

## Monthly grain market report



Marketing and Agri-Business Section

www.elsenburg.com

PERIOD UNDER REVIEW: OCT/NOV 2017

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### 1. SOUTH AFRICAN GRAIN MARKET

On **31 October 2017**, the wheat futures contract for delivery in November 2017 traded at R4,191 per ton, which equates to 7% y/y or R287 higher per ton of wheat in relation to the corresponding contract traded last year (SAFEX, 2017).

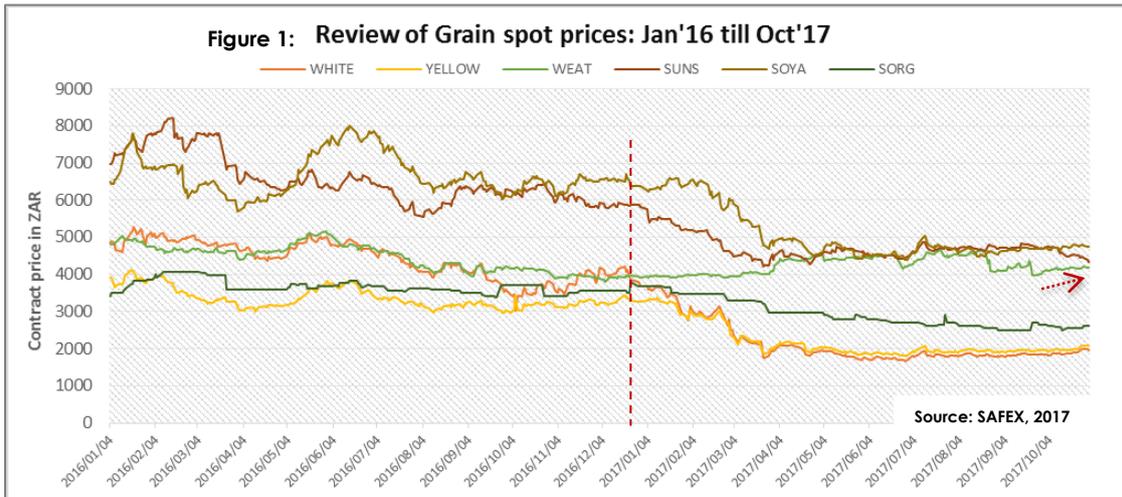
In addition, the same contract traded 3% m/m higher in the previous month and 2% higher in relation to two months prior to 31 October 2017 (SAFEX, 2017).

**Table 1.1: Mark-to-market prices for the Summer Crops and Winter Cereals as traded on SAFEX**

<u>MTM-Prices (31/10/2017) - expressed in Rand/MT</u>								Month end R/MT (31/10/16)	Year- on-Year Change	Month end R/MT (31/08/17)	Month end R/MT (29/09/17)
Commodity / Delivery Date	Nov-17	Dec-17	Mar-18	May-18	Jul-18	Sept-18	Dec-18	Nov-16	Nov-16 vs. Nov-17	Sept-17	Oct-17
<b>Wheat (RFTN)</b>	4191	4201	4284	4344	-	-	-	3904	7%	4103	4063
<b>White maize</b>	1968	2000	2045	2084	2135	2178	2235	3749	48%	1793	1830
<b>Yellow maize</b>	2080	2107	2153	2175	2216	2283	2311	3209	35%	1900	1953
<b>Sunflower</b>	4345	4385	4480	4584	4685	-	-	6079	29%	4725	4701
<b>Soybean</b>	4738	4787	4898	5004	5085	-	-	6389	26%	4591	4682
<b>Sorghum</b>	-	2620	-	-	-	-	-	3416 (Dec 16)	-	2500	2650

Source: SAFEX (2016 & 2017)

## 1.1 TRENDS IN MARKET PRICES & SUMMER CROP ESTIMATIONS



**White maize** futures traded at R1,968 per ton on 31 October 2017, which equates to a 48% y/y or an R1,781 loss per ton in relation to the corresponding period last year (SAFEX, 2017). The main reason for the significant decline in future prices is due to the 190% y/y or 6,4 million-ton increase as per the final production output of white maize in relation to the previous production season (SAGIS, 2017). On the other hand, **yellow maize** futures traded 35% y/y or R1,129 per ton higher than the corresponding period last year (SAFEX, 2017). The final crop estimation for yellow maize increased by 57% y/y or 2,4 million tons in relation to the previous production season (SAGIS, 2017). If compared to the previous month, both the futures contracts for white and yellow maize increased by 8% m/m or R138 per ton and 7% m/m or R127 per ton respectively (SAFEX, 2017).

