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South Africa - Republic of

Grain and Feed Update

Tight supply of corn in Southern Africa after the impact of drought

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Report Highlights:

Post forecasts that South Africa could export about 1.0 million tons of corn in the 2019/20 MY, on increased production. On the other hand, post estimates South Africa will have to import about 500,000 tons of yellow corn in the 2018/19 MY to augment local production due to the impact of drought. The total commercial corn crop for the 2018/19 MY is estimated at 10.9 million tons, 13 percent less than the 2017/18 MY's corn crop of 12.5 million tons. However, South Africa is still in a position to supply 1.0 million tons of corn, mainly white corn, to its neighboring countries where import demand increased after the drought.

Executive Summary

Post forecasts that around 2.6 million hectares of corn will be planted by commercial producers later in 2019 for the 2019/20 MY, which is 13 percent higher than the area planted in the 2018/19 MY, driven mainly by increased local corn prices. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's total corn crop for the 2019/20 MY could reach 13.3 million tons, representing a 16 percent increase from the 2018/19 MY. As a result, South Africa should be able to export about 1.0 million tons of corn in the 2019/20 MY, mainly to its established markets in neighboring countries.

The South African Crop Estimates Committee (CEC) estimates the commercial corn crop for the 2018/19 MY at 10.9 million tons on 2.3 million hectares of planted area. This means the 2018/19 MY corn crop will be 13 percent lower than the 12.5 million tons produced in the 2017/18 MY, due to drought conditions that impacted negatively on yields. As a result, Post estimates South Africa will import about 500,000 tons of yellow corn in the 2018/19 MY to augment local production. On the other hand, Post estimates South Africa's corn exports could reach 1.0 million tons, mainly white corn, as demand for imports in the region increased after the drought. With expected lower domestic usage of white corn for animal feed and a carry-over stock of about 1.8 million tons, South Africa will have enough white corn available to meet local demand and exports. South Africa's exports markets will include Botswana, Lesotho, Eswatini (Swaziland), Namibia, Mozambique and Zimbabwe. In the 2017/18 MY, South Africa exported 2.1 million tons of corn consisting of 1.5 million tons of yellow corn and 544,000 tons of white corn

US\$1 = Rand 14.23 (7/09/2019)

^[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

For the 2019/20 MY, the commercial area to be planted with corn later in 2019 is projected to be influenced positively by relatively high local corn prices. Local white corn and yellow corn prices increased, year-on-year, by 38 percent and 27 percent, respectively. The increase in corn prices are mainly due to the 2018/19 MY's lower corn crop in South Africa, due to dry conditions, and late plantings in the United States, due to wet weather conditions that impacted international corn prices. South Africa's corn is traded in a relatively free market environment where local prices are determined by local and international supply and demand conditions as well as the exchange rate. Local corn prices are expected to trade at relatively high prices until planting season later in 2019, giving commercial producers enough incentive to plant more fields to corn. Hence, Post forecasts that around 2.6 million hectares of corn will be planted by commercial producers in the 2019/20, which is 13 percent higher than the area planted in the 2018/19 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's total corn crop for the 2019/20 MY could reach 13.3 million tons.

In terms of the 2018/19 MY, on June 26, 2019 the Crop Estimates Committee (CEC) released its fifth commercial production estimate for South Africa's summer rainfall crops. The CEC estimates the South African commercial corn crop for the 2018/19 MY at 10.9 million tons on 2.3 million hectares at a national average yield of 4.8 tons per hectare. This represents a positive progress in the corn crop size from the first estimate in February, when the crop was estimated at 10.5 million tons. Late summer rains that fell over most of the corn producing areas of South Africa were beneficial for the crop, especially for late planted corn in the Northwest province. However, the 2018/19 MY's commercial crop is still 13 percent lower than the 12.5 million tons produced in the 2017/18 MY, due to a climatically sub-optimal season that impacted negatively on yields. The CEC estimates the commercial white corn crop at 5.4 million tons, 17 percent lower than the 6.5 million tons produced in the previous season. The CEC estimates the commercial yellow corn crop at 5.4 million tons, 9 percent lower than the 6.0 million tons produced in the 2017/18 MY.

