AFEX Annual Commodities Review & Outlook Report

An Uneasy Calm

2025

Content

Table of Abbreviations

IMF	International Monetary Fund
LNG	Liquefied Natural Gas
OPEC	Organization of the Petroleum Exporting Countries
CBN	Central Bank of Nigeria
NBS	Nigeria Bureau of Statistics
GDP	Gross Domestic Product
ICCO	International Cocoa Organisation
IFPRI	International Food Policy Research Institute
USDA	U.S Department of Agriculture
FAO	Food and Agriculture Organization
mt	metric tonnes
kg	kilogram
mmt	million metric tonnes

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Executive Summary

In 2024, the global economy demonstrated remarkable resilience, navigating a complex landscape shaped by recovery and persistent challenges. Despite facing inflationary pressures, geopolitical uncertainties, and environmental concerns, the global economy managed to progress with cautious optimism. A major highlight was the significant decline in global inflation, which by year-end was nearing or had aligned with central bank targets, alleviating a long-standing concern.

Economic uncertainties persisted, but the easing of inflation pressures contributed to notable volatility and resilience in commodity markets. Although commodity prices fell by 3% in 2024, they remained approximately 40% higher than pre-pandemic averages. The energy sector continued its transition toward cleaner sources, driven by weaker global demand and OPEC+ production cuts. In agricultural markets, key prices for wheat, maize, and soybeans stabilized after years of extreme fluctuations, though production challenges persisted. Precious metals, particularly gold, surged to record highs in 2024 as investors sought safe-haven assets amid market instability.

In Nigeria, the economy grappled with record-high inflation and a volatile exchange rate, coupled with challenges in the agricultural sector such as climate change, rising input costs, and low productivity. Commodity prices for grains and cocoa soared by over 90%, reaching unprecedented highs due to tight supply and growing demand.

Looking ahead, the Global Commodities Outlook predicts a gradual decline in prices, with stabilization expected in 2026. Agricultural commodities are projected to fall by 3%, primarily driven by a 5% decrease in grain prices and a 4% drop in oils and meals. However, this outlook is subject to uncertainties, including trade tensions and unpredictable weather patterns, which could significantly impact grain markets.

In Nigeria's domestic market, grain commodities such as maize, soybean, paddy rice, and sorghum are expected to stabilize, although prices will likely remain higher than the previous year. The outlook for cocoa remains strong, supported by robust global demand and favourable supply dynamics.

For investors, understanding the key drivers of demand, environmental influences, and technological advancements is essential in navigating the 2025 commodities landscape. Diversifying portfolios to manage risks from climate change and market volatility while prioritizing investments in climate-resilient technologies and sustainable practices is critical for long-term success.

Policymakers, meanwhile, should focus on reducing trade barriers, fostering international agricultural trade agreements, and boosting domestic production to address supply deficits and ensure economic stability.

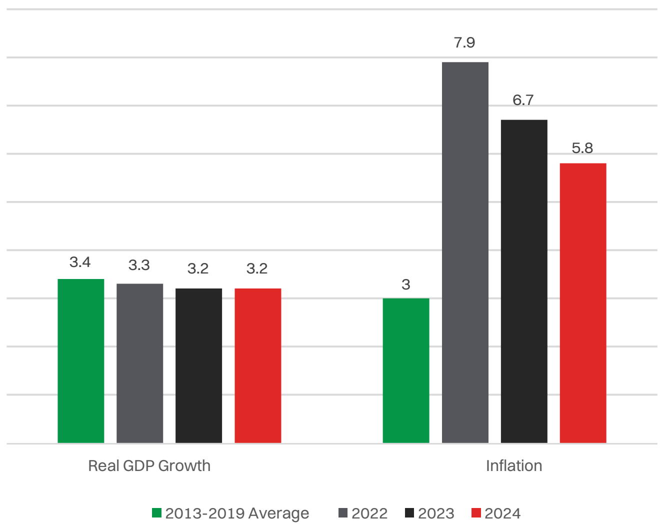
In finance and investment, the concepts of risk and return remain fundamental to decision-making processes. These two elements are interconnected, with the potential return on an investment closely tied to the level of risk an investor is willing to take. Understanding this relationship is crucial for individuals and institutions seeking to make informed and strategic financial choices.

Global Commodity Review

Over the past four years, the global economy has navigated profound challenges brought on by the COVID-19 pandemic, geopolitical conflicts, and extreme weather disruptions. However, 2024 marked a turning point toward stabilization as the impact of these global shocks began to subside. The economic environment showed remarkable resilience, supported by easing inflation and moderate economic growth, even as central banks worldwide pursued aggressive and coordinated monetary tightening to curb inflation. Global inflation rates fell more rapidly than expected, nearing central bank targets. Nonetheless, global GDP growth held steady at 3.2% in 2024, unchanged from the previous year (IMF).

Sub-Saharan Africa faced downward revisions to its growth outlook in 2024, primarily due to ongoing conflicts, civil unrest, extreme weather events, and disruptions in commodity production. The IMF projected the region's GDP growth to remain at 3.6% in 2024, unchanged from 2023, as persistent challenges like insecurity and climate extremes continue to weigh on economic performance.

Global Economic Indicators (%)

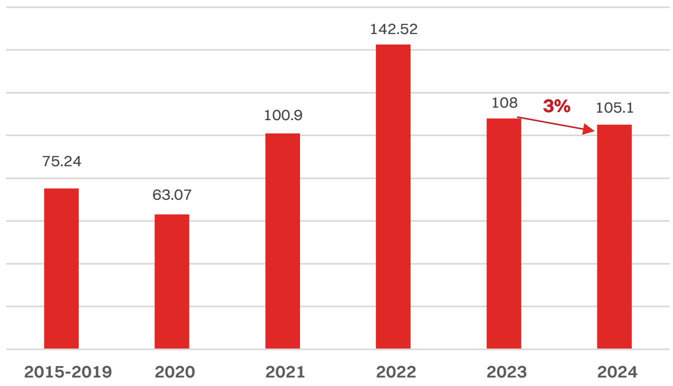


Source: IMF, AFEX Research, 2024

Globally, the commodities market in 2024 experienced mixed outcomes. While some commodities saw price increases, others recorded price stabilization or declines. Key factors influencing these price dynamics included weather-induced supply shocks, conflict-related disruptions, trade restrictions, and strategic supply management throughout the year.

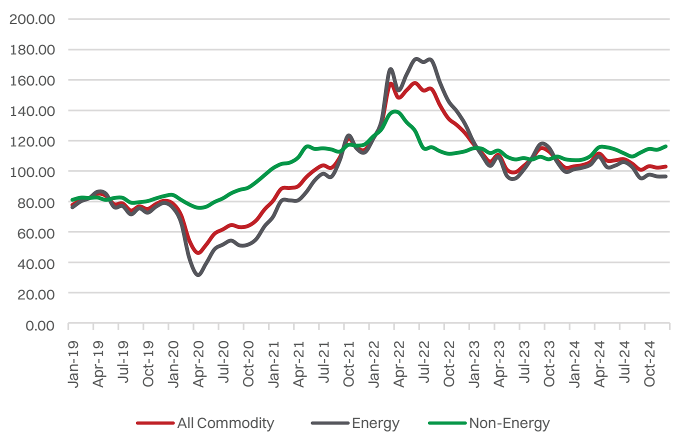
The World Bank's commodity price index shows that overall commodity prices declined by 3% in 2023 but remain about 40% higher than the average levels recorded in the five years before the COVID-19 pandemic. However, in the second quarter of 2024, the index rose by 4%, primarily driven by a surge in energy prices, especially crude oil. Brent crude oil prices surpassed $90 per barrel in April 2024, spurred by escalating geopolitical tensions between Israel and Iran, production cuts by OPEC+, and early signs of a rebound in global industrial activity.

Average Global Commodity Price Index



Source: World Bank, AFEX Research, 2024

Global Commodity Index



Source: World Bank, AFEX Research, 2024

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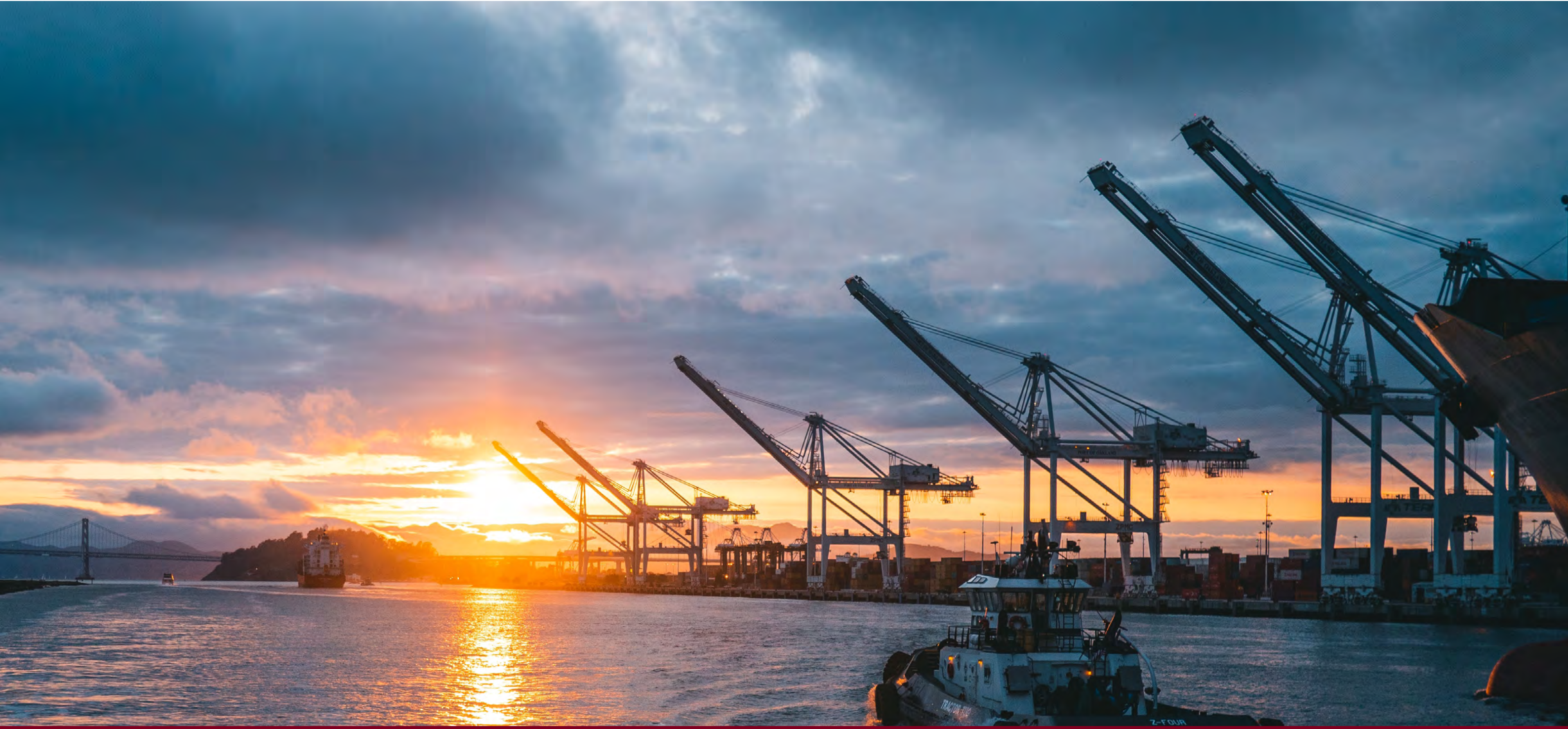


Energy Commodities

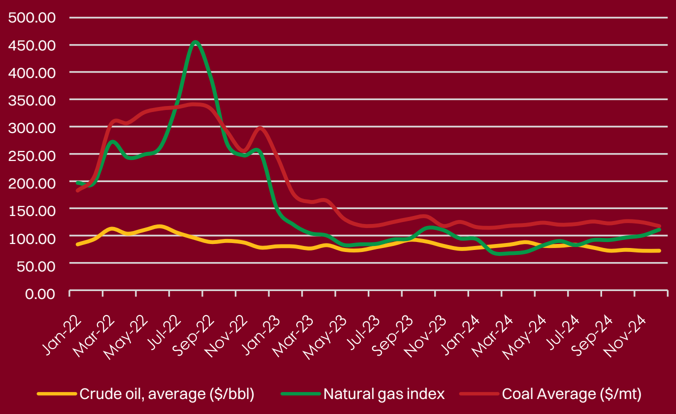
In 2024, energy prices declined by 5% compared to 2023, driven by a 3% drop in crude oil prices, a 16% fall in coal prices, and a 15% decrease in natural gas prices (World Bank). The decline in coal prices was largely due to weakened global demand, particularly from China—the world's largest coal consumer—as its additional electricity needs were increasingly met by renewable energy and hydropower sources.

