

## Monthly grain market report



Marketing and Agri-Business Section

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**PERIOD UNDER REVIEW: October 2015**

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### 1. SOUTH AFRICAN GRAIN MARKET

On 30 October 2015, the MTM price for wheat to be delivered in November 2015 amounted to R 4 266 per ton.

<u>MTM-Prices (30/10/2015) - expressed in Rand/MT</u>							Month end R/MT (30/10/14)	Year-on- Year Change (%)	Month end R/MT (30/08/15)	Month end R/MT (30/09/15)
Commodity	Nov-15	Dec-15	Mar-15	May-15	Jul-15	Sept-15	Nov-14	Nov-14 vs. Nov-15	Sept-15	Oct-15
<b>Wheat (RFTN)</b>	4266	4311	4404	4438	4468	-	3600	↑ 18.5 %	4133	4101
<b>White maize</b>	3094	3104	3113	2950	2930	2870	1886	↑ 64.1 %	3099	3159
<b>Yellow maize</b>	2940	2960	2951	2800	2720	-	1932	↑ 52.2 %	2799	2924
<b>Sunflower</b>	6740	6699	6420	5865	5900	-	4780	↑ 41.0 %	5849	6450
<b>Soya bean</b>	5675	5601	5565	5340	5399	-	5437	↑ 4.4%	5316	5471
<b>Sorghum</b>	-	3040	2974	-	-	-	2460 (Dec'14)	↓-100%	3050	3040

Table 1: Mark-to-market prices for the summer crops and winter cereals as traded on SAFEX  
Source: SAFEX (2014 & 2015)

#### **Market future prices, production and production area estimates**

Summer crops, and in particular maize experienced a significant increase in future prices amounting to 64.1% y/y and 52.2% y/y for yellow and white maize respectively comparing the average price traded to be delivered in November 2015 compared to the same period in last year. The movement of average prices for sunflower was similar as it increased by 41% y/y. The mentioned price escalations is a direct result of factors in both the domestic and international markets, causes include (though not limited to) such as

the *El Nino* which led to drought conditions in the main production regions. The impact thereof was however not immune to the main production areas such as the western parts of the winter rainfall area of the Western Cape which experienced the worst drought in 75 years due to the failure of late winter rains which can be associated to the 1957 drought ( News24 as cited in Bizcommunity, 2015 & ARC Umlindi, 2015). The drought is expected to deliver below normal yields for winter crops such as wheat, which will again, resulted in the MTM for wheat to be delivered in November 2015 to increase by 18.5% y/y.

**Summer crops: final crop for the 2014/15 marketing season**

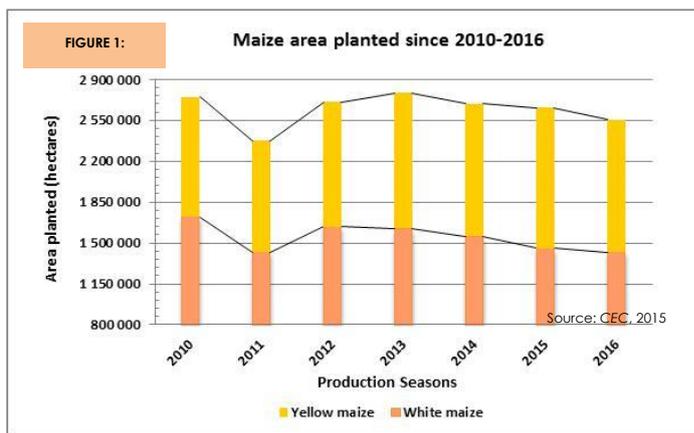
The final summer crop estimate for the 2014/15 was announced by the CEC on 27 October 2015, which indicated a 27.6% y/y decline in the 2015 final summer crop estimate in relation to the 2014 season (CEC, Sept & Oct 2015).

As at 29 September 2015, the final 2014/15 maize crop declined by 30% y/y in relation to the previous harvest whilst the production of sunflower declined by 21% y/y followed by groundnuts (-24% y/y), sorghum (-56% y/y) and dry beans (-11% y/y) whereas soybean production increased by 12% y/y.

