



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 2/10/2004

**GAIN Report Number:** SF4004

## South Africa, Republic of

### Grain and Feed

### Annual Report

### 2004

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**Report Highlights:**

South Africa's 2003 corn crop is currently estimated at 6.6 million tons compared to the 9.7 million tons produced in 2002. The decrease is the cumulative effect of a cutback in area planted and a summer drought. This will lead to imports of more than a million tons in 2004. South Africa's 2003 wheat crop is currently estimated at 1.4 million tons after 2.4 million tons were produced in 2002. My 2003/04 imports are likely to reach 1.2 million tons after 870,000 tons were imported in the previous season. If weather conditions allow, the 2004 crops planted later this year are expected to rebound to previous levels.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Pretoria [SF1]  
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## Summary

South Africa's, current, 2003 corn and wheat crops have both been severely damaged by drought. This was on top of severe cutbacks in the area planted mainly due to poor price prospects. The total area planted to corn dropped from 3.65 million hectares in 2002 to 2.95 million hectares in 2003. The 2003 crop is currently only expected to yield about 6.6 million tons, after 9.7 million tons were produced in 2002. As a result 2004 import needs are expected to jump to about 1.1 million tons compared to the 200,000 tons estimate for the current season. The demand is for yellow corn, mainly from Argentina, who is able to comply with South Africa's GMO requirements. For the 2004 crop to be planted from October this year, we see the area planted increase again to about 3.5 million hectares allowing a 9 million tons plus crop if weather conditions are favorable. Because of the run down in stocks we still foresee a healthy import demand in 2005.

South Africa's 2003 wheat crop is currently estimated at 1.4 million tons after 2.4 million tons were produced in 2002. The decrease is mainly due to a 193,000 hectares cutback in area planted, and a drop in average yield. South Africa took advantage of the market and imported 870,000 tons in 2002/03, which created a 900,000 tons carry over. The big carry over helped cut back 2003/04 import needs to 1.2 million tons. About 300,000 tons is re-exported annually. For the 2004 crop to be planted from May this year we foresee a return to a bigger area planted allowing for a much better crop. Imports will still stay high in 2005.

[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)

Country Commodity	South Africa		Corn		Forecast	
	2002 [Old]	Revised [New]	2003 [Old]	Estimate [New]	2004 [Old]	2005 [New]
'000 Hectare	05/2003		05/2004		05/2005	
'000 Metric ton	05/2003		05/2004		05/2005	
Market Year Begin	05/2003		05/2004		05/2005	
Area Harvested	3650	3650	3100	2950	0	3500
Beginning Stocks	1943	1945	1868	2000	618	200
Production	9675	9675	8000	6600	0	9300
TOTAL Mkt. Yr. Imports	100	200	450	1100	0	1000
Oct-Sep Imports	617	617	150	750	0	950
Oct-Sep Import U.S.	21	21	0	0	0	0
TOTAL SUPPLY	11718	11820	10318	9700	618	10500
TOTAL Mkt. Yr. Exports	1200	1200	1000	1000	0	1000
Oct-Sep Exports	1141	1141	1000	850	0	950
Feed Dom. Consumption	4100	4050	4100	3950	0	3950
TOTAL Dom. Consumption	8650	8620	8700	8500	0	8500
Ending Stocks	1868	2000	618	200	0	1000
TOTAL DISTRIBUTION	11718	11820	10318	9700	0	10500

### Production

The National Crop Estimates Committee released its preliminary commercial area planted estimate for summer crops for the 2003/04 season on January 20, 2004. The area planted to corn is estimated at 2.6 million hectares, nearly 20% down on the 3.2 million hectares planted in 2002. This is the lowest area planted since 1939. Farmer's initial intention was to cut back the area by 12% for economic reasons; the additional 8% cutback was due to the November/December drought. The ratio of white to yellow corn plantings is 65:35. The area planted to white corn is 1.67 million hectares, down 25.4% from the previous season's 2.23 million hectares, while the yellow corn plantings are estimated at 892,000 hectares, down 6.4% from 952,500 hectares last year. It is unlikely that the area planted increased much after the mid January estimate as the summer solstice was on December 21 and one would prefer not to plant much after mid summer. Later plantings were probably for fodder. In the eastern areas the first frost could be expected by April 15 limiting the length of the growing season.

Forecasting production is even more difficult as weather conditions are, and have been, very poor. Soil moisture was low after a long, dry, winter and early spring rains also disappointed. November and December rainfall was under normal while good rains only arrived in mid January. Rainfall has also been very patchy while temperatures have been above normal. Unfortunately South Africa's summer grain growing areas are not homogenous but have different soils and microclimate areas, making forecasting difficult. To forecast the 2003 crop we have to look at what happened over the past five seasons. The following table contains the average for the past five seasons after commercial crop estimates were adjusted based on deliveries and farm retentions.