Natural gas markets experienced notable growth in the first half of 2024 following the supply shock of 2022 and gradual stabilization in 2023. Global natural gas demand rose by 3% year-on-year, primarily fuelled by Asia, where China and India reported double-digit growth. By mid-year, European natural gas prices surged sharply, driven by escalating geopolitical tensions, colder-than-expected weather, and intensified competition for liquefied natural gas (LNG).

In December 2024, U.S. natural gas prices soared by an extraordinary 44%, spurred by an unusually cold winter across the U.S. and Europe, which significantly increased heating demand. The expiration of the five-year transit agreement between Russia and Ukraine further deepened Europe's dependence on U.S. LNG exports, intensifying market volatility. The World Bank's natural gas index reached its highest level since December 2023, rising 4% in November. This was primarily due to an 8% surge in the European benchmark, driven by a sharper-than-expected drawdown in storage levels and growing uncertainty over Russian gas transit through Ukraine.

Crude oil prices declined for the second consecutive year in 2024, falling by 3% amid slowing global demand, particularly from China. The reduction in China's oil consumption was influenced by weaker industrial production growth, accelerated adoption of electric and hybrid vehicles, and greater use of LNG-powered trucks. Additionally, the global oil market became more balanced as non-OPEC+ producers, including the U.S., ramped up output, contributing to a well-supplied market. While oil prices began the year elevated due to ongoing geopolitical tensions, they trended downward over the year. Brent crude oil prices hit a three-year low in September 2024, dropping more than 5% to $74.29 per barrel.

Global Energy Performances

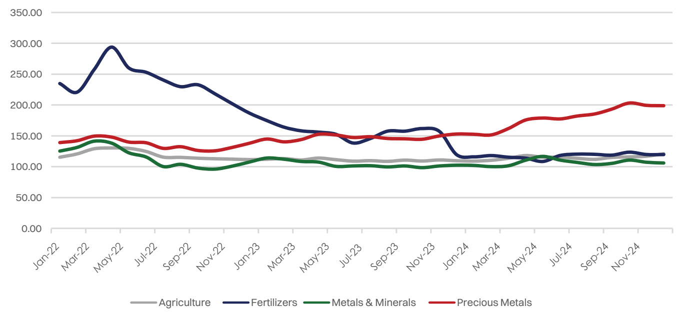


Source: World Bank, AFEX Research, 2024

Non- Energy Commodities

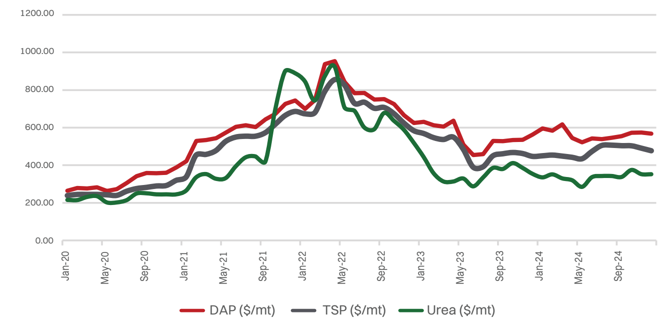
According to the World Bank, non-energy commodity prices rose by 2% in 2024, driven by significant increases in precious metals (22%), agricultural commodities (4%), and metals and minerals (3%).

Non- Energy Indexes



Source: World Bank, AFEX Research, 2024

Global Fertilizer Prices



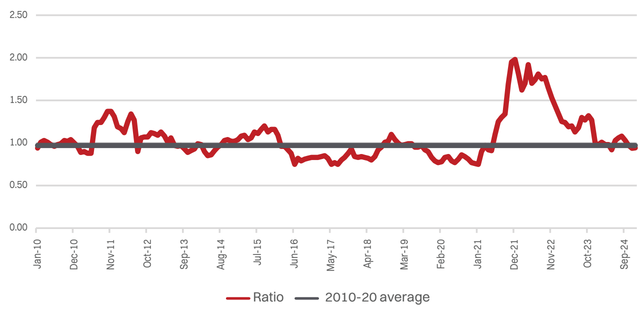
Source: World Bank, AFEX Research, 2024

(Fertilizer Affordability= Fertilizer Price Index/Food Price Index)

Fertilizer prices continued to decline in 2024, marking the second consecutive year of decreases following the peak levels in 2022. The fertilizer price index fell by 23%, driven by lower input costs and improved production outlooks. Significant price drops in key raw materials, particularly natural gas—the main input for nitrogen fertilizers—have substantially reduced production costs over the past two years.

However, despite this decline, fertilizer prices remain high, still approximately 49% above the average levels recorded between 2015 and 2019.

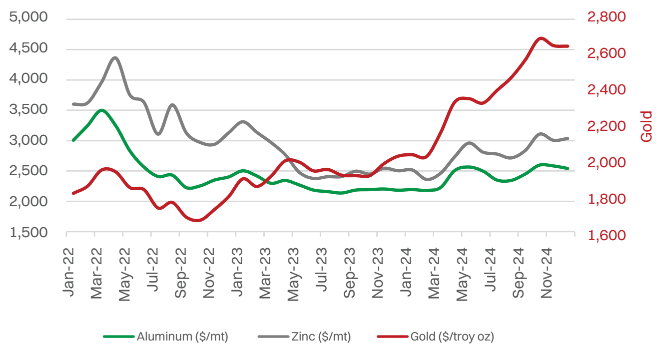
Fertilizer Affordability Index



Source: World Bank, AFEX Research, 2024

Gold saw a series of record-breaking rallies throughout 2024, reaching an all-time high in October. This sharp surge in prices was driven by the U.S. Federal Reserve's shift to lower interest rates later in the year, escalating geopolitical tensions, and increased gold purchases by central banks—all of which enhanced gold's appeal as a safe-haven asset. Amid growing global uncertainties, investors increasingly turned to gold as a secure store of value.

Metals Prices

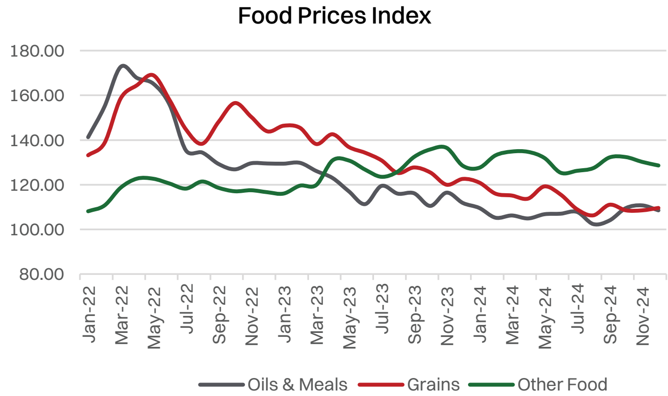


Source: World Bank, AFEX Research, 2024

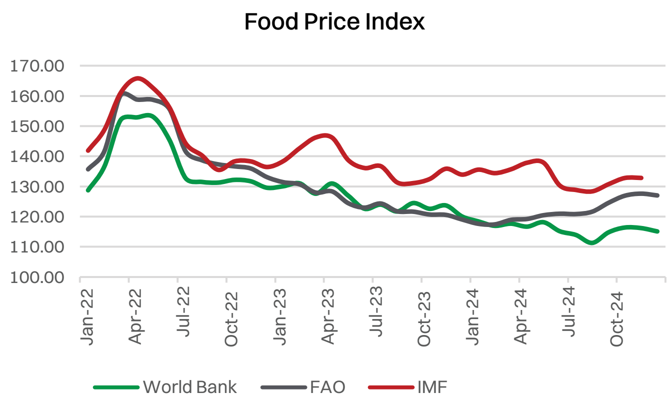
Agricultural Commodities

Agricultural commodity prices rose by 4% in 2024, primarily fuelled by a sharp 64% increase in beverage prices and a 5% rise in raw material costs. However, this growth was partially offset by an 8% decline in food prices, driven by a 11% drop in oils and meals prices and a significant 16% decrease in grain prices.

The easing of grain prices was largely driven by ample supply, supported by favourable harvests in major grain-producing countries, reduced input costs, and the easing of export restrictions, all of which exerted downward pressure on prices. Additionally, oilseed and edible oil supplies have reached record highs for three consecutive years, with oilseed production doubling over the past 15 years (World Bank), further contributing to further price decline in this segment.



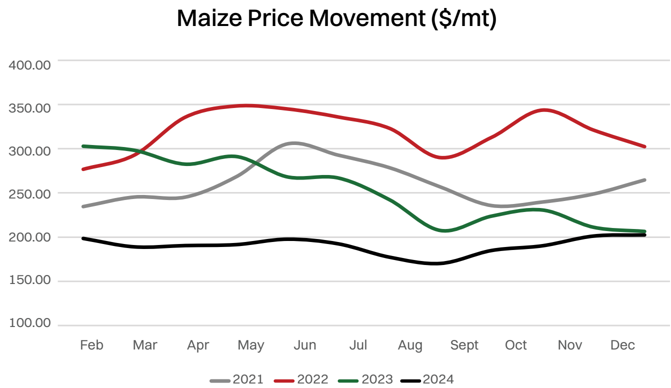
Source: World Bank, AFEX Research, 2024



Source: World Bank, IMF, FAO, AFEX Research, 2024

Although falling food commodity prices have helped ease overall domestic food inflation, this relief has not extended to several countries grappling with persistently high food inflation. These include Argentina (183%), Zimbabwe (105%), and South Sudan (96%) . Food insecurity remains a pressing global challenge, with over 700 million people experiencing undernourishment in 2024 (United Nations).

Maize: Record Harvests Drive Price Decline



Source: World Bank, AFEX Research, 2024

Global maize production for the 2023/24 season reached a record-breaking 1.13 billion metric tons, reflecting a 6% year-on-year increase. This strong output, combined with positive crop forecasts for the current season, exerted significant downward pressure on maize prices, which fell by 25% year-on-year. This decline marked the second consecutive annual drop following the disruptions caused by the Russia-Ukraine war.

