USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/5/2007

GAIN Report Number: SF7006

South Africa, Republic of

Grain and Feed

Corn update

2007

Approved by:
Scott Reynolds
South Africa

Prepared by:
Herman Germishuis

Report Highlights:
The total area planted to corn in 2006 reached about 3 million ha. implying a 10 million ton crop under normal conditions. In January 2007 the rains stopped and temperatures increased. These conditions continued through to early March and we currently estimate the crop at 7 million tons with downside potential. Prices consequently rose to new heights with very little possibility of subsiding. This should slow down local and regional demand, white corn stocks should make it through the season but about 1.5 million tons of yellow corn will have to be imported.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled 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 3 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 7 million tons.

Carry over stocks at the end of April 2007 are expected to reach 1.7 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 estimated 1.1 million tons of the current season to at least 1.5 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 7.3 (03/05/07)

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, Republic of**								
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	3100	3200	3000	0	3300	3300
Beginning Stocks	3190	3190	3190	1525	1475	1700	1775	2225	750
Production	6935	6935	6935	9500	10000	7000	0	11000	11000
MY Imports	1000	1000	1135	500	500	1500	0	275	250
TY Imports	896	896	896	700	700	700	0	450	0
TY Imp. from U.S.	36	36	36	0	0	0	0	0	0
Total Supply	11125	11125	11260	11525	11975	10200	1775	13500	12000
MY Exports	600	750	530	750	750	600	0	1000	1000
TY Exports	1406	1406	1406	500	500	500	0	600	600
Feed Consumption	4500	4400	4530	4500	4500	4425	0	4550	4500
FSI Consumption	4500	4500	4500	4500	4500	4425	0	4500	4500
Total Consumption	9000	8900	9030	9000	9000	8850	0	9050	9000
Ending Stocks	1525	1475	1700	1775	2225	750	0	3450	2000

Production

South Africa's 2006/07-rainfall season started late but November and December rainfall was normal and as much of the crop was planted on fallow land from the previous season, soil moisture conditions were good. In spite of late plantings, initial crop prospects were favorable. Since January weather conditions in the summer crop production areas deteriorated significantly. There was a near total lack of rainfall coupled with extremely high temperatures. This affected growth, pollination and cob fill. Currently, conditions in the western production areas are critical while in the east the situation has also deteriorated. And although USDA bases estimates on 'normal' weather for the rest of the season, it will no longer save the crop.

The revised commercial area planted and the first official crop estimate, released on February 27, were based on conditions on the day of release. Since mid January the hope was that rains would fall within the next few days but time has passed and even up to March 5 the rains have not arrived while the heat wave continues. Even if rains fall now it will only have a slight positive effect on the crop. The following table contains the summary:

FAS 2005 Commercial prod.	Area, 000 ha.	Yield Mt/ha	Production, 000 Mt.
White	1,033	4.05	4,187
Yellow	567	4.29	2,431
Total	1,600	4.17	6,618
FAS 2006 official			
White	1,675	2.78	4,659
Yellow	922	3.36	3,098
Total	2,597	2.99	7,757
FAS revision			
White	1,675	2.4	4,000
Yellow	922	3.0	2,750
Total	2,597	2.6	6,750

The revised 2006 area estimate for corn is about 2.6 million ha, 86,000 ha less than the earlier estimate, but 1 million ha. or 62.5% more than the voluntary reduced area of 1.6 million ha. planted in 2005. The commercial crop expected is 6.75 million tons, about the same as the 6.62 million tons produced in the previous season.

The drought and heat damage is manifested in the average yields, a decrease of about 37.5% from more than four tons per hectare in 2005 to about 2.6 tons. The 2.6 million hectares planted would, under normal conditions, be expected to yield at least 9.75 million tons and up to 10.75 million tons at 2005 yields. The first official estimate of 7.75 million tons shows a drop of about 2 million tons from the initial forecast, and our revision represents a drop of about 3 million tons.

