USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 1/28/2016
GAIN Report Number:

South Africa - Republic of

Grain and Feed Update

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

Approved By:
Justina Torry
Prepared By:
Dirk Esterhuizen

Report Highlights:
South Africa is battling one of the worst droughts ever recorded limiting the production of grains. Corn production is expected to drop by 25 percent to 8.0 million tons in the 2015/16 MY, while wheat production at 1.5 million tons is 14 percent lower. As a result, South Africa will have to import about 3.0 million tons of corn, 2.0 million tons of wheat and about 1.0 million tons of rice in the 2015/16 MY to meet local demand.

Post:
Pretoria

Executive Summary

South Africa is battling one of the worst droughts ever recorded that already started in early 2015. As a result, the 2014/15 MY corn crop dropped by 30 percent to 10.6 million tons. Early estimates are that the 2015/16 MY corn crop might drop by another 25 percent to 8.0 million tons. As a result, post estimates that South Africa will have to import about 3.0 million tons of corn. Post lowered its commercial demand for corn in the 2015/16 MY by three percent to 10.0 million tons as drought related high corn prices will reverse any demand growth.

The Crop Estimates Committee (CEC) released its sixth forecast for wheat production in South Africa for the 2015/16 MY on January 27, 2016. The CEC kept the area planted and wheat production unchanged at 482,150 hectares and 1.5 million tons, respectively. The 2015/16 MY wheat crop is 14 percent lower than the previous year's crop of 1.75 million tons, mainly due to drought conditions. Post increased its previous consumption estimates of wheat for the 2015/16 MY by seven percent to 3.43 million tons, due to the drought in the corn producing areas of South Africa, especially in the white corn growing areas. White corn prices are currently trading higher than wheat prices as white corn is not freely available on the world market. As a result, post increased its estimate for wheat imports in the 2015/16 MY by 18 percent to about 2.0 million tons.

Post predicts a ten percent increase in South Africa's rice consumption in the 2015/16 MY to 970,000 tons, due to drought reflected record corn prices. Therefore, South Africa's rice imports are expected to increase by 10 percent to 1.1 million tons.

US$1 = Rand 16.40 (1/27/16)

[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

The CEC released its sixth forecast for wheat production in South Africa for the 2015/16 MY on January 27, 2016. The CEC kept the area planted and wheat production unchanged at 482,150 hectares and 1.5 million tons, respectively. The 2015/16 MY wheat crop is 14 percent lower than the previous year's crop of 1.75 million tons, mainly due to drought conditions.

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

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 (actual)	476,570	3.7	1,750
2015/16 (estimate)	482,150	3.1	1,501

Source: The Crop Estimates Committee (CEC)

Consumption

Post increased its previous consumption estimates of wheat for the 2015/16 MY by seven percent from its previous estimate of 3.2 million tons to 3.430 million tons, due to the extreme drought in the corn producing areas of South Africa, especially in the white corn growing areas. As a result, white corn prices are currently trading higher than wheat prices as white corn is not freely available on the world market. Consumers can substitute white corn products for wheat or rice products on price preferences. Wheat consumption for the 2014/15 MY was finalized by the South African Grain Information Service (SAGIS) at 3.140 million tons, about two percent lower from the previous year's consumption of 3.2 million tons, due to price increases of local and imported wheat.

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 (actual)	3,109	4	23	4	3,140
2015/16 (forecast)	3,400	5	20	5	3,430

Source: SAGIS and Grain SA

Trade

Post increased its estimate for wheat imports in the 2015/16 MY by 18 percent to about 2.0 million tons on an increase in demand due to the expected shortage of white corn after extreme drought hit South Africa's summer rainfall area. For the first 16 weeks of the 2015/16 MY, South Africa already imported 607,210 tons of wheat, mainly from Russia (see also Table 3). For the 2014/15 MY, South Africa's wheat imports reached 1.8 million tons, ten percent higher than the 2013/14 MY's 1.7 million tons.

South Africa also exports wheat to the Southern Africa region and acts as a conduit for imported grain. In the 2014/15 MY, South Africa exported 274,255 tons to neighboring countries, up seven percent from the previous year. South Africa's wheat exports are expected to reach 300,000 tons in the 2015/16 MY.

