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The declining trend of sorghum production in South Africa

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Report Highlights:
Post estimates that the decreasing trend in sorghum production in South Africa will continue in the 2018/19 MY. South Africa moved from being a net exporter of sorghum to a net importer of sorghum in the past 10 years as producers preferred to plant more profitable crops. Sorghum imports are expected to increase by 17 percent in the 2018/19 MY too reached 70,000 tons. In the 2017/18 MY, Post estimates South Africa will import 60,000 tons of sorghum, 7 percent higher than the 55,824 tons imported in the 2016/17 MY. The United States is the major supplier of sorghum to South Africa.

Executive Summary

Post estimates that the decreasing trend in sorghum production in South Africa will continue in the 2018/19 MY with a further 9 percent drop in production to 100,000 tons on 30,000 hectares. For the 2017/18 MY, sorghum production is estimated at 109,855 tons, down 28 percent from the previous season's 152,000 tons. Sorghum production in South Africa decreased dramatically over the past decade as producers preferred to plant more profitable crops like corn and oilseeds. As a result, South Africa moved from being a net exporter of sorghum to a net importer of sorghum. Furthermore, sorghum imports are expected to increase by 17 percent in the 2018/19 MY to reach 70,000 tons. In the 2017/18 MY Post estimates South Africa will import 60,000 tons of sorghum, 7 percent higher than the 55,824 tons imported in the 2016/17 MY. The United States is the major supplier of sorghum to South Africa.

Production

For the 2017/18 MY, sorghum production in South Africa is estimated at 109,855 tons, down 28 percent from the previous season's 152,000 tons. The main reason for this drop in sorghum production was a 32 percent decrease in area planted as many producers substitute sorghum for more profitable crops like soybeans. Post estimates that the decreasing trend in sorghum production in South Africa will continue in the 2018/19 MY with a further 9 percent drop to 100,000 tons on 30,000 hectares.

Sorghum production in South Africa peaked in the mid-eighties when more than 300,000 hectares was planted. However, as producers preferred to plant more profitable crops like corn and oilseeds, sorghum production decreased dramatically over the past two decades (see also Figure 1). Since 2010 the average area planted declined to a mere 60,000 hectares and reached an all-time low of 29,000 hectares in the 2017/18 MY. A major reason for the decline of sorghum production in South Africa is the fact that productivity, especially yield levels, have failed to increase at the same positive rate as productivity levels of corn and soybeans, resulting in less competitive gross margins. Sorghum yields have remained fairly stagnant over the past decade at an average yield of about 2.7 tons per hectares, while average corn yields increased by around 20 percent to reach almost 6.0 tons per hectare. Unless drastic technology changes occur that could improve sorghum productivity, producers will continue to switch to more profitable crops and the decreasing trend in hectares planted with sorghum in South Africa will continue.

