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# **South Africa, Republic of**

## **Grain and Feed**

### **Monthly Update**

### **2003**

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#### **Report Highlights:**

**Adverse weather forced us to cut the 2002 commercial corn crop estimate to about 8.5 million tons compared to the 9.1 million ton delivered from the 2001 crop. The total crop estimate, including farm retentions and the crop in the developing sector thus reverts to 9.2 million tons after about 9.8 million tons were produced in the previous season. This will be more than sufficient to supply local and export demand. The wheat situation remains unchanged.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Pretoria [SF1], SF

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## Executive Summary

We have revised the first (February 20) official estimate of the 2002 commercial corn crop downwards to 8.5 million tons based on adverse weather conditions. Despite a 6% increase in area planted the crop is smaller than the 9.1 million tons delivered a year earlier. The total crop, including farm retentions and the developing sector output, amounts to about 9.2 million tons compared to the 9.8 million tons produced in 2001. With nearly 200,000 hectares reportedly under irrigation easily producing 2 million tons, production could be higher. Increased production under irrigation was brought about by high recent price levels and is a new factor in the market which has not been fully discounted yet. White corn plantings were increased for the same reason and now constitute about two thirds of the area planted. About 8.5% of the area planted is Bt. corn although the Biotech white corn percentage is very small. GM crops will be separated to satisfy market needs. Deliveries of 8.5 million tons will be more than sufficient to supply local demand although some substitution of white corn for yellow in the feed industry is expected. Small yellow corn imports are expected to continue while more than a million tons of white corn will be available for export. The wheat situation is unchanged.

Please refer to the sources for more detailed information.

[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)

[www.grains.org](http://www.grains.org)

**CORN**

PSD Table						
Country	South Africa, Republic of					
Commodity	Corn				(1000 HA)(1000 MT)	
	2000	Revised	2001	Estimate	2002	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		05/2001		05/2002		05/2003
Area Harvested	3225	3223	3350	3350	3300	3600
Beginning Stocks	2041	2040	490	665	990	1665
Production	7483	8130	9100	9775	8000	9200
TOTAL Mkt. Yr. Imports	395	395	800	725	750	300
Oct-Sep Imports	0	0	726	725	800	300
Oct-Sep Import U.S.	0	0	403	300	0	0
TOTAL SUPPLY	9919	10565	10390	11165	9740	11165
TOTAL Mkt. Yr. Exports	1281	1280	1200	1200	1000	1100
Oct-Sep Exports	1415	1415	1182	1190	1200	1100
Feed Dom. Consumption	4148	4550	4200	4200	4200	4265
TOTAL Dom. Consumption	8148	8620	8200	8300	8200	8400
Ending Stocks	490	665	990	1665	540	1665
TOTAL DISTRIBUTION	9919	10565	10390	11165	9740	11165

**Production**

The National Crop Estimates Committee (NCEC) released its first estimate of the 2002 corn crop (that is the crop planted in 2002) on February 20, 2003. The indicator year is thus 2002, the production year is 2002/2003 and the marketing year May 2003 to April 2004. The estimate is for commercial farms only. The following table contains the details including delivery figures for the 2001 crop and our 2002 commercial corn crop estimate:

CORN		FAS 2001			FAS 2002	
Commercial	Area planted	NCEC est.	Deliveries*	Area planted	NCEC est.	Attache est.
	'000 ha.	'000 mt.	'000 mt.	'000 ha.	'000 mt.	'000 mt.
White	1722	5066	5340	2023	5699	5500
Yellow	1112	3715	3720	977	3139	3000

Total	2833	8781	9060	3000	8838	8500
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\*April 2002 to March 2003 estimate based on South African Grain Information Service (SAGIS) figures, early deliveries before May are complicating data compilation and South Africa should ideally move to a April/March or a March/February marketing year .

The 2002 area planted on commercial farms is estimated at 3 million hectares, nearly 6% more than the previous year. The area planted to white corn increased by 17.5% to 2.023 million hectares of which 850,000 hectares or 42% are in the North West Province and 750,000 hectares or 37% in the free State. The area planted to yellow corn is 977,000 hectares of which 305,000 hectares or 31% is in the Free State, 280,000 hectares or 29% in Mpumalanga and 230,000 hectares or 24% in the North West Province. The white/yellow corn area split has thus changed from 61/39 in 2001 to 67/33%. This has major implications for the supply and distribution situation. About 5% of the white corn area and 11% of the yellow corn area is estimated to be under irrigation and this is a major factor affecting the crop estimate as the 200,000+ hectares estimated to be under irrigation could yield in excess of 2 million tons.

