



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



No. 3 of 2018

www.amis-outlook.org

Overview

- Weather has been the primary driver of adjustments to production forecasts since the previous report in July. Prolonged heat and dry conditions in several regions have taken a heavy toll on wheat crops, especially in northern parts of Europe and the Russian Federation. Conversely, production forecasts for maize have been scaled up, largely thanks to exceptional yield expectations in the US. In addition, the outlook for soybeans has improved, mostly on favourable growing conditions in the US and expectations of further gains in area planted in Brazil. Prospects for rice continue to point to a record 2018 crop. With production forecasts now becoming firmer, markets will be focusing more on issues affecting trade flows and their implication on international prices. Domestically, conditions are favourable for wheat in the Western Cape. The rainfall was received and soil moisture was replenished in some areas in South Africa
- Maize, production forecast for 2018 raised, particularly in the US and they are expecting very high yields. Locally, there are favourable conditions that are conducive for the harvest process to take place. Due to cool and drier weather conditions, more maize is expected because the conditions are favourable for the harvest process. The South African Weather Service said there is an increasing likelihood of Elnino weather patterns that might reduce the yields.
- Soybean, South America stocks are significantly lower as compared to a year ago. The global trade for Brazil and the US performed above expectation. Locally, the harvest has been completed and farmers continue to deliver their commercial silos. The expected large soybean harvest this year may lead to a decrease in imports of soybean because the country is relying on the domestic 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 (Sept 2018)	Projection 2018/19 (Sept 2018)
Production	7 778 500	16 820 000	13 207 310
Opening Stocks	2 471 067	1 094 638	3 689 476
Total Supply	12 221 827	16 769 977	16 684 869
Total Demand	11 127 189	13 080 501	13 103 000
Closing Stocks	1 094 638	3 689 476	3 581 869
Days' stock	41	131	124

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2016/17	Final for 2017/18 (Sept 2017)	Projection 2018/19 (Sept 2018)
Production	70 500	152 000	105 120
Opening Stocks	83 142	35 238	59 246
Total Supply	226 677	242 029	213 366
Total Demand	191 439	182 783	177 000
Closing Stocks	35 238	59 246	36 366
Days' stock	76	134	82

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2016/17	Final 2017/18 (Sept 2018)	Projection 2018/19 (Sept 2018)
Production	1 910 000	1 535 000	1 808 050
Opening Stocks	827 232	341 424	699 342
Total Supply	3 641 771	3 989 424	3 882 374
Total Demand	3 300 347	3 290 100	3 295 100
Closing Stocks	341 424	699 324	587 274
Days' stock	39	81	68

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2016/17	Final for 2017/18 (Sept 2018)	Projection 2018/19 (Sept 2018)
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	1 864 335
Total Demand	990 216	1 074 502	1 210 100
Closing Stocks	84 792	330 535	654 235
Days' stock	32	113	199

Source: NAMC, Supply and Demand Estimates Committee

estimated for commercial maize production was at 2.319 million hectares for 2018/19 marketing season, this has increased by 0.0004% higher compared to estimate in June 2018. Maize projection for September 2018/19 marketing season is 13.207 million tons, showing an increase of 70% from the final harvests attained in 2016/17.

- According to the Crop Estimates Committee's August 2018 summer crop forecast, the country is expecting a commercial maize crop at around 13 207 million tons which is 2% more than the previous 12 908 of 2016/17 season. This estimate is less with 2% when compared to the projections attained in 2017/18 marketing season, despite all the challenges the industry encountered this year.

- **Sorghum** production volumes for Sept 2018/19 marketing season is projected to be 105 120 as compared to 83 070 tons attained in June 2018.
- The projections of sorghum for 2018/19 increased by 27% 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 Sept 2018 have decreased as compared to the previous projection of 40 046 tons projected in June 2018. The days' stock has slightly moved from 89 days in June 2018 to 82 days in Sept 2018.

- **Wheat** production volumes are projected to increase by 18% in September 2018 season compared to the projected volume in June 2018. The total supply of wheat is projected to decrease by 3% in September 2018 as compared to June 2018. Seemingly, the demand for wheat is also projected to slightly increase by 0.8%.

- The closing stock for wheat has significantly increased by over 13% compared to June 2018 projections.

- Production volume of **soybeans** is projected to increase for Sept 2018/19 season when compared to the projected volume in June 2018, which is about 8% higher than the 2017/18 marketing season.

- Soybeans supply for September 2018/19 is projected to increase by 6% in comparison to June 2018/19 forecast.

- The total demand for September 2018/19 is also projected to increase slightly by 25 as compared to the projection for demand during June 2018 season.

- **Maize:** The projected maize crop for Sept 2018/19 is estimated at 13.207 million tons, which increased by 2.3% when compared to June 2018 forecast. According to the report released by the Crop Estimates Committee (CEC) in August 2018, the area

1.5 Sunflower

Marketing Season: April to May	Actual for 2016/17	Final for 2017/18 (Sept 2018)	Projection 2018/19 (Sept 2018)
Production	755 000	874 000	858 605
Opening Stocks	45 867	163 086	154 841
Total Supply	880 392	1 047 984	1 021 946
Total Demand	717 306	893 143	913 600
Closing Stocks	163 086	154 841	108 346
Days' stock	84	64	44

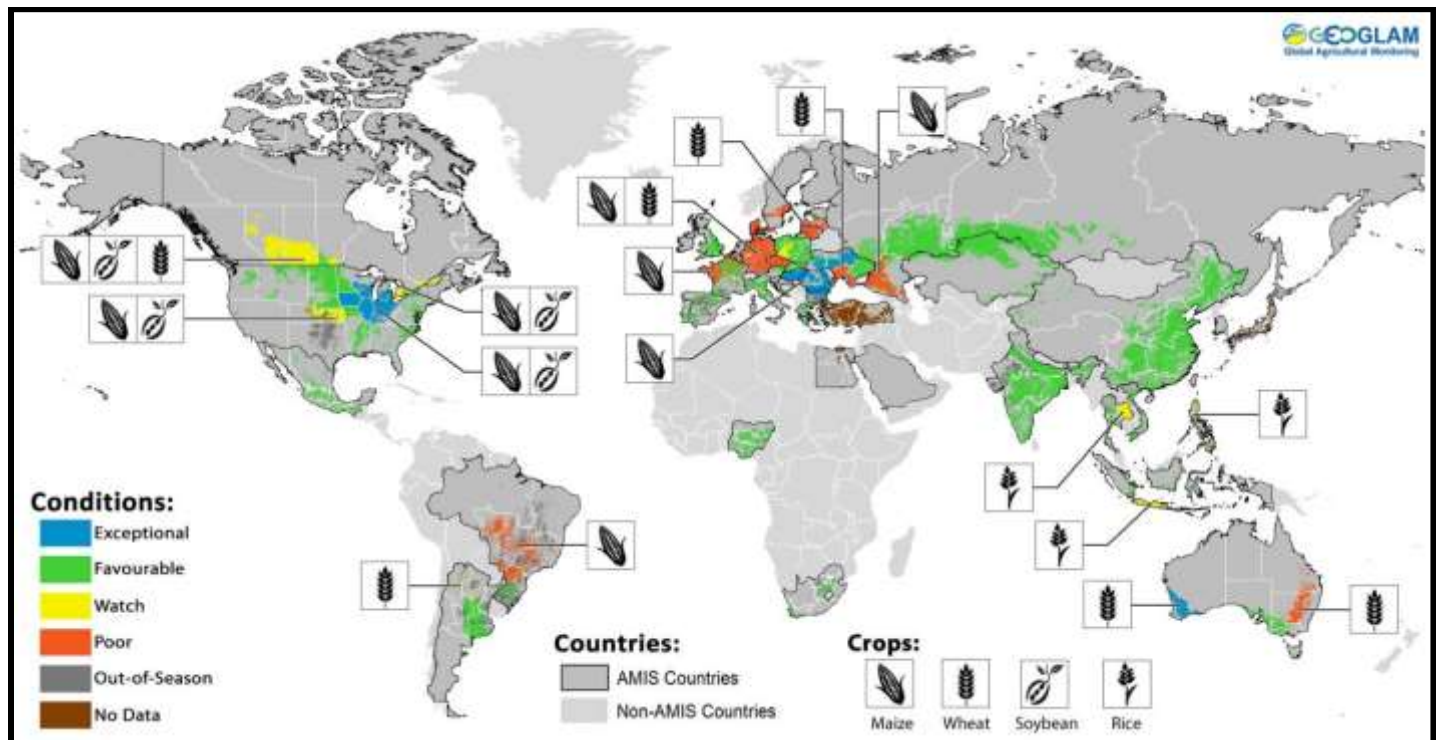
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for Sept 2018/19 marketing season was projected to increase by 8% as compared to the projections in June 2018/19. The final production volumes for 2016/17 were 755 000 tons and it was about 13 more than the production volumes forecasted for September 2018/19.
- The total supply for sunflower seed increased by 6.9%, and the total demand also increased by 6.7% respectively in September 2018 as compared to June 2018 projections.
- The final closing stock for sunflower is projected to be 8% higher for September 2018/19, when compared to 100 096 tons projected for June 2018.

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 August 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, the winter wheat harvest is wrapped up with reduced yields in the UK and Ukraine. In the **EU**, harvest is wrapped up in mixed conditions. This is because the hot and the dry weather conditions have affected the yield in the Northern and Central Europe regions however the season completed favourable in other Europe regions. In **Ukraine**, harvest was completed in favourable conditions for most of the country with the exception of the Southern region due to hot and dry conditions in the region reducing the final yields. In the **Russian Federation**, winter wheat harvest is nearing completion under the favourable conditions. In **Kazakhstan**, conditions for spring wheat are favourable with the high yield prospects in most of the North-central regions. In **Canada**, spring wheat conditions are mixed across the areas due to hot and dry weather conditions. In **Australia**, the production prospect is deteriorating in New South Wales, Queensland and other parts of South Australia because of late rainfall in the regions that resulted in winter crops failing.

Maize - In the northern hemisphere, the conditions are mixed with the dry conditions having an impact on the yields prospects in the Northern Europe, Canada and the Russian federation with the exceptional conditions observed in the Midwest of the US and in the South-eastern Europe, whereas in the southern hemisphere, the season is almost over with Brazil wrapping up the harvest of the summer crops with reduced yields prospects in part of the country due to dry conditions. In the **US**, conditions are exceptional in the core producing US Midwest and are favourable throughout the remaining areas. In **Mexico**, sowing of the spring summer crops is nearing completion and there is a notable increase in total sown areas expected. In the **EU**, conditions are mixed due to hot and dry weather conditions that has affected the crops in the northern Europe. In **Brazil**, harvesting of the summer crops is nearing completion under very poor conditions

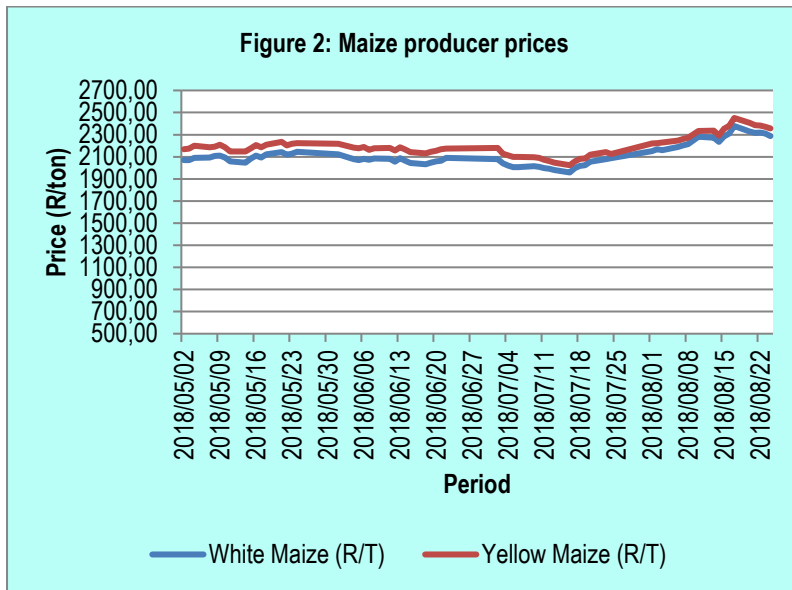
¹ The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.

due to lack of rainfall during the critical reproductive stage. In **Ukraine**, crops in the central and the western areas are in the exceptional conditions while in the southern and eastern areas the conditions remain favourable.

Soybeans - In the northern hemisphere, the US is experiencing the exceptional growing conditions in the main growing regions with record yield forecast in most of the areas. Conditions are favourable in China, India and Ukraine while Canada is raising some concerns due to hot and dry conditions. In the **US**, the crop is favourable in most of the country with exceptional conditions in the core producing US Midwest. High record yields are forecast in many areas with the potential for areas with exceptional conditions to further expand. **Canada**, conditions are mixed because crops across the whole country are exhibiting moisture stress due to above average temperatures and poor soil moisture. In **China**, conditions are favourable with the crops being on the flowering stage in central China. In **Ukraine**, conditions are favourable and the crops mature ahead of schedule to high temperature and adequate soil moisture.

3. Commodity Prices

3.1 Maize

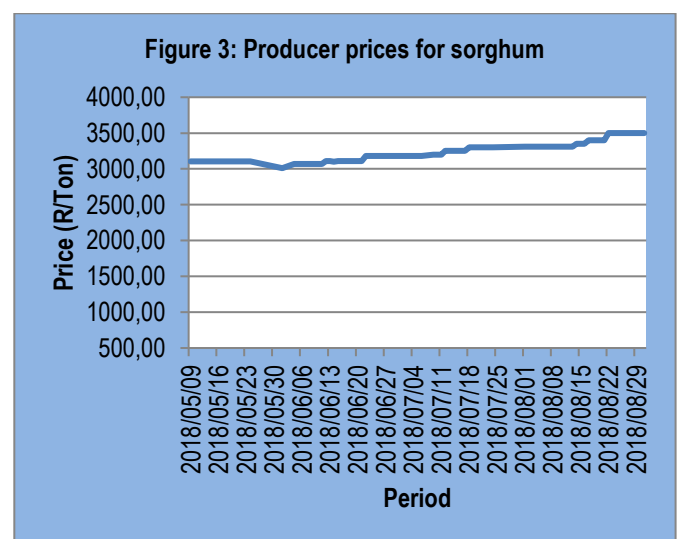


Source: SAFEX, accessed from SAGIS

Figure 2 above shows the producer prices for maize starting from May 2018 to August 2018 marketing season. The figure indicates that on average, the producer prices for white and yellow maize showed increasing trends for all contract months. The price for both white and yellow maize posted modest gains throughout the period under analysis. During May to August 2018 the prices were trading slightly higher above R2 000/ton. However during July 2018, prices for white maize were slightly below R2000/ton with the price for both white and yellow maize moving slightly higher above R2 300/ton in the last two weeks of August.

3.2 Sorghum

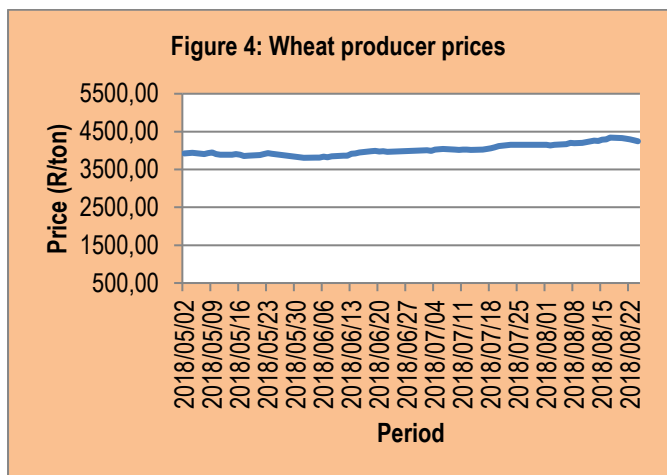
Figure 3 shows producer prices for sorghum opening from May 2018 until August 2018. The producer prices for sorghum traded higher throughout the period under review. Sorghum prices opened higher above R3 000/ton for May 2018 and this was followed by a slight decline in producer prices in the first week of June. As from the second week of June, the producer price for Sorghum was increasing above R3 000/ton. The producer price for sorghum closed at the highest price around R3 500/ton during August 2018.



Source: SAFEX, accessed from SAGIS

On average, both the contracts for yellow and white maize traded slightly higher during August 2018, even though the price for white maize traded slightly lower below R2 220/ton throughout the period under review with the exception of August 2018. 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.

3.3 Wheat



Source: SAFEX, accessed from SAGIS

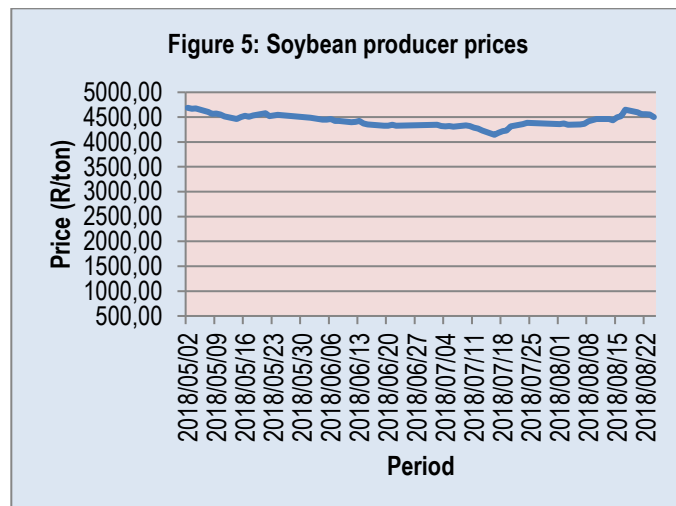
Figure 4 shows wheat producer prices from May 2018 to August 2018. The Figure indicates that the wheat producer price opened higher above R3 500/ton during May 2018 and continued to go up until a peak of R4 341/ton was reached during the August month. The price showed stable trends, but mostly trading 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 R4 341/ton, with the lowest price attained in June 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.

Figure 5 shows that the price for 2017/18 marketing season for **soybeans** opened higher just above R4 500/ton in May 2018. This was followed by a decrease in the producer price to the lowest price for soya beans attained in July 2018. However, there was a notable increase in soybean prices during the late May 2018. The price for soybean were fluctuating between R4 100/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

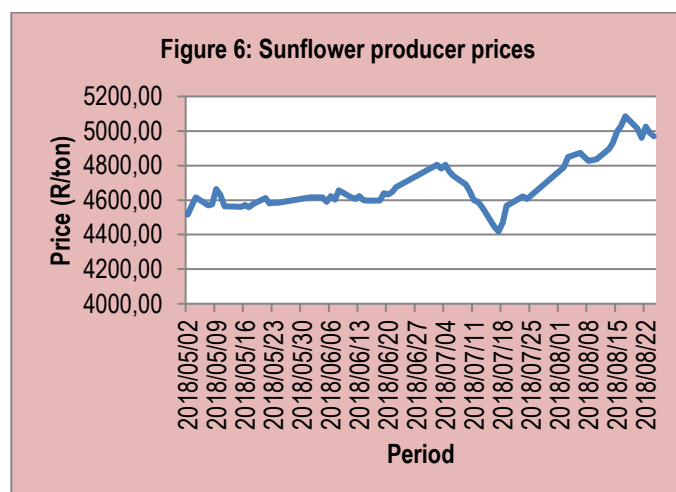
3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Locally, soybeans usage in the animal feed market has increased by more than a third since March 2018.

