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Report Highlights:

South Africa's grain industry is going through dramatic changes brought about by the advent of the free market. The total area planted to summer crops in 2005 dropped by 34% and the area planted to corn dropped by 45% mainly due to a voluntary area cutback brought about by low prices. As a result a corn crop of 6.5 million tons is expected compared to the 11.7 million tons produced by the crop planted in 2004. This will change South Africa from a 2 million ton exporter in 2005/06 to a net importer in 2006/07.

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

Summary

South Africa's grain industry is going through dramatic changes brought about by the advent of the free market. The total area planted to summer crops in 2005 dropped by 34% and the area planted to corn dropped by 45% mainly due to a voluntary area cutback brought about by low prices. As a result a corn crop of 6.5 million tons is expected compared to the 11.7 million tons produced by the crop planted in 2004. This will change South Africa from a 2 million ton exporter in 2005/06 to a net importer in 2006/07.

US\$1 = Rand 6.00 (01/30/06)

www.sagis.org.za

www.grainsa.co.za

www.safex.co.za

www.fews.net

www.wfp.org

CORN

PSD Table

Country	South Africa					
Commodity	Corn					
1000 HA	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	05/2004		05/2005		05/2006	
Area Harvested	3300	3240	3223	3223	2600	1950
Beginning Stocks	2443	2420	2956	2935	3572	3000
Production	9700	9710	11716	11715	7500	6500
TOTAL Mkt. Yr. Imports	219	222	150	270	200	600
Oct-Sep Imports	495	553	131	140	200	270
Oct-Sep Import U.S.	61	62	0	4	0	0
TOTAL SUPPLY	12362	12352	14822	14920	11272	10100
TOTAL Mkt. Yr. Exports	729	773	2300	2000	1000	450
Oct-Sep Exports	797	449	1517	1187	1500	1200
Feed Dom. Consumption	4077	4040	4300	4300	4200	4400
TOTAL Dom. Consumption	8677	8644	8950	9920	8900	8950
Ending Stocks	2956	2935	3572	3000	1372	700
TOTAL DISTRIBUTION	12362	12352	14822	14920	11272	10100

Production

In early December 2005 the National Crop Estimates Committee finally revised the 2004 area planted and production figures for the commercial corn crop. The revisions were based on the SAGIS delivery figures as well as a utilization survey done by the National Department of Agriculture. The following table compares the revised figures to the preliminary 2005 forecast:

Commercial Production 1000 MT	FAS 2004 Revised final	Preliminary FAS 2005
MY 2005/06	Area planted 1,000 ha.	Production 1,000 MT
White corn	1 700	6 541
Yellow corn	1 110	4 909
Total	2 810	11 450
		Area planted 1,000 ha.
		Production est. 1,000 MT
		954
		594
		6 250

The revision does not clear up the doubts about the true size of the 2004 commercial crop as deliveries up to the end of November only amounted to 10 million tons, implying farm retentions of 1.45 million tons, about one million tons more than the norm. This explains the high consumption figure shown in the PS&D above.

The 2005 crop is causing more concern. At the end of October a survey showed that the intention was to cut the new season's area planted by about 50%. A preliminary area estimate done in mid January indicated that the decrease in area planted amounted to 45% and that the total area planted on commercial farms only amounted to 1.55 million hectares, the lowest total in eighty years. The voluntary cutback in production was advocated by Grain

SA to alleviate the oversupply and support better prices. In addition to price pressure, the early part of the planting season was very hot and dry and planting was delayed. Rainfall has improved since then and the January rainfall to date has been favorable.

The preliminary estimate of the total area currently planted to summer grain crops on commercial farms in 2005 compare as follows to the area planted in 2004:

Area planted '000 ha.	2004	2005	% Change
White corn	1 700	954	-44%
Yellow corn	1 110	594	-46.5%
Total corn	2 810	1 548	-45%
Sorghum	87	27	-69%
Peanuts	40	44	+10.5%
Sunflower	460	492	+7%
Soy beans	150	208	+39%
Dry beans	49	55	+12%
Total	3 596	2 374	-34%

The table implies that commercial farmers planted 1.2 million ha. or 34% less land to the traditional summer crops than in 2004. Increased plantings are shown for some of the crops but the area involved is small compared to corn. The area planted to corn declined by 1.26 million ha. to 1.55 million compared to 2.8 million ha. in 2003 and 2004 and 3.2 million in 2002. This means that the current area planted to corn is less than half the area planted in 2002. It may be that some additional plantings were done after the 2005 survey was completed.

