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Grain and Feed Update

The supply and demand for corn in South Africa

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Report Highlights:
For the 2015/16 MY, post forecasts that South Africa will return to be a net exporter of about 1.5 million tons of corn, as commercial production is expected to exceed 12.0 million tons on increased area planted. Post estimates that South Africa will import about 700,000 tons of corn, after a 30 percent drop in production due to drought. In the 2013/14 MY, South Africa exported about 2.0 million tons of corn after a record corn crop of 15.0 million was recorded.

Executive Summary

Post forecasts that the commercial area planted to corn later in 2015, for the 2015/16 MY[1], 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 700,000 tons of corn, due to extreme drought conditions during January and February of 2015 that impacted negatively on yields. Post kept its March estimate for the South African 2014/15 MY total corn crop (commercial plus subsistence) unchanged at 10.4 million tons on 3.1 million hectares. However, post decreased the commercial corn crop marginal from 9.9 million tons to 9.8 million tons, but increased the subsistence farmer's crop from 500,000 tons to 670,000 tons. 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. In the 2013/14 MY, South Africa exported about 2.0 million tons of corn mainly to Taiwan, Korea, Japan and Botswana.

US$1 = Rand 12.35 (7/22/15)

[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.

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. South Africa will be a net-import of corn in 2015, due to the drought that hit the main corn producing areas in the beginning of 2015. As a result, local corn prices will be trading 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.

Post kept its March estimate for the South African 2014/15 MY total corn crop (commercial plus subsistence) unchanged at 10.4 million tons on 3.1 million hectares. However, post decreased the commercial corn crop marginally from 9.9 million tons to 9.8 million tons, but increased the subsistence farmer's crop from 500,000 tons to 670,000 tons. This estimate is in line with the fifth production estimate released by the Crop Estimates Committee (CEC) on June 30, 2015. This means the 2014/15 MY corn crop is 30 percent less than the record corn crop of 15.0 million tons harvested on 3.1 million hectares in the 2013/14 MY. Most parts of South Africa's main corn producing areas experienced extreme drought conditions during the first two months of 2015 that impacted negatively on yields, especially as it was also during the period of pollination. White corn production for the 2014/15 MY, is 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 is estimated at 5.1 million tons on 1.2 million hectares, 22 percent lower than the previous year's 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 (forecast).

Table 1: Area planted and production of commercial and subsistence corn in South Africa

	Area 1,000h	**Yield**	**Prod. 1,000**	**Area 1,000h**	**Yield**	**Prod. 1,000**	**Area 1,000h**	**Yield**	**Prod. 1,000**

	a	t/ha	t	a	t/ha	t	a	t/ha	t
MY	**2013/14**			**2014/15**			**2015/16**		
Commercial corn									
White	1,551	5.0	7,697	1,450	3.2	4,650	1,600	4.1	6,520
Yellow	1,137	5.8	6,610	1,205	4.2	5,105	1,200	4.9	5,880
Sub Total	**2,688**	**5.3**	**14,307**	**2,655**	**3.7**	**9,755**	**2,800**	**4.4**	**12,400**
Subsistence corn									
White	288	1.6	447	278	1.6	440	300	1.5	450
Yellow	120	1.9	228	117	2.0	230	100	1.5	150
Sub Total	**408**	**1.7**	**675**	**395**	**1.7**	**670**	**400**	**1.5**	**600**
TOTAL	**3,096**	**4.8**	**14,982**	**3,050**	**3.4**	**10,425**	**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 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 will substitute white corn products for wheat and 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.

Post lowered the consumption of corn in the 2013/14 MY marginally by 50,000 tons, based on new data from the South African Grain Information Services (SAGIS). In addition, corn for animal feed was about 100,000 tons higher than post's previous estimate, while corn for human consumption and other uses was about 150,000 tons lower.

Table 2 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 2: 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 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 import about 700,000 tons of corn, which is 200,000 tons more than post's previous estimate, due to a decrease in the expected commercial corn crop. Most of the imports will be yellow corn as it is more readily available on the world markets for imports. In addition, South Africa has carry-over stock of about 1.3 million tons of white corn compared to only about 800,000 tons of yellow corn. For the first eleven weeks of the 2014/15 MY, South Africa already imported 140,749 tons of yellow corn from Argentina. South Africa will, however, continue to export corn to its neighboring countries, which should amount to about 600,000 tons.

In the 2013/14 MY, South Africa exported 2.0 million tons of corn, of which 1.4 million tons was yellow corn and 547,500 tons white corn (see also Table 3). The major markets where, Taiwan (679,185 tons of yellow corn), Korea (214,474 tons of yellow corn and 3,881 tons of white corn), Japan (198,198 tons of yellow corn) and Botswana (163,196 tons of white corn and 31,548 tons of yellow corn).

