

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **South Africa - Republic of**

### **Grain and Feed Update**

#### **Corn Quarterly Update**

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**Report Highlights:**

South Africa's total corn crop for the marketing year starting May 2010 and ending April 2011 is estimated at 13.709 million tons, the second largest corn crop ever recorded in South Africa and the third consecutive year that the corn crop is above 12.5 million tons. The crop is also 9 percent more than the previous season. With local corn consumption estimated at only 10.1 million tons, South Africa will have approximately 4.0 million tons of corn available for exports.

**Post: Commodities:**

Pretoria     Corn

**Executive Summary:**

Post forecast that the area to be planted with corn later in 2010, for the marketing year that will start May 2011 and end April 2012 (2011/12 marketing year for South Africa and split year 2010/11 in the PS&D table) will be around 2.6 million commercial hectares and 500,000 subsistence hectares. This will, on a national average result in a total crop of about 12.5 million tons.

For the marketing year starting May 2010 and ending April 2011, (2010/11 marketing year for South Africa and split year 2009/10 in the PS&D table), commercial farmers planted 2.742 million hectares of corn, 12.9 percent more than the previous year. The area planted with corn by subsistence farmers increased by 11.1 percent from 468,683 hectares the previous season to 520,940 hectares. The estimated commercial corn crop for the 2010/11 marketing year is 13.103 million tons. This is 8.7 percent more than the 12.050 million tons of the previous season. The expected corn crop for the subsistence farming sector is estimated at 605,864 tons, 17.2 percent more than the previous season. Therefore, South Africa's estimated total corn crop for the 2010/11 marketing year (split year 2009/10 in the PS&D table) is 13.709 million tons. The 13.709 million tons is the second largest corn crop ever recorded in South Africa and the largest since the deregulation of the corn industry in the mid-nineties. Local demand for corn is expected to grow to 10.1 million due to lower corn prices. Thus, given the oversupply of corn South Africa will have approximately 4.0 million tons of corn available for exports in the marketing years starting May 2010 to April 2011.

US\$1 = Rand 7.45 (04/28/10)

Sources:

[vw.sagis.org.za](http://vw.sagis.org.za)

[vw.grainsa.co.za](http://vw.grainsa.co.za)

[vw.safex.co.za](http://vw.safex.co.za)

[vw.nda.agric.za](http://vw.nda.agric.za)

## **Production**

Post forecast that the area to be planted with corn later in 2010, for the marketing year that will start May 2011 and end April 2012 (2011/12 marketing year for South Africa and split year 2010/11 in the PS&D table) will be at the same level as this season. With the estimated decrease in wheat plantings (early season indications are that it will be more than 10 percent) and the fact that corn's profitability per hectare is in most cases better compared to other crops, farmers will not decrease corn plantings despite lower prices. Hence, it is forecast that around 2.6 million commercial hectares and 500,000 subsistence hectares of corn will be planted later in 2010 under normal climatic conditions. This will, on a national average, result in a total crop of about 12.5 million tons.

The third commercial area and production estimate for the marketing year starting May 2010 and ending April 2011, (2010/11 marketing year for South Africa and split year 2009/10 in the PS&D table) was released by the Crop Estimate Committee (CEC) on April, 22. According to the CEC commercial corn producers in South Africa planted 2.742 million hectares, 12.9 percent more than the previous year. White corn hectares increased by 15.4 percent to 1.720 million hectares and yellow corn hectares by 8.9 percent to 1.023 million hectares.

Subsistence farmers also planted more hectares with corn compared to the previous season. The area planted with corn by subsistence farmers increased by 11.1 percent from 468,683 hectares the previous season to 520,940 hectares for the marketing year starting May 2010 and ending April 2011. More than 70 percent or 371,861 subsistence hectares were planted with white corn and the rest, or 149,079 hectares were planted with yellow corn. This brings the total hectares planted with corn in South Africa for the 2010/11 marketing year (split year 2009/10 in the PS&D table) to 3.263 million hectares of which 64 percent is white corn and 36 percent yellow corn.

This increase in hectares planted with corn happened despite the expectations of below normal rainfall due to El Nino conditions, a substantial drop in corn prices and Grain SA's recommendation to the farmers to plant only 2.2 million hectares of corn, 9.8 percent less than the previous season. One possible reason for the increase in corn planting is the fact that 13.4 percent less wheat was planted during the winter season due to the unprofitability of wheat production in South Africa. Many of these wheat fields were planted with corn this season. Another reason is that corn production's profitability possibilities in many instances are better compared to other field crops due to better corn cultivars and biotechnology.

