

GRAIN MARKET

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overview



WANDILE SIHLOBO, economist: Grain SA and
TINASHE KAPUYA, head: Trade and Investment, Agbiz

Stark contrast between current domestic and global sorghum markets

Some time ago, the positive energy in the South African sorghum industry was palpable, driven by the prospect of national biofuel production. However, over the past two years, this positive energy seems to have subsided with no clear direction about the future of this national project.

There were hopes that biofuel production would present market opportunities and, in turn, promote sorghum production across many parts of the country. Since none of these plans have materialised thus far, there has been a renewed interest among sorghum producers to explore export markets.

Brief context on South Africa's sorghum exports

South Africa is currently one of the smallest players in the global sorghum export market, contributing a mere 1,4% of total world sorghum exports. Global sorghum exports are concentrated within the top six largest exporters (which are the United States [US], Argentina, Australia, Ukraine, France and India) who account for 94% of the total global exports.

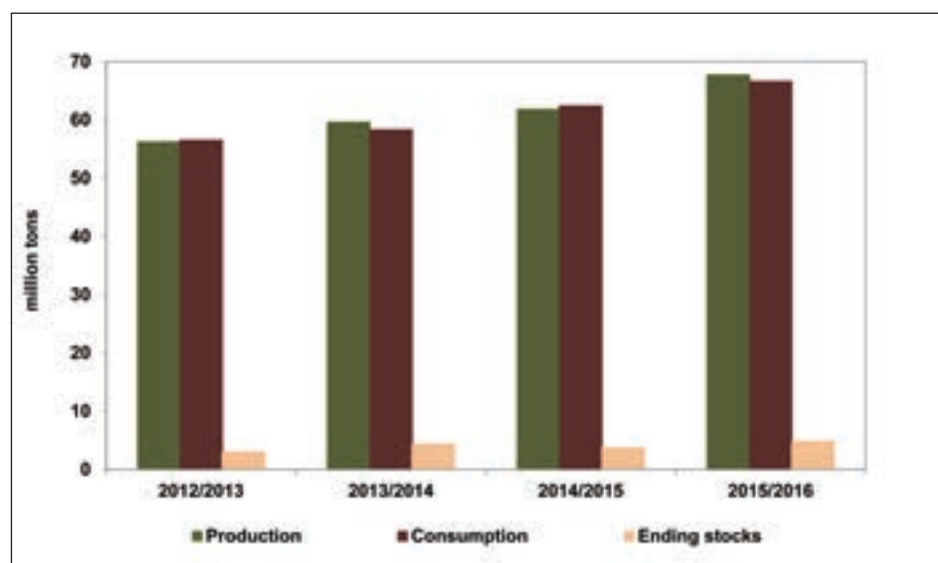
On average, South Africa exports 26 000 tons of sorghum per annum, of which about 98% is normally exported to Botswana. None-

theless, Sihlobo and Kapuya (2015) indicated that there is potential for South Africa to increase sorghum exports to other key sorghum consuming countries in the Far East such as Japan, Europe and possible African markets, such as Sudan and Ethiopia (see the full article here: <http://www.grainsa.co.za/grain-market-overview-3>).

This year, South Africa is once again confronted by drought and it is expected to be a net importer of sorghum. This has further deflated the prospects for the growth of domestic sorghum production. Our focus in this article is therefore on the current key market fundamentals driving the global and domestic sorghum markets.

Brief global perspective

The 2015/2016 global sorghum production is forecasted at 68 million tons, a 10% year-on-year increase and the highest production level in 19 years. This increase is mainly due to increased production in the US, Argentina, Australia, Mexico and India (**Graph 1**). Among these leading producers, 2015/2016 sorghum production is estimated as follows: The US is estimated at 15 million tons (increase of 38% year-on-year), Mexico at 6,6 million tons (increase of 5% year-on-year), India at 5,5 million tons (increase of 1% year-on-year), Australia at 2,2 million tons (increase of 3% year-on-year) and Argentina at 3,3 million tons (increase of 7% year-on-year).



Graph 1: Global sorghum supply and demand estimates.

Source: International Grain Council and Grain SA

Data as at March 2016



Grain SA/Sasol photo competition



Grain SA/Sasol photo competition

GRAIN MARKET OVERVIEW

Increased production in all the aforementioned countries is, to a large extent, attributed to favourable weather conditions (Graph 1).

Consumption is also expected to remain firm, forecasted at 66,7 million tons in 2015/2016, a 7% year-on-year increase and the highest consumption level in 19 years. Of this total consumption, 42% is for food, 47% for feed and 11% for industrial use. In all these segments, feed consumption has shown significant growth from the previous season, up by 7,1%.

