



agriculture, forestry & fisheries

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REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



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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 sudden change 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 favorable, 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 thereafter.

- Maize, globally, production in 2019 (comprising the outhern 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 price. Local maize prices are expected to recover going into the short-term.
- 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 forecast 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 the short-term.

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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 (Nov 2019)
Production	7 778 500	12 510 000	11 257 850
Opening Stocks	2 471 067	3 689 676	2 663 086
Total Supply	12 221 827	15 867 123	14 037 993
Total Demand	11 127 189	13 204 037	12 345 500
Closing Stocks	1 094 638	2 663 086	1 692 493
Days' stock	41	91	57

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 (Nov 2019)
Production	70 500	115 000	130 875
Opening Stocks	83 142	59 246	51 860
Total Supply	226 677	223 334	224 135
Total Demand	191 439	171 474	183 755
Closing Stocks	35 238	51 860	40 380
Days' stock	76	122	85

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 (Nov 2019)
Production	1 535 000	1 868 000	1 618 460
Opening Stocks	341 424	721 534	539 079
Total Supply	4 068 278	3 950 037	3 880 539
Total Demand	3 346 744	3 408 217	3 408 300
Closing Stocks	721 534	541 112	472 239
Days' stock	82	61	53

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 (Nov 2019)
Production	1 316 000	1 540 000	1 170 345
Opening stocks	84 792	330 535	502 241
Total Supply	1 405 037	1 844 953	1 655 086
Total Demand	1704 503	1 342 712	1 463 950
Closing Stocks	330 535	502 241	191 136
Days' stock	113	141	48

Source: NAMC, Supply and Demand Estimates Committee

- Maize:** The projected crop for 2019/20 (Nov2019) is estimated at 11 257 million tons. According to the report released by the Crop Estimates Committee (CEC) in November 2019, the projected estimates remained unchanged. The maize projection for 2019/2020 (Nov 2019) remained at 11 257 million tons, which shows a decrease of 10% compared to the final harvest attained in 2018/19.
- According to the Crop Estimates Committee's November 2019 summer crop forecast, the country is expecting a commercial maize crop of about 11 257 million tons. When comparing the final crop estimates for 2018/19 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 November 2019/20 marketing season is projected to be at 130 875 tons. This estimate is 13.80% higher as compared to the final volumes attained in 2018/19 marketing season.
- The sorghum projection for 2019/20 decreased by 6.41% as compared to the previous season of 2018/19. However, this is still 29% 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 15.8% as compared to the previous projection of 47 960 tons attained in 2018/19. Sorghum day stock was 85 in November 2019/20, which shows a decrease of 15.8% as compared to the Sorghum day stock of 111 attained in the previous season.
- Wheat** production volumes for November 2019/20 were projected at 1 618 million tons as compared to 1 806 million tons projected for September2018/19, the projection shows a decrease of 10.39%. The total supply of wheat is projected to decrease by 1.8% in November 2019/20. The total demand for wheat is also projected to slightly decrease by 0.37% in November 2019/20 as compared to September 2018/19, driven by the high prices on the local markets.
- The closing stock for wheat was 472 239 tons in 2019/20 and 541 820 tons in September 2018/19, this shows that the wheat projections decreased by 12.84% compared to September projections.

- Production volume of **soy beans** is projected to remain unchanged for November 2019/20 as compared to the projected soy bean volume in September 2018/19.
- Soy beans total supply for November 2019/20 is projected to decrease by 10.29% in comparison to September 2018/19 projections.
- The soy bean total demand for November 2019/20 depicted a slight change as compared to the final demand for September 2018/29.

1.5 Sunflower

Marketing Season: April to May	Actual for 2017/18	Final for 2018/19 (Sep 2019)	Projection for 2019/20 (Nov 2019)
Production	874 000	862 000	680 940
Opening Stocks	163 086	154 841	120 165
Total Supply	1 047 984	1 026 212	827 105
Total Demand	893 143	906 047	734 300
Closing Stocks	154 841	120 165	92 805
Days' stock	64	49	47