The CEC's estimates for South Africa's commercial corn crop for the 2010/11 marketing year, starting May 2010 and ending April 2011, (split year 2009/10 in the PS&D table) is 13.103 million tons. This is 8.7 percent more than the 12.050 million tons of the previous season. The expected corn crop for the subsistence farming sector is estimated at 605,864 tons, 17.2 percent more than the previous season. Therefore, South Africa's estimated total corn crop for the 2010/11 marketing year (split year 2009/10 in the PS&D table) is 13.709 million tons. The 13.709 million tons is the second largest corn crop ever recorded in South Africa and the largest since the deregulation of the corn industry in the mid-nineties.

The commercial white corn production for the 2010/11 marketing year is estimated at 7.858 million tons, 15.9 percent more than the previous season, while commercial yellow corn production is estimated at 5.245 million tons, approximately on the same level as the previous season. Subsistence white corn production is estimated at 421,969 tons, 11.4 percent more than the previous season. Subsistence yellow corn production is estimated at 183,895 tons, compared to the 138,057 tons of the previous season.

The following table details area planted and production figures of white and yellow commercial and subsistence corn for the 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast) South African marketing years.

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

|                         | Area<br>000ha | Yield<br>t/ha | Prod.<br>000 t | Area<br>000ha | Yield<br>t/ha | Prod.<br>000 t | Area<br>000ha | Yield<br>t/ha | Prod.<br>000 t |
|-------------------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|
| Marketing year          | 2009/<br>10   |               |                | 2010/<br>11   |               |                | 2011/<br>12   |               |                |
| <b>Commercial corn</b>  |               |               |                |               |               |                |               |               |                |
| White                   | 1.489         | 4.6           | 6.775          | 1.720         | 4.6           | 7.859          | 1.600         | 4.2           | 6.720          |
| Yellow                  | 939           | 5.6           | 5.275          | 1.023         | 5.1           | 5.245          | 1.000         | 5.2           | 5.240          |
| TOTAL                   | 2.428         | 5.0           | 12.050         | 2.742         | 4.8           | 13.103         | 2.600         | 4.6           | 11.960         |
| <b>Subsistence corn</b> |               |               |                |               |               |                |               |               |                |
| White                   | 356           | 1.1           | 379            | 372           | 1.1           | 422            | 350           | 1.1           | 385            |
| Yellow                  | 112           | 1.2           | 138            | 149           | 1.2           | 184            | 150           | 1.2           | 180            |
| TOTAL                   | 469           | 1.1           | 517            | 521           | 1.2           | 606            | 500           | 1.1           | 565            |

**Source:** SAGIS and CEC

## **Consumption**

Corn consumption for the 2009/10 marketing year (split year 2008/09 in the PS&D table) is estimated at 9.276 million tons; this is almost 240,000 tons less (or 2.5 percent) than post's previous estimate of 9.515 million tons. The estimate is revised in accordance with the newest SAGIS data. However, the

2009/10 marketing year corn consumption still recorded a 1.8 percent growth relative to the previous season.

In the South African 2010/11 marketing season (split year 2009/10 in the PS&D table) it is estimated that human (mainly white corn) and animal consumption (mainly yellow corn) of corn will increase from the 2009/10 marketing year, mainly due to relatively lower corn prices. This increase is expected to be 1.8 percent for human consumption and 2.3 percent for animal consumption. Hence, total commercial corn consumption is estimated at 9.470 million tons.

For the South African 2011/12 marketing year (split year 2010/11 in the PS&D table), corn for human consumption is expected to be on the same level as in the 2010/11 marketing year. Corn for feed purposes is, however, expected to increase. As general economic conditions improve consumers will substitute corn products for wheat products or other starch products and eat more meat products. The South African economy [as measured by the Gross domestic Product (GDP)] is expected to grow by 2.3 percent in 2010, 3.2 percent in 2011 and by 3.6 percent in 2012. Total commercial corn consumption for the 2011/12 marketing year is expected to be around 9.750 million tons, with 4.600 million tons used in products for human consumption and 4.400 million tons used for animal feed. Please note that consumption figures in the PS&D table include corn utilized by the subsistence farming sectors.

