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Grain and Feed Annual

This report focuses on the supply and demand for grain and feed in South Africa

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Report Highlights:
South Africa's net trade in corn is expected to decrease from 2.0 million tons to 100,000 tons in the 2014/15 MY, due to a mid-summer drought that hit the main corn producing areas. Corn exports are expected to bounce back in the 2015/16 MY, to 1.5 million ton, due to increased area planted. Wheat imports for the 2015/16 MY are expected to increase by six percent to 1.9 million tons, driven by an increase in wheat consumption coupled by a decrease in local production. Rice imports are expected to increase by 10 percent to 1.3 million tons on increased demand.

Executive Summary

Post forecasts that famers will plant about 450,000 hectares of wheat in the 2015/16 MY[1], as the declining trend in hectares planted with wheat continues. On average yields, an area of 450,000 hectares could realize a wheat crop of about 1.7 million tons, compared to a local wheat demand of 3.6 million tons. As a result, South Africa's wheat imports in the 2015/16 MY, are expected to increase by six percent to 1.9 million tons. In the 2014/15 MY, South Africa is expected to import about 1.8 million tons of wheat due to a six percent drop in hectares planted with wheat to a record low of only 476,570 hectares.

Post forecasts that the commercial area planted to corn later in 2015, for the 2015/16 MY, will increase by five percent to 2.8 million hectares, driven mainly by higher corn prices. Subsistence farmers are expected to plant about 400,000 hectares, which will bring South Africa's total corn area in the 2015/16 MY at 3.2 million hectares. Based on national average yields, an area of 3.2 million hectares, could realize a total corn crop of about 13.0 million tons. As a result, South Africa should have sufficient stocks to export about 1.5 million tons of corn in the 2015/16 MY.

For the 2014/15 MY, post estimates that South Africa will have to import about 500,000 tons of corn, due to the drop in corn production as the result of the current drought conditions. South Africa will, however, continue to export corn to its neighboring countries, which should amount to about 600,000 tons. During January and February of 2015, most parts of South Africa's main corn producing areas experienced extreme drought conditions that impacted negatively on yields, especially as it was also during the period of pollination. As a result, post decreased its corn production forecast for the 2014/15 MY by 2.5 million tons, from 12.9 million tons to 10.4 million tons (9.9 million tons for commercial farmers and 500,000 tons for subsistence farmers) on 3.1 million hectares. This means the 2014/15 MY corn crop will be 30 percent less than the record corn crop of 15.0 million tons harvested in the 2013/14 MY.

For the 2015/16 MY, post forecasts a ten percent increase in rice consumption in South Africa to 1.2 million tons, as the prices of corn products are expected to rise on a significant decrease in corn production, due to the drought conditions in the main corn producing areas of South Africa. As a result, South Africa's rice imports are expected to increase by ten percent to 1.3 million tons. In the 2014/15 MY, post estimates that rice imports could reach 1.2 million tons.

US$1 = Rand 12.40 (03/14/15)

[1] The marketing years (MY) used in the text refer to the USDA marketing years in the PS&D table, and do not necessarily correspond with the marketing years used by the South African grain industry.

WHEAT

Production

In the 2014/15 MY (October 2014 to September 2015), South Africa's area planted with wheat was at a record low of only 476,570 hectares, as producers switched to more profitable crops like canola, oats, corn and soybeans. Post forecasts that famers will plant about 450,000 hectares of wheat in the 2015/16 MY, as the declining trend in hectares planted with wheat will continue. Figure 1 illustrates the declining trend in hectares planted with wheat and the gap it created between the production and demand for wheat in South Africa. Unless drastic technology changes occur that could improve wheat yields, the decreasing trend in hectares planted with wheat in South Africa will continue in future. An area of 450,000 hectares will, on average yields, realize a wheat crop of about 1.7 million tons.

South Africa's 2014/15 MY wheat crop is estimated at 1.8 million tons, five percent lower than the 1.9 million tons produced in the 2013/14 MY, due to a six percent drop in hectares planted. Although the 2014/15 MY's area planted was at a record low, a reasonable good season in the Western Cape, where about fifty percent of South Africa's wheat is produced, contributed positively to a 1.8 million tons wheat crop.

