USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 2/7/2007

GAIN Report Number: SF7003

South Africa, Republic of

Grain and Feed

Annual

2007

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Report Highlights:
After a 2005 cutback in corn production producer prices recovered aided by the international price increases. This led to a resurrection in corn production with the area planted increasing by more than a million hectare in 2006. At the moment weather conditions are critical in the western production area with rains urgently needed. The crop is nonetheless expected to exceed 10 million tons. The optimistic scenario is expected to continue for the crop to be planted later this year. The 2006 wheat crop also increased on the previous year although imports of wheat and rice are continuing unabated.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1]
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Summary

In an effort to balance corn supply and demand South African farmers cut the area planted to corn from 3.2 million hectares (ha.) in 2004 to 2 million ha. in 2005. As a result the total crop declined from 11.7 million tons to 6.9 million tons. In 2006 the farmers increased the area planted to about 3.1 million ha. again creating the potential for a 10 million ton crop. Weather conditions over the next two weeks, will however, play a major role in determining the size of the crop, as it is currently dry and hot in the western production areas.

Bio Fuel, including ethanol from corn, is a big issue but no additional areas were planted for this purpose in 2006. It could, however, become a major additional outlet in the future.

US$1 = Rand 7.25 (02/07/07

Sources:

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org

Wheat

PSD Table

Country	**South Africa**								
Commodity	**Wheat**								
1000 HA	2005 Revised			2006 Estimate			2007 Forecast		
1000 Mt	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007
Area Harvested	800	805	805	770	765	765	0	0	800
Beginning Stocks	574	594	594	583	592	592	573	611	600
Production	1886	1905	1905	2190	2169	2162	0	0	2100
MY Imports	1211	1211	1211	1000	1000	996	0	0	1000
TY Imports	1242	1242	1242	1000	1000	1000	0	0	1000
TY Imp. from U.S.	157	157	115	0	0	0	0	0	0
Total Supply	3671	3710	3710	3773	3761	3750	573	611	3700
MY Exports	281	278	278	350	300	300	0	0	325
TY Exports	296	296	296	350	300	350	0	0	0
Feed Consumption	10	25	20	10	10	10	0	0	25
FSI Consumption	2797	2815	2820	2840	2840	2840	0	0	2850
Total Consumption	2807	2840	2840	2850	2850	2850	0	0	2875
Ending Stocks	583	592	592	573	611	600	0	0	500
Total Distribution	3671	3710	3710	3773	3761	3750	0	0	3700

Production

The latest official estimate of the wheat crop planted in 2006 is 2.16 million tons, 13.5% bigger than the 1.9 million tons produced in 2005. This was achieved in spite of the cutback in area planted from 805,000 ha. in 2005 to 765,000 ha. in 2006, mainly due to better rainfall. The following table contains the details by province:

WHEAT	2005			2006		
	Area planted	Yield	Production	Area planted	Yield	Production
	Ha.	Mt/ha	Mt.	Ha.	Mt/ha	Mt.
Western Cape	302,000	2.1	645,000	285,000	2.5	712,500
N. Cape	48,500	6.3	306,000	42,000	6.2	260,400
Free State	380,000	1.5	580,000	360,000	2.3	810,000
E. Cape	4,000	3.6	14,500	2,500	3.5	8,750
KwaZulu	9,000	4.6	41,500	6,800	4.5	30,600
Mpumalanga	18,000	5.1	92,000	15,000	5.5	82,500
Limpopo	11,000	5.3	580,000	22,000	4.5	99,000
Gauteng	2,500	5.6	14,000	2,000	5.4	10,800
North West	30,000	5.4	162,000	29,500	5.0	147,500
TOTAL	805,000	2.4	1905,000	764,800	2.8	2,162,050

The higher average yields are mainly produced under irrigation, the Western Cape and the Free State are the two only two big dry land areas. The increased yield in the Free State is partly due to fallow land from the previous season being planted in the current season.

