MAIZE

Grain SA

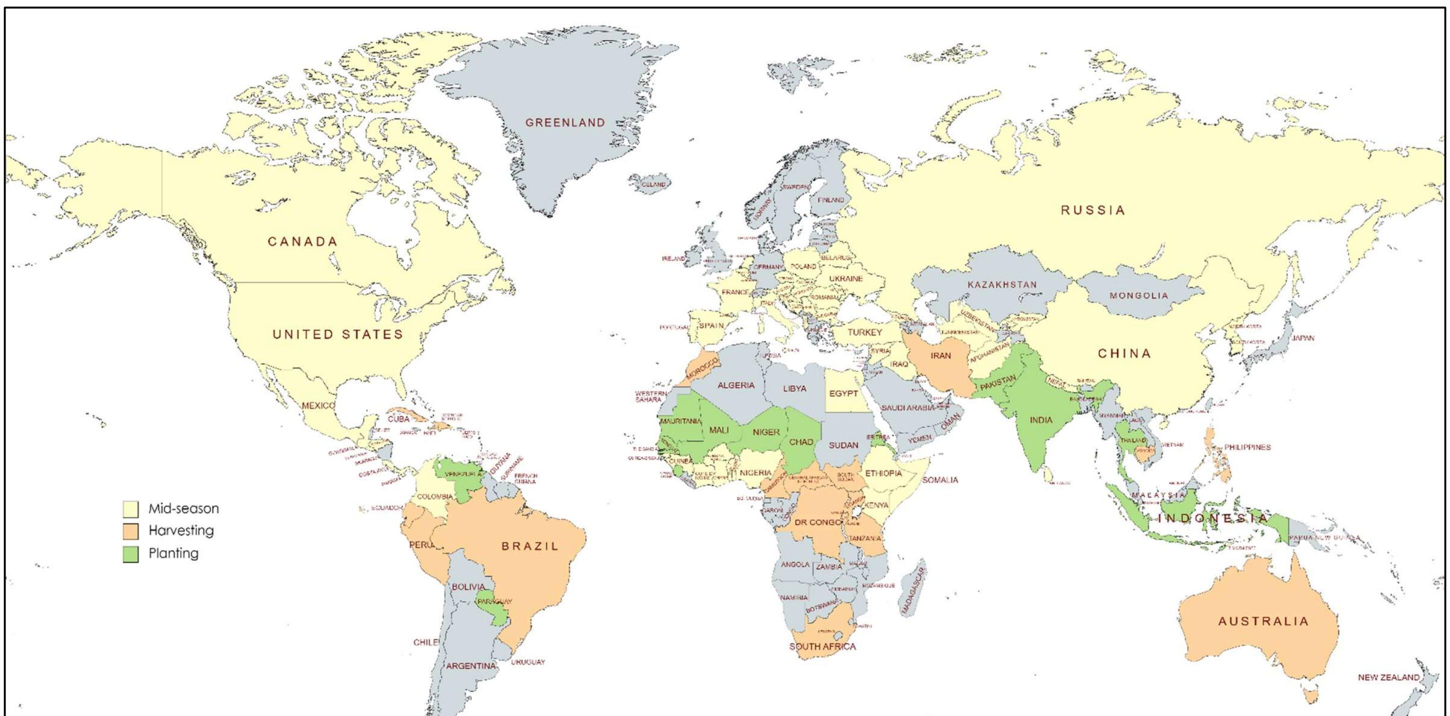
JULY 2022

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, please feel free to contact Heleen at heleen@grainsa.co.za.

