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## **Report Name:** Grain and Feed Update

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Grain and Feed

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### **Report Highlights:**

South Africa produced its second highest corn crop in history in the 2019/20 MY. This 16.1 million-ton bumper crop has suppressed local corn prices, and is expected to continue doing so past the 2020/21 MY's planting season, which will put downward pressure on the area to be planted with corn later in 2020. As a result, Post forecasts that South Africa's corn crop for the 2020/21 MY could drop by 21 percent to 12.6 million tons. However, South Africa should remain a net exporter of corn in the 2020/21 MY, as stock levels will still be relatively high. Post estimates South Africa could export about 2.5 million tons of corn in the 2019/20 MY on the back of the bumper crop.

## **Executive Summary**

In the 2019/20 MY<sup>1</sup>, South Africa produced its second highest corn crop on record. This bumper corn crop is suppressing local corn prices, and this is expected to continue past the 2020/21 MY's planting season, putting downward pressure on the area to be planted with corn later in 2020. As a result, Post forecasts that around 2.3 million commercial hectares of corn will be planted later in 2020, for the 2020/21 MY, which is 11 percent less than the area planted in the 2019/20 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for the 2020/21 MY could reach 12.6 million tons, which is 21 percent less than the expected corn crop of 16.1 million tons in the 2019/20 MY. However, South Africa should be able to export around 600,000 tons of corn in the 2020/21 MY, despite an expected decrease in commercial production, as stock levels will still be relatively high. These exports are expected to be mainly to South Africa's established markets in neighboring countries.

Post estimates South Africa should be able to export about 2.5 million tons of corn in the 2019/20 MY on a bumper crop. In the first two months of the 2019/20 MY, South Africa already exported 479,000 tons of corn. Corn exports continue amidst a COVID-19 lockdown that started on March 27, 2020, as the South Africa government labeled the food supply system as an essential sector that needs to remain uncompromised and functional. Much of the white corn exports in the 2019/20 MY will be destined to South Africa's neighboring countries, especially Zimbabwe. Zimbabwe needs at least 1.0 million tons of corn to meet local demand after drought conditions impacted negatively on crop yields. Moreover, a corn crop of more than 16.0 million tons enables South Africa to also export corn, especially yellow corn, beyond its neighboring countries to other markets such as South Korea, Taiwan and Japan.

US\$1 = Rand 16.77 (07/13/2020)

*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 produced its second highest corn crop in history in the 2019/20 MY. This bumper corn crop is suppressing local corn prices and is expected to continue having this effect past the 2020/21 MY's planting season, putting downward pressure on the area to be planted with corn later in 2020. This is especially true for the white corn areas, as South Africa produced an ample white corn crop of more than 9 million tons in the 2019/20 MY. Hence, Post forecasts a 20 percent drop in the 2020/21 MY for the commercial area planted with white corn to 1.3 million hectares. The expected commercial yellow corn area in the 2020/21 MY should be at average levels of about 1.0 million hectares. As a result, Post forecasts that around 2.3 million commercial hectares of corn will be planted later in 2020, for the 2020/21 MY, which is 11 percent less than the area planted in the 2019/20 MY. Under normal climatic conditions and taking into account the subsistence farming sector, South Africa's corn crop for

the 2020/21 MY could reach 12.6 million tons, which is 21 percent less than the expected corn crop of 16.1 million tons in the 2019/20 MY (also refer to Table 1).

On June 25, 2020, 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 2019/20 MY at 15.5 million tons on 2.6 million hectares at a national average yield of 5.9 tons per hectare. The 2019/20 MY corn crop is the second highest commercial corn crop ever produced in South Africa and 38 percent higher than the 2018/19 MY’s commercial crop of 11.3 million tons. The CEC estimates the commercial white corn crop at 9.1 million tons, an increase of 64 percent from the previous season. The CEC estimates the commercial yellow corn crop at 6.4 million tons, 12 percent higher than the 5.7 million tons produced in the 2018/19 MY.

