WHEAT MARKET VALUE CHAIN PROFILE

2012

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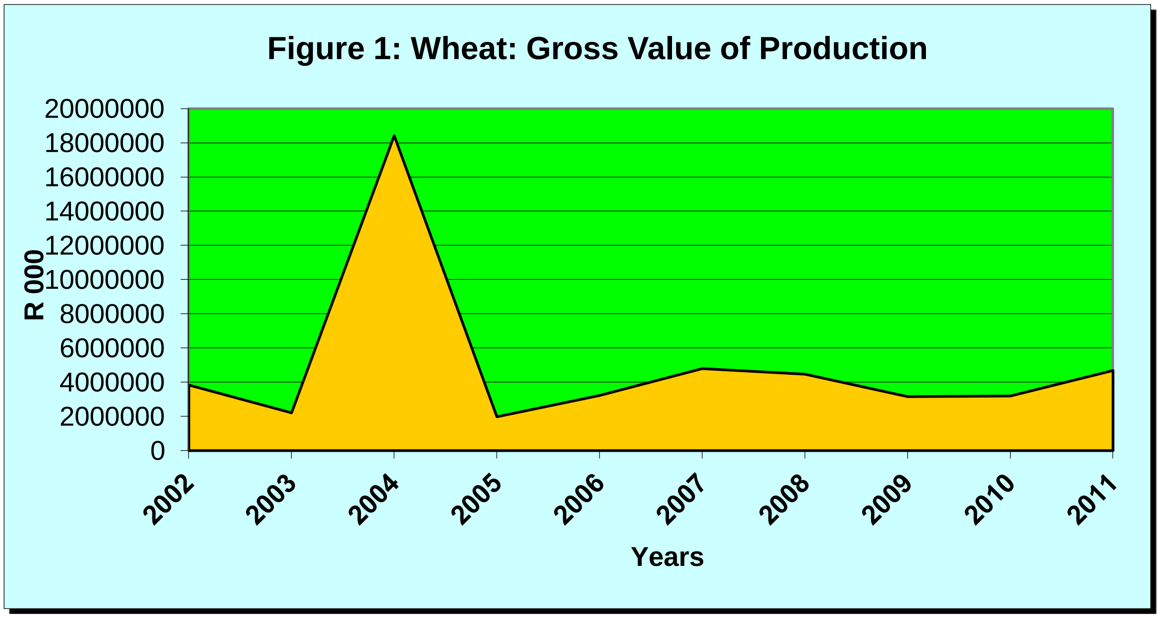
1. DESCRIPTION OF THE INDUSTRY

Wheat is the second most important grain crop produced in South Africa. Most of wheat produced in South Africa is bread wheat, with small quantities of durum wheat being produced in certain areas and is used to produce pasta. In South Africa, wheat is mainly used for human consumption (bread, biscuits, breakfast cereals, rusks, etc) and the remaining is used as seed and animal feed. There are other non-food uses such as production of alcohol for ethanol, absorbing agents for disposable diapers, adhesives and industrial uses as starch on coatings. Producers of wheat are estimated to be approximately between 3 800 to 4000.

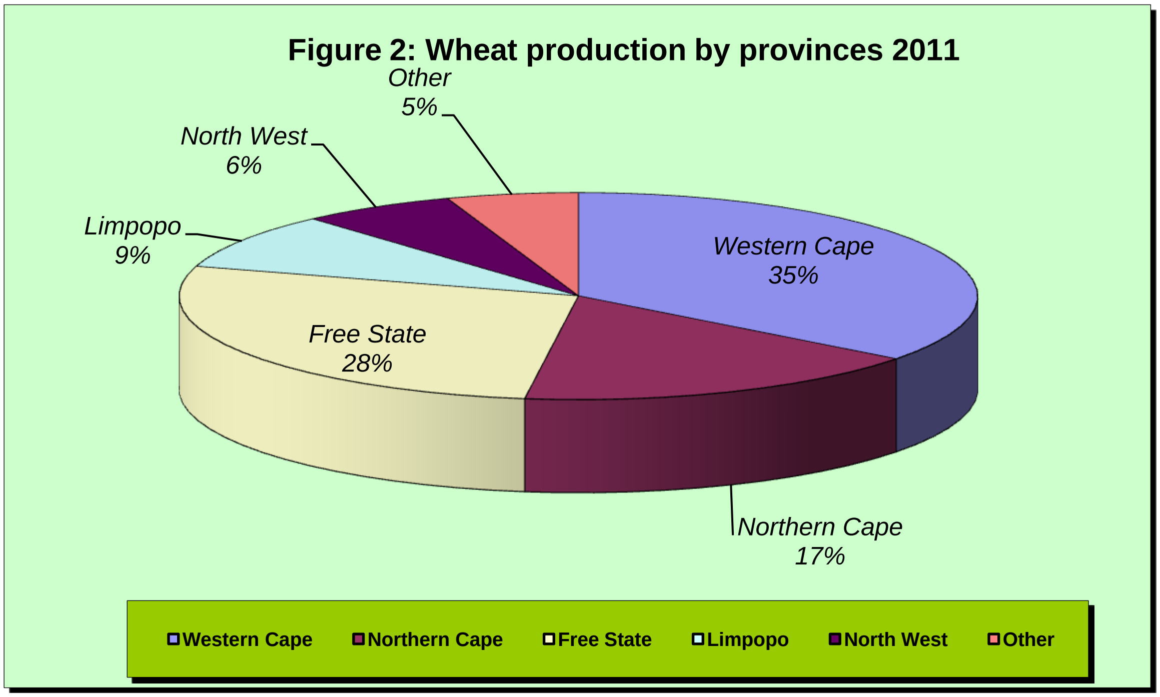


Source: Economic Analysis and Statistics, DAFF

The contribution of the wheat industry to the gross value of agricultural production as shown in Figure 1 above remained below 4 billion rands between the years 2002 and 2003 until a peak was attained in 2004. There has been a substantial decline in the industry's contribution to the gross value during 2003 mainly due to unfavorable weather conditions that resulted in decreased crop yields domestically. The wheat industry's contribution to the gross value of agricultural production increased dramatically during the year 2004 contributing more than 18 billion rands but dropped again to levels experienced before 2004 when this industry experienced lower producer prices between 2005 and 2010.

1.1. Production areas

Wheat is planted between mid – April and mid – June in the winter rainfall areas and between mid – May and end of July in the summer rainfall areas. It is produced throughout South Africa with the Western Cape, Northern Cape and Free State provinces being the largest producers accounting for 80% of total wheat production during 2011 production season as shown in Figure 2 below. Approximately 20% of the total area planted to wheat is cultivated under irrigation and 80% under dry land conditions.



Source: Economic Analysis and Statistics, DAFF

Smaller quantities of wheat are also produced in other provinces such as Kwazulu-Natal, Eastern Cape, Gauteng and Mpumalanga. These provinces contributed 5% (combined) towards the country's total wheat production. Wheat in South Africa is produced mainly for human consumption, although small quantities of poorer quality wheat are marketed as rations for livestock feed. Approximately 60 percent of the total quantity of wheat flour and meal is used for the production of bread.

Table 1: Wheat production by provinces

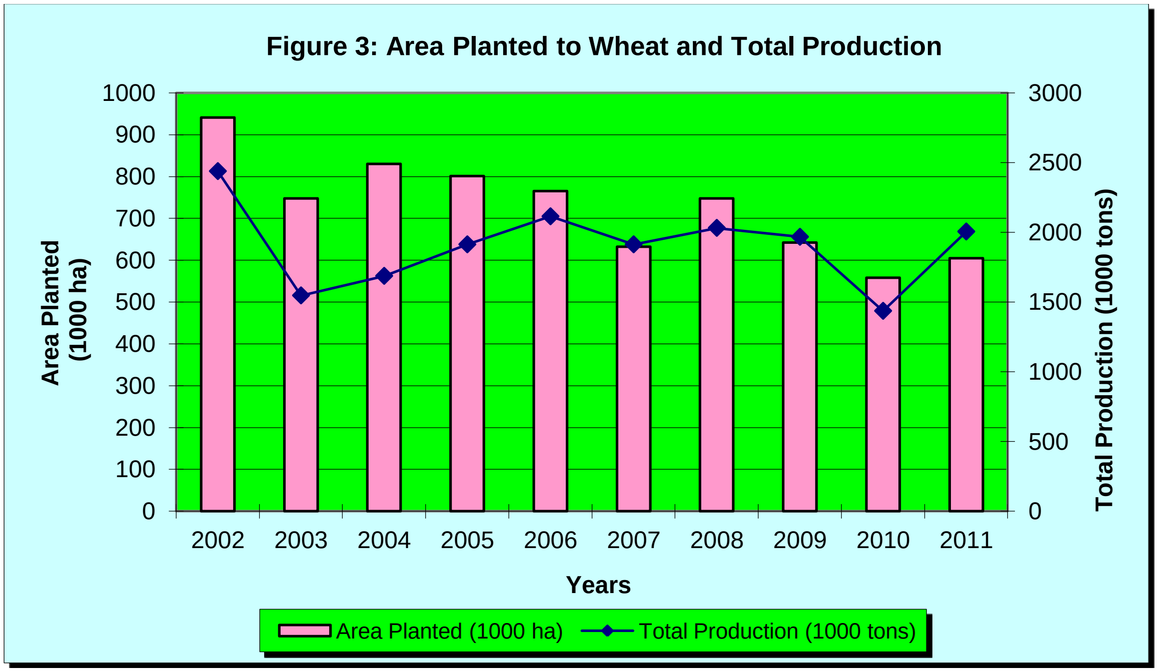
PROVINCE	Production (tons) 2007	Production (tons) 2008	Production (tons) 2009	Production (tons) 2010	Production (tons) 2011
Western Cape	813 000	823 000	701 000	583 000	710 000
Eastern Cape	15 000	22 000	20 000	19 000	21 000
Northern Cape	260 000	315 000	277 000	258 000	336000
Free State	484 000	532 000	623 000	388 000	550000
Kwazulu-Natal	29 000	35 000	35 000	33 000	40500
Limpopo	58 000	110 000	99 000	71 000	176000
Mpumalanga	26 000	42 000	41 000	25 000	34200
Gauteng	10 000	12 000	13 000	10 000	11300
North West	117 000	131 000	137 000	124 000	125500

Source: Economic Analysis and Statistics, DAFF

Table 1 indicates that wheat is produced in all the nine provinces of the republic with the Western Cape Province being the major producer during the past five years. Greater quantities of wheat are also produced in the Free State and Northern Cape Provinces. The quantity of wheat produced in all nine Provinces increased slightly during the year 2011 compared to what was produced during the year 2010.

