

SOYBEANS



DECEMBER 2023

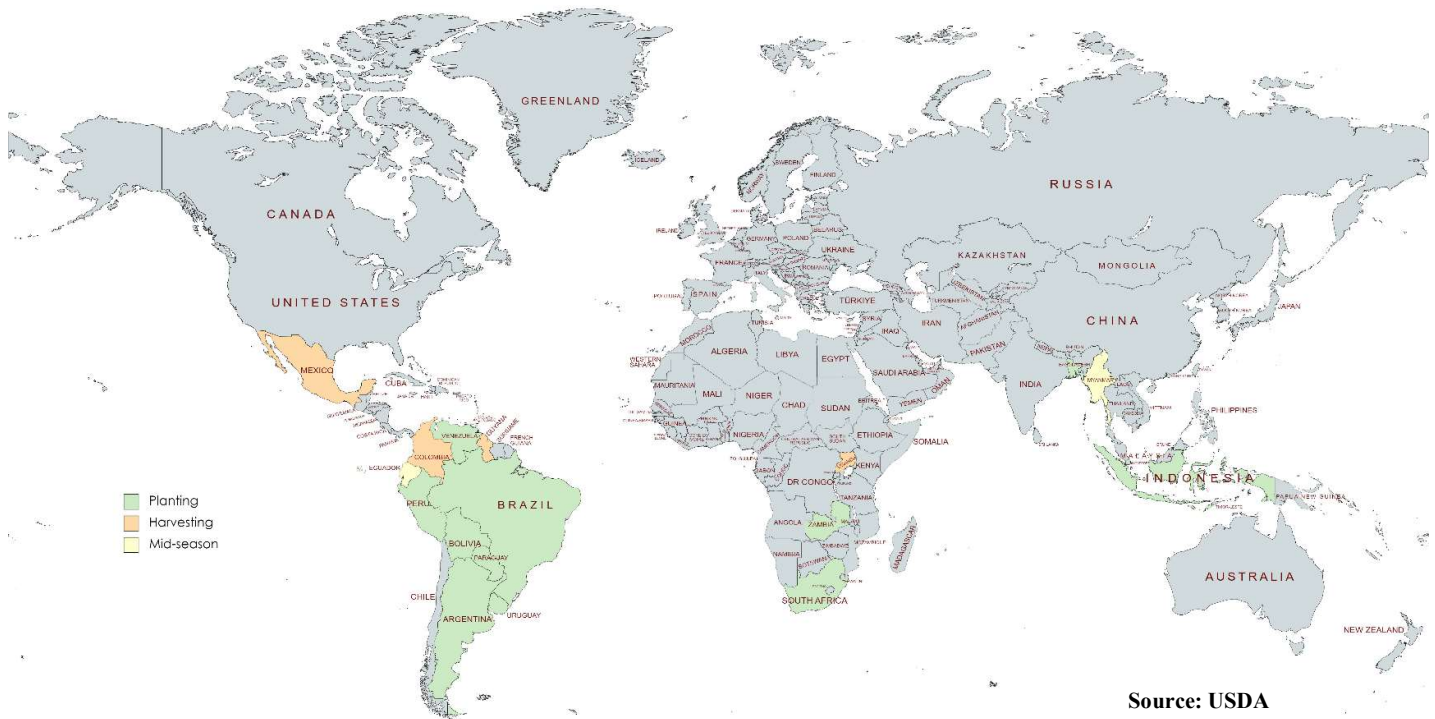
Grain Market Outlook

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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 be added to the monthly contact list, please feel free to contact Heleen Viljoen at heleen@grainsa.co.za.

1. World soybean production



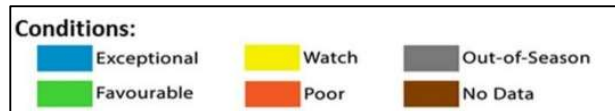
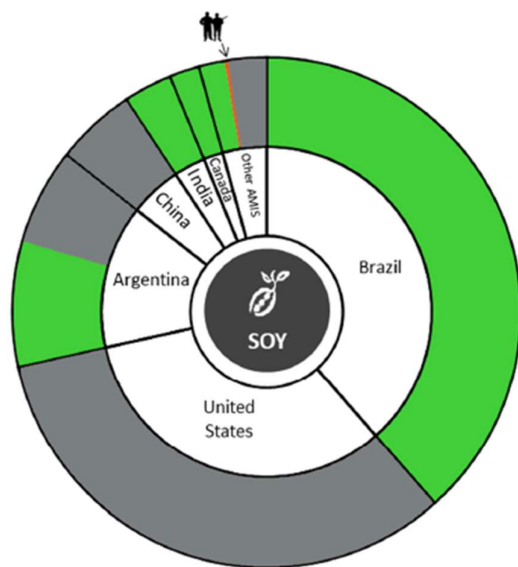
Source: USDA

1.1. Global crop production conditions

In the **Northern hemisphere**, the harvesting process is mostly wrapped up with some countries still in progress. In the **Southern hemisphere**, planting is commencing in the major production regions, following delays in the initial phases of the planting cycle.