The surge in supply was largely driven by a 12% year-on-year increase in maize production in the United States and an impressive 47% rebound in Argentina. These production gains were supported by favourable weather conditions, including adequate rainfall and mild temperatures, which boosted yields across major producing regions.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SSBS
Soybean
Current Price
₦854.42
24h Open
₦854.42 -0.02%
24h High
₦854.42 0.00%
24h Low
₦854.42 0.00%
24h Close
₦854.42 0.00%
24h Value
₦0
24h Volume
0 Units
Bid Price
Unit
Total
Buy
Sell
Limit
Market
Unit to Trade
Order Price
Value of Trade
Order Info
Raw Data
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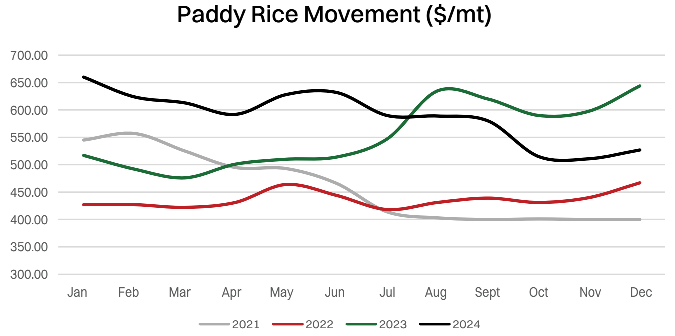
Paddy Rice: Price Surges and Trade Shifts Amid El Niño and Export Restrictions

Global rice production in the 2023/24 season grew by 1% year-on-year, reaching a record high despite significant disruptions in major markets. However, paddy rice prices rose by 6% during the year, driven by India's export restrictions, seasonal supply tightness, and the adverse impacts of El Niño on global rice production.



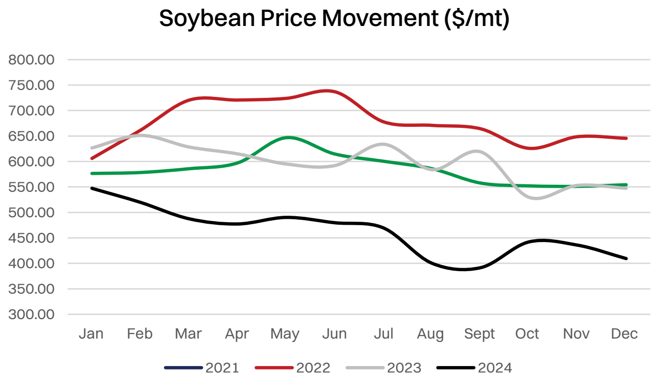
Source: World Bank, AFEX Research, 2024

El Niño was a major disruptor in the 2023/24 global rice market, causing significant shifts in production and trade dynamics. India, the world's largest rice exporter, saw production fall from 135.5 million metric tons in 2022/23 to 128 million metric tons in 2023/24 due to weather-related yield losses. Indonesia also experienced severe drought conditions, reducing domestic harvests and shifting the country from a net rice exporter to an importer. In Brazil, catastrophic flooding in key rice-producing regions caused widespread crop damage, further tightening global supply.

India's 2023 export ban on non-basmati rice intensified global supply constraints but created opportunities for other exporters to capture market share. Pakistan notably increased its rice exports, nearly doubling its foreign exchange earnings from rice sales. Myanmar and the United States also expanded their rice exports to offset India's absence from the market. In response to rising prices, Bangladesh lowered import tariffs and other rice-related taxes to stabilize domestic markets.

In October 2024, India lifted its export ban on non-basmati white rice, prompting an immediate reaction in global markets. Rice prices dropped by 11% that month, coinciding with the arrival of new harvests from major exporting countries.

Soybean Price: Record Harvest and Shifting Trade Dynamics Reshape Market



Source: World Bank, AFEX Research, 2024

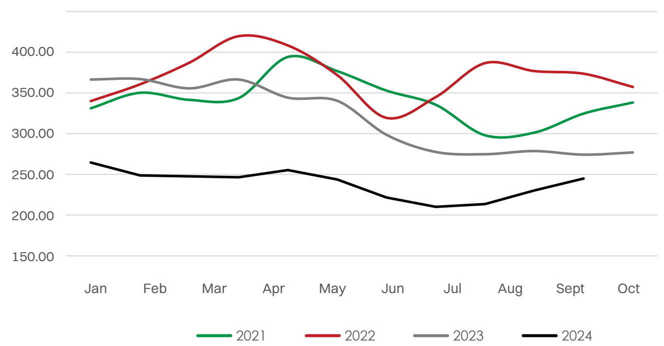
Global soybean prices fell by 23% in 2024, marking the steepest annual decline in two decades. This sharp drop was driven by expanded supply and evolving trade dynamics. Brazil, the world's largest soybean exporter, recorded its second-largest harvest on record despite weather-related challenges, while Argentina saw a strong recovery following the previous season's severe drought. Additional supply growth from regions such as Canada and Europe further contributed to the global surplus, exerting sustained downward pressure on prices throughout the year.

Despite the overall decline, soybean prices experienced two notable rebounds. In May, prices rose by 3% due to severe flooding in key producing regions of Brazil, which temporarily disrupted production and fuelled market concerns. Similarly, a 13% price surge in September was triggered by dry weather across South America, which impacted critical waterways in the Amazon Basin, raising fears of logistical disruptions.

Global soybean trade also saw significant shifts. U.S. soybean exports to China fell to a four-year low during the 2023-2024 marketing season as China intensified efforts to reduce dependence on U.S. imports. Brazil, bolstered by its strong production, was well-positioned to fully meet China's soybean demand, further solidifying its dominance in global markets.

Sorghum Journey: Navigating Through a Year of Change

Sorghum Price Movement ($/mt)



Source: IMF, AFEX Research, 2024

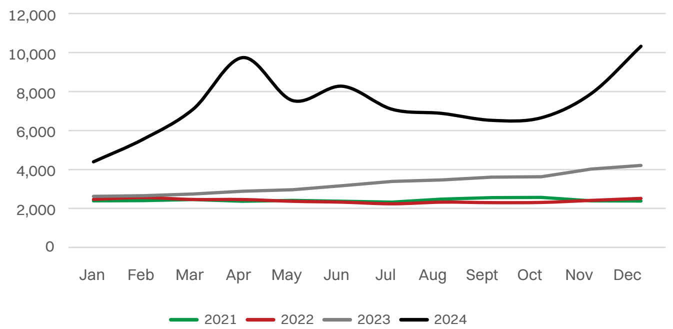
Sorghum prices continued their downward trajectory in 2024, falling by 25% after a 14% decline in 2023, effectively returning to pre-Russia-Ukraine war levels. This price trend closely mirrored movements in other feed grains, such as maize and wheat, which also faced bearish markets throughout the year.

The drop in sorghum prices was primarily driven by increased global supply, supported by improved yields in major producing regions. Mexico played a key role in this trend, boosting production by 5% due to expanded cultivation and favourable growing conditions.

In contrast, Brazil saw reduced yields in the 2023/24 season as dry weather conditions affected its sorghum-growing regions. This decline led to lower overall output and decreased domestic consumption of sorghum.

Cocoa: Supply Constraints and Strond Demand Defined the Course

Cocoa Price Movement ($/mt)



Source: World Bank, AFEX Research, 2024

Global cocoa prices soared by 123% in 2024, making cocoa the top-performing commodity for the second consecutive year. This dramatic surge nearly tripled prices, reaching a record average of $10,320 per metric ton in December. The sharp increase was primarily driven by a persistent supply deficit, particularly in West Africa—which produces over 75% of the world's cocoa—due to a third consecutive season of unfavourable weather. Additionally, widespread pest and disease outbreaks further reduced yields in major producing countries, significantly cutting global cocoa bean output for the 2023/24 season, according to the International Cocoa Organization (ICCO).

Despite the cocoa bean shortage and soaring prices, which slowed processing activities during the 2023/24 season, global demand for cocoa-based products remained strong. This sustained demand continued to outpace available supply, intensifying upward pressure on prices.

Review of Domestic Commodities Market in 2024

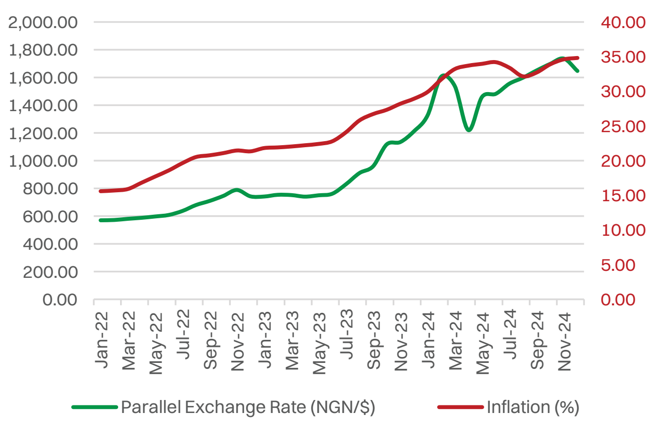
The Nigerian economy has faced significant challenges over the past year, struggling with record-high inflation and a volatile exchange rate that have strained economic growth, increased the cost of living, and impeded business and income expansion. Business conditions have further deteriorated due to elevated interest rates, a result of stringent monetary policies aimed at curbing inflation.

Economic insecurity has intensified poverty in Nigeria, as surging inflation continues to erode purchasing power, pushing more citizens below the poverty line.

Headline inflation climbed to a historic high of 34.8% in December 2024, with food inflation soaring to 39.8% during the same period. Additionally, the price of Premium Motor Spirit (PMS) increased by approximately 50% in 2024, while the naira experienced further devaluation, compounding economic pressures.

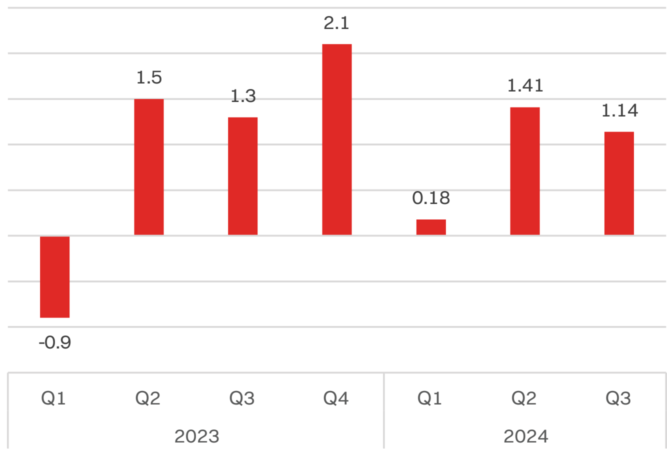
The agricultural sector contributed 28.65% to Nigeria's economy, with an average output growth rate of 0.91% in the first three quarters of 2024. Agricultural exports experienced significant growth, primarily driven by increased shipments of cocoa beans, cashew nuts, and sesame seeds. Export earnings from agriculture soared by 270%, rising from approximately ₦780 billion in the first three quarters of 2023 to about ₦2.9 trillion during the same period in 2024. However, this surge in agricultural trade earnings was largely influenced by the effects of currency devaluation on export values, rather than a substantial increase in the volume of commodities exported.

Macro-economic Indicators



Source: NBS, AFEX Research, 2024

Nigeria Agriculture GDP Growth Rate (%)

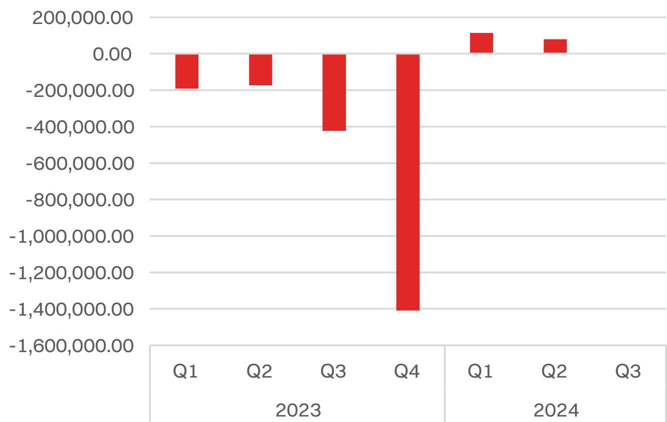


Source: NBS, AFEX Research, 2024

The agricultural sector has remained highly vulnerable to climate shocks, persistent insecurity, and low productivity, exacerbated by rising production costs driven by inflation and exchange rate depreciation. In 2024, the sector faced two major climate-related challenges: a prolonged dry spell in June and July, followed by severe flooding that impacted nearly 30 states and devastated thousands of hectares of farmland.

