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South Africa, Republic of

Grain and Feed

Monthly Update

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Report Highlights:

South Africa's 2003 corn crop is currently estimated at 7 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 may lead to imports of about 900,000 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 crop planted later this year is expected to rebound to previous levels.

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

Summary

South Africa's, current, 2003 corn and wheat crops have both been 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 3 million hectares in 2003. The 2003 crop is currently estimated at about 7 million tons, after 9.7 million tons were produced in 2002. A recent field trip in the company of a PECAD representative confirmed the general situation, although there is potential for the crop to increase after benefiting from February rains.

As a result of the smaller crop My2004/05 import needs are expected to jump to about 900,000 tons compared to the 200,000 tons estimated for the current season. The demand is for yellow corn, mainly from Argentina, which 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 9.3 million ton crop if weather conditions remain 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 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

www.grainsa.co.za

www.safex.co.za

www.fews.net

www.wfp.org

www.grains.org

www.pecad.fas.usda.gov/cropexplorer/

www.cpc.ncep.noaa.gov/products/fews/africa/briefing.html

CORN**Country** South Africa
Commodity Corn

	2002		2003		2004		Forecast	
	Revised	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
'000 Hectare	2002	Revised	2003	Estimate	2004	Forecast		
'000 Metric ton	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]		
Market Year Begin	05/2003		05/2004		05/2005			
Area Harvested	3650	3650	3100	2995	0	3500		
Beginning Stocks	1943	1945	1868	2050	618	500		
Production	9675	9675	8000	7025	0	9300		
TOTAL Mkt. Yr. Imports	100	200	450	900	0	700		
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	9975	618	10500		
TOTAL Mkt. Yr. Exports	1200	1150	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	8475	0	8500		
Ending Stocks	1868	2050	618	500	0	1000		
TOTAL DISTRIBUTION	11718	11820	10318	9975	0	10500		

Production

The first official estimate of South Africa's 2003 corn crop was released on February 19, (2003 referring to the year of planting). The total crop is estimated at about 7 million tons, 27% less than the 9.7 million 2002 crop. The total area planted declined by 18% due to a combination of market and weather factors. As a result of a late start to the rainy season, and a December/January dry spell, the average yield is also expected to decline by about 12%. Since the estimate was made on February 19, rainfall has improved considerably and the eventual crop could be higher. At this stage the main concern is early frost as many fields were planted late. The estimate follows:

Crop	FAS 2002	MY 03/04		FAS 2003	MY 04/05	
Corn	Area	Yield	Production	Area	Yield	Production
Commercial	'000 ha.	Mt./ha.	'000 mt.	'000 ha.	Mt./ha	'000 mt.
White	2232	2.85	6366	1725	2.42	4167
Yellow	953	3.17	3026	910	2.89	2632
Total	3185	2.95	9391	2635	2.58	6799
Developing						
White	368	0.60	221	282	0.60	168
Yellow	98	0.66	65	79	0.71	56
Total	466	0.61	286	361	0.62	224
Total corn						
White	2600	2.53	6587	2007	2.16	4335
Yellow	1418	2.18	3091	989	2.72	2688
Total	3651	2.65	9678	2996	2.34	7023

The crop in the developing sector is estimated at about 224,000 tons compared to 286,000 tons last season. The commercial crop estimate is the important factor in the supply and distribution. The estimate by province is available on the SAGIS website. This year 925,000 hectares were planted in the North-West province compared to 1.17 million in 2002. As a result the crop estimate declined from 2.6 million tons in 2002 to 1.86 million tons. In the Free State the area planted dropped from 1.12 million hectares to 930,000 hectares and the expected crop from 3.3 million tons to 2.1 million tons. The other important area is Mpumalanga, where the area planted dropped from 560,000 hectares in 2002 to 510,000 hectares. The crop estimate consequently dropped from 1.9 million tons to 1.6 million tons.

The total area planted to corn under irrigation is unclear. It is estimated that about 200,000 hectares were under irrigation in 2002, probably producing about 2 million tons. This area apparently declined to about 125,000 hectares this year due to limited irrigation water supplies.