Notable growth in this season's consumption is on the back of significant uptake in North and Central American appetite, from 9,5 million tons in the 2014/2015 season to 13,6 million tons in 2015/2016 season (Graph 1).

At the same time, the 2015/2016 global sorghum ending-stocks are estimated at 4,8 million tons, an increase of 20% year-on-year and the highest volume in ten years. The major driver behind this increase has been a build-up in the US sorghum stocks to a 23 year peak of 1,9 million tons (Graph 1).

Brief domestic perspective

Based on Grain SA's database, dating back to 1988, this year's sorghum production will be at a record low. The crop is estimated at 93 400 tons, a 22% year-on-year decrease. This significant decrease is on the back of the 31% drop in area planted to 48 500 hectares, due to the ongoing drought. As a result, Grain SA estimates that

South Africa's 2016/2017 sorghum imports could reach 60 000 tons, the highest import volume since the 2002/2003 season.

At the same time, Grain SA forecasts a 13% year-on-year decrease in domestic consumption to 167 100 tons, due largely to higher prices, trading at levels of R3 650/ton, higher significantly by 51% year-on-year (**Table 1**).

Moreover, Grain SA estimates a 61% year-on-year drop in South Africa's 2016/2017 sorghum exports to 10 000 tons, from 25 500 tons in the 2015/2016 season. The 2016/2017 carry-over stocks are forecasted at 30 000 tons, down by 48% from the previous season (**Table 1**).

It is important to emphasise that the aforementioned estimates are supported by those of the National Crop Estimates Committee, and should any changes occur in their ensuing forecasts, Grain SA will make the necessary amendments in the supply and demand estimates.

Concluding remarks

Higher global supplies are likely to keep international sorghum prices under pressure in the short to medium term while in the domestic front the opposite is likely to persist. This season has been clouded by drought. However, it is important that the sorghum industry continues to work on creating export markets as that could lead to long term benefits in the coming seasons.

TABLE 1: SUMMARY OF THE DOMESTIC SORGHUM SUPPLY AND DEMAND ESTIMATES.

	2014/2015	2015/2016*	2016/2017**
Opening stocks	50 100	121 800	57 400
Commercial deliveries	261 500	112 800	89 700
Imports	8 700	40 000	60 000
Total supply	320 300	275 000	207 000
RSA consumption	172 300	191 700	167 100
Exports	26 200	25 500	10 000
Total demand	198 500	217 200	177 100
Carry-over	121 800	57 400	30 000
Surplus above pipeline	103 000	36 000	11 000

Source: Grain SA
Data as at March 2016
* Grain SA estimates
** Grain SA projections

TABLE 2: DETAILED SOUTH AFRICAN SORGHUM SUPPLY AND DEMAND ESTIMATES.

UPDATED 9 MARCH 2016		GRAIN SA PROJECTION 27 FEBRUARY	CEC'S VIEW 27 FEBRUARY
Marketing year	2014/2015	2015/2016*	2016/2017**
Area planted (x1 000 ha)	79	71	49
Yield (t/ha)	3,36	1,65	1,93
CEC crop estimate ('000 ton)	265	117	93
Retentions and production of seed	3,70	3,70	3,70
Available for commercial deliveries	261	113	90
	Sagis	Grain SA	Grain SA
Commercial supply			
Opening stocks (1 March)	50,1	121,8	57,4
Commercial deliveries	261,5	112,8	89,7
Imports	8,7	40,0	60,0
Total commercial supply	320,3	275	207
Commercial demand			
Food consumption			
Indoor malting	13,7	18,4	13,0
Floor malting	48,5	56,0	50,0
Meal, rice and grits	90,3	95,0	90,0
Total food	152,6	169,4	153,0
Feed consumption			
Pet food	1,1	1,1	1,1
Poultry	3,6	5,0	3,7
Other livestock feed	2,1	5,0	1,4
Total feed	6,8	11,1	6,2
Biofuel	0,0	0,0	0,0
Other consumption			
Withdrawn by producers	4,7	6,0	5,4
Released to end consumers	2,4	5,2	2,5
Sagis	5,9	0,0	0,0
Total other consumption	13,0	11,2	7,9
Total domestic demand	172,3	191,7	167,1
Exports	26,2	25,5	10,0
Total demand	198,5	217,2	177,1
Carry-over (28 February)	121,8	57,4	30,0
Pipeline requirements	19,1	21,2	19,1
Surplus above pipeline	103	36	11
Carry-over as a % of RSA consumption	70,69%	29,94%	17,95%
Carry-over as a % of total commercial demand	61,37%	26,42%	16,94% ■

Source: Grain SA

* Grain SA estimates

** Grain SA projections

Disclaimer

Everything has been done to ensure the accuracy of this information, however Grain SA takes no responsibility for any losses or damage incurred due to the use of this information.