

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Grain and Feed Update

Corn plantings projected to decrease by 10 percent

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Report Highlights:

Due to relatively high stock levels that are suppressing local corn prices, Post estimates that South Africa's commercial corn producers will cut area by 10 percent to 2.1 million hectares in the 2018/19 MY. As a result, corn production and exports could drop to 12.0 million tons and 1.0 million tons, respectively. Post estimates that South Africa will export about 2.5 million tons of corn in the 2017/18 MY, drawing from a commercial crop of 12.9 million tons. Due to abundant local supplies, Post does not expect South Africa to be a market for United States corn exports in the current and the 2018/19 marketing years.

Post:

Pretoria

Executive Summary

Post estimates that South Africa's commercial corn producers will cut area by 10 percent to 2.1 million hectares in the 2018/19 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2018/19 MY could reach 12.0 million tons on 2.4 million hectares, which is 11 percent less than the corn crop of 13.5 million tons in the 2017/18 MY.

Post estimates that South Africa's corn exports will drop to normal levels of about 1.0 million tons in the 2018/19 MY, mainly due to a decrease in commercial production. Post estimates that South Africa will export about 2.5 million tons of corn in the 2017/18 MY, drawing from a commercial crop of 13.0 million tons and relatively large carry-over stock of 3.7 million tons from the 2016/17 MY. In the first 5 months of the 2017/18 MY, South Africa has already exported 1.4 million tons of corn mainly to Vietnam (582,348 tons), South Korea (209,542 tons), Japan (151,517 tons), Taiwan (106,398 tons) and Italy (99,450).

US\$1 = Rand 14.28 (10/22/18)

Marketing year (MY) – May to April

^[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 estimates that South Africa's commercial corn producers will cut area by 10 percent to 2.1 million hectares in the 2018/19 MY. Post estimates subsistence farmers would plant around 350,000 hectares of corn. Relatively large carry-over stocks from the 2016/17 MY and a commercial crop of 12.9 million tons in the 2017/18 MY is suppressing local corn prices which will continue past the 2018/19 MY's planting season. As a result, producers are projected to switch more corn fields to oilseeds, especially soybeans. In fact, Post estimates that a record area of 1.6 million hectares will be planted with oilseeds in South Africa in the 2018/19 MY, driven mainly by a 14 percent growth in the area planted with soybeans to 900,000 hectares. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2018/19 MY could decline to 12.0 million tons on 2.4 million hectares, which is 11 percent less than the corn crop of 13.5 million tons in the 2017/18 MY (also refer to Table 1).

On October 25, 2018, CEC released the results of the "intention to plant" survey. According to the CEC survey, commercial farmers indicated that they will plant 2.4 million hectares of corn in the 2018/19 MY, which is 17 percent higher than Post estimate. The intention by commercial farmers is to plant 1.3 million hectares of white corn and 1.1 million hectares of yellow corn. The preliminary area planted estimate for summer grains for the 2018/19 MY will only be released on January 29, 2018 by the CEC.

The CEC released its final production estimate for the 2017/18 MY summer crops on September 26, 2018. The CEC lowered the commercial corn crop by 2.1 percent or by almost 300,000 tons to 12.9 million tons to bring the estimate in line with physical deliveries. As a result, Post also lowered its estimate for South Africa's commercial corn crop to 12.9 million tons. This represents a drop of 23 percent from the 2016/17 MY's record commercial corn crop of 16.8 million tons (see also Table 1). However, 12.9 million tons is still almost 2.0 million tons higher than the expected commercial demand of 11.0 million tons in the 2017/18 MY (see also Table 2). The CEC estimates the commercial white corn crop at 6.8 million tons, 31 percent lower than the previous season's crop. The commercial yellow corn crop at 6.1 million tons is 11 percent lower than the previous season's crop.

The CEC also released the final production estimates for the subsistence farming sector's corn crop. According to the CEC subsistence farmers planted 314,835 hectares of corn in the 2017/18 MY, 14 percent less than the 366,650 hectares planted in the previous marketing year. Corn production by the subsistence sector is estimated at 593,975 tons, 19 percent lower than the 731,000 tons produced in the 2016/17 MY. This means the final estimate for South Africa's total corn crop for the 2017/18 MY is set at 13.5 million tons on 2.6 million hectares.

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 2016/17 MY (actual), 2017/18 MY (estimate), and 2018/19 MY (forecast).

