

Potential changes in the sub-Saharan maize trade

We will likely see some changes in the sub-Saharan Africa maize trade in the 2022/23 marketing year. The countries that dominated maize supplies, trailing after South Africa in the 2021/22 season, could fall behind due to an expected reduction in production. These developments are in a season when the demand for maize in sub-Saharan import-reliant countries could remain strong. A case in point is Kenya, where the 2022/23 maize import needs are estimated at 700 000 tonnes, which is a significant volume, albeit down by 13% from the previous season, as local production improved marginally.¹

In the 2021/22 marketing year, several sub-Saharan African countries such as Zambia, Tanzania, Zimbabwe and South Africa had an ample maize harvest, which allowed them to meet Kenya's maize needs. Tanzania and Zambia were the leading maize suppliers to Kenya, over the biggest regional maize producer, South Africa. The limited participation of South Africa in the Kenyan maize market is arguably largely impacted by the regulations rather than just price and consumer preferences. Kenya continues to maintain an import ban on genetically engineered (GE) products which limits the importation of South African maize supplies, where over 80% of maize production is GE. This has been a long-standing policy position of Kenya. However, there are indications that Kenya's regulatory agencies have recently completed all trials for the approval of biotechnology maize. Still, final support for commercialization is awaiting a decision from Kenya's cabinet.

The 2022/23 maize marketing year import activity could complicate Kenya's GE policy position. Tanzania, which has been a saving grace for Kenya, could see its maize production falling by 16% year-on-year to 5,9 million tonnes, according to projections from the United States Department of Agriculture (USDA).² This expected decline in production is caused by drought at the start of the season, combined with fall armyworm infestations and reduced fertilizer usage in some regions because of prohibitively higher prices. The fall in production and firmer domestic consumption means that the country could have less maize for export markets.

The preliminary estimates from the USDA suggest that Tanzania could see its maize exports declining from 800 000 tonnes in the 2021/22 marketing year to 100 000 tonnes in the 2022/23 marketing year.³ Such a volume will be insufficient to meet Kenya's maize needs. Therefore, a focus could be on Zambia and South Africa as major suppliers. Zambia's expected maize production in the current season is still tentative, and it is unclear how much maize the country could have for exports.⁴ Meanwhile, given current output projections of 14,7 million tonnes, South Africa could have 3,2 million tonnes of maize supplies for exports in the 2022/23 season, all else equal. About 78% is yellow maize, and 22% is white maize. Outside the African continent, Mexico and Argentina could be among the potential maize suppliers to Kenya.

With that said, South Africa's participation will likely be minimal if there isn't an adjustment in Kenya's GE policy, specifically in this period of elevated global agricultural commodity prices.

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¹ This is based on the data from the United States Department of Agriculture, which is available [here](#).

² The data is [here](#).

³ The data on Tanzania's maize production and trade is available [here](#).

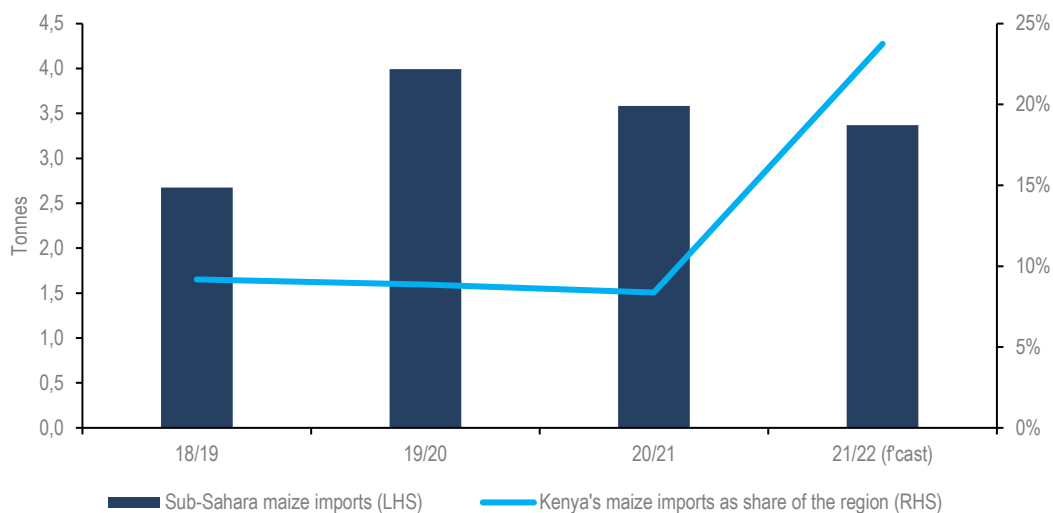
⁴ Some insights on Zambia's crop production conditions is accessible [here](#).