Table 3: Export countries for white and yellow corn (1,000 tons)

	2013/14 MY May, 2014 – April, 2015		2014/15 MY May 1, 2015 – Jul 10, 2015	
	White corn	**Yellow corn**	**White corn**	**Yellow corn**
Export Destinations				
Angola	0	3	0	0
Botswana	163	32	38	10
Cameroon	0	4	0	0
Italy	0	50	0	0
Japan	0	198	0	0
Korea	4	214	0	2
Lesotho	107	8	12	1
Mozambique	103	23	13	7
Namibia	86	38	21	7
Portugal	0	53	0	0
Swaziland	28	48	2	8
Saudi Arabia	0	56	0	0
Taiwan	0	679	0	0
Zimbabwe	57	4	0	0
TOTAL EXPORTS	**548**	**1,410**	**86**	**35**
Imports				
Argentina	0	65	0	141
TOTAL IMPORTS	**0**	**65**	**0**	**141**

Source: SAGIS

Prices

SAFEX prices as of 7/10/2015 are shown in Table 4. White corn and yellow corn prices increased by 27 percent and 18 percent, respectively, the past three months, as prices move to towards import parity levels, due to the impact of the drought in the main corn producing areas of South Africa on yields (see also Figure 1 and Figure 2). On a year-on-year basis, white corn and yellow corn prices are respectively, 98 percent and 63 percent higher. A year ago corn prices traded at export parity levels driven by a record corn crop. 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 4: SAFEX prices for corn

	SAFEX Futures prices (as of 7/14/2015)				
Commodity	**2015/07**	**2015/09**	**2015/12**	**2016/03**	**2016/05**
White corn	R3,302/t ($267/t)	R3,330/t ($270/t)	R3,391/t ($275/t)	R3,354/t ($272/t)	R2,805/t ($227/t)
Yellow corn	R2,866/t ($232/t)	R2,884/t ($234/t)	R2,911/t ($236/t)	R2,886/t ($234/t)	R2,631/t ($213/t)

