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## South Africa, Republic of

### Grain and Feed

### Monthly Update

## 2004

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**Report Highlights:**

South Africa's 2003 (MY2004/05) corn crop is now estimated at 8.1 million tons compared to the 9.7 million tons produced in the previous season. The decrease is mainly due to a decrease in the area planted. The local industry operates in a free market. In the marketing year ended April 30, 2004, about 464,000 tons of corn were imported and 1.1 million tons exported. Wheat imports continue unabated with the US supplying 485,000 tons of the 843,000 tons imported since October 2003.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Pretoria [SF1]  
[SF]

**SUMMARY**

South Africa's 2003 corn crop (2003 indicating the year of planting) is currently officially estimated at 8.1 million tons, 1.125 million tons more than the initial estimate made in February. The 16% increase is indicative of the much more favorable conditions and widespread rainfall over the second half of the season. Harvesting is in progress and indications are that the estimate has stabilized. South African supplies will be adequate for local needs but with the free market imports of especially yellow corn and exports of mainly white will continue.

At this stage it is expected that wheat plantings will increase to 886,000 hectares this year after only 748,000 hectares were planted in 2003. This could lead to a crop in excess of 2 million tons compared to the 1.5 million tons produced last year. At this stage there is some concern about late rains in the Western Cape. A high level of imports is expected to continue.

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

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

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

[www.fews.net](http://www.fews.net)

[www.wfp.org](http://www.wfp.org)

[www.grains.org](http://www.grains.org)

[www.pecad.fas.usda.gov](http://www.pecad.fas.usda.gov)

## CORN

## PSD Table

**Country** South Africa  
**Commodity** Corn

1000 Hectares	2002	Revised	2003	Estimate	2004	Forecast
1000 metric tons	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	05/2003		05/2004		05/2005	
Area Harvested	3650	3650	3000	3005	3500	3300
Beginning Stocks	1943	1945	2443	2420	1243	1520
Production	9675	9675	7800	8140	9300	9000
TOTAL Mkt. Yr. Imports	441	465	700	500	500	300
Oct-Sep Imports	617	617	700	450	500	275
Oct-Sep Import U.S.	21	21	0	0	0	0
TOTAL SUPPLY	12059	12085	10943	11060	11043	10820
TOTAL Mkt. Yr. Exports	1096	1125	1000	1000	1000	1000
Oct-Sep Exports	1141	1141	1000	850	1000	950
Feed Dom. Consumption	4000	4000	4100	4000	4100	4050
TOTAL Dom. Consumption	8520	8540	8700	8540	8700	8600
Ending Stocks	2443	2420	1243	1520	1343	1220
TOTAL DISTRIBUTION	12059	12085	10943	11060	11043	10820

## Production

The fifth official estimate of South Africa's 2003 corn crop was released on June 21, 2004 (2003 referring to the year of planting). The total crop is estimated at about 8.1 million tons, 16% less than the 9.7 million 2002 crop, mainly due to a decline in area planted. In spite of a late start to the rainy season, and a December/January dry spell, the expected average yield increased by 2.3% compared to the previous season. Since the first estimate was made on February 19, prospects improved considerably and the fifth estimate shows an increase of 1,125,000 tons, or 16% from the initial estimate. The fifth estimate follows:

Crop	FAS 2002	MY ¾		FAS 2003	MY 04/05	
Corn	Area	Yield	Production	Area	Yield	Production
Commercial	'000 ha.	Mt./ha.	'000 mt.	'000 ha.	Mt./ha	'000 mt.
White	2232	2.85	6366	1728	2.79	4821
Yellow	953	3.17	3026	918	3.37	3091
Total	3185	2.95	9391	2646	2.99	7912
Developing						
White	368	0.60	221	282	0.61	171
Yellow	98	0.66	65	79	0.72	57
Total	466	0.61	286	361	0.63	228
Total corn						
White	2600	2.53	6587	2010	2.48	4992
Yellow	1418	2.18	3091	997	3.16	3148
Total	3651	2.65	9678	3007	2.71	8140

The most significant feature of the latest estimate is that the average yield of the commercial crop, in spite of the difficult growing conditions, decreased by only 1.4% compared to the previous season. The yield of the yellow corn crop is actually expected to surpass the yield attained in 2002. The main reason for the smaller crop was the 540,000-hectare, 17.7%, decrease in the area planted in response to market and weather factors. It can be argued that the cutback in area planted mainly consisted of low potential soils resulting in a proportional increase in the area of high potential soil planted. This facilitated the increase in yield. Farmers were probably also able to optimize input use as a result of the smaller area. Also, the role of irrigation cannot be ignored. In the Northern Cape, where only irrigated production is possible, 45,500 hectares were planted this year and this is expected to produce 455,000 tons at 10 tons per hectare. Although the area planted under irrigation declined in 2003 due to the dry start to the season, and some water sources ran dry during the season, it is estimated that about 120,000 hectares were planted under full or supplemental irrigation, probably producing 1.2 million tons of the total. As harvesting continues the crop size is not expected to increase much further.

