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South Africa - Republic of

Grain and Feed Annual

This report focuses on the supply and demand for grain and feed in South Africa

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Report Highlights:
Post forecasts that in the 2014/15 MY, the declining trend in hectares planted with wheat in South Africa will continue. Producers are expected to plant only about 500,000 hectares with wheat and that could realize a crop of 1.8 million tons. As a result, wheat imports are expected to reach about 1.7 million tons. On the other hand, post forecasts that South Africa will have sufficient stocks to export about 2.5 million tons of corn in both the 2013/14 MY and 2014/15 MY, as commercial production is expected to exceed 12.0 million tons in both years.

Executive Summary

Post forecasts that the declining trend in hectares planted with wheat will continue in the 2014/15 MY [1] , as famers will plant about 500,000 hectares. An area of 500,000 hectares will, on average yields, realize a wheat crop of about 1.8 million tons. In the 2013/14 MY, the area planted with wheat was at a record low of 505,500 hectares and produced a wheat crop of 1.8 million tons. Wheat imports for the 2014/15 MY are expected to increase by six percent from 1.6 million tons to 1.7 million tons, as a three percent increase in wheat demand is expected.

Post forecasts that the area planted to corn later in 2014, for the 2014/15 MY, will be around 3.2 million hectares. Based on national average yields, an area of 3.2 million hectares could realize a total corn crop (commercial and subsistence producers) of about 13.0 million tons. Since the beginning of February, South Africa’s corn producing areas received particularly good rains; hence post adjusted its January estimate for South Africa’s 2013/14 MY total corn crop upwards by eight percent to 13.2 million tons, seven percent more than the 2012/13 MY’s corn crop of 12.4 million tons. For both the 2014/15 MY and 2013/14 MY, post estimates that South Africa will have sufficient stocks to export about 2.5 million tons of corn, as commercial production is expected to exceed 12.0 million tons.

For the 2014/15 MY, post forecasts a four percent increase in rice imports to 1.3 million tons. Post estimates that South Africa will import 1.2 million tons of rice in the 2013/14 MY, up 32 percent from the 907,824 imported in the 2012/13 MY. Relative high prices of the substitute products to rice, *inter alia*, white corn and wheat are contributing to the increase in demand for rice.

US$1 = Rand 10.75 (03/13/14)

[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.

WHEAT

Production

In the 2013/14 MY (October 2013 to September 2014), South Africa's area planted with wheat was at a record low, as producers preferred to plant more profitable crops like canola, oats, corn and soybeans. Figure 1 illustrates the declining trend in hectares planted with wheat and the gap it created between the production and demand for wheat in South Africa. Post forecasts that the declining trend in hectares planted with wheat will continue in the 2014/15 MY, as famers will plant about 500,000 hectares. Unless there are drastic technology changes that could improve wheat yields, the decreasing trend in hectares planted with wheat in South Africa will continue in future. An area of 500,000 hectares will, on average yields, realize a wheat crop of about 1.8 million tons.

South Africa's 2013/14 MY wheat crop is estimated at 1.8 million tons on 505,500 hectares. Although the area planted was at a record low, a good season in the Western Cape, where almost fifty percent of South Africa's wheat is produced, contributed positively to a 1.8 million tons wheat crop, marginally less than the 1.9 million tons produced in the 2012/13 MY (see also Table 1).

