

Zimbabwe's decision to lift a ban on GM maize imports could benefit SA in the near term

For years Zimbabwe has maintained a ban on the importation or growing of genetically modified (GM) maize. While the policy disadvantaged farmers who couldn't produce higher yields from GM seeds as neighbouring South Africa, it also provided protection through phyto-sanitary barriers that protected the country's non-GM maize producers. The policy also disadvantaged consumers who were compelled to purchase higher-priced maize and its products, which would have been relatively cheaper if the country produced higher volumes from GM seed.

The import policy has, however, changed recently. Zimbabwe has lifted the ban on GM maize imports as the country seeks to improve local supplies following yet another poor harvest season.¹ Zimbabwe's maize production fell by 53% y/y in 2018/19 production season to 800 000 tonnes, according to data from the United States Department of Agriculture. This was far below the country's annual maize consumption of between 1.8 and 2.0 million tonnes. Therefore, the country had to import at least a million tonnes of maize in order to meet the local supply requirements.

But the dearth of timely and credible data has made it a challenge to track the maize imports activity into Zimbabwe. But observing from reports of food shortages at the beginning of the year, we are inclined to believe that the country was unable to import the required maize volume for the 2019/20 marketing year (this corresponds with the 2018/19 production season).²

As best as we can tell, Zimbabwe imported 100 000 tonnes of maize from Tanzania in 2019³, and 79 283 tonnes from South Africa between May 2019 and January 2020, according to data from SAGIS. This supports our view that the country has thus far imported less than required maize quantities to meet consumption requirements. The slow pace of imports might have been caused by a lack of purchasing power on the back of the country's current macroeconomic crisis. The stringent regulations on the importation of GM maize might have also contributed to the slow pace of imports.

South Africa had about 1.2 million tonnes of maize for export markets but produces roughly 80% of its maize from GM seeds. This means that South Africa's capacity to supply the Zimbabwean market was limited under its stringent GM policy. This is evident from South Africa's maize exports data; the country exported 900 585 tonnes of maize between May 2019 and January 2020. But Zimbabwe imported only a 9% share in this total volume. With

¹ Bloomberg, "Zimbabwe lifts ban on GM Corn Imports in bid to avert famine", January 31, 2020. Available at: https://www.bloomberg.com/news/articles/2020-01-31/zimbabwe-lifts-ban-on-gm-corn-imports-in-bid-to-avert-famine?utm_source=twitter&utm_campaign=socialflow-organic&cmpid%3D=socialflow-twitter-africa&utm_content=africa&utm_medium=social

² World Food Programme, "World Food Programme expands emergency operation in Zimbabwe as drought and economic hardship plunge millions into hunger", December 3, 2019. Available at: <https://www.wfp.org/news/world-food-programme-expands-emergency-operation-zimbabwe-drought-and-economic-hardship-plunge>

³ NewsDay, "Zim hunger: UN raises alarm", January 27, 2020. Available at: <https://www.newsday.co.zw/2020/01/zim-hunger-un-raises-alarm/>

03 February 2020

Wandile Sihlobo

Chief Economist
+27 12 807 6686
wandile@agbiz.co.za

www.agbiz.co.za

Disclaimer:

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any loss or damage incurred due to the usage of this information.

international humanitarian organizations such as the World Food Programme actively assisting Zimbabwe to avert the current food shortage crisis, we believe that the lifting of the GM maize import ban will accelerate maize import activity into Zimbabwe in the coming months. The maize might originate from South Africa and other leading maize exporting countries such as the United States, Brazil, Mexico and Russia, amongst others, who have in the past exported maize to Zimbabwe.

The challenge for countries aside from South Africa and Mexico is that they are not major white maize producers, which is a preferred staple food across Southern Africa. Hence, we believe the recent policy change will benefit maize exporters from South Africa and Mexico in the near term.

