How is South Africa Affecting Food Security in the Region?

Jan Nijhoff
Michigan State University
COMESA Secretariat

Outline of Presentation

- The importance of market confidence in regional trade
- Maize production in South Africa
- SA export capacity for white maize
- GMO – implications for trade
- Land – implications for production
- Transport

Warm-up:
Market Confidence – Q and A

- Q: Why does **South Africa** have no export ban on maize?
- A: Because **Argentina** does not have any
- Q: Why does **Mozambique** have no export ban on maize?
- A: Because **South Africa** does not have any
- Q: Where is the maize sector doing well?
- A: In all 3 countries: open trade → investment

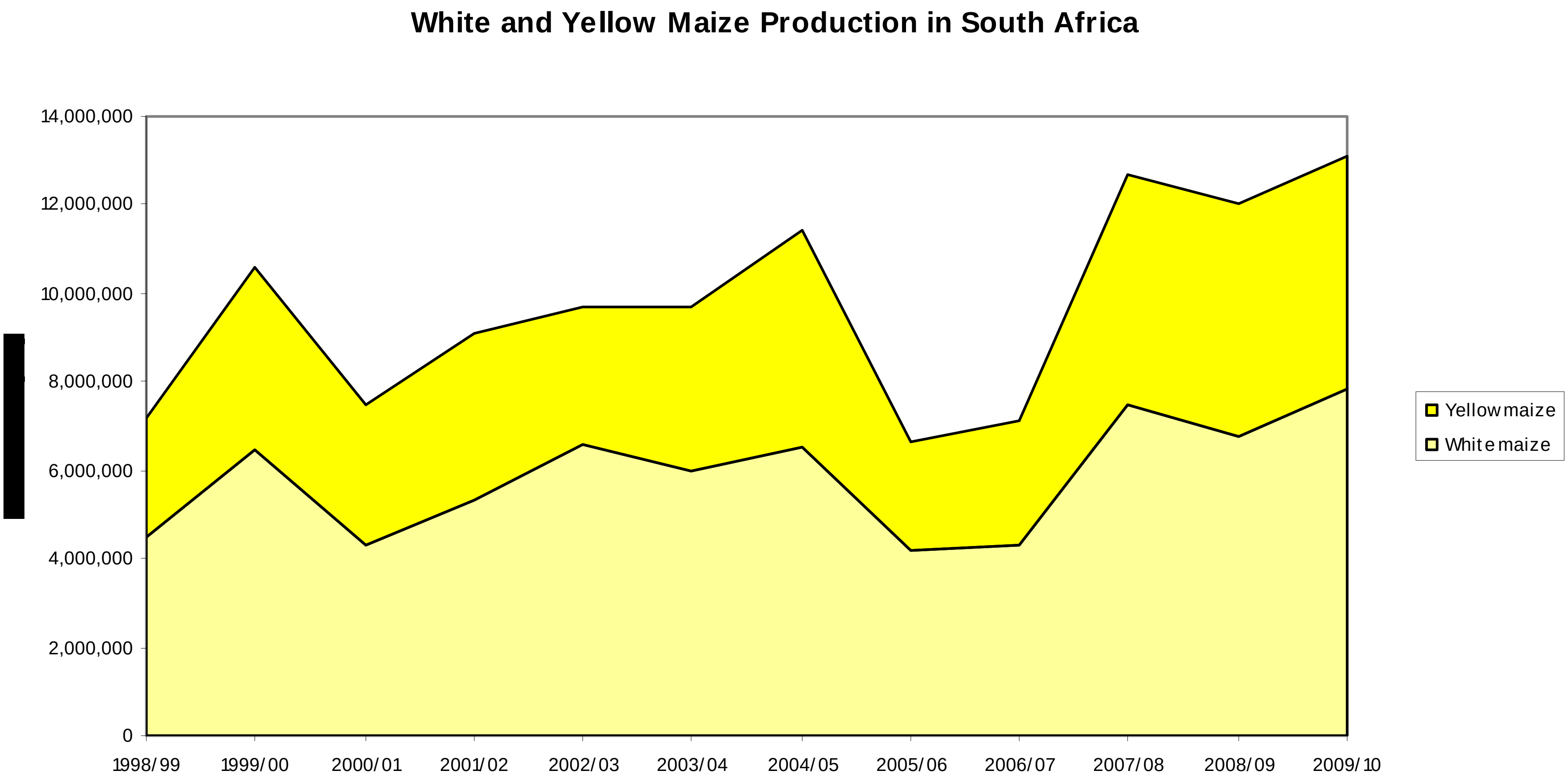
South Africa – Market Confidence

- No national food shortages
- Production increasing, sector investments
- Reliable supplier of BNML, Zimbabwe, Kenya, DRC, Zambia, Malawi
- Risk management instruments – e.g. SAFEX

