

MAIZE



Grain SA

JUNE 2022

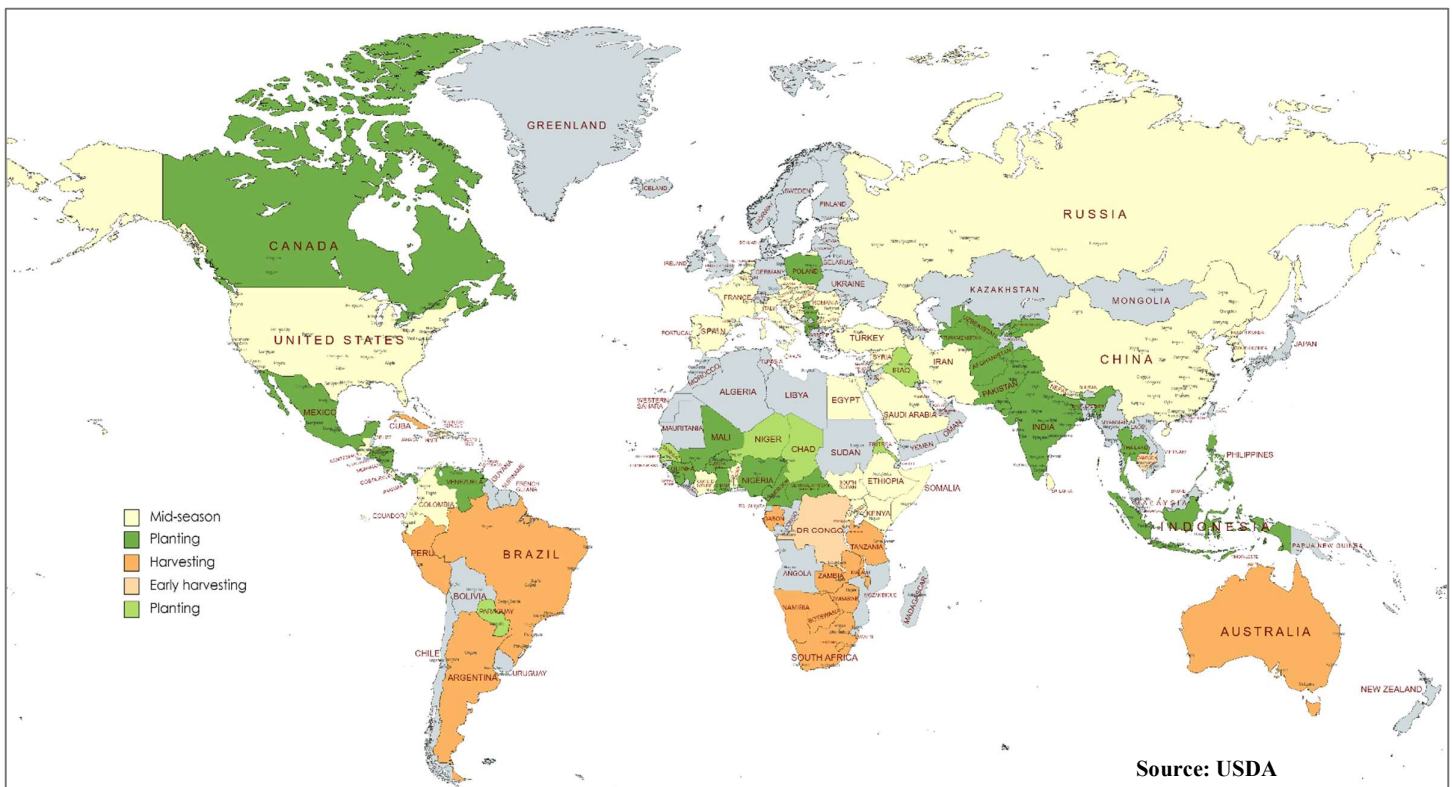
Grain Market Outlook

Table of contents:

1. World maize production.....1
2. World supply and demand.....2
3. Monthly contract movements.....3
 - 3.1. Grading trend of local white maize.....3
4. Final thoughts.....4