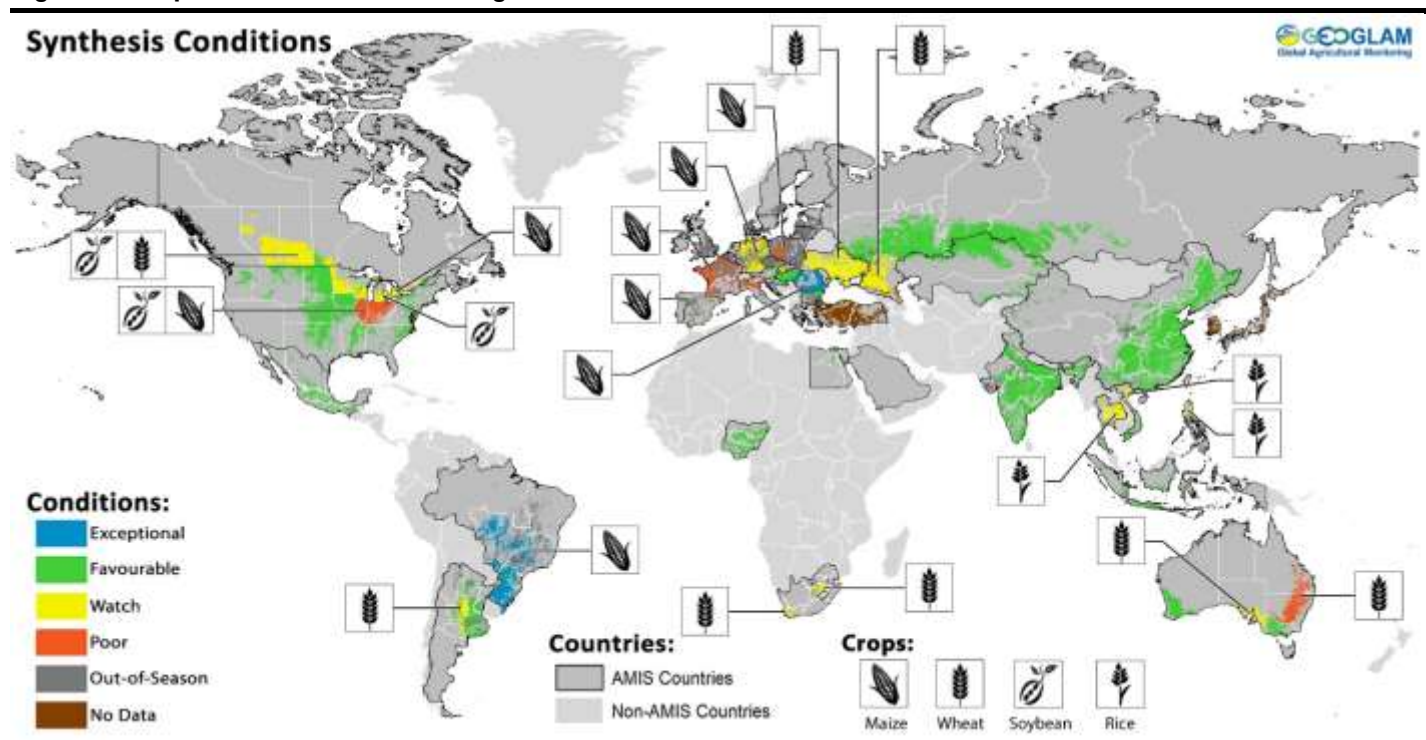
Source: NAMC, Supply and Demand Estimates Committee

- **Sunflower** production volume for November 2019/20 was projected to remain unchanged as compared to the projections in September 2018/19. The final production volumes for 2018/19 were 862 000 tons and the volumes decreased by 21% than the production volumes forecasted for November 2019/20.
- The total supply for sunflower seed for November 2019/20 depicts a slight decrease as compared to the total demand for November 2019/20. Therefore, this shows a decrease of 19.18% as compared to September 2018/19 projections.
- The final closing stock for sunflower is projected to be 0.9% lower in November 2019/20, when comparing to 93 655 tons projected for September 2018/19.

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 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

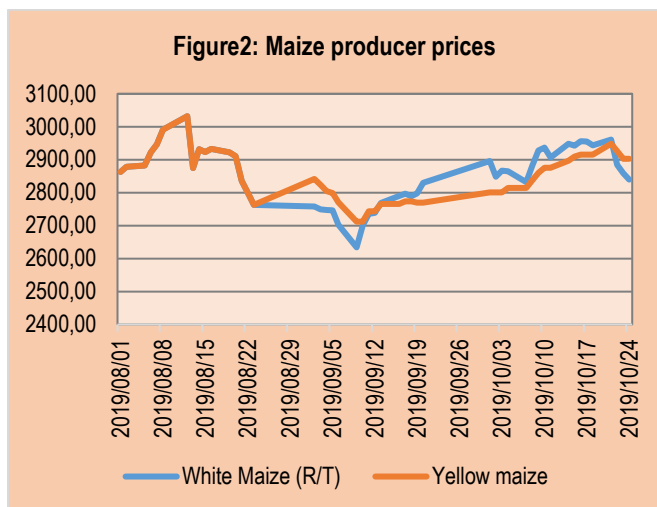
Wheat – In the Northern hemisphere, spring wheat harvest wraps up in Kazakhstan and Canada. Winter wheat sowing is underway under general favourable conditions. In **EU**, winter wheat field preparing and sowing has begun in favourable conditions. In **Ukraine**, winter wheat is under mixed conditions due to severe soil drought in the central parts of the country. In the **Russian federation**, for winter wheat, conditions are favourable and emergence with estimated increase in total sown area when comparing it to the total sown for previous year. In **Kazakhstan**, spring wheat harvest is wrapping up under general favourable condition. In **China** winter wheat is under favourable conditions with above average rainfall which benefit crop emergence and early stage development. In **US**, there are some dry areas in Texas while winter wheat is under favourable condition for sowing and emergence. In **Canada**, spring wheat is under mixed condition as harvest is behind due to excessive moisture and delayed crop maturity.