The CEC also released the production estimates for the subsistence farming sector’s corn crop. According to the CEC, subsistence farmers planted 297,460 hectares of corn in the 2019/20 MY, almost at the same level as in the previous marketing year. Corn production by the subsistence sector is estimated at 543,545 tons, marginally lower than the 549,180 tons produced in the 2018/19 MY. This means South Africa’s total corn crop for the 2019/20 MY is estimated at 16.1 million tons on 2.9 million hectares, which is 36 percent more than the 2018/19 MY’s corn crop of 11.8 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 2018/19 MY (actual), 2019/20 MY (estimate), and 2020/21 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
<b>MY</b>	<b>2018/19</b>			<b>2019/20</b>			<b>2020/21</b>		
<b><u>Commercial corn</u></b>									
White	1,298	4.3	5,545	1,616	5.6	9,075	1,270	4.7	6,000
Yellow	1,002	5.7	5,730	995	6.5	6,439	1,050	5.8	6,100
<b>Sub Total</b>	<b>2,300</b>	<b>4.9</b>	<b>11,275</b>	<b>2,611</b>	<b>5.9</b>	<b>15,514</b>	<b>2,320</b>	<b>5.2</b>	<b>12,100</b>
<b><u>Subsistence corn</u></b>									
White	221	1.7	379	222	1.7	375	200	1.6	320
Yellow	75	2.3	170	75	2.2	168	100	2.2	220
<b>Sub Total</b>	<b>296</b>	<b>1.9</b>	<b>549</b>	<b>297</b>	<b>1.8</b>	<b>543</b>	<b>300</b>	<b>1.9</b>	<b>540</b>
<b>TOTAL</b>	<b>2,596</b>	<b>4.5</b>	<b>11,807</b>	<b>2,908</b>	<b>5.5</b>	<b>16,057</b>	<b>2,620</b>	<b>4.8</b>	<b>12,640</b>

Source: CEC

## Consumption

The consumption of corn (white and yellow corn) in South Africa increased, on average, by about 2 percent per annum over the past ten years, mainly driven by population and economic growth. However, the South African economy recorded its third consecutive quarter of economic decline, falling by 2 percent, in the first quarter of 2020. This followed a contraction of 1.4 percent and 0.8 percent in the fourth and third quarters of 2019, respectively. It is still too early to predict the precise impact of COVID-19 on the South African economy in the second and third quarters of 2020, but economists estimate that the economy could shrink as much as 10 percent.

White corn, in the form of a meal, is the staple food for many South African households, especially for lower income consumers, as it is a relatively inexpensive source of carbohydrates. With the bumper harvest and subsequent drop in local corn prices, Post predicts a 3 percent increase in the human consumption of corn in the 2019/20 MY to 5.6 million tons. On the other hand, yellow corn is used as the primary ingredient for animal feed, especially in the broiler industry. Post foresees that the demand for corn for animal feed in the 2019/20 MY will stay at the 2018/19 MY's level of 5.7 million tons, as the shrinking local economy will limit an increase in the demand for animal protein. As a result, Post estimates only a marginal increase in the total commercial demand for corn in the 2019/20 MY to 11.4 million tons. Post predicts this marginal increase in the commercial demand for corn will continue in the 2020/21 MY to 11.6 million tons as South Africa's economic growth will still be under pressure in 2021 due to the COVID-19 pandemic and structural and policy constraints.

Post increased the commercial demand estimate for corn in the 2018/19 MY marginally to 11.3 million tons to correlate with the final consumption figures released by the South African Grain Information Services (Sagis) in June 2020. This represents an increase of 3 percent from the previous year's corn consumption of 10.9 million tons. According to Sagis, 5.4 million tons of corn was used for human consumption and 5.7 million tons was milled for animal feed. Of the total commercial corn consumption, white corn represented 49 percent, mainly for human consumption, while yellow corn represented 51 percent, mainly for animal feed.

Table 2 outlines the commercial consumption for white corn and yellow corn in South Africa for the 2018/19 MY (actual), 2019/20 MY (estimate), and 2020/21 MY (forecast).

**Table 2: The commercial consumption of white and yellow corn in South Africa**

<b>CORN 1,000 Mt</b>	<b>White</b>	<b>Yellow</b>	<b>Total</b>	<b>White</b>	<b>Yellow</b>	<b>Total</b>	<b>White</b>	<b>Yellow</b>	<b>Total</b>
<b>MY</b>	<b>2018/19</b>			<b>2019/20</b>			<b>2020/21</b>		
<b>Human</b>	4,809	578	5,387	4,950	600	5,550	5,100	600	5,700
<b>Animal</b>	629	5,069	5,698	1,000	4,650	5,650	1,000	4,700	5,700
<b>Other</b>	42	136	178	50	150	200	50	150	200
<b>TOTAL</b>	<b>5,480</b>	<b>5,783</b>	<b>11,263</b>	<b>6,000</b>	<b>5,400</b>	<b>11,400</b>	<b>6,150</b>	<b>5,450</b>	<b>11,600</b>

**Source:** SAGIS; Grain SA

**Note:** *Please note that consumption figures in the PS&D table vary, as those also include corn utilized by the subsistence farming sector and commercial on-farm usages.*

## **Trade**

South Africa will remain a net exporter of corn in the 2020/21 MY. Post estimates South Africa should be able to export around 600,000 tons of corn in the 2020/21 MY, as stock levels will still be relatively high despite an expected decrease in commercial production. These exports will mainly be to South Africa's established markets in neighboring countries.

