

European union: Harvesting is continuing in the EU. However, France, Spain, Romania and Portugal are experiencing hot and dry conditions which is taking its toll on yields. The rest of the European Union remains under favourable conditions.

Ukraine: Harvesting is advancing, although it's still unclear if it's possible to do so in the vicinity of conflict areas and inside of occupied territory.

Australia: Conditions are generally favourable in Australia, despite excessive rainfall and flooding in July across the eastern parts of the country.

Russian Federation: In the Russian Federation, winter wheat is harvesting under favourable conditions. Spring wheat conditions are favourable.

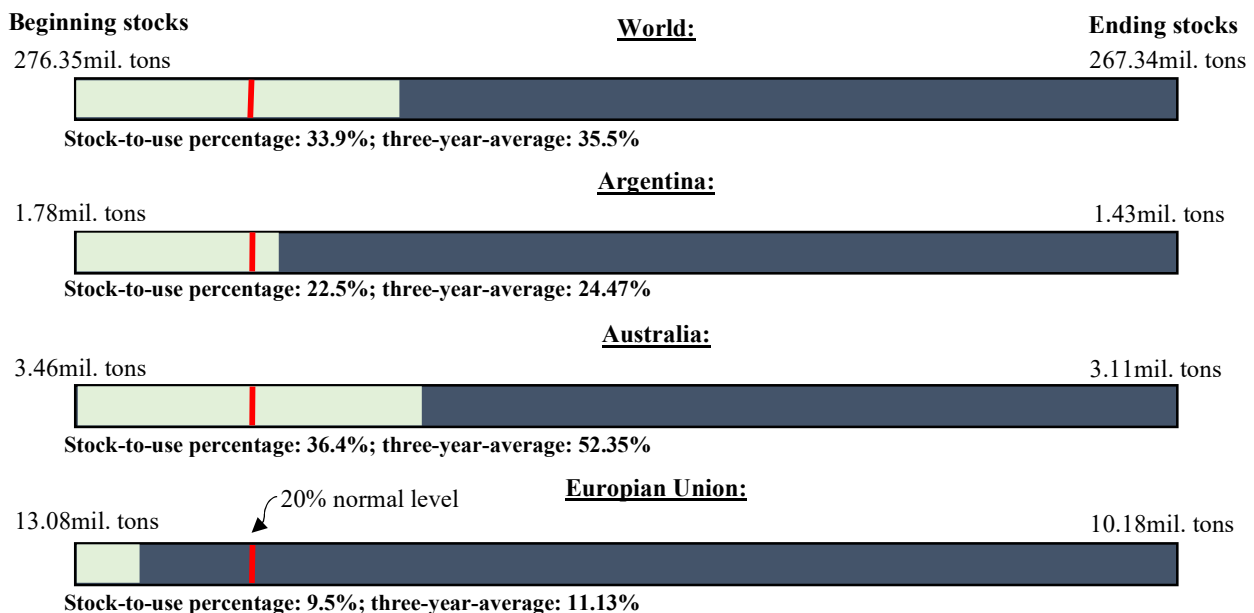
Turkey: Harvesting conditions are favourable.

United States: Due to dryness in the central and southern Great Plains, winter wheat harvesting is proceeding in the US with mixed conditions. Conditions for spring wheat are favourable.

Canada: conditions have improved for spring wheat in Alberta and Manitoba with increasing rains and warmer temperatures, while dry conditions are developing over winter wheat areas in Ontario.

