

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 7/26/2012

GAIN Report Number:

South Africa - Republic of

Grain and Feed Update

Quarterly Update

Approved By:

Nicolas Rubio

Prepared By:

Dirk Esterhuizen

Report Highlights:

Post increased its forecast for corn area planted in the 2012/13 MY by 10 percent to 3.3 million hectares, as farmers will react positively on higher prices. This should result in a commercial corn crop of about 11.8 million tons and a 2.1 million tons exportable surplus. South Africa's commercial corn crop estimate for the 2011/12 MY decreased by two percent to 10.8 million tons, only five percent more than the 10.4 million tons harvested in the 2010/11 MY, with prospects of a much higher crop largely been spoilt by spells of dry weather during the growing season. However, South Africa should still be able to export around 1.5 million tons of corn in the 2011/12 MY.

Post:

Pretoria

Executive Summary

Currently, domestic corn prices are at record levels, driven mainly by events in the United States where the worst drought in more than 50 years is impacting negatively on the corn crop. As farmers usually reacts positively on higher prices, post has increased its area planted forecasts for corn later in 2012 for the 2012/13 MY [1] (2013/14 MY for South Africa) by ten percent from the previous forecast. Hence, post forecast that commercial farmers will plant about 2.8 million hectares of corn and subsistence farmers 500,000 hectares. This will, based on a national average yields, result in a crop of about 12.4 million tons, eight percent more than 2011/12 MY's crop and a 2.1 million tons of exportable surplus.

The Crop Estimates Committee's (CEC) decreased the 2011/12 MY commercial corn crop by two percent, from 11.1 million tons to 10.8 million tons, due to lower yields in the Northwest province, which is currently in the process of harvesting corn. The current crop is only five percent more than the 10.4 million tons harvested in the 2010/11 MY, with prospects of a much higher crop largely been spoilt by spells of dry weather between January and April this year. However, despite the unfavorable climatic conditions, South Africa is expected to continue to be a net exporter of corn due to a 14 percent increase in commercial hectares planted with corn. Post estimates that these exports will be around 1.5 million tons.

The CEC also announced the estimates for subsistence farmers. According to the CEC subsistence farmers produced 638,463 tons of corn on 442,114 hectares in the 2011/12 MY. This means that South Africa's total corn crop for the 2011/12 MY is estimated at 11.5 million tons on 3.1 million hectares.

US\$1 = Rand 8.50 (07/25/2012)

Sources:

www.sagis.org.za

www.grainsa.co.za

www.safex.co.za

www.daff.gov.za

^[1]The marketing years (MY) used in the text refer 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.

Production

Domestic corn prices have increased drastically the last couple of weeks, hitting record highs; due to the

drought conditions in the United States (see Figure 1 and Figure 2). If the current situation the United States persists, domestic corn prices are expected to remain at record highs, due to tight stock levels worldwide. In addition, domestic corn prices are expected to move upwards and closer to import parity levels in the current marketing season, due to South Africa's export commitments. As farmers usually reacts positively on higher prices, post has increased its area planted forecasts for corn later in 2012 for the 2012/13 MY (2013/14 MY for South Africa) by ten percent from the previous forecast. Hence, post forecast that commercial farmers will plant about 2.8 million hectares of corn and subsistence farmers 500,000 hectares. This will, based on a national average yields, result in a crop of about 12.4 million tons, eight percent more than 2011/12 MY's crop.

