



agriculture, forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

THE SOUTH AFRICAN GRAIN MARKETS QUARTERLY EARLY WARNING REPORT

NO. 03 OF 2013

1. SUMMARY

The domestic closing stocks for maize in the current season are expected to decline by about 55.85% 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 tighten to about 44 thousand tons while the price is expected to remain relatively higher until the end of the 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.

On a global level, the ending stocks for maize, wheat and soybean increased marginally on the back of improved world production for these commodities. Adjustments to domestic measures were made in several 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 29 November 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	13 001	12 362	4.92	2.94
Imports	97	11	100	809.09	3.09
Total Supply	13 332	14 006	13 879	-0.91	4.10
Consumption	9 484	10 643	11 062	3.94	16.64
Exports	2 156	1 946	2 070	6.37	3.99
Total Demand	11 640	12 589	13 132	4.31	12.82
Closing Stocks	1 692	1 417	747	-47.28	-55.85
Pipeline Requirements		1 102	1 131	2.63	-
Shortage/surplus above pipeline		315	-384	-	-

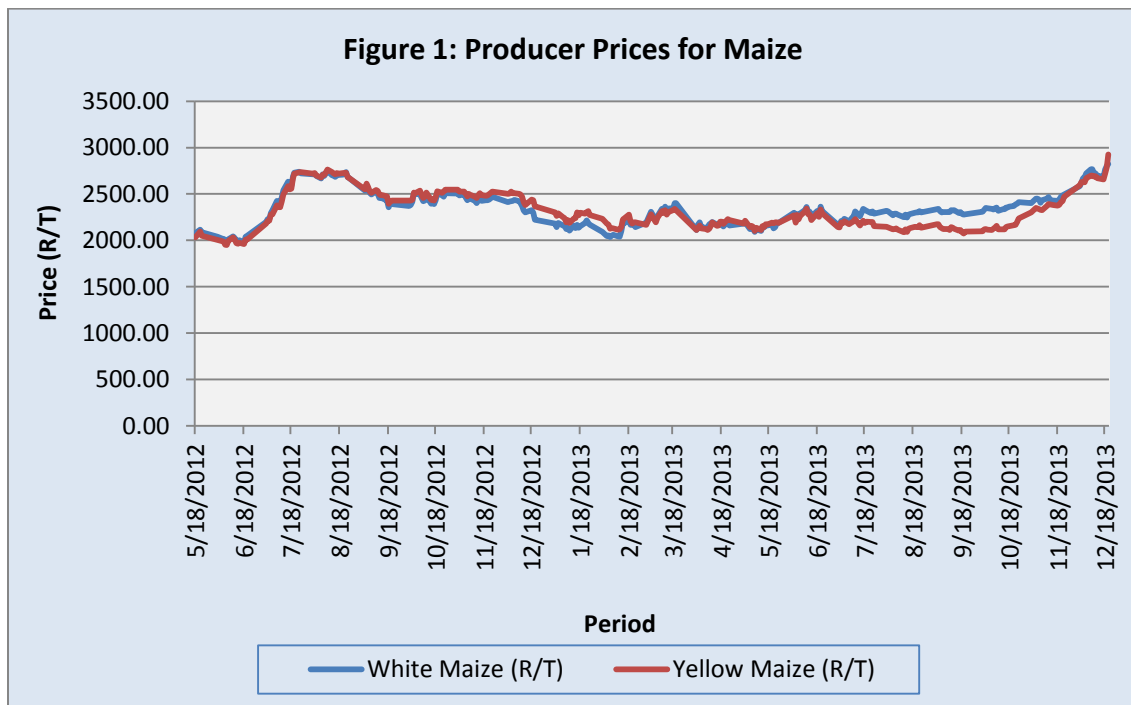
Source: SAGIS, and Economic Analysis & Statistics,*Projection

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

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 projected to increase by 4.92% 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 13.88 million tons and this represents a decline of about 1% compared to what was supplied to the local market in the previous season, and an increase of 4.10% compared to the five year average maize supply. On the other hand, the projected demand for the current marketing season is 13.13 million tons. This represents an increase of about 4.31% compared to the maize demand for the previous season. The maize stocks are projected to close at about 747 thousand tons in 2013/14 marketing season and this is 47.28% lower compared to the stock levels at the end of 2012/13 marketing season and 55.85% lower than the five year average.

From Table 1 it is clear that the projected ending stocks for 2013/14 are about 384 thousand tons lower than the pipeline requirement. This implies that the domestic maize market is likely to close with a shortage of 384 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, increase in exports and the expected decline in production volumes for maize.

