

Voluntary Report – Voluntary - Public Distribution

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Report Name: South Africa Could See a 20 Percent Drop in Wheat Imports in the Next Marketing Year on Increased Production

Country: South Africa - Republic of

Post: Pretoria

Report Category: Grain and Feed

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Report Highlights:

Due to an expected sharp increase in local wheat production on favorable weather conditions and record yields, South Africa's imports of wheat and wheaten products in the 2020/21 MY is expected to drop by 20 percent. Post estimates South Africa could import around 1.6 million tons of wheat and wheaten products in the 2020/21 MY, down 400,000 tons from the expected 2.0 million tons of wheat and wheaten products imported in the 2019/20 MY. South Africa's 2020/21 MY expected wheat crop of around 2.0 million tons will be the highest since the 2008/09 MY. South Africa's local wheat price increased sharply to reached record high levels in April 2020 and again in August 2020, amidst a COVID-19 lockdown, diminishing any major increases in the local demand for wheat.

Executive summary

South Africa's first estimate of the 2020/21 MY's wheat crop was set at almost 2.0 million tons, 28 percent or almost 430,000 tons more than the previous season. The main contributor to the increase in wheat production was favorable weather conditions that impacted positively on yields, especially in the Western Cape province. As a result, South Africa could realize a historical high wheat yields in the 2020/21 MY.

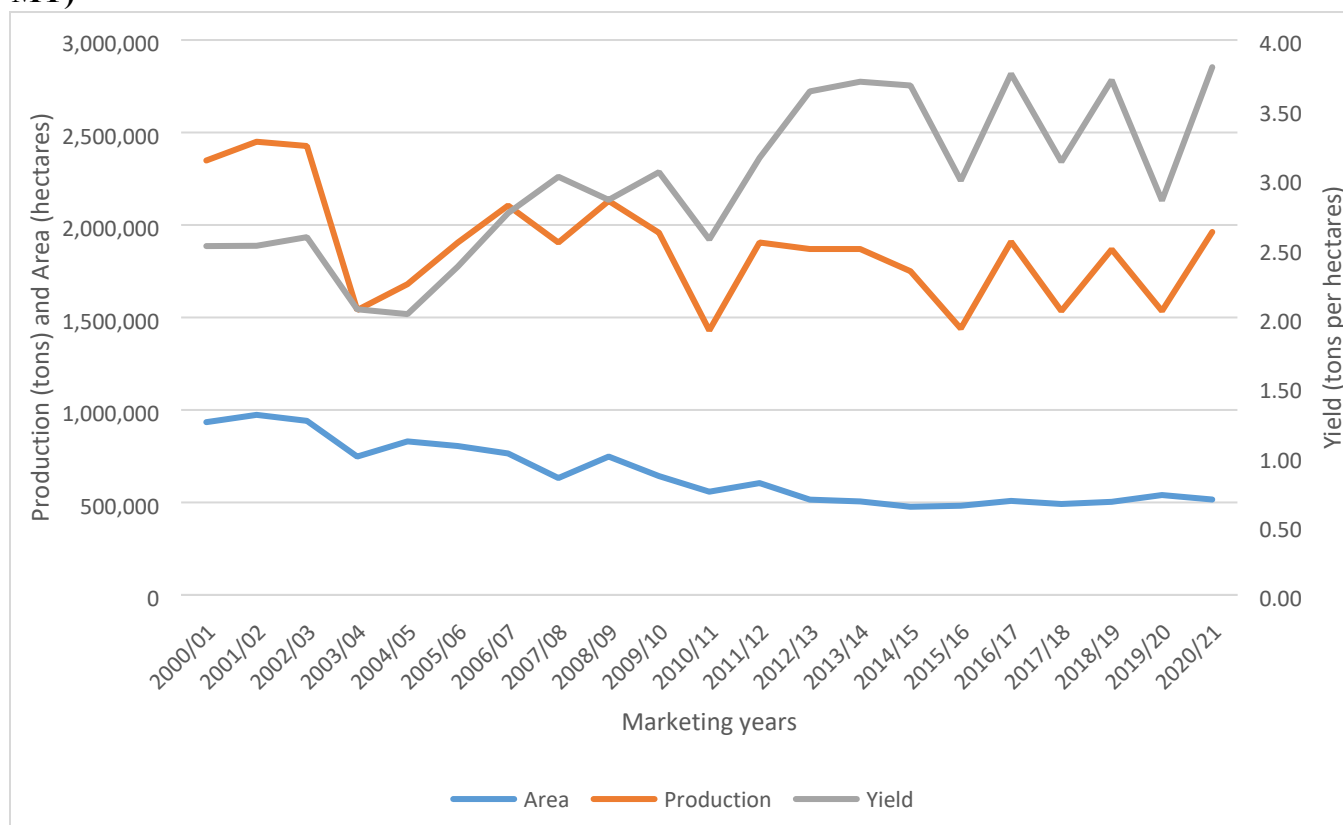
Due to the sharp increase in local wheat production, South Africa's imports of wheat and wheaten products in the 2020/21 MY is expected to drop by 20 percent compared to the 2019/20 MY. Post estimates South Africa could import 1.6 million tons of wheat and wheaten products in the 2020/21 MY, down 400,000 tons from the expected 2.0 million tons of wheat and wheaten products imported in the 2019/20 MY.