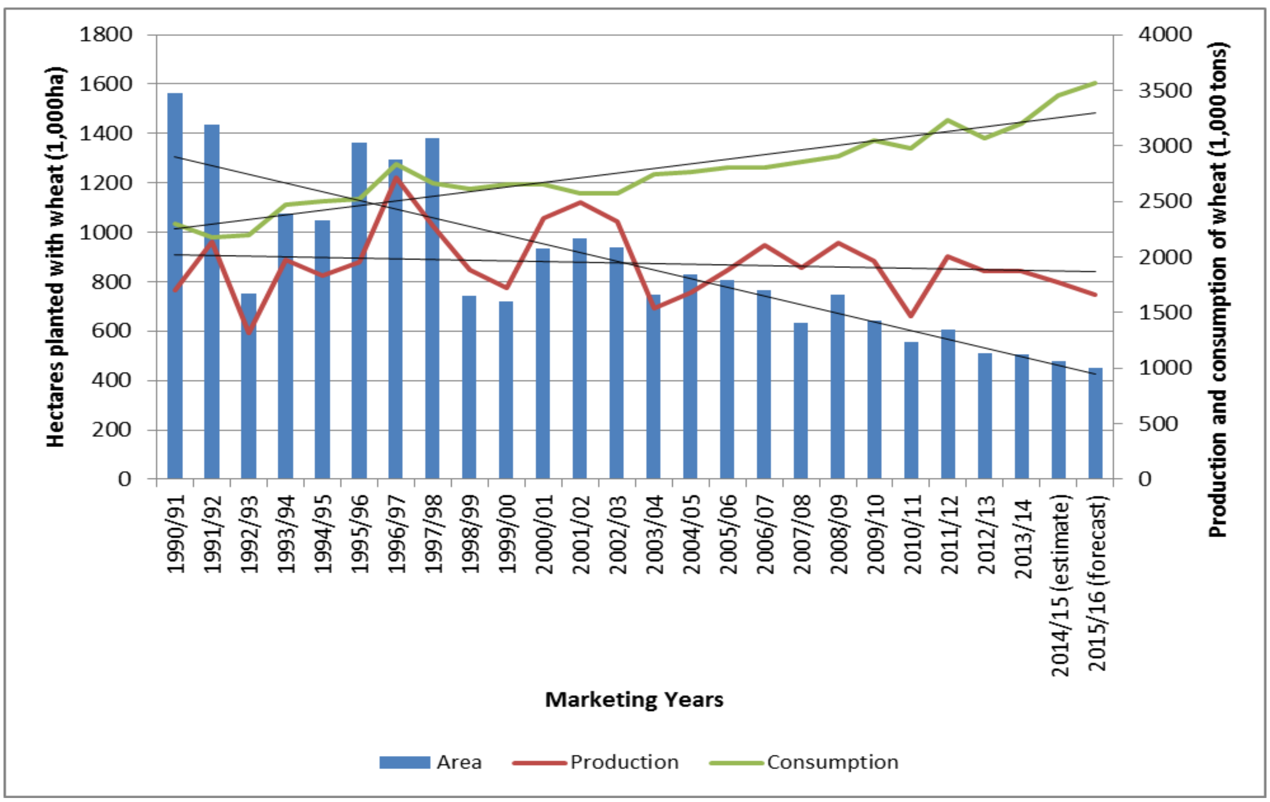

Figure 1: The trends in wheat production, consumption and area planted in South Africa (1990/91 MY – 2015/16 MY)

The following table indicates the area planted and production figures of wheat in South Africa for the 2013/14 MY (actual), 2014/15 MY (estimate) and 2015/16 MY (forecast).

Table 1: Area planted and production of wheat in South Africa

MY	Area (hectares)	Yield (tons/ha)	Production (1,000 tons)
2013/14 (actual)	505,500	3.7	1,870
2014/15 (estimate)	476,570	3.7	1,775
2015/16 (forecast)	450,000	3.7	1,665

Source: The Crop Estimates Committee (CEC)

Consumption

South Africa's wheat consumption increased marginally by four percent in the 2013/14 MY to 3.2 million tons; on relative constant local wheat prices (see also Figure 2). Wheat consumption is expected to increase by eight percent to 3.5 million tons in the 2014/15 MY, as the prices of corn products are expected to rise on a significant decrease in corn production, due to the drought conditions in the main corn producing areas of South Africa. Consumers can substitute wheat and corn products on price and taste preferences. Corn prices should stabilize again in 2016, on increased area planted, hence post forecast only a three percent increase to 3.6 million tons in wheat consumption for the 2015/16 MY. The economic growth outlook for South Africa also remains sluggish at less than two percent per annum in 2015 and 2016, due to *inter alia* electricity constraints, labor unrest and relatively lower commodity prices, diminishing a more aggressive demand growth for wheat products. In Table 2, the consumption of wheat in South Africa is illustrated for the 2013/14 MY (actual), 2014/15 MY (estimate) and 2015/16 MY (forecast).

