



agriculture, forestry & fisheries

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Grain Markets Early Warning Report

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Overview

- Despite some downgrading of the outlook for wheat and soybeans, global supplies of the four AMIS crops continue to point to comfortable prospects in 2017/18. Price developments in November remained muted, reflecting generally well-balanced markets. Although unfavourable climatic conditions are seen to have hampered production prospects in several major growing areas, large inventories are expected to buffer against shortfall. With regard to wheat, global prices dropped slightly due to abundant global stocks, with the Black Sea exports (especially from Russia) dominating the global market. Domestically, with the main production region of the Western Cape province experiencing severe drought, South Africa will be importing cheaper Black Sea (Russian and Ukraine) wheat than in the previous years to supplement the demand.
- Maize: the global corn production lifted significantly, mostly reflecting the upward revisions in Indonesia and the USA. Plentiful supplies from the US harvest affected global prices. The USDA's Crop Production report released on 9th November 2017 described an unexpectedly large maize yield increase for the 2017 crop. However, weather uncertainties still remain a concern due to the probable La Nina in South America for December 2017, which could tighten maize supplies. Locally, summer rainfall conditions are a bit poor than expected and this is affecting the planting of summer crops. However, maize planting intentions still indicate a great number of farmers planning to plant maize as their main crop in the new season.
- Soybean: the 2017/18 production lowered slightly, with downward corrections in Argentina only partially balanced by higher forecasts for Brazil. Limited number of soybean supplies in Argentina artificially supported global prices. Locally, prices traded higher on the back of higher global soybean prices.

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1. Domestic Supply-Demand Outlook

1.1 Maize

Marketing Season: April to May	Actual for 2015/16	Final for 2016/17 (Dec 2017)	Projection 2017/18 (Dec 2017)
Production	9 955 000	7 778 500	16 744 000
Opening Stocks	2 073 635	2 471 067	1 094 638
Total Supply	13 884 507	12 221 827	17 022 445
Total Demand	11 413 440	11 127 189	12 638 000
Closing Stocks	2 471 067	1 094 638	4 384 445
Days' stock	88	41	159

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2015/16	Final for 2016/17 (Dec 2017)	Projection 2017/18 (Dec 2017)
Production	88 500	70 500	151 335
Opening Stocks	121 812	83 142	35 238
Total Supply	278 212	226 677	244 073
Total Demand	195 070	191 439	187 400
Closing Stocks	83 142	35 238	56 673
Days' stock	190	76	124

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 2015/16	Final for 2016/17 (Dec 2017)	Projection 2017/18 (Dec 2017)
Production	1 070 000	742 000	1 316 370
Opening Stocks	63 704	89 128	84 792
Total Supply	1 241 340	1 075 008	1 400 162
Total Demand	1 152 212	990 216	1 091 006
Closing Stocks	89 128	84 792	236 462
Days' stock	29	32	108

Source: NAMC, Supply and Demand Estimates Committee

- **Maize:** The projected maize crop for December 2017/18 is estimated at 16.744 million tons, which remained unchanged when compared to September 2017 forecast. According to the report released by the Crop Estimates Committee (CEC) in October 2017, the area estimated for commercial maize production

was at 2.628 million hectares for 2017/18 marketing season, the same as estimated in September 2017. Maize projections for December 2017/18 marketing season remained at 16.744 million tons, showing an increase of 68% from the final harvests attained in 2015/16.

- According to the Crop Estimates Committee's October 2017 summer crop forecast, the country is expecting a record high commercial maize crop at around 16.744 million tons. This estimate is over 100% when compared to the final crop attained in 2016/17 marketing season, despite all the challenges the industry encountered this year.
- **Sorghum** production volumes for December 2017/18 marketing season is projected to remain unchanged as compared to 151 335 tons attained in September 2017.
- The final plantings of sorghum for 2017/18 decreased by 15% 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 December 2017 have increased as compared to the previous projection of 51 073 tons projected in September 2017. The days' stock has slightly increased from 111 days in September 2017 to 124 days in December 2017.
- **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.
- Production volume of **soy beans** is projected to remain unchanged for December 2017/18 season when compared to the projected volume in September 2017, which is about 19% lower than the 2015/16 final crop.
- Soybeans supply for December 2017/18 is projected to slightly increase by 0.2% in comparison to September 2017/18 forecast.