WHEAT

Production

In its first estimation of the 2020/21 MY's (October 1, 2020 – September 30, 2021) wheat crop, the South African Crop Estimates Committee (CEC) set the crop at almost 2 million tons. This represents a sharp increase of 28 percent or almost 430,000 tons from the previous season. This is also the highest wheat crop in South Africa since the 2008/09 MY (see also Figure 1). The main contributor to the increase in wheat production was favorable weather conditions that impacted positively on yields, as wheat area planted decreased by 4 percent from the previous season to 515,800 hectares. The Western Cape province, where more than 60 percent of South Africa's wheat crop is planted under rain fed condition, received favorable rains throughout the season. The Western Cape is mainly a winter rainfall area. As a result, average yields in the Western Cape could increase by 50 percent from the previous season. This could enable South Africa to record a historical high average yield for wheat in the 2020/21 MY of 3.8 tons per hectare (see also Figure 1).

Figure 1: The trends in wheat area, production and yields in South Africa (2000/01 MY – 2020/21 MY)



The following table reflects the area planted, yield and production figures of wheat in South Africa for the 2018/19 MY (actual), 2019/20 MY (estimate) and 2020/21 MY (forecast).

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

MY	Area (hectares)	Yield (tons/ha)	Production (1,000 tons)
2018/19	503,350	3.7	1,868
2019/20	540,000	2.8	1,535
2020/21 (estimate)	515,800	3.8	1,962

Source: The Crop Estimates Committee (CEC)

Consumption

South Africa's annual wheat consumption increased on average by about one percent per annum the past ten years. Post expects this trend to continue in the 2020/21 MY with wheat consumption reaching 3.4 million tons. Due to slow economic growth and a bumper corn crop, which should lower the price of corn meal, major increases in the consumption of wheat products are not foreseen in the 2020/21 MY. South Africa's local wheat price also increased sharply to reached record high levels in April 2020 and also in August 2020, amidst the COVID-19 pandemic and resulting lockdown, diminishing any sharp increases in the local demand for wheat. Wheat demand in the 2019/20 MY is expected to be around 3.3 million tons, (also refer to Table 2), in line with a one percent growth rate and marginally higher than the 3.27 million consumed in the 2018/19 MY.

Wheat is the second most important grain commodity consumed in South Africa after corn. The annual per capita consumption of corn is the highest at 90kg/person, followed by wheat (55kg/person) and then rice (15kg/person). In 2019, South Africans spent more than R150 billion (US\$8 billion) on bread and grain products, representing 25 percent of total consumption expenditure on food products.

In Table 2, the consumption of wheat in South Africa is illustrated for the 2018/19 MY (actual), 2019/20 MY (estimate) and 2020/21 MY (forecast).

Table 2: Consumption of wheat in South Africa

Wheat (1,000 tons)					
Marketing year	Human¹	Animal	Seed	Other	TOTAL
2018/19 (actual)	3,251	3	19	3	3,277
2019/20 (estimate)	3,280	25	20	5	3,330
2020/2021 (forecast)	3,320	25	20	5	3,370

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

Notes: 1. Consumption figures in the PS&D table include imported products like wheat flour uncooked pasta and couscous.

Trade

Imports

Due to the sharp increase in local wheat production, South Africa's imports of wheat and wheaten products in the 2020/21 MY is expected to drop by 20 percent compared to the 2019/20 MY. Post estimates South Africa could import 1.6 million tons of wheat and wheaten products in the 2020/21 MY, down 400,000 tons from the expected 2.0 million tons of wheat and wheaten products imported in the 2019/20 MY.

So far in the 2019/20 MY (October 1, 2019 to September 11, 2020), South Africa imported 1.7 million tons of wheat. Poland, Russia, Germany and Lithuania have been the major exporters of wheat to South Africa (see also Table 3). The United States was the sixth leading supplier of wheat to South Africa at 58,075 tons. Wheaten products import for the 2019/20 MY up to July, is estimated at 115,000 tons (wheat equivalent).