Consumption

The final PS&D's for the past two seasons are shown in the following table:

	Oct/Sept	04/05		Oct/Sept	05/06	
'000 MT	Human	Feed	Total	Human	Feed	Total
B/stocks	594	20	614	581	13	594
Deliveries	1661	9	1670	1882	11	1893
Imports						
for SA	1226	1	1227	1055	0	1055
export	168	0	168	156	0	156
Total	1394	1	1395	1211	0	1211
Supply	3649	30	3679	3674	24	3698
Cons.	2742	17	2759	2819	9	2828
Exports*	326	0	326	278	0	278
E/stocks	581	13	594	577	15	592

***** Including products

My 2006/07 and 2007/08 PS&D forecasts can be made:

1000 Mt	Oct. 06/Sept.07	Oct. 07/Sept.08
B/Stocks	592	600
Production	2162	2100
Imports	996	1000
Supply	3750	3700
Consumption	2850	2875
Exports	300	325
E/stocks	600	500

Trade

Imports:

MT	2004/05			2005/06		
	For Africa	For RSA	Total	For Africa	For RSA	Total
Argentina	111,654	574,600	686,254	38,237	392,930	431,167
Australia	0	154,112	154,112	0	59,927	59,927
Brazil				6,301		6,301
Canada	0	43,766	43,766	6,826	62,643	69,469
France					9,920	9,920
Germany	12,603	115,332	127,935	78,542	354,718	433,260
U.K.	0	27,586	27,586			
Ukraine	0	29,935	29,935	0	85,979	85,979
USA	43,078	281,165	324,243	25,982	88,651	114,633
Total	167,335	1,226,496	1,393,831	155,888	1,054,768	1,210,656

With only a 2% duty on the FOB price of wheat, import flows are high, exceeding 1.2 million tons per season over the past two seasons.

An indication of an import parity price can be given:

	US HRW #2, Gulf
FOB value ($/mt)	197.46
Freight rate (20-30,000 tons)	51.00
Insurance ($/mt)	0.59
C.I.F.	249.05
Converted to Rand/mt	1812.46
Financing cost (12.5% prime rate)	18.62
Total	1831.08
Discharging cost, Cape Town Durban	110.00 80.00
Import tariff	28.74
F.O.R Cape Town	1970
Durban + railage to Randfontein R185	1940 2125
Randfontein SAFEX price March	1800

The import prices thus play a major role in setting the domestic price with the imported product competitive at the coast.

Exports:

South Africa not only supplies wheat to the region but also acts as a conduit for imported grain. In 2004/05, 135,000 tons of whole grain and 23,000 tons of products were exported to the region from own stocks. In addition 168,000 tons of imported wheat was exported. In 2005/06 local exports amounted to 93,000 tons of grain and 18,000 tons of products for a total of 111,000 mt.

MT whole grain	Oct./Sept. 2004/05	Oct./Sept. 2005/06
Botswana	77,033	78,422
Lesotho	78,956	71,071
Namibia	16,904	18,902
Swaziland	34,543	34,046
Zambia	55,826	53,118
Zimbabwe	40,738	2,484
TOTAL	301,000	258,043

Imports

Country	South Africa		
Commodity	Wheat		
Time Period	Oct/Sept	Units:	Metric ton
Imports for:	2004/05		**2005/06**
U.S.	324243	U.S.	114633
Others		Others	
Argentina	686254	Argentina	431167
Australia	154112	Australia	59927
Brazil	0	Brazil	6301
Canada	43766	Canada	69469
France	0	France	9920
Germany	127,935	Germany	433260
U.K.	27586	U.K.	0
Ukraine	29935	Ukraine	85979
Total for Others	1069588		1096023
Others not Listed	0		0
Grand Total	1393831		1210656

Exports South Africa

Commodity	Wheat		
Time Period	Oct/Sept	Units:	MT
Exports for:	2004/05		**2005/06**
U.S.	0	U.S.	0
Others		Others	
Botswana	77033	Botswana	78422
Lesotho	75956	Lesotho	71071
Namibia	16904	Namibia	18902
Swaziland	34543	Swaziland	34046
Zambia	55826	Zambia	53118
Zimbabwe	40738	Zimbabwe	2484
Total for Others	301000		258043
Others not Listed	0		0
Grand Total	301000		258043

