

# Maize prices move towards import parity

The maize harvest is estimated to be a third smaller than last year's, and prices are increasing rapidly. Annelie Coleman reports.

South African maize prices were rapidly climbing towards import parity, and the latest crop estimates as announced by the Crop Estimates Committee (CEC) would accelerate the process further. This is according to Chris Schoonwinkel, vice-chairperson of Grain SA's maize working group.

The full impact of the diminished white and yellow maize harvest on price would come into effect at the end of April, when the annual consumption and carry-over surplus were brought into the equation, he said.

Problems pertaining to the surplus above pipeline could be expected in 2016, since there was maize from the 2013/2014 harvest currently in stock.

The smaller harvest as a result of the January and February drought had resulted in a scramble for maize, which had led to a sharp rise in speculative positions on the market, Schoonwinkel said.

He added that he had it on good authority that one of the most prominent institutions in the country had tried unsuccessfully early on the morning of 27 February to obtain 600 contracts,

**ABOVE RIGHT:**

The maize production supply chain, including storage, would be affected by SA's smaller maize crop this year.

**BELOW:**

SA's maize crop would probably be a third smaller than last year's harvest. PHOTOS: ANNELIE COLEMAN



representing 60 000t of white maize on Safex.

Chris Schutte, CEO of chicken producer Astral Foods and one of South Africa's largest buyers of yellow maize, said local summer crops to be harvested in 2015 had been planted under almost ideal conditions.

"The country enjoyed good rainfall during the early growing season. The market expected a crop similar to the previous season's record of 14,3 million tons for maize, until a drought struck the summer rainfall areas during the crucial pollination period of February," he said.

The market had reacted strongly, with the nearby yellow maize contract on Safex increasing from R1 990/t near the end of January to R2 408/t at the end of February, according to Schutte. Yellow maize for delivery in December had shot up to R2 475/t by the time of going to print.

## WHITE MAIZE WORRIES

Schoonwinkel was particularly concerned about the availability of white maize for human consumption. The CEC estimated the white maize crop at 4,7 million tons and yellow maize at 4,97 million tons, with the total maize crop estimated at 9,67 million tons, which was 32% less than last year's crop of

14,25 million tons. It was virtually impossible to import white maize, Schoonwinkel said. White maize produced in the USA was mainly grown under contract for Mexico.

"Importation from other African countries was not an option because of limited supplies in the maize-producing countries such as Zambia," he said.

Critically depleted soil moisture levels and the psychological effect of the drought would keep grain producers from planting maize in the next season, according to him. It would take exceptionally high rainfall to replace soil moisture properly by then and persuade producers to plant maize.

"If it doesn't rain, we're in for another gruelling maize production season in 2016," Schoonwinkel warned.

SA would need to import about 1,65 million tons of yellow maize during the 2015/2016 marketing season, Grain SA said in a statement.

The supply and demand of white maize for the coming season was extremely tight. White maize prices increased to import parity price levels and declined in the past week due to profit-taking, deliveries of maize and improved rainfall forecasts. It was expected that prices would recover to the earlier import parity price levels for the rest of the marketing year. "One thing is sure: we are not going to have an



exportable surplus," GSA CEO Jannie de Villiers said.

Maize trader Albe Mouton expected the Safex price for white maize to increase to as much as R3 500/t from September onwards. The real impact of ever-tightening stocks would by then become evident, he said.

While the extent of the damage done to crops was difficult to accurately predict at this early stage, the estimate was a matter of concern and would probably necessitate imports of yellow maize to at least the Western Cape, which uses about 65 000t/month, for the bulk of the 2015/2016 marketing season, Schutte said. However, with a relatively healthy carry-in from the 2013/2014 season, it was unlikely that South Africa would have to import maize, in particular yellow maize, into the interior, according to him.

"To this end, we believe that three vessels have been contracted, [one] for Cape Town, one for Durban and one hold for Port Elizabeth," Schutte said.

Grain SA said it was confident about the methodology applied by the CEC to estimate the size of the harvest, according to De Villiers. However, it remained an estimate at best, he said. Without rain, the situation could deteriorate even further. "The current year, as well

as the next year, would be a very difficult season for the country. The expected poor summer crops would impact negatively on the agricultural sector as a whole and basic food products are going to be very expensive for consumers," De Villiers said.

The effect of a drought of this magnitude was extremely damaging to all in the value chain, from grain farmer to livestock producer and consumer, Schutte said.

"It's regrettable that once again we will have exported approximately 2,15 million tons of maize in 2014 at low prices, only to have to import again in the new season at a significantly higher cost, which has to be borne by the livestock producers and ultimately our consumers," he said.

In the meantime, the process to have the drought-stricken areas officially declared disaster areas had been set in motion, Kosie van Zyl, consultant to Agri SA, said.

Official surveys to determine the extent of the damage by provincial and municipal disaster management structures in conjunction with organised agriculture and authorities would start soon, he said. The surveys were set to cover maize, livestock and sugar producers.

— Annelie Coleman



**ABOVE:** Many farmers opted to cut down their underdeveloped maize plants and use them as silage. The cobs, which contain the majority of the plant's carbohydrates, were stunted and thus contained little feed value.

**RIGHT:** Rainfall of up to 50mm in the Bothaville region of the Free State was not enough to save maize plants such as these, which were stunted at hip level.



## Botswana set for more expensive food imports

Botswana imported about 95% of its white maize from South Africa, and was facing higher prices as drought had shrunk the SA crop by almost a third. Together with fuel price increases, Botswana

would need to tackle food price inflation, according to the Maize and Wheat Millers' Association (MWMA).

SA would probably need to import white maize to meet demand, according to Grain SA

Maize prices in Botswana had increased by up to 40% since December last year, and the market should expect an increase in the price of finished products from this month, Nkosi

Mwaba, chairperson of the MWMA, said. Botswana and SA were likely to see high maize-meal prices for the next 12 months.

Botswana might also see an increase in the price of animal

feed in the beef sector, resulting in a jump in beef prices, he said.

SA maize produced under irrigation had been affected by Eskom's power cuts, the MWMA said.

— Tshiamo Thabane