



PERIOD UNDER REVIEW: June 2018

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South African Grain Market

On **29 June 2018**, the WEAT futures contract traded at R4014 per ton for physical deliveries to take place in July 2018. The WEAT Jun18 contract traded 5.6% y/y or R236 lower per ton compared to the same period traded in the previous year. Whilst the WEAT June18 contract traded 2.23%, m/m or R86 per ton lower in relation to the contract traded in the previous month (SAFEX, 2018).

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

<i>MTM-Prices (29/06/2018) - expressed in Rand/MT</i>							Month end R/MT (30/06/2017)	Year-on-Year Change	Month end R/MT (31/05/18)	Month end R/MT (30/04/18)	
Commodity/ Delivery Date	Jul18	Aug 18	Sep 18	Dec 18	Mar 19	May 19	Jul 19	Jul-17	Jul 17 vs 18	Jun18	May18
Wheat (RFTN)	4014	4021	4102	4147	-	-	-	4250	↓ 5.6%	3808	3895
White maize	2056	2087	2122	2201	2244	2287	2320	1713	↑ 20%	2120	2037
Yellow maize	2171	-	2228	22297	2332	2325	2350	1829	↑ 18.7%	2148	1961
Sunflower	4767	4795	4898	5018	5010	4850	-	4480	↑ 6.4%	4590	4511
Soybean	4275	4335	4378	4509	4603	4630	-	4444	↓ 3.8%	4739	4692.78
Sorghum	3180	-	-	-	-	-	-	2700	↑ 7.8%	3010 (Dec 2018)	3103 (May 2018)

Source (SAFEX, 2018)

The estimated maize is 21% smaller than the 2017 crop. The 5th crop estimate for 2018 crop signifies an output of 13,207 million tons. The WMAZE June 2018 contract traded R2056 per ton, which means a 20.% year-year (y/y) gain per ton obtained of white maize for a corresponding contract traded during this time of the year in 2017 (SAFE, 2018). On the same date, The WMAZ contract traded at R83 per ton or 4.07% m/m higher than the contract traded within the previous month.

A decrease of 30.62% y/y or 3.036 million tons of white maize compared to last year's harvest of 9.9 million tons during the same period (NCEC, 2018). Yellow maize followed the same trend with 8.35% y/y or 576 650 tons decline of production compared to last year's harvest of 6,904 mill. tons. The YMAZ Jun18 traded at R2171 per ton, which equates to 18.7% y/y more for the same period last year (SAFEX, 2018).

Sunflower output is expected to remain unchanged at 792255 tons in relation to the previous crop estimate, representing a 9% y/y or 8745-ton increase in relation to the previous production season (NCEC, 2018). Accordingly, sunflower prices are a little bit stable with only 6.4% increase compared to the previous year, traded at R4767 per ton on 29 Jun18 whilst traded at R4480 to R4620 per ton on 30 Jun17 (SAFEX, 2018).

Soybean futures traded at R4, 275 per ton as per the Jun18 contract (SAFEX, 2018). This translates in a 3.8% y/y or R169 per ton lower in relation to the same contract traded within the corresponding period in the previous year (SAFEX, 2018). The 5th soybean crop estimate increased to 1, 550 million tons, it is 17.84% y/y or 234 800 tons higher in relation to the previous year's harvest (NCEC, 2018). This could be caused by an increase in area planted by 37% from 573 950 ha to 787 200 ha.

Sorghum futures traded at R3180 per ton, translating into a 7.8% y/y or R480 per ton increase in relation to the futures contract traded within the same period in the previous year (SAFEX, 2018). A reduction of 83,070 tons or 45.35% y/y is estimated for the 2017/18 sorghum production season, which can be attributed to the 32% y/y or 13,550-hectare decrease in the area planted (NCEC, 2018).

