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Increased corn plantings expected for the 2019/20 MY

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Report Highlights:

Due to relatively attractive local market prices after the drought conditions of the previous season, Post projects South Africa to increase corn planting by at least 10 percent in the 2019/20 MY. As a result South Africa should be able to export about 1.1 million tons of corn in the 2019/20 MY under normal climatic conditions. 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 have to import about 500,000 tons of yellow corn to meet increased local demand.

Executive Summary

Post estimates South Africa will plant around 2.9 million hectares (commercial and subsistence farmers) of corn for the 2019/20 MY, which is 11 percent higher than the area planted in the 2018/19 MY, driven mainly by relatively attractive local market prices after the drought conditions of the previous season. Under normal climatic conditions, South Africa's total corn crop for the 2019/20 MY could be 13.3 million tons, representing a 13 percent increase from the 2018/19 MY. As a result, South Africa should be able to export about 1.1 million tons of corn in the 2019/20 MY.

For the 2018/19 MY, the Crop Estimates Committee (CEC) estimates the South African corn crop at 11.7 million tons on 2.6 million hectares at a national average yield of 4.5 tons per hectare. 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. South Africa's exports markets for corn include Botswana, Lesotho, Eswatini (Swaziland), Namibia, Mozambique and Ethiopia.

US$1 = Rand 14.65 (10/25/2019)

[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 is projected to be influenced positively by relatively higher local corn prices. Local corn prices are trading at more than 15 percent higher than a year ago, giving commercial producers an incentive to plant more fields to corn. The increase in corn prices is mainly due to the 2018/19 MY's lower corn crop in South Africa, due to dry conditions. Post estimates that around 2.6 million hectares of corn will be planted by commercial producers in the 2019/20 MY, 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 on 2.9 million hectares.

Post's estimates on area planted with corn in the 2019/20 MY is in line with the results of the CEC's "intention to plant survey" that was released on October 24, 2019. According to the CEC survey, commercial farmers indicated that they could plant 2.5 million hectares of corn in the 2019/20 MY. The intention by commercial farmers is to plant 1.4 million hectares of white corn and 1.1 million hectares of yellow corn. The preliminary area planted estimates for summer grains for the 2019/20 MY will be released on January 29, 2020 by the CEC.

Many producers have not yet started plantings, although the optimal planting window for corn in the eastern regions of South Africa have already opened. The optimal planting dates for corn runs from the middle of October to the middle of November for the central to eastern regions. For the western regions the optimal planting window is between middle November to end of December. The delays in plantings are due to low soil moisture as summer rains have been limited and scattered. While this is not an ideal situation, there is still sufficient time for plantings.

On October 24, 2019, the CEC also released its ninth commercial production estimate for South Africa's 2018/19 MY summer crops. The CEC estimates the South African commercial corn crop at 11.2 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 5.6 million tons, 5 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.

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	1,500	4.5	6,700
Yellow	1,051	5.7	5,970	1,002	5.6	5,648	1,100	5.5	6,100
Sub Total	**2,319**	**5.4**	**12,510**	**2,300**	**4.9**	**11,186**	**2,600**	**4.9**	**12,800**
Subsistence corn									
White	237	1.7	414	221	1.7	379	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**	**549**	**300**	**1.7**	**500**
TOTAL	**2,634**	**5.0**	**13,104**	**2,596**	**4.5**	**11,735**	**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. 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 11.2 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 kept its previous estimate for the commercial demand for corn in South Africa for the 2018/19 MY unchanged at 11.0 million tons. This figure 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. Post foresees a 14 percent drop in the consumption of white corn, due to an estimated 15 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 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.

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 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, 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. In the first 5 months of the 2018/19 MY, South Africa already exported 513,318 tons of corn (350,196 tons of white corn and 163,122 tons of yellow corn). South Africa's exports markets included Botswana, Lesotho, Eswatini (Swaziland), Namibia, Mozambique and Ethiopia (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 283,615 tons of yellow corn from Argentina.

