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Grain and feed annual report

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Report Highlights:
Zimbabwe received above average rainfall in the 2013/14 production season. As a result, post estimates corn production to increase by 63 percent, from 800,000 tons in the 2013/14 MY, to about 1.3 million tons in the 2014/15 MY. However, corn production will still fall short of meeting the annual demand of 1.8 million tons and corn imports of about 500,000 tons will have to augment domestic production. Post estimates Zimbabwe's planted area under wheat in the 2014/15 MY, at 8,000 hectares that will produce a wheat crop of around 25,000 tons, similar as in the 2013/14 MY. As a result, Zimbabwe will have to import an estimated shortfall of 275,000 tons of wheat.

Executive Summary

Post estimates corn production to increase by 63 percent, from 800,000 tons in the 2013/14 MY to about 1.3 million tons in the 2014/15 MY. This is after Zimbabwe experienced a favorable rainfall season and registered a 36 percent increase in corn area planted from 950,000 hectares in the 2013/14MY to 1.3 million hectares in the 2014/15 MY. Despite the good season, Zimbabwe's corn production will fall short of meeting annual domestic demand of around 1.8 million tons. Post estimates that corn imports of about 500,000 tons, from countries in the region, will augment domestic production.

Post estimates Zimbabwe's planted area under wheat in 2014/15 MY at about 8,000 hectares that will produce a wheat crop of around 25,000 tons, similar to the 2013/14 MY. Wheat imports are expected to be around 275,000 tons in 2014 /15 MY as Zimbabwe continues to depend on wheat imports to meet domestic requirements.

Corn

Production

Even though the start of the rainy season was erratic, the 2013/14 production season was a good rainfall season with above average distribution in most corn producing areas in Zimbabwe. The rainfall season was also longer than in most years, making it the best and longest production season in most corn producing areas since 1980. The traditional dry areas in the southern part of the country (southern Manicaland Province, Midlands Province, Masvingo Province, Matabeleland North and Matabeleland South) also experienced normal to above normal rainfall and corn production increased. Floods were experienced in the Tokwe-Murkosi basin of Masvingo province and in Tsholotsho in Matabeleland North.

Corn seed available at the start of the season was in excess to the national requirement of about 30,000 tons. The Zimbabwe government's input distribution program to smallholder farmers across the country was the only source of free inputs this season. According to the Ministry of Agriculture's First Round Crop Assessment Report released on the 4th of March 2014, an estimated 1.6 million smallholder households were beneficiaries of the Free Inputs Support Program. The full complement of the inputs package consisted of 10 kilograms of corn seed (adequate for 0.4 hectares), 50 kilograms of Ammonium Nitrate (AN), and 50 kilograms of Compound D. However, the Zimbabwean government recently stated that it will no longer provide free inputs to farmers in the future. Private sector involvement in corn production is likely to increase after the Grain Millers Association successfully contracted farmers to produce about 100,000 tons of corn in the 2014/15 MY.

Post estimates a 36 percent increase in area planted under corn in the 2014/15 MY, to 1.3 million hectares, from the 950,000 hectares planted in the 2013/14 MY. The increase in area planted is mainly due to the migration of farmers from cotton production in the higher rainfall northern parts of the country after low cotton prices were realized in the 2013/14 MY. The favorable and long rainfall season also contributed to the increase in corn area planted.

The Ministry of Agriculture's Second Crop and Livestock Assessment Report, which was released to the public on the 5th of June 2014, estimated corn production at 1.5 million tons in the 2014/15 MY, an increase of 82 percent from 798,596 tons produced in the 2013/14 MY. Smallholder farmers are the main producers of corn in Zimbabwe and contributed about 74 percent to the country's corn production in the 2014/15 MY. Table 1 below indicates corn production figures per province based on data published by the Ministry of Agriculture's Second Crop and Livestock Assessment Report.

Table 1: Corn production by province in Zimbabwe

Province	Corn production (tons)	Contribution to total corn production
Mashonaland West	340,114	23.4 %
Mashonaland Central	245,516	16.9%
Mashonaland East	163,287	11.2%
Manicaland	176,294	12.1%
Midlands	239,244	16.4%
Masvingo	116,673	8.0%
Matabeleland North	78,764	5.4%
Matabeleland South	77,616	5.3%
Peri-urban	18,644	1.3%
Total	**1,456,153**	**100%**

Source: Ministry of Agriculture, Mechanization and Irrigation Development Report

The high production northern areas of Mashonaland West and Mashonaland Central produced about 40 percent of Zimbabwe's corn. For the first time in many seasons, the traditionally dry and low production southern areas of Masvingo, south Midlands, Matabeleland South and Matabeleland North provinces, had a favorable season and cumulatively produced 35 percent of Zimbabwe's corn production.

Post estimates corn production to increase by 63 percent from about 800,000 tons in the 2013/14 MY to about 1.3 million tons in the 2014/15 MY. Thus, corn production will fall short of meeting the annual national demand estimated at around 1.8 million tons, and corn imports of up to 500,000 tons from counties in the region will augment domestic production.

