Monthly grain market report

Marketing and Agri-Business Section **www.elsenburg.com**

October 2011[1]

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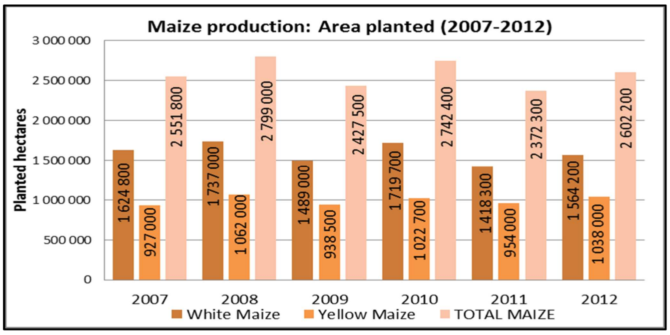
1. SOUTH AFRICAN GRAIN MARKET

The MTM price on 31 October 2011 for wheat delivery in December R2766 per ton delivered at Randfontein.

Commodity	MTM-prices (31/10/2011) R/mt					Month end R/mt (29/10/2010)	Month end R/mt (30/09/2011)	Month end R/mt (31/08/2011)	% Change
	Nov-11	Dec-11	Mar-12	May-12	Jul-12	Nov-10 (Dec-10)	Oct-11	Sept-11	Nov-10 vs. Nov-11
Wheat	-	2766	2825	2860	2907	2656 (2681)	2955	2994	3% (Dec-10 vs. Dec-11)
Yellow maize	2285	2287	2261	1980	1850	1430	2138	2218	60%
White maize	2358	2355	2330	2095	1832	1312	2200	2250	80%
Sunflower	4220	4275	4355	4275	4328	5002	4160	3890	**-16%**
Soya beans	3265	3301	3382	3390	3464	3267	3419	3545	0%

Source: SAFEX, 2011

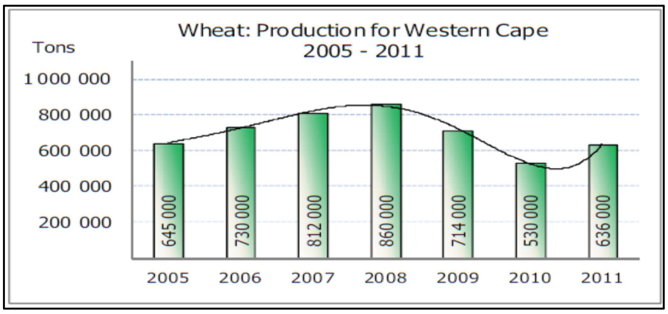
The latest report from the *Crop Estimates Committee* (CEC) shows the intention to plant summer crops for the 2012 season. Producers plan to plant 2 602 200 hectares for maize; 1 564 200 hectares white maize and 1 038 000 hectares yellow maize. The Free State intent to plant 12% more maize than what was planted the previous year, while Gauteng shows no change. The total intention to plant maize is 9.7% higher than last year's planted area, but 140 200 hectares less than in 2009-10. The intention to plant sunflowers decline from 642 700 hectares last year to 555 000 hectares (13.6%), while the soya bean hectares increase to 460 000 hectares (10%). The overall intention to plant summer crops show a 4.4% increase.



The 3rd total production estimate for winter cereal is 2.1% lower than in September. Wheat production

[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.

is estimated at 1 841 630 tons, 3.2% lower than the previous estimate, while malting barley shows a 6.1% increase and canola shows no change. The production of wheat in the Western Cape is estimated at 636 000 tons, the 2nd wheat estimate for the province indicated production at 662 500 tons. The current estimate is 20% higher than finale production last year (*see graph*). Wheat production in the Free State is estimated at 551 250 tons, well above production in 2010 (378 000 tons).

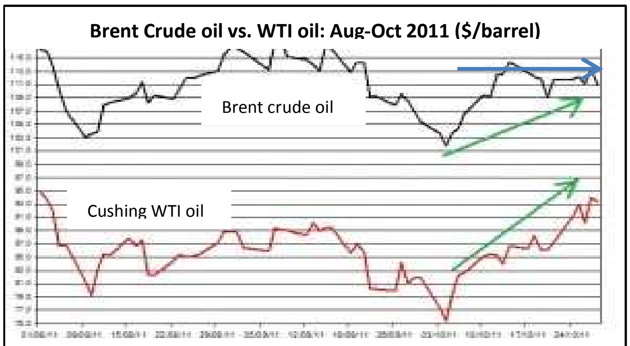


2. ECONOMY

The Minister of Finances announced the medium term budget statement during the last week of October; the short summary shows a few key aspects of the statement as per *News24*.

Economic growth expected for 2011 = 3.1%; below the previous growth projections
CPI (Consumers price index), as % of GDP, will average at 5% in 2011 (within the governmental target)
Current account deficit will increase in the years to come, mainly due to the increased value of imported products in comparison to the exported value
Government debt will increase, from more than R1 trillion (end 2011-12) to more than R1.5 trillion in 2014-15
The **income received by government from tax** will decrease significantly; consequently government will have to put policies in place to boost the income in case the economy doesn't recover as expected

The decline in the value of the Rand contributes to higher fuel price as well to the higher price of other imported products. The weighted average rate by 10h30 on 31 October 2011 at which the Rand trade against the US-Dollar was R8.07 (*Reserve Bank*, 2011). The petrol price will increase with 23 cent per litre and the diesel price with 36 cent per litre on 2 November 2011 (*News 24*, 2011). The local price will increase despite the relative stability in the global Brent crude oil price, mainly due to the weakening of the Rand. Brent crude oil traded at $109.52 per barrel on 31 October 2011 (*NRG Trading*, 2011).



Bron: *NRG Trading*, 2011

3. INTERNATIONAL GRAIN MARKETS

US wheat and corn futures increase during October due to stock levels, weather concerns and the impact of major international producers. Wet conditions hamper the corn and soya bean harvesting in the eastern parts of the *US Midwest*, while drier weather in the west benefited the harvest (*Reuters*, 2011); 65% of the maize in the US is already harvested (*USDA*, 2011). The current weather pattern in the US indicates that winter wheat producers should brace themselves for another dry season. USDA's data show that 47% of winter wheat in the US is in 'good' and 'excellent' condition, it is similar to last year's condition but well below the 62% of 2 years ago.

'*Former Soviet Union*' (FSU) countries struggle to export their produce due to high production volumes; limited export-space and infrastructure and logistical problems. The Russian government announced earlier this month that a 'protective' tariff will be introduced as soon as exports threaten local stock levels (*Reuters*, 2011). Although 70% of winter cereals in Ukraine are in a 'good' or 'acceptable' condition, producers did experience adverse climatic conditions (*Reuters,* 2011). Low grain prices and pressure from producers forced the Ukrainian government to sign off on the abolishment of the wheat and maize export tariff; the tariff will only fall away later the season.

Climatologists in Australia predict, with a 60-80% chance, the second year with an abnormal wet period from November to January, the main grain harvesting period (*Agrimoney*, 2011). The rain will most likely not be as severe as last year but will still impact wheat quality, in addition to the large quantity of feed wheat carried over from last year. Australian wheat currently trade $50 below US corn and as a result a large quantity of Australian wheat was bought by China to refill the government's feed wheat reserves (*Agrimoney,* 2011).

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