

Producing food or producing energy in South Africa
An impossible trade off?

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Our Common Global Future Conference

Workshop: Food , Energy and Finance : Lessons from the crisis and opportunities for future development



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Presentation Outline

- Maize production and price: the heart of the tension
- Past and Present position of the SA Government
- Different scenarios and future directions to achieve a satisfying trade-off



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Maize: The new graal?

- Maize: The **staple food** in Sub-Saharan Africa
- Maize: One of the most efficient **feeding stocks** to produce biofuels
- Maize: A **commodity** whose price fluctuates internationally regarding the state of the international production

Nicolas Stern, the famous economist, in visit in South Africa in 2007:

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- “Bio-fuels if narrowed down to sugar and maize (in South Africa) will create problems, there is an opportunity cost to using good arable land to make biofuels ... SA needs to look for bio-fuels technologies that can be grown on marginal land, such as rough grasslands, perhaps Jatropha.”

The South African position in 2007: a fear of food insecurity

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- **No maize for biofuels production**
- SA government influenced by the context prevailing at the time:
 - Global maize price increase
 - Severe International Maize shortage production
 - Analysis linking the maize price hike to the combined effect of crop underproduction and crop used for energy production

A more flexible approach in 2010: a strong lobby of the Ministry of Agriculture

- **The context: how to handle overproduction**
- Projections for the current 2010/11 maize marketing season indicate that South Africa will have a surplus of 4,072 million tons of maize at the end of April 2011.
- The expected commercial maize crop is 13,094 million tons, which is 10.51% more than the 12,050 million tons of the previous season.
- The government is currently looking for additional export markets for farmers who are expecting their largest crop of the grain since the record 14,42-million tons reaped in the 1981/82 season and fear prices drop-off.



The position of Tina Joemat-Pettersson, Minister of Agriculture, Forestry and Fisheries

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- Agriculture is not only about food production but also concerns energy. So with the surplus maize, we as government must look again at our biofuel policy,”
- The development of the biofuel industry needs a national plan that must not harm food security,”

Without
Biofuels

With
Biofuels

Overproduction

Price Rock Bottom
Farmers making huge losses
Possible lay offs
Some Farmers even bankrupt

Bio ethanol plant can provide a floor bottom price which mean price can never bottom out
Bio ethanol plants create jobs
Bio-ethanol demand lower than supply food price reduce to a level even below import parity

Underproduction

Farmers in SA privilege this situation
Farmers are incited by the international rules of the game to use minimum land to avoid a surplus situation and low import prices

Bio ethanol plant could be insured and could close down or reduce production for that year (realistic?)
Other feedstock like biomass could be in the future be substituted to maize

Comment

Commodity traders can worsen situation by holding stocks

Government need to regulate the biofuels plants or the floor price because it can become a problem when farmers contracts with biofuels plants