



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

THE SOUTH AFRICAN GRAIN MARKETS QUARTERLY EARLY WARNING REPORT

NO. 02 OF 2013

1. SUMMARY

The domestic closing stocks for maize in the current season are expected to decline by about 40.94% on the back of lower production volume. Producer prices for maize are expected to remain relatively stable at the levels between R2 000.00/ton and R2 500.00/ton for most part of the current marketing season. The sorghum stocks are expected to tighten by about 42.2% while the price is expected to remain relatively higher until the end of the third quarter. Wheat and soybean are expected to close with inventories below the pipeline requirements.

On a global level, the ending stocks for maize, wheat and soybean are expected to increase marginally on the back of improved world production of these commodities. Some policy developments were observed in certain countries, which might have an impact on the world grains markets. Such developments will be discussed in detail in section 7 of this report.

2. MAIZE

2.1 Maize Balances

Table 1: Domestic Stocks for Maize as at 4 September 2013

Marketing Season: April to May	5 year Mean ¹	2012/13	2013/14* (Current Season)	Change (2013/14 vs 2012/13)	Change (2013/14 vs 5 yr Mean)
1 000 tons				%	
Opening Stocks	1 618	994	1 417	42.56	-12.42
Production	12 009	12 759	12 188	-4.48	1.49
Imports	97	11	115	945.45	18.56
Total Supply	13 332	13 764	13 605	-1.16	2.05
Consumption	9 484	10 361	11 056	6.71	16.58
Exports	2 156	1 940	1 800	-7.22	-16.51
Total Demand	11 640	12 301	12 856	4.51	10.45
Closing Stocks	1 692	1 463	864	-40.94	-48.94
Pipeline Requirements		1 094	1 130	3.29	-
Shortage/surplus above pipeline		369	-266	-	-

Source: SAGIS, and Economic Analysis & Statistics, *Projection

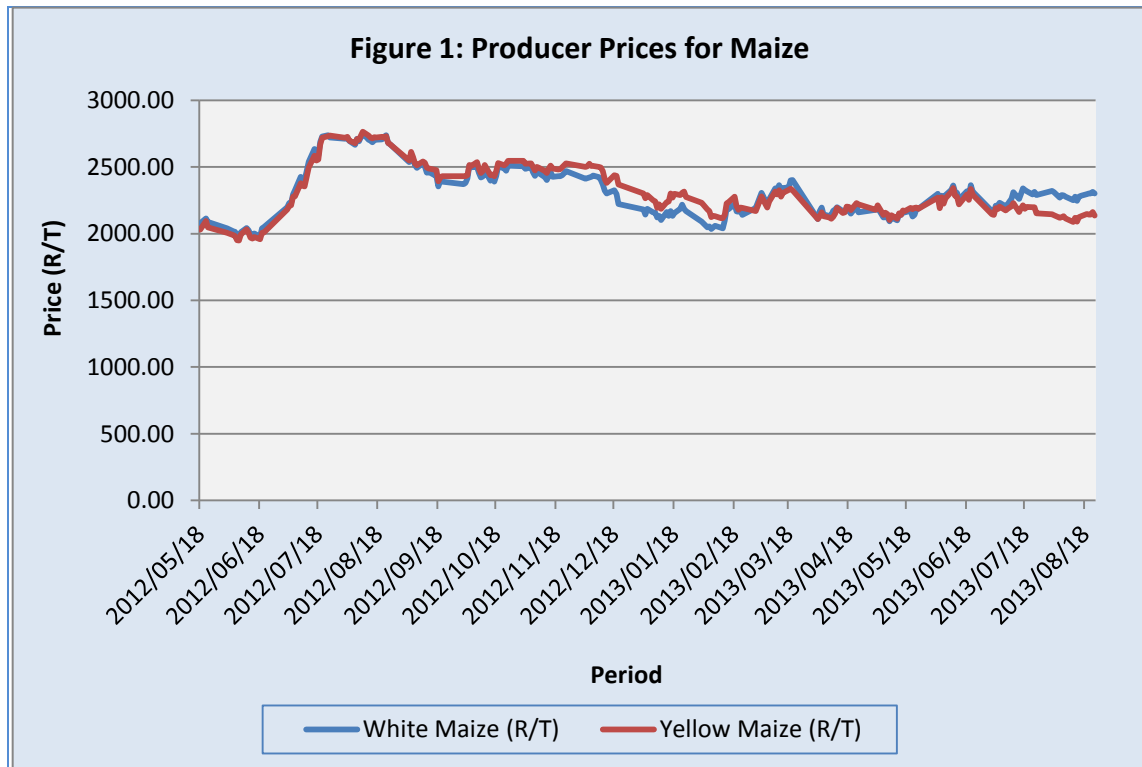
Table 1 above shows that the current marketing season (2013/14) opened with higher maize stocks in May 2013. The opening maize stocks for the current season are 42.56% higher than the opening stocks for the previous marketing season (i.e. 2012/13). Maize production in 2013/14 is expected to decline by 4.48% compared to the volumes of maize produced in 2012/13. However,

