

WHEAT



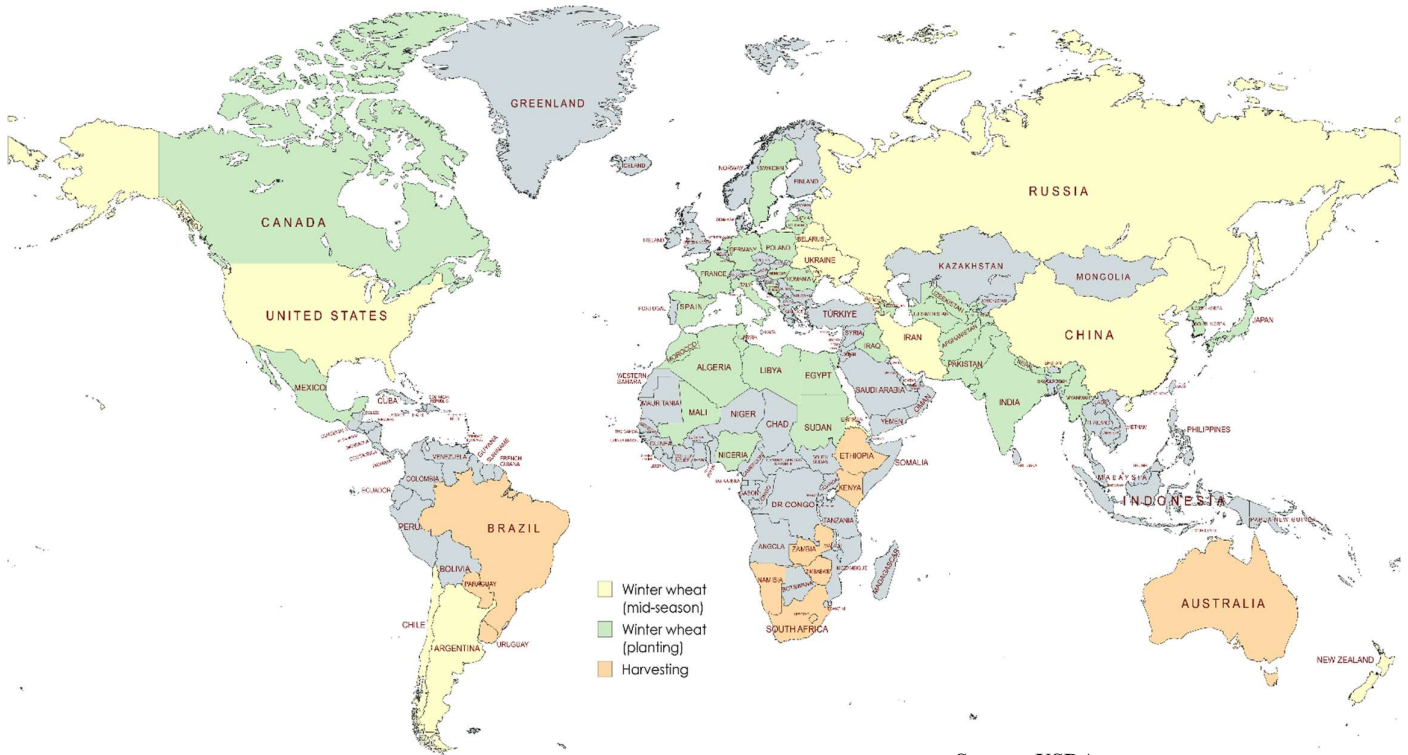
NOVEMBER 2024
Grain Market Outlook

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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



