MAIZE - 1994

MAIZE & WHEAT FM 14/1/93

Rainy days

(3) Maize

Maize farmers are still on course to reap a bumper 10 Mt crop, says National Maize Producers Organisation (Nampo) senior economist André Ferreira. He sees no reason why Nampo should change this forecast, which it made six weeks ago.

He warns, however: "There are no guarantees in this business and things can still go wrong, but at this stage, the maize-growing areas are looking beautiful. I would estimate that 3,7m ha will be planted to the crop this season."

That's slightly more than the 3,6m ha that was planted last season, when 8 Mt was harvested. But agricultural conditions so far this season are much better than last season's, so 10 Mt is possible. A crop that big would allow for roughly 3 Mt in exports.

"The entire maize-growing area has had rain," Ferreira says. "Farmers are even planting in a part of the western Transvaal that hadn't had any rain by December 15."

Travellers returning from the Cape say the western Transvaal maize-growing area looked better than it has in years. Grazing is lush and even maize that germinated recently is healthy and not showing signs of drought. The exception is a small patch east of Carletonville that was beginning to show signs of distress shortly before New Year but has now recovered after sufficient rain fell.

Ferreira says the eastern Transvaal past Springs also is looking very good. The only exceptions are some portions around Bronkhorstspruit and some dry spots in the black-turf soil farming areas around Standerton, Morgenzon and Amersfoort, "which are dry, but conditions aren't critical yet."

At the other end of the scale, too much rain has fallen in parts of the Viljoenskroon area of the Free State. Some maize has drowned and some has turned yellow because it is growing in waterlogged ground.

The crop isn't in the bag yet. Ferreira says a dry spell late this month or in February could harm it. The maize in the western Transvaal is less advanced than that in the eastern Transvaal because it is planted later, so it's more susceptible to any prolonged dry spells that might be in the offing.

The Weather Bureau isn't ruling out a dry spell, says Mike Laing, acting director of climatology. "There is a tendency to become apprehensive after we have had good rains and predict that they will be followed by a dry spell. The facts are that our rainfall in the last two seasons has been affected by the strong, warm El Nino, now in its third year. But El Nino isn't the same beast it was, so our rainfall pattern looks much more normal this season. But we may still get dry, hot spells similar to the one we got in the middle of December, even in a normal season."

For some winter wheat farmers, the good rains have not been helpful. Farmers in the eastern Free State, around Reitz and Bethlehem, produced a very good crop but are struggling to reap it because of the almost constant rain. This worries Wheat Board GM Louis van Staden, who says the quality could be affected. (3) Wheat

SA rarely produces enough wheat to meet local demand and this year it will have to import 200 000 t, despite a healthy 1,9 Mt crop. He says half of the 200 000 t already has been bought from France and the US. Hard wheat, used to make bread, has been bought from the US and soft wheat, for biscuits, from France. SA grows only hard wheat.

Delmas maize ... *nearly as high as an elephant's eye*

The producer price for hard wheat was raised by 7% this year to R802,48/t for the grade used to make bread flour. That should help farmers earn around R1,5bn this year and enable them to reduce their debt.

The next important date on the wheat farmers' calendar is in mid-February, when spring wheat, the name given to the small amount of wheat grown under irrigation in Brits and the Springbok Flats, is planted.

Planting of the next wheat crop in the major producing areas — the western Free State and the western and southern Cape — will start in mid-May, if the soil is moist enough. Next year's crop in the eastern Free State, where farmers are now having difficulty harvesting, will be planted around July. ■

Bumper crop predicted

BIDay 26/1/94

MUNGO SOGGOT

RECENT steady rains have improved chances of a bumper maize crop and should strengthen the agriculture sector's contribution to exports, according to economists and the Agriculture Department.

The department's economic trends director, Cor Bester, said the maize crop yield and total production would be higher than last year and could even be as high as 12-million tons. The first official estimate would be made in the second half of February.

Standard Bank agricultural economist Rudy Wilsnach predicted a significant "export component".

Wilsnach said grazing areas would also benefit, although it was still "early days for natural grazing to recover from the drought".

Despite the good rains concern remained about the level of dams in irrigation areas. (3) maize

Safto economist Carlos Teixeira said the SA export category of "vegetable products" should gain a few places on the Customs and Excise list of 22 export categories.

SUMMER RAINS

Fm 1/12/94

Ja, well, no, fine

SA hasn't had a season like this in its summer-rainfall areas for years but in some parts, notably sandy areas of the north-western Free State, farmers have been getting too much rain. (3) Maize

Already 30 000 ha of maize have been reported drowned and there could be even more not yet reported. National Maize Producers' Organisation GM Giel van Zyl says parts of Bothaville, Frankfort, Vrede and Viljoenskroon have also had a great deal of rain.

"Conditions are excellent in the rest of the maize-growing areas," he says. "Crops are looking really good. The 30 000 ha known to have been lost is a small fraction of the 3,75m ha that has been planted to maize, and we are still on course to reap 10 Mt. The standing crops need sun and wind now to promote pollenisation and development. If the plants get that now, the crop may exceed 10 Mt."

A harvest like that will mean having to export 3,5 Mt and that means "losses." Export prices, net of inland transport costs, are substantially lower than domestic. The Maize Board forecasts the size of the crop, estimates what it can sell locally and internationally, and deducts its expected expenses to arrive at an overall price per ton it can pay maize farmers. If the crop is substantially larger than expected a greater proportion has to be exported, which reduces the net price per ton achieved.

That "loss" is, of course, eventually borne by the producer. But none of this means it isn't preferable to harvest, say, four tons

Fm 1/12/94

rather than two tons per ha since production costs remain virtually the same.

All the same, maize farmers still have to top up the R30/t levy deducted to compensate the board for "losses" incurred in exporting the surplus of last season's crop of more than 8 Mt. It is still not known what they will be. It was believed that only 900 000 t would have to be exported, so the price paid by the board to farmers was set at R417/t, says Van Zyl. "It now looks as if the Maize Board will have to export 1,8 Mt of last season's crop, which means it will have to recoup its export losses on another 900 000 t that didn't figure in its calculations, from farmers." (3) Maize

The surplus of that crop is still being marketed but recovering the losses from farmers should not be a problem. Explains Maize Board CEO Peter Cownie: "We have safety factors built in. We normally retain between 2% and 5% of the producer price to pay for unexpected expenses, and pay them whatever is left as an *agterskot*."

Meanwhile, farmers who lost the 30 000 ha of maize that drowned cannot recoup any of the roughly R30m it cost them to establish it, because they won't be able to use that ground for any other crop, such as wheat, sunflower or beans this year. It has been specially treated with fertilisers to support only maize and insecticides and chemicals that are still potent and will kill other crops.

But they reaped a good crop last season and, like farmers all over the world, believe: "When it's your turn, it's your turn." ■

Farmers bid to prop up maize price

S/Times (Buss) 13/2/94

By TEIGUE PAYNE and ZILLA EFRAT

A ROW is brewing over an application by farmers to have a 35% duty slapped on maize imports.

The National Association of Maize Producers Organisations (Nampo) is accused of trying to take maize pricing out of political hands ahead of a new government.

Willem de Kok of millers Premier Foods says: "We will not accept higher prices for white maize because of an expected large crop this year."

The ANC's initial comment is that the proposed 35% duty is too high. Baleka Kgositsile says the ANC expects to decide on on Nampo's application within 10 days.

David Cooper, of the ANC-aligned Land and Agricultural Policy Centre, says: "It is hard to understand why the application has been made when there is a surplus of maize."

The proposed tariff seems high and will not be in consumers' interests if it is an attempt to secure higher moving average prices for farmers.

Nampo is seeking a duty of the rand equivalent of 35% of $110 a ton — the long-term average world maize price.

The tariff would vary according to world maize prices. If world prices rose it would drop and vice versa.

No tariffs apply now because quantitative controls prevent imports and allow the SA price to be set much higher than the world figure. (3) maize

Nampo's application is in line with the General Agreement on Tariffs and Trade requirement for the removal of quantitative controls on imports.

The current price of white maize sold to millers and animal-feed companies in SA is equivalent to about $160 a ton. The world price is a high $125 now because of a poor US crop.

With shipping costs of about $25 a ton from the US, the landed price in SA, including the tariff, would be about $173.

Because SA users of maize would have to pay port handling charges and transport from the coast, imports would be prohibitively expensive. If the world maize price fell, imports could become a proposition, but only for a rim of coastal buyers.

Nampo is apparently betting that in the long term the rand will fall sufficiently against the dollar for SA farmers to achieve higher domestic prices.

However, the potential competition from imports might restrain increases in the price of SA maize.

Farmers claim with some justification that tariffs on imported agricultural goods are fair because their counterparts abroad are heavily subsidised.

The price of maize is set by the Minister of Agriculture after consultation with the Maize Board and other parties. The interests of farmers, historically government supporters, are more important in the minister's decision.

Under a new government, the interests of black consumers are likely to become more important. The ANC has not decided whether to reimpose price controls on mealie meal and bread, but they are a possibility.

Nampo's tariff application provides four weeks for comments, allowing for duties to be imposed before the election.

Much of this summer's expected bumper maize crop of 10-million tons will have to be exported at a lower lower price than the domestic one.

Although Nampo apparently wants to abolish the existing pricing system before the elections, it does not want complete deregulation of the Maize Board, which is stil the sole marketer of mealies. All maize sales and exports must by law be handled by the board.

Rain wrecks maize crop

MARIANNE MERTEN

FREE State farmers in the Bothaville and Viljoenskrans areas could face maize crop losses of 80 000 tons, worth up to R32m, following recent flooding.

A member of the Sentraalwes co-operative representing the affected areas said yesterday the union would discuss getting finance to build proper drainage systems with its parent body, the SA Agricultural Union, on Monday.

Talks with the Agriculture Department had already started, he said.

The flooding affected about 30 000ha of which at least 20 000ha were completely devastated. The co-operative was still surveying the area to assess damages, he said.

Farmers would not negotiate for emergency aid.

Free State Agricultural Union commodity manager Koos Botha said the flooding was isolated and would not affect the overall maize crop. (3) Maize

AGRICULTURE

FM 25/2/94

It doesn't get much better than this

(3) maize

The bumper 1994 maize crop was officially estimated this week at 12,8 Mt, which would make it the second-biggest on record, after the 14 Mt of 1981. Unofficial estimates put the crop at 13,5 Mt and, with the currently high world maize price, the industry can look forward to huge export earnings.

Maize is just one piece of a bright agricultural picture this year, as excellent rains over most of the country have brought boom times. This should continue to boost the economy's overall growth, as agriculture did last year after the disastrous drought of 1992.

The huge maize crop has, however, also exposed serious flaws still remaining in the Maize Board's highly regulated single-channel marketing system for maize.

Last year's 16,3% jump in gross farm income to R25,1bn, which helped the economy grow for the first time in four years, was largely based on a 51% rise in the volume of field crops. And 1993's 8,9 Mt maize crop was the chief engine for this growth after a dismal 2,9 Mt in 1992.

With about 4 Mt more expected to fill the maize silos this year, some farm economists say a R5,4bn gross value could be put on this year's crop — compared with last year's R3,7bn. With 6 Mt available for export, about R2bn should come from abroad — that is, if the Maize Board continues on its single-channel course of exporting almost all surplus production before the next season starts.

Other crops should also help fill the coffers: this week's first official field crop estimates puts grain sorghum at 500 000 t (last year: 380 000 t), groundnuts at 128 000 t (119 000 t), sunflowers 420 000 t (364 000 t), soya 76 000 t (60 000 t), dry beans 71 000 t (61 000 t) and wheat 1,95 Mt (1,3 Mt).

Some observers say these estimates are "very conservative" and that final crop sizes should far exceed initial projections.

Other crop sectors also expect improved revenues — following the R1,2bn estimated cost of a two-year drought, sugar farmers are looking at an improved 1,8 Mt sugar production (last year: 1,2 Mt), while cotton production could double to about 150 000 bales. This still falls well short of local needs for about 330 000 bales.

Livestock producers are also set to earn more money with beef and mutton prices estimated to rise by about 13% this year as farmers hold back stock. Fine wool prices are also doing surprisingly well.

Vegetable output should also increase, by an estimated R200m to about R1,5bn, while potato farmers look forward to grossing about R950m (last year: R862m). Unifruco spokesman Fred Meintjies says this year's deciduous fruit export crop is looking good, with revenues expected to be well above last year's R1,4bn. A slightly higher citrus crop is also forecast.

Back to maize:

"One wonders whether the board should continue with its traditional exporting policy — especially given the fact that, based on current Gulf fob prices of about US$115/t, net export receipts would average R250/t," compared with a local price of about R525/t last year, says agricultural economist Johan Willemse.

He suggests that the board should rather retain a large portion of the surplus. Not only would this help to guard against substantial import costs, if next year's crop should fail (as happened in 1992, with 4 Mt imported), but it would also reduce the huge cost of inputs in the next planting season, if farmers scaled down production accordingly.

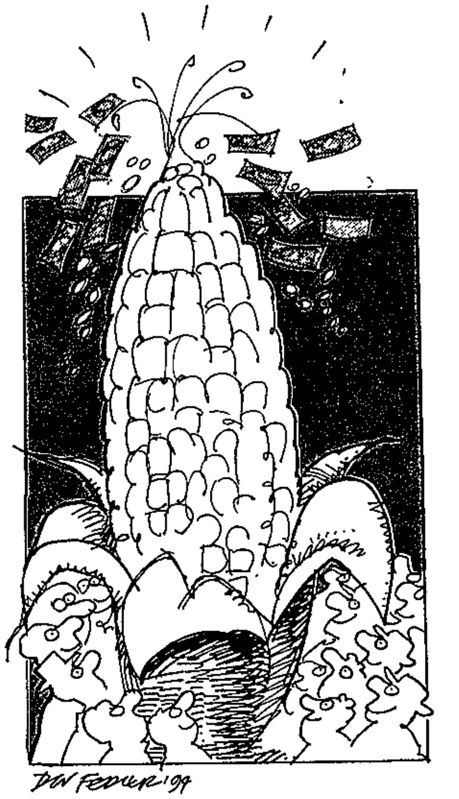
"Surely we cannot gamble on another bumper year in 1995. By storing the maize for the next season, farmers would also receive far higher revenues over two years, as local market prices are substantially above net world prices."

But, Willemse adds, this assumes that the current single-channel, fixed-price Maize Board scheme will be substantially deregulated, making way for a more market-related system. A comprehensive proposal, along these lines, was made a year ago by the Animal Feed Manufacturers' Association, suggesting that prices should be dictated by regional supply and demand.

"Maize buyers should therefore be allowed to buy (and store) as much maize as they like, bypassing the Maize Board's outdated marketing control function."

Association chairman Munro Griessel says setting low maize import tariffs is crucial in determining market-related prices. So he feels that the request for a 35% tariff submitted to the Board on Tariffs & Trade by the National Maize Producers' Organisation is out of line. "We would want a tariff of between 0% and 10%," he says.

With a new, possibly more consumer-orientated government in the offing, the fixing of this year's maize price will receive close attention. Maize Board officials say they have already started deliberations, which should lead to an April announcement of this year's producer and consumer price levels, to begin on May 1 — four days after the general election. ■



ARGT 10/3/94

US-Japan trade war could boost SA maize

(3)

MAIZE

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — The threatening trade war between America and Japan may have a positive spin-off for South African maize exporters, United States market analysts are predicting.

South Africa may benefit from threatened US sanctions against Japan, intended to pressure it to open its markets.

Market analysts here believe that Japan, traditionally the largest customer for American maize, may retaliate by switching to South African sources.

The war of nerves between the US and Japan was turned up a notch last week when US Trade Representative Micky Kantor announced that he was launching "super 301" provisions to investigate unfair trade practices against America.

Although he has not spelt out that Japan is the target, this is generally understood.

Mr Kantor's move followed the recent breakdown in trade talks with Japan designed to persuade it to lift what America regards as unfair restrictions on a range of American exports.

The fears of Japanese retaliation are further depressing US maize futures, already driven down by revised estimates that South Africa's expected bumper maize crop this year will be 300 million tons more than originally predicted.

The combined impact of the expected South African bumper crop and the fears of Japan switching suppliers forced US maize futures down this week to a four-month low at the Chicago Board of Trade.

First cellular phones are switched on

ROBYN CHALMERS

SA's first cellular telephone users were connected yesterday when licence holders Vodacom and Mobile Telephone Networks (MTN) began testing.

MTN CE John Craggs said the organisation had achieved its network construction goals and was ready for the simultaneous launch of the system with Vodacom in June. B/Day

The awarding of the MTN cellular network licence last year was delayed by several months, causing fears that the company would be unable to meet the June 1 switch-on date. 2/3/94

At an official launch yesterday, MTN had a prototype of the GSM payphone on display.

"This is an important breakthrough for the cellular telephony world market and export orders for countries throughout the GSM worldwide network are lined up," said Craggs.

He said MTN expected to begin installing the payphones in townships by June. "Thereafter, the roll-out will be initiated in more than 300 townships and settlements throughout MTN's coverage area."

The provision of cellular telephone services by the two licensees to underprivileged areas was part of a deal negotiated between the ANC, government, MTN and Vodacom.

Vodacom CE Alan Knott-Craig said 2 000 test users had been connected yesterday and a further 8 000 users would come on line in April.

The number of lines available would be unlimited after the official commercial launch in June.

Exports from bumper crop could earn R2bn

B/Day 2/3/94

GERALD REILLY

PRETORIA — The 6-million-ton surplus expected from this year's 12,8-million ton maize crop — the country's second biggest on record — could earn SA well in excess of R2bn, according to Nampo sources.

The forecast was made following the publication by the National Crop Estimates Committee's first summer crop report. This season's expected maize crop compares well with 1980/81, when a final figure of 14,498-million tons was recorded, and is expected to be 25% better than last year's 8,893-million tons, reports Sapa.

However, Nampo sources warned that the large crop could mean that producers would have to accept lower prices and foot the bill for big export losses.

Sources said a price-fixing tussle between the new government and producers was also unavoidable.

Nampo has recommended a policy under which producers can choose to sell to the Maize Board or market their crop directly to the trade. (3) maize

Producers fear that an ANC government, in keeping with its policy of affordable basic food prices and under pressure from trade unions and consumer organisations, will set the lowest possible price. Maize farmers fear that the domestic price will be set as much as R120 a ton lower than the current R470 a ton.

Although the domestic price is certain to be lowered, the big crops grown on many farms — with exceptional yields of up to 4,5 tons a hectare — mean that large numbers of farmers will be substantially better off than in recent years.

SA Agricultural Union economist Koos du Toit estimated that, depending on the extent of the general economic recovery, agriculture could contribute at least 6,5% in the 1994/95 financial year.

The National Crops Estimate Committee also forecast that the harvest of sorghum, groundbeans, sunflower seeds, soya beans and dry beans would all be substantially larger than in 1992/93.

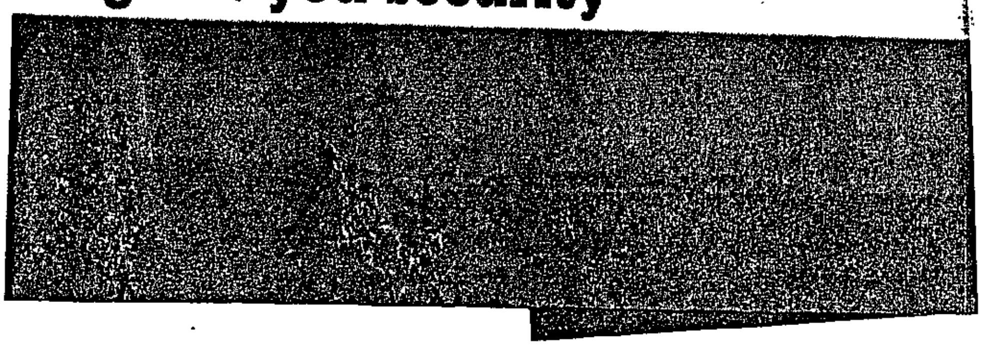
However, the committee noted that the final wheat estimate of 195 800 tons on January 20 remained unchanged. Wheat farmers had cultivated 1 064 000ha during the season.

Meanwhile, Sapa reports that Wheat Board chairman Andries Beyers told delegates at a winter-grain producers' conference in Douglas yesterday that the wheat industry had reached a crossroads.

Quantitative import control of wheat could replaced with tariff protection and aspects of single-channel marketing would become less feasible, Beyers said.

Producers would have to take decisions not only because of the new agricultural and marketing policy directions, but also because of the recent signing of a new multilateral trade agreement.

Should statutory control still be possible in future, it would have to happen according to rules that would be laid down by a new government.



MAIZE INDUSTRY

FM 18/3/94

The seeds of reform

(3) Maize

The 13 Mt maize crop this year could be the final straw that breaks the back of the creaking single-channel maize marketing system.

The Maize Board predicts a 6 Mt surplus, which can be exported only at a world price well under the local wholesale price. To make up this lost revenue, the board will pay maize producers much less this year, R200/t-R250/t below what the animal feed manufacturers and millers will pay. This big gap between what producers will get and wholesalers will pay is bound to put enormous pressure on both sectors to bypass the board. Farmers will be tempted to make separate deals by selling maize directly to wholesalers.

The board's statutory system is aimed at ensuring that wholesalers help cover some of the revenues "lost" on exports, as well as paying the board's administration costs — mainly storage and financing of the crop.

Last year, with only a R80/t-R130/t gap between the two administered prices, large volumes of black-market sales bypassed the system. With the widening of the gap this year, market forces could collapse the system, say observers.

That is, unless the National Maize Producers' Organisation (Nampo), Maize Board, co-operatives, Animal Feed Manufacturers' Association (buyer of yellow maize) and National Association of Maize Millers (buyer of white maize for humans) can reach agreement on the new consumer and producer prices by May 1.

"We do not want to harm producers or the industry," says Graham Ebedes, MD of Meadow Feeds, SA's largest animal feeds producer. "But it is a fact that large volumes of maize will bypass the system this year and allow for huge discounts, drastically undermining our position in the market — unless a solution can be found to close the price gap."

If an agreement is reached, market pressures could be held at bay yet again, but other inexorable forces have already pushed producers to a rethink of the status quo. These are:

☐ Finalisation of Gatt, which means government won't be able to block maize imports directly; it will be allowed only to levy tariffs on them. Nampo has asked for a 35% tariff against imported maize, but this is vehemently opposed by most maize buyers. They say the current wholesale price (R505/t for yellow and R545/t for white maize) is equivalent to a US Gulf fob price of about US$110/t plus the cost to ship the maize to SA and transport it to Maritzburg. With US prices hovering in the vicinity of $125/t, the tariff should be zero, they say;

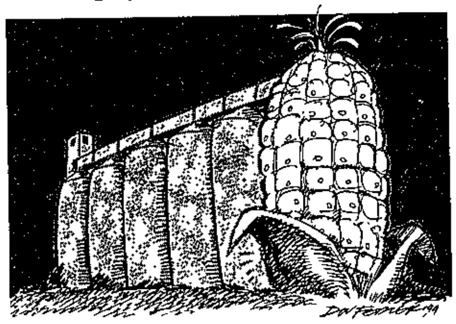
☐ The Policy Evaluation Committee, appointed after last year's ultrareformist Kassier committee report on agricultural marketing, is now finalising its own proposals for a new maize marketing system, which is being done in consultation with the Board on Tariffs & Trade, government and the Maize Board. This also points towards reform of one-channel systems; and

☐ The new government will have its own ideas about agricultural marketing. Signs are that the ANC strongly supports reform as a way to bring down prices.

Anticipating the effect of these pressures, Nampo last week tabled its own comprehensive proposals for a new, if interim, marketing and pricing system for maize. The 28-page document was approved at a two-day producers' congress. Nampo calls for:

☐ Dividing SA into two markets for maize — an "unprotected" coastal market, where free competition with tariff-bound imports would be allowed, and a "protected" inland market, where the Maize Board would still fix both producer and wholesale prices. But no provision is made for regional price variations, and statutory controls will remain in the inland market;

☐ Changing the current single-channel marketing system into a controlled floor-



price system. Transactions between buyers and sellers will be freely allowed, subject to payment of board levies;

☐ Creating a risk fund to allow for variations in import price parity levels, as international prices move up and down. This fund will allow for the continuation of the traditional price stability so beloved by local producers (and large buyers) of maize;

☐ Allowing traders (in addition to wholesale buyers) to register as buyers with the board;

☐ Providing for a faster repayment (five years, rather than the current 18) of all outstanding loans due to the State on co-operative grain silos;

☐ Getting the board to publish regular information on stock, supplies, crops, and local and global price trends. This would allow producers and wholesalers greater opportunity to play the market;

☐ Having the Minister approve only the pricing formula and not the actual price, annually. The formula would retain the current R40/t premium on white maize; and

☐ Allowing silo owners (the co-ops) to negotiate storage rates for so-called "non-board" maize with any potential client.

"Nampo's proposals open the way for further reforms in future, eventually leading to the possible creation of a futures market in SA," says Department of Agriculture economist Andre van der Vyver. "But one would first need a variable local spot market price before a futures market can operate here."

SA Futures Exchange CE Stuart Rees says the possible creation of a maize futures market will be discussed at a special Safex conference on commodities futures (it plans to start with red meat and potatoes) in Johannesburg on March 24 and 25. ■

FM 1/4/94 ~~Meat~~ (3) Maize

AGRICULTURAL FUTURES

Bullish outlook

In a surprise move at last week's conference on commodities futures, Maize Board economist Mike Elliott indicated broad support for a commodities futures exchange — once its proposed new maize floor price system is up and running.

"Depending on the level of the board's floor price, it would be possible to create a maize futures market in SA," says SA Futures Exchange (Safex) consultant John Wixley. But it could take at least a year to formalise one due to the need to first create a spot market — that is, a mechanism for establishing a daily price.

It was inevitable that with the ongoing deregulation of agriculture a new system had to emerge to take over the spot-pricing function of the control boards. Since the formal deregulation of the meat industry began early last year, official carcass auctions at State-owned urban abattoirs have rapidly diminished and been supplanted by live cattle auctions at hundreds of new abattoirs in outlying areas. That welcome freeing of the market, however, makes spot prices harder to come by.

The Safex conference not only gave a strong boost to the launching of an agricultural commodities futures exchange in Johannesburg in the foreseeable future, but also to the formalising of spot exchanges.

Says Wixley: "Safex's financial futures exchange was launched a mere five years ago and now has 70 registered brokers. It now handles about 50 000 financial futures and options contracts daily valued at about R1,5bn. The scope for growth in commodity futures is substantial."

Chicago Mercantile Exchange vice-president for international development Michael Gorham agrees with Wixley's bullish sentiments and believes that agricultural futures markets in SA could serve the subcontinent. "With control boards playing a diminishing role in marketing and pricing, the price-forming vacuum has to be filled. But first you would need formalised spot markets to act as price information centres, followed by futures markets to provide the hedging stability needed by farmers and buyers."

Gorham says SA is following the opposite route of the US, which developed commodities futures markets in the last century. "Only fairly recently did the Chicago exchange launch its enormously successful financial futures contracts, which now trade at a volume of about US$330bn a day. In your case, Safex first established a financial futures market and is only now looking at the possibility of launching a commodities futures exchange."

And, while commodities futures used to dominate Chicago's trading, they have now been far surpassed by the huge volume in financial futures — with about 40% of the exchange's financial futures investment flowing in from overseas.

Wixley says obtaining lists of potential futures brokers, followed by the establishment of effective commodities spot markets, is the next step following the conference. He is offering Safex's assistance in getting a commodities spot exchange (for grains — maize, wheat, sorghum and possibly oilseeds — red meat and fresh produce) established.

Meat Board economist Ernst Janowski says the red meat industry would lend itself to a futures contract but, possibly, only in the fairly limited top range of the slaughter product. Here, again, SA differs from the US, where futures contracts are taken out on live, rather than slaughtered cattle.

Price volatility for livestock is far higher than with slaughtered meat because fewer grades and greater differentials exist, making it more attractive for futures speculators. Therefore, to institute a similar system in SA means new grading systems will also have to be developed, though the first steps have already been taken.

"We operate a fairly sophisticated, graded live cattle auction system in Natal and have been passing on our daily price movements to the Meat Board," says Natal's Stockowners Co-op CE Val Field. "If a national livestock grading system can be developed, we would be happy to participate in a commodities futures exchange."

Meat Board economist Wilby Venter says that with the board's floor price system under pressure (abattoirs have, since August, been refusing to pay Meat Board stabilisation levies because they claim that they have a negative impact on pricing and profitability), the board is searching for options. But, he adds, a floor price system remains the preference of farmers, according to the Red Meat Producers' Organisation.

Wixley says there would be no shortage of commodities speculators — the lifeblood of any futures exchange — provided enough sellers and buyers were found to sign on as brokers and hedgers.

And with the ANC also supporting fewer controls over agricultural marketing, both buyers and sellers could well be forced to take the next step towards supporting Safex's initiative to launch such an exchange. ■

EYEGLASS INDUSTRY

Battling over discounts

Discount spectacle dispensers not registered with the SA Medical & Dental Council could be shut down soon if Frames Unlimited loses next month's ruling in a two-year-old court case. A decision against the 30-branch Frames Unlimited chain would affect other discounters and be bad news for the roughly 2m people who wear glasses and contact lenses and the estimated 6m more who need them (*Business & Technology* May 14).

Optical dispensers don't prescribe spectacles or contact lenses; they take the prescriptions written by optometrists and ophthalmologists, have them filled at a lab, then fit the frames and lenses for customers. Before 1976, dispensers faced no legal requirements. Since then, they have had to take a three-year technikon course and pass an

ENTER SUN MICROSYSTEMS

The latest in the long line of major computer companies to set up office in SA is Sun Microsystems from Mountain View, California. The world's top Unix work station manufacturer, ranked 139th on the Fortune 500 list of America's biggest industrial companies, Sun braved political uncertainty and opened a small office in Midrand this week.

Though known mainly for its powerful work stations and file servers (which have replaced the much bulkier minicomputers at many scientific and commercial sites around the world), Sun sees its main line as "enterprise networking" — the provision of networked computer systems to all types of organisations with operations that span cities, countries and even continents. Sun coined the popular phrase "the network is the computer."

The company has sold more than 1m computer systems based on the Unix operating system since it was formed in 1982. According to International Data Corp, Sun was number one in revenue and units sold in the Unix systems market last year, ahead of Hewlett-Packard, Digital and IBM. Revenues grew 20% to US$4,31bn in fiscal 1993.

Sun formally entered the local market at the end of 1992 with the appointment of Vector Network Computers, Rightsizing Technologies, Lonnet and Risc Solutions as distributors. It appointed Large Scale Systems as its fifth distributor in February.

Its installed base in SA numbers about 1 600 systems. Customers include First National Bank, Standard Bank, Old Mutual, Price Forbes, Wits and Pretoria universities, the CSIR and Kruger Park. Jan Smuts airport uses Sun equipment to control aircraft movements.

Sun regional manager for southern Africa Abie Fullard says: "We are not in competition with our distributors, who will continue to act as Sun's main distribution channels. Our purpose is to get closer to these partners and provide more support for customers." The office will focus on technical, marketing and support services.

'CAPE

Forum aims to make cheap bread

ARG 13/4/94

(3) MAIZE

SHARON SOROUR
Labour Reporter

A NATIONAL wheat forum, aimed at providing people with bread at the lowest realistic price, has been established by industry players, including farmers, unions, bakers and consumers.

The forum plans to formulate a new economic strategy for the wheat industry and to develop a national bread policy.

According to chairman Eugene Brock, the National Wheat Forum will investigate, develop and recommend policies to provide consumers with bread at "the lowest realistic price", while promoting growth in all facets of the wheat industry.

The forum, like other similar bodies, will have the opportunity to shape state policy through submissions to government and the National Economic Forum. However, it has one big difference: it is the first to include a wide range of industry participants, ranging from the Food and Allied Workers' Union, which played a major role in the forum's establishment, to the Wheat Board and the farmers' Winter Grain Producers' Organisation.

It aims to bring together interested parties to work towards openness and consensus, and to act in the public interest, he said.

Dr Brock, a director of Premier Food Industries, said the creation of the forum was significant because it provided a structure within which potentially antagonistic parties agreed to co-operate and pursue common objectives.

Fawu general secretary Mandla Gxanyana said the forum signalled the "democratising of our economy and ensuring that everyone is involved in its development".

Mr Gxanyana said it would create consensus among the parties to work towards job security for workers and "a fair share for all involved".

Committees had been appointed to focus on industrial development policy, security and stability, human resources and consumer interests.

The security and stability committee, headed by Fawu official Funky Komape, planned to liaise with community organisations in a bid to curb the attacks on bread vans in the townships.

The human resources committee had identified training and development as an urgent priority, and was conducting a survey of all training undertaken by employers in the various segments of the industry.

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Maize study commissioned

Star 3/5/94

③ Maize

The ANC has commissioned the Land and Agriculture Policy Centre (LAPC) to prepare proposals for the maize price, tariff and marketing system for the 1994/95 marketing season, the LAPC said yesterday.

The LAPC said any increase in the selling price of maize from the current R505 a ton for yellow and R545 a ton for white maize could not be justified in view of this year's near record harvest.

"Taking the large exportable surpluses into account, the LAPC's recommended selling prices are R460 a ton for yellow maize and R480 a ton for white."

The delivered price for maize producers has been set at R310 a ton, which is 25,7 percent lower than the delivered price for the previous season.

Maize price arrangements came into effect on May 1. — Sapa.

Maize Board puts freeze on prices

B/Day 3/5/94

GRETA STEYN

THE Maize Board yesterday announced that maize prices would remain unchanged until further notice — perhaps the first signal that the ANC is setting agricultural policy.

(3) Maize

The board's announcement followed a policy statement from the ANC's agricultural think-tank, the Land and Agricultural Policy Centre, saying an increase in maize prices could not be justified in the light of this year's record harvest.

The centre suggested lower prices and proposed the immediate relaxation of some marketing controls as a step towards a freer marketing system.

Sapa reports that the Maize Board said the maize price, which came into effect on May 1, would remain in force until finality was reached on selling prices for the 1994/95 marketing season.

Present best grade prices were R545 a ton for white and R505/t for yellow maize, R200 higher than the delivered price. The delivered price for maize producers was set at R310/t, which was 25,7% lower than last season's price.

Commissioned by the ANC, the Land and Agricultural Policy Centre developed its own pricing model, suggesting selling prices of R460/t for yellow maize, and R480/t for white. These represented cuts of 20% and 23% respectively on last year's prices in real terms. It said farmers would still make the same profits per hectare as

☐ To Page 2

Maize

B/Day 3/5/94

☐ From Page 1

last year, which had been "a good year".

The centre proposed lifting restrictions on who was allowed to register as a buyer, and reducing the levy to be applied on transactions. This would allow farmers greater opportunity to negotiate higher prices for themselves.

(3) Maize

The centre said its recommendations would ensure that consumers gained significantly from the bumper harvest and producers would not be at a disadvantage. On average, the prices secured would still be substantially higher than a free market outcome. But some diversification out of maize, particularly in the more marginal areas, was encouraged. The risk of the marketing system collapsing at significant cost to the Maize Board (and ultimately the taxpayer) would be minimised.

Spoornet lands maize contract

STEPHANE BOTHMA

SPOORNET has landed a R600m contract to transport export maize to two of the country's harbours on behalf of the Maize Board. BiDay

The contract included the railing of 6,6-million tons of maize worth about R2,86bn destined mainly for markets in the Far East, Spoornet assistant manager of rail services Andrew Willson said yesterday. (3) Maize

"It is the largest export programme ever undertaken in the history of Spoornet," Willson said, adding that a 24-hour process office had been established to co-ordinate the programme.

Maize was being transported mainly from the Eastern Transvaal, Free State and Northern Cape to the Durban and East London harbours, he said.

About 190 ships, each carrying more than 34 500 tons, will be loaded with maize in the programme which ends in September. 5/5/94

Willson said the major part of the logistical planning involved the co-ordination of arrival times of trains and ships to avoid delays.

Currently, only last season's maize stored in silos around SA was being exported, and the Maize Board was working around the clock to clear the silos for this year's bumper crop, which was expected to be ready for storage by the end of August.

The board said it had sold maize on tender to private companies at between $120-$127 a ton, the bulk of which was being sent to the Far East, with some going to African countries.

ANC set to cut maize price 20 %

S Times (BUSS)

THE new government is likely to reward its electorate with a 20% reduction in real terms in the price of mealie meal, writes TEIGUE PAYNE 8/5/94

A near-record maize crop this year of 12,5-million tons should benefit consumers.

But farmers are fighting for little or no reduction in price and maintenance for another year of Maize Board regulation.

The ANC-aligned Land and Agricultural Policy Centre (LAPC) recommends that the board's price should be set at R480 a ton for white maize, 12% lower than last year's R545 and about 20% lower in real terms given previous maize-price rises.

The LAPC estimates that farmers could make about the same profit in real terms as they did last year.

The big crop means large exports at a loss. They have to be paid for by board levies. The LAPC believes the board is too pessimistic about exports.

(3) Maize

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Maize pricing system falters

WM 13-19/5/94

(3) MAIZE

Mealie meal prices seem set to drop, reports **Teigue Payne**

THIS year's massive maize crop is paving the way for the announcement by the new consumer-orientated government of a lower maize price.

Meanwhile, stresses within the maize marketing system indicate the major milling companies are already, or will soon be, in open revolt against the Maize Board. This could lead to the collapse of its control over maize pricing.

The only obstacle to lower maize meal prices has been agreement with the producers of maize — the farmers and co-operatives — who no longer have a strong voice in government.

The producers largely admit that because of the near-record maize crop this year, estimated at 12,5-million tons, consumers cannot be expected to pay more. But they are fighting for little or no reduction in the Maize Board's powers to regulate sales at its prices.

Producers, millers and others have not been able to agree on the price which the board should charge for maize. So last week Agriculture Minister Kraai van Niekerk announced the board's selling price for white maize would continue at last year's price of R545 a ton.

It is at best a stopgap solution. Van Niekerk, who retained his cabinet post, is likely to opt for a price reduction, especially because the ANC's consumer orientation, and because of advice from its think-tank, the Land and Agriculture Policy Centre (LAPC).

This week the LAPC recommended that in view of the big maize surplus the board's price should be set at R480 for white maize, 12 percent lower than last year's R545. That would be about 20 percent lower in real terms given maize price rises of about eight percent in past years.

Much of this year's crop will have to be exported at prices — net of marketing, transport and harbour fees — lower than those paid to producers for their crop. The Maize Board will pay the difference.

Van Niekerk announced producers would receive immediately R310 a ton. This is R107 lower than last year's price of R417, when exports were expected to be lower. Here the minister could not maintain the old price because that might have left the board facing a huge deficit if export conditions are as expected this season.

Most of the difference between the R545 and R310 prices goes into Maize Board levies to finance exports. If export conditions are more favourable than expected, producers are paid an *agterskot* later in the season. They would get a bigger *agterskot* if the Maize Board's selling price could be maintained at R545.

On current prices, the producers' price of maize is R235 below the Maize Board's selling price to millers. This gap is creating an unbearable situation for major millers which could result in a collapse of the board pricing system and widespread discounting, before Van Niekerk has time to think about setting a lower price. It is rumoured Tiger Oats, South Africa's largest food company, has refused to pay the R545 price.

If the LAPC's suggestions of a R300-R330 producer price and a R480 price to millers are accepted by Van Niekerk, the small gap would reduce the pressure somewhat — but it might be too late. The LAPC has also recommended immediate reforms in the maize marketing system to encourage a freer market. Under its recommendations, the board's producer price would become a floor price with producers able to negotiate for higher prices elsewhere, though these direct transactions would still be subject to levies.

Proponents of the current pricing system agree that maize will eventually have to be priced on a more free-market basis. However, they want to maintain the system for another year, apparently so that the co-operatives can adjust.

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Govt set to fix maize price

BDay 18/5/94

GERALD REILLY

PRETORIA — The maize price for the new season will be fixed by government after a meeting held on Monday between the Maize Board, the trade and the National Association of Maize Producers' Organisations (Nampo) failed to reach consensus on the price.

(3) Maize

The board had set an "interim" producer price of R310 a ton, R107 lower than last season's price. Nampo is to hold a news conference today to put the producers' case.

MAIZE PRICES

Fm 20/5/94

The farmers' last stand?

(3) Maize

While farmers continue to harvest their 12,5 Mt bumper maize crop, producers and the large industrial buyers continue to argue over what the maize prices should be. Mediation, which lasted until nearly midnight on Monday, was requested by the Maize Board after meetings between the two groups failed to resolve the issue.

"It was agreed that both sides would submit their price proposals through me to the board by the end of this week," says Independent Mediation Services chairman Charles Nupen, who was appointed by the board. "I presume that the board would then submit the issue to Agriculture Minister Kraai van Niekerk by early next week."

If SA had a free market in maize (supported by a futures market to hedge prices), price-setting would be a simple supply-and-demand market exercise. But with the single-channel, government-fixed-price scheme still in operation, pricing remains highly political (*Business* March 18).

The board was supposed to announce the new maize prices on May 1. Instead, Van Niekerk, one of the few NP Ministers to keep his job, made an interim price ruling on May 2. He decided that last year's industrial buyer price of R545/t for white maize (for people) and R505/t for yellow maize (for animals) would remain unchanged but that last year's producer price of R417/t would be reduced to R310/t for the interim period.

The industrial buyers, such as Premier and Tiger Oats, would like to see the interim R310/t producer price become official, and they want no more than R80 tacked on to that to determine the price that they will pay.

The producers, however, want at least R330/t. And the board wants more than double the R80 differential because that money goes towards financing the board.

"The gap of almost R200/t between the board's proposed producer and (buyer) prices would be a major incentive to circumvent (and destroy) its statutory fixed price, levy and marketing systems," says Tiger Group trade liaison manager Boris Kaplan.

Producers, on the other hand, are adamant that they should benefit from the bumper crop and be allowed to pay off as much debt as possible. "With an interim producer price of R310/t, maize farmers, on average, would lose money this year," says National Maize Producers' Organisation GM Giel van Zyl.

The ANC's agricultural policy foresees a price-stabilising role for the board. But as far as support for retaining unrealistically high prices are concerned, Nampo's and the board's fond hopes of possible State support for their position have been dashed.

Says the ANC-aligned Land & Agricultural Policy Centre: "The board's proposal that its price of maize (to large buyers) be based on import parity, particularly in the context of a huge surplus (which would drive down prices to well below the world price if the market were freed), is rejected. At the same time, the centre recognises that prices based on export parity (the world price minus transport costs and other expenses) would be inadequate.

"Using an alternative weighted average import/export parity price formula as an interim measure, the centre's recommended buying prices (for the large companies) are R460/t for yellow maize and R480/t for white. These represent cuts of 20% and 23% respectively on last year's prices in real terms."

The centre also argues that at these prices

no tariff protection is required but Nampo has proposed a 35% tariff on maize imports.

The centre sees a freer marketing system as not only desirable but necessary in the light of the large price gap. It says that failure to introduce some immediate reforms may cause the system to collapse, at significant cost to the board and ultimately the taxpayer. The centre therefore favours the immediate lifting of restrictions on direct sales, which would remain subject to a levy but at a significantly reduced rate.

And should government accept the centre's policy and pricing recommendations, considerably fewer than this year's 3,9m ha will be planted under maize — and this year's surplus problem would be avoided. Realism will rule if the market is allowed to signal to producers how much to plant.

In a recent statement, Van Niekerk warned the board (and farmers) "that the political, policy and physical environment in which the board has to operate differs considerably from that of a year ago. These drastic changes also affect the board's price and other marketing measures." The single-channel system is clearly on the way out and the board's role as single buyer and seller of maize will also change accordingly. ■

PHARMACIES

No antidote for reform

Pharmacists, it seems, remain more determined than ever to hold on to their near-monopoly of drug sales to the public.

Pharmaceutical Society of SA president Gary Kohn this week again stressed that the present network of pharmacies needs to be maintained at all costs. "The pharmacy as a small business enterprise must be recognised as important and in the public interest," he told delegates to the society's 49th annual conference at Sun City. Fm

Also tabled at the conference was a motion calling on the Pharmacy Council — statutorily constituted to protect the public interest but made up of a large number of pharmacists — to maintain pharmacy ownership firmly in the hands of registered pharmacists. 20/5/94

The motion, however, was withdrawn after the council's Johan van der Walt emphasised its commitment to keeping ownership with the pharmacist. Confirming that the council last year managed to scuttle the deregulation of pharmacy ownership by opposing the final draft of the Pharmacy Amendment Bill — which would have given the Health Minister the right to approve applications from Clicks, Pick 'n Pay and other non-pharmacists to open pharmacies — Van der Walt nevertheless stresses the importance of allowing controlled deregulation at the retail level.

"Government advisers and business are still applying pressure to deregulate the sector."

Van der Walt envisages a situation where limited non-pharmacist ownership of pharmacies is allowed, at the sole discretion of the council — a suggestion the Competition Board last year threw out as not being in the public's best interest.

The board was concerned that the council would largely prevent deregulation of the sector by setting difficult criteria for non-pharmacist applications.

Van der Walt suggests that the council will consider an application from a non-pharmacist to open a pharmacy in an area where there is none. Of course, this type of thinking could exclude the large retail chains that tend to operate in busy places where often there are lots of little pharmacies operating mostly on inefficient economies of

Brenmill earnings fall 8,5%

AMANDA VERMEULEN

MAIZE meal, malt and animal feed manufacturer Brenner Mills (Brenmill) sustained an 8,5% fall in earnings to 30c (32,8c) a share for the year to February. B/Day

A final dividend of 10c was proposed, bringing the total for the year to 18c (18c). 20/5/94

Turnover dropped 8,8% to R104,6m (R114,8m) with operating profit 18,5% lower at R11,3m. This was offset by a 74,9% increase to R1,4m in interest received and a lower tax bill of R5,7m (R7m). (3) Maize

Chairman and joint MD Arnold Brenner said consumers had switched to bread and rice but recent rice and bread price increases should return them to maize.

Kraai approves Maize Board's selling prices

BDay 1/6/94

PRETORIA — Agriculture Minister Kraai van Niekerk announced in Pretoria on Monday that he had approved the Maize Board's decision to sell white and yellow maize at R515 and R495 a ton, respectively.

This price comes into effect on Wednesday and excludes VAT, Sapa reports.

The approved selling prices will realise R350,11 a ton for maize producers, less R20 a ton which the Maize Board has decided to retain as a contingency reserve, leaving the delivery price for producers this year at R330 a ton. The delivery price for producers will apply to all maize delivered since May 1 within the official marketing channels.

The National Maize Producers' Organisation said in Bothaville that the maize price announced on Monday was disappointing.

Nampo GM Giel van Zyl said the new price gave farmers only a slight profit. Farmers should have benefited from this year's exceptionally good crop and been able pay off debts, he added.

(3) maize

Meanwhile, Reuter reports from Pretoria that three Ministers have been appointed by the Cabinet to decide on a maize price for the 1994/95 marketing season, a government source said. The ministers are: Kraai van Niekerk (Agriculture), Derek Hanekom (Land) and Trevor Manuel (Trade and Industry). They are expected to reach a decision by the end of the week, the source said.

He said the political delicacy of the maize price issue, normally handled by the Minister of Agriculture, prompted the Cabinet to make the decision a joint one.

However, the Marketing Act stipulates the final decision rests with the Agriculture Minister.

The Ministers' main consideration would be to prevent government having to finance a shortfall if the maize board should experience one as a result of export losses, the source said.

They would also try to pass on the benefits of the bumper maize harvest to consumers.

The latest official estimate for this year's crop is 12,5-million tons (9,1-million tons in 1993/4).

Van Niekerk announces maize price

Star

Agriculture Minister Dr Kraai van Niekerk announced in Pretoria on Monday that he had approved the Maize Board's decision to sell white and yellow maize at R515 and R495 per ton respectively.

(3) Maize

This price comes into effect today and excludes VAT.

1/6/94

The National Maize Producers' Organisation said that the minister's announcement was disappointing.

Nampo general manager Giel van Zyl said the new price gave farmers only a slight profit. — Sapa.

Anger over maize price

By KEVIN DAVIE


KRAAI VAN NIEKERK

MAIZE farmers have been given R120-million extra income over what would have been a fair price for their mealies, says the ANC-aligned Land and Agricultural Policy Centre (LAPC).

Its claim is in reaction to Agriculture Minister Kraai van Niekerk's maize prices announced this week. The LAPC is disappointed that prices were set at the high level of R515 a ton for white and R495 for yellow mealies.

Farmers will receive R330 plus R20 a ton if revenue permits.

"While the LAPC sympathises with the predicament the minister found himself in, having to set a price for a crop as required by the antiquated single channel system, we believe the price set places an undue burden on consumers."

The LAPC says the price also raises the prospect of wide-scale avoidance of levies and could result in losses by the Maize Board which would have to be financed by the government.

By not introducing direct selling, Mr van Niekerk "has lost an opportunity to begin reforming the maize industry by encouraging the freer marketing which all believe is essential to a more successful system".

The LAPC estimates that under different scenarios, including buyers taking an extra million tons of maize, a selling price as low as R430 a ton could have been set.

Farmers would have made large profits and the Maize Board would have avoided a loss on exports. The gap between the farmer's and the consumer's price for maize would have been lower.

"LAPC believes that this lower price would reduce the price of SA's basic staple significantly; provide farmers with substantial profits in a record harvest year; ensure that the Maize Board did not incur losses on exports; and ensure maximum co-operation in maize marketing by reducing the price gap between producer price and selling price.

"In essence, farmers have been given a R120-milion extra income over what would be a fair price."

Mr Van Niekerk says he accepted Maize Board recommendations that the price of white and yellow maize drop by 5,5% and 2% respectively from last year's levels.

The price regulations are subject to a suitable new marketing system being drawn up before August for the 1995-96 season.

The Department of Agriculture says Nampo and buyers of maize prefer an amended scheme. Mr van Niekerk asks "all players to keep the current scheme in place this year". 3) maize

The LAPC says the expected crop of 12-million tons will result in exports of up to 5,5-million tons. Every ton exported results in a R120 to R140 loss compared with the domestic price. The board recovers the loss by charging a levy on domestic sales, causing a price gap.

"This provides an incentive for buyers to evade the scheme," says the LAPC.

"Some of the large groups have also threatened to challenge the right of the Government to impose levies as infringing the Bill of Rights in the constitution," says the LAPC.

Maize export losses will cost consumer R600m — food industry

BDay 4/6/94

GRETA STEYN

FOOD companies have hit out at maize farmers over the maize price announced last week, saying the consumer will foot a R600m bill for farmers' insistence on over-producing.

Foodcorp, Premier, Tiger Oats and Maizecor said in a statement yesterday that consumers faced the likelihood of escalating prices despite the bumper harvest.

The latest crop estimate was more than 12-million tons, while domestic demand was only about 6,5-million tons. The surplus will be exported at a loss, and food companies claimed consumers would pick up the tab for the export losses.

The ANC-aligned Land and Agricultural Policy Centre also expressed disappointment at the high maize prices. Director David Cooper said pressure for quick reform of the maize pricing system would be stepped up in the wake of the favourable deal farmers had received. But the centre had sympathy for Agriculture Minister Kraai van Niekerk's predicament.

Van Niekerk announced a price of R515 a ton for white maize and R495 for yellow. Farmers would get R330 a ton and a further R20 a ton if revenue permitted.

The food companies described as "totally unacceptable" the large gap between the board's price to farmers and that paid by manufacturers. (3) maize

The food companies will be paying more to subsidise export losses, and can be expected to pass the cost on to the consumer.

Their statement said the Maize Board expected a loss of R110 a ton on exports. The effect of passing these costs on to the consumer would equal an extra R1 per 10kg pack of mealie meal.

They accused the farmers of "blatant control" of the single-channel marketing system (the marketing of maize through the board at a set price). "This domination of the pricing process by the farmers has never been as evident as this year."

Major maize buyers had offered to buy an additional million tons to reduce the volume of exports, but this was rejected.

Farmers had said that despite the bumper crops, they would receive a lower price for maize. Many were still feeling the after-effects of the drought, and the Land and Agricultural Policy Centre's suggested price was rejected as too low. They also argued that internationally, farming was heavily subsidised which explained why the export price was so low.

The manufacturers accused the farmers of overproduction that had contradicted the advice of the Agriculture Department and Nampo itself. Government had provided assistance to farmers to help them convert to alternative crops. But the area under maize cultivation had increased more than 27% in the past three years.

A new, more flexible marketing scheme will be established by August.

Maize

BDay 8/6/94

□ From Page 1

were scuttled because farmers felt it was a bad time to do so in the midst of an over-supply of grain.

(3) maize

The oversupply means the Maize Board will export about 5,5-million tons at a loss of about R110 a ton. To finance the losses, the price for local manufacturers was set at R515 a ton for white maize — much higher than the R330 paid to farmers.

Food manufacturers and the ANC-aligned Land and Agricultural Policy Centre have lobbied for more flexible pricing, with producers and buyers able to negotiate prices between them.

GERALD REILLY reports that Nampo GM Giel van Zyl said food companies and the milling industry were talking "mischievous nonsense" when they claimed consumers would have to foot a R600m bill because farmers had overproduced.

The board's selling price had declined 40% in 10 years, which seemed to indicate there was something amiss with the efficiency and marketing skills of the milling and food industries if they frequently had to raise prices and blame it on producers.

Maize Board's prices to be reviewed

BDay

GRETA STEYN

AGRICULTURE Minister Kraai van Niekerk is expected to announce today that a committee will investigate the maize price after accusations that the Maize Board had pitched it too high this year.

8/6/94

It is understood the committee will consist of independent experts co-ordinated by Agriculture Department chief director Attie Swart.

(3) maize

Sources said all parties with vested interests would be excluded — farmers, food manufacturers and the Maize Board. But sources in the maize producers' organisation Nampo said if farmers were excluded "they will not keep quiet. We hope the committee will act as a facilitator rather than dictating the process."

The committee's brief would be to devise a more flexible system of setting maize prices than the present single-channel marketing system.

When he announced the year's maize price last week, Van Niekerk said a new system would be in place by August. Moves to introduce more flexible pricing sooner

□ To Page 2

Food groups threaten to bypass Maize Board as price row heats up

B/Day 9/6/94

MARCIA KLEIN
and MUNGO SOGGOTT

MAJOR food groups, including Premier and Tiger Oats, yesterday threatened to bypass the Maize Board marketing system because of their dissatisfaction with the latest maize prices.

Spokesmen said the gap between the fixed price received by farmers and that paid by millers was unacceptable. This meant the companies would be forced to bypass the single-channel system.

Last week Agriculture Minister Kraai van Niekerk announced that millers would pay R515 a ton for white maize and R495 for yellow. Farmers would receive R330 a ton and a further R20, revenue permitting.

The companies said farmers' overproduction, which led to a loss on exports, would cost the consumer R600m, or an extra R1 per 10kg bag of mielie meal.

Premier Group chairman and CE Peter Wrighton said: "I think we are going to be forced to bypass the Maize Board. We cannot continue under these circumstances."

Tiger Oats executive director Hamish McBain said: "The only way to remain competitive is to bypass the board. The farmers have grown too much maize despite warnings, and now they are expecting others to pick up the tab."

Wrighton said the major food manufacturers could be forced to do what smaller millers did and bypass the board. He said major millers would meet Van Niekerk over the problem.

(8) maize

Sapa reports that the board responded strongly to the food companies' claims that local consumers were paying higher prices to recover the R600m lost on exports.

The statement by Tiger Oats, Premier Foods, Foodcorp and Maizecor had created "some seriously flawed impressions".

"In fact the selling price for maize for the 1994/95 marketing season is lower than last year. The price for white maize for the consumer has dropped 5,5% from R545 a ton to R515. Yellow maize prices have dropped 2% from R505 a ton to R495."

The board said the farmers were carrying the cost of exporting maize. With the current selling price of maize and break-even costs for commercial supply and demand, farmers could expect a return of R430 a ton. However, farmers would receive only R350 a ton because they would have to foot the bill to export the surplus.

McBain said he stood by the facts of the food companies' statement. Even in real terms the selling price had increased.

Meanwhile, Van Niekerk announced steps to draw up plans for a new maize marketing scheme by the end of August.

A "committee of experts" would be appointed, chaired by Agriculture Department chief director Attie Swart, to help work out a new maize scheme. The committee would canvas all interest groups, who had until June 24 to submit proposals.

Consumers made to subsidise exports

Star 9/6/94

Maize Board under fire

(3) maize

■ BY DEREK TOMMEY

The Maize Board as it is now constituted, with it single-channel marketing system could be fighting for its life.

What seems likely to give the board the coup de grace is its pricing policy for this season's record maize crop, now estimated at 13 million tons, up from around 8,6 million tons last year.

One would normally expect when there is a record crop for the consumer to benefit through substantially lower prices.

While this year's white maize price to the consumer has declined, the reduction has been relatively small — 5,5 percent to R515 a ton.

The reason the decline in the consumer maize price has been so small is that the Maize Board is levying R110 a ton to subsidise the expected 5,5 million tons of maize exports. These exports are expected to sell at R110 to R120 a ton below the local consumer price.

This means that the country's poorest population group is having to pay R600 million in export subsidies, says Peter Wrighton, chairman of Premier, the country's biggest miller.

Farmers have also seen their maize price cut — from R417 to R350 (if they get an agterskot of R20) a ton.

But because of the jump in the size of the maize crop, they will not do so badly as their gross income will rise 22 percent to around R4,4 billion.

Apart from imposing a huge burden on the poorest sector of the community, the Maize Board's pricing policies are also criticised for encouraging farmers to plant.

Although the Government has spent a lot of money in the past three or four years encouraging farmers to reduce acreage planted, it has actually grown by 27 percent, says Wrighton.

The result is that South Africa is having to export maize at a loss, while having to import sunflower oil and other commodities which could be grown here.

However, there is also mounting criticism of the whole philosphy of the Maize Board and especially its policy of exporting maize at a loss.

The Maize Board claims that this brings in valuable foreign exchange — but at some cost.

However, some economists maintain that lowering the maize price to nearer the producer price and lowering the country's cost structure would increase exports and generate far more foreign exchange than the Maize Board can.

The Maize Board is also being criticised for its export marketing policy. It is claimed this it is unsophisticated and plays into the hands of foreign buyers.

Board hits back in maize row

Star 9/6/94

BY NORMAN CHANDLER
PRETORIA BUREAU

A row has erupted within the maize industry over claims by food manufacturers that lower maize production prices are not being passed on to consumers.

The Maize Board, in an unprecedented attack yesterday on four major food manufacturers — which claimed this week that consumers were paying some R600 million a year to recover export losses on maize — said it was in fact the farmers who were carrying the cost of exporting maize.

Premier Milling, Maizecor, Foodcorp and Tiger Oats said on Tuesday that consumers faced the likelihood of escalating prices despite the 12,3 million-ton maize harvest.

However, the board said "the fact is that the selling prices for maize for 1994-95 are lower than those for last year", adding that "prices for the man in the street have fallen in real terms by between 10 and 16 percent".

Regrettable

It said the four companies "conveniently ignore the fact that Maize Board price proposals are subject to consideration by the National Marketing Council and the Minister of Agriculture and that, this year, a Cabinet committee was also involved in the final approval of this year's prices".

(3) Maize

The board added that it was "regrettable that the blessing of an excellent maize crop is being misused by a few buyers with uncertain motives. The positive aspects of the large crop have been totally ignored ... the crop will earn us (the board) in the region of R2,3 billion in foreign exchange, and the consumer price of maize, which has dropped since last year, will be approximately 18 percent below import parity in the main maize-consuming areas."

Meanwhile, the maize marketing system is to be reviewed.

Agriculture Minister Dr Kraai van Niekerk said in Pretoria yesterday that a committee had been appointed to undertake the task.

Van Niekerk asked farmers, food companies and consumer bodies to make their proposals by the end of the month.

▶ Maize Board under fire – Page 17

Maize price may destroy monopoly

Teigue Payne reports on the threats to the single-channel marketing system

(3) MAIZE
WM 10-16/6/94

Mealie meal is a staple but the poor will have to wait for the maize price to come down

PHOTO: RUTH MOTAU

THE end of the Maize Board's single channel marketing system appears to be at hand following the announcement by Minister of Agriculture Kraai van Niekerk of an apparently unsustainable price millers will have to pay for maize.

At the end of May the minister announced a price of R515 to millers (for white maize), only five percent lower than last year despite the big crop. The price farmers will get was set a R330, with a possible R20 *agterscot* (payment later) — well below last year's price to them of R417, when the surplus crop was lower.

The Land and Agricultural Policy Centre criticised the minister's decision and argued for a drop of about 12 percent in the price to millers. The minister was apparently under pressure to protect farmers by setting as high a price as possible to millers.

But it is unlikely that, despite the LAPC's criticism, the ANC's politicians were not consulted by Van Niekerk. More likely a joint decision was that the interests of the masses in having a lower milled maize price would have to bow before the need to satisfy farmers.

But within a few months, the masses may get their cheaper maize because the major millers look set to rebel against the minister's high price to them. The problem is the gap of almost R200 between the R330 price the farmer receives (the delivered price) and the R515 price the millers pay to the board (the supplier price).

Most of the gap goes into board levies which finance exports. Exports have to be financed because the net prices received for them are lower than those paid to producers for their crop. The total deficit widened this year because there is a bigger surplus crop for export than last year. The minister could not maintain the R417 price farmers got last year. But to have set the producer price lower would have invited rebellion from farmers.

The gap is causing a problem for the major millers: smaller millers have been buying direct from farmers and been able to discount their milled product. This is eroding the market share of the major millers.

Evidence that the major millers are haemorrhaging was reflected in the financial statements of Tiger Oats for the half-year to end-March. It reported its milling and baking divisions made a loss. A Tiger executive indicated that his company would have to take a stand against the Maize Board price.

Assuming the problem is not solved, the major millers could refuse to pay the board's levies or simply not submit returns of their purchases to the board. The board would then have to prosecute them.

The major millers could use the Bill of Rights, which provides for freedom of association, to attack the single channel market system. If they were successful, this could mean the end of single channel marketing systems.

Their real problem appears to be getting enough volume of maize to feed their mills. They can buy a certain amount direct from farmers who want to get higher prices by avoiding the board. But the co-operatives have the big silo capacity. The co-operatives have clung to the board single channel marketing system because they are financed by it.

3 Maize

13/6/94

Maize farmers warn of devastating losses if their crop prices remain low, reports Norman Chandler of The Star's Pretoria Bureau

Mealie price apoplexy on platteland

The fixing by the State of the price of maize, and the mark-ups which occur before it reaches the consumer, is causing apoplexy on the platteland.

Farmers, already under financial pressure due to long years of drought which saw rising input and equipment prices, are angered at what they perceive to be a lack of understanding on the part of the State, agricultural think-tanks and the food industry over their plight.

Now the fact that Agriculture Minister Kraai van Niekerk has, after weeks of pressure, decided to appoint a committee to investigate how maize is priced is also hardly likely to make farmers very happy, particularly as they have specifically been excluded from the committee, along with food manufacturers and the Maize Board.

Farmers are apparently not particularly concerned about the exclusion of the manufacturers in view of a statement by four major companies earlier this week that consumers "will foot a R600 million bill for farmers' insistence on over-producing". This is a reference to the expected record harvest of 12,3 million tons for the season.

The statement has also been roundly condemned by the Maize Board.

Farmers claim that they are unable to make ends meet due to the R515/ton selling price for white maize and R495 for yellow maize which was announced by Van Niekerk recently for the 1994-95 marketing season.

The producer price has been set at R350,11/ton and farmers have been promised a further R20/ton from a Maize Board contingency fund if there is sufficient revenue to do so.

The new selling prices — reached after talks with Land Affairs Minister Derek Hanekom and Trade and Industry's Trevor Manuel — are 5,5 percent and 2 percent respectively less than last year.

Farmers say the prices are not high, as claimed by the ANC's Land and Agricultural Policy Centre, which has also called for a reform of the maize pricing system.

Dr Renier Couture, an eastern Transvaal farmer who has a French economics degree, says it is "absurd" that the producer price should be so low and argues that last season's prices were politically motivated. His view is that the Government did not want too much money to be available to farmers due to the political situation pertaining at the time on the platteland.

Last year, militant farmers — many of them supporters of the Conservative Party and right-wing organisations — threatened to take the law into their own hands over security issues.

"Input costs are increasing by about 15 percent a year and it is therefore logical to ask why aren't prices going up 15 percent? Costs and outputs are reaching a limit. The price we get for our mealies cannot pay for implements that are needed.

3 maize

"It is not true that prices should come down because of so-called bumper costs. There are no bumper crops," according to Couture.

He is calling for a system of seperate prices for internal and external use, not the present "mixed price", and argues that the only way to determine pricing was by starting with the consumer figure and not with the producer price.

He claims there are high markups in the pricing chain — "the miller, the wholesaler and the retailer are making a profit".

National Association of Maize Producers (Nampo) leaders also say that "a low producer price will put the economic survival of thousands of farmers and their labourers at grave risk".

The chairman, Jan Schabort, says that although this season's crop will stimulate other sectors of the economy, the fact of the matter is that the income generated for the farmer by exporting maize, after transport and port costs have been subtracted, is substantially lower than that of inland sales.

"It follows that a lower export price will negatively affect the producer price ... widening the gap between the producer price and the Maize Board's inland selling price to such an extent that both the buyer and the seller are tempted to circumvent the official marketing system."

Nampo claims that the Maize Board, in trying to keep the price gap as narrow as possible, will seriously jeopardise the economic survival of 15 000 maize farmers.

Giel van Zyl, Nampo's general manager, has gone on record as saying that a low producer figure will bring thousands of farmers to the brink of bankruptcy.

MAIZE BOARD

FM 17/6/94

Under attack on all sides

(3) maize

Will the embattled Maize Board survive? The major industrial maize buyers — Tiger Oats, Foodcorp and Premier Group — smell blood and are intent on applying even more pressure to the board.

Last week Agriculture Minister Kraai van Niekerk, under attack for the maize prices that he announced late last month, reopened the issue yet again by appointing a committee to look into the whole maize marketing and pricing system. The department's marketing director, Attie Swart, will chair the committee.

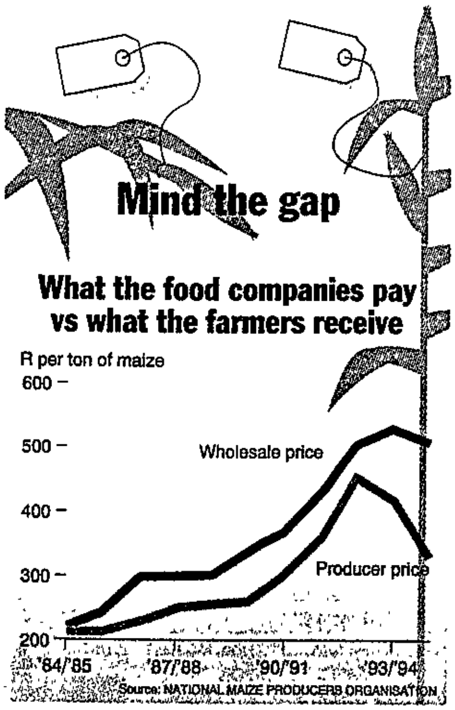
For now, this season's prices are set at R330/t (with the possibility of an extra R20) for maize farmers (well below last year's R417/t) and wholesale prices of R515/t for white maize and R495/t for yellow maize.

Yellow maize millers (who make the animal feed for poultry, dairy and red meat producers) feel especially aggrieved because the price they now must pay the board for their maize has dropped by a mere R10/t from last season's despite this year's huge surplus crop. White-maize millers (who produce for human consumption) got a R30/t price cut.

With the projected bumper 12,5 Mt maize crop (*Business* May 20), the board will export about 5,5 Mt — but at the world market price (US$110/t), which is well below the government-set selling price. The system ensures that overseas buyers get a better deal on local maize than SA buyers do.

The real point of contention is the R165/t gap between what the yellow-maize farmers get from the board and what the board charges its industrial customers. That money — along with the R185/t gap for white maize — goes towards funding the board. Last year the gap was R128/t.

"It is grossly unfair to expect the major milling groups to pay this huge levy to help cover the board's (expenses) while hundreds of new, small millers easily bypass the board's system without paying its levies," says Meadow Feeds MD Graham Ebedes. "These guys undercut us by contracting directly with farmers. Both parties make better profits while we have to uphold the antiquated single-channel system." The system mandates that maize farmers must sell their annual production to the board and that only the board can market the maize.



Leon du Plessis, the board's assistant GM, operations, confirms that the price gap is perceived by some buyers to be a problem. But, he says, May deliveries showed no evidence of farmers illegally holding back product or bypassing the board.

But for some time, many of the 10 000 farmers have been bypassing the board and selling directly to small independent millers. Tiger Oats, for one, indicates that by continuing to pay the board-mandated price, its bottom line has suffered.

David Cooper of the ANC-linked Land & Agriculture Policy Centre has also criticised the wholesale price to companies. "We believe that it places an undue burden on consumers and raises the prospect of widescale evasion of the compulsory levies."

Despite R280m provided by government to maize farmers since the mid-Eighties to entice them out of maize production and into other crops, the board's pricing policies have, since 1990, encouraged farmers to increase the acreage planted under maize by 27% — to 3,9m ha. ■

SOUR SEASON FOR SUGAR

The sugar industry has just had its worst season in years. Production for the 1993/1994 season was 1,172 Mt compared with an average 2,1 Mt, according to SA Cane Growers' Association chairman Rodger Stewart in his annual review this week. "Most parts of the industry continued to experience devastating drought and the result was that this was our smallest crop since the 1965/1966 season." FM 17/6/94

He adds that R1,8bn was lost in industrial revenue and foreign exchange earnings from the last three successive disastrous seasons. The growers share of this loss is R1,1bn. There was a correspondingly depressing knock-on effect to rural economies in parts of the eastern Transvaal and KwaZulu/Natal. Says Stewart: "The financial position of many a capable sugar farmer remains a cause of great concern." (sugar)

He adds that the association has, however, negotiated extended rehabilitation programmes for cane growers hit by the 1993 drought, with government departments, the Land Bank and the SA Sugar Association's Financial Aid Fund.