Still, if Kenya were to adjust its policy, South Africa would not necessarily be the only maize supplier looking at expanding its market share in Kenya. The likes of the US and Brazil would also be at Kenya's doorstep. The advantage of South Africa would be its substantial white maize production, which is the preferred staple grain by Kenyan consumers.

Fundamentally, the sub-Saharan Africa maize trade generally has some imbalances. South Africa, Tanzania and Zambia are the major maize producers and exporters in the region, while Kenya, Zimbabwe, Botswana, and Mozambique are often the importers. At the regional level, sub-Saharan Africa's aggregate maize imports amount to an average of 3,4 million tonnes a year. This is both white and yellow maize, with the majority being white maize for human consumption. Although intra-regional trade accounts for most of the consumption needs of import-reliant countries in the region, this is also supplemented by imports from countries outside of the continent, such as Argentina, Canada and Mexico. In the 2021/22 season, Kenya was the largest maize importer in the region, with Tanzania being its largest maize supplier, as we stated above.

Overall, these maize market dynamics are worth monitoring from the South African perspective, as they signal that the sub-Saharan maize demand in the 2022/23 marketing year could be much greater than the previous season, especially if Zambia's maize production comes out lower than the 2021/22 season, which is all likely if we use the South African maize production conditions as a barometer for the region. Such a potential increase in the region's maize imports would affect prices.

Exhibit 1: Sub-Saharan maize imports and Kenya's dominance in import needs



Source: International Grains Council, United States Department of Agriculture and Agbiz Research

Weekly highlights

Reflections on the resilience of South Africa's agriculture and key imported agricultural products

Despite being mostly semi-arid, South Africa produces ample agricultural output. As a country, we export about half of what we produce in value terms a year. These exported products were worth a record US\$12,4 billion in 2021. The exportable products are diverse, including wine, maize, citrus, nuts, berries, grapes, wool, fruit juices, beef, apples, and pears, amongst others. Our export markets are also diverse, spreading across the African continent, Europe, Asia, the Middle East and the Americas. We have achieved this progress, in part, due to the openness of the South African policymakers, agribusinesses and farmers to

technological advancements, both mechanical and biological, which have been instrumental in driving productivity higher.

But the reality of our environment means that we cannot produce all products we need in South Africa. For instance, our agricultural import bill in 2021 was US\$6,9 billion. The top five imported products that year were palm oil, rice, wheat, poultry meat as well as whiskies and other spirits. These accounted for 30% of this import value. Notably, South Africa does not have the favourable climatic conditions to increase its production of some of the top three products – palm oil, rice and wheat. The first two – palm oil and rice – are not even in our planning that someday we would increase their production because we are a semi-arid country. We import 100% of our annual consumption of these products. Meanwhile, in the case of wheat, we import about half of our yearly consumption of around 3,4 million tonnes a year.

