

Monthly grain market report



Marketing and Agri-Business Section

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PERIOD UNDER REVIEW: NOV/DEC 2017

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1. SOUTH AFRICAN GRAIN MARKET

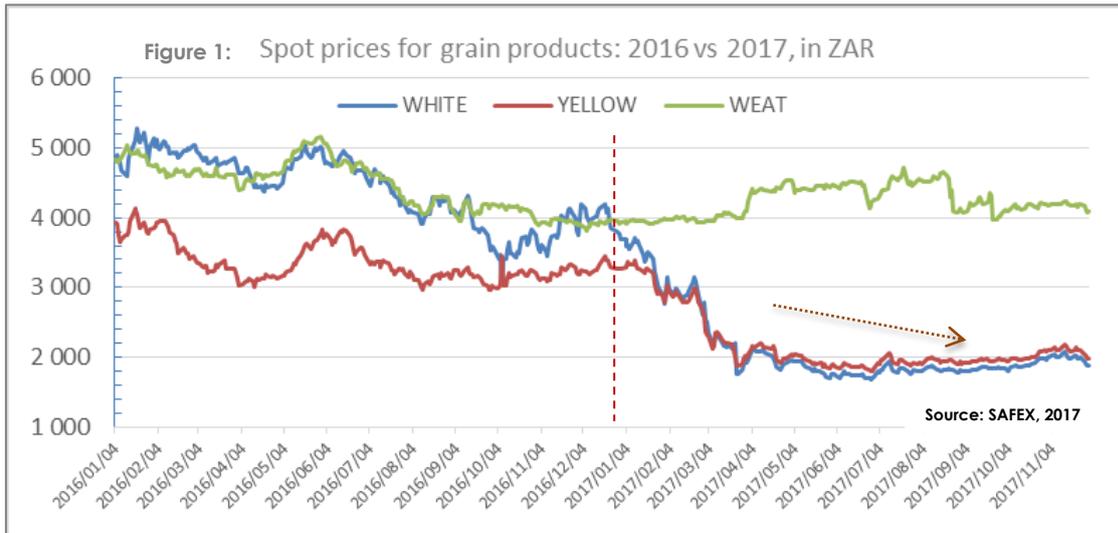
On **30 November 2017**, the wheat futures contract for delivery in December 2017 traded at R4,092 per ton, which equates to 5% year-on-year (y-o-y) or R191 higher per ton of wheat in relation to the corresponding contract traded during last year (SAFEX, 2017). The WEAT Dec17 contract traded 3% month-on-month (m-o-m) or R99 per ton lower in relation to the previous month, however, the contract traded 1% or R29 per ton higher in relation to two months prior to the end of November 2017 (SAFEX, 2017).

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

<u>MTM-Prices (30/11/2017) - expressed in Rand/MT</u>									Month end R/MT (30/10/16)	Year-on-Year Change	Month end R/MT (29/09/17)	Month end R/MT (31/10/17)
Commodity/ Delivery Date	Dec-17	Jan-18	Mar-18	May-18	Jul-18	Sept-18	Dec-17	Jan-18	Dec-16	Dec-16 vs. Dec-17	Oct-17	Nov-17
Wheat (RFTN)	4092	-	4207	4225	4272	-	-	-	3901	5%	4063	4191
White maize	1882	1910	1953	1992	2047	2093	2150	2293	3759	-50%	1830	1966
Yellow maize	1985	2011	2045	2072	2119	2164	2232	2352	3189	-38%	1953	2080
Sunflower	4458	4395	4583	4622	4713	-	-	-	5840	-24%	4701	4345
Soybean	4842	-	4960	5041	5125	-	-	-	6470	-26%	4682	4738
Sorghum	2620	-	2850	-	-	-	-	-	3570	-27%	2650 (Dec17)	2620 (Dec17)

Source: SAFEX (2016 & 2017)

