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## **South Africa, Republic of**

Grain and Feed

### **Monthly Update**

2006

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**Report Highlights:**

After a 44% voluntary cutback in area planted in 2005, commercial corn production declined by 48% balancing supply and demand and supporting prices. The high prices are likely to bolster 2006 plantings again and at this stage it is expected that commercial farmers will increase the area planted from 1.6 to 2.6 million hectares. This could see the total crop increase from 6.4 to 9.8 million tons again. In the meantime supplies will stay tight.

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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 to corn from 2.8 million hectares (ha.) in 2004 to 1.6 million ha. in 2005. As a result the commercial crop still being harvested is expected to decline 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 3.9 mt/ha. while quality also suffered

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 are under pressure to supply domestic and traditional export needs, the situation being aggravated by the quality problem. White corn that comply with South Africa's GMO requirements are not freely available on the world market. Yellow corn is being imported to make up the feed corn shortfall. The net result is that domestic prices for August 2006 have increased to about \$189/MT for white and \$172/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 planted and continued high import levels.

Please note the volatile exchange rate.

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

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

US\$1 = Rand 7.00 (07/27/06)

[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 [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	05/2005		05/2006		05/2007	
Area Harvested	3223	3224	2000	2000	2750	3000
Beginning Stocks	2956	2935	3190	3170	1490	750
Production	11716	11715	7000	6360	9000	9750
TOTAL Mkt. Yr. Imports	361	360	750	750	400	300
Oct-Sep Imports	131	140	650	470	700	700
Oct-Sep Import U.S.	0	4	0	0	0	0
TOTAL SUPPLY	15033	15010	10940	10280	10890	10800
TOTAL Mkt. Yr. Exports	2143	2140	750	750	600	950
Oct-Sep Exports	1517	2600	1400	1200	500	500
Feed Dom. Consumption	5000	5000	4100	4100	4100	4100
TOTAL Dom. Consumption	9700	9700	8700	8780	8800	8800
Ending Stocks	3190	3170	1490	750	1490	1050
TOTAL DISTRIBUTION	15033	15010	10940	10280	10890	10800

## Production

The sixth official production estimate for the commercial corn crop planted in 2005 was released on July 20, 2006. The crop estimate is still about 6 million tons, 47% less than the 2004 crop, but 46,000 tons better than the previous estimate. 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 3.9 tons/hectare. The following table contains the details.

CORN	2004	Yield	Prod.	2005	Yield	Prod.	2006	Yield	Prod.
	area	MT/ha	'000	area	MT/ha	'000	Area	MT/ha	'000
	000ha		MT	000ha		MT	000ha		MT
Com.		Final			Est.			Fore.	
White	1,700	3.8	6,540	985	3.7	3,635	1,650	3.5	5,800
Yellow	1,110	4.4	4,910	582	4.1	2,409	950	3.9	3,700
Total	2,810	4.1	11450	1,567	3.9	6,044	2,600	3.7	9,500
Deve.									
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									
White	2,025	3.3	6,743	1,331	3.0	3,873	1,975	3.0	6,000
Yellow	1,199	4.1	4,973	668	3.7	2,488	1,025	3.7	3,750
TOTAL	3,224	3.6	11716	1,999	3.2	6,361	3,000	3.3	9,750

The total 2005 crop is now estimated at 6.4 million metric tons from 2 million hectares compared to the 11.7 million ton from 3.2 million hectares in 2004. 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. In a related development the grading of the crop suffered, usually 95% of the crop reach first grade but this year about 25% of the crop could be second grade or lower. This is crucial for white corn, already short, as lower grades are not suitable for milling for human consumption and are used for feed.

Responding to a number of requests from the market and confirmation from silo owners of the tonnages of Grade 2 (wm2) white corn currently being received, the SAFEX exchange has decided to re-introduce the WOPT (white, optional) contract last traded in 2003.

The WOPT contract is defined as "white corn of any origin, of the grade wm2 as defined in the South African grading regulations, that meets all phyto-sanitary requirements and import regulations, but is not subject to the containment conditions for the importation of genetically modified organisms." Translated, it means that the GMO import requirements must still be complied with.

The WOPT contract will adhere to the same contract specifications as the WMAZ (white maize) contract with delivery in the same fashion. It must be noted that the WOPT contract is totally separate to the WMAZ contract and no grade 2 white corn will be accepted for delivery on the WMAZ contract. The WOPT contract currently runs at about a 10% discount to the WMAZ contract and at about the same price as the YMAZ contract.

The exchange introduced an Aug 06, Sep 06 and Dec 06 expiry for trading on Wednesday 12 July 2006 to be followed by the relevant Oct 06 and Nov 06 constant month contracts.

## **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 at this stage. The commercial area to be planted is forecast at 2.6 million ha. producing about 9.5 million tons, the total area is likely to reach 3.0 million ha. producing a total of 9.75 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. Building of the first major ethanol plant has started.

