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Approved by:
Rachel Bickford
U.S. Embassy, South Africa

Prepared by:
Herman Germishuis

Report Highlights:
The corn crop planted in 2004 yielded 11.7 million tons causing an oversupply and a price collapse. As a result farmers voluntarily cut back the 2005 area planted by 45%. Favorable, but late rains, is helping to sustain high yields and we expect a 6.5 million ton crop. This will not be sufficient for domestic and regional demand and imports are expected to jump in 2006. Wheat and rice imports continue unabated.

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

SUMMARY

South Africa's grain industry is going through dramatic adjustments to become more competitive in the world market in the face of the strong and volatile South African Rand. The total area planted to summer crops dropped by 34% in 2005 while the area planted to corn dropped by 45% mainly due to a voluntary area cutback brought about by low prices. As a result a corn crop of 6.5 million tons is expected compared to the 11.7 million tons produced by the crop planted in 2004. This will change South Africa from a 2 million ton exporter in 2005/06 to a net importer in 2006/07.

Wheat and Rice imports continue unabated.

US$1 = Rand 6.20 (02/08/06)

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

CORN

PSD Table

Country	South Africa					
Commodity	Corn					
1000 HA	2004	Revised	2005	Estimate	2006	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		05/2005		05/2006		05/2007
Area Harvested	3223	3223	2600	1950	0	2800
Beginning Stocks	2956	2935	3572	2870	1372	720
Production	11716	11715	7500	6500	0	9275
TOTAL Mkt. Yr. Imports	150	270	200	700	0	255
Oct-Sep Imports	131	140	200	270	0	0
Oct-Sep Import U.S.	0	4	0	0	0	0
TOTAL SUPPLY	14822	14920	11272	10070	1372	10250
TOTAL Mkt. Yr. Exports	2300	2100	1000	400	0	550
Oct-Sep Exports	1517	1187	1500	1200	0	0
Feed Dom. Consumption	4300	4800	4200	4400	0	4500
TOTAL Dom. Consumption	8950	9950	8900	8950	0	9000
Ending Stocks	3572	2870	1372	720	0	700
TOTAL DISTRIBUTION	14822	14920	11272	10070	0	10250

Production

In late 2005 the National Crop Estimates Committee revised the 2004 commercial corn crop data. The following table compares the revised 2004 figures to the preliminary 2005 estimate and the forecast of the crop to be planted in 2006:

Com. Prod.	FAS 2004 Final		FAS 2005 Estimate		FAS 2006 Forecast	
	Area planted 1,000 ha.	Prod. 1,000 MT	Area planted 1,000 ha.	Prod. Estimate 1,000 MT	Area planted 1,000 ha.	Prod. Forecast 1,000 MT
White	1 700	6 541	954	3 700	1 500	5 300
Yellow	1 110	4 909	594	2 550	900	3 700
Total	2 810	11 450	1 548	6 250	2 400	9 000

The 2005 crop is causing concern. An area estimate done in mid January indicated that the total area planted on commercial farms only amounted to 1.55 million hectares, a decrease of 45% on the previous year and the lowest total in eighty years. The voluntary cutback in production was advocated by Grain SA to alleviate the oversupply and support the price. In addition to price pressure, the early part of the planting season was hot and dry delaying planting. Rainfall has improved since then and the rainfall to date has been favorable. The area planted to corn declined by 1.26 million ha. to 1.55 million compared to 2.8 million ha. in 2003 and 2004 and 3.2 million in 2002. This means that the current area planted to corn is less than half the area planted in 2002. Some additional plantings may have been done after the survey was completed. The Free State, North West and Mpumalanga are the main production areas. The cutback in the Free State amounted to 500,000 ha. The cutback in the North West Province was 420,000 ha. and 224,000 ha. was not planted in Mpumalanga.

The voluntary set aside was less successful in Mpumalanga where the rainfall arrived in time but some of the cutback in the Free State and North West may be due to late rains. The late planting is another reason why the 2004 yields are not likely to be achieved again this season while the possibility of early frosts hang over the eastern production areas. On the other hand yields have been improving lately, mainly due to favorable weather and technological improvements, but the cutback implies that only the high potential soils are being planted leading to the high yields.

