

Monthly grain market report



Marketing and Agri-Business Section

www.elsenburg.com

PERIOD UNDER REVIEW: MARCH 2016

Compiled by: Michelle Swarts

1. SOUTH AFRICAN GRAIN MARKET

On 31 March 2016, the MTM price for wheat to be delivered in April 2016 amounted to R4, 463 per ton.

<u>MTM-Prices (31/03/2016) - expressed in Rand/MT</u>								Month end R/MT (31/03/15)	Year-on- Year Change (%)	Month end R/MT (29/01/16)	Month end R/MT (29/02/16)
Commodity/ Delivery Date	Apr -16	May -16	Jul -16	Sept -16	Dec -16	Mar -17	Jul -16	Apr-15	Mar-15 vs. Mar-16	Feb-16	Mar-16
Wheat (RFTN)	4463	4515	4607	4645	4415	-	-	3883	14.9%	4763	4680
White maize	4720	4748	4752	4804	4825	4395	3480	2637	79.0%	5005	5035
Yellow maize	3121	3131	3151	3205	3246	3249	3099	2436	28.1%	3823	3458
Sunflower	6553	6423	6434	6538	6628	-	-	4899	33.8%	7750	7650
Soybean	5687	5745	5820	5910	5910	-	-	4823	17.9%	6855	6259
Sorghum	-	-	3650	-	3750	-	-	-	-	3850	4080

Table 1: Mark-to-market prices for the summer crops and winter cereals traded on SAFEX
Source: SAFEX (2015 & 2016)

MARKET FUTURE PRICES, PRODUCTION AND PRODUCTION AREA ESTIMATES

Future prices for white maize remained at the upper levels with a price increase of 79% y/y or additional R2, 083 obtained per ton at the end of March 2016 compared to the same period in the previous year (SAFEX, 2016). Sunflower and yellow maize contracts for delivery in April 2016 were the second highest future price increases compared to the similar contracts traded at the same period last year, and respectively increased by 33.8% y/y or an additional R1, 654 per ton and 28.1% y/y or R685 per ton (SAFEX,

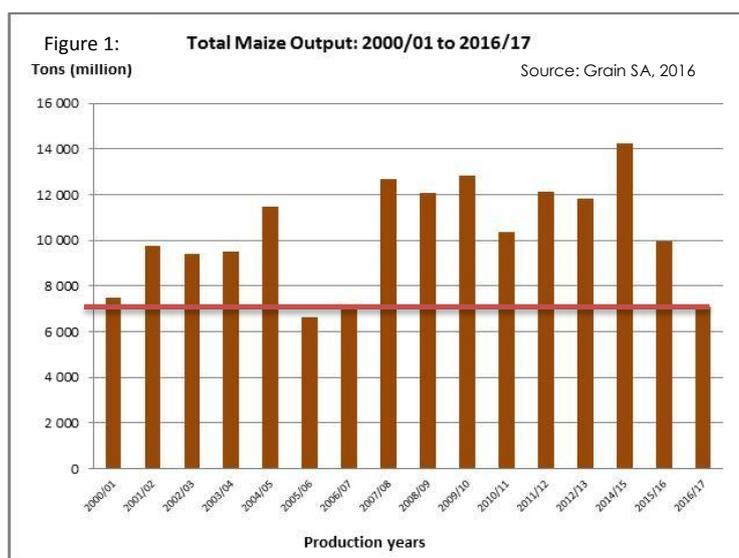
2016).Wheat futures traded for delivery in April 2016 escalated by a further 14.9% y/y or R580 per ton compared to the same contract traded last year (SAFEX, 2016).

Given the above-mentioned, future prices traded at the end of March 2016 at much lower levels compared to trade figures at the end of the two previous month's which took place at 29 January 2016 and 29 February 2016 (SAFEX, 2016). Sunflower, yellow maize and soybeans were amongst the top 3 grain commodities which were responsive to future price reductions ranging from 9% to 18%, whereas white maize and wheat were less responsive (SAFEX, 2016).