Post estimates South Africa should be able to export about 2.5 million tons of corn in the 2019/20 MY on a bumper crop. In the first two months of the 2019/20 MY, South Africa already exported 479,000 tons of corn (316,778 tons of yellow corn and 162,299 tons of white corn). Corn exports continue amidst a COVID-19 lockdown that started on March 27, 2020 as the South Africa government labeled the food supply system as an essential sector that needs to remain uncompromised and functional. Much of the white corn exports in the 2019/20 MY will be destined to South Africa's neighboring countries, especially Zimbabwe. Zimbabwe is in need of at least 1.0 million tons of corn to meet local demand after drought conditions impacted negatively on crop yields. South Africa is in a perfect position to supply Zimbabwe with corn, after producing a bumper corn crop of more than 16.0 million tons. Zimbabwe also lifted restrictions on the importation of Genetically Engineered (GE) corn, supporting increased corn imports from South Africa. Moreover, a corn crop of more than 16.0 million tons enables South Africa to also export corn, especially yellow corn, beyond its neighboring countries to other markets such as South Korea, Taiwan and Japan, which were not prominent in the previous marketing year (see also Table 3).

In the 2018/19 MY, South Africa exported 1.4 million tons of corn consisting of 1.0 million tons of white corn and 410,000 tons of yellow corn. The major markets for South African corn were mainly its neighboring countries with Zimbabwe, Botswana, Namibia, Mozambique, Eswatini (Swaziland) and Lesotho representing almost 90 percent of corn exports (also see Table 3). After Zimbabwe lifted restrictions on the importation of GE corn late in 2019, South Africa increased corn export to Zimbabwe too such an extent that Zimbabwe emerged as South Africa's main corn export market in the 2018/19 MY.

South Africa also imported yellow corn in the 2018/19 MY from Argentina and Brazil to augment local production. These corn imports amounted to 510,000 tons.

**Table 3: South Africa's exports and imports of corn in the 2018/19 MY and 2019/20 MY**

2018/19 MY May 1, 2019 – Apr 30, 2020 (1,000 tons)				2019/20 MY <sup>1</sup> May 1, 2020 – Apr 30, 2021 (1,000 tons)			
Countries	White corn	Yellow corn	Total	Countries	White corn	Yellow corn	Total
<b>Export Destinations</b>				<b>Export Destinations</b>			
Zimbabwe	268	72	340	South Korea	0	112	112
Botswana	191	85	276	Taiwan	0	106	106
Namibia	181	66	247	Zimbabwe	88	15	103
Mozambique	162	50	212	Botswana	37	12	49
Eswatini	45	109	154	Japan	0	45	45
Ethiopia	74	0	74	Namibia	13	7	20
Lesotho	52	13	65	Mozambique	13	5	18
Somalia	23	0	23	Eswatini	5	14	19
Tanzania	23	0	23	Lesotho	6	1	7
Uganda	20	0	20				
North Korea	0	9	9				
South Korea	0	6	6				
<b>TOTAL EXPORTS</b>	<b>1,039</b>	<b>410</b>	<b>1,449</b>	<b>TOTAL EXPORTS</b>	<b>162</b>	<b>317</b>	<b>479</b>
<b>Import suppliers</b>							
Argentina	0	460	460				
Brazil	0	50	50				
<b>TOTAL IMPORTS</b>	<b>0</b>	<b>510</b>	<b>510</b>	<b>TOTAL IMPORTS</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: SAGIS

Note: 1. Preliminary export and import data from May 1, 2020 to June 26, 2020

## Prices

Table 4 reflects the current and future prices of South African corn as on July 7, 2020, while Figure 1 and Figure 2 illustrate the trends in the local prices for white corn and yellow corn since January 2018. Local corn prices started to move towards export parity levels in February after industry role-players realize the possibility of a bumper crop. Although white corn prices increased again during March and April on relatively low stock levels, prices quickly moved back to export parity levels in May, after harvesting started. As of July 7, 2020, white corn prices and yellow corn prices were, respectively, 5 percent and 12 percent lower than a year ago due to the bumper crop. However, local prices are

supported by an increase in export parity price levels after a sharp depreciation of the South African Rand exchange rate and an increase in international corn prices.