The following table outlines the commercial consumption for white and yellow corn for the 2009/10 (estimate), 2010/11 (estimate) and 2011/12 (forecast) South African marketing years:

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

| <b>CORN<br/>000 t</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>Marketing year</b> | <b>2009/<br/>10</b> |               |              | <b>2010/<br/>11</b> |               |              | <b>2011/<br/>12</b> |               |              |
| Human                 | 4.133               | 344           | 4.477        | 4.210               | 350           | 4.560        | 4.250               | 350           | 4.600        |
| Animal                | 265                 | 3.811         | 4.076        | 270                 | 3.900         | 4.170        | 200                 | 4.200         | 4.400        |
| Other                 | 192                 | 531           | 723          | 200                 | 540           | 740          | 200                 | 550           | 750          |
| <b>TOTAL</b>          | <b>4.590</b>        | <b>4.686</b>  | <b>9.276</b> | <b>4.680</b>        | <b>4.790</b>  | <b>9.470</b> | <b>4.650</b>        | <b>5.100</b>  | <b>9.750</b> |

**Source:** SAGIS, Grain SA

## **Trade**

For the 2009/10 marketing year so far, from May 1, 2009 to April 16, 2010, South Africa already exported 1.614 million tons of corn, mostly white corn (85 percent of corn exported). Exports for the

2009/10 marketing year can still reach 2.0 million tons as a 280,000 tons corn order from the multinational grain trade, Louis Drafus were shipped to Kenya recently. This transaction attracted media attention as the first 40,000 tons of the order got stuck at Mombasa harbor as a result of protests against South Africa’s genetically modified (GM) corn entering Kenya. The protesters, led by the environmental group Kenyan Biodiversity Coalition, said East Africa's biggest economy had a bumper harvest, and the “contaminated” GM corn imports from South Africa had not been authorized by the Kenyan government. However, the issue, which was a technical and administrative matter between the two countries, was resolved and exports are continuing. More than 50 percent of South Africa’s corn exports (53 percent or 852,312 tons) have gone to Kenya in the 2009/10 marketing year, which has been severely hit by a drought that has left a third of its population in need of food aid since last year.

Following Kenya as major destinations for South African corn exports are Botswana (161,278 tons), Mozambique (130,124 tons) and Lesotho (109,637). In fact, 95 percent of South African corn exports are destined for countries in Africa. Table 3 indicates the destination of South Africa’s corn exports.

With one of the largest corn crop ever produced in the country, South Africa will have approximately 4.0 million tons of corn available for exports in the marketing years starting May 2010 to April 2011. This oversupply of corn has obliged Grain SA to look at the possibility of a corn export pool for South African corn producers. Grain SA has had already discussions with all stakeholders including agribusinesses, banks, the Competition Commission and the Department of Agriculture and will proceed with developing a formal application soon. Grain SA wants to ring-fence 3 million tons of the surplus corn and remove it from the market to ensure long term profitability and sustainability for corn production in South Africa.

**Table 3: Export and Import Countries for white and yellow corn for marketing 2009/10 (1 000 tons)**

| Marketing year             | 2009/10<br>(1 May 2009 – 16 April 2010) |             |
|----------------------------|---|-------------|
|                            | White corn                              | Yellow corn |
| <b>Export Destinations</b> |   |             |
| Angola                     |   |             |
| Botswana                   | 133                                     | 28          |
| Benin                      |   |             |
| Cameroon                   | 1                                       | 2           |
| Chad                       | 1                                       |             |
| Iran                       |   | 37          |
| Kenya                      | 837                                     | 15          |
| Lesotho                    | 107                                     | 2           |
| Mauritius                  |   |             |
| Madagascar                 | 1                                       | 6           |
| Malaysia                   |   | 42          |
| Malawi                     |   |             |

|                         |              |            |
|-------------------------|--------------|------------|
| Mozambique              | 106          | 24         |
| Namibia                 | 69           | 24         |
| Senegal                 |              | 10         |
| Seychelles              |              | 1          |
| Somalia                 |              |            |
| Swaziland               | 21           | 50         |
| Zimbabwe                | 93           | 4          |
| <b>TOTAL EXPORTS</b>    | <b>1.369</b> | <b>245</b> |
| <b>Import Suppliers</b> |              |            |
| Brazil                  |              | 27         |
| <b>TOTAL IMPORTS</b>    | <b>0</b>     | <b>27</b>  |