1.2. Production Trends

The total areas planted to wheat as well as total wheat production in South Africa over the last ten years are presented in Figure 3.



Source: Economic Analysis and Statistics, DAFF

According to FAO, South Africa is the largest producer of wheat in the SADC region and the fourth largest producer on the African continent. Globally, South Africa is ranked number 37 in terms of wheat production, with China being the world's leader in wheat production. Areas planted to wheat in South Africa have been relatively stable at an average of about 727 000 hectares per annum between the years 2002 to 2011 as can be seen from Figure 3 above, and this normally results in an average of 1 905 thousand tons of wheat being harvested annually. The period under analysis opened with relatively lower volumes of wheat production and this was followed by a slight decline during the year 2003. The volumes increased to higher levels between the years 2004 and 2006 and this was followed by a significant decline in area planted during 2007, leading to a decline in production volumes during the same period. Wheat production volume also experienced a dramatic decline between the year 2009 and 2010 as a result of reduced plantings this was followed by a significant increase in production volumes during the year 2011.

1.3. Employment

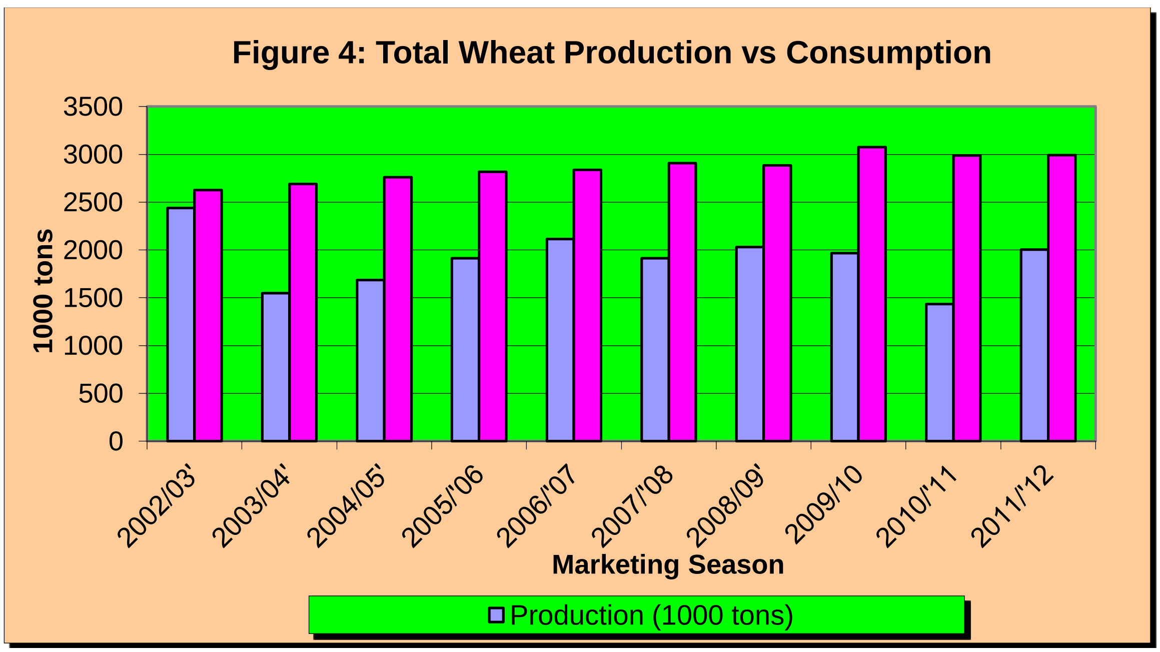
Wheat farmers provide work opportunities to about 28 000 people. The new small entrants into the market are creating new employment opportunities, but on a low basis and not fast enough to counter the negative impacts of the losses at the large mills. The total capital investment in the milling industry is approximately R3 billion and it is estimated to employ around 3 800 people.

2. MARKET STRUCTURE

2.1. Domestic Market

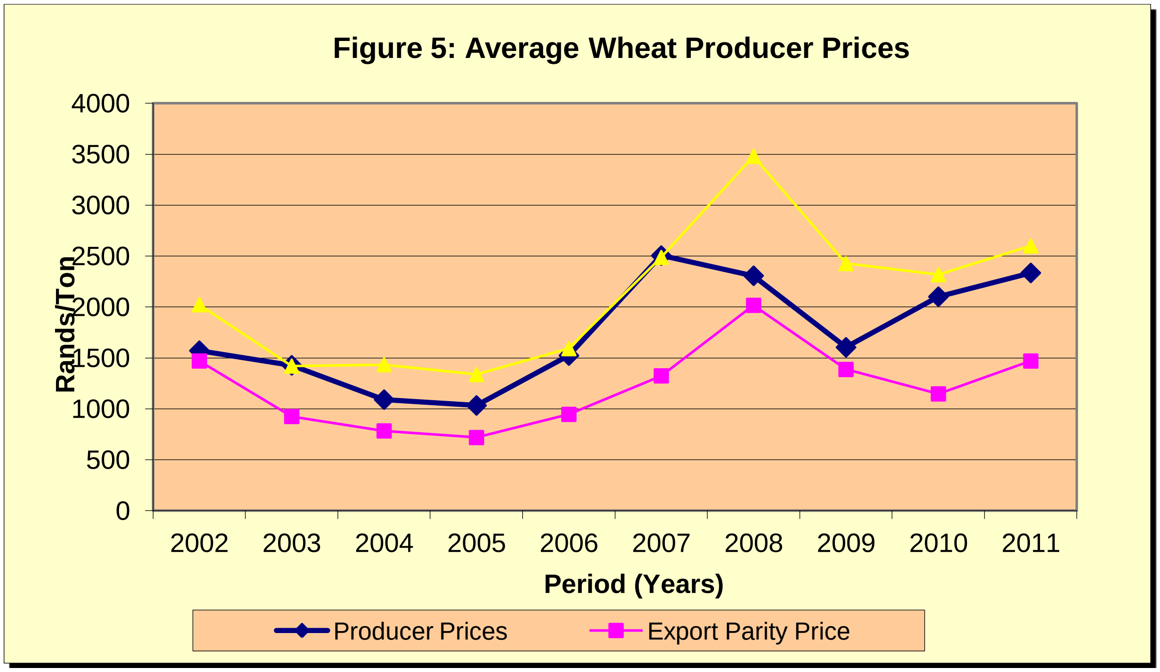
The major product of the baking industry is bread and 70 to 80 percent of all wheat flour produced is used for bread baking. The industry is a second major supplier of energy in the national diet after maize meal. Annual consumer expenditure on bread was estimated at R6 700 million in 2000 compared to an expenditure of R6 200 million for maize products.

National bread consumption is estimated at 2.8 billion loaves per annum or approximately 62 loaves per person per annum. There are, however, considerable differences between the provinces in terms of total consumption and preference for white or brown bread. For example, the per capita consumption in Gauteng is 86 loaves per annum compared to 44 loaves in Limpopo. In the Western Cape 76% of all bread eaten is white bread. In Limpopo however, 25% of the bread eaten is white while the balance is brown bread.



Source: Statistics and Economic Analysis, DAFF

Figure 4 indicates that the total annual production of wheat is generally less than the domestic consumption requirements. The general observation from Figure 4 is that the wheat production volumes are generally on the decline while the consumption is continually increasing. During the year 2011, the wheat production volume was about 2.05 million tons while the consumption amounted to about 2.99 million tons. This has left a deficit of about 900 thousand tons of wheat. During the same year (2011), the production of wheat declined by 17.76% compared to what was produced during the year 2002. Over the same period, the local wheat utilization/consumption increased by 13.90% and this widened the gab between production and consumption even further. Our analysis further shows that, during the year 2011, the local wheat market was able to supply only 67% of the local consumption requirements. On average, about 99.71% of the total wheat processed in the local market is processed for human consumption while the remaining 0.29% is processed for animal feed.



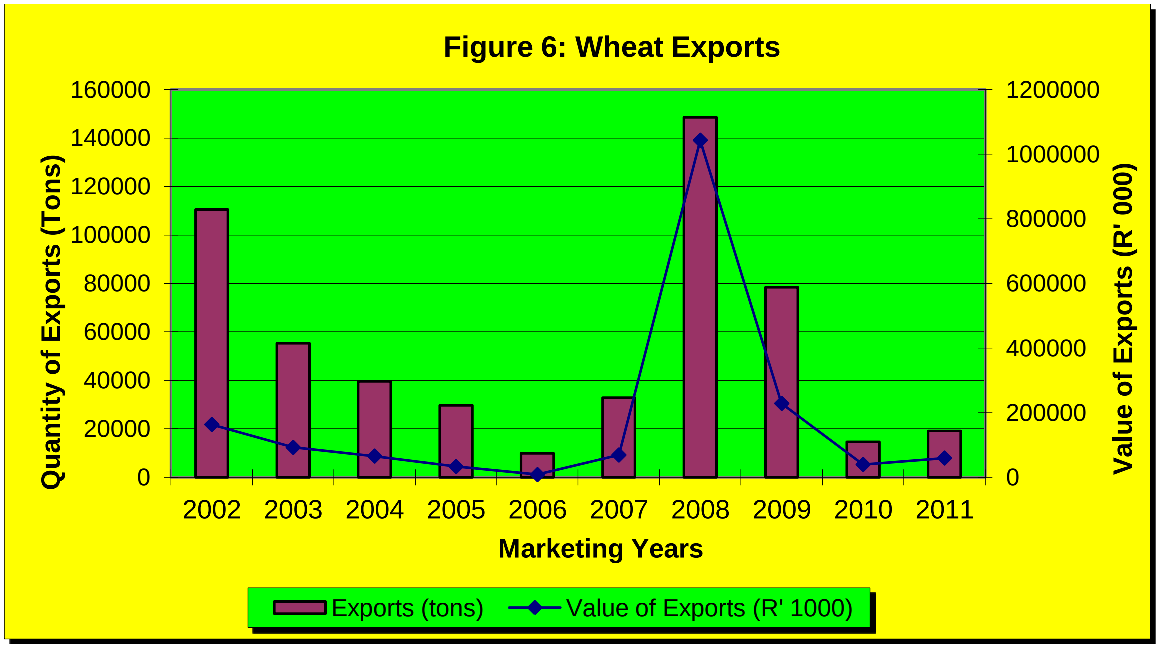
Source: Statistics and Economic Analysis, DAFF

Figure 5 indicates that the period under analysis opened with prices during the year 2002. Producer price for wheat in the domestic market was at an average of about R1 572.05/ton during the year 2002. This was followed by a decline in producer prices from the year 2003 until the lowest level was attained in 2005 owing to lower prices in the international markets. Producer prices recovered again and increased substantially between 2006 and 2007 when domestic demand also experienced a sharp increase. The average producer prices for wheat experienced a marginal decline between the years 2008 and 2009 followed by a slight increase between the years 2010 and 2011.

