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South Africa, Republic of

Grain and Feed

Monthly Update

2005

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Report Highlights:
The 2004 area planted to corn on commercial farms is estimated at 2.9 million hectares, 50,000 hectares more than in 2003. The total crop is estimated at 9.7 million tons, similar to the previous crop. With stagnant consumption and a slowdown in exports, carry over stocks are accumulating. As a result of these factors and recent good rains, March futures prices dropped 50% in the past three months. Grain farmers are thus urgently debating the profitability and future of their industry while asking for import protection. The wheat crop is estimated at 1.7 million tons necessitating imports of about 1.1 million tons.

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

SUMMARY

The Crop Estimates Committee estimates the 2004 area planted to corn on commercial farms at 2.9 million hectares, about 50,000 hectares more than in 2003. We estimate the commercial crop at 9.5 million tons, and the total crop at 9.7 million tons, virtually the same as in 2003. The 2004/05-summer rainfall season started late, which delayed planting, but rainfall has improved and is now about 'normal' for this stage of the season.

Over the past six seasons the average commercial crop exceeded 9 million tons, while commercial consumption hardly exceeded 8 million tons. Export results were mixed leading to a buildup of carry over stocks. At the end of April 2004 old season stocks exceeded 2.4 million tons while it is expected to exceed 3 million tons at the end of April 2005. Current season exports to date has also been slow averaging about 53,000 tons per month or an expected 650,000 tons for the season. The oversupply is having a negative affect on prices; the March 2005 futures price for white corn has dropped from R1,071/ton on November 1, 2004, to R551/ton on January 25, or by nearly 50%. The low level of prices coupled to the volatility in the market is putting the feature of the industry in jeopardy.

The 2004 wheat crop is currently estimated at 1.7 million tons compared to 1.5 million tons for 2003. Imports for the 2004/05 season are thus expected to reach 1.1 million tons again after nearly 1.3 million tons were imported in 2003/04 season. US wheat sales constitute nearly 30% of South African wheat imports to date.

US$1=Rand 6.00 on 01/25/2005.

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org
www.grains.org
www.weathersa.co.za
www.sadc-fanr.org.zw

CORN

PSD Table

Country	**South Africa**					
Commodity	**Corn**					
1000 ha.	2002	Revised	2003	Estimate	2004	Forecast
1000 mt.	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	3300	3205	3500	3240
Beginning Stocks	1943	1945	2443	2420	2943	3015
Production	9675	9675	9700	9710	9700	9700
TOTAL Mkt. Yr. Imports	441	465	300	200	250	200
Oct-Sep Imports	617	730	495	553	200	200
Oct-Sep Import U.S.	21	82	61	62	0	10
TOTAL SUPPLY	12059	12085	12443	12330	12893	12915
TOTAL Mkt. Yr. Exports	1096	1125	800	650	1000	800
Oct-Sep Exports	1141	818	797	449	1000	500
Feed Dom. Consumption	4000	4000	4100	4025	4100	4050
TOTAL Dom. Consumption	8520	8540	8700	8665	8700	8700
Ending Stocks	2443	2420	2943	3015	3193	3415
TOTAL DISTRIBUTION	12059	12085	12443	12330	12893	12915

Production

The preliminary estimate of the 2004 area planted to corn by commercial farmers is 2.895 million hectares, 1.8% up from the 2.843 million hectares planted in 2003. This is according to the Crop Estimates Committee. The ratio of white to yellow corn plantings is 63:37 as against the previous season's 65:35. The expected white corn plantings are 1.83 million ha, down 0.6% on the previous seasons' plantings while yellow corn plantings are 1.065 million ha, up 6.4% from 2003. The following table contains the area planted details plus a forecast of the 2004 crop compared to the 2003 situation:

CORN	Revised Area 1000 ha.	Yield Mt./ha.	Revised production 1000 mt.	Estimated Area 1000 ha.	Yield forecast Mt./ha.	Production forecast 1000 mt.
Commercial	FAS 03*		My 04/05	FAS 04*		My 05/06
White	1842	3.15	5805	1830	3.1	5675
Yellow	1001	3.67	3677	1065	3.4	3825
Total	2843	3.34	9482	2895	3.28	9500
Developing						
White	282	0.61	171	270**	0.56	150
Yellow	79	0.72	57	75**	0.67	50
Total	361	0.63	228	345**	0.58	200
Total corn						
White	2124	2.81	5976	2100	2.77	5825
Yellow	1080	3.46	3734	1140	3.40	3875
Grand total	3204	3.03	9710	3240	2.99	9700

* Denotes year of planting
** Attaché estimate

The detailed estimate is on the www.sagis.org.za website.