Worth noting is the fact that an additional 681,85 hectares of maize (92% white maize and 7% yellow maize) was planted during the 2016/17 production season (NCEC, 2017). However, significant improvements in weather conditions within the maize belt area, which includes the Free State, Mpumalanga and the North West, contributed to an 83% share in the final maize production output (NCEC, 2017). In total, these areas realised a total production of 13,89 million tons of maize in the 2017 production season, in relation to the previous production season in which the mentioned areas collectively contributed 5,67 million tons or contributed a 71% share in the prior season's total production (NCEC, 2017).

The **sunflower** futures contract traded at R4,345 per ton, which is 29% y/y or R1,734 per ton lesser than the corresponding futures contract traded in the previous year (SAFEX, 2017). The same contract traded at a loss of 7% or R358 per ton on 31 October 2017, if compared to the previous month (SAFEX, 2017). The 16% y/y or 119,595-ton increase in production output, could also be attributed improved weather conditions within the Free State and North West which has resulted in increased yields in conjunction with expansions in the area under production which increased by a further 82,750 hectares compared to the 635,750 hectares planted in the previous production season (NCEC, 2017).

**Soybean** futures traded at R6,389, which translates to a 26% y/y or R1,651 loss per ton (SAFEX, 2017). The production output also followed an upward trend similar to the other mentioned summer crops, as it increased by 77% y/y or 574,370 tons in relation to the previous production season (SAFEX, 2017).

The final crop estimate for **sorghum** equates to an 81% y/y or 80,835-ton increase in relation to the previous season in which 70,550 tons were produced (NCEC, 2017). In addition, both groundnut and dry bean production have increased by 42% y/y or 74,370 tons and 93% y/y and 33,080 tons respectively in relation to the previous production season (NCEC, 2017).

#### **Intensions to plant: Summer crops for the 2017/18 production season**

- The total area planted under summer crops, is expected to increase by 43,400 hectares in relation to the previous season in which a total of 3,98 million hectares were planted (NCEC, 2017).
- The largest decline, in terms of actual hectares expected to be planted, points toward a 6% y/y or a 158,200-hectare decline in the area planted under maize. White maize plantings account for the largest reduction at 15% y/y or 239,000 hectares in relation to the previous season, contrary to the fact that yellow maize plantings are estimated to increase by 8% y/y or 80,800 hectares in accordance to the same period (NCEC, 2017).
- The increase in soybean plantings are estimated at 146,500 hectares or 25% y/y, which is the second largest increase (in terms of actual hectares) anticipated in the 2017/18 production season (NCEC, 2017).
- Sunflower seed plantings are estimated to increase by 29,750 hectares or 5% y/y, to 720,000 hectares.
- Groundnut plantings are estimated to increase by 17% y/y or 9,500 hectares, in relation to the 56,000-hectares planted during the previous production season (NCEC, 2017).
- A 1,350-hectare or 3% y/y increase is estimated for sorghum plantings, whilst dry bean plantings are expected to increase by an additional 14,950 hectares in relation to the 45,050 hectares planted during the previous season (NCEC, 2017).