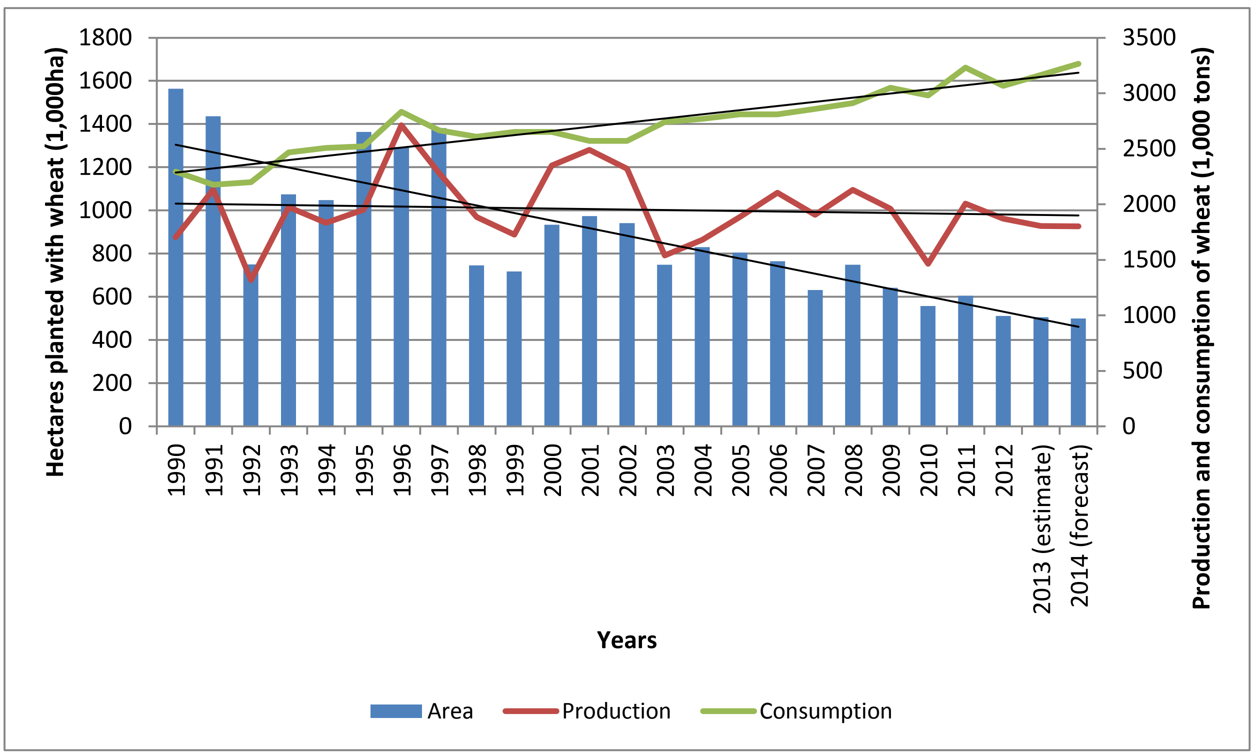

Figure 1: The trends in wheat production, consumption and area planted in South Africa (1990 – 2014)

The following table shows area planted and production figures of wheat for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast).

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

MY	Area (hectares)	Yield (tons/ha)	Production (tons)

2012/13 (actual)	511,200	3.7	1,870,000
2013/14 (estimate)	505,500	3.6	1,805,000
2014/15 (forecast)	500,000	3.6	1,800,000

Source: South Africa Grain Information Service (SAGIS) and the Crop Estimates Committee (CEC)

Consumption

South Africa's wheat consumption decreased marginally by five percent in the 2012/13 MY to 3.1 million tons, due to an 18 percent increase in the local wheat prices. Local wheat prices are currently at record high levels, hence post expects only a marginal increase in wheat consumption in the 2013/14 MY to 3.2 million tons. For the 2014/15 MY, post forecasts only a three percent increase in wheat consumption to 3.3 million tons, as upwards inflationary pressures and weak economic growth are dimming consumer demand. In Table 2, the consumption of wheat in South Africa is shown for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast).

Table 2: Consumption of wheat in South Africa

Wheat (1000 tons)					
Marketing year	**Human**	**Animal**	**Seed**	**Other**	**TOTAL**
2012/13 (actual)	3,008	32	16	11	3,067
2013/14 (estimate)	3,100	40	15	10	3,165
2014/15 (forecast)	3,200	40	15	10	3,265

Source: SAGIS and Grain SA

Trade

Wheat imports for the 2014/15 MY are expected to increase by six percent to 1.7 million tons, as a three percent increase in wheat consumption is expected.

In the first five months of the 2013/14 MY (October – March), South Africa already imported 787,889 tons of wheat and imports are expected to reach 1.6 million tons at the end of the marketing year. Russia (358,728 tons) and Ukraine (281,014 tons) were the major suppliers (see also Table 3). Lower imports from the United States are expected due to the depreciation of the Rand against the US$ and quality improvements on Russia and Ukraine wheat.

In the 2012/13 MY, South Africa imported almost 1.4 million tons of wheat, down 20 percent from the previous marketing year, due, *inter alia*, to a 18 percent depreciation of the rand against major currencies. Most of the wheat was imported from Ukraine (341,976 tons), Russia (245,228 tons), Brazil (234,733 tons) and Australia (189,925 tons).