2.2 Maize Prices



Source: SAFEX, accessed from SAGIS

Figure 1 above shows monthly 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 in 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.

3. SORGHUM

3.1 Sorghum Balances

Table 2: Domestic Stocks for Sorghum as at 29 November 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	157.0	172.4	9.81	
Imports	55.0	60.0	9.09	
Total Supply	264.1	280.7	6.29	
Domestic Consumption	196.8	217.8	10.67	
Exports	19.0	19.0	0	
Total Demand	215.8	236.8	9.73	
Closing Stocks	48.3	43.9	-9.11	
Pipeline Requirements	20.2	21.8	7.92	
Shortage/surplus above pipeline	28.1	22.1	21.35	

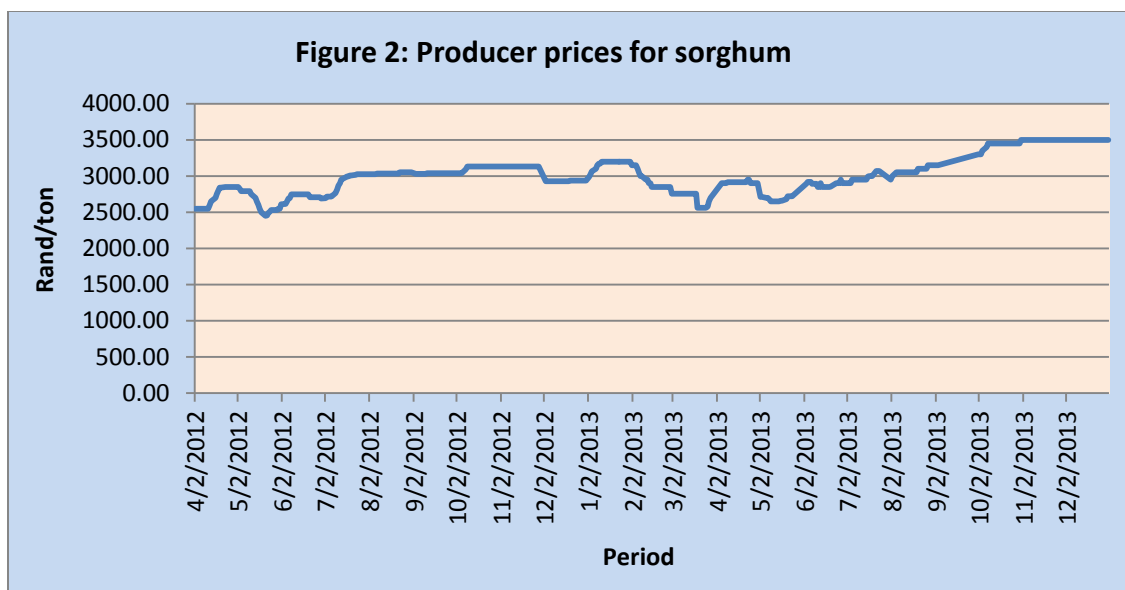
Source: *Economic Analysis & Statistics, *Projection*

Table 2 above shows the balance sheet for sorghum covering the period 2012/13 to 2013/14 to 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 172 thousand tons. This is an increase of about 9.81% compared to what was produced during 2012/13 marketing season. Although the total sorghum supply is projected to increase by 6.29%, the closing stocks for the product are projected to experience a decline of 9.11% mainly due to the fact that the total demand increased more rapidly compared to the supply.

The projected closing stocks are 22 100 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 21.35% higher compared to those of the previous season.

3.2 Sorghum Prices

Figure 2 below shows monthly producer prices for sorghum starting from April 2012 until December 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 500/ton between April 2012 and December 2013. The lowest price was recorded in May 2013 while the highest was experienced in November 2013 and December 2013. The period under review closed with relatively higher and stable producer prices for sorghum in December 2013 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 29 November 2013

