

BACKGROUND

Grain SA was established on 10 June 1999 and was formed out of NAMPO, NOPO, WPO and the SPO (Grain SA, 2015). This commodity organisation was formed with an aim of providing commodity strategic support and services to South African grain producers to support sustainability. The grain producers that form members of Grain SA include maize, soybeans, sunflower and groundnuts, wheat, barley and oats and sorghum (Grain SA, 2015). In South Africa, Grains are consumed as cereals, and also used to feed livestock and to manufacture some cooking oils, fuels, cosmetics, alcohols, as staple foods such as mielie maiz and flour. The grain and cereal industry is one of the largest in South African agriculture, producing about 30% of the total gross value of agricultural production and contributing significantly to labour force of the country (Grain SA, 2015).

PRODUCTION

The grain industry in South Africa is comparatively advanced than in other African countries (DAFF, 2018a). Table 1 below indicates the production area, tons produced in the past three seasons and tons per hectare for the three majorly produced grains/cereals by production area. This table only outlines the production history of maize, wheat and barley while SAGIS (2020) provides the exhaustive list of grains.

Maize is the largest and most locally produced field crop, a dietary staple, a source of livestock feed, and an export crop (BFAP, 2019). The table indicates that the area under maize production decreased in 2018/19, compared to the previous season, which resulted in decreased tons of maize produced. In the 2019/20 season, maize production saw a slight increase as the hectares under production increased. It has been forecasted that the new season (2020/21) for maize production is expected to improve by, at least, 11% y/y to 12.5 million (CEC, 2020) tons while some analysts such as BFAP (2020) are forecasting 14.0 million tons.

The results on the table also indicates that the area under production and tons produced per hectare for both wheat and barley increased in 2018/19 compared to the previous season. However, these crops experienced a decrease in tons produced in 2019/20 due to decreased land under production.

Table1: Production history of maize, wheat and barley for the 2017/18 to 2019/20 seasons

Production		Production seasons (Years)			
		2017/18	2018/19	2019/20	
Prod area	Maize	2633685	2596500	2908260	
		Ton	13103975	11824180	16057355
		Ton/h	4,97	4,55	5,52
Prod area	Wheat	491600	503350	540000	
		Ton	1535000	1868000	1535000
		Ton/h	3,12	3,71	2,84
Prod area	Barley	91 380	119 000	131 960	
		Ton	307 000	421 500	345 000
		Ton/h	3,36	3,54	2,61

Source: South African Grain Information Service, 2020; DAFF, 2018b

This decrease in production was a result of the challenging weather conditions in central and western parts of the country, where summer grains and oilseeds are predominantly produced. This resulted in plantings of summer grains and oilseed to drop by 4.4% year-on-year to 3.68 million hectares (SAGIS, 2020). While South Africa expected its second-largest grains harvest in the 2019/20 season, meaning that there would generally be increased activity in the farming sector compared to the previous year, the social distancing regulations introduced at the end of March 2020 to prevent the spread of COVID-19 could mean that farmers and agribusiness might not increase employment, especially of seasonal labour, in the same way they would have done in the absence of a pandemic.

IMPORTS AND EXPORTS

South Africa is a net exporter of maize compared to other African countries. As of March 2020, the South African Grain Information Service, as outlined on table 2, reported that maize exports amounted to 1 448 761 for the 2019/20 marketing year (both white and yellow maize). The results on imports and exports of grains presented on table also indicate that South Africa has higher amounts of imported sorghum, barley, oats ground nuts and soybean compared to the exported amounts. This could imply that the country is not producing enough of these commodities.

Table 2: Imports and exports of grains/cereals by South Africa between April 2019 to March 2020

Grains/Cereals	Exports from South Africa (in tons)	Imports into South Africa (in tons)
Maize and corn	1448761	509684
Grain sorghum	4247	59 253
Barley	3910	27331
Oats	25	28541
Wheat	95 601	803219
Ground nuts	4913	33704
Soy beans	5336	9098
Sunflower	576	457

