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## **South Africa, Republic of**

Grain and Feed

### **Monthly Update**

2006

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**Report Highlights:**

South Africa's corn crop planted in 2005 and currently being harvested is estimated at 6.3 million tons, 46% lower than the 11.7 million ton 2004 crop. This is the result of a voluntary, 38% cutback in area planted in an effort to bring supply more in line with demand. The industry was able to export 2.1 million tons in MY 2005/06, with more than a million tons going to Zimbabwe, which also helped to balance the equation. The 6 million ton crop should come close to supplying domestic and regional demand for white corn while yellow corn is being imported. The exercise at least helped to double domestic prices over the past year.

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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 hectares (ha.) in 2004 to 1.6 million ha. in 2005. As a result the commercial crop is expected to decline by 48% from 11.45 million tons to 6 million tons. After a slow start to the 2005/06-rainfall season, precipitation improved from mid December followed by heavy sustained rains. As a result of water logging and the overcast weather the average yield is expected to decline to 3.8 MT/ha.

Due to a carry over of about 3.2 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 mainly for human consumption and yellow corn mainly 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 July 2006 have increased to about \$184/MT for white and \$169/MT for yellow corn.

Bio Fuels, including Ethanol from corn is a big issue at the moment but it is unlikely that additional areas will be planted for this purpose in 2006. It could, however, become a major additional outlet in the future.

The wheat situation is unchanged, with a small decrease in the area now being planted and continued high import levels.

Please note the more than 10% depreciation of the SA Rand against the US Dollar over the past month.

US\$1 = Rand 6.55 (05/30/06)

US\$1 = Rand 7.25 (06/28/06)

[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)

**CORN**

PSD Table

Country	South Africa					
Commodity	Corn					
1000 HA	2004 Revised	2005	Estimate	2006	Forecast	
1000 MT	USDA Official Post Est.					
Market Year Begin	05/2005		05/2006		05/2007	
Area Harvested	3223	3224	2200	1998	2750	2845
Beginning Stocks	2956	2935	3022	3170	1422	750
Production	11716	11715	7500	6315	9000	9000
TOTAL Mkt. Yr. Imports	350	360	750	750	700	400
Oct-Sep Imports	131	140	650	470	700	700
Oct-Sep Import U.S.	0	4	0	0	0	0
TOTAL SUPPLY	15022	15010	11272	10235	11122	10150
TOTAL Mkt. Yr. Exports	2200	2140	750	750	500	600
Oct-Sep Exports	1517	2600	1400	1200	500	500
Feed Dom. Consumption	5100	5000	4400	4075	4300	4100
TOTAL Dom. Consumption	9800	9700	9100	8735	9000	8800
Ending Stocks	3022	3170	1422	750	1622	750
TOTAL DISTRIBUTION	15022	15010	11272	10235	11122	10150

**Production**

The fifth official production estimate for the commercial corn crop planted in 2005 was released on June 20, 2006. The crop estimate is still about 6 million tons, 47.6% less than the 2004 crop. The only change to the previous estimate was a 4,975 MT reduction in the expected yellow corn crop. The commercial area planted is estimated at 1.57 million hectares, 44% smaller than the previous season, and with the crop at 6 million tons the average yield is 3.8 tons/hectare. The decline is mainly due to a voluntary cutback in production in an effort to balance supply and demand. The following table contains the details.

CORN	2004 area 000ha	Yield MT/ha	Prod. '000 MT	2005 area 000ha	Yield MT/ha	Prod. '000 MT	2006 Area 000ha	Yield MT/ha	Prod. '000 MT
Comm	Final			Est.			Fore.		
White	1,700	3.8	6,540	985	3.7	3,616	1,565	3.4	5,325
Yellow	1,110	4.4	4,910	581	4.1	2,382	880	3.9	3,425
Total	2,810	4.1	11450	1,566	3.8	5,998	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	3,854	1,890	2.9	5,525
Yellow	1,199	4.1	4,973	667	3.7	2,461	955	3.6	3,475
TOTAL	3,224	3.6	11716	1,998	3.2	6,315	2,845	3.2	9,000

The total 2005 crop is now estimated at 6.3 million metric tons compared to the 11.7 million ton 2004 crop. There are still some doubts about the actual size of the 2004 crop, deliveries indicate that the commercial crop was closer to 10.6 million tons and the total about 10.9 million tons. After a late start to the 2005/06-rainfall season precipitation picked up in December and the late summer rainfall was good. Sunlight was limited by the overcast weather and the average yield did not reach 2004 levels.