It is interesting to see where the cutback apparently occurred; the following table shows the area planted by province:

Area planted '000 HA	2004 White	Yellow	Total	2005 White	Yellow	Total
Free State	660	385	1045	350	193	543 (-48%)
N.West	680	215	895	355	118	473 (-47%)
Mpumalanga	224	336	560	154	182	336 (-40%)
Gauteng	60	56	116	49	25	74
Kwazulu	35	46	81	32	26	58
N. Cape	3	47	50	2	31	33
Limpopo	34	10	44	10	7	17
E. Cape	4	16	17	3	10	13
W. Cape	0	2	2	0	3	3
Total	1700	1110	2810	954	594	1548

The Free State, North West and Mpumalanga are the main production areas. The cutback of 500,000 ha. in the Free State means a loss of nearly two million tons at last year's average yield of 3.9 MT/ha. The 420,000 ha. cutback in the North West translates into a loss of 1.35 million tons at last year's yield of 3.2 MT/ha. The 224,000 ha. not planted in Mpumalanga implies a loss of 1.1 million tons at last season's yield of 5 MT/ha. The voluntary set aside was less successful in Mpumalanga where the rainfall arrived in time but some of the cutback in the Free State and North West may be due to very late rains. The late planting is another

reason why the 2004 yields are not likely to be achieved again this season while the possibility of early frosts hang over the eastern production areas. On the other hand yields have been improving over the past few seasons, mainly due to favorable weather and technological improvements, but the area cutback implies that marginal soils are no longer cultivated and only the high potential soils are planted leading to the high yields.

A production forecast based on normal rainfall from now on follows:

Commercial	2004 area planted '000 ha.	Yield MT/ha	Production 2004,final revision '000 MT	2005 area planted '000 ha.	Yield MT/ha	Production 2005, forecast '000 MT
White corn	1,700	3.8	6,540	954	3.9	3,700
Yellow	1,110	4.4	4,910	594	4.3	2,550
Total	2,810	4.1	11,450	1,548	4.0	6,250
Developing						
White	325	0.6	203	326	0.6	200
Yellow	88.5	0.7	63	76	0.7	50
Total	413.5	0.6	266	402	0.6	250
Total corn						
White	2,025	3.3	6,743	1,280	3.0	3,900
Yellow	1,198.5	4.1	4,973	670	3.9	2,600
TOTAL	3,223.5	3.6	11,716	1,950	3.3	6,500

Consumption

We include silo deliveries for March and April in our delivery figure as, depending on the season, the new crop becomes available from March each year. We would normally expect to receive only a few thousand tons in January and February.

Commercial deliveries up to the end of December 2005 are shown in the following table:

Deliveries '000 MT	White corn	Yellow corn	Total corn
March 2005	18	53	71
April	37	104	141
May – Nov.	5,998	3,832	9,830
TOTAL	6,050	3,990	10,040
Crop estimate	6,540	4,910	11,450
Farm retentions	490	920	1,410

The fact is that there is still more than 1.4 million tons of the revised 2004 crop unaccounted for. We can consider this as farm retentions although it is much higher than the usual 450,000 tons (100,000 tons white and 350,000 tons yellow) retained on farms. It can be assumed that a big portion of the additional farm retentions is being stored for later sale. If half of the retentions reach the market later this year it could amount to about 250,000 tons of white and 450,000 tons of yellow corn.

A commercial PS&D based only on deliveries from March to December 2005 can be supplied to highlight the current situation.

FAS 2004	MY May05/April 06	Commercial S&D	'000 MT
'000 Metric tons	White	Yellow	Total
B/Stocks, May 1, 05	2345	590	2935
Revised Production	6540	4910	11450
Deliveries, March –Dec	6050	3990	10040
Farm retentions	490	920	1410
Imports	0	270	270
Total supply	8395	4850	13245
Expected exports	1650	350	2000
Expected consumption	4675	3570	8245
Ending stocks forecast*	2070	930	3000

* Plus the additional stock available on farms, which could amount to 700,000 tons, 250,000 tons of white and 450,000 tons of yellow as shown above.

The analysis above includes imports, which resumed in January 2006 with 59,000 tons of yellow corn from Argentina. Further imports are foreseen before the end of the current season, as about 270,000 tons can be imported at a TRQ rebate of duty. Importers are also looking at the Biotech certificate requirements for white corn.

The smaller 2004 crop and the cutback in the 2005 crop will tighten up the supply situation and increase the demand for imports. With a commercial carry over of about 3 million tons at the end of April 2006 and a delivery forecast of about 5.8 million tons from the 2005 crop, total supply may reach 8.8 million tons compared to domestic demand of 8.2 million tons, a surplus of 600,000 tons. South Africa traditionally supplies its Customs Union members with about 450,000 tons annually cutting the surplus to 150,000 tons. Minimum carry over stocks amount to about 700,000 tons creating the shortfall. We can give a 2006/07 PS&D forecast to illustrate the point.

