Western Cape Government
Agriculture
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Monthly grain market report

Marketing and Agri-Business Section www.elsenburg.com

May/ June 2015[1]

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1. SOUTH AFRICAN GRAIN MARKET

The MTM price on 29 May 2015 for wheat delivery in June was R3 870 per ton (*table 1*), and on 30 June 2015 the market closed at R3 910 per ton for July delivery (*table 2*) at Randfontein.

TABLE 1	MTM-prices (29/05/2015) R/mt					Month end R/mt (30/05/2014)	Month end R/mt (30/04/2015)	Month end R/mt (31/03/2015)	% Change
Commodity	Jun-15	Jul-15	Sep-15	Dec-15	Mar-16	Jun-14	May-15	Apr-15	Jun-14 vs Jun-15
Wheat (RFTN)	3870	3896	3899	3828	3871	3820	3751	3883	1%
Yellow maize	2382	2397	2443	2474	2465	1930	2322	2436	23%
White maize	2717	2730	2766	2826	2822	1812	2571	2637	50%
Sunflower	5015	5080	5184	5267	-	4675	4780	4899	7%
Soya beans 50mt	4617	4665	4738	4728	-	5675	4715	4823	-19%
Sorghum	-	2660	2587	-	-	2580 (Jul-14)	2600	2475 (May-15)	3% (Jul-14 to Jul-15)

Source: *SAFEX*, 2014 & 2015

TABLE 2	MTM-prices (30/06/2015) R/mt					Month end R/mt (30/06/2014)	Month end R/mt (29/05/2015)	Month end R/mt (30/04/2015)	% Change
Commodity	Jul-15	Aug-15	Sep-15	Dec-15	Mar-15	Jul-14	Jun-15	May-15	Jul-14 vs Jul-15
Wheat (RFTN)	3910	-	3925	3835	3883	3733	3870	3751	5%
Yellow maize	2680	2694	2708	2756	2721	1906	2382	2322	41%
White maize	3148	3175	3193	3262	3255	1792	2717	2571	76%
Sunflower	5320	-	5420	5510	-	4766	5015	4780	12%
Soya beans 50mt	4765	-	4850	4970	-	5498	4617	4715	-13%
Sorghum	3040	-	3030	2820	-	2430	-	2600	25%

Source: *SAFEX*, 2014 & 2015

The final winter crop figures as released by the *Crop Estimates Liaison Committee (CELC)* on 7 May 2015, are a calculation from the actual deliveries as recorded by *SAGIS* and the '*retention for own use*' which is

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determined by a *DAFF*-survey. The size of the final calculated wheat crop figure is 1 750 000 tons; 25 534 tons (1.44%) lower than the final CEC estimate in February. The final crop figure of malting barley and canola are respectively indicated on 302 00 tons and 121 000 tons, both below the final estimate but higher than production in 2013 and 2012. See table 3 for more information on the final winter crop figures.

TABLE 3: Final plantings & the calculation for the final production of the winter grain crop in 2014 season (compared to 2011 - 2013)

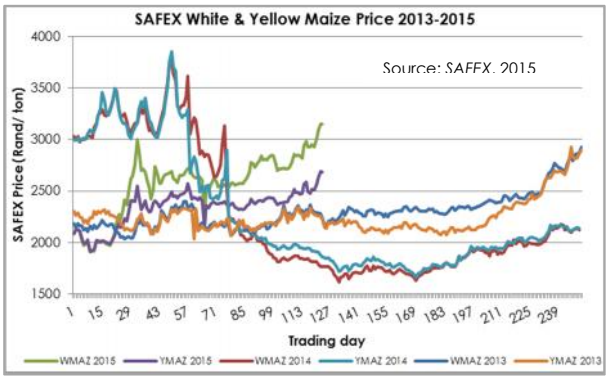
	Final area planted (hectares)	Producer delivery for Oct'14 - Mar'15 (tons)	Expected delivery for Apr'15 - Sep'15 (tons)	Retention for own use (tons)	Final estimate Feb'15 (tons)	**Final production 2014 (tons)**	Final production 2013 (tons)	Final production 2012 (tons)	Final production 2011 (tons)
Wheat	**476 570**	1 673 467	41 533	35 000	1 775 534	**1 750 000**	1 870 000	1 870 000	2 005 000
Malting Barley	**85 125**	298 674	1 826	1 500	306 786	**302 000**	267 500	298 000	312 000
Canola	**95 000**	120 197	703	100	123 500	**121 000**	112 000	79 000	58 800

SAGIS indicated that 1 698 423 tons of wheat was delivered for the period from 27 September 2014 to 26 June 2015, including the respective May and June delivery of 3 880 tons and 6 843 tons (*SAGIS*, 2015). The total wheat delivery until the end of June was about 3% short of the final crop figure, released in May (*SAGIS,* 2015).

In June the *Department of Trade and Industry (DTI)* announced another increase in the wheat import tariff. The tariff increased from R461 per ton to R800.10 per ton.

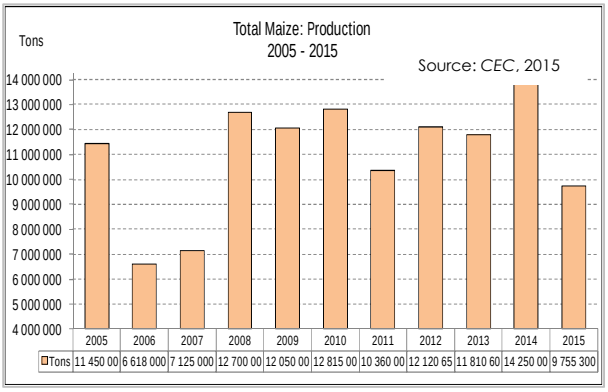
The intention to plant winter crops was released on *29 April 2014*; the intended area under wheat was estimated at 481 300 hectares; 316 000 hectares (66%) in the Western Cape, 42 000 hectares (9%) in the Northern Cape and 70 000 hectares (14%) in the Free State (*CEC,* 2015). The total intended wheat area is 1% more than the area planted in 2014 (*CEC*, 2015). The preliminary area estimate for winter crops for 2015 will be released on ***28 July 2015***.

From the start of the winter planting season until June little or no rain occurred in the Swartland, while the situation in the Southern Cape was slightly better. As more favourable weather conditions followed plantings continued; in most areas earlier rain would have had a greater impact on production. According to *GrainSA,* most farmers completed plantings by mid-June, and no major annual changes are anticipated for wheat plantings. They do expect canola plantings to be lower and barley planting slightly higher than last year (*GrainSA*, 2015).



The producer delivery for white and yellow maize from 25 April to 29 May respectively reached 855 772 tons and 1 285 873 tons. The respective delivery in June was 1 695 120 tons and 1 722 170 tons (*SAGIS*, 2015). The total delivery for the new season was 2 550 892 tons white maize and 3 008 043 tons yellow maize by the end of June (*SAGIS*, 2015). More than 56% of the total maize crop is already delivered by producers.

The prices of the white and yellow maize on *SAFEX (spot month)* (2013-2015) are indicated in the figure. White and yellow maize prices increased since the end of 2014 mainly due to the severe impact of the drought conditions on total maize supply. Accordingly also impacted on the maize prices (as confirmed in the figure) and along the value chain.



The 4th production forecast for the 2015 summer crops by the *Crop Estimates Committee's (CEC)* in May indicated white maize production at 4 731 800 tons from 1 448 050 hectares and yellow maize at 5 108 250 tons from 1 204 800 hectares. This production estimate for total maize is 0.79% higher than the 3rd estimate (*CEC*, 2015). The 5th white and yellow maize estimate respectively indicated production at 4 649 800 tons (-1.73% on previous estimate) and 5 105 500 tons (-0.05% on previous estimate); in total 9 755 300 tons of maize (*CEC,* 2015) which is 4 494 700 tons (32%) below the level of

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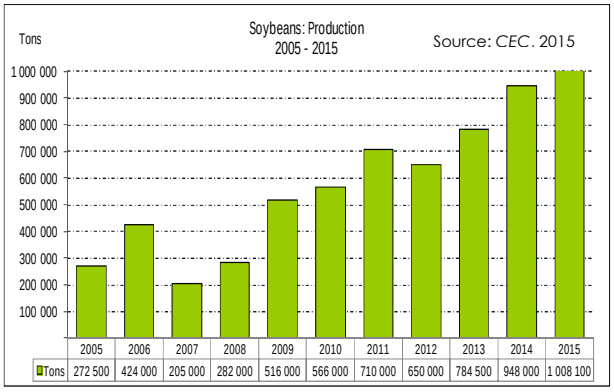
production in 2014.