The domestic commodities market in 2024 was marked by sharp price spikes and heightened volatility. These trends were driven by challenging macroeconomic conditions, rising logistics costs, and structural supply constraints within the agricultural sector.

Agriculture Trade Balance (NGN'million)

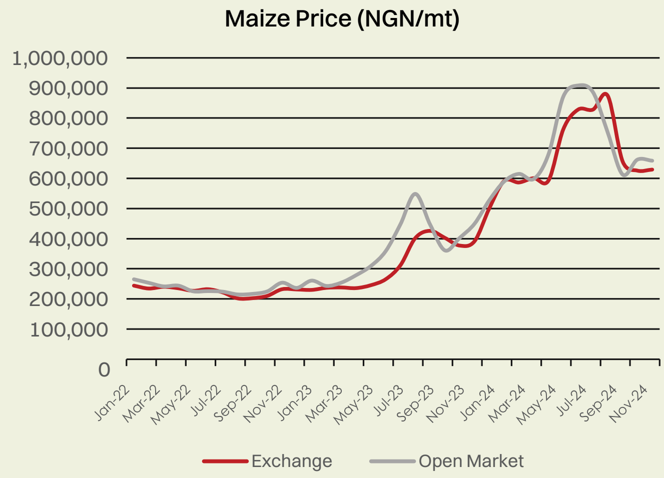


Source: NBS, AFEX Research, 2024

Maize: Soaring Price and Supply Strains Drive Uncertainty

An analysis of the 2024 maize market reveals a significant price surge, with maize prices rising by 92% year-on-year and closing the year at approximately NGN660,000 per metric ton. Maize prices followed a steady upward trajectory all through the year, peaking in July at NGN908,000 per metric ton due to severely depleted stocks during that period. The market experienced considerable volatility, with both open market and exchange maize prices recording an 18% volatility rate throughout the year.

In terms of trading activity, a total of 37,000mt of maize was traded on the AFEX Exchange, accounting for 50% of the exchange's total traded volume for the year.

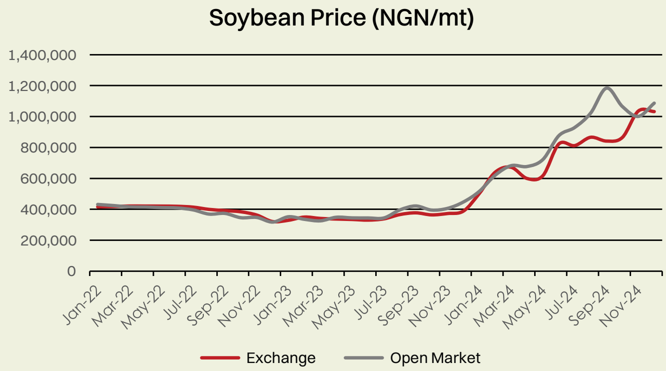


Source: AFEX Research, 2024

Soybean: Strong Export Demand Amidst Weak Currency

In 2024, soybean prices in Nigeria soared by 133% year-on-year, surpassing NGN1,000,000 per metric ton. The third quarter recorded the highest price at approximately NGN1,180,000 per metric ton. This sharp increase was driven by several factors, including reduced domestic production during the 2023/2024 season, strong export demand fuelled by favourable international prices, currency devaluation, and Nigeria's competitive advantage in producing non-GMO soybeans.

This price uptick had a ripple effect on the poultry industry, significantly driving up the costs of chicken and eggs. The average domestic soybean price stood at NGN865,000 per metric ton, reflecting substantial market volatility with fluctuations of around 25%. Similarly, AFEX exchange-traded soybean prices experienced a volatility rate of 22%.



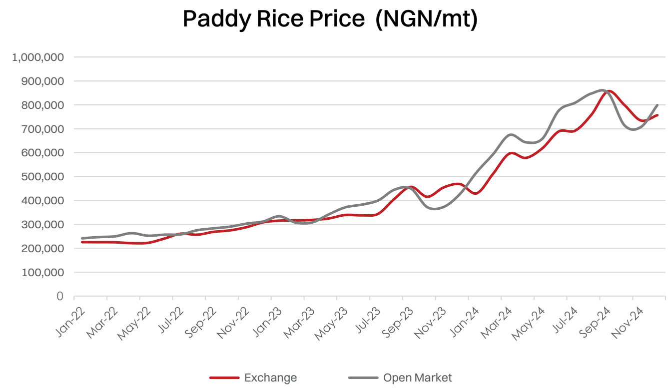
Source: AFEX Research, 2024

In the same period, the AFEX Exchange facilitated the trade of 16,000 metric tons (MT) of soybean, representing 22% of the exchange's total traded volume. The soybean trades were executed at an average price of NGN673,000 per metric ton.

Paddy Rice: A Market Under Pressure

Paddy rice experienced a significant price surge in 2024, driven by a combination of supply-side constraints and sustained demand pressures. By the end of the year, prices had increased by 90%, with the average price reaching NGN716,000 per metric ton and peaking at NGN850,000 per metric ton. This sharp rise reflected tight market supply and mounting pressure as demand for rice consistently outpaced availability. Additionally, global market dynamics further intensified domestic price pressures.

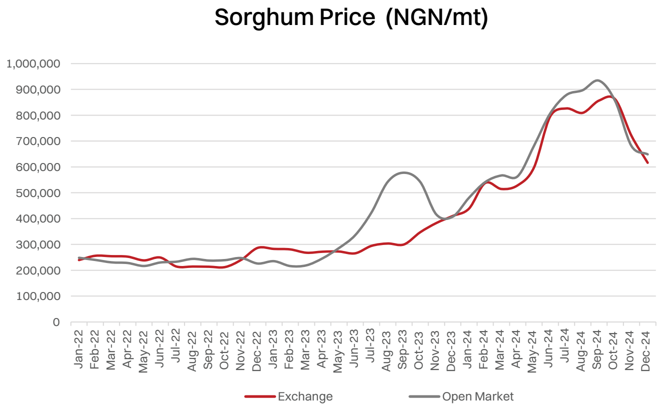
Prices temporarily eased in October, coinciding with the arrival of the domestic harvest and India's return to the global market after lifting its export ban on non-basmati rice. However, this relief was short-lived, as prices resumed their upward trend in December due to heightened demand during the festive season.



Source: AFEX Research, 2024

In terms of volatility, exchange-traded paddy rice prices fluctuated by 19%, while open market prices experienced slightly lower volatility at 15%. In total, approximately 9,000 metric tons of paddy rice were traded on the AFEX Exchange in 2024.

Sorghum's Market Spiral: Demand and Supply Dilemmas



Source: World Bank, AFEX Research, 2024

Sorghum prices, which often track maize price movements due to its role as a substitute, surged by 92% year-on-year in 2024, reaching an average price of NGN711,000 per metric ton. This sharp increase was driven by rising demand across various industries, particularly in food production and animal feed, coupled with a supply deficit that pushed prices to a peak of over NGN900,000 per metric ton.

By the end of the year, sorghum prices settled at NGN649,000 per metric ton, reflecting a 59% increase compared to the previous year's closing price, with market volatility at 22%. On the AFEX Exchange, a total of 10,000 metric tons of sorghum were traded, with an average price of NGN675,000 per metric ton and slightly higher volatility of 23%.

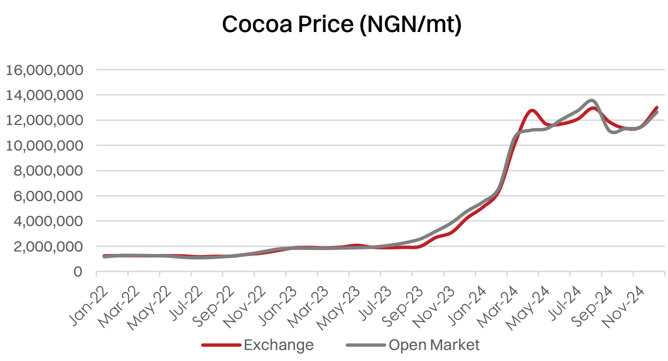
Cocoa Prices Soar to Record Highs Amid Global Supply Shortages

Cocoa prices in Nigeria surged dramatically in 2024, aligning with global market trends and recording an extraordinary 336% increase. Prices skyrocketed from an average of NGN2,490,000 per metric ton in 2023 to NGN10,850,000 per metric ton in 2024. Starting the year at approximately NGN5,500,000 per metric ton, cocoa prices closed at NGN12,640,000 per metric ton—reflecting a year-end gain of about 160% compared to the previous year's closing price.

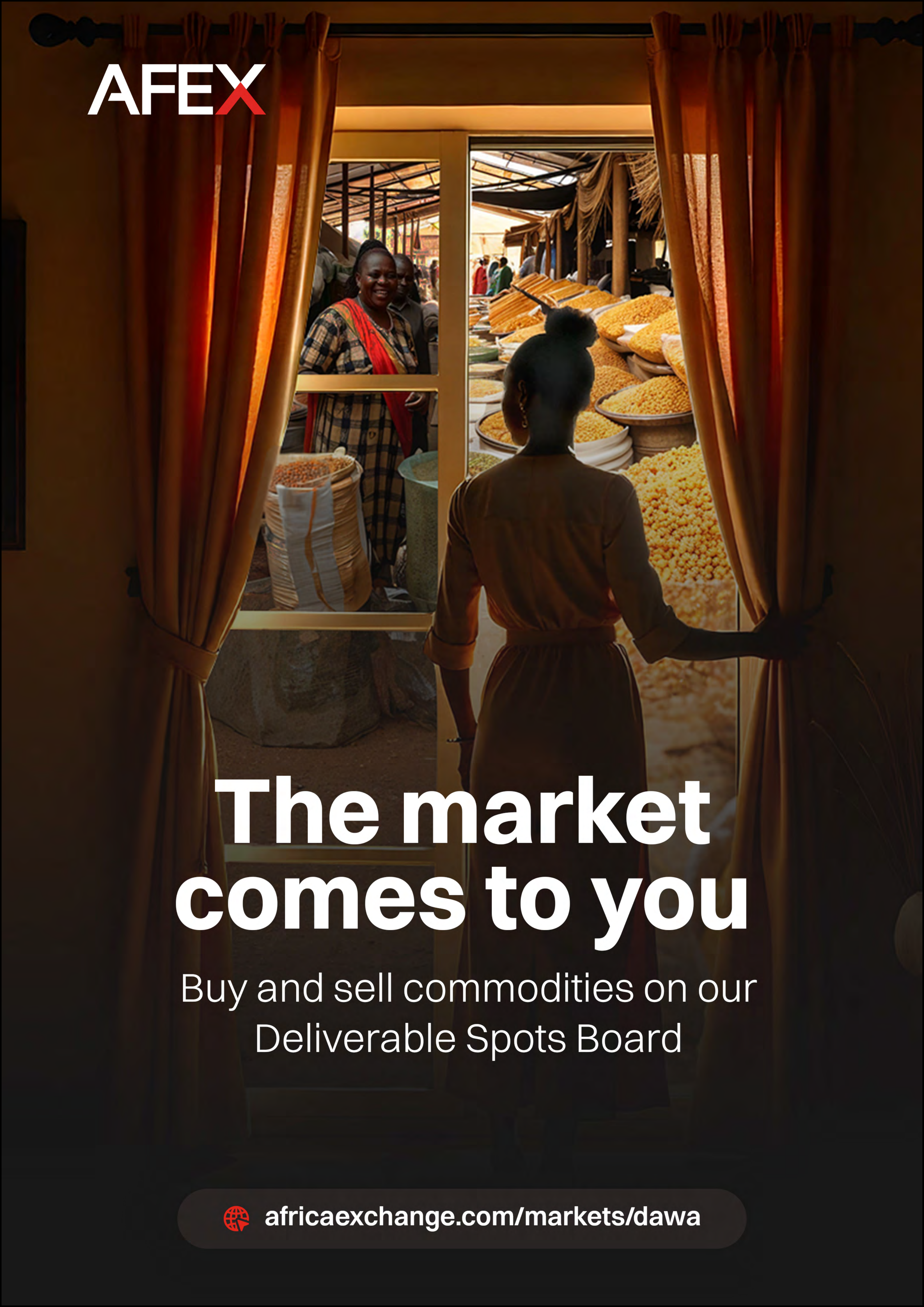
This sharp escalation was primarily driven by a global supply deficit from major cocoa producers, Côte d'Ivoire and Ghana, where unfavourable weather conditions and widespread disease outbreaks severely limited production. Meanwhile, global demand—especially from the chocolate and confectionery industries—remained strong despite the supply shortfall, further intensifying upward pressure on prices.

