

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **South Africa - Republic of**

### **Grain and Feed Update**

#### **Corn plantings expected to decrease due to abundant corn stocks resulting in a drop in exports**

**Approved By:**

Kyle Bonsu

**Prepared By:**

Dirk Esterhuizen

**Report Highlights:**

South Africa's corn exports are projected to drop to 1.0 million tons in the 2018/19 MY, as post expects a decrease in commercial production, due to a cut in area planted. 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 13.2 million tons and relatively large carry-over stocks from the 2016/17 MY. 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, which is 13 percent less than the corn crop of 13.8 million tons in the 2017/18 MY.

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 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 above 13.0 million tons and relatively large carry-over stock of 3.7 million tons from the 2016/17 MY. In the first 9 weeks of the 2017/18 MY, South Africa already exported 544,411 tons of corn, mainly to South Korea, Vietnam, Taiwan and Italy. In the 2016/17 MY South Africa exported 2.3 million tons of corn.

US\$1 = Rand 13.48 (7/10/18)

<sup>[1]</sup> 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. A relatively large carry-over stock from the 2016/17 MY and a commercial crop of above 13.0 million tons in the 2017/18 MY is suppressing local corn prices that 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. 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, which is 13 percent less than the expected corn crop of 13.8 million tons in the 2017/18 MY (also refer to Table 1).

The Crop Estimate Committee (CEC) released its fifth production estimate for the 2017/18 MY summer crops on June 27, 2018. The CEC estimates the South African commercial corn crop at 13.2 million tons on 2.3 million hectares. Although the 2017/18 MY corn crop is 22 percent lower than the historically high commercial crop of 16.8 million tons of the previous season, South Africa recorded its second highest commercial average yield per hectare of 5.7 tons. In fact, South Africa’s average corn yields more than doubled over the past 20 years (see Figure 1). The main reasons for this trend are more efficient and effective farming methods and practices, including precision farming and no-till applications, better seed cultivars, and the adoption of biotechnology. As a result, South Africa is producing more corn on less area despite variable climatic conditions (see Figure 1). Indications are that this trend of producing more corn on less area will continue in the future.