Although the NCEC estimate of the 2002 crop is 8.8 million tons, recent field trips convinced us the crop will probably only reach about 8.5 million tons as shown in the table. Rainfall and temperature data as well as the late plantings were also taken into account when we revised the estimate. Although the actual deliveries from the 2001 crop of 9.06 million tons exceeded the crop estimate by about 3.2%, white corn deliveries were 5.4 % more than expected. With actual deliveries recorded and audited by SAGIS and often exceeding the crop estimates over the past few years, the commercial crop is now mainly based on the delivery figures.

For FAS total production figures, the crop in the developing sector (estimated by the NCEC) and farm retentions (estimated at 100,000 tons white and 300,000 tons yellow) are added to the deliveries. This gives us a 8.13 million ton 2000 crop, a 9.78 million ton 2001 crop and a 9.2 million ton 2002 crop estimate. The following table contains the details: South Africa, total corn production;

CORN	FAS 00		FAS 01		FAS 02	
Production	Area	Deliveries*	Area	Del. est.	Area	Del. forecast
Commercial	'000 ha.	'000 mt.	'000 ha.	'000 mt.	'000 ha.	'000 mt.
White	1596	4432	1722	5340	2023	5500
Yellow	1112	3040	1112	3720	977	3000
Total	2708	7472	2833	9060	3000	8500
Total corn	(including	developing	sector and	farm	retentions)	
White	1982	4721	2130	5685	2423	5825
Yellow	1241	3409	1220	4090	1077	3375
Grand Total	3223	8130	3350	9775	3600	9200

## Consumption

While the "total" production and consumption figures are important, the trade is more interested in the actual physical quantities delivered to the silos. A PS&D table based on actual deliveries to the silos and its distribution can be compiled. South Africa, Commercial Corn Supply and Distribution;

	FAS 2000	My 01/02		FAS 2001	My 02/03	Estimate
B/Stocks	1245	795	2040	325	340	665
Total Prod.	(4720)	(3410)	(8130)	(5685)	(4090)	(9775)
Deliveries	4430	3040	7470	5340	3720	9060
Imports	45	350	395	275	450	725
Supply	5720	4185	9905	5940	4510	10450
Exports	760	520	1280	800	400	1200
Consumption	4635*	3325	7960	3950	3650	7600
E/Stocks	325	340	665	1190	460	1650

	FAS 2002	My 03/04	Estimate	FAS 2003	My 04/05	Forecast
B/Stocks	1190	460	1650	1490	160	1650
Total Prod.	(5825)	(3375)	(9200 )	(5700)	(3600)	(9300)
Deliveries	5500	3000	8500	5400	3250	8650
Imports	0	300	300	0	200	200
Supply	6690	3760	10450	6890	3610	10500
Exports	950	150	1100	1000	100	1100
Domestic use	4250*	3450	7700	4390*	3460	7850
E/Stocks	1490	160	1650	1500	50	1550

\* Some substitution of white for yellow corn in feed.

## Trade

From May 2002 to the end of January 2003, South Africa imported 275,000 tons of white and 335,000 tons of yellow corn totaling 610,000 tons for own use. Total imports for May 2002 to April 2003 are estimated at 725,000 tons, 275 white and 450 yellow. At this stage indications are that yellow corn imports will continue in the 03/04 season depending on international and internal price movements. We do expect that some white corn will be used for feed during the new season cutting back on the need for imports.

Whole corn exports from May 2002 to the end of January 2003 amount to 770,000 tons (500 white and 270 yellow). Whole season exports are expected to reach 1.2 million tons. The following table contains exports up to the end of January 2003 compared to the same period in the previous season:

South Africa, whole corn exports:

'000 Mt.	May 2001 to	January 2002		May 2002 to	January 2003	
	White	Yellow	Total	White	Yellow	Total
Overland	392	46	438	496	238	734
Overseas	87	416	503	7	30	37
Total	479	462	941	503	268	771

The overall drop in exports, and the shift in emphasis from world to regional sales is clearly illustrated. The overseas non-GMO market was mainly lost due to the high local price levels while the regional sales were bolstered by the famine in the area. Total sales are expected to reach 1.2 million tons for the season, pushed up by a 100,000 ton donation to the WFP by the South African government, and extra non GMO sales sponsored by the EU. MY 03/04 sales are expected to remain high and could even increase substantially due to the much lower local price levels.

