

MAIZE MARKET VALUE CHAIN PROFILE

2014

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REPUBLIC OF SOUTH AFRICA

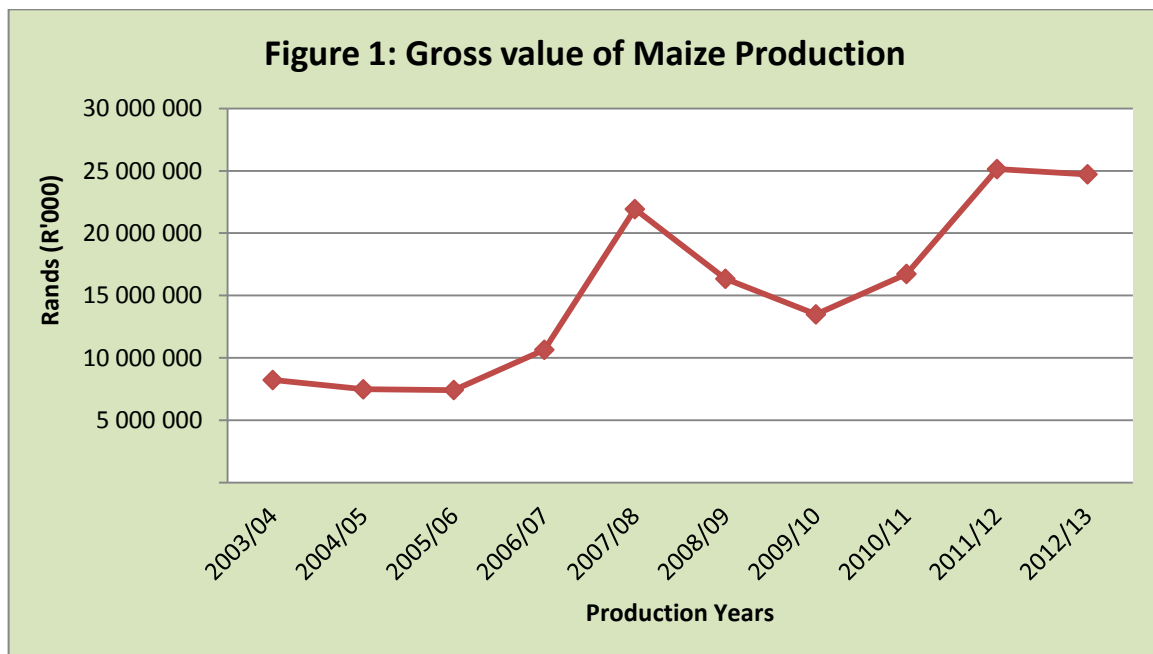
TABLE OF CONTENTS

1.	DESCRIPTION OF THE INDUSTRY	1
1.1.	Production areas	2
1.2.	Production trends	3
2	MARKET STRUCTURE	4
2.1.	Domestic Market	4
2.2.	Exports.....	6
2.3.	Share Analysis	16
2.4.	Imports	20
2.5.	Market Value chain.....	24
2.5.1.	Seed suppliers as inputs	25
2.5.2.	Handling and Storage	25
2.5.3.	Maize milling.....	26
2.5.4.	The animal feed industry	27
2.5.5.	Traders	27
2.5.6.	Retailing	27
2.5.7.	Transport	28
2.6	Maize Value Chain Tree	28
3.	MARKET INTELLIGENCE	30
3.1.	Tariffs	30
3.2.	Performance of the South African maize industry in 2010	32
4.	ORGANIZATIONAL ANALYSIS	37
4.1.	Strengths and Weaknesses.....	37
4.2.	Strategic challenges and Opportunities.....	37
5.	EMPOWERMENT AND TRANSFORMATION ISSUES.....	38
6.	GRAIN TRADERS IN SOUTH AFRICA	39
6.1.	International Traders.....	39
6.2.	Local Traders.....	39
7.	ACNOWLEDGEMENTS.....	41

1. DESCRIPTION OF THE INDUSTRY

Maize is the most important grain crop in South Africa, being both the major feed grain and the staple food for the majority of the South African population. About 60% of maize produced in South Africa is white and the other 40% is yellow maize. Yellow maize is mostly used for animal feed production while white maize is primarily produced for human consumption. Maize is the second largest produced crop in South Africa after sugar cane. The maize industry is important to the economy both as an employer and earner of foreign currency because of its multiplier effects. This is because maize also serves as a raw material for manufactured products such as paper, paint, textiles, medicine and food. The industry is divided into commercial and developing agriculture. Commercial maize farmers are estimated at 9,000 and the number of developing agricultural farmers is unknown.

The gross value of maize production is dependent on the quantity produced and prices received by producers. The trend in the maize production gross value follows the pattern of prices and production since the industry is characterized by volatile prices as shown in figure 1. The period under analysis opened with low gross value of maize production in 2003/04 production season and this was followed by consistent declines until 2005/06 season. Although maize producer prices increased during 2005/06 season, the contribution to gross value continued to decline as result of a drastic decline in production volumes that occurred during that period.



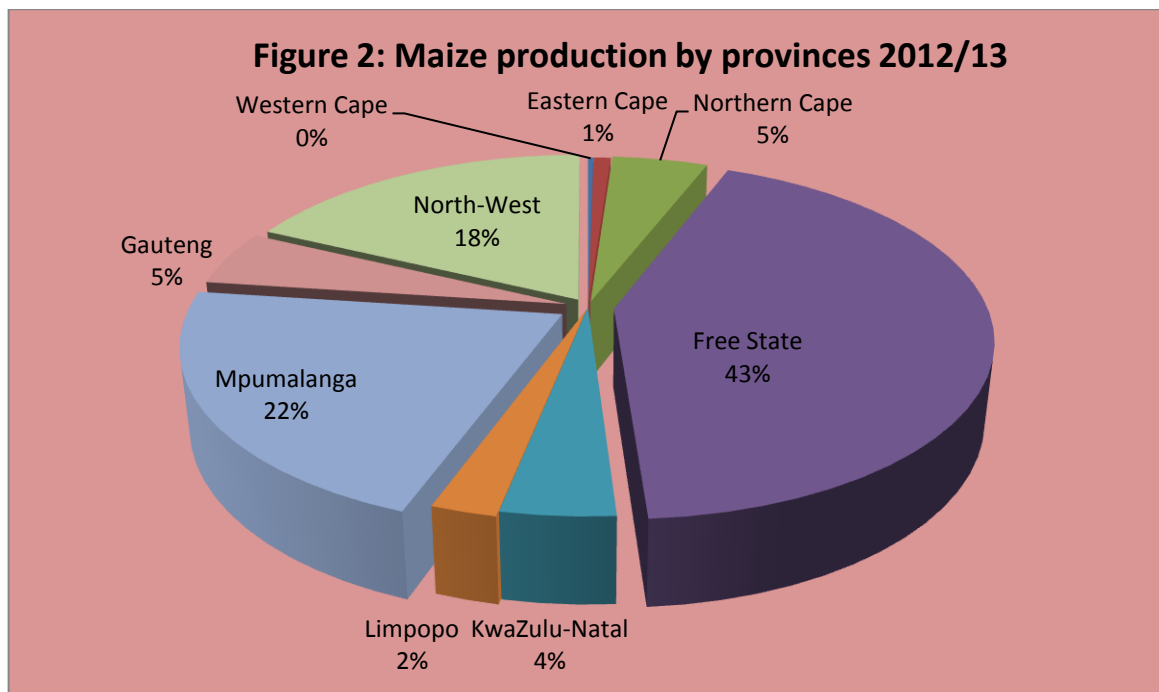
Source: Statistics and Economic Analysis

The contribution of the maize industry to the gross value of South African agricultural production (GVP) experienced a substantial increase to a level above 20 billion Rands during the 2007/08 production season, this was mainly due to a rise in the total production as well as average producer prices. The contribution of maize industry to the GVP declined between 2008/09 and 2009/10

seasons, despite a slight increase in production volumes and this was followed by a slight increase in gross value of maize production during 2010/11 season. The figure further indicates that the period under review closed with high gross value of maize production and this may be explained by slight increases in production volumes and prices.

1.1. Production areas

Maize is produced throughout South Africa with Free State, Mpumalanga and North West provinces being the largest producers, accounting for approximately 83% of total production. Almost 90% of maize in South Africa is produced under dry land condition and the remaining 10% is produced under irrigated conditions.. There are 36 grain production regions in South Africa Regions 1 to 9 are winter rainfall areas and those regions fall under Western Cape, Eastern Cape as well as Karoo.. Region 10 is Griqualand West and region 11 is Vaalharts in the North West. Regions 12 up to 20 are all in North West province. Approximately 62% of total maize production in South Africa comes from Regions 21 up to 28 which are under the Free State as well as North West provinces. Regions 29 to 33 are within Mpumalanga, which is the second largest maize-producing province. Region 34, 35 and 36 fall under Gauteng, Mpumalanga and Kwazulu-Natal respectively Figure 2 below summarizes maize production per province during the 2012/2013 production season.



Source: Statistics and Economic Analysis

Figure 2 indicates that during 2012/13 season, 43% of the total commercial maize in South Africa is produced in Free State. Mpumalanga which is the second largest producer harvested 22% followed by the North West Province in the third position, which produced 18% of total commercial maize

production. Northern Cape and Gauteng Province produced 5% each while the remaining provinces account for less than 5% of the country's total maize production.

Table 1: Maize production by provinces form 2007/08 to 2012/13 production season (Tons)

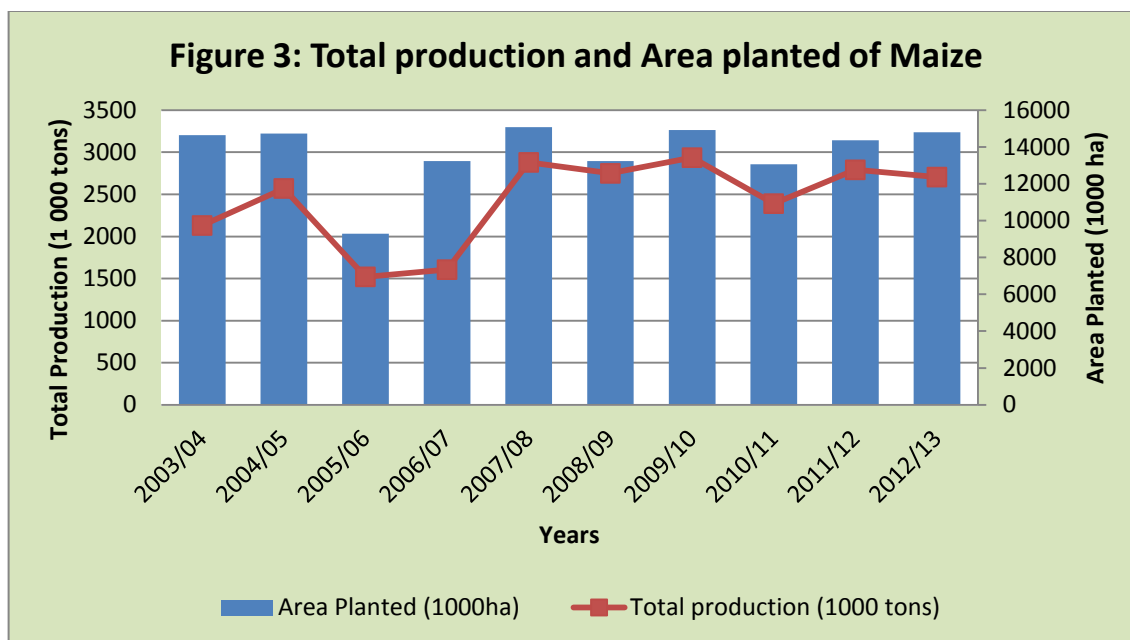
Season	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
PROVINCE						
Western Cape	40 000	50 000	18 000	14 000	30 000	33 000
Eastern Cape	85 000	92 000	80 000	68 000	92 000	107 000
Northern Cape	662 000	634 000	609 000	538 000	606 000	601 000
Free State	4 928 000	4 527 000	5 076 000	4 052 000	4730 000	5334 000
KwaZulu-Natal	489 000	521 000	524 000	450 000	516 000	519 000
Limpopo	224 000	247 000	210 000	173 000	226 000	300 000
Mpumalanga	2 875 000	2 870 000	2 745 000	2 190 000	2504 000	2666 000
Gauteng	568 000	534 000	685 000	543 000	552 000	617 000
North-West	2 829 000	2 575 000	2 868 000	2 332 000	2574 000	2226 000

Source Statistics and Economic Analysis

During the past six years, maize total production has experienced substantial fluctuations in all the maize producing provinces as indicated in Table 1 above. The Free State, Mpumalanga and North West provinces have consistently been the major producers of maize in the country. It is also clear that Western Cape, Eastern Cape and Limpopo Provinces produced low volumes of maize as compared to other province. The table further shows that, compared to the previous production season (2011/12), 2012/13 production season has shown some slight production improvements from six provinces (namely Eastern Cape, Free State, KwaZulu-Natal, Limpopo, Mpumalanga and Gauteng Provinces) while the other three have shown a slight decline.

1.2. Production trends

The composition of maize supply consists of maize harvested during that particular season, imports as well as carryover stocks from the previous seasons. Commercial agriculture supplies about 98% of maize in South Africa, while the remaining 2% is produced by the developing agriculture. Over the past ten years, maize total production has significantly fluctuated, with the lowest production experienced during the 2005/06 and the highest in the 2007/08 production season.



Source: Statistics and Economic Analysis

Figure 3, also shows that the area planted to maize over past 10 years has fluctuated and it was at the lowest during 2005/06 season and experienced an increase from the 2006/07 production year into the 2007/08 year accompanied by a corresponding increase in the total production. This increase in area allocated for maize production may be attributable to increases in the average producer prices during the two production seasons, which encouraged farmers to plant maize during the subsequent season to capture the windfall gains from increase prices. This was followed by reduced plantings during 2008/09 season leading to lower production volumes. The 2009/10 season was characterized by higher volumes of maize in the market mainly as a result improved yields as well as the above normal rainfalls that were experienced during the season. Figure 3 also illustrate that area planted to maize and production volume decreased marginally during 2010/11 season and increased slightly throughout 2011/12 and 2012/13 seasons.

2 MARKET STRUCTURE

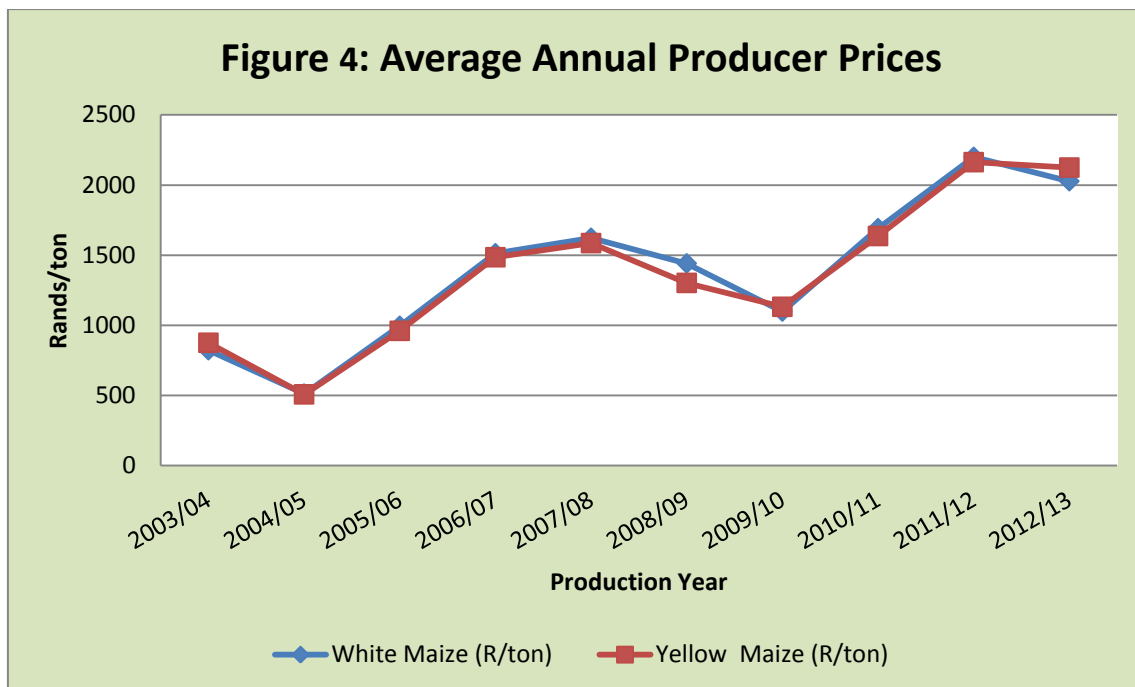
2.1. Domestic Market

The South African maize market has matured considerably since deregulation of agricultural marketing. Producers, traders and other intermediaries interact freely in the marketing of maize. Most of the maize produced in South Africa is consumed locally and as a result, the domestic market is very important to the industry. More than two thirds of the locally-produced maize is consumed by the local market in the following pattern: humans (50%); the animal feed industry (40%) and the rest is used for seed and industrial uses (10%).

