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# **South Africa, Republic of**

## **Grain and Feed**

### **Monthly Update, December 2002**

### **2002**

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#### **Report Highlights:**

**South Africa's corn production is likely to fall in 2003 as a result of reduced rainfall during the current planting season. Nevertheless, barring a continued devastating drought, higher than expected carryover stocks will help supply domestic consumption over the next year. Domestic corn prices, increasingly tied to international price levels, will likely be held down by the stronger Rand. Financial constraints in the famine stricken countries in the region will limit South Africa's role in the regional humanitarian response.**

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

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## Executive Summary

The next ten days up to December 15 will be critical for South Africa's 2002 corn crop. Weather conditions to date include very little rain and high temperatures. Planting has been delayed, was done in dry soil, areas have not been planted at all while young plants are suffering. Even if conditions improve dramatically the yield potential has already been compromised. Weather forecasts has been contradictory with an El Nino forecasted for later in the season. Under these circumstances credible forecasting is not possible but we have used a 7.5 million ton crop, down 1.75 million tons on the previous season, for analytical purposes. The potential crop range is between 3.5 and 8.5 million tons depending on weather developments.

Fortunately, if current trade and consumption patterns continue, the carry over at the end of April 2003 could exceed 1.5 million tons. With domestic needs of 7.8 million tons a crop of 6.2 million tons should suffice. In the South African free market environment the trade will cover the mainly yellow corn shortfall. The regional famine has, to date, not created meaningful extra commercial demand and is not likely to do so. Sales to aid agencies to date totals about 150,000 tons of the 1.1 million tons expected to be exported during the current season. Commercial demand from the famine stricken area is limited by financial constraints.

US Dollar 1 = Rand 9.15 (12/05/2002)

[www.sagis.org.za](http://www.sagis.org.za)

[www.graansa.co.za](http://www.graansa.co.za)

[www.safex.co.za](http://www.safex.co.za)

[www.fews.net](http://www.fews.net)

[www.wfp.org](http://www.wfp.org)

[www.grains.org](http://www.grains.org)

## Corn

| PSD Table              |                           |         |             |         |                    |         |
|------------------------|---------------------------|---------|-------------|---------|--------------------|---------|
| Country                | South Africa, Republic of |         |             |         |                    |         |
| Commodity              | Corn                      |         |             |         | (1000 HA)(1000 MT) |         |
|                        | Revised                   | 2000    | Preliminary | 2001    | Forecast           | 2002    |
|                        | Old                       | New     | Old         | New     | Old                | New     |
| Market Year Begin      |                           | 05/2001 |             | 05/2002 |                    | 05/2003 |
| Area Harvested         | 3225                      | 3223    | 3350        | 3350    | 3600               | 3300    |
| Beginning Stocks       | 2041                      | 2040    | 490         | 475     | 790                | 1600    |
| Production             | 7483                      | 7500    | 9100        | 9250    | 9500               | 7500    |
| TOTAL Mkt. Yr. Imports | 395                       | 395     | 800         | 700     | 250                | 1000    |
| Oct-Sep Imports        | 0                         | 0       | 750         | 700     | 650                | 650     |
| Oct-Sep Import U.S.    | 0                         | 0       | 0           | 414     | 0                  | 150     |
| TOTAL SUPPLY           | 9919                      | 9935    | 10390       | 10425   | 10540              | 10100   |
| TOTAL Mkt. Yr. Exports | 1281                      | 1280    | 1600        | 1100    | 1800               | 1000    |
| Oct-Sep Exports        | 1415                      | 1415    | 1200        | 1300    | 1700               | 1400    |
| Feed Dom. Consumption  | 4148                      | 3590    | 4000        | 3500    | 4000               | 3525    |
| TOTAL Dom. Consumption | 8148                      | 8180    | 8000        | 7725    | 8000               | 7800    |
| Ending Stocks          | 490                       | 475     | 790         | 1600    | 740                | 1300    |
| TOTAL DISTRIBUTION     | 9919                      | 9935    | 10390       | 10425   | 10540              | 10100   |