Moreover, Zimbabwe's maize needs might not end in May 2020, which would have been a harvesting period. The country's 2019/20 maize production season started on a bad footing because of delayed rainfall. The plantings were delayed and so far, the area planted and the expected size of the maize harvest in the 2019/20 production season remains unclear.

Fortunately for Zimbabwean consumers, neighbouring South Africa and other major maize producing countries are expected to remain maize exporters in the 2020/21 marketing year (this corresponds with the 2019/20 production season). Imports from such countries will help ease pressure on Zimbabwe.

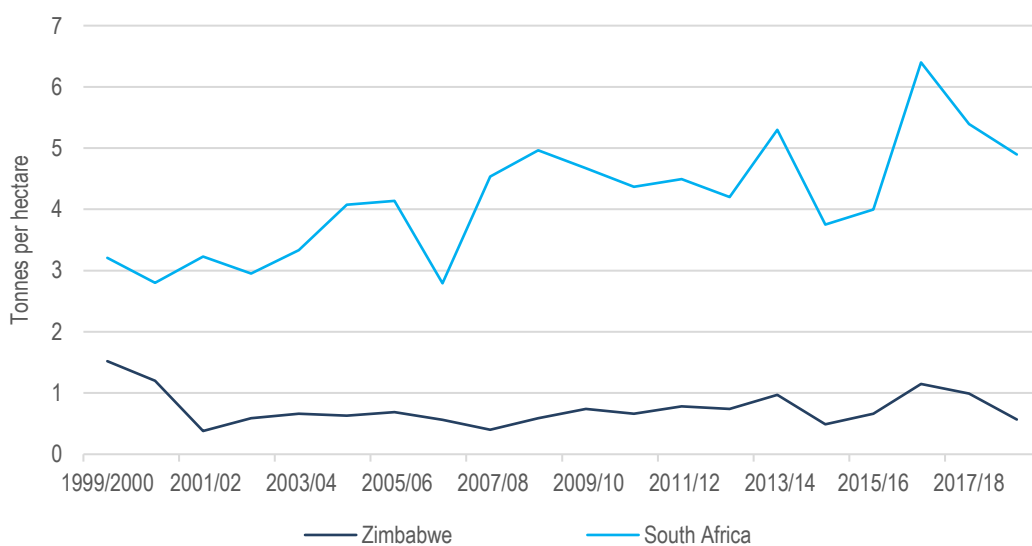
In the long run, however, the Zimbabwean authorities should consider legalizing the growing of GM maize in order for domestic farmers to produce higher yields such as South Africa, Brazil, United States and other GM growing countries. Exhibit 1 below shows the vast difference in maize yields between Zimbabwe and South Africa. This gap could be narrowed by embracing technological developments. The ultimate beneficiaries of all would be consumers as an increase in maize production would lead to relatively lower prices. Moreover, in seasons of unfavourable weather conditions, GM crops wouldn't be as badly affected as the conventional seeds that are currently grown in Zimbabwe.

In the short run, the challenge of food needs in the country could be prolonged to 2021. This means that South Africa might have to factor in Zimbabwe in its maize demand dynamics. The magnitude of potential needs for 2020/21, however, will be clear as the season progresses.

The challenge of food needs in the country could be prolonged to 2021.

The Zimbabwean authorities should consider legalizing the growing of GM maize in order for domestic farmers to produce higher yields such as South Africa, Brazil, United States and other GM growing countries.