South Africa also exports wheat to the Southern Africa region and acts as a conduit for imported grain. For the 2013/14 MY (October – March), 135,175 tons of wheat (94,861 tons own stock and 40,314 tons imported wheat) has already been exported to neighboring countries. In the 2012/13 MY, South Africa exported 278,299 tons of wheat from its own stocks to neighboring countries and 33,993 tons of imported wheat. Botswana (93,796 tons) and Lesotho (95,671 tons) were the main markets.

Table 3: Export and import countries for wheat

MY	2012/13 MY (Oct 1, 2012 – Sept 30, 2013)	2013/14 MY (Oct 1, 2013 – Mar 7, 2014)
Import Suppliers		
Argentina	98,029	0
United States	42,572	17,091
Australia	189,925	0
Germany	95,476	44,987
Canada	48,583	20,107
Brazil	234,733	0
Finland	0	25,430
Uruguay	99,033	0
Ukraine	341,976	281,014
Lesotho	384	0
Lithuania	0	40,532
Russia	245,228	358,728
Swaziland	288	0
TOTAL IMPORTS	**1,396,227**	**787,889**
Export destinations		
Botswana	93,796	39,892
Lesotho	95,671	56,911
Mozambique	1,809	0
Namibia	25,510	13,001
Swaziland	29,529	8,593
Zimbabwe	65,977	16,778
TOTAL EXPORTS	**312,292**	**135,175**

Source: SAGIS

Prices

The South Africa Future Exchange (SAFEX) prices for wheat as of 03/11/2014 are shown in the following Table. Local wheat prices increased by almost 16 percent in the past year due to higher international wheat prices and the depreciation in the value of the rand against major currencies (see Figure 2). The rand has depreciated by almost 20 percent against the United States dollar in 2013 and by nearly 8 percent in the first month of the 2014 (see also Figure 3). The rand stumbled to a fresh five-year low against the dollar in January, after the start of another labor strike in the mining sector. South Africa's budget and current account deficits, strikes in the manufacturing and mining sectors, and the 2014-elections, make the currency more vulnerable than most emerging market peers during a period of global risk aversion.

Table 4: SAFEX future prices for wheat

	SAFEX Futures prices (03/11/2014)			
Commodity	**2014/03**	**2014/05**	**2014/07**	**2014/12**
Wheat	R3,880/t ($361/t)	R3,914/t ($364/t)	R3,904/t ($363/t)	R3,660/t ($340/t)