1.1 TRENDS IN MARKET PRICES & SUMMER CROP ESTIMATIONS



The spot price of **white maize** traded at R1,882 per ton which translates to a 50% year-on-year (y-o-y) loss if compared to the R3,759 obtained per ton of white maize for a corresponding contract traded in the previous year (SAFEX, 2017). The significant decrease in white maize market prices is evidently a result of the 190% y-o-y or 5,5 million-ton increase in the 2016/17 production season, in relation to the 3,4 million tons of white maize harvested during the previous harvesting season (NCEC, 2017). **Yellow maize** spot prices followed the same declining trend, as the spot price thereof also lowered by 38% y-o-y or R1,204 per ton in relation to the corresponding contract traded within the previous year (SAFEX, 2017). On 30 November 2017, the YMAZ contract traded at R1,985 per ton as opposed to R3,189 per ton during the corresponding period last year (SAFEX, 2017). Subsequently, the decrease in market prices is due to the 57% year-on-year or 24 million tons increase in yellow maize production in relation to the 4,3 million tons harvested during the previous production season (NCEC, 2017).

Both the WMAZ Dec17 and YMAZ Dec17 contracts traded at a loss of 4% m-o-m or R84 per ton and 5% m-o-m or R95 per ton respectively during the previous month (SAFEX, 2017). Whilst the mentioned futures contracts traded 3% or R52 per ton and 2% or R32 per ton higher in relation to two months prior to 30 November 2017 (SAFEX, 2017).

The 2017/18 maize production estimate is currently set at 12.0 million tons by Agbiz, in comparison to the 12,5 million tons estimated by the International Grains Council and the United State Department of Agriculture estimate on the prospect (Agbiz, 2017).

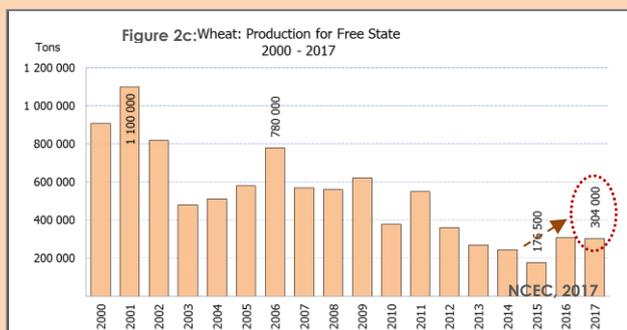
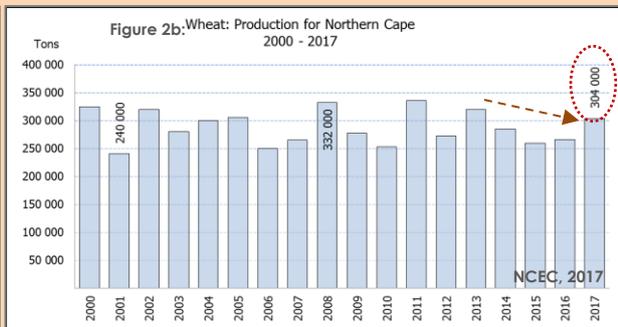
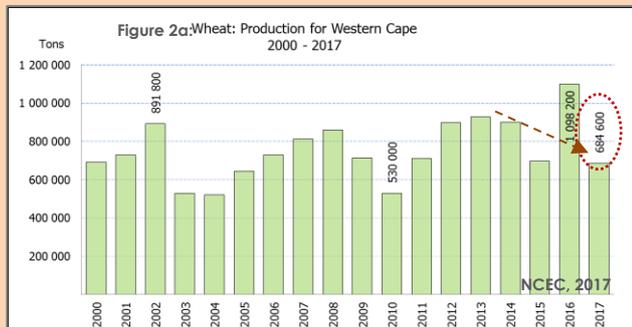
Sunflower futures traded at a loss of 24% y-o-y or R1,382 per ton in relation to the same contract traded a year ago (SAFEX, 2017). A significant improvement in sunflower production during the 2016/17 production season also resulted in a 16% y-o-y or 119,595-ton increase in relation to the 755,000 tons harvested during the previous season (NCEC, 2017). On 30 November 2017, the SUNS Dec17 contract gained by 3% m-o-m or R113 per ton if compared to the trade of futures a month ago (SAFEX, 2017).

