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## Raw Materials Supply: January 2020

***Important! Retrospective spot prices for small volumes traded are being quoted.***

### **Maize**

#### Regional Supply Situation

In the region, a smaller crop is expected in Zambia than last year and their government is understood to be reviewing their strategic requirements before lifting the ban on exports. Malawi is expected to produce a surplus but regional demand is likely to overwhelm supply from that country.

Regionally, requirements for maize that is GM-free are understood to be high as the need for humanitarian aid, sponsored by food agencies, has driven demand up. Deep-sea supply of GM-free maize from countries like Mexico is expected to be upwards of USD 400/mt with the additional challenge of a longer lead time.

South Africa has reasonable stocks of GM-positive maize but with demand for maize in the region expected to remain high, firm prices will dominate trade of both GM-free and GM-positive maize. The price of GM-positive white maize on SAFEX has increased between USD 40 – 50/mt over the past month alone due to increased demand from the drought affected SADC region.

#### Current Domestic Supply Situation

Maize for human consumption is understood to be imported from Tanzania and delivered to the Aspidale depot of the Grain Marketing Board (GMB) for distribution to millers at ZWL 4,000/mt.

Government has acceded to the import of GM-positive maize under the supervision of the National Biotechnology Authority (NBA) for the manufacture of stockfeeds for livestock. Concern has been raised about the discretionary charges by NBA and submissions have been made requesting standardisation of the charges.

Government is understood to be finalising importation of stock but complexities over the financing are delaying the finalisation of these programs. GMB is also undergoing restructuring, and it is understood that maize stocks are critically low. The Grain Millers Association is reported to be importing 100,000mt of white GM-free maize.

It is likely that there will be an upsurge in grey unverified imports as the borders are still very porous.

#### Current Season Domestic Production

Locally, crop planting has been hampered by the recent dry period which is expected to have a negative impact on maize yields. Private contractors of commercial maize production are reported to have halved their area under contract.

Smart Agriculture (previously Command Agriculture) is reportedly oversubscribed and concern has been raised about the amount of Smart Agriculture inputs that are being diverted to the informal market. Recent reports on funding caps on Smart Agriculture loans having been lifted have raised concern about the effect of this on the national budget deficit and future macroeconomic outlook.

On an aggregate level, financing in real terms has decreased, a development that will negatively impact upon crop output for the 2019/2020 season.

#### **Soyabeans**

Regionally, Zambia is yet to review their ban on the export of soyabeans. Soyameal is available but in short supply and prices are on an upward trend. Malawi is forecast to produce a surplus crop available for export.

#### Current Domestic Supply Situation

A crop similar to last year is expected, although private contractors have reduced their hectareage under contract due to financing constraints. Yields are also expected to decline because of the dry period in December.

GM-free soyameal is currently being imported for USD 550/mt. Smart Agriculture headlined by CBZ bank has also supported soya bean production for the current season.

### **Maize and Wheat Bran**

Neither of these products are available.

### **Molasses**

Currently, product is not available on the market and official reports indicate that the product will remain unavailable until the new crop, expected in May.

Suspicion among market participants is that pricing concerns has reduced the availability from suppliers who are only availing the product as a cashflow

management strategy. Alternately, imported molasses with lower brix is available at ZWL4,000/mt.

Industry participants have raised concern about the poor quality of molasses that has been on the market recently.

### **Cotton Cake**

Some suppliers have been pricing product for the local market at import parity prices. Ginneries in Chegutu and Norton are reportedly charging between ZWL 7,800 – 8,200/mt, collected.

### **Sunflower**

Small quantities of sunflower seed, between 15 – 20mt, were imported in December 2019.

Sunflower meal is available in South Africa at a price of R5,200/mt plus USD 110/mt transport cost to Harare.

### **Premixes**

Availability is being driven by the cost of foreign currency.

### **Imports/Exports**

It was noted that no distinction between stockfeed manufacture and fertiliser companies is being made for the import of urea, a raw material used in both industries. The annual quota for imports is 60 000 mt and preference is given to fertiliser companies. Since farmers prefer ammonium nitrate to Urea, this quota is more than adequate to cater for fertiliser as well as livestock farmer needs. Feed manufacturers requiring urea need to coordinate with fertiliser suppliers for their import needs.