

Monthly grain market report



Marketing and Agri-Business Section

www.elsenburg.com

PERIOD UNDER REVIEW: AUGUST/SEPTEMBER 2016

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1. SOUTH AFRICAN GRAIN MARKET

On 31 August 2016, the MTM price for wheat to be delivered in September 2016 traded at R4,135 per ton.

Table 1: Mark-to-market prices for the summer crops and winter cereals traded on SAFEX

<u>MTM-Prices (31/08/2016) - expressed in Rand/MT</u>							Month end R/MT (31/08/15)	Year-on-Year Change (%)	Month end R/MT (30/06/16)	Month end R/MT (29/07/16)
Commodity/Delivery Date	Sept -16	Oct -16	Dec -16	Mar -17	May -17	Jul -17	Sept-15	Sept-15 vs. Sept-16	Jul-16	Aug-16
Wheat (RFTN)	4135	4183	4148	4241	4300	-	4133	↑ 0.05%	4698	4210
White maize	4072	4102	4108	3781	2924	2717	3099	↑ 31.40%	4640	4200
Yellow maize	3126	3152	3181	3111	2616	2596	2799	↑ 11.68%	3476	3208
Sunflower	6343	-	6488	6370	6163	6188	5849	↑ 8.45%	6450	5601
Soybean	6550	-	6578	6365	6150	-	5316	↑ 23.21%	7796	6750
Sorghum	-	-	-	-	-	3400	3050	-	3680	-

Source: SAFEX (2015 & 2016)

1.1 MARKET PRICES

The SEPT16WEAT (wheat) contract traded more or less at the settlement price level at R4133 per ton, compared to the same period in the previous year. Assessing the 2015/16 marketing season, market prices traded at much higher levels, then the aforementioned marketing season, and this is evident in the SEPT16

WEAT contract which traded lesser by 11.98% or R563 per ton than the JUL16WEAT contract and 1.78% or R75 per ton lesser than the August contract for delivery during the following month (SAFEX, 2016).

On 31 August 2016, both the WMAZ (white maize) and YMAZ (yellow maize) contracts for delivery in September 2016, transacted at moderate higher levels relative to the same contracts traded in the previous marketing year. The SEPT16WMAZ contract traded 31.40% y/y or R973 higher and the SEPT16YMAZ at 11.68% y/y or R327 higher relative then the same period within the previous marketing season. At the end of August 2016 both white and yellow maize future prices lowered in relation to subsequent months. The August 2016 futures contract traded lower by 12.24% or R568 per ton for a ton for white maize and 10.07% or R350 per ton for yellow maize compared to the July 2016 contract (SAFEX, 2016).

The sunflower contract traded at R6343 per ton, which is 8.45% y/y or R494 per ton higher than the same contract traded in the previous year. However, the SEPT16 contract traded at 1.66% lesser than the Aug16 contract but 13.25% or R742 per ton more than the contract traded in July 2016 (SAFEX, 2016).

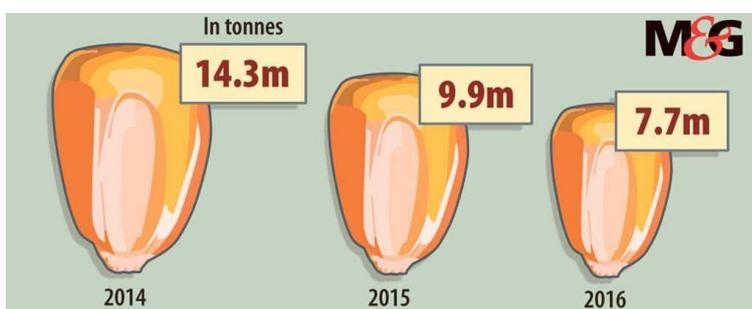
The soybean contract traded at R6550 per ton at the end of August 2016, translating into a 23.21% y/y or R1234 per ton more than the same contract traded in the previous year. As at 31 August 2016, there was only one sorghum futures contract open for trade for delivery in July 2017 at R 3700 per ton (SAFEX, 2016).