- The total demand for December 2017/18 is also projected to go up by 10% compared to the final

1.5 Sunflower

Marketing Season: April to May	Actual for 2015/16	Final for 2016/17 (Dec 2017)	Projection 2017/18 (Dec 2017)
Production	663 000	755 000	874 595
Opening Stocks	92 927	45 867	163 086
Total Supply	802 557	880 392	1 047 731
Total Demand	756 690	717 306	818 700
Closing Stocks	45867	163 086	229 031
Days' stock	22	84	103

Source: NAMC, Supply and Demand Estimates Committee

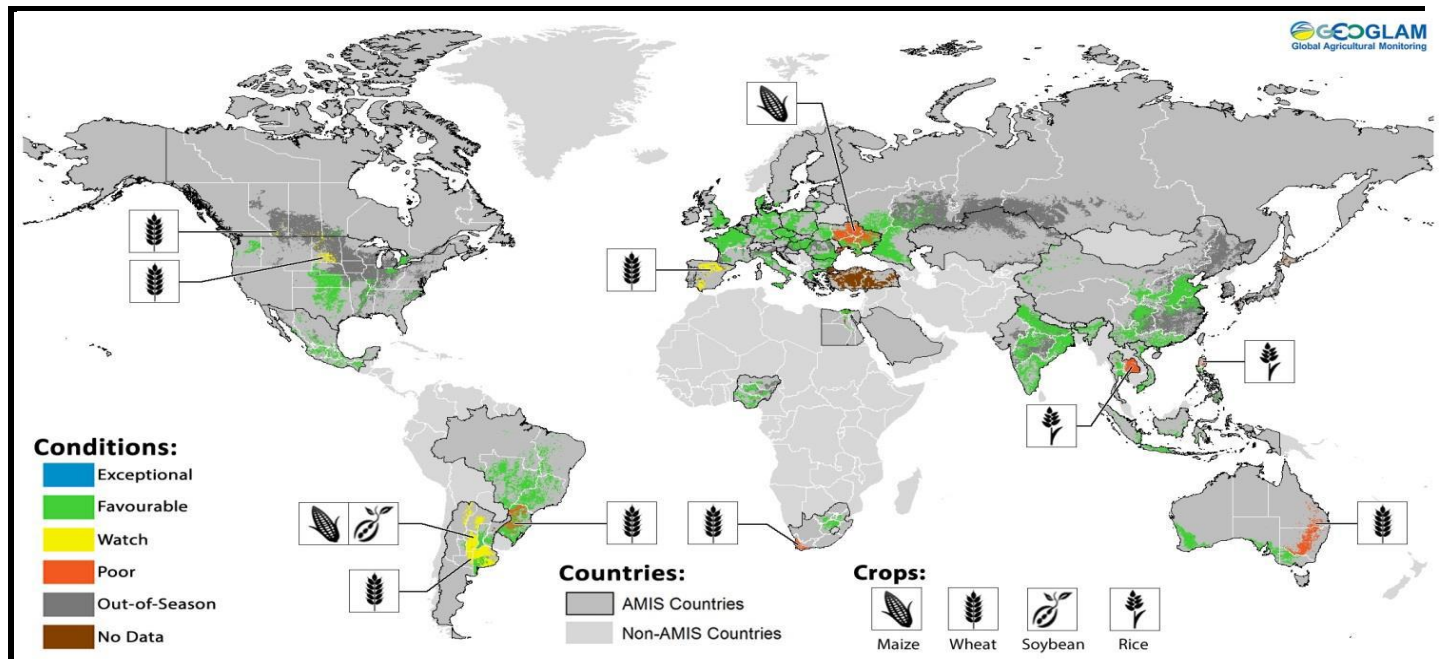
demand during 2015/16 season.

