

## Monthly grain market report



Marketing and Agri-Business Section

www.elsenburg.com

### PERIOD UNDER REVIEW: JANUARY 2018

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#### 1. SOUTH AFRICAN GRAIN MARKET

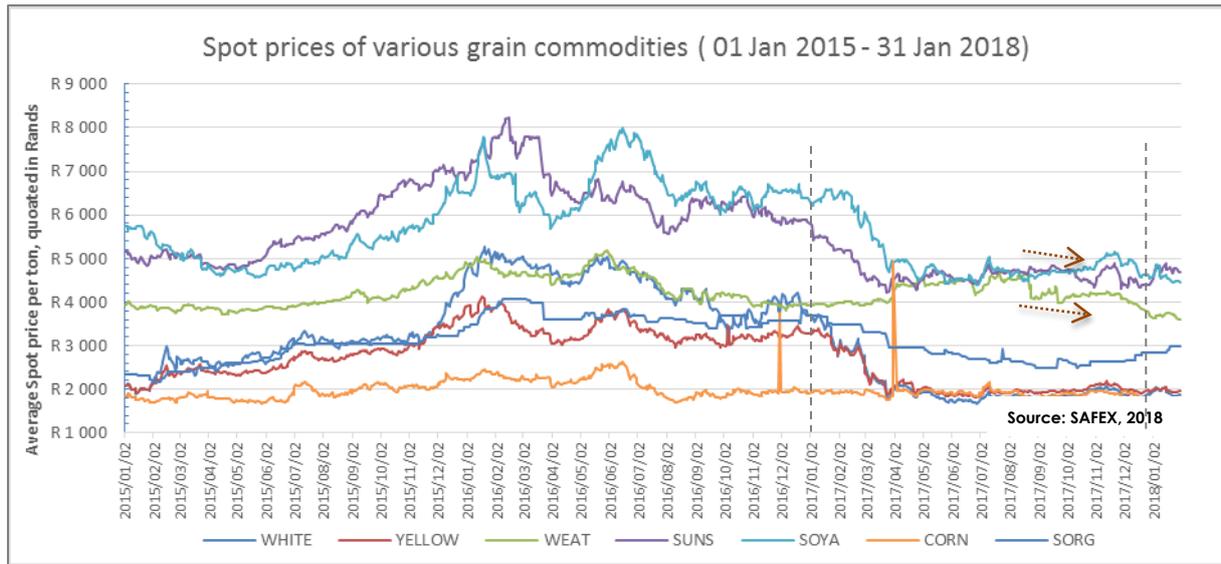
On **31 January 2018**, the wheat futures contract for delivery in February 2018 traded at R3,505 per ton. The WEAT Jan18 contract traded 12% year-on-year or R483 per ton lower compared to the corresponding period last year (SAFEX, 2017 & 2018). If compared to the previous month, the same contract traded 4% month-on-month or R132 per ton higher (SAFEX, 2017 & 2018).

**Table 1: Mark-to-market prices for the Summer Crops and Winter Cereals as traded on SAFEX**

Commodity/ Delivery Date	<i>MTM-Prices (31/01/2018) - expressed in Rand/MT</i>								Month end R/MT (31/01/17)	Year-on- Year Change	Month end R/MT (30/11/17)	Month end R/MT (02/01/18)
	Feb- 18	Mar- 18	May- 18	Jul- 18	Sept- 18	Dec- 18	Mar- 19	Jul- 19	Feb-17	Feb-17 vs. Feb-18	Dec-17	Jan-18
<b>Wheat (RFTN)</b>	3505	3548	3624	3662	3704	-	-	-	3993	-12.2%	4092	3637
<b>White maize</b>	1831	1845	1895	1949	2007	2069	2110	2200	2765	-33.8%	1882	1965
<b>Yellow maize</b>	1929	1944	1986	2005	2074	2120	2165	2229	2783	-30.7%	1985	1987
<b>Sunflower</b>	4720	4705	4723	4759	4835	4871	-	-	5200	-9.2%	4458	4550
<b>Soybean</b>	4440	4480	4537	4642	4750	4850	-	-	6450	-31.2%	4842	4595
<b>Sorghum</b>	-	2980	-	-	-	-	-	-	3115 (May 2017)	-	2620	2850 (March 2018)

Source: SAFEX (2017 & 2018)

## 1.1 MARKET PRICES & SUMMER CROP PRODUCTION TRENDS



The average future price for **white maize** (WMAZ) traded at R1831 per ton on 31 January 2018, for delivery in February 2018 (SAFEX, 2018). If compared on an annual basis, the average future price lowered by 34% year-on-year (y-o-y) or R934 per ton in relation to the corresponding contract traded last year (SAFEX, 2017 & 2018). This could mainly be attributed to the additional 6,5 million tons or 190% y-o-y white maize produced within the 2017 production season compared to the previous production season which is estimated to result in an estimated 4,2 million tons of excess stock on hand towards the end of the season at the end of April 2018 (NCEC, 2018). Worth noting is that fact that the WMAZJan18 futures contract traded 7% month-on-month or R134 per ton higher in relation to the previous month.

**Yellow maize** average futures prices reached R1929 per ton, on 31 January 2018 for delivery in February 2018 (SAFEX, 2018). Similar to the excess white maize produced during the 2017 production season, an excess of 57% y-o-y or 2,5 million tons of yellow maize was produced (NCEC, 2018). As a result, the average futures prices for the YMAZJan18 contract was pushed downward by 31% year-on-year or R854 per ton if compared to the corresponding contract traded during the previous year (SAFEX, 2018). Similar to white maize future contracts, the YMAZJan18 contract traded 3% m-o-m or R58 per ton higher in relation to the previous month (SAFEX, 2018).

As a result of the above, the **preliminary maize plantings** for the 2018 season declined by 12% y-o-y or 319,000 hectares in relation to the previous season's planting which reached 2,63 million hectares (NCEC, 2018). Preliminary plantings for white maize is estimated to be 22% y-o-y or 358,400 hectares lower than the previous season's plantings of 1,64 million tons (NCEC, 2018). The most recent estimate also indicates towards a 9% or 119,400-hectare reduction in white maize plantings in relation to the intended figures reported towards the end of September 2017 (NCEC, 2018). On the other hand, yellow maize preliminary plantings are estimated to be 4% y-o-y or 39,000 hectares higher than the previous season in which 985,500 hectares were planted (NCEC, 2018). However, the most recent planting estimate is 4% or 41,800

hectares lesser than the 1,07 million hectares initially planned toward the end of September last year (NCEC, 2018).

The SUNJan18 contract traded lower by 9% y-o-y or R480 per ton in relation to the corresponding contract traded during the previous year, as it traded at R4720 per ton on 31 January 2018 (SAFEX, 2017 & 2018). The significant pressure on future prices could be attributed to the 77% y-o-y or 574,370-ton increase in sunflower production in relation to the previous production season (NCEC, 2018). The **sunflower** futures contract, however, traded 4% m-o-m or R170 per ton lower in relation to the previous month (SAFEX, 2018). Sunflower plantings decreased by 12% y-o-y or 75,650 hectares, and is estimated at 635,750 hectares in relation to the previous season in which 874,595 hectares were planted (NCEC, 2018).

**Soybean** production soared by 421% y-o-y or 74,370 tons during 2017 production season in relation to the previous season (NCEC, 2018). Subsequently, the futures contract for soybeans traded 31% y-o-y or R2010 per ton lower in relation to the corresponding period in the previous year (SAFEX, 2017 & 2018). On a monthly basis, the futures contract traded 4% m-o-m or R155 per ton higher in relation to the previous month (SAFEX, 2018). Soybean plantings are estimated at 573,950 hectares which is 22% y-o-y or 127,050 hectares lower than the actual plantings established during the previous production season (NCEC, 2018).

The SORGMar18 contract for delivery during April 2018 traded at R2980 per ton of **sorghum** during 31 January 2018, which is relatively lower than the R3115 per ton obtained for the May 2017 contract (SAFEX, 2017 & 2018). Sorghum plantings are estimated to reach 45,050 hectares, which translates to 41% y-o-y or 17,350 hectares lesser than the actual plantings established during the previous production season (NCEC, 2018).

## 1.2 WINTER CEREAL PRODUCTION ESTIMATES: 2017 SEASON

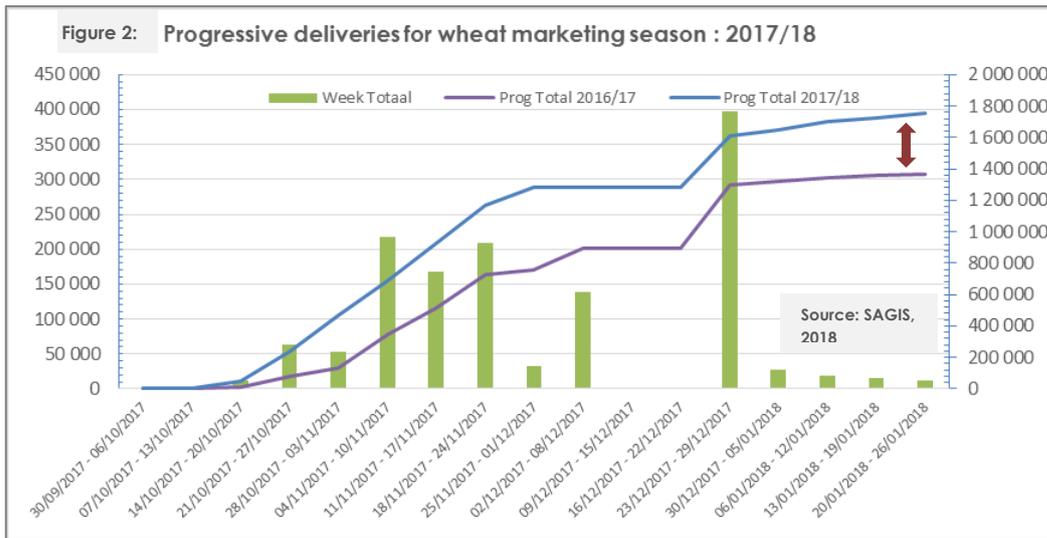
The wheat crop is estimated at 1, 48 million tons, and thus remained unchanged in relation to the previous crop estimate (NCEC, 2018). The 2017/18 marketing season will thus have a shortfall of 434,550 tons or 23% y-o-y in relation to the previous marketing season (NCEC, 2018). The drought in the Western Cape has however impacted significantly on the wheat production derived from the Province as its production share declined by 47% y-o-y or 511,400 tons, from 1, 1 million tons within the previous production season to 586,800 tons within the current production season (NCEC, 2018). The Western Cape Province will thus only be able to produce 39.77% of the overall wheat production estimate for the 2017 season, as opposed to the 57.5% contributed towards the national wheat production during the previous production season (NCEC, 2018).

Malting barley production is estimated to increase by 2.8% or 8,500 tons to reach 307,064 tons as per the latest crop estimate (NCEC, 2018). This equates to a 14% y-o-y or 47,936-ton decrease in relation to last year production output (NCEC, 2018).

Canola production for the 2017 season is estimated to reach 93,468 tons, which is 1.2% or 1,068 tons higher than the output obtained during the previous production season (NCEC, 2018). Whilst the current canola estimate points towards 11%, y-o-y or 11,532 tons lesser than the production estimate obtained during the previous season (NCEC, 2018).

### 1.3 PRODUCER DELIVERIES

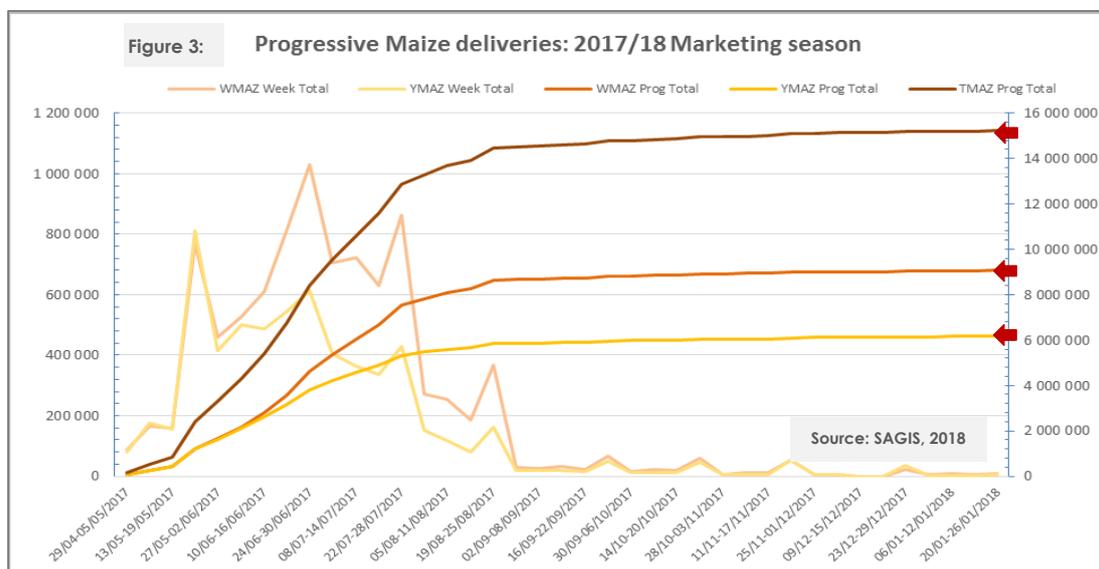
#### Wheat



Note: Significant increase in producer deliveries reported in week 13 (24-30 December 2017), due to consolidated deliveries reported from 03 to 30 December 2017 (SAGIS, 2018).

Progressive wheat deliveries up to week 17, which applies for the period from 20-26 January 2018 amounted to 387,145 tons or 22% y-o-y lesser than the wheat delivered during the previous marketing season (SAGIS, 2018). As previously indicated, the drought plays a fundamental role in current developments in the wheat market and hence the 1,37 million tons delivered up until 26 January 2018, is much lower than the corresponding period last year when about 1,75 million tons of wheat were delivered to the market (SAGIS, 2018). As from the 02 December 2017 up until 26 January 2018, a total of 609,793 tons of commercial wheat were delivered to the market (SAGIS, 2018).

#### Maize



As from 02 December 2017 up until 26 January 2018, commercial producers delivered 49,763 tons of yellow maize and 58,236 tons of white maize (SAGIS, 2018). As the end of the maize marketing season for 2017/18 is approached, the total progressive deliveries amounts to 15, 23 million tons of which 60% or 9, 07 million tons are white maize and 40% or 6, 16 million tons are yellow maize (SAGIS, 2018).

#### 1.4 EXPORTS, IMPORTS AND RE-EXPORTS

This section pertains to the trade of wheat for the 2017/18 marketing season, up until the week ending 26 January 2018:

<b>Progressive wheat exports for 2017/18</b>	<b>7,408</b>	<b>Progressive wheat imports for 2017/18</b>	<b>702,491</b>
Wheat exports during the reporting period: (02 December 2017 until 26 January 2018)	3,714	Wheat imports during the reporting period: (02 December 2017 until 26 January 2018)	126,435 tons of RSA and 28,455 tons for export to other SADC countries
<b>Importing countries</b>	<b>Share in RSA wheat exports</b>	<b>Supplying countries to RSA</b>	<b>Share in RSA wheat imports</b>
Lesotho	28%	<sup>1</sup> Argentina	69%
Namibia	33%	<sup>1</sup> Russian Federation	25%
Swaziland	31%	<sup>1</sup> Lithuania	6%
Zimbabwe	7%	<sup>1</sup> Progressive wheat imports amounted to 780,227 tons for the reported period, up until 26 January 2018. The imported quantity as from 02 December up until 26 January 2018, amounted to 154,890 tons and was mainly took place via the following ports:	
Botswana	1%		
		<ul style="list-style-type: none"> <li>➤ Durban: 59%</li> <li>➤ Cape Town: 28%</li> <li>➤ Ricard's bay: 9%</li> <li>➤ Port Elizabeth: 4%</li> </ul>	

#### Supply and demand estimates for the 2017/18 wheat-marketing season

Total wheat supply is estimated at 3,69 million tons (NAMC, 2018). However due to the anticipated reduction of 427,075 tons or 23% y-o-y in commercial producer deliveries which, it is currently estimated that wheat production will reach 1,44 million tons (NAMC, 2018). Subsequently, a further increase of about 100,000 tons is estimated in imports and thus the imports estimate are currently standing at 1,9 million tons in order to cover the shortfall in wheat within the South African domestic market ( NAMC, 2018).

On the demand side, the total wheat requirement stood at 3, 19 million tons of which 3, 10 million tons or 97% of the total wheat demand is required within the domestic market (NAMC, 2018). Due to the foreseen decline in domestic production, wheat exports have been adjusted from 75,000 tons previously to only 55,000 tons as per the January 2018 demand estimate (NAMC, 2018).

The closing stock is thus estimated to reach 500,374 tons at the end of September 2018, taking the above adjustments into consideration (NAMC, 2018). The remaining stock levels will be sufficient for 1.9 months, considering that the monthly processing requirement in the domestic market is 258,500 tons (NAMC, 2018).

This section pertains to the trade of maize for the 2017/18 marketing season, up until the week ending on 26 January 2018. :

<b>Progressive maize exports during the reporting period: 2017/18</b>	<b>White maize:</b> 575,105	<b>Yellow maize:</b> 1,316,994	
Maize exports during the reporting period: (02 December 2017 till 26 January 2018)	56,483	199,439	<i>No imports – due to bumper crop during current production season</i>
<b>Importing countries</b>	<b>Share in white maize exports</b>	<b>Share in yellow maize exports</b>	<ul style="list-style-type: none"> <li>➤ <sup>1</sup> Maize exports during the reported period, from 02 December 2017 until 26 January 2018, amount to 169,858 tons of yellow maize.</li> <li>➤ Subsequently, the progressive amount of maize exported through the South African harbours, amount to 1, 46 million tons of which 18.65% were white maize and 81.35% yellow maize.</li> <li>➤ Maize exports generally take places through the Durban port.</li> </ul>
Botswana	44%	1%	
Mozambique	22%	1%	
Lesotho	13%	-	
Swaziland	5%	8%	
Namibia	16%	4%	
Japan	-	63%	
Angola	-	21%	
Quatar	-	1%	

### Supply and demand estimates for the 2017/18 maize marketing season

The total maize supply is estimated at 15,84 million tons of which white maize supply is estimated at 9,95 million tons from 3,41 million tons in the previous season and yellow maize at 7,02 million tons from 4,37 million tons within the corresponding period (NAMC, 2018). In general, 9.34 million tons of white maize was estimated to be available for the commercial market, in addition to the early deliveries of 597,837 tons of white maize (NAMC, 2018). On the other hand, a total of 6,50 million tons of yellow maize is estimated to be available for the commercial market in addition to the 496,801 tons carried over from the previous marketing season (NAMC, 2018).

On the demand side, there have been significant changes in relation to the allocation of the surplus maize crop of the 2017 production season. The total demand for white maize is estimated at 7, 15 million tons of which 6, 39 million tons is requested for the local market (NAMC, 2018). The domestic processing requirement for white maize is estimated at 6, 32 million tons of which 70% is for human consumption and 30% for animal and industrial sector purposes (NAMC, 2018). On the other hand, the total demand for yellow maize is estimated at 5,63 million tons of which 4,05 million tons are requested to fulfil in local market requirements (NAMC, 2018). The processing demand for yellow maize within the domestic market is estimated at 3,7 million tons of which 86% is required in the animal and industrial sector, whilst only 14% is required in the human processing market (NAMC, 2018).

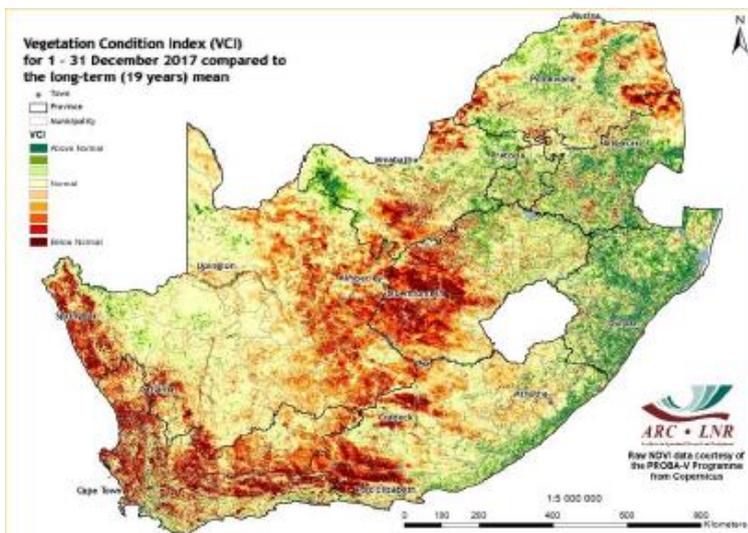
Maize exports are estimated to grow by 128% y-o-y or 1,3 million tons during the 2017/18 marketing season (NAMC, 2018). White maize exports are estimated to increase to 760,000 tons from 587,423 tons in the previous season, whilst yellow maize exports are estimated to grow from 438,879 tons to 1,58 million tons (NAMC, 2018). Subsequently, the closing stock levels are anticipated to reach 2,81 million tons of white maize and 1,38 million tons of yellow maize which is expected to last for 5.3 months and 4.4 months respectively (

NAMC, 2018). If compared to the previous season, the closing stock for white maize stood at 597,837 tons and 496,807 tons of yellow maize, which was worth one months of stock requirement (NAMC, 2018).

## 2. WEATHER ADVISORY ON THE 2017/2018 SUMMER SEASON, JANUARY 2018

The Vegetation Conditions Index (VCI) map for December 2017, point towards persisting dry conditions over much of the Western Cape (DAFF, 2018). The Province, however, continues to receive below-normal rainfall, and subsequently, the current wheat crop is much lower than last season's crop and fruit much smaller which result in fruit industries such as the grapes to obtain the smallest harvest in a decade (DAFF, 2018; Business Day, 2018). Below-normal vegetation conditions are also present over the south-western Free State, the western and northern parts of the Eastern Cape as well as some parts of the Northern Cape (DAFF, 2018).

Figure 4: Vegetation Conditions Index, December 2017



On 05 February 2018, the overall the average level of major dams within the Western Cape further decreased to 23.7% y/y from 36.5% within the corresponding period within the previous year of 2017 and 24.5% w/w compared to the same period during the last week (DWS as cited on Elsenburg, 2018). The two largest dams, namely the Theewaterskloof (479.3 million cubic meters) and the Brandvlei (286.1 million cubic meters) respectively stood at 12.3% and 14.5% during 05 February 2018, compared to 32.1% and 29.4% during the corresponding period last year (DWS as cited by Elsenburg, 2018). Alternatively, visit the Elsenburg Website at <http://www.elsenburg.com/agri-tools/western-cape-dam-levels> to obtain the most recent update on dam levels within the Western Cape (Elsenburg, 2018).

### Strategies to mitigate climatic change and related disasters

A comprehensive list of strategies can be retrieved from the monthly NAC Advisory report issued by DAFF: Climate Change and Disaster Management. Access the mentioned list from the following websites: [www.daff.gov.za](http://www.daff.gov.za) and [www.agis.agric.za](http://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](mailto:ZaibuA@elsenburg.com) or alternatively call (021) 808-5368.**

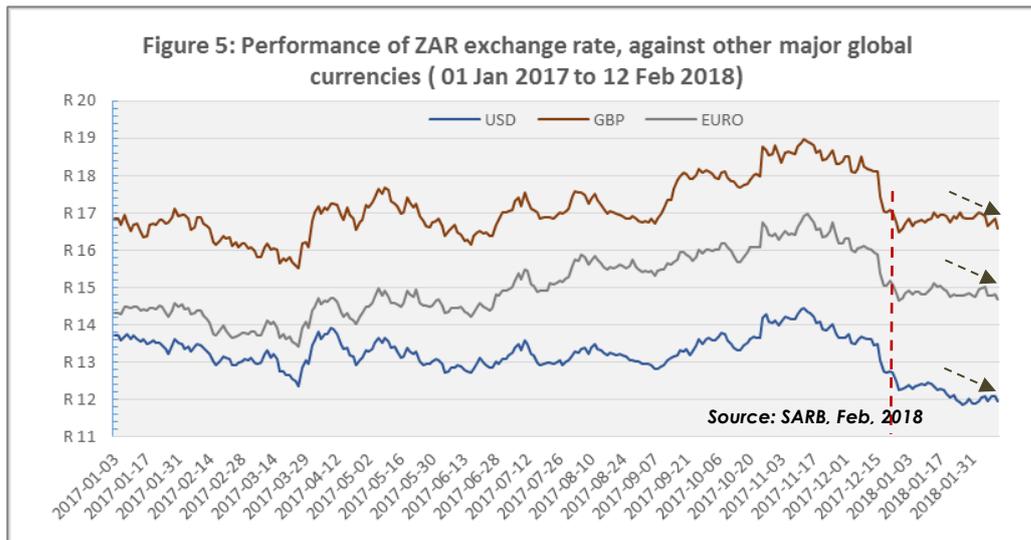
Source: DAFF National Agro-meteorological Committee (NAC) Advisory, 2018.

### Additional sourced to information regarding climatic conditions, can be obtained in the monthly Agri-Outlook reports

Click [here](#) to view the monthly Agri-outlook reports. The Agri-outlook 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](http://www.elsenburg.com) and go to Agri-tools ➡ Agri-Outlook (Elsenburg, 2018).

### 3. ECONOMIC NEWS

#### 3.1 Review of the South African economy



During the month of January 2018, the ZAR exchange rate strengthened against the major global currencies such as the US dollar (USD), Great Britain Pound (GBP) and Euro (SARB, 2018). For the period between 02 January and 01 February 2018: the USD/ZAR strengthen by 3.7% m-o-m or R 0.46 and traded at R11.87, the GBP/ZAR depreciated by 1.3% m-o-m or R 0.22 and the EUR/ ZAR traded 0.6% m-o-m or R0.10 lower at R14.76 (SARB, 2018).

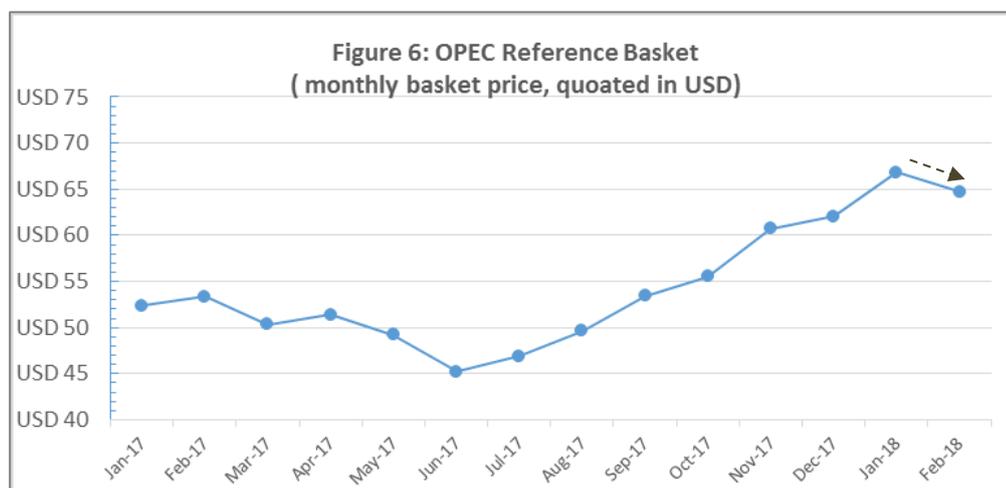
**A range of international and domestic factors influenced the performance of the Rand against major global currencies. A summary (although not limited) of the international and domestic macro environment, conditions are briefly discussed below:**

- The 5<sup>th</sup> African National Congress (ANC) policy conference held in mid-December 2017 is characterised by a radical shift in the political and economic environment (BER, 2018). The outcome of the election of the party's presidential election, at which Mr Cyril Ramaphosa was elected as the new president yielded an array of outcomes such as; the appreciation in the local currency (i.e. ZAR exchange rate) as a result of positive reaction from the markets; the expected turnaround anticipated within the political and economic fronts, the urgency in addressing institutional matters such the removal and appointment of a new Eskom board and Chief Executive Officer (CEO); imminent cases investigated by the National Prosecuting Authority's Asset Forfeiture Unit amongst other (BER & Nedbank, 2018).
- However the political shift in the leadership helm amongst the ANC president-elect and the existing national president, is characterised with continued speculation regarding a transition away from a Zuma-led government (BER, 2018).
- The South African economy is also awaiting further sovereign credit ratings during the course of 2018 (BER, 2018).
- On 18 January 2018, the South African Reserve Bank (SARB) left the repurchase (repo) rate unchanged at 6.75% per annum and subsequently the prime interest rate will remain unchanged at 10.25% per annum (SARB as cited in BER, 2018).
- In addition, SARB revised the annual growth rate of the economy upward by 1.40% for 2018 and 1.6% for 2019 respectively (SARB, as cited in BER, 2018). Further optimism have been indicated, as the inflation forecast has been revised downward to an average of 4.9% during 2018 and an average of 5.4% during 2019, which remains well within SARB's inflation target range of between 3-6% (BER, 2018). This is mainly due to the fact that the upside risk pertaining to inflationary pressures associated with the exchange rate has subsided (BER, 2018).

- The South African Revenue Services (SARS) has reported a positive trade balance of R15,72 billion in December 2017 (SARS as cited by BER, 2018). This is the 11<sup>th</sup> consecutive positive trade balance reported and has contributed towards a progressive balance of R80,55 billion which is the highest since 2010 and subsequently higher than the R1,08 billion reported for the 2016 period (SARS as cited by BER, 2018).

## 4. ENERGY

### 4.1 Fuel price adjustments



*Source: OPEC, Feb. 2018*

The OPEC (Organisation for Petroleum Exporting Countries) reference basket price decreased by USD2.15 or 3.2% m-o-m and traded at USD64.70 per barrel at the beginning of February 2018 (OPEC, 2018). On an annual basis, the January 2018 OPEC reference basket price which traded at USD66.85 per barrel, represented a 27.6% y-o-y or 14.45% increase in relation to the OPEC reference price quoted during the same period last year (OPEC, 2018). If compared on an annual basis, the February 2018 reference price quoted at USD64.70 represents an increase of 21.2% y-o-y or USD 11.33 per barrel in respect of the same period in the previous year (OPEC, 2018). The upward trend in average international fuel prices is a result of continued tightening imposed by OPEC and non-OPEC member countries (BER, 2018).

**Table 3: Fuel price adjustment effective as from Wednesday, 07 February 2018**

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 of South Africa (cents per litre)
<b>Petrol 93 ULP</b>	30.00c	cents per litre <b>decrease</b> in the retail price	1351.00
<b>Petrol 95 ULP &amp; LRP</b>	30.00c	cents per litre <b>decrease</b> in the retail price	1363.00
<b>Diesel 0.05% Sulphur</b>	17.00c	cents per litre <b>decrease</b> in the wholesale price	1217.93
<b>Illuminating Paraffin (Wholesale)</b>	26.00c	cents per litre <b>decrease</b> in the wholesale price	760.49
<b>LPGAS (maximum retail price)</b>	23.00c	cents per litre <b>decrease</b> in the maximum retail price	2142.00

Source: Department of Energy, 02 February 2018.

## ACKNOWLEDGMENT OF INFORMATION SOURCES

*In this publication, the below-listed sources are acknowledged:*

- ✚ Agricultural Business Chamber (Agbiz): [www.agbiz.co.za](http://www.agbiz.co.za)
- ✚ Agricultural Research Council (ARC): [www.arc.agric.za](http://www.arc.agric.za)
- ✚ Bureau for Economic Research (BER): [www.ber.ac.za](http://www.ber.ac.za)
- ✚ Business Day: [www.businesslive.co.za](http://www.businesslive.co.za)
- ✚ Crop Estimate Committee (NCEC), South Africa: [www.daff.gov.za](http://www.daff.gov.za) ; [www.sagis.org.za](http://www.sagis.org.za) or [www.grainsa.co.za](http://www.grainsa.co.za)
- ✚ Department of Agriculture, Forestry and Fisheries (DAFF): [www.daff.gov.za](http://www.daff.gov.za)
- ✚ Department of Energy (DoE): [www.energy.gov.za](http://www.energy.gov.za)
- ✚ Grain SA: [www.grainsa.co.za](http://www.grainsa.co.za)
- ✚ National Agricultural Marketing Council (NAMC): [www.namc.co.za](http://www.namc.co.za)
- ✚ Nedbank: [www.nedbank.co.za](http://www.nedbank.co.za)
- ✚ News24: [www.news24.com](http://www.news24.com)
- ✚ South African Futures Exchange (SAFEX): [www.jse.co.za/redirects/safex](http://www.jse.co.za/redirects/safex)
- ✚ South African Grain Information Services (SAGIS): [www.sagis.org.za](http://www.sagis.org.za)
- ✚ South African Reserve Bank: [www.sarb.gov.za](http://www.sarb.gov.za)
- ✚ Western Cape Department of Agriculture (Elsenburg): [www.elsenburg.com](http://www.elsenburg.com)

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