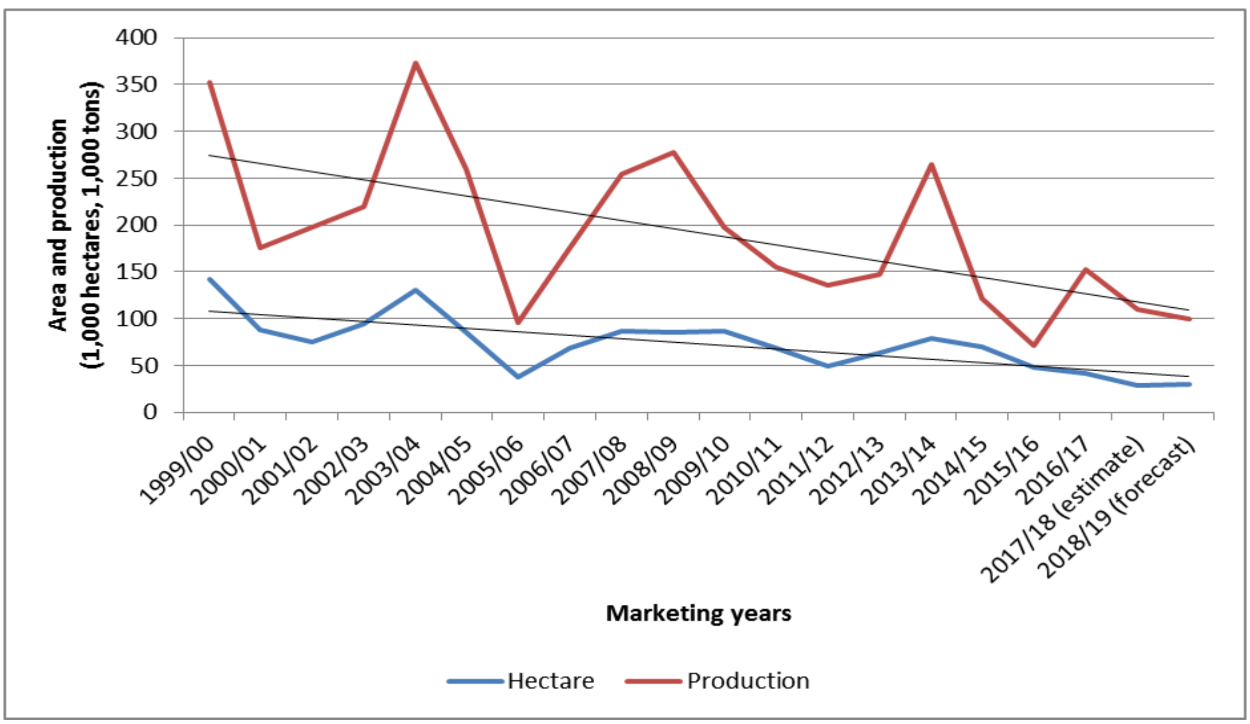

Figure 1: The declining trend in the area planted and production of sorghum in South Africa

In Table 1 the area planted and production of sorghum is South Africa for the past 10 years are illustrated.

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

MY	Area (1,000 hectares)	Yield (tons/ha)	Production (1,000 tons)
2009/10	87	2.3	197
2010/11	69	2.2	155
2011/12	49	2.8	136
2012/13	63	2.3	147
2013/14	79	3.4	265
2014/15	70	1.7	121
2015/16	48	1.5	71
2016/17	42	3.6	152
2017/18 (estimate)	29	3.8	110
2018/19 (forecast)	30	3.3	100

Source: The Crop Estimates Committee (CEC) and Post calculations

Consumption

In South Africa, sorghum is mainly used for human consumption (about 92 percent of sorghum usage), which include food (sorghum meal) and beverage (malt) consumption. Malt is used for manufacturing sorghum beer (traditional African beer). In the past 5 years around 37 percent of total domestic demand was used for malting/brewing. However, sorghum used for malting decreased by 30 percent the past 10 years to about 60,000 tons. Sorghum products find themselves in an extremely competitive environment in which consumers can easily switch to substitutes such as corn meal, rice and lager beer.

Sorghum meal, also known as “Mabele”, competes directly with corn meal and is served as a breakfast cereal. It represents a basic staple food, characterized by inelastic demand preferences. In the past 5 years sorghum meal consumption represented around 55 percent of total domestic demand of sorghum. Sorghum meal consumption increased by about 2 percent per annum over the past 20 years and is forecast to reach 96,000 tons in the 2018/19 MY, mainly on population growth rather than increased per capita consumption (see also Figure 2).

The use of sorghum as an animal feedstuff is well researched and documented over the years. The animal feed market comprises of sorghum processed for pet food, poultry and livestock. The utilization of sorghum in the feed market is inconsistent as price is the main determining factor as to whether corn or sorghum is used for animal feed. Only about 5 percent or 10,000 tons of sorghum consumption in South Africa end up as animal feed.

From Table 2 total sorghum consumption decreased by about 20 percent the past 10 years, mainly due to the decrease in the usage of sorghum for malt. For the 2017/18 MY and 2018/19 MY, sorghum consumption is estimated at 165,000 tons, which is at the same level as in the 2016/17 MY. With competitive local corn prices that will continue trading at export parity levels for the next season and sorghum prices trading at import parity levels, Post does not foresee any major increase in sorghum demand.