- **Sunflower** production volume for December 2017/18 marketing season was projected to remain unchanged as compared to the projections in September 2017/18. The final production volumes for 2015/16 were 663 000 tons and it was about 24% less than the production volumes forecasted for December 2017/18.
- The total supply for sunflower seed increased by 0.1%, whereas the total demand decreased by 0.05% respectively in December 2017 as compared to September 2017 projections.
- The final closing stock for sunflower is projected to be 1% higher for December 2017/18, when compared to 227 081 tons projected for September 2017.

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 November 2017). 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 conditions are generally favourable heading into winter dormancy. In the southern hemisphere, harvest begins under mixed conditions, albeit with some improvement in Argentina and with significant variability across. In the **EU**, winter wheat conditions are generally favourable, while some large areas continue to experience difficult sowing conditions. In **Ukraine**, winter wheat conditions are favourable with adequate soil moisture for establishment before winter dormancy. In the **Russian Federation**, conditions are generally favourable for winter wheat establishment. In **China**, winter wheat conditions are favourable with improvements in temperatures and soil moisture in the productive region of southwest. In **India**, sowing of Rabi wheat have begun under favourable conditions. In the **US**, winter wheat is progressing favourably, with some continued dryness in the northern plains. In **Canada**, conditions are generally favourable for winter wheat with minor dryness in the prairies, which is limiting seeding. In **Australia**, harvest progress has been slowed by November rainfall and conditions vary significantly across the country. Conditions have improved across southern production states with recent rainfall. However, dry conditions persist across the northern areas, with improvements recorded in western Australia during spring. In **Argentina**, harvest is almost finished in the north and beginning in the south under generally favourable conditions. However, the recent occurrence of frost in the southern areas during grain filling stages might potentially affect yields.

Maize - In the northern hemisphere, harvest have wrapped up favourably except in Ukraine, whereas in the southern hemisphere, conditions are generally favourable with minor areas of dryness in Argentina. In the **US**, harvest has completed under favourable conditions with yields just above last year's record. In **Mexico**, harvest of the spring planted crop continues under good conditions. In the **EU**, harvest finished under generally favourable conditions in eastern countries, balancing the unfavourable conditions experienced in Mediterranean and central countries. In **Ukraine**, harvest has been completed under generally poor conditions due to drought and heat stress during the season, except in the west part. In **India**, sowing of Rabi crop has progressed under favourable conditions. In **Brazil**, conditions remain generally favourable as the sowing of spring planted maize has concluded in the main regions. In **Argentina**, conditions are mixed

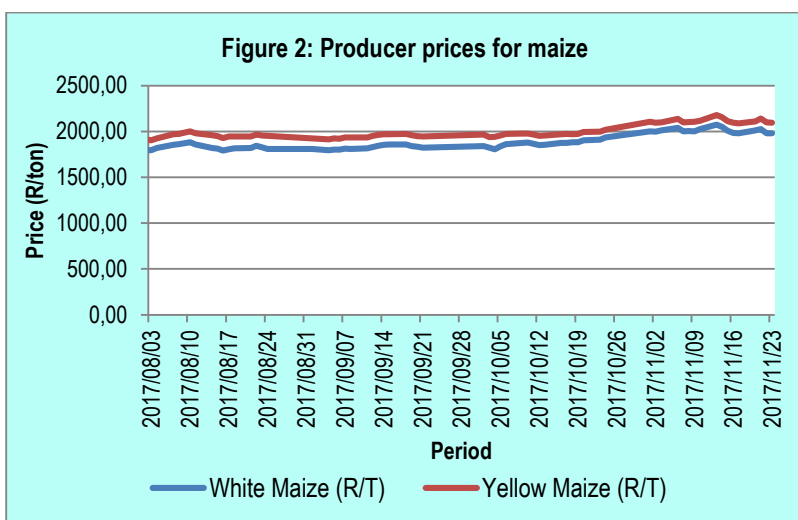
¹ The G20 Agricultural Marketing Information System. South Africa is a member of AMIS.

for early planted maize with high temperatures and low soil moisture affecting areas in Cordoba and with areas in the north entering vegetative stage.

Soybeans - In the northern hemisphere, harvest wrapped up under favourable conditions. In the southern hemisphere, crop conditions are favourable for Brazil, while sowing begins under mixed conditions in Argentina. In the **US**, harvest is completed with a record production due to an increase in sown area and good yields. In **Brazil**, sowing wraps up under favourable conditions owing to the return of rains, with an expected increase in area for this season. In Argentina, sowing of spring planted crop continues under mixed conditions due to low soil moisture in the north.

