



*The Grain and Oilseed Industry
of South Africa*

A JOURNEY THROUGH TIME

CHAPTER 7

7 Dawning of an era of **FOOD SECURITY**

Food security is an item that was not really high on the agenda of the ANC government after 1994, with indications that food that could not be produced in South Africa could simply be imported.

However, in 2007/2008 a food crisis arose in the world as a result of a dramatic rise and instability in food prices. Food prices doubled and even tripled over a period of approximately two years. Between 2006 and 2008 the global price of wheat and maize increased by 136% and 125% respectively.

The initial causes of the increase in prices were, among other things, the prevailing droughts in many grain-producing countries and considerable increases in crude oil prices. The latter led to the general increase in the cost of fertiliser, transport and intensive grain production. The increased demand for agricultural crops for a growing biofuel industry and speculation by hedge funds probably also played a role.

The food crisis led to riots and revolts, especially in Africa and parts of Asia, as well as in South Africa. However, the biggest unrest was in Tunisia, Algeria, Burkina Faso, Cameroon, Senegal, Mauritania, the Ivory Coast, Egypt and Morocco. In some of the countries it had serious consequences and eventually led to the governments being overthrown. Policy makers took careful note and in South Africa it was realised that it was necessary to find a realistic balance between land reform and food security.

In June 2008 the *Food and Agricultural Organisation* of the United Nations held a high-level conference in Rome where the food-price crisis was discussed. Mr Jan-nie de Villiers of Grain SA, together with the Minister of Agriculture at the time, Ms Lulu Xingwana, attended. In the midst of a large number of presentations reasonable agreement was reached that greater investments in agriculture and higher global productivity were vital to food security.

The importance of agriculture, and especially food security, in a global context suddenly achieved a new status. It was realised once more that joint action was essential and that aspects like increased investment in agricultural research and development and infrastructure, as well as the amendment and development of the supporting policies, had to be actively addressed.

Until then, producers in South Africa had been advised not to plant grain crops at times when their prices were low. When this happens, a shortage is created, which eventually leads to higher prices. Examples of such cases were mentioned earlier in this publication.

As a result of the food crisis and the conference in Rome the great responsibility resting on the shoulders of the agricultural sector to produce sufficient food was realised once more. Producers were encouraged to produce grain with the premise that new markets had to be found for surplus production rather than reduce production.

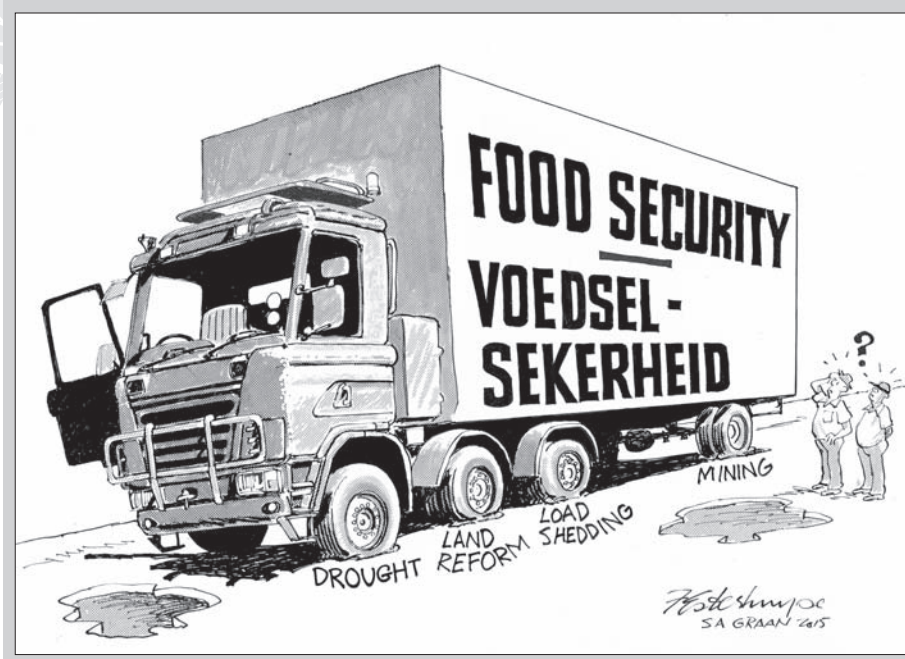
In the development of its biofuel policy the South African government decided that for reasons of food-security maize may not be used for the manufacturing of biofuel. The government thought that the increase in international maize prices in 2007/2008 could largely be attributed to the fact that the USA, which produces 50% of the world's maize, channelled 25% of its crop into the manufacturing of ethanol. A short-