**Summer crops: intensions to plant for the 2016**

There was an overall decline of 1.86% y/y between the 2014 and 2015 in the summer crops plantings season, as reported in mid-October 2015 (CEC, Oct 2015).

Maize planting are down by 3.85% y/y or 102,050 hectares lesser, of which white maize plantings declined by 1.81% y/y and yellow maize plantings by 6.29% y/y, respectively. Reviewing the trend of maize plantings over the six year period (2010-2016), plantings decreased by 1.0% on average on an annual basis whilst the % change between 2010/2016 amounted to -7% (CEC, 2015).

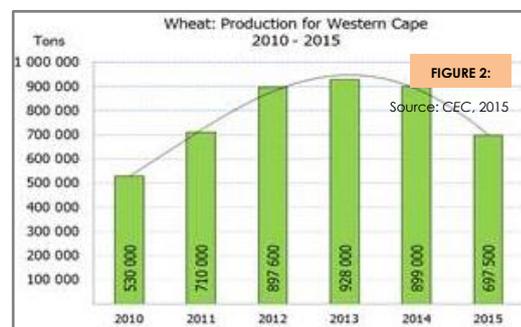


The main production areas reported intended declining hectares to be planted for the 2016 season due to the pressure farmers are undergoing as a result of warmer and drier conditions experienced early-to-mid-October 2015. In addition, dry conditions during the previous summer are contributing factors delaying plantings in the earlier eastern production areas as the planting window is approaches (ARC Umlindi, 2015 & CEC, 2015). Although, a change still exist for persisting weather conditions to turn-around and yield improved outcomes (CEC, 2015). The Free State intends to plant 70,000 hectares more; Mpumalanga (11,000 hectares) and Limpopo (1,000 hectares) whilst the North West province intends to plant 40,000 hectares lesser and Kwa-Zulu Natal (6,000 hectares) than the previous season (CEC, 2015).

Intended planting reductions are also experienced in groundnut production (-22.93% y/y) and dry bean production (-19.53% y/y), whilst sunflower plantings increased by 6.60% y/y, sorghum by 6.03% y/y and soybeans increased by 1.32% y/y.

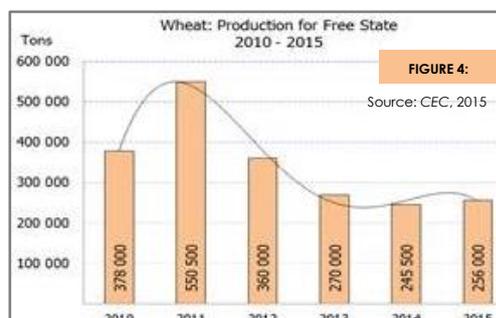
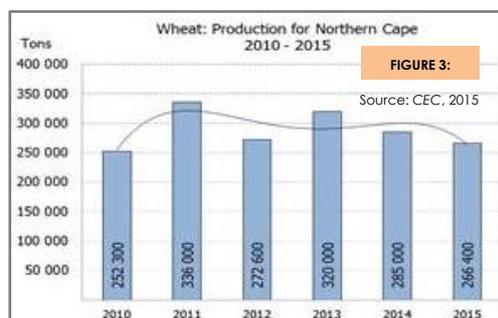
**Winter cereals: commencing of 2015/16 marketing season**

The overall winter cereal crop estimation has been adjusted downward by 4.46% between the 2<sup>nd</sup> and 3<sup>rd</sup> crop estimate, which took place during October 2015. This is mainly due to the downward pressure felt by wheat producers in the Western Cape, as the main production province, which resulted from the drought conditions in western winter rainfall areas of the Province.



Thus, the crop estimate for the Western Cape has been adjusted downward by 10% or 77,500 tons as at 27 October 2015 considering the expectations derived between the 2<sup>nd</sup> and 3<sup>rd</sup> crop estimates (figure 2).

If assessing the overall expectations pertaining to wheat production, the recent crop estimate depicted that wheat production in the Western Cape Province is anticipated to be lesser by 201,500 tons or -22.41% y/y, thus only able to contribute 45% of the wheat production basket compared to the previous production season.



