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Monthly Update

2006

Approved by:
Scott Reynolds
U.S. Embassy

Prepared by:
Herman Germishuis

Report Highlights:
South Africa's corn crop planted in 2005 is currently estimated at 6.6 million tons, 44% lower than the 2004 crop. The voluntary cutback in production lowered stocks and supported prices. Farmers are expected to increase the area planted again this year; the total area could exceed 3 million hectares, creating the potential for a 10 million ton crop. Rainfall to date has been disappointing while the optimum planting dates in the eastern areas has passed. International price prospects are, however, promising.

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 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 11.45 million tons to 6.3 million tons.

Farmers are currently considering how much to plant, we estimate that farmers will plant about 2.6 million ha. giving a potential 10 million ton crop. Weather conditions will, however, play a major role in determining the area to be planted and the crop prospects as rainfall to date has been low.

Bio Fuels, including ethanol from corn is a big issue but it is unlikely that additional areas will be 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)

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org

CORN

Commodity	**Corn**								
1000 HA	2004	Revised		2005	Estimate		2006	Forecast	
1000 MT MT/ha	USDA Official	Post Estimate	Post New	USDA Official	Post Estimate	Post New	USDA Official	Post Estimate	Post New
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Area Harvested	3223	3224	3223	2100	2032	2032	3000	3050	3050
Beginning Stocks	2956	2935	2956	3190	3170	3170	1190	720	720
Production	11716	11715	11716	7000	6597	6597	9500	10100	10100
MY Imports	361	360	360	850	850	850	400	400	400
TY Imports	131	131	131	850	650	850	700	700	700
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	15033	15010	15032	11040	10617	10617	11090	11220	11220
MY Exports	2143	2140	2143	750	750	750	900	900	900
TY Exports	1517	1517	1517	1200	1200	1200	500	500	500
Feed Consumption	5000	5000	5000	4400	4447	4447	4600	4600	4600
FSI Consumption	4700	4700	4719	4700	4700	4700	4700	4700	4700
Total Consumption	9700	9700	9719	9100	9147	9147	9300	9300	9300
Ending Stocks	3190	3170	3170	1190	720	720	890	1020	1020
Total Distribution	15033	15010	15032	11040	10617	10617	11090	11220	11220

Production

The final official production estimate for the commercial corn crop planted in 2005 was released on September 20, 2006. In the announcement the area planted to corn in 2005 was increased by 3.1% to 1.6 million ha. Production is now estimated at 6.28 million tons, 4.8% more than the previous estimate but 45% less than the 2004 crop. Deliveries of 5.85 million tons up to late October 2006 imply a bigger crop and the crop estimate could still increase.

The commercial area planted, at 1.6 million hectares, was 43% smaller than the previous season, and the average yield was 3.9 tons/hectare. The ratio of white to yellow corn plantings was 65/35 compared to the previous season’s 60/40.

The following table contains the production details.

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
Com.		Final			Est.			Fore.	
White	1,700	3.8	6,540	1,033	3.8	3,893	1,717	3.6	6,180
Yellow	1,110	4.4	4,910	567	4.2	2,387	918	4.0	3,670
Total	2,810	4.1	11450	1,600	3.9	6,280	2,635	3.7	9,850
Small scale									
White	325	0.6	203	346	0.7	238	325	0.6	190
Yellow	89	0.7	63	86	0.9	79	90	0.7	60
Total	414	0.6	266	432	0.7	317	415	0.6	250
Total									
White	2,025	3.3	6,743	1,379	3.0	4,131	2,042	3.2	6,370
Yellow	1,199	4.1	4,973	653	3.8	2,466	1,008	3.8	3,730
TOTAL	3,224	3.6	11716	2,032	3.2	6,597	3,050	3.4	10100

The total 2005 crop is now estimated at 6.6 million metric tons from 2 million hectares compared to the 11.7 million ton from 3.2 million hectares in 2004. The yield also decreased as result of inclement weather and in a related development the grading of the crop suffered, for deliveries up to late October 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.

FAS 2006

We also forecast the 2006 season – this is the crop being planted now. Both a plantings survey and Grain SA's 'suggestions' will be ignored and the commercial area planted is likely to exceed 2.6 million hectares, one million hectares more than in 2005. The area planted could still be influenced by weather conditions. Optimum planting dates in the eastern production areas have passed and rainfall to date has been poor. If widespread rains do not fall soon the potential yield will be affected.