¹ Average for the period 2008/09 to 2012/13

the projected production remains 1.49% higher compared to the average production for the past five marketing seasons. The total supply for maize in the current season is projected at about 13.61 million tons and this represents a decrease of about 1.16% compared to what was supplied to the local market in the previous season, and 2.05 higher compared to the five year average maize supply. On the other hand, the projected demand for the current marketing season is 12.86 million tons. This represents an increase of about 4.51% compared to the demand during the previous season. The maize stocks are projected to close at about 864 thousand tons in the current season and this is about 40.94% lower compared to the stock levels at the end of 2012/13 marketing season and 48.94% lower than the five year average.

From Table 1 it is clear that the projected ending stocks for 2013/14 are about 266 thousand tons lower than the pipeline requirement. This implies that the domestic maize market is likely to close with a shortage of 266 thousand tons provided that the supply and demand patterns for maize do not change for the entire season. This can be attributed to the projected increase in total demand for maize and the expected decline in production volumes 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 are generally lower in 2013/14 season compared to the previous season. According to SAFEX, producer prices for maize are expected to remain relatively stable at the levels between R1930.00/ton and R2765/ton throughout the current marketing season.

3. SORGHUM

3.1 Sorghum Balances

Table 2: Domestic Stocks for Sorghum as at 4 September 2013

Marketing Season: April to March	2012/13	2013/14* (Current Season)	Change (2013/14 2012/13)	vs
	1 000 Tons		%	
Opening Stocks	52.1	48.3	-7.29	
Production	155.8	184.1	18.16	
Imports	55.0	50.0	-9.09	
Total Supply	262.9	282.4	7.42	
Domestic Consumption	195.6	220.2	12.58	
Exports	19.0	20.0	5.26	
Total Demand	214.6	240.2	11.93	
Closing Stocks	48.3	42.2	-12.63	
Pipeline Requirements	20.2	21.1	4.46	
Shortage/surplus above pipeline	28.1	21.1	-24.91	

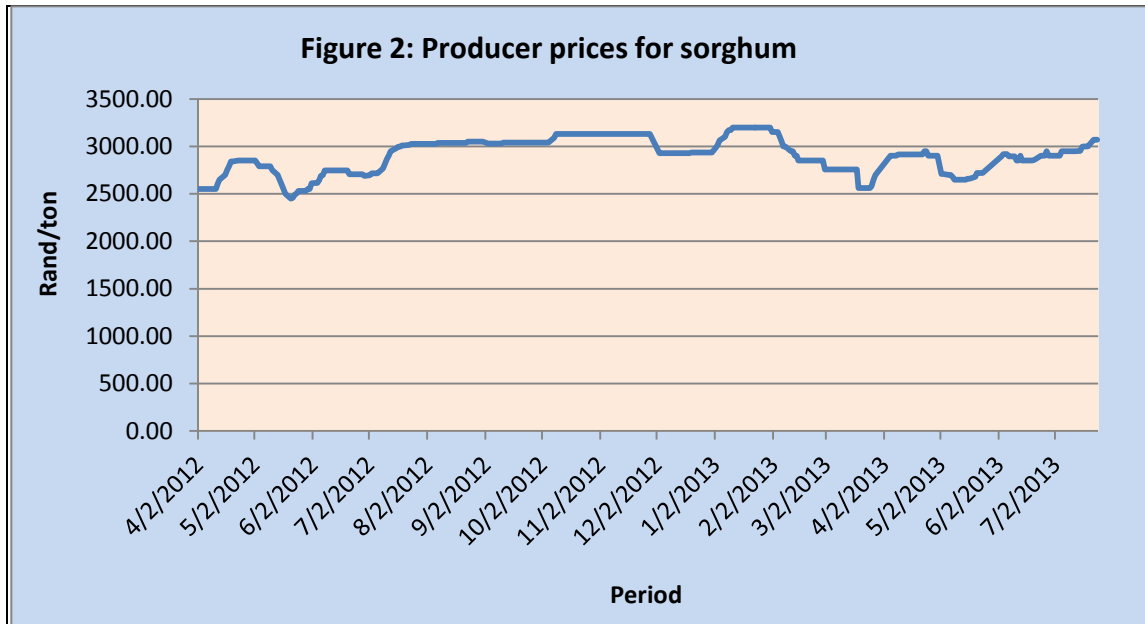
Source: *Economic Analysis & Statistics, *Projection*

