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REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



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Overview

- This year has been eventful in many ways for most agricultural commodities. Beyond the usual supply and demand factors shaping markets there has been an increasing level of uncertainty stemming from unexpected shifts in trade policies. Among the AMIS crops, maize and soybeans have been at the forefront of these policy changes, while global wheat and rice markets have been little affected. The other important feature, also central to the work of AMIS, is the recent revelation of drastically higher cereal production levels in China with potentially important implications. Domestically, there was a good rainfall received during the winter period which resulted in average yield expected in some parts of Western Cape. The harvest process is taking place under favorable conditions in South Africa.
- Maize, the spillover effect from the US resulted with the maize prices trading very high. Locally, farmers in the Western Cape have experienced delays in terms of planting because of drier weather conditions. However there is still a lot of time until December for optimal planting. Weather conditions and high maize prices in the US have supported the local maize situation.
- Soybean, South America experienced positive weather and rainfall outlooks together with the expected large crops weighed in the soybean market. Increase in production is expected during 2019/20 in Russia and Ukraine. Locally, there is a strong soybean demand and high international prices that supported the local soybean market. Soybean crops will benefit from the expected rain in the eastern part of the country.

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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 (Dec 2018)	Projection 2018/19 (Dec 2018)
Production	7 778 500	16 820 000	12 931 210
Opening Stocks	2 471 067	1 094 638	3 689 476
Total Supply	12 221 827	16 769 977	16 400 769
Total Demand	11 127 189	13 080 501	13 006 000
Closing Stocks	1 094 638	3 689 476	3 394 769
Days' stock	41	131	117

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2016/17	Final for 2017/18 (Dec 2017)	Projection 2018/19 (Dec 2018)
Production	70 500	152 000	109 855
Opening Stocks	83 142	35 238	59 246
Total Supply	226 677	242 029	201 301
Total Demand	191 439	182 783	173 700
Closing Stocks	35 238	59 246	27 601
Days' stock	76	134	62

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2016/17	Final 2017/18 (Dec 2018)	Projection 2018/19 (Dec 2018)
Production	1 910 000	1 535 000	1 862 400
Opening Stocks	827 232	341 424	721 534
Total Supply	3 641 771	4 069 759	3 956 934
Total Demand	3 300 347	3345 152	3 357 100
Closing Stocks	341 424	724 607	599 834
Days' stock	39	82	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 (Dec 2018)	Projection 2018/19 (Dec 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	1 272 270
Closing Stocks	84 792	330 535	592 065
Days' stock	32	113	175

Source: NAMC, Supply and Demand Estimates Committee

- **Maize:** The projected maize crop for Dec 2018/19 is estimated at 12.931 million tons, which decreased by 2.0% when compared to September 2018 forecasts. According to the report released by the Crop Estimates Committee (CEC) in October 2018, the area estimated

for commercial maize production was at 2 448 million hectares for 2018/19 marketing season, this has increased by 5.6% higher compared to the area estimated in September 2018. Maize projection for Dec 2018/19 marketing season is 12. 931 million tons, showing an increase of 66% from the final harvests attained in 2016/17 season.

- According to the Crop Estimates Committee's August 2018 summer crop forecast, the country is expecting a commercial maize crop at around 12. 931 million tons, which is 66% more than the previous 7. 778 million tons attained in 2016/17. This estimate is less with 23% when compared to the projections attained in 2017/18 marketing season, despite all the challenges the industry encountered this year.
- **Sorghum** production volumes for Dec 2018/19 marketing season is projected to be 109 855 tons as compared to 105 120 tons attained in Sept 2018.
- The projections of sorghum for 2018/19 increased by 4% 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 balance demand in the domestic market. The projected closing stocks in Dec 2018 have decreased as compared to the previous projection of 36 366 tons projected in June 2018. The days' stock has decreased from 82 days in Sept 2018 to 62 days in Dec 2018.
- **Wheat** production volumes are projected to increase by 3% in Dec 2018 season compared to the projected volume in Sept 2018. The total supply of wheat is projected to increase by 2% in Dec 2018 as compared to September 2018. Seemingly, the demand for wheat is also projected to slightly increase by 2%.
- The closing stock for wheat has remained the same in Dec 2018as compared to Sept 2018 projections.
- Production volume of **soybeans** is projected to remain the same for Dec 2018/19 season when compared to the projected volume in Sept 2018 season.
- Soybeans supply for December 2018/19 is projected to remain the same in comparison to Sept 2018/19 forecast.
- The total demand for December 2018/19 is also projected to increase slightly by 5% as compared to the projection for demand during September 2018 season.