## **1.2 WINTER CEREAL PRODUCTION ESTIMATES: 2017/18 SEASON**

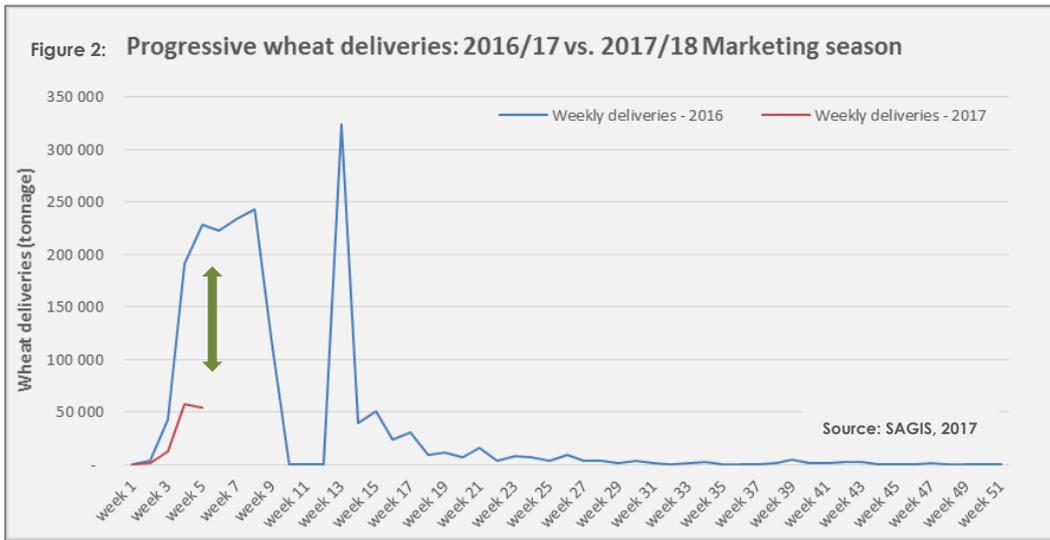
The 3<sup>rd</sup> crop estimate for **wheat** has been revised downward to 1,65 million tons, which equates to a 61,4000-ton or 4% m/m reduction in relation to the previous crop estimate which amounted to 1,72 million tons (NCEC, 2017). On the other hand, the most recent crop estimate amount to 254,750 tons or 13% y/y lesser than the final crop realised during the 2016/17 production year, in which 1, 91 million tons of wheat was produced (NCEC, 2017).

**Malting barley** production was revised upward by 5% m/m or 12,750 tons in relation to the previous crop estimate (NCEC, 2017). Whilst the most recent adjustment equates to 21% y/y or 73,941 tons lesser than last year's crop (NCEC, 2017).

The **canola** crop estimate remained unchanged at 100,800 tons during the 3<sup>rd</sup> crop estimate, however, this is slightly lower than the 105,000 tons produced during last year (NCEC, 2017).

### 1.3 PRODUCER DELIVERIES

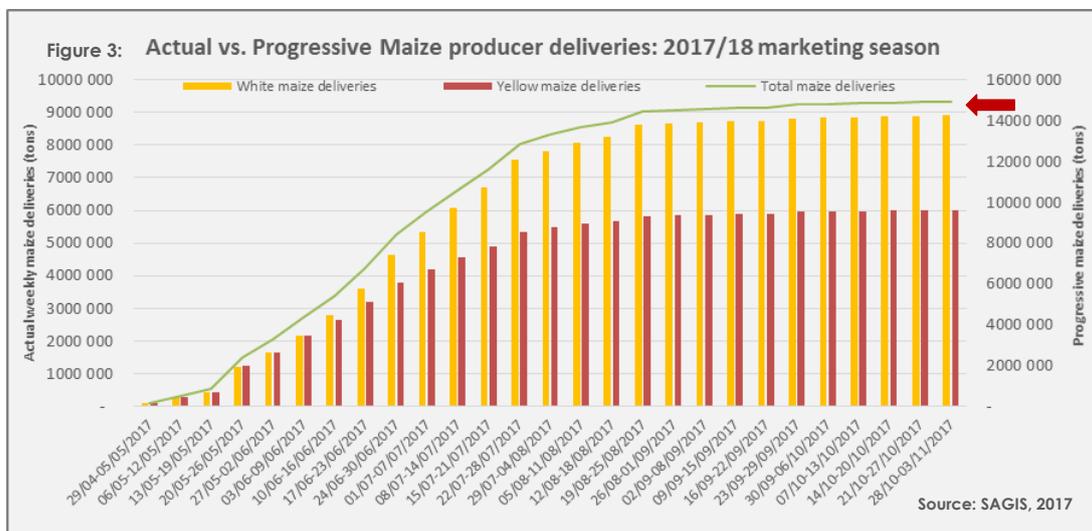
#### Wheat



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).