Table 2 above shows the balance sheet for sorghum covering the period 2012/13 to 2013/14 marketing seasons. The table shows that sorghum stocks opened about 7.29% 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 184 thousand tons. This is an increase of about 18.16% compared to what was produced during 2012/13 season. The total sorghum supply is projected to increase to about 282 thousand tons in the current season from 263 thousand tons in the previous season. The projected closing stocks of sorghum in the current marketing season (2013/14) is 42200 tons, which is 12.63% less than the closing stock of the previous season (48300 tons). This is mainly due to the expected decline in the volume of sorghum imports and the projected increase in domestic consumption and exports.

The projected closing stocks are 21 100 tons above the pipeline requirements while the actual closing stocks for the previous season were 28 100 tons above the pipeline requirements. This implies that the projected surplus levels are 24.91% lower compared to those of the previous season.

3.2 Sorghum Prices

Figure 2 below shows producer prices for sorghum starting from April 2012 until July 2013. Sorghum traded relatively lower in April 2013 and this increased slightly in May 2013. In general, the producer price for sorghum ranged between R2 400/ton and R3 300/ton between April 2012 and July 2013. The lowest price was recorded in May 2013 while the highest was experienced between January and February 2013. The prices closed with an increasing trend in July 2013 and the price is expected to continue in a similar trend for the next few months.



Source: SAFEX, accessed from SAGIS

4. WHEAT

4.1 Wheat Balances

Table 3: Domestic Stocks for Wheat as at 4 September 2013

Marketing Season: October to September	2012/13	2013/14* (Current Season)	Change (2012/13 vs 2011/12)
	1 000 Tons		%
Opening Stocks	651	427	-34.41
Production	1 879	1794	-4.52
Imports	1 300	1700	30.77
Total Supply	2 530	3921	54.98
Domestic Consumption	3 101	3107	0.19
Exports	302	274	-9.27
Total Demand	3 403	3381	-0.65
Closing Stocks	427	540	26.46
Pipeline Requirements	651	658	1.08
Shortage/surplus above pipeline	-224	-118	

