



# agriculture, forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA

## THE SOUTH AFRICAN GRAIN MARKETS QUARTERLY EARLY WARNING REPORT

NO. 01 OF 2014

### 1. SUMMARY

The domestic closing stocks for maize in the current season are expected to decline by about 42.55% on the back of lower production volume and high demand. Producer prices for maize are expected to continue increasing until the end of the current marketing season due to tight stocks. The sorghum stocks are expected to increase slightly to about 61 thousand tons while the price is expected to stabilize owing to producer deliveries for the new marketing season. Maize, wheat and soybean are expected to close with inventories below the pipeline requirements while sorghum stocks are projected to be at ideal levels. Wheat and soybean stocks are expected to increase slightly due to slight expansion in supply base.

Geopolitical tensions in the Black Sea region and recent developments in Ukraine, in particular, are increasing uncertainty in global grain markets. These tensions have further added to the already rising wheat prices due to global weather impacts.

### 2. MAIZE

#### 2.1 Maize Balances

Table 1: Domestic Stocks for Maize as at 01 April 2014

Marketing Season: May to April	Actual for 2012/13	Projection for 2013/14	Projection for 2014/15	10 year Average
	Tons		Tons	
Production	12 121 000	11 690 000	12 954 900	10411266
Opening Stocks	994 000	1 417 000	466 604	3352000
Producer Deliveries	11 929 000	11 092 604	12 434 900	9888000
Imports	11 000	83 000	0	374800
<b>Surplus</b>	42 000	40 000	53 000	36600
<b>Total Supply</b>	<b>12 976 00</b>	<b>12 638 604</b>	<b>12 954 504</b>	<b>13651400</b>
Local demand	9 613 000	9 942 000	10 087 000	8772300
Exports	1 946 000	2 230 000	1 775 000	1585500
<b>Total Demand</b>	<b>11 559 000</b>	<b>12 172 000</b>	<b>11 862 000</b>	<b>10357800</b>
<b>Closing Stocks</b>	<b>1 417 000</b>	466 604	1 092 504	3293600
<b>Processed p/month</b>	744 583	772 417	787 833	697828
<b>Days' stock</b>	57	18	42	150

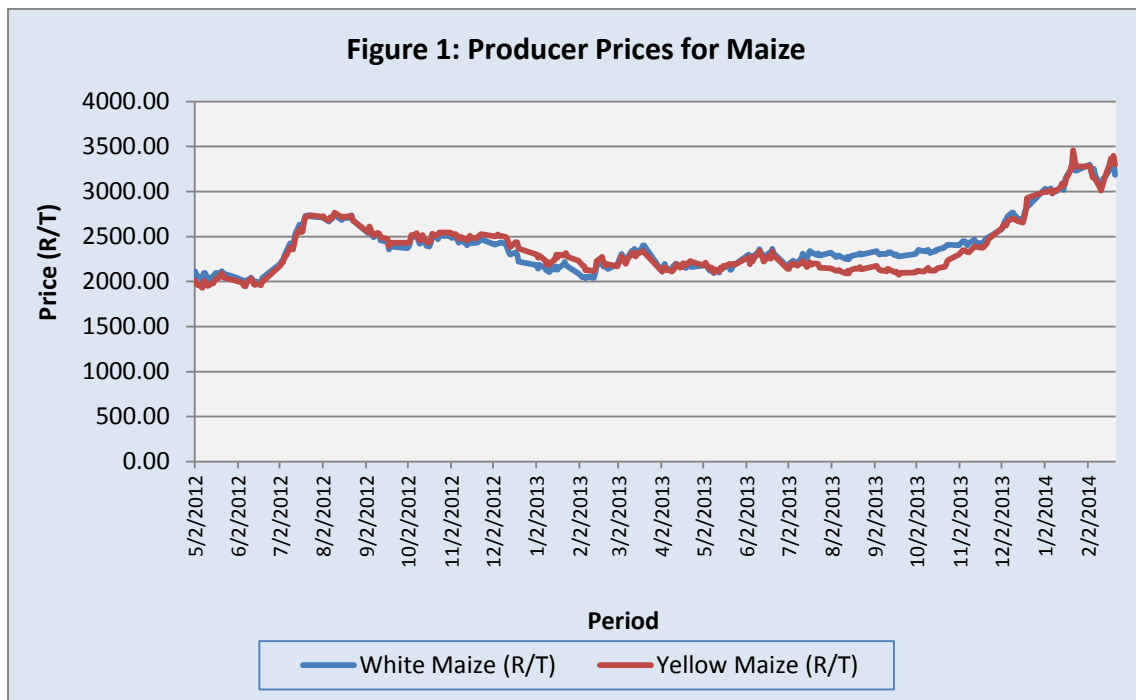
Source: NAMC, Demand and Supply Estimates Committee