3. Commodity Prices

3.1 Maize



Source: SAFEX, accessed from SAGIS

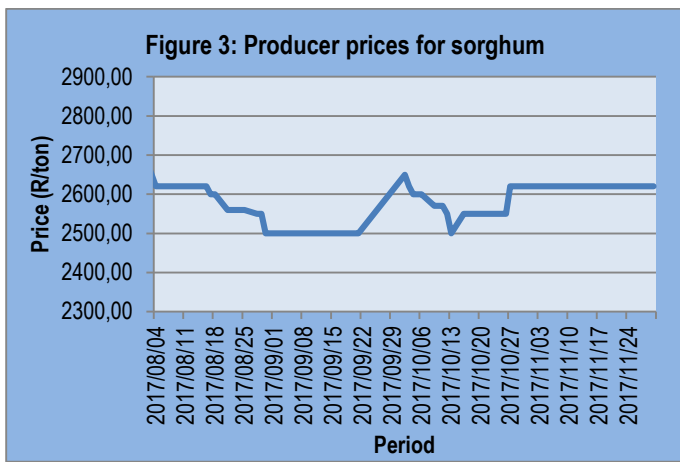
Figure 2 above show the producer prices for maize starting from August 2017 to November 2017 marketing season. The figure indicates that on average, the producer prices for white and yellow maize showed an increasing trend for all contract months, although the price for both white and yellow maize posted modest gains throughout the period under analysis. During August to October 2017, the prices were trading slightly lower below R2 000/ton. However, during November 2017, both prices somehow showed slight increases with the price for yellow moving slightly higher above R2 100/ton.

On average, both the contracts for yellow and white maize traded slightly higher during November 2017, even though the price for white maize traded slightly lower below R2 100/ton throughout the period under review. The sharp weakening of the rand in between October and November 2017 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

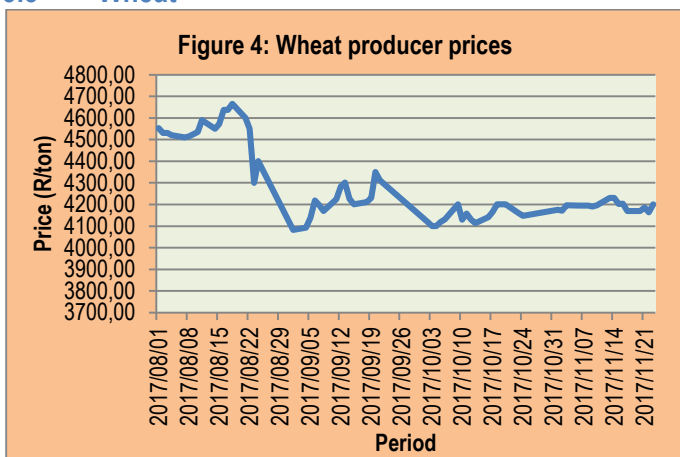
Figure 3 shows producer prices for sorghum opening from August 2017 until November 2017. The producer prices for sorghum fluctuated considerably throughout the period under review. Sorghum prices opened higher above R2 600/ton for August 2017 and this was followed by a sharp decline in producer prices until the lowest price was attained in September 2017, at R2 500/ton.

The producer price for sorghum closed at a constant price around R2 620/ton during November 2017.



Source: SAFEX, accessed from SAGIS

3.3 Wheat



Source: SAFEX, accessed from SAGIS

Figure 4 shows wheat producer prices from August 2017 to November 2017. The Figure indicates that the wheat producer price opened slightly higher above R4 500/ton during August 2017 and continued to go up until a peak of R4 666/ton was reached during the same month. The price showed mixed trends, but mostly trading higher above R4 000/ton throughout the period.