Exhibit 1: Maize yields



Source: USDA, SAGIS, Agbiz Research

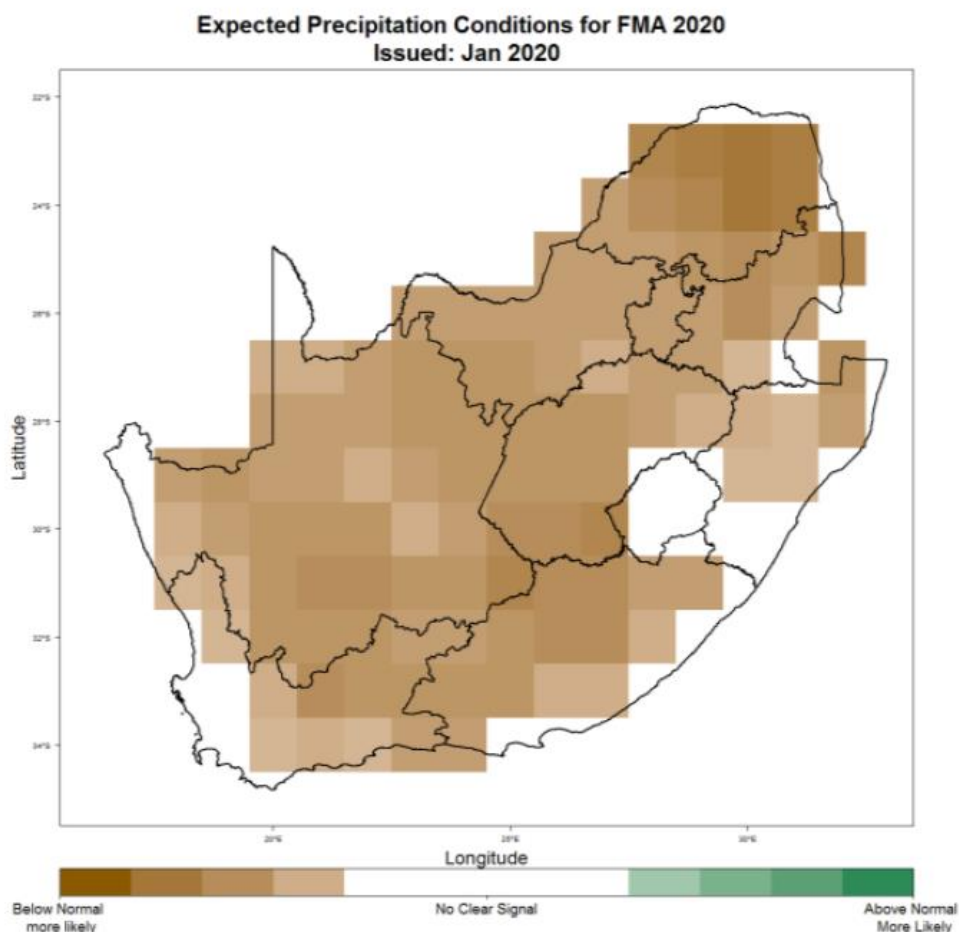
Weekly highlights

SA Weather Service forecasts below-normal rainfall between February and April 2020

In its latest monthly Seasonal Climate Watch released on the 31st of January 2020, the South African Weather Service indicated that most regions of the country could receive below-normal rainfall between February and April 2020. As can be seen in Exhibit 2 below, depicted by brown colour, the whole country could experience lower rainfall.

Exhibit 2: February-March-April 2020 seasonal precipitation prediction

The expected improvement in maize production and the current ban on red meat exports could keep food price inflation subdued in 2020.



