

WHEAT

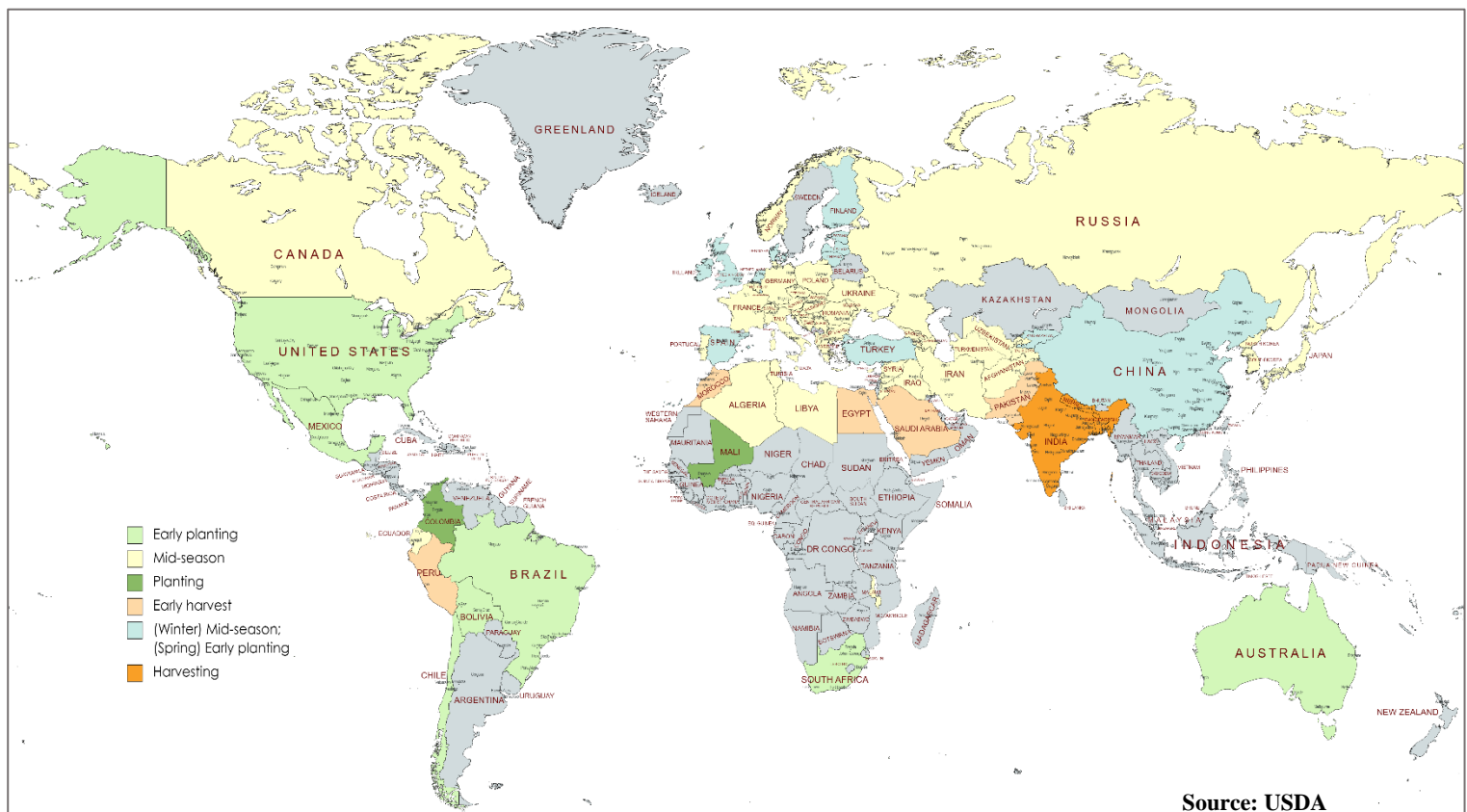


Grain SA
April 2022
Grain Market Outlook

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1. World wheat production



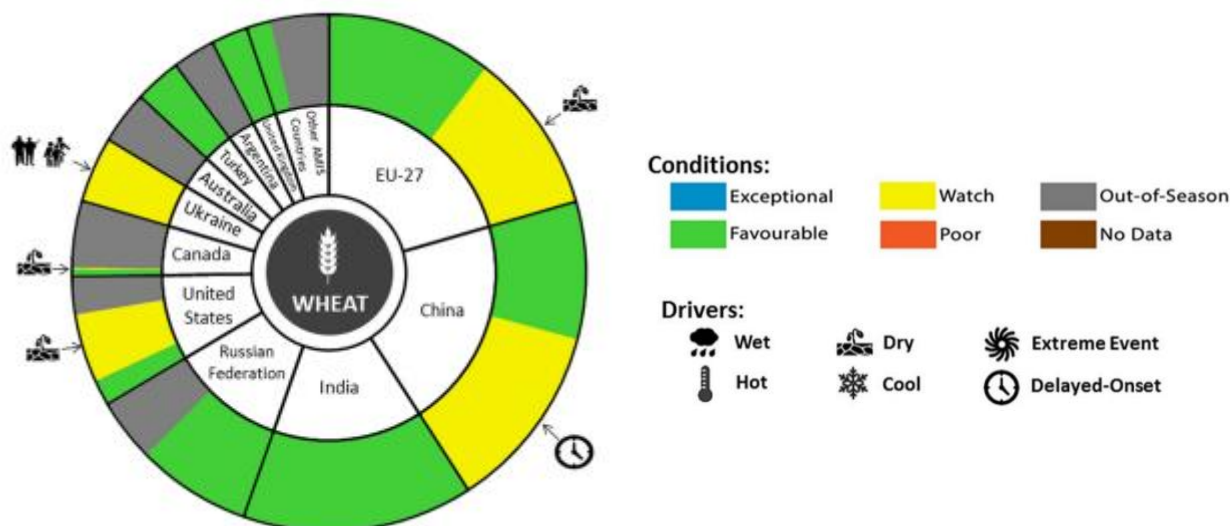
1.1. Global crop production conditions

In the Northern hemisphere, Northern America as well as Southern and Eastern Europe are starting to experience concern with regards to dry conditions.

Comments on La Niña: According to the IRI/CPC El Niño-Southern Oscillation (ENSO)¹ forecast, the expectation is that the La Niña phase will remain until at least June (80% chance) or July (65% chance). After that, conditions for La Niña and ENSO are equally likely.



¹International Research Institute for Climate and Society



Source: AMIS

European union: Overall conditions are mixed. In Southern- and Eastern Europe conditions are developing rainfall deficits and dry conditions. In Western Europe some producing areas have experienced favourable rainfall.

