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Report Highlights:

South African grain farmers are facing a dry season. Rainfall to date has been disappointing and the hot, dry weather limited plantings. We currently expect the 2003 corn crop to drop to 7.5 million tons after 9.7 million tons were produced in 2002. This will necessitate some yellow corn imports. The wheat crop is estimated at 1.4 million tons, one million tons less than the 2002 crop. Imports are likely to reach 1.2 million tons with the US supplying up to half of the quantity needed.

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

Summary

The main news this month is the poor climatic conditions South African grain farmers are facing. After a dry winter leaving very little soil moisture, rainfall to date has been poor, patchy, and late. Total rainfall in the current summer rainfall season is well under normal over most of the grain production area. Farmers were planning to plant less corn due to economic pressures brought about by overproduction and disappointing producer prices, but the lack of rainfall is also limiting plantings. As a result South African farmers could be planting the smallest area to corn in fifty years. We currently forecast a total 2003 crop of about 7.5 million tons produced on 3.2 million hectares as against the revised 2002 estimate of 9.675 million tons from 3.65 million hectares. The situation is, however, still very fluent. A smaller crop will necessitate considerable imports of yellow corn over the next year.

The 2003 wheat crop estimate was also reduced to about 1.4 million tons from 748,000 hectares in contrast to 2.4 million tons from 941,000 hectares in 2002. The smaller crop means that imports of about 1.2 million tons will be needed over the next year, the US probably supplying about half of the imports.

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 | | | | | |
|------------------------|---------------------|---------|-------|----------|-------|----------|
| Commodity | Corn | | | | | |
| '000 Metric tons | 2001 | Revised | 2002 | Estimate | 2003 | Forecast |
| '000 Hectares | [Old] | [New] | [Old] | [New] | [Old] | (New) |
| Market Year Begin | | 05/2002 | | 05/2003 | | 05/2004 |
| Area Harvested | 3533 | 3533 | 3575 | 3650 | 3300 | 3200 |
| Beginning Stocks | 490 | 490 | 1943 | 1945 | 1693 | 1915 |
| Production | 10050 | 10050 | 9200 | 9675 | 8900 | 7500 |
| TOTAL Mkt. Yr. Imports | 923 | 925 | 250 | 120 | 250 | 650 |
| Oct-Sep Imports | 726 | 726 | 800 | 540 | 200 | 175 |
| Oct-Sep Import U.S. | 403 | 300 | 0 | 25 | 0 | 0 |
| TOTAL SUPPLY | 11463 | 11465 | 11393 | 11740 | 10843 | 10065 |
| TOTAL Mkt. Yr. Exports | 1074 | 1070 | 1000 | 1200 | 1000 | 1000 |
| Oct-Sep Exports | 1182 | 1182 | 900 | 1000 | 1000 | 1000 |
| Feed Dom. Consumption | 3846 | 4050 | 4100 | 4100 | 4100 | 4125 |
| TOTAL Dom. Consumption | 8446 | 8450 | 8700 | 8625 | 8700 | 8450 |
| Ending Stocks | 1943 | 1945 | 1693 | 1915 | 1143 | 615 |
| TOTAL DISTRIBUTION | 11463 | 11465 | 11393 | 11740 | 10843 | 10065 |

At this stage the 2003 corn crop is in trouble. Rainfall to date has been poor in most areas; distribution has been patchy, while temperatures are high. Commentators are calling it a serious drought, and rain forecasts for the rest of the season are not favorable. Widespread rain over the past week alleviated the situation somewhat and allowed farmers to plant, but further rainfall is urgently needed.

The November/December rainfall was going to be the deciding factor but it has been disappointing. The eastern production area, mainly in the Mpumalanga province, received some general rain and most farmers were able to plant. In the Northwest Province good rainfall was also reported but it has been patchy in the Free State. The optimum planting window in the Eastern area is mid October to mid November. Planting in the western areas can continue to December 31, as the first date that frost can be expected determines planting times. Frost is likely to occur earlier in the higher, colder, eastern areas limiting the length of the growing season. Many farmers are probably switching some land to shorter season crops such as sunflower or sorghum. Heavy general rain is, however, urgently needed over the whole of the summer rainfall grain area.

