



USDA Foreign Agricultural
Service

GAIN Report

Global Agriculture Information

Voluntary Report - public distribution

Date: 12/1/2006

GAIN Report Number: SF6049

South Africa, Republic of

Grain and Feed

Monthly Update

2006

Approved by:

Scott Reynolds
U.S. Embassy

Prepared by:

Herman Germishuis

Report Highlights:

In 2005 South African corn farmers voluntarily cut back production, successfully reducing a stock surplus. Coupled to international price increases, this led to better prospects for the 2006 crop. The 2006 area planted is expected to increase by more than a million hectare to 3.2 million hectare and the crop is expected to revert to 10.5 million tons after 6.9 million tons were produced in 2005.

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 farmers cut the area planted to corn from 3.2 million hectares (ha.) in 2004 to 2 million ha. in 2005. As a result the total crop declined from 11.7 million tons to 6.9 million tons.

Farmers are still planting the 2006 crop in some areas, we estimate that farmers will plant about 3.2 million ha. giving a potential 10.5 million ton crop. Weather conditions will, however, play a major role in determining the size of the crop, as rainfall to date has been erratic.

Bio Fuels, including ethanol from corn is a big issue but it is unlikely that additional areas were 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 2006 area planted but a 2.2 million ton crop expected. High import levels are expected to continue.

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)

US\$1 = Rand 7.15 (08/28/06)

US\$1 = Rand 7.65 (09/29/06)

US\$1 = Rand 7.50 (10/30/06)

US\$1 = Rand 7.22 (11/28/06)

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, 1000 MT		2004 Revised			2005 Estimate			2006 Forecast	
	Post			Post			Post		
	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New
Market Year Begin	05/2005	05/2005	05/2005	05/2006	05/2006	05/2006	05/2007	05/2007	05/2007
Area Harvested	3223	3223	3223	2100	2032	2032	3000	3050	3180
Beginning Stocks	2956	2956	2956	3190	3170	3170	1190	720	1410
Production	11716	11716	11716	7000	6597	6935	9500	10100	10500
MY Imports	361	360	361	850	850	1000	400	400	500
TY Imports	131	131	131	896	850	896	700	700	700
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	15033	15032	15033	11040	10617	11105	11090	11220	12410
MY Exports	2143	2143	2143	750	750	750	900	900	750
TY Exports	1517	1517	1517	1406	1200	1406	500	500	500
Feed Consumption	5000	5000	5000	4400	4447	4415	4600	4600	4500
FSI Consumption	4700	4719	4720	4700	4700	4530	4700	4700	4450
Total Consumption	9700	9719	9720	9100	9147	8945	9300	9300	8950
Ending Stocks	3190	3170	3170	1190	720	1410	890	1020	2710

Production

The total 2005 crop, including small-scale production, is now estimated at 6.9 million metric tons from 2 million hectares, compared to the 11.7 million ton from 3.2 million hectares in 2004. This estimate was recently increased from 6.6 million tons based on deliveries and farm retentions. The 2005 yield compares well to the 2004 yield but as a result of inclement weather the grading of the crop suffered, for deliveries up to late November only 65% reached first grade. This is crucial for white corn as lower grades are not suitable for milling and are used for feed. As a result the SAFEX exchange re-introduced the WOPT (white, optional) contract last traded in 2003. This is basically a lower grade contract.

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 declined from 11.5 million tons to 6.6 million tons.

We also forecast the crop planted in 2006. The commercial area planted is likely to exceed 2.7 million hectares, 1.1 million hectares more than in 2005. In the eastern production areas some fields were planted after the optimum planting dates have passed while rainfall to date has been erratic. The yield is expected to decline due to the late plantings and the inclement weather. The increase in area planted can produce a 10 million plus ton crop causing an oversupply again. This is for 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, while a government policy paper is expected this month.

The following table contains the production estimates.

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
		Final			Est.			Fore.	
Commercial									
White	1,700	3.8	6,540	1,033	4.1	4,187	1,767	3.6	6,350
Yellow	1,110	4.4	4,910	567	4.3	2,431	1,001	3.9	3,900
Total	2,810	4.1	11450	1,600	4.1	6,618	2,768	3.7	10250
Small scale									
White	325	0.6	203	346	0.7	238	323	0.6	200
Yellow	89	0.7	63	86	0.9	79	89	0.6	50
Total	414	0.6	266	432	0.7	317	412	0.6	250
Total									
White	2,025	3.3	6,743	1,379	3.2	4,425	2,090	3.1	6,550
Yellow	1,199	4.1	4,973	653	3.8	2,510	1,090	3.6	3,950
TOTAL	3,224	3.6	11716	2,032	3.4	6,935	3,180	3.3	10500

Consumption

The 2006/07 commercial supply and distribution scenario based on the latest official crop estimate and a 2007/08 forecast is shown in the following table.

