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South Africa, Republic of

Grain and Feed

Monthly update

2004

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Report Highlights:
This report highlights the drought damage to the current, 2003 corn and wheat crops. The 2003 corn crop is now estimated at 6.6 million tons, more than thirty percent down on the 9.7 million ton 2002 crop. The smaller crop will lead to imports of more than one million tons, mainly yellow corn during MY 2004/05. The 2003 wheat crop is estimated at 1.4 million tons compared to 2.4 million tons in 2002. This will lead to imports of about 1.2 million tons in 2004 compared to 870,000 tons in 2003. This includes imports for re-export to the region. About 60% of the wheat imports may be sourced from the U.S. if market conditions do not change significantly.

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

CORN

Country South Africa
Commodity Corn

'000 hectare '000 metric ton	2001 USDA Official [Old]	Revised Post Estimate [New]	2002 USDA Official [Old]	Estimate Post Estimate [New]	2003 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		05/2002		05/2003		05/2004
Area Harvested	3533	3533	3575	3650	3300	2950
Beginning Stocks	490	490	1943	1945	1693	1995
Production	10050	10050	9200	9675	8000	6600
TOTAL Mkt. Yr. Imports	923	925	250	200	250	1100
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	11820	10843	9695
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	8600
Ending Stocks	1943	1945	1693	1995	1143	95
TOTAL DISTRIBUTION	11463	11465	11393	11820	10843	9695

Production

The National Crop Estimates Committee released its preliminary commercial area planted estimate for summer crops for the 2003/04 season on January 20, 2004. The area planted to corn is estimated at 2.6 million hectares, nearly 20% down on the 3.2 million hectares planted in 2002. This is the lowest area planted since 1939. Farmer's initial intention was to cut back the area by 12% for economic reasons; the additional 8% cutback was due to the November/December drought. The ratio of white to yellow corn plantings is 65:35. The area planted to white corn is 1.67 million hectares, down 25.4% from the previous season's 2.23 million hectares, while the yellow corn plantings are estimated at 892,000 hectares, down 6.4% from 952,500 hectares last year.

The preliminary area estimate for summer grain crops follow:

Area planted ‘000 ha.	2002/2003	2003/2004	% Change
White corn	2232	1666	-25.4%
Yellow	953	892	-6.4%
Total commercial	3185	2558	-19.7%
Free State wheat	432	325	-24.8%
Sorghum	95	108	+13.7%
Peanuts	50	63	+26%
Sunflower	606	521	-14%
Soybeans	100	121	+21%
Total	4468	3696	-17.3%

The table implies that 772,000 hectares, or 17.3% of the available land, was not planted this year. It is unlikely that the area planted increased much after the mid January estimate as the summer solstice was on December 21 and one would prefer not to plant much after mid summer. Later plantings were probably for fodder. In the eastern areas the first frost could be expected by April 15 limiting the length of the growing season.

Forecasting production is even more difficult as weather conditions are, and have been, very poor. Soil moisture was low after a long, dry, winter and early spring rains also disappointed. November and December rainfall was under normal while good rains only arrived in mid January. Temperatures have been above normal to date. Unfortunately South Africa’s summer grain growing areas are not homogenous but have different soils and microclimate areas. Rainfall has also been very patchy. To forecast the 2003 crop we have to look at what happened over the past five seasons. The following table contains the average for the past five seasons after commercial crop estimates were adjusted based on deliveries.

5 year average	Area ‘000 ha.	Yield Mt./ha.	Production ‘000 mt.
White	1900	2.9	5500
Yellow	1100	3.2	3500
Total	3000	3.0	9000

2003 Forecast	Area ‘000 ha.	Yield Mt./ha.	Production ‘000 mt.
White	1666	2.4	4000
Yellow	892	2.7	2400
Total	2558	2.5	6400

The 2003 area planted could have produced a 7.685 million ton crop at normal yields, which means that the area cutback is the reason for a 1.315 million ton or 14.6% drop in expected production. The lower yield expected caused another 1.285 million ton or 14.3% reduction in the expected crop for a total decrease of 2.6 million ton or 29% on the five year average.

