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A revolution in maize production

The agricultural outlook for 2005 depends on rainfall. The forecast of an El Nino effect indicates below-normal rainfall and higher-than-usual temperatures. This follows well below-normal winter rainfall in the Western Cape and low dam levels, with some areas already under water restrictions. In summer rainfall areas, rains came late and by end-November plantings had only been done in the eastern production areas.

However, some forecasters are relatively optimistic, pointing to the good yields last season despite below-normal rainfall in most areas.

Most prices - excepting vegetables - are not expected to increase much as they are already trading close to import parity, pulled down by the strong rand.

Crop estimates

The final maize crop estimate in October 2004 for the past season was 24% higher than the first estimate; the sorghum crop was 69% higher; and the soybean crop 48% higher. This resulted in the Crop Estimates Committee (CEC) being heavily criticised.

However, the conclusion of the debate was that grain production technology in SA has changed significantly over the past few years, increasing potential yields despite the adverse weather.

Factors that led to improved yields were a new generation of hardier cultivars; improved plant feeding technology where yields, fertiliser applications, etc, are planned with the help of satellite technology; better land preparation; a change in the application of chemicals due to GMOs (genetically modified organisms); a new generation of machinery; and less drought risk (especially with more land under irrigation at higher yields).

The result of these changes has been profound. Given the current 4.7m hectares under grain and oilseeds, indications are that crop sizes will continue to grow - especially maize, where a rising surplus above domestic needs will force prices down and enable SA's exports to compete with subsidised US exports.

However, given the problems with SA's transport and harbour infrastructure, costs are becoming prohibitive - apart from the lack of capacity to export 3m tons.

Calculations indicate that maize plantings, for example, should be reduced by at least 20% or 400,000-500,000ha to balance the market.

However, maize planting intentions for the new season indicate a 15.3% increase to 3.051m hectares, or a crop of 9-10m tons. This could give a stocks-to-usage ratio of 45%, against 35% in 2004.

Domestic prices were trading at close to import parity at end-November. Even in the worst case scenario of a severe drought, the potential for higher prices is limited. The continuous strength of the rand has pulled import parity considerably lower over the past year.

Sorghum planting intentions indicate the same area as last year - 118,000ha. The current crop of 360,000t is much larger than the domestic need.

Although the wheat crop is larger than last year's crop of 1.8m tons, imports of 900,000t will be needed. The planted area was raised by 14%, but drought in the Free State and Western Cape reduced yields to below break-even for producers. Prices dropped because of lower international prices and a stronger rand, leaving little room for price increases. Bread prices should now fall!

Oilseed planting intentions indicate a 9% decline; soybean planting intentions indicate an increase of 27%. Groundnut planting intentions are unchanged. SA will remain a net importer of oilseeds products, with local prices trading at import parity. Domestic price levels are falling in line with the fall in international prices due to record world crops.

Livestock

The supply of animals for slaughter increased substantially during the winter and early summer due to a lack of grazing. The decline in herd numbers will limit the supply of slaughter animals in 2005, while demand for meat remains relatively strong, driven by strong economic growth.

Domestic prices are at import price levels, though they are falling because of the strengthening rand. Import volumes are expected to grow in 2005, helping to restrain domestic prices.

In dairy, farmgate price levels have fallen, driven by the lower import prices and an increase in production (although this has not been reflected in retail prices).

The vegetable supply will be reduced this summer because a lack of irrigation water in production areas.

High temperatures will limit production. This could result in higher prices.

COMMODITY	LATEST PRICES (Brackets: 2-month ago prices)	YEAR-AGO PRICES	SHORT RUN PRICE TONE
White Maize (ex silo)	998 (977)	924	Sideways/lower
Yellow maize (ex silo)	988 (994)	981	Sideways/lower
Sorghum	908 (945)	1 037	Sideways/lower
Wheat (ex silo, Randfontein)	1 876 (1 448)	1 679	Sideways
Sunflowerseed (ex silo, Randfontein)	2 222 (2 129)	2 051	Lower
Soyabeans	1 852 (1 903)	2 564	Lower
Ground Nuts (Handpicked Quality)	4 000 (4 000)	5 000	Lower
Beef (Class A) (R/kg)	14.83 (14.28)	12.98	Sideways/lower
Lamb (Class A) (R/kg)	24.48 (23.37)	23.00	Sideways/lower
Pork (Porkers) (R/kg)	12.92 (11.82)	11.74	Sideways/lower
Broilers (Frozen) (R/kg)	10.39 (10.06)	10.36	Sideways/lower
Milk (Producer) (R/litre)	1.70 (1.70)	1.87	Sideways/lower
Potatoes (Class 1 Medium), (R/10kg bag)	18.60 (12.78)	23.03	Sideways/higher