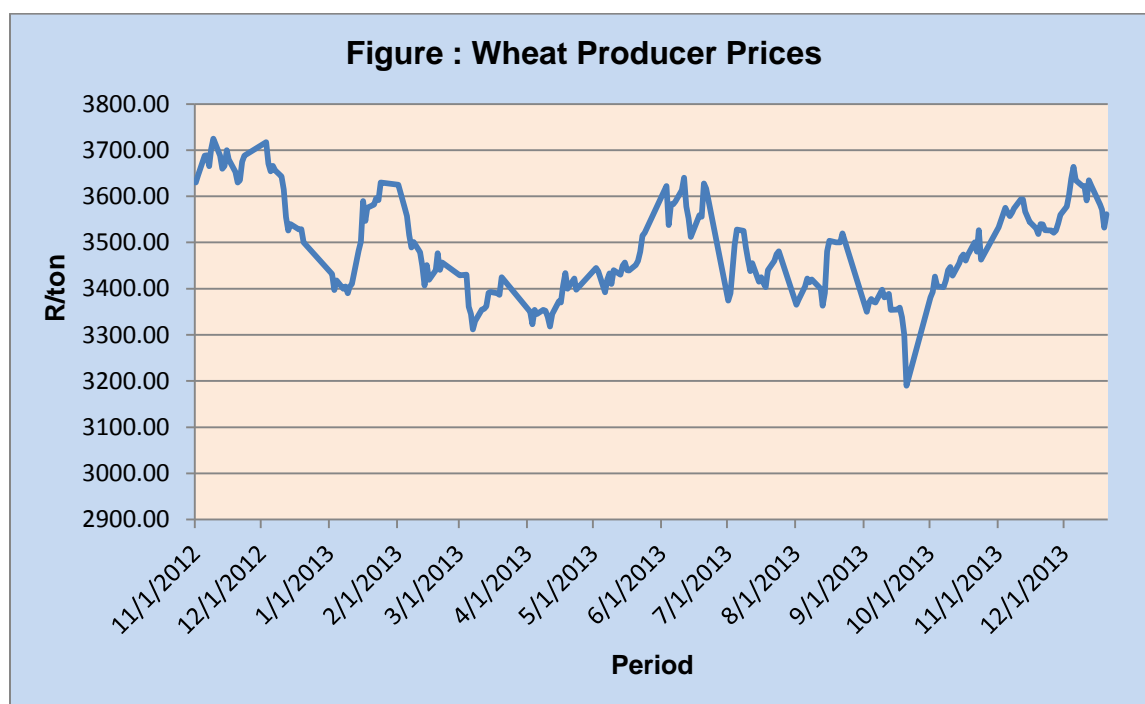
Marketing Season: October to September	2012/13	2013/14* (Current Season)	Change (2013/14 2012/13) vs
	1 000 Tons		%
Opening Stocks	651	489	-24.88
Production	1 881	1761	-6.38
Imports	1 393	1650	18.45
Total Supply	3 925	3900	-0.64
Domestic Consumption	3 132	3126	-0.19
Exports	304	295	-2.96
Total Demand	3 436	3421	-0.44
Closing Stocks	489	479	-2.04
Pipeline Requirements	659	662	0.46
Shortage/surplus above pipeline	-170	-183	7.65

Source: Statistics and Economic Analysis

The projected wheat production volume for the current marketing season (2013/14) dropped by about 6.38% compared to the volumes of wheat produced in the previous season (1.88 million tons). The current marketing season opened with the wheat stocks of about 489 000 tons which is 24.88% lower compared to the opening stocks of the previous season. The projected wheat supply decreased by about -0.64% compared to the previous season, mainly as a result of lower production and opening stocks in the current season. The domestic wheat demand is projected to fall by 0.44% while at same time the wheat stocks are expected to close 2.04% lower compared to the previous season. The projected closing stocks are 183 thousand tons less than the pipeline requirements, implying that it might be necessary to increase wheat imports from the projected figure of 1.65 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 the fourth quarter of 2012. The price was generally lower between March 2013 and June 2013. The period under review closed with a higher producer price for wheat in December 2013. 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 29 November 2013

Marketing Season: January to December	2012	2013* (Current Season)	Change (2013 vs 2014)
	1 000 Tons		%
Opening Stocks	306.1	175.9	-42.54
Production	651.9	784.5	20.34
Imports	0.3	0.5	66.67
Total Supply	958.3	960.9	0.27
Domestic Consumption	589.7	778.8	32.07
Exports	157.5	18.0	-88.57
Total Demand	782.4	834.2	6.62
Closing Stocks	175.9	126.8	27.91

Marketing Season: January to December	2012	2013* (Current Season)	Change (2013 vs 2014)
Pipeline Requirements	145.4	191.8	31.91
Shortage/surplus above pipeline	-31.9	-65	