Corn

PSD Table

Country	**South Africa**
Commodity	**Corn**

1000 HA	2005 Revised			2006 Estimate			2007 Forecast		
1000 MT	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2006	05/2006		05/2007	05/2007		05/2008	05/2008
Area Harvested	2032	2032	2032	3200	3180	3200	0	0	3300
Beginning Stocks	3190	3170	3190	1475	1410	1475	2225	2710	2225
Production	6935	6935	6935	10000	10500	10000	0	0	11000
MY Imports	1000	1000	1000	500	500	500	0	0	275
TY Imports	896	896	896	700	700	700	0	0	450
TY Imp. from U.S.	36	0	36	0	0	0	0	0	0
Total Supply	11125	11105	11125	11975	12410	11975	2225	2710	13500
MY Exports	750	750	750	750	750	750	0	0	1000
TY Exports	1406	1406	1406	500	500	500	0	0	600
Feed Consumption	4400	4415	4400	4500	4500	4500	0	0	4550
FSI Consumption	4500	4530	4500	4500	4450	4500	0	0	4500
Total Consumption	8900	8945	8900	9000	8950	9000	0	0	9050
Ending Stocks	1475	1410	1475	2225	2710	2225	0	0	3450

Production

In an effort to balance corn supply and demand, South African commercial farmers cut the area planted to corn from 2.8 million hectares (ha.) in 2004 to 1.6 million ha. in 2005. As a result the commercial crop declined from 11.5 million tons to 6.6 million tons, alleviating the oversupply situation and bolstering prices. The better producer prices re-ignited interest in the industry, and as the cutback was not intended to be permanent; farmers increased the area planted again this season.

The preliminary estimate of the commercial area planted to corn in 2006 (the current crop, planted in 2006 to be harvested from May 2007) is about 2.7 million ha. 1.1 million ha. more than the area planted in 2005 but a little lower than expected.

The 2.7 million ha. planted to corn in 2006 is 3% lower than the earlier planting intentions forecast probably due to the late and erratic rainfall. As a result of the late rains plantings were delayed and some were done after the optimum planting windows. El Nino conditions were detected earlier this season and are still present. This phenomenon is often associated with reduced rainfall over parts of South Africa although this is not a foregone conclusion. The greatest impact is often between January and March, when the corn reaches the pollination stage requiring normal temperatures and ample rain. Conditions are currently critical, especially in the western areas, with high temperatures and erratic rainfall. General rains are needed

in the next two weeks to save the crop. Based on normal weather for the rest of the growing season the following forecast can be made:

CORN	2004 area 000ha	Yield MT/ha	Prod. '000 MT	2005 area 000ha	Yield MT/ha	Prod. '000 MT	2006 Area 000ha	Yield MT/ha	Prod. '000 MT
Commercial		Final			Est.			Fore.	
White	1,700	3.8	6,540	1,033	4.1	4,187	1710	3.5	6,000
Yellow	1,110	4.4	4,910	567	4.3	2,431	973	3.85	3,750
Total	2,810	4.1*	11450	1,600	4.1*	6,618	2,683	3.6	9,750
Small scale									
White	325	0.6	203	346	0.7	238	330	0.6	200
Yellow	89	0.7	63	86	0.9	79	87	0.6	50
Total	414	0.6	266	432	0.7	317	417	0.6	250
Total									
White	2,025	3.3	6,743	1,379	3.2	4,425	2,040	3.0	6,200
Yellow	1,199	4.1	4,973	653	3.8	2,510	1,060	3.6	3,800
TOTAL	3,224	3.6	11716	2,032	3.4	6,935	3,100	3.2	10000

*Both very high yields due to a over estimate in 2004 and the cutback in 2005 leading to only the better fields being planted under optimum conditions.

