A PROFILE OF THE SOUTH AFRICAN WHEAT MARKET VALUE CHAIN

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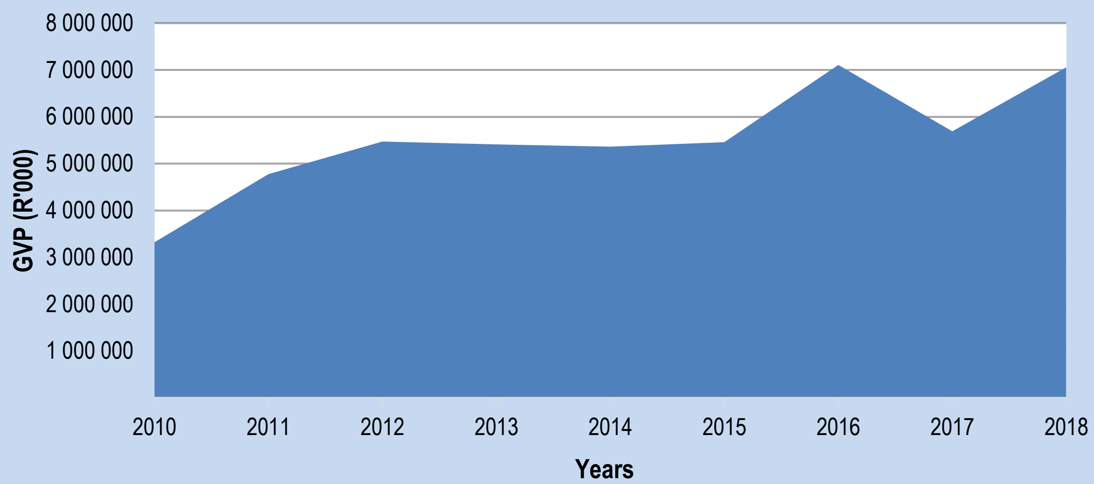
1. DESCRIPTION OF THE INDUSTRY

Wheat is the second most important grain crop produced in South Africa. Most of the 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 less than two percent of local consumption 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.

Figure 1: Wheat gross value of production



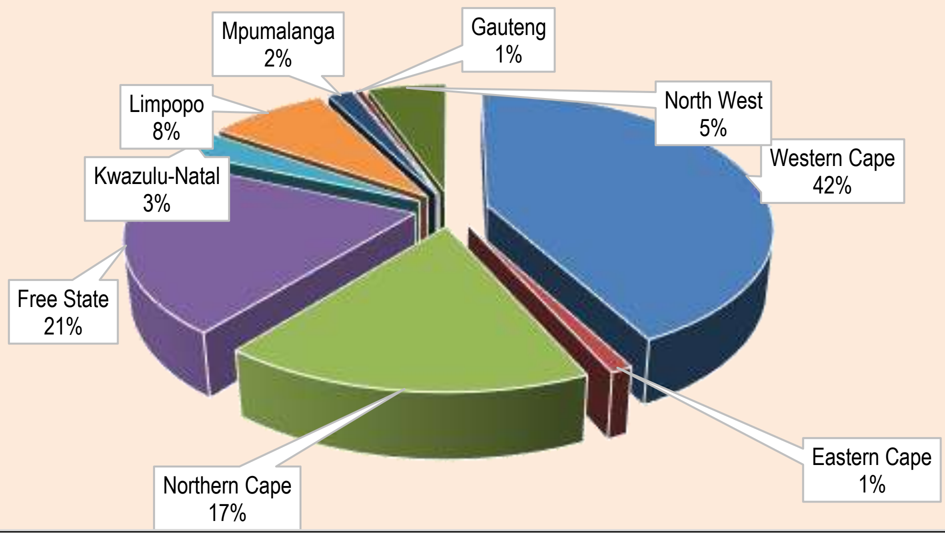
Source: Economic Analysis and Statistics

Figure 1 above shows that the contribution of the wheat industry to the gross value of agricultural production remained above as shown in Figure 1 above remained over 5 billion Rand between 2010 and 2019. The wheat industry's contribution to the gross value of agricultural production opened lower at the beginning of the marketing season in 2010 then later increased in 2011 and 2012 responding positively to an increase in producer prices. The gross value of wheat production increased to reach the highest level from the year 2012 to 2016, and later declined marginally in 2017. The gross value of agricultural production closed with an increasing trend at the end of the marketing year in 2018.

1.1. Production areas

Wheat is planted between April and June in the winter rainfall areas and between May and end of July in the summer rainfall areas. It is produced throughout South Africa with the Western Cape, Free State and Northern Cape provinces being the largest producers accounting for about 84% of South Africa's total wheat production during 2018 production season as shown in Figure 2 below. Approximately 19% of the total area planted to wheat is cultivated under irrigation and over 80% under dry land conditions. Figure 2 illustrates that Western Cape Province is the largest producer of wheat in South Africa accounting for about 48% of the country's total wheat production, 10% more when compared to the previous season. This can be attributed to the favourable weather conditions that ensured a good crop in the Western Cape. Free State and the Northern Cape contributed 20% and 16% respectively, towards the country's total wheat production while Limpopo, Northwest Gauteng, Eastern Cape, Mpumalanga and KwaZulu-Natal shared the remaining 16%.

Figure 2: Wheat production by province in 2019



Source: Economic Analysis and Statistics

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

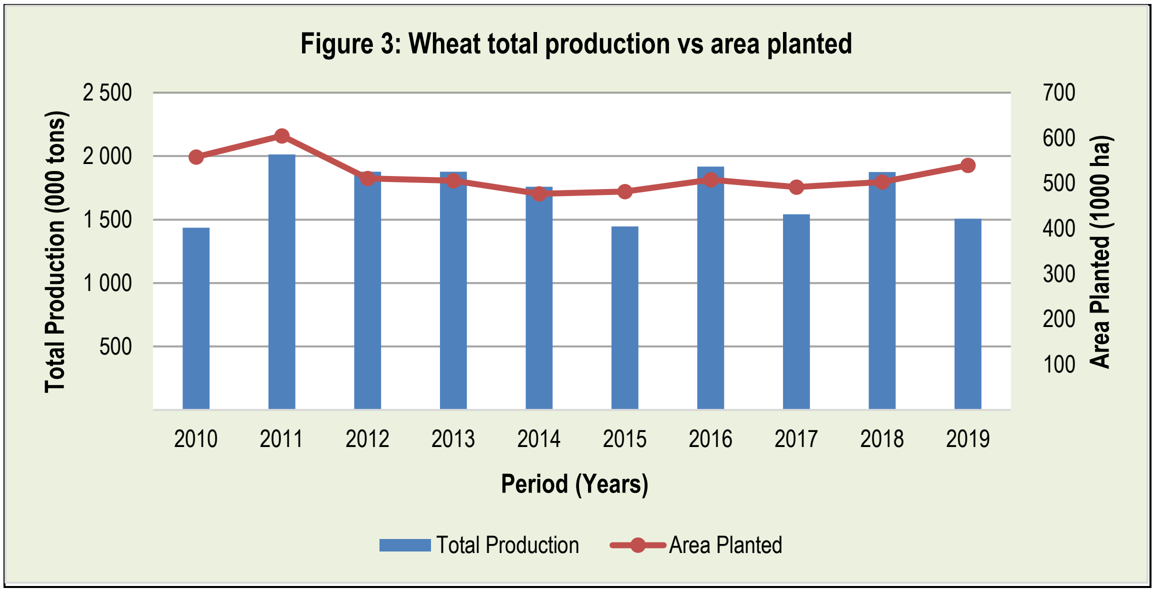
PROVINCE	Production (tons) 2014	Production (tons) 2015	Production (tons) 2016	Production (tons) 2017	Production (tons) 2018	Production (tons) 2019
Western Cape	899 000	697 000	1 098	587 000	890 000	634 000
Eastern Cape	12 000	15 000	11 000	9 000	11 000	16 000
Northern Cape	285 000	259 000	266 000	312 000	295 000	262 000
Free State	271 000	184 000	308 000	328 000	360 000	314 000
Kwazulu-Natal	39 000	42 000	37 000	46 000	43 000	46 000
Limpopo	138 000	151 000	104 000	130 000	128 000	118 000
Mpumalanga	21 000	20 000	14 000	25 000	22 000	25 000
Gauteng	4 000	2 000	2 000	4 000	8 000	8 000
North West	107 000	87 000	70 000	84 000	84 000	79 000

Source: Economic Analysis and Statistics

Table 1 indicates that wheat is produced in all the nine provinces across South Africa with the Western Cape Province being the major producer during the period 2013 to 2018. Greater quantities of wheat are also produced in the Free State and Northern Cape Provinces. There were some decreases with regard to quantity of wheat produced in the Northern Cape, Kwazulu Natal, Mpumalanga and Limpopo, with some increases recorded for Free State and Eastern Cape Provinces in 2018 compared to 2017, while the production of wheat in the North West Province remained the same over the same period.

1.2. Production Trends

The total production of wheat in South Africa over the past ten years is presented in Figure 3.



