USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 2/1/2017
GAIN Report Number:

South Africa - Republic of

Grain and Feed Update

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

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Report Highlights:
The corn crop across South Africa is in fairly good condition. Favorable forecasts for follow-up rains over the next three weeks could further improve the crop. Hence, post kept its estimate for South Africa's total corn crop for the 2016/17 MY, including production from the subsistence farming sector, unchanged at 12.8 million tons. This means the 2016/17 MY corn crop could be almost 60 percent higher than the drought-reduced estimated corn crop of 8.0 million tons of the 2015/16 MY. Hence, South Africa should return to being a net exporter of corn in the 2016/17MY. All Genetically Engineered corn events that caused asynchrony with the United States were approved at the end of 2016. Imported grain from the United States can now make a difference in the food security status in southern Africa.

Post:
Pretoria

Executive Summary

The corn crop across South Africa is in fairly good condition. Favorable forecasts for follow-up rains over the next three week could further improve the crop. Hence, post kept its estimate for South Africa's total corn crop for the 2016/17 MY, including production from the subsistence farming sector, unchanged at 12.8 million tons. This means the 2016/17 MY corn crop could be almost 60 percent higher than the drought-reduced estimated crop of 8.0 million tons of the 2015/16 MY. As a result, South Africa should return to being a net exporter of corn in the 2016/17 MY. 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 3.0 million tons of corn due to the impact of the drought. So far in the 2015/16 MY, South Africa has already imported almost 1.2 million tons of yellow corn and 641,000 tons of white corn. On December 5, 2016, the Registrar of the GMO Act informed stakeholders that all corn Genetically Engineered (GE) events that caused asynchrony with the United States were approved by the Executive Council and the registrar invited applications for permits from importers. Due to asynchronous approvals, the United States was not allowed to export GE corn to be used for food and feed to South Africa. Imported grain from the United States can now make a difference in the food security status in southern Africa, which experienced the worst drought in history last year. Since the announcement about 46,000 tons of white corn from the United States where imported by South Africa. Import permits for another 900,000 tons of GE corn from the United States have been issued in December 2016 by the South African Department of Agriculture (DAFF).

US$1 = Rand 13.30 (01/25/17)

[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

There was good rainfall between October and December of last year in many of the areas in Southern Africa that were affected by the severe drought the previous season. As a result, the corn crop across South Africa is in fairly good condition. Favorable forecasts for follow-up rains over the next three weeks could further improve the crop. Hence, post kept its estimate for South Africa's total corn crop for the 2016/17 MY, including production from the subsistence farming sector, unchanged at 12.8 million tons. This means the 2016/17 MY corn crop could be almost 60 percent higher than the drought-reduced estimated crop of 8.0 million tons of the 2015/16 MY. Post forecasts that around 2.7 million commercial hectares of corn were planted in the 2016/17 MY, which is almost 40 percent higher than the area planted for the 2015/16 MY; the area planted in 2015 was reduced due to the drought.

The Crop Estimate Committee (CEC) will finalize the size of the 2015/16 MY commercial corn crop in early February. According to the South African Grain Information Services (SAGIS), 6.4 million tons of corn or 86 percent of the estimated commercial corn crop of 7.5 million tons has already been delivered to the market. Hence, post kept its estimate for South Africa's total corn crop (including commercial and subsistence farming) for the 2015/16 MY unchanged at almost 8.0 million tons on 2.2 million hectares, which is 25 percent lower than the 2014/15 MY's crop of 10.6 million tons. Commercial white corn production is estimated at 3.3 million tons, 32 percent lower than the previous season, while commercial yellow corn production is estimated at 4.3 million tons, and 18 percent lower than the previous season.