Table 3: Export and import countries for wheat

	2014/15 MY (Oct 1, 2014 – Sept 30, 2015)	**2015/16 MY (Oct 1, 2015 – Jan 15, 2016)**
Import Suppliers		
United States	28,311	25,947
Argentina	59,607	0
Australia	95,254	0
Germany	348,385	60,402
Canada	105,457	53,793
Finland	0	0
Latvia	61,005	0
Ukraine	279,364	61,101
Poland	91,483	48,020
Lithuania	43,791	44,441
Russia	719,784	313,506
TOTAL IMPORTS	**1,832,441**	**607,210**
Export destinations		
Botswana	68,037	3,151
Lesotho	21,940	0
Mauritius	1,532	0
Mozambique	56	2,490
Namibia	22,780	3,199
Swaziland	16,349	412
Zambia	53,138	169
Zimbabwe	90,423	12,270
TOTAL EXPORTS	**274,255**	**21,691**

Source: Sagis

Prices

The South Africa Future Exchange (SAFEX) prices for wheat as of 01/19/2016 are shown in the following table. Local wheat prices increased by 26 percent year-on-year, when it was trading at R3,905 per ton, and by 16 percent the last three months, following the upward trend in the import parity price (see also Figure 1). The upward movement in the import parity price of wheat is mainly due to the weakening of the rand and the increase in the import tariff of wheat. The rand depreciated by 25 percent in 2015 and by another six percent in January 2016. In September 2015, South Africa raised the wheat import duty to a record level of R911.20 (US$55) per metric ton, to protect local producers after the international wheat price dropped to the lowest level in five years. Local wheat prices will continue to trade at import parity levels in the foreseeable future as local production represents less than 50 percent of local demand.

Table 4: SAFEX future prices for wheat

	SAFEX Futures prices (01/19/2016)			
Commodity	**2016/01**	**2016/03**	**2016/05**	**2016/07**
Wheat	R4,910/t ($299/t)	R4,987/t ($304/t)	R5,057/t ($308/t)	R5,054/t ($308/t)

