



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

Grain Markets Early Warning Report



No. 1 of 2016

Overview

- Production volumes for maize are projected to decline significantly due to drought in major producing regions. Supply for wheat is projected to decline on the back a decline in production volumes.
- The inventories for maize to decline on the back of lower production while those for soybean; sorghum and wheat are projected to increase significantly resulting from higher production and import volumes. However the total supply for maize is still expected to be sufficient to meet the local demand, although this might be eroded by lower production volumes in 2016/17 marketing season.
- Prices for soya beans are projected to decline slightly in the short run in response to a comfortable supply outlook while prices for sunflower are expected to drop slightly between May 2016 and July 2016.
- Prices for sorghum are expected to decline slightly in May 2016. However, they are projected to remain the same in July 2016 and continue to increase to R3 700.00/ton in September 2016.
- According to the CEC, as of January 2016 commercial plantings for maize for 2016 are estimated at 1.995 million ha, which was 21.78% or 555 650 ha less than the intensions to plant 2,551 million ha released in October 2015. The resultant crop is estimated at above 7 million tons.

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1. Domestic Supply-Demand Outlook

1.1 Maize

Marketing Season: April to May	Actual for 2014/15	Projection 2015/16 (Feb 2016)	Projection 2016/17 (Feb 2016)
Production	13 827 632	9 481 650	7 438 250
Opening Stocks	589 028	2 073 635	1 673 329
Total Supply	14 508 063	12 910 329	12 491 579
Total Demand	12 434 428	11 242 000	11 200 000
Closing Stocks	2 073 635	1 668 329	1 291 579
Days' stock	76	60	47

Source: NAMC, Supply and Demand Estimates Committee

1.2 Sorghum

Marketing Season: March to April	Actual for 2014/15	Projection 2015/16 (Jan 2016)	Projection 2015/16 (Feb 2016)
Production	261 507	114 000	116 500
Opening Stocks	50 069	121 812	121 812
Total Supply	320 301	274 012	274 012
Total Demand	198 489	203 860	204 160
Closing Stocks	121 812	70 152	69 852
Days' stock	279	153	152

Source: NAMC, Supply and Demand Estimates Committee

1.3 Wheat

Marketing Season: October to Sept	Actual for 2014/15	Projection 2015/16 (Jan 2016)	Projection 2015/16 (Feb 2016)
Production	1 699 546	1 469 190	1 501 190
Opening Stocks	488 526	596 823	596 823
Total Supply	4 035 664	4 026 013	4 026 013
Total Demand	3 438 841	3 485 500	3 310 500
Closing Stocks	596 823	540 513	715 513
Days' stock	70	63	83

Source: NAMC, Supply and Demand Estimates Committee

1.4 Soya Beans

Marketing Season: March to February	Actual for 2014/15	Projection 2015/16 (Jan 2016)	Projection 2015/16 (Feb 2016)
Production	948 000	1 027 850	1 059 850
Opening Stocks	61 806	63 704	63 704
Total Supply	1 084 506	1 269 554	1 269 554
Total Demand	1 020 802	1 127 100	1 122 100
Closing Stocks	63 704	142 454	147 454
Days' stock	23	47	49

Source: NAMC, Supply and Demand Estimates Committee

- Production:** The maize crop for 2016/17 is estimated at 7.43 million tons, which is 21.55% lower compared to February 2016's forecast. According to the report released by the Crop Estimates Committee in January 2016, commercial producers intended to plant 1,995 million ha of **maize** for 2016 marketing, which is 21.78% less than what was planted last season (2015). Maize projections for the 2015/16 marketing season were at 9.4 million tons, showing a 31.43% decline from the 2014/15 projections of 13.8 million tons
- The 2016/17 season is projected to close with about 1.29 million tons, which is a sufficient enough to provide a buffer stock to the market for about 60 days after the end of the current marketing season.
- Sorghum **production volume** for 2016/17 marketing season is projected to decline by 55.45% compared to 2014/15.
- Although sorghum production volumes for the current season are projected at lower levels, the larger carryover stocks from the previous season (2014/15) are expected to boost the domestic supply situation.
- The closing stocks in the current season are expected to decline significantly compared to the previous season. However this is above the pipeline requirement. The local market is therefore expected to be in a comfortable situation with regard to sorghum in 2016/17 marketing season.

