

Monthly grain market report



Marketing and Agri-Business Section

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1. SOUTH AFRICAN GRAIN MARKET

The MTM price on 30 January 2015 for wheat delivery in February was R3 922 per ton at Randfontein.

Commodity	MTM-prices (30/01/2015) R/mt					Month end R/mt (31/01/2014)	Month end R/mt (31/12/2014)	Month end R/mt (28/11/2014)	% Change
	Feb-15	Mar-15	May-15	Jul-15	Sep-15	Feb-14	Jan-15	Dec-14	Feb-14 vs. Feb-15
Wheat (RFTN)	3922	3968	4027	4038	3904	3824	3911	3689	3%
Yellow maize	2070	2094	2065	2058	2091	3450	2140	2015	-40%
White maize	2097	2123	2101	2096	2130	3471	2121	1981	-40%
Sunflower	5080	5020	4859	4913	-	6000	5155	4730	-15%
Soya beans (50mt)	5630	5263	4850	4890	4940	6310 (Mar-14)	5780	5444	-11% (Mar-14-Mar-15)
Sorghum	-	2220	2200	2200	2500	3500 (Mar-14)	2330 (Mar-15)	2400 (Dec-14)	-37% (Mar-14 - Mar-15)
Yellow Maize (10mt)	-	-	-	-	-	-	-	-	-
White Maize (10mt)	-	-	-	-	-	3296 (Mar-14)	-	-	-

Source: SAFEX, 2014 & 2015

Winter Crops: Wheat deliveries increased significantly towards the new year, but into January the delivery pace declined, a pace which will more or less continue for the rest of the season. During November and December 2014 respectively 679 229 tons and 475 419 tons were delivered (SAGIS, 2014), and only 88 433 tons delivered in January 2015; this brings the total seasonal wheat delivery to 1 611 040 tons (SAGIS, 2015), 91% of the latest production estimate is already delivered.

In January the wheat market closed slightly higher (R11 per ton) than the previous month and 3% (R98 per ton) higher than the end of the January 2014. The international wheat price as well as the Rand/US-Dollar exchange rate had a significant influence on the local price and the parity prices. The prices of the further months were steadily increasing, and crossed the R4 000 per ton level by month-end.

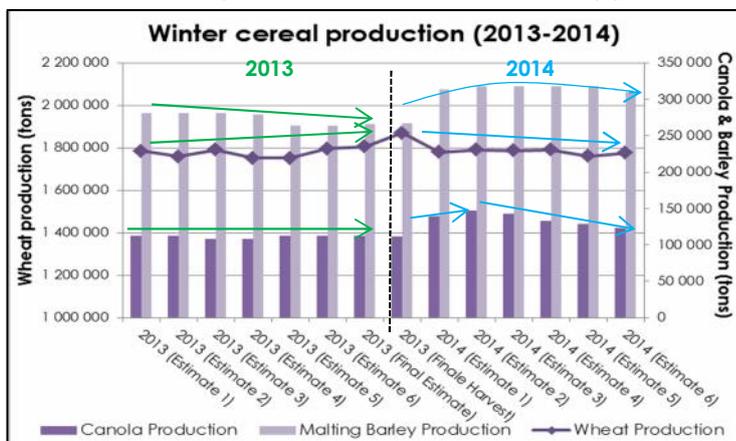
The 6th winter crop estimate by the *Crop Estimates Committee (CEC)* indicated the expected area under wheat at 476 570 hectares, with production 0.88% higher than the previous month at 1 775 534 tons. The

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wheat production figure is almost 94 500 tons less than the previous year's final production figure (CEC, 2015). Production in the Western Cape is projected at 899 000 tons from 310 000 hectares (CEC, 2015), compared to 883 500 tons estimated in December. This month's national wheat production increase can be ascribed to the 15 500 tons increase in the Western Cape's production. The production in the Free State and Northern Cape is estimated at 271 050 tons and 285 000 tons (CEC, 2015). The CEC estimated for malting barley production is 2.25% lower on 310 361 tons. Canola production estimate has dropped, from 128 250 tons to 123 500 tons (3.7%) (CEC, 2015).

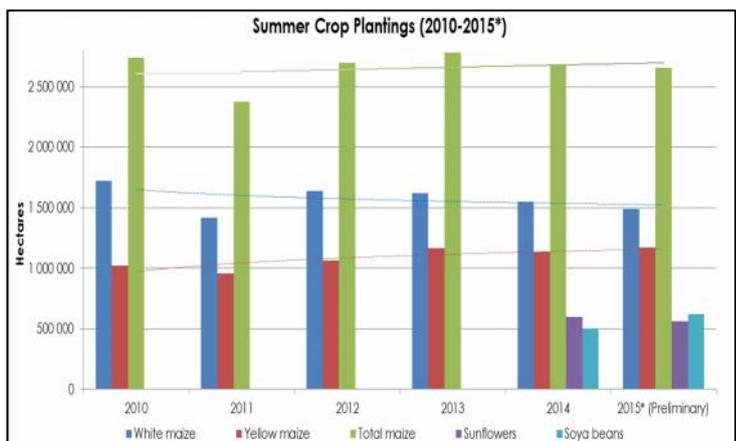
The 7th production forecast for the winter crops will be released on **26 February 2015**.

Summer Crops: In December plantings in the Free State already struggled with little and scattered rainfall while dry conditions hampered summer crop plantings in the North West (Grain SA, 2014). In Mpumalanga and the eastern Free State, summer crops generally looked good at the end of December (Grain SA, 2014). However, conditions worsen into 2015 and a below/ average maize crop is expected due to the continuous dry weather in most parts of the summer crop production area (Landbouweekblad, 2015). Damage to the maize crop, especially in the North West and Free State was already visible, while the crop in Mpumalanga also feels the strain of the unfavourable weather conditions.



New season maize prices could gain support by the prospects of tight stocks as well as uncertain weather conditions (Grain SA, 2015). The white and yellow prices for February delivery closed at R2 097 per ton and R2 070 per ton respectively; on average 40% lower than the previous month. The prices are also on average R50 per ton higher than prices at the close of the December 2014. At the end of January the maize price did not yet respond accordingly, but the expectation for higher maize prices are lingering in the market depending on the crop outlook. Grain SA warned that "if South Africa has a crop failure this year, we can see prices increase further by almost 30%." As maize (meal) is the biggest staple in the country, consumers will feel the price pressure (Farmers Weekly, 2015).

The producer deliveries for white and yellow maize respectively reached 60 822 tons and 44 034 tons in January (SAGIS, 2014). By the end of the month the total delivery for the current season (since May 2014) were 7 326 289 tons white maize and 5 758 274 tons yellow maize (SAGIS, 2014).



In October, the CEC published the intention to plant summer crops during the 2014/15 season; 1 401 450 hectares white maize and 1 198 550 hectares yellow (CEC, 2014). It is evident that the weather conditions influenced the final planting decisions. The preliminary area under summer crops report was release by the CEC on 27 January 2015, representing conditions as of mid-January. The preliminary area estimate for all maize is 2 656 450 hectares (1.18% or 31 750 hectares less than in 2013/14; 1 487 650 hectares white maize (-4.1% compared to previous plantings) and 1 168 800 hectares (+2.8% compared to previous plantings) yellow maize (as shown in the figure) (CEC, 2015). It is argued that the yellow maize planting increase compared to last year, since the production areas was less vulnerable during the pre- and planting season. The largest yearly decreases in white maize production were located in the North West (-30 000 hectares), the Free State (-18 000 hectares) and Mpumalanga (-8 000 hectares) (CEC, 2015). The largest differences for yellow maize occurred in the Free State (+35 000 hectares), North West (+15 000 hectares) and Mpumalanga (-17 000 hectares). A share of the lost maize hectares is absorbed by soybean plantings which is 23.64% (117 400 hectares) higher than the 2013/14 season (CEC, 2015). In total the summer crop hectares is 1.39% higher than the previous season (CEC, 2015).

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The revised area and 1st forecast for the new crop will be released on **26 February 2015**.