TRANSNET

A continental leap

The new SA has formed ties with Russia, Cuba, Tanzania and many other old enemies. Libya may be next. SA, now rehabilitated after years as a pariah, and Libya, which has replaced SA on the world polecat rankings, could soon be doing business together.

Libya has asked Transnet, the State-owned multimodal transport giant, to tender for a US$4bn project to build a 1 600 km rail line from Libya's eastern boundary with Egypt to its western border with Algeria, following the Mediterranean coastline through Benghazi and Tripoli. The invitation came from Libyan Foreign Minister Omar Montasser to Transnet MD Anton Moolman. Montasser was in SA for President Nelson Mandela's inauguration last month.

"We have investigated the matter and can tender for the project," says Moolman, referring to the sanctions that apply to Libya. His view is supported by Adrian Guelka, a professor of international relations at Wits, who believes that the UN sanctions apply only to countries operating air services to Libya and supplying it with oil-drilling equipment.

"There is no reason for SA to adopt a sanctions policy that goes beyond the UN's requirements," he says. An official at the US embassy says: "I guess that SA is applying UN sanctions, not US sanctions, which are complete."

Libya is feeling the weight of US and UN sanctions because it refuses to hand over two nationals to be tried in either Britain or the

Farmers defy Maize Board's control

S Times (Buss) 3/7/94

By KEVIN DAVIE

THE Maize Board's control of mealies is at breaking point because farmers are bypassing its single-channel marketing system to take advantage of the large differential between producer and consumer prices.

Agriculture Minister Kraai van Niekerk has been asked by food groups such as Tiger Oats to justify his decision to support a R185-a-ton gap between the price received by farmers and that paid to the board.

Farmers are selling on the black market to fetch higher prices and milling their own maize for sale at prices below the board's, says Tiger Oats's Hamish McBain.

The price differential enables the board to recover large losses from exporting surpluses at world prices, which are considerably lower than those in South Africa.

Now there are fears that if more farmers defy the system to reap higher profits, the board will lose revenue and the taxpayer will be asked to help make up shortfalls.

It is estimated that the SA consumer will pay R600-million over and above world prices for maize this year, partly to subsidise exports.

The row over this year's R185-a-ton levy has been exacerbated by the decision of the Swart committee, which is investigating a marketing and pricing system, that the levy be set at the more realistic level of between R30 and R50 a ton in 1995.

From next year, the board will act as a buyer of last resort. More discussion about the new pricing system is expected, but indications are that it will be freer from next year.

But discontent over this year's levy — which adds about 10% to the retail price of mealie meal — is growing.

Mr McBain says Tiger Oats has asked the minister to justify the R185 levy, with a view to bringing a court challenge.

(3) maize

Nampo general manager Giel van Zyl says he believes some farmers ("bosmeelers") are by-passing the system but most are selling via the official channels.

Mr Van Zyl says the extent of the levy (R157 a ton plus R20,38 as risk insurance) is unfortunate but it is being used to get rid of the present marketing system.

Nampo supports sales being made via the Maize Board on a voluntary basis. Mr Van Zyl says most farmers will sell to the board. He says differences are best solved through negotiation: legal action may only make matters worse.

Tiger Oats believes the levy is at least R100 a ton too high and that it is artifically inflated through silo costs and suspect calculation of the rand's value, railage costs and world prices in the next 12 months.

Workers 'must have say on maize'

B/Day 5/7/94

ERICA JANKOWITZ

THE Cosatu-affiliated Food and Allied Workers' Union (Fawu) resolved at the weekend to call for worker representation in all discussions on the maize industry marketing scheme and on the maize committee.

Fawu general secretary Mandla Gxanyana said yesterday seasonal workers in the fishing industry were also discriminated against in terms of current policy, and the union objected to this.

After a national executive council meeting at the weekend, Gxanyana said the council rejected Agriculture Minister Kraai van Niekerk's non-transparent approach which excluded worker representatives.

"We do not feel this is in the spirit of reconciliation or ... democratic principles."

Gxanyana said Fawu believed workers were a major stakeholder in maize production and had been excluded from discussions because "the Minister is seeking a speedy resolution to the problem at the expense of finding the best solution".

Workers were affected by the maize price because many were poorly paid and depended on such staple foods. (3) maize

Gxanyana said the council had also discussed the fishing industry and "vigorously objects to the position taken by the quota board with respect to the exclusion of fishing quotas for seasonal workers".

He said a new fisheries policy which complied with the requirements of the reconstruction and development programme should be devised and implemented immediately.

"Under the present circumstances, the union is prepared to take action until the situation affecting seasonal workers is resolved."

War on maize levy dodgers

Staff Reporter (3) MAIZE APRIL 22/7/94

THE maize marketing system is being circumvented, according to Minister of Agriculture Kraai van Niekerk.

In a statement he said the system was being circumvented by some role players and that essential levies on certain direct sales were not paid.

"The problem is that buyers who do not pay the levies to the Maize Board have an unfair advantage over those who pay levies in terms of the Maize Scheme," he said.

"The committee which he had put at the disposal of the industry to develop a new marketing system, was making good progress and details of the proposed scheme would be announced.

"The introduction of a scheme, however, depends greatly on the orderly conclusion of the current season. Non-payment of levies by a few for short-term profit can have serious consequences for all farmers and the board."

MAIZE MARKETING

FM 22/7/94

Edging to deregulation

The single-channel maize marketing system that forces farmers to sell nearly all their maize to the Maize Board should move a step closer to the scrap heap next week, when the board looks at the recommended marketing system that may open the industry.

But the five-man committee appointed by Agriculture Minister Kraai van Niekerk to recommend a new system (*Business* June 17) still has a lot of work to do to find a compromise between the farmers — represented by the National Maize Producers' Organisation (Nampo) — and the buyers, namely the main food companies Premier, Tiger Oats, Foodcorp, Genfood and Tongaat-Hulett, as well as major feed user Rainbow Chicken.

Committee chairman Attie Swart, who is the Agriculture Department's chief director of marketing, says the old system will remain in place until next April, when the current marketing season ends. He expects the committee to hand in a recommendation to the board by the end of the month. The board then has to report to Van Niekerk by the end of next month.

(3) maize

A driving force motivating the changes is Gatt, which goes into effect in January. The worldwide trade agreement does not allow a country to ban all private imports of a product, as happens with maize in SA. To replace the protection afforded by import control, the maize producers are demanding a high tariff on imports. Naturally, the processors want to be able to import maize freely.

Nampo has proposed to the committee:

- □ A 35% tariff on imports;
- □ Free competition for imports, after having tariffs imposed, in coastal areas;
- □ A protected inland market, where a formula price will be determined each year by the board (based on the tariff, import parity and cost of transport to Maritzburg); and
- □ A mandatory role for the board in getting rid of surplus maize, based on Nampo's suggested, annually fixed, inland price.

No provision is made for regional prices, suggesting existing subsidies between areas should continue. Nampo also favours phasing in a new marketing system containing strong elements to keep prices stable.

"But everything is on the table for discussion, including the position of the farming co-operatives and their grain silos," says Nampo GM Giel van Zyl.

The processors and buyers are supporting:

- □ Zero import tariffs;
- □ Regional pricing instead of subsidies;
- □ Silos operated commercially — they are now merely rented storage bins for the board, which assesses levies to repay the R500m due to the Land Bank for the grain silos, even though some levies have been repaid in full; and
- □ Overproduction "to ensure a reasonable degree of market stability and assure producers get a minimum remuneration."

The maize price, say buyers, should not be set to suit political expediency, but should be determined by level of carry-over stocks, world prices, the exchange rate, transport, handling and financing costs, the long-term weather forecast, estimated crop size and extent of projected local sales.

Industrial customers, who must buy their maize through the board, support the development of a commodity exchange, to provide for futures trading and an information source on prices and volumes traded.

Van Niekerk is on record in support of market forces. "The market must make the price. As much as 1m ha should no longer be planted to maize. And the way to stop this (excessive planting) is not through some control system but by making the price unattractive for marginal growers." ■

Millers take a bite out of food giants' fare

SI Times (Buss)

By DON ROBERTSON

IN its first six months of operation, the Soweto Milling Company has increased output almost ten-fold, one of the many small maize-meal producers to grab a bigger share of the market in recent months.

Food giants such as Tiger Oats, Premier Milling, Foodcorp, Rainbow Chicken and Tongaat, which mill about 80% of all maize in South Africa, are feeling the pinch.

It has been reported that by the end of the year, about 500 small and medium-sized millers will be in operation and that even some farmers are now milling maize for their own feedstock.

Many of these millers are buying maize directly from farmers to avoid the Maize Board's R185/ton levy, which is added to the R330 a ton paid to farmers.

This tactic is putting pressure on the board's single-marketing scheme and Minister of Agriculture Kraai van Niekerk has warned that, as a result, it might be impossible to maintain the system. A new marketing scheme is expected to be announced soon.

Soweto Milling buys its maize from the Maize Board and pays the levy but, with imaginative marketing techniques, has increased throughput at its New Canada mill near Soweto to around 350 tons a month from about 38 tons at the beginning of the year. 31/7/94

"We are more in touch with the people than the big companies," says Vernon Pheiffer, one of Soweto Milling's three partners. The others are William Shongwe and John Nel.

"We mix with the people in Soweto as often as possible. We have functions offering samples of the meal at shopping centres, have personalities and music and offer prizes such as soccer balls and T-shirts."

(3) maize

The product, African Sun, is sold through 300 shops in Soweto and is also available on the East and West Rand.

Mr Pheiffer plans to hand over the operation to Mr Shongwe in due course and open up more mills which he will eventually hand over to other black entrepreneurs. Negotiations are now taking place in Durban and Northern Transvaal for the establishment of new milling operations.

"We provide jobs for more people for the capital involved than the big companies," says Mr Pheiffer. Soweto Milling employs 30 people for an investment of R300 000.

PARTNERS IN MAIZE . . . William Shongwe and Vernon Pheiffer, who attribute their success to innovative marketing techniques Picture: ARISHAD SATTER

Maize sales plan goes to Minister

B Day 4/8/94

LOUISE COOK

THE proposal to scrap the single-channel system for marketing maize had been put to Agriculture Minister Kraai van Niekerk, the Maize Board said yesterday.

Details of the plans remained confidential, but sources said they centred on letting market forces take control of the maize sector, cutting the Ministry out of pricing. The board's monopoly over importing was expected to be broken up, leaving it responsible mainly for exporting excess maize production.

It was understood that farmers who chose not to market their produce would still be able to sell through the board.

Board chairman Jan Schabort said the new scheme would come into effect for the season starting in May. The proposals had been referred to government's national marketing council.

(3) Maize

National Maize Producers' Association chairman Kerneels Claassen said Nampo expected to review details of the scheme at an extraordinary congress this month.

The board had attempted to keep details of the proposals confidential until the Ministry made an official statement.

Sources said limitations on direct transactions, such as forcing the farmer to sell only on the buyer's premises, would probably be dropped. Levies on handling and storage were likely to fall away. Co-operatives with silos and silo users would probably determine storage costs.

It was also likely that maize could be imported to supply coastal areas. It was estimated that it would be cheaper to import maize from the US to the Western Cape than to transport it from the PWV. International prices are about R250/ton, against SA's R310/ton.

GRINDING AWAY . . . Orange Farm entrepreneur T J Majozi with a bag of 'illegal' mealie meal Picture: COBUS BODENSTEIN

Rebel millers crush maize system

SI Times (Buss) 14/8/94

By CIARAN RYAN

TJ MAJOZI, "Mr Fixit" at the Orange Farm squatter camp south of Johannesburg, has no qualms about breaking the law.

Armed with a cellular phone and a wheelchair, he has set up a non-profit business teaching Orange Farm residents how to mill their own mealie meal with maize bought illegally from local farmers for as little as R270 a ton, nearly half the Maize Board's R505 a ton.

From his premises at the Small Business Development Corporation's Palestine Hive at Orange Farm, he has taught nearly 50 local residents, many of them spaza shop owners, to mill their own mealie meal with cut-price maize.

Bypassing the board's controlled pricing system, some millers are able to sell 12,5kg bags of unsieved maize at R8,99, well below the normal shop price of R14.

Mr Majozi is contemptuous of the Maize Board. (3)maize

"We run this as a non-profit job creation scheme for the people of Orange Farm and if they interfere, I will publicise how they make food more expensive for the poor."

Mr Majozi says the SBDC is assisting local entrepreneurs by financing the purchase of milling machines. "There are about 180 000 families in Orange Farm and unemployment is running at 65%. This is our contribution to alleviating unemployment."

Nils Dittmer, executive director of the Organisation of Livestock Producers, is helping township millers to source maize direct from farmers.

Sharp cuts in maize production likely

BDay 15/8/96

LOUISE COOK

THE maize industry could cut production at least 15%, following the expected scrapping of the single channel maize marketing system, analysts said at the weekend.

The new maize marketing system, expected to be unveiled this week, is likely to lead the industry to limit production to domestic usage. Export production would sustain losses.

Sources said the industry was already switching to alternative crops, with demand for dry bean seeds at unprecedented levels. Dry beans are a staple food and exempt from VAT. SA producers are failing to meet local demand of 108 000 tons of beans a year, and about 48 000 tons are being imported from China. (2) Seeds

Sources said maize could also be used as fodder, and potatoes were another likely alternative crop. (3) Maize

August 19 1994

Scrapping system 'will cause waves'

B/Day 19/8/94

LOUISE COOK

THE scrapping of the one-channel maize marketing system will have a major effect on the bottom line of supplier companies to the agricultural industry, says agricultural information company Agfacts director Jim Ranken. (3) maize

The Maize Board's role would be reduced to exporting excess production. This could affect maize production, especially on marginal land, as farmers would no longer have the security of a guaranteed buyer.

Farmers on marginal land, especially in the drier regions, could switch to other crops, resulting in a 40% drop in maize production.

An industry source said prices of inputs such as fuel, fertiliser, machinery and chemicals would come under pressure. Suppliers would have to slash prices to stay in business and farmers would be able to command favourable deals.

John Deere MD Bert Pepler said a reduction in maize production was expected.

If farmers resorted to any large-scale reduction, it would be a major blow, he said. Tractor sales had started to pick up only last year after a sluggish period.

However, SA Machinery Association chairman Gerrie de Jong did not foresee any serious decline in tractor sales. Farmers would switch to other crops which would also require mechanisation.

The country's tractor fleet was ageing and would have to be replaced, he said.

A major diesel supplier to the agricultural sector, Total SA, said large-scale reduction in maize production would see a drop in sales, but the company did not feel threatened.

Any drop in sales would be counteracted by the switch to crops that still required diesel for production.

Fertiliser supplier Kynoch declined to comment.

OTK co-operative assistant manager Sampie Landman said deregulation would be chaotic and farmers would be hardest hit.

Maize crops streaming in

B/Day 22/8/1994

LOUISE COOK

THE Maize Board had so far received 10,4-million tons of the 12,1-million bumper maize crop expected this season, sources said at the weekend. 3 Maize

Last season's crop was just short of 10-million tons.

A spokesman for the National Crop Estimates Committee said all summer crops had increased since last season.

The sunflower crop had risen to 390 000 tons from 364 000 tons while sorghum increased to 432 000 tons from 428 000 and ground nuts to 128 000 tons from 119 000 recorded a year ago. The soya bean crop of 72 000 tons was also up from last year's 60 000.

The spokesman said farmers were relieved the drought had largely lifted, giving them a chance to return to more normal crop production.

Maize marketing system ends

B Day LOUISE COOK 26/8/94

THE scrapping of the single-channel maize marketing system was announced yesterday at a conference of the National Maize Producers' Organisation in Bothaville.

The conference proposed that the Maize Board remain in existence, but with the export of surplus maize as its main responsiblity. The single-channel system would still apply to the export market as the Maize Board would be the only body allowed to handle exports.

Levies would remain on all maize transactions, but would be determined according to new formulas. The conference also favoured lower production to minimise exports at depressed international prices. (3) maize

Based on this year's maize crop the revised levy would have been R42 a ton instead of the R180 under the single-channel scheme to the Maize Board, the conference said.

Harvest lifts farm income to R6,8bn

B/Day 26/8/94

AMANDA VERMEULEN

BUMPER maize and wheat crops in 1993/94 boosted net farm income 37,7% to R6,8bn for the year to June — indicating a return to normal agricultural trading conditions, economists said yesterday. (3) maize

The Agriculture Department's economic directorate said in its latest quarterly report that agriculture's contribution to GDP increased 16,2% to R14,7bn, representing 4,1% of the total GDP for 1993.

Farmers' cash flow rose 26,6% to R7,7bn, due to the 12,5% increase in gross income to R25,2bn relating to higher income from field crops.

Production volumes increased 7,6%, while producer prices increased only 1,9% on average.

Econometrix economist Tony Twine said this was a result of prices dropping as shortages fell to reach normal supply levels.

Interest payments remained a major cost item, directly related to relatively high interest rates and the high level of farming debt, which reached R18,4bn (R17,2bn).

Economic directorate assistant director Neels Meyer said interest payments amounted to 10,6% of gross income for the year, compared to only 5,5% in 1980.

Expenditure on intermediate goods and services increased 10,7% to R10,7bn, an increase in line with inflation, said Twine.

Prices of farming requisites, up 9,4%, also increased in line with inflation, while investment in machinery, implements and vehicles rose 41,7% to R1,4bn. Twine said this also indicated better farming conditions creating more income for investment, and a need for more equipment to cope with larger crops.

He said while some increases had been "phenomenal," they had come off a low base created by severe drought earlier in the 1990s.

Prospects for the coming year were good, although growth would not be as substantial as in the current year. This was mainly due to the current increases merely returning levels to average.

"Agriculture is held hostage to weather conditions, which makes it very difficult to make long-term predictions. However, the 1995 year should see good results."

R1,4-bn in earnings at current prices

Maize exports seen hitting 4 million tons

Star 30/8/94

■ BY NEIL BEHRMANN

London — SA maize exports will rise to 4 million tons over the year to June 1995 from 1,5 million the previous twelve months, estimates the International Wheat Council.

Prices, of course fluctuate, but at present quotes this translates into export earnings of R1,4 billion.

Exports, however, are likely to fall the following year because the London-based council, which represents grain producers and importers, has sharply reduced estimates of the SA crop.

Following expected lower maize output in 1994/95, there is likely to be less available for export in 1995/96.

The council forecasts that the SA maize crop in the year to June 1995 will be 9,5 million tons, down 23 percent from the bumper 12,4 million crop in 1993/94.

In 1992/93, the crop was 10 million tons.

Depending on global crop returns, SA maize exports could slide in both volume and price terms in 1995/96.

Since June, maize prices in Chicago, the leading international grain exchange, have tumbled by 22 percent.

Earlier in the year, the price of maize was firm because of speculation about weather and because of crop fears.

The council forecasts that worldwide maize production of 533 million tons in the 1994/1995 season will exceed the previous year's by 71 million.

On the export market, SA will be competing with the US, which is expected to farm 234 million tons in the coming year, against 161 million previously.

China, another leading maize grower, is projected to produce 103 million tons.

It will have exports of at least 10 million tons available for the Asian markets, normally keen buyers of SA produce. Russia is expected to reduce its imports of maize.

The maize price slide, however, is beginning to abate, says Bill de Maria, assistant executive director of the council.

Prices are already factoring in expectations of larger supplies, he says. Moreover, Far East buyers, representing about half of world imports, are bargain-hunting, says De Maria.

(3) maize

Yet the market is very competitive. High quality SA yellow and white maize in the past two months has sold at prices ranging from $98 and $107 a ton, says the council, compared with prices of $130 a ton last November.

Prices, and hence the value of exports, fluctuate. Yet the price decline will be a disappointment for farmers.

For example, the value of sales of 4 million tons is $520 million (R1,861 million) at $130 a ton. It shrinks to $400 million (R1,430 million) at the lower price.

If prices do not revive and volumes are smaller next year, maize export earnings could be sharply lower in 1995/96. Even so, the result will be far better than the 1992/93 season when SA had to import 3,5 million tons.

Maize is being sold to several African countries such as Kenya and also in the Far East, notably to Japan, Taiwan, Korea and Singapore. Individual SA grain destinations, however are marked "unknown" by the council.

The secrecy of SA officials is surprising, considering that the country is now the darling of the international community.

SA wheat production is estimated at 2 million tons in 1994/95, the same level as in 1993 and up from 1,3 million tons in 1992.

SA will be importing about 500 000 tons of wheat at higher prices in the coming twelve months.

Wheat prices have soared by 18 percent from their twelve-month lows because demand is well in excess of supply. The global wheat crop will crumble to 536 million tons in the year to June 1995 from 559 million the previous year, forecasts the council.

World consumption could exceed supply by 18 million tons, while stocks are equivalent to only 10 weeks of demand.

Production is lower after a decline in crops in Canada, Australia, Russia, Ukraine, Kazakhstan, Moldovia and the Baltic states, says the council.

Tiger Oats, Foodcorp defy Maize Board levy

S/Times (Buss)

By CIARAN RYAN

SEVERAL of the country's largest millers are withholding maize levies estimated at more than R100-million from the Maize Board to force the government to revise the system.

Among those withholding levies are Tiger Oats and Foodcorp, and and hundreds of smaller millers around the country.

Widespread bypassing of the maize-marketing system — which requires millers to pay levies of R185 a ton over and above the R330 it costs for a ton of maize — has depleted Maize Board reserves.

The levy was imposed to subsidise maize exports following this season's bumper crop of close to 12,1-million tons, 5-million more than is consumed domestically. 4/9/94

Millers say up to 1-million tons has been withheld from the Maize Board. This could represent a loss of R150-million to the board.

A Maize Board spokesman says it is aware of all circumventions of the maize marketing system and is seeking to recover the levies.

Though the board admits there are circumventions of the system it is "not to the extent that people originally envisaged".

Maize Board general manager Hans Swart says the board is investigating all circumventions as required under the Agricultural Marketing Act.

Haydn Franklin, chairman of Tiger Oats Milling and Baking, says there is a "window period" during maize harvesting season between May and August when millers traditionally buy maize direct from the farmer instead of the Maize Board.

3 Maize

FM 9/9/94

MAIZE INDUSTRY

Dumping the scheme

Maize farmers recently gave their blessing to a new marketing scheme for the maize industry which will effectively close the door on the old single-channel, fixed-price system which has been in operation for over 60 years.

But while farmers have shown their willingness to accept change and to allow the market to determine prices (subject to price stabilising measures during the years of surplus), a number of hurdles remain to be cleared before the new dispensation is enacted:

❑ Agriculture Minister Kraai van Niekerk must respond to certain alterations proposed by the co-operatives to the scheme, which was drafted by a special committee of experts under the chairmanship of the Department of Agriculture's chief director of marketing Attie Swart; and

❑ The Maize Board must formally draft a new scheme, which, in terms of the Marketing Act, must be submitted to Van Niekerk and investigated by the National Marketing Council which must then advertise the proposed scheme for comment.

Maize silos ... *storing grain for a rainy day*

Only then can the new scheme be formally introduced, closing the chapter on single-channel marketing in the maize industry. Departmental officials are confident the new scheme will be gazetted in time for the new season which will start as soon as the first summer rains fall.

Other problems

But, apart from the requirements of the Marketing Act, there are other unresolved issues which could create obstacles to the introduction of the new scheme.

One is the extent of the loss (if any) the board may suffer in marketing the current bumper 12,5 Mt maize crop.

Thousands of tons illegally bypassed the official levy system as farmers and willing buyers negotiated direct deals and omitted payment of the statutory R175/t average levy on white and yellow maize which is to be used to finance the board's storage, marketing and financing costs (including the huge discounts sustained in exporting the 5 Mt surplus at world prices of around US$100/t). (3) Maize

Most of the big buyers refuse to pay these levies and the losses from this source are estimated at twice that of the illegal levy bypassing. If the board suffers any substantial losses on its current marketing costs, these will have to be recovered via future levies or subsidies from government as its stabilisation fund is depleted.

Another issue that will have to be resolved is the fact that farming co-operatives have reservations about some of the functions of the board in the new scheme. They see it as yet another statutory scheme but one with fewer benefits for producers and co-operatives than the former one.

Says Steyn Terblanche, vice-chairman of the Free State Co-operative: "In the terms of the Swart proposals, the Maize Board will not only be the sole export agent but also the buyer of last resort in the local market. And it retains certain powers to advise the Minister on marketing policy.

"If co-operatives were to take any future position in buying (or selling) maize at their own behest or on behalf of farmer clients in a free market, they would need to have a free hand without any intervention or competition from a statutory Maize Board. The board cannot be referee and player at the same time."

In spite of his reservations Terblanche says if the scheme were imposed on the co-operatives "we would do our utmost to make it work."

The scheme proposed by the Swart committee provides for:

❑ A special levy of about R42/t (to a maximum of R252m a year) to be paid by local maize buyers on local market sales of up to 6 Mt. This levy would be used to subsidise the export of surplus maize, normally sold at a discount to the local market price;

❑ Should the crop fall short of local market needs, producers would be subjected to a similar levy as local market prices would be based on import parity and local buyers would have to pay more for meeting the shortfall from imported maize; and

❑ The Maize Board would be the sole exporter of surplus maize. It would also be a buyer of last resort at a specified floor price for any producer who could not find suitable local buyers for his crop. A "normal," statutory levy would also be charged to producers to enable the board to meet floor price demands.

This aside, once the new scheme is implemented a free market should exist between willing buyers and sellers of maize in SA with the price being formed freely by market forces.

International price trends (subject to any import tariffs now being determined by the Board on Tariffs & Trade and the use of export levies to stabilise prices), would effectively set the minimum selling price of maize in the local market — whether through import parity pricing during shortfall years or export parity pricing supported above this from the Maize Board stabilisation fund during years of surplus.

Says Rainbow Chicken director Barry Hundley: "This is an historical development. If accepted as proposed, the new scheme will allow willing buyers and willing sellers to freely determine prices in the market. But a steep learning curve lies ahead for many parties — including some co-operatives." ■

Maize Board digs in on marketing

Own Correspondents

JOHANNESBURG. — The Maize Board had the support of the Agriculture Minister to implement the single channel marketing system, through legal action if necessary, Maize Board chairman Peter Cownie said yesterday.

The Maize Board has already threatened legal action against buyers and producers circumventing the single channel system, which remains effective until May. CT 22(3) MAIZE

Tiger Oats executive director Hamish McBain said the proposed new maize marketing system, which planned to do away with the single channel marketing system, might never see the light of day.

He said the new system was more market driven, but would retain the services of a Maize Board, albeit with radically reduced powers. It would allow farmers to sell their crops freely.

The Concerned Buyers' Group, representing Tiger Oats, Premier, Tongaat, Genfood and Rainbow Chickens, who buy more than 80% of maize production, would defend any court action, McBain said. The group had tried to persuade the board to resolve the matter out of court. CT 22/9/94

Companies represented by the group had refused to collect levies from farmers who sold produce directly to them. At least 1-million tons of maize had been sold this season without the R185/ton levy on direct transactions being collected

National Marketing Council chairman Gerhard Basson confirmed that the battle between the board and food companies was continuing.

spread prosperity and reform throughout the continent. But foreign investment had

on the rise again. — Sapa-Reuter.

● Comment: Page 12

Maize marketing showdown looms

B/Day 22/9/94

LOUISE COOK

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He said the new system was more market driven, but would retain the services of a Maize Board, albeit with radically reduced powers. It would allow farmers to sell their crops freely on the open market, but the proposed system was facing serious threats from the board's actions.

There was a danger that court action and the board's hardline attitude could jeopardise freer marketing next season.

The Concerned Buyers' Group, representing Tiger Oats, Premier, Tongaat, Genfood and Rainbow Chickens, who buy more than 80% of maize production, would defend any court action, McBain said. The group had tried to persuade the board to resolve the matter out of court.

Companies represented by the group had refused to collect levies from farmers who sold produce directly to them. At least 1-million tons of maize had been sold this season without the R185/ton levy on direct transactions being collected.

McBain warned that serious marketing disruptions would result and would spill over to all other agricultural sectors if no agreement was reached.

National Marketing Council chairman Gerhard Basson confirmed that the battle between the board and food companies was continuing and that there was no solution in sight.

Agriculture Department marketing chief Attie Swart said the problem was related to this season's maize and would not affect next year's marketing.

(3) maize

SA maize exported to African countries

B/Day 23/9/94

LOUISE COOK

SA WAS officially exporting large amounts of maize into Africa for the first time since the lifting of sanctions, industry sources said yesterday. (3) maize

Leading export group Louis Dreyfuss said a large portion of this year's 5,5-million tons of excess maize was reaching African countries. Southern Africa alone was expected to have a shortfall of 2,46-million tons this season.

Maize Board sources said SA had sold 140 000 tons of high quality maize, at $10 above the world price, to the UN for food aid, bringing in revenues of about R14m.

German maize expert Erich Nuppenau said this week there was huge potential for further SA exports. So far, only Botswana was a regular importer of about 113 000 tons a year. Changing regional trading patterns would lead to increased sales to neighbouring countries.

Sapa-Reuter reports that the Southern African Development Community said this week it would set up a R30m revolving fund to help countries short of food buy from those with surpluses. SADC food security sector co-ordinator Reggie Mugwara said the fund was part of a bid to boost intraregional trade in staple food.

The SADC would set up a financing facility with R30m as seed capital and was looking for extra funding.

Huge SA maize exports to Africa since sanctions

CT 24/9/94 Own Correspondent (3) MAIZE

JOHANNESBURG. — South Africa was officially exporting large amounts of maize into Africa for the first time since the lifting of sanctions, industry sources said yesterday.

A large portion of this year's 5,5 million tons of excess maize was reaching African countries.

Maize Board sources said SA had sold 140 000 tons of maize, at $10 (about R36) above the world price, to the UN for food aid, earning R14 million in revenue.

SMALL BUT PERFECTLY FORMED.... Hans Enderle

Maize succumbs to free market

S Times (Buss)

By TEIGUE PAYNE

THE Maize Board is to disband and leave the crop to the free market with effect from the end of the current season in April next year.

The decision was taken at a meeting of the board on Wednesday but has yet to be approved by the Ministry of Agriculture. 25/9/94

It appears that the board decided to press ahead with its own demise after co-operatives, until now its most loyal adherents, accepted the need for change.

The board will change into a much scaled-down SA Maize Exchange. The exchange will offer a floor price to farmers only if there is a surplus for exports but not for production aimed at the local market.

From April the price maize farmers will receive will vary widely.

The limits of the variation are likely to be between the import price — currently around R650 a ton in the PWV — and the export price — R280 a ton.

Farmers and millers are reportedly scrambling to sign forward contracts to reduce the risk.

(3) Maize

SA grain surplus to feed the region

B Day 30/4/94

SA, BLESSED with a bumper maize crop, is building bridges with neighbours and donor organisations in a drive which could make it a regional grain basket. 3 maize

"SA has the potential to become a grain basket for Africa," senior manager in the marketing Maize Board's economics department Mike Elliott said yesterday.

"The Maize Board is actively involved in establishing contacts and building relations with other African countries and donor organisations," he said.

SA, having recovered from its worst drought this century in 1992, is expected to harvest 12,14-million tons of maize this year, far exceeding local needs.

However, its partners in the Southern African Development Community (SADC) are likely to experience a 15% fall in cereal output, according to the SADC's Harare-based Food Security Unit.

It estimated that SADC countries — excluding SA which joined the grouping recently — faced a cereal shortfall of 3,51-million ton, an increase over last year's 2,97-million tons.

These SADC countries include Angola, Malawi, Tanzania, Mozambique, Zambia, Zimbabwe, Namibia, Botswana, Lesotho and Swaziland.

The SADC unit spoke of "an impending crisis" in food security in Malawi, Tanzania and Zambia, where drought had severely reduced cereal supplies and prompted calls for international assistance, and the crisis in war-torn Angola.

Elsewhere, according to a UN Food and Agriculture report quoted by Elliott, Rwanda's civil unrest will significantly aggravate its expected food shortage, while millions of people face severe food shortages in the Horn of Africa due to unfavourable weather or unrest.

Madagascar's food crops have suffered cyclone damage. Sub-Saharan Africa, excluding SA, had an estimated food import requirement of 12,5-million tons of cereal over the past year.

Elliott said the Maize Board's role in an unprecedented regional food import programme which followed the 1992 drought proved "a milestone of achievement that enjoyed international recognition" although technically SA was isolated by anti-apartheid sanctions at the time.

"The direct contacts that were built up with otherwise inaccessible organisations, persons and places proved to be of paramount importance," Elliott said.

More than 8-million tons of maize were shipped through SA ports as part of the programme, roughly half of it destined for neighbouring states in an operation dubbed The Great Grain Train.

As part of a new initiative, Maize Board members had visited countries such as Botswana, Kenya, Tanzania, Uganda, Zambia and Zimbabwe to discuss sales arrangements, and negotiations were under way with donor organisations.

Discussions would be held soon with UN organisations such as the World Food Programme and the UN High Commissioner for Refugees, the Red Cross in Geneva, the European Commission in Brussels and other donor states and organisations in Europe.

"One of the problems with supplying Africa is the availability of adequate funding. It would be possible to supply the entire continent if the grain were to be given away," Elliott said. — Sapa-Reuter.

Maize Board lashes out at govt 'inefficiency'

LOUISE COOK B/Day

THE Maize Board has lashed out against government for alleged inefficiency, unfulfilled election promises, misusing funds and position-seeking of its officials.

The Maize Board's publication Maize/Mielies said in its editorial that promises had been made about the possession of agricultural land and "participation of all population groups" but "signs of rebellion and resistance" had become apparent. 2/11/94

It said "unfulfilled promises are smothered by unwise spending of government funds" but did not give examples, and warned against "ad hoc crisis decisions" that were "in the offing", but again failed to elaborate.

The article lashed out against government consultants and advisers it claimed were unqualified to do the job.

"In the first place there is the problem of position-seeking by some agricultural leaders and even those who are hardly involved in agriculture.

"Often they were accepted as advisers, not as a result of their qualifications, ability or acclaimed success but as a result of pseudo reputations as agricultural leaders or even simply because they have arrived first at the scene," it said.

The rod was not spared for officials who were accused of serving undeserving causes. "There is the group of white officials (and by implication it must be emphasised that this is not a generalisation . . .) who, for the sake of job security, will make and support any recommendation that they feel the new government wants to hear. Once again the interests of agriculture are not being served." (3) maize

The publication urged farmers to support the reconstruction and development programme where it promoted commercial agriculture.

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(8) maize

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MAIZE INDUSTRY

FM 11/11/94

A last ditch stand

(3) maize

Once again, the Maize Board is in the firing line. Legal action is due to commence in the Pretoria Supreme Court next week questioning the powers, rights, legality — even the existence — of the so-called maize scheme, the board itself and the enabling Marketing Act. Cited as respondents are the board, the Minister of Agriculture and the National Marketing Council.

The move follows the collapse of last-ditch efforts by Agriculture Minister Kraai van Niekerk this week to try to resolve the impasse between the board and the so-called Concerned Buyers' Group (CBG), comprising Tiger Oats, Foodcorp, Premier, Genfood, Tongaat-Hulett, Godrich Milling and Rainbow Chickens, over the non-payment of compulsory board levies on direct maize sales between buyers and sellers (*Business* October 21).

Apart from the legal hiatus and the washing of the industry's dirty linen in public, the new maize scheme, due to be effective from May 1, might also be a victim. The court hearing will call into question the powers and existence of the Marketing Act and the maize scheme — and that after all parties had agreed to an orderly transition to the new scheme.

Says Van Niekerk: "By the end of this week, I hope to publish the new scheme for final comment and it should be gazetted by December. Maize producers have already been informed of the basic changes to the existing scheme and agreed to these changes at a recent Nampo meeting."

This long-awaited structural change could well now be compromised by the CBG court action.

Following the refusal by CBG members to pay the compulsory levies, the board last week called up the CBG guarantees it has in its possession, valued at R39,5m. In response, the CBG will now "regretfully" proceed with legal action against the three parties, its chief spokesman, Tiger Oats executive director Hamish McBain, says.

The CBG has apparently prepared further documentation which will be submitted, through its attorneys, to the State Attorney for further court action. McBain says, apart from this, the CBG has also presented proof (including photographs) to the Minister, the Marketing Council and the board which indicates that a large number of "illegal sales" had taken place during the past season. It says no action has been taken against any of the perpetrators — except for calling up the CBG's guarantees.

But the board charges that the CBG's R39,5m in called-up guarantees represents 97% of all outstanding levies owed to it on direct sales. It says it has, to date, received R55m or 57% of the R96m it is owed in levies on direct sales. McBain disputes these figures. He says close to 1 Mt of maize has been sold directly to other parties outside of the CBG group and that these levies are also still outstanding.

Van Niekerk says he regrets matters have reached this stage. He says he tried his level best to mediate between the opposing parties, who argued on indeterminate issues such as future moves in the value of the rand and international maize price trends in 1995. "But my hands are also tied in terms of existing legislation which enforces the payment of compulsory levies on direct sales. As soon as the new scheme becomes law, we will have an effective free market with only voluntary levies and free regional price-forming. But the court case could do untold damage to the maize industry specifically and agriculture in general by setting back reform," he says.

But McBain has little doubt about where the accountability lies. He says the CBG action could in fact speed up real reform of the maize industry. "The Maize Board was inflexible in its approach and unwilling to seriously consider constructive proposals made by the CBG. The matter will now be

argued in the Supreme Court, Pretoria, in the week of November 22."

McBain says notwithstanding strenuous efforts by Van Niekerk to resolve the issues in dispute, the board seems determined to go the other way. In addition, he says it has steadfastly refused CBG requests for it to open its books so that all parties can together resolve its budgeting problems.

Apparently the board last year overpaid farmers by about R125m. But this year it made a R65m-odd profit on hedging operations on the Chicago futures exchange, as well as profits on earlier maize imports. CBG members feel these issues need to be brought into the open, as they are convinced they are being victimised by a recalcitrant board fighting a rearguard action against the imposition of a new maize scheme which would vastly reduce its powers.

With the SA Futures Exchange this week announcing that its new agricultural commodities exchange could be up and running by early next year (it has issued a prospectus and application lists for 80 seats, to be issued at R50 000 each, which it expects to be over-subscribed) and that forward screen trading could take place from next July, it seems regrettable that the court action could prevent the maize industry from joining in the action. ■

PROTEA HOTELS

Into Africa

Protea Hotels executive chairman Otto Stehlik's dream of developing a tourism route from Cape Town to Cairo along the east African coast has taken a giant leap forward. With the company's first venture in Egypt — a 160-villa complex and a 54-bedroomed hotel scheduled for completion in March — the group is now represented in nine countries on the continent.

Changed politics in many African countries, including SA, has aided the company's expansion, says Bernard Cassar, head of Protea's African and Indian Ocean Islands division. "The idea is to develop a tourism route, similar to that of Europe, making Africa more than a one-stop destination for foreign tourists."

Protea aims to attract international tourists while keeping accommodation affordable for local residents and businessmen in the countries in which it operates; it also wants to offer inter-regional packages to South Africans who are being lured to African destinations for the first time.

The hotel group's aggressive expansion into Africa has given rise to concern that the group is about to dominate the Kenyan hotel market.

But Cassar says: "We are not interested in establishing monopolistic networks. There are many powerful hotel groups in Kenya. We are merely one of them."

He says the group is committed to managing and marketing hotels for the owners. "We're also committed to training and using local expertise in the countries in which we operate." This is done either through programmes at Protea's Cape Town head office or by establishing training centres in various countries.

"We provide vast opportunities for employment. In Malawi, for instance, we run seven hotels, a head office infrastructure with 22 people, a travel agency and are responsible for managing the restaurant and bar at Blantyre airport.

"In addition, we cater for all in-flight meals on SAA and Air Malawi between the two countries and on all outgoing Air Malawi flights other than to SA."

The company was recently rated by influential US magazine *Hotels* as the 33rd largest hotel management group in the world and one of the 50 fastest growing hotel companies in the world. ■

MOTOR INDUSTRY

Fm 11/11/94

Business as usual

Uncertainty there may be about the final outcome of recommendations on the future of the SA motor industry. But vehicle manufacturers aren't hanging around to find out what they will be.

Delta Motor Corp's recently announced R520m four-year capital expenditure programme — as well as new products to be launched by Toyota and Audi, among others — are a signal that the industry is carrying on business as usual as government officials struggle to make up their minds.

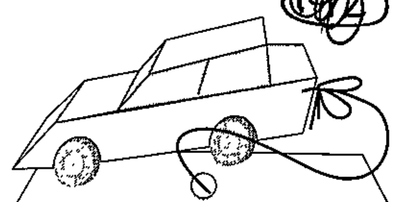
The Board on Tariffs & Trade (BTT) is due to announce its final policy recommendations on the car and light commercial vehicle sectors. It is also studying a recently completed report by the government-appointed Motor Industry Task Group on the future of the medium and heavy commercial vehicle industry.

In both cases the eventual outcome is certain to be heavy cuts in protection against imports in an attempt to make the industry internationally competitive. Changes are likely to be imposed from the middle of 1995. Question marks hang over the eventual level of protection and the rate at which it will be attained — and how long government will take to decide. Local companies' foreign principals, in particular, have expressed frustration at the perceived lack of action in setting protection and investment ground rules, warning that potential investments could go elsewhere.

Meanwhile local companies must soldier on. Delta's R520m capex programme will cover new vehicle ranges and improvements to assembly facilities. Having just spent R30m buying Samcor's disused Struandale plant in Port Elizabeth, Delta expects to spend another R50m refurbishing it. Once that is done, existing annual production capacity of 51 000 vehicles will be lifted to over 90 000.

Toyota's announcement that it is close to agreement on assembling ultra-heavy Peterbilt trucks from the US, is another sign of optimism over the future of the SA market. Similarly, this week's launch of the locally built Audi A6, suggests local manufacturers are hoping for the best, whatever the final shape of industry legislation.

October vehicle sales figures, though not quite as sparkling as some had predicted, nevertheless indicate that demand is generally healthy — particularly after the earlier five-week strike. ■



October vehicle sales

Cars		Total	%*
	Corolla /Conquest **3 282**, Camry **975**, other **9**		23,9
	Golf /Jetta (new) **1 684**, Citi/Fox **1 618**, Golf/ Jetta (old) **84**, Audi **95**		19,5
	Sentra **1 796**, Maxima **71**, 200SX/300ZX **5**, Fiat Uno **1 087**		16,5
	Honda Ballade **1 043**, M-Benz C-Class **935**, E-Class **146**, S-Class **23**, other **1**		12,0
Samcor	Laser/ Meteor/ 323 **1 403**, Telstar/ 626 **502**, other **94**	1 999	11,2
Delta	Astra/Kadett **1 633**, Monza/ Kadett **24**, Rekord **12**, Calibra **2**	1 671	9,3
BMW	3-Series **1 209**, 5-Series **138**, 7-Series **11**	1 358	7,6
Subaru		2	0,0

*% of the total car market

	1994	1993	% Change
October	**17 884**	**17 050**	+4,9
Jan – Oct	**157 572**	**164 058**	-4,0
Sept (11 418) – Oct			+56,6

Light commercials

Toyota 3 878 (36,3 % of the market), Samcor 2 267 (21,2), Nissan 2 238 (20,9), Delta 1 738 (16,3), VW 445 (4,2), AAD 119 (1,1)

October	**10 685**	**8 346**	+28,0
Jan – Oct	**84 301**	**81 361**	+3,6
Sept (6 303) – Oct			+69,5

Medium commercials

Toyota 122 (40%), Samcor 85 (27,9), Delta 48 (15,7), Nissan 33 (10,8), M-Benz 8 (2,6), Iveco 7 (2,3), AAD 2 (0,7)

October	**305**	**231**	+32,0
Jan – Oct	**2 764**	**2 530**	+9,2
Sept (244) – Oct			+25,0

Heavy commercials

M-Benz 220 (39,6%), Nissan 96 (17,3),Toyota 91 (16,4), Delta 46 (8,3), MAN 44 (7,9), Tyco 32 (5,7), ERF 19 (3,4), Iveco 8 (1,4)

October	**556**	**434**	+28,1
Jan – Oct	**4 635**	**4 083**	+13,5
Sept (514) – Oct			+8,2

Total vehicle sales

Toyota 8 357 (28,4%),Nissan 5 326 (18,1), Samcor 4 351 (14,8), VW 3 926 (13,3), Delta 3 503 (11,9), M-Benz 2 376 (8,1), BMW 1 358 (4,6), other 233 (0,8)

October	**26 430**	**26 061**	+12,9
Jan – Oct	**249 272**	**252 032**	-1,1
Sept (16 479) – Oct			+59,3

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

SPORT SHOES

Running up costs

Fm 11/11/94

With the return of top sport shoe manufacturers like Nike and Reebok to SA earlier this year, many hoped the price of branded sport shoes would drop. Instead they have increased dramatically in the past seven months.

If you feel inclined to pamper your feet with a pair of lightweight shock-absorbing, ankle-supporting trainers or a trendy laceless power-inflatable sports shoe, be prepared to fork out anything between R250 and R700.

While the decline in the rand is partly to blame for the price spiral, the main villain is import duties of up to 70% on most athletics trainers.

"The tariffs doubled out of the blue at the end of March," says Adidas MD Tony O'Hagan, who also chairs the SA Sports Goods Agents and Manufacturers' Committee, a body representing the leading international sport brands.

On March 31 tariffs jumped from 30% to 60% — plus a 15% surcharge — for footwear with uppers made from a combination of textiles and leather. (Shoes with more than 51% leather were previously subject to a 30% duty and 15% surcharge. The duty on imported shoes with full-leather uppers, such as court shoes, is still fixed at 30% with a 15% surcharge.)

As a result of this new ruling, any shoe with textiles on the upper (not the tongue) — even if it is in the lining or, as in the case of Adidas, just three fabric stripes sewn on the side of the shoe as a trade mark — is subject to the higher duties.

Board on Tariffs & Trade chief director Alwyn Kraamwinkel says the duties on this type of footwear were increased in response to an urgent application submitted by the Commissioner of Customs and Excise.

It seems officials were unable to judge the composition of the uppers so the same "high" duty was placed on shoes made from a mixture of leather and textiles.

In line with Gatt, the maximum 60% single duty has now dropped to 55%. It will be reduced by 5% a year to a base rate of 30% by 1999.

But importers are calling for an immediate reduction in the duties to the original base rate of 30% and for a phasing out of the 15% surcharge. They say in the US the duty on shoes with uppers with less than 51% leather is only 10%, while that on shoes with uppers with a greater than 51% leather content is 8%.

"We cannot keep costs down. In addition to the basic import duty (55% or 30%), one must add the 15% surcharge, 14% Vat and around 6% for freight charges and insurance," says joint MD of Nike distributor Odyssey Sports, David Hirshowitz.

Reebok MD Mike Clarke says they have

Continued on Page 121

Case could kill maize controls

S Times (Buss)

THE maize marketing system is likely to blow apart if the case being brought by the major millers against the Maize Board in the Pretoria Supreme Court proceeds, writes TEIGUE PAYNE. (3) Maize

The case follows the refusal of South Africa's big millers, which account for the vast majority of maize purchases, to pay Maize Board levies on direct purchases in the past season. These levies totalled R185 per ton, two to three times their levels in recent years.

The big millers bringing the action, the Concerned Buyers Group, are Tiger Oats, Foodcorp, Premier, Genfood, Tongaat-Hulett and Godrich Milling. It follows the Maize Board's action in calling up the CBG's guarantees worth R39,5m.

The CBG has agreed to a future system in which its members would pay a much lower levy to the Maize Board. But the shrapnel from the case could scuttle any levy payment at all.

One ground of the CBG case is that the board has not effectively pursued the growing number of small millers who have circumvented the levy, allowing them to undercut unfairly. The CBG's case could be among the first to go to the Constitutional Court.

13/11/94

Maize buyers contemplate their next move

BD LOUISE COOK 5/12/94

A MEETING today of the Concerned Buyers' Group — including Tiger Oats, Premier, Tongaat-Hulett, Godrich Milling and Genfood — is to debate the group's next step in its dispute with the Maize Board.

This follows the rejection by the Pretoria Supreme Court on Friday of an urgent application by the group for an order to stop the board drawing on funds guaranteed by members of the group.

The meeting would decide whether, after Friday's decision, the food companies should pursue their broader assault on the Maize Board. They criticise it for being skewed in favour of producers' interests and are also opposed to the summer grain scheme — which has been compared to "Soviet-type controls" during the hearing — and the Agricultural Marketing Act.

Premier spokesman David Frost also accused the board of making use of state attorneys and therefore taxpayers' money, to ward off the urgent interdict against it.

Buyers' group spokesman Hamish McBain said counsel for the group were still awaiting a reply from the state attorney regarding this. But Maize Board CE Peter Cownie hit back, saying this was "provided for in terms of the Agricultural Marketing Act" and denied it constituted the use of consumers' or taxpayers' money.

The Office of the State Attorney was not available for comment.

The interdict against the board was refused with costs on Friday after a three-day hearing.

3-Maize

Judge Willem van der Merwe said the applicants had failed to meet the requirements for urgency. He said they did have an alternative solution to approaching the court, and could simply have instructed their banks not to pay the money.

Van der Merwe said the food companies had failed to show that they did not have the means to pay R39,5m in lieu of outstanding levies on direct maize purchases from producers. The applicants had restricted their pleas to "possible loss of interest, and opportunity costs".

He had also ruled against the application because "it was clear the applicants were unhappy with the levies, but must have

To Page 2

Maize

known the reasons for the levies, and why they were so high," he said.

"They had embarked on an attempt to upset the Agr cultural Marketing Act and must have realised the whole agricultural industry could be harmed."

He said that the food companies were "prepared to go to any lengths for their own financial reasons".

Cownie said the board was delighted with the outcome.

He said the board was now able to handle maize in an orderly fashion and that next year's proposed new maize scheme could start with a clean slate.

In terms of that scheme, a freer marketing system for maize would start on May 1 next year. The proposed scheme provides for direct maize purchases between producers and buyers and the Maize Board would no longer be the only body permitted to market maize.

In terms of the proposed scheme, reduced levy payments of about R40 a ton, rather than this season's R180 for white maize and R165 for yellow maize, would still be enforced on all maize purchases.

Maize producers form body

LOUISE COOK

SOUTHERN African maize producers have joined forces to form the Conference of Southern African Maize Producers to represent maize farmers' interests.

National Maize Producers' Organisation chairman Corneels Claassen said at the weekend the group would meet annually to discuss maize marketing, production, inputs and related matters.

Countries in the SA Customs Union and Zimbabwe, Zambia and Malawi would be asked to join, he said.

"The establishment of (the organisation) is an indication of the close ties existing between maize producers in the southern African region, and is also the result of maize farmers' intention to be part of policy formulation regarding issues that effect the maize industry in the region.

(3) MAIZE

"We as farmers cannot sit idly while important decisions are taken that will directly influence the industry," Claassen said.

BD 12/12/94

Lack of rain disrupts summer maize plantings

BD 13/12/94 (3) MA 12E

LOUISE COOK

THERE had been a 28% reduction in maize planted this season compared with last year, National Maize Producers Organisation GM Giel van Zyl said yesterday.

By the first week of December only 1,8-million hectares had been planted in summer grain areas.

Van Zyl said it showed the "difficult climatic conditions with which producers were contending".

Maize planted in Eastern Transvaal was 13% less than a year ago, with Free State and Northern Transvaal showing reductions of 41% and 83% respectively.

Natal had also recorded a drop and in Northwest only 15% of the expected crop for next year had been planted.

Van Zyl said if rain did not fall soon and during the first three months of the new year, the country would face crop failure.

The planting season for Eastern Transvaal had already passed, but in Northern Transvaal and Free State maize could still be planted up to the first week in January.

SA needed 6-million tons of maize a year for domestic consumption.

But maize farmers have had to contend with a less sympathetic government and a maize price this year of R110 a ton compared to R149 a ton last year, he said.

Many farmers had shown interest in switching to other crops but Van Zyl warned that "there was no such thing as an alternative crop".

The whole of southern Africa was experiencing a drought and all crops would be affected.

Meanwhile, the bumper maize crop of 12,5-million tons this year had its downside, with fires taking their toll on the insurance industry.

Sentrasure, which focuses on agricultural crop insurance, paid out a record number of more than 450 claims for maize crop fires during the winter.

MD Pierre Maritz declined to give a figure, but said farms in the Belfast, Bethal, Potchefstroom, Delmas, Ugie en Vrede districts were the worst hit.

Belfast farmers submitted more than 100 claims and nearly 40 Bethal farmers suffered serious fire damage, he said.

Producers warn of maize crop threat

CT 27/12/94

(3) MAIZE

Own Correspondent

JOHANNESBURG. — South Africa would have to import maize next year if it did not rain this week, National Maize Producers' Organisation (Nampo) chairman Mr Cerneels Claassen warned at the weekend. SA last imported maize in 1992.

The industry was braced for one of the worst seasons in many years, and shortages of white maize in particular could spark serious food problems, he said.

So far this season farmers had planted only half the usual amount of maize. In the eastern parts of the country planting time had passed. In the western parts, farmers could still plant into the second week of January, but with the lack of rain the chances were that these crops would fail.

Mr Claassen said the El Nino phenomenon was becoming stronger and rain in the next few weeks — if it materialised — was likely to be sporadic and inadequate.

"Nampo is also concerned with the situation of the consumer. The Maize Board is no longer in a position to protect consumers because of the imminent scrapping of the single-channel maize marketing system, which has become redundant."

MAIZE — 1995

Poor rains grow fears of maize crop failure

9/4/1/95

JOHANNESBURG. — Poor rainfall in key maize growing areas of South Africa has raised fears of crop failure.

National Maize Producers' Organisation (Nampo) senior economist Mr Andre Ferreira said initial indications were that insufficient rain had fallen in the North-West province, the biggest producer of white maize.

Plantings to December 7 totalled 15% of planned plantings, and the potential for further sowing after January 14 is minimal.

Nampo said prolonged drought conditions worsened the prospects for late sowing.

Weather Bureau figures show rainfall in the North-West from December 20 to January 2 was about 20% of that for the same period a year ago.

The bureau's director of climatology, Mr Mike Laing, said it had been a typical problem season and the pattern was likely to continue for the rest of the growing season.

Maize Board general manager Mr Hans Swart said white maize was "a more crucial problem" than yellow maize. It was not yet clear whether imports would be necessary.

● Zimbabwe was the largest supplier (206 450 tons) of maize in Africa last year for the World Food Programme's relief efforts. (3) MAIZE

MAIZE INDUSTRY

A new day dawns

FM 6/1/95 (3) MAIZE

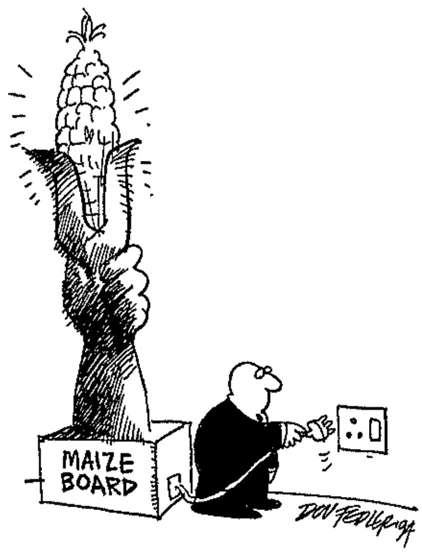
The publication of the proposed new summer grain scheme (to govern the maize industry in terms of the Marketing Act) on December 15 made it official — SA will have a new maize marketing scheme from May 1.

From that date maize will be freely traded in the local market with free regional price-forming taking over from the old, cross-subsidised "single-price" system inherent in the current maize scheme.

In addition, in years of shortage, and subject to import tariffs now being determined by the Board on Tariffs & Trade, maize can be freely imported by any party. The Maize Board, as the "single channel" operator of the existing maize scheme, is at present the sole importer.

Interested parties have until January 31 to comment on the new maize scheme. In brief, it proposes:

- The introduction of measures and services aimed at the stabilisation and development of the domestic market for maize with a view to "promoting the functioning of market forces;"
- The appointment of a new board consisting of 11 members, with six representing large-scale producers. Only one member represents small-scale producers. The existing board has 13 members, including eight producers;
- The board can impose levies, payable by buyers or sellers, and impose a special levy (currently calculated at about R42/t) to create a stabilisation fund to subsidise the export marketing costs of about 2,2 Mt of surplus maize in a good season;
- The fund will be used to support the delivery price advanced to producers for maize received in an export pool. Effectively, the board would determine an export-related floor price for surplus maize, which would be "subsidised" from the fund. The fund would be constantly topped up to meet changing export market requirements; and
- Regarding the export pool, while it may only export maize delivered into the pool, it may also, "if the demand exists, sell it in the domestic market at a price approved by the Minister;" provided it recovers an amount equal to the special levy imposed to finance the fund. It may also borrow money to finance the export pool.



However, there are still uncertainties to be sorted out before the new maize scheme can be implemented. Among them is the future position and powers of the Maize Board. Will it still have a role to play in the local market? Or will its functions be limited to the management of an export surplus pool funded by compulsory stabilisation fund levies; collecting and providing market information and statistics; stimulating demand for maize; and advising the Minister?

The future role of agricultural co-operatives, which act as agents for the board in collecting, storing and distributing maize on behalf of the board, is still unclear. The new scheme does, however, provide for negotiations between buyers, sellers and the individual co-operatives on the fees which the co-ops will levy for storing and fumigating grain in their large silos.

The board now charges aggregate fees, roughly based on the costs for all co-operative silos divided by the year's tonnages, to buyers and sellers of maize for services rendered to it by co-operatives.

Free State Co-operative deputy chairman Steyn Terblanche says many co-operatives are not happy with the proposals and want the status quo to continue. He says uncertainty regarding the future role of the board is a stumbling block to full acceptance of the scheme.

"With the board still able to sell into the local market, the position of co-operatives acting as agents for their producer members is compromised in taking a price position on a future, free domestic market. How can they compete against the board, which obtained its stocks at lower prices for the export pool? The board should recuse itself from the domestic market."

Following the recent litigation between the board and the so-called Concerned Buyers' Group over the nonpayment of statutory levies, he says a similar problem should be avoided by contractually binding all parties to a commitment to pay levies. But he says levies should only be payable in years of surplus crop production — that is when a crop of above the local market needs of about 7,5 Mt is turned in.

Yet Maize Board GM Hans Swart believes stabilisation fund levies should be paid every year to build up the fund. "Should the fund be strong enough, one could consider bypassing the need to impose levies in a specific crop year." The board, which still has more than 2 Mt of maize from last season, is not sure if this should be retained for domestic use because of the poor season or exported.

Whatever the outcome, a difficult decision for a producer-dominated board lies ahead — and one which underlines the complexities involved in trying to free a controlled market. ■

PUBLISHING

Judgment day

Finance Week editor Alan Greenblo and co-director Ronny Taurog could be ousted after a Supreme Court judgment in applications brought against them, Finance Week Holdings and other shareholders by co-shareholders Richard Rolfe and Lynne Hill, wife of expatriate financier Oliver Hill (*Business* November 4, 25 and December 23).

Oshy Tugendhaft, senior partner for the firm of attorneys Moss-Morris Inc, acting for the applicants, says that, having achieved control of Finance Week Holdings Ltd, Rolfe and Hill propose dismissing Greenblo and Taurog as directors and then dispensing with Greenblo as editor.

Judge Chris Plewman held in the Witwatersrand Local Division on December 20 that the applicants were correct in contending that the pre-emption clause in the company's articles of association (article 89) was binding on directors and not merely to be exercised in their discretion. From this it follows, says Tugendhaft, that certain key blocks of shares — notably those purportedly bought by Greenblo and Taurog from Radio 702 Publications (10 375 shares) should have been offered to all shareholders pro rata to their holdings.

But that issue is now largely academic in the light of the other — more serious — court findings about the initial allotment to Radio 702 Publications of those shares (comprising about 28% of the total shareholdings), and its finding about the 10% shareholding in Finance Week Holdings held by the Finance Week Trust (of which Greenblo and Taurog are trustees).

The applicants argued that the allotment

Probe into maize tariffs

③ MAIZE
Sowetan
27/1/95

THE Board on Trade and Tariffs is to start a fresh investigation into maize import tariffs for the 1995-96 marketing year beginning in May.

The board has received a request from the Animal Feed Manufacturers' Association for a zero tariff, while maize traded at a world price level of R381, 50 a ton and a five percent tariff if this price drops.

The National Maize Producers Organisation has also recommended a tariff to the board, but has declined to disclose the import protection requested.

New investigation into maize import tariffs

LOUISE COOK

THE Board on Tariffs and Trade would start a fresh investigation into maize import tariffs for the new marketing season, which would begin in May, board sources said yesterday.

"Since the maize marketing system is going to change, the board decided not to hand its recently completed report on the proposed maize import tariff to Trade and Industry Minister Trevor Manuel, but to relaunch the investigation."

Meanwhile the board had received tariff recommendations from the Animal Feed Manufacturers' Association, the country's largest consumer of yellow maize, and from the National Maize Producers' Organisation (Nampo). (3) MAIZE

The animal feed association had asked the board for a zero tariff while maize was traded at a world price level of $109 a ton, and a 5% tariff if international prices dropped below this level, association spokesman Hansie Becker said.

Nampo GM Giel van Zyl confirmed that the organisation had also recommended a tariff to the board, but declined to disclose the extent of import protection asked for.

Sources said the board had previously turned down a 36% tariff request by Nampo. BD 13/1/95

Maize storage is 'cheaper option'

(3) MAIZE

BD 20/1/95

LOUISE COOK

SA SHOULD ideally not export maize as it would be better to store the surplus to avoid costly imports during droughts, Agri-economic Research analyst Johan Willemse said yesterday.

He welcomed the fact that the Maize Board had stopped the exports of 1-million tons of white maize and 2-million tons of yellow maize because of uncertainty about domestic supplies.

"It costs SA R510 a ton to get maize as far as the harbour. After that transport and handling costs push up the price," Willemse said.

He said SA would have earned R360 a ton on the exports, but would have had to pay R510 a ton to import an equivalent amount. Willemse did not share economists' concerns over the effects of the drought on the balance of payments, as in the long run the foreign exchange lost by not exporting surplus maize was more than offset by amounts saved by avoiding expensive imports when unexpected shortages occur.

Another economist said that, besides the halt in exports, production losses in all crops could harm the balance of payments in 1995.

"The increasing imbalance in the agricultural sector between demand and supply — with demand outstripping supply — is a serious cause for concern right now," he said.

The loss of foreign exchange caused by the halted maize exports was unlikely to be significant enough to influence economic policy. He said, however, that the current account was slipping deeper into the red, and would play a part in decisions to raise interest rates.

National Maize Producers Organisation director Kit le Clus said SA lost $100m for every million tons of maize not exported.

The trade balance would be seriously jeopardised by the halted exports.

Le Clus said the crop size would be more firmly established by mid-February but it seemed that imports may not be necessary after the recent rain brought a degree of relief.

Taking into account the rain last weekend, he said the equivalent of 65% of the land used to produce last year's harvest — 2,5-million hectares — would now be planted.

Conditions in Northwest and in western Free State, where farmers had been facing almost certain crop failures, had now improved, he said.

hundred people at Johannesburg Hospital. Health Minister Nkosazana Zuma, right,

Pictures: ROBERT BOTHA

past 10 years, and in many natural causes.

Maize import tariffs to replace permits

3 MAIZE

LOUISE COOK

TRADE and Industries Minister Trevor Manuel was expected to announce maize import tariffs, replacing the old import permit system, before the end of April after renewed investigations by the Board on Tariffs and Trade.

Investigations into tariffs, to be introduced for the first time, would take into account the clashing interests of maize producers and buyers, a board spokesman said this week.

The Animal Feed Manufacturers' Association (AFMA), SA's largest consumer of yellow maize, had asked the board for a system which would enable millers to benefit from low-cost international maize. The National Maize Producers' Organisation (Nampo) preferred a tariff system that would give farmers greater protection against cheap imports.

Nampo director Kit le Clus believed the AFMA proposals would depress local prices too much.

The AFMA had asked the board to allow duty-free maize imports when maize traded on world markets at $109 a ton, and a 5% tariff if world prices dropped below that level.

Le Clus said Nampo would oppose the recommendations and would prefer duty-free maize imports being allowed only at world prices of $115 or more, $6 a ton higher than the price required by the AFMA.

Recommendations by Nampo included import duties that would fluctuate according to world prices.

Le Clus said the organisation proposed import duties of $11 a ton with world price levels between $105 and $115 a ton and $20 a ton when the international price ranged between $95 and $105 a ton. "On maize costing less than $95 a ton, a $34 import duty was proposed," he said.

The board published the recommendations in the latest Government Gazette and gave interested parties until the first week in March to respond. Manuel was expected to announce tariffs based on the board's recommendations by the end of April.

Maize imports and exports would be conducted according to the requirements of the World Trade Organisation once tariffs were in place.

The issuing of import permits, which had up to now made the Maize Board the only player, would lapse, the board said. BD 3/2/95

'Pollution could force SA into nuclear power'

MUNGO SOGGOT BD 3/2/95

SA WAS the world's second worst carbon dioxide polluter in proportion to gross national product after China, the Atomic Energy Corporation's Don Mingay said yesterday.

He told a Price Waterhouse business breakfast that increasing worldwide pressure to slow global warming would discourage SA from increasing dependence on coal-fired power stations, which produced carbon dioxide. Instead, it would import hydro-electricity from the Congo.

But there was a "strategic limit" to the amount of electricity a country should import, so it was likely SA would have to consider nuclear power.

Coal-fired power stations currently provided 92% of SA's electricity, while nuclear contributed 5%.

He said China released almost double the amount of carbon dioxide per unit of GNP of SA, while France produced the least, 10 times less than SA.

France sourced almost 85% of electricity from nuclear plants — evidence of the correllation between fossil fuel use and carbon dioxide emissions.

If SA became a signatory to the Framework Convention on Climatic Change — formed to address global warming at the Rio Earth Summit in 1992 — it would have to make an independent assessment of the impact of its carbon dioxide emissions on the environment. It would also have to produce plans to address the situation, which would encourage it to look at alternative energy sources.

Most of the increase in global power needed over the next couple of decades would come from developing countries, which unfortunately were least equipped to control energy waste releases.

arms

Smaller harvests expected

③ MAIZE

HARARE. — Poor rainfall in parts of Southern Africa could cut harvests by up to half, forcing governments to dip into strategic reserves and import cereals, a regional monitoring group said yesterday. 262 ⑧

Near-normal harvests were expected in northern parts of the region, but extra food would be needed almost everywhere else, said the Early Warning Unit of the 11-nation Southern African Development Community.

It said Angola, northern Mozambique and Tanzania had enough rain since November to produce reasonable harvests. But in SA corn harvests were forecast at six million tons, compared to 12m tons reaped last year.

Only Swaziland had good rains and can expect a bumper harvest "substantially higher" than that last year. — Sapa-AP

CT 9/2/95

Fears of insider trading in maize industry

(3) MAIZE

LOUISE COOK

INSIDER trading in the maize industry could become rife and farmers unfamiliar with a new marketing system could be exploited, Central West Co-operative's grain trade vice-chairman Konrad Keyser said.

SA Futures Exchange agricultural markets division manager John Wixley said once the industry had deregulated the floor price and import tariff would become essential future price indicators. Insider trading was possible over the next year until the division was fully operational and dealing in forward contracts.

"Farmers are at present facing too many uncertainties to be able to make informed commercial decisions. In a maize shortage year farmers need certainty about the size of the crop, ruling prices on the Chicago board of trade, import tariffs and import parity. Traders are also hit because they cannot decide whether to buy maize locally or import."

Wixley said tariffs should be set for 12-month periods and said the fact that they varied all the time was "destroying the industry".

But National Maize Producers' Organisation director Kit le Clus dismissed the claims. "Nampo has a duty to inform farmers about market conditions and the Maize Board would provide market information daily."

Le Clus said the floor price and tariff would be announced publicly, eliminating insider trading. "Nampo and the board would provide the necessary information — from there the farmer would have to take risks on his own."

30/10/95

STC could be replaced by dividends tax, say experts

SAMANTHA SHARPE

SA's controversial secondary tax on companies (STC) — expected to be addressed in the Budget — could be replaced by a new tax on dividends, tax experts say.

This would increase the competitiveness of SA's corporate tax rate, with STC currently resulting in an effective tax rate for foreign companies of more than 59% in some cases, they said.

Tax sources said an imputation system, which is characterised by a direct link between the tax credit given to the shareholder who pays tax on dividends and the tax paid by the distributing company, was likely to be imposed in one or other form.

The introduction of an imputation system, "which has as many variations as there are countries that use it", would probably follow the lines of the Australian system, they said.

This system allows an "imputation credit" for dividends distributed out of income that has borne the full brunt of the company tax rate.

This would mean that the dividend recipients would not have to pay any further tax, sources said.

Deloitte Touche tax consultant Louise Vosloo said the only real alternative to an imputation system was a return to SA's pre-STC postion of 1990, which meant a higher companies' tax rate.

It would be difficult to address STC in this month's Budget because of the logistics involved in setting up an alternative, she said.

Independent tax consultant Willem Cronje said, however, that there was an alternative to the imputation system and pre-STC days.

A flat 15% tax on dividends awarded to non-corporate shareholders similar to that imposed in Zimbabwe could be another solution, Cronje said.

Maize harvest expected to be cut by drought

HARARE — SA and Zimbabwe, the bread basket of southern Africa, are expected to produce less than half their normal harvest this year because of the drought, a regional planning group said yesterday.

The Early Warning Unit of the 11-nation Southern African Development Conference forecast SA's next harvest of maize, the region's staple food, at about 5,4-million tons, down from 12,5-million tons last year.

Depending on late-season rains, Zimbabwe will probablyproduce between 800 000 and 1,3-million tons of maize, down from 2,3-million tons last year.

