USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

**Date:** 5/4/2007

**GAIN Report Number:** SF7017

# South Africa, Republic of

## Grain and Feed

## Quarterly Update

## 2007

**Approved by:**
Scott Reynolds
South Africa

**Prepared by:**
Herman Germishuis

**Report Highlights:**
The total area planted to corn in 2006 reached about 2.9 million hectares implying a 10 million ton crop under normal conditions. Since January 2007 an El Nino induced drought and heat wave devastated the crop to the extent that we currently expect a 6.5 million ton crop. Fortunately about 2 million tons were carried over at the end of April 2007 that should cushion the effect of the drought and white corn supplies should be sufficient to supply in domestic and regional demand. About 1.2 million tons of yellow corn will have to be imported during MY07/08.

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

## Summary

**Corn:** after a voluntary cutback in total area planted to 2 million hectares for the crop planted in 2005, production declined to about 6.9 million tons, balancing supply and demand and bolstering prices. As a result the area planted in 2006 rebounded to 2.9 million hectares setting the potential for a 10 million ton crop. An El Nino induced drought and heat wave developed from January 2007 severely damaging the crop and reducing crop prospects to 6.5 million tons.

Carry over stocks at the end of April 2007 were about 2 million tons, which will cushion the effect of the drought. White corn supplies may be sufficient to supply domestic and traditional regional needs but yellow corn stock imports will have to increase from the 915,000 tons of the current season to at least 1.2 million ton in MY 07/08. This situation has led to high domestic prices, which may limit local and regional sales while high international prices will increase import costs.

US$1 = Rand 7.0 (05/04/07)

Sources:

**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 | 2005 Revised | | | 2006 Estimate | | | 2007 Forecast | | |
|---|---|---|---|---|---|---|---|---|---|
| 1000 MT | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New |
| Market Year Begin | | 05/2006 | 05/2006 | | 05/2007 | 05/2007 | | 05/2008 | 05/2008 |
| Area Harvested | 2032 | 2032 | 2032 | 2800 | 3000 | 2897 | 0 | 3300 | 3300 |
| Beginning Stocks | 3190 | 3190 | 3190 | 1725 | 1700 | 2000 | 625 | 750 | 375 |
| Production | 6935 | 6935 | 6935 | 6000 | 7000 | 6500 | 0 | 11000 | 11000 |
| MY Imports | 1100 | 1135 | 915 | 2000 | 1500 | 1200 | 0 | 250 | 250 |
| TY Imports | 896 | 896 | 896 | 1050 | 700 | 1050 | 0 | 0 | 0 |
| TY Imp. from U.S. | 36 | 36 | 36 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 11225 | 11260 | 11040 | 9725 | 10200 | 9700 | 625 | 12000 | 11625 |
| MY Exports | 500 | 530 | 540 | 600 | 600 | 525 | 0 | 1000 | 750 |
| TY Exports | 1406 | 1406 | 1406 | 500 | 500 | 500 | 0 | 600 | 0 |
| Feed Consumption | 4500 | 4530 | 4150 | 4000 | 4425 | 4300 | 0 | 4500 | 4350 |
| FSI Consumption | 4500 | 4500 | 4350 | 4500 | 4425 | 4500 | 0 | 4500 | 4550 |
| Total Consumption | 9000 | 9030 | 8500 | 8500 | 8850 | 8800 | 0 | 9000 | 8900 |
| Ending Stocks | 1725 | 1700 | 2000 | 625 | 750 | 375 | 0 | 2000 | 1975 |

### Production:

The Crop Estimates Committee released its third official estimate of the 2006 corn crop on April 25, 2007. The estimate was actually increased by about 50,000 tons compared to the previous figure mainly due to an increase in the area planted under irrigation. The committee increased the area planted to yellow corn in the Northern Cape by 5,000 hectares to 45,000 hectares, leading to the additional 50,000 tons in production. The following table contains the official figures.

