

Required Report: Required - Public Distribution

Date: March 24, 2022

Report Number: SF2022-0007

Report Name: Grain and Feed Annual

Country: South Africa - Republic of

Post: Pretoria

Report Category: Grain and Feed

Prepared By: Dirk Esterhuizen

Approved By: Ali Abdi

Report Highlights:

After exceptional consecutive production seasons of solid growth supported by relatively high commodity prices and favorable weather conditions, wheat and corn producers in South Africa are optimistically looking forward to the 2022 production season. However, the availability and cost of production inputs, especially fertilizer, are discouraging a more bullish production outlook. The cost of farming inputs more than doubled the past year, increasing the risk of production in a weather dependent industry. As a result, Post forecasts that South Africa's corn area will stay flat in marketing year (MY) 2022/23, while wheat area will increase by a modest 10 percent. However, South Africa should maintain its status as a net exporter of corn in MY 2022/23 with exports of around 2.5 million metric tons (MMT), while wheat and wheat products imports should remain at 1.7 MMT. South Africa's rice imports are expected to increase by three percent to 1.1 MMT on a marginal growth in demand.

Executive Summary

The Grain and Feed annual report provides information regarding the production, supply and demand for corn, wheat, and rice in South Africa for MY¹ 2020/21, MY 2021/22 and MY 2022/23.

Post forecasts that South Africa's commercial corn area that will be planted later in 2022, for MY 2022/23, could stay flat at 2.6 million hectares (MHa). The current high input cost environment is deterring any bullish outlook in expanding corn area, despite rising commodity prices. In addition, Post foresees that the positive trend in soybean plantings will continue in MY 2022/23, affecting an expansion in corn area. Assuming normal weather conditions and including the subsistence farming sector, South Africa's total corn crop for the MY 2022/23 could reach 15.6 MMT, which is slightly larger than the expected corn crop of 15.1 MMT in MY 2021/22. As a result, South Africa should maintain its status as a net exporter of corn in MY 2022/23 and MY 2021/22. Post estimates South Africa could export around 2.5 MMT of corn in both marketing years.

Post foresees a 10 percent expansion in the areas planted with wheat to 575,000 hectares (ha) in MY 2022/23. This is mainly driven by rising local wheat prices. According to South African farmers, surging input costs and limited supply of fertilizer has discouraged further increases in wheat area. Under normal weather conditions and assuming average yield, South Africa could realize a wheat crop of about 2.1 MMT in MY 2022/23. In MY 2021/22, South Africa produced 2.3 MMT of wheat, the largest wheat crop since MY 2002/03. As a result, Post forecasts that South Africa's wheat and wheat products imports for MY 2022/23 and MY 2021/22 will stay flat at around 1.7 MMT as only a marginal growth in consumption is expected.

South African consumers are currently facing a myriad of challenges, including high levels of unemployment, increased inflation (especially for fuel and food), and higher interest rates. In addition, South Africa's economic growth outlook over the medium-term continues to be lackluster due to structural constraints, prevailing policy uncertainty, and the remaining consequences of the COVID-19 pandemic.

South Africa is dependent on duty-free rice imports to meet the local demand. Post estimates South Africa's rice imports to increase by three percent to 1.1 MMT in MY 2022/23 on a marginal growth in demand.

US\$1 = Rand 15.26 (3/08/2021)

¹ The marketing years (MY) used in the text refers 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

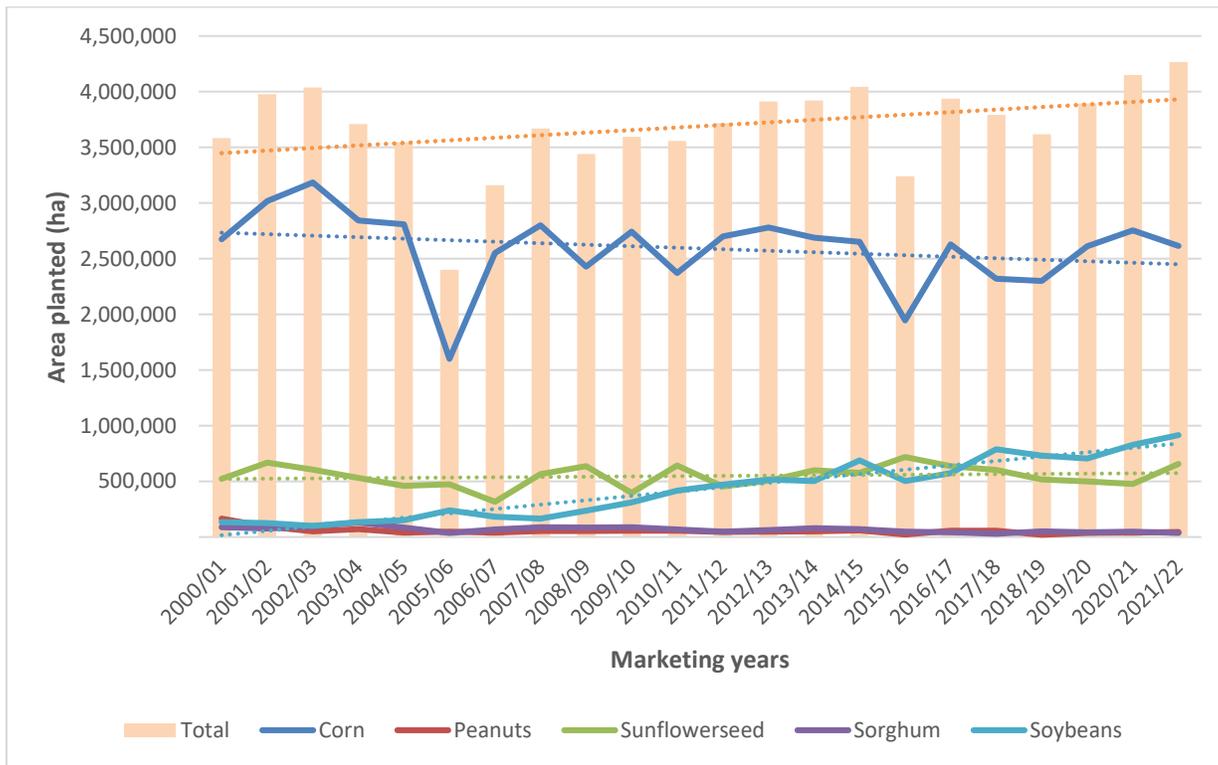
Post forecasts that South Africa's commercial corn area that will be planted for MY 2022/23 could stay flat at 2.6 MHa. The current high input cost environment is deterring any bullish outlook in expanding corn area, despite rising commodity prices. In addition, Post foresees that the positive trend in soybean plantings will continue in the MY 2022/23 MY, affecting the expansion in corn area.

As of January 2022, the cost of fertilizer, pesticides, and herbicides more than doubled for South African producers, driven by increased global prices and a weakening exchange rate. South African grain producers had to absorb substantial increases in input costs for MY 2021/22. The generally higher commodity prices, specifically grains and oilseeds, provided financial support to absorb some of these costs but increased the risk of production in a weather dependent industry. South Africa uses around 2.2 MMT of fertilizer annually (one percent of global usage), of which about 50 percent is used by corn farmers. South Africa imports more than 70 percent of its fertilizer annually. With Russia as the leading exporter of fertilizer inputs, the Russia-Ukraine war is adding upside risks on fertilizer prices and availability. This disruption could push fertilizer prices even higher than the spike experienced in the past 18 months and will limit expansion in corn area.

For the past two decades, South Africa experienced a positive trend in the commercial area planted with summer rainfall field crops. As a result, South African farmers planted a 25-year high of 4.3 MHa with summer rainfall field crops in MY 2021/22. However, this positive trend is mainly driven by an increase in soybean plantings, while there is a definite decline in the areas planted with corn, peanuts, and sorghum (see Figure 1). Sunflower area stayed relatively flat the past 20 years.

