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South Africa - Republic of

Grain and Feed Update

Corn Quarterly Update

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Report Highlights:
The estimate for South Africa's total corn crop for the marketing year starting May 2010 and ending April 2011 has increased to 13.923 million tons, 10.7 percent more than the previous season. Local corn consumption is estimated at 10.1 million tons, which means South Africa will have approximately 4.0 million tons of surplus corn available. With South Africa's current infrastructure constraints and a corn export pool unlikely to happen, South Africa will be able to only export about 2.5 million tons of corn in the 2010/11 marketing year.

Post: Pretoria

Commodities: Corn

Executive Summary:

Summary

Post forecast that the area to be planted with corn later in 2010, for the marketing year beginning May 2011 through April 2012 (2011/12 marketing year for South Africa and split year 2010/11 in the PS&D table), will be around 2.6 million commercial hectares and 500,000 subsistence hectares. This will result in a total crop of about 12.5 million tons, based on average yields.

For the marketing year starting May 2010 through April 2011, (2010/11 marketing year for South Africa and split year 2009/10 in the PS&D table), commercial farmers planted 2.742 million hectares of corn, 12.9 percent more than the previous year. Corn area planted by subsistence farmers increased by 11.1 percent, from 468,683 hectares the previous season to 520,940 hectares. The estimated commercial corn crop for the 2010/11 marketing year is 13.317 million tons. This is 10.5 percent more than the 12.050 million tons in the previous season. The expected corn crop from subsistence farming is estimated at 605,864 tons, 17.2 percent more than the previous season. Therefore, South Africa's estimated total corn crop for MY2010/11 (split year 2009/10 in the PS&D table) is 13.923 million tons and is the second largest corn crop ever recorded in South Africa.

Local demand for corn is expected to grow to 10.1 million due to lower corn prices. Thus, this year's crop should create a 4 million ton surplus. Current infrastructure constraints and the unlikelihood of a corn export pool should limit MY2010/11 South African corn exports to 2.5 million tons of corn between May 2010 and April 2011, with the rest remaining in stock.

US$1 = Rand 7.35 (07/28/10)

Sources:

vw.sagis.org.za
vw.grainsa.co.za
vw.safex.co.za
vw.nda.agric.za

Author Defined:

Corn

Production

Post forecast that the area to be planted with corn later in 2010, for the marketing year that will start May 2011 and end April 2012 (2011/12 marketing year for South Africa and split year 2010/11 in the PS&D table) will be at the same level as this season. With the estimated decrease in wheat plantings (preliminary estimates are that it will be more than 10 percent) and the fact that corn's profitability per hectare is in most cases better compared to other crops, farmers will not decrease corn plantings despite lower prices. Hence, it is forecast that around 2.6 million commercial hectares and 500,000 subsistence hectares of corn will be planted later in 2010 under normal climatic conditions. This should yield a total crop of about 12.5 million tons, based on average yields.

The sixth commercial area and production estimate for the marketing year starting May 2010 and ending April 2011, (2010/11 marketing year for South Africa and split year 2009/10 in the PS&D table) was released by the Crop Estimate Committee (CEC) on July, 22. The CEC kept the area planted by commercial corn producers in South Africa unchanged at 2.742 million hectares, 12.9 percent more than the previous year. Producers planted 1.720 million hectares of white corn, 15.4 percent more than the previous season, and 1.023 million hectares of yellow corn, 8.9 percent more than the previous season.

Subsistence farmers also planted more hectares with corn compared to the previous season. Corn area planted for MY 2010/2011 by subsistence farmers increased by 11.1 percent from 468,683 hectares the previous season to 520,940 hectares for the marketing year starting May 2010 and ending April 2011. More than 70 percent or 371,861 subsistence hectares were planted with white corn and the rest, or 149,079 hectares, were planted with yellow corn. This brings the total hectares planted with corn in South Africa for the 2010/11 marketing year (split year 2009/10 in the PS&D table) to 3.263 million hectares of which 64 percent is white corn and 36 percent yellow corn.

The CEC increased their estimate for South Africa's commercial corn crop for the 2010/11 marketing year, starting May 2010 and ending April 2011, (split year 2009/10 in the PS&D table) to 13.317 million tons. This is 10.5 percent more than the 12.050 million tons of the previous season. The expected corn crop from subsistence farming is estimated at 605,864 tons, 17.2 percent more than the previous season. As a result, South Africa's total estimated corn crop for the 2010/11 marketing year (split year 2009/10 in the PS&D table) is 13.923 million tons. The 13.923 million tons is the second largest corn crop ever recorded in South Africa and the largest since the deregulation of the corn industry in the mid-nineties.