## Marketing

Recent South African Futures Exchange (SAFEX) futures prices were:

Per metric ton	March 2003	May 2003	July 2003
November 1, 2002	\$1= R10		
White corn	R1872    \$187.20	R1847    \$184.70	R1786    \$178.60
Yellow	R1473    \$147.30	R1523    \$152.30	R1538    \$153.80
December 4, 2002	\$1= R9.25		
White corn	R1908    \$206.27	R1930    \$208.65	R1958    \$211.67
Yellow	R1364    \$147.75	R1405    \$151.90	R1443    \$156.00
January 2, 2003	\$1= R8.55		
White corn	R1768    \$206.78	R1733    \$202.69	R1681    \$196.61
Yellow	R1335    \$156.14	R1359    \$158.95	R1351    \$158.01
February 5, 2003	\$1= R8.30		
White	R1275    \$153.61	R1296    \$156.14	R1334    \$160.72
Yellow	R1185    \$142.77	R1185    \$142.77	R1196    \$144.10
March 10, 2003	\$1= R7.90		
White	R932    \$118.00	R962    \$121.80	R992    \$125.60
Yellow	R951    \$120.40	R965    \$122.15	R1000    \$126.60

The July futures price for white corn thus nearly halved from a high of R1958/ton in December to R992/ton in March, while yellow corn prices now exceed white corn prices.

The price gyrations were brought about by a combination of factors. There were early and incorrect rumors about a possible El Nino effect this season, while the hot and dry November 2002 increased doubts about crop prospects. Famine and food aid activities in the region implied increased export opportunities which did not materialize. The famine stricken countries were, and are now even more, short of foreign exchange to purchase food while the World Food Program only purchased about 215,000 tons of corn in South Africa up to the end of January 2003. Sales have since been bolstered by a 100,000 ton South African Government donation to be purchased locally and an EU donation to buy GMO free corn for Zambia. The WFP is, however, now 85% supplied up to the end of July 2003, further decreasing demand. The lesson is that famine in a region does not imply a commercial market and that aid agencies are dependent on donations, the food is mainly donated and the monies received used for distribution. On the other hand the high local price levels probably cost South Africa its traditional commercial GMO free market in Japan.

Speculators also did not watch the supply and distribution situation carefully, SAGIS figures clearly showed how the high prices slowed down consumption and exports while deliveries to the silos exceeded the crop estimate. South Africa thus did not reach a short situation necessitating import parity pricing. As a result carry over at the end of April 2002 is expected to exceed 1.5 million tons with white corn exceeding 1 million tons. In addition, farmers then decided to increase white corn plantings in 2002 and cut back on yellow which is increasing the disbalance between white and yellow probably leading to continued yellow corn imports. Some substitution of yellow by white corn for feed is expected this year once white corn levels stabilize at competitive levels.

The strong Rand against the Dollar is also making imports cheaper.



## WHEAT

PSD Table						
Country	South Africa, Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	959	959	941	941	0	950
Beginning Stocks	487	571	587	588	567	458
Production	2490	2493	2280	2320	0	2400
TOTAL Mkt. Yr. Imports	560	563	600	500	0	532
Jul-Jun Imports	560	500	600	370	0	400
Jul-Jun Import U.S.	18	20	0	25	0	40
TOTAL SUPPLY	3537	3627	3467	3408	567	3390
TOTAL Mkt. Yr. Exports	250	245	250	250	0	250
Jul-Jun Exports	250	270	250	300	0	250
Feed Dom. Consumption	10	100	10	50	0	50
TOTAL Dom. Consumption	2700	2794	2650	2700	0	2750
Ending Stocks	587	588	567	458	0	390
TOTAL DISTRIBUTION	3537	3627	3467	3408	0	3390

## General

The NCEC has left the final estimate of the 2002 wheat crop unchanged at 2.32 million tons. The main news to date is the high rate of imports, 447,000 tons from October to end January compared to 87,000 tons over the same period the previous season. This was mainly due to favorable buying opportunities, especially in Eastern Europe. Local wheat prices has firmed lately with the March contract currently running at about R1450/ton (\$183.50/ton). Reasons for the increase could include the need to buy more high quality local wheat to mix with the imports and fears about the new season's planting intentions. Local wheat prices are again approaching import parity. Import parity is, however low due to the strong Rand.