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Voluntary - Public

Date: 5/28/2019
GAIN Report Number: SA1917

South Africa - Republic of

Post: Pretoria

The South African sorghum market

Report Categories:
Grain and Feed

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Report Highlights:
Sorghum production in South Africa decreased dramatically over the past decade as producers preferred to plant more profitable crops like corn and oilseeds. Post estimates that the decreasing trend in sorghum production will continue in the 2019/20 MY, with a 10 percent drop in production to 150,000 tons. As a result, sorghum imports are expected to double in the 2019/20 MY to 20,000 tons. Sorghum production increased in the 2018/19 MY to 166,000 tons after drought conditions restricted production to only 115,000 tons in the 2017/18 MY. South Africa imported 45,739 tons of sorghum in the 2017/18 MY and Post estimates sorghum imports at 10,000 tons in the 2018/19 MY. The United States is the major supplier of sorghum to South Africa with more than 90 percent of total sorghum imports.

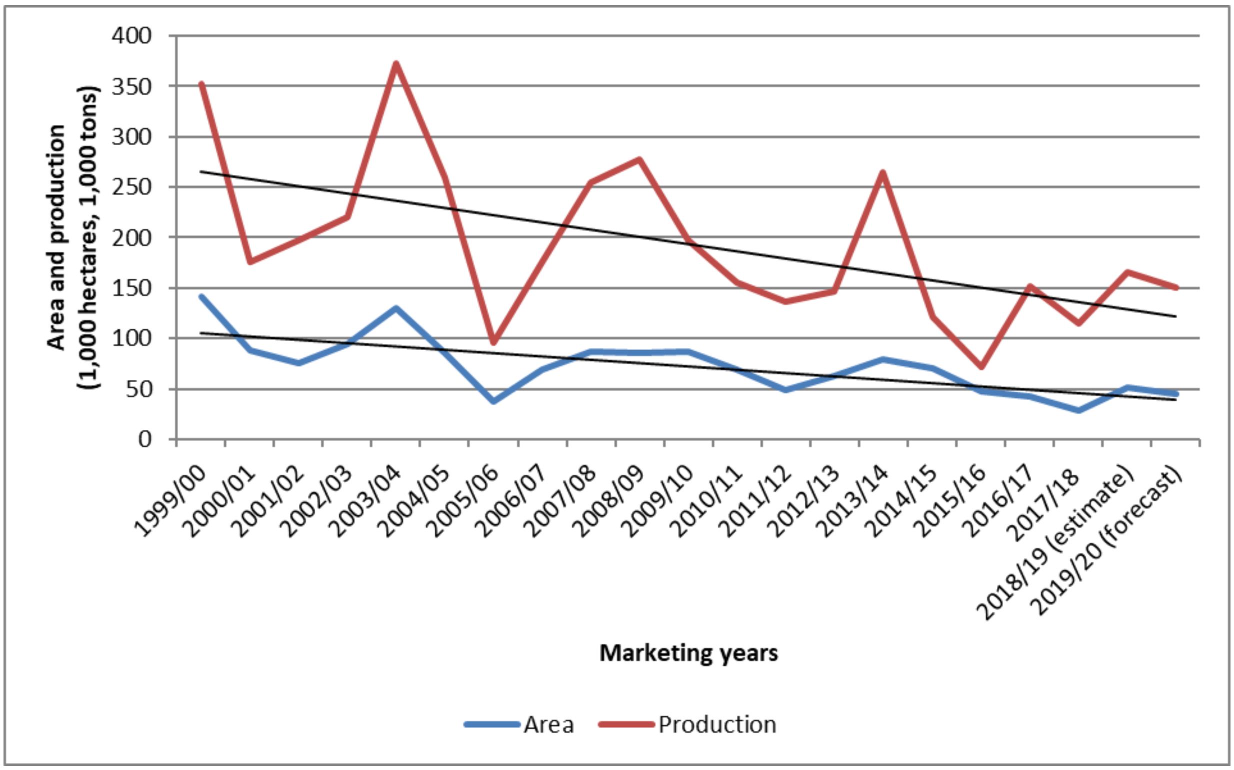
Executive Summary

Sorghum production in South Africa peaked in the mid-eighties when more than 300,000 hectares were planted. However, as producers switched to more profitable crops like corn and soybeans, sorghum production decreased dramatically over the past two decades. From 2010 the average area planted declined to a mere 60,000 hectares and reached an all-time low of 29,000 hectares in the 2017/18 MY, due to drought conditions. The area planted with sorghum rebounded in the 2018/19 MY to 50,500 hectares, an increase of 75 percent from the previous season very low levels. However, Post estimates that the overall decreasing trend in sorghum production in South Africa will continue in the 2019/20 MY, with a 10 percent drop in production to 150,000 tons on 45,000 hectares. As a result, sorghum imports are expected to double in the 2019/20 MY to 20,000 tons. In the 2018/19 MY, Post estimates sorghum imports will drop to 10,000 tons as production increased. South Africa imported 45,739 tons of sorghum in the 2017/18 MY, mainly from the Unites States.