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

	Area 1,000h a	Yiel d t/ha	Prod. 1,000 t	Area 1,000h a	Yiel d t/ha	Prod. 1,000 t	Area 1,000h a	Yiel d t/ha	Prod. 1,000 t
MY	2016/17			2017/18			2018/19		
<u>Commerci al corn</u>									
White	1,643	6.0	9,916	1,268	5.4	6,800	1,120	5.0	5,650
Yellow	986	6.9	6,904	1,051	5.8	6,130	970	5.9	5,750
Sub Total	2,629	6.4	16,820	2,319	5.6	12,930	2,090	5.5	11,400
<u>Subsistenc e corn</u>									
White	249	1.9	464	237	1.7	414	250	1.6	400
Yellow	118	2.3	266	78	2.3	180	100	2.0	200
Sub Total	367	2.0	730	315	1.9	594	350	1.7	600
TOTAL	2,996	5.9	17,550	2,634	5.1	13,524	2,440	4.9	12,000

Source: CEC

Consumption

Post estimates the 2018/19 MY's commercial demand for corn in South Africa at 11.2 million tons. This represents a 2.0 percent increase in the demand for corn from the previous season. South Africa's economic growth is expected to continue to be sluggish in the next two years, which would likely limit a substantial increase in the demand for corn. The human demand for corn, the staple food for many South Africans is expected to grow to 5.3 million tons. Corn usages for animal feed is expected to also increase by two percent to 5.7 million tons (also refer to Table 2).

Post kept the commercial demand for corn in the 2017/18 MY unchanged at 11.0 million tons. This figure represents an increase of 2.1 percent from the previous season's commercial consumption, mainly driven by relatively low local corn prices. Post expects 5.2 million tons of corn will be used for human consumption and 5.6 million tons will be milled for animal feed.

Table 2 outlines the commercial consumption for white corn and yellow corn in South Africa for the 2016/17 MY (actual), 2017/18 MY (estimate) and 2018/19 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	2016/17			2017/18			2018/19		
Human	4,500	534	5,034	4,600	550	5,150	4,700	550	5,250
Animal	2,062	3,366	5,428	2,100	3,450	5,550	650	5,000	5,650
Other	78	234	312	100	200	300	100	200	300
TOTAL	6,640	4,134	10,774	6,800	4,200	11,000	5,450	5,750	11,200

Source: SAGIS; Grain SA

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

Trade

Post estimates that South Africa's corn exports will drop to about 1.0 million tons in the 2018/19 MY, mainly due to a decrease of 12 percent in commercial production. Post estimates that South Africa will export about 2.5 million tons of corn in the 2017/18 MY, drawing on a commercial crop of 12.9 million tons and a relatively large carry-over stock from the 2016/17 MY.

In the first 5 months of the 2017/18 MY, South Africa already exported 1.4 million tons of corn consisting of 1.2 million tons of yellow corn and 165,418 tons of white corn. On average corn exports calculate to about 60,000 tons per week since May 2018. The major customers for South Africa's yellow corn are Vietnam (582,348 tons), South Korea (209,542 tons), Japan (151,517 tons), Taiwan (106,398 tons) and Italy (99,450). Most of the white corn was exported to Botswana (89,920 tons), Mozambique (26,305 tons) and Spain (17,576 tons).

Due to abundant local supplies of corn sustained through relatively large crops the past two seasons and carry-over stocks, Post does not expect South Africa to import corn in the current and the 2018/19 marketing years.

Table 3: South Africa's exports of white and yellow corn (1,000 tons)

	2016/17 MY			2017/18 MY ¹		
	May 1, 2017 – Apr 30, 2018			May 1, 2018 – Apr 30, 2019		
	White corn	Yellow corn	Total	White corn	Yellow corn	Total
Export Destinations						
Angola	0	2	2	0	0	0
Botswana	182	19	201	90	10	100
Italy	0	0	0	0	100	100
Kenya	247	0	247	0	0	0
Lesotho	75	2	77	16	4	20
Japan	0	766	766	0	152	152
Mozambique	67	22	89	26	14	40
Namibia	56	47	103	6	15	21
North Korea	0	3	3	0	2	2
Qatar	0	5	5	0	0	0
South Korea	0	212	212	0	210	210
Spain	88	0	88	18	0	18
Swaziland	27	84	111	10	43	53
Taiwan	0	262	262	0	106	106
Uganda	25	0	25	0	0	0
Venezuela	32	0	32	0	0	0
Vietnam	0	55	55	0	582	582
Zimbabwe	11	1	12	0	0	0
TOTAL EXPORTS	810	1,480	2,290	166	1,238	1,404

