Western Cape Government
Agriculture

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Monthly grain market report

Marketing and Agri-Business Section www.elsenburg.com

PERIOD UNDER REVIEW: AUGUST 2015

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1. SOUTH AFRICAN GRAIN MARKET

The MTM price on 31 August 2015 for wheat delivery in September amounted to R4 133 per ton.

MTM-Prices (31/08/2015) - R/mt							Month end R/mt (29/08/14)	Year-on-year % change	Month end R/mt (30/06/15)	Month end R/mt (31/07/15)
Commodity	***Sept-15***	***Oct-15***	***Dec-15***	***Mar-16***	***May-16***	***Jul-16***	***Sept-14***	***Aug-14 vs. Aug-15***	***Jul-15***	***Aug-15***
Wheat (RFTN)	4133	4091	4155	4226	-	-	3711	↑ 11%	3910	3980
Yellow maize	2799	2796	2836	2808	2590	2588	1733	↑ 62%	2680	2725
White maize	3099	-	3162	3130	2820	2761	1695	↑ 83%	3148	3179
Sunflower	5849	-	5835	5500	-	-	4285	↑ 36%	5320	5550
Soya bean	4328.08	-	4346 *(Nov-15)*	4472	-	-	4059	↑ 7%	4547.3	4549
Sorghum	3050	-	3007	2974	-	-	2360	↑ 29%	3040	3050

Table 1: Mark-to-market prices for the summer crops and winter cereals
Source: *SAFEX*, 2014 & 2015

Market future prices, production and production area estimates

Summer crops

The prices for white and yellow maize respectively experienced upward pressurise of 83% y/y and 63% y/y, if compared to the same period in the previous year (table 1). This is mainly due to the severe impact of drought conditions experienced in the main maize production areas such as the Free State (↓38% y/y), North West (↓49% y/y) and Mpumalanga (↓16% y/y), which resulted in a decline in the overall production

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output. *"Vast areas of the maize triangle has experienced the worst drought in 23 years and as a result moisture levels in the soil are already low"* (Bizcommunity, 26 Aug 2015). On the contrary, the Western Cape maize production output is forecasted to increase by 16% y/y despite the fact that the area planted is less than 1% of total area planted in 2015 season.

The total maize area planted has decreased by 1.32% y/y from the 2014 season, the decrease equates to 35 350 hectares. However the downward plantings is mainly due to the fact that 103 150 hectares lesser white maize hectares has been planted and 67 800 hectares yellow maize, in relation to the previous period. The Western Cape maize plantings have increased by 21% y/y in 2015 to 4 250 hectares, of which 89% is yellow maize plantings.

"It is clear that the increases in the white maize price were not completely transmitted to the maize meal price, i.e. the significant increase in the price of white maize was largely absorbed in the white maize value chain. Cognisance should be taken that the expected large import volumes for the 2015/16 marketing year is in the yellow maize value chain. Yellow maize is mainly used in the animal feed sector" (NAMC, 2015).

The overall 7th summer crop estimates was adjusted upward by 0.71%, from the previous crop estimation, with a 28% y/y decrease in comparison to the previous harvest. The Crop Estimates Committee (CEC), has issued the 7th summer crop forecast for the 2015 season, in which the yellow maize crop has been adjusted upward by 1.63% in relation to the previous crop estimate, to 5 188 700 tons in comparison to the 2014 final crop which amounted to 6 540 000 tons (figure 1). No adjustments have been made in the 7th CEC forecast, in respect of white maize crop which is expected to reach 4 649 800 tons. The 2015 white maize crop is anticipated to decrease by 26% y/y, in relation the 2014 final crop.

The total maize crop has been adjusted upward by 0.85% (~ 83 200 tons), from the 6th crop estimate that occurred in July 2015. The total maize crop which includes both white and yellow maize is anticipated to decline by 31% y/y. In general, the yellow maize production output continued on an upward trend whilst the white maize progressed on a downward trend, evaluating the five year period from 2010 to 2015 (figure 1).