In this annual report we also forecast the 2006 season, this is the crop to be planted from November 2006. As the 2005 situation is still very unsettled and an official estimate has not yet been made, we have to consider the possible after effects of the 2005 cutback in area planted. The current high prices are likely to restore some of the area to corn while we can only use recent average yields until the situation becomes clearer.

A production forecast based on normal rainfall from now on follows:

CORN	2004 area '000 ha.	Yield MT/ha	Prod. '000 MT	2005 area '000 ha.	Yield MT/ha	Prod. '000 MT	2006 Area '000 ha.	Yield MT/ha	Prod. '000 MT
Com.									
White	1,700	3.8	6,540	954	3.9	3,700	1,500	3.5	5,300
Yellow	1,110	4.4	4,910	594	4.3	2,550	900	4.1	3,700
Total	2,810	4.1	11450	1,548	4.0	6,250	2,400	3.8	9,000
Dev.									
White	325	0.6	203	326	0.6	200	325	0.6	200
Yellow	89	0.7	63	76	0.7	50	75	0.7	75
Total	414	0.6	266	402	0.6	250	400	0.6	275
Total corn									
White	2,025	3.3	6,743	1,280	3.0	3,900	1,825	3.0	5,500
Yellow	1,199	4.1	4,973	670	3.9	2,600	975	3.9	3,775
TOTAL	3,224	3.6	11716	1,950	3.3	6,500	2,800	3.3	9,275

Consumption

We include commercial silo deliveries for March and April in our delivery figure as, depending on the season, the new crop becomes available from March each year. We would normally expect to receive only a few thousand tons in January and February.

Commercial deliveries up to the end of December 2005 are shown in the following table:

Deliveries '000 MT	White corn	Yellow corn	Total corn
March 2005	18	53	71
April	37	104	141
May – Dec.	5,998	3,832	9,830
TOTAL	6,050	3,990	10,040
Crop estimate	6,540	4,910	11,450
Farm retentions	490	920	1,410

There is still more than 1.4 million tons of the revised 2004 crop unaccounted for. We can consider this as farm retentions although it is much higher than the usual 450,000 tons (100,000 tons white and 350,000 tons yellow) estimated to be retained on farms. It can be assumed that a portion of the additional retentions is being stored for later sale. If half of the additional retentions reach the market later this year it could amount to about 200,000 tons of white and 300,000 tons of yellow corn for a total of 500,000 tons.

A commercial PS&D based only on deliveries from March to December 2005 can be supplied to highlight the current situation.

FAS 2004	MY May05/April 06	Commercial S&D	'000 MT
'000 Metric tons	White	Yellow	Total
B/Stocks, May 1, 05	2345	590	2935
Revised Production	6540	4910	11450
Deliveries, March –Dec	6050	3990	10040
Farm retentions	490	920	1410
Imports	0	270	270
Total supply	8395	4850	13245
Expected exports	1750	350	2100
Expected consumption	4675	3600	8275
Ending stocks*	1970	900	2870

* Plus the additional stock available on farms, which could amount to 500,000 tons, 200,000 tons of white and 300,000 tons of yellow as shown above.

The analysis above includes imports, which resumed in January 2006 with 59,000 tons of yellow corn from Argentina. Further imports are foreseen before the end of the current season, as about 270,000 tons can be imported at a TRQ rebate of duty. Importers are also looking at the Biotech certificate requirements for white corn.

The smaller 2004 crop and the cutback in the 2005 crop will tighten up the supply situation and increase the demand for imports. With a commercial carry over of nearly 2.9 million tons at the end of April 2006 and a delivery forecast of about 5.8 million tons from the 2005 crop, total supply may reach 8.7 million tons compared to domestic demand of 8.2 million tons, a surplus of 500,000 tons. South Africa traditionally supplies its Customs Union neighbors with about 400,000 tons annually cutting the surplus to 100,000 tons. Minimum carry over stocks amount to about 700,000 tons creating the shortfall. We can give a 2006/07 PS&D forecast to illustrate the point.