The unit said in its latest drought update bulletin that the region's overall maize production was expected to fall by between 35% and 43% to about 12-million tons compared to 20-million tons last year.

Total projected demand for the 11-nation bloc is about 16-million tons of maize. Stockpiles and food imports will have to make up for the 4-million-ton shortfall, but widespread hunger is not forecast. — Sapa-AP.

Nedlac will have to show protectionism is over

JOHN DLUDLU

THE trade and industry chamber of the newly established National Economic, Development and Labour Council would have to convince business that the era of protectionism had passed, sources said.

A source said exporters and big business played important roles in stimulating economic growth, but there was mounting concern that not enough attention was given by government to creating an environment conducive to the export trade.

The situation could be aggravated by increasing government focus on small business promotion.

"Exporters and big business are a very important part of creating growth. Small business cannot adequately perform this role now," a source said.

It was unclear whether the promotion of small business and the implementation of the sector's policy framework will be dealt with in the trade and industry chamber.

BD 2/3/95

Trade watchers welcomed the make-up of the chamber, saying that the representatives had experience on the trade and industrial policy front.

The inclusion of former Trade and Industry Department director-general Stef Naude on the business side was singled out as an added benefit to the chamber.

A relative newcomer to the trade and industry chamber is Foundation for African Business and Consumer Services vice-president Reggie Hlongwane.

Observers said the fact most of the old National Economic Forum members had been retained on the chamber either as principals or alternate members of the chamber would boost its ability to reach agreements.

Developing a mineral and mining policy as well as an integrated agricultural policy would also form part of the chamber's responsibilities.

"The old forum trade and industry task force often referred agricultural issues to the SA Agricultural Union for discussion, thereby defeating the approach of tripartitism. I guess a challenge now will be to ensure that all parties take part in debates," a source said.

State Mr Warren Christopher arrives in the region in a bid to revive them.

Even before the meeting at

Palestinians — though not the three million refugees of the 1948 Arab-Israeli war — but never specified a timetable. — Sapa-Reuter

tor Colonel Mengistu Haile Mariam and his family had been granted Zimbabwean citizenship.

Angola calls on UN for peace deadline

CT 8/3/95

LUANDA: Hit by almost 200 Unita rebel attacks a month, the Angolan government called yesterday for the UN to set and enforce a deadline for peace.

President Jose Eduardo dos Santos asked the UN to set a date for full compliance with a treaty the two sides signed in November, and to impose sanctions for violations.

Mr Dos Santos said the rebels have fooled UN peacekeeping monitors by switching from conventional warfare to hit-and-run "low-intensity combat" — despite the agreement which was to have ended 20 years of civil war.

"Unita has begun ambushes, kidnappings and sniper attacks," Mr Dos Santos said.

Government General Higino Carneiro said over 300 Angolans have been killed by Unita guerillas since the treaty signing.

Despite promising some 7 000 armed UN troops to shepherd Angola back to peace, the UN has so far put less than 40 unarmed UN monitors into the Southern African nation's battle zones.

UN chief Dr Boutros Boutros-Ghali warned this week he would not recommend the deployment of peacekeeping infantry to Angola until government and rebel forces fully comply with the ceasefire.

Anxious to avoid a repetition of Somalia, where fighting erupted on what should have been a humanitarian mission, the UN has said it will only send troops if it can verify the truce is holding.

The first infantry units are scheduled to be deployed in May, but Dr Boutros-Ghali said on Monday the move will be delayed unless government and rebel troops are sent back to barracks and demining operations get underway. — Sapa-AP

Maize harvests hit by drought

(3) MAIZE

CT 8/3/95

HARARE: Southern African states face dwindling supplies of maize — the staple food — in the 1995/96 marketing year after drought sharply reduced harvests this season, regional food experts said yesterday.

Officer seized in Lesotho

MASERU: Soldiers in Lesotho had seized a senior defence force officer and were holding him hostage, state radio reported yesterday.

Riemvasmakers going home

CT 8/3/95

WINDHOEK: The repatriation of hundreds of Riemvasmakers from Namibia to South Africa began yesterday after a delay by floods in the desert areas where they were forcibly moved to in 1974.

— Sapa-Reuter

Drought will mostly affect sugar and maize industries

(3) MAIZE

MARCIA KLEIN

MAJOR food companies which have learnt to trade successfully through droughts are unlikely to be too severely affected by the current harsh weather conditions, which have seen some areas of SA experience the worst conditions in many years.

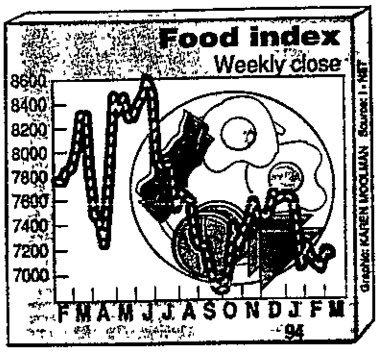
Market and industry sources said yesterday this was partly because results for this year would be off a low 1994 base, and partly because there had been rainfall in certain areas which could offset dry conditions in others.

BD 14/3/95

Improved management efficiency meant companies had become more adept at ironing out the cyclical factors affecting their profitability.

Sources said the only industries which would be affected to any extent were maize and sugar.

The National Maize Producers' Organisation said recently the official 1995 maize crop estimate of 4,87-million tons was optimistic and imports were likely to be needed — if crops



were low, 2-million to 3-million tons would have to be imported.

An analyst noted that last year, when there was a maize surplus, maize was being exported at a loss, so a shortage would not affect results as a lower maize price was expected.

The sugar industry was to a large extent reliant on weather conditions. There had been some good rain in December and January, although weather conditions in the Eastern Transvaal were poor. The growing area on Natal's south coast was not affected by the drought.

The Sugar Association said the industry was "concerned at the very dry conditions experienced over the past three months in many of the cane growing areas", and good rains during the rest of March and April were "urgently required".

It said it was too early to make accurate predictions for the 1995/96 crop, but sugar production was likely to be between 1,5-million and 1,6-million tons.

Major sugar company Illovo Sugar had estimated sugar production of 745 000 tons in the current season to end-March would be 269 000 tons above the previous year, giving it 45% share of the total industry.

Tongaat-Hulett said last year the crop to end-March would show a significant improvement over the previous year, but would still be way below the 2,3-million tons which could be expected when rainfall returned to normal. Analysts nevertheless expected fairly good growth from sugar companies.

The food index closed 24 points lower at 7 177,3 yesterday, compared with an annual high of 8 660,7 in June and a 6 672,1 low in September.

Agreement on maize in offing

3 MAIZE

LOUISE COOK

THE Maize Board and the Concerned Buyers' Group, helped by Agriculture Minister Kraai van Niekerk, have agreed on a new set of marketing arrangements for the maize season starting in May. BD 20/3/95

Tiger Oats spokesman Boris Kaplan said at the weekend its legal team was drawing up an agreement with the State attorney representing the Maize Board.

A joint statement would be issued as soon as the settlement was signed.

National Maize Producers' Organisation GM Giel van Zyl said farmers would have to fight for the best price this year. But the Maize Board would pay farmers an additional R45 a ton for last year's maize, bringing the total price to the farmers to R375 a ton.

Maize forecasts worse than before

LOUISE COOK

THE Agriculture Department's latest maize crop forecasts are pointing to an even poorer crop this year than previously expected. (3) MAIZE

The department's national crop estimates committee said on Monday the maize crop was likely to amount to 4,328-million tons this year — down 440 000 tons from last month. This was 2,4-million tons short of what was needed for domestic consumption and maize would again have to be imported after last year's bumper crop of 12,5-million tons. BD 22/3/95

National crop estimates committee chairman Kobus Smit said the Free State was hardest hit. After initial expectations of a 1,5-million ton crop, it now seemed the province would not be able to produce more than 1,3-million tons.

"In the Northwest province drought has also destroyed prospects for a good crop. The most that can be expected this year is 1,140-million tons," he said.

Economists were divided on the macro-economic implications of the estimate.

National Maize Producers' Organisation economists said shortages would put pressure on maize prices.

Absa chief agricultural economist Willie Lubbe said GDP growth this year could be as low as 2,5%. "The impact of the agricultural sector on the economy is usually

☐ To Page 2

Maize (3) MAIZE BD 22/3/95

☐ From Page 1

underestimated. The impact would also spill over to next year — there is usually a lagged time effect."

But MUNGO SOGGOT reports that Nedcor chief economist Dennis Dykes said the latest crop estimate did not come as a surprise and would not affect Nedcor's growth forecast of just over 3% for the year. "The very best crop we could have hoped for would have been 5-million tons."

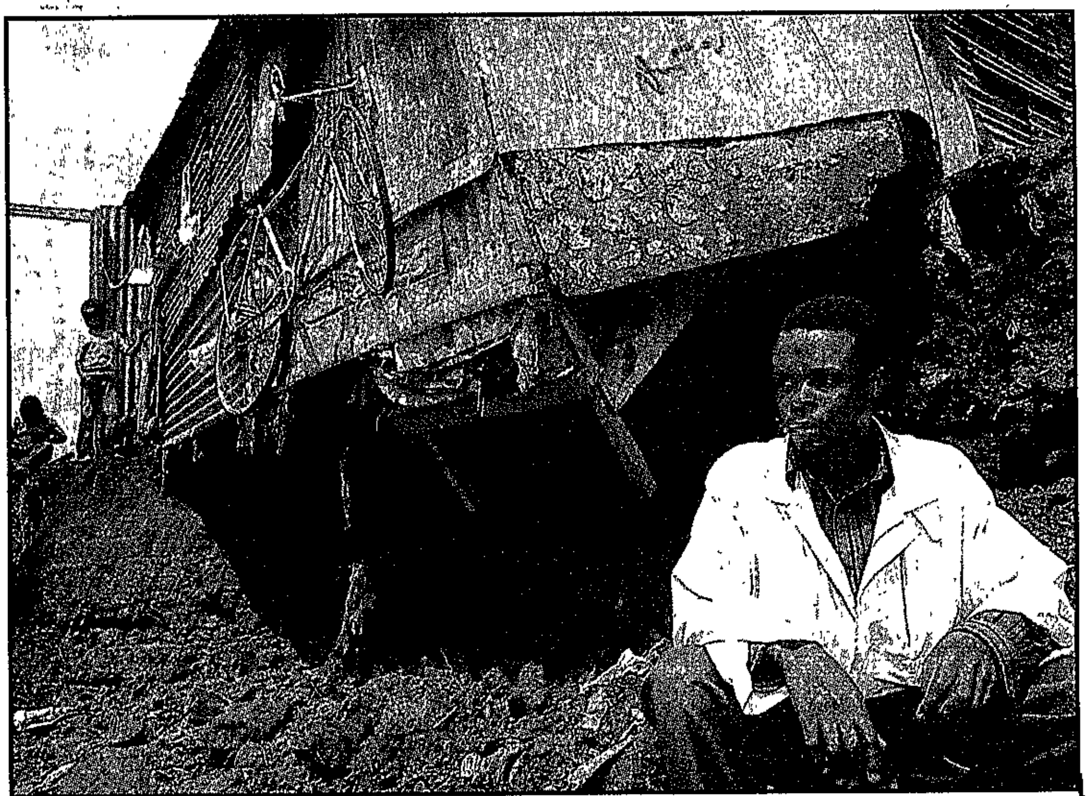
Although it was not a good idea to downplay the sector's role in the economy, the fruits of improved investor confidence and non-agriculture sector investment would soften the blow. The non-agriculture sector was performing well, benefiting from a strong uptick in fixed investment.

Dykes said the "fair level" of produce stocks would cut the amount of imports necessary, reducing the impact of the poor maize crop on the balance of payments.

Sapa reports from Bloemfontein that farmers in the northern Free State, who have lost up to 75% of their crops to drought, are now facing a plague of army worms that are spreading at a rate of 100ha a day. Northern Free State agriculture deputy director Piet van Wyk said immediate steps would have to be taken to prevent the plague reaching unmanageable proportions.

Zimbabwe to buy maize: The Zimbabwe government will spend Z$80 million (US$10 million) on buying maize stocks from the Grain Marketing Board, to be distributed under the grain loan scheme over the next six months, the minister of public service, labour and social welfare, John Nkomo, said on Tuesday.

(3) MAIZE CT(BR) 23/3/95



Hanging on ... Gibson Baloi's shack teeters on the edge of the swollen Jukskei River in Alexandra yesterday. The 23-year-old Venda man said he was praying for an end to the rains, which have left about 400 Alexandra shack dwellers homeless after the river burst its banks on Sunday.

PICTURE: ANTON HAMMERL

Rains too late for maize but wheat will benefit

Star 28/3/95 (3) MAIZE

■ BY NIALL AITCHESON

The soaking rains over the weekend came too late and farmers still face low harvest volumes for 1995, the Transvaal Agricultural Union has warned.

Although more than 80mm of rain fell on Gauteng in the 24 hours to 8am on Sunday, the deluge has not broken the drought or filled dams.

Union spokesman Nic Opperman said: "The weekend rain has helped, but it has come after a long drought. For most farmers it has done no more than just soak the ground."

Opperman said some winter crops such as wheat would benefit from the rain but the country's maize crop would be severely affected by the drought.

But the rain has been welcomed by farmers in the eastern Free State, where the drought was so bad that water was being carted to animals in the veld.

Drought-stricken Pietersburg in the Northern Transvaal has received 25mm of rain since Saturday, Ellisras 19mm and Potgietersrus 11mm.

Last week's heavy rain in KwaZulu-Natal also did little to help the major storage dams. The four dams which supply the province's metropolitan areas remain just 53% full.

In Johannesburg, the emergency services were reporting business as usual as the floodwaters continued to recede.

Emergency Services chief Pine Pienaar said a youth was still missing after falling into the Jukskei River on Sunday.

List referred to in Question (b) (ii)

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Beukes J J	—	23 February 1995
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Bosman D G	—	14 July 1994
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Van den Berg E M	—	23 February 1995
VazCruz L M	—	23 February 1995

Limiting of the final p[illegible]cer price of maize

*9. Ms J Y LOVE asked the Minister of Agriculture:

(3) MAIZE

(1) Whether he intends limiting the final producer price to the amount of R350 announced in May 1994, when approving the level of any back payment by the Maize Board to producers in respect of the 1994/95 marketing year; if not, why not; if so,

(2) whether he will ensure that any remaining balance from the R185 per tonne levy imposed on domestic consumption will be used as far as possible to reduce future levies on consumers of maize; if not, why not; if so, how?

Hansard 29/3/95 N233E

The MINISTER OF AGRICULTURE:

(1) No. The formula to determine the initial payment to farmers of R330/ton, used estimated figures of production, exports, exchange rate, etc. It was accepted that the loss or profit would be for the account of producers, as was the case in previous years. The final payment to farmers will only be determined after the end of April, when the 1994/95 maize account is closed.

(2) Falls away.

Summer Grain Scheme to come into operation

*10. Ms J Y LOVE asked the Minister of Agriculture:

(1) With reference to Government Notice No R.2205 in *Government Gazette* No 16172 of 15 December 1994, when will the new Summer Grain Scheme come into operation;

(2) whether this cheme will be at variance with the recommendations made by the Swart Committee; if so, (a) in what ways and (b) for what reasons?

N234E

The MINISTER OF AGRICULTURE:

(1) The proposed amended Scheme published on 15 December 1994 attracted widely divergent comments and is therefore not acceptable to the Minister. As an alternative the Minister requested the Maize Facilitating Committee to advise him on ways in which the current Summer Grain Scheme as an interim measure can be amended to legally incorporate the principles of the Maize Facilitating Committee which were negotiated during July 1994. It is the intention to have a Summer Grain Scheme in place before 1 May 1995.

(2) Following a meeting of the Maize Facilitating Committee held on 22 March 1995, it seems possible to legally incorporate most of the recommendations made by the Committee during July 1994. The two important exceptions are:

- The amendment of the constitution of the Maize Board in the manner recommended by the Maize Facilitating Committee is not legally possible in terms of the current Marketing Act.
- The current basis for determining areas in which a levy will be payable under the amended Scheme will for practical reasons be retained and not expanded as recommended by the Maize Facilitating Committee.

*11. Mr M J GOLDING—Mineral and Energy Affairs. [Question standing over.]

*12. Mr M J GOLDING—Mineral and Energy Affairs. [Question standing over.]

Professional boxers: physical/mental health protected by legislation/regulations

*13. Mr K M ANDREW asked the Minister of Sport and Recreation:

(1) Whether he or his Department has undertaken any investigation to determine whether the physical and mental health of professional boxers is effectively protected by current legislation and regulations governing this sport; if so, what were the findings; if not, why not;

(2) whether he or his Department intends taking any action in regard to this sport; if not, why not; if so, what action;

(3) whether he will make a statement on the matter?

N237E

The MINISTER OF SPORT AND RECREATION:

(1) No. In accordance with section 3 of the Boxing and Wrestling Control Act, 1954 (Act No 39 of 1954), the South African National Boxing Control Commission (SANBCC) is resonsible to regulate, to control and to exercise general supervision over boxing tournaments in the Republic with a view to the elimination of undesirable practices and the protection of the interests of inter alia, the boxers.

The powers of the National Commission described in section 7 of the said Act inter alia state:

(a) Section 7(f): "to issue, subject to such conditions as it may deem fit, licences authorising the holding tournaments;

(b) Section 7(g): to require any applicant for a licence under paragraph (f) to furnish the Commission with—

(ii) a certificate of physical and mental fitness in respect of the boxers who will participate in the tournament, issued in such form and by such medical practitioner (whether practising in the Republic or elsewhere) as the Commission may approve;

(c) Section 7(i): . . . to prohibit any boxer from participating as such in the tournament if, after such examination or test for physical and mental fitness as the Commission may deem fit, it is satisfied that such boxer should not be allowed so to participate, or if such boxer refuses at the request of the Commission to submit himself to such examination or test."

The Boxing Regulations furthermore prescribe in detail (eg regulations 2, 16, 17, 21, 35) how boxers are protected and how they should prepare themselves for tournaments.

The current Act is generally regarded by the international professional boxing community as a model for the control of professional boxing. In addition to the requirements of the Act and the Regulations pertaining to the health and safety of boxers, the SANBCC has also introduced a system whereby a punishment index records the punishment sustained by a boxer during his boxing career. This index is applied by the SANBCC when applications for licences are made for tournaments. This system is also a first in the control of professional boxing in the world.

(2) Not applicable, because all necessary legislation to protect boxers exists in the current Act and Regulations.

(3) No.

Taxing of investment income of persons married in community of property

*14. Mr K M ANDREW asked the Minister of Finance:

Whether any consideration is being given to changing the basis on which the investment income of persons married in community of property is taxed; if so, (a) what changes are contemplated and (b) when will such changes take effect; if not, why not?

N238E

The MINISTER OF FINANCE:

No. Since separate taxation was taken a step further by taxing all trade income of a married woman separately in her hands with effect from the 1990 year of assessment, a great deal of uncertainty existed in respect of the taxation of passive income, such as investment income, in the hands of spouses who are married in community of property. It was argued that due

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Maize price could rise by up to 40%

Star 30/3/95

(3) MAIZE

BY NIKKI WHITFIELD

The price of maize is expected to rise by as much as 40% this year as the country is forced to import the grain to combat the shortage brought about by the crippling drought.

Hardest hit will be SA's poor, who rely on maize as their staple diet. Economists expect the increase will become a reality in June once the imported maize has had a chance to affect shelf prices.

About a million tons of maize will have to be imported this year to cater to domestic needs, according to the National Maize Producers' Organisation.

Nampo senior economist Andre Ferreira said there was a shortage of maize because of the severe drought. Producers could plant only 2,95-million ha of maize this year instead of the 3,4-million ha usually sown with the crop.

"The farmers are in trouble and unfortunately this will affect the consumer," Ferreira said. "We are forced to import maize because of the shortage, and because the price of imported maize is higher, it will cost more in the shops."

SA consumes about 3,6-million tons of white maize annually, while the white maize crop this year was estimated to be in the region of 2-million tons. This would be supplemented by 700 000 tons available from last year's bumper crop.

The expected yellow maize crop of 2,3-million tons would be supplemented by about 1,2-million tons from last year's harvest. Yellow maize would have to be imported for specific markets such as the livestock industry.

Professor Tobie van Rhijn, consumer representative of the Maize Board and vice-chairman of the SA Consumer Union, said the increase in the maize price was going to be "terrible".

"It is unfortunate that in the first year of the free-market system we find ourselves in a position where the maize price has to be fixed because the terrible drought is making it necessary to import maize," he said.

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Import tariffs on red meat: Measures to stop circumvention (3) MEAT

1. Senator J A JOOSTE asked the Minister of Agriculture: Hansard 4/4/95

Whether he or his Department intends taking any measures with a view to stopping the circumvention of import tariffs on red meat products; if not, why not; if so, what measures?

S140E.INT

*The MINISTER OF AGRICULTURE: Mr President, the answer to the interpellation is, yes. South Africa is, like all the other signatories of the GATT, in the process of implementing the agreement by replacing the abolition of quantitative restrictions with tariffs, also with regard to the importation of meat. It is dealt with in a responsible manner to ensure that prices are closely related to the market, which will obviously be to the advantage of the consumer. At the same time the long-term viability of sustainable agricultural production will have to be borne in mind, and the Department of Agriculture is looking into this.

Unfortunately there are loopholes in the tariff system and much evasion takes place in the process. The Minister of Agriculture is obviously worried about the dishonest way in which import tariffs on red meat are being evaded in some cases. An extremely blatant example is currently taking place in the case of frozen mutton, which normally carries an import tariff of between R1,50 and R4,00 per kilogram, and which is now, after a handful of breadcrumbs has been sprinkled over it, being imported legally at a tariff of 3 cents per kilogram.

This is being exploited as far as I am concerned. The benefit is also not being passed on to the consumer. This is about profit which people are making for themselves and the industry is being inconvenienced more and more. This evasion of the tariff code holds no advantage for the South African consumer or the Exchequer. The Exchequer is losing a considerable amount of money and the process is being undermined. At the same time the evasion of the correct tariffs is clearly enriching only a small group of people.

The meat industry has, quite justifiably, registered a strong objection to this situation. They have submitted examples of particular products to the Minister of Trade and Industry. Without a doubt, blatant deception is taking place. My colleague the Minister of Trade and Industry has already ordered a complete investigation of the situation and emphasises that a comprehensive approach in the meat industry is more appropriate than correctic[illegible] n an ad hoc manner. As far as I know, this inv[illegible]gation is already in its final stage

I would like to add that the Commissioner for Customs and Excise is virtually powerless to intervene as a result of the absence of an acceptable definition of this product, which would also be defendable in a court of law. Together we have now decided on practical measures which will compel the exporting country to make available documents with technical descriptions of the meat. Once this comprehensive investigation by my colleague has been completed, I am certain that the Board on Tariffs and Trade will place a tariff on this to eliminate the loophole in question.

Other problems and cases of evasion have already taken place. The full process of levying tariffs will have to be adapted continually, because the moment a tariff is fixed, people try to evade it, and indeed to their own disadvantage.

*Senator J A JOOSTE: Mr President, I listened to what the hon the Minister said about tariff protection, and we do not have a problem with that. He said it would take place in a responsible manner. That is precisely where the problem lies and it has necessita[illegible] [illegible]day's interpellation. In this way we can pul[illegible] look at precisely what is happening here.

I am very grateful t[illegible] the hon the Minister of Agriculture has told [illegible] that he is concerned about this matter. Her[illegible] and there I would like to elaborate on the infl[illegible]ence that it is, in fact, having on the meat industry. It is true that the Red Meat Producers Association has submitted a document to the Cabinet in relation to this whole issue and that a decision about that is being awaited.

The fact is—as the Minister said—that thousands of tons of so-called processed meat are being imported, on which the import tariff is merely three cents per kilogram as opposed to the R3,70 that is imposed on fresh or frozen meat. This is not processed meat, but cuts from the carcasses of old sheep that are surplus in Australia. The meat is sprinkled with a handful of breadcrumbs, so that it will qualify as processed meat to foil the tariff structures. More than 2 400 kg of this meat is currently on its way to South Africa. A recently released report points out the great health risk that this crumbed meat can have for the consumer. The meat is contaminated with organisms that can cause dangerous diseases in people. Such contaminated meat should not be allowed into the country, because it is not suitable for human consumption. We must act swiftly and effectively to stop this practice.

The evasion of the appropriate import tariffs on fresh or frozen meat has serious consequences for the red meat industry in South Africa. Large parts of the country's agricultural land consist of grazing that can only be used for the production of meat. Unfair competition could destroy the industry. The State loses up to R200 million annually as a result of tariff evasion. The essential problem that demands urgent attention is the following: Tariff structures for the importation of red meat must be simplified so that they can be practically and effectively applied, with minimum policing.

Tariffs are also evaded through product manipulation. The Department of Customs and Excise is not capable of policing discount provisions, and they do not want to allow the Meat Board to do the inspections on their behalf. As I said, a simplified tariff system is necessary . . . [Time expired.]

Senator E K MOORCROFT: Mr President, the DP would like to associate itself with the concerns expressed by the hon Senator Jooste. The red meat industry is one of the most important branches of our livestock industry. Should this industry, therefore, be damaged by unscrupulous agents and dealers who seek in this dishonest fashion to circumvent the law, then it would be to the detriment of the entire industry. It would also be to the detriment of the country. As we have just heard, there are fairly massive amounts of revenue that are being lost in this way

We believe that if dealers in the red meat industry want to change the regulations or conditions controlling the importation of meat, then they should do so honestly and transparently after due negotiation with all interested parties. We would urge the hon the Minister of Agriculture and all concerned to do whatever is necessary to put an end to this dishonest and unsatisfactory practice.

Senator P POWELL: Mr President, the IFP shares the concerns expressed by the two previous speakers about the irregularities which have arisen in this field.

The question which arises is not so much whether regulation is necessary, but whether the blatant violation of such regulations can be allowed to continue.

We welcome the assurances given by the hon the Minister of Agriculture that this is being looked into. The public, consumers and producers must be protected against unscrupulous dealers who are circumventing the regulations. The matter must be resolved as soon as possible in the interests of both the consumers and the producers.

*Senator Dr P J GOUS: Mr President, as regards this matter, the FF associates itself with what Senator Jooste and previous speakers have said in this regard. For our part we would like to request that active steps be taken here.

I would like to ask hon senators a question. A figure of 2 400 kg was mentioned here, and if one talks about R3,70 per kg, one simply has to make a little calculation for oneself. These days everything is expressed in terms of houses. When one looks at what is being evaded here, one can simply work out how many houses one could build with it! I think that if there are rules, people should stick to those rules.

Secondly, of course, the problem has nothing to do with organised agriculture. It actually falls under a different department. We therefore want to say to the hon the Minister of Agriculture that as far as this House is concerned, he has our party's full support to take this matter up with the other department.

Finally, it is necessary for organised agriculture's voice to be heard loudly and clearly in this regard in this House.

*Senator A E VAN NIEKERK: Mr President, a perception exists among the masses that when meat can enter the country more cheaply, in whatever manner, that cheaper tariff filters down to the consumer. This is a perception that did not take root among the masses by itself. It must have come from somewhere.

I am very glad that the Minister expressly told us today that that decreased tariff, that cheaper meat and that saving is not filtering down to the masses or the consumer. We are also glad that the Minister of Trade and Industry is going to plug the loopholes to the benefit of everyone in this country, and also to the benefit of agriculture.

Senator M MOHAMED: Mr President, we in the ANC favour anything that will improve the living conditions of our people. In 1991, more than 780 000 tons of red meat were consumed in South Africa, of which 712 000 tons were produced locally and only 68 000 tons were imported.

I believe that the importation of meat can be reduced by improving local production and by bringing young farmers on board. Since local production cannot be improved overnight, the importation of red meat is still a necessity. The production of red meat cannot be viewed in isolation. As an industry it is influenced by the welfare of agriculture in general. The new South African consumer is therefore of paramount importance to the red meat industry for its survival into the next century. Red meat consumption in South Africa is, to a large extent, determined directly by supply, since everything that is produced is consumed. My main question is whether we should increase the import tariffs on red meat, or whether we should reduce them, and how . . . [Time expired.]

*Senator J A JOOSTE: Mr President, I would just like to state clearly, in case a misunderstanding should arise about this, that no industry in agriculture can afford to price itself out of the market. The interests of the consumer and agriculture are closely associated because without the consumer agriculture could not exist.

This is therefore a very urgent action that affects many people in South Africa agriculture provides work for at least 1 297 million agricultural workers. That means that agriculture also supports at least 5 million other people who are dependent on the agricultural workers.

If we allow the dumping of agricultural products in South Africa, even if it is as a result of ineffective tariff protection practices, an industry such as the red meat industry could be disadvantaged to such an extent that it would scarcely be able to develop once again into a self-reliant industry that can help to provide the country's people with protein and maintain the country's scarce grazing resources by means of good utilisation.

Animals such as those that are currently about to be imported into the country, and that are surplus from other countries, must not find a market in South Africa. One is very concerned when one thinks about the effect that will have. If the idea develops in certain circles that agriculture and particularly red meat producers do not qualify for a profit, then South Africa is headed for greater unemployment, one large squatter camp and unbelievable poverty.

Hon senators need only think about the interior of South Africa where millions of people in large areas of the country are dependent on the red meat industry being able to utilise the local resource, namely grazing effectively. On top of that the country's grazing resource will be completely destroyed as a result of inappropriate utilisation and bad management. I am therefore glad that the Minister of Agriculture has told me he will take active steps to liaise with his colleague so that we can stop this practice as soon as possible, because it has tremendous implications for the agriculturists and everyone in South Africa who is dependent on agriculture.

*The MINISTER OF AGRICULTURE: Mr President, at the outset I would just like to thank all the senators who are dealing so responsibly with this important matter.

As far as the remark of Senator Jooste about health problems is concerned, I can say that the department for its part will act decisively in relation to any meat which comes into the country and which may enter the market more cheaply, but which may make people sick. This will not happen. We will apply our health regulations and if anything at all like this is found, we will prevent that meat from coming onto the market. We have done this before with other products, especially with dairy imports which were contaminated with brucellosis, Malta fever or TB. Then we stopped it. We are therefore very vigilant in this regard and we will ensure that it does not happen.

It is also important that we take note of the fact that South Africa is always a net importer of meat. We produce only 85% of our own meat and the other 15% comes from our neighbours, namely Namibia, Botswana and Swaziland. At the moment we have a shortage. In Australia there is a surplus of adult, old sheep. They do not use them.

†Here is my reply to the question asked by Senator Mohamed: If we were to import the cheaper meat, we would destroy our own industry in South Africa. We would then lose more jobs in South Africa. The meat industry is the biggest agricultural industry in South Africa. It contributes in the vicinity of R8 billion per year to our total economy. If we destroyed it and bought the sheep from outside during normal years, then the job opportunities that are normally created in South Africa would be created in the other country and not in our country. Then we would suffer. We would then have a greater problem.

We must therefore find a balance and in times of shortages lower that tariff to get the best benefit without destroying our own industry. When we are self-sufficient we can have a general increase again so that we can regain the balance without exploitation from our side.

It is important that we maintain our industry in the drought years, because when the normal years come we must have the benefit of that for our own consumers.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Questions standing over from Tuesday, 28 February 1995.

Lease agreement: Westlake, Cape Town

*12. Sen C R REDCLIFFE asked the Minister of Public Works:

Whether his Department has concluded a lease agreement with a certain institution situated in Westlake, Cape Town, the name of which has been furnished to his Department for the purpose of his reply; if so, (a) when was the agreement signed, (b) for what period was the agreement concluded, (c) what monthly rental was agreed upon and (d) who signed the agreement on behalf of (i) his Department and (ii) the said institution?

S24E

The MINISTER OF PUBLIC WORKS:

Mr President, before replying to the question I would like to apologise for not being present last week. I only discovered this morning that communication between my office and the Senate was a problem. I was on official business in Durban, during the President's Small Business Conference. I would like to reply to Senator Redcliffe's question as follows:

No. The Department of Housing of the former Administration: House of Representatives, on behalf of that Administration's Department of Welfare, entered into a lease agreement with the "Ark City of Refuge" of the Ark Christian Ministries Church;

(a) 31 March 1994.

(b) 1 July 1992 to 31 May 2002.

(c) R100 plus all municipal rates and taxes, as well as charges in respect of water and electricity consumption, sanitation and refuse removal.

(d) (i) An official of the Department of Housing of the Administration: House of Representatives;

(ii) the Chairman of the "Ark City of Refuge" of the Ark Christian Ministries Church.

The Department of Public Works has been administering the lease agreement since February 1995 when the relevant documentation was presented to the Department by the Administration of the Western Cape Province.

The accommodation provided by the "Ark City of Refuge" forms part of an investigation of the entire Westlake site, with which I will deal in my reply to Question 13.

Guide plan: Westlake area

*13. Sen C R REDCLIFFE asked the Minister of Public Works:

(1) Whether his Department has commissioned a guide plan for the Westlake area; if so, when;

(2) whether any recommendations have been made in this regard; if so, what is the purport of these recommendations;

(3) whether he will make a statement on the matter?

S26E

The MINISTER OF PUBLIC WORKS:

(1) Yes. Consultants were appointed in May 1993 by the Department of Public Works to prepare a Master Plan for a portion of State-owned land known as Westlake, situated in the southern end of the Constantia Valley;

(2) Yes. The consultants recommended, *inter alia*—

(a) that the Westlake site be developed for institutional purposes (preferably some form of tertiary educational facility) as primary use;

(b) that the informal housing settlement be upgraded and some form of housing associated with the recommended primary use, be provided.

(3) In February 1995 the same firm of consultants were appointed by the Administration of the Western Cape Province to identify a permanent location or locations for all the "homeless" people in the Westlake area. The objective is to identify the most viable land options to the satisfaction of all parties concerned. The consultants presented a draft report in March 1995.

Various role players are presently involved in the situation at Westlake and, in view of the draft recommendations of the consultants, it will first have to be determined where the responsibility lies to implement development proposals for the Westlake site.

I intend calling a meeting of all parties concerned which will include the National Departments of Housing, Welfare, Land Affairs and Public Works, as well as the Provincial Departments of Housing, Welfare and Public Works, to discuss the Government's approach to the proposed development.

The beneficiary community and the surrounding resident organisations will be given every possible opportunity to express their views and wishes for the development of the Westlake site.

New questions.

Task groups: experience/training/knowledge

*1. Sen A E VAN NIEKERK asked the Minister of Arts, Culture, Science and Technology:†

(1) Whether there are any persons serving in his Department's task groups who have substantial experience, training and knowledge in respect of the performing arts in the Republic; if so, (a) who are they, (b) what such experience, training and knowledge does each of these persons have and (c) in what task groups do they serve;

(2) whether he or his Department is making use of any other institutions to advise him or his Department on the performing arts; if not, why not; if so, which institutions?

S97E

The MINISTER OF ARTS, CULTURE, SCIENCE AND TECHNOLOGY:

(1) An Arts and Culture Task Group consisting of 23 experts was appointed to assist in the shaping of a policy on arts and culture

(3) MAIZE

MAIZE INDUSTRY

Ready for change

FM 7/4/95

Agriculture Minister Kraai van Niekerk should announce the new Maize Scheme, as approved by the Maize Board and the National Maize Producers' Organisation (Nampo), "within weeks."

This should meet the May 1 deadline, set for the implementation of the new local free market system for the industry.

But, says board assistant GM (operations) Leon du Plessis, this year's disastrous 4,3 Mt crop should nevertheless only necessitate the import of about 600 000 t of maize. Landed import costs in Durban, at the current US$110/t Gulf fob price and with shipping costs of about $28/t added on, would be about R345m.

Reason for the relatively small volume of imports is that the board could help meet local market demand shortfall from an unexported 1,7 Mt surplus from last season's bumper crop. Local demand is about 6,5 Mt/year. Du Plessis adds that global yellow maize stocks are plentiful, while white maize can be obtained from China, Brazil and the US.

"As far as the new scheme is concerned,

Van Niekerk . . . *freeing the maize market*

its main attributes (apart from the freeing of local marketing and price forming) will be a surplus removal export pool scheme and the administration of stabilisation levies, to be paid by producers in support of revenue shortfalls on less lucrative surplus exports. These aspects would still be handled by the board after May 1," says Du Plessis.

The vastly reduced role of the board, which will still operate its powerful single channel fixed price marketing scheme until April 30, would also necessitate restructuring of the board's own staff complement of about 197. Senior staff members, like deputy GM Hans Swart (now a director of Genfood), have already left the board and more are to follow soon.

Du Plessis says large grain co-operatives, like Senwesko, OTK and Noordwes, will play a growing role in future maize marketing. Processors, like Tiger and Premier, will have to negotiate their own pricing deals while also applying for import permits from the Board on Tariffs & Trade. The new maize import tariff is still to be announced, though Nampo has applied for a 35% tariff, which is being strongly opposed by Tiger and other members of the so-called Concerned Buyers' Group.

"The new maize price, after May 1, will be negotiated directly between buyers and sellers. In view of the crop shortfall, one should reasonably expect prices to rise during the next marketing season," he adds.

SA Futures Exchange GM (agricultural marketing division) John Wixley says Safex plans to offer maize forward trading contracts from July, while futures contracts would "not be available for a while." ■

③ MAIZE

Maize prices to rise

ST(BT) 9/4/95

By CIARAN RYAN

THE maize scheme announced by the government this week will lead to the partial deregulation of the maize industry but, in a cruel twist of free-market forces, will see consumers paying higher prices.

The single-channel marketing system, which compelled farmers to sell their maize to the Maize Board, has been scrapped, allowing farmers to sell their produce direct to consumers.

But with this year's maize crop of 4,3-million tons expected to leave a white maize shortfall of around 1,25-million tons, prices are set to rise by about a third. Farmers are likely to demand around R500 a ton, compared with last year's producer price of R375 a ton, to which was added a statutory levy of R185.

The new mechanism for price determination is based on import parity and will become effective on May 1.

The new summer grain (maize) scheme retains a floor price mechanism, funded by a compulsory levy of around R57 a ton.

"The irony is that this year the maize millers will have to pay around R685 a ton, comprising the producer price, levy and railage, compared with R555 a tons last year," says Boris Kaplan, trade liaison manager at Tiger Oats.

"But in years when we have a maize surplus, obviously the price will drop."

Nevertheless, some aspects of the new scheme are likely to encounter stiff opposition from free-market lobbyists.

Severe drought, maize shortage crystallise land use conundrum

BD 13/4/95 (3) MAIZE

LOUISE COOK and MICHAEL MOON

SCHWEIZER Reneke held a maize festival at the end of last year which, by all accounts, was a big success. The gathering of people from throughout the Western Transvaal maize growing region proved so popular that townsfolk have proposed making it an annual event.

There is just one snag — Schweizer Reneke does not always have bumper maize crops to celebrate. In fact, many years there isn't one to speak of. The area is no more than "marginal" for growing maize, with average annual rainfall at a mere 450mm.

"Anything under 800mm is too little for effective maize cultivation," Agriculture Department experts at the Potchefstroom Grain Centre say. They believe farmers in the Western Transvaal should rather keep cattle.

But their superiors in the Agriculture Department have always been wary of labelling areas as marginal. The reason probably relates to controversy around the previous government's policy of generous and undiscriminating assistance for farmers who made up an important part of its constituency — as well as uncertainty about the direction maize production might take in future. Land Affairs Minister Derek Hanekom was recently accused of "meddling" in farming matters for daring to make remarks about maize farmers and their perceived failure to use agricultural land optimally.

Government for years spent millions on an incentive scheme to encourage farmers trying to grow maize on unsuitable land to switch to stock farming, but at the same time seemed quite happy to pay vast sums in drought aid to those farmers who persisted in undertaking highly risky maize plantings year after year. Such a drain on the national fiscus is what the new government is seeking to avoid.

While on the surface it would seem wasteful to try to grow maize on unsuitable ground, the World Bank and other demographic and economic experts have warned that Africa's cereal production needs to grow by at least 4% a year to meet the continent's 60-80-million ton annual requirement.

This year's severe drought and a projected maize shortage of 2,4-million tons is rapidly crystallising some of the issues around maize production and its sale in SA.

Uncertainty over marketing, which was the cause of industry jitters for a year, was partially eliminated last week when Agriculture Minister Kraai van Niekerk announced that the 50-year-old single-channel marketing system had been amended to allow farmers to negotiate their own prices with buyers. The once all-powerful Maize Board will still run a floor price system for overproduction and control the export pool to ensure stability in the industry.

But can crop production be rationalised and maize farming made more efficient — possibly by planting more drought-resistant strains? What about a regional maize-producing policy for southern Africa, with greater use being made of superior growing conditions in neighbouring states? Is importation from the US not another option?

Agriculture Research Council director Jan Dreyer says SA is already a world leader in the search for drought-resistant maize cultivars. "A so-called drought-resistant mealie is tantamount to a car that drives without petrol. It does not exist."

Dreyer says the only room for improvement lies in the relatively new concept of "drought escape", which involves shortening the growing period to capitalise on available rain or irrigation. "The drawback is that a lot of yield is sacrificed," he says.

National African Farmers' Union spokesman Bigman Malua says black farmers have survived for years without government assistance and are able to continue doing so. He believes drought relief should not be granted in dry areas such as Northwest, in order to force farmers to use land appropriately.

Malua says SA maize is far more expensive than that in neighbouring states because of a high level of mechanisation, and suggests stepping up importation from Malawi, Zimbabwe and Zambia.

But National Maize Producers' Organisation (Nampo) GM Giel van Zyl says the maize industry is "plagued by myths" like these.

He argues that droughts effect the whole of southern Africa and that imports from neighbouring states would not be possible, or cheaper. "This year is a case in point. Namibia and Zimbabwe are importing. Zambia will only have a small crop and, in any case, lacks infrastructure to move maize off the farms. All the other southern African countries are net importers every year."

The newly formed Conference of Southern African Maize Producers, which includes Nampo and seven other national bodies, met recently in Harare to talk about common problems.

Regarding imports from abroad, the current landed cost of maize from the US in Cape Town is R600 a ton — at least R50 more expensive than local maize. Van Zyl says the imports cost R800 a ton by the time they get to major markets on the Reef.

It is also not the sort of maize South Africans demand. "Overseas maize is mainly produced for fodder. SA needs 3,8-million tons of white maize a year because that is what consumers want," says Van Zyl.

The small amount of US white maize on the international market is of inferior quality because it is not sun-dried, according to Maize Board dealer Mike Elliot.

But he points out that production in the US is twice as stable as in SA due to better climatic conditions. "It is imperative that local farmers regard droughts as the norm and not the exception," says Elliot.

Food company Tiger Oats has recently started negotiations with farmers in North America to import white and yellow maize grown under contract. But Tiger Oats executive director Hamish McBain agrees that locally produced maize is generally of higher quality than that on international markets, and makes the point that high railage costs are an obstacle to moving imported maize inland. But it is possible that, through long-term contracts, Tiger Oats could bring in US maize at less than the going import rate of R600 a landed ton and close to, or less than, the price of local production. It is estimated that local maize could cost as much as R650 to get to coastal centres this year.

The ANC's Land and Agriculture Policy Centre advocates a "rational regional approach". Researcher Brendon Bayley says the only question is how far a regional trade approach should go and how fast it should be introduced. He says it makes sense to "retain a measure of stabilisation in the interim through some kind of pool system, a floor price and provision to store stocks to provide for droughts".

Producers, the animal feed industry, millers and government have been struggling for the best part of a year to formulate a system to minimise uncertainties posed by overproduction in some years and shortages in others. Each group is fighting to secure the best deal for itself in the face of market deregulation, brought about by SA's new membership of the World Trade Organisation (WTO) and by the draft of a new marketing Bill.

Contributing to this is the fact that international maize prices dropped to $107 from $112 in January as a result of a bumper 1995 US crop.

The only certainty in the maize industry right now is that 1995 will be a watershed year.

Whether the country can or should break out of a mould of trying to attain food self-sufficiency at all costs, and move towards a more rational and sustainable use of land resources, will be crucial to how the nation is fed — and whether Schweizer Reneke holds another maize festival.

Marginally better maize crop likely

(3) MAIZE

LOUISE COOK

THIS year's maize crop would improve marginally to 4,493-million tons — up by 64 000 tons — the latest crop forecasts by the Agriculture Department show.

National crop estimates committee chairman Kobus Smit said at the weekend that the late rain had made a difference only in Northwest, where the crop now stood at 1,250-million tons.

"This is the only province where late plantings in January were possible due to the rain that continued to fall." But cold or frost could still damage the crop.

Natal maize farmers were doing far better than expected. Smit said the latest information showed that the crop was now 250 000 tons.

BD 24/4/95

Meanwhile, National Maize Producers' Organisation chairman Cerneels Claassen warned maize farmers not to sell at "too low" prices during the current shortage.

He also warned farmers to ensure that prospective buyers were registered with the Maize Board to avoid any levies on purchases being charged.

Claassen said the grain should realistically cost about R550 a ton for white maize and R470 a ton for yellow maize.

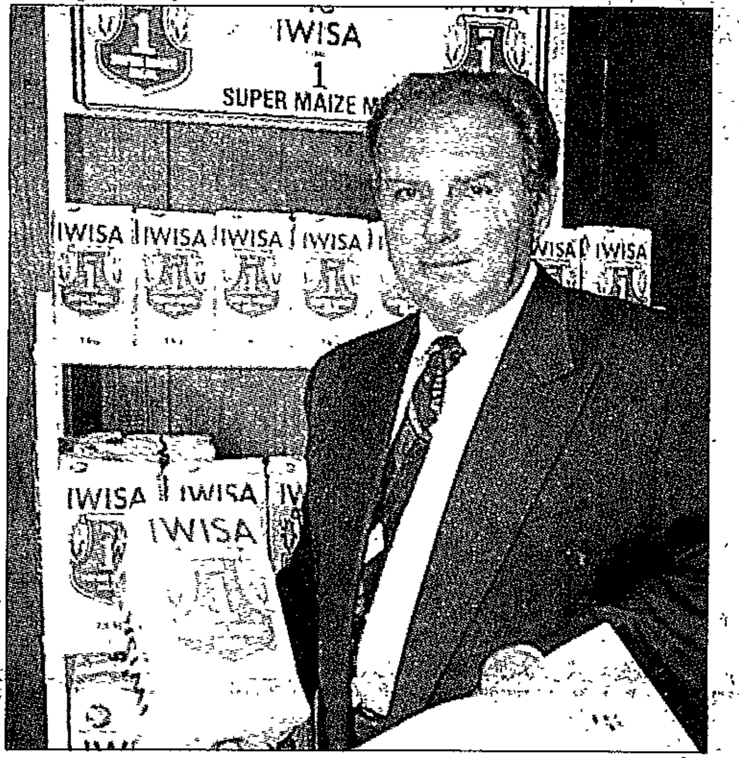
"These are net prices; in other words after levies and storage. Producers should bear in mind where their farms are located and negotiate higher prices if they are closer to the markets", he said.

Agriculture Minister Kraai van Niekerk recently approved a new maize marketing system which would do away with the fixing of a price at the beginning of every season by government.

Drought could push white maize meal price up 40%

CT 26/4/95

(3) MAIZE



GRAIN DRAIN *Gordon Utian, Premier Group MD, warns of an impending shortage of white maize, and price hikes* PHOTO: JOHN WOODROOF

BY CHARLOTTE MATHEWS
INVESTMENT EDITOR

An increase of up to 40 percent in the price of white maize meal is likely unless agreement can be reached with farmers to sacrifice some of the cash surplus from 1994/95 to stabilise consumer prices, Premier Group warned yesterday.

Gordon Utian, Premier Group managing director, told a press conference that as a result of the drought in the past season there would be a shortage of white maize — a staple food for many South Africans — in the next few months.

It would be difficult to import white maize, which is only produced in a handful of countries, he said, and because it had been left until late in the season, and world prices were high, it was likely to be expensive.

Based on a carry-over price of R515 a ton from last season's crop, and adding other production costs, Premier estimated that the 1995/96 mill-door price would be about R706 per ton against R555 per ton in 1994/95, a 27 percent increase.

However, depending on the cost and amount of imports, the 27 percent hike could be as high as 40 percent.

Premier expects to limit its price increases in maize meal to an initial 17 to 19 percent. Even a 17 to 19 percent increase would put upward pressure on inflation and affect the price of other items in the value chain, because it would put up the price of animal feeds, Utian said. David Cooper, Land and Agriculture Policy Centre executive director, said there could be a massive backlash from consumers to sharp price hikes, as indicated by the reaction to the proposal to impose VAT on basic foodstuffs several years ago.

In the past 13 years per capita consumption of white maize had declined from about 140kg a head a year to just under 90kg.

To ensure the survival of the industry, a long-term view on the pricing of maize should be taken, Utian said.

For this reason Premier was appealing to the authorities not to impose a tariff on imports of white maize in the current season and for farmers to reallocate the R25 per ton refund resulting from lower export costs than expected to be put towards subsiding the consumer price of maize.

Bid to avoid 'wild' prices for maize

(3) MAIZE

BD 26/4/95

MARCIA KLEIN

THE Premier Group has called for a maize forum where all industry players would jointly develop a strategy to smooth the process of deregulation and prevent wild price fluctuations.

Premier Foods chairman and CE Gordon Utian said yesterday the maize price would increase by about 27% on May 1 and there could be further increases during the year if white maize had to be imported.

The move away from a regulated industry controlled by the Maize Board had resulted in problems which were not easily sorted out.

Utian said the industry was at a crossroads. It was unfortunate that it had entered an era of deregulation in a period of drought when domestic supply would not meet consumption.

In addition, international prices were rising, so white maize imports would result in further price increases. "Everyone supports deregulation but we need to make some transitional arrangements".

CT(BR) 27/4/95

Maize comment not from Premier: The article entitled "Drought could push white maize meal price up 40 percent" in yesterday's edition of Business Report incorrectly stated that Premier Foods had called for surplus export funds to be used to hold the price increases on maize down by an amount of R25 a ton. This is in no way the view of Premier Foods and the company distances itself from such a suggestion. The point was explicitly made by David Cooper, director of the ANC-aligned Land and Agriculture Policy Centre, and remains the view of that particular organisation.

(3) MAIZE

Call to reduce back payment on maize

BD 28/4/95 (3) MAIZE

LOUISE COOK

AN estimated 40% hike in the price of maize meal this year could be limited if the Maize Board agreed to reduce the size of a back payment (agterskot) to farmers on maize from last year's crop, says Land and Agricultural Policy Centre executive director David Cooper.

The Maize Board told producers in February that they could expect an agterskot of about R45 a ton on export maize which was held back when the poor 1994 crop materialised.

Cooper said the centre would address the issue at a meeting on Tuesday between all role players in agricultural marketing, including government and the Maize Board.

He said the centre would try to persuade the Maize Board to reconsider the size of the agterskot.

Cooper said the money "saved" from halted exports did not belong to farmers. "The Agriculture Minister may have, out of habit, approved a back payment to farmers. But this saving does not belong to them because if the size of the 1994 crop had been estimated accurately, there would have been less pressure on millers last year."

Cooper said the board may have made R267,8m more from sales than it calculated in May last year. The proposed agterskot would be R25 a ton higher than the target producer price set last May.

"Part of that money should be used to subsidise this year's consumer price of maize," he said.

Maize Board GM Peter Cownie said the board had not received any official request to reduce the payment. Board chairman Jan Schabort said "it was basically on the insistence of the buyers' groups that the industry had to move to a freer system". This was likely to cause price hikes in shortage years, he said.

Maize hike — a catastrophe for the poor

WM 28/4 27/4/95 5/95 ③ MAIZE

The maize price hike may only be the start of a terrible year for the country's poor because the industry is in chaos. **Pat Sidley** reports

THIS week's announcement of a major hike in the maize price, along with another steep increase in the fuel price, will play havoc with the living standards of the country's poor — and it is possible the price will rise by 40 percent during the year.

MP Janet Love says the increase will have a "catastrophic" effect on peoples' livelihoods and will force organised labour to demand high wage increases during this year's season of collective bargaining.

Love, who sits on the parliamentary committee which has to introduce a new agricultural marketing law, has written to Agriculture Minister Kraai van Niekerk asking him not to pay farmers a controversial *agterskot* which will add to the cost of maize.

If the government agrees not to pay this amount to farmers it could reduce the price of each ton of maize by about R20 — but the farmers' lobbies are insisting that Van Niekerk promised them the payout.

Love has been joined by powerful allies in industry. The Premier Group this week announced their concern over the price rise. The food giant is especially concerned that its companies will have to implement the hike as they buy the maize at new prices and then recoup their expenditure by passing it on to consumers.

Stung by regular criticism that it is profiteering by using the maize price to up the retail price of mielie meal, the group has decided to open its books to independent auditors.

The Land and Agricultural Policy Centre (LAPC), an ANC-aligned think-tank, has been called in to do the audit. An international expert will also be appointed to lend credibility.

Love has asked other millers to do the same, and has asked Premier to bear as much of the cost as possible.

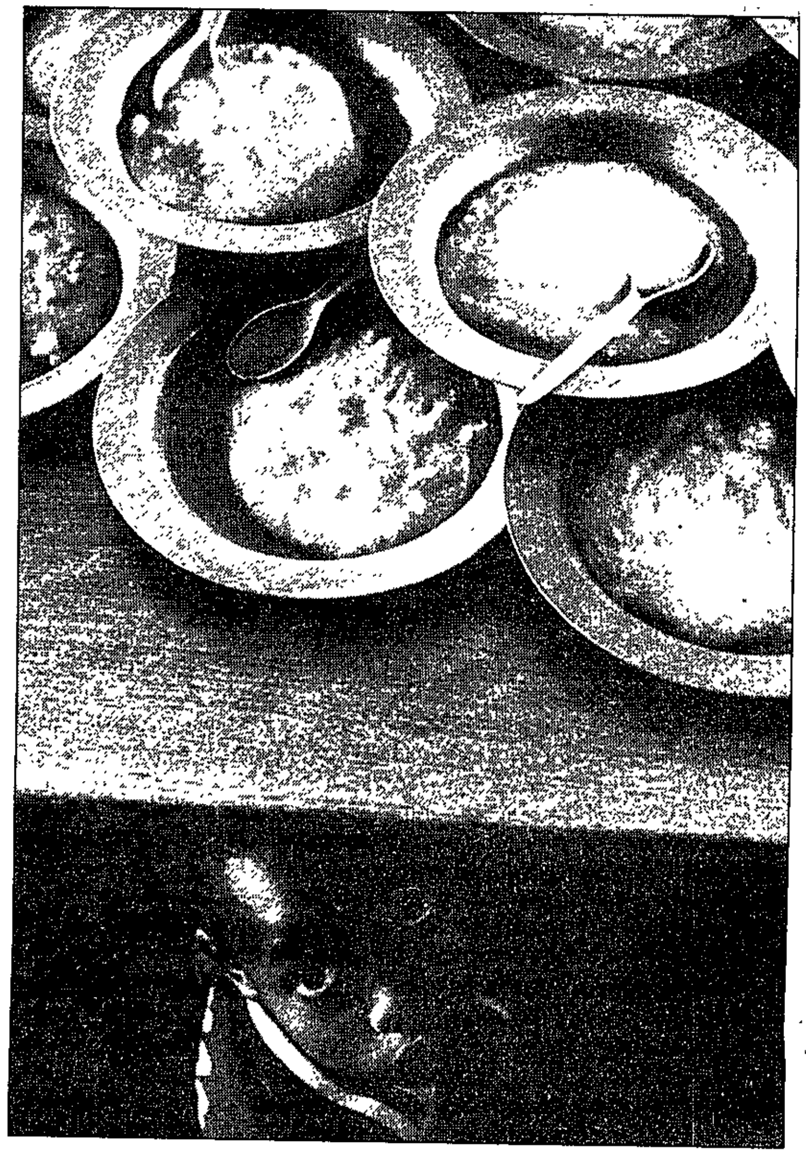
The burden of the maize price increase will hit the poor immediately and the aftershocks will be felt repeatedly in months to come as the effects of the hike on food prices in general filters in through the price of stock and chicken feeds.

On top of this, consumers will be hit by a series of fuel price increases — with a steep three-cents-per-litre hike coming next week.

The Consumer Price Index for the poor, which is weighted so that there is greater emphasis on basic costs such as food, is likely to have seven percent added to the inflation rate for food owing to the maize price increase, and more when fuel costs are added.

Meanwhile, the maize industry is in chaos. The old single-channel marketing system has fallen apart over the past two years and, courtesy of Van Niekerk's dithering, a new system of marketing maize was announced just a few weeks ago. It leaves the fate of maize prices to market forces, an untested situation.

Most people in the industry agree that the price would have risen substantially in any event. Among the factors influencing an increase are the local drought, an international shortage, global high prices, and the rand's poor exchange rate.



Suffer the children: School feeding schemes will be hard hit

PHOTOGRAPH: STEVE HILTON-BARBER

A further problem is South Africans' passion for white maize as opposed to yellow maize. There is more yellow maize available internationally, and it is cheaper.

LAPC director David Cooper believes substantial savings on the new price could be made if the 10 percent tariff on imported maize were dropped, if millers absorbed some of the costs, and if the *agerskot* were dropped.

The tariff, says Love, is likely to go — but with opposition. It helps local farmers keep their own prices high and protects their own interests. The *agterskot* is more contentious.

It arose from the need for a stabilisation fund with enough in it to cater for perennial problems that arise from drought and fluctuations and that result in maize being exported at a loss in years of surplus.

Almost no one talks the language of price controls and subsidies any more — except in the maize board, and probably in rural areas where the price is sent soaring by unscrupulous general dealers.

The new marketing system will only interfere at the point of exports where a levy will be charged on each ton of maize produced here to subsidise exports and cope with imports when necessary.

Millers call for curbs on maize price

ST 30/4/95. (3) MAIZE

By CIARAN RYAN

A POLITICAL time bomb is ready to explode if maize prices rise 30% to 40% as forecast.

Pressure is growing for a national maize forum to soften price increases, which will hit the poor hardest.

The government is expected to stop "agterskot" payments of at least R25 a ton, traditionally paid to farmers at the end of each season from export surpluses.

Withholding this payment could reduce the price of white maize by R134 a ton this year. More than half of last year's crop of 10,7-million tons was exported at a loss. This year's drought-reduced crop of about 4-million tons is 2-million tons short of the country's needs.

The new maize scheme, allowing farmers rather than the Maize Board to determine prices, has already resulted in sharp price increases.

The National Maize Producers' Organisation is advising farmers not to sell white maize below R550 a ton, 66% higher than last year's fixed price of R330 a ton.

Maize millers will pay at least R706 a ton for white maize this year (based on recent producer prices of R515 a ton), 27% higher than last year's R555.

Based on these prices, Premier says it can initially hold maize meal price increases to between 17% and 19%. The producer levy drops to R58 from last year's R185, but farmers can demand whatever the market will pay.

There are also reports of producer syndicates buying large quantities of maize to manipulate the price upwards. The government introduced the single channel marketing system for maize in 1944 to eliminate this practice.

"It is a tragedy that we are faced with a maize shortage just as a free market system is introduced," says David Frost, Premier Foods group economist.

Premier has agreed to open its books for inspection by the Land and Agricultural Policy Centre to allay any concerns that it is profiteering. It has challenged the rest of the industry to do the same.

"In years when food prices rise dramatically, accusations are rife concerning who in the value-added chain is profiteering," says managing director of Premier Foods, Gordon Utian.

Mr Utian has joined calls for the formation of a maize forum to address the needs of low-income consumers and ensure the viability of the industry.

Nampo has rejected Premier's call for a forum.

"Why should we have an open market system if we are again going look at ways of controlling prices," asks Kit le Clus, Nampo's head of research and development.

"We are advising farmers to make use of the market system, as was originally intended."

Mr Frost says the purpose of the forum is not to control prices but to "coordinate approaches in the long-term interest of the industry and the consumer in view of the decline in per capita consumption of white maize".

Mr le Clus says the maize price would have been lower if the industry had adopted Nampo's suggestion of retaining single channel marketing, allowing for direct trading in certain circumstances and prices linked to the international market.

Southern Africa's harvest of maize, meanwhile, is estimated to be 40% lower this year than in 1994, Sapa-AFP reports.

The Southern African Development Community said on Friday that forecasts for the 11 SADC nations suggested a harvest of about 11,87-million tons, down from 20,07-million tons last year. An import requirement of 3,43-million tons was expected.

Rural poor to bear brunt of maize marketing scheme

(3) MAIZE
Star 1/5/95

■ BY NIKKI WHITFIELD
CONSUMER REPORTER

After decades of control, a new free-market scheme comes into effect in the maize industry today.

And the bad news is that one of the largest manufacturers of mealie meal, Premier Foods, has announced an increase of between 17 and 19% from today, with warnings of more increases to come.

The new maize marketing scheme dictates that the price of maize be set by market forces. Unfortunately, the launch of the new scheme has coincided with a crippling drought which, industry analysts say, could see the price rise by as much as 40% if the country is forced to import large quantities.

Another aspect of the new maize marketing scheme is that imports will be allowed on an uncontrolled basis. Farmers are demanding an import tariff of 35%, while consumer groups oppose this.

Another factor which could temper further increases is the outcome of negotiations on whether to sacrifice some of the cash surplus from the 1994/95 season.

But the situation does not look good. According to Premier, white maize — the staple food for millions of South Africans — is difficult to import as it is produced only in a few countries. As it is late in the season, world prices are high and imports are likely to be expensive.

People living below the breadline in remote areas, already victims of store-owners who take advantage of being the only outlet for kilometres around by inflating the prices of basic foodstuffs, will be affected the worst as the cost of mealie meal rises even further.

Premier said it expected to limit its price increase in mealie meal to an initial 17 to 19%. Translated to rands and cents, this meant consumers buying maize meal from supermarket chains could expect price labels to change from around R19,58 for a 12,5kg pack to R22,99 at first.

Imports

Based on a carry-over price of R515 a ton from last season's crop, and adding other production costs, Premier estimated that the 1995/96 mill-door price would be about R706 per ton against R555 per ton in 1994/95, a 27% increase. However, depending on the cost and amount of imports, the increase could be as high as 40%.

Milling firms slated for maize price hikes

(3) MAIZE

LOUISE COOK

ONE of the biggest maize meal buyers, National Mageu Breweries, and the National Maize Producers Organisation (Nampo) yesterday accused milling companies of misleading the public about the price hike of maize meal. BD 4/5/95

Mageu Breweries MD Micheal Addison said the company was unable to find meal that had not increased by at least 40% in price this week.

Addison conceded that Mageu Breweries may be operating off a low price base.

Nampo chairman Cerneels Claassen hit out at millers who increased prices, saying the public was being misled about drought being the cause.

"The impression is that the hike is on maize from the current season. But it is on last year's maize which was bought at R515 a ton."

Claassen said millers should still have enough supplies from last year's crop to last until the end of July.

Premier Foods group economist David Frost denied prices had gone up by 40%. "Premier's prices went up by between 17% and 19%," he said.

Frost also denied there was enough maize for the next three months. He said the Maize Board had rationed millers on a proportional basis.

"We had to import maize at over R700 a ton landed cost to Durban harbour and had additional costs to transport the maize to the interior."

Tiger Oats CE Hamish McBain said it had put its price up 10% and would phase in further increases.

Meanwhile, Claassen said Nampo would refuse to participate in a negotiating forum called by Premier Foods last week "if it was aimed at negotiating prices".

"This would be a step back towards market control," he said.

Agricultural economist Johan Kirsten said the maize industry was bound to undergo price fluctuations due to the scrapping of the single-channel marketing system this week.

MAIZE INDUSTRY (3) MAIZE

Chaffing at the bit

FM 5/5/95

Consumers are about to pay a heavy initial price for the freeing of SA's maize industry. Industry officials are warning of a possible 30% leap in white maize meal prices.

The just-completed abolition of controlled maize marketing, takes place against the backdrop of a disastrous maize crop of 4,5 Mt. Even allowing for last year's 1,7 Mt surplus, at least 600 000 t of maize still has to be imported.

But, says independent consultant Johan Willemse, farmers cannot be blamed. Free market forces will determine price. "The abolition of import permits and introduction of tariffication means that import parity will control price moves," he says.

Tiger Oats CE Hamish McBain says some farmers, who last year received about R395/t for their maize, are looking at the R680/t white maize import parity price and are bargaining for a producer price of about R600/t. "But they must beware the risk of driving consumers away by pricing themselves out of the market, especially as per capita consumption is dropping."

National Association of Maize Producers Organisation (Nampo) chairman Cerneels Claassen says white maize producer prices should be about R550/t "at the farm gate," while yellow maize should sell for about R470 and above. He suggests farmers retain a portion of their crops as a bargaining chip in later price negotiations.

Still to be resolved is the final decision on import tariffs, being considered by the Ministry of Trade & Industry following an undisclosed recommendation by the Board on Tariffs & Trade (BTT).

BTT chief director Alwyn Kraamwinkel says the board received tariff applications from Nampo and the Animal Feed Manufacturers' Association (Afma). Afma asked for a zero tariff if the global price is above US$109/t, with a 5% tariff below that, while Nampo asked for zero on prices of $115/t and above, increasing to 10%, 20% and 40% duties as prices cascade from $110/t down to $95/t and below.

FR Waring International Commodity Traders MD Christopher Berry says the BTT will have to speed up the tariff process, as ships containing 100 000 t of imported maize are expected to dock at Cape Town early this month with a further 100 000 t arriving early June.

This year, the formerly all-powerful Maize Board will have very little to do. It will no longer be involved in local marketing, while its single-channel surplus export role (based on a floor price scheme and producer levies) is non-existent in a shortage year. So it will have no option but to downscale its operations.

Farming co-operatives face the change from being mere storage and handling agents to becoming competitive players in selling, importing and renting silo space to bidders in the local market. And local and international grain merchants and agents, formerly limited to dealing with the board on a fixed price basis, will have a free hand in the local market.

Senwesko CE Hennie Davel says uncertainties in the new system which still need to be cleared up include co-operatives handling their own exports, the powers of the Maize Board and of the Minister in the new system, tariff rulings and the pricing mechanism.

McBain warns that some multinational traders will attempt to profiteer by cornering the "short" market and buying up scarce white maize stock with the aim of making speculative profits at a later stage.

Regarding the role of the SA Futures Exchange (Safex) agricultural marketing division, which aims to offer trading facilities in forward maize contracts by June and futures maize contracts at some later stage, McBain says the SA market is probably too small for the creation of proper hedging tools. But, says Willemse, "Safex contracts may well do the job, as more and more parties start trading into the future. We need this type of hedging mechanism." ■

Davel ... *uncertainties in new system need to be cleared up*

Maize hikes renew calls for controls

③MAIZE ST(BT)7/5/95

By CIARAN RYAN

THE Cabinet is to consider a range of measures aimed at forestalling further maize price increases just days after the deregulation of maize marketing took effect this week.

Janet Love, national chairman for the standing committee on agriculture, has called on the government to use "agterskot" payments of R25 a ton, traditionally paid to maize farmers to subsidise the consumer maize price. The non-payment of the agterskot this year could reduce the price by R134 a ton.

The government is also considering postponing a 35% import tariff this year because of the need to import nearly 1-million tons of white maize as a result of the drought.

The shortage has created opportunities for speculation and profiteering, says Trish Hanekom, chairman of the standing committee on agriculture in Gauteng.

"I do not believe we need to increase the maize price. There is money in the system which can be used to keep prices down."

The government has been asked to consider using R250-million in surplus funds held by the Maize Board to replace the stabilisation levy.

Another suggestion is to waive the R48 a ton stabilisation levy for the year and force a reduction in the board's operational costs. This could hold the price increase to about 21%.

However, Peter Cownie, general manager of the Maize Board, says waiving the stabilisation levy will not reduce prices to the consumer as maize price will from now on be determined by import parity.

Based on current world prices, it will cost R680 to import and land a ton of maize in Gauteng and R580 at the coast. This is the price that farmers would be able to get in a free-market system. Waiving the levy will generate a greater profit for farmers, who are likely to demand import parity.

Cosatu, civic associations, millers, the ANC and consumer groups called for government intervention to prevent runaway price increases in the country's staple diet.

Agricultural co-operatives have been accused of holding the consumer to ransom, while the National Maize Producers Organisation was slammed for advising farmers not to sell below R550 a ton, 66% above last year's fixed price of R330.

Pressure mounted this week for the formation of a national maize forum to explore possibilities of reducing costs.

"Farmers must realise that excessive price increases will drive consumers to alternative food sources, such as wheat and rice," says Hamish McBain, director of Tiger Oats.

"Per capita maize consumption is already in a long-term decline and once consumers are lost, they will not easily return."

Nampo says farmers are within their rights to make use of the free market. Urging them to moderate price increases implies a return to controlled prices.

There is also concern that farmers are being singled out as the sole cause of maize price increases.

"Maize only accounts for 30% to 40% of the cost of a bag of mealie meal," says Ms Love. "There are other inputs on the value-added chain, such as transport and storage."

"We need to relook at the system of agricultural marketing in South Africa," says Mrs Hanekom. "It benefits large-scale producers at the expense of consumers and small-scale producers."

Mr McBain says maize millers will be unable to pass the full extent of cost increases on to consumers: "The truth is that we have been making losses on the maize milling side for the last few years.

"The farmers, on the other hand, received the highest yield per hectare in history last year and now they are told by Nampo to anticipate a further 47% price increase. If they do this, consumers will vote with their feet."

Premier says it can initially hold maize meal price increases to between 17% and 19%, based on recent producer prices of R515 a ton.

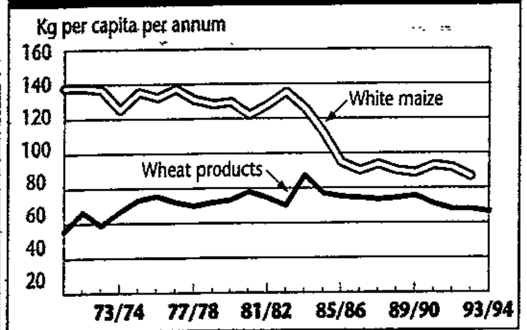
Millers will have to pay more than R700 a ton for their maize, after accounting for silo costs, railage, financing, producer levies and insurance.