A cartoon from the SA *Graan/Grain* magazine of March 2006 portrays the excitement of the grain industry about the prospects of a biofuel industry. >>>

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The drought that occurred during 2015/2016 in the summer sowing area was not the only looming stumbling block that put pressure on South Africa's food security. Repeated pronouncements by the government about drastic land reform; the impact of load shedding and the growing mining activities on arable agricultural land followed closely on its heels.

age in the basic foodstuffs in Mexico was also attributed directly to their investment in biofuel.

In the policy document for biofuel in South Africa it is foreseen that maize will only be approved for the manufacturing of ethanol when more certainty has been obtained about the possibility of producing maize on underutilised soil and when other requirements have been met.

In 2016 one of the worst droughts in more than 100 years, if not the worst, hit South Africa. The full consequences and the effect of the drought on the availability and cost of food, job security, financial survival of producers, et cetera will only become clear over time. Whatever those effects are, the spotlight once more fell on the necessity of making sure that a good balance is maintained between land reform, transformation and the reality that a country like South Africa, with its limited resources and uncertain rainfall, has to be very clear-headed in its planning to make sure that its growing population can always be provided with the basic staple food.

Through its involvement and initiatives mentioned above, as well as other valuable inputs that are too numerous to discuss here, Grain SA is increasingly making an important contribution towards improving the sustainability of agricultural production in South Africa. More details about all the actions and initiatives are published constantly in reports and articles on the website, www.grainsa.co.za.

FOREIGN MARKETS FOR GRAIN

Before 1997 the marketing of grain in South Africa by the marketing councils was controlled in terms of the Marketing Act. At that time the export of grain was restricted to the SADC countries and a few others. There was no purposeful export plan for South African grain, and exports took place mainly on an ad hoc basis.

Grain SA decided to address this gap and purposefully started to develop a strategic export plan for locally produced grains. This corresponds with Grain SA's approach to expand production, rather than to limit the supply. As a matter of fact, the identification of potential foreign markets and the development of sustainable export markets for grain became one of Grain SA's main focus areas.

The long-term planning is based on the strategic export plan, and in the process a distinction is made between so-called protocol markets and permit markets.



Sound bite: A global food crisis in 2007/2008 drew attention to food security – Mr Jannie de Villiers.





Mr Louw Steytler

“ GRAIN SA, AGRI SA, PROVINCIAL UNIONS AND OTHER INDUSTRY ORGANISATIONS CAN WITH GOOD REASON REGARD THE FOOD SECURITY THAT ALL SOUTH AFRICANS ENJOY AS ONE OF THEIR JOINT SUCCESSES. THE CHEAPEST QUALITY FOOD IN THE WORLD, PRODUCED LOCALLY, CAN BE ACCOMPLISHED SOLELY THROUGH CO-OPERATION THROUGHOUT THE FOOD VALUE CHAIN, AND IS ONLY NOW GAINING WIDE RECOGNITION BECAUSE OF THE REALITY OF THE CURRENT DISASTER SITUATION IN WHICH SOUTHERN AFRICA FINDS ITSELF. ”

**– Mr Louw Steytler
Chairperson’s message,
Grain SA Annual Report 2015**

Protocol markets refer to countries with which formal agreements are concluded and processes are put into place to ensure that certain health and quality requirements are met. These markets and agreements create long-term associations and are approved at the highest political level. The protocol markets provide a major advantage in terms of certainty and facilitate proper long-term planning.