It is important to note that with wheat being an internationally tradable commodity, the local producer prices are heavily influenced by wheat prices in the international markets. It is clear from Figure 5 that the local wheat prices are usually between the import and export parity price levels. However due to the fact that the local wheat industry depends heavily on wheat imports, the local wheat usually trades very close to import parity price.

2.2. Wheat Exports

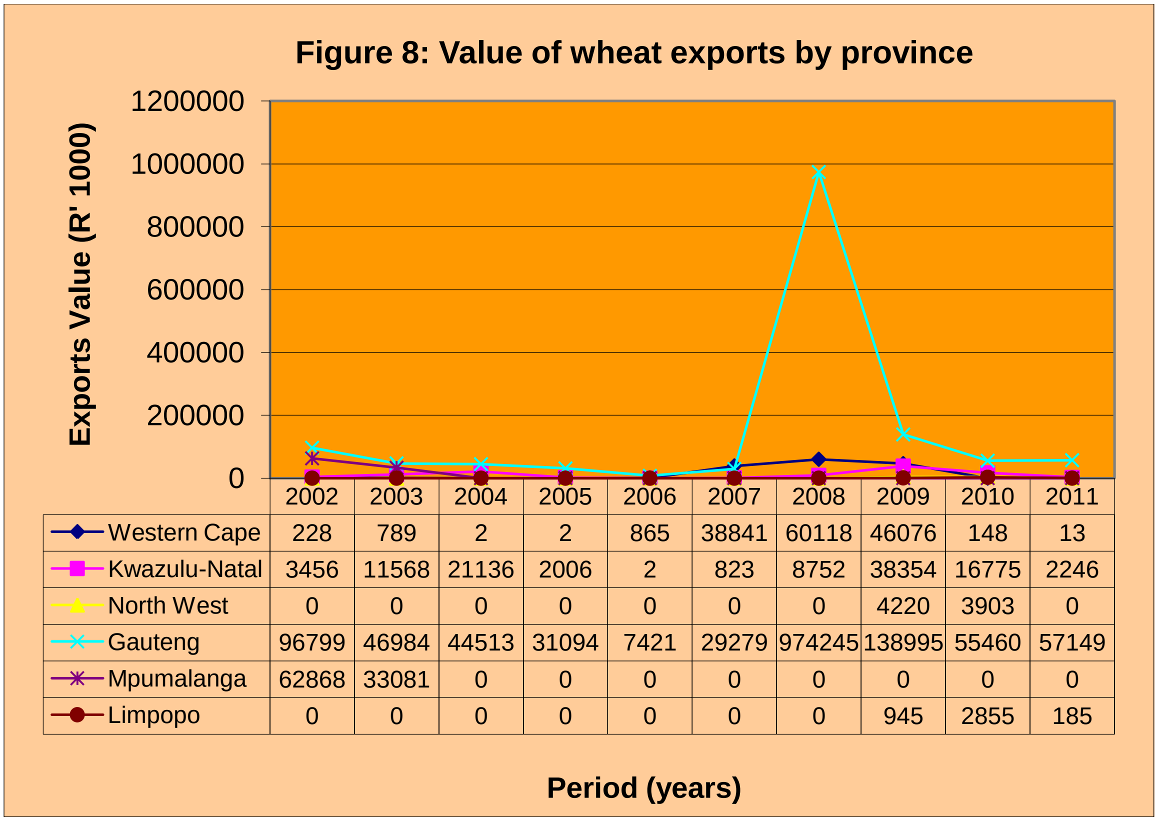
Figure 6 indicates that South Africa was not competitive in exporting wheat between the years 2002 and 2007. During this period South Africa exported more wheat and wheat products for less mainly as a result of lower producer prices both domestically and in the international markets.



Source: Quantec Easydata

Wheat exports from South Africa to the rest of the world fluctuated considerably over the period under analysis. The period under review opened with relatively higher wheat exports, in 2002. The exports declined dramatically between the years 2003 and 2006 mainly as a result of declining levels of local production and increasing local consumption of wheat products. During the same period greater volumes of wheat and wheat products were exported at lower values. The value of wheat exports regained during 2008 when about 150 thousand tons of wheat were exported to the value of just above 1 billion rands and this can be attributed to improved price levels in global markets. The period under analysis closed with lower volumes of wheat exports during the year 2011.

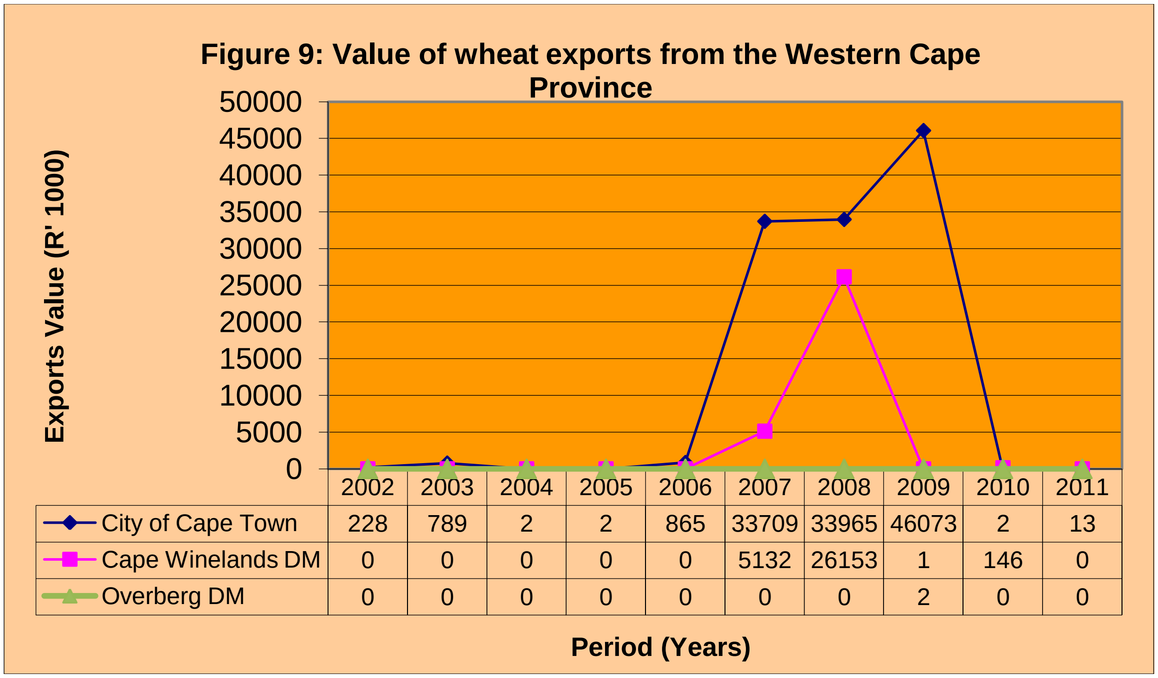
South Africa's wheat flour exports are mainly destined for SACU and SADC countries such as the Democratic Republic of Congo, Zambia, Zimbabwe and Mozambique. The greatest share of South Africa's wheat exports were destined Zimbabwe and Mozambique.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	228	789	2	2	865	38841	60118	46076	148	13
Kwazulu-Natal	3456	11568	21136	2006	2	823	8752	38354	16775	2246
North West	0	0	0	0	0	0	0	4220	3903	0
Gauteng	96799	46984	44513	31094	7421	29279	974245	138995	55460	57149
Mpumalanga	62868	33081	0	0	0	0	0	0	0	0
Limpopo	0	0	0	0	0	0	0	945	2855	185

Source: Quantec Easydata

The South African exports of wheat originate mainly from the Gauteng, Kwazulu-Natal and Western Cape Provinces; with the Gauteng Province commanding the greatest share in the value of wheat exports between the years 2002 and 2011. The value of wheat exports from the Gauteng Province declined steadily between the years 2002 and 2006. On average, Gauteng Province has over the period under analysis exported wheat to the value of about R148 million per annum. This implies Gauteng has, over the period under analysis, accounted about 80.44% of the country's total value of wheat exports. Exporters who are mainly situated in the Gauteng Province source wheat from the major wheat producing provinces such as the Western Cape, Northern Cape and the Free State provinces. Furthermore, the presence of the Randfontein grain market also accounts for the greatest share in Gauteng's wheat exports.

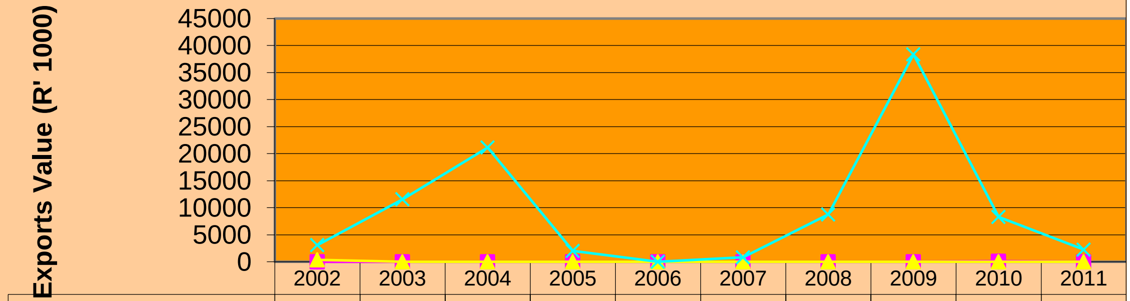


Source: Quantec Easydata

In the Western Cape province, the wheat exported is mainly from the City of Cape Town Metropolitan Municipality precisely due to the use of the Cape Town Harbor as an exit point for the export of wheat. The Cape Wine-lands district only recorded exports of wheat between the years 2007 and 2010 while very menial export values were recorded from the Overberg district during 2006 and 2009. It is clear from Figure 9 that there were no wheat exports from the Cape Wine-lands and Overberg Districts between the periods 2002 and 2005. The highest value of wheat exports from the Western Cape Province was recorded from Cape Winelands during the year 2010. Exports of wheat from Western Cape declined significantly during the year 2011 to the extent that the value of wheat exports from the province (particularly from City of Cape Town) was only about 13 thousand rand during the same year.