Soybeans traded at R4,842 per ton at the end of November 2017, translating in a 26% y-o-y loss in relation to the same contract traded within the previous year (SAFEX, 2017). The downward trend in market prices can be attributed to the increase in soybean production of 77% y-o-y or 574,370 tons in relation to the 742,000 tons produced in the previous year (NCEC, 2018).

Sorghum futures traded at R2,620 per ton on 30 November 2017, which translates to a 27% y-o-y or R950 per ton decrease in relation to the same period within the previous year (SAFEX, 2017). Production improved by 115% y-o-y or 80,835 tons in relation to the 2016/17 production season (NCEC, 2017).

1.2 WINTER CEREAL PRODUCTION ESTIMATES: 2017/18 SEASON

Wheat crop estimates has been adjusted downward by 4.5% m-o-m or 74,000 tons in relation to the previous month's estimate of 1,65 million tons (NCEC, 2017). This is mainly due to significant deterioration in production conditions due to the persisting drought, which has attributed to a decrease in the Western Cape's production output by 65,200 tons and 16,000 tons in the Free State (NCEC, 2017). Subsequently, the Western Cape's share of wheat production is at 43% of the estimated production during the current season (NCEC, 2017). On the other hand, the Northern Cape and the Free State is estimated to jointly produce 38% of the total wheat harvest during the 2017/18 production season due to improved yields being obtained within the two mentioned production areas (Agribiz & NCEC, 2017). The wheat crop is estimated to be 17% y-o-y or 328,750 tons lower than the 2016/17 final crop (NCEC, 2017).

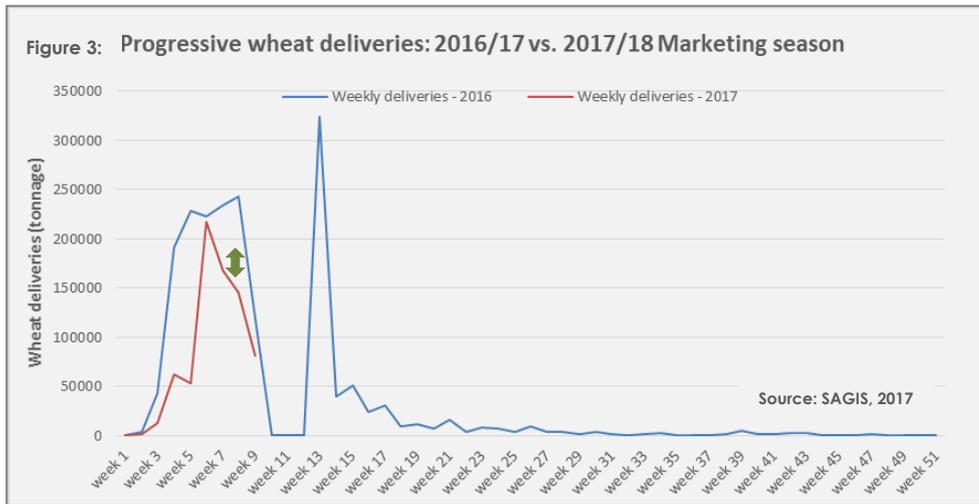


The **malting barley** crop estimate remained unchanged at 281,059 tons in relation to the previous crop estimate; however, the crop estimate is lower by 21% y-o-y or 73,941 tons in relation to the previous crop estimate (NCEC, 2017).