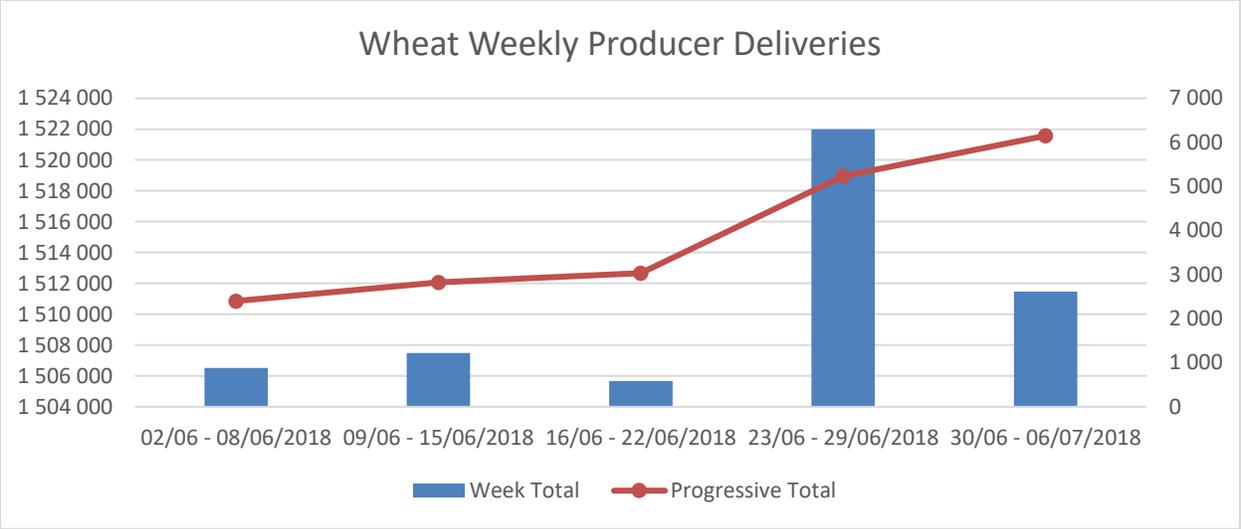
Despite the increase of 300 hectares of **groundnuts** planted for the 2017/18 season, there is huge reduction in production of 34.17% or 31 450 tons. The **dry bean** production estimate is however slightly negative, as it anticipated that it would decrease by 4.25%.

1.2. WINTER CEREAL PRODUCTION ESTIMATES: 2018 SEASON

The estimated total production figures by the NCEC were revised using the published figures of SAGIS of actual deliveries as the basis for the calculations. Comparing the final calculated crop figures with the numbers set by the CEC during February 2018, the size of the commercial wheat crop is now 1 524 000 tons, which is 10 250 tons or 0,67% more than the final crop estimate figure of 1 524 750 tons. For malting barley the recalculated crop size is 307 000 tons, which is 64 tons or 0,02% less than the final crop estimate figure of 307 064 tons. The final recalculated canola crop estimate figure is 93 468 tons, which is slightly higher (32 tons or 0,03%) than the final crop estimate of 93 468 tons (SAGIS, 2018).