1. World maize production



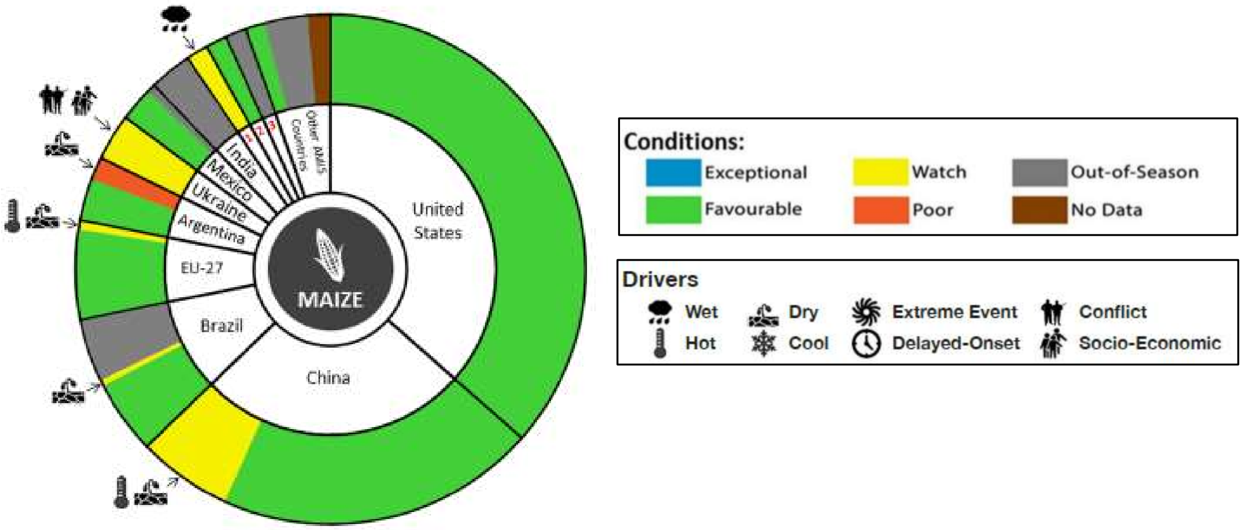
Source: USDA

1.1. Global crop production conditions

In the **Southern hemisphere** harvesting is ongoing for major exporters, which includes Brazil (first crop) and South Africa. Generally, the harvesting conditions are favorable, but Brazil is still experiencing some level of drought. In the **Northern hemisphere**, crops are in the vegetative stages of growth under generally favorable conditions, except for some parts of China and European Union experiencing dry conditions.

Comments on La Niña: According to the IRI/CPC[1] El Niño-Southern Oscillation (ENSO) forecast, the expectation is that a weak La Niña phase will remain until though July until September (52% chance). After that, forecasts strengthen for La Niña in October and December (59%), with very-low chances of El Niño.

[1]International Research Institute for Climate and Society



Canada[1], Russian Federation[2], South Africa[3]

Source: AMIS

Brazil: Harvesting of the summer planted crop, which is the larger crop, is commencing under mixed conditions partly due to dryness and lack of rain.
United States: Growing conditions are generally favorable, despite earlier delays during the planting phase of the season.
South Africa: Harvesting is progressing with generally favorable conditions.
China: For the spring planted crop conditions are generally favorable, with parts of the Northern China Plains experiencing crop development delays due to hot and dry weather. The summer planted crop is in the planting phase underway with favorable conditions.
Ukraine: Conditions for field work remain mixed with the ongoing conflict with Russia. Compared to the previous year, this is a reduction in planted hectares.
Mexico: For the harvesting of the Autumn planted crop (smaller season), conditions are favorable. For the planting phase of the spring-summer crop (larger season), conditions are also favorable.

2. World supply and demand

2.1. World Agricultural Supply and Demand (WASDE) JULY overview

Beginning stocks | **Ending stocks**

World:

310.28mil. tons | 12% normal level | 312.94mil. tons

Stock-to-use percentage: 26.4%; three-year-average: 25.92%

United States:

38.35mil. tons | 37.33mil. tons

Stock-to-use percentage: 12.08%; three-year-average: 11.22%

Brazil:

4.65mil. tons | 7.95mil. tons

Stock-to-use percentage: 10.32%; three-year-average: 7.54%

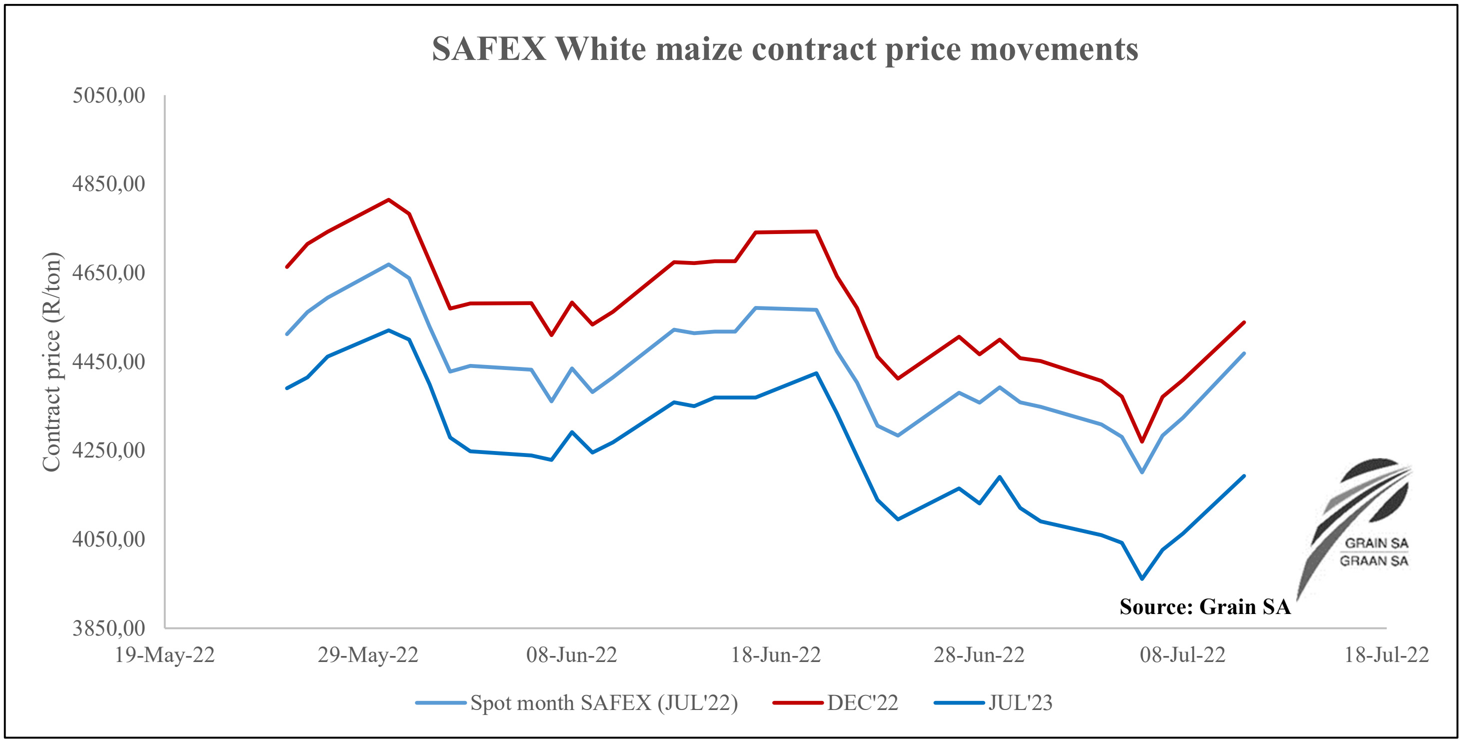
Argentina:

1.49mil. tons | 1.49mil. tons

Stock-to-use percentage: 10.64%; three-year-average: 10.09%

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.