Table 1 above shows that the current marketing season (2013/14) opened with higher maize stocks in May 2013. The opening maize stocks for the current season are 42.55% higher than the opening stocks for the previous marketing season (i.e. 2012/13). Maize production in 2013/14 is projected to decrease by 3.55% compared to the volumes of maize produced in 2012/13. The total supply for maize in the current season is projected to stand at about 12.64 million tons and this represents a decline of about 2.62% compared to what was supplied to the local market in the previous season, and a decline of 7.40% compared to the ten year average maize supply. On

the other hand, the projected demand for the current marketing season (2013/14) is 12.17 million tons. This represents an increase of about 5.28% compared to the maize demand for the previous season.

According to Table 1, the maize stocks are projected to close at about 466 thousand tons in 2013/14 marketing season (30 April 2014) and this is 67.07% lower compared to the stock levels at the end of 2012/13 marketing season and 85.83% lower than the ten year average. At an average processed quantity of 772 thousand tons per month, this represents available stock for 18 days. This is very low considering the fact that that a norm for stock holding in South Africa in a normal marketing season is 45 days. This implies that the projected stock levels for 2013/14 season are very low and this might lead to higher producer prices for maize.

## 2.2 Maize Prices



Source: SAFEX, accessed from SAGIS

Figure 1 above shows maize producer prices for the period starting from 2012/13 to 2013/14 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 December 2013. The prices are expected to continue increasing until the end of the marketing season due to the lower maize stocks in the domestic market.

### 3. SORGHUM

#### 3.1 Sorghum Balances

**Table 2: Domestic Stocks for Sorghum as at 01 April 2014**

Marketing Season: April to May	Actual for 2013/14	Projection for 2014/15	10 year Average
Production	147 200	228 450	214330
	Tons	Tons	
Opening Stocks	56 015	49 929	101350
Producer Deliveries	145 604	225 550	212270
Imports	50 033	0	20030
<b>Surplus</b>	0	0	700
<b>Total Supply</b>	<b>251 652</b>	<b>275 479</b>	334350
Local demand	182 890	184 200	198910
Exports	18 833	30 000	34100
<b>Total Demand</b>	<b>201 723</b>	<b>214 200</b>	<b>233010</b>
<b>Closing Stocks</b>	<b>49 929</b>	<b>61 279</b>	101340
<b>Processed p/month</b>	14 210	14 458	15671
<b>Days' stock</b>	107	129	30

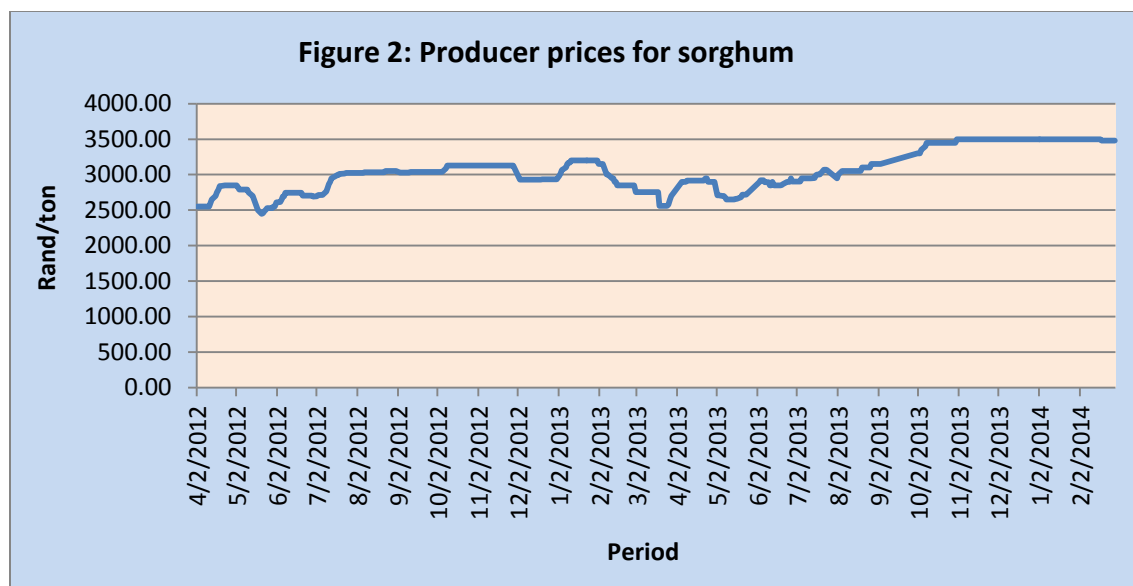
Source: *Economic Analysis & Statistics, \*Projection*