Rains during the current 2004/05-summer rainfall season started late and a high percentage of the area planted was planted after the optimal planting dates. Since December, rainfall has picked in the main corn production areas and currently exceeds the expected rainfall for the period. In February and March dry and hot weather are expected and could cause damage, but we base our forecasts on the assumption of 'normal' weather for the rest of the season.

To put the 2004 commercial crop production forecast into perspective we need to look at recent data. We adjusted the yields of the 1998 to 2002 crops to incorporate deliveries and farm retentions and compare the 1988/2002 five year average to the more recent crops in the following table:

	Area	Yield	Production
	‘000 hectares	Mt./ha.	‘000 mt.
FAS 98/02 average			
White corn	1900	2.9	5500
Yellow corn	1100	3.2	3500
Total	3000	3.0	9000
FAS 2002			
White	2232	2.9	6366
Yellow	953	3.2	3026
Total	3185	3.0	9392
FAS 2003			
White	1842	3.2	5805
Yellow	1001	3.7	3677
Total	2843	3.3	9482
FAS 2004 forecast			
White	1830	3.1	5675
Yellow	1065	3.4	3825
Total	2895	3.3	9500

Recent yields are important, as historical yields are no longer relevant under current conditions. The area under corn has been cut back by about a third since market deregulation, implying that only higher quality land is now being planted to corn. The smaller area planted allows optimum use of inputs and improved varieties leading to better yields. Because of the smaller area planted, the 170,000 to 200,000 hectares grown under irrigation plays a more important role in total yield.

Due to the delayed start to the current, FAS 2004, season we expect marginally lower yields than in FAS 2003, but the higher yielding yellow corn portion of the crop increased compared to the previous season with the result that the total crop yield forecast is nearly unchanged. The forecast is thus for another 9.5 million ton commercial crop, close to the previous two crops. This will increase the current oversupply situation. The SAFEX futures prices support the forecast as the March 2005 white corn price dropped from R1, 071/ton at the beginning of November 2004 to R551/ton on January 25, 2005. The dramatic 49% drop in prices over three months is a catastrophe for current producers and dangerous for the future of the whole industry. The price drop is the cumulative effect of chronic overproduction, static consumption and slow export sales leading to high carry over stocks. The strong SA Rand and the weak US Dollar aggravates the situation as import parity prices (about R955/ton F.O.R. Durban) are low and export parity prices (R375/ton ex Durban) even lower.

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 added to the new season’s deliveries and deducted from the May 1 carry over. Imports for re-exports, and the relevant stocks, are incorporated in the figures.
The latest commercial PS&D’s are summarized below:

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

FAS 2003 estimate	**My 2004/05**	**Commercial S&D**	
’000 Metric tons	White	Yellow	Total
B/Stocks	2030	390	2420
Adjusted crop est.	5805	3675	9480
Farm retentions	110	300	410
Delivery forecast	5695	3375	9070
Imports	0	200	200
Total supply	7725	3965	11690
Exports	600	50	650
Dom. Consumption	4515	3510	8025
Ending stocks	2610	405	3015

FAS 2004 forecast	**My 2005/06**	**Commercial S&D**	
’000 Metric tons	White	Yellow	Total
B/Stocks	2610	405	3015
Comm.crop	5675	3825	9500
Farm retentions	100	300	400
Delivery forecast	5575	3525	9100
Imports	0	200	200
Total supply	8185	4130	12315
Exports	750	50	800
Dom. Consumption	4550	3550	8100
Ending stocks	2885	530	3415

The most notable feature of the S&D over the three years is the increased carry over stocks. This grew from about 1.95 million tons at the end of April 2003 to 2.4 million tons at the end of April 2004 and an expected 3 million tons at the end April 2005. If current trends continue the carry over could reach 3.4 million tons at the end of April 2006. For clarity, we only count old season stocks at the end of the marketing year.