Analysis of 3rd summer crop estimate for the 2016 production season

The overall 2016 summer crop was adjusted downwards by 2.3% or 207,145 tons from the previous crop estimate which took place at the end of February 2016. The area planted was adjusted slightly to 3,274 million hectares from the previous crop estimate figure announced of 3,281million hectares (CEC, 2016). The pessimistic outlook on grain production output is mainly influenced by hectares that were planted later than the optimal planting period as well as the unfavourable impact of the persisting drought in core maize production areas such as the western and central parts of the Free State, as well as the northern and western parts of the North West (SAGIS, 2016).

The total area planted under summer crops declined by 835,100 hectares or 25.51% y/y and maize plantings constitute 84.6% of the hectare decline during the 2016 production season, if compared to the previous season. As a result the summer crop production output is forecasted to decline by at least 3,312 million tons compared to the previous season (CEC, 2016).



Commercial maize production is expected to contribute about 89% or 2,889 million tons of the crop failure during the current production season, if compared to the 9,955 million tons of maize produced in the 2015 production season. The 3rd estimate indicates that maize crop output has been adjusted downward by 2.63% or 190,475 tons compared to the previous crop estimate at the end of February 2016 (CEC, 2016).

In Figure 1, depicts the impact the *El Nino* weather system has on the 2016 production maize crop representing a similar production output level compared to the 2005/06 and 2006/07 production seasons when South Africa

suffered two consecutive devastating maize production harvests (AFMA & Grain SA, 2016). Commercial producers are expected to deliver 3,071 million white maize (adjusted downward by 3.92% or 125,125 tons) and 3,995 million tons yellow maize (adjusted downward by 1.61% or 65,350 tons). The Free State has planted 520,000 hectares less maize and hence production output will decline by 1, 853 million tons of which 61% thereof is white maize and the rest yellow maize. The unfortunate maize production output in the Free State and North West whom is also producing 210,000 hectares lesser (with a 610,000 ton crop reduction) together with other producing regions within the maize triangle is the primary cause of the doubtful outlook in the overall maize output for the 2016 season. Although Mpumalanga is planting 21,000 hectares more, output within the province is anticipated to decline by 337,300 tons (CEC, 2016).

Sunflower: hectares have been adjusted upward by 31,000 hectares compared to the previous forecast, and hence the crop output is projected to be more optimistic and thus escalated upward by 3.4% or 23,350 tons. The Free State is the largest production region and confirmed that plantings within the region have been adjusted upward by 25,000 hectares, which influence the positive crop output which is expected to contribute an additional 26,250 tons. On the other hand, the North West has adjusted

plantings upwards by 5,000 hectares although the crop output has been adjusted downward by 7,250 tons together with the Mpumalanga region production output decline of 3,750 tons (CEC, 2016).

Soybeans: the area planted under soybeans has been adjusted downward by 17,000 hectares, and thus impact on crop prospects which has resulted in a downward adjustment of 4.53% or 32,850 tons. Plantings in Limpopo has been reduced by 8,500 hectares which resulted in the 2016 crop estimate to be adjusted downward by 20,400 tons which represents a 62% crop loss compared to the 2015 production season. Other production areas such as Kwa-Zulu Natal, Mpumalanga and Gauteng respectively planted 2,000 hectares lesser whilst North West planted 2,500 hectares lesser (CEC, 2016).

Groundnuts: the production area decreased by 500 hectares, and thus dampened production output by 1.67% or 570 tons from the previous crop estimate. Although the North West plantings increased by 1000 hectares, the Free State plantings decreased by 1,500 hectares which resulted in total plantings to amount to 22,600 hectares from the 58,000 hectares compared to the previous production season. This ultimately reduces the 2016 production output by 54% y/y, from 62,700 tons in 2015 to 33,550 tons (CEC, 2016).

Sorghum: plantings remained unchanged at 48,000 hectares, whilst the production forecast was adjusted downward by 0.75% or 700 tons lesser which represents 77% of the 2015 final crop output (CEC, 2016).

Dry beans: plantings were adjusted downward by 2,000 hectares, and thus impacted on the downward adjustment of 13.38% or 5,900 tons on the 2016 crop. The current area planted amounts to 34,400 hectares and represent 54% of last year's production area which is a 46% y/y decline. Consequently, the current estimated production output has declined by 50% y/y or 35,195 tons compared to the previous season (CEC, 2016).