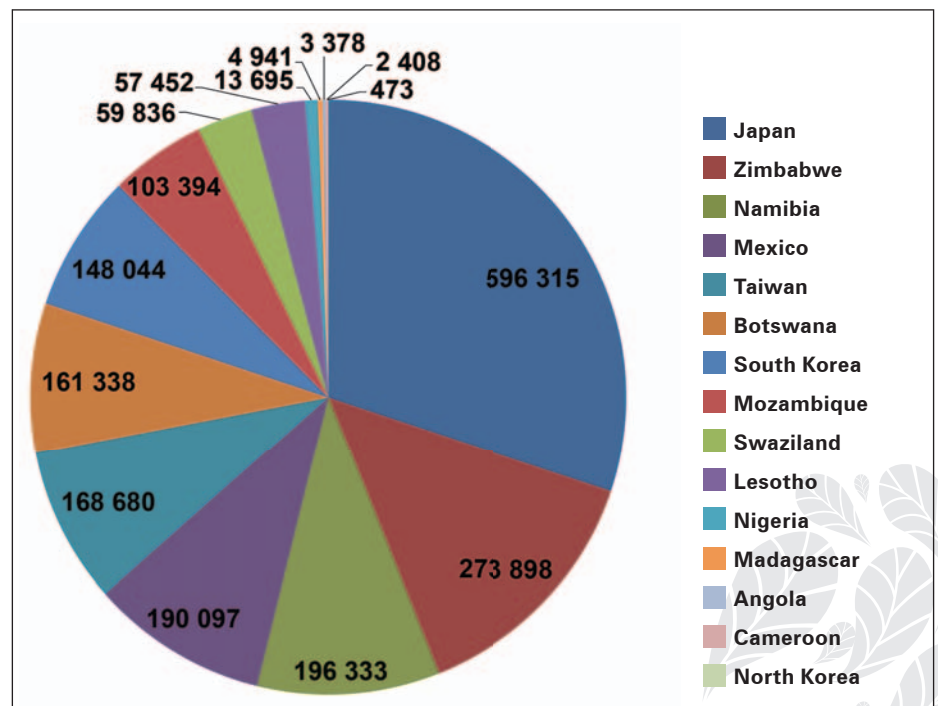
Permit markets refer to markets with which agreements can be concluded on a more ad hoc basis as opportunities arise from season to season. Many of these exports of agricultural products to African countries take place on the basis of permit agreements because those countries produce grain themselves and their demand for imported products is regularly affected by the size of their own crops.

Studies and analyses of long-term scenarios show that African countries are increasingly becoming more self-sufficient with regard to grain. As this increases, imports from South Africa will naturally decrease. South Africa will therefore have to increasingly develop new markets to get rid of surplus production.

During the 2010/2011 financial year Grain SA was involved in the export of maize to Mexico, Taiwan and Korea. The same markets were serviced in the following year, and together with Japan absorbed most of South Africa’s exports that year. The staff of Grain SA spend a lot of time liaising with the representatives of foreign markets and from time to time visit embassies as well as role-players in countries to which exports are made.

Asia and the Middle East provide good opportunities for the development of export markets on a long-term basis – in other words protocol markets. During December 2014 Grain SA visited the Middle East and held talks with a view to marketing South African grain in Iran and Saudi Arabia.

The huge demand from the Chinese markets makes China a sought-after target market worldwide and Grain SA delivered important inputs in the negotiations with the Chinese government to be able to export agricultural products to them. The Chairperson of Grain SA at the time, Mr Neels Ferreira, together with the Minister of Agriculture, Ms Tina Joemat-Pettersson, talked to the Chinese government in this regard as far back as 2011. These talks eventually bore fruit with the signing of a phytosanitary protocol in December 2014 by the South African and Chinese governments for the export of maize to China, making it possible for the local industry to export surplus maize to China.



Graph 1: South Africa’s total maize exports during 2013/2014.