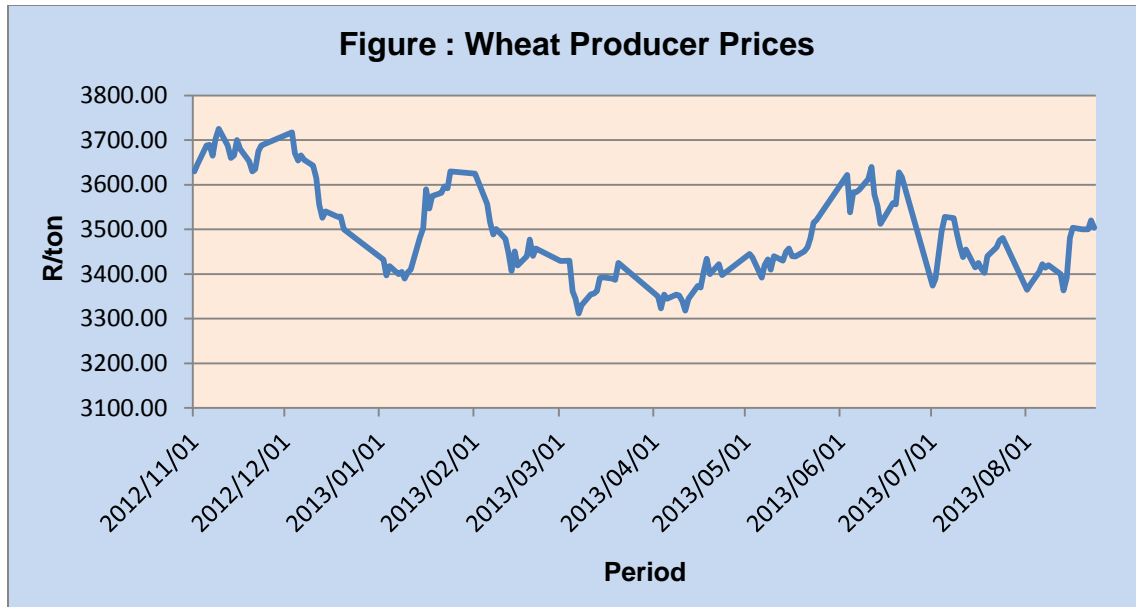
Source: Statistics and Economic Analysis

The projected wheat production volume for the current marketing season (2013/14) dropped by about 4.52% compared to the volumes of wheat produced in the previous season (1879 tons). The current marketing season opened with the wheat stocks of about 651 000 tons which is 34.4% higher compared to the opening stocks of the previous season. The projected wheat supply increased by about 54.98% compared to the previous season, mainly as a result of higher opening stocks in the current season. The domestic wheat demand is projected to fall by 0.65% while at same time the wheat stocks are expected to close 26.46% lower compared to the previous season. The projected closing stocks are 118 thousand tons less than the pipeline

requirements, implying that it might be necessary to increase wheat imports from the projected figure (1.7 million tons).

4.2 Wheat Prices

Figure 3 below indicates that the marketing season for wheat opened with relatively higher producer price for wheat in October 2013. The highest price was attained in November 2012 while the lowest was experienced in March 2013. The price for wheat remained relatively lower in July 2013 despite the projected lower stock levels. According to SAFEX wheat prices are expected to remain at moderate levels until the first quarter of 2014. The price is projected to increase slightly to the levels above R3 500/ton between the second and third quarter of 2013.



Source: SAFEX, accessed from SAGIS

5. SOYBEAN

5.1 Soybean Balances

Table 4: Domestic Stocks for Soybean as at 4 September 2013

Marketing Season: Jan to Dec	2012	2013* (Current Season)	Change (2012 vs 2013)
	1 000 Tons		%
Opening Stocks	306.1	175.9	-42.54
Production	651.9	787.1	20.74
Imports	0.3	1.0	233.33
Total Supply	958.3	964.0	0.59
Domestic Consumption	589.7	793.8	35.79
Exports	157.5	30.0	-80.95
Total Demand	782.4	832.2	10.20
Closing Stocks	175.9	101.8	-42.13
Pipeline Requirements	145.4	195.5	35.79
Shortage/surplus above pipeline	-31.9	93.7	

