

agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report

AMIS Agricultural Market Information System

No. 2 of 2016

Overview

- Production volumes for maize are projected to decline in May as the drought is continuing in major producing regions. Total supply for wheat is projected to decline due to decline in production volumes during the period under review.
- The future prices for both white and yellow maize are projected to increase between July 2016 and September 2016 on the back of lower production. Wheat prices are projected to decline slightly in September 2016 and December 2016, which can be attributed to global favourable winter wheat growing conditions (GEOGLAM, May 2016).
- Prices for soya beans are projected to increase slightly in response to lower projected total supply outlook and prices for sunflower are also expected to increase slightly between July 2016 and September 2016.
- Prices for sorghum are expected to increase slightly in September 2016. However, the projected price remained just above R3 700.00/ton in December 2016.
- According to the CEC, as of May 2016 commercial production forecast for maize for 2016 is estimated at 7.161 million tons, which was 3.7% or 277 325 ton less than the projected 7.438 tons released in February 2016.

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1. Domestic Supply-Demand Outlook

1.1 Maize

Marketing Season: April to May	Actual for 2015/16	Projection 2016/17 (Feb 2016)	Projection 2016/17 (May 2016)
Production	9 955 000	7 438 250	7 160 925
Opening Stocks	2 073635	1 673 329	2 480 735
Total Supply	13 889 560	12 491 579	12 616 356
Total Demand	11 408 825	11 200 000	11 209 000
Closing Stocks	2 480 735	1 291 579	1 407 356
Days' stock	88	47	51

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2015/16	Projection 2016/17 (Feb 2016)	Projection 2016/17 (May 2016)
Production	120 500	116 500	88 500
Opening Stocks	121 812	121 812	83 142
Total Supply	277 713	274 012	210 392
Total Demand	194 571	204 160	193 500
Closing Stocks	83 142	69 852	16 892
Days' stock	190	152	38

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2014/15	Projection 2015/16 (Feb 2016)	Projection 2015/16 (May 2016)
Production	1 750 000	1 501 190	1 440 000
Opening Stocks	488 526	596 823	596 823
Total Supply	4 035 664	4 026 013	3 912 923
Total Demand	3 438 841	3 310 500	3 272 500
Closing Stocks	596 823	715 513	640 423
Days' stock	70	83	74

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2015/16	Projection 2016/17 (Feb 2016)	Projection 2016/17 (May 2016)
Production	1 070 000	1 059 850	728 650
Opening Stocks	63 704	63 704	89 128
Total Supply	1 241 340	1 269 554	1 058 778
Total Demand	1 152 212	1 122 100	978 000
Closing Stocks	89 128	147 454	80 778
Days' stock	29	47	31

Source: NAMC, Supply and Demand Estimates Committee

- **Maize:** The projected maize crop for May 2016/17 is estimated at 7.161 million tons, which is 3.7% lower when compared to the February 2016 forecast. According to the report released by the Crop Estimates Committee (CEC) in May 2016, the area estimated for commercial maize remained unchanged at 1,94 million hectares of maize for 2016 marketing. Maize projections for the February 2016/17 marketing season were at 7.4 million tons, showing a 25.3% decline from the 2015/16 final crop of 9.9 million tons
- The 2016/17 season is projected to close with about 1.4 million tons, which is sufficient enough to provide a buffer stock to the market for about 51 days after the end of the current marketing season.

- **Sorghum** production volume for May 2016/17 marketing season is projected to decline by 24% compared to 116 500 tons in February 2016.
- Although sorghum production volumes for the current season are projected at lower levels, the larger carryover stocks from the previous season (2015) are expected to boost the domestic supply situation. The final crop of 2015 was 120 500 tons.
- The projected closing stocks in May 2016 in the current season have declined significantly compared to the previous projection in February 2016 to 69 852 tons. The days' stock has declined drastically from 152 days in February 2016 to 38 days in May 2016.

- **Wheat** production volumes are projected to decrease by 4% in May 2016/17 season compared to the projected volume in February 2016 on the back of slight increases in the area planted.
- Wheat supply is expected to decrease slightly, driven mainly by influx of imports originating from the Black Sea Region. The total supply is expected to decrease by 2.8% in the 2015/16 marketing season.
- On the other hand, demand for wheat is projected to decline slightly driven by a decline in quantities of wheat exported to other regions.
- The closing inventories for wheat have dropped by 10% compared to the February 2016 projected closing stock.

- Production volume of **soya beans** is projected to decrease by 31% in May 2016/17 season when compared to the projected volume in February 2016. The 2015/16 final crop is slightly higher than the production forecast for February 2016.
- Supply of the product is projected to decline by 16.6% in comparison to February 2016/17 forecast.

- The demand is also expected to decrease by 15% compared to the final demand during 2015/16 season irrespective of the 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 2015/16	Projection 2016/17 (Feb 2016)	Projection 2016/17 (May 2016)
Production	663 000	660 900	742 750
Opening Stocks	92 927	92 927	45 867
Total Supply	802 557	798 827	840 417
Total Demand	756 690	757 260	761 250
Closing Stocks	45867	41 567	79 167
Days' stock	22	20	38

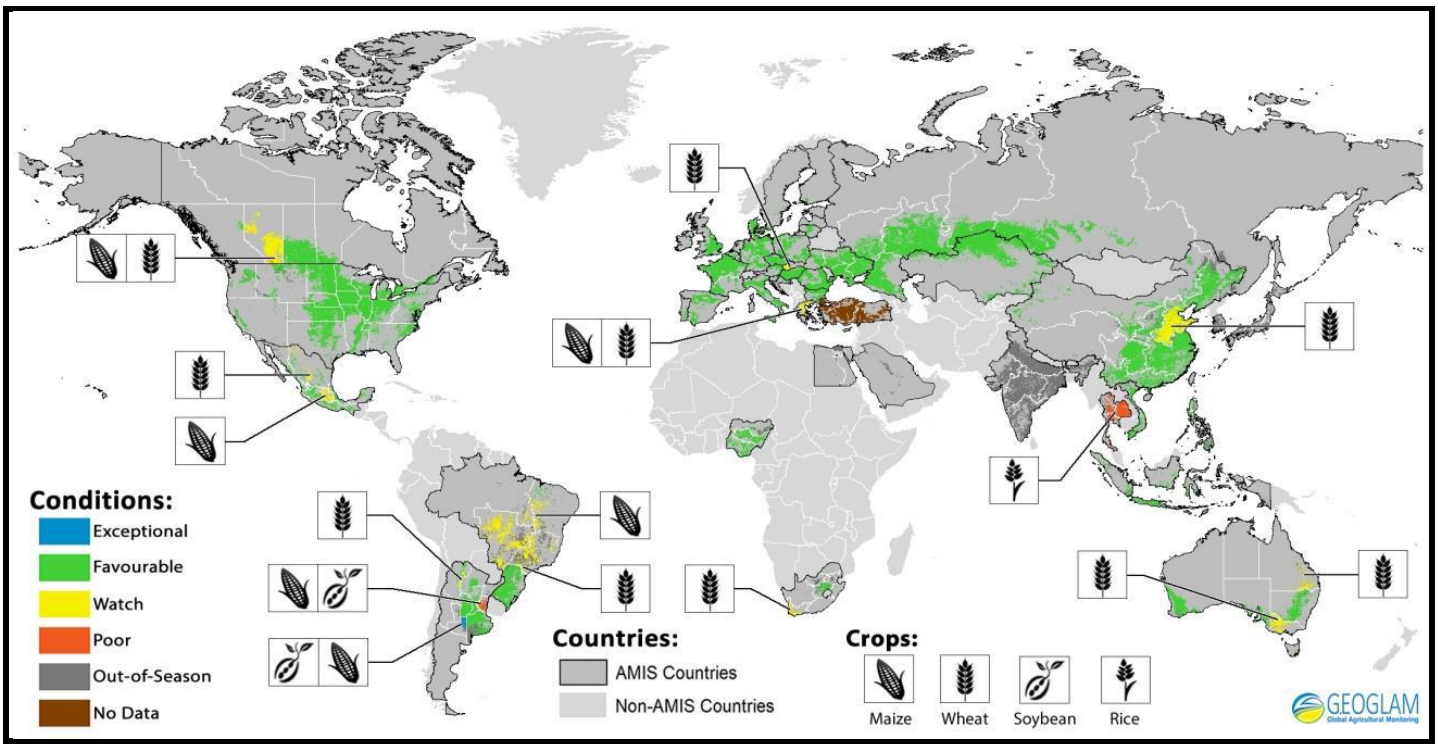
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for May 2016/17 marketing season was projected to increase by 12.4% compared to February 2016/17. The final production volumes for 2015/16 were 663 000 tons and it was slightly upwards compared to the February 2016 forecast.
- The demand for sunflower seed was revised slightly upwards in May 2016 compared to February 2016 projections.
- The closing stock for sunflower was projected notably higher, when compared to 41 567 tons in February 2016.

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 May 2016). For the purpose of this report the focus will be on maize, wheat and soya beans.

Figure 1



Source: GEOGLAM

Wheat - Winter wheat conditions continue to be largely favourable in the northern hemisphere. The winter wheat season has started under mostly favourable conditions in the southern hemisphere. Spring wheat planting is fully in progress and conditions are favourable at this early stage of the season. In the **EU**, conditions are generally favourable with limited concerns in some central and northern areas. The yields are expected to be above the five-year-average. In the **US**, winter wheat is in good condition and yields are expected to be strong as the Great Plains growing region received ample rain during spring. Spring wheat planting is well underway under good conditions. In **China**, winter wheat conditions are generally good except in the central east region where conditions are slightly lower than average due to pests. The spring wheat crop is in the tillering to jointing stages. In the **Russian Federation**, winter and spring wheat conditions are favourable due to warm weather and good moisture conditions. In **Canada**, conditions for winter and spring wheat are favourable throughout the country except in Alberta, where winter wheat conditions are poor and spring wheat conditions are mixed, due to dryness and cold weather. In **Ukraine**, conditions remain favourable and harvest prospects are good. In **Kazakhstan**, planting is proceeding under favourable moisture conditions. In **Australia**, planting is in progress and conditions are generally favourable despite some concern over dryness in the eastern growing regions.

Maize - In the northern hemisphere, planting is nearly complete under generally favourable conditions. In the southern hemisphere, conditions continued to be favourable in Argentina. At the same time conditions remain mixed in Brazil due to the unfavourable weather earlier in the season. In the **US**, conditions are favourable throughout the primary growing regions and planting is almost complete. In **China**, conditions are favourable for the spring-planted crop owing to beneficial agro-climatic conditions, which promoted seeding in the northern regions. In **Ukraine**, conditions continue to be good owing to optimal soil moisture. In the EU, conditions are favourable, although some planting has been delayed due to cold and wet weather. In **Mexico**, conditions are generally good for both the autumn and spring-planted crops despite

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

some concerns over dryness in the central region. In **Canada**, planting has begun and conditions are generally favourable. In the **Russian Federation**, planting is ongoing and moisture conditions are favourable throughout. In **Nigeria**, conditions continue to be favourable. In **Brazil**, conditions for the summer-planted (the larger producing season) continue to be mixed due to unfavourable weather in April and May. Production is expected to be lower relative to the previous crop, despite an increase in planted area. Harvest is complete for the smaller producing spring-planted crop, and increased yields have partially compensated for the reduction in area in some states. In **Argentina**, harvesting is continuing slowly due to the delayed planting and excess rainfall. Conditions remain generally favourable, despite the wet weather, which is delaying the opportunity to dry the grains.

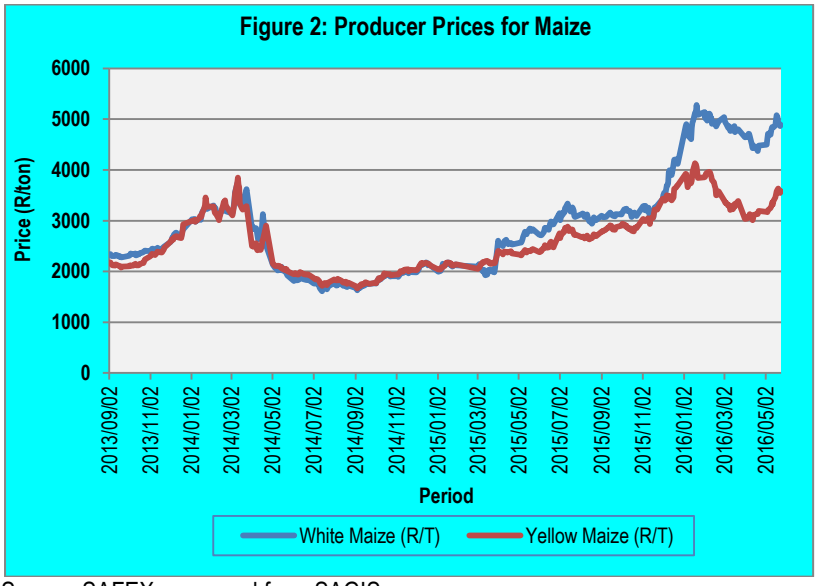
Soybeans - In the northern hemisphere, planting began under generally favourable conditions in the northern region. In the southern hemisphere, conditions in Argentina improved, there are some concerns due to heavy rainfall throughout April. In the **US**, planting is ongoing and conditions are favourable at this early stage of the season. In **Canada**, planting has begun and conditions are generally favourable. In **Brazil**, harvest is complete and the overall production is higher due to the increase in area planted. However, despite higher area, the total production of the current crop is similar to the previous year due to unfavourable weather conditions, which reduced yields. In **Argentina**, conditions have improved and harvest is ongoing despite significant delays and the grain quality was impacted by heavy rainfall during April.