The unchanged 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	3.75	3.55	3.68	1294	692	1986
North West									
2004	680	215	895	3.2	3.2	3.2	2185	678	2863
2005	380	112	492	2.8	2.75	2.79	1064	308	1372
Mpumalanga									
2004	224	336	560	5.1	5.0	5.0	1134	1673	2807
2005	156	185	341	4.5	4.35	4.42	702	805	1507
Top 3 areas									
2004	1564	936	2500	3.8	4.1	3.9	5977	3806	9783
2005	881	492	1373	3.47	3.67	3.54	3060	1805	4865

## FAS 2006

We also forecast the 2006 season - this is the crop to be planted from November 2006. 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 trend yields, excluding the doubtful 2004 crop, at this stage. The commercial area to be planted is forecast at 2.4 million ha. producing about 8.75 million tons, the total area is likely to reach 2.8 million ha. producing a total of nine million tons. This is under the assumption of a "normal" season and does not include additional plantings for bio fuel production, which is not expected to be on stream by 2007.

## Consumption

We used to include commercial silo deliveries for March and April 2005 in our delivery figure as, depending on the season, the new crop becomes available from March each year. With more on farm storage becoming available the distinction between crop years disappeared and we reverted to the official May/April marketing season. The final 2005/06 supply and distribution data is available and a rounded commercial PS&D, based on SAGIS information, is supplied to highlight the situation.

	FAS 2003	MY2004/05	Final	FAS 2004	MY2005/06	Final
1,000 MT	White	Yellow	Total	White	Yellow	Total
B/stocks	2125	500	2625	2400	750	3150
Deliveries	5645	3445	9090	6110	3945	10055
Imports	0	220	220	0	360	360
Supply	7770	4165	11935	8510	5055	13565
Exports*	670	60	730	1785	355	2140
Cons.						
Human	3480	260	3740	3560	265	3825
Feed	735	2695	3430	545	2985	3530
Other	485	400	885	320	580	900
Total	4700	3355	8055	4425	3830	8255
E/stocks	2400	750	3150	2300	870	3170

\*Whole grain only

We can also supply a MY 2006/07 scenario based on the latest 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. Yellow corn supplies are tight but the shortfall is being met by imports from Argentina. From May 2005 to April 2006, 360,000 tons were imported and unloaded in the ports of Cape Town, Port Elizabeth, East London and Durban. From May 2006 to June 23 about 200,000 tons have already been imported.

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	2300	870	3170
Crop estimate	3620	2380	6000
Farm retentions	120	300	420
Expected Deliveries	3500	2080	5580
Imports	0	750	750
Supply	5800	3700	9500
Exports	700	50	750
Consumption	4500	3500	8000
E/Stock	600	150	750

## Trade

Final data for the May 05/April 06 marketing season is available. Whole grain exports jumped from 732,000 MT. in 2004/05 to 2.14 million tons in 2005/06 mainly due to early overseas sales of yellow corn to Indonesia, Iran and Japan. The main increase for white corn was the more than a million tons sold to Zimbabwe after only 206,000 tons were sold in 2004/05.

EXPORTS	May 04	to April 05		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
SAGIS season	668 000	64 000	732 000	1 786 000	357 000	2 143 000

These figures, compiled on a weekly basis, differ slightly from the full season figures as supplied by SAGIS, but do give us destinations.

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. Mozambique (100,000 MT.) and Zimbabwe (600,000 MT.) are the other potential 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 from South Africa this year.