The old single-channel marketing system fell apart last year when large millers were forced to pay producer levies of R180, while hundreds of small millers were able to bypass the system and undercut the giants.

Under the new deregulated system, maize prices are dictated by market conditions, although a smaller stabilisation levy is imposed to subsidise exports in years of surplus.

The Maize Board is now a buyer of last resort and co-ordinates exports.

WHITE MAIZE PER CAPITA CONSUMPTION



Graphic: FIONA KRISCH Source: ABSTRACT OF AGRICULTURAL STATISTICS 1994

PAYING DEAR . . . Tiger Oats' Hamish McBain, who says high prices are driving consumers away from maize

Policy for storing of maize reserves needed

(3) MAIZE

LOUISE COOK

SA NEEDED a "meaningful" policy for storing strategic maize reserves because of the country's erratic production, Maize Board GM Peter Cownie said at the weekend.

He told the Fertiliser Society of SA's AGM in Johannesburg that there was no official policy for the holding of central strategic reserves as a safeguard against a poor crop in the following year.

"However, one of the dangers of a large strategic reserve is that it can be used to keep domestic prices at unacceptably low levels for the producer," said Cownie.

BD 9/5/95

The storage option was also mooted by National Maize Producers' Organisation (Nampo) chairman Cerneels Claassen last week when he said Nampo had "put a plan on the table" to store maize at the beginning of this season, but it had been rejected.

SA faces a shortage of about 1-million tons of white maize after a bumper crop last year. Millers have put prices up by about 20% after having to import maize at R700/ton.

In terms of the new maize marketing scheme which started this month after single-channel marketing was scrapped, the Maize Board was no longer in a position to keep prices below the price of imported maize when SA faced shortages, said Cownie.

Low prices were "desirable from a national viewpoint to ensure maize products remain affordable, particularly in the inland of the country", he said.

"It is also desirable from an industry viewpoint as maize products can lose significant market share to other starch products if prices become too high."

Cownie said SA currently enjoyed a steady market for maize for human consumption. But increased demand from population growth had largely been cancelled out by a drop in maize consumption.

Cownie said that in terms of the new marketing system, the Maize Board would accept maize from any farmer unable to find a commercial buyer and pay a floor price.

Branding may be legislated

NICOLA JENVEY

DURBAN — The Livestock Brands Act may be reviewed and branding may become compulsory as a measure to combat the R80m-a-year stock theft problem, Agriculture Deputy Minister Thoko Msane said.

Addressing the National Stock Theft conference yesterday Msane said owners benefited from branding as it proved possession, the SA Police Service (SAPS) could easily trace stolen animals, the pounds could trace owners and the consumer benefited through savings in a more efficient livestock industry.

SAPS deputy national commissioner Zolisa Lavisa said the number of cattle stolen had increased from 24 986 in 1990 to 46 138 last year — less than half were recovered.

The theft of sheep and goats had increased to 125 884 from 80 802 over the same period. Only 25 525 were recovered last year.

Should the law change, farmers would have six months to register a brand and unidentified stock could not be sold.

Benefits in regional power

BD 9/5/95

EDWARD WEST

CAPE TOWN — The electrical grid system being discussed for southern Africa had the potential to supply the whole continent and even export hydro-power through Egypt to Europe, according to a report by energy researchers at the Institute of Futures Research at the University of Stellenbosch.

Regional co-operation in the commercial energy sector offered mutual benefits to southern African countries, they said. Although SA had 82% of sub-Saharan Africa's generating capacity of 48 646MW, its capacity for its own needs would be fully utilised by 2000.

After that, SA would need to secure 1 000MW to 1 500MW additional capacity each year. Either coal or nuclear power stations would have to be built, involving major financial commitments.

Both options would involve adverse environmental effects. SA was already among the 15 countries with the world's worst atmospheric pollution from industrial sources, the researchers said.

Countries in southern Africa had the potential to supply SA's future requirements at lower cost and with less environmental risk. Zaire had the largest resource for electricity generation in Africa, with a total potential of 100 000MW.

Its current output was 3 533MW, or 3,5% of potential capacity. Export capacity could generate significant foreign exchange. In addition, grid interconnections offered technical advantages such as maintaining lower reserve requirements for any given level of reliability, which would in turn allow a reduction in costs.

Two initiatives examining electricity co-operation were under way.

Regional co-operation in the commercial energy sector would minimise the costs of energy supply, reduce environmental effects, raise regional trade levels, provide foreign exchange and add momentum to the long-term vision of full economic integration among Southern African Development Community countries.

Zero tarriff imposed on imported maize

(3) MAIZE

LOUISE COOK

TRADE and Industry Minister Trevor Manuel, in a move likely to ease further upward pressure on maize prices, announced yesterday that government had imposed a zero tariff on imported maize.

The Board on Tariffs and Trade, which made the recommendation, would propose that duties be imposed only if circumstances warranted it, he said.

Import control of maize was abolished on May 1. BD 10/5/95

"Maize is the staple food of the majority of South Africans. It is thus of the utmost importance that the right quality maize be available at affordable prices at all times," he said. SA faced a 1-million ton white maize shortage as a result of drought. Prices of imported maize outstripped local prices by about R200 a ton.

Premier group economist David Frost welcomed government's "sensitive intervention" on a case-by-case basis for different industries. Tiger Oats executive director Hamish McBain said Manuel had taken an "appropriate and logical" step. The maize industry did not need protection.

ENDLESS CYCLE *A Transvaal farmer surveys crops during the drought in 1992* PHOTO ALF KUMALO

Maize imports exempt from duty

CT (BR) 11/5/95

(3) MAIZE

The trade and industry minister, Trevor Manuel, said he had accepted a Board of Tariffs and Trade recommendation that maize imports be exempt from duty this season, and as a norm.

He said customs tariff protection, which would initially be set at zero, would replace the Maize Board's control of imports, abolished from May 1.

"This is a seasonal thing. If there needs to be a change in the future, I think it should be subject at least to brief public hearings," he said.

"The norm will be no customs duty in the future and changes will have to be subjected to a fairly public process."

He said a break with the tradition that maize producers had the main say in price and import control was needed.

Manuel said in a statement earlier that the single channel import regime operated by the Maize Board had been lifted from the end of April and replaced by a system whereby any person could import maize provided the applicable duty was paid.

"Because of the importance of maize for the consumer ... the level of protection was considered carefully," Manuel said. — Reuters

BD 11/5/96

ANC demands maize industry overhaul

LOUISE COOK

THE controversy over the maize price became more heated yesterday with the ANC/SACP/Cosatu alliance calling for a radical overhaul of the maize industry. (3) MAIZE

The alliance said the industry should open up its books for scrutiny, and that a maize forum should be formed to keep a lid on profits.

In a separate statement, it said the zero tariff, announced by Trade and Industry Minister Trevor Manuel this week, should be reviewed as soon as the present crises were over.

"We call for the opening up of books right up the chain, from producers to retailers. It is essential that there is transparency and that there are no uneccessary costs.

"The alliance calls for a maize forum of producers, processors, consumers, trade unions and government to to be formed as soon as possible to ensure that this vital basic food can be produced, processed and sold in ways that prioritise social needs and not private profits."

Maize was the staple food of the majority of South Africans.

"While the drought has obviously resulted in a major maize shortage this year, food inflation has outstripped overall inflation for all but one of the past ten years."

This underlined the fact that the problems in maize supply, and in agriculture generally, were caused not solely by the drought.

The Gauteng government's standing committee on agriculture said a forum was needed and that the zero-tariff on imports should remain in place for the rest of the year.

"We do not believe that deregulation warranted an immediate increase in the price of maize meal.... We call on millers and farmers to play their part in ensuring that everything possible is done to minimise price increases."

Meanwhile, the National Maize Producers Organisation said it had accepted government's new tariff system on maize.

● Comment: Page 6

Producers oppose maize forum concept

Louise Cook

3 MAIZE
BD 16/5/98

AGRICULTURE Minister Kraai van Niekerk has called on the maize facilitating committee of the Agriculture Department to reconvene and establish a maize forum, but producers are opposing the reintroduction of any regulated system.

The committee had worked out the new maize marketing scheme with industry, but producers said prices and production were not up for discussion.

The Agriculture Department said Van Niekerk wanted industry players to "deliberate on the viability, necessity and constitution of a discussion forum" to assist the current transitional process in the maize industry. This followed a furore which had broken out in past weeks following hikes of up to 19% in the price of maize meal because of the drought. A new deregulated maize marketing system was also introduced this month for the first time in 50 years.

National Maize Producers' Organisation GM Giel van Zyl yesterday rejected calls for negotiations on prices and production of maize. "Farmers had just been forced to move away from statutory control and price fixing. Now that we're there, we see no reason to move back to a regulated system." The forum was political and not in keeping with a free market.

The Agriculture Department said the new deregulated market had brought considerable uncertainty, risks and challenges for producers, co-operatives, the milling industry and consumers.

"Apart from the possibility of imports of white maize to supplement local supplies, the mixing of yellow maize into new lower priced maize meal products can also be considered."

The transition from a regulated to a liberalised market was a vast step taken by the industry and many issues required consultation and attention.

The ANC/SACP/Cosatu alliance last week demanded a maize industry overhaul, saying that a forum should be formed to keep a lid on profits.

MAIZE INDUSTRY

Back to State control?

FM 19/5/95 (3) MAIZE

Calls by the ANC/SACP/Cosatu alliance for a maize industry forum to ensure that social needs get priority over "private profits" is seen as an attempt to regain political control over the recently deregulated industry.

The alliance's calls come just as maize farmers, processors and consumers are taking their first, faltering free-market steps after the May 1 abolition of statutory price and marketing controls.

Strongly supported by the Premier Group, the forum suggestion is directly linked to recent predictions that this season's maize prices could rise by 19%-30% as a result of a drought-induced crop shortage (*Business* May 5).

Premier Foods group economist David Frost says a maize forum could prepare the climate for consumer issues such as the mixing of white and yellow maize — he says this could lead to a further loss of market share to products such as rice and potatoes — while suggestions of State control of the maize industry, through the forum, are misplaced.

McBain . . . *unknown factors*

"But, as the maize industry (like other food sectors) supplies the inputs for a large number of processors, representatives from the Department of Trade & Industry should share the forum with the Department of Agriculture. The food industry goes much wider than agriculture and should be treated as such."

But National Maize Producers' Organisation GM Giel van Zyl says that having accepted the removal of statutory controls, farmers will not countenance political controls. "Do they eventually want to tell us how much each farmer should plant? This is ridiculous. The market has been freed," he says. "The Wheat Forum does not work. You cannot impose such structures in a free market."

Pretoria-based agricultural economist Johan Willemse says that, rather than recreate yet another body, the Maize Board should be used to play a broader role.

In a statement this week, Agriculture Minister Kraai van Niekerk suggested that SA might have enough maize stocks — should limited mixing of white and yellow maize take place.

Tiger Oats executive director Hamish McBain says his group's calculations show that, with estimated imports of about 600 000 t, SA could end up with a surplus stock of about 614 000 t of yellow maize by April 30 next year. "Two unknown factors could further change the scenario — consumer reaction to high prices and to blending and whether farmers could still unload unsold stock from last year on to the market."

Opponents to the maize forum idea (now the subject of an investigation by a special committee appointed by Van Niekerk) point out that the Wheat Forum, in existence for the past two years, has been singular in its lack of public transparency while also coming out in support of the interim continuation of single-channel controls.

As the maize industry, therefore, opens itself to a competitive market, the wheat industry has been successfully cocooned — with the help of its forum.

"There has been a lot of effort to manipulate the wheat industry to retain the single-channel system, which I feel is not in the interests of SA nor of the consumer.

"Forum lobbying for high import tariffs, coupled with a rebate structure, opens the way to circumvention and abuse of an over-regulated system," says McBain.

But, he adds, while Tiger opposes a price-forming role for the forum, it does support it as an opportunity for exchanges of ideas and for improved understanding of complex industry issues.

Wheat Board GM Louis van Staden confirms that the Wheat Forum "earlier this year" agreed to a one-year extension of the single-channel system, allowing the board to assess the combined impact, on industry deregulation, of the new Marketing Act, its tariff application and the new White Paper on agriculture.

Adds Van Staden: "Anybody with the fond idea of using a maize forum to manipulate prices can forget about it — once you have 'tariffication,' import price parity determines price-forming." ■

EU Parliament backs loans to SA

The European Parliament on Friday voted its support of a loans package for South Africa worth R1,2 billion. CT (BR) 22/5/95

The two-year loans programme will come from the Luxembourg-based European Investment Bank. The money will mainly support infrastructure projects.

European governments still need to give their agreement to the package, but officials said it would not be discussed when European Union finance ministers meet in Brussels today.

However, it could be discussed next Monday at a meeting of the 15 European foreign ministers, together with the expected agenda of future EU relations with South Africa.

Asmal quizzes Iscor: The minister of water affairs, Kader Asmal, on Friday ordered further inquiries into Iscor's Saldanha Steel plan following talks with officials and environmentalists in Cape Town. Asmal told a news conference he wanted to know more about the pollutants the proposed waterfront mini-mill would produce and their likely movement into underground water resources.

France and Italy gang up on SA: France and Italy plan to spearhead a campaign blocking preferential treatment to South African canned fruit imports into the European Union. France tabled a formal objection to the EU executive commission in Brussels, which agreed to a six-month delay, until June 1, before South African farmers could export their produce to the EU.

R10 000 disaster donation: Pretoria-based Noordvaal Brokers, which has more than 4 500 clients working at Vaal Reefs, has donated R10 000 to the Vaal Reefs Disaster Fund.

Plan for emerging business fund: Members of the US-South Africa Business Development Committee have proposed the creation of an emerging business fund and other trade initiatives during a two-day meeting in Cape Town, officials said.

(3) MAIZE

Maize Board exports: The Maize Board has said it will sell maize directly to Botswana, Lesotho, Swaziland and Namibia or issue permits for the export of maize to those countries. The board, formerly the single channel marketing authority for South African maize, said it had, for many years, treated these countries as part of its domestic market. CT ~~22~~ (BR) 22/5/95

Taiwan firm invests R1bn in Swaziland:

Maize imports are delayed

Louise Cook BD 22/5/95

(3) MAIZE (35)

EPOL was struggling to get a clearance certificate from the Argentinian government to import 33 000 tons of maize, commercial manager Peter McFarlane said at the weekend.

McFarlane said the position of future imports from Argentina was uncertain.

The maize was still being loaded onto a ship, and the vito-sanitary certificate (which relates to health and hygiene) was being delayed by Argentinian authorities.

The importing agent, said "at this stage" the problem, relating to only one ship, was "purely technical".

Sources said yellow maize was being imported.

Until last month's market deregulation, maize could only be imported by the Maize Board.

☐ Sapa reports that despite poor harvests caused by drought, SA would sell maize to Botswana, Lesotho, Namibia and Swaziland this year, the Maize Board said.

Methods of payment had still to be finalised.

Maize crop estimate up

BD 23/5/95

Louise Cook

(3) MAIZE

THIS year's maize crop was estimated at 4,6-million tons, an increase of 70 000 tons on last month's estimate, the Agriculture Department's National Crop Estimates Committee said yesterday.

White maize was expected to be 2,1-million tons and yellow maize 2,5-million tons. The final size would be known after August, committee chairman Kobus Smit said. SA needed about 6,5-million tons.

Maize Board marketing manager Leon du Plessis said this year's shortage, which had hit the whole of southern Africa, would compel the board to make concessions to ensure neighbouring countries could maintain supplies. With the changed role of the board from May 1, the question of how to supply Botswana, Lesotho, Swaziland and Namibia would have to be resolved.

Maize Board accused of abusing system

Louise Cook

THE Land and Agriculture Policy Centre has accused the Maize Board of abusing the new system after the board's announcement of a new floor price of R420 a ton for export maize.

Centre director David Cooper said the board was favouring producers' interests, and not "doing a good job".

"The board is not doing a good job. The floor price should be export parity less costs, much less than R420 a ton," Cooper said. BD 25/5/95

The board, he said, had broken the spirit of the agreement reached at government's Swart Committee which had brokered the new scheme.

"The levies should not be touched this year because there is a shortage of maize. The money should remain in the board's stabilisation fund to support the price during surplus years," he said.

Cooper said the centre would take up the issue up with the board.

Tiger Oats executive director Hamish McBain said the board's floor and target price of R476 a ton might "create a false impression among producers", and increase prices.

The board should intervene in the domestic market only during years of surplus production as a buyer in last resort, and to export surplus supplies, he said. (3) MAIZE

Contrary to agreements, the board was now competing with other buyers. He warned that large quantities of maize delivered to the board could cause "insufficient money in the Stabilisation Fund to meet even the floor price requirements".

Maize Board marketing manager Leon du Plessis said the board had stuck to agreements made at the Swart Committee.

"The floor price was set strictly in accordance with a negotiated formula. The whole industry was party to that agreement," he said.

"Shortages exist in theory only — in reality the imports could change all of that," he said.

Du Plessis said the board needed the levies to stabilise prices, should surpluses occur in the market.

Meanwhile, Agriculture Minister Kraai van Niekerk has instructed his department to reactivate Swart Committee talks with the maize industry. No date has been set as yet.

Soweto Milling partners take hold of their dream

CT (BR) 26/5/95 (3) MAIZE

By Janet Sebastian

Special Writer

Two years ago, three men embarked on a dream to build a milling company to serve Soweto and were ridiculed.

But they persevered, and after a five-month slump turned over R1,8 million in their first year.

Soweto Milling Company is still very much in its infancy, but with a permanent staff of 17 already employs more people than some of the larger and almost fully automated milling businesses.

A gap in the maize meal market opened up after the larger companies stopped supplying regularly to Soweto and other townships when their trucks kept getting hijacked.

"The big companies went into Soweto with massive haulage vehicles with large company logos over them. We are not so conspicuous and also have very good communication with people in the township," said Vernon Pheiffer, a partner in Soweto Milling. "The major companies now even contract us to take their products into the townships."

Pheiffer, who has 43 years' experience in milling, said he'd toyed with the idea for many years. "Then John Nel, also a partner now, told me that he was thinking of starting a milling company in Soweto and I said: No you don't. That business is mine and I'm going to build a company there," laughed Pheiffer.

Eighteen months later Nel, who was a sales manager for a major maize meal company, approached Pheiffer regarding a joint venture.

William Shongwe, a former professional soccer player with Moroka Swallows and a long-time close friend of Pheiffer's, came on board as a partner too. Soweto Milling also has a fourth, silent partner.

Shongwe and Pheiffer spent months researching the project with shopkeepers in Soweto to see if the business would prove viable. The response was positive.

"It's very tough in business and like anyone else we struggled like mad in the first few months to build up our reputation. We even delivered in our own cars for a while before buying a bakkie and then a truck," said Nel.

"Things finally took off after five months and we've built up a very good relationship with our customers. We can deliver small quantities of maize meal to them 24 hours a day whereas the bigger companies only like to deliver in bulk."

The mill and equipment were constructed locally to cut costs.

"We didn't even approach the banks for financing because it was an idea that everybody sneered at," said Pheiffer. "They said we were mad but we believed we could do it, so we never borrowed a cent and put in everything we had to raise the R250 000 needed.

Pheiffer had extensive previous experience in Africa building factories in countries such as Mozambique, Rwanda, Zambia and the Congo for aid agencies.

This February he travelled to Zaire for a week and helped build a mill exactly like his own.

"We had everything pre-made here and then taken by container."

Soweto Milling has had many calls from people interested in its concept. "Recently, when the president of Mozambique, Joaquim Chissano, came to South Africa, he paid us an unexpected visit and toured our mill saying it would be ideal for his country," added Pheiffer.

There are about 200 independent milling businesses in South Africa but following the recent deregulation of maize prices by the government, which opened the market to huge price fluctuations, many small businesses are fighting for survival.

"A lot of small mills are closing down because of the price hike as they don't have the storage facilities of the big companies," said Shongwe. "Five have closed in our area and many people are offering to sell us their mills."

Although Soweto Milling is heading towards a second-year turnover of over R3 million, and now also serves Orange Farm, the East Rand, the West Rand and Midrand, the partners' long-term aim is not to enlarge the company.

"If we have more work than we can handle, we employ people with trucks from the townships as we strongly believe in supporting other small businesses," said Shongwe.

"We are looking for black entrepreneurs to train and assist in starting similar ventures. Black people in South Africa have been traders, not manufacturers. We want to change the status quo and turn them into independent manufacturers of and traders in their own foodstuffs," Shongwe explained.

Maize storage 'too expensive'

Louise Cook

(3) MAIZE

CO-OPERATIVES' storage costs for maize are excessive, forcing producers to consider other facilities, says Tiger Oats executive director Hamish McBain.

He said recently co-operatives' charges should be more realistic if they wanted to retain their market edge. McBain was reacting to former Maize Board GM Peter Cownie's call for an effective policy to store maize reserves. BD 30/5/95

The R71/ton average storage cost by co-operatives was "excessively high", he said.

Many producers were looking into low-cost alternatives which would help bring down the maize price.

Sentraalwes GM Riaan Booysen said he doubted if silo costs were more than R40/ton at any silo.

"Each owner sets his own price, but the small harvest is hardly enough to cover costs. Silo owners are losing out."

Conflict over payment to maize farmers

(3) MAIZE

Louise Cook BD 30/5/95

AGRICULTURE Minister Kraai van Niekerk approved the Maize Board's R40 a ton back payment to farmers yesterday, sparking renewed conflict between producers and consumers.

The board requested the "agterskot" to farmers who delivered maize last year before the industry's deregulation.

Premier Foods chairman and CE Gordon Utian said the decision meant consumers had lost out.

Land and Agriculture Policy Centre agricultural economist Brendon Bayley said it was disappointing that a final decision had been taken two days before industry role players were to meet for talks. The decision effectively pre-empted any discussion on the matter in an open forum.

Producers welcomed the announcement, calling it an interim payment. National Maize Producers' Organisation GM Giel van Zyl said opposition to the payment arose from "political pressure from people who want to promote consumer interests to the detriment of producer interests".

The Agriculture Department said the payment would give producers R370 a ton against 1993/94's producer price of R417.

More money for maize farmers: Minister of Agriculture Kraai van Niekerk has approved a request from the Maize Board to pay R40 more a ton to producers who delivered maize in the 1994/95 season. In a statement released yesterday, he said the extra payment would raise the amount paid to producers to R370 a ton, still down on the R417 paid in the previous season.

CT (BR) 30/5/95 (3) MAIZE

The syndicate is under- all JSE listed companies, tems at Central Registrars undertaken.

Maize payment under fire

(3) MAIZE ST(BT) 4/6/95

By CIARAN RYAN

AGRICULTURE Minister Kraai van Niekerk faces a grilling in the Cabinet over his decision to award a R40 a ton *agterskot* payment to maize farmers rather than use the money to soften price increases.

The minister said he was legally and morally obliged to pay this money back to farmers.

But Janet Love, chairman of Parliament's standing committee on agriculture, intends to draw his decision to the Cabinet's attention.

"I have a problem with the minister's interpretation of his legal and moral responsibilities. I have sought legal opinion and there appears to be no obligation. As far as his moral responsibility goes, surely the interests of millions of consumers deserve consideration?"

André Ferreira, senior economist for the National Maize Producers' Organisation, says Ms Love's reaction is "ridiculous" and that there is no question farmers are entitled to receive the payment.

"I believe the minister was under pressure, especially from Nampo, to make this decision," says Ms Love.

"Neither he nor Nampo appear willing to enter into dialogue in a public forum, and this indicates that their arguments are unsustainable."

Millers have warned of 40% consumer price increase after a 66% maize producer price increase. Nampo recommended to farmers not to sell below R550 a ton, R120 up on last year.

Meanwhile, Mr van Niekerk's attempts to seek consensus on the draft Marketing of Agricultural Products Bill were dismissed at an open hearing in Pretoria on Thursday.

His claim of "general consensus" on the need for some form of statutory marketing was rejected by several groups, including the Organisation of Livestock Producers and the SA Futures Exchange.

The main objections are the Bill's provisions for market intervention and the need for a national agricultural marketing council.

Delegates claimed the Bill violated their right to disassociate and that compulsory levies could not be defended in terms of the interim constitution.

The Department of Agriculture referred the matter to constitutional expert Mr Justice Pierre Olivier.

Star 6/6/95 (3) MAIZE

More exports in maize 'free market'

BY NIKKI WHITFIELD
CONSUMER REPORTER

As part of the new system of transparency in the maize industry, the Maize Board has pledged to announce the expected target realisation for maize in its export pool at regular intervals.

The fourth official crop estimates, as calculated by the National Crop Estimate Committee, have shown an increase of about 70 000 tons against the previous estimate, according to a statement from the Maize Board.

This means the board will accept a bigger quantity in the export pool than originally estimated.

But why export in a year when maize meal prices are rocketing because of severe crop shortages brought about by the crippling drought?

It seems it all has to do with the new free market system which embraced maize on May 1.

Major companies such as Premier and Tiger Oats are now free to import as much maize as they like.

According to a Maize Board spokesman about 500 000 tons of maize have been imported so far this year.

Maize Board's debts claim a heavy price

ST(BT) 11/6/95 (3) MAIZE

TAXPAYERS have doled out R1,29-billion over the past 10 years to the maize industry — over and above what they have paid as maize consumers.

This year taxpayers will fork out R37,6-million to reduce the Maize Board's debt of R180-million to the Landbank. The board says the debt to the Landbank is down to R173,5-million, attracting interest of R27-million a year for the government's account.

"The Cabinet decided on December 15 1993 to service at least the interest on a yearly basis and to redeem the loan when funds are available," says the Maize Board.

By CIARAN RYAN

Janet Love, chairman of parliament's standing committee on agriculture, highlighted the cost to taxpayers of supporting the maize industry during last week's agricultural budget debate. These debts had contributed to the distortions in agriculture.

The Maize Board ran up a debt of R174-million between 1980 and 1983. This was redeemed, but further Budget appropriations totalling R450-million were made between 1985 and 1988. More losses were incurred during the 1986/87 season when 3-million tons of maize were exported at a loss of R156,71 a ton, increasing the deficit on the Maize Board's stabilisation fund to R411-million.

"Between 1988 up to and including the proposed amount in this year's estimate, taxpayers have allocated R836,5-million for maize and maize products," says Ms Love.

"Since this period (1988) it appears that no further debts have been added and that Minister Kraai van Niekerk had a significant role in changing the system. But the old debts continue to be paid with taxpayers' money through amounts that have been set aside every year since 1988."

Ms Love says there is an apparent lack of recognition by maize farmers and the Minister of consumers' rights and difficulties.

In the 1994-5 season maize farmers earned a surplus of R26 a ton over and above the target price of R350 a ton. In terms of the Act, the minister has unfettered discretion on the allocation of these surpluses, provided he "applies his mind".

He decided to pay R20 of the available R26 a ton surplus to maize farmers — a total of more than R100-million — rather than repay the Maize Board debt to reduce the burden on taxpayers.

Deregulation of the maize industry this year had coincided with low production due to the drought, creating price instability which hits the poor hardest. The minister announced his decision to award *agterskot* payment to farmers without due consultation with the industry.

Ms Love says: "The moral thing for the minister to have done would have been to approach his colleagues in government, inform them of the good news regarding the surplus income, present them with the facts about staple food prices during 1995, as well as facts about the Maize Board's debts which taxpayers are still paying off, and arrive at a collective decision about the best way to use this money to address either or both of these problems."

Drought-hit maize crop below average: This year's drought-hit maize crop was expected to be 4,56 million tons, the government's National Crop Estimates Committee said. Last year's crop was about 11,94 million tons. Average annual consumption is 6,4 million tons.

CT (BR) 23/6/95 (3) MAIZE

(3) MAIZE

Maize price

ST (BT) 25/6/95

AGRICULTURE Minister Kraai van Niekerk has appointed a three-member committee to determine whether the advance price for maize delivered to the Maize Board's export pool was too high. A decision was expected this week.

At the beginning of the maize marketing season on May 1, the board set the advance price at R420 a ton. Recently the board estimated a target realisation price for suppliers of maize to the pool of R476 a ton.

Maize, fruit head SA's R3 000-m annual food exports

(3) MAIZE

ARG 26/6/95

□ Gold, minerals lead the way

Staff Reporter

NEXT to gold and minerals, food remains South Africa's third largest export product, with food to the value of R3 000 million exported annually to other countries.

This is according to a statement from the Directorate of Agricultural Economic Tendencies in the Department of Agriculture.

The statement says that last year agriculture represented eight percent of the total South African export market, and agricultural products 6,2 percent of the total import market.

But Hennie Davel, executive director of Sentraalwes Co-operatives, warned that the general expectation of an economic revival in South Africa would create a greater domestic demand for food, resulting in a decrease in the export of agricultural products.

Figures supplied by the department show the first sharp increase in exports was in 1988, after which it levelled out before rising sharply again last year.

The main export products in 1994 included maize and maize products, preserved fruit and jam, citrus, deciduous fruit and table grapes.

Vegetables were among the smallest export products.

Dry land agriculture, notably maize and wheat, depended on seasonal conditions and in some years drought reduced the crop to a point where products had to be imported.

"South Africa has certain contractual obligations towards other African countries with regard to the exportation of maize and maize products. These obligations must be met even in years when South Africa experiences a shortage of such products."

In 1994, maize and maize products were the leaders in export volume, 39 percent greater than deciduous fruit.

In 1993, however, it was only ninth on the list.

Although South Africa's total trade with African countries had increased by 18 percent between 1992 and 1993, total exports of agricultural products had declined by two percent.

Future trade in agricultural products was, however, expected to improve.

South Africa was still the cheapest supplier of agricultural products to Africa, according to Koos du Toit, chief economist of the South African Agricultural Union.

Dr Du Toit said greater agricultural trade co-operation between South Africa and Africa had to be achieved, especially with regard to stock and meat production.

South Africa also had to import an extensive range of agricultural products, including rice, dried beans, coffee, cocoa beans, sisal, bananas, tea, cotton, oilseeds, vegetable oils, maize and wheat.

Maize peril: Yellow maize producers faced an untenable situation that could have a domino effect on the producer price of other crops, Free State Agricultural Union president Pieter Gous said in Bloemfontein. His statement followed the announcement yesterday that yellow maize producers would receive an advance price of only R300 a ton. The Sentraalwes Co-operative said it was hoped to realise a final price of R400 a ton from domestic sales, but this was not guaranteed.

CT (BR) 4/7/95

(3) MAIZE

Warning on maize policy

6/7/95

Louise Cook

(3) MAIZE

SA SHOULD guard against applying unrealistic quality standards to block imports as it was likely to antagonise SA's trading partners, food company Tiger Oats executive director Hamish McBain warned yesterday.

McBain said shippers would meet with the agriculture department today for talks on its latest move to apply quality regulations on imported US maize that it had waived in the past.

McBain denied that lowering maize quality requirements could risk SA consumers' health.

He said US storage procedure had removed any real danger.

He called on the department's plant and quality control directorate to re-examine its maize protocol.

The agriculture department plant and quality control director was not available for comment.

MAIZE INDUSTRY (3) MAIZE

Catch in the rye?

FM 7/7/95

The Maize Board appears to have misjudged the dynamics of the newly deregulated market by setting the advance producer price for the current season's export pool too high at R420/t. The deregulation, which came into effect on May 1, has also led to an increase in maize import permits — now freely available at a zero tariff rate.

The move has not only resulted in a drop in demand for domestic maize but has also helped transform the previously expected crop shortage into a surplus.

Agriculture Minister Kraai van Niekerk is said to be considering urgent proposals of a recently appointed three-man committee and is expected to reduce the pool price to R360/t-R380/t. The new price is likely to be submitted to the board within two weeks.

Van Niekerk says "various underlying factors" contributed to the fact that more maize is now expected for the export pool than was initially the case:

❑ The use of transfer supplies from the previous maize season — surpluses of 784 000 t white and 1,3 Mt yellow maize were carried over;

❑ More import permits than expected were granted — 750 000 t in May alone. Freeing the market allows coastal mills to save on rail transport costs from inland silos by landing imported maize;

❑ Large-scale imports of poultry and red meat products have depressed consumption of local maize.

The fifth official maize crop estimate on June 22 puts the white maize crop at 2,05 Mt and yellow maize at over 2,5 Mt. After including transfer supplies and deducting projected domestic consumption of 3,25 Mt white and 2,75 Mt yellow maize, the net effect is that there will be a surplus of almost 1,1 Mt yellow maize, compared with a 414 000 t white maize shortage.

"We fear the board has overreached itself by relying too heavily on the newly created stabilisation fund, to which maize buyers like ourselves are making a voluntary R46/t levy contribution," says Tiger Oats executive director Hamish McBain.

Another dilemma facing Van Niekerk (and farmers) is that the board's advance price places "too heavy a burden on producers and other role players in the industry" especially as farmers also have to contribute to the export stabilisation pool.

"The board did not realise the difference between its former role as sole seller and its new role as buyer of last resort. Theoretically, at least, a pool price should not exceed about 80% of production costs — and it should never influence market prices," says a feed industry spokesman.

McBain says Tiger is importing limited quantities of white maize and is offering discounted pure yellow maize meal for human use. He expects maize meal consumption to drop by as much as 10%, due to the high white maize price.

The average yellow maize producer price of R547/t hardly represents an increase in real terms on the previous season's fixed price of R495/t, taking a CPI inflation rate of 10% into account. But the freely available option of imports and the sharp increase in poultry and red meat imports have depressed expected demand, admits a board spokesman.

Van Niekerk . . . *expected to reduce maize pool prices*

The SA Futures Exchange agricultural markets division has announced that it will offer maize forward contracts as a hedging mechanism from July 31.

"We see this as the first step towards futures contracts in maize. But as the risk of nonperformance in forward contracts remains — compared with futures contracts, which are guaranteed by the clearing house — we intend to collect a deposit or guarantee from each party, which will be held in trust as security for nonperformance," says Rod Gravelet-Blondin, marketing and training manager of the division. ■

(3) MAIZE 9/7/95 (BT)

Maize Board overruled

AGRICULTURE Minister Kraai van Niekerk said on Friday he would revoke the Maize Board decision regarding an advance price for deliveries to its export pool, hinting at a "possibly lower price".

The board would have to take a new decision within a fortnight with regard to the export pool advance price level, subject to certain conditions, he said.

"It is envisaged that the new advance price level will reflect export realisation only and that the market mechanism will start operating effectively with the determination of a domestic price for maize," he said.

"It will also contribute to a reduction in unnecessary imports of maize, which will eventually benefit local producers and consumers."

This was necessary to address "the short term problem of too high an advance price".

He said "the possibly lower advance price for the export pool should not be regarded as a signal for the domestic market", and should be seen as part of a bid to remove surplus supply.

It was clear that more time was needed to refine the operation of the maize marketing scheme and to clear up certain problems relating to interpretation and application, he said.

He had requested the board to appoint an advisory committee to submit proposals on certain aspects of the maize marketing scheme. — Reuter.

The MINISTER WITHOUT PORTFOLIO:

(1) (a) and (b) During a process of negotiations between the RDP Office and the Department of Water Affairs and Forestry for the allocation of Presidential Projects from the 1994/95 RDP Fund, it was agreed that projects had to meet certain criteria These were that the projects had to be ready to be implemented in a very short period of time; and that the projects had to be spread evenly across all nine provinces, stating that some provinces were in greater need than others. It was then identified that three of the projects proposed did not fit into the set criteria.

For the 1995/96 RDP Fund, it was agreed in negotiations between the RDP Office and the Department that R300 million would be allocated to the Department and that this would satisfy their requirements, with further funding to be provided from the 1996/97 and future allocations. The R629 million requested covered more than the 1995/96 period.

(c) No amounts were budgeted for as the remaining three projects were to be funded from the Department's own budget.

(2) The Department was actively involved in the entire negotiation process.

(3) Cabinet approved the decision when they approved the allocations from the RDP Fund.

Perhaps I should add a word of advice. On certain occasions one should not take the Minister literally when he makes statements in the newspaper.

Questions standing over from Wednesday, 3 May 1995:

Marketing scheme for maize

*73. Dr E A SCHOEMAN asked the Minister of Agriculture:† 3 MAIZE

(1) Whether a new marketing scheme for maize has been or is to be introduced; if not, what is the position in this regard; if so,

(2) whether this scheme has already been finalised; if not, when is it expected that it will be finalised; if so, what basic marketing guidelines will be applied in respect of this scheme;

Hansard 10/5/95

(3) whether the said scheme meets with the approval of all the role players of the maize industry; if not, what is the position in this regard; if so, what are the relevant details;

(4) whether this scheme will be able to ensure the availability of maize products to a large part of the population over the medium and long term; if not, why not; if so, what are the relevant details?

N412E

†The MINISTER OF AGRICULTURE:

(1) During April 1995 I approved the proposed amendment to the Summer Grain Scheme as negotiated by the Maize Facilitating Committee during March 1995 and decided upon by the Maize Board for implementation in the 1995/96 marketing season.

(2) Yes, the new Maize Marketing Scheme which came into operation on 1 May 1995 mainly involves the rescinding of the single-channel embargo authorisation for and control of maize so as to enable free trade of maize on the local market. In order to ensure some measure of price stability for producers, the Maize Board will implement a floor price-system and an export pool.

(3) Yes, the Maize Marketing Scheme has been negotiated by the Maize Facilitating Committee consisting of all the role players of the industry. The details of the Scheme entail that buyers and sellers negotiate the sale of maize without intervention by the Maize Board or the Minister. The Board only acts as buyer of last resort for which it administers a floor price and export pool. In this regard the Board acts as the sole exporter of maize. Quantitative import control on maize has been abolished. Anyone can therefore import maize.

(4) Yes, the new Scheme, like the previous Scheme, will ensure the availability of maize and maize products. However the size of the annual crop is determined by climatic conditions. If shortages should occur maize and maize products can be supplemented by imports.

Business interrupted in accordance with Rule 199(3) of the Standing Rules for the National Assembly.

SA member of UNESCO

*76. Mr M F CASSIM asked the Minister of Education:

Whether South Africa is a member of the UN Educational, Scientific and Cultural Organisation (UNESCO); if not, why not; if so, (a) from what date and (b) on what conditions?

N418E

The MINISTER OF EDUCATION:

Yes.

(a) South Africa became a member of UNESCO on 12 December 1994.

(b) South Africa became a member of UNESCO, as all other members, in accordance with Article XV of the Constitution of UNESCO. The "Agreement between UNESCO and the Republic of South Africa concerning the establishment of a UNESCO office in Pretoria" is in the process of being drawn up by the Legal Sections of the Departments of Education and Foreign Affairs.

Two Eastern Cape missionary schools under control of Department/organisation

*77. Mr M J ELLIS asked the Minister of Education:

(1) Whether two former Eastern Cape missionary schools, the names of which have been furnished to his Department for the purpose of his reply, fall under the control of his Department; if not, (a) under the control of which organisation do they currently fall and (b) when was such control transferred to this organisation; if so,

(2) whether the said schools are currently being used for any educational purposes; if so, for what specified educational purposes; if not, (a) why not and (b) for what purposes are they being used;

(3) whether he intends recommissioning them for educational purposes; if not, why not; if so, at what cost?

N433E

The MINISTER OF EDUCATION:

(1) No.

(a) The two schools concerned previously fell under the Ciskei Government and now resort under the Eastern Cape Education Department.

(b) 1 July 1994.

(2) Yes. The one as an in-service training centre for teachers and the other as a combined school.

(a) Falls away.

(b) Falls away.

(3) Falls away.

Enterprises causing pollution prosecuted/closed down

*80. Mr P W SAAIMAN asked the Minister of Water Affairs and Forestry:

Whether over the latest specified period of three years for which information is available any enterprises were (a) prosecuted and/or (b) closed down as a result of such enterprises causing pollution; if so, (i) which enterprises and (ii) in respect of what kind of pollution in each case?

N447E

The MINISTER OF WATER AFFAIRS AND FORESTRY:

(a) Yes.

(i) For the period 1 April 1992 to 31 March 1995 the following companies were prosecuted:

Ceres Food Industries (Pty) Ltd
Municipality of Ceres
Onrus River Municipality
Orsmond Aerial Spray
Municipality of Witbank
Tiger Chemical Treatment (Pty) Ltd
Smith Broers Boerdery (Pty) Ltd
Delta G Scientific (Pty) Ltd
Manro Chemicals
Towerkop Suiwel Korporasie
Witbank Oil
J Baily and Taylor
Drumcor (Pty) Ltd
Municipality of Verwoerdburg
Rainbow Chickens (Pty) Ltd
Sanbonani Holiday Spa
Municipality of Germiston

Minister orders new maize price

BD 10/7/95 (3) MAIZE

Louise Cook

THE furore over a maize price took a bad turn for farmers at the weekend when Agriculture Minister Kraai van Niekerk announced that he had revoked the Maize Board's advance maize price and instructed the board to set a new price.

Van Niekerk said the move was intended to address the "short-term problem" of an advance price that was too high. A new price had to be set within two weeks, he said.

He said the "possibly lower" advance price was not a signal for price levels on the domestic market. "It should be regarded as part of a surplus removal action."

The board's new advance price should "reflect export realisation only" and help reduce unnecessary imports of maize.

More time was needed to refine the operation of the maize marketing scheme and clear up interpretation and application problems.

He also requested the Maize Board to appoint an advisory committee representing all industry role players. The advisory committee had to make recommendations on "certain aspects" of the maize marketing scheme and the Maize Board would have to report to him on the future application of the marketing scheme, Van Niekerk said.

Tiger Oats executive director Hamish McBain said the maize industry was "not out of the woods yet" but the minister's action had been constructive and pragmatic.

He said a new advance price was likely to be "anything between R330 to R400 a ton. It would be calculated in terms of a set formula."

The situation had been seriously aggravated by the Maize Board's declaration of unrealistic floor and target prices. This stemmed from an attempt to misuse income from the stabilisation fund, he said.

However, National Maize Producers' Organisation chairman Cerneels Claassen said excessive meat, poultry and maize imports had caused a significant shrinkage in the domestic maize market, causing the Maize Board's stabilisation fund to come under undue pressure.

He said farmers were disappointed and some "may even be overreacting by selling at R300 a ton". He called for a new advance price to be set as soon as possible. "The local maize industry has been severely hit by excessive maize and meat imports."

FM 14/7/95

MAIZE INDUSTRY (3) MAIZE

Reaping the spoils

Farmers lucky enough to be holding stocks of white maize are now getting between R600/t and R645/t compared with the previous season's R370/t.

This follows the introduction of import-parity pricing — the rand price equivalent of landing US maize at inland silos, including shipping, wharfage and railage costs.

Though admittedly based on a small crop of about 2,05 Mt, farmers are reaping the benefit of the newly freed market. The current shortfall in white maize has been put at about 414 000 t. For the first time in more than five decades, producers and processors are experiencing the impact that supply differentials can have on market prices.

As predicted by the *FM* last week, Agriculture Minister Kraai van Niekerk has revoked the Maize Board's unrealistically high R420/t advance export pool price for white maize. The board has, according to Van Niekerk, until the end of next week to take a new decision on the export pool price. He says a lower advance price "will contribute towards a reduction in unnecessary imports of maize, eventually benefiting local producers and processors."

With a yellow maize surplus of more than 1 Mt, prices are reacting as expected in the relatively free domestic maize market.

Should the new yellow maize pool price be based on export price parity, as suggested by Van Nierkerk, it could fall to as low as R240/t-R260/t, says SA's biggest maize co-operative Sentraalwes's CE Hennie Davel.

Though lower yellow maize prices may be in the offing, most trading is taking place directly between farmers and processors, with the board acting as buyer of last resort.

National Maize Producers' Organisation GM Giel van Zyl says some farmers are getting "farm gate prices" of R400/t-R480/t for small lot sales of yellow maize. This should start falling as the effect of the board's revised pool decision starts filtering through the market.

Maize Board acting GM Poena Fourie says that though the board holds only 57 t of export pool maize, this may start rising as co-operatives start sending their tonnages. "But, because of the high import levels of maize, poultry and other red meat, we may have to start re-exporting surplus yellow maize soon."

Davel

Davel says that with the board's price-forming role in the domestic market now relegated to that of a surplus remover, there is a need for a proper spot price-forming mechanism.

Sentraalwes believes it has found the answer in the new Amex electronic auction system, which proved a success in tests last week. "Amex should also create the essential spot market base for the SA Futures Exchange agricultural marketing division's initial maize forward contract operations from July 31," says Davel.

Premier Food chairman and CE Gordon Utian says the "dissimilarities" in the white and yellow maize markets are coming to the fore, especially now that the "initial mistake" of setting the advance pool price too high at R420/t is being rectified. ■

Exchange for maize opens

(3) MAIZE

Louise Cook

BD 15/8/95

A NEW grain exchange for maize auctions would be launched by Sentraal-Wes Co-operative tomorrow, opening the way for an official domestic maize industry spot market, grain marketing manager Conrad Keyser said yesterday.

Since the deregulation of the maize industry in May, government no longer set a price for domestic maize, which led to clashes between producers and buyers over a fair domestic price. This had resulted in large yellow maize imports flooding the local market and affecting producers.

Keyser said the exchange would start on the Agricultural Meat Exchange (Amex) system used for livestock auctions. It would sell maize to 50 registered buyers, representing 80% of millers, animal feed manufacturers, poultry farmers and dealers.

"We are creating a facility to operate in deficit and surplus years. It is a cash market, but as a Safex seat holder, Sentraal-Wes is promoting the development of forward and futures trade, with the spot price forming the price basis."

Amex maize auctions would be held every month during the marketing season. The Maize Board's lower floor price of R304/ton for export maize would "make things easier," Keyser said.

"Although technically it should not, the floor price plays a major role in the domestic market price for yellow maize ... the previous (floor) price of R453/ton was forcing us to buy surplus product for at least that amount."

Maize Board releases stock figures after traders' complain

ET (BR) 30/8/95 (3) MAIZE

By Llewellyn Jones

Staff Writer

Leon du Plessis, the general manager of the Maize Board, has denied withholding this season's opening stock figures from the market.

Traders last week accused the board of withholding the opening stock figures on the grounds that it was "confidential" information. But Du Plessis said that while the board had initially held back the figures for justifiable reasons, they were now freely available.

Opening stock figures for white maize as at May 1 were 857 000 tons in trade and 115 000 tons in board, and for yellow maize, 1 364 million tons in trade and 210 000 in board.

"At the start of the season the board had surplus stocks which had not been taken up in the trade by means of the normal allocation under the old system before April 30," Du Plessis said. "We then made these surplus stocks available to the trade and could not disclose any figures until each individual had indicated exactly what he would take up."

He said the board had therefore decided it could not make any disclosures available at the time until it had obtained these figures. "If we had done this, we may have run into the situation where the figure given could have changed from one week to another, causing a disruption in the market."

The uncertainty regarding stock levels had arisen as a result of the fact that almost all of last year's stocks had been sold. "We were really cleaning out the silos — which hardly ever happens — and when it does, there is bound to be a margin of error between what the books say are in the silos and what is actually in the silos."

He said the correct opening stock figures had been available since mid-July.

Maize Board moves to dispel traders' concerns

(3) MAIZE

BY LLEWELLYN JONES

Star 8/9/95

Leon du Plessis, the general manager of the Maize Board, yesterday moved to dispel concerns among agricultural traders of apparent discrepancies in the white maize opening stock figures for the current season.

Earlier reports stated that the opening stock for white maize on May 1 was 857 000 tons in trade and 115 000 tons in the Board. Recent Maize Board figures, however, showed total carry-overs from the last season at 1,156 million tons, making for a discrepancy of 184 000 tons.

Du Plessis said this figure represented maize that had actually been sold for export, but was either in transit or still physically in the silos and, as such, remained in the books of the Maize Board.

There was also concern that the opening stock figures did not reflect the 510 000 tons difference between the national crop estimate of 5,733 million tons for the last season and the 5,223 million tons delivered by producers to agents of the board and to registered maize traders.

"This difference represents retentions by farmers for their own consumption and those of their labourers and corresponds with the annual average in this regard," Du Plessis said.

He also said perceptions that the board was profiteering by exporting the surplus stocks from the last season in a shortage year were incorrect.

"Of the opening stock, approximately 30 000 tons were committed for export at the end of last season, leaving an available quantity of just over 80 000 tons.

"We did in fact buy back the 30 000 tons and are on record as doing so. But if the buyer does not want to sell it back, there is nothing we can do."

He said the fate of the remaining 80 000 tons would be decided at the board's general meeting on September 19.

"We could have exported it at huge profit, but didn't. It would probably be sold back into the local market, but that decision will be made at the general meeting."

Regarding allegations that the board had recently exported 13 000 tons of white maize to Zimbabwe, Du Plessis said the board had no knowledge of this.

Maize Board moves to dispel traders' concerns

(3) MAIZE CT (BR) 8/9/95

By Llewellyn Jones

Staff Writer

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Regarding allegations that the board had recently exported 13 000 tons of white maize to Zimbabwe, Du Plessis said the board had no knowledge of this.

"However, during March this year, a grain trader bought white maize from the board with destinations outside the country. Up to now only limited quantities of this maize has been railed and the 13 000 tons which was recently on tender for Zambia, might well have been part of the white maize sold during March this year."

Du Plessis said the problems had arisen as the Maize Board moved from being the sole buyer and distributor of maize to merely a surplus distributor.

"The perception has been created in the past that the Maize Board is the big bad guy, and people are looking for hidden stocks at every turn.

"But in our new role, I will make absolutely certain that there is not a pip left at April 30 — the end of the season."

Drought takes its toll

Maize price spirals in free market

(3) MAIZE

BD 20/9/95

Louise Cook

THE price of white maize paid to farmers has soared 65% to a high of R850/ton on auctions as local shortages due to the drought take their toll in a deregulated market.

So far, consumers have had to pay only about 15% more for their maize meal, but industry sources estimated the respite would be short-lived. Farmers, however, were pleased about the high prices, saying they were receiving more than they would have under the system of control. They said higher prices could induce more farmers to produce maize.

The maize industry was deregulated in May when government stopped setting a fixed price. A special electronic auction system for maize was started by Sentraalwes co-operative in August.

Sentraalwes executive director Hennie Davel said the system had "filled the gap" left by government control of the industry. It effectively helped the formation of a current free market white maize price of between R796/ton and R850/ton, he said.

Industry sources said the high price had also been caused by farmers who had kept back white maize supplies from the market, aggravating shortages caused by the drought and limited world stocks of white maize.

Several supermarkets said they had been taking "far less" profit on maize meal than usual — consumer prices had gone up only 15% since the drought had caused severe shortages of white and yellow maize this year.

Tiger Oats trade liaison manager Boris Kaplan warned yesterday that the high producer price — about R300/ton more than last year's fixed price of R515/ton — could cause the maize meal price for consumers to rocket by 60% in the next few months.

"The reprieve consumers have been enjoying on maize meal is unlikely to continue much longer. The danger of these high producer prices is that it could result in maize meal prices going through the roof."

Kaplan said he "feared" the effect of factors like the present high producer prices for white maize, the depletion of all carry-over stocks from last year and the difficulties of importing white maize from the USA. Consumers were likely to switch to rice and potatoes if they felt maize meal was too expensive.

National Maize Producers' Organisation senior economist Andre Ferreira said the current high price levels for white maize could backfire next year if farmers started to overproduce when they planted for the new season.

"The greatest threat lies in farmers switching to too much white maize. Ex-

Continued on Page 2

Maize

(3) MAIZE
BD 20/9/95

Continued from Page 1

port possibilities of white maize to the rest of the world, other than Africa, are limited. If SA has a good rainy season, southern Africa is likely to have the same. We could end up with a surplus." He said 3-million hectares of white maize would be the ideal — maintaining the current balance produced of 53% white maize and 47% yellow.

Meanwhile, the agriculture department said it would meet local and international technical experts next week to review policies on maize imports from the USA.

Agriculture department director-general Frans van der Merwe said experts from the plant and quality control division, the US agriculture department, the University of Illinois and Cargill and the Agriculture Research Council would "evaluate the present phytosanitary conditions that apply to imported maize".

Strict quality regulations applied to maize imports. Government had relaxed the regulations in the past only in cases of severe local shortages.

Worldwide shortage of white maize

Mealiemeal price rockets

(3) MAIZE Star 21/9/95

BY NIKKI WHITFIELD
CONSUMER REPORTER

Mealiemeal prices are expected to rocket as the nationwide shortage of maize, brought about by the crippling drought, grips the land.

Consumers who rely on the foodstuff as their staple diet might have to switch to rice or potatoes, as there seems to be little hope of prices climbing down any rungs of the alarming price ladder before May next year.

Carry-over stocks from last year's bumper white maize harvest have been used up and importing the grain is not easy, as few countries produce white maize – the type preferred by consumers – in large quantities.

"It is very, very worrying," said Gordon Utian, chairman and chief executive officer of Premier Milling, South Africa's largest supplier of white maize. "There is just no maize – at the moment it's a hand-to-mouth situation."

Farmers, however, are smiling in this year of hardship. The price of white maize paid to farmers has soared by 65% to a high of R850/t on auctions.

Now, however, they face the danger of over-producing. Should it rain a lot during the coming season and farmers, anticipating another year of drought and poor yields, have planted too much maize, there will be a surplus of the crop.

However, this will be good news for shoppers as shelf prices will come down.

Dr Kit le Clus of the National Maize Producers Organisation said the ideal situation would be for farmers to plant 3-million hectares of maize, maintaining a balance between yellow and white maize.

He said farmers were also advised to diversify and plant other crops, such as sunflowers, to provide themselves with a safety net.

Utian said the price of mealiemeal had already climbed by 30% this season. "And the season is over now. There is no more maize. The next season only starts in May, and there's no telling what the price will be by then."

Utian said he blamed the Government to a large extent for the situation. Even though the market was deregulated in May this year, the Maize Board still wants to control the situation, he said.

"In the old days of control, we would have been told to mix white maize with yellow maize if there was a shortage of white maize. But it has been proved that consumers do not like yellow maize and are prepared to pay more for white maize, rather than have it mixed in (with yellow maize).

"But because there is a surplus of yellow maize at the moment, and a drastic shortage of white maize, they still want us to mix in."

He accused the Department of Agriculture of using, as an excuse for curbing imports, the spread of a bug called the *Erwinia stewartii* bacterial wilt.

He said suppliers were looking at bringing in maize from Kenya, which has something of a maize mountain, accumulated during two years of corrupt dealings, and from the United States.

"Basically, we are looking at bringing in any white maize we can find," said Utian.

The Department of Agriculture has pledged to meet with local and international technical experts next week to review policies on maize imports from the US.

Surge in the maize price 'could be moderated'

Louise Cook

THE surge in white maize prices could be moderated if government relaxed its policy on imported maize, Land and Agriculture Policy Centre agriculture spokesman Brendon Bayley said yesterday.

The agriculture department restricted maize imports from the US because of fears that various bacteria could cause plant diseases and smaller yields if they penetrated local production areas.

A meeting would be held today between officials of the agriculture department, international and local technical experts, to re-evaluate the policy.

Bayley said it was up to the agriculture department to find a way to "minimise the risks associated with bacteria, while allowing maize imports".

He warned that the reimposition of the department's phytosanitary requirements effectively cancelled out the benefits of the Board on Tariffs and Trade's zero tariff on imported maize. He said it "would not be long" before the retail price of maize went up again.

"Unfortunately the amended maize marketing scheme coincided with a short maize crop. Given that the amended scheme was only published in May, millers did not have time to forward contracts overseas.

"Any decision about phytosanitary restrictions is very sensitive. One must assess the likelihood of imports resulting in the establishment of a disease in SA, and its likely cost implications. On the other hand, one must assess the cost to consumers and the food security situation of poorer households," he said.

Tiger Oats trade liaison manager Boris Kaplan said earlier this week the current world price for white maize was just under \$200 — virtually double that of a year ago. It would be expensive to import and railage costs between Durban and inland markets would amount to about R100/ton, he said.

Kaplan also said the agriculture department's phytosanitary requirements on imported maize had been valid.

"They're not using it simply as a non-tariff barier. If contaminated maize is imported there is no way of ensuring that it is kept separate and it does not get mixed up with local supplies."

Fears that retail prices on maize meal would "go through the roof" have gripped the industry after supermarkets said they had slashed profits on maize meal since the drought had caused shortages.

(3) MAIZE BD 22/9/95

US imports could slash maize prices

(3) MAIZE

Louise Cook

BD 26/9/95

WHITE maize prices would drop to "more realistic levels" of R740-R760 a ton — about R100 a ton less than current prices — if an agriculture department recommendation to import white maize from the US was implemented, Tiger Oats executive director Hamish McBain said at the weekend.

US white maize could be allowed into SA following a meeting between local and international technical experts on Friday. The department's plant and quality control division had banned US maize because of a possible bacterial threat to local maize plantations.

Local white maize prices have rocketed to highs of R850 a ton in recent weeks in the face of severe shortages on the market and allegations of farmers holding back available stocks in a bid to chase prices even higher.

Tiger Oats plant and quality divisional director David Keetch declined to give details but said recommendations would be made to Agriculture Minister Kraai van Niekerk that would change government's policy. "These would not relax controls on quality in any way."

McBain said the threat of contamination was "exceptionally small. Millions of tons of US maize has come into Africa and nowhere has there been any contamination. Field tests have shown there is virtually no threat of the bacteria spreading through seed."

He said millers were particularly keen to import maize in the face of high local prices.

Sources said various recommendations would be made to Van Niekerk, including stipulations that sealed trucks be used to transport the maize from ports, that only certain ports be used for delivery and that any spillages be swept up. It would also be recommended that a four-man committee with representatives from the plant and quality control division, the Agriculture Research Council, millers and producers monitor the situation.

World prices were well over $200 a ton, but "depending on where the maize is sourced from, it is still possible to obtain the grain at prices lower than in SA", McBain said.

(3) MAIZE
FM 29/9/95

MAIZE

Price ripples

Many listed maize millers and wholesalers expect the industry's deregulation to help improve the currently depressed profitability of their maize divisions. Managers say that within two years their hedging and global trading abilities should counter local farmers' demands for internationally uncompetitive prices for the grain.

For the past 35 years, floor prices were set by government. In the first season since

deregulation, drought caused a maize shortage which pushed the price of white maize up 75%, to R900/t (1994: R515/t). This could increase if Minister of Agriculture Kraai van Niekerk doesn't approve the recommendation made by the industry last week to allow imports of maize from the US. Some millers accuse farmers of holding back maize to increase prices.

Premier Foods executive chairman Gordon Utian doesn't expect this situation to be repeated, as Premier recently opened a procurement division to source and contract for future maize supplies globally. He is confident the new division will help produce sustainable growth in profits.

Utian admits the maize division — accounting for 20% of Premier Food sales — "lost heavily" in the year to April 1995. "The division couldn't have been under more pressure. Even though forced to buy at higher prices, maize profits look as if they will be higher than last year."

Tiger Oats executive director Hamish McBain says SA's current white maize price exceeds that of imported maize by about R100/t. McBain adds that higher consumer prices kept sales revenues buoyant, but volumes sold to consumers decreased. Though maize is a staple food, he is concerned that consumers may turn to cheaper alternatives as prices continue to rise.

McBain expects a profitable year to September 30 for the maize division — the first in recent years. But he says the division is too small for the improvement to have much effect on Tiger's group results.

Brenmill financial director Stephen Graham thinks risk management could be a favourable development which will stabilise prices and, with global sourcing opportunities, could eventually match maize supply and demand.

A relatively small group, with market capitalisation of R32,2m, Brenmill won't open a procurement division; it plans to deal through a broker.

Graham expects this year's high prices to encourage farmers to plant more maize — 24% less land was planted this year than in 1994. Graham cautions that SA must produce larger volumes to ensure the success of local dealing for risk management, as practised on the Chicago Mercantile Exchange.

Michelle Joubert

Maize industry revolutionises its auctions

(3) MAIZE CT(BR) 3/10/95

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

The maize industry has taken the first step towards revolutionising the way in which it sells its products with the launch of the first electronic maize auction by Sentraalwes Co-operative.

This followed the inauguration in Klerksdorp by the co-operative of the first grain exchange in South Africa.

Gert Aggenbach, the chairman of Agri-Marketing Exchange Party (Amex), said the first three electronic co-operative auctions provided farmers and processors with a transparent, market-related price mechanism for maize.

Although Amex launched its activities in May this year by initially concentrating on the livestock and meat industries, Aggenbach said its aim had always been to put the Amex system of electronic auctions at the disposal of agriculture as a whole.

He said the system was user-friendly and time and cost effective, eliminated ring forming and provided speedy, reliable market information and price signals to the market.

Almost 70 registered buyers have already linked up with the co-operative's grain exchange via the Amex electronic system.

Hennie Davel, the executive general manager of the co-operative, said it was difficult to maintain a reasonable balance between the price maize producers wanted and the price processors of maize were willing to pay.

"This system has three characteristics: it creates transparency in the market; all buyers and sellers have an equal opportunity to trade and it reflects the real value of maize at a specific time and in a specific place.

"The system does not lend itself to manipulation of the market nor does it favour either the buyer or seller," Davel said.

3

MAIZE

Maize industry launches its first electronic auction

Star 3/10/95

■ BY ROY COKAYNE

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"The system does not lend itself to manipulation of the market nor does it favour the buyer or the seller," Davel said.

MAIZE PRICES

Price-fixing accusations

(3) MAIZE FM 6/10/95

Maize farmers are accused of holding back stocks of white maize in an attempt to drive prices beyond the record R850/t now being fetched. And the Department of Agriculture is charged with barring US imports in an effort to help farmers keep prices up.

Restrictions on US imports — blamed on bacterial wilt in certain US states — have removed the import parity ceiling from the local market, allowing prices to soar.

Following the industry's May 1 deregulation allowing free imports of maize, millers and traders bought white maize from Argentina and the US. Argentina has no more export stock. After allowing imports from the US earlier, the Department of Agriculture's directorate of plant and quality control suddenly prohibited more.

Importers say US maize exports carry certificates declaring them disease-free and the maize is already entering the market through two contracts signed earlier in the year. They add that before deregulation, during the crop shortage in 1992, the Maize Board allowed US imports.

"One cannot prove this but it looks suspiciously like an attempt by the department to help farmers," says a miller.

Maize Board deputy GM Dawie Cronje dismisses criticism. He says SA is only one of about 50 countries that apply a well-established system to minimise the risks involved in importing with a view to preventing the spread "of this dangerous and destructive disease."

Department of Agriculture directorate of plant and quality control acting director David Keetch says that because US maize is bulk-loaded for export, it is impossible to know whether it all comes from disease-free regions.

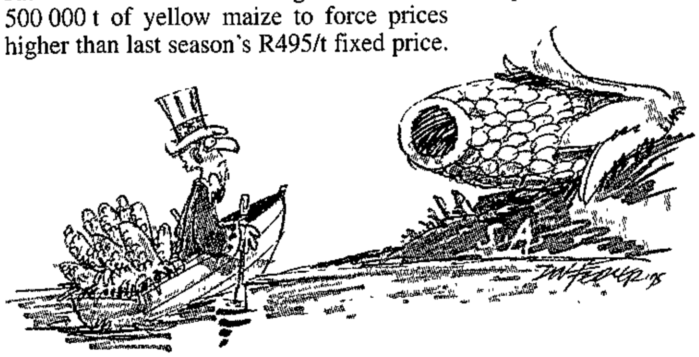
This year's white maize crop of just under 2 Mt, plus carry-over stocks of almost 400 000 t, should have been enough to meet local demand — if coupled with imports of about 350 000 t.

Industry authorities say SA has a surplus of yellow maize (used mainly for animal feed), which could be mixed with the remaining white maize stock to meet demand for human consumption. But millers say there has been negative consumer reaction to "tainted" white maize meal.

Department of Agriculture acting director-general of marketing Rodney Dredge says Kenya has a surplus of about 300 000 t of white maize which could be imported.

Tiger Oats executive director Hamish McBain says his group is already importing from Kenya but logistical problems in that country make it difficult to move the maize quickly and primitive storage facilities could lead to insect infestation. "We would prefer to buy locally; but if farmers insist on holding back, we will be forced to search for stocks," he says.

F R Waring International Commodity Traders director Willie Brits estimates that farmers are also holding back about 500 000 t of yellow maize to force prices higher than last season's R495/t fixed price.



He adds: "The restrictions on white maize imports are ridiculous. Though US white maize is coming into the country under permits issued earlier this year and the board allowed US imports in 1992, the department refuses to issue further permits."

Sources say the department is considering an exception to the import ban. Western Cape importers might still be allowed to import US white maize as the area is not a maize producer and there is no perceived threat of bacterial wilt infection there.

McBain says that at a Maize Board meeting last week, attended by US crop disease experts, it was resolved to look at two options: a short-term solution allowing permit imports of US maize, subject to strict controls to prevent the possible spread of bacterial wilt; and a longer-term solution allowing a technical committee to investigate the dangers of the wilt to SA.

Brits says the suspicion remains that producer interests have twisted government's arm to apply "delaying tactics," forcing prices up.

Sentraalwes manager Konrad Keyser says the co-operative still has one auction lot of 25 000 t of white maize available. The other main maize co-operative, Bethal-based OTK, has run out.

Until April, the board fixed the prices of white and yellow maize and there was a small price differential. So far, the record prices have not affected retail shelf. But a Shoprite-Checkers spokesman says: "We expect an increase from our suppliers."

SA to import uncertified maize

CT (BR) 17/10/95 (3) MAIZE

FROM REUTER

South Africa will allow uncertified imports of maize under strict conditions at specified ports because of the soaring local maize prices caused by drought.

The agriculture department said it had accepted the recommendations of an industry working group that permits be issued on a short-term basis for maize that did not meet normal phytosanitary rules.

Permits will be issued allowing the off-loading of uncertified maize in Cape Town and Durban only, and its transport and milling under controlled conditions.

The move opens the way to maize imports from the United States.

However, there was concern about the risk of importing erwinia stewartii — a bacterial disease affecting the breeding of hybrids.

The South African Maize Board will work with the department to ensure that no maize is spilled during transportation from the ship to the mill and that all the maize is milled in the prescribed area.

The partial relaxation should provide some relief to millers starved of supplies of white maize due to the domestic shortage.

Production this year has fallen to 4,23 million tons from 11,94 million tons last year, driving up prices by about 66 percent since a year ago to a record R850 a ton for top-grade material.

German trader Toepfer said last month that South Africa needed to import about 1 million tons of mainly white maize for human consumption in 1995/96 to make good its domestic shortage.

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(3) MAIZE Star 17/10/95

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Govt to lift ban on US maize imports

(3) MAIZE

Louise Cook

GOVERNMENT is to lift the ban on importing US maize, after months of low domestic supply in which spiralling prices have netted farmers more than R500m.

The agriculture department said yesterday it would allow the import of US maize into Durban and Cape Town under strict conditions, following recommendations from an industry working party last week.

The department had previously barred the imports, claiming diseased US maize could infect SA supplies. The decision, coupled with a drought-inspired domestic crop shortfall, helped drive white maize prices to R868/ton last week, 70% higher than last year.

The maize board refused to detail yesterday how much maize had been sold at the higher prices since the start of the current season in May, but industry estimates put the figure at around R525m so far.

Industry sources said yesterday that government's decision was unlikely to halt higher prices to consumers.

Premier Foods — the largest milling company — said higher prices had swollen its maize bill by R200m over the past year, "and consumers could expect a 30% price hike. "We had no option," executive chairman Gordon Utian said. "More imports will not help — local prices are following parity prices. The only thing that can break it is if 1996/97 is different and there is a good crop next year."

Tiger Oats said the influx of US maize could lead to a softening in domestic supplies, but a 20% increase in price to the consumer was "inevitable".

"I'm not saying there will be a dramatic drop," executive director Hamish

Continued on Page 2

Maize

(3) MAIZE

Continued from Page 1

BD 17/10/95

McBain said. "But depending on where the maize is sourced from, it is possible to buy landed maize cheaper at Maritzburg than to buy local maize."

SA's domestic crop has been cut to just 4,23-million tons this year against 11,94-million tons last year.

SA has been forced to import at least 200 000 tons from other African countries and South America, but the US had been the major importing source before the government ban.

The Land and Agriculture Policy Centre said US imports would have a spin-off on local prices, but warned retail prices would still go up.

Spokesman Brendan Bayley said the ban on imported maize from the US had effectively cancelled out the benefits of the Board on Tariffs and Trade's zero tariff on imported maize.

"Unfortunately the amended maize marketing scheme coincided with a short maize crop. Given that the amended scheme was only published in May, millers did not have time to forward contracts overseas."

McBain said once US maize came onto the market the "nonsense" of the maize price going higher every week should stop.

Yellow maize exports put at 500 000 tons

(3) MAIZE ARG 18/10/95

JOHANNESBURG. — South Africa, facing a white maize deficit of about 1 million tons this season, could see yellow maize exports rise to around 500 000 tons, according to the Maize Board.

Maize Board general manager Leon du Plessis said yesterday the board had already received 361 000 tons of yellow maize from farmers this season.

Of this some 265 000 tons had been put to tender and sold for export, with the last 66 000 tons due to be delivered in two shipments during November, said Mr Du Plessis.

He said the exports included a 100 000 ton tender directed specifically for Zimbabwean delivery.

He said no further export tenders were scheduled in the very near future, although tenders would be made up to the end of April, 1996, as and when farmers delivered to the board.

Although some 2,29 million tons of yellow maize was harvested this season, there had been unusually high retentions by farmers, and: "Retentions have been high this season because a lot of yellow maize is being used for consumption as a result of the white maize deficit," Mr Du Plessis said.

"At the very maximum I would expect 500 000 tons of yellow maize to be delivered into our export pool this season," he added.

Meanwhile the country's final white and yellow maize harvest for 1995/96 has been set at 4,23 million tons, dramatically down on the near-record 12,03 million tons harvested last season.

And with the white maize harvest at just 1,94 million tons, compared with 5,73 million tons last year, a shortfall of around 1 million tons of this staple food is forecast.

White maize imports had to date already totalled 211 000 tons, said Mr Du Plessis. — Sapa.

