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South Africa - Republic of

Grain and Feed Update

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

Approved By:
Justina Torry
Prepared By:
Dirk Esterhuizen

Report Highlights:
South Africa should return to be a net exporter of corn in the 2016/17 MY of about 1.0 million tons on higher production. For the 2015/16 MY, post estimates that South Africa will have to import about 3.5 million tons of corn, as drought reduced normal corn production by more than 40 percent. In the 2014/15 MY, South Africa imported almost 2.0 million tons of corn to augment local production.

Post:
Pretoria

Executive Summary

The area to be planted with corn later in 2016, for the 2016/17 MY, will be influence in a positive manner by relatively high local corn price levels, due to the past dry season. Hence, post forecasts that around 2.8 million hectares of corn will be planted later in 2016, under normal climatic conditions, which is about 10 percent higher than the five year average in area planted. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2016/17 MY could reach 12.6 million tons. As a result, South Africa should return to be a net exporter of corn in the 2016/17 MY of about 1.0 million tons of corn.

Post increased its previous corn crop (including commercial and subsistence farming) estimate for the 2015/16 MY by 600,000 tons to 7.6 million tons on 2.2 million hectares after the Crop Estimates Committee released its sixth estimate for the South African corn crop. South Africa will have to import approximately 3.5 million tons of corn in the 2015/16 MY to meet local demand. So far, South Africa has imported 370,000 tons of corn mainly from Argentina (yellow corn) and Mexico (white corn).

US$1 = Rand 14.36 (7/26/16)

[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.

CORN

Production

The area to be planted with corn later in 2016, for the 2016/17 MY, will be influenced in a positive manner by relatively high local corn price levels, due to the past dry season. Local corn prices are expected to trade at import parity price levels for at least until next years' harvest season, giving farmers enough initiative to plant more fields of corn. Hence, post forecasts that around 2.8 million hectares of corn will be planted later in 2016, under normal climatic conditions, which is about 10 percent higher than the five year average in area planted. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2016/17 MY could reach 12.6 million tons.

The CEC released its sixth estimate for the 2015/16 MY corn crop on June 28. According to the CEC, South Africa's commercial corn crop is estimated at 7.2 million tons on 1.9 million hectares. The CEC also estimated the subsistence farmer's production at 435,740 tons on 266,130 hectares. This sets South Africa's total corn crop for the 2015/16 MY at 7.6 million tons on 2.2 million hectares, which is 29 percent lower than the 2014/15 MY's crop of 10.6 million tons and almost half that of the 2013/14 MY's crop of 15.0 million tons, illustrating the impact of the drought. White corn production is 35 percent lower than the previous season, while yellow corn production is 22 percent lower.

Given the above, post increased its previous total corn crop (including commercial and subsistence farming) estimate by 600,000 tons to 7.6 million tons on 2.2 million hectares (see also Table 1). According to the South African Grain Information Services (SAGIS) more than 5.0 million tons or almost 75 percent of the estimated corn crop has already been delivered to the commercial market.

The following table details area planted and production figures of commercial white corn and yellow corn as well as corn produced by subsistence farmers for the 2014/15 MY (actual), 2015/16 MY (estimate) and 2016/17 MY (forecast).

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

	Area	Yiel	Prod.	Area	Yiel	Prod	Area	Yiel	Prod.

	1,000ha	dt/ha	1,000t	1,000ha	dt/ha	.1,000t	1,000ha	dt/ha	1,000t
MY	**2014/15**			**2015/16**			**2016/17**		
Commercial corn									
White	1,448	3.3	4,735	1,015	3.1	3,100	1,700	4.1	6,900
Yellow	1,205	4.3	5,220	932	4.4	4,064	1,100	4.7	5,200
Sub Total	**2,653**	**3.8**	**9,955**	**1,947**	**3.7**	**7,164**	**2,800**	**4.3**	**12,100**
Subsistence corn									
White	280	1.6	443	191	1.5	286	200	1.5	300
Yellow	117	2.0	232	75	2.0	150	100	2.0	200
Sub Total	**397**	**1.7**	**675**	**266**	**1.6**	**436**	**300**	**1.7**	**500**
TOTAL	**3,050**	**3.5**	**10,630**	**2,213**	**3.4**	**7,600**	**3,100**	**4.1**	**12,600**

Source: SAGIS and CEC

Consumption

Post kept its previous forecasts of a three percent increase in the commercial demand for corn in the 2016/17 MY to 10.3 million tons, due to increased production, unchanged. Post expects that South Africa will use 4.9 million tons of corn for human consumption and 5.1 million tons of corn for animal feed, excluding corn utilized by the subsistence farming sectors and commercial on-farm usages. Post also kept its estimate for the commercial demand for corn in the 2015/16 MY unchanged at 10.0 million tons, as drought related high corn prices, corn availability and sluggish economic growth will impact negatively on an increased demand for corn.