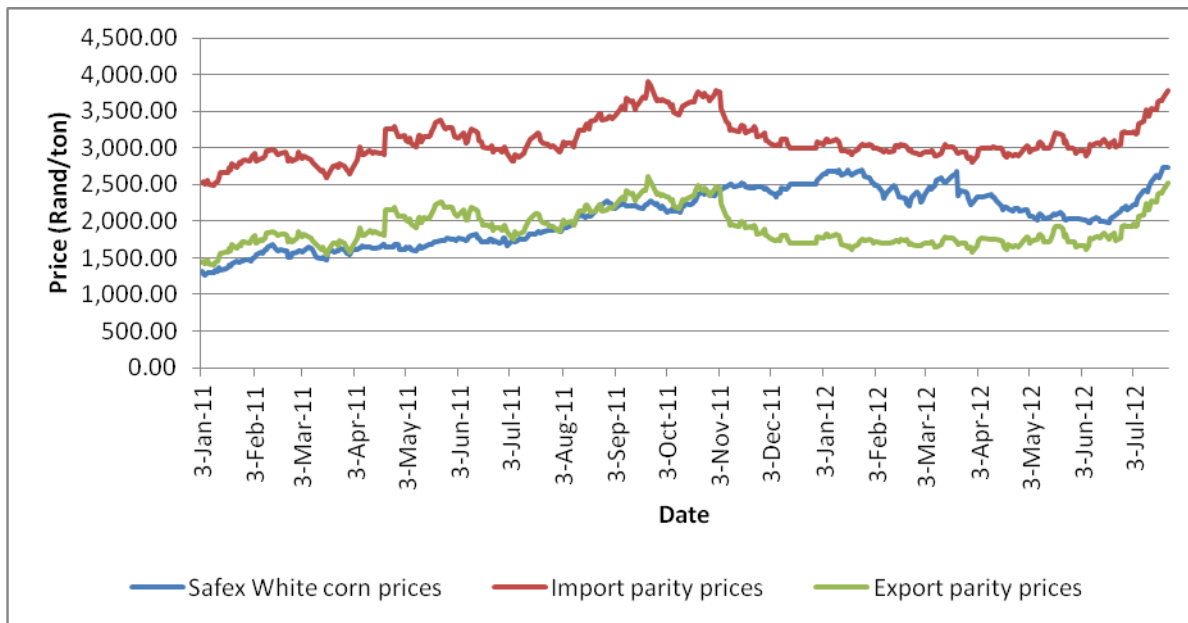


Figure 1: The trend in the SAFEX price for white corn since January 2011



Figure 2: The trend in the SAFEX price for yellow corn since January 2011

The sixth estimate for the area planted and production of corn by commercial farmers for the 2011/12 MY (the 2012/13 MY in South Africa which runs from May 2012 to April 2013) was released by the CEC on July 24, 2012. The CEC decreased the commercial corn crop by two percent, from 11.1 million tons to 10.8 million tons, due to lower yields in the Northwest province, which is currently in the process of harvesting corn. The current crop is only five percent more than the 10.4 million tons harvested in the 2010/11 MY, with prospects of a much higher crop largely been spoilt by spells of dry weather between January and April this year.

According to the CEC, commercial farmers planted 2.7 million hectares of corn in the 2011/12 MY, 14 percent more than the previous season. Corn plantings were up in response to higher domestic corn prices during planting time (almost double) compared to the previous season. Commercial farmers planted 1.6 million hectares with white corn, 15 percent more than the previous year, and 1.1 million hectares with yellow corn, 11 percent more than the previous year.

The CEC also announced the estimates for subsistence farmers. According to the CEC subsistence farmers produced 638,463 tons of corn on 442,114 hectares in the 2011/12 MY. This means that South Africa's total corn crop for the 2011/12 MY is estimated at 11.5 million tons on 3.1 million hectares.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2010/11 MY (actual), 2011/12 MY (estimate) and 2012/13 MY (forecast).

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	2010/11			2011/12			2012/13		
Commercial corn									
White	1,418	4.3	6,052	1,637	3.8	6,193	1,700	4.1	6,960
Yellow	954	4.5	4,308	1,063	4.4	4,644	1,100	4.4	4,840
Sub Total	2,372	4.4	10,360	2,700	4.0	10,837	2,800	4.2	11,800
Subsistence corn									
White	347	1.1	396	302	1.4	429	350	1.1	400
Yellow	140	1.2	168	140	1.5	209	150	1.3	200
Sub Total	487	1.1	564	442	1.4	638	500	1.2	600
TOTAL	2,859	3.8	10,924	3,142	3.7	11,475	3,300	3.8	12,400

Source: SAGIS and CEC

Consumption

Post forecasts that the demand for corn for human consumption and animal feed in the 2012/13 MY, will increase by only one percent and two percent, respectively, due to slower economic growth in South Africa and higher corn prices. The demand for corn for human consumption is expected to increase to 4.6 million tons, while the demand for corn for animal feed purposes will increase to 4.5 million tons.

For the 2011/12 MY, it is estimated that commercial demand for corn will remain flat from the previous season, due to relative high domestic corn prices which will hinder an increase in demand. Total commercial corn consumption for the 2010/11 MY was finalized at 9.6 million tons.

Table 2 outlines the commercial consumption for white and yellow corn for the 2010/11 MY (actual), 2011/12 MY (estimate) and 2012/13 MY (forecast).

