



# agriculture, forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

# Grain Markets Early Warning Report



No 3 of 2019  
[www.amis-outlook.org](http://www.amis-outlook.org)

## Overview

- The market outlook for AMIS crops in 2019/20 has changed a little in recent weeks due to developments in external markets, notably global trade uncertainties and the abrupt surge in oil prices. Overall, supply prospects remain positive for all four crops, despite some expected declines in production and or inventory levels. Wheat and rice markets look set to remain particularly well supplied, while overall supply conditions for maize and soybeans are also regarded as favourable, in spite of a less certain production outlook. In terms of the global wheat markets, production in 2019 lowered slightly with most of the downward revision in Australia, where crop prospects have continued to deteriorate due to prolonged dry conditions. Locally, wheat prices are expected to trade sideways for the next three months and then decline slightly in September. Good rainfall is likely to continue for the next weeks until September over the western and southwestern parts of the Western Cape.
- Maize, globally production in 2019 (comprising southern hemisphere crops harvested in 2019) is set to rebound and reach its second highest level on record, despite a sharp anticipated decline in the US. Locally, the SAFEX white and yellow maize prices are following volatile US corn prices. Local maize prices are expected to recover going into much period of September 2019.
- Soybeans, the 2019/20 production trimmed marginally, as further downward revisions for the US are partly offset by higher forecasts elsewhere. Trade scaled up on somewhat higher import forecasts for several countries, including China and improved export prospects in major producing countries. Global trade is generally forecasts to match last season's levels. Locally, crushing margins remain negative with soybean volumes down. Oilseed prices in South Africa experienced some pressure in the past week due to the lower prices of US soybeans. Domestic prices for soybeans are expected to recover going into September 2019.

## 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 .....	5
3.1 Maize .....	5
3.2 Sorghum .....	5
3.4 Soya Beans.....	7
3.5 Sunflower.....	7
3.6 Futures Prices .....	8
4. Global Market Outlook .....	9
5. Acknowledgements .....	10

# 1. Domestic Supply-Demand Outlook

## 1.1 Maize

Marketing Season: April to May	Actual for 2017/18	Final for 2018/19 (Sep 2019)	Projection for 2019/20 (Sep 2019)
Production	7 778 500	12 510 000	11 080 960
Opening Stocks	2 471 067	3 689 476	2 663 086
Total Supply	12 221 827	15 867 120	13 835 103
Total Demand	11 127 189	13 195 049	12 207 000
Closing Stocks	1 094 638	2 672 071	1 628 103
Days' stock	41	91	55

Source: NAMC, Supply and Demand Estimates Committee

## 1.2 Sorghum

Marketing Season: March to April	Actual for 2017/18	Final for 2018/19 (Sep 2019)	Projection for 2019/20 (Sep 2019)
Production	70 500	115 000	139 850
Opening Stocks	83 142	59 246	51 860
Total Supply	226 677	223 334	232 510
Total Demand	191 439	171 474	184 550
Closing Stocks	35 238	51 860	47 960
Days' stock	76	122	101

Source: NAMC, Supply and Demand Estimates Committee

## 1.3 Wheat

Marketing Season: October to Sept	Actual for 2017/18	Projection for 2018/19 (Sep 2019)	Projection for 2019/20 (Sep 2019)
Production	1 535 000	1 868 000	1 806 170
Opening Stocks	341 424	721 534	575 509
Total Supply	4 068 278	3 978 034	3 954 679
Total Demand	3 346 744	3 402 525	3 421 300
Closing Stocks	721 534	575 509	533 379
Days' stock	82	65	59

Source: NAMC, Supply and Demand Estimates Committee

## 1.4 Soya Beans

Marketing Season: March to February	Actual for 2017/18	Final for 2018/2019 (Sep 2019)	Projection for 2019/20 (Sep 2019)
Production	1 316 000	1 540 800	1 170 345
Opening stocks	84 792	330 535	502 241
Total Supply	1 405 037	1 844 953	1 656 586
Total Demand	1 704 503	1 342 712	1 432 300
Closing Stocks	330 535	502 241	224 286
Days' stock	113	141	58

Source: NAMC, Supply and Demand Estimates Committee

- Maize:** The projected crop for 2019/20 (Sep 2019) is estimated at 11.080 million tons. According to the report released by the Crop Estimates Committee (CEC) in September 2019, the projected estimates remained unchanged. The maize projection for 2019/2020 (Sep 2019) remained at 11.080 million tons, which shows a decrease of 11.4 % compared to the final harvest attained in 2018/19
- According to the Crop Estimates Committee's September 2019 summer crop forecast, the country is expecting a commercial maize crop of about 11.080 million tons. When comparing the final crop estimates for 2017/18 to the projected crop estimates of 2019/20 the estimates is over 40%, despite all the challenges the industry encountered this year.
- Sorghum** production volumes for September 2019/20 marketing season is projected to be at 139 850 tons. This estimate is 98% higher as compared to the final volumes attained in 2017/18 marketing season.
- The sorghum projection for 2019/20 increased by 21.6% as compared to the previous season of 2018/19. However, this is still 32% lower than the projected total demand for the same period. 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 decreased by 7.5% as compared to the previous projection of 51 860 tons attained in 2018/19. Sorghum day stock was 101 in September 2019/20, which shows a decrease of 17.2% as compared to the Sorghum day stock of 122 attained in the previous season.
- Wheat** production volumes for September 2019/20 were projected at 1. 806 million tons as compared to 1 798 million tons projected for February 2018/19, the projection shows an increase of 0.4%. The total supply of wheat is projected to increase by 1.6% in September 2019/20. The total demand for wheat is also projected to slightly decrease by 0.45% in September 2019/20 as compared to February 2018/19, driven by the high prices on the local markets.
- The closing stock for wheat was 533 379 tons in 2019/20 and 575 509 tons in 2018/19.
- Production volume of Soybeans production volume is projected to remain unchanged for September 2019/20 as compared to the projected soybean volume in February 2018/19.

- Soybeans total supply for September 2019/20 is projected to slightly decrease by 0.11% in comparison to February 2018/19 projections.
- The Soybean total demand for September 2019/20 remained unchanged as compared to the final demand for February 2018/19.

## 1.5 Sunflower

Marketing Season: April to May	Actual for 2017/18	Final for 2018/19 (Sep 2019)	Projection for 2019/20 (Sep 2019)
Production	874 000	862 000	680 940
Opening Stocks	163 086	154 841	120 165
Total Supply	1 047 984	1 026 212	848 105
Total Demand	893 143	906 047	754 450
Closing Stocks	154 841	120 165	93 655
Days' stock	64	49	46

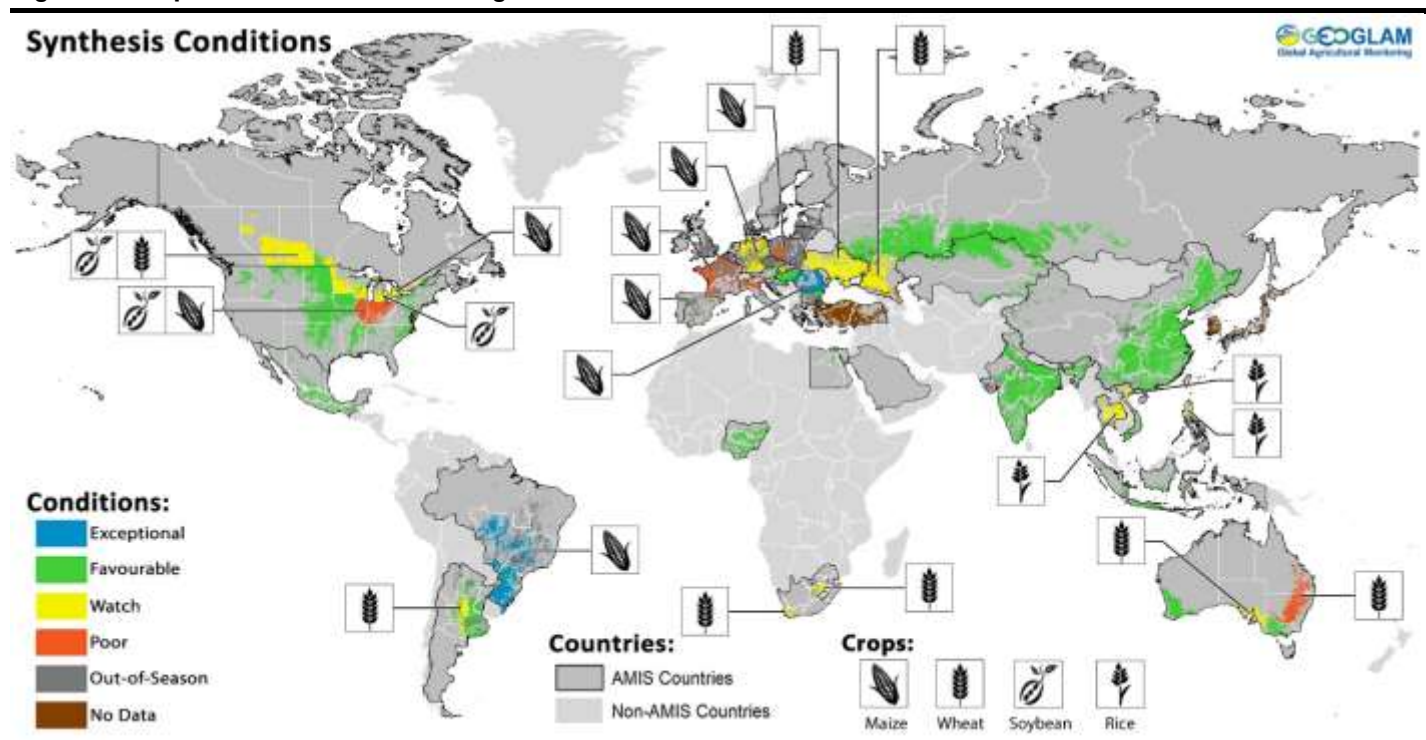
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for September 2019/20 was projected to remain unchanged as compared to the projections in February 2018/19. The final production volumes for 2019/20 were 862 000 tons and the volumes increased by 14% than the production volumes forecasted for September 2019/20.
- The total supply for sunflower seed for September 2019 remained unchanged and the total demand for September 2019/20 decreased by 17.55% as compared to February 2018/19 projections.
- The final closing stock for sunflower is projected to be 0.63% lower in September 2019/20.

## 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 September 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, spring wheat harvest is ongoing under favourable conditions. Winter wheat sowing is under mixed conditions due to dry soil conditions in the **Russian Federation**. Wheat is in the early stages of sowing under generally favourable conditions. In **EU**, winter wheat conditions are mixed. In **Ukraine**, sowing is ongoing albeit delayed due to severe soil drought across most of the country. In the **Russian Federation**, harvest of spring wheat is ongoing under generally favourable conditions while winter wheat sowing is halfway complete despite the unfavourable dryness conditions in the south. In **Kazakhstan**, the harvest of spring wheat is ongoing under generally favourable conditions. In the **US**, spring wheat harvest is wrapping up. On the other hand sowing of winter wheat is starting under favourable conditions. In **Canada**, Winter wheat harvest is almost complete under generally favorable conditions but there is an expected decline in production due to the decrease in the total sown area this season. Spring wheat is under mixed conditions with harvest delays in the western prairies due to wet and cool conditions.

**Maize** - In the Northern Hemisphere, harvest is underway with delayed maturity crops in Canada and US, heatwave affected crops in Europe. In **Brazil**, harvest for summer planted crops is wrapping up under exceptional conditions. The Sowing of the spring-planted crop has begun in the south under favourable conditions. In **Argentina**, sowing of spring planted crop is beginning in the central provinces under favourable conditions. In **Canada**, Ontario the main producing province crop conditions are under watch with extremely averable crop conditions with a slight increase of total sown areas compared to last year. In the **EU**, conditions are mixed as below average yields are expected in many countries due to the summer heatwaves. In **India** as harvest begins, conditions are favourable for karif crop. In **China**, conditions are generally favourable as harvest is wrapping up for the spring-planted crop while still ongoing for the summer-planted crop. **Soybeans** - In the Southern Hemisphere, large parts of Canada and USA remain under watch conditions due to maturity of crops being delayed while on the other hand conditions are favourable in China and India. In the southern hemisphere, sowing is just