PRODUCER DELIVERIES

Wheat

Progressive commercial deliveries for the 2015/16 marketing season amounted to 1,364 million tons of wheat as at 01 April 2016. Within the reporting period under review from 27 February 2016 to 01 April 2016, an amount of 22,786 tons of wheat were delivered with minor adjustments reported to weekly deliveries (SAGIS, 2016).

Maize

The progressive maize deliveries derived from commercial producers for the 2015/16 marketing season as at 01 April 2016, amounted to 9,307 million tons of which 4,642 million tons were white maize and 4,665 million tons yellow maize.

During the 5 week period under review, commencing from 27 February 2016 to 01 April 2016: 126,676 tons of white maize and 124,469 tons of yellow maize was delivered. White maize deliveries were adjusted upward by 2,222 tons in week 47 (ending on 18 March 2016) and by 11,801 tons in week 48 (ending on 25 March 2016). Yellow maize deliveries was adjusted downward in week 45 (ending on 04 March 2016) and upwards by 17,761 tons in week 48 (ending on 25 March 2016) (SAGIS, 2016).

EXPORTS, IMPORTS AND RE-EXPORTS

This section pertains to the trade of wheat for the period from 27 February 2016 to 01 April 2016:

Progressive wheat exports for 2015/16	32,830	Progressive wheat imports for 2015/16	1,079,429
Wheat exports during the reporting period : (27 February to 01 April 2016)	5,744	Wheat imports during the reporting period : (27 February to 01 April 2016)	174,662 tons of which 167,107 tons was for RSA and 7,555 tons for export to SADC countries
Importing countries	Share in RSA wheat exports	Supplying countries to RSA	Share in RSA wheat imports
Zimbabwe	78%	¹ Russian Federation	50%
Lesotho	19%	¹ Poland	31%
Botswana	2.9%	¹ Lithuania	18.5%
		¹ Imports were shipped through the following ports: <ul style="list-style-type: none"> 78% thereof was shipped through the Durban harbour, followed by the Cape Town harbour (10%), Port Elizabeth (7%) and Richards's bay (5%). 	

Source: SAGIS, 2016

The overall wheat supply estimates remained unchanged at 4,032 million tons for the 2015/16 marketing season which concludes at the end of September 2016. Commercial producer deliveries is estimated at 1,425 million tons and a total of 2,000 million tons is estimated to be imported in conjunction with opening stock as 01 October 2015 of 596,823 tons (NAMC, 2016).

However, local and export demand estimates for the 2015/16 wheat marketing season has been adjusted downward by 35,000 tons due to a decrease in whole wheat exports during the current wheat marketing season (NAMC, 2016). Thus, the closing stock level as at 30 September 2016 is estimated to be 756,838 tons from 721,838 tons previously estimated in February 2016 (NAMC, 2016).

This section pertains to the trade of maize for the period from 27 February 2016 to 01 April 2016:

Progressive maize exports for 2015/16	White maize: 424,373	Yellow maize: 200,230	Progressive maize imports for 2015/16	White maize: 72,531	Yellow maize: 1,578,125
Maize exports during the reporting period : (27 February to 01 April 2016)	White maize: 47,331	Yellow maize: 12,610	Maize imports during the reporting period : (27 February to 01 April 2016)	White maize: 0	Yellow maize: 403,297 tons was for RSA and none for the SADC region.
Importing countries	Share in white maize exports	Share in yellow maize exports	Supplying countries	Share in white maize imports	Share in yellow maize imports
Botswana	24%	45%	² Argentina	-	82%
Lesotho	4%	8%	² Brazil	-	6%
Mozambique	15%	16%	² Ukraine	-	7%
Namibia	18%	14%	² Paraguay	-	5%
Swaziland	3%	17%			
Zimbabwe	37%	-	² Imports were shipped through the following ports: 60% Durban, 35% via Cape Town and the rest via Durban and Port Elizabeth (8%).		

Source: SAGIS, 2016

During March 2016, yellow maize imports reached 159,940 tons during the week ending 04 March 2016 and 110,762 tons during week ending 01 April 2016 (SAGIS, 2016).