Domestically, Nigeria's challenging macroeconomic environment amplified this price surge. The depreciation of the naira made Nigerian cocoa more competitively priced in international markets, boosting export demand and driving domestic cocoa prices even higher.

On the AFEX Exchange, cocoa contract volumes totalled 2,000 metric tons in 2024, while price volatility stood at 23%.



Source: AFEX Research, 2024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2025 Global Commodities Outlook

The World Bank's commodity price index is projected to reach its lowest level since 2020, with an anticipated 5% decline in commodity prices. However, potential upward pressure on prices could arise from geopolitical risks, adverse weather conditions, and a strengthening global economy.

Energy Commodities

Energy prices are projected to continue their downward trajectory, declining by 6% in 2024, followed by another 6% drop in 2025 and a more moderate 2% decrease in 2026.

U.S. natural gas prices are expected to fall in 2024 but are forecast to rebound sharply in 2025 due to rising demand from liquefied natural gas (LNG) terminals, with further increases anticipated in 2026. In contrast, European natural gas prices are projected to rise by 7% in 2025. However, these forecasts face significant upside risks, particularly from potential production and shipping disruptions in the Middle East stemming from geopolitical conflicts.

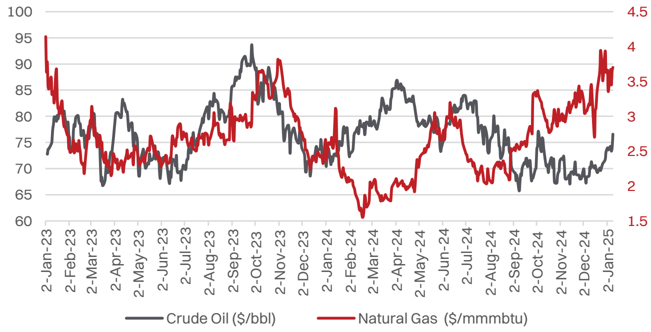
Global coal prices are expected to decline through 2025 and 2026 as weakening global demand continues to dampen price pressures.

In the oil market, demand is projected to grow modestly, mainly driven by Asia. Brent crude oil prices are expected to decline to $73 per barrel in 2024 and further to $72 per barrel in 2025 (World Bank). Non-OPEC oil supply is forecast to expand significantly, and with OPEC maintaining substantial spare production capacity,

a supply surplus is anticipated in 2025, keeping oil prices under pressure. Global oil supply is projected to reach 105 million barrels per day in 2025, supported by increased production from the United States (International Energy Agency).

However, OPEC+ production strategies, intensifying conflicts in the Middle East, and stricter enforcement of sanctions on Iran pose potential risks that could disrupt these projections.

Energy Futures Prices



Source: Investing, AFEX Research, 2024

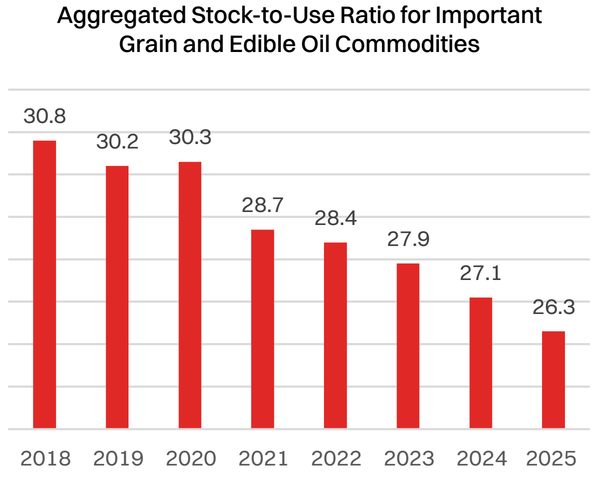
Fertilizer

According to Rabobank, fertilizer demand in 2024 struggled to maintain the growth momentum seen in 2023, with demand for key fertilizers remaining sluggish. This slowdown was primarily driven by declining agricultural commodity prices, which squeezed farmers' profit margins and reduced their ability to afford fertilizers. Looking ahead, Rabobank forecasts modest growth in fertilizer demand for 2025 and 2026, supported by an expected improvement in farmer profitability.

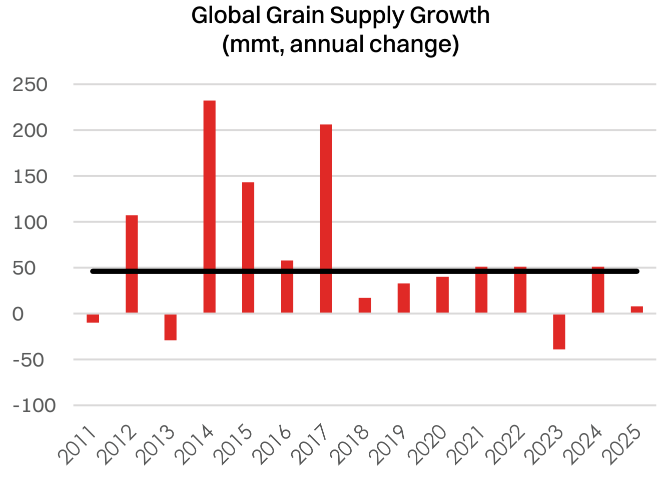
The fertilizer price index dropped sharply by 24% in 2024 and is projected to decline further in 2025 before stabilizing in 2026. Despite this downward trend, fertilizer prices are expected to remain above 2015-2019 levels due to ongoing export restrictions from China—a major global fertilizer supplier—and sustained demand in key agricultural markets. However, potential spikes in natural gas prices, a critical input for nitrogen fertilizer production, could pose an upside risk to fertilizer costs.

Urea prices, which fell by 6% in 2024, are projected to stabilize in 2025, supported by new supply from East Asia and the Middle East and a forecasted recovery in European urea production.

Agr❦cultural Commodities



Source: FAO, World Bank, AFEX Research, 2024



Source: FAO, World Bank, AFEX Research, 2024

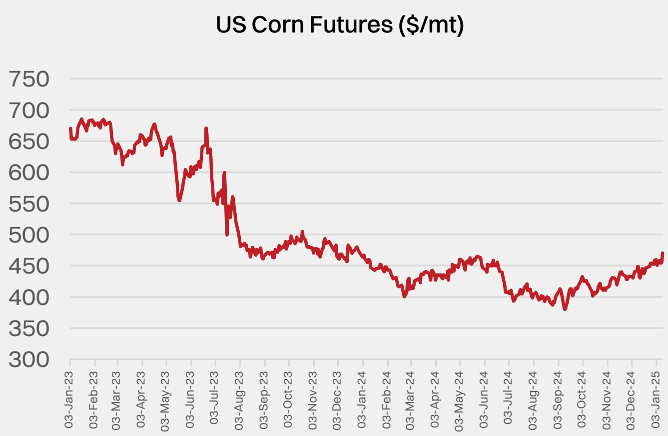
The World Bank projects global food prices to decline by 3% in 2025, followed by stabilization in 2026. This forecast is largely supported by an anticipated 5% drop in grain prices and a 4% decrease in oils and meals prices, driven by expected favourable supply conditions.

However, several risks could push prices higher. Trade disruptions in the Black Sea region or the introduction of new export restrictions could tighten global supply and drive prices upward. Conversely, larger-than-expected harvests could lead to even steeper price declines.

Additional factors to monitor include rising trade tensions, such as the imposition of tariffs, and unpredictable weather patterns, both of which could increase grain price volatility.

Furthermore, if crude oil prices fall as projected due to a supply surplus in 2025, demand for energy crops like maize and soybeans could weaken, exerting additional downward pressure on global food prices

Maize: Trade Tensions and Weather Challenges Threaten Supply

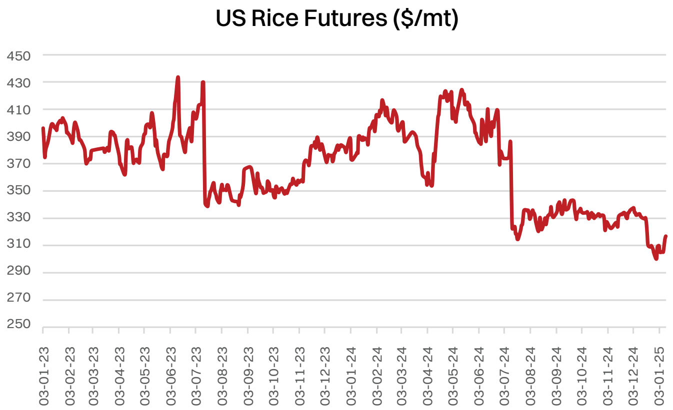


Source: Investing, AFEX Research, 2024

Global maize supply is expected to remain stable despite favourable yield prospects for the 2024-25 season in the United States. Although U.S. production is projected to increase, these gains are likely to be offset by adverse weather conditions and suboptimal growing environments in Southeastern Europe, as well as parts of Russia and Ukraine. As a result, maize prices are forecast to decline slightly by 1% in 2025, with a modest 2% rebound anticipated in 2026.

Trade tensions continue to pose a significant risk to the maize market. Escalating tensions—particularly with Mexico, the largest importer of U.S. maize—could put substantial downward pressure on prices. Additionally, ongoing trade frictions may encourage U.S. farmers to shift acreage from soybeans, which are more susceptible to trade disputes with China, to maize, potentially impacting supply dynamics and market prices.

Rice Market: Anticipated Price Relief Ahead

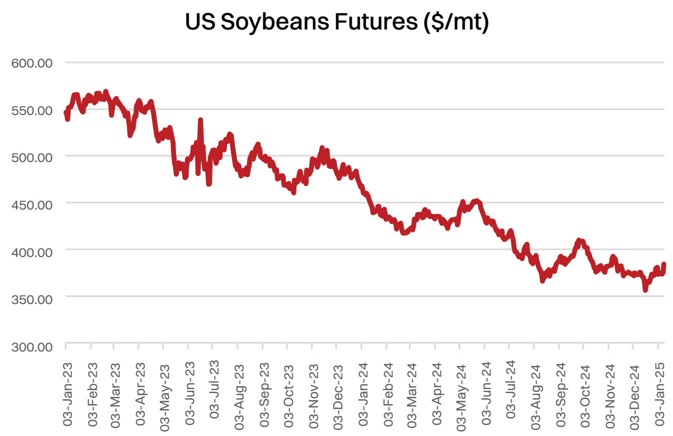


Source: Investing, AFEX Research, 2024

The global rice market is poised for potential price relief in 2025, driven by expectations of strong production and key policy shifts in India. A projected bumper harvest, coupled with India's return to the export market, is expected to apply downward pressure on rice prices in the first quarter of the year. This development is likely to impact other major exporters, with Pakistan—one of the world's top five rice exporters—forecast to see a 12.3% year-on-year decline in rice exports.

