

Monthly grain market report



Marketing and Agri-Business Section

www.elsenburg.com

PERIOD UNDER REVIEW: NOVEMBER/DECEMBER 2016

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1. SOUTH AFRICAN GRAIN MARKET

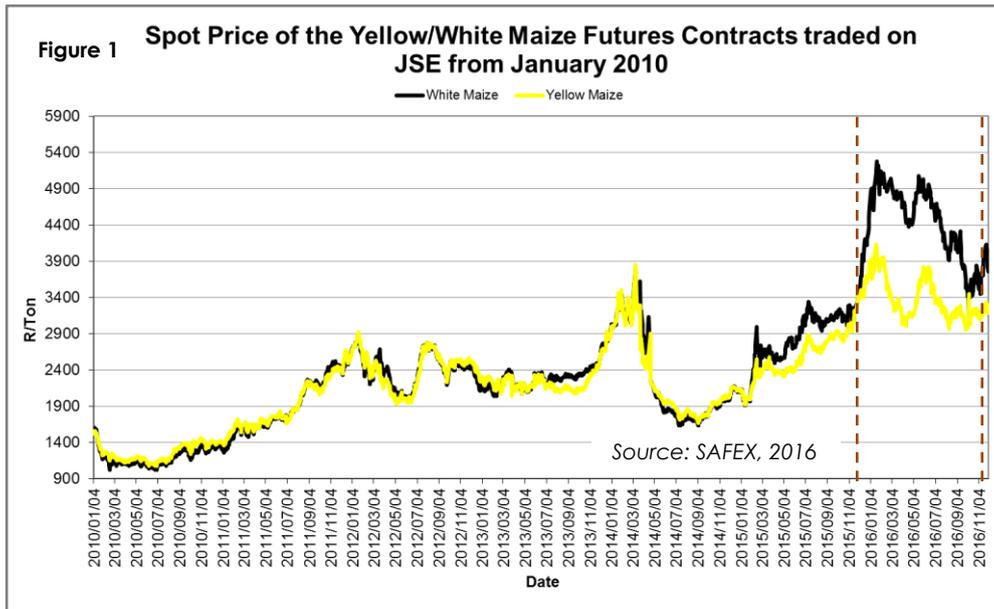
On 30 November 2016, the MTM price for wheat traded at R3,901 per ton for delivery in December 2016.

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

Commodity/ Delivery Date	MTM-Prices (30/11/2016) - expressed in Rand/MT								Month end R/MT	Year-on- Year Change (%)	Month end R/MT	Month end R/MT
	Dec- 16	Jan- 17	Mar- 17	Apr- 17	May- 17	Jul- 17	Sept- 17	Jul- 18	(30/11/15)	(30/11/15)	(30/09/16)	(31/10/16)
Wheat (RFTN)	3901	3960	4036	-	4104	4140	-	-	4563	↓ -15%	4202	3940
White maize	3759	3901	3695	3295	2772	2592	-	2514	3430	↑ 10%	3563	3749
Yellow maize	3189	3189	3156	-	2571	2556	2594	2504	3430	↓ -24%	3016	3209
Sunflower	5840	5920	6064	-	5998	6025	-	-	7040	↓ -17%	6293	6079
Soybean	6510	6480	6450	6195	6243	6280	-	-	6015	↑ 8%	6120	6389
Sorghum	3570	-	-	-	3365	-	-	-	3190	↑ 12%	3350 (May 2017)	3414 (Dec 2016)