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

The total maize supply estimate was adjusted upward by 405,000 tons to amount to 13,481 million tons, of which 6,059 million tons (increase of 55,000 tons) are estimated to be derived from white maize and 7,423 million tons (increase of 380,000 tons) yellow maize. The main reason for the increase in supply is due to a further increase of about 450,000 tons in yellow maize imports which will be estimated to reach 1,800 million tonnes whereas white maize imports are estimated at 100,000 tons (NAMC, 2016).

White maize demand is estimated to increase to 4,914 million tons and yellow maize to 6,507 million tons, which will result in an overall demand estimate of 11,421 million tons of maize. 85% of the white maize demand is for the processing in human consumption whilst 11% thereof is allocated for exports. 83% of the yellow maize demand is for animal feed and industrial consumption whilst 7% is allocated towards export to other SADC states. The projected closing stock balance is estimated to improve to 2,060 million tons of maize at 30 April 2016 (NAMC, 2016).

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

The total estimated supply of maize is estimated to decline to 12,451 million tonnes during the 2016/17 marketing season, of which the improved opening stock level of 2,060 million tons (of which 56% is white maize and 44% thereof yellow maize) would significantly contribute towards the ability to supply the domestic market. Especially, due to the anticipated decline in commercial producer deliveries which will merely produce 6,635 million tons of which 2,991 million tonnes will be derived from white maize and 3,645 million tons from yellow maize. Thus, there will be a gap within the supply of maize and thus white maize imports are estimated to intensify to 1,250 million tons and yellow maize at 2,400 million tons (SAGIS, 2016).

The overall demand of maize is projected at 11,205 million tons of which white maize is expected to reach 4,878 million tons and yellow maize at 6,327 million tons. White maize demand is mainly towards local demand of which local consumption is estimated at 4,200 million tons and 480,000 tons towards exports. Whilst yellow maize demand is estimated at 6,037 million tons of which 5,250 million tons is required to satisfy animal feed and industrial consumption needs, 520,000 towards human consumption and 290,000 designated towards yellow maize exports. The closing stock is estimated at 1,246 million tons of which 42% is derived from white maize and 58% from yellow maize (SAGIS, 2016).

WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2015/16 SUMMER SEASON

Below normal rainfall was received during March 2016, in most districts within the Western Cape and extreme drought conditions remains in parts of the West Coast and Central Karoo whilst rainfall was above-normal in the Overberg and parts of Eden.

Monthly average temperatures remained close to long term norms, although some weather stations indicated above-normal monthly average maximum temperatures. In the Central Karoo, high temperatures continued to dry grazing areas. In addition, the availability of water for livestock remained reasonable to good although various towns continued with water restrictions as dam levels within the province decreased from 52% in 2015 compared to 33% in 2016 for the same period last year. West Coast farmers started to supply additional fodder to livestock. Veld fires resulted in damages to olive trees, grazing, fencing and water pipelines.

Source: DAFF NAC, 2016

A comprehensive list of preventative strategies can be found in the monthly NAC Advisory. It can be accessed from the following websites: www.daff.gov.za and www.agis.agric.za.

Weather notification for 21 April 2016

“Heavy rain is expected in places over the mountainous areas of the Cape Metropole, Overberg District and Cape Winelands from tomorrow (Thursday) until Friday night. Hazardous weather *is likely* to occur in the next 1 to 3 days. This level advises the public and response agencies to be prepared, as the risk of significant or widespread disruption increases. Heavy rainfall raises the water level. When the water level is higher than the river banks or the dams, water comes out from the river and flooding occurs” (Elsenburg, 2016).

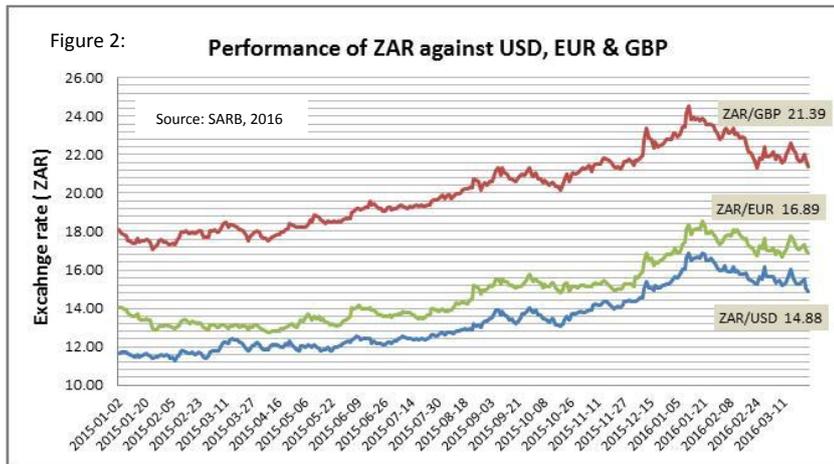
Request weather warning notifications from the Western Cape Department of Agriculture: Sustainable Resource Management, Disaster Risk Management

Forward an email to Mrs. Zaibu Arai to ZaibuA@elsenburg.com or alternatively call (021) 808 5368.

Source: Elsenburg, 2016.

ECONOMY

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

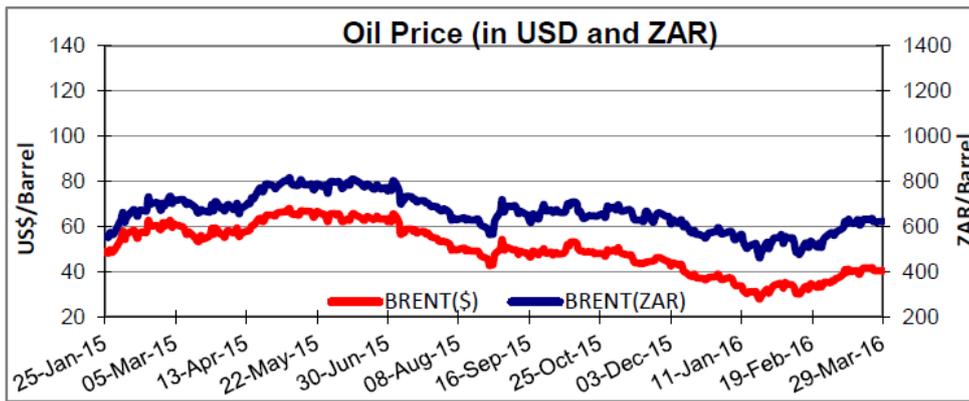


The Rand appreciated in value against the major global currencies and traded at R 14.88; R 16, 89 and R 21, 39 against the USD, EUR and GBP respectively (SARB, 2016). The exchanged rates were however very volatile during March 2016 and on average reached about R 15.76 against the USD, R 22, 39 against the GBP and R 17.59 against the EUR as during the period from 15 to 17 March 2016 (refer to figure 2) (SARB, 2016).

A range of international and domestic factors has influenced the performance of the Rand; and a summary (although not limited) is provided below:

- The US dollar (i.e. USD) depreciated against other major currencies during March 2016, amidst the US Federal Reserve announcement that the current global economic and financial uncertainty justifies the application of a moderate approach towards interest rate increments in the US economy (Business Day, 2016). The US Federal Reserve Bank thus kept interest rates unchanged at 0.25% to 0.50%, in accordance with market expectations, whilst the global commodity prices continued to decrease due to poor appetite in the demand of industrial commodities. (Nedbank, 2016).
- The European Union economy appears "unstable" ahead of the European Union referendum in which member states will vote whether Britain should exit the European Union (EU) zone. It is however anticipated that the outcome thereof will have an impact the global economy as higher interest rates and possible financial market crisis is foreseen (Nedbank, 2016).
- In accordance with market expectations, the South African Reserve Bank's Monetary policy Committee increased the repurchase ("repo") rate by a further 25 basis points for the second period during the year to 7%, in an attempt to stabilise the economy (SARB, 2016).
- Consumer inflation surpassed the upper-limit of the inflation target range when it reached 7% in February 2016, which is the highest level since June 2009 where after it lowered to 6.3% in March 2016 (Nedbank & StatsSA, 2016). The increase in inflation is mainly due to the continued upward pressure on food, petrol and electricity prices which is mainly driven by effects of the persisting drought and depreciating exchange rate which ultimately also impacts on slower economic growth (SARB & Nedbank, 2016). Pressure is mainly contributed by the 'food and non-alcoholic beverages' index increased to 9, 5% y/y in March 2016. Food and non-alcoholic beverages contributed to monthly consumer price inflation by 0, 3 % in March 2016. The items with the highest monthly rates were fruit (7, 9%), bread and cereals (3, 4%), sugar, sweets and desserts (2, 3%) and oils and fats (2, 1%) (Stats SA, 2016).
- Consumer inflation is forecasted at 7.3% in the fourth quarter in 2016, from the 7.8% previously forecasted. It is however estimated that it will rebound and stabilise within the inflation target range of 3% -6% at the end of the fourth quarter in 2017 (Nedbank, 2016).
- In addition, the current political landscape impacts on economic growth prospects, especially due to the impact thereof on the anticipated credit ratings review which brings about negative investor sentiment (SARB & Nedbank, 2016).
- Economic growth has deteriorated further and is expected to be lower than the forecasted 0.9% and 1.6% for 2016 and 2017 respectively, and is currently expected to be 0.8% ;1.4% and 1.8% for 2016, 2017 and 2018 respectively (SARB, 2016).