Before deregulation the maize price was set by the marketing boards. The price was set lower at around R300/ton. Since the implementation of deregulation policy the price of maize increased gradually because of the adoption of perfect competition in the maize marketing environment in

which the prices are determined by market forces i.e. supply and demand factors. As maize is an internationally traded commodity, it is also subjected to the international market conditions. The demand and supply conditions of maize in the international market influence domestic prices directly. Another important factor that impacts on the domestic market is the import tariff, which is used to protect domestic producers from lowly priced maize imports. The tariff is determined by the 21 day moving average Free On Board price in the US with the reference on the initial price. In case where the moving average deviates from the reference price then, a new tariff is triggered.

Figure 4 below indicates that the period under review started with lower prices when a ton of maize was trading below R1 000.00 for the first two years of the period under review and this was mainly caused by surpluses of maize available in the market due to the carryover stocks from the previous seasons and as a result, producers were exposed to lower prices. Maize producer prices increased in 2005/06 as a result of lower maize quantities available in the South African market. Further increases in maize producer prices were also experienced from 2006/07 to 2007/08 production year due to increase in demand resulting from the use of maize as a feedstock in the bio-fuel industry by some of the developed countries. This was followed by a continuous decline in producer prices from 2007/08 until 2009/10 seasons. The period under analysis closed with average Maize producer prices in 2012/13 season standing at R2075.27/ton. The lowest average maize producers price was recorded in 2004/05 (R513/ton) and the highest was recorded in 2011/12 (R2144/ton).



Source: Statistics and Economic Analysis

Table 2 shows the total area planted, total production, human consumption and other uses of maize from the marketing year 2003/04 to 2012/13. The table indicates that the total area planted to maize ranges from 2 to 3 million hectares while the total production of maize ranges from 6 to 13 million tons.

Table 2: Total commercial maize area planted, production and consumption

Marketing Year	Maize: Total area planted	Maize: Total production	Maize: Human consumption	Maize: animal feed and other uses
	'000 ha	'000 tons		
2003/04	3 017	9 732	3 712	3 416
2004/05	3 185	9 391	3 740	3 740
2005/06	2 843	9 482	3 825	3 360
2006/07	2 032	6 947	3 816	3767
2007/08	2 897	7 339	3 809	4 221
2008/09	3 297	13 164	4 524	4 088
2009/10	2 896	12 567	4 471	4 187
2010/11	3 263	13 421	4 513	4 344
2011/12	2 859	10 924	4 500	4 395
2012/13	3 141	12 468	4 460	4 440
2013/14	3 238	14 982	4 499	4 736

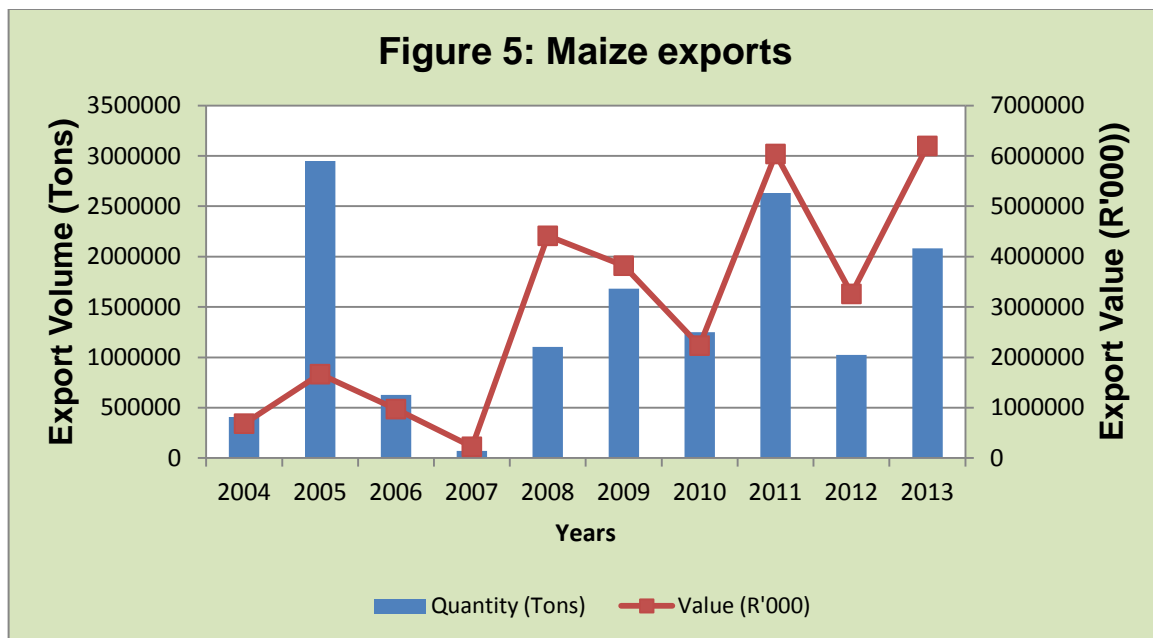
Source: SAGIS and Statistics and Economic Analysis.

Table 2 further shows that South Africa meets its annual maize consumption requirements entirely from domestic production. This is the result of implementation of more efficient production technologies and practices by producers, the withdrawal of marginal lands from production and the development of high yielding maize cultivars. South Africa produces enough maize such that it still remains with surplus to export to other countries. With regards to consumption, Human consumption takes more than half of the maize consumed domestically while the remainder is processed for animal consumption and industrial uses.

2.2. Exports

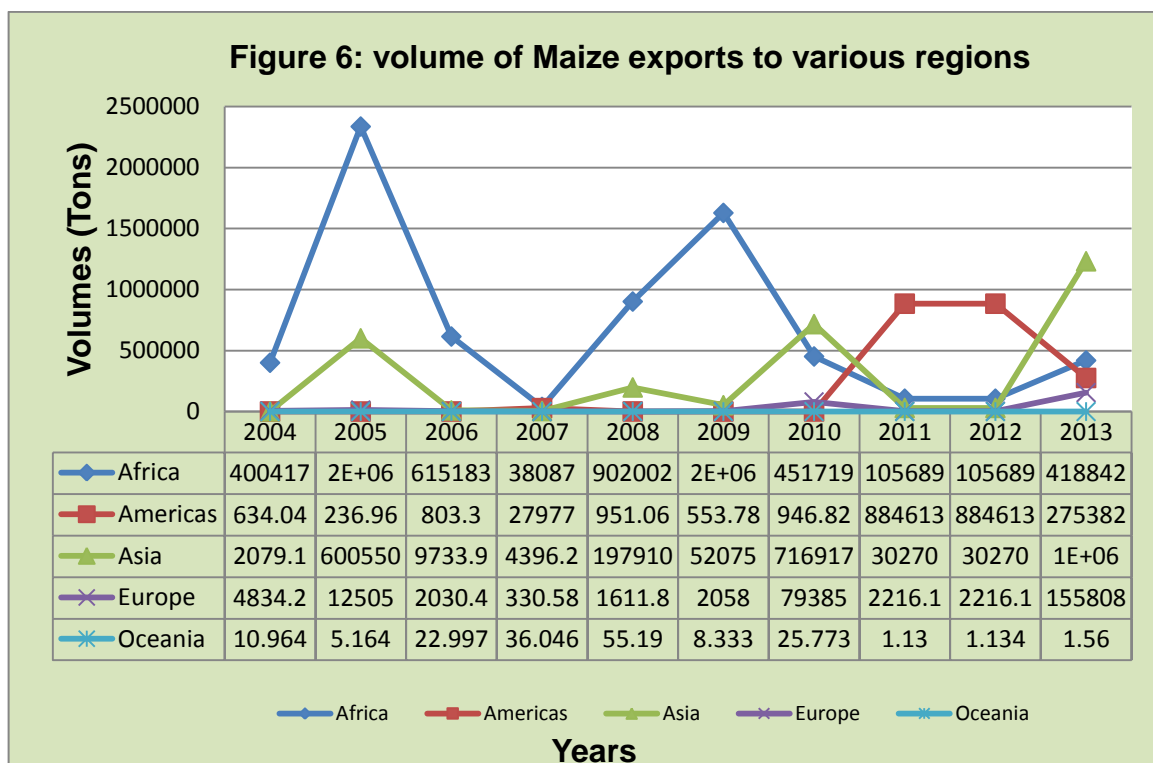
The maize industry is also an important earner of foreign exchange through the export of maize and maize products. The South African maize industry exports maize mostly to African countries particularly BLNS (Botswana, Lesotho, Namibia and Swaziland) countries, Zimbabwe, Kenya, Mozambique, Zambia, and Mauritius and in some years to Japan.

Figure 5 below shows some trends in South African maize exports to the world per annum. The period under analysis opened with lower volumes of maize exports during the year 2004 and this was followed by a huge increase in export volumes in 2005. This also marks the highest export volume for the period under analysis, which may be attributed to the relatively high volumes of local production that was experienced at that time. The lowest volume of exports was recorded during the year 2007. It is worth noting that despite lower exports volumes during 2008, the value of maize exports was very high and this could be as a result of higher than normal international maize prices that were experienced at that time. The period under review closed with reasonably high volume of maize exports as well as the highest recorded maize exports value during the year 2013.



Source: Quantec Easy Data

Figure 6 below depicts the volume of maize exports from RSA to various regions around the globe.

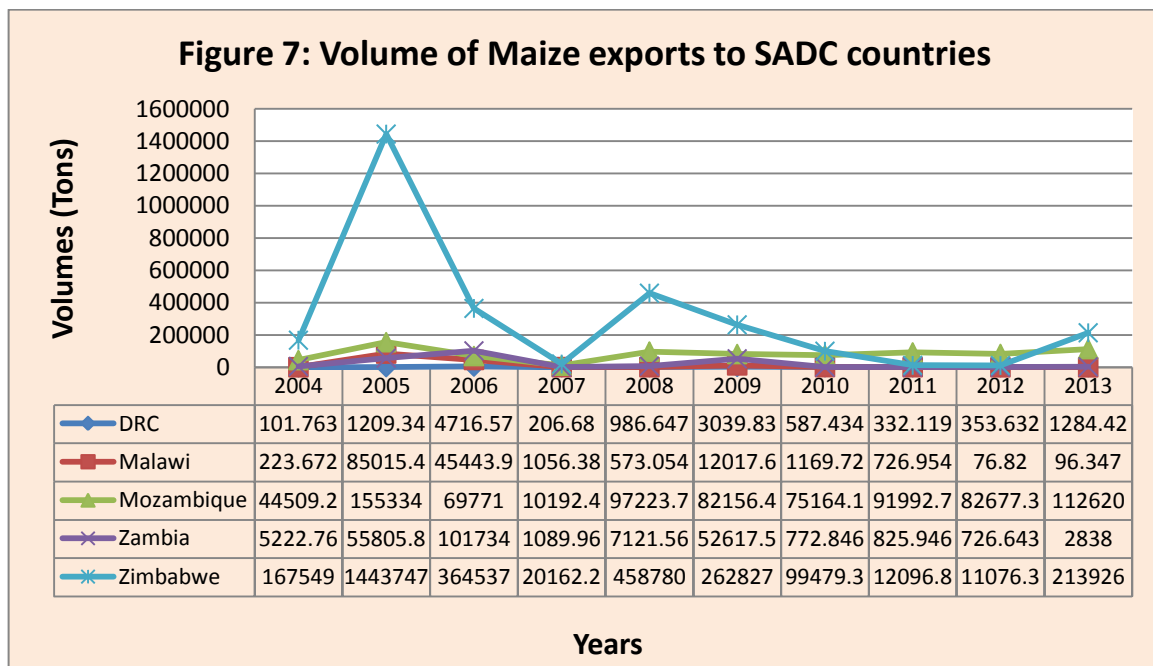


Source: Quantec Easy Data

Figure 6 indicates that South Africa exports maize mainly to Africa, Asia and Europe. The volume of maize exports to African countries fluctuated over the 10 year's period until a peak was reached in 2005. During 2008, a substantial increase in volume of maize exports to the African region was

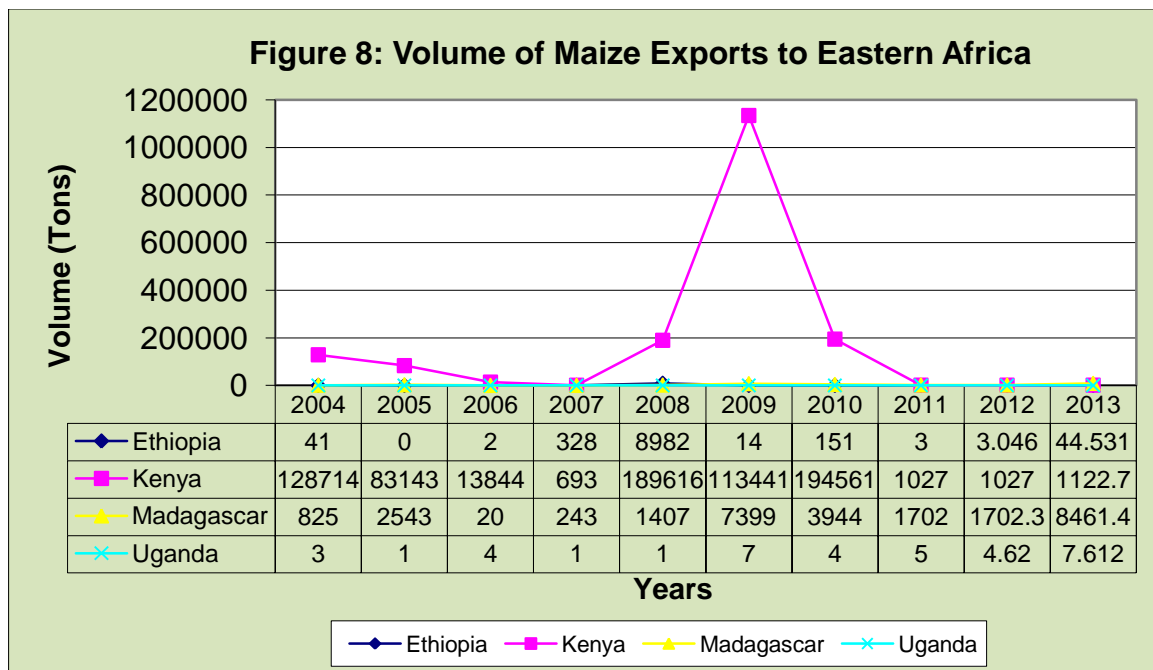
experienced and continued to be so until the year 2009. The fluctuation in export volumes over the analysis period can be attributed to fluctuation in the value of rand, unstable production volumes in the country from year to year as well as volatility in world maize production and prices. The figure further indicates that on average, exports of maize to Europe and Oceania have been continuously below those to the African region for the period between 2004 and 2013. The figure indicates that in 2013 maize was mainly exported to Asia while exports to other regions were starting to pick up as well.