Source: SAFEX

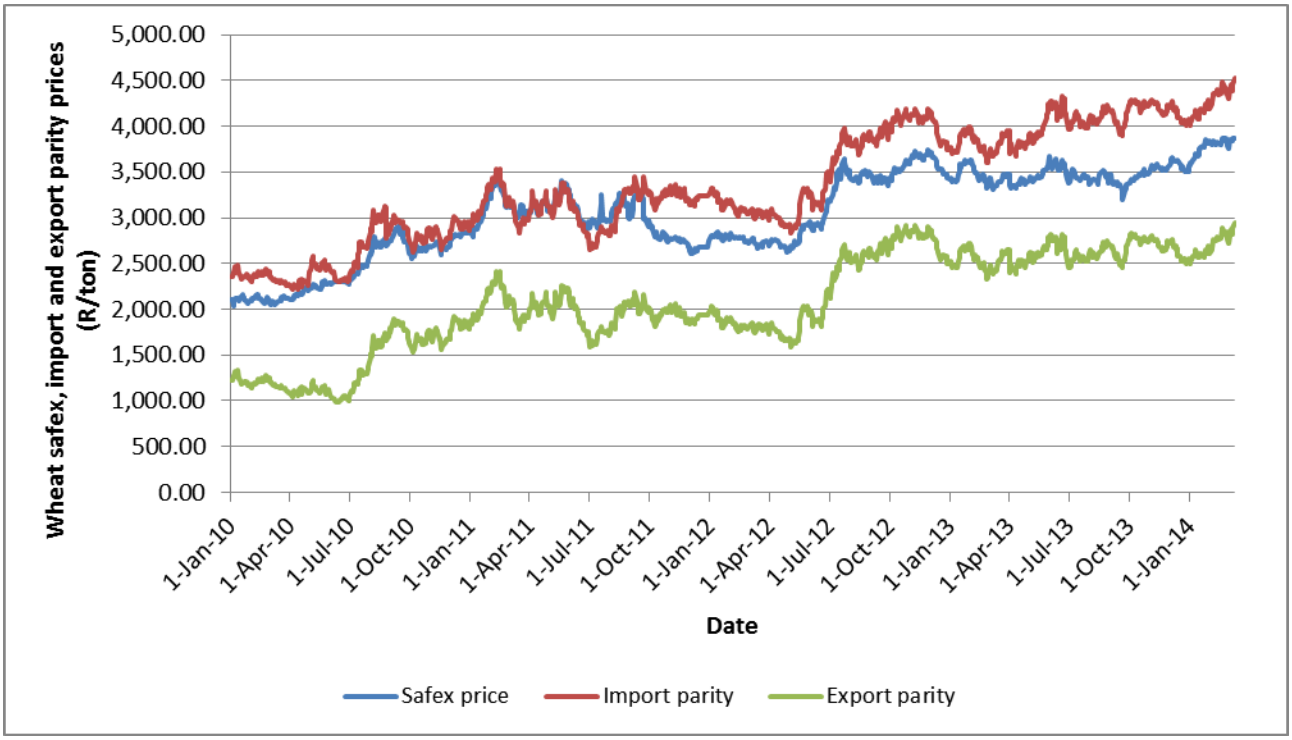

Figure 2: The trend in the SAFEX price for wheat since January 2010

Figure 3: Rand/dollar exchange rate

Source: Reserve Bank

Table 5: PS&D Table for Wheat

Wheat South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: May 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	511	511	505	505		500
Beginning Stocks	826	826	792	747		687
Production	1,870	1,870	1,795	1,805		1,800
MY Imports	1,724	1,396	1,800	1,600		1,700
TY Imports	1,558	1,558	1,800	1,600		1,700
TY Imp. from U.S.	57	57	0	30		30
Total Supply	4,420	4,092	4,387	4,152		4,187
MY Exports	288	278	330	300		320
TY Exports	342	342	330	300		320
Feed and Residual	140	32	140	40		40
FSI Consumption	3,200	3,035	3,360	3,125		3,225
Total Consumption	3,340	3,067	3,500	3,165		3,265
Ending Stocks	792	747	557	687		602
Total Distribution	4,420	4,092	4,387	4,152		4,187
1000 HA, 1000 MT, MT/HA						

<u>CORN</u>

Production

Post forecasts that the area planted to corn later in 2014, for the 2014/15 MY, will be around 3.2 million hectares. Commercial farmers will plant about 2.7 million hectares and subsistence farmers 500,000 hectares. This forecast is based on the average hectares planted with corn in the past five years in South Africa. Based on national average yields, an area of 3.2 million hectares could realize a total corn crop of about 13.0 million tons.

Since the beginning of February, South Africa's corn producing areas received particularly good rains; hence post adjusted its January estimate for South Africa's 2013/14 MY commercial corn crop upwards by nine percent to 12.5 million tons. This is in line with the first production estimate for corn by the Crop Estimates Committee (CEC) on February 27, 2014. The CEC estimated the commercial corn crop at 12.4 million tons on 2.7 million hectares. Post estimates that subsistence corn crop at 700,000 on 500,000 hectares. Hence, post estimates South Africa's total corn crop for the 2013/14 MY at 13.2 million tons, seven percent more than the 2012/13 MY's corn crop of 12.4 million tons.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast).

Table 6: 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	**2012/13**			**2013/14**			**2014/15**		
Commercial corn									
White	1,620	3.5	5,545	1,530	4.3	6,600	1,550	4.2	6,550
Yellow	1,160	5.3	6,145	1,137	5.2	5,900	1,150	5.0	5,750
Sub Total	**2,780**	**4.2**	**11,690**	**2,667**	**4.7**	**12,500**	**2,700**	**4.6**	**12,300**
Subsistence corn									
White	320	1.4	460	350	1.4	480	350	1.4	480
Yellow	137	1.6	215	150	1.5	220	150	1.5	220
Sub Total	**457**	**1.5**	**675**	**500**	**1.4**	**700**	**500**	**1.4**	**700**
TOTAL	**3,237**	**3.8**	**12,365**	**3,167**	**4.2**	**13,200**	**3,200**	**4.1**	**13,000**

Source: SAGIS and CEC

Consumption

The commercial demand for corn for food increased on average by two percent per year the past 15 years, while the commercial demand for feed corn increased on average by three percent per year (see also Figure 4). Post projects that this marginal increases in demand will continue in the 2014/15 MY, as South Africa’s economy is expected to grow by less than three percent in 2014 and 2015, due to labor unrest, upward inflationary pressures and electricity constraints. Thus, total commercial demand for corn is estimated to reach 10.2 million tons in the 2014/15 MY.