With the possibility of a crop failure for the crop planted in 2006 increasing due to the current drought and very high temperatures, the future looks uncertain. Domestic prices are already high and increasing and can go through the roof if it does not rain soon. International prices are also supporting the current high price levels. At this stage it is not clear if a bio ethanol plant will be operational by 2008 and no extra areas are expected to be planted this purpose in 2007.

The area to be planted later in 2007 will be influenced by the generally higher price levels and an increase in area planted can be expected. At this stage we can look at the possibility of a total of 3.2 million hectare planted again producing a crop in excess of 11 million tons. This depends on 'normal' weather over the next 15 months.

Consumption

Actual commercial consumption (through the silos) over the past two seasons follows:

'000MT	White	Yellow	Total	White	Yellow	Total
	My	04/05	May/April	My	05/06	
Human	3478	262	3740	3559	266	3825
Animal	733	2694	3427	543	2985	3528
Other	489	394	883	318	579	897
Total	4700	3350	8050	4420	3830	8250

As shown in the table white corn is mainly used for milling for human consumption (about 3.5 million tons annually) and yellow corn for feed

(Also about 3.5 million tons annually under normal conditions). Some of the yellow corn requirements can be substituted with white corn.

During MY 04/05, 733,000 tons of white corn was used for industrial and feed consumption but this declined to 543,000 tons in MY 05/06. The use of white corn was the result of the relative abundance of white corn and a shortage of yellow. Based on consumption from May to December 2006, feed use of white corn is only likely to reach 350,000 tons during the current, My 06/07 season. This is in spite of the fact that 35% of the deliveries graded lower than first grade and should thus be suited for feed use. The shortfall in yellow corn is made up by imports, but with the recent increase in world prices, this is expected to slow down, leading to increased use of lower grade white corn for feed.

The following table contains the final MY 05/06 supply and distribution

Corn PS&D	FAS 2004	MY2005/06	Final
1,000 MT	White	Yellow	Total
B/stocks	2400	745	3145
Production	6540	4910	11450
Retentions	430	965	1395*
Deliveries	6110	3945	10055
Imports	0	360	360
Supply	8510	5050	13560
Exports	1785	355	2140
Consumption	4425	3825	8250
E/stocks	2300	870	3170

*Implying that the crop was overestimated, normal retentions around 150,000 tons white and 350,000 tons yellow for a total of 500,000 mt.

The MY 2006/07 commercial supply and distribution scenario, based on the latest official crop estimate, and a 2007/08 forecast is shown in the following table.

MY May/April	FAS 2005	MY 2006/07	Estimate	FAS 2006	MY 2007/08	Forecast
1,000 MT	White	Yellow	Total	White	Yellow	Total
B/stocks	2300	870	3170	1490	30	1520
Production	4187	2431	6618	6000	3750	9750
Retentions	147	371	518	150	350	500
Deliveries	4040	2060	6100	5850	3400	9250
Imports	0	1000	1000	0	500	500
Supply	6340	3930	10,270	7340	3930	11270
Exports	500	100	600	850	50	900
Consumption	4350*	3800	8150	4400*	3800	8200
E/stocks	1490	30	1520	2090	80	2170

*Additional 200,000 tons of white corn used for feed.

The table shows that there will be a substantial carry over of white corn at the end of April 2007 (1.5 million mt.) and 2008 (2 million mt.). The relative over supply of

white corn and the under supply of yellow corn is clear. This is illustrated by the SAFEX prices shown below:

Rand/MT	US $/MT			
White corn	February 07	March 07	May 07	July 07
01/26/07	R1390=$193.1	R1394=$193.6	R1378=$191.4	R1336=$189.7
WOPT				
01/26/07	R1344=$186.7	R1360=$188.9		
Yellow corn				
01/26/07	R1575=$218.8	R1565=$217.4	R1435=$199.3	R1371=$190.4

March 07 white corn futures are currently selling at $194/mt. while yellow corn is $217/ton, a difference of $23/ton.

An indication of current import parity prices can be supplied.

