



# agriculture, forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

# Grain Markets Early Warning Report



No. 2 of 2018

[www.amis-outlook.org](http://www.amis-outlook.org)

### Overview

- As the new season (2018/19) begins, early indications for AMIS crops point to an overall balanced outlook at the global level. Wheat markets are projected to remain adequately supplied while maize is expected to experience somewhat tighter market conditions given the prospect for lower production among several major exporters. The first forecasts for soybeans point to a tightening but still comfortable situation as world production of soybeans climbs to a new high. Weather will be critical in the coming months but other factors, including variations in exchange rates, high oil prices and trade policy uncertainties are also seen to influence food markets in 2018/19. Domestically, the planting season for wheat has commenced in May and the seed sales have declined significantly in the Western Cape. With seed sales lower, planting intentions remain unknown.
- Maize, the global corn production for 2018 is forecast to fall by 4.0 percent from last year's record. There are worries about seeding delays due to cold and wet weather in the southern Midwest, and Mississippi supported prices. Maize prices took a heavy blow as the grain market is dealing with the trade war between China and America. However the continued brisk US export activity underpinned maize future strengthening by a net of 4% weekly. Locally, there are favourable growing conditions in South Africa's summer crop growing regions that supported greater crop prospects of maize. Heavy rainfall in Eastern Cape has therefore supported the official commercial estimates of maize crops to 12.4 million ton for 2016/17.
- Soybean, There is higher crop failure in the South America this year, this resulted in high dependence on US soybeans likely increasing worldwide. Locally, yields in the Western soybeans regions are not expected to be as high as 2017 due to weather conditions.

### 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. Commodity Prices .....	6
3.1 Maize .....	6
3.2 Sorghum.....	6
3.3 Wheat.....	7
3.4 Soya Beans.....	7
3.5 Sunflower .....	7
3.6 Futures Prices .....	8
4. Global Market Outlook.....	10
5. Acknowledgements .....	11

# 1. Domestic Supply-Demand Outlook

## 1.1 Maize

Marketing Season: April to May	Actual for 2016/17	Final for 2017/18 (Jun 2018)	Projection 2018/19 (June 2018)
Production	7 778 500	16 820 000	12 908 610
Opening Stocks	2 471 067	1 094 638	3 695 193
Total Supply	12 221 827	16 772 950	16 281 803
Total Demand	11 127 189	13 077 757	13 140 000
Closing Stocks	1 094 638	3 695 193	3 141 803
Days' stock	41	131	109

Source: NAMC, Supply and Demand Estimates Committee

## 1.2 Sorghum

Marketing Season: March to April	Actual for 2016/17	Final for 2017/18 (Jun 2017)	Projection 2018/19 (June 2018)
Production	70 500	152 000	83 070
Opening Stocks	83 142	35 238	59 246
Total Supply	226 677	242 029	221 066
Total Demand	191 439	182 783	181 020
Closing Stocks	35 238	59 246	40 046
Days' stock	76	134	89

Source: NAMC, Supply and Demand Estimates Committee

## 1.3 Wheat

Marketing Season: October to Sept	Actual for 2015/16	Final 2016/17 (Dec 2017)	Projection 2017/18 (Dec 2017)
Production	1 440 000	1 910 000	1 581 250
Opening Stocks	596 823	827 232	341 424
Total Supply	4 075 147	3 641 771	3 697 674
Total Demand	3 247 915	3 300 347	3 208 700
Closing Stocks	827 232	341 424	488 974
Days' stock	96	39	58

Source: NAMC, Supply and Demand Estimates Committee

## 1.4 Soya Beans

Marketing Season: March to February	Actual for 2016/17	Final for 2017/18 (Jun 2018)	Projection 2018/19 (Jun 2018)
Production	742 000	1 316 000	1 430 300
Opening Stocks	89 128	84 792	330 535
Total Supply	1 075 008	1 405 037	1 753 835
Total Demand	990 216	1 074 502	1 182 100
Closing Stocks	84 792	330 535	571 735
Days' stock	32	113	178

Source: NAMC, Supply and Demand Estimates Committee

commercial maize production was at 2.318 million hectares for 2018/19 marketing season, this has increased by 0.4% higher compared to estimate in March 2018. Maize projection for June 2018/19 marketing season is 12.908 million tons, showing an increase of 66% from the final harvests attained in 2016/17.

- According to the Crop Estimates Committee's May 2018 summer crop forecast, the country is expecting a commercial maize crop at around 12 908 610 tons which is 23% less than the previous 16 820 000 of 2016/17 season. This estimates is less with 23% when compared to the projections attained in 2017/18 marketing season, despite all the challenges the industry encountered this year.

- **Sorghum** production volumes for June 2018/19 marketing season is projected to be 59 246 as compared to 78 200 tons attained in March 2018.
- The projections of sorghum for 2018/19 decreased by 45% 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 stocks in June 2018 have increased as compared to the previous projection of 37 458 tons projected in March 2018. The days' stock has slightly moved from 84 days in March 2018 to 89 days in June 2018.

- **Wheat** production volumes are projected to decline by 8% in December 2017 season compared to the projected volume in September 2017. The total supply of wheat is projected to decrease by 4% in December 2017 as compared to September 2017. This is mainly attributed to severe drought that affected the Western Cape province as the major production region. Seemingly, the demand for wheat is also projected to slightly decline by 2%, driven by higher prices in the local markets.
- The closing stock for wheat has significantly decreased by over 17% compared to September 2017 projections.

- **Maize:** The projected maize crop for June 2018/19 is estimated at 12.908 million tons, which increased by 5.6% when compared to March 2018 forecast. According to the report released by the Crop Estimates Committee (CEC) in May 2018, the area estimated for

- Production volume of **soybeans** is projected to increase for June 2018/19 season when compared to the projected volume in March 2018, which is about 9% higher than the 2017/18 marketing season.

- Soy beans supply for June 2018/19 is projected to increase by 3% in comparison to March 2018/19 forecast.

- The total demand for June 2018/19 is also projected to remain slightly the same as compared to the projection for demand during March 2018 season.

### 1.5 Sunflower

Marketing Season: April to May	Actual for 2015/16	Final for 2016/17 (Dec 2017)	Projection 2017/18 (Dec 2017)
Production	755 000	874 000	792 255
Opening Stocks	45 867	163 086	154 841
Total Supply	880 392	1 047 984	955 596
Total Demand	717 306	893 143	855 500
Closing Stocks	163 086	154 841	100 096
Days' stock	84	64	43

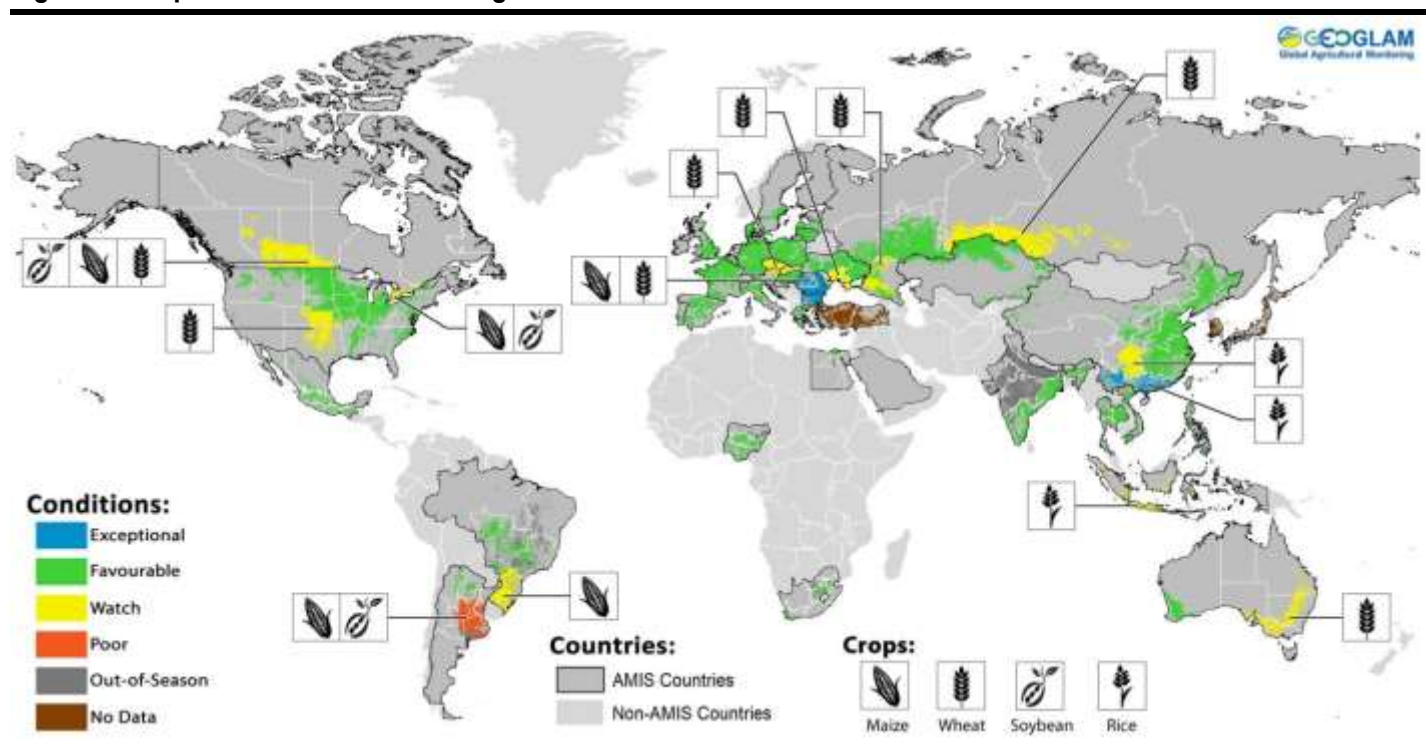
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for June 2018/19 marketing season was projected to increase by 8% as compared to the projections in March 2018/19. The final production volumes for 2016/17 were 755 000 tons and it was about 4.7 more than the production volumes forecasted for June 2018/19.
- The total supply for sunflower seed increased by 4.5%, and the total demand also increased by 4.8% respectively in June 2018 as compared to March 2018 projections.
- The final closing stock for sunflower is projected to be 2% higher for June 2018/19, when compared to 97 826 tons projected for March 2018.

## 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 June 2018). 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 northern hemisphere, conditions are mixed for both winter and spring wheat. In the **EU**, conditions are more favourable with some parts of central and eastern Europe affected by a lack of precipitation. In **Ukraine**, winter wheat conditions are favourable although the recent dry and hot weather may cause ripening in some areas creating risks in the final yield. In the **Russian Federation**, winter wheat is entering a very crucial development stage under mixed conditions caused by hot and dry weather in the south. In **China**, conditions are favourable for both winter and spring wheat. In **Canada**, low soil moisture conditions in the prairies are affecting both spring and winter wheat. In **Australia**, conditions are favourable in the west while low soil moisture across much of the eastern and southern areas is affecting winter wheat.

**Maize** - In the northern hemisphere, sowing is continuing in the US, Canada, EU, Ukraine, Russian Federation, China and Mexico under mostly favourable conditions., whereas in the southern hemisphere, conditions remain poor in Argentina, where harvest is being hampered by continuous rainfall.. In the **US**, sowing is continuing under favourable conditions with only minor delays in the Midwest due to a late spring. In **Mexico**, harvest of the autumn-winter planted crop continues under good conditions. In the **EU**, favourable weather is providing support to sowing especially in the southern countries. In **Brazil**, conditions for the summer-planted crop (larger) are mixed as hot and dry conditions have begun affecting the crop, most notably in the southern region. In **Argentina**, conditions remain poor across the country as harvest progresses. Prolonged drought throughout the season has taken its toll on the crops, while continuous rains over the past month hampered harvest and affected grain quality in the Pampa Plain.

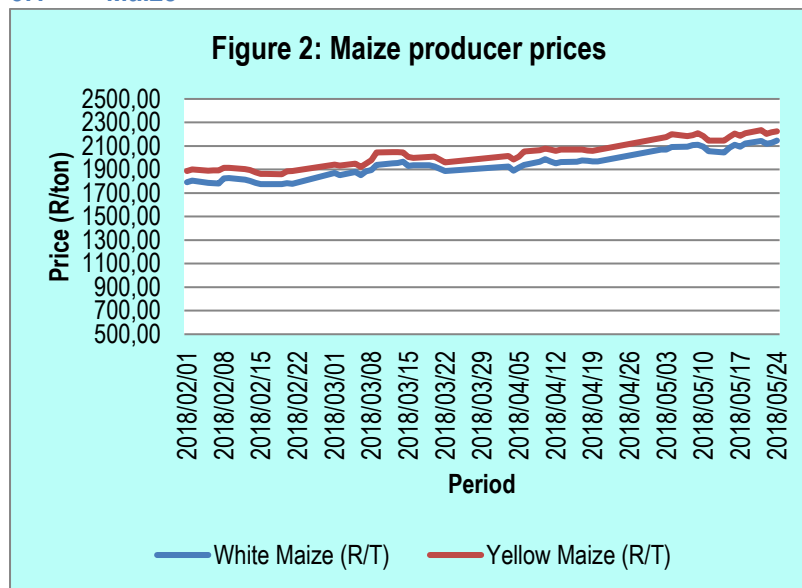
**Soybeans** - In the northern hemisphere, sowing is underway under favourable conditions with the only areas of concern in Canada. In the southern hemisphere, harvest of the crop in Argentina is being impacted by continuous rainfall. In the **US**, sowing has begun across the country under the favourable weather conditions. In **Argentina**, conditions remain poor as

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

harvest continues for both the spring-planted crop (larger) and the summer-planted crops. **Canada**, sowing is proceeding, but additional rainfall is needed to support crop growth and development. In **China**, conditions are favourable as sowing and crop emergence is underway in the northern provinces. In **Ukraine**, sowing is ongoing under favourable conditions.

### 3. Commodity Prices

#### 3.1 Maize



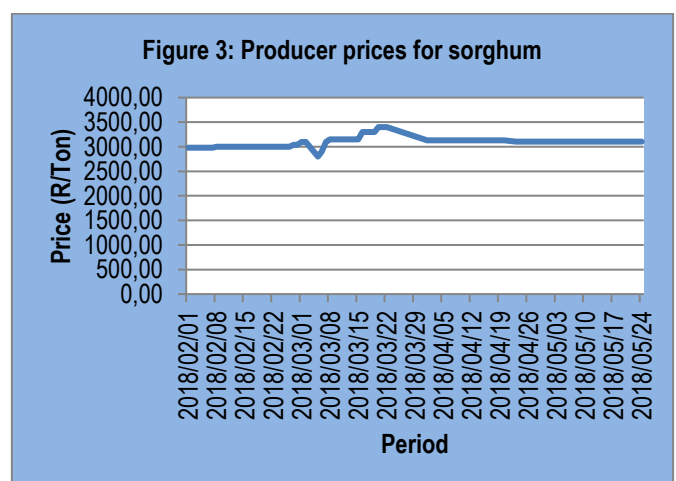
Source: SAFEX, accessed from SAGIS

Figure 2 above show the producer prices for maize starting from February 2018 to May 2018 marketing season. The figure indicates that on average, the producer prices for white and yellow maize showed an increasing trends for all contract months. The price for both white and yellow maize posted modest gains throughout the period under analysis, during February to April 2018 the prices were trading slightly lower below R2 000/ton. However during May 2018, both prices somehow showed slight increases with the price for both White and yellow moving slightly higher above R2 100/ton.

On average, both the contracts for yellow and white maize traded slightly higher during May 2018, even though the price for white maize traded slightly lower below R2 220/ton throughout the period under review, from February to May 2018. The sharp weakening of the rand in between March and April 2018 and 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.

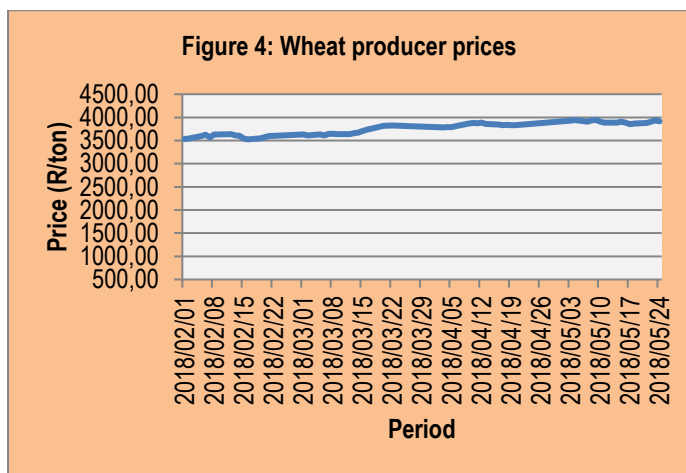
#### 3.2 Sorghum

Figure 3 shows producer prices for sorghum opening from February 2018 until May 2018. The producer prices for sorghum traded higher throughout the period under review. Sorghum prices opened higher above R2 980/ton for February 2018 and this was followed by a slight decline in producer prices in the first week of March. As from the second week of March, the producer price for Sorghum was stable above R3 000/ton. The producer price for sorghum closed at a constant price around R3 100/ton during May 2018.



Source: SAFEX, accessed from SAGIS

### 3.3 Wheat

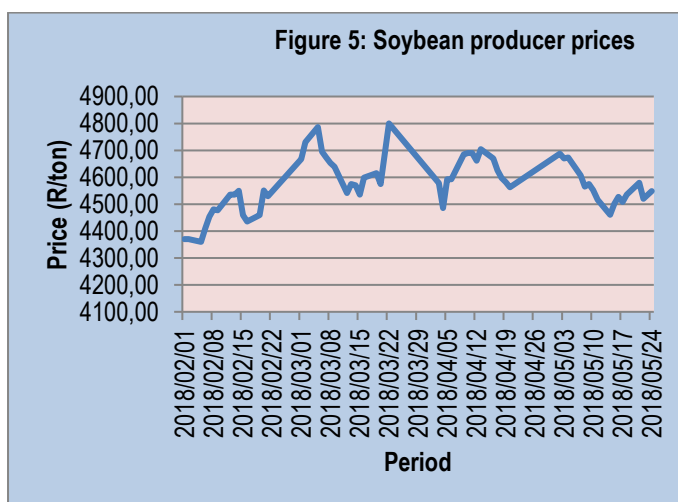


Source: SAFEX, accessed from SAGIS

Figure 4 shows wheat producer prices from February 2018 to May 2018. The Figure indicates that the wheat producer price opened slightly higher above R3 500/ton during February 2018 and continued to go up until a peak of R3 635/ton was reached during the same month. The price showed subtle trends, but mostly trading higher above R3 500/ton throughout the period.

In overall, the local wheat market traded relatively stable at the current prices, ranging from R3 500/ton up to R3 935/ton, with the lowest price attained in February 2018. 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. Globally, the wheat market is mainly in the negative territory due to pressure for ample supplies flowing from key exporting countries such as Russia.

### 3.4 Soya Beans



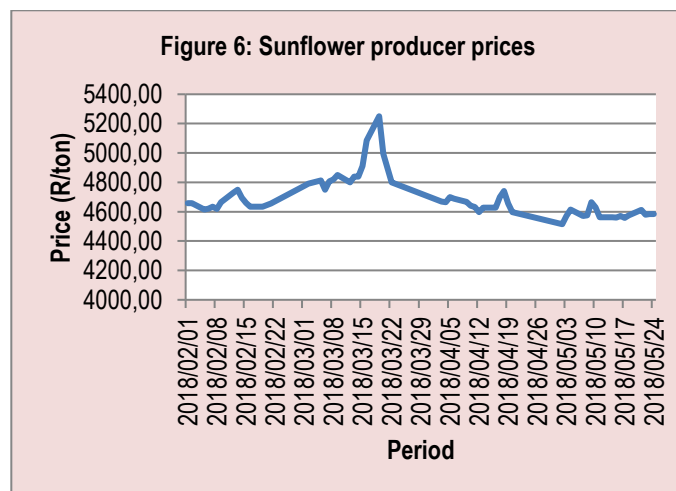
Source: SAFEX, accessed from SAGIS

Locally, yields in the Western soybeans regions are not expected to be as high as 2017 due to weather conditions.

Figure 5 shows that the price for 2017/18 marketing season for soybeans opened higher just above R4 400/ton in February 2017. This was followed by an increase in the producer price to the highest price for soya beans attained in March 2018. However, there was a notable decrease in soy bean prices during the late March 2018. The price for soybean were fluctuating ranged between R4 400/ton and R4 800/ton over the period under consideration.

Globally, there is higher crop failure in the South America this year, this resulted in high dependence on US soybeans likely increasing worldwide

### 3.5 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 6 shows that the opening price for sunflower seed during 2017/18 marketing season was below R5 000/ton in February and increased way above R5 000/ton in the third

week of March from then, the prices decreased throughout the period under analysis. The producer price for sunflower seed posted some major fluctuations with a lowest price of R4 515/ton and the highest price of R5 250/ton attained during the period under review. Sunflower seed prices have drastically declined between April and May 2018. This can be attributed to a stronger Rand.