Source: USDA

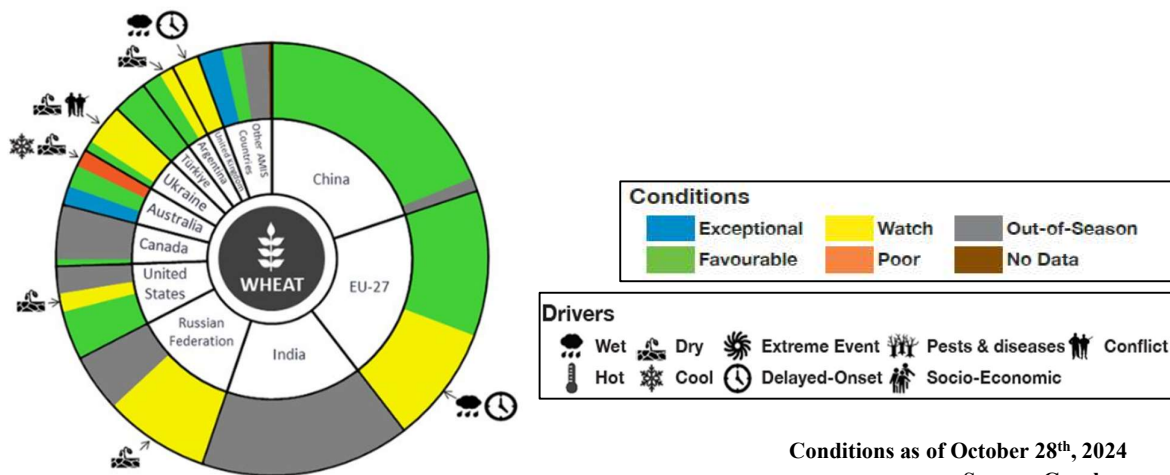
1. World production conditions

In the **Northern Hemisphere**, planting of winter wheat is continuing with notable mixed weather conditions. In the **Southern Hemisphere**, harvesting is starting.

Comments on El Niño: La Niña conditions are likely to develop over the next several months. The CPC/IRI forecasts a 71 to 75 percent chance of La Niña from October 2024 to February 2025. If La Niña does develop, it is expected to be weak and short-lived, with a return to ENSO-neutral conditions likely by March 2025.

¹International Research Institute for Climate and Society





European Union: Planting of winter wheat is progressing slowly in western and southern Europe due to heavy rainfall.

Russia: Although there has been recent rainfall, winter wheat planting is proceeding under predominantly dry conditions.

United States: Winter wheat sowing and emergence are advancing, although some regions of the Great Plains are experiencing dryness.

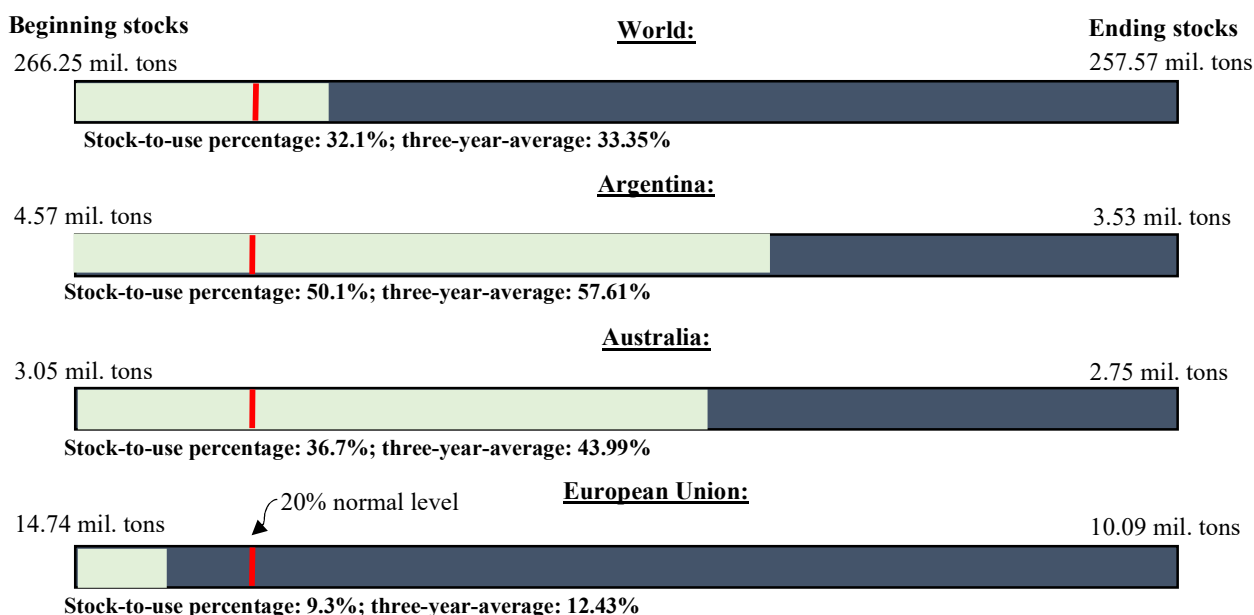
Australia: Conditions are highly favourable in New South Wales and Queensland, but dry weather and severe frosts have reduced yields in South Australia and Victoria.

Argentina: Recent rainfall has enhanced conditions in the central agricultural areas and Buenos Aires, but prolonged drought in the north and centre-west regions is likely to have lower yields.

Ukraine: Drought has continued in many eastern regions, causing winter wheat crops to be 2-3 weeks behind in their growth stages of development as they enter dormant periods.