For the same reasons, post estimates that the commercial demand for corn for human consumption and animal feed will increase only marginally in the 2013/14 MY to 4.7 million tons and 4.6 million tons, respectively. This means total annual commercial corn demand is expected to reach 10.0 million tons in the 2013/14 MY, marginally more than the estimated 9.8 million tons demand in the 2012/13 MY. Post increased the January estimate for corn consumption in the 2012/13 MY by 200,000 tons, as new data from the South African Grain Information Service (SAGIS) indicates that corn consumption will be higher.

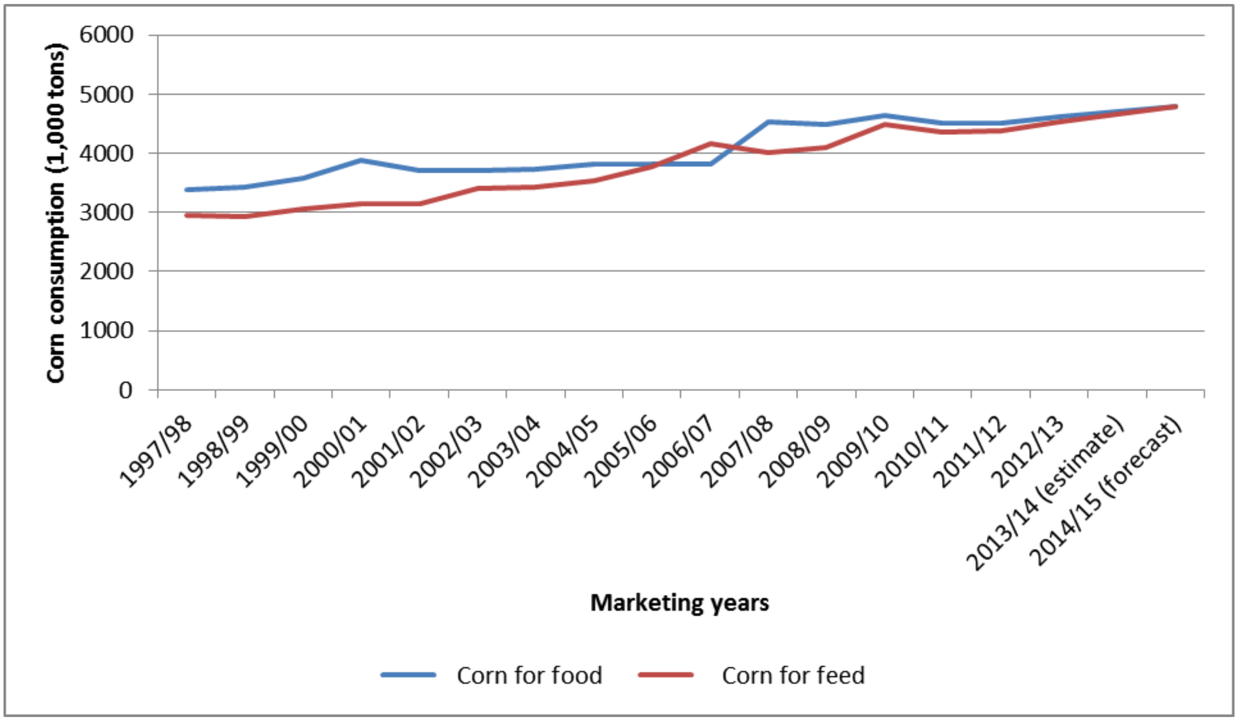

Figure 4: The commercial consumption of corn in the food and feed markets of South Africa since the 1997/98 MY.

Table 7 outlines the commercial consumption for white and yellow corn for the 2012/13 MY (estimate), 2013/14 MY (estimate) and 2014/15 MY (forecast).

Table 7: 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	**2012/13**			**2013/14**			**2014/15**		
Human	4,225	400	4,625	4,300	400	4,700	4,400	400	4,800
Animal	530	4,000	4,530	500	4,160	4,660	500	4,280	4,780
Other	145	500	645	140	500	640	120	500	620
TOTAL	**4,900**	**4,900**	**9,800**	**4,940**	**5,060**	**10,000**	**5,020**	**5,180**	**10,200**

Source: SAGIS; Grain SA

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

Trade

For both the 2013/14 MY and 2014/15 MY, post estimates that South Africa will have sufficient stocks to export about 2.5 million tons of corn, as commercial production is expected to exceed 12.0 million tons.