FAS 2005 forecast	MY May 06/April 07	Commercial S&D	'000 MT
1,000 MT	White corn	Yellow corn	Total corn
B/Stocks	2070	930	3000
Crop forecast	3700	2550	6250
Farm retentions	100	350	450
Expected Deliveries	3600	2200	5800
Imports	0	600	600
Supply	5670	3730	9400
Exports*	400	50	450
Consumption	4700	3550	8250
E/Stock	570	130	700

*Exports to Customs Union members Botswana, Lesotho, Namibia and Swaziland only.

This analysis does not take other regional demand, (Zimbabwe, Zambia, Malawi and Mozambique) into account. These countries can, however, source imports from other origins but the situation is aggravated by their demand for firstly white corn, and in the case of Zimbabwe and Zambia, non-Biotech corn. This will put further pressure on South African white corn supplies. Some yellow corn may also be used in lieu of white corn for human consumption. The stocks from the 2004 crop, presumably still being held on farms, may also come in the picture cutting the deficit.

Trade

In the meantime exports continue unabated with about 84,000 tons exported in the first three weeks of January. Zimbabwe continues to be the main market taking 61% of white corn exports through January 20. Zimbabwe pronounced its intention to import 1.2 million tons this season and is averaging more than 85,000 tons per month. Both Malawi and Zambia must pick up their rate of imports substantially over the next few months to avert famine. Current high price levels and clogged supply lines are slowing down the process. Zambia, like Zimbabwe, requires GMO free corn. The high prices also killed off the possibility of major overseas sales as well as dampening the World Food Program's demand for South African corn.

EXPORTS	12/31- 01/06	01/07- 01/13	01/14- 01/20		2005/04/30- 2006/01/20
White corn					
Angola					12785
Benin					2278
Botswana	2689	4178	4793		131638
Cameroon					1774
Ghana					7638
Kenya					33614
Lesotho	275	431	1376		51164
Madagascar					387
Malawi	569	1653	1884		40995
Mali					2258
Mozambique	1686	3612	418		85655
Namibia	3156	1792	2967		25234
Sudan					28272
Swaziland	1038	565	508		17544
Tanzania					10000
Zambia	3352	7147	5748		36776
Zimbabwe	6817	8159	12033		754756
Total	19582	27537	29727		1 242 768
EXPORTS					
Yellow corn					
Angola					204
Botswana	513	740	956		14505
Indonesia					49500
Iran					93284
Japan					113098
Lesotho		10			1647
Mozambique	53	104	218		5992
Namibia	377	368	321		13357
Swaziland	296	1046	925		22159
Zambia			189		189
Zimbabwe	245	328	117		2043
Total	1484	2596	2726		315 978
Export total	21066	30133	32453		1 558 746
IMPORTS					
Yellow corn					
Argentina	12218	27577	18923		58 718

Imports also appeared in January for the first time this season. In the first three weeks 59,000 tons were imported and it is possible that the Tariff Rate Quota of about 269,000 tons will be reached before the end of April. The problem will be to satisfy the demand for white corn complying with South Africa's GMO requirements, which are not freely available in the world market. Apparently some supplies from Mexico are on its way but is more likely destined for neighboring states.

Prices

The main reason for the production cutback this year was the low SAFEX prices after harvest in 2005. In June both white and yellow corn prices for August, October and December were well below \$100/ton, or R600/ton at the current exchange rate. This was due to the usual post harvest price slump and the commercial crop estimate of 12 million tons at that stage implying a big surplus. As the official crop estimate is mainly based on farmer's returns the Crop Estimates Committee cannot be blamed, especially as the market also seemed to support the estimate. Deliveries to the silos, however, disappointed while farmers increased farm retentions due to the low prices. Farmers claimed that the \$100/ton was below their cost of production and decided to cut back the area planted in 2005. Grain SA was actually advising farmers not to plant at all. Basically international corn prices vary about 10% to either side of \$100/ton. SAFEX is a much more volatile market with the March 06 white corn price nearly doubling from June to December 2005 and the yellow corn price increasing by 50%.

The following table shows current SAFEX futures prices.