Source: SAGIS

Note: 1. Preliminary export and import data from May 1, 2018 to October 5, 2018

Prices

Local corn prices are still trading close to export parity levels due to the oversupply in the domestic market. However, export parity prices increased by almost 20 percent since mid-July due to an increase in global corn prices (see also Figure 2 and Figure 3). South Africa's corn market is operating in a free market structure with international prices as well as local factors impacting on domestic prices. On October 16, 2018, local yellow corn was trading at R2,413 per ton (\$169/ton) and white corn at R2,372 per ton (\$166/ton) (see also Table 4). With the oversupply of corn in the local market, corn prices are likely to trade close to export parity levels for the remainder of 2018.

Table 4: Local corn prices

	Futures prices (as of 10/16/2018)				
Commodity	2018/10	2018/12	2019/03	2019/05	2019/07
White corn	R2,372/t (\$166/t)	R2,409/t (\$169/t)	R2,467/t (\$173/t)	R2,501/t (\$175/t)	R2,549/t (\$179/t)
Yellow corn	R2,413/t (\$169/t)	R2,453/t (\$172/t)	R2,506/t (\$175/t)	R2,500/t (\$175/t)	R2,531/t (\$177/t)

Source: Safex

Note: US\$1 = Rand 14.28 (10/22/18)