The following table details area planted and production figures for 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 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	**2014/15**			**2015/16**			**2016/17**		
Commercial corn									
White	1,448	3.3	4,735	1,015	3.2	3,254	1,600	4.1	6,600
Yellow	1,205	4.3	5,220	932	4.6	4,283	1,100	5.0	5,500
Sub Total	**2,653**	**3.8**	**9,955**	**1,947**	**3.9**	**7,537**	**2,700**	**4.5**	**12,100**
Subsistence corn									
White	280	1.6	443	191	1.5	286	300	1.6	500

Yellow	117	2.0	232	75	2.0	150	100	2.0	200
Sub Total	**397**	**1.7**	**675**	**266**	**1.6**	**436**	**400**	**1.7**	**700**
TOTAL	**3,050**	**3.5**	**10,630**	**2,213**	**3.6**	**7,973**	**3,100**	**4.1**	**12,800**

Source: SAGIS and CEC

Consumption

Post increased its estimate for the commercial demand for corn in the 2015/16 MY by two percent to 10.4 million tons after taking into consideration the current consumption information from SAGIS. Post increased the corn demand estimate for animal feed and human consumption, each by 100,000 tons to 5.2 million tons and 4.9 million tons, respectively. This means that the total demand for corn is expected to drop only marginally in the 2015/16 MY, from the 10.5 million tons of corn consumed in the 2014/15 MY, despite the higher drought-induced corn prices.

With higher rainfall leading to increased production and thus relatively lower corn prices, post forecasts a two percent increase in the commercial demand for corn in the 2016/17 MY to 10.6 million tons. Post expects that South Africa will use 5.0 million tons of corn for human consumption and 5.3 million tons of corn for animal feed, excluding corn utilized by the subsistence farming sectors and commercial on-farm usages.

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	515	4,698	4,300	600	4,900	4,500	500	5,000
Animal	118	5,402	5,520	50	5,150	5,200	500	4,800	5,300
Other	46	248	294	50	250	300	100	200	300
TOTAL	**4,347**	**6,165**	**10,512**	**4,400**	**6,000**	**10,400**	**5,100**	**5,500**	**10,600**

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

South Africa should return to being 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 3.0 million tons of corn, due to the impact of the drought. So far in the 2015/16 MY, South Africa has already imported almost 1.2 million tons of yellow corn, mainly from Argentina, and 641,000 tons of white corn, mainly from Mexico (see Table 3). On December 5, 2016, the Registrar of the GMO Act informed stakeholders that all corn GE events that caused asynchrony with the United States were approved by the Executive

Council and the registrar invited applications for permits from importers (also refer to the following GAIN report South African market opens up for United States corn). Due to asynchronous approvals, the United States was previously not allowed to export GE corn to be used for food and feed to South Africa. Imported grain from the United States can know make a difference in the food security status in southern Africa, which experienced the worst drought in history last year. Since the announcement, about 46,000 tons of white corn from the United States was imported by South Africa. Import permits for another 900,000 tons of GE corn from the United States have been issued in December 2016 by DAFF. The United States also exported 17,000 tons of non-GE white corn to South Africa in the beginning of the 2015/16 MY.

South Africa will continue exporting corn to its neighboring countries in the 2015/16 MY, which should amount to about 700,000 tons of exports. So far this marketing year, South Africa has exported 598,788 tons of corn to its neighboring countries.

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**	**Total**	**White corn**	**Yellow corn**	**Total**
Export Destinations						
Botswana	155	62	217	109	55	164
Central African Republic	0	1	1	0	0	0
North Korea	0	5	5	0	5	5
South Korea	0	2	2	0	0	0
Lesotho	63	12	75	68	12	80
Malawi	0	0	0	2	0	2
Mozambique	73	39	112	28	21	49
Namibia	105	43	148	47	11	58
Swaziland	33	54	87	40	51	91
Zimbabwe	44	2	46	73	76	149
TOTAL EXPORTS	**473**	**220**	**693**	**367**	**231**	**598**
Imports						
Argentina	0	1,124	1,124	0	998	998
Brazil	0	502	502	0	94	94
Mexico	51	0	51	580	0	580
Romania	0	0	0	0	18	18
Paraguay	0	213	213	0	0	0
Ukraine	0	27	27	0	72	72
United States	30	0	30	61	0	61
Zambia	21	0	21	0	0	0
TOTAL IMPORTS	**102**	**1,866**	**1,968**	**641**	**1,182**	**1,823**

Source: SAGIS

1. Preliminary export and import figures from May 1, 2016 to January 20, 2017

Prices

Local corn prices are trading at import parity levels indicating South Africa's corn shortage due to last season's drought. In the past three months, local yellow corn prices only changed marginally and are hovering around R3,200/ton ($240/ton). On the other hand, local white corn prices decreased by almost eight percent the last three months with most of the decline initiated after the announcement of the Registrar of the GMO Act on December 5, 2016, that all corn GE events that have been causing asynchrony with the United States have been approved. Since then local white corn prices dropped by more than R700/ton ($53/ton) (see also Figures 1 and Figure 2). Year-on-year local yellow corn and white corn prices are, respectively, 17% and 33% lower, indicating the better climatic conditions compared to the last season.

