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GAIN Report #SF3021

South Africa, Republic of

Grain and Feed

Monthly Update

2003

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Report Highlights:
South Africa's 2002 corn crop estimated is steady at around 8.9 million tons commercial and 9.2 million tons total. This should lead to MY 2003/04 commercial deliveries of about 8.5 million tons. With a 2.2 million ton carry over in May 2003 total supply amounts to about 10.4 million tons. Commercial consumption in 2003/04 is forecast at 7.75 million tons leaving a considerable exportable surplus. However, export prospects are bleak at current price levels.

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

Executive Summary

South Africa's official 2002 corn crop estimate has stabilized at about 8.9 million tons for the commercial crop and 9.2 million tons for the total crop, with expected deliveries to the commercial silos about 8.5 million tons. Indications are that farmers may try curtail 2003 production to bolster current low prices. MY 2003/04 commercial consumption is expected to increase to about 7.75 million tons after it fell to 7.66 million tons in MY 2002/03 mainly due to high prices. The carry in stocks on May 1, 2003 amounted to nearly 2.2 million tons after corrections for early delivery giving a total supply of about 10.4 million tons before imports. Small imports into the coastal areas are expected. In spite of the remnants of a regional famine export prospects are bleak at current price levels. Normal sales of about 35 to 45,000 tons per month to South Africa's customs union partners are expected to continue while famine relief sales to both the World Food Program (WFP) and neighbors may be restricted by a lack of funds. Overseas exports are hindered by high local prices. Total exports for the season may reach 900,000 tons which will again allow a carry over in excess of 2 million tons at the end of April 2004.

The 2003 wheat crop is currently facing some drought stress in parts of the Western Cape and this situation will be assessed when the first official estimate is announced later this month.

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org
www.grains.org
www.sadc.int/

CORN

PSD Table						
Country	South Africa, Republic of					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		05/2002		05/2003		05/2004
Area Harvested	3533	3533	3575	3566	3300	3250
Beginning Stocks	490	665	1943	2195	1693	2090
Production	10050	10050	9200	9182	9000	8750
TOTAL Mkt. Yr. Imports	923	925	250	75	250	65
Oct-Sep Imports	726	725	800	600	200	100
Oct-Sep Import U.S.	403	300	0	0	0	0
TOTAL SUPPLY	11463	11640	11393	11452	10943	10905
TOTAL Mkt. Yr. Exports	1074	1070	1000	900	1000	1000
Oct-Sep Exports	1182	1190	1200	1130	1000	1000
Feed Dom. Consumption	3846	4150	4100	4100	4100	4125
TOTAL Dom. Consumption	8446	8375	8700	8462	8700	8500
Ending Stocks	1943	2195	1693	2090	1243	1405
TOTAL DISTRIBUTION	11463	11640	11393	11452	10943	10905

Production

The fifth official estimate of South Africa's 2002 summer field crops was released on May 20. The expected commercial corn crop is 8.9 million tons, 5.7 million tons white corn and 3.2 million tons yellow. This is less than 1% smaller than the previous estimate. The area planted estimate remained unchanged at 3.1 million hectares, 67% for white corn and 33% for yellow. About 110,000 ha. of white corn and 90,000 ha. of yellow are under irrigation for a total of 200,000 hectares, virtually guaranteeing production of 2 to 2.5 million tons. The higher white corn area under irrigation is more in line with expectations as the white corn price was very high in 2001.
The area and production in the developing agriculture was kept unchanged in the latest estimate. The following table contains the details.