The following table contains the details including a forecast of small-scale production:

CORN	**2005** area 000ha	Yield MT/ha	Prod. '000 MT	**2006** Area 000ha	Yield MT/ha	Prod. '000 MT	Revised Yield MT/ha	Revised Prod. '000 MT
Com.		Est.			Fore.			
White	1,033	4.1	4,187	1675	2.8	4,659	2.4	4,000
Yellow	567	4.3	2,431	922	3.4	3,098	3.0	2,750
Total	1,600	4.1	6,618	2,597	3.0	7,757	2.6	6,750
Small scale								
White	346	0.7	238	325	0.6	191	0.6	200
Yellow	86	0.9	79	78	0.7	52	0.6	50
Total	432	0.7	317	403	0.6	243	0.6	250
Total								
White	1,379	3.2	4,425	2,000	2.4	4,850	2.1	4,200
Yellow	653	3.8	2,510	1,000	3.2	3,150	2.8	2,800
TOTAL	2,032	3.4	6,935	3,000	2.7	8,000	2.3	7,000

The yields shown above are somewhat skewed in the fact that it is based on area planted, not harvested, does not take into account other uses such as silage and includes the irrigated areas in the total. The 2006 area planted under irrigation has not been released yet but it is clear that is has a significant effect on the total crop, 200,000 ha. will at least contribute 2 million tons to the crop and this might rise to 2.5 million tons. This is an assured supply not affected by the drought.

Area planted according to the National Crop Estimates Committee.

'000 ha.	2004	Irrigated	2005	Irrigated	2006	Estimate
WM	1700	70 4%	1033	55 5%	1675	85 5%
YM	1110	120 11%	567	70 12%	922	11512.5%
TM	2810	190 7%	1600	125 8%	2597	200 7.7%

Biotech areas planted are also showing growth and should have a positive effect on the crop.

Area planted '000 ha.	White corn	Yellow corn	Total corn
2004 Total	1,700	1,110	2,810
Biotech	147	263	410
%	8.65%	23.7%	14.6%
2005 Total	1,033	567	1,600
Biotech	281	175	456
%	27.2%	30.9%	28.5%
2006 Total est.	1,675	922	2,597
Biotech	704	528	1,232
%	42%	57.3%	47.4%

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.

May/April	FAS 2005	MY 06/07	Estimate	FAS 2006	MY 07/08	Forecast
1,000 MT	White	Yellow	Total	White	Yellow	Total
B/stocks	2300	870	3170	1650	50	1700
Production	4187	2431	6618	4000	2750	6750
Retentions	147	371	518	150	300	450
Deliveries	4040	2060	6100	3850	2450	6300
Imports	0	1135	1135	0	1500	1500
Supply	6340	4065	10405	5500	4000	9500
Exports	440	90	530	550	50	600
Consumption	4250	3925	8175	4250	3900	8150
E/stocks	1650	50	1700	700	50	750

Corn exports during the current, 2006/07 marketing year, have been slow and are now only expected to reach about 530,000 tons, mainly as a result of low sales to Zimbabwe, which is facing a foreign currency crisis. Sales from May 2006 to end February 2007 amounted to about 357,000 tons white and 77,000 tons yellow for a total of 434,000 tons.

Yellow corn imports from Argentina, on the other hand, are expected to exceed 1.1 million tons in spite of the high international prices. May to February imports amounted to 742,000 tons.

Carry over to the new season by the end of April is still expected to reach 1.7 million tons, 1.65 million tons being white corn. If the current crop reaches 6.75 million tons the 2007/08 white corn supply looks guaranteed but tight. High prices are likely to suppress domestic and export sales. Yellow corn will be short and imports may have to exceed 1.5 million tons.

Prices:

The increased international prices and the potential local deficit had a dramatic effect on domestic prices with white corn recently reaching a four-year high. As the previous high was the result of a market anomaly, the increases are probably more important. In one month, from the end of January to the end of February, the March 07 white corn price increased by 25% and the yellow corn price by 22.8%. Over the same period the May white corn price increased by 28.6% and the yellow corn price by 20.6% in Rand terms. The following table contains the details of recent SAFEX futures prices.

Rand/MT	US $/MT			
White	September 07	March 07	May 07	July 07
01/26/07		R1394=$193.6	R1378=$191.4	R1336=$189.7
02/28/07	R1824=$252.6	R1745=$241.7	R1772=$245.4	R1805=$250.0
WOPT				
01/26/07		R1360=$188.9		
02/28/07		R1670=$231.3		
Yellow				
01/26/07	September 07	R1565=$217.4	R1435=$199.3	R1371=$190.4
02/28/07	R1665=$230.6	R1798=$249.0	R1730=$239.6	R1650=$228.5