

WHEAT



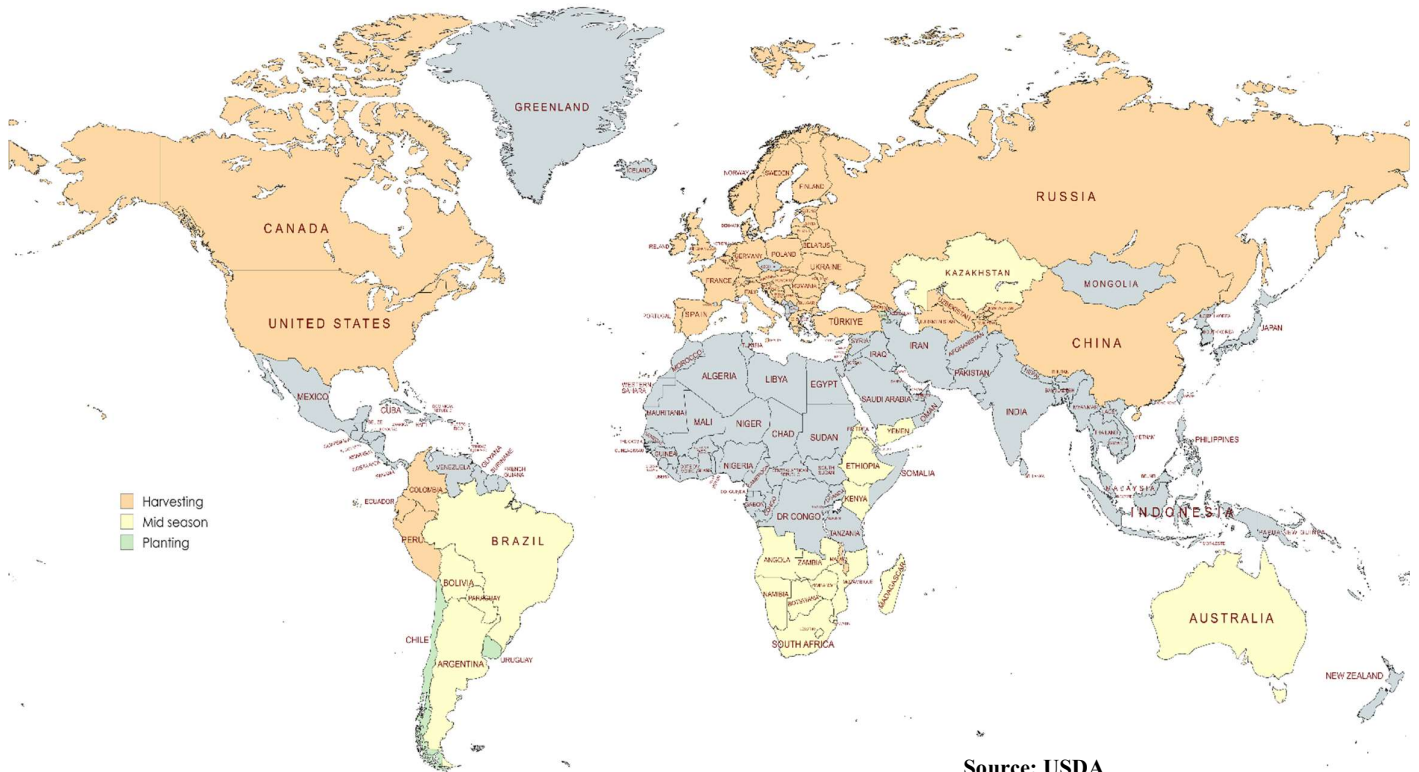
AUGUST 2024
Grain Market Outlook

Table of contents:

1. World wheat production.....1
2. World supply and demand.....2
3. Monthly contract movements.....3
 - 3.1. Import- and export parity prices.....3
4. Final thoughts.....4

This report was compiled by the applied economics team of Grain SA. If you would like any further information or to subscribe to the monthly mailing list, please feel free to contact Heleen Viljoen at heleen@grainsa.co.za.