Maize - In the northern hemisphere, harvest is ongoing under mixed conditions in EU and America. On the other hand in China, India and Russian Federation, harvest is ongoing under similar conditions. In the southern hemisphere, sowing of the spring crop continues under favourable conditions in Argentina and Brazil. In **Brazil**, sowing of the spring planted crop (smaller season) is continuing in the south under favourable conditions with a slight increase in total sown areas expected. In **Canada** because of adverse weather conditions, harvest continue under watch conditions across the country. The **EU**, conditions are mixed with below average yields, particularly in France and Poland due to the summer heatwaves. In **China**, conditions are favourable as harvest is wrapping up for the summer-planted crop. In **India**, the Khalif maize harvest is ongoing on favourable conditions. There has been an increase in total area sown this year compared to other years. In the **Russian Federation**, harvest is continuing under favourable conditions. In Brazil sowing of the spring planted crop (smaller season) is continuing in the south under favourable conditions with a slight increase in total sown areas expected. Sowing in the southeast is delayed in expectation of additional 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

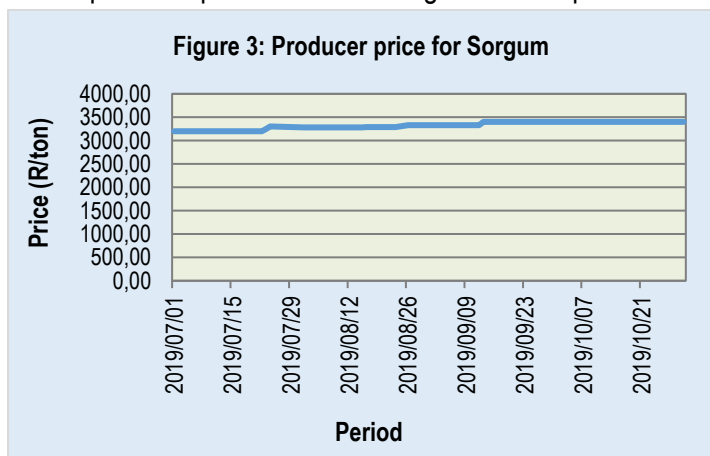
Figure 2 above shows the producer price for maize, both white maize and yellow maize during the marketing season starting from August 2019 to October 2019. Figure 2 depicts that on average the producer price for maize showed an increasing and decreasing trend for the period.

under review. However, the producer prices for maize showed a gain from September 2019 to October 2019. The producer prices were trading above R2 600/ton from August 2019 to October 2019.

Considering everything, maize producer prices traded slightly higher in August 2019 and October 2019 for both yellow maize and white maize respectively. The contracts for both yellow and white maize traded higher during August 2019, with the price for white trading above R2 600/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.

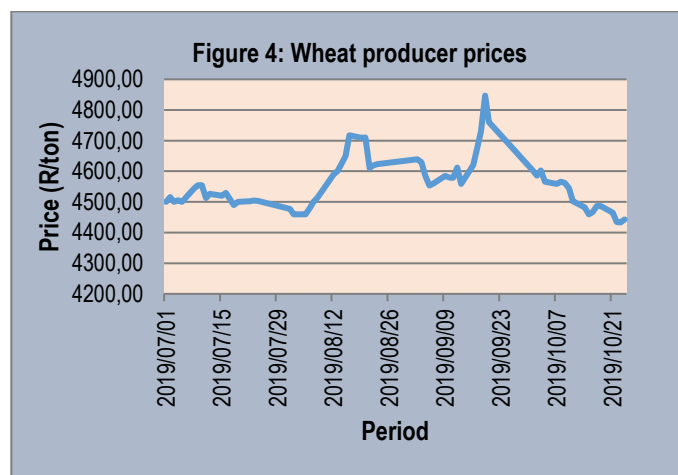
3.2 Sorghum

Figure 3 below shows the producer price for sorghum starting from July 2019 until October 2019. Sorghum producer prices fluctuated considerably during the reviewed period. The producer prices for Sorghum during the review period opened high at a price of R3 200/ton during July 2019 and closed at R3 400/ton in October 2019. Producer price of R3 300/ton obtained in July was the lowest producer price attained during the review period.