The following table compares the average crop for the past five seasons to the first estimate:

5 year average	FAS 98 to 02	Rounded	
	Area '000 ha.	Yield Mt./ha.	Production '000 Mt.
White	1900 (1902)	2.9	5600 (5570)
Yellow	1100 (1107)	3.2	3500 (3525)
Total	3000 (3005)	3.0	9100 (9095)
FAS 2003 1 st . est.			
White	1725	2.4	4170
Yellow	910	2.9	2630
Total	2635	2.6	6800

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 supply and distribution. Corn produced and consumed outside the formal trading environment is not well documented. To correlate the commercial S&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
Crop estimate	5535	4195	9730
Deliveries	5430	3855	9285
Farm retentions	105	340	445
Imports	275	650	925
Commercial supply	6030	4845	10875
Exports, whole grain	745	325	1070
Dom. disappearance	4020	3840	7860
Ending stocks	1265	680	1945

FAS 2002 est.	My 2003/04 est.		
'000 Metric tons	White	Yellow	Total corn
Beginning stocks	1265	680	1945
Crop estimate	6365	3025	9390
Delivery est.	6185	2770	8955
Farm retentions	180	255	435
Imports	0	200	200
Total Supply	7450	3650	11100
Exports, whole grain	1030	120	1150
Dom. Disappearance	4500*	3400	7900
Ending stocks	1920	130	2050

*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	1920	130	2050
Crop est.	4170	2630	6800
Deliveries	4020	2330	6350
Farm retentions	150	300	450
Imports	0	900	900
Total supply	5940	3360	9300
Exports, whole grain	950	50	1000
Dom. Disappearance	4450*	3350	7800
Ending stocks	540	-40	500

*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. The decline is domestic sales mainly attributed to higher domestic prices.

The current, FAS 2002, My 2003/04, season is likely to end with a carry over in excess of 2 million tons at the end of April 2004. This will consist mainly of white corn (1.9 million tons) as the production trend has shifted to white corn which now constitutes about two thirds of the area planted.

The carry over improves the FAS 2003, My 2004/05 supply as more than enough white corn will be available to supply the human consumption needs of South Africa and its neighbors. Yellow corn is already in short supply and imports are expected to reach 200,000 tons in the current, 2003/04, season, and 900,000 tons in 2004/05. Although import decisions are dependent on local and international prices, the physical shortfall will have to be supplied.

Trade

Exports from May 2003 to February 20, 2004, follows:

Destination	White	Yellow	Total, Metric tons
Zimbabwe	344 105	16 281	360 386
Zambia	6 829	0	6 829
Mozambique	67 115	6 395	73 510
Namibia	79 735	15 685	95 420
Botswana	120 847	1 830	122 677
Swaziland	20 452	23 434	43 886
Lesotho	92 537	5 576	98 113
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
Mauritius	0	1 333	1 333
Comoros	0	15	15
Japan	0	10 374	10 374
Total	842 251	100 234	942 485

Total exports for the 2003/04 marketing year are thus likely to reach 1.15 million tons, mainly white corn. About 430,000 tons will be going to the Customs Union partners, the so-called BLNS countries, and about 90,000 tons to Mozambique, for a total of about 520,000 tons. This is considered to be less than the quantity traditionally exported to these destinations. Sales to Zimbabwe are likely to exceed 400,000 tons this season, but this total includes some food aid including a donation by the South African government.

Potential exports of one million tons for My 2004/05 thus includes traditional BLNS and Mozambican sales of about 550,000 tons, and any other potential sales into the region. Domestic transport costs to the ports make large overseas shipments unlikely.

South Africa has been importing yellow corn from Argentina and 139,100 tons has been landed up to February 20. Total imports for the season may reach 200,000 tons. This demand will escalate in My 2004/05 and could reach 900,000 tons. Fortunately the demand is spread over the whole season and importers can import sufficient quantities for coastal demand without encountering cross transport problems. This occurs when corn is shipped from inland silos to the coastal millers while imported corn is shipped inland.

Although the import tariff on corn was lifted on February 11 there are still various factors affecting prices. One of the main determinants is the Rand/Dollar exchange rate as the market moves towards import parity pricing. The following table gives indicative import parity prices for March 2004.

