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South Africa, Republic of

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Monthly Update

2004

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Report Highlights:
While South Africa's current corn crop is officially estimated at 8.9 million tons, we estimate the crop at 9.4 million tons, 500,000 tons more. This is mainly based on commercial deliveries to the silos since March 2004 and expected further deliveries, farm retentions and the crop in the developing sector. The bigger crop will aggravate the current oversupply, as exports are slow. Farmer's also intend to increase the area planted this year, which could lead to another big crop.

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

SUMMARY

South Africa's 2003 corn crop (2003 indicating the year of planting) is currently officially estimated at 8.9 million tons, 1.9 million tons more than the initial estimate made in February. The 27% increase is indicative of the much more favorable conditions and widespread rainfall over the second half of the season, and the importance of the distribution of the rainfall over the season.

We estimate the 2003 crop at 9.4 million tons, about 500,000 tons more than the official estimate. The supposedly final estimate is under pressure from deliveries to the silos, from March 2004 to the end of August about 8.67 million tons has already been received. Between September and the end of February 2005, another 130,000 tons can be delivered pushing the total to 8.8 million tons. Farm retentions are considered to be about 400,000, which must be added for a total commercial crop of 9.2 million tons.

If the 200,000 tons in the developing sector is added the total crop estimated increases to 9.4 million tons and the average yield to 3.13 tons per hectare, the second highest on record. This is leading to a considerable oversupply situation again as exports have been slow.

Planting intentions for the new growing season, which is due to start soon, are to increase the area planted on commercial farms to 2.85 million ha. compared to the 2.65 million ha. planted in 2003. This could lead to another 9-million-ton-plus crop aggravating the oversupply at current prices and exchange rate.

The 2004 wheat plantings increased to 851,000 hectares after only 748,000 hectares were planted in 2003. The crop estimate is 2.05 million tons compared to the 1.54 million tons produced last year. A small import tariff of R18.67 or $2.84/ton was announced in August, but this is not expected to affect imports, which reached about 1.28 million tons in 2003/04 and could reach 900,000 tons again in 2004/05. The US supplied about 44% of the imports.

Sources:
RH 4005 Zimbabwe Grain and Feed
KE 4012 Kenya Grain and Feed
www.sagis.org.za
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CORN

PSD Table

Country South Africa

Commodity Corn

1000 hectares	2002	Revised	2003	Estimate	2004	Forecast
1000 metric tons	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		05/2003		05/2004		05/2005
Area Harvested	3650	3651	3000	3007	0	3250
Beginning Stocks	1943	1945	2443	2420	1643	2870
Production	9675	9675	8300	9400	0	9000
TOTAL Mkt. Yr. Imports	441	465	600	300	0	250
Oct-Sep Imports	617	730	600	420	0	200
Oct-Sep Import U.S.	21	82	0	10	0	10
TOTAL SUPPLY	12059	12085	11343	12120	1643	12120
TOTAL Mkt. Yr. Exports	1096	1125	1000	750	0	1000
Oct-Sep Exports	1141	818	1000	550	0	500
Feed Dom. Consumption	4000	4000	4100	4000	0	4050
TOTAL Dom. Consumption	8520	8540	8700	8500	0	8500
Ending Stocks	2443	2420	1643	2870	0	2620
TOTAL DISTRIBUTION	12059	12085	11343	12120	0	12120

Production

South Africa's current, 2003 (referring to the year of planting), corn crop continues to surprise. The National Crop Estimates Committee released the eighth official estimate on September 20, 2004. The total crop is estimated at about 8.9 million tons, 27% more than the initial estimate. In spite of a late start to the rainy season, and a mid summer dry spell, the expected average yield of 2.97 metric tons per hectare, increased by 12.1% compared to the previous season. According to the Abstract of Agricultural Statistics this is third highest average yield ever recorded. The 14.9 million ton 1980 crop yielded 3.3 tons per hectare and the 11.5 million ton 1999 crop 3 tons per hectare. Since the first estimate was made on February 19, conditions improved considerably and the eighth estimate shows an increase of 1.9 million tons from the initial estimate. The eighth official 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	1728	3.09	5346
Yellow	953	3.17	3026	918	3.66	3360
Total	3185	2.95	9391	2646	3.29	8706
Developing						
White	368	0.60	221	282	0.61	171
Yellow	98	0.66	65	79	0.72	57
Total	466	0.61	286	361	0.63	228
Total corn						
White	2600	2.53	6587	2010	2.77	5517
Yellow	1418	2.18	3091	997	3.43	3417
Total	3651	2.65	9678	3007	2.97	8934

We estimate the 2003 crop at 9.4 million tons, about 500,000 tons more than the official estimate. We base the bigger crop on actual deliveries to the silos, from March 2004 to the end of August about 8.67 million tons was received. Between September and the end of February 2005 another 130,000 tons can be delivered pushing the total to 8.8 million tons. Farm retentions are considered to be about 400,000, which must be added for a total commercial crop of 9.2 million tons.