Source: Economic Analysis and Statistics

According to FAO, South Africa is the largest producer of wheat in the SADC region and the sixth largest producer on the African continent. Globally, South Africa is ranked number 30 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 528 000 hectares per annum between the years 2009 to 2018 as depicted from Figure 3 above, and this results in an average production of 1.8 million tons of wheat harvested annually. Wheat production season begin positively with the season's highest area planted at above 600 000 hectares attained in 2009. Wheat production begin at higher levels in 2009 as a results of the highest area planted during the same period. It later experienced a dramatic decline during the year 2010 as a result of reduced plantings. This was followed by a significant increase in production volumes to the highest peak during the year 2011.The period under analysis closed with about 1.8 million tons of wheat production in 2018 which is 11 percent (%) lower than the highest level of wheat production attained in 2011. This can be attributed to reduced area planted and moderate weather conditions in the major production zone of the Western Cape.

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.

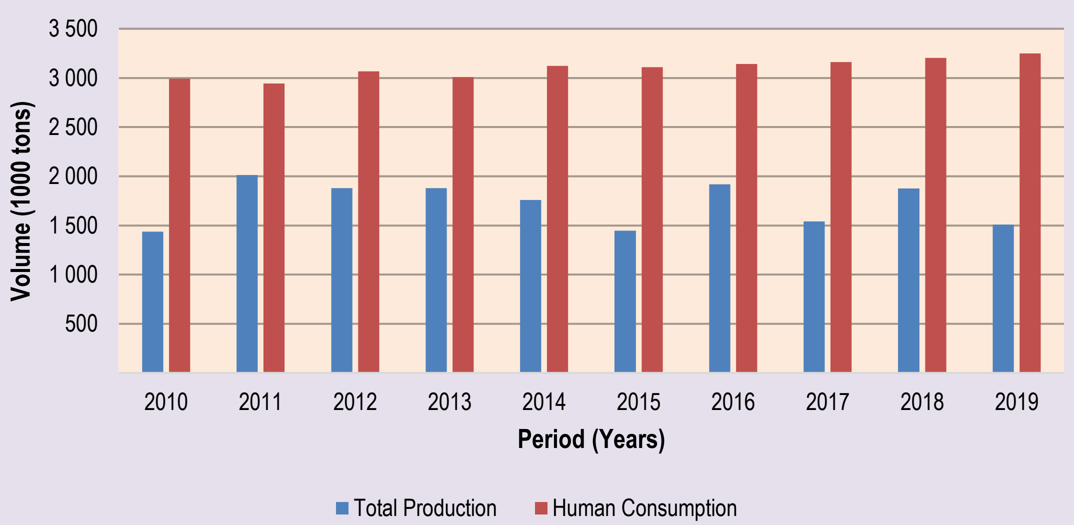
2. MARKET STRUCTURE

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.

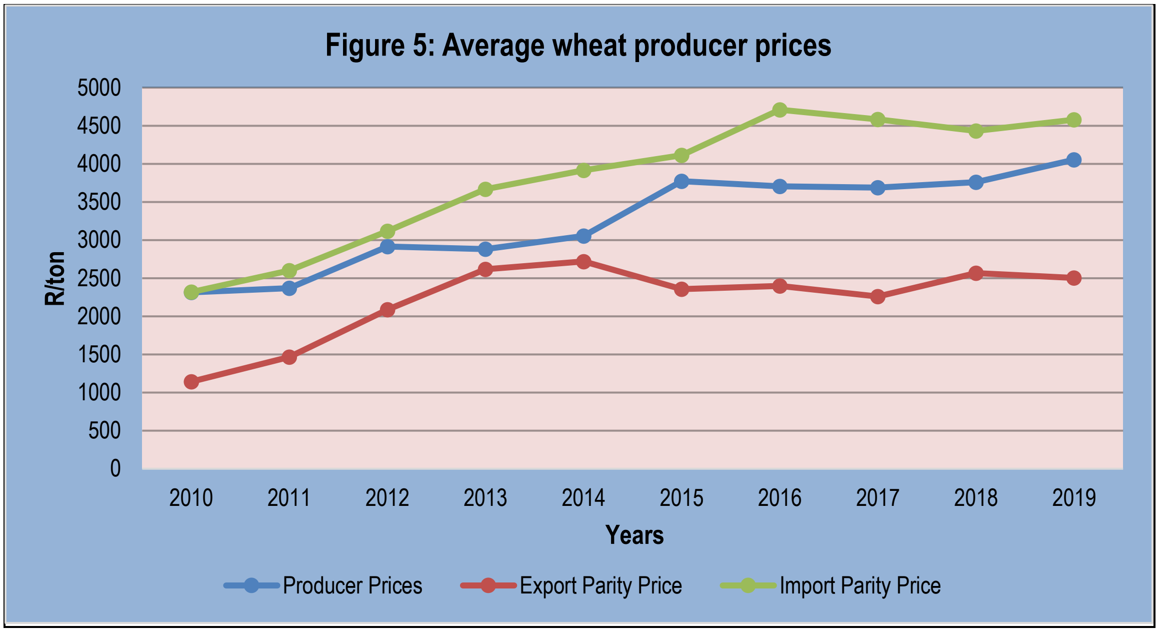
National bread consumption is estimated at 2.8 billion loaves per annum or approximately 62 loaves per person per annum. There are, however, considerable differences between the provinces in terms of total consumption and preference for white or brown bread. For example, the per capita consumption in 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.

Figure 4: Wheat total production vs human consumption



Source: Economic Analysis and Statistics

Figure 4 indicates that the total annual production of wheat is generally less than the domestic consumption requirements. The observation from figure 4 above provides a general indication that the wheat production volumes are on the decline while the consumption is continually increasing. During the marketing year 2018, the wheat production volume was about 1.80 million tons while the consumption amounted to about 3.23 million tons. This has left a deficit of about 1.43 million tons of wheat. During the year 2018, wheat production increased by 19% as compared to the previous year 2017. Over the same period, the local wheat utilization/consumption slightly increased by 1.3% from 3.19 million tons to 3.23 million tons. On average South Africa produced only 56% of the country's consumption requirements over the past ten year period and the balance came from imports. 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.



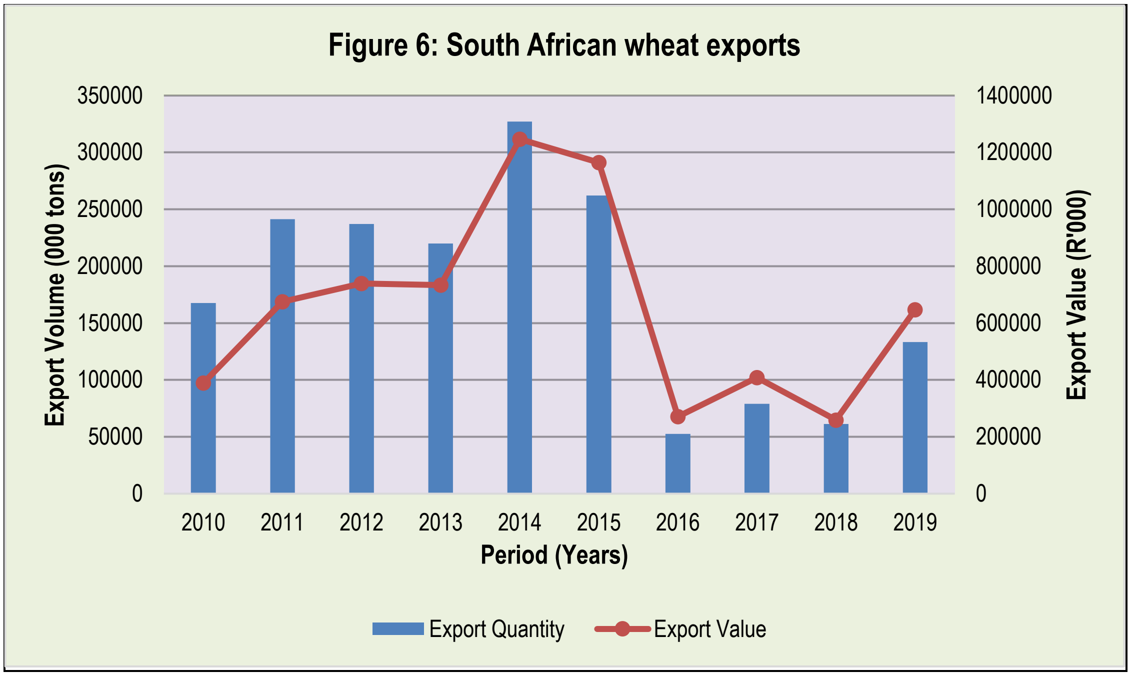
Source: Economic Analysis and Statistics

Figure 5 indicates that the period under analysis opened with lower prices of wheat during the marketing year 2009. Producer price for wheat in the domestic market was at an average of about R1 608.02/ton during 2009 season. The figure further indicates that the average prices began to pick up in 2010 which was later followed by another sharp increase during the year 2010. Wheat producer prices continued to show stability and increased substantially between the years 2011 and 2018 in parallel with the domestic demand.

It is important to note that since South Africa is a net importer and with wheat being an internationally tradable commodity, the local producer prices are heavily influenced by wheat prices in the international markets. It can be observed in Figure 5 that the local wheat prices usually follow the same pattern as import and export parity price levels and lie between the two parity prices. 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

The figure below shows wheat exports from 2009 to 2018. South African wheat exports remained relatively low throughout the period under analysis. During this period South Africa exported less wheat and wheat products with less value mainly as a result of lower producer prices both domestically and in the international markets.

