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South Africa - Republic of

Grain and Feed Update

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

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Report Highlights:
Dry weather is overruling the lure of high corn prices and producers' decisions to plant more corn in the 2015/16 MY. As a result, post lowered its previous forecast of total corn area to be planted in the 2015/16 MY, by six percent to 3.0 million hectares. Wheat imports in the 2015/16 MY is expected to decrease by five percent to 1.7 million tons, despite a 12 percent drop in production, as a weakening exchange rate, an increased wheat import tariff, and a sluggish economic growth outlook for South Africa, diminished any major demand growth forecast in wheat products. However, South Africa's rice imports in the 2015/16 MY are expected to increase by about 10 percent to 1.1 million tons on increased demand, due to relatively high local wheat and corn prices.

Post:
Pretoria

Executive Summary

South Africa’s Crop Estimates Committee (CEC), estimated that farmers planted 482,150 hectares of wheat in the 2015/16 MY, which is marginal higher than the record low of 476,570 hectares planted in the 2014/15 MY. For the 2015/16 MY, local production of wheat is estimated at 1.542 million tons, 12 percent lower than the previous year’s crop of 1.750 million tons, mainly due to drought condition that developed in parts of South Africa wheat producing areas. Due to the increase in the local and import parity prices of wheat (as the result of a weakening exchange rate and the increase of the wheat import tariff) and the economic growth outlook for South Africa that remains sluggish, post estimates no major increase in the consumption of wheat in the 2015/16 MY. As a result, wheat imports by South Africa in the 2015/16 MY is expected to decrease by five percent from the 1.785 million tons imported in the previous marketing year to 1,700 million tons.

Post lowered its previous forecast of the commercial corn area to be planted in the 2015/16 MY by seven percent to 2.6 million hectares, as concerns about the weather overrode the lure of high corn prices. Subsistence farmers are expected to plant about 400,000 hectares with corn, which will bring South Africa’s total corn area in the 2015/16 MY at 3.0 million hectares. Based on national average yields the past five years, an area of 3.0 million hectares could realize a total corn crop of about 12.2 million tons. As a result, South Africa should have sufficient stocks to export about 700,000 tons of corn in the 2015/16 MY.

Post predicts a ten percent increase in rice consumption in the 2015/16 MY from the previous year to 970,000 tons, due to the local price increases of corn and wheat products. As a result, South Africa’s rice imports are expected to increase by about 10 percent to 1.1 million tons.

US$1 = Rand 13.40 (10/23/15)

[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

The CEC released its third forecast for wheat production in South Africa on October 27, 2015. According to the CEC, farmers planted 482,150 hectares of wheat in the 2015/16 MY, which is marginal higher than the record low of 476,570 hectares planted in the 2014/15 MY. The local production of wheat is estimated at 1.542 million tons, which is lower than post's previous estimate of 1.665 million tons, and 12 percent lower than the previous year's crop of 1.750 million tons, mainly due to drought condition that developed in parts of South Africa wheat producing areas, especially in the western side of the Western Cape Province.

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	3.2	1,542

Source: The Crop Estimates Committee (CEC)

Consumption

Post estimates the consumption of wheat in the 2015/16 MY will decrease by about 10 percent from its previous estimate of 3.570 million tons to 3.200 million tons, due to the lower wheat production, the increase in the local and import parity prices of wheat, (as the result of a weakening exchange rate and the increase of the wheat import tariff), and the economic growth outlook for South Africa that remains sluggish. For the 2014/15 MY, post estimates, based on new data from the South African Grain Information Service (Sagis), that the local consumption of wheat will drop by about two percent from the previous year to 3.150 million tons, due to price increases of local and imported wheat. This is nine percent lower than post's previous estimate of 3.450 million tons.