Table 2 above shows the balance sheet for sorghum covering the period 2013/14 to 2014/15 marketing seasons. The table shows that sorghum stocks opened about 10.86% lower in the current season compared to the opening stocks of the previous season. The production volume for the current season is estimated at about 228 thousand tons. This is an increase of about 55% compared to what was produced during 2013/14 marketing season. Although the total sorghum supply is projected to increase by 9.46%, the closing stocks for the product are projected to experience an increase of 22.7% mainly due to the fact that the total supply increased more rapidly compared to the demand.

The projected closing stocks are 61 279 tons above the pipeline requirements while the actual closing stocks for the previous season were 49 929 tons above the pipeline requirements. This implies that the projected surplus levels are 22.7% higher compared to those of the previous season.

#### 3.2 Sorghum Prices

Figure 2 below shows producer prices for sorghum starting from April 2012 until February 2014. Sorghum traded relatively lower in April 2013 and this increased slightly in May 2013. In general, the producer price for sorghum ranged between R2 450/ton and R3 500/ton between April 2012 and February 2013. The lowest price was recorded in May 2012 while the highest was experienced in February 2014. The period under review closed with relatively higher and stable producer prices for sorghum in February 2014 and the price is expected to remain high for the next few months until the next marketing season.



Source: SAFEX, accessed from SAGIS

## 4. WHEAT

### 4.1 Wheat Balances

**Table 3: Domestic Stocks for Wheat as at 1 April 2014**

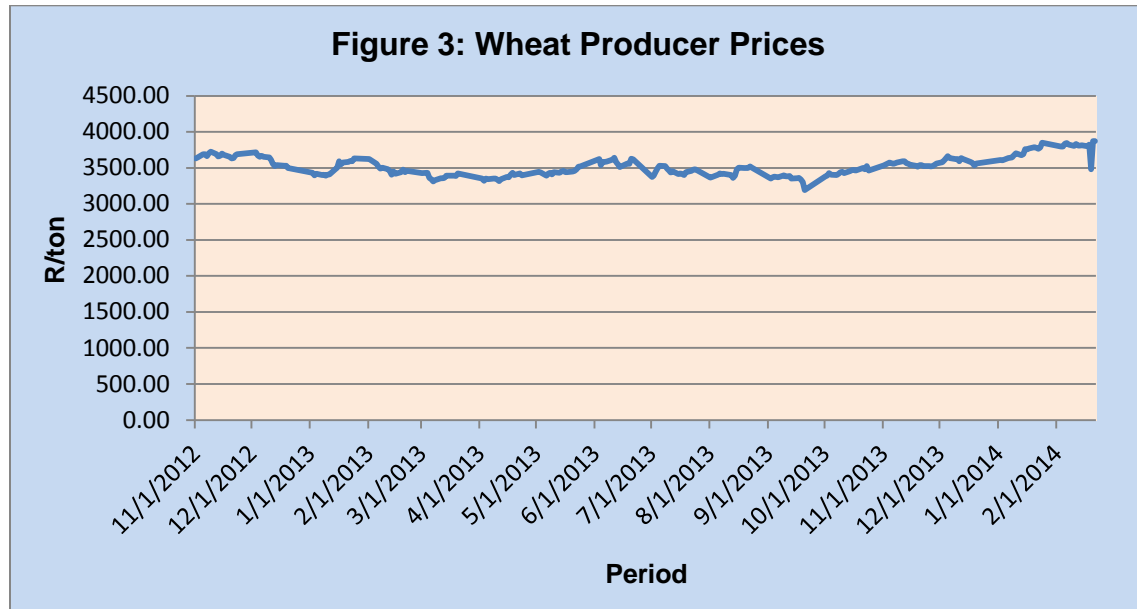
Marketing Season: April to May	Actual for 2013/14	Projection for 2014/15	10 year Average
	Tons	Tons	
Production	1 870 000	1 804 450	1852 800
Opening Stocks	651 180	489 253	593818
Producer Deliveries	1 837 137	1 799 450	1823 514
Imports	1 393 215	1 650 000	1274 022
<b>Surplus</b>	0	12 000	10300
<b>Total Supply</b>	<b>3 881 532</b>	<b>3 950 703</b>	<b>3701653</b>
Local demand	3088043	3196010	2938304
Exports	304 236	240 000	210324
<b>Total Demand</b>	<b>3 392 279</b>	<b>3 436 010</b>	<b>3148628</b>
<b>Closing Stocks</b>	<b>489 253</b>	<b>514 693</b>	553025
<b>Processed p/month</b>	253 341	262 501	2409041
<b>Days' stock</b>	59	60	69