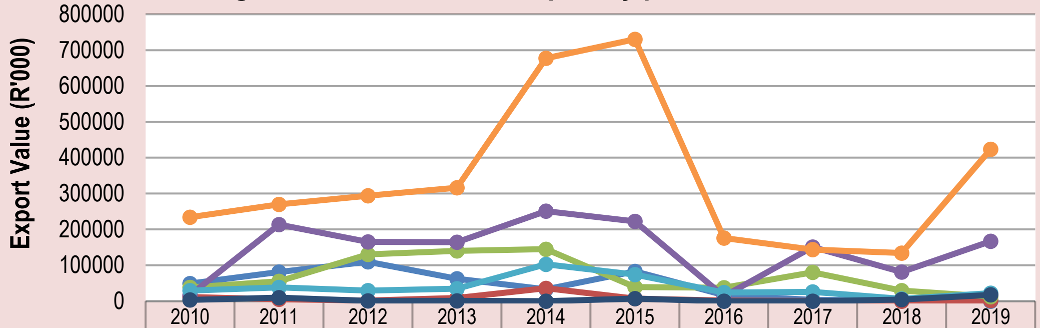


Source: Quantec Easy Data

Wheat exports from South Africa to the rest of the world fluctuated considerably over the period under analysis. The period under review opened with lower volumes and values of wheat exports in 2009 when about 78 thousand tons of wheat were exported to the value of just above 200 million Rands and this can be attributed to weaker price levels in global markets. The highest records of both volumes and values of wheat exports were noticed in 2014, about (326 thousand tons) of exports volumes were attained during that particular year. However, volumes of wheat exports further declined in 2015, fetching higher values. This can be attributed to shortage of stocks during that particular year. The period under review closed with a drastic decline in the export volume and value of wheat during the years 2016, 2017 and 2018 respectively. This is due to the fact that there was very minimal production from the main wheat production region at that time due to severe drought.

South Africa's wheat flour exports are mainly destined for SACU and SADC countries such as the Namibia, Botswana, Lesotho, Eswatini and Zimbabwe. The greatest share of South Africa's wheat exports were destined for Namibia and Botswana.

Figure 7: Value of wheat export by provinces



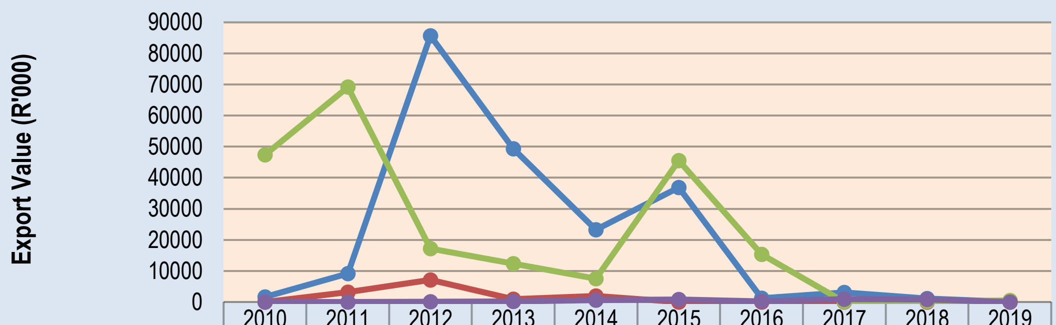
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Western Cape	49044	81471	109997	62680	33352	83151	16794	4053	2062	492
Northern Cape	11428	5425	1705	9183	36417	7715	2066	1065	0	1889
Free State	38749	55505	130391	140179	145311	39540	38106	80888	29428	13160
KwaZulu-Natal	16847	213570	165476	164939	251103	222769	13887	151448	81802	167289
North West	30034	38326	29674	34858	103035	74654	24246	26247	6841	22506
Gauteng	234115	269793	294494	316473	677386	730130	176096	144083	134571	424064
Mpumalanga	4142	9662	1392	1040	155	7015	0	1	4378	17741

Period (Years)

Source: Quantec Easy data

Figure 7 indicates that South African exports of wheat originate mainly from the Gauteng, KwaZulu-Natal, Free State and Western Cape Provinces. The figure further indicates that Gauteng Province commanded the greatest share in the value of wheat exports for most part of the period under analysis. On average, Gauteng Province has over the period under analysis exported wheat to the value of about R311 million per annum. This implies that over the period under analysis, Gauteng Province has accounted for 51% 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 and export the product directly from Gauteng.

Figure 8: Value of wheat exports from Western Cape province



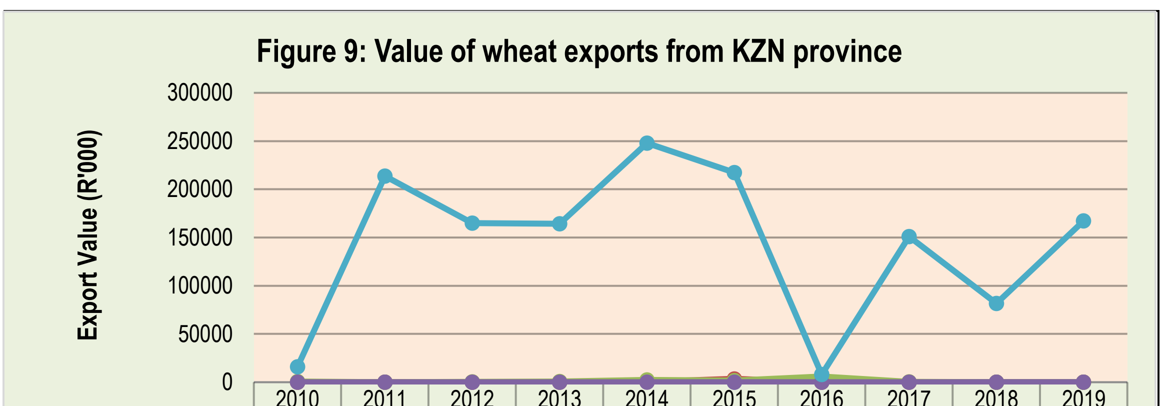
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City of Cape Town	1634	9120	85680	49304	23294	36838	1209	3095	1073	37
West Coast	3	3202	7111	868	1970	0	0	0	0	0
Cape Winelands	47407	69150	17168	12294	7450	45487	15375	34	160	454
Eden	0	0	39	214	639	826	210	924	830	0

Period (Years)

Source: Quantec Easy data

Figure 8 above shows that wheat exports from Western Cape Province originate mainly from Cape Winelands and the City of Cape Town Metropolitan Municipalities. This is precisely due to the use of the Cape Town Harbour as an exit point for the export of wheat. The Cape Winelands District recorded the highest values of wheat exports above other regions between the years 2010 and 2011 and again in 2015 and 2016, while very menial export values were recorded from Eden and West Coast districts throughout the period. The highest value of wheat exports from the Western Cape Province was recorded from the Cape Winelands in 2011 and the City of Cape Town during the year 2012. Exports of wheat from Western Cape declined significantly between the years 2013 and 2014 and later increased to moderate levels in 2015. Wheat exports continued to show declining trends in the year 2016 to the extent that the values of wheat exports from the province were below 20 million rand during the same period. The value of wheat exports from Western Cape Province closed to the record lower during the year 2018. This can be attributed to lower wheat production attained due to drought during the previous year 2017, which resulted in reduced exports quantities for wheat in the year 2018.

Figure 9 below indicates that in KwaZulu-Natal Province, wheat is exported mainly through eThekwini Metropolitan Municipality with minimal exports recorded from UMzinyathi, Uthukela and UMgungundlovu Districts. The value of wheat exports through the eThekwini Metropolitan Municipality has fluctuated considerably during the period under review and reached a peak in 2014. On average, KwaZulu-Natal Province has, during the period under analysis, exported wheat to the value of R132 million per annum, of which eThekwini contributed about R130 million towards the provincial figure. This implies that eThekwini Metropolitan Area accounts for 99% of the Province's total value of wheat exports. In 2018, the period under review closed with declining values of wheat exports from KwaZulu Natal province.

