

Agbiz participates at the Department of Agriculture, Forestry and Fisheries grain marketing workshop – 13 July 2016

On Wednesday, 13 July 2016, Agbiz participated at the Department of Agriculture, Forestry and Fisheries (DAFF) grain marketing workshop which was held at DAFF offices, Pretoria. Amongst many stakeholders that attended the workshop was the SAGIS, JSE and National Chamber of Milling.

Agbiz presentation painted a broad picture of the current trends in the maize market, with a brief background on the regional maize supply and demand dynamics.

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 7.16 million tons, down by 28% 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 vary between 3.3 million tons and 3.8 million tons. Of the total (3.8 million tons), 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 spot price was up by 44% year-on-year (y/y) on the 12 July 2016. At the same time, yellow maize spot price was up 20% y/y. It is worth noting that these increase percentage increases are not as significant as the ones seen at the beginning of the year due to statistical base effect.

In addition, these price increases have also started to filter through to the consumer side – with maize meal retail prices, on average, having already increased by 52% y/y in May 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).

On the positive note, indications from weather forecasters suggest that there is a 55% to 75% chance of La Nina occurrence towards the end of this year. This could lead to improvements in soil moisture and benefit the 2016/17 production crop. In fact, some institutions such as the International Grains Council (IGC) and the United States Department of Agriculture (USDA) already suggest that South Africa's 2016/17 maize production could recover and reach levels between 12 and 13 million tons.

*The presentation can be accessed [here](#)

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