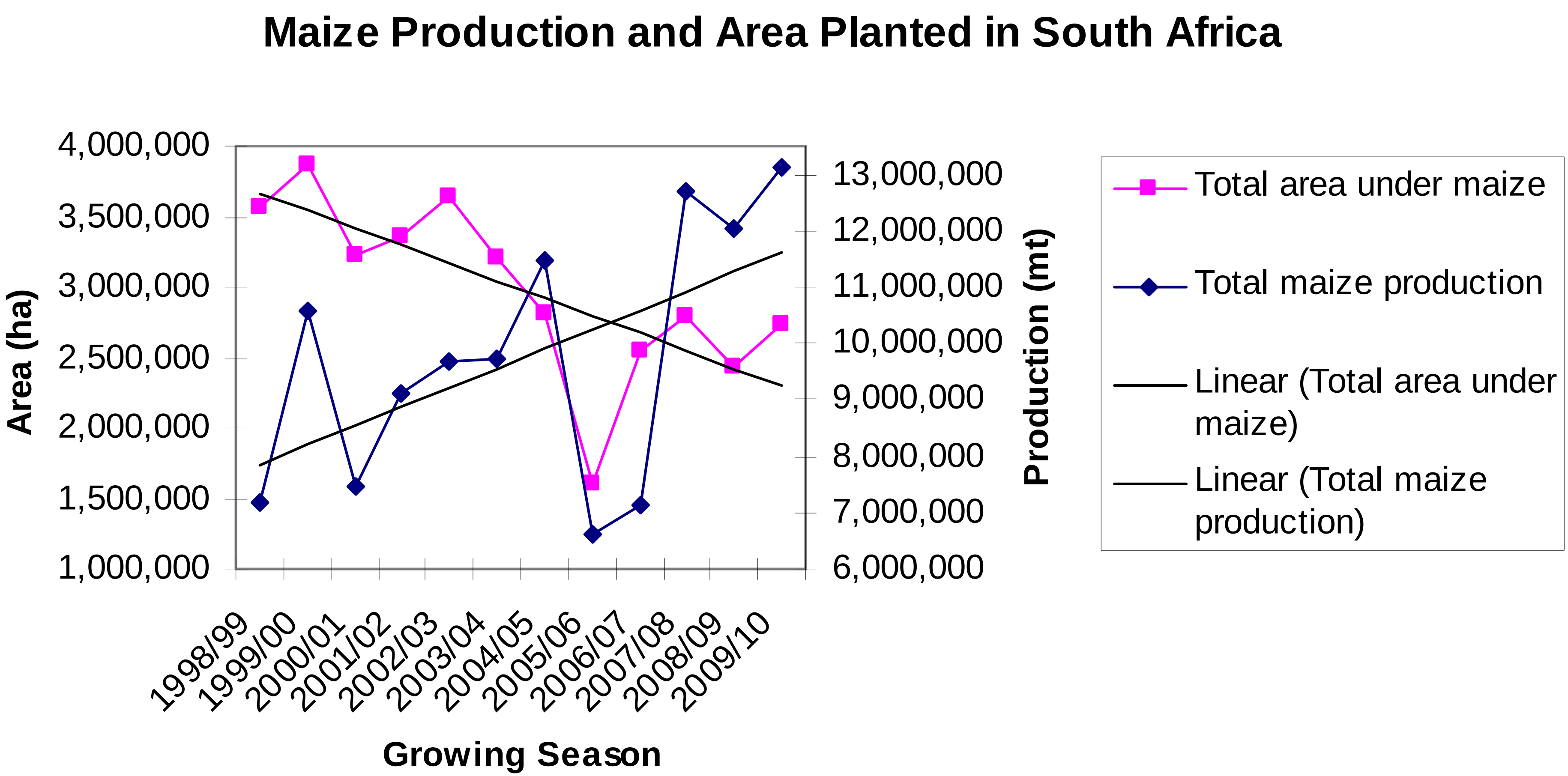
Required: Incentives

- Market access by farmers
- Free trade: Import **and** exports
- No unpredictable govt. market interventions
- Regulatory framework