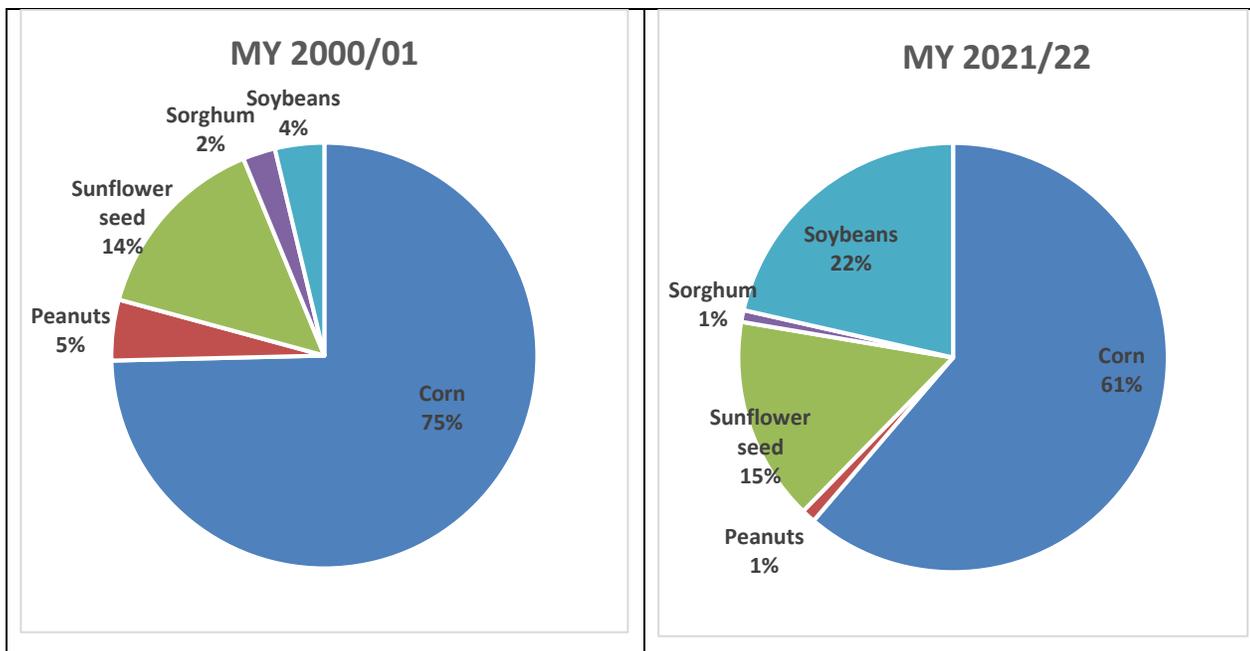
Due to increased local demand through investments in oilseed processing plants, the increased affinity by farmers to use soybeans as a rotational crop with corn, increased international soybean prices and the availability of better yielding cultivars, soybean plantings in South Africa increased by more than 7-fold over the past 20 years. In MY 2021/22 farmers planted a record soybean area of 915,300 ha, an upsurge of 11 percent from the previous marketing year. This represented almost a quarter of the area planted with summer rainfall field crops. Twenty years ago, South African soybean plantings represented only four percent of total area planted with summer rainfall field crops (see Figure 2). Post foresees that this positive trend in soybean plantings will continue in MY 2022/23, impacting expansion in corn area. The current high input cost environment will also contribute to increase soybean plantings. In general, soybeans require fewer farming inputs, especially fertilizer, compared to corn.

Figure 1: Trends in the Commercial Areas Planted with Summer Crops in South Africa



Source: South African Grain Information Services (Sagis)

Figure 2: Comparing Summer Rainfall Field Crop’s Contribution to Total Area Planted in MY 2000/01 and MY 2021/22



Source: Sagis

Assuming normal weather conditions and including the subsistence farming sector, South Africa's total corn crop for the MY 2022/23 could reach 15.6 MMT, which is slightly larger than the expected corn crop of 15.1 MMT in MY 2021/22 (also refer to Table 1).

The following table details area planted, yield and production figures for commercial white corn and yellow corn as well as corn produced by subsistence farmers for MY 2020/21 (actual), MY 2021/22 (estimate), and MY 2022/23 (forecast).

Table 1: Area Planted, Yield and Production of Commercial and Subsistence Corn in South Africa

	Area 1,000ha	Yield MT/ha	Prod. 1,000MT	Area 1,000ha	Yield MT/ha	Prod. 1,000MT	Area 1,000ha	Yield MT/ha	Prod. 1,000MT
MY	2020/21 (actual)			2021/22 (estimate)			2022/23 (forecast)		
Commercial corn									
White	1,692	5.1	8,600	1,571	4.8	7,535	1,550	5.2	8,100
Yellow	1,063	7.3	7,715	1,043	6.7	6,993	1,050	6.5	6,900
Sub Total	2,755	5.9	16,315	2,614	5.6	14,528	2,600	5.7	15,000
Subsistence corn									
White	276	1.7	445	220	1.8	400	220	1.8	400
Yellow	87	2.3	191	80	2.5	200	80	2.5	200
Sub Total	363	1.8	636	300	2.0	600	300	2.0	600
TOTAL	3,118	5.4	16,951	2,914	5.2	15,128	2,900	5.4	15,600

Source: Crop Estimates Committee (CEC) and Post estimates

In terms of MY 2021/22, South Africa had an excellent start to the season, with carry-over soil moisture and widespread rains during October and November ensuring corn producers could start plantings two to four weeks earlier than usual. Although good weather conditions continued through November and December 2021, some growing regions received excessive rainfall that negatively impacted yields. Excessive rainfall in parts of the western Free State and Northwest provinces led to flooding, which destroyed corn fields. In addition, the sandy water-table soils were saturated, causing damage to waterlogged planted crops. Many areas in the Free State province recorded historically high rainfall figures.

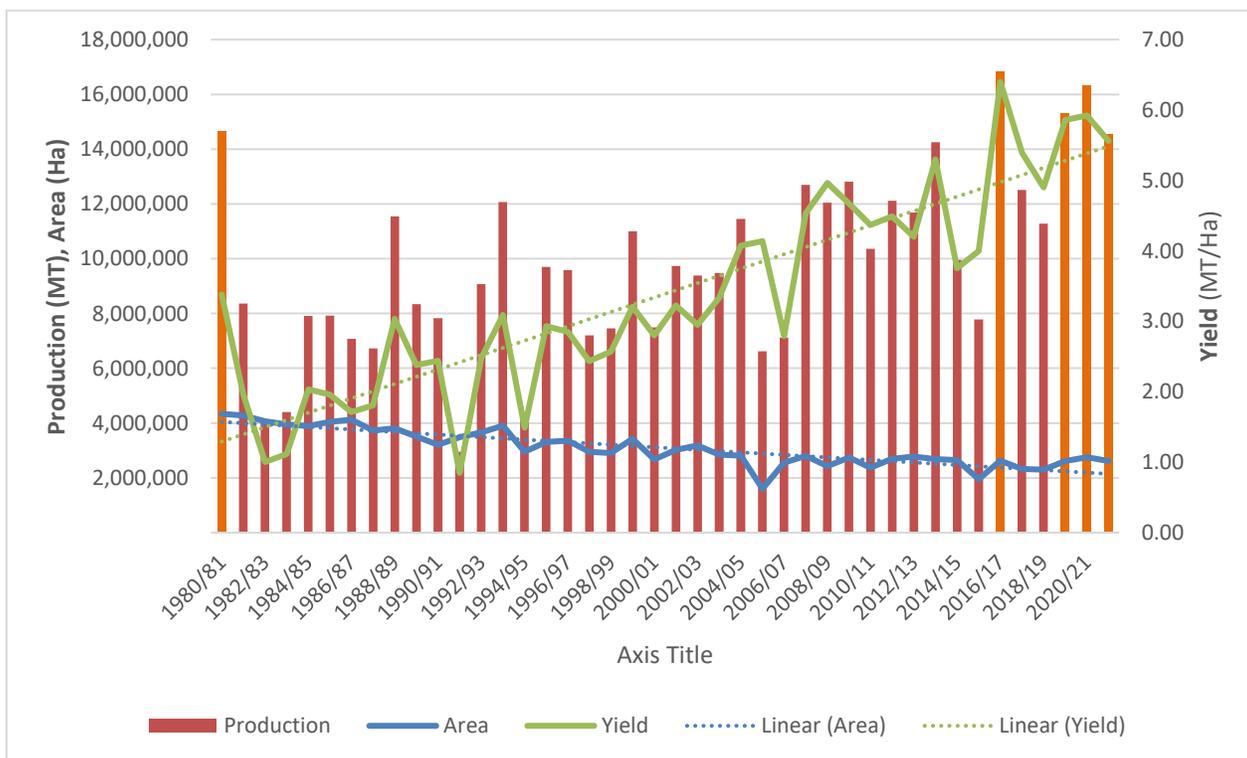
However, the adverse effects of the excessive summer rain were largely mitigated by a warmer and drier January and February 2022, providing conducive growing conditions that positively affected anticipated yields. This was clear when South Africa's Crop Estimates Committee (CEC) released its first commercial production estimate for summer rainfall crops on February 28, 2022 (see <https://www.dalrrd.gov.za/Home/Crop-Estimates>). According to the CEC, South African could produce its fifth largest commercial corn crop on record in MY 2021/22 at 14.5 MMT on 2.6 MHa. The CEC estimates the national average yield of 5.6 tons per hectare, 12 percent higher than the 10-year average