## **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 became available from March each year. With more on farm storage 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	745	3145
Deliveries	5645	3445	9090	6110	3945	10055
Imports	0	220	220	0	360	360
Supply	7770	4165	11935	8510	5050	13560
Exports*	670	60	730	1785	355	2140
Cons.						
Human	3480	260	3740	3560	260	3820
Feed	735	2695	3430	545	2985	3530
Other	485	405	890	320	580	900
Total	4700	3360	8060	4425	3825	8250
E/stocks	2400	745	3145	2300	870	3170

We can also supply a MY 2006/07 scenario based on the latest official crop estimate. Deliveries from May 1, 2006 to July 28 amounted to about 3.8 million tons, 2.4 white and 1.4 yellow, implying that a 5.5 million ton delivery figure is possible. The following table contains the delivery details:

Deliveries	'000 MT	%
May 1-July 28		
WM1	1462	67.4
WM2	584	26.9
WM3	123	5.7
Unknown	249	
Total white	2418	
YM1	1110	89.0
YM2	132	10.6
YM3	5	0.4
Unknown	146	
Total Yellow	1393	
Total corn		
Grade 1	2572	75.3
Grade 2	716	21.0
Grade 3	128	3.7
Total	3416	
Unknown	395	
Total corn	3811	

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 July 28 about 360,000 tons have already been imported, while exports only reached 185,000 tons.

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	3635	2410	6045
Farm retentions	135	330	465
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. Product exports amounted to 100,000 tons in 2004/05 and 103,000 tons in 2005/06.

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.

As the region experienced a fairly good 2005/06 production season supplies are adequate and exports slow. Exports will, however, pick up when local supplies run out. Exports from May 2006 to July 28, 2006 follow.

MY 2006/07 Exports	May	June	July	Total from May 1, 2006
White corn				
Angola	989	1936	817	3742
Botswana	11931	4294	2889	19114
DRC	136	144	0	280
Kenya	2792	0	0	2792
Lesotho	10255	8149	10324	28728
Malawi	30	0	0	30
Mozambique	2014	741	1270	4025
Namibia	3687	114	99	3900
Swaziland	4174	1289	33	5496
Tanzania	0	9289	0	9289
Zimbabwe	36,879	24022	26397	87298
Total	72,887	49,978	41,829	164,694
Yellow corn				
Botswana	758	1091	281	2130
Lesotho	195	0	0	195
Mozambique	616	264	0	880
Namibia	1855	1309	2012	5176
Swaziland	2898	5058	3586	11542
Zimbabwe	264	0	0	264
Total	6,586	7,722	5,879	20,187
Grand Total	79,473	57,700	47,708	184,881
IMPORTS				
Yellow corn				
Argentina	143,046	56,018	162,134	361,198

### 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 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%. In July 2006 white corn reached a thirty-month high.

The following table shows current SAFEX futures prices.

Rand/MT	US\$/MT			
White corn	September 06	December 06	May 06	July 06
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	August 06
07/27/06	R1341=\$191.6	R1377=\$196.7	R1385=\$197.9	R1325=\$189.3
WOPT	September 06	December 06		August 06
07/27/06	R1213=\$173.3	R1255=\$179.3		R1194=\$170.6
Yellow corn	September 06	December 06	May 06	July 06
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	August 06
07/27/06	R1226=\$175.1	R1238=\$176.9	R1255=\$179.3	R1207=\$172.4

**WHEAT**

PSD Table

Country	South Africa					
Commodity	Wheat					
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	10/2004		10/2005		10/2006	
Area Harvested	830	830	800	805	820	792
Beginning Stocks	598	598	560	594	646	600
Production	1680	1680	1886	1905	1910	1850
TOTAL Mkt. Yr. Imports	1396	1395	1300	1200	1200	1200
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	3699	3756	3650
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	2800
Ending Stocks	560	594	646	600	556	525
TOTAL DISTRIBUTION	3674	3673	3746	3699	3756	3650

**Production**

The preliminary estimate of the area planted to wheat in 2006 is 792,300 ha. compared to the 805,000 ha. planted in 2005, this is 12,700 ha. or 1.6% less than in 2005. The main producing areas are the Free State with 375,000 ha. followed by the Western Cape with 290,000 ha. The decrease is mainly blamed on low wheat prices, as agronomic conditions were favorable. If favorable conditions continue the crop is likely to reach 1.85 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.

**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 June 2006 milling amounted to 2.05 million tons, 1.6% 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 July 28, 2006 follow:

Exports	MT	Imports	For Africa	For South Africa	Total
Botswana	61,219	USA	25,982	88,651	114,633
Lesotho	58,845	Australia	0	59,927	59,927
Namibia	15,250	Argentina	28,035	311,570	339,605
Swaziland	25,756	Germany	67,868	300,091	367,959
Zambia	53,118	Ukraine	0	60,754	60,754
Zimbabwe	1,575	Brazil	6,301	0	6,301
		Canada	12,759	36,753	49,512
		France	0	9,920	9,920
Total	215,763	Total	140,945	867,666	1,008,611

Apparently export supplies from Argentina have dried up and Germany has taken up the slack.

### Prices

Current SAFEX futures market prices are:

Rand/MT \$/MT	March 07	August 06	September 06	December 06
07/27/2006	R1586=\$226.6	R1675=\$239.3	R1665=\$237.9	R1538=\$219.7
06/28/2006	R1520=\$209.7		R1630=\$224.8	R1551=\$213.9