Trade

The import duty on corn was increased from R31.68/ton to R84.24/ton on January 13, 2005. Farmers still claim that this is insufficient to support domestic prices.
To date in the current season, export sales have been slow as the region in general had reasonable crops and thus some stocks after harvest. Sales over the next few months should improve. Export sales from May 1, 2004, to January 21, 2005, follow:

RSA Corn exports, mt	White	Yellow	Total
Angola	23,545	0	23,545
Botswana	73,592	7,056	80,648
Congo	216	0	216
Kenya	120,966	0	120,966
Lesotho	76,887	4,160	81,047
Mozambique	20,044	3,896	23,940
Namibia	8,153	9,822	17,975
Swaziland	6,851	15,921	22,772
Zimbabwe	89,642	96	89,738
Madagascar	2,382	0	2,382
Total	422,278	40,951	463,229

Customs Union sales currently form the basis of the export market. These amounted to about 450,000 tons in the previous, 2003/04 season. Up to January 21 of the current season sales to the Customs Union only amounted to a little more than 200,000 tons implying that total sales for the season is only likely to reach about 300,000 tons.

EXPORTS	May 03/ April 04	1,000 metric tons	
Customs Union	White corn	Yellow corn	Total
Botswana	140	2	142
Lesotho	124	6	130
Namibia	103	19	122
Swaziland	29	26	55
Total	396	53	449

In My 2003/04 Zimbabwe received nearly 400,000 tons from South Africa (at least 115,000 tons bought by relief agencies, including some financed by the South African government) but sales to date only total about 90,000 tons as activities of the relief agencies have been curtailed.

On the other hand, South African imports for the same period amounted to 198,000 tons including 182,000 tons from Argentina and 15,500 tons from the US.

Prices

Local producer prices peaked at the end of November when it was still dry but has been dropping since the onset of the rains. Dollar prices declined in line with local prices and the weakening Dollar.

Futures prices	March 2005	May 2005	July 2005	September 05
White corn/mt.				
11/01/04	R1071=$175.6	R1089=$178.5	R1100=$180.3	
11/29/04	R976=$166.8	R993=$169.7	R1009=$172.5	
12/28/04	R749=$131.4	R771=$135.3	R784=$137.5	
01/25/05	R551=$ 91.8	R580=$ 96.7	R603=$100.5	R624=$104.0
Yellow/mt.				
11/01/04	R1041=$170.7	R1005=$164.8	R1010=$165.6	
11/29/04	R927=$159.0	R912=$155.9	R930=$159.0	
12/28/04	R791=$138.8	R804=$141.0	R797=$139.8	
01/25/05	R639=$106.5	R649=$108.2	R646=$107.7	R675=$112.5

WHEAT

PSD Table

Country	South Africa					
Commodity	Wheat					
1000 ha.	2002	Revised	2003	Estimate	2004	Forecast
1000 mt.	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	851
Beginning Stocks	587	588	898	897	596	614
Production	2320	2387	1540	1540	1800	1730
TOTAL Mkt. Yr. Imports	871	870	1278	1278	1100	1100
Jul-Jun Imports	1024	831	911	837	1100	850
Jul-Jun Import U.S.	63	59	488	414	0	500
TOTAL SUPPLY	3778	3845	3716	3715	3496	3444
TOTAL Mkt. Yr. Exports	310	310	379	379	350	375
Jul-Jun Exports	331	328	356	320	350	350
Feed Dom. Consumption	10	12	10	30	10	30
TOTAL Dom. Consumption	2570	2638	2741	2722	2660	2725
Ending Stocks	898	897	596	614	486	344
TOTAL DISTRIBUTION	3778	3845	3716	3715	3496	3444

Since December the 2004 crop estimate declined by another 22,000 tons to 1.73 million tons. The decrease in the estimate is mainly due to a regional drought in parts of the Western Cape. The crop, however, still exceeds the 2003 crop of 1.54 million tons mainly due to an increase in the area planted from 748,000 hectares to 851,000 hectares.

The effect is that imports are expected to reach about 1.1 million tons this season. Imports and exports from the start of October 2004 to January 21, 2005 are as follows:

Imports	Metric tons	Exports	Metric tons
Argentina	189,884	Botswana	20,042
USA	112,532	Lesotho	29,384
Australia	49,778	Namibia	2,772
UK	27,596	Swaziland	10,292
		Zambia	7,778
		Zimbabwe	34,213
Total	379,780*	Total	104,481

* Includes 42,000 tons for re-export.

Current futures market prices are:

Per metric ton	March 05	May 05	July 05
12/28/05	R1,273	R1,295	R1,330
US$1=R5.70	$223	$227	$223
01/25/05	R1,297	R1,333	R1,360
US$1=R6.00	$216	$222	$227