(3)

MAIZE INDUSTRY MAIZE

Ship ahoy

FM 20/10/95

Government has finally relented and is to allow imports of US maize to alleviate domestic shortages.

Maize production this year has fallen to just 4,2 Mt from 11,9 Mt last year, driving up prices by two-thirds since a year ago to a record R850/t (see page 72).

Though free-market purists will inevitably decry the imports, economists point out that SA is in no position to dither on the issue. Drought, poverty due to rampant unemployment and the danger of once again fuelling food prices gives government little choice. A threat of famine — or at worst deprivation — for certain sectors of the population could result, say industry pundits.

The move is also partly seen as a bid to discount talk of price collusion between farmers and the Department of Agriculture — a charge levelled by the milling industry.

The department says it has accepted the recommendations of an industry working group that permits be issued for maize which does not meet normal phytosanitary rules, on a short-term basis.

Permits will be issued allowing the offloading of uncertified maize in Cape Town and Durban only, and its transport and milling under controlled conditions.

Government originally expressed concern about the risk of importing bacterial disease caused by wilt (*erwinia stewartii*).

Though parts of the US are free from wilt, it is not practical to separate maize produced in these areas from maize produced in infested areas, since all maize is stored and shipped in bulk.

Millers believe American imports could bring down white maize prices by around R100/t.

The partial relaxation in regulations should provide some relief to millers starved of supplies of white maize due to the domestic shortage. And farmers, who have been accused of withholding stock in order to drive prices even higher, may be prompted to resume deliveries. ■

CT (BR) 27/10/95 (3) MAIZE

Kenya to export maize to SA: Kenya would export 23 000 tons of maize to South Africa, an official of the state-run National Cereals and Produce Board said yesterday. He said the maize would be shipped from the port of Mombasa this week and would be the second maize export consignment to South Africa from Kenya.

Farmers miss planting season as credit lines are cut

(3) MAIZE BD 8/11/95

Louise Cook

NEARLY 3 000 maize farmers in Mpumalanga have missed the planting season, with credit lines from banks and co-operatives being cut on uncertainty over government's policy on drought aid.

"There have been good rains, but these farmers missed the boat as banks and co-operatives refused them credit needed for seed and other planting requirements because of uncertainty of whether they qualified for drought aid," National Maize Producers' Organisation (Nampo) GM Kit le Clus said yesterday.

He said this would affect next year's crop and should help support the price in the new season.

Le Clus said the R199,5m drought aid package announced by government last month was "too little too late". It allowed a maximum of only R50 000 a farmer, he said.

"If these farmers do not receive drought aid, they go insolvent and either have to step out of maize growing or cut back drastically."

Drought and a severe white maize shortage, aggravated by rising demand, has driven prices to above R800/ton, allowing farmers to net R500m this year.

Esra Steenkamp, an agriculture department drought committee member, said applications for drought relief would be finalised only at the end of the month, but the Northwest and Free State provinces were trying to process applications early.

He said farmers qualified for drought relief if they met government's conditions, one of which was proof that 50% of crop damage was caused by drought.

"The matter is in the hands of the provinces."

Deregulated maize industry offers scope for entrepreneurs

BD 14/11/95

(3) MAIZE

Justine Nofal

IN THE old days, prior to May 1, going back 60 years , marketing maize in SA was a predictable affair for farmers and for the man in the street. The Maize Board was the sole seller and importer of maize. All maize produced in SA was delivered to the board. The board set the producer and selling prices annually. The board operated stabilisation funds to enhance imports in drought years and to subsidise export losses in years of plenty.

Consumers paid more for local maize in years of surplus than they would have if the Maize Board did not exist. And they paid less in years of shortage than they would have if the country had relied on free market imports.

The scheme stabilised the market. It also upset free marketeers among farmers and purchasers. Milling operations of large food companies and animal feed manufacturers, the main buyers, were first to criticise the old system.

After years of slow deregulation, the maize industry took a major step this year and deregulated domestic trade in maize completely.

"The new scheme has experienced teething problems," admits Maize Board GM Leon du Plessis. "It was to be expected in an industry as large and complex as the maize industry."

It would have been ideal if the new scheme had come into operation in a year of "normal" production — a relative concept in a country of extreme climatic swings. As it happened, the 1994/95 summer crop was below par. In August the final production estimate stood at 4,23-million tons, against the previous year's bumper 12,03-million tons. SA's annual maize consumption is around 6,4-million tons.

Coupled with the new marketing scheme, there were other complications. There was unprecedented interest in the monthly national crop estimates committee's forecasts, and the industry found it was not happy with the standard of forecasts. Many farmers, particularly of smaller farms, were confused about the scheme and did not negotiate the best prices. Others were concerned the yellow maize price was low, and unexpectedly held back stocks. White maize farmers had a field day, with prices reaching a record R850/ton at an electronic auction in September.

Early in the season traders began to import maize, as the new scheme allowed them to do directly for the first time. They imported too much, lowering prices as they desperately tried to offload stocks.

Yellow maize buyers had adequate supplies at prices that could be related to previous years. Buyers of white maize, however, were bitter at paying close to import parity prices. The largest two buyers, Premier and Tiger Oats, resented it particularly because there was very little white maize available for import, sending up prices.

It was inevitable that prices of maize meal, a staple food to SA's poor, rocketed as last year's stocks dried up and new, expensive stocks were sold. The Maize Board found itself in a difficult position as buyer of last resort to the industry and sole legal exporter of maize. It became obvious that the advance price announced by the board was too high in comparison with the prices realised from exports. Farmers could have found themselves footing a deficit bill. However, the agriculture minister announced a much lower advance price, which practically put an end to deliveries to the board.

As the industry felt out the new scheme, the question emerged: what happens if there is a small crop again next year. What if we have a few years of surpluses? In the old days it was all taken care of.

With the new scheme in operation, National Maize Producers' Organisation chairman Cerneels Claasen says: "For a bumper crop, net producer prices could decrease to around R300 a ton, or near to export parity. In a shortage year, prices will increase to import parity, as with white maize this year".

What about successive years of drought?

The agriculture department marketing directorate is certain the state will not get involved in stockpiling maize for the lean years during years of surplus.

Tiger Oats executive director Hamish McBain says: "In essence, manufacturers or traders will take on the responsibility for carrying any contingency stocks or ensuring that import stocks are secured".

Industry participants foresee hedging on the futures market becoming the norm, along with better information services concerning weather and the market.

Both sides' positions are highlighted under the new scheme. Farmers want higher prices than before, and tariff protection. Buyers want low prices and an end to industry regulation.

In an industry previously straightjacketed by certainty, the participants are finding uncertainty unnerving. For the entrepreneurs on each side, though, there is plenty of opportunity.

The full reality has not yet hit the consumer.

□ Nofal is an agricultural writer for Farmer's Weekly.

Dutch group targets 20 hotels for SA

BD 20/11/95

Theo Rawana

DUTCH hotel giant Golden Tulip International has entered the SA hospitality industry with a mission to boost local tourism and setting itself a target of developing and operating 20 hotels in two years, commercial director Anton Bakker says.

Golden Tulip, the world's 10th largest hotel consortium, franchising and licensing independent hotels in the four-to-five star category, has been awarded the licence to market the four-star Sanbonani Resort Hotel globally.

The hotel is located in the Hazyview district at the confluence of the Sabie and Sand rivers, close to the Kruger National Park.

Bakker says Tulip Inn accreditation is available to suitable three-star establishments and his company is planning new developments of its own in prime tourism areas.

The company, with 35 years' experience of providing for the needs of business and leisure travellers, has 225 hotels in 50 countries.

"After searching the market for some years, we believe the time is ripe for an injection of expertise into the SA hospitality sector," Bakker said.

Golden Tulip looks at management and development opportunities and is active in the field of franchising. All franchised hotels will be operated on a licence basis. "Affiliation with Golden Tulip gives participating SA hotels access to international expertise and the global marketing and reservation system of Utell, with whom Golden Tulip Hotels is the largest independent contractor."

The result is a wider audience and a "punchier marketing presence worldwide" than they could afford on their own. At a later stage the service may extend to neighbouring countries such as Zimbabwe, Botswana and Mauritius, using SA as a regional springboard.

A primary objective is to recruit locally and create jobs. Local recruiting has already begun.

To maintain standards worldwide, Golden Tulip has its own training school.

Bakker says a balance between local and international business is central to the company's marketing philosophy.

"We believe in pitching tariffs at a rate within reach of local holidaymakers to promote domestic holidays. Not only is this fair to South Africans, but it makes good business sense. If foreign tourism falls off, hotels will still survive on the basis of local business," he says.

White maize market soon

MAIZE

Louise Cook

BD 20/11/95

A FUTURES market for white maize was set for January, spurred by keen demand from producers and international traders, with markets for wool, poultry and dairy products likely to follow, Safex agricultural markets general manager John Wixley said.

He said talks with the Milk Board were in an advanced stage, but the priority was setting up the maize futures market, modelled on the Chicago Board of Trade's corn futures contract.

The maize futures contract would operate through a system of silo receipts from selected silos. Instead of actual delivery, the receipt would represent ownership, enabling grain to change hands without physically leaving the silos.

Wixley said the futures contract would create an effective spot market for white maize.

Up to now Safex had set up only forward contracts for trading maize and other grains.

Safex said in a news letter the contract was based on white maize because the price was more volatile than that of the yellow variety.

Dairy foundation GM Eddo Roux said SA dairy farmers would benefit from a futures market that showed future price levels, although in the case of fresh milk, delivery would be an obstacle to setting up the market.

US maize setback could boost local export price

Louise Cook (3) MAIZE

THE worst US crop failure in seven years would probably see sharp rises in local export maize prices in the short term, National Maize Producers Organisation (Nampo) director Kit le Clus said.

The US could cut exports by 7-million tons, with prices expected to increase \$20/ton to \$160/ton over the next two months. This could encourage local producers to hold back stocks to benefit from higher prices, aggravating shortages for SA exports.

Maize Board prices of R364/ton could rise to R510/ton for deliveries to the board within two months. But price hikes should not be regarded as the norm, as the world price could drop again and push local prices down significantly after a good US crop next year, Le Clus said. Conditions favoured a good crop next year in SA and the US and local export prices could decrease to R380/ton by February.

"We don't have the El Nino phenomenon to contend with. In fact, La Nina conditions — the opposite of El Nino — have taken over.

"However, it seems many SA farmers are still holding back stocks in anticipation of further price hikes. Buyers are reluctant to take out forward contracts in the hope of prices dropping."

The US would release its Stocks and All Positions report in January which would set the stage for future international and local price movements.

Maize Board GM Leon du Plessis said the international price hike would not have a significant effect on the local free market price which had discounted the increase. White maize imports could be necessary from February, but supplies were sufficient till then.

BD 28/11/96

Maize farmers await a bumper crop

ST(BR) 17/12/95 (3) MAIZE

By DON ROBERTSON

THE maize crop could be as high as 9-million tons this season following the rains which have fallen over most of the growing areas over the past few weeks.

But the higher tonnage will mean lower prices for farmers who have enjoyed returns of up to R650 a ton in the past season under the recently introduced deregulated marketing system.

Kit le Clus, general manager of research at the National Maize Producers Organisation, says early indications show that up to 3,2-million ha could be planted this season because of the improved weather pattern.

With normal yields this could produce a crop of between 8- to 9-million tons, compared with 4,2-million tons last season.

A continuation of the current rainfall pattern in January and February, however, will be essential to meet domestic demand of 6,5-million tons.

"We have had a very good start to the season, although in some areas there have been extreme temperatures. The good rains, however, have allowed some farmers to replant crops after they were destroyed by dust storms," says Dr le Clus.

Because of the lower-than-average crop last year and the necessity to import maize, the producer price of white maize has risen to R650 a ton and could increase to as much as R700 a ton before this season's crop is harvested in May and June, says Dr le Clus.

Although there is a surplus of yellow maize and it is being exported, the producer price has increased to about R500 a ton.

Last year farmers were paid on average about R515 a ton for white maize and about R495 for yellow maize. Under the previously controlled Maize Board pricing system in 1993 farmers received about R370 a ton for both qualities.

The bigger maize crop expected for the current season will have little effect on fertiliser sales which are expected to remain at about 2-million tons, similar to the levels achieved in the past 12 years.

This will leave the industry with surplus capacity of about 800 000 tons, but substantial progress has been made in the export market.

Last year the industry, headed by Kynoch, Omnia and Sasol, exported 210 000 tons of fertiliser to world markets, a figure which is expected to increase to 380 000 tons this year, representing about 50% of the surplus capacity. In addition, new markets have opened up in India, Indonesia, Iran, Pakistan, western Europe and Australia. Congestion at Richards Bay harbour, however, remains a problem.

Meanwhile, *Sapa* reports that the SA agricultural sector suffered a disappointing year in 1995 with net farm income 19,2% lower.

The sector's contribution to gross domestic product was 7,7% down compared with the previous year.

According to the Directorate of Agricultural Statistics' latest quarterly economic review, agricultural production decreased by 14,7% for the year ended September 30, while producer prices of agricultural products grew by 13,7%.

Consumer prices for food increased by 13,4% over the same period.

The total value of agricultural exports was estimated at R8,912-billion this year, compared to R8,269-billion last year.

The quarterly review said 60 districts or parts of districts were listed under the disaster drought assistance scheme at September 14, while SA dams were 41% full on average.

Bumper maize crop predicted

ARG 20/12/95

(3) MAIZE

☐ *Experts expecting double of last season*

JOHANNESBURG. — Prospects for good maize, groundnuts and sunflower crops are good in South Africa's summer rainfall areas, co-operatives and grain distributors have said.

Johannesburg grain distributors Kahn and Kahn's managing director, Robin Feldman, said his "guesstimate" of this year's maize harvest was between eight and nine million tons compared to last year's 4,5 million tons.

"It's very early days yet, but there is certainly cause for optimism," he said.

He said there were reports of waterlogging of lands throughout the maize triangle which stretches from the northern and central Free State into south-eastern Gauteng and parts of Mpumalanga. This area generally yields the bulk of the country's maize crop.

Co-operatives confirmed receiving similar information.

A spokesman for Sentraalwes Kooperasie in Bothaville, "the maize capital of South Africa", said reports were received of waterlogged lands at Odendaalsrus and Allanridge in the Free State gold fields.

However, there was reason for optimism for a good maize crop, following the rains before the December 15 cut-off date for the planting of white maize.

There was also a heavier planting than usual of groundnuts.

Individual farmers in some areas said their lands were impassable after heavy weekend rains.

Falls of up 60mm or more were recorded in the south-western Free State and parts of the north-west, which until the weekend had been dry. This came in time for the late planting of sunflowers, which in some areas can be planted through to the end of January.

Crop insurers Santraoes said the company received a number of claims from farmers whose crops died because of waterlogging. Hail damage was also worse than in the average year.

"But we have reason in general to be thankful for the good rains and there is a mood of optimism among the farmers," he said.

No spokesmen were available at Nampo and the South African Agricultural Union to comment on how the prospects of good crops would affect the position of farmers whose debt ratios in many areas have been a cause for concern in recent years of drought. — Sapa.

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Sweet toot

FM 5/1/96

Tongaat-Hulett affiliate African Products says engineering design for its new R600m greenfields wet milling maize complex at Kliprivier south of Johannesburg is almost complete and construction work should start in March.

"We expect the new plant, which would raise our maize-based, wet milling capacity by 20%-25%, to be operational by the middle of 1997," says Piet Hugo, African Products executive in charge of the new project.

The company also has wet milling (as opposed to dry milling, carried out by food giants Premier Group and Tiger Oats) plants at Germiston, Meyerton and Bellville. Its maize products are used mainly in the beer brewing industry, which takes about 30% of output. They are also widely used in the manufacture of instant coffee, coffee and tea creamers.

"The starch products are used by other consumers, including the paper industry, manufacturers of corrugated paper boards and the general food industry," says Hugo.

In the US, maize-based syrups are the main sweeteners used in the soft drink industry. SA soft drink manufacturers still use sugar cane-based sweeteners. But Hugo says: "We are constantly looking for new markets for our range of products."

The new plant will at first use about 800 t of maize a day, then, at full capacity, 1 200 t. Hugo says this could easily be expanded but further development would be subject to additional capex requirements. Enlarging the plant would enable it to handle 2 500 t-3 000 t a day.

Automation is central to the use of advanced technology in the plant; so only about 90 jobs will be created. And though the export of surpluses will be an option, the focus will be on meeting growing local market demand.

About R120m of equipment will be imported. "But at least half of the plant cost will be based on local content."

Hugo says maize is imported when there are shortages of local crops. However, recent rains suggest a maize shortage is not likely — at least in the year ahead. ■

Boost for maize farmers

(3) MAIZE

THE introduction of a maize futures contract on Safex this month will improve the "efficiency and transparency" of the market by providing a daily price for the commodity, writes **DON ROBERTSON.**

But Safex believes that with the good rains, the current maize crop could reach the forecast of 8- to 9-million tons and that prices could halve by the middle of next year.

In announcing the introduction of a maize futures market, John Wixley, general manager of the agricultural markets division, has challenged as too conservative a recent report in *Business Times* which quoted Kit le Clus, general manager of research at the National Maize Producers' Organisation, as saying that farmers have received up to R650 a ton for white maize and R500 a ton for yellow maize.

Mr Wixley says farmers would get a price closer to R750 and R850 a ton for white maize and R650 a ton for yellow maize.

He believes Dr le Clus's comments give the impression that farmers have not greatly benefited by prices which rose because of the abnormally low 4,2-million ton crop.

The futures market will enable producers and millers to protect themselves against large price swings which respond to changing expectations in the new crop, he says.

ST 7/1/96

Maize crop 'will be double that of last year'

(3) MAIZE CT (BR) 12/1/96

FROM REUTER

Johannesburg — South Africa is heading for a maize crop this year of between 8 million and 9,5 million tons, according to American commodity trader Cargill.

Thad Goff, the managing director of Cargill South Africa, said excellent growing conditions this season pointed to a crop double that of last year, given plantings of 3,25 million hectares.

"I think 2,5 tons per hectare is pretty certain but it could be 3,0 tons if we get ideal growing conditions in late January and February," he said.

The Maize Board estimates plantings so far at 3,18 million hectares.

South Africa's maize yields swing widely from year to year, depending on rainfall.

The Maize Board said last year's yield was only 1,45 tons a hectare due to drought, giving a crop of 4,23 million tons from 2,92 million hectares.

That forced South Africa to import substantial amounts of mainly white maize this season, with a large proportion coming from Kenya.

Halving of maize prices possible after good rains

BD 12/1/96 (3) MAIZE

Louise Cook

MAIZE prices could halve this year amid predictions that the new season's crop may hit 7,5-million tons — more than 75% up on last year.

Industry sources said yesterday the expected bumper crop following recent rains was likely to lead to consumer prices falling at least 30% when the new marketing season opened in May.

The fall would represent an abrupt reversal in consumer fortunes, after a poor crop last year led to a 1-million-ton white maize shortfall and a virtual doubling in maize meal prices. White maize is about R1 000/ton, with maize meal at more than R14,50/kg.

"We are moving into a surplus crop this year," Premier Food MD Gordon Utian said. "I have no doubt of a fall in the price by May or June." Prices were at record highs and consumer resistance had set in.

He said farmers were likely to continue lifting prices until April, but millers would absorb these costs.

Tiger Oats said white maize would probably hit between R450 and R500/ton in May, and yellow maize around R450/ton.

Executive director Hamish McBain said farmers would also gain from higher yields. Sources expected yields to hit at least two tons/ha this year, against a previous yield of 1,4 tons/ha.

FNB agricultural division director Jan van Zyl expected prices around R450/ton, saying contract selling had already taken a large portion of the coming crop. SA Futures Exchange agricultural markets division spokesman Rod Blondin said yellow maize prices were likely to be less volatile than those for white maize.

White maize prices would range between R400/ton and R600/ton, but the new futures contract would help stabilise the price. Spar said many consumers had switched to rice following last year's sharp price hikes, but that it would pass on lower costs.

FEATURE

MAIZE INDUSTRY

PRICES HEADING DOWN

FM 26/1/96 (3) MAIZE

Last year's white maize price was R850/t but the tables may be turned this year after the good rains. Tiger Oats technical director Hamish McBain says a potential 4,5 Mt white maize crop should exceed local market needs by 1 Mt. He estimates the total maize crop will be about 9 Mt.

Farmers should feel the impact of lower prices and consumers should benefit as the surplus forces prices down.

After last year's fears of a staple food shortage, the season is ending with an unexpected 846 000 t yellow maize surplus, forcing the Maize Board to export 422 000 t. Stocks are also held by millers and agricultural co-operatives.

But how did this come about?

Board statistics show that though last year's white maize crop was a mere 1,7 Mt, carry-over stocks from the previous season added another 1,2 Mt. And imports of more than 600 000 t pushed the total available to almost 3,5 Mt, against local consumption of 3 Mt.

In the case of yellow maize, almost 3,4 Mt were available following imports of 250 000 t. But, with commercial consumption only 2,3 Mt, a surplus of 846 000 t was left after export and carry-over commitments were met. Provision has been made for carry-over reserve stocks of 227 000 t of white and 135 000 t of yellow maize.

Clever producer lobbying also helped keep prices high.

"Information on the local market has been manipulated for decades by the board and by the National Maize Producers' Organisation. Both organisations are astute in talking prices up and exaggerating shortages. Some market restrictions still need to be reformed to allow for unhindered price forming," adds McBain.

For example, big grain co-operatives own and manage silos capable of storing 15 Mt and have been historically averse to free, inter-co-operative competition, leaving the way open to supply manipulation and withholding stock.

But GM Leon du Plessis says the board, as a statutory body, uses only official crop estimates and figures supplied by the Department of Agriculture and other industry role players such as millers, processors and co-operatives. "In the 1995-1996 season, the figures made available by the board were all agreed on by the industry through representatives on the formal Maize Advisory Committee, as constituted under the Maize Marketing Scheme."

McBain argues: "While the milling industry would prefer to see voluntary changes to any possibly restrictive practices, proven collusion between two or more co-operatives could also fall foul of the Competition Act. But, with an expected crop surplus this year, co-operatives may have to compete, to find the best buyers for their product."

***Crop bonanza** . . . export outlook bullish*

The prospect of a free-for-all in the maize market will appeal to the milling industry. Tiger Oats and the Premier Group, SA's leading milling groups, have gone through a rough patch recently, aggravated by last year's sudden maize price spike. And the food inflation rate should also come down. Though white maize meal is a food staple, yellow maize is also widely used as a major feed component for the livestock, poultry and egg industries.

McBain says another benefit flowing from a freer maize market is that coastal mills can now freely import cheaper maize from South America or the US, saving on the R120/t rail costs from the north. This reduces costs and also sends a signal to farmers in outlying areas to switch to other crops.

McBain also welcomes the new price-forming and hedging roles of the SA Futures Exchange's white and yellow maize futures contracts, which will come into operation from the end of February.

Safex MD John Wixley says this year's crop might be higher than expected. "Recent estimates of an increased maize crop of between 7,5 Mt and 9 Mt could be understated Maize Board estimates of plantings refer only to commercial plantings, estimated at 3,25m ha this year. Noncommercial plantings, however, are likely to total a further 1m ha.

"At an expected yield of over 2,3t/ha, this implies an estimated crop of over 10 Mt, more than double last year's," says Wixley.

With the board estimating total domestic consumption at about 6,5 Mt, this year's maize crop could leave between 1 Mt and 3,5 Mt for export in the year ahead.

Though it is still too early to make a crop prediction — "growing conditions have been favourable to date, but the weather in January to March will determine the eventual crop size," says board deputy GM Jeff Wayland. Following last year's low US crop, Chicago maize prices have spiked as growing international demand drove global end stocks down to 507m bushels — enough for only 22 days' global supply, compared with 240 days' supply in 1986-1987.

On January 17 1995, the fob Gulf price for yellow maize was US$109,84/t, against a fob Gulf price of $155,90/t last week — a 42% price rise in one year. And, says an industry source, if crop conditions in the US are not favourable in the coming planting season, fob Gulf prices could reach $173/t.

With the local and the US crop outlook on a knife edge until then, the board will be hard-pressed to decide when and at what dollar price it should start selling SA's possible maize surplus into the futures market to maximise returns for farmers.

And should this year deliver a bumper crop, coupled with possible weather problems in the US, farmers could be in the pound (or dollar) seats ■

Call for free maize marketing

BD 30/1/96 (3) MAIZE

Louise Cook

A COMPLETELY free maize marketing system had to be in place before the end of the new season to prevent farmers and the maize board manipulating the market, Tiger Oats executive director Hamish McBain said yesterday.

He said the industry would not support the floor price on exports, the compulsory levy and the board's monopoly on exports beyond the season ending in April next year.

The industry was partly freed last year when Agriculture Minister Kraai van Niekerk told farmers to set their own prices and create their own local markets, but exports remained the sole preserve of the maize board.

McBain said farmers, facing lower prices because of a surplus crop of between 7,5-million and 10-million tons, had the ability to create artificial shortages to push up prices on the domestic market by oversupplying the board's export pool.

A poor floor price set by the board was not necessarily a deterrent because farmers would receive a backpayment at the end of the season.

Premier chairman Gordon Utian said the floor price and R60 a ton levy had to be scrapped next year.

Maize Board senior deputy GM Poena Fourie accused McBain of "chasing up ghosts". The board bought only 400 000 tons of the 1,5-million tons of yellow maize last year, focusing mainly on exports. It did not play the local market, he said.

Maize harvest could double 1995's tonnage

(3) MAIZE

Star 23/2/96

Minister forecasts better wheat and oats crops

By Norman Chandler
Pretoria Bureau

The maize harvest is expected to be double that of last season, and South Africa is probably in for one of its best agricultural years for a long time.

Agriculture Minister Dr Kraai van Niekerk told the Agrocon agricultural outlook conference in Pretoria yesterday the crop would probably total about 9-million tons, more than double last year's 4,2 million tons.

He also forecast better wheat and oats crops as a result of widespread rains which have fallen over the country this summer.

"The agricultural sector is currently emerging from a number of seasons in which every effort had to be made to keep afloat. Apart from a few exceptions, all the enterprises had to put in almost superhuman efforts in order to survive," Van Niekerk said.

"Season after season, any possibility for relief disappeared in the wake of El Nino (the climatic phenomenon which is blamed for South African droughts). Added to this, farmers were exposed to the harsh realities of market forces.

"Following the political changes, South Africa has also begun to re-enter world markets, which is perceived as a threat by many but in fact creates great opportunities for those sectors which are prepared to adapt timeously."

Van Niekerk said there were indications that, with an upswing in world agriculture, South African farmers could experience a positive effect and this would, in turn, have a ripple effect on the economy.

In order to make an impact, the country needed to use its agricultural land optimally, "and any efforts to merely employ land for the satisfaction of ideological obsessions should be discouraged".

The minister added that the drafting of new agricultural marketing legislation, tabled in Parliament this month, would herald major changes in the sector.

"It is not the intention of the proposed bill to bring back local controls. On the contrary, the local market has been freed of statutory intervention through a managed deregulation process and will remain free.

"At present and for at least the foreseeable future, the marketing of agricultural products will be effected in terms of the Marketing Act and difference schemes in terms of the act. This will ensure that the best interest of existing farmers will be looked after, while also bringing the developing farmers into the picture and looking after their interests," he said.

Consumers may not see benefits of current bumper crop

By Norman Chandler

There may be a bumper maize crop on the way but that does not mean that consumers will necessarily benefit.

Cerneels Claassen, chairman of the National Maize Producers' Organisation, says a necessity to rebuild stocks, after several years of crop failure due to drought, could dictate what the consumer will get. The export market also had to be satisfied.

He told the Agrocon agricultural outlook conference that only 4,2 million tons of white and yellow maize had been produced last season, as against 11,8 million in the 1994-95 season. All exports had consequently been stopped.

"Given the early deliveries (this season) and a necessity to rebuild stocks, it is not clear how much of this crop will be available for consumption during the coming year."

can afford to pay back their ... clear that the banks have no ... will retard development at a time when little or no low-cost ... including informal settlement dwellers," he says.

Bread price unlikely to rise before year-end

(3) MAIZE Star 24/2/96

By WILLIAM-MERVIN GUMEDE

Relief is in sight for the poor as the bread price is unlikely to increase until the end of the year, despite South Africa having to import high-priced wheat.

Graham Simonsen, marketing manager of Blue Ribbon Bakeries, a division of Premier Foods, says that unless something untoward happens, such as a wheat crop failure or a dramatic price change in the world market, the bread price is unlikely to increase until November.

"The biggest determining factor is the world price, which is usually below the local one, but South Africa still produces most of its domestic demand, which means less wheat has to be imported," he says.

"If any increase should take place, it will be much smaller than last year, when the price rose 15%. Any price hike this time will be kept below the rate of inflation."

Louis van Staden, general manager of the Wheat Board, says the estimated wheat crop this season is only marginally higher than last year, at 2 million tons.

Jannie de Villiers, general manager of the Chamber of Milling, says the milling industry has absorbed the costs of imports, which are likely to reach 400 000 tons this year.

The first summer crop estimates released by the Agriculture Department this week show that crop production has been largely unaffected by the torrential rains that have swamped South Africa during the past few months. The department has predicted higher than average crops for local farmers this year.

Kobus Smit, chairman of the department's national crop estimates committee, says the yield is up on last year and that rain has been plentiful in most parts of the country.

"Above-normal crops can be expected compared to 1994/95," he says.

He attributes the upward trend to greater areas of maize, groundnuts, sorghum and dried beans under cultivation, as well as the good rainfall.

The department says 3 289 million hectares were planted with maize in 1995/96, representing an increase of more than 11% in the area under cultivation compared with the previous year.

Despite increases in maize cultivation in North West province (21%) and the Free State (19%), planting dropped in Gauteng (down 31%) and Northern Province (down 20%).

Farmers have also shifted towards cultivating white rather than yellow maize, which is used mainly for animal feed.

The area planted with white maize increased 35% from the previous year. Significant rises took place in the Free State (48%), North West (32%) and Mpumalanga (31%).

Although continued rainfall in the east of the country endangered the pollination of the maize crop, Smit says the west of the country still needs more rain for the rest of the summer season.

Trading of maize futures contracts begins today

CT (BR) 26/2/96 (3) MAIZE

By Ann Crotty

Johannesburg — Futures contracts for yellow and white maize start trading on the South African Futures Exchange (Safex) today, marking a worldwide first for the availability of white maize futures contracts.

It may also mark another nail in the coffin of the maize board as market and political forces build up against the existence of the board's stabilisation levy and its operation of a single channel for maize exports.

The maize board, which gets its power from existing legislation, allows anyone to buy and sell maize on the domestic market, but exerts tight control over the export market.

The board collects a stabilisation levy that is used to subsidise exportable surpluses to prevent the domestic price falling to export parity in a surplus year.

Under these regulations, anyone may import maize at the applicable tariff.

Industry sources representing producers, co-operatives, buyers and millers are confident that facilities such as a futures market would help make the 1996-97 marketing year the last in which the board collects levies and controls the maize industry.

Controls on the export of maize would limit the involvement of international players in the maize futures market.

The absence of large international traders would adversely affect the volumes of trade on the local market.

A floor price would also limit the degree of price volatility. Volume and unfettered price volatility were critical factors in the operation of an efficient futures market.

Food manufacturers such as Tiger, Foodcorp and Premier would be able to use the maize futures market as a means to secure a firm price for their supplies.

Using the market well, or at least better than their competitors, would provide a price advantage. This could be passed on to consumers or used to lift margins.

From a political perspective, one of the disadvantages of the futures market would be the secrecy it provides to users.

This would make it difficult for the government to put pressure on the food manufacturers to curb growing margins at the expense of consumers.

As trading in maize futures gets off the ground and South Africans become accustomed to using them, pressure is expected to be increased to remove the fetters of the maize board.

The final draft of the ANC's land and agriculture policy centre's report on maize marketing was released last month.

It referred to the possibility of large differentials between the price of yellow and white maize, "as was the case at the beginning of the current marketing year", having a negative effect on consumers.

The report noted: "This year was exceptional. Drought reduced the area planted to maize and the yields planted on this land.

"Even so, there was a crop of approximately 4,5 million tons. The problem was that not enough of the maize planted was white.

"This fact is directly related to the price incentives of the previous years where the statutory prices to the farmer for yellow and white maize were virtually identical," it said.

The report noted that measures such as domestic and overseas forward contracting, inter-seasonal storage, and futures markets "which between them could have secured physical product at a lower price for the current marketing year" were not in place.

These measures are expected to be developed by the end of the 1996-97 marketing year.

In that case there would be a strong argument for ending the stabilisation fund at the end of this marketing year.

"From then on farmers would be responsible for managing their own price risk just as the millers have been responsible for managing their's since the beginning of the current marketing year," said the report.

John Wixley, the general manager of the agricultural markets division of Safex, acknowledged that the launch of a futures market in a year that was expecting a surplus crop was not ideal.

"But we have to introduce it now so that we have a season in which people can become accustomed to it; by next season it'll be all systems go."

Manufacturers believed that the threat of world grain shortages would help farmers, he said.•

The existence of futures markets in potatoes, meat and maize provided the opportunity for food manufacturers and retailers to have an advantage over competition.

Clever trading ahead of the Christmas period enabled one of the larger food retailers to secure cheaper meat supplies.

This price advantage was passed to the consumers and enabled the group to increase its share of the meat market.

Another retailer bought potato contracts ahead of the recent flood-induced surge in prices and is in the comfortable position of being able to build market share by passing the benefit to consumers or lifting the group's margins.

The Internet could be a valuable source of information for individuals who want to keep an eye on the futures market. Various international bodies put useful information such as satellite pictures of world crops on the Internet.

This type of information is used extensively by the United States Department of Agriculture. Last November the department predicted a South African maize crop of 10,1 million tons. It revised that prediction to about 9 million tons three weeks ago before the heavy flooding began to have an effect on local estimates.

The maize board's stabilisation fund and possibly its floor price for maize could collapse if millers and feed manufacturers refused to pay their levy this year.

The levy is equivalent to 10 percent of the price of the crop. That means that if one large miller or manufacturer withholds payment, it would enjoy a considerable price advantage.

This would probably force others in the industry to follow suit.

The threat to withhold levies has come up frequently in recent years. Last year, most players agreed to pay their levies while new government policies were being put into place.

There were reports that one of the major animal feed manufacturers was refusing to pay any levies. This prompted other players to propose that the levy system be scrapped from May 1.

Without income from levies, the maize board, which must be self-financing, would not have the money to support the stabilisation fund.

The government's approach to such unilateral action is that it benefits the rich who can afford the legal battles to the detriment of small players.

MAIZE MARKET *The heavy flooding is expected to have an impact on this year's maize crop*

Maize industry futures, spot markets launched

(3) MAIZE BD 27/2/96

Louise Cook

THE maize industry is preparing for the new marketing season with a futures market for white and yellow maize — launched yesterday by the SA Futures Exchange agricultural markets division — and a spot market exchange mooted for April 1.

Safex agricultural markets division GM John Wixley said yesterday that the May futures contract for white maize had closed at R540/ton, including storage and levies, and the September contract had ended at R550/ton. The May contract for yellow maize finished at R530/ton and the September contract at R540/ton.

The launch followed more than 50 years of price-fixing and single-channel marketing by the Maize Board. Wixley said once the board's single-channel export function ended — presumably by next year — players on the Chicago exchange were likely to enter the local maize futures market.

"Although the agricultural futures market remains a relatively new concept in SA, futures markets are used worldwide in the agricultural market as a neutral price discovery mechanism and as a mechanism to effectively manage price risk inherent in the agricultural sector."

Genfood deputy director Hans Swart said the industry needed maize futures contracts for proper risk management in a free market. "Last year the market was informal — at least this year there is a risk management mechanism."

Meanwhile, industry sources said plans were under way for a new company to manage a new spot market for the maize industry. It would be in operation by April 1 and would manage an electronic auction system that would reflect a reliable and transparent spot price in the deregulated local market.

Klerksdorp Sentraal-Wes co-operative used the Amex electronic system last year, but sources said the idea was that a company representing the interests of buyers, sellers and traders took over.

Tiger Oats executive director Hamish McBain confirmed Tiger would support the venture. "A co-operative is a trader — the system has to be managed by an independent body."

Sources said the industry wanted Safex to run the maize futures market while the sellers, buyers and traders ran a spot market.

But Wixley dismissed claims that the spot price was vital for the futures market. He said overseas spot prices used futures prices as a reference. While he supported a spot market, maize futures would still function successfully without it.

Maize buyers join fray over controversial marketing legislation

(3) MAIZE CT (BR) 28/2/96

BY ANN CROTTY

Johannesburg — The vast majority of maize buyers have joined the fray regarding the proposed controversial Marketing of Agricultural Products Bill and are demanding a move to a fully fledged free market system from May this year.

Their demands, which have been put to a reportedly receptive Maize Board, have been made as the Bill goes to Parliament.

As an executive from a leading maize milling company remarked yesterday: "If the Bill is not changed it will undo all the work that has been done to get the Maize Board to move towards deregulation."

Discussion of the Bill in the Senate has been deferred until next week to allow for more analysis.

Meanwhile, parties representing major South African consumers of maize argue that high world grain prices make this an appropriate time to move to an unregulated market system.

In their presentation to the Maize Board, consumers noted: "World prices of agricultural commodities have increased significantly in the past year, in part due to the the World Trade Organisation and the manner in which governments have responded to the phasing out of interventionist programmes.

"The most significant impact, however, comes from marked escalation in demand from Asia."

The existing high price levels are expected to be sustained for several years, ensuring that local farmers receive attractive returns on surplus crops sold into world markets. The rationale behind the interim formula was to protect farmers from loss on the export market.

On the basis of current market conditions, maize consumers argue that South African producers should be able to "obtain a satisfactory price for exports without resorting to any artificial subsidy payment from domestic consumers."

An additional source of pressure is that a significant number of producers have avoided paying levies they regard as unjustifiable taxes. The board appears unwilling or unable to take action to curb such practices. While it found the recommendations unacceptable, it agreed to review the scheme. Meanwhile, all parties are closely watching developments in Parliament.

Maize buyers' demands place floor price at risk

BD 1/3/96

Louise Cook (3) MAIZE

THE maize industry was heading for another major shake-up with buyers demanding a new deal by May, putting the future of the floor price for export maize in the balance, industry sources said yesterday.

They said an industry agreement to pay stabilisation levies to allow the Maize Board set a floor price for export maize, was at risk.

Buyers said yesterday they now wanted a totally free market by May this year instead of next year. The change of heart was due to spiralling world maize prices and prospects of local farmers enjoying an excellent local crop.

Animal Feed Manufacturers' Association (Afma) chairman Graham Ebedes said the scrapping the stabilisation fund and paying farmers export parity, would result in a saving to Afma of between R50/ton and R100/ton on yellow maize compared with last year. However, expected higher yields a hectare after the rain, ensured that farmers would still make a good profit.

Feedlot Association chairman Dave Ford blamed last year's glut of imported meat and the high maize price for the livestock industry's battle to become internationally competitive. "How can we be expected to pay a stabilisation levy on maize when the livestock industry enjoys no such support."

Premier Group chairman Gordon Utian said this was the right time to scrap the levy and stabilisation fund, but a forum was needed. However, buyers were likely to regret their move if they failed to take a longer term view, National Maize Producers' Organisation director Kit le Clus said.

He warned against "throwing the baby out with the bath water", saying the scenario could change if the US came up with a good crop after July.

Meanwhile, the Maize Board, the centre of the controversy, was awaiting developments. A meeting of the maize advisory committee, scheduled for March 19, was likely to bring the matter to a head, GM Leon du Plessis said.

He said the board would abide by industry's decision and dismissed fears the board would trade on the local market or that the floor price would push up the local price.

Southern African cereal harvest is expected to be above average

CT(BR)5/3/96(3)MAIZE

FROM SAPA

Harare — Cereal harvests are expected to be above average following widespread good rains over most of southern Africa, according to a tentative forecast by the region's weather and crop monitoring agency.

The Early Warning Unit of the 11-nation Southern African Development Community (SADC) said in its latest bulletin that early indications were that maize production in South Africa looked like more than doubling to 9 million tons after last season's drought-stricken 4,2 million tons, following plantings of 3,3 million hectares compared with last season's 2,9 million hectares.

In Zimbabwe, the only other country in the region with a regular maize surplus, plantings rose to 1,6 million hectares against 1,1 million the previous season. A harvest of 2,3 million tons could be expected after the 800 000 tons of 1994/95. Zambia's cereal output could rise 40 percent to 1,2 million tons.

The bulletin said it was too early to give estimates of production in the rest of the region. It also cautioned that yields in South Africa, Zimbabwe, Swaziland, Mozambique and Lesotho could be seriously reduced because of excessive rains that led to flooding and waterlogging.

Red locust outbreaks had also been reported in Tanzania and Mozambique.

The regional shortfall of grain for the year closing at the end of this month had increased slightly to 3,2 million tons. Food availability was tight in Angola, Malawi and Zambia because of inadequate arrangements for imports to make up for last season's poor production.

Kenya imports yellow maize to replace white maize exports

ET(BR) 11/3/96 (163) (3) MAIZE

By Joe Khamisi

Nairobi — Just as thousands of bags of maize are being exported abroad, large quantities of the staple are arriving in Kenya, apparently to bridge a major shortfall in the production of the commodity.

About 4,4 million bags (400 000 tons) of maize was exported by Kenya last year, mainly to southern Africa. Last month, 1 million bags left the country.

During the past few weeks, thousands of tons of yellow maize from the United States has arrived at the port of Mombasa. The paradoxical scenario is baffling Kenyans especially, because they will be forced to eat the US yellow maize, which they dislike, instead of the preferred white variety.

A few months ago, the United Nations Food and Agriculture Organisation warned Kenya of a looming famine because of a food shortage arising from poor yields last season.

In another warning, a report by the regional intergovernmental authority on drought and development said the country needed 10 million bags (918 000 tons) of maize to prevent widespread hunger. The regional authority comprises Kenya, Uganda, Djibouti, Eritrea, Ethiopia, Somalia and Sudan.

But the warnings were ignored. Instead, the national cereals and produce board went ahead with the export sales, with government approval. The board was, however, instructed to maintain a strategic reserve of 3 million bags.

Questions are being asked about how the Kenyan government could allow maize to be exported when the country faced an emergency.

Observers think the people who were involved with the exports may be the ones importing yellow maize.

"This is obviously a case of someone creating an artificial shortage for monetary gain," one source said.

Three foreign companies were given contracts to export maize. These were the Rotterdam company Glencore Grain, International Commodity Dealers of the United Kingdom and Tradex of Ireland.

Most of the maize was destined for southern Africa to assist with famine conditions before the recent rains. But the process appears to have backfired.

The Kenyan government has refused to respond to calls for an explanation.

Khalid Mwavumoan, an opposition member of parliament, said: "The strategic national food reserves are still below the security levels and owing to bad weather, there will be a crisis."

Newspaper editorials and commentaries have hinted at corruption in the handling of the maize issue. Others have claimed that the government planned to use food as a weapon in its war against the opposition in the run-up to next year's general elections.

In the north and northeast, where famine has persisted for years, evidence has emerged that only supporters of the ruling party have benefited from food handouts. Already, millions of people in the arid north and north-east of the country have sent out a plea for food aid. — Independent Foreign Service

Maize buyers to challenge board

Louise Cook (3) MAIZE
BD 20/3/96

PRETORIA — Maize buyers are due at a board meeting today to demand the role of the Maize Board be renegotiated, amid growing allegations that the board has been manipulating the market.

The National Association of Maize Millers, the Animal Feed Manufacturers' Association, the SA Poultry Producers' Association, the SA Feedlot Association and the wet milling industry, which together buy about 6-million tons of maize a year, said they were upset because of suggestions that farmers were delivering early to the board — which could create artificial shortages and force up prices.

State of play in SA maize industry slated as 'criminal'

MAIZE (3) 27/3/96

Louise Cook

TRANSPARENCY in the maize industry had deteriorated and opportunities for insider trading were rife, SA Futures Exchange agricultural markets division GM John Wixley said yesterday.

Wixley described conditions as "criminal", with market information only selectively available in the industry.

Agriculture Minister Kraai van Niekerk last year appointed a maize advisory committee. Initially it held open meetings, but this had changed in time. Wixley said Safex was an independent, neutral exchange and saw closed committee meetings as "conducive to collusive practices" and inimical to the fair operation of an SA maize market.

Cape Town alliance will contest five wards

BD 28/3/96 (...)

Linda Ensor

CAPE TOWN — The Cape Town Independent Civic Alliance, launched by former Cape Town mayor Clive Keegan and consisting of individuals drawn from various political persuasions, would fight five wards in the forthcoming local elections and would have six candidates on a proportional list, Keegan said this week.

A list of members, who would be bound by agreement on basic principles, would be announced on Friday.

Former councillor, DP member and fierce Keegan opponent Arthur Wienburg joined the alliance after failing to be elected as the DP's candidate for the Rondebosch/Observatory ward.

Keegan said the alliance would be offering a "lively and rigorous" alternative to political rigidities and the posturing of political parties.

The alliance, he added, would be urging Capetonians to place the welfare of their city "above the electoral self-interest of the mainstream political parties".

Row over maize import monitoring

(3) MAIZE

Louise Cook

BD 28/3/96

PRETORIA — A row has broken out between officials responsible for monitoring maize imports, with allegations that imports through the Western Cape may not have been checked for potentially fatal poisons.

The Maize Board, whose responsibility for checking imports was split among agents amid deregulation last year, said yesterday that health officials checking the Western Cape had neither the funds nor expertise for the job.

Health department food director Theo van der Venter said importers had refused to accept the board as impartial, and his officials were now testing in Kimberley and Cape Town.

Buyers denied they had rejected the board. Tiger Oats executive director Hamish McBain said all large millers had requested that the board do the tests.

The Western Cape Maize Consumers' Association said it was not sure who had tested the maize coming through the Cape harbour.

Checks are vital to detect toxins common to damp maize, one of which is a major cause of cancer, while the other poisons cause infertility and nervous diseases in humans.

Sources said the toxins developed quickly when maize was exposed to moisture. Major causes included stacking maize next to ship engine rooms. The cost of testing equipment left gaps in quality control.

Maize insider trading claim 'inappropriate'

(3) MAIZE

BY JAMES LAMONT

CT 28/3/96 (DK)

Johannesburg — Charges levelled by the South African Futures Exchange at the Maize Advisory Board over the potential for insider trading in its closed meetings were "inappropriate", sources in the agricultural industry said yesterday.

"Anyone who takes a position on what we recommend could burn their fingers," said Hamish McBain, the technical director of Tiger Oats.

"It's not like the old days when the price was negotiated and it was known to some but not to others. Recommendations are only going to indicate a target price that those who deliver to the maize pool might achieve," he said.

Tiger Oats is represented by the Grain Millers Association on the Maize Advisory Board.

The exchange's agricultural markets division yesterday sent a request to Kraai van Niekerk, the agriculture minister, to introduce credible measures to prevent the potential use of inside information by members of the Maize Advisory Committee.

It also condemned the control mentality of agricultural boards and a mechanism that allowed a support price for maize to be fixed by a small group of individuals in the private sector with huge vested interests. The committee is deliberating over the level at which to set the board's levy and the level of support for the export price of maize this season.

But the exchange said that closed meetings involving select members of industry and the maize trade were "non-transparent, conducive to collusive practices and insider trading and inimical to the fair operation of a maize market in South Africa".

Kraai under pressure to drop maize secrecy clause

BD 9/4/96 (3) MAIZE

Louise Cook

PRETORIA — Agriculture Minister Kraai van Niekerk faces growing pressure from the maize industry to scrap a secrecy clause in the Agricultural Marketing Act which bans the publication of certain vital market information.

The Land and Agriculture Policy Centre, the SA Futures Exchange and the Maize Board said at the weekend Van Niekerk should waive the clause and allow a free flow of information.

The Act, which is being revamped in Parliament, prohibits the Maize Board disclosing its recommendations until they have been accepted and approved by the minister. This leaves price information selectively available in the industry.

Land and Agriculture Policy Centre senior researcher Brendon Bayley said maize advisory committee talks at the end of last month would "heavily influence" price levels for white and yellow maize, yet nobody could legally reveal what had been discussed.

"The mere possibility of insider trading could be potentially very damaging to the development of a futures market," he said.

Safex agricultural markets division GM John Wixley said closed meetings were "conducive to collusive practices".

Tiger Oats executive director Hamish McBain agreed that information should be available but said direct representation for each stakeholder would be "logistically impossible".

The Maize Board said recommendations on this year's marketing would remain secret for the time being.

The furore over insider trading and transparancy was set off last month when smaller stakeholders in the industry were barred from a maize advisory committee meeting in Pretoria.

The minister would make a decision on the issue "as soon as possible", a spokesman said.

R1,2bn export target for maize

(3) MAIZE

Louise Cook

BD 11/4/96

THE fall in the rand, coupled with this year's bumper maize crop, could earn the economy R1,23bn in exports compared with last year when just over R1bn was earned on all agricultural exports, analysts said yesterday.

Maize Board chief economist Pieter Esterhuizen said with the weak rand and the surplus maize crop, SA was poised to gain considerably from exports.

"Last year maize had to be imported, but now we're sitting on a 2-million-ton surplus," he said.

If world prices maintained levels of US$150/ton, and with the exchange rate at R4,10 to the dollar, export earnings of R1,23bn were in sight, he said.

He said at these levels every 20c drop in the rand against the dollar would mean an extra R60m on maize exports.

Last year, exports of agricultural products including animals, oils, fats waxes and raw hides netted just over R1bn in foreign exchange, much lower than the R3,7bn earned in 1994 when there was also a bumper maize crop.

Analysts believed that with the rand trading yesterday at record lows of R4,19 to the dollar, and agricultural production expected to be at record levels after the substantial rains, exports would soar.

MAIZE EXPORTS (3) maize

GOLDEN HAZE

FM 12/4/96

As international maize prices hit an historical high this week, local farmers are wistfully looking at what could have been one of their biggest export windfalls.

On Tuesday, fob Gulf maize export prices hit US$184/t. And with the rand/dollar exchange rate weakening to around R4,13, it meant gross export revenue of almost R760/t.

In the expectation of a crop of more than 9,5 Mt, producers calculate that 2,1 Mt will be available for export. Had the maize been available this week, producers would have earned about R1,6bn in forex. Unfortunately, SA's maize crop will only start to fill silos in July.

As in most sectors, imponderables count. Will the rand/dollar exchange rate remain at its present level and will crop estimates be met?

For now, only hedging contracts on the Chicago futures exchange will ensure any benefit for exporters. And the Maize Board — still the only single-channel pool exporter in terms of the new maize scheme — is not empowered to hedge unless it has stock to back its dealings.

The board's recommendation to Agriculture Minister Kraai van Niekerk that other registered exporters also be allowed to export this year is unlikely to result in an export scramble by co-operatives, traders and commodity brokers.

"The board's R490/t export pool price means it will be in a position to use its export stabilisation fund to support export prices should net Gulf export revenues drop below the support level. With this kind of back-up available, it's doubtful if other potential exporters could offer comparable value to producers," says Tiger Oats technical director Hamish McBain.

But Sentraalwes Co-operative grain marketing manager Konrad Keyser says that, with Chicago futures prices seemingly rising ever upward — May futures hit $188/t this week — and at least until the next US crop starts affecting prices from September, Sentraalwes will consider hedging when it thinks prices are near peaks.

"We would probably start with export shipments of 33 000 t and see how we do before we commit heavily in this new territory. But one thing is certain — the high price trends (driven by low world stocks and less-than-bullish expectations of the next US maize crop) will also affect local market prices," says Keyser.

Maize Board CE Leon du Plessis says farmers should be able to realise R520/t-R540/t after deductions for storage, wharfage, railage and finance.

This export parity price would therefore be above the board's R490/t export pool support price and should push local market prices higher.

SA Futures Exchange (Safex) agricultural marketing division CE John Wixley says Safex yellow maize futures prices are moving towards R630/t-R640/t. With around R100/t deducted for storage, levies and transport costs, farmers should realise about R540/t on delivery.

Whatever the teething problems, SA's maize industry looks to be well on its way to operating in an essentially free market. ■

Ministry likely to limit maize exports

(3) MAIZE

Louise Cook

THE agriculture ministry is likely to cap maize exports this year to 1,8-million tons, a move which could deny the maize industry millions of rands.

The Maize Advisory Committee said at the weekend the ministry would be asked to cap exports to 1,8-million tons. Industry sources have estimated that available exports could reach 3,5-million tons, depending on the size of the local crop.

Limiting the export volumes while the rand was depressed would see maize producers lose significantly as SA could gain about R60m in foreign earnings for every 20c the rand dropped.

On Friday, maize futures contracts on the SA Futures Exchange agricultural markets division closed at record highs of R740/ton for July white maize.

Dealers said this followed the rand's fall and the increase in maize spot prices on the world market to $204,34/ton.

Friday's activity also followed a vital maize industry meeting last week at which trade rules for the new season were spelled out.

A First National Bank trader said volumes and prices on the maize futures market had picked up dramatically. There was active trade on Friday in futures contracts for 2 800 tons of July white maize, with farmers coming to the market for the first time.

"Harvesting was a month late due to the fields being waterlogged. Farmers opting for July contracts were limiting storage costs and heading to clear between R600/ton and R630/ton compared with the R565/ton floor price," he said.

Another dealer said futures prices spiralled as the Gulf maize price overtook $200/ton while the rand was plummeting. September and December futures contracts were expected to level off and shed $131/ton on year-end contracts.

A dealer said volumes also improved as maize futures contracts were a hedge against the rand.

Soaring US prices and the falling rand boost demand despite an expected SA surplus

Yellow maize prices may rise

CT(PTR) 19/4/96 (3) MAIZE

By Nancy Myburgh

Johannesburg — Yellow maize prices may rise despite a bumper surplus crop expected this year as local buyers have been slow in competing with overseas buyers, industry sources said this week.

Soaring maize prices in the United States and the falling rand have boosted demand for South Africa's expected surplus.

This may be bad news for consumers, as local buyers have so far only met 10 percent of the yellow-maize buying requirements this year, said a source on the commodities desk at First National Bank.

Local buyers may have to queue behind overseas buyers for local maize and few have protected themselves against high maize prices by hedging on the futures market, the source said.

"(Local buyers) should have protected themselves against this increase and they haven't," said John Wixley, the head of the agricultural markets division at the South African futures exchange.

"If they're selling maize at higher prices, they have only themselves to blame," Wixley said.

The source said that world maize prices were "artificially high," and that any benefit from a lower world maize price might be eroded for local buyers if the rand continued to depreciate as it was expected to do.

He said local buyers were taking a wait-and-see attitude regarding the maize price in the hope it would fall before the pressure for them to buy became too great.

"That is a gamble in my opinion because the price might not come down. There is a lot of demand, especially from the east," the source said.

Traders said this week that world maize stocks as a percentage of consumption were at their lowest levels in 25 years.

They said that there was particularly heavy demand for South African maize from Japanese, Korean and other Southeast Asian buyers.

Heiko Koster, a commodities trader at IMEX International, the main importer of maize for many of the major South African millers, said that many local buyers were considering hedging on the local market.

But "I do think it might be a little late to start now", he said.

Board approves plans for maize

(3) MAIZE

THE Maize Board said yesterday it had accepted all the recommendations of the Maize Advisory Committee regarding marketing arrangements made for maize in the 1996/97 (May-April) season.

Recommendations included limits on the export of maize, the introduction of rolling consecutive export pools, a delivery price of R510 a ton for the first pool, producer payment of levies, and a R20 a ton producer stabilisation levy.

The board said exporters had until May 15 to submit applications for export permits for maize and maize products in the period to December 31. The 1996/97 season would mark the debut of SA private traders in the export market. — Reuter.

BD 30/4/96

Export prices upset maize farmers

(3) MAIZE CT(BR) 1/5/96

Johannesburg — South Africa's National Maize Producers' Organisation (Nampo) said yesterday the export price set by the Maize Board was "ultra-conservative" and encouraged producers to take advantage of surging world prices.

"The board's target price of R565 a ton is conservative and world prices have risen further in the past couple of weeks," said Japie Grobler, the chairman of Nampo.

On Monday the board passed a delivery price for the first export pool in the 1996/97 marketing season of R510 a ton, with a final target price of R565, as recommended by the Maize Advisory Committee.

Though world prices were at record levels, Grobler warned producers against speculating as prices would fall once the United States began harvesting its maize crop.

Crops

Grobler said producers should have contracted 30 to 50 percent of their crop to the export market or to traders at reasonable prices.

The 1996/97 season marks the debut of South African private traders in the export market. Until now, the board has acted as the sole exporter of maize. — Reuter

Paying board a levy and a bond adds about R130 a ton and 'rules out the small guys'

Maize export market hits teething problems

CT(BR) 21/5/96 (3) MAIZE

By Nicole Mordant

Johannesburg — South Africa's maize export market, which opened its doors to private traders for the first time this season, has run into teething problems.

Traders complain about bureaucratic bunglings and hefty fees.

They said yesterday they had had only two days to complete their applications for export permits from the maize board, resulting in many missing the May 15 deadline.

"It was a real rush to get our application in on time. We got all the information on Monday (last week) and it had to be in on Wednesday," said a grain dealer at a large international commodity trading house.

"We and others did try to get the maize board to extend the deadline and relax the requirements. It was a hectic week as the rules of the game kept on changing," he said.

Industry players speculated that applications had been made to export a total of 740 000 tons of maize in the period between June and the end of August.

They said the total would have been higher, reflecting strong world demand for South African maize this season, if there had been no problems associated with submitting applications.

The maize board had set a limit of 1,8 million tons for private exports this season.

The board declined to comment. It said it would give results of export applications at a later stage.

The 1996-97 season, which started at the beginning of this month and runs to next April, marked the debut of private traders in the export market. It was previously a single-channel market controlled by the board.

Another thorn in exporters' flesh was the payment of levies to the board at last season's rate, which was more than double the levy proposed for this season.

The new levy, usually in place by the beginning of the season, was still awaiting approval from Derek Hanekom, the new agriculture minister.

The board last month proposed a levy of R29,21 a ton including VAT for the 1996-97 season, compared with last season's charge of R63,23.

"Our biggest complaint is having to pay levies ahead of the harvest and at last year's rates. It is the minister's fault," said the chief trader at another commodity trading business.

The agricultural ministry was not available for comment.

All export applications had to be accompanied by levies, used to smooth over price fluctuations in the maize export market and to finance administration and research costs.

In addition to the levy, exporters were required to put up a performance bond of R65 a ton as insurance that maize would be exported.

"Paying the levy and the bond slaps about R130 on for every ton of maize exported. It basically rules out the small guys," the trader said.

He said a number of industry players had been lobbying for the maize board to pay interest on the bond monies.

"So far we have only had negative responses," he said.

South Africa was expected to harvest a maize crop of 9,5 million tons this year, more than double last season's 4,4 million, of which 2,2 million to 2,5 million tons should be available for export. — Reuter

Top Toastmaster's fine art

WORLD-RENOWNED orator Dr Ian Edwards is the next speaker at the Seeff Executive Breakfast Club, which meets on Tuesday, May 27.

Cape Town-born, Edwards is president of Toastmasters International, an organisation that fosters public speaking as a fine art.

But he is also a leading businessman in the United States, and serves as wheat research director for Pioneer International, the world's largest producer of agricultural seed. At present he heads a research project covering 14 countries.

Bookings for the breakfast, to be held on May 27 at The Peninsula, 7am for 7.30am, may be made through Zulfa on 222 444, at R60 a head, with a 10% discount for groups of 10 or more.

SEEFF BREAKFAST CLUB IN ASSOCIATION WITH THE CAPE TIMES

Bumper maize crop expected

MAIZE

PRETORIA: South Africa expects to harvest 9 524 000 tons of maize this season, well above double that of last year's 4 405 949 tons, according to the national crop estimates committee.

The committee's third estimate of this year's crop released yesterday was 5 250 000 tons for white maize and 4 274 000 tons for yellow maize.

Harvest estimates of the other major crops are : Sunflower seed — 670 000 tons, sorghum — 480 000 tons, groundnut — 135 000 tons, soya beans — 68 000 tons and dried beans — 64 000 tons. — Sapa

CT 23/5/96

Maize harvest likely to double

ARG 23/5/96
(3) MAIZE

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- Sunflower seed – 670 000 tons (450 000 tons last year).
- Sorghum – 480 000 tons (241 300 tons last year).
- Groundnuts – 135 000 tons (more than double that of last year) – Sapa.

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- Sunflower seed – 670 000 tons (450 000 tons last year).
- Sorghum – 480 000 tons (241 300 tons last year).
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Rains threaten maize export opportunities

(3) MAIZE (……) CT (BR) 31/5/96

By Nancy Myburgh
MARKETS CORRESPONDENT

Johannesburg — The recent rains have threatened maize producers' export opportunities, Safex officials said yesterday.

The maize-drying process would take longer, pushing local harvests closer to the September early harvest in the United States, when world prices were expected to drop by more than R100 a ton, said John Wixley, the head of the agricultural markets division.

Of the 1,9 million tons the Maize Board will allow to be exported privately this year, less than 1 million tons would make it out of the county by September, figures from the board showed.

Export permits issued for June to August totalled about 739 000 tons, or 246 000 tons a month, he said.

World maize prices were at historic highs at about $200 a ton, because of recent drought in the US and high demand worldwide.

South African yellow maize, which is of a higher quality than US yellow maize, would sell at a premium price of about $215 a ton, Wixley said.

Rain had slowed the drying process, because most local farmers sun-dried their maize.

"There should have been far more early delivery in South Africa in May. There's very little available at the moment."

Wixley said most South African maize would probably be harvested in the middle of next month or early July. But it would take about a month to organise and transport the maize to Durban harbour for export, he said. Exports usually started in June, but this year they were likely to start in July.

"But corn futures in Chicago are discounting a difference of R115 a ton between the July yellow maize price and the September price. For July to December it's R200 a ton lower. The white maize price could drop even more sharply," he said. There is less demand for white maize.

White maize is only used for human consumption in Africa, he said. It is mostly used for starches, pasta and confections in other countries. The bulk of South Africa's surplus crop this year is white.

Maize Board strikes deal with Iran

(3) MAIZE ARG 1/6/96

JOHANNESBURG. – The Maize Board said it had sold around 400 000 tonnes of its bumper maize crop to Iran, underlining the close ties between the two countries.

Board General Manager Leon du Plessis said the grain would be shipped from July onwards, adding that Iran had an option to buy more at a later date.

A government-to-government deal covering the sale of the yellow maize, which would be used for animal feed, was signed in London last week, chairman Jan Schabort said.

South Africa's maize industry, recovering from drought last year, has found the world flocking to its door this season.

World supplies of maize are extremely tight, sending prices to their highest levels in two decades. As a result, buyers have been queuing to secure a slice of South Africa's bumper crop, expected to reach 9,524 million tonnes – more than double last year's level of 4,405 million.

The Maize Board has estimated exports will total between 2,2 million and 2,5 million tonnes this season (May-April).

The Iranian deal is the first big sale of the season and reflects South Africa's readiness to build trade ties with Iran, in spite of the United States' disapproval. – Reuter.

(3) MAIZE

Surplus maize goes to Iran

ST(BT) 2/6/96

THE Maize Board said on Friday it had signed a deal with Iran for the supply of about 400 000 tons of yellow maize.

General manager Leon du Plessis says the grain will be shipped from July onwards. Iran has an option to buy more at a later date. He will not disclose the price, but says it will be based on a premium on Chicago Board of Trade prices.

The deal has been criticised because it will almost wipe out the country's product surplus, scotching private traders' export prospects.

"The Maize Board has estimated that we should have a surplus of 824 000 tons of yellow maize," says John Wixley, general manager of the agricultural markets division of the SA Futures Exchange.

"About 354 000 tons has already gone to private trade. That means almost the entire surplus is gone."

The Maize Board earlier this month awarded export permits allowing private traders to export 738 000 tons of white and yellow maize until the end of August.

This season (May to April) marks the debut of private traders in the SA export market.

"If we export too much and go into a shortage, we will have to import," Mr Wixley says, adding that import parity prices could be as high as R1 000 a ton.

Chairman Jan Schabort says a government-to-government deal covering the sale of maize, which will be used for animal feed, was signed in London last week.

Maize Board officials have denied rumours in the maize futures market that South Africa has also signed a deal with Iraq.

South Africa is expecting a bumper maize crop of 9,5-million tons, more than double last season's crop of 4,4-million tons.

The board has estimated that SA exports will total about 2,5-million tons. Mr Schabort says the Board is negotiating with a number of countries for further maize exports. He adds that maize was sold to Iran last year.

The latest deal is not confined to any fixed export timetable. "We can export as we want." — *Reuter.*

Near-month maize futures fall

(3) MAIZE BD 18/6/96

NEAR-month maize futures prices had fallen as the country's harvest, delayed by heavy rains, gathered pace, futures traders said yesterday.

July white maize contracts lost more than 5,5% of their value last week to R680 from R720 the previous week, figures from the SA Futures Exchange (Safex) show.

But similar-dated yellow maize contracts have slipped by a smaller margin, losing only 1% to R740, propped up by overseas buyers' heavy demand.

"Harvesting is on the go and crops are drying out. Although there has been an absence of frost in some areas, things are settling into a routine now," a First National Bank trader said.

Widespread rains and flooding in some areas had delayed by up to a month the harvesting of the maize crop, which usually begins in May.

Harvesting in the eastern parts of the country, traditionally the first to start, had begun, though slowly.

"We have harvested about 5% to 10% of the crop in our region," said a spokesman for regional co-operative OTK. "Only farmers with driers have begun as the maize is still wet."

Traders said the fact that deliveries to co-operatives' silos had started had put pressure on futures.

"Co-ops were nervous they would not get their maize. But as the silos and export pools are filled up, the pressure comes off," a Cape-based trader said.

The Maize Board has estimated SA will have a surplus of 824 000 tons of yellow maize this season. — Reuter.

Thousands of tons of maize to be exported privately

CT (BR) 21/6/96 (3) MAIZE

From Reuter

Johannesburg — Five private traders have been awarded permits to export 392 650 tons of maize between July 1 and September 30, the South African Maize Board said yesterday.

A spokesman said that the permits allowed traders to export 108 125 tons of white maize and 284 525 tons of yellow maize.

The board said last month that it had approved private export permits covering 738 500 tons of maize shipments for the period June 15 to August 31.

Meanwhile, Mexico expressed interest in buying white maize from South Africa this season, but a deal had not yet been signed, the board said yesterday.

A board spokesman said that a delegation had visited Mexico to determine whether South African maize could be competitive in the Central American market.

He said that the Mexican authorities were interested in South African maize because drought in Mexico had lowered crop yields.

World maize supplies are at record lows at present, ahead of the United States harvest which starts in September. South Africa expects a bumper maize crop of 9,524 million tons. The board expects to export between 2,2 million and 2,5 million tons of both white and yellow maize.

SOWETAN, Tuesday, July 2 1996

Maize prices to boost earnings

(3) MAIZE Sowetan 2/7/96

By Gerry Reilly

NEAR record international maize prices, driven by a worldwide "enormous" grain shortage, will mean foreign exchange earnings for South Africa's exports of more than R1 600 million, according to grain market authorities.

That's the good news. But the bad news is that millions of low-income families will have to pay more for their staple diet.

Since January this year, the price of mealie meal has increased by about 10 percent to R9,95 for a kilogram, and according to a leading chain store, the consumer price is expected to increase by another 15 percent during the course of this year.

The current crop of just over 10 million tons will leave a surplus for export of more than 2 million tons.

Global grain shortage

Among the reasons for high international market prices according to Premier Milling's sales director, Alistair Wheatley, are the global grain shortage, the crippled rand and the expectation that the United States crop will be far below normal.

US farmers produce 80 percent of world grain under normal circumstances.

Wheatley says the current price of maize, according to the Chicago Board of Trade's figures, is around R900 a ton.

"We are now part of the global village and functioning in a free market, and local prices are directly influenced by international prices.

"We no longer have a protected market environment in which the Government fixes grain prices. Farmers no longer rest on their laurels," he says.

The average miller's selling price to the trade in 1994 amounted to R1 123 a ton. In 1995 it rose to R1 300 and this year to R1 530 a ton.

The price is likely to hover around this level for the rest of the year and "it will decidedly not go back to R1 300."

Maize Board's general manager Leon du Plessis says a poor US crop can mean an international grain disaster which will send prices through the roof.

The US crop is harvested in late October/November.

Maize marketing changes to be announced today

BD 4/7/96 (3) MAIZE

Louise Cook

THE maize advisory committee would announce details of further changes in maize marketing today following the overselling of 100 000 tons of yellow maize after high world prices saw farmers flood the Maize Board's export pool. This resulted in a possible shortage in the domestic market.

The SA Futures Exchange (Safex) threatened yesterday to take legal action against government and the Maize Board if the board offloaded excess government stocks on the home market.

The advisory committee held a special meeting in Pretoria on Tuesday, but declined to disclose details of proposed changes. However, it was believed the Maize Board's export pool would be reviewed.

The problem arose when the industry discovered that SA could face a maize shortage and end up paying more than R1 000/ton for imports, despite the bumper crop of 9,5-million tons this season.

About 6,5-million tons were needed for the domestic market and for some carryover stock.

The board was holding 1,2-million tons in its export pool, while permits for the export of 1,1-million tons had been granted. Export agents were entitled to permits for a further 700 000 tons, which could result in a shortfall on the local market. Grain Shippers' Association chairman Boris Kaplan warned that if SA over-exported, imported maize could cost more than R1 000 a ton.

Farmers were unrepentant, saying they had been bulldozed into a free market and were entitled to maximise profits through exports.

National Maize Producers' Organisation GM Giel van Zyl said many farmers had supplies of yellow maize available and would sell on the local market if buyers "paid the right price".

Attracted by world prices of $190/ton to $200/ton, they had flocked to the Maize Board's export pool. Sources said the board's first and second pool had reached the capacity of 1-million tons. The third pool, to become operative in October, had been asked to take up 40% of its 500 000-ton limit.