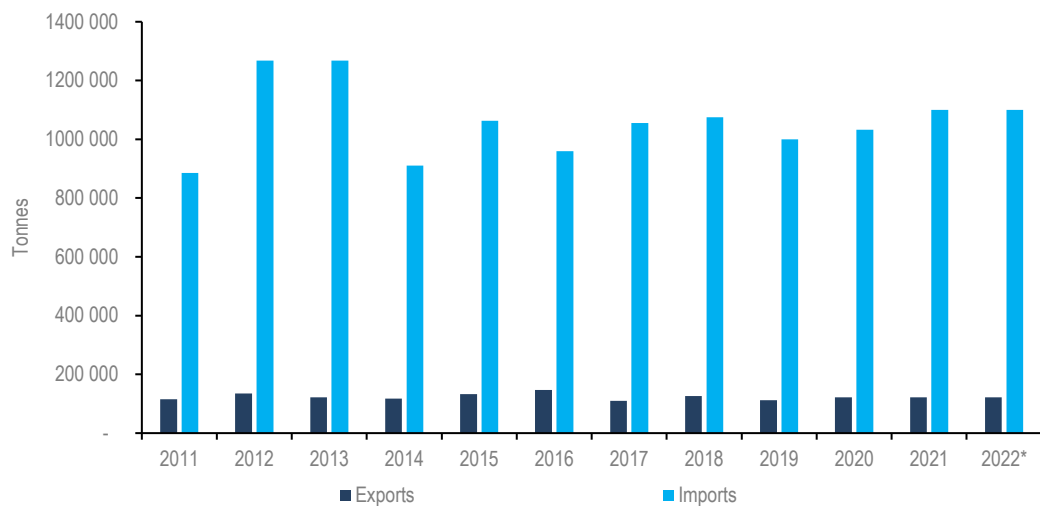
There are discussions in the agricultural industry about prospects of increasing domestic wheat production and reducing import dependence, specifically in areas around the Free State, where wheat hectares have declined significantly in the recent past due to profitability and frequent dryness in the winter season. We would be able to increase wheat production in such areas if seed-breeding efforts advance to levels where there are seeds varieties that can withstand slightly drier weather conditions and provide better yields. Such a development would incentivize farmers not to switch to other more profitable crops easily.

In terms of rice and palm oil, we are at the mercy of global dynamics. For example, the drier weather conditions in the past few months have reduced palm oil production in some Asian countries, leading to a notable increase in prices. South Africa, as an importer, is exposed to such price increases. Perhaps one positive aspect of the current 2021/22 crop season is that South Africa has its second-largest sunflower seed harvest, at about 959 450 tonnes from 678 000 tonnes in 2020/21. Such improvement in production means that we could see vegetable oil import requirements, including palm oil, declining this year. Typically, South Africa imports around half a million tonnes of palm oil a year.

The same is true with rice, as far as being a net importer. From a volume perspective, South Africa imports about 1,1 million tonnes of rice. The latest estimates from the International Grains Council suggest that this import volume could remain unchanged in 2022 (see Exhibit 2). Typically, about 70% of South Africa's rice is usually imported from Thailand, with other notable suppliers being India, Pakistan, China and Vietnam. Most of these countries currently expect a reasonably good harvest in the 2021/22 season, which should boost the availability of supplies for exports. Hence, the United States Department of Agriculture forecasts the global rice production at 513 million tonnes in the 2021/22 season, up by 1% from the previous season. Consequently, the 2021/22 global rice stocks are forecast at 189 million tonnes, up by 1% from the prior season. What is worth noting is that the Russia-Ukraine war has disrupted the global grains market and raised concerns about the potential increase in rice demand in the coming months as some countries could start using rice to substitute for maize and other grains where supplies will be relatively scarcer and prices higher.