The **canola** production estimate has been revised downward by 4% m-o-m or 4,200 tons if compared to the previous month's estimate of 100,800 tons (NCEC, 2017). At 96,600 tons of canola, the current crop estimation is 8%

1.3 PRODUCER DELIVERIES

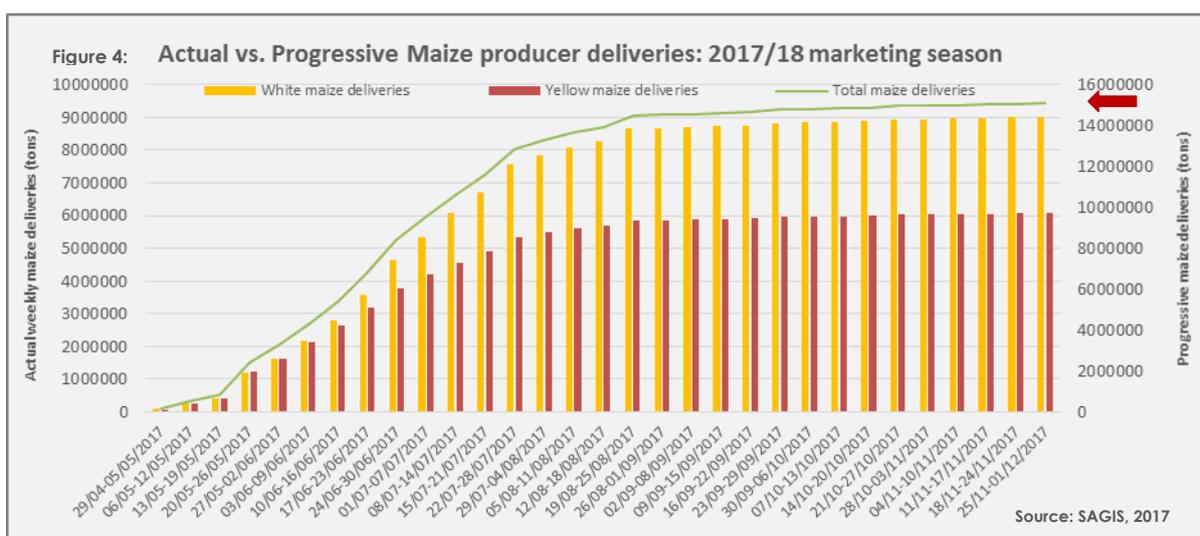
Wheat



Note: Significant increase in producer deliveries reported in week 13 (24-30 December 2016), due to consolidated deliveries reported from 03 to 30 December 2017 (SAGIS, 2017).

As from 30 September 2017 up until 01 December 2017, commercial producers have delivered a total amount of 742,029 tons of wheat (SAGIS, 2017). The current deliveries indicate a 32% y-o-y or 543,924-ton decrease in relation to the 1,3 million of tons of wheat that have been delivered in progressive deliveries at the corresponding period in the previous year (SAGIS, 2017). Whilst the 742,029 tons of wheat represents a 47% delivery rate in relation to the current crop estimate of 1,58 million tons (SAGIS & NAMC, 2017).

Maize



As at 01 December 2017, progressive deliveries for white maize amounted to 9,0 million tons and 6,08 million tons of yellow maize respectively (SAGIS, 2017). This the progressive deliveries of the maize amounted to 15,08 million tons on 01 December 2017 (SAGIS, 2017). In accordance to the final crop

figures for maize for the 2016/17 production season, 91% of the 9,8 million tons of white maize has been delivered and 89% of the 6,9 million yellow maize (NCEC & SAGIS, 2017). Thus, the total maize delivery rate is currently standing at 90% of the total 16,7 million tons of maize expected to be delivered by commercial producers (NCEC & SAGIS, 2017).

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 01 December 2017:

Table 2a: Wheat trade for the 2017/18 marketing season, according to tons			Source: SAGIS, 2017
Progressive wheat exports for 2017/18	3,197	Progressive wheat imports for 2017/18	595,856
Wheat exports during the reporting period: (04 November to 01 December 2017)	1,517	Wheat imports during the reporting period: (04 November to 01 December 2017)	180,238 tons of RSA and 17,351 tons for export to other SADC countries
Importing countries	Share in RSA wheat exports	Supplying countries to RSA	Share in RSA wheat imports
Botswana	46%	¹ Russian Federation	56%
Namibia	45%	¹ Lithuania	28%
Zimbabwe	7%	¹ Ukraine	16%
Swaziland	2%	¹ Progressive wheat imports amounted to 623,878 tons for the reported period, up until 1 December 2017. The imported quantity as from 04 November up until 01 December 2017, amounted to 197,589 tons and was mainly took place via the following ports: <ul style="list-style-type: none"> ➤ Durban: 90% ➤ East London: 10% 	