El Niño comes to a close: Return to neutral conditions

In South Africa, a state of disaster has been declared in eight provinces as a drought continues across the country. The El Niño of 2015-2016 is effectively over and will not be a factor during the 2016 northern hemisphere growing season. The return to neutral conditions should bring relief to drought stricken areas of East Africa, India, Central America, and Southeast Asia. However, there is an increased probability of a transition to La Niña by September. Should its intensity be moderate to strong, the likelihood of drier than average conditions will increase between October 2016 and June 2017 in the southern Horn of Africa, Central Asia, south-eastern China, south-eastern South America, Mexico, and the southern United States. Meanwhile, southern Africa, Australia, and northern South America would see above average rainfall.

3. Commodity Prices

3.1 Maize



Source: SAFEX, accessed from SAGIS

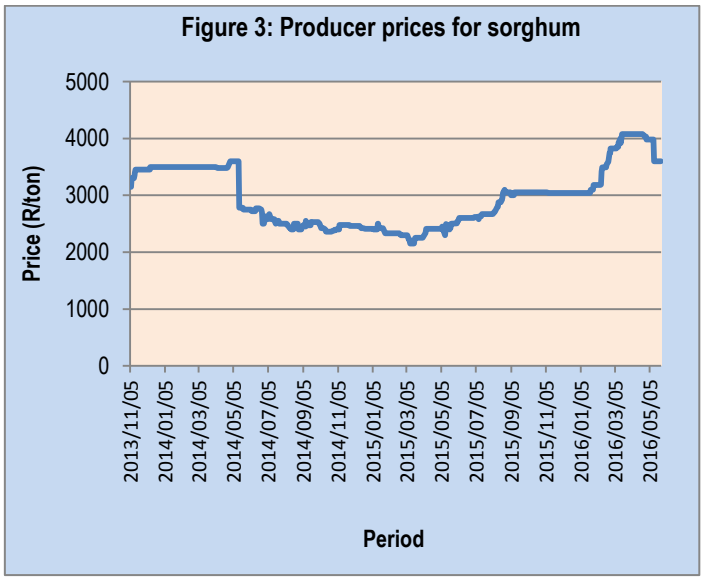
Figure 2 above shows maize producer prices for the period starting from September 2013/14 to May 2016/17 marketing seasons. The figure shows that producer prices for maize were stable above R2 200/ton from September 2013 to November 2013. Producer prices for both yellow and white maize have increased steadily from December 2013 and high prices were recorded during March 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 from February 2015 and there was a notable increase in prices during May 2016. There was a surge in both white and yellow prices during January 2016, followed by a slight decline in prices from February 2016 to April 2016. 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.

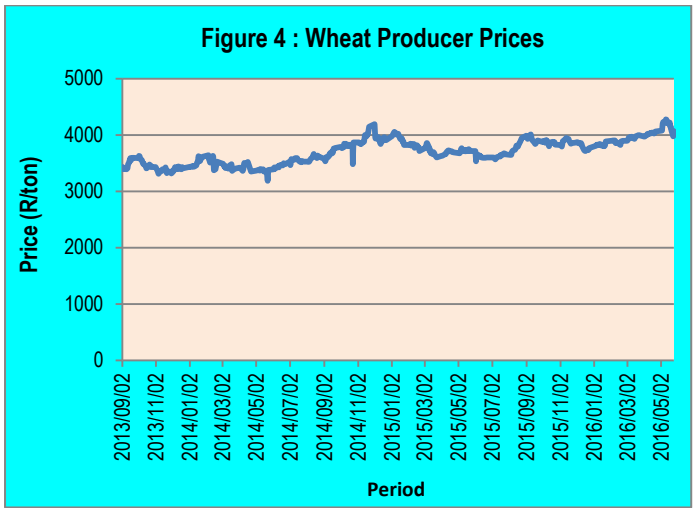
3.2 Sorghum

Figure 3 shows producer prices for sorghum starting from November 2013 until May 2016. Sorghum prices were stable just above R3 400/ton from December 2013 to March 2014 and this was followed by a slight decrease in April 2014. There was a sharp decline in May 2014, and the prices continued to decrease until April 2015 when prices started picking up. There was a notable increase in sorghum price during August 2015 and from September 2015 to January 2016 prices were stable just above R3 000/ton. The prices have notably increased in February 2016 and March 2016. The sorghum price closed just above R3 600/ton during May 2016.



Source: SAFEX, accessed from SAGIS

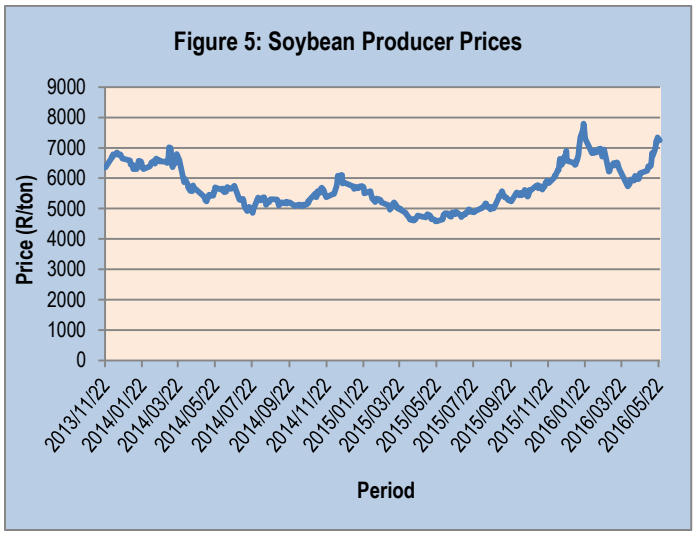
3.3 Wheat



Source: SAFEX, accessed from SAGIS

Figure 4 indicates that the wheat producer price has dropped slightly in November 2013. The price showed a steady increasing trend from May 2014 reaching a peak in December 2014. Moderate declines in prices were experienced from March 2015 until July 2015. There was a notable increase in wheat prices during September 2015. The period under review closed with a record high producer price for wheat in May 2016. The projected wheat prices are expected to decline in the next few months. International prices for wheat declined slightly due to favourable global growing conditions and USDA projection of global stocks increasing to a record in the new season.

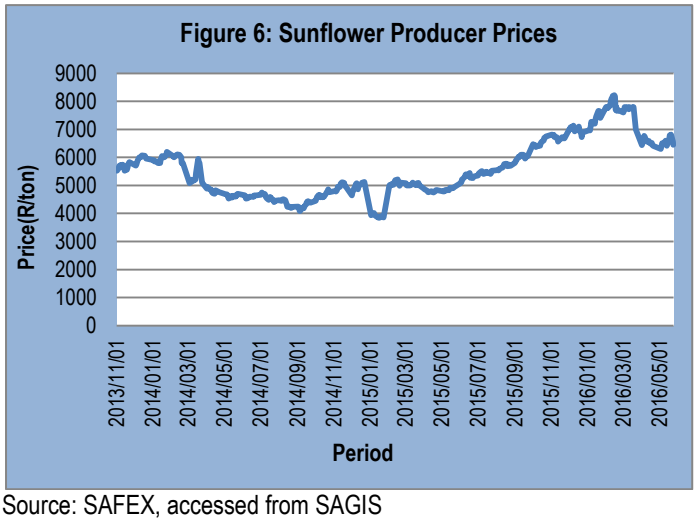
3.4 Soyabean



Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2013/14 marketing season opening price for soybeans was just R6 300/ton in November 2013. The figure displays a great fluctuation in the producer price for soyabeans. There was a notable drop in soyabean price during July 2014. The price ranged between R4 700/ton and R7 300/ton over the period under consideration. The price of soyabean has surged to R7 800 during January 2016. From February 2016 to April 2016, the prices have steadily dropped and soyabeans have closed with a price increase of R7 243/ton during May 2016. In the international markets, soybean prices have increased and these 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).

