

Monthly grain market report



Marketing and Agri-Business Section

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1. SOUTH AFRICAN GRAIN MARKET

The MTM price on 27 February 2015 for wheat delivery in March was R3 810 per ton at Randfontein.

Commodity	MTM-prices (27/02/2015) R/mt					Month end R/mt (28/02/2014)	Month end R/mt (30/01/2015)	Month end R/mt (31/12/2014)	% Change
	Mar-15	Apr-15	May-15	Jul-15	Sep-15	Mar-14	Feb-15	Jan-15	Mar-14 vs. Mar-15
Wheat (RFTN)	3810	3855	3897	3897	3810	3752	3922	3911	2%
Yellow maize	2408	-	2433	2407	2433	3012	2070	2140	-20%
White maize	2740	2575	2677	2715	2743	3052	2097	2121	-10%
Sunflower	5115	-	5105	5180	5215	5000	5080	5155	2%
Soya beans (50mt)	5078	-	5008	5063	5107	6445	5630	5780	-21%
Sorghum	2411	-	2400	2445	2480	3480	2220 (Mar-15)	2330 (Mar-15)	-31%
Yellow Maize (10mt)	-	-	-	-	-	-	-	-	-
White Maize (10mt)	-	-	-	-	-	-	-	-	-

Source: SAFEX, 2014 & 2015

Winter Crops: Preparations for winter plantings are becoming more active and widespread. In February the wheat market closed R112 per ton lower than the previous month and 2% (R58 per ton) higher than the wheat price in February 2014. Since the beginning of 2015, the wheat market border the R40 00 per ton level, but hopes are fading that this level will soon be bridged.

The wheat deliveries for 2013/14 production season is slow – a pace which is expected to continue for the rest of the season. During January 2015, 88 433 tons were delivered, compared to the high of almost 680 000 tons delivered in November during the harvesting period (SAGIS, 2014). In February as little as 31 499 tons of wheat were delivered throughout South Africa and by the end of February the season's delivery totalled to 1 641 711 tons (SAGIS, 2015), 92% of the latest production estimate is already delivered.

The final winter crop estimate by the *Crop Estimates Committee (CEC)* indicated the expected area under wheat at 476 570 hectares, with production at 1 775 534 tons; both unchanged from the previous estimate. The final wheat production estimate is almost 94 500 tons less than the previous year's final wheat

¹ **Disclaimer:** Although everything has been done to ensure the accuracy of this information, Western Cape Department of Agriculture therefore accepts no liability that can be incurred resulting from the use of this information.

production figure (CEC, 2015). Production in the Western Cape is projected at 899 000 tons from 310 000 hectares (CEC, 2015), 285 000 tons in the Free State and 271 050 tons in the Northern Cape. These main production regions are responsible for 82% of national wheat production off 88% of the wheat production area (CEC, 2015). The CEC estimated for malting barley production is 1.15% lower than the previous month at 306 786 tons; production about 39 000 tons higher than in 2013. The canola production estimate is unchanged from the previous month, at 123 500 tons (CEC, 2015), production is 11 500 ton higher than in 2013.

Summer Crops: Since December plantings in the parts of the Free State struggled with little and scattered rain, while dry conditions hampered summer crop plantings in the North West province (Grain SA, 2014). The weather didn't improve into 2015 and below average rain was expected for February and to continue into March; at the start of the February Grain SA announced that if rain doesn't show by mid-month the maize crop are set for disappointment (Landbouweekblad, 2015). The white maize production area is the driest, but the maize under irrigation also struggle due to *load shedding*. Estimates show that if South Africa has a crop failure or even a very poor harvest, it will lead to a price increase of at least 30% for the next 12 month (Grain SA, 2015).

For the month of February, weather was still a critical factor in the maize price; markets were sensitive for any changes in the crop. The white and yellow maize prices for delivery in March respectively closed at R2 740 per ton and R2 408 per ton; individually 31% and 16% higher than the previous month. On average the maize price is 15% higher than in 2014.

The producer deliveries for 2013/14 white and yellow maize respectively reached 70 271 tons and 106 997 tons in February (SAGIS, 2014). By month-end the total delivery for the current season (since May 2014) were 7 403 037 tons white maize and 5 862 363 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 maize (CEC, 2014). It is evident that the weather conditions influenced the final planting decisions. The preliminary estimate indicates the area under summer crops for maize at 2 656 450 hectares; 1 487 650 hectares white maize and 1 168 800 hectares yellow maize (CEC, 2015). The revised area estimates for maize is 2 688 200 hectares. The first production estimate for summer crops 9 665 290 tons (-32% compared to the previous season), 4 696 390 tons white maize (-39%) and 4 968 900 tons yellow maize (-24%) (CEC, 2015).

2. ECONOMY & ENERGY

Until January crude oil has lost about 50% of its value since June 2014, largely due to a global supply excess partially caused by surging USA shale production (NEWS24, 2015), while demand declined (FIN24, 2015). In January the crude oil price dropped to a 6-year low, and closed at \$48.97 (NRG Trading, 2015). At this price levels, most shale production locations in the USA cannot even breakeven. Accordingly the situation left the impression of the possible closure of shale drilling activities, which stimulated the price to increase in February. "The recent developments in the oil market could suggest high volatility in prices in the near term and a potential rally in the second half of 2015" (NRG Trading, 2015).

The South African price of petrol and diesel respectively increased by 96 cent per litre and 74 cent per litre in March, after 6 continuous months of declines. The fuel price was largely influenced by the increase in the February increase in the oil price as the exchange rate was less influential. The weighted average rate by 10h30 on 27 February 2015 at which the Rand traded against the US-Dollar was 11.50 (Reserve Bank, 2013). The Rand traded at 17.73 against the British Pound and 13.00 against the Euro (Reserve Bank, 2015).

The Eskom's electricity crisis continued into February; however the disruptions got less intense as NERSA (National Energy Regular of South Africa) give permission to increase the usage of the open turbines (generators). Thus, less load shedding, but unfortunately electricity costs will further increase in 2015.

3. INTERNATIONAL GRAIN MARKET

International news will be discussed in the next grain review.