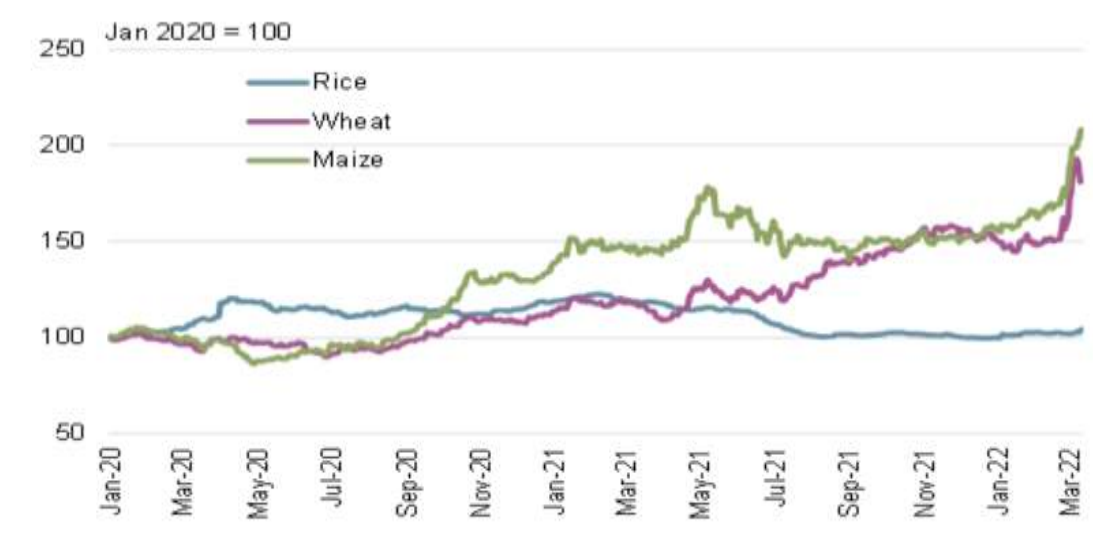
Interestingly, while other grains prices have remained volatile the past few weeks, rice prices have been reasonably stable, and we have not yet observed a drastic increase in demand. Rice prices have declined significantly over the past few months. In March 2021, Vietnam and Thailand's rice prices were just over US\$500 per tonne, and by March 2022, these prices had declined to just under US\$420 per tonne. This softening in prices persisted a month after the invasion of Ukraine by Russia while prices of commodities like wheat, maize and vegetable oil increased notably (see Exhibit 3). Such price trends bode well for rice importing countries such as South Africa.

Exhibit 2: South Africa's rice trade



Source: International Grains Council, Trade Map and Agbiz Research

Exhibit 3: IGC GOI: subindices for rice, wheat and maize, rebased (Jan 2020 = 100)



Source: International Grains Council

Data releases this week

We start this week focusing on the domestic market. On Wednesday, Statistics South Africa will publish the **Consumer Price Index (CPI)** data for March 2022. Our focus in this data will be on the food category, which in February accelerated to 6,7% y/y, from 6,2% y/y in the previous month. Bread and cereals, meat and fish are the primary products that underpinned this mild uptick in overall consumer food price inflation in February.