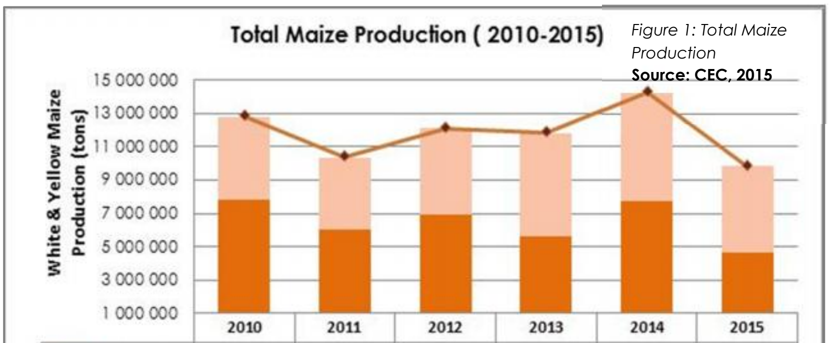

Figure 1: Total Maize Production
Source: CEC, 2015

	2010	2011	2012	2013	2014	2015
Yellow maize	4 985 000	4 308 000	5 217 000	6 203 800	6 540 000	5 188 700
White maize	7 830 000	6 052 000	6 903 656	5 606 800	7 710 000	4 649 800
Total maize	12 815 000	10 360 000	12 120 656	11 810 600	14 250 000	9 838 500

In addition to the above, the non-commercial harvest is expected to produce 673 800 tons which amounts to an overall downward adjustment of 0.18% y/y if compared to the 2014 harvest – with the anticipation that non-commercial white maize will decrease by 1.18% y/y whilst yellow maize is expected to increase by 1.80% y/y. The CEC reported that 60% of the non-commercial maize production is derived from the Eastern Cape Province, which is not part of the areas which was affected by the severe drought conditions and hence the production output is anticipated to yield much better results in relation to drought affected areas.

Crop estimations for the below mentioned crops have remained unchanged at the respective forecasted output levels:

- Soybeans at 1 041 600 tons (↑9.9% y/y), *of which the Western Cape production output is 1 600 tons.*
- Dry bean at 73 390 tons (↓ 11%% y/y), *of which the Western Cape production output is 390 tons.*
- Sunflower seed at 656 800 tons (↓21% y/y), and
- Sorghum at 114 700 tons (↓57% % y/y).

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Winter cereals

The prices for wheat experienced upward pressurise of 11% y/y, if compared to the same period in the previous year (table 1). The weaken exchange rate directly impact on wheat prices due to South Africa being exposed to volatility to commodity market risk as the country imports about half of the wheat domestic demand (Fin24, 20 Aug 2015 & Senwes, 2015). The effects of the weaker rand resulted in the wheat obtaining a 17-month high due to inbound shipments realising much higher cost than anticipated ((Fin24, 20 Aug 2015).

The 1st production forecast figures for the winter cereals have been released in respect of the 2015 season, in which the overall production was adjusted downward by 1.66% y/y. Wheat production was adjusted downward by 3.37% y/y to 1 690 975 tons, of which the Western Cape is expected to produce 51% or 859 375 tons, whilst the Northern Cape, Free State and Limpopo's over-all wheat production output amounts to 39% of the total wheat production. In the same reporting period, malting barley production was adjusted upward by 10.61% y/y reaching 334 033 tons and canola downward by 7.44% y/y to 112 000 tons.

