



agriculture,  
forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

# Grain Markets Early Warning Report

No. 1 of 2015

## Summary

- Production volumes for maize and sorghum are projected to decline significantly due to drought in major producing regions.
- Total supply for wheat increased despite a decline in production. The higher supply volumes were fuelled by imports from the black sea region.
- The inventories for maize and sorghum to decline on the back of lower production while those for wheat and soybean are projected to increase slightly. However the total supply for maize and sorghum is still expected to be sufficient to meet the local demand, although on a very tight note.
- Prices for soya beans are projected to decline slightly in the short run in response to a comfortable supply outlook.
- Prices for sorghum are expected to fluctuate slightly in an upward trend for the next several months while the price for maize is expected to increase marginally until later in the year.

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# 1. Domestic Supply-Demand Outlook

## 1.1 Maize

Marketing Season: April to May	Actual for 2013/14	Projection 2014/15	Projection 2015/16
Tons			
Production	11 810 600	14 250 000	9 665 290
Opening Stocks	1 417 393	589 028	2 301 019
<b>Total Supply</b>	<b>12 611 678</b>	<b>14 522 019</b>	<b>12 061 309</b>
<b>Total Demand</b>	<b>12 022 650</b>	<b>12 221 000</b>	<b>10 106 000</b>
Closing Stocks	589 028	2 301 019	1 215 309
Days' stock	23	86	45

Source: NAMC, Supply and Demand Estimates Committee

## 1.2 Sorghum

Marketing Season: March to April	Actual for 2013/14	Projection for 2014/15	Projection for 2015/16
Tons			
Production	147 200	265 000	178 700
Opening Stocks	56 015	50 069	119 944
<b>Total Supply</b>	<b>251 652</b>	<b>332 794</b>	<b>299 144</b>
<b>Total Demand</b>	<b>201 583</b>	<b>212 850</b>	<b>200 550</b>
Closing Stocks	50 069	119 944	98 594
Days' stock	190	271	218

Source: NAMC, Supply and Demand Estimates Committee

## 1.3 Wheat

Marketing Season: Oct to Sept	Actual for 2013/14	Projection for 2014/15	10 year Average
Tons			
Production	1 870 000	1 775 534	1852 800
Opening Stocks	651 180	488 526	593818
<b>Total Supply</b>	<b>3 974 646</b>	<b>4 043 060</b>	<b>3701653</b>
<b>Total Demand</b>	<b>3 486 120</b>	<b>3 474 005</b>	<b>3148628</b>
Closing Stocks	488 526	569 055	553025
Processed p/month	264 653	265 000	2409041
Days' stock	56	65	69

Source: NAMC, Supply and Demand Estimates Committee

## 1.4 Soya Beans

Marketing Season: March to February	Actual for 2013/14	Projection for 2014/15	Projection for 2015/16
Tons		Tons	
Production	784 500	948 000	938 350
Opening Stocks	68 639	61 806	94 036
<b>Total Supply</b>	<b>833 613</b>	<b>1 089 806</b>	<b>1 154 886</b>
<b>Total Demand</b>	<b>771 807</b>	<b>995 770</b>	<b>1 059 900</b>
Closing Stocks	61 806	94 036	94 986
Days' stock	30	35	33

- **Production:** On 26 February 2015 the Crop Estimate Committee released the first crop estimate for 2015 production season (2015/16 marketing season). The maize crop is estimated at 9.665 million tons, which is 32.17% lower compared to the previous season.
- The 2014/15 season is projected to close with higher maize inventories of about 2.3 million tons which, together with imports, are expected to supplement the lower production of the next season.
- The 2015/16 season is projected to close with about 1.2 million tons, which is a sufficient buffer stock for the market.