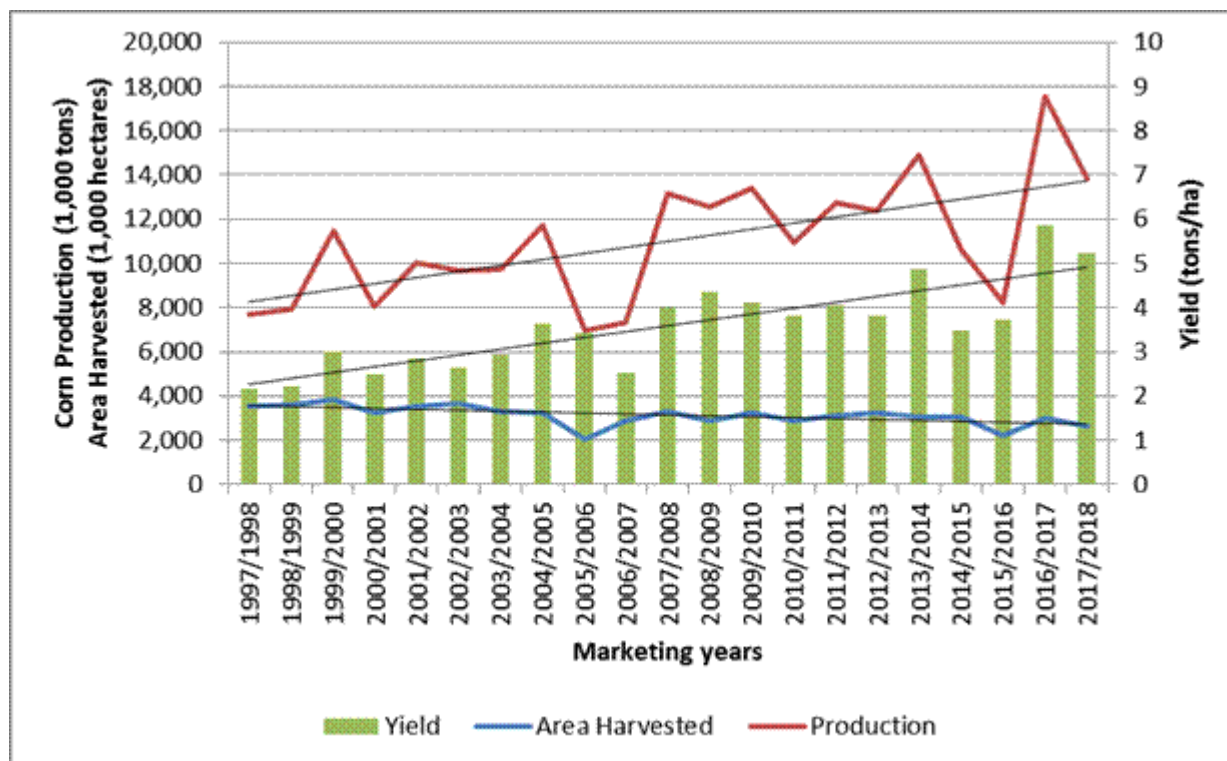


Figure 1: The trends in the production, area harvested and yields of corn in South Africa the past

## 20 years

The CEC estimates the white corn crop at 6.9 million tons, 30 percent lower than the previous year. The yellow corn crop is estimated at 6.3 million tons, only 8 percent less than the previous season. According to the South African Grain Information Services (Sagis), around 8.4 million tons of the 2017/18 MY's corn crop has already been harvested and delivered to commercial silos.

The CEC also released the 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 South Africa's total corn crop for the 2017/18 MY is estimated at 13.8 million tons on 2.6 million hectares, which is 21 percent less than the 2016/17 MY's record corn crop of 17.6 million tons.

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		
<b><u>Commercial corn</u></b>									
White	1,643	6.0	9,916	1,268	5.4	6,880	1,120	5.0	5,650
Yellow	986	6.9	6,904	1,051	6.0	6,327	970	5.9	5,750
<b>Sub Total</b>	<b>2,629</b>	<b>6.4</b>	<b>16,820</b>	<b>2,319</b>	<b>5.7</b>	<b>13,207</b>	<b>2,090</b>	<b>5.5</b>	<b>11,400</b>
<b><u>Subsistence corn</u></b>									
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
<b>Sub Total</b>	<b>367</b>	<b>2.0</b>	<b>730</b>	<b>315</b>	<b>1.9</b>	<b>594</b>	<b>350</b>	<b>1.7</b>	<b>600</b>
<b>TOTAL</b>	<b>2,996</b>	<b>5.9</b>	<b>17,550</b>	<b>2,634</b>	<b>5.2</b>	<b>13,801</b>	<b>2,440</b>	<b>4.9</b>	<b>12,000</b>

Source: CEC

## Consumption

Post increased the 2018/19MY's commercial demand for corn in South Africa to 11.2 million tons. This represents a 2.0 percent increase in the demand for corn from the previous season. The commercial demand for corn increased, on average, only marginally per annum the past ten years. Post projects that this marginal increase in demand for corn will continue in the 2018/19 MY. South Africa's economic growth is expected to continue to be sluggish in the next few 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. The per capita consumption of corn has stagnated at around 90kg per annum the past 10 years. Corn usages for animal feed is expected to increase by two percent to 5.7 million tons (also refer to Table 2).

Post also increased the commercial demand for corn in the 2017/18 MY to 11.0 million tons. This 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.

Post increased the commercial demand for corn in the 2016/17 MY to 10.8 million tons to correlate with the final consumption figures as released by the South Africa Grain Information Services (Sagis). According to Sagis 5.0 million tons of corn was used for human consumption while 5.4 million tons of corn was utilized as animal feed. Post also increased the consumption number for corn in the PS&D table (Table 5) by 6 percent from the previous estimate to 12.6 million tons after taking into account the increase in commercial demand, on-farm usage and corn utilized by the subsistence farming sector.

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	750	4,800	5,550	650	5,000	5,650
Other	78	234	312	100	200	300	100	200	300
<b>TOTAL</b>	<b>6,640</b>	<b>4,134</b>	<b>10,774</b>	<b>5,450</b>	<b>5,550</b>	<b>11,000</b>	<b>5,450</b>	<b>5,750</b>	<b>11,200</b>

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 14 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 above 13.0 million tons and a relatively large carry-over stock from the 2016/17 MY.

In the first 9 weeks of the 2017/18 MY, South Africa already exported 544,411 tons of corn consisting of 458,135 tons of yellow corn and 86,276 tons of white corn. On average it calculates to about 60,000 tons per week. The major costumers for South Africa's yellow corn were South Korea (162,000 tons), Vietnam (158,504 tons), Taiwan (52,000 tons) and Italy (51,148). Most of the white corn was exported to Botswana (34,736 tons), Spain (17,576 tons) and Mozambique (12,782 tons).