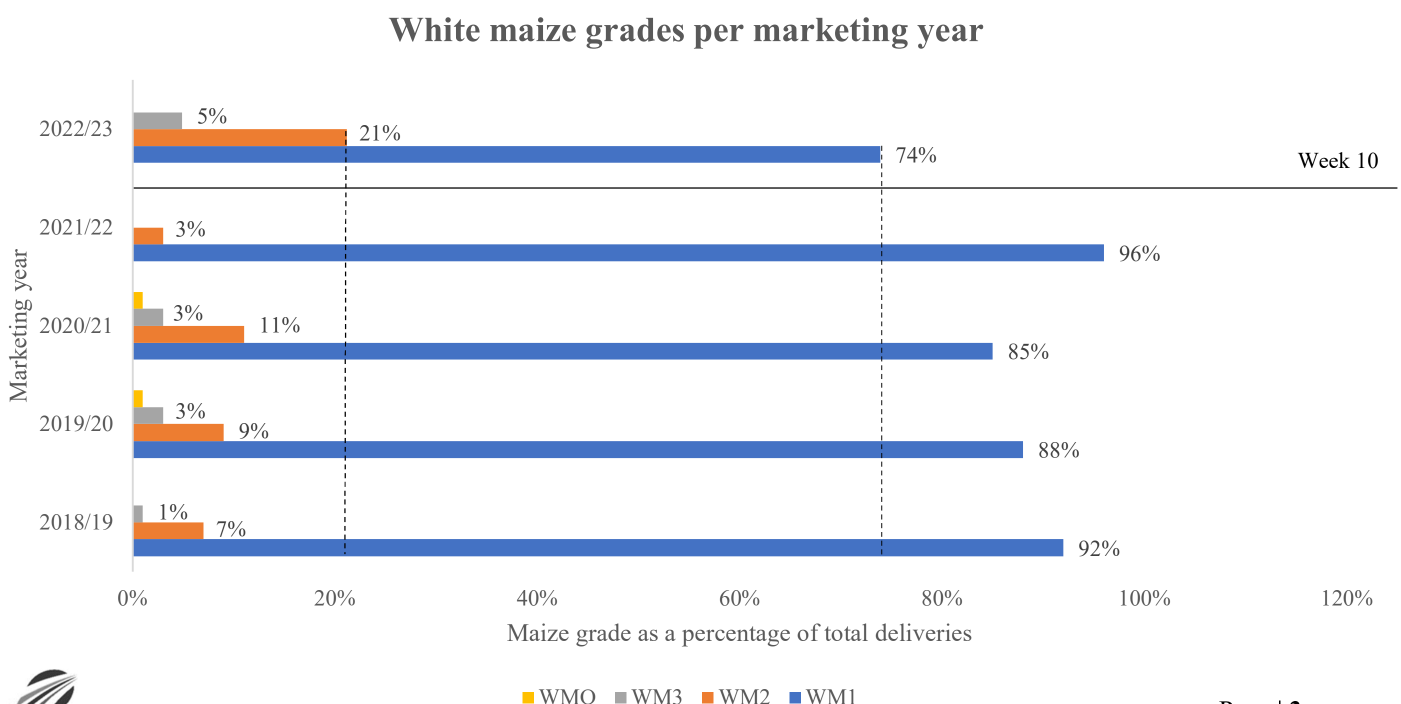
3. Monthly contract price movements (White Maize)