1.5 Sunflower

Marketing Season: April to May	Actual for 2016/17	Final for 2017/18 (Dec 2018)	Projection 2018/19 (Dec 2018)
Production	755 000	874 000	858 605
Opening Stocks	45 867	163 086	154 841
Total Supply	880 392	1 047 984	1 022 646
Total Demand	717 306	893 143	944 050
Closing Stocks	163 086	154 841	78 596
Days' stock	84	64	31

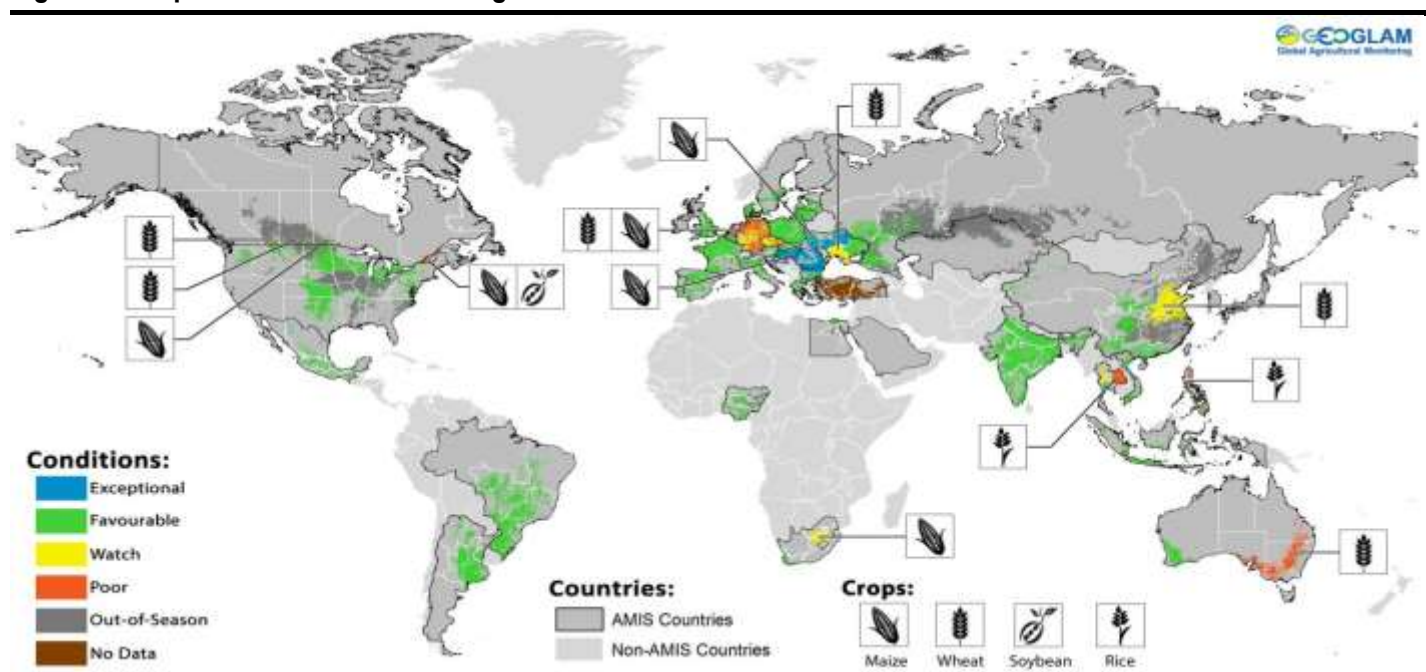
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for Dec 2018/19 marketing season was projected to remain the same as compared to the projections in September 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 December 2018/19.
- The total supply for sunflower seed increased by 0.1%, and the total demand also increased by 3% respectively in December 2018 as compared to September 2018 projections.
- The final closing stock for sunflower is projected to be 27% lower for December 2018/19, when compared to 108 346 tons projected for September 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 November 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 has emerged and formed and has entered dormancy in most of the places. In the Southern hemisphere, the conditions are favourable for winter wheat entering into in Argentina and South Africa with the exception of Australia. In the **EU**, there is a persistent dry soil conditions even though the conditions are favourable for winter wheat. . In **Ukraine**, winter wheat in under favourable conditions and it has reached dormancy. Some part of the areas are still underdeveloping due to high dryness condition in the southern and the eastern regions. In the **Russian Federation**, winter wheat is under favourable conditions and the crops are dormant. In China, conditions are mixed with dry with conditions developing after sowing in most of the North-China plain. In **Canada**, the winter sowing is almost complete with the mixed conditions due to adverse sowing conditions. In **Australia**, the harvest of winter wheat is underway with production prospects projected to decrease.

