

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## South Africa - Republic of

### Grain and Feed Update

#### Quarterly Update

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Pretoria

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**Report Highlights:**

Post forecasts a four percent decrease in South Africa's corn area for the 2013/14 MY to 3.1 million hectares based on trend analyses, the current drought conditions that remain in the western side of the corn producing area and the "intention to plant survey" that was published in October. Based on national average yields, an area of 3.1 million hectares, could realize a corn crop of about 12.2 million tons and an exportable surplus of 2.0 million tons.

## **Executive Summary**

Post forecasts that the total area planted to corn for the 2013/14 MY [1] (May 2014 to April 2015), will be around 3.1 million hectares. Commercial farmers will plant about 2.6 million hectares and subsistence farmers 500,000 hectares. This forecast is based on the decreasing trend in hectares planted with corn over the past 10 years in South Africa, the current drought conditions that remain in the western side of the corn producing area and the “intention to plant survey” that was published by the Crop Estimates Committee (CEC) on October 24, 2013. Based on national average yields, 3.1 million hectares could realize a total corn crop of about 12.2 million tons and an exportable surplus of 2.0 million tons.

The CEC’s final estimate for the 2012/13 MY’s (May 2013 to April 2014) commercial corn crop is 11.7 million tons. This is five percent higher than post’s July estimate of 11.1 million tons. White corn production was estimated at 5.6 million tons, 19 percent less than the previous season, while yellow corn production was estimated at 6.1 million tons, 18 percent more than the previous season. The drought that hit the Northwest and Free State provinces earlier this year affected white corn production. The CEC estimated that subsistence farmers produced 675,090 tons of corn, six percent more than the previous season, which brings South Africa’s final estimated corn crop for the 2012/13 MY at 12.4 million tons, three percent less than 12.8 million tons produced in the 2011/12 MY.

For the 2012/13 MY, post estimates that South Africa will export around 1.9 million tons of corn. In the first six months of the 2012/13 MY, South Africa already exported 1.5 million tons of corn of which one million tons were yellow corn and 472,577 tons white corn

US\$1 = Rand 9.83 (10/25/2013)

<sup>[1]</sup> 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.

## **CORN**

## **Production**

Post forecasts that the total area planted to corn in the 2013/14 MY, will be around 3.1 million hectares. Commercial farmers will plant about 2.6 million hectares and subsistence farmers 500,000 hectares. This forecast is based on trend analyses of hectares planted with corn in the past 10 years in South Africa and the current drought conditions that remain in the western side of the corn producing area. Based on national average yields, an area of 3.1 million hectares could realize a corn crop of about 12.2 million tons.

This forecast is in line with the “intention to plant survey” that was published by the CEC on October 24, 2013. According to the CEC, commercial farmers indicated that they will plant 2.7 million hectares of corn in the 2013/14 MY. The intention by commercial farmers is to plant 1.6 million hectares of white corn and 1.1 million hectares of yellow corn.

The final estimate for the area planted and production of corn in South Africa for the 2012/13 MY was released by the CEC on September 26, 2013. According to the CEC total corn area planted was 3.2 million hectares. Commercial farmers planted 2.8 million hectares of corn. This is three percent more than the corn hectares planted in the 2011/12 MY. The CEC estimates that subsistence farmers planted about 456,900 hectares of corn, marginally more than the previous season. Commercial farmers planted 1.6 million hectares with white corn, the same level as the previous season, and 1.2 million hectares with yellow corn, 10 percent more than the previous season. Yellow corn plantings were up in response to higher domestic corn prices during planting time compared to the previous season.

According to GrainSA, of the 2.8 million hectares of corn planted by commercial farmers, 86 percent or 2.4 million hectares were planted with Genetically Engineered (GE) seeds, compared to 72 percent in the previous season. Single Bt comprised of 35 percent, herbicide tolerant of 16 percent and the stacked variety (Bt and herbicide tolerant) of 49 percent. For white corn 81 percent or 1.3 million hectares were planted with GE seed, while 93 percent or 1.1 million hectares of yellow corn were planted with GE seed.