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

The shortfall in wheat supply is estimated to result in a total of 1,8 million tons of imported wheat, as only 1,58 million tons of wheat is estimated in producer deliveries (NAMC, 2017). Subsequently, imports will increase by 93% y-o-y or 865,235 tons in comparison to the 934,765 tons imported during the previous season in order to meet the total wheat supply estimated at 3,70 million tons as producer deliveries will only be able to meet 43% of the total estimated supply (NAMC, 2017).

Total demand for wheat is estimated at 3,1 million tons of which 97% thereof is allocated towards domestic market needs of which the largest share thereof is for human consumption purposes (NAMC, 2017). An amount of 488,974 tons is thus expected to be declared as closing stock at the end of the season, which is estimated to be 1.9 month's or 58 days' worth of retaining stock (NAMC, 2017).

Click [here](#) to access the November/December 2017 Wheat Focus magazine (SAGIS, 2017).

This section pertains to the trade of maize for the 2017/18 marketing season, up until the week ending on 01 December 2017:

Progressive maize exports during the reporting period: 2017/18	White maize: 534,396	Yellow maize: 1,117,505	
Maize exports during the reporting period: (04 November to 01 December 2017)	28,455	139,453	<i>No imports – due to bumper crop during current production season</i>
Importing countries	Share in white maize exports	Share in yellow maize exports	¹ Maize exports during the reported period (04 November to 01 December 2017) equated to 167,908 tons of which 125,083 tons of yellow maize was exported through the South African harbours. <ul style="list-style-type: none"> ➤ Maize exports generally take places through the Durban port. ➤ Progressive white maize exports amounted to 272,248 for the current season, with no exports during the reported period. ➤ Progressive yellow maize exports amounted to 1,02 million tons for the current season, of which 125,083 tons were exported during the reported period.
Botswana	52%	0.6%	
Mozambique	28%	1%	
Lesotho	12%	0.4%	
Swaziland	8%	5%	
Namibia	1%	3%	
Japan	-	90%	
Angola	-	0.2%	

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

The total supply estimated of white and yellow maize remained unchanged at 10, 0 million tons and 7, 0 million tons respectively (NAMC, 2017). Due to the bumper crop estimate of 16, 7 million, domestic commercial deliveries are sufficient to cater for domestic market needs as well as increased exports (NCEC & NAMC, 2017). Hence, no imports are required compared to last season when 2, 2 million tons of maize needed to be imported to cover the shortfall in maize supplies (NAMC, 2017).

On the demand side, the overall local demand estimate has been slightly increased to 10,0 million tons of maize as a result of a 50,000-ton increase in white maize in relation to the previous estimate of 6,2 million tons whilst the yellow maize estimate remained unchanged at 3,7 million tons (NAMC, 2017). 44% of maize requirements in the local market is for human processing and 32% thereof for animal and industrial requirements (NAMC, 2017). Exports are estimated to increase by a further 65,000 tons to equal to 2,3 million tons, as a result of a 100,000-ton increase in yellow maize exports and 35,000-ton reduction in white maize exports as per the most recent supply and demand estimates at the end of November 2017 (NAMC, 2017).

Subsequently, the closing stock for maize is expected to decrease by 165,000 tons to 4,4 million tons of which 2,8 million is estimated to be white maize and 1,5 million tons yellow maize (NAMC, 2017). As a result, the retention stock is sufficient to last for 5.2 month or 159 days, given the abundant harvest during the most recent production season (NAMC, 2017).