In addition to the aforementioned, the Northern Cape and the Free State is anticipated to respectively contribute 17% or approximately 260,000 tons towards the 2015/16 wheat crop estimate (figure 3& 4). Although, it should be considered that wheat production from both the Northern Cape and Free State are more fluctuating as opposed to the Western Cape wheat production assessing the past 5 years (2010-2015) (CEC, 2015).

Malting barley has been adjusted downward by -0.02% which equates to 66 tons lesser, compared the previous crop estimate. Canola production estimates remained unchanged at 105,400 tons (CEC, 2015).

### Producer deliveries

The progressive deliveries for maize amounted to 8,580 589 tons of which white maize deliveries amounted to 49.48% and yellow maize to 50.51%, as at 30 October 2015 for the 2015/16 production season. Of the total deliveries 97% was classified as WM1 and 93% as YM1 (SAGIS, 2015). During the period between 26/09/15 and 30/10/2015: 96,246 tons of white maize and 66,329 tons of yellow maize was delivered, with an upward adjustment of the deliveries of 13,866 tons for white maize and 15,190 tons of yellow maize during the last week ( 24 to 30/10/2015)(SAGIS, 2015).

Wheat deliveries between 03/10/2015 and 30/10/2015 amounted to 208,204 tons, with a slight upward adjustment of 4,355 tons during the last week (24 to 30/10/15) (SAGIS, 2015).

### Exports, imports and re-exports

This section pertains to the trade of maize for the period from 26/09/2015 to 30/10/2015:

Table1: Maize exports for the 2015/16 season		Source: SAGIS, 2015	
Total maize exports 2015/16	White maize	Yellow maize	
312 400	201 414	110 986	
Exported during the reporting period (26/09/15 – 30/10/2015)	38 136	25 674	
Importing countries	% Share in white maize exports	% Share in yellow maize exports	
Botswana	26.8%	27.4%	
Lesotho	5.5%	5.7%	
Mozambique	33.4%	20.7%	
Namibia	30%	20.5%	
Swaziland	4.3%	25.8%	

Table 1, provides an indication that an amount of 312,400 tons of maize has been exported during the 2015/16 season as at 30 October 2015. Exports were mainly destined for the above listed SADC members states, of which Botswana, Mozambique and Namibia were the largest importers of maize, for white and yellow maize during the reported period (SAGIS, 2015).

Maize imports for South Africa for the 2015/16 season amounted to 40,772 tons as at 30 October 2015 of which 42% was imported between 26/09/2015 and 30/10/2015. White maize imports amounted to 28,372 tons and were supplied by Mexico (86.3%) imported through the Durban harbour and the rest thereof from Zambia. Yellow maize imports amounted to 36,077 tons and were mainly imported from Brazil through the Cape Town (21%), Durban (47%) and Port Elizabeth (33%) harbours respectively (SAGIS, 2015).

*This section of the report pertains to the trade of wheat for the period from 03/10/2015 to 30/10/2015.*

Progressive wheat exports amounted to 12,373 tons on 30 October 2015, of which 89% was exported during the reported period. Exports were mainly destined towards the Zimbabwean market (61%), whilst the rest of the commodity was exported to Mozambique, Botswana, Namibia, Swaziland and Zambia.

Wheat imports amounted to 422,545 tons since the inception of the 2015/16 marketing season, of which 94.5% was for the South African market and the rest of imports for other countries. Imports were mainly supplied by Russia (71.5%), Germany (11%), Ukraine (7%), Canada (6%) and the USA (4%) for use in the South African market. On the other hand, imports on behalf of other countries were mainly sourced from Lithuania (48%) and Russia (52%). Wheat imports were mainly shipped through the Cape Town (9%), Durban (84%), Port Elizabeth (2%) and East London (5%) harbours respectively (SAGIS, 2015).

## 2. ECONOMY

Figure 5 a, b & c: ZAR performance against the US\$, € and £ (from 02 January 2015 to 30 October 2015).