The CEC’s final estimate for the 2012/13 MY’s commercial corn crop is 11.7 million tons. This is three percent less than the previous year’s crop of 12.1 million tons, but five percent higher than post’s July estimate of 11.1 million tons. The final estimate of the CEC included actual deliveries by producers as reported by the South African Grain Information Services (SAGIS). White corn production was estimated at 5.6 million tons, 19 percent less than the previous season, while yellow corn production was estimated at 6.1 million tons, 18 percent more than the previous season. The drought that hit the Northwest and Free State Provinces earlier this year affected the summer crops, especially white corn production. On the eastern side of the corn producing area, where enough rain were received and relatively high yields realized during harvesting, producer’s plant predominately yellow corn. Five percent of the total white corn area was planted under irrigation, while 14 percent of the total yellow corn area was planted under irrigation.

The CEC estimated that subsistence farmers produced 675,090 tons of corn, six percent more than the previous season, which brings South Africa’s final estimated corn crop for the 2012/13 MY at 12.4

million tons, three percent less than in the 2011/12 MY.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2011/12 MY (actual), 2012/13 MY (estimate) and 2013/14 MY (forecast).

**Table 1: Area planted and production of commercial and subsistence corn in South Africa**

	<b>Area 1,000h a</b>	<b>Yiel d t/ha</b>	<b>Prod. 1,000 t</b>	<b>Area 1,000h a</b>	<b>Yiel d t/ha</b>	<b>Prod. 1,000 t</b>	<b>Area 1,000h a</b>	<b>Yiel d t/ha</b>	<b>Prod. 1,000 t</b>
<b>MY</b>	<b>2011/1 2</b>			<b>2012/1 3</b>			<b>2013/1 4</b>		
<b><u>Commercial corn</u></b>									
White	1,637	4.2	6,904	1,615	3.5	5,580	1,600	4.2	6,720
Yellow	1,063	4.9	5,217	1,165	5.3	6,142	1,000	4.8	4,800
<b>Sub Total</b>	<b>2,700</b>	<b>4.5</b>	<b>12,121</b>	<b>2,780</b>	<b>4.2</b>	<b>11,722</b>	<b>2,600</b>	<b>4.4</b>	<b>11,500</b>
<b><u>Subsistence corn</u></b>									
White	302	1.4	429	320	1.4	460	350	1.4	490
Yellow	140	1.5	209	137	1.6	215	150	1.4	210
<b>Sub Total</b>	<b>442</b>	<b>1.4</b>	<b>638</b>	<b>457</b>	<b>1.5</b>	<b>675</b>	<b>500</b>	<b>1.4</b>	<b>700</b>
<b>TOTAL</b>	<b>3,142</b>	<b>4.1</b>	<b>12,759</b>	<b>3,237</b>	<b>3.8</b>	<b>12,397</b>	<b>3,100</b>	<b>3.9</b>	<b>12,200</b>

Source: SAGIS and CEC

### Consumption

Post forecasts that the local commercial demand for corn will only grow marginally, to 9.7 million tons, in the 2013/14 MY. The demand for corn for human consumption and animal feed has flattened the past three years, due to relatively high corn prices and slow economic growth. South Africa's economy is expected to grow by less than three percent in 2013 and 2014 as labor unrest, upward inflationary pressures, and prospects of slower global economic recovery impact negatively on economic growth. The Rand also depreciated against major currencies by more than 20 percent the past two years which had an impact on overall inflation and the price of corn.

Post estimates total commercial corn consumption for the 2012/13 MY at the same level as in the 2011/12 MY, i.e. 9.6 million tons. Hence, the commercial demand for corn for human consumption and animal feed in the 2012/13 MY will stay relatively constant at approximately 4.6 million tons and 4.4 million tons, respectively,

Table 2 outlines the commercial consumption for white and yellow corn for the 2011/12 MY (actual), 2012/13 MY (estimate) and 2013/14 MY (forecast).

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

<b>CORN 1,000 Mt</b>	<b>White</b>	<b>Yellow</b>	<b>Total</b>	<b>White</b>	<b>Yellow</b>	<b>Total</b>	<b>White</b>	<b>Yellow</b>	<b>Total</b>
<b>MY</b>	<b>2011/12</b>			<b>2012/13</b>			<b>2013/14</b>		
<b>Human</b>	4,095	405	4,500	4,150	400	4,550	4,200	350	4,550
<b>Animal</b>	905	3,475	4,380	600	3,800	4,400	450	4,000	4,450
<b>Other</b>	180	495	675	150	500	650	200	500	700
<b>TOTAL</b>	<b>5,180</b>	<b>4,375</b>	<b>9,555</b>	<b>4,900</b>	<b>4,700</b>	<b>9,600</b>	<b>4,850</b>	<b>4,850</b>	<b>9,700</b>