Source: SAFEX

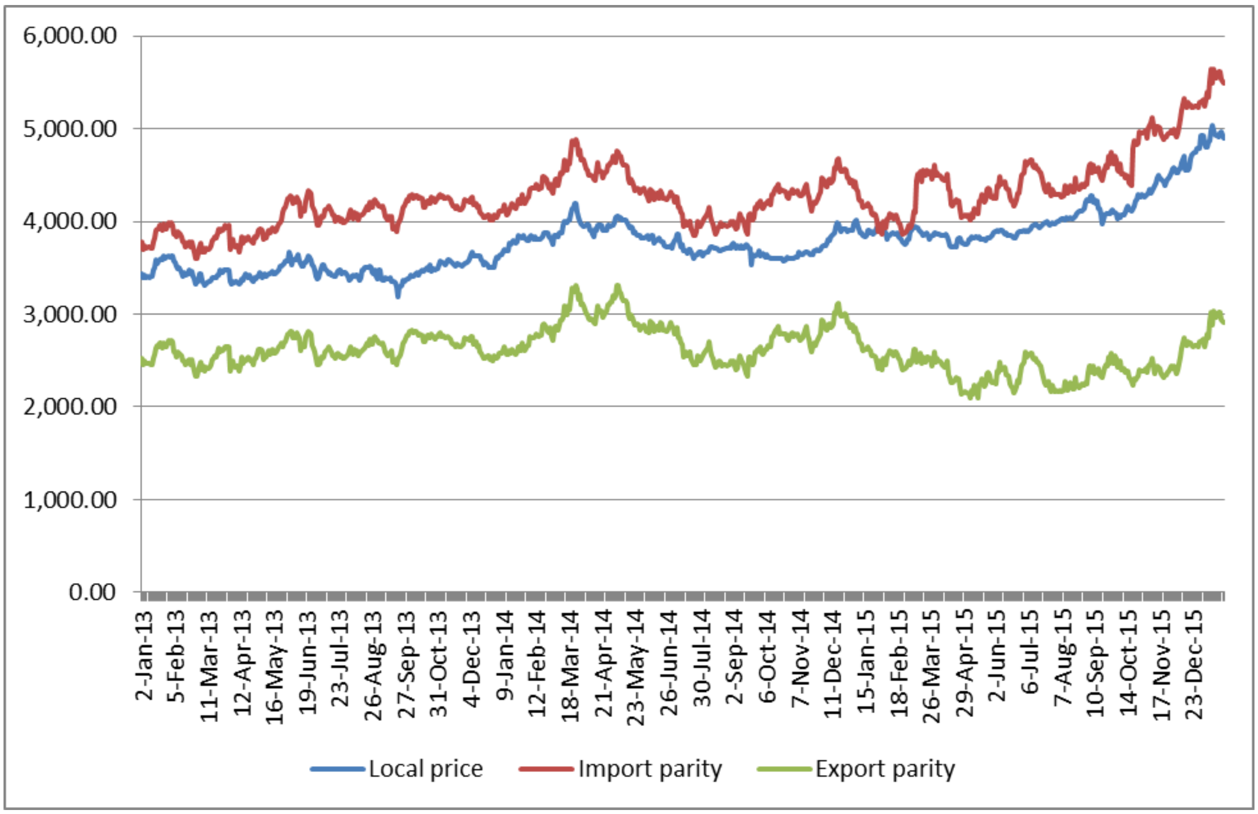

Figure 1: The trend in the SAFEX price for wheat since January 2013

Table 5: PS&D Table for Wheat

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		May 2015	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	505	505	477	477	482	482
Beginning Stocks	747	747	830	830	940	997
Production	1870	1870	1750	1750	1500	1501
MY Imports	1668	1668	1785	1832	1800	2000
TY Imports	1800	1800	1900	1900	1800	2000
TY Imp. from U.S.	97	97	0	0	0	25
Total Supply	4285	4285	4365	4412	4240	4498
MY Exports	255	255	275	275	300	300
TY Exports	322	322	250	250	250	250
Feed and Residual	55	55	60	30	70	30

FSI Consumption	3145	3145	3090	3110	3130	3400
Total Consumption	3200	3200	3150	3140	3200	3430
Ending Stocks	830	830	940	997	740	768
Total Distribution	4285	4285	4365	4412	4240	4498
(1000 HA) ,(1000 MT)						

CORN

Production

South Africa is battling one of the worst droughts ever recorded that already started in early 2015. According to the South African Weather Services, 2015 was then also the driest year on record in South Africa dating back to 1904. As a result, the 2014/15 MY corn crop dropped by 30 percent to 10.6 million tons. Early estimates by post, taking into account the CEC's preliminary release of area planted and production forecast on January 27, are that the 2015/16 MY corn crop might drop by another 25 percent to 8.0 million tons. Due to the late arrival of rain in the 2015/16 MY, only about 75 percent of the normal corn area could be planted. Area planted with corn (including subsistence farmers) is estimated at 2.3 million hectares, compared to the previous year's 3.1 million hectares. In the Kwazulu-Natal provinces about 90 percent of corn fields were planted compared to only about 65 percent in the Northwest and Free State provinces. These two provinces normally produce about 60 percent of South Africa's corn crop. Although most corn field in the Mpumalanga province was planted, many fields were planted after the optimal planting period.

Commercial white corn production is expected to decrease by 30 percent from last year's crop of 4.7 million tons to 3.3 million tons and is 57 percent lower than the 2013/14 MY's crop of 7.7 million tons. Commercial yellow corn production is expected to decrease by 20 percent from last year's crop of 5.2 million tons to 4.2 million tons and is 35 percent lower than the 2013/14 MY crop of 6.5 million tons.

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 (estimate).