South Africa, Corn production on commercial farms:

5 year average	Area '000 ha.	Yield Mt./ha.	Production '000 mt.
White	1900	2.9	5500
Yellow	1100	3.2	3500
Total	3000	3.0	9000

2003 Forecast	Area '000 ha.	Yield Mt./ha.	Production '000 mt.
White	1666	2.4	4000
Yellow	892	2.7	2400
Total	2558	2.5	6400

The 2003 area planted could have produced a 7.7 million ton crop at average yields, which means that the area cutback is the reason for a 1.3 million ton or 14.5% drop in expected production. The lower yield expected caused another 1.3 million ton or 14.5% reduction in the expected crop for a total decrease of 2.6 million ton or 29% on the five year average. This forecast is based on normal weather for the rest of the season.

For the 2004 crop, to be planted from October this year, it can be assumed that farmers will return to their previous planting patterns. The main reason for this assumption is that stocks will be low after the 2004/05 marketing year, and farmers will be encouraged by the higher prices. As usual, we base our predictions on normal weather.

The following table contains the 2003 and 2004 crop forecasts including small-scale production:

CORN	FAS 03	MY 04/05	FAS 04	MY 05/06
	Area '000 ha.	Prod. '000 mt.	Area '000 ha.	Prod. '000 mt.
Commercial	2558	6400	3000	9000
Small scale	392	200	500	300
Total	2950	6600	3500	9300

## Consumption

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial PS&D. Corn produced and consumed outside the formal trading environment is not well documented. To correlate the commercial PS&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. The March and April deliveries are then deducted from the May 1 carry over and added to the new season's deliveries.

The most recent commercial PS&D's are summarized below:

FAS 2001	My 2002/03 final		
'000 Metric tons	White corn	Yellow corn	Total corn
B/stocks	325	340	665
Deliveries	5360	3725	9085
Imports	275	650	925
Commercial supply	5960	4715	10675
Exports, whole grain	745	325	1070
Dom. disappearance	3950	3710	7660
Ending stocks	1265	680	1945

FAS 2002 est.	My 2003/04		
'000 Metric tons	White	Yellow	Total corn
Beginning stocks	1265	680	1945
Delivery est.	6250	2750	9000
Imports	0	200	200
Total Supply	7515	3630	11145
Exports	1100	100	1200
Dom. Disappearance	4515*	3430	7945
Ending stocks	1900	100	2000

\* Including an additional 300,000 tons of white corn used for feed.

FAS 2003 forecast	My 2004/05		
'000 Metric tons	White	Yellow	Total
B/Stocks	1900	100	2000
Crop est.	4000	2400	6400
Deliveries	3900	2000	5900
Imports	0	1100	1100
Total supply	5800	3200	9000
Exports	950	50	1000
Dom. Disappearance	4450*	3350	7800
Ending stocks	400	-200***	200

\* Including an additional 300,000 tons of white corn used for feed, otherwise sales would be closer to 4150 white and 3650 yellow to total 7800.

\*\* Negative stock situation to be covered by early deliveries from the next crop, or additional imports.

FAS 2004 Model	MY 2005/06		
'000 Metric tons	White	Yellow	Total
B/Stocks	400	-200	200
Crop forecast	5500	3500	9000
Deliveries	5400	3200	8600
Imports	0	1000	1000
Total Supply	5800	4000	9800
Exports	950	50	1000
Dom. Disappearance	4150	3650	7800
E/Stocks	700	300	1000

Doubts about the prospects for the 2003 crop is clearly illustrated in the following table where white corn prices increased by 54% and yellow corn prices by 47.4% over the past three months.