Ukraine: In terms of climatic conditions, winter wheat is emerging under favourable conditions.

Russian Federation: Currently the winter wheat growing area is experiencing favourable conditions with ample rainfall supporting soil moisture.

United States: Winter wheat production is experiencing long term dryness in most of the main wheat producing areas.

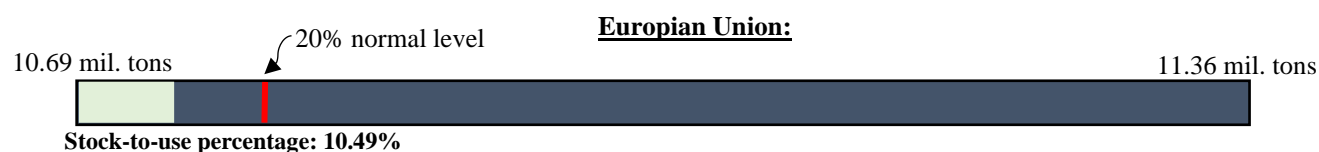
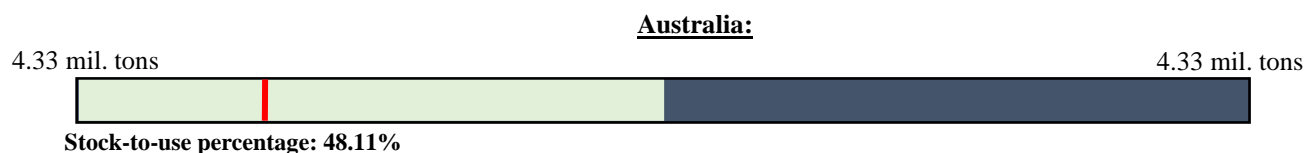
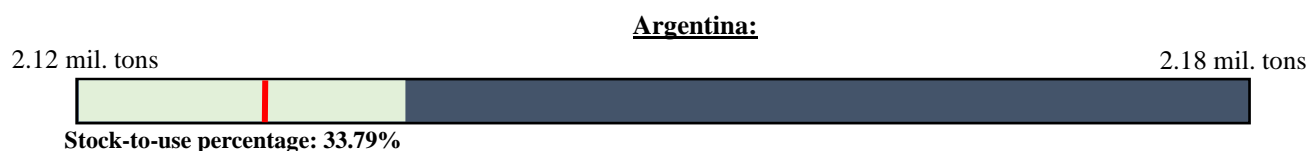
Canada: Some parts of are experiencing favourable conditions, particularly Manitoba and Ontario, whilst other producing areas are experiencing mixed conditions.

China: for the winter wheat crop conditions are currently favourable. Some winter wheat producing areas experienced flood damage which delayed planting. Spring wheat producing have started under favourable conditions.

India: The current winter wheat crop is growing under favourable conditions.