**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.

## **Biofuels**

The South African Department of Energy announced a regulation for the compulsory blending of petroleum with biofuel on September 30, 2013. The regulation provides for biodiesel blending up to five percent and bio-ethanol up to ten percent. Petroleum manufacturers have to reach these levels when the regulation comes into force on October 1, 2015. Reports are that canola, sunflower and soybeans will be used as feedstock for biodiesel, and sugar cane, sugar beet and sorghum as feedstock for ethanol. Indications are that corn will not be authorized for the conversion to biofuels, as the South African government recognizes corn as an important staple food for many, especially low-income, South Africans.

## **Trade**

For the 2013/14 MY, post forecasts that South Africa will have sufficient stocks to export about 2.0 million tons of corn. For the 2012/13 MY, post estimates that South Africa will export around 1.9 million tons of corn. In the first six months of the 2012/13 MY, South Africa already exported 1.5 million tons of corn of which one million tons were yellow corn and 472,577 tons white corn (see also Table 3).

Where Mexico was South Africa's major market in the 2011/12 MY, receiving 45 percent of total corn exports (mainly white corn), Japan is currently the major market with 40 percent of total corn exports (596,315 tons yellow corn). Other major markets include, Taiwan (168,444 tons yellow corn), Korea (148,044 yellow corn) and Mexico (190,097 tons white corn). Due to the drought that hit the Northwest and parts of the Free State Provinces during the corn growing season (where predominately white corn is produce), South Africa exported more yellow corn than white corn. It is unlikely that South Africa will continue with its deep sea exports for the remainder of the 2012/13 MY, as corn stock are limited and the regular demand from neighboring countries need to be serviced.

**Table 3: Export and import countries for white and yellow corn (1,000 tons)**

MY	2011/12 (May 1, 2012 – Apr 30, 2013)		2012/13 (May 1, 2013 – Oct 18, 2013)	
	White corn	Yellow corn	White corn	Yellow corn
<b>Export Destinations</b>				
Angola	0	1	0	0
Botswana	160	37	76	21
Cameroon	0	0	0	1
Chad	1	0	0	0
Italy	61	0	0	0
Japan	0	139	0	596
Korea	50	20	0	148
Lesotho	136	8	25	6
Mali	3	0	0	0
Madagascar	0	3	0	3
Mexico	820	0	190	0
Mozambique	64	18	30	8
Namibia	73	30	54	20
Nigeria	0	0	0	8
Swaziland	24	57	9	16
Taiwan	0	100	0	168
Zimbabwe	8	0	88	5
<b>TOTAL EXPORTS</b>	<b>1,400</b>	<b>413</b>	<b>472</b>	<b>1,000</b>
<b>Import Suppliers</b>				
Zambia	11	0	0	0
<b>TOTAL IMPORTS</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>

