

agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report

AMIS Agricultural Market Information System

No 1 of 2019
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Overview

- The marketing year 2019 started generally on a quite note although positive end of the term supply prospects tended to temper with the commodity price gains. The prices for wheat, maize and soybean traded in a narrow range since the beginning of 2019.The AMIS crop outlook remains positive despite the unfavorable weather conditions in the Sothern Hemisphere. In terms of the global wheat markets, the US exporters were more optimistic about sales and on the other hand price competitiveness improved. Global wheat prices were supported by strengthening stocks from the Black Sea region. Locally, local currency limited gains in the domestic market and wheat prices are expected to trade sideways. Current weather conditions are affecting summer grains producing areas.
- Maize, globally drier weather conditions are experienced in Argentina while the expected rainfall in Brazil will be of beneficial to the maize market. International demand for maize increased due to weather worries in South America. Locally, significant amount of rainfall occurred over large parts of the summer grain areas. There is a decline in the maize market, which narrows the spread between yellow and white maize. However the decline is caused by cooled market fears from the good rainfall. The Free State is likely to encounter a 20% decrease in maize yield due to poor growing conditions and there is a 40% probability of light frost in the north west of Free State before mid-April 2019.
- Soybeans, projections for 2018/19 lowered slightly due to unfavourable weather conditions affecting the crops in South America and this weather worries continues to underpin soybean prices. Global supplies remains under pressure as the production loses in South America are significant. Locally soybean crushing has increased to a record, therefore increasing the processing of soybean market.

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1. Domestic Supply-Demand Outlook

1.1 Maize

Marketing Season: April to May	Actual for 2016/17	Final for 2017/18 (Feb 2019)	Projection for 2018/19 (Feb 2019)
Production	7 778 500	16 820 000	12 931 210
Opening Stocks	2 471 067	1 094 638	3 689 476
Total Supply	12 221 827	16 769 977	16 502 769
Total Demand	11 127 189	13 080 501	12 952 500
Closing Stocks	1 094 638	3 689 476	3 550 269
Days' stock	41	131	123

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2016/17	Final for 2017/18 (Feb 2019)	Projection for 2018/19 (Feb 2019)
Production	70 500	152 000	109 955
Opening Stocks	83 142	35 238	59 246
Total Supply	226 677	242 029	201 801
Total Demand	191 439	182 783	174 650
Closing Stocks	35 238	59 246	27 151
Days' stock	76	134	62

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2016/17	Final for 2017/18 (Feb 2019)	Projection for 2018/19 (Feb 2019)
Production	1 910 000	1 535 00	1 798 00
Opening Stocks	827 232	341 424	721 534
Total Supply	3 641 771	4 069 759	3 893 334
Total Demand	3 300 347	3 345 152	3 437 100
Closing Stocks	341 424	724 607	456 234
Days' stock	39	82	50

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2016/17	Final for 2017/2018 (Feb 2019	Projection for 2018/19 (Feb 2019
Production	742 000	1 316 000	1 550 800
Opening Stocks	89 128	84 792	330 535
Total Supply	1 075 008	1 405 037	1 869 035
Total Demand	990 216	1 704 503	1 330 500
Closing Stocks	84 792	330 535	538 535
Days' stock	32	113	153

Source: NAMC, Supply and Demand Estimates Committee

- **Maize:** The projected crop for 2018/19 **(**Feb2019) is estimated at 12.931 million tons. According to the report released by the Crop Estimates Committee (CEC) in December 2018 the projected estimates remained unchanged. The maize projection for 2018/19 (Feb 2019) remained at 12.931 million tons. Maize projection for February 2018/19 marketing season remained at 12.931 million tons which shows an increase of 66% compared to the final harvest attained in 2016/17

- According to the Crop Estimates Committee's October 2018 summer crop forecast, the country is expecting a commercial maize crop of about 12.931 million tons. When comparing the final crop estimates for 2017/18 to the projected crop estimates of 2018/19 the estimates is over 100%, despite all the challenges the industry encountered this year.

- **Sorghum** production volumes for February 2018/19 marketing season is projected to remain unchanged as compared to 109 855 tons' estimates attained in December 2018/19.

- The sorghum projection for 2018/19 increased by 4.55% as compared to the previous season. This can be attributed to the expected establishment of a bioethanol production facility not having materialised, therefore farmers were no longer encouraged to expand their plantings. This means that if the demand increases further then the country will have to import more to boost the domestic market. The projected closing stock has increased by 0.36% as compared to the previous projection of 27 051 tons projected in December 2018/19. Sorghum day stock was 134 in February 2018/19, which show that the final Sorghum day stock has remained unchanged as compared to December 2018/19.

- **Wheat** production volumes for February 2018/19 were projected at 1 .798 million tons as compared to 1.830 million tons projected for December 2018/19, the projection shows a decline of 1.7%. The total supply of wheat is projected to decrease by 0.8% in February 2018/19. The decrease in total supply is mainly attributed by severe drought that affected the Western Cape province as the major production region. The total demand for wheat is also projected to slightly decrease by 0.15% in February 2018/19 as compared to December 2018/19, driven by the high prices on the local markets.

- The closing stock for wheat was 1 798 800 million tons in February 2019 and 1 830 600 in December 2018/19, this shows that the wheat projections decreased by 98% compared to December projections
- Production volume of Soy beans production volume is projected to remain unchanged for February 2019 as compared to the projected soy bean volume in December 2018/19.
- Soy beans total supply for February 2018/19 is projected to slightly increase by 0.14% in comparison to December 2018/19 projections.
- The Soy bean total demand for February 2018/19 remained unchanged as compared to the final demand for December 2018/19.

1.5 Sunflower

Marketing Season: April to May	Actual for 2016/17	Final for 2017/18 (Feb 2019)	Projection for 2018/19 (Feb 2019)
Production	755 000		858 605
Opening Stocks	45 867		154 841
Total Supply	880 392		1 022 796
Total Demand	717 306		915 150
Closing Stocks	163 086		107 646
Days' stock	84	64	43

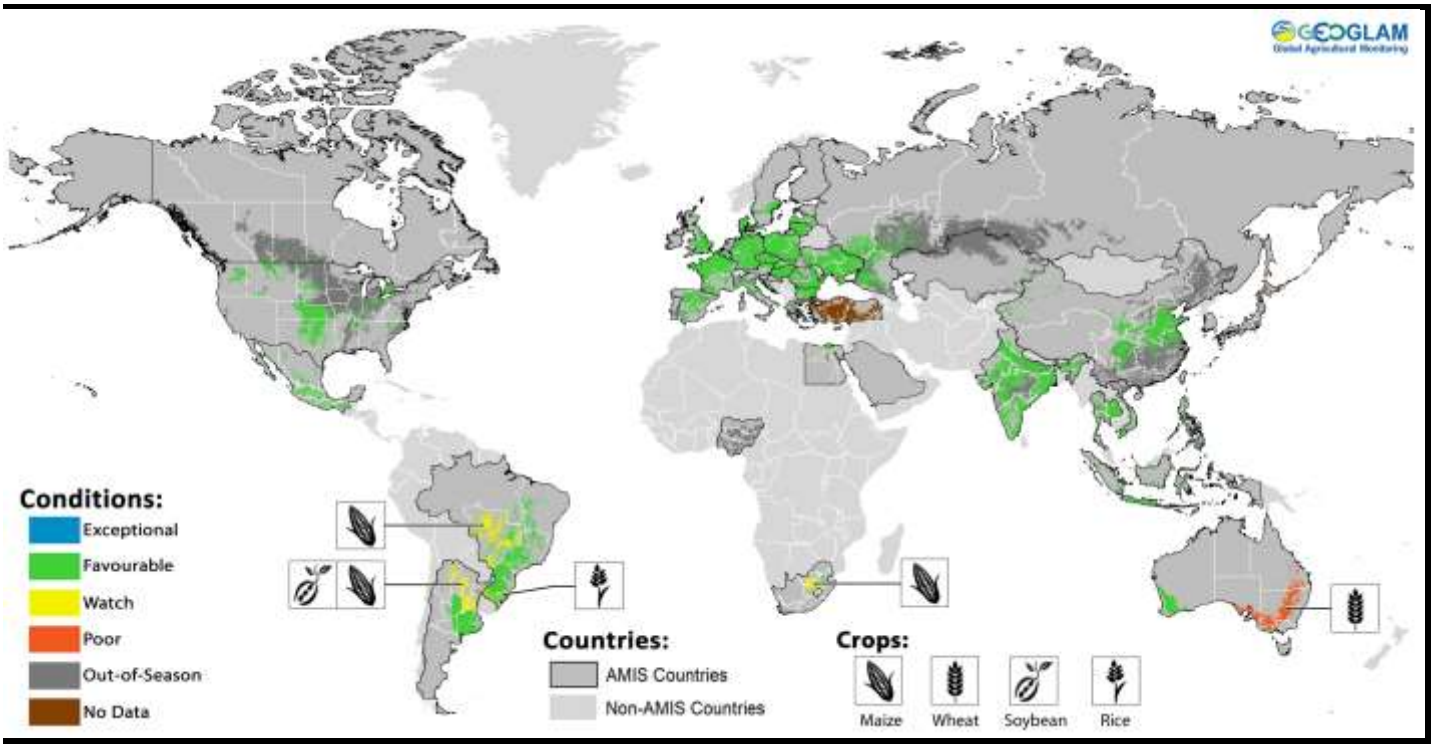
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for February 2018/19 was projected to remain unchanged as compared to the projections in December 2018/19. The final production volumes for 2017/18 were 755 000 tons and the volumes decreased by 12% than the production volumes forecasted for February 2018/19.
- The total supply for sunflower seed for February 2019 remained unchanged and the total demand for February 2018/19 increased by 0.02% as compared to December 2018/19 projections.
- The final closing stock for sunflower is projected to be 0. 23% lower in February 2018/19, when comparing to 107 896 tons projected for December 2018.

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 January 2019). 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 – In the southern hemisphere, the winter wheat harvest is wrapping up in the remaining areas, which are under favourable conditions, and while in the northern hemisphere, the winter wheat is dormant under favourable conditions with the exception of **Australia**. In the **EU,** winter wheat conditions are generally favourable but with no observations of major frost events**.** In the **Ukraine, the** eastern and central region winter wheat conditions are generally favourable with plenty of insulting snow cover**.** In the **Russian Federation,** for winter wheat the conditions are favourable with adequate snow cover**.** The total sown areas have increase as compared to the one attained last year**. In China** the winter wheat conditions are favourable. In **India** under favourable conditions sowing is almost complete and the total area sown is average. In **US,** wheat winter conditions are favourable**. In Canada**, winter wheat reached dormant conditions. In **Australia**, the total production is predicted to decrease significantly year on year. In the eastern side of the country the harvesting just wrapped under mostly poor conditions, while in the western area the state are almost complete under favourable conditions.

Maize - In the southern hemisphere, conditions are generally favourable for places like Brazil and Argentina with only minor concerns due to dry and wet conditions respectively. While in South Africa Maize conditions are mixed. In **Brazil** the spring planted crop is under favourable conditions, However the centre west growing area(Goiás) shows concerns due to dry conditions.in the southern Hemisphere harvest has started and most of the crop is in the reproductive stages .Under favourable conditions sowing of summer-planted crops begun In **Argentina**, conditions are generally favourable for both spring planted crops and summer planted crops with minor areas being affected by floods, therefore due to the floods they is some delays of sowing of summer –planted crops. The sowing window period remains open in February (missing yellow in world map). In Mexico, under favourable conditions harvest of spring-summer planted crop is wrapping up while the sowing of autumn-winter crop is ongoing with an increase in sown are expected. In **South Africa** conditions are mixed with

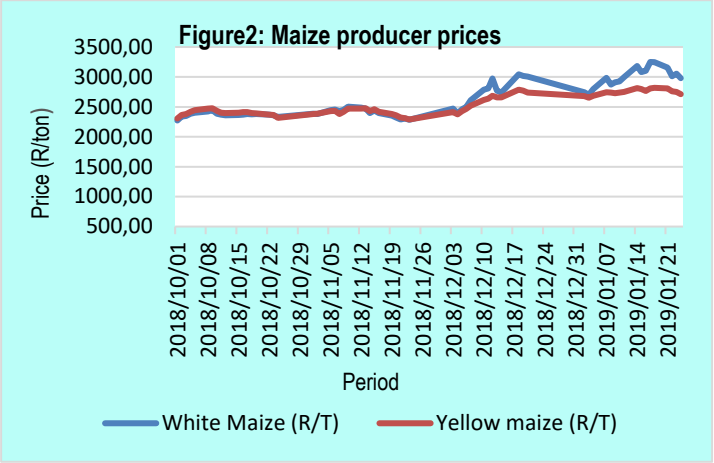
[1] The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.

the eastern side of the country receiving normal to above normal rainfall, while dry conditions in the west is impacting crops and also reduced total sown area. In **India,** sowing of Rabi crops is complete under favourable conditions.