If the 200,000 tons from the developing sector is added the total crop estimated increases to 9.4 million tons and the average yield to 3.13 tons per hectare, the second highest on record. It can be argued that the cutback in area planted mainly consisted of low potential soils resulting in a proportional increase in the area of high potential soil planted. New varieties also played a role. Farmers were also able to optimize input use as a result of the smaller area. The role of irrigation cannot be ignored. In the Northern Cape, where only irrigated production is possible, 45,500 hectares were planted this year and this is expected to produce 455,000 tons at 10 tons per hectare. Although the area planted under irrigation declined in 2003 due to the dry start to the season, it is estimated that about 150,000 hectares were planted under full or supplemental irrigation, probably producing 1.5 million tons of the total. Because of the decline in total area planted, the irrigated crop plays a proportionally bigger role in the total production.

Since the introduction of the free market system the area planted to corn has dropped about 25% from the recent high of 4 million hectares in 1996 and 40% of the all time high of about 5 million hectares in 1975.

The first planting intentions report was also released on September 20. Based on replies received from producers the expected area to be planted to corn on commercial farms later this year is 2.854 million hectares of which 1.811 million ha. (63%) is for white corn and 1.043 million ha. is to be planted to yellow corn. The survey shows that producers intend to increase the area planted to white corn by 83,100 ha. (4.8%) compared to the previous season. The area to be planted to yellow corn is expected to increase by 125,300 ha. (13.6%). The following table contains the potential commercial crop scenario:

CORN	Area 1000 ha.	Yield Mt./ha.	Production 1000 mt.	Intentions 1000 ha	Yield Mt./ha.	Forecast 1000mt.
	FAS 03		My 04/05	FAS 04	Py 04/05	My 05/06
White	1728	3.09	5346	1811	2.97*	5379
Yellow	918	3.66	3360	1043	3.42*	3567
Total	2646	3.29	8706	2854	3.13*	8946

*Average yield of the past two seasons.

While we have indicated before that the final estimate of the commercial crop for the current crop is likely to be adjusted to about 9.2 million tons, the 2005 crop can also reach about 9 million tons under average weather conditions.

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.

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 added to the new season's deliveries and deducted from the May 1 carry over. Imports for re-exports, and the relevant stocks, are incorporated in the figures.

The latest commercial PS&D's are summarized below:

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FAS 2002 final	**My 2003/04**	**Commercial S&D**	
'000 Metric tons	White	Yellow	Total corn
Beginning stocks	1265	680	1945
Estimate	6365	3025	9390
Retentions	165	255	420
Delivery, March/Feb	6200	2770	8970
Imports	60	405	465
Total Supply	7525	3855	11380
Export	1015	110	1125
Dom. Disappearance	4480*	3355	7835
Ending stocks	2030	390	2420

*Including an additional 500,000 tons of white corn used for feed.

FAS 2003 estimate	**My 2004/05**	**Commercial S&D**	
'000 Metric tons	White	Yellow	Total
B/Stocks	2030	390	2420
8th official crop est.	5346	3360	8706
Farm retentions	-154	60	-94
Delivery forecast	5500	3300	8800
Imports	0	300	300
Total supply	7530	3990	11520
Exports	700	50	750
Dom. Disappearance	4500*	3400	7900
Ending stocks	2330	540	2870

*Including an additional 500,000 tons of white corn used for feed.

Trade

During the 2003/04 May to April marketing season South Africa imported 468,000 tons and exported 1,126,000 tons of corn.

My ¾	May 2003 to April 04		
1,000 metric tons	White corn	Yellow corn	Total corn
SAGIS imports	33	408	441
+ for export	27	0	27
Total	60	408	468
SAGIS Exports	1,004	92	1,096
+ imports for export	11	19	30
TOTAL	1,015	111	1,126

More than a million tons, 980,000 tons of white and 80,000 tons of yellow, were exported overland to African states, of which a high proportion needed to be GMO free.

Exports during the current MY 2004/05, marketing season are not faring so well. Between May 1 and the end of September 2004 South Africa exported 216,000 tons of corn, or about 43,000 tons per month. To reach the goal of exporting 1 million tons over the season, monthly shipments needs to exceed 83,300 tons per month, and to reach the goal after only exporting 235,000 tons in the first five months, nearly 110,000 tons have to be exported monthly over the next 7 months. This is unlikely to happen and a more realistic export target is about 750,000 tons for the season. One of the reasons for the slowdown in exports is that the neighboring states have just harvested their own crops and thus have stocks available. Zimbabwe only took about 46,000 tons in the first five months after buying more than 400,000 tons during the previous season.

The following table contains South African corn exports between the May 1 and October 1, 2004.