### Consumption

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial supply and distribution.

To correlate the commercial S&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. The March and April deliveries are then deducted from the May 1 carry over and added to the new season's deliveries. Imports for re-exports, and the relevant stocks, are incorporated in the figures.

The latest commercial PS&D's are summarized below:

<b>FAS 2002 final</b>	My 2003/04		
'000 Metric tons	White	Yellow	Total corn
Beginning stocks	1265	680	1945
Estimate	6365	3025	9390
Delivery, March/Feb	6200	2770	8970
Retentions	165	255	420
Imports	60	405	465
Total Supply	7525	3855	11380
Export	1015	110	1125
Dom. Disappearance	4480*	3355	7835
Ending stocks	2030	390	2420

<b>FAS 2003 forecast</b>	My 2004/05		
'000 Metric tons	White	Yellow	Total
B/Stocks	2030	390	2420
<b>5th Crop est.</b>	4821	3091	7912
Farm retentions	161	251	412
Deliveries	4660	2840	7500
Imports	30	470	500
Total supply	6720	3700	10420
Exports	900	100	1000
Dom. Disappearance	4500*	3400	7900
Ending stocks	1320	200	1520

\* Including 500,000 tons of white corn used for feed.

## Trade

For a thorough summary of trade in whole corn during the May 03/April 04 marketing year, please refer to our report SF 4023 dated 06/02/2004. It contained imports for re-export, including 27,000 tons of white corn from the US, and exports from corn imported earlier. Total whole grain imports during the May 2003/April 2004 marketing year amounted to about 465,000 tons of which 440,000 tons were destined for South Africa. Total exports amounted to 1.125 million tons of which 1.095 million tons were of South African origin. The Customs Union partners bought 450,000 tons followed by Zimbabwe with about 415,000 tons of which about 400,000 tons were white corn. Product exports amounted to about 90,000 tons. During the first two months of the current season, imports amounted to 84,000 tons, mainly from Argentina. Exports amounted to 78,100 tons with the Customs Union taking 36,600 tons and Zimbabwe 35,875 tons. The current rate of sales are slow as neighboring states are also harvesting and thus have local supplies. The rate should pick up later in the season as supplies run out. It is still not clear if Zimbabwe will be big in the market this year as foreign exchange is apparently in short supply.

## Prices

Although the crop and consumption estimates have settled, implying a major white corn surplus and a yellow corn shortage, prices on SAFEX are still fluctuating. The main determinant in the market seems to be the exchange rate as the supply and distribution situation is clear and the regional export market potential the only other unknown. The market does not seem to be perturbed by the 2.4 million tons of unutilized old crop stocks lying in the silos at the end of April 2004 with the new crop deliveries picking up. It is interesting that the Government is considering the idea of a strategic grain reserve while the market has held carry over stocks of around 2 million tons over the past few seasons.

The following table contains the details:

Futures prices	May 2004	July 2004	September 2004	December 2004
White corn/mt.				
12/30/03	R1174 = \$177.9	R1190 = \$180.3	R1219 = \$184.7	
01/29/04	R1467 = \$213.5	R1500 = \$218.3	R1518 = \$221.0	
02/27/04	R1194 = \$179.3	R1225 = \$183.9	R1245 = \$186.9	R1285 = \$192.9
03/26/04	R1077 = \$165.4	R1103 = \$169.4	R1134 = \$174.2	R1168 = \$179.4
04/30/04	R1121 = \$163.6	R1150 = \$167.9	R1166 = \$170.2	R1202 = \$175.5
05/26/04		R1069 = \$160.7	R1091 = \$164.1	R1130 = \$169.9
06/30/04		R925 = \$148.5	R955 = \$153.3	R993 = \$159.4
Yellow corn/mt.				
12/30/03	R1162 = \$176.0	R1135 = \$172.0	R1135 = \$172.0	
01/29/04	R1370 = \$199.4	R1346 = \$195.9	R1371 = \$199.6	
02/27/04	R1255 = \$188.4	R1217 = \$182.7	R1243 = \$186.6	R1285 = \$192.9
03/26/04	R1160 = \$178.2	R1134 = \$174.2	R1150 = \$176.7	R1175 = \$180.5
04/30/04	R1165 = \$170.1	R1160 = \$169.3	R1178 = \$172.0	R1196 = \$174.6
05/26/04		R1080 = \$162.4	R1103 = \$165.9	R1123 = \$168.9
06/30/04		R934 = \$149.9	R960 = \$154.1	R993 = \$159.4
Wheat/mt.				
12/30/03	R1633 = \$247.4	R1649 = \$249.8	N/a	
01/29/04	R1760 = \$256.2	R1782 = \$259.4	N/a	
02/27/04	R1765 = \$265.0	R1773 = \$266.2	N/a	R1740 = \$261.3
03/26/04	R1730 = \$265.7	R1739 = \$267.1	N/a	R1652 = \$253.8
04/30/04	R1766 = \$257.8	R1770 = \$258.4	R1765 = \$257.7	R1630 = \$238.0
05/26/04			R1680 = \$252.6	R1602 = \$240.9
06/30/04			R1424 = \$228.6	R1375 = \$220.7