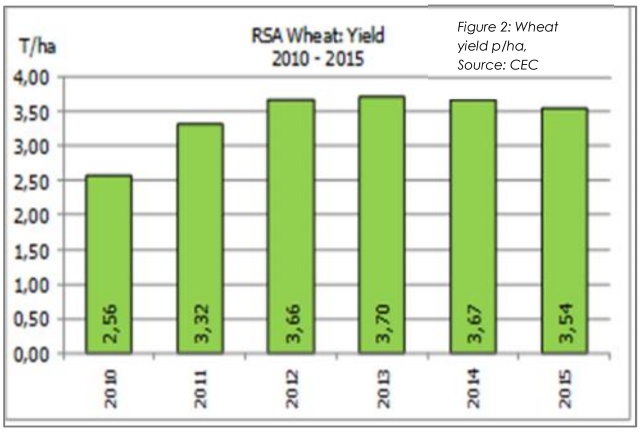

Figure 2: Wheat yield p/ha, Source: CEC

The total area planted under wheat in the 2015/16 production season was also adjusted downward by less than 1% y/y to 477 650 tons. The revised area planted with winter, is evident from the average yield per hectare which has been adjusted downward to 3.54 ton per hectare (figure 2).

Producer deliveries

The progressive producer delivers for wheat amounted to 1 701 997 tons as at 28 August 2015 for the marketing season ending in September 2015, with a total of 2 709 tons thereof delivered within August 2015. The wheat delivered until 11 August 2015 amounts to 99% of the final wheat crop for the marketing season ending in September 2015 (SAGIS, 2015).

On the other hand, the progressive producer delivers for the total maize crop amounted to 8 246 076 tons of which 49% was derived from white maize and 51% from yellow maize, as at 28 August 2015. A total of 470 465 tons of maize was delivered within the month of August, with a ratio of 49:51 between white and yellow maize (SAGIS, 2015).

Export, imports and re-exports

The total white maize exports for the 2015/16 season amounted to 136 136 tons until 28 August 2015, of which 16% was exported during the month of August 2015 to the following export destinations: Botswana (51%), Mozambique (29%), Namibia (12%) and Lesotho (8%). On the contrary, white maize imports received momentum in August, as 3 111 tons was imported from Zambia during this month which equates to 68% of white maize imports thus far this season.

The Department of Agriculture, Forestry and Fisheries (DAFF) is undertaking to review the current animal feed legislation, which is anticipated to improve consistency and reduce the complexities that exist in the regulation thereof. The overall objective is to enhance DAFF's ability to ensure the safety of the feed supplies.
(SENWES, Aug/Sept 2015)

The total yellow maize exports for the 2015/16 season amounted to 66 279 tons until 28 August 2015, of which 23% was exported to Swaziland (26%), Botswana (24%), Mozambique (24%) and Namibia (21%). Yellow maize imports from Argentina during August amounts to 34% ~ 73 269 tons of the total imports from this origin, of which 91% was imported through the Cape Town harbour and the other through the Port Elizabeth harbour. Until the end of August, all yellow maize imported came from Argentina.

- *The wheat import tariff of R 510, 60 has been published in the government gazette nr.743 on 21 August 2015.*
- *Import parity for US wheat delivered in Randfontein amounted to R4, 341 against R3, 909 if delivered in Durban.*
- *Import parity for Argentine wheat delivered in Randfontein amounted to R4, 393 against R3, 962 if delivered in Durban.*
- *Import parity for Dutch wheat delivered in Randfontein amounted to R4, 103 against R3, 671 if delivered in Durban.*

Source: Grain SA as cited in SENWES, 2015

Wheat exports till 28 August 2015 amounted to 265 395 tons of which 6% was exported during the month of August 2015 to the following countries: Zimbabwe (32%), Zambia (22%), Botswana (19%) and Namibia (13%). On the contrary, wheat imports to date amounted to 1 618 908 tons of which 6% was imported during August 2015, 82% from the Russian Federation and 19% from the United States of America. Imports were channelled through the Durban (60%), Cape Town (30%) and East London (10%) harbours for the month of August 2015. Wheat imports for re-export purposes amounted to 107 981 tons on 28 August 2015, of which 5% was imported from the Russia Federation during week 22-28 Aug 2015. 68% of the imports for re-exporting purposes were destined mainly for Botswana and 32% to Lesotho.