1. World wheat production



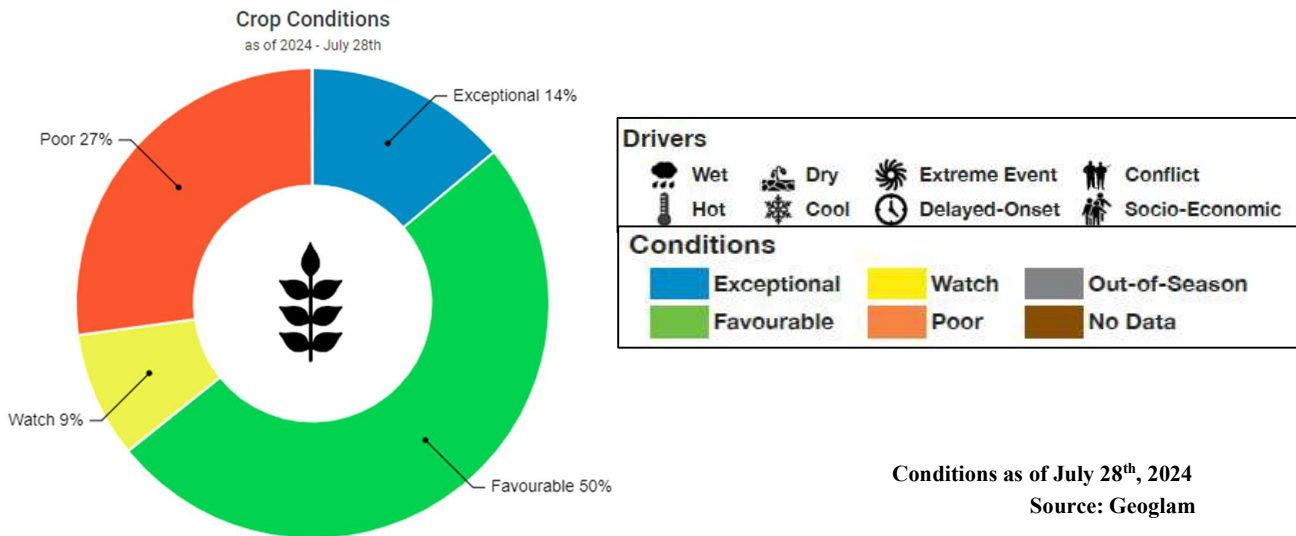
1. World production conditions

In the **Northern hemisphere**, the winter wheat harvesting is progressing with some areas of concern in large parts of the EU, Ukraine, Russia and the UK. In the **Southern hemisphere** the crop development continues in South America and Australia.

Comments on El Niño: The El Niño Oscillation (ENSO) have been in a neutral phase since May 2024. Forecasts currently estimate a 65% chance of La Niña during the end of 2024, and chances remain high going into 2025 according to the IRI¹.

¹International Research Institute for Climate and Society





European Union: Conditions in Europe is currently mixed. Many countries, including France, Italy and Germany are experiencing poor conditions. Whereas Spain and Romania is experiencing excellent conditions.

Russia: Prolonged dryness and followed by periods of sharp freezes in May have negatively impacted winter wheat. The Spring wheat crop development has been affected by dry and cold weather in the Western regions.

United States: As the winter wheat crop is harvested, and the spring wheat crop is developing, conditions are generally favourable, with some areas being exceptional.

