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A late but positive start to the 2019/20 MY corn season

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Report Highlights:

Post estimates that South Africa increased commercial corn planting by almost 10 percent for the 2019/20 MY to 2.5 million hectares. South Africa's 2019/20 MY planting season started in October 2019 with extreme hot and dry conditions before decent widespread rainfall occurred and planting could commence. If these improved climatic conditions continue, then South Africa should be able to export more than 1.0 million tons of corn in the 2019/20 MY. For the 2018/19 MY, Post estimates South Africa's corn exports into the region could reach 1.0 million tons, mainly white corn. On the other hand, Post estimates South Africa will import about 500,000 tons of yellow corn to meet increased local demand.

Executive Summary

Post lowered its area estimate of corn planted by commercial producers for the 2019/20 MY¹ (May 2020 to April 2021) marginally from 2.6 million hectares to 2.5 million hectares, due to the late start of the planting season and to be in line with the Crop Estimates Committee (CEC) estimates. A commercial corn area of 2.5 million hectares represents an increase of 9 percent from the previous season's 2.3 million hectares. 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, an increase of 13 percent from the previous season. As a result, South Africa should be able to export about 1.1 million tons of corn in the 2019/20 MY.

In its final production estimate for South Africa's 2018/19 MY summer crops, the CEC increased the South African corn crop marginally from its previous estimate of 11.6 million tons to 11.8 million tons. This means that the 2018/19 MY's corn crop is 10 percent lower than the 13.1 million tons produced in the 2017/18 MY, due to inconsistent weather patterns 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. 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 southern Africa region increased after the widespread 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.

US\$1 = Rand 14.48 (1/14/2020)

[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

South Africa's 2019/20 MY planting season started in October 2019 with extreme hot and dry conditions before decent widespread rainfall occurred and planting could commence. Due to the late start of the rains, a large percentage of South Africa's corn in the main producing areas was planted later than normal and outside the optimal planting dates. Early frost is the main risk for corn planted outside the optimal planting dates. The current production conditions in most of South Africa's main corn producing areas are satisfactory and the corn crop appears promising. However, follow-up rains in the next couple of months will be a necessity, especially during the plants' grain filling stages.

Industry representatives indicated that most of the intended corn area was planted by commercial producers. According to a CEC survey that was released on October 24, 2019, commercial farmers indicated that they could plant 2.5 million hectares of corn in the 2019/20 MY. At that stage the intention by commercial farmers was to plant 1.4 million hectares of white corn and 1.1 million hectares of yellow corn. The CEC will release the preliminary area planted estimates for summer grains for the 2019/20 MY on January 29, 2020.

Post lowered its area estimate of corn planted by commercial producers in the 2019/20 MY marginally, from 2.6 million hectares to 2.5 million hectares, due to the late start of the planting season and to be in line with the CEC survey results. A commercial corn area of 2.5 million hectares represents an increase of 9 percent from the previous season's 2.3 million hectares. 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 on 2.8 million hectares.

On November 26, 2019, the CEC released its final production estimate for South Africa's 2018/19 MY summer crops. The CEC increased the South African commercial corn crop marginally from its previous estimate to 11.3 million tons on 2.3 million hectares at a national average yield of 4.9 tons per hectare. The 2018/19 MY's commercial crop is 10 percent lower than the 12.5 million tons produced in the 2017/18 MY, due to inconsistent weather patterns that impacted negatively on yields. The CEC estimates the commercial white corn crop at 5.5 million tons, 15 percent lower than the 6.5 million tons produced in the previous season. The CEC estimates the commercial yellow corn crop at 5.7 million tons, 4 percent lower than the 6.0 million tons produced in the 2017/18 MY.

The CEC kept the 2018/19 MY's production estimate for the subsistence farming sector's corn crop unchanged at 549,180 tons, 8 percent lower than the 593,975 tons produced in the 2017/18 MY. 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. As a result, South Africa's total corn crop for the 2018/19 MY is estimated at 11.8 million tons produced on 2.6 million hectares. This represents a decrease of 10 percent from the 13.1 million tons produced in the 2017/18 MY.

