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South Africa, Republic of

Grain and Feed

Quarterly Update

2007

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Report Highlights:

In 2005 South African corn farmers voluntarily cut back production, successfully reducing a surplus. Coupled to recent international price increases, this led to better price prospects for the crop planted in 2006. The 2006 area planted apparently increased by more than a million hectare to 3.1 million hectare and the crop is expected to revert to 10 million tons after 6.9 million tons were produced in 2005.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Quarterly 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. In 2006 the farmers increased the area planted to about 3.1 million ha. again creating the potential for a 10 million ton crop. Weather conditions over the next two weeks, will however, play a major role in determining the size of the crop, as it is currently dry and hot in the western production areas.

Bio Fuel, including ethanol from corn, is a big issue but no additional areas were planted for this purpose in 2006. It could, however, become a major additional outlet in the future.

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)

US\$1 = Rand 7.25 (01/31/07)

Sources:

www.sagis.org.za

www.grainsa.co.za

www.safex.co.za

www.fews.net

www.wfp.org

CORN**Country** South Africa,
Commodity Corn

1000 HA	2004	Revised	Post	2005	Estimate	Post	2006	Forecast	Post
1000 MT	USDA	Post	Estimate	USDA	Post	Estimate	USDA	Post	Estimate
Market	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New
Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Area									
Harvested	3223	3223	3224	2032	2032	2032	3200	3180	3100
Beginning									
Stocks	2956	2956	2956	3190	3170	3170	1475	1410	1520
Production	11716	11716	11716	6935	6935	6935	10000	10500	10000
MY Imports	361	361	361	1000	1000	1000	500	500	500
TY Imports	131	131	131	896	896	930	700	700	700
TY Imp. from U.S.	0	0	0	36	0	36	0	0	0
Total Supply	15033	15033	15033	11125	11105	11105	11975	12410	12020
MY Exports	2143	2143	2143	750	750	600	750	750	900
TY Exports	1517	1517	1517	1406	1406	1359	500	500	500
Feed									
Consumption	5000	5000	5000	4400	4415	4435	4500	4500	4500
FSI									
Consumption	4700	4720	4720	4500	4530	4550	4500	4450	4450
Total									
Consumption	9700	9720	9720	8900	8945	8985	9000	8950	8950
Ending									
Stocks	3190	3170	3170	1475	1410	1520	2225	2710	2170
Total									
Distribution	15033	15033	15033	11125	11105	11105	11975	12410	12020

Production**Commercial**

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, alleviating the oversupply situation and bolstering prices. The better producer prices re-ignited interest in the industry, and as the cutback was not intended to be permanent; farmers increased the area planted again this season.

The preliminary estimate of the commercial area planted to corn in 2006 (the current crop, planted in 2006 to be harvested from May 2007) is about 2.7 million ha. 1.1 million ha. more than the area planted in 2005 but a little lower than expected. The following table shows the preliminary estimate of the area planted to summer crops in 2006.

Commercial area planted to summer crops:

'000 ha.	2005	2006	% Change
White corn	1033	1710	+65.5
Yellow	567	973	+71.5
Total corn	1600	2683	+67.6
Sunflower	472	359	-23.9
Soybeans	241	210	-12.9
Peanuts	49	43	-11.9
Sorghum	37	68	+81.7
Dry beans	55	50	-9.4
TOTAL	2454	3413	+39.1

The 2.7 million ha. planted to corn in 2006 is 3% lower than the earlier planting intentions forecast probably due to the late and erratic rainfall. As a result of the late rains plantings were delayed and some were done after the optimum planting windows. El Nino conditions were detected earlier this season and are still present. This phenomenon is often associated with reduced rainfall over parts of South Africa although this is not a foregone conclusion. The greatest impact is often between January and March, when the corn reaches the pollination stage requiring normal temperatures and ample rain. Conditions are currently critical, especially in the western areas, with high temperatures and erratic rainfall. General rains are needed in the next two weeks to save the crop. Based on normal weather for the rest of the growing season the following forecast can be made:

CORN	2004 area 000ha	Yield MT/ha Final	Prod. '000 MT	2005 area 000ha	Yield MT/ha Est.	Prod. '000 MT	2006 Area 000ha	Yield MT/ha Fore.	Prod. '000 MT
Commercial									
White	1,700	3.8	6,540	1,033	4.1	4,187	1710	3.5	6,000
Yellow	1,110	4.4	4,910	567	4.3	2,431	973	3.85	3,750
Total	2,810	4.1*	11450	1,600	4.1*	6,618	2,683	3.6	9,750
Small scale									
White	325	0.6	203	346	0.7	238	330	0.6	200
Yellow	89	0.7	63	86	0.9	79	87	0.6	50
Total	414	0.6	266	432	0.7	317	417	0.6	250
Total									
White	2,025	3.3	6,743	1,379	3.2	4,425	2,040	3.0	6,200
Yellow	1,199	4.1	4,973	653	3.8	2,510	1,060	3.6	3,800
TOTAL	3,224	3.6	11716	2,032	3.4	6,935	3,100	3.2	10000

*Both very high yields due to a over estimate in 2004 and the cutback in 2005 leading to only the better fields being planted under optimum conditions.

The average commercial yields for 2001 to 2005 are 3.4 mt/ha for white corn, 3.8 for yellow and 3.5 for the total commercial crop. The yields expected for 2006 are thus still marginally above average in spite of the negative weather conditions as technological advances are taken into account.

Consumption

Actual commercial consumption (through the silos) over the past two seasons follows:

'000MT	White	Yellow	Total	White	Yellow	Total
	My	04/05	May/April	My	05/06	
Human	3478	262	3740	3559	266	3825
Animal	733	2694	3427	543	2985	3528
Other	489	394	883	318	579	897
Total	4700	3350	8050	4420	3830	8250

As shown in the table white corn is mainly used for milling for human consumption (about 3.5 million tons annually) and yellow corn for feed (also about 3.5 million tons annually under normal conditions). Some of the yellow corn requirements can be substituted with white corn.

During MY 04/05, 733,000 tons of white corn was used for industrial and feed consumption but this declined to 543,000 tons in MY 05/06. The use of white corn was the result of the relative abundance of white corn and a shortage of yellow. Based on consumption from May to December 2006, feed use of white corn is only likely to reach 350,000 tons during the current, My 06/07 season. This is in spite of the fact that 35% of the deliveries graded lower than first grade and should thus be suited for feed use. The shortfall in yellow corn is made up by imports, but with the recent increase in world prices, this is expected to slow down, leading to increased use of lower grade white corn for feed.

The following table contains the final MY 05/06 supply and distribution.

'000MT	FAS 2004	MY2005/06	Final
1,000 MT	White	Yellow	Total
B/stocks	2400	745	3145
Production	6540	4910	11450
Retentions	430	965	1395*
Deliveries	6110	3945	10055
Imports	0	360	360
Supply	8510	5050	13560
Exports	1785	355	2140
Consumption	4425	3825	8250
E/stocks	2300	870	3170

*Implying that the crop was overestimated, normal retentions around 150,000 tons white and 350,000 tons yellow for a total of 500,000 mt.

The MY 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	1490	30	1520
Production	4187	2431	6618	6000	3750	9750
Retentions	147	371	518	150	350	500
Deliveries	4040	2060	6100	5850	3400	9250
Imports	0	1000	1000	0	500	500
Supply	6340	3930	10,270	7340	3930	11270
Exports	500	100	600	850	50	900
Consumption	4350*	3800	8150	4400*	3800	8200
E/stocks	1490	30	1520	2090	80	2170

* Additional 200,000 tons of white corn used for feed.

The table shows that there will be a substantial carry over of white corn at the end of April 2007 (1.5 million mt.) and 2008 (2 million mt.). The relative over supply of white corn and the under supply of yellow corn is clear. This is illustrated by the SAFEX prices shown below:

Rand/MT	US \$/MT			
White corn	February 07	March 07	May 07	July 07
01/26/07	R1390=\$193.1	R1394=\$193.6	R1378=\$191.4	R1336=\$189.7
WOPT				
01/26/07	R1344=\$186.7	R1360=\$188.9		
Yellow corn				
01/26/07	R1575=\$218.8	R1565=\$217.4	R1435=\$199.3	R1371=\$190.4

March 07 white corn futures are currently selling at \$194/mt. while yellow corn is \$217/ton, a difference of \$23/ton.

