

South African maize exports should access new markets

Wandile Sihlobo identifies unexploited potential markets for South African maize industry.

Over the years, there have been a number of structural changes in the South African agricultural markets which has had a significant influence on trade and marketing of agricultural commodities, particularly maize.

Prior to market liberalisation of the South African agricultural sector in 1997, the Marketing of Agricultural Products Act No. 59 of 1968 provided a framework for domestic and international trading of agricultural commodities. The maize board, which is a single-channel fixed-price scheme, was established using a cost-plus approach to commodity pricing and margin determinations.

However, following the gradual liberalisation of the grain commodity markets in the mid-1980s and the removal of trade sanctions against South Africa, the country's agricultural industry was liberalised in 1997. This meant that producers (farmers) and marketing agents would be more interlinked to global markets and thereby to market forces.



Young maize growing on a farm in the Drakensberg, Natal, South Africa

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This era led to the formulation of the Marketing of Agricultural Products Act No. 47 of 1996, which currently shapes South Africa's agricultural marketing policy. Moreover, several trade reforms were enacted to meet the objective of establishing a market-orientated economy and to comply with the requirements of various trade agreements.

These structural changes in the maize market have given rise to the drive by agricultural entities and the government to assess, understand and improve the competitiveness of the industry. In this respect, a number of studies were done in agricultural industries by both international and domestic researchers, although few were done on the South African maize industry.



While the industry continued to thrive under this new dispensation, participating in export markets, the export trend seemed to be irregular and inconsistent, regardless of production volumes.

It is against this background that I recently evaluated the competitiveness of South African maize exports relative to that of global exporters. More specifically, the study aimed to assess whether South Africa can increase its market share in the existing maize market. Lastly, it tried to identify other unexploited potential markets for the South African maize industry.

The key assumption underlying the research was that maize is homogeneous, as trade databases do not offer more nuanced product differentiation and, as a result, both yellow and white maize statistics conflate into a single product. To address this issue, I used the International Trade Centre's (ITC) Harmonized Systems classification data, which essentially treats maize as a homogeneous product.

Different growth, trade and market indices were applied to assess the competitiveness of South African maize exports, and the scope to expand the market share in existing markets and to identify unexploited and attractive markets.

The study found that South African maize exports are competitive relative to leading global exporters. However, production costs analysis showed that South Africa is less competitive relative to Argentina, Brazil, the USA and Ukraine.

Japan, Mexico, Taiwan, the United Arab Emirates, Thailand and Zimbabwe were identified as high-potential and attractive markets that South Africa should prioritise to increase its export share in the short to medium term. Moreover, the Market Attractiveness Index showed that Indonesia, Nigeria, Malaysia, Saudi Arabia, Mauritius, the United Arab Emirates, Taiwan, Iran, the Democratic Republic of Congo and Yemen are the top ten most attractive markets for South African maize exports. Recommendations for developing South African maize exports would be to closely view the top 25 most attractive markets presented on the Market Attractiveness Index and strategically position the industry to access these markets.

There is also a need to design an industry export strategy that would prioritise these markets in line with business interests and to explore existing potential. Such an initiative can be carried out in a public-private partnership, where private sector can provide business intelligence and government can handle the diplomatic trade relations. Current South African maize exports are concentrated and there is scope to access new markets.

It is important to note that the study focused only on South African maize exports. However, there remains a scope to pursue a similar analysis of other agricultural commodities, such as soybeans and sorghum. Such studies would be beneficial to organised agriculture and to South Africa. Industry groups such as Grain South Africa are starting to focus on export expansion for grains and oilseeds. Competitiveness studies would be resourceful in guiding the vision of such industries and promoting the efficiency of export processes.

The grain industry is already seeing improvements in soybean production and sorghum. Moreover, there is potential for the development of the biofuel industry. Therefore competitive studies in these commodities are important to determine if South Africa will have sufficient capacity to provide the expected consumption, or whether the industry will have to depend on imports.

Wandile Sihlobo is Head of Economic and Agribusiness Intelligence at the **Agricultural Business Chamber** (Agbiz) in South Africa. Twitter: [@WandileSihlobo](https://twitter.com/WandileSihlobo). *This article is based on his recent MSc degree in Agricultural Economics at Stellenbosch University, South Africa.*



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