



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

THE SOUTH AFRICAN GRAIN MARKETS QUARTERLY EARLY WARNING REPORT

NO. 01 OF 2013

1. SUMMARY

The domestic closing stocks for maize in the current season are expected to contract by about 21.39% on the back of lower production volume. Producer prices for maize are expected to remain relatively stable at the levels between R2 000.00/ton and R2 500.00/ton for most part of the current marketing season. The sorghum stocks are expected to tighten by about 35.6% while the price is expected to remain relatively higher until the end of the third quarter. Wheat and soybean are expected to close with inventories below the pipeline requirements.

On a global level, the ending stocks for maize, wheat and soybean are expected to increase marginally on the back of improved world production of these commodities. Some policy developments were observed in certain countries, which might have an impact on the world grains markets. Such developments will be discussed in detail in section 7 of this report.

2. MAIZE

2.1 Maize Balances

Table 1: Domestic Stocks for Maize as at 6 June 2013

Marketing Season: May to April	5 year Mean ¹	2012/13	2013/14* (Current Season)	Change (2013/14 vs 2012/13)	Change (2013/14 vs 5 yr Mean)
1 000 tons			%		
Opening Stocks	1 618	994	1 463	47.18	-9.58
Production	12 009	12 759	12 116	-5.04	0.89
Imports	97	11	0	-100	-100
Total Supply	13 332	13 764	13 579	-1.34	1.85
Consumption	9 484	10 361	10 647	2.8	12.26
Exports	2 156	1 940	1 782	-8.14	-17.35
Total Demand	11 640	12 301	12 429	1.04	6.78
Closing Stocks	1 692	1 463	1 150	-21.39	-32.03
Pipeline Requirements		1 094	1 108	1.28	-
Shortage/surplus above pipeline		369	42	-	-

Source: SAGIS, and Economic Analysis & Statistics, *Projection

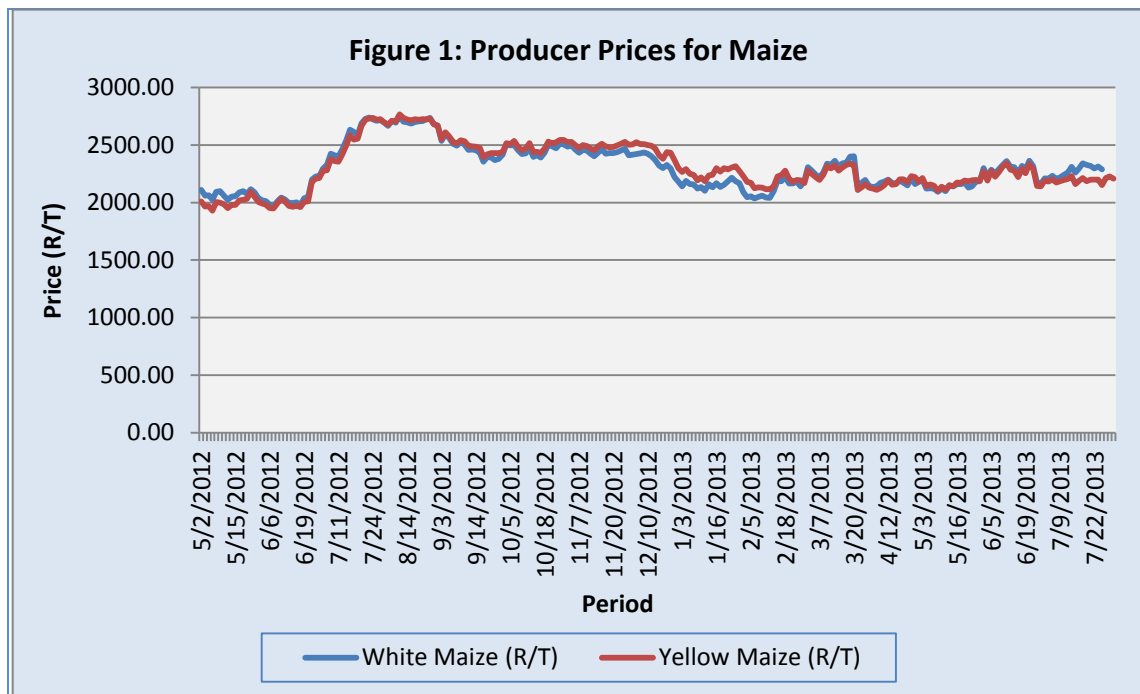
Table 1 above shows that the current marketing season (2013/14) opened with higher maize stocks in April. The opening maize stocks for the current season are 47.18% higher than the opening stocks for the previous marketing season (i.e. 2012/13). Maize production in 2013/14 is expected to decline by 5.04% compared to the volumes of maize produced in 2012/13 marketing season. However, the projected production remains 0.89% higher compared to the average production for the past five marketing seasons. The total supply for maize in the current season is

¹ Average for the period 2008/09 to 2012/13

projected at about 13.58 million tons and this represents a decrease of about 1.34% compared to what was supplied to the local market in the previous season, and 1.85% lower compared to the five year average maize supply. On the other hand, the projected demand for the current marketing season is 12.43 million tons. This represents an increase of about 1.04% compared to the demand during the previous season. The maize stocks are projected to close at about 1.15 million tons in the current season and this is about 21.39% lower compared to the stock levels at the end of 2012/13 marketing season and 32.03% lower than the five year average.

From Table 1 it is clear that the projected ending stocks for 2013/14 are about 42 thousand tons higher than the pipeline requirement. This implies that the domestic maize market is likely to close with a surplus of 42 thousand tons provided that the supply and demand patterns for maize do not change for the entire season.

2.2 Maize Prices



Source: SAFEX, accessed from SAGIS

Figure 1 above shows maize producer prices for the period starting from 2012/13 to 2013/14 marketing season. The figure shows that producer prices for maize are generally lower in 2013/14 season compared to the previous season. According to SAFEX, producer prices for maize are expected to remain relatively stable at the levels between R2 000.00/ton and R2 500.00/ton throughout the current marketing season.

3. SORGHUM

3.1 Sorghum Balances

Table 2: Domestic Stocks for Sorghum as at 6 June 2013

Marketing Season: April to March	2012/13	2013/14* (Current Season)	Change (2013/14 2012/13)	vs
	1 000 Tons		%	
Opening Stocks	52.1	48.3	-7.29	

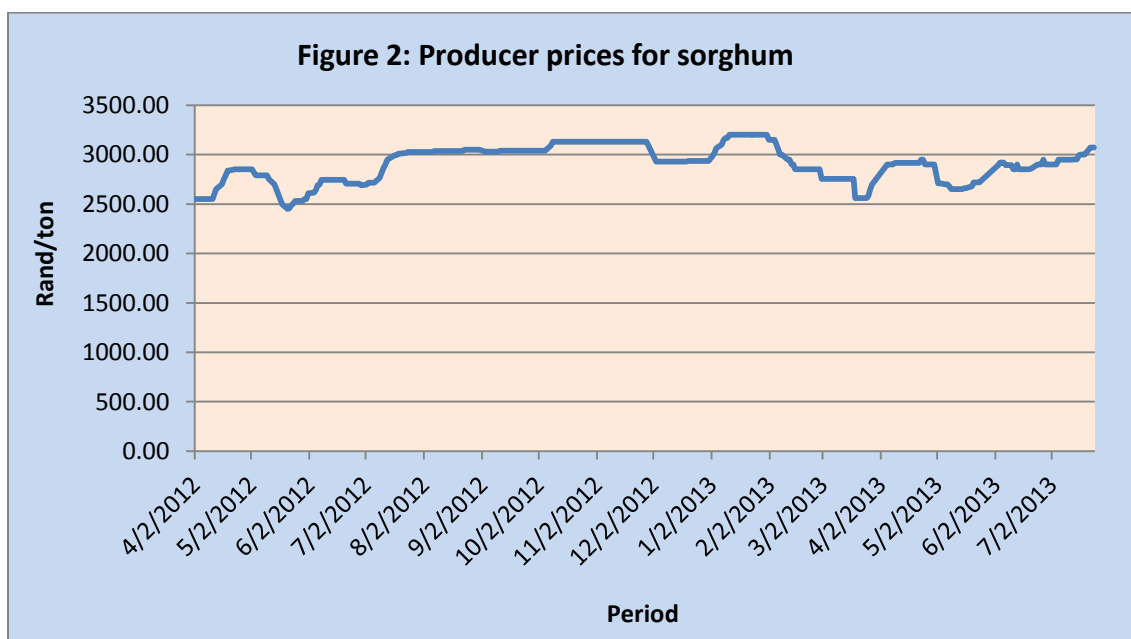
Marketing Season: April to March	2012/13	2013/14* (Current Season)	Change (2013/14 2012/13)	vs
Production	155.8	193.3	24.07	
Imports	55.0	40.0	-27.27	
Total Supply	262.9	281.6	7.11	
Domestic Consumption	195.6	226.5	15.80	
Exports	19.0	19.6	3.16	
Total Demand	214.6	246.1	14.68	
Closing Stocks	48.3	35.5	-26.50	
Pipeline Requirements	20.2	23.2	14.85	
Shortage/surplus above pipeline	28.1	12.3	-56.23	

Source: Economic Analysis & Statistics, *Projection

Table 2 above shows the balance sheet for sorghum covering the period 2013/13 to 2013/14 marketing seasons. The table shows that sorghum stocks opened about 7.29% lower in the current season compared to the opening stocks of the previous season. Production volumes for the current season are projected at about 193 thousand tons. This is an increase of about 20.07% compared to what was produced during 2012/13 season. The total sorghum supply is projected to increase to about 282 thousand tons in the current season from 263 thousand tons in the previous season. The projected closing stocks of sorghum for the current marketing season (2013/14) is 35 500 tons, which is 26.5% less than the previous season (48 300 tons). This is mainly due to the expected decline in the volume of sorghum imports and the projected increase in domestic consumption and exports.

The projected closing stocks are 12 300 tons above the pipeline requirements while the actual closing stocks for the previous season were 28 100 tons above the pipeline requirements. This implies that the projected surplus levels are 56.23% lower compared to those of the previous season.

3.2 Sorghum Prices



Source: SAFEX, accessed from SAGIS

Figure 2 shows producer prices for sorghum starting from April 2012 until July 2013. Sorghum traded relatively lower in April 2013 and this increased slightly in May 2013. In general, the producer price for sorghum ranged between R2 400/ton and R3 300/ton between April 2012 and July 2013. The lowest price was recorded in May 2013 while the highest was experienced between January and February 2013. The prices closed with an increasing trend in July 2013 and the price is expected to continue in a similar trend for the next few months. The September 2013 SAFEX contracts for sorghum traded at an average price of about R3 100/ton as of 20 August 2013.

4. WHEAT

4.1 Wheat Balances

Table 3: Domestic Stocks for Wheat as at 6 June 2013

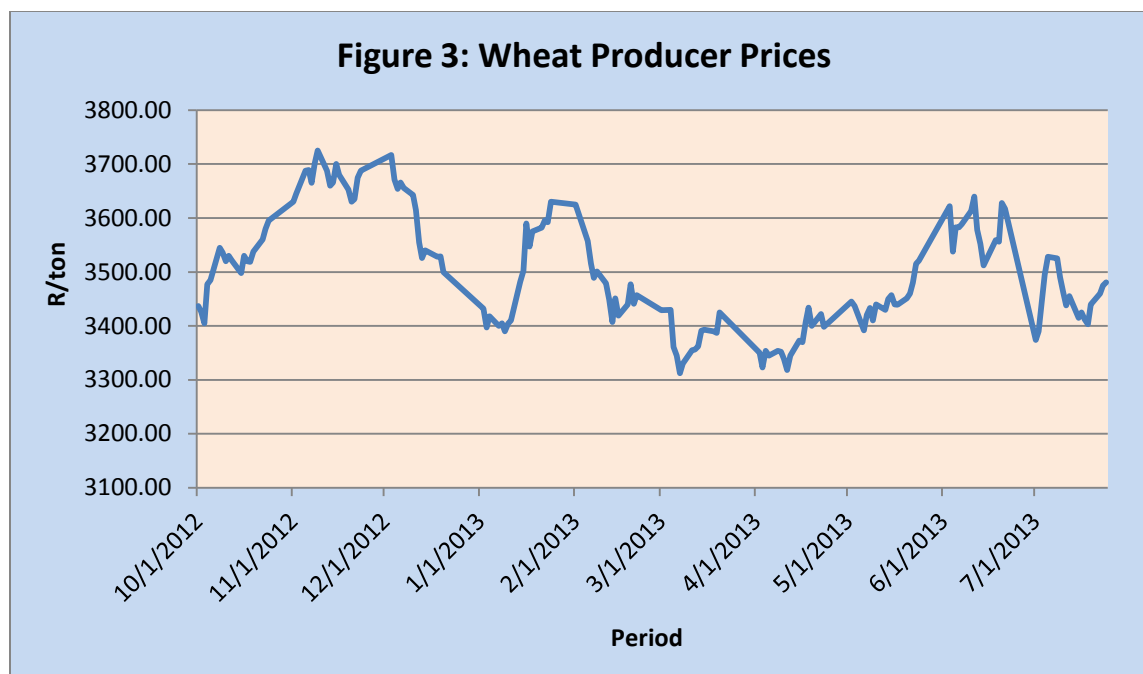
Marketing Season: October to September	2011/12	2012/13* (Current Season)	Change (2012/13 2011/12) vs
	1 000 Tons		%
Opening Stocks	478	651	36.19
Production	2 014	1 879	-6.7
Imports	1 724	1 450	-15.89
Total Supply	4 216	3 980	-5.60
Domestic Consumption	3 277	3 120	-4.79
Exports	288	296	2.78
Total Demand	3 565	3 416	-4.18
Closing Stocks	651	564	-13.36
Pipeline Requirements	672	658	-2.08
Shortage/surplus above pipeline	-21	-94	

Source: Statistics and Economic Analysis

The wheat production volume for the current marketing season (2013) dropped by about 6.7% compared to the volumes of wheat produced in the previous season (2 014 tons). The current marketing season opened with the wheat stocks of about 651 000 tons which is 36.19% higher compared to the opening stocks of the previous season. The projected wheat supply decreased by about 5.60% compared to the previous season, mainly as a result of higher opening stocks in the current season. The domestic wheat demand is projected to fall by 4.18% while at same time the wheat stocks are expected to close 13.36% lower compared to the previous season. The projected closing stocks are 94 thousand tons less than the pipeline requirements, implying that it might be necessary to increase wheat imports from the projected figure (1.45 million tons).

4.2 Wheat Prices

Figure 3 below indicates that the marketing season for wheat opened with relatively lower producer price for wheat in October 2013. The highest price was attained in November 2012 while the lowest was experienced in March 2013. The price for wheat remained relatively lower in July 2013 despite the projected lower stock levels. According to SAFEX wheat prices are expected to remain at moderate levels until the first quarter of 2014. The price is projected to increase slightly to the levels above R3 500/ton between the second and third quarter of 2013.



Source: SAFEX, accessed from SAGIS

5. SOYBEAN

5.1 Soybean Balances

Table 4: Domestic Stocks for Soybean as at 6 June 2013

Marketing Season: Jan to Dec	2012	2013* (Current Season)	Change (2012 vs 2013)
	1 000 Tons		%
Opening Stocks	306.1	175.9	-42.54
Production	651.9	787.1	20.74
Imports	0.3	5.0	1566.67
Total Supply	958.3	968.0	1.01
Domestic Consumption	589.7	787.8	33.58
Exports	157.5	30.0	-80.76
Total Demand	782.4	849.8	8.61
Closing Stocks	175.9	118.2	-32.80
Pipeline Requirements	145.4	194.3	33.62
Shortage/surplus above pipeline	30.5	-76.1	

Source: Statistics and Economic Analysis

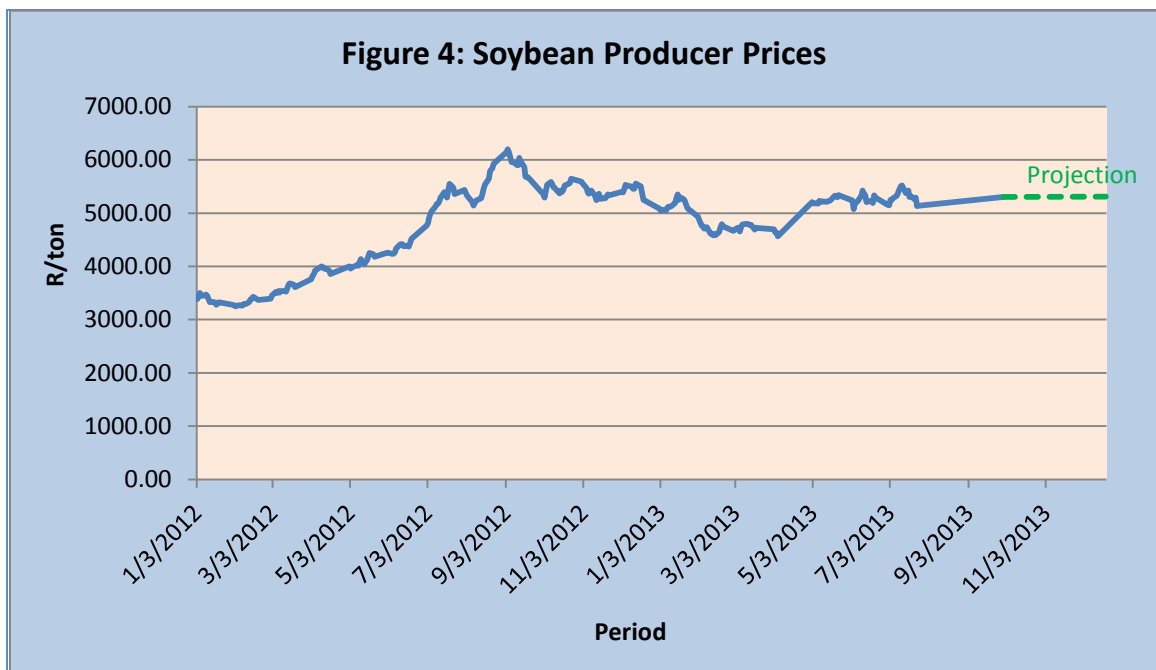
Table 4 above shows that the current marketing season (2013) opened with the soybean stocks of about 176 thousand tons in January 2013. The opening stocks for the current season are 42.54% lower than the opening stocks for the previous marketing season (i.e. 2012). On the other hand soybean production for the current season increased by 20.74% compared to the volumes harvested in the previous marketing season. The total supply for the current season is projected at about 968 000 tons and this represents an increase of about 1.01% compared to what was supplied to the local market in the previous season. On the other hand, the projected demand for the current marketing season is 849 000 tons. This represents an increase of 8.61% compared to total demand for the product in the previous season. The soybean stocks are projected to close at

about 118 200 tons in the current season, and this is about 32.80% lower compared to the closing stock levels at the end of 2012 marketing season.

From Table 4 it is clear that the projected ending stocks for 2013 are about 76.1 thousand tons lower than the pipeline requirement. This implies that the domestic maize market is likely to close with a deficit of 76.1 thousand tons provided that the supply and demand patterns for soybean do not change for the remainder of the season.

5.2 Soybean Prices

Producer prices for soya beans are presented in Figure 4 below. This covers the period ranging from January 2012 until July 2013, and covers future contract prices for September 2013 and December 2013.

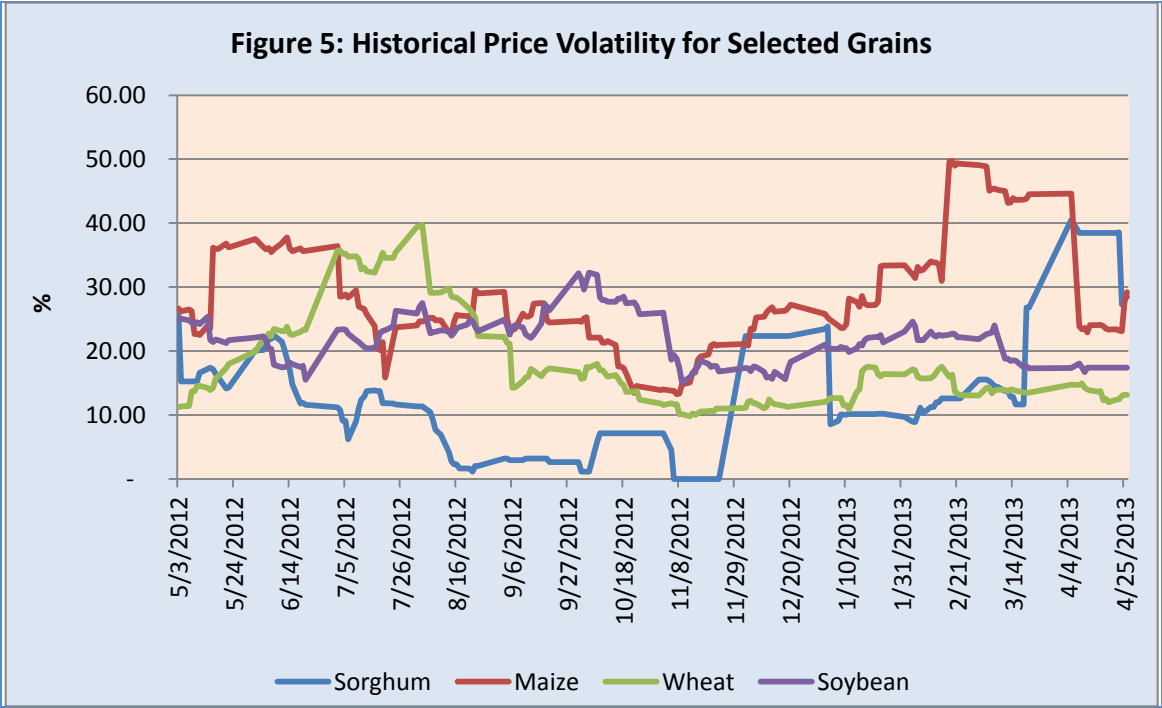


Source: SAFEX, accessed from SAGIS

Figure 4 above shows that the 2012 marketing season opened with lower prices for soybeans in January 2013. The highest price for soybeans was attained in September 2012, after which prices fluctuated at higher levels until January 2013. The current marketing season is projected to close higher in December 2013 with the closing price being projected at about R5 386.00 for a ton of soybeans.

6. PRICE VOLATILITY

Figure 5 below 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 5 indicates that, on average maize was the most volatile of the four commodities covered in the figure, particularly between December 2012 and March 2013. Volatility declined for sorghum, soybean and wheat but rose slightly for maize during the last week of April 2013.



Source: SAFEX, accessed from SAGIS

7. OUTLOOK FOR THE GLOBAL MARKET

7.1 Global Grain Market Outlook

Wheat:

- World production in 2013 is expected to increase by 6.8% on the back of good harvest prospects in nearly all major producing countries with the exception of the USA.
- Utilisation in 2013/14 to increase by 1.5% with feed use rising by 1% after 10% decline in 2012/13.
- Trade in 2013/14 to contract by nearly 3%, largely on anticipated lower imports by Iran following large purchases in 2012/13.
- Ending stocks are anticipated to increase by 4%.

Maize:

- Production is expected to increase sharply in 2013 while prices are expected to ease slightly.
- Utilization in 2013/14 to grow by over 5%, largely due to increasing feed and industrial use, especially in the US.
- Trade in 2013/14 to expand by 4%, with a possible decline in international prices stimulating import demand.
- Ending stocks in 2014 are expected to rebound by 29% from their 2013 lows owing to growing inventories mostly in the US and in South America.

Soybeans:

- Production for 2013/14 rose marginally on account of larger volumes in Paraguay and Uruguay.
- Utilization in 2013/14 to increase slightly as higher crush estimates for the US, Paraguay and Uruguay outweigh downward revisions for China and Brazil.
- Trade is expected to increase by about 4% and the closing stocks are projected to increase slightly on the back of improved crop prospects in South America.

7.2 Global Policy Developments Affecting Grain Markets

- Indonesia is paying seed, fertilizer and machinery subsidies to producers of soybeans in an effort to increase production. It is reported that Indonesia is also considering introducing minimum farm-gate prices for soybeans.
- Egypt announced that it will commence purchases of wheat from farmers to replenish its dwindling stocks and expects to buy a total of about 4.5 million tons or half of the expected record harvest.
- A political agreement was reached on the reform of the European Union's Common Agricultural Policy (CAP). Implementation of the CAP 2014 – 2020 will begin in 2014 and should be fully in place in 2015. CAP 2014-2020 will continue to be based on the two pillar structure, allowing for a larger envelope for commodity specific direct payments.

Source: FAO AMIS

8. ACKNOWLEDGEMENTS

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1. **Directorate: Statistics and Economic Analysis**
www.daff.gov.za
2. **South African Grain Information Services**
www.sagis.org.za
3. **FAO Agricultural Marketing Information System**
www.amis-outlook.org

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