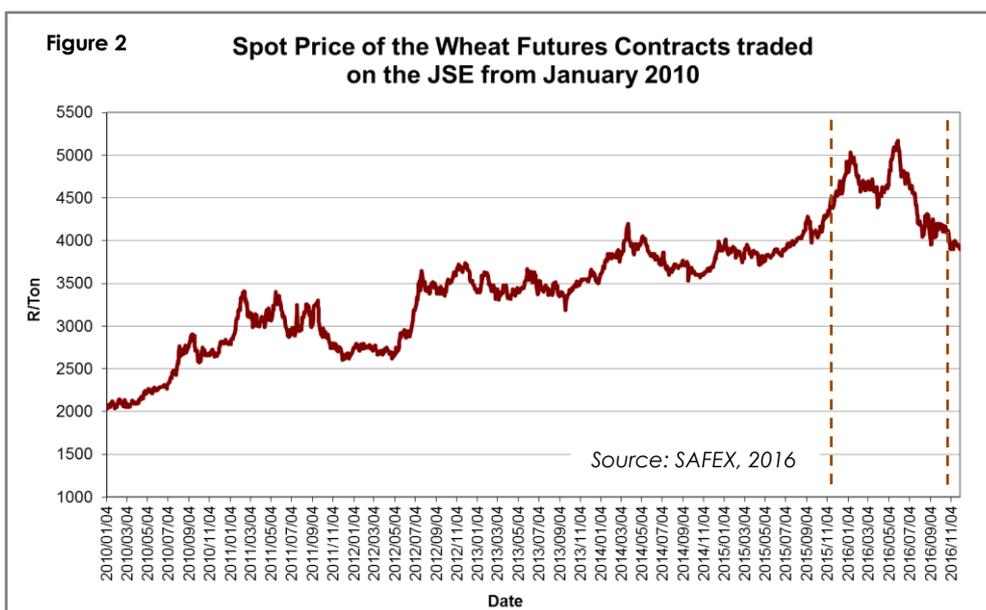
Source: SAFEX (2015 & 2016)

1.1 MARKET PRICES



The Nov16 WMAZ futures contract ended on R3759 per ton on 30 November 2016, which translates to a 10% y/y or R329 increase per ton compared to the same period in the previous year when it traded at R3430 per ton (SAFEX, 2016). In addition figure 1 also depicts that white maize market prices has been on an upward trend from early 2015, after which it gradually surged during the first few months in 2016, until it reached a peak in early 2016 as the 2015/16 marketing season yielded below than expected producer deliveries due to the prevailing drought which had far greater implications on white maize futures than yellow maize (figure 1).

On the other hand, the Nov16 YMAZ futures contract traded 7% m/m or R241 per ton lower than the same contract traded during the same period last year, as indicated in figure 1 (SAFEX, 2016). The Nov16 YMAZ futures traded 1% lower in relation to the previous month and 6% more in relation to the two months earlier (i.e. Oct16)(SAFEX, 2016). Whilst the Nov16 WMAZ contract traded higher by R10 per ton compared to the previous month and gained 6% more in relation to two months prior (SAFEX, 2016).



Nov16 WEAT futures reached R3901 per ton, translating into a 15% y/y or R662 decline per ton of wheat, if compared to the same contract traded last year. Figure 2, depicts that market prices were much higher during early 2016 in relation to the previous marketing years since 2010 (SAFEX, 2016).

On 30 November 2016, the Nov16 SUNS traded at R5840 per ton for delivery during December 2016, equating to a R1200 per ton or 17% y/y decline in relation to the same period last year. During the same period under review, the Nov16 SOYA contract reached R6510 per ton, which amounts to an 8% or R495

per ton increase compared to the same contract traded last year. Furthermore, the Nov16 SORG contract reached R3570 per ton for delivery in December 2016 (SAFEX, 2016).

1.2 PRODUCTION AND PRODUCTION AREA ESTIMATES FOR WINTER CEREALS

Winter cereal production estimates increased despite the fact that the planting thereof were delayed and subsequently occurred much later than the optimal window period due to late winter rains in the largest producing area such as the Western Cape (Business Day, 24 November 2016). Winter wheat has already been planted in May and harvesting thereof commences during November (Business Day, 24 November 2016). Commercial production of winter cereals for the 2016 season is now expected to be greater by 42,620 tons or 2.1% and is expected to reach 2,188 million tons, which is more optimistic than the anticipated forecast of 2,142 million tons projected within the previous month (NCEC & Business Day, 2016).

Wheat: A total of 508,265 hectares has been planted, of which the 3rd crop estimate has been capped at 1, 73 million tons. This equates to a 1.9% or 32,300 ton increase in relation to the previous crop estimate. Assessing the 2016 estimated annual crop to the prior season, it is evident that the current season is anticipated to deliver 22.66% y/y or 326,280 tons more than the 2015 season (NCEC, 2016). The Western Cape is estimated to produce 969,000 tons which accounts for 55% of the total wheat crop, whilst the Free State is expected to produce about 308,000 tonnes (17%) and the Northern Cape 252,000 tonnes (14%) (NCEC, 2016).