Production volumes for wheat are projected to increase by 2.18% in 2016/17 season compared to the previous season on the back of slight increases in area planted.

- Wheat supply is expected to increase slightly, driven mainly by influx of imports originating from the Black Sea Region. The total supply is expected to decrease by 0.24% in the 2015/16 marketing season.
- On the other hand, demand for wheat is projected to decline marginally driven by a decline in quantities of wheat exported to other regions.
- The closing inventories for wheat are expected to increase slightly compared to the previous season.
- Production volume** for soya beans is projected to increase slightly in 2016/17 season compared to 2015/16 (3.11%). The 2015/16 production forecast for January 2016 is slightly lower compared to the January 2016 forecast.
- Supply** for the product is projected to remain constant in 2016/17
- The demand** is also expected to decrease marginally irrespective of the huge increase in crushing volumes.

The local crushing for soybean increased significantly in recent years due to investments that were made in

crushing facilities.

1.5 Sunflower

Marketing Season: April to May	Actual for 2014/15	Projection 2015/16 (Jan 2016)	Projection 2015/16 (Feb 2016)
Production	833 165	660 900	660 900
Opening Stocks	47 116	92 927	92 927
Total Supply	949 409	798 827	798 827
Total Demand	856 482	756 950	757 260
Closing Stocks	92 927	41 877	41 567
Days' stock	40	20	20

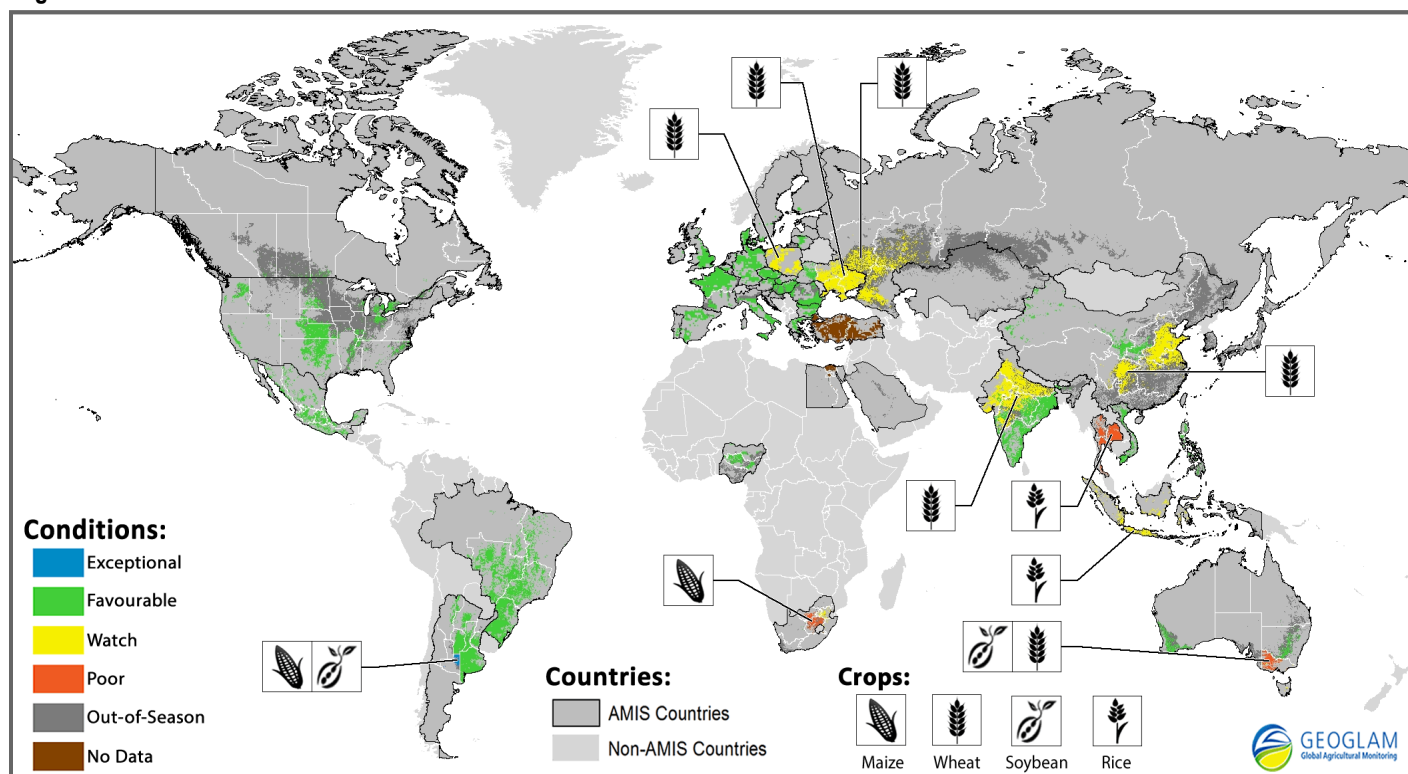
Source: NAMC, Supply and Demand Estimates Committee