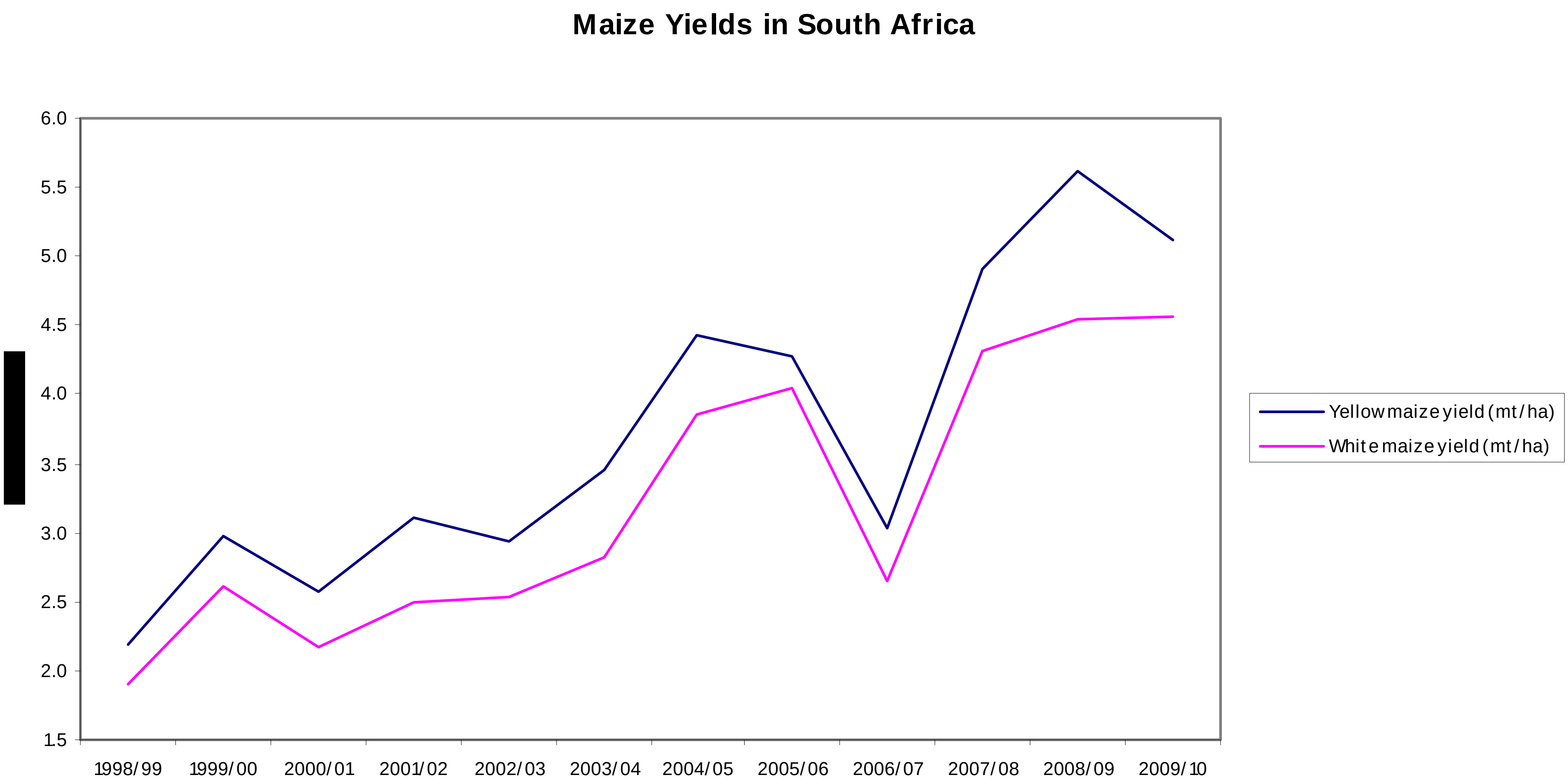
Maize Production in South Africa



Maize Area and Production



Maize Yields

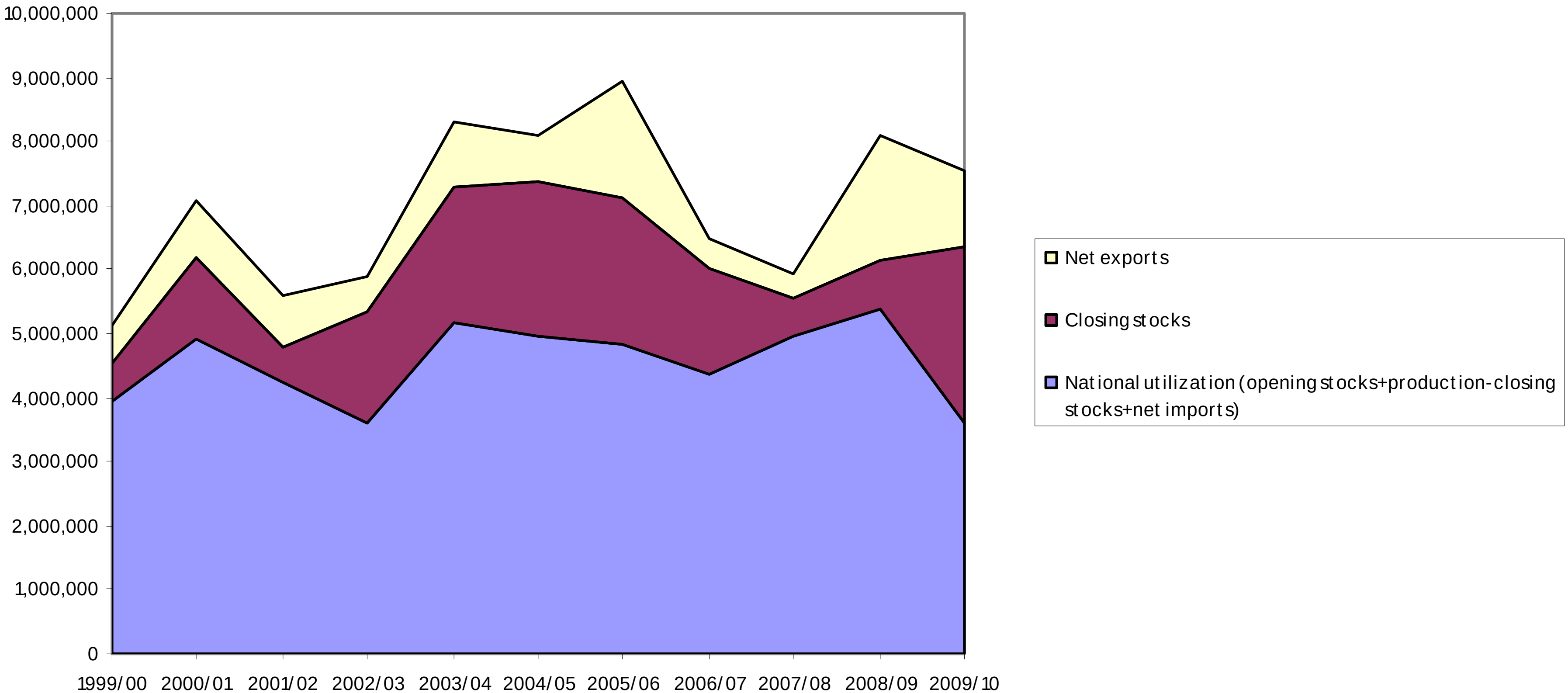


Export Capacity of SA's White Maize Industry

- Stock levels reduced during 07/08 economic crisis
- Yet, production booming and exports substantial
  - 08/09: ~1.9m tonnes
  - 09/10: ~1.2m tonnes (preliminary estimate)

White Maize Utilization, Stocks, Exports

National Utilization, Stock Levels, and Exports of White Maize in South Africa



GMO – Implications for Trade

- 56-90% of white maize production is GMO:
  - Monsanto-licensed traits:
    - Roundup Ready™
    - YieldGuard™
  - No new GMO licenses since 2005
    - Double and triple stacked varieties not approved for imports or production
- Cartagena Protocol on Biosafety requires:
  - Non-GMO certification for exports
  - Non-GMO affidavit by exporter

GMO – Implications for Trade (cont…)

- Market uncertainty for SA maize exports:
  - SA non-GMO certification process does not guarantee non-GMO status
  - Unclear and unpredictable GMO policies by importing countries
  - Kept some traders from supplying Kenya and Zimbabwe
- Solutions?
  - SA Consumer Protection Act – labeling
  - Niche market development

Land – Implications for Production

- Unresolved land claims involving 25% of commercial farm land:
  - Uncertainty, violence
  - Lack of investment
  - Decline of commercial agriculture?
- Structure of commercial agriculture
  - Less land, higher yields, higher maize production
  - Will that make maize production more vulnerable to drought?

Transport

- Transnet (formerly Spoornet) becoming inefficient
  - Insufficient investments, e.g. locomotives
  - One large trader: 10 yrs ago 95% rail, now 50%
- Out of SA: long turnaround times
  - Management problems
  - Fuel shortages
  - High road transport costs

Conclusions

- Structure of SA maize sector has changed
- SA can remain a reliable regional supplier if:
  - GMO policies and regulatory systems develop in SA and in the region
    - Non-GMO niche market development
  - SA's land issues are resolved in a way that encourages commercial farming sector investments
- Investments and management changes in rail transport are needed

Thank You

Sources

- All production, area, stock, import and export data: SAGIS and CEC (Crop Estimates Committee)
- 2009/10 SAGIS/CEC data as of 9 May 2010, including 3rd (not final) crop estimate
- All opinions expressed and information provided by traders, brokers, SAFEX, and others is gratefully acknowledged