Table 2: Consumption of wheat in South Africa

Wheat (1000 tons)					
Marketing year	**Human**	**Animal**	**Seed**	**Other**	**TOTAL**
2013/14 (actual)	3,122	54	18	6	3,200
2014/15 (estimate)	3,370	60	15	5	3,450
2015/16 (forecast)	3,480	70	15	5	3,570

Source: South African Grain Information Services (SAGIS) and Grain SA

Trade

Wheat imports for the 2015/16 MY are expected to increase by six percent to 1.9 million tons, as a three percent increase in wheat consumption is expected coupled by a six percent decrease in production.

In the 2014/15 MY, South Africa is expected to import about 1.8 million tons of wheat. In the first five months of the 2014/15 MY (October – February), South Africa already imported 835,902 tons of wheat. Russia (264,731 tons), Ukraine (167,393 tons) and Germany (106,571 tons) were the major suppliers (see also Table 3). Imports from the United States total 12,785 tons for the first five months of the 2014/15 MY.

In the 2013/14 MY, South Africa imported almost 1.7 million tons of wheat. Most of the wheat was imported from Russia (800,964 tons), Ukraine (372,500 tons), and Germany (179,436 tons). South Africa imported 66,468 tons of wheat from the United States in the 2013/14 MY.

South Africa also exports wheat to the Southern Africa region and acts as a conduit for imported grain. For the 2014/15 MY (October – February), 100,976 tons of wheat has already been exported to neighboring countries. In the 2013/14 MY, South Africa exported 255,136 tons of wheat from its own stocks to neighboring countries and 72,446 tons of imported wheat. South Africa's wheat exports are expected to reach 240,000 tons in the 2014/15 MY and 2015/16 MY.

Table 3: Export and import countries for wheat

	2013/14 MY (Oct 1, 2013 – Sept 30, 2014)	**2014/15 MY (Oct 1, 2014 – Feb 28, 2015)**
Import Suppliers		
United States	66,468	12,785
Australia	49,780	62,375
Germany	179,436	106,571
Canada	111,289	25,768
Finland	25,430	0
Latvia	22,013	61,005
Ukraine	372,500	167,393
Poland	0	91,483
Lithuania	40,532	43,791
Russia	800,964	264,731
TOTAL IMPORTS	**1,668,412**	**835,902**
Export destinations		
Botswana	84,859	31,774
Lesotho	63,595	17,733
Namibia	37,054	6,886
Swaziland	11,539	8,093
Zimbabwe	58,089	36,434
TOTAL EXPORTS	**255,136**	**100,976**

Source: SAGIS

Prices

The South Africa Future Exchange (SAFEX) prices for wheat as of 03/10/2015 are shown in the following Table. Local wheat prices increased only marginally on a year-on-year basis despite a weakening exchange rate as international wheat price declined on a recovery of global wheat stock levels. Local wheat prices will continue to trade at import parity levels in the foreseen future and as a result will be impacted by movements in world wheat prices, the strength of the South African rand exchange rate and the fluctuations in transport costs.

Table 4: SAFEX future prices for wheat

	SAFEX Futures prices (03/10/2015)			
Commodity	**2015/03**	**2015/05**	**2015/07**	**2015/09**

Wheat	R3,937/t ($318/t)	R3,973/t ($320/t)	R4,004/t ($323/t)	R3,900/t ($315/t)