Figure 7 below shows the volume of maize exported by South Africa to SADC countries. It shows that from 2004 up to 2010 Zimbabwe has been the major export market for maize originating from South Africa and this may be explained by food shortages experienced in that country which was as a result of political instability. The figure further indicates that maize exports to Zimbabwe fluctuated over the ten year's period; the highest amount exported by South Africa to Zimbabwe was 1443747 tons in the marketing year 2005 and the lowest amount was 11076.3 tons during 2012 marketing year. The volume of maize exports to Zimbabwe declined between the years 2009 and 2012 while those to Mozambique increased slightly during the same period and beyond. Exports of maize to Angola, DRC, Malawi, Mozambique and Zambia have shown a relatively stable trend compared to those destined for Zimbabwe.



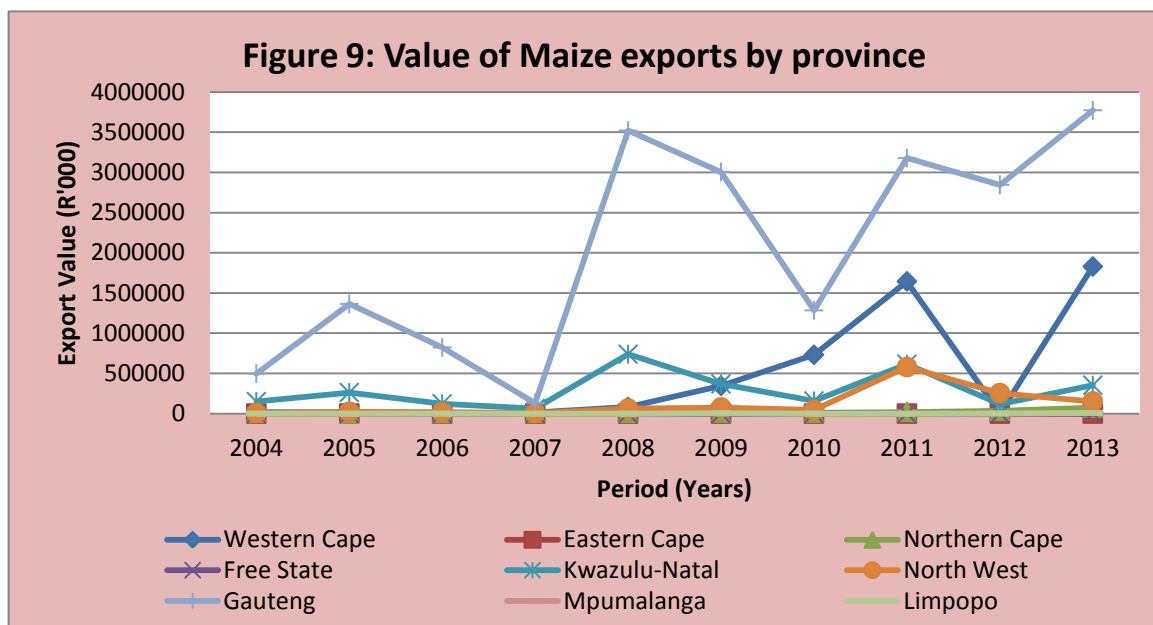
Source: Quantec Easy Data

Figure 8 indicates that in the Eastern African region, South Africa exports most of its maize to Kenya with significant increases in the volumes of maize exports to this country having occurred between the years 2008 and 2009, followed by massive declines in export volume between the years 2010 and 2012. Minor volumes were exported to other markets such as Ethiopia, Madagascar and Uganda. The exports of maize from South Africa to the Eastern Africa Rest were generally low during the years 2010 and 2013.



Source: Quantec Easy Data

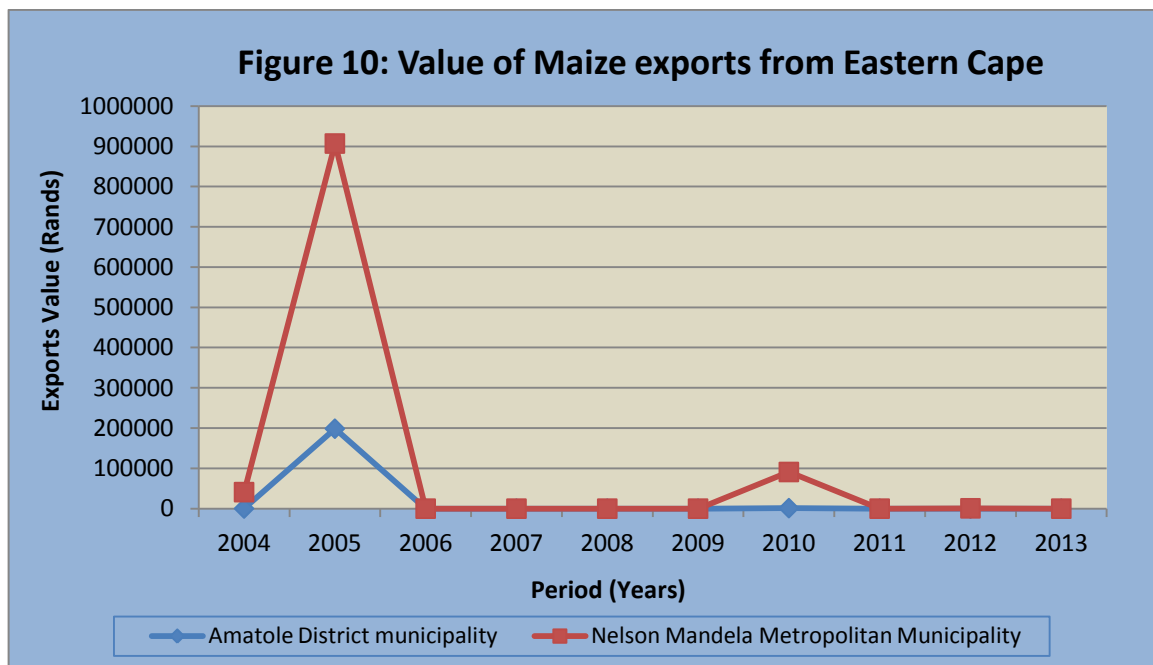
Figure 9 below indicates that Gauteng and KwaZulu-Natal Provinces recorded high export values between the periods 2004 and 2013. This can be attributed to the fact that the major maize producing regions (Free State, North West and Mpumalanga) do not have enough facilities that are suitable for exportation of agricultural commodities that they produce. Large proportion of maize is exported either through the Durban harbor in KZN or through the Randfontein grain market in the Gauteng Province.



Source: Quantec Easy Data

The following figures (Figures 10-18) show the values of maize exports from the various districts in the nine provinces of South Africa.

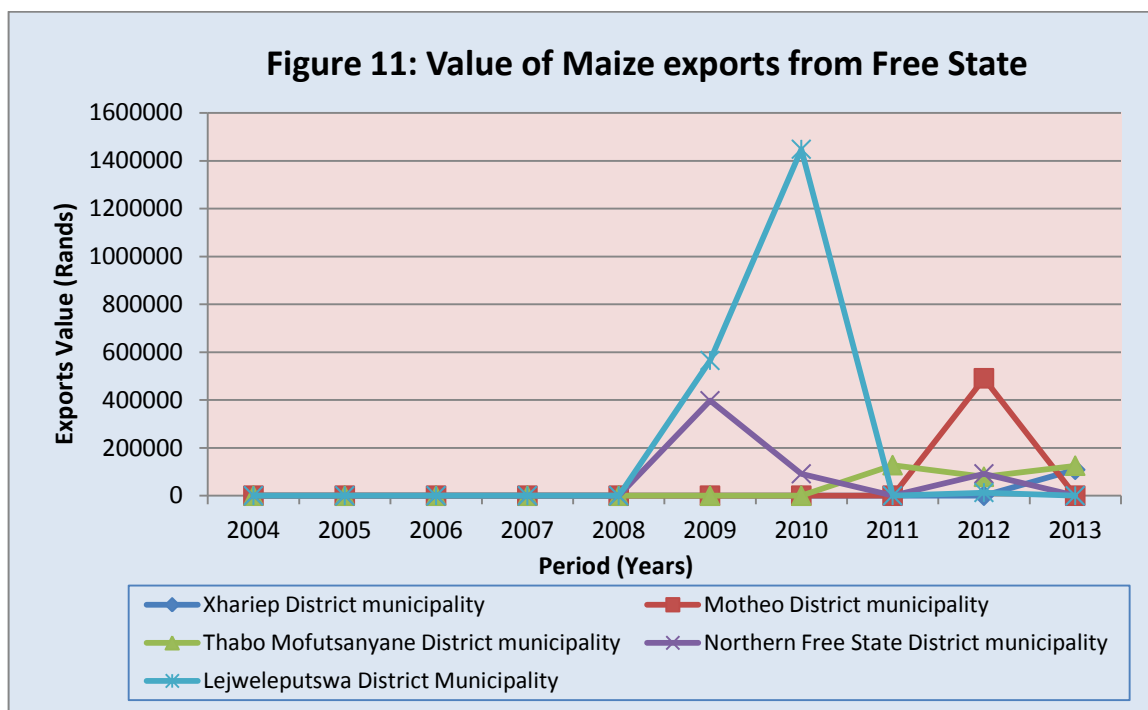
From Figure 10 below, it is clear that exports of maize from the Eastern Cape Province originate mainly from the Amatole and Nelson Mandela Districts. The higher exports value was recorded during the year 2005 for Amatole District while the value of maize exports from the Nelson Mandela District was also at the highest level during the same year. The figure generally shows that maize exports value in the Eastern Cape Province were very low for the most part of the period under analysis and this can be ascribed to the fact that Eastern Cape is not one of the major producers of maize.



Source: Quantec Easy Data

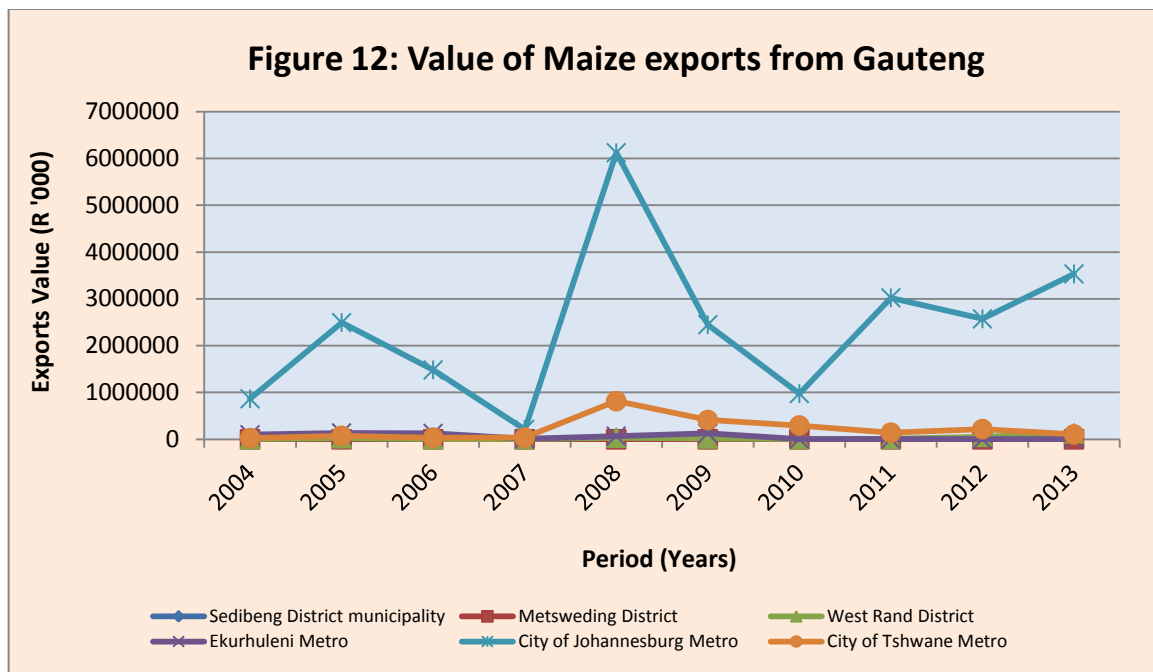
Between 2006 and 2009 there were no exports of maize from Eastern Cape Province. This phenomenon can be attributed to the fact that the Port Elizabeth harbour is increasingly being used to handle imports and exports of vehicle parts which displaced agricultural products from the harbour over time. The fact that Eastern Cape produces, on average, about 1% of the total South Africa's maize production also contributes towards lower levels of maize exports the province. Nelson Mandela District recorded some levels of maize exports during the year 2010 while exports from Amatole District were very low during that year. No maize was exported through the Eastern Cape Province between 2011 and 2013.

Figure 11 below indicates that Free State province had no exports from 2004 to 2008. Maize exports in the province originate mainly from five district municipalities with high values recorded during the year 2010 from the Lejweleputswa district municipality. During the year 2011, Thabo Mofutsanyane emerged to be the only exporting district for maize in Free State province while the other districts did not record any maize exports during the same year. The period under analysis closed with some reasonable values of maize exports from Thabo Mofutsanyane as well as Xhariep District.



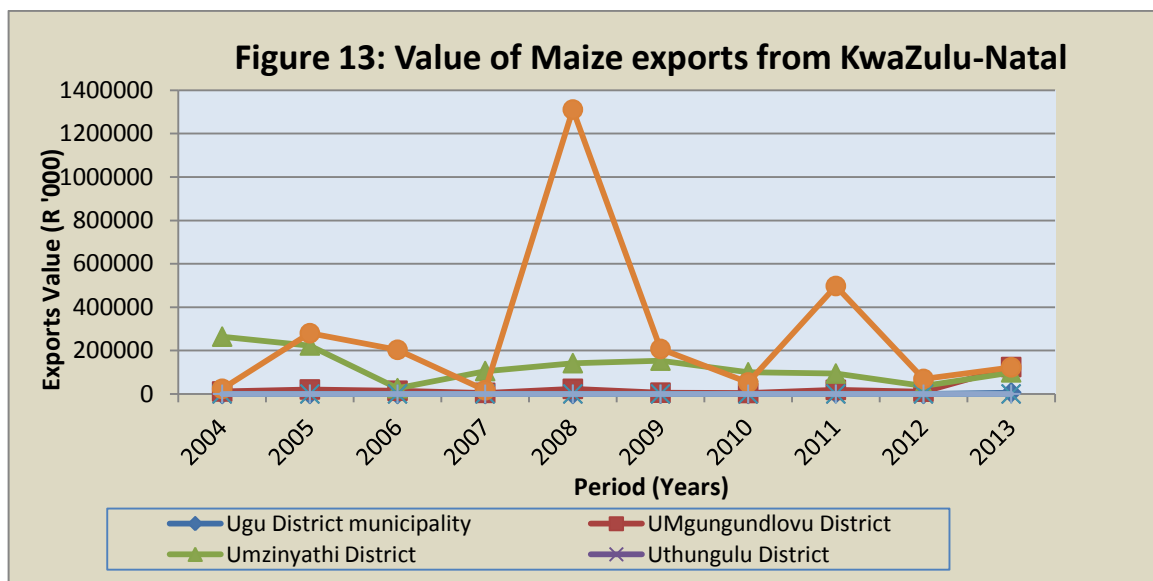
Source: Quantec Easy Data

The value maize exports from Gauteng Province as depicted in Figure 12 below indicates that City of Johannesburg is the largest exporter of maize in Gauteng province having contributed largely towards the province's total maize exports over the past decade. However, a dramatic decline in the value maize exports from the city occurred between 2006 and 2007 followed by a substantial increase in 2008. Other districts that contribute towards Gauteng's maize exports are City of Tshwane, Ekurhuleni, West Rand, Sedibeng, and Metsweding. Ekurhuleni Metropolitan Municipality has recorded very low export values for maize during the period under review. The Maize exports from Gauteng Province were relatively lower during the year 2010 compared to the years 2008 and 2009. The period under analysis closed with relatively higher volumes of maize exports from Gauteng Province during the year 2013. As mentioned earlier on, high maize export values in the Gauteng Province are attributable to the role of Randfontein grain market in the trading of grain in SA and the presence of a large number of exporters within the province.