During the 2016/17 marketing season, a total of 1,870 million tons of wheat were delivered to commercial silos up until 29 September 2017 (SAGIS, 2017). The 53<sup>rd</sup> Supply and Demand estimate report indicates that a reduction of 247,145 tons of wheat is estimated during the 2017/18 marketing season, which commenced on 01 October 2017 (NAMC, 2017). Subsequently, a total of 1,623 million tons of wheat is estimated to be delivered during the current marketing season (NAMC, 2017). It is thus evident that the weekly progressive deliveries that took place during week 1, as from 29 September 2017 up until week 5 ending 03 November 2017, which amounts to 127,032 tons which relatively lower than the corresponding period in the 2016/17 marketing season (SAGIS, 2017).

#### Maize



(Narrative section follows on the next page)

From the inception of the 2017/18 marketing season, as from 29 April up until 03 November 2017, progressive maize deliveries amounted to 8, 8 million tons of white maize and 6, 0 million tons of yellow maize (SAGIS, 2017). Subsequently, progressive deliveries for both white and yellow maize amounted to 14, 9 million tons or 92.5% of the estimated 16, 1 million tons of maize to be delivered during the current marketing season (SAGIS & NAMC, 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 03 November 2017:

<b>Progressive wheat exports for 2017/18</b>	1,614	<b>Progressive wheat imports for 2017/18</b>	393,947
Wheat exports during the reporting period: (30 September till 03 November 2017)	1,614	Wheat imports during the reporting period: (30 September till 03 November 2017)	393,947 tons for RSA and 30,770 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>
Botswana	19%	<sup>1</sup> Russian Federation	59%
Namibia	81%	<sup>1</sup> Lithuania	19%
		<sup>1</sup> Ukraine	12%
		<sup>1</sup> United States of America	10%
		<sup>1</sup> Progressive wheat imports amounted to 424,717 tons for the reported period. Imports mainly took place via the following ports:	
		➤ Durban: 77%	
		➤ Cape Town: 17%	
		➤ East London: 3%	
		➤ Port Elizabeth: 3%	

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

During the 2017/18 marketing season, the total supply of wheat is estimated at 3,7 million tons of which the largest share thereof is fulfilled through imports which are expected to increase by 866,265 tons or 93% y/y to 1,8 million tons (NAMC, 2017). The significant increase anticipated in wheat imports is mainly due to lower stock being carried-over at the inception of the new marketing season on 01 October 2017, which decreased to 342,602 tons in comparison to the previous season when stock to the value of 827,232 tons was carried-over (NAMC, 2017). In addition, to the lower stock levels available at the start of the season - a 13% y/y or 247,145-ton reduction in producer deliveries anticipated during the current production season (NAMC, 2017).

On the demand side, it is estimated that a total of 3, 3 million tons of wheat will be required of which the largest share of the 3, 2 million tons is necessary for processing purposes within the domestic market, which is mainly allocated for human consumption purposes, whilst 2% thereof is for export purposes (NAMC, 2017). Subsequently, the current marketing season is estimated to close with 513,352 tons of stock on hand, which is estimated to equate to a 2-month or 59 days retention period (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 03 November 2017:

<b>Progressive maize exports during the reporting period: 2017/18</b>	<b>White maize:</b> 502,421	<b>Yellow maize:</b> 975,800	
Maize exports during the reporting period: (23 September till 03 November 2017)	63,787	130,838	No imports – due to bumper crop during current season
<b>Importing countries</b>	<b>Share in white maize exports</b>	<b>Share in yellow maize exports</b>	<sup>1</sup> Maize exports during the reported period (23 Sept. until 03 November 2017) equated to 22,591 tons of white maize and 112,062 tons of yellow maize. <ul style="list-style-type: none"> <li>➤ Maize exports generally take places through the Durban port.</li> <li>➤ Progressive white maize exports amounted to 272,248 for the current season, of which 22,591 tons were exported during the reported period.</li> <li>➤ Progressive yellow maize exports amounted to 892,126 tons for the current season, of which 112,062 tons were exported during the reported period.</li> </ul>
Botswana	37%	1%	
Kenya	35%	-	
Mozambique	15%	2%	
Lesotho	11%	-	
Namibia	1%	1%	
Swaziland	1%	9%	
Japan	-	45%	
Korea	-	41%	