Source: SAFEX

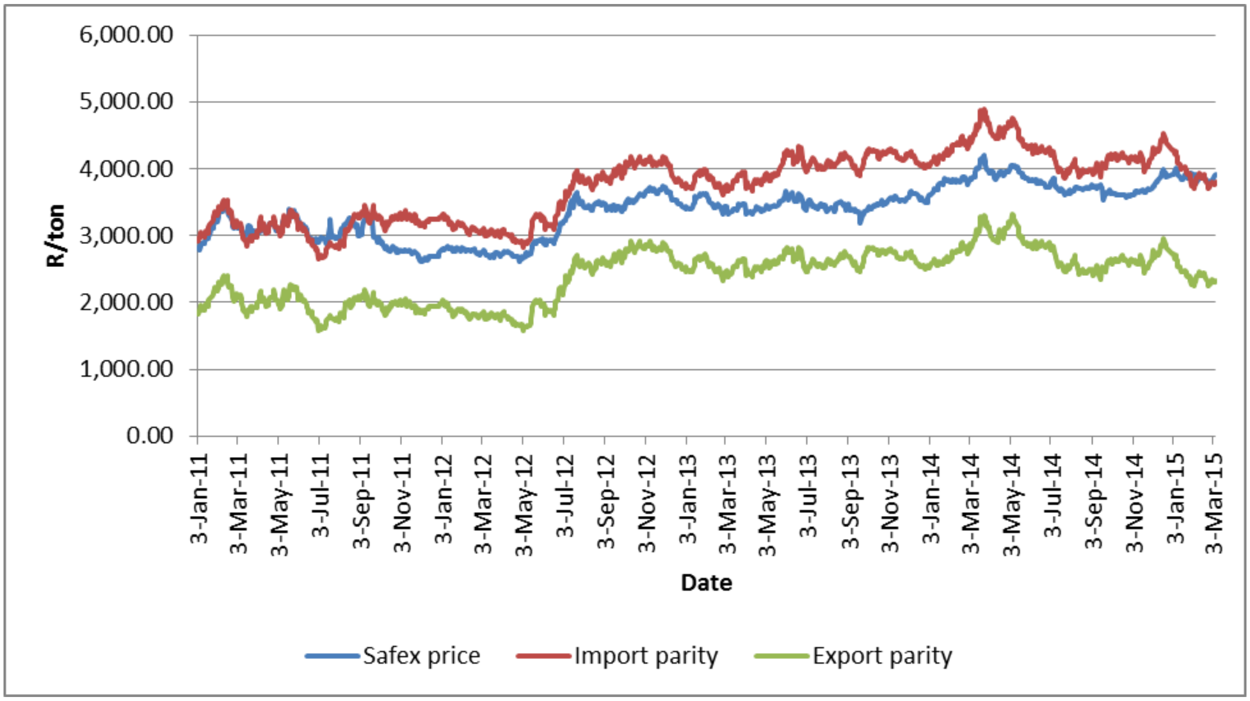

Figure 2: The trend in the SAFEX price for wheat since January 2011

Table 5: PS&D Table for Wheat

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
South Africa	USDA Official	New post	USDA Official	New post	USDA Official	New post

Area Harvested	505	505	477	477	0	450
Beginning Stocks	747	747	785	830	0	715
Production	1,805	1,870	1,775	1,775	0	1,665
MY Imports	1,736	1,668	1,750	1,800	0	1,900
TY Imports	1,775	1,800	1,750	1,700	0	1,850
TY Imp. from U.S.	97	66	0	50	0	50
Total Supply	4,288	4,285	4,310	4,405	0	4,280
MY Exports	338	255	320	240	0	240
TY Exports	322	322	320	200	0	200
Feed and Residual	40	55	40	60	0	70
FSI Consumption	3,125	3,145	3,225	3,390	0	3,500
Total Consumption	3,165	3,200	3,265	3,450	0	3,570
Ending Stocks	785	830	725	715	0	470
Total Distribution	4,288	4,285	4,310	4,405	0	4,280
1000 HA, 1000 MT, MT/HA						

CORN

Production

Post forecasts that the commercial area planted to corn later in 2015, for the 2015/16 MY, will increase by five percent to 2.8 million hectares, driven mainly by higher corn prices. All indications are that South Africa will have to import corn in 2015, due to drought conditions in the main corn producing areas, which will keep local corn prices close to import parity levels for most of the 2014/15 MY. Subsistence farmers are expected to plant about 400,000 hectares, which will bring South Africa's total corn area in the 2015/16 MY at 3.2 million hectares. Based on national average yields, an area of 3.2 million hectares could realize a total corn crop of about 13.0 million tons.

Except for Mpumalanga and Kwazulu-Natal, that had a late start to the planting season, all other corn producing areas in South Africa had a normal start to the season. During December most areas received normal to above-normal rainfall. However, during first two months of 2015, most parts of South Africa's main corn producing areas experienced extreme drought conditions that impacted negatively on yields, especially as it was also during the period of pollination. As a result, post decreased its corn production forecast for the 2014/15 MY by 2.5 million tons, from 12.9 million tons to 10.4 million tons (9.9 million tons for commercial farmers and 500,000 tons for subsistence farmers) on 3.1 million hectares. This means the 2014/15 MY corn crop will be 30 percent less than the record corn crop of 15.0 million tons harvested on 3.1 million hectares in the 2013/14 MY.