As predicted in our earlier reports the official 2002 commercial corn estimated has been adjusted. The area planted to white corn was increased to 2.235 million hectare or by 7.3%, while the crop was increased by 8.7% to 6.37 million tons. The area planted to yellow corn was decreased by 6.6% to 950,000 hectares and the crop by 7.2% to 3.02 million tons. The revisions, based on producer deliveries and a survey on farms, gives a better reflection of the situation. The total commercial area planted was thus increased by 3% to 3.185 million hectares while the crop was also increased by 3% to 9.39 million tons.

A planting intention survey was done earlier this year indicating a cutback in the area to be planted to corn in 2003. The main reason for the early decision to cut back production was

economic, mainly disappointing producer prices brought about by an oversupply situation and a strong currency. Weather conditions have since overtaken the economic decisions. While weather conditions over the next few weeks will determine developments, the data for the past two seasons plus a 2003 forecast is supplied in the following table:

Corn crop estimates:

| CORN | FAS 01 | MY 02/03 | FAS 02 Revised | MY 03/04 | FAS 03 Forecast | MY 04/05 |
|-------------|---------------|---------------------|----------------|---------------------|-----------------|---------------------|
| Comm. | Area '000 ha. | Production '000 mt. | Area '000 ha. | Production '000 mt. | Area '000 ha. | Production '000 mt. |
| White | 1843 | 5537 | 2235 | 6371 | 1825 | 4500 |
| Yellow | 1174 | 4194 | 950 | 3019 | 975 | 2800 |
| Total | 3017 | 9732 | 3185 | 9390 | 2800 | 7300 |
| Small scale | | | | | | |
| White | 408 | 245 | 368 | 221 | 325 | 150 |
| Yellow | 109 | 72 | 98 | 65 | 75 | 50 |
| Total | 517 | 317 | 466 | 286 | 400 | 200 |
| Total crop | | | | | | |
| White | 2251 | 5782 | 2603 | 6591 | 2150 | 4650 |
| Yellow | 1283 | 4266 | 1048 | 3085 | 1050 | 2850 |
| Total | 3533 | 10049 | 3651 | 9676 | 3200 | 7500 |

The FAS 03 forecast is preliminary and based on normal rainfall for the rest of the season. It incorporates the expected decrease in area planted and a decrease in yield compared to what would be expected under normal conditions, for damage already caused by the dry, hot weather. These figures could still change significantly over the next few months.

Consumption

Commercial deliveries, that is corn delivered to the silos according to 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 reason is that the quantity of early deliveries has been increasing. Early deliveries only amounted to 120,000 tons in March and April 2001 but jumped to 740,000 tons in 2002 and 760,000 in 2003. The March and April deliveries are then deducted from the May 1 carry over and added to the new season's deliveries. Adding the early deliveries to the carry in stocks skews the PS&D analysis, as the crop has to be decreased by the same amount. From the beginning of March 2003 to the end of November deliveries amounted to 8.895 million tons, the situation is summarized below:

| Deliveries, '000 mt. | White corn | Yellow corn | Total Corn |
|-----------------------|------------|-------------|------------|
| March 2003 | 159 | 88 | 247 |
| April | 292 | 224 | 516 |
| May to November | 5709 | 2423 | 8132 |
| Total | 6160 | 2735 | 8895 |
| Expected Dec. to Feb. | 90 | 15 | 115 |
| Total del. expected | 6250 | 2750 | 9000 |

The following commercial PS&D tables use the adjusted stock and crop estimates:

| 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 est. | Commercial PS&D | |
|--------------------|-----------------|-----------------|------------|
| '000 Metric tons | White | Yellow | Total corn |
| Beginning stocks | 1265 | 680 | 1945 |
| Delivery est. | 6250 | 2750 | 9000 |
| Imports | 0 | 120 | 120 |
| Total Supply | 7515 | 3550 | 11065 |
| Exports | 1100 | 100 | 1200 |
| Dom. Disappearance | 4500* | 3450 | 7950 |
| Ending stocks | 1915 | 0 | 1915 |

