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South Africa - Republic of

Grain and Feed Update

South Africa's Commercial Corn Crop Projected to Drop by 23 Percent

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Report Highlights:
Due to unfavorable weather conditions, Post estimates a 14 percent drop in commercial corn area planted for the 2018/19 MY in South Africa. As a result, commercial corn production is expected to drop by 23 percent to around 10.0 million tons. While over 3.0 million tons of carry-over stocks remain from strong crops the past two seasons, South Africa will have to import an estimated 500,000 tons of corn in the 2018/19 MY to satisfy the local demand and continue exporting to neighboring countries. As the United States and South Africa are synchronized in terms of approved genetically engineered (GE) corn, South Africa could be a market for United States corn exports.

Executive Summary

As a result of unfavorable weather conditions in large parts of South Africa's corn producing area, Post estimates a 14 percent drop in commercial corn area from 2.3 million hectares in the 2017/18 MY to 2.0 million hectares in the 2018/19 MY. Compared to the 2018/19 MY, commercial white corn area is expected to drop by 17 percent to 1.1 million hectares, while commercial yellow corn area is expected to drop by 10 percent to 950,000 hectares. The 2018/19 MY corn area planted by subsistence farmers is expected to drop by 5 percent from the 2017/18 MY to an estimated 300,000 hectares. This brings South Africa's total corn area for the 2018/19 MY down by 13 percent from the previous season's area planted of 2.6 million hectares to 2.3 million hectares.

As a result of the expected drop in area planted, Post lowered its previous commercial production estimate for the 2018/19 MY by 12 percent from 11.4 million tons to 10.0 million tons. This also represent a 23 percent drop in commercial corn production from the 2017/18 MY. The production estimate for the subsistence farming sector was lowered by 17 percent to 500,000 tons. Total corn production is estimated at 10.5 million tons, 13 percent less than Post's previous estimate of 12.0 million tons and 22 percent lower than the 2017/18 MY's crop of 13.5 million tons.

Post estimates that South Africa will have to import about 500,000 tons of corn in the 2018/19 MY, due to a decrease of 23 percent in commercial production. Post also lowered its previous estimate for corn exports in the 2017/18 MY from 2.5 million tons to 1.9 million tons, as stocks that were earmarked for exports will be used to supplement the drought-reduced crop of the 2018/19 MY.

US$1 = Rand 13.58 (1/30/19)

Marketing year (MY) – May to April

[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 experienced very difficult planting condition during the last three months of 2018, due to high temperatures and drought. As a result, less than 20 percent of the western side of South Africa's corn producing area had been planted by mid-December. The western side produces around 60 percent of South Africa's total corn crop and the optimal planting dates for corn in the area are from mid-November to end of December. Large parts of the eastern section of South Africa's corn producing area also planted later than optimal. However, relatively good rainfall by the end of 2018 and in early 2019 improved soil moisture in most parts of the corn producing areas. As a result, corn producers in the western areas started corn plantings in the beginning of January. Unfortunately, this was followed by another two week dry-spell in mid-January impacting negatively on the corn crop.

As a result of the drought conditions, Post estimates commercial corn area planted in the 2018/19 MY will slide to 2.0 million tons, representing a 4 percent reduction from Post's previous estimate of 2.1 million hectares. This also represent a 14 percent drop in corn area from the 2.3 million hectares planted in the 2017/18 MY. Commercial white corn area is expected to drop by 17 percent from the 2017/18 MY to 1.1 million hectares, while commercial yellow corn area is expected to drop by 10 percent to 950,000 hectares. The corn area planted by subsistence farmers is expected to drop by 5 percent from the 2017/18 MY to an estimated 300,000 hectares. This brings South Africa's total corn area for the 2018/19 MY down by 13 percent from the previous season's area planted of 2.6 million hectares to 2.3 million hectares.

The Crop Estimates Committee (CEC) released its first area estimate for summer rainfall field crops on January 29, 2019. The CEC is more optimistic and estimated the 2018/19 MY commercial corn area at 2.3 million hectares, only marginal lower than the area planted in the 2017/18 MY. However, the CEC made it clear in the press release that the area estimate was mainly based on information obtained from a non-probability survey and not from the Producer Independent Crop Estimation System (PICES). The PICES methodology is statistically more precise. The revised area planted figures that the CEC will release by the end of February will be based on information obtained from the PICES survey and should enhance the precision of their estimate.

As a result of the expected drop in area planted, Post decreased its commercial production estimate for the 2018/19 MY by 12 percent, from 11.4 million tons to 10.0 million tons. The production estimate for the subsistence farming sector was lowered by 17 percent to 500,000 tons. Total corn production is estimated at 10.5 million tons, 13 percent less than Post's previous estimate of 12.0 million tons and 22 percent lower than the 2017/18 MY's crop of 13.5 million tons. The estimate is also well below South Africa's 10 year annual average of 12.5 million tons of corn.