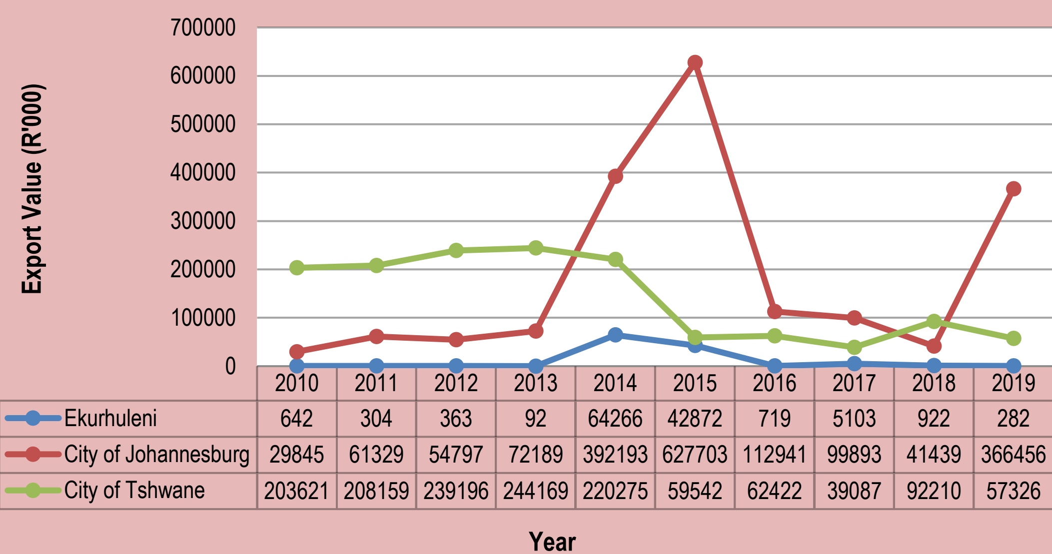


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
UMgungundlovu	0	0	0	1	393	0	48	0	3	6
Uthukela	0	0	0	0	377	3518	0	0	0	0
Umzinyathi	778	0	521	751	2406	1807	5907	536	45	6
Zululand	0	0	0	0	0	4	0	0	8	55
eThekwini	16069	213570	164955	164187	247927	217440	7932	150912	81747	167222

Source: Quantec Easy data

Figures 9 and 10 further confirm an earlier observation about the role played by the Randfontein grain market and the Durban harbour in the trading of grain products. The City of Johannesburg Metropolitan Municipality commanded the greatest shares of wheat exports in Gauteng followed by the City of Tshwane throughout the period under analysis. The values of wheat exports from the other four districts within Gauteng Province have been very low during the same period under review. The highest values of wheat exports from Gauteng Province were attained mainly from the City of Johannesburg Metropolitan during the year 2015 and later decline considerably between the year 2016 and 2017 respectively. The period under review closed with minimal values of wheat exports recorded from the province during the year 2018.

Figure 10: Value of wheat exports from Gauteng province

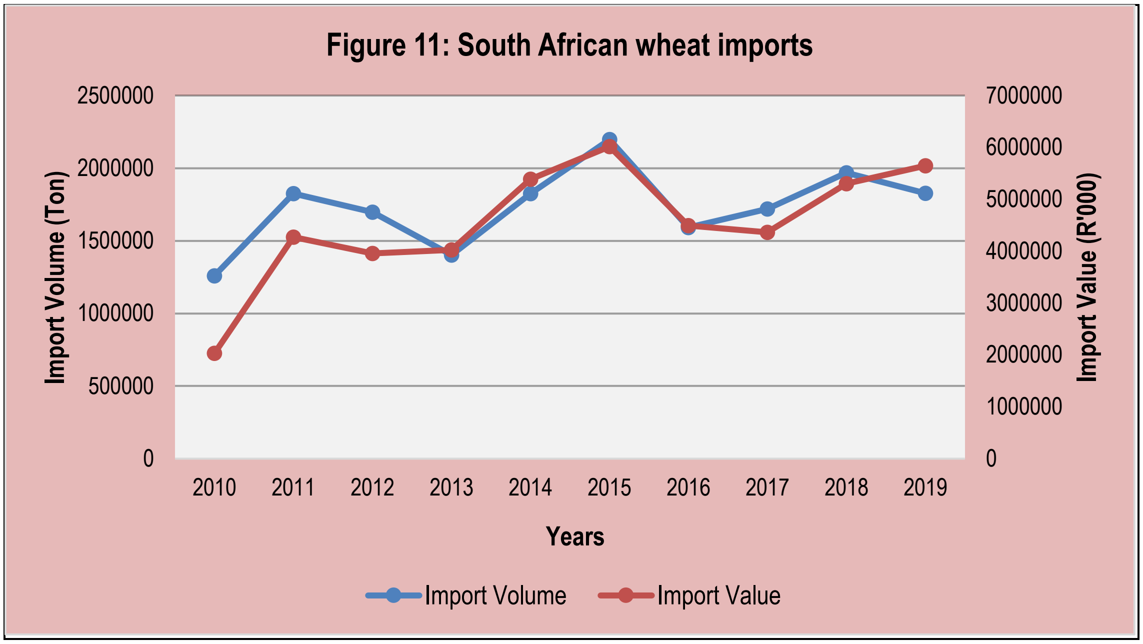


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ekurhuleni	642	304	363	92	64266	42872	719	5103	922	282
City of Johannesburg	29845	61329	54797	72189	392193	627703	112941	99893	41439	366456
City of Tshwane	203621	208159	239196	244169	220275	59542	62422	39087	92210	57326

Source: Quantec Easy data

2.3. Wheat Imports

South Africa is not a major producer of wheat and therefore it imports wheat from other regions to supplement the 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 Russian Federation, Germany, Argentina, Canada, Romania, Ukraine and USA.

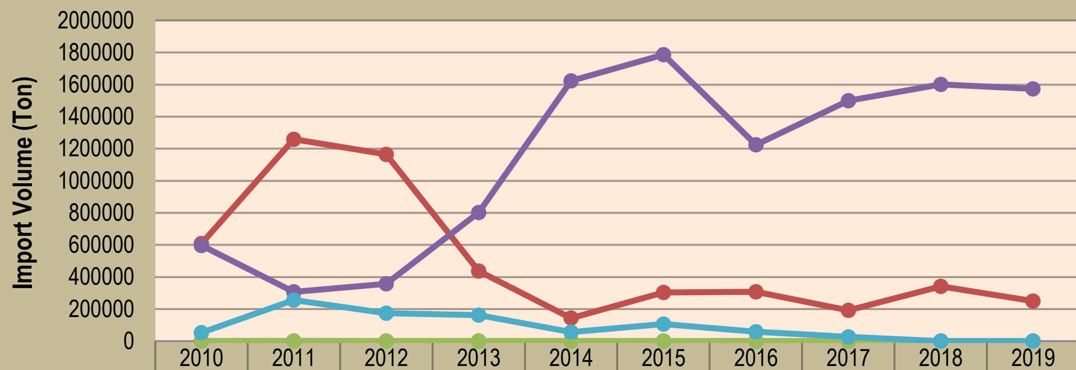


Source: Economic Analysis and Statistics & Quantec Easy Data

Figure 11 indicates that wheat imports fluctuated considerably in both volume and value over the past decade. Due to shortages of wheat in the country, the volume of wheat imports were higher during the year 2009. The imports of wheat declined sharply in both volume and value during the year 2010, and this was followed by a slight increase in both imports volume and value during the year 2011. This was also followed by a decline in the volume and value of wheat imports between the years 2012 and 2013 respectively. The period under analysis attained a peak of about 1.52 million tons of wheat during the year 2015 and which is 67% higher as compared to what was imported during the opening year of 2009. The period under scrutiny closed with an increasing wheat imports value and volume in 2018.

Figure 12 show that South Africa imported wheat mainly from Europe, America and Oceania and to a smaller extent from some Asian and African countries. During the period under review South Africa has imported wheat mainly from Europe and the Americas, with some increase in the volume of the wheat imports originating from the Oceania between the years 2010 and 2011. On average, South Africa has over the period between 2009 and 2018 imported about 1.68 million tons per annum. The major source of these imports is Europe which accounted for about 64% of wheat imported by South Africa over the past ten years followed by Americas and Oceania with 30% and 6% respectively.

Figure 12: Volume of wheat imports from various regions

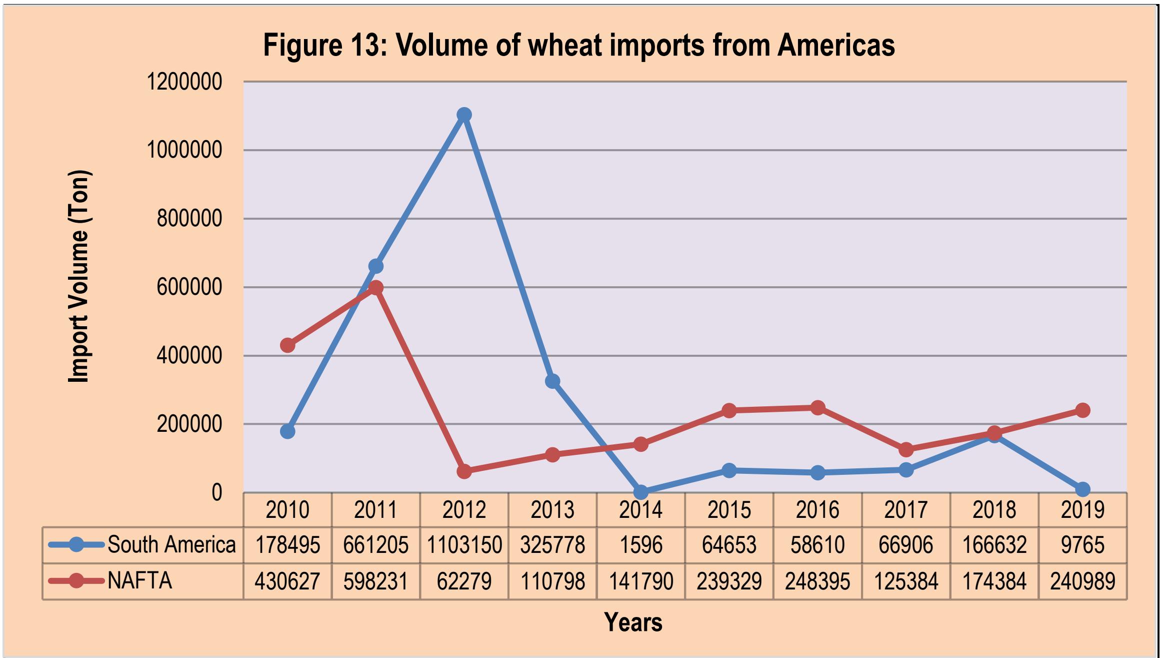


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Africa	134	1246	245	191	763	125	608	95	169	2
Americas	609123	1259435	1165429	436576	143386	303982	307004	192290	341016	250753
Asia	19	5	6	11	17	8	42	10	26	8
Europe	597656	307115	357709	803008	1623830	1786696	1225149	1500447	1601321	1573818
Oceania	53004	256499	174688	162086	56636	106152	57904	27491	0	0