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 1,000ha	Yield t/ha	Prod. 1,000 t	Area 1,000ha	Yield t/ha	Prod. 1,000 t	Area 1,000ha	Yield t/ha	Prod. 1,000 t
MY	2017/18			2018/19			2019/20		
Commercial corn									
White	1,268	5.2	6,540	1,298	4.3	5,538	1,400	4.6	6,500
Yellow	1,051	5.7	5,970	1,002	5.7	5,720	1,100	5.7	6,300
Sub Total	2,319	5.4	12,510	2,300	4.9	11,258	2,500	5.1	12,800
Subsistence corn									
White	237	1.7	414	221	1.7	379	200	1.6	320
Yellow	78	2.3	180	75	2.3	170	100	2.2	220
Sub Total	315	1.9	594	296	1.9	549	300	1.9	540
TOTAL	2,634	5.0	13,104	2,596	4.5	11,807	2,800	4.8	13,340

Source: CEC

Consumption

The consumption of corn in South Africa increased, on average, by about two percent per annum over the past ten years. With economic growth expected to continue to be sluggish due to structural and policy constraints, Post foresees that the marginal increase in the demand for corn will continue in the 2019/20 MY to 11.4 million tons (also refer to Table 2). The South African government estimates economic growth of less than two percent in 2019 and 2020, which will limit an excessive increase in the demand for corn.

Post increased its previous estimate for the commercial demand for corn in South Africa for the 2018/19 MY from 11.0 million tons to 11.2 million tons. The increase is based on the newest corn consumption figure released by the South African Grain Information Services (Sagis) at the end of 2019. This figure represents a two percent increase in the demand for corn from the previous season. Post foresees a 15 percent drop in the consumption of white corn to 5.4 million tons, due to a 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 28 percent increase in the consumption of yellow corn to 5.8 million tons in the 2018/19 MY. The main reason for the 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. In fact, South Africa already imported 432,000 tons of yellow corn in the 2018/19 MY.

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	4,800	600	5,400	4,900	600	5,500
Animal	1,677	3,830	5,507	500	5,100	5,600	900	4,800	5,700
Other	48	191	239	50	150	200	50	150	200
TOTAL	6,319	4,588	10,907	5,350	5,850	11,200	5,850	5,550	11,400

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 surplus corn of about 1.1 million tons in the 2019/20 MY.

For the 2018/19 MY, Post estimates South Africa's corn exports could reach 1.0 million tons. In the first 8 months of the 2018/19 MY, South Africa already exported 780,000 tons of corn (525,000 tons of white corn and 255,000 tons of yellow corn). The major markets for South Africa corn are mainly its neighboring countries with Botswana, Namibia, Mozambique, Lesotho, Zimbabwe and Eswatini (Swaziland) representing more than 80 percent of corn exports (also see Table 3).

On the other hand, Post estimates South Africa will have to import about 500,000 tons of yellow corn to augment local production. So far in the 2018/19 MY, South Africa imported 432,000 tons of yellow corn, mostly from Argentina.

Table 3: South Africa's exports and imports of white and yellow corn in the 2017/18 MY and 2018/19 MY

	2017/18 MY May 1, 2018 – Apr 30, 2019 (1,000 tons)			2018/19 MY ¹ 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	121	57	178
Namibia	62	47	83	107	49	156
Mozambique	75	34	92	81	33	114
Eswatini (Swaziland)	22	98	100	21	75	96
Ethiopia	38	0	38	74	0	74
Zimbabwe	0	0	0	21	22	43
Lesotho	53	11	50	34	7	41
Somalia	0	0	0	23	0	23
Tanzania	0	0	0	23	0	23
Uganda	0	0	0	20	0	20
North Korea	0	10	4	0	7	7
South Korea	0	215	215	0	4	4
Ghana	0	20	20	0	0	0
Italy	91	100	190	0	0	0
Japan	0	152	152	0	0	0
Spain	17	0	18	0	0	0
Taiwan	0	106	106	0	0	0
Vietnam	0	691	691	0	0	0
TOTAL EXPORTS	544	1,526	2,070	525	255	780
Import suppliers						
Argentina	0	121	121	0	382	382
Brazil	0	51	51	0	50	50
TOTAL IMPORTS	0	172	172	0	432	432

Source: SAGIS

Note: 1. Preliminary export and import data from May 1, 2019 to January 3, 2019

Prices

As on January 13, 2020, local white corn price and yellow corn July future prices were, respectively, 11 percent and 7 percent lower than three months ago, illustrating the late but positive start to South Africa's 2019/20 MY corn season. Local climatic conditions for the rest of the season will be the main driver impacting local corn prices. If optimal growing conditions persist, local corn prices will be under pressure and will move closer to export parity levels. On the other hand, local corn prices will be supported if production conditions are less than optimal for the rest of the season. Table 4 indicates the current and future prices of South African corn as on January 13, 2020, while Figure 1 and Figure 2 illustrates the trends in the local prices for white corn and yellow corn since January 2018.