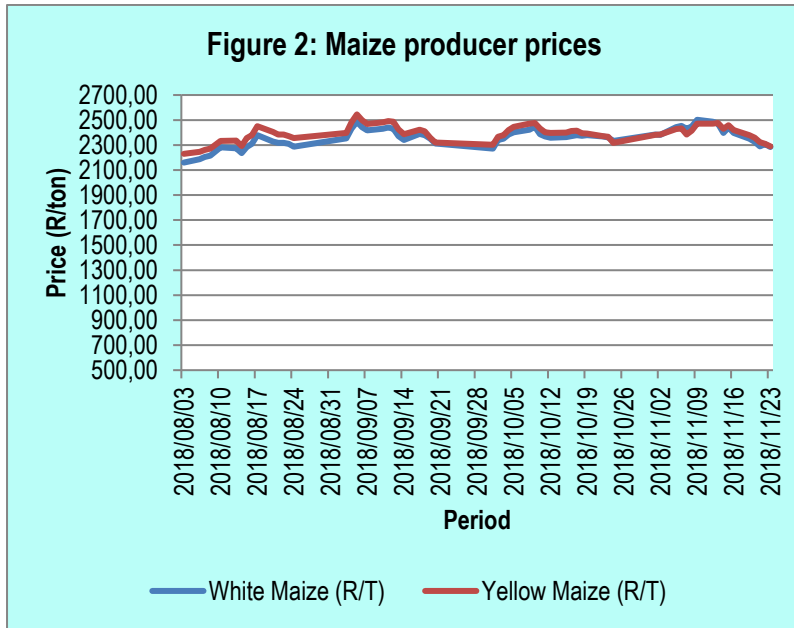
Maize - In the northern hemisphere, the harvest is almost complete, whereas in the southern hemisphere, sowing continues in Brazil and Argentina under favourable conditions while South Africa is experiencing a dry weather condition. In the **US**, harvest is almost done and most of the part of the country are experiencing a bumper crop. In **Mexico**, there an ongoing harvest for the spring-summer crops in the country under favourable. In the **EU**, harvest is almost complete with the overall EU yield above the five year average, this because of favourable to exceptional conditions in southern Europe. In **Brazil**, the crops that were planted in spring are developing under favourable conditions in the main producing regions. In **Ukraine**, the harvest is wrapping up and there are record yields in the central and western parts.

Soybeans - In the northern hemisphere, the harvest is complete with India and Canada wrapping up. In the southern hemisphere, sowing is ongoing with Brazil and Argentina under favourable conditions. In **Canada**, harvest is complete under favourable yields even though harvest was delayed in the late season by adverse weather conditions. In **Argentina**, sowing of spring crop is ongoing under favourable conditions with occasional delays caused by heavy rainfall.

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

3. Commodity Prices

3.1 Maize

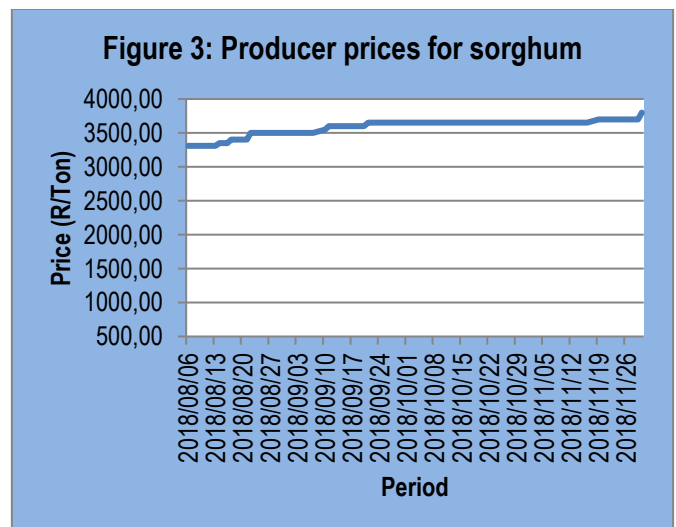


Source: SAFEX, accessed from SAGIS

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

3.2 Sorghum

Figure 3 shows producer prices for sorghum opening from August 2018 until November 2018. The producer prices for sorghum traded higher throughout the period under review. Sorghum prices opened higher above R3 000/ton for August 2018 and this was followed by an increase in producer prices until it reached peak in the last week of November 2018. As from the beginning of August, the producer price for Sorghum was increasing above R3 000/ton. The producer price for sorghum closed at the highest price around R3 800/ton during November 2018.