yield of 5.0 tons per hectare. The commercial white corn crop is estimated at 7.5 MMT and the commercial yellow corn crop at 7.0 MMT.

In early March, Post visited the major corn producing areas of South Africa to interview industry analysts and experts and to explore and assess crop conditions. As a result, Post lowered its previous estimate for the 2021/22 MY corn crop by six percent or 1.0 MMT, to bring it in line with the CEC’s first commercial estimate. Post kept its production estimate for subsistence producers unchanged at 600,000 MT. Thus, total corn production for South Africa in MY 2021/22 is estimated at 15.1 MMT, 11 percent smaller than 17.0 MMT produced in MY 2020/21.

This means that South Africa’s four largest corn crops on record were produced in the past six years and mainly driven by increased yields, as area planted almost halved over the past 40 years (see Figure 3). On the other hand, South Africa’s corn yields more than doubled in the past 40 years, substantiating the positive impact that adoption of new production technologies, such as genetically engineered seed and more efficient and effective farming practices, including precision and conservation farming, have on production output.

Figure 3: Area Planted, Production and Yields of Commercial Corn in South Africa over the Past 40 years



Source: Sagis

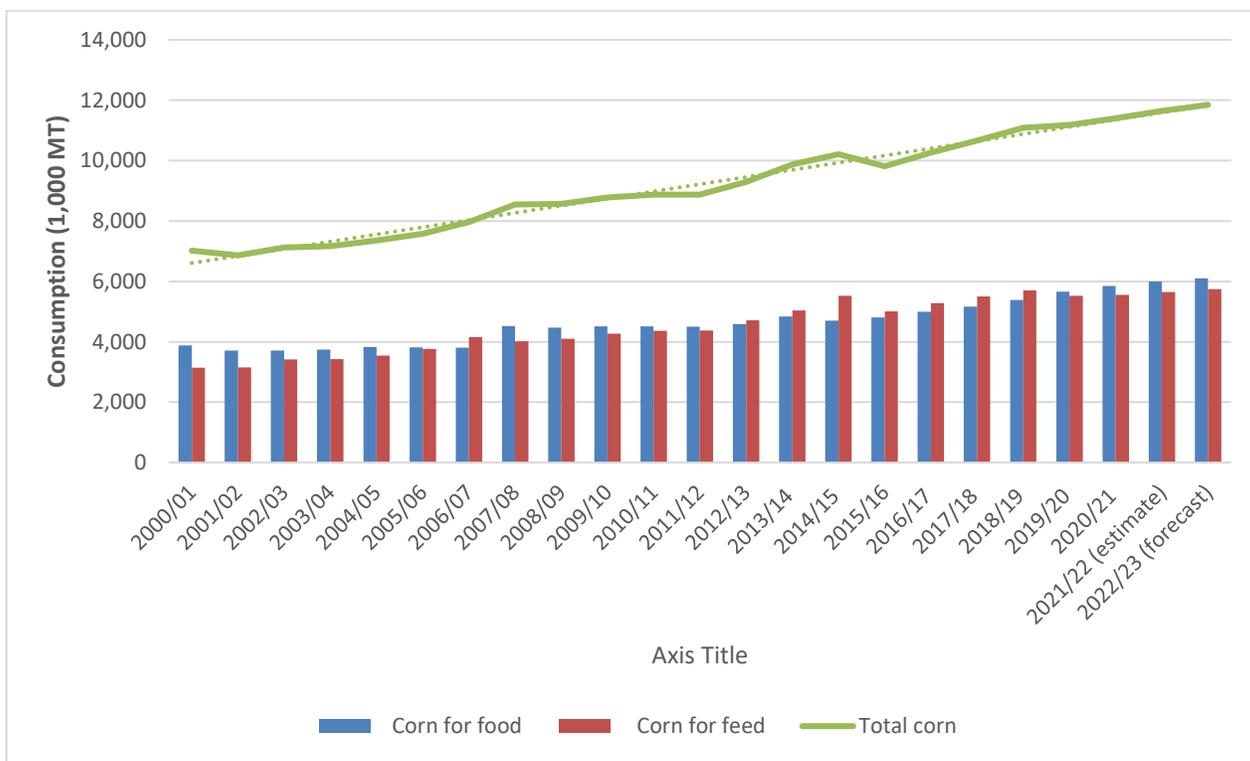
On February 10, 2022, CEC finalized South Africa’s summer crops for MY 2020/21. The CEC finalized the size of MY 2020/21 commercial corn crop at 16.3 MMT, after total producer deliveries and on-farm usage were considered. Hence, South Africa’s total corn crop, which includes both commercial and

subsistence producers, for MY 2020/21 reached 17.0 MMT on 3.1 MHa at a national average yield of 5.4 tons per hectare. This represents the second largest corn crop ever produced in South Africa. Furthermore, the commercial yellow corn crop at 7.7 MMT was the largest ever produced in South Africa on a record average yield of 7.2 tons per hectare.

Consumption

Over the past 10 years, South Africa maintained an average marginal growth rate of about two percent per annum in the commercial consumption of corn (refer to Figure 4). This trend is mainly driven by increased demand through population growth and expansion in the local broiler industry to serve the local market. White corn, in the form of a meal, is the staple food for many South African households, especially for lower income consumers, as it is a relatively inexpensive source of carbohydrates. Yellow corn is used as the primary ingredient for animal feed, especially in the broiler industry. Chicken meat, as relatively inexpensive and ubiquitous, has grown to be the most important protein source in the diet of the majority of South Africans over the past 20 years.

Figure 4: Commercial Consumption of Corn in South Africa from MY 2000/01



Source: Sagis

South Africa’s economic growth outlook over the medium term continues to be lackluster due to structural constraints, prevailing policy uncertainty and the remaining consequences of the COVID-19 pandemic. The struggling domestic economy will hinder any major increase in the demand for corn, especially with the current upward trend in commodity prices. As a result, Post foresees that the abovementioned trends in the demand for corn will continue in MY 2022/23, with South Africa’s

commercial corn consumption increasing by about two percent from the previous marketing year to 12.0 MMT. Post maintains its previous estimate for the commercial demand for corn in South Africa in MY 2020/21 and MY 2021/22 at 11.6 MMT and 11.8 MMT, respectively. This represents a marginal growth rate from MY 2019/20.

Table 2 outlines the commercial consumption for white corn and yellow corn in South Africa for the MY 2020/21 (estimate), MY 2021/22 (estimate), and MY 2022/23 (forecast).