## Production

At this stage it is impossible to make a credible forecast of the 2002 corn crop still being planted. The main problem is the very severe early season drought. Johannesburg recorded the lowest rainfall in history for November, coupled with very high temperatures. This has been the general pattern in the summer rainfall area. In the east the optimum planting dates have passed with some areas not planted, while dry soil was planted where the plants have not yet emerged. Young plants which have emerged are stressed by both a lack of moisture and the heat. The situation is basically the same in the central and western growing areas although planting can continue up to mid December. A final analysis of the total area planted can thus not yet be made although the late planting will have a negative effect on the potential yield. There has been some rain in the Free State over the past few days which should allow planting to continue and save some of the young crop. However, widespread rain is urgently needed in the next 10 days to save the crop. Weather predictions have been contradictory, forecasting an El Nino effect later in the season, which seems to have arrived early. Weather patterns in Southern Africa are notoriously fickle with the tropical convergence originating in the Congo the main carrier of summer rainfall to the grain areas. This could change overnight and rainfall could improve but considerable damage has already been done.

Our crop estimate is based on "normal" conditions for the rest of the season and is basically only setting a parameter for the Supply and Distribution analysis. The final crop could be anywhere between 3.5 and 8.5 million tons depending on the weather for the rest of the growing season. The following table contains the

forecast:

| CORN                   | Area planted 2001 | Final Estimate | Intended area 2002 | Production forecast |
|------------------------|-------------------|----------------|--------------------|---------------------|
| Commercial             | '000 ha.          | '000 mt.       | '000 ha.           | '000 mt.            |
| White corn             | 1 722             | 5 066          | 2 000              | 4 875               |
| Yellow corn            | 1 111             | 3 716          | 1 000              | 2 475               |
| Total corn             | 2 833             | 8 782          | 3 000              | 7 350               |
| Developing agriculture |                   |                |                    |                     |
| White                  | 408               | 245            | 250                | 125                 |
| Yellow                 | 109               | 72             | 50                 | 25                  |
| Total                  | 517               | 317            | 300                | 150                 |
| Total corn             |                   |                |                    |                     |
| White                  | 2 130             | 5 311          | 2 250              | 5 000               |
| Yellow                 | 1 220             | 3 787          | 1 050              | 2 500               |
| Total corn             | 3 350             | 9 099          | 3 300              | 7 500               |
| Delivery estimate      |                   | 9 250          |                    | 7 500               |

## Consumption

While the report PS&D includes the crop in the developing sector, the commercial PS&D, based on actual deliveries to the silos, is key to analyzing the market.

South Africa: Corn commercial PS&D based on actual deliveries.

|              | FAS 2000 | May 2001 to | April 2002 | FAS 2001Est | May 2002 to | April 2003 |
|--------------|----------|-------------|------------|-------------|-------------|------------|
| '000 mt.     | White    | Yellow      | Total      | White       | Yellow      | Total      |
| B/stocks     | 1245     | 795         | 2040       | 255         | 220         | 475        |
| Total Prod.* | (4300)   | (3200)      | (7500)     | (5310)      | (3790)      | (9100)     |
| Deliveries   | 4360     | 2910        | 7270       | 5400        | 3850        | 9250**     |
| Imports      | 45       | 350         | 395        | 300         | 400         | 700        |
| Supply       | 5650     | 4055        | 9705       | 5955        | 4470        | 10425      |
| Exports      | 760      | 520         | 1280       | 750         | 350         | 1100       |
| Dom. use     | 4635     | 3315        | 7950       | 4205        | 3520        | 7725       |
| E/stocks     | 255      | 220         | 475        | 1000        | 600         | 1600       |

\*\* Including early deliveries of 305,000 tons white and 420,000 tons yellow totaling 725,000 tons.