The following table details area planted and production figures for commercial white corn and yellow corn as well as corn produced by subsistence farmers for the 2016/17 MY (actual), 2017/18 MY (estimate), and 2018/19 MY (estimate).

Table 1: Area planted 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	**2016/17**			**2017/18**			**2018/19**		
Commercial corn									
White	1,643	6.0	9,916	1,268	5.4	6,800	1,050	4.5	4,700
Yellow	986	6.9	6,904	1,051	5.8	6,130	950	5.6	5,300
Sub Total	**2,629**	**6.4**	**16,820**	**2,319**	**5.6**	**12,930**	**2,000**	**5.0**	**10,000**
Subsistence corn									
White	249	1.9	464	237	1.7	414	200	1.5	300
Yellow	118	2.3	266	78	2.3	180	100	2.0	200
Sub Total	**367**	**2.0**	**730**	**315**	**1.9**	**594**	**300**	**1.7**	**500**
TOTAL	**2,996**	**5.9**	**17,550**	**2,634**	**5.1**	**13,524**	**2,300**	**4.6**	**10,500**

Source: CEC

Consumption

Post estimates the 2018/19 MY commercial demand for corn in South Africa at 11.2 million tons. This represents a 2 percent increase in the demand for corn from the previous season. South Africa's economic growth is expected to continue to be sluggish in the next two years, which would likely limit a substantial increase in the demand for corn. The human demand for corn, the staple food for many South Africans is expected to grow to 5.3 million tons. Corn usages for animal feed is expected to also increase by two percent to 5.7 million tons (also refer to Table 2).

Post kept the commercial demand for corn in the 2017/18 MY unchanged at 11.0 million tons. This figure represents an increase of 2.1 percent from the previous season's commercial consumption and correlates with preliminary figures released by the South African Grain Information Services (Sagis). Post expects 5.2 million tons of corn will be used for human consumption and 5.6 million tons will be milled for animal feed.

Table 2 outlines the commercial consumption for white corn and yellow corn in South Africa for the 2016/17 MY (actual), 2017/18 MY (estimate) and 2018/19 MY (estimate).

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	**2016/17**			**2017/18**			**2018/19**		
Human	4,500	534	5,034	4,600	550	5,150	4,700	550	5,250
Animal	2,062	3,366	5,428	2,100	3,450	5,550	650	5,000	5,650
Other	78	234	312	100	200	300	100	200	300
TOTAL	**6,640**	**4,134**	**10,774**	**6,800**	**4,200**	**11,000**	**5,450**	**5,750**	**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

Post estimates that South Africa will have to import about 500,000 tons of corn in the 2018/19 MY, to satisfy the local demand and to preserve its export markets in neighboring countries, after a decrease of 23 percent in commercial production. In fact, South Africa already imported 50,000 tons of yellow corn from Brazil in the 2017/18 MY, destined for the Western Cape province. Post estimates corn imports for the 2017/18 MY could reach 100,000 tons. As a result, Post lowered its estimate for corn exports in the 2017/18 MY from 2.5 million tons to 1.9 million tons, as stocks that were earmarked for exports will be used to supplement the drought-reduced crop of the 2018/19 MY.

So far in the 2017/18 MY, South Africa already exported 1.8 million tons of corn consisting of 1.4 million tons of yellow corn and 347,751 tons of white corn. The major customers for South Africa's yellow corn were Vietnam (691,248 tons), South Korea (212,000 tons), Japan (151,517 tons), Taiwan (106,398 tons) and Italy (99,450). Most of the white corn was exported to Botswana (148,295 tons), Mozambique (51,020 tons) and Italy (46,551 tons). Post believes South Africa will continue exporting corn to its neighboring countries in the 2017/18 MY and 2018/19 MY, but deep sea exports will cease. Corn exports to South Africa's neighboring countries are expected to reach 700,000 tons in the 2018/19 MY.

Table 3: South Africa's exports of white and yellow corn (1,000 tons)

	2016/17 MY May 1, 2017 – Apr 30, 2018			2017/18 MY[1] May 1, 2018 – Apr 30, 2019		
	White corn	**Yellow corn**	**Total**	**White corn**	**Yellow corn**	**Total**
Export Destinations						
Angola	0	2	2	0	0	0
Botswana	182	19	201	151	23	174
Ghana	0	0	0	0	20	20
Italy	0	0	0	47	99	146
Kenya	247	0	247	0	0	0
Lesotho	75	2	77	37	7	44
Japan	0	766	766	0	152	152
Mozambique	67	22	89	54	25	79
Namibia	56	47	103	31	31	62
North Korea	0	3	3	0	4	4
Qatar	0	5	5	0	0	0
South Korea	0	212	212	0	212	212
Spain	88	0	88	18	0	18
Swaziland	27	84	111	10	75	85
Taiwan	0	262	262	0	106	106
Uganda	25	0	25	0	0	0
Venezuela	32	0	32	0	0	0
Vietnam	0	55	55	0	691	691
Zimbabwe	11	1	12	0	0	0
TOTAL EXPORTS	**810**	**1,480**	**2,290**	**348**	**1,445**	**1,793**
Imports						
Brazil	0	0	0	0	50	50
TOTAL IMPORTS	**0**	**0**	**0**	**0**	**50**	**50**