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

At the end of October 2017, total maize supply was estimated at 17, 1 million tons in relation to the previous marketing season in which maize supply stood at 12,2 million tons (NAMC). A total of 16, 1 million tons of maize is expected to be delivered by commercial producers during the current marketing season, compared to the 7,4 million tons delivered to the market during the previous marketing season (NAMC, 2017). Hence, producers deliveries are expected to increase by an additional 115% y/y or 8,6 million tons (NAMC, 2017). White maize deliveries will form the bulk at 60% or 9,6 million tons and yellow maize the remaining 40% or 6,5 million tons of maize expected to be delivered by producers (NAMC, 2017).

On the other side, demand is pegged at 12, 5 million tons of maize of which 9, 9 million tons is for processing purposes within the domestic market (NAMC, 2017). A total of 4, 4 million tons of white maize is required for human processing, a further 1, 8 million tons of white maize for animal & industrial processing whilst 3, 2 million tons of yellow maize is required for animal and industrial processing in the domestic market (NAMC, 2017). Maize exports are estimated at 2,2 million tons of which 860,000 tons of white maize and 1,3 million tons of yellow maize is required (NAMC, 2017). Maize exports have significantly increased by 110% y/y or 1,1 million tons in relation to the 1,0 million tons exported during the previous marketing season (NAMC, 2017).

Considering the above supply and demand estimates, it is evident that current demand estimates are not sufficient to absorb the excess maize supply (NAMC, 2017). It is for this reason, that the closing stock at the end of April 2018, is expected to close higher at 378% y/y or 2, 3 million tons of white maize and 241% y/y or 1, 2 million tons of yellow maize in relation to the corresponding period in the previous year (NAMC, 2017). Thus, a total of 3, 5 million tons which equate to 316% y/y more than the stock levels obtained within the previous marketing season which required the importation of 2, 2 million tons of maize (NAMC, 2017).

## 2. WEATHER ADVISORY ON THE 2017/2018 SPRING & SUMMER SEASONS, OCTOBER 2017

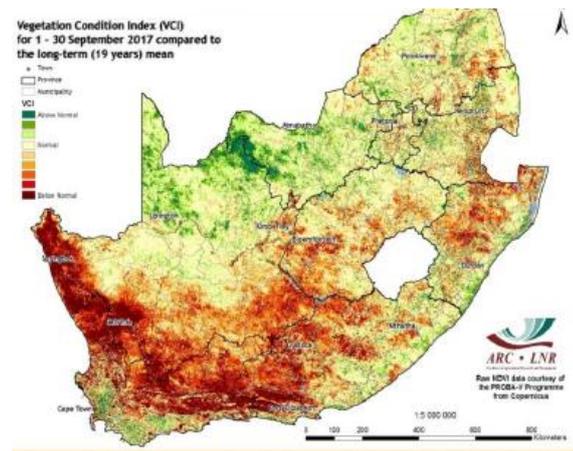
The Vegetation Condition Index (VCI) map for September 2017 point toward;

“Below-normal vegetation conditions over much of the South-Western regions of the country, North-Eastern and North-Western areas of KwaZulu-Natal and parts of the Free State. In addition, above-normal vegetation conditions are visible in the northern parts of the Northern Cape and most of the North West Province” (ARC as cited by DAFF, 2017).

During the beginning of October 2017 received above-normal rainfall in most areas in the country. Whilst areas in the Northern Cape and Western Cape received below-normal rainfall. On a provincial level, the rainfall in most areas in the Province remained below normal whilst the West Coast, Cape Winelands and Central Karoo experienced more severe conditions due to not experiencing sufficient rainfall. However, it is evident that drought conditions continue in the Western Cape as well as parts of the Northern Cape and the Eastern Cape. It is, however, unfortunate that the agricultural sector in the Western Cape continues to experience the effects of the severe drought conditions caused by the below-normal rainfall and above-average daily temperatures persist (ARC as cited by DAFF, 2017). Subsequently, decisions in the farming sector result in a reduction in annual plantings as well as the removal of older perennial crops (News24, 2017).

