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Agbiz presented at USDA food security seminar

Feedback provided by Wandile Sihlobo, Head Economic and Agribusiness Intelligence at Agbiz

On Tuesday, 3rd May 2016, Agbiz participated at the United States Department of Agriculture's (USDA) food security seminar which was held at US embassy, Pretoria. Amongst many organisations that attended the seminar was the USAID, Agri SA and the Eisenhower School for Natural Security and Resource Strategy (US).

In his presentation Wandile Sihlobo, Head Economic and Agribusiness Intelligence at Agbiz, painted a broad picture of regional grain supplies, with specific focus on South Africa.

On average, Southern African Development Community (SADC) produces 29 million tons of maize. About 42% of that total is produced in South Africa. Moreover, about 70% of SADC (excluding SA) annual maize imports come from South Africa, which means that a decrease in South Africa's maize production could affect the entire region.

South Africa's 2016 maize production is estimated at 7.05 million tons, down by 29% from last year's harvest, which was already 30% lower than the previous season's harvest. Industry analysts estimate that South Africa's 2016/17 total maize imports could reach 3.8 million tons. Of the total, 2.7 million tons will have to be yellow maize and 1.1 million tons white maize.

All these supply and demand factors have led to significant increases in South African grain prices. On average, white maize prices were up by 80% year-on-year (y/y) on the 3rd May 2016. At the same time, yellow maize prices are up 30% y/y. These price increase have also started to filter through to the consumer side – with maize meal retail prices, on average, having already increased by 47% y/y in March 2016. Beef, milk, eggs, bread, vegetables, vegetable oils, cheese, fruits prices have also shown significant increases.

We expect food prices to remain at higher levels, at least until mid-2017 (assuming that there will be favourable rainfall in the 2016/17 production season which could assist the crops and livestock industry).

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