Figure 10 below indicates that in KwaZulu-Natal province, wheat is exported mainly through eThekwini Metropolitan District with intermittent exports recorded from UMgungundlovu, UMzinyathi and Amajuba districts. The value of wheat exports through the eThekwini Metropolitan district has fluctuated considerably during the period under review and reached a peak in 2009. On average, KwaZulu-Natal Province has, during the period under analysis, exported wheat to the value of R 9.67 million per annum, of which eThekwini contributed about R 9.63 million towards the provincial figure. This implies that eThekwini accounts for about 99.52% of the Province's total value of wheat exports. The period under review closed with lower values of wheat exports from eThekwini Metropolitan District and the province as a whole.

Figure 10: Value of wheat exports from KwaZulu-Natal Province

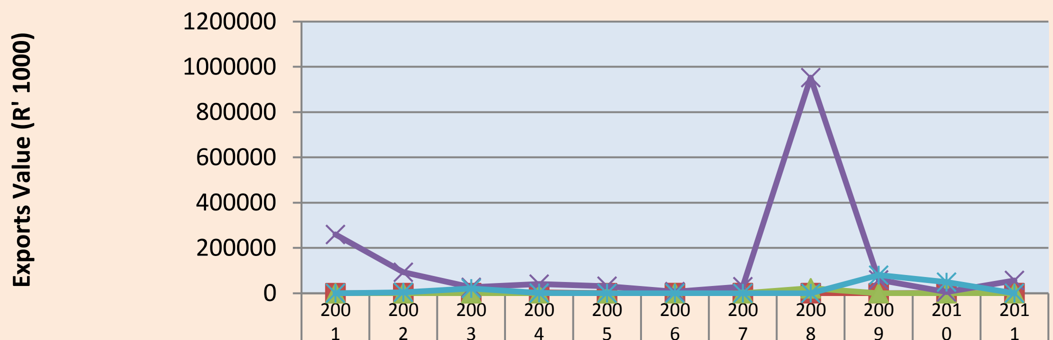


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
UMgungundlovu DM	0	0	0	0	0	0	0	0	0	0
Umzinyathi DM	0	0	0	0	2	0	0	0	96	0
Amajuba DM	367	0	0	0	0	0	0	0	0	0
eThekwini Metro	3089	11568	21136	2006	0	823	8752	38354	8292	2246

Source: Quantec Easydata

Figures 10 and 11 further confirm an earlier observation about the role played by the Randfontein grain market and the Durban harbor in the trading of grain products. The City of Johannesburg Metropolitan district commanded the greatest shares of wheat exports in Gauteng between the periods 2002 and 2010 exhibiting a similar trend shown in Figure 8. The values of wheat exports from the other four districts within the Gauteng Province have been very low during the same period under review.

Figure 11: Value of Wheat Exports from Gauteng Province



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sedibeng DM	0	0	0	0	0	0	0	6	0	1	0
West Rand DM	0	83	69	3800	0	406	443	140	0	1504	336
Ekurhuleni Metro	0	0	0	8	1	50	0	21660	394	1	142
City of Johannesburg Metro	259366	92577	25959	40074	31079	6966	28837	952439	58953	5152	56637
City of Tshwane Metro	0	4139	20956	631	14	0	0	0	79649	48801	33

Source: Quantec Easydata

2.2.1. Share analysis

The shares of various provinces to the total export value of wheat from South Africa during the past ten years are presented in Table 2.

Table 2: Share of provincial wheat exports to the total RSA wheat exports (%)

Years Province	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	0.14	0.85	0.00	0.00	10.43	56.33	5.76	20.16	0.19	0.02
Kwazulu-Natal	2.11	12.5	32.2	6.05	0.02	1.19	0.83	16.77	21.19	3.77
North West								1.84	4.93	0.00
Gauteng	59.3	50.8	67.8	93.9	89.54	42.46	93.39	60.81	70.08	95.90
Mpumalanga	38.48	35.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Limpopo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.41	3.61	0.31

Source: Calculated from Quantec Easydata

Table 2 above indicates that between the periods 2002 and 2010, Gauteng province commanded the greatest share of wheat exports with the exception of the 2007 year when the Western Cape Province commanded 56% of wheat exports from South Africa. Smaller wheat export values were also recorded from the Kwazulu-Natal province during the same period with irregular intermittent exports occurring through the Mpumalanga province. This observation is in contrast to the trends in wheat production domestically, since wheat is produced mainly from the Western Cape, Free State, and Northern Cape and North West provinces of the country. Wheat produced in these provinces is moved to Gauteng Province where the major exporters are situated and due to the trading of grain that occurs through the Randfontein grain market. This could be one of the reasons bind the greatest percentage of wheat export being recorded as originating from the Gauteng Province. Gauteng Province continued to dominate the market as the major exporter of wheat in South Africa during the year 2011 when the province accounted for about 95.90% of the total national wheat exports in value terms.

Table 3: Share of district wheat exports to the total Kwazulu-Natal provincial wheat exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
UMgungundlovu	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00
UMzinyathi	0.00	0.00	0.00	0.00	100	0.00	0.00	0.00	1.14	0.00
Amajuba	10.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EThekwini	89.37	100	100	100	0.00	99.98	99.99	100	98.86	100

Source: Calculated from Quantec Easydata

During the period under review the eThekwini Metropolitan Municipality commanded the greatest share of wheat exports from the KZN Province with the exception of the 2006 year when all wheat exports occurred through the UMzinyathi district of the province. During the year 2010, EThekwini alone accounted for 100% of the province's total wheat exports.

Table 4: Share of district wheat exports to the total Gauteng provincial wheat exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
West Rand	0.08	0.14	8.53	0.00	5.46	1.51	0.01	0.00	2.71	0.59
Ekurhuleni	2.06	0.00	0.02	0.00	0.66	0.00	2.22	0.28	0.00	0.25
City of Johannesburg	95.64	55.25	90.02	99.95	93.86	98.49	97.76	42.41	9.29	99.10
City of Tshwane	4.27	44.60	1.41	0.05	0.00	0.00	0.00	57.30	87.99	0.06

Source: Calculated from Quantec Easydata

In the Gauteng province, the City of Johannesburg Metropolitan Municipality commanded the greatest share of wheat exports between the years 2001 and 2008. Menial and irregular export values for wheat were also recorded in the West Rand, Ekurhuleni and City of Tshwane districts. As mentioned earlier, Gauteng province commands the greatest share of wheat exports primarily because of the presence of the majority of exporters in the province, the role played by the Randfontein grain market and the comparative advantages Gauteng has over other provinces in terms of the availability of marketing infrastructure and logistics support services. City of Tshwane has, during the years 2009 and 2010, accounted for a greater share of Gauteng's total wheat exports. The City commanded shares of about 57% and 88% in 2009 and 2010 respectively. City of Johannesburg continued to command the greatest share of Gauteng Province's total wheat exports during the year 2011 after accounting for about 99% of Gauteng's total exports.

Table 5: Share of district wheat exports to the total Western Cape provincial wheat exports (%)

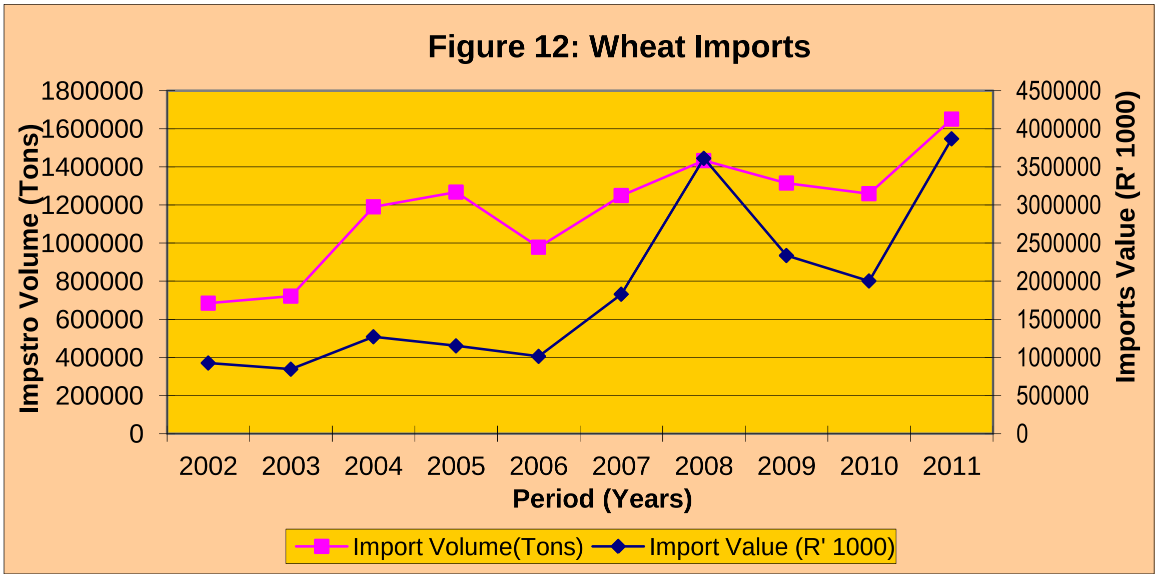
Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2010
City of Cape Town	100	100	100	100	99.99	86.78	56.49	99.99	1.21	100
Cape Wine-lands	0.00	0.00	0.02	0.00	0.00	13.21	43.50	0.003	98.78	0
Overberg	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.004	0.00	0

Source: Calculated from Quantec Easydata

Between the years 2002 and 2009 the City of Cape Town Metropolitan Municipality commanded the greatest share of wheat exports originating from the Western Cape Province with the Cape Wine-lands district recording smaller export values during 2007 and increasing its share during 2008. In 2009 Overberg and Cape Winelands Districts contributed less than 0.1% to the Western Cape's total wheat exports while the City of Cape Town commanded the greatest share with about 99.99%. During the year 2010, City of Cape Town's contribution towards Western Cape's total exports declined to 1.21% while contribution from Cape Winelands District increased from almost zero to 98.78%.

2.3. *Wheat Imports*

South Africa is not a major producer of wheat and therefore imports wheat to supplement domestic production. The major producers of wheat in the world are: China, EU Countries, USA, India, Canada, and Eastern European countries, Turkey, Australia and Argentina. These countries produce almost 90% of the world production. The top countries where South Africa imports wheat from include Argentina, Australia, France, UK and the USA.