Comments on El Niño: The El Niño Oscillation (ENSO) is currently in the El Niño phase. Forecasts for a strong event early in 2024 remains, with the possibility for a historically strong event increasing (35% chance). Conditions will remain active until March to May (88% chance) and transition to neutral by May to July (55% chance), according to the IRI¹.

¹International Research Institute for Climate and Society



Source: Geoglam
Conditions as of November 28th, 2023

Canada: The harvesting process is wrapping up with favourable conditions, with an anticipated increase in harvested hectares compared to the previous season.

India: The harvesting process is wrapping up under generally favourable conditions.

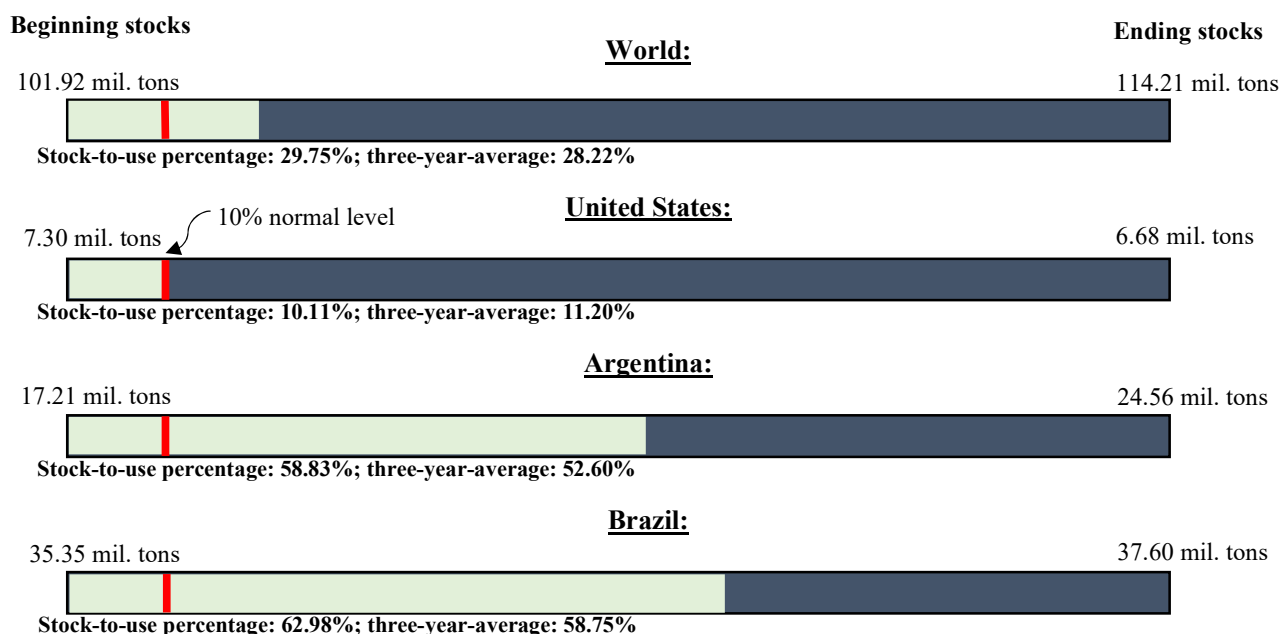
Ukraine: Apart from the conflict zones, the harvesting process is wrapping up with generally favourable conditions.

Brazil: Despite excessive rainfall in the South and a deficiency of rain in other production regions, the planting process is proceeding under generally favourable conditions. It is anticipated that the overall planted area will grow over the compared year.

Argentina: In most areas, planting is accelerating following a few weeks of rains. However, a sizable amount of the early-planting crop (which usually has a greater season) is being switched to the late-planted crop (which usually has a short season) due to the earlier dry weather and ongoing drought in some areas.