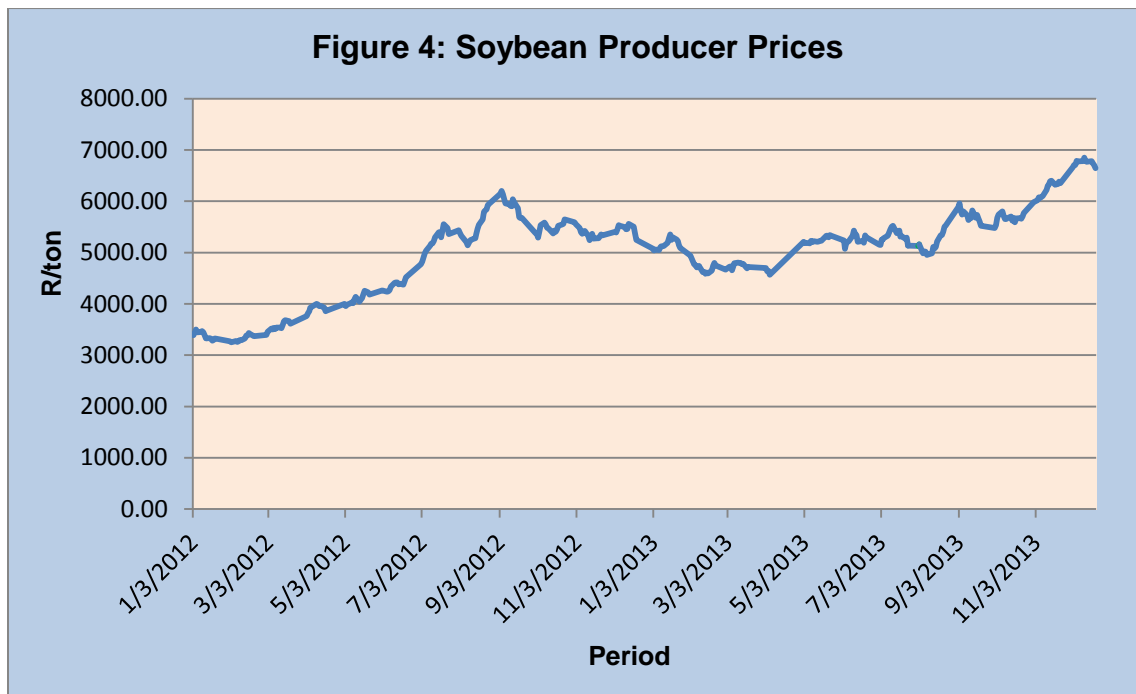
Source: Statistics and Economic Analysis

Table 4 above shows that the current marketing season (2013) opened with the soybean stocks of about 175.9 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 20.34% compared to the volumes harvested in the previous marketing season. The total supply for the current season is projected at about 960.9 thousand tons and this represents an increase of about 0.27% 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 834 thousand tons. This represents an increase of 6.62% compared to total demand for the product in the previous season. The soybean stocks are projected to close at about 126 800 tons in the current season, and this is about 27.91% higher 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 65 thousand tons lower than the pipeline requirement. This implies that the domestic soybean market is likely to close with a deficit of 65 thousand tons provided that the supply and demand patterns for soybean do not change for the rest of the season.