MY May/April	FAS 2005	MY 2006/07	Estimate	FAS 2006	MY 2007/08	Forecast
1,000 MT	White	Yellow	Total	White	Yellow	Total
B/stocks	2300	870	3170	1245	165	1410
Production	4187	2431	6618	6350	3900	10250
Retentions	142	336	478	150	350	500
Deliveries	4045	2095	6140	6200	3550	9750
Imports	0	1000	1000	0	500**	500
Supply	6345	3965	10,310	7445	4215	11660
Exports	650	100	750	650	100	750
Consumption	4450*	3700	8150	4450*	3750	8200
E/stocks	1245	165	1410	2345	365	2710

* Implying an additional amount of white corn used for feed.

** Imports cut back due to higher international prices.

FAS 2005 deliveries from May 1, 2006 to November 24 amounted to about 5.94 million tons, 3.9 white and 2.0 yellow, but total deliveries are expected to reach 6.14 million tons by the end of April 2007. To date more than a million tons of grade 2 white corn was delivered plus about 500,000 tons of under grade corn. The following table contains the details:

Deliveries	'000 MT	%
May 1-Nov. 24		
WM1	2,343	64.6%
WM2	1,002	27.6%
WM3+WM0	283	7.8%
Unknown	315	
Total white	3,943	
YM1	1,528	87.8%
YM2	200	11.5%
YM3+YM0	12	0.7%
Unknown	255	
Total Yellow	1,995	
Total corn	5,938	65% first grade

From May to October 2006 only a 142,000 tons of white corn has been used for feed and industrial use, compared to 435,000 tons during the same period in 2005. This is an indication of the scarcity of white corn with the market holding on to even under grade supplies. White corn for import complying with South Africa's GMO requirements is not readily available. In 2004/05, 733,000 tons were used for feed and industrial use, compared to 543,000 tons in 2005/06. Eventually the lower grade white corn should find its way to the feed mills when the outcome of the new 2006 crop is more certain. At the moment the December price for under grade white corn at \$188/mt. is lower than the yellow corn price at \$215/ton (inland). Interestingly the import cost for Argentine yellow is \$236/ton F.O.R. Cape Town harbor and \$232/ton in Durban, making imported corn more viable at the coast but expensive inland.

High local price levels are suppressing domestic and regional demand.

Trade

Yellow corn supplies are tight but the shortfall is being met by imports from Argentina. In MY 2005/06, 360,000 tons were imported and unloaded in the ports of Cape Town, Port Elizabeth, East London and Durban. From May 2006 to November 24 about 636,000 tons have already been imported, while total exports only reached 329,000 tons, nearly half the quantity imported.

Southern African Customs Union (Botswana, Lesotho, Namibia and Swaziland) sales are the prime export market for the South African industry averaging about 400,000 tons, 340,000 tons white and 60,000 tons yellow per season. Mozambique and Zimbabwe are the other high potential markets. Exports to Zimbabwe to date only averaged about 14,000 per month tons as the country experiences severe foreign exchange constraints.

Trade data from May 2006 to November 24, 2006 follow.

EXPORTS Metric tons November 06	10/28- 11/03	11/04- 11/10	11/11- 11/17	11/18- 11/24	Progressive Total since May 1
White corn					
Angola					3,742
Botswana	3392	3691	2136	3921	58,965
DRC					280
Kenya					2,792
Lesotho	1973	864	2131	2673	52,754
Malawi					159
Mozambique	440	2040	1892	1616	24,046
Namibia	2853	1448	2027	2158	15,060
Swaziland				357	5,853
Tanzania					9,289
Zambia					35
Zimbabwe	1690	2660	1429	281	101,040
Total	10,348	10,703	9,615	10,906	274,015
Yellow					
Botswana					12,297
Lesotho			105	83	2,288
Mozambique					880
Namibia	432	422	233	122	11,300
Swaziland	841	1024	895	1858	27,980
Zimbabwe					264
Total	1,273	1,446	1,233	2,063	55,009
Total corn	11,621	12,149	10,848	12,969	329,024
IMPORTS					
Yellow	12,175	36,191	6,371	12,542	636,147

Prices

Low prices were the main reason for the 2005 cutback in area planted and production. Farmers claimed that \$100/ton was below their cost of production and decided to cut back production. This had a major positive effect on prices and prices have since increased even further with the December 06 white corn price jumping from \$170/ton at the end of September to \$197/ton at the end of November, while yellow prices jumped from \$167/ton to \$216/ton. Price prospects for the new 2006 crop are positive due to increased international demand and low stock levels. Increasing international ethanol production is also bolstering demand.