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)	3,060	60	25	5	3,150
2015/16 (forecast)	3,105	70	20	5	3,200

Source: Sagis and Grain SA

Trade

On September 25, South Africa raised the wheat import duty to a record level of R911.20 (US$68) per metric ton, to protect local producers after the international wheat price dropped to the lowest level in five years. The duty is determined by the difference between a reference price of $294 a ton and a weekly price for United States' hard red winter wheat, which averaged about $220 a ton in the week through September 22. The South African rand also has weakened by about 15 percent against the United States dollar this year, reaching a record R14.08 on September 24, increasing the wheat import tariff by 78 percent from the previous tariff of R510.60 (US$38) a metric ton. As a result of a weakening exchange rate, the increase of the wheat import tariff, and the economic growth outlook for South Africa that remains poor, post estimates that wheat imports by South Africa in the 2015/16 MY can decrease by as much as 200,000 tons or by ten percent to 1.700 million tons from post's previous estimate of 1.900 million tons. This is five percent less wheat imports than the estimated imports of 1.785 million tons in the 2014/15 MY (see also Table 3).

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 275,059 tons to neighboring countries, up eight 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

	2013/14 MY (Oct 1, 2013 – Sept 30, 2014)	**2014/15 MY (Oct 1, 2014 – Sept 30, 2015)**
Import Suppliers		

United States	66,468	28,311
Argentina	0	58,987
Australia	49,780	98,192
Germany	179,436	355,263
Canada	111,289	106,521
Finland	25,430	0
Latvia	22,013	61,005
Ukraine	372,500	273,721
Poland	0	91,483
Lithuania	40,532	43,791
Russia	800,964	667,838
TOTAL IMPORTS	**1,668,412**	**1,785,112**
Export destinations		
Botswana	84,859	69,933
Lesotho	63,595	21,940
Mauritius	0	1,530
Mozambique	0	3,116
Namibia	37,054	22,414
Swaziland	11,539	16,724
Zambia	0	51,548
Zimbabwe	58,089	87,854
TOTAL EXPORTS	**255,136**	**275,059**

Source: Sagis

Prices

The South Africa Future Exchange (SAFEX) prices for wheat as of 10/13/2015 are shown in the following table. Local wheat prices increased by 14 percent year-on-year, when it was trading at R3,600 per ton, and by ten percent the last six months, following the upward trend in the import parity price (see also Figure 1). As already mentioned, 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. Local wheat prices will continue to trade at import parity levels in the foreseen future as local production represents less than 50 percent of local demand.

Table 4: SAFEX future prices for wheat

	SAFEX Futures prices (10/13/2015)			
Commodity	**2015/10**	**2015/12**	**2016/03**	**2016/05**
Wheat	R4,139/t ($309/t)	R4,200/t ($313/t)	R4,293/t ($320/t)	R4,314/t ($322/t)