Source: SAGIS

Note: *1. Preliminary export and import data from May 1, 2018 to January 25, 2019*

Prices

Local corn prices started to move away from export parity levels towards import parity levels at the end of last year, as the drought continued and producers struggle to plant (see also Figure 1 and Figure 2). Local white corn price increased by 26 percent the past 3 months to R3,030/ton (US$223/ton) and yellow corn prices by 14 percent to R2,739/ton (US$202/ton) (see also Table 4 for future corn prices). Year-on-year, local white corn prices and yellow corn prices are respectively 63 percent and 41 percent higher, illustrating the expected shortage of corn in the domestic market. Climatic conditions will continue to be the major driver of fluctuation in the local corn prices in the next couple of months.

Table 4: Local corn prices

	Futures prices (as of 01/29/2019)				
Commodity	**2019/01**	**2019/03**	**2019/05**	**2019/07**	**2019/09**
White corn	R3,030/t ($223/t)	R3,046/t ($224/t)	R3,099/t ($228/t)	R3,138/t ($231/t)	R3,200/t ($236/t)
Yellow corn	R2,739/t ($202/t)	R2,754/t ($203/t)	R2,768/t ($204/t)	R2,762/t ($203/t)	R2,792/t ($206/t)

Source: Safex
Note: US$1 = Rand 13.58 (01/30/19)