Post finalized South Africa's corn exports in the 2016/17 MY at 2.3 million tons after taking into account the updated export figure from Sagis. South Africa exported 810,000 tons of white corn and 1.5 million tons of yellow corn in the 2016/17 MY (see also Table 3). This left a relatively large carry-over stock of 3.7 million tons, especially in white corn, for the next marketing year. White corn was mainly exported to Kenya (247,250 tons) and Botswana (182,036 tons). The major markets for South Africa's yellow corn were Japan (765,668 tons), Taiwan (261,914 tons) and South Korea (211,943 tons).

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

	2016/17 MY			2017/18 MY <sup>1</sup>		
	May 1, 2017 – Apr 30, 2018			May 1, 2018 – Apr 30, 2019		
	White corn	Yellow corn	Total	White corn	Yellow corn	Total
<b><u>Export Destinations</u></b>						
Angola	0	2	2	0	0	0
Botswana	182	19	201	35	5	40
Italy	0	0	0	0	51	51
Kenya	247	0	247	0	0	0
Lesotho	75	2	77	8	0	8
Japan	0	766	766	0	0	0
Mozambique	67	22	89	13	5	18
Namibia	56	47	103	6	7	13
North Korea	0	3	3	0	0	0
Qatar	0	5	5	0	0	0
South Korea	0	212	212	0	162	162
Spain	88	0	88	17	0	17
Swaziland	27	84	111	7	18	25

Taiwan	0	262	262	0	52	52
Uganda	25	0	25	0	0	0
Venezuela	32	0	32	0	0	0
Vietnam	0	55	55	0	158	158
Zimbabwe	11	1	12	0	0	0
<b>TOTAL EXPORTS</b>	<b>810</b>	<b>1,480</b>	<b>2,290</b>	<b>86</b>	<b>458</b>	<b>544</b>
<b>Imports</b>						
<b>TOTAL IMPORTS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: SAGIS

Note: 1. Preliminary export and import data from May 1, 2018 to June 28, 2018

### Prices

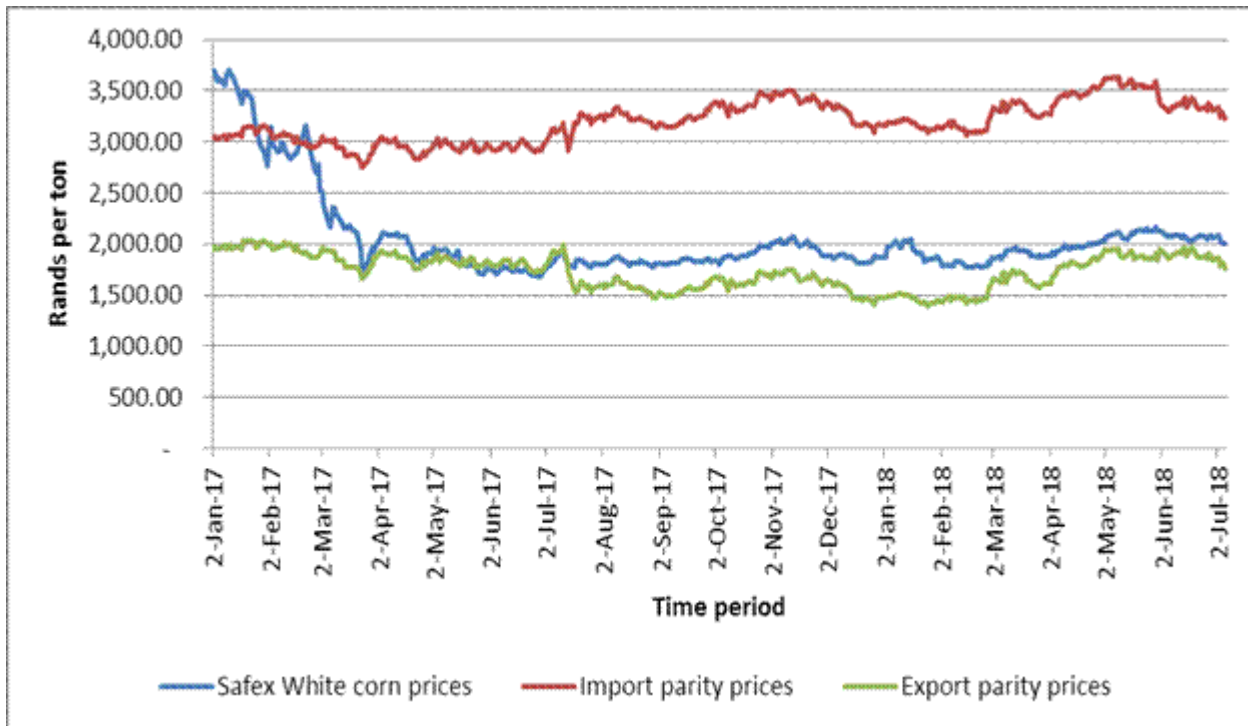
Since March last year, local corn prices have traded in a narrow band of between R1,800 per ton (\$134/ton) and R2,200 per ton (\$163/ton) and close to export parity prices (see also Figure 2 and Figure 3). On July 6, 2018, local yellow corn was trading at R2,099 per ton (\$156/ton) and white corn at R2,006 per ton (\$149/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**