The 5th crop estimate in June further indicated the soya bean harvest at 1 008 100 tons, the *Protein Research Foundation* see this as an industry mile stone. This estimate is 6.92% higher than the previous estimate of 942 850 tons (*CEC*, 2015). This estimate is also more than 60 000 tons higher than the previous year. Soya bean production was supported by the greater planting area especially in the eastern production areas; in total 687 300 hektaar was planted this year (*CEC*, 2015), a 37% annual increase.

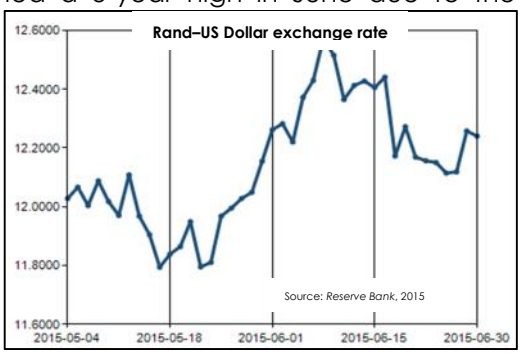


South Africa, a net exporter of maize in 'normal years', already imported 65 250 tons of yellow maize by the end of April due to the fears related to the draught conditions (*SAGIS*, 2015). These maize imports are followed by almost 80 000 tons of yellow maize from Argentina during May and June (*SAGIS*, 2015). South Africa also started to import small quantities of white maize is imported from Zambia (*SAGIS,* 2015). Maize imports from Mexico are expected, most like white maize as Mexico is the world's largest white maize producer.

2. ECONOMY & ENERGY

The international limelight was largely focussed on the Greek repayment default due to bankruptcy; "while *Greece somehow managed to keep living beyond each supposed 'payment deadline', it seems as though it is now at death's door* (*RMB*, 2015). Towards the end of June, Greece was one step from exiting the *Eurozone* – a Grexit ("*Greek exit from the Eurozone"). A referendum during the first weekend in July would have determined if the "creditors' bailout conditions were accepted" as banks in Greece are already cut-off from any support from the European Central Bank (ECB)* (*RMB*, 2015).

Oil prices rose around 30% between January and February on the back of Middle East supply disruptions, strong winter demand and high refinery margins (*FIN24*, 2015). Since mid-March the Brent crude oil price traded around $60 per barrel, and reaching a 2015-high at $63 per barrel in April. The oil supply from *Organization of the Petroleum Exporting Countries (OPEC)* reached a 3-year high in June due to the extremely high production in Iraq and Saudi Arabia, OPEC's output per day surpassed the 30 million barrel per day target despite the limited production from Libya and Nigeria (*FIN24*, 2015), and consequently adding to the current price pressure.



The *Department of Energy* announced no change to the petrol price in May, but it was be followed by 47 cents per litre increase in June. Diesel decrease by 5 cents per litre in May, and increase by 49 cents per litre in June (*FIN24,* 2015).

Eskom's application to increase the electricity prices by 12% was denied by the *National Energy Regulator of SA (Nersa) (FIN24*, 2015); *Eskom* already received approval for a 12.6% increase earlier this year. It is expected that *Eskom* will integrate this 'denied' request into next year's application.

"*Consumers are feeling pressure from all angles; unfortunately, the short-term outlook for the South African economy is similarly sombre amid an environment of weak global demand and expected interest rate increases,*" as mentioned to *IOL* (2015). Issues such as *xenophobia,* load shedding, increasing energy costs, carry-over consumer debt and the rising unemployment rate contribute to the overall weak consumer confidence (*FIN24*, 2015).

The weighted average rate by 10h30 on 30 June 2015 at which the Rand traded against the US-Dollar was R12.24, and R19.26 against the British Pound and R13.67 against the Euro (*Reserve Bank*, 2015).

3. INTERNATIONAL SITUATION

International news will be discussed in the next report.

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