01/19/2007; Yellow	US # 3 Corn, Gulf	Corn, Argentina
FOB value $/mt	177.39	166.00
Freight (20-30,000 mt)	51.00	43.00
Insurance	0.53	0.50
C.I.F. ($/mt)	228.92	209.50
Rand/mt	1634.03	1495.41
Financing cost R/mt	16.79	15.36
C.I.F and finance	1650.82	1510.77
Discharging costs		
Cape Town (grabs)	110	110
Durban (suction)	80	80
Import duty	0	0
F.O.R. Cape Town	1761	1621
Durban	1731	1591

It is clear that yellow corn can be imported to the coast at a competitive price mainly due to the high inland transport costs, about R185/ton from Randfontein to Durban and even more to Cape Town.

Trade

We prefer to use SAGIS data for our trade compilations as they are constantly corrected and updated. Exports for the past two seasons and sales to date are shown in the following table:

Exports	MY 04/05	MY 05/06	MY 06/07
WHITE CORN	May/April	May/April	May/Jan 26
Angola	33644	14162	3742
Benin		2278	
Botswana	112683	175708	85121
Cameroon		3001	
Chad		151	
Congo	216		280
Ghana		7683	
Kenya	129451		2792
Lesotho	112070	82851	59392
Madagascar	2382		495
Malawi		68204	159
Mali		2258	
Mozambique	48396	138702	27346
Namibia	43452	53956	26377
Somalia		3158	
Sudan		28272	
Swaziland	17968	31689	11079
Tanzania		10967	9289
Zambia		127813	35
Zimbabwe	209682	990795	105539
TOTAL	709,944	1,781,641	331,646
YELLOW CORN			
Angola	537	204	
Botswana	8205	20744	12535
Indonesia		49500	
Japan		113098	
Lesotho	6712	3843	5764
Malawi		359	
Mozambique	5488	11459	880
Namibia	13121	17261	14457
Swaziland	28434	35111	38248
Zambia		189	
Zimbabwe	653	10727	264
TOTAL	63,150	355,779	72,148
TOTAL CORN	773,094	2,137,420	403,794
Per month	64,400	178,100	44,900
IMPORTS Yellow			
Argentina	221,364	360,542	729,219
Per month	18,400	30,000	81,000

Southern African Customs Union (Botswana, Lesotho, Namibia and Swaziland) sales are the prime export market for the South African industry averaging about 400,000 tons, 340,000 tons white and 60,000 tons yellow per season. Mozambique and Zimbabwe are the other high potential markets.

The May/April 06/07 exports have been slow at an average of 45,000 tons per month mainly due to a lack of overseas buyers and a slowdown in sales to Zimbabwe. In MY 05/06 Zimbabwe bought 1.3 million tons at an average of 112,000 tons per month but then the foreign exchange dried up and sales to date in the new season averaged only about 11,700 tons per month. Zimbabwe is still in need of imports but the financial situation is critical.

Mexico has been putting out feelers for a reported 100,000 tons of white corn with no specific GMO requirements, which could bolster exports.

Import Trade Matrix

Country	South Africa		
Commodity	Corn		
Time Period	May/April	Units:	MT
Imports for:	2004/05		2005/06
U.S.	0	U.S.	0
Others		Others	
Argentina	221,364	Argentina	360542
Total for Others	221364		360542
Others not Listed	0		0
Grand Total	221364		360542

Export Trade Matrix

Country	South Africaf		
Commodity	Corn		
Time Period	May/April	Units:	MT
Exports for:	2004/05		2005/06
U.S.	0	U.S.	0
Others		Others	
Zimbabwe	210336	Zimbabwe	1001522
Botswana	120888	Botswana	196452
Mozambique	53884	Mozambique	150161
Lesotho	118782	Lesotho	86694
Namibia	56573	Namibia	71217
Swaziland	46402	Swaziland	66800
Angola	34181	Angola	14366
Kenya	129451	Zambia	128002
Japan	0	Japan	113098
Indonesia	0	Indonesia	49500
Total for Others	770497		1877812
Others not Listed	2597		259608
Grand Total	773094		2137420