Years

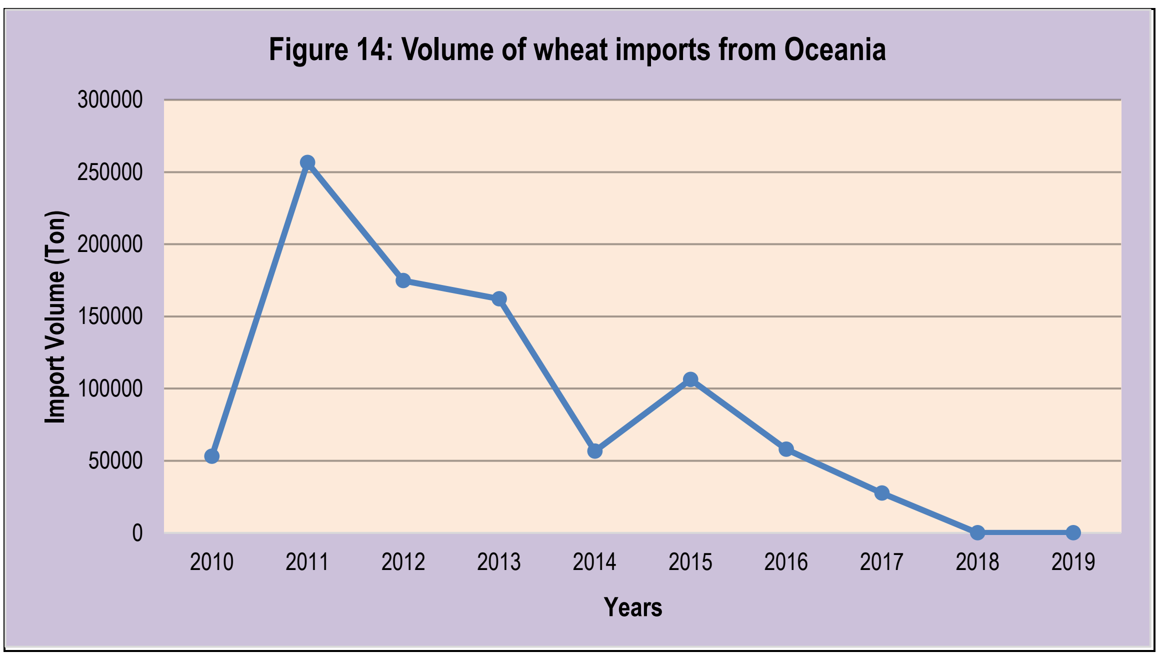
Source: Quantec Easy Data

Figure 13 below, indicates that in Americas, South Africa imports wheat mainly from South America and NAFTA (North American Free Trade Area). The volume of wheat imports originating from South America were higher during the year 2009, whereas those originating from NAFTA into South Africa were lower. The volume of wheat imports from South America reached its highest levels during 2012 while those from NAFTA were dropped to their lowest levels over the same period. The period under review closed with increasing volumes of wheat imports from both South America and NAFTA, with imports from NAFTA trading slightly above imports originating from South America between the years 2014 and 2018 respectively. In South America, South Africa import wheat mainly from Argentina while in NAFTA we import our wheat mainly from the USA.



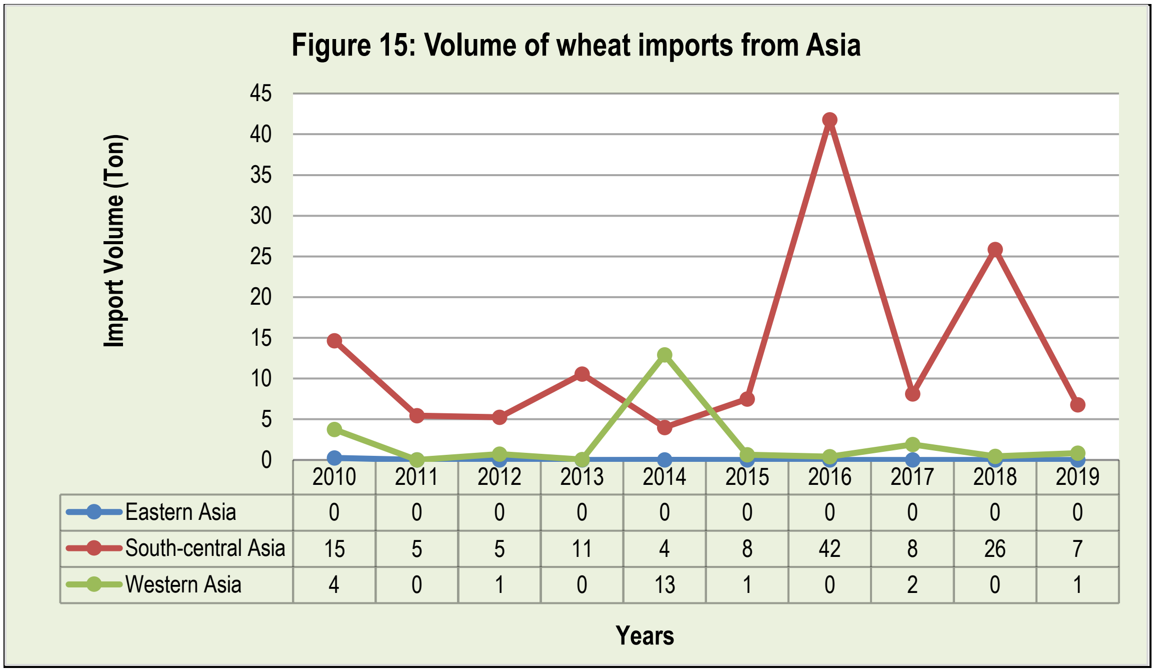
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
South America	178495	661205	1103150	325778	1596	64653	58610	66906	166632	9765
NAFTA	430627	598231	62279	110798	141790	239329	248395	125384	174384	240989

Source: Quantec Easy Data



Source: Quantec Easy Data

Figure 14 above shows the volume of wheat imported by South Africa from Oceania between 2009 and 2018. Imports of wheat from Oceania originate mainly from Australia and New Zealand. The volume of wheat imports from these countries into South Africa has fluctuated considerably during the entire period under review. The volume of wheat imports from Oceania started reasonably higher during 2009 until the highest volume of wheat imports to South Africa was recorded in 2011. There was substantial decline in imports originating from Australia and New Zealand between the years 2012 and 2018 owing mainly to increased imports originating from the European Union.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Eastern Asia	0	0	0	0	0	0	0	0	0	0
South-central Asia	15	5	5	11	4	8	42	8	26	7
Western Asia	4	0	1	0	13	1	0	2	0	1

