

UPDATE: Global grains and oilseeds market conditions – 04 August 2016

- The 2015/16 global grains and oilseeds stocks are estimated at 467 million tons - highest level in the past three seasons (**Chart 1**). This has largely been driven by a broad increase across commodities production. These increases come from different regions, namely North America, South America, Black Sea, Europe and Asia. Meanwhile, African countries continue to battle with the El Nino induced drought which has weighed on their grains and oilseeds production. In the same season, global grains and oilseeds production is set to reach 2 billion tons, marginally lower than the previous season's production.
- Early indications for 2016/17 season paints a similar picture as the 2015/16 season, with global ending stocks of grains and oilseeds forecast at 482 million tons, up by 3% from the previous season (**Chart 1**). At the same time, global grains and oilseeds production is set to reach 2 billion tons, up by 1% from the previous season's estimate. Earlier in the season, there were fears that La Nina could negatively affect the US crops; however, so far conditions have been generally favourable throughout the US. Whereas, in Southern Africa weather forecasters suggest that in 2016/17 the region could experience a moderate La Nina, which in turn, might lead to above normal rainfall.
- Additionally, the International Grains Council estimates that international trade of grains and oilseeds could decrease to 319 million tons in the 2016/17 season, from 329 million tons in the previous season. This decline is mainly due to a forecast recovery in grains and oilseeds production across many countries.
- The world's most traded agricultural commodities are wheat, maize and soybeans.

Global wheat market

- The 2015/16 global wheat production is forecast at 736 million tons, up from 729 million tons in 2014/15 (**Chart 2**). Much of the increases are from the Black Sea region (Russia and Ukraine), European Union and the North America.
- This trend is set to remain fairly unchanged in 2016/17 season, with global wheat production forecast at 728 million tons, 1% lower than the previous season.
- In the same season, global consumption is set to reach 720 million tons, from 717 million tons in 2015/16 season (**Chart 2**). The increase is expected to come from the food market; whereas the wheat feed market could shrink by 3% to 141 million tons in 2016/17 season. Subsequently, global wheat stocks are forecast at 226 million tons, from 201 million tons in the 2015/16 season. All of this will weigh on global wheat prices. In fact, the United States Department of Agriculture (USDA) forecasts 2016 average global wheat prices at US\$147 per ton, from an average price of US\$180 per ton in 2015.

