NAMC

ADVISORY NOTE
001/2020

JUNE 2020

ABATING ADVERSE EFFECTS OF GLOBAL SHOCKS ON SOUTH AFRICA'S RICE IMPORTS: A CASE OF COVID-19 PANDEMIC

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1. INTRODUCTION

This Advisory Note provides alternative interventions on how South Africa should address the persistent but unsustainable reliance on imported rice. These interventions are critical given that global shocks such as the ongoing Covid-19 pandemic are in most instances not foreseen, thereby ending up distorting trade. In the case of Covid-19, a number of countries instituted temporary trade measures which have inevitably disrupted trade in a number of food items, rice inclusive. On average for the past four years (2016-2019), South Africa imported about 1.035 million tons annually yet production stands at approximately 3000 tons per year (See Figure 1), an indication that South Africa is a net importer of rice.

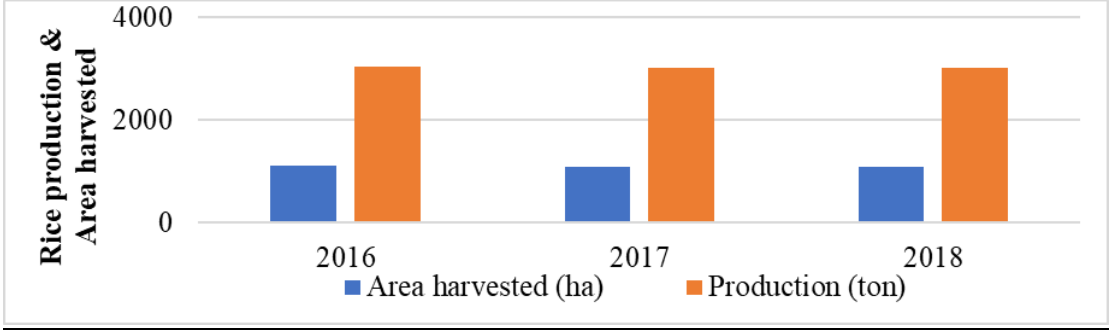

Figure 1: Rice production in South Africa
Source: FAO (2020)

The key underlying fact is that rice is a fast-growing staple food within the South African population. During the year 2019, 925 000 tons of rice were consumed - an equivalent of 11.9% rise since 2015 (Index Mundi, 2020). The relatively high corn prices witnessed during the prolonged drought that hit the country was identified as one of the major driving factors for the fast-growing rise consumption trend. Moreover, the growing middle-class category of consumers can substitute wheat and corn products with rice depending on price and taste preferences. Worse still, member states of the Southern Africa Development Community (SADC) with whom South Africa exhibits preferential trade arrangement are also net importers of rice, implying that they cannot supply South Africa.

Therefore, in the event of trade distorting shocks, such as the ongoing Covid-19 pandemic during which temporary trade measures on agricultural products have been imposed by some countries, there is much uncertainty with regards to the sustainability of rice supply by South Africa's trading partners. The imposition of temporary trade measures was in a bid to ensure that citizens of the imposing countries are food secure, exacerbated by the looming uncertain

of how long and the extent to which the pandemic will ravage a number of countries. Moreover, countries are also concerned about how to reposition and sustain their economies post this wave of the pandemic.

Trade distorting shocks present a risk of compromising the food and nutrition security of South Africa, coupled with other undesirable likely outcomes e.g. fluctuation of food prices and food riots as has been witnessed in some hunger-stricken countries. According to Food Price Monitor (May, 2020), the imposed temporary export restrictions and logistical bottlenecks in some suppliers led to a 7.2% monthly increase in international rice prices which have now reduced following the easing of restrictions in some countries like in Vietnam.