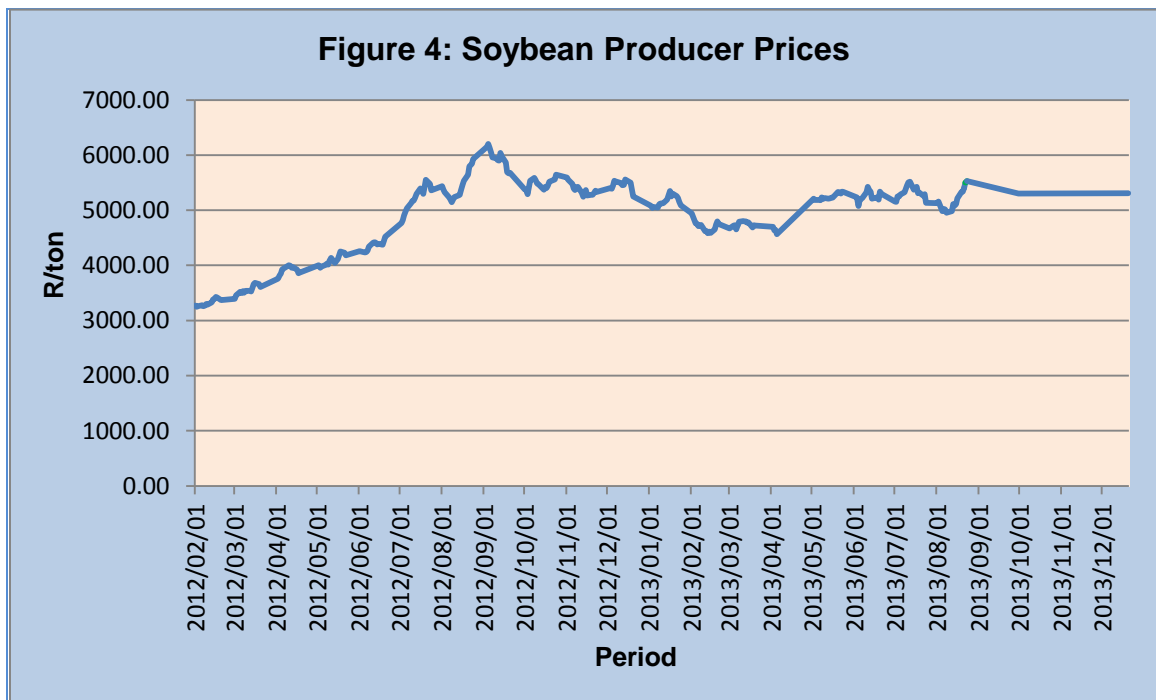
Source: Statistics and Economic Analysis

Table 4 above shows that the current marketing season (2013) opened with the soybean stocks of about 176 thousand tons in January 2013. The opening stocks for the current season are 42.54% lower than the opening stocks for the previous marketing season (i.e. 2012). On the other hand soybean production for the current season increased by 20.74% compared to the volumes harvested in the previous marketing season. The total supply for the current season is projected at about 964 000 tons and this represents an increase of about 0.59% 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 832 000 tons. This represents an increase of 10.20% compared to total demand for the product in the previous season. The soybean stocks are projected to close at about 101 800 tons in the current season, and this is about 42.13% lower compared to the closing stock levels at the end of 2012 marketing season.

From Table 4 it is clear that the projected ending stocks for 2013 are about 93.7 thousand tons lower than the pipeline requirement. This implies that the domestic maize market is likely to close with a deficit of 93.7 thousand tons provided that the supply and demand patterns for soybean do not change for the remainder of the season.

5.2 Soybean Prices

Producer prices for soya beans are presented in Figure 4 below. This covers the period ranging from February 2012 until December 2013.