Commercial white corn production for the 2010/11 marketing year is estimated at 7.99 million tons, 18 percent more than the previous season, while commercial yellow corn production is estimated at 5.318 million tons, 0.8 percent more than the previous season. Subsistence white corn production is estimated at 421,969 tons, 11.4 percent more than the previous season. Subsistence yellow corn production is estimated at 183,895 tons, compared to the 138,057 tons of the previous season.

For the first two months of the 2010/11 marketing year (split year 2009/10 in the PS&D table), 4.733 million tons of white corn (or 60 percent of the expected crop) has been delivered by producers, of which 90 percent were first grade. For the same period, 3.187 million tons of yellow corn (also 60 percent of the expected crop) has been delivered, of which 83 percent were first grade.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast) marketing years.

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

	Area 000ha	**Yield t/ha**	**Prod. 000 t**	**Area 000ha**	**Yield t/ha**	**Prod. 000 t**	**Area 000ha**	**Yield t/ha**	**Prod. 000 t**
Marketing year	**2009/ 10**			**2010/ 11**			**2011/ 12**		
Commercial corn									
White	1.489	4.6	6.775	1.720	4.7	7.999	1.600	4.2	6.720
Yellow	939	5.6	5.275	1.023	5.2	5.318	1.000	5.2	5.240
TOTAL	2.428	5.0	12.050	2.742	4.9	13.317	2.600	4.6	11.960
Subsistence corn									
White	356	1.1	379	372	1.1	422	350	1.1	385
Yellow	112	1.2	138	149	1.2	184	150	1.2	180
TOTAL	469	1.1	517	521	1.2	606	500	1.1	565

Source: SAGIS and CEC

<u>Consumption</u>

In the 2010/11 marketing season (split year 2009/10 in the PS&D table) it is estimated that human (mainly white corn) and animal consumption (mainly yellow corn) of corn will increase from the previous marketing year, mainly due to relatively lower corn prices. According to the South African Grain Information Service (SAGIS), corn consumption for the 2009/10 marketing year (split year 2008/09 in the PS&D table) was 9.334 million tons. The increase in corn demand is expected to be 1.8 percent for human consumption and 2.3 percent for animal consumption. Hence, total commercial corn consumption is estimated at 9.505 million tons.

For the 2011/12 marketing year (split year 2010/11 in the PS&D table), corn for human consumption is expected to remain flat as in the 2010/11 marketing year. Corn for feed purposes is, however, expected to increase. As general economic conditions improve consumers will substitute corn products for wheat products or other starches and consume more meat. The South African economy [as measured by the Gross domestic Product (GDP)] is expected to grow by 2.9 percent in 2010, 3.0 percent in 2011 and by 4.0 percent in 2012. Total commercial corn consumption for the 2011/12 marketing year is expected to be around 9.750 million tons, with 4.600 million tons used in products for human consumption and 4.400 million tons used for animal feed. Please note that consumption figures in the PS&D table include corn utilized by the subsistence farming sectors.

The following table outlines the commercial consumption for white and yellow corn for the 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast) marketing years.

Table 2: The commercial consumption of white and yellow corn in South Africa

CORN 000 t	**White**	**Yellow**	**Total**	**White**	**Yellow**	**Total**	**White**	**Yellow**	**Total**
Marketing year	**2009/ 10**			**2010/ 11**			**2011/ 12**		
Human	4.132	346	4.478	4.210	350	4.560	4.250	350	4.600
Animal	362	3.739	4.101	295	3.900	4.195	200	4.200	4.400
Other	211	544	755	210	540	750	200	550	750
TOTAL	4.705	4.629	9.334	4.715	4.790	9.505	4.650	5.100	9.750

Source: SAGIS, Grain SA

Trade

For the 2009/10 marketing year, from May 1, 2009 to April 30, 2010, South Africa exported 1.670 million tons of corn, mostly white corn (85 percent of corn exported). More than 50 percent of South Africa’s corn exports (852,312 tons) have gone to Kenya in the 2009/10 marketing year, which has been severely hit by a drought that has left a third of its population in need of food aid.

Following Kenya as major destinations for South African corn exports were Botswana (171,576 tons), Mozambique (133,537 tons) and Lesotho (117,549 tons). In fact, 95 percent of South African corn exports in the 2009/10 marketing year were destined for countries in Africa. Table 3 indicates the destination of South Africa’s corn exports.