At the end of January 2004 white corn contracts for July were selling for R1500 or \$218/ton. This dropped to R925 or \$148.5/ ton at the end of June. One of the reasons for the decline is the much bigger crop expected, as it was still dry in some areas during January. International grain prices also decreased in the meantime while the Dollar weakened and the Rand strengthened. At the end of January the exchange rate was R7.20 to the dollar and at the end of June it was R6.23.

Grain SA, the representative of the grain industry, is lobbying for import tariffs to be re-instituted on grains and increased on oilseeds as domestic production is becoming unprofitable. A formal application has not been launched. The process is slow, as the tariff formula will have to be revised and is unlikely to be achieved in the short term.

## WHEAT

## Country South Africa

### Commodity Wheat

1000 Hectares	2002	Revised	2003	Estimate	2004	Forecast
1000 Metric tons	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	10/2002		10/2003		10/2004	
Area Harvested	941	941	748	748	850	886
Beginning Stocks	587	588	898	897	576	535
Production	2320	2387	1428	1540	2125	2100
TOTAL Mkt. Yr. Imports	871	870	1200	1200	900	900
Jul-Jun Imports	1024	1018	1200	1200	900	850
Jul-Jun Import U.S.	63	63	0	600	0	500
TOTAL SUPPLY	3778	3845	3526	3637	3601	3535
TOTAL Mkt. Yr. Exports	310	310	300	350	300	325
Jul-Jun Exports	331	328	300	320	300	300
Feed Dom. Consumption	10	12	10	30	10	30
TOTAL Dom. Consumption	2570	2638	2650	2752	2660	2765
Ending Stocks	898	897	576	535	641	445
TOTAL DISTRIBUTION	3778	3845	3526	3637	3601	3535

### Production

Farmers have started planting the 2004 winter wheat crop and early indications are that the area to be planted could reach 886,000 hectare, more than 18% larger than in 2003 but about 6% less than in 2002. Soil moisture in the Free State is favorable and the winter rainfall in the Cape, although late, has started. The problem is that price expectations are poor which may be the limiting factor. The first meaningful estimates will only be available next month.

Deliveries from the 2003 crop amount to about 1.5 million to date, surpassing the earlier estimates again. Consumption is also showing growth to about 2.75 million tons which means that imports continue. The following tables summarize the trade situation to date:

Wheat imports	October 4, 2003 to	June 26, 2004	
Metric tons	For South Africa	Transshipments	Total
From the US	364,365	120,222	484,587
Canada	0	13,767	13,767
Germany	12,199	3,873	16,072
United Kingdom	22,420	0	22,420
Australia	184,248	0	184,248
Argentina	89,835	32,025	121,860
TOTAL	673,067	169,887	842,954

To date, at 485,000 tons, the US is holding 57.5% of the market followed by Australia at 22% and Argentina at 14.5%. Exports and transshipments continue as usual.

Wheat exports, October 4, 2003 to	June 26, 2004, Metric tons
Botswana	77,728
Lesotho	66,654
Namibia	9,164
Swaziland	25,071
Total Customs union	178,617
Zimbabwe	52,987
Zambia	24,184
TOTAL	255,788

While South Africa is currently well supplied with grain, imports continue unabated and the import parity calculations may explain the situation.

Indicative Import Parity Prices: June 25, 2004

July 2004	US HRW #2 wheat	Argentina Corn	US #3Y Corn
FOB Gulf value \$/ton	142.27	115.00	120.35
Freight(20-30,000) \$	44.00	41.00	44.00
Insurance \$/ton	0.43	0.35	0.36
CIF \$/ton	186.70	156.35	164.71
Rand/ton @ 6.28	1172.05	981.52	1034.00
Financing cost R/ton	11.08	9.28	9.77
Discharging cost R/t	103.51	104.51	104.51
Import tariff	Free	Free	Free
FOR Durban R/ton	1286.64	1095.31	1148.28
SAFEX Randfontein	1408.00	934.00	934.00

US Dollar prices for grains declined by about \$8/ton over the last month while the quoted freight rates decreased by about \$6/ton. As a result the average CIF price for the three grains declined by about \$14.50/ton. The exchange rate strengthened from R6.50 to R6.23 to the Dollar during the month. As a result of all these factors, the FOR Durban price for wheat decreased by R130/ton in a month, for corn from Argentina R88/ton and corn from the US by R144/ton.

The SAFEX corn futures prices ex Randfontein are lower than the coastal landed prices, but higher for wheat and, while the Randfontein - Durban freight rate is at least R145/ton, there is obviously scope to import grain especially into the coastal areas.