Source: South African Grain Information Services, 2020

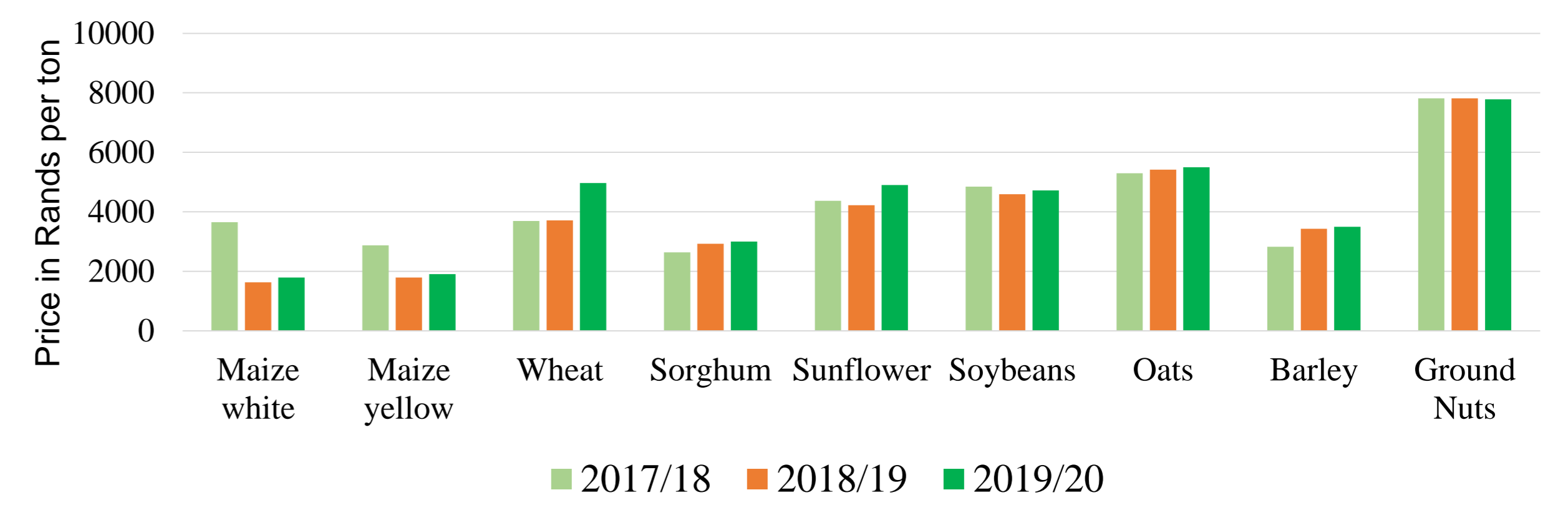
The participation of the grains sector in trade is anticipated to continuously increase due to the open free trade agreement made by South African government with other African countries aimed at promoting the market growth for grains in the region. The government is also making agreements such as The Economic Partnership Agreement (EPA) with European countries to expand its presence across other regions.

October 2020

MARKET ANALYSIS

There is also a growing demand for food grains which has placed additional pressure on the agriculture sector for better crop production (Mondorintelligence, 2020).

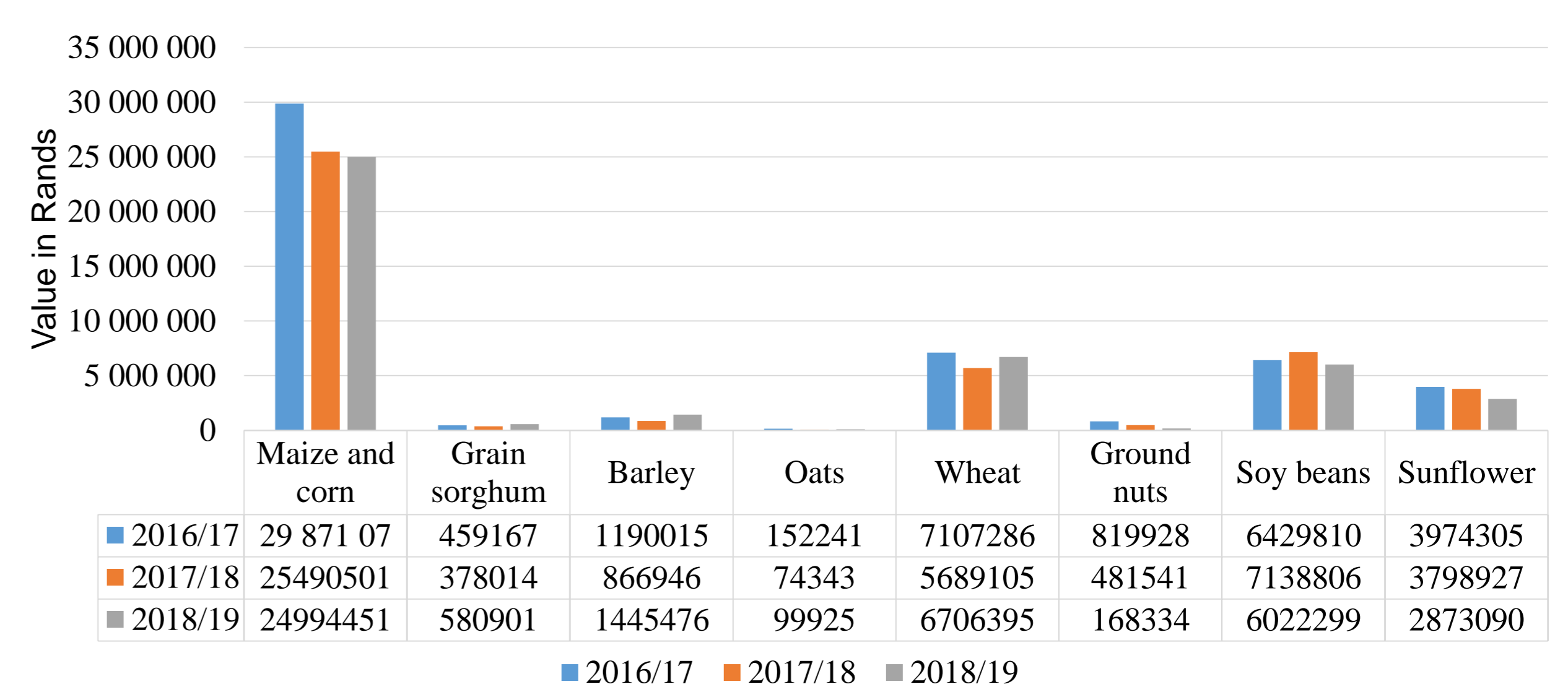
Figure 1: Market price for grains and cereals since 2017/18 to 2019/20 seasons