5.2 Soybean Prices

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

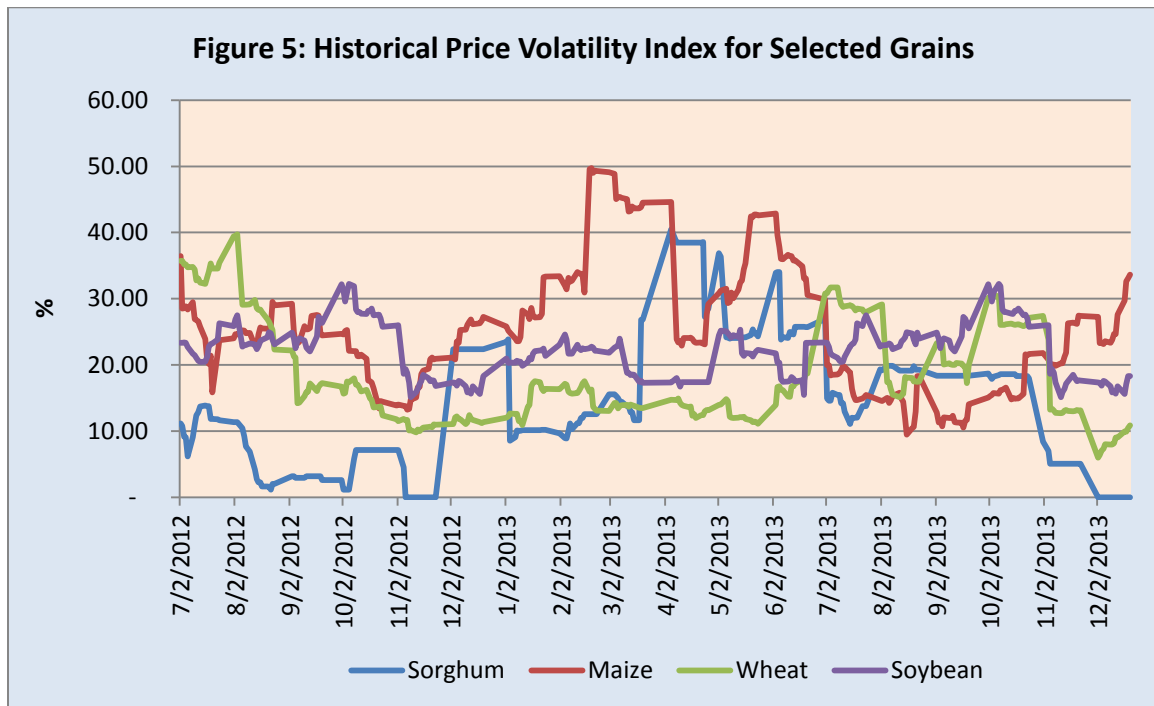


Source: SAFEX, accessed from SAGIS

Figure 4 above shows that the 2012 marketing season opened with lower prices for soybeans in February 2012. The figure displays a great fluctuation in the producer price for soya beans. The price ranged between R3 250.00 and R6 850.00 over the period under consideration. The price closed on an increasing trend between November 2013 and December 2013.

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 2013 and increased for maize during the same period.



Source: SAFEX, accessed from SAGIS

7. OUTLOOK FOR THE GLOBAL MARKET

7.1 Global Grain Market Outlook

Wheat:

- Wheat production forecast in 2013 rose further, mainly on bigger crops in Russia.
- Utilisation in 2013/14 lowered slightly, mostly on expectation of higher use of coarse grains to replace wheat for feed. Trade to expand by 1.6% from 2012/13, driven by stronger demand in Asia and, to a lesser extent, also in North Africa.
- Stocks (ending in 2014) are higher than forecast in November on larger inventories in several CIS countries, particularly Russia.

Maize:

- Maize production to increase by 14% in 2013 on strong recovery in the US and larger crops in China and Ukraine. Forecast in 2013 higher than anticipated in September 2013 on larger estimates for China, India and the US.
- Utilization in 2013/14 higher than anticipated in November on larger feed usage.
- Trade forecast for 2013/14 raised 3 million tones, largely on higher anticipated exports from Ukraine.
- Stocks (ending in 2014) to increase by 35% (or 46 million tons) from their low opening levels, reflecting higher inventories in the US (up 27 million tons) as well as in Brazil, China and the EU.

Soybeans:

- Soybeans 2013/14 production forecast raised by 4.6 million tones, with upward revisions for the US and Argentina more than offsetting lower estimates for India and China.
- Utilization set to rise by about 5% in 2013/14, driven mainly by Asia and South America.
- Trade forecast rose to new record on higher exports for US.
- Stocks forecast 2013/14 (carry-out) increased further following upward adjustments in Argentina, the US and China.

7.2 Global Policy Developments Affecting Grain Markets

- Adjustments to domestic measures were made in several countries:
- Japan announced its plan to phase-out of production payments to rice, starting in April 2014 and with full implementation by March 2019.
- Market intervention prices were increased in India, where the Minimum Support Price for wheat was raised by 4% to INR 1400 per quintal (225 USD/Ton).
- China increased its procurement price for maize by 6% to CNY 2220 (USD 367), the procurement price for soybeans was announced at CNY 4 600 (USD 760). A subsidy of CNY 140/t (USD 23) will be paid to japonica rice and maize in the Northeast producing regions.
- The public stockholding system in the Republic of Korea, currently covering rice, was extended to include soybeans and wheat as from 2014.
- China sold wheat from state reserves and Thailand continued to release rice from public stocks through auctions and government-to-government purchases.
- Trade relaxing measures were taken in **Brazil** where the quota for tariff-free wheat imports from non-Mercosur countries was raised by 18% to 3.3 million tons. India cut its export floor price for wheat by 13%, to USD 260 per ton.
- Egypt reinstated the newly suspended ban on exports of rice that had been in place and revoked export licenses awarded. The European Union introduced definitive anti-dumping duties on imports of biodiesel from Argentina and Indonesia. The antidumping measures consist of an additional duty of 24.6% for Argentina and 18.9% for Indonesia.

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

For more information contact:

Director: Marketing Tel: (012) 319 8455 Fax: (012) 319 8131 E-mail: MogalaM@daff.gov.za	Deputy Director: Commodity Marketing Tel: (012) 319 8081 Fax: (012) 319 8077 E-mail: ElvisN@daff.gov.za	Senior Agricultural Economist: Field Crops Marketing Tel: (012) 319 8080 Fax: (012) 319 8077 E-mail: DouglasM@daff.gov.za
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