Source: SARB, 2015



The rand (ZAR) depreciated by 18.8% against the US dollar (US\$) between 02 January 2015 and 30 October 2015, whilst it was 8.3% weaker against the Euro (€) and 17.27% against the British Pound (£) (figure 5a, b & c) (SARB, 2015). The downward pressure experienced by the local currency (ZAR) is not an exception, as other emerging and African countries are experiencing similar contractions within the respective economies (SARB, 2015).

"The growth disappointment was particularly evident in the goods-producing sectors of the economy, with contractions in agriculture, mining and manufacturing, although growth in the services sectors also moderated. The agricultural sector remains constrained by the continuing drought...; ...prospects are being negatively affected by weak commodity prices, lower global demand and the risk of industrial action in parts of the sector." Source: SARB, 2015

A decline in commodity prices are a result of a stronger US\$ currency, as well as slower growth expectations due to the lower demand of commodities from "key marginal importers" such as China (SARB, 2015). Further, global concern arose in anticipation of a repetition of the 1997/98 Asian financial crisis (SARB, 2015), due to increased exposure to the Asian economic developments. Lastly, the US Federal Reserve's monetary policy reform away from near zero percent interest rate which is anticipated to be increased during the next sitting in December 2015 (Landbank, 2015 & Nedbank, 2015), which also adds to the uncertainty in the global market performance.

"Fuel accounts for approximately 11% of the total variable cost of grain production. South Africa is a net importer of fuel and imports more than 75% of its annual fertiliser consumption as well as 98% of agro-chemicals. Thus, the Rand value to the US dollar has a significant impact on grain input costs, especially now when producers are at the planting stages of their summer crops." Source: Grain SA, 2015

## 3. ENERGY

The below monthly fuel price adjustment have been effective as from Wednesday, 04 November 2015

Product description	Numeric adjustment (cents per litre)	Price adjustment description	Coast SA (cents per litre)
Petrol 93 ULP	22c	cents per litre <b>decrease</b> in retail price	1 175.00
Petrol 95 ULP & LRP	22c	cents per litre <b>decrease</b> in retail price	1 196.00
Diesel 0.05% Sulphur	9c	cents per litre <b>decrease</b> in wholesale price	1084.97
Diesel 0.005% Sulphur	10c	cents per litre <b>decrease</b> in wholesale price	1090.97
illuminating Paraffin (Wholesale)	2c	cents per litre <b>decrease</b> in wholesale price	656.83
illuminating Paraffin (SMNRP)	3c	cents per litre <b>decrease</b> in the Single Maximum National Retail price (SMNRP)	911.00
Maximum Retail Price for LPGAS	47c	cents per kilogram <b>decrease</b> in the maximum retail price	1 898.00

Source: Department of Energy, 30 October 2015

#### 4. INTERNATIONAL GRAIN MARKET

To be discussed in the next issue.

#### 5. ACKNOWLEDGMENT OF INFORMATION SOURCES

*In this publication, the below listed information sources are acknowledged:*

- ✚ ARC: [www.arc.agric.za](http://www.arc.agric.za)
- ✚ Biz Community: [www.bizcommunity.com](http://www.bizcommunity.com)
- ✚ Crop Estimate Committee (CEC), South Africa: [www.daff.gov.za](http://www.daff.gov.za) ; [www.sagis.org.za](http://www.sagis.org.za) or [www.grainsa.co.za](http://www.grainsa.co.za)
- ✚ Department of Energy (DoE): [www.energy.gov.za](http://www.energy.gov.za)
- ✚ Grain SA [www.grainsa.co.za](http://www.grainsa.co.za)
- ✚ Land bank: [www.landbank.co.za](http://www.landbank.co.za)
- ✚ Nedbank: [www.nedbank.co.za](http://www.nedbank.co.za)
- ✚ SAFEX: [www.jse.co.za/redirects/safex](http://www.jse.co.za/redirects/safex)
- ✚ SAGIS: [www.sagis.org.za](http://www.sagis.org.za)
- ✚ SARB: <http://www.resbank.co.za/>

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