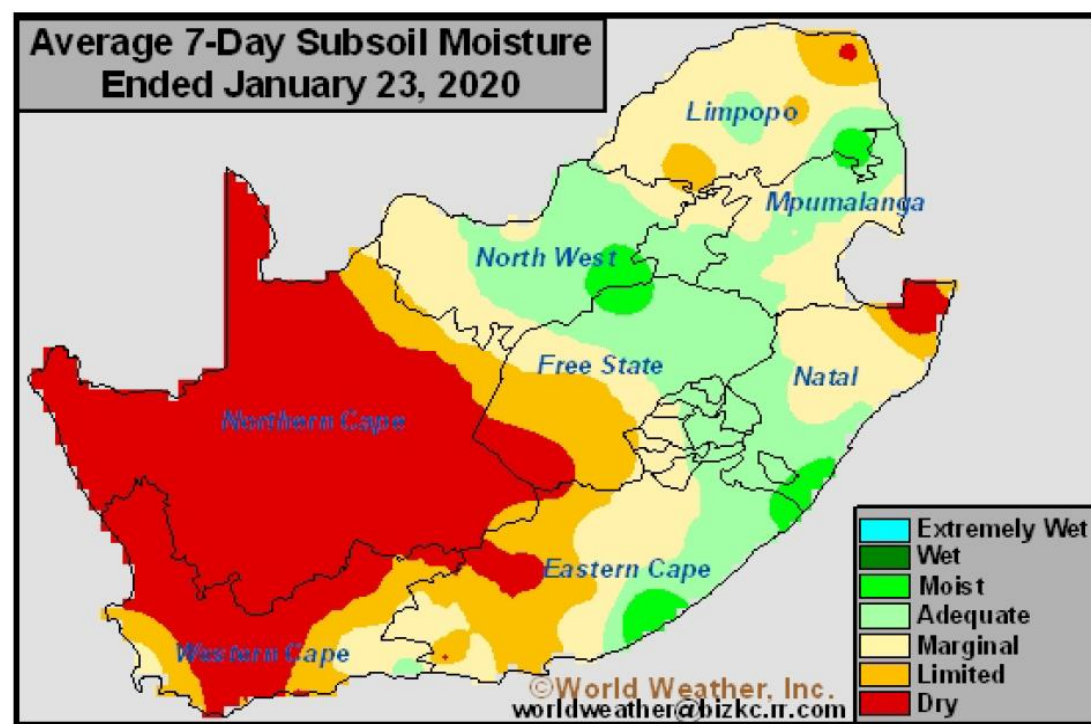
Source: South African Weather Service

This doesn't bode well with summer crops, which will need good moisture over the next two months. This will be pollination time for a number of regions that planted beyond the normal optimal planting periods because of delayed rainfall. Moreover, the horticulture industry and also livestock need increased moisture to improve veld conditions.

It is worth, however, highlighting that this is not the first time the South African Weather Service paints such a picture. In its December 2019 release, the agency noted that "the rainfall forecast for late-summer (Jan-Feb-Mar) and early-autumn (Feb-Mar-Apr) from the SAWS/NOAA-GFDL Multi-Model system indicates enhanced probabilities of below-normal rainfall over most of the country." But the weather conditions during this period turned out differently, there were normal rainfall in most parts of the country in January 2020. Hence, soil moisture improved notably as depicted in Exhibit 3 below. This resulted in improved

summer crop conditions and prospects for a better harvest in the 2019/20 production season.

Exhibit 3: South Africa's soil moisture



Source: World Weather Inc.

With that said, it is unclear if the weather conditions this time around will again turn out better than the South African Weather Service expects. We will pay close attention to the developments in the coming weeks in order to ascertain the impact on summer crop production prospects. As things stand, we are generally optimistic that the current soil moisture and light showers in the coming weeks could result in a decent harvest. Important to note that the local weather agency forecasts below-normal rainfall, not complete dryness.

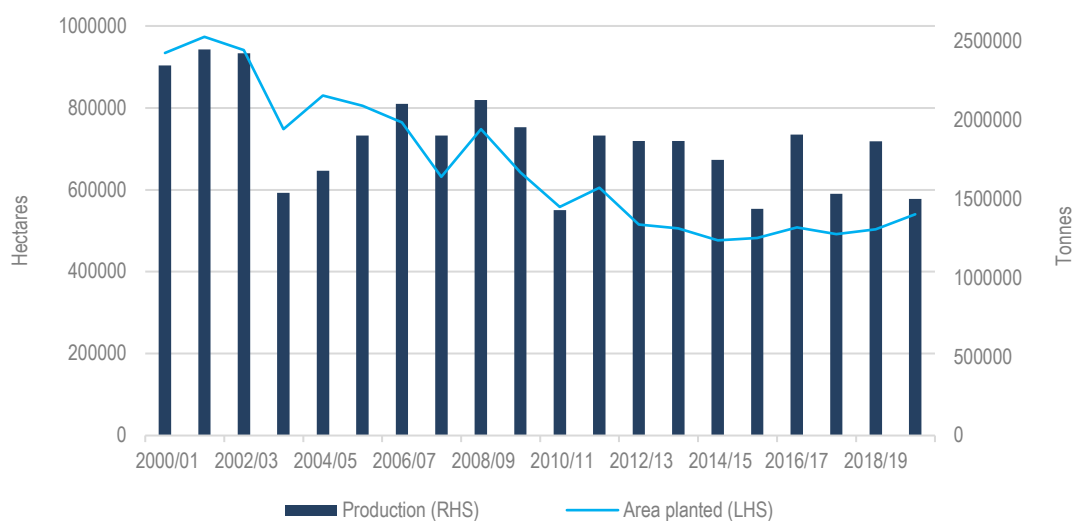
SA wheat harvest down notably in 2019/20 season