Farmers insisted the scheme remained unchanged at least for this season. Van Zyl said farmers were operating strictly within the rules of a free-market system "which they were pressured into in the first place".

This was the first year that maize was exported by agents other than the Maize Board.

Reuter reports that Safex's agricultural markets division said that if government stocks were offloaded domestically, the maize price would be capped, resulting in heavy financial losses for those who had bought maize at higher prices early in the season.

"The financial losses that would be suffered by these 'early' buyers, as a result of the change, could run into millions of rands." Safex said: "In just the Safex maize futures market there are open positions of 71 100 tons to the value of about R50m."

Safex said the board, under pressure from producers, had set the floor price payable to producers at too high a level, resulting in too much maize being delivered to the pools and so creating a shortage in the domestic market.

"The solution to this problem is not to allow the board to become a domestic player by reselling government stocks but to prevent the stocks from being accumulated in the first place by removing the floor price," Safex said.

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Maize board to reconsider marketing scheme

BD 5/7/96 (3) MAIZE

Louise Cook

THE Maize Board technical committee would meet today to reconsider possible changes to the maize marketing scheme, after urgent revisions suggested to this year's marketing scheme failed to materialise yesterday, National Association of Maize Millers' representative Hamish McBain said yesterday.

The Agricultural Policy Centre, represented on the maize advisory committee, had asked for changes to the maize scheme to avoid SA exporting maize which was needed locally, resulting in domestic shortages and price hikes.

Farmers had flocked to the Maize Board's export pools, spurred by high dollar prices, causing 100 000 tons of yellow maize to be oversold between private agents and the board.

McBain declined to disclose the suggested changes, but they are believed to be aimed at the board's export pool.

Sources said if the board sold stocks back on to the domestic market at import parity plus R20/ton, it could drive prices up by more than R300/ton. Apparently a suggestion was made last week to change the formula so that export pool maize was sold locally at export parity rather than import parity, plus R20/ton. However, this would have capped the price, sources said.

McBain said there was no friction between farmers and millers. "We made constructive suggestions in the interests of producers and consumers, but we are not responsible for profiteering of middlemen."

He criticised the SA Futures Exchange agricultural markets division for "abusing" observer status at committee meetings and for putting out information that was "factually inaccurate".

Safex agricultural markets division GM John Wixley said any changes in the scheme would lead to early buyers of futures contracts suffering losses of millions of rand. "It was impossible to quantify potential losses unless the future of the scheme was known. But the rules of the game could not simply be changed halfway through. More intervention now would make matters worse."

He called for the removal of a floor price, saying SA needed to follow the US in setting a target price and intervening only by means of deficit payments to farmers and consumers.

McBain said the committee was prepared to reconsider the situation, but the crux of the problem concerned November, December and January prices when world prices were expected to have plunged.

SA Futures Exchange barred from maize talks

BD 8/7/96 (3) MAIZE

Louise Cook

PRETORIA — The SA Futures Exchange (Safex) agricultural marketing division was stripped of its observer status — granted by Agriculture Minister Derek Hanekom — allowing it access to a crucial maize industry meeting at the weekend.

The maize advisory committee meeting, called after fears that higher export prices would lead to a domestic shortage, decided to recommend to Hanekom and the Maize Board that excess export maize should be offered back into the local market. It also decided to suspend the issuing of export permits to private agents for the 1996/97 season, pending the proposed amendments.

Safex last week threatened legal action over the amendments, which it claimed would cap the maize price, forcing losses on many maize buyers.

Paul Vecchiatto reports that Safex agricultural markets division GM John Wixley said on Friday that the board had "no business meddling in the domestic price of maize and their retroactive decision to change the rules in mid-season is not on".

Committee chairman Peet Wessels, who slapped the last-minute ban on Safex, said the exchange was small and could not show that its presence at the meeting was essential. "So far they have dealt only with 70 000 tons of maize, against a total crop of 10,5-million tons ... the decision was supported by the rest of the members of the technical working group."

Working group vice-chairman and Maize Board CEO Leon du Plessis said Safex was thrown out because of "premature statements. They overreacted to proposals before final decisions were made."

Apart from suspending export permits, the had board decided against operating further export pools, into which producers sold maize at a fixed price. It would take at least six weeks to legalise the changes. Hanekom was not available for comment.

(3) MAIZE

Safex barred from maize price meeting

CT (BR) 8/7/96

By Nancy Myburgh

MARKETS CORRESPONDENT

Johannesburg — Officials of the South African Futures Exchange (Safex) were denied access to Friday's Maize Board advisory committee meeting though the minister of agriculture recommended in writing they be permitted to attend, said John Wixley, the head of agricultural marketing at Safex.

Safex strongly opposed the Maize Board's intention to sell maize on the domestic market for less than the price approved last year by the minister, which was the import price plus R20 a ton.

Wixley said the sale would harm the futures market by benefiting those who had not earlier hedged against rising prices.

He said it would also limit price movements in the agricultural market and create uncertainty about pricing mechanisms. "Some of our members have told us they can't operate in a market where the rules are changed from day to day."

Peet Wessels, the chairman of the maize advisory committee, and other committee members were unavailable for comment.

Under the law, committee meetings may be closed, but closed sessions conflict with transparency.

Bid to curb private maize exports

ET(BR) 9/7/96 (3) MAIZE

By Nancy Myburgh
MARKETS CORRESPONDENT

Johannesburg — The first step in halting the private export of maize for this season went ahead on Friday with a proposal by the technical group of the Maize Advisory committee to limit private exports.

Peet Wessels, the chairman of the Maize Advisory committee, which advises the Maize Board on marketing policy, said it was still too early to tell whether the decision to limit exports, as well as to sell maize from the Maize Board's export pool already earmarked for overseas markets to domestic buyers, would be taken.

Traders and analysts criticised the proposal, saying it would confound the operation of the maize market. "The so-called marketing tools (the Maize Board) is using dates from the Stone Age," G Morkel-Brink, the head of derivatives at SMK Securities, said yesterday. "Isn't the government allowed to make changes to regulations if they (the regulations) aren't going to work?"

The technical group's measures would now go to the wider committee, then to the board, and then to the minister of agriculture, Wessels said. Despite a bumper crop of 10 million tons of maize this season, more than double last season's crop, record shortages in the United States this season have heightened international demand for South African maize.

As proposed, the new price for maize sold on the domestic market by the board would change from the import price plus R20 a ton, as set last year for this season, to $160 a ton or the Gulf price for November shipment, whichever was higher. "But I can't see the market holding up to those levels," said Morkel-Brink. He said prices were likely to come down later in the season, as the US crop reached world markets. Traders said that level would be perceived as a floor price and was unrealistic.

Safex warns against board

BD 9/7/96 (3) MAIZE

Dave Marrs

THE policy instruments being used by government to intervene in the domestic maize market were doing more harm than good, and the return of the Maize Board to the domestic market had set a dangerous precedent, the SA Futures Exchange said yesterday.

Safex agricultural markets division GM John Wixley said a price ceiling on the domestic market — as originally proposed by the maize advisory committee last week — would have had an "extremely negative effect" on the continued operation of the maize futures market.

The exchange was pleased that the proposal had been revised, assuming that any sales by the board on the domestic market would be executed on a competitive auction basis, and subject to the stated reserve price of $160/t or the Gulf price, whichever was higher. However, the risk remained that the reserve price would be seen as a new "floor".

"It is often the perception of an intervention, rather than the intervention itself, that counts. This is what makes statutory purchases and sales so dangerous."

As the final price which producers would receive by delivering to the board's export pools had not been announced, the perceived floor price appeared to have been allowed to rise to unrealistic levels. "Direct subsidies are a far superior policy instrument to statutory purchases and sales as they cannot adversely affect the operation of the market," he said.

Advisory committee to decide exporters' future

Dave Marrs BD 10/7/96 (3) MAIZE

THE Maize Advisory Committee's decision on new marketing arrangements, postponed to Friday, would determine the future of private maize exporters as well as the maize futures market, traders said yesterday.

The committee, which advises the Maize Board on policy, proposed last week that maize in its export pool be made available to the domestic market on a tender basis at a reserve price before exports were considered.

No further export permits for maize would be issued to the private trade to prevent a domestic shortage that the members of the committee feared would force millers and animal feed producers to import maize at a premium.

The proposals were due to be ratified by the committee today, but sources said a flurry of objections had forced a postponement.

Private maize exporters, who were allowed to operate for the first time this season after decades of Maize Board control, said halting the issue of permits would cost them millions of rands.

Many had sold forward, and would be unable to honour their contracts if they could not obtain export permits. Others said they were not surprised at the objections, as some of the "big boys" in the domestic market had failed to take forward positions and were determined to avoid paying the high maize prices.

Bid for free maize market falls amiss

CT(BR) 10/7/96 (3) MAIZE

By Nancy Myburgh

MARKETS CORRESPONDENT

Johannesburg — The South African Futures Exchange wants an agricultural market that is totally free from all government intervention, Safex officials said yesterday.

But maize farmers rely on state protection and many want to keep it that way. No one will take Safex's call seriously, John Wixley, the head of Safex's agricultural markets division, said yesterday.

"The free marketeers who call for a totally free market get nowhere" as governments all over the world intervene, he said.

This is too bad for Safex, as an agricultural futures market works best when there are no marketing boards and no government measures at all to protect farmers from the inherent risks of their job.

As agricultural prices change with the weather, farmers naturally want some kind of protection from that unpredictable factor.

They usually get that from governments, which manipulate prices and subsidise producers. But Safex wants them to get it only by selling their produce "forward" on the futures exchange. That is, by promising to deliver their goods to their buyer at some time in the future, but for a price they agree upon in advance.

That way, Safex says, there are no "artificial" changes in prices created by the government. Natural price swings may be tough, but at least they are caused by supply and demand, or by how much consumers really can afford and what farmers really can deliver.

Government-imposed prices are infinitely worse, Safex says, because they have nothing to do with what's actually happening on farms.

The latest furore over proposed changes to the maize marketing scheme is a case in point. The scheme set last year specified a formula for the domestic maize price level. The law already allowed the government-owned Maize Board to buy and sell maize itself.

When the good news came early this season that South Africa's maize crop would be about 10 million tons, more than double last year's, the board decided on how much private exporters could export and how much it would export itself.

But then one of the worst droughts in history hit the United States. World demand for South African maize soared, and so did prices. Prices went from about R550 a ton two months ago to the R700 range now, Wixley says. But now local buyers, fearing a local shortage, want the board to change the scheme, board officials say.

They want the board to sell some of its own maize earmarked for export on the local market at a new set price, about R700 a ton. They also want to stop private exporters from selling more maize overseas. Safex opposes the move.

The local shortage "is really a fear, not a fact", said Leon du Plessis, the general manager of the Maize Board. "It's speculation at this stage."

The change may also not happen. One of the advisory groups that advises the advisory group to the Maize Board recommended the change last Friday. But the Maize Advisory Committee failed to agree and will meet again this Friday.

Wixley says Safex will try to get into the closed meeting again, after being denied access last Friday, to propose its second option: getting the board out of the export business altogether; letting the private exporters carry on; and having the board subsidise consumers and producers directly from the board's "stabilisation fund". The fund comes from its R25 a ton levy for every ton of maize traded in South Africa — about R200 million this year, he says.

MAIZE EXPORTS (3) MAIZE

LET THEM EAT CAKE

FM 12/7/96

When the maize industry was officially deregulated on May 1 last year, the Maize Board was effectively left with only the power to administer an export pool for surplus maize.

But never underestimate the power of producer lobbies to manipulate even a semi-free system. Using the loophole left by the board's control over the export pool, these lobbies last week recommended a US$160/t September "floor price" for any maize sold from the export pool into the domestic market.

Based on fears of a perceived domestic shortage — artificially created, says one trader, by co-operatives deliberately dumping maize into the export pool, which removes stock from the domestic market — the technical working group of the Maize Advisory Committee also recommended that no more export permits be granted to private traders.

"Based on Tuesday's October forward Chicago maize prices and the current exchange rate, the $160/t selling price would mean that domestic maize meal consumers would effectively have to subsidise maize producers (and co-operatives) by a minimum of R150/t," says Louis Dreyfus international grain merchant spokesman Brant Randles. And with Chicago prices expected to drop by December, the effective price subsidy — to be paid by consumers to producers — could easily go as high as R200/t.

Randles says that traders will fight the recommendation, as well as the "unfair" suggestion to restrict export permits from an originally envisaged 1,8 Mt to 1,2 Mt. Coupled with these producer pressures — represented by huge maize co-operatives, the Maize Board and the National Maize Producers' Organisation — the fledgling domestic free market is being put under more pressure by the ANC-aligned Land & Agricultural Policy Centre, which is asking for more realistic domestic prices to protect the poor.

"This suggestion, supported by large maize millers, is completely contrary to the interests of those who have bought forward at the beginning of the season — and to the development of a free market in SA," says Safex agricultural marketing division director John Wixley.

He says: "The board's involvement in the domestic and export markets (should) be brought to an end (and) no limitation should be placed on export permits to private traders beyond that originally agreed to. The board's floor price system in the existing scheme should be replaced by direct deficiency payments out of its stabilisation fund to producers who can prove that they have sold below the floor price of R490/t."

He adds that with half-baked market reform obviously not working, it's now time to go the whole hog and allow market instruments, such as futures contracts, to provide the necessary price hedging and "stabilisation" functions.

The combination of a bumper 10 Mt maize crop, soaring international prices and effective lobbying by producer and co-operative lobbies have therefore shown that the free market is still an undernourished infant, fighting against vested interests. ■

Maize Board plan to sell 'exports' in SA slammed

(3) MAIZE ST(BT) 14/7/96

By DON ROBERTSON

PROPOSALS by the Maize Board to sell maize destined for export back onto the domestic market at a minimum price of about R690 a ton has been condemned by the agricultural markets division of the SA Futures Exchange.

Safex says that these proposals, in a supposedly deregulated market, are unacceptable as they will have the effect of raising the Maize Board's floor price from the R490 a ton set in terms of the existing maize marketing scheme.

Safex has called for the Maize Board's involvement in the domestic and export markets to be terminated and asked that no price stipulations be imposed.

In the past two weeks the technical working group of the Maize Advisory Committee has proposed several changes to the maize marketing scheme. These proposals will eventually be submitted to the Minister of Agriculture.

The first round of proposals had the effect of imposing a ceiling on the price. These recommendations were changed by the working group on July 5 with the added proposal that the Maize Board's estimated 1,2-million tons of maize planned for export be sold on the domestic market through a once-off competitive mechanism, related to a reserve price.

This price is based on the US Gulf price or $160 a ton, whichever is the highest.

These proposals, however, drew opposition from some members of the working group and a third meeting was scheduled for last Friday. Some members could not attend this meeting, and it has been postponed to July 22.

With a bumper crop of about 10-million tons this season, the Maize Board agreed to issue export permits for 1,8-million tons to traders and producers. This was conducted on the basis of export pools of 500 000 tons each. At the same time, the Maize Board planned to sell additional tonnages from its own stocks.

The export tonnages were accumulated in pools which, according to delivery dates, allow exporters to take advantage of changing world prices. The second pool was closed on June 28 and only about 200 000 tons have been added to the third pool.

John Wixley, general manager of the Safex agricultural division, says the final price which producers will receive by delivering to these pools cannot be announced until completion of all exports. The "perceived" floor price provided by the pools has therefore effectively been raised to artificially high levels.

The result has been excessive deliveries to the export pools by producers gambling on the hope that they will receive more from the board than through domestic sales. And this has created fears of a shortage of maize on the local market.

In consequence, the technical working group proposed last week to suspend the operation of the export pools and to offer the excess maize to the market subject to the reserve price.

Wixley says, however, that the new proposal carries the danger that a reserve price of at least R690 a ton will be perceived as a floor price by producers, most of whom expect the Board's export pools to be reopened later.

"The new floor price will have just as negative an influence on the operation of the futures market as the (previously) proposed price ceiling to which Safex objected," says Wixley.

"Export traders, who are vital to the development of the market, will be adversely affected by the artificially high domestic price and the withdrawal of their export permits," he says.

"Safex is of the opinion that the problem will never be solved in the current maize marketing season until the Maize Board's involvement in the domestic and export markets is eliminated."

Safex suggests that the maize marketing scheme be changed immediately and that once the Maize Board's export pool has been sold back into the domestic market the board's involvement in the market be terminated.

It also believes that no limits should be placed on export permits below the 1,8-million tons previously agreed to.

Exporters, who can prove they sold maize at below the floor price of R490 for first and second pool stocks, should be compensated by the board's stabilisation fund which is expected to top R200-million this season, says Wixley.

Safex had earlier threatened to take legal action against the Maize Board to prevent a ceiling being placed on maize prices in the domestic market.

NOT AMUSED: John Wixley, general manager of Safex's agricultural division, says the board should leave the market alone

COMPANIES

Maize Board halts permits

(3) MAIZE

BD 16/7/96

THE Maize Board yesterday halted issuing export permits to private traders, pending the outcome of a meeting by the maize advisory committee next week.

According to the maize marketing scheme, which had been passed by the board earlier this year, permits are awarded to private traders on the 15th day of every month.

The committee meeting has been called to discuss ways to prevent too much maize being exported which could lead to a shortage in the domestic market.

"We have put a halt to the whole situation pending the discussions by the maize advisory committee on exports versus domestic sales," board GM Leon du Plessis said yesterday.

"We will receive permit applications today but they will be held over to next week," he said.

The permits, which were supposed to be issued yesterday, would have covered exports until the end of October this year.

The committee has already proposed export permits to private traders be suspended and maize, already delivered to the board's export pools, be sold back onto the domestic market. The committee has also recommended the board not open a fourth export pool. It has already received maize into three export pools.

"We will not open our fourth pool and receive no more deliveries to our third pool, pending the meeting," Du Plessis said. — Reuter.

BD 23/7/96

Maize futures face delivery

(3) MAIZE

MORE than 7 000 tons of maize will go into physical delivery on the SA Futures Exchange, as a large number of positions remain open following the expiry of the July maize contract yesterday.

The July contracts expired at noon, with the yellow contract finishing at R710/t and white maize closing at R700/t.

John Wixley, GM of Safex's agricultural market's division, said the large quantity of deliveries to be taken was indicative of a newly established market.

Futures markets are predominantly used for the purpose of hedging or speculating, not for physical delivery.

Wixley said players would learn in time to exploit, for profit purposes, the difference between the futures price and the physical price.

Actual quantities to be delivered will only be known next week, as players have until July 22 to notify the exchange of delivery.

Traders said some SA exporters had taken up July contracts with the intention of taking delivery. "A lot of exporters have gone through the futures market. They then know for certain the exact date of delivery," a Cape-based dealer said.

Safex's Wixley said the big advantage in using futures was "100% guaranteed delivery".

The July close-out was the second expiry on the market since maize futures were launched in February this year.

SA expects a maize crop for the year 1996/97 of 9,657-million tons against 4,405-million previously. — Reuter.

Eight broadcasters

THE Independent Broadcasting Authority has issued broadcasting licences to eight community radio stations which it believes provide services that are important in maintaining community cohesion.

Stations which received licences are Radio Rippel, Radio Soshanguve, Teks FM Stereo, New Pan Hellenic Voice, ALX FM, Soweto Community Radio, Radio TNT and UCT Radio.

REPORTS: Business Day Reporters, Sapa.

Tariff structure 'must be revised'

BD 24/7/96

WASHINGTON — SA's tariff structure needed "serious review", Land and Agriculture Minister Derek Hanekom said on Monday.

"We have one of the most complex tariff structures in the world," Hanekom said after a meeting with US Agriculture Secretary Dan Glickman.

The two agriculture ministers were meeting as part of the US-SA binational commission and signed a pact setting up the framework for an agricultural committee.

Hanekom said SA was trying to develop an agriculture sector that was much more competitive.

"That is one part of our policy review which we're going through at the moment, to simplify our tariff regime in SA." However he said SA was well within the General Agreement on Tariffs and Trade and that its tariff levels were not extraordinarily high on most of its commodities. — Reuter.

Mboweni in talks over green paper

Renee Grawitzky

BD 24/7/96

THE imposition of targets and quotas in employment and occupational equity legislation formed the focus of discussion between Labour Minister Tito Mboweni and representatives of the Black Management Forum yesterday.

The meeting, initiated by the ministry, was held after the BMF indicated its concern about the green paper's "perceived failure to impose rigid affirmative action quotas and targets on employers".

Mboweni said discussions with the BMF revolved around how "we can write into the legislation the issue of targets". The green paper, he said, argued for negotiable targets, and therefore there was no disagreement on this issue.

The BMF raised a number of crucial factors which were missing from the green paper.

It was agreed that the labour department's director of equal opportunities would co-ordinate a more structured relationship between the parties.

Maize committee calls for higher exports cap

BD 24/7/96

Louise Cook (3) MAIZE

THE maize advisory committee yesterday called on Agriculture Minister Derek Hanekom to urgently change the maize marketing laws within 10 days, after talk of possible marketing changes for exports had plunged the industry into a state of uncertainty.

The committee, an advisory body to the Maize Board, had been contemplating changes to the current marketing scheme set up in May to guide the industry to full deregulation next year.

The scheme had allowed exports through agents other than the board for the first time, but exports had been capped at 1,8-million tons.

The idea of changing the current scheme in mid-season resulted from industry fears of possible domestic shortages resulting from an oversupply to the board's export pools. The SA Futures Exchange was also thrown out of industry meetings when the exchange objected to suggested changes, saying it could cause heavy losses for those who had taken out maize futures contracts.

The committee said it now would recommend the cap on exports be raised to 3,3-million tons from 2,55-million tons. This week figures showed the crop could be 9 657-million tons or 60 000 tons more than expected.

Hanekom was not available for comment and neither was Safex.

Proposals unwelcome

③ MAIZE
BD 25/9/96

Louise Cook

PRETORIA — Proposed changes to maize marketing could thwart the market's fledgling deregulation, the SA Futures Exchange said.

The exchange said yesterday recommendations drawn up by the maize advisory committee earlier this week could also leave domestic consumers paying up to 40% above maize export prices. It demanded a public hearing on the proposals.

The committee, an advisory body to the Maize Board, said some of the maize originally allocated for export should be sold back into the domestic market to avoid a feared local shortfall. The marketing scheme it proposes to amend was established in May, to guide the industry to deregulation.

It has asked the agriculture minister to approve the changes to the marketing laws within 10 days. It also wants to avoid public hearings.

Safex warns of maize premium

CT(BR)25/7/96 (3) MAIZE

By Nancy Myburgh

MARKETS CORRESPONDENT

Johannesburg — Local consumers could pay as much as 40 percent more than international buyers for locally produced maize if new proposals made to the Maize Board by the maize advisory committee are approved, the South African Futures Exchange said yesterday.

The maize advisory committee urgently recommended on Tuesday that the board sell some of the maize it has already earmarked for export to local buyers at a reserve price of no less than R600 a ton. From next January, that reserve price would rise to at least R650 a ton.

The committee also recommended that the limit on exports this season be raised from 2,55 million tons to 3,3 million tons.

Exports are shared between private exporters and the board, which opens export pools into which farmers may deliver maize.

"The proposal is likely to result in an artificial price level as sellers refuse to sell outside the Maize Board for less than the artificial reserve price," the exchange said. "The reserve price has been set at a level that is likely to result in domestic maize consumers paying a premium of between 15 percent and 40 percent over the price at which South African maize is being sold on the export market."

World maize prices hit record highs earlier this season because of a drought in the US. But prices were expected to fall later in the season when the shortened US crop reached world markets. The proposal awaits approval from the board and the agriculture minister.

Calls to change maize laws almost certain to succeed, says Hanekom

(3) MAIZE   BD 26/7/96

Louise Cook

CALLS by the maize advisory committee for Agriculture Minister Derek Hanekom to change marketing laws without public hearings were "virtually certain" to be passed.

Hanekom confirmed yesterday upon his return from an official visit to Washington that he had received a report from the committee. "I am virtually certain there would not be a problem. I have wanted to see maize marketing handled by industry itself and I am happy that the committee came up with suggested solutions."

Hanekom said he viewed the maize advisory committee — an advisory body to the maize board — as representative enough of the industry. He said he would be prepared to review representation if complaints came in.

The committee was made up of representatives of producers, millers, the maize board, government, co-operatives and the Land and Agricultural Policy Centre. However, it had come under fire from the SA Futures Exchange, which criticised it for being unrepresentative of all stakeholders. The committee also changed rules as marketing season progressed, Safex said.

This week the committee proposed the maize marketing scheme be changed to raise the export cap to 3,3-million tons and to allow for the board to sell maize earmarked for export to local buyers at a reserve price of R600/t. Safex warned the move would result in consumers paying up to 40% more for local maize than what it was being exported for.

(3) MAIZE

New proposals for maize may put board in control again

ST(BT) 28/7/96

By DON ROBERTSON

THE agricultural markets division of the SA Futures Exchange has called for a public discussion on the latest marketing proposals by the Maize Board.

This is necessary to avoid a "crisis of confidence that has developed in the domestic maize market" and to prevent consumers having to pay a premium for maize.

The proposals adopted by the maize advisory committee this week recommend that the Maize Board accept additional quantities of maize for export, but, if necessary, that it be permitted to resell this maize onto the domestic market to counter possible shortages.

This proposal reverses a decision taken on July 5 which was to halt the export of any more maize from the three export pools and that the surplus be sold into the local market at a fixed or reserve price. Earlier, the Maize Board had attempted to put a ceiling on the price, but this was defeated.

The latest proposals must be approved by the Minister of Agriculture within 10 days. If not, the Maize Board's "control" over the market will have to be reconsidered.

John Wixley, general manager of Safex's agricultural division, says the proposals represent a compromise between maize processors and the National Maize Producers' Organisation, but do not take into account the views of Safex, major financial institutions, stockbrokers, commodity traders, co-operatives and consumers who have been trading maize through Safex for about six months.

Safex says the maize advisory committee is not fully representative and that the proposals will be difficult to justify in terms the new Marketing of Agricultural Products Bill.

In terms of previous recommendations, sales of maize into the domestic market from the export pools were to be done at a price equivalent to the US Gulf price or at \$160 a ton, whichever was the highest. This effectively put a floor price of R600 a ton on sales into the local market until the end of December, and of R650 a ton for the rest of the season.

"If accepted, the latest proposals will destroy the domestic market for the rest of the season as it will effectively give the Maize Board full control of the market again, after it was technically deregulated three years ago.

"The market is dead since nobody knows where to buy maize. The proposals will mean that sellers are unlikely to trade outside the Maize Board for less than the artificial reserve price. Buyers, on the other hand, who have not yet purchased maize, could decide to sit back and tender for maize from the board at a fraction over the reserve price, without having to compete."

The reserve price has been set at a level which is likely to result in consumers paying a premium of 15% to 40% or R100 to R250 a ton more than the price at which maize is being sold on the country's export markets.

"This will completely destroy any hope of a free market in maize trading," says Wixley.

Hanekom to discuss maize marketing

(3) MAIZE

Louise Cook

BD 30/7/96

LAND and Agriculture Minister Derek Hanekom yesterday called for an urgent meeting with the maize industry to consider views and comments on the maize marketing scheme.

The meeting, to be held tomorrow, would follow weeks of uncertainty over maize exports, domestic supplies and the operation of the Maize Board's export pools. The uncertainty saw traders shunning maize futures contracts on offer on the SA Futures Exchange agricultural division.

At the weekend analysts expressed doubts about SA ever having a free maize market, saying the agricultural exchange may shut down.

Yesterday Council of SA Banks (Cosab) GM Stuart Grobler joined the sceptics, saying the industry was concerned about conditions that "kept changing to suit certain parties".

The banks held seats on the exchange, which could shut down because of a lack of trade in maize futures.

He declined to comment on reports that the banks were becoming impatient with the expense of an under used exchange and rules of the game that changed. He criticised government intervention in the market. The meeting tomorrow was expected to clarify Safex's position.

Safex GM John Wixley said at the weekend trade of physical deliveries had dropped to 16 000 tons in July from an average of 30 000 tons a month since the maize futures inception in February. Recent maize advisory committee proposals on exports and domestic requirements would trap the price in a narrow band, effectively cutting out the need to hedge. As a result the exchange's agricultural division faced possible closure.

AGRICULTURE – MAIZE

1996 – 1997

Hanekom conditionally approves changes

BD 1/8/96 (3) MAIZE (4)

Louise Cook

AGRICULTURE and Land Affairs Minister Derek Hanekom last night conditionally approved the amendment of the maize marketing scheme this year, sources said.

After a marathon meeting between the maize advisory committee and the SA Futures Exchange — under the auspices of the minister — a source said Hanekom told the meeting he would approve changes to the scheme if the written submission from the committee reflected agreements made at the meeting.

These apparently boiled down to placing a 3,3-million tons cap on exports, doing away with automatic opening of export pools by the Maize Board, going with a floor price of R490/ton net to farmers and opening a new export pool if the price to the farmer threatened to drop below R490/ton.

Yesterday's special meeting was also attended by the SA Futures Exchange agricultural markets division, banned from previous meetings.

A furore broke out in the maize industry when Safex GM John Wixley accused the committee and the Maize Board of interfering in the market. He warned the exchange could close after trade in maize futures contracts came to a halt in July. "Effectively this would mean the end of a free market in agriculture."

However, District Securities Bank markets manager Ika van Niekerk said Safex would have an easier run next year in a free market.

The maize advisory committee and Safex were not available for comment after the meeting.

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MAIZE FURORE

Back from the brink

CT 2|8|96

(3) MAIZE

By Nancy Myburgh
MARKETS CORRESPONDENT

The South African Futures Exchange (Safex) was pulled back from the brink of disaster yesterday, when Derek Hanekom, the minister of agriculture, ended the furore over government control over the maize price this season.

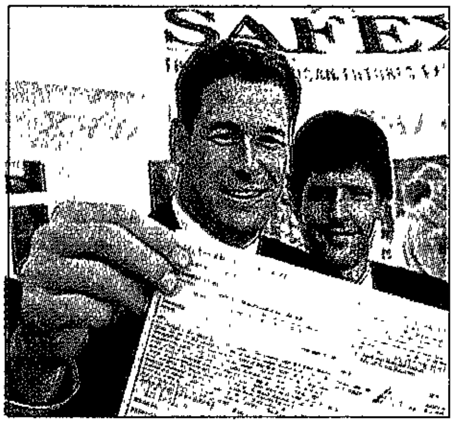
Hanekom rejected proposals from the maize advisory committee, the statutory body that advises the government-owned Maize Board, that would have effectively fixed the maize price for the rest of this season "in a very narrow band", Safex said. They would also have stopped private exports and given the Maize Board back its former monopoly on maize exporting, which it lost to deregulation last year.

"I favour as little state intervention in agricultural marketing as is practically possible," Hanekom said.

The first maize futures contract in more than a month traded on Safex yesterday morning, John Wixley, the head of the exchange's agricultural marketing division, said. There had been absolutely no trade since early last month, when the maize advisory committee made its first proposals for the added controls. There was talk on the markets of the maize marketing division closing down, before it was even a year old. Faced with this prospect, Wixley continued to beat on the closed doors of the maize advisory committee meetings. Safex even got a written recommendation from the minister to attend committee meetings as an observer, but still the committee closed its doors.

Hanekom called a meeting on Wednesday to hear Safex out, along with several other objectors to the proposal.

It was lucky for all futures markets that he did. No futures market can work where there are heavy price controls. To trade in futures contracts, whether they are for commodities or currencies or financial derivatives, the buyers and sellers agree to trade the product at a future time, but at a price they agree upon now. Buyers who think prices are going to rise will pay a premium to a potential seller, to get that seller to agree on a lower price. Sellers who think prices are going to fall will pay a premium to "lock in" a higher price now.



SAVED *Buyer's representative Tim Hedges and Safex's John Wixley with the first maize futures contract* PHOTO JOHN WOODROOF

But if prices are controlled, there is no point in trying to lock in anything higher or lower.

The converse is also true: if prices are going to be changing futures markets offer a means of protecting one's investments.

Many people would not trade in places where there is no futures or "forward" markets, the principles of which are effectively the same. An example is the rand's plunge from the R4,30s to below R4,40 to the dollar three weeks ago, on talk that the Reserve Bank was pulling out of the forward rand market. Foreigners dumped the currency because many of them are not willing to hold it unless they could protect themselves against its wild swings.

But Hanekom's stand against the proposed controls was a powerful one against the vested interests — those who benefit from protectionism at the expense of the populace. They came out in full force early this maize season, when one of the worst droughts in history hit the US. It crippled that country's maize crop and sent world maize prices skyrocketing.

Suddenly, the celebrations over this year's bumper local maize crop, more than double the size of last year's, degenerated into a bun fight. Some of the main buyers of maize, such as the big millers and food distributors, wanted to hold the local price down. Some of the agricultural co-operatives, the farmers' organisations who buy maize from farmers and then store it for sale and delivery, wanted to hold prices as high as possible. Since many of them are represented on the committee, out came the proposals to change last year's maize marketing scheme and get the Maize Board back into firm control.

There are still some controls in the maize market, such as a floor price that the board will guarantee to farmers, limits on how much maize can be exported out of the country, and how much of that can be exported by private traders, instead of by the board. But they have not been onerous enough to choke off futures trade. Yesterday Hanekom also raised the limit on how much maize can be exported this year, from 2,5 million tons to 3,3 million.

"Not only will (yesterday's decision) revive the maize market from its dormancy, but it will also send a clear signal to the domestic and international market that South Africa is committed to the path of deregulated agricultural markets," Safex said.

Milton Friedman, the economist and Noble prize winner, once said that politicians have one year after coming to power to do all the deregulation they can do. After that, the vested interests become too strong. Hanekom's been in power since mid-May. Not a bad start.

Maize market 'set for revival after Hanekom's decision'

(3) MAIZE BD 2/8/96

Louise Cook

THE maize market was set for a revival following Agriculture and Land Affairs Minister Derek Hanekom's announcement this week, sources said yesterday.

Hanekom approved changes to this year's maize marketing scheme, following a marathon meeting of the maize advisory committee and various industry interested parties, including the SA Futures Exchange.

SA Futures Exchange agricultural markets GM John Wixley said the effect of the change — raising exports to a non-restrictive cap of 3,3-million tons, setting a R490/ton net floor price to producers and doing away with automatic export pools — would limit the role of the Maize Board to buyer of last resort. "The alternative action decided on by the minister is a considerable improvement on previous recommendations," he said.

The National Maize Producers' Organisation welcomed Hanekom's "speedy response" and his commitment to a free market.

The Maize Board and SA Millers' Association were not available for comment.

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Hanekom minimises state's role in maize

By DON ROBERTSON

MAIZE futures trading on the SA Futures Exchange is expected to surge following the final changes made to the maize marketing scheme by Agriculture Minister Derek Hanekom this week.

Following protracted negotiations by the Maize Advisory Committee, Hanekom ruled that the Maize Board's export pools no longer be opened for sale on the domestic market and that the board's role be limited to buyer of last resort.

He also lifted the tonnage of maize that can be exported from 2,5-million to 3,3-million tons and reduced the floor price to R490 a ton.

Hanekom's intervention follows earlier proposals by the advisory committee that the Maize Board be allowed to sell maize from its export pool onto the domestic market to reduce possible shortages at a price based on the US Gulf price or $160 a ton, whichever is the highest.

Hanekom said state intervention in agricultural marketing should be minimised. John Wixley, Safex's general manager, agricultural division, says trading in maize futures will depend on movements in the world price, the exchange rate and estimated domestic surplus.

"The changes also send a clear signal to the domestic and international markets that South Africa is committed to a path of deregulated agricultural markets."

(3) MAIZE ST(BT) 4/8/96

Futures shock as straight-talking Hanekom rides to the rescue

(3) MAIZE CT(BR) 5/8/96

I have never met Derek Hanekom, the agriculture minister, but when I do I will have to be restrained from throwing myself at his feet, frothing at the mouth.

The Giant Hanekom performed a miracle last week. He saved this country's fledgling agricultural futures market by telling a room full of skeletal, hooded men carrying scythes and calling themselves a committee of the Maize Marketing Board to, well, "Bugger-bloody-off".

Direct action is the only way to deal with demons. The board was trying to regain its old hold over maize prices because poor rains had ruined the US maize crop this year, forcing up prices and threatening a shortage in South Africa as our producers rushed to export.

There may even be some sense in that. And it is hard to construct a really passionate defence for a sophisticated futures market in an economy like ours.

But Hanekom was acting out of principle — that he, or the State, should interfere as little as possible in markets. Not only is it a simple and obvious idea, but *did* it.

Unfortunately a row between the South African Futures Exchange (Safex) and the Maize Board does not constitute the essence of our economic dilemma. Decisive ministerial intervention of the Hanekom kind would be really impressive if it meant the government would move in any way against, say, union action that directly threatened a strategic economic interest.

PETER BRUCE

This may not be far off as relations between Cosatu and the government palpably deteriorate. Tito Mboweni, the labour minister we will soon see become the iron pragmatist of the cabinet as he positions himself for Trevor Manuel's job, was growling at striking platinum miners at the weekend.

Manuel's finance ministry, given the harrowing task of feigning calm as the rand collapses, is readily contemptuous of union leadership. Nelson Mandela and Thabo Mbeki are routinely dismissive of union influence over policy when they brief foreign investors.

This is all going to explode at some time, probably over privatisation. If the government is to come off best when it does, then it must happen on the ground it chooses. The thing is to pick on *obvious and soft* targets, like Hanekom did last week. The political damage done is minimal, the advantages huge.

The government already knows it would be wrong to try to privatise basic service providers like Telkom, Eskom, the railways or large urban water boards. But it is letting debate on privatisation or partner-finding linger precisely on assets where privatisation would be least necessary and most contentious because of the basic first-time services these large monopolies still have to deliver.

What should be happening is urgent, open work fully to privatise assets whose ownership is clearly not of overriding public interest: SAA is one, the SABC another and Mossgas obviously.

But time is tight. There is nothing to be gained from delay and further debate about agreed policy on privatisation. *Implement it.*

Equally, there is nothing of policy substance to be done to help the rand, other than to do what has already been decided upon. The government could let large international banks know, though, that it will be monitoring their treatment of our currency this week and in the future as they jostle for our privatisation mandates.

The "analysts" and other experts we routinely hear pressing for quicker privatisation almost always work for the investment or merchant banks (the former American, the latter British) most likely to benefit from the fees that flow from privatisation.

☐ Lastly, could Chris Stals please make any further statements on his future in Afrikaans, which he controls, and not English, which he does not. Trying to quell rumours of his resignation on the radio last Friday, he said he had no intention, please, of resigning "at this time". At this time? What the hell does that mean?

The Hero Hanekom could teach us all about the value of clarity in thought, word and deed.

Hanekom decision rekindles interest in SA maize futures

(3) MAIZE BD 7/8/96

INTEREST in SA maize futures contracts has been rekindled by Agriculture Minister Derek Hanekom's decision last Thursday not to change this season's maize marketing scheme.

Futures traders said yesterday bids and offers on contracts were being made again, after activity almost stopped amid industry wranglings over possible scheme amendments.

"People are willing to make prices again in the September and December contracts," a trader at a Cape-based securities house said. "Although volumes are still very small, bids and offers are being made."

Safex marketing manager Rod Blondin said: "Some certainty has been created, which was not there before.... The need for a futures market has come into its own again."

One proposed change, namely to allow the state-owned Maize Board to sell maize back to the domestic market, was strongly opposed by Safex as it would have fixed an artificial maize price, so obviating the need for a hedging market.

Blondin said although there was heightened interest, volumes remained thin as players grappled with Hanekom's introduction of new marketing features, including reduction of the floor price from the Gulf price to a net producer price of R490/ton.

"Effectively a floor has been put in the market.... People are still trying to discount the actual effect of the minister's decision," Blondin said.

Traders said that activity on the futures market was slow because of other factors, including heavy rains on Monday in the country's central maize growing belt.

This, they said, had hampered harvesting of the crop.

Players also expressed concern about Hanekom's decision to lift the maize export limit to 3,3-million tons from the previous 2,55-million tons, saying this could cause a domestic shortage of yellow maize. — Reuter.

Free market answer to maize confusion

(3) MAIZE BD 21/8/96

Louise Cook

HANEKOM

THE maize market continues to be one of the trickier issues facing the country's agriculture department. The volatility of the market, coupled to an unresolved and ever changing Draft Marketing of Agricultural Products Bill, is guaranteed to keep the agriculture minister on the run.

Former minister Kraai van Niekerk was much criticised for the vagaries of the maize price during the years of single-channel marketing. The price was never right; if farmers were happy, consumers cried foul, and vice versa.

New minister Derek Hanekom has the same problem — unless government finally decides to relinquish control of agricultural marketing.

The current plan for reducing state involvement is based on what government is calling "minimum intervention", but involves retaining the draft Bill, and therefore at least some market controls.

Also, after years of deliberation, the controversial draft Bill is still the subject of fierce debate in Parliament and at ANC/SA Agricultural Union "compromise gatherings".

The latest snarl-up in maize marketing was in July when the Maize advisory committee — advisory body to the Maize Board — recommended changes to the marketing scheme in mid-season. Safex was forced to a halt when all trading immediately ceased as a result of the ensuing uncertainty.

Said Safex agricultural markets GM John Wixley: "It is either a free market or a controlled market — you cannot be half pregnant."

Details of the committee's proposals were not the issue; what mattered was that the rules were changed midway, creating jitters and preventing market forces from dictating prices, based on supply and demand.

True market forces will never operate as long as the maize committee maintains its current high degree of intervention in the market. True to its name, the committee merely has advisory powers, but its recommendations to the board — a parastatal and the nation's maize marketing agent — are invariably accepted and passed on to government, which in turn almost inevitably implements them.

The committee is made up of representatives of the National Maize Producers Organisation, the National Marketing Board, the SA Millers Association, the Maize Board, co-operatives and the ANC's research arm the Land and Agriculture Policy Centre.

Industry sources believe that these bodies are making use of the advisory committee to "manipulate" the market in their favour.

Safex eventually restarted trading after the intervention of Hanekom, who approved changes to the marketing scheme and thereby restored certainty to the market. Safex, as a body, is still fighting a battle to become part of the policymaking process — and has now had its observer status at advisory committee meetings restored.

A key element in the drive to freeing up maize trade, the exchange has been operating its agricultural commodity market since July 31 last year. Other commodities include chilled beef carcasses, potatoes, grain sorghum, soya beans and sunflower seed.

Futures contracts for yellow and white maize are the exchange's mainstay. But with interruptions to trade and accusations of collusion and profiteering still abounding in the industry, its future is far from secure.

The major SA banks are finding enduring market intervention by the advisory committee irksome. They have been prime movers in getting the agricultural division at Safex off the ground, believing that in the "coming free market" a proper hedging mechanism would be necessary.

A commodity exchange is seen as an important risk management tool in a free market. Also, banks have bought seats in the exchange and set up trading desks to get the show on the road.

The banks have been publicly quiet on the amendments issue, but confirmation of their impatience at government intervention and the changing of rules was evident when Council of SA Banks GM Stuart Grobler compared the situation with money markets: "You can't run to Trevor Manuel every time the rand has a hiccup."

Other agricultural sectors' views on the need for SA to have a commodity exchange are mixed — the red meat industry with extensive feedlots has failed to give it a definite thumbs up.

The meat industry is simply failing to recognise that until floor prices and controlled marketing are abolished, free market volumes will remain thin and trade will be depressed.

The National Maize Producers' Organisation (Nampo) did not advise members at its congress to hedge this year. At the start of the season expectations were that a bumper crop would to drive prices down. Nampo suggested members turn to the comfort of Maize Board export pools with floor prices.

Safex reported, however, that many maize farmers had opted to hedge their crops, indicating that they were ready to embrace a free market.

Floor prices must go, Wixley said. "The solution is to prevent stocks from being accumulated in the first place by removing the floor price." Pressure from producers resulted in the board setting the floor price too high, he said.

There are no clear signs of the exchange being enthusiastically supported by the main millers, Tiger Oats and Premier, who are the major buyers of the SA crop. Safex said they failed to buy early and hedge. The trend is for them to sit and wait for prices to come down — hence the recent panic when it seemed a disproportionate amount of local maize would be diverted to the export market.

Safex, which sees itself as protecting the interests of traders small and big, believes the issue of export pools is problematic. From the outset, it opposed the ruling that the board could sell maize in its export pools back onto the local market at import parity plus R20/ton, but eventually agreed to work with the system.

However, its systems were thrown into disarray when the advisory committee proposed amendments to the ruling last month. Safex warned that "early buyers" stood to lose millions.

The remedy for confusion in maize marketing surely lies with allowing the market to operate freely.

If government can reduce the minister's responsibilities for agriculture marketing decisions in the new draft Bill — allowing a much freer trade — his life will be that much easier.

Maize farmers to reap a bumper windfall

(3) MAIZE

MAIZE PRODUCTION

By JEREMY WOODS

SOUTH Africa's maize farmers are set to share in a profits bonanza of close to R1-billion as a record maize crop worth R5-billion nears the end of its harvest.

Some agricultural analysts put the potential profits at closer to R3-billion, saying the country's 11 000 maize farmers are playing down their good fortune to avoid future political flack over land ownership.

Giel van Zyl, general manager of the National Maize Producers' Organisation, says: "We have had the benefit of high world maize prices and a bumper crop that has given our maize farmers a bonanza year."

The 11 000 farmers making up South Africa's maize producers are mainly placed around the prime maize growing areas of the Free State, North West Province, Mpumalanga and Gauteng.

The big change in their fortunes came on May 1 last year when the maize industry was deregulated and statutory pricing was scrapped, allowing farmers to sell their maize crop to any buyer.

"Farmers now have to make market-related decisions instead of relying on the old Maize Board payment method of costs plus profit," Van Zyl says.

Many farmers have taken to their new-found freedom like ducks to water and have implemented sophisticated hedging operations in the futures markets to underpin the price of their cash crops.

In addition to maize, crops such as wheat, ground nuts and sorghum have all doubled in price in the past year or so, and some analysts believe the cash benefits are significantly more than R1-billion.

The production of maize in South Africa is almost exclusively at the mercy of the country's rainfall.

Annual consumption of white and yellow maize — white for human consumption and yellow for animal feed — is 6,5-million tons.

Two years ago the maize price was about R350 a ton. This year it has ranged between R500 and R600 a ton, while some farmers have managed to sell some of their crop for R700 a ton.

Last year the crop was only four million tons, and shortages pushed prices higher.

This year a record crop of 10 million tons has also benefited from high prices because of severe maize shortages in other parts of the world such as China, where maize forms part of the staple diet.

But Van Zyl says that while farmers have had the benefit of a bumper crop and good prices, much of the cash that will flow to them will have to be ploughed back into new plant and machinery.

"Our figures show that 65% of the tractor fleet is older than 10 years, and the amounts spent on repairs and new parts tell us that much of our farm machinery needs to be replaced," he says.

ST (BT) 8/9/96

Sales of combine harvesters, tractors and bearings are set for accelerated growth, a factor which is already evident in the turnover and profits of Johannesburg Stock Exchange-listed Invicta Holdings.

Invicta is run by former Rand Merchant Bank managing director Michael Rose-Innes, while Pepkor boss Christo Wiese and ex-Rand Merchant Bank director David McCay are major shareholders.

It increased operating profits from R13,1-million to R23-million for the year to March 29. A dividend of 10c, covered more than three times by earnings of 32c a share, lifted the annual payout by 150%.

Rose-Innes says sales of combine harvesters and other farming equipment are well ahead in the current year.

Latest figures from the agricultural industry's Response Group show that Invicta sold 85 combine harvesters, priced at nearly R1-million each, in the first seven months of this year, compared to a full year's total of 66 combine harvesters last year, an increase of 29%.

Rose-Innes says he plans to take the cyclical farm earnings out of Invicta by using the company's cash reserves of R14-million and its strong cash flow to make acquisitions.

Invicta's shares were trading at 385c this week against a high this year of 400c.

Picture: JULANI VAN DER WESTHUIZEN

RIDING HIGH . . . Invicta managing director Michael Rose-Innes says farming equipment sales are up

Doubts over maize export plan

ET (BE) 9/9/96 (3) MAIZE

By Nancy Myburgh
MARKETS EDITOR

Johannesburg — Doubts have been raised about an agreement of intent the Maize Board signed with Taiwan last week to export maize to that country until 1999, amid expectations among board officials that the maize body would cease to exist in a year's time.

The passage of the Marketing of Agricultural Products Bill, which awaits approval in parliament, could result in the closure of the Maize Board, bringing into question the agreement with Taiwan, said Giep Steenkamp, the board's international marketing manager.

"I'm not sure whether the signing of the agreement of intent assumes the board will be in a position to export maize in the next few years," said John Wixley, the head of the agricultural markets division at the South African Futures Exchange.

Steenkamp replied: "The agreement with Taiwan will lapse if the board is dissolved next year. Maybe there will be another body in place to do the job of the Maize Board. Maybe there will be nothing. It is still early days."

Though the new bill gives Derek Hanekom, the land affairs and agriculture minister, the power to reconstitute the board and its power to control agricultural prices if necessary, analysts said such a step was unlikely.

"I liken that power to reconstitute the board to the state president's power to declare war. It doesn't mean he will do it," said one agricultural analyst at a commercial bank.

"Mr Hanekom, the minister, is committed to having a free pricing mechanism, to make those in the industry responsible for their own business decisions," he said.

Steenkamp said the agreement of intent was a result mainly of goodwill between Taiwan and South Africa in light of heavy maize exports to Taiwan throughout the 1970s and 1980s.

In the past three years, the board has exported 50 000 tons of maize to Taiwan.

"Our general manager explained (the upcoming legislation) to them and they accepted it in that light," Steenkamp said.

"The private traders export more efficiently (than the board). Rather leave it to the private sector," Wixley said.

Tight futures market boosts yellow maize prices

(3) MAIZE CT (BR) 10/9/96

By Andi Spicer
MINING AND RESOURCES EDITOR

Johannesburg — The Maize Board may have sold too much maize in its export programme this year, leading to a shortage on domestic markets and sharply higher prices for yellow maize.

Yellow maize, which normally sells at a discount to the higher-quality white maize, is riding higher on December futures contracts quoted on the South African Futures Exchange (Safex). This indicates a squeeze in the market and a possible shortage.

"We definitely believe there could be too little yellow maize available on the domestic market towards the end of the year," Richard Shaw, the director of Millennium Financial, the Johannesburg-based futures brokers, said yesterday.

Yellow maize closed on Safex late yesterday at R745 a ton for December delivery, representing a premium of R37 a ton. March delivery showed a R10 premium.

This season's yellow maize crop is estimated at 4,5 million tons and export availability is just over 1 million tons. The board has thus far granted 757 405 tons worth of export permits and received 678 953 tons into its export pools.

The large quantity of exports stems from high prices on international markets earlier in the winter, which attracted farmers to export. Prices have now dropped from their highs, after expectations of poor harvests by big producers.

SA faces shortage of yellow maize despite bumper crop

(3) MAIZE

SA FACES a yellow maize shortage of up to 700 000 tons this season and may have to import maize from the US, in spite of a bumper local harvest.

Domestic supplies — the maize is used in animal feed — have been drained by a high level of exports, large deliveries to the Maize Board's export pools and a slightly lower-than-expected crop yield, industry observers said yesterday. BD 26/9/96

The National Maize Producers' Organisation's research and development manager Kit le Clus said the national shortage could be as high as 691 000 tons.

The actual shortfall could be less if some maize earmarked for export finds its way back to the domestic market.

Le Clus said SA had 4,5-million tons of yellow maize in the 1996/97 season, comprising new production and carry-over stocks. Demand, which includes commercial use, private exports, Maize Board pool deliveries and end stocks amounted to 5,17-million tons.

The shortage appears to be most acute in the coastal areas, which are furthest from the central maize growing belt. The Western Cape province alone is expecting a shortfall of about 200 000 tons.

Le Clus said deficit projections were "theoretical" and that there could in reality be "a lot of maize around".

The Maize Board said it had stocks available in its export pools, but was tightlipped on the amount. Farming co-operatives are believed to be hanging on to stocks also in the hope of securing higher prices.

The board's director of international marketing Giep Steenkamp said it might sell maize back to the domestic market but would have to comply with this season's marketing scheme which states such sales must be priced at import parity plus R20 a ton.

He said import parity on yellow maize at port of entry last Friday was about R793 a ton.

"So if the people are willing to pay the import parity, it is possible (we may sell maize on the domestic market)," he said.

"With world prices coming down there is a possibility that the local market can afford it, especially in the coastal areas." SA is expected to have a surplus of white maize this season based on an estimated crop of 5,44-million tons — Reuter.

Despite bumper harvest, SA may have to import

Maize falls short again

CT(BR) 26/9/96 (3) MAIZE

Andi Spicer
MINING AND RESOURCES EDITOR

Johannesburg — A yellow maize shortage of up to 70 000 tons this season could mean that South Africa may have to import maize for the second year running despite a bumper harvest, trade sources said yesterday.

Large amounts of exports during the last few months, stimulated initially by higher international grain prices, have meant that a domestic shortage has been developing, with spot and futures prices on the South African Futures Exchange rising for December delivery.

Yellow maize has recently been trading at a premium to white maize, even though the former is of inferior quality and is used for animal feed.

The shortage seems to be most felt in the coastal area, leading to the Cape Maize Buyers Association opening a tender for the import of 170 000 tons of maize from a previous tender of 70 000 tons. Most of this would probably come from the US.

"The problem is that agricultural co-operatives, which had a bumper harvest this year, put yellow maize into the Maize Board's export pools in order to lift domestic prices and also mop up excess supply. The end result is that the market has become very thin," said a Gauteng-based maize trader yesterday.

Under the previous Maize Board system where domestic prices and exports were closely controlled, the imbalances between imports and exports were better stabilised. The inclusion of private traders and the confusion between the power of the Maize Board and the free market has also led to distortions.

"We seem to be in a halfway house with the free market and the Maize Board fighting for position, and we get large amounts of exports even though there is a domestic shortage," the maize trader said.

The yellow maize exportable surplus is expected to be 744 000 tons and white maize 1,69 million tons. The Maize Board has booked for export 1,53 million tons of white maize and 1,43 million tons of yellow maize. About 175 000 tons of maize products are also to be exported.

This translates into a deficit of 692 000 tons on yellow maize and a surplus of 159 000 tons on white before maize products are included. A co-operative farm spokesman said that with the use of substitutes, including domestic sorghum, South Africa could expect a deficit of 450 000 tons.

Maize earmarked for export to be sold on local market

CT (BR) 17/10/96 (3) MAIZE

Andi Spicer
Mining and Resources Editor

Johannesburg — A grain shortage in South Africa has forced the Maize Board to sell some of its crop earmarked for export back into local markets to stop prices spiralling out of control.

In the past month there has been increased concern among traders that too much maize had been allocated for export causing a domestic shortage and leading to higher prices.

"We've seen some strange price relationships on the South African Futures Exchange (Safex) maize market between yellow and white maize futures that pointed directly to too much maize leaving the country while there is a shortage at home," a Safex trader said yesterday.

The board decided yesterday to sell maize back on to the domestic market at the terms allowed by this season's marketing scheme. They did not say how much maize remained in the export pools and how much would be released on the domestic market.

"The sale of export pool maize on the domestic market has always been a matter to be handled with extreme cautiousness," Leon du Plessis, the general manager of the Maize Board, said yesterday.

Du Plessis announced that "the Board may sell maize from its export pools on the domestic market, but only at a minimum of the landed cost of imported maize at the premises of the buyer concerned plus an additional payment of R20 a ton. Furthermore, the board may only conduct such sales by means of a tender or an auction".

He invited buyers to tender for a specific quantity of maize.

Analysts predict a shortfall in the yellow maize crop of up to 700 000 tons despite a bumper crop. The board has already issued export permits for 1,473 million tons of both yellow and white this season, and for 7 770 tons from November 1 to the end of the year, 3 900 tons of which was for white maize, the rest for yellow maize. The board may export up to 1,8 million tons of maize this season.

MAIZE PRICES (3) maize

AGAINST THE GRAIN

FM 18/10/96

SA had to import about 1,1 Mt of maize last year after a disastrous 4,4 Mt crop. So, with this year's 9,9 Mt bumper crop, the storage bins are spilling over and local prices have plunged — right? Wrong.

As global prices zoomed to US$200/t at the start of the year, farmers pushed 3 Mt into exports. Further enticements were the Maize Board's guaranteed R490/t floor price and a rand in free fall.

Buyers also blame the co-operatives' control over Highveld storage silos for a projected 900 000 t shortfall. Some say co-operatives are withholding stock to push up prices.

Gulf fob maize prices have dropped to $125/t (R568) but domestic prices still hover at R750/t-R800/t.

Hamish McBain

As a result, Western Cape feed manufacturers will import US and Argentinian yellow maize, with a 30 000 t shipment landing in April at a R200/t discount to SA maize.

Aware of the problem, government is drafting legislation which could include provisions to dilute the powers of grain co-operatives over SA's 14 Mt silos.

In a joint statement, the National Association of Maize Millers, the Animal Feed Manufacturers' Association, the Poultry Producers' Association, the Feedlot Association and the Wet Milling industry say SA faces shortages of 139 000 t of white maize and 772 000 t of yellow.

"It is deplorable that consumers are denied the benefits of a record maize crop and have to pay a premium while overseas markets obtain our maize at a discount."

Ironically, they say, the SA producer is likely to get a lower final realisation than if the market had been left to operate without intervention.

After the domestic maize market was partly deregulated on May 1 1995, marketing problems were thought to be over. But maize buyers say manipulation is made possible through the co-operatives' power over storage combined with interventionist practices such as the Maize Board's R240m stabilisation fund, export pools and a R490/t floor price.

The results are high prices and shortages locally, necessitating imports despite bumper harvests. Some buyers battle to get maize even when willing to pay more than export parity.

But National Maize Producers' Organisation GM Giel van Zyl says local buyers should not complain if producers use market opportunities. "The board recently sold 95 000 t to Western Cape buyers, which shows that stocks are available if buyers are prepared to pay the right price."

SA Futures Exchange spokesman Rod Blondin says the maize advisory committee has been asked to indicate the marketing arrangements for next season as planting will start in November.

Tiger Oats executive director Hamish McBain says co-operatives must be wary of overplaying their hand in a market that could soon become freer and more competitive.

Premier Group procurement director Schalk Pienaar says Premier is "investigating all options for maize storage," including entering into storage contracts with farmers, building silos or buying space from co-operatives. ■

Safex wants to put maize on the spot

(3) MAIZE

ANDI SPICER
MINING AND RESOURCES EDITOR

CT(BR) 22/10/96

Johannesburg — The South African Futures Exchange (Safex) is considering launching a spot maize market following pressure from the industry, the exchange said at the weekend.

Although South Africa already has an electronic cash maize market called Agmex, many traders do not use it and volumes are light.

"We do not intend to introduce the spot contract immediately, but there is an acknowledged need for such a contract, and we will be meeting interested parties in late November," Rod Blondin, the general manager of Safex's agricultural markets, said at the weekend.

Agmex was launched in May and trades using systems co-ordinated by Uniegraan, a Pretoria-based co-operative. Some traders felt that the system was unduly controlled by one large trader.

"Safex is neutral and has a fully fledged futures market, clearing facilities and credibility," a Gauteng-based trader said.

Safex's new electronic trading system for its futures contracts has a window on the screen for physical prices, where the spot contract will trade. Bid and offer prices will be displayed rather than an auction trade.

A spokesman for Safex said the viability of the spot contract would depend on whether the specifications were simple, with delivery ex-silo and a small number of grain grades.

"If it is like the London Metal Exchange where delivery dates vary but contract specifications are uniform, then there is every chance of Safex launching the contract," the spokesman said.

"The better the spot market works the better the futures markets works," he said.

A spot contract alongside a futures contract would greatly enhance volumes and liquidity.

Maize spot market mooted

(3) MAIZE

Louise Cook

BD 1/11/96

THE SA Futures Exchange (Safex) agricultural markets division would attend a special meeting this month to decide whether to become involved in a maize spot market next year, Safex manager Rod Blondin said yesterday.

The move follows calls by various big buyers and sellers, as well as the Agricultural Maize Exchange (Agmex), for Safex to help facilitate the effective running of a spot market.

Agmex set up an electronic auctions system for a maize spot market last year, but was perceived to be not fully independent and credible, sources said.

Blondin said the plan was for all stakeholders in the maize industry to put forward proposals at the meeting on how best to run an effective physical (spot) market for maize. Options at this stage were an electronic auction system or possibly a bid/offer facility.

"With a fully automated trading system, a shop window for bids and offers in addition to auctions could be the solution," he said.

However, Safex's primary focus was the futures market.

Co-op plans takeover of Vaalharts

(3) BD 12/11/96
MAIZE

Louise Cook

KLERKSDORP-based Sentraalwes grain co-operative is planning a takeover of the Vaalharts co-operative which has assets of R120m, it was announced yesterday.

Sentraalwes' takeover plans are in addition to its switching from a co-operative to a fully fledged company in the near future,

Sentraalwes finance director Andre du Plessis said the deal with Vaalharts would go through by January 31 next year, provided the Vaalharts members voted in favour next month.

"The board of directors of both co-operatives have agreed in principle to the transaction. Vaalharts, with an annual turnover of R110m, will be taken over as a going concern ... subject to approval by members of Vaalharts."

Vaalharts co-operative in Hartswater in Northwest serviced an irrigation area of 33 200ha with 610 active farmers. The deal would add crops such as lucerne, wine grapes, pecan nuts and citrus to Sentraalwes' business activities which currently focused on maize, sunflower, wheat and groundnuts, du Plessis said.

Sentraalwes members would also vote later this month on the co-operative's planned restructuring. Sentraalwes said recently that it planned to convert temporarily to a trading co-operative to enable a new holding company, Senwesbel, to retain shares in it.

The holding company would restructure Sentraalwes co-operative to a public company, Sentraalwes. Analysts said that the move was similar to KWV's recently announced plan to convert itself into a company.

S

Nampo forecasts good maize year

(3) MAIZE CT (BR) 14/11/96

From Reuter

Johannesburg — Conditions looked favourable for next year's crop, which farmers were in the early stages of planting, the National Maize Producers Organisation (Nampo), said yesterday.

André Ferreira, Nampo's economist, said long-term weather forecasts indicated that the industry could expect a good crop.

"If you couple this to good moisture status then it seems as if we can expect a reasonably good crop," Ferreira said.

He said farmers in Mpumulanga had completed planting while in the Free State they had just begun.

Farmers in the North West had not yet started to plant for the new season, he said.

Last season, some 3,3 million hectares were planted from which the national crop estimates committee said it expected a harvest of 9,48 million tons, up from the 4,41 million in the previous year.

Nampo warned farmers last month to plant on their best land to prevent a surplus in the coming season.

"Ideally we should have about 3 million hectares planted under maize. Last year a little bit more than 3,3 million hectares was planted," said Giep van Zyl, Nampo's general manager.

"In effect there are 300 000 to 400 000ha too much. This could only lead to bigger surpluses," Van Zyl said.

Asked what the crop would be if farmers heeded Nampo's warning, he said: "About 7,5 to 8 million tons of maize.

"Our warning to the producer is do not plant to try and produce surpluses for exports because the world price of maize is falling.

"We are also saying farmers should only plant on their best land, where they are certain to make a profit even at a lower price," Van Zyl said.

The maize advisory committee said last month that discussions on future maize marketing arrangements for next season would be discussed at its its meeting next week.

In September parliament passed the Marketing of Agricultural Products Bill which sets a 13-month timetable for the dismantling of remaining farming control boards.

The bill also compels industries to manage their affairs on a market-related basis.

Maize imports to combat shortages

BD 19/11/96 (3) MAIZE

Louise Cook

WESTERN Cape Buyers' Association said yesterday it would import large quantities of yellow maize next year to counteract expected local shortages.

Last season was marked by tension between local farmers and buyers over supplies and prices, culminating in the Animal Feed Manufacturers Association lodging a complaint with the Competition Board about alleged price collusion among farmers.

Analysts said the move by Western Cape Buyers Association (consisting of the Western Province Co-operative, Bokomo, African Products and Meadow Feeds) to import maize, was an attempt to combat the spiralling of local prices, despite a huge crop.

The association said the imports were planned as a result of calls by the National Maize Producers' Organisation (Nampo) for farmers to scale down plantings this season and excessive exports this year.

It said it had decided to invite tenders for the delivery of 30 000 tons in February, 40 000 in March and 60 000 in April. The group was also tendering for the delivery of Argentine maize in batches of 40 000 tons in May, June and July next year. The landed cost of the Argentine maize was significantly lower than that of local maize, the association said.

Meanwhile, maize production this season would cost farmers R483m, or R100m more than last year owing to a 33% price hike in diesel since the planting season last year, Nampo said yesterday.

However, consumers would not be affected. Nampo economist Andre Ferreira said that farmers were "not in a position to pass on the cost increase to consumers because they would not get their price".

Nampo chairman Japie Grobler said it was "absolutely essential" that government cut taxes on diesel.

During the last season farmers ended up paying R135m in taxes and levies on the fuel. At present, farmers paid tax of 46c a litre plus levies.

There was little prospect of a drop in the diesel price and further increases over the next few months were not excluded, Grobler said.

"Tension in Iraq and increased demand for diesel in the northern hemisphere during the winter have caused sharp increases in the international price of petroleum products."

Nampo spokesman Jan Liebenberg said expectations of bigger maize crops than last year in the US, China, Mexico, north Africa and Europe, would boost competition in international grain markets and lead to lower maize prices.

For the past two years, grain supplies on international markets have hit record lows, causing severe price increases.

AGRICULTURE

(3) M ADS

ESCAPING THE MAZE

FM 22/11/96

The maize industry may be forced to drop prices as Western Cape consumers threaten to go offshore for cheaper supplies. The move to opt for imports is seen as a direct result of pricing policies adopted by the Maize Board, co-operatives and the National Maize Producers' Organisation (Nampo).

However, the conundrum may well resolve itself by next year with the dissolution of the Maize Board in terms of the new Agricultural Marketing Act. This will allow the market to operate freely and dispense with remaining interventionist policies by the board. These have largely been responsible for keeping prices artificially high this year.

The informal Western Cape Maize Users' Association has announced tenders for about 250 000 t of domestic or imported maize to be delivered early in 1997. Already, 35 000 t has been bought from North America and is due to be landed at Cape Town in January at a "significant discount" to the board's stated import parity price.

Association spokesman Roger Parry says that imports into the 600 000 t/year Western Cape (yellow) maize market will increase unless the local industry can supply at prices competitive to landed imports. "Apart from the high official domestic price, we have to pay between R120/t-R170/t for railage from the northern provinces. This has forced us to seriously consider the import option."

Meadow Feeds MD Graham Ebedes says that he's "sick and tired" of being held to ransom by the maize industry. "While exporting a large portion of last year's 9,5 Mt bumper crop, it demanded that domestic maize consumers pay import parity price levels plus R20/t — and that while US fob Gulf maize prices have plummeted from more than US$200/t in May to $125/t," he says.

WPK co-operative manager commodity trade Francois van der Merwe says that Western Cape consumers had to buy about 95 000 t from the board at its higher domestic price following a September tender. But association members intend to add to the 35 000 t January import — which will be available at about R725/t, compared with the board's R817/t.

Nampo says that total remaining SA maize supplies are still estimated at about 430 000 t. And with an unusually large US crop depressing global grain prices, coupled with bullish local climatic trends, Nampo chairman Japie Grobler has advised maize farmers to plant less acreage than the year before, as both local and export prices are bound to drop.

Ebedes says that the structure of the maize market still needs to be changed to allow market forces free play to determine prices, based on supply and demand. "We need the removal of all government intervention in the price-forming mechanism," says Ebedes. "The existence of a surplus export floor price and the compulsory R25/t stabilisation levy allows for the manipulation of supplies and of prices. Hopefully, this week's meeting of the Maize Advisory Committee — to decide on a new scheme, or no scheme, for the season ahead — will help resolve the issue."

Parry says that the "half-deregulated" maize scheme has prevented the Safex agricultural futures exchange from playing its proper role in price-forming. "We're still in the middle of the road," he says. "Only full deregulation would allow futures contracts to play their proper price-hedging roles."

Safex agricultural market division GM Rod Blondin says that the expected demise of the Maize Board has led to the increasing use of maize futures contracts over the past three weeks. "We're now up to 30 contracts a day and have about 1 000 open contracts. There's a definite upswing in maize futures business and we hope to reach 50 contracts a day in the next three months," he says. ■

Maize industry holds marketing strategy meeting

Louise Cook SMAIZE

BD 22/11/96

THE maize advisory committee, representing key players in the maize farming industry, is meeting today to devise marketing strategies in preparation for the Maize Board's scrapping on April 30 next year.

Sources said developments at the meeting, expected to last two days, would be closely followed by at least 30 national and international stakeholders who had obtained special observer status.

Analysts and bankers agreed the meeting was "crucial" to determine future operations of maize farmers, millers and other operators.

"Decisions will have a profound impact on all role players, including the SA Futures Exchange's agricultural markets division. Key issues are market manipulation as well as transparency and consistency in future marketing," a source said.

The meeting takes place against a background of new agricultural marketing laws that come into effect next year.

Agricultural and Land Affairs Minister Derek Hanekom has instructed the maize advisory committee — consisting of producers, traders, shippers, millers, feed manufacturers, grain co-operatives, the Land and Agriculture Policy Centre, National Marketing Council and Maize Board — to thrash out new arrangements in time for them to kick in next May.

Maize producers censure traders

(3) MAIZE

Louise Cook

BD 26/11/96

THE National Maize Producers' Organisation (Nampo) hit out at maize traders, processors and buyers yesterday, accusing them of "wrecking" SA's maize industry and damaging the country's long-term potential for maize production.

The main players in the industry met at the weekend to thrash out 1997/98 marketing arrangements.

After failing to agree on the necessity for future price support, the meeting called on Agriculture and Land Affairs Minister Derek Hanekom to give a directive to break the deadlock.