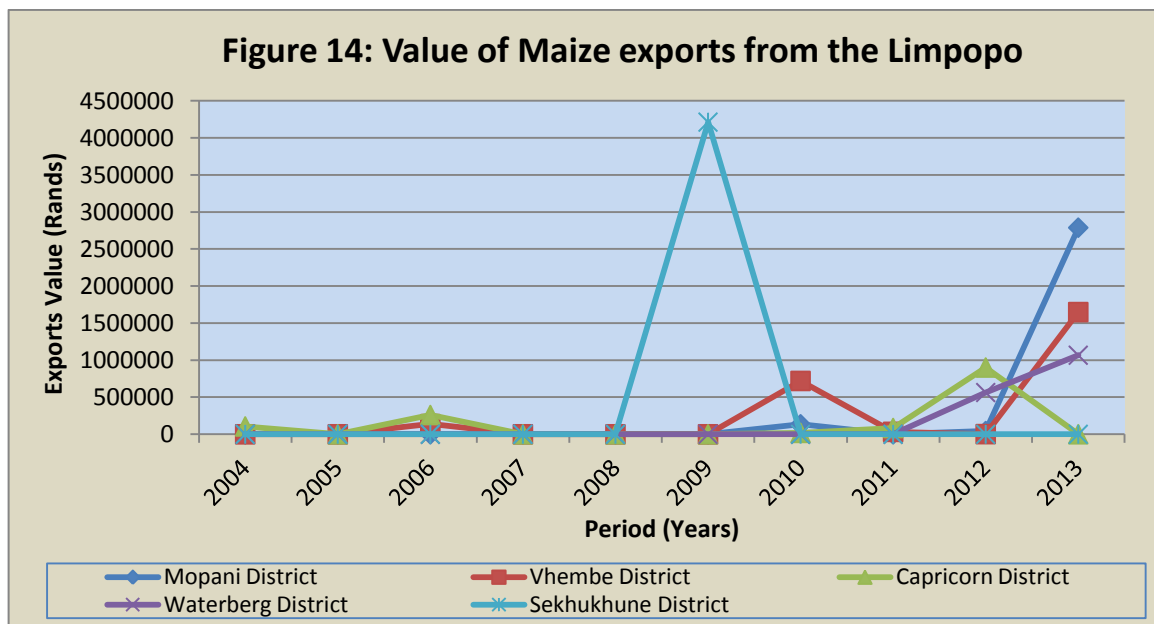
Source: Quantec Easy Data

In KwaZulu-Natal province, UMzinyathi and EThekweni Districts are important role-players in exportation of maize. It is clear from Figure 13 that eThekweni is the largest exporter of maize in KwaZulu-Natal followed by UMzinyathi. The value of maize exports through the eThekweni Metropolitan Municipality increased substantially during 2008 followed by a consecutive decline between 2009 and 2010. The use of the Durban harbor as an exit point plays a major role in the increase in maize export values from the KwaZulu-Natal province. The figure indicates that maize exports from Ugu, UThungulu and UMgungundlovu districts remained minimal throughout the period under analysis.



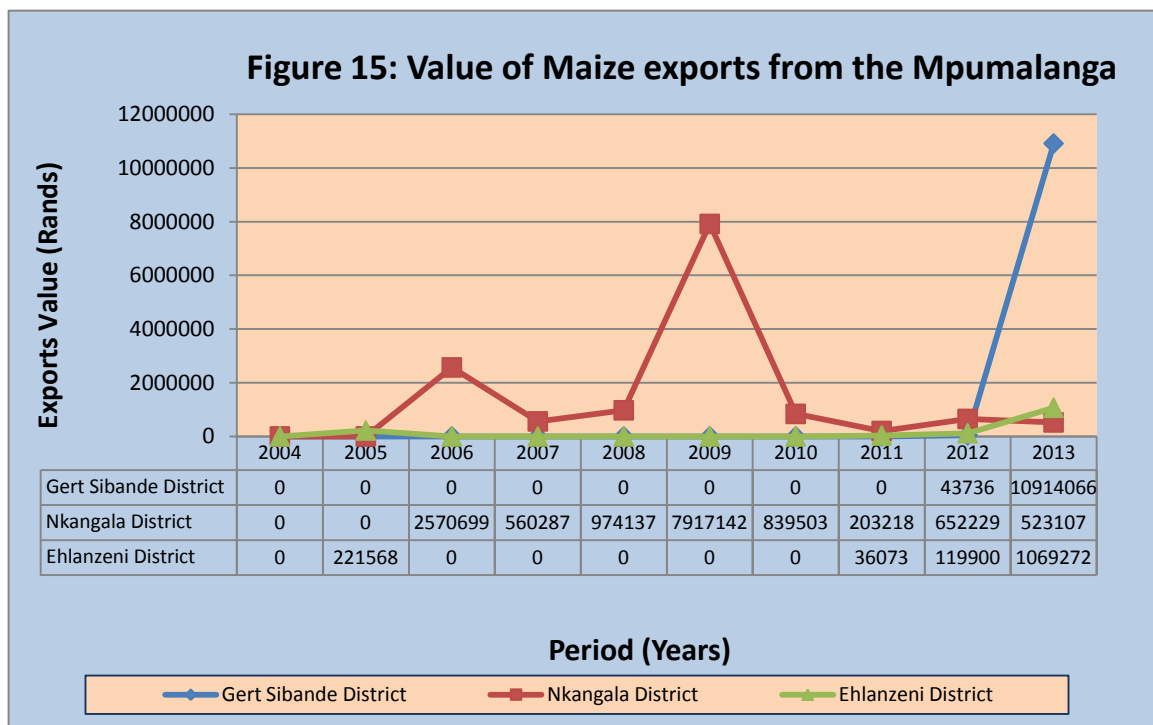
Source: Quantec Easy Data

Figure 14 below shows the values of maize exports from Limpopo Province between the years 2004 and 2013. Exports of maize in the Province originate mainly from Mopani, Capricorn, Vhembe and Waterberg districts. The figure further indicates that a peak in maize exports was reached in 2009 from Sekhukhune district. The value of maize exports from the province fluctuated considerably over the period under analysis. It is also clear from Figure 14 that Limpopo is not a major exporter of maize and that the value of maize exported from this province has been very low and erratic over the period under analysis. During the year 2009, maize from Limpopo Province was exported mainly through Sekhukhune District Municipality and this declined to lower levels during the years 2010 and 2011. The period under analysis ended with a huge increase in maize exports from Mopani District during 2013.

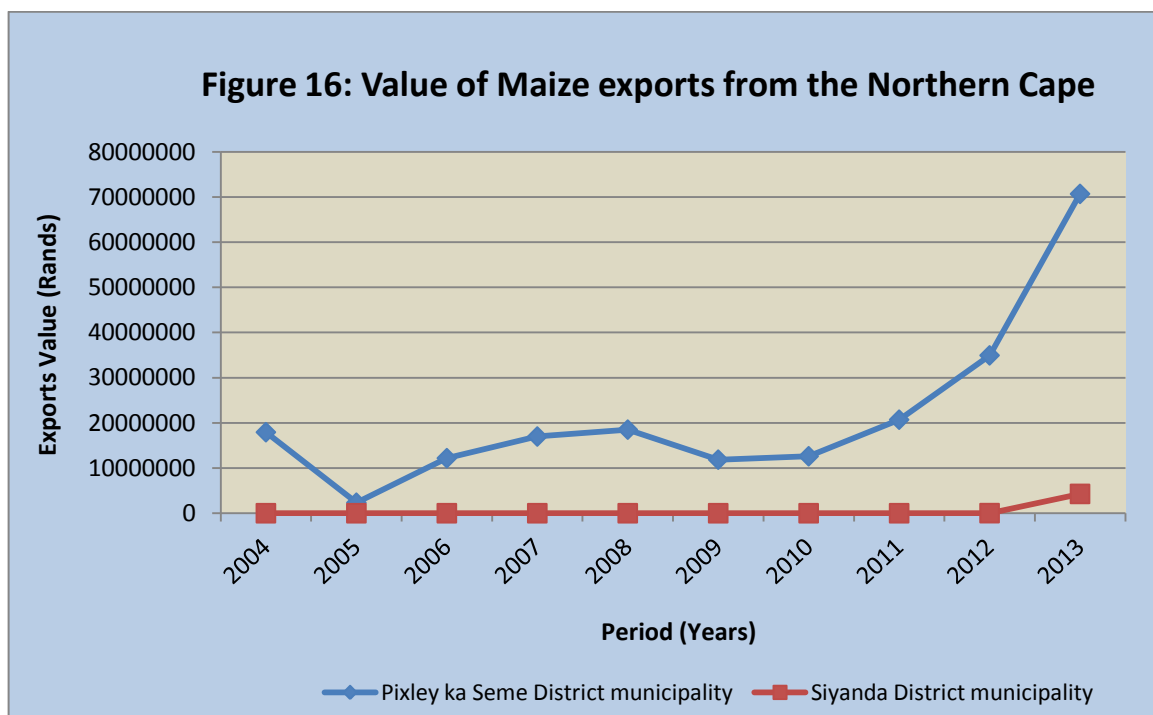


Source: Quantec Easy Data

Figure 15 below indicates that the major exporting regions for maize in Mpumalanga Province are Gert Sibande, Ehlanzeni and Nkangala Districts. Gert Sibande District recorded the largest value of maize exports during the year 2013 while between the years 2004 and 2011 there were no maize exports from Gert Sibande District. In general, the value of maize exports from Mpumalanga Province was very low during the years 2011 and 2012. Figure 15 further indicates that Nkangala district is the largest exporting district in Mpumalanga followed by Gert Sibande district although the latter only participated in exportation of maize during the years 2012 and 2013.



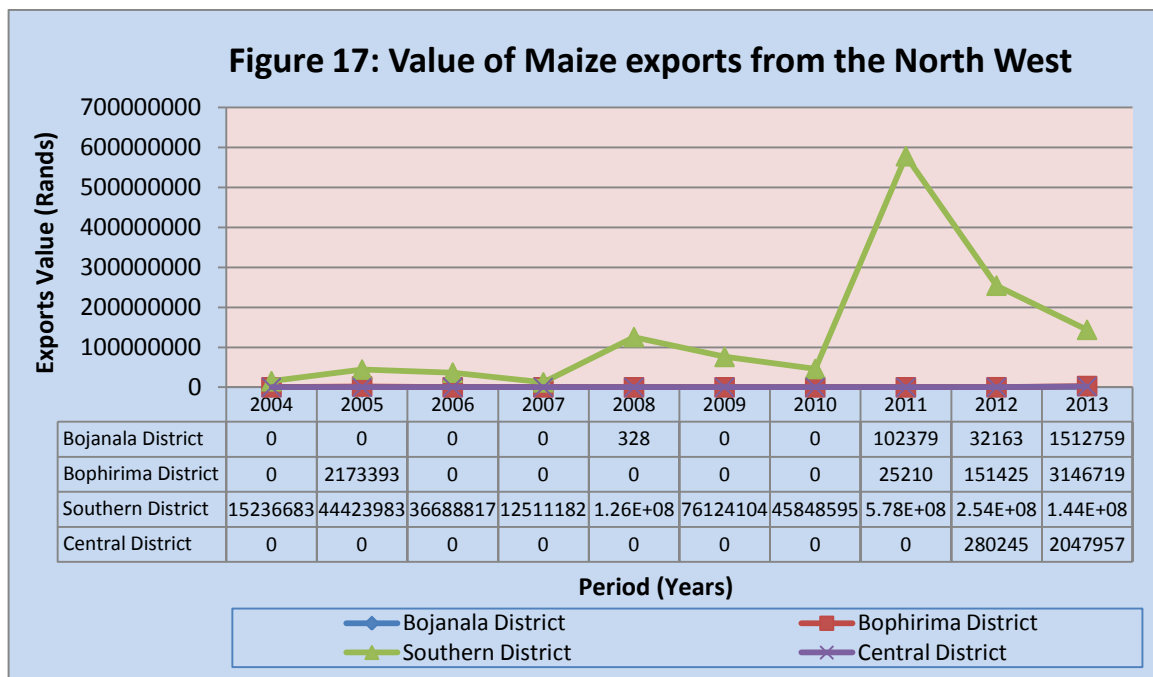
Source: Quantec Easy Data



Source: Quantec Easy Data

Figure 16 above indicate maize exports in the Northern Cape and also highlights that only one district has been exporting out of the five districts available in the province from the year 2004 to

2012. During 2013 Siyanda District exported minimal volumes of maize as shown the figure The figure further shows that maize exports was fluctuating throughout the period under analysis in the Pixley Ka Seme District. The figure indicates that there was trough of maize exports in 2005 in maize exported from Pixley Ka Seme District. Exports of maize from Northern Cape Province experienced massive declines during the year 2005 and this was followed by an increase in the value of maize exports between the years 2006 and 2008. The period under analysis closed with the highest value of maize exports in the Northern Cape Province during the year 2013. Northern Cape is mainly a livestock producing region with crop production taking place predominantly along the Orange River and this could be the reason for relatively lower values of maize exports from the province.

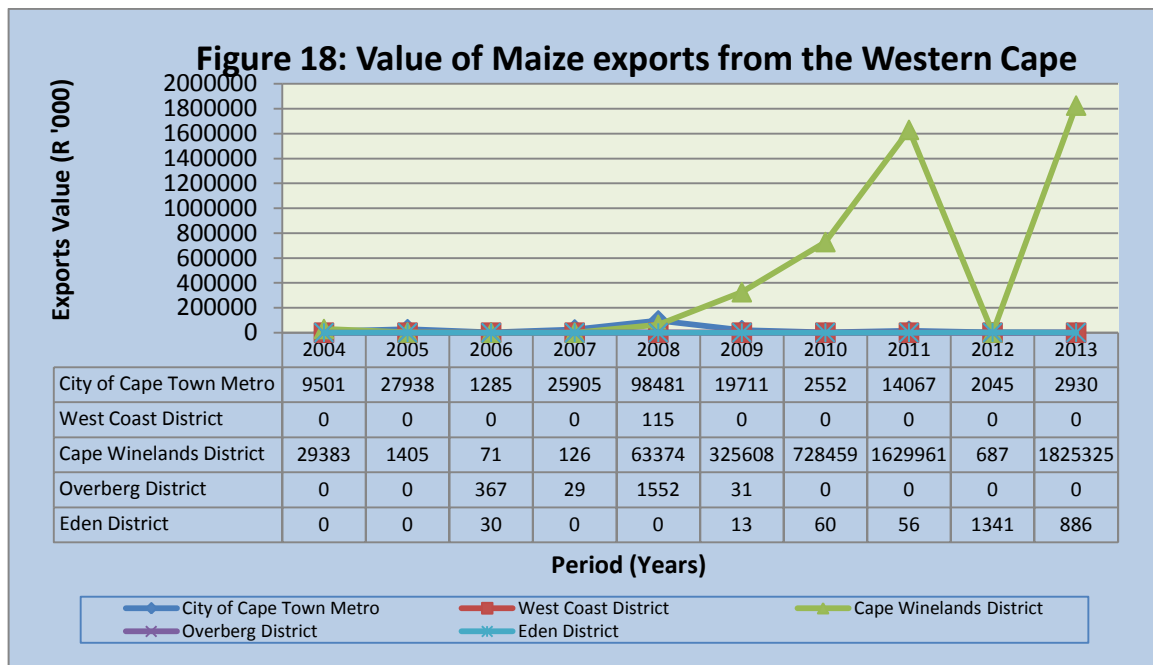


Source: Quantec Easy Data

Figure 17 shows that in the North West Province, exports of maize originate mainly from the Southern District. Southern district is a major exporter of maize in North West province and has been a consistent maize exporter over the previous decade and recorded a peak during, the year 2011. This can be attributed to the fact that the district (Southern District) it is one of the major grain-producing regions in the province. Bojanala, Central and Bophirima districts recorded very low and erratic export values throughout the period under analysis.

