



agriculture,  
forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

# Grain Markets Early Warning Report

No. 3 of 2014

## Summary

- Production volumes for maize, sorghum and soya beans increased slightly in the current season compared to the previous.
- 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 all four commodities (i.e. maize, wheat, soybean and sorghum) are projected to close relatively higher in the current season compared to the previous season.
- Prices for sorghum and soya beans are projected to decline slightly in response to a comfortable supply situation.
- Price for maize is expected to remain relatively stable over the next few months due to abundance of supply, while on the other hand, the price for wheat is expected to increase marginally over the same period.

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# 1. Domestic Supply-Demand Outlook

## 1.1 Maize

Marketing Season: April to May	Actual for 2012/13	Actual for 2013/14	Projection 2014/15
Tons			
Production	12 121 000	11 810 600	14 307 050
Opening Stocks	994 000	1 417 393	589 028
<b>Total Supply</b>	<b>12 976 000</b>	<b>12 611 678</b>	<b>14 448 720</b>
<b>Total Demand</b>	<b>11 559 000</b>	<b>12 022 650</b>	<b>12 211 000</b>
Closing Stocks	1 417 393	589 028	2 237 720
Days' stock	57	23	83

Source: NAMC, Supply and Demand Estimates Committee

## 1.2 Sorghum

Marketing Season: April to May	Actual for 2013/14	Projection for 2014/15	10 year Average
Tons			
Production	147 200	268 920	214330
Opening Stocks	56 015	50 069	101350
<b>Total Supply</b>	<b>251 652</b>	<b>337 814</b>	<b>334350</b>
<b>Total Demand</b>	<b>201 583</b>	<b>216 250</b>	<b>233010</b>
Closing Stocks	50 069	121 564	101340
Days' stock	107	271	30

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	489 253	593818
<b>Total Supply</b>	<b>3 881 532</b>	<b>4 041 060</b>	<b>3701653</b>
<b>Total Demand</b>	<b>3 392 279</b>	<b>3 504 005</b>	<b>3148628</b>
Closing Stocks	489 253	537 055	553025
Processed p/month	253 341	267 500	2409041
Days' stock	59	61	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	10 year Average
Tons		Tons	
Production	784 500	944 340	398200
Opening Stocks	68 639	61 806	75960
<b>Total Supply</b>	<b>833 613</b>	<b>1 063 646</b>	<b>480864</b>
<b>Total Demand</b>	<b>771 807</b>	<b>871 700</b>	<b>405716</b>
Closing Stocks	62 738	191 946	75148
Days' stock	30	83	81

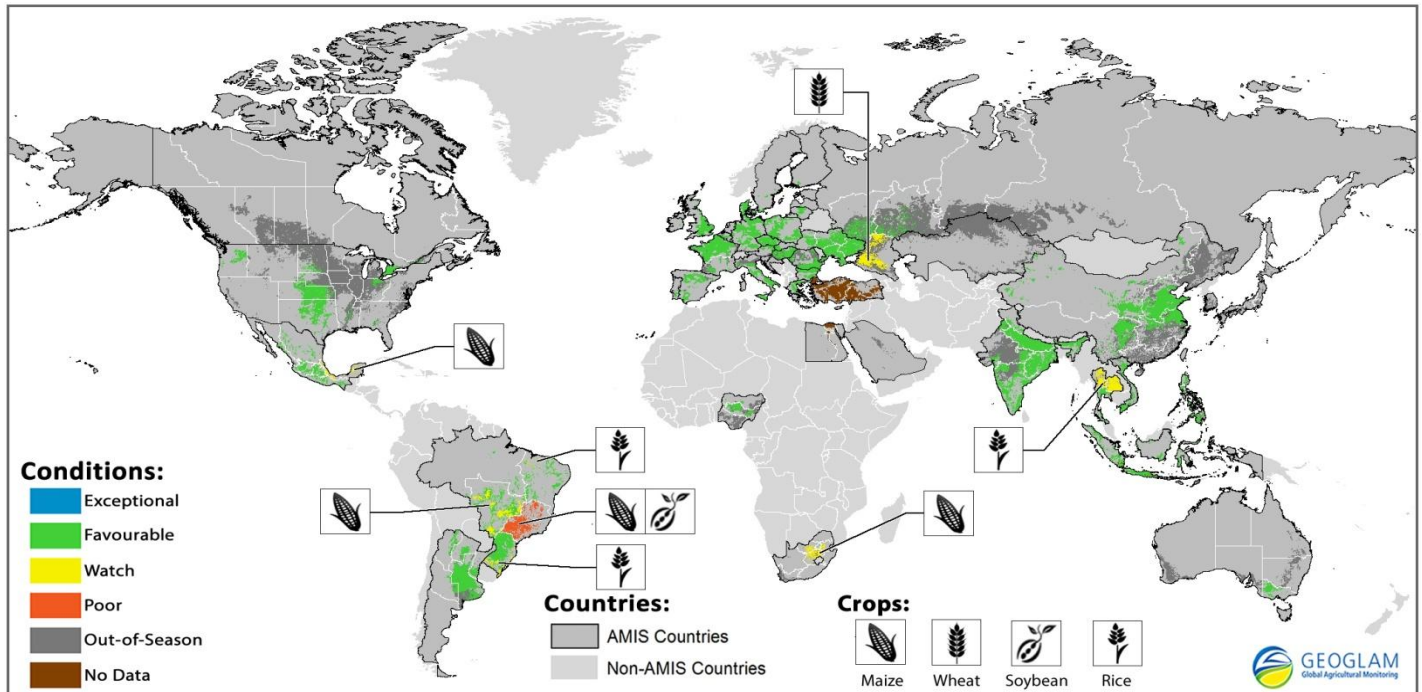
Source: NAMC, Supply and Demand Estimates Committee

- **Production:** Harvesting for maize was completed in the third quarter of 2014 and the Crop Estimate Committee reported the final crop of 14.307 million tons which is the largest crop in recent history. This can be attributed to improved yields.
- The **opening Stocks** for 2014/15 decline by 58.44% compared to the previous season.
- **Total supply** for maize went up 14% in response to improved production. This prompted a slight increase in utilization volumes.
- The maize market is projected to **close** with very high inventories, approximately twice the pipeline requirement, in April 2014.
- Sorghum **production volume** increased by 82.69% in 2014/15 marketing season compared to the previous season. The current production volume is also 25.47% higher than the long term (10 years) average.
- The total **supply** for sorghum experienced an increase of 34.24% in 2014/15 compared to 2013/14 while the demand for the product is projected to increase by only 7.28% over the same period.
- The closing stocks in the current season are expected to raise 142.79% compared to the closing inventories of the previous season. The projected closing stock will be sufficient to cover the domestic consumption requirements for about nine (9) months (a huge surplus).
- 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 4.11%, driven mainly by influx of imports originating from the Black Sea Region.
- On the other hand, demand for wheat is projected to increase by 3.29% driven by an increase in quantities processed for human consumption as well as quantities of wheat sold to end consumers.
- 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%).
- **Supply** for the product is expected to increase by over 30% in response to some increment in production and import volumes.
- **The demand** is also expected to increase significantly 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. **Closing stocks** are projected to increase significantly

## 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: Crop conditions in selected grains in selected AMIS countries**



Source: GEOGLAM

**Maize:** In the *southern hemisphere* conditions are mostly favourable. In **Brazil**, conditions are mixed. There is concern over the first maize crop as there is a delay in development due to the lack of rains in main producing areas. Planting of the second maize crop (larger production) has begun. In **Argentina**, planting is mostly complete, though progressed slowly due to both excess and deficit moisture, and conditions are favourable. In **South Africa** conditions are generally favourable. Rainfall was predominantly abundant over the production region during the planting season. However, hot and dry conditions during January with a more isolated to scattered nature of thunderstorms resulted in some damage to the maize crop, especially in the North West, Free State and the North West Province. In **Mexico**, conditions are favourable and harvest has begun for the spring-summer crop. Sowing of the autumn-winter crop has begun and conditions are also favourable. In **India**, harvest has begun and conditions are mostly favourable.

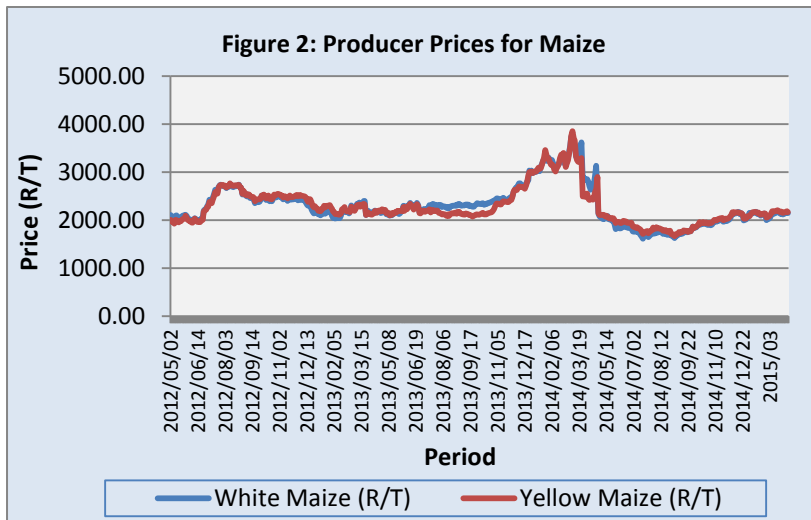
**Wheat:** In the *southern hemisphere* harvest is complete and conditions at the end of the season were mixed. In **Australia**, harvest was completed in all areas under generally favourable weather though conditions were mixed due to dry hot weather earlier in the season. In **Argentina**, harvest is complete and end of season conditions were mixed. In the *northern hemisphere* winter wheat is mostly dormant. In the **EU**, the crop is dormant and progressing without concern. In the **US**, the crop is developing normally. In **China**, conditions are favourable for the dormant crop. In **Russia**, the crop is dormant and conditions are generally favourable. In the southern regions, there is some concern over limited snow cover and warmer than usual weather that thawed soils prematurely. Impacts, if any, will be determined in the spring. In **Canada**, the crop is dormant and progressing without concern. In **India**, conditions are favourable and the crop is in vegetative to reproductive stages. In **Ukraine**, conditions are favourable for the dormant crop. Short periods of very cold temperatures occurred though there was adequate snow to protect the crop.

**Soya beans:** In the *southern hemisphere* conditions are favourable. In **Brazil**, conditions are mostly favourable and planted area has increased relative to last year. The crop is primarily in vegetative to reproductive stages. There is some concern over crop development in south eastern producing areas due to lack of rains. In **Argentina**, planting progressed slowly though is mostly complete and conditions are generally good for both first and second soy, owing to favourable weather.

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

## 3. Commodity Prices

### 3.1 Maize



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 January 2014. The prices remained at higher levels until the end of

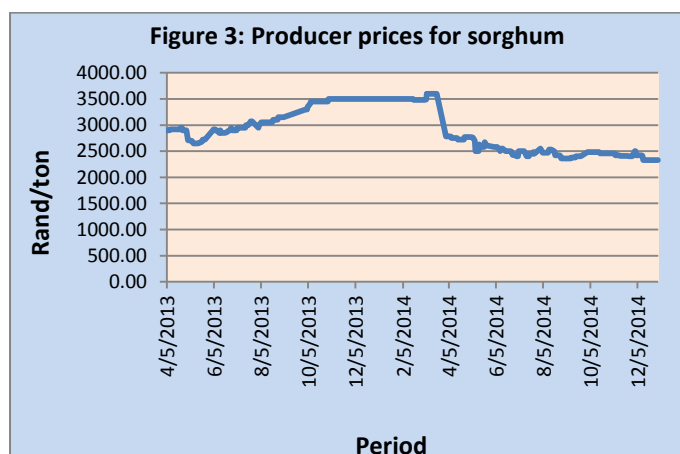
2013/14 marketing season due to the lower maize stocks in the domestic market. The producer price for maize dropped significantly in May 2014 and June 2014 mainly due to producer deliveries that started reaching the market at the beginning of the new marketing season (2014/15).

Prices for white maize are expected to remain relatively stable at just above R2 200.00/ton until the end of marketing season in April 2015. The price for yellow maize is expected to hover at about R2 100.00/ton over the same period.

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.

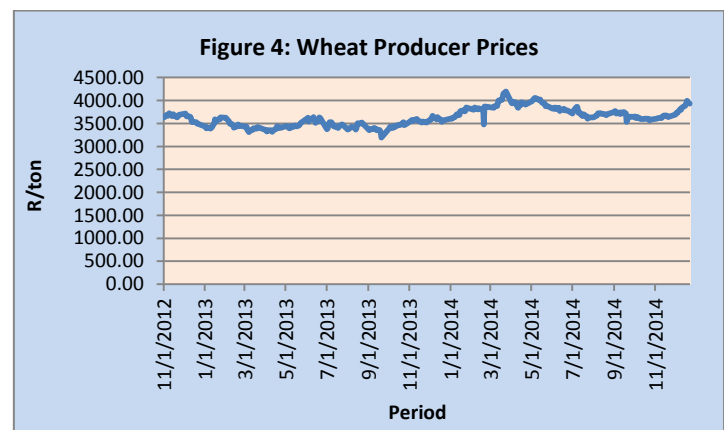
### 3.2 Sorghum

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

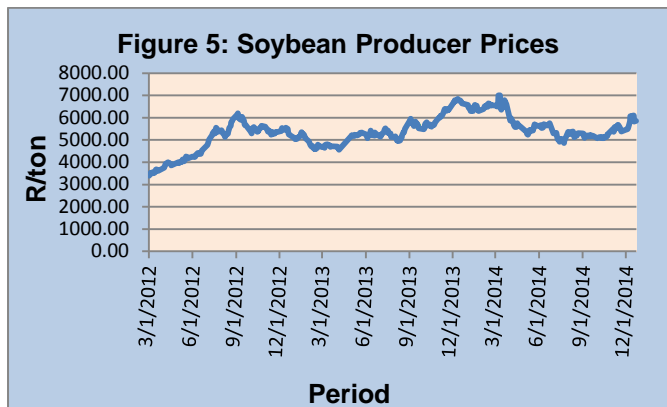
Figure 4 above indicates that the current marketing season for wheat opened with relatively lower producer price for wheat in October 2013. The price was generally stable between March 2013 and June 2013. The period under review closed with moderate producer price for wheat in June 2014. According to 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.

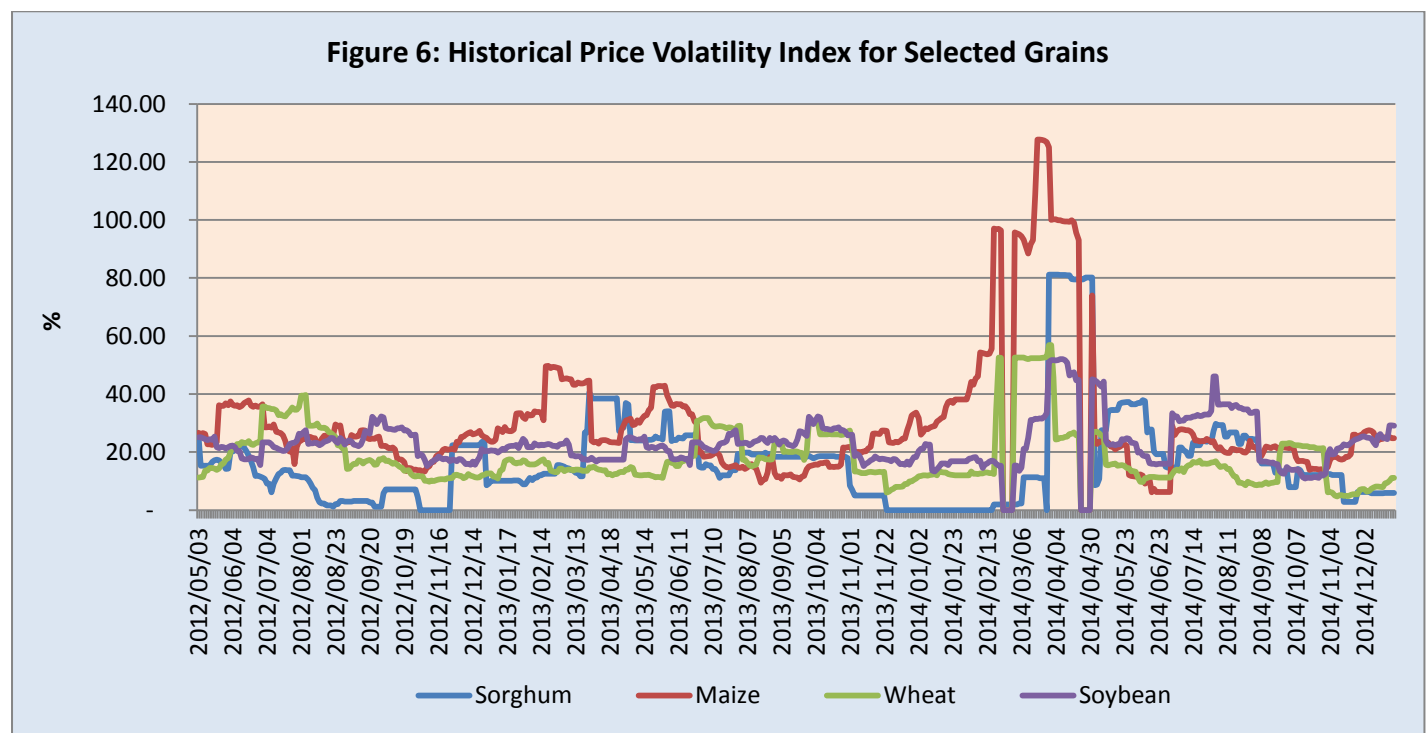
### 3.4 Soya Beans



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 also declined as Brazil and Argentina's soybean crop is anticipated to be at record highs.

## 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:** While worries about export curbs in the Black Sea region contributed to firmer global prices during December, price retreated again in the past month, pressured by ideas that export surpluses elsewhere are more than adequate. Exporters in the EU hoped to benefit from any switch in demand away from Black Sea supplies, with EU price competitiveness aided by currency movements. In the US, the stronger dollar was seen potentially worsening an already slow pace of export sales. A mostly favourable outlook for 2015 world crops added to the softer tone of prices.

**Maize:** Export quotations were weaker during January, on a comfortable outlook for world supplies, including mostly favourable crop prospects in South America. Losses were also linked to strong export competition, especially for business in Asia, where a drop in ocean freight rates contributed to a pickup in buying interest. Following its approval of MIR162 (Genetically Modified) imports, China was rumoured to have secured some cargoes. Prices in the US were pressured by concerns about future demand for maize-based ethanol production, as industry profit margins are being squeezed by the collapse in crude oil prices.

**Soybeans:** Global soybean export prices fell during January, weighed by prospects for record crops in Argentina and Brazil. While firmer than expected buying interest from China and concerns about dryness in South America provided early underpinning, improved crop weather pressured prices in the second half of the month. External influences, notably firmness of the US dollar, were also bearish at times.

### 5.2 Policy Developments

#### Wheat:

- The Government of **Argentina** approved 1 million tonnes of 2014/15 wheat for export. This adds to a previous authorization to export, starting on 15 December 2015, 1.5 million tonnes of wheat and wheat flour.
- **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.
- The **Russian Federation** has announced that, starting on 1 February and until 30 June 2015, a combined tax will apply to wheat exports. The tax consists of the addition of EUR 7.50 euros to a 15 percent tax on the customs price, with a minimum set to EUR 35 (USD 40.4) per tonne. Limitations in the transportation and delays in the certification of export grains had applied before this announcement. Intervention tenders in December and January procured over 40 000 tonnes of wheat.
- 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 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 it was announced that **China** had approved the import of the Genetically Modified soybean strains A5547-127 and DP305423.

#### Bio-fuels

- In **Brazil**, taking effect in May 2015, the mandatory blend of ethanol in commercial petrol will increase. The level is yet to be determined.
- As of 4 January 2015, **France** raised the authorized concentration of biodiesel from 7 percent to 8 percent.
- On 27 January 2015, the **United States** authorized a simplified, third-party operated, renewable tracking programme for Argentinean biodiesel, in lieu of the current record keeping requirement. This responds to a plan submitted on 29 August 2012. The approval may be revoked at any time.

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)

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