WHEAT

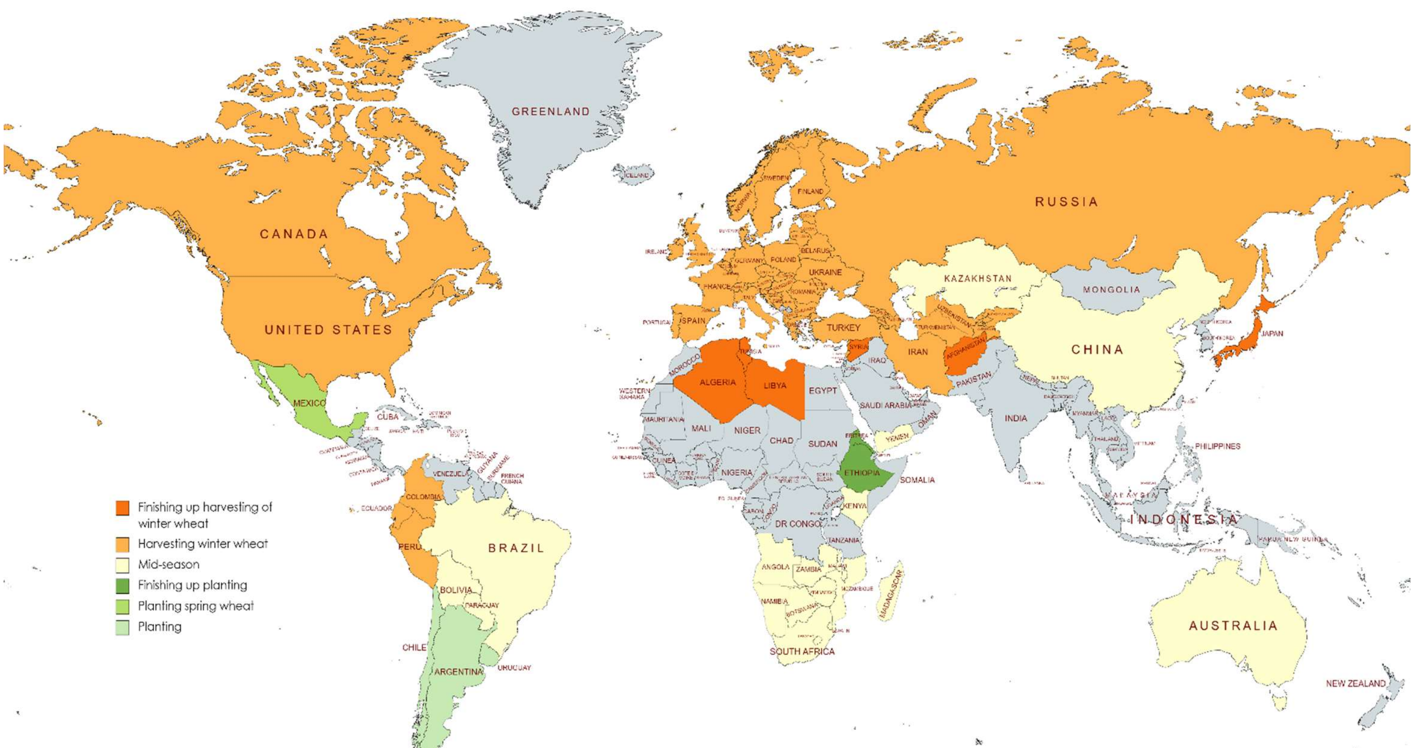
JULY 2024

Grain Market Outlook

Table of contents:

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

1. World wheat production



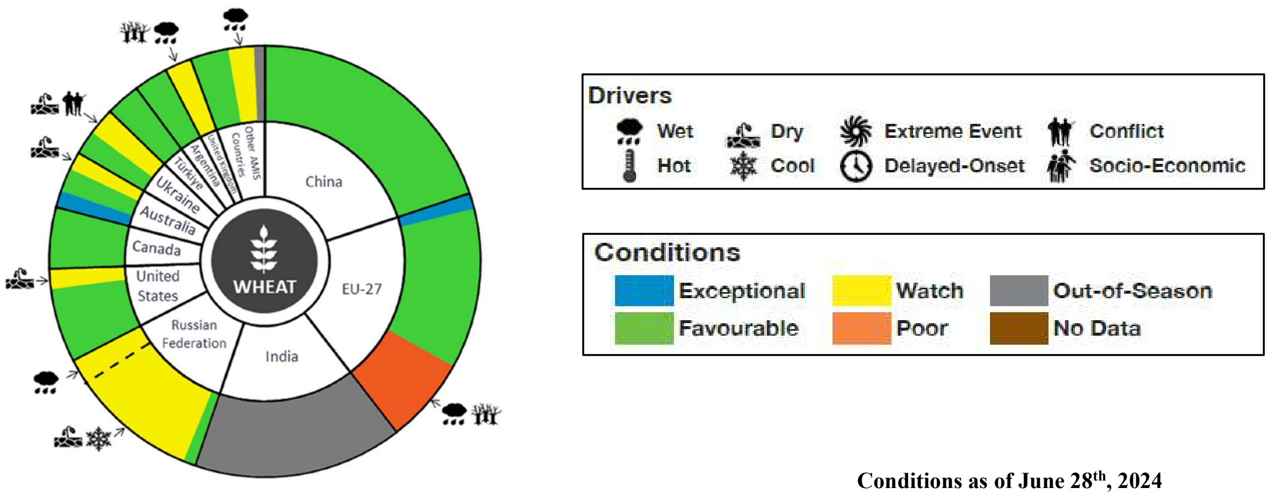
Source: USDA

1. World production conditions

In the **Northern hemisphere**, the winter wheat harvesting is progressing with some areas of concern in parts of the EU, Russia, and Ukraine. In the **Southern hemisphere** the planting process continues in Argentina as crops are developing in 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 IRI[1].

[1]International Research Institute for Climate and Society



Conditions as of June 28th, 2024
Source: Geoglam

European Union: Yields in Austria, France, Italy, and the Netherlands has been affected negatively by excessive rains during crop development.
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.
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) JULY 2024/2025 overview

Beginning stocks **<u>World:</u>** **Ending stocks**

260.99 mil. tons 257.24 mil. tons

Stock-to-use percentage: 32.2%; three-year-average: 33.02%

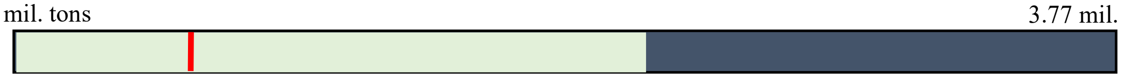
<u>Argentina:</u>

4.29 mil. tons 3.75 mil. tons

Stock-to-use percentage: 53.2%; three-year-average: 57.33%

<u>Australia:</u>

3.57 mil. tons 3.77 mil. tons



Stock-to-use percentage: 53.90%; three-year-average: 53.16%

<u>European Union:</u>

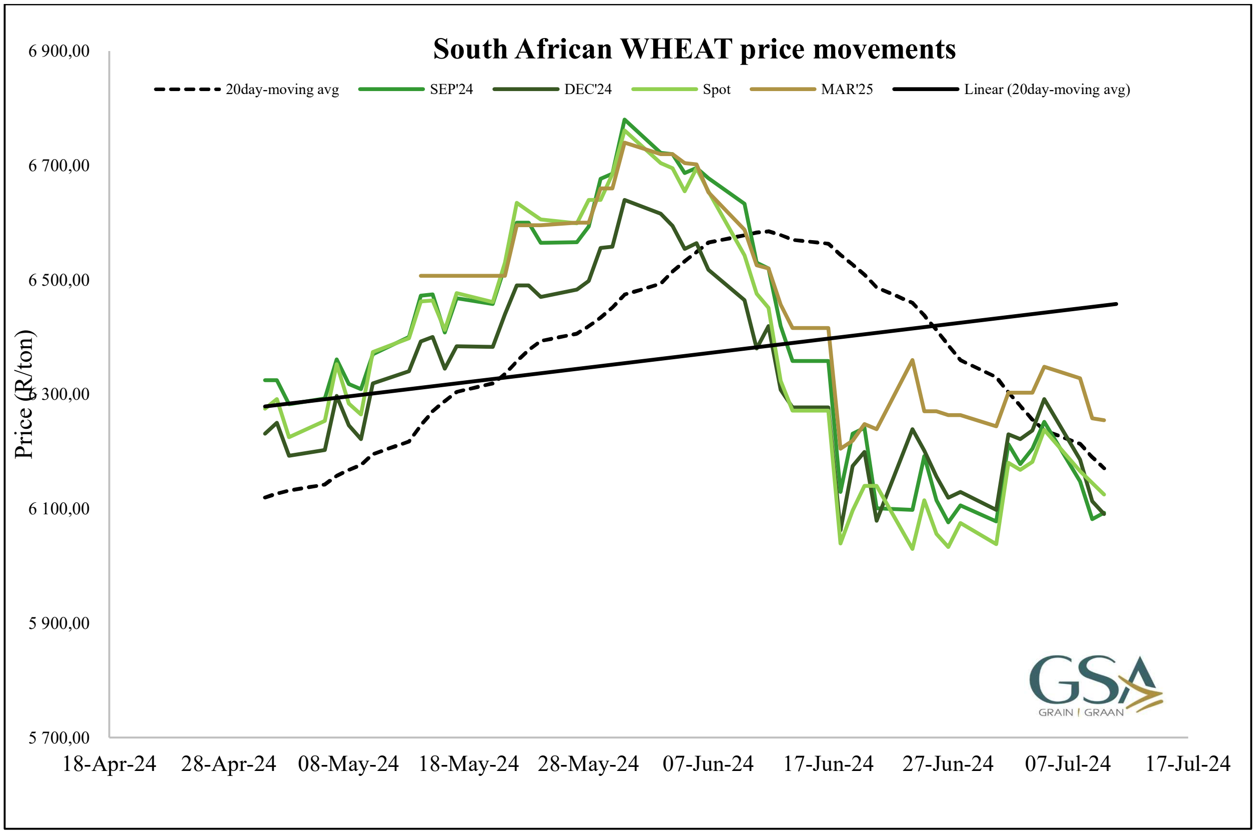
20% normal level

14.69 mil. tons 10.94 mil. tons

Stock-to-use percentage: 10.0%; three-year-average: 12.65%

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.