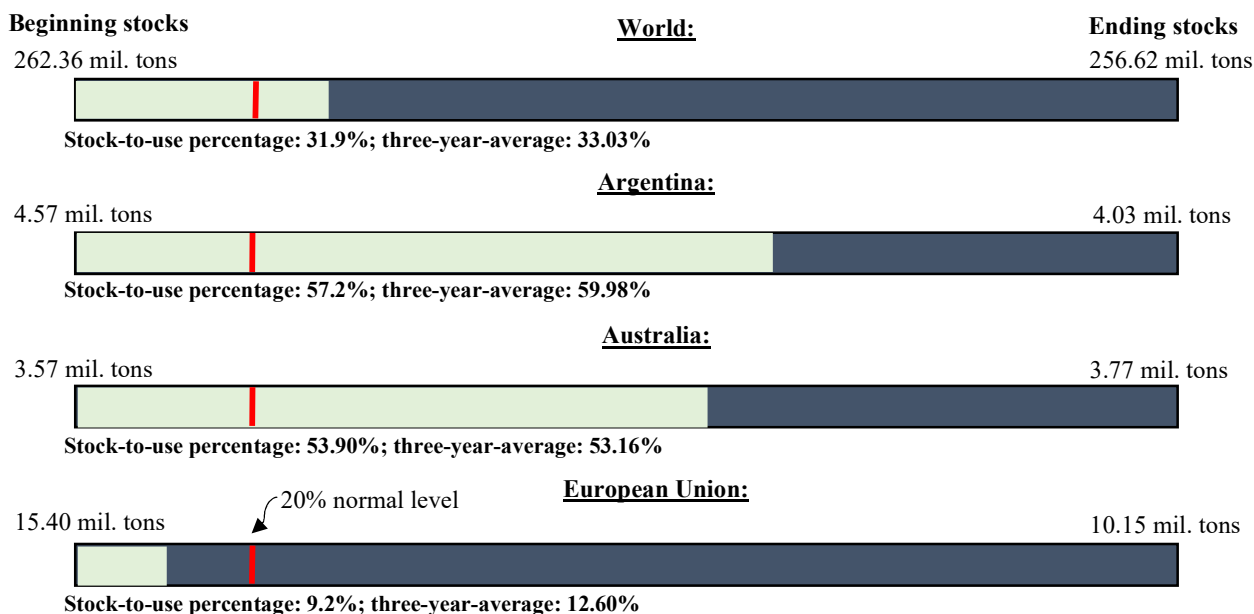
Australia: Close-to-average rainfall in June has been beneficial for crops across the country. However, soil moisture remain below-average in parts of Queensland, South Australia, and Victoria.

Argentina: The planting process is progressing despite an earlier delay due to the late harvesting of the summer crops.

Ukraine: Harvesting is beginning 2-3 weeks earlier than usual due to the warm weather. Despite the recent predominantly dry weather, prospects remain good away from the war zones.