Table 2: Commercial Consumption of White and Yellow Corn in South Africa

CORN (1,000 MT)	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
MY	2020/21			2021/22			2022/23		
Human	5,250	600	5,850	5,400	600	6,000	5,500	600	6,100
Animal	2,000	3,550	5,550	1,000	4,650	5,650	1,000	4,750	5,750
Other	50	100	150	50	100	150	50	100	150
TOTAL	7,300	4,250	11,550	6,450	5,400	11,800	6,550	5,450	12,000

Source: Sagis; Grain SA

Note: Please note that consumption figures in the PS&D table vary, as those also include corn utilized by the subsistence farming sector and on-farm usages.

Trade

South Africa should maintain its status as a net exporter of corn in MY 2022/23 and MY 2021/22. Post estimates South Africa could export around 2.5 MMT of corn in both marketing years, on estimated commercial corn crops of above 14.5 MMT.

In terms of MY 2020/21, South Africa is heading for 3.5 MMT of corn exports, after the production of the second largest corn crop on record. With 80 percent of the marketing year completed, South Africa already exported 3.0 MMT of corn (see also Table 3), equating to an average of 70,000 MT of corn exports per week. During this period, South Africa exported almost 2.5 MMT of yellow corn and 568,569 MT of white corn. Japan, Taiwan, South Korea Vietnam, and Botswana were the major markets for South Africa's corn. These five markets represent almost 80 percent of South Africa's corn exports.

Table 3: South Africa's Exports of Corn in MY 2020/21

MY¹ 2020/21			
May 1, 2021 – Apr 30, 2022			
(1,000 MT)			
Countries	White corn	Yellow corn	Total
<u>Export Destinations</u>			
Japan	0	746	746
Taiwan	0	707	707
South Korea	0	374	374
Vietnam	0	320	320
Botswana	206	9	215
Italy	126	27	153
Namibia	78	41	119
Eswatini	32	84	116
Spain	0	103	103
Mozambique	61	38	99
Lesotho	52	0	52
Angola	9	11	20
Ghana	0	10	10
Zimbabwe	5	0	5
Saudi Arabia	0	2	2
Seychelles	0	1	1
TOTAL EXPORTS	569	2,473	3,042
<u>Imports</u>			
Zambia	7	0	7

Source: Sagis**Note:** 1. Preliminary export data from May 1, 2021 to February 25, 2022**Prices**

South Africa's local corn prices are trading in correlation with export parity levels, an indication of the availability of surplus corn in the local market (see Figure 5 and Figure 6). However, during the past month, local corn prices, supported by an increase in export parity price levels, surged by almost 10 percent following the trend of higher global corn prices. Global corn prices are rising mainly due to the uncertainty in the market created by the Russia-Ukraine war. South Africa's corn market operates in a free market environment, where local and international factors have an impact on local corn prices.

As of March 8, 2022 (see Table 4), local yellow corn prices were trading at record levels of above R4,000 per ton (\$262/ton). Local white corn prices were also trading at levels above R4,000/ton, but not yet at record price levels. Local white corn prices traded at levels above R5,000 per ton during the drought of MY 2015/16.

Local corn prices will continue to move with export parity levels for the rest of the season and will be influenced by the uncertainty created Russia-Ukraine war, the variations in the international price of corn, planting progress of the United States corn crop and South Africa’s volatile exchange rate.

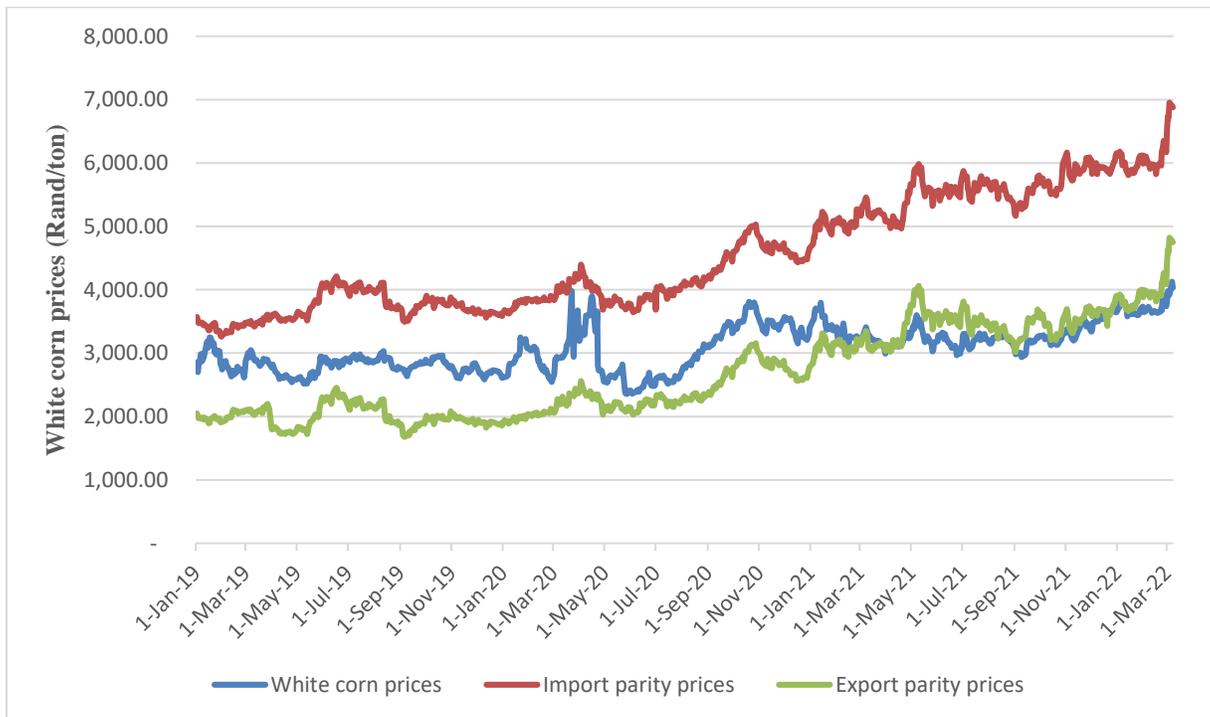
Table 4: Local Corn Prices

Commodity	Futures prices (year/month)				
	2022/03	2022/05	2022/07	2022/09	2022/12
White corn	R4,030/t (\$264/t)	R4,017/t (\$263/t)	R4,010/t (\$263/t)	R4,059/t (\$266/t)	R4,142/t (\$271/t)
Yellow corn	R4,177/t (\$274/t)	R4,183/t (\$274/t)	R4,181/t (\$274/t)	R4,215/t (\$276/t)	R4,288/t (\$281/t)

Source: GrainSA (as of 03/08/2022)