The following table contains a crop forecast including small-scale production:

CORN	FAS 01	MY 02/03	FAS 02 Revised	MY 03/04	FAS 03 Forecast	MY 04/05
I	Area ‘000 ha.	Production ‘000 mt.	Area ‘000 ha.	Production ‘000 mt.	Area ‘000 ha.	Production ‘000 mt.
Commercial	3017	9732	3185	9390	2558	6400
Small scale	517	317	466	286	392	200
Total*	3535	10050	3650	9675	2950	6600

* Rounded off

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, which could be confusing.

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
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

* Corrected to March/February

FAS 2002 est.	My 2003/04		
'000 Metric tons	White	Yellow	Total corn
Beginning stocks	1265	680	1945
Delivery est.	6250	2750	9000
Imports	0	200**	200
Total Supply	7515	3630	11145
Exports	1100	100	1200
Dom. Disappearance	4500*	3450	7950
Ending stocks	1915	80	1995

* Including about 400,000 tons of white corn used for feed.
** Up to the end of January 2004 about 50,000 tons of yellow corn was imported. Imports of about 50,000 tons a month has apparently been booked up to the end of August.

FAS 2003 forecast	My 2004/05		
'000 Metric tons	White	Yellow	Total
B/Stocks	1915	80	1995
Crop est.	4000	2400	6400
Deliveries	3900	2000	5900
Imports	0	1100	1100
Total supply	5815	3180	8995
Exports	950***	50	1000
Dom.Disappearance	4450**	3450	7900
Ending stocks	415	-320****	95

** Including about 400,000 tons of white corn used for feed.
*** Customs Union or BLNS sales about 450,000 to 500,000 tons per annum under normal conditions.
**** Negative stock situation to be covered by early deliveries from the next crop.

Doubts about the prospects for the 2003 crop is clearly illustrated in the following table where white corn prices increased by 54% and yellow corn prices by 47.4% over the past three months.

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
01/29/04	R1442 = $209.9	R1467 = $213.5	R1500 = $218.3	R1518 = $221.0
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
01/29	R1418 = $206.4	R1370 = $199.4	R1346 = $195.9	R1371 =$199.6
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
01/29	R1740 =$253.3	R1760 =$256.2	R1782 =$259.4	N/a

The price variations, to a certain extend, also reflect the very strong South African Rand. The yellow corn price, quite justifiably, is moving toward import parity. This is currently about R1195/mt. for corn from Argentina and R1223/ton for US corn, at the coast. The R135/ton transport cost between the coast and Randfontein, where local prices are set, are not included.

Trade:

Exports:

Since May South Africa has exported 781,000 tons of white and 95,000 tons of yellow corn, for a total of 876,000 tons, or about 110,000 tons per month. Exports to Customs Union Partners, the so-called BLNS countries amounted to about 40,000 tons per month and this is likely to continue in future except if South African prices increase much more. Some other regional sales are also foreseen for 2004 pushing the 2004/05 seasonal total to about one million tons.

Imports:

A severe shortage of yellow corn is developing in Southern Africa. Since May 2003 South Africa has imported about 49,000 tons of yellow corn but this pace is expected to jump to about 50,000 per month over the next few months for a My 2003/04 total of about 200,000 tons. The crunch is coming in the new, MY 2004/05 season, when yellow corn import needs could jump to about 1.1 million tons, or nearly 100,000 tons per month. Coupled to the anticipated monthly need of 100,000 tons of wheat, (see Wheat section) and the corn and Wheat exports, pressure on the transport sector is increasing.

WHEAT

PSD Table

Country South Africa
Commodity Wheat

	2001	Revised	2002	Estimate	2003	Forecast
	[Old]	[New]	[Old]	[New]	[Old]	[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	1428
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	3525
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	555
TOTAL DISTRIBUTION	3538	3549	3778	3845	3573	3525

Production

According to the sixth production estimate, the 2003 wheat crop is estimated at 1.428 million tons, compared to the 2.32 million tons produced in 2002. The main reason for the decline is a 20.5% decline in area planted, due to dry conditions at planting from May 2003, especially in the Free State. The November/December 2003 drought further damaged the crop.

Although South Africa has developed as a net importer of wheat, the 2004 demand will be especially high. Since the beginning of October up to January 23 about 373,000 tons were imported at about 93,000 tons per month. To move the anticipated local and regional import demand of about 1,200,000 tons the rate will have to be pushed up to more than 100,000 tons per month. Currently the U.S. share of the trade is about 66% and this could continue through the season leading to U.S. sales reaching 600,000 to 800,000 tons.