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



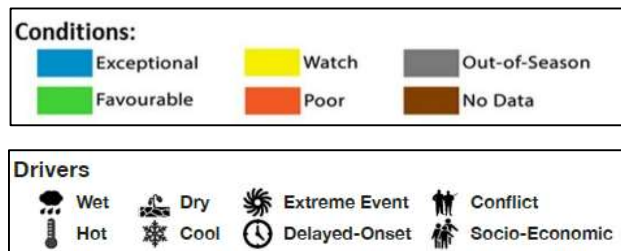
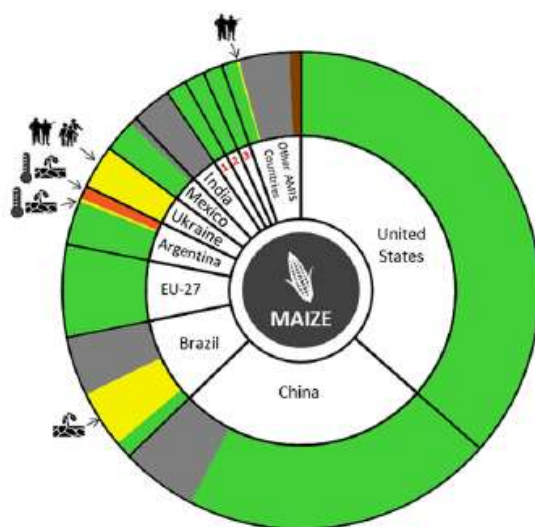
1.1. Global crop production conditions

In the **Southern hemisphere** harvesting is ongoing for major exporters, which includes Brazil (first crop), Argentina and South Africa. Generally, the harvesting conditions are favorable, but Brazil and Argentina are still experiencing some level of drought. In the **Northern hemisphere**, the planting season is progressing in North America and Northern Africa, whilst wrapping up in most parts of Europe.

Comments on La Niña: According to the IRI/CPC¹ El Niño-Southern Oscillation (ENSO) forecast, the expectation is that the La Niña phase will remain until at least August (69% chance). In the longer term, forecasts for La Niña are higher than 58%, with very-low chances of El Niño.



¹International Research Institute for Climate and Society



Canada¹, Russian Federation², South Africa³

Source: AMIS

Brazil: Conditions are mixed for the summer planted crop, which is the larger crop. A lack of rain in the Central-west and Southeast regions of Brazil may impact yields for maize that was only planted later in the season. However, the planted area has increased compared to the previous season.

Argentina: Harvesting of the early planted crop, which is the larger crop, and the summer planted crop, which is the smaller crop, are commencing slowly. Yields are expected to be lower following hot and dry conditions in the early stages of planting.

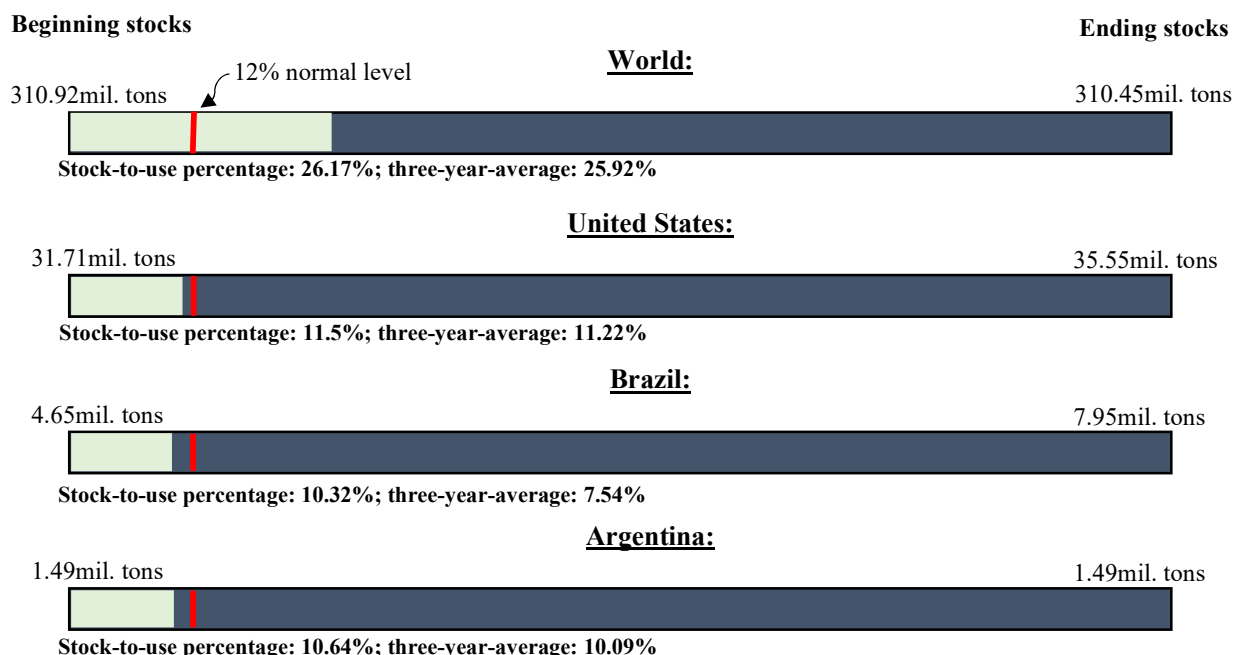
South Africa: Harvesting is progressing, with some of the harvesting regions experiencing delays due to an excess of rain.