Table 2: Consumption of sorghum in South Africa

Marketing	Sorghum	Malt	Total human	Animal	Others	TOTAL

year	meal		consumption	feed		
			1,000 tons			
2009/10	100.3	82.0	182.3	8.6	13.4	204.3
2010/11	100.9	81.3	182.2	7.1	11.1	200.4
2011/12	88.4	69.4	157.8	5.6	8.5	171.9
2012/13	95.7	69.0	164.7	5.1	8.0	177.8
2013/14	90.3	62.2	152.6	6.8	7.0	166.4
2014/15	88.0	61.4	149.4	10.4	5.2	165.0
2015/16	97.9	62.7	160.6	9.7	1.9	172.2
2016/17	92.7	60.1	152.8	8.6	3.9	165.3
2017/18 (estimate)	95.0	60.0	155.0	8.0	2.0	165.0
2018/19 (forecast)	96.0	59.0	155.0	8.0	2.0	165.0

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

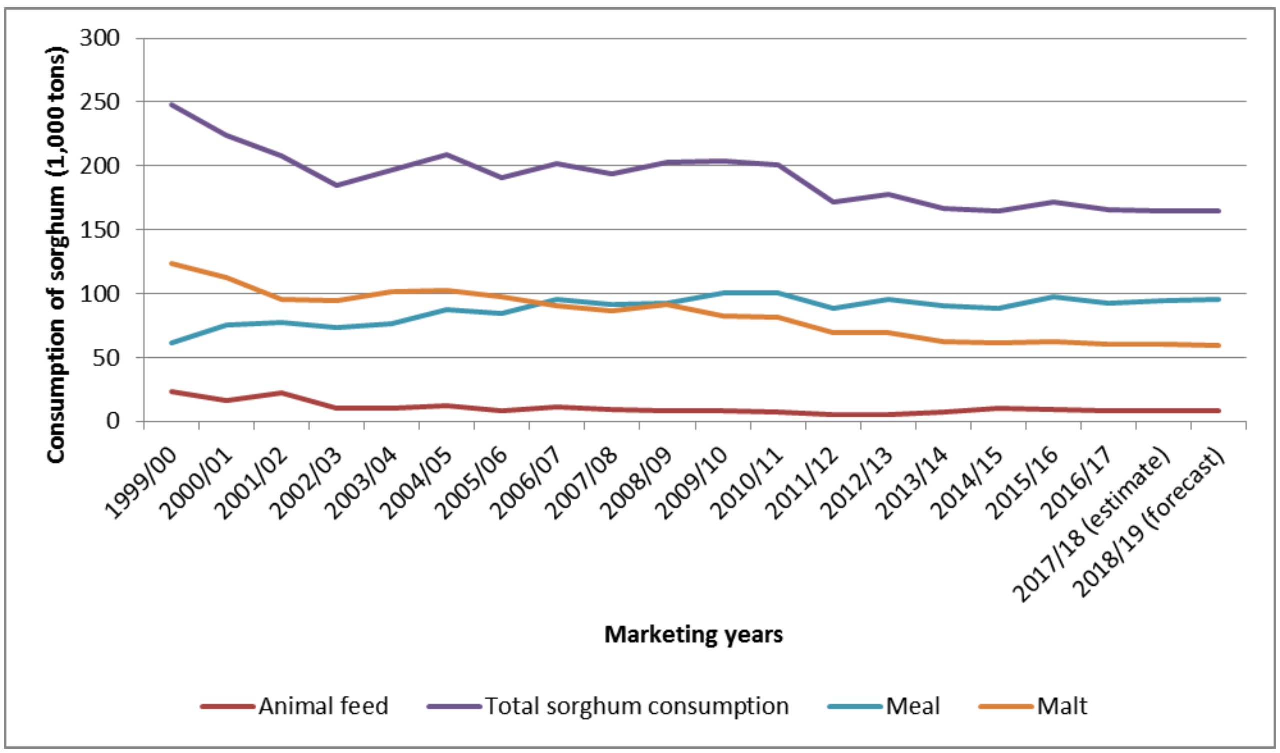

Figure 2: The trend in the demand for sorghum since the 1999/00 MY

Trade

Over the past 10 years, South Africa moved from being a net exporter of sorghum to a net importer of sorghum (see Figure 3). Sorghum imports are expected to increase by 17 percent in the 2018/19 MY to reach 70,000 tons on lower domestic production. In the 2017/18 MY Post estimates South Africa will import 60,000 tons of sorghum, 7 percent higher than the 55,824 tons imported in the 2016/17 MY. In the 2015/16 MY, South Africa imported 74,957 tons of sorghum as production fell by 40 percent due to drought conditions. The United States is the major supplier of sorghum to South Africa with contributing almost 100 percent of total sorghum imports.