Source: Statistics and Economic Analysis

The projected wheat production volume for the current marketing season (2014/14) dropped by about 3.5% compared to the volumes of wheat produced in the previous season (1.87 million tons). The current marketing season opened with the wheat stocks of about 489 253 tons which is 24.86% lower compared to the opening stocks of the previous season. The projected wheat supply increased by about 1.78% compared to the previous season, Domestic wheat demand is projected to increase by 1.29% while at same time the wheat stocks are expected to close by 5.19% higher compared to the previous season. The projected closing stock is 514 693 tons.

## 4.2 Wheat Prices

Figure 3 below indicates that the marketing season for wheat opened with relatively higher producer price for wheat. The price was generally stable between March 2013 and June 2013. The period under review closed with a higher producer price for wheat in February 2014. According to SAFEX future prices, the prices are expected to increase into the first quarter of 2014 due to shortages in the domestic stocks for the product.



Source: SAFEX, accessed from SAGIS

## 5. SOYBEAN

### 5.1 Soybean Balances

Table 4: Domestic Stocks for Soybean as at 1 April 2014

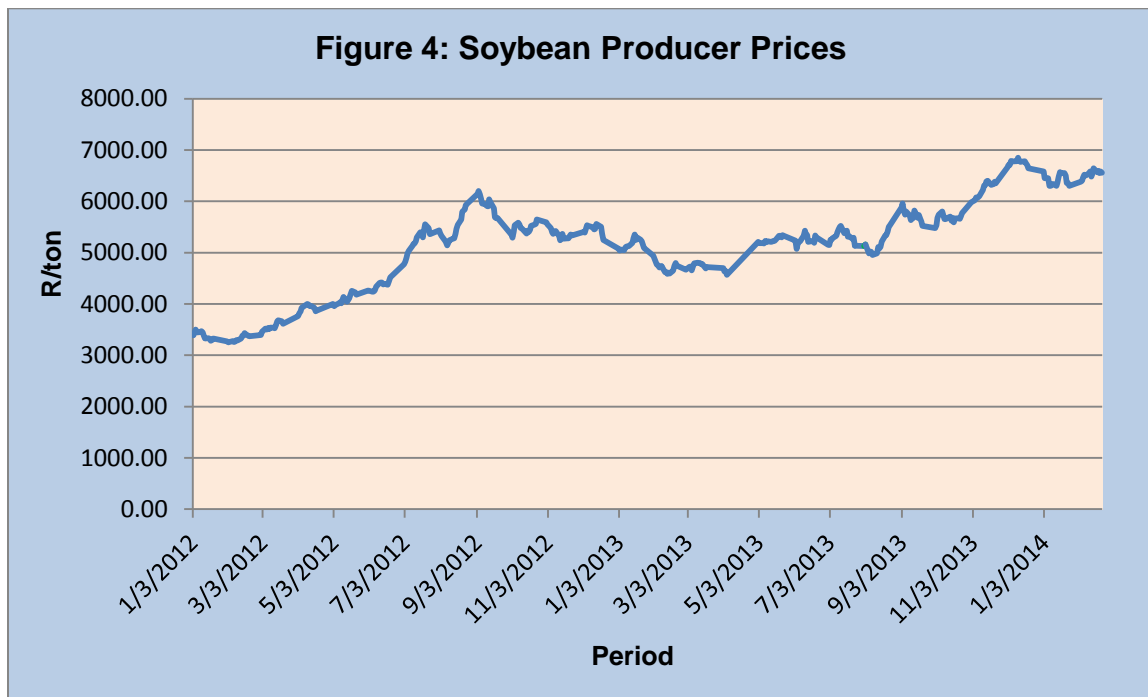
Marketing Season: April to May	Actual for 2013/14	Projection for 2014/15	10 year Average
	Tons	Tons	
Production	784 500	867 700	398200
Opening Stocks	68 639	62 738	75960
Producer Deliveries	759 055	837 700	382979
Imports	3 256	70 000	20300
<b>Surplus</b>	<b>2 572</b>	<b>2 500</b>	<b>1625</b>
<b>Total Supply</b>	<b>833 522</b>	<b>972 938</b>	<b>480864</b>
Local demand	755 394	881 700	355714
Exports	15 390	15000	50002
<b>Total Demand</b>	<b>770 784</b>	<b>896 700</b>	<b>405716</b>
<b>Closing Stocks</b>	<b>62 738</b>	<b>76 238</b>	<b>75148</b>
<b>Processed p/month</b>	<b>61 770</b>	<b>72 333</b>	<b>28690</b>
<b>Days' stock</b>	<b>31</b>	<b>32</b>	<b>81</b>