3.5 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 6 shows that the 2013/14 marketing season opening price was just above R5 600/ton in November 2013. Figure 6 displayed a great fluctuation in the producer price for sunflower with a lowest price of R3 909.88/ton and the highest price of R7 902.94/ton during the period under review. Sunflower prices have increased steadily from December 2013 to February 2014 and the prices followed a declining trend from March 2014 to September 2014. A record low price was recorded in January 2015 and sunflower price surged to a record high price of R7 902.94 in February 2016. The price declined steadily from March 2016 and closed at R6 820.00/ton during May 2016.

3.6 Futures Prices

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

Table 1

	Future Prices (2016/05/31) (R/T)			
Commodity	**Jul-16**	**Sep-16**	**Dec-16**	**Mar 17**
White maize	5006	5067 ▲	5097 ▲	4647 ▼
Yellow maize	3869	3929 ▲	3954 ▲	3856 ▼
Wheat	5180	5173 ▼	4864 ▼	4908 ▲
Sunflower	6521	6664 ▲	6841 ▲	6681 ▼
Soybeans	7694	7750 ▲	7855 ▲	7614 ▼
Sorghum	3685	3727 ▲	3792 ▲	3800 ▲

Source: SAGIS

As of 31 May 2016, the July 2016 contracts for white and yellow maize traded at R5 006/ton and R3 869.00/ton respectively. The September 2016 and December 2016 traded slightly higher for both white and yellow maize compared to July 2016 contracts. Wheat contracts generally displayed a mixed trend, with July 2016 contracts trading at an average of R5 180/ton followed by a decrement in September 2016 and a further decline in December 2016. The contracts for sunflower show a mixed trend trading at R6 521/ton in July 2016 and a slight increase of R6 664/ton in September 2016. The contract for sunflower increased in December 2016 to trade at R6 841/ton and the future price has dropped by 2% in March 2017. The contracts for sorghum show some stability above R3 700/ton, while contracts for soybeans traded higher in September 2016 and December 2016 and followed by decrement in March 2017.

4. Global Market Outlook

4.1 World Prices

Wheat: Despite sharp advances in other crops, a mostly favourable outlook for world 2016/17 supplies continued to weigh on wheat market sentiment. Pressure stemmed from record stocks as well as upgraded production expectations in some areas. Planting made good progress in the US, Canada and Australia, with recent rains helping to alleviate concerns about earlier dryness. While sowing in Argentina was hampered by wet conditions, expectations for a steep increase in the area added to the negative tone. Tightening late season supplies bolstered nearby values in the Black Sea region, but amid improving 2016/17 production outlooks, new season quotations stayed very competitive. Attractive old crop prices contributed to buoyant late-season shipments by the EU, with export licence awards only modestly behind last year's record pace. Values softened in the US, but there was underpinning from worries about untimely wet weather in the southern Plains.

Maize: For a second successive month, world maize markets were held up by tightening spot availabilities in South America and spill over from a surge in soybeans. With quotations up across all origins, the IGC GOI sub-Index averaged 6 percent higher. Reflecting severe harvest delays and heightened worries about possible quality downgrades, gains in Argentina were especially noted. Costs in Brazil were also much faster, with the exportable surplus seen shrinking after the recent hot weather. US quotations were boosted by an uptick in export demand and mounting speculation about some intended acreage being switched to soya beans. However, overall gains were capped by timely planting and current broadly favourable conditions. Black Sea values strengthened on a seasonal tightening of old crop supplies.

Soybeans: Global markets advanced further, the IGC GOI sub-Index up by 10 percent m/m, buoyed by worries about the size and quality of Argentina's crop, where 2015/16 harvesting was well behind the previous season's pace. Strength in soymeal values added to the positive tone at times, as did USDA's bullishly-interpreted supply and demand projections for 2016/17. In South America, good demand from local processors and exporters was supportive. More recently, however, the gains were trimmed by good US planting weather, with talk that some maize growers might shift a portion of area to soybeans also mildly bearish.

4.2 Policy Developments

Wheat

- In Brazil, the wheat minimum support prices for 2016/17 crop were raised by 10 percent to BRL 38.65/60 kg (USD 179 per tonne) in the main producing area, the South region, and to BRL 42.53/60 kg (USD 198 per tonne) in the Southeast, and by 15 percent to BRL 44.26/60kg (USD 205.83 per tonne) in the Centre West and Bahia.
- Nigeria has announced that 10 000 tonnes of wheat would be released from public stocks.

Maize

- Egypt has announced its domestic support price for maize at EGP 2 100 (USD 2 235.91) per tonne.

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

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