fat-tailed sheep and goats, and also practised some agronomic activities, mostly the cultivation of narcotic plants. Namibians were avid hunters and welcomed the opportunity to obtain rifles from hunters arriving from abroad – mostly from the southern parts of Africa that were colonized by Dutch and later English settlers. This led to the near extinction of all huntable animals in the northern and central areas of Namibia.

After 1850, and with the arrival of the missionaries, some agricultural activities were recorded; among others, the planting of wheat in riverbeds, a practice still followed today by the people of Okombahe in western Namibia. After the colonization of Namibia by German settlers, from about 1890, agricultural activities increased substantially, to the extent that most horticultural products required in Namibia at that time were produced in the country. Cattle and sheep bought by traders were exported overland to South Africa, bringing some money into circulation. Under the

⁴ The early traveller, Sir Francis Galton, described the northern ethnic groups as the most affluent and peaceful people he ever encountered in Africa.

South African administration, agricultural production initially increased and surplus products were mostly exported to South Africa. However, in the 1960s, Namibia was seen as a captive market for South African agricultural and horticultural products and production withered to subsistence level. Only beef and sheep were exported to South Africa during this period.

At independence in 1990 there were about 6,000 commercial farms owned by around 4,000 white farmers. These farms covered most of the land suitable for farming. As a response to this uneven land distribution, the government implemented a land reform policy based on the 'willing buyer, willing seller' principle. The government bought farms and then redistributed them according to a resettlement list. Some of the resettlement schemes entail dividing a farm into smaller farms. It is necessary to monitor these smaller farms in order to ensure that they are economically viable. Besides government's efforts to resettle landless people, a more market-oriented scheme is in place – the Affirmative Action Loan Scheme of the Agribank. Agribank provides loans to previously disadvantaged Namibians in order to purchase farms on the market. Despite some problems, this scheme has worked relatively well, and more than 750 farms have changed ownership.

The agricultural sector's performance is strongly dependent on weather conditions. Hence, food self-sufficiency varies between 35 per cent and 75 per cent of total demand.⁵ Of Namibia's total surface area, about 16 per cent is used for subsistence crop farming and about 4 per cent for commercial crop farming.⁶ Commercial farming includes both small- and large-scale farmers.

In spite of a growing population, Namibia produces almost every year all the pearl millet that is needed, more than 50 per cent of its maize requirements, 20 per cent of its wheat requirements and about 35 per cent of all horticultural products that are marketed in Namibia. Namibia markets about 150,000 cattle a year, of which about 90 per cent are exported either on the hoof to South Africa or slaughtered and semi-processed.⁷ Namibia benefits from duty and quota free access to the EU market for all its exports. The previous preferential access for beef resulted in Namibia having one of the highest food and animal health standards in sub-Saharan Africa. In addition, Namibia exports about 1 million sheep and 350,000 goats every year – mostly to South Africa. This makes Namibia the largest exporter of sheep and goats in sub-Saharan Africa. Although dominated by livestock farming, horticulture has increased in importance over the past years. The market share of Namibian horticultural products increased from about 7 per cent to some 35 per cent between

⁵ NAB (Namibian Agronomic Board), *Annual report, 1 April 2006–31 March 2007*, no. 20, private edition (Windhoek: NAB, 2007), <<http://www.nab.com.na>>.

⁶ J. Mendlesohn et al., *Atlas of Namibia: A portrait of the land and its people* (Cape Town: David Philip, 2002).

⁷ NAB (2007).

2004 and 2008. Growing table grapes has become an important sub sector, providing employment to about 14,000 people during peak (harvesting) seasons.⁸

4. Food Prices and Food Security

The driving forces of the current price spike of staple and other food products can largely be found in the regional and global contexts. Some important factors are the substantial increases in income in emerging economies, leading to a shift in consumption patterns; the poor harvests due to climatic factors; and rising oil prices and thus transportation and fertilizer costs. The influence of increased transportation costs on the Namibian pricing structure for staple foods has not been fully quantified. However, reportedly the transport component of import costs has increased dramatically – by up to 230 per cent for shipping costs.⁹ As many clearing costs are expressed in percentages of the cost, insurance and freight value of goods, these have also increased, contributing to higher prices. These factors are especially important for a country like Namibia, not only for imports, but also for the internal distribution of staples. Namibia is a vast, thinly populated country with distances from major distribution centres for staples to outlying consumers of up to 1,000 kilometres.