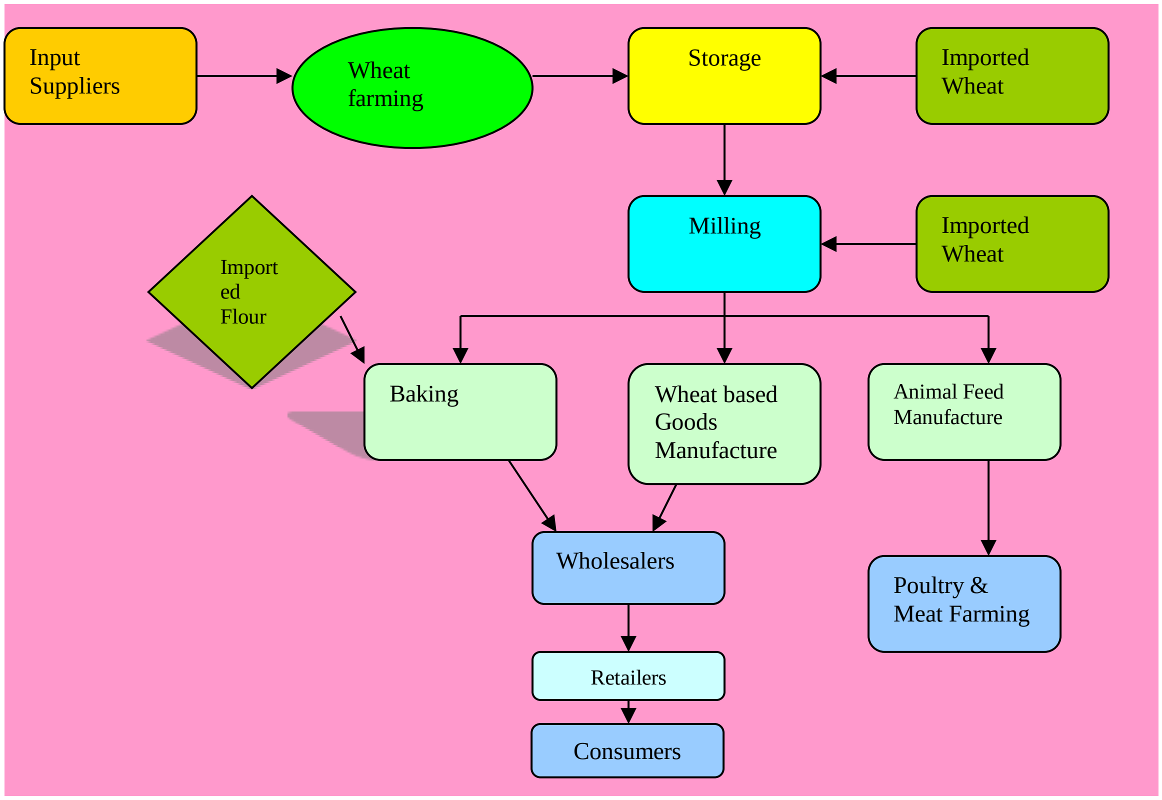
Source: Quantec Easy Data

In Asia, South Africa imported wheat mainly from South-Central-Asia and Western Asia during the period between 2009 and 2018. It is clear from figure 15 that imports of wheat from Asia were generally very low and irregular throughout the period under analysis as compared to imports originating from Europe, Americas and Oceania.

2.4. Market value chain

The local market for South African wheat industry includes the milling industry, the baking industry and the retail sector.

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.

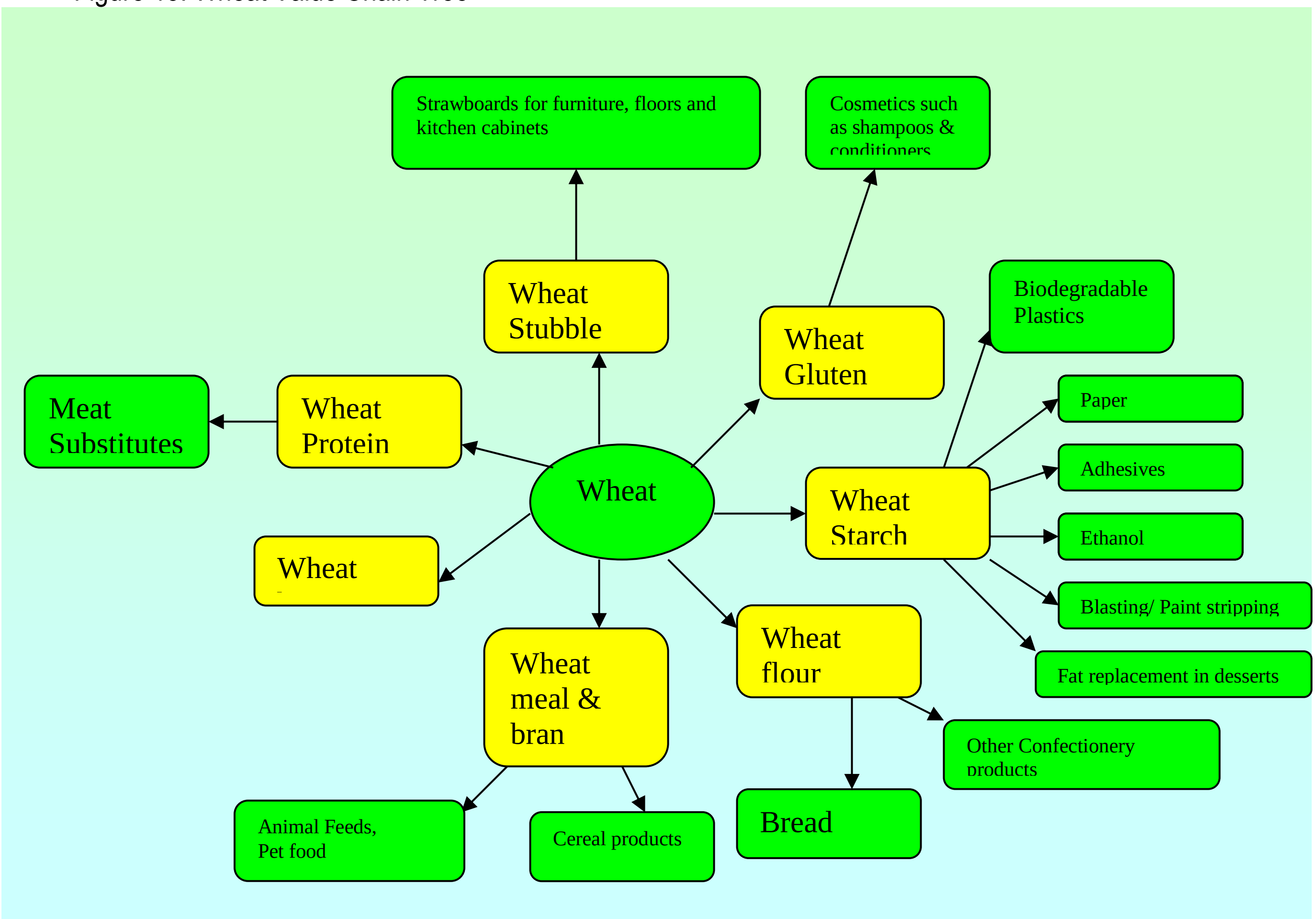
2.4.1. Baking Industry

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

Figure 18: Wheat Value Chain Tree



(Protein) and starch also make it functional in non-food and industrial applications. 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 importing markets to wheat originating from South Africa:

Table 6: Tariffs applied by various markets to South African wheat

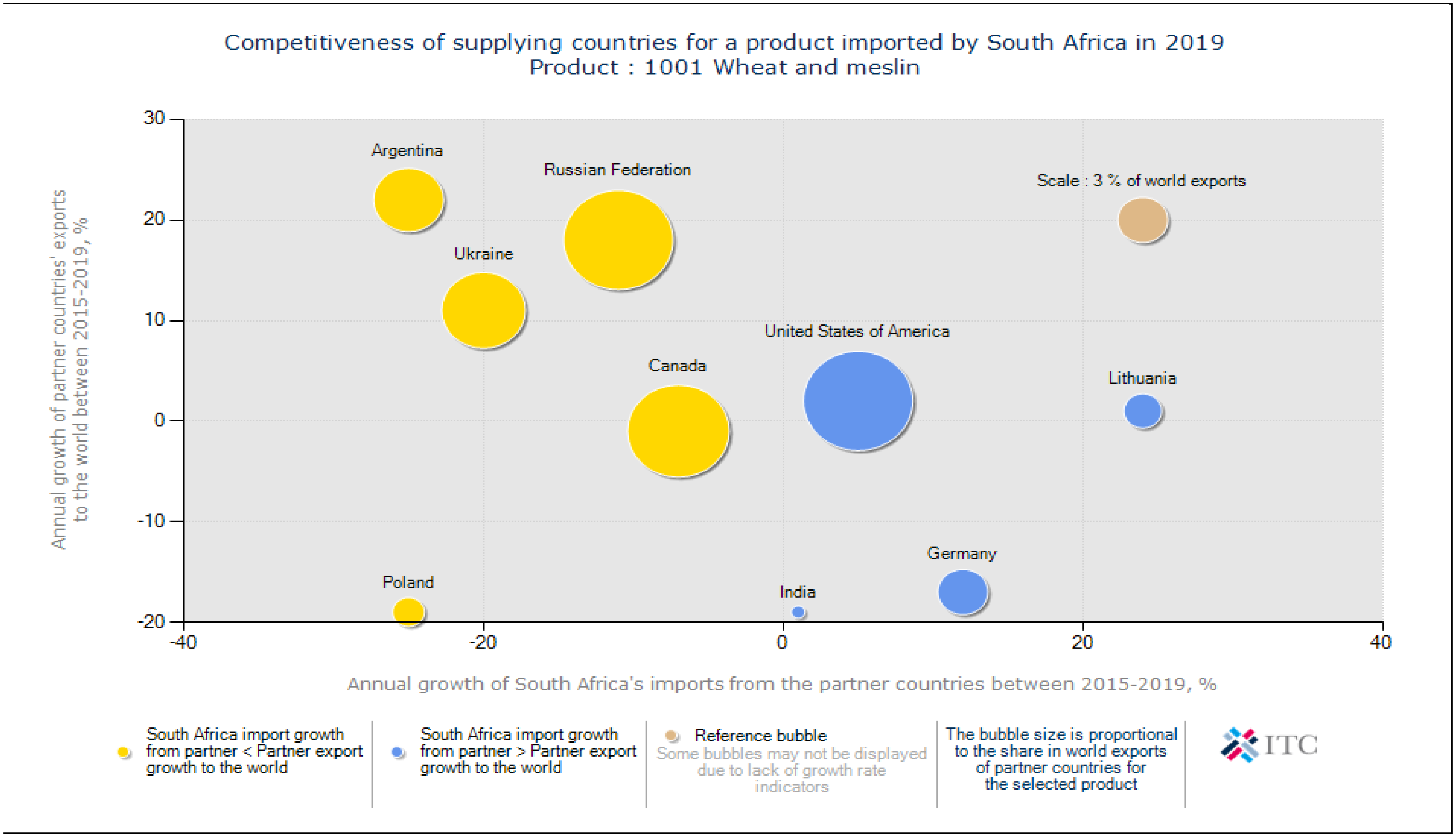
COUNTRY	PRODUCT DECRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL *AD VALOREM* EQUIVALENT TARIFF
PERIOD	**2019**			
Namibia	Wheat and meslin : Durum wheat : Seed (10011100)	Intra SACU rate	0.00%	0.00%
	Wheat and meslin : Durum wheat : Other (10011900)	Intra SACU rate	0.00%	0.00%
Botswana	Wheat and meslin : Durum wheat : Seed (10011100)	Intra SACU rate	0.00%	0.00%
	Wheat and meslin : Durum wheat : Other (10011900)	Intra SACU rate	0.00%	0.00%
Eswatini	Wheat and meslin : Durum wheat : Seed (10011100)	Intra SACU rate	0.00%	0.00%
	Wheat and meslin : Durum wheat : Other (10011900)	Intra SACU rate	0.00%	0.00%
Lesotho	Wheat and meslin : Durum wheat : Seed (10011100)	Intra SACU rate	0.00%	0.00%
	Wheat and meslin : Durum wheat : Other (10011900)	Intra SACU rate	0.00%	0.00%
Zimbabwe	Wheat and meslin : Durum wheat : Seed (10011100)	MFN duties (Applied)	0.00%	0.00%
	Wheat and meslin : Durum wheat : Other (10011900)	Preferential tariff for South Africa	0.00%	0.00%
Mozambique	Durum Wheat (10011000)	Preferential tariff for SADC Countries	0.00%	0.00%
Canada	Durum Wheat (10011120)	MFN duties (Applied)	49.00%	49.00%
Zambia	Wheat and Meslin: Durum wheat: Seed (10011100)	Preferential tariff for South Africa	0.00%	0.00%
Malawi	Wheat and Meslin: Durum wheat: seed (10011100)	MFN duties (Applied)	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 Namibia, Botswana, Eswatini, Lesotho, Zimbabwe, Mozambique and Malawi. This is mainly because these countries do not charge tariffs on the wheat imports 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. Canada applies 49% 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: Competitiveness of Suppliers of wheat to South Africa in 2019



