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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:

Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's total corn crop for the 2016/17 MY could reach 12.8 million tons. Hence, South Africa should return to be a net exporter of corn of about 1.0 million tons. The final estimate for the 2015/16 MY corn crop was set at 8.0 million tons, almost 40 percent tons lower than South Africa's normal corn production due to the drought. As a result, South Africa will have to import about 3.0 million tons of corn in the 2015/16 MY. Due to the slow pace of approval by the South African government, the United States is still not allowed to export Genetically Engineered corn to be used for feed and food to South Africa.

Post:

Pretoria

Executive Summary

The area to be planted with corn in 2016, for the 2016/17 MY¹, will be influence in a positive manner by relatively high local corn price levels. In addition widespread rain has fallen in the corn producing areas of the country the past week, enabling farmers on the eastern side to start planting corn within the optimum planting window. Hence, post forecasts that around 2.7 million commercial hectares of corn will be planted in 2016, which is about ten percent higher than the ten year average in area planted and almost 40 percent higher than the drought reduced area that was planted in the 2015/16 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's total corn crop for the 2016/17 MY could reach 12.8 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.

The Crop Estimates Committee (CEC) increased the 2015/16 MY commercial corn crop by three percent in their final estimate to 7.5 million tons. The CEC kept the estimate for subsistence farmers unchanged at 435,740 tons. This sets South Africa's total corn crop for the 2015/16 MY 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 due to the impact of the drought. As a result, post estimates that South Africa will have to import about 3.0 million tons of corn in the 2015/16 MY. So far in the 2015/16 MY, South Africa has already imported almost 800,000 tons of yellow corn, mainly from Argentina, and 335,000 tons of white corn, mainly from Mexico. Due to the slow pace of approval by the South African government, the United States is still not allowed to export Genetically Engineered (GE) corn to be used for food and feed to South Africa.

US\$1 = Rand 13.80 (10/26/16)

^[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

| | | | | | | 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 10.2 million tons after taking into consideration the current consumption information from Sagis. Post kept the corn consumption estimate for animal feed unchanged at 5.1 million tons, but increased the estimated demand for corn for human consumption by 200,000 tons to 4.8 million tons. This means that the total demand for corn is expected to drop by three percent in the 2015/16 MY, from the 10.5 million tons of corn consumed in the 2014/15 MY. The major reasons for the expected drop are the drought related higher corn prices and the sluggish economic growth that is impacting negatively on the demand for corn.

Post forecasts a three percent increase in the commercial demand for corn in the 2016/17 MY to 10.5 million tons, due to increased production. Post expects that South Africa will use 4.9 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 | 4,200 | 600 | 4,800 | 4,400 | 500 | 4,900 |
| Animal | 118 | 5,402 | 5,520 | 50 | 5,050 | 5,100 | 500 | 4,800 | 5,300 |
| Other | 46 | 248 | 294 | 50 | 250 | 300 | 100 | 200 | 300 |
| TOTAL | 4,347 | 6,165 | 10,512 | 4,300 | 5,900 | 10,200 | 5,000 | 5,500 | 10,500 |

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 climatic conditions, 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 3.0 million tons of corn, as the drought reduced normal corn production by almost 40 percent. So far in the 2015/16 MY, South Africa has already imported almost 800,000 tons of yellow corn, mainly from Argentina, and 335,000 tons of white corn, mainly from Mexico (see also Table 3). Due to the slow pace of approval by the South African government, the United States is still not allowed to export Genetically Engineered (GE) corn to be used for food and feed to South Africa. Although all of the GE events currently commercially produced in South Africa was developed in the United States, United States commercial corn cannot be exported to South Africa as South Africa and the United States are not synchronous in terms of certain GE event approvals for corn. According to the South African regulatory procedures, the application process for commodity import permits requires that the exporting country must have approved the same type and number of GE events that have been approved in South Africa. Post was hoping that the South African government would have approved all six outstanding events for commodity clearance, which would allow for the importation as food or feed, at their Executive Council meeting held in mid-September. However, only four of the events were approved at the meeting for commodity clearance. The Executive Council's next meeting is in November and indications are that the outstanding two events will then get commodity clearance approval.