Futures prices	March 2004	May 2004	July 2004	September 2004
White corn/mt.				
10/31/2003	R939 = \$135.50	R964 = \$139.10	R980 = \$141.40	N/a
11/28/2003	R931 = \$141.50	R956 = \$145.30	R968 = \$147.10	N/a
12/30/2003	R1155 = \$175.0	R1174 = \$177.9	R1190 = \$180.3	R1219 = \$184.7
01/29/04	R1442 = \$209.9	R1467 = \$213.5	R1500 = \$218.3	R1518 = \$221.0
Yellow corn/mt.				
10/31	R961 = \$138.7	R988 = \$142.6	R974 = \$140.5	N/a
11/28	R987 = \$150.0	R965 = \$146.7	R956 = \$145.3	N/a
12/30	R1175 = \$178.0	R1162 = \$176.0	R1135 = \$172.0	R1135 = \$172.0
01/29	R1418 = \$206.4	R1370 = \$199.4	R1346 = \$195.9	R1371 = \$199.6
Wheat/mt.				
10/31	R1696 = \$244.7	R1732 = \$249.9	R1760 = \$254.0	N/a
11/28	R1623 = \$246.7	R1651 = \$250.9	R1655 = \$251.5	N/a
12/30	R1598 = \$242.1	R1633 = \$247.4	R1649 = \$249.8	N/a
01/29	R1740 = \$253.3	R1760 = \$256.2	R1782 = \$259.4	N/a

The price variations, to a certain extent, also reflect the very strong South African Rand. The yellow corn price, quite justifiably, is moving toward import parity. This is currently about R1195/mt. for corn from Argentina and R1223/ton for US corn, at the coast. The R135/ton transport cost between the coast and Randfontein, where local prices are set, are not included.

### Trade

Unfortunately the CY 2003 trade data are not yet available for the trade matrices but we will submit these as soon as they become available.

### Exports:

For the nine months between May 2003 and the end of January 2004, South Africa exported 800,000 tons of white and 97,000 tons of yellow corn, for a total of 897,000 tons, or about 100,000 tons per month. Exports to Customs Union Partners, the so-called BLNS countries amounted to about 329,000 tons or 36,500 tons per month. Normal BLNS sales are estimated to be about 40,000 tons per month. Total My 2003/04 sales are expected to reach about 1.2 million tons.

In addition to the BLNS sales, some other regional sales are also foreseen for 2004 pushing the 2004/05 seasonal total to about one million tons.

The following table contains the export details: May 2003 to end January 2004

Exports by Country	White Corn	Yellow Corn	Total, Metric tons
Zimbabwe	330 419	16 281	346 700
Zambia	6 829	0	6 829
Mozambique	66 807	5 818	72 625
Namibia	67 249	14 812	82 061
Botswana	116 017	1 801	117 818
Swaziland	18 554	21 732	40 286
Lesotho	83 208	5 531	88 739
Angola	14 834	0	14 834
Kenya	48 150	0	48 150
Congo	225	0	225
Tanzania	22 912	0	22 912
Senegal	0	2 600	2 600
Madagascar	10 357	2 024	12 381
Cape Verde	14 153	14 687	28 840
Japan	0	10 374	10 374
Mauritius	0	1 333	1 333
Comoros	0	15	15
Total	799 714	97 008	896 722

### Imports

A severe shortage of yellow corn is developing in Southern Africa. Since May 2003 South Africa has imported about 59,000 tons of yellow corn but this pace is expected to jump to about 50,000 per month over the next few months for a My 2003/04 total of about 200,000 tons. The crunch is coming in the new, My 2004/05 season, when yellow corn import needs could jump to about 1.1 million tons, or nearly 100,000 tons per month. The model for the 2004 crop indicates that the shortage may continue well into 2005/06. Coupled to the anticipated monthly need of 100,000 tons of wheat, (see Wheat section) and the corn and wheat exports, pressure on the transport sector is increasing.

### Stocks

The official marketing year runs from May to April, but the table below clearly illustrates the recent tendency of early deliveries to increase. It amounted to 120,000 tons in March and April 2001 but increased to about 740,000 tons 2002 and 760,000 tons in 2003. This was mainly due to irrigated production and early seasons. Including the new seasons' deliveries in the carry over stocks creates confusion as some analysts were adding the whole new season crop estimate and thus double counting the early deliveries. We have adjusted the series over time while awaiting a change to the official marketing year.

Carry Over Stocks I	White	Yellow	Total, '000 metric ton
May 1, 2001	1273	842	2115
Less deliveries, April	28	46	74
March	20	26	46
Old season stocks	1225	770	1995
May 1, 2002	559	643	1202
Less deliveries, April	232	306	538
March	75	128	203
Old season stocks	252	209	461
Rounded	250	210	460
May 1, 2003	1718	992	2710
Less deliveries, April	292	224	516
March	159	88	247
Old season stocks	1267	680	1947
Rounded	1265	680	1945

### Policy

The import tariff on corn is only R16.50/ton, or \$2.35/ton at R7 to the U.S. Dollar and trade is free. The Government is considering implementing a strategic grain reserve to curb excessive price movements, but at the moment the strong Rand and weak Dollar are keeping prices in check. The latest import parity calculations are:

2004/01/30	HRW #2 Wheat, Gulf	Argentina corn	US # 3 Y corn, Gulf
FOB value, March	\$164.43	\$115.00	\$120.96
Freight	\$35.00	\$35.00	\$35.00
C.I.F.	\$199.92	\$150.35	\$156.32
Rand/ton	R1399.02	R1052.13	R1093.91
Financing	R13.22	R9.94	R10.34
Discharging	R92.02	R92.02	R92.02
Import tariff	0	R16.50	R16.50
F.O.R. Durban	R1504.26	R1170.59	R1212.77
Local prices, inland	R1785	R1431 Y/R1469 W	

Local prices are set at Randfontein from where railage to Durban is R135/ton and about R185/ton to the Cape. Corn can thus be imported cheaper in the coastal areas.

South Africa allows the production of genetically modified crops under controlled conditions. Only certain events are registered for use on corn. They are Bt11, Bt 176, Cry1F, Mon810, Mon810+Nk603, MonGA21, Nk603, T25. Imports are thus restricted to corn only including these events, effectively barring US corn from the market.



Country Commodity	South Africa		Wheat		Wheat	
	2002 [Old]	Revised [New]	2003 [Old]	Estimate [New]	2004 [Old]	Forecast [New]
'000 ha.	2002		2003		2004	
'000 mt.	USDA Official Post Estimate		USDA Official Post Estimate		USDA Official Post Estimate	
Market Year Begin	10/2002	10/2002	10/2003	10/2003	10/2004	10/2004
Area Harvested	941	941	748	748	0	900
Beginning Stocks	587	588	898	897	723	550
Production	2320	2387	1475	1428	0	2100
TOTAL Mkt. Yr. Imports	871	870	1200	1200	0	900
Jul-Jun Imports	1024	1018	1200	1200	0	85
Jul-Jun Import U.S.	63	63	0	600	0	0
TOTAL SUPPLY	3778	3845	3573	3525	723	3550
TOTAL Mkt. Yr. Exports	310	310	200	320	0	325
Jul-Jun Exports	331	328	200	320	0	300
Feed Dom. Consumption	10	12	10	10	0	10
TOTAL Dom. Consumption	2570	2638	2650	2655	0	2665
Ending Stocks	898	897	723	550	0	560
TOTAL DISTRIBUTION	3778	3845	3573	3525	0	3550

### Production

According to the sixth production estimate, the 2003 wheat crop is estimated at 1.428 million tons, compared to the 2.39 million tons produced in 2002. The main reason for the decline is a 20.5% cutback in area planted, due to dry conditions at planting from May 2003, especially in the Free State. The November/December 2003 drought further damaged the crop.

The 2004 crop, to be planted from May this year, is facing a similar predicament. All indications are that soil moisture in the Free State, the main spring wheat area, will again be low after the current dry, hot summer. On the other hand there is a big area lying fallow, which has not been planted to summer or winter crops, and farmers may decide to increase the area planted to wheat again. The following table highlights the recent production history and our 2004 forecast.

Year of planting	Area, '000 ha.	Yield, Mt./ha	Production, '000 mt.
2000	934	2.60	2428
2001	959	2.60	2493
2002	941	2.62	2387
2003 Estimate	748	1.91	1428
2004 Forecast	900	2.33	2100

### Consumption

Commercial consumption amounted to 2.606 million tons in 2001/02 and 2.626 million tons in 2002/03. Current indications are that the consumption rate has picked up since October 2003 and consumption for the year is estimated at 2.645 million tons, which could increase to 2.655 million tons in 2004/05 if current high corn prices continue.

## Trade

South Africa acts as a conduit for wheat trade in the region, but has recently developed as a net importer of wheat. The following table highlights the recent wheat trade situation.

Imports	For South Africa	For the Region	Total, '000 mt.
MY 2001/02	407	156	563
My 2002/03	747	123	870
Oct. 03 to Jan. 04			
From USA	183	79	262
Canada	0	14	14
Germany	12	4	16
UK	22	0	22
Australia	69	0	69
Argentina	8	2	10
Total	294	98	392
Est. total for season			1200
Forecast for 2004/05			900

The 2004 import demand will be especially high as a result of the smaller crop. Since the beginning of October up to January 31 about 392,000 tons were imported at about 98,000 tons per month. To move the anticipated local and regional import demand of about 1,200,000 tons for the season, the rate will have to be pushed up to more than 100,000 tons per month. Currently the U.S. share of the trade is about 66% and this could continue through the season leading to U.S. sales reaching 600,000 to 800,000 tons. Fortunately there is no import duty on wheat.