Global rice production is projected to rise by 8% in 2024, which is anticipated to lead to an 11% drop in rice prices in 2025. This outlook is supported by favourable weather conditions, including strong rainfall and the expected onset of La Niña, which are likely to improve yields and increase inventories in India and across South Asia. Additionally, consistent production from other major exporters in Asia and the United States is expected to contribute to a well-supplied global rice market, maintaining downward pressure on prices.

A Bearish Horizon for Soybean



Source: Investing, AFEX Research, 2024

The outlook for soybean, soybean oil, and soybean meal markets remains bearish through 2025 and 2026, primarily driven by an expected surge in soybean production from major global suppliers, particularly the United States and South America. This projection is underpinned by forecasts of stable weather conditions in key producing regions, especially Brazil.

According to World Bank estimates, soybean production in Brazil and the United States is projected to increase by 10%, while Argentina is expected to see a 6% rise due to improved yields and expanded cultivation areas. These gains contribute to a forecasted 9% growth in global soybean production in 2025. As a result, soybean prices are anticipated to decline by 6% during the year, with the stock-to-use ratio potentially reaching historically high levels.

Several factors could influence the global soybean market outlook, including potential policy shifts—such as the possible imposition of tariffs on China by a new U.S. administration—and weather-related disruptions that could impact production.

Sorghum: A Commodity Poised for Growth

The USDA projects a significant increase in U.S. sorghum production in 2025, driven by higher yields and larger beginning stocks. China's import demand is expected to rise by 0.5 million tons, supported by stronger domestic consumption and increased sorghum availability from Argentina. Argentina's sorghum production for the 2024/25 season is forecast to grow for two key reasons: farmers are diversifying their crops after a leafhopper outbreak disrupted corn planting, and sorghum's lower production costs have made it a more attractive alternative.

Globally, sorghum production is projected to reach 335 million bushels in 2025. The United States is expected to lead global sorghum exports, accounting for 56% of total shipments. Australia is also poised for a strong recovery, projected to contribute 23% of global exports in 2025 after excessive rainfall in 2024 damaged crop quality and reduced export volumes (USDA).

Cocoa Market Shift: Deficit to Surplus

The cocoa market outlook for 2025 appears optimistic, with supply conditions expected to improve, particularly in Côte d'Ivoire, potentially increasing global production by 15%. This projected supply boost is anticipated to ease cocoa prices in 2025 and 2026, following the sharp price surge in 2024. If the forecasted surplus materializes, the stock-to-grind ratio could rise by up to 30%, signalling improved market balance.

However, concerns over weather patterns and their potential impact on production remain. Although current forecasts point to higher output, adverse weather conditions pose a significant downside risk to these projections.

Despite the favourable supply outlook, cocoa prices are likely to stay elevated due to ongoing uncertainties surrounding production in West Africa and persistently tight global stocks. Additionally, the European Union's Deforestation Regulation introduces stricter oversight of cocoa supply chains, which could disrupt trade flows and increase production costs. These factors are expected to maintain market volatility, even amid the projected supply recovery.

Cocoa Futures Price ($/mt)

Source: Investing, AFEX Research, 2024

Potential Key Drivers Of Global Commodities Outlook In 2025

Tariff War:
The Trump administration's decision to impose tariffs on Canada, Mexico, and China—its largest trading partners—has the potential to disrupt global commodities and energy markets, reshaping established trade patterns and supply chains.

- **Energy Sector:** Tariffs on Canadian exports could restrict oil flows to the U.S., forcing Midwest refiners to seek alternative sources. This supply shift could drive up regional fuel costs due to logistical challenges in securing replacements.
- **Oil Markets:** A retaliatory tariff from China could echo the 2018 U.S.-China trade war, which led to a more than 200% surge in the WTI-Brent price discount. While a repeat of this magnitude is unlikely, similar market disruptions remain possible.
- **Agricultural Sector:** U.S. soybean exports are particularly vulnerable, as China is the largest consumer of U.S. soybeans. Reduced access to the Chinese market could lead to a decline in U.S. soybean cultivation, prompting farmers to shift acreage to maize and other crops.

La Niña Weather Pattern:
The National Weather Service (NWS) reported the emergence of La Niña in December 2024, with a 60% chance of persisting through March 2025. This weather phenomenon typically brings heavy rainfall and flooding to Australia, Southeast Asia, and northern South America, while causing below-average rainfall in East Africa, the U.S. Gulf Coast, southern Brazil, and Argentina.

- Early effects of La Niña are already visible, with delayed rainfall in Brazil, persistent dryness in Argentina, and arid conditions in the southern U.S.
- Forecasts from Rabobank and the World Bank suggest this La Niña event may be mild and short-lived. If accurate, this could help ease upward pressure on prices for key commodities like cocoa, rice, and sugar.

Escalation of Global Conflicts:
Rising geopolitical tensions, particularly in oil-producing nations in the Middle East, pose a significant risk to energy markets.

- **Oil Prices:** Escalation of conflict could trigger sharp and sustained oil price spikes.
- **Natural Gas Prices:** Increased instability may also drive substantial and prolonged surges in natural gas prices due to supply disruptions.

Economic Growth Dynamics:
China's economic performance remains a critical factor influencing global commodity demand.

- **Industrial Demand:** A robust recovery in China's economy could bolster industrial output and stabilize the property sector, driving stronger demand for metals and pushing prices above current forecasts.
- **Energy Demand:** Conversely, weaker economic growth in China could dampen natural gas consumption, resulting in lower-than-expected demand in the energy sector.

These factors collectively introduce considerable uncertainty into the global commodities outlook for 2025, with the potential to either exacerbate or mitigate projected market trends.

2025 Domestic Commodity Outlook

The domestic commodities market in 2024 was significantly influenced by supply shortages and challenging macroeconomic conditions, resulting in a price surge of over 90%. Global supply and pricing dynamics also played a crucial role in shaping the prices of key commodities.

Looking ahead, the domestic market is expected to continue feeling the effects of a bleak production outlook for staple crops, driven by reduced input usage and the severe impacts of climate change. This trend is already evident, with commodity prices starting the year at higher base levels compared to previous years.

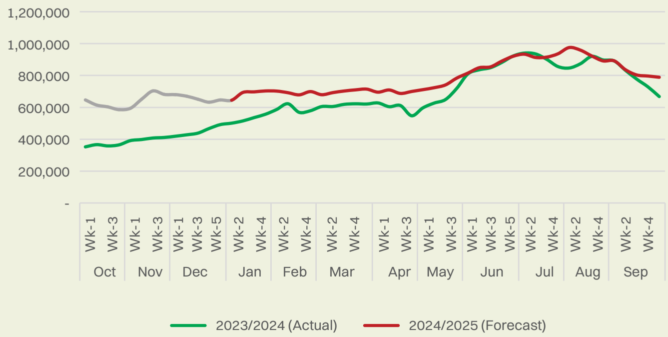
Maize Market

In 2024, maize prices in Nigeria averaged around NGN696,000 per metric ton, reaching a record high of approximately NGN907,000 per metric ton due to tight supply and strong demand.

For 2025, maize prices are projected to moderate, primarily due to a relatively high opening stock resulting from the government's implementation of a 150-day import duty on maize. This policy measure has boosted stock levels, which were initially expected to be low due to a projected 5.6% decline in 2024/2025 production. The increased supply in the domestic market has helped eased upward pressure on prices

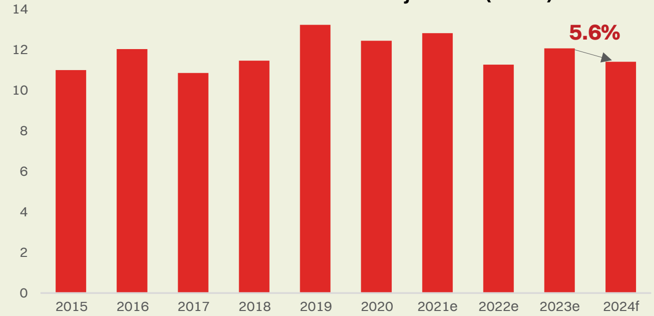
Additionally, subdued demand for maize has amplified the impact of abundant supply. The import waiver, which allowed large processors to import maize, reduced demand for locally produced maize, contributing to market stability in the short to medium term. However, prices may gradually rise by mid-year and could experience a marginal increase in the third quarter, aligning with seasonal supply reductions. Current projections suggest maize prices could surge by 18% during this period.

Maize Price Movement (NGN/mt)



Source: AFEX Research, 2024

Maize Production Volume Projection ('mmt)



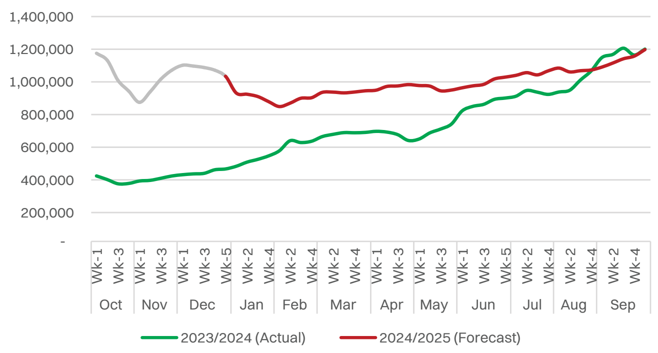
Source: FAQ, AFEX Research, 2024

Soybean Market

Soybean prices in 2024 averaged NGN1,170,000 per metric ton, driven by strong international demand and the devaluation of the naira. The 2025 soybean market is expected to be influenced by shifts in global market dynamics. Global soybean prices have fallen below $500 per metric ton due to robust harvests from major producing countries, which have significantly increased supply levels. This price disparity could likely reduce international demand for Nigerian soybeans and further weaken the competitiveness of the local market.

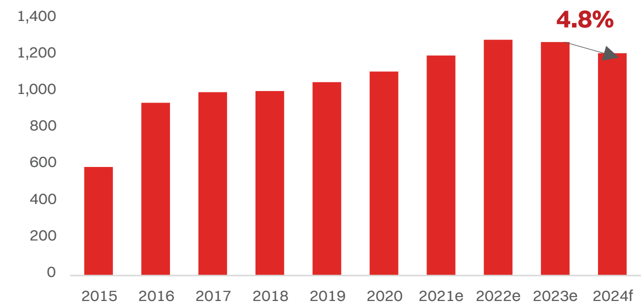
Despite these challenges, soybean prices are projected to remain relatively steady throughout 2025. Exchange rate volatility and a slight decline in domestic production are expected to exert upward pressure, leading to a forecasted price increase of 23% year-on-year.

Soybean Price Movement (NGN/mt)



Source: AFEX Research, 2024

Soybean Production Volume Projection('000)



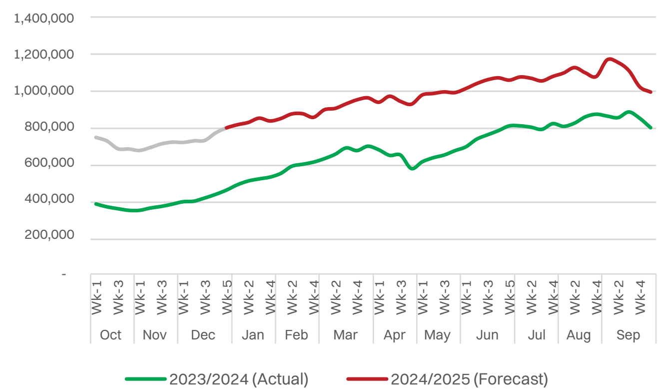
Source: FAO, AFEX Research, 2024

Paddy Rice Market

Rice prices in 2024 experienced significant increases, largely driven by supply deficits and the broader effects of global supply constraints. Paddy rice prices are expected to rise by approximately 50% year-on-year in 2025, influenced by several key factors shaping the market. The 150-day import waiver has enabled major processors to stockpile paddy rice, temporarily suppressing current demand. However, a gradual recovery in demand is anticipated, though its effect on prices may be mitigated by robust supply levels, particularly if importation continues.

