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In this issue...

- [Fuel prices for December 2012](#)
- [Agricultural conditions for summer grains as at 28 November 2012](#)
- [The effect of offmarket factors](#)
- [Planting and local market conditions for maize in South Africa](#)
- [RSA maize exports and stock situation](#)

Fuel prices for December 2012

Petru Fourie (economist: Industry Services, Grain SA)

» According to the most recent information from the Central Energy Fund, the petrol price can **DECLINE** on 5 December with 24 cents per litre and the diesel price with 16 cents per litre.

This expected decline is mainly due to the price of oil declining from an average of \$111,30 per barrel in October, to an average of \$109,15 per barrel in November. During the same period, the rand weakened with 1,3%, which hampered a bigger decline in the fuel price.

[Back to the top](#)

Agricultural conditions for summer grains as at 28 November 2012

Petru Fourie (economist: Industry Services, Grain SA)

» KwaZulu-Natal

Producers in KwaZulu-Natal are almost finished planting. Conditions are generally looking very good, although follow-up rains are needed to the north of Piet Retief. Crops that have already started emerging, looks very good. Hail occurred in patches and mainly caused damage to soybeans.

Mpumalanga

Producers are finished with their maize plantings, while the last hectares of soybeans are being planted. The conditions in Mpumalanga are generally looking good, although it is partly becoming dry in the Delmas/Ermelo/Middelburg area.

Hail has occurred in certain parts of Bethal, Standerton and Middelburg. There is the possibility of damage on maize, despite the plants being very young still. The damage on soybeans are however slightly more extensive. The effect of the hail is not known.

Free State

Eastern Free State

Producers are practically finished with their maize plantings in the Eastern Free State. Conditions are generally looking good, but follow-up rains are needed in large areas.

Producers in the Ladybrand/Tweespruit area are 65% finished with planting, while Clocolan is 80% finished. Rain occurred in patches during the past week and makes it possible for producers to continue with their maize plantings. Follow-up rains are necessary in this area.

North West Free State/Central Free State

Producers in most areas of the Northwest Free State and Central Free State were busy planting at full speed, but are at a standstill due to inadequate underground moisture conditions over the past few days. Rumour has it that producers in the Bothaville/Viljoenskroon/Kroonstad area have finished planting about 60% of their maize, while the Wesselsbron/Hoopstad producers are 20% - 30% finished. Good, widely spread rains are needed.

Rain is eagerly being awaited in the Bultfontein/Theunissen/Hertzogville area, before producers can start planting. Where patchy rain has occurred, producers have started planting, but this amounts to relatively little. Rain is critically needed. Conditions south of Bloemfontein are currently also not looking promising.

North West Province

Northern parts of the North West Province

The optimal planting time for producers have started in middle November, but no summer grains, apart from that which is under irrigation, has been planted to date. It rained in this area approximately two weeks ago, which means that producers have not even been able to complete their primary tillage. Good, penetrative and widely spread rains are critically needed.

Southern parts of the North West Province

Rain has occurred in patches, but conditions are generally dry in the southern parts of the North West Province. Rain has been insufficient to date and primary tillage in large parts of the area has not been completed. Producers are in their optimal planting timeframe, but due to inadequate rains, practically no maize has been planted yet. Good, penetrative rains are essential considering that the season starts with insufficient underground moisture.

[Back to the top](#)

The effect of offmarket factors

Wessel Lemmer (senior economist: Industry Services, Grain SA)

» The dollar weakened with 0,1% against the euro. Negative offmarket factors are at the order of the day and the DJIA index declined with 0,7%, while crude oil prices declined with 0,9%. The dollar strengthened with 0,2% and the rand with 0,1%.

Despite the negative offmarket factors, the rise in USA commodity prices should dominate local market prices. Higher Safex opening prices are expected for maize (+R20/ton), soybeans (+R40/ton) and wheat (+R50/ton). The weaker local planting conditions for maize in the western production areas should support local maize prices for delivery in July, but due to the current stock situation, local buyers are comfortable.

[Back to the top](#)

Planting and local market conditions for maize in South Africa

Wessel Lemmer (senior economist: Industry Services, Grain SA)

» While maize in parts of KwaZulu-Natal enter the silking stage, the western production areas have insufficient underground moisture, which makes primary tillage in certain areas impossible.

These production areas need as much as 100 mm of rain before planting can begin. The optimal planting period for this area is between 20 November and 15 December. This production area produces the available export volumes and by Monday it was reported that plantings of between 300 000 ha and 450 000 ha in the north western production areas can be affected by the dry conditions. In the south western production areas, 150 000 ha can be affected. The spreading of rainfall is also insufficient.

The grazing in these areas, where the last rains occurred in March 2012, looks very bad and in the far North West, livestock and game are dying. Unfavourable conditions are also experienced in the southern production areas (Bultfontein); this hampers planting. Due to the top soil drying out, producers in the Hoopstad/Wesselsbron area have stopped planting and rains of approximately 30 mm are needed in order to continue with planting.

According to long term rainfall cycles, South Africa is entering a dryer cycle. Prices for delivery in July 2013 are trading without considering the weather problems at this stage and the current stock situation could be the reason for this. Exports are important to support the current prices.

[Back to the top](#)

RSA maize exports and stock situation

Wessel Lemmer (senior economist: Industry Services, Grain SA)

» According to SAGIS, South Africa exported 30 066 tons of white maize and 3 414 tons of yellow maize during the week of 23 November. Total maize exports for the 2012/2013 marketing year are already at 1 014 003 tons, while there are still 22 weeks left in this marketing year.

Clear indications are lacking regarding the potential export sales until the end of April 2013. If the export tempo can be maintained, the export of white maize can amount to between 1,5 million tons and 1,6 million tons. The export tempo declined sharply over the last three months (of four week periods) - from 164 306 tons, then 110 348 tons and up until 23 November, 72 927 tons per month.

Grain SA's latest supply and demand projections make provision for a conservative monthly export figure of approximately 35 000 tons per month until the end of April 2013. The biggest export destination is Mexico, who has exported 680 000 tons of white maize from South Africa thus far. GMO production is not allowed in Mexico, but there is continued pressure on the Mexican government to allow GMO maize production for food security purposes. Mexico will then import less maize.

Grain SA projects white maize exports of 1 105 000 tons by April 2013 with a total maize closing inventory figure of 1,4 million tons on 30 April 2013. The surplus above the pipeline amounts to almost 300 000 tons, which explains the current export price levels. Reconciliation of the 2012 maize crop takes place on 29 November and if the crop was underestimated, the closing inventory figure can be higher.

The producer delivery figure up until 23 November appeared on 28 November. The average producer deliveries up to date, amounted to 93,8% for the previous four years. This year, the figure already amounts to 97,25%, which could indicate that the crop was possibly underestimated. If the crop estimate figure was more than 300 000 tons (11,8 million tons), the percentage producer deliveries of the final crop, would have amounted to 94,7%, which compares to the 2009/2010 yearly figure of 95,26%. See Grain SA's latest supply and demand projections on <http://www.grainsa.co.za>.

[Back to the top](#)

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