Source: Statistics and Economic Analysis

Table 4 above shows that the current marketing season (2014/15) opened with the soybean stocks of 62 738 tons in April 2014. The opening stocks for the current season are 8.59% lower than the opening stocks for the previous marketing season (i.e. 2013/14). On the other hand soybean production for the current season increased by 10.60% compared to the volumes harvested in the previous marketing season. The total supply for the current season is projected at about 972 938 tons and this represents an increase of about 16.7% compared to what was supplied to the local market in the previous season. On the other hand, the projected demand for the current marketing season is 896 700 tons. This represents an increase of 16.3% compared to total demand for the product in the previous season. The soybean stocks are projected to close at about 76 238 tons in the current season, and this is about 21.51% higher compared to the closing stock levels in the previous marketing season.

## 5.2 Soybean Prices

Producer prices for soya beans are presented in Figure 4 below. This covers the period ranging from March 2012 until March 2014.



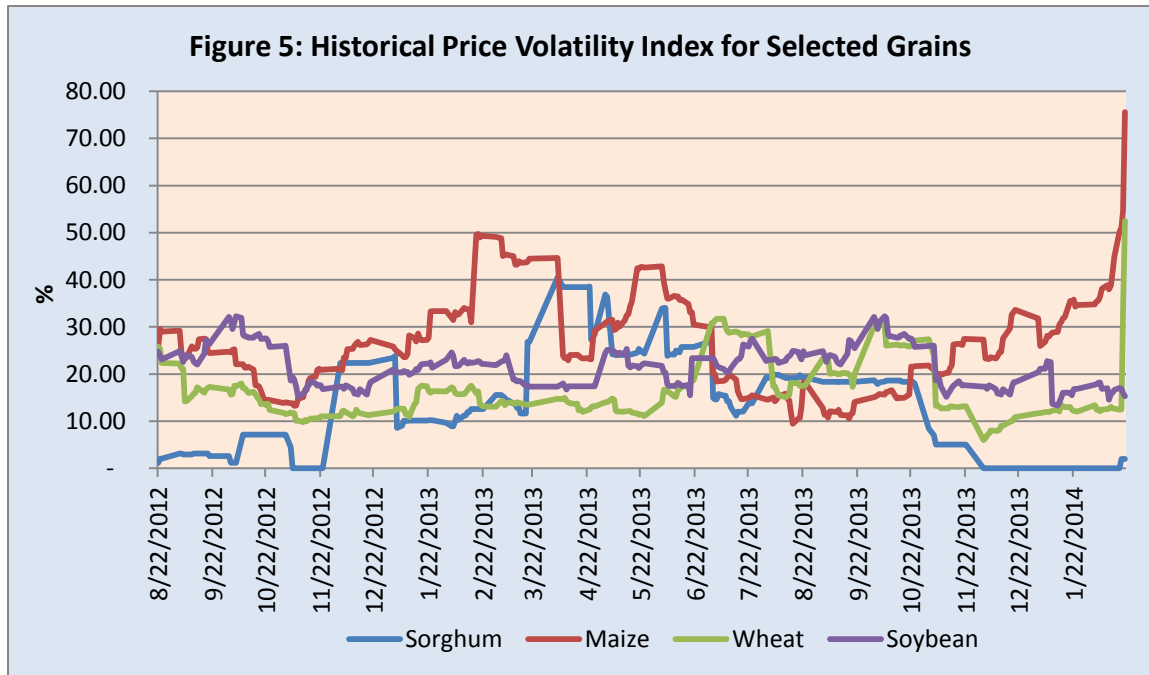
Source: SAFEX, accessed from SAGIS

Figure 4 above shows that the 2012 marketing season opened with lower prices for soybeans in March 2012. The figure displays a great fluctuation in the producer price for soya beans. The price ranged between R3 250.00 and R6 700.00 over the period under consideration. The price closed on a relatively high trend between in March 2014.

## 6. PRICE VOLATILITY

Figure 5 below presents Historic Price Volatility for maize, wheat, soybean and sorghum. For the purpose of this document, volatility is defined as the standard deviation from the mean over a twenty (20) day period. Figure 5 indicates that, on average maize and soybean were the most volatile of the four commodities covered in the figure. Volatility index declined for sorghum, wheat and soya beans in the fourth quarter of 2014 and increased for maize during the same period. It

is also clear from Figure 5 that maize prices became more volatile between January 2014 and February 2014.



Source: SAFEX, accessed from SAGIS

## 7. OUTLOOK FOR THE GLOBAL MARKET

### 7.1 World Prices

**Wheat:** Despite nearby supplies and broadly favourable prospects for 2014 crops, world wheat market sentiment was more bullish during March. Price gains were mostly driven by strength in US futures, where concerns mounted about unfavourable weather for the next winter wheat crop, as well as uncertainty about political tensions in the Black Sea region.

