

STARK CONTRAST BETWEEN CURRENT DOMESTIC AND GLOBAL SORGHUM MARKETS:

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Some time ago, the positive energy in the South African sorghum industry was palpable, driven by the prospect of national biofuel production. However, over the past two years, this positive energy seems to have subsided with no clear direction about the future of this national project. There were hopes that biofuel production would present market opportunities, and in turn, promote sorghum production across many parts of the country. However, since none of these plans have materialised thus far, there has been a renewed interest among sorghum producers to rather explore export markets.

On average, South Africa exports 26 000 tons of sorghum per annum, of which about 98% is normally exported to Botswana. Nonetheless, a brief study in 2015 indicated that there is potential for South Africa to increase sorghum exports to other key sorghum consuming countries in the Far East such as Japan, Europe, and possible African markets such as Sudan and Ethiopia (see: <http://www.grainsa.co.za/grain-market-overview-3>). This year, however, South Africa is once again confronted by drought and it is expected to be a net importer of sorghum. This has further deflated the prospects for the growth of domestic sorghum production. Our focus in this article is therefore on the current key market fundamentals driving the global and domestic sorghum markets.

Brief Global Perspective

The 2015/16 global sorghum production is forecasted at 68 million tons, a 10% year-on-year (y/y) increase (figure 1) and the highest production level in 19-years. This increase is mainly due to increased production in the United States (US), Argentina, Australia, Mexico and India.

Among these leading producers, 2015/16 sorghum production is estimated as follows: the US is estimated at 15 million tons, an increase of 38% y/y; Mexico is estimated at 6.6 million tons, which is a 5% y/y increase; India is estimated at 5.5 million tons, amounting to a 1% y/y increase; Australia is estimated at 2.2 million tons, which is a 3% y/y increase; and Argentina is estimated at 3.3 million tons, which is a 7% y/y increase. At the same time, the 2015/16 global sorghum ending-stocks are estimated at 4.8 million tons, an increase of 29% y/y (figure 1).

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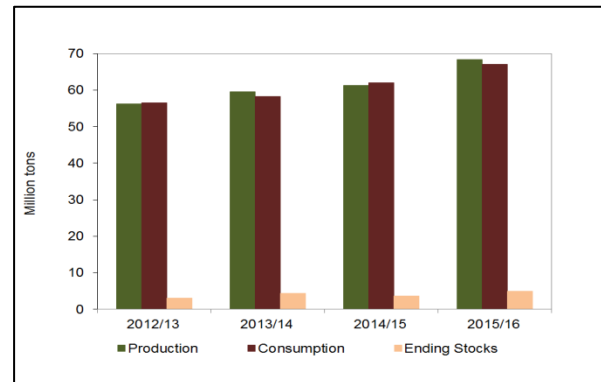


Figure 1: Global Sorghum Supply and Demand Estimates

Source: International Grain Council and Grain SA

Data as at March 2016

Brief Domestic Perspective

Based on Grain South Africa's (Grain SA's) database, dating back to 1988, this year's sorghum production will be at a record low. The crop is estimated at 93 400 tons, a 22% y/y decrease. As a result, Grain SA estimates that South Africa's 2016/17 sorghum imports could reach 60 000 tons, the highest import volume since the 2002/03 season. At the same time, Grain SA forecasts a 13% y/y decrease in domestic consumption, due largely to higher prices, trading at levels of R3650/ton, higher significantly by 51 % y/y.

In addition, Grain SA estimates a 61% y/y drop in South Africa's sorghum exports in 2016/17, estimated at at 10 000 tons, compared to 25 500 tons in the 2015/16 season. It is important to emphasise that the aforementioned estimates are supported by those of the National Crop Estimates Committee, and should any changes occur in their ensuing forecasts, Grain SA will make the necessary amendments to this report.

Table 1: Domestic Sorghum Supply & Demand Estimates

	2014/15	2015/16*	2016/17**
Opening stocks	50 100	121 800	57 400
Commercial Deliveries	261 500	112 800	89 700
Imports	8 700	40 000	60 000
Total supply	320 300	275 000	207 000
RSA consumption	172 300	191 700	167 100
Exports	26 200	25 500	10 000
Total demand	198 500	217 200	177 100
Carry-out	121 800	57 400	30 000
Surplus above pipeline	103 000	36 000	11 000

Source: Grain SA

Data as at March 2016