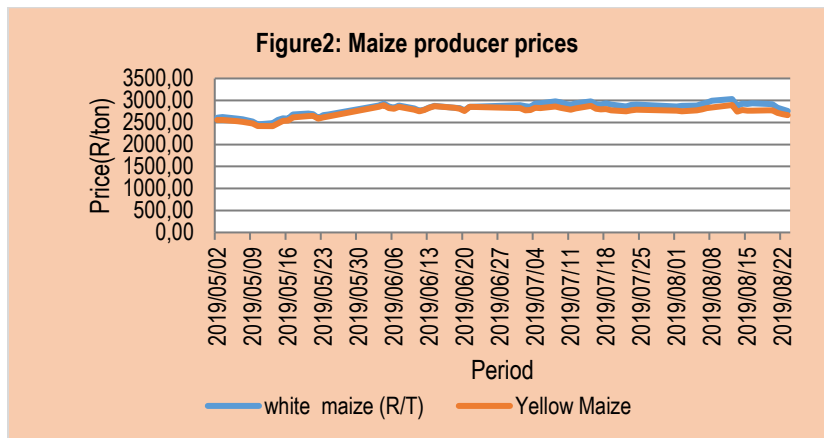
<sup>1</sup> The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.



beginning in Brazil. In **Brazil** the state of Parana has been favoured by current rainfall status. In China, harvest is beginning under generally favourable conditions across the county and with slightly above-average conditions in the main producing northeast region.

### 3. Commodity Prices

#### 3.1 Maize



Source: SAFEX, accessed from SAGIS

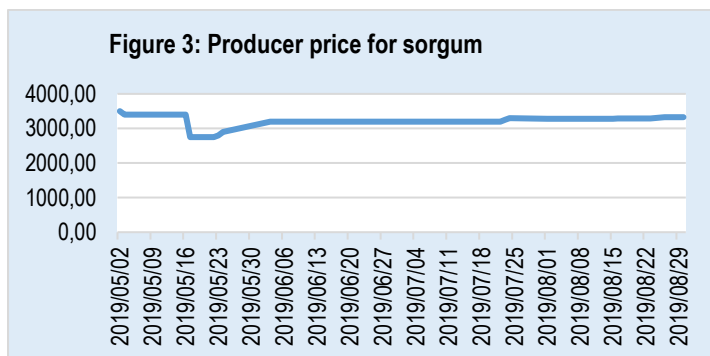
Figure 2 above shows the producer price for maize, both white maize and yellow maize during the marketing season starting from May 2019 to September 2019. Figure 2 depicts that on average the producer price for maize showed an increasing trend for the period under review. However, the producer prices for maize showed a gain from June 2019

trading above R2 400/ton from May 2019 to September 2019.

Considering everything, maize producer prices traded slightly higher in June 2019 and September 2019 for both yellow maize and white maize respectively. The contracts for both yellow and white maize traded higher during September 2019, with the price for white maize trading above R2 800/ton and yellow maize trading slightly above R2 700/ton. The weather conditions in the summer rainfall areas where the plantings have taken 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.

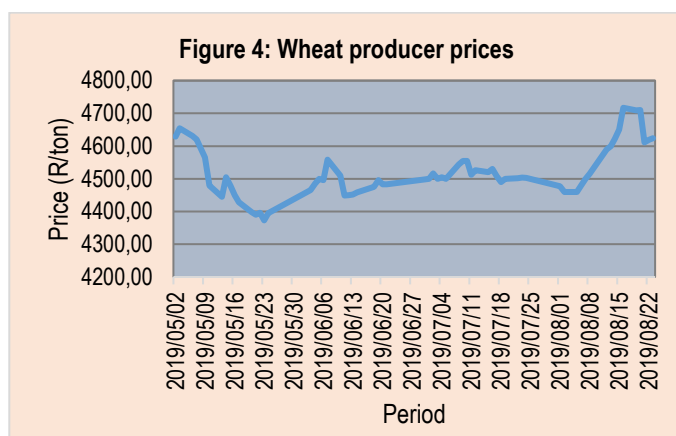
#### 3.2 Sorghum

Figure 3 below shows the producer price for sorghum starting from May 2019 until September 2019. Sorghum producer prices fluctuated considerably during the review period. The producer prices for Sorghum during the review period opened high at a price of R3 400/ton during May 2019 and closed at R3 329/ton in September 2019. R2 750/ton was the lowest producer price which was attained during the review period. Sorghum prices showed the same producer price from June 2019 until July 2019.



Source: SAFEX, accessed from SAGIS

#### 3.3 Wheat



Source: SAFEX, accessed from SAGIS

Figure 4 above depicts producer prices for wheat from May 2019 until September 2019. Figure 4 shows that the producer prices for wheat opened slightly above R4 600/ton in May 2019 and reached a maximum at R4 717/ton during September 2019. The producer prices for wheat showed mixed trends but traded mostly higher than

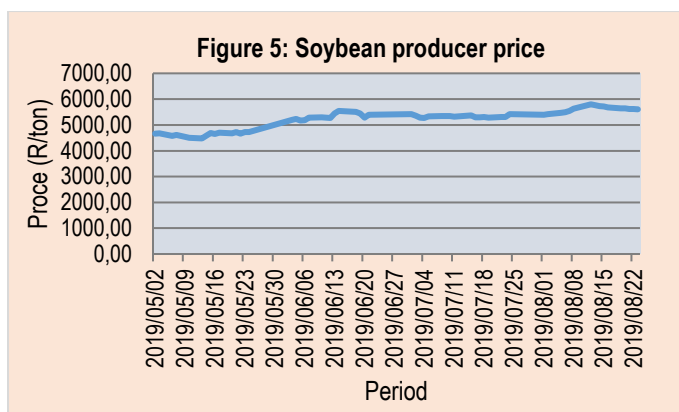
R4 300/ton. The lowest producer price was R1 373 during May 2019.

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.

### 3.4 Soya Beans

Figure 5 below depicts the producer price for soybean during 2018/19 marketing season. Soybean producer prices opened higher with just above R4 600/ton in May 2019. However, the producer price for soybean continued to increase until it reached its peak of R5 772/ ton. Over the period under review, the producer price for soybean ranged between R4 663/ton and R5 800/ton.

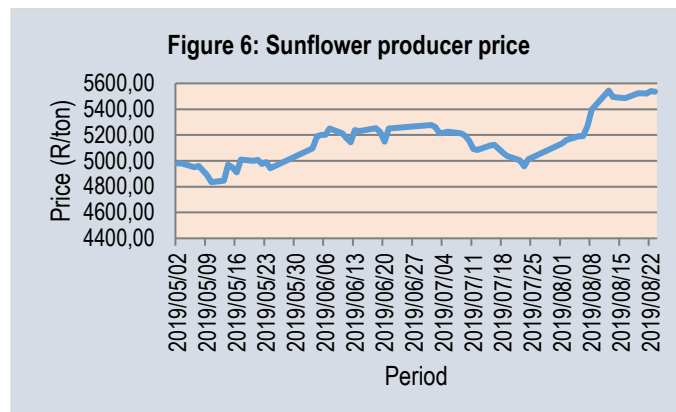
Globally, heavy rains and flooding in Argentina delayed sowing of soybeans, which resulted in reduction of total sown area. On the other hand in Brazil soybean total sow increased as compared to last year and conditions are generally favourable despite pockets of dryness that affected some states.



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 producer price for sunflower seed during 2018/19 marketing season was above R4 800/ton throughout the period under review. Sunflower producer price showed some fluctuation throughout the review period with a lowest producer price of R4 835/ton and a highest of R5 544/ton.

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

The producer price for both soybean and sunflower depicted almost similar trends throughout the period, with both prices reaching a peak in September 2019. 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 May 2019. Sunflower closing producer price was R5 535/ton in September 2019 and the opening producer price was R4 980/ton in May 2019. When comparing the producer prices for soybean and sunflower, even thou both the commodities depict almost similar trends, sunflower traded higher than soybean during the review period.

### 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 (2019/09/23) (R/T)			
	Oct 19	Dec 19	Mar 20	May 20
White maize	2827	2871 ▲	2875 ▲	2660 ▲
Yellow maize	2698	2738 ▲	2717 ▼	2610 ▲
Wheat	4528	4528 ▲	4636 ▲	4687 ▲
Sunflower	5410	5561 ▲	5531 ▼	5275 ▼
Soybeans	5794	5826 ▼	5756 ▲	5620 ▲
Sorghum	N/A	3400 ▲	3469 ▼	N/A ▲

Source: SAGIS

As of 23 September 2019, future prices for white maize and yellow maize traded at R2 827/ton and R2 698/ton. Wheat market opened higher with July wheat contracts traded to a high price of R4 629/ton and a low of R4 373/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 showed constant stability, trading above R4 800/ton from May 2019 to September 2019. Wheat future prices showed great stability throughout the review period. Although there was a decline, the contracts of sunflower seed trade still traded above R4 000/ton.