An important factor here is that the FAS 2001 deliveries again exceed the total crop estimate by 150,000 tons and the commercial crop estimate by 470,000 tons, adding considerably to the available commercial supplies. In addition, May to October 2002 domestic disappearance of about 3.8 million tons, was about 200,000 tons less than in the corresponding period in the previous season. This is in spite of milled product exports (included in local consumption) jumping by 30,000 tons to 50,000 tons. Whole grain exports also slowed from 620,000 tons in the first half of the previous season, to 570,000 tons. This yields a total saving of about 250,000 tons mainly brought about by the higher local prices. This trend is likely to continue through the second half of the season.

Total imports for the current season are still expected to reach about 700,000 tons although white corn imports are estimated 100,000 tons lower at 300,000 tons (some contracts were cancelled), while yellow corn imports are expected to increase to about 400,000 tons. Commercial domestic disappearance is expected to reach 7.725 million tons compared to 7.95 million in the previous season. Exports are estimated at 1.1 million tons leaving a 1.6 million ton carry over.

A similar S&D forecast can be made for the new, FAS 2002 (MY 2003/04) season:

|                  | FAS 2002 Forecast | My May 2003 to | April 2004 |
|------------------|-------------------|----------------|------------|
| '000 metric tons | White             | Yellow         | Total      |
| Beginning stocks | 1,000             | 600            | 1,600      |
| Production       | 5,000             | 2,500          | 7,500      |
| Imports          | 150               | 850            | 1,000      |
| Total supply     | 6,150             | 3,950          | 10,100     |
| Exports          | 850               | 150            | 1,000      |
| Consumption      | 4,300             | 3,500          | 7,800      |
| Ending stocks    | 1,000             | 300            | 1,300      |

It is clear that if the 1.6 million ton carry over at the end of April 2003 materializes, South Africa needs to produce only 6.2 million tons to supply its domestic demand of about 7.8 million tons, while a crop of only 3.3 million ton white corn will be needed for domestic use. To produce 3.3 million tons of white corn on the 2 million hectare earmarked for white corn should not be impossible even under the worst weather conditions. It must be taken into account that more than 70,000 hectare, mainly white corn, is irrigated which could easily produce 700 to 800,000 tons. The 7.5 million ton crop forecast will even allow considerable exports.

What is even more significant is that the main shortfall will be yellow corn which is widely available on the world market.

The picture is complicated if we look at local prices:

|            | Nov. 2002          | December          | March 2003        | May 2003          | July 2003         |
|------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| November 1 | R10 = \$ 1         |                   |                   |                   |                   |
| White corn | R1790/ton<br>\$179 | R1816<br>\$181.60 | R1872<br>\$187.20 | R1847<br>\$184.70 | R1786<br>\$178.60 |
| Yellow     | R1410/ton<br>\$141 | R1434<br>\$143.40 | R1473<br>\$147.30 | R1523<br>\$152.30 | R1538<br>\$153.80 |
| December 4 | R9.25 = \$1        |                   |                   |                   |                   |
| White corn |                    | R1838<br>\$198.70 | R1908<br>\$206.27 | R1930<br>\$208.65 | R1958<br>\$211.67 |
| Yellow     |                    | R1332<br>\$144.00 | R1364<br>\$147.45 | R1405<br>\$151.90 | R1443<br>\$156.00 |

Since November 1 the Rand has appreciated almost 10% against the Dollar going from 10 to 1 to 9.07 to 1 on December 4. The yellow corn price closely follows import parity and decreased in Rand terms but stayed virtually constant in Dollar terms. The white corn price increased in both Rand and Dollar terms over the month implying a perceived greater future shortage of white corn than yellow while the opposite is probably true.

