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South Africa, Republic of

Grain and Feed

Monthly Update

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Approved by:

Richard Helm

U.S.Embassy, South Africa

Prepared by:

Herman Germishuis

Report Highlights:

Good rains in December improved prospects for the 2002 corn crop. Planting was delayed by drought and continued into late December. At this stage the final area planted is not yet available and under current conditions we are keeping the crop estimate at 7.5 million tons. With both domestic consumption and trade slowed by high prices South Africa is well supplied with its basic staple.

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

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Executive Summary

Conditions for South Africa's 2002 corn crop have improved recently due to good December rainfall. The crop is, however, about three weeks late which could have yield repercussions. Clarity has also not been reached about the total area planted with reports that only about 85% of the intended area was planted in time. The situation will be cleared up by the official area planted estimate expected in late January. While the crop is not out of the woods yet, the stock situation is favorable with a 1.6 million carry over expected at the end of April 2003 not taking any early deliveries into account. High prices have slowed down both consumption and exports, and led to increased imports with the result that South Africa is well stocked with its basic staple. This is reflected in the lower prices with white corn currently valued at R1730/ton (\$202) and yellow at R1360/ton (\$159) at the inland silos. A portion of the decline in the Rand prices is due to the weakening of the dollar. Commercial demand from the famine stricken region has been disappointing and is not likely to increase substantially in the foreseeable future. The GMO debate, including Zambia and Zimbabwe restricting GMO imports, is having a positive effect on South African sales to the World Food Programs. Details in the [fews.net](http://www.fews.net) website.

US\$ 1 = Rand 8.55 (01/03/2003)

www.sagis.org.za

www.graansa.co.za

www.safex.co.za

www.fews.net

www.wfp.org

www.grains.org

CORN

PSD Table						
Country	South Africa, Republic of					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		05/2001		05/2002		05/2003
Area Harvested	3225	3223	3350	3350	3600	3300
Beginning Stocks	2041	2040	490	475	790	1600
Production	7483	7500	9100	9250	9500	7500
TOTAL Mkt. Yr. Imports	395	395	800	700	250	1000
Oct-Sep Imports	0	0	750	700	650	650
Oct-Sep Import U.S.	0	0	0	414	0	150
TOTAL SUPPLY	9919	9935	10390	10425	10540	10100
TOTAL Mkt. Yr. Exports	1281	1280	1600	1100	1800	1000
Oct-Sep Exports	1415	1415	1200	1300	1700	1400
Feed Dom. Consumption	4148	3590	4000	3500	4000	3525
TOTAL Dom. Consumption	8148	8180	8000	7725	8000	7800
Ending Stocks	490	475	790	1600	740	1300
TOTAL DISTRIBUTION	9919	9935	10390	10425	10540	10100

Production

South Africa's 2002/03 summer rainfall season finally arrived in December with widespread rains over most of the summer grain area. The late start delayed planting of much of the corn crop by three weeks. This has two major implications; planting after the optimum planting date affects yield potential while the length of the growing season is curtailed and the possibility of early frost damage increases. At the moment, the grain industry is also claiming that only 85% of the intended area was planted but we will have to wait for the official area estimate due in late January. At this stage it is not necessary to change our 7.5 million ton estimate for the 2002 season. The following table contains the forecasts:

CORN	Area planted 2001	Final Estimate	Intended area 2002	Production forecast
Commercial	'000 ha.	'000 mt.	'000 ha.	'000 mt.
White corn	1 722	5 066	2 000	4 875
Yellow corn	1 111	3 716	1 000	2 475
Total corn	2 833	8 782	3 000	7 350
Yield mt/ha		3.10		2.45
Developing agriculture				
White	408	245	250	125
Yellow	109	72	50	25
Total	517	317	300	150
Total corn				
White	2 130	5 311	2 250	5 000
Yellow	1 220	3 787	1 050	2 500
Total corn	3 350	9 099	3 300	7 500
Yield mt/ha.		2.72		2.27
Delivery estimate		9 250		7 500

Even if only 2.85 million hectares were planted producing 7.5 million tons the yield will still be 2.63 mt/ha. which is the best that can be expected under current conditions. Weather conditions over the next two months will determine the outcome of the crop.