China: For the spring planted crop conditions are generally favorable. As for the summer planted crop, planting is commencing.

United States: Planting has picked up following a slow start due to cold and wet conditions through most of corn belt region.

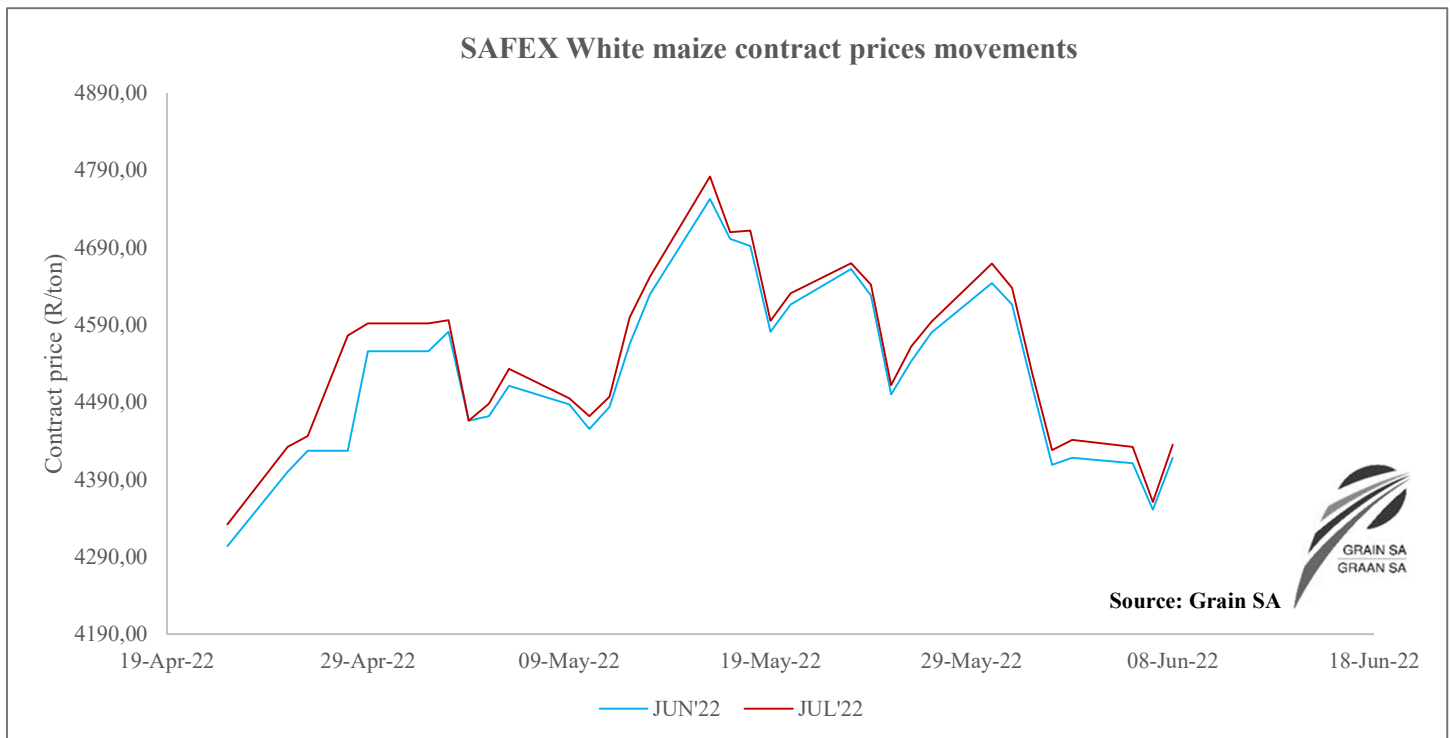
2. World supply and demand

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

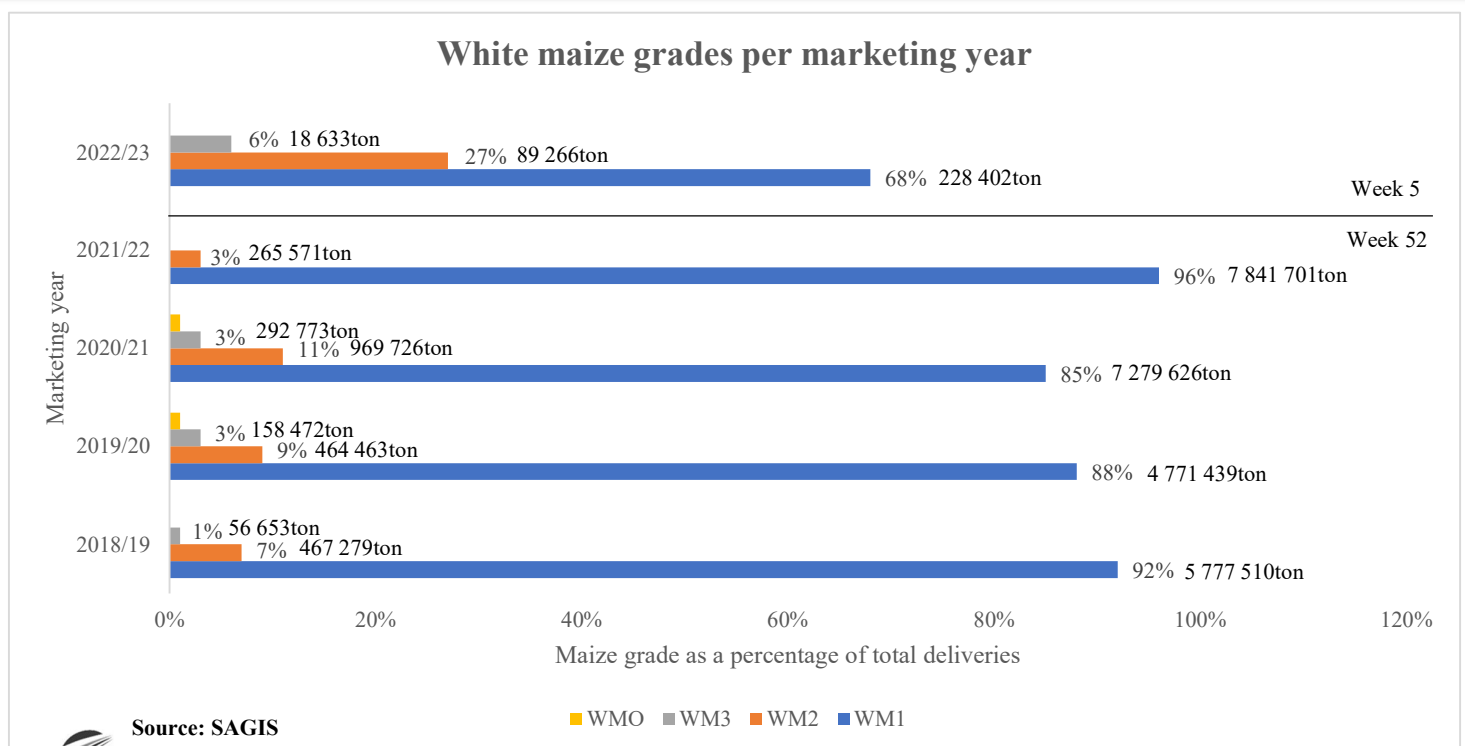
3. Monthly contract price movements (White Maize)



Comments on market movements for maize contracts:

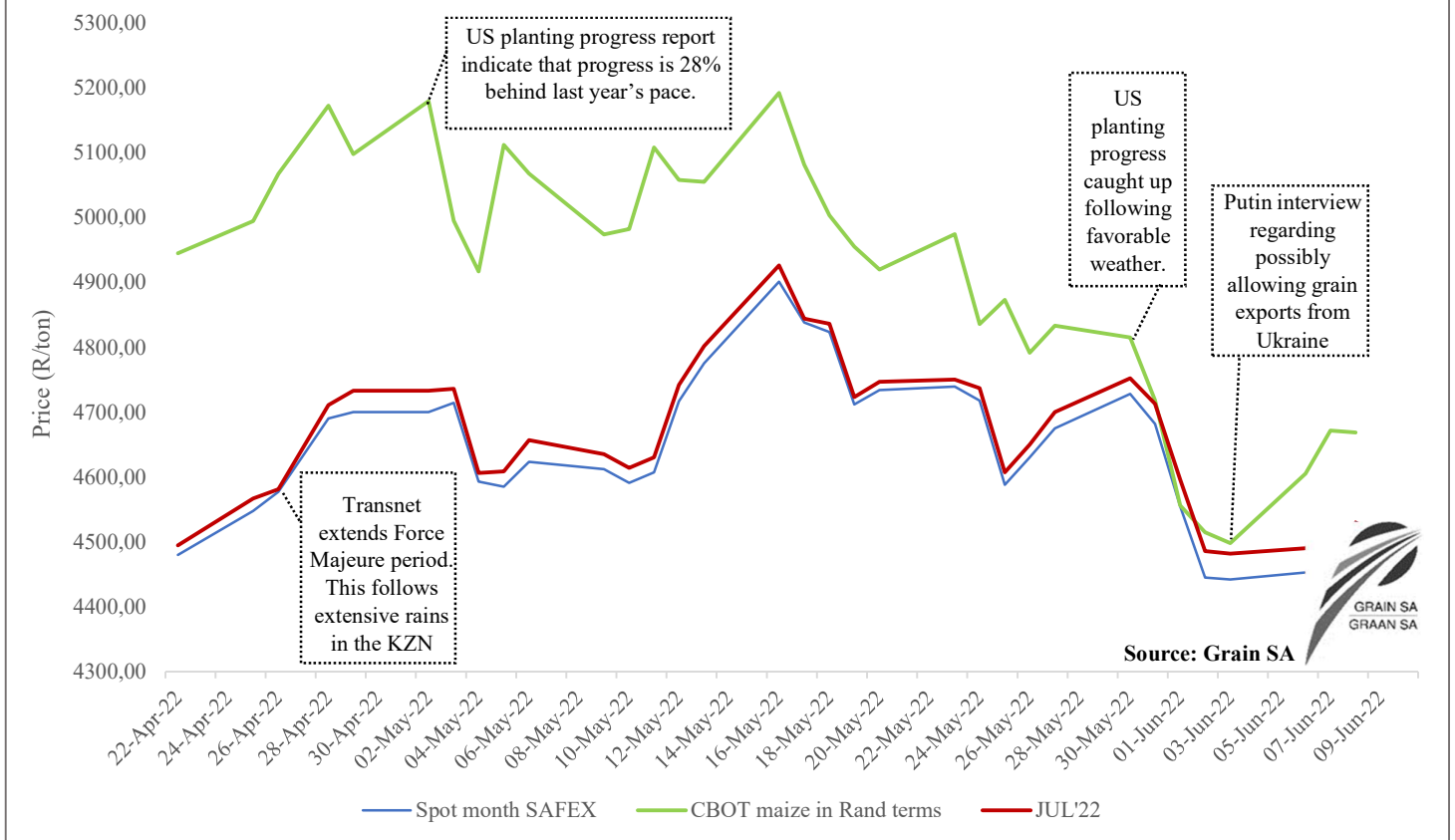
- The slow start to US planting gave fundamental support to maize prices. However, American producers have caught up and is busy finishing off the season under favorable conditions.
- Global maize supply remains a concern. Drier weather in the US has aided their planting progress for the 2022/23 season. Looking forward, competitiveness compared to other feed grains as well as bioethanol margins, will be demand watchpoints.