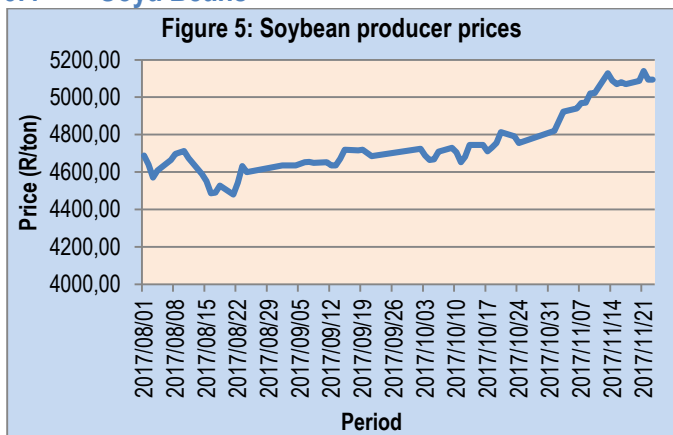
In overall, the local wheat market traded relatively stable at the current prices, ranging from R4 000/ton up to R4 666/ton, with the lowest price attained in September 2017. The high wheat prices can be attributed to the fact that the local wheat production region was laden with lots of strain due to 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 600/ton in August 2017. This was followed by a slight decrease in the producer price to the lowest price for soya beans attained over the same period. However, there was a notable increase in soybean prices during the late August 2017 up until a peak of R5 141/ton was attained in November 2017. The price for soybean ranged between R4 480/ton and R5 141/ton over the period under consideration.

Globally, lack of farmer selling of soybeans in Argentina is artificially supporting prices. This has further reduced soybean ownership of crushers to very low levels in November 2017. Therefore, soybean crushing is estimated to be lower than expected, whereas the weather uncertainties in both Brazil and Argentina are still a concern.

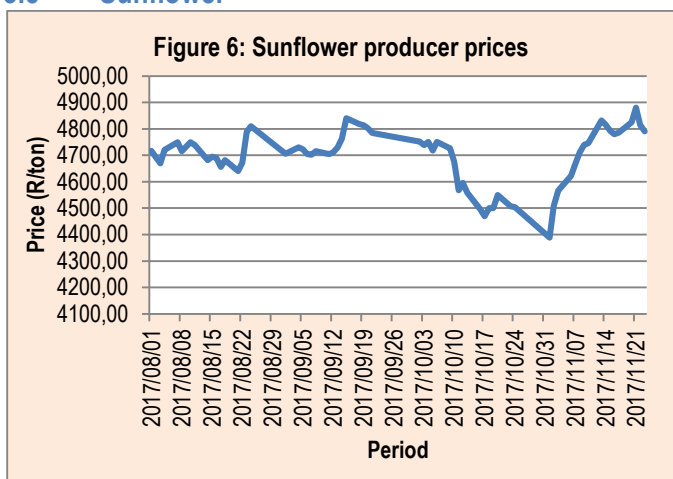
3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

Locally, the summer crop production conditions deteriorated in November due to weaker than expected rainfall conditions, very low temperatures as well as hot and windy conditions. The Eastern Free State soybean crop incurred some frost and cold damage. The industry anticipate a shift to the production of more sunflower planting into the next season and lower plantings for groundnuts and soybeans. Plantings of sunflower can still take place to the latest early January 2018 in both the Central and Western parts of the country.

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 throughout the period under analysis. The producer price for sunflower seed posted some major fluctuations with a lowest price of R4 388/ton and the highest price of R4 880/ton attained during the period under review. Sunflower seed prices have drastically declined between September and October 2017 and begin to show stability onwards. This can be attributed to fairly large sunflower stocks that have kept the prices in a sideways direction.

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 higher in November 2017, about 11% higher as compared to the opening price reached in August 2017. The producer price for both soybean and sunflower depicted almost similar trends throughout the period, with both prices reaching a peak in November 2017. However, during the period under review the price for soybean traded slightly higher above the sunflower producer price.