1.3. Producer Deliveries

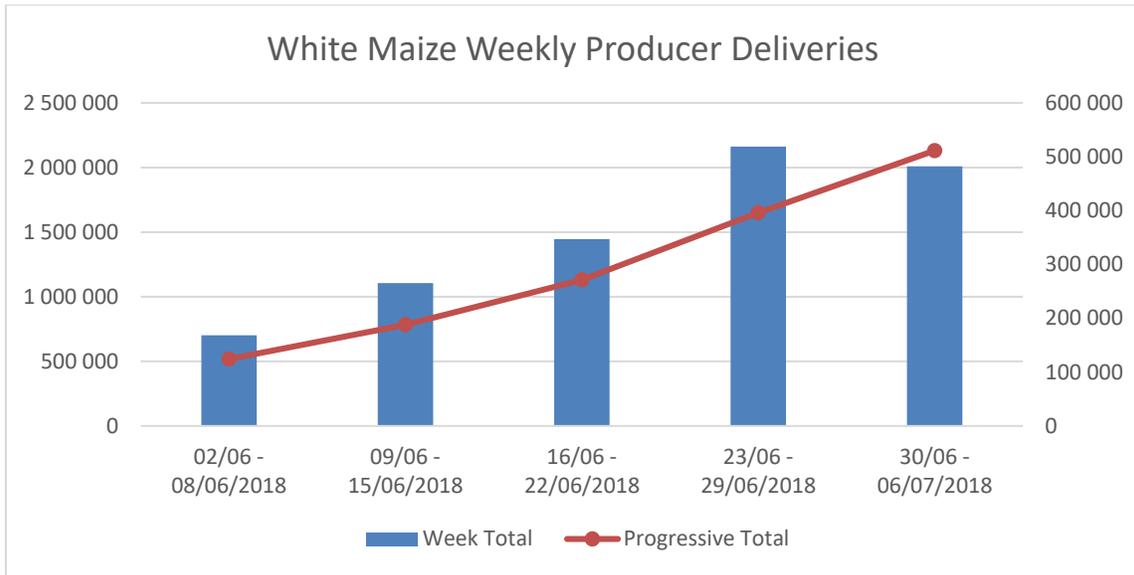
Weekly producer deliveries for wheat



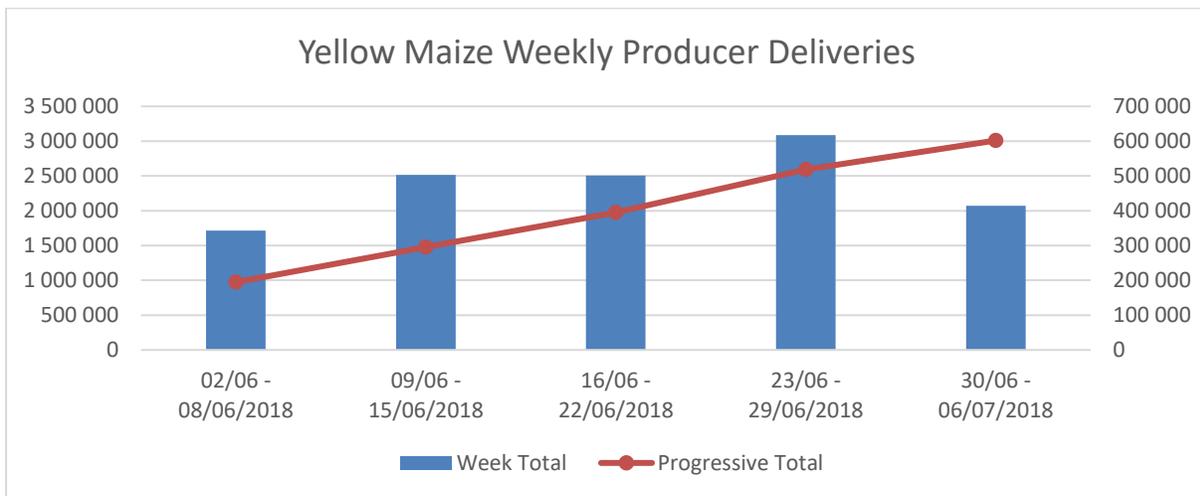
Source (SAGIS, 2018)

As from 02 June 2018 until 06 July 2018, an additional 11 596 tons of wheat has been delivered to the market (SAGIS, 2018). As a result, the progressive deliveries amounted to 1,521 million tons, which represents a 99.79% delivery rate in relation to the crop estimate of 1,524,750 tons (SAGIS & NCEC, 2018). There were more deliveries compared to the month of June by 41.3% meaning there were more tons delivered during the month of June. There was a significant adjustment made on week 39 with about 4446 tons.

Maize



Source (SAGIS, 2018)



As from 02 June to 06 July 2018, a total of 1 781 815 tons of white maize and 2 378 974 tons of yellow maize was delivered to the market (SAGIS, 2018). These are still the new deliveries for the 2018/19 marketing season in the second month. The crop estimate from white and yellow maize is 6 879 960 tons and 6 327 350 tons respectively. Subsequently, this led to a 26% delivery rate for white maize and 38% delivery rate for yellow maize (SAGIS, 2018). There were a lot of activities happened during the month of June. The CEC might consider going up again on the estimates.

1.4. Exports, Imports and Re-exports

Progressive wheat exports 2017/18	56161	Progressive wheat exports 2017/2018	1 581098
Wheat exports during the reporting period	12325	Wheat imports during the reporting period	332 376
Importing countries	Share in RSA exports	Exporting countries	Share in RSA imports
Zambia	55	Russian Federation	54
Swaziland	7	Germany	38
Namibia	14	Luthania	5
Botswana	23	Latvia	3
Zimbabwe	2		

Source (SAGIS, 2018)

Supply and the demand estimates 2017/2018 wheat marketing season

The total wheat supply is projected at 3 796 424 million tons for the 2017/18 marketing season. The largest portion thereof will consist of imported wheat, which is estimated at 50.83% or 1,930 million tons of the total supply and a surplus of 10 000 tons during the 2017/18 marketing season which is ending on 30 September 2018 (NAMC, 2018). In addition, producer deliveries are only expected to contribute 39.91% or 1 5015 million tons of the total supply for the corresponding marketing season, in addition to the stock (8.99% or 341,424 tons) that was carried over from the previous season (NAMC, 2018).