Current SAFEX futures prices are:

Rand/MT	US\$/MT			
White corn	September 06	December 06	March 07	August 06
07/27/06	R1341=\$191.6	R1377=\$196.7	R1385=\$197.9	R1325=\$189.3
08/28/06	R1248=\$174.5	R1290=\$180.4	R1291=\$180.6	October 06
09/26/06	July 07	R1301=\$170.0	R1310=\$171.2	R1270=\$166.0
10/30/06	R1191=\$159.2	R1287=\$171.6	R1314=\$175.2	May 07
11/28/06	R1309=\$181.3	R1421=\$196.8	R1467=\$203.2	R1330=\$184.2
WOPT	September 06	December 06		
07/27/06	R1213=\$173.3	R1255=\$179.3	March 07	
08/28/06	R1140=\$159.4	R1180=\$165.0	R1225=\$171.3	October 06
09/26/06	November 06	R1200=\$156.9	R1245=\$162.7	R1170=\$152.9
10/30/06	R1170=\$156.0	R1194=\$159.2	R1230=\$164.0	
11/28/06		R1356=\$187.8	R1385=\$191.8	
Yellow corn	September 06	December 06	March 07	July 06
07/27/06	R1226=\$175.1	R1238=\$176.9	R1255=\$179.3	R1207=\$172.4
08/28/06	R1192=\$166.7	R1204=\$168.4	R1213=\$169.7	October 06
09/26/06	July 07	R1275=\$166.7	R1282=\$167.6	R1260=\$164.7
10/30/06	R1292=\$172.3	R1285=\$171.3	R1302=\$173.6	May 07
11/28/06	R1270=\$175.9	R1557=\$215.7	R1518=\$210.3	R1300=\$180.1

There has recently been criticism of the high volatility on the SAFEX futures market with some daily movements at the limit. The crop estimates are blamed but as estimates are only released once a month this argument is not valid to explain the major short-term movements. Local corn prices are the result of international prices and the Dollar/Rand exchange rate, setting maximum (import parity) and minimum (export parity), prices. The final price is determined by the local supply and demand situation. Fortunately the industry is well served by the independent SA Grain Information Service, (see www.sagis.org.za) which publishes reliable figures on the commercial crop actually delivered into the silos, making analysis easier.

The pricing mechanism works well for yellow corn which is in short supply and for which adequate supplies are freely available on the world market. Shortfalls are imported for use at the coast where inland transport costs makes the local crop less competitive. Local demand amounts to about 3.5 million tons per annum. The price is interesting, the December 06 price jumped from \$171/ton at the end of October to \$215/ton at the end of November while the March 07 price is \$210/ton. After the harvest starting in May the price reverts to \$180/ton. The higher international prices will thus have a positive effect on the local producer price.

White corn, however, depends on its own Southern African market and market factors, as international trade and availability is limited. Milling for human consumption is the main outlet at about 3.5 million tons per annum while the total commercial domestic use is about 4.5 million tons. Any surpluses will thus have a negative effect on price while a shortage will really push up prices. High transport costs limits exports to regional sales, unfortunately regional demand is variable and curtailed by financial constraints. Farmers, however, show a tendency to over produce white corn and under produce yellow. These crops are not fully complimentary as they are produced for different markets and claiming that the total demand for corn is 8 million tons does not give a true reflection of the situation. The March 2007 white corn price is still over \$200/ton but this drops to \$184/ton in May after the harvest.