However, it should be noted that price increases vary significantly among different food items. While the price of wheat and wheat flour has doubled, the price of one major staple food in Namibia, maize meal, has increased by not more than 7 per cent¹⁰ (accumulated rate of inflation) over the last 12 months. This is due to a conservative pricing agreement between producers and millers in Namibia. Namibia has no government controlled pricing system for its staple food. Prices for staples – millet (*mahangu*), maize and wheat – are negotiated between producers and buyers on a yearly basis, where the Namibian Agronomic Board (NAB) acts as facilitator. Millers and producers nominate representatives to act on their behalf in these negotiation meetings. The price basis is a five-year moving average price for maize based on the South African Futures Exchange (SAFEX)¹¹ and the current year's price of maize, resulting in a formula that levels out the volatile market conditions on international commodity markets. In this way, price shocks to both millers and producers are smoothed out, which allows for better planning for the producers. The result is higher plantings with less risk, which again is mirrored in higher production and fewer imports. This arrangement also shields the consumers from immediate price shocks, but price fluctuations are reflected in next year's price settings.

⁸ Personal communication from A. de Nayer, chairperson, Namibian Orange River Table Grape Export Association.

⁹ Presentation by N. Liebich, general manager, Transworld Cargo Namibia Ltd, to the Agricultural Trade Forum ordinary meeting, 29 July 2008.

¹⁰ See NAB (Namibian Agronomic Board), "Maize grains and maize meal prices in Namibia," press release, 17 June 2008.

¹¹ SAFEX is Africa's only derivatives market.

Given the current high food prices, one could question how this system can still work. The mill prices for the 2009 harvest of maize have been discussed recently, and the influence of the SAFEX price differential is still under negotiation and will be resolved during the year. Otherwise, both producers and processors have decided to apply the current formula for the 2009 season. The price stability is perceived both by producers and processors to be of higher value than the short term gains of price spikes.

The price of pearl millet (*mahangu*) is directly coupled to the maize price, as both commodities are interchangeable as staple food. In the case of wheat, the same mechanism is followed. But as Namibia still imports 75 per cent of its wheat requirements from all over the world, prices of the Chicago Commodity Bourse are also taken into consideration, as well as transport costs.

To support the development of national food security, the government through the NAB is controlling the import of staple foods into Namibia. Affected are maize, *mahangu* and horticultural products. Permits are required for yellow maize and wheat, but only for statistical purposes. White maize imports are restricted through permit control, as long as the Namibian harvest has not been marketed by producers.

Horticulture products are marketed under a market share promotion initiative administered by the NAB. This scheme requires importers of fruit and vegetables to declare that they have bought at least 25 per cent locally produced food and vegetables in the previous three months before an import permit is issued. This came into force in 2004. Up to now, local horticultural production had increased from 7 per cent to about 35 per cent of Namibia's total demand for fruit and vegetables.

In order to promote value addition in the economy, government has imposed quantitative export restrictions and levies on live animals (cattle and sheep). However, there are limits to value addition, since the EU prohibits the import of bone-in cuts. There is also no export of de-boned lamb, since reportedly the quality and shelf life are negatively affected.

5. Household Food Security and Staple Food Prices

The prices of staples are of little concern to subsistence farmers. About 101,000 households in Namibia have subsistence farming as their main source of income.¹² The food security of these households is totally dependent on seasonal rainfall and the availability of seed and workers. The Namibian government has established an Emergency Management Unit (EMU) in the Office of the Prime Minister of Namibia

¹² CBS (Central Bureau of Statistics), *2003/2004 Namibia household income and expenditure survey* (Windhoek: CBS, 2006).

that is highly responsive to emergencies such as drought or flooding, and the impact on harvests. In case of food shortages, as in 2008, government supplies necessary staples to vulnerable communities.

The Ministry of Regional, Local Government, Housing and Rural Development is responsible for the distribution on a regional level, while village headmen and churches are the direct local distributors. Food distributed to qualifying recipients consists mainly of staples such as enriched maize flour, dry beans, cooking oil and sometimes fish, but is differentiated among the targeted groups. The establishment of the EMU may be seen as a belated reaction to the drought of the 1930s, when about 25 per cent of all subsistence farmers in the north of Namibia starved to death. High food prices for national food aid have budgetary consequences, but do not affect the subsistence farmer community at the household level.

Roughly one million of Namibia's total population of about two million depend on subsistence farming for their household food security. It is the rest of the population, especially poor urban dwellers, who are much more vulnerable to food price fluctuations. Nationally, about 28 per cent of the Namibian population is regarded as poor, including 4 per cent regarded as severely poor.¹³ The government has food aid programmes in place for orphans and vulnerable children, lactating mothers, and pensioners. While these programmes are beneficial to the targeted population, they do not offer any relief for the mostly young urban dwellers that are without work and formal income. These groups are directly affected by rising food prices. The unemployment rate¹⁴ is about 37 per cent for the whole population, but for people in the age group 20–24 years it stands at 58 per cent. In the context of the traditional social structure, the strain is particularly tough on those few members of the extended family who indeed have stable work and are now no longer in a position to provide enough food for family members in need. Salary adjustments following price increases generally have a time lag of 12 months or even more, depending on the negotiation schedules between employers and trade unions. Therefore, the increased food prices have a direct negative effect on the disposable income of city and village dwellers.