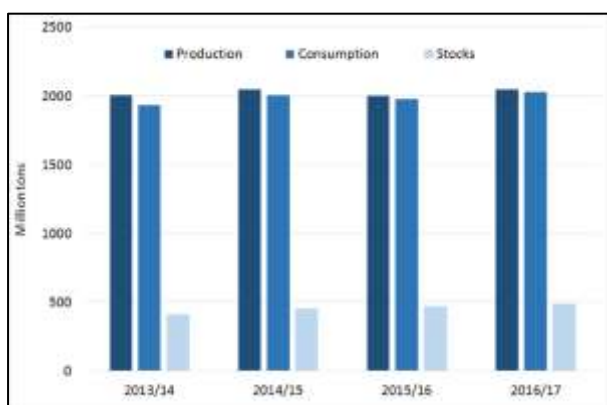


Chart 1: Global grains and oilseeds supply and demand

Source: International Grains Council and Agbiz Research

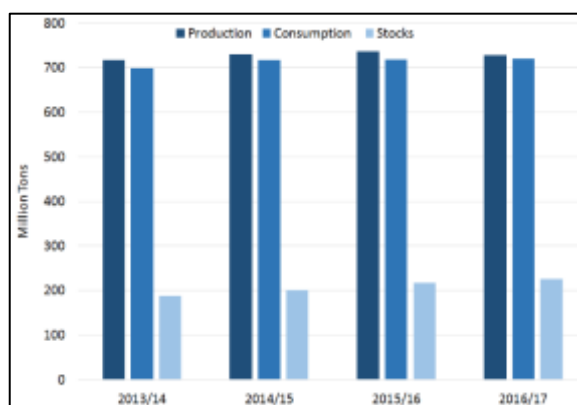


Chart 2: Global maize supply and demand

Source: International Grains Council and Agbiz Research

Global maize market

- The International Grains Council estimates that global maize production could reach 969 million tons in the 2015/16 season, down from 1 billion tons in the previous season (**Chart 3**). This is due to a general production decrease in South America, South Africa, India, Russia and Ukraine.
- However, global production is set to rebound in the 2016/17 season by 4% to levels above 1 billion tons (**Chart 3**). This is likely to be driven by a recovery in South Africa's maize production, the Black Sea region, India, South America and USA. China is the only major producer that is set to see a 3% annual decrease in production, with many of its farmers finding maize prices unattractive after the liberalisation of the market.
- Moreover, 2016/17 global maize consumption is set to reach levels above 1 billion tons, with 4% annual growth expected to materialise in the global feed market, to 580 million tons (**Chart 3**). Also, global ending stocks are forecast at 205 million tons, up by 1% from the previous season. All of these supply and demand dynamics will weigh on prices, the USDA forecast 2016 average global maize price at US\$137 per ton.

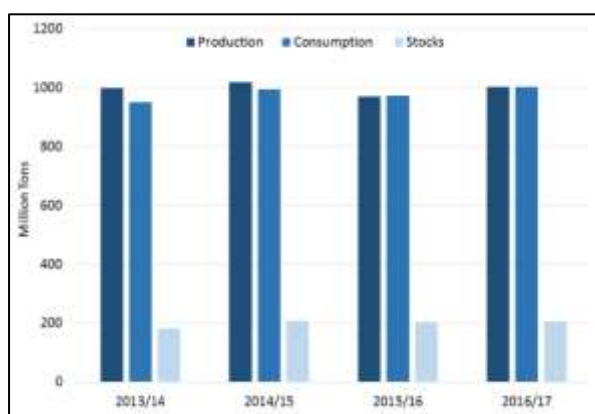


Chart 3: Global maize supply and demand

Source: International Grains Council and Agbiz research

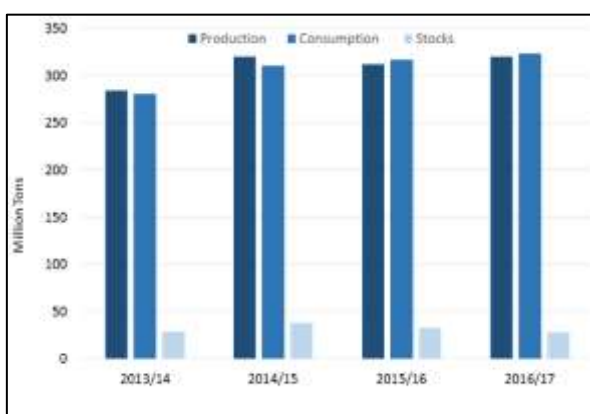


Chart 4: Global soybean supply and demand

Source: International Grains Council and Agbiz research

Global soybean market

- The production trend in the global soybean market is similar to the maize one. The 2015/16 production is forecast at 312 million tons, down from 320 million tons in the previous season (**Chart 4**). The decreases will mainly be in South America, India and China.



- Nonetheless, production is expected to rebound by 2% in the 2016/17 season to 320 million tons (**Chart 4**). This is largely on the back of expected recovery in South America's production, as well as China, India and Ukraine. Meanwhile, the US is set to see a 3% year-on-year production decrease to 104 million tons.
- Moreover, soybean global consumption could reach 324 million tons in the 2016/17 season, up by 2% from the previous season. The key driver is likely to be the crush (meal/cake) market. Additionally, 2016/17 global ending stocks could reach 28 million tons, down by 15% from the season, due to the increase in consumption (**Chart 4**). Subsequently, global soybean prices could average at US\$349 per tons, according to the USDA's estimates.

Concluding remarks

In the short to medium term, global grains and oilseeds supplies will remain at comfortable levels and that will likely keep market prices at relatively lower levels. The possibility of La Nina occurrence remain in the forecast, with a number of weather forecasters having revised down their view to a moderate La Nina event (with a possibility of occurrence at 60%). Therefore, this has eased the concerns about adverse weather conditions across the US Midwest. That said, more will unfold as the season progresses.

Wandile Sihlobo (Tel: +2712 807 6686, Mobile: +2784 572 3485, Email: wandile@agbiz.co.za)

Disclaimer: Everything has been done to ensure the accuracy of this information, however Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.