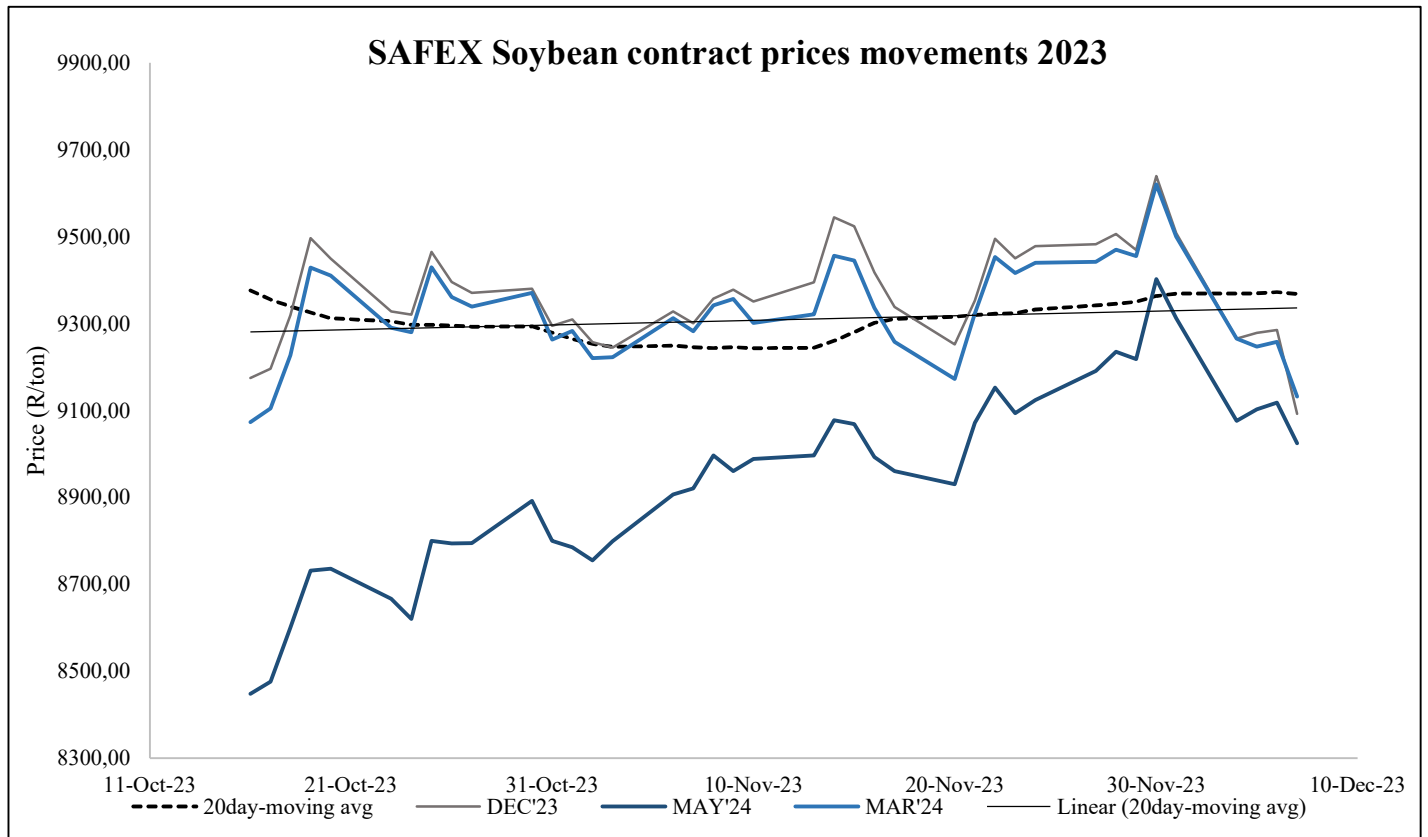
2. Supply and demand Estimates

2.1. World Agricultural Supply and Demand (WASDE) DECEMBER 2023/2024 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.