South Africa continues to export sorghum to its neighboring countries like Botswana and Swaziland but at a decreasing level the past 10 years. In the 2016/17 MY exports amounted to 9,466 tons. Post estimates that export will continue at this level for the 2017/18 MY and 2018/19 MY.

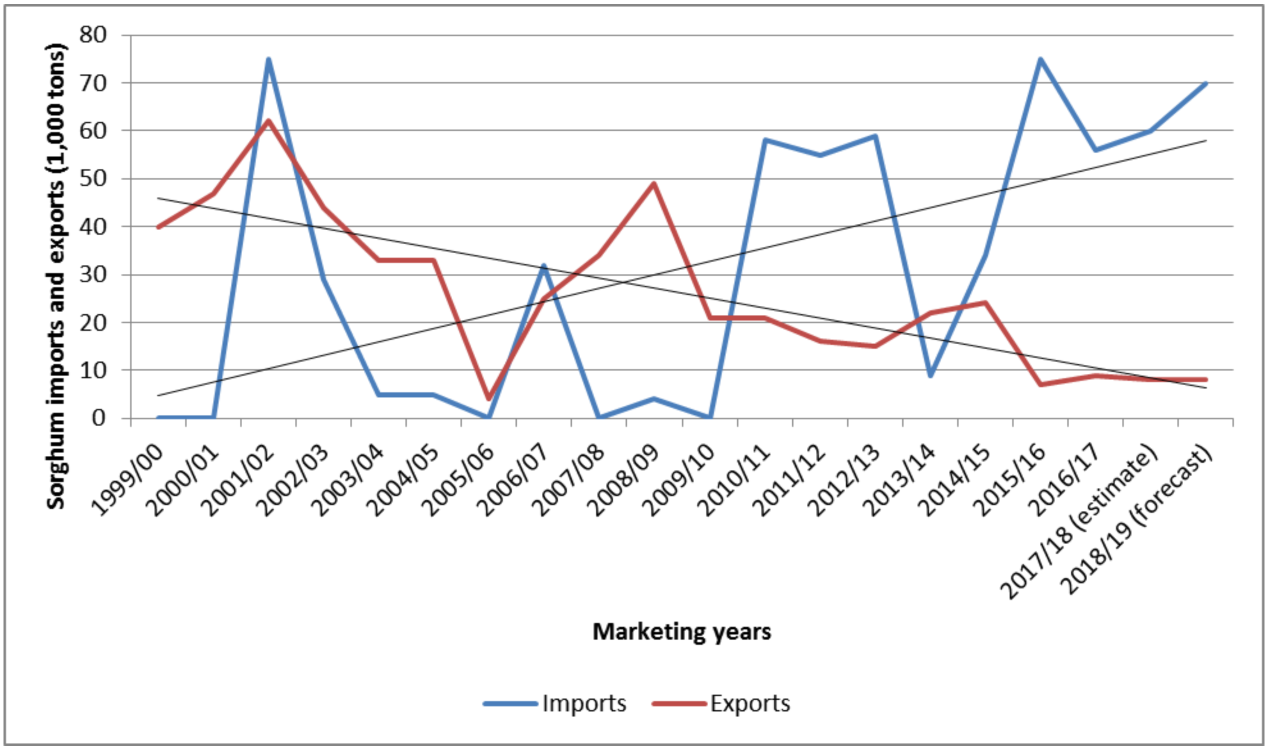

Figure 3: South Africa's imports and exports of sorghum the past 20 years

Table 3: PS&D Table for sorghum

Sorghum	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	42	42	30	29	60	30
Beginning Stocks	50	50	23	84	28	79
Production	152	152	105	110	150	100

MY Imports	0	56	80	60	60	70
TY Imports	82	82	30	30	60	60
TY Imp. from U.S.	69	69	0	25	0	50
Total Supply	202	258	208	254	238	249
MY Exports	9	9	10	10	10	10
TY Exports	4	4	10	10	10	0
Feed and Residual	10	9	10	8	15	8
FSI Consumption	160	156	160	157	180	157
Total Consumption	170	165	170	165	195	165
Ending Stocks	23	84	28	79	33	74
Total Distribution	202	258	208	254	238	249
Yield	3.619	3.619	3.5	3.7931	2.5	3.3333
(1000 HA) ,(1000 MT) ,(MT/HA)						