- Sunflower **production volume** for 2016/17 marketing season was projected (in February 2016) to decline by 20.67% compared to 2014/15 for the same reasons as maize. In October 2015 the production volumes for 2015/16 were revised slightly upwards compared to the July 2015 forecast.
- Although sunflower production volumes for the current season are projected at lower levels, the larger carryover stocks from the previous season (2014/15) are expected to boost the domestic supply situation.
- On the other hand, demand for sunflower seed was revised slightly upwards in January 2016 compared to October 2015.
- The closing stocks for sunflower are expected to stay the same as the previous season.

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 February 2016). For the purpose of this report the focus will be on maize, wheat and soya beans.

Figure 1



Source: GEOGLAM

Wheat - Conditions in the southern hemisphere remain mixed as the season draws to a close. However, in the northern hemisphere conditions are overall favourable for the dormant crop with the exception of India. In Australia, harvest is almost complete with unfavourable end of season conditions. In Argentina, harvest is complete with variable end-of-season conditions. In the EU, the extremely mild weather of last December delayed the hardening of winter crops and intense cold temperatures in January combined with shallow snow cover caused some frost damage in Eastern Europe. In the US, the crop is dormant and progressing without major concern. In China, conditions are variable for the wintering crop. Crop conditions in the northern part of China are in favourable condition but unfavourable conditions exist in the eastern and southern regions caused by continuously rainy weather and lack of sufficient sunlight. In the Russian Federation, warm temperatures followed by colder and drier than usual weather is causing some concern. In Canada, conditions remain favourable; however there is an increased risk of winterkill due to low snow cover in the southern prairies, especially in Alberta and Saskatchewan. However, the absence of prolonged or rapid cooling in these areas suggests that any damage to date likely minimal. In India, conditions are mixed due to dryness affecting the main producing region. The crop is in vegetative stages. In Ukraine, there is concern as conditions prior to winter dormancy were worse than average due to severe autumn dryness, which caused planted area to be down. Winter damage will be assessed in the spring.

Maize - The northern hemisphere is largely out of season with the exception of India and Mexico while the season in the southern hemisphere is in full swing with largely favourable conditions. In Brazil, planting begun for the summer-planted crop (the larger producing season) and conditions are favourable during this early stage. The spring-planted crop is largely in the reproductive stage and conditions are favourable for crop development. In Argentina, conditions are

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

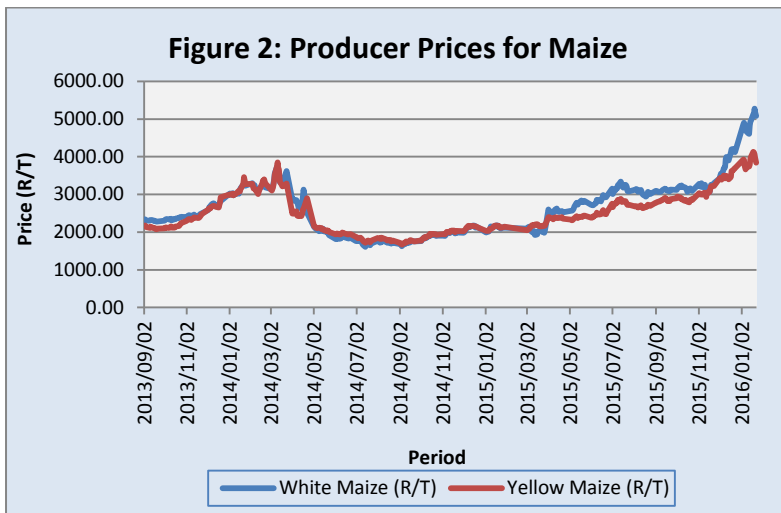
favourable owing to mostly good weather. The crop is mostly in the vegetative to reproductive stages. In South Africa, hot and dry conditions during November and December across the western half of the production region resulted in poor conditions. Wet conditions since early January will have a positive impact although area planted is down. In India, harvest has begun and conditions are favourable. In Mexico, conditions are favourable for the spring-planted crop that is in vegetative to harvest stages. Planting has begun for the autumn-planted crop and conditions are favourable.

