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South African white maize prices may remain high for some time

- Higher white maize prices in South Africa may be a reality in the first quarter of 2025. Relief may start in the second quarter of the year. On January 9, South Africa's white maize spot price traded around R6 724 per tonne, up 55% from the previous year. The fundamental challenge we face is that white maize stocks are tight. If we continue using about 428 667 tonnes of white maize monthly, the 2024-25 marketing year may end with closing stocks of just 277 884 tonnes by April 30, 2025.¹ To understand how tight such closing stocks are, consider the 2023-24 marketing year: the white maize closing stocks were 1.3 million tonnes, and in the 2022-23 marketing year, they were 1.1 million tonnes. The tighter stocks also imply that South Africa must have early deliveries for the 2025-26 marketing year (which corresponds with the 2024-25 production year) starting May 1, 2025. Such early deliveries would ease some market participants' concerns about the supplies.
- The past 2023-24 maize production season (corresponding with the 2024-25 marketing year) was challenging following a mid-summer drought between February and March. The drought resulted in a poor maize harvest across the Southern African region. Zambia lost half of its maize crop, Zimbabwe lost nearly two-thirds of its maize, and other countries, such as Malawi and Lesotho, experienced significant maize losses. South Africa was a slight exception because the impact was less severe than the region. The higher fertilizer usage and improved biotech seed cultivars we use, amongst other things, helped a bit. South Africa's maize harvest fell by 23% to 12,7 million tonnes.² About 6,0 million tonnes is white maize, and 6,7 million tonnes is yellow maize. The overall maize harvest of 12,7 million tonnes is slightly above the annual consumption of 11,7 million tonnes.
- The maize harvest (12.7 million tonnes) in the 2023-24 production season, combined with the large carryover stock from the last season (about 2.4 million tonnes), placed South Africa in a relatively comfortable position regarding maize supplies—at least for a moment. Of the previous season's 2.4 million tonnes carryover stock, about 1.3 million tonnes were white maize, and 1.1 million tonnes were yellow maize. Combining the white maize carryover stock with the white maize harvest for the season meant South Africa had just over 7,0 million tonnes of white maize supplies in the 2024-25 marketing year. With the local white maize demand set to decline to about 5,2 million tonnes, we viewed South Africa as better placed to continue to export to the neighbouring countries. There are few white maize producers in the world. The major producers are South Africa and Mexico. With Mexico facing supply shortages due to unfavourable weather conditions, South Africa was left uniquely responsible for serving the Southern Africa region.

¹ Read more here: <https://www.namc.co.za/wp-content/uploads/2024/12/Final-November-2024-SASDE-report-3-Dec-2024.pdf>

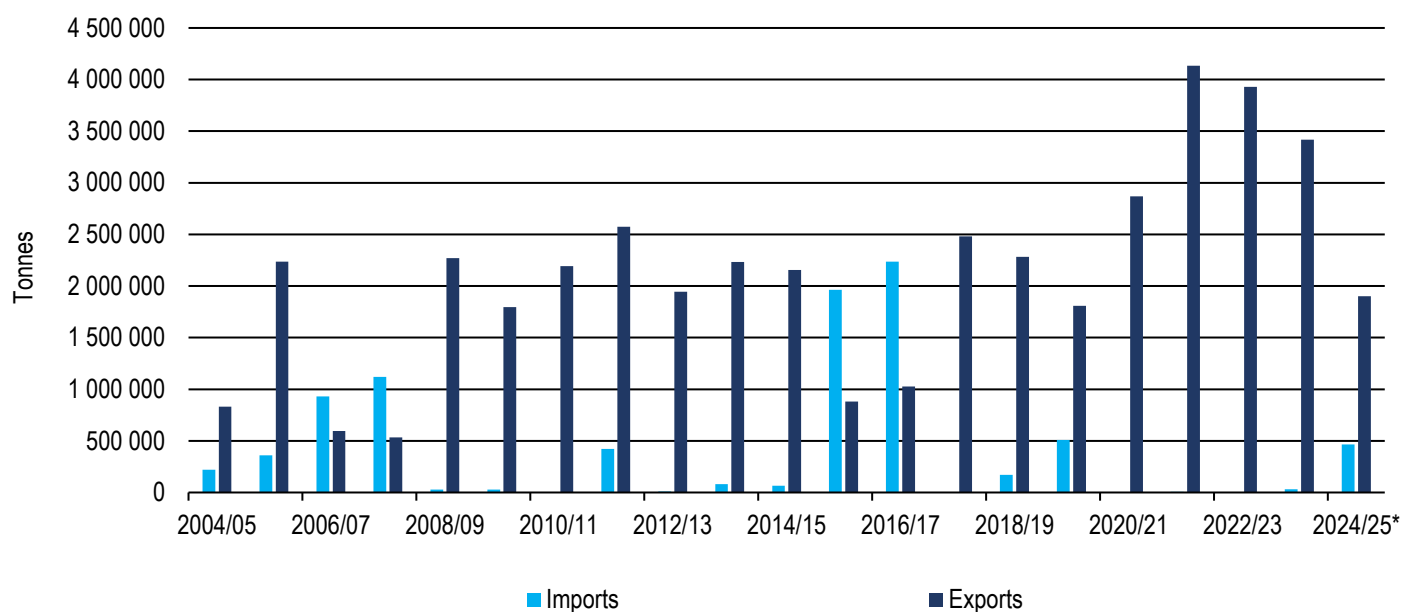
² The data is available here: https://www.sagis.org.za/cec_reports_2024.html

- South Africa had sufficient supplies for domestic consumption and exports to the region and continued to export. For example, in the week of January 3, 2024, South Africa exported about 1.6 million tonnes of maize. About 65% is white maize, and the remainder is yellow maize. The overall maize export forecast for the season is 1.9 million tonnes (down from 3.4 million tonnes in the 2023-24 marketing year because of the mid-summer drought). Zimbabwe has been one of the primary beneficiaries, accounting for 57% (907k tonnes) of the 1.6 million tonnes exported in the 2024-25 marketing year. The rest is distributed among Southern African countries, and a small volume is sent to Saudi Arabia.
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina and Brazil through Cape Town. South Africa's 2024-25 maize imports currently stand at 465k tonnes. The 2024-25 marketing year started on May 1 2024, and will end by April 2025.

Policy considerations

- We anticipated that the 2024-25 market year would have heightened uncertainty in the South African maize market. Still, the South African government should not intervene in the maize trade. Any policy that suggests such a move would put the Southern African countries that depend on South Africa at immense risk. Such a policy would also reduce South African farmers' incentive to plant more in the following seasons. However, market participants and traders must report trading activity promptly and clearly through SAGIS and other platforms so the market can adjust for grain movements through price. The only relief that we see on the horizon is through the new season crop. Still, that will be late because of the delayed plantings. Thus, we suspect that the stocks will remain tight for much of the first quarter and thus continue to present upside price pressures.
- From a consumer perspective, grain-related food product prices will rise in the first part of the year. Of course, there will be three to four months delays before we see the farm-level prices translate to the retail level. But there should be moderation as the year progresses. Substitutes such as rice, wheaten products, and potatoes are also available to ease the pressures on households, and these prices have moderated notably in recent months.

Exhibit I: South Africa's maize trade



Source: SAGIS and Agbiz Research