Figure 18 below shows the value of maize exports from the Western Cape Province. Western Cape Province recorded reasonable levels of maize exports from two districts namely, the Cape Winelands and City of Cape Town. City of Cape Town displayed some consistency with regard to exports of maize. Irregular maize export values were also recorded for Overberg, Eden and West Coast districts over the period under analysis. As mentioned earlier on, the use of the Cape Town harbor plays a major role as an exit point for exports and this explains the City's consistent participation in exportation of maize. The figure also illustrate that there was an increase of maize exports from Cape Winelands from the year 2009 until 2011 while those from City of Cape Town

remained at lower levels over the same period. The period under analysis closed with high values of maize exports from Western Cape Province during the year 2013 mainly originating from Cape Winelands.



Source: Quantec Easy Data

2.3. Share Analysis

Table 3: Contribution of provincial maize exports to the total RSA maize exports (%)

Years Province	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Western Cape	2.84	0.88	0.09	5.82	1.85	9.04	32.75	27.25	0.125	29.513
Eastern Cape	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.000
Northern Cape	1.31	0.07	0.62	3.79	0.20	0.31	0.56	0.34	1.073	1.210
Free State	1.02	0.00	0.00	0.00	0.00	0.03	0.07	0.002	0.021	0.004
KwaZulu-Natal	21.92	15.73	12.59	28.55	16.72	9.64	7.03	10.17	3.593	5.692
North West	1.11	1.39	1.88	2.79	1.42	1.99	2.06	9.58	7.815	2.430
Gauteng	72.79	81.87	84.64	58.90	79.78	78.67	57.45	52.65	87.302	60.861
Mpumalanga	0.00	0.00	0.13	0.12	0.01	0.21	0.04	0.004	0.025	0.202
Limpopo	0.00	0.00	0.02	0.00	0.00	0.11	0.04	0.002	0.046	0.089

Source: Calculated from Quantec Easy Data

Table 3 above it can be seen that Gauteng Province commands the greatest share of South African maize exports with a share of more than 60% followed by Western Cape and KwaZulu-Natal provinces with a share of 29.51% and 5.692% respectively. This is in spite of the fact that the North-West, Free State and Mpumalanga Provinces are the major maize producing provinces in the South Africa. As explained previously, this is mainly because most exporters of maize are situated in the Gauteng Province and the greatest proportion of maize trading occurs through the Randfontein grain market. Moreover, maize is also mostly exported through Durban and Cape Town harbors. The above scenario raises concerns about the availability of marketing infrastructure and agro-logistics in the major maize producing provinces of South Africa because Gauteng is not a major maize producing region and yet the greatest share of South African maize is exported through this province.

The accompanying Tables 4 to 12 shows contribution of various districts to the total provincial maize exports.

Table 4: Share of district maize exports to the total Mpumalanga provincial maize exports (%)

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gert Sibande	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.36	87.27
Nkangala	0.00	0.00	100	100	100	100	100	0.00	79.94	4.18
Ehlanzeni	0.00	100	0.00	0.00	0.00	0.00	0.00	0.00	14.70	8.55

Source: Calculated from Quantec Easy Data

Table 5: Share of district maize exports to the total North West provincial maize exports (%)

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Bojanala District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	1.05
Bophirima District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	2.09
Central District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.36
Southern District	100	95.34	100	100	99.99	100	100	99.98	99.93	95.55

Source: Calculated from Quantec Easy Data

Table 6: Share of district maize exports to the total Free State provincial maize exports (%)

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Xhariep	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	46.37
Motheo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72.7	0.00
Thabo Mofutsanyane	100	0.00	0.00	0.00	0.00	0.00	0.00	100	11.72	53.63
Northern Free State	0.00	0.00	0.00	0.00	0.00	41.27	6.01	0.00	13.60	0.00
Lejweleputswa	0.00	0.00	0.00	0.00	0.00	58.72	93.99	0.00	1.96	0.00

Source: Calculated from Quantec Easy Data

In the three major maize producing regions namely Free State, North West and Mpumalanga provinces, the greatest share of maize exports originate mainly from the Nkangala district in Mpumalanga (except in 2004) while Dr. Kenneth Kaunda (Southern) District in the North West province commands the greatest share of maize exports for the province. In Free State Province, maize exports occurred from the Thabo Mofutsanyane and Xhariep districts during 2013. Between the years 2005 and 2008 exports of maize diminished entirely from the Free State province.

Table 7 below indicates that in Limpopo Province, exports of maize originate mainly from Mopani, Vhembe and Waterberg districts. During the year 2013, Mopani District accounted for about 50.65% of Limpopo's total maize exports (in value terms) while the remaining balance was exported from Vhembe and Waterberg District. Capricorn District only contributed minimal percentage of 0.012% to Limpopo provincial maize exports during 2013.

Table 7: Share of district maize exports to the total Limpopo provincial maize exports (%)

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Mopani	0.00	0.00	0.00	0.00	0.00	0.00	15.44	0.00	2.87	50.65
Vhembe	0.00	0.00	34.58	0.00	0.00	0.00	82.34	27.87	0.15	29.96
Capricorn	100	0.00	65.42	0.00	0.00	0.00	2.22	72.13	59.66	0.012
Waterberg	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.31	19.38

Source: Calculated from Quantec Easy Data

Table 8: Share of district maize exports to the total Northern Cape provincial maize exports (%)

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Pixley Ka Seme	100	100	100	100	100	100	100	100	99.95	94.30
Siyanda	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	5.70

Source: Calculated from Quantec Easy Data

Table 9: Share of district maize exports to the total Eastern Cape provincial maize exports (%)

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
District										
Amatole	0.53	17.96	0.00	0.00	0.00	0.00	1.41	0.00	0.00	0.00
Nelson Mandela	99.47	82.04	0.00	0.00	0.00	0.00	98.59	0.00	100	0.00

Source: Calculated from Quantec Easy Data

During the period under review Pixley Ka Seme district commanded 100% share of all maize exports originating from the Northern Cape Province except in year 2012 and 2013, where there was a minimal maize exports originating from Siyanda District. In the Eastern Cape Province intermittent exports of maize were recorded from the Amatole and Nelson Mandela districts but diminished between the years 2006 and 2009. During the year 2010, Nelson Mandela District contributed 98.59% to Eastern Cape's total maize exports while Amatole District contributed 1.41%. During the year 2012, Nelson Mandela District was the only exporter of maize in the Eastern Cape Province. The period under analysis ended with no exports from the Eastern Cape.

Table 10: Share of district maize exports to the total Western Cape provincial maize exports (%)

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
District										
City of Cape Town	24.43	95.21	73.29	99.40	60.22	5.71	0.35	0.86	50.20	0.16
West Coast	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.006	0.00
Cape Winelands	75.57	4.79	4.07	0.48	38.76	94.28	99.64	99.14	16.87	99.79
Overberg	0.00	0.00	20.93	0.11	0.95	0.01	0.00	0.00	0.00	0.00
Eden District	0.00	0.00	1.71	0.00	0.00	0.003	0.01	0.00	32.93	0.048

Source: Calculated from Quantec Easy Data

Table 10 above shows that City of Cape Town Metropolitan Municipality has commanded the greatest share of maize exports in the Western Cape Province during the period between 2004 and 2008 followed by the Cape Winelands (formerly Boland) district. There were no exports of maize from Overberg district during the past four years (2010 to 2013). Cape Winelands surpassed the City of Cape Town in terms of maize export to record a share of 94.28% and 99.64% during the years 2009 and 2010 respectively. Cape Winelands continued to command the greatest share of Western Cape's total maize exports during the year 2013 after contributing 99.79% to the province's total exports during the same year.

From KwaZulu-Natal province (Table 11), eThekweni district has commanded the greatest share of maize exports over the period under review followed by the UMzinyathi district. Intermittent exports of maize also occurred from UMgungundlovu, Ugu and iLembe districts during the same period.

The availability of the Durban harbour in eThekweni gives this district municipality a competitive edge as far as exportation of maize is concerned hence it is the largest exporter of maize in the province.

Table 11: Contribution of various districts in KwaZulu-Natal to the total KwaZulu-Natal's provincial maize exports (%)

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ugu	0.00	0.00	0.00	0.00	0.00	0.40	0.17	0.59	0.16	1.89
UMgungundlovu	3.80	3.93	6.04	3.93	1.58	1.58	2.80	3.08	8.99	35.10
UMzinyathi	88.17	42.64	10.86	82.50	9.61	41.86	63.53	15.32	31.77	28.18
Uthukela	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03
ILembe	0.12	0.00	0.00	0.12	0.01	0.00	0.00	0.00	0.00	0.00
eThekweni	7.89	53.41	83.09	13.43	88.79	56.56	33.45	81.01	59.08	34.79

Source: Calculated from Quantec Easy Data

Table 12 below shows that, in Gauteng Province, exports of maize occur primarily through the City of Johannesburg district primarily due to the role played by the presence of necessary infrastructure and logistics in the district. Fractional exports of maize were also recorded from the City of Tshwane, Sedibeng and West Rand districts during the period under review.

Table 12: Contribution of district maize exports to the total Gauteng provincial maize exports (%)

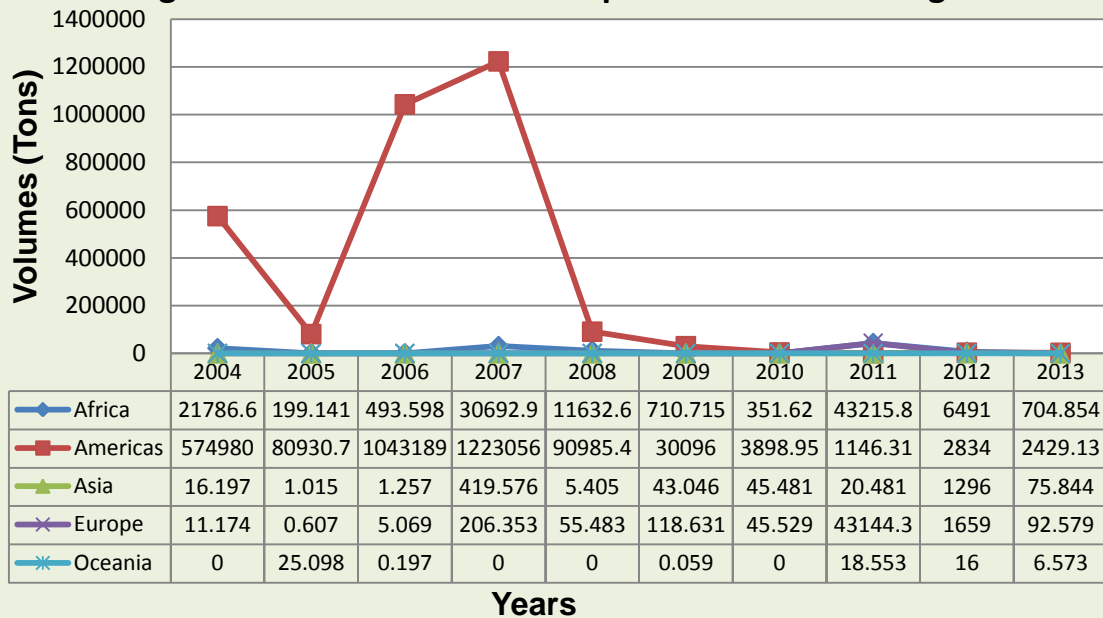
Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sedibeng	0.00	0.01	0.00	0.00	0.00	0.00	0.00	9.92	3.52	0.07
Metsweding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0018	0.00
West Rand	0.43	0.87	0.09	0.84	0.49	0.62	0.31	0.28	1.82	3.34
Ekurhuleni	9.83	5.02	7.69	4.97	0.97	4.18	0.53	0.14	0.09	0.14
City of Johannesburg	87.06	91.37	90.11	80.27	86.95	81.48	76.12	95.13	90.44	93.68
City of Tshwane	2.66	2.69	2.09	13.90	11.57	13.72	23.04	4.44	7.65	2.78

Source: Calculated from Quantec Easy Data

2.4. Imports

South Africa imports maize mainly from the Americas, Asia, Europe and Africa as shown in Figure 19. The greater proportion of maize imports comes from the Americas followed by Asia and Africa.

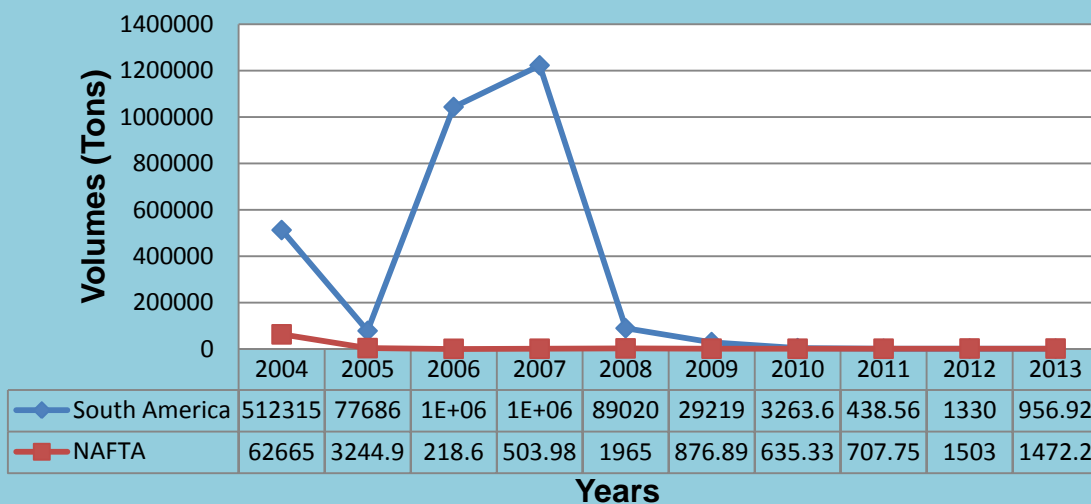
Figure 19: Volume of Maize imports from various regions



Source: Quantec Easy Data

During the period under review, the volume of maize imports originating from the Americas fluctuated tremendously with peaks attained during 2004 and 2007. Imports of maize from the Americas and other regions declined substantially between the years 2008 and 2013. There were also marginal declines in the volume of maize imports originating from Asia between the period 2005 and 2006. The period between 2010 and 2013 was characterized by lower volumes of maize imports from all the regions.