Soybeans - Conditions in the southern hemisphere are generally favourable. The northern hemisphere is currently out of season. In Brazil, the crop is largely in the reproductive stage and is in generally favourable condition. Some planting delays occurred throughout the country due to below-average rainfall during previous months but overall conditions are currently favourable for development. In Argentina, planting is almost complete and conditions are generally favourable for both the spring and summer planted crops.

El Niño update _ The El Niño of 2015-2016 peaked in late November-early December, but remains strong and will only decline to neutral around June. The growing season in South Africa has been characterized by severe drought, with many crop growing areas having their driest early season since 1981. As a consequence, maize production is projected to be down by 35 percent compared to average, and imports to the region will be required to meet needs both nationally and in neighbouring countries that are likewise drought stricken. Drought is expected to continue in Southeast Asia and across northern South America, including northeast Brazil. The southeast of Brazil and Uruguay, on the other hand, should continue to have abundant rainfall. In the U.S., the western and southern states are expected to continue to experience above average precipitation. This is benefiting California, though one good season will be insufficient to reverse the impacts of the multi-year 2012-2015 drought. The Great Lakes region, conversely, is projected to continue to experience drier than normal conditions, as are the southern parts of the Canadian Prairie Provinces. No impacts are anticipated across Europe and western Russian Federation.

3. Commodity Prices

3.1 Maize



Source: SAFEX, accessed from SAGIS

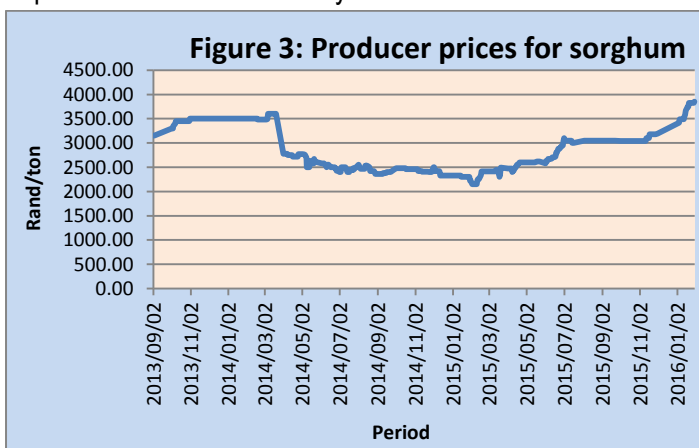
Figure 2 above shows maize producer prices for the period starting from 2013/14 to 2016/17 marketing season. The figure shows that producer prices for maize were generally moderate in 2013/14 season producer prices for both yellow and white maize started increasing October 2013 and continued on an increasing trend until January 2014.

The prices remained at higher levels until the end of 2013/14 marketing season due to the lower maize stocks in the domestic market. The producer price for maize dropped significantly in May 2014 and June 2014 mainly due to producer deliveries that started reaching the market at the beginning of the new marketing season (2014/15).

The figure further shows that the prices of both yellow and white maize began to show an increasing trend from February 2015 until the end of January 2016. It can also be noted from the figure that yellow maize prices are generally below white maize prices. The increase in maize prices may be explained by the decline in maize production during the current season.