**Maize:** Old crop export quotations in the Black Sea moved sharply higher as producers reportedly held back sales, underpinned by speculation about difficulty in obtaining inputs for spring sowing. However, export data indicated that shipments from Ukraine were continuing normally. Gains in US quotations were more modest as lower freight costs, increased country movement and improved port capacity partly offset upward pressure from brisk export demand and Black Sea political tensions.

**Soybeans:** Despite declines in the first half of March, as harvesting progressed in South America, physical soybean prices were higher on average. Tightening old crop supplies provided some support in the US, while quotations in Brazil were underpinned by worries about overly wet conditions. With less than favourable weather and crop downgrades in South America over recent months, soybean prices have risen, as the market is now not expected to be as well supplied as initially thought.

### 7.2 Policy Developments

**Bio fuels:** The government-set price for biodiesel in Argentina was raised by 17.4% to ARS 4,533 per tonne (USD 576.5) in mid-March. Earlier this year, the mandate mix had been increased from 8% to 9% in January and to 10% in February with the obligation for thermo-electric plants to use the same mix.

**Domestic measures:** Government loans will support private stockholding of rice in **Vietnam** between March and end-April 2014. On 15 April 2014, the Philippines announced that it would refurbish stocks and stabilize prices by conducting an open tender to import 800 000 tonnes of rice. Thailand continued efforts to dispose of public stockpiles, issuing tenders for a combined 1.1 million tonnes of rice. Funds accrued from the public stock sales will be used to repay farmers participating in the main-crop round of the 2013/14 paddy pledging program.

**Trade measures:** In Vietnam, the minimum export price for low grade rice (25% broken) was lowered to USD 355 per tonne, down about 3% from the previous floor price early March. This is the second time that the Vietnam Food Association (VFA) has lowered the floor price this year. South Korea increased its rice import to 408,700 tonnes in January 2014 thus reaching the maximum limit specified under the terms of a special arrangement negotiated under the WTO Agreement on Agriculture to defer the liberalization of its rice import regime until July 2014. Nigeria reiterated plans to lower import tariffs on rice, in a bid to reduce the large unofficial inflows precipitated by the 2013 imposition of a 10% duty and a 100% levy on imported husked and milled/semi-milled rice.



## 8. ACKNOWLEDGEMENTS

Acknowledgement is given to the following information sources:

1. **Directorate: Statistics and Economic Analysis**  
[www.daff.gov.za](http://www.daff.gov.za)
2. **South African Grain Information Services**  
[www.sagis.org.za](http://www.sagis.org.za)
3. **Global Agricultural Marketing Information System**  
[www.amis-outlook.org](http://www.amis-outlook.org)

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