Figure 1: The trend in the SAFEX price for white corn since January 2017

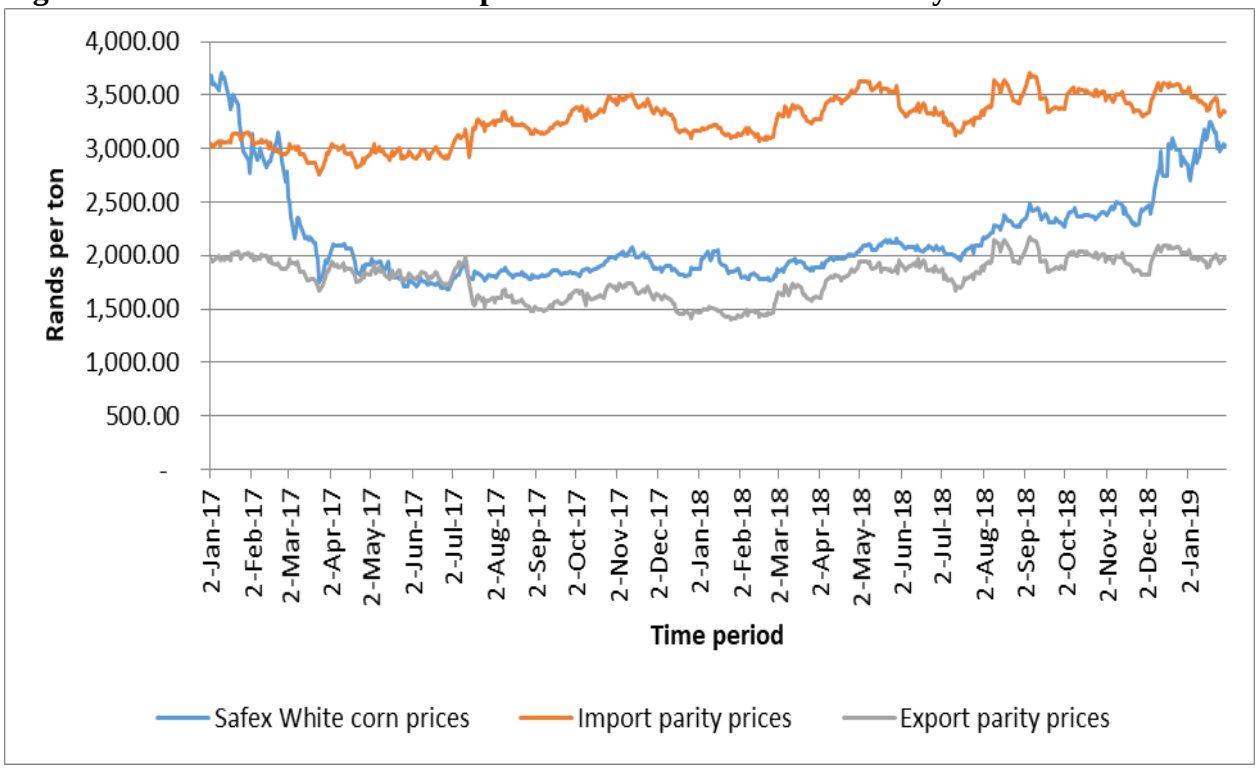

Figure 2: The trend in the SAFEX price for yellow corn since January 2017

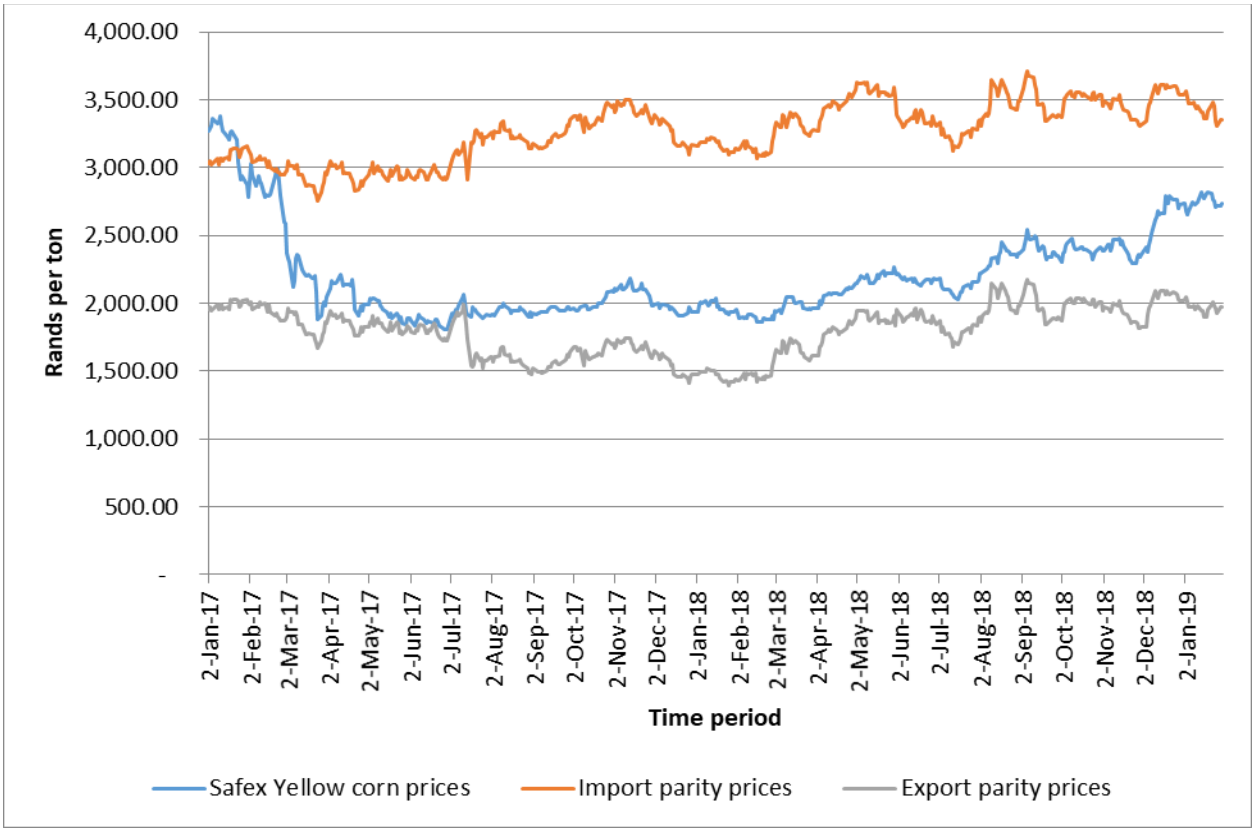

Table 5: PS&D Table for Corn

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	May 2017		May 2018		May 2019	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2996	2996	2634	2634	2400	2300
Beginning Stocks	1096	1096	3695	3756	2620	3280
Production	17551	17550	13525	13524	12000	10500
MY Imports	0	0	0	100	0	500
TY Imports	1231	1231	5	0	0	0
TY Imp. from U.S.	242	284	3	0	0	0
Total Supply	18647	18646	17220	17380	14620	14280
MY Exports	2289	2290	2300	1900	1900	700
TY Exports	1816	1816	2361	1900	1900	1000
Feed and Residual	7463	6800	6400	6400	5800	6500
FSI Consumption	5200	5800	5900	5800	5900	5800
Total Consumption	12663	12600	12300	12200	11700	12300
Ending Stocks	3695	3756	2620	3280	1020	1280
Total Distribution	18647	18646	17220	17380	14620	14280
Yield	5.8581	5.8578	5.1348	5.1344	5	4.5652
(1000 HA) ,(1000 MT) ,(MT/HA)						