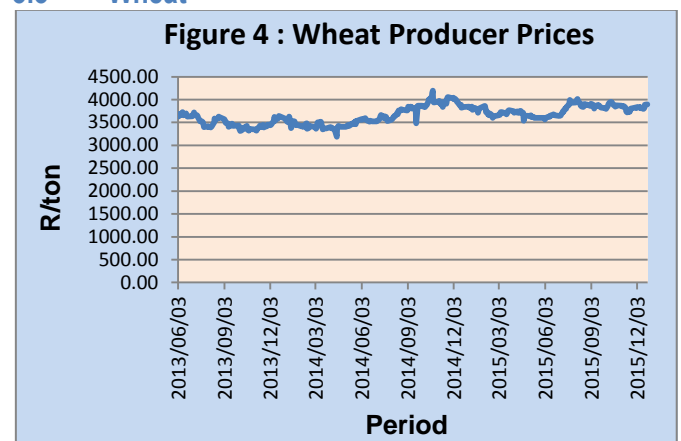
3.2 Sorghum

Figure 3 below shows producer prices for sorghum starting from September 2013 until January 2016. Sorghum traded relatively higher in March 2014 and this was followed by slight decrease in April 2014. The price decrease continued until April 2015 when prices started picking up. In general, the producer price for sorghum ranged between R3 150.00/ton and R3 850/ton between September 2013 and January 2016.



Source: SAFEX, accessed from SAGIS

3.3 Wheat

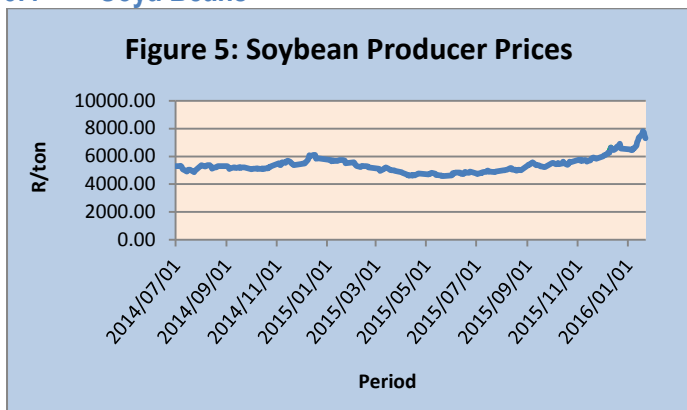


Source: SAFEX, accessed from SAGIS

Figure 4 above indicates that wheat producer prices were relatively lower in July 2013. The price showed an increasing trend from August 2013 reaching a peak in December 2014. Moderate declines in prices were experienced from April 2014 until November 2014. The period under review closed with high producer price for wheat in December 2015. Wheat prices are expected to remain relatively high in the next few months.

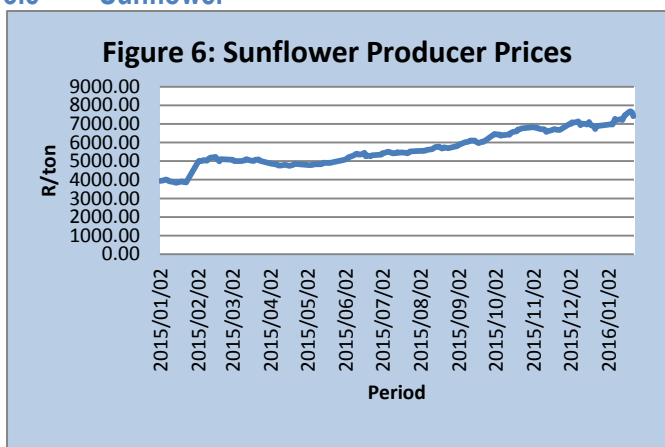
International prices for wheat declined slightly on the back of significant improvement in global stock levels.

3.4 Soya Beans



Source: SAFEX, accessed from SAGIS

3.5 Sunflower



Source: SAFEX, accessed from SAGIS

Figure 5 shows that the 2013/14 marketing season opened with lower prices for soybeans in June 2013. The figure displays a great fluctuation in the producer price for soya beans. The price ranged between R5 290.00/ton and R7 300.00/ton over the period under consideration. The price closed on a relatively high trend during January 2016. In the international markets, Soybean prices are projected to decline as Brazil and Argentina's soybean crop is anticipated to be at record highs.