For the 2012/13 MY, post estimates that South Africa will export around 2.0 million tons of corn, up five percent from post's January estimate. In the past ten months of the 2012/13 MY, South Africa already exported 1.9 million tons of corn of which 1.1 million tons were yellow corn and 797,715 tons white corn (see also Table 8). Post foresees that South Africa will continue corn exports to its neighboring countries for the remainder of 2012/13 MY.

Table 8: Export and import countries for white and yellow corn (1,000 tons)

MY	**2012/13 (May 1, 2013 – Mar 7, 2014)**	
	White corn	**Yellow corn**
Export Destinations		
Angola	4	1
Botswana	143	43
Cameroon	0	1
Japan	0	596
Korea	0	148
Lesotho	40	8
Madagascar	0	7
Mexico	190	0
Mozambique	70	21
Namibia	125	40
Nigeria	0	14

Swaziland	17	37
Taiwan	0	166
Zimbabwe	209	23
TOTAL EXPORTS	**798**	**1,105**
Import Suppliers		
TOTAL IMPORTS	**0**	**0**

Source: SAGIS

Prices

SAFEX prices as of March 11, 2014, are shown in Table 9. Both white corn and yellow corn prices are currently at record highs and increased by more than 20 percent the past two weeks as wet fields made it impossible for producers to harvest early corn. On a year-on-year basis, white corn and yellow corn prices are, respectively, 61 percent and 66 percent higher. This price increase occurred despite international corn prices decreasing, as domestic corn prices moved away from export parity price levels to import parity price levels (see also Figure 5 and Figure 6). The movement to import parity prices was driven by the anticipation of possible corn imports realizing as stock levels are under pressure. The deterioration of the rand exchange rate is also supporting higher corn prices. Post foresees that local corn prices will move gradually back to export parity levels as soon as harvesting of 2013/14 MY crop starts.

Table 9: SAFEX prices for corn

	SAFEX Futures prices (as of 03/11/2014)				
Commodity	**2014/03**	**2014/05**	**2014/07**	**2014/09**	**2014/12**
White corn	R3,765/t ($350/t)	R2,550/t ($237/t)	R2,138/t ($199/t)	R2,182/t ($203/t)	R2,230/t ($207/t)
Yellow corn	R3,850/t ($358/t)	R2,366/t ($220/t)	R2,216/t ($206/t)	R2,257/t ($210/t)	R2,300/t ($214/t)