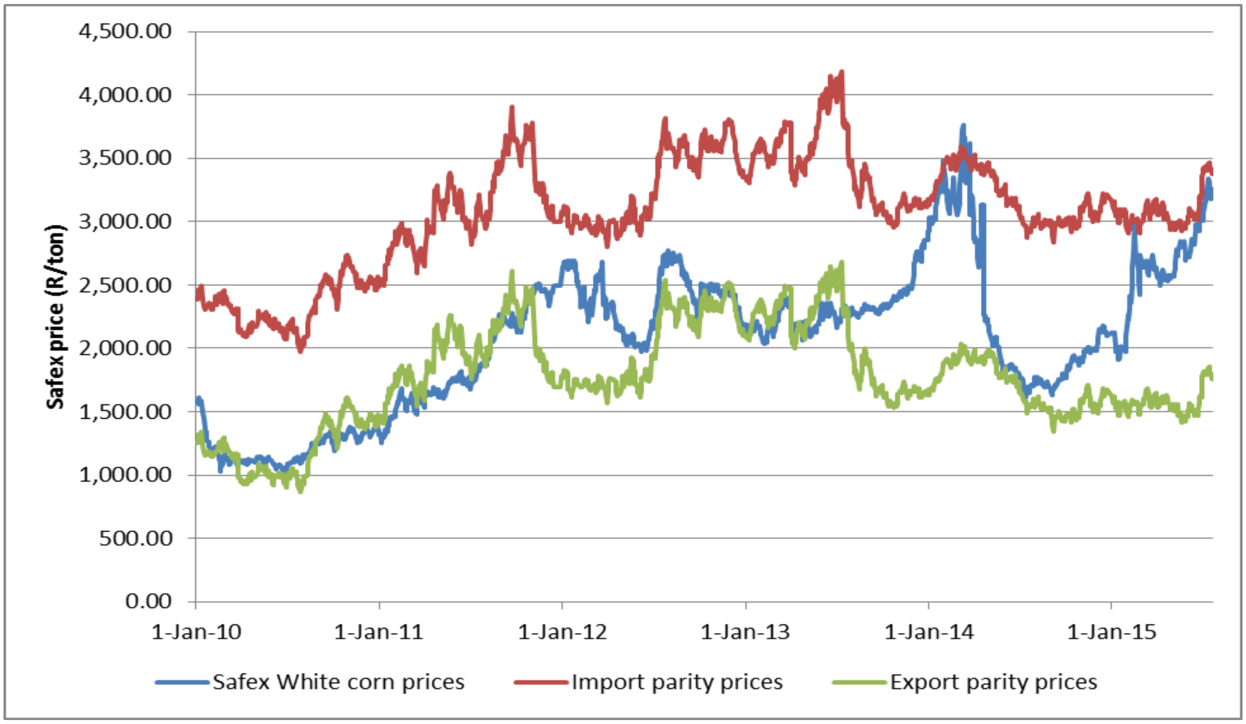

Figure 1: The trend in the SAFEX price for white corn since January 2010

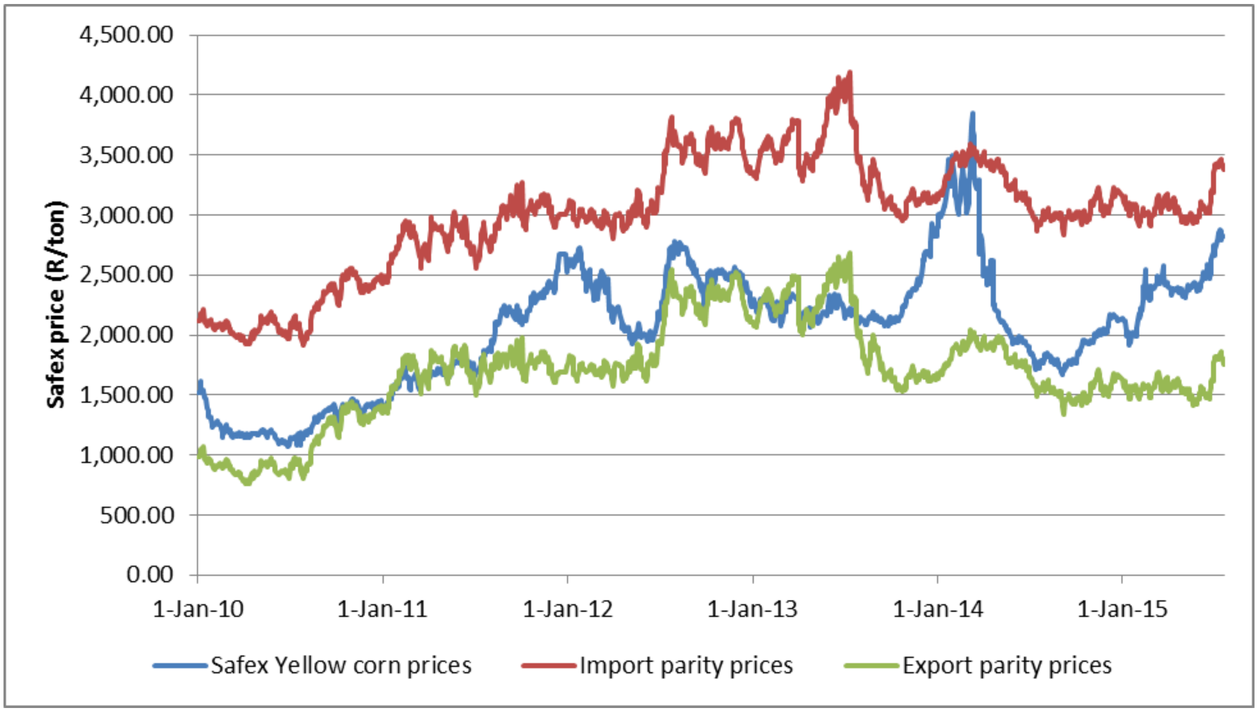

Figure 2: The trend in the SAFEX price for yellow corn since January 2010

Table 5: 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	3,200	3,200
Beginning Stocks	664	664	2,255	2,304	1,705	1,629
Production	14,982	14,982	11,300	10,425	13,500	13,000
MY Imports	66	65	250	700	25	0
TY Imports	79	79	200	0	100	0
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	15,712	15,711	13,805	13,429	15,230	14,629
MY Exports	1,957	1,957	700	600	1,500	1,500
TY Exports	2,104	2,104	1,000	1,000	1,000	0
Feed and Residual	5,400	5,500	5,400	5,500	5,500	5,500
FSI Consumption	6,100	5,950	6,000	5,700	5,900	5,900
Total Consumption	11,500	11,450	11,400	11,200	11,400	11,400
Ending Stocks	2,255	2,304	1,705	1,629	2,330	1,729
Total Distribution	15,712	15,711	13,805	13,429	15,230	14,629
1000 HA, 1000 MT, MT/HA						