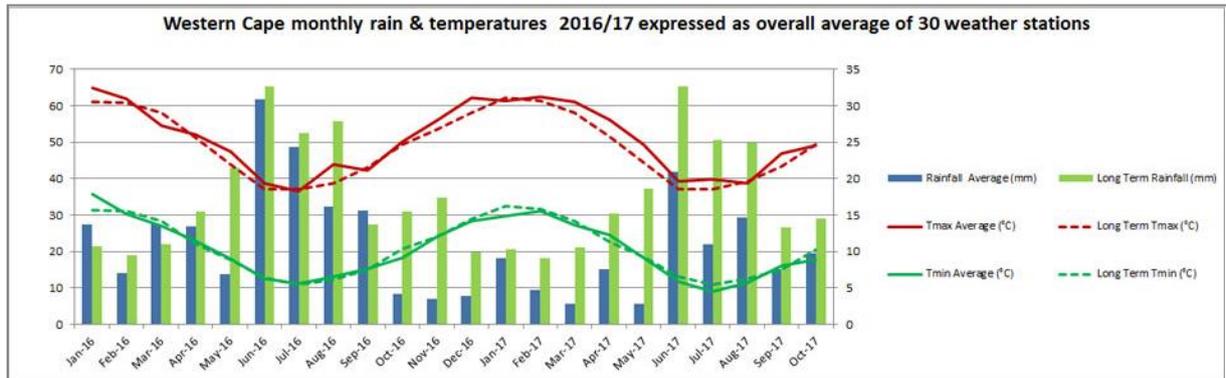
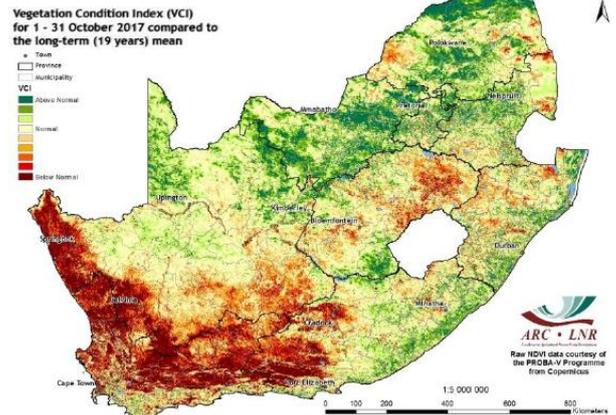
2. WEATHER ADVISORY ON THE 2017/2018 SUMMER SEASON, NOVEMBER 2017

In general, the vegetation conditions have deteriorated over most of the winter rainfall region and the western parts of Namaqualand during October 2017, whilst the north-eastern parts of the country have experienced an improvement in vegetation conditions (ARC as cited by DAFF, 2017).

Monthly rainfall over most parts of the Province remained below the long-term rainfall trend during the course of 2017 up until October 2017 (Elsenburg, 2017). It is evident from the below graph that average rainfall conditions have deteriorated significantly if compared to the rainfall conditions experienced during the 2016 year (Elsenburg, 2017). The Swartland and Cape Winelands regions, however, experienced improved rainfall, whilst a significant portion of the Central and Little Karoo remained within the below-normal rainfall parameter (ARC as cited in DAFF, 2017). Even though normal temperatures were experienced throughout the Province, on average, daily maximum temperatures recorded increased above the long-term average for the most part of 2017 with reference to the below graph (Elsenburg, 2017).

Average dam levels within the Western Cape stood at 33.6% y/y on 04 December 2017, in relation to 52.8% in relation to the

Figure 5: VCI Map for October 2017 (DAFF, 2017)



corresponding period in the previous year (DWS as cited by Elsenburg, 2017). The two largest dams, namely the Theewaterskloof (479.3 million cubic meters) and the Brandvlei (286.1 million cubic meters) respectively stood at 22.1% and 29.5% full on 04 December 2017, compared 45.4% and 48.7% during the corresponding period last year (DWS as cited by Elsenburg, 2017). 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, 2017).

Strategies to mitigate climatic change and disasters

A comprehensive list of strategies are listed in 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 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. Zaiibu Arai to ZaiibuA@elsenburg.com or alternatively call (021) 808-5368.