FAS 2005 forecast	MY May 06/April 07	Commercial S&D	'000 MT
1,000 MT	White corn	Yellow corn	Total corn
B/Stocks	1970	900	2870
Crop forecast	3700	2550	6250
Farm retentions	100	350	450
Expected Deliveries	3600	2200	5800
Imports	0	700	700
Supply	5570	3800	9370
Exports*	350	50	400
Consumption	4700	3550	8250
E/Stock	520	200	720

*Exports to Customs Union members Botswana, Lesotho, Namibia and Swaziland only.

This analysis does not take other regional demand, (Zimbabwe, Zambia, Malawi and Mozambique) into account. These countries can, however, source imports from other origins but the situation is complicated by their demand for firstly white corn, and in the case of

Zimbabwe and Zambia, non-Biotech corn. This will put further pressure on South African white corn supplies. Some yellow corn may also be used in lieu of white for human consumption. The extra stocks from the 2004 crop, presumably still being held on farms, may also come in the picture.

Trade

In the meantime exports continue unabated with about 117,600 tons exported in the first four weeks of January. Zimbabwe continues to be the main market taking 59% of white corn exports through January 27 and is averaging more than 85,000 tons per month. Both Malawi and Zambia must pick up their rate of imports substantially over the next few months to avert famine. Current high price levels and clogged supply lines are slowing down the process. The high prices also killed off the possibility of major overseas sales as well as dampening the World Food Program's appetite for South African corn.
The following table compares South Africa's 2005/06 exports to date to the full season's 2004/05 sales.

Exports, MT	2004/05/01-2005/04/29	2005/05/01-2006/01/27
White corn		
Angola	33,644	13,344
Benin	0	2,278
Botswana	110,873	140,700
Cameroon	0	1,774
Congo	216	0
Ghana	0	7,638
Kenya	129,451	33,614
Lesotho	112,070	54,507
Madagascar	2,382	967
Malawi	0	41,849
Mali	0	2,258
Mozambique	48,044	107,824
Namibia	43,452	29,460
Sudan	0	28,272
Swaziland	17,968	18,805
Tanzania	0	10,000
Zambia	0	41,018
Zimbabwe	205,424	768,554
Total	703,524	1,302,862
Yellow corn		
Angola	430	204
Botswana	8,205	16,336
Indonesia	0	49,500
Iran	0	93,284
Japan	0	113,098
Lesotho	6,712	1,647
Mozambique	5,488	7,082
Namibia	12,500	14,017
Swaziland	28,434	24,703
Zambia	0	189
Zimbabwe	653	2,136
Total	62,422	322,196
Corn total	765,946	1,625,058

The increased 2005/06 sales are mainly due to increased Zimbabwean demand as well as sales to Indonesia, Iran and Japan done earlier when South African prices were still competitive.

Export Trade Matrix

Country	South Africa		
Commodity	Corn		
Time Period	May/April	Units:	MT
Exports for:	2003/04		2004/05
U.S.	0	U.S.	0
Others		Others	
Zimbabwe	413657	Zimbabwe	206077
Botswana	141515	Botswana	119078
Lesotho	130002	Lesotho	118782
Namibia	121769	Namibia	55952
Mozambique	90189	Mozambique	53532
Swaziland	55294	Swaziland	46402
Kenya	48150	Kenya	129451
Tanzania	34781	Angola	34074
Cape Verde	28840	Madagascar	2382
Madagascar	12381	Congo	216
Total for Others	1076578		765946
Others not Listed	36210		0
Grand Total	1112788		765946

Imports

South Africa only imported about 100,000 tons of yellow corn in MY 2004/05 while MY 2005/06 imports to date amount to 59,000 tons of yellow corn from Argentina, all arriving in January 2006. More imports are likely before the end of the marketing year at the end of April. The MY 2006/07 trade situation is still up in the air - in the analysis in the Consumption section we only showed 700,000 tons of yellow corn imports to supply in the domestic and customs union needs. More imports will be needed to supply in the regional demand for Non Biotech white corn but this will depend on the availability of white corn complying with South Africa's GMO requirements.