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 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	83	42	125
Ethiopia	38	0	38	74	0	74
Ghana	0	20	20	0	0	0
Italy	91	100	190	0	0	0
Lesotho	53	11	50	22	1	23
Japan	0	152	152	0	0	0
Mozambique	75	34	92	35	19	54
Namibia	62	47	83	61	32	93
North Korea	0	10	4	0	5	5
Somalia	0	0	0	23	0	23
South Korea	0	215	215	0	4	4
Spain	17	0	18	0	0	0
Eswatini (Swaziland)	22	98	100	8	48	56
Taiwan	0	106	106	0	0	0
Tanzania	0	0	0	23	0	23
Uganda	0	0	0	20	0	20
Zimbabwe	0	0	0	1	12	13
Vietnam	0	691	691	0	0	0
TOTAL EXPORTS	**544**	**1,526**	**2,070**	**350**	**163**	**513**
Imports						
Brazil	0	**51**	51	0	0	0
Argentina	0	**121**	121	0	284	284
TOTAL IMPORTS	**0**	**172**	**172**	**0**	**284**	**284**

Source: SAGIS
Note: *1. Preliminary export and import data from May 1, 2019 to October 11, 2019*

Prices

As on October 23, 2019, local white corn price and yellow corn prices were, respectively, 21% and 17% higher than a year ago, illustrating the tight supply of corn in the region after the impact of the drought. White corn prices were trading at R2,859 per ton (US$195) and yellow corn prices at R2,776 per ton (US$189) (see also Table 4). Local corn prices are expected to trade at above export parity levels for the near future. However, local climatic conditions and the movement in the South African exchange rate that could influence the direction in local corn prices.

Table 4: Local corn prices

	Futures prices (year/month)				
Commodity	**2019/10**	**2019/12**	**2020/03**	**2020/05**	**2020/07**
White corn	R2,859/t ($195/t)	R2,880/t ($197/t)	R2,900/t ($198/t)	R2,764/t ($189/t)	R2,764/t ($189/t)
Yellow corn	R2,776/t ($189/t)	R2,790/t ($190/t)	R2,786/t ($190/t)	R2,675/t ($183/t)	R2,666/t ($182/t)

Source: GrainSA (as of 10/23/2019)
Note: US$1 = Rand 14.65 (10/25/2019)