Soybeans - In the southern hemisphere, conditions are generally favourable in Brazil and Argentina with some flooding affecting minor areas in Argentina. In **Brazil** the total sown area increased as compared to the previous year. Despite pockets of dryness that affected the states of Mato Grosso do Sul and Panama conditions are generally favourable. The majority of the crop is in the reproductive stages while harvest has already begun. In Argentina the conditions are mixed for both summer and spring –planted crops sowing was delayed due to effects of heavy rains and flooding which resulted in a reduction of total sown area. Heavy rainfall caused field saturation in some remaining areas.

3. Commodity Prices

3.1 Maize



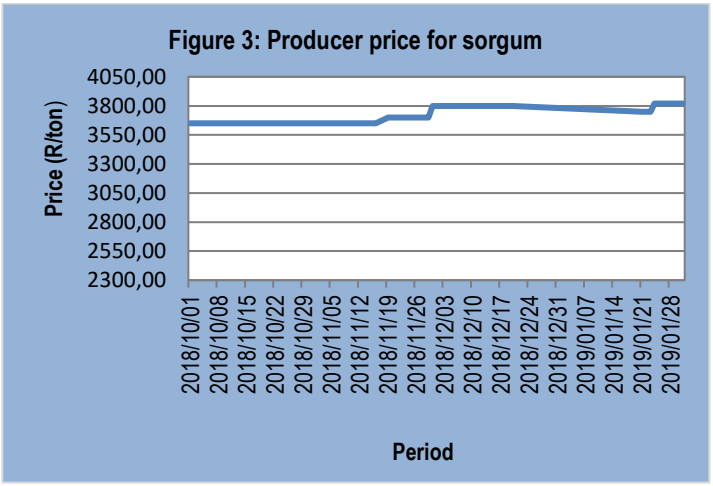
Source: SAFEX, accessed from SAGIS

Figure 2 above shows the producer price for maize, both white maize and yellow maize during the marketing season staring from October 2018 to January 2019.Figure 2 depicts that on average the producer price for maize showed at increasing trend for the period under review. However, the producer prices for maize showed modest gain from October 2018 to January 2019, the producer price were trading slightly lower below R2 400/ton from October 2018 to December 2018.however during December maize producer prices started to show an increase with the price for yellow maize slowly above R2 500/ton and for white maize also above R2 500/ton.

Taking everything into account, maize producer prices traded slightly higher in December 2018 and January 2019 for both yellow maize and white maize respectively. The contracts for both yellow and white maize traded higher during October 2018, with the price for white trading above R2 200/ton and yellow maize trading slightly above R2 300/ton. The weather conditions in the summer rainfall areas where the plantings has took place and some still in progress supported the maize price in the local market at that time, even though the rainfall conditions for the summer rainfall are poorer than expected.

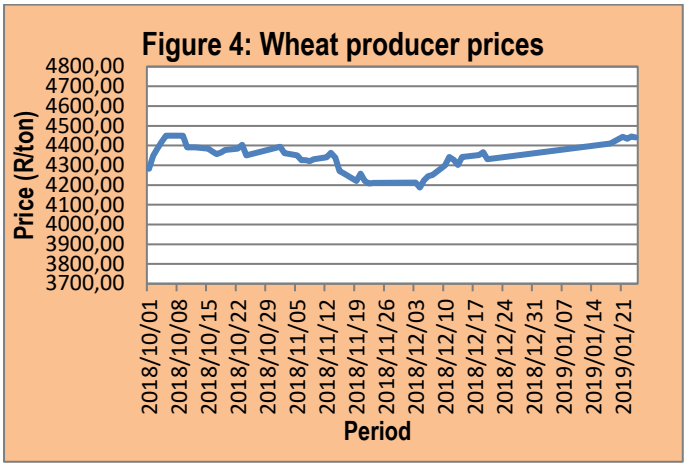
3.2 Sorghum

Figure 3 below shows the producer price for sorghum starting from October 2018 until January 2018/19.Sorgum producer prices fluctuated considerably during the review period. The producer prices for Sorghum during the review period opened highly at a price of R3 650/ton during October 2018 and closed at R3 820/ton in January 2018/19. R3 650/ton was the lowest producer priced which was attained during the review period, sorghum prices showed same producer price from October 2018 until November 2018.



Source: SAFEX, accessed from SAGIS

3.3 Wheat



Source: SAFEX, accessed from SAGIS

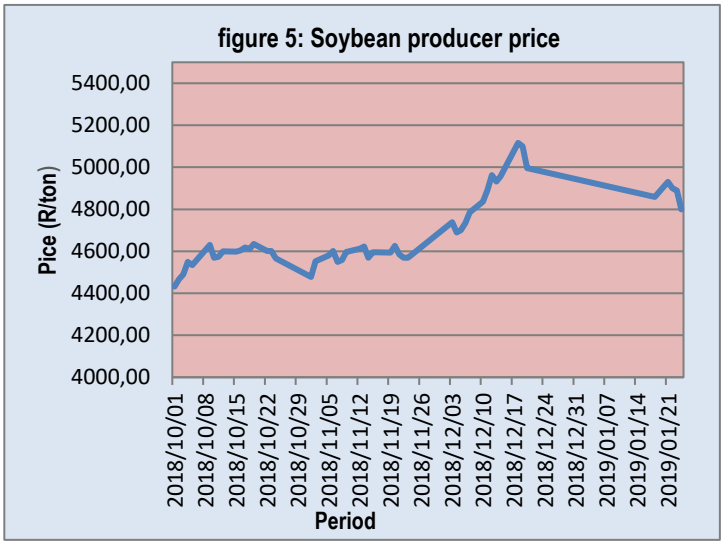
Figure 4 above depicts producer prices for wheat from October 2018 until January 2019. Figure 4 shows that the producer prices for wheat opened slightly above R4 200/ton in October 2018 and reached maximum at R4 450/ton during the same month. The producer prices for wheat showed mixed trends but trading mostly higher than R4 100/ton. The lowest producer price was R4 187 during December 2018.

Taking everything into consideration the local wheat market traded relatively stable in the review period, the producer prices were ranging between R4 282/ton and R4 441/ton. The lowest producer price was attained during December 2018 and the highest was attained during October 2018 respectively. The high wheat prices can be attributed to the fact that the local wheat production region was laden with lots of strain due to below average rainfall and severe draught which lowered harvests.

Figure 5 below depicts the producer price for soy bean during 2018/19 marketing season. Soy bean producer prices opened higher with just above R4 400/ton in October 2018. This was followed by a slight decrease in the producer price in November 2018 attained at R4 478/ton. However the producer price for soy bean continue to increase until it reached its peak of R5 116/ ton in December 2018.Over the period under review the producer price for Soy bean ranged between R4 432/ton and R5 116/ton.

Globally, heavy rains and flooding in Argentina delayed sowing of soybeans, which resulted in reduction of total sown area, on the other hand in Brazil Soybean total sow increased as compared to last year and Conditions are generally favourable despite pockets of dryness that affected the states.

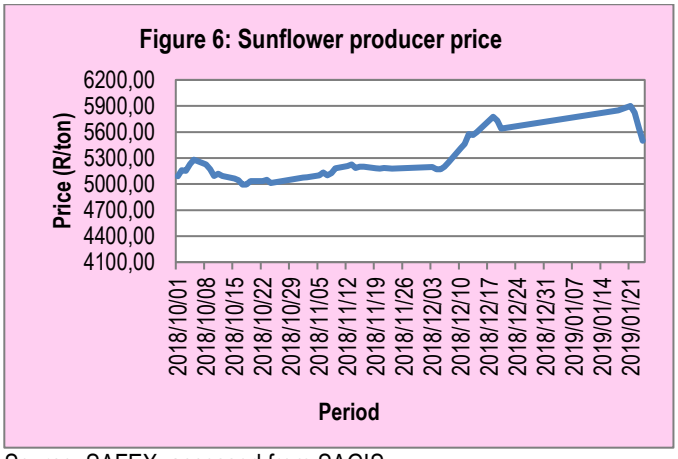
3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Locally soybeans prices have been increasing week in week out and this is because of a strong local demand of soybean. Sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State

3.5 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 6 above shows that the opening producer price for sunflower seed during 2018/19 marketing season was above R5 000/ton throughout the period under review. Sunflower producer price showed some fluctuation throughout the review period with a lowest producer price of R4 994/ton and a highest of R5 824/ton.

The latest monthly SAGIS data that will be released will also be a good indication of the local processing rate for oilseeds.

In overall, the local market for Sunflower closed relatively higher in November 2017, about 11% higher as compared to the opening price reached in August 2017. The producer price for both soybean and sunflower depicted almost similar trends throughout the period, with both prices

reaching a peak in November 2017. However, during the period under review the price for soybean traded slightly higher above the sunflower producer price. Taking everything into account, the local market for sunflower closed relatively high as compared to the opening producer price in October 2018. Sunflower closing Producer price was R5 500/ton in January 2019 and the opening producer price was R5 088/ton in October 2018. When comparing the producer prices for soy bean and sunflower, even thou both the commodities depicts almost similar trend sunflower traded higher than soy bean during the review period.