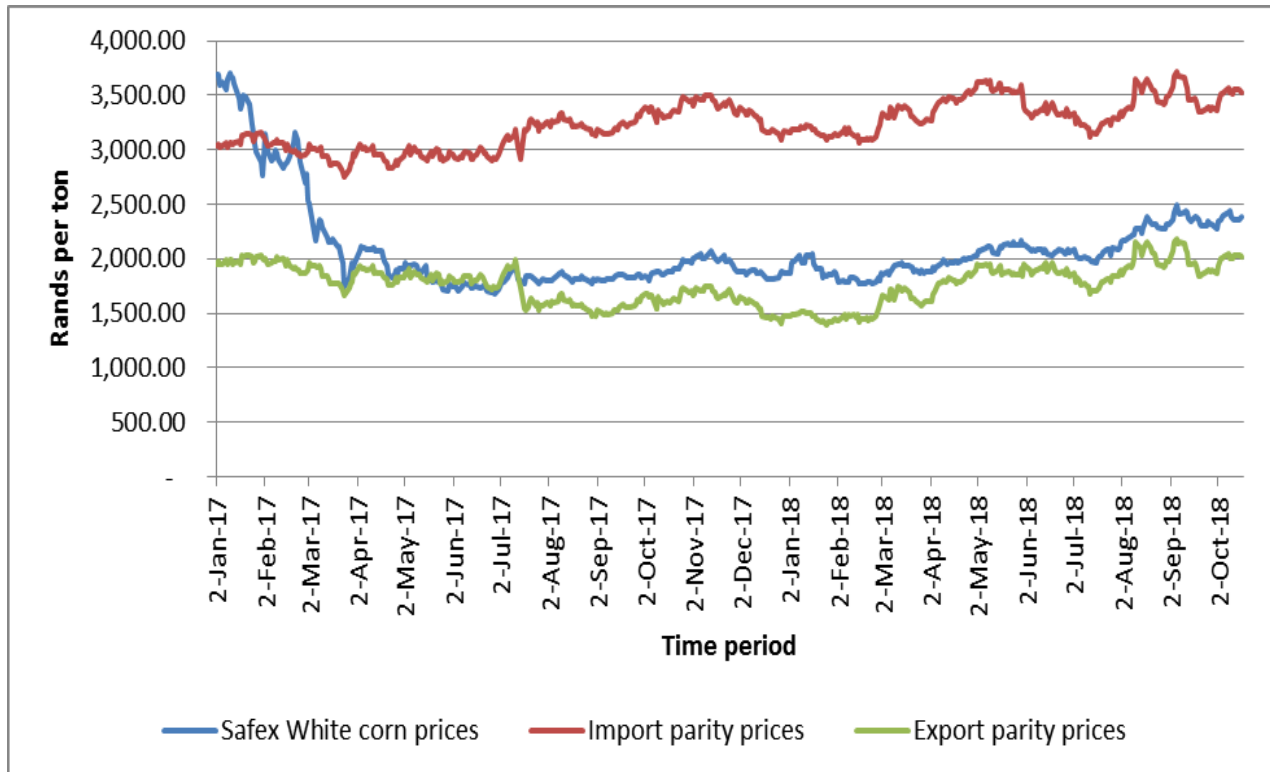


Figure 2: The trend in the SAFEX price for white corn since January 2017

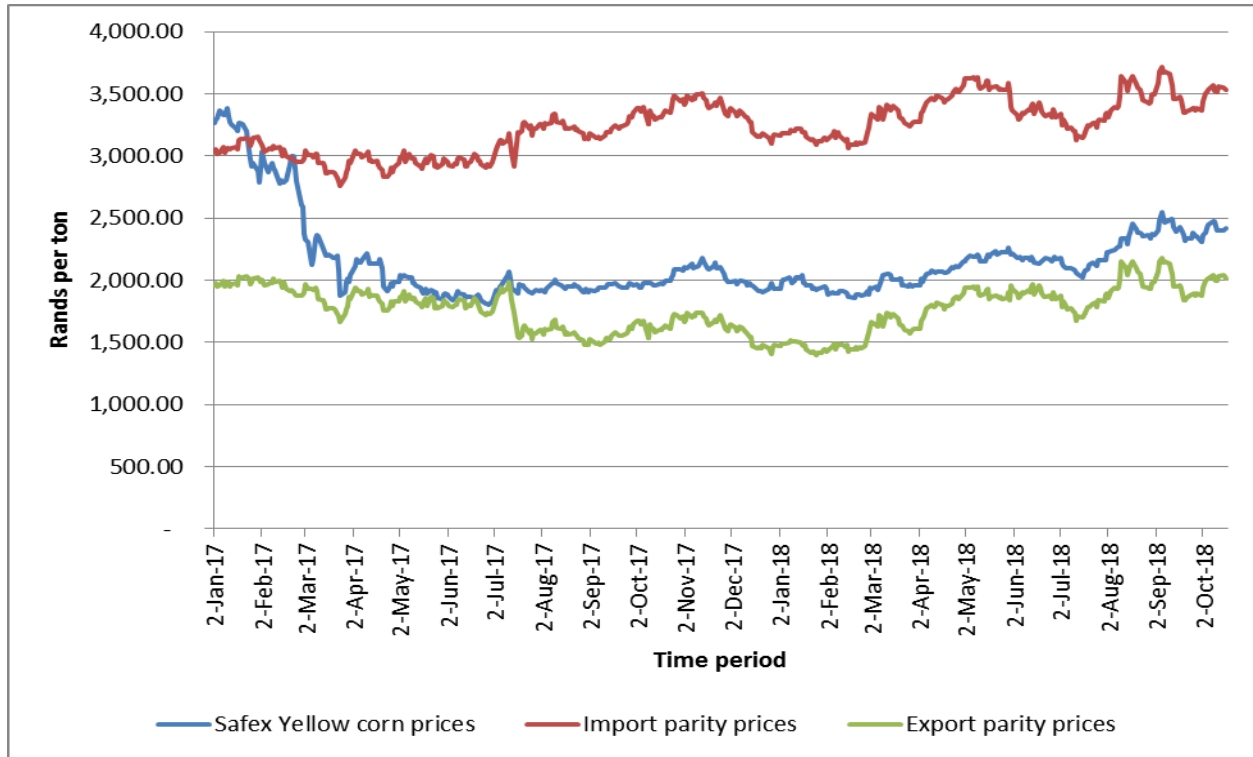


Figure 3: The trend in the SAFEX price for yellow corn since January 2017

Table 5: PS&D Table for Corn

Corn Market Begin Year South Africa	2016/2017		2017/2018		2018/2019	
	May 2017		May 2018		May 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2996	2996	2634	2634	2600	2440
Beginning Stocks	1096	1096	3695	3756	2620	2580
Production	17551	17550	13525	13524	13000	12000
MY Imports	0	0	0	0	0	0
TY Imports	1231	1231	5	0	0	0
TY Imp. from U.S.	284	284	0	0	0	0
Total Supply	18647	18646	17220	17280	15620	14580
MY Exports	2289	2290	2300	2500	1900	1000
TY Exports	1816	1816	2100	1900	1900	1000
Feed and Residual	7463	6800	6400	6400	6600	6500
FSI Consumption	5200	5800	5900	5800	6000	5900
Total Consumption	12663	12600	12300	12200	12600	12400
Ending Stocks	3695	3756	2620	2580	1120	1180
Total Distribution	18647	18646	17220	17280	15620	14580
Yield	5.8581	5.8578	5.1348	5.1344	5	4.918

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