Table 4: Local prices for corn

	Futures prices (as of 10/18/2016)				
Commodity	**2017/01**	**2017/03**	**2017/05**	**2017/07**	**2017/09**
White corn	R3,375/t ($254/t)	R3,359/t ($253/t)	R2,425/t ($182/t)	R2,330/t ($175/t)	R2,377/t ($178/t)
Yellow corn	R3,202/t ($240/t)	R3,117/t ($234/t)	R2,402/t ($180/t)	R2,368/t ($178/t)	R2,412/t ($181/t)

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

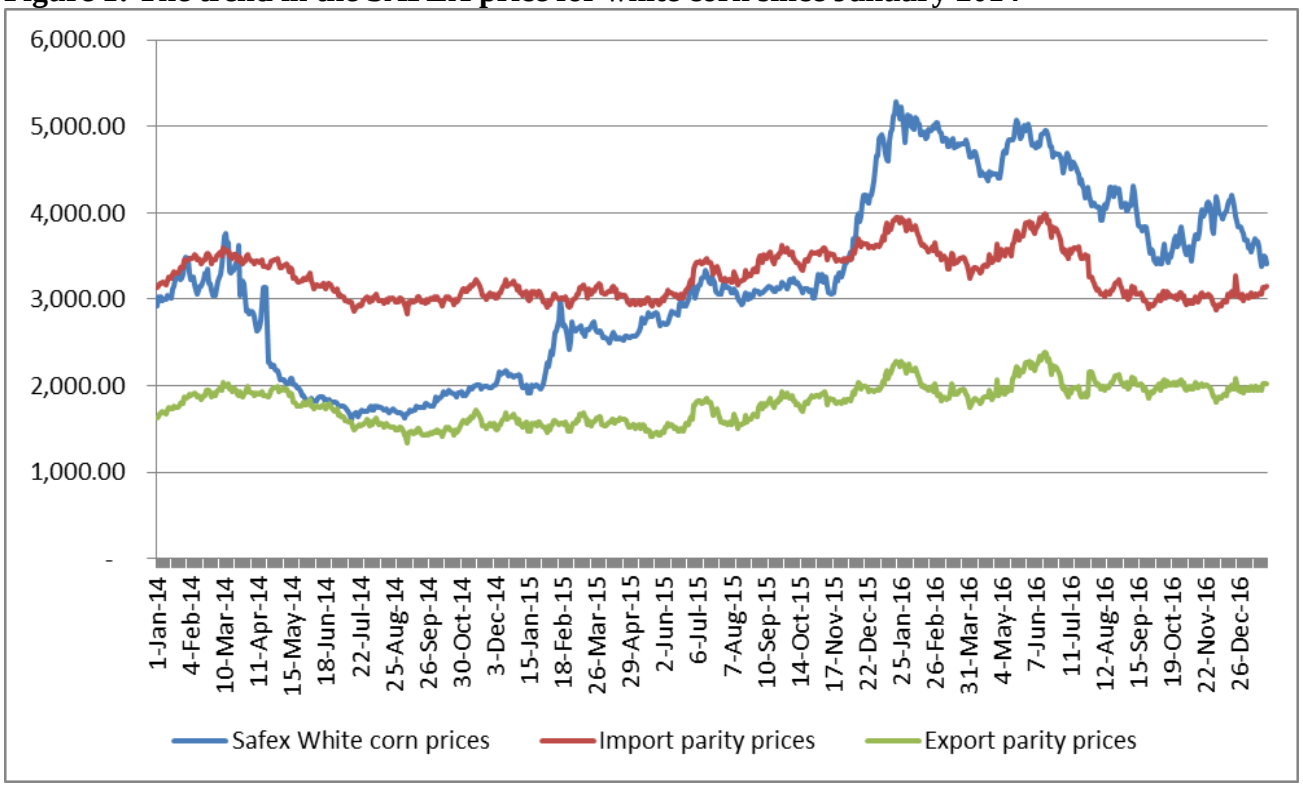

Figure 2: The trend in the SAFEX price for yellow corn since January 2014

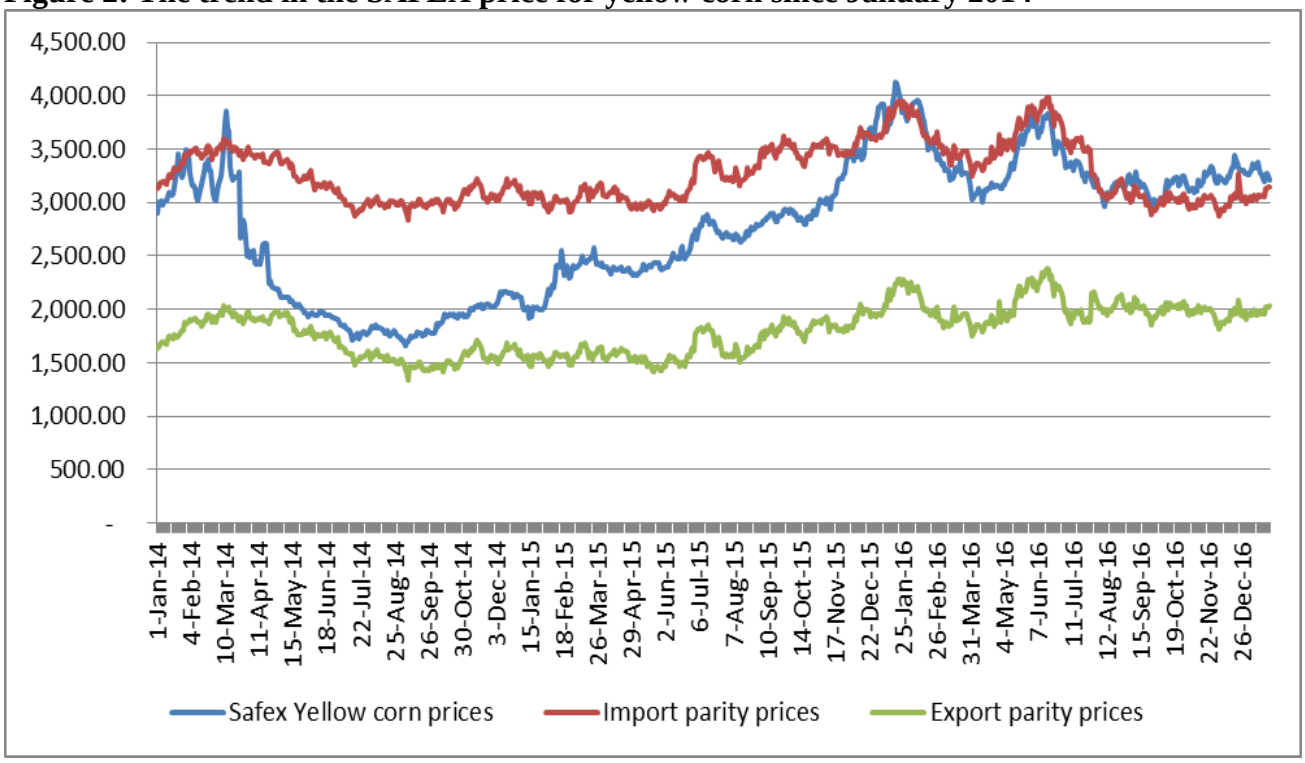

Table 5: PS&D Table for Corn

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	3048	2200	2213	3100	3100
Beginning Stocks	2198	2198	2448	2418	1348	1291
Production	10629	10630	7900	7973	13000	12800
MY Imports	1964	1968	3000	3000	500	25
TY Imports	469	469	2579	2579	2500	2000
TY Imp. from U.S.	2	2	110	110	0	0
Total Supply	14791	14796	13348	13391	14848	14116
MY Exports	693	693	800	700	1500	1000
TY Exports	746	746	759	759	1300	800
Feed and Residual	6150	6150	5700	5800	5600	5900
FSI Consumption	5500	5535	5500	5600	5700	5700
Total Consumption	11650	11685	11200	11400	11300	11600
Ending Stocks	2448	2418	1348	1291	2048	1516

Total Distribution	14791	14796	13348	13391	14848	14116
(1000 HA) ,(1000 MT)						