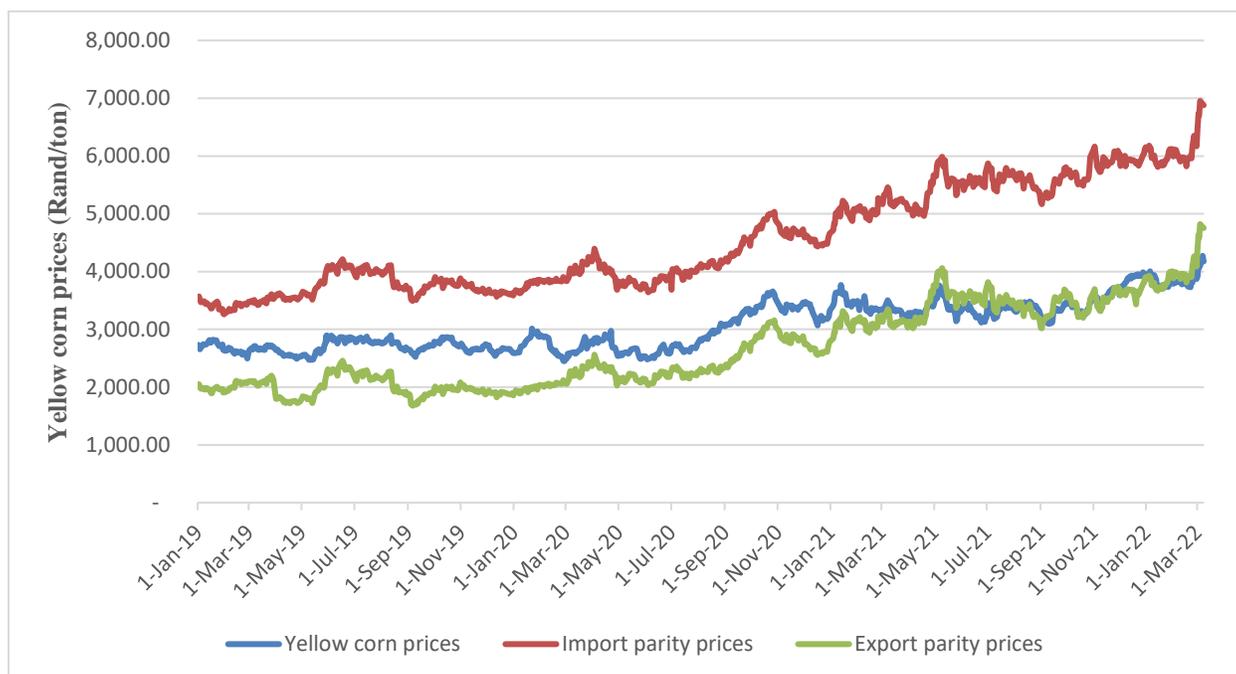
Note: US\$1 = Rand 15.26

Figure 5: Trends in the Local Price for White Corn since January 2019



Source: GrainSA

Figure 6: Trends in the Local Price for Yellow Corn since January 2019



Source: GrainSA

Table 5: Corn Production, Supply and Distribution

Corn Market Begin Year South Africa	2020/2021 May-21		2021/2022 May-22		2022/2023 May-23	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3118	3118	3000	2914	0	2900
Beginning Stocks	2117	2117	2578	3075	0	2953
Production	16951	16951	16300	15128	0	15600
MY Imports	10	7	0	0	0	0
TY Imports	6	6	0	0	0	0
TY Imp. from U.S.	1	0	0	0	0	0
Total Supply	19078	19075	18878	18203	0	18553
MY Exports	3500	3500	3200	2500	0	2500
TY Exports	2751	2751	3500	2500	0	2500
Feed and Residual	7200	6500	7300	6600	0	6750
FSI Consumption	5800	6000	6000	6150	0	6250
Total Consumption	13000	12500	13300	12750	0	13000
Ending Stocks	2578	3075	2378	2953	0	3053
Total Distribution	19078	19075	18878	18203	0	18553
Yield	5.44	5.44	5.43	5.19	-	5.38

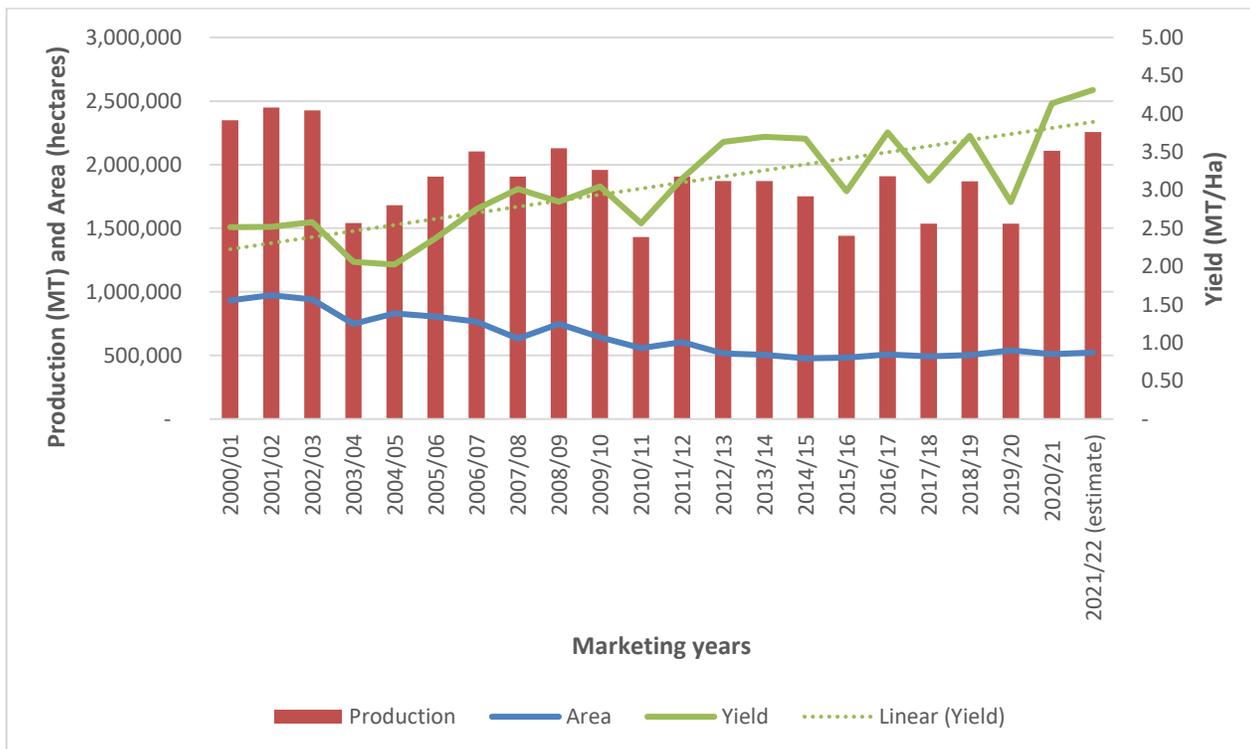
(1000 HA), (1000 MT), (MT/HA)

WHEAT

Production

South Africa’s wheat area stagnated at around 500,000 ha per annum over the past 10 years (see also Figure 7). However, Post foresees a 10 percent expansion in the area planted with wheat to 575,000 ha in MY 2022/23. A larger surge in wheat area is discouraged by the availability and cost of production inputs, especially fertilizer. After excellent back-to-back production seasons in 2020 and 2021, that included record yields and relatively high wheat prices, wheat producers in South Africa are optimistically looking forward to the 2022 production season. The current Russia-Ukraine war also created uncertainty in the global wheat market, pushing local wheat prices close to record high levels. Post believes this optimism will convert into more wheat plantings, especially in the winter rainfall area of the Western Cape province. Under normal climatic conditions and an assumed 5-year average yield of 3.6 tons per hectare, an area of 575,000 ha could realize a wheat crop of about 2.1 MMT in MY 2022/23 (see also Table 6).

Figure 7: Trends in Wheat Area, Production and Yields in South Africa



Source: Sagis

The following table reflects the area planted, yield and production figures of wheat in South Africa for MY 2020/21 (actual), MY 2021/22 (estimate) and MY 2022/23 (forecast).