| CORN | Area 000ha | Yield MT/ha | Prod. 000 t | Area 000ha | Yield MT/ha | Prod. 000 t | Area 000ha | Yield MT/ha | Prod. 000 t |
|---|---|---|---|---|---|---|---|---|---|
| Commercial | **2004** | | | **2005** | | | **2006** | 3rd. official | |
| White | 1,700 | 3.8 | 6,540 | 1,033 | 4.1 | 4,187 | 1625 | 2.5 | 4,065 |
| Yellow | 1,110 | 4.4 | 4,910 | 567 | 4.3 | 2,431 | 927 | 3.1 | 2,895 |
| Total | 2,810 | 4.1 | 11450 | 1,600 | 4.1 | 6,618 | 2,552 | 2.7 | 6,960 |
| Small scale | | | | | | | | | |
| White | 325 | 0.6 | 203 | 346 | 0.7 | 238 | 264 | 0.6 | 149 |
| Yellow | 89 | 0.7 | 63 | 86 | 0.9 | 79 | 81 | 0.8 | 65 |
| Total | 414 | 0.6 | 266 | 432 | 0.7 | 317 | 345 | 0.6 | 214 |
| Total | | | | | | | | | |
| White | 2,025 | 3.3 | 6,743 | 1,379 | 3.2 | 4,425 | 1,889 | 3.0 | 4,214 |
| Yellow | 1,199 | 4.1 | 4,973 | 653 | 3.8 | 2,510 | 1,008 | 3.6 | 2,960 |
| TOTAL | 3,224 | 3.6 | 11716 | 2,032 | 3.4 | 6,935 | 2,897 | 3.2 | 7,174 |

The increase in the area under irrigation to 210,000 ha. is a surprise as the five-year average for commercial corn under irrigation is about 180,000 ha.

| '000 ha. | 2004 total | Irrigated | 2005 total | Irrigated | 2006 total | Irrigated |
|---|---|---|---|---|---|---|
| WM | 1700 | 70 4% | 1033 | 55 5% | 1625 | 85 5% |
| YM | 1110 | 120 11% | 567 | 70 12% | 927 | 125 13% |
| TM | 2810 | 190 7% | 1600 | 125 8% | 2552 | 210 8% |

Based on the El Nino induced drought and heat wave from January, but taking the increase in the irrigated area planted into account, we estimate the total corn crop planted in 2006 and currently being harvested at 6.5 million tons of which 6.3 million tons is from the commercial sector. This is nearly 700,000 tons less than the official estimate. As there are some differences in the estimates the calculations are laid out below. The area planted data is from the official CEC figures. The irrigated crop plays a much bigger role in production in a drought year, which is taken into account in the analysis. The portion of the crop not harvested for grain is unknown but will be substantial this year and will influence yield figures based on area planted.

The following table contains the rounded data:

| FAS 2006 CORN Commercial crop | Area planted 1,000 Ha | Yield Mt/ha | Production 1,000 Mt |
|---|---|---|---|
| Irrigated | | | |
| White corn | 85 | 9.75 | 830 |
| Yellow corn | 125 | 10.25 | 1,280 |
| Total | 210 | 10.05 | 2,110 |
| Dry Land | | | |
| White | 1,540 | 1.73 | 2,670 |
| Yellow | 802 | 1.88 | 1,505 |
| Total | 2,342 | 1.78 | 4,175 |
| Total commercial | | | |
| White | 1,625 | 2.15 | 3,500 |
| Yellow | 927 | 3.0 | 2,785 |
| Total | 2,552 | 2.46 | 6,285 |
| Subsistence agric. | | | |
| White | 264 | 0.56 | 150 |
| Yellow | 81 | 0.80 | 65 |
| Total | 345 | 0.62 | 215 |
| Total corn | | | |
| White | 1,889 | 1.93 | 3,650 |
| Yellow | 1,008 | 2.83 | 2,850 |
| Total | 2,897 | 2.24 | 6,500 |

In the 2007 season for which planting starts in October we expect the area planted to recover to 3.3 million hectare giving the potential for an 11 million ton crop.

**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.

For the current 2006/07 marketing season just ended preliminary figures indicate that the 2005 crop may have been underestimated as the white corn deliveries actually exceeded the crop estimate. As the marketing year runs from May to April, there could be some carry over between seasons but this does not materially affect the situation. Imports amounted to 915,000 tons of yellow corn from Argentina while exports totaled 540,000 tons. Commercial consumption amounted to about 8.155 million tons. The following table contains the preliminary PS&D.

| FAS 2005, | | MY 2006/07 | Estimate |
|---|---|---|---|
| 1,000 MT | White | Yellow | Total |
| B/stocks | 2300 | 870 | 3170 |
| Production | 4187 | 2431 | 6618 |
| Retentions | +163 | -176 | -13 |
| Deliveries | 4350 | 2255 | 6605 |
| Imports | 0 | 915 | 915 |
| Supply | 6650 | 4040 | 10,690 |
| Exports | 455 | 85 | 540 |
| Cons. Human | 3525 | 300 | 3825 |
| Feed | 700 | 3035 | 3735 |
| Other | 270 | 320 | 595 |
| Cons. Total | 4495 | 3655 | 8150 |
| E/stocks | 1700 | 300 | 2000 |