Source: South African Grain Information Service, 2020

Figure 1 indicates that the market price per tonne of ground nuts has been the highest compared to the rest of the grains with an average of R7 800 per ton. As indicated on the graph, the price of both yellow and white maize per ton has experienced almost a 50% decrease since the 2017/18 season. While other commodities have had slight increase and some a decrease in price per tonnage, the graph indicates a significant increase of wheat price per ton in 2019/20. The decrease in land under production and the drop in prices per tonne of grains are the contributing factors to the value of agriculture decreasing as reported by DAFF (2019). The changes in gross value of grains is illustrated on figure 2.

Figure 2: Gross value of grains from 2016/17 to 2018/19



Source: DAFF, 2019

SECTOR CHALLENGES

- Droughts and irregular climate conditions are causing pressure in many parts of South Africa, with little rain and warm weather, the crop production declined. This led to 30 000 jobs lost during the first half of 2019 only (de Lange, 2019). In 2018/19, the Western Cape province, which contributes 22% to national agricultural GDP, alone lost R5 billion due to drought.
- Low international grain prices have also placed a strain on the profitability of the grain producer (SAGIS, 2019).

REFERENCE

- Grain SA. (2015). Overview. <https://www.grainsa.co.za/pages/about-grain-sa/overview>
- DAFF. (2018a). Economic review of the South African Agriculture 2017/18. <https://www.daff.gov.za/Daffweb3/Portals/0/Statistics%20and%20Economic%20Analysis/Statistical%20Information/Economic%20Review%202017%20-18.pdf>
- Bureau for Food and Agricultural Policy (BFAP). (2020). <https://www.bfap.co.za/>
- South African Grain Information Service (SAGIS). (2019). Chairperson's report for 2018/19 Financial year.
- South African Grain Information Service (SAGIS). 2020. Monthly imports and exports. https://www.sagis.org.za/monthly_imp-exp%20.html
- DAFF. (2019). Abstract of agricultural statistics 2019. <https://www.daff.gov.za/Daffweb3/Portals/0/Statistics%20and%20Economic%20Analysis/Statistical%20Information/Abstract%202019.pdf>
- Bureau for Food and Agricultural Policy (BFAP). (2019). <https://www.bfap.co.za/>
- Crop Estimates Committee. (2020). Final Area Planted and Crop Production Figures of Commercial Maize, Sunflower Seed, Soybeans, Groundnuts and Sorghum for 2019. www.sagis.org.za/CEC
- De Lange, R. (2019). Drought is killing SA's farmers. <https://www.news24.com/citypress/business/drought-is-killing-sas-farmers-20191115>
- Mordorintelligence. (2020). Agriculture in South Africa - Growth, Trends And Forecasts (2020 - 2025). <https://www.mordorintelligence.com/industry-reports/agriculture-in-south-africa-industry>
- DAFF. (2018b). South African Grain Seed Market Analysis Report. <http://www.nda.agric.za/doaDev/sideMenu/Marketing/Annual%20Publications/Commodity%20Profiles/field%20crops/South%20African%20Grain%20Seeds%20Market%20Analysis>

ACKNOWLEDGMENTS