The CEC also released the production estimates for the subsistence farming sector's corn crop. According to the CEC, subsistence farmers planted 296,000 hectares of corn in the 2018/19 MY, 6 percent less than the 314,835 hectares planted in the previous marketing year. Corn production by the subsistence sector is estimated at 549,180 tons, 8 percent lower than the 593,975 tons produced in the 2017/18 MY. This means South Africa's total corn crop for the 2018/19 MY is estimated at 11.5 million tons on 2.6 million hectares, which is 12 percent less than the 2017/18 MY's corn crop of 13.1 million tons.

The following table details area planted, yield and production figures for commercial white corn and yellow corn as well as corn produced by subsistence farmers for the 2017/18 MY (actual), 2018/19 MY (estimate), and 2019/20 MY (forecast).

Table 1: Area planted, yield 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	2017/18			2018/19			2019/20		
Commercial corn									
White	1,268	5.2	6,540	1,300	4.2	5,448	1,500	4.5	6,700
Yellow	1,051	5.7	5,970	1,000	5.4	5,444	1,100	5.5	6,100
Sub Total	2,319	5.4	12,510	2,300	4.8	10,933	2,600	4.9	12,800
Subsistence corn									
White	237	1.7	414	221	1.7	380	200	1.5	300
Yellow	78	2.3	180	75	2.3	170	100	2.0	200
Sub Total	315	1.9	594	296	1.9	550	300	1.7	500
TOTAL	2,634	5.0	13,104	2,596	4.4	11,483	2,900	4.6	13,300

Source: CEC

Consumption

The consumption of corn in South Africa increased, on average, by about two percent per annum over the past ten years, mainly driven by population and economic growth. Post projects that this marginal increase in the demand for corn will continue in the 2019/20 MY to 11.2 million tons (also refer to Table 2). South Africa's economic growth is expected to continue to be sluggish in the next few years due to structural and policy constraints. The South African government estimates economic growth of less than two percent in 2020, which will limit an excessive increase in the demand for corn.

Post lowered its previous estimate for the commercial demand for corn in South Africa for the 2018/19 MY to 11.0 million tons. However, this still represents a one percent increase in the demand for corn from the previous season. The main reasons for estimating a marginal increase in demand for corn are weak economic growth and higher local corn prices. In the first quarter of 2019, South Africa recorded negative economic growth of 3.2 percent and white corn and yellow corn prices increased, year-on-year, by 38 percent and 27 percent, respectively. Post foresees a 15 percent drop in the consumption of white corn, due to an estimated 17 percent decrease in white corn production. This drop in the consumption of white corn will only be in the animal feed sector where more yellow corn will be used. Hence, Post predicts a 22 percent increase in the consumption of yellow corn in the 2018/19 MY. The main reason for the expected increase in the usage of yellow corn is its widespread availability in the global markets for imports, while access to white corn is limited. Traditionally, white corn is mainly consumed as food, whereas yellow corn is used as feed.

Post lowered the commercial demand for corn in the 2017/18 MY marginally to 10.9 million tons to

correlate with the final consumption figures released by the South African Grain Information Services (Sagis). This represent an increase of 3 percent from the previous year's corn consumption of 10.6 million tons. According to Sagis, 5.2 million tons of corn was used for human consumption and 5.5 million tons was milled for animal feed. Of the total commercial corn consumption, white corn represent 58 percent, mainly for human consumption, while yellow corn represent 48 percent, mainly for animal feed.

Table 2 outlines the commercial consumption for white corn and yellow corn in South Africa for the 2017/18 MY (actual), 2018/19 MY (estimate), and 2019/20 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	2017/18			2018/19			2019/20		
Human	4,594	567	5,161	4,650	550	5,200	4,750	550	5,300
Animal	1,677	3,830	5,507	700	4,850	5,550	900	4,750	5,650
Other	48	191	239	50	200	250	50	200	250
TOTAL	6,319	4,588	10,907	5,400	5,600	11,000	5,700	5,500	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

Under normal climatic conditions, Post estimates that South Africa should be able to export about 1.0 million tons of corn in the 2019/20 MY, mainly to its established markets in neighboring countries.