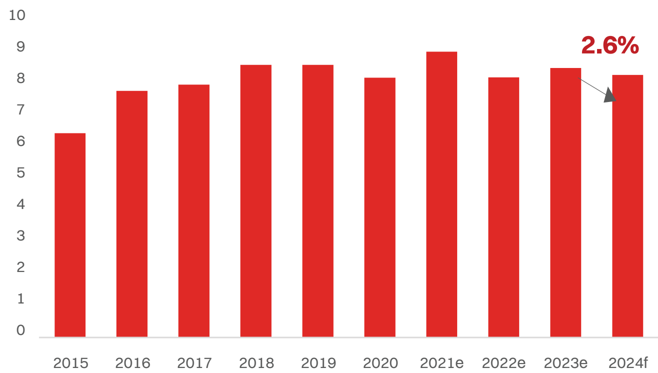
Additionally, uncertainty regarding the cost of imported rice has dampened immediate buying activity, helping to stabilize prices in the near term. Trade policies from key producing regions and the potential impacts of La Niña are also expected to contribute to price stability throughout the season.

Paddy Rice (NGN/mt)



Source: AFEX Research, 2024

Paddy Rice Production Projection (NGN/mt)



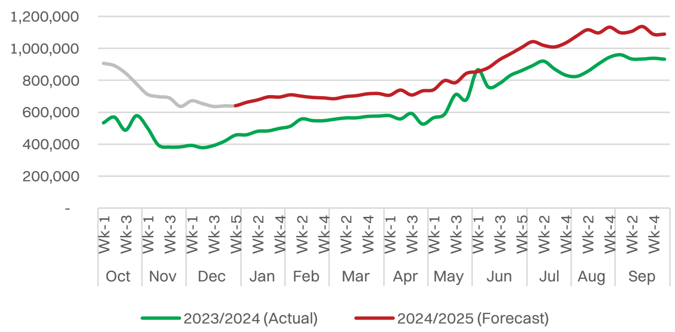
Source: FAO, AFEX Research, 2024

Sorghum Market

Sorghum production volume is anticipated to rise by 7.6% compared to the previous year, driven by an expansion in cultivated land area. The crop's relatively low production costs and resilience to harsh climatic conditions have been key factors contributing to this growth. Despite this positive production outlook, sorghum prices are projected to increase by 23% year-on-year.

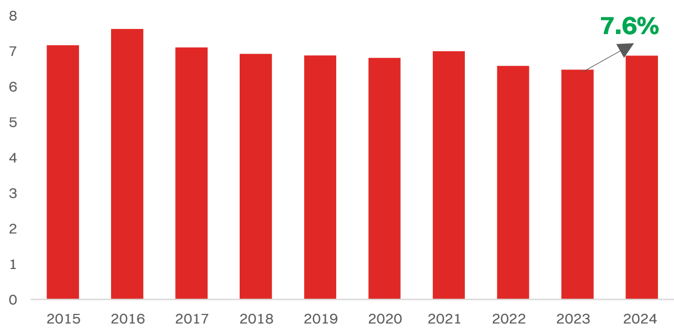
The abundant supply of maize, a primary grain for which sorghum serves as a substitute, is expected to exert downward pressure on sorghum demand in the near term. Consequently, significant price increases may not occur until mid-year, when maize supply begins to taper and demand for sorghum starts to recover.

Sorghum Price Movement (NGN/mt)



Source: AFEX Research, 2024

Sorghum Production Volume Projection ('mmt)



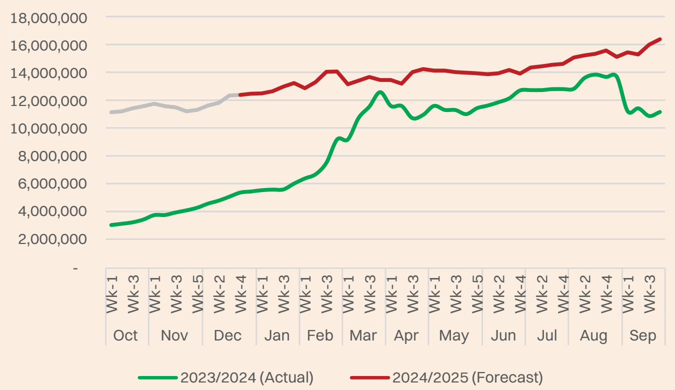
Source: AFEX Research, 2024

Cocoa Market

In 2024, cocoa prices in Nigeria averaged approximately NGN10,850,000 per metric ton, surging to over NGN12,630,000 per metric ton by year-end, setting a higher price baseline for 2025 (AFEX Research, 2024). This sharp increase was primarily driven by the continued depreciation of the naira against the U.S. dollar, which closed the year at approximately NGN1,555/$ (CBN, 2024). Additionally, supply constraints in Côte d'Ivoire and Ghana—the world's largest cocoa producers—due to heavy rainfall and outbreaks of black pod disease further intensified the price surge.

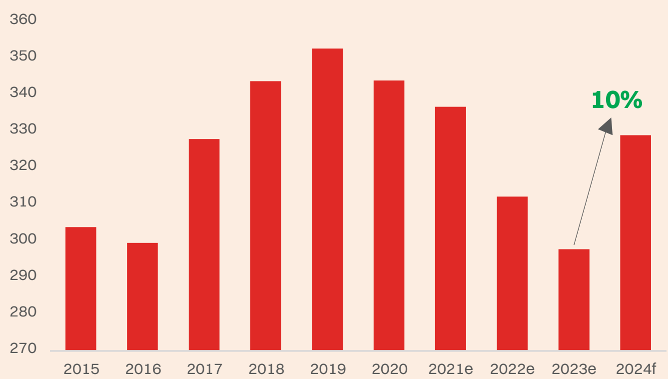
Looking ahead, cocoa prices are expected to remain elevated, with AFEX Research projecting a 34% year-on-year increase. This forecast is supported by strong international demand for Nigerian cocoa. Furthermore, the implementation of the European Union Deforestation Regulation (EUDR), which requires products sold in or exported from the EU to be deforestation-free, is anticipated to add upward pressure on prices due to increased compliance costs.

Cocoa Price Movement (NGN/mt)



Source: AFEX Research, 2024

Cocoa Production Volume Projection ('000 mt)



Source: AFEX Research, 2024

Key Drivers Of Domestic Commodities Outlook 2025

As the year progresses, understanding the key drivers shaping the outlook becomes essential for anticipating market trends and making informed decisions. The following highlights the critical factors expected to influence the commodities market in Nigeria.

	Maize		Soybean		Rice	
Key Drivers of Prices	**Projection**	**Effect**	**Projection**	**Effect**	**Projection**	**Effect**
Opening Stock	High	Decrease	Moderate	Marginal Decrease	Moderate	Decrease
Production Level	Decline	Increase	Decrease	Increase	Decrease	Marginal Increase
International Demand	Low	Marginal	Low	Decrease	Low	Marginal
Trade Policy	Existing	Decrease	None	None	Existing	Decrease
Domestic Demand	Moderate	Marginal Increase	Moderate	Marginal Increase	High	Increase

	Sorghum		Cocoa	
Key Drivers of Prices	**Projection**	**Effect**	**Projection**	**Effect**
Opening Stock	Moderate	Marginal	Low	Increase
Production Level	Increase	Decrease	Increase	Marginal Decreas
International Demand	low	Marginal	High	Increase
Trade Policy	Existing	Decrease	Existing	Increase
Domestic Demand	Moderate	Marginal Increase	Moderate	Increase

Assessing Food Import Tariff Suspension Amidst Nigeria's Food Crisis

Food commodity prices in Nigeria have consistently risen in recent years, with 2024 marking a historic surge. Staples such as maize, soybean, sorghum, and paddy rice recorded year-on-year increases of over 90%. This alarming trend intensifies Nigeria's already critical food insecurity situation, with 31.8 million people officially classified as food insecure. In a country where citizens spend over 50% of their income on food and 87 million people live below the poverty line (FAOSTATS, World Bank), soaring food prices pose an immediate and severe threat to public well-being.

Data from the National Bureau of Statistics (NBS) and daily observations highlight the nation's deepening food crisis. In December 2024, food inflation surged to 39.8%. additionally, the latest cost of health diet report revealed that maintaining a basic nutritious diet now costs NGN1,346 per day for an adult, translating to over NGN40,000 per month. For minimum wage earners, this represents approximately 58% of their income, excluding essential expenses like housing, transportation, and family care.

The rise in food prices stems from a combination of internal and external factors. Domestically, low agricultural productivity, lagging food production relative to population growth, infrastructural deficits, climate shocks, and insecurity in key agricultural regions contribute to supply shortages. Externally, despite easing global food prices, domestic costs remain high due to macroeconomic pressures, including high fuel costs and naira devaluation, making imports expensive and exports more lucrative.

In response, the federal government introduced a 150-day suspension of import tariffs on critical commodities such as wheat, husked rice, maize, and cowpea. This policy aimed to lower the cost of importing essential food items, with tariff reductions of 20% on wheat and beans, 5% on maize, and 30% on husked brown rice. The government also pledged to import 250,000 metric tons each of wheat and maize, supplemented by private sector imports. This initiative was expected to reduce food prices by up to 20%, fostering optimism among stakeholders.

However, the International Food Policy Research Institute (IFPRI) reported that while the policy modestly lowered consumer prices for the targeted items, its overall economic impact was marginal. Lower import costs led to a decline in domestic producer prices, negatively affecting the agricultural sector. The policy's impact on the Consumer Price Index (CPI) was minimal, resulting in only a 0.3% decrease (IFPRI). Despite these efforts, food inflation continued to rise, indicating that the policy failed to deliver the anticipated relief.

While the government's tariff suspension was a well-intentioned effort to curb food prices and ease household financial pressures, its limited effectiveness underscores the need for more targeted, long-term solutions to Nigeria's food security challenges.

Recommendations for Sustainable Solutions:

- Strengthen Agricultural Productivity: The government must prioritize investments in agriculture by addressing the root causes of low productivity. This includes improving access to high-quality inputs, modern farming technologies, and extension services.
- Enhance Infrastructure: Upgrading transportation and storage infrastructure can reduce post-harvest losses and improve the distribution of agricultural products.
- Mitigate Climate Risks: Implementing climate-resilient farming practices and investing in irrigation systems can protect yields against weather-related disruptions.
- Improve Security in Agricultural Regions: Addressing insecurity in farming areas is critical to enabling farmers to cultivate and transport goods safely.
- Encourage Private Sector Participation: Expanding public-private partnerships in agricultural development can drive innovation and increase production capacity.

Reducing import barriers can only provide short-term relief. To achieve lasting food security, Nigeria must focus on building a self-sufficient agricultural sector through efficient resource use and sustainable production

The Risk-Return Conundrum: Finding Your Investment Sweet Spot

Risk is the uncertainty surrounding potential future losses or the inability to predict the occurrence or magnitude of those losses. It represents the possibility of outcomes deviating negatively from what is expected. In investing, understanding risk is crucial for making informed decisions and balancing potential rewards. Risks can be categorized based on various factors such as occurrence, measurability, and behaviour. However, for investment decisions, risks are broadly classified into two main types: systematic risk and unsystematic risk.

Systematic Risk:
Systematic risk refers to non-diversifiable risk that impacts the entire market or economy. This type of risk is inherent to the financial system and cannot be eliminated through diversification. While it affects all investors, the degree of impact may vary.

Examples of systematic risk include:

- **Market Risk:** Price fluctuations and reduced demand due to economic downturns or market volatility.
- **Interest Rate Risk:** Changes in interest rates that affect the value of investments, particularly in fixed-income securities.
- **Inflation Risk:** The erosion of purchasing power and investment returns due to rising inflation.

Unsystematic Risk:
Unsystematic risk is company-specific or industry-specific and arises from internal factors within a firm. Unlike systematic risk, unsystematic risk can be minimized or eliminated through effective diversification—by investing in a variety of assets with low correlation to each other.