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**		
Commercial corn									
White	1,551	5.0	7,710	1,450	3.2	4,703	1,030	3.2	3,300
Yellow	1,137	5.8	6,540	1,205	4.3	5,239	970	4.3	4,200
Sub Total	**2,688**	**5.3**	**14,250**	**2,655**	**3.7**	**9,942**	**2,000**	**3.7**	**7,500**
Subsistence corn									
White	288	1.6	447	278	1.6	442	200	1.5	300
Yellow	120	1.9	228	117	2.0	232	100	2.0	200
Sub Total	**408**	**1.7**	**675**	**395**	**1.7**	**674**	**300**	**1.7**	**500**
TOTAL	**3,096**	**4.8**	**14,925**	**3,050**	**3.5**	**10,616**	**2,300**	**3.5**	**8,000**

Source: SAGIS and CEC

Consumption

Post lowered its commercial demand for corn in the 2015/16 MY by three percent to 10.0 million tons as drought related high corn prices will reverse any demand growth. Post expects that South Africa will use 4.6 million tons of corn for human consumption (two percent lower than the previous year) and 5.1 million tons of corn for animal feed, excluding corn utilized by the subsistence farming sectors, commercial on-farm usages and other usages. Post foresees a four percent drop in the commercial consumption of white corn to 4.2 million tons in the 2015/16 MY, due to the drought and the unavailability of white corn on the world market.

For the 2014/15 MY, estimates indicate a 27 percent drop in the commercial consumption of white corn for the same reasons as mentioned above and due to an almost 40 percent drop in production. On the other hand, commercial yellow corn consumption is expected to increase by more than 30 percent from the 2013/14 MY's 4.3 million tons to 5.7 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 three percent to 4.7 million tons as consumers can substitute white corn products for wheat or rice products on price preferences. Animal consumption of corn is expected to stay unchanged at 5.0 million tons and will consist of mainly yellow corn.

Table 7 outlines the commercial consumption for white and yellow corn in South Africa for the 2013/14 MY (actual), 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	4,360	480	4,840	4,200	500	4,700	4,050	550	4,600
Animal	1,470	3,570	5,040	100	4,950	5,050	50	5,050	5,100
Other	110	270	380	50	200	250	100	200	300
TOTAL	**5,940**	**4,320**	**10,260**	**4,350**	**5,650**	**10,000**	**4,200**	**5,800**	**10,000**

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 to import about 3.0 million tons of corn, as the drought reduced normal corn production by more than 30 percent. Argentina and Brazil seem to be South Africa's most favorable trading partners in terms of yellow corn, while Mexico is the preferred trading partner for supplying white corn.

Although all of the Genetically Engineered (GE) events currently commercially produced in South Africa were developed in the United States, United States commercial corn cannot be exported to South Africa as South Africa and the United states are not synchronous in terms of GE event approvals for corn. According to the South African regulatory procedures, the application process for commodity import permits requires that the exporting country must have approved the same type and number of GE events that have been approved in South Africa. The South African regulatory procedures for approving GE events take longer than those in supplier countries and as a result the United States has approved corn events that are not yet approved in South Africa. South African legislation also does not provide for any tolerance threshold for the presence of unauthorized (in South Africa) GE events in food and feed commodities, even if they have been approved elsewhere.

For the 2014/15 MY, post estimates that South Africa will import about 1.0 million tons of corn. Most of the imports will be yellow corn as it is more readily available on the world markets for imports. For the first 38 weeks of the 2014/15 MY, South Africa already imported 756,300 tons of corn mostly from Argentina and Brazil. South Africa continues exporting corn to its neighboring countries, which should amount to about 600,000 tons in the 2014/15 MY (see also Table 8).

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

	2013/14 MY May, 2014 – April, 2015		**2014/15 MY May 1, 2015 – Jan 15, 2016**	
	White corn	**Yellow corn**	**White corn**	**Yellow corn**
Export Destinations				
Angola	0	3	0	0
Botswana	163	32	116	42
Cameroon	0	4	0	0
Central African Republic	0	0	0	1
Italy	0	50	0	0
Japan	0	198	0	0
North Korea	4	1	0	3
South Korea	0	214	0	2
Lesotho	107	8	49	7
Mozambique	103	23	53	29
Namibia	86	38	73	33
Portugal	0	53	0	0
Swaziland	28	48	17	43
Saudi Arabia	0	56	0	0
Taiwan	0	679	0	0
Zimbabwe	57	4	2	0
TOTAL EXPORTS	**548**	**1,410**	**310**	**160**
Imports				
Argentina	0	65	0	330
Brazil	0	0	0	317
Mexico	0	0	51	0
Paraguay	0	0	0	41
Zambia	0	0	18	0
TOTAL IMPORTS	**0**	**65**	**69**	**688**