The commercial consumption of corn in the 2014/15 MY was finalized by SAGIS. According to SAGIS the commercial consumption of corn increased by 2.5 percent from the 2013/14 MY's 10.3 million tons to 10.5 million tons. This is also five percent more than post's pervious consumption estimate of 10.0 million tons. However, there was, as expected, a three percent decrease in the human consumption of corn from 4.8 million tons to 4.7 million tons, due to relatively high white corn prices. Overall the consumption of white corn decrease by 27 percent from 5.9 million tons in the 2013/14 MY to 4.3 million tons in the 2014/15 MY, due to an almost 40 percent drop in production. On the other hand, commercial yellow corn consumption increased by 43 percent from the 2013/14 MY's 4.3 million tons to 6.2 million tons, as yellow corn is more readily available on the world markets for imports. The usage of corn for animal feed increased by 10 percent to 5.5 million tons and was mainly driven by an estimated four percent growth in the South African broiler industry (a major user of yellow corn as feed) and the lack of natural pastures, due to the drought, pressuring producers to buy extra feed for their animals.

Table 2 outlines the commercial consumption for white and yellow corn in South Africa for the 2014/15 MY (actual), 2015/16 MY (estimate) and 2016/17 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	**2014/15**			**2015/16**			**2016/17**		
Human	4,183	513	4,696	4,050	550	4,600	4,400	500	4,900
Animal	118	5,402	5,520	50	5,050	5,100	500	4,600	5,100
Other	46	248	294	100	200	300	100	200	300
TOTAL	**4,347**	**6,163**	**10,510**	**4,200**	**5,800**	**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

Under normal weather, South Africa should return to be a net exporter of corn in the 2016/17 MY on higher production. Post estimates South Africa could export about 1.0 million tons of corn in the 2016/17 MY.

For the 2015/16 MY, post estimates that South Africa will have to import about 3.5 million tons of corn, as the drought reduced normal corn production by more than 40 percent. Argentina is South Africa's most favorable trading partners in terms of yellow corn, while Mexico and the United States are preferred suppliers of white corn (see also Table 3). South Africa will continue exporting corn to its neighboring countries, which should amount to about 700,000 tons in the 2015/16 MY.

For the 2014/15 MY, South Africa imported almost 2.0 million tons of corn to augment local production. Most of the imports were yellow corn (1.9 million) and from Argentina (1.1 million tons) and Brazil (502,147 tons). South Africa also imported 102,179 tons of white corn, mainly from Mexico and the United States. South Africa continued to export corn to its neighboring countries, which amounted to about 693,428 tons in the 2014/15 MY (see also Table 3).

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

	2014/15 MY May 1, 2015 – Apr 30, 2016		2015/16 MY[1] May 1, 2016 – Apr 30, 2017	
	White corn	**Yellow corn**	**White corn**	**Yellow corn**
Export Destinations				
Botswana	155	62	36	15
Central African Republic	0	1	0	0
North Korea	0	5	0	2
South Korea	0	2	0	0
Lesotho	63	12	14	4
Mozambique	73	39	7	8
Namibia	105	43	9	3
Swaziland	33	54	5	12
Zimbabwe	44	2	36	11
TOTAL EXPORTS	**473**	**220**	**107**	**55**
Imports				
Argentina	0	1,124	0	275
Brazil	0	502	0	0
Mexico	51	0	73	0
Paraguay	0	213	0	0
Ukraine	0	27	0	0
United States	30	0	21	0
Zambia	21	0	0	0
TOTAL IMPORTS	**102**	**1,866**	**94**	**275**