The South African Crop Estimates Committee has revised down further its estimate for the country's 2019/20 wheat harvest to 1.5 million tonnes. This is 20% lower than the previous season. The downward revision is mainly on the back of expected poor harvest in parts of the Free State, Limpopo, Northern Cape and Western Cape. All is because of unfavourably dry weather conditions over the past few months, not the decline in area plantings. The area planted to wheat is higher than the 2018/19 season as illustrated in Exhibit 4 below.

This will result in an increase in wheat imports within the 2019/20 marketing year in order to supplement the domestic needs. We think South Africa's 2019/20 wheat imports could increase by 28% y/y to 1.8 million tonnes. Fortunately, there are large supplies in the global market. The International Grains Council forecasts the 2019/20 global wheat harvest at 761 million tonnes, up by 3% y/y. This has also kept global prices at softer levels, which should be beneficial to import nations. In the week of the 24th of January 2020, global wheat prices were down 3% y/y, trading around US\$236 per tonne.

South Africa's 2019/20 wheat production is down 20% y/y.

Exhibit 4: South Africa's wheat production



Source: USDA, SAGIS, Agbiz Research

Data releases this week

On Wednesday, the South African Grain Information Service (SAGIS) will release the **grain producer deliveries data** for the week of 31 January 2020. This covers both summer and winter crops. But for now, we particularly monitor winter wheat data, whose harvest has recently been completed in most regions of South Africa. In the week of 24 January 2020, about 9 066 tonnes were delivered to commercial silos. This placed total wheat deliveries at about 1.35 tonnes, which equates to 90% of the expected harvest in the 2019/20 season.

On Thursday, SAGIS will release the **weekly grain trade data** (wheat and maize), also for the week of 31 January 2020. In brief, maize exports for the 2019/20 marketing year have thus far amounted to 900 585 tonnes, which equates to 73% of the import forecast for this season.