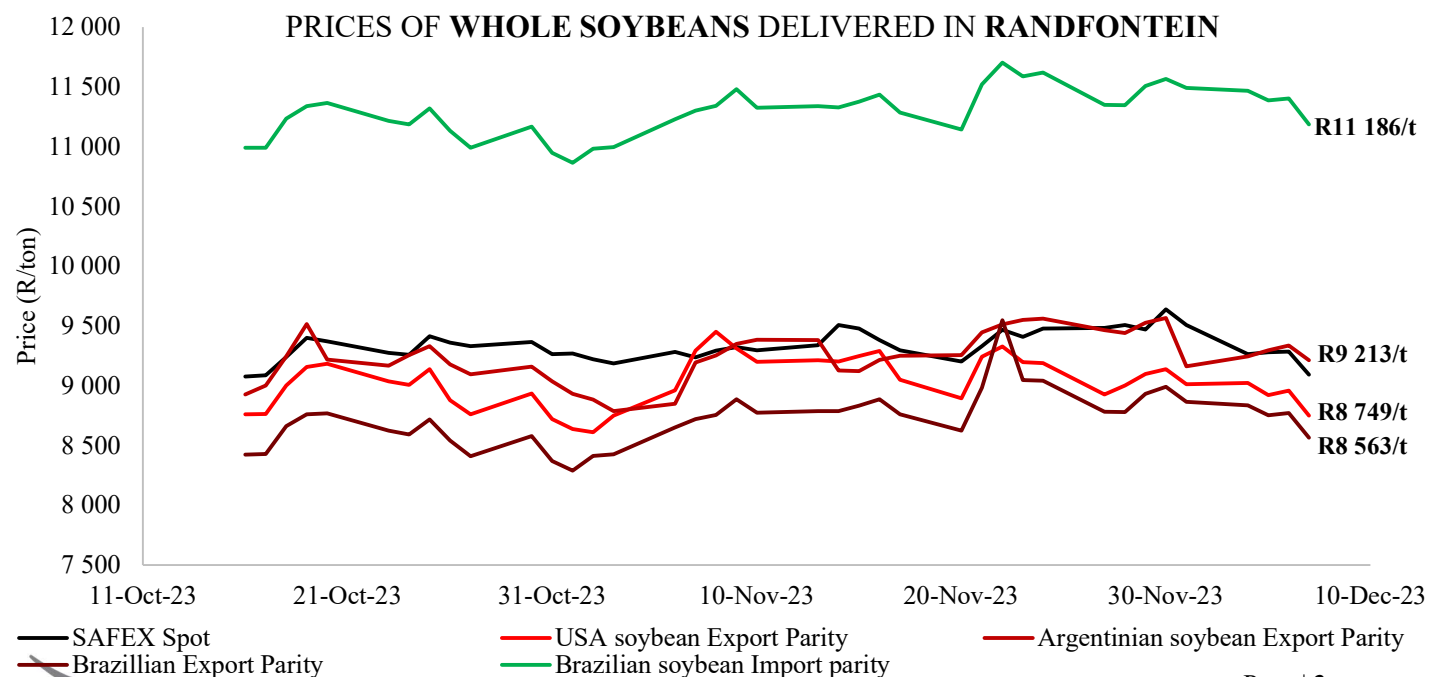
3. Monthly contract price movements



Comments on market movements for soybean contracts:

- Since the start of October, SAFEX soybean contracts have been trading with a generally sideways trend (taking the 20-day moving average into consideration). However, at the end of November prices started to decline steadily. October month was also market with the historically import first export shipment of soybeans to China.

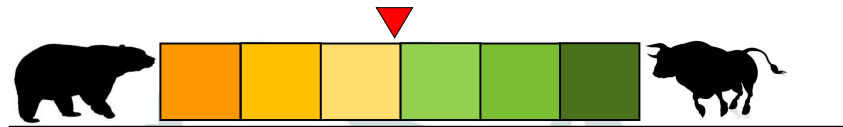
3.1 Import and export parity prices



4. Final thoughts

Apart from the increased demand for US supplies driven by strong purchases from China, the market found support in concerns about the Brazilian crop outlook due to unfavorable weather in key growing regions. As the 2023/2024 season is drawing to a close, markets are placing a renewed focus on the planting progress in the Southern hemisphere, with conditions generally favourable.

SHORT-TERM PRICE TREND



LONG-TERM PRICE TREND



Bearish factors:

- South African exporting infrasture is placing pressure on exporting ability.
- Favourable crop conditions in Argentina could apply downward pressure in the short- and longterm
- Sufficient rain in the Western parts of South Africa could apply short-term downward pressure to prices.

Bullish factors:

- Short-term, unfavourable growing conditions are impacting the Brazilian soyabean crop such that production has been forecast down, limiting any price losses.
- Lower global ending stock expected for the 2023/24 season
- Strong Chinese demand is supporting sales in both the US and Brazil.
- Locally, hot and dry conditions in the West is affecting the planting process, which could lead to increased maize planted hectares.

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Best regards,

Grain SA economy team

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