Source: DAFF National Agro-meteorological Committee (NAC) Advisory & Western Cape Provincial Department of

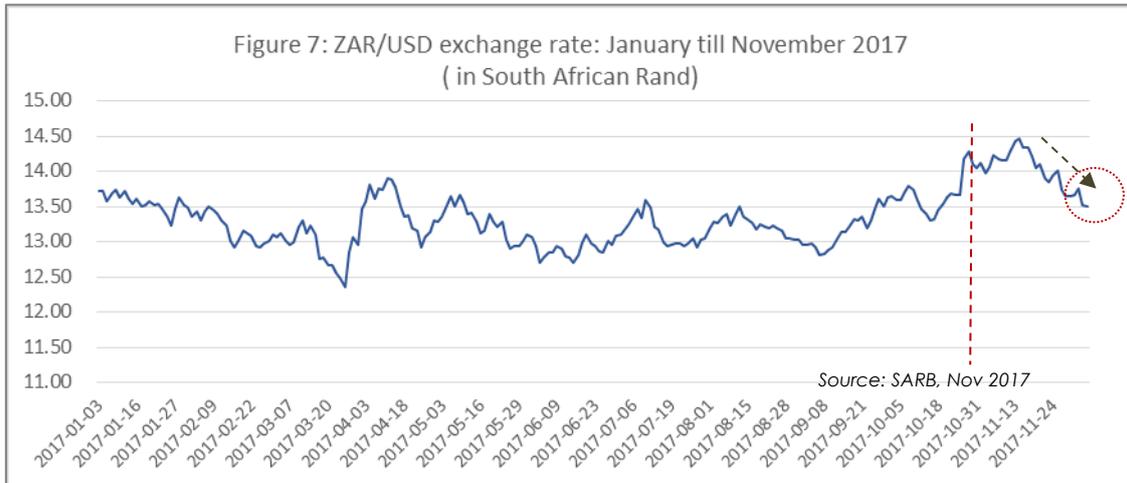
Additional sourced to information regarding climatic conditions, can be obtained in the monthly Agri-Outlook reports

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 and go to Agri-tools

3. ECONOMIC NEWS

3.1 Review of the South African economy



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:

- Sovereign credit rating agencies, S&P and Moody's both revised South Africa's foreign and local currency debt ratings during November 2017 (BER, 2017). S&P adjusted South Africa's long-term foreign currency sovereign credit ratings to a "BB" category from its previous "BB+" category, which is currently two levels below investment rating whilst the local currency has been adjusted to a "BB" category from a previous "BBB-" category which is also a sub-investment rating (BER, 2017). In essence, both ratings imply a possible future downgrade regardless of the assigned stable outlook (BER, 2017). Moody's however kept the sovereign credit ratings unchanged at Baa3, but indicated that both the foreign and local credit ratings are subjected to a review for a downgrade which is largely dependent on the measures imposed within the economy in order to possibly prompt an opposite decision by Moody's during the next rating assessment (BER, 2017).
- The Monetary Policy Committee (MPC) left the interest rate unchanged at 6.75% at the last meeting during 2017 (SARB as cited BER, 2017). Subsequently, this will keep the repo rate at 10.25% with projections currently standing at a 0.75% increase throughout 2019 (BER, 2019).
- Trade statistics for October 2017, concluded at a trade surplus of R4.5 billion as a result of an 18% year-on-year increase in exports which surpassed imports as it only grew by a 9% year-on-year (SARS, as cited in BER, 2017). The cumulative trade balance figure for 2017, stood at R51.62 billion at the end of October 2017 in relation to the R9.93 billion deficit on trade for the corresponding period in the previous year (BER, 2017). The significant improvement in the monthly surpluses in trade is a result of stronger economic activity amongst South African trading partners as well as improvements in commodity prices (BER, 2017). Whilst growth in imports is hampered by the gradual decline in the local demand for imported products (BER, 2017).
- The positive trade balance has a positive impact on the current account, which significantly influences the responsiveness of the local currency in exchange for major global currencies in order for the country to purchase goods and services within the global market (BER, 2017).
- The Consumer Price Index (CPI) stood at 4.8% year-on-year during October 2017 in relation to 5.2% year-on-year during the previous month (Stats SA, as cited in Nedbank, 2017). Inflation pressures are expected to move upwards, as a result of higher fuel prices that will greatly