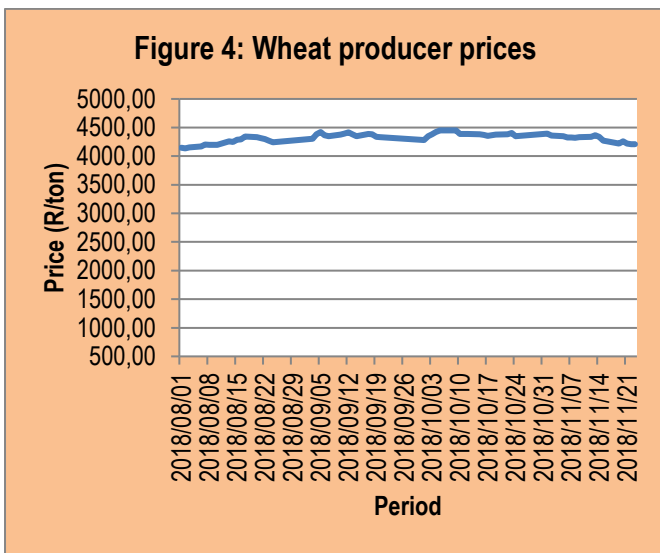


Source: SAFEX, accessed from SAGIS

3.3 Wheat

On average, both the contracts for yellow and white maize traded slightly higher during August 2018, and the price for white maize traded slightly higher above R2 220/ton throughout the period under review. 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.

Figure 4: Wheat producer prices



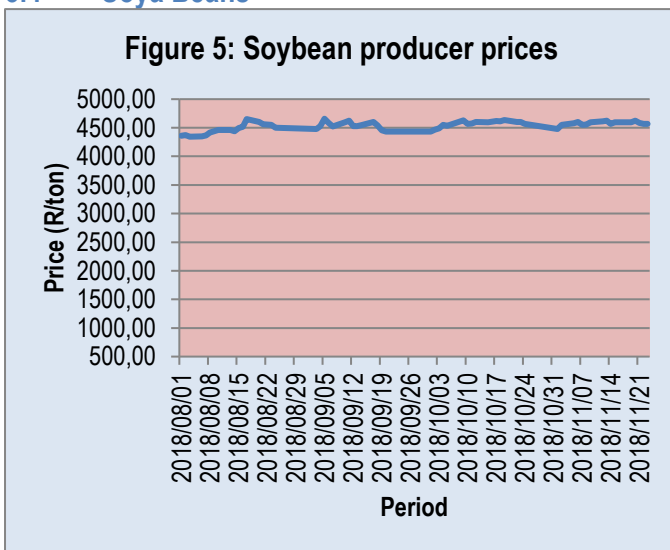
Source: SAFEX, accessed from SAGIS

Figure 4 shows wheat producer prices from August 2018 to November 2018. The figure indicates that the wheat producer price opened higher above R4 000/ton during August 2018 and continued to go up until a peak of R4 450/ton was reached during the October month. The price showed stable 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 150/ton up to R4

3.4 Soya Beans

Figure 5: Soybean producer prices



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.

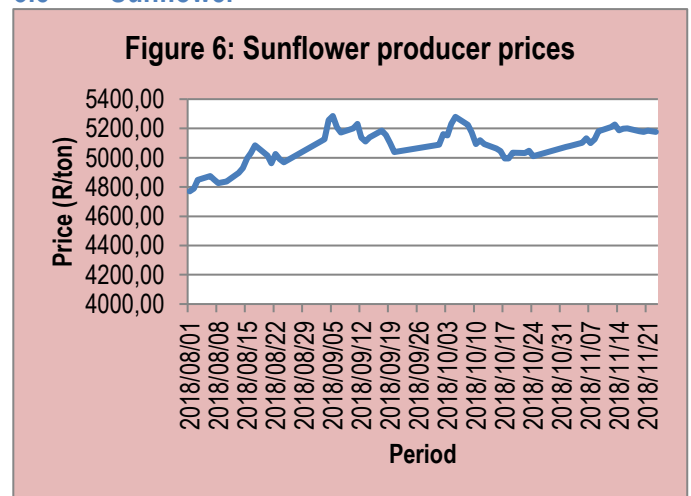
450/ton, with the lowest price attained in August 2018. The high wheat prices can be attributed to the fact that the local wheat production region was laden with lots of strain due to below average rainfall and severe drought, which lowered harvests. Globally, the wheat market is mainly in the negative territory due to pressure from 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 below R4 500/ton in August 2018. This was followed by an increase in the producer price to the highest price for soya beans attained in August 2018. However, there was a notable increase in soybean prices during the late October 2018. The price for soybean were stable and ranging between R4 360/ton and R4 652/ton over the period under consideration.