Post's estimate is in line with the first production estimate by the Crop Estimates Committee (CEC) for the 2014/15 corn crop which was released on February 26, 2015. The CEC estimated the South African commercial corn crop at 9.7 million tons on 2.7 million hectares. White corn production was estimated at 4.7 million tons on 1.5 million hectares, while yellow corn production was estimated at 5.0 million tons on 1.2 million hectares.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2013/14 MY (actual), 2014/15 MY (estimate) and 2015/16 MY (forecast).

Table 6: Area planted and production of commercial and subsistence corn in South Africa

	Area 1,000ha	**Yield t/ha**	**Prod. 1,000 t**	**Area 1,000ha**	**Yield t/ha**	**Prod. 1,000 t**	**Area 1,000ha**	**Yield t/ha**	**Prod. 1,000 t**
MY	**2013/14**			**2014/15**			**2015/16**		
Commercia									

l corn									
White	1,551	5.0	7,697	1,460	3.3	4,800	1,600	4.1	6,520
Yellow	1,137	5.8	6,610	1,205	4.2	5,100	1,200	4.9	5,880
Sub Total	**2,688**	**5.3**	**14,307**	**2,665**	**3.7**	**9,900**	**2,800**	**4.4**	**12,400**
Subsistence corn									
White	288	1.6	447	300	1.3	380	300	1.5	450
Yellow	120	1.9	228	100	1.2	120	100	1.5	150
Sub Total	**408**	**1.7**	**675**	**400**	**1.3**	**500**	**400**	**1.5**	**600**
TOTAL	**3,096**	**4.8**	**14,982**	**3,065**	**3.4**	**10,400**	**3,200**	**4.1**	**13,000**

Source: SAGIS and CEC

Consumption

Post forecasts a recovery in the commercial demand for corn in the 2015/16 MY to 10.3 million tons. Post expects that South Africa will use 4.9 million tons of corn for human consumption and 5.0 million tons of corn for animal feed, excluding corn utilized by the subsistence farming sectors and commercial on-farm usages.

Post estimates that commercial demand for corn will decrease by three percent in the 2014/15 MY, to 10.0 million tons, due to relatively high corn prices as the result of the current drought conditions in the main corn producing areas of South Africa. Post also foresees an almost 30 percent drop in the commercial consumption of white corn to 4.5 million tons, as it is mainly the white corn producing areas that is mostly effected by the current drought conditions. On the other hand, commercial yellow corn consumption is expected to increase by more than 30 percent from the 2013/14 MY's 4.1 million tons to 5.5 million tons, as yellow corn is more readily available on the world markets for imports. The human consumption of corn is expected to drop by four percent to 4.7 million tons as consumers will substitute white corn products for wheat and rice products on price preferences. Animal consumption of corn is expected to stay unchanged at 4.9 million tons and will consist of mainly yellow corn.

Post kept its January estimate for the 2013/14 MY commercial consumption unchanged at 10.3 million tons, based on data from the South African Grain Information Services (SAGIS).

Table 7 outlines the commercial consumption for white and yellow corn in South Africa for the 2013/14 MY (estimate), 2014/15 MY (estimate) and 2015/16 MY (forecast).

Table 7: The commercial consumption of white and yellow corn in South Africa

CORN 1,000 Mt	**White**	**Yellow**	**Total**	**White**	**Yellow**	**Total**	**White**	**Yellow**	**Total**
MY	**2013/14**			**2014/15**			**2015/16**		

Human	4,420	500	4,920	4,200	500	4,700	4,400	500	4,900
Animal	1,620	3,310	4,930	200	4,700	4,900	500	4,500	5,000
Other	160	290	450	100	300	400	100	300	400
TOTAL	**6,200**	**4,100**	**10,300**	**4,500**	**5,500**	**10,000**	**5,000**	**5,300**	**10,300**

Source: SAGIS; Grain SA

Note: *Please note that consumption figures in the PS&D table also include corn utilized by the subsistence farming sectors and commercial on-farm usages.*

Trade

For the 2015/16 MY, post estimates that South Africa will have sufficient stocks to export about 1.5 million tons of corn, as commercial production is expected to exceed 12.0 million tons on increased area planted.

For the 2014/15 MY, post estimates that South Africa will have to import about 500,000 tons of corn, due to the drop in corn production as the result of the current drought conditions. South Africa will, however, continue to export corn to its neighboring countries, which should amount to about 600,000 tons.

