



agriculture, forestry & fisheries

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REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



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Overview

- Weather, policy and animal diseases are emerging as important market drivers, making the 2019/20 season one of the most volatile in recent years. The unfavourable weather gripping the US has jeopardised production prospects, namely for maize and soybeans, adding to the uncertainty generated by ongoing trade frictions and related compensatory measures for US farmers. In the meantime, the rapid spread of African Swine Fever in China, the world's largest pork producer and consumer of feed stuffs, is expected to have major implications for international trade flows.
- 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 these weather worries continue to underpin soybean prices. Global supplies remain under pressure as the production losses 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 2017/18	(Final for 2018/2019 (May 2019)	Projection for 2019/2020 (May 2019)
Production	7 778 500	12 510 000	10 900 260
Opening Stocks	2 471 067	3 689 476	2 672 071
Total Supply	12 221 827	15 867 120	13 625 331
Total Demand	11 127 189	13 195 049	12 062 500
Closing Stocks	1 094 638	2 672 071	1 552 831
Days' stock	41	91	52

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2017/18	Final for 2018/2019 (May 2019)	Projection for 2019/2020 (May 2019)
Production	70 500	115 000	165 850
Opening Stocks	83 142	59 246	51 860
Total Supply	226 677	223 334	220 310
Total Demand	191 439	171 474	180 050
Closing Stocks	35 238	51 860	43 160
Days' stock	76	122	89

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2017/18	Final for 2018/2019 (May 2019)	Projection for 2019/2020 (May 2019)
Production	1 910 000	1 535 000	1 868 000
Opening Stocks	827 232	341 424	721 534
Total Supply	3 641 771	4 068 278	3 964 534
Total Demand	3 300 347	3 346 744	3 360 500
Closing Stocks	341 424	721 534	606 034
Days' stock	39	82	68

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2017/18	Final for 2018/2019 (May 2019)	Final for 2019/2020 (May 2019)
Production	742 000	1 540 00	1 295 845
Opening Stocks	89 128	330 535	502 241
Total Supply	1 075 008	1 854	1 785 086
Total Demand	990 216	1 352 609	1 471 050
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 2019/20 (May 2019) is estimated at 10,9 million tons. According to the report released by the Crop Estimate Committee (CEC) in May 2019 the projected estimates remain unchanged. The 2019/20 (May 2019) maize projection remained at 10.900 million tons. Maize projection for April 2019/20 marketing season remained at 10 900 million tons which indicates a decrease of 15.71% compared to the final harvest attained in Jan 2019.
- According to the Crop Estimates Committees May 2019 summer crop forecast, the country is expecting a commercial maize of about 10.900 million tons. The expected commercial maize crop is 2,30% more than the previous forecast. The estimated crop is 13% smaller than the 2018 crop.
- Sorghum:** Production volumes for May 2019/20 marketing season is projected to be 165 850 tons. The sorghum production for 2019/20 increased by 33.70% as compared to the previous season. This can be attributed to the expected establishment of a bioethanol production facility not having materialized, 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 increased by 1.36% as compared to the previous projection of 177 050 tons projected in February 2019. The sorghum day stock was 122 May 2018/19, which demonstrate that the final sorghum day stock changed by 12 as compared to Feb 2019.
- Wheat** Production Volumes for May 2019/20 were projected at 1.868 million tons as compared to 1.798 million tons projected in February 2019/20. The projections indicate an increase of 3.8%. The total supply of wheat is projected to be 3.964 million (May2019) tons as compared to 3.893 million tons projected in February 2019 and shows an increase of 3.3%. The total demand of wheat is projected to decrease by 2.2 % in May 2019 as compared to February 2019 driven by the high prices on the local markets.
- Closing stock for wheat was 606 034 tons in May 2019/20 and 798 800 in February 2019/20 and this indicates an increase of 32.83% compared to February 2019/20.
- Production volumes for Soy bean remained unchanged for May 2019 as compared to Soybean volume in February 2019/20.
- The Soybean total supply in May 2019/20 is projected to be 1 781 086 and shows a decrease of 4.5% as compared to February 2019. Soy bean total demand

for May 2019/20 is projected to be 1 471 050 and increased by 10.56% as compared to February 2019.