Indicative import parity prices can be supplied:

| Nominal December Corn prices | US #2 Yellow, 15% moisture | US White # 2, 15% moisture |
|------------------------------|----------------------------|----------------------------|
| FOB Gulf                     | \$113                      | \$ 162                     |
| Freight rate                 | \$19                       | \$19                       |
| CIF                          | \$132.30                   | \$181.50                   |
| Rand/ton @ R9.25             | R1223.78                   | R1678.88                   |
| Financing 17% prime, 1 month | R17.34                     | R23.78                     |
| Discharging cost             | R69.86                     | R69.86                     |
| Import tariff                | 0                          | 0                          |
| F.O.R. Durban                | R1310.98                   | R1772.82                   |

This yellow corn import parity cost of about R1311/ton in Durban compares well with the local December price of R1332/ton, although the local price is set at Randfontein, 400 miles inland. The white corn local price of R1838/ton is well above the import parity price of R1773/ton.

## Trade

Whole grain exports to date this season compare as follows with the previous season:

| EXPORTS  | May-October | 2001   |       | May-October | 2002   |       |
|----------|-------------|--------|-------|-------------|--------|-------|
| '000 Mt. | White       | Yellow | Total | White       | Yellow | Total |
| Overland | 212         | 31     | 243   | 332         | 149    | 481   |
| By sea   | 75          | 303    | 378   | 7           | 30     | 37    |
| Total    | 287         | 334    | 621   | 339         | 179    | 518   |

While total exports for the first half of the current season dropped by more than 100,000 tons compared to the previous season, the nature of the trade also changed. In 2001 South Africa still exported some 380,000 tons, mainly GMO free corn, to overseas destinations but this market fell away in 2002 mainly due to high local prices.

Overland sales to neighboring states virtually doubled to 480,000 tons over the same period with the bulk of the

sales being white corn. The 240,000 ton increase in regional sales to date includes about 150,000 tons of both white and yellow corn bought by relief agencies. "Normal" regional demand including sales to the Customs Union members is about 700,000 tons per year. The effective commercial demand from the drought stricken countries themselves has thus been limited and financial constraints are likely to limit this demand even further for the rest of the season. This reasoning explains our seasonal export estimate of 1.1 million tons, 750,000 tons of white corn and 350,000 tons of yellow.

**Wheat**

|           |                           |  |  |  |  |  |
|-----------|---------------------------|--|--|--|--|--|
| PSD Table |                           |  |  |  |  |  |
| Country   | South Africa, Republic of |  |  |  |  |  |



| Commodity              | Wheat   |         |             |         | (1000 HA)(1000 MT) |         |
|------------------------|---------|---------|-------------|---------|--------------------|---------|
|                        | Revised | 2000    | Preliminary | 2001    | Forecast           | 2002    |
|                        | Old     | New     | Old         | New     | Old                | New     |
| Market Year Begin      |         | 10/2000 |             | 10/2001 |                    | 10/2002 |
| Area Harvested         | 934     | 934     | 959         | 959     | 940                | 941     |
| Beginning Stocks       | 550     | 536     | 599         | 571     | 639                | 583     |
| Production             | 2349    | 2353    | 2490        | 2416    | 2400               | 2292    |
| TOTAL Mkt. Yr. Imports | 550     | 499     | 500         | 564     | 500                | 500     |
| Jul-Jun Imports        | 550     | 539     | 500         | 500     | 500                | 370     |
| Jul-Jun Import U.S.    | 0       | 23      | 0           | 20      | 0                  | 25      |
| TOTAL SUPPLY           | 3449    | 3388    | 3589        | 3551    | 3539               | 3375    |
| TOTAL Mkt. Yr. Exports | 200     | 232     | 250         | 246     | 250                | 250     |
| Jul-Jun Exports        | 221     | 205     | 250         | 270     | 250                | 300     |
| Feed Dom. Consumption  | 10      | 60      | 10          | 50      | 10                 | 50      |
| TOTAL Dom. Consumption | 2650    | 2585    | 2700        | 2722    | 2700               | 2700    |
| Ending Stocks          | 599     | 571     | 639         | 583     | 589                | 425     |
| TOTAL DISTRIBUTION     | 3449    | 3388    | 3589        | 3551    | 3539               | 3375    |

No major changes to report.