6. Government Action Plans

The Government of Namibia has implemented and continues to implement a set of measures to counteract the effects of climate change and rising food prices on the national food security situation of the country. Direct actions in place are as follows.

¹³ In Namibia, food consumption as a percentage of total household consumption is used to measure poverty. A household that spends 60 per cent or more of its total income on food is regarded as poor. A household that spends more than 80 per cent on food is regarded severely poor.

¹⁴ This refers to a broad definition of unemployment, which includes unemployed persons who do not actively look for employment.

- Natural water courses are to be used for irrigation farming of staples, together with high value horticultural crop production on the small-scale and commercial farming level. This government action plan is in the implementation phase through the Green Scheme of the Ministry of Agriculture, Water and Forestry. This plan foresees the mobilization/establishment of 22,000 hectares of irrigation farms along the perennial rivers bordering Namibia. So far, there has not been much progress, as only 8,300 hectares have been included in the programme.
- National storage capacity for staple grains is to be constructed in all northern regions of Namibia to store surplus production of staples for years of need, and thus side-step the vagaries of changing staple food prices on regional and international level. However, only one region in Namibia, the Caprivi region, is a surplus producer of maize and *mahangu*. One can question whether the construction of silos is necessary in areas where the average production does not lead to a surplus of grain. Furthermore, to store grain is expensive, and a cost-benefit analysis should be considered for the storage versus the import of grains.
- A long term objective of the Government of Namibia is to increase the production potential of subsistence farmers through title deeds and targeted extension. Once title deeds have been granted to small-scale farmers, the land can be used as collateral for loans from Agribank and even commercial banks. That would enable farmers to extend and streamline their farming operations and to enlarge their titled land by additional purchases as land becomes available. Licences that give permission to utilize the land are issued for communal land; however, the banks will not accept these licences as collateral. Because of this, the current legal situation of farmers is an obstacle to further investments in and growth of the agricultural sector. Furthermore, market information to small-scale farmers has been neglected up to now. Increased awareness of sales opportunities for locally produced crops will contribute to the further development of the potential of the northern rain fed agronomic production sector of Namibia.

The Namibian government has also decided to implement several measures to address the current spike in food prices. It reduced value added tax from 15 to 0 per cent on certain staple foods. However, the beneficiaries of this policy are those who account for most of the consumption of these products, and these are people who can afford them, and not necessarily the most vulnerable in society. It also needs to be seen whether wholesalers and retail traders pass on the price effect in total to the end consumer. There are concerns that at least some of the effect is diluted on the way from the producer to the consumer. Budgetary implications are the loss of government revenue of N\$ 34 million in VAT.¹⁵ The relief action of the EMU is financed out of a budgetary allotment to the unit under current budget provisions.

¹⁵ Brigitte Weidlich, "VAT exemption to cost government N\$34 million," *Namibian*, 20 June 2008.

Namibia has a school feeding programme in place administered by the Ministry of Education directly that is targeting schools in poor areas. As a response to the increased food prices, the government has decided to expand this programme.

The government has also put in place a Comprehensive Emergency Food Scheme, which is a programme purchasing basic food items to be distributed in the coming six to seven months. The scheme targets the elderly, female-headed households, pregnant women and breastfeeding mothers, people living with disabilities and children. However, this programme has not yet been implemented and logistical problems in the distribution are foreseen by the EMU.

7. Trade Considerations

Namibia is party to the SADC Economic Partnership Agreement (EPA) negotiations with the EU. The trade preference granted to the African, Caribbean and Pacific states ended on 31 December 2007. At the last minute, the EU and Namibia signed an Interim EPA that allows duty-free and quota-free access of all Namibian products to EU member states. On the other hand, Namibia is required to phase in reciprocal market access for EU products in the near future. Namibia signed the Interim EPA based on the promise that a number of issues of concern, such as infant industry protection and the most favoured nation rule to be granted to the EU would be considered in further negotiations.

The outcome of the Doha Development Agenda of the WTO could have some influence on the government's longer term policies. The most important issue is the designation of Namibia as an NFIDC, since this will provide the country with more policy space in the implementation of the longer term measures to increase national food production within the limits of the climatic and soil conditions prevailing in Namibia.

Some subsidized imported agricultural products that can substitute for locally produced staple foods can have a dampening effect on internal prices and thus on the development of Namibian small-scale farmers. The negotiations centred on sensitive and special products are very relevant for a small developing country such as Namibia. Namibia should be put into a position to maintain enough policy space to regulate its staple food imports to strike a balance between cheap food imports for urban dwellers and a maintained price for locally produced staples to encourage local production. Contrary to some reports, the position of India maintaining the necessity of sensitive and special products to the benefit of its small-scale and emerging farmers in the last mini-ministerial meetings in Geneva in July 2008 should be welcomed by Namibia. The link to the development of small-scale staple producers will be strengthened through a possible favourable outcome for developing countries of the Doha Development Agenda deliberations.