CORN	FAS 01, PY 01/02	MY 02/03	FAS 02, PY 02/03	MY 03/04
Commercial	Area ’000 ha.	Production ’000mt.	Area ’000 ha.	Production ’000mt.
White	1843	5537	2083	5675
Yellow	1174	4194	1017	3221
Total	3017	9732	3100	8896
Developing Agric.				
White	408	245	368	221
Yellow	109	72	98	65
Total	517	317	466	286
Total crop				
White	2251	5782	2451	5896
Yellow	1283	4266	1115	3286
Grand total	3533	10049	3566	9182

As explained in previous reports, South African corn deliveries no longer correspond with the May/April marketing season. This is mainly due to opportunistic early planting and the increase in area planted under irrigation. To correlate the PS&D with a specific crop we use the April/March deliveries, adding April deliveries to the new crop and deducting it from the end of April carry over. New crop deliveries actually start in February and March (84,000 tons and 247,000 tons this year). In 2001, the February to April 2002 deliveries before the start of the new marketing season actually exceeded 800,000 tons and 847,000 tons in 2003. In theory, early deliveries in one season should be balanced out by early deliveries in the next season, but this is not always the case.

Consumption

To correlate the commercial PS&D with a specific crop we use the April/March deliveries. Once the marketing year is officially changed, hopefully to the calendar year, we will adjust the figures for the previous PS&D years. The following tables contain the commercial supply and distribution, including only stocks that moved through the silos as reported by SAGIS.

FAS 2000	MY 2001/2002		
‘000 Metric ton	White corn	Yellow	Total
B/Stocks*	1245	795	2040
Com. production est.	(4110)	(3115)	(7225)
Deliveries*	4430	3040	7470
Imports	45	350	395
Supply	5720	4185	9905
Exports, whole grain	760	520	1280
Consumption**	4635	3325	7960
E/Stocks	325	340	665

* Stocks and deliveries adjusted to correspond with the crop.
** Some additional white corn used for feed, (about 335,000 tons).

FAS 2001	MY 2002/2003		
’000 Metric ton	White corn	Yellow corn	Total corn
Beginning stocks*	325	340	665
Comm. production est.	(5 537)	(4 194)	(9 732)
Deliveries*	5 515	3 815	9 330
Imports	275	650	925
Commercial supply	6 115	4 805	10 920
Exports, whole grain	745	325	1 070
Consumption***	3 945	3 710	7 655
Ending stocks	1 425	770	2 195

*** Consumption severely affected by high prices.

FAS 2002 Forecast	MY 2003/2004		
Beginning stocks*	1 425	770	2 195
Comm. Production est.	(5 675)	(3 220)	(8 895)
Deliveries*	5 650	2 820	8 470
Imports	0	75	75
Commercial supply	7 075	3 665	10 740
Exports, whole grain	850	50	900
Consumption****	4 500	3 250	7 750
Ending stocks	1725	365	2 090

****Including 400,000 tons used for feed.

Domestic disappearance calculated on the silo figures for FAS 2001, My 2002/2003 amounts to 7.655 million tons, 3.8% less than the 7.96 million tons consumed in My 2001/2002. The decline in consumption was mainly due to the high prices experienced during 2002. White corn consumption decreased and yellow corn consumption increased mainly due to the higher white corn prices.

Comparative domestic disappearance figures for the past few season were as follows:

‘000 metric tons	White corn	Yellow	Total
My 00/01*	4970	2885	7855
My 01/02	4635	3325	7960
My 02/03**	3945	3710	7655
My 03/04 forecast*	4500	3250	7750

*Includes 300 to 400,000 tons of white corn used for feed in lieu of yellow.
** Anomalies caused by very high white corn prices.

A small increase in consumption to 7.75 million ton is foreseen for My 2003/2004 as retail prices of corn products are slow to reflect the fall in corn prices. This is mainly due to corn bought or committed at the high prices first having to work through the system. We also foresee some white corn being used for feed, as was the case in MY 2000/01 because of the white corn oversupply and the similar prices for white and yellow. Due to the oversupply, local prices are still very low compared to the previous season

The following table contains current SAFEX prices:

Futures Contracts			
On April 1, $1= R7.85	May 2003	July 2003	September 2003
White	R780 $100.65	R821 $104.60	R854 $108.80
Yellow	R852 $108.55	R870 $110.85	R909 $115.80
On May 5, $1= R7.40			
White	R785 $106.10	R808 $109.20	R838 $113.25
Yellow	R810 $109.50	R835 $112.85	R874 $118.10
On June 2, $1=R8.05	December 2003	July 2003	September 2003
White	R1097 $136.30	R1001 $124.35	R1037 $128.80
Yellow	R1090 $135.40	R1001 $124.35	R1034 $128.45
On July 7, $1= R7.50			
White	R917 $122.30	R845 $112.70	R868 $115.70
Yellow	R927 $123.60	R861 $114.80	R880 $117.30

Trade

A comparison between trade patterns over the past two seasons are interesting:

'000 Mt.	White	Yellow	Total	White	Yellow	Total
	MY 2001/02			MY 2002/03		
Exports						
Overland	671	81	752	737	296	1033
Overseas	89	440	529	7	30	37
Total exports	760	521	1281	744	326	1070
Imports						
	47	348	395	274	651	925

In My 2001/02 exports amounted to 1.28 million tons of which 750,000 tons went to neighboring states and 530,000 tons overseas. In 2002/03 this reversed with overseas exports declining to 37,000 tons and sales to neighboring states jumping to 1.033 million tons for a total of 1.07 million tons. The overseas export market was mostly lost due to high domestic prices while sales into the region were bolstered by a 100,000 ton donation from the South African government and World Food Program(WF) purchases for regional famine relief. These purchases were increased by the reluctance of some governments to accept GMO corn which pushed South African sales of GMO free corn mainly financed by the EU.

The prospects for MY 2003/04 exports are not good at current price levels. The latest overseas export parity price calculation done by SAGIS is R660/ton while current SAFEX prices are still around R845 to R860/ton. Producers and their agents are not yet ready to sell at export parity prices and nothing was exported to overseas buyers in May 2003. Regional sales continued and 76,000 tons was shipped through border posts. Normal sales to South African Customs Union partners (the BLNS countries) amount to 35 to 45,000 tons per month implying that not much additional sales were made. The ability of regional governments or the WFP to finance these additional purchases is questionable. Overseas sales may be bolstered by a demand for high quality GMO free corn for starch production as soon as domestic prices become competitive with corn from other sources.

The WFP and other donors has been moving corn through the South African infrastructure. During MY 2002/03 they imported 340,000 tons and exported 306,000 tons of corn and products. This is not normal trade and is unlikely to reach similar levels this year with the result that we keep this separate from South Africa's normal grain trade.

Normal free market principles allowed the importation of 925,000 tons in MY 2002/03, nearly balancing the exports of 1.07 million tons whole grain. The high local grain prices again invited the imports which, if one looks at the basic PS&D, contributed to the current oversupply. The carry over at the end of May 2003 was nearly 2.2 million tons and exceeded 2.7 million tons if early new season deliveries are added. The imports however tempered prices through the season, which pleased the government which was shocked by the increased local prices.

As a result the formula import tariffs on both wheat and corn which should have kicked in since the beginning of this year, has not been gazetted yet.

WHEAT

PSD Table						
Country	South Africa, Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	959	959	941	941	841	833
Beginning Stocks	487	571	587	588	707	855
Production	2490	2415	2320	2373	2200	2000
TOTAL Mkt. Yr. Imports	561	563	700	859	600	600
Jul-Jun Imports	561	497	700	1000	600	600
Jul-Jun Import U.S.	18	20	0	25	0	40
TOTAL SUPPLY	3538	3549	3607	3820	3507	3455
TOTAL Mkt. Yr. Exports	379	320	250	350	250	350
Jul-Jun Exports	379	349	250	325	250	350
Feed Dom. Consumption	10	60	10	50	10	50
TOTAL Dom. Consumption	2572	2641	2650	2615	2650	2670
Ending Stocks	587	588	707	855	607	435
TOTAL DISTRIBUTION	3538	3549	3607	3820	3507	3455

General

The situation is unchanged while we wait for the first official estimate of the 2003 crop expected later in July. Conditions in some areas of the Cape are dry and as a result we lowered the crop forecast by 200,000 tons.