Soy bean local prices traded higher on the back of higher. However poor weather conditions, below normal rainfall and very hot conditions, in the central and western summer grain.

3.6 Futures Prices

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

Table 1: Future prices for maize, wheat, soybean and sunflower

	Future Prices (2019/0226) (R/T)			
Commodity	**Mar 19**	**Apr 19**	**May 19**	**Jul 19**
White maize	2688	2730 ▲	2770 ▲	2837 ▲
Yellow maize	2525	2613 ▲	2592 ▼	2601 ▲
Wheat	4336	4403 ▲	4433 ▲	4468 ▲
Sunflower	5241	5544 ▲	5315 ▼	5250 ▼
Soybeans	4694	4801 ▼	4799 ▲	4892 ▲
Sorghum	3820	N/A ▲	3300 ▼	3568 ▲

Source: SAGIS

As of 26 February 2019 future prices for white maize and yellow maize traded at R2 688/ton and R2 525/ton. Wheat market opened higher with July wheat contracts traded to a high price of R4 652/ton and a low of R4 600/ton. High wheat producer prices are due to minimal production and supply in the domestic market. This was due to the occurrence of severe drought in the main production region, which opened the way for more wheat imports from Russia.

The contract for sunflower seed constant stability trading above R4 000/ton from March 2019 to July 2019.Wheat future prices showed great stability until a decline in May 2019 with a future producer price of R5 315/ton. Although there was a decline the contracts of sunflower seed trade still traded above R4 000/ton.

Soybean contract traded above R4 600/ton, the producer prices opened above R4 500/ton in March 2019. The producer price for soybean remained stable above R4 600/ton for the entire period, with the lowest price of R4 694 and a highest price of R4 892 during July 2019. The contracts for soybean posted future gains for the prices attained in May and July 2017, respectively.

The opening price for sorghum was R3 820/ton in March 2019 and the closing price was R3 568/ton in July 2019. The producer price for sorghum show a decrease in July of 7% as compared to the opening price in March 2019.Taking everything to account, the sorghum future producer prices traded between R3 300/ton to R3 820/ton.

4. Global Market Outlook

4.1 World Prices

Wheat: After the wheat prices posting a modern gain in December 2018, the World wheat export prices edged slightly higher during the past month with the IGC GOI (International Grains Council Grains and Oilseeds Index) wheat sub index increasing by 1.8 %. The Upside increase was linked to concern about unfavourable conditions for 208/19 crops in the same area, especially drought and spells of very cold weather conditions in the US.

Maize: The ICG GOI maize sub-index increased by 25% month to month, underpinned by strong international demand and adverse weather in South America. Regardless of the huge maize surplus the, FOB prices in the Ukraine increased sharply with support stemming from robust buying interest and tight internal logistics. The US prices edged higher on brisk export causing the interior freight cost to rise.

Soybeans: During January 2019, average world soybean prices were marginally softer. US exports prices were resistant on hopes that a breakthrough in the dispute between China and US will give a boost to trade. In Brazil, concerns about the impact of hot, dry weather on production prospects underpinned values, but seasonal harvesting pressure led prices lower, with FOB values also weaker in Argentina.

4.2 Policy Developments

Wheat

- On 11 December 2018, the EU notified the WTO of draft revised regulations concerning the review of existing maximum residue limits (MRLs) in certain food commodities including wheat products (for 2,5- dichlorobenzoic acid methylester, mandipropamid, prochloraz and profoxydim), which are proposed to be adopted in June 2019.

Maize

- Since 1 January 2019, Thailand has stopped importing distillers' dried grains (DDG) from the US due to new sanitary regulations that require that all incoming shipments be fumigated with methyl bromide while many US shippers prefer to use phosphine for fumigation.

- **Across the board:** On 8 January 2019, China's Ministry of Agriculture and Rural Affairs announced the approval of five genetically-modified (GM) crop varieties for importation, including one maize and two soybean varieties. These are the first new approvals of GM crop varieties in about 18 months.

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
5. **National Agricultural Marketing Council**
   www.namc.co.za
6. **Barclays Africa Group Limited- ABSA Agri-business**
   www.absa.co.za

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