The average dam levels within the Western Cape stood at 34.9% y/y on 13 November 2017, in relation to 57.7% in relation to the corresponding period last 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) was respectively 24.7% and 32.0% full on 13 November 2017, compared to 48.7% and 52.9% 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 the dam levels within the Western Cape (Elsenburg, 2017).

Figure 4: VCI Map for September 2017 (DAFF, 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](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. Zaihu Arai to [ZaihuA@elsenburg.com](mailto:ZaihuA@elsenburg.com) or alternatively call (021) 808-5368.**

Source: DAFF National Agro-meteorological Committee (NAC) Advisory & Western Cape Provincial Department of Agriculture, 2017.

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

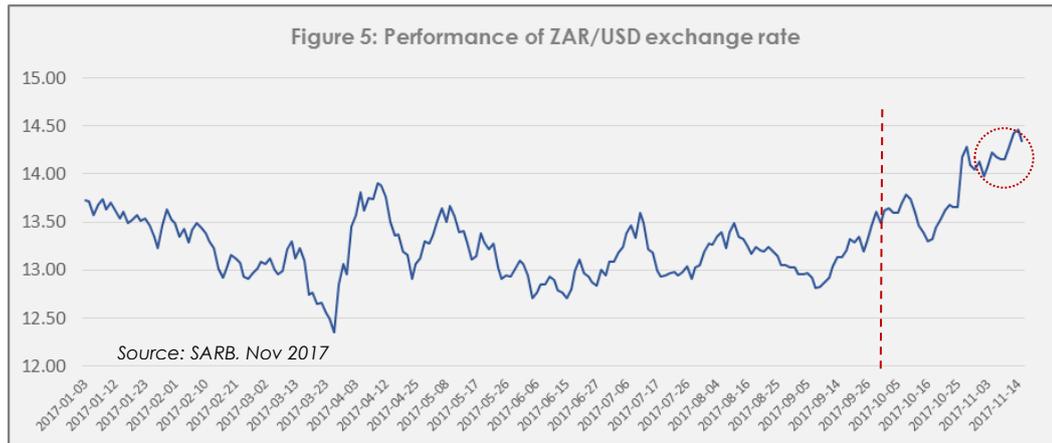
Click [here](#) to view the monthly Agri-outlook reports. The Agri-outlook report provides a summative overview of both climatic and agricultural conditions in the Western Cape, through reference to

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, 2017).

### 3. ECONOMIC NEWS

#### 3.1 Review of the South African economy



The South African Rand depreciated against the US dollar, between 02 October and 01 November 2017, as it traded 4% m/m or R0.50 higher at R14.13 against the US dollar in relation to R13.62 recorded at the beginning of October 2017 (SARB, 2017). The local currency is mounting under pressure, especially because the political environment is becoming more hostile with speculations of deep-rooted and intertwined “networks” pertaining to state capture, uncertainty regarding the expulsion of the senior executive members in the governing party, as well as uncertainty pertaining to the macroeconomic stability and the course of direction going forward (BER & Nedbank, 2017).

**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 political environment is mounting with greater uncertainty in the past few months, due to the fierce competition regarding the future political leadership of the governing party as well as speculation that the current deputy president might be expelled at any time (BER, 2017).
- In addition, the leaked Heher commission report regarding the outcome of the inquiry launched to investigate the feasibility of free tertiary education in South Africa has spurred reactions regarding the delayed announcement of the findings of the commission (BER, 2017). However, after the long-awaited release on 13 November 2017; which implies that public expenditure on higher education and training should be increased to 1% of the GDP which requires an additional R40 billion to enact the proposals put forward in the report (BER & SA Presidency, 2017).
- In the wake of an already constrained, cost-containment budgetary environment, such political decisions associated with the reallocation of public funding puts tremendous strain on budgetary decisions that evidently leads to the trade-off between social and economic orientated budgeting. This is evident in the pressures experienced, which led to the resignation of a senior official at the South African Treasury’s Budget office (BER, 2017).
- To make matters worse, the risk of sovereign credit ratings downgrade is also inevitable since both S&P Global and Moody’s has expressed disappointment in the recently held Medium Term Budget Policy Statement (MTBPS) on 25 October 2017 (BER, 2017). In their view, the MTBPS did not yield the desired corrective actions hoped for in order to satisfy concerns credit rating agencies regarding proposed fiscal consolidation efforts as well as the sustainability of national debt levels going forward (Nedbank & BER, 2017).
- Given the current state of affairs, it is expected that the anticipated downgrade’s would have severe consequences for the country’s economy such as (a) substantial capital outflows due to weaker investment