Hector Valezzi (ambassador of Mexico) receives his award from Neels Ferreira (former Chairperson of Grain SA), on the right.



Neels Ferreira thanked Michael (Pei-Yung) Hsu (ambassador of the Republic of China [Taiwan]) for the maize that the country had imported.



Grain SA also honoured the agribusinesses that had exported the most grain. Andrew Martalas, Chairperson of the South African Cereals and Oilseeds Trade Association (SA-COTA), received the award on behalf of the association's management and their members. With him is Neels Ferreira.

INTERNATIONAL MARKET ACCESS AND EXPORTS WERE AT THE TOP OF GRAIN SA'S AGENDA DURING 2012 AND THIS DRIVE EVENTUALLY BORE FRUIT. DURING THE 2012 MARKETING YEAR, RUNNING FROM 1 APRIL 2011 TO 31 MAY 2012, KOREA IMPORTED 45 234 TONS OF WHITE MAIZE AND 302 259 TONS OF YELLOW MAIZE FROM SOUTH AFRICA; TAIWAN IMPORTED 161 550 TONS OF YELLOW MAIZE AND MEXICO 1 091 501 TONS OF WHITE MAIZE.

AT THEIR 2012 CONGRESS GRAIN SA PRESENTED AWARDS TO THE AMBASSADORS OF EACH OF THE COUNTRIES THAT BOUGHT SOUTH AFRICAN GRAIN, NAMELY MEXICO, THE REPUBLIC OF CHINA (TAIWAN) AND SOUTH KOREA (IN THEIR ABSENCE), TO SHOW THEIR APPRECIATION.

Grain SA was also involved in the establishment of a protocol agreement with Venezuela, in collaboration with the state departments concerned.

The high quality of South African grain plays an important role in the success achieved with the development of foreign markets. Part of Grain SA's strategy regarding exports is precisely to emphasise the quality norms of South African grain and to make sure that good quality products are exported at all times in order to support the establishment of long-term relationships.

Grain SA is closely involved when any amendment of rating regulations or aspects regarding food safety with a view to exports is involved. In this connection good co-operation is obtained with the Department of Agriculture, which enables Grain SA to look after the interests of producers in this field as well.

In order to further develop export markets for maize, possibilities for adding value to maize in collaboration with the Department of Trade and Industry are being investigated. It seems that there is indeed an export market for products like maize flour. For example, it was found that South Korea buys South African maize, which they process into maize flour and then sell to Malaysia. The intention is to do the value adding locally and then export the processed product.

Grain SA plays only a facilitating role in this process and is of the opinion that producers and exporters must take the initiative themselves to make use of opportunities and carry them out in practice. New concepts are referred to the maize specialist working group, which then takes it further.

Grain SA also investigates possible markets for other grains, because even if they do not deliver such large volumes as maize does, surpluses are produced from time to time for which other markets have to be found. Although the volume of wheat that is produced in South Africa cannot provide in the needs of a country like China at all, its good quality provides the opportunity to develop niche markets where good premiums can be earned.

The focus of Grain SA's export policy is twofold: Firstly to make production sustainable over the long term, and secondly to establish foreign markets for surplus production – especially with regard to maize. The large markets for maize exports are Japan (for yellow maize) and Mexico and Venezuela (for white maize).

PROVISION OF SEED

It goes without saying that the availability of good quality seed is of the utmost importance for sustainable grain production and therefore also for food security. This goes hand in hand with the need that the most recent technology has



During 2011 Grain SA played host to two Chinese government representatives who visited South Africa with a view to possibly approving the import of South African maize by the Chinese government. The visit was an indirect result of the official visit that the Minister of Agriculture, Ms Tina Joemat-Pettersson, and Mr Neels Ferreira, Chairperson of Grain SA, had made to China to promote, among other things, South African maize.



Sound bite: Dr Marinda Visser talks about a recent trade mission from China.

to be available in South Africa as well in order to maintain the competitiveness of local producers.