Table 6: Area Planted and Production of Wheat in South Africa

MY	Area (1,000 ha)	Yield (MT/ha)	Production (1,000 MT)
2020/21	510	4.2	2,120
2021/22 (estimate)	524	4.3	2,257
2022/23 (forecast)	575	3.6	2,100

Source: CEC

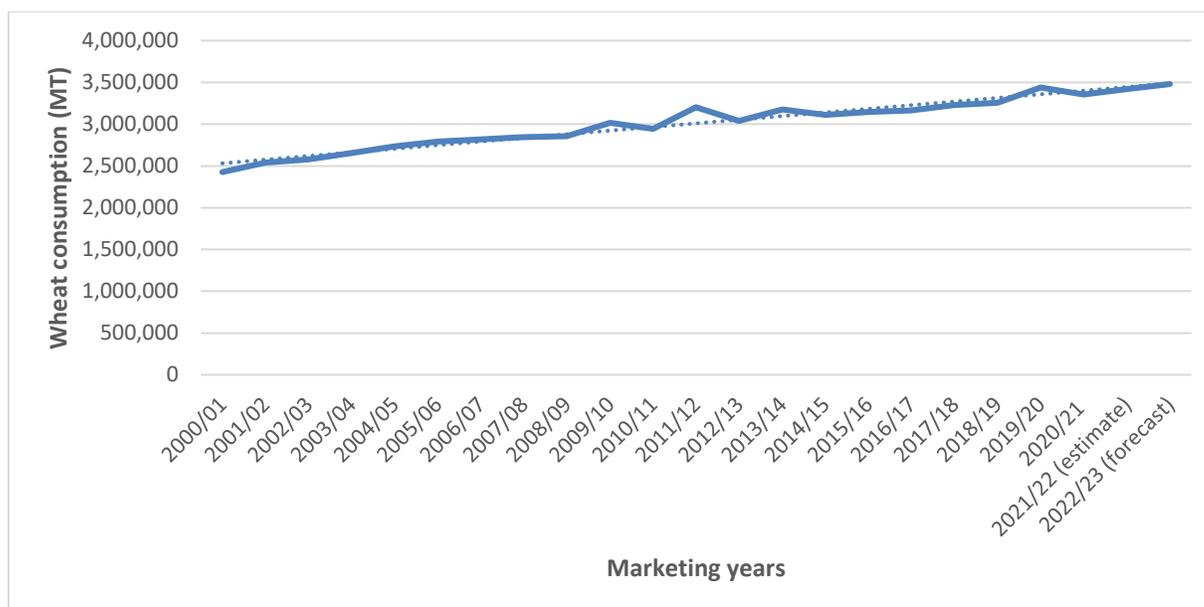
On February 28, 2022, the CEC released the final estimate for MY 2021/22 wheat crop. The CEC estimated the wheat crop at 2.3 MMT on 523,500 ha. This represents a six percent increase from the previous marketing year's crop of 2.1 MMT. The wheat crop of MY 2021/22 is the largest since MY 2002/03 or the past almost 20 years (see also Figure 7). The main contributor to the increase in wheat production was favorable weather conditions, especially in the winter rainfall area of the Western Cape province, that resulted in historical high country-wide average yields of 4.3 tons per hectare. More than 50 percent of wheat produced in South Africa is planted in the Western Cape province.

Consumption

Wheat is the second most important grain commodity consumed in South Africa after corn. The annual per capita consumption of corn, in the form of a meal, is the highest at 95kg/person, followed by wheat (56kg/person) and then rice (15kg/person). South Africa consumes around 2.4 billion loafs of bread per annum or 40 loafs of bread per person per year.

Over the past 10 years, South Africa's wheat consumption increased on average by about two percent per annum on increased demand through population growth (see Figure 8). Post expects this trend to continue in MY 2022/23 with local wheat consumption marginally increasing to 3.7 MMT. South African consumers are currently facing a myriad of challenges, including high levels of unemployment, increased inflation (especially for fuel and food), and higher interest rates. In addition, South Africa's economic growth outlook over the medium term continues to be lackluster due to structural constraints, prevailing policy uncertainty and the remaining consequences of the COVID-19 pandemic. As a result, major increases in the demand for wheat is not foreseen. Wheat demand in South Africa is also relatively price inelastic and should not experience major declines due to raising local wheat prices. Post estimates wheat demand in MY 2021/22 at 3.6 MMT, marginally higher than the 3.5 MMT of wheat consumed in MY 2020/21.

Figure 8: Consumption of Wheat in South Africa from MY 2000/01



Source: Sagis

In Table 7, the consumption of wheat in South Africa is illustrated for MY 2020/21 (actual), MY 2021/22 (estimate) and MY 2022/23 (forecast).

Table 7: Consumption of Wheat in South Africa

Wheat (1,000 MT)					
Marketing year	Human ¹	Animal	Seed	Other	TOTAL
2020/21 (actual)	3,500	8	21	6	3,535
2021/22 (estimate)	3,560	10	20	5	3,595
2022/23 (forecast)	3,620	10	20	5	3,655

Source: Sagis, Trade Data Monitor and Grain SA

Notes: 1. Human consumption figures include local manufactured wheat products as well as imported products like wheat flour, uncooked pasta and couscous.

Trade

Post forecasts that South Africa's wheat and wheat products imports for MY 2022/23 and MY 2021/22 will stay flat at around 1.7 MMT. Local wheat production should stay above 2.0 MMT, which will offset the expected marginal growth in consumption, depressing increased wheat imports. For the first 5 months of MY 2021/22 (October 2021 – February 2022), South Africa imported 582,929 MT of wheat, almost equal to the same period in the 2020/21 MY. Thus far, Lithuania, Argentina, Poland, and Australia have been the major suppliers of wheat to South Africa (see also Table 8). The United States is the sixth leading supplier of wheat to South Africa at 10,332 MT.

In MY 2020/21, South Africa's wheat and wheat products imports decreased by 18 percent to 1.7 MMT due to a 37 percent increase in local wheat production. South Africa imported 1.5 MMT of wheat and 152,000 MT (wheat equivalent) of wheat products in MY 2020/21. Australia, Poland, Lithuania, and Russia were the major suppliers of wheat to South Africa. The United States supplied 35,000 MT of wheat to South Africa in MY 2020/21.

Table 8: South Africa's Imports of Wheat by Country

	MY 2020/21 (Oct 1, 2020 – Sept 30, 2021) MT	MY¹ 2021/22 (Oct 1, 2021 – Sept 30, 2022) MT
Import Suppliers		
Lithuania	275,903	230,644
Argentina	0	130,836
Poland	220,604	88,217
Australia	455,717	75,509
Latvia	115,250	47,391
United States	34,874	10,332
Russia	210,399	0
Canada	136,481	0
Germany	51,461	0
Ukraine	7,341	0
Czech Republic	8,965	0
TOTAL IMPORTS	1,516,995²	582,929

Source: Sagis

Notes: 1. Preliminary import data from October 1, 2021 to February 25, 2022

2. Trade figures in the PS&D table include the trade in wheat flour and other wheat products like uncooked pasta and couscous.

South Africa also exports wheat to nearby countries in the Southern Africa region and acts as a conduit for grain imported from outside the region (also refer to Table 9). South Africa's exports of wheat and wheaten products are expected to increase to approximately 200,000 MT in MY 2022/23 and MY 2021/22 on increased production. In the first 5 months of MY 2021/22, South Africa already exported 70,973 MT of wheat to neighboring countries. In MY 2020/21, South Africa exported 91,432 MT of wheat and 27,056 MT (wheat equivalent) of wheat products to countries in the Southern Africa region, with Botswana, Zambia, and Namibia the major markets.

Table 9: South Africa's Exports of Wheat by Country

	MY 2020/21	MY¹ 2021/22
	(Oct 1, 2020 – Sept 30, 2021)	(Oct 1, 2021 – Sept 30, 2022)
	MT	MT
Export destinations		
Botswana	29,240	28,712
Namibia	14,799	9,024
Zimbabwe	5,158	8,093
Eswatini (Swaziland)	7,708	700
Lesotho	8,747	22,991
Zambia	24,770	1,453
Mozambique	1,010	0
TOTAL EXPORTS	91,432	70,973

Source: Sagis

Notes: 1. Preliminary export data from October 1, 2021 to February 25, 2022

2. Trade figures in the PS&D table include the trade in wheat flour and other wheat products like uncooked pasta and couscous.

South Africa's current import tariff for wheat, effective from July 2, 2021, is zero Rand per ton (R0/ton). The South African wheat tariff is calculated by means of a variable tariff formula to ensure that local wheat prices are maintained when the international prices are decreasing and *vice versa* to support local consumers when international wheat prices are increasing. The latter is the reason for the current zero tariff on imported wheat. The current zero import tariff effectively nullifies the Economic Partnership Agreement (EPA) between South Africa and the European Union (EU) that came into effect in 2016. The EPA allows for an annual Tariff Rate Quota (TRQ) of 300,000 tons of wheat imported from countries in the EU. The wheat imported under the TRQ must be destined for final consumption in South Africa and is only allowed to enter from February 1 to October 31 every year. To fulfil South Africa's commitment under the World Trade Organization agreement regarding market access, an annual quota of 108,279 tons of wheat can also enter South Africa at a rebate of 14.4 percent from the full duty (see also Table 10).