South Africa will continue exporting corn to its neighboring countries in the 2015/16 MY, which should amount to about 700,000 tons. So far this marketing year, South Africa has exported 352,169 tons of corn to its neighboring countries.

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

| | 2014/15 MY | | | 2015/16 MY ¹ | | |
|-----------------------------------|----------------------------|--------------|--------------|----------------------------|-------------|--------------|
| | May 1, 2015 – Apr 30, 2016 | | | May 1, 2016 – Apr 30, 2017 | | |
| | White corn | Yellow corn | Total | White corn | Yellow corn | Total |
| <u>Export Destinations</u> | | | | | | |
| Botswana | 155 | 62 | 217 | 70 | 33 | 103 |
| Central African Republic | 0 | 1 | 1 | 0 | 0 | 0 |
| North Korea | 0 | 5 | 5 | 0 | 4 | 4 |
| South Korea | 0 | 2 | 2 | 0 | 0 | 0 |
| Lesotho | 63 | 12 | 75 | 49 | 9 | 58 |
| Malawi | 0 | 0 | 0 | 1 | 0 | 1 |
| Mozambique | 73 | 39 | 112 | 15 | 13 | 28 |
| Namibia | 105 | 43 | 148 | 25 | 6 | 31 |
| Swaziland | 33 | 54 | 87 | 26 | 29 | 55 |
| Zimbabwe | 44 | 2 | 46 | 46 | 25 | 71 |
| TOTAL EXPORTS | 473 | 220 | 693 | 232 | 119 | 351 |
| <u>Imports</u> | | | | | | |
| Argentina | 0 | 1,124 | 1,124 | 0 | 704 | 704 |
| Brazil | 0 | 502 | 502 | 0 | 94 | 94 |
| Mexico | 51 | 0 | 51 | 318 | 0 | 318 |
| Paraguay | 0 | 213 | 213 | 0 | 0 | 0 |
| Ukraine | 0 | 27 | 27 | 0 | 0 | 0 |
| United States | 30 | 0 | 30 | 17 | 0 | 17 |
| Zambia | 21 | 0 | 21 | 0 | 0 | 0 |
| TOTAL IMPORTS | 102 | 1,866 | 1,968 | 335 | 798 | 1,133 |

Source: Sagis

1. Preliminary export and import figures from May 1 to October 14, 2016

Prices

Local white corn and yellow corn prices have decrease by 25 percent since mid-June following the decrease in global corn prices and strengthening of the rand (see also Figure 1 and Figure 2). However, white corn and yellow corn prices are trading, respectively, 18 percent and 13 percent higher than a year ago. Local corn future prices as of 10/18/2016 are shown in Table 4. Yellow corn prices are trading at import parity levels, due to the drought, and are mainly influence by global corn prices levels and the appreciation or depreciation of the rand. White corn prices are trading at a premium above import parity price levels, illustrating the limits of white corn on the world market. Local corn prices are expected to still trade at import parity price levels in the near future.

Table 4: Local prices for corn

| | Futures prices (as of 10/18/2016) | | | | |
|-------------|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Commodity | 2016/10 | 2016/12 | 2017/03 | 2017/05 | 2017/06 |
| White corn | R3,514/t (\$254/t) | R3,518/t (\$255/t) | R3,420/t (\$247/t) | R2,730/t (\$197/t) | R2,669/t (\$193/t) |
| Yellow corn | R3,182/t (\$230/t) | R3,203/t (\$232/t) | R3,112/t (\$225/t) | R2,618/t (\$189/t) | R2,591/t (\$187/t) |