Production

Sorghum production in South Africa peaked in the mid-eighties when more than 300,000 hectares were planted. However, as producers switched to more profitable crops like corn and soybeans, sorghum production decreased dramatically over the past two decades (see also Figure 1). Since 2010 the average area planted declined to a mere 60,000 hectares and reached an all-time low of 29,000 hectares in the 2017/18 MY, due to drought conditions. However, the area planted to sorghum in South Africa rebounded in the 2018/19 MY to 50,500 hectares, an increase of 75 percent from the previous season. The increase in plantings was mainly driven by producers in the Limpopo province that increased sorghum plantings to normal levels of around 20,000 hectares, after only 5,000 hectares of sorghum was planted in the 2017/18 MY. As a result of the increase in area planted, South Africa's sorghum production is expected to increase by 44 percent to 165,850 tons in the 2018/19 MY.

Figure 1: The declining trend in the area planted to and production of sorghum in South Africa



Post estimates that the overall decreasing trend in sorghum production in South Africa will resume in the 2019/20 MY, with a 10 percent drop in production to 150,000 tons. A major reason for the decline of sorghum production in South Africa is the fact that yield levels have failed to increase at the same positive rate as yield levels of corn and soybeans, resulting in less competitive gross margins. Unless technology changes occur that could improve sorghum productivity, producers will continue to switch to more profitable crops and the decreasing trend in hectares planted with sorghum in South Africa will continue.

In addition, Post estimates that the area planted to corn later in 2019 will be influenced positively by relatively high local corn price levels. Local white corn and yellow corn prices increased, year-on-year, by 24 percent and 16 percent, respectively. This illustrates the expected lower corn crop in the 2018/19 MY, due to dry conditions. Local corn prices are expected to trade at relatively higher price levels until next year's harvest season, giving commercial producers enough initiative 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 (also refer to the following document: Grain and Feed Annual.doc).

Table 1: Area planted and production of sorghum in South Africa

MY	Area (1,000 hectares)	Yield (tons/ha)	Production (1,000 tons)
2009/10	87	2.3	197
2010/11	69	2.2	155
2011/12	49	2.8	136
2012/13	63	2.3	147
2013/14	79	3.4	265
2014/15	70	1.7	121
2015/16	48	1.5	71
2016/17	42	3.6	152
2017/18	29	4.0	115
2018/19 (estimate)	51	3.3	166
2019/20* (forecast)	45	3.3	150

Source: The Crop Estimates Committee (CEC)
* Post calculations

Consumption

In South Africa, sorghum is mainly used for human consumption (about 92 percent of sorghum usage), which include food (sorghum meal) and beverage (malt) consumption. Malt is used for manufacturing sorghum beer (traditional African beer). In the past 5 years around 57 percent of total domestic demand was used as sorghum meal, while 35 percent was used for malting/brewing. However, sorghum used for malting decreased by almost 40 percent the past 10 years to about 55,000 tons as consumer prefer to drink more lager beer instead of sorghum beer.

Sorghum meal, also known as "Mabele", competes directly with corn meal and is served as a breakfast cereal. Since 2008, sorghum meal consumption decreased by 5 percent and is forecast to reach about 87,000 tons in the 2019/20 MY. Sorghum products compete with corn meal and wheat products in a competitive environment in which consumers can easily switch to substitutes based on price.

Only 5 percent or 10,000 tons of sorghum demand in South Africa end up as animal feed. The use of sorghum as an animal feedstuff is well researched and documented over the years. The animal feed market comprises of sorghum processed for pet food, poultry and livestock. The utilization of sorghum in the feed market is inconsistent as price is the main determining factor as to whether corn or sorghum is used for animal feed