* Including an additional amount used for feed.

| FAS 2003 forecast | MY 2004/05 forecast | | |
|--------------------|---------------------|--------|-------|
| '000 Metric tons | White | Yellow | Total |
| Beginning stocks | 1915 | 0 | 1915 |
| Deliveries | 4400 | 2550 | 6950 |
| Imports | 0 | 650 | 650 |
| Supply | 6315 | 3200 | 9515 |
| Exports | 900 | 100 | 1000 |
| Dom. disappearance | 4500* | 3400 | 7900 |
| Ending stocks | 915 | -300 | 615 |

* Including an additional amount used for feed.

The zero carry over for yellow corn at the end of April 2004 and the negative carry over for yellow corn shown for April 2005 does not take early deliveries into account, which should alleviate the shortage.

It is very clear, however, that while white corn supplies are more than adequate to supply South Africa and its neighbors for the next year, considerable amounts of yellow corn will have to be imported. About 53,000 tons from Argentina were imported up to the end of November 2003.

SAFEX price changes over the past two months are shown in the following table:

| 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 |
| 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 |
| 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 |

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 R1263/mt. for corn from Argentina and R1245/ton for US corn. The higher Argentina price is due to their ability to list GMO events in the corn. US yellow corn is currently not allowed into South Africa because South Africa has not approved all of the events in US yellow corn.

There are no clear reasons for the increase in the white corn price at this stage, as South Africa seems well supplied for the foreseeable future.

Wheat

PSD Table

| Country Commodity | South Africa Wheat | | | | | | |
|------------------------|---------------------------------|---------------|------------------|---------------|-------------------|---------------|-------------------|
| | '000 Metric ton '000 Hectare | 2001 [Old] | Revised [New] | 2002 [Old] | Estimate [New] | 2003 [Old] | Forecast [New] |
| Market Year Begin | | 10/2001 | | 10/2002 | | 10/2003 | |
| Area Harvested | | 959 | 959 | 941 | 941 | 748 | 748 |
| Beginning Stocks | | 487 | 571 | 587 | 588 | 898 | 897 |
| Production | | 2490 | 2415 | 2320 | 2387 | 1475 | 1427 |
| TOTAL Mkt. Yr. Imports | | 561 | 563 | 871 | 870 | 1200 | 1200 |
| Jul-Jun Imports | | 561 | 561 | 1024 | 1018 | 1200 | 1200 |
| Jul-Jun Import U.S. | | 18 | 18 | 63 | 63 | 0 | 600 |
| TOTAL SUPPLY | | 3538 | 3549 | 3778 | 3845 | 3573 | 3524 |
| TOTAL Mkt. Yr. Exports | | 379 | 320 | 310 | 310 | 200 | 320 |
| Jul-Jun Exports | | 379 | 379 | 331 | 328 | 200 | 320 |
| Feed Dom. Consumption | | 10 | 10 | 10 | 10 | 10 | 10 |
| TOTAL Dom. Consumption | | 2572 | 2641 | 2570 | 2638 | 2650 | 2650 |
| Ending Stocks | | 587 | 588 | 898 | 897 | 723 | 554 |
| TOTAL DISTRIBUTION | | 3538 | 3549 | 3778 | 3845 | 3573 | 3524 |

The Crop Estimates Committee recently released their fifth winter crop production estimate. They estimate the 2003 South African wheat production at 1.427 million tons, 3.5% less than the November estimate. This reflects the poor climatic conditions and the estimate is likely to decrease even further in future.

As a result wheat imports from October 2003 to September 2004 are likely increase to about 1.2 million tons with the US supplying at least 600,000 tons. From October 4 to December 12 imports already amounted to 247,000 tons with the US supplying 187,000 tons.