Table 4: Local corn prices

Commodity	Futures prices (year/month)				
	2019/10	2020/03	2020/05	2020/07	2020/09
White corn	R2,838/t (\$196/t)	R2,799/t (\$193/t)	R2,528/t (\$175/t)	R2,449/t (\$169/t)	R2,502/t (\$173/t)
Yellow corn	R2,730/t (\$189/t)	R2,731/t (\$189/t)	R2,505/t (\$173/t)	R2,472/t (\$171/t)	R2,522/t (\$174/t)

Source: GrainSA (as of 1/13/2020)

Note: US\$1 = Rand 14.48

Figure 1: The trend in the local price for white corn since January 2018



Figure 2: The trend in the local price for yellow corn since January 2018

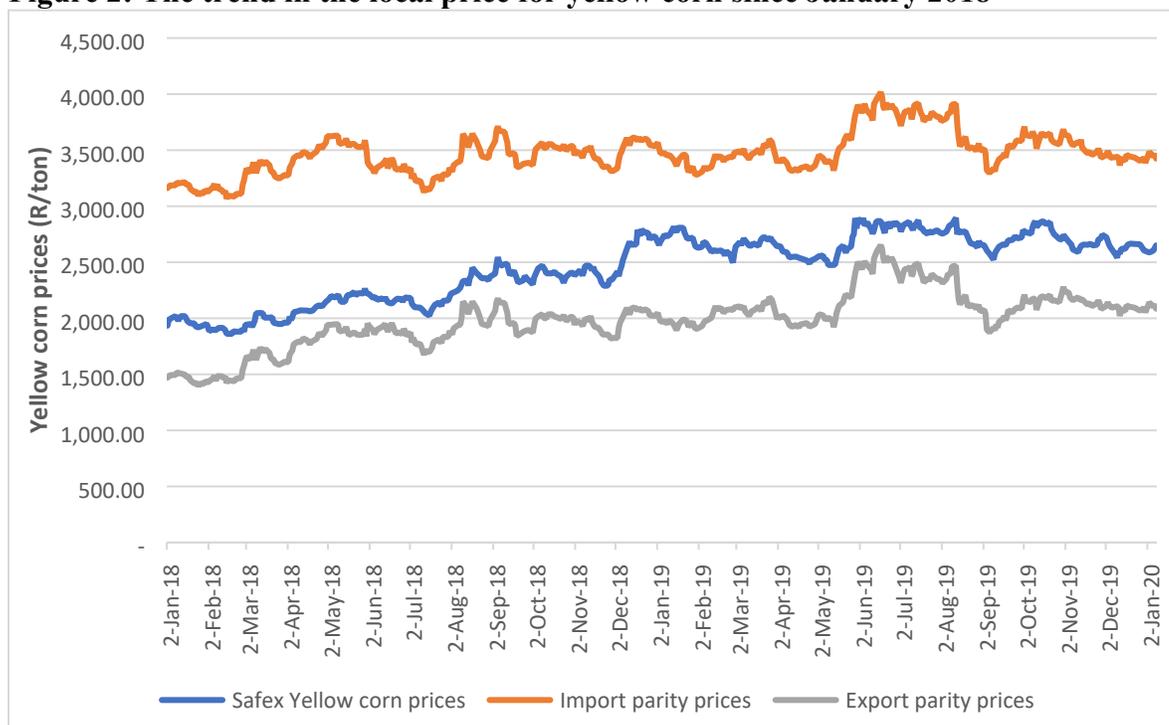


Table 5: PS&D Table for corn

Corn Market Begin Year South Africa	2017/2018		2018/2019		2019/2020	
	May 2018		May 2019		May 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2634	2634	2600	2596	2900	2800
Beginning Stocks	3695	3695	2672	2662	1772	1569
Production	13104	13104	11800	11807	14000	13340
MY Imports	172	172	600	500	100	0
TY Imports	0	400	423	500	100	0
TY Imp. from U.S.	3	3	2	0	0	0
Total Supply	16971	16971	15072	14969	15872	14909
MY Exports	2069	2069	1100	1000	1500	1100
TY Exports	2361	2361	1183	1100	1500	1100
Feed and Residual	6830	6480	6500	6500	6600	6600
FSI Consumption	5400	5760	5700	5900	5700	5900
Total Consumption	12230	12240	12200	12400	12300	12500
Ending Stocks	2672	2662	1772	1569	2072	1309
Total Distribution	16971	16971	15072	14969	15872	14909
Yield	4.9749	4.9749	4.5385	4.5482	4.8276	4.7643
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments