



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



No. 4 of 2016

Overview

- Prospects for global grains production in 2016 continued to improve in recent months with a record US maize and soybean harvest and mostly favorable harvest and planting reported across the globe. This reflects particular favourable weather conditions in some of the large producing regions. Global wheat prices are low due to high global supplies, but quality wheat are in demand. Locally, wheat prices still receive underlying support from the wheat tariff as South Africa remains a net importer of wheat.
- Overall prices for maize and soybeans significantly rose despite the mounting storage pressures caused by the large harvests of maize and soybeans experienced in the US.
- Globally, oilseed prices are supported by the excessive rains and flooding in Argentina while negative crushing margins in South Africa cap potential price rallies.
- Domestically, due to the previous season's drought and concerns about rainfall predictions versus actual rainfall this season, producers indicated that the plantings of maize will be less than expected. Although plantings may recover from the 1,95 million hectares planted in the previous season, the intended 2,46 million hectares are still insufficient to cover the feed demand in the SACU member countries, including South Africa. Producers indicated that the plantings of white maize will recover to meet human consumption needs, but it will not be enough to cover feed demand. South Africa still needs to import 1,2 million tons of yellow maize and use some of the white maize to meet animal feed demand.

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
3.1 Maize.....	6
3.2 Sorghum.....	6
3.3 Wheat.....	7
3. Commodity Prices	6
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 2015/16	Projection 2016/17 (Aug 2016)	Projection 2016/17 (Nov 2016)
Production	9 955 000	7 297 025	7 536 875
Opening Stocks	2 073 635	2 471 067	2 471 067
Total Supply	13 884 507	12 445 081	12 389 931
Total Demand	11 413 440	11 211 000	11 288 000
Closing Stocks	2 471 067	1 234 081	1 101 931
Days' stock	88	45	40

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2015/16	Projection 2016/17 (Aug 2016)	Projection 2016/17 (Nov 2016)
Production	88 500	82 000	74 150
Opening Stocks	121 812	83 142	83 142
Total Supply	278 212	217 642	234 792
Total Demand	195 070	199 500	200 450
Closing Stocks	83 142	18 142	34 342
Days' stock	190	39	72

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2015/16	Projection 2015/16 (Aug 2016)	Projection 2016/17 (Nov 2016)
Production	1 440 000	1 440 000	1 766 280
Opening Stocks	596 823	791 523	827 232
Total Supply	4 075 147	4 043 563	4 061 512
Total Demand	3 247 915	3 312 300	3 307 300
Closing Stocks	827 232	731 263	754 212
Days' stock	96	86	87

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2015/16	Projection 2016/17 (Aug 2016)	Projection 2016/17 (Nov 2016)
Production	1 070 000	750 250	741 550
Opening Stocks	63 704	89 128	89 128
Total Supply	1 241 340	1 113 378	1 103 678
Total Demand	1 152 212	1 028 000	1 030 000
Closing Stocks	89 128	85 378	73 678
Days' stock	29	31	27

Source: NAMC, Supply and Demand Estimates Committee

- Maize:** The projected maize crop for November 2016/17 is estimated at 7.537 million tons, which is about 3.3% more when compared to August 2016 forecast. According to the report released by the Crop Estimates Committee (CEC) in November 2016, the area estimated for commercial maize production remained unchanged at 1,94 million hectares for 2016/17 marketing season. Maize projections for August 2016/17 marketing season were at 7.297 million tons, showing a decline of 27% from the 2015/16's harvest.
- According to Grain SA, despite good harvest of local maize, the country still needs to import more maize to meet local demands. The 2016/17 season is estimated to close with about 1.1 million tons, which will be able to provide a buffer stock to the market for about 40 days after the end of the current marketing season. Following the occurrence of severe drought conditions, the country may still need to import about 2.7 million tons of corn in 2016/17 season, of which 850 000 tons will be white maize, according to CEC.
- Sorghum** production volume for November 2016/17 marketing season is projected to decline by 9.6% as compared to 82 000 tons attained in August 2016.
- The intended plantings of sorghum is expected to decrease by 21,03% or 10 200 ha to 38 300 ha as compared to the previous season, putting much pressure on the supply. This means that the carryover stocks from the previous season (2015) are expected to boost the domestic supply situation. The final crop of 2015 was 88 500 tons.
- The projected closing stocks in the current season of November 2016 have increased significantly as compared to the previous projection of 18 142 tons in August 2016. The days' stock has significantly increased from 39 days in August 2016 to 72 days in November 2016.
- Wheat** production volumes are projected to rise by 23% in November 2016/17 season compared to the projected volume in August 2016. The availability of rainfall relieved drought conditions in the primary growing province, prompting farmers to plant grains over a larger area.
- Wheat supply is projected to increase slightly by 0.4% in November 2016/17. This is mainly attributed to an increase in the area planted and improved conditions in the production zones. However, the demand for wheat is projected to rise, driven by low quantity supply and higher demands in the local markets.
- The closing stock for wheat has increased by 3.1% compared to the August 2016 projections.

- Production volume of **soya beans** is projected to decline by 1.2% in November 2016/17 season when compared to the projected volume in August 2016, whereas the 2015/16 final crop is about 29.8% higher than the production forecast for August 2016.
- Soya beans supply for November 2016/17 is projected to decline by 0.9% in comparison to August 2016/17 forecast.

- The total demand for November 2016 is also projected to go down by 10.6% compared to the final demand during 2015/16 season irrespective of the increase in crushing volumes due to investments that were made in crushing facilities.

1.5 Sunflower

Marketing Season: April to May	Actual for 2015/16	Projection 2016/17 (Aug 2016)	Projection 2016/17 (Nov 2016)
Production	663 000	742 750	755 000
Opening Stocks	92 927	45 867	45 867
Total Supply	802 557	838 617	838 617
Total Demand	756 690	761 250	762 100
Closing Stocks	45867	77 367	76 767
Days' stock	22	38	37

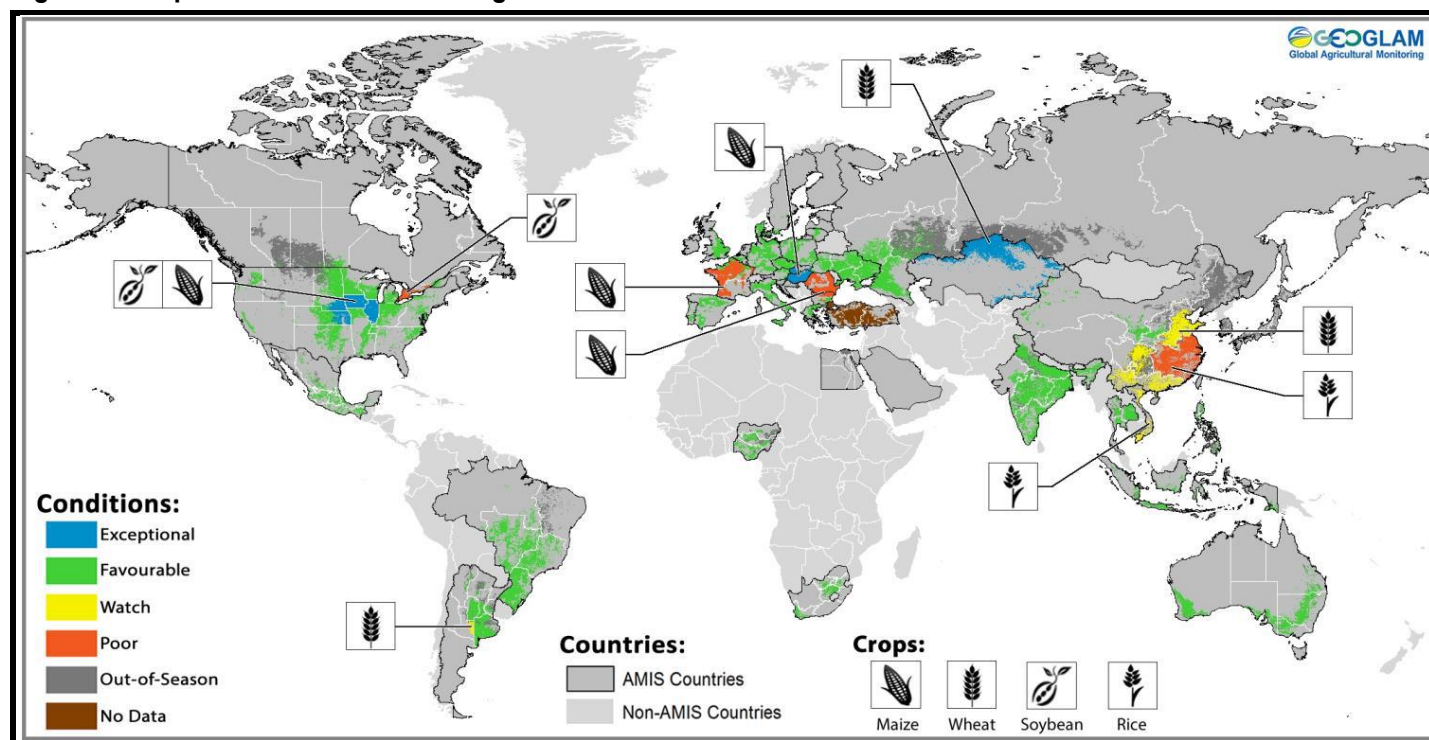
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for November 2016/17 marketing season was projected to increase by as compared to the projections in August 2016/17. The final production volumes for 2015/16 were 663 000 tons and it was about 12% less than the production volumes forecasted for August 2016.
- The total demand for sunflower seed increased slightly by 0.1% in November as compared to August 2016 projections.
- The final closing stock for sunflower is projected to be about 0.8% less for November 2016/17, when compared to 77 367 tons projected for August 2016.