Source: SAGIS

Prices

SAFEX prices as of 01/19/2016 are shown in Table 9. Both white corn and yellow corn are trading at record levels reflecting the impact of the drought on local corn supplies and the sharp depreciation in the exchange rate.   The rand depreciated by 25 percent in 2015 and by another six percent in January 2016, pushing up import parity price levels. On a year-on-year basis, white corn and yellow corn prices are respectively, 163 percent and 96 percent higher (see also Figure 2 and Figure 3). In the last three months white corn and yellow corn prices increased, respectively, by 69 percent and 38 percent. White corn is trading at a premium higher than import parity prices as white corn is not freely available on the world market. Post foresees that local yellow corn prices will continue to trade at import parity levels and white corn at a premium above import parity levels for the rest of the year, as South Africa will have to import a substantial part of local corn demand in the 2015/16 MY.

Table 9: SAFEX prices for corn

	SAFEX Futures prices (as of 10/13/2015)				
Commodity	**2016/01**	**2016/03**	**2016/05**	**2016/07**	**2016/09**
White corn	R5,151/t ($314/t)	R5,176/t ($315/t)	R5,059/t ($308/t)	R4,970/t ($303/t)	R4,986/t ($304/t)
Yellow corn	R4,110/t ($250/t)	R4,010/t ($244/t)	R3,760/t ($229/t)	R3,650/t ($222/t)	R3,680/t ($224/t)