03/2004	Wheat, HRW # 2 Gulf	Yellow corn, Argentina	Yellow corn, US # 3 Gulf
FOB (\$/ton)	161.95	111.00	128.14
Freight (\$/ton)	65.33	58.91	65.33
Insurance	0.49	0.33	0.38
CIF (\$/ton)	227.77	170.24	193.85
Rand/ton	1514.42	1131.91	1288.89
Financing cost R/ton	14.31	10.70	12.18
Discharging cost	92.02	92.02	92.02
Import Tariff	Free	Free	Free
FOR at Durban	1620.75	1234.63	1393.09
SAFEX quotes 03/02	R1699	R1189	R1189
Exchange rate	\$=R6.65		

The SAFEX quotes are, however, ex Randfontein from where the transport cost to Durban is about R145/ton and R260/ton to Cape Town. This is added to calculate the price of local corn at the coast, which at this stage exceeds the cost of imported grain. The calculation is complicated by silo differentials deducted from the SAFEX prices depending on the distance from Randfontein, (the differentials are listed on the SAFEX.co.za website). While the SAFEX futures prices are used as indicator prices, sales are done ex silo. The situation is further complicated by the fact that the bulk of the white corn surplus is found in the west, far from the harbors but on the road and rail line to the north going through Botswana to Zimbabwe and Zambia.

Wheat

Country South Africa Commodity Wheat

'000 ha. '000 mt.	2002		2003		2004		Forecast
	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]
Market Year Begin	10/2002		10/2003		10/2004		10/2004
Area Harvested	941	941	748	748	0	900	900
Beginning Stocks	587	588	898	897	676	565	565
Production	2320	2387	1428	1443	0	2250	2250
TOTAL Mkt. Yr. Imports	871	870	1200	1200	0	750	750
Jul-Jun Imports	1024	1018	1200	1200	0	85	85
Jul-Jun Import U.S.	63	63	0	600	0	0	0
TOTAL SUPPLY	3778	3845	3526	3540	676	3565	3565
TOTAL Mkt. Yr. Exports	310	310	200	320	0	325	325
Jul-Jun Exports	331	328	200	320	0	300	300
Feed Dom. Consumption	10	12	10	10	0	10	10
TOTAL Dom. Consumption	2570	2638	2650	2655	0	2665	2665
Ending Stocks	898	897	676	565	0	575	575
TOTAL DISTRIBUTION	3778	3845	3526	3540	0	3565	3565

Production

Production

Although the final estimate of South Africa's 2003 wheat crop is 1.428 million tons, deliveries to the silos amount to 1.443 million tons, which is used as production in the PS&D table. The 2004 crop, to be planted from May this year, is currently the main focus. Due to disappointing corn prices and the late start to the current summer rainfall season; about 700,000 hectares in the summer rainfall area were not planted in 2003. This includes a cutback in Free State wheat planting from 432,000 ha. in 2002 to 325,000 ha. in 2003. Recent rains have improved soil moisture levels and farmers are likely to increase the area planted to wheat again this year. For this reason we increased the area to be planted to 900,000 hectares and the crop to 2.25 million tons for 2004. The following table contains the recent production situation.

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	1.93	1443
2004 Forecast	900	2.5	2250

Consumption

Consumption amounted to 2.606 million tons in 2001/02 and 2.638 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 2.655 million tons, which could increase to 2.665 million tons in 2004/05.

Trade

South Africa acts as a conduit for wheat trade in the region. The following table highlights the situation:

Wheat Imports	For South Africa	For other Africa	Total
Oct.03 to end Feb.04	Metric tons		
From: USA	233,632	89,498	323,130
Canada	0	13,586	13,586
Germany	12,199	3,873	16,072
United Kingdom	22,420	0	22,420
Australia	140,106	0	140,106
Argentina	16,568	2,000	18,568
Total	424,925	108,957	533,882

At the current import rate of about 110,000 tons per month the expected seasonal total of 1.2 million tons can be achieved. To date the US has supplied 60% of the imports and if this continues US sales for the season could exceed 700,000 tons.

Over the past five months exports of whole grain exceeded 141,000 tons as shown in the following table:

Wheat exports, metric tons, Oct 03/Feb. 04	Destination
Botswana	49,133
Lesotho	45,825
Swaziland	16,398
Namibia	3,473
Zimbabwe	12,576
Zambia	14,038
TOTAL	141,443