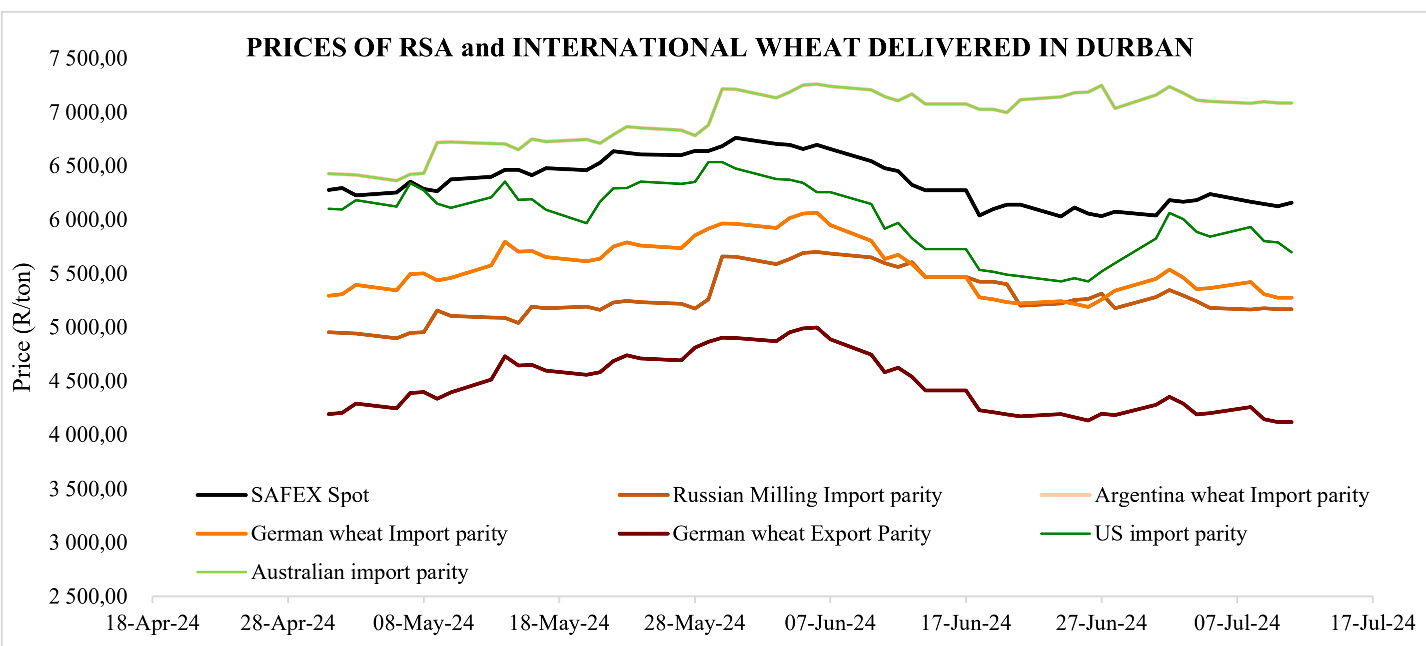
3. Monthly contract price movements



<u>Comments on market movements for wheat contracts:</u>

Wheat prices since the end of April moved with both strong up- and downward trends. The market is currently looking at the release of the preliminary area planted report, set to be released by the Crop Estimates Committee on 26 July. The first production report will be released 28th of August.

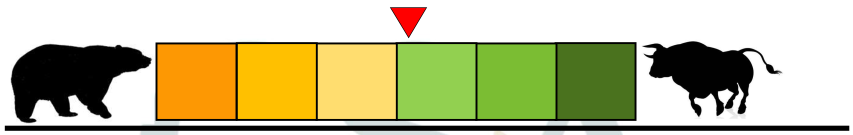
3.1. Import- and export parity movements



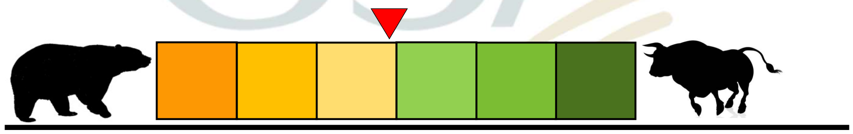
4. Final thoughts

Harvesting pressure is balanced as the Northern Hemisphere commences with the harvesting of the winter wheat crop. Weather concern still remain persistent in the short term. In the longer term, global wheat stocks are estimated higher than previously expected, with demand still remaining high.

SHORT-TERM PRICE TREND



LONG-TERM PRICE TREND



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.

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

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