agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report

AMIS Agricultural Market Information System

No. 4 of 2015

Overview

- Production volumes for maize and sorghum are projected to decline significantly due to drought in major producing regions. Supply for wheat is projected to decline on the back a decline in production volumes.
- The inventories for maize, wheat and sorghum to decline on the back of lower production while those for soybean are projected to increase significantly resulting from higher pOverviewn and import volumes. However the total supply for maize and sorghum is still expected to be sufficient to meet the local demand, although this might be eroded by lower production volumes in 2016/17 marketing season.
- 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 drop slightly between May 2016 and July 2016.
- Prices for sorghum are expected to decline slightly in May 2016 and to remain relatively stable from then until September 2016.
- According to the CEC, as of October 2015 commercial producers intended to plant 2,551 million ha of maize for 2016, which is 3.8% or 102 050 ha less than the 2,653 million ha planted last season (2015).

Table of Contents

1. Domestic Supply-Demand Outlook

1.1 Maize

Marketing Season: April to May	Actual for 2014/15	Projection 2015/16 (Nov 2015)	Projection 2015/16 (Jan 2016)
	Tons		
Production	13 827 632	9 941 650	9 481 650
Opening Stocks	589 028	2 073 635	2 073 635
Total Supply	**14 508 063**	**12 473 329**	**12 910 329**
Total Demand	**12 434 428**	**11 150 000**	**11 242 000**
Closing Stocks	2 073 635	1 323 329	1 668 329
Days' stock	76	48	60

Source: NAMC, Supply and Demand Estimates Committee

- **Production:** The maize crop for 2016 is estimated at 9.48 million tons, which is 4.62% lower compared to November 2015's forecast. According to the report released by the Crop Estimates Committee in October 2015, commercial producers intended to plant 2,551 million ha of **maize** for 2016 marketing, which is 3,8% less than what was planted last season (2015).
- The 2015/16 season is projected to close with about 1.67 million tons, which is sufficient to provide a buffer stock to the market for about 60 days after the end of the current marketing season. However if the drought experienced in the country persists, the resultant reduced production volumes will put pressure on supply in 2016/17 season.

1.2 Sorghum

Marketing Season: March to April	Actual for 2014/15	Projection 2015/16 (Nov 2015)	Projection 2015/16 (Jan 2016)
	Tons		
Production	261 507	116 500	114 000
Opening Stocks	50 069	121 812	121 812
Total Supply	**320 301**	**265 112**	**274 012**
Total Demand	**198 489**	**201 950**	**203 860**
Closing Stocks	**121 812**	**63 162**	**70 152**
Days' stock	279	140	153

Source: NAMC, Supply and Demand Estimates Committee

- Sorghum **production volume** for 2015/16 marketing season is projected to decline by 55.45% 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.

1.3 Wheat

Marketing Season: Oct to Sept	Actual for 2014/15	Projection for 2015/16	Projection 2015/16(Jan2016)
	Tons		
Production	1 699 546	1 542 350	1 469 190
Opening Stocks	488 526	593 913	596 823
Total Supply	**4 035 664**	**4 064 263**	**4 026 013**
Total Demand	**3 438 841**	**3 485 500**	**3 485 500**
Closing Stocks	**596 823**	578 763	540 513
Processed p/month	259 393	262 750	262 750
Days' stock	70	67	63

Source: NAMC, Supply and Demand Estimates Committee

- **Production volumes** for wheat are projected to decline by 9.24% 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.

1.4 Soya Beans

Marketing Season: March to February	Actual for 2014/15	Projection for 2015/16 (Oct 2015)	Projection for 2016/17 (Jan2016)
	Tons	Tons	
Production	948 000	1 059 850	1 027 850
Opening Stocks	61 806	63 704	63 704
Total Supply	**1 084 506**	**1 248 554**	**1 269 554**
Total Demand	**1 020 802**	**1 126 200**	**1 127 100**
Closing Stocks	**63 704**	**122 354**	**142 454**
Days' stock	23	40	47

Source: NAMC, Supply and Demand Estimates Committee

- **Production volume** for soya beans is projected to increase significantly in 2015/16 season compared to 2014/15 (11.79 %). The 2015/16 production forecast for January 2016 is slightly lower compared to the October 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 (Oct 2015)	Projection 2015/16 (Jan 2016)
	Tons		
Production	833 165	660 900	660 900
Opening Stocks	47116	92 927	92 927
Total Supply	**949 409**	**783 827**	**798 827**
Total Demand	**856 482**	**717 700**	**756 950**
Closing Stocks	**92 927**	**66 127**	**41 877**
Days' stock	40	34	20

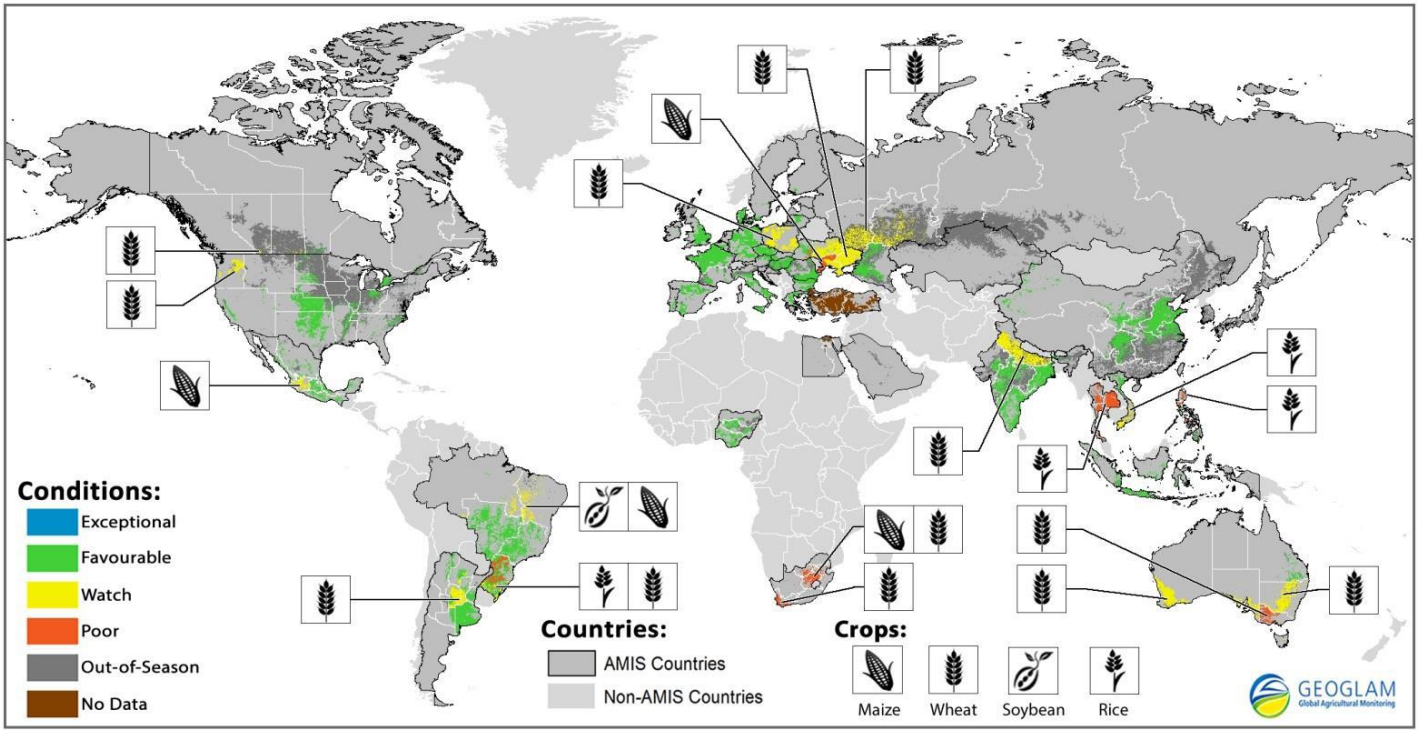
Source: NAMC, Supply and Demand Estimates Committee

- Sunflower **production volume** for 2015/16 marketing season was projected (in October 2015) to decline by 20.67% 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 January 2016 compared to October 2015.
- The closing stocks for sunflower are expected to decline significantly by 28.83% compared to the previous season.

2. Crop Conditions in Selected Countries

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

Figure 1



Source: GEOGLAM

Wheat - Conditions in the northern hemisphere are generally favourable at this early stage of the season. In the EU, conditions improved owing to beneficial weather. In China, conditions are favourable .In the US they are mostly favourable while in Russia and Ukraine, conditions have improved although some concern over establishment remains. In Canada, autumn rainfall has alleviated dry conditions. In India there is concern over dryness. In the southern hemisphere, conditions remain mixed. In Australia, conditions continued to deteriorate leading into harvest. In Argentina, conditions are favourable in most regions and in Brazil, harvesting is mostly complete but under poor conditions. In South Africa, production is expected to be below normal on the back of dry hot conditions.

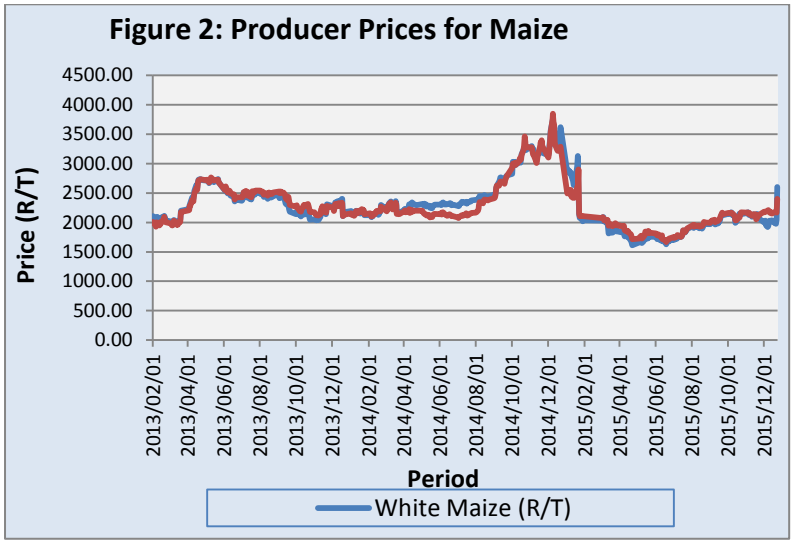
Maize - Conditions in the northern hemisphere are generally favourable as the season draws to a close. In the US, the crop is above average. In Ukraine, harvest is almost complete and yields are expected to be down. In India, Mexico, Canada and Nigeria, conditions are mostly favourable. In the southern hemisphere conditions remain mostly favourable at this early stage of the season. In Brazil and Argentina, conditions are generally favourable and in South Africa, there is concern over continued dryness. **Soybeans** - Conditions in the northern hemisphere remain mostly favourable as harvest ends. In the US, harvest is complete and the crop hit a new record. In Canada, harvest is complete and end of season conditions are favourable. In the southern hemisphere, conditions are generally favourable in Brazil and Argentina at this early stage of the season.

El Niño update - The current El Niño continues to strengthen, with a key weekly measure of Pacific sea surface temperature (SST) hitting a new record in late November. Peak strength of the El Niño is expected around the end of December. The growing season in South Africa is off to a dry start, with a second year of drought likely in 2015-2016. Conditions are drier than average as well in Thailand, Viet Nam, the Philippines, and Indonesia, and are forecast to continue. September-October rainfall was below average for most of Australia, but the outlook is now for average to above-average precipitation through February, thanks to Indian Ocean SST changes. Southern Brazil and north-eastern Argentina have seen a generally wet beginning to the season, and the forecast is for above average rainfall throughout the growing season. In the U.S, rainfall has been above average for the last 30 days in the South East, but California is still firmly in the grip of drought. .

[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

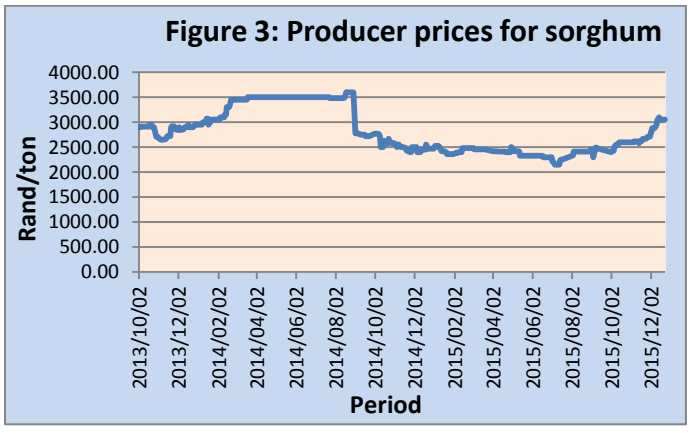
Figure 2 above shows maize producer prices for the period starting from 2012/13 to 2015/16 marketing season. The figure shows that producer prices for maize were generally moderate in 2013/14 season. Producer prices for both yellow and white maize started increasing October 2013 and continued on an increasing 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 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).

The figure further shows that the prices of both yellow and white maize began to show an increasing trend form 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.

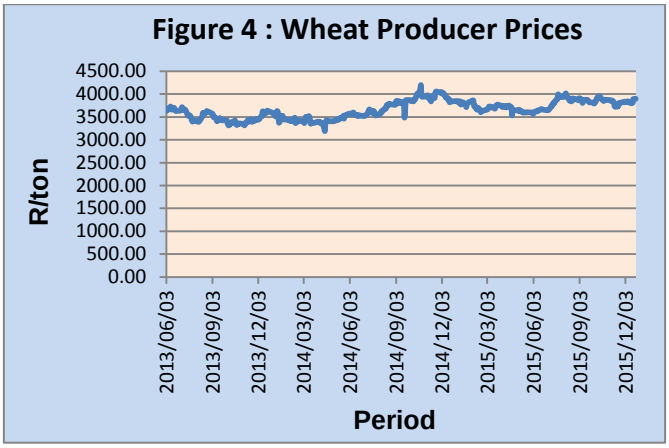
3.2 Sorghum

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



Source: SAFEX, accessed from SAGIS

3.3 Wheat



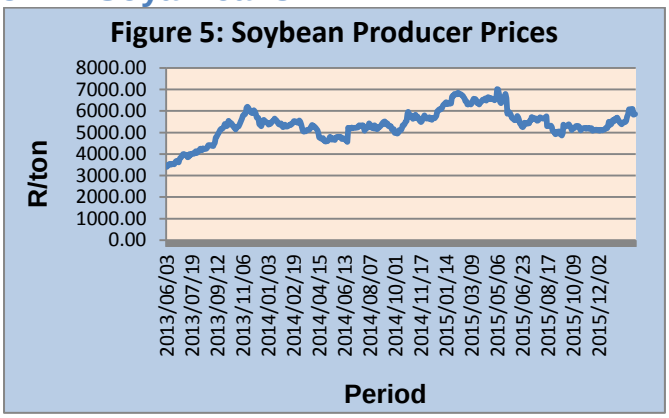
Source: SAFEX, accessed from SAGIS

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 December 2014. Moderate declines in prices were experienced from April 2015 until June 2015. The period under review closed with high producer price for wheat in December 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.

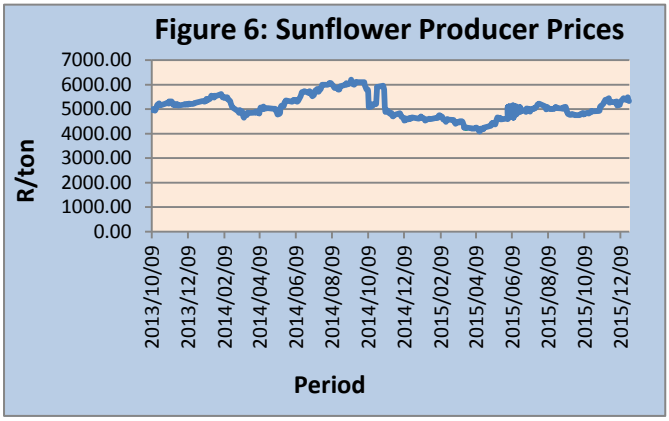
3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2013/14 marketing season opened with lower prices for soybeans in June 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 high trend during the third 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 October 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 third 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