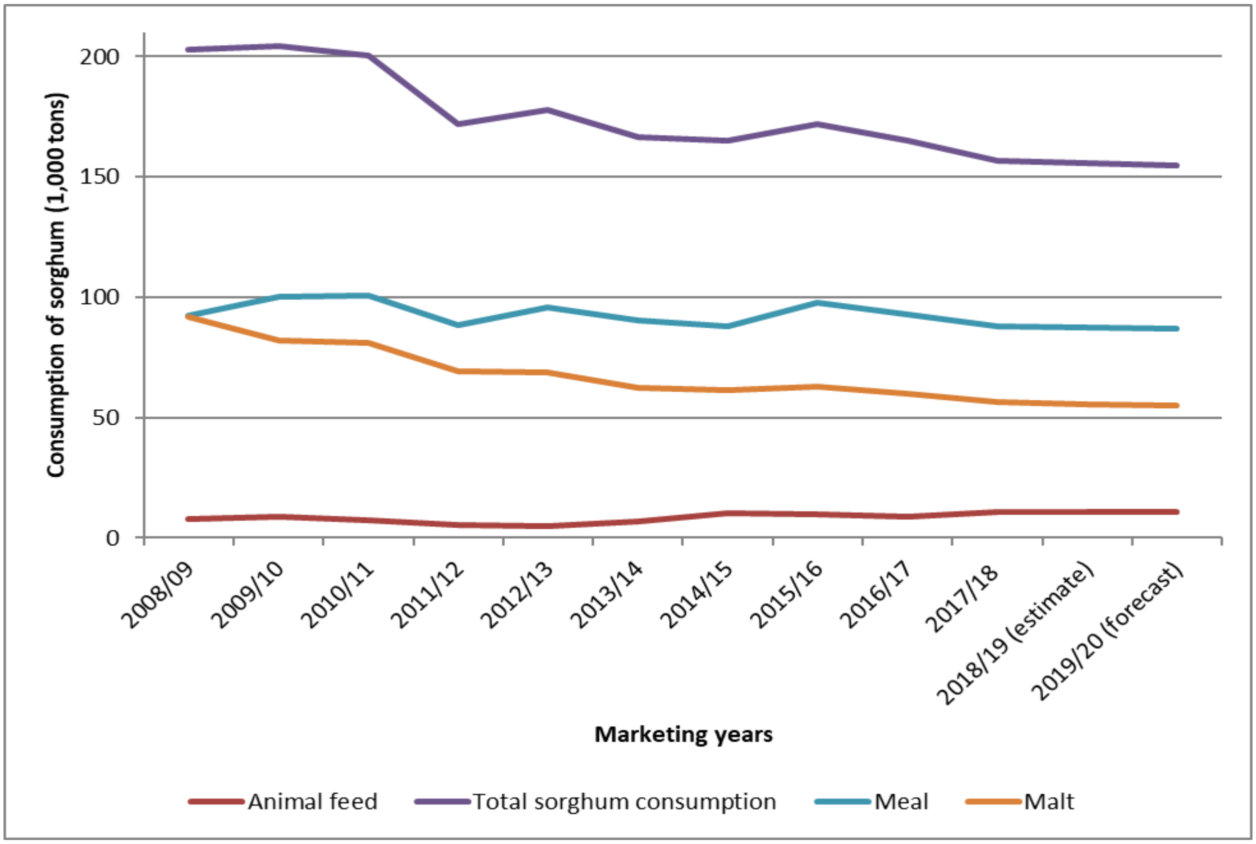
Table 2 shows that total sorghum consumption decreased by more than 20 percent the past 10 years, mainly due to the decrease in the usage of sorghum for malt and meal. Post estimates that this decline in the local consumption of sorghum will continue in the 2018/19 MY and 2019/20 MY to around 155,000 tons (see also Figure 2).

Table 2: Consumption of sorghum in South Africa

Marketing year	Sorghum meal	Malt	Total human consumption	Animal feed	Others	TOTAL
	1,000 tons					
2008/09	92.3	91.9	184.2	7.9	11.0	203.1
2009/10	100.3	82.0	182.3	8.6	13.4	204.3
2010/11	100.9	81.3	182.2	7.1	11.1	200.4
2011/12	88.4	69.4	157.8	5.6	8.5	171.9
2012/13	95.7	69.0	164.7	5.1	8.0	177.8
2013/14	90.3	62.2	152.6	6.8	7.0	166.4
2014/15	88.0	61.4	149.4	10.4	5.2	165.0
2015/16	97.9	62.7	160.6	9.7	1.9	172.2
2016/17	92.7	60.1	152.8	8.6	3.9	165.3
2017/18	87.7	56.3	144.1	10.7	1.8	156.6
2018/19 (estimate)	87.5	55.5	143.0	11.0	2.0	156.0
2019/20* (forecast)	87.0	55.0	142.0	11.0	2.0	155.0

Source: The South African Grain Information Services (Sagis) and Grain SA
*Post calculations

Figure 2: The trend in the demand for sorghum since the 2008/09 MY



Trade

Over the past 10 years, South Africa moved from being a net exporter of sorghum to a net importer of sorghum (see Figure 3). Sorghum imports are expected to double in the 2019/20 MY to 20,000 tons on lower domestic production. In the 2018/19 MY, Post estimates sorghum imports will drop to 10,000 tons as production increases by 44 percent while demand decreases marginally. South Africa imported 45,739 tons of sorghum in the 2017/18 MY. The United States is the major supplier of sorghum to South Africa with more than 90 percent of total sorghum imports.