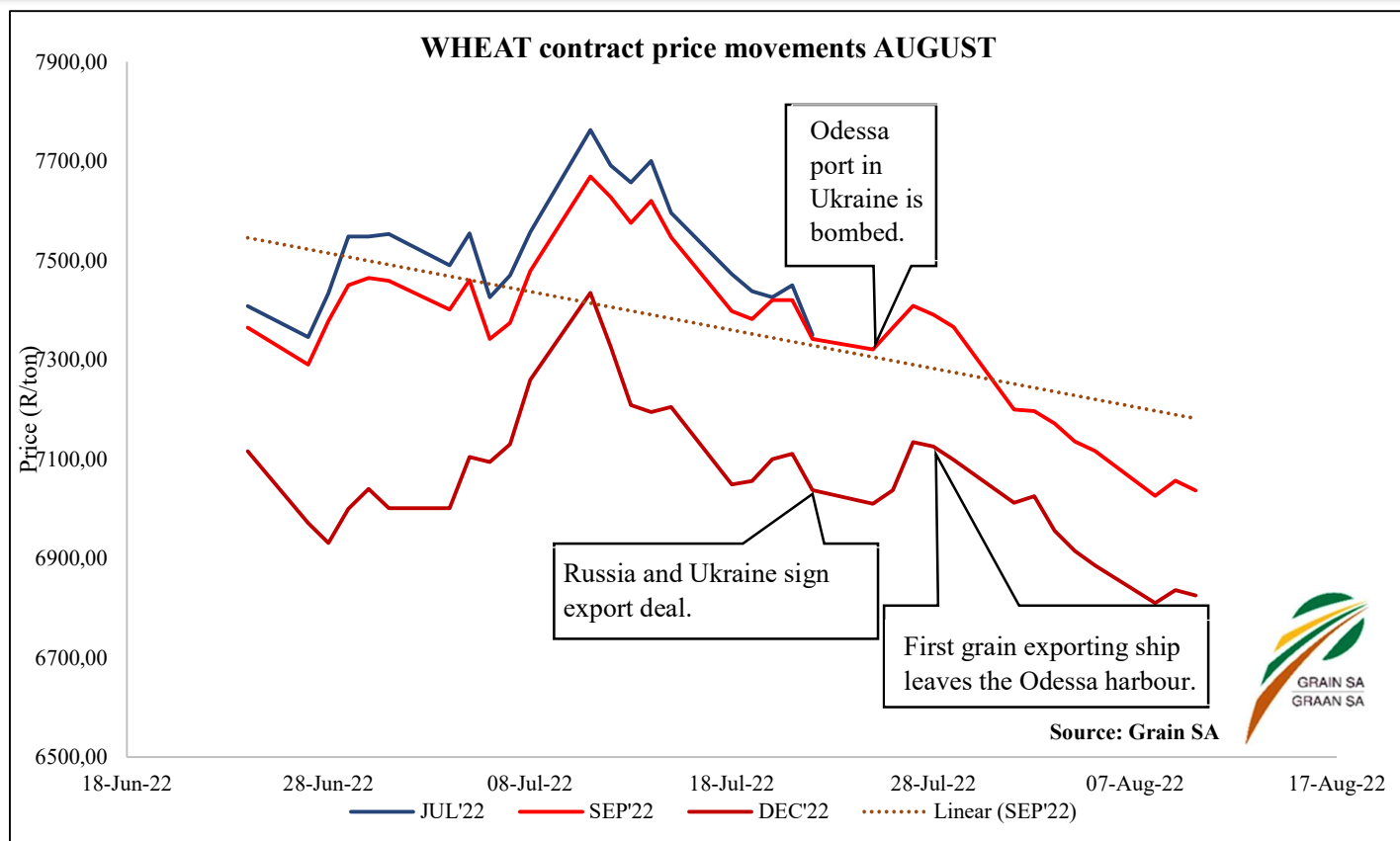
2. World supply- and demand

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

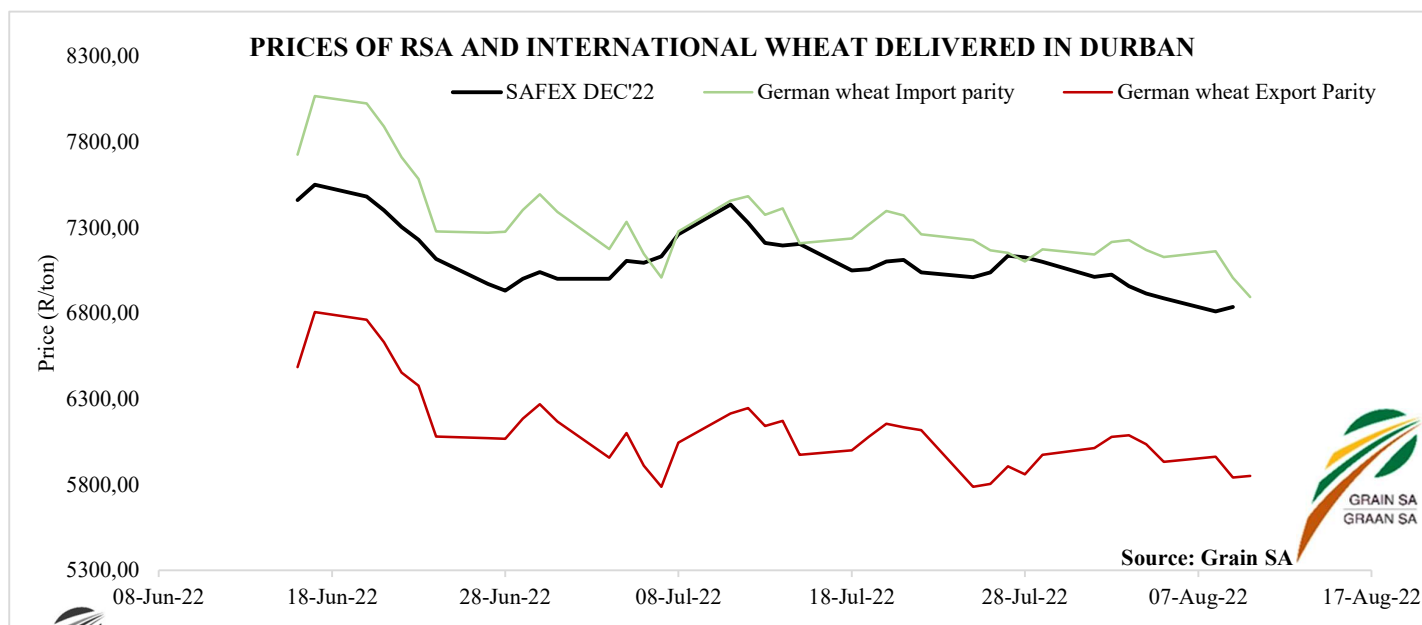
3. Monthly contract price movements



Comments on market movements for wheat contracts:

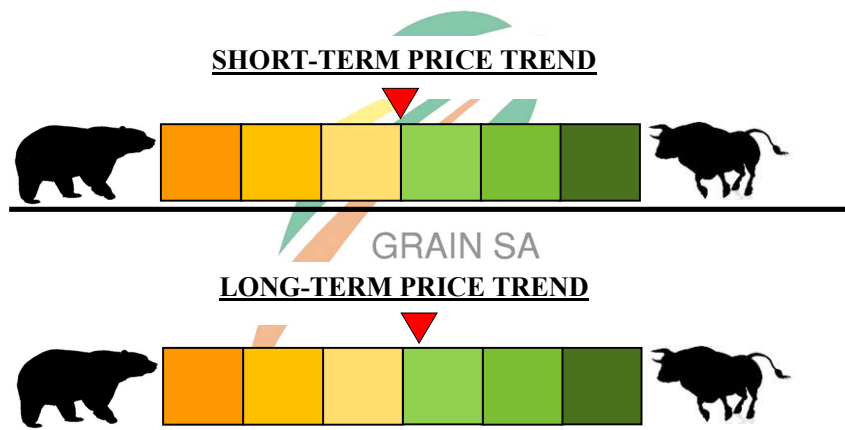
- Through the months of July and August, local wheat contracts were subjected to price volatility following the export negotiations between Russia and Ukraine. Ongoing grain exports from Ukraine are applying additional price volatility and pressure.
- Wheat contracts are currently trading in backwardation due to the underlying conditions in the market getting tighter. Short term demand is currently higher for local wheat contracts than contracts for later in the season.

3.1. Import- and export parity movements



4. Final thoughts

This past month both local- and international wheat contract prices have been on a downward trend. In the shorter term price volatility continues as grain shipments are leaving Ukraine. News on Ukrainian grain exports continues to dominate market short term movements. In the longer term, dry and hot weather remains a watchpoint for the 2022/2023 wheat harvest, with strong demand continuing to support prices.



Bullish factors:

- Major wheat producing countries, including the European Union, Argentina and Canada are experiencing hot and dry conditions- which may impact future yields.
- The estimation, according to the International Grains Council (IGC), estimates that global wheat production for the 2022/23 production year will decline and is currently insufficient to meet global demand.
- Although the planted area for South African wheat are predicted to increase in the coming marketing season, production conditions in especially the Swartland region may impact future yields.

Bearish factors:

- Harvesting process is underway for the Northern hemisphere, lending additional downward pressure with increased global available stocks.
- News on Ukrainian grain exports continues to dominate market short term movements.
- The WASDE report increased global wheat exports in the latest August report. This may take off some price pressure.

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

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