Source: ITC Trade Map

Between 2014 and 2018 South Africa experienced a decrease in the value of wheat imports from the rest of the world. The total wheat imports from the world decreased by 7% in value between 2014 and 2018. Figure 19 and Table 7 show that South Africa experienced an increase in value of wheat imports from Latvia with 15% growth while imports from Russian Federation and Germany declined by 15% and 13% respectively. The wheat imports from Lithuania and Argentina also increased by 13% and 46% respectively in value between the years 2014 and 2018.

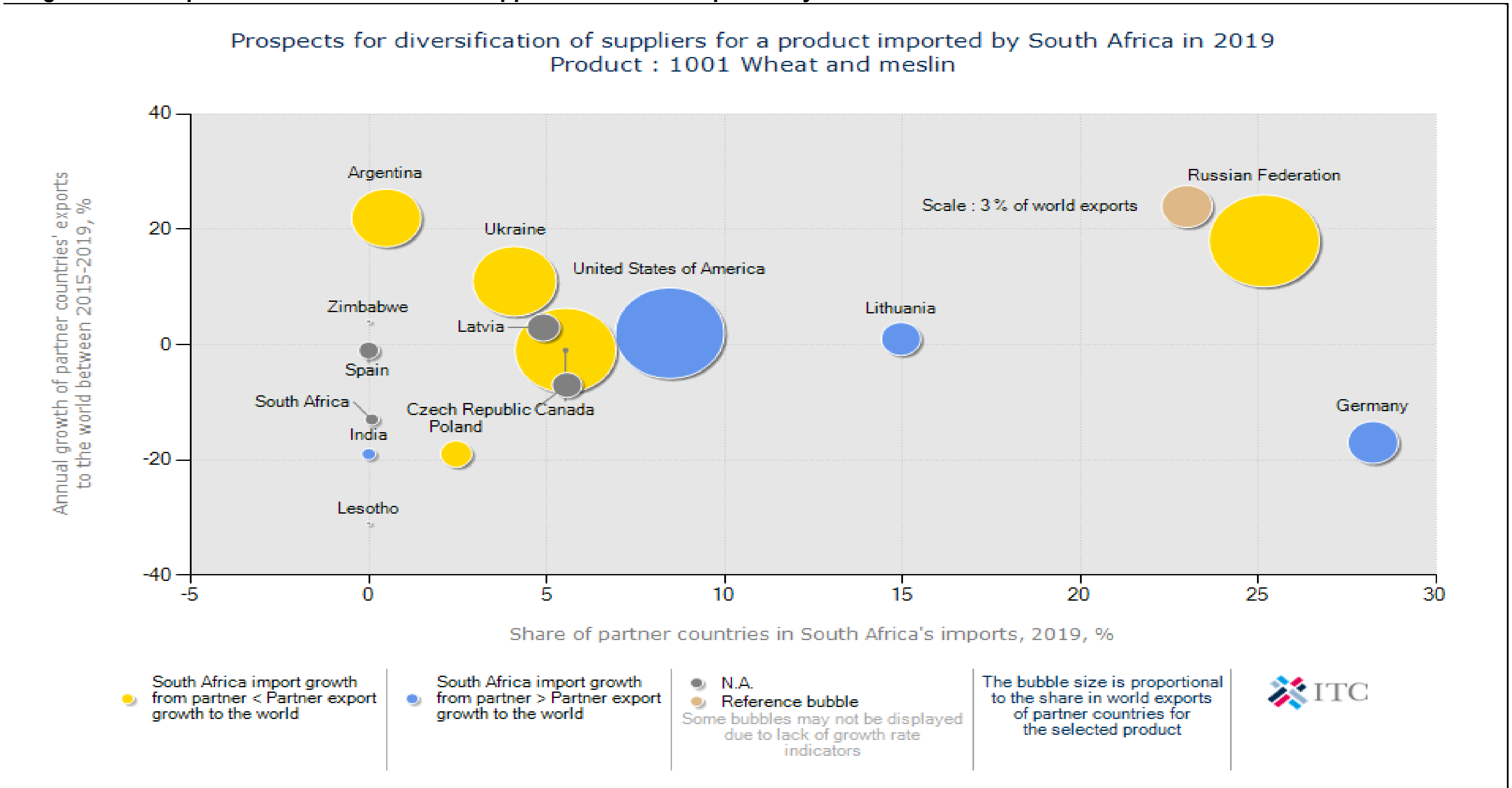
Table 7: List of supplying markets for the wheat imported by South Africa in 2019

Exporters	Imported value 2019 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2019 (Tons)	Unit value (USD/unit)	Imported growth in value between 2015-2019 (%, p.a.)	Imported growth in quantity between 2015-2019 (%, p.a.)	Imported growth in value between 2018-2019 (%, p.a.)
World	394593	100	1842355	214	-1	-2	-3
Germany	111415	28.2	501455	222	12	12	70
Russian Federation	99342	25.2	488700	203	-11	-12	-44
Lithuania	59048	15	284595	207	24	25	156
United States	33395	8.5	147386	227	5	5	297
Czech Republic	21993	5.6	95839	229	0	0	244
Canada	21830	5.5	92982	235	-7	-7	-31
Latvia	19368	4.9	91148	212	0	0	-37
Ukraine	16184	4.1	81121	200	-20	-20	45
Poland	9705	2.5	47503	204	-25	-24	42
Argentina	1949	0.5	9765	200	-25	-24	-94

Source ITC Trade Map

Figure 20 and Table 7 also indicate that Russian Federation and Germany are the major suppliers of wheat to South Africa having contributed 42% and 17% to South Africa's total wheat imports in 2018, respectively. Figure 20 also indicates that the growth in South Africa's wheat imports from Germany, Argentina and the USA is greater than these countries' total wheat export growth to the rest of the world. South Africa also imported wheat from countries such as Latvia, Canada, Lithuania, Romania, Ukraine, United States of America and Poland as indicated in Table 7. It is also clear from figure 20 that if South Africa wishes to diversify its wheat imports, the prospective growing markets also exist in India, Latvia, Argentina and Lithuania.

Figure 20: Prospects for diversification of suppliers for wheat imported by South Africa in 2019



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 2019

Importers	Exported value 2019 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2019 (Tons)	Unit value (USD/unit)	Exported growth in value between 2015-2019 (%, p.a.)	Exported growth in quantity between 2015-2019 (%, p.a.)	Exported growth in value between 2018-2019 (%, p.a.)
World	45027	100	133836	336	-13	-12	129
Zimbabwe	16651	37	45497	366	-23	-21	758
Botswana	8874	19.7	28111	316	-3	-3	87
Zambia	6947	15.4	22474	309	-13	-8	13859
Namibia	5221	11.6	13879	376	-9	-12	15
Lesotho	4894	10.9	15805	310	7	-2	44
Eswatini	1477	3.3	4779	309	-4	-3	-64
Mozambique	`47	0.1	170	276	-26	-7	0

Source: ITC Trade Map

The major importing markets for wheat originating from South Africa in 2018 were Namibia, Botswana, Eswatini, Lesotho, Zimbabwe, Mozambique, Canada, Zambia and Malawi. Table 8 and Figure 21 indicate that Namibia is the biggest importer of wheat from South Africa followed by Botswana and Eswatini. In 2018 Namibia alone absorbed about 23.5% of South Africa's total wheat exports followed by Botswana and Eswatini with 22.8% and 21.6% respectively. Table 8 further illustrates that volume of wheat exports from South Africa to the world decreased by 37% between the years 2014 and 2018 while in countries such as Mozambique export value increased by 9% and further declined by 21% and 40% in Namibia and Botswana respectively.