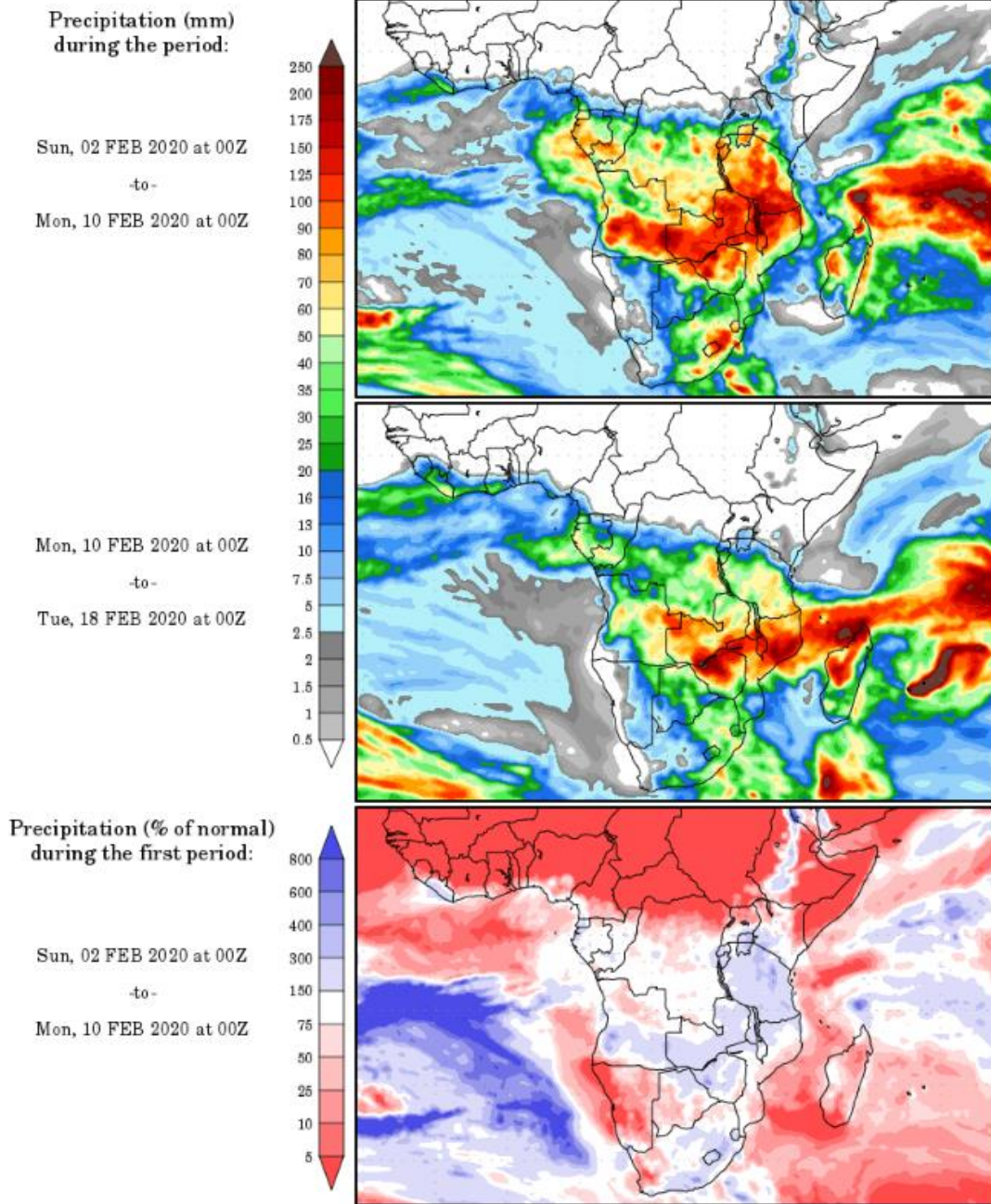
At the same time, we expect maize imports of about 525 000 tonnes, all yellow maize, mainly for the coastal provinces of the country. This is up from an estimated 171 622 tonnes in the 2018/19 marketing year. The country has thus far imported 445 143 tonnes of yellow maize.

In terms of wheat, as previously stated, South Africa's 2019/20 wheat imports could increase by 28% y/y to 1.8 million tonnes because of expected lower domestic harvest on the back of unfavourable weather conditions in the Western Cape. In the week of 24 January 2020, South Africa's 2019/20 season amounted to 455 562 tonnes, which equates to 26% of the aforementioned seasonal import forecast (now revised to 1.8 million tonnes).

Also, on Thursday, the United States Department of Agriculture will release the **weekly export sales data**. This is important data to monitor as it will give an indication of the US agriculture exports to China, and help us monitor the progress on commitments made in phase one trade deal (see [A Q&A around the US-China 'phase one' trade agreement](#), 20 January 2020).

Exhibit 5: South Africa's precipitation forecast

Precipitation Forecasts



Source: George Mason University (wxmaps)

Most summer crop growing areas of South Africa could receive rainfall within the next two weeks which is conducive for agricultural activity.