1.5 Sunflower

Marketing Season: April to May	Actual for 2016/17	Final for 2018/2019 (May 2019)	Projection for 2019/2020 (May 2019)
Production	755 000	862 000	611 140
Opening Stocks	45 867	154 841	120 165
Total Supply	880 392	1 026 212	818 305
Total Demand	717 306	906 047	735 200
Closing Stocks	163 086	120 165	83 105
Days' stock	84	49	42

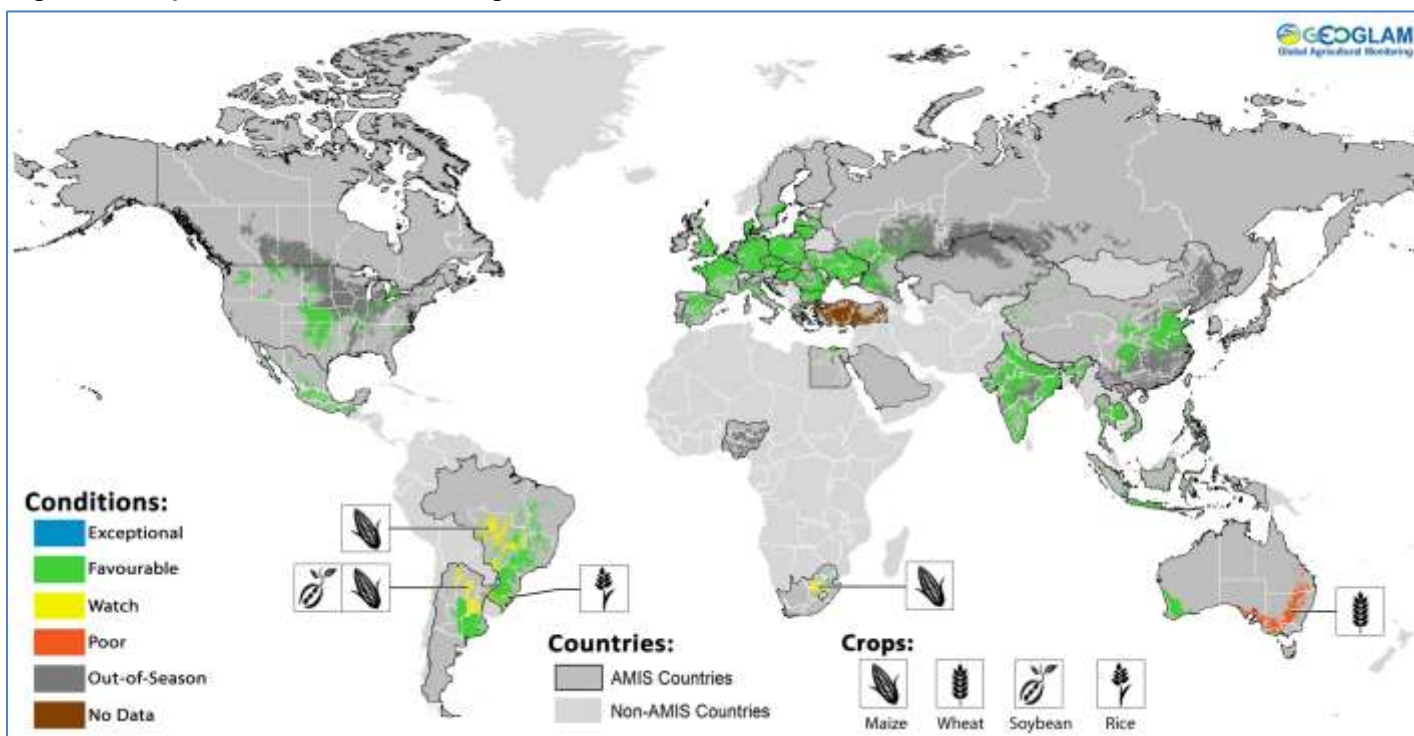
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower.** Sunflower production levels for May 2018/19 was projected to be 611 140 and remain unchanged as compared to the projections of February 2019/20. The final production volume for May 2018/19 were 862 000 tons.
- The total supply for sunflower seed for May 2019/20 is 818 305 tons and decreased by 19.99% as compared to February 2019/20 projections.
- The final closing stock is projected to be 83 105 tons for May 2019/20 and it has decreased by 22.78% as compared to 107 646 projected in February 2019/20.

2. Crop Conditions in Selected Countries

The following figure (Figure 1) shows crop conditions for selected grains in the AMIS¹ 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 northern hemisphere, winter wheat is under favourable conditions with some of the areas of dryness in **Europe** and the **Russian Federation**. Spring wheat is in the early stages of sowing under generally favourable conditions. In **EU**, winter wheat condition is mixed as dry sills in both south-western and south eastern Europe impact crops. In **Ukraine**, there is ample rainfall and warm temperatures supporting crop development making the conditions favourable. In the **Russian Federation**, winter wheat in the main producing areas of the south conditions are favourable, while on the other hand conditions are mixed in the Central and Volga district due to dry conditions. In **China**, winter wheat conditions are favourable in

with most areas having received sufficient snowfall in winter and experiencing warm spring temperature. Sowing is beginning under generally favourable condition for spring wheat. In **India** a good production year is expected owing to lower than average temperature levels during the critical

development period and conditions are generally favourable. In the **US**, winter wheat conditions are mostly favourable with some mild areas of concern in the north and the east due to better weather than normal. Sowing of spring wheat has begun under favourable conditions albeit some delays because of excess moisture resulting from heavy snowfall over the winter season. In **Canada**, in the main producing area winter wheat conditions are favourable while dry conditions in the central prairies remain a concern.

Maize -. In the southern hemisphere harvest is ongoing in Brazil, Argentina and South Africa. Sowing has begun under favourable condition in most regions of the northern hemisphere. In **Brazil**, harvest is wrapping up for spring-planted crop with average yield and there is a

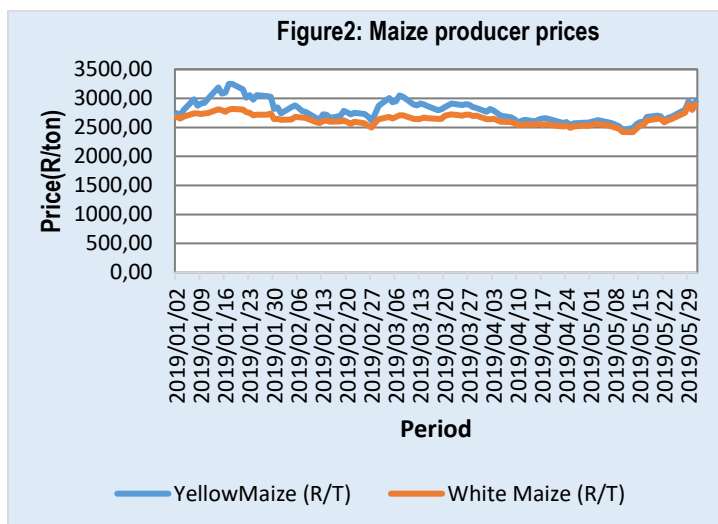
¹ The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.

slight decrease in production as compared to the previous year. Conditions are generally favourable for summer planted-crop in the reproductive stage with an increase in the total sown area estimated. In **Argentina**, conditions are generally favourable for spring-planted crops. **Harvest** of spring-planted crop is continuing under exceptional conditions in the main producing areas and a historic production year is expected. In **Mexico**, harvest of autumn-winter cycle crop began under favourable to exceptional conditions and the sowing of spring-summer crops is continuing under generally favourable conditions. In **South Africa**, there are mixed conditions with a decrease in expected production, owing to a reduction in total sown area as a result of the delayed start of rainy season in western areas. In **India**, harvesting of Rabi crop is wrapping up and the conditions are generally favourable. In **China** sowing of spring-planted maize is ongoing under favourable conditions with only spot areas of dryness. In the **US**, across the country sowing is beginning under favourable conditions with some expected delays due to excessive winter moisture. In the **EU**, conditions are favourable. However in the southwest and southeast dryness is affecting sowing and germination. In the **Russian Federation**, sowing is progressing under generally favourable conditions with some concern in the northern areas due to dry conditions.

Soybeans - In the southern hemisphere, harvest is ongoing in Brazil and Argentina under generally favourable to exceptional conditions with above-average yields expected in many areas. Sowing has begun in the northern hemisphere. In **Brazil** there are generally favourable to exceptional conditions as the harvest nears completion with overall yields near average and above average yields in the northeast region. In terms of final production, a small year-on-year reduction is expected due to dry conditions earlier in the season. In **Argentina** harvest of spring-planted and summer-planted crops is continuing at a good pace with above average yields in most regions. There is some concern which remain in the northeast due to heavy rainfall and floods. In the south of the **US** sowing is just starting under favourable conditions. In Ukraine, sowing has begun earlier than expected due to warmer weather and favourable conditions.