Soybean contract traded above R4 400/ton. The producer prices opened above R4 600/ton in May 2019. The producer price for soybean remained stable above R4 400/ton for the entire period, with the lowest price of R5 794 and a highest price of R4 826 during September 2019.

The opening price for sorghum was N/A in October 2019 and the closing price was also N/A in May. The producer price for sorghum showed a decrease in September of 4% as compared to the opening price in May 2019. Taking everything to account, the sorghum future producer prices traded between R3 400/ton to R3 469 ton.

## 4. Global Market Outlook

### 4.1 World Prices

**Wheat:** The average of the IGC GOI wheat sub-Index was 2 percent higher m/m. However initial weakness in export prices contrasted with solid gains later in the month. The soft price tone early in the month came from seasonally heavy supplies and strong competition for any export business.

**Maize:** Losses in world maize export quotations were extended in September, with the average of the IGC maize sub-Index dropping by a further 5 percent m/m, touching a more than 10-year low early in the month. While most prices have rebounded more recently, sentiment remained anchored by bearish world supply and demand fundamentals.

**Soybeans:** Export prices at major origins were mixed, the IGC GOI sub-Index was broadly steady m/m. While mostly favourable crop weather and underlying demand concerns initially pressured Gulf export values, ideas that US-China trade tensions were easing provided recent support.

### 4.2 Policy Developments

#### Wheat

- On 17 September, Brazil notified the WTO of maximum residue limits of glufosinate on certain commodities including wheat. The regulation established a limit of 0.5 mg per kg. Comments can be made on the regulation until 26 October 2019.

#### Maize

- No recent policy developments highlighted for maize.

#### Soybean

- On 11 September, under an agreement between the Ministry of Agriculture in Argentina and China, China allowed soymeal feed imports from 7 Argentine plants namely Bunge Argentina, LDC Argentina, Cargill, Molinos Río de la Plata, Renova, T6 and COFCO International Argentina. The accord could result in shipment of up to 5 million tonnes of Argentine soymeal to China in 2020. On 13 September, the Ministry of Commerce of China exempted US soybean imports from the additional tariffs. China had started applying an additional tariff of 25 percent in June followed by an additional tariff of 5 percent in August 2019 on yellow soybeans

#### Across the board:

- On 27 September, Australia announced an aid package of AUD 100 million (USD 67.5 million) for farmers and communities affected by severe drought.
- On 13 September, the Ministry of Agriculture of Brazil authorized BRL 25.3 million (USD 6.07 million) in payments to producers affected by severe drought through the Harvest Guarantee Program.
- On 17 September, in its notification to the WTO, the EU established maximum residue limits for soybeans and cereals for Napropamide (0.02 mg per kg and 0.01 mg per kg, respectively), Myclobutanil (0.01 mg per kg), Sintoferon (0.01 mg per kg), Chromafenozide (0.01 mg per kg), Flumenturon (0.01 mg per kg), Pencycuron (0.02 mg per kg), Sedaxane (0.01 mg per kg), Trazoxide (0.005 mg per kg) Fluvalinate (0.01 mg per kg for soybeans, rice and maize; 0.05 mg per kg for wheat). Comments can be made on the draft resolution until 16 November 2019.



## 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)

For more information contact:

<b>Director: Marketing</b> Tel: (012) 319 8455 Fax: (012) 319 8131 E-mail: <a href="mailto:PA.DM@daff.gov.za">PA.DM@daff.gov.za</a>	<b>Deputy Director: Commodity Marketing</b> Tel: (012) 319 8072 Fax: (012) 319 8077 E-mail: <a href="mailto:ElvisNak@daff.gov.za">ElvisNak@daff.gov.za</a>	<b>Senior Agricultural Economist: Field Crops Marketing</b> Tel: (012) 319 8071 Fax: (012) 319 8077 E-mail: <a href="mailto:MolahlegiM@daff.gov.za">MolahlegiM@daff.gov.za</a>
--	---	---