1.2 PRODUCTION AND PRODUCTION AREA ESTIMATES: SUMMER CROPS

The annual decrease in summer crop production volumes demonstrates the significance of the drought on in relation to previous production harvest, as the majority of summer crops indicated a downward trend in production output estimates: *groundnuts (-57% y/y)*, *dry beans (-52% y/y)*, *sorghum (-32% y/y)*, *soybeans (-30% y/y)* and *maize (-27% y/y)*. There has however been an exception, in that sunflower seed production is estimated to increase by 12% y/y, as a result of a 25% year-on-year annual increase in the sunflower production area (Agbiz, 2016).

The annual maize production estimate has been tons, during the 8th National Crop Estimate meeting late August 2016. Industry commentators however expect yield to reach 7.7 million tons (IOL & M&G, 2016). The CEC estimate is mainly due to the adjusted outlook of the yellow maize crop which estimated to expand by 35,100 tons to amount 4, 2 million

Figure 1: South African maize production yield (2014-2016)



tons, whilst the white maize outlook remain unchanged at 3, 1 million tons. The optimistic maize outlook was mainly due to an upward adjustment in the following production areas: Northern Cape increased by 5,000 tons, Free State increased by 15,500 tons, Eastern Cape increased by 2,400 tons, Kwa-Zulu Natal increased by 7,200 tons and the North West increased by 5,000 tons. The non-commercial maize production forecast has remained unchanged at 435,740 tons (NCEC, 2016).

The production of other summer crops, such as sunflower and soybean are estimated to remain unchanged at 742,750 tons and 750,250 tons respectively. Whilst, groundnut production is estimated to decrease by 9.34% or 2,735 tons to an estimated yield of 26,550 tons due to lowered expectations within the majority of production areas. In addition, dry bean production is also estimated to decrease by 300 tons to an estimated yield of 35,445 tons, as a result of a pessimistic production outlook in the North West Province. Sorghum production estimates also followed a similar decreasing trend, as the production estimate was adjusted downward by 7.34% or 6,500 tons to an estimated 82,000 tons (NCEC, 2016).

The total area under production (hectares) for the above mentioned summer crops, remain unchanged in relation to the previous estimation of 1, 01 million hectares for white maize, 932,000 hectares for yellow maize, 718,500 hectares for sunflower, 502,800 hectares for soybean, 22,600 hectares for groundnuts, 48,500 hectares for sorghum and 34,400 hectares for dry beans. It should however be noted that maize hectares has declined by 706,100 hectares in relation to the previous season, whilst soybeans has declined by 142,500 hectares, groundnuts by 35,400 hectares, sorghum by 22,000 hectares, dry beans by 29,600 hectares (NCEC, 2016).

1.3 PRELIMINARY PRODUCTION AND PRODUCTION AREA ESTIMATES FOR WINTER CEREALS

Wheat

Wheat planting estimates has been revised upward by 16,300 hectares compared to the 481,850 hectares plantings anticipated during the April 2016 forecast. As a result, plantings are currently estimated at 498,150 hectares. The estimated production output is therefore relatively higher by 16.88% or 243,040 tons compared to the previous production season when 1,440 million tons was harvested (NCEC, 2016).

The upward adjustment is mainly due to production variations which are anticipated within the three largest wheat production areas. Production output in the Western Cape Province is estimated to be 206,900 tons higher than the 697,500 tons harvested during the previous season. In addition, the Free State Province is also expected to produce 113,500 tons more in relation to the previous harvest, whilst the Northern Cape is expected to produce 7,200 tons lesser for the same period (NCEC, 2016).

Other significant wheat producing areas such as Limpopo and the North West also demonstrated a downward trend in terms of production output expectations. It is however anticipated that Limpopo will produce 42,420 tons lesser, whilst the North West Province is estimated to produce 14,700 tons lesser during the 2016 production year in relation to the previous production season (NCEC, 2016).

Barley

The area planted under malting barley for 2016, has decreased by 285 hectares in relation to the plantings intended which was estimated at 92,000 tons. The current estimation of 88,685 tons is thus expected to produce 18.11% or 60,115 tons lesser than the previous season's harvest 332,000 tons (NCEC, 2016).

Canola

The 2016 canola crop is estimated to produce 9.68% or 9000 tons more compared to the previous production in which 93,000 tons was produced. The planted area is 10,050 hectares lesser than the 78,050

hectares planted during the previous year (NCEC, 2016). The upward change in production is anticipated due to improved weather conditions which is ultimately anticipated to result in improved yields, which is evident in the upward revision of the 2015 average yield of 1.25 tons to 1.50 tons per hectare during the first production estimate for the 2016 canola season (BFAP & NCEC, 2016).

1.4 PRODUCER DELIVERIES

Wheat: Progressive deliveries for the 2015/16 marketing season amounted to 1,401,687 tons of which a total of 6,787 tons were delivered during the weeks of 30 July and 02 September 2016. The deliveries captured till 02 September 2016, thus represents a 99, 68% delivery rate considering the 1,406 million tons anticipated to be delivered by local commercial producers (NAMC, 2016).

Insignificant adjustments were reported during the period under review (30 July to 02 September 2016) (SAGIS, 2016).

Maize: A total of 5,955,836 tons of maize has been delivered for the 2016/17 marketing season, up until 02 September 2016. White maize deliveries accounted for 2,649 million tons, whereas yellow maize deliveries accounted for 3,306 million tons (SAGIS, 2016). Maize delivered as from 30 July to 02 September 2016, amounted to 670,777 tons white maize and 339,461 tons yellow maize.

A significant adjustment was rectified during week 17 (ending 26 August 2016), in which white maize deliveries was adjusted upwards by 105,132 tons and yellow maize deliveries by 70,350 tons respectively (SAGIS, 2016).

1.5 EXPORTS, IMPORTS AND RE-EXPORTS

Given the aforementioned domestic production estimations for both grain and oilseeds during the 2016/17 production season, South Africa will be a net importer of grain and oil seeds (Agbiz, 2016).

Supply and demand estimates for the 2015/16 wheat marketing season

Wheat supply is estimated at 4, 01 million tons of which 1, 41 million tons is expected to be derived local commercial producers and 2, 00 million tons estimated as imports in order to meet both domestic and export market shortages, in addition to the opening stock level of 596,823 tons at the inception of the marketing season(NAMC, 2016).

A total of 3, 22 million tons of wheat is estimated on the demand side, of which the largest share thereof (i.e. 3, 10 million tons) is intended for human consumption, followed by seed reserved for replantings (18,700 tons) and 78,000 tons(i.e. 18,000 tons is processed and 60,000 tons whole wheat) as exports to other SADC countries (NAMC, 2016).

Given the aforementioned, the new wheat marketing season for 2016/17 will commence on 01 October 2016, with a closing stock balance of 791,523 tons anticipated at 30 September 2016, which is anticipated to fulfil domestic market requirements for 3.1 months (NAMC, 2016).

Supply and demand estimates for the 2016/17 wheat marketing season

During the 2016/17 marketing season, the supply of wheat is estimated at 4, 04 million tons. Given the prospect that the opening stock level will be 791,523 ton at 01 October 2016, and that local commercial production output will increase to 1, 65 million tons, imports during 2016/17 has been lowered to 1,60 million tons compared to an estimated 2,00 million tons during the previous marketing season.

Domestic wheat demand is estimated at 3,14 million tons of which the largest share is towards human consumption requirements which is estimated to remain unchanged at 3,100 million tons. The second largest share of wheat is required for wheat exports to other SADC countries and is estimated at 20,000 tons of processed wheat products and 150,000 tons of whole wheat, followed by 19,000 tons as seed for replanting during the next season (NAMC, 2016).

This section pertains to both the import and export of wheat for the period from 30 July to 02 September 2016:

Table 2 a: Wheat trade for the 2015/16 marketing season, according to tons			Source: SAGIS, 2016
Progressive wheat exports for 2015/16	51,597	Progressive wheat imports for 2015/16	1,905,000
Wheat exports during the reporting period : (30 July to 02 September)	4,529	Wheat imports during the reporting period : (30 July to 02 September)	173,794 tons for RSA and 32,212 tons for export to other SADC countries
Importing countries	Share in RSA wheat exports	Supplying countries to RSA	Share in RSA wheat imports
Namibia	71%	¹ Russia	54%
Zimbabwe	4%	¹ Germany	28%
Botswana	5%	¹ USA	18%
Lesotho	18%	¹ Wheat Imports were shipped through the following ports:	
Swaziland	2%	<ul style="list-style-type: none"> • Cape Town: 4% • Durban: 87% • Port Elizabeth: 6% • East London: 3% 	

Source: SAGIS, 2016

Supply and demand estimates for the 2016/17 maize marketing season

The total maize supply estimation for the 2016/17 marketing season has been adjusted downward from 12,609 million tons to 12,445 million tons. The white maize supply estimation remains unchanged at 5,407 million tons; whilst yellow maize supply has been revised downward to 7,038 million tons (NAMC, 2016).

Local commercial deliveries are estimated at 6,867 million tons, of which white maize producers are expected to deliver 3,017 million tons whilst yellow maize producers are expected to deliver 3,849 million tons. To address the shortage in supply, white maize imports are estimated to reach 1,000 million tons whilst yellow maize imports are anticipated to sum to 2, 00 million tons during the 2016/17 marketing season, higher than the 1, 970 million tons of maize imported during the previous marketing season (NAMC, 2016).

The demand for maize is estimated at 11,211 million tons, of which 10, 31 million tons is for the domestic market and the 900,000 tons for the export market. A total of 4, 32 million tons of white maize are demanded for domestic needs, of which 4, 20 million tons is for human consumption, 75,000 tons for animal and industrial use and 560,000 tons for export purposes (NAMC, 2016). On the other hand, yellow maize demand is expected to reach 6,327 million tons of which 5,200 million ton is towards the allocation of animal and industrial sector usage whilst 520 000 tons is towards human consumption needs and 340,000 tons toward the

export market requirements (i.e. 80,000 tons of processed product and 260,000 tons of whole yellow maize) (NAMC, 2016).

Maize

This section pertains to both the imports and exports of maize for the period from 30 July to 02 September 2016:

Table 2 b: Maize trade for the 2016/17 marketing season, according to tons				Source: SAGIS, 2016	
Progressive maize exports for 2016/17	White maize: 178,338	Yellow maize: 87,002	Progressive maize imports for 2016/17	White maize: 242,008	Yellow maize: 514,540
Maize exports during the reporting period : (30 July to 02 September)	White maize: 56,463	Yellow maize: 19,764	Maize imports during the reporting period : (30 July to 02 September)	White maize: 99,755 tons for RSA and 40,054 tons for other SADC countries	Yellow maize: 239,498 tons for RSA. No imports were recorded for other countries.
Importing countries (for the 2016/17 marketing year)	Share in white maize exports	Share in yellow maize exports	Supplying countries (for the 2015/16 marketing year)	Share in white maize imports	Share in yellow maize imports
Zimbabwe	10%	13%	² Mexico	100%	-
Botswana	18%	30%	² Argentina	-	80%
Namibia	13%	8%	² Brazil	-	20%
Lesotho	39%	9%	² Imports were shipped through the following ports (for the 2015/16 marketing year): <ul style="list-style-type: none"> ➤ 139,809 tons of white maize & 239,498 tons yellow maize ➤ Durban: 85% white maize and 37% yellow maize ➤ East London: 15% white maize ➤ Cape Town: 50% yellow maize ➤ Port Elizabeth: 12% yellow maize 		
Swaziland	13%	31%			
Mozambique	6%	9%			

Source: SAGIS, 2016

1.6 WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2015/16 SUMMER SEASON FOR JULY 2016

Overview of the Provincial climatic conditions

The province received below-average rainfall, though some areas indicated above-normal rainfall. As for monthly mean temperatures, conditions seemed reasonably normal although some areas indicated above-average conditions. In the Central Karoo drought affected areas remain problematic. Conditions of winter crops and pastures in the winter cereal production regions of the West Coast, Overberg and Southern Cape appear to be mixed due to some production areas receiving sufficient rainfall compared to other areas which received poor rainfall. Thus, some areas indicate that crops are experiencing good conditions; whereas many other areas reveal crops prevailing under poorer conditions. The average level of major dams within the Province has decreased to 61% at August 2016 compared to 68% obtained for the same period in 2015.

Figure 2: Status of South African major dam levels (5 Sept. 2015 vs. 5 Sept. 2016)

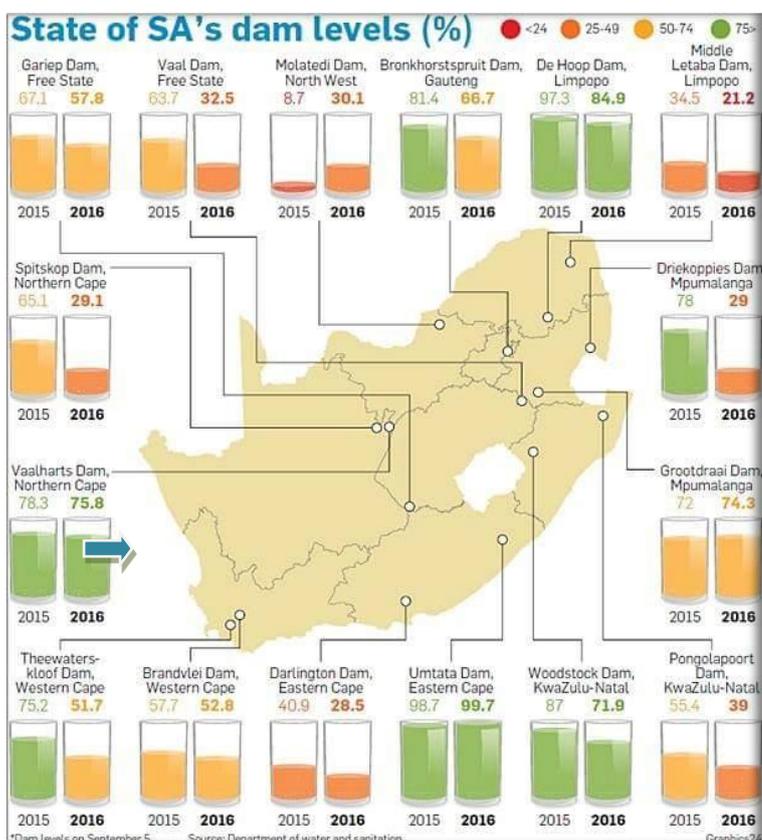


Figure 2 depicts the status of major dam levels within South Africa, as at 5 September 2016 in relation to the status thereof during the same period in the previous year (DWS, 2016).

Click [here](#) to view the most recent update, as on 15 August 2016, on the respective dam levels within the Western Cape Province. Alternatively visit the Elsenburg Website at www.elsenburg.com and go to Agri-tools: Dam levels.

Extracted from the DAFF National Agrometeorological Committee (NAC) Advisory & Provincial Department of Agriculture, July 2016

Additional sources to information regarding climatic conditions:

Agri-Outlook

Also refer to the monthly Agri-outlook reports, available [here](#). The report provides a summative overview of both climatic and agricultural conditions in the Western Cape, through reference to information regarding the rainfall, temperatures, dam levels, plant growth conditions as well as climatic forecast within a particular period. Alternatively visit the Elsenburg Website at www.elsenburg.com and go to Agri-tools  Agri-Outlook.

Strategies to mitigate climatic change and disasters

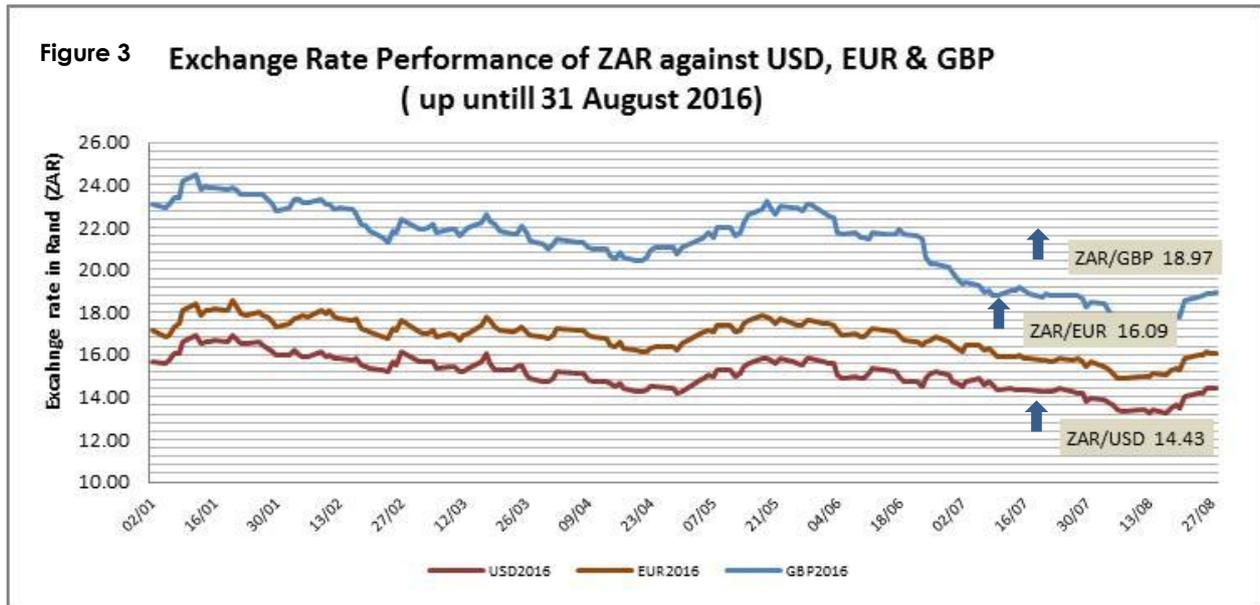
A comprehensive list of strategies can be found in the monthly NAC Advisory report issued by DAFF: Climate Change and Disaster Management. It can be accessed from the following websites: www.daff.gov.za and www.agis.agric.za .

Request weather warning notifications from the Western Cape Department of Agriculture: Sustainable Resource Management, Disaster Risk Management, by forwarding an email to Mrs. Zaibu Arai to ZaibuA@elsenburg.com or alternatively call (021) 808-5368.

Source: DAFF National Agro-meteorological Committee (NAC) Advisory & Provincial Department of Agriculture, 2016

2. ECONOMY

2.1 REVIEW OF THE PERFORMANCE OF THE SOUTH AFRICAN RAND (ZAR) AGAINST MAJOR CURRENCIES SUCH AS USD, GBP & EUR, AS AT 31 AUGUST 2016



Source: SARB, 2016

A range of international and domestic factors influenced the performance of the Rand against major global currencies. A summary (although not limited) of the international and domestic macro environment conditions are listed below:

- The exchange rate depreciated during the month ending August 2016, against major global currencies such as the US dollar (USD), European currency (EUR) and the Great Britain Pound (GBP). As at 31 August 2016, the ZAR/USD traded at R14.43 (2% m/m higher), whilst the ZAR/EUR traded at R16.09 (2.5% m/m higher) and the ZAR/GBP at R18.97 (1.7% m/m higher) as depicted in figure 3, compared to the same period within the previous month (SARB, 2016).
- The local currency weakened towards the end of August 2016, as a result of concerns regarding potential increase interest rates in the United States towards the end of 2016, in addition to domestic political turmoil within South Africa (Fin24, 2016).
- The Consumer Price Index (CPI) reached 5.9% at the end of August 2016, in relation to 6.0% in July 2016, which is within the SARB inflation target threshold of 3% to 6% (SARB, 2016). Inflation expectations are expected to marginally increase above the 6% target range to 6.7% in the fourth quarter of 2016 as the currency depreciates against major global currencies (Nedbank, 2016). It is however expected to reach 6.0% at the end of 2016, whilst it is expected to average at approximately 6.2% on an annual basis (Nedbank, 2016).
- Consumer prices are expected to marginally decrease during 2017, as food prices start to moderately soften, after the realisation of a much optimistic winter crop as a result of the La Nina weather pattern which is anticipated to bring about desired weather conditions (Nedbank, 2016).
- On the other hand the Producer Price Index (PPI) reached 7.4% at the end of July 2016, compared to 6.8% during June 2016 (SARB, 2016).

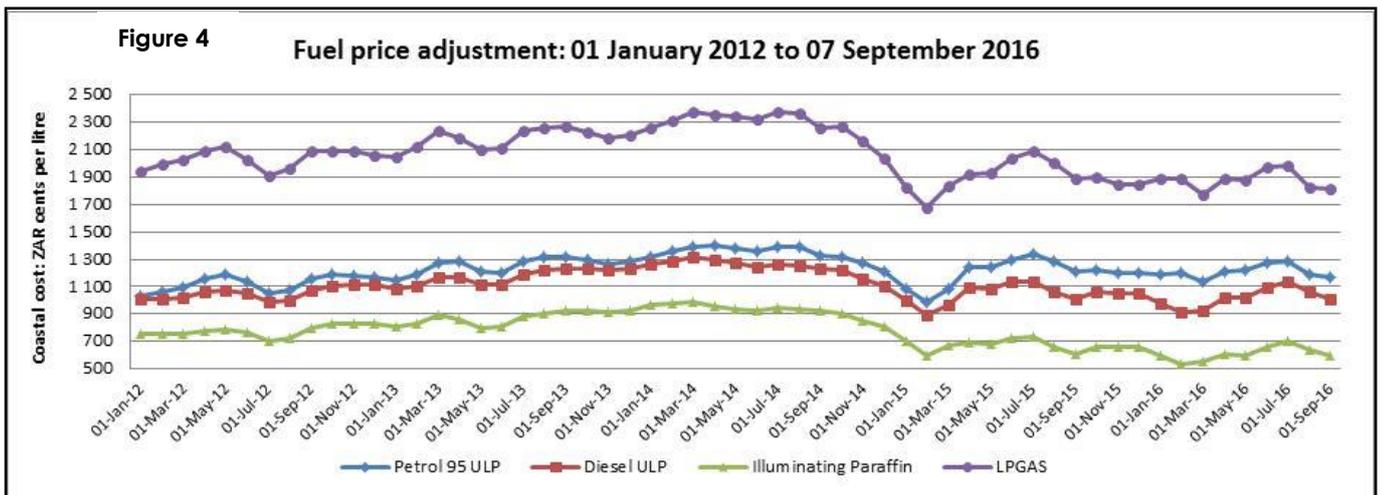
- The domestic economic growth outlook seems to be more optimistic, following the realisation of a surprisingly positive annual growth rate of 3.3% in the second quarter of 2016. This came about due to recovering in the primary economic sectors, and increased flow of real exports (SARB & Nedbank, 2016).
- The South African Reserve Bank (SARB) has subsequently revised the economic growth forecast upward from 0% to 0.4% for 2016, followed by a marginal 0.1% upward revision to 1.2% in 2017 and 1.7% in 2018 respectively (SARB, 2016).