3. Commodity Prices

3.1 Maize



Source: SAFEX, accessed from SAGIS

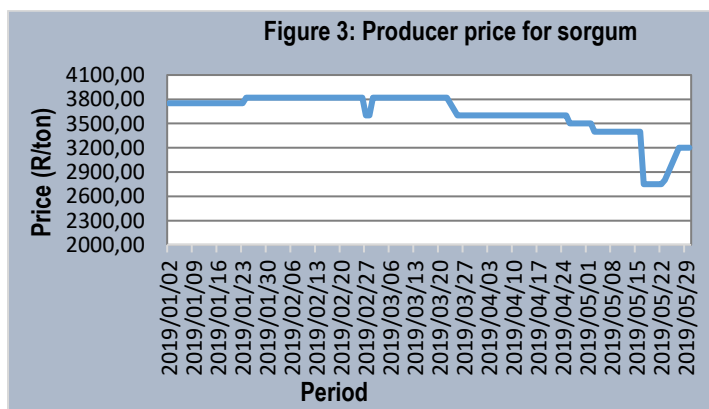
The figure above indicates the producer prices for both yellow and white maize during the marketing season starting from January until May 2019. Figure 2 shows the producer prices had a stable trend throughout the review period. However the producer price showed a

modest gain during the first few months of 2019 until a decrease of producer prices late April 2019 and an increase in May 2019. Maize producer price were trading above R2 500/ton from January 2019 until it hit a minimum of above R2 400/ton in the beginning of May 2019.

Taking everything into consideration, the producer prices for both yellow and white maize traded slightly higher in during January 2019 until March 2019. The contracts for both white and yellow maize traded higher in January with yellow maize trading at a peak of R3 249/ton. The weather conditions in the summer rainfall areas where the planting 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.

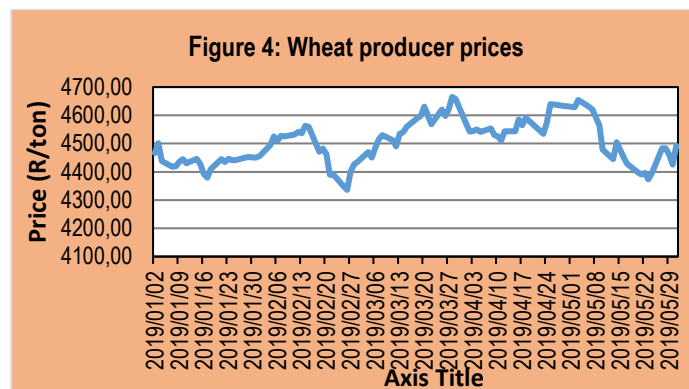
3.2 Sorghum

The Figure below shows the producer price for sorghum starting from January 2019 until May 2019. Sorghum fluctuated considerably during the year under review. The producer prices for sorghum during the review period reached a peak of R3 830/ton in January 2019. The lowest producer price for Sorghum was R2 750/ton in May 2019.



Source: SAFEX, accessed from SAGIS

3.3 Wheat



Source: SAFEX, accessed from SAGIS

The figure above shows the producer prices for wheat from January 2019 until May 2019. Figure 4 depicts that the producer price for wheat opened above R3 700/ton in January 2019 and reached a maximum of R2 820/ton during February 2019 and a minimum of R2 750 in May 2019. The producer price for wheat showed mixed trends during the period under review.

Taking everything into consideration the local wheat market traded relatively stable in the review period. The producer prices were ranging between R4 430/ton and

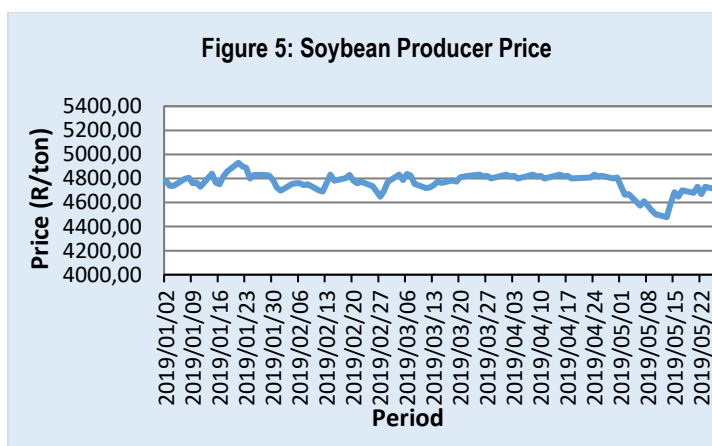
R4 449/ton. The lowest producer price was attained during December 2019 and the highest producer price was attained during June 2019.

The domestic wheat spot price traded 2.5% downwards week-on-week. The domestic wheat price is expected to continue decreasing for the remainder of May going into June before stabilizing into July and August.

3.4 Soya Beans

Figure 5 below shows the producer prices of soy bean during the period January 2019 until May 2019. The producer prices for Soybean opened on a high note with a minimum producer price of R5 286/ton and a high of R5 517/ton. The producer price for soybean continued to increase until December 2019 where it reached its peak of R5 517/ton.