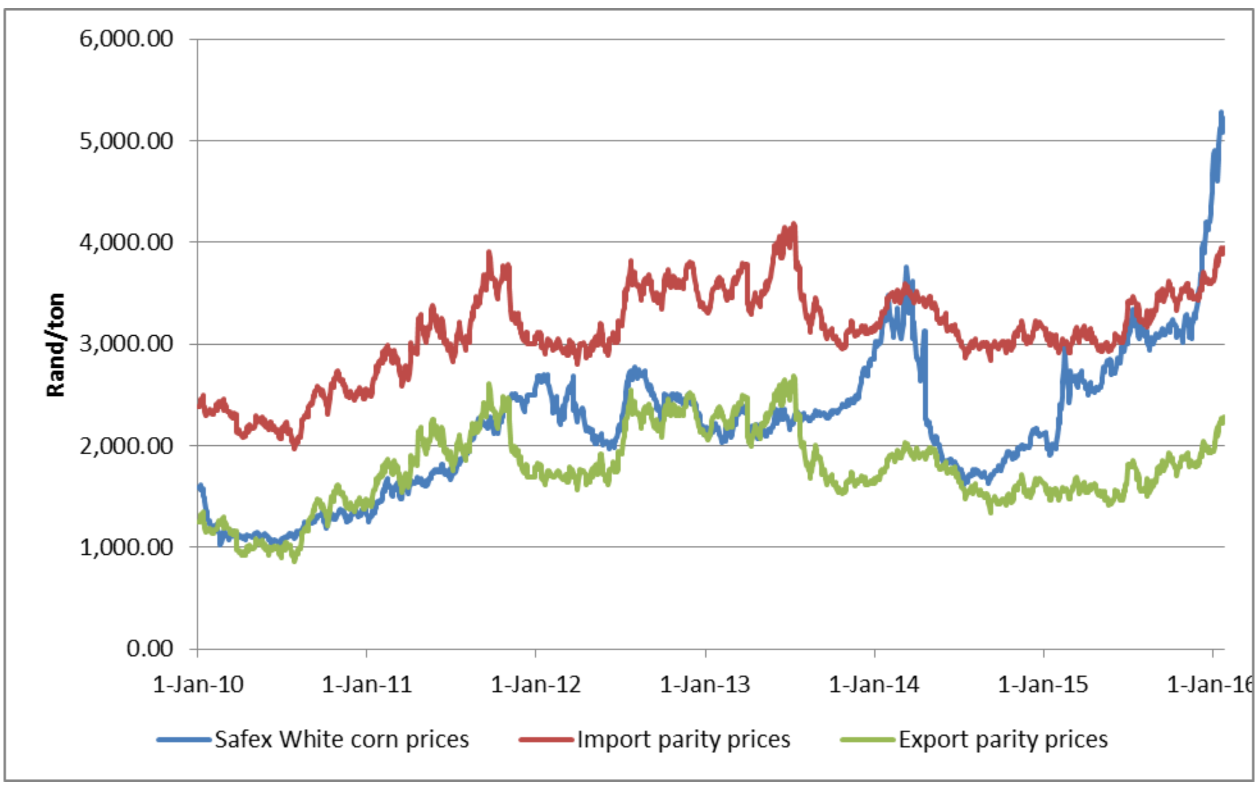

Figure 2: The trend in the SAFEX price for white corn since January 2010

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

Table 10: PS&D Table for Corn

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	May 2014		May 2015		May 2016	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3076	3096	3048	3050	2200	2300
Beginning Stocks	664	664	2198	2198	2348	2014
Production	14925	14925	10800	10616	8000	8000
MY Imports	66	66	1200	1000	1500	3000
TY Imports	79	79	469	350	1700	2000
TY Imp. from U.S.	4	4	2	0	0	0
Total Supply	15655	15655	14198	13814	11848	13014
MY Exports	1957	1957	650	600	200	600
TY Exports	2104	2104	745	745	500	500
Feed and Residual	5500	5500	5500	5500	5000	5500
FSI Consumption	6000	6000	5700	5700	5700	5500
Total Consumption	11500	11500	11200	11200	10700	11000
Ending Stocks	2198	2198	2348	2014	948	1414
Total Distribution	15655	15655	14198	13814	11848	13014
(1000 HA) ,(1000 MT)						

RICE

Production

South Africa is totally dependent on rice imports to meet the local demand as no rice production takes 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

Post predicts a ten percent increase in South Africa's rice consumption in the 2015/16 MY to 970,000 tons, due to drought reflected record corn prices. Consumers can substitute rice, wheat and corn products on price and taste preferences.

South Africa consumed approximately 880,000 tons of rice in the 2014/15 MY (see also Table 11), down 16 percent 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, diminishing a demand growth for rice in the 2014/15 MY.

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	880	970

Source: Global Trade Atlas

Imports

In the 2015/16 MY, South Africa's rice imports are expected to increase by 10 percent to 1.1 million tons on increased demand. So far in the 2015/16 MY (May 1, 2015 to November, 2015), South Africa imported 622,893 tons of rice (see also Table 12). Rice imports reached 981,594 tons in the 2014/15 MY, 14 percent down from the previous year due to a weaker demand. India and Thailand, together, supply more than 92 percent of South Africa's rice demand.

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

Countries	2014/15 MY	2015/16*MY

	(May/April)	May/November
Imports form:		
United States	528	373
Others:		
Thailand	547,475	400,884
India	357,856	168,650
China	2,410	461
Vietnam	39,814	26,469
Singapore	15,933	2,376
Pakistan	10,270	3,212
Total for Others	974,286	602,052
Others not Listed	7,308	20,841
Grand Total	**981,594**	**622,893**

*05/01/2015 – 11/30/2015

Exports

South Africa imports a small amount of rice to export to neighboring countries. In the 2014/15 MY South Africa exported 122,262 tons of rice to neighboring countries. Post estimates rice exports in the 2015/16 MY would be at the same level as the previous marketing year i.e. 120,000 tons.

Table 13: PS&D Table for Rice

Rice, Milled	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	0	0	0	0	0	0
Beginning Stocks	16	16	30	28	30	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	1144	1144	980	982	950	1100
TY Imports	910	910	980	982	950	1000
TY Imp. from U.S.	2	2	0	0	0	2
Total Supply	1160	1160	1010	1010	980	1110
MY Exports	80	82	90	120	90	120
TY Exports	114	114	110	110	90	90
Consumption and Residual	1050	1050	890	880	880	970
Ending Stocks	30	28	30	10	10	20
Total Distribution	1160	1160	1010	1010	980	1110
(1000 HA) ,(1000 MT)						