So far in the 2013/14 MY (up to March, 6), South Africa already exported 1.8 million tons of corn of which 1.4 million tons was yellow corn and 465,620 tons white corn (see also Table 8). The major markets for South African corn in the current marketing year, include, Taiwan (679,185 tons yellow corn), Korea (214,474 tons yellow corn and 3,875 tons white corn), Japan (198,197 tons yellow corn) and Botswana (139,918 tons white corn and 24,158 tons yellow corn). Post estimates that South Africa's corn exports in the 2013/14 MY could reach 2.0 million tons. This estimate is 500,000 tons lower as post's previous estimate of 2.5 million tons as South Africa, with the current drought and the resulting increase in local corn prices, is uncompetitive in the global market and will only supply neighboring countries with corn.

Table 8: Export countries for white and yellow corn (1,000 tons)

	2013/14 MY May, 2014 – March 6, 2015	
	White corn	**Yellow corn**

Export Destinations		
Angola	0	1
Botswana	140	24
Cameroon	0	4
Italy	0	50
Japan	0	198
Korea	4	214
Lesotho	93	7
Mozambique	83	24
Namibia	67	29
Portugal	0	52
Swaziland	22	41
Saudi Arabia	0	56
Taiwan	0	679
Zimbabwe	57	4
TOTAL EXPORTS	**466**	**1,383**

Source: SAGIS

Prices

SAFEX prices as of 03/10/2015 are shown in Table 9. White corn and yellow corn prices increased by 36 percent and 23 percent, respectively, the past two months, as prices move to towards import parity levels, due to the drought conditions in the main corn producing areas of South Africa (see also Figure 3 and Figure 4). However, on a year-on-year basis, white corn and yellow corn prices are respectively, 28 percent and 35 percent lower. A year ago corn prices also traded at import parity levels driven mainly by relatively low corn stock levels in South Africa at that time, but prices dropped significantly in April as the industry realized a record corn crop was on hand. Import parity prices are also currently about 12 percent lower than a year ago, despite a more than 10 percent depreciation in the South African rand exchange rate, driven mainly by lower world corn prices after a recovery in global corn stock levels. Post foresees that local corn prices will continue to trade close to import parity levels for the rest of the year, due to the current drought conditions.

Table 9: SAFEX prices for corn

	SAFEX Futures prices (as of 03/10/2015)

Commodity	2015/03	2015/05	2015/07	2015/09	2015/12
White corn	R2,678/t ($216/t)	R2,722/t ($220/t)	R2,765/t ($223/t)	R2,796/t ($225/t)	R2,851/t ($230/t)
Yellow corn	R2,443/t ($197/t)	R2,466/t ($199/t)	R2,468/t ($199/t)	R2,494/t ($201/t)	R2,542/t ($205/t)