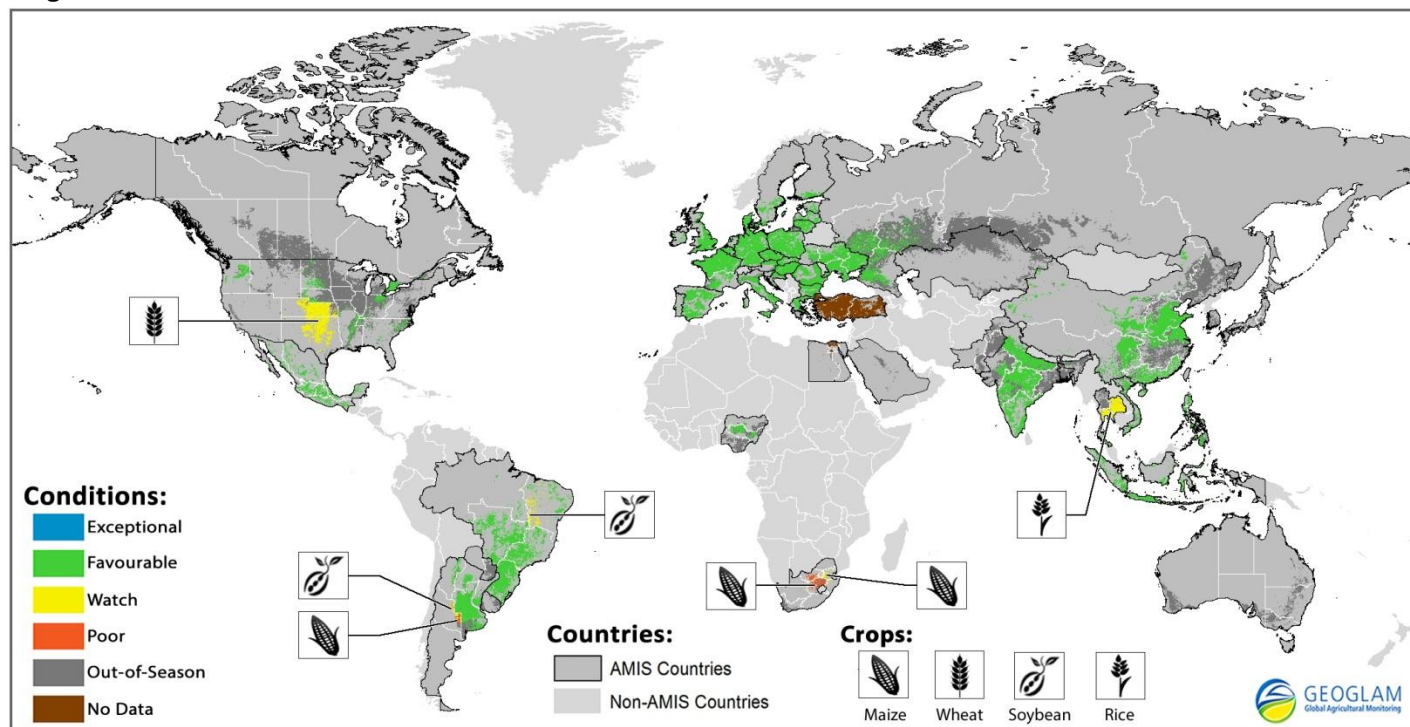
- Sorghum **production volume** for 2015/16 marketing season is also projected to decline by 32.57% compared to 2014/15 for the same reasons as maize..
- Although sorghum production volumes for the current season are projected at lower levels, the larger carryover stocks from the previous season (2014/15) are expected to boost the domestic supply situation.
- The closing stocks in the current season are expected to decline significantly compared to the previous season. However this is above the pipeline requirement. The local market is therefore expected to be in a comfortable situation with regard to sorghum in 2015/16 marketing season.
- Production volumes for wheat are projected to decline 5.05% in 2014/15 season compared to the previous season on the back of slight declines in area planted.
- Despite a slight decline in production volume, wheat supply is expected to increase by about 1.72%, driven mainly by influx of imports originating from the Black Sea Region.
- On the other hand, demand for wheat is projected to decline by 0.34% driven by a decline in quantities of wheat exported to other regions.
- The closing inventories for wheat are expected to ease slightly compared to the previous season.