2. ECONOMY & ENERGY

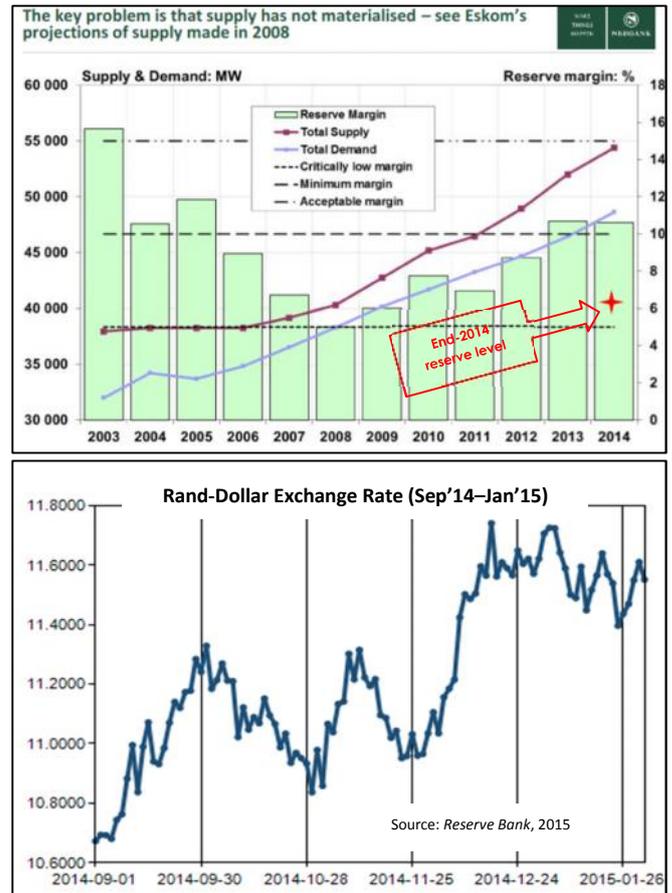
In November it was said that “crude seems to have no floor right now, and we could easily see the price drop into the low \$60’s” (Fortune, 2014), compared to the high of mid-2014 this sounded too good to be true, however throughout January the price drop continued. At the start of December, Brent crude oil reached a 5-year low at \$67.53 per barrel, by the end of the month it traded at \$57.35 per barrel (LC UK, 2014). During January the 6-year low was passed, and by month-end Brent crude-oil traded at \$48.97 (NRG Trading, 2015). “There is still oversupply in the market, global demand is on a fall and (amongst other) the Eurozone is suffering,” (FIN24, 2015). The Organisation of Petroleum Exporting Countries (OPEC) warned that prices could surge to \$200 owing to shrinking investment in exploration” (FIN24, 2015). “At these prices, shale production on most leases across the USA cannot breakeven. Only a few of the most favourable areas with the best geology and low transport costs remain profitable. Even in these cases profit margins are razor thin” (FIN24, 2014). With prices remaining at these levels, it is expected that USA shale drilling activity will cease (FIN24, 2015).

The weighted average rate by 10h30 on 30 January 2015 at which the Rand traded against the US-Dollar was 11.55 (Reserve Bank, 2013). The Rand traded at 17.43 against the British Pound and 13.10 against the Euro (Reserve Bank, 2015). On local front, during January the Rand was influenced by Eskom’s electricity crisis; “the electricity crisis is one of the biggest risks facing the domestic economy in 2015, especially the production side. Continued disruptions are likely to translate into offshore sourcing of products and consequently a widening of the trade balance as the technical rebound expected in exports is hindered by power constraints,” according to RMB.

The weak Rand/Dollar exchange rate contributed to an increase in the fuel price; however this was offset by the continuous drop in international Brent crude oil prices. After an historical monthly decline of 123 cents per litre for petrol and 104 cents per litre for diesel for January 2015, the declining movement continued into February when the Department of Energy announced a 93 cent per litre decrease for petrol and 102 cents per litre decrease for diesel (FIN24, 2015). The local fuel price is close to levels last seen in 2012; the February-price is on average R3 per litre less than a year ago.

3. INTERNATIONAL GRAIN MARKET

Wheat - The International Grain Council (IGC) estimate the global wheat production just above 700 million tons (World Grain, 2015). Higher production is forecasted for Kazakhstan, Ukraine, the USA, Argentina and parts of eastern Asia and northern Africa; however the increase is partially countered by a decline in Russia and Brazil. Production estimates for the EU, China, India and Australia are in line with the previous season (World Grain, 2015). The requirements in Egypt and Iran are expected to be lower; “the overall world trade (demand) will be underpinned by sustained demand growth for milling wheat in developing countries.” The global wheat end-stock is estimated at 189 million tons (63 million tons of the major exporters) (World Grain, 2015).



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