Table 10: South Africa’s Import Tariffs for Wheat as of 03/14/2022

General	European Union (EU)	European Free Trade Association (EFTA)	Southern Africa Development Community (SADC)	Mercosur	WTO Minimum Market Access	
					Annual quota	Extent of rebate
Free	Free	Free	Free	Free	108,279	Full duty less 14.4%

Source: South African Revenue Services (SARS), Sagis

Prices

South Africa’s current and future wheat prices as of March 8, 2022, are indicated in Table 11. As a net importer of wheat in a relatively free market environment, local wheat prices usually follow the overall trend in import parity prices (see also Figure 9). Though, after the production of a 20-year high local wheat crop in MY 2021/22, local prices started to move sideways in September 2021 and closer to export parity levels. However, local wheat prices increased by almost 18 percent the past month following the trend of higher global wheat prices due to the uncertainty created by the Russia-Ukraine war. As of March 8, 2022, local wheat prices stood at almost record levels of R7,059 per ton (\$463/ton), a year-on-year increase of 32 percent. Local wheat prices will continue to be influenced by developments in the global market, especially the Russian-Ukrainian war as well as the strength of the South African exchange rate, the fluctuations in transport costs and the production progress of the local wheat crop.

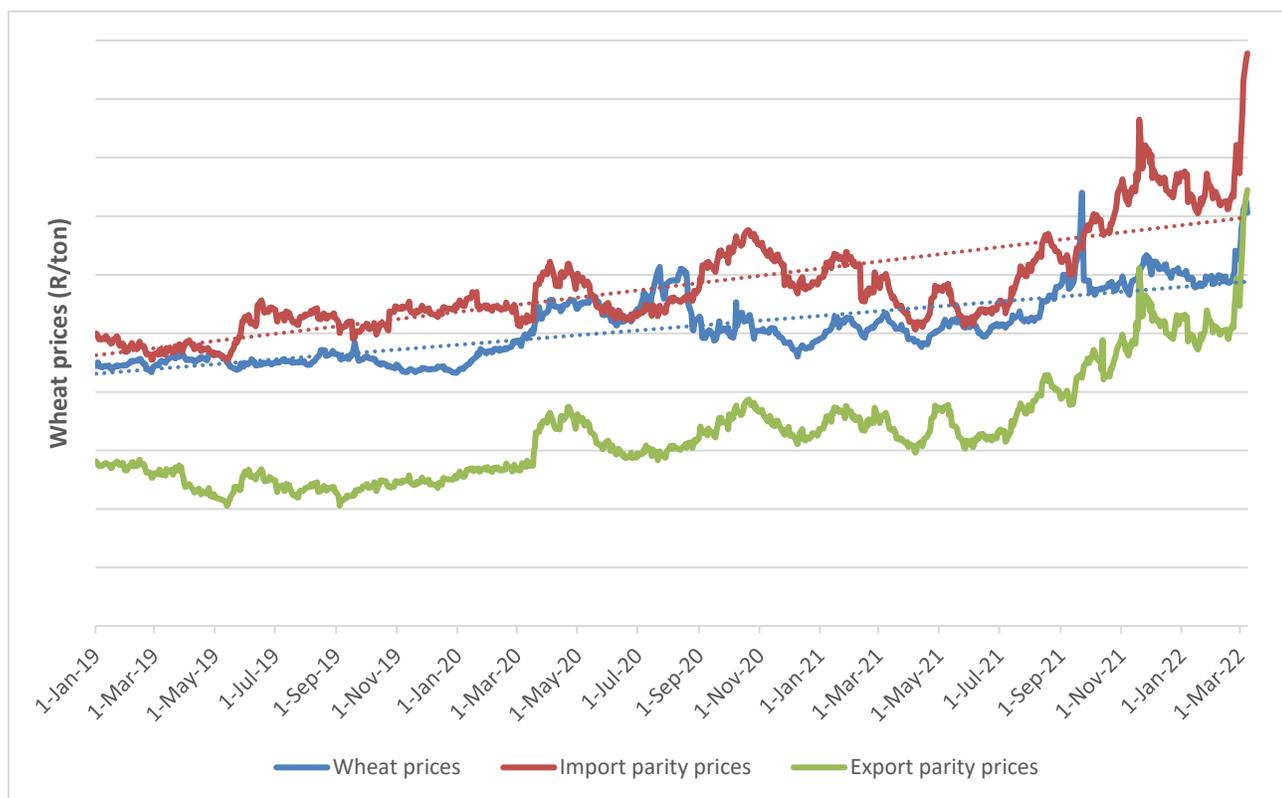
Table 11: Local Prices for Wheat

Commodity	Futures prices (year/month)				
	2022/03	2022/05	2022/07	2022/09	2022/12
Wheat	R7,059/t (\$463/t)	R7,059/t (\$463/t)	R7,071/t (\$463/t)	R6,930/t (\$454/t)	R6,600/t (\$432/t)

Source: GrainSA (as of 03/08/2022)

Note: US\$1 = Rand 15.26

Figure 8: The Trend in the Local Price for Wheat since January 2019



Source: GrainSA

Table 12: Wheat Production, Supply and Distribution

Wheat Market Begin Year South Africa	2020/2021 Oct-20		2021/2022 Oct-21		2022/2023 Oct-22	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	510	510	524	524	0	575
Beginning Stocks	471	471	455	567	0	639
Production	2120	2120	2257	2257	0	2100
MY Imports	1662	1669	1900	1650	0	1650
TY Imports	1774	1774	1700	1650	0	1650
TY Imp. from U.S.	35	35	0	0	0	0
Total Supply	4253	4260	4612	4474	0	4389
MY Exports	118	118	160	200	0	200
TY Exports	122	122	160	200	0	200
Feed and Residual	30	50	30	50	0	50
FSI Consumption	3650	3525	3800	3585	0	3645
Total Consumption	3680	3575	3830	3635	0	3695
Ending Stocks	455	567	622	639	0	494
Total Distribution	4253	4260	4612	4474	0	4389
Yield	4.16	4.16	4.31	4.31	0	3.65

(1000 HA), (1000 MT), (MT/HA)