The South African Rand depreciated by almost 20 percent against the United States Dollar since January 2020. Mainly two factors contributed to the depreciation of the Rand, namely the impact of COVID-19 and Moody’s downgrade of South Africa credit rating to junk status. International corn prices increased on lower than expected corn plantings in the United States. Local corn prices will continue to move with export parity levels as the season continues and will be influenced by global events that will have an impact on South Africa’s volatile exchange rate and the international price of corn. South Africa’s corn market operates in a free market environment, where local and international factors have an impact on local corn prices.

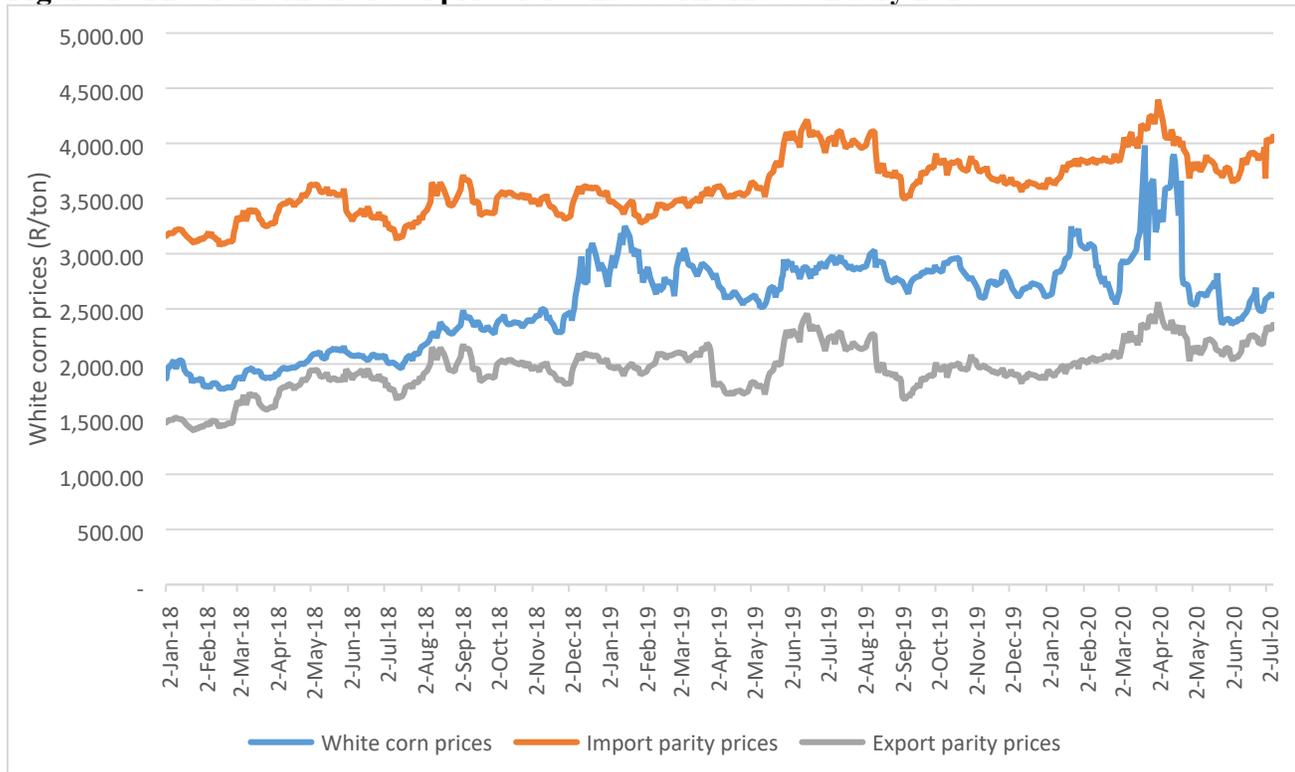
**Table 4: Local corn prices**

Commodity	Futures prices (year/month)				
	2020/07	2020/09	2020/12	2021/03	2020/12
White corn	R2,621/t (\$156/t)	R2,661/t (\$158/t)	R2,746/t (\$163/t)	R2,766/t (\$165/t)	R2,747/t (\$164/t)
Yellow corn	R2,722/t (\$162/t)	R2,778/t (\$165/t)	R2,859/t (\$170/t)	R2,875/t (\$171/t)	R2,795/t (\$166/t)