For the 2018/19 MY, Post estimates South Africa's corn exports could reach 1.0 million tons, mainly white corn, as demand for imports in the region increased after the drought. With expected lower usage of white corn for animal feed and a carry-over stock of about 1.8 million tons, South Africa will have enough white corn available to meet local demand and exports. South Africa's exports markets will include Botswana, Lesotho, Eswatini (Swaziland), Namibia, Mozambique and Zimbabwe. On the other hand, Post estimates South Africa will have to import about 500,000 tons of yellow corn to augment local production, as it is more available on the global markets.

In the 2017/18 MY, South Africa exported 2.1 million tons of corn consisting of 1.5 million tons of yellow corn and 544,000 tons of white corn (see also Table 3). The major customers for South Africa's yellow corn were Vietnam (691,000 tons), South Korea (215,000 tons), Japan (152,000 tons), Taiwan (106,000 tons) and Italy (100,000 tons). Most of the white corn was exported to Botswana (186,000 tons), Italy (91,000 tons) and Mozambique (75,000 tons). South Africa imported 172,000 tons of yellow corn from Argentina and Brazil in the 2017/18 MY, on the back of the lower corn crop in the 2018/19 MY.

Table 3: South Africa's exports and imports of white and yellow corn in the 2017/18 MY

	2017/18 MY	2018/19 MY ¹

	May 1, 2018 – Apr 30, 2019 (1,000 tons)			May 1, 2019 – Apr 30, 2020 (1,000 tons)		
	White corn	Yellow corn	Total	White corn	Yellow corn	Total
Export Destinations						
Botswana	186	42	197	28	13	41
Ethiopia	38	0	38	0	0	0
Ghana	0	20	20	0	0	0
Italy	91	100	190	0	0	0
Lesotho	53	11	50	3	0	3
Japan	0	152	152	0	0	0
Mozambique	75	34	92	10	7	17
Namibia	62	47	83	16	9	25
North Korea	0	10	4	0	3	3
South Korea	0	215	215	0	2	2
Spain	17	0	18	0	0	0
Eswatini (Swaziland)	22	98	100	5	12	17
Taiwan	0	106	106	0	0	0
Tanzania	0	0	0	13	0	13
Uganda	0	0	0	20	0	20
Vietnam	0	691	691	0	0	0
TOTAL EXPORTS	544	1,526	2,070	95	46	141
Imports						
Brazil	0	51	51	0	0	0
Argentina	0	121	121	0	66	0
TOTAL IMPORTS	0	51	172	0	66	66

Source: SAGIS

Note: 1. Preliminary export and import data from May 1, 2019 to June 21, 2019

Prices

Local white corn price increased by 38 percent year-on-year to R2,867/ton (\$201/ton) and yellow corn prices by 27 percent to R2,774/ton (\$195/ton), illustrating the tight supply of corn in the region after the impact of the drought. The uncertainties in the United States corn market also impacted local corn prices the past few weeks. Local corn prices are expected to trade at above export parity levels until planting season. However, the crop conditions in the United States, the local climatic conditions and the movements in the South African exchange rate, could impact the local corn prices over the next couple of months (see also Figure 1 and Figure 2).

Table 4: Local corn prices

	Futures prices (year/month)				
Commodity	2019/07	2019/09	2019/12	2020/03	2020/05
White corn	R2,867/t (\$201/t)	R2,920/t (\$205/t)	R3,002/t (\$211/t)	R3,014/t (\$212/t)	R2,835/t (\$199/t)
Yellow corn	R2,774/t (\$195/t)	R2,828/t (\$199/t)	R2,903/t (\$204/t)	R2,903/t (\$204/t)	R2,800/t (\$197/t)

Source: GrainSA (as of 07/02/2019)

Note: US\$1 = Rand 14.23 (07/09/2019)