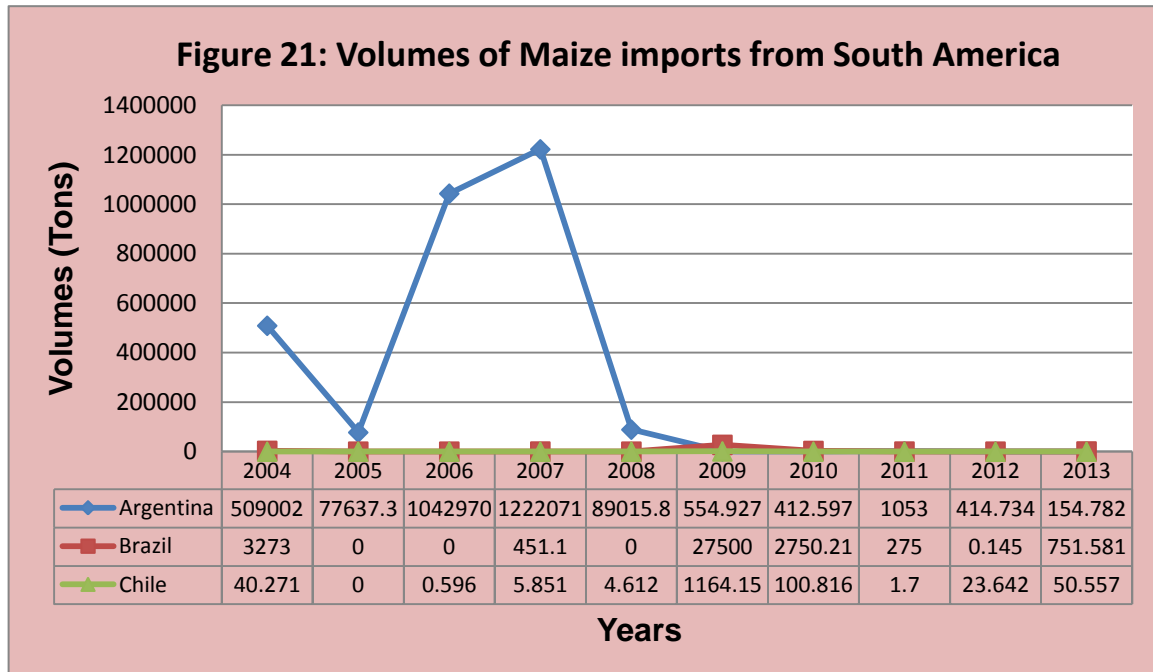
Figure 20: Volumes of Maize imports from the Americas



Source: Quantec Easy Data

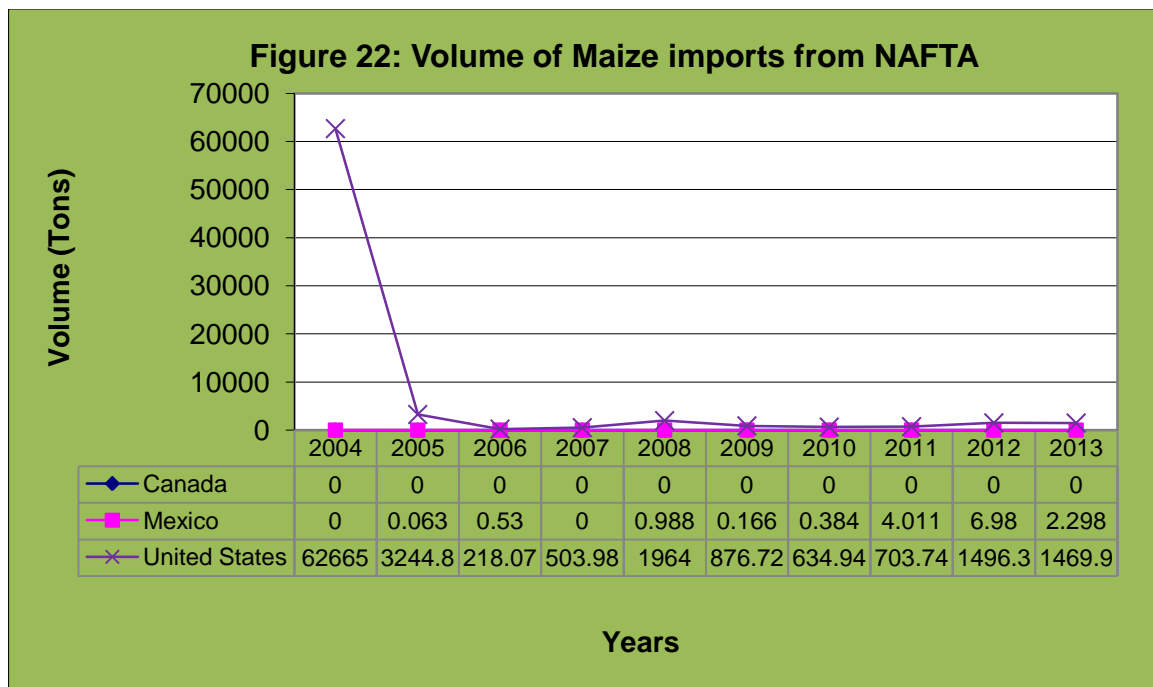
As indicated in the previous figure (Figure 19) and in Figure 20, maize imports from the Americas originate mainly from South America and NAFTA (North American Free Trade Area). In recent years, imports of maize from NAFTA have shown significant declines from 2004 until 2013 while maize imports originating from South America have increased phenomenally, particularly between 2006 and 2007. This was followed by a decline in the volume of maize imported South Africa from the year 2008 until 2010.

Figure 21 below shows the volume of maize imports from South America for the period 2004 to 2013.



Source: Quantec Easy Data

Figure 21 indicates that during the period between 2004 and 2013 maize imports originated mainly from Argentina with intermittent imports recorded from Brazil and Chile in South America. As it is one of the principal world maize producers, Argentina is South America's leader in exportation of maize to South Africa. However, during 2013 Brazil exported more maize to South Africa than Argentine. Maize Imports from Argentina increased steadily from the year 2005 until 2007 and then experienced a sharp decline in 2008. The period under review closed with lower volume of maize imports from South America during the year 2013.



Source: Quantec Easy Data

Figure 22 indicates that in the NAFTA, South Africa imports maize primarily from the USA. In the USA, maize is not primarily produced for human consumption; it is mainly used as input for animal feed manufacturing and bio-fuel. Figure 22 further illustrates that South Africa did not import maize from Canada during the period under analysis. It is also important to note that the volume of maize imports from the USA started to experience a decline from 2005 until 2007 primarily due to the fact that the USA diverted its maize surpluses into their local growing bio-fuels industry. The volume of maize imports from USA remained at lower levels between the years 2006 and 2013.

2.5. Market Value chain

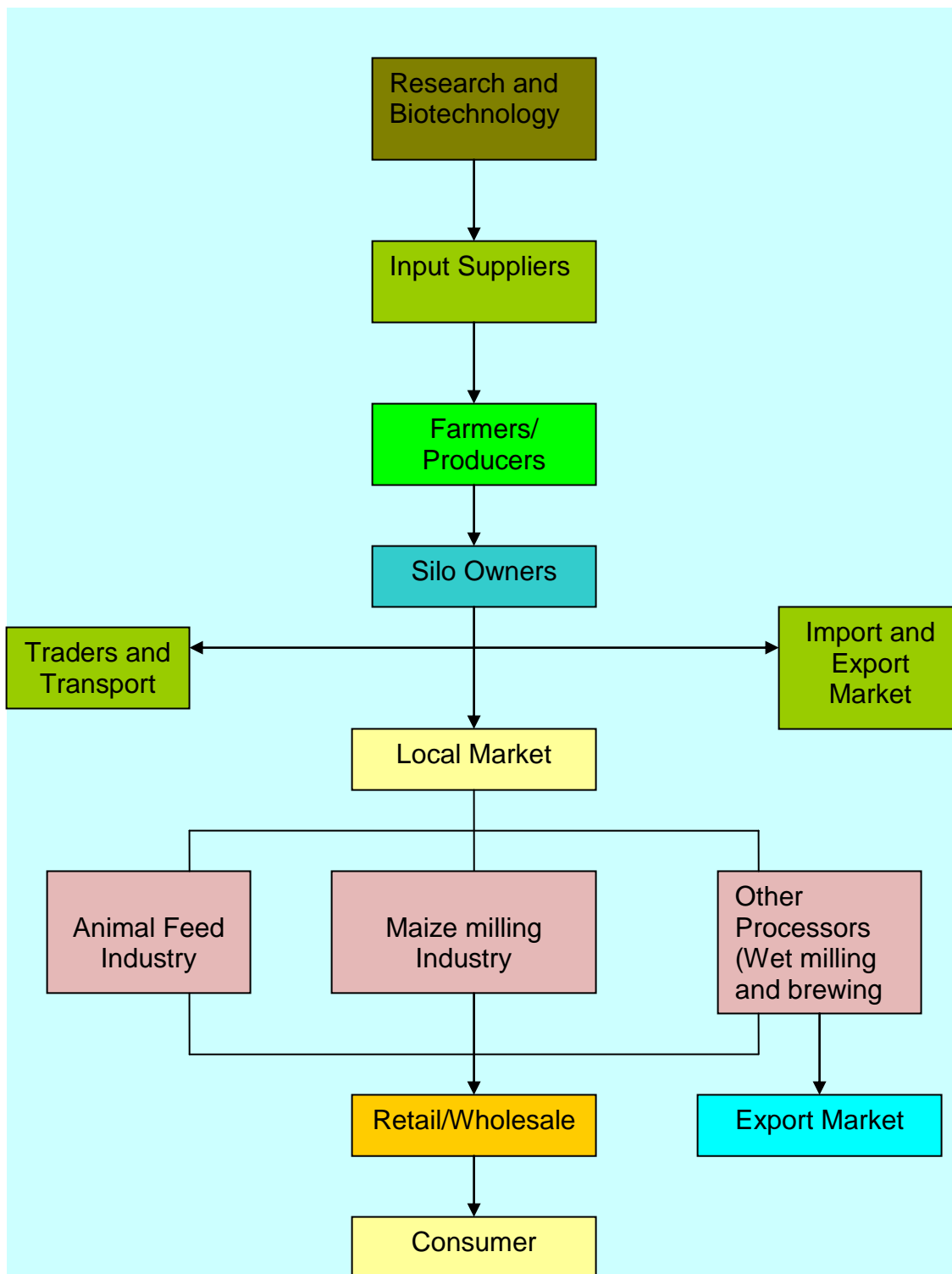


Diagram 1: Maize Market Value Chain
Source: Maize Tariff Working Group (2005)

The maize market value chain can be broken down into the following levels: producers of maize (farmers); silo owners (who store maize for their own account and on behalf of others); traders in maize (who market and sell maize); millers of maize (who convert it into usable form); and end users.

The primary sector consists of input suppliers, producers and silo owners. Silo owners provide storage facilities to handle the crops, to store maize safely and to supply it to buyers on a continuous basis throughout the year. The secondary sector consists of millers and animal feed manufacturers. Millers convert maize to maize meal for human consumption while animal feed manufacturers use yellow maize for the manufacture of broiler and layer feed rations. Maize products in the form of hominy chop (white maize by-product) are used in feedlots.

The tertiary sector consists of traders, retailers and transporters. Traders move the produce to the domestic or export market. There are three types of traders in the maize industry: *hedgers* who use futures and options to protect an existing portfolio against possible adverse market movements; *arbitrageurs* who profit from price differentials of maize in different markets; and *speculators* who use futures and options in the hopes of making a profit on short-term movements in prices. The retail sector provides infrastructure and services for the distribution of maize products from the miller to the final consumer. Transport helps to move the maize from the farmers to the silo owner, from the silo owner to the miller and from the intermediaries to the final consumers.

2.5.1. Seed suppliers as inputs

Monsanto is currently the largest seed company in South Africa after purchasing shares in Sensako and Carnia. Other major players in this market include companies such as Pannar and Pioneer Hybrid International.

2.5.2. Handling and Storage

The farmer has the following maize storage options:

He/she can deliver the maize immediately to a miller;

He/she can make use of the new storage method in the form of silo bags;

He/she can erect his/her own silos;

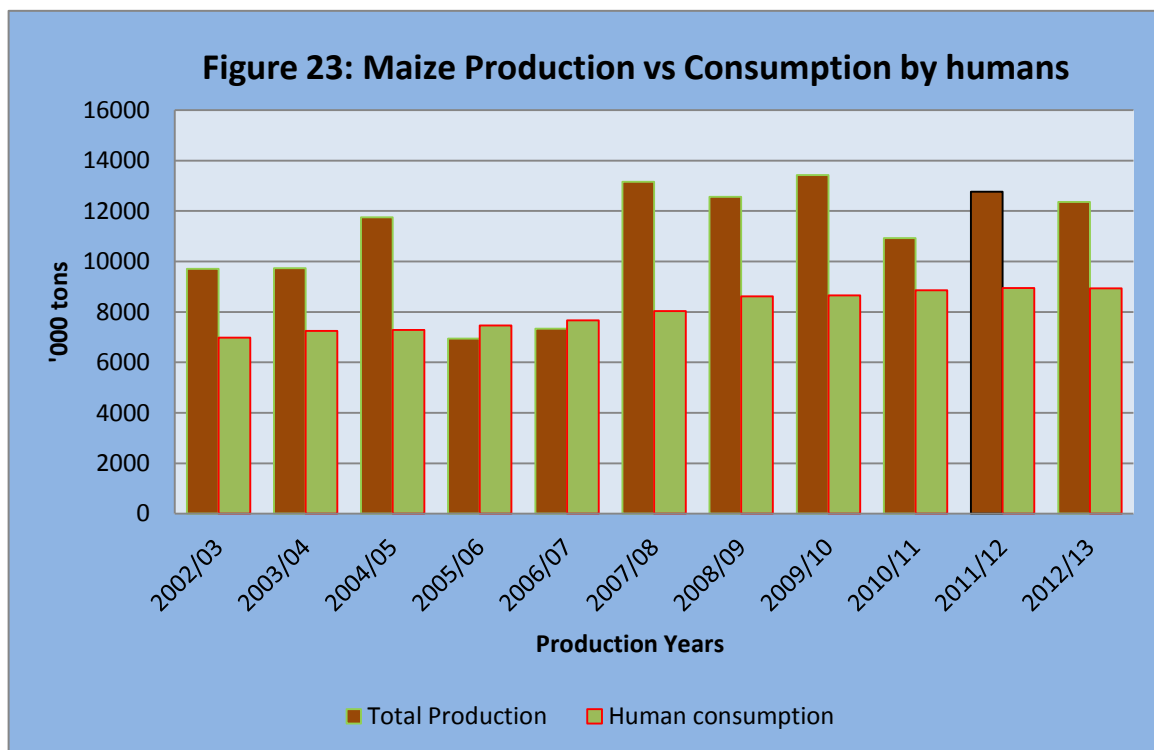
The most common method is to make use of commercial silos off-farm.

When the maize industry was deregulated, 90% of the co-operatives converted to private companies. These private companies own 85% of the total maize storage capacity, which is currently 16.3 million tons. There are 432 silos, of which 172 are on-farm and 260 commercial. The commercial silos, owned by 17 silo owners, account for 94% of the available silo capacity. In South Africa there are three major commercial silo owners, namely AFGRI, NWK and SENWES Group, they own 73% of the available storage capacity within the national grain storage market. Most of this storage capacity is located in provinces situated in the northern parts of the country.

2.5.3. Maize milling

The maize kernel is processed by two industries namely the Wet and Dry Milling Industries. During the dry milling process the maize kernels are refined to maize meal. The products derived are samp, maize grits and maize rice, unsifted, sifted, coarse, super and special maize meal. Wet milling is a process carried out in water during which pure starch is obtained from maize. After the steeping process of 36 hours the kernel can easily be separated into its various components, namely the husk, starch, gluten and the germ.

Since deregulation of markets, the number of informal millers increased sharply from 111 to 296. Business forms within the milling industry include private and public companies. Major players within the milling industry include Pioneer Food Group (Pty) Ltd, Premier Foods Ltd, Pride Milling Company (Pty) Ltd, Ruto Mills (Pty) Ltd and Tiger Brands Ltd, as well as some silo owners such as NTK.



Source: Statistics and Economic Analysis

The milling industry was deregulated in 1991, which implied that millers are free to buy from and sell to their preferred customers. During the regulated years maize milled was as high as 5 million tons. The milling industry plays a very important as it provides the maize meal for the majority of South African population who depend on it as it is their staple food. Figure 23 illustrate that the quantity milled for human consumption remained relatively stable while total production fluctuated dramatically. Factors such as maize price fluctuations, consumer preferences and substitutes have a direct impact on the demand of milled products. During the period under review utilization of maize for human consumption has never exceeded 4 million tons, except during 2008/09, 2009/10

and 2011/12 seasons as shown in Figure 23. The domestic production of maize has always exceeded the domestic consumption by humans as depicted above.