Canola: A total harvest of 112,260 tons is anticipated in relation to the previous crop estimate which amounted to 108,860 tons. This indicates that the canola crop outlook has improved by 3,400 tons or 3.1%, as from the previous crop estimate (NCEC, 2016). On an annual basis, the canola crop is anticipated to be greater by 19,260 tons or 20.71%, given the 4th winter crop estimated figures (NCEC, 2016).

Malting barley: Production is estimated to reach 309,815 tons, which is a 3.3% or 9,920 ton increase in relation to the 3rd crop estimated figures released at the end of October 2016. It should however be considered that the 2016 crop estimate is anticipated to realise a lower output through a reduction of 22,185 tons or 6.68% compared to the prior annual harvest which produced 332,000 tons (NCEC, 2016).

1.3 PRODUCER DELIVERIES

Wheat

Progressive wheat deliveries as from 01 October 2016 amounted to 1,244 million tons until 02 December 2016. The majority (i.e. 80% or 1,006 million tons) of the wheat delivered took place as from the start of the marketing season up until 29 October 2016 (i.e. week 5). A significant downward adjustment was recorded during week 5 (starting on 29 October 2016) amounting to -41,565 tons, whilst an upward adjustment was recorded for week 8 (starting on 19 November 2016) amounting to 56,343 tons (SAGIS, 2016).

Maize

The total maize delivered by producers for the 2016/17 marketing season amounted to 6,348 million tons up until week 31 (i.e. 02 December 2016). White maize accounted for 45% of the progressive deliveries, whilst yellow maize accounted for 55%, as per the reported period. During the period under review, as from 29 October to 02 December 2016, white maize deliveries increased by 20,817 tons whilst yellow maize deliveries increased by 38,086 tons. Both white and yellow maize deliveries have been slightly adjusted upwards during week 30 (SAGIS, 2016).

1.4 EXPORTS, IMPORTS AND RE-EXPORTS

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

Total wheat supply is estimated at 4, 062 million tons of which the largest share thereof is anticipated to be derived from commercial producer deliveries estimated at 1,728 million tons, which is slightly lower than the current crop estimate published at the end of November 2016. Furthermore, wheat imports of 1,500 million tons are forecasted in order to contribute to the stock supply in conjunction with the stock carried over from the previous marketing season which amounted to 827,232 tons (NAMC, 2016).

On the demand side, a total of 3,307 million tons of wheat is required to meet the processing needs of which human consumption is estimated at 3,150 million tons (95%) in relation to animal consumption which is expected to only reach 3,000 tons (less than 1%). Exports are the second largest demand driver, and are estimated at 115,000 tons (i.e. 100,000 tons of whole wheat and 15,000 tons of processed wheaten products). Amongst other items, the preservation of seed for replanting purposes also plays a fundamental role from a demand perspective (NAMC, 2016).

The retention capacity of wheat at the end of the marketing season is estimated to be sufficient for 2.9 months or 87 days, considering the average monthly processing capacity of 262,750 tons (NAMC, 2016)

This section pertains to both the import and export of wheat for the period from 29 October to 02 December 2016:

Table 2 a: Wheat trade for the 2016/17 marketing season, according to tons		Source: SAGIS, 2016	
Progressive wheat exports for 2016/17	6,143	Progressive wheat imports for 2016/17	96,818
Wheat exports during the reporting period : (29 October to 02 December 2016)	4,866	Wheat imports during the reporting period : (29 October to 02 December 2016)	43,330 tons for RSA and 30,501 tons for export to other SADC countries
Importing countries	Share in RSA wheat exports	Supplying countries to RSA	Share in RSA wheat imports
Namibia	38%	¹ Russia	70%
Botswana	26%	¹ Canada	30%
Zimbabwe	22%	¹ Wheat Imports were shipped through the following port, as per the reported period: Durban: 100%	
Swaziland	4%		
Lesotho	11%		

Source: SAGIS, 2016

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

Total maize supply is estimated at 12,389 million tons of which 5,419 million tons (44%) is expected to be derived from white maize and 6,971 million tons yellow maize (56%) (NAMC, 2016).