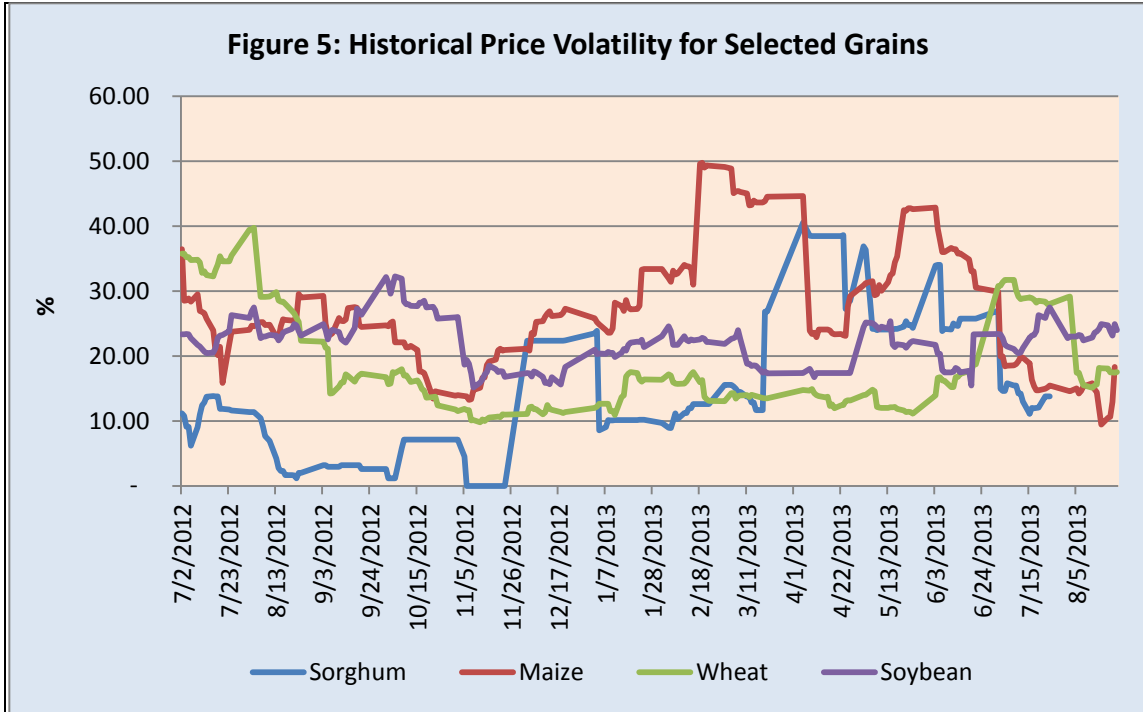


Source: SAFEX, accessed from SAGIS

Figure 4 above shows that the 2012 marketing season opened with lower prices for soybeans in February 2012. The highest price for soybeans was attained in September 2012, after which prices fluctuated at higher levels until January 2013. The current marketing season is projected to close higher in December 2013 with the closing price being projected at about R5 307.13 for a ton of soybeans.

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 was the most volatile of the four commodities covered in the figure, particularly between July 2012 and August 2013. Volatility declined for sorghum, soybean and wheat while volatility for maize showed increasing trend but declined significantly during the last week of August 2013.



Source: SAFEX, accessed from SAGIS

7. OUTLOOK FOR THE GLOBAL MARKET

7.1 Global Grain Market Outlook

Wheat:

- Wheat production forecast in 2013 lowered since September on slightly less favourable outlook in Southern hemisphere countries.
- Utilisation in 2013/14 is expected to rise faster than anticipated on continued strong use of wheat for feed in several countries. Trade is projected to increase slightly in 2013/14 mostly on higher imports by China.
- Stocks (ending in 2014) are expected to rebound but less than anticipated earlier reflecting a lower production forecast and an increase in the forecast for utilization.

Maize:

- Maize production forecast in 2013 is higher than anticipated in September 2013 on larger estimates for China, India and the US.
- Utilization in 2013/14 to grow by over 6%, largely due to strong growth in feed and industrial use.
- Trade in 2013/14 to expand by 2% from 2012/13, driven by strong demand in China. Stocks (ending in 2014) up 33% above their low opening level, largely on expectation of a recovery in maize inventories in the US.

Soybeans:

- Soybeans 2013/14 production forecast lowered on downward adjustments for Argentina, India and US. Utilization in 2013/14 expanding on trend, by around 3.5%.
- Trade forecast for 2013/14 increased, now pointing to a pronounced rise of around 8%.
- Stocks forecast for 2013/14 (carry-out) lowered on reduced estimates for Argentina and the US.

7.2 Global Policy Developments Affecting Grain Markets

- An agreement was reached on the European Union's Common Agricultural Policy (CAP) 2014-2020. The implementation of the new CAP will begin in January 2014 and will progressively unfold up to January 2015. Although greater flexibility is introduced in its implementation by Member States, the new CAP does not represent a major departure from the current orientation of farm support in the EU.
- The European Parliament could not agree to a negotiating position with Member States on the revision of the Renewable Energy Directive that foresees a 6% cap on conventional bio-fuels among other adjustments.
- India's National Food Security Bill was signed into law. About half of the urban population and three quarters of the rural population will benefit from this scheme for at least three years. Eligible beneficiaries are to be determined at state level and will be entitled to 5 kilograms of rice, wheat or coarse grains per month. The scheme adds on to other existing programmes.
- The export quota for maize was increased in Argentina.
- A government-to-government trade deal was made for the purchase by China of over 1 million tonne of rice from Thailand.
- Import measures on soybeans were eased in Indonesia and the duty free import quota on wheat was increased by 15% in Brazil.

Source: FAO AMIS

8. 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. **FAO Agricultural Marketing Information System**
www.amis-outlook.org

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