Rand/MT	US\$/MT			
White corn	December 05	March 06	August 05	October 05
06/27/05	R634=\$94.5	R670=\$99.9	R574=\$85.5	R593=\$88.4
07/27/05	R671=\$100.9	R709=\$106.6	R619=\$122.6	R632=\$107.8
08/31/05	R735=\$114.0	R766=\$118.8	May 06	R695=\$107.8
09/30/05	R847=\$133.4	R868=\$136.7	R867=\$136.5	R823=\$129.6
11/03/05	R834=\$125.4	R851=\$128.0	R856=\$128.7	July 06
11/30/05	R959=\$147.5	R978=\$150.5	R975=\$150.0	R980=\$150.8
12/27/05	September 06	R1227=\$193.2	R1204=\$189.6	R1195=\$188.2
01/26/06	R1110=\$185.0	R1076=\$179.3	R1075=\$179.2	R1091=\$181.8
Yellow corn	December 05	March 06	August 05	October 05
06/27/05	R669=\$99.7	R705=\$105.1	R607=\$90.5	R629=\$93.7
07/27/05	R667=\$100.3	R697=\$104.8	R625=\$94.0	R635=\$95.5
08/31/05	R683=\$105.9	R708=\$109.8	May 06	R645=\$100
09/30/05	R772=\$121.6	R780=\$122.8	R786=\$123.8	R755=\$118.9
11/03/05	R777=\$116.8	R789=\$118.6	R801=\$120.9	July 06
11/30/05	R797=\$122.6	R804=\$123.7	R837=\$128.8	R814=\$125.2
12/27/05	September 06	R995=\$156.7	R1005=\$158.3	R1005=\$158.3
01/26/06	R975=\$162.5	R970=\$161.7	R964=\$160.7	R960=\$160.0
Wheat	December 05	March 06	August 05	October 05
06/27/05	R1481=\$220.7	R1521=\$226.7	R1603=\$238.9	R1580=\$235.5
07/27/05	R1475=\$221.8	R1520=\$228.6	R1537=\$231.1	R1542=\$231.9
08/31/05	R1379=\$213.8	R1429=\$221.6	May 06	R1490=\$231.0
09/30/05	R1421=\$223.8	R1460=\$229.9	R1473=\$232.0	R1440=\$226.8
11/03/05	R1463=\$220.0	R1484=\$223.2	R1520=\$228.6	July 06
11/30/05	R1369=\$210.6	R1401=\$215.5	R1421=\$218.6	R1432=\$220.3
12/27/05	September 06	R1450=\$228.3	R1464=\$230.6	R1470=\$231.5
01/26/06	R1430=\$238.3	R1360=\$226.7	R1380=\$230	R1409=\$234.8

WHEAT

PSD Table

Country	South Africa					
Commodity	Wheat					
1000 HA	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	10/2003		10/2004		10/2005	
Area Harvested	748	748	830	830	800	801
Beginning Stocks	898	897	598	614	560	585
Production	1540	1540	1680	1680	1800	1840
TOTAL Mkt. Yr. Imports	1278	1278	1396	1395	1300	1200
Jul-Jun Imports	911	837	1407	1350	1300	850
Jul-Jun Import U.S.	475	414	270	265	0	250
TOTAL SUPPLY	3716	3715	3674	3689	3660	3625
TOTAL Mkt. Yr. Exports	379	380	324	326	350	325
Jul-Jun Exports	356	320	338	350	350	325
Feed Dom. Consumption	10	32	10	23	10	25
TOTAL Dom. Consumption	2739	2721	2790	2778	2750	2805
Ending Stocks	598	614	560	585	560	495
TOTAL DISTRIBUTION	3716	3715	3674	3689	3660	3625

Production

The sixth official estimate of the 2005 wheat crop is 1.84 million tons, 2% larger than the fifth estimate mainly due to good rains in the Free State. The expected yield is 2.3 MT/ha. The production estimate for the Western Cape is 645,000 tons at 2.15 MT/ha. and the Free State 551,000 MT at 1.45 MT/ha. The total area planted is unchanged at 800,500 ha.

Commercial human consumption increased by 3.1% from 2.652 million tons in MY2003/04 to 2.734 million tons in MY 2004/05. Imports increased from 1.278 million tons in 2003/04 to 1.394 million tons in 2004/05 and are expected to reach 1.2 million tons in 2005/06.

Imports during the 2005/06 season continue unabated, from October 1 to January 20, 343,165 tons were imported. The following table contains the details.

From	For Africa	For RSA	Total
USA	19,674	77,127	96,801
Australia		58,579	58,579
Argentina	7,862	41,612	49,474
Germany	31,164	72,316	103,480
Ukraine		34,831	34,831
Total	58,700	284,464	343,165

Exports, 2006:

MT	12/21-01/06	01/07-01/13	01/14-01/20	10/01/05-01/20/06
Botswana				18,910
From Germany	2759	1511		
RSA	1318	1242	1395	
Lesotho				26,629
From Germany	1786	179		
RSA	440		440	
Namibia				3,859
From USA		908		
RSA			1188	
Swaziland				11,103
From Canada	220			
Zambia				
From Argentin		232	350	7,431
From USA			648	
Total	6523	3164	4929	67,932