Although Hanekom was not available for comment yesterday, he is known to be keen for industry players to finalise marketing arrangements.

Nampo chairman Japie Grobler said supporters of a totally free maize market system were "short-sighted" and interested in "short-term enrichment" irrespective of the damage done.

Farmers were known to have argued for price support because of the unpredictability of local maize production. In some years SA had a bumper crop and in others a crop failure.

But other groups, including the Land and Agricultural Policy Centre, argued that farmers and role players were able to hedge risk by using mechanisms such as the SA Futures Exchange agricultural markets division, thereby cutting out the need for further floor prices.

It is understood Hanekom met his chief agricultural adviser Tracy Simbey last night to discuss the latest developments.

Maize advisory committee chairman Peet Wessels confirmed that Hanekom was approached, but said it was not known when the minister would announce his decision.

Hanekom abolishes maize floor prices

Louise Cook (3) MAIZE
BD 29/11/96

LAND Affairs and Agriculture Minister Derek Hanekom abolished maize floor prices and price stabilisation for farmers yesterday, plunging the industry into a free market and provoking mixed reaction from the sector.

Industry sources said the move would end two years of uncertainty over the "rules of the game".

Trade in maize futures contracts on the SA Futures Exchange (Safex) agricultural markets division was expected to surge.

Hanekom said he had decided "after careful consideration and talks with a variety of role players", that a statutory floor price was "not desirable". There would also be no stabilisation levy for the 1997/98 marketing year.

The National Maize Producers Organisation (Nampo) proposed last week at a meeting of the maize advisory committee, which represents the industry's major participants, that a floor price and levies be retained as a "safety net" for farmers. However, the meeting failed to reach agreement and the issue was referred to Hanekom.

Yesterday the minister advised farmers who were concerned about the possibility of low prices for the next harvest to "arrange forward contracts for a proportion of their crop and/or explore the possibility of hedging their price risk on the Safex agricultural markets division".

Nampo said that Hanekom's decision meant SA would be forced to import more maize in future, but Safex said it was a step forward for the agricultural sector.

Nampo chairman Japie Grobler said Hanekom was "short-sighted".

Due to the "precarious balance in the local market," farmers would have "no option but to consider only their own survival".

However, Safex deputy manager Rod Blondin said a free market would mean a more cost-effective marketing system. The market would be run by market instruments instead of by government intervention.

Meanwhile, seed companies and the SA Fertiliser Association said sales of seed and fertiliser to SA's 9 000 maize farmers were continuing unabated despite uncertainty — up to yesterday — about marketing arrangements.

Seed company Sensako marketing spokesman Johan Pieterse said the current wet conditions were delaying plantings in many areas, but sales had not been affected.

SA Fertiliser Association chairman Hilmar Venter said sales were up 12% compared with a year ago.

NEWS

New deal for maize farmers welcomed

(3) MAIZE

BUSINESS EDITOR

ARG 30/11/96

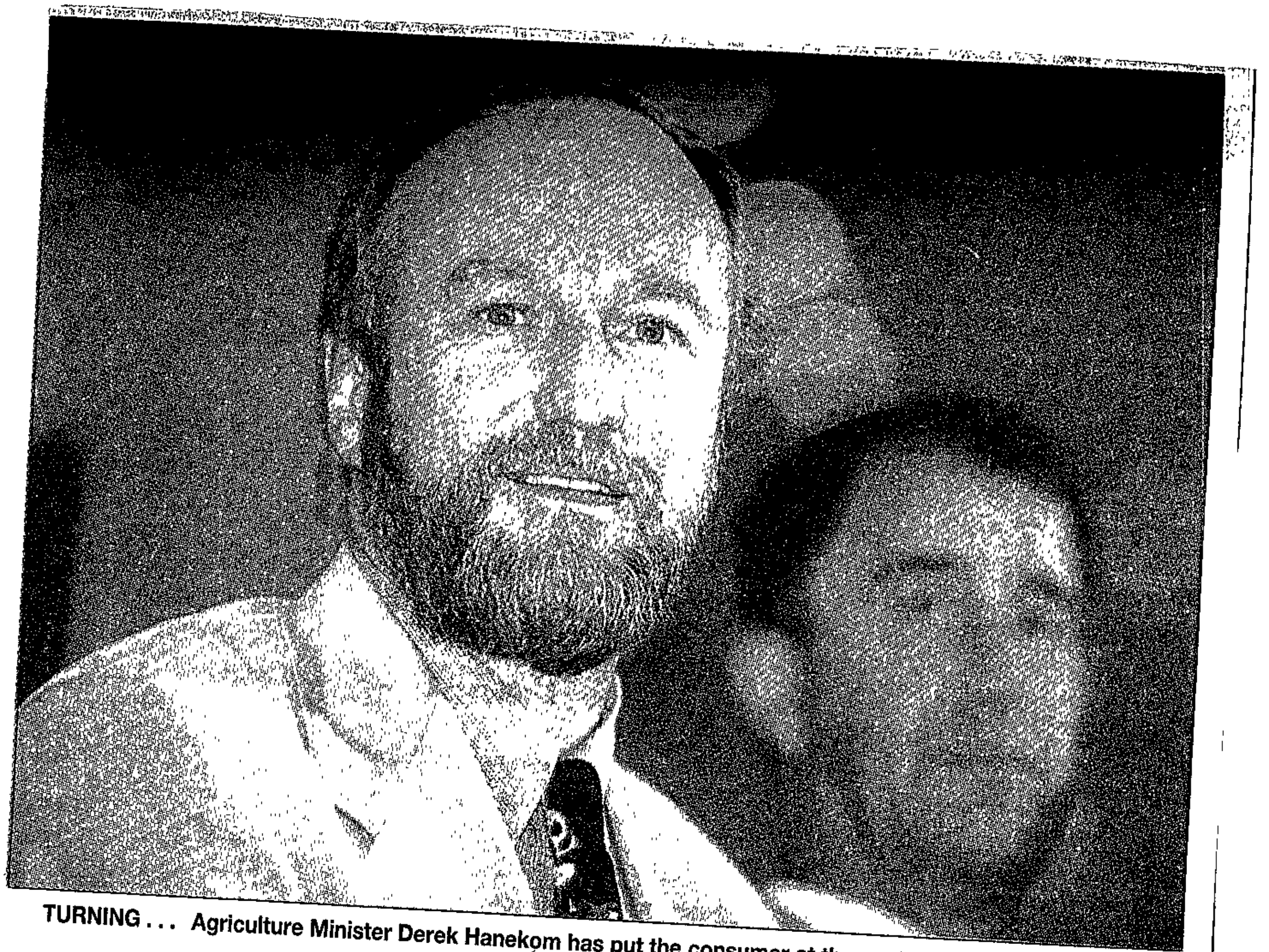
The agricultural markets division of the SA Futures Exchange (Safex) has welcomed the decision by Agriculture Minister Derek Hanekom to suspend the current maize marketing scheme.

Spokesman Rod Gravelet-Blondin said Safex welcomed Mr Hanekom's decision not to introduce a statutory floor price for maize, to suspend the current scheme and to remove stabilisation levies.

This would place maize farming in South Africa on a firmer basis, he said, and benefit agriculture and the economy as a whole. The decision was in line with world trends, Mr Gravelet-Blondin said.

He said Safex would help to provide information for the maize market and do its best to ensure that the move to a deregulated market benefited everyone in the sector.

Trading in maize futures was introduced on the exchange's agricultural markets division in February. The number of contracts traded had jumped from an average of 250 a month in the first seven months of the year to 600 in October as market players took positions ahead of the expected deregulation of the market.



TURNING . . . Agriculture Minister Derek Hanekom has put the consumer at the centre of government policy

Hanekom hailed for liberating maize

ST(BT) 1/12/96 (3) MAIZE

AGRICULTURE

BY CIARAN RYAN

CONSUMERS can look forward to cheaper maize next year as a result of the scrapping of floor prices and compulsory levies announced this week by Agriculture Minister Derek Hanekom.

SA maize prices will shadow those on international markets at the start of the new season in May. Consumers will no longer subsidise export surpluses by way of compulsory levies and inflated domestic prices. Maize industry spokesmen say the new free market approach puts consumers, rather than farmers, at the centre of government policy.

"The minister is to be applauded for this move and we welcome the final introduction of a free market for maize, which is the country's primary staple food," says Premier Group public affairs manager David Frost.

The South African Futures Exchange also welcomed the announcement, saying consumers would pay the true value of maize without the distortions of the floor price and levies. The floor price of R490 a ton provided a guarantee to farmers in times of weak market conditions.

The removal of the R25-a-ton levy was reflected in maize futures on Friday, with a R25 spread opening up between buyers and sellers for 1997/8 contracts.

The National Maize Producers Organisation criticised Hanekom's move, saying SA would have to import more maize in future. It wanted the floor price and levies to be retained to protect farmers.

Despite excellent rains and a massive crop surplus, maize prices rocketed from early expectations of R450-a-ton to a peak of R800/t over the last year as prices on international markets shot to \$200/t in anticipation of a smaller US crop. International prices dropped to around \$115/t once it became clear that fears of a small US crop were overstated. This price drop was not reflected to the same extent in South Africa because of the distortions inherent in the floor price system and the fact that farmers held on to their crops as long as possible, creating an artificial shortage.

December maize contracts are trading at around R700/t.

Safex general manager Rod Blondin forecasts a maize price to the farmer of around R550/t next year once the market is deregulated. This could mean a saving of 8%-17% for consumers, and possibly more, as millers will be able to contract directly with farmers, sparking price competition between millers which will benefit consumers.

Hanekom advised farmers concerned about lower prices to sell a portion of their crops forward or hedge their price risks with Safex.

BD 21/1/97

Dispute over scrapping of maize laws

Louise Cook

MAIZE

THE agriculture department and maize industry are at loggerheads over the planned scrapping of agricultural marketing laws in May.

All maize floor prices and statutory levies had been expected to be scrapped from May 1 after Agriculture and Land Minister Derek Hanekom announced that they would not be retained for the next marketing season.

But Maize Board GM Leon du Plessis said provincial agricultural marketing legislation that remained valid in Mpumalanga, North West and the Free State could lead to maize farmers in those provinces being treated differently. North West is SA's biggest producer of white maize.

Du Plessis said the laws stemmed from outdated homeland legislation incorporated into the provinces after the 1994 election. They needed to be revoked, but the provinces could not be forced to do this.

"We cannot even find a written agreement. The whole issue is based on verbal agreements between the former agriculture minister and MECs of the provinces. If the provinces do not uphold the agreement with (former agriculture minister Kraai) Van Niekerk, farmers in some provinces are in for problems," Du Plessis said.

But agriculture department legal adviser Herman Rademeyer said the board was unduly suspicious, as the process of scrapping the laws was "fully under control".

In North West, the department had agreed to a request by the North West Agricultural Marketing Board for a year to phase out statutory controls.

The concession was in accordance with the new Marketing of Agricultural Products Act which allowed a year to switch to a free market.

The North West Agricultural Marketing Board could not be reached for comment.

Maize farmers seek govt intervention

Sowetan 30/1/97 (3) MAIZE

By Patu Mwanza

LUSAKA – Zambia's self sufficiency in food production is under threat.

For the past three years an ineffective marketing system coupled with poor maize prices has caused farmers to opt for cash crops like tobacco, cotton and flowers which have a ready market both within the country and abroad.

A 40 percent drop in maize production has been recorded over this period.

Agricultural experts have warned that unless the government takes firm steps to find solutions to the problems faced by maize farmers, the country will soon face a serious shortage of grain and be forced to import.

They say at present most of the country's maize is grown by peasant farmers who are handicapped by a lack of resources and equipment.

Stanley Malama, a peasant farmer who lives in the northern Mkushi area, blames the situation on the poor marketing system which has left many maize farmers in a financial crisis.

He says there are thousands of bags of maize still lying unsold throughout the country to the detriment of the farmers.

The trouble started when the government stopped buying maize from farmers leaving it to the private sector. "Since then the marketing of maize has been poor, sometimes leading to a situation where farmers have been unable to sell grain," he says.

The maize growing season began a few months ago but not much progress has been made as the farmers say they are unable to afford fertilisers, that have more than doubled in price since last season.

While the country's vital maize industry appears to be in a crisis, the tobacco industry is flourishing. A 23 percent growth was recorded last year and this is expected to grow by a further two percent this season.

Zambia's exports to China, the European Union and other countries in the world are reported to have increased from 3,4 million kilograms last year to 4,2 million kilograms this year.

Graham Wallace, executive director of the Tobacco Association of Zambia (TAZ), attributes the growth to the liberalised economy prevailing in the country, coupled with the improved extension services provided by TAZ to tobacco farmers countrywide.

Export promotion

In the last three years TAZ has developed an extension programme and, with the help of the European Union, set up an export promotion. It also provides crop insurance, imports, marketing services and the supply of essential materials. As a result, Wallace says, there has been an improvement in both quality and yield.

Agricultural experts say that although similar extension services are being offered by the government to agricultural sectors such as food production, poor planning hinders growth in these areas.

For example, despite the fact that suppliers delivered fertilisers into the country by September last year, most of it has not yet reached the farmers.

"Of the total 32,000 tons of fertiliser required, only 2,000 tons have so far been distributed to Choma which is situated in the southern part of the country," one agricultural officer notes. – *Africa Information Afrique*

Dry heat propels white maize futures prices

Louise Cook BD 25/2/97 (3) MAIZE

THE continuing dry heat in the country's main maize production regions had pushed July futures prices for white maize up 9% since Thursday, SA Futures Exchange (Safex) agricultural market division GM Rod Gravelet-Blondin said yesterday.

Despite a larger area under cultivation this year, a considerably smaller maize crop was expected because of poor weather conditions. Last year 9,7-million tons of white and yellow maize were harvested, but current estimates for this year ranged between 7-million tons and 8-million tons.

The national crop estimates committee said it would wait a month before calculating the crop's probable size. Plantings had risen about 1,6%.

The National Maize Producers' Organisation (Nampo) yesterday predicted "crop failure", saying if export contracts with neighbouring countries were met, SA would be forced to import maize this year.

"The quantity would depend on the climate in the next two months," Nampo chairman Japie Grobler said. Maize Board chairman Vic Mouton said crop damage was "extensive".

Meanwhile, at Safex's agricultural markets division, volumes of maize futures contracts spiralled because of market uncertainty, exacerbated this year by the scrapping of all remaining price support systems.

Gravelet-Blondin said the division was experiencing "an absolute record month". The volume showed the extent to which role players were hedging risks in a fully deregulated market, he said. Yesterday July futures contracts for white maize closed at R628/ton, from R575/ton on Thursday.

Trade in maize futures grows

CT (BR) 27/2/97 (3) MAIZE

ANDI SPICER

Johannesburg — The volume of maize futures traded on the South African Futures Exchange (Safex) has increased significantly in the first two months of this year, Rod Gravelet-Blondin, the general manager of the agricultural markets division of the exchange, said yesterday.

More than 1 300 contracts have been traded this month compared with the 214 last month. He said this was because of "greater acceptance and understanding of the market (and) the realisation that the futures market has an invaluable function to play in a deregulated market".

The maize board, which previously controlled and regulated the market, will cease operations at the end of April, and traders and farmers are facing increased price uncertainty.

"Market players are increasingly turning to the agricultural futures market as one alternative to manage price risk. Throughout the world, the future market is fulfilling the function of a market-related, fully guaranteed risk-management facility," he said.

Maize farmers are warned to switch or sink

(3) MAIZE

Louise Cook BD 6/3/97

BOTHAVILLE — Maize farmers were losing R100 for every ton farmed and needed to switch to wheat, fresh produce and cut flowers urgently to offset losses, farmers at the National Maize Producers' Organisation (Nampo) annual congress said yesterday.

The organisation said that the total area under maize needed to be reduced by at least a further 850 000ha.

Nampo chairman Japie Grobler said the maize industry was in chaos and warned that unless farmers adopted sound business practices, order and stability would not be restored.

Switching to alternative crops was a way of hedging risks and surviving in a fully deregulated market.

Nampo financial director Kit le Clus said production costs had increased sharply last year and farmers were now paying an average R700/ton for inputs such as diesel, fertiliser and chemicals.

Maize farmers want levies repaid

(3) MAIZE BD 10/3/97

Louise Cook

MAIZE farmers have told Land and Agriculture Minister Derek Hanekom that an amount of R200m in levies paid last year to the maize board — due to be dismantled next month — should be returned to the farmers.

A delegate to the maize farmers' congress at Bothaville last week, Jub Jubelius from Hennenman, said the money was not the property of the maize board.

It should be returned to farmers and should not be deposited into a trust along with the board's other assets, he said. About 7 200 farmers had paid the levy last year.

The board, due to close at the end of April, had proposed to the National Agricultural Marketing Council that all its assets be placed in a trust, which would generate income for the provision of marketing information.

Hanekom rejected the idea that the levy money be separated from the rest of the board's assets, but he agreed the issue could be discussed when government made its decision on funding the needs of the industry.

The farmers pushed ahead with a resolution requiring that the National Maize Producers' Organisation (Nampo) start negotiating with the board on the repayment of the levies.

Sources said the amount could be as high as R200m, based on levy payments of R26/ton last year.

Meanwhile, the board's closure also threatens several sports sponsorships, among them the Wally Hayward marathon which is run every year at Centurion, the Phosphate 21 race which takes place at Phalaborwa, and the annual champion of champion amateur soccer competition.

The board has traditionally funded these events out of levy contributions. The last board-sponsored soccer match will be played in Pietersburg later this month.

Plans to find a way around the crisis facing these events were considered at the congress , but would need the support of Hanekom and other stakeholders outside the industry.

Another bumper maize crop predicted for Southern Africa

AAG 18/3/97

(3) MAIZE

MARIUS BOSCH

Johannesburg – Southern Africa could see a second successive bumper crop of its staple maize in 1997 although dry weather and excessive rains in some parts could affect production, the Southern African Development Community (SADC) said yesterday.

The SADC said in its March update to the regional grouping's Quarterly Food Security Bulletin that a tentative maize harvest of between 16,28 million and 20,50 million tons haD been forecast for 1997 compared to 20,34 million tons last year.

The 1997 crop could be almost double that of 1995, when drought reduced production to 11,1 million tons.

But the SADC said Southern Africa's largest maize producer, South Africa, could produce a maize crop of between 7,5 million and 9,8 million tons – considerably down on the 1996 crop of 9,93 million tons.

"Prospects for a good harvest have been dampened by the intermittent dry spells experienced in many parts of the summer rainfall region," it said.

Although South Africa's yellow and white maize plantings increased by 1,6 percent in 1997, "potential yields are likely to be reduced as a result of unfavourable weather conditions".

It predicted a domestic South African maize shortfall of 478 000 tons if the lower forecast of 7,5 million tons was considered.

In other SADC member countries, including Malawi, Mozambique, and Zimbabwe, flooding following incessant rains could reduce the potential maize yield, the SADC said.

And in Tanzania, a late start to the rainy season has drastically reduced the maize production outlook.

Tanzania's maize output will be reduced to between two million and 2,6 million tons from the 2,64 million last year.

"Production of rice and wheat are expected to be similarly reduced," the SADC said.

And Zimbabwe's maize harvest could drop to between 2,1 and 2,4 million tons from the 2,64 million last year.

"Production was initially forecast to surpass last year's level or, at the very least, match that level but the maize crop has been reviewed downwards given a reduction in planted area following a late start of the rains, coupled with excessive rains and waterlogging," the SADC said.

Mozambique could see another above average maize crop in 1997 following good rains and a significant increase in planted area.

The country could produce a crop of between 900 000 and 1,1 million tons, against last year's 947 000 tons.

The SADC said if the forecast regional maize harvest was realised, it would be more than sufficient to meet Southern Africa's projected consumption requirement and reserve stock needs of 19,96 million tons. – Reuter

SADC forecasts weather-affected maize harvest will still meet 20m ton target

Bumper crop for southern Africa

CT (BR) 18/3/97 (3) MAIZE

MARIUS BOSCH

Johannesburg — Southern Africa could see a second successive bumper crop of the maize staple this year, although dry weather and excessive rains in some parts of the region could affect production, the Southern African Development Community (SADC) said yesterday.

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But SADC said southern Africa's largest maize producer, South Africa, could produce a maize crop of between 7,5 million and 9,8 million tons, considerably down on last year's crop of 9,93 million tons.

Though South Africa's yellow and white maize plantings increased by 1,6 percent this year, SADC said "potential yields are likely to be reduced as a result of unfavourable weather conditions".

It predicted a domestic South African maize shortfall of 478 000 tons if the lower forecast of 7,5 million tons was considered.

In other SADC member countries flooding subsequent to incessant rains could reduce the potential maize yield, SADC said. But in Tanzania it was the late start to the rainy season that had drastically reduced the maize production outlook.

Zimbabwe's maize harvest could drop to between 2,1 and 2,4 million tons from the 2,64 million of last year.

Mozambique could see another above-average maize crop this year following good rains and a significant increase in planted area. The country could produce a crop of between 900 000 and 1,1 million tons, against last year's 947 000 tons.

SADC said Botswana's cereal harvest could drop by about 60 percent to 35 000 tons from last year's 91 000 tons, mainly because of a substantial reduction in area planted. It forecast a Botswanan maize crop of between 6 000 and 10 000 tons from last year's 23 000 tons.

SADC also said if the forecast regional maize harvest was realised, it would be more than sufficient to meet southern Africa's projected consumption requirement and reserve stock needs of 19,96 million tons. — Reuter

Maize crop expected to drop by 2m tons

(3) MAIZE

NICOLE MORDANT

CT(BR) 21/3/97

Johannesburg — South Africa's maize crop will be almost 2 million tons smaller than last season, scotching hopes of another bumper harvest and strong export earnings for the country, latest official estimates show.

Output could be driven lower still if the widespread rains seen in recent weeks did not continue, industry experts said yesterday.

Releasing its first official crop estimate, the National Crop Estimates Committee said yesterday that it expected a new crop of 7,564 million tons, sharply down from 9,484 million tons last year.

The crop, which will be harvested from May, was expected to deliver 4,002 million tons of white maize and 3,562 million tons of yellow maize. This compared with 5,440 million tons of white and 4,044 million tons of yellow last year.

Kobus Smit, the chairman of the crop committee, said dry weather in the major maize-growing areas of the North West province and western Free State was the culprit behind the fall. "The crop is a little above average and it is a bit more than average consumption which is between 6 million and 6,5 million tons," he said.

Asked if there was scope for an increase in the estimate, which is revised monthly, he said: "No, it should not go up ... If the rains continue like this for another month or so it should be maintained."

The US agriculture department slashed its estimate of South Africa's harvest earlier this month by 1 million tons to 8,5 million tons.

Kit le Clus, a director at the National Maize Producers Organisation, said that, with the crop approaching a balance between supply and demand, the industry should finish its procurement as soon as possible.

"We advise farmers and consumers to urgently contract forward with one another to prevent the exports of further maize. There has been some maize contracted for exports already," Le Clus said. — Reuter

Smaller maize crop could cost SA R1bn — analysts

BD 24/3/97

(3) MAIZE

Louise Cook

THE new maize crop would be smaller than last year's, and could cost the country R1bn in potential foreign exchange earnings, analysts said at the weekend.

Ending weeks of speculation, the National Crop Estimates Committee said at the weekend initial indications were that the 1997/98 crop was heading for about 7,5-million tons, 2,1-million tons below last year's crop.

With the exception of soya beans and dry beans, all other summer crops were also expected to be down on last year, the committee said.

Agrimark economist Johan Willemse said the smaller maize crop was likely to affect the economy, generate R1bn less than last year in foreign exchange earnings and marginally slow down the growth rate to about 2,5%.

Absa Bank agricultural division GM Andre Louw said while the potential to earn foreign exchange was less favourable than last year, maize farmers did not face the threat of having to export surpluses at low world prices, which had occurred in some years.

"This year farmers will really have to come to terms with price uncertainty and the free market," he said.

Meanwhile, futures prices for maize had eased since rain started to fall in March. SA Futures Exchange agricultural markets division spokesman Graham Voller said panic reflected in July futures prices a month ago (when white maize July futures shot up by R50/ton within days) had since subsided. Futures prices of both white and yellow maize were generally stabilising. Last week they had closed at R618/ton for July white futures and R605/ton for July yellow futures.

National Maize Producers' Organisation chairman Japie Grobler said this year the maize crop balanced out well with local demand.

"With the prospect of the crop being in tandem with domestic consumption, prices of between R550/ton and R600/ton, depending on location, are quite realistic at the moment," he said.

The committee said the remaining summer crops were estimated to be: 450 000 tons for sunflower seed, 105 000 tons for ground nuts and sorghum 342 000 tons.

Maize Board set to bow out of scene

By Morgan Naidu

After months of wrangling and much debate, the final curtains are set to be drawn on the Maize Board, formed during the apartheid years.

Agriculture Minister Derek Hanekom announced yesterday that Leon du Plessis, chief executive of the board, had been ordered to "wind down the matters of the Maize Board".

He will work on a contractual basis from next month until October, or until a liquidator is appointed.

The move has been on the cards for several months, after Hanekom announced his intention to push for the deregulation of the maize industry, which has long been cushioned by the board's policies.

Hanekom's deregulation plans, a bid to free up the market and enhance competition, have now reached a stage where they can be implemented.

Some traders hailed the decision as one which will create competition and do away with fixed prices for maize, leading to savings for the consumer.

However, the biggest impact, say traders, will be on the farmers who produce the maize.

One Gauteng trader who buys from the farmers and sells to the mills, said the phasing out of the Maize Board would put farmers at risk since they could not expect a guaranteed price.

With no regulation of prices and policies, the farmers may find it difficult to sell any surplus, the trader said.

Previously, the board ensured a minimum or floor price for the maize, and also had the infrastructure for export.

Star 15/4/97

3 MAIZE

INSIDE AGRICULTURE

The real difference between eggs and maize

CT (BR) 18/4/97 (3) MAIZE

The drama surrounding KWV's ambitions to convert from a co-operative to a company while retaining effective control of wine marketing could have been avoided.

So, too, could the government order for the closure of the Maize Board.

These organisations should have taken early action, as others did, by converting to a company and shutting down before the government could reap political kudos.

Before the 1994 elections, various World Bank reports on South African agriculture made it plain that farming co-operatives and control boards should be dismantled.

Agricultural academics at the universities of Pretoria and Stellenbosch and government policy advisers bankrolled by World Bank member countries, seized on the bank's views. The tune has never changed.

But some agricultural industries were quick to pre-empt the ANC.

There used to be an Egg Board. It had an enormous building in Pretoria East near the Armscor building. In its last days there were only three shell-shocked personnel left rattling around, winding up the board's affairs. The industry had decided to shut the board.

JUSTINE NORFAL

The same thing happened to the Dairy Board, Potato Board, Banana Board, Lucerne Board and the Rooibos Tea Board. Companies or voluntary producer organisations replaced them.

All the warning signs were there, and there were precedents for KWV and the maize industry to follow.

Instead they waited years for a new government they always knew would be hostile to agriculture, to take power.

Then they waited for the inevitable change in legislation, which came. Law now allows the government to threaten KWV's power by eyeing its assets, and to close down the Maize Board, although the industry still needs it.

It is not that the egg and potato farmers are so much smarter than the maize and wine farmers. Rather, the answer lies in the nature of the agricultural products.

Central, statutory control does not suit the marketing of highly perishable products. A Lettuce Board? Not likely.

Marketing commodities such as grains and bottles of wine, which have a long silo or shelf life and are easily shipped around the world, are a different story. Strong central commodity marketing is done not out of a sense of megalomania — though of course megalomania did raise its silvery head at the Maize Board and KWV – but because of the realities of international trade.

If it is easy for South Africa to send its maize or wine around the world, how readily the more subsidised countries can dump products on our own shores? This could destroy local industries.

That is why KWV and the maize industry were slower than other industries to bow to the inevitable.

Do you think that once the KWV is bare and the Maize Board is no more than another empty building in Pretoria, that the idea of statutory control of these commodities will have perished? It will rise again and there is a precedent for this too.

In 1992 the Dairy Board closed. It did not take long for the industry to realise that central control was necessary, if for no other purpose than to prevent hundreds of tons of milk powder being dumped in South Africa. The Milk Board was born.

The politicians know all this, of course. There is provision in the new Marketing of Agriculture Product Act for small "in-house" control committees inside the department of agriculture.

Can a Cabbage Committee be far off?

Conflict looms over Maize Board's assets

bD 22/4/97 (3) MAIZE

Louise Cook

CONFLICT is looming between government and maize farmers over the ownership of the Maize Board's R250m assets, with suggestions that Agriculture Minister Derek Hanekom wants to use them to repay the board's decade-old R177m debt to the Land Bank.

The former government agreed in 1987 to take over the board's debt, which arose from changes made to the maize scheme. The board is about to be dissolved as part of the new government's bid to facilitate free trade.

According to a document prepared by African National Congress think tank the Land and Agricultural Policy Centre, the present government's commitment to the debt deal could be in question. Hanekom was not available for comment.

The National Maize Producers Organisation (Nampo) has claimed the board's R250m assets to form a maize trading company it says is required to "minimise (the) repercussions" of the newly opened maize market.

Nampo said the assets were acquired from funds built up through stabilisation levies imposed on farmers. As farmers paid the levies for the sole purpose of market stabilisation, it would be "totally unacceptable" to use the money for any other purpose.

But the policy centre said the proposal was so "ridiculous and outrageous" that it seemed a "cynical attempt to pressure the minister to pay out Maize Board assets to farmers".

The centre warned the agricultural futures market would shut down should Nampo's plan be implemented. "The futures market cannot grow if there is continued ad-hoc intervention in the market with statutory money."

National Association of Maize Millers executive director Jannie de Villers also said it would be irresponsible to support the proposal. "This would leave virtually no money for setting up a trust fund designed to support research and development of the industry."

The centre said legislation provided that the assets pass to the minister, to be used at his discretion for the advancement of the industry. However, the issue was complicated by the status of the Land Bank debt, and government should ensure the matter was resolved as a matter of priority.

□ Reuter reports that the SA National Crop Estimates Committee has estimated this year's commercial maize crop at 7,66-million tons, up on last month's forecast of 7,564-million tons, but still sharply down on last year's crop of a revised 9,694-million tons.

This year's crop was expected to be 4,109-million tons white maize and 3,551-million tons of yellow, the committee said in its second official estimate for the new season. Last year's crop was 5,836-million tons white maize and 3,858-million tons of yellow.

Millers oppose call for funds to farmers

Maize Board assets a bone of contention

CT(BE) 22/4/97

(3) MAIZE

ANN CROTTY

CONSUMER INDUSTRIES EDITOR

Johannesburg — Representatives of the National Association of Maize Millers (Namm) have said it would be irresponsible for the Maize Advisory Committee to support the recommendation by the National Maize Producers' Organisation (Nampo) that large payments be made to farmers from the assets of the Maize Board, which is to be wound up next week.

Nampo has proposed that the entire balance of the stabilisation fund from the previous two seasons, which amounts to more than R200 million, should be distributed to maize producers. According to Namm, this would mean that virtually no funds would be available for setting up the trust fund designed to support the future research and development of the industry.

The advisory committee had agreed the assets of the Maize Board should be transferred to a trust and the income from this trust be used to the benefit of the industry as a whole.

Jan de Villiers, the executive director of Namm, said that, with next week's closure of the Maize Board, it was necessary to establish a central body that could undertake certain crucial industry-related functions such as research and the collection of market information which would benefit all the parties involved.

"The agriculture department had said it would not undertake any research and development for the maize industry, so it is up to us to organise these functions," De Villiers said.

He said the members of the advisory committee, including Nampo, had earlier agreed to the establishment of a trust. Industry analysts said the final decision on what would be done with the R200 million rested with Derek Hanekom, the agriculture minister.

However, advisers to the minister said Hanekom was keen that all the affected parties reach an agreement, upon which he could then act.

Undermining Nampo's recommendation that the money be paid to farmers is the existence of a contingent liability of about R177 million, which relates to accumulated losses incurred by the Maize Board.

This debt, which was owed to the government, reflected payments to farmers to top up what they had earned in the export market. "During some years when the international maize price was weak the farmers were paid more than the Maize Board had earned in the export market.

"This money may be owed to the government, but everyone should realise that it was funded by taxpayers," said an analyst.

He said the central issue about what should be done with the R200 million was similar to the dispute around KWV's plans to convert from a co-operative to a company and to the discussion about what should be done with the assets of the fruit industry.

"If government is keen to move towards a deregulated market, it is important that something equitable is done with the assets built up by various parties through their role in implementing certain regulatory functions," said the analyst.

Maize Board's R37,6m is withheld

BD 23/4/97 (B) MAIZE

Louise Cook

THE agriculture department confirmed yesterday it was withholding R37,6m from the Maize Board this month pending a decision on the board's controversial R177m debt to the Land Bank.

The payment is a refund of monthly interest payments to the bank by the board and is refunded to the board each year in April. However, agriculture department financial director Tommy Marais said the money would be held back this month.

"The budget provides for a R37,6m refund. But this depends on the whole issue of the R177m debt and what happens to that."

Land and Agriculture Minister Derek Hanekom faced a decision on whether to repay the Land Bank R177m from the Maize Board's R250m assets or whether to continue with a decade-old arrangement by which government paid the bank on behalf of the board.

The previous government agreed in 1987 to take over the board's debt, which arose from changes in the maize scheme.

The board is about to dissolve as part of government's bid to facilitate a free market. A document by ANC think tank, the Land and Agricultural Policy Centre, suggested government's commitment to the debt deal could be in question.

The Animal Feed Manufacturers' Association came out in support of maize buyers yesterday, saying it "would be wrong" to use the board's assets to settle the debt.

Meanwhile, there was also uncertainty about a refund claimed by farmers from the board's stabilisation fund.

Maize Board GM Leon du Plessis said the maize advisory committee considered a proposal by the National Maize Producers' Organisation (Nampo) on the issue last week, but could not reach consensus.

Nampo claimed R250m to form a maize trading company it said was required to "minimise the repercussions" of the newly opened maize market. But other stakeholders have called for a trust to be formed to support research and development in the industry.

MAIZE *R250m farm repayments at issue*

Legal fray looms over Maize Board's funds

CT(BR) 25/4/97 (3) MAIZE

ANN CROTTY

CONSUMER INDUSTRIES EDITOR

Johannesburg — A legal battle is about to break out in the maize industry over the issue of repayment to maize farmers of some R250 million in the Maize Board's stabilisation fund, industry sources said yesterday.

At a Maize Board meeting on Wednesday, the National Maize Producers' Organisation (Nampo) put forward a resolution that the fund's monies be paid out to farmers.

It also supported a suggestion that Nampo and the South African Agricultural Union be given R16 million to finance their first year of operation without the Maize Board. There was no agreement on either resolution.

Nampo's resolutions follow an unsuccessful approach to the Maize Advisory Committee (MAC) on April 17. Leon du Plessis, acting chairman of MAC, said the committee could not reach consensus on the issue.

Du Plessis said yesterday: "The Maize Marketing Scheme ... does not provide for repayment to producers." He said the various parties had previously agreed that all the assets of the board be used to establish a maize trust to benefit the whole industry.

In terms of the new Agricultural Marketing Act, the Maize Board closes on Wednesday and, according to Du Plessis, "... at that stage all of the board's assets fall back to the minister of agriculture".

Du Plessis said there were indications that Nampo might take legal action. However Giel van Zyl, Nampo chief executive officer, said the association was waiting to see what would happen.

Listing could follow food group merger

(3) MAIZE
BD 12/6/97

Samantha Sharpe

CAPE TOWN — Former agricultural co-operatives Bokomo and Sasko have joined forces to create a new player in the food sector with an annual turnover of R3,5bn, significantly enhancing prospects of a stock exchange listing.

The merger is subject to shareholder approval — 80% of Sasko's shareholders are also owners of a 40% stake in Bokomo — and acceptance by the Competition Board. However, the as yet unnamed new company is expected to be formed by October 1.

Bokomo CEO André Hanekom said Sasko's extensive distribution network, rapidly growing international division and technological strengths fitted perfectly with Bokomo's strongly branded products and food interests. Both suffered inherent weaknesses in their product baskets.

"A merger will create a strongly diversified group with great bargaining power in the market place and will of-

Continued on Page 2

Merger

(3) MAIZE

Continued from Page 1

BD 12/5/97

fer an impressive range of competitively priced food products."

While a listing was not likely immediately, a potential acquisition or a need for funds could move this to the top of the agenda.

Hanekom said Sasko and Bokomo brands would be managed by separate, competing sales forces. Rationalisation from the merger would affect about 130 staff members at head office level.

Sasko CEO Stephan Bellingan said while the deal was subject to Competition Board approval, he was confident this would not be a stumbling block. "Our businesses really overlap only in the milling and baking area, and there only in the Western Cape, so we are fairly confident we will get the green light."

Formalisation of the new structure would take place on conclusion of the respective shareholders' meetings, with the companies to operate under joint management until their annual general meetings in March, when a new board would be constituted.

Bellingan and Hanekom said the merger was expected to improve respective share values and enhance prospects of a listing. Joint earnings were estimated at R130m and total assets at R1,54bn, effectively placing the new company in the JSE's top 100 should it be listed.

Bokomo, Sasko plan food merger

(355) (3) MAIZE

MARC HASENFUSS

CAPE EDITOR

CT (BR) 12/5/97

Cape Town — Bokomo and Sasko, two of the country's oldest "agri-businesses", based in the Western Cape, announced plans on Friday to merge in October this year, but executives played down speculation of a possible JSE listing.

In a joint statement, the companies said the merger would create a new company — yet to be named — with assets of over R1,5 billion. Turnover would top R3,5 billion and generate earnings of about R130 million.

The companies said Bokomo's brands in diversified food interests — especially its strong position in the breakfast food market, the prepared frozen food market and the poultry industry — would be complemented by Sasko's interests in the wheat milling and baking industries, nationwide distribution and a growing international division.

Andre Hanekom, the chief executive of Bokomo, said the companies' brands would all stay in the market place. Brands included Weetbix, Mama's Pies, Nulaid, Bokomo Corn Flakes, Vita Bread, Sasko Cake Flour, Sasko Bread, Munchmore, Super and Champion Maize Meal.

"Rationalisation will probably be only limited to head office and maybe the Western and Eastern Cape milling operations where there is some overlap."

Despite indications the group could head for the JSE, Stephan Bellingan, the chief executive of Sasko, said a listing was not the sole reason for the merger.

"It could happen in the future, but we must have a good reason for wanting to go to the market."

Food industry sources said on Friday that Sasko owned an 88 percent stake in Northern Bakeries, was is listed on the JSE's Food board.

(B) MAIZE

Citizen 12/5/97 (BC)

Co-operatives sell 70% of maize exports surplus: South African co-operatives were successful in selling 250 000 tons of yellow maize to Iran in the past week, Unie Graan co-operative said on Friday. The co-operative said the quantity of maize was part of the surplus of yellow maize to be exported this year. Based on the national crop estimate of 8,2 million tons, more than 70 per cent of the expected export surplus had already been sold by the grain co-operatives and grain traders for export purposes.

High maize price hits Brenner Mills

(3) MAIZE

Janet Parker BD 14/5/97

MAIZE millers Brenner Mills dropped after-tax profit 2,5% to R5,6m in the year to February mainly as a result of high maize prices and pressure on margins in the first half of the year.

Brenner financial director Stephen Graham said that as maize prices relaxed during the course of the year, the group was able to improve its margins and was expecting better market conditions in the year ahead.

Share earnings dipped to 24c (1996: 24,6c) and no dividend was declared owing to future distribution plans.

Turnover was down 6,4% to R128,9m, and operating profit dropped 21% to R7,6m from R9,6m for the previous comparable review period.

Brenner reported an interest income of R741 000, a turnaround of R1,6m from last year's R834 000 interest paid. Graham attributed the turnaround to improved cash flow.

"Millers were forced to pay for maize up front due to the deregulation of the maize board, and bulk purchases resulted in higher inventories, but Brenner remains extremely liquid and ungeared," he said.

Pre-tax profit dipped 5,3% to R8,3m, but the lower effective tax rate, which eased the tax burden 10% to R2,7m, resulted in earnings being only 2,5% down on last year's figure.

Brenner's capital expenditure increased 132,5% to R4,3m.

Graham said the increase was the result of costs associated with the rationalisation of the mills in Louis Trichard, a process which would continue this year.

He said that the group was expecting a "satisfactory" maize crop in the coming year and an improvement in earnings.

Brenner Mills also manufactures malt, produces animal feed and does business as a grain merchant.

between April and November next year — [illegible]

3 MAIZE

EXPORTS

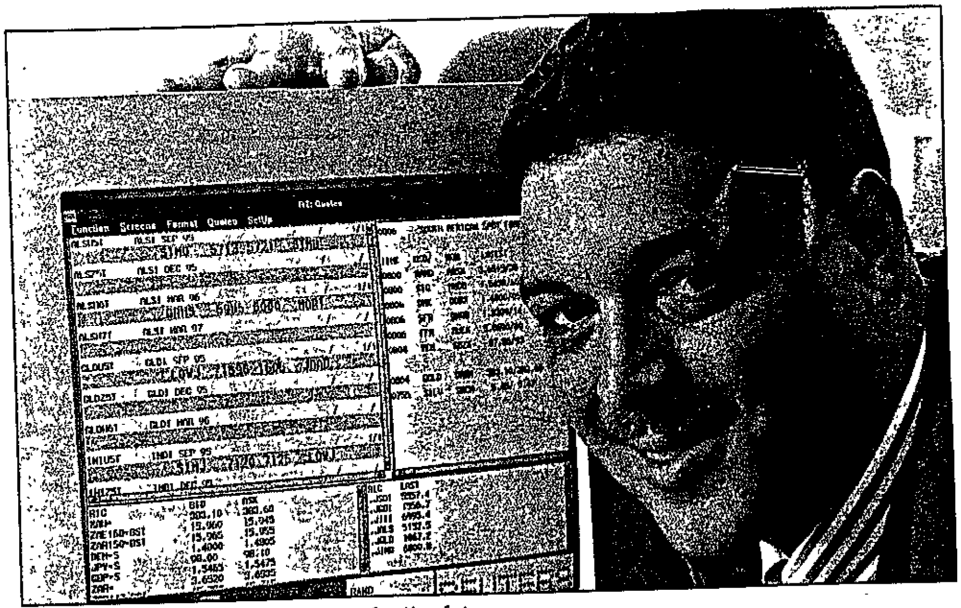
South African white maize sent to Kenya

South African traders are exporting white maize to Kenya following a drought which has created food shortages throughout the east African region, industry sources said yesterday. At least 70 000 tons have already been shipped with more being loaded on to ships.

Kenyan officials said recently about 1,5 million people faced food shortages, even after the rainy season started.

Konrad Keyser, director of grain marketing at SentraalWes, one of South Africa's biggest agricultural co-operatives, said in general white maize would be exported first and in greater quantities this season. Yellow would follow later. — *Reuter Johannesburg*

CT (BR) 6/6/97



Graham Voller . . . growing futures for the future

MAIZE PRICES

3 MAIZE

Industry a husk of last year's giant

FM 20/6/97

Market jitters as late rains keep farmers out of fields and slow down exports

A possible four-week delay in the delivery of large segments of this year's 8,2 Mt maize crop could help depress second-quarter GDP growth figures. The hitch has been caused by heavy, unseasonal rains since May.

While some traders and former co-operative millers might also feel the pinch as they cannot find volume to meet contracted maize exports, the crop should still provide gross earnings of R4bn-R4,5bn.

"But based on projected average producer prices for the year of R500/t-R550/t, gross revenues to farmers would be well below last year's R5,5bn, earned from a bumper 10 Mt crop and bullish export prices," says National Maize Producers' Organisation GM Giel van Zyl.

Fortunately the rains also have an upside as the replenished underground moisture reserves should ensure a bumper winter wheat crop in the Free State. The wheat crop, due to be harvested from November onwards, could exceed the past season's bumper 2,7 Mt crop, says Tiger Oats full-time consultant Boris Kaplan.

But, he adds, this will depend also on Western Cape growing and harvesting conditions — and on the potentially negative effect of the eastern Pacific's El Nino hot seawater phenomenon, traditional harbinger of southern African drought and heatwaves.

"It's a matter of concern that, according to US weather experts, the signs are there that El Nino has clicked in earlier in the season than normal. This means next year's maize crop could already be under threat. A bumper US crop is also affecting the export price outlook and possible crop financing problems with commercial banks in the coming season might well result in maize shortages by next year," says Van Zyl.

These are the uncertainties that typify a free market — and they underline the growing price hedging importance of Safex's agricultural marketing division (AMD).

AMD operations manager Graham Voller says white maize July futures prices moved up 12 points in the week to last Friday — from R571/t to R583/t. And, he adds, "open interests" in futures contracts increased by of 223 new contracts during the week — to a total of 2 565 contracts.

Van Zyl says a "properly operating" and well-supported agricultural futures market is essential for the growth and development of the maize industry.

He adds that the temporary shortage of white maize has already led to some price spikes on the spot market. **Arnold van Huyssteen**

Promising start in maize exports

CT(BR) 3/7/97 (3) MAIZE

NICOLE MORDANT

Johannesburg — South Africa has exported about 250 000 tons of mostly white maize to Venezuela and Kenya since the start of the new season on May 1, shipping sources said yesterday.

Most of the maize was left over from last year's crop as rains had delayed the 1997 harvest by up to six weeks, a source at one of South Africa's two main maize-shipping agents said.

Announcing the winner of an 80 000 ton tender, Kenya's National Cereals and Produce Board said earlier an initial 25 000 tons would be sourced from South Africa. The load was expected to arrive early next week.

"More of the balance of maize imports will also be sourced from South Africa or the southern Africa region," the board said. A London-based commodity house won the tender.

Shipping sources estimate South Africa will export about 1,2 million tons of maize this season (May-April) out of an estimated commercial crop of 7,66 million tons. However, much would depend on the damage caused by recent snow and rain.

Some analysts said yields and quality would only be slightly affected, but others said less top-quality WM1 white maize and more poor-quality WM3 yellow maize was expected this year.

South America regularly buys white maize from South Africa. The imports of maize to Kenya follow a drought which has caused food shortages throughout the east African region. — Reuter

Rain delays maize crop

(3) MARE

MARIUS BOSCH

CT(BP) 8/7/97

Johannesburg — Heavy rains had delayed South Africa's 1997 maize harvest, industry officials said yesterday.

Normally, harvesting would be completed by the end of this month, but the National Maize Producers' Organisation (Nampo) said harvesting could continue into early September.

Giel van Zyl, Nampo's general manager, said that in the eastern and north-western areas, farmers were struggling to start harvesting. However, in Gauteng and the Free State harvesting was in full swing.

Rob Blondin, of the South African Futures Exchange, said maize future prices were unaffected by the lateness of the crop. July yellow maize remained steady at R553. White was bid at R590 and offered at R600 from a R590 settlement on Friday.

Premier Milling's procurement head, Schalk Pienaar, said the delay had raised spot prices, which were experiencing further upward pressure from early export commitments. — Reuter

MAIZE CT (BR) 15/7/97

AGRICULTURE

Late maize harvest proves worth the wait

South Africa's maize harvest, set back by more than six weeks by unseasonal rain and extreme cold, was in full swing, and early indications were that yields would be higher than expected, analysts said yesterday.

Physical and futures trading had started picking up last week, analysts said, although yellow maize supplies were thin as farmers held back in the hope of securing higher prices. "I think we have now reached ... full harvesting," said Giel van Zyl, general manager of the National Maize Producer's Organisation. "The maize is coming in fairly rapidly."

Although poor weather conditions had caused some crop damage in the eastern Mpumalanga province, overall yields looked good. Some traders said they were hearing reports of yields at 5,5 tons per hectare, compared to earlier expectations of between 3,5 and 4,2 tons. The next official maize crop estimate is due on July 21. The June forecast was left unchanged from May at 7,660 million tons. — *Reuter, Johannesburg*

Zambia may import SA maize

(3) MAIZE BD 16/7/97

Chilombo Mwondela

LUSAKA — The Zambia National Farmers' Union has forecast a shortage of maize for the coming year, and the agriculture ministry has said it expects imports from SA and Zimbabwe to make up the shortfall.

Zambia normally produces about 15-million tons a year, but it is expected to see a shortfall of about 270 000 tons in the coming marketing season.

The union said the shortage would be caused by a drop in the amount of maize planted. A key reason for reduced planting was the 1993 deregulation of the market, which led to lower prices after the government's set price for maize fell away, prompting some farmers to switch to other crops. A second reason was that fertiliser imports had not arrived in time for planting.

An agriculture ministry food security bulletin issued last month said 675 565 hectares had been planted during the 1995/96 season, against only 649 039 hectares for the past season.

The bulletin said the output of most crops had gone down, with the exception of groundnuts and millet. Excessive rain had also destroyed crops.

Farmers' union president Ajay Vashee said demand had not risen to meet the supply in the previous season despite reduced production.

"People simply do not have money to maintain standards of living, and their buying power has declined drastically. Until the economic situation improves maize farming will continue to be unprofitable," he said.

Vashee said farmers were expecting maize prices to rise in November and December when expected shortages were experienced. "If that doesn't happen then further reduction in the area planted is expected in the next season."

He said farmers needed to be able to export maize to countries like Namibia and Congo, which had shortages, in order to get better prices. At present there was an export ban on Zambian maize because there were insufficient stocks in the country.

Shortage will be temporary as yields could beat forecast

White maize prices get boost

CT (Bus) 22/7/97 (B) MAIZE

From Reuter

Johannesburg — Prices for South African white maize are being pumped up as the crop, rolling in after a rain-delayed harvest, is whisked off the land and railed to the coast to fill export commitments to Kenya and South America.

But industry analysts said the shortage would be temporary as maize yields appeared higher than expected after fears that the wet and cold weather had damaged crops.

"The ships are in the harbour and traders have to get the maize down there. There is little available for the local guys," a trader said.

July white contracts on the South African Futures Exchange (Safex) rose 900c last week to finish at R597 a ton. Near month yellow maize slipped 500c to R552 in quiet trade.

"The market is telling us there is a shortage of white at the moment," said Rod Blondin, Safex's general manager of the agricultural markets division.

Traders said export slots had been fully booked up to the end of August. Konrad Keyser, the grain marketing manager at Sentraal Wes — the country's largest grain co-operative — said between 30 and 35 percent of maize in its growing area had been harvested, and quality and yields were looking fairly robust.

"At the beginning there were some quality problems with all the rains we had. At this stage I feel there will be a bit more (lower) Grade 2, but that will not be much of a problem. And yield-wise it looks like it is better than expected," he said.

Traders said the squeeze on white maize would ease off as more maize was harvested. They slammed the National Maize Producers' Organisation's (Nampo) statement last week that there would be shortage for the whole season.

"It is not as tight as the producers say. The final crop figure will probably be around 8,2 million tons, split pretty equally between white and yellow maize," one trader said.

South Africa's official forecast estimates a harvest of 7,66 million tons, which is one to two million tons above consumption.

A trader said, based on an 8,2 million ton estimate, some 650 000 tons of white maize would still be available at the end of the season after accounting exports, consumption and carryover.

Nampo last week said even if the crop estimate was 10 to 15 percent higher, white maize would still be in short supply. It said the current position was exacerbated by export commitments of some 1,3 million tons of mostly white maize.

Traders said the early build up of El Nino, a weather phenomenon which has previously caused devastating drought in southern African, was talked about in the market but had not yet had an effect on prices.

Safex's Blondin said the last trading day for July contracts would be today. A contract for July next year is to be listed on August 1, he said.

Farmers unlikely to get Maize Board money

BD 23/7/97

③ MAIZE

Louise Cook

A MINISTERIAL group which met yesterday to decide on R250m claimed by farmers from the defunct Maize Board remained tight-lipped after the meeting, but sources said it was "unlikely" farmers would have any luck.

The committee, headed by National Agricultural Marketing Council chairman Eckart Kassier, failed to issue a statement after the meeting. The whereabouts of the meeting was also not disclosed.

However, Kassier reportedly told dairy farmers at Hartenbos last week that no money would be paid out to farmers following the closure of the agricultural control boards.

Several boards have shut, or are in the process of shutting down this year, and the furore which broke out over the fate of their assets has occupied the new marketing council since the start of the year.

Indications were that in most cases the boards' assets would be put into several industry trusts.

Returns on the investments would be used to develop the industries.

Kassier told the farmers last week "there was no argument" over the assets belonging to the state as these had been acquired through statutory laws.

But the R250m belonging to the now defunct Maize Board has also been targeted by the Land and Agriculture Policy Centre — an African National Congress think-tank on farm issues — to settle a decade-old R177m debt to the Land Bank.

The previous government inherited the debt 10 years ago when it agreed to take over the Maize Board's obligations to the bank.

This year the agriculture department refused to pay the interest on the loan, leaving the board to sort it out.

Kassier was not available for comment after yesterday's meeting.

However, industry sources said the farmers' chances of getting any money from the committee were "remote" — government wanted the money to be made available to all stakeholders in the industry.

El Nino set to hike maize price

Sowetan 24/7/97

(3) MAIZE

Poor harvest expected in SA because of drought

By Mathatha Tsedu
Political Editor

THE SOUTH AFRICAN National Maize Producers Association warned South Africans last week that the price of maize may rocket next year as a poor crop was expected because of the imminent drought being brought about by the return of El Nino.

The warning was sparked off by information from American scientists who study long-term weather patterns to help agriculture plan its planting and harvests.

South Africa received the information through the cooperative machinery between the United States (US) and this country called the Bi-National Commission (BNC).

Known formally as the US-South Africa Bi-National Commission, it was formed in March 1995 and is headed by Deputy President Thabo Mbeki and his US counterpart, vice president Albert Gore.

At the top of the BNC is a biannual plenary session held alternately in the two countries and chaired by the two men.

But this is the razzmataz and public display of the BNC; an occasion for a photo opportunity and the issuing of joint statements committing the two countries to further cooperation.

The real work of the BNC happens away from the glare of the TV cameras, in six subcommittees headed by cabinet ministers or secretaries (in the case of US ministers).

Bureaucrats from the two countries, as well as non-governmental organisations and business people, make up the various committees and it is at this level that real work actually happens.

The six committees are: agriculture; conservation, environment and water affairs; human resources development and education; science and technology; sustainable energy; and trade and investment.

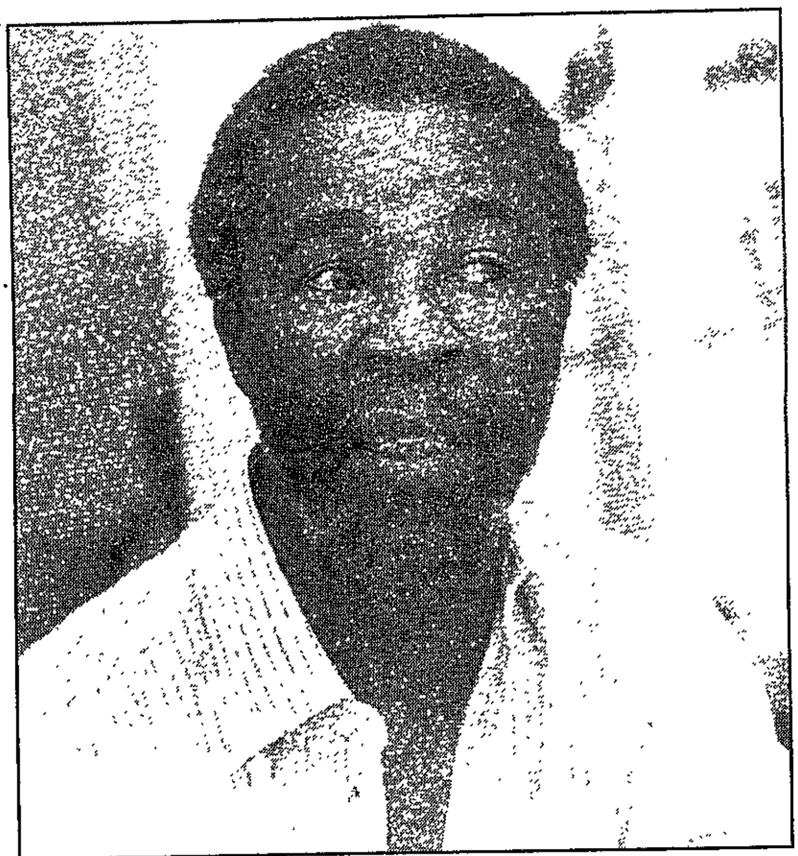
A report prepared by the Department of Foreign Affairs, which acts as the secretariat for all government departments, shows that in pursuance of its goals of facilitating "increased bilateral cooperation on key issues of mutual concern", a number of projects were reported on at the last meeting in Cape Town in February.

These include:

- Thirty agricultural projects that include rural financial service institutional development, rural cooperation development (as well as emerging farm and agri-business entrepreneurial development) and a combined booklet on import and export requirements for both countries.
- Thirty nine projects under the conservation, environment and water committee. These include an educational thrust which attempts to highlight the existence of various careers in the fields covered by this committee.

This committee is also working on a project to develop methods of flood prediction for the Vaal River catchment, which could offer potential for cooperation, seminars and exchange visits.

The water committee has also launched a project to clear Table Mountain in Cape Town of all "invasive alien plants", which will enhance the tourism potential of the Mother City.



Deputy President Thabo Mbeki ... he heads the US-SA Bi-National Commission together with US Vice-President Albert Gore.

- The human resource and education committee is involved in a project in which Labour Ministry officials will be trained by their US counterparts in labour statistics and administration, management of research and assistance with health and safety administration.
- The science and technology subcommittee aims at sharing technology and training, and it is through this deal that the information on the threat posed by a new El Nino was shared with South Africa.

A programme known as Globe Agreement, signed by Mbeki and Gore, aims at improving student achievement in science, mathematics and technology.

- The trade and investment committee is negotiating a tax relief treaty that will abolish double taxation on US companies doing business in this country, thus removing one of the stumbling blocks to investment.

Through the BNC, a South African drug manufacturer has been allowed to export bulk generic pharmaceutical products which had been prohibited in the US before.

This special relationship between South Africa and the world's only superpower has become the source of envy of many countries who wish to establish the same relationship with this country.

The United Kingdom is looking at a forum to enhance its relationship with its former colony, while discussions are under way with Russia and France, deputy director-general for Europe and the Americas, Tebogo Mafole told *Sowetan*.

A forum similar to the BNC was to have been inaugurated in June with Germany, but this had to be postponed when Mbeki got mired in the Congo peace initiative.

While officials at Foreign Affairs wax lyrical about the BNC, the cost of organising and holding these elaborate show meetings is prohibitive and it is this concern that is stalling negotiations with other countries.

"But if you look at it in foreign exchange terms, when Gore comes to town, that is a major production that brings in millions of dollars and whatever is lost on our leg is recouped manyfold that way," the official said.

'There is no doubt that useful benefits accrue to South Africa'

There is no doubt that useful benefits accrue to South Africa out of these meetings, including just basic networking with senior counterparts from the US.

The projects listed are impressive, but they will need to bring dramatic results in job creation to capture the imagination of the unemployed millions and their relatives who carry the burden of assisting them.

Another concern, however, is political. To what extent does the BNC make South Africa a lackey of the US, and is this special relationship at the expense of a stronger bond with Africa and other non-developed countries?

While South Africa stands to benefit from investments, training and shared information, the US is motivated by a desire firstly to create a market for its products as South Africa is rated among the 10 emerging markets of the world.

But secondly, and perhaps more importantly, politically a good relationship with South Africa is a "good sell" with US voters, while it also provides the US government with a strong ally in the region, where ongoing elbowing with France for hegemony is a daily game.

As Mbeki jets out and argues for more assistance and investment, the fine balance between special friendship and being made a stepping stone for American designs in the region and the continent will need to be managed carefully.

Commercial maize estimate rises

(3) MAIZE

THE national crop estimates committee said yesterday a 157 000-ton rise in this season's commercial maize estimate had come after more deliveries in the Free State, North West and Gauteng.

Figures released by the committee on Friday show the final maize estimate for the 1997 crop at 8,488-million tons, up from 8,331-million tons forecast a month ago.

The committee said the estimate for small farmers' maize production — which is excluded from the commercial estimate — had been downgraded by 34 273 tons due to a drop in the expected yield in KwaZulu-Natal. The final estimate for these areas, almost exclusively subsistence maize regions, was pegged at 524 008 tons.

BD 23/9/97

REPORTS: Business Day Reporter, Sapa, Reuter.

IN BRIEF

Sowetan (brief) 25/9/97

Hanekom wants maize probe

3-maize

THE National Agricultural Marketing Council will investigate the possible implementation of statutory measures on maize in terms of legislation for the marketing of agricultural products, Agriculture Minister Mr Derek Hanekom said.

The investigation follows a request from directly affected groups in the maize industry for the introduction and promulgation of statutory measures for records, returns and registration.

Hanekom has already asked the NAMC to investigate the implementation of the measures and to report back within 60 days. Affected groups have been given until September 30 to submit comments or objections. – *Sapa.*

Implementation of maize marketing measures probed

BD 25/9/97

AS THE National Maize Producers' Organisation (Nampo) announced this week that SA had a yellow maize surplus of more than 800 000 tons, Agriculture Minister Derek Hanekom said the National Agricultural Marketing Council would investigate implementing statutory maize marketing measures.

Comments from the body follow a slight upward revision in the official crop estimate to 3,874-million tons of yellow maize from 3,815-million forecast a month ago.

3 MAIZE

"(The estimate) has slightly increased the expected surplus on yellow to in excess of 800 000 tons," said Nampo GM Giel van Zyl.

"Prices are already very low. Farmers are getting less than R500 a ton and that spells disaster."

December yellow maize futures on Monday gained R10 to R600 as March contracts added R1 to R640.

The abundance of yellow grain meant that buyers in the Western Cape, which regularly imports maize as it is cheaper than paying the hefty transport costs associated with buying inland, had made no plans yet to tap offshore markets.

"At the moment maize seems to be in fair supply. So there is not yet any need to have an urgent meeting (on importing)," a spokesman for the Western Cape Maize Buyers' Association said.

Van Zyl said farmers were likely to hold onto their maize until later in the season due to the low prices. With the outlook for a possible drought this year and a maize shortage next year due to the El Niño weather phenomenon, prices were likely to improve.

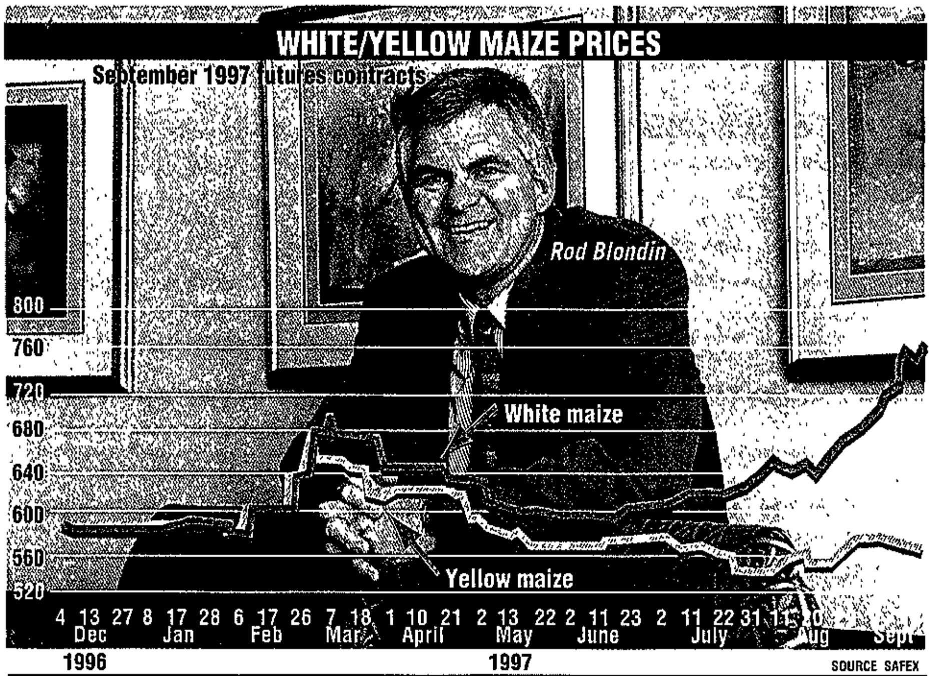
The latest estimates also increased the white maize forecast which has risen to 4,614-million tons from 4,516-million before, leaving the total expected crop for this year at 8,488-million tons from 8,831-million forecast last month.

However, SA continued to face a "serious" shortage. Droughts in several regions in Africa coupled with floods in others had created a strong demand.

The National Agricultural Marketing Council's investigation of implementation of statutory measures on maize follows a request from directly affected groups in the maize industry for the introduction and promulgation of statutory measures for records and returns and for registration.

Hanekom said on Tuesday that he had asked the National Agricultural Marketing Council to investigate the implementation of the measures and to report back within 60 days with recommendations.

Interested parties have until September 30 to submit comments or objections regarding the proposed statutory measures. — Sapa.



SAFEX

FM 26/9/97 (3-Maize)

El Niño threat sends white maize futures into orbit

Though not yet a reality, the weather phenomenon spells bad news for drought-stricken Africa

El Niño fears, coupled with a general world shortage of white maize, have sent the staple food's price surging. Last week it was R760/t, up from R480/t in June.

The El Niño weather phenomenon triggers either drought or flooding around the world as Pacific Ocean temperatures drop about 3°C.

"Having moved up by R50/t over the past two weeks, September maize jumped by R20/t on Wednesday," says SA Futures Exchange (Safex) agricultural marketing division clearing manager Graham Voller.

December futures, meanwhile, moved up by R5/t to R795/t.

The prognosis is poor for drought-stricken African states to the north queuing up to buy SA's remaining surplus white maize.

But what is bad news for some is good for others Three international commodity grain traders — Cargill, Glencore and Dreyfus — have bought, and are still sitting on, an estimated stock of 500 000 t of white maize from the past season's 8,4 Mt crop The traders look set to make a killing as prices climb relentlessly.

But the price trend underlines the growing importance of Safex's agricultural division as price-maker, following the demise of the Maize Board's fixed-price system

"During the first half of September alone we've traded 1 747 white maize futures contracts, representing a total of 175 000 t. This compares with our record contract turnover of 2 221 (representing 222 000 t of white maize) in July.

"But, while white maize prices spiked to R760/t, September yellow maize futures still stood at R560/t last Tuesday. This R200/t differential shows we are working with two distinct commodities here," says divisional GM Rod Blondin.

White maize is a much scarcer global commodity than the yellow variety, grown in huge quantities in the US, Argentina and China. Used mainly for animal feed, yellow maize is freely traded internationally on the Chicago Board of Trade

White maize is not seen as a global grain commodity, being used mainly as a food staple in certain African and South American countries.

"Globally, unfulfilled demand for white maize is now estimated at 1,85 Mt, while available global surplus stocks are estimated at roughly 850 000 t. No wonder futures prices are rising sharply. I wouldn't be surprised to see the price hitting R800/t soon," says a spokesman for a Gauteng-based international grain trader.

Arnold van Huyssteen

El Niño fears boost maize futures prices

BD 3/10/97 (3) MAIZE

Paul Vecchiatto

A SHORTAGE of close to 1-million tons of white maize in countries to the north of SA and rising drought concerns prompted a record 2 500 maize futures contracts to be traded during September, worth R160m in total.

The SA Futures Exchange (Safex) said yesterday this brought the total maize traded in the third quarter to more than 637 700 tons, an increase of 800% over the same period last year.

Prices for maize futures have risen steadily this year and the gap between prices for white and yellow varieties has closed.

Safex said the price for the September 1997 white maize contract was R770 a ton. It has risen to R804 for December, R842 for March 1998, R820 for May and R730 for July.

The futures market helps farmers, millers and traders settle on a price for delivery at a future date, limiting the risk of adverse price movement. The Maize Board stopped setting prices on May 31 under the new Agricultural Products Marketing Act.

Maize futures traders reported increasing demand and uncertainty due to shortages in countries further north and the impending El Niño weather phenomenon which traditionally heralds drought in sub-Saharan Africa.

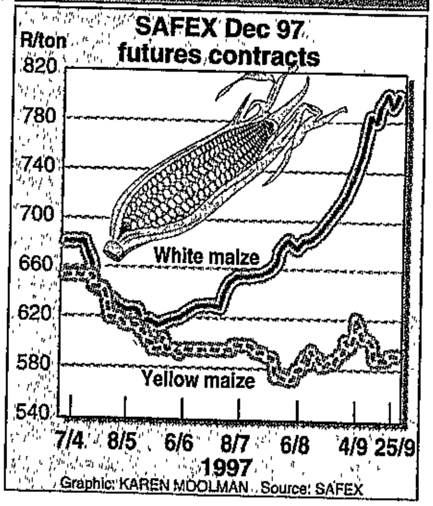
One trader said market speculation was that Tanzania was short of about 700 000 tons of maize, Kenya 50 000 to 150 000 tons and Zambia needed at least 100 000 tons. "Zimbabwe had a fairly good crop, but they are not exporting at the moment," he said.

In August Tanzania dropped restrictions and tariffs on the importation of maize and Kenya had lifted most of its restrictions. But there was concern about whether these countries could pay for imports. The trader said the countries were already paying a premium for imports and drought conditions had not been experienced yet.

In SA there is an estimated 400 000 tons to 600 000 tons being held back by farmers and co-operatives due to fears about the El Niño effect and hopes to capitalise on rising prices. The price differential between white and yellow maize also looked set to narrow from R200 a ton to about R80 in July.

Rod Gravelet-Blondin, GM for Safex's agricultural markets division, said the price for white maize, in particular, continued to rise as the July '98 white maize contract jumped by R40 a ton in the past two weeks. — I-Net.

White & yellow maize prices



Graphic: KAREN MOOLMAN. Source: SAFEX

El Niño gets SA farmers guessing at best time to plant

BD 8/10/97 (3) MAIZE.

Louise Cook

FARMERS were working out the best time to plant maize in a bid to limit the potentially devastating effects of the El Niño weather phenomenon, and prevent possible losses of millions of rands.