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 October 2016). 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 – The overall winter wheat prospects continue to be largely favourable in the northern hemisphere. The winter wheat planting is almost complete under good conditions. In general, the conditions are mostly favourable in southern hemisphere for Argentina, Australia, Brazil and South Africa. In the EU, overall conditions are favourable for winter wheat season, however dry conditions in the west and severe rains in Romania have delayed sowing. In the US, winter wheat sowing is almost complete under favourable conditions. In China, continuous wet weather conditions in the central and southern regions negatively affected the winter wheat, though it is still very early in the season. In Canada, generally favourable conditions persist for winter wheat with only minor concern over reduced area due to wet fields during sowing in the Prairie Province. In Ukraine, winter wheat sowing was completed under generally favourable conditions. In Kazakhstan, spring wheat harvest is completed with record high production reported. In Australia, generally favourable conditions exist with average to above average winter rainfall across the east. However, frosts and dryness experienced during September and October are likely to limit yields potential in Western Australia, while localised flooding and waterlogging have resulted in some lost yield potential in southern Australia. In Argentina, generally favourable conditions exist in the main producing regions, with spot areas of flooding in La Pampa and some minor frost in Buenos Aires. Harvest has just begun with almost average yields attained in the north of the country, despite the dry conditions experienced earlier in the season.

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

Maize - In the northern hemisphere, overall conditions remains mostly favourable as the season draws to a close, while record production is expected in the US. Below average production is experienced in France due to persistent dry conditions. In general, planting in the Southern hemisphere is underway under favourable conditions mostly in Argentina, Brazil, and South Africa. In **Argentina**, the forecast remain generally favourable and the planting of early maize is ongoing. In the **US**, harvest is under way and the primary corn growing region is expecting a record high level production due to favourable to exceptional yields. In **Ukraine**, favourable yields are reported , while the harvest is almost complete. In the **EU**, part of the harvests were delayed in south-east Europe due to heavy rains in the first half of October, while there is overall mixed conditions in France due to persistent dry conditions. In **Mexico**, planting of the spring-summer crop ended last month and the growing conditions remains generally favourable. In **Canada**, reduced or below average yields are expected in the primary corn producing provinces of Ontario due to dry conditions. In the **Russian Federation**, generally favourable conditions persist and harvest is over half way complete with yields about the same or above that of last year. In **Nigeria**, conditions are favourable owing to average to above average rainfall during the season. In **Brazil**, conditions remain generally favourable and the planting of the spring crop is advancing in the main producing regions. In **Argentina**, planting of early maize is ongoing under generally favourable conditions, but some delays in planting have occurred.