The following table contains the details.

Commercial '000 MT	2004	2005	2006
White corn:	Final	Estimate	Forecast
Area '000 ha.	1,700	1,033	1,717
Yield MT/ha.	3.8	3.8	3.6
Production	6,540	3,893	6,180
Yellow corn:			
Area	1,110	567	918
Yield	4.4	4.2	4.0
Production	4,910	2,387	3,670
Total			
Area	2,810	1,600	2,635
Yield	4.1	3.9	3.7
Production	11,450	6,280	9,850

An increase of one million hectares planted can produce a 10 million ton plus crop causing an oversupply and a drop in price again. This is for a ‘normal’ season and do 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.

Consumption

The final 2005/06 supply and distribution data is available and a rounded commercial PS&D, based on SAGIS information, is supplied as background to the analysis. We can also supply a MY 2006/07 scenario based on the latest official crop estimate and deliveries up to late October.

The estimated PS&D’s follow:

‘000MT	FAS 2004	MY2005/06	Final	FAS 2005	MY2006/07	Estimate
1,000 MT	White	Yellow	Total	White	Yellow	Total
B/stocks	2400	745	3145	2300	870	3170
Production	6540	4910	11450	3893	2387	6280
Retentions	430	965	1395*	13	415	428
Deliveries	6110	3945	10055	3880	1972	5852
Imports	0	360	360	0	850	850
Supply	8510	5050	13560	6150	3670	9820
Exports	1785	355	2140	700	50	750
Consumption	4425	3825	8250	4975**	3375	8350
E/stocks	2300	870	3170	475	245	720

* Questionable crop estimate
**Including an additional 500,000 tons of under grade white corn used for feed.

At this stage only a 97,000 tons of white corn has been used for feed, from May to September 2005, 403,000 tons found its way to the feed mills. This is an indication of the scarcity of white corn with the market holding on to even under grade supplies, as imports will be very difficult to source. Eventually the lower grade white corn should find its way to the feed mills as the October price for under grade white corn at $153/mt. is lower than the yellow corn price at $165/ton.

Deliveries from May 1, 2006 to October 20 amounted to about 5.85 million tons, 3.9 white and 2.0 yellow, implying that the delivery figure can still increase. The following table contains the details:

Deliveries	‘000 MT	%
May 1-Oct. 20		
WM1	2,303	64.3%
WM2	994	27.8%
WM3+WM0	283	7.9%
Unknown	300	
Total white	3,880	
YM1	1,518	87.9%
YM2	199	11.5%
YM3+YM0	10	0.6%
Unknown	245	
Total Yellow	1,972	
Total corn	5,582	

The higher current price levels are suppressing domestic and regional demand. 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 October 27about 469,000 tons have already been imported, while total exports only reached 232,000 tons, less than half the quantity imported.

Trade

Southern African Customs Union 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. This market will have to be serviced in 2006/07. Mozambique (100,000 MT.) and Zimbabwe are the other potential markets. Exports to Zimbabwe averaged 85,000 tons per month in MY 2005/06 to exceed 1 million tons in the twelve months. Monthly sales to date average about 16,000 tons as the country experiences severe foreign exchange constraints. The Government of Zimbabwe has appealed for foreign assistance to meet the shortfall, and has announced that is has secured a loan to purchase both corn and wheat. It also announced corn purchases of 565,000 tons including 85,000 tons from Zambia, but payment has not materialized.

As the region experienced a fairly good 2005/06 production season supplies are adequate and exports slow. Current South African price levels are also limiting demand. Trade data from May 2006 to October 27, 2006 follow.