Local prices traded higher on the back of higher global soybean prices. However, poor conditions with lower than expected rainfall conditions in November 2017 affected the summer crop production conditions. Soybean and groundnut planting dates have expired in the far eastern production areas, which lead to the probability of lower soybean and groundnut crop in those areas. This may results with producers shifting to sunflower seed production to leverage off a longer planting 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 (2017/12/05) (R/T)			
	Dec-17	Mar-18	May-18	Jul-18
White maize	1850	1945 ▲	1951 ▲	2005 ▲
Yellow maize	1965	2062 ▲	2051 ▼	2095 ▲
Wheat	4053	4059 ▲	4200 ▲	4258 ▲
Sunflower	4336	4915 ▲	4454 ▼	4549 ▲
Soybeans	4864	4860 ▼	5039 ▲	5140 ▲
Sorghum	2650	2850 ▲	2650 ▼	2850 ▲

Source: SAGIS

As of 05 December 2017, the contracts for white and yellow maize traded at R1 850/ton and R1 965/ton, respectively. Both white and yellow maize traded slightly higher during December 2017 as compared to September 2017 contracts. Wheat market opened higher, with September 2017 contracts trading at R4 269/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 000/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 000/ton from December 2017. Contracts of sunflower seed trade continued to show great stabilities until R4 915/ton attained in Mar 2018, although this has slightly declined in May and July 2017 respectively, the price still remained above R4 000/ton. Contracts for soybean producer price opened higher above R4 500/ton in December 2017, about 3 percent higher when compared to the opening in September 2017. The producer price for soybean remained stable above R4 500/ton for the entire period, with the lowest price of R4 860 attained during March 2017. The contracts for soybean posted future gains for the prices attained in May and July 2017, respectively.

Future contracts for sorghum opened lower at R2 650/ton in December 2017 as compared to the opening in September 2017. However, the producer price for sorghum show about 8% increase in March 2018 as compared to the opening price attained in December 2017. On average, the sorghum producer prices traded around R2 750 from December 2017 to July 2018.

4. Global Market Outlook

4.1 World Prices

Wheat: The tone of world wheat export markets remained generally weak during November, weighed by heavy supplies and strong competition for any export business. Aided by attractive prices, a solid pace of exports was maintained from the Black Sea region, contributing to lacklustre demand at other regions. There was some price support from untimely rains in Australia, seen potentially damaging the quality of the harvest, while early yield reports from Argentina were termed disappointing. The International Grains Council (IGC) Grains and Oilseeds Index (GOI) wheat sub-Index showed little month-to-month change, given the narrow range in the prices of individual components.

Maize: After nine successive monthly declines, the IGC maize sub-Index firmed slightly in November, as modest gains in South America and the Black Sea region compensated for renewed losses in the US. However, owing to ample spot supplies, average prices are down by 8.9 percent as compared to the previous year. Nearby FOB quotations in Brazil crept higher, drawing support from occasional planting delays and speculation about a likely smaller surplus from the next safrinha crop. Values in Argentina were underpinned by slow country movement and concerns about dry conditions. In contrast, the US market was weaker following another upward revision to the official yield estimate and as the harvest neared completion.

Soybeans: In a month of two sided price movements, the IGC GOI soybean sub-Index was little changed on monthly basis. The global export values were initially buoyed by weather-related production concerns in South America, notably dryness in core growing areas of Argentina, and firm international demand. However, gains were contained by pressure from the completion of the US harvest and mostly bearish world market fundamentals. More recently, improving crop conditions in Argentina and Brazil, where fieldwork made solid progress after earlier delays, added to the negative tone.

4.2 Policy Developments

Wheat

- On 7 November 2017, Brazil abandoned plans to establish a 750 000 tonne duty-free quota to import wheat from non-Mercosur countries.
- India's Central Board of Excise and Customs issued notification No. 84/2017 raising the customs duty on wheat from 10 to 20 percent.
- On 24 November, the Russian Federation and Venezuela signed a memorandum to further increase Venezuelan supplies of milling wheat from the Russian Federation.
- **Across the board** On 10 November, Australia concluded a Free Trade Agreement with Peru (PAFTA). On entry into force, Australia will have duty-free access to Peru for wheat and 9 000 tonnes of rice (increasing to 14 000 tonnes in 5 years). On 27 November 2017, the European Commission renewed the licence for glyphosate for 5 years. On 13 November 2017, the CME Group announced the launch of financially settled Black Sea Wheat FOB and Black Sea Maize FOB futures contracts, to begin trading on 18 December 2017.

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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