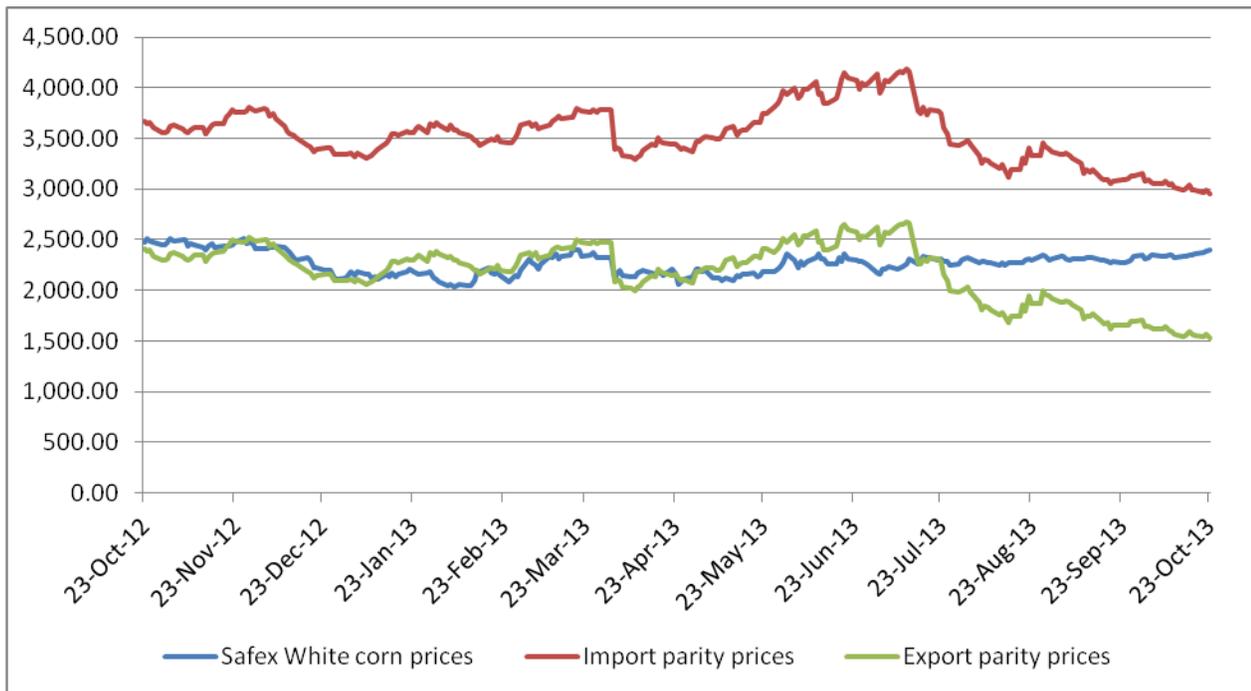
Source: SAGIS

### Prices

SAFEX prices as of October 22, 2013, are shown in Table 4. Since July, both white corn and yellow corn domestic prices stayed flat, despite international corn prices decreasing, as domestic prices moved away from export parity price levels and closer to import parity price levels (see also Figure 1 and Figure 2). The current movement to import parity prices is driven by the anticipation of possible corn imports realizing early next year as stock levels, especially for white corn, are under pressure. White corn is currently trading at a premium of more than R200 (US\$20) per ton above yellow corn. However, on a year-to-year basis yellow corn and white corn prices are respectively, 13 percent and three percent lower and replicate the decline in world corn prices, due to an expected better corn crop in the United States.

**Table 4: SAFEX prices for corn**

	SAFEX Futures prices (as of 10/22/2013)				
Commodity	2013/10	2013/12	2014/03	2014/05	2014/07
White corn	R2,387/t (\$243/t)	R2,384/t (\$243/t)	R2,369/t (\$241/t)	R2,129/t (\$217/t)	R2,034/t (\$207/t)
Yellow corn	R2,166/t (\$220/t)	R2,194/t (\$223/t)	R2,197/t (\$223/t)	R2,011/t (\$205/t)	R1,980/t (\$201/t)



**Figure 1: The trend in the SAFEX price for white corn since October 2012**



**Figure 2: The trend in the SAFEX price for yellow corn since October 2012**

**Table 5: PS&D Table for Corn**

Corn South Africa	2011/2012		2012/2013		2013/2014	
	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
<b>Area Harvested</b>	3,142	3,142	3,250	3,237	3,200	3,100
<b>Beginning Stocks</b>	3,418	3,418	3,676	3,676	3,201	3,448
<b>Production</b>	12,759	12,759	12,200	12,397	13,000	12,200
<b>MY Imports</b>	11	11	25	25	25	10
<b>TY Imports</b>	424	424	25	25	25	10
<b>TY Imp. from U.S.</b>	2	2	0	0	0	0
<b>Total Supply</b>	16,188	16,188	15,901	16,098	16,226	15,658
<b>MY Exports</b>	1,812	1,812	1,900	1,900	2,000	2,000
<b>TY Exports</b>	1,831	1,831	2,200	2,200	1,900	1,900
<b>Feed and Residual</b>	4,950	4,950	5,000	4,950	5,100	5,050
<b>FSI Consumption</b>	5,750	5,750	5,800	5,800	5,900	5,850
<b>Total Consumption</b>	10,700	10,700	10,800	10,750	11,000	10,900
<b>Ending Stocks</b>	3,676	3,676	3,201	3,448	3,226	2,758
<b>Total Distribution</b>	16,188	16,188	15,901	16,098	16,226	15,658

1000 HA, 1000 MT, MT/HA