A forecast of the FAS 2006, My 2007/08 PS&D can be made:

| FAS 2006, | | My 2007/08 | Forecast |
|---|---|---|---|
| 1,000 MT | White | Yellow | Total |
| B/Stocks | 1700 | 300 | 2000 |
| Production | 3500 | 2785 | 6285 |
| Retentions | 100 | 285 | 385 |
| Deliveries | 3400 | 2500 | 5900 |
| Imports | | 1200 | 1200 |
| Total supply | 5100 | 3800 | 8900 |
| Exports | 450 | 75 | 525 |
| Consumption | 4500 | 3700 | 8200 |
| E/stocks | 150 | 225 | 375 |

**Trade**

Preliminary export figures for the May/April 06/07 season compare as follows to the recent seasons:

| EXPORTS: MT | MY 03/04 | MY 04/05 | MY 05/06 | MY 06/07 |
|---|---|---|---|---|
| White corn | May/April | May/April | May/April | May/April |
| Angola | 15,534 | 33,644 | 14,162 | 3,742 |
| Botswana | 136,630 | 112,683 | 175,708 | 116,295 |
| Kenya | 48,150 | 129,451 | 40,038 | 2,792 |
| Lesotho | 124,417 | 112,070 | 82,851 | 70,260 |
| Madagascar | 10,357 | 2,382 | 967 | 1,033 |
| Malawi | | | 68,204 | 159 |
| Mexico | | | | 27,410 |
| Mozambique | 84,656 | 48,396 | 138,702 | 42,757 |
| Namibia | 103,235 | 43,452 | 53,956 | 50,190 |
| Sudan | | | 28,272 | |
| Swaziland | 29,596 | 17,968 | 26,184 | 17,023 |
| Tanzania | 34,781 | | 10,000 | 9,289 |
| Zambia | 6,829 | | 89,370 | 35 |
| Zimbabwe | 399,460 | 209,682 | 1,034,743 | 111,399 |
| Other | 14,378 | 216 | 18,484 | 280 |
| TOTAL | 1,008,023 | 709,944 | 1,781,641 | 452,664 |
| YELLOW CORN | | | | |
| Botswana | 2,085 | 8,205 | 20,744 | 12,561 |
| Indonesia | | | 49,500 | |
| Iran | | | 93,284 | |
| Japan | 10,374 | | 113,098 | |
| Lesotho | 5,585 | 6,712 | 3,843 | 5,769 |
| Mozambique | 6,455 | 5,488 | 11,459 | 880 |
| Namibia | 19,486 | 13,121 | 17,261 | 16,489 |
| Swaziland | 26,690 | 28,434 | 35,111 | 50,168 |
| Zimbabwe | 16,281 | 653 | 10,727 | 264 |
| Other | 20,659 | 537 | 752 | |
| TOTAL | 107,615 | 63,150 | 355,779 | 86,131 |
| TOTAL CORN | 1,115,638 | 773,094 | 2,137,420 | 538,795 |
| IMPORTS Yellow | | | | |
| Argentina | 387,924 | 205,856 | 360,542 | 915,242 |

During MY 06/07 exports dropped from the 2.1 million tons sold in 05/06 to 540,000 tons. Zimbabwe was again the main customer for white corn at 111,000 tons but his was much less than the 1.035 million tons bought in 05/06. A lack of foreign exchange and the high prices are given as the reason for the cutback as the Zimbabwean food supply situation has not improved. Sales to the SACU (Southern African Customs Union) countries were next with 338,000 tons.

| SA Corn exports to the Customs Union | May 06/April 07 | '000 MT | |
|---|---|---|---|
| (BLNS countries) | White | Yellow | Total |
| Botswana | 116 | 13 | 129 |
| Lesotho | 70 | 6 | 76 |
| Namibia | 50 | 16 | 66 |
| Swaziland | 17 | 50 | 67 |
| Total | 253 | 85 | 338 |
| 4 Year average | 320 | 70 | 390 |

A similar situation is foreseen for MY 2007/08.

Imports, on the other hand reached a recent record of 915,000 tons in My 60/07 while at least 1.2 million tons will be needed in 07/08.

**Prices**

Recent SAFEX prices are: 05/03/2007

| | 2007/05 | 2007/07 | 2007/09 | 2007/12 | 2008/03 |
|---|---|---|---|---|---|
| White corn | R1676/mt | R1720/mt | R1755/mt | R1802/mt | R1798/mt |
| | $239/mt | $245/mt | $251/mt | $257/mt | $257/mt |
| Yellow | R1695 | R1715 | R1731 | R1747 | R1740 |
| | $242 | $245 | $247 | $250 | $249 |

These prices have come down from recent high of close to R2, 000/ton in February.