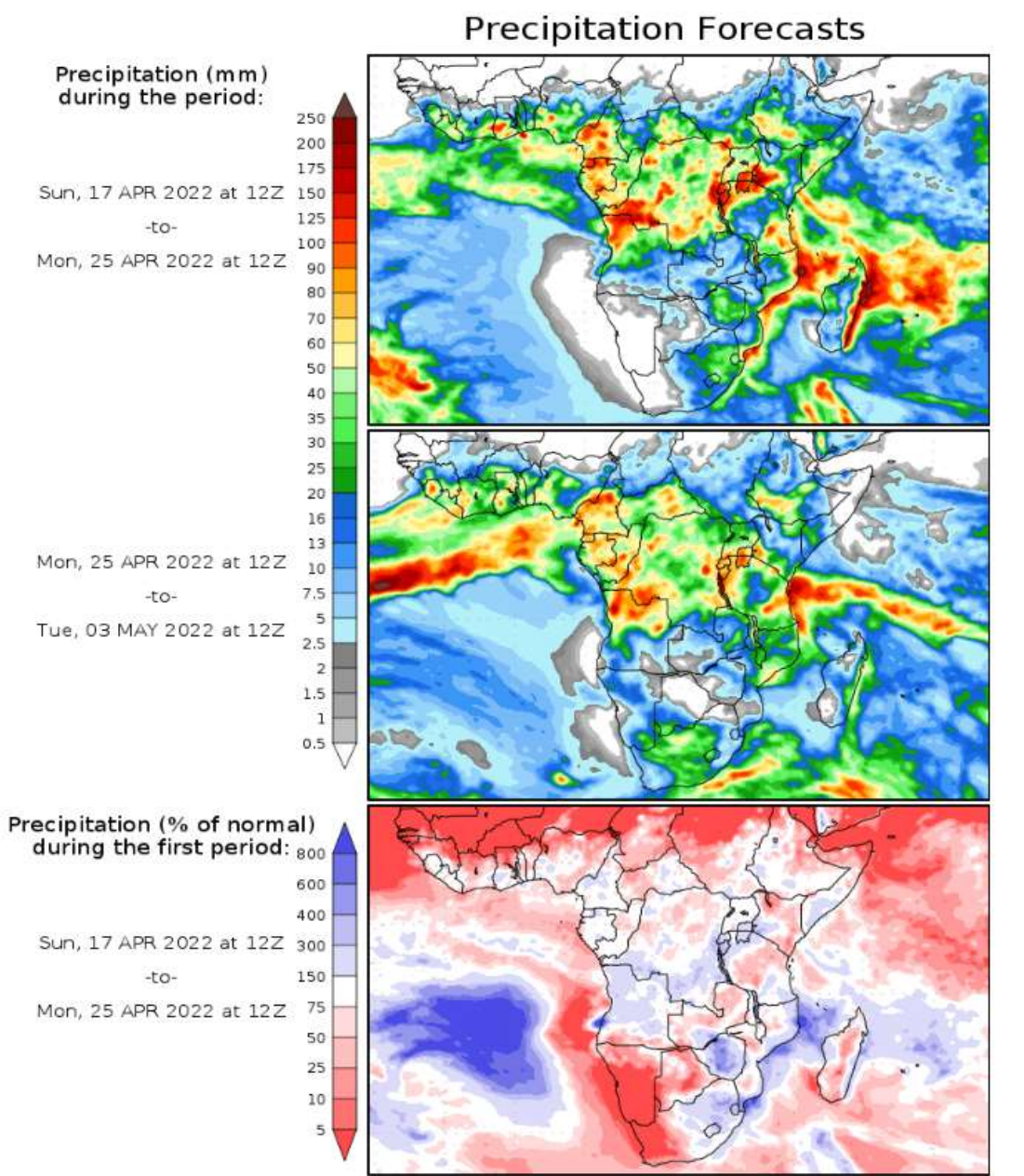
On Thursday, SAGIS will release the **Weekly Grain Producer Deliveries** data for 15 April. This data cover summer and winter crops. But our focus is still on winter crops. The summer crops' new season is still at its maturing stages, and harvest has recently started in some early planting regions. Thus, we will focus on the summer crop data from the beginning of May, which will also be the start of the 2022/23 marketing year. In the previous release of the week of 08 April, about 2,2 million tonnes of wheat had already been delivered to

commercial silos. This covered the first 28 weeks of the 2021/22 production season and equated to 96% of the harvest estimate of 2,3 million tonnes.

On Friday, SAGIS will release the **Weekly Grain Trade** data for the week of 15 April. On 08 April, which was the 49th week of South Africa's 2021/22 maize marketing year, total maize exports amounted to 3,6 million tonnes, equating to 92% of the revised seasonal forecast of 3,9 million tonnes (up by 36% y/y). South Africa is a net importer of wheat, and 08 April was the 28th week of the 2021/22 marketing year. But there were no volumes registered as the destruction in the Port of Durban following the excessive rains has slowed the activity in the ports and delayed the offloading of the imported volumes. The total imports are now at 823 240 tonnes out of the seasonal import forecast of 1,48 million tonnes (slightly below the 2020/21 marketing year imports of 1,51 million tonnes because of a large domestic harvest).

Globally, on Thursday, the United States Department of Agriculture will release the **US Weekly Export Sales** data. These data help us track the general grains demand amid the disruption of export activity in the Black Sea region because of the war.

Exhibit 4: South Africa's precipitation forecast



Similarly to the previous week, the weather forecast for the next two weeks shows prospects of showers in most regions of South Africa.

The forecast rains don't bode well for summer crops, which are nearing the harvest stages that require drier weather conditions.

Source: George Mason University (wxmaps)