For instance, due to the ongoing pandemic, India - which supplies about 23.5% of South Africa's rice imports imposed a trade restrictive measure on April 03. In essence, Indian rice traders suspended the signing of new export contracts amid the nationwide lockdown even though it is not the government's intention to ban rice exports (Market Access Map, 2020). South Africa's national average price per kilogram of rice increased by 1.63% between February and March, 2020 (FAO, 2020). Therefore, to minimise the devastating effects of trade distorting shocks in the near future, there is a need for South Africa to look into various interventions through which the country may reposition to address the persistent and unsustainable reliance on rice imports. The identified interventions will cushion the country against the adverse effects in the near future.

2. RESEARCH DESIGN

Identification of the various interventions was based on the review of previous research couple with the researchers' understanding of rice value chain. Of critical importance is the technical research work entitled "Feasibility of dryland rice production in South Africa" funded by the Department of Science and Innovation (DSI) but conducted by the National Agricultural Marketing Council (NAMC) in collaboration with the Agricultural Research Council (ARC) and the Land Bank.

3. ALTERNATIVE INTERVENTIONS

In order for South Africa to reduce the over reliance on rice imports, the following alternative interventions deserve considerable attention so that the country minimise the adverse effects of similar unforeseen trade distorting shocks that may arise in the near future.

- **Support the few farmers producing rice in South Africa to upscale their production.** Farmers are producing dryland rice at a scale by far insufficient to meet the domestic demand but with support, the possibility of boosting the production can be realised. The school of thought that South Africa is a water scarce country, implying commercial rice production may not be feasible might have to be revisited since existing scientific evidence suggests that there are a number of upland rice varieties that give good yields on dryland. This is evident at some farmers' rice farms. In addition, experimental rice production conducted by a Doctoral scholar at the University of Pretoria also suggests that high yields of dryland rice can be achieved in South Africa. Thus, South Africa may explore the production of dryland rice varieties rather than varieties grown in paddy fields. The desirable kind of farmer support may be tailored to suit the specify requirements of the individual farmers.

  Supporting the existing farmers will not only boost rice production but also create jobs, enable the collection of comprehensive datasets a basis upon which informed decisions to establish a fully-fled.ged commercial rice value chain/industry may be anchored. Existing evidence also suggests that although some of the rice produced by some farmers is reused as seed during the subsequent season, there is a ready market within the country for other proportion of rice to be used as food. One of the farmers is actually trying to expand production through contracting more farmers in other communities to produce rice, and thereafter harvested rice is sold at that farmer's processing plant.

- **South Africa should leverage on the enacted Africa Continental Free Trade Agreement (AfCFTA)** to invest in rice production in African countries which exhibit comparative and competitive advantage to do so. Rice imports from those specific countries could then become easily accessible and affordable to South Africa's consumers. This arrangement might however entail having bilateral arrangements especially with countries that do not ascribe to the Southern African Customs Union (SACU) and SADC. This will not only address the reliance on rice imports from beyond

Africa but will also be a step ahead towards the continent's integration agenda. Some of the top rice producers on the continent, such as Madagascar and Tanzania export some of their rice out of Africa to France, Turkey and Oman among a few other countries. Thus, South Africa's investment in other African countries presents an opportunity for African states to work together in boosting rice production to feed its fast-growing population.

4. CONCLUSION

The above suggested interventions should help South Africa to abate the adverse effects of trade distorting shocks particularly with regards to the importation of rice. However, due to the fact that the AfCFTA has only been enacted a few months back, coupled with the fact that a number of issues including tariff concessions and the rules of origin are yet to be finalised, it is prudent for South Africa to prioritise the supporting of rice producing farmers within the country before leveraging on the AfCFTA. Therefore, the following steps should be taken into consideration should the proposal of supporting rice producing farmers be heeded to:

- First, identification and profiling of rice producing farmers in South Africa,
- Undertake a needs assessment by rice producing farmers,
- Establish a benchmark and targets for rice production within the South African context,
- Establish the channels through which to support farmers that produce rice in South Africa, and then,
- Render the needed support to deserving rice producing famers

5. SOURCES

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