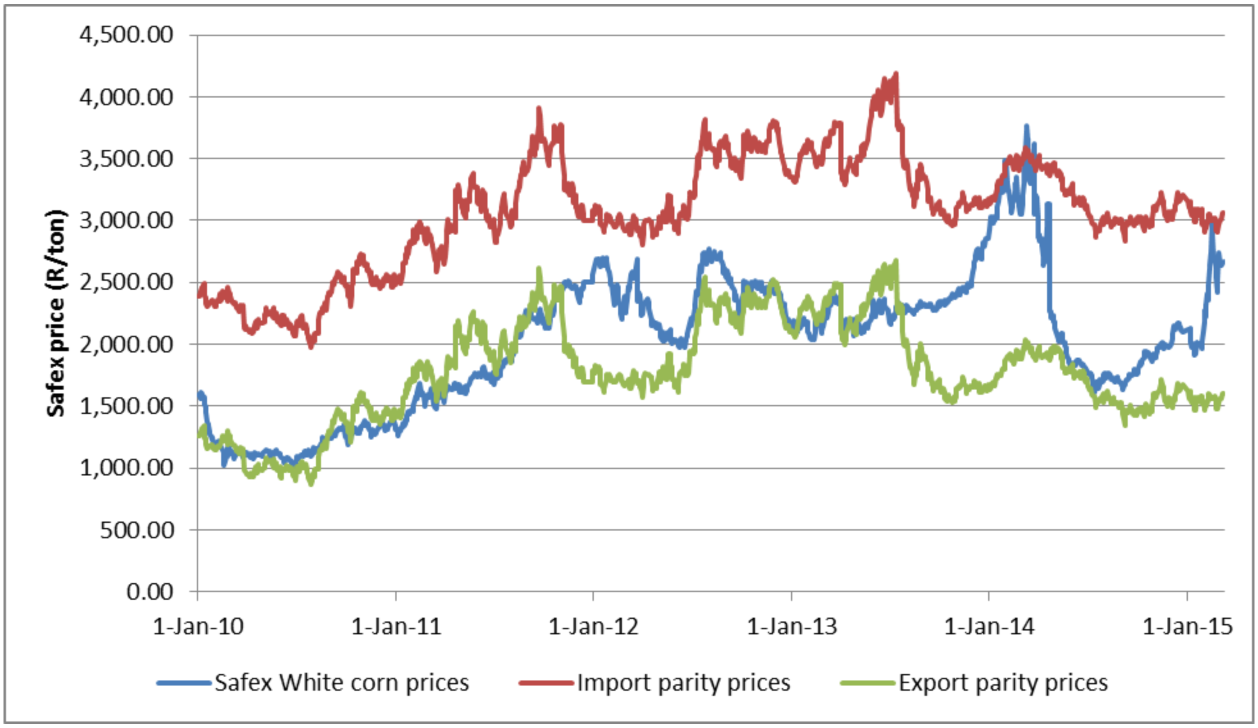

Figure 3: The trend in the SAFEX price for white corn since January 2010

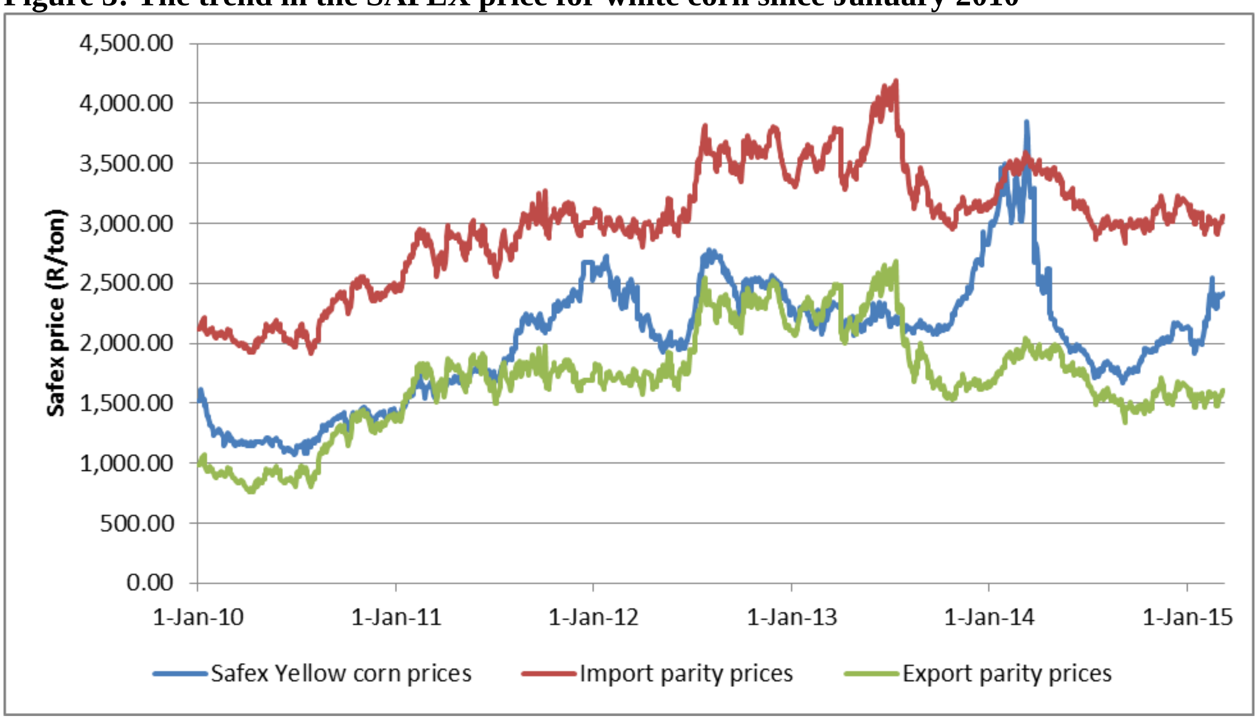

Figure 4: The trend in the SAFEX price for yellow corn since January 2010

Stock levels

Post adjusted the corn consumption numbers for the 2005/06 MY to 2009/10 MY to include usages by the subsistence farming sector. As a result, corn ending stock numbers have changed in the succeeding marketing years, but are now more in line with the ending stock levels as reported by SAGIS.