Consumption

While the report PS&D includes the crop in the developing sector, the commercial PS&D, based on actual deliveries to the silos, is key to analyzing the market.

	FAS 2000	May 2001 to	April 2002	FAS 2001Est	May 2002 to	April 2003
'000 mt.	White	Yellow	Total	White	Yellow	Total
B/stocks	1245	795	2040	255	220	475
Total Prod.*	(4300)	(3200)	(7500)	(5310)	(3790)	(9100)
Deliveries	4360	2910	7270	5400	3850	9250**
Imports	45	350	395	300	400	700
Supply	5650	4055	9705	5955	4470	10425
Exports	760	520	1280	750	350	1100
Dom. use	4635	3315	7950	4205	3520	7725
E/stocks	255	220	475	1000	600	1600

* NDA estimate

** Including early deliveries of 305,000 tons white and 420,000 tons yellow totaling 725,000 tons.

An important factor here is that the FAS 2001 deliveries again exceed the total crop estimate by 150,000 tons and the commercial crop estimate by 470,000 tons, adding considerably to the available commercial supplies. In addition, May to November 2002 domestic disappearance of about 4.4 million tons, was about 260,000 tons less than in the corresponding period in the previous season. This is in spite of milled product exports (included in local consumption) jumping by 36,000 tons to 60,000 tons. Whole grain exports also slowed from 707,000 tons in the first half of the previous season, to 602,000 tons. This means a total saving of about 365,000 tons mainly brought about by the higher local prices. This trend is likely to continue through the rest of the season.

Total imports for the current season are still expected to reach about 700,000 tons although white corn imports are estimated 100,000 tons lower at 300,000 tons (some contracts were cancelled), while yellow corn imports are expected to increase to about 400,000 tons. Commercial domestic disappearance is expected to reach 7.725 million tons compared to 7.95 million in the previous season. Exports are estimated at 1.1 million tons, leaving a 1.6 million ton carry over.

A similar forecast can be made for the new, FAS 2002, MY 2003/04 season.

	FAS 2002 Forecast	My May 2003 to	April 2004
'000 metric tons	White	Yellow	Total
Beginning stocks	1,000	600	1,600
Production	5,000	2,500	7,500
Imports	150	850	1,000
Total supply	6,150	3,950	10,100
Exports	850	150	1,000
Consumption	4,300	3,500	7,800
Ending stocks	1,000	300	1,300

It is clear that if the 1.6 million ton carry over at the end of April 2003 materializes, South Africa needs to produce only 6.2 million tons to supply domestic demand of about 7.8 million tons, while a crop of only 3.3 million tons white corn will be needed. The 7.5 million ton crop forecast will even allow considerable exports. What is even more significant is that the shortfall will be yellow corn, which is widely available on the world market.

The following table contains local futures prices for the last three months:

Per metric ton	Nov. 2002	December	March 2003	May 2003	July 2003
November 1	R10 = \$ 1				
White corn	R1790 \$179	R1816 \$181.60	R1872 \$187.20	R1847 \$184.70	R1786 \$178.60
Yellow	R1410 \$141	R1434 \$143.40	R1473 \$147.30	R1523 \$152.30	R1538 \$153.80
December 4	R9.25 = \$1				
White corn		R1838 \$198.70	R1908 \$206.27	R1930 \$208.65	R1958 \$211.67
Yellow		R1332 \$144.00	R1364 \$147.75	R1405 \$151.90	R1443 \$156.00
January 2, 2003	R8.55 = \$1				
White corn			R1768 \$206.78	R1733 \$202.69	R1681 \$196.61
Yellow			R1335 \$156.14	R1359 \$158.95	R1351 \$158.01

It seems that the strengthening of the Rand against the Dollar has a major effect on local prices as the Rand prices closely follow the exchange rate. The Rand has now gained about 15% on the Dollar over the past two months. Indicative import parity prices are compared to local prices in the following table:

Nominal January Corn prices	US #2 Yellow, 15% moisture	US White # 2, 15% moisture
FOB Gulf	\$109	\$ 185
Freight rate	\$19	\$19
CIF	\$128	\$204
Rand/ton @ R8.55	R1094	R1744
Financing 17% prime, 1 month	R16	R25
Discharging cost	R70	R70
Import tariff	0	0
FOR Durban	R1180	R1839
SAFEX Randfontein	R1360	R1730
Railage to Durban	R135	R135
Delivered Durban	R1495	R1865

The local yellow price is well above the import parity price which explains the current imports, while the white price is not much higher than the import price in the coastal areas which explains the lack of imports of white corn.

Trade

Whole grain exports to date this season compares as follows with the previous season:

EXPORTS	May-Nov.	2001		May-Nov.	2002	
'000 Mt.	White	Yellow	Total	White	Yellow	Total
Overland	249	36	285	382	183	565
By sea	81	341	422	7	30	37
Total	330	377	707	389	213	602

Overland, meaning mainly regional sales, have nearly doubled to 565,000 tons over the first seven months of the current marketing season. The increase was about 280,000 tons consisting of 133,000 tons of white and 147,000 tons of yellow corn. This includes about 150,000 tons of both white and yellow purchased by relief agencies including about 70,000 tons of white recently purchased for use in Zimbabwe replacing US GMO corn.

On the other hand South Africa lost about 385,000 tons of overseas over the same period mainly due to high local prices. The net result was a decrease of 105,000 tons in exports over the first seven months of the season. "Normal" regional demand (including sales to Customs Union partners) is estimated at between 45 and 60,000 tons per month while the current shipments average about 80,000 tons per month. Sales into the famine stricken

region did not reach the expected levels although the deemed demand played a major role in pushing up local prices.

On the import side total imports from May to November amounted to 460,000 tons consisting of 274,000 tons of white corn from the US and 186,000 tons of yellow from other suppliers. Nothing was imported in the corresponding period of the previous season. Another 75,500 tons of yellow corn was imported in December. These imports are duty free and are a classical example of the free market at work; South Africa basically has sufficient supplies for its own as well as the commercial needs of its neighbors. Imports into the coastal regions, however, enjoy a cost advantage when South Africa's high transport costs are taken into account.

In addition to imports for consumption in South Africa, 207,000 tons were imported by aid agencies through the South African ports for distribution in the region during May to November, with an additional 62,000 landing in December. Up to the end of November about 130,000 tons were re-exported. This includes some milled products from GMO corn milled in South Africa before delivery. Even the aid shipments are not reaching expectations as the bulk is moving through Mozambican ports.

Stocks

At the end of November, stocks amounted to more than five million tons. If consumption and trade continue to reflect current trends, the carry-over at the end of the season in April should be about 1.6 million tons.

WHEAT

PSD Table						
Country	South Africa, Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	934	934	959	959	940	941
Beginning Stocks	550	536	599	571	639	588
Production	2349	2353	2490	2493	2400	2282
TOTAL Mkt. Yr. Imports	550	499	500	563	500	500
Jul-Jun Imports	550	539	500	500	500	370
Jul-Jun Import U.S.	0	23	0	20	0	25
TOTAL SUPPLY	3449	3388	3589	3627	3539	3370
TOTAL Mkt. Yr. Exports	200	232	250	245	250	250
Jul-Jun Exports	221	205	250	270	250	300
Feed Dom. Consumption	10	60	10	100	10	50
TOTAL Dom. Consumption	2650	2585	2700	2794	2700	2700
Ending Stocks	599	571	639	588	589	420
TOTAL DISTRIBUTION	3449	3388	3589	3627	3539	3370

The wheat situation has not changed much since our previous report except for heavy imports. From October to December about 320,000 tons has been imported, mainly from Germany, France, the UK, Kazakhstan, the Ukraine and Poland and about 25,000 tons from the US.

This pushed down local prices with the current SAFEX January price at R1640/ton, or \$192/ton. The July quote is R1820/ton, or \$213/ton, when stocks will be lower.