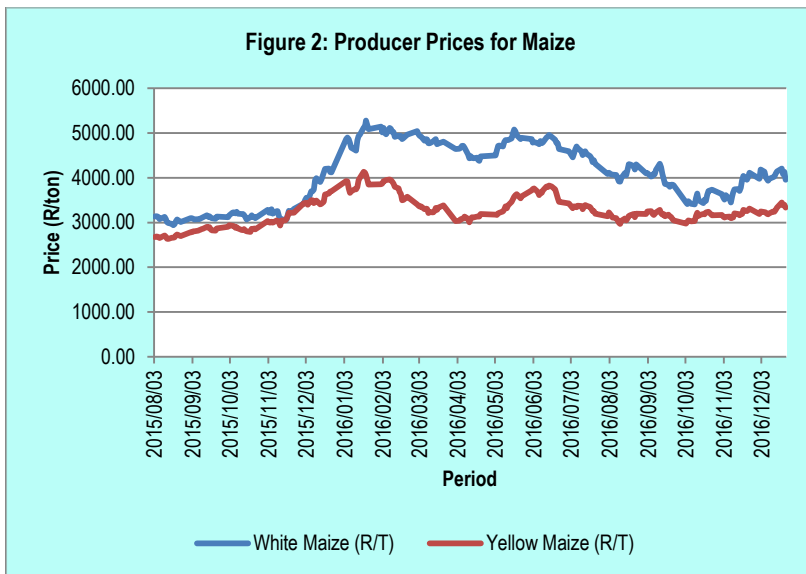
Soybeans - In the northern hemisphere, conditions remain generally favourable with a record crop expected in the US, whereas in Canada, dry conditions have lowered yields in the main production area of Ontario. In the southern hemisphere, generally favourable conditions persist and planting is ongoing in Brazil.. In the **US**, harvest is almost complete, with exceptional yields and production levels surpassing the previous records noted at some part of the country. In **Brazil**, favourable conditions exist across and planting is ongoing in the main production regions. In **Canada**, dry conditions experienced during the growing season in the primary producing province of Ontario resulted in below to well below average yields. However, harvest is wrapping up and production is expected to be near average as a result of increased harvested area and favourable production in Monitoba. In **India**, harvests began under generally favourable conditions owing to good monsoon rains. In **Argentina**, planting is delayed due to heavy rainfall in October that inundated fields and the roads needed for mobilising the planting machines.

Neutral Conditions with increased probability of borderline neutral La Niña

Borderline neutral La Nina conditions in the equatorial Pacific Ocean are expected to persist through the end of 2016 and into early 2017, thereafter transitioning to a fully neutral state. The expected global precipitation impacts in this period are mostly those characteristics of La Nina events, which includes drier than normal conditions in the South-eastern South America, the Southern United States, Southwest Asia, South-eastern China and East Africa. Above average rainfall is favoured for Southeast Asia, Australia, Northern South America and Southern Africa. As indicated in the global outlook, heavy rainfall already fell throughout Southeast Asia and failed October rains have already been experienced over much of East Africa.

3. Commodity Prices

3.1 Maize



Source: SAFEX, accessed from SAGIS

Figure 2 above reflects the producer prices for maize starting from August 2015/16 to December 2016/17 marketing season. The figure indicates that producer prices for maize were generally stable above R2 500/ton from August 2015 to December 2016/17. Producer prices for both yellow and white maize increased steadily between November 2015 and January 2016, with substantial maize prices recorded during January 2016.