Source: SAGIS

1. Preliminary export and import figures from May 1 to July 15, 2016

Prices

Currently, yellow corn prices are trading at import parity levels, due to the drought, and are mainly influenced by the corn price levels in the United States and the appreciation or depreciation of the rand. White corn prices are trading at a premium above import parity price levels, illustrating the scarcity of white corn on the world market. Local corn future prices as of 7/19/2016 are shown in Table 4. At that stage, white corn and yellow corn prices were trading, respectively, 36 percent and 17 percent higher than a year ago. Both white corn and yellow corn prices traded at historically high levels of R5,280/ton ($368) and R4,130/ton ($288), respectively, in mid-January 2016 (see also Figure 1 and Figure 2), when the rand depreciated to more than R16.50/US$ and the severity of the drought started to be realized by the role players in the South African grain industry. Local corn prices are expected to trade at import parity price levels, most probably until next years' harvest season.

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Table 4: Local prices for corn

	Futures prices (as of 7/19/2015)				
Commodity	**2016/07**	**2016/09**	**2016/12**	**2017/03**	**2017/05**
White corn	R4,443/t ($309/t)	R4,462/t ($311/t)	R4,495/t ($313/t)	R4,159/t ($290/t)	R3,184/t ($222/t)
Yellow corn	R3,307/t ($230/t)	R3,357/t ($234/t)	R3,421/t ($238/t)	R3,331/t ($232/t)	R3,088/t ($215/t)