2. World supply- and demand

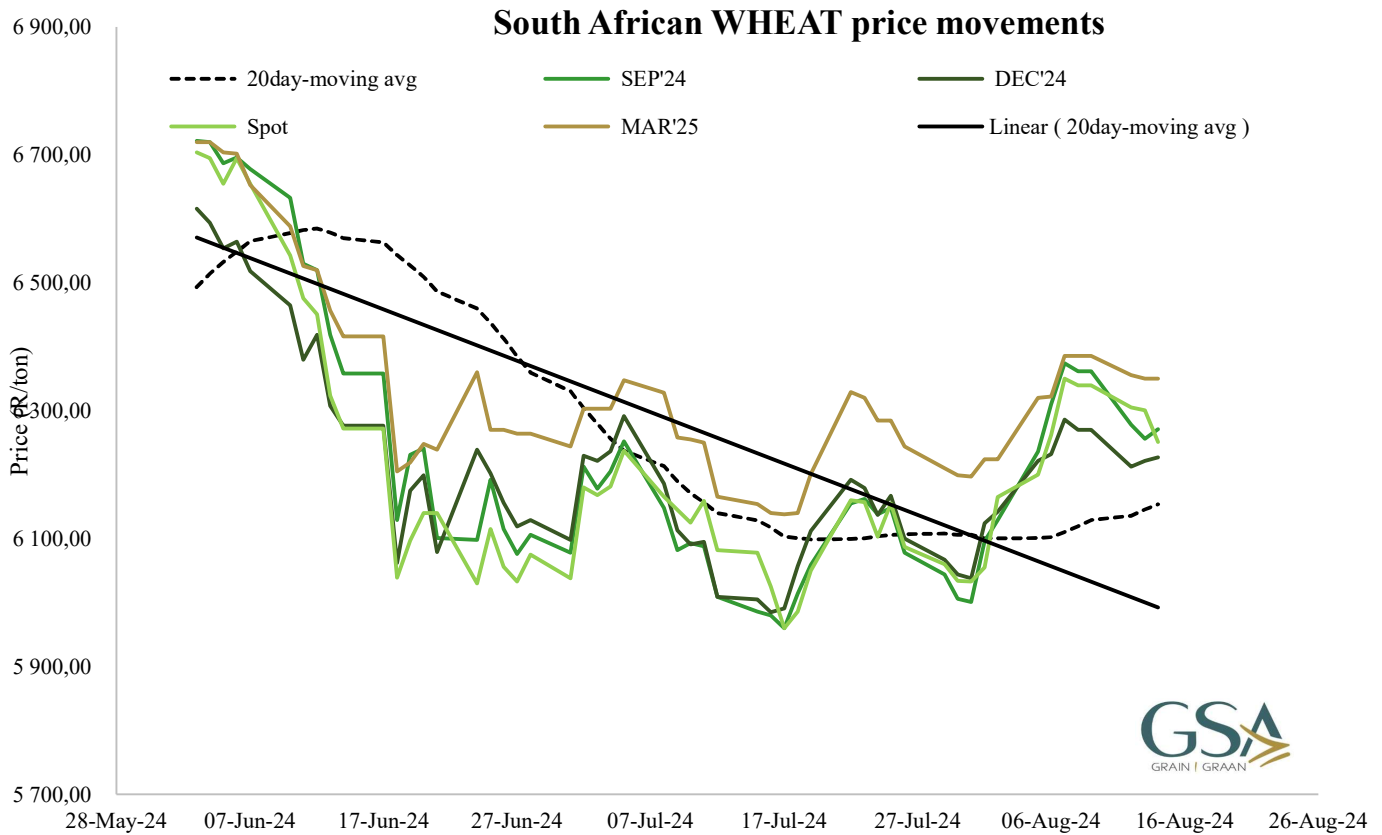
2.1. World Agricultural Supply and Demand (WASDE) AUGUST 2024/2025 overview



Below the normal stock-to-use level prices tend to react sharply in the market environment. By comparing current year stock-to-use percentages to the norm, an indication can be concluded regarding the direction of price trends.