The Plant Breeders' Rights Act (Act 15 of 1976) protects the rights of the holders of plant breeders' rights by, among other things, stipulating that nobody may withhold stock of harvested material with the intention of using it for seed.

However, in the case of wheat and soybeans it is permissible for producers to withhold wheat seed from harvested material to use as seed. The problem is that seed companies are reluctant to invest in seed development and new technology because certain producers buy seed from them only in the first year and then can possibly withhold their own seed after that. For example, in the case of soybeans, Monsanto developed a new soybean cultivar in Australia, which they were not prepared to bring to South Africa because of the above-mentioned reasons.

In order to solve this problem, Grain SA recommended that producers who want to withhold seed should pay royalties to the holder of the plant breeder's right for seed withheld in this manner. Grain SA has already tested this with the Agricultural Marketing Council, which supports this recommendation, because it can also provide a solution for other crops besides wheat and soybeans.

In the soybean industry oil processors made substantial investments in their pressing capacity, which created an opportunity for enlarging their soybean production. There is a great need for protein for animal feed in South Africa and an increased local soy production can replace expensive imports. On the research side Grain SA, together with the OPDT, is involved with tests with soybean cultivars that will be suitable for growing in the western parts of the grain-producing area of South Africa so that soybean production can be expanded to those areas too.

One of the greatest areas of concern with regard to the provision of seed in South Africa is that it is practically solely in the hands of private enterprises. Those enterprises own the plant breeders' rights, technology and facilities needed for seed production. Grain SA discussed this reality with the Department of Agriculture in view of the risks that this holds for food security in the country. As a result the Department of Agriculture, in collaboration with Grain SA, drafted a policy document, known as the Agricultural Policy Action Plan, which included recommendations from Grain SA.

RESEARCH AND DEVELOPMENT

Grain SA is continuously holding talks with the government for greater support with regard to research and the development of new technology. Funding is one of the biggest stumbling blocks regarding research. The grain industry is largely dependent on the Maize Trust, the Sorghum Trust, the Winter Cereal Trust and the OPDT for the funding of research projects. Grain SA is therefore actively involved in talks with the government to make funds available for agricultural research in order to address the demands of the time.

A major problem with research with regard to grain was that producers' needs were not addressed quickly enough in research actions. In order to address that, Grain SA drafted a research strategy for every commodity, attending to the needs as defined by the working groups, as well as their goals. The strategy is then referred to research institutions that are able to do the research.

The Agricultural Research Council (ARC), which is responsible for agricultural research in South Africa, does not have the capacity in all instances to satisfy all the research needs. Grain SA became involved by facilitating co-operation agreements between the ARC and universities in order to co-ordinate the total available research capacity and apply it more effectively.

EMERGING AGRICULTURE PROGRAMME

The emerging agriculture programme that is discussed in Chapter 8 has, among other things, the aim to contribute to food security by developing new grain producers. Grain SA realises how important it is to maintain good relationships with the government and especially the Department of Agriculture, and in the interest of agriculture in South Africa, to keep them informed about the actions with which the organisation is involved. As a result there is regular liaison with the Minister of Agriculture and his department and they are exposed to programmes of Grain SA in an attempt to establish a better understanding and co-operation in the interest of food security.



Mr Jannie de Villiers



“ FROM TALKS WITH PRODUCERS IT IS ONCE AGAIN CLEAR THAT THIS IS A UNIQUE GROUP OF PEOPLE WHO, WITHIN A VERY SHORT TIME, OVERCAME DIFFICULT CIRCUMSTANCES AFTER THE DROUGHT, AND WHO WILL GO ON TAKING RISKS IN THE COMING YEAR TO HELP CREATE FOOD SECURITY IN THE COUNTRY.

I HAVE GREAT ADMIRATION FOR THIS CHARACTERISTIC OF GRAIN PRODUCERS AND THEIR POSITIVE AND AMAZING PERSEVERANCE TO KEEP ON FARMING.

**– Mr Jannie de Villiers
After NAMPO 2015
in a press release.**