Grading trend of local white maize



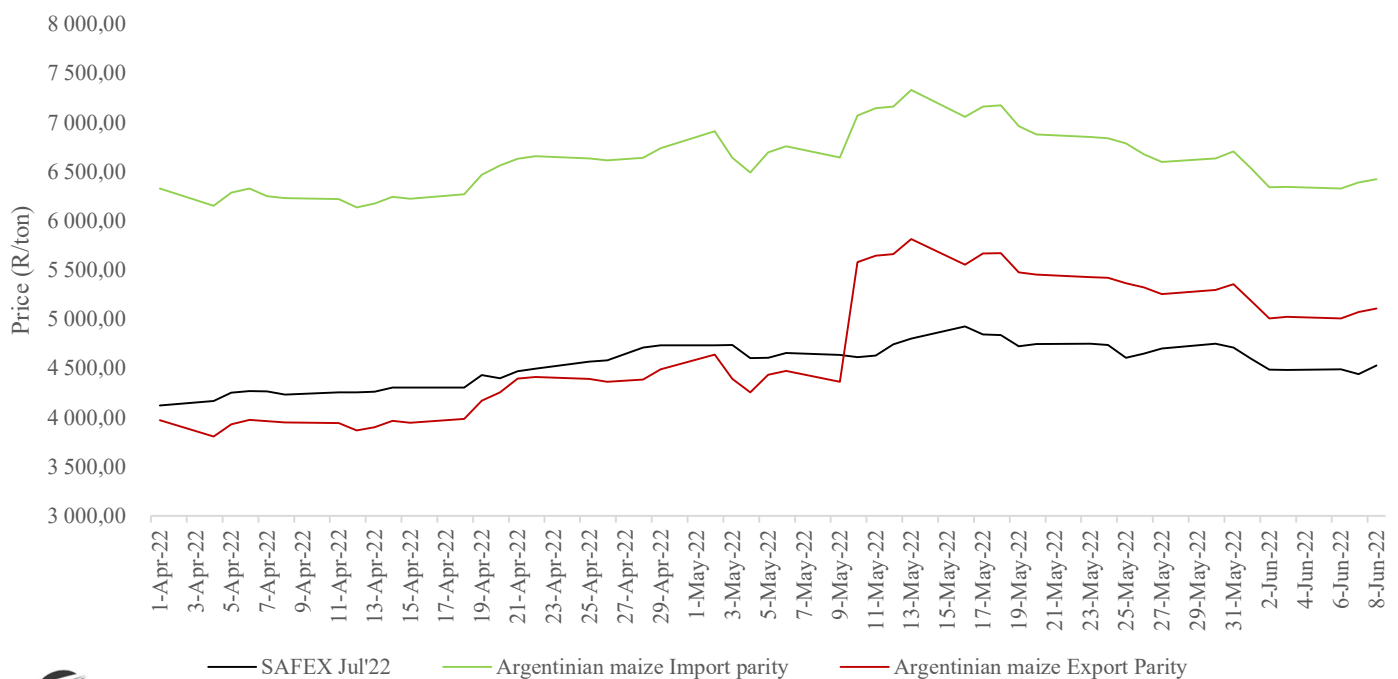
(Yellow Maize)

SAFEX Yellow maize contract prices movements JUNE 2022



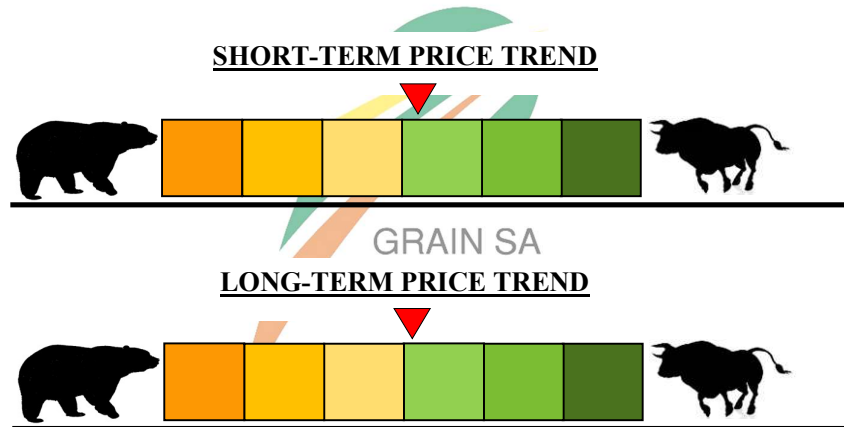
3.1. Import- and export parity movements

PRICES OF INTERNATIONAL YELLOW MAIZE DELIVERED IN RANDFONTEIN



4. Final thoughts

This past month, maize prices seem to have stabilized following the steep incline since the middle of February. Although the Russia/Ukraine war gives some volatile support to current prices, the fundamentals in the market aid to underlying support. Globally, concerns of supply pressure are mounting and certain key areas would need to be watched. US demand for biofuel production may hamper US export supplies- which, at the moment, is being watched for its ability to fill the export gap created by lower yields in Brazil and Argentina.



Bullish factors:

- US mandates to increase biofuel production, more specifically ethanol, will increase the US inland demand and may have an effect on US maize exports. Decreasing global export supplies.
- Argentina and Brazil are still experiencing drought in some regions, together with already lower yields. This adds to the global export supply pressure.

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.
- Consumer resistance to the historical high maize prices may start to kick in. Buyers may be unwilling to adapt to the current 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 at heleen@grainsa.co.za.

Best regards,

Grain SA economy team

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