White maize supply will mainly be derived from commercial producer deliveries (3,174 million tons) and stock carried over from the previous production season (1,308 million tons). In addition, it will be supplemented with increased imports estimated at 850,000 tons which equates to an increase of more than 700% in relation to the previous marketing season's import figures (NAMC, 2016).

On the hand, yellow maize supplies mainly originate from commercial producer deliveries (3,933 million tons) and stock carried over from the previous production season (1,163 million tons). Yellow maize imports are estimated at 1,850 million tons which is more or less on par with the amount of yellow maize imported in the previous season (NAMC, 2016).

The demand for maize is expected to reach 10,313 million tons for the local market and 975,000 tons for the export market, thus resulting in a total demand of 11,288 million tons. Local demand for white maize is mainly required to fulfil human consumption requirements (4,200 million tons) whereas the opposite is applicable to yellow maize demand which is mainly required for animal feed and industrial purposes. The largest portion of maize exports is white maize (595,000 tons) and the latter part yellow maize (NAMC, 2016).

Considering the above, the closing balance of white maize is estimated to be 502,586 tons at the end of the marketing season, whilst yellow maize is expected to reach 599,345 tons. In total, an amount of 1,012 million tons of stock will be carried over to the following marketing season, as closing stock from the current marketing period. However given the monthly processing requirements for maize which average 834,333 tons, the retention capacity is estimated to be sufficient for at least 1.3 months or 40 days (NAMC, 2016).

Maize

This section pertains to both the imports and exports of maize for the period from 29 October to 02 December 2016:

Progressive maize exports for 2016/17	White maize: 317,014	Yellow maize: 183,442	Progressive maize imports for 2016/17	White maize: 595,489	Yellow maize: 1,038,783
Maize exports during the reporting period : (29 October to 02 December 2016)	White maize: 59,991	Yellow maize: 44,944	Maize imports during the reporting period : (29 October to 02 December 2016)	White maize: 210,655 tons for RSA and 13,896 tons for other SADC countries	Yellow maize: 113,179 tons for RSA and no imports 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	23%	50%	² Mexico	100%	-
Botswana	21%	-	² Argentina	-	74%
Namibia	13%	4%	² Ukraine	-	26%
Lesotho	28%	4%	² Imports were shipped through the following ports, for the 2016/17 marketing year: > 224,551 tons of white maize & 113,179 tons yellow maize > Durban: 84% white maize and 38% yellow maize > Cape Town: 62% yellow maize > East London: 12% white maize > Richards Bay: 5% white maize		
Swaziland	12%	17%			
Mozambique	4%	7%			

Source: SAGIS, 2016

1.5 WEATHER UPDATE: DAFF NAC ADVISORY ON THE 2016 SUMMER SEASON, NOVEMBER 2016

Overview of the Provincial climatic conditions

The province received below-normal rainfall and the Central Karoo and the Matzikama region are still experienced drought. The monthly mean maximum temperatures for the province remained normal. Winter cereal crops are in reasonable to good condition due to the timely spread of rainfall over the growing season, and are being harvested at present. During October uncommon occurrences of frost damage was recorded in the fruit industry, in the Touwsriver area. The average level of major dams decreased to 56% as at November 2016, in relation to the same period last year when 65% was recorded (abstracted from the DAFF NAC, November 2016).

Click [here](#) to view the most recent update, as on 19 December 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 Agro-meteorological Committee (NAC) Advisory, November 2016.

Additional sources to information regarding climatic conditions:

Agri-Outlook monthly 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  Agri-Outlook (Elsenburg, 2016).