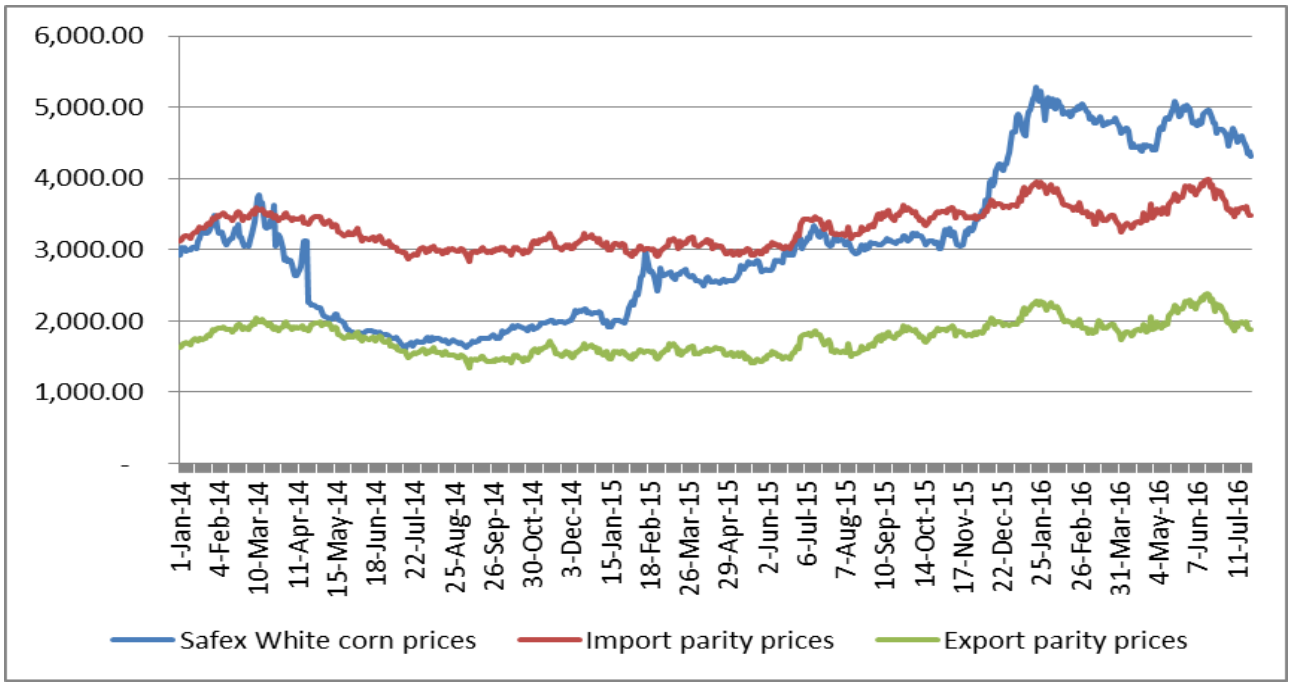

Figure 1: The trend in the SAFEX price for white corn since January 2014

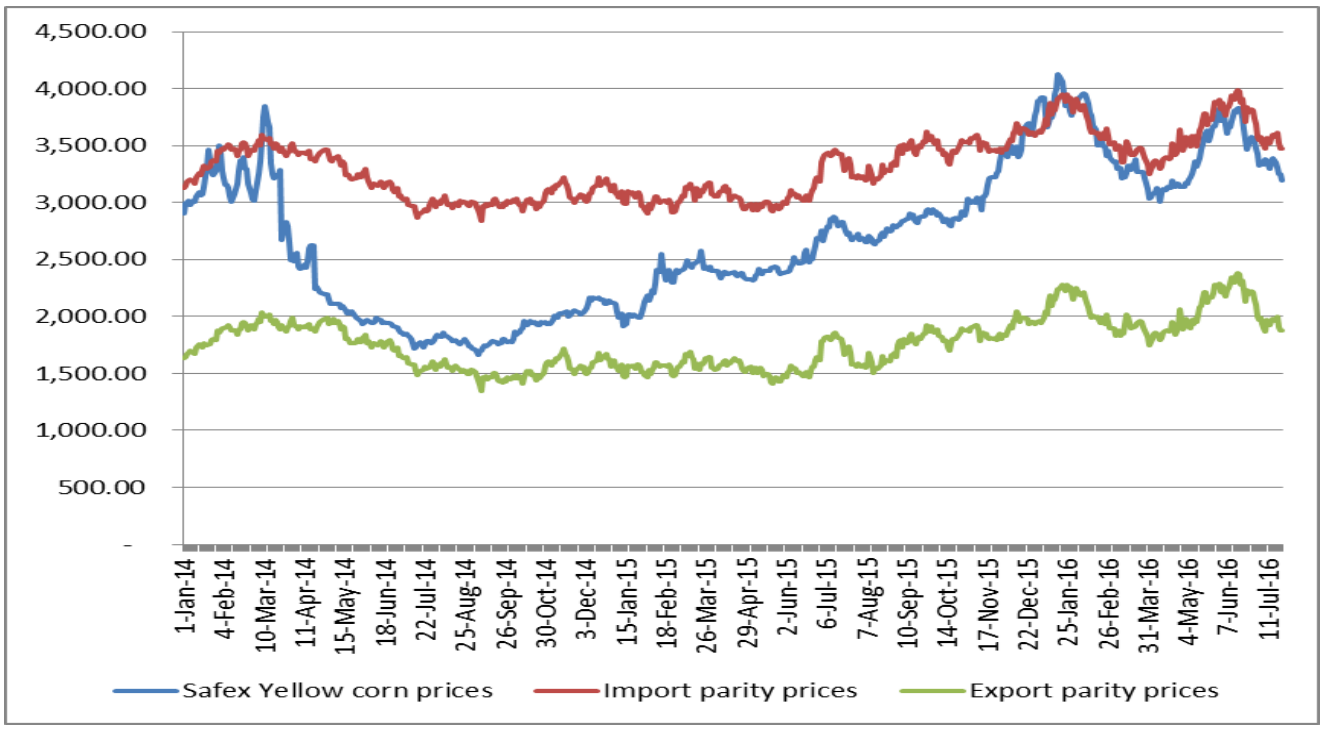

Figure 2: The trend in the SAFEX price for yellow corn since January 2014

Table 5: PS&D Table for Corn

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	May 2015		May 2016		May 2016	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3048	3050	1900	2213	3200	3200
Beginning Stocks	2198	2198	2410	2418	710	1818
Production	10629	10630	6500	7600	13000	12600
MY Imports	1972	1968	3500	3500	500	25
TY Imports	469	469	2700	2700	2500	2000
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	14799	14796	12410	13518	14210	14443
MY Exports	689	693	700	700	1500	1000
TY Exports	746	746	700	700	1300	800
Feed and Residual	6100	6150	5500	5700	5600	5700
FSI Consumption	5600	5535	5500	5300	5700	5600
Total Consumption	11700	11685	11000	11000	11300	11300
Ending Stocks	2410	2418	710	1818	1410	2143
Total Distribution	14799	14796	12410	13518	14210	14443
(1000 HA) ,(1000 MT)						