



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



No. 3 of 2015

Overview

- Production volumes for maize and sorghum are projected to decline significantly due to drought in major producing regions.
- Total supply for wheat is projected to increase 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 while prices for sunflower are expected to remain moderate.
- 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 until later in the year (December 2015).
- Planting for most summer crops for the new season has been delayed due to hot and dry conditions that are experienced in most production regions.

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1. Domestic Supply-Demand Outlook

1.1 Maize

Marketing Season: April to May	Actual for 2014/15	Projection 2015/16 (July 2015)	Projection 2015/16 (Nov 2015)
Tons			
Production	14 250 000	9 755 300	9 941 650
Opening Stocks	519 651	2 073 635	2 073 635
Total Supply	14 508 063	12 070 088	12 473 329
Total Demand	12 434 428	10 744 000	11 150 000
Closing Stocks	2 073 635	1 326 088	1 323 329
Days' stock	76	51	48

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2014/15	Projection 2015/16 (July 2015)	Projection 2015/16 (Nov 2015)
Tons			
Production	265 000	114 700	116 500
Opening Stocks	50 069	121 812	121 812
Total Supply	320 301	236 312	265 112
Total Demand	198 489	197 550	201 950
Closing Stocks	121 812	38 762	63 162
Days' stock	279	87	140

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: Oct to Sept	Actual for 2013/14	Actual for 2014/15	Projection 2015/16 (Nov 2015)
Tons			
Production	1 870 000	1 750 000	1 542 350
Opening Stocks	651 180	488 526	593 913
Total Supply	3 974 646	4 043 060	4 064 263
Total Demand	3 486 120	3 442 914	3 485 500
Closing Stocks	488 526	593 913	578 763
Processed p/month	264 653	259 412	262 750
Days' stock	56	70	67

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2014/15	Projection for 2015/16 (July 2015)	Projection for 2015/16 (Oct 2015)
Tons		Tons	
Production	948 000	1 038 100	1 059 850
Opening Stocks	61 806	63 704	63 704
Total Supply	1 084 506	1 194 304	1 248 554
Total Demand	1 020 802	1 049 800	1 126 200
Closing Stocks	63 704	144 504	122 354
Days' stock	23	51	40

- **Production:** On 29 September 2015 the Crop Estimate Committee released the final production forecast for summer crop for 2015 production season (2015/16 marketing season). The maize crop is estimated at 9.94 million tons, which is 2.86% higher compared to July 2015's forecast.
- The 2014/15 season closed with higher maize inventories of about 2.073 million tons which, together with imports, are expected to supplement the lower production of the current season (2015/16).
- The 2015/16 season is projected to close with about 1.32 million tons, which is a sufficient buffer stock for the market. However if the experienced drought in the country persists, the resultant reduced production volumes will put pressure on supply in 2016/17 season.

- Sorghum **production volume** for 2015/16 marketing season is projected to decline by 56.04% compared to 2014/15.
- 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 by 11.87% in 2015/16 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 slightly, driven mainly by influx of imports originating from the Black Sea Region.
- On the other hand, demand for wheat is projected to decline marginally driven by a decline in quantities of wheat exported to other regions.
- The closing inventories for wheat are expected to decrease slightly compared to the previous season.

- **Production volume** for soya beans is projected to increase significantly in 2015/16 season compared to 2014/15 (11.80%). The 2015/16 production forecast for October 2015 is slightly higher compared to the July 2015 forecast.
- **Supply** for the product is projected to increase slightly in 2015/16 on the back of some increment in opening inventories, producer deliveries and import volumes.
- **The demand** is also expected to increase marginally driven mainly by a huge increase in crushing volumes. The local crushing for soybean increased significantly in recent years due to investments that were made in crushing facilities.

1.5 Sunflower

Marketing Season: April to May	Actual for 2014/15	Projection 2015/16 (July 2015)	Projection 2015/16 (Oct 2015)
	Tons		
Production	832 000	612 400	660 900
Opening Stocks	47116	92 927	92 927
Total Supply	949 409	780 327	783 827
Total Demand	856 482	692 800	717 700
Closing Stocks	92 927	87 527	66 127
Days' stock	40	47	34

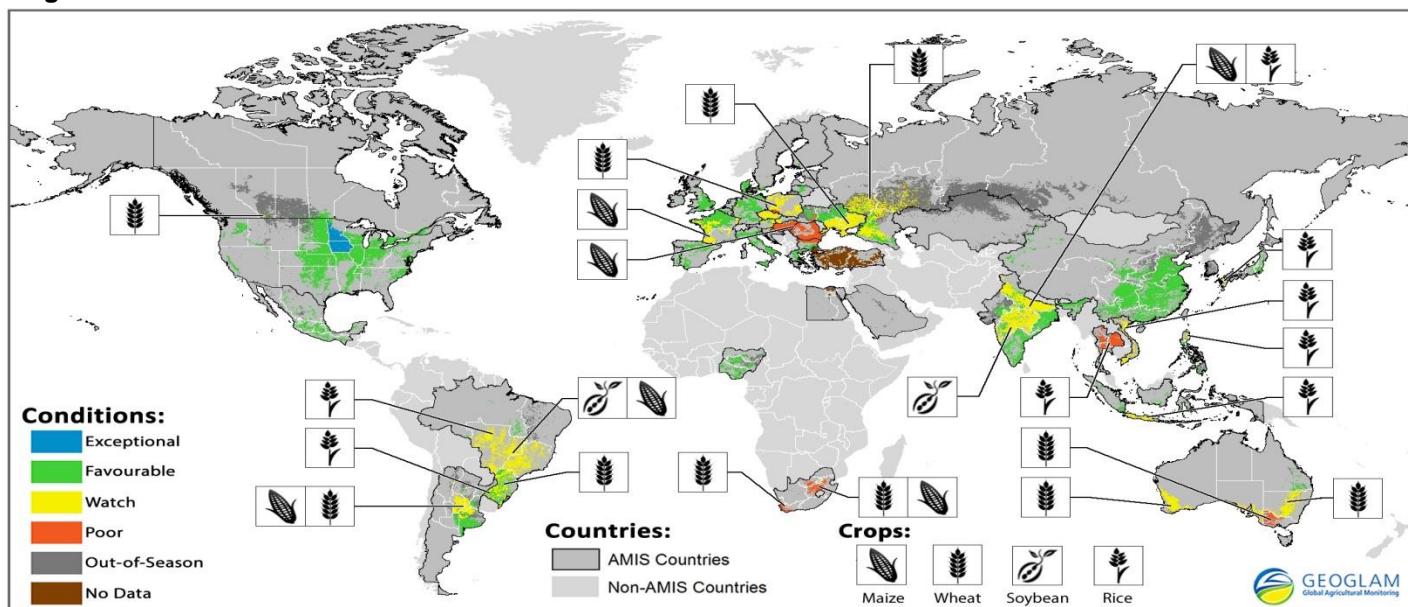
Source: NAMC, Supply and Demand Estimates Committee

- Sunflower **production volume** for 2015/16 marketing season was projected (in July 2015) to decline by 23.69% compared to 2014/15 for the same reasons as maize. In October 2015 the production volumes for 2015/16 were revised slightly upwards compared to the July 2015 forecast.
- Although sunflower 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.
- On the other hand, demand for sunflower seed was revised slightly upwards in October 2015 compared to July 2015.
- The closing stocks for sunflower are expected to decline significantly by 28.84% compared to the previous season.

2. Crop Conditions in Selected Countries

The following figure (Figure 1) shows crop conditions for selected grains in the AMIS¹ countries based on the information provided by the Group on Earth Observations' Global Agricultural Monitoring (GEOGLAM) initiative (as of 28 October 2015). For the purpose of this report the focus will be on maize, wheat and soya beans.

Figure 1



Source: GEOGLAM

Wheat - In the northern hemisphere the spring wheat season is complete and planting of winter wheat is ongoing under mostly favourable conditions with the exception of the Russian Federation and Ukraine where there is concern over dry conditions. In the southern hemisphere, conditions remain mixed. In Australia, conditions deteriorated due to lack of rains. In Argentina, conditions are generally favourable and in Brazil, mixed weather during all the season is expected to negatively impact yields. In South Africa, conditions are poor.

Maize - Conditions in the northern hemisphere remain mixed as the season nears its end. In the US, harvest is almost complete and yields are good. In the EU, conditions are largely unfavourable due to the earlier summer heatwave and lack of rain. In Ukraine, yields are expected to be down due to earlier dry and hot weather. In India there is some concern due to dryness. In Mexico, Canada, the Russian Federation and Nigeria, conditions are mostly favourable. In the southern hemisphere planting is ongoing and conditions are mostly favourable though there are some areas of concern. In Brazil, there is concern over irregular rains. In Argentina, planting is progressing slowly due to low soil moisture and there is some concern over low temperatures. In South Africa, there are concerns over hot and dry conditions.

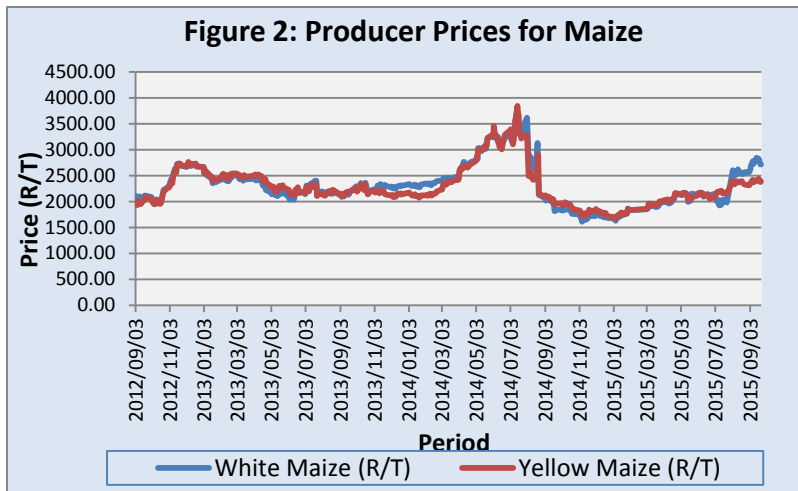
Soybeans - Conditions in the northern hemisphere remain mostly favourable as harvest begins. In the US, near record yields are expected. In India, there is some concern due to moisture stress. In China and Canada, conditions are generally favourable. In the southern hemisphere, conditions are mostly favourable. In Brazil, conditions are generally favourable as planting progresses, though there is limited concern due to irregular rainfall. In Nigeria, average to above average production is expected.

El Niño update - The current strong El Niño is forecast to peak around the beginning of 2016, to remain strong throughout the southern hemisphere summer season, and to dissipate finally by mid-year. This portends a second year of drought in South Africa. In contrast, abundant rainfall is forecast for the summer growing season of southern Brazil and north-eastern Argentina. Wetter than average conditions are also forecast for the winter precipitation season in the high mountain areas of India, Pakistan, Afghanistan, and Tajikistan, building up snow pack for the 2016 summer irrigation season. In North America, expectations are for warmer than average temperatures across Canada and the northern US, and wetter than average conditions across the southern half of the US.

¹ The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.

3. Commodity Prices

3.1 Maize



Source: SAFEX, accessed from SAGIS

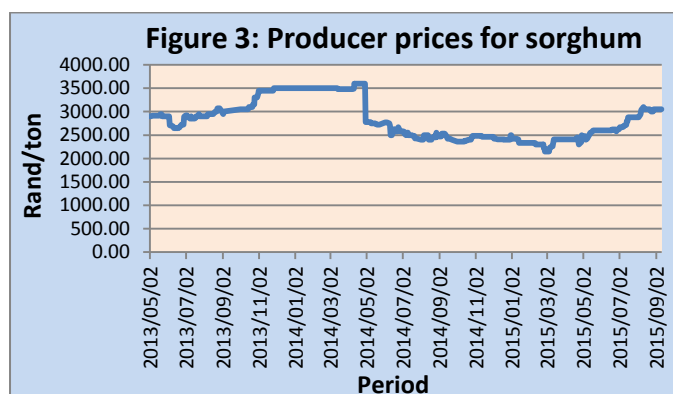
Figure 2 above shows maize producer prices for the period starting from 2012/13 to 2015/16 marketing season. The figure shows that producer prices for maize were generally moderate in 2013/14 season. Producer prices for both yellow and white maize started increasing October 2013 and continued on an increasing 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 July 2014 and August 2014 mainly due to producer deliveries that started reaching the market at the beginning of the new marketing season (2014/15).

The figure further shows that the prices of both yellow and white maize began to show an increasing trend from February 2015. It can also be noted from the figure that yellow maize prices are generally below white maize prices. The increase in maize prices may be explained by the decline in maize production during the current season.

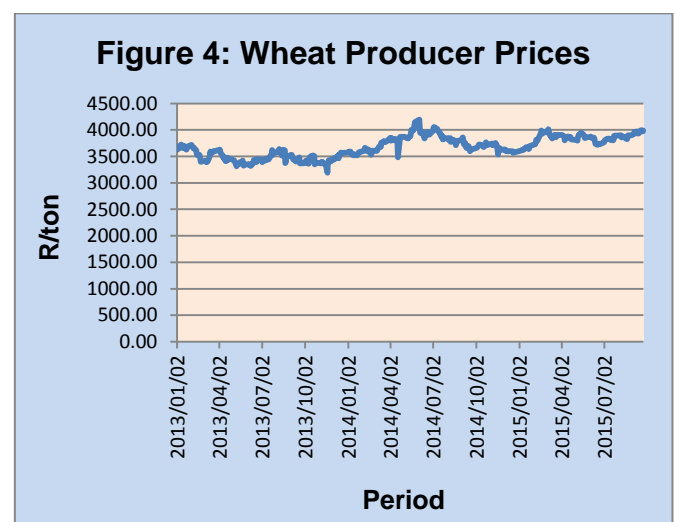
3.2 Sorghum

Figure 3 below shows producer prices for sorghum starting from May 2013 until September 2015. Sorghum traded relatively higher in April 2014 and this was followed by slight increase in May 2014. In general, the producer price for sorghum ranged between R2 780/ton and R3 050/ton between April 2014 and September 2015.



Source: SAFEX, accessed from SAGIS

3.3 Wheat



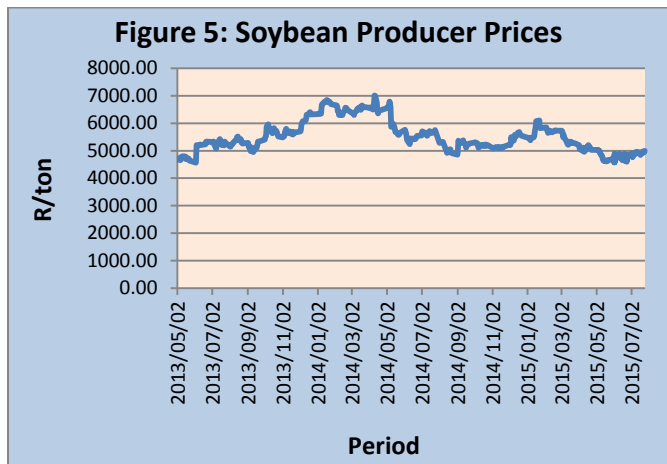
Source: SAFEX, accessed from SAGIS

Figure 4 above indicates that wheat producer prices were relatively lower in July 2013. The price showed an increasing trend from August 2013 reaching a peak in June 2014. Moderate declines in prices were experienced from April 2014 until November 2014. The period under review closed with moderate producer price for wheat in June 2015. Wheat prices are expected to remain relatively high in the next few months.

International prices for wheat declined slightly on the back of 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.

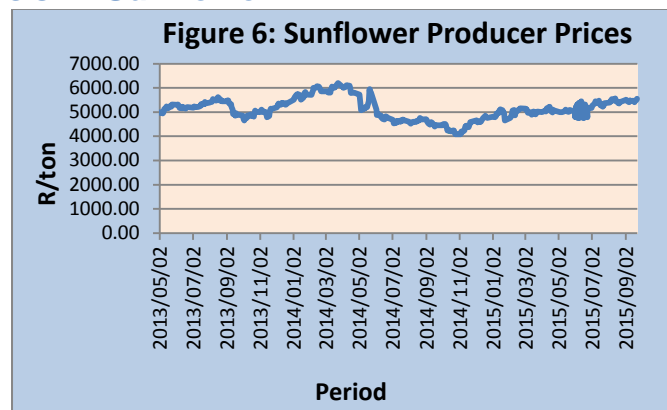
3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2013/14 marketing season opened with lower prices for soybeans in May 2013. The figure displays a great fluctuation in the producer price for soya beans. The price ranged between R4 566.00/ton and R7 011.00/ton over the period under consideration. The price closed on a relatively low trend during the second quarter of 2015. 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 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 6 shows that the 2013/14 marketing season opened with moderate prices in May 2013. Similar to soybean prices, Figure 6 also displays a great fluctuation in the producer price for sunflower. The price ranged between R4 084/ton and R6 200.00 over the period under consideration. The price closed on a relatively high trend during the second quarter of 2015.

3.6 Futures Prices

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

Table 1

Commodity	Futures Prices (2015/11/03) (R/T)			
	Nov-15	Dec-15	Mar-16	May-16
White Maize	3216	3230 ▲	3245▲	3090 ▼
Yellow Maize	3002	3006 ▲	2992 ▼	2875 ▼
Wheat	4290	4330 ▲	4417 ▲	4438 ▲
Soybeans	5714	5718 ▲	5602 ▼	5457 ▼
Sorghum	N/A	3040	3000 ▼	3078▲
Sunflower	6794	6744 ▼	6524 ▼	5871 ▼

Source: SAGIS

As of 03 November 2015, the December 2015 contracts for white and yellow maize traded at R3 230.00/ton and R3 006.00/ton respectively. The May 2016 contract prices traded relatively lower at R3 090.00/ton and R2 875.00/ton for white and yellow maize respectively. Wheat contracts generally showed an increasing trend, with March contract trading at an average of R4 417.00/ton. On the other hand the contracts for Sorghum, soya beans and sunflower generally traded on a decreasing trend over the same period.

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

4. Global Market Outlook

4.1 World Prices

Wheat: Concerns about unfavourable dryness for crops in some areas triggered gains in export prices in early October. Concerns mainly centred on prospects for Australia's 2015/16 harvest as well as less than ideal conditions for 2016/17 planting in the US, Russia and Ukraine. Worries eased in the second part of the month following reports of beneficial rains in the affected regions, with the focus again turning to heavy global supplies and strong competition for the limited amount of export business. However, recent rainfall amounts failed to entirely relieve the crop concerns and prices posted another rise towards the end of the month.

Maize: The IGC Grain and Oilseed Index (GOI) maize sub-Index increased by an average one percent month on month in October, with firmer export quotations in the US and South America compensating for slight losses in the Black Sea region. US prices averaged two percent more than in September, with gains mainly tied to a slowdown in producer selling. With many farmers opting to store freshly-cut maize, cash markets strengthened as feed manufacturers and ethanol producers sought to secure new crop supplies. Despite mostly routine export demand, US Gulf premiums were also firmer. Quotations in Brazil increased on support from strong buying interest and slower country movement. Despite Ukraine's much smaller surplus this year, average Black Sea prices were slightly weaker as exporters looked to secure fresh sales.

Soybeans: The IGC GOI soybeans sub-Index was fractionally firmer in October. US Gulf export quotations were buoyed by signs of stronger international demand and initial worries about seeding weather in South America, but increases were trimmed by seasonal Midwest harvest pressure. Despite gains in the value of the domestic currency, FOB values in Brazil were weighed by tentative prospects for a record planted area. In Argentina, where activity was generally light, export prices were underpinned by reluctant farmer sales and gains in the US market.

4.2 Policy Developments

Wheat

- On 10 October, China announced that the 2016 minimum purchase price for Wheat would be maintain at CNY 2,360 (USD 371).
- On 19 October, India increased the customs duty on Wheat imports from 10 to 25 percent. The new duty will remain in force 31 March 2016.
- On 5 October, the Russian Federation increased intervention prices for milling Wheat for the 2015 crop. This follows the decrease compared to 2014 prices that entered into force in July 2015. A single price will apply in all federal districts irrespective of origin, unlike previous practice. The intervention price for 3rd class wheat was set at RUB 10,900 (USD 176) per tonne for all origins (compared to RUB 9,500 to 9,700 per tonne), 4th class at RUB 10,400 (USD 168) per tonne (compared to RUB 8,700 to 8,900 per tonne previously), 5th class feed quality wheat at RUB 8,800 (USD 142) per tonne(compared to RUB 8,400 to 8,500 previously)
- On 25 September 2015, South Africa raised its wheat import tariff from ZAR 510.60 to ZAR 911.20 (USD 66, 70) per tonne, in terms of the existing variable tariff formula. This is the fifth consecutive change since October 2014

Bio-fuels

- On 14 October 2015, Brazil authorized the sale and voluntary use of 20 percent biodiesel blends for road use and 30 percent for rail, agricultural and industrial uses. The mandatory biodiesel blending requirement is 7 percent.

5. Acknowledgements

Acknowledgement is given to the following information sources:

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

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