Figure 5: The trend in the SAFEX price for white corn since January 2012

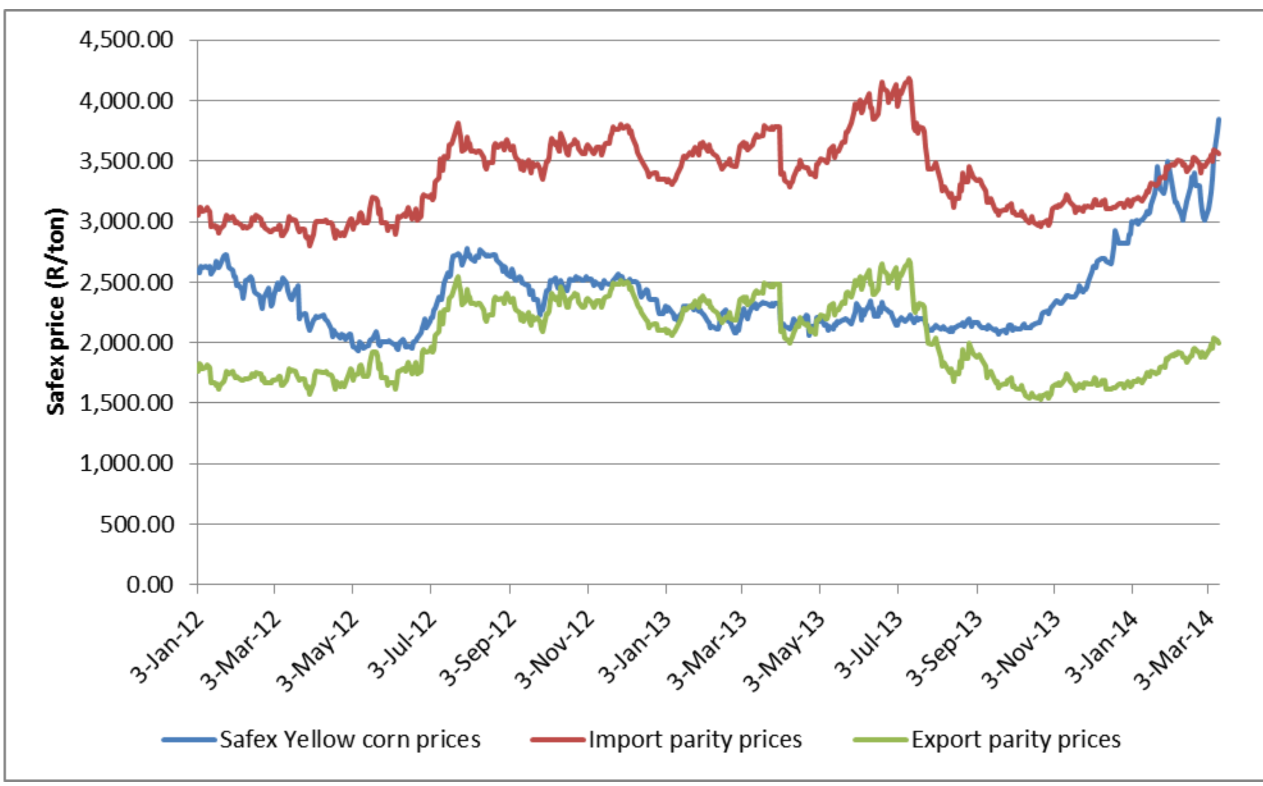

Figure 6: The trend in the SAFEX price for yellow corn since January 2012

Table 10: PS&D Table for Corn

Corn South Africa	2012/2013		2013/2014		2014/2015	
	Market Year Begin: May 2013		Market Year Begin: May 2014		Market Year Begin: May 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,238	3,237	3,200	3,167		3,200
Beginning Stocks	3,676	3,676	3,416	3,066		2,566
Production	12,365	12,365	13,000	13,200		13,000
MY Imports	25	25	25	0		0
TY Imports	0	25	25	0		0
TY Imp. from U.S.	3	0	0	0		0
Total Supply	16,066	16,066	16,441	16,266		15,566
MY Exports	1,900	2,000	2,000	2,500		2,500
TY Exports	2,398	2,200	1,700	2,000		2,000
Feed and Residual	4,950	5,100	5,100	5,200		5,300
FSI Consumption	5,800	5,900	5,900	6,000		6,100
Total Consumption	10,750	11,000	11,000	11,200		11,400
Ending Stocks	3,416	3,066	3,441	2,566		1,666
Total Distribution	16,066	16,066	16,441	16,266		15,566
1000 HA, 1000 MT, MT/HA						

RICE

South Africa does not produce rice commercially, due to the high water requirements of the crop. Hence, South Africa is totally dependent on rice imports to meet the local demand. Rice imports are duty free and consumption is based on the import data supplied by the Global Trade Atlas.

For the 2014/15 MY, post forecasts a four percent increase in rice imports to 1.3 million tons, as it correlates with the average annual increase in the demand for rice in South Africa the past 15 years (see also Figure 7).

Post estimates that South Africa will import 1.2 million tons of rice in the 2013/14 MY, up 32 percent from the 907,824 tons imported in the 2012/13 MY (see also Table 11). Rice imports are higher due to the price increases of the substitute products to rice, namely, white corn and wheat. Since May 2013, local wheat and white corn price increased by 14 percent and 70 percent, respectively, while the average price of imported rice to South Africa decrease by 15 percent. In the first eight months of the 2013/14 MY, South Africa already imported 882,000 tons of rice.

In the 2012/13 MY, Thailand lost its position as South Africa's biggest trading partner in rice to India. India and Thailand, together, supply 80 percent of South Africa's rice demand (see Table 12).