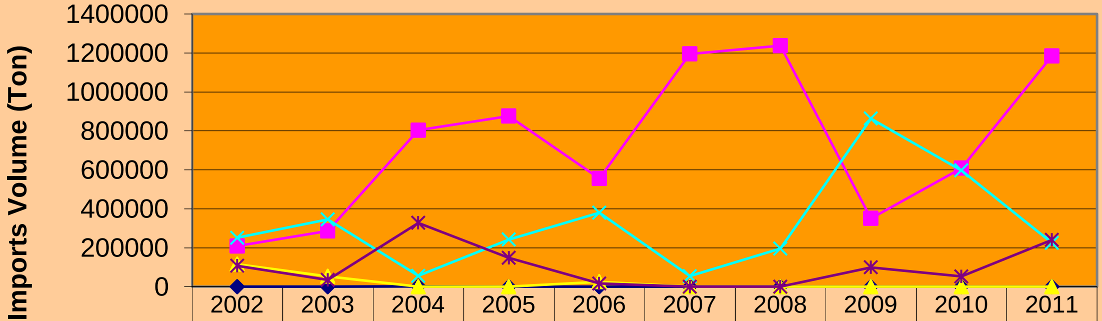


Source: Statistics and Economic Analysis (DAFF) & Quantec Easydata

Figure 12 indicates that wheat imports fluctuated considerably in volume over the past decade. The quantities of wheat imported during the years before 2004 were lower than 800 thousand tons mainly due to the larger production volumes that were experienced locally during the past seasons. Due to a shortage of wheat in the country from the year 2004 wheat imports increased considerably between the years 2004 and 2005. The increase was due to unfavorable production seasons experienced by domestic producers at that time. The rainfall was erratic and below normal in many areas of the main producing regions, which resulted in lower yields. During the year 2006 imports of wheat declined slightly in both volume and value volume terms owing to a slight recovery in production, but increased again between 2007 and 2008, followed by a slight decline in 2009. The volume of wheat imports declined further during the year 2010 and this was followed by a decline in the value of wheat imports over the same period. The period under analysis closed with about 1.65 billion tons of wheat during the year 2011 and this is significantly higher compared to what was imported during the opening year of the period under analysis.

Figure 13 indicates that South Africa imports wheat mainly from the Americas, Europe and Oceania and to a smaller extent from some Asia and African countries. Figure 13 indicates that during the period under review South Africa has imported wheat mainly from the Americas with a substantial decline in the volume of the wheat imports originating from the Americas between 2008 and 2009. On average, South Africa has over the period between 2002 and 2012 imported about 1.18 million tons per annum. The major source of these imports is Americas which accounted for about 62% of wheat imported by South Africa over the past ten years followed by Europe and Oceania with 27% and 9% respectively.

Figure 13: Volume of wheat imports from various regions



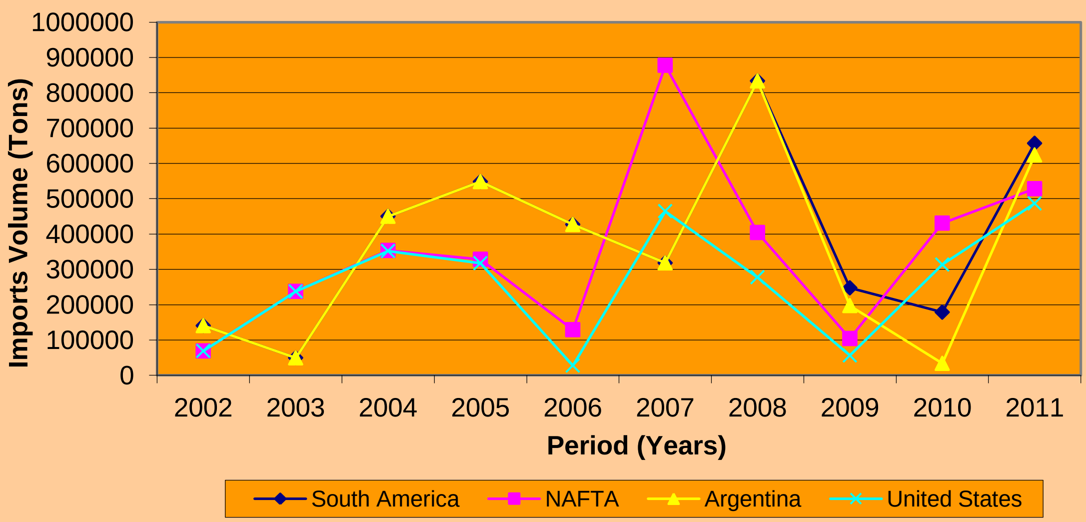
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa	0	0	2737	0	0	0	10	28	1	206
Americas	209142	286737	803462	876566	555917	119569	123751	351410	609176	118488
Asia	116304	54001	4	4	26132	21	5	52	19	5
Europe	251427	345834	56033	242824	380093	54233	195882	863889	597529	225116
Oceania	108000	35199	328417	148537	16500	0	0	100102	53004	240828

Period (Years)

Source: Quantec Easydata

As depicted on Figure 14 below, in the Americas, South Africa imports wheat mainly from South America and NAFTA (North American Free Trade Area). The volume of wheat imports originating from NAFTA into South Africa experienced a continual increase from the year 2003 until a peak was reached in 2005, followed by a decline until 2009. The period under review closed with lower volumes of wheat imports from both South America and NAFTA. In South America, South Africa imports wheat mainly from Argentina while in NAFTA we import our wheat mainly from USA and Canada.

Figure 14: Volume of wheat imports from the Americas



Source: Quantec Easydata

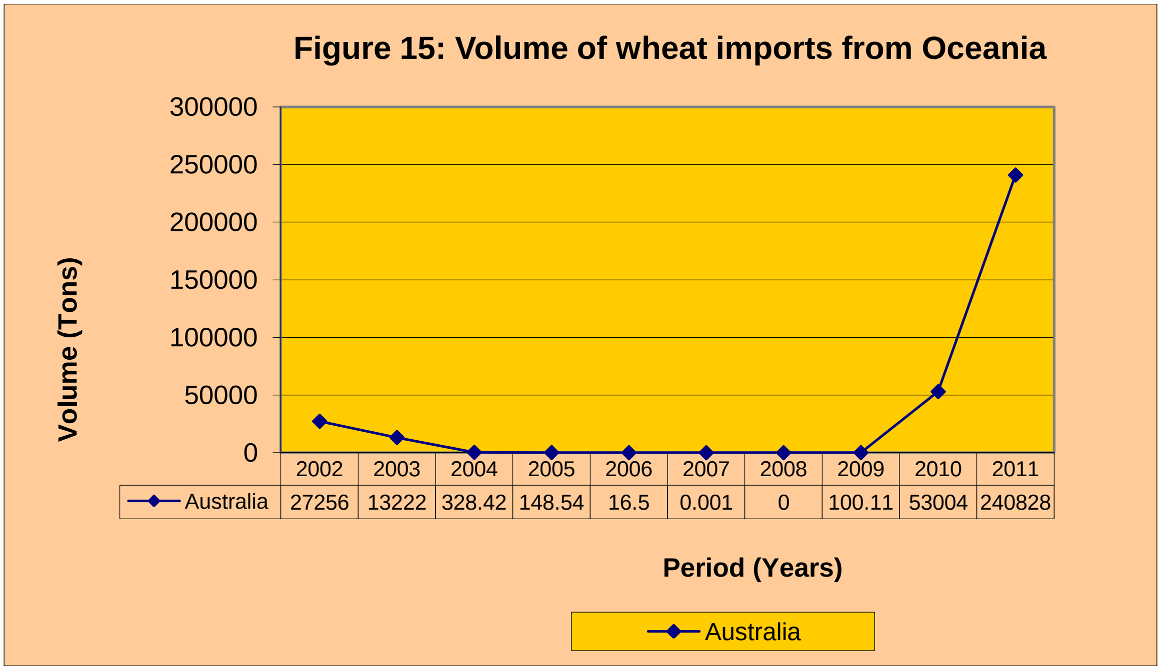


Figure 15: Volume of wheat imports from Oceania

Source: Quantec Easydata

Imports of wheat from Oceania originate mainly from Australia and the volume of wheat imports from this country into South Africa has undergone tremendous fluctuations during the entire period under review. A substantial decline in imports originating from Australia was recorded between the years 2002 and 2008 owing mainly to increased imports originating from the Americas. Only minimum amounts of wheat were imported from Oceania, particularly Australia, between the years 2006 and 2007 while nothing was imported from this region in 2008. Imports from Oceania increased dramatically from the year 2010 until a peak was reached during the year 2011.