EXPORTS '000 MT	MY 03/04			MY 04/05			MY 05/06		
	White	Yellow	Total	White	Yellow	Total	White	Yellow	Total
Customs Union	140	2	142	111	8	119	1765	21	196
Botswana	124	6	130	112	7	119	83	23	86
Lesotho	103	19	122	43	13	56	54	17	71
Namibia	29	26	55	18	28	46	26	35	61
Swaziland									
Total	396	53	449	284	56	340	338	76	415

### 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 then current exchange rate. This was due to the usual post harvest price slump and the crop estimate 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	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
05/30/06	R1225=\$187.0	R1262=\$192.7	March 07	R1207=\$184.3
06/28/06	R1361=\$187.7	R1396=\$192.6	R1406=%193.9	R1337=\$184.4
Yellow corn	December 05	March 06	May 06	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
05/30/06	R1151=\$175.7	R1177=\$179.7	March 07	R1129=\$172.4
06/28/06	R1240=\$171.0	R1248=\$172.1	R1265=\$174.5	R1225=\$169.0

Although Rand prices have strengthened since the end of May the US\$ price movements are mainly due to the depreciating Rand from \$1=R6.55 at the end of May to \$1=R7.25 at the end of June.

**WHEAT**

PSD Table

Country	South Africa					
Commodity	Wheat					
1000 HA	2004 Revised	2005	Estimate	2006	Forecast	
1000 MT	USDA Official Post Est.					
Market Year Begin	10/2004		10/2005		10/2006	
Area Harvested	830	830	800	805	820	794
Beginning Stocks	598	598	560	594	646	500
Production	1680	1680	1886	1905	1910	1750
TOTAL Mkt. Yr. Imports	1396	1395	1300	1100	1200	1100
Jul-Jun Imports	1407	1350	1300	850	1200	1100
Jul-Jun Import U.S.	270	265	0	250	0	0
TOTAL SUPPLY	3674	3673	3746	3599	3756	3350
TOTAL Mkt. Yr. Exports	324	325	300	325	350	325
Jul-Jun Exports	338	350	300	325	350	320
Feed Dom. Consumption	10	9	10	39	10	15
TOTAL Dom. Consumption	2790	2754	2800	2774	2850	2760
Ending Stocks	560	594	646	500	556	265
TOTAL DISTRIBUTION	3674	3673	3746	3599	3756	3350

**Production**

Based on replies to a survey conducted by the Department of Agriculture the area expected to be planted to wheat in 2006 is 793,500 ha. compared to the 805,000 ha. planted in 2005. This means that the producers intend to plant 11,500 ha. (1.4%) less to wheat than in 2005. The main producing areas are the Free State with 375,000 ha. (47.3%) and 1.3% down on the previous season, followed by the Western Cape with 294,500 ha. (37.1%) or 2.5% down on the previous season. The decrease is mainly blamed on low wheat prices, as agronomic conditions are favorable. If favorable conditions continue the crop is likely to reach 1.75 million tons, again well short of domestic demand.

The 2005/06 crop estimate was adjusted to 1.905 million tons of which deliveries are expected to reach 1.87 million tons and 37,700 tons is expected to be retained on farms. The area planted was left at 805,000 ha.

**Consumption**

Milling for flour increased by 3.1% from 2.653 million tons in 2003/04 to 2.736 million tons in 2004/05. From October 2005 to May 2006 milling amounted to 1.8 million tons, 1.3% more than in the corresponding months in 2004/05. Growth is slow and barely keeps pace with the increase in population.

**Trade**

In MY 2004/05 South Africa exported 158,000 tons of South African wheat (135,000 tons) and flour (23,000 tons wheat equivalent) and 168,000 tons of imported wheat for a total of 326,000 tons. In 2004/05 imports for own use amounted to 1.227 million tons and 168,000 tons for re-export to total 1.395 million tons. Imports and exports for the current season from October 2005 to June 23, 2006 follow:

Exports	MT	Imports	For Africa	For South Africa	Total
Botswana	54,464	USA	24,584	90,049	114,633
Lesotho	57,345	Australia	0	59,927	59,927
Namibia	13,622	Argentina	32,797	241,605	274,402
Swaziland	24,385	Germany	52,492	247,339	299,831
Zambia	47,353	Ukraine	0	60,754	60,754
Zimbabwe	1,575	Brazil	6,301	0	6,301
		Canada	12,759	31,784	44,543
Total	198,744	Total	128,933	731,458	860,391

### Prices

Current SAFEX futures market prices are:

Rand/MT \$/MT	March 07	July 06	September 06	December 06
05/30/2006	R1500=\$229.0	R1531=\$233.7	R1547=\$236.2	R1463=\$223.4
06/28/2006	R1520=\$209.7	R1628=\$265.9	R1630=\$224.8	R1551=\$213.9