Biotech corn

Planting of genetically modified (GM) corn increased its market share from 29 per cent of total South African corn planted in 2005 to 46 per cent in 2006, according to a survey submitted to the Maize Trust. The major unique trait remains insect resistance with 77 per cent of the total GM corn, while herbicide tolerant corn now stands at 23 per cent. In a related development, Monsanto's application for the approval of the use of the stacked genes, using the two previously approved traits mentioned above, gained official approval and will be available for planting in 2007. The following table contains the details:

Area planted '000 ha.	White corn	Yellow corn	Total corn
2004 Total	1,700	1,110	2,810
Biotech	147	263	410
%	8.65%	23.7%	14.6%
2005 Total	1,033	567	1,600
Biotech	281	175	456
%	27.2%	30.9%	28.5%
2006 Total est.	1,710	973	2,683
Biotech	704	528	1,232
%	41.2%	54.3%	45.9%

White GM corn showed the most dramatic increase from 8.6 per cent of total white corn area in 2004 to 41 percent in 2006. Yellow GM area planted grew from 24 per cent to 46 per cent of total yellow area.

Rice

Country	**South Africa**								
Commodity	**Rice, Milled**								
1000 HA	2005 Revised			2006 Estimate			2007 Forecast		
1000 MT	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	249	0	0	289	0	0	229	0	0
Milled Production	0	0	0	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0	0	0	0
Milling Rate (.9999)	0	0	0	0	0	0	0	0	0
MY Imports	850	805	764	800	810	800	0	0	825
TY Imports	800	805	764	800	810	800	0	0	825
TY Imp. from U.S.	0	1	1	0	2	0	0	0	0
Total Supply	1099	805	764	1089	810	800	229	0	825
MY Exports	10	27	26	10	25	25	0	0	25
TY Exports	10	27	26	10	25	25	0	0	25
Total Consumption	800	778	738	850	785	775	0	0	800
Ending Stocks	289	0	0	229	0	0	0	0	0
Total Distribution	1099	805	764	1089	810	800	0	0	800

South Africa does not produce rice, mainly due to the high water requirements of the crop in a generally dry country. Imports are duty free and consumption is based on the import data supplied by the WTA. Exports are small and regional. Imports, and consumption, are increasing as illustrated by the latest January to November data:

MT	Jan-Nov 2004	Jan-Nov 2005	Jan- Nov 2006
Thailand	551,287	462,601	400,579
India	98,344	243,346	353,299
China	899	382	7,594
Australia	2,372	2,452	3,990
Pakistan	1,998	2,170	3,047
U.S.	424	518	151
Others	5,401	3,695	2,914
TOTAL	660,725	715,164	771,574

Thailand is still the dominant supplier but India is taking a growing slice of the market while China is also beginning to show.

Import Trade Matrix

Country	South Africa		
Commodity	Rice, Milled		
Time Period	CY	Units:	MT
Imports for:	2004		**2005**
U.S.	462	U.S.	518
Others		Others	
Thailand	616284	Thailand	481180
India	121549	India	268635
Vietnam	48	Vietnam	4025
Australia	2625	Australia	2793
Pakistan	2192	Pakistan	2325
Brazil	170	Brazil	1298
Uruguay	1137	Uruguay	457
Total for Others	744005		760713
Others not Listed	5542		3188
Grand Total	750009		764419

Export Trade Matrix

Country	South Africa		
Commodity	Rice, Milled		
Time Period	CY	Units:	MT
Exports for:	2004		**2005**
U.S.	0	U.S.	0
Others		Others	
Zambia	6077	Zambia	3582
Congo DRC	3194	Congo DRC	5085
Angola	388	Angola	5257
Zimbabwe	2438	Zimbabwe	2289
Malawi	18	Malawi	8575
Mozambique	479	Mozambique	668
Total for Others	12594		25456
Others not Listed	1148		791
Grand Total	13742		26247