2.2 ENERGY

The international oil prices have fluctuated between USD40 and USD50 per barrel for the past six months, amidst uncertainty regarding the proposed oil supply “freeze” by members of the Organisation of Petroleum Exporting Countries (OPEC) to prevent a collapse in global oil prices; after two years of surplus oil production (SARB & Fin24, 2016). This after oil prices steeply declined from USD100 levels in mid-2014 to a near 13 year low of below USD30 per barrel in January 2016 (Fin24, 2016).

The following factors were highlighted for the fuel price adjustments in 07 September 2016:

- The average international product prices of Petrol increased, whilst Diesel and Illuminating Paraffin decreased during the period under review (1 July 2016 till 01 September 2016).
- The average ZAR/USD exchange rate amounted to ZAR/USD13.80 for the period 29 July 2016 to 01 September 2016 compared to the previous review period when it reached ZAR/USD14.44.
- The strengthening of the Rand against the US Dollar decreased the contribution to the Basic Fuels Price on petrol, diesel and illuminating paraffin by 23.58 cents per litre, 22.79 cents per litre and 22.86 cents per litre respectively (DoE, Sept 2016).



Monthly fuel price adjustment have been effective as from Wednesday, 07 September 2016

Product description	Numeric adjustment applicable to the Coastal parts in South Africa (cents per litre)	Price adjustment description	Average price applicable to the Coastal parts in South Africa (cents per litre)

Petrol 93 ULP	18.00c	cents per litre decrease in retail price	1152.00
Petrol 95 ULP & LRP	18.00c	cents per litre decrease in retail price	1169.00
Diesel 0.05% Sulphur	48.00c	cents per litre decrease in wholesale price	1048.87
Diesel 0.005% Sulphur	49.00c	cents per litre decrease in wholesale price	1052.27
Illuminating Paraffin (Wholesale)	47.00c	cents per litre decrease in wholesale price	593.03
Illuminating Paraffin (SMNRP)	63.00c	cents per litre decrease in the Single Maximum National Retail price (SMNRP)	828.00
Maximum Retail Price for LPGAS	9.00c	cents per kilogram decrease in the maximum retail price	R6499.96 per metric ton or 360.75 cents per litre. (refinery gate) LPG for residential customers is derived as per the control sheet per kilometre.

Source: Department of Energy, 02 September 2016

ACKNOWLEDGMENT OF INFORMATION SOURCES

In this publication, the below listed information sources are acknowledged:

- ✚ Agricultural Business Chamber (AGBIZ) : www.agbiz.co.za
- ✚ Business Day (Blive): www.blive.co.za
- ✚ Department of Agriculture, Forestry and Fisheries: www.daff.gov.za
- ✚ Department of Energy (DoE): www.energy.gov.za
- ✚ Fin24: www.fin24.co.za
- ✚ Grain SA: www.grainsa.co.za
- ✚ IOL: www.iol.co.za
- ✚ Mail & Guardian: www.mg.co.za
- ✚ National Agricultural Marketing Council: www.namc.co.za
- ✚ National Crop Estimate Committee (NCEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- ✚ Nedbank: www.nedbank.co.za
- ✚ South African Future Exchange (SAFEX): www.jse.co.za/redirects/safex
- ✚ South African Grain Information Services (SAGIS): www.sagis.org.za
- ✚ South African Reserve Bank (SARB): <http://www.resbank.co.za/>
- ✚ Western Cape Department of Agriculture (Elsenburg): Sustainable Resource Management Directorate
Disaster Risk Management: www.elsenburg.com
- ✚ Western Cape Provincial Department of Agriculture (Elsenburg): www.elsenburg.com

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