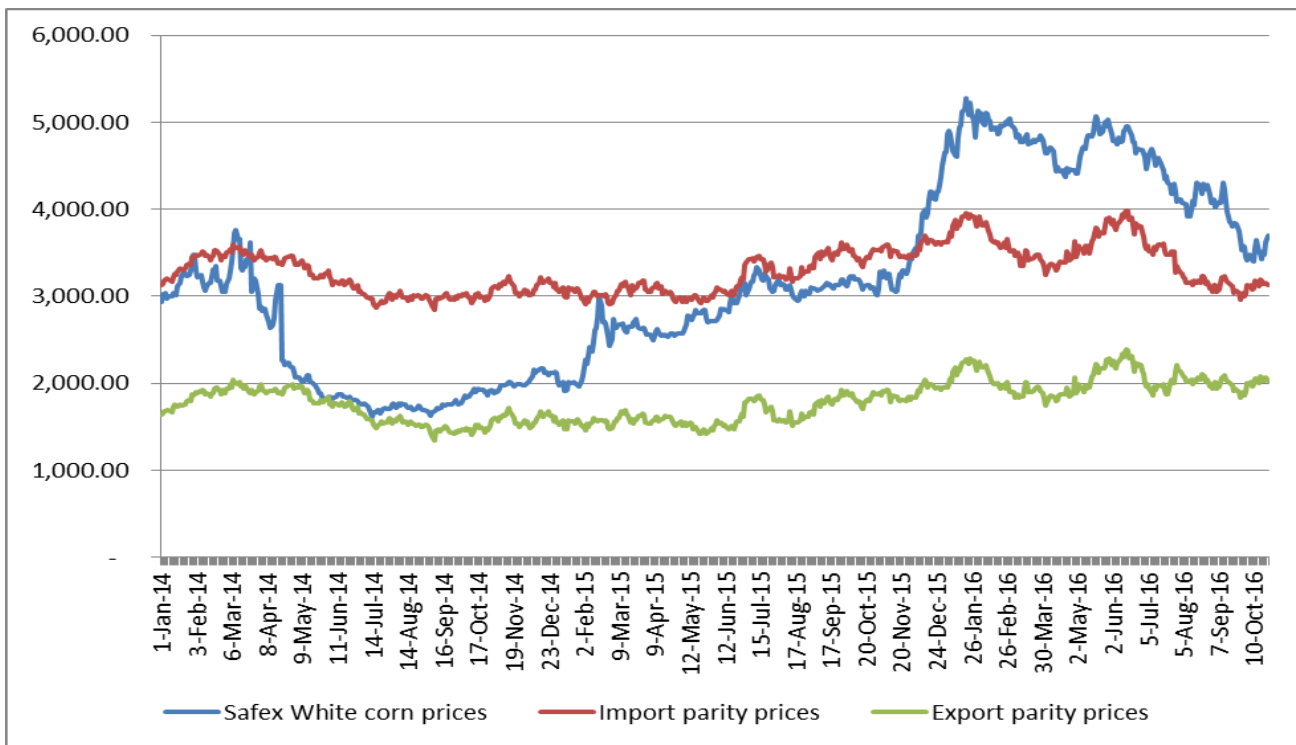


Figure 1: The trend in the SAFEX price for white corn since January 2014

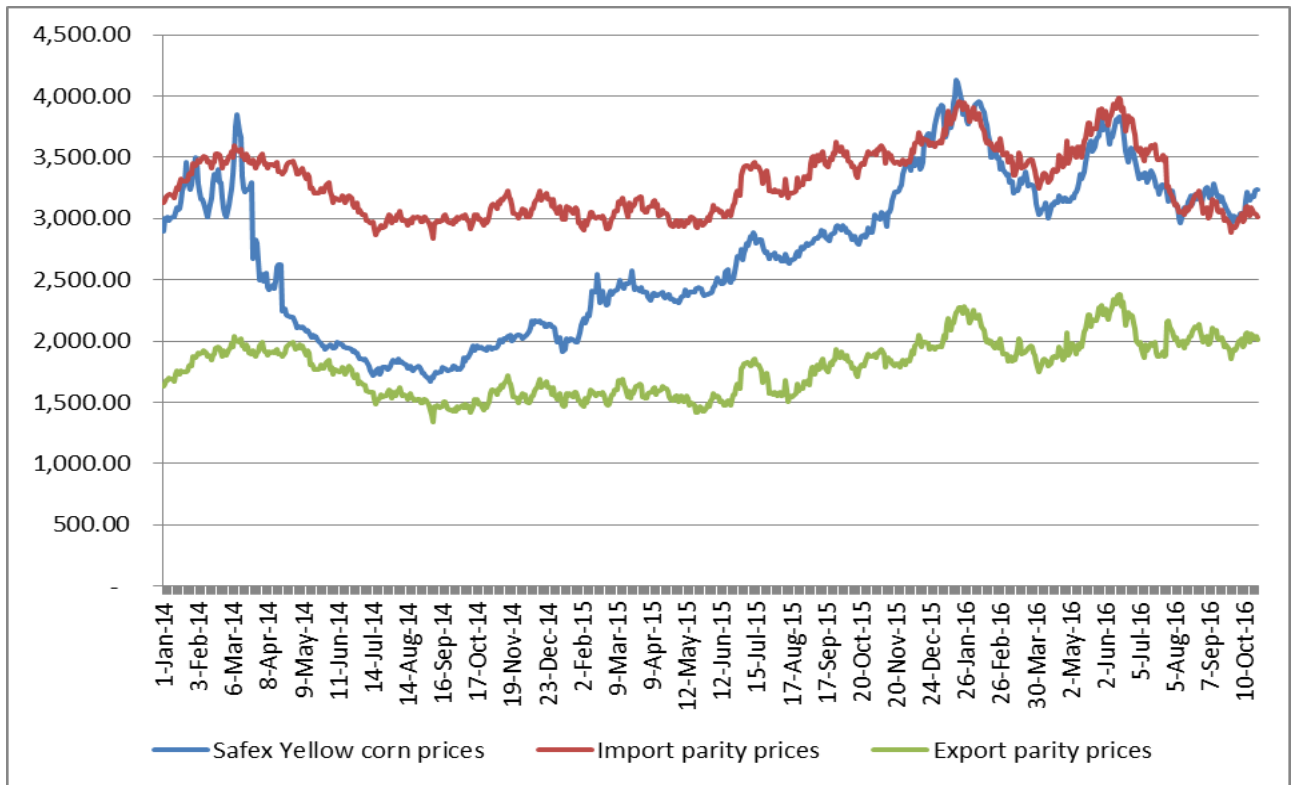


Figure 2: The trend in the SAFEX price for yellow corn since January 2014

Table 5: PS&D Table for Corn

| Corn Market Begin Year | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|---------------------------|---------------|----------|---------------|----------|---------------|----------|
| | May 2015 | | May 2016 | | May 2016 | |
| South Africa | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 3048 | 3050 | 2200 | 2213 | 3200 | 3100 |
| Beginning Stocks | 2198 | 2198 | 2448 | 2418 | 1448 | 1491 |
| Production | 10629 | 10630 | 7900 | 7973 | 13000 | 12800 |
| MY Imports | 1964 | 1968 | 3000 | 3000 | 500 | 25 |
| TY Imports | 469 | 469 | 2700 | 2700 | 2500 | 2000 |
| TY Imp. from U.S. | 2 | 2 | 0 | 0 | 0 | 0 |
| Total Supply | 14791 | 14796 | 13348 | 13391 | 14948 | 14316 |
| MY Exports | 693 | 693 | 700 | 700 | 1500 | 1000 |
| TY Exports | 746 | 746 | 750 | 700 | 1300 | 800 |
| Feed and Residual | 6150 | 6150 | 5700 | 5700 | 5600 | 5900 |
| FSI Consumption | 5500 | 5535 | 5500 | 5500 | 5700 | 5600 |
| Total Consumption | 11650 | 11685 | 11200 | 11200 | 11300 | 11500 |
| Ending Stocks | 2448 | 2418 | 1448 | 1491 | 2148 | 1816 |
| Total Distribution | 14791 | 14796 | 13348 | 13391 | 14948 | 14316 |
| | | | | | | |

(1000 HA) ,(1000 MT)