Table 3: South Africa's Imports of Wheat by Country

	2019/20 MY¹ (Oct 1, 2019 – Sept 30, 2020) Tons
Import Suppliers	
Poland	542,984
Russia	383,751
Germany	272,060
Lithuania	202,656
Ukraine	83,906
United States	58,075
Latvia	54,803
Czech Republic	52,365
Canada	50,941
Finland	21,860
TOTAL IMPORTS	1,723,401

Source: Sagis

Notes: 1. Preliminary import data from October 1, 2019 to September 11, 2020

2. Trade figures in the PS&D table include the trade in wheat flour and other wheat products like uncooked pasta and couscous.

South Africa's current import tariff for wheat, effective from March 2, 2020, is R516.60 per ton (\$31/ton). The current wheat import tariff is 33 percent lower than the previous import tariff of R776.20 (\$46/ton) that was published on January 17, 2020. The South African wheat tariff is calculated by means of a variable tariff formula in order to ensure that local wheat prices are maintained when the international prices are decreasing and *vice versa* to support local consumers when international wheat prices are increasing. However, in order to fulfil South Africa's commitment under the World Trade Organization agreement regarding market access, an annual quota of 108,279 tons of wheat can enter South Africa at a rebate of 14.4 percent from the full duty (see also Table 4). In addition, the Economic Partnership Agreement (EPA) between South Africa and the European Union (EU) that came into effect in 2016 allows for an annual Tariff Rate Quota (TRQ) of 300,000 tons of wheat from countries in the EU. The wheat imported under the TRQ must be destined for final consumption in South Africa and is only allowed to enter from February 1 to October 31 every year.

Table 4: South Africa's import tariffs for wheat

General	European Union (EU)	European Free Trade Association (EFTA)	Southern Africa Development Community (SADC)	Mercosur	WTO Minimum Market Access	
					Annual quota	Extent of rebate
R516.60/ton (\$31/ton)	EPA trade agreement - 300,000 tons import tariff free from February 1 to October 31	R516.60/ton	Free	R516.60/ton	108,279	Full duty less 14.4%

Source: South African Revenue Services (SARS), Sagis

Exports

South Africa also exports wheat to nearby countries in the Southern Africa region and acts as a conduit for grain imported from outside the region (also refer to Table 5). South Africa's exports of wheat are expected to be around 100,000 tons in the 2020/21 MY and 2019/20 MY. So far in the 2019/20 MY (October 1, 2019 to September 11, 2020), South Africa exported 75,000 tons of wheat. In the 2018/19 MY, South Africa exported 108,257 tons of wheat to countries in the Southern Africa region.

Table 5: South Africa's Exports of Wheat by Country

	2019/20 MY ¹
	(Oct 1, 2019 – Sept 30, 2020) Tons
Export Destinations	
Zambia	39,573
Namibia	13,827
Zimbabwe	8,156
Eswatini (Swaziland)	7,314
Botswana	4,832
Lesotho	2,000
TOTAL EXPORTS	75,702

Source: Sagis

Notes: 1. Preliminary export data from October 1, 2019 to September 11, 2020

2. Trade figures in the PS&D table include the trade in wheat flour and other wheat products like uncooked pasta and couscous.

Prices

South Africa's local wheat prices are illustrated in Table 6. As a net importer of wheat in a relative free market environment local wheat prices usually follow the overall trend in import parity prices. As such, local wheat prices are primarily influenced by developments in the global market as well as the strength of the South African Rand exchange rate and the fluctuations in transport costs and at a lesser extent by changes in local production. As a result, the current local wheat price trading at around R4,884 per ton (US\$302/t) is 5 percent higher than a year ago.

Table 6: Local Prices for Wheat

	Futures prices (year/month)		
Commodity	2020/09	2020/12	2021/03
Wheat	R4,884/t (\$302/t)	R4,887/t (\$303/t)	R4,980/t (\$308/t)

Source: GrainSA (as of 09/18/2020)

Note: US\$1 = Rand 16.15

Table 7: PS&D Table for Wheat

Wheat Market Begin Year South Africa	2018/2019		2019/2020		2020/2021	
	Oct-18		Oct-19		Oct-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	503	503	540	540	520	515
Beginning Stocks	834	834	637	637	662	542
Production	1868	1868	1535	1535	1775	1962
MY Imports	1499	1499	2200	2000	1850	1600
TY Imports	1586	1586	2174	2174	1850	1600
TY Imp. from U.S.	144	144	80	80	0	0
Total Supply	4201	4201	4372	4172	4287	4104
MY Exports	129	129	130	130	100	130
TY Exports	111	111	143	143	100	130
Feed and Residual	30	30	30	30	30	30
FSI Consumption	3405	3405	3550	3470	3480	3500
Total Consumption	3435	3435	3580	3500	3510	3530
Ending Stocks	637	637	662	542	677	444
Total Distribution	4201	4201	4372	4172	4287	4104
Yield	3.71	3.71	2.84	2.84	3.41	3.81
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments.