



# agriculture, forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

## Grain Markets Early Warning Report



No. 1 of 2017

### Overview

- International prices of most AMIS crops exceed last year's levels with many food markets exhibiting a higher level of volatility, being largely driven by currency fluctuations, trade policy concerns and planting uncertainties. Robust maize exports added more pressure on the wheat prices. If the new import duty to be implemented is R1190.19 compared to the current duty of R1591.40, prices will lack underlying support. Recent impacts of duty free EU wheat add to price pressure. Prices in the Western Cape remain under pressure, underpinned by ample supply and carry-over stocks. National Treasury indicated that the wheat tariff formula will be reviewed by the end of March 2017.
- Maize production estimates for 2016/17 rose following the recent upward revisions to crop estimates in Mexico and Ukraine. The revision puts the 2016/17 maize crop at a record high, marginally exceeding the previous record in 2014. Locally, old season carry out stocks are tight. Consumers including millers, processors and the animal feeds industry are looking forward to utilising the less expensive new season crop. South Africa is expected to import some yellow maize given that more white maize was planted under irrigation for harvesting in March as compared to yellow maize. With Zambia's ban of exports, SA can be the major supplier to neighbouring countries with the expected surplus this season. The 2016/17 Soyabean production is set to reach an all time high, the forecasts has been lifted reflecting upward revisions in Brazil and Argentina, owing to favourable weather conditions
- Last year was a particular tough year for oil and cake crushes in the country with extremely high prices for soya and sunflower due to the drought. Low domestic volumes combined with relatively low international prices for cake meal and oil placed crush margins under pressure hence the decision to keep factories running, 38 000 tons of sunflower seed was imported. This combined with above average growing conditions and higher plantings in South Africa lead to a decline in sunflower prices. Despite low domestic prices, crush margins are expected to remain under pressure as crushers need to compete internationally as import parity prices for cake and oil

### Table of Contents

Overview .....	1
1. Domestic Supply-Demand Outlook.....	2
1.1 Maize .....	2
1.2 Sorghum.....	2
1.3 Wheat .....	2
1.4 Soya Beans .....	2
1.5 Sunflower .....	3
2. Crop Conditions in Selected Countries .....	4
3.1 Maize .....	6
3.2 Sorghum.....	6
3. Commodity Prices .....	6
3.4 Soya Beans .....	7
3.5 Sunflower .....	7
3.6 Futures Prices.....	8
4. Global Market Outlook .....	9
5. Acknowledgements.....	10

# 1. Domestic Supply-Demand Outlook

## 1.1 Maize

Marketing Season: April to May	Actual for 2015/16	Projection 2016/17 (Nov 2016)	Projection 2016/17 (Mar 2017)
Production	9 955 000	7 536 875	7 778 500
Opening Stocks	2 073 635	2 471 067	2 471 067
Total Supply	13 884 507	12 389 931	12 325 843
Total Demand	11 413 440	11 288 000	11 040 000
Closing Stocks	2 471 067	1 101 931	1 285 843
Days' stock	88	40	48

Source: NAMC, Supply and Demand Estimates Committee

## 1.2 Sorghum

Marketing Season: March to April	Actual for 2015/16	Projection 2016/17 (Nov 2016)	Projection 2016/17 (Mar 2017)
Production	88 500	74 150	74 150
Opening Stocks	121 812	83 142	83 142
Total Supply	278 212	234 792	234 792
Total Demand	195 070	200 450	194 780
Closing Stocks	83 142	34 342	40 012
Days' stock	190	72	84

Source: NAMC, Supply and Demand Estimates Committee

## 1.3 Wheat

Marketing Season: October to Sept	Actual for 2015/16	Projection 2016/17 (Nov 2016)	Projection 2016/17 (Mar 2017)
Production	1 440 000	1 766 280	1 909 540
Opening Stocks	596 823	827 232	827 232
Total Supply	4 075 147	4 061 512	4 154 772
Total Demand	3 247 915	3 307 300	3 319 000
Closing Stocks	827 232	754 212	835 772
Days' stock	96	87	96

Source: NAMC, Supply and Demand Estimates Committee

## 1.4 Soya Beans

Marketing Season: March to February	Actual for 2015/16	Projection 2016/17 (Nov 2016)	Projection 2016/17 (Mar 2017)
Production	1 070 000	741 550	742 000
Opening Stocks	63 704	89 128	89 128
Total Supply	1 241 340	1 103 678	1 072 628
Total Demand	1 152 212	1 030 000	1 007 450
Closing Stocks	89 128	73 678	65 178
Days' stock	29	27	24

Source: NAMC, Supply and Demand Estimates Committee

- Maize:** The projected maize crop for March 2016/17 is estimated at 7.778 million tons, which is about 3.2% more when compared to November 2016 forecast. According to the report released by the Crop Estimates Committee (CEC) in March 2017, the area estimated for commercial maize production remained unchanged at 1,94 million hectares for 2016/17 marketing season. Maize projections for November 2016/17 marketing season were at 7.537 million tons, showing a decline of 24% from the 2015/16's harvest.
- According to Grain SA, despite good harvest of local maize, the country still needs to import more maize to meet local demands. The 2016/17 season is estimated to close with about 1.3 million tons, which will be able to provide a buffer stock to the market for about 48 days after the end of the current marketing season. While still recovering from the occurrence of severe drought conditions, the country may still need to import about 2.3 million tons of corn in 2016/17 season, of which 730 000 tons will be white maize, according to CEC.
- Sorghum** production volume for March 2016/17 marketing season is projected to remain unchanged as compared to 74 150 tons attained in November 2016.
- The intended plantings of sorghum is expected to decrease by 14,5% or 6 150 ha to 42 350 ha as compared to the previous season, putting much pressure on the supply. This means that the imports stocks for 2016/17 marketing season are expected to boost the domestic supply situation. The projected

closing stocks in the current season of March 2017 have increased significantly as compared to the previous projection of 34 342 tons in November 2016. The days' stock has significantly increased from 72 days in November 2016 to 84 days in March 2017.

- **Wheat** production volumes are projected to rise by 7.5% in March 2017 season compared to the projected volume in November 2016. This is due to increased area planted and the availability of rainfall which relieved drought conditions in the primary growing province.
- Wheat supply is projected to increase slightly by 2.2% in March 2016/17 as compared to November 2016. This is mainly attributed to an increase in the area planted and improved conditions in the production zones. However, the demand for wheat is projected

to rise, driven by low quantity supply and higher demands in the local markets.

- The closing stock for wheat has increased by 9.8% compared to the November 2016 projections.
- Production volume of **soya beans** is projected to increase by 0.1% in March 2016/17 season when compared to the projected volume in November 2016, whereas the 2015/16 final crop is about 31% higher than the production forecast for March 2016/17.
- Soya beans supply for March 2016/17 is projected to decline by 2.9% in comparison to November 2016/17 forecast.
- The total demand for March 2016/17 is also projected to go down by 12.6% compared to the final demand during 2015/16 season irrespective of the increase in the country's crushing volumes.

### 1.5 Sunflower

Marketing Season: April to May	Actual for 2015/16	Projection 2016/17 (Nov 2016)	Projection 2016/17 (Mar 2017)
Production	663 000	755 000	755 000
Opening Stocks	92 927	45 867	45 867
Total Supply	802 557	838 617	870 567
Total Demand	756 690	762 100	731 200
Closing Stocks	45867	76 767	139 367
Days' stock	22	37	70

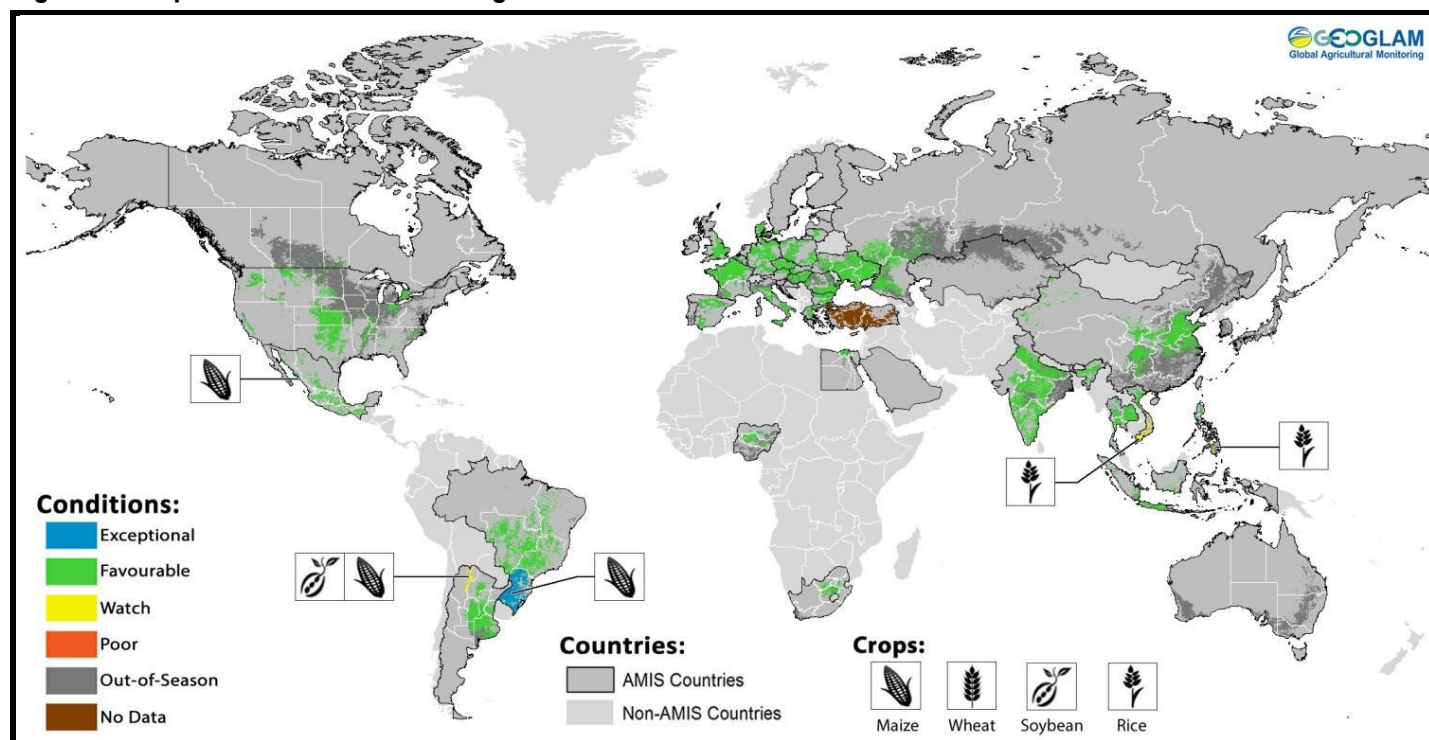
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for March 2016/17 marketing season was projected to remain unchanged as compared to the projections in November 2016/17. The final production volumes for 2015/16 were 663 000 tons and it was about 12% less than the production volumes forecasted for March 2016/17.
- The total demand for sunflower seed increased slightly by 4.1% in March 2017 as compared to November 2016 projections.
- The final closing stock for sunflower is projected to be about 44.9% higher for March 2016/17, when compared to 76 767 tons projected for November 2016.

## 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 March 2017). For the purpose of this report the focus will be on maize, wheat and soya beans.

Figure 1: Crop conditions for selected grains in AMIS countries



Source: GEOGLAM

**Wheat** – The overall winter wheat prospects continue to be largely favourable in the northern hemisphere. The winter wheat crop is expected to break dormancy next month in the most countries.. In the **EU**, overall conditions are favourable with only limited frost damage reported, despite the widespread cold temperatures. In the **US**, conditions are generally favourable with warmer than usual temperatures, however the area planted has decreased. In **China**, conditions for winter wheat crops are generally favourable. In **Canada**, favourable conditions exist for winter wheat crops with some minor areas currently affected by either winter-kill or spring flooding. In **Ukraine**, winter wheat is under generally favourable conditions with sufficient snow cover to protect the crop from severe frosts and very low temperatures experienced in February. In **India**, winter wheat is mostly in the late vegetative to reproductive stages under good conditions with favourable production prospects. In the **Russian Federation**, conditions are generally favourable with adequate snow cover providing protection from low temperatures.

**Maize** - In the Southern hemisphere, overall conditions remains mostly favourable with very good production prospects. In **Brazil**, overall conditions for both the spring and summer crops are good with much improved production prospects relative to last year. In the **Argentina**, favourable weather over the past month improved conditions, which are favourable throughout the country with only minor areas of dryness remaining. In **South Africa**, conditions are favourable with above average rainfall. However there have been some reports of fall army worm breakouts, although so far these have not had a significant impact in the major production region. In **Mexico**, the spring-summer crop is almost completely harvested

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



and an increase in production relative to last year is expected. The autumn-winter crop is currently being planted under good conditions. In **India**, Rabi maize is concluding harvesting under favourable conditions.

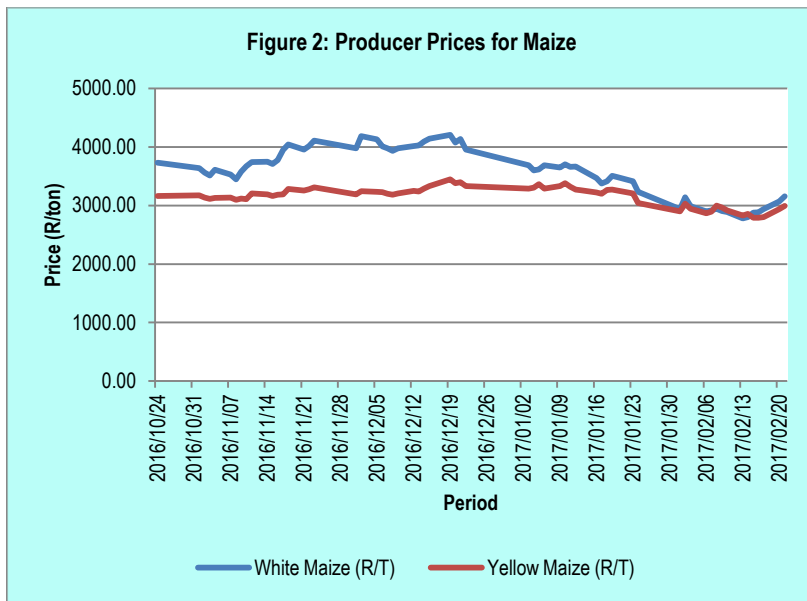
**Soybeans** - In the southern hemisphere, generally favourable conditions persist in Brazil and production prospects are up relative to last year. In Argentina, conditions have markedly improved relative to last month to mostly favourable across the country, while the crop is out of season in the northern hemisphere. In the **Brazil**, conditions are favourable across the country owing to continuing good weather, and production prospects are up relative to last year with the crop mainly in the reproductive, ripening and harvesting stage. In **Argentina**, conditions have improved to mostly favourable across the country for both early and late planted crops owing to good weather. Very minimal losses were realised in the central region due to flooding, whereas small areas of dryness persist in the northwest and the southeast.

#### **Detection of Spodoptera Frugiperda (fall army worm) for the first time in South Africa**

Fall Army Worm (FAW) is a quarantine pest for South Africa which has a wide host range and can affect crops such as maize, sorghum, soybeans, groundnuts and potatoes. This pest is a good flyer and cannot be contained in a specific area. Damage reported in South Africa so far is mainly on yellow maize varieties and especially on sweetcorn as well as maize planted for seed production. Reports of caterpillar damage have been received mainly from maize production regions. The emergency registration for Army Worm Control were finalised and farmers were able to apply control on their respective farms. On overall the country still expect to attain over 70% of the expected maize yields.

### 3. Commodity Prices

#### 3.1 Maize



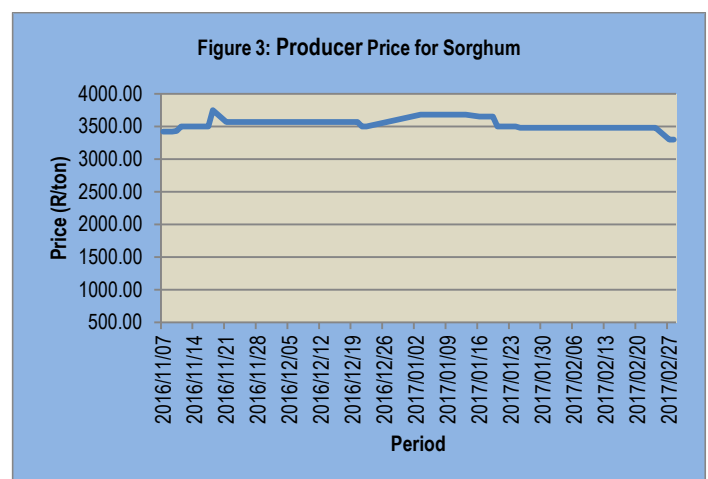
Source: SAFEX, accessed from SAGIS

Figure 2 above reflects the producer prices for maize starting from October 2015/16 to February 2016/17 marketing season. The figure indicates that producer prices for white and yellow maize opened higher above R3 000/ton in October 2016. The price remained generally stable until January 2016/17. Producer prices for both yellow and white maize increased steadily between November 2016 and December 2016, with substantial maize prices above R4 000/ton recorded during December 2016.

The prices of both white and yellow maize followed similar trends, closing mixed with the white maize feeling the most pressure above the yellow maize throughout the season. The producer prices for both white and yellow maize started declining from December 2016 to February 2017. The prices for both white and yellow maize ended the season lower at R3 157/ton and R2 995/ton, respectively. This is mainly attributed to the higher expectation of good crop from South America and less expensive new crop anticipated locally.

#### 3.2 Sorghum

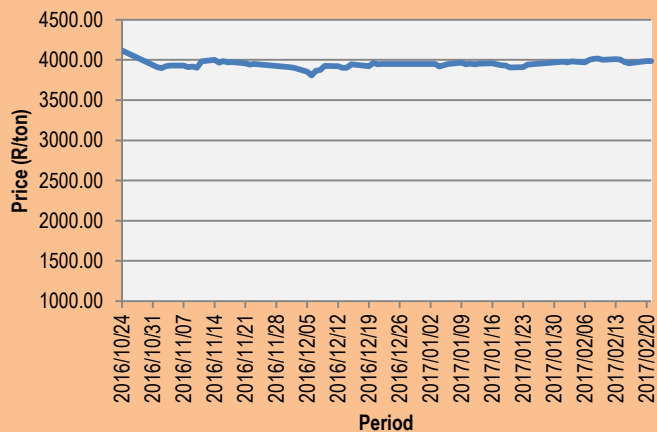
Figure 3 shows producer prices for sorghum opening from November 2016 until February 2017. Sorghum prices were stable just above R3 000/ton from November 2016 to February 2017 and this was followed by a slight increase above R3 500/ton attained between December 2016 and January 2017, respectively. The producer prices for sorghum remained relatively stable for the remainder of the season until marginal decline in prices were attained in February 2017, closing at R3 300/ton.



Source: SAFEX, accessed from SAGIS

#### 3.3 Wheat

Figure 4: Wheat Producer Prices

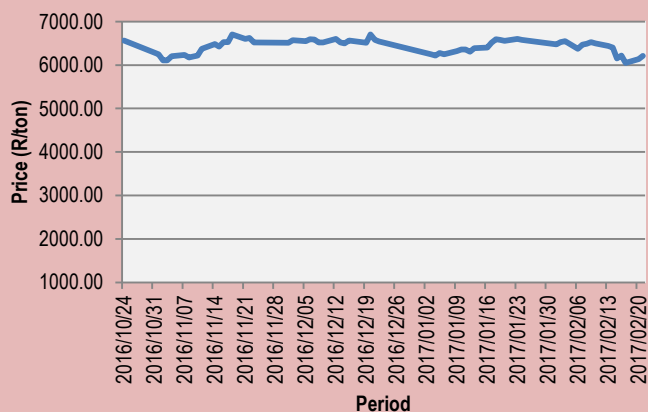


Source: SAFEX, accessed from SAGIS

Figure 4 indicates that the wheat producer price started slightly higher above R4 000/ton in October 2016. The price showed a slight decline in November 2016 and eventually began to show stable movement below R4 000/ton feeling pressure from the high global stock and robust maize exports. The producer price of wheat slightly fell in December 2016 and eventually increased but remained stable below R4 000/ton until the closing of the season in February 2017. In overall, the local wheat market traded relatively stable at the current prices which ranges from just below R4 000/ton up to just below R4 200/ton.

### 3.4 Soya Beans

Figure 5: Soyabean Producer Prices

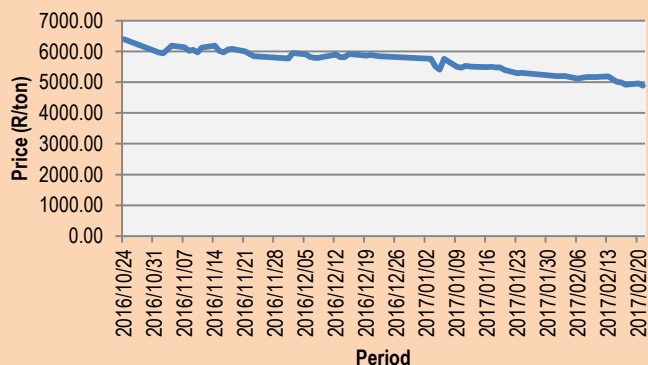


Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2015/16 marketing season opening price for soybeans was just R5 000/ton in August 2016. The figure displays a great fluctuation in the producer price for soya beans. There was a notable increase in soya bean price during September 2016. The price ranged between R5 000/ton and R7 800/ton over the period under consideration. The figure shows that the price of soybean has progressively increased from August 2015 to January 2016. However this was followed by a steady drop in producer prices between January 2016 and April 2016. The price of soybean surged to R8 010 during June 2016. From July 2016 to August 2016, the prices have steadily dropped, and continued to be stable above R6 000/ton until December 2016. The soyabean marketing season closed with a decrease in price of R6 540/ton in

### 3.5 Sunflower

Figure 6: Sunflower Producer Prices



Source: SAFEX, accessed from SAGIS

December 2016. In the international markets, soybean prices have increased and this can be attributed to abnormal weather conditions in South America, including flooding in Argentina and drought in the largest producing state of Brazil (Mato Grosso).

Figure 6 shows that the opening price for 2015/16 marketing season was just above R5 500/ton in August 2015. Figure 6 displayed a great fluctuation in the producer price for sunflower with a lowest price of R5 550/ton and the highest price of R8 220/ton during the period under review. Sunflower prices have increased steadily from August 2015 to February 2016 and the prices followed a declining trend from March 2016 to December 2016. A record low price was recorded in August 2015 and sunflower price surged to a record high price of R8 220 in February 2016. Sunflower producer prices declined steadily from March 2016 and closed at

R5 850.00/ton during December 2016, about 29% lower when compared to the corresponding period in February.

### 3.6 Futures Prices

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

**Table 1: Future prices for maize, wheat, soyabean and sunflower**

Commodity	Future Prices (2017/03/14) (R/T)			
	Dec-16	Mar-17	May-17	Jul-17
White maize	3969		2689 ▼	1892 ▼
Yellow maize	3263	3164 ▼	2547 ▼	2002 ▼
Wheat	3954	4069 ▲	4118 ▲	4178 ▲
Sunflower	5931	6050 ▲	5930 ▼	4745 ▼
Soybeans	6550	6500 ▼	6180 ▼	5130 ▼
Sorghum	3792	3338 ▼	3347 ▲	3075 ▼

Source: SAGIS

As of 14 March 2017, the contracts for white and yellow maize traded at R3 969/ton and R3 263/ton respectively. Both white and yellow maize traded slightly lower in December 2016 as compared to November 2016 contracts, slightly easing some pressure on the consumers. On average wheat contracts generally displayed an increasing price trend, with November 2016 contracts trading at an average of R3 941/ton followed by a slight increase in December 2016 and a further increase of R4 069/ton in March 2017.

The contracts for sunflower show mixed trends, trading at R5 931/ton in December 2016. Contracts of sunflower trade continued to show slight increases to R6 050/ton attained in March 2017. The future price for sunflower shows a further drop by 2% in May 2017. Future contracts for sorghum show some stability above R3 000/ton over the period under review, while contracts for soybeans showed some stability trading higher above R6 000/ton between December 2016 and May 2017, with a notable decline in price for July 2017.



## 4. Global Market Outlook

### 4.1 World Prices

**Wheat:** Average export prices continued to move higher during early February, although advances were trimmed later in the month amid more than ample nearby availabilities and generally favourable prospects for 2017 harvests.. The strongest gains were in the Black Sea and Argentina, eroding some of the export competitiveness those origins enjoyed in the recent months. Logistical problems, particularly out of Pacific North West ports contributed to higher export prices in the US. The huge harvest weighed on prices in Australia, with export shipments reported to have surged over the past few weeks.

**Maize:** After two consecutive monthly gains, average maize export quotations retreated slightly in February, but with the International Grain Council (IGC) sub-Index still up by around 4 percent compared to the previous year. Weakness was attributed to a modest pullback in South American values, where crop prospects were more positive than in January. However, due to tight old crop availabilities, Brazilian maize was very thinly traded. Overall net gains were recorded in spot US FOB prices, where light underpinning stemmed from robust demand from exporters and ethanol processors. Logistical constraints in and around Pacific North West ports were also supportive..

**Soybeans:** Global soybean markets were marginally firmer during February 2017. Lingering worries about southern hemisphere production prospects and firm demand for US old crop availabilities provided initial underpinning. However, improving South American weather weighed, especially in Argentina where earlier heavy rains caused flooding in central growing regions. In Brazil, the advancing harvests pressured prices, with an uptick in farmer sales reported in the main producing state of Mato Grosso as supplies increasingly filled export channels..

### 4.2 Policy Developments

#### Wheat

- As part of the Economic Partnership Agreement between the European Union and the Southern African Development Community (SADC), duty-free tariff quota access was granted for 300 000 tonnes of European wheat into members of the Southern African Customs Union (SACU). Tariff quota imports started on 1 February will run until 30 November 2017, and are being channelled through designated South African and Namibian ports of entry..

#### Across the board

The WTO's first significant multilateral trade deal, the Trade Facilitation Agreement (TFA) entered into force on 22 February 2017. Full implementation of the TFA is projected to trim trade costs by an average of 14.3 percent, with developing countries having the most to gain. In simplifying import and export procedures, customs formalities and transit requirements, the TFA will reduce the time needed to trade goods. A TFA facility will also ensure that developing countries receive the assistance needed to reap the full benefits of the TFA during the implementation phase.

## 5. 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. **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)
5. **National Agricultural Marketing Council**  
[www.namc.co.za](http://www.namc.co.za)
6. **Barclays Africa Group Limited- ABSA Agri-business**  
[www.absa.co.za](http://www.absa.co.za)

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