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

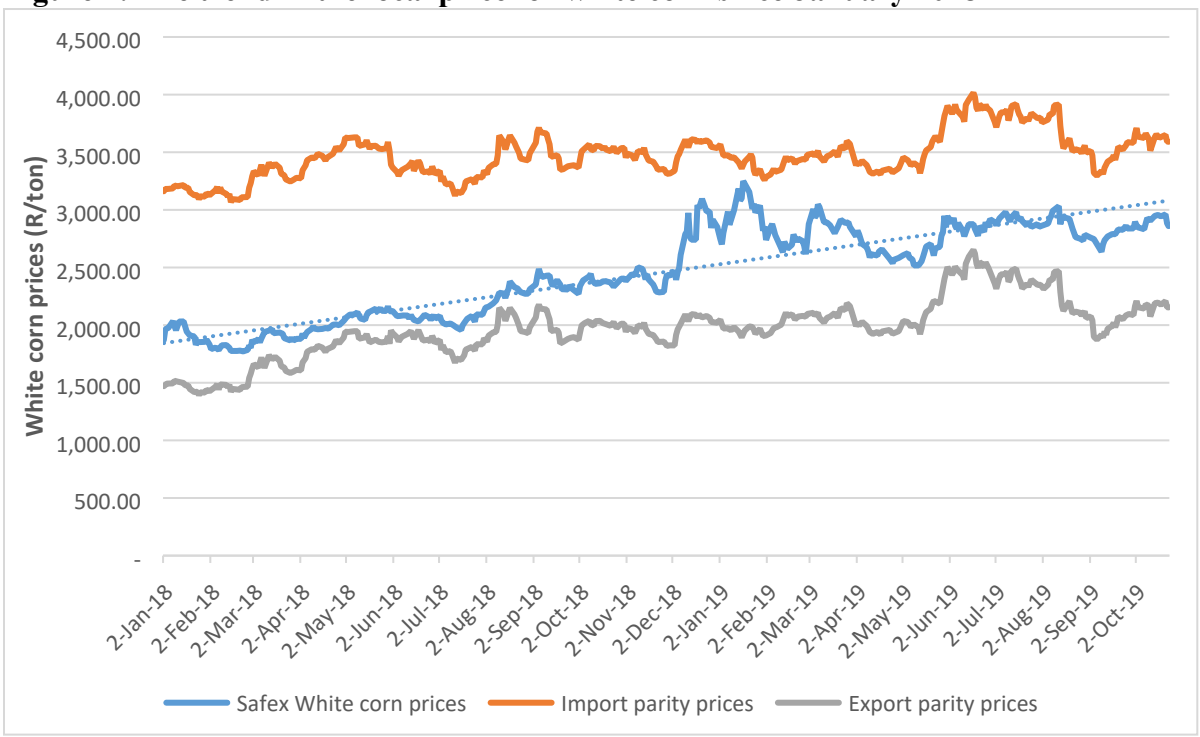

Figure 2: The trend in the local price for yellow corn since January 2018

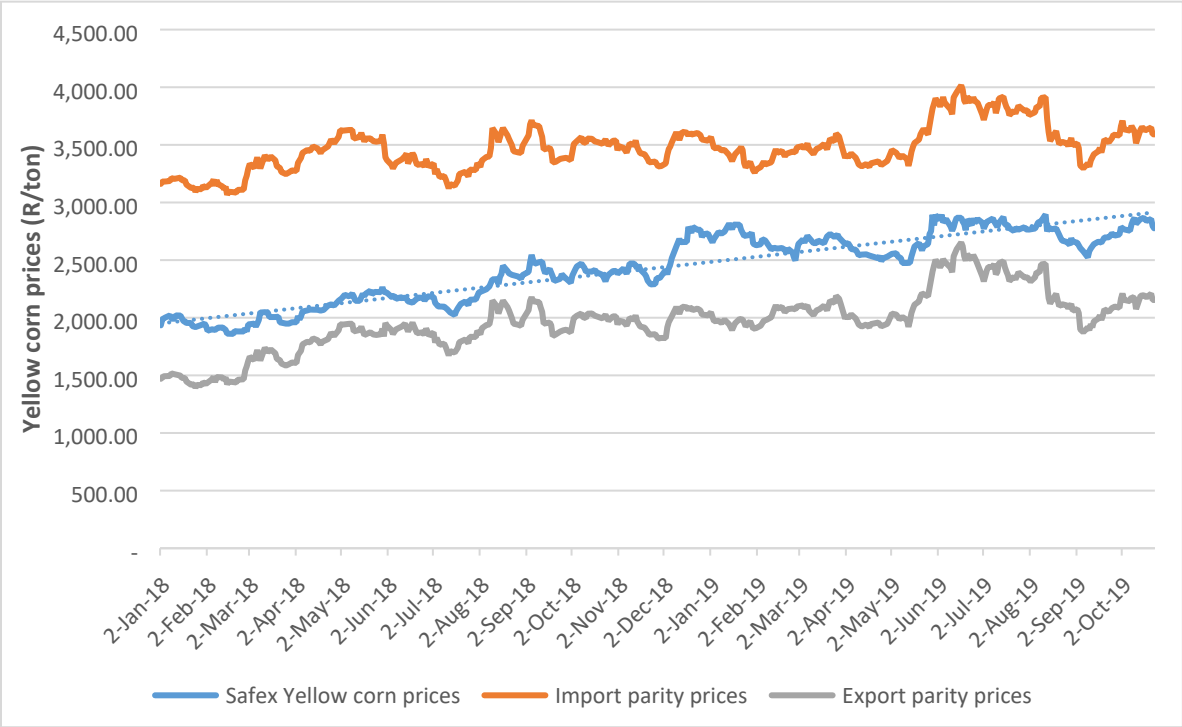

Table 5: PS&D Table for corn

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	May 2018		May 2018		May 2019	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2634	2634	2600	2596	2900	2900
Beginning Stocks	3695	3695	2672	2662	1972	1697
Production	13104	13104	11500	11735	14000	13300
MY Imports	172	172	1000	500	100	0
TY Imports	0	400	500	500	100	0
TY Imp. from U.S.	3	3	0	0	0	0
Total Supply	16971	16971	15172	14897	16072	14997
MY Exports	2069	2069	1000	1000	1500	1100
TY Exports	2361	2361	1100	1100	1500	1100
Feed and Residual	6830	6480	6500	6500	6600	6600
FSI Consumption	5400	5760	5700	5700	5700	5700
Total Consumption	12230	12240	12200	12200	12300	12300
Ending Stocks	2672	2662	1972	1697	2272	1597
Total Distribution	16971	16971	15172	14897	16072	14997
Yield	4.9749	4.9749	4.4231	4.5204	4.8276	4.5862
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments