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Report Highlights:
The corn crop planted in 2005 is currently estimated at 6.2 million tons compared to the 11.7 million ton 2004 crop. The decrease in production is the result of a 38% reduction in the total area planted in an effort to balance supply and demand. Due to an estimated old crop carry over of about 3 million tons at the end of April 2006, the smaller crop should be able to supply domestic and immediate neighboring country needs although yellow corn will have to be imported to satisfy feed demand.

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

Summary

In an effort to balance corn supply and demand South African commercial farmers cut the area planted by 44% from 2.8 million ha. in 2004 to 1.6 million ha. in 2005. As a result the crop is expected to decline by 47% from 11.45 million tons to 5.9 million tons. After a slow start to the 2005/06-rainfall season, precipitation improved from mid December followed by heavy rains since. The western production areas were waterlogged and substantial damage occurred. A lack of sunlight and heat and the leaching of fertilizer compounded the problems. The third official crop estimate quoted above was again lower than the previous estimate and a further decrease is expected. Further untimely cold weather and early frost might still cause substantial damage to the crop.

Due to an estimated carry over of about 3 million tons at the end of April 2006 the commercial crop should be sufficient to supply the local need of about 8 million tons. The problem is that the market is divided between white corn for human consumption and yellow corn for animal feed. White corn stocks should be sufficient for domestic and traditional export needs while yellow corn is being imported to make up the shortfall. The net result of the exercise is that prices for 2006 have increased to about $180/mt. for white and $160/mt. for yellow corn.

The wheat situation is unchanged.

US$1 = Rand 6.05 (05/03/06)

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	2004	Revised	2005	Estimate	2006	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		05/2005		05/2006		05/2007
Area Harvested	3223	3224	2200	1998	0	2845
Beginning Stocks	2956	2935	2872	3090	1722	240
Production	11716	11715	7500	6235	0	9000
TOTAL Mkt. Yr. Imports	250	360	700	750	0	700
Oct-Sep Imports	131	140	250	470	0	700
Oct-Sep Import U.S.	0	4	0	0	0	0
TOTAL SUPPLY	14922	15010	11072	10075	1722	9940
TOTAL Mkt. Yr. Exports	2100	2125	400	750	0	500
Oct-Sep Exports	1517	2600	1200	1200	0	500
Feed Dom. Consumption	4800	5085	4400	4200	0	4250
TOTAL Dom. Consumption	9950	9795	8950	9085	0	9000
Ending Stocks	2872	3090	1722	240	0	440
TOTAL DISTRIBUTION	14922	15010	11072	10075	0	9940

Production

The third official production estimate including a small revision to the area planted for the FAS 2005 commercial corn crop was released on April 20, 2006. The crop estimate is 2.3% less than the previous estimate while the area planted is 1.1% more than the previous estimate. The commercial area planted is now estimated at 1.57 million hectares and the crop at 5.9 million tons at an average of 3.8 tons/hectare. The area planted is 44% smaller than the previous season and the crop is down 48%. The decline is mainly due to a voluntary cutback in production in an effort to balance supply and demand.

CORN	2004 area '000 ha.	Yield MT/ha	Prod. '000 MT	2005 area '000 ha.	Yield MT/ha	Prod. '000 MT	2006 Area '000 ha.	Yield MT/ha	Prod. '000 MT
Com.l									
White	1,700	3.8	6,540	985	3.6	3,565	1,565	3.4	5,325
Yellow	1,110	4.4	4,910	581	4.0	2,355	880	3.9	3,425
Total	2,810	4.1	11450	1,566	3.8	5,920	2,445	3.6	8,750
Dev.									
White	325	0.6	203	346	0.7	238	325	0.6	200
Yellow	89	0.7	63	86	0.9	79	75	0.7	50
Total	414	0.6	266	432	0.7	317	400	0.6	250
Total corn									
White	2,025	3.3	6,743	1,331	3.0	3,803	1,890	2.9	5,525
Yellow	1,199	4.1	4,973	667	3.7	2,434	955	3.6	3,475
TOTAL	3,224	3.6	11716	1,998	3.2	6,237	2,845	3.2	9,000

The total 2005 crop is now estimated at 6.24 million metric tons compared to the 6.38 million tons of the previous estimate and the 11.72 million ton 2004 crop.

After a late start to the rainfall season precipitation picked up in December and the late summer rainfall was very good, even excessive in some areas. The crop in the east was well developed and only needed a few weeks of sunshine to mature. Unfortunately the recent weather was mostly overcast with very little sunlight and low heat. Retarded growth and maturity lead to cobs not filling out fully which affects the yield. Late plantings in the far western areas have been affected by the cold and overcast weather. Big areas of the North West Province and the northwestern Free State were waterlogged and suffered from an outbreak of Northern Leaf Blight, which affected yields.