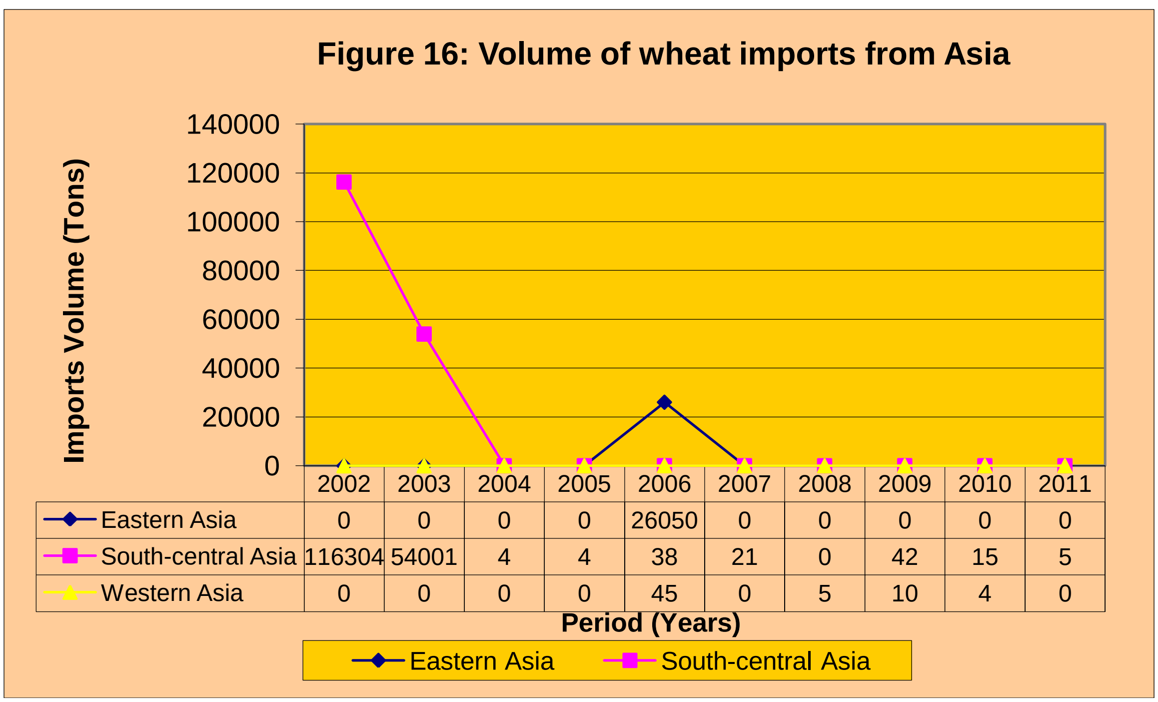


Figure 16: Volume of wheat imports from Asia

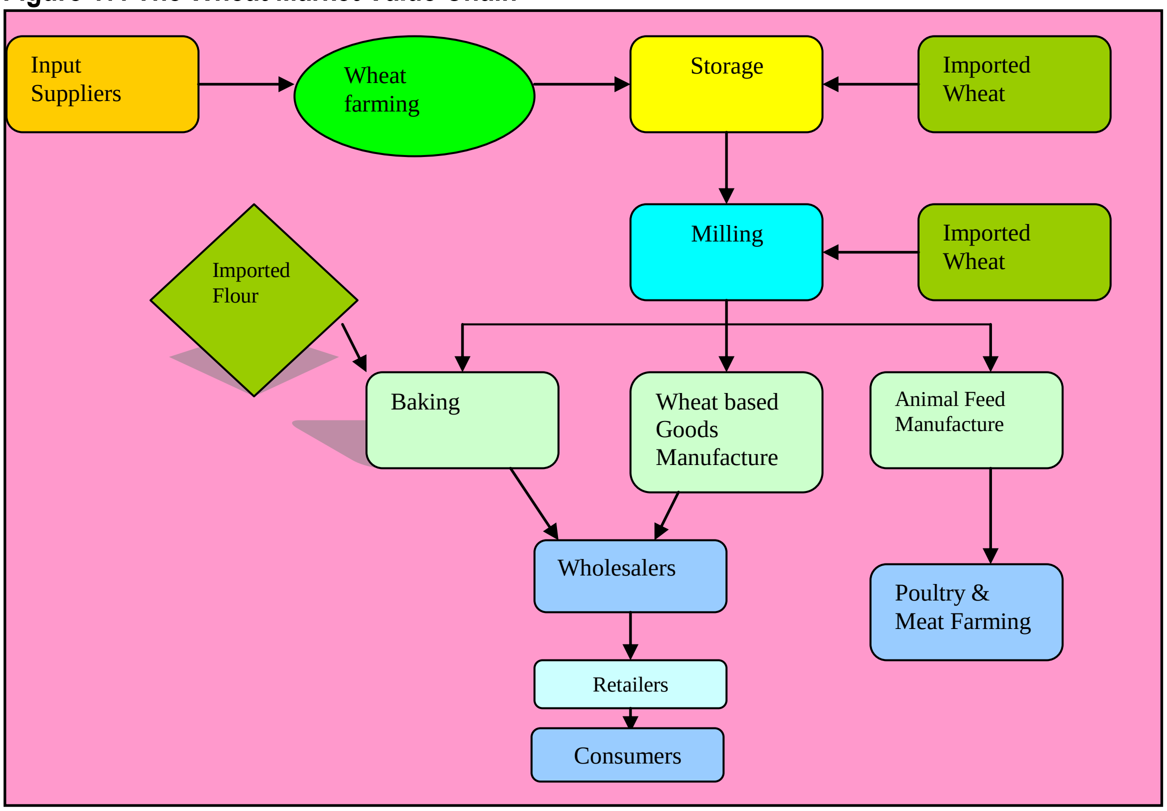
Source: Quantec Easydata

In Asia, South Africa imported wheat mainly from South-Central-Asia between 2002 and 2004 with a peak during 2002 and thereafter imports from this region declined substantially until 2011. Intermittent import volumes for wheat have also been recorded as originating from Eastern and Western Asia.

2.4. Market value chain

The local market for South African wheat industry includes the milling industry, the baking industry and the retail sector. The wheat market value chain is presented in Figure 17 below.

Figure 17: The Wheat Market Value Chain



Input suppliers provide seeds, fertilizer, pesticides fuel, etc to farmers who the grow wheat. The wheat is harvested and stored in numerous storage facilities, including imported wheat. This is then delivered to milling companies who mill the wheat into wheat flour, meal and bran that are used in three different ways. The wheat flour can be used in the baking industry to manufacture perishable products such as pan loaves, rolls, buns, confectionery products and other products such as frozen dough and par baked products. Wheat based goods products such as biscuits, pasta, crackers and breakfast cereals can also be manufactured from the wheat flour. The animal feed manufacturing industry also uses the wheat meal and bran to manufacture farm feeds and pet foods.

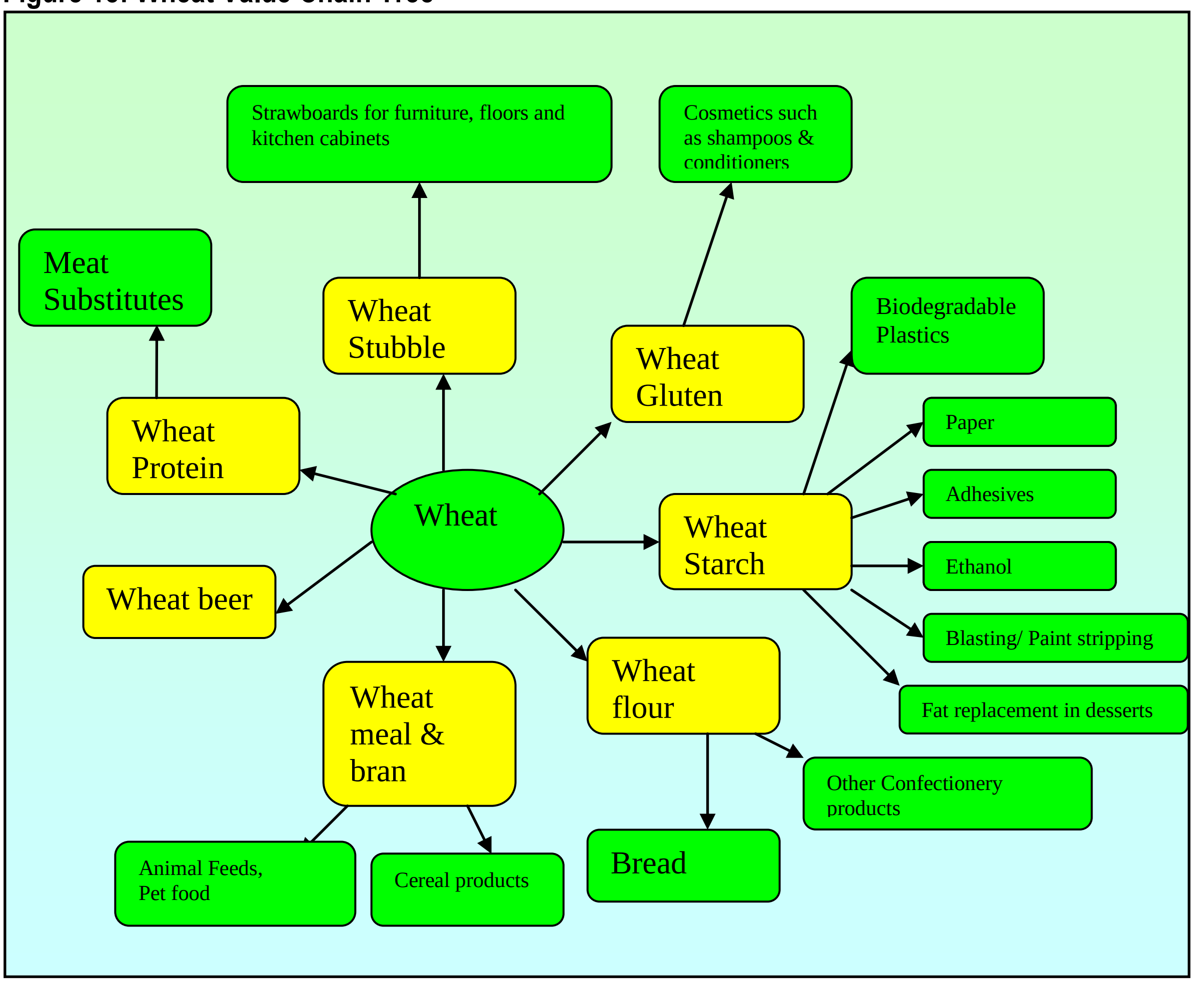
2.4.1. Baking Industry

According to the South African Chamber of Baking there are five different types of baking units namely: plant, wholesale, industrial, in-store and other bakeries. There are a large number of informal bakers. The bakers produce mainly bread and other products like biscuits, pies, pizza's etc. The plant bakeries are still popular although there is a significant number of retail baking which may impact negatively on the plant bakeries. According to the HSRC survey (2002) the baking units in South Africa are estimated at 7 905, providing approximately 45 500 job opportunities. The Food Price Monitoring Committee report also indicates that there are approximately 52 200 informal bakers who operate in non – licensed premises. Growth in this industry took place through the establishment of franchises and in- store bakeries. The major companies are Albany, Blue Ribbon, Sasko, Sunbake and BB Cereals.

2.4.2. Wheat value Chain Tree

With the exception of the milling process explained earlier on, that produces wheat flour, bran and meal wheat is also suitable for other products. The fact that it contains gluten (Protein) and starch also make it functional in non-food and industrial applications. The wheat value chain tree is presen ted in Figure 18.

Figure 18: Wheat Value Chain Tree



Wheat gluten has the ability to be elastic, bind water and form films that can be stabilized with heat. These properties render wheat useful for the preparations of adhesives, coatings, polymers and resins. Wheat is being utilized in many other products as shown in Figure 18.