Figure 21: Prospects for diversification of suppliers for wheat exported by South Africa in 2019
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 labour 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. LIST OF CO-WORKERS WITHIN THE WHEAT INDUSTRY

Table 9: List of wheat industry co-workers

COMMERCIAL GRAIN SILO OWNERS		
Trade Name	**Town**	**Contact Details**
Afgri	Centurion	0110632786
Bester Voer & Graan - Moorreesburg Sak Depot	Stellenbosch	0218092542
BKB Grain Storage	Paarl	0218078900
Cofco International South Africa (Pty) Ltd	Die Boord	0218081936
Gordonia Mills (Pty) Ltd	Upington	0543311862/3
GWK Beperk	Douglas	0532988484
Kaap Agri Bedryf Bpk	Malmesbury	0224828165
KLK Landbou Bpk - Calvinia	Calvinia	0273418200
Lesotho Milling Co (Pty) Ltd	Ficksburg	0519334486
NWK Beperk	Lichtenburg	0186331064
O V K	Ladybrand	0510111592
Overberg Agri Bedrywe (Eiendoms) Beperk	Caledon	0282143815
Procuro Grain (Edms) Bpk	Swellendam	0285148632
Sentraal-Suid Koöp	Swellendam	0285148612
Senwes	Klerksdorp	0184647139
Silostrat (Pty) Ltd.	Welkom	0573911900

Suidwes Landbou (Edms) Bpk	Leeudoringstad	0185811155
VKB Landbou (Edms) Bpk	Reitz	0588638267
HARBOUR SILO OWNERS		
Trade Name	**Town**	**Contact Details**
Agriport	Maydon Wharf	0313613959
Bidfreight Port Operations (Pty) Ltd	Durban	0313659916
DBS	Bluff	0314669700
Ensign Shipping & Logistics (Richards Bay)	Durban	0319419015
FPT Group (Pty) Ltd - Cape town	Roggebaai	0214018798
FPT PE	Port Elizabeth	0415015800
Freight Facilitators	Paarden Eiland	0214018849
J L R Services and Warehousing CC	Maydon Wharf	0312745914
Jacobs Bulk Handling	Jacobs	0314671135
Rennies Bulk Terminals	Maydon Wharf	0313275026
Transnet Port Terminals - East London MPT	East London	0437001051
Transnet Port Terminals Cape Town	Roggebaai	0214492277
PROCESSORS		
Trade Name	**Town**	**Contact Details**
Afgri Milling Harrismith	Centurion	0586221015
Algoa Roller Mills CC	Uitenhage	0419923226
Arcturus Manufacturing (Pty) Ltd	North Riding	0118015000
Bakhresa SA (Pty) Ltd	Dalbridge	0312742002
Barnlab (Pty) Ltd (Tanqua Voere)	Riviersonderend	0282611519
Bethlehem Graan en Saad	Bethlehem	0583031610
Bolkor	Porterville	0229313200
Cape Grain Milling	Gatesville	0216921661
Champagne Valley Stonemilling	Winterton	0364681017
Citrusdal Rollermeule (Edms) Bpk	Citrusdal	0229212434
Clocolan Meule	Ladybrand	0519234531
Coastal Flour Milling	Jacobs	0314676135
D Kingsbury	Johannesburg	0118321237/8/9
De Heus Umlaas Road	Umlaas Road	0317851575
Diamond Milling CC	Marble Hall	0823701786

Essential Foods - Grains (Bethlehem)	Bethlehem	0218075833
Essential Foods - Grains (Durban Mill)	Mobeni	0218075833
Essential Foods - Grains (Krugersdorp Mill)	Luipaardsvlei	0218075833
Essential Foods - Grains (Malmesbury Mill)	Malmesbury	0218075833
Essential Foods - Grains (Port Elizabeth Mill)	Swartkops	0218075833
Eureka Mills (Pty) Ltd	Heidelberg	0287221887
Foodcorp Milling Division	Pretoria	0123083268
Galaxy Biscuits	Lenasia	0113424214
Gideon Milling	Soneike	0219518346
Godrich Flour Mills (Pty) Ltd	Bronkhorstspruit	0139320155
Golden Reef Milling	Caledon	0282549759
Gritco - Bultfontein	Bultfontein	0518531713
Group 35 Foods (Pty) Ltd	Riebeek-Wes	0224612500
GWK Farm Foods (Modderrivier)	Modderrivier	0878207117
GWK Saad	Douglas	0532988326
Heartland Foods	Pietermaritzburg	0333273130
IL Molino Speciality Grains	Crown Mines	0110385000
Itau Milling	Universitas	0518752786
Just Flour	Redhill	0315009812
Kokstad Milling	Kokstad	0397272807/8
Koperfontein Stone Mill	Hopefield	0221250310
Martin & Martin	Kempton Park	0115715300
Meadow Feeds Randfontein	Randfontein	0116935120
Moorreesburg Rollermeule	Moorreesburg	
Newcastle Mills	Newcastle	0343121421
Nova Feeds (Malmesbury)	Malmesbury	0224879100
Paramount Mills (Proprietary) Limited	Beacon Bay	0437312444
Premier Durban Wheat Mill	Dalbridge	0310033574
Premier East London Wheat Mill	Vincent	0431020038
Premier Foods Salt River	Woodstock	0214484681
Premier Pretoria Wheat Mill	Silverton	0873651915

Premier Vereeniging Wheat Mill	Vereeniging	0842604732
Pride Milling Co (Pty) Ltd Leslie	Leslie	0176830050
RCL Foods - Animal Feed: Pietermaritzburg	Pietermaritzburg	0333872460
Rocklands Animal Feeds	Uitenhage	0419555822
Roman Catholic Mission Mill	Keimoes	0544611085
S Schmidt Feeds & Seeds (Pty) Ltd	Germiston South	0118252224
Shemuel Milling Company	Hillcrest	0317021628
Sipho Kithandile Investment Prop CC	Dundee	
Tau Rollermeule (Edms) Bpk	Leeudoringstad	0185812180
Tiger Milling Hennenman	Hennenman	0119667309
Tiger Milling Inland	Randfontein	0119667309
Tiger Milling Pietermaritzburg	Scottsville	0333970226
Tiger Milling Western Cape	Bellville	0119667309
Tweespruit Meule	Tweespruit	0519234531
Valemount Trading	Midrand	0110405900
VKB Flour Mills (Pty) Ltd	Frankfort	0588131567
W T M Verspreiders	Mosselbaai	0446977587
Walts Malting (Pty) Ltd	Tygervalley	0219511556
Western Cape Milling SA (Pty) Ltd	Sanlamhof	0219512011
Wheatcor Milling (Pty) Ltd	Edleen	0113921423
Wholesome Fresh Bakery	Parow	0219310108
TRADERS		
Trade Name	**Town**	**Contact Details**
Agri Stella	Stella	0539830006
Ameropa Commodities	Durban North	0315662258
Brisen Commodities (Edms) Bpk	Lyttleton South	0126401600
Bunge ZA (Pty) Ltd	Bryanston	0820727707
Cargill RSA (Pty) Ltd	Johannesburg	0117459691
Cofco International South Africa (Pty) Ltd	Die Boord	0218081936
Essential Foods - Grains HK Strategiese Dienste	Huguenot	0218075833
ETC Agro (Pty) Ltd	Johannesburg	0116690940

Glencore Agriculture South Africa	Melrose Arch	0117720628
Grainco	Paarl	0218078910
Grainvest Physicals	Potchefstroom	0182972559
Interafrica Grains (Pty) Ltd	Little Falls	0119581291
Louis Dreyfus Company Africa (Pty) Ltd	Sandton	0112175304
Nu-Pro Commodities (Pty) Ltd	Bethlehem	0850500990
Protein Feeds Services	Skeerpoort	0122071003
RSAgri	Bryanston	0114634120
Seaboard Overseas Trading & Shipping	Umhlanga	0315814500
Silostrat (Pty) Ltd.	Welkom	0573911900
African Grain	Lynnwood Ridge	0721002565
BKB	North End	0415033111
Border Seeds	Queenstown	0458393194/5
Cradock Saad Verspreiders	Cradock	0488811366
DuPont Pioneer - Kroonstad	Centurion	0872885924
Klein Karoo Saad Bemarking (Bethal)	Oudtshoorn	0442039808
Roba Foods	Stella	0183300001
Sebakwe Stockfeeds CC	Howick	
Sensako	Bethlehem	0583034690
Senwes (Saad)	Orkney	0184731761
VKB Saad	Reitz	0588638374
Winterton Soya Mills	Winterton	0364881941

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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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