Table 10: PS&D Table for Corn

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	May 2013		May 2014		May 2015	
South Africa	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	3,096	3,096	3,100	3,065	0	3,200
Beginning Stocks	664	664	2,171	2,171	0	1,471
Production	14,982	14,982	11,500	10,400	0	13,000
MY Imports	25	25	25	500	0	0
TY Imports	79	79	25	0	0	0
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	15,671	15,671	13,696	13,071	0	14,471
MY Exports	2,000	2,000	1,000	600	0	1,500
TY Exports	2,104	2,104	1,000	1,000	0	0
Feed and Residual	5,400	5,400	5,200	5,300	0	5,500
FSI Consumption	6,100	6,100	6,100	5,700	0	5,900
Total Consumption	11,500	11,500	11,300	11,000	0	11,400
Ending Stocks	2,171	2,171	1,396	1,471	0	1,571
Total Distribution	15,671	15,671	13,696	13,071	0	14,471
1000 HA, 1000 MT, MT/HA						

RICE

Production

South Africa is totally dependent on rice imports to meet the local demand as no rice production take place in the country, due to the high water requirements of the crop. As a result, rice imports are duty free and local consumption is based on the import data as supplied by the Global Trade Atlas.

Consumption

For the 2015/16 MY, post forecasts a ten percent increase in rice consumption in South Africa to 1.2 million tons, as the prices of corn products are expected to rise on a significant decrease in corn production, due to the drought conditions in the main corn producing areas of South Africa. Consumers can substitute rice and corn products on price and taste preferences.

Post estimates that South Africa will consume 1.1 million tons of rice in the 2014/15 MY (see also Table 11), unchanged from the consumption levels in the 2013/14 MY. The South African economy grew by less than two percent in 2014, coupled by relatively constant wheat prices and relatively low corn prices, diminished a more aggressive demand growth for rice.

Table 11: Consumption of rice in South Africa

Marketing years	2013/14 (actual)	2014/15 (estimate)	2015/16 (forecast)
Consumption (1,000 tons)	1,050	1,050	1,150

Source: Global Trade Atlas

Imports

In the 2015/16 MY, South Africa's rice imports are expected to increase by 10 percent to 1.3 million tons on increased demand. In the 2014/15 MY, post estimates that rice imports could reach 1.2 million tons. So far in the 2014/15 MY (May 1, 2014 to January 31, 2015), South Africa imported 721,683 tons of rice (see also Table 12).

In the 2013/14 MY, South Africa imported 1.1 million tons of rice. Thailand regained its position as South Africa's largest trading partner in rice from India. India and Thailand, together, supply more than 70 percent of South Africa's rice demand.

Table 12: South Africa imports of rice (metric tons)

Countries	2013/14 MY (May/April)	2014/15* MY (May/January)
Imports form:		
United States	1,907	474
Others:		
Thailand	441,234	415,958
India	409,325	245,995
China	221,602	1,868
Vietnam	31,170	31,599
Total for Others	1,105,238	695,420
Others not Listed	38,362	26,263
Grand Total	**1,143,600**	**721,683**

*05/01/2014 – 01/31/2015

Exports

South Africa imports a small amount of rice to export to neighboring countries. In the 2013/14 MY, South Africa exported 80,000 tons of rice to neighboring countries. Post estimates rice exports could reach 120,000 tons in the 2014/15 MY and 2015/16 MY, due to increased demand for rice from neighboring countries.

Table 13: PS&D Table for Rice

Rice, Milled Market Begin Year South Africa	2013/2014 May 2013		2014/2015 May 2014		2015/2016 May 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	16	16	21	30	0	10
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0
MY Imports	975	1,144	1,100	1,150	0	1,270
TY Imports	900	1,000	1,100	1,100	0	1,200
TY Imp. from U.S.	2	2	0	0	0	2
Total Supply	991	1,160	1,121	1,180	0	1,280
MY Exports	65	80	45	120	0	120
TY Exports	45	80	45	0	0	0
Consumption and Residual	905	1,050	1,055	1,050	0	1,150
Ending Stocks	21	30	21	10	0	10
Total Distribution	991	1,160	1,121	1,180	0	1,280
1000 HA, 1000 MT, MT/HA						