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 lower in May 2018, about 2% lower as compared to the opening price reached in February 2018. The producer price for both soybean and sunflower depicted almost similar trends throughout the period, with both prices reaching a peak in March 2018. However, between February and March the price for sunflower traded slightly higher above the soybean producer price and between April and May the price for soybean traded slightly higher above the sunflower producer price.

Local, the dry and warm weather conditions experienced in the past few weeks across the central and western parts of South Africa will affect the estimated output. Farmers in North West and the western parts of Free State could not successfully plant the intended area due to dryness, which is likely to lead to a decline in production of the sunflower seed.

### 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 (2018/05/31) (R/T)			
Commodity	Jun-17	Jul-18	Sep-18	Dec-18
White maize	2163	2181 ▲	2229 ▲	2312 ▲
Yellow maize	2265	2290 ▲	2332 ▲	2412 ▲
Wheat	3810	3864 ▲	3874 ▲	3865 ▼
Sunflower	4595	4660 ▲	4788 ▲	4910 ▲
Soybeans	4550	4614 ▲	4700 ▲	4829 ▲
Sorghum	N/A	3010 ▲	3352 ▲	3385 ▲

Source: SAGIS

As of 31 May 2018, the contracts for white and yellow maize traded at R2 163/ton and R2 265/ton, respectively. Both white and yellow maize traded slightly higher during June 2018 as compared to February 2018 contracts. Wheat market opened higher, with September 2017 contracts trading at R3 810/ton. Wheat price trends showed greater stability in the local market. In overall, the local wheat market traded relatively stronger with the current prices fetching over R3 800/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 contracts for sunflower seed show constant stability, trading above R4 500/ton from February 2018. Contracts of sunflower seed trade continued to show great stabilities until R4 910/ton attained in Dec 2018, Contracts for soybean producer price opened higher above R4 500/ton in February 2018, about 3 percent higher when compared to the opening in February 2018. The producer price for soybean remained stable above R4 500/ton for the entire period, with the lowest price of R4 550 attained during February 2018.



Future contracts for sorghum were not available in the opening month of June 2018. However the producer price for sorghum show of 3010 in July 2018 was 1% higher than that of March 2018. On average, the sorghum producer prices traded around R3 249 from Jul 2018 to Dec 2018.

## 4. Global Market Outlook

### 4.1 World Prices

**Wheat:** The movements in world wheat export prices were mainly linked to prospects for 2018/19 crops, with uncertainty about the impact of less than ideal weather in some of the major exporters providing sustained underpinning. Gains in the early part of the month were eroded as the weather turned more favourable in a number of countries. However, crop worries persisted and markets continued to react to changeable weather conditions as the month progressed. As concerns mounted about prolonged dryness for crops in North America, Australia and the Black Sea region, values posted relatively strong gains in the latter part of May, propelling the IGC GOI wheat sub-Index to its highest in around 10 months.

**Maize:** After six consecutive monthly gains, average export prices dipped in May, this is led by declines in Ukraine. Despite supportive currency movements, prices retreated from earlier elevated levels on robust international competition and tepid buying interest. Support in the US came from deteriorating production prospects in South America and a robust pace of exports, but gains were countered recently as overseas interest slowed. Mostly good growing conditions for the next crop and fresh talk about US-China trade added pressure. The market in Argentina was particularly firm on a weakening peso and slow country movement, although gains in export prices were pared by slack overseas demand.

**Soybeans:** Average global soybean prices retreated during May in two-sided activity which are shaped by ongoing uncertainty about the future trade relationship between the US and China. However, more recently trade relations appeared to have shown some improvement which weighed on market sentiment in Brazil as demand was seen possibly returning to the US. A strike by truckers in Brazil interrupted movement of supplies to ports and processors. Price declines were contained by unfavourable crop prospects in Argentina.

### 4.2 Policy Developments

**Maize** On the 12 May the Ministry of Agriculture in **Argentina** approved three genetically-modified maize varieties resistant to Lepidoptera and Coleoptera (Resolution No.19/2018), marking the introduction of insect-resistance technology (“interference RNA”) for the first time in the country.

#### **Wheat**

- **Across the board** On 23 May, the Ministry in India increased the wheat import tax from 20 to 30 percent.

## 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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