2. ECONOMY

In August, the rand depreciated to its lowest level in almost 14 years against the US dollar, which has a direct impact on South African grain price, but specifically the wheat prices as explained before (Fin24, 20 Aug 2015 & Senwes, 2015).

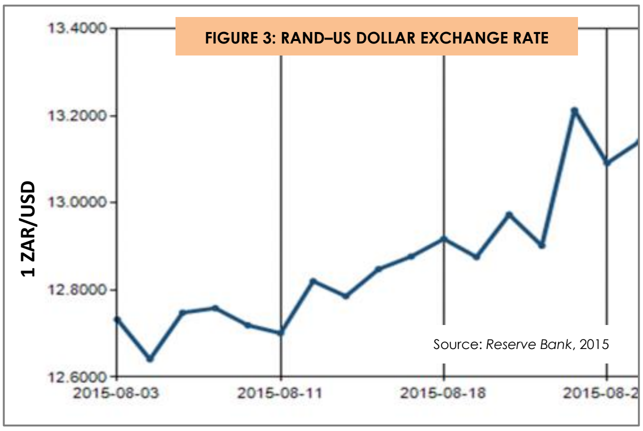

FIGURE 3: RAND–US DOLLAR EXCHANGE RATE

The rand weakened from R12.73 to the US-Dollar at the beginning of August 2015, and has traded at R 13.34 on 31 August 2015 (SARB, 2015). The currency devaluation on compared to July amounted to a 6.3 % decline (Fin 24, September 2015). The global currency market plunged downward due to China (2nd largest global economy), which realised slower economic growth than anticipated with its manufacturing sector growing at 6% y/y in July 2015 which is below the double digit increase normally achieved (The Economist, 2015).

3. ENERGY

The *Department of Energy* announced a downward adjustment on 28 August 2015 of all local petroleum product prices, with effect as from 02 September 2015 (DoE, Aug 2015). Petrol (both 93 and 95) decreased with 69c per litre, whilst diesel (0.05 Sulphur) decreased by 54c per litre (DoE, Aug 2015). The price of a barrel of brent crude oil declined during the month under review and reached USD 46.93 per barrel, due to the global oversupply that still continue since mid-2014 (DoE, Aug 2015).

DIESEL & PETROL CHANGES FOR AUGUST TO SEPTEMBER 2015
(Source: AA & DoE, 2015)

Diesel	**Inland regions** (cents/litre)			**Coastal regions** (cents/litre)		
	0.05%	**0.01%**	**-**	**0.05%**	**0.01%**	**-**
02 Sept 2015	1040	1049	-	1008	1019	-
05 Aug 2015	1095	1100	-	1062	1069	-
Petrol	**Inland region** (cents/litre)			**Coastal regions** (cents/litre)		
	Unleaded		**LRP**	**Unleaded**		**LRP**
	93	**95**	**93**	**93**	**95**	**93**
02 Sept 2015	1232	1257	1232	1206	1214	1214
05 Aug 2015	1301	1326	1301	1275	1283	1283

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4. INTERNATIONAL GRAIN MARKET

International news will be discussed in the next report.

5. ACKNOWLEDGMENT OF INFORMATION SOURCES

The following information sources are acknowledged, in this publication:

- Automobile Association (AA): www.aa.co.za
- BizCommunity: www.bizcommunity.com
- Crop Estimate Committee (CEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- Department of Engergy (DoE): www.energy.gov.za
- Fin24: www.fin24.com
- Grain SA: www.grainsa.co.za
- NAMC: www.namc.co.za
- SARS: www.sars.gov.za
- SAFEX: www.jse.co.za/redirects/safex
- SAGIS: www.sagis.org.za
- SENWES: www.senwes.co.za
- The Economist: www.economist.com