The 2004 and 2005 area and production estimate for the main production areas, the Free State, North West and Mpumalanga, follows:

	Area	'000	Ha	Yield	MT/ha		Prod.	'000	MT
	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
Free State									
2004	660	385	1045	4.0	3.8	3.9	2658	1455	4113
2005	345	195	540	3.6	3.4	3.5	1242	663	1905
North West									
2004	680	215	895	3.2	3.2	3.2	2185	678	2863
2005	380	112	492	2.9	2.8	2.8	1083	314	1397
Mpum alanga									
2004	224	336	560	5.1	5.0	5.0	1134	1673	2807
2005	156	185	341	4.4	4.3	4.3	686	796	1482
Total 3	Main	Areas							
2004	1564	936	2500	3.8	4.1	3.9	5977	3806	9783
2005	881	492	1373	3.4	3.6	3.5	3011	1773	4784

Irrigation

The 2005 irrigated area planted estimate has now been released, 55,000 ha. for white and 70,000 for yellow for a total of 125,000 ha. or 8% of the total area planted. The 2004 plantings amounted to 70,000 ha. white corn and 120,000 ha. yellow for a total of 190,000 ha. or only about 7% of the area planted in 2004. At 10 tons plus per hectare the irrigated production of about 1.25 million tons thus plays a bigger role in total production and increases the average yield for the whole crop.

Developing sector

The crop in the developing sector has also been announced at 317,000 tons from 432,000 hectares, an improvement on the previous crop. As a result of the cutback in the area planted in the commercial sector, the area and production in the developing sector plays a more important role in the total crop and the average yield.

Biotech corn

Planting of genetically modified (GM) corn increased its market share from 14.6 per cent of total South African corn planted in 2004 to 29.4 per cent in 2005, according to a survey submitted to the Maize Trust. The major unique trait remains insect resistance with 72 per cent of the total GM corn, while herbicide tolerant corn now stands at 28 per cent. Actual hectares planted increased by 11 per cent to 455,287 despite total area having slumped by 44 per cent. The following table contains the details:

Area planted ‘000 ha.	White corn	Yellow corn	Total corn
2004 Total	1,700	1,110	2,810
Biotech	145	265	410
%	8.5%	24%	14.5%
2005 Total	985	580	1,565
Biotech	280	175	455
%	28%	30%	29%

White GM corn showed the most dramatic increase from 8.6 per cent of total white corn area in 2004 to 28 percent in 2006. Yellow GM area planted grew from 24 per cent to 30.5 per cent of total yellow area.

FAS 2006

We also forecast the 2006 season - this is the crop to be planted from November 2006. As the 2005 situation is still very unsettled we have to consider the possible after effects of the 2005 cutback in area planted. The current high prices are likely to restore some of the area to corn while we can only use recent average yield trends at this stage.

The big 2004 crop of 11.45 million tons affected historical average yields, but deliveries only amounted to 10.17 million tons leaving 1.28 million tons unaccounted for.

The CEC estimated that 755,000 tons (185,000 tons white and 570,000 tons yellow) was retained on farms. If this is added to the 10.17 million ton deliveries the total crop reaches 10.925 million tons. It is likely that the crop was overestimated and the actual crop was about 10.9 million tons, 6.3 white and 4.6 yellow. If the crop amounted to 10.9 million tons the three-year average yield also changes.

FAS 2004, MY 2005/06 crop revision:

	Area, 1,000 ha.	Yield, MT/ha.	Production '000 MT
White	1,700	3.7	6,300
Yellow	1,110	4.1	4,600
Total	2,810	3.9	10,900
3 year average 2002-03-04			
White	1925	3.2	6160
Yellow	1020	3.7	3765
Total	2945	3.4	9925

The official FAS 2004, MY 2005/06 data is unlikely to be changed, but the revised average yield is used in our 2006 forecast.

Consumption

We include commercial silo deliveries for March and April 2005 in our 2005/06-delivery figure as, depending on the season, the new crop becomes available from March each year. Commercial deliveries for the 2004 crop up to the end of February 2006 are included in the following table:

Deliveries '000 MT	White corn	Yellow corn	Total corn
March 2005	18	53	71
April	37	104	141
May – Febr. 2006	6,065	3,893	9,958
TOTAL 2004 crop	6,120	4,050	10,170

A commercial PS&D based on deliveries can be supplied to highlight the current situation.

FAS 2004	May05/April 06	Commercial S&D	‘000 MT
’000 Metric tons	White	Yellow	Total
B/Stocks, May 1, 05*	2345	590	2935
Deliveries05/03–06/02	6120	4050	10170
Imports	0	360	360
Total supply	8465	5000	13465
Exports	1775	350	2125
Consumption	4450	3800	8250
Ending stocks	2240	850	3090

* Excluding March and April deliveries, figures rounded.

We can also supply a 2006/07 scenario based on the third official crop estimate, in this table it shows that white corn supplies should be sufficient to carry through the 2006/07 marketing year and allow for some feed use and exports. The higher price levels are likely to suppress domestic and regional demand. White corn conforming to South Africa’s Biotech requirements will be hard to find in the world market. If the situation becomes tight, imports can always be milled near the ports restricting whole grain movement.

The South African industry is, however, finding it more and more difficult to effectively separate Biotech and non-Biotech corn and with cross contamination both in the fields and in the handling equipment it will soon become difficult to supply non-Biotech certification. Yellow corn supplies will be tight but the shortfall can be made up by suitable Biotech imports from Argentina. From May 2005 to April 28, 2006, 358,000 tons were imported and unloaded in the ports of Cape Town, Port Elizabeth, East London and Durban.

The following table contains the details:

FAS 2005 forecast	MY May 06/April 07	Commercial S&D	‘000 MT
1,000 MT	White	Yellow	Total
B/Stocks	2240	850	3090
Crop estimate	3565	2355	5920
Farm retentions	165	355	520
Expected Deliveries	3400	2000	5400
Imports	0	750	750
Supply	5640	3600	9240
Exports	700	50	750
Consumption	4700*	3550	8250
E/Stock	240	0	240

*Including some white corn used for feed in lieu of yellow.

Trade

Preliminary data for the May 05/April 06 marketing season is available. Exports jumped from 766,000 mt. in 2004/05 to 2.124 million tons in 2005/06 mainly due to early overseas sales of cheap yellow corn to Indonesia, Iran and Japan. The main increase for white corn was the million tons sold to Zimbabwe after only 205,000 tons were sold in 2004/05.

EXPORTS	May 04	to April05		May 05	to April 06	MT
	White	Yellow	Total	White	Yellow	Total
Angola	33 644	430	34 074	14 162	204	14 366
Benin				2 278		2 278
Botswana	110 873	8 205	119 078	175 247	20 063	195 310
Cameroon				3 001		3 001
Chad				151		151
Congo	216		216			
Ghana				7 638		7 638
Indonesia					49 500	49 500
Iran					93 284	93 284
Japan					113 098	113 098
Kenya	129 451		129 451	40 038		40 038
Lesotho	112 070	6 712	118 782	82 351	1 647	83 998
Madagascar	2 382		2 382	967		967
Malawi				67 322	359	67 681
Mali				2 258		2 258
Mozambique	48 044	5 488	53 532	137 724	10 324	148 048
Namibia	43 452	12 500	55 952	53 607	16 922	70 529
Somalia				3 158		3 158
Sudan				28 272		28 272
Swaziland	17 968	28 434	46 402	25 860	34 761	60 621
Tanzania				10 000		10 000
Zambia				89 370	189	89 559
Zimbabwe	205 424	653	206 077	1 029 897	10 727	1 040 624
Total	703 524	62 422	765 946	1 773 301	351 078	2 124 379

Customs Union sales (basically domestic sales) are a prime, natural market for the South African industry averaging about 400,000 tons, 340,000 tons white and 60,000 tons yellow per season. This market will have to be serviced in 2006/07 irrespective of the supply situation. Mozambique (100,000 mt.) and Zimbabwe (600,000 mt.) are the other important markets. Early estimates show a demand for more than a million tons of mainly white corn in the immediate vicinity, which will be difficult to supply.

'000MT	MY 03/04			MY 04/05			MY 05/06		
Customs Union	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
Botswana	140	2	142	111	8	119	175	20	195
Lesotho	124	6	130	112	7	119	82	23	84
Namibia	103	19	122	43	13	56	54	17	71
Swaziland	29	26	55	18	28	46	26	36	61
Total	396	53	449	284	56	340	337	96	411

Prices

The main reason for the production cutback this year was the low SAFEX prices after harvest in 2005. In June 2005 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. Farmers claimed that the $100/ton was below their cost of production and decided to cut back the area planted in 2005. This had a major effect on SAFEX prices. SAFEX is a 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	May 06	October 05
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
03/06/06	R1150=$187.0	December 06	R1120=$182.1	R1132=$184.1
03/29/06	R1183=$189.3	R1212=$193.9	R1152=$184.3	R1164=$186.2
05/03/06	R1104=$182.5	R1132=$187.1	R1071=$177.0	R1088=$179.8
Yellow corn	December 05	March 06	May 06	October 05
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
03/03/06	R1000=$162.6	December 06	R993=$161.5	R995=$161.8
03/29/06	R1045=$167.2	R1072=$171.5	R1030=$164.8	R1029=$164.6
05/03/06	R1036=$171.2	R1054=$174.2	R998=$165.0	R1015=167.8