With one of the largest corn crops ever produced in the country, South Africa will have approximately 4.0 million tons of corn available for exports in the current marketing years which started May 2010. This oversupply of corn has forced Grain SA (the representative body of grain farmers in South Africa) to look at the possibility of a corn export pool for South African corn producers. Grain SA sought to remove 3 million tons of surplus corn for export in order to strengthen domestic prices in South Africa. However, the Competition Commission indicated that the establishment of the proposed export pool would violate the South African Competition Act. The Competition Commission recommended that Grain SA apply for exemption from certain provisions of the Act. Grain SA accepted the Commission's finding and proceeded with the application for exemption. The exemption application process is expected to take several months to complete; making it doubtful the proposed export pool will be realized before the end of the current corn marketing season (See also http://fasintranetapps-gain.fas.usda.gov/Applications/FileDownLoad.aspx?FileID=4140)

With South Africa's current infrastructure constraints and the corn export pool unlikely to happen, post estimate that South Africa will export only about 2.5 million tons of corn between May 2010 and April 2011. This means South Africa will have approximately 5.5 million tons of corn carry-over stock available for the next marketing year.

Table 3: Export and Import Countries for white and yellow corn (1 000 tons)

Marketing year	**2009/10 (May 1, 2009 – April 30, 2010)**		**2010/11 (May 1, 2010 – July 16, 2010)**	
	White corn	**Yellow corn**	**White corn**	**Yellow corn**
Export Destinations				
Angola				
Botswana	144	28	34	3
Cameroon	1	2	4	
Chad	1		3	
Iran		37		
Kenya	837	15	28	
Kuwait		10		
Lesotho	114	3	24	1
Mauritius				
Madagascar	1	7		
Malaysia		42		
Malawi				
Mozambique	109	25	16	3
Namibia	76	25	6	5
Senegal		11		1
Seychelles		1		
Somalia				
Swaziland	24	52	3	9
Zimbabwe	101	4	21	
TOTAL EXPORTS	**1.408**	**262**	**139**	**22**
Import Suppliers				
Brazil		27		
TOTAL IMPORTS	**0**	**27**	**0**	**0**

Source: SAGIS

Prices

The SAFEX prices as of July 23, 2010 are shown in Table 4. The past few month's corn prices have moved in a narrow band and are approximately at the same levels as three months ago. Currently, white corn prices are at R1,107 per ton and yellow corn prices at R1,149 per ton. Local corn price are expected to stay at current levels due to the largest corn crop in South Africa since deregulation, high international corn stocks, and the relative strong rand exchange rate.

Table 4: SAFEX prices for corn

	SAFEX Futures prices (07/23/2010)				
Commodity	**2010/08**	**2010/09**	**2010/12**	**2011/03**	**2011/05**
White corn	R1107t ($151/t)	R1126/t ($153/t)	R1180/t ($161/t)	R1209/t ($164/t)	R1227/t ($167/t)
Yellow corn	R1149/t ($156/t)	R1170/t ($159/t)	R1219/t ($166/t)	R1251/t ($170/t)	R1265/t ($172/t)

PS&D Table

Corn South Africa	**2008/2009**			**2009/2010**			**2010/2011**		
	Market Year Begin: May 2009			**Market Year Begin: May 2010**			**Market Year Begin: May 2011**		
	USDA Official	**Old Post**	**New Post**	**USDA Official**	**Old Post**	**New Post**	**USDA Official**	**Old Post**	**New Post**
Area Harvested	2,896	2,897	2,896	3,250	3,263	3,263	3,000	3,100	3,100
Beginning Stocks	3,090	3,090	3,090	4,013	3,924	4,164	4,538	3,588	5,502
Production	12,567	12,567	12,567	14,000	13,709	13,923	12,500	12,525	12,500
MY Imports	27	27	27	25	25	25	25	25	25
TY Imports	27	27	27	25	25	25	25	25	25
TY Imp. from U.S.	2	0	2	0	0	0	0	0	0
Total Supply	15,684	15,684	15,684	18,038	17,658	18,112	17,063	16,138	18,027
MY Exports	1,671	2,000	1,670	2,500	4,000	2,500	2,500	2,500	2,500
TY Exports	2,111	2,500	2,111	2,000	4,000	2,000	2,500	2,500	2,500
Feed and Residual	4,400	4,200	4,250	5,000	4,370	4,400	5,000	4,580	4,600
FSI	5,600	5,560	5,600	6,000	5,700	5,710	6,000	5,735	5,715

Consumption									
Total Consumption	10,000	9,760	9,850	11,000	10,070	10,110	11,000	10,315	10,315
Ending Stocks	4,013	3,924	4,164	4,538	3,588	5,502	3,563	3,323	5,212
Total Distribution	15,684	15,684	15,684	18,038	17,658	18,112	17,063	16,138	18,027
Yield	4.	4.	4.3394	4.	4.	4.2669	4.	4.	4.0323