



SA forced to import maize as drought destroys crops

SOUTH Africa is importing maize for the first time in 11 months as the worst drought since 1992 destroyed crops in the continent's biggest producer, the largest local grain farmers' organisation said.

The nation will need to import 934,000 metric tons of yellow maize, worth about \$137m at current international prices, from countries such as Argentina and Ukraine in the year through to the end of March 2016, Grain SA CEO Jannie de Villiers said in an interview this week.

Three shipments of 30,000 tons each from the Latin American nation were en route to Cape Town to provide feedstock for dairy cows in the Western Cape, he said.

The drought has damaged crops in the Free State and North West, which comprised 64% of output in 2014. The local price of white maize has risen 27% in Johannesburg this year and that of yellow maize, used mainly as animal feed, by 13% as the Crop Estimates Committee predicts the smallest harvest since 2007. Late rains at the end of February were not enough to salvage crops as most had already been pollinated, Mr de Villiers said.

"We're not talking a big recovery," he said. "The worrying factor is that not all the cobs have been filled. This drought could hit us next year" as farmers would not start working their land unless there was sufficient moisture in the ground, he said.

Crop estimate

The committee expects growers to harvest 9.67-million tons of both white and yellow maize in 2015, 32% less than a year earlier. It will release the second prediction for the season on March 25 and may leave the forecast unchanged, according to the median of five analysts' estimates in a Bloomberg survey. Recent rains could lift the harvest to 10-million tons, Mr de Villiers said.

"It's not a super-crisis except if they start estimating the white crop down," he said. "There are parts of the North West where they are not going to harvest anything, zilch, but that was the situation at the first crop estimate so from zero you can't go lower."

The limited availability of white corn globally made importing this variety unlikely, which could raise prices in the event of shortages, he said.

Grain SA expected a surplus of at least 100,000 tons of this type, which would be enough to meet the needs of SA and neighbours Botswana, Lesotho, Namibia and Swaziland, he said.



Other crops

Mexico is the world's biggest producer of white maize and SA is the largest grower on the continent. Almost all maize traded on the international market is yellow.

Harvests of crops including sunflower and sorghum have also been damaged.

The increase in prices is likely to push up inflation, Mr de Villiers said. In addition to the price of the maize meal rising, poultry and meat costs may also jump as maize is used to feed the birds and livestock.

According to Statistics SA data, consumer inflation fell to a four-year low of 3.9% in February. It has remained within the Reserve Bank's 3%-6% target range for six months, but the drought may add to pressure to the cost of food, which climbed 6.4% from a year ago.

Inflationary effect

With the effect of dry weather on the grain, "we could easily go to double digits" in food inflation from about May as more-expensive maize was absorbed into the supply chain, Mr de Villiers said.

Food comprises 14% of SA's inflation basket, according to Stats SA. Maize and products related to the grain, such as chicken and beef, contributed 74% of that, Mr de Villiers said.

SA had exported 1.4-million tons of yellow maize since the start of the marketing season in May, with China, South Korea and Japan as the biggest buyers, the Grain Information Service said. It has sold 475,201 tons of white maize, with Botswana buying 30% of the total.

The marketing year was changed to end-March, Grain SA economist Wandile Sihlobo.

The organisation expected Botswana, Lesotho, Namibia and Swaziland to need 517,000 tons of yellow maize in the year to March 2016, Mr Sihlobo said. This excluded possible demand from other neighbours such as Zimbabwe, which usually received some supply from Malawi, which had also been affected by drought, Mr Sihlobo said.

Most of the maize imported by these countries came through South African ports and formed part of the 934,000 ton import estimate.

"There's going to be more pressure on the demand side because Malawi serves a number of countries," Mr Sihlobo said.

Bloomberg