3. MARKET INTELLIGENCE

3.1 Tariffs

The following tariffs are applied by the various export markets to wheat originating from South Africa:

Table 6: Tariffs applied by leading markets to wheat origination from South Africa

COUNTRY	PRODUCT DECRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL *AD VALOREM* EQUIVALENT TARIFF
PERIOD	**2012**			
Chinese Taipei	Durum Wheat (10011000)	General Tariff	6.50%	6.50%
	Wheat and Meslin (excl. durum wheat) Meslin (10019010)	General Tariff	6.50%	6.50%
Madagascar	Durum Wheat (10011000)	MFN duties (Applied)	0.00%	0.00%
	Wheat and Meslin (excl. durum wheat) Meslin (10019000)	MFN duties (Applied)	5.00%	5.00%
	Wheat and Meslin (excl. durum wheat) Meslin (10019000)	Preferential Tariff for South Africa	0.00%	0.00%
Mozambique	Durum Wheat (10011000)	MFN duties (Applied)	2.50%	2.50%
	Durum Wheat (10011000)	Preferential Tariff for South Africa	0.00%	0.00%
Malaysia	Durum Wheat (10011090)	MFN duties (Applied)	0.00%	0.00%
	Wheat and Meslin (excl. durum wheat) (10019000)	MFN duties (Applied)	0.00%	0.00%
United Arab Emirates	Durum Wheat (10011000)	MFN duties (Applied)	0.00%	0.00%
	Wheat and Meslin: (10019010)	MFN duties (Applied)	0.00%	0.00%
Zambia	Durum Wheat: Other (10011090)	MFN duties (Applied)	15.00%	15.00%
	Durum Wheat: Other (10011090)	Preferential Tariff for South Africa	0.00%	0.00%
	Wheat and meslin	MFN duties	15.00%	15.00%

COUNTRY	PRODUCT DECRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL *AD VALOREM* EQUIVALENT TARIFF
PERIOD	**2012**			
	(10019090)	(Applied)		
	Wheat and meslin (10019090)	Preferential Tariff for South Africa	0.00%	0.00%

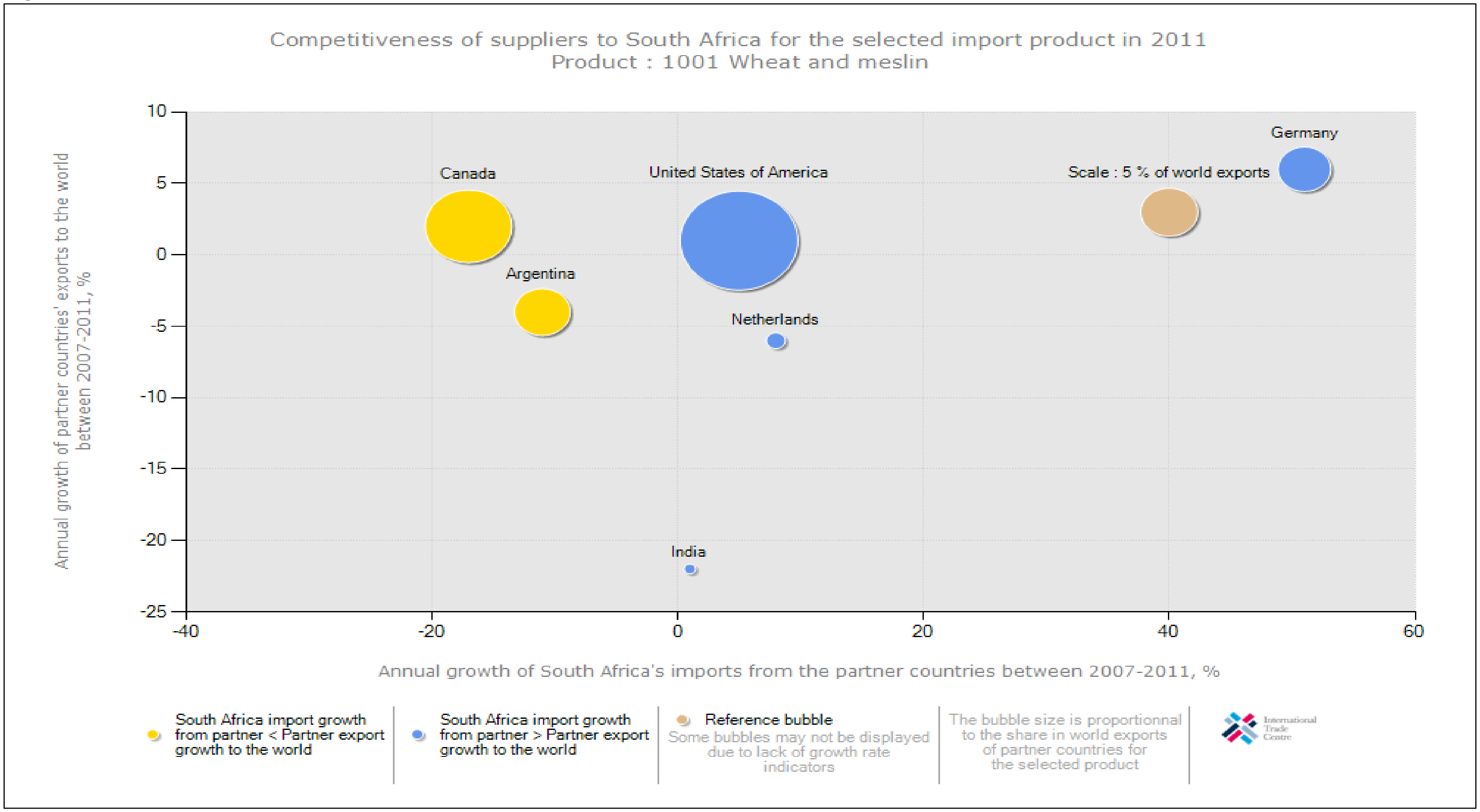
Source: ITC Market Access Map

Taking into account the tariff levels, it is evident from Table 6 that the potential markets for the export of wheat originating from South Africa are Madagascar, Mozambique, Malaysia, United Arab Emirates and Zambia. This is mainly because these countries do not charge tariffs on the wheat originating from South Africa. Although countries such as Zambia and Mozambique generally charge tariffs on wheat imports from elsewhere, South Africa benefits from the SADC Free Trade Agreement and does not have to pay any tariff to export wheat to these countries. Seychelles do not levy any duties on wheat imports. Chinese Taipei applies a 6.5% ad valorem on wheat imports originating from the rest of the world including South Africa. As far as import tariffs are concerned, South Africa currently does not have an import duty for wheat originating from the rest of the world.

3.2. *Performance of the Wheat Industry*

Figure 19 below presents the competitiveness of suppliers of wheat to South Africa during 2011.

Figure 19: Competitiveness of Suppliers of wheat to South Africa in 2011



Source: ITC Trade Map

Between 2007 and 2011 South Africa has experienced a massive increase in the value of wheat imports from the rest of the world. The South Africa's total wheat imports from the world have increased by 13% in value between the years 2007 and 2011. Figure 19 and Table 7 indicate that South Africa experienced a decline in imports of wheat from Argentina and Canada. Imports from Germany and USA increased by 51% and 5% respectively in value between the years 2007 and 2011.

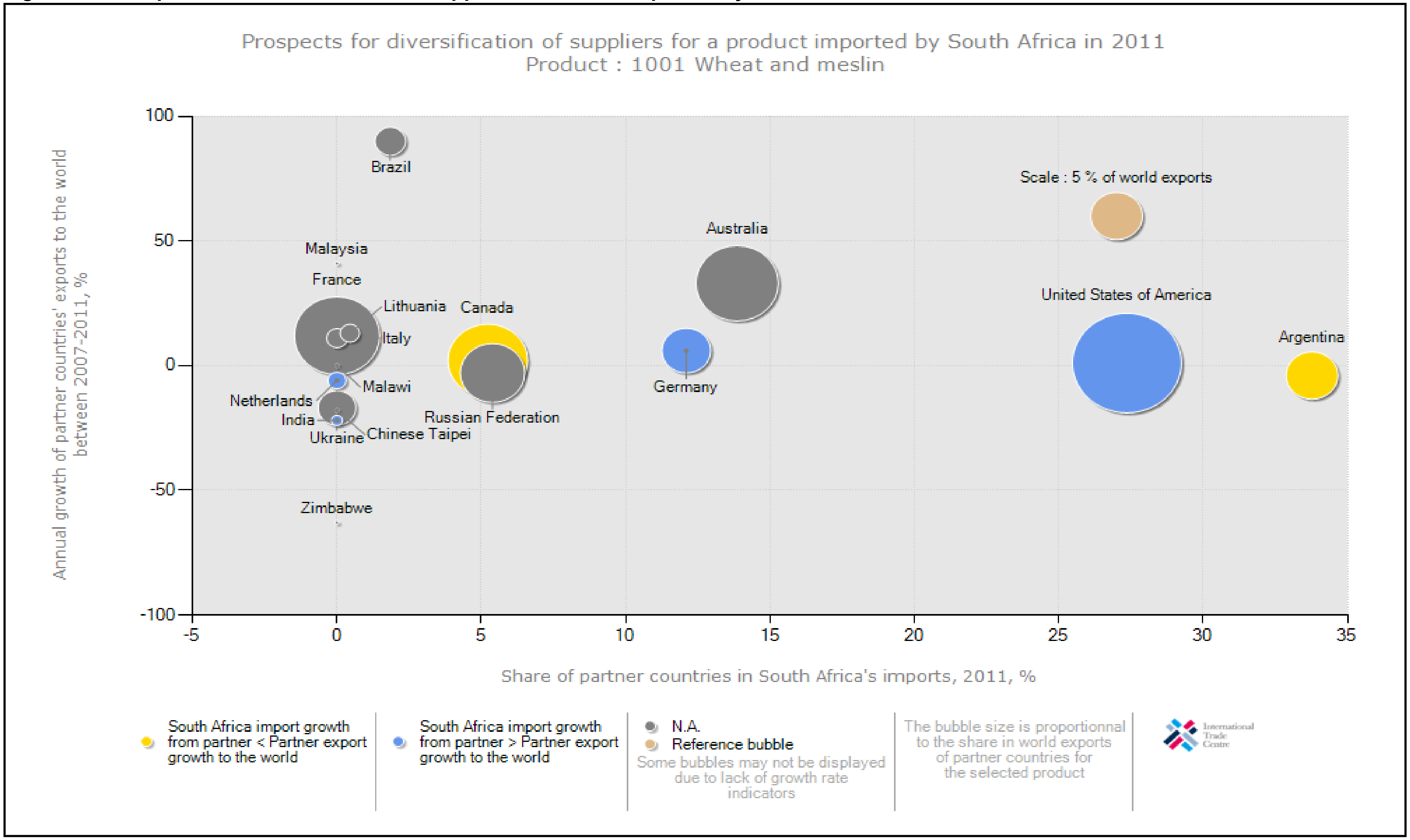
Table 7: List of supplying markets for the wheat imported by South Africa in 2011

Exporters	Imported value in 2011 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2011 (Tons)	Unit value (US$/ Ton)	Imported growth in value between 2007-2011, (%, p.a.)	Imported growth in quantity between 2007-2011, (%, p.a.)	Imported growth in value between 2010-2011, (%, p.a.)
World	595 990	100	1849581	322	13	10	116
Argentina	201266	33.8	628254	320	-11	-17	2251
USA	163050	27.4	514109	317	5	3	119
Australia	82603	13.9	256499	322	-	-	465
Germany	72093	12.1	213633	337	51	47	-40
Russian Federation	32097	5.4	110718	290	-	-	-
Canada	31132	5.2	84122	370	-17	-21	10
Brazil	11000	1.8	32951	334	-	-	-49
Lithuania	2668	0.4	9000	296	-	-	226
Italy	40	0	76	526	-	-	-9
Malawi	27	0	206	131	-	-	-
Netherlands	11	0	7	1571	8	48	83

Source ITC Trade Map

Figure 20 and Table 7 also indicate that Argentina and USA are the major suppliers of wheat to South Africa having contributed 33.8% and 27.4% to South Africa's total wheat imports, respectively. Figure 20 also indicates that the growth in South Africa's wheat imports from Argentina is less than Argentina's total wheat export growth to the rest of the world. The figure and the Table also show that South Africa also imported wheat from countries such as Australia, Germany, Russian Federation and Canada. As indicated in Figure 20, if South Africa wishes to diversify its wheat imports, the growing markets also exist in France, Malaysia, Italy and Malawi.

Figure 20: Prospects for diversification of suppliers for wheat imported by South Africa in 2011



Source: ITC Trade Map

The list of importing markets for the wheat exported by South Africa is shown in the following table (Table 8)

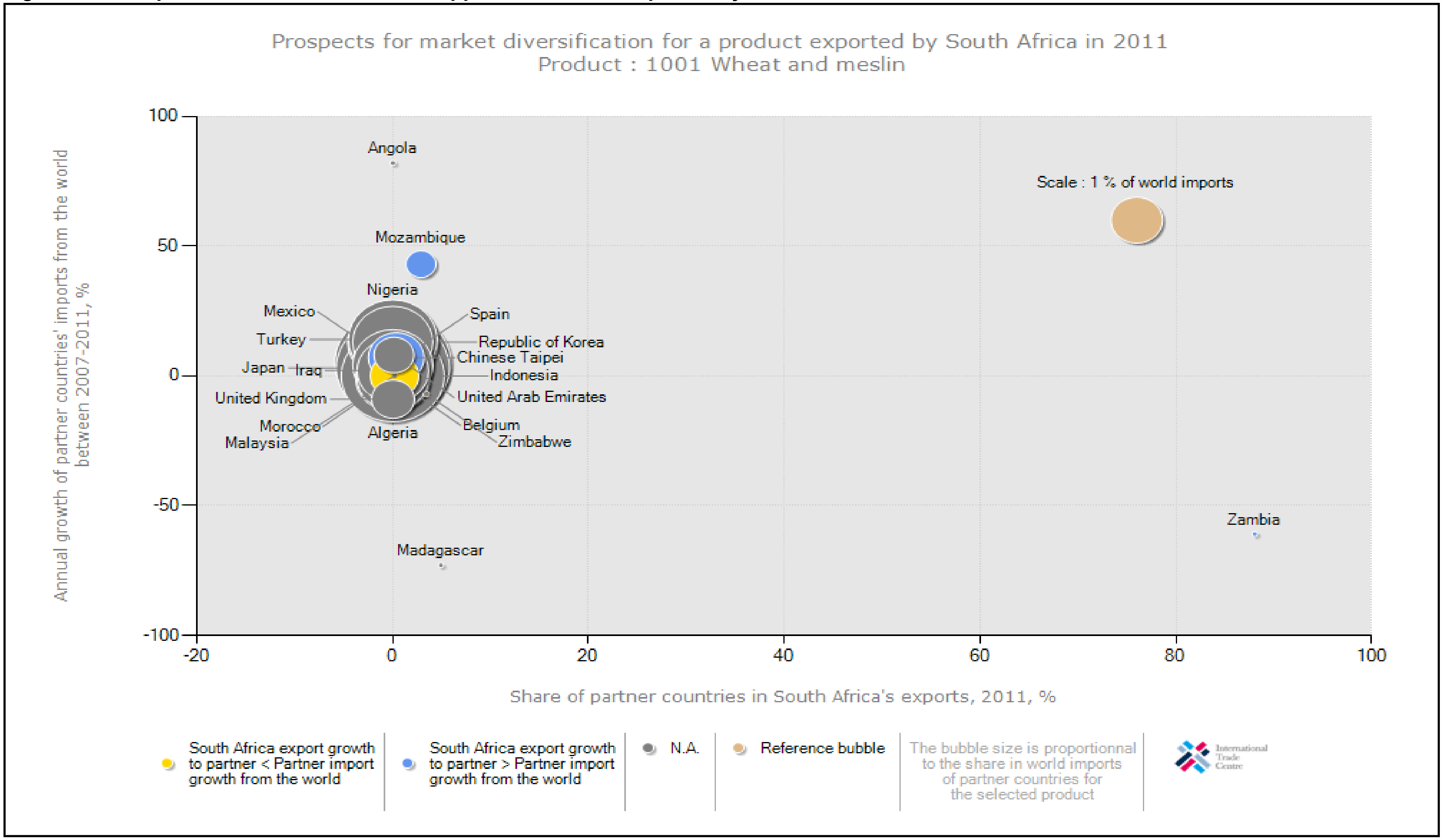
Table 8: List of importing markets for wheat exported by South Africa in 2011

Importers	Exported value in 2011 (US $ thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (Ton)	Unit value (US$/ Ton)	Exported growth in value between 2007-2011, (%, p.a.)	Exported growth in quantity between 2007-2011, (%, p.a.)	Exported growth in value between 2010-2011, (%, p.a.)
World	8852	100	21401	414	-31	-33	42
Zambia	795	88.1	18128	430	-51	-53	97338
Madagascar	436	4.9	1591	274	-	-	-
Zimbabwe	304	3.4	891	341	-52	-55	-94
Mozambique	255	2.9	716	356	92	80	-61
Chinese Taipei	31	0.4	44	705	47	0	-35
Malaysia	15	0.2	22	682	-15	-16	0
United Arab Emirates	11	0.1	8	1375	-	-	-
United Kingdom	2	0	1	2000	-	-	-
Angola	1	0	0	-	-	-	-

Source: ITC Trade Map

The major export markets for wheat originating from South Africa in 2011 were Zambia, Madagascar, Zimbabwe and Mozambique. Table 8 and Figure 21 indicate that Zambia is the biggest importer of wheat from South Africa followed by Madagascar, Zimbabwe and. In 2011 Zambia alone absorbed about 88.1% of South Africa's total wheat exports followed by Madagascar and Zimbabwe with 4.9% and 3.4% respectively. Table 8 further indicates that volumes of wheat exports from South Africa to Zambia decreased by 51% between the years 2007 and 2011 while those to Zimbabwe declined by 55% over the same period.

Figure 21: Prospects for diversification of suppliers for wheat exported by South Africa in 2010



Source: ITC Trade Map

4. ORGANIZATIONAL ANALYSIS OF THE INDUSTRY

4.1 Strengths, Weaknesses, Opportunities and Threats

4.1.1. Wheat Producers

Strengths	Weaknesses
Production knowledge has been acquired over many years The industry is well supported by a strong producers' organization and sound cultivar base for production Is an important contributor to the economy of the rural areas and the total agricultural GDP	High input costs/land value ratio as a result of sharp increases in variable costs of production resulting in greater production risks Expensive crop insurance and limited insurance capacity Slow adoption of hedging mechanisms to reduce price risk Climatic variability resulting in variable production patterns, particularly in summer rainfall areas Limited number of new entrants from the developing sector Inadequate extension services
Opportunities	**Threats**
There are possibilities to increase supply to satisfy the local and regional demand and possibly satisfy niche export markets Can lead to increases in employment in rural areas Incorporate developing commercial farmers to expand capacity Significant productive capacity is available There are possibilities of producing durum wheat	Subsidies imports / dumping Slow administrative processes to adjust tariffs Deterioration of rail networks servicing the silos High transport costs resulting in low farm gate prices Non-tariff barriers affect South African wheat exports negatively

4.1.2. Millers

Strengths	Weaknesses
Well organized industry associations There are sound infrastructure and training standards Developed telecommunication network Availability of labor force There is a strong Export Committee and highly skilled professionals and institutions for research	Inadequate protection against unfair competition High input costs Lack of innovation for new products Low export orientation Highly distorted international market
Opportunities	**Threats**
Beneficiation of raw material There is available production capacity There is domestic and regional demand There exist preferential export markets (in terms of African Growth and Opportunities Act, European Union, Southern African Development Community) Shift in consumer demand from maize meal to bread	Unfair competition from cheap subsidized imports Non-tariff barriers by SACU and SADC members Changes in consumer preferences Changes in regional dynamics and multi-lateral arrangements Lack of customized incentives Poor domestic/regional market economic conditions

4.1.3. Bakers

Strengths	Weaknesses
Stable market particularly for bread Market growth particularly for confectionery products A diversified product market with a wide range of baked products that can be marketed Strong domestic market Use of first world baking technology, processes and equipment A strong core of dynamic entrepreneurs and baking specialists	Uninformed and inexperienced entrants into the baking industry Non-compliance with bread mass regulations Limited commitment to training and BEE and women empowerment Overall poor legislative control and patchy quality control

Opportunities	Threats
Growth potential for bread as household incomes increase Market opportunities for a wide range of value added baked products Promotional opportunities as a result of the introduction of fortified bread Opportunities for bakers and baking stakeholders in Africa Development of HACCP systems for the industry Development of products with health enhancing properties Development of financing packages tailored to the needs of small entrepreneurs and BEE entrants to the industry	High cost of inputs Market saturation Imported baked products particularly biscuits Health 'scare stories' related to baked products Unavailability of suitable trained personnel in the industry

5. ACKNOWLEDGEMENTS

The following organizations are acknowledged:

International Trade Administration Commission (ITAC) of South Africa. Report No.112: Review of the customs tariff dispensation on wheat, wheat flour and downstream products thereof

Wheat Steering Committee. Strategy document for the South African wheat to bread value chain

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Website: http://trademap.org

ITC Market Access Map
Website: http://www.macmap.org/South Africa