Metric tons	White corn	Yellow Corn	Total corn
Angola	3,456		3,456
Botswana	43,167	2,780	45,947
Kenya*	51,190		51,190
Lesotho	52,971	1,980	54,951
Mozambique	12,349	30	12,379
Namibia	256	6,648	6,904
Swaziland	5,636	6,688	12,342
Zimbabwe	46,475	96	46,571
Madagascar	828		828
Total	216,328	18,222	234,550

*Includes 37,765 tons of US white corn imported earlier.

Corn imports, mainly from Argentina, amounts to about 86,000 tons to date.

Domestic prices are basically determined by world prices and the Rand/Dollar exchange rate, which is also the main cause of the price instability. The increasing crop estimate and slow domestic and exports sales aggravates the decrease in producer prices.

Futures prices	March 2005	May 2005	November 2004	December 2004
White corn/mt.				
08/03/04	R1007=$160.9	R1017=$162.5		R969=$154.8
08/27/04	R1076=$163.5	R1089=$165.5		R1034=$157.1
10/04/04	R975=$151.16	R1000=$155.04	R920=$142.63	R935=$144.96
Yellow corn/mt.				
08/03/04	R1008=$161.0	R990=$158.2		R983=$157.0
08/27/04	R1070=$162.6	R1044=$158.7		R1041=$158.2
10/04/04	R977=$151.47	R1000=$155.04	R947=$146.82	R965=$149.61
Wheat/mt.				
08/03/04	R1467=$234.4		R1480=$236.4	R1445=$230.8
08/27/04	R1505=228.7		R1425=$216.6	R1476=$224.3
10/04/04	R1472=$228.2	R1484=$230.1	R1440=$223.3	R1430=$221.7

Except at the coast, imports are not currently competitively priced against the local product. The following table shows indicative import parity prices:

10/01/2004	Argentina yellow corn	US#3 yellow, Gulf*
FOB value $/ton	93.00	93.79
Freight rate (20-30,000 tons)	39.00	45.00
Insurance ($/ton)	0.28	0.28
C.I.F.	132.28	139.07
Rand/ton	856.38	900.34
Financing, 11% prime rate	7.74	8.14
Discharging costs R/ton	104.51	104.51
Import tariff	Free	Free
FOR Durban	968.63	1012.99
Exchange rate $1=R6.47		
Transport cost to Randfontein	R172/ton	

*Imports not allowed because the United States has approved more biotechnology events for corn than has South Africa, and the US can not segregate by event.

The main problem is that high prices and export costs make overseas exports virtually impossible. The following table contains an Export Parity Price calculation.

	US # 3 yellow corn Gulf
FOB Gulf value ($/ton)	93.79
Plus $10 quality bonus	10.00
SA FOB price ($/ton)	103.79
SA FOB price (Rand/ton)	671.94
Marketing costs, financing (R/ton)	6.08
Transport cost, Randfontein to Durban(R/ton)	172.00
Loading cost Durban (R/ton)	96.23
Export Realization	R397.63

WHEAT

PSD Table

Country South Africa

Commodity Wheat

1000 hectares	2002	Revised	2003	Estimate	2004	Forecast
1000 metric tons	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Harvested	941	941	748	748	850	851
Beginning Stocks	587	588	898	897	576	674
Production	2320	2387	1428	1540	2125	2050
TOTAL Mkt. Yr. Imports	871	870	1200	1278	900	900
Jul-Jun Imports	1024	831	900	837	900	850
Jul-Jun Import U.S.	63	59	0	414	0	500
TOTAL SUPPLY	3778	3845	3526	3715	3601	3624
TOTAL Mkt. Yr. Exports	310	310	300	356	300	325
Jul-Jun Exports	331	328	300	320	300	300
Feed Dom. Consumption	10	12	10	30	10	30
TOTAL Dom. Consumption	2570	2638	2650	2685	2660	2695
Ending Stocks	898	897	576	674	641	604
TOTAL DISTRIBUTION	3778	3845	3526	3715	3601	3624

Production

The second official estimate for South Africa's 2004 wheat crop is 2.05 million tons after 1.54 million tons were produced in 2003. The bigger crop will still be insufficient to satisfy domestic demand, currently around 2.7 million tons, and the needs of the region. As a result imports of about 900,000 tons are expected for the 2004/05 season after 1.278 million tons were imported during 2003/04. Preliminary import figures for the season are:

Origin, Metric tons	For Africa	For South Africa	TOTAL, MY2003/04
USA	146,660	413,429	560,089
Canada	13,767	0	13,767
Germany	3,873	12,199	16,072
United Kingdom	0	22,420	22,420
Australia	0	298,504	298,504
Argentina	79,821	262,213	342,034
France	0	25,016	25,016
TOTAL	244,121	1,033,781	1,277,902

Exports, Metric tons.

Botswana	88,559
Lesotho	74,656
Swaziland	40,634
Zimbabwe	102,598
Zambia	37,430
Namibia	12,622
TOTAL	356,499