ENERGY



The Global Brent crude oil price recovered from low peaks such as below USD 40 seen during January 2016. Factors contributing to the improvement in international oil prices include amongst others attempts to control supply in the market by oil producers, as well as proposed discussions by OPEC (Organisation of Petroleum Exporting

Countries) members on more structured and co-ordinated oil production output given the current global economic landscape (Landbank & Nedbank, 2016).

THE BELOW MONTHLY FUEL PRICE ADJUSTMENT HAVE BEEN EFFECTIVE AS FROM WEDNESDAY, 06 APRIL 2016

The recent fuel adjustments are mainly impacted by increases in fuel levies as determined and announced by the Minister of Finance as per the National Budget speech on an annual basis. The most recent adjustments include the following from inception as from the 2016/17 financial year:

- “The basic fuel levy will increase by the of 30.0 cents per litre;
- The transportation costs increased by 5.2 cents per litre in Gauteng resulting from the National Energy Regulator of South Africa (NERSA) approved pipeline tariff increase as well the road transportation tariff increase obtained from the Road Freight Association (RFA). This will result in different prices for different pricing zones (adjusted annually); and
- The average increase in the prices of petroleum products in the international markets of about 52.00c/l for petrol and 61.00 c/l for diesel respectively” (DOE, 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	81c	cents per litre increase in retail price	1194.00
Petrol 95 ULP & LRP	83c	cents per litre increase in retail price	1 214.00
Diesel 0.05% Sulphur	95.70c	cents per litre increase in wholesale price	1053.87
Diesel 0.005% Sulphur	97.7c	cents per litre increase in wholesale price	1059.27
Illuminating Paraffin (Wholesale)	56c	cents per litre increase in wholesale price	608.03
Illuminating Paraffin (SMNRP)	76c	cents per litre increase in the Single Maximum National Retail price (SMNRP)	848.00
Maximum Retail Price for LPGAS	110c	cents per kilogram increase in the maximum retail price	387.80 (refinery gate) LPG for residential customers is derived as per the control sheet per kilometre.

Source: Department of Energy, 01 April 2016

ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- ✚ AFMA: www.afma.co.za
- ✚ Business Day: www.bdlive.co.za
- ✚ Crop Estimate Committee (CEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- ✚ Department of Agriculture, Forestry and Fisheries: www.daff.gov.za
- ✚ Department of Energy (DoE): www.energy.gov.za
- ✚ Grain SA www.grainsa.co.za
- ✚ Land Bank: www.landbank.co.za
- ✚ National Agricultural Marketing Council: www.namc.co.za
- ✚ Nedbank: www.nedbank.co.za
- ✚ SAFEX: www.jse.co.za/redirects/safex
- ✚ SAGIS: www.sagis.org.za
- ✚ SARB: <http://www.resbank.co.za/>
- ✚ Statistics South Africa: www.statssa.gov.za
- ✚ Western Cape Department of Agriculture (Elsenburg) Weather advisory: www.elsenburg.com

DISCLAIMER:

This document and its contents have been compiled by the Western Cape Department of Agriculture. The views expressed in this document are those of the Department of Agriculture with regard to market information pertaining to the grain industry, unless otherwise stated. Anyone who uses this information does so at his/her own risk. The Department of Agriculture or the author(s) therefore accepts no liability for losses incurred resulting from the use of this information.