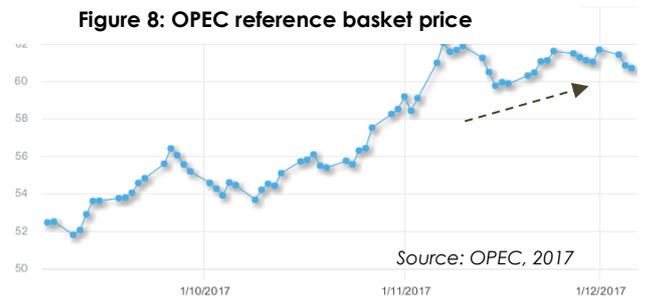
influence the production of goods and services and subsequently result in higher market prices of non-food items (Nedbank, 2017). The average consumer price index for the remainder of the year is estimated to remain below the 6% upper target range at 5.3% in relation to the 6.4% average obtained during the previous year, due to lower food inflation pressure associated with the recovery in some agricultural sub-sectors such as field crops (Nedbank, 2017).

- Economic growth figures indicated a 2% quarter-on-quarter expansion when the economy expanded by 2.8% in relation to the previous quarter (Stats SA, as cited in BER, 2017). Even though the growth in quarter 3 was lower by 0.8%, the overall growth prospects improved significantly in relation to market consensus because of the recovery recorded within the agricultural sector (BER, 2017).

4. ENERGY

4.1 Fuel price adjustments

The average international prices of Petrol, Diesel and Illuminating Paraffin products increased during the period under review, 29 October until 30 November 2017 (DoE, 2017). The OPEC reference basket price increased from USD58.27 to USD61.06 per barrel with reference to the adjacent graph (OPEC, 2017).



On the other hand, the Rand depreciated against the US Dollar during the mentioned period under review, on average, if compared to the corresponding period in the previous month. On average, the ZAR/USD exchange rate for the period under review reached R14.10 in comparison to R13.62 traded during the previous month (DoE, 2017). Subsequently, this led to a higher contribution to the basic fuels price on petrol, diesel and illuminating paraffin respectively.

Table 3: Fuel price adjustment effective as from Wednesday, 06 December 2017

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)
Petrol 93 ULP	71.00c	cents per litre increase in the retail price	1410.00
Petrol 95 ULP & LRP	71.00c	cents per litre increase in the retail price	1427.00
Diesel 0.05% Sulphur	57.00c	cents per litre increase in the wholesale price	1253.63
Illuminating Paraffin (Wholesale)	73.30c	cents per litre increase in the wholesale price	807.48
LPGAS (maximum retail price)	204.00c	cents per litre increase in the maximum retail price	2236.00

Source: Department of Energy, 04 December 2017

4.2 Postponement of the National Energy Regulator of South Africa (NERSA) announcement on increased tariff application by ESKOM

NERSA has indicated that it would announce its decision on the tariff rate increase of ESKOM on 13 December 2017, for the 2018/19 revenue application as opposed to 07 December 2017 (Engineering News, 02 December 2017). This came after more than 23,000 written submissions were received by NERSA on the proposed 19.9% tariff increase in order to allow the power utility, ESKOM to collect a revenue stream 219.5 billion (Engineering News, 02 December 2017). ESKOM has subsequently, reduced the proposed tariff to 18.9% and a municipal tariff increase of 26.9% in order to make provision for a revenue collection base of R212.8 billion (Engineering News, 02 December 2017). Ultimately, the outcome of public hearings thus far has been to refrain the power utility from increasing electricity tariffs above inflation as well as for to implement more stringent cost containment measures in order to minimize cost as well as to eliminate alleged wasteful expenditure and corruption (Engineering News, 02 December 2017).

ACKNOWLEDGMENT OF INFORMATION SOURCES

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

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

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