RICE

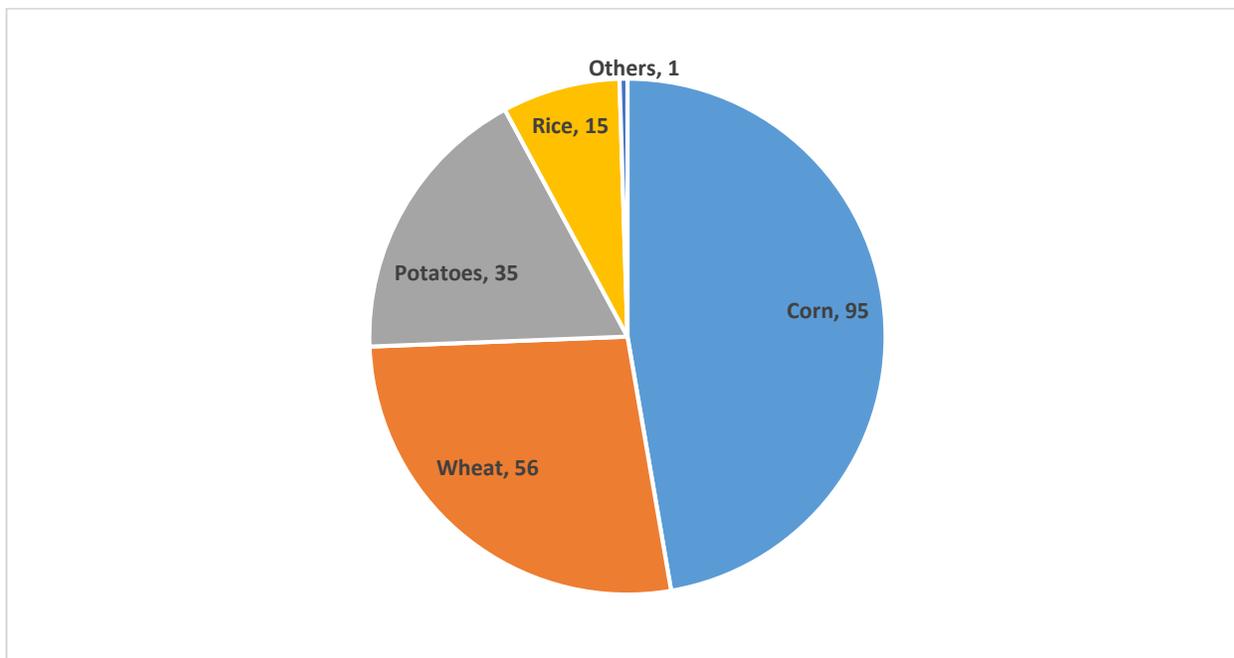
Production

In general, South Africa is a water-scarce country and as a result rice production is insignificant. Therefore, South Africa is dependent on duty free rice imports to meet the local demand.

Consumption

Corn, in the form of a meal, wheat products, potatoes and rice are the four major starches for human consumption in South Africa. The annual per capita consumption of corn is the highest at 95kg/person, followed by wheat (56kg/person), potatoes (35kg/person) and then rice (15kg/person) (see also Figure 10). However, in many households in South Africa, rice is the predominant food source of carbohydrates, especially amongst the local Indian population. More than 90 percent of rice consumed in South Africa is parboiled with the balance made up primarily of the Basmati variety.

Figure 10: The Annual Per Capita Consumption (Kg/person) of the Major Starches in South Africa

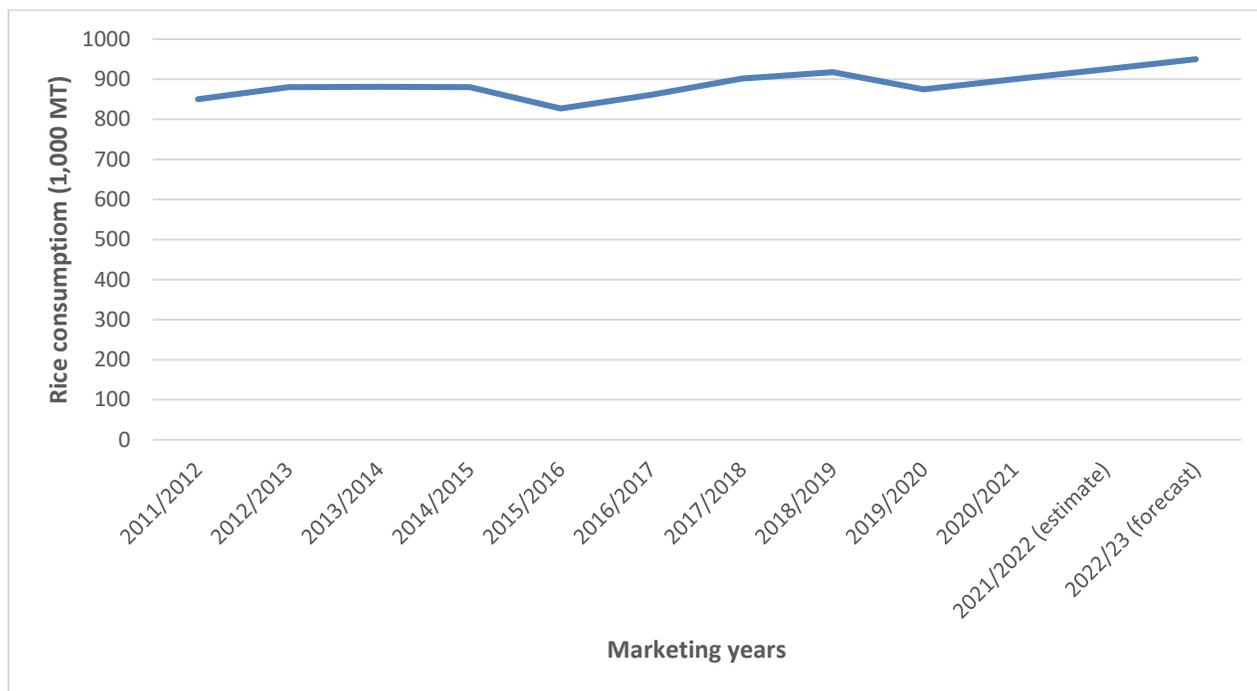


Source: Sagis, Department of Agriculture, Land Reform and Rural Development (Dalrrd)

Over the past 10 years, there were no major shifts in South Africa's demand for rice and the increases were generally marginal (see also Figure 11). Post foresees that the marginal increases in the demand for rice will continue in MY 2021/22 and MY 2022/23 to 925,000 MT and 950,000 MT, respectively (also refer to Table 13). South African consumers are currently facing a myriad of challenges, including high levels of unemployment, increased inflation, especially for food and fuel, and higher interest rates. In addition, South Africa's economic growth outlook over the medium term continues to be lackluster due to structural constraints, prevailing policy uncertainty and the remaining

consequences of the COVID-19 pandemic. As a result, major increases in the demand for rice is not foreseen. Corn and wheat demand is also relatively price inelastic, averting any major shifts in demand due to rising global prices. South Africa consumed 900,000 MT of rice in MY 2020/21, marginally more than the 875,000 MT consumed in MY 2019/20.

Figure 10: Trends in the Consumption of Rice in South Africa



Source: USDA

Table 13: The Consumption of Rice in South Africa

Marketing years	2020/21 (1,000 MT)	2021/22 (estimate) (1,000 MT)	2022/23 (forecast) (1,000 MT)
Consumption (Milled rice equivalent)	900	925	950

Source: Post estimates

Imports

South Africa’s rice imports are traditionally dominated by two countries, namely Thailand and India. Together, these two countries supply more than 90 percent of South Africa’s rice demand (see also Table 14). In MY 2022/23, South Africa’s rice imports are expected to increase by three percent to 1.08 MMT, due to a marginal increase in demand. In MY 2021/22, Post estimates South Africa will import about 1.05 MMT of rice. In the first eight months of MY 2021/22, South Africa already imported

742,000 MT of rice. Rice imports for MY 2020/21 totaled 1.02 MMT, an increase of six percent from the previous year.

Table 14: South Africa Imports of Rice (milled rice equivalent)

Countries	MY 2020/21 (May 1, 2020 – Apr 30, 2021) (1,000 MT)	MY¹ 2021/22 (May 1, 2021 – Apr 30, 2022) (1,000 MT)
Thailand	655	561
India	289	155
Others not Listed	77	26
Total	1,021	742

Source: Trade Data Monitor

Note: 1. Preliminary import data from May 1, 2021 to December 31, 2021

Exports

South Africa imports relatively small amounts of rice to re-export to neighboring countries, especially to Eswatini and Botswana. In MY 2020/21, South Africa exported 114,000 MT of rice to neighboring countries. Post estimates rice exports could increase marginally to 120,000 MT in MY 2021/22 and MY 2022/23.

Table 15: Wheat Production, Supply and Distribution

Rice, Milled Market Begin Year South Africa	2020/2021 May-20		2021/2022 May-21		2022/2023 May-22	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	25	25	25	31	0	36
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	990	1021	1000	1050	0	1080
TY Imports	1000	1000	1000	1050	0	1080
TY Imp. from U.S.	1	0	0	0	0	0
Total Supply	1015	1046	1025	1081	0	1116
MY Exports	115	115	115	120	0	120
TY Exports	125	125	115	120	0	120
Consumption and Residual	875	900	890	925	0	950
Ending Stocks	25	31	20	36	0	46
Total Distribution	1015	1046	1025	1081	0	1116

(1000 HA), (1000 MT)

Attachments:

No Attachments