- **Production volume** for soya beans increased significantly in 2014/15 season compared to 2013/14 (20.37%). The production is projected to decline slightly in 2015/16 season to 938 350.
- **Supply** for the product is projected to increase by about 6% in 2015/16 on the back of some increment in opening inventories and import volumes.
- **The demand** is also expected to increase marginally driven mainly by huge increases in crushing volumes. The local crushing for soybean increased significantly in recent years due to investments that were made in crushing facilities. The **Closing stocks** are also projected to increase slightly.

## 2. Crop Conditions in Selected Countries

The following figure (Figure 1) shows crop conditions for selected grains in the AMIS<sup>1</sup> countries based on the information provided by the Group on Earth Observations' Global Agricultural Monitoring (GEOGLAM) initiative (as of 28 January 2015). For the purpose of this report the focus will be on maize, wheat and soya beans.

Figure 1



Source: GEOGLAM

**Maize:** In the *southern hemisphere*, conditions are generally favourable. In **Brazil**, conditions are mostly favourable. Harvest is progressing for the spring-planted crop (lesser producing season). Area is down relative to last year due to competition with soybeans, which are more profitable. Planting of the summer-planted crop (higher producing season) is ongoing, but has been delayed since this crop is planted after soybeans and soybean harvest is delayed. In **Argentina**, conditions remain generally favourable. In **South Africa** conditions are mixed and yield is expected to be below normal due to hot and dry conditions during February 2015 over both white and yellow maize production regions. In the *northern hemisphere*, conditions are favourable. In **Mexico**, favourable crop conditions continue throughout the country. Harvest of the spring-summer cycle is coming to a close with good prospects. In **India**, harvest continues and conditions are mostly favourable.

**Wheat:** In the *northern hemisphere* winter wheat is mostly dormant and conditions are generally favourable. In the **EU**, the crop is generally in good condition and is well developed owing to the mild winter conditions. Only local and limited frost-kill damages may have occurred in Bulgaria, Romania, Hungary and Poland. In the **US**, the crop is progressing fairly normally. However, in the southern Great Plains, where much of the crop lies, it continues to be dry as it has been in recent years. In **China**, conditions remain favourable. In the **Russian Federation**, the crop is dormant and conditions are mostly favourable under normal weather conditions. Earlier dry conditions in the fall, and subsequent below average temperatures may have reduced crop hardiness and therefore there could be some need to re-sow in the spring though this will only be determined after snowmelt. In **Canada**, conditions are generally favourable for the dormant crop. In **India**, conditions are mostly favourable except in the northern regions where there are localized areas of moisture stress. In **Ukraine**, conditions continue to be mostly favourable for the dormant crop.

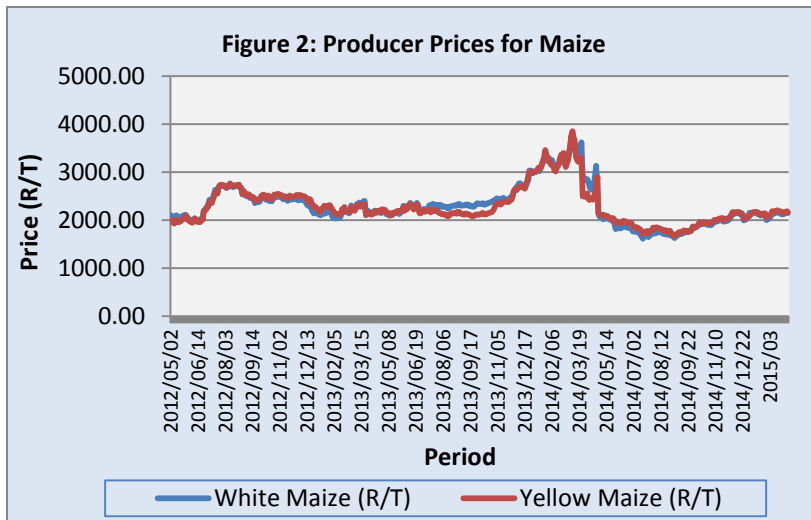
**Soya beans:** In the *southern hemisphere*, conditions are favourable. In **Brazil**, conditions are favourable and harvest is in progress. Despite previous issues with the lack of rain in part of the Southeast, Midwest and Northeast, the national average productivity increased compared to last year. With higher planted area, the national production may have a significant increase relative to last year. In **Argentina**, conditions remain good in most regions. There are some limited localized areas affected by lack of rain, where the crop is in below-average conditions.

<sup>1</sup> The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.



## 3. Commodity Prices

### 3.1 Maize



January 2014. The prices remained at higher levels until the end of 2013/14 marketing season due to the lower maize stocks in the domestic market. The producer price for maize dropped significantly in May 2014 and June 2014 mainly due to producer deliveries that started reaching the market at the beginning of the new marketing season (2014/15).

Prices for white maize are expected to remain relatively stable at just above R2 500.00/ton until the end of marketing season in April 2015. The price for yellow maize is expected to hover at about R2 300.00/ton over the same period.

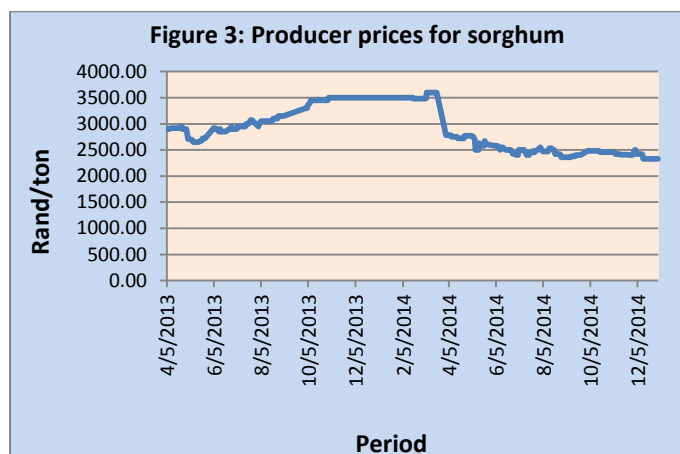
Source: SAFEX, accessed from SAGIS

Figure 2 above shows maize producer prices for the period starting from 2012/13 to 2014/15 marketing season. The figure shows that producer prices for maize were generally moderate in 2013/14 season. Producer prices for both yellow and white maize started increasing October 2013 and continued on an increasing trend until

According to the AMIS Market Monitor, the international maize prices fell by a very small margin as no fundamental changes were perceived for the current abundant supply situation, although strong export sales were said to be supportive.

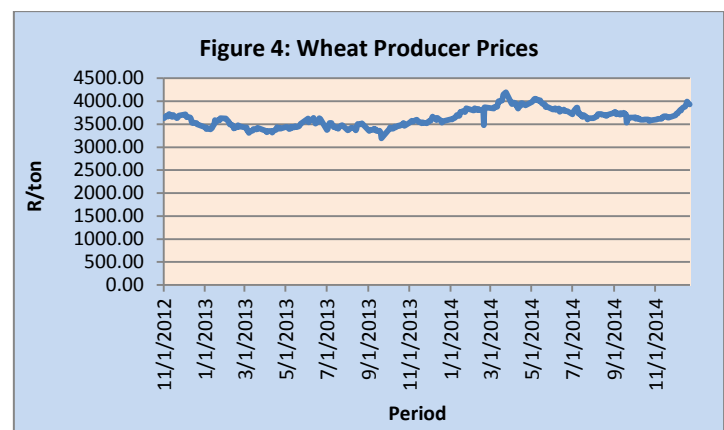
### 3.2 Sorghum

Figure 3 below shows producer prices for sorghum starting from April 2012 until December 2014. Sorghum traded relatively lower in April 2013 and this increased slightly in May 2013. In general, the producer price for sorghum ranged between R2 450/ton and R3 500/ton between April 2013 and December 2014. The period under review closed with relatively lower producer prices for sorghum in December 2014. Producer prices for sorghum are expected to fall slightly in March 2015 from December levels of about R2300.00/ton.



Source: SAFEX, accessed from SAGIS

### 3.3 Wheat



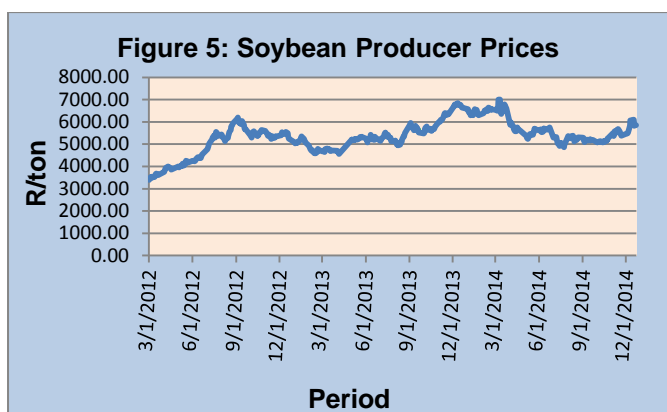
Source: SAFEX, accessed from SAGIS

Figure 4 above indicates that the current marketing season for wheat opened with relatively lower producer price for wheat in October 2013. The price was generally stable between March 2013 and June 2013. The period under review closed with moderate producer price for wheat in June 2014. According to SAFEX future prices, the prices are expected to increase significantly between the March 2015 and July 2015 as the marketing season for wheat will be drawing towards closure.

International prices for wheat eased slightly on the back significant improvement in global stock levels. Favourable weather in the US Great Plains and a

strengthening US dollar against other currencies overshadowed renewed tensions in the Black Sea region and helped keep wheat prices relatively lower.

### 3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2012/13 marketing season opened with lower prices for soybeans in March 2012. The figure displays a great fluctuation in the producer price for soya beans. The price ranged between R3 250.00 and R7 011.00 over the period under consideration. The price closed on a relatively high trend during the fourth quarter of 2014. Prices for soybean are expected to decline slightly between March 2015 and May 2015 on the back of improved supply situation. In the international markets, Soybean prices are projected to decline as Brazil and Argentina’s soybean crop is anticipated to be at record highs.

### 3.5 SAFEX Futures Prices

Table 1

Commodity	Futures Prices (2015/03/03) (R/T)			
	Mar-15	May-15	Jul-15	Sep-15
White Maize	2569	2625 ▲	2661 ▲	2690 ▲
Yellow Maize	2345	2362 ▲	2350 ▼	2376 ▲
Wheat	3794	3847 ▲	3870 ▲	3815 ▼
Soybeans	4990	4960 ▼	5030 ▲	5085 ▲
Sorghum	2411	2420 ▲	2365 ▼	2480 ▲

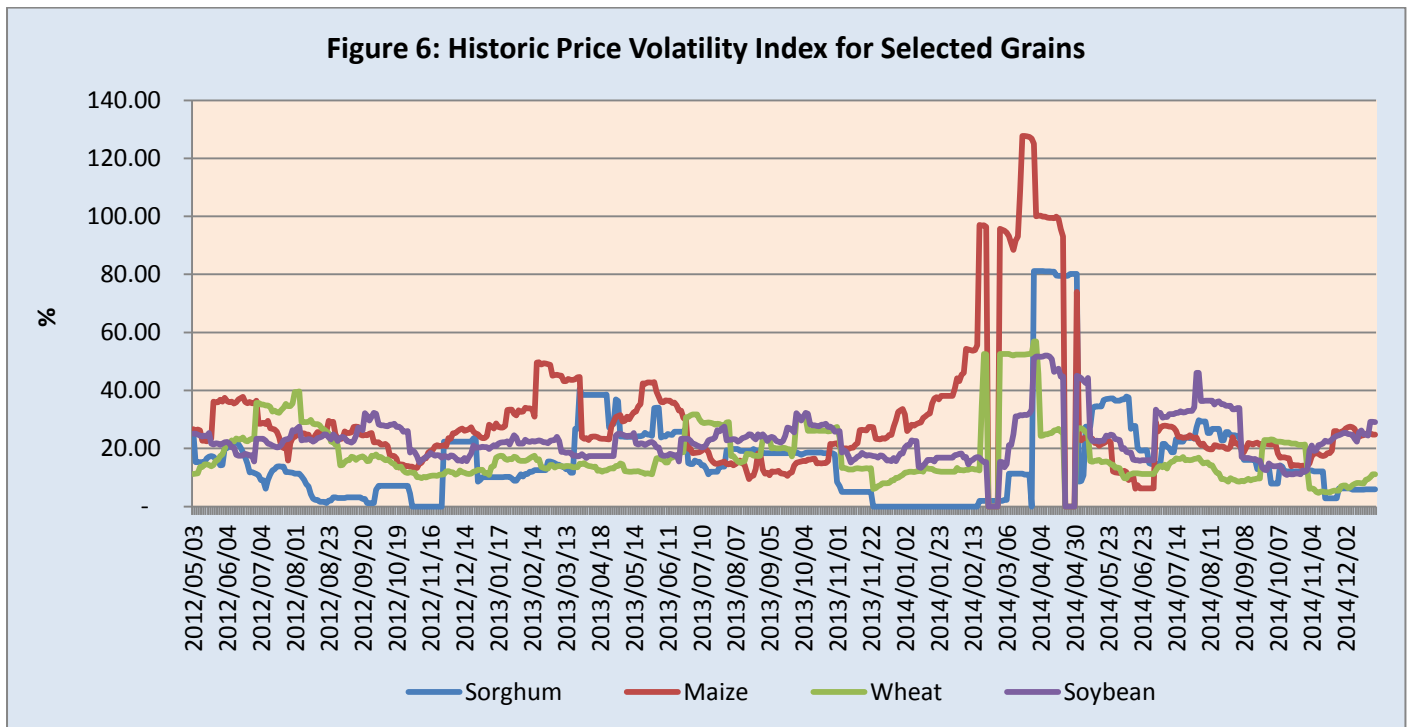
Source: SAGIS

SAFEX futures prices for maize, wheat, soya beans and sorghum are shown in Table 1.

As of 03 March 2015, the March 2015 contracts for white and yellow maize traded at R2 569.00/ton and R2 345.00/ton respectively. The May 2015 contract prices are relatively more expensive at R2 625.00/ton and R2 362.00/ton for white and yellow maize respectively. On the other hand the contracts for wheat, soya beans and sorghum generally traded on an increasing trend over the same period, with the price for wheat easing slightly for September 2015.

On a global level, Prices for wheat, maize and soybeans declined modestly as agricultural markets experienced few fundamental changes.

## 4. Price Volatility



Source: Computed from SAGIS data

Figure 6 above presents Historic Price Volatility for maize, wheat, soybean and sorghum. For the purpose of this document, volatility is defined as the standard deviation from the mean over a twenty (20) day period. Figure 6 indicates that, on average maize and soybean were the most volatile of the four commodities covered in the figure. Volatility index declined for sorghum, wheat and soya beans in the fourth quarter of 2013 and increased for maize during the same period. It is also clear from Figure 6 that maize prices became more volatile between January 2014 and April 2014 mainly due to sharp price increases that were observed at the time. In general, less price volatility was experienced with regard to all four crops between May 2014 and December 2014.

## 5. Global Market Outlook

### 5.1 World Prices

**Wheat:** Heavy supplies, strong competition for export business and mostly good prospects for the 2015 global harvest pressured wheat markets. While Russia's exports started to slow, availabilities elsewhere were seen as more than adequate to compensate. Demand for EU wheat, in particular, stayed strong, with export sales maintaining a record pace. Movements in currencies continued to have a significant impact on export price competitiveness. Some price support came from worries about political tensions in Ukraine and from very cold weather and dryness for 2015 US winter wheat crops. An upturn in importer interest in feed wheat helped to underpin values for lower quality supplies, especially in the EU.

**Maize:** Export quotations eased on plentiful world availabilities, with some traders offering lower prices in an attempt to uncover fresh demand. With new crop southern hemisphere supplies also being marketed, competition for business is expected to be even fiercer in the coming months. While prices were down across all of the major origins, quotations from the Black Sea region were particularly weak, with exporters in Ukraine especially keen to secure new business.

**Soybeans:** World markets were pressured by prospects for heavy global supplies. In Brazil, harvest delays and inland transportation difficulties hindered deliveries to ports, offering mild price support at times. Strength in soybean products and fresh buying interest from China for US old crop stocks also strengthened prices. However, any strength was more than outweighed by generally favourable weather for South American crops, where record returns were expected.

### 5.2 Policy Developments

#### Wheat:

- **Japan** will sell imported wheat to domestic millers at an average price of JPY 60,070 yen (USD 505) per tonne over April to September 2015, up 3 percent from the preceding six-month period.
- **China** issued import quotas for 2015, while the volume of the tariff rate import quota for 2015 is unchanged at 9.6 million tonnes. In January 2015, 2.5 million tonnes of wheat were sold from government stocks. China also announced it will sell 139 000 tonnes of imported wheat from state reserves to increase domestic supply for high-protein grades.
- **Kazakhstan** will release 738 000 tonnes from wheat stocks to stabilize bread and wheat flour prices. The programme will be implemented until September 2015.
- The wheat procurement target in **India** is to increase by about 7.5 percent, from 28 to 30.1 million tons during the 2015/16 marketing year (April/March).
- Government and traders in **Ukraine** have agreed to limit wheat exports to 4.6 million tonnes, of which 1.2 million tonnes of milling wheat, from 1 January to 30 June 2015, with provisions to revise these quantities.

#### Maize

- On 17 December 2014 it was announced that **China** had approved the import of the Genetically Modified maize variety MIR162.
- **China** issued import quotas for 2015, while the volume of the tariff rate import quota for 2015 is unchanged at 7.2 million tonnes. The issuance of import quotas is conditional to purchase from domestic stocks. In January 2015, 1.7 million tonnes of maize were sold from government stocks.

#### Soybeans

- On 17 December 2014 it was announced that **China** had approved the import of the Genetically Modified soybean strains A5547-127 and DP305423.

#### Bio-fuels

- In a move to protect its biofuel industry from lower international crude prices while supporting demand for palm oil, **Indonesia** will raise the biodiesel subsidy by 170 percent from IDR 1,500 (USD 0.12) to IDR 4,000 per litre (USD 0.32).

Source: AMIS

## 6. Acknowledgements

Acknowledgement is given to the following information sources:

1. **Directorate: Statistics and Economic Analysis**  
[www.daff.gov.za](http://www.daff.gov.za)
2. **South African Grain Information Services**  
[www.sagis.org.za](http://www.sagis.org.za)
3. **Global Agricultural Marketing Information System**  
[www.amis-outlook.org](http://www.amis-outlook.org)
4. **Group on Earth Observations Global Agricultural Monitoring Initiative**  
[www.geoglam-crop-monitor.com](http://www.geoglam-crop-monitor.com)

For more information contact:

<b>Director: Marketing</b> Tel: (012) 319 8455 Fax: (012) 319 8131 E-mail: <a href="mailto:MogalaM@daff.gov.za">MogalaM@daff.gov.za</a>	<b>Deputy Director: Commodity Marketing</b> Tel: (012) 319 8081 Fax: (012) 319 8077 E-mail: <a href="mailto:ElvisNak@daff.gov.za">ElvisNak@daff.gov.za</a>	<b>Senior Agricultural Economist: Field Crops Marketing</b> Tel: (012) 319 8080 Fax: (012) 319 8077 E-mail: <a href="mailto:DouglasM@daff.gov.za">DouglasM@daff.gov.za</a>
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