Source: SAFEX, accessed from SAGIS

3.3 Wheat



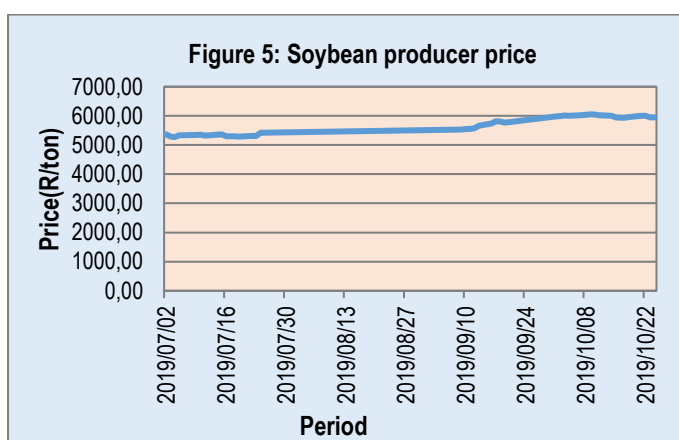
Source: SAFEX, accessed from SAGIS

Figure 4 above depicts producer prices for wheat from July 2019 until October 2019. Figure 4 shows that the producer prices for wheat opened with R4 500/ton in July 2019 and reached a maximum at R4 847/ton during September 2019. The producer prices for wheat showed mixed trends but traded mostly higher than R4 400/ton. The lowest producer price was R4 433 during October 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.

Figure 5 below depicts the producer price for soybean during 2018/19 marketing season. Soy bean producer prices opened higher with just above R5 400/ton in July 2019. However the producer price for soy bean continued to increase until it reached its peak of R5 800/ton in October. Over the period under review the producer price for soy bean ranged between R5 400/ton and R5 800/ton.

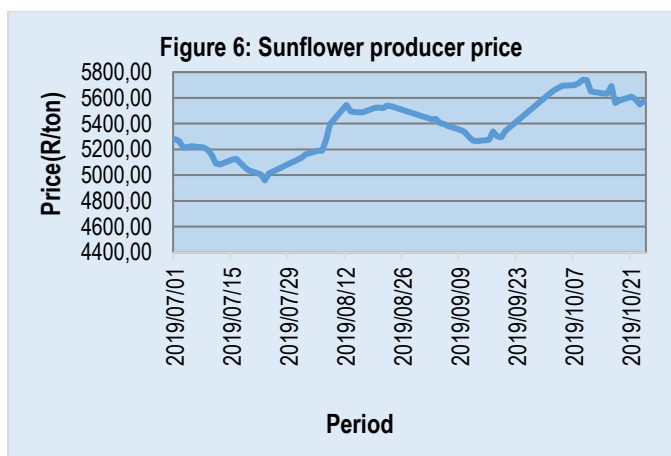
3.4 Soya Beans



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 regions.

3.5 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 6 above shows that the opening producer price for sunflower seed during 2018/19 marketing season was above R5 200/ton. Sunflower producer price showed some

fluctuation throughout the review period with a lowest producer price of R4 959/ton and a highest of R5 650/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 October 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 July 2019. Sunflower closing producer price was R5 5745/ton in October 2019 and the opening producer price was R5 212/ton in July 2019. When comparing the producer prices for soy bean and sunflower, even though both the commodities depicts almost similar trends, sunflower traded higher than soy bean during the review period.

Soy bean local prices traded higher despite poor weather conditions in the central and western summer grain regions.

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, respectively. Wheat market opened higher with July wheat contracts trading 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 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 N/A in May. The producer price for sorghum show 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, 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 narrowly 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 2019, 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 2019, 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 2019, 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 2019 followed by an additional tariff of 5 percent in July 2019 on yellow soybeans.

Across the board:

- On 27 September 2019, Australia announced an aid package of AUD 100 million (USD 67.5 million) for farmers and communities affected by severe drought.
- On 13 September 2019, 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 2019, 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), Sintofen (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
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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