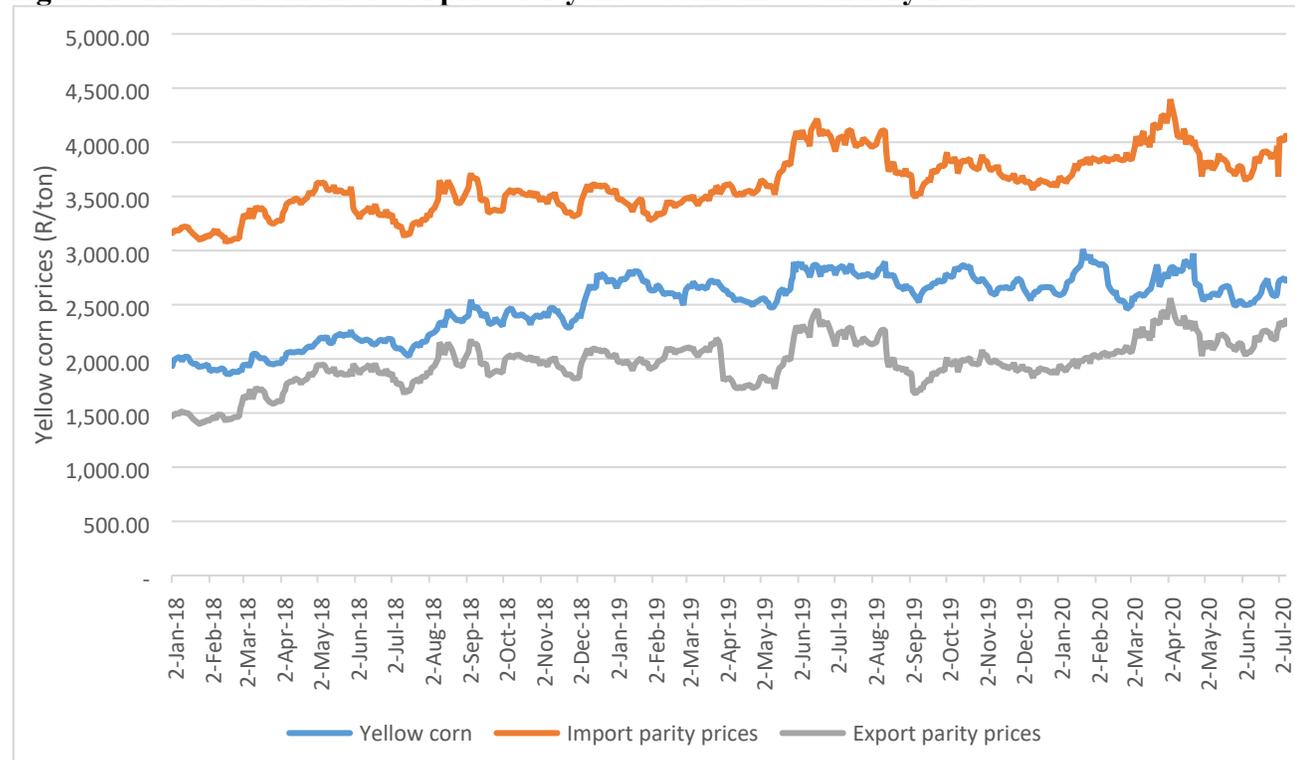
**Source:** GrainSA (as of 07/07/2020)

**Note:** US\$1 = Rand 16.77

**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	2018/2019		2019/2020		2020/2021	
Market Begin Year	May 2018		May 2019		May 2020	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	2597	2596	2910	2908	2700	2620
<b>Beginning Stocks</b>	2672	2672	1056	1040	2206	1997
<b>Production</b>	11824	11807	16250	16057	14000	12640
<b>MY Imports</b>	509	510	0	0	0	0
<b>TY Imports</b>	423	423	300	300	0	0
<b>TY Imp. from U.S.</b>	2	2	0	0	0	0
<b>Total Supply</b>	15005	14989	17306	17097	16206	14637
<b>MY Exports</b>	1449	1449	2500	2500	2300	600
<b>TY Exports</b>	1183	1183	2500	2500	2300	600
<b>Feed and Residual</b>	7000	6500	6800	6600	6600	6650
<b>FSI Consumption</b>	5500	5900	5800	6000	5700	6150
<b>Total Consumption</b>	12500	12500	12600	12600	12300	12800
<b>Ending Stocks</b>	1056	1040	2206	1997	1606	1237
<b>Total Distribution</b>	15005	14989	17306	17097	16206	14637
<b>Yield</b>	4,55	4,55	5,58	5,52	5,19	4,82
(1000 HA), (1000 MT), (MT/HA)						

**Attachments:**

No Attachments