Zimbabwe has a very high adoption rate of hybrid seeds and the bulk of corn varieties under cultivation are hybrids with yield potential of over six tons per hectare. Despite the widespread use of high potential hybrid corn varieties and the above normal rainy season experienced, national average corn yields are low and are estimated to be around one ton per hectare. Application of lower than recommended fertilizer rates and heavy leaching of nutrients, contribute to low yields and production levels.

The fertilizer industry supplied 350,000 tons of fertilizer out of an estimated demand of 500,000 tons for summer crops. About 150,000 tons of the supplied fertilizer was manufactured locally. Fertilizer companies are facing liquidity constraints as banks are not prepared to extend credit to the companies because of their exposure to the government. Late payment of debts by the Zimbabwean government for inputs procured in previous seasons is another key constraint faced by the fertilizer companies. Although fertilizer demand is high, manufacturers face problems of inadequate funding for raw materials and operations, low capacity utilization, and antiquated technologies with high inefficiencies.

Zimbabwe's policy on GMO corn has not changed. The Zimbabwean government prohibits the cultivation of GMO corn in the country. However, GMO corn for consumption can be imported and milled into meal under government supervision.

Consumption

Corn is Zimbabwe's most consumed staple. It is traded mainly as grain and processed into corn flour (mealie-meal) by large scale millers and thousands of small-scale hammer mills. Estimated annual corn

demand for human consumption is around 1.4 million tons. The livestock industry consumes approximately 350,000 tons of corn for poultry, pig and cattle stock feeds. Demand for corn seed is about 30,000 tons per annum, bringing the national corn demand to about 1.8 million tons.

Trade

Zimbabwe is a net importer of corn from neighboring countries such as South Africa, Zambia and Malawi. In April, the Zimbabwean government revoked all agricultural produce import permits, causing uncertainty and fear of grain shortages and price increases particularly in the grain sector. New import permits were subsequently issued in May.

Table 2 shows corn imports in the 2013/14 MY. Data compiled by SAGIS shows that Zimbabwe imported 256,772 tons of white corn and 27,833 tons of yellow corn from South Africa in the 2013/2014 MY. The latter is mainly imported by stock feed manufacturers. According to Zimstat data, about 101,586 tons of corn was imported from Zambia and 35,563 tons from other countries (Mozambique and Mauritius). However, post estimates corn imports in the 2013/14 MY, at about 900,000 tons, as corn production declined to 800,000 tons.

Table 2: Monthly corn imports to Zimbabwe in the 2013/14 MY

Year and month	**Country of import and volume (tons)**				**Total**
2013	**South Africa (White)**	**South Africa (Yellow)**	**Zambia (White)**	**Others (White)**	
May	13,959		14,582		28,541
June	2,353		15,901	60	18,314
July	4,611		6,586		11,197
August	11,803	1,536	7,334		20,673
September	38,817	2,950	15,559		57,326
October	27,650	1,571	10,559		39,780
November	16,813	4,832	6,960	1,058	29,663
December	25,899	1,926	10,624	3,892	42,341
2014					
January	28,748	4,358	5,241	3,624	41,971
February	34,576	4,432	240	2,430	41,678
March	39,450	3,824	4,190	14,851	62,315
April	12,102	2,394	3,810	9,648	27,954
Total	**256,772**	**27,823**	**101,586**	**35,563**	**421,753**

Sources: SAGIS and ZIMSTAT, Ministry of Finance

For the 2014/15 MY, post expects Zimbabwe will import around 500,000 tons of corn to augment national production.

The grain industry has advocated for controlled imports of corn and corn meal during the 2014/15 MY,

where imports will only cover shortfalls and not compete with local production. This grain imports strategy seeks to protect local producers. However, grain millers' lobbied government to allow corn imports until the end of June 2014, as the early corn harvested had high moisture content of over 12 percent. Corn imports would resume once local grain has supplies fall to levels that cannot meet demand.

Local Prices

Currently, Zimbabwe has the highest corn producer price in the Sothern African region, higher than the import parity price. Government through the Grain Marketing Board (GMB) set the benchmark price at US$390 per ton, but the GMB is facing financial constraints and has not yet raised money to purchase corn. Due to fiscal constraints, Government did not make provisions in the budget for funds for GMB to procure corn from farmers. The GMB, currently, owes farmers nearly US$1 million in outstanding payments for corn previously delivered in the 2012/13 MY. GMB is now viewed by growers as a buyer of last resort, because of the long waiting period before payments are made for delivered grain. In the 2013/14 MY, cumulative local corn deliveries to GMB amounted to only 33,273 tons.

Currently, buyers in the private sector are paying between US$290 and US$360 per ton of white corn (see also Table 3). Recently, the Grain Millers Association of Zimbabwe indicated that buyers were prepared to pay no more than US$310 per ton of corn. With the current tight fiscal position and problems of liquidity in the country, the Grain Millers Association is engaging international financial institutions to raise funds to purchase local grain.