On the demand side, the 3,230 300 tons required for the local and export market changed slightly in relation to the previous reporting period (NAMC, 2018). 95.97% of the local market requirement is for human processing within the local market, whereas the export requirements estimated was adjusted to 2.97% or 96,000 tons (NAMC, 2018). The closing stock is estimated to end-off at 566,124 ton (SAGIS, 2018). The retention stock is expected to last for at least 2.2 months or 67 days (NAMC, 2018).

In addition, Zambia was the leading export destination for South African wheat with a share of 55%, followed by Botswana (23%), Namibia (14%), Swaziland (13%) and Zimbabwe (2%) during the reporting period.

Table 2b: Maize trade for the 2018/19 marketing season, according to tons Source: SAGIS, 2018			
Progressive maize 2017/18	White maize: 86 276	Yellow maize: 458 135	No imports – due to bumper crop harvested during the current production season
Maize exports during the reporting period: (01 June to 29 June 2018)	33 030	322 913	
Importing countries	Share in white maize exports	Share in yellow maize exports	
Botswana	57	0.5	
Mozambique	20	0.8	
Namibia	2	1.5	
Lesotho	8	-	
Swaziland	7	3.4	
Vietnam	-	32.2	
Korea, Rep of	-	33.2	
Italy	-	12.4	
Taiwan, Prov of China	-	16.1	

Source, (SAGIS, 2018)

During the 2018/19 marketing season, the total supply of maize is estimated to amount to 16 684 864 tons. White maize is expected to contribute 55.12% of the total maize supply while yellow maize represents 44.85%. Worth noting is the fact that the opening stock levels for white and yellow maize were almost 50% lesser than the stock levels within the corresponding period last year (NAMC, 2018). However, due to the bumper maize crop, no imports were required as there was no shortfall within the domestic market (NAMC, 2018).

On the demand side, a total of 13 140 000 tons of maize is required to meet the demand within the domestic and export market (NAMC, 2018). However, the largest share thereof is for local market requirements at 10, 899 00 tons of which 55.49% is for white maize and 55.98 % for yellow maize (NAMC, 2018). Export market maize requirements are estimated at the decrease by 0.47 % y/y or 11 708 tons and amount to 2,470 million tons of which white maize exports is estimated at 27.94% or 690 000 tons and yellow maize exports at 72.06% or 1,780 million tons (NAMC, 2018). The closing stock for maize is thus expected to close on 3,315 million tons at the end of April 2018 (NAMC, 2018). This equates to 373 607 tons or 10.13 % y/y lesser than the closing stock reported for the corresponding period in the previous marketing season (NAMC, 2018). White maize will

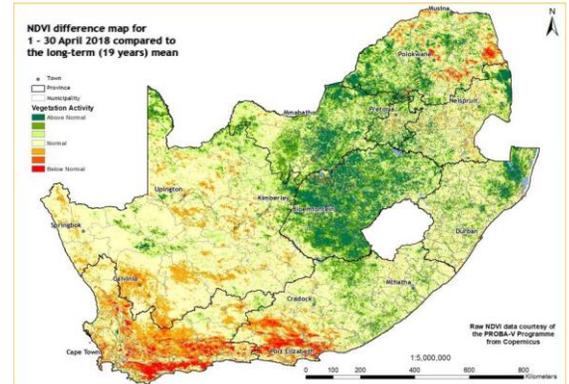
constitutes 53.75% thereof, whilst yellow maize will constitute 46.25% of the projected closing stock (NAMC, 2018). The retention capacity would thus amount to 3.2 months' worth of white maize and 4.7 months of yellow maize considering the processing requirements of 555 167 tons of white maize and 327,333 tons of yellow maize within the local market (NAMC, 2018).