sentiment, (b) further depreciation of the local currency against major global currencies, (c) rising inflationary pressure due to the depreciation of the value (purchasing power) of the local currency in relation to the production cost of consumables as well as increases in the interest rate as the cost of borrowing would become much more expensive (BER & Nedbank, 2017).

- Stats SA has also released its 3<sup>rd</sup> quarterly labour statistics (2017), which indicates that the unemployment rate remains unchanged at 27.7% which equates to 6.2 million people who are actively seeking employment (Stats SA & Nedbank, 2017). The working-age population increased to 22, 4 million individuals; however, the increase in the active working population group was not offset by an increase in employment in order to slightly reduce the unemployment rate (Stats SA, 2017). The increase in the working age population amounted to more than the ability of the economy to absorb the unemployed into the labour market, because of various factors stretching from the structural challenges within the South African labour market (Business Day, 2017). In addition to this, events such as the avian flu in the poultry industry as well as the persisting drought conditions in the Western Cape has led to substantial job losses in the agricultural sector as a result of crop or livestock scale reduction or in some cases losses (Nedbank, 2017).
- South Africa's trade deficit has decreased for the 7<sup>th</sup> month in September 2017, when a surplus of R4 billion was recorded in relation to the previous month when a trade surplus of R5.98 billion was recorded (SARS, as cited by BER, 2017). Exports recorded in September 2017 amounted to R101 billion, whilst imports reached a value of R97 billion which equates to a 5.4% y/y increase in exports and 1.2 % y/y increase in imports respectively if compared to the corresponding period last year (SARS, 2017).
- The United States of America (USA) Federal Reserve Bank kept federal interest rates unchanged in line with its target interest rate ranging from 1% -1.25% per annum (US Fed Reserve, as cited in BER, 2017).

## 4. ENERGY

### Fuel price adjustments

The average international price for petroleum and illuminating paraffin decreased during the period under review, effective as from 29 September until 26 October 2017 (DoE, 2017). Whilst the average international price of diesel increased for the corresponding period (DoE, 2017). Contrary, the Rand depreciated against the US dollar during the period, 29 September and 26 October 2017, if compared to the previous period under review (1-28 September 2017) (SARB, 2017). Subsequently, the changes in the ZAR/USD exchange rate led a higher contribution to the basic fuels (i.e. petrol, diesel and illuminating paraffin prices) (DoE, 2017).

**Table 3: Fuel price adjustment effective as from Wednesday, 01 November 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)
<b>Petrol 93 ULP</b>	4c	cents per litre <b>increase</b> in the retail price	1339.00
<b>Petrol 95 ULP &amp; LRP</b>	4c	cents per litre <b>increase</b> in the retail price	1356.00
<b>Diesel 0.05% Sulphur</b>	23c	cents per litre <b>increase</b> in the wholesale price	1196.63
<b>Illuminating Paraffin (Wholesale)</b>	28c	cents per litre <b>increase</b> in the wholesale price	734.18

<b>LPGAS (maximum retail price)</b>	27c	cents per litre <b>increase</b> in the maximum retail price	2045.00
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Source: Department of Energy, 27 October 2017

## ACKNOWLEDGMENT OF INFORMATION SOURCES

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

- ✚ 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)
- ✚ 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)
- ✚ SA Presidency: [www.sapresidency.gov.za](http://www.sapresidency.gov.za)
- ✚ 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)
- ✚ South African Revenue Services (SARS): [www.sars.gov.za](http://www.sars.gov.za)
- ✚ Statistics South Africa (Stats SA): [www.statssa.gov.za](http://www.statssa.gov.za)
- ✚ Western Cape Department of Agriculture (Elsenburg): [www.elsenburg.com](http://www.elsenburg.com)

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