An indication of current import parity prices can be supplied.

01/19/2007; Yellow	US # 3 Corn, Gulf	Corn, Argentina
FOB value \$/mt	177.39	166.00
Freight (20-30,000 mt)	51.00	43.00
Insurance	0.53	0.50
C.I.F. (\$/mt)	228.92	209.50
Rand/mt	1634.03	1495.41
Financing cost R/mt	16.79	15.36
C.I.F and finance	1650.82	1510.77
Discharging costs		
Cape Town (grabs)	110	110
Durban (suction)	80	80
Import duty	0	0
F.O.R. Cape Town	1761	1621
Durban	1731	1591

It is clear that yellow corn can be imported to the coast at a competitive price mainly due to the high inland transport costs, about R185/ton from Randfontein to Durban and even more to Cape Town.

Trade

We use two main sources of trade data, SAGIS (the South African Grain Information Service), based on carefully compiled and audited data from the local industry, and the World Trade Atlas (WTA) based on data supplied by SARS (the South Africa Revenue Service). Unfortunately the WTA data is for the Southern African Customs Union and excludes trade with the members, Botswana, Lesotho, Namibia and Swaziland. When we add the BLNS sales to the WTA data the total compares well with the SAGIS total except for MY 05/06 where there is a huge, and still unexplained, discrepancy.

The following table compares the SAGIS and WTA export data for the past few seasons: MY May/April

WTA	MY 03/04	MY 04/05	MY 05/06
Zimbabwe	415,000	287,000	1,485,000
The world	700,000	568,000	3,150,000
+BLNS	449,000	340,000	415,000
TOTAL	1,149,000	908,000	3,565,000
SAGIS			
Zimbabwe	415,000	193,000	1,001,000
The world	1,120,000	730,000	2,136,000

We prefer to use the SAGIS data, which are also constantly corrected and updated. Exports for the past two seasons and sales to date are shown in the following table:

Exports	MY 04/05	MY 05/06	MY 06/07
WHITE CORN	May/April	May/April	May/Jan 26
Angola	33644	14162	3742
Benin		2278	
Botswana	112683	175708	85121
Cameroon		3001	
Chad		151	
Congo	216		280
Ghana		7683	
Kenya	129451		2792
Lesotho	112070	82851	59392
Madagascar	2382		495
Malawi		68204	159
Mali		2258	
Mozambique	48396	138702	27346
Namibia	43452	53956	26377
Somalia		3158	
Sudan		28272	
Swaziland	17968	31689	11079
Tanzania		10967	9289
Zambia		127813	35
Zimbabwe	209682	990795	105539
TOTAL	709,944	1,781,641	331,646
YELLOW CORN			
Angola	537	204	
Botswana	8205	20744	12535
Indonesia		49500	
Japan		113098	
Lesotho	6712	3843	5764
Malawi		359	
Mozambique	5488	11459	880
Namibia	13121	17261	14457
Swaziland	28434	35111	38248
Zambia		189	
Zimbabwe	653	10727	264
TOTAL	63,150	355,779	72,148
TOTAL CORN	773,094	2,137,420	403,794
Per month	64,400	178,100	44,900
IMPORTS Yellow			
Argentina	221,364	360,542	729,219
Per month	18,400	30,000	81,000

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.

The May/April 06/07 exports have been slow at an average of 45,000 tons per month mainly due to a lack of overseas buyers and a slowdown in sales to Zimbabwe. In MY 05/06 Zimbabwe bought 1.3 million tons at an average of

112,000 tons per month but then the foreign exchange dried up and sales to date in the new season averaged only about 11,700 tons per month. Zimbabwe is still in need of imports but the financial situation is critical.

Mexico has been putting out feelers for a reported 100,000 tons of white corn with no specific GMO requirements, which could bolster exports.