Import Trade Matrix

Country	South Africa		
Commodity	Corn		
Time Period	May/April	Units:	MT
Imports for:	2003/04		2004/05
U.S.	62474	U.S.	3484
Others		Others	
Argentina	470343	Argentina	96453
Total for Others	470343		96453
Others not Listed	30372		1007
Grand Total	563189		100944

The following table gives an indication of South Africa's import regime:

Indicative import parity prices:

	HRW # 2 wheat Gulf/MT	Argentina yellow corn/MT	#3 US corn Gulf/MT
FOB Value 03/06	160.35	110.00	107.95
Freight	31.00	29.00	31.00
Insurance	0.48	0.33	0.32
CIF	191.83	139.33	139.27
Rand/MT	1168.11	848.42	848.06
Financing cost	10.08	7.32	7.32
Discharging cost	110.82	110.82	110.82
Import tariff	18.53	22.91	22.91
FOR Port	R1308.54	R989.47	R989.11

It is clear from the figures that yellow corn can be imported to the coast at a competitive price. The Biotech requirement of only allowing corn containing the events registered for use in South Africa, effectively excludes US corn. The white corn requirement is similar but international supplies are limited and although the US does not produce GM white corn, the Non-GM certificate is difficult to obtain.

Prices

The main reason for the production cutback this year was the low SAFEX prices after harvest in 2005. In June both white and yellow corn prices for August, October and December were well below $100/ton, or R600/ton at the current exchange rate. This was due to the usual post harvest price slump and the commercial crop estimate of 12 million tons at that stage implying a big surplus. As the official crop estimate is mainly based on farmer's returns the Crop Estimates Committee cannot be blamed, especially as the market also seemed to support the estimate. Deliveries to the silos, however, disappointed while farmers increased farm retentions due to the low prices. Farmers claimed that the $100/ton was below their cost of production and decided to cut back the area planted in 2005. Grain SA was actually advising farmers not to plant at all. Basically international corn prices vary about 10% to either side of $100/ton. SAFEX is a much more volatile market with the March 06 white corn price nearly doubling from June to December 2005 and the yellow corn price increasing by 50%.
The following table shows current SAFEX futures prices.

Rand/MT	US$/MT			
White corn	December 05	March 06	August 05	October 05
06/27/05	R634=$94.5	R670=$99.9	R574=$85.5	R593=$88.4
07/27/05	R671=$100.9	R709=$106.6	R619=$122.6	R632=$107.8
08/31/05	R735=$114.0	R766=$118.8	May 06	R695=$107.8
09/30/05	R847=$133.4	R868=$136.7	R867=$136.5	R823=$129.6
11/03/05	R834=$125.4	R851=$128.0	R856=$128.7	July 06
11/30/05	R959=$147.5	R978=$150.5	R975=$150.0	R980=$150.8
12/27/05	September 06	R1227=$193.2	R1204=$189.6	R1195=$188.2
01/26/06	R1110=$185.0	R1076=$179.3	R1075=$179.2	R1091=$181.8
Yellow corn	December 05	March 06	August 05	October 05
06/27/05	R669=$99.7	R705=$105.1	R607=$90.5	R629=$93.7
07/27/05	R667=$100.3	R697=$104.8	R625=$94.0	R635=&95.5
08/31/05	R683=$105.9	R708=$109.8	May 06	R645=$100
09/30/05	R772=$121.6	R780=$122.8	R786=$123.8	R755=$118.9
11/03/05	R777=$116.8	R789=$118.6	R801=$120.9	July 06
11/30/05	R797=$122.6	R804=$123.7	R837=$128.8	R814=$125.2
12/27/05	September 06	R995=$156.7	R1005=$158.3	R1005=$158.3
01/26/06	R975=$162.5	R970=$161.7	R964=$160.7	R960=$160.0