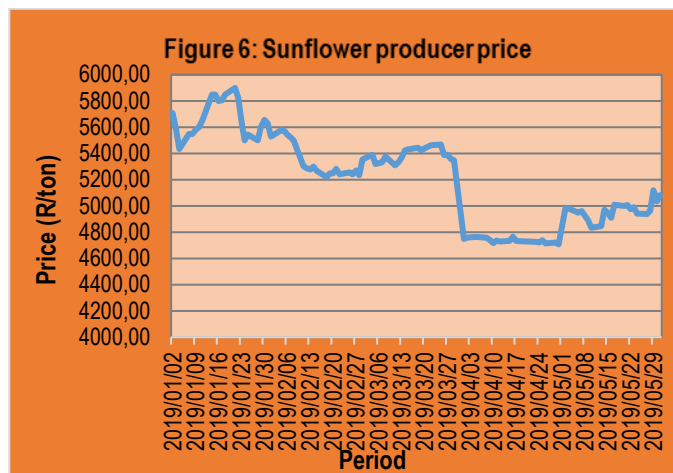
Globally, harvest of spring-planted and summer-planted crops is continuing at a good pace with above average yields in most regions. On the other hand, in Brazil conditions are favourable to exceptional as the harvest nears completion with overall yields near average and above average yields in the northeast region.



Source: SAFEX, accessed from SAGIS

Soy bean local prices increased by 1.4% week in week out. This increase in price was due to the support from the international markets.

3.5 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 6 above depicts the producer prices for sunflower seed, and opening producer price for sunflower seed was above R5 700/ton during the period under review. Sunflower producer prices showed some fluctuations throughout the review period with a high of R5 900/ton and a low of below R4 700/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 continue to increase week in and week out. The producer price for both sunflower seed and soybean indicated a similar trend and continued to increase throughout the review period. However, during the period under review the producer prices for sunflower traded slightly lower than that of Soy bean.

Taking everything into account sunflower closing producer price was R5 475/ton in December 2019 and the opening price was R5 175/ton in June 2019. When comparing the producer prices for soy bean and sunflower, even thou both the commodities depicts almost similar trend, sunflower traded lower than soy bean during the period under review.

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

Commodity	Future Prices (2019/0226) (R/T)			
	June 19	Jul 19	Sep 19	Dec 19
White maize	2771	2795 ▲	2847 ▲	2941 7 ▲
Yellow maize	2755	2777 ▲	2833 ▲	2902 ▲
Wheat	4449	4451 ▲	4467 ▲	4430 ▼
Sunflower	5175	5224 ▲	5355 ▲	5475 ▲
Soybeans	5286	5337 ▲	5422 ▲	5517 ▲
Sorghum	N/A	3200 ▲	3280 ▲	3400 ▲

Source: SAGIS

As of June 2019 future prices for yellow and white maize traded at R2 755/ton and R2 771/ton. The wheat market opened slightly higher with July wheat contracts trading at R4 467/ton and a lowest R4 430/ton. High wheat producer prices are due to minimal production and supply in the domestic market.

Sunflower seeds contract traded above R5 000/ton from Jun 2019 until Dec 2019. While the wheat producer prices showed great stability until a decline in December 2019 with a future producer price of R4 430/ton, the producer prices for wheat still traded above R4 000/ton.

The contract for Soy bean traded above R5 200/ton. Producer prices for soybean opened above the minimum, which was above R5 285/ton in June 2019. Soybean producer prices remained stable for the entire period with the lowest producer price of R5 286/ton in June 2019 and highest of R5 517/ton in September 2019. The contracts for soybean posted future gains for the prices attained in July, September and December 2017, respectively.

The opening price for sorghum was not available in June 2019 and the closing price was R3 400/ton in December 2019. The producer price for Sorghum showed an increase

throughout the period under review. Taking everything under consideration, Sorghum future producer prices traded between R3 200/ton to R3 400/ton.

4. Global Market Outlook

4.1 World Prices

Wheat: Production forecast for 2019 raised on better prospects in the EU and Canada markets as compared to the offsetting downward adjustments in Australia and Turkey. Stocks ending in 2020 are projected to increase to near record levels leading to larger inventories in China and the EU. Prices in the EU had sustained support from the recent pickup in exports, including from tight logistics in some areas. The IGC GOI wheat sub-index declined by 4 percent and weak price sentiment persisted in global export market during April.

Maize: The IGC sub-index tumbled by 4 percent and this is by far the lowest since December 2017.

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**
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