Source: SAFEX

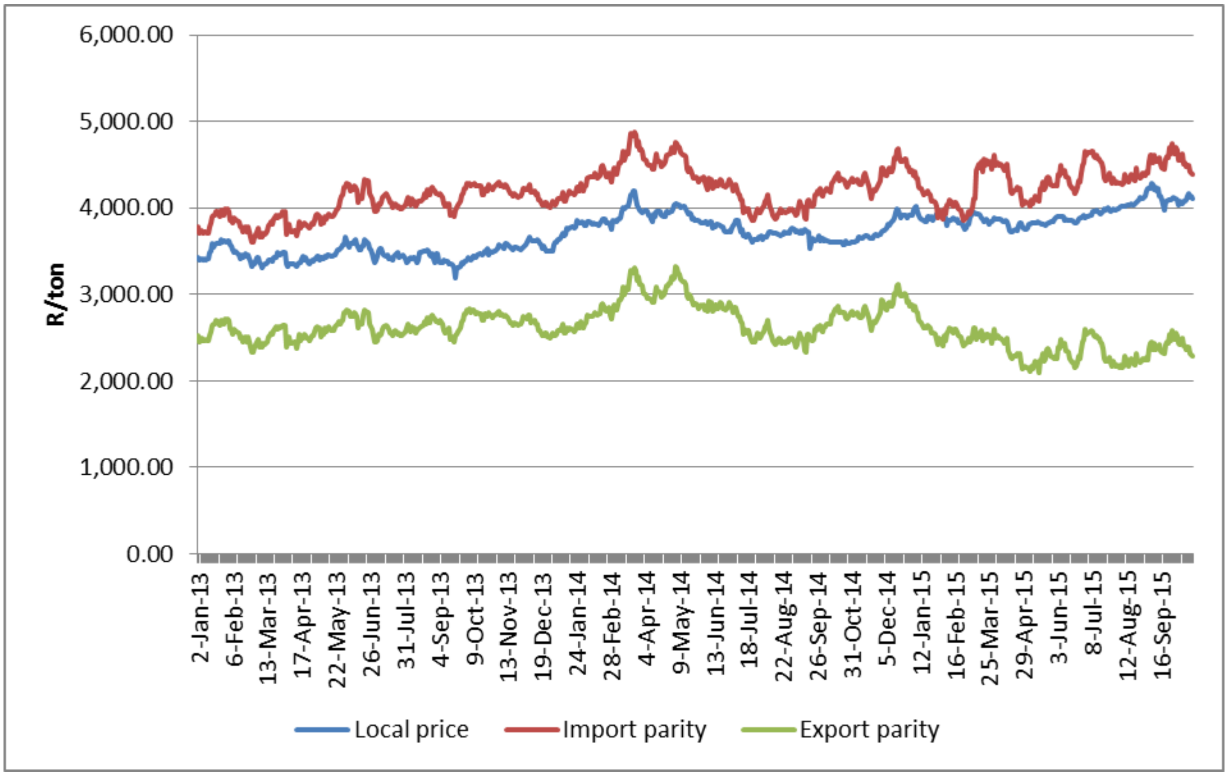

Figure 1: The trend in the SAFEX price for wheat since January 2013

Table 5: PS&D Table for Wheat

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		May 2016	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	505	505	477	477	480	482
Beginning Stocks	747	747	830	830	965	940
Production	1870	1870	1750	1750	1635	1542
MY Imports	1668	1668	1785	1785	1700	1700
TY Imports	1800	1800	1900	1900	1700	1700
TY Imp. from U.S.	97	97	0	0	0	0
Total Supply	4285	4285	4365	4365	4300	4182

MY Exports	255	255	250	275	300	300
TY Exports	322	322	250	250	250	250
Feed and Residual	55	55	60	60	70	70
FSI Consumption	3145	3145	3090	3090	3130	3130
Total Consumption	3200	3200	3150	3150	3200	3200
Ending Stocks	830	830	965	940	800	682
Total Distribution	4285	4285	4365	4365	4300	4182
(1000 HA) ,(1000 MT)						

CORN

Production

South Africa is still battling continues drought which started early in 2015 and meteorologists have predicted a hot dry 2015/16 summer, due to El Niño conditions. Too little rain has prompted farmers on the eastern side of the country, mainly in the Mpumalanga and Kwazulu-Natal provinces, to delay plantings, which is usually done in the middle of October. These farmers need rain soon as the optimal planting date ends mid-November. Farmers in the Free State and Northwest provinces have until end-November to mid-December to plant corn.

The “intention to plant survey” was published by the CEC on October 27, 2015. According to the CEC, commercial farmers indicated that they will plant 2.6 million hectares of corn in the 2015/16 MY, four percent lower than in the 2014/15 MY. The intention by commercial farmers is to plant 1.4 million hectares of white corn and 1.1 million hectares of yellow corn. Over the past two seasons the “intention to plant survey” only marginally varied from the actual hectares that were planted, illustrating the effectiveness of the survey.

Due to the dry weather and taking into account the results of the survey, post lowered its previous forecast of the area to be planted in the 2015/16 MY by seven percent to 2.6 million hectares, as concerns about the weather overrode the lure of high 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 3.0 million hectares. Based on national average yields the past five years, an area of 3.0 million hectares could realize a total corn crop of about 12.2 million tons.

The final commercial production estimate for summer crops in the 2014/15 MY, was released on September 29, 2015 by the CEC. According to the CEC, the commercial corn crop reached 9.9 million tons in the 2014/15 MY, in line with post’s estimate in March and 30 percent less than the previous year’s crop. White corn production for the 2014/15 MY, was estimated at 4.7 million tons on 1.5 million hectares, almost 40 percent lower than the previous year’s crop of 7.7 million tons. Yellow corn production was estimated at 5.2 million tons on 1.2 million hectares, 20 percent lower than the previous year’s crop of 6.5 million tons.