Table 3: White corn prices of formal buyers as of 13 June, 2014

Commodity Trader/ Buyer	White corn price $/MT	Payment terms
GMB	390	Depends on availability of cash
Kurima Gold A/B	280	7 days transfer
Agrifoods	360	7 days
Pro Group	290	COD

Source: Market Linkages Association: Agricultural Commodity Price Trends

Table 4: PSD table for corn

Corn Zimbabwe	2012/2013		2013/2014		2014/2015	
	Market Year Begin: May 2012		Market Year Begin: May 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	960	960	950	950	1,300	1,300
Beginning Stocks	100	100	65	65	65	65

Production	965	965	800	800	1,300	1,300
MY Imports	600	600	900	900	500	500
TY Imports	700	700	600	600	700	700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1,665	1,665	1,765	1,765	1,865	1,865
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	100	100	300	300	300	350
FSI Consumption	1,500	1,500	1,400	1,400	1,400	1,430
Total Consumption	1,600	1,600	1,700	1,700	1,700	1,780
Ending Stocks	65	65	65	65	165	85
Total Distribution	1,665	1,665	1,765	1,765	1,865	1,865
1000 HA, 1000 MT, MT/HA						

Wheat

Production

The planting season for wheat in Zimbabwe is between April and May. All wheat in Zimbabwe is

planted under irrigation. Post forecasts wheat planted area to decline marginally as farmers opt out of wheat production due to high input cost of water, erratic supply of electricity that affects irrigation cycles, poor viability of the crop and funding problems. Other factors impacting on wheat production in Zimbabwe include, the lack of investment in the rehabilitation of irrigation infrastructure and the lack of title to land, which discourages investment in irrigation and wheat farming. Security of land tenure following the land reform program is still problematic as the Zimbabwean government's 99 year leases for land are not accepted as collateral by banks.

Instead, producers, who have irrigation facilities, opt to grow barley under contract to a private company that provides production inputs, a guaranteed market, and timely payments. In the past seasons, about 8,000 hectares of barley have been grown on contract to a private brewing company. However, in 2014, the barley contracting company scaled down production due to a high level of stocks; hence barley production is expected to decline to about 3,000 hectares. Bakers and millers have entered into wheat contract production arrangements for about 4,000 hectares. The bakers and millers provide working capital to producers and guarantee a market for the commodity. Recent legislation by the Zimbabwean government has brought confidence in contract farming. In October 2013, the Zimbabwean government enacted a Statutory Instrument 104 of 2013, which provides a framework for enforcement of contractual obligations to protect the investment of contractors against "side-marketing" of the contracted crop.

Yield of the contract wheat crop is expected to be above the 2.5 tons per hectare national average yield, mainly premised on provision of adequate production inputs through the contract farming arrangements. Post estimates Zimbabwe's planted area under wheat in the 2014/15 MY, at around 8,000 hectares and will produce a wheat crop of around 25,000 tons similar to the 2013/14 MY. Local traders are offering $440 per ton for domestically produced wheat.

Consumption

Wheat is widely consumed by over ten million people in Zimbabwe, predominantly as bread. Daily consumption of bread is estimated at about one million loaves. Millers estimate Zimbabwe's monthly wheat consumption at just below 25,000 tons.

Post estimates that wheat consumption in the 2014/15 MY, to be at the same level as in the 2013/14 MY, at around 295,000 tons. Local bread prices have remained stable at between US$0.85 and US$1.00 per standard and superior loaf, respectively. Zimbabwe will import an estimated shortfall of 275,000 tons of wheat, or 93 percent of its requirement, to meet the estimated annual demand.

Trade

Data from SAGIS shows that Zimbabwe imported 36,582 tons of wheat from South Africa in the first eight months of the 2013/14 MY (between October 2013 and May 2014). Other major suppliers of wheat were Russia, Germany, Ukraine and Canada (see also Table 5). Zimstat data shows that wheat imports in the first eight months of 2013/14 MY reached 112,895 tons. Post expects Zimbabwe will

import about 250,000 tons of wheat in the 2013/14 MY.

Table 5: Wheat import destinations and quantities (October 2013 to May 2014)

Import supplier	Import quantity (MT)
South Africa	36,582
Russia	32,408
Germany	13,768
Ukraine	11,160
Canada	5,972
Zambia	9,259
Others	3,746
Total	**112,895**

Sources: SAGIS and ZIMSTAT, Ministry of Finance

Table 6: PSD table for wheat

Wheat Zimbabwe	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9	9	10	9	10	8
Beginning Stocks	20	20	12	12	2	2
Production	17	17	25	25	25	25
MY Imports	250	250	250	250	275	275
TY Imports	250	250	250	250	275	275
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	287	287	287	287	302	302
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	275	275	285	285	295	295
Total Consumption	275	275	285	285	295	295
Ending Stocks	12	12	2	2	7	7
Total Distribution	287	287	287	287	302	302
1000 HA, 1000 MT, MT/HA						