EXPORTS Metric tons	09/30- 10/06	10/07- 10/13	10/14- 10/20	10/21- 10/27	Progressive Total since May 1
White corn					
Angola					3,742
Botswana	573	1764	2930	2924	45,925
DRC					280
Kenya					2,792
Lesotho			2420	792	45,113
Malawi	33				159
Mozambique	836	308		1097	18,058
Namibia		32		2424	6,574
Swaziland					5,496
Tanzania					9,289
Zambia					35
Zimbabwe		1157	3524	1701	94,980
Total	1,442	3,261	8,874	8,938	232,443
Yellow					
Botswana	28	255	633	87	12,297
Lesotho					2,100
Mozambique					880
Namibia	389	140	600	295	9,796
Swaziland	639	788	1119	880	23,362
Zimbabwe					264
Total	1,056	1,183	2,352	1,262	48,994
Total corn	2,498	4,444	11,226	10,200	281,437
IMPORTS					
Yellow	0	15,913	6,441	15,252	568,868

Prices

The main reason for the 2005/06 cutback in production was the low SAFEX prices. Farmers claimed that $100/ton was below their cost of production and decided to cut back the area planted in 2005. This had a major effect on prices. SAFEX is a volatile market with the March 06 white corn price nearly doubling from June to December 2005 and the yellow corn price increasing by 50%. In July 2006 white corn reached a thirty-month high. Prices have since retreated with the December 06 white corn price dropping from $197/ton in July to $172/ton at the end of October. Price prospects for the 2006 crop now being planted are positive due to increased demand for ethanol production and low stock levels. White corn, however, depends on its own Southern African market and market factors, as international trade is limited.

Current SAFEX 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
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	
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	November 06	R1275=$166.7	R1282=$167.6	R1260=$164.7
10/30/06	R1292=$172.3	R1285=$171.3	R1302=$173.6	May 07

WHEAT

Country	South Africa								
Commodity	Wheat								
1000 HA	2004	Revised		2005	Estimate		2006	Forecast	
1000 MT MT/HA	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2004	10/2004		10/2005	10/2005		10/2006	10/2006
Area Harvested	830	830	830	800	800	805	770	771	771
Beginning Stocks	598	598	598	560	595	595	646	670	590
Production	1680	1680	1680	1886	1905	1905	2190	2190	2195
MY Imports	1396	1395	1395	1300	1200	1211	1000	1000	1000
TY Imports	1407	1407	1407	1242	1242	1242	1000	1100	1000
TY Imp. from U.S.	264	264	264	157	0	157	0	0	0
Total Supply	3674	3673	3673	3746	3700	3711	3836	3860	3785
MY Exports	324	325	326	300	255	280	350	350	300
TY Exports	338	338	338	296	296	296	350	350	300
Feed Consumption	10	5	5	10	10	10	10	10	10
FSI Consumption	2780	2748	2747	2790	2765	2831	2840	2785	2840
Total Consumption	2790	2753	2752	2800	2775	2841	2850	2795	2850
Ending Stocks	560	595	595	646	670	590	636	715	635
Total Distribution	3674	3673	3673	3746	3700	3711	3836	3860	3785

Production

The latest forecast for winter crops reflects a moderate increase in wheat production for the 2006 production season. According to figures that were released by the Crop Estimates Committee the commercial wheat crop is estimated at 2.2 million tons. It is 3,750 tons or 0.2% higher than the previous forecast, and approximately 290,000 tons or 15% higher than the previous season, and 200,000 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 669,750 tons versus the 645,000 tons the previous season.

The expected yield for the Free State is 2.35 tons per hectare as against the 1.35 tons per hectare the previous season and for the Western Cape also 2.35 tons per hectare as against the 2.2 tons per hectare the previous season. The crop in the Free State is in a critical growth stage and if rain is not received in the next 2 to 3 weeks the yield will be affected.

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.

The third official production estimate of the 2006 wheat crop is 2.195 million tons, while the area estimate remained unchanged at 770,800 ha. at an expected yield of 2.85 mt/ha. The only change in the estimate was in Mpumalanga where the expected crop increased by 3,750 tons. The 2005 crop estimate was 1.9 million tons of which deliveries have reached 1.89 million tons.

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	669,750
Northern Cape	48,500	306,000	48,000	288,000
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	82,500
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	159,300
TOTAL	805,000	1,905,000	770,800	2,194,700

Consumption

Milling for flour increased by 1.8% 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 95,000 tons of South African wheat and 18,000 tons of flour (wheat equivalent) plus 167,000 tons of imported wheat for a total of 280,000 tons.

In the October/September 2004/05 season South African wheat 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 to 1.06 million tons compared to 1.23 million tons in 2004/05. Imports for re-export amounted to 152,000 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
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