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

CORN 1,000 t	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
MY	2010/11			2011/12			2012/13		
Human	4,119	393	4,512	4,100	400	4,500	4,150	400	4,550
Animal	1,202	3,160	4,362	1,200	3,200	4,400	1,100	3,400	4,500
Other	225	468	693	200	500	700	200	500	700
TOTAL	5,546	4,021	9,567	5,500	4,100	9,600	5,450	4,300	9,750

Source: SAGIS; Grain SA

Note: Please note that consumption figures in the PS&D table also include corn utilized by the subsistence farming sectors.

Trade

With an estimated commercial corn crop of 11.8 million tons, post forecasts that South Africa will be able to export about 2.1 million tons of corn in the 2012/13 MY. Despite the unfavorable climatic conditions in the 2011/12 MY, South Africa is expected to continue to be a net exporter of corn due to the increase of hectares planted with corn. Post estimates that these exports will also be around 1.5 million tons.

For the 2010/11 MY, South Africa exported 2.4 million tons of corn which included 1.7 million tons of white corn and 711,816 tons of yellow corn (see also Table 4 below). South Africa also imported 288,304 tons of yellow corn from Romania and Ukraine, which was mostly used at the coastal regions of the country. A small amount of white corn (133,771 tons) was imported from Zambia and milled in the far northern parts of South Africa where there is especially a strong demand for corn meal from neighboring Zimbabwe. Total corn imports reached 422,075 tons in the 2010/11 MY.

Table 4: Export and import countries for white and yellow corn (1,000 tons)

MY	2010/11 (May 1, 2011 – Apr 30, 2012)		2011/12 (May 1, 2012 – July 20, 2012)	
	White corn	Yellow corn	White corn	Yellow corn
Export Destinations				
Botswana	150	22	38	10
Ghana	0	8	0	0
Iran	0	41	0	0
Italy	68	0	0	0
Japan	0	49	0	0
Korea	45	302	0	0
Kuwait	0	28	0	0
Lesotho	140	7	26	1
Madagascar	0	4	0	2
Mexico	1,162	0	292	0
Mozambique	65	15	10	1
Namibia	38	16	5	5
Senegal	0	3	0	0
Somalia	19	0	0	0
Swaziland	14	56	2	9
Taiwan	0	162	0	0
Venezuela	31	0	0	0
TOTAL EXPORTS	1,734	712	373	28
Import Suppliers				
Zambia	134	0	7	0
India	0	1	0	0
Ukraine	0	146	0	0
Romania	0	141	0	0
TOTAL IMPORTS	134	288	7	0

Source: SAGIS

Prices

SAFEX prices as of July 20, 2012, are shown in Table 5. Currently, domestic white corn and yellow corn prices are at record levels, driven mainly by events in the United States where the worst drought in more than 50 years is impacting negatively on the corn crop. The South African corn market *inter alia* takes its cues from the Chicago Board of Trade as South Africa is a major player in the world corn market and has an open market policy. White corn and yellow corn prices are, respectively, 20 percent and 24 percent higher than three months ago. On a year-on-year basis, white corn prices are 47 percent higher and yellow corn prices 46 percent higher.

Table 5: SAFEX prices for corn

	SAFEX Futures prices (as of 07/20/2012)				
Commodity	2012/07	2012/09	2012/12	2013/03	2013/07
White corn	R2,728/t (\$321/t)	R2,750/t (\$324/t)	R2,799/t (\$329/t)	R2,765/t (\$325/t)	R2,320/t (\$273/t)
Yellow corn	R2,731/t (\$321/t)	R2,711/t (\$319/t)	R2,740/t (\$322/t)	R2,694/t (\$317/t)	R2,323/t (\$273/t)

Table 6: PS&D Table for Corn

Corn South Africa	2010/2011		2011/2012		2012/2013	
	Market Year Begin: May 2011		Market Year Begin: May 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,859	2,859	3,200	3,142	3,200	3,300
Beginning Stocks	5,169	5,169	3,418	3,419	2,743	2,669
Production	10,924	10,924	11,500	11,475	13,000	12,400
MY Imports	421	422	25	25	25	25
TY Imports	6	6	400	400	25	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16,514	16,515	14,943	14,919	15,768	15,094
MY Exports	2,446	2,446	1,500	1,500	2,000	2,100
TY Exports	2,839	2,839	1,500	1,500	2,000	2,100
Feed and Residual	4,950	4,950	4,950	5,000	5,100	5,100
FSI Consumption	5,700	5,700	5,750	5,750	6,000	5,800
Total Consumption	10,650	10,650	10,700	10,750	11,100	10,900
Ending Stocks	3,418	3,419	2,743	2,669	2,668	2,094
Total Distribution	16,514	16,515	14,943	14,919	15,768	15,094

1000 HA, 1000 MT, MT/HA