According to the CEC, subsistence farmers produced 673,800 tons of corn on 395,200 hectares in the 2014/15 MY. This brings South Africa’s total corn crop (commercial plus subsistence) for the 2014/15 MY at 10.6 million tons, almost 30 percent less than the record corn crop of 14.9 million tons harvested on 3.1 million hectares in the 2013/14 MY.

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**		
Commercial corn									
White	1,551	5.0	7,710	1,450	3.2	4,703	1,500	4.1	6,100
Yellow	1,137	5.8	6,540	1,205	4.3	5,239	1,100	5.0	5,500

Sub Total	**2,688**	**5.3**	**14,250**	**2,655**	**3.7**	**9,942**	**2,600**	**4.5**	**11,600**
Subsistence corn									
White	288	1.6	447	278	1.6	442	300	1.5	450
Yellow	120	1.9	228	117	2.0	232	100	1.5	150
Sub Total	**408**	**1.7**	**675**	**395**	**1.7**	**674**	**400**	**1.5**	**600**
TOTAL	**3,096**	**4.8**	**14,925**	**3,050**	**3.5**	**10,616**	**3,000**	**4.1**	**12,200**

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 South Africa will be a net-importer of corn in the 2014/15 MY. Post also foresees an almost 25 percent drop in the commercial consumption of white corn to 4.5 million tons, as it was mainly the white corn producing areas that was mostly effected by the drought conditions. On the other hand, commercial yellow corn consumption is expected to increase by almost 30 percent from the 2013/14 MY's 4.3 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 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	4,400	500	4,900
Animal	1,470	3,570	5,040	200	4,800	5,000	500	4,500	5,000
Other	110	270	380	100	200	300	100	300	400

TOTAL	5,940	4,320	10,260	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 700,000 tons of corn, as commercial production is expected to exceed 11.5 million tons.

For the 2014/15 MY, post estimates that South Africa will import about 700,000 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 25 weeks of the 2014/15 MY, South Africa already imported 297,498 tons of yellow corn from Argentina and 93,569 tons of yellow corn from 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 – Oct 16, 2015**	
	White corn	**Yellow corn**	**White corn**	**Yellow corn**
Export Destinations				
Angola	0	3	0	0

Botswana	163	32	72	25
Cameroon	0	4	0	0
Italy	0	50	0	0
Japan	0	198	0	0
Korea	4	214	0	2
Lesotho	107	8	32	4
Mozambique	103	23	37	21
Namibia	86	38	38	22
Portugal	0	53	0	0
Swaziland	28	48	6	25
Saudi Arabia	0	56	0	0
Taiwan	0	679	0	0
Zimbabwe	57	4	0	0
TOTAL EXPORTS	**548**	**1,410**	**185**	**99**
Imports				
Argentina	0	65	0	297
Brazil	0	0	0	94
Zambia	0	0	12	0
TOTAL IMPORTS	**0**	**65**	**12**	**391**

Source: SAGIS

Prices

SAFEX prices as of 10/13/2015 are shown in Table 4. On a year-on-year basis, white corn and yellow corn prices are respectively, 62 percent and 47 percent higher (see also Figure 2 and Figure 3), driven mainly by the impact of the drought in the main corn producing areas of South Africa, pushing prices towards import parity. A year ago corn prices traded at export parity levels driven by a record corn crop. The weakening of the rand against the United States dollar also adds to higher local corn prices. Post foresees that local corn prices will continue to trade close to import parity levels for the rest of the year, as South Africa will be a net-importer of corn in the 2014/15 MY.