Figure 1: The trend in the local price for white corn since January 2017



Figure 2: The trend in the local price for yellow corn since January 2017

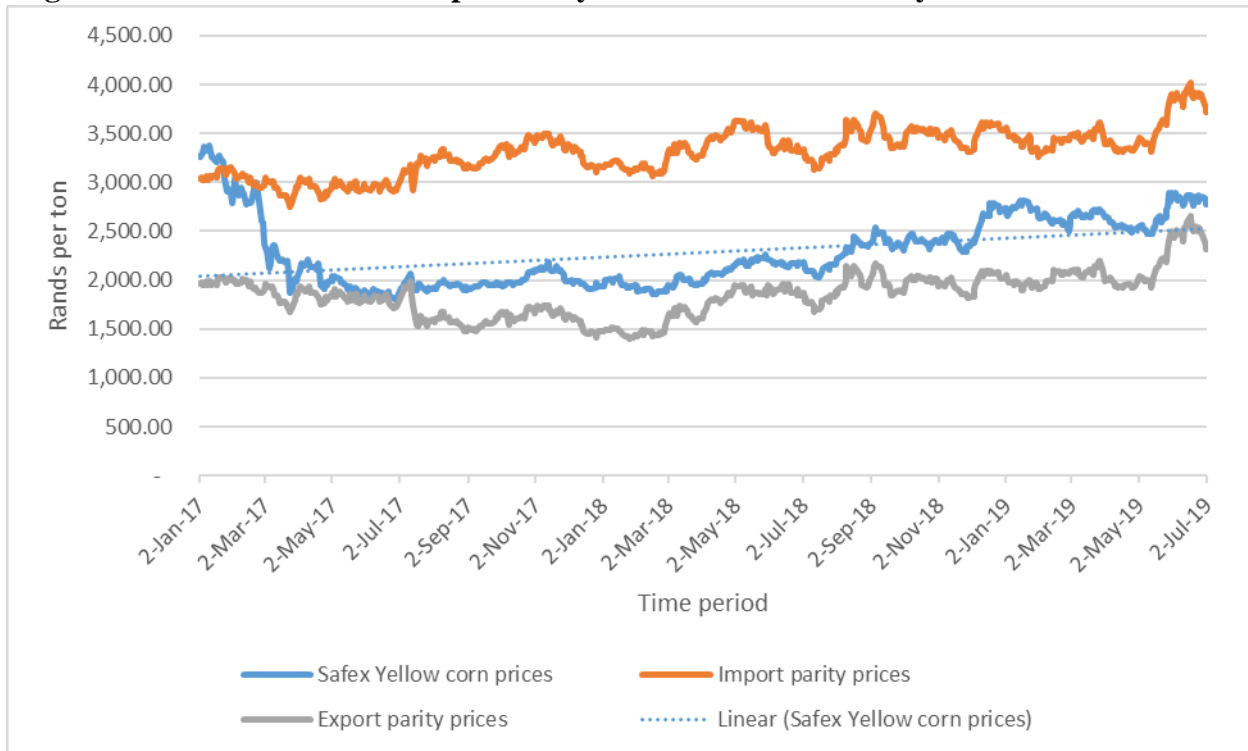


Table 5: PS&D Table for corn

Corn Market Begin Year	2017/2018		2018/2019		2019/2020	
	May 2018		May 2018		May 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
South Africa						
Area Harvested	2634	2634	2600	2596	2900	2900
Beginning Stocks	3695	3695	2672	2662	1972	1595
Production	13104	13104	11500	11483	14000	13300
MY Imports	172	172	1000	500	100	0
TY Imports	400	400	500	500	100	0
TY Imp. from U.S.	3	3	0	100	0	0
Total Supply	16971	16971	15172	14645	16072	14895
MY Exports	2069	2069	1000	1000	1500	1000
TY Exports	2361	2361	1600	1600	1500	1000
Feed and Residual	6830	6480	6500	6370	6600	6500
FSI Consumption	5400	5760	5700	5680	5700	5700
Total Consumption	12230	12240	12200	12050	12300	12200
Ending Stocks	2672	2662	1972	1595	2272	1695
Total Distribution	16971	16971	15172	14645	16072	14895
Yield	4.9749	4.9749	4.4231	4.4233	4.8276	4.5862

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