Table 11: Imports of rice to South Africa

Marketing years	2012/2013 (actual)	2013/14 (estimate)	2014/15 (forecast)
Total imports			

(1,000 tons)	908	1,200	1,250

Source: Global Trade Atlas

Table 12: Import matrix for rice to South Africa

Country		South Africa
Commodity		Rice, Milled
Time Period	May/April	Units: MT
Imports for:	**2012/13**	**2013/14***
U.S.	1,909	1,350
Others:		
India	421,647	308,452
Thailand	369,780	304,712
Brazil	42,504	4,690
Vietnam	39,903	20,617
Total for Others	873,834	638,471
Others not Listed	32,091	241,948
Grand Total	907,824	881,769

*01/05/2013 – 12/31/2013

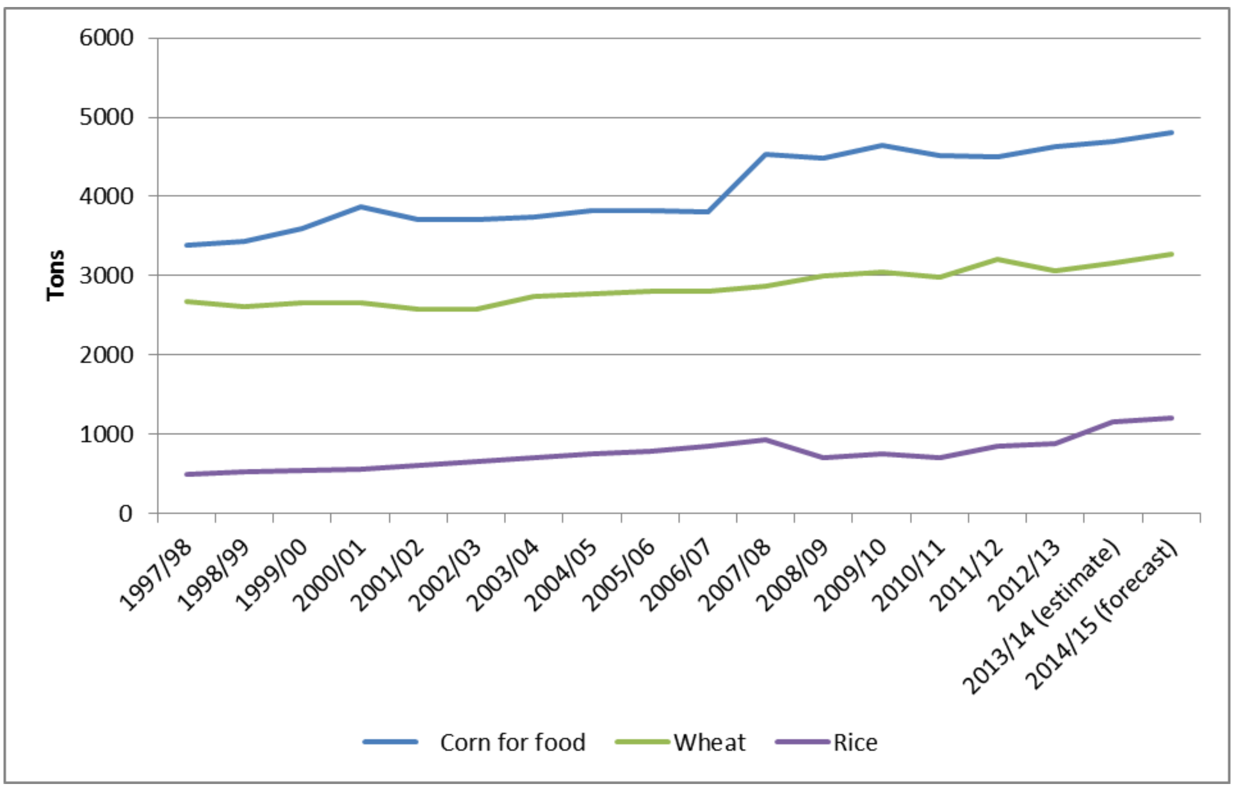

Figure 7: The demand of corn, wheat and rice in South Africa since the 1997/98 MY

Table 13: PS&D Table for Rice

Rice, Milled South Africa	2012/2013	2013/2014	2014/2015

	Market Year Begin: May 2012		Market Year Begin: May 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	32	32	22	16		21
Milled Production	0	0	0	0		0
Rough Production	0	0	0	0		0
Milling Rate (.9999)	0	0	0	0		0
MY Imports	925	908	975	1,200		1,250
TY Imports	950	950	975	1,100		1,100
TY Imp. from U.S.	0	2	0	2		2
Total Supply	957	940	997	1,216		1,271
MY Exports	35	44	40	45		45
TY Exports	35	35	40	45		45
Consumption and Residual	900	880	925	1,150		1,200
Ending Stocks	22	16	32	21		26
Total Distribution	957	940	997	1,216		1,271
1000 HA, 1000 MT, MT/HA						