Scientists and weather analysts warned last month that this season could see one of the worst droughts in memory in SA and neighbouring states as a result of the potent El Niño phenomenon developing in the Pacific Ocean.

Government was also watching developments and had set up a special disaster management committee headed by Provincial Affairs and Constitutional Development Minister Valli Moosa. If necessary, government would make relief money available for drought victims, particularly in rural areas, he said.

Pretoria Weather Bureau analyst Gerhard Schultze said scientists would hopefully be proved wrong. But strong evidence of an imminent drought and soaring temperatures made it imperative for farmers to take precautions against crop failure, he said.

Seed distribution companies said there were as yet no dramatic changes apparent in farmers' buying patterns, although some maize seed orders had been cancelled in favour of other crops.

Sensako MD Willie Maree said the indications were that more sunflowers would be planted than in other years. "Farmers are worried and confused about what to do. The uncertainty is aggravated by the fact that there are two schools of thought on the best planting time," he said.

"Some feel it is better to plant early and cash in on the present high moisture levels of the soil, but others feel it is best to delay planting and adopt a wait-and-see attitude.

"We back the view that it is advisable to plant early and go for cultivars with a short growth period. This way the farmer benefits from the relatively wet soil conditions at the start of the season."

National Maize Producers' Organisation director Kit le Clus said farmers could not delay decisions any longer. It was best to plant hardy, drought-resistant cultivars, choose lands with a high soil moisture content, and possibly bring planting times forward.

Observers warned that planting in Mpumalanga and the eastern parts of the country could not be delayed any longer. Planting in western areas, which normally starts only in November, could also be brought forward this year.

Uncertainty about the coming crop, as well as the current 1-million ton white maize shortage in countries north of SA, prompted a record 2 500 maize futures contracts to be traded at the SA Futures Exchange during September. This brought the total maize traded in the third quarter to more than 637 700 tons, 800% up on the same period last year.

Grain co-operatives said large quantities of yellow maize were being stored by farmers hoping prices would rise at a later stage.

maize

Minister reassures maize sector

(3) MAIZE 22/10/97

Louise Cook

LAND and Agriculture Minister Derek Hanekom confirmed yesterday that the fiscus would discontinue servicing the Maize Board's 10-year-old R177m loan from the Land Bank, but assured the industry there was no cause for alarm.

"It was always said that that particular item was subject to approval, but there is absolutely no need to be alarmed, given my successful discussions with the minister of finance," Hanekom said.

The future use of board assets has been locked in controversy since it materialised that, for the past decade, the board owed the Land Bank R177m.

The previous government agreed that the interest be paid annually by the agriculture department, but this arrangement was questioned by advisers to the minister earlier this year.

Sources said a maize industry trust was "jeopardised" because of uncertainty surrounding the loan. However, Hanekom said he had cleared the matter with Finance Minister Trevor Manuel and there would be no delays in the abolition of the Maize Board.

"The budget item will be retained (by government), but not as a loan to the Land Bank — this will be redeemed out of the liquidated assets of the Maize Board... At this stage there is no indication that the overall amount will be diminished, but ultimately the budget item will have to be approved ... like all budget items."

The new arrangement would see the "financing of measures of support to the maize industry, with the emphasis on the needs of emergent farmers".

DP report on SA arms sales unfair — Asmal

Thesy Reuttner

BD 27/10/97

A DEMOCRATIC Party (DP) report on SA's arms sales was "mean-spirited if not grossly malicious", the cabinet's conventional arms control committee chairman, Kader Asmal, said last week.

The report, entitled "Morality vs money: SA armaments sales", produced to mark World Disarmament Day last week, claimed that the "appalling inconsistency" of SA arms sales was like a "drunken zigzag".

Responding to the DP's report, Asmal said it did not mention either the committee's commitment to "maximum restraint and openness in arms matters" or the international respect and support for the position which they had adopted.

The committee did not want SA's arms industry to be shut down and it agreed with the DP on the necessity for exporting, as the SA market was not large enough to achieve self-support.

Asmal, who is also water affairs and forestry minister, said: "Like the DP, except we do it more thoroughly, we ask: to whom we should be exporting, and how can we ensure that our arms end up in the right hands?"

DP defence spokesman James Selfe claimed the committee was taking too long to process or grant marketing and export permits and that in some cases the committee was bypassed altogether.

Rejecting this, Asmal said the system had been speeded up, and with the full support of the industry.

There was no evidence of bypassing of the committee, said Asmal. "Gossip and tittle-tattle become substitutes for serious and critical analysis," he said.

The committee had extended its controls and had carried out the detonation of millions of rands worth of small arms. Much of its time was spent ensuring that "those who would seriously trample human rights" would not be armed.

Asmal pointed out that — by comparison with many western democracies — SA had a minuscule scope of arms transfers.

Farmers plant maize now to limit expected effects of El Niño

(3) MAIZE

THE National Maize Producers Organisation (Nampo) said on Friday farmers had begun to plant for the new season and a small shift to white maize, at the expense of yellow, was evident.

GM Giel van Zyl said most producers were sticking to normal planting dates, as advised by Nampo, in an attempt to limit any new risks ahead of a feared drought brought by the El Niño weather system.

"There is a lot of planting in Mpumalanga where they recently had sufficient rain. In the eastern and northeast Free State farmers are getting ready," he said.

Scientists have said El Niño, which results from the warming of water temperatures in the Pacific Ocean, may hit SA around December, bringing scorching hot and dry weather in the crucial growing period for maize.

Van Zyl said farmers seemed to be favouring white maize above yellow on hopes of better prices for white after a shortage this season due to large-scale exports into Africa.

A surplus of about 800 000 tons of yellow maize has depressed prices this season.

White maize is a staple in most African countries, while the yellow variety is used mainly for animal feed.

SA harvested a total commercial maize crop of 8,488-million tons in the 1996/97 season, which, although above consumption, is well down on last year's bumper crop of 9,694-million tons. — Reuter.

BD 27/10/97

Forum rejects reassurances on maize financing

(3) MAIZE

Louise Cook

BD 5/11/97

THE Maize Forum representing industry stakeholders, from farmers to millers and labour, has rejected Land and Agriculture Minister Derek Hanekom's reassurances on the future financing of the sector.

The forum wanted the R250m assets of the recently defunct Maize Board to be transferred to a trust, with the interest generated to be used to pay for information gathering, research and improved market access for black maize farmers.

However, Hanekom said last month the assets should be used to pay off the R155m owed by maize farmers to the Land Bank. The agriculture department has been servicing the loan for decades in terms of an arrangement with the previous government. The forum said this arrangement should continue and accused Hanekom of ignoring government undertakings.

Hanekom said there was no need to be alarmed given discussions with Finance Minister Trevor Manuel, in terms of which funding for research and marketing would come from state coffers.

The forum rejected this option, saying the cabinet and Parliament could halt payments.

A new nonprofit company, SA Grain Information Service, was relying on trust money for the service. Sources said the reduction in income would compromise it.

El Nino: maize price may rocket

(3) MAIZE Sowetan 18/11/97

By Gerry Reilly

IF EL NINO strikes in the second half of summer – as it is expected to – the summer price of maize meal could rocket, according to trade sources.

Farmers in the main growing areas have begun planting the 1997-98 crop over an estimated area of three million hectares. It could be a bumper crop or a complete disaster, depending on the whims of El Nino.

Meteorologist say there are no indications that South Africa will escape the potentially devastating drought effects of the phenomenon.

The impact on consumer prices from the mealie meal could be drastic, the sources said.

National Maize Producers Organisation general manager Giel van Zyl told *Sowetan* that if the worst does happen, maize would have to be imported at premium prices exceeding R1 000 a ton, because of chronic shortage of white maize on world markets.

Van Zyl said the price of locally produced white maize would be determined on a basis of import parity.

A Premier Milling spokesman said there had already been a dramatic increase in the gross price of raw white maize from R650 at ton to more R800 a ton in the past four months.

'It could be a bumper crop or a complete disaster'

And last week Zimbabwe milling companies announced a shocking 36 percent increase in the prize of maize meal.

The Zimbabwe Millers Association said the price hike was the result of producers demanding substantially higher prices for raw maize.

The steep price rise was also linked to the predicted drought threat and fear of acute shortages and famine in the neighbouring Malawi and Tanzania.

Maize prices soar to new highs on fears of El Niño

(3) MAIZE

SA maize prices have surged nearly 10% since the start of the month, powered by fears of a hefty shortfall in the country's staple crop next year, market analysts said yesterday.

Hot and dry weather at the start of the planting season in key parts of the country's maize belt and fears the El Niño weather phenomenon will unleash a drought have sent cash and futures prices to close to R1 000 a ton. BD 11/12/97

"I have never seen anything like this. The prices are on the most immense run as there is so much pent up demand," said an agricultural futures dealer at one of the country's biggest banks.

Prices for a number of white and yellow maize contracts have leapt the R30 daily limit each day this week, with millers queueing for stock amid a dearth of physical supply and worries on the new crop.

Kit le Clus, a director of the National Maize Producers' Organisation, said below average rainfall over the central and eastern Free State — the key white maize producing regions — had hampered farmers' planting.

"In total about 25%-30% of the country's white maize has been planted. Usually by now it is about 70%," Le Clus said.

Even if it began to rain in the next few days and regular showers continued into next year, the bulk of the crop — traditionally harvested from May — would be late.

Le Clus said recent crop production and consumption figures showed tight supply moving into the new season (May-April) with about 59 days of white maize and only 36 days of yellow expected to be available from May 1.

"So we have no room for any crop problems. ... Especially on the yellow, the kitty is much more barren than we originally thought," he said.

Yesterday, March white maize futures were at R984 a ton, having jumped from R850 at the start of the month. White maize is a staple in most of Africa.

March yellow maize was last at R734 from R670 at the beginning of last week. Yellow traditionally trades at a discount to white as it is more easily sourced offshore and is used mainly for animal feed.

Futures dealers said white maize could run up to import parity levels at R1 050-R1 150 a ton before hitting strong resistance. Renewed weakness in the rand was good news for maize as import prices rose.

SA weather experts said this week El Niño, which brews in the Pacific every three to five years and can wreak havoc on world weather, was on course to unleash a hot, dry summer over southern Africa. They said, however, it appeared El Niño would fade from April next year and not effect next summer's rainfall. In the past severe El Niños have been able to influence weather conditions over two years. — Reuter.

El Niño uncertainty lifts maize futures trade

BD 30/12/97 (3) MAIZE

Louise Cook

UNCERTAINTY about El Niño and how badly it will hit the maize crop has resulted in 5 250 futures contracts trading on the SA Futures Exchange's (Safex's) agricultural markets division this month, more than 2 000 more than the whole of last month.

In addition the price of the July 1998 white maize contract has almost doubled in a year, trading at R1 012 a ton yesterday. Yellow maize contract prices rose by less due to the fact that, unlike white maize, yellow maize can be imported in the event of a domestic shortage.

Maize traders, backed by Safex agricultural markets division GM Rod Gravelet-Blondin, attributed the sharp jump in volumes and prices to expectations of a short crop, especially of white maize.

"Although prices have come off the highs that prevailed at the start of December after enough rain fell in the North West to allow farmers to plant, they are still way above prices of a year ago. At present there is a very close link between rain ... and price movements," Blondin said.

Maize trader Mike Elliott said the market was gloomy and prices were likely to remain high. Some farmers were so bearish about the industry generally that they were not even bothering to close contracts.

Since the start of this month prices for March and May white maize futures contracts have shed R100/t, trading yesterday at R948/t and R985/t respectively. The drop in price came in the wake of rain this month that allowed planting in North West to begin. Yesterday the July white maize futures contract traded at R1 012/t and the September contract at R1 050/t after shedding about R50/t this month.

AGRICULTURE — (3-MAIZE)

1998

New bread loaf size plan weighed up

Louise Cook (3) MAIZE BD 12/1/98

A PLANNED new system to change the legal weight of bread would allow for a range of different sized loaves to be sold, SA Bureau of Standards (SABS) trade metrology director Brian Beard said at the weekend.

Sales would be "actively policed" to protect the public, he said.

At present the statutory minimum weight of a loaf of bread was 800g but following an application by the National Chamber of Baking, the SABS — which manages the Trade Metrology Act under which bread weight falls — was drafting proposals to Trade and Industry Minister Alec Erwin.

The chamber had asked for a new minimum weight of 400g and that prepacked loaves be sold in any increment of 100g above the minimum provided the weight was clearly indicated. It proposed that the legal weight of fresh bread be changed to loaves of 400g, 700g, 1 200g and 1 600g.

The SABS would start to train the first 15 inspectors of the provincial departments of economic affairs to monitor the planned system, Beard said.

"The inspectors would report irregularities to the SABS which would then take it up with the public prosecutor. Inspectors would actively do spot checks but do not have the authority to fine guilty parties."

Wheat farmers were opposed to the move, saying it would lead to a drop of 100 000 tons of wheat at the mill.

Beard said the plans were subject to public comment before they could become law.

White maize futures prices still falling

(3) MAIZE

Louise Cook

BD 13/1/98

FUTURES prices for white maize on the SA Futures Exchange (Safex) agricultural markets division continued to fall last week.

The decline started in December when rain fell over most of the summer rainfall area.

Safex agricultural markets GM Rod Gravel-Blondin said yesterday contracts' prices had shed a further R50 last week. With the exception of the December white-maize contract, prices have dropped to below R900/ton.

He said futures prices for yellow maize were less volatile because of better import prospects in the case of shortages.

National Maize Producers' Organisation GM Giel van Zyl said there had been a significant switch away from maize in favour of soya bean production in KwaZulu-Natal and eastern parts of the country. This, coupled with hail damage in parts of Mpumalanga and late plantings in Northwest Province, meant that it was unlikely that this year's area planted to maize would exceed 3-million hectares, he said.

The National Crops Estimates Committee meets next week. It would determine the size of the different crop areas planted and make yield estimates, member Andre Ferreira said.

Safex to launch options on its maize futures

CT (POR) 16/1/98 (3) MAIZE

SUPPORTIVE *Derek Hanekom, agriculture minister*

PATRICK LAWLOR

Johannesburg — The South African Futures Exchange (Safex) would launch options on its maize futures at the end of the month, Rod Gravelet Blondin, the general manager of Safex's Agricultural Markets Division (AMD), said yesterday.

Speaking at a press briefing, Gravelet Blondin said the AMD was also looking at launching new products such as sorghum and oilseed futures, as well as revitalising the existing beef and potato contracts. "The maize contracts have occupied most of our attention over the year, possibly to the detriment of the other contracts," he said. "Promoting the others will become a priority."

Gravelet Blondin said Safex had become an important part of the local agricultural scene. "Since our beginning in 1995, some R420 million in maize has been delivered through Safex."

Stuart Rees, the Safex chief executive, also announced that, as at the end of December, the AMD had broken even, having recovered the start-up costs of R4,2 million and expenditure over the last two years of R1,3 million. "The AMD can now be regarded as financially self-sufficient," he said.

Derek Hanekom, the minister of agriculture, said: "The new options on maize represent an important addition to the risk reducing mechanisms Safex offers farmers. What we want to see is risk reduction without interfering in market mechanisms, and Safex helps us achieve these aims."

Crop swing to white maize

(3) MAIZE

Louise Cook BD 21/1/98

FARMERS planted 2 809-million hectares under maize this year, 16,4% less than last year, the National Crop Estimates Committee said yesterday.

The plantings reflected a 10% swing in favour of white maize, estimated to make up 63% of this year's crop against 37% in yellow maize, committee chairman Kobus Smit said.

Yesterday's meeting of the committee in Pretoria was the first to focus on this year's summer crops after the uncertainty of a possible El Niño phenomenon saw farmers adapt their planting patterns in anticipation of a possible drought.

Speculation about possible swings away from maize to soya beans and sunflowers have been rife.

The committee said North West had the biggest area planted under maize despite a 22% drop compared with the previous year.

In other important production areas such as the Free State and Mpumalanga, plantings tapered off 15% and 13% respectively. Alternative summer crops also decreased; plantings of ground nuts dropped 43,5%, dry beans 23% and grain sorghum 16%. But 33% more soya beans were planted.

Agricultural marketing company Agrimark Trends said the planting time was over and farmers would have to rely on a high yield for a good crop.

Follow-up rain was crucial and the prices of commodities were likely to fluctuate sharply over the next two months, the company said.

Reuter reports that the committee left its monthly wheat estimate unchanged at the 2 283-million tons it forecast last month.

The estimate was the fifth of the present season and compared with a crop in the 1996/97 season of 2 700-million tons. The final crop estimate was due next month.

Last month the committee cut its estimate from 2 313-million tons in November following drought conditions coupled with hail damage in the Free State province's wheat belt.

The fifth estimate of the new barley crop was reduced to 182 000 tons from 193 000 tons, but the estimate of canola was raised to 11 000 tons from 8 400 tons.

The committee said 461 000ha of sunflower seed had been planted in the present season. This compared with a total of 464 000ha planted in the previous season.

The second acreage estimate for crops will be made at the end of February.

Maize price rise on the cards as El Nino bites

ARG 22/1/98 (3) MAIZE

Johannesburg – A maize price increase is on the cards, producers' organisation Nampo has warned.

Nampo said last season's strong yields would be difficult to match this year because of recent inclement weather – and prices were therefore expected to increase.

Nampo chairman Japie Grobler said last season's yield of 2,57 tons of white maize per hectare and 2,47 tons of yellow seemed out of reach as the El Nino weather phenomenon had created unstable weather patterns.

There would be hefty demand for South African maize from countries further north in Africa, notably Zimbabwe, ~~Tanzania~~, Zambia and Kenya, in the wake of production problems there.

He said these factors would result in a shortage of both yellow and white maize this season, necessitating imports and causing prices to rise.

Nampo expected prices to remain high until April next year. – Reuters

Maize Board loan to be written off

(3) MAIZE Sowetan 9/2/98

Settlement expected to save millions of rands on interest in long-term

By Isaac Moledi

THE Department of Agriculture announced on Friday that it would make a payment of R170 million to the Land Bank in settlement of a loan made by the soon-to-be dissolved Maize Board in 1987.

Derek Hanekom, Minister of Agriculture and Land Affairs, said after discussions with Finance Minister Trevor Manuel the treasury agreed that his department can pay back the Maize Board loan from its budget.

The department said in a statement on Friday that the settlement of the loan would save millions of rands on interest in the long-term.

Agricultural and Land Affairs spokesman Tommie Marais said the settlement amount of R170 million follows a loan of about R400 million that the Maize Board received from the Land Bank to cover a shortfall arising from low export rates.

He said his department serviced the Maize Board debt through its budget since 1987 as a result of an agreement between the Government and the board.

"The question of this outstanding debt had to be resolved in the context of the abolition of the Maize Board in line with the requirements of the Marketing of Agricultural Products Act," said Marais.

In terms of the Act, the Maize Board would be dissolved soon and its functions taken over by the Maize Trust which is an independent body responsible for providing market information, research facilities and development programmes for the industry.

Loan repayment

Hanekom said the repayment of the loan meant that all assets from the Maize Board could be transferred to the Maize Trust which would in turn be provided with "adequate financial resources to fulfil its new responsibilities".

"The maize industry is the backbone of the agricultural sector," Hanekom said.

His department hoped "the resolution of this matter in this way will enable the Maize Trust to utilise these resources to ensure the continued growth and development of the sector in a new marketing environment".

Agriculture department pays Maize Board debt

(3) MAIZE

Louise Cook

BD 9/2/98

THE long-outstanding issue of the R170m Maize Board debt to the Land Bank was finally resolved, with an announcement this weekend by Land and Agriculture Minister Derek Hanekom that the debt would be paid by the agriculture department.

The debt arose under the previous government when the board received a loan of about R400m to cover a shortfall arising from low export rates. Interest on the loan was serviced by the agriculture department in terms of the agreement.

With the shutting down of the board last year, the question arose as to whether the loan and the interest would have to come out of R250m assets of the board. Last year the department withheld interest on the loan in anticipation of a decision from the minister.

Hanekom said on Friday that after discussions with Finance Minister Trevor Manuel, the treasury had agreed that the debt be paid by the agriculture department.

"The repayment of the loan will now mean the assets from the Maize Board can be transferred to the newly established maize trust, providing it with adequate financial resources to fulfil its new responsibilities of providing market information, research facilities and development programmes for the industry."

The Maize Board's assets had been the focus of controversy for about two years. Last year farmers demanded to get money back from the board which they claimed was insurance against low prices. The farmers argued that due to prices remaining at high levels during the season, the money was refundable. However, their claims were unsuccessful.

Volumes traded on Safex have grown tremendously, says Hanekom

Maize farmers adapt well to deregulation

CT (BR) 6/3/98 (3) MAIZE

ANN CROTTY

Johannesburg — Derek Hanekom, the agriculture and land affairs minister, this week congratulated South African maize farmers for the way they had adapted to the new marketing environment and dealt with the threat of drought-affected crops.

Addressing the 1998 National Maize Producers' Congress in Bothaville, Hanekom said the maize industry had responded to the challenges of its first year in a fully deregulated market.

"Deregulation has left the space for a futures market in maize to develop at Safex and the volumes traded on Safex have grown tremendously. The prices at which white and yellow maize have traded, particularly as concern about El Niño grew in December last year, have sent the right message to farmers," said Hanekom.

These price movements have seen maize farmers devoting a higher proportion of their land to white maize.

After better-than-expected growing conditions and the swing to white maize, it is estimated that South Africa will harvest 4,05 million tons of white maize this year. This would be a modest surplus over domestic consumption requirements.

Although this is the first year of a fully deregulated marketing system, maize farmers have been moving towards the system for some three years. One agricultural analyst pointed out that maize farmers should be enthusiastic supporters of deregulation because maize prices in that period had been exceptionally high for a variety of reasons unconnected with government policy.

"Market conditions that have favoured the supplier have made this a good time for farmers, the real test of their support will come when market conditions begin to favour the consumer," the analyst said.

Teigue Payne, the editor of Food and Beverage Reporter, said it was ironic that the initial experience of the deregulated system favoured farmers above consumers.

"The free market knows nothing about political correctness. What was probably a less-favoured section of society from a political perspective, is now benefiting at the expense of mass consumers," Payne said.

BD 6/4/98

3 MAIZE

'Engineered' seed to save R100m

Louise Cook

SA's first genetically engineered food would be produced on local soil this year, seed company Pioneer Hi-Bred said yesterday.

The new maize — implanted with a gene generated from a soil bacterium — could result in generous savings of as much as R100m in pest control costs, as the modified maize plant is resistant to the stork borer, a destructive worm that attacks the plant and causes damage worth millions of rands to crops each year.

Pioneer Hi-Bred manager Willem Engelbrecht said the maize seed is produced in Chile and would be imported to SA to coincide with the new planting season in October.

Genetically modified food has not been produced in SA before. The so-called BT gene is placed directly in the maize plant's genetic make-up and causes resistance to specific insect pests.

Meanwhile, no finality existed on the labelling of genetically modified food, agriculture department sources said yesterday.

In Europe, sales of the food are allowed without special labelling and indications are that SA would follow suit, but legislation was still far from completion, a spokesman said.

Potchefstroom Grain Research Institute director Jan Dreyer confirmed that moves to register the new maize were under way.

last year — had not given crime against women the attention it de- . offender registers and the vetting of child care workers.

Maize prices look set to improve

(3) MAIZE BD 16/4/98

Paul Vecchiatto

SA MAIZE prices could be on the verge of turning for the better following a dramatic slump when last month's crop size estimate proved larger than expected.

SA Futures Exchange (Safex) maize prices have fallen to an average of R603 a ton during March as a record number of contracts traded.

Yesterday, the prices of the white maize May '98 futures contract increased to R725 from R706 a week ago, and the near-dated yellow maize contract was quoted at R525 from a previous R513. The longer-dated contract prices also rose.

Rod Gravelet-Blondin, Safex's agricultural markets division GM, said the main reason for the higher estimate and price fall was the nonarrival of the drought expected to result from the El Niño weather phenomenon.

The March 20 crop estimate was for a white maize crop of 4,38-million tons with a 2,4 tons a hectare yield, far higher than the long term yield of 2,1 tons a hectare. Yellow maize was estimated at 2,91-million tons.

Last month the price of white maize dropped to R759 a ton from R1 000 a ton, and that of yellow maize to R580 a ton from R760 a ton. —INet-Bridge.

Benchmark for maize carry over

Paul Vecchiatto

3 MAIZE

THE SA Grain Information Service has posted the total maize carry-over stocks at 2,609-million tons, with white maize at 1,236-million tons and yellow maize at 1,373-million tons.

Peter Jackson, the information service's spokesman, said yesterday the new numbers bore no relationship with any others released because it was the first time the survey was done in terms of a physical questionnaire.

These are the first maize carry-over stock numbers released by the servide for almost two months and market estimations have steadily increased from 400 000 tons to a maximum of 2,7-million tons.

The numbers' absence has contributed to the fall in the maize futures prices. Absa trader Chris Venter said maize futures prices would probably fall to new record lows soon.

Yesterday, the benchmark July 1998 futures contract for white maize dropped R9 to R595 and that for yellow fell R10 to R540. — INet-Bridge.

BD 27/5/98

holidays — would entitle purchasers to — could lead to a R20 000 fine.

Maize data 'unreliable'

(3) MAIZE

Louise Cook BD 28/5/98

MAIZE carry-over stock figures released by the SA Grain Information Service late on Tuesday, saw maize futures prices plummet almost R30/ton on the SA Futures Exchange agricultural markets division yesterday.

This came in the wake of industry fears that information on stocks and supplies, which affected futures prices were "unreliable" and "chaotic".

Maize producers organisation Nampo has accused the service of providing incorrect information. It denied the accusation, saying information released by the service on stocks and supplies was always accurate.

Safex agricultural markets division GM Rod Gravelet-Blondin confirmed the service's figures this week had an effect on futures prices, saying the exchange would limit down — stop prices from falling beyond R30/ton a day — if need be.

SA Feed and Grain Marketing GM Russel du Preez said the market had expected less available stock. The solution to the information issue could lie in getting private and neutral US companies to operate in SA, he said.

The service on Tuesday posted the total maize carry-over stocks at 2,609-million tons, with white maize at 1,236-million tons and yellow maize at 1,373-million tons. On Safex's agricultural markets division yesterday, prices for white maize futures contracts for July dropped by R27/ton to close at R567/ton and yellow maize July futures slid R23/ton, closing at R517/ton.

"At present there is a lot of suspicion and scepticism about the accuracy of information. SA did not quite realise the need for information on stocks and supplies when the markets were deregulated," Gravelet-Blondin said.

Earlier this year the service was also accused of releasing wrong data, but its spokesman Peter Jackson said yesterday that this week's figures — based on physical inspections of supplies and thus totally accurate — proved all previous information had been accurate all along. He said producers tended to contest information to talk prices up.

In an editorial in the latest edition of official publication Mielies-Maize, Nampo said "in SA, the supply of accurate and credible market information is in total chaos".

Nafcoc to transfer skills

Patrick Wadula BD 28/5/98 (479)

THE National African Federated Chamber of Commerce (Nafcoc) yesterday launched its property company, Greater Africa Property, aimed at transferring skills to black people in the property industry.

Nafcoc president Joe Hlongwane said the new company, an affiliate of Nafcoc Investment Holdings, had divisions comprising valuation, industrial and commercial developments, sales, leasing and property syndication.

He said the company was formed to redress imbalances as most people in SA were denied the opportunity in the past to create wealth.

"The ownership, management and development of property has always been one of the cornerstones to personal and corporate wealth creation," he said.

Hlongwane said Nafcoc would be involved nationally through its affiliates and participate solely in the property industry by engaging in the sale and letting of property.

"We, the people of this country, are one another's most valuable resource. Recognising this is a prerequisite to anyone in SA wishing to succeed in business and in life," he said.

The company would target private sector and government contracts including hospitals.

Greater Africa Property vice-chairman Preggie Govender said that as the company grew it would look at franchising the business through Nafcoc's existing membership countrywide. A spin off would be to create jobs by providing work contracts.

Maize millers cast doubt on crop forecasts

BD 29/5/98 (3) MAIZE

Louise Cook

THE free market in agriculture was under threat of "market failure" — a situation which usually necessitated state intervention — due to broad distrust of the neutrality of the National Crop Estimates Committee, the National Association of Maize Millers said yesterday.

This view was backed by some analysts who felt it was wrong that organisations represented on the committee came from the commodity trading fraternity like the co-operatives and producer organisations, including the powerful National Maize Producers' Organisation (Nampo).

In the free market, the expected crop size and stocks directly determine commodity prices.

Sceptics said depending on whether a party was a buyer or seller, the expected size of the crop could be skewed in forecasts.

The scepticism stemmed from the fact that, under the old system the control boards had representatives on the committee while the demise of the boards saw co-operatives and producer organisations replace the control boards on the committee.

The National Agricultural Marketing Council, does not agree that the forecasts are suspect. Council member Johan Willemse said: "Every member's data is regionally based and the eventual forecast is based on the pooling of all the information on conditions in the different regions."

The committee had a lock-in at its meetings and the forecast was quickly made public, cutting out any chance of insider trading.

Farmers' hopes of high maize price fade

(3) MAIZE BD 15/6/98

Louise Cook

MAIZE farmers' hopes of high prices this year due to the El Niño weather phenomenon causing havoc with the crop have come to nothing, with a maize surplus on the domestic market driving prices down.

At the end of April the country was sitting with enough white maize to last for four months, and sufficient yellow maize — used mainly for animal fodder — for six months' consumption.

The SA Grain Information Service, which supplies official information on grain crops in the free market, recently put out figures showing that this year's white maize crop was likely to be 12% bigger, and the yellow maize harvest 17% bigger than initially expected.

Since the beginning of the year, when fears of an El Niño-induced drought were still rife, futures prices plummeted on the SA Futures Exchange's agricultural division by 40-45% to about R544/ton for July yellow and R610/ton for July white maize. Prices were between R150/ton and R200/ton higher on average last year.

The National Maize Producers' Organisation (Nampo) said at the weekend that it had "no choice" but to accept the grain information's service's figures on the crop. Up to now, Nampo has steadfastly believed that the crop would be smaller and that farmers would get higher prices.

Nampo chairman Japie Grobler said: "When (the information service's) carryover stock figures are added to the latest official crop estimates, it is clear that the domestic market is sitting with large surpluses. These could jeopardise prices for next year's futures contracts and further limit production opportunities."

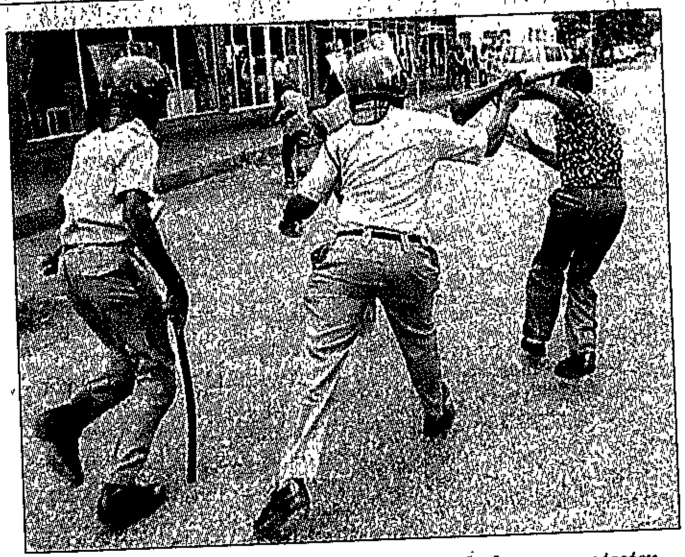
The surplus has come about despite farmers having cut back on maize plantings to 2,9-million ha from 3,3-million ha the previous production year. Nampo director Kit le Clus said the reduction was mainly due to fears of El Niño and price uncertainty, but good rains in December and January saved the day.

"Farmers are operating in a very uncertain environment ... the climatic factor is bad enough, but now there is the added uncertainty around prices."

Nampo has advised farmers to keep back at least 15% of their maize for the export market.

However, international prices have also dropped and analysts said at the weekend that they were not likely to get much price advantage from foreign sales.

Imports: Page 8



RUNNING RIOT *A policeman hits a Zimbabwean protester with a tear-gas gun during demonstrations in January against price increases in basic commodities* PHOTO REUTERS

Millers in Zimbabwe lift maize prices 12%

(3) MAIZE CT(MR) 15/6/98

FROM REUTERS

Harare — Private millers in Zimbabwe raised maize meal prices by 12 percent after the state's Grain Marketing Board lifted maize prices by 8,5 percent, the Herald newspaper reported at the weekend.

"By increasing the price, millers have effectively turned down an impassioned plea by government not to hike the price of the country's staple food since the days of the food riots in January," the newspaper said.

No comment was available from the Millers' Association or the Small Scale Millers' Association of Zimbabwe.

Six people died during the riots in January, Zimbabwe's worst since independence from Britain in 1980. The riots were precipitated by a 25 percent increase in maize meal prices.

To avoid the increase, President Robert Mugabe's government ordered the Grain Marketing Board, the country's granary, to reduce its maize selling price to millers.

But last week the board, under pressure to raise the buying price for the 1997-98 crop, doubled its price to Z$2 400 and pushed selling prices to Z$2 600 a ton, prompting large- and small-scale millers to raise prices.

But Kelebert Nkomani, the industry and commerce permanent secretary, was quoted as saying millers had agreed to absorb the board's 8,5 percent increase in maize selling prices.

"The position stands and anyone doing anything to the contrary is not keeping in line with the agreed position," Nkomani said.

Millers have said that maintaining prices at current levels would push them into losses as they face increasing production costs.

Tariff applied to imported maize 'to cater for global price variations'

30/7/98

(3) MAIZE

Paul Vecchiatto

A TARIFF of R25,50/ton has been applied to maize imports into the country since June 19 after recommendations by the National Maize Producers' Organisation.

The organisation's head of research, Kit le Clus, said yesterday the tariff was based on a formula worked out several years ago when SA was involved in the Uruguay round of talks of the General Agreement of Trade and Tariffs, which was transformed into the World Trade Organisation.

According to the formula, a $5/ton tariff is activated when the international maize FOB Gulf price falls below $110/ton on a 21-day moving average for two weeks. The rand price is fixed on the day the tariff is implemented.

Should international maize prices fall below $100/ton, the tariff increases to $15, but should the price rise above $110 the tariff falls away. Le Clus said the tariff was formulated specifically to cope with international price variations and applied to several other commodities, including wheat.

Meanwhile, SA's Futures Exchange said yesterday a record 19 580 grain contracts were traded in the second quarter of this year, representing about 2-million tons of maize and valued at more than R1bn.

Trade in the past quarter increased 38% over the previous quarter and was almost five times the volume during the same period last year, the exchange said.

During the quarter, the price of the benchmark July white maize futures contract continued its fall to a low of about R550/ton before lifting to its current level of about R660/ton.

"The fall was primarily as a result of the absence of a serious El Niño-driven drought. The recent upturn in prices can be attributed to envisaged demand in the countries to the north of SA and the depreciating value of the rand," Safex said. — INet-Bridge, Reuter.

Combined maize tariff review urged

BD 2/7/98 (3) MAIZE

AN SA import tariff on maize when international yellow maize prices dropped below a certain level could be problematic in the future and should be reviewed, an agricultural economist said yesterday.

SA had imposed a $5/ton tariff on all imported maize because of the international yellow maize price falling below $110/ton for a 21-day moving average over two weeks, said National Maize Producers' Organisation GM Giel van Zyl.

Although SA has a surplus of maize because of a larger than expected carryover of 2,6-million tons and an estimated harvest of 7,19-million tons, some coastal areas find it cheaper to import maize.

Imports were not large, said Brendan Bayley, an economist with the land and agriculture policy centre, but there was a problem with the more expensive white maize being on the same tariff line as the yellow maize.

"The Board on Tariffs and Trade should soon consider that there be separate triggers for white and yellow maize because they have different prices internationally," Bayley said.

If SA had a shortage of its staple white maize, prices on international markets tended to rise.

This could be a problem if international yellow prices dropped, leading to an import tariff being placed on all maize imports. — Reuter.

Comment: Page 13

Rail problems 'may derail maize exports'

(7) MAIZE

Louise Cook BD 28/7/98

ZIMBABWE, Zambia and Malawi are looking to SA to provide them with about 750 000 tons of maize this year, but SA farmers expect hitches with rail transportation.

A maize industry source said yesterday it had been years since SA had to move large quantities of maize into neighbouring states.

Spoornet had cut down on carriages over the past few years and logistical problems could occur, the source said.

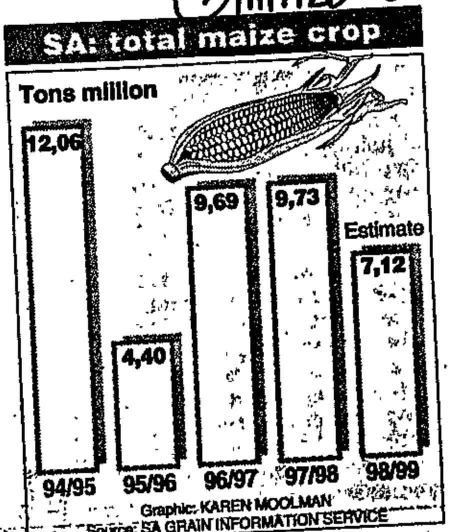
SA expects a crop of 7,12-million tons this year of which white maize is expected to be 4,31-million tons and yellow maize 2,81-million tons.

National Maize Producers' Organisation chairman Japie Grobler said exports to Africa were starting to "really take off", but how to get the grain to its destination was a problem.

Road transportation was no solution because trucks did not have the capacity to transport huge volumes of grain, he said.

Spoornet dismissed the fears, saying it would be able to handle the exports. A spokesman said a full statement would be issued today.

Indications are that about 80 000 tons of white maize has already been delivered to African states this season.



Demand for maize leaves Safex cold

Paul Vecchiatto BD 29/7/98 (3) MAIZE

GRAIN futures traders have greeted the news that Zambia, Zimbabwe and Malawi are looking to SA for 750 000 tons of maize with scepticism.

Instead of pushing up prices on the SA Futures Exchange, prices fell almost R30 a contract.

Dealers gave several reasons for the fall in the grain futures prices including the fact that the news was already in the market and the countries needing maize might not be able to pay.

First National Bank dealer Claudio Marchetti said estimates were that Zambia, which needed just more than 400 000 tons of maize, was willing to pay only about $118 a ton landed in Lusaka. The SA spot price at Randfontein was $112 a ton and it would cost about $32 a ton to rail it to Lusaka.

"One can see straight away that it is a potential loss situation," he said.

Land Bank's restructuring gets stuck in the wage mire

Reneé Grawitzky

BD 16/10/98

THE restructuring of the state owned Land Bank ran into further difficulty yesterday after a one-day wage strike by members of the traditionally conservative finance union, Sasbo.

The wage dispute coincided with staff resistance to the bank's restructuring plans, aimed at broadening its range of services and client base and becoming more cost effective.

Such plans could result in retrenchments, staff transfers and changes in job titles and tasks.

Industry and union sources said the bank's restructuring had taken on political overtones.

The wage dispute revolves around Sasbo's demand for a 10% increase, while the bank has offered 6,5%. Members of the SA Commercial, Catering and Allied Workers Union did not participate in yesterday's action.

Sasbo spokesman Ben Venter said the strike was about wages and not about the restructuring. He said the union's demand was in line with settlements achieved with other major banks.

Venter said the staff learnt that the bank had budgeted for a 15% increase at the end of last year, but was now willing to offer only 6,5%.

Land Bank MD Helena Dolny said management wanted to restructure salaries to be market related and to introduce a performance-bonus scheme. This explained the 6,5% wage offer, a 2% increase in the housing allowance and a 5% performance bonus. This package would cost the bank R17m, while the union's demand would amount to R25m.

Dolny said there was a shortfall of R6m between the union's demand and funds available.

Management, she said, had a long-term view on restructuring and staff development, and had allocated R7m to training.

Sasbo said there were plans to meet the bank next week to try to resolve the dispute, which had already been referred to the Commission for Conciliation Mediation and Arbitration.

Sparks expected to fly over suspension of Sasbo affiliation

BD 16/10/98

Reneé Grawitzky

THE suspension of Sasbo's affiliation to the Congress of SA Trade Unions (Cosatu) until after the 1999 general elections was expected to spark heated debate at the union's two-day national congress starting today, union sources said.

The election of Sasbo's office bearers, instead of their appointment, was also likely to be hotly debated as internal divisions emerged ahead of the start of the congress, they said.

Internal divisions came to the fore during Cosatu's central committee meeting in June, where the federation adopted a resolution that all affiliates contribute R1 per member to be used for activities linked to the general election.

The adoption of this resolution was used by Sasbo's Durban branch to call for the union's suspension from Cosatu until after the elections.

Sasbo's membership base is traditionally conservative. However, insiders claim that left-wing elements are growing in influence.

Two govt groups offer different maize export figures

Paul Vecchiatto

MAIZE BD 16/10/98

SA MAIZE export numbers continue to be clouded by uncertainty with two government mandated organisations offering widely differing numbers.

For the financial year from April to August, the Perishable Products Exports Control Board, which has the responsibility to inspect shipments for export, has said that it has inspected 385 581 tons of maize, while the SA Grain Information Service has declared that 239 000 tons has been exported.

Grain information service maize information compiler Ferdi Jacobs said part of the discrepancy may be because not all maize earmarked for export had left the country yet.

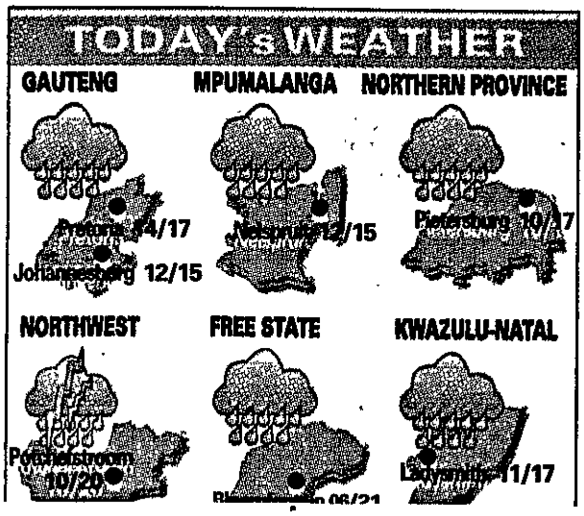
The information service was formed out of the now-defunct maize board as a means of getting information about maize to the market. Its latest numbers go as far as August.

The Perishable Products Exports Control Board refuse to comment on their numbers as the organisation saw itself as an impartial inspectorate for export shipments.

Since January, the exports control board has inspected 739 599 tons of maize for export.

However, the industry operates on an annual cycle from May to April. The elevator operators, the companies which load maize on to ships at ports, say they have handled about 200 000 tons of maize since April.

Agriport said that it had loaded 160 000 tons of maize, of which 25 000 tons was white maize, and Durban Bulk Shipping had handled about 16 500 tons white and 18 000 tons yellow. — I Net-Bridge.



MAIZE INDUSTRY

STORM CLOUDS GATHER OVER FARMERS' FINANCES

3 MAIZE FM 18/12/98

As a huge maize surplus looms, farmers look to hedge their bets

Maize farmers are starting to worry that the torrential rains battering the summer-rainfall area — usually so welcome in January and February — could put them in a precarious financial situation.

The maize surplus from last season is an uncomfortably high 1,95 Mt. This season farmers plan to plant an additional 200 000 ha, taking the total area under maize to about 3,4 Mha. If the rains continue, they could produce a crop of 8 Mt-10 Mt.

"That could lead to an unmanageable surplus — and plummeting maize prices in 1999," says Michael Harrison, head of research at the agricultural division of RMD Financial Services, a member of the SA Futures Exchange (Safex).

He recommends farmers and bankers take urgent action to hedge themselves against disaster by buying futures contracts on the Safex agricultural marketing division (AMD)'s market — as well as put and call options on these contracts.

Some farmers may already be heeding the advice. Safex AMD GM Rod Blondin says since the traded maize options market was launched in March, monthly volumes have grown from 20 options in March to 435 in July and 1 479 in October. Maize futures volumes have also increased dramatically since their launch in the first quarter of 1996, with about 71 000 contracts traded so far in 1998 — representing 7,1 Mt of maize.

Blondin says there has been a 250% increase over last year in the volume of grain futures traded in 1998. But trading dropped sharply in October and November. This could be because many farmers have realised they missed the bus to hedge themselves at levels of R800/t for white and R700/t for yellow maize earlier this year (compared with current levels of R627/t for white and R650/t for yellow maize on the December contract).

The latter levels also show the benefit of the recent sharp drop in the rand — on December 1, December futures stood at R608/t for white and R631/t for yellow maize. The low rand increases import parity prices for maize landed at SA ports — directly affecting domestic prices Wise farmers now watch their computer screens for sudden moves in the rand's exchange rate, as much as they watch the skies for signs of rain. But too many farmers still rely on forward selling contracts alone to hedge their bets — and could be caught napping in 1999.

>>We could be facing an unmanageable surplus and plummeting maize prices in 1999<<
Michael Harrison, RMD Financial Services

With total farm debt of about R20bn and high interest rates forcing many farmers to seek cheaper Land Bank financing, maize futures prices are generally heading downwards (see graph). With real farm values steadily declining under the combined threat of high interest rates, falling real incomes, political uncertainty and galloping crime (70% more farm murders than last year), bankers have to move to safeguard their security.

Standard Bank agriculture consultant Peter Jackson says "the 3,8% increase in the value of agricultural land sold during 1997-1998 is worrying in the light of the effect in real terms of inflation and a relatively negative expectation of future events." If sociopolitical stability declines further, so could real land prices, he says.

Export-focused areas such as the Western Cape and cattle and game ranchers in the Northern Province are experiencing a relative increase in farm values. But maize farmers — and their financiers — are at risk.

"Banks with agricultural or agro-processing exposure should insist that their clients cover price risk adequately," says Brendan Bailey, agricultural economist at the Land & Agricultural Policy Centre.

"The worst case would be a low maize price, coupled with sharp reductions in land prices, changing the value of collateral on loans and causing complications in the banking sector."

Though he isn't suggesting a banking collapse, Bailey says banks must move smartly to cover themselves. A combination of put and call options, futures and forward selling contracts would safeguard marketing in 1999, he adds.

But Harrison says marginal maize farmers should opt for less risky — and less costly — farming options like beef production. Maize input costs are estimated at about R2 000/ha, and if the worst happens in 1999 there could be a "book loss" of about R800/ha, hitting banks as well as farmers. Banks, he says, could face a R3,2bn book loss in 1999.

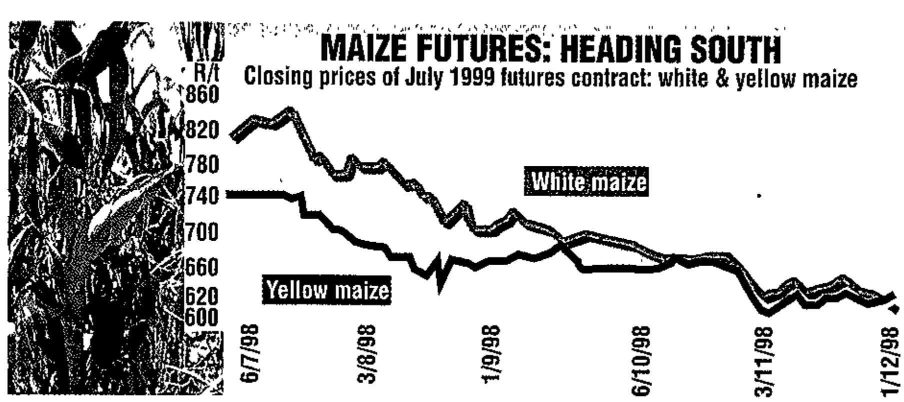
"With millers, farming co-operatives (on behalf of farmers) and banks all trying to talk the price up or down, the lack of transparency regarding available stocks and the crop outlook just adds to the confusion," says Harrison He predicts a disastrously high 3,15 Mt maize surplus by the time the current marketing season closes on April 30 1999.

Traditional export markets in Africa and the Far East have been reduced because of good weather and international financial problems Countries like Argentina are also offering cheaper maize

Sentraalwes CE Hennie Davel, whose co-operative company controls about a third of SA's total maize crop, says: "Our current stocks are at about the same levels as last year and many farmers still have to plant"

Davel says three variables — the current growth season, world maize prices and the exchange rate, and stocks inside SA — will determine whether farmers sell their crops on the spot, forward or futures markets.

Arnold van Huyssteen



Gung-ho farmers set to boost maize output despite oversupply

(3) MAIZE ST (BT) 6/12/98

AGRICULTURE

By DON ROBERTSON

MAIZE farmers are expected to increase production this summer in spite of an existing oversupply from last season which is proving difficult to export.

Early indications from the National Crop Estimates Committee report farmers' intentions to plant an additional 200 000ha of maize this season. White maize production will increase 7.5% to 1.933-million hectares, compared with 1.797-million hectares last summer. Yellow maize production will rise 5.5% to 1.223-million hectares (1.158-million hectares last year). Total plantings are expected to rise to 3.156-million hectares from 2.956-million hectares.

The committee points out, however, that these estimates are based on projections in November. Factors like rain, contracts and price movements can influence actual planting.

The increase of about 136 000ha of white maize plantings is largely due to good rains which fell over most of the production area, while the rise in yellow maize plantings is the result of relatively low price of white maize, says the report.

Farmers' apparent enthusiasm may be countered by a report from the agricultural division of RMD Financial Services, which notes an oversupply of white and yellow maize as the new season begins, predicting an even larger carry-over at the end of this season.

The report declares itself optimistic about production this season, but remains pessimistic about selling the oversupply.

It says there will be an even larger carry-out into the crop year 1999/2000, and draconian measures will have to be taken by both the farming community and the banking community to ensure that the maize farming sector does not do itself irreparable damage.

RMD is concerned because international prices have fallen as other large producers have also experienced substantial surpluses.

In addition, many of South Africa's traditional markets in Africa have experienced economic difficulties as a result of the South-East Asia crisis, and also civil and political turmoil which will force them to import from the cheapest exporter if they can.

International markets such as those in Iran, Iraq, Japan, Mexico and Venezuela are also looking for cheap imports, and Argentine, Europe and the US stand to benefit.

Making provision for possible changes as a result of climatic conditions and other factors, the RMD report says that "a continuation of the over supply trend will result in considerable farmer and banking losses during the next year or two".

Maize glut may be disastrous for profitability of the sector

Louise Cook (3) MAIZE BD 1/12/98

PRETORIA —The current oversupply of maize could have a disastrous effect on the profitability of farmers and millers and the future of maize farming, RMD Financial Services agricultural division said in a special report.

The report, Crop Estimates and Balance Sheet, said the oversupply of maize in the current marketing year to next April was large and likely would be difficult to sell. "The situation for the coming year is no better ... I am ... very pessimistic about the potential for disposing of the grains," RMD head of research Michael Harrison said in the report.

He foresaw an even larger carry-over into the 1999/2000 crop year and believed that draconian measures would have to be taken by the farming and banking communities. These measures would be necessary to ensure that the maize farming sector was not irreparably damaged.

The report estimates that carry-over stock will have increased by the end of the marketing season in five months time by 1-million tons to 1,3-million tons of white maize. In the case of yellow maize, the increase will be to 1,8-million tons from 1,3-million tons.

"The average farmer financing a stock level of 500 tons in silo through a bank will need to account for R110 000 additional cost a year. Banks should be nervous and although there are no signs of any forced selling, the combined effects of oversupply, falling prices and high financing costs must be making inroads into their confidence." Traditional markets in Africa were either drying up or have created economic environments which did not allow for the same buying patterns of the past years.

Kenya announced six months ago that it would not be importing any more maize this year while Angola, Congo, Lesotho, Swaziland, Zimbabwe and Zambia were taking up less of the grain for different reasons.

"The surprising exception appears to be Mozambique whose experiment in using SA farmers to recreate their agricultural heritage appears to be highly successful ... SA's marketing ability in global markets needs to be examined closely. The potential must exist for market related sales which could alleviate the oversupply.... The closure of state marketing boards may be a reason behind the perceived inability to unify a marketing thrust. Failure to provide a commercial alternative will almost certainly leave SA a poor second in the (global) sales race."

AGRICULTURE ~ MAIZE

1999

Avgold

	Dec Quarter	Sep Quarter	% change
Production (kg)	5 656	5 054	12
Revenue (R/kg)	57 928	59 852	-3
Cash cost (R/kg)	44 335	50 244	-12
Profit (Rm)	19	-6	417
Eps (c)	5	-1	600

SA milling industry under threat from new tariffs

Louise Cook (3) MAIZE

PRETORIA — Proposals by the Board on Tariffs and Trade on a new tariff structure for imported flour could wipe out SA's R4bn a year milling industry as well as the milling sectors of Southern African Development Community (SADC) countries, says the National Chamber of Milling.

This was revealed after a special investigation into the EU's Common Agricultural Policy, the chamber said. The investigation by some of Europe's top former milling executives backed by the EU's official journals showed that on the face of it, the EU was reducing subsidies on wheat and flour but in reality could raise them in terms of hidden clauses negotiated with the World Trade Organisation.

National Chamber of Milling CEO Jannie de Villiers said if the board ignored the findings of the investigation it would be "disastrous" for SA and other SADC countries who had none of these cushions and had greater transport and financing costs. "It is not the fact that the board wants to downphase the tariff to zero and set up antidumping and countervailing duties that is of concern, but their pace of tariff reduction compared to that of the EU is far too fast for a developing region like SADC."

"The EU's tariffs on imported flour and wheat are far higher than those of SA. In addition, there is a system of roll-over subsidies that only came to light from our investigation. The EU can fall back on the roll-overs system and wipe out opposition at any time."

The EU's high tariffs and roll-over subsidy system coupled with an unrealistically rapid tariff reduction policy of smaller trade partners put EU member states in a position to play for time to stage "hostile take-overs" of third world markets.

An EU grain trade investigator warned in a report to the chamber: "The European milling industry retains sufficient margin in its internal sales revenue (domestic market) to survive on marginal costs for a considerable portion of its third country exports."

A source said the board planned to have the current 50% fixed tariff on imported flour adjusted to a tariff equal to the tariff on imported wheat (which varies according to a formula linked to global prices), multiplied by 1,5 plus a percentage. The percentage would kick in at 40% and reduce to zero over five years.

SA's zero tariff on wheat and 50% on flour pales in significance to the EU's wheat tariff of 73% and 183% flour tariff.

The tariffs and trade board was not available for comment yesterday, but was believed to have its proposed new imported flour tariff structure ready for submission.

BD 28/1/99

Govt acts on 'critical' maize meal shortage

BD 4/2/99 (3) MAIZE

Michael Hartnack

HARARE — Zimbabwean Industry and Commerce Minister Nathan Shamuyarira has announced immediate plans to move 35 000 tons of grain to end what he admitted was "a critical maize meal shortage" affecting Harare, Mutare, and many centres in the east of Zimbabwe.

Riot police were again out in force yesterday to quell possible disturbances triggered by the meal crisis and attempts by commuter minibus drivers to impose a 20% fare increase.

Many drivers stayed off the roads yesterday, leaving commuters stranded, after police checks to enforce a transport ministry ban on increases which, drivers said, were made inevitable by 66% fuel price hikes and soaring costs of spares.

Shamuyarira's statement on Tuesday — conceding that maize meal problems stemmed from the state-run National Railways of Zimbabwe — came simultaneously with Lands and Agriculture Minister Kumbirai Kangai accusing millers of contriving the shortage in a bid to force up the retail price from its current statutory Z$6/kg maximum.

The government-controlled Herald reported that on Tuesday millers took Shamuyarira to the depot of one of Zimbabwe's major companies "to investigate reports that it was holding maize stocks to create an artificial shortage.

"The reports were, however, false ... by yesterday afternoon the company had received 24 wagons of maize, enough to meet consumer demand for two days."

Earlier this week Shamuyarira said the maize should have started flowing into affected areas by Monday, and it was expected that the situation would be back to normal by yesterday. A standing committee had been established to monitor the situation and eliminate bottlenecks.

Kangai told the state-run Zimbabwe Broadcasting Corporation on Tuesday there was more than 200 000 tons of maize in depots nationwide, more than enough to last until the pending harvest.

Continuing official paranoia that Zimbabwe's economic woes stem from private sector machinations has also been reflected in a statement by Reserve Bank governor Leonard Tsumba. He said he suspected "pressure besieging the local currency had other origins than the levels of foreign currency inflows".

Banks have been told to hold the Zimdollar below 50 to the US dollar but earlier this week Tsumba told The Herald the local currency remains "51% undervalued". He said the Zimdollar had again depreciated at a time of foreign currency inflows when "the market was supposed to have discounted the negative sentiments that had caused panic".

Tsumba's optimism that International Monetary Fund will boost the currency by releasing $88m budget support is not shared by many private sector observers.

They fear more damage to the nation's reputation for observing the rule of law: contempt of high court orders for the release last month of Sunday Standard editor Mark Chavunduka, held by military police after reporting a military coup plot.

SA likely to send maize to Tanzania

(3) MAIZE   ET (BE) 9/2/99   (313)

From Reuters

Dar es Salaam — Traders see South Africa as a likely source of maize to fill an import tender launched by Tanzania yesterday.

Asked what the source of the imports would be, one senior trader said: "South Africa, I would imagine. That's the only country I know that would be able to meet that demand. It's also easier to manage with freight."

The trader said he had imported 4 400 tons of maize of his own at a price of $150 a ton from South Africa and did not believe any bids would vary significantly from that figure.

The Tanzanian government invited bids yesterday to supply a total of 75 000 tons of grade one white maize to alleviate a food shortage.

Maize production from the short rainy season between October and December is expected to fall by 60 percent as a result of reduced rainfall, United Nations agencies said earlier this month.

Yesterday's invitation for the supply of the maize was contained in two tender documents from the Tanzanian Central Tender Board. The deadline for bids to supply 50 000 tons was March 10, while bids for the supply of 25 000 tons have to be submitted by February 18.

Brake on exports as SA maize prices climb to daily highs

BD 5/3/99

SOARING maize prices in SA are putting the brakes on exports, as continuing high temperatures precipitate a price rally.

John Gordon, chairman of the SA Grain Shippers' Association, said that exporters were turning to cheaper sources elsewhere to fill orders as hot and dry weather continued to wither the local crop, fuelling the price rally.

"We know of two shipments to Mexico which have been substituted with US corn.... Another 25 000-ton order for white maize from Tanzania has also been filled with US grain," said Gordon, who is also MD of leading trader Andre Genfood.

"Existing contracts are being executed at contract minimums ... SA cannot compete in the export markets at levels so far above world prices."

As temperatures across SA's maize belt exceed 35°C and rain-clouds remain absent, prices for white maize in particular are climbing to new highs daily.

"The only subject of conversation in the farming world is rain, rain and rain," said Michael Harrison of RMD Financial Services in his daily market report.

A decline in exports could impact seriously on the country's foreign exchange reserves. On the other hand, a build-up of maize domestically could eventually force prices down.

Yesterday futures contracts for white maize — a traditional staple in Africa — rose across the board, adding between R15 and R23.

May white maize, which has soared nearly 50% since late January, was trading R15 firmer at R875. July white put on R16 to R844.

Contracts for yellow maize, used for animal feed, dipped on concerns that heady domestic prices would encourage coastal buyers in the Western Cape province to purchase grain more cheaply offshore.

"Argentinean yellow maize is competitive to coastal feed millers despite the R85 import duty. Up to 200 000 tons could easily be imported this year," Gordon said.

SA's traditional export markets, primarily for white maize, include sub-Saharan Africa, southeast Asia and central America. — Reuter

(13) MAIZE

New plan to help farmers

Louise Cook (3) MAIZE

BOTHAVILLE — A new project, which aims to rescue struggling maize farmers by providing them with alternative jobs as mentors to emerging maize farmers, would kick off this year if the National Maize Producers' Organisation (Nampo) raises enough money.

A Nampo working group will facilitate the project. Its chairman WH van Zyl said not all maize producers wanted to stay in subsistence farming, while there was a need to retain the skills of commercial farmers.

Indications are that several commercial farmers, particularly in the Free State and North West Province where severe crop damage occurred, may face problems repaying bank production loans. Nampo chairman Japie Grobbler said: "There will be no more assistance from government — we have a duty to set up a programme for those who lose their land through no fault of their own."

The working group found there was a shift away from yellow maize production to white maize in the past two years. The area planted with maize since 1993 dropped by 14%, but the decline was offset by the increased planting of sunflowers, ground nuts and dry beans.

BD 5/3/99

Milling industry warns on EU move

(3) MAIZE

Louise Cook

THE R4bn-a-year milling industry warned at the weekend against moves by the European Union (EU) to introduce "payments for farmers' stewardship" and "upkeep of the countryside" during the next round of World Trade Organisation (WTO) trade negotiations due to start at the end of the year. BD 8/3/99

Indications are that the EU is planning to boost its "agri-environmental scheme" to keep farmers in business when lucrative production and export subsidies of R250bn a year are scaled down in line with WTO international trade requirements.

SA's food and farming sectors and those of many other developing countries are hard hit by the subsidies to European farmers.

National Chamber of Milling CEO Jannie de Villers said EU commissioner for agriculture Franz Fischler recently identified new areas of support which would cancel out the effect of scaling down or scrapping production and export subsidies.

Fischler recently said that the subsidies were payment for services which Europe's farmers have so far provided free of charge, namely "stewardship and upkeep of the countryside" and that the EU had to continue "properly rewarding what agriculture does for the environment". He proposed that more funds be earmarked for agri-environmental programmes.

The SA milling industry recently launched a special investigation into the EU's Common Agricultural Policy. The probe was done by some of Europe's top former milling executives following proposals by the board on tariffs and trade to adjust the tariff on imported flour.

The probe showed that on the face of it, the EU was reducing production subsidies on wheat and flour, but was able to raise the subsidies again due to hidden clauses on "roll-overs".

The contentious clauses were negotiated with the WTO at the last round of international trade negotiations in 1993. The probe showed that the EU could fall back on the roll-over system and wipe out opposition from trade competitors at any time.

Indications are that Fischler has the backing of EU director-general of development Philip Lowe in his plans to boost the payments. Lowe was the EU's chief negotiator in the SA/EU free trade deal that overran its deadline at the end of last year.

Regional maize production predicted to rise this season

(3) MAIZE

HARARE — Maize output in southern Africa is expected to rise in the cropping season to April because of better rains and increased plantings, according to a report released by a regional food security unit yesterday.

"In response to good early rains and adequate supply of planting seeds, the area under maize has greatly increased compared to last year," the Southern African Development Community's early warning unit said in its latest bulletin.

Indications were that maize output would surpass last year's harvest of 15,99-million tons. However, excessive rains threatened yields in Malawi, Mozambique, Zimbabwe and less so in SA, Zambia and Swaziland. Flooding destroyed 18 000 hectares of crops in Mozambique and about 4 000 hectares in Zimbabwe. — Reuter.

BD 10/3/99

The Star ... Wednesday March 17 1999

Weather blamed as SA faces huge maize shortage

Regional countries must also be fed from low crop yield

(3) MAIZE Star 17/3/99

By Norman Chandler
Pretoria Bureau

South Africa's granary is rapidly reaching crisis point as the country is faced with a massive shortage of maize. From a low harvest expected this year, South Africa is also committed to feeding other regional countries.

Japie Grobler, vice-president of the South African Agricultural Union and president of the National Maize Producers' Organisation said in Pretoria yesterday that it was now expected that the crop would reach 5,81 million tons instead of the 7,26 million forecast two weeks ago.

Low yields were also expected in other grain crops due to scorching heat and low rainfall.

"Poor climatic conditions have been the major cause of this shortfall. Some farmers in the maize-growing areas have told us that their crops are up to 30% below expectations, and that is bad news," Grobler said.

It was expected that once the season was over there would be a shortage of 1 million tons – "However, we have commitments to neighbouring countries and this would further dilute the figure.

"Zimbabwe has told us that they need 400 000 tons, Zambia between 300 000 and 500 000 tons and Namibia about 60 000 tons. We don't know as yet what Mozambique's requirements will be," Grobler added.

The first tenders for the purchase of maize from other countries have already been prepared, and it is expected that the first shipment of Argentinian maize will be landed within the next few weeks.

The SAAU has also warned that there could be layoffs.

Climatic conditions have hit the industry's foreign exchange earnings, dropping from a high of R8-billion over the past few years to R4-billion last year.

Tests could delay vital maize

(3) MAIZE BD 23/3/99

Louise Cook

PRETORIA — An agriculture department move to set up controls for imported genetically modified food, at the height of a severe maize shortage, was set to delay the release of a batch of yellow maize shipped in at the weekend.

The move could lead to animal feed factories grinding to a halt if assessments of the maize aggravated already short yellow maize supplies, Animal Feed Manufacturers Association spokesman Hansie Becker warned last week.

Feed factories needed 3-million tons of maize a year for the agricultural market and if the shipment was not immediately available, and first had to be assessed, large poultry producers stood to lose significant numbers of young chicks, Becker said. "The industry is up in arms. We were taken completely by surprise. Manufacturers are at a loss as they cannot find any local yellow maize — they simply had to import."

Becker said maize prices could rocket even further if manufacturers were to start using white maize as an alternative. The furore comes in the wake of an agriculture department decision to set up a new directorate from the beginning of next month to assess all consignments of genetically manipulated food and commodities imported into the country.

Industry was reportedly not aware of government's new measures and had no chance to make provision for the extra time that might be needed to test the imports. Imports are normally tested only for the usual phyto sanitary requirements of health and quality, but the department's new directorate would focus exclusively on genetically modified foods and commodities.

Genetically modified seed, common in the US, is still new to SA. Last year saw the first local planting of genetically engineered maize and cotton in the country. To produce the seed, genes from different organisms are used to strengthen specific traits in the plant, usually to boost resistance to pests and disease.

Agriculture department assistant director Kelly Lekoape said the time needed to assess genetically manipulated commodities would depend on several factors including whether or not the imports could affect the safety of humans or whether it was for animal consumption only. The particular batch of maize would be assessed to find out if any proteins could cause allergies, she said.

Monsanto seed produced in the US had already been assessed by the department. If this week's batch of maize contained only Monsanto seed, its release into the market would not take long, but if it contained seed from other organisations involved in genetic manipulation, clearance was likely to take longer, Lekoape said. "If it is not cleared, it will be sent back."

An expert on genetically modified material said the department was being unnecessarily cautious as all testing of the product was done before its release onto the market.

A scientific unit of the US government had already found that genetically modified maize did not contain any harmful proteins. He said the department was in a quandary as to what to do in the absence of legislation dealing specifically with genetically adapted food.

Maize tariff will pump up stock farming costs

Louise Cook (13) MAIZE

PRETORIA — The R7bn-a-year animal feed sector yesterday sharply criticised government for allowing an import tariff on maize when a shortage is being experienced, saying this year's import duties on yellow maize will add another R72,4m to the costs of animal feed.

Maize farmers were being priced out of the market while livestock farming in SA was likely to shrink significantly due to the R84/ton tariff on maize, the Animal Feed Manufacturers Association (Afma) said yesterday.

Afma chairman Mungo Griessel said the feed sector expected a drop in sales at the end of the season due to high yellow maize prices boosted by the import tariff.

SA is experiencing yellow maize shortages of 862 000 tons of which 61 000 tons have already been imported. A further 180 000 tons have been ordered.

In terms of a formula thrashed out four years ago with the Board on Tariffs and Trade, a tariff comes into effect as soon as international maize prices drop below $110.

The idea is to protect local farmers against subsidised imports, from the US and the European Union.

However, Meadow Feeds procurement director Heiko Koster said changes in the exchange rate and the weaker rand already afforded local maize producers a degree of protection which they did not have when the formula was agreed in 1995.

"Under the circumstances, the price (that justifies a tariff) should come down to $90."

The board was reviewing the tariffs for maize, but Koster said changes were needed to kick in before too much maize was imported in the next few weeks.

Griessel said that the tariff was inflating the production price of eggs by 8c a dozen and milk by 2c/*l*.

"Pork farmers are not making any profit. The tariff has pushed up their costs by 18c/kg."

Afma warned that if the local livestock market shrank any further, SA maize farmers would become increasingly dependent on the export market.

Fruit exports deal takes root

ET(BR) 16/9/99 (3) FRUIT

MARC HASENFUSS
CAPE EDITOR

Cape Town – The Ashwood Group, a little-known Franschoek-based agricultural products exporter, is set to shake up South Africa's fruit exporting industry.

Company insiders said yesterday a major deal is on the cards with several smaller players in this recently deregulated market.

Sources said the deal would make Ashwood one of the biggest fruit exporting concerns in South Africa behind established players like Capespan and Intertrade.

David Kenny, the chief executive of Ashwood, confirmed "something big" could be announced shortly, but declined to offer more details.

Industry sources speculated that Ashwood would link up with a number of smaller fruit exporting concerns that have sprung up since the industry was deregulated two years ago.

"Ashwood are a dynamic and enthusiastic bunch when it comes to agricultural exports and joining up with other players would give them critical mass and result in further consolidation in the fruit exporting industry," said one.

Kenny said the company, which would turn over more than R200 million in the financial year 2000, still had a JSE listing in its sights but would wait for market turbulence to pass.

"We think it's a good idea to list ... we are growing fast which does put a lot of strain on cash flow."

Kenny said Ashwood had already sold equity to Denny Mushrooms, which was recently bought out of the Tongaat-Hullett Group by management.

"Denny has bought into us as we are looking at doing some exporting for their products.

"Denny's good at growing mushrooms and we are good at marketing agricultural products overseas."

He said Ashwood exported fruit, wine and rooibos tea to the UK, Europe, Japan, North America and South America.

Kenny said Ashwood Fruit had secured big contracts in the UK and Europe, including a lucrative supply agreement with Safeway, the UK retailer, for more than 2 million cartons a year.

The company's rooibos tea division, Cape Natural Products, recently clinched a R1 million deal in Japan.