2.5.4. The animal feed industry

The germ, gluten, husks and steep water that are obtained from wet milling are put to valuable use in animal feed production, and they find their way into the supplements of animal feed. This industry supplies feed to all farmed animals in the country and some are exported to BLNS countries. The industry is divided into the formal feed industry (members of the Animal Feed Manufacturers Association) and the other includes feedlots, smaller feed mills and home mixers. The feed industry consists of about 100 – 150 feed millers of different sizes. The formal feed industry is responsible for about 60% of all feeds produced in South Africa. The poultry industry consumes most of the yellow maize for feeds, and other animal feeds are the combination of most of the grain commodities. According to the Animal Feed Manufacturers Association (AFMA), maize constitutes approximately 55% of the 4.2 million tons of feed produced by its members. Business forms within the animal feeds industry consists largely of private companies, co-operatives and converted co-operatives. The top animal feed manufacturers are AFGRI, Bokomo Voere, Epol, KK Animal Nutrition, Meadow Feeds, Noordwes Voere, and Senwesko Voere.

2.5.5. Traders

Traders perform a fundamental and core function in a free trade environment by moving the farmer's produce to domestic or export markets. During times of shortage the traders source goods externally and bring products to the processor or the consumer in the domestic market. Grain traders take positions (forward buying and selling), assume risk, establish value and provide the real cash market for grain. Traders include local grain traders, international grain houses and financial institutions that provide credit facilities.

With the conversion of co-operatives to public companies, many entities expanded their operations to also include other services such as the trading of grain. National players in the marketing and trading level of the maize supply chain include local traders, international houses and financial institutions that provide credit facilities. The large traders include Rand Merchant Bank, Senwes, Afgri, Cargill, Louis Dreyfus and Verus Farms. The smaller competitors are amongst others, Brisen, Bester Feed Exchanges, CTH, Farmwise, Unigrain and Free State Maize. Table 18 below provides an indication of the level of concentration in this market.

2.5.6. Retailing

The formal retail market is relatively concentrated, with some national chain stores dominating the market. The seven major players in the formal retail industry include Pick'n pay, Shoprite, Metcash, Spar, Massmart, Fruit & Veg City and Woolworths.

2.5.7. Transport

Historically, rail transport dominated the maize market however, the free market system led to the development of a huge expansion in road transport and a reduction in the quantities transported by rail. The reason behind this is that in a deregulated market transport requirements are more complex as participants' source products independently, creating diversifies transport demands. In general, the ratio of rail and road transport used within the maize value chain has changed from 80% rail and 20% road to 50% rail and 50% road. The rail transport industry comprises a monopoly, Spoornet. Players in the road transport sector include companies such as Unitrans, Imperial Logistics and Bidfreight.

2.6 *Maize Value Chain Tree*

The following diagram (Diagram 2) represents the various products and by-products that can be derived from maize. Maize can be consumed as green maize or it can be milled. During the milling process the maize kernel is processed by two industries namely, the *wet* and *dry* milling industries. During the dry milling process the maize kernels are refined to maize meal and, the products that can be derived from this process are samp, maize grits, and maize rice, unsifted, sifted, coarse, super and special maize meal. Wet milling is a process that is carried out in water during which pure starch is obtained from maize. The kernel is separated into its components namely, the husk, starch, gluten and the germ.

When the Starch from the wet milling process is heated in water, its amylase and amylo-pectin hydrates form a paste which allows food technologists to create foodstuffs such as puddings, gravies, sauces and pie fillings. The starch pastes from maize can be allowed to cool, thicken and congeal into a gel that provides starch-based puddings, salad creams and some adhesives. Industrial uses includes paper coating and sizing, textile sizing, the manufacture of corrugated boards and adhesives.

The germ and the gluten that are obtained from the wet milling process are used to manufacture maize oil and animal feed supplements. The maize oil can be used in cooking, where its high smoke point makes it valuable frying oil. It is also a key ingredient in some margarine. Maize oil is also used as one source of bio-diesel. Other industrial uses for maize oil include soap, salve, paint, rust proofing for metal surfaces, inks, textiles, and insecticides. It is sometimes used as a carrier for drug molecules in pharmaceutical preparations.

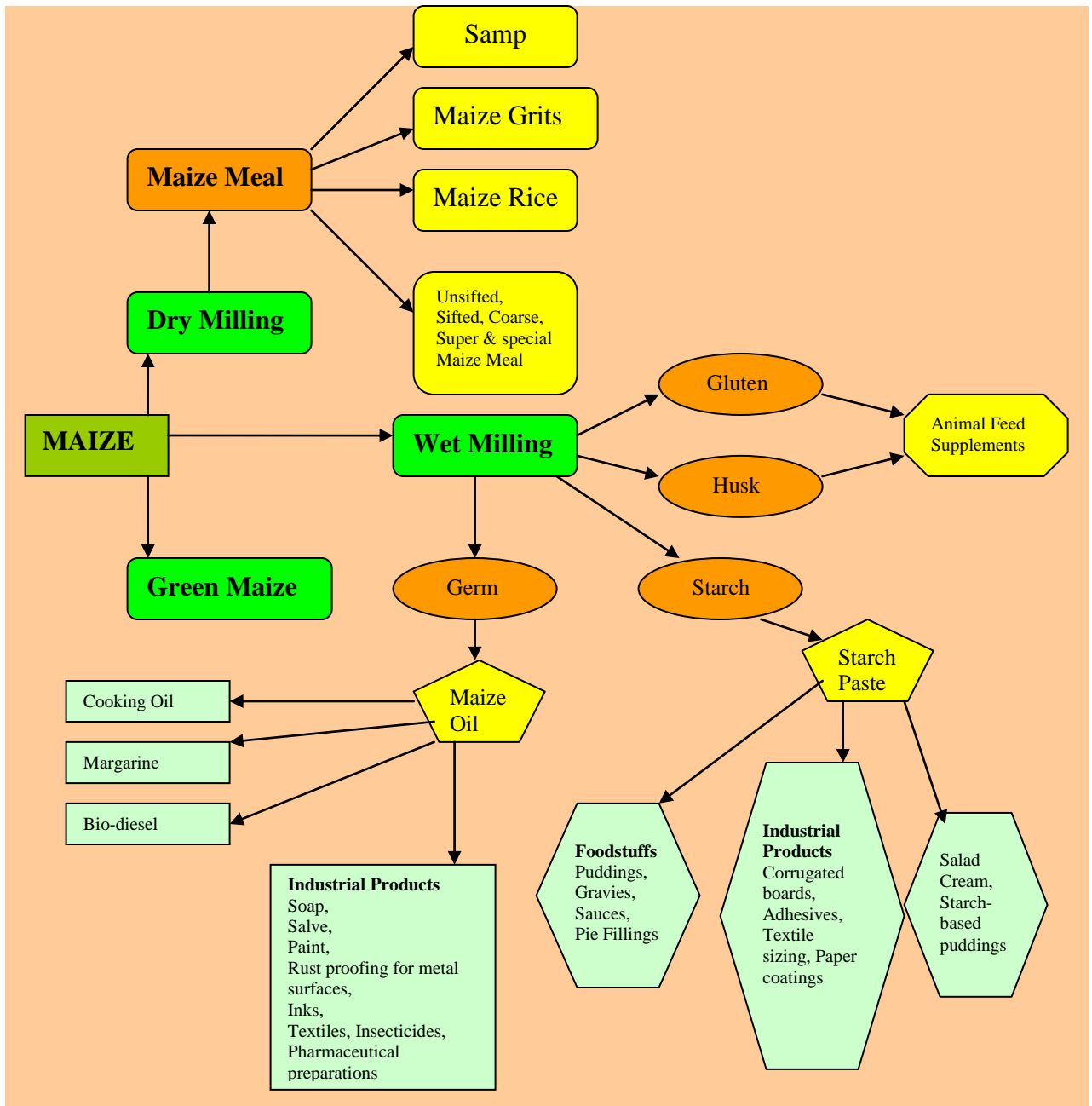


Diagram 2: Maize Value Chain tree

3. MARKET INTELLIGENCE

The major export markets for South African maize are countries such as Japan, Mexico, Taipei Chinese, Zimbabwe, Namibia and Botswana. The following tariffs are applied by the various export markets on maize originating from South Africa:

3.1. Tariffs

Table 13: Tariffs applied by the leading markets on Maize exports originating from South Africa

IMPORTER	PRODUCT	TRADE REGIME DESCRIPTION	APPLIED TARIFFS 2012	TOTAL ADVALOREM EQUIVALENT TARIFF 2012
Japan	Maize (excl. seed) (100590)	MFN duties (Applied)	0.00%	0.00%
	Maize seed (100510)	MFN duties	0.00%	0.00%
Mexico	Maize (100510)	MFN duties	20%	20%
	Maize (excl. seed) (100590)	MFN duties	0.00%	0.00%
Taipei, Chinese	Maize seed (10051000)	MFN duties (Applied)	0.00%	0.00%
	Maize (excl. seed: Other) (10059090)	MFN duties (Applied)	0.00%	0.00%
Zimbabwe	Maize (corn) (100590)	MFN duties	0.00%	0.00%
	Maize seed (100510)	MFN duties (Applied)	20%	20%
Namibia	Maize (seed): Other (100510)	MFN duties	0.00%	0.00%
	Maize (excl. seed): (100590)	MFN duties (Applied)	0.00%	0.00%
Botswana	Maize seed(100510)	MFN duties	0.00%	0.00%
	Maize (excl. seed) (100590)	MFN duties	0.00%	0.00%
Mozambique	Maize seed (100510)	MFN duties	2.5%	2.5%
	Maize (excl. seed) (100590)	MFN duties	0.00%	0.00%
Korea, Republic of	Maize: Seed (100510)	MFN duties (Applied)	0.00%	0.00%
	Maize (excl seed) (100590)	MFN duties (Applied)	20%	20%

IMPORTER	PRODUCT	TRADE REGIME DESCRIPTION	APPLIED TARIFFS 2012	TOTAL ADVALOREM EQUIVALENT TARIFF 2012
Swaziland	Maize seed	MFN duties	0.00%	0.000%
	Maize (excl. seed)	MFN duties	0.00%	0.00%

Source: ITC Market Access Map

Table 13 indicates that the South African maize industry experiences high market barriers in Zimbabwe, as well as Mexico due to higher tariffs that are imposed by these countries. The countries that have lower tariff structures include Japan, Taipei Chinese, Namibia, Botswana, Mozambique and Swaziland. Tariffs in these countries range between 2.5% and 0% *Ad-valorem*.

In order to fulfill South Africa's commitment under the World Trade Organization: Marrakesh Agreement regarding market access, the Directorate: Marketing issues rebate permits under the Market Access rebate scheme to importers of maize for a total of 269 000 tons (for 2014) per annum. The import arrangements for maize are as in Table 14.

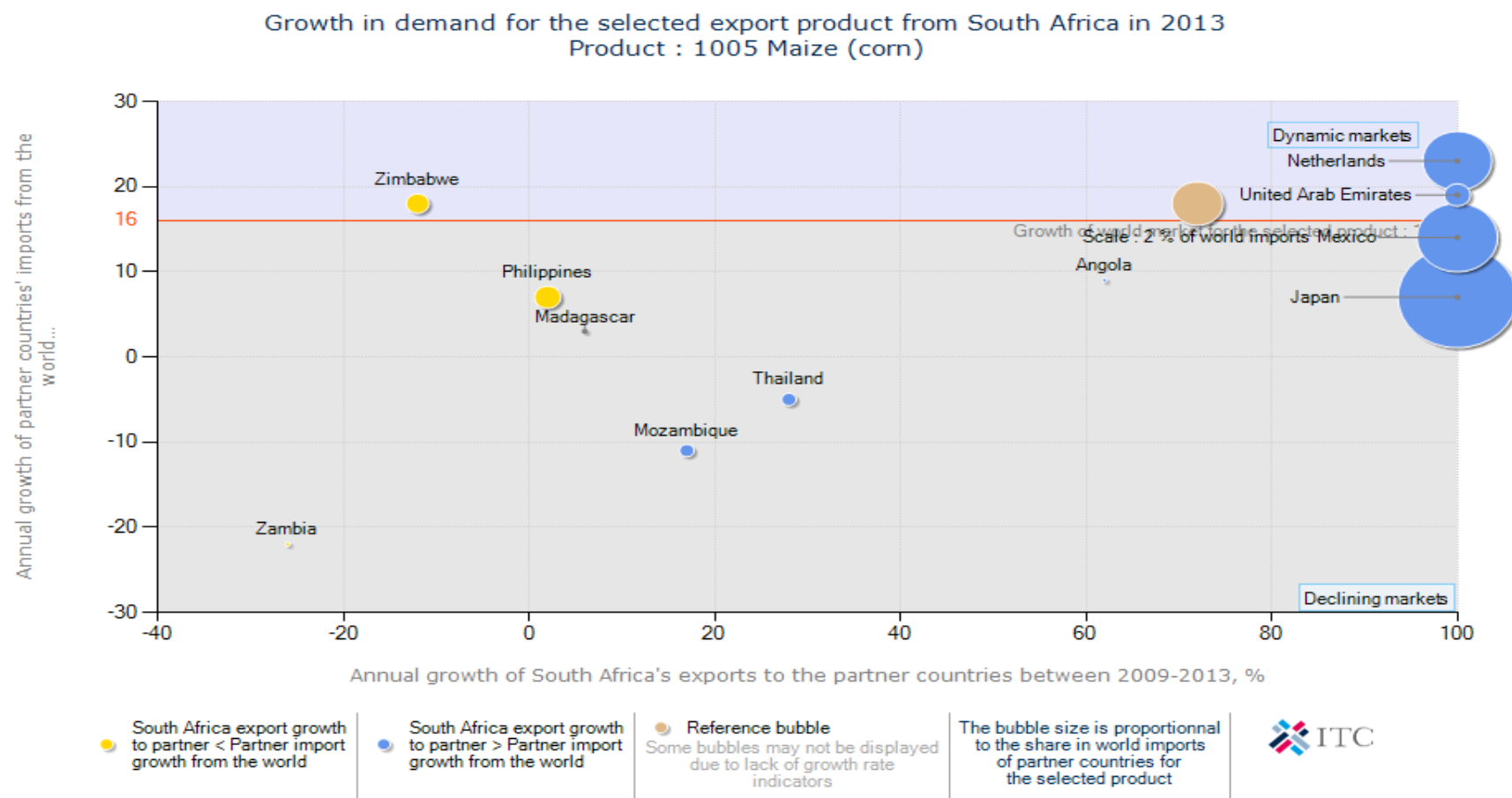
Table 14

TARIFF HEADING	DESCRIPTION	EXTENT OF REBATE	ANNUAL TONNAGE	QUOTA
10.05	Maize (corn)	Full duty less 10%	269 000	

Source: Government Gazette Notice 37241 of 2014

3.2. Performance of the South African maize industry in 2013

Figure 24: Growth in demand for Maize from South Africa



Source: ITC Trade Map

Figure 24 shows growth in demand for maize exported by South Africa to the world in 2013. The graph shows that Japan and Mexico were the biggest markets for maize exported by South Africa in 2013. South Africa's maize exports to Japan, Mexico, Mozambique, Thailand and Angola were growing at a rate that is greater than the growth rate of these countries' imports from the rest of the world between 2009 and 2013. It is also evident from the Figure 24 that South Africa's exports of maize to Zimbabwe were growing at a slower pace as compared to imports from the world at approximately 17% between 2009 and 2013. South Africa's maize exports to Japan, Mexico, United Arab Emirates and Netherlands increase significantly between 2009 and 2013.