During the reporting period, the main export destinations for South African white maize are Botswana (57%) and Mozambique (20) with a combined share of 77 percent. On the other hand, Vietnam, Italy, Korea, Rep, and Taiwan altogether absorbed the largest share of South Africa's yellow maize exports (81.5%) during the period under review (SAGIS, 2018).

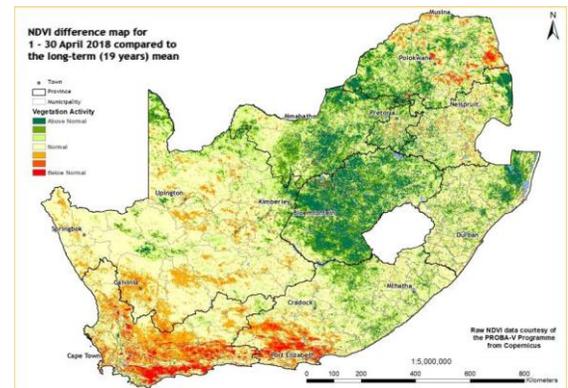
2. WEATHER ADVISORY ON THE 2017/2018 SUMMER SEASON, May 2018

Figure 2.1: Vegetation Conditions Index for June and July

The majority of the Free State and North West experienced above-normal vegetation activity in May. Meanwhile, an extreme decrease in vegetation activity can be observed over much of the Western Cape and southern Eastern Cape, as well as over some isolated areas in Limpopo, Northern Cape and Mpumalanga compared to the long-term mean.



The persistent drought condition over the majority of the Western Cape continues to reduce vegetation activity below the normal condition. Below normal vegetation condition occurred mostly in the Namaqua region of the Northern Cape, over the western region of the Eastern Cape and over the northwestern and far south-eastern parts of Limpopo. The condition has improved over much of the Green Kalahari, Kalahari and the Diamond region of the Northern Cape, the Amatola and Stormberg region, the Wild Coast and Berg region of the Eastern Cape as well as in the south-western and northeastern portion of Limpopo.



Rainfall during May showed great improvement compared to last year's dismal rainfall. The West Coast, Cape Winelands and Central Karoo received normal to above normal rainfall while the Overberg and Eden received below normal rainfall. Thus, the recent rains brought relief to the western side of the Province. The monthly mean temperatures experienced were average. Importantly, due to the accumulated drought over the whole province, agricultural conditions remain below average. Limited irrigation availability to orchards already indicates smaller harvests and smaller size of fruit; while the continuing dry conditions in the Ruëns is a major concern for cereal crop producers in that area, possibly resulting in smaller winter cereal crops.

The average level of major dams has increased (36% in 2018; 23% in 2017) (DAFF, 2018). The two largest dams, namely the Theewaterskloof (479.3 million cubic meters) and the Brandvlei (286.1 million cubic meters) respectively stood at 41.3% and 36.2% during 23 July 2018, compared to 20.5% and 20.5% during the corresponding period last year (DWS as cited by Elsenburg, 2018). Alternatively, visit the Elsenburg Website at <http://www.elsenburg.com/agri-tools/western-cape->

[dam-levels](#) to obtain the most recent update on dam levels within the Western Cape (Elsenburg, 2018).

Strategies to mitigate climatic change and related disasters

A comprehensive list of strategies can be retrieved from the monthly NAC Advisory report issued by DAFF: Climate Change and Disaster Management. Access the mentioned list from the following websites: www.daff.gov.za and www.qgis.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.

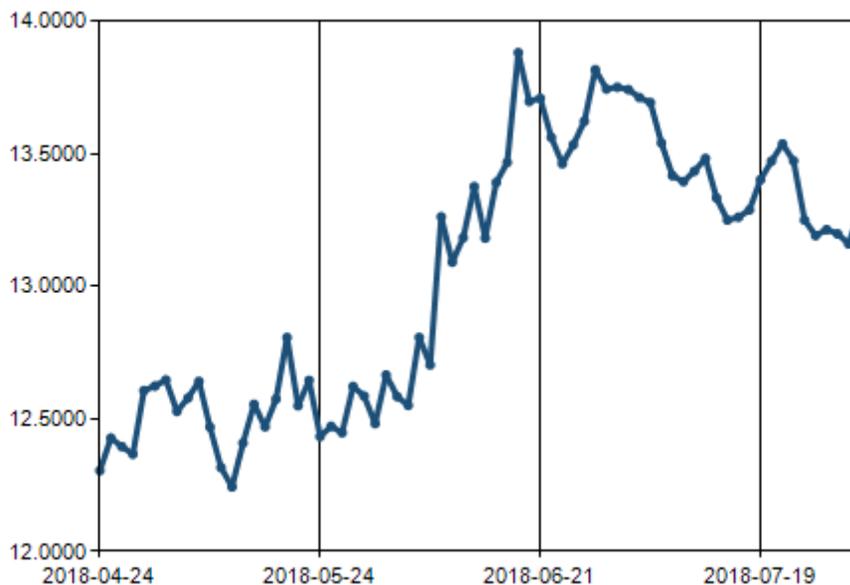
Source: DAFF National Agro-meteorological Committee (NAC) Advisory, 2018.