Examples of unsystematic risk include:

- **Business Risk:** Operational challenges such as product failures, labour strikes, supply chain disruptions, or management issues.
- **Financial Risk:** The risk associated with a company's financial structure, particularly its use of debt and leverage.

In investment decision-making, the total risk associated with an investment is the sum of both systematic and unsystematic risks. Managing this balance is key to optimizing returns and minimizing potential losses.

Investor Risk Profiles

Investors' attitudes toward risk can be broadly categorized into three profiles:

Risk Seekers (Risk Preferers):

- Risk seekers actively pursue high-risk investments with the expectation of substantial returns.
- They focus more on the potential gains than the possible losses and are comfortable with high market volatility.

Risk-Averse Investors:

- Risk-averse individuals prefer stability and certainty, prioritizing capital preservation over high returns.
- They are more likely to choose safer, low-risk investments, even if it means accepting lower profits.

Risk-Neutral Investors:

- Risk-neutral investors evaluate investments based solely on potential returns, carefully weighing risks against rewards.
- They approach decision-making logically and objectively, without letting emotions influence their choices.

Understanding these risk categories allows investors to make informed decisions that align with their financial goals and risk tolerance.

The Return Concept

Return represents the income or gain generated from an investment and serves as the reward for assuming risk. In investment decision-making, returns are broadly categorized into two types:

- **Realized Return:** The actual income or profit earned from an investment over a specific period. This includes interest, dividends, and capital gains from the sale of assets.
- **Expected Return:** The projected or anticipated return on an investment over a future period, based on historical performance, market analysis, and economic forecasts.

Understanding these concepts essential for evaluating the performance of investments and making informed financial decisions.

Risk-Return Trade-Off: Balancing Potential Gains And Risks

The **risk-return trade-off** is a fundamental investment principle that emphasizes the direct relationship between risk and potential reward. It suggests that achieving higher returns requires accepting higher levels of risk, while lower-risk investments typically yield lower returns. Striking the appropriate balance between risk and return depends on various factors, including an investor's risk tolerance, time horizon until retirement, and the ability to recover from potential losses.

Time horizon plays a critical role in determining the appropriate risk-reward balance in a portfolio. For example, investors with a long-term outlook who hold positions in commodities like crude oil or gold may benefit from price recoveries following market downturns and can capitalize on upward trends during periods of high demand. Conversely, investors with shorter time frames face greater exposure to short-term volatility driven by factors such as geopolitical events, weather disruptions, or sudden shifts in supply and demand.

The risk-return trade-off is a key consideration in both individual investment decisions and overall portfolio management. At the portfolio level, it involves evaluating the concentration and diversification of holdings to determine if the asset mix presents excessive risk or offers lower-than-expected returns. The core concept is that the potential return on an investment should increase in proportion to the level of risk undertaken. Conversely, investors are typically unwilling to pay a premium for low-risk assets, such as government bonds, due to their lower return potential.

Importance of Risk-Return Trade-Off

Risk management: The risk-return trade-off encourages investors to thoroughly assess the risks associated with various assets, sectors, or markets, ensuring alignment with their risk appetite. This process helps investors avoid taking on excessive risk for modest returns or pursuing higher returns that exceed their tolerance for risk. By understanding this balance, investors can make more informed decisions and better manage potential losses.

Return optimization: Invest By understanding the risk-return trade-off, investors can construct an ideal portfolio that aligns with their specific investment objectives and market conditions. This allows them to optimize their portfolios based on their goals, whether focused on capital preservation, growth, or income generation. It ensures that expected returns are realistic and achievable within the context of their risk tolerance.

Portfolio Diversification: A clear understanding of the risk-return trade-off helps investors build diversified portfolios. By balancing high-risk and low-risk investments, they can create an optimal mix that aligns with their financial goals and risk tolerance. Diversification reduces exposure to significant losses in any single investment and enhances overall portfolio stability.

Investment Rules: The risk-return trade-off guides key investment decision-making through the following principles:

- **Investment Rule 1:** If two investments have the same expected return but different levels of risk, the investment with the lower risk is preferred.
- **Investment Rule 2:** If two investments have the same level of risk but different expected returns, the investment with the higher expected return is preferred.

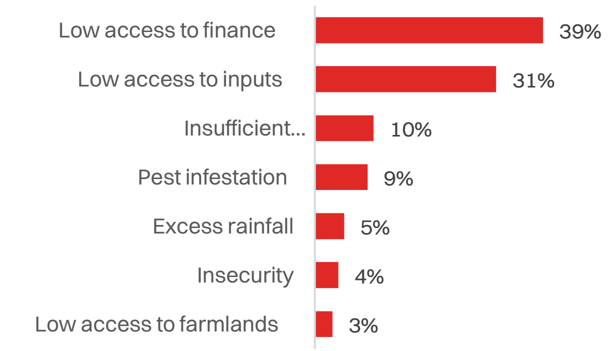
Because investors aim to maximize returns while minimizing risk, an investment offering both a higher expected return and a lower level of risk is always preferred over one with less favourable characteristics.

AFEX Products: Diversifying Your Risks

Products	Description	Risk	Investment Risk Profile	Benefits	Maturity
Spot Commodities	Direct sales and purchases of commodities	• Price risk • Commodity Risk	High	• Capital gains • Portfolio diversification	N/A
ETCs (Exchange Traded Commodities)	Pooling of commodities in tradable units	• Price risk • Model risk	Moderate/High	• Capital gains • Portfolio diversification	</= 270days
Input Finance Notes	Direct financing of commodity producers	• Production risk • Credit risk • Market risk • Commodity risk	High	• Portfolio diversification • Impact investment • Fixed return	270, 365 days
Trade Finance Note	Inventory financing for export and local off takes	• Counter Party risk • Credit risk • Operational risk	Moderate/Low	• Quality and quantity guarantee • Price hedging	120 - 365 days
Asset Backed Commercial Paper (ABCP)	Working capital financing for processors that cannot approach traditional capital market	• Market risk • Credit risk	Low	• Price hedging • Off- balance sheet working capital financing	270 days

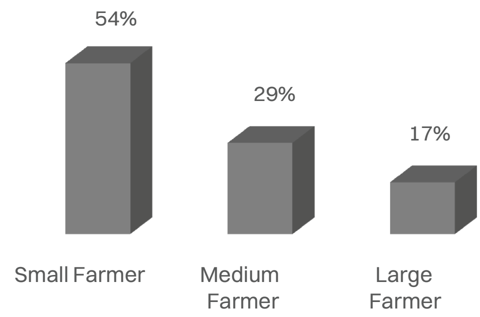
Appendix

Factors Affecting Planting Season



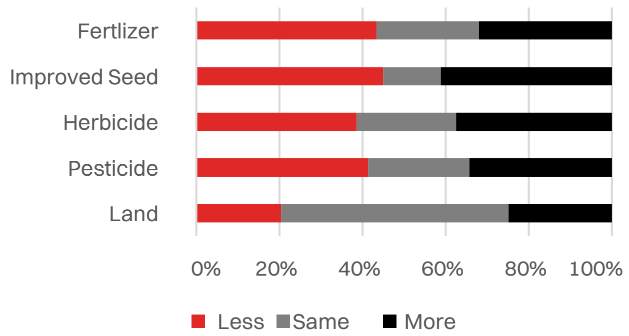
Source: AFEX Research, 2024

Farm Size Cultivated 2024

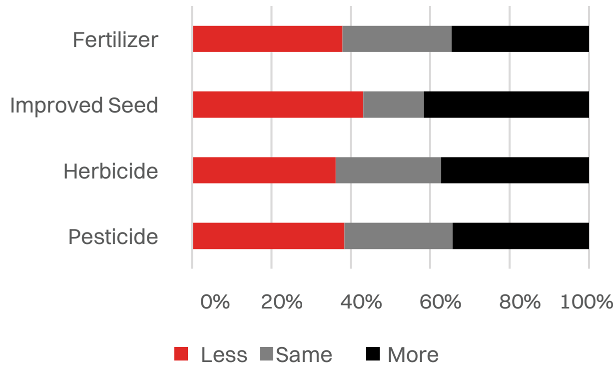


Source: AFEX Research, 2024

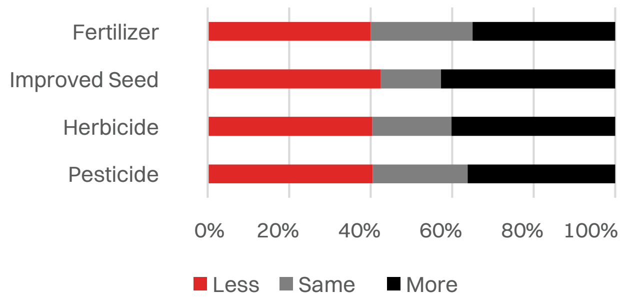
Input and Land Usage Y-o-Y Comparison



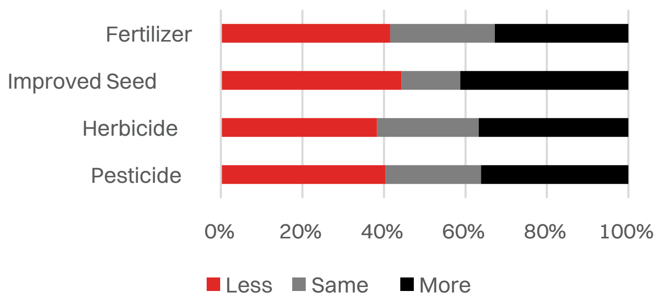
Input Usage Y-o-Y for Maize Planting



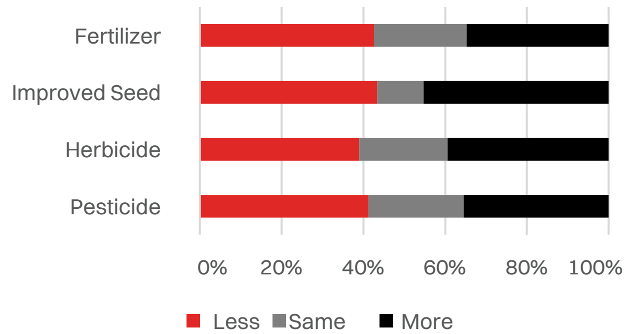
Input Usage Y-o-Y for Soybean Planting



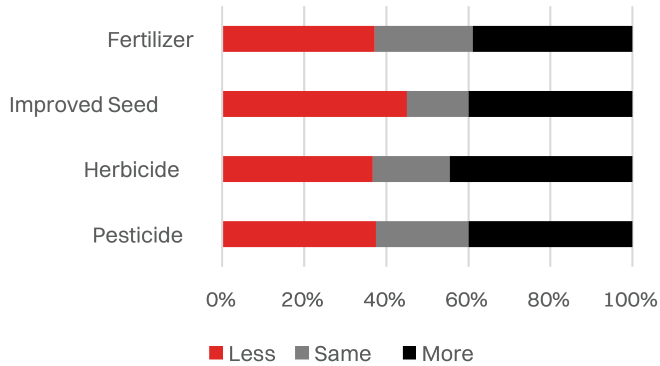
Input Usage Y-o-Y for Paddy Rice Planting



Input Usage Y-o-Y for Sorghum Planting



Input Usage Y-o-Y for Cocoa Planting



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Mitsun Group is a prominent indigenous brand with global presence in Commodity Trading, Trade Finance Advisory, Structured Trade Solutions and Commodity Sourcing Solutions in Africa, the Middle East, and Far East Asia. With a team of industry experts, Mitsun Group is committed to driving continuous improvement in trade and delivering innovative, impactful solutions that promote growth and success for its clients and strategic business partners.

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Mission: To improve business performance by providing commodity trading solutions using cutting edge technology.

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- **Innovation**
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