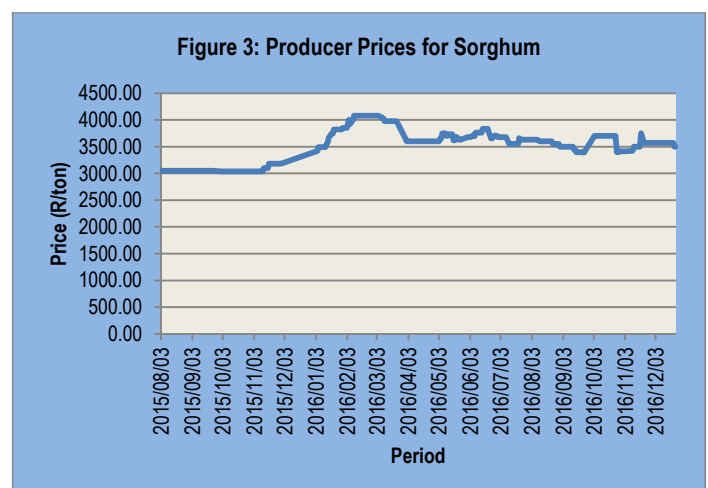
The prices of both white and yellow maize remained at higher levels above R3000/ton until the end of 2015/16 marketing season. This is mainly attributed to the lower maize stocks in the domestic market. Generally, the producer price for maize dropped significantly between January 2016 and April 2016 due to producer deliveries that started reaching the market at the beginning of the new marketing season (2016/17).

The prices for both yellow and white maize began to show an increasing trend from April 2016 with a notable increase in price of white maize during May 2016. Maize prices exhibited mixed trends with both increasing for a second consecutive month between January and June 2016. Both prices still remained at elevated levels and as of June 2016, white and yellow maize prices were 66 percent and 46 percent above their year-earlier values, respectively.

The substantially higher year on year gains principally reflect the tight supply situations stemming from two consecutive below average outputs. The decline in maize outputs may be explained by the occurrence of severe dry conditions in the country's major maize production areas.

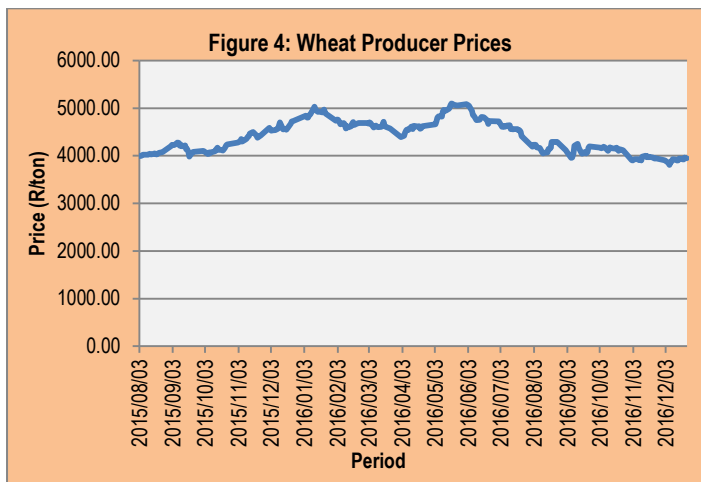
3.2 Sorghum

Figure 3 shows producer prices for sorghum opening from August 2015 until December 2016. Sorghum prices were stable just above R3 000/ton from August 2015 to November 2016 and this was followed by a slight increase in November 2016 until a peak was reached above R4000/ton in February 2016. The producer prices for sorghum slightly declined in March 2016 and from April 2016 the prices remained relatively stable above R3000/ton until December 2016. The sorghum price closed just above R3 500/ton during December 2016.