Strategies to mitigate climatic change and disasters

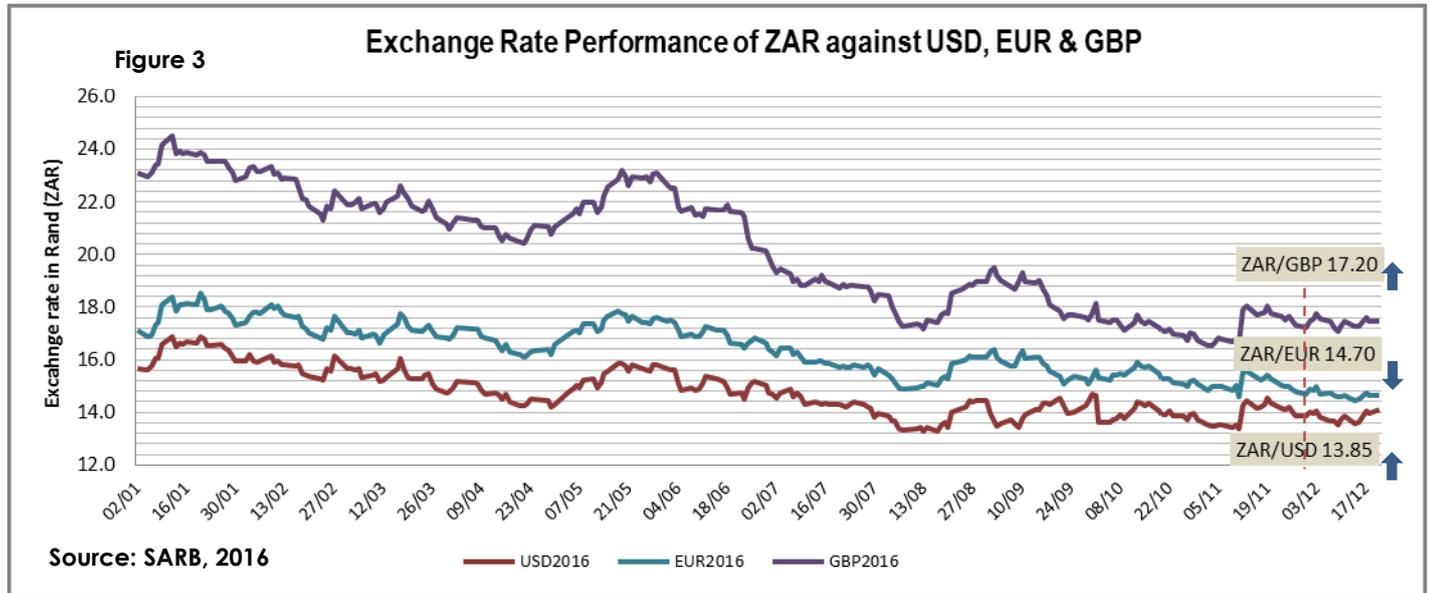
A comprehensive list of strategies can be found in the monthly NAC Advisory report issued by DAFF: Climate Change and Disaster Management. It can be accessed from the following websites: www.daff.gov.za and www.agis.agric.za .

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 ANALYSING THE PERFORMANCE OF THE SOUTH AFRICAN RAND (ZAR) AGAINST MAJOR CURRENCIES SUCH AS USD, GBP & EUR, AS AT 30 NOVEMBER 2016



Assessing the South African exchange rate's performance against major currencies, between 01 to 30 November 2016 (as depicted in figure 3); the Rand appreciated by 0.8% against the US dollar (USD), 2.7% against the Great Britain Pound, whilst it depreciated by 2.4% against the Euro (EUR) (SARB, 2016). As a result of dynamics in both the domestic and international political and economic landscape; the USD/ZAR exchange rate ended on R13.85 whilst the EUR/ZAR reached R14.70 and the GBP/ZAR 17.20 on 30 November 2016 (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 South African Reserve Bank's Monetary Policy Committee (MPC) has left the repo rate unchanged at 7, 0% during the November 2017 meeting, in line with economic market outlooks. SARB however indicated that it is still premature to mark the end of the rate hiking cycle (SARB, 2016).
- Inflation remains a concern, with food inflation likely to remain on an upward trend despite indications that rainfall during the most recent planting season was better than in the previous planting season (Nedbank & SARB, 2016).
- International oil prices also pose downside risk as it could potentially decrease further, should OPEC and non-OPEC members (i.e. oil producers) not reach an agreement regarding the restriction or "freeze" on daily oil output (Nedbank & OPEC, 2016).
- The rand faced pressures from both the global and domestic landscape, with the forthcoming United States of America interest rate hike (which was scheduled for 14 December 2016), and the uncertainty prevailing to policies changes of the incoming United States administration which is likely to put emerging markets under pressure (Nedbank, 2016).