Wheat	December 05	March 06	August 05	October 05
06/27/05	R1481=$220.7	R1521=$226.7	R1603=$238.9	R1580=$235.5
07/27/05	R1475=$221.8	R1520=$228.6	R1537=$231.1	R1542=$231.9
08/31/05	R1379=$213.8	R1429=$221.6	May 06	R1490=$231.0
09/30/05	R1421=$223.8	R1460=$229.9	R1473=$232.0	R1440=$226.8
11/03/05	R1463=$220.0	R1484=$223.2	R1520=$228.6	July 06
11/30/05	R1369=$210.6	R1401=$215.5	R1421=$218.6	R1432=$220.3
12/27/05	September 06	R1450=$228.3	R1464=$230.6	R1470=$231.5
01/26/06	R1430=$238.3	R1360=$226.7	R1380=$230	R1409=$234.8

WHEAT

PSD Table

Country	South Africa					
Commodity	Wheat					
1000 ha.	2004	Revised	2005	Estimate	2006	Forecast
1000 MT.	USDA [Old]	Post [New]	USDA [Old]	Post New]	USDA [Old]	Post [New]
Market Year Begin		10/2004		10/2005		10/2006
Area Harvested	830	830	800	801	0	870
Beginning Stocks	598	598	560	565	560	490
Production	1680	1680	1800	1840	0	2000
TOTAL Mkt. Yr. Imports	1396	1395	1300	1200	0	1000
Jul-Jun Imports	1407	1350	1300	850	0	1100
Jul-Jun Import U.S.	270	265	0	250	0	0
TOTAL SUPPLY	3674	3673	3660	3605	560	3490
TOTAL Mkt. Yr. Exports	324	322	350	325	0	325
Jul-Jun Exports	338	350	350	325	0	320
Feed Dom. Consumption	10	27	10	25	0	15
TOTAL Dom. Consumption	2790	2786	2750	2790	0	2805
Ending Stocks	560	565	560	490	0	360
TOTAL DISTRIBUTION	3674	3673	3660	3605	0	3490

Production

The sixth official estimate of the 2005 wheat crop is 1.84 million tons. The expected yield is 2.3 MT/ha. The production estimate for the Western Cape is 645,000 tons at 2.15 MT/ha. and the Free State 551,000 MT at 1.45 MT/ha. The total area planted is unchanged at 800,500 ha. The 2006 wheat crop to be planted from June may be affected by the recent cutback in area planted to corn. In the Free State alone 500,000 hectares were not planted to corn and is now laying fallow after very good rains. In 2004, 353,000 hectares were planted to wheat in the Free State and 380,000 in 2005. This could increase to 450,000 this year pushing the total area to be planted to about 870,000 ha. and a potential 2 million ton crop.

Consumption

Commercial human consumption increased by 3.1% from 2.652 million tons in MY 2003/04 to 2.734 million tons in MY 2004/05. The following table contains the commercial consumption figures on the October/September marketing year basis:

'000 MT	2003/04			2004/05		
	Human	Feed	Total	Human	Feed	Total
Human	2652	0	2652	2734	0	2734
Feed	1	0	1	0	2	2
Withdrawn	13	2	15	8	1	9
Seed	18	3	21	16	0	16
Total	2684	5	2689	2758	3	2761

Imports

Imports increased from 1.278 million tons in 2003/04 to 1.394 million tons in 2004/05 and are expected to reach 1.2 million tons in 2005/06.

MT	MY 03/04	Oct./Sept.		MY 04/05	Oct/Sept	
	For Africa	For RSA	Total	For Africa	For RSA	Total
Argentina	73 816	268 218	342 034	111 654	574 600	686 254
USA	146 660	413 429	560 089	43 078	281 165	324 243
Australia		298 504	298 504		154 112	154 112
Germany	3 873	12 199	16 072	12 603	115 332	127 935
Canada	13 767		13 767		43 766	43 766
Ukraine					29 935	29 935
UK		22 420	22 420		27 586	27 586
France	2	25 016	25 016			
TOTAL	238 116	1 039786	1 277 902	167 335	1 226 496	1 393 831

South Africa imported about 116,000 tons more in 2004/05 than in 2003/04. Although the US share sunk from 43% to 23%, U.S. exports to Southern Africa still reached 324,000 tons.