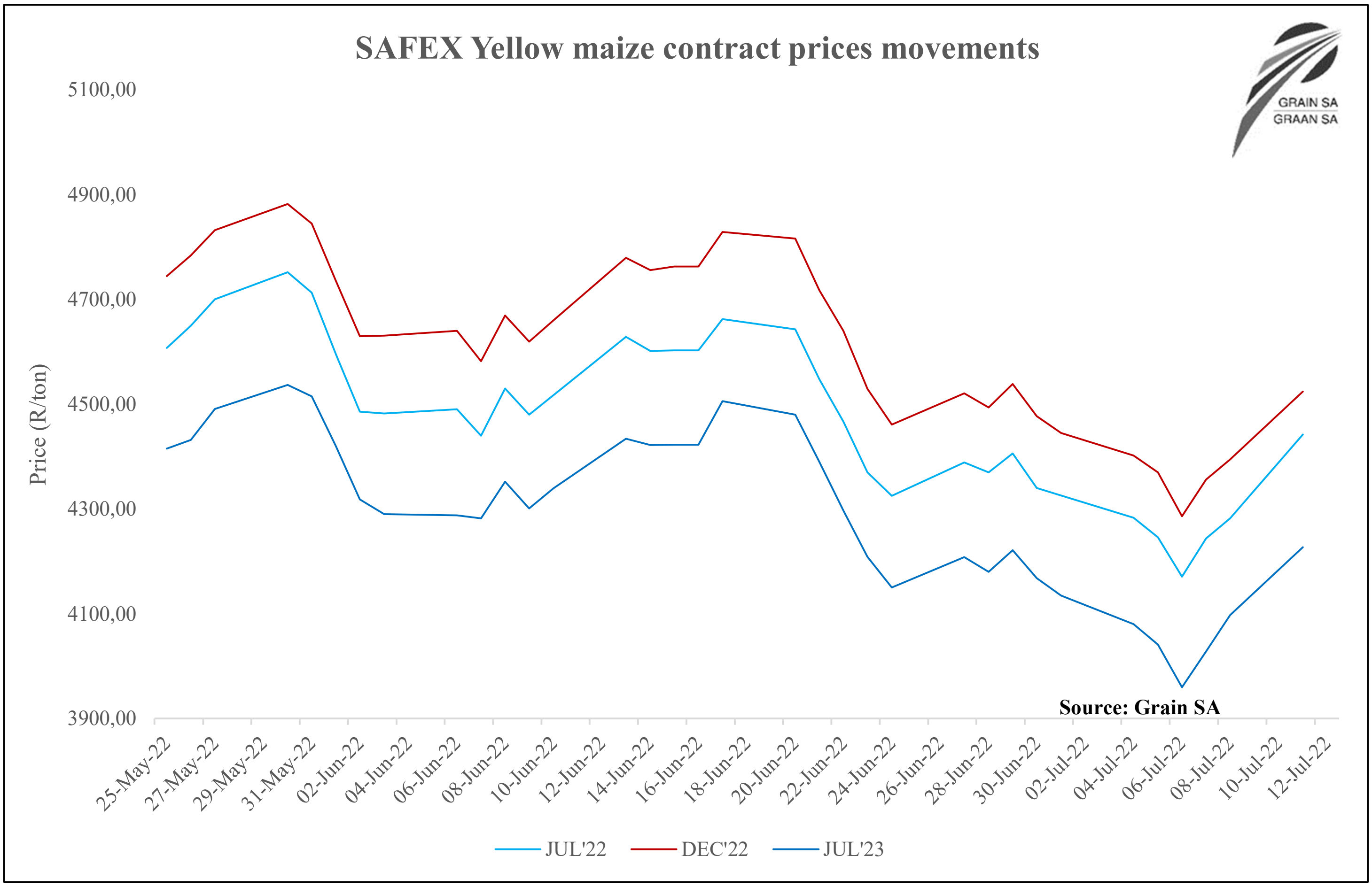


Comments on market movements for maize contracts:

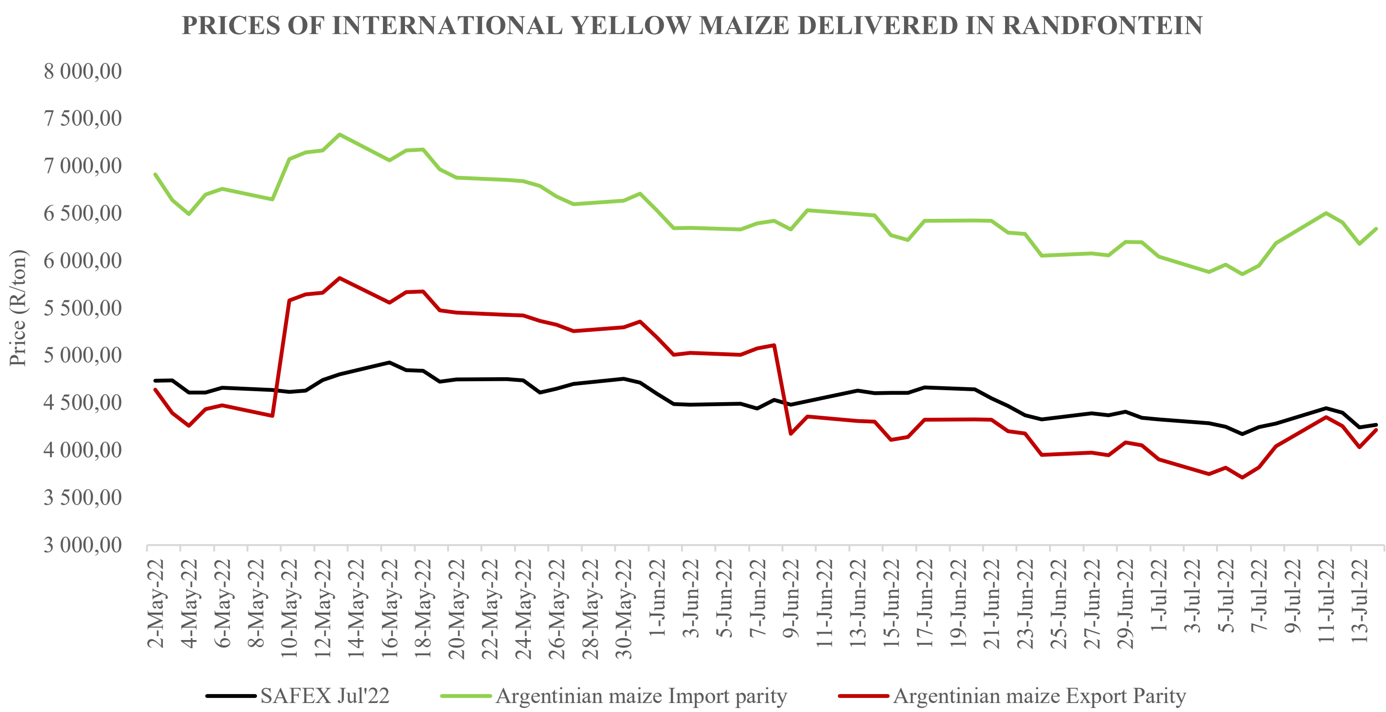
- White- and yellow maize contract prices were on a downward trend during June and July. The WASDE report for July estimated that the 2022/23 season U.S. maize outlook is for larger supplies and higher ending stocks. This added downward pressure to global maize prices.
- Local maize grading quality is a watchpoint for long term availability of white maize for human consumption. Local yellow maize exports are trending above the previous season's trend, as well as the five-year average. These factors may add pressure on local supply.

Grading trend of local white maize





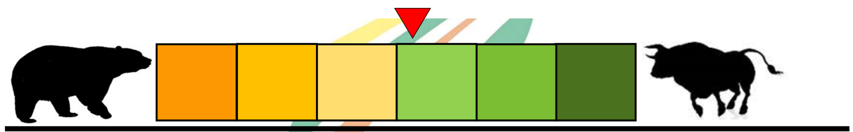
3.1. Import- and export parity movements



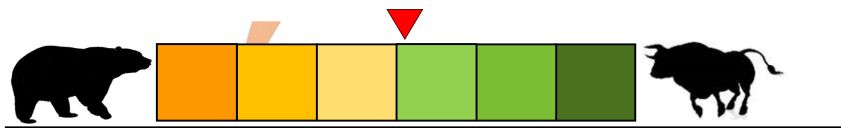
4. Final thoughts

Local white- and yellow maize prices traded with a slight downward trend from June through July. Contract prices are however still trading higher year-on-year. The most recent 2022/23 global maize production estimate was revised slightly upwards, but export estimates remained unchanged. Estimates for Brazil and Argentina remained unchanged. The longer term focus will be on US production and stocks. The next few weeks will be critical for crop progression and yield expectations.

SHORT-TERM PRICE TREND



LONG-TERM PRICE TREND



Bullish factors:

- Local maize grading is a watchpoint for longer term availability of white maize.
- Local yellow maize exports are trending above the previous seasons trend, as well as the five-year average.

Bearish factors:

- Increasing local maize supply is relieving some price pressure. Local maize producers are underway with the harvesting process, which adds to local supply.
- Global maize ending stocks was revised slightly upwards in the latest WASDE report, with global production and beginning stocks slightly increasing.
- Compared to the previous season, both Brazil and Argentina is estimated to have increased production as well as increases in exports.

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

Best regards,

Grain SA economy team

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