Table 9: SAFEX prices for corn

	SAFEX Futures prices (as of 10/13/2015)				
Commodity	**2015/10**	**2015/12**	**2016/03**	**2016/05**	**2016/07**
White corn	R3,191/t ($238/t)	R3,230/t ($241/t)	R3,189/t ($238/t)	R2,888/t ($216/t)	R2,868/t ($214/t)
Yellow corn	R2,836/t	R2,855/t	R2,846/t	R2,686/t	R2,673/t

	($212/t)	($213/t)	($212/t)	($200/t)	($199/t)

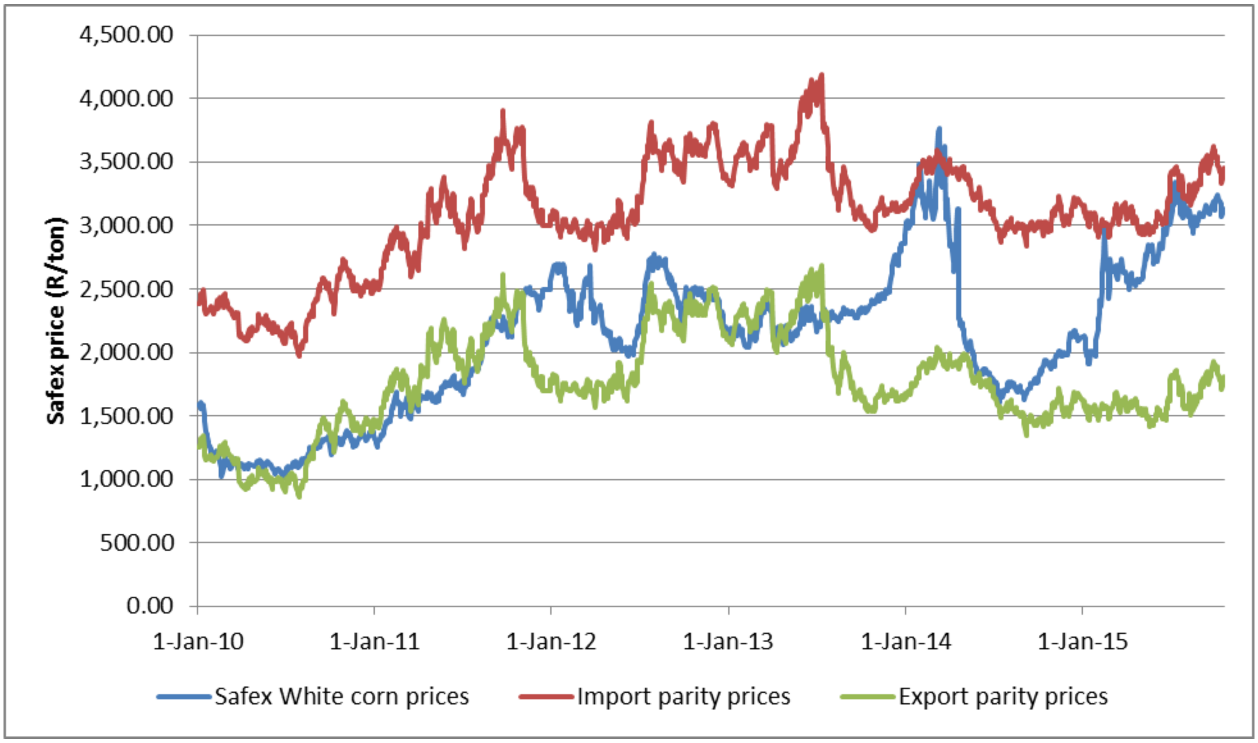

Figure 2: The trend in the SAFEX price for white corn since January 2010

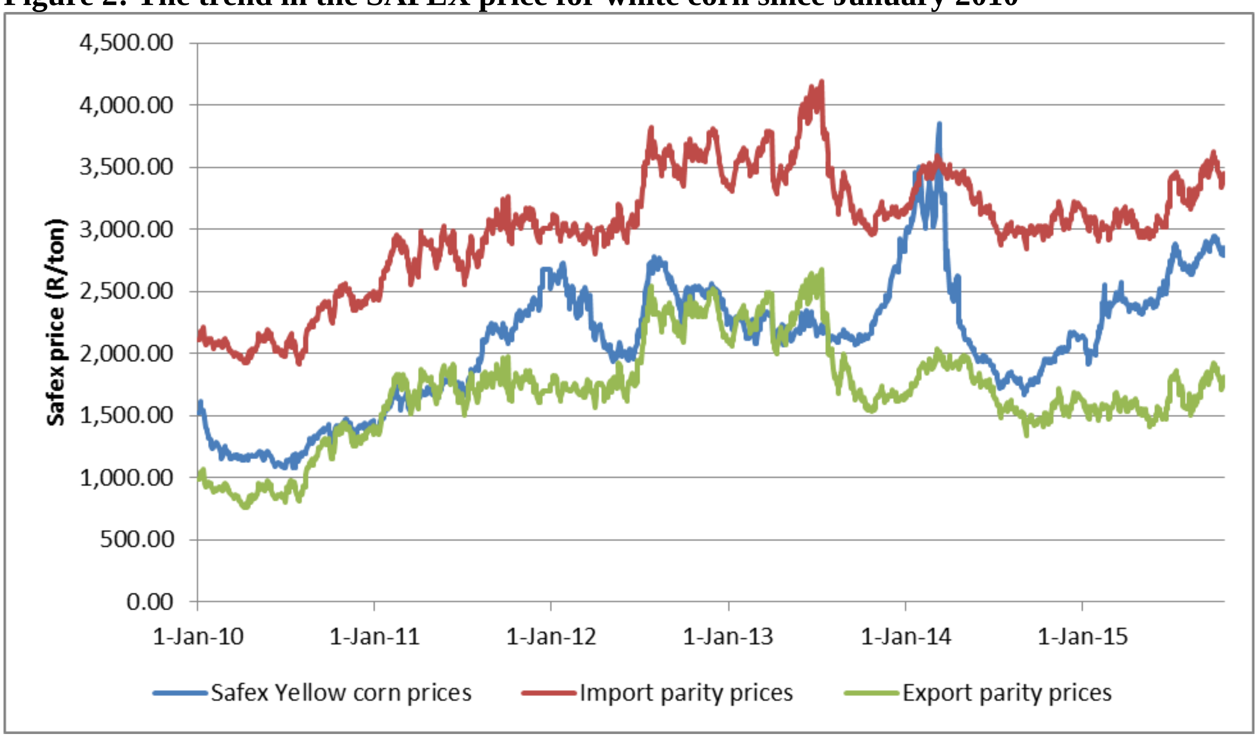

Figure 3: The trend in the SAFEX price for yellow corn since January 2010

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	3200	3000
Beginning Stocks	664	664	2198	2198	1598	1714
Production	14925	14925	10800	10616	13500	12200
MY Imports	66	66	500	700	25	0
TY Imports	79	79	350	350	100	0
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	15655	15655	13498	13514	15123	13914
MY Exports	1957	1957	700	600	1500	700
TY Exports	2104	2104	800	800	1000	500
Feed and Residual	5500	5500	5500	5500	5500	5500
FSI Consumption	6000	6000	5700	5700	5900	5900
Total Consumption	11500	11500	11200	11200	11400	11400
Ending Stocks	2198	2198	1598	1714	2223	1814
Total Distribution	15655	15655	13498	13514	15123	13914
(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 lowered its consumption forecast of rice in the 2015/16 MY by 180,000 tons, but still predicts a ten percent increase in rice consumption from the previous year to 970,000 tons, due to the local price increases of corn and wheat products. 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, due to a record crop, and a weakening exchange rate, diminished 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 August 31, 2015), South Africa imported 308,079 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	**2013/14 MY (May/April)**	**2014/15 MY (May/April)**	**2015/16*MY May/August**
Imports form:			
United States	1,907	528	221
Others:			
Thailand	441,234	547,475	229,166
India	409,325	357,856	52,077
China	221,602	2,410	315
Vietnam	31,170	39,814	15,760
Singapore	5,572	15,933	0
Pakistan	6,925	10,270	1,815
Total for Others	1,117,735	974,286	299,354
Others not Listed	25,865	7,308	8,725
Grand Total	**1,143,600**	**981,594**	**308,079**

*05/01/2015 – 08/31/2015

Exports

South Africa imports a small amount of rice to export to neighboring countries. In the 2013/14 MY, South Africa exported 81,491 tons of rice to neighboring countries and in the 2014/15 MY it reached 122,262 tons, due to increased demand for rice from 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)						