

Monthly grain market report



**DEPARTMENT of
AGRICULTURE**
Provincial Government of the Western Cape



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1. SOUTH AFRICAN GRAIN MARKET

The MTM price on 31 May 2011 for wheat delivery in June was R3281 per ton delivered at Randfontein.

Commodity	MTM-prices (31/05/2011) R/mt					Month end R/mt (31/05/2010)	Month end R/mt (29/04/2011)	Month end R/mt (31/03/2011)	% Change
	Jun-11	Jul-11	Sep-11	Dec-11	Mar-12	May-10	May-11	Apr-11	May-10 vs. May-11
Wheat	3281	3310	3286	3072	-	2255	3068	3012	45%
Yellow maize	1760	1784	1816	1865	1877	1163	1669	1546	51%
White maize	1735	1750	1785	1836	1864	1100	1613	1515	58%
Sunflower	4097	4145	4225	4325	-	3465	3852	4055	18%
Soya beans	3290	3319	3370	3440	3540	2516	3165	3280	31%

Source: SAFEX, 2011

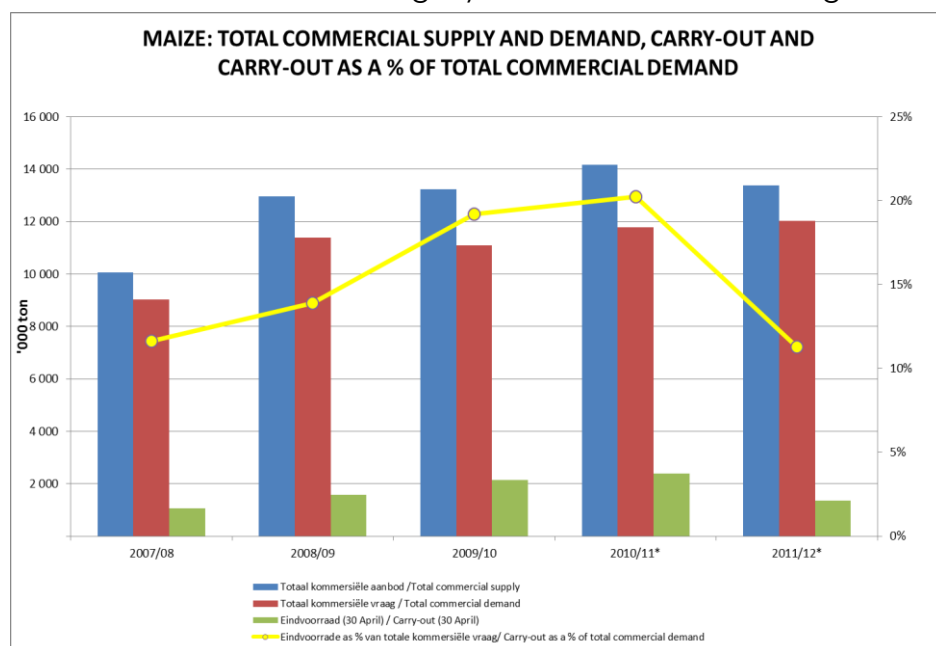
Prices for grain in South Africa are trading higher than last year; wheat shows a 45% increase, yellow maize is 51% higher and white maize trade 58% higher. The price of wheat close R213 per ton higher in May than the previous month; over the same period the average maize price increased R107 per ton.

Harvesting in the summer rainfall area made good progress since better weather conditions occurred. Wheat plantings might be higher than previously expected due to the price levels as well as the high moisture level in the Free State. Wheat plantings in the Western Cape are almost completed in some areas; rainy conditions at the end of the month and the price contributed to the more positive production outlook.

Projections indicate a decrease in the wheat carry-out (stock), from 576 000 ton in 2009-10 to 482 000 ton in 2010-11 (Grain SA, 2011). The stock to use ratio declined from 17.5% to 15.2% over

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the same period of time. The new season projections point towards a 16.9% ratio at a low yield and towards 15.2% at a high yield. The lower ratio is generated by the tendency of higher



consumption levels (animal feed & exports) in times of high supply.

The maize graph shows that the CEC- (Crop Estimates Committee) production estimate for 2011-12 is lower than the output of 2010-11. The graph also indicates that the demand increase over the same period. The carry-out at the end of the season decrease with 1.03 million ton, while the stock to use ratio dropped from 20.25% to 11.27% according to Grain SA's estimations.

Source: Grain SA, 2011.

World stock hit a 3-week high after it became known that Greece is in need of a second bailout package. The Euro increase to the highest level in a month due to the risk involving Greece, this had an indirect impact on the Rand's performance. South Africa approved the \$2.4 billion bid for the Wal-Mart buy in on Massmart (a 51% share). Many see this deal in a negative light; more job losses and cheap imports that may squeeze local companies out of business. The Rand also extended gains on the approval of this deal. The weighted average rate by 10h30 on 31 May 2011 at which the Rand trade against the US-Dollar was R6.89 (Reserve Bank, 2011). The local economy grew by 4.8% in the first quarter of 2011, a 0.4% increase from the fourth quarter last year, mainly due to growth in the manufacturing sector (Stats SA, 2011).

2. INTERNATIONAL GRAIN MARKETS

Some dry parts in Europe and Western-Australia did receive some rain, but it is still inefficient to rectify the effects of the draught; even though it will stabilize the effect, it will not boost grain production. Heavy rain in the USA Corn Belt continues to delay the planting process; only 86% of the corn crop was planted on 29 May, below the 5-year average of 95%. The USA has definite concerns in regards to the planted area and yields of corn & soya beans. The Canadian Wheat Board also indicated that their spring plantings are delayed; only 73% of the spring crop was planted at the end of May, which is well below the Canadian average of 87%.

All focus is on Russia who announced the export ban to be lifted on 1 July 2011. The announcement can be seen as a sign that the region expects a good winter wheat harvest, although the intended export amounts is still unclear. Markets in Europe and the USA did show a drastic reaction on this announcement; wheat prices fell to a 2-week low (Bloomberg, 2011). The domestic prices in Russia showed a significantly increase which undermines Russia's efforts to control inflation. The government will therefore most likely impose export quotas or duties on grain to stabilize the link between the domestic and the international price.

International future prices increased 68% last year since Russia introduced the export ban and extreme weather became a serious production barrier in the main grain production areas (Agrimoney, 2011). Although grain availability from Russia would be a temporary factor, poor weather continues to have a drastic impact on the industry.

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