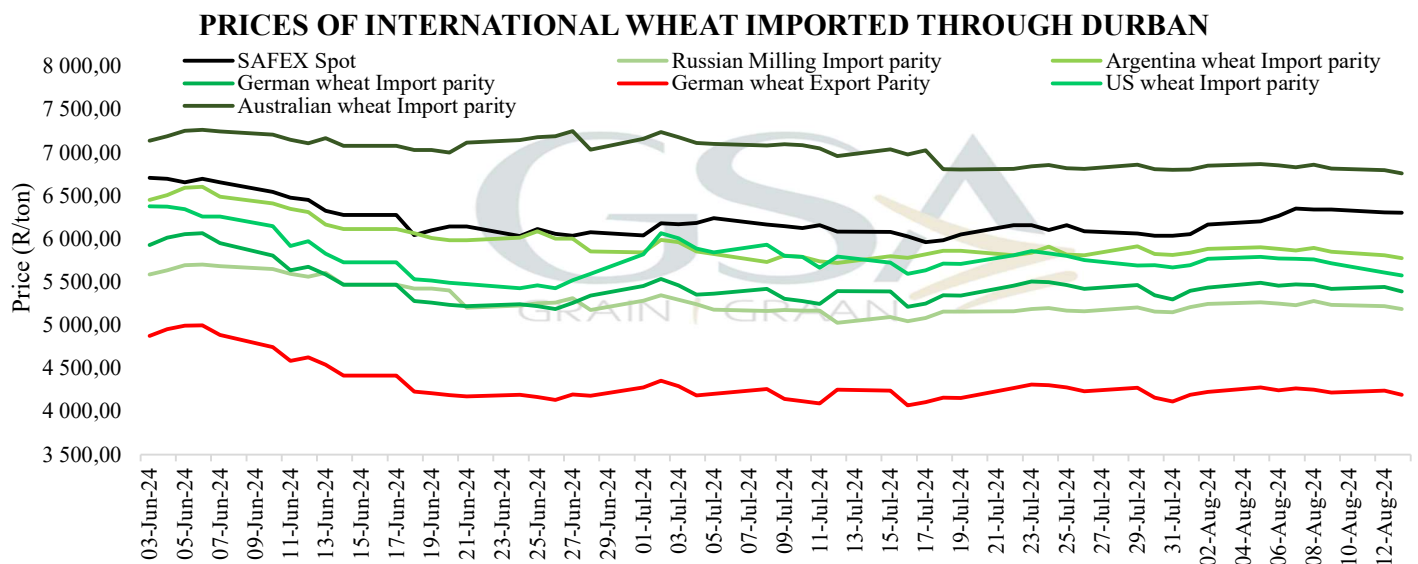
3. Monthly contract price movements



Comments on market movements for wheat contracts:

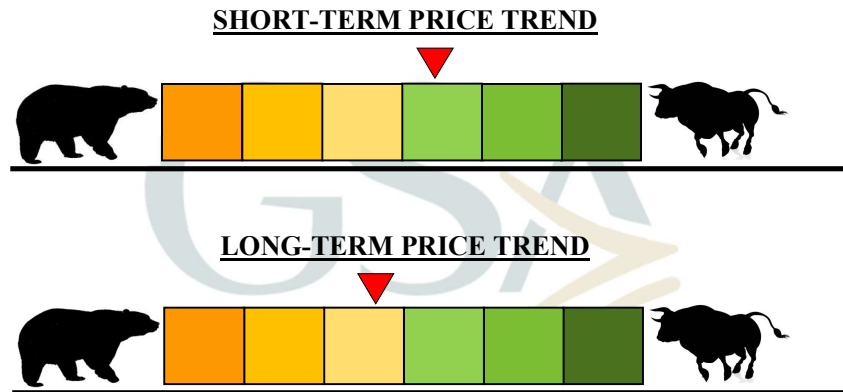
Generally the local wheat prices moved with strong downward trends for all contracts, as can be seen through the moving average. It can be noted that the September month contract is trading above December, which may suggest lower stocks in September. The market is expecting lower prices in December as harvesting is ongoing.

3.1. Import- and export parity movements



4. Final thoughts

Improved demand and lower production estimates in Europe offer support to wheat prices, though ample Black Sea supply and positive US maize condition limits the outlook.



Bearish factors:

- The USDA reported that the US wheat harvest got off to a faster than expected start. Early results are better than expected.
- Australia's government also predicted its 2024/25 wheat crop will grow 12% year-on-year.
- Turkey, the world's fourth largest wheat importer in 2023/24, announced it would stop wheat imports from 21 June until at least mid-October. The potential for reduced global import demand weighs heavily on.

Bullish factors:

- Global crop condition concerns continue to support prices.
- In July the IGC made a significant upwards revision to the estimated wheat flour trade for 2024/2025, supporting global demand.
- The US Department of Agriculture (USDA) on Aug. 12 lowered its estimate for US all-wheat production this year. The Department lowered its forecast for 2024-25 global and US wheat ending stocks.
- Ukraine exports are expected to remain under pressure as recent attacks hindered harbours, together with other challenges like energu blackouts.

This report was compiled by the applied economics team of Grain SA. If you would like any further information, feel free to contact Heleen Viljoen at heleen@grainsa.co.za.

Best regards,

Grain SA economy team

Second floor | Alenti Office Park | Lynnwood road | Pretoria East