Globally, cold weather conditions in the US may hinder the final stages of soybeans harvest progress.

3.5 Sunflower

Figure 6: Sunflower producer prices



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 August and it remained way below R5 000/ton from August 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 770/ton and the highest price of R5 280/ton attained during the period under review. The strong local currency has weighed on the sunflower seed market.

In overall, the local market for **Sunflower** closed relatively higher in November 2018, about 9% higher as compared

to the opening price reached in August 2018. The producer price for both soybean and sunflower were fluctuating throughout the period, with both prices reaching the lowest level in August 2018. However, during the period under review the price for sunflower traded slightly higher above the soybean producer price.

Local, the dry and hot weather conditions experienced in the past few weeks across the central and western parts of South Africa, sunflower seed crops could not be planted during the optimal planting period. In the few weeks, rainfall is expected which will benefit and support the planting intentions in the North West and Free State.

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 (2018/12/04) (R/T)			
	18-Dec	19-Mar	19-May	19-Jul
White maize	2393	2470 ▲	2523 ▲	2565 ▲
Yellow maize	2376	2433 ▲	2439 ▲	2477 ▲
Wheat	4187	4306 ▲	4374 ▲	4414 ▲
Sunflower	5171	5141 ▼	4716 ▼	4802 ▲
Soybeans	4690	4832 ▲	4919 ▲	5029 ▲
Sorghum	3800	3700 ▼	3550 ▼	3200 ▼

Source: SAGIS

As of 4 December 2018, the contracts for white and yellow maize traded at R2 393/ton and R2 376/ton, respectively. Both white and yellow maize traded slightly lower during December 2018 as compared to September 2018 contracts. Wheat market opened higher, with December 2018 contracts trading at R4 187/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. 414/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 traded below R5 200/ton from December 2018. Contracts of sunflower seed trade

decreased in March 2019 and also decreased in May 2019 followed by an increase in July 2019., Contracts for soybean producer price opened higher above R4 500/ton in December 2018, about 3.5 percent higher when compared to the opening in September 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 R3800/ton in December 2018. However, the producer price for sorghum decreased in March 2019 as compared to December 2018. On average, the sorghum producer prices traded around R3 562/ton from Dec 2018 to July2019.

4. Global Market Outlook

4.1 World Prices

Wheat: The world wheat prices showed a net decline in November which resulted from nearby supplies, strong competition for exports and weakness outside the market. Southern hemisphere crops are affected by unfavourable weather conditions in Argentina which has resulted in a below average harvest in Australia. Dry and cold weather conditions for 2019/20 crops in some parts of Europe and CIS provided price underpinning and some seedling delays in the US.

Maize: In November there was a stable tone observed in global maize export values with the IGC and the GOI dub-index holding steady for a second successive month. The US quotations have weakened slightly on ample spot availability and signs of stiffer global export competition. After steep declines since the summer, the FBO prices in Ukraine were unchanged because the seasonal harvest pressure was offset by pickup in oversea demands. In addition, the average prices in Brazil experienced a minimal change while the supply began to tighten up.

Soybeans: Average global soybean prices moved back by 4.4 percent in the month of November even though the trends were mixed. There is pressure from the sluggish international demands and harvesting of the largest crop on records, there is hope that the US and China will be able to end their trade dispute. The southern hemisphere markets were weaker while in Brazil, the record planting pace weighed on sentiments. In Argentina, seedling was close to halfway stage and the export prices were lower.

4.2 Policy Developments

Wheat,

On the 20 November, China reduced the price for purchasing wheat in 2019 to CNY (Chinese Yuan) 122 per 50 kg (USD 322.2 per tonne). Which represent a 3 percent decrease compared to 2018 price and this is the second year in a row with China reducing the price support for wheat growers.

Soybean

- **Across the board:** the government of Heilongjiang province in China, which is the largest soybean-producing province have announced that it has increased the soybean subsidy from 173 CNY per mu in 2017 to 320 CNY per mu in 2018.

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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