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

[Click here](#) to view the monthly Agri-outlook reports. The Agri-outlook report provides a summative overview of both climatic and agricultural conditions in the Western Cape, through reference to information regarding the rainfall, temperatures, dam levels, plant growth conditions as well as climatic forecast within a particular period. Alternatively visit the Elsenburg Website www.elsenburg.com and go to Agri-tools Agri-Outlook (Elsenburg, 2018).

3. Economic Reviews

Figure 3.1 South African exchange rate against global major currencies



Source (SARB, 2018)

During the month of June and July 2018, the ZAR exchange rate weakened against the major global currencies such as the US dollar (USD), Great Britain Pound (GBP) and Euro (SARB, 2018). The rand weakened by 0.89% m-o-m against the dollar and traded by R13.298 in June and R13.4169 in July 2018. Whilst GBP/ZAR also depreciated by 0.036% in July m-o-m, trading by 17.672 and EUR/ZAR traded by R15.673 and depreciated by 0.94% in July m-o-m.

4. Energy

Table 5.1.: Basic fuel Price adjustments

Product Description	Numerical adjustment applicable to the coast parts in South Africa	Price adjustment Description	The average price applicable to the coastal parts of South Africa
Petrol 93 ULP	26	cents per litre increase in the retail price	1531.00
Petrol 95 ULP & LRP	23	cents per litre increase in the retail price	1543.00
Diesel 0.05% Sulphur	26	cents per litre increase in the retail price	1396.030
Illuminating Paraffin (Wholesale)	22	cents per litre increase the retail price	888.588
LPGAS (maximum retail price)	37	cents per litre increase in the retail price	2 356.00

The Department of Energy indicated that the petrol price will increase by 26 cents a litre for 93 octane, with 95 octane fuel price up by 23 cents, while diesel (0.05% sulphur) will hike 26 cents per litre. South Africa's fuel prices are adjusted on a monthly basis, informed by international and local factors. International factors include the fact that South Africa imports both crude oil and finished products at a price set at the international level, including importation costs, e.g. shipping costs.

The main reasons for the fuel price adjustments are due to the rand depreciated, on average, against the US Dollar (from 12.51 to 13.29 Rand per USD) during the period under review. This led to a higher contribution to the Basic Fuel Price (BFP) on petrol, diesel and illuminating paraffin by 43.21 c/l, 44.36 c/l and 44.62 c/l respectively. The Rand's movements were mainly influenced by global factors. The market has started to become worried about the effect that the trade war between the USA and China will have on the global economy.

ACKNOWLEDGMENTS

The below-listed sources are acknowledged, as cited in this publication:

Agricultural Produce Agents Council (APAC): www.apacweb.org.za

Agricultural Research Council (ARC): www.arc.agric.za

Department of Agriculture, Forestry and Fisheries (DAFF): www.daff.gov.za

Department of Energy (DoE): www.energy.gov.za

Department of Water & Sanitation (DWS): www.dwa.gov.za

Elsenburg (Western Cape Department of Agriculture): www.elsenburg.com

Organization of the Petroleum Exporting Countries (OPEC): www.opec.org/opec

Potatoes South Africa: www.potatoes.co.za

South African Government: www.gov.za

South African Reserve Bank (SARB): www.sarb.gov.za

South African Revenue Services (SARS): www.sars.gov.za

Statistics South Africa (Stats SA): www.statssa.gov.za

Techno Fresh CRM: www.technofresh.co.za

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