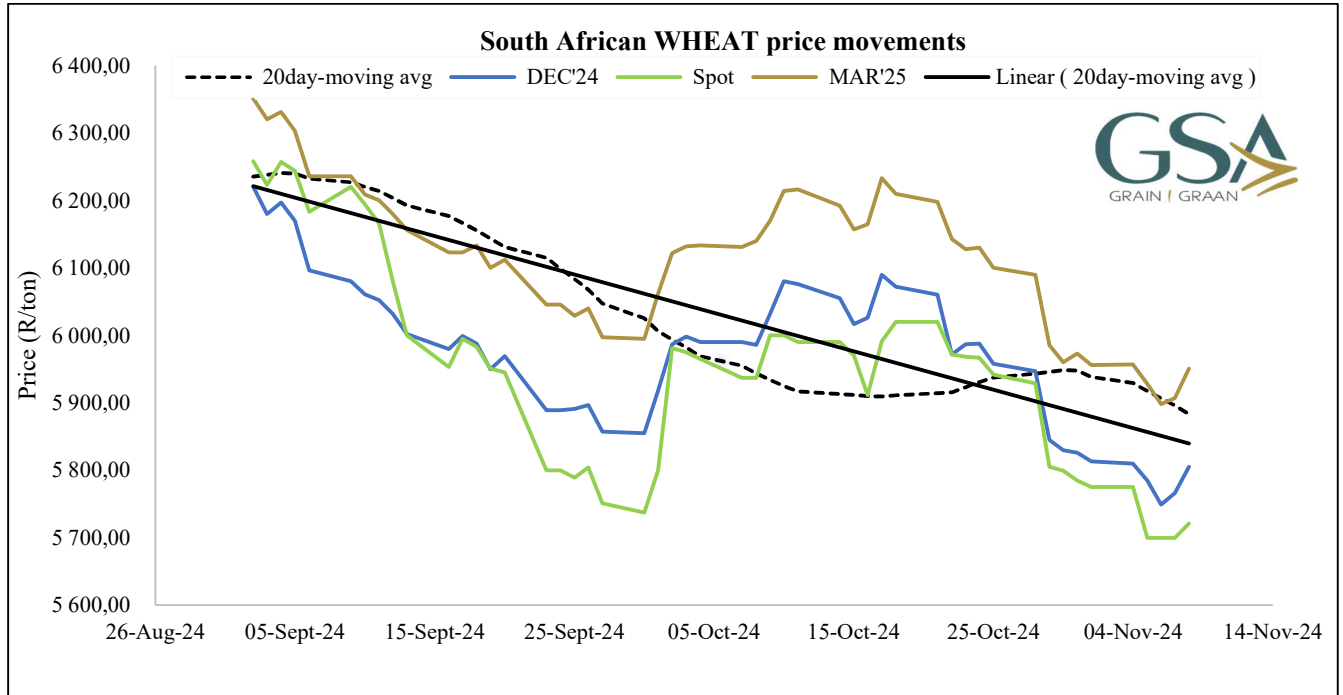
2. World supply- and demand

2.1. World Agricultural Supply and Demand (WASDE) NOVEMBER 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.

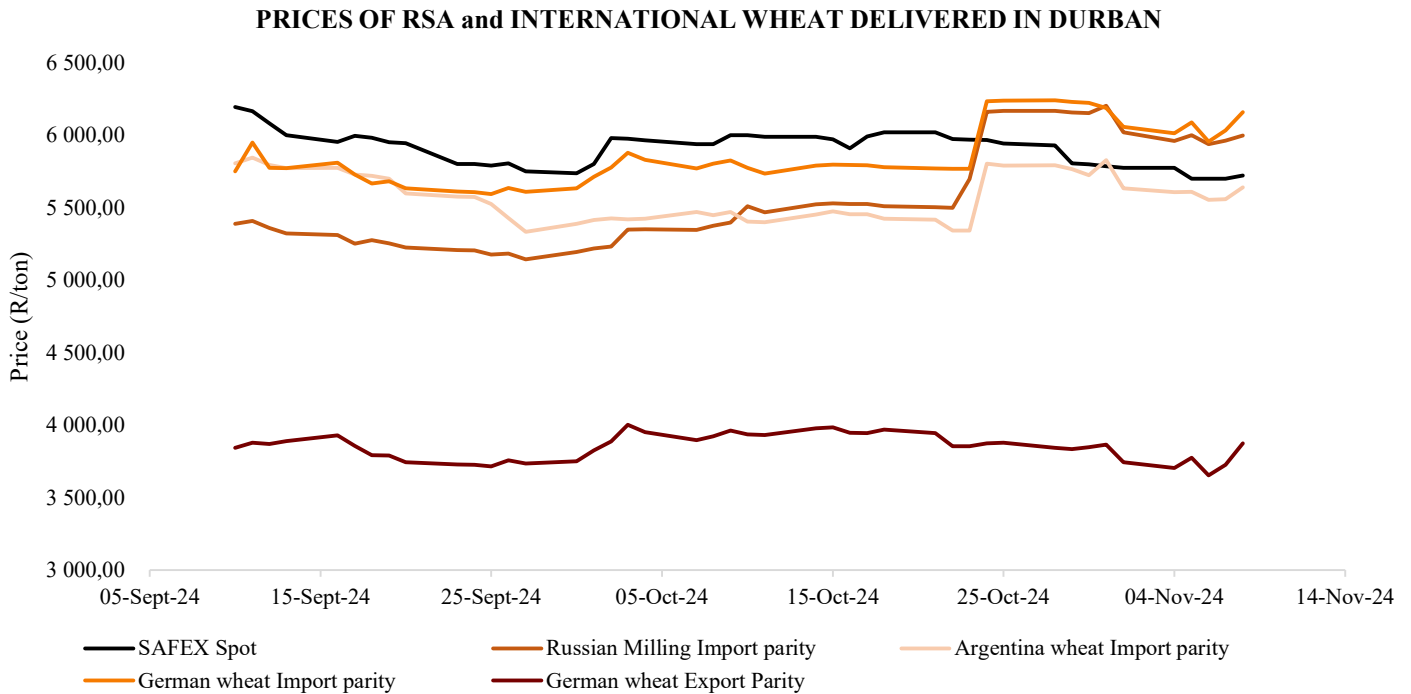
3. Monthly contract price movements



Comments on market movements for wheat contracts:

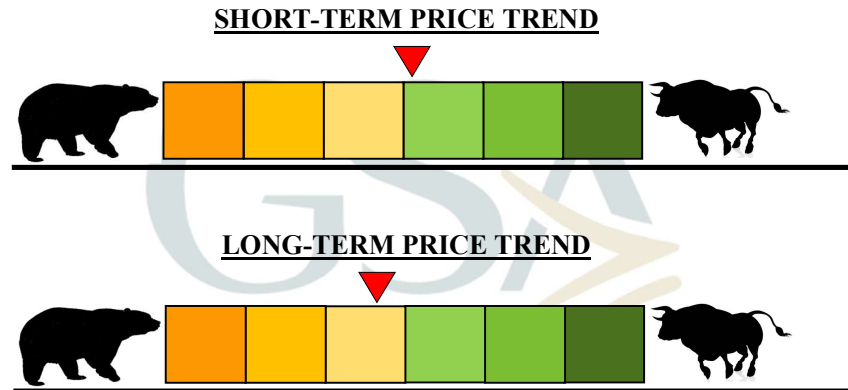
Local wheat contracts followed a strong downward trend in September, before moving upward at the start of October. However, October saw considerable volatility, with prices fluctuating but without significant shifts. A sharp downward trend occurred towards the end of October, bringing prices down to a recent low of R5,700/ton. The March 2025 contract continues to trade above the spot and December 2024 contracts, as the harvesting season comes to an end.

3.1. Import- and export parity movements



4. Final thoughts

Wheat markets are facing significant supply pressures as key exporters navigate various challenges. Russia's price cap strategy, aimed at securing political support, may struggle to last until the 2025 harvest due to potential supply shortfalls. U.S. wheat exports are running 34% higher than last year, outpacing the USDA's forecast of a 17% increase. With higher imports and slightly increased domestic use, U.S. wheat supplies are rising, but exports remain steady. Additionally, Ukraine has set minimum export prices for agricultural goods, which could further tighten global supply and support wheat prices in the short term. As the global wheat market adjusts to these dynamics, volatility is expected to persist, driven by both supply uncertainties and shifting export strategies.



Bearish factors:

- The U.S. season-average farm price is lowered by \$0.10 per bushel to \$5.60, reflecting weaker price expectations for the remainder of the marketing year.
- Steady EU wheat exports and forecasts of favourable weather in the Black Sea region could pressure prices short term.

Bullish factors:

- U.S. wheat supplies are slightly higher due to increased imports, and domestic food use is projected to rise based on recent NASS reports.
- Kazakhstan's wheat production is forecast to increase by 2 million tons, reaching the third-largest crop on record, boosting global supply.
- In the latest USDA WASDE report global wheat production was slightly reduced. However, global ending stocks remained balanced. Production was reduced for Russia and the EU.
- A wheat import tariff of R422/ton is currently active, which supports local prices.

Grain SA's estimates for South Africa's supply and demand can be found at:

https://www.grainsa.co.za/upload/report_files/Wintergrain-SnD_Oct-2024.pdf

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