Source: SAGIS

## Prices

The SAFEX prices as of January 29, 2010 are shown in Table 4. Currently, white corn prices are at R1,108 per ton and yellow corn prices at R1,174 per ton. Current white corn prices are 26 percent lower than the same period in 2009 and yellow corn prices are 15 percent lower. Downward pressures on local corn price are expected to continue due to the largest corn crop in South Africa since deregulation, high international corn stocks, and the relative strong rand exchange rate.

**Table 4: SAFEX prices for corn**

| SAFEX Futures prices (04/23/2010) |                      |                      |                      |                      |                      |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Commodity                         | 2010/05              | 2010/06              | 2010/07              | 2010/09              | 2010/12              |
| White corn                        | R1108t<br>(\$149/t)  | R1105/t<br>(\$148/t) | R1119/t<br>(\$150/t) | R1147/t<br>(\$154/t) | R1200/t<br>(\$161/t) |
| Yellow corn                       | R1174/t<br>(\$158/t) | R1171/t<br>(\$157/t) | R1194/t<br>(\$160/t) | R1221/t<br>(\$164/t) | R1266/t<br>(\$170/t) |

## PS&D Table

| Corn<br>South<br>Africa | 2008                        |        |             | 2009                        |        |             | 2010                        |        |          |
|-------------------------|-----------------------------|--------|-------------|-----------------------------|--------|-------------|-----------------------------|--------|----------|
|                         | 2008/2009                   |        |             | 2009/2010                   |        |             | 2010/2011                   |        |          |
|                         | Market Year Begin: May 2009 |        |             | Market Year Begin: May 2010 |        |             | Market Year Begin: May 2011 |        |          |
|                         | USDA Official<br>Data       |        | New<br>Post | USDA Official<br>Data       |        | New<br>Post | USDA<br>Official<br>Data    |        | New Post |
|                         |                             | Data   |             |                             | Data   |             |                             | Data   |          |
| Area Harvested          | 2,896                       | 2,897  | 2,897       | 3,250                       | 3,100  | 3,263       |                             | 3,100  |          |
| Beginning Stocks        | 3,090                       | 3,130  | 3,090       | 3,682                       | 3,722  | 3,924       |                             | 3,588  |          |
| Production              | 12,567                      | 12,567 | 12,567      | 14,000                      | 13,000 | 13,709      |                             | 12,525 |          |
| MY Imports              | 25                          | 25     | 27          | 25                          | 25     | 25          |                             | 25     |          |
| TY Imports              | 27                          | 25     | 27          | 25                          | 25     | 25          |                             | 25     |          |
| TY Imp. from U.S.       | 2                           | 0      | 0           | 0                           | 0      | 0           |                             | 0      |          |
| Total Supply            | 15,682                      | 15,722 | 15,684      | 17,707                      | 16,747 | 17,658      |                             | 16,138 |          |
| MY Exports              | 2,000                       | 2,000  | 2,000       | 2,500                       | 2,500  | 4,000       |                             | 2,500  |          |

|                    |        |        |        |        |        |        |  |  |        |
|--------------------|--------|--------|--------|--------|--------|--------|--|--|--------|
| TY Exports         | 2,111  | 2,500  | 2,500  | 2,500  | 2,000  | 4,000  |  |  | 2,500  |
| Feed and Residual  | 4,400  | 4,400  | 4,200  | 5,000  | 4,500  | 4,370  |  |  | 4,580  |
| FSI Consumption    | 5,600  | 5,600  | 5,560  | 6,000  | 5,700  | 5,700  |  |  | 5,735  |
| Total Consumption  | 10,000 | 10,000 | 9,760  | 11,000 | 10,200 | 10,070 |  |  | 10,315 |
| Ending Stocks      | 3,682  | 3,722  | 3,924  | 4,207  | 4,047  | 3,588  |  |  | 3,323  |
| Total Distribution | 15,682 | 15,722 | 15,684 | 17,707 | 16,747 | 17,658 |  |  | 16,138 |
| Yield              | 4.     | 4.     | 4.3    | 4.     | 4.     | 4.2    |  |  | 4.0    |