Source: SAFEX, accessed from SAGIS

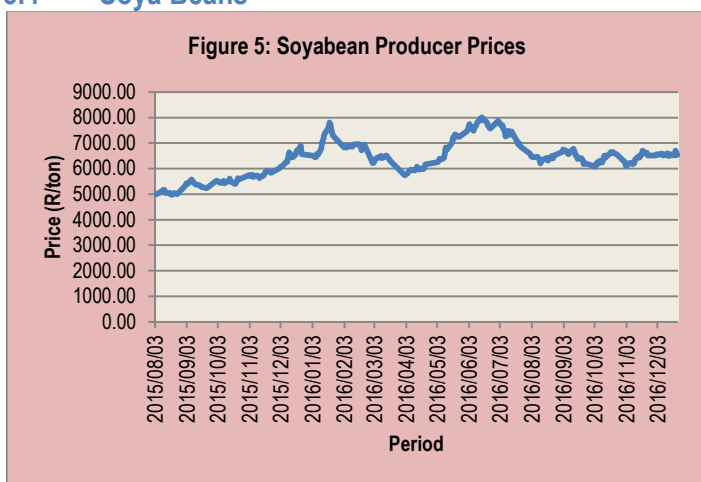
3.3 Wheat



Source: SAFEX, accessed from SAGIS

Figure 4 indicates that the wheat producer price started slightly lower from August 2015. The price showed a slight increase in September 2016 and eventually began to fall until October 2016. From October 2016, the Wheat producer prices eventually began to show a continuous shift until higher prices were attained above R5000/ton in June 2016. In overall, Wheat prices remained fairly stable above R4000/ton and moderate declines in prices were experienced from November 2016 until December 2016.

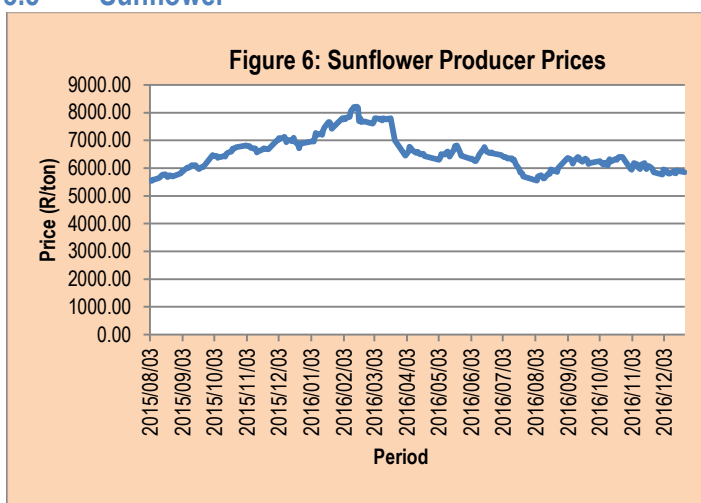
3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2015/16 marketing season opening price for soybeans was just R5 000/ton in August 2016. The figure displays a great fluctuation in the producer price for soya beans. There was a notable increase in soya bean price during September 2016. The price ranged between R5 000/ton and R7 800/ton over the period under consideration. The figure shows that the price of soybean has progressively increased from August 2015 to January 2016. However this was followed by a steady drop in producer prices between January 2016 and April 2016. The price of soybean surged to R8 010 during June 2016. From July 2016 to August 2016, the prices have steadily dropped, and continued to be stable above R6 000/ton until December 2016. The soyabean marketing season closed with a decrease in price of R6 540/ton in

3.5 Sunflower



Source: SAFEX, accessed from SAGIS

December 2016. In the international markets, soybean prices have increased and this 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).

Figure 6 shows that the opening price for 2015/16 marketing season was just above R5 500/ton in August 2015. Figure 6 displayed a great fluctuation in the producer price for sunflower with a lowest price of R5 550/ton and the highest price of R8 220/ton during the period under review. Sunflower prices have increased steadily from August 2015 to February 2016 and the prices followed a declining trend from March 2016 to December 2016. A record low price was recorded in August 2015 and sunflower price surged to a record high price of R8 220 in February 2016. Sunflower producer prices declined steadily from March 2016 and closed at R5 850.00/ton during December 2016, about 29% lower when compared to the corresponding period in February.