As in other developing countries, Namibia has measures in place to develop the hitherto left behind small-scale farming sector. These instruments are mostly production orientated and can be summarized as follows:

- Projects have been developed for the subsidization of draught animals and tools.
- Government subsidized research on and development of seed and agricultural cultivation and practices have been initiated.
- The subsidized sale of high quality bulls and rams has been introduced. Communities receive donations of eight bulls a year (from government and the meat board). Communities must apply to participate in this scheme, and are then selected by the government.
- In 2007 the Ministry of Agriculture, Water and Forestry put in place a subsidy programme consisting of both input (seed and fertilizer) and service (ploughing and weeding) subsidies targeting communal farmers in dry land crop regions. The total 2008/09 budget for these services is N\$6.8 million.¹⁶ The seed subsidies are given to farmers as a 50 per cent discount when buying seed from private seed cooperatives. The maximum amount of subsidized seed farmers can by depends on the type of seed, but should be sufficient for seeding a maximum of 3 hectares of farmland.¹⁷ The problem that Namibia is facing this year (2008) is shortage of seed due to floods and droughts, in combination with difficulties in finding seed to import. Fertilizer, ploughing and weeding subsidies are all given as discount to farmers using these services. Fertilizers are not widely used in Namibia, due to concerns about possible toxicity to plants. The 2007 government interventions are first steps towards a comprehensive programme targeting national food security.

Namibian subsidies can amount up to 5 per cent of its total agriculture output, but are currently less than 0.5 per cent. Therefore, the Doha Round's possible effect on subsidies is not likely to affect Namibia. The country does not use or make provision for any form of export subsidization and also does not have an export credit scheme in place that would pre-finance/guarantee exports to other countries.

8. Conclusion

Namibia has been less affected by the current food price increases than other countries due to its conservative pricing agreement between producers and millers. Roughly one million of Namibia's total population of about two million depend on

¹⁶ The 2008/09 budget for subsidies is allocated as follows: seed: N\$1 million; fertilizer: N\$3 million; weeding: N\$1 million; and ploughing: N\$1.8 million. (On 1 April 2008, the exchange rate was US\$1 = N\$7.50.)

¹⁷ Three kilograms of pearl millet, 10 kilograms of maize or 5 kilograms of sorghum are considered sufficient seeding for 3 hectares of farm land.

subsistence farming for their household food security. It is the rest of the population, especially poor urban dwellers, who are more vulnerable to the food price increases.

The agricultural sector's performance is strongly dependent on weather conditions; hence food self-sufficiency varies between 35 and 75 per cent of total demand. The Government of Namibia has implemented and continues to implement a set of measures to counteract the effects of rising food prices, droughts and floods on the national food security situation of Namibia, such as establishing the EMU. Furthermore, the government is controlling the import of staple food and horticultural products in order to increase food security and exploit Namibia's agricultural production potential.

Bibliography

CBS (Central Bureau of Statistics). *2003/2004 Namibia household income and expenditure survey*. Windhoek: CBS, 2006.

———. *National Accounts 1996–2006*. Windhoek: National Planning Commission, 2007.

———. *The Namibian CPI bulletin*. Windhoek: CBS, 2008.

Mendelsohn, J. et al. *Atlas of Namibia: A portrait of the land and its people*. Cape Town: David Philip, 2002.

Ministry of Labour and Social Welfare. *Namibia labour force survey 2004: Report of analysis*. Windhoek: 2006.

Namibian Agronomic Board. *Annual report, 1 April 2006–31 March 2007*, no. 20. Private edition. Windhoek: NAB, 2007. <<http://www.nab.com.na>>.

———. “Maize grains and maize meal prices in Namibia.” Press release, 17 June 2008.

Weidlich, Brigitte. “VAT exemption to cost government N\$34 million.” *Namibian*, 20 June 2008.

About the authors

Mona Frøystad is a Researcher at the Namibian Economic Policy Research Unit. She is involved in reviving the Namibian segment of the Food, Agriculture and Natural Resources Policy Analysis Network, and also in writing the progress report towards achieving the Millennium Development Goals in Namibia.

Jürgen Hoffmann is an agricultural trade specialist, agricultural economist and soil scientist, and is trade advisor to the Namibian agricultural private sector and a member of the Namibia trade negotiation team for all external trade negotiations.

Klaus Schade is Acting Director at the Namibian Economic Policy Research Unit (NEPRU) in Windhoek, Namibia. He has worked on macroeconomic and fiscal issues, regional integration, and trade, as well as poverty and HIV/AIDS.