Figure 6 shows that the 2013/14 marketing season opened with moderate prices in October 2013. Similar to soybean prices, Figure 6 also displays a great fluctuation in the producer price for sunflower. The price ranged between R3 940.00/ton and R7 415.00/ton over the period (January 2015 to January 2016) under consideration. The price closed on a relatively high trend during the first quarter of 2016. The price for sunflower was at its lowest in January 2015 at R3 841.00/ton and it peaked in January 2016 at R7 665.00/ton.

3.6 Futures Prices

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

Table 1

Commodity	Future Prices (2012/02/04) (R/T)			
	Mar-16	May-16	Jul-16	Sept-16
White maize	5136	5000 ▼	4882 ▼	4890 ▲
Yellow maize	3800	3631 ▼	3585 ▼	3615 ▲
Wheat	4947	5016 ▲	5040 ▲	5003 ▼
Sunflower	7300	6800 ▼	6720 ▼	6800 ▲
Soybeans	6921	6513 ▼	6543 ▲	6588 ▲
Sorghum	3823	3650 ▼	3650 ▬	3700 ▲

Source: SAGIS

As of 04 February 2016, the March 2016 contracts for white and yellow maize traded at R5 136.00/ton and R3 800.00/ton respectively. The May 2016 and July 2016 traded relatively lower for both white and yellow maize compared to March 2016 contracts. Wheat contracts generally displayed a mixed trend; with May 2016 contracts trading at an average of R5 016.00/ton followed by an increment in July 2016 and a decline in September 2016. The contracts for sunflower show instability in trends trading at R6 800.00/ton in May 2016 and declining further to trade at R6 720.00/ton in July 2016. However, the contracts for sunflower increased in September 2016 to trade at R6 800.00/ton. On the other hand, the contracts for sorghum show some stability resulting in plentiful supply, while contracts for soybeans display some mixed trends.

4. Global Market Outlook

4.1 World Prices

Wheat: A mostly bearish tone persisted in world export markets, with sustained pressure from heavy supplies and strong competition for any export business. There was occasional mild underpinning from worries about the next crops in some regions, but prospects for global 2016/17 output are mostly considered favourable. Currency movements continued to have a marked impact on the relative competitiveness of exporters. With the harvest complete, Argentina's export prospects have been aided by the removal of export taxes and the floatation of the peso. Egypt's General Authority for Supply Commodities (GASC) recently secured milling wheat from Argentina for the first time in around three years and there were reports of accelerating shipments of low/medium grade wheat to Asian feed manufacturers. In late January, markets responded to rumours that Russia was considering adjustments to wheat export taxes, but no changes were announced.

Maize: The average of the IGC GOI maize sub-Index fell amid large spot availabilities and subdued international demand, with prices at their lowest since June 2010 at times. While South African markets rallied sharply on deepening concerns about drought, gains failed to spill over into the wider world market. Losses in Argentina were especially pronounced, as farmer selling accelerated in reaction to the currency depreciation and announced changes to grain export taxes and licensing. Average US prices were down slightly m/m, with concerns about slow export demand mostly offsetting support from flood-related river transport difficulties. Black Sea quotations dropped on increasing global competition, mainly from South America, but also from rising trade in feed wheat

Soybeans: Global export prices fell by around one percent over the past month as improving weather eased worries about prospects for 2015/16 production and availabilities in South America, despite the likelihood of harvest delays in Brazil. Heightened concerns about the outlook for the world economy and associated losses in external markets, including crude oil and equities, also pressured, outweighing light support from international demand, including for US old crop supplies, and currency movements. Ongoing flood-related logistical problems in the Midwest remained mildly supportive towards the end of the month.

4.2 Policy Developments

Wheat

- From 1 January 2016 a permit is required for genetically modified wheat field trials in the United States. This follows the discovery of unauthorised genetically modified wheat cultivated in the United States in 2013 and 2014.

Maize

- India issued import licenses for a volume of 500,000 tons of maize free of duty. The imports had not taken place at the time of this report.
- Indonesia issued import permits for 2.4 million tons for 2016, down by 0.6 million tons from 2015 levels

Soybeans

Argentina announced that the export duty on soybeans was reduced from 35 percent to 30 percent and taxes on soy meal and soy oil exports reduced from 32 percent to 27 percent. A simplified import procedure will apply to soybeans imported for processing before exports whereby the obligation to register imports is removed.

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

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