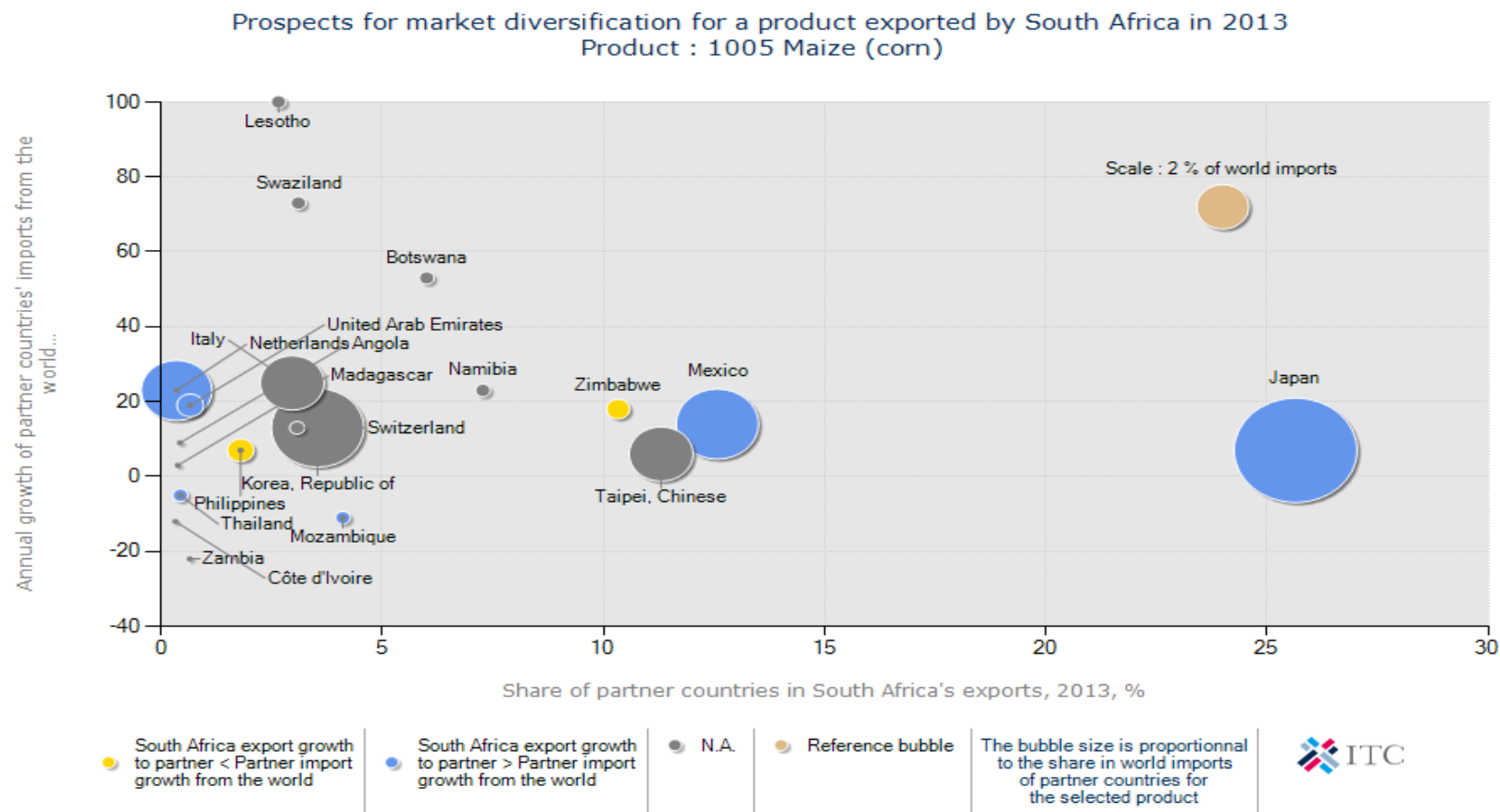
Table 15: South Africa's Maize exports in 2013

Importers	Exported value in 2013 (thousand US\$)	Share in SA's exports (%)	Exported quantity in 2013 (tons)	Unit value (US\$/Ton)	Exported growth in value between 2009 and 2013 (% p.a)	Exported growth in quantity between 2009 and 2013 (% p.a)	Exported growth in value between 2012 and 2013 (% p.a)
World	764873	100	2604890	294	14	9	40
Japan	196183	25.6	747436	262	218	-	-
Mexico	96213	12.6	273892	351	915	1613	-70
Taipei, Chinese	86478	11.3	314703	275	-	-17	70207
Zimbabwe	79061	10.3	212210	373	-12	-23	936
Namibia	55648	7.3	212547	262	-	34	170
Botswana	45950	6	191865	239	-	8	-10
Mozambique	31464	4.1	112322	280	17	8	14
Korea, Republic of	27085	3.5	96899	280	-	-76	56327
Swaziland	23777	3.1	90160	264	-	6	-15
Switzerland	23549	3.1	86628	272	-	920	-

Source: ITC Trade Map

Table 15 shows that Japan has the greatest share (of about 25%) in South African's total maize exports, followed by Mexico with 12.6%. Swaziland and Switzerland at the bottom both recorded 3.1% of South Africa maize export each during year 2013. Table 15 further indicate that, South Africa exported greater quantities of maize to Japan, Mexico Taipei Chinese and Zimbabwe in 2013. South African maize exports to the world increased by 14% value terms over the period 2009 to 2013. On the other hand, the value of maize exports from South Africa to the world increased by 40% in between 2012 and 2011.

Figure 25: Prospects for market diversification for Maize exported by South Africa in 2013



Note: The area of the circles corresponds to the share in world imports of target markets for the selected products.

Source: ITC Trade Map

Figure 25 indicates prospects for market diversification for raw maize exported by South Africa to the world in 2013. The bubble graph illustrate that in world terms Japan and Mexico were the biggest markets of maize from South Africa to the world over the period between 2009 and 2013. The figure further indicates that if South Africa has to diversify its markets of maize, small and attractive markets exist in Lesotho, Swaziland and Botswana. Japan remains a traditional market for South Africa's maize exports in 2013 because of the size of the bubble graph that indicates the main world's importers with over 740000 tons of maize and with a world market share of 25.6 between 2012 and 2013.

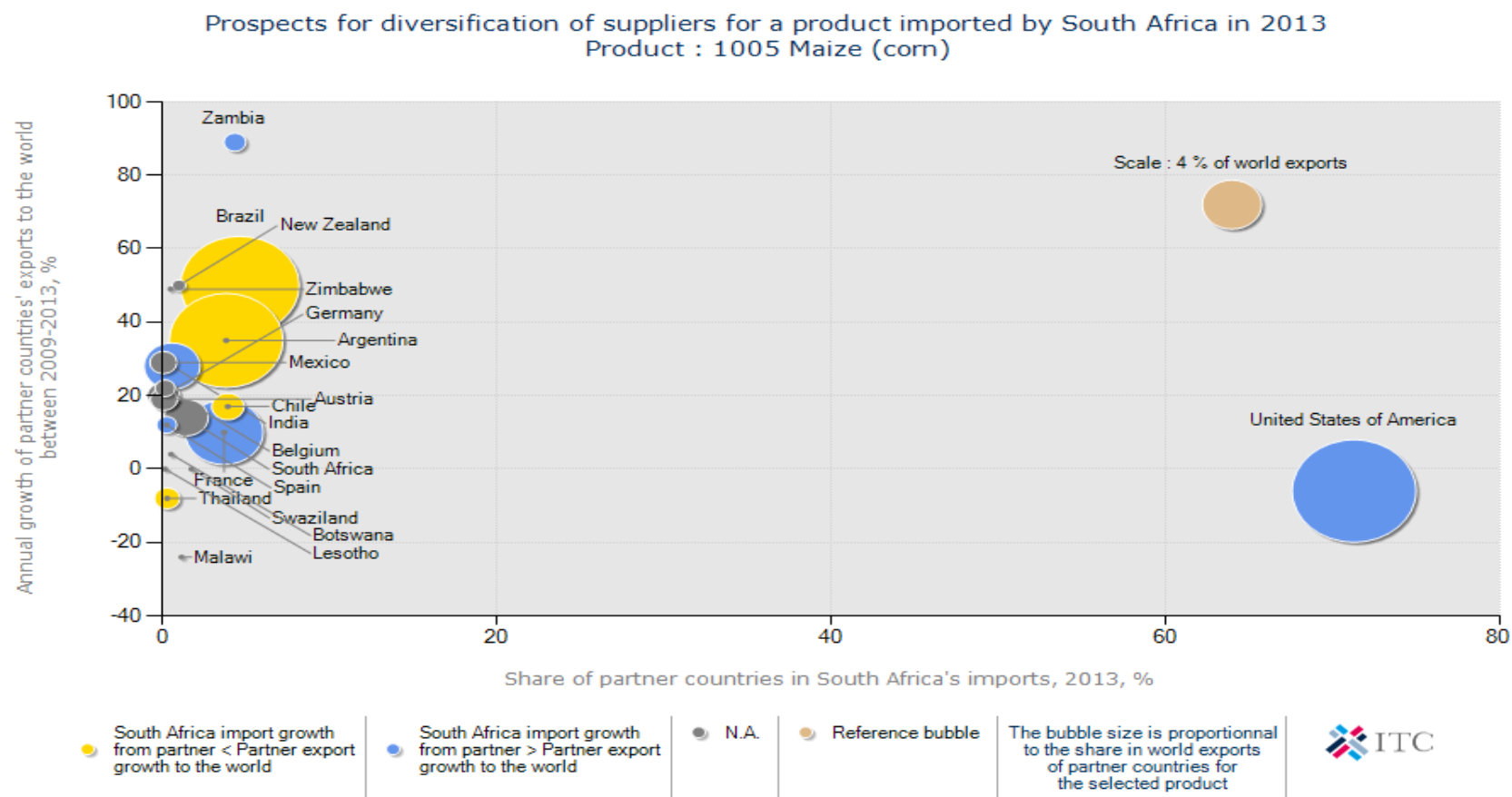
Table 16: South Africa's Maize imports during 2012

Exporters	Imported value in 2013 (thousand US\$)	Share in SA's imports (%)	Imported quantity in 2013 (tons)	Unit value (US\$/unit)	Imported growth in value between 2009 and 2013 (% p.a.)	Imported growth in quantity between 2009 and 2013 (% p.a.)	Imported growth in value between 2012 and 2013 (% p.a.)
World	11872	100	4031	2945	14	12	-87
USA	8466	71.3	1470	5759	6	21	-2
Brazil	551	4.6	752	733	8	-59	190
Zambia	516	4.3	309	1670	112	86	-97
Chile	466	3.9	51	9137	-62	-62	4136
Argentina	454	3.8	155	2929	17	-15	-43
France	440	3.7	38	11579	20	26	307
Swaziland	208	1.8	386	539	-	60	40
Malawi	137	1.2	161	851	-32	-20	1613
New Zealand	119	1	7	17000	-	-	32

Source: ITC Trade Map

Table 16 depicts the list of supplying markets for maize imported by South Africa from various countries in 2013. As shown in table, South Africa's maize imports originated mainly from USA, Brazil, Zambia and Chile. It is clear from table 16 and figure 26, USA was the largest supplier of maize to South Africa during the year 2013 after accounting for about 71.3% of South Africa's total maize imports during the same year. On average, imports of maize into South Africa from the world increased by 14% in value and increased by 12% in quantity between the years 2009 and 2013. However, South Africa's maize imports from the world decreased by 87%, in value terms, between the years 2012 and 2013. It is also important to note that South African imports growth in value between 2009 and 2013 was the highest in Zambia followed by France, meanwhile a decline was recorded in Chile as well as Malawi.

Figure 26: Prospect for product diversification of suppliers for Maize imported by South Africa in 2013.



Note: The area of the circles corresponds to the share in world exports of supplying markets for the selected product.

Source: ITC Trade Map

4. ORGANIZATIONAL ANALYSIS

4.1. *Strengths and Weaknesses*

Some of the strengths and weaknesses of the maize production sector in South Africa are the following:

Strengths	Weaknesses
<p>It is the second largest agricultural sector in terms of value after poultry slaughtered.</p> <p>Ensures self-sufficiency in the major basic food product.</p> <p>Ensures food security in SA and the SADC region.</p> <p>Is an earner of foreign exchange through exports.</p> <p>The existing production infrastructure is well developed.</p> <p>There is enormous intellectual capital and experience that is available in the maize sector.</p> <p>There are low entry barriers, in the sense that grain producers can easily substitute other grains produced with maize.</p>	<p>Production is largely dependent on climatic conditions which can only be partially manipulated by man through irrigation.</p> <p>International agricultural policies significantly distort international grain markets.</p> <p>Deteriorating research infrastructure and capacity may limit new technology development in the future.</p> <p>Export opportunities are mainly limited to African countries.</p> <p>Relatively high input and capital costs because a large proportion of production inputs are imported.</p>

Some of the weaknesses inherent in the maize processing sector are the following:

High maintenance and delivery costs.

Research results not user friendly especially to the emerging sector.

Slow adoption of hedging mechanisms to reduce price risk.

Inadequate protection against unfair regional and international competition and food aid.

Lack of innovation for new products.

Low export orientation.

4.2. *Strategic challenges and Opportunities*

Transport by road has increased dramatically and this leads to out-loading problems as silos were constructed to primarily dispatch by rail. Furthermore, in the maize industry transport costs are high. The problem with transport arises from the inability of Spoornet to adapt to the market's increased service requirements as well as increased rail tariffs to maintain its old fleet. Moreover, Spoornet's inability to unilaterally increase rail tariffs is a clear indication of market power.

It is expected that the demand for maize for animal feed will increase as the domestic poultry industry expands and, the domestic demand for maize may be increased by approximately 30% in the medium term if the production of bio-ethanol from maize is commenced.

The importation of GMO maize is also threatening the domestic markets.

According to the Competition Commission there is evidence of vertical integration in the South African maize market. Vertical integration occurs when a firm has interests in more than one level of the supply chain, linking producers, silos, traders and millers to final consumers. In SA there are dominant silo owners such as NWK, AFGRI and Senwes who in addition to supplying production inputs, also own trading companies as well as animal feed manufacturing companies.

5. EMPOWERMENT AND TRANSFORMATION ISSUES

As mentioned above there are a significant number of maize producers in South Africa. As a result there is increased competition in the industry. Grain South Africa has established a Farmer Development Programme which aims to empower developing grain producers to become sustainable and commercial farmers. The programme helps the grain producers to establish study groups, arranging coordinated training during farmer's days, training courses, and advising through telephones. The study groups are people with same interest to work together more effectively. Individual farmers are welcome to subscribe to Grain South Africa, or groups from 2 to 25 people may subscribe as group by registering their group with the organization.

In terms of black economic empowerment in the milling industry, it is known that two companies namely, Foodcorp and Premier Foods have black empowerment companies as the majority shareholders.

6. GRAIN TRADERS IN SOUTH AFRICA

6.1. *International Traders*

Company Name	Contact Person	Contact Number	City	E-mail address
Cargill	Andreas Rickmers	011-799 2000	Johannesburg	Andreas_rickmers@cargill.com
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FR Waring	Gus Wolf	011-325 7010	Johannesburg	trading@frwaring.co.za
Glencore	Jason Littlewood	011-302 2300	Johannesburg	Jason.littlewood@joburg.glencore.com
Hochfield Commodities	Steve Hochfield	011-483 1920	Johannesburg	steve@hochfield.co.za
Louis Dreyfus	James Crichton	011-784 6446	Johannesburg	crichtonj@idcorp.com

Source: Grain South Africa

6.2. *Local Traders*

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Bokomo Foods			Wadeville	ccox@pnr.co.za
Bokomo Voere (George)			George	lgroenew@pnr.co.za
Bokomo Voere (Malmesbury)			Malmesbury	jmostert@pnr.co.za
CRK Landbou Bpk			Caledon	evdmerwe@crk.co.za

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EPOL (Pty) Ltd (Berlin)			Berlin	milly@epol.co.za
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EPOL Roodepoort			Roodepoort	epolrdp@mweb.co.za
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Grainco	Cobus van der Merwe	022-482 1316	Malmesbury	cobusvdm@grainco.SA.co.za
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Source: Grain South Africa

7. ACKNOWLEDGEMENTS

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ITC Market Access Map

Website: [http://www.macmap.org/South Africa](http://www.macmap.org/South%20Africa)

ITC Trade Map

Website: <http://www.trademap.org>

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