South Africa continues to export sorghum to its neighboring countries such as Botswana and Eswatini. In the 2017/18 MY, exports amounted to 5,020 tons. Post estimates that exports will increase to 10,000 tons in both the 2018/19 MY and 2019/20 MY on higher local production.

Figure 3: South Africa's imports and exports of sorghum the past 10 years

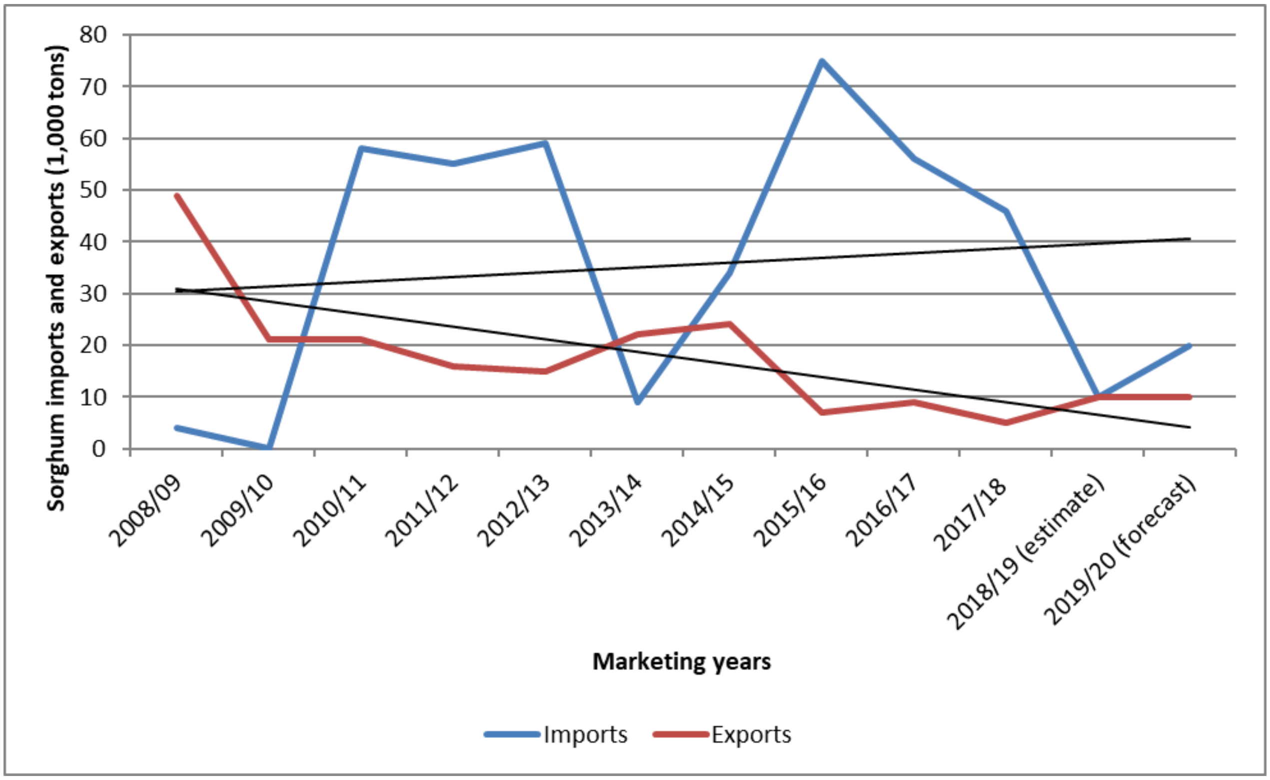


Table 3: PS&D Table for sorghum

Sorghum	2017/2018		2018/2019		2019/2020	
Market Begin Year	May 2018		May 2019		May 2020	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	29	29	50	51	0	45
Beginning Stocks	23	23	40	22	0	32
Production	115	115	170	166	0	150
MY Imports	48	46	40	10	0	20
TY Imports	26	26	40	10	0	0
TY Imp. from U.S.	42	42	0	0	0	0
Total Supply	186	184	250	198	0	202
MY Exports	6	5	10	10	0	10
TY Exports	7	7	10	10	0	0
Feed and Residual	10	11	15	11	0	11
FSI Consumption	130	146	160	145	0	144
Total Consumption	140	157	175	156	0	155
Ending Stocks	40	22	65	32	0	37
Total Distribution	186	184	250	198	0	202
Yield	3.9655	3.9655	3.4	3.2549	0	3.3333
(1000 HA) ,(1000 MT) ,(MT/HA)						