Commodity	Futures prices (as of 07/03/2018)				
	2018/07	2018/09	2018/12	2019/03	2019/05
White corn	R2,040/t (\$151/t)	R2,102/t (\$156/t)	R2,173/t (\$161/t)	R2,219/t (\$165/t)	R2,266/t (\$168/t)
Yellow corn	R2,129/t (\$158/t)	R2,188/t (\$162/t)	R2,260/t (\$168/t)	R2,297/t (\$170/t)	R2,324/t (\$172/t)

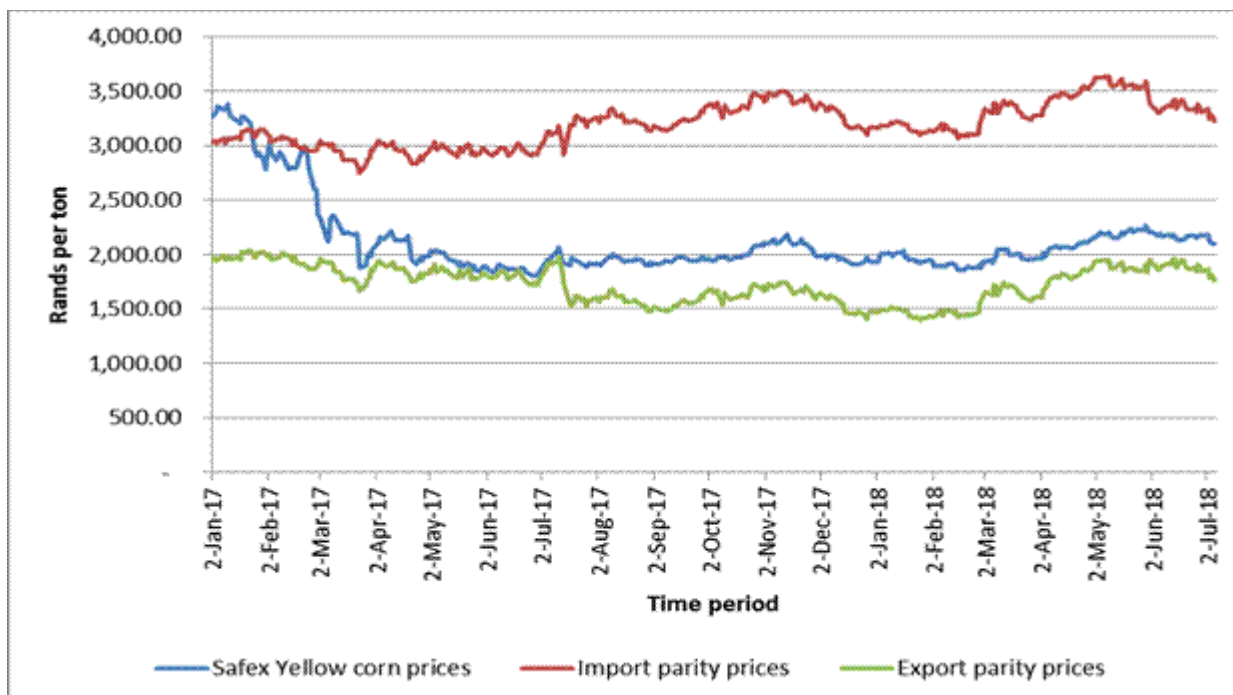
Source: Safex

Note: US\$1 = Rand 13.48 (7/10/18)



**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	2016/2017		2017/2018		2018/2019	
	May 2017		May 2018		May 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2996	2996	2650	2634	2800	2440
Beginning Stocks	1096	1096	3695	3756	2800	2856
Production	17551	17550	13500	13800	14000	12000
MY Imports	0	0	5	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	17200	17556	16800	14856
MY Exports	2289	2290	2100	2500	2200	1000
TY Exports	1816	1816	1900	1900	2100	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	2800	2856	2000	1456
Total Distribution	18647	18646	17200	17556	16800	14856
Yield	5.8581	5.8578	5.0943	5.2392	5	4.918

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