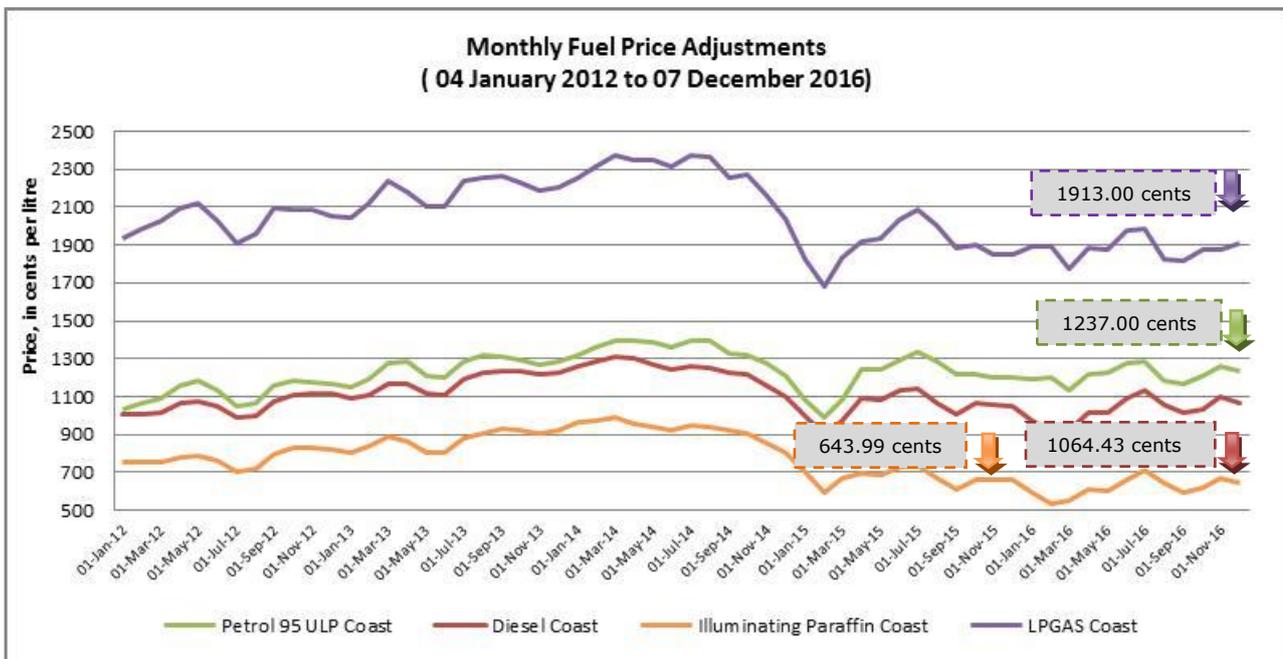
- On the domestic front, sovereign credit rating agencies reviewed South Africa's ratings during end November and early December 2016, whereby a negative assessment of the local economic growth prospects and the political situation could put the currency under renewed pressure (Nedbank, 2016).
- On 3 December 2016, South Africa however escaped a credit downgrade from sovereign credit rating category BBB- which is the lowest investment rating to junk status, after Standard & Poor's revision thereof. The ratings agency however indicated that its outlook still remains negative (Business Day, 2016).
- The Reserve Bank's growth forecasts have remained unchanged at rates that indicate that the slack in the domestic economy will reduce gradually over the next two years (Nedbank, 2016).

2.2 ENERGY

Monthly fuel price adjustment have been effective as from Wednesday, 02 December 2016

The following reasons were highlighted for the fuel price adjustments in December 2016:

The Rand appreciated against the US Dollar during the period under review (28 October to 01 December 2016) on average. When compared to the previous period, the average Rand/US Dollar exchange rate for the period 28 October 2016 to 01 December 2016 was R13.91 compared to R13.96 during the previous reported period. This led to decreases in the contribution to the Basic Fuels Price on petrol, diesel and illuminating paraffin by 2.02 cents per litre, 1.96 cents per litre and 1.96 cents per litre respectively (DoE, 2016).



Source: Department of Energy, 02 December 2016

ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- ✚ Business Day: www.businesslive.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
- ✚ 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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