Import Trade Matrix

Country	South Africa		
Commodity	Wheat		
Time Period	Oct/Sept	Units:	MT
Imports for:	2003/04		2004/05
U.S.	560089	U.S.	324243
Others		Others	
Argentina	342034	Argentina	686254
Australia	298504	Australia	154112
Germany	16072	Germany	127935
Canada	13767	Canada	43766
UK	22420	Ukraine	29935
France	25016	UK	27586
Total for Others	717813		1069588
Others not Listed			
Grand Total	1277902		1393831

Imports during the 2005/06 season continue unabated, from October 1 to January 27, 404,977 tons were imported. The following table contains the details.

From	For Africa	For RSA	Total
USA	19,674	78,201	97,875
Australia		59,927	59,927
Argentina	9,097	73,123	82,220
Germany	31,164	80,560	111,724
Ukraine		53,231	53,231
Total	59,935	345,042	404,977

Exports

Metric tons	2003/04	2004/05
Botswana	88 559	77 033
Lesotho	74 656	75 956
Swaziland	40 634	34 543
Zimbabwe	102 598	40 738
Zambia	37 430	55 826
Namibia	12 622	16 904
Total	356 499	301 000
Products	23 001	21 000
Grand total	379 500	322 000

Whole grain exports only reached 301,000 tons in 2004/05 after 356,000 tons were exported in 2003/04. Product export data are added for a total of 322,000 tons in 2004/05 including 135,000 tons of SA origin wheat, the same as in 2003/04.

Export Trade Matrix

Country	South Africa		
Commodity	Wheat		
Time Period	Oct/Sept	Units:	MT
Exports for:	2003/04		2004/05
U.S.	0	U.S.	0
Others		Others	
Botswana	88559	Botswana	77033
Lesotho	74656	Lesotho	75956
Swaziland	40634	Swaziland	34543
Zimbabwe	102598	Zimbabwe	40738
Zambia	37430	Zambia	55826
Namibia	12622	Namibia	16904
Total for Others	356499		301000
Others not Listed	0		0
Grand Total	356499		301000

Rice

Country	South Africa,					
Commodity	Rice, Milled					
1000 HA	2004	Revised	2005	Estimate	2006	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		01/2004		01/2005		01/2006
Area Harvested	0	0	0	0	0	0
Beginning Stocks	195	0	249	0	239	0
Milled Production	0	0	0	0	0	0
Rough Production	0	0	0	0	0	0
MILLING RATE (.9999)	0	0	0	0	0	0
TOTAL Imports	818	750	800	805	0	810
Jan-Dec Imports	800	750	750	805	0	810
Jan-Dec Import U.S.	0	1	0	1	0	2
TOTAL SUPPLY	1013	750	1049	805	239	810
TOTAL Exports	14	14	10	27	0	25
Jan-Dec Exports	10	14	10	27	0	25
TOTAL Dom. Consumption	750	736	800	778	0	785
Ending Stocks	249	0	239	0	0	0
TOTAL DISTRIBUTION	1013	750	1049	805	0	810

We will elaborate on the rice situation as soon as the full annual trade data becomes available.

Import Trade Matrix

Country	South Africa		
Commodity	Rice, Milled		
Time Period	Jan-Dec	Units:	MT
Imports for:	2003		2004
U.S.	69744	U.S.	462
Others		Others	
Thailand	390076	Thailand	616284
India	316152	India	121549
Australia	1948	Australia	2625
Pakistan	2233	Pakistan	2192
Uruguay	2839	Uruguay	1137
China	1683	China	917
Total for Others	714931		744704
Others not Listed	6127		4843
Grand Total	790802		750009

Export Trade
Matrix

Country	South Africa		
Commodity	Rice, Milled		
Time Period	Jan-Dec	Units:	MT.
Exports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
Zambia	5632	Zambia	6077
Congo	1329	Congo	3914
Zimbabwe	4020	Zimbabwe	2438
Mozambique	701	Mozambique	479
Total for Others	11682		12908
Others not Listed	1039		834
Grand Total	12721		13742