3.6 Futures Prices

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

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

Commodity	Future Prices (2016/11/22) (R/T)			
	Nov-16	Dec-16	Mar-17	May-17
White maize	4014	3969 ▼	3744 ▼	2689 ▼
Yellow maize	3279	3263 ▼	3164 ▼	2547 ▼
Wheat	3941	3954 ▲	4069 ▲	4118 ▲
Sunflower	5920	5931 ▲	6050 ▲	5930 ▼
Soybeans	6625	6550 ▼	6500 ▼	6180 ▼
Sorghum	N/A	3792 ▲	3338 ▼	3347 ▲

Source: SAGIS

As of 22 November 2016, the contracts for white and yellow maize traded at R4 014/ton and R3 279/ton respectively. Both white and yellow maize traded slightly lower in September and December 2016 as compared to November 2016 contracts, slightly easing some pressure on the consumers. On average wheat contracts generally displayed an increasing price trend, with November 2016 contracts trading at an average of R3 941/ton followed by a slight increase in December 2016 and a further increase in March 2017.

The contracts for sunflower show mixed trends, trading at R5 920/ton in November 2016. Contracts of sunflower trade continued to show slight increases to R5 931/ton and R6 050/ton in December and March 2017, respectively. The future price for sunflower shows further drop by 2% in May 2017. Future contracts for sorghum show some stability above R3 300/ton over the period under review, while contracts for soybeans traded sideways showing a further decline in price until May 2017.

4. Global Market Outlook

4.1 World Prices

Wheat: While average export prices crept slightly higher, a generally weak tone continued to prevail in world wheat markets. Pressure continued to stem from heavy suppliers, strong competition for any export business and expectations for a further accumulation of carryover stocks at the end of 2016/17. Some price underpinning came from sustained uncertainty about availabilities of the best quality milling wheat, exacerbated by wintry weather that impeded the conclusion of the harvest in Canada, as well as untimely frosts and wetness that were seen potentially causing some downgrading in Australia. Signs that 2017/18 plantings will likely remain relatively high in most countries added to generally bearish sentiment, although overly dry weather for recently sown crops in parts of the US, Europe and the Black Sea region was noted.

Maize: The International Grain Council Grain and Oilseeds Index (IGC GOI) maize sub-Index increased by nearly 1% m/m, with higher export prices in the US and South America outweighing declines in the Black Sea region. US prices were boosted by robust export demand, although gains were limited by increasing farmer selling as the harvest advanced. Despite relatively thin spot in South America edged higher. Black Sea values were marginally lower, but there was some support from solid buying interest from the EU and logistical difficulties in Ukraine, partly because of tight railcar availability.

Soybeans: Global soybean values were again weaker during October, the IGC GOI sub-Index falling for the fourth consecutive month, albeit still some 10% higher y/y. Although there was underpinning from firm buying interest from China and other importers, together with strength in vegetable oil prices, markets were weighed by prospects for a record US outturn, harvesting of which was almost 90% complete by the end of the month. In South America, too, the advance of fieldwork pressured, with plantings in key producing areas of Brazil well ahead of a year earlier and average.

4.2 Policy Developments

Wheat

- After announcing in September the suspension of the wheat export duty until 1 July 2018, the Russian Ministry of Agriculture clarified on 5 October that the reinstatement of the measure was not ruled out in case of an emergency.

Maize

- To remedy the domestic maize feed shortages that continue affecting the pork and poultry sectors in Brazil, the National Biosafety Technical Commission officially approved the imports of genetically-modified maize for the United States. Moreover, the Brazilian Foreign Trade Chamber extended the duty free exemption from the Common External Tariff currently applying to maize shipments from non-Mercosur suppliers until the end of December.

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

For more information contact:

Director: Marketing Tel: (012) 319 8455 Fax: (012) 319 8131 E-mail: MogalaM@daff.gov.za	Deputy Director: Commodity Marketing Tel: (012) 319 8081 Fax: (012) 319 8077 E-mail: ElvisNak@daff.gov.za	Senior Agricultural Economist: Field Crops Marketing Tel: (012) 319 8071 Fax: (012) 319 8077 E-mail: MolahlegiM@daff.gov.za
--	---	---