WHEAT**PSD Table**

Country	South Africa								
	Wheat								
Commodity	2004			2005			2006		
	1000 HA, 1000 MT	Revised	Post	Estimate	Post	Estimate	Forecast	Post	Estimate
Market Year Begin	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
	10/2004	10/2004	10/2004	10/2005	10/2005	10/2005	10/2006	10/2006	10/2006
Area Harvested	830	830	830	800	805	805	770	771	765
Beginning Stocks	598	598	598	574	595	594	583	590	592
Production	1680	1680	1680	1886	1905	1905	2190	2195	2169
MY Imports	1396	1395	1396	1211	1211	1211	1000	1000	1000
TY Imports	1407	1407	1407	1242	1242	1242	1000	1000	1000
TY Imp. from U.S.	264	264	264	157	157	157	0	0	0
Total Supply	3674	3673	3674	3671	3711	3710	3773	3785	3761
MY Exports	324	326	324	281	280	278	350	300	300
TY Exports	338	338	338	296	296	296	350	300	300
Feed Consumption	10	5	10	10	10	25	10	10	10
FSI Consumption	2766	2747	2746	2797	2831	2815	2840	2840	2840
Total Consumption	2776	2752	2756	2807	2841	2840	2850	2850	2850
Ending Stocks	574	595	594	583	590	592	573	635	611

Production

According to figures released by the Crop Estimates Committee the 2006 wheat crop is estimated at 2.17 million tons, approximately 264,000 tons or 14% higher than the previous season, and 170,000 tons higher than the 5-year average of 2 million tons. The main producing area is the Free State, with 846,000 tons or 39% of the total, against the 580,000 tons of the previous season. Next is the Western Cape with 684,000 tons versus the 645,000 tons the previous season.

The expected yield for the Free State is 2.35 tons per hectare compared with the 1.53 tons per hectare the previous season and for the Western Cape 2.4 tons per hectare as against the 2.1 tons per hectare the previous season.

The following table contains the production details by province:

HA. MT.	Area 2005	Production	Area 2006	Production est.
Western Cape	302,000	645,000	285,000	684,000
Northern Cape	48,500	306,000	42,000	252,000
Free State	380,000	580,000	360,000	846,000
Eastern Cape	4,000	14,500	2,500	8,750
Kwazulu-Natal	9,000	41,500	6,800	30,600
Mpumalanga	18,000	92,000	15,000	84,000
Limpopo	11,000	50,000	22,000	99,000
Gauteng	2,500	14,000	2,000	10,800
North West	30,000	162,000	29,500	153,400
TOTAL	805,000	1,905,000	764,800	2,168,550

South Africa is a net importer of wheat and with an expected production of 2.2 million tons, South Africa would still have to import between 750,000 and a million tons of wheat to meet domestic consumption needs. Prices are, however, expected to increase in line with the world trend.

Consumption

Milling for flour increased by 1.7% from 2.73 million tons in 2004/05 to 2.78 million tons in 2005/06. Consumption growth is slow and does not even keep pace with the increase in population.

Trade

In the October/September 2005/06 marketing year South Africa exported 93,000 tons of South African wheat and 18,000 tons of flour (wheat equivalent) plus 167,000 tons of imported wheat for a total of 278,000 tons.

In the October/September 2004/05 season South African exports amounted to 158,000 tons including 135,000 tons of wheat and 23,000 tons of flour while imported wheat exported amounted 168,000 for a total of 326,000 tons.

In 2005/06 imports for own use reached 1.06 million tons compared to 1.23 million tons in 2004/05. Imports for re-export amounted to 146,000 tons compared to 168,000 tons in 2004/05. Imports and exports for the October 2005 to September 2006 season, showing small discrepancies as it is calculated on a weekly basis, follow:

Whole grain Exports to:	MT	Imports from:	For Africa	For South Africa	Total
Botswana	78,422	USA	25,982	88,651	114,633
Lesotho	71,071	Australia	0	59,927	59,927
Namibia	20,442	Argentina	32,265	398,902	431,167
Swaziland	34,046	Germany	78,092	355,168	433,260
Zambia	53,118	Ukraine	0	85,979	85,979
Zimbabwe	2,484	Brazil	6,301	0	6,301
		Canada	10,097	59,372	69,469
		France	0	9,920	9,920
Total	259,583	Total	152,737	1,057,919	1,210,656

Prices

Current SAFEX futures market prices are:

Rand/MT \$/MT	March 07	May 07	September 07	December 06
11/28/2006	R1822=\$252.4	R1857=\$257.2	R1930=\$267.3	R1767=\$244.7
10/30/2006	R1900=\$253.3	R1922=\$256.3	R1990=\$265.3	R1847=\$246.3
09/27/2006	R1780=\$232.7	R1740=\$227.5		R1770=\$231.4
08/28/2006	R1677=\$234.5	R1620=\$226.6		R1641=\$229.5
07/27/2006	R1586=\$226.6			R1538=\$219.7
06/28/2006	R1520=\$209.7			R1551=\$213.9