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 May and it remained way below R5 000/ton from May until the second week of August, the prices were fluctuating throughout the period under analysis. The producer price for sunflower seed posted some major fluctuations with a lowest price of R4 418/ton and the highest price of R5 085/ton attained during the period under review. Sunflower seed prices have drastically declined July 2018. This can be attributed to a stronger Rand.

In overall, the local market for **Sunflower** closed relatively higher in August 2018, about 11% higher as compared to the opening price reached in May 2018. The producer

price for both soybean and sunflower depicted almost similar trends throughout the period, with both prices reaching the lowest level in July 2018. However, between July and August the price for sunflower traded slightly higher above the soybean 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, soybeans, sorghum and sunflower are shown in Table 1 below.

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

Commodity	Future Prices (2018/09/04) (R/T)			
	18-Sep	18-Dec	19-Mar	19-May
White maize	2429	2531 ▲	2581 ▲	2600 ▲
Yellow maize	2482	2582 ▲	2623 ▲	2603 ▼
Wheat	4383	4554 ▲	4660 ▲	4 695 ▲
Sunflower	5257	5397 ▲	5340 ▼	5210 ▼
Soybeans	4529	4696 ▲	4807 ▲	4850 ▲
Sorghum	3500	3500 ■	3600 ▲	3550 ▲

Source: SAGIS

As of 4 September 2018, the contracts for white and yellow maize traded at R2 429/ton and R2 482/ton, respectively. Both white and yellow maize traded slightly higher during September 2018 as compared to May 2018 contracts. Wheat market opened higher, with September 2018 contracts trading at R4 383/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 R4. 300/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 R5 200/ton from September 2018. Contracts of sunflower seed trade decreased in March 2019 and decreased in May 2019. Contracts for soybean producer price opened higher above R4 500/ton in September 2018, about 0.5 percent lower when compared to the opening in June 2018. The producer price for soybean remained stable above R4 500/ton for the entire period, with the lowest price of R4 529 attained during September 2018.

Future contracts for sorghum started on a high at R3500/ton in September 2018. However, the producer price for sorghum remained the same in December 2018 as compared to September 2018. On average, the sorghum producer prices traded around R3 550/ton from Sept 2018 to May 2019.

4. Global Market Outlook

4.1 World Prices

Wheat: The world wheat showed a strong gain in the early August with more evidence of poor harvest in Europe and Black Sea regions and there are uncertainties about crops in Canada and Australia. 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: There average maize prices rebounded in August after three successive months of decline. Despite supportive demand from the export demand, prices retreated currently due to improved weather and the positive crop tour results that reinforced the expectation for a bumper outturn. There was slow activities in Brazil due to uncertainty regarding the trucking costs and Argentina was affected by low water levels in the Parana river resulting which affected the shipments. On average, the values at both origins were higher than July due to slow country movements.

Soybeans: Average global soybean export prices were slightly stronger in August even though there was a sharp fall in the second half of the month due to uncertainty in the Us and China trade relations. However, more recently trade relations appeared to have shown some improvement with strong international demand and news of fresh trade talks. In Brazil, high internal trucking rates underpinned the FOB values due to the support from the reluctant farmers selling due to high demand from China.

4.2 Policy Developments

Wheat,

On the 21 July, Japan revoked the suspension of wheat imports from Canada, which was imposed for five weeks on concerns over the presence of unauthorised genetically modified wheat.

On the 2 July, the US notified the WTO of the new tolerance levels for residues of thiocarbazon-methyl in wheat forage, which became effective from 22 June 2018.

Maize

- **Across the board** On the 29July, Turkey authorised the Turkish Grain Board (TMO) to implement a duty free tariff-rate quota for the importation of 700 000 tonnes of maize.

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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