	Futures Prices (2016/01/19) (R/T)			
Commodity	**Mar-16**	**May-16**	**Jul-16**	**Sep-16**
White Maize	5 176	5059 ▼	4 970 ▼	4986 ▲
Yellow Maize	4 010	3760 ▼	3650 ▼	3680 ▲
Wheat	4 987	5057 ▲	5054 ▼	4309 ▼
Soybeans	7 280	6730 ▼	6752 ▲	6884.▲
Sorghum	3 745	3600 ▼	3600 –	3600 –
Sunflower	7 465	7 245▼	7 155 ▼	7 207▲

Source: SAGIS

As of 19 January 2015, the March 2016 contracts for white and yellow maize traded at R5 176.00/ton and R4 010.00/ton respectively. The May 2016 and July 2016 contract prices for both white and yellow maize traded relatively lower compared to March 2016 contracts. Wheat contracts generally displayed a mixed trend; with May 2015 contracts trading at an average of R5 057.00/ton followed by declines July and September 2016. On the other hand the contracts for Sorghum show some stability resulting from plentiful supplies in the current season, while contracts for soya beans and sunflower generally displayed some mixed trend.

On a global level, prices for wheat, maize and soybeans declined modestly on the back of nearby availabilities and slow buying interest.

4. Global Market Outlook

4.1 World Prices

Wheat: Uncertainty about crop conditions continued, but export prices were mostly weaker during November, pressured by generally large nearby availabilities and slow buying interest. The dry start to the 2016/17 growing season remained of most concern in the Black Sea region, particularly in Ukraine, but with worries also emerging about dryness for planting in India. However, following recent beneficial rains, US traders focused on uncompetitive prices and resulting slow exports. Heavy supplies and lacklustre export demand also pressured values in the EU, especially in France, where some port silos halted further intake until backlogs could be cleared. Having recently made unusually large import purchases, Ethiopia was expected to be in the market for more owing to poor domestic production.

Maize: Average world export quotations were broadly unchanged in November, but with mixed trends across the main origins. After slight gains last month, US prices eased on comfortable supplies and slack global demand, with 2015/16 export commitments to date down by 30 percent y/y. Quotations in Argentina moved higher on slow producer selling and on speculation about possible changes to agricultural policies following the presidential election. Markets in Brazil had a slightly firmer tone as spot availabilities tightened amid a strong pace of exports. Black Sea values were lightly underpinned by this season's smaller availabilities in Ukraine and steady demand from EU feed users..

Soybeans: The IGC GOI soybeans sub-Index eased by nearly 4 percent during November as pressure from an ample world supply outlook outweighed mild support from stronger international demand. In the US, developments in outside markets and currency movements were also influential at times, while talk that Chinese processors had secured new crop supplies from Brazil added to the negative tone. While weather patterns remained an underlying concern, export prices in Brazil were weighed by prospects for record plantings, with values in Argentina also weakening in limited activity.

4.2 Policy Developments

Wheat

- In Egypt, a new support scheme for wheat will be introduced in April 2016. The wheat procurement price will be lowered from current levels to the world average price and a direct payment based on area of EGP 1,300 per feddan (approx. USD 393 per hectare) will be introduced. Payments would be capped to 25 feddan per farmer.
- India increased the minimum support price for wheat for 2016/17 by 5.2 percent to INR 1,525 per quintal (USD 230 per tonne) from its previous level.

- **Soybeans** Indonesia is considering a 10 percent import tariff on soybeans and a rise in the floor price from IDR 7,700 (USD0.55) per kg to IDR 8,500 (USD 0.61) per kg.

Other Policies:

- In **India**, assistance is being deployed in States that have faced droughts during planting season.
- Institutional changes were implemented in Saudi Arabia where the Grain Silos and Flour Mills Organization was restructured and renamed as the General Grains Organization (GGO).
- The GGO will handle the storage and operation of grain silos and flour mills and issue operational licenses.
- **South Africa** is setting up support to those farmers adversely affected by droughts.
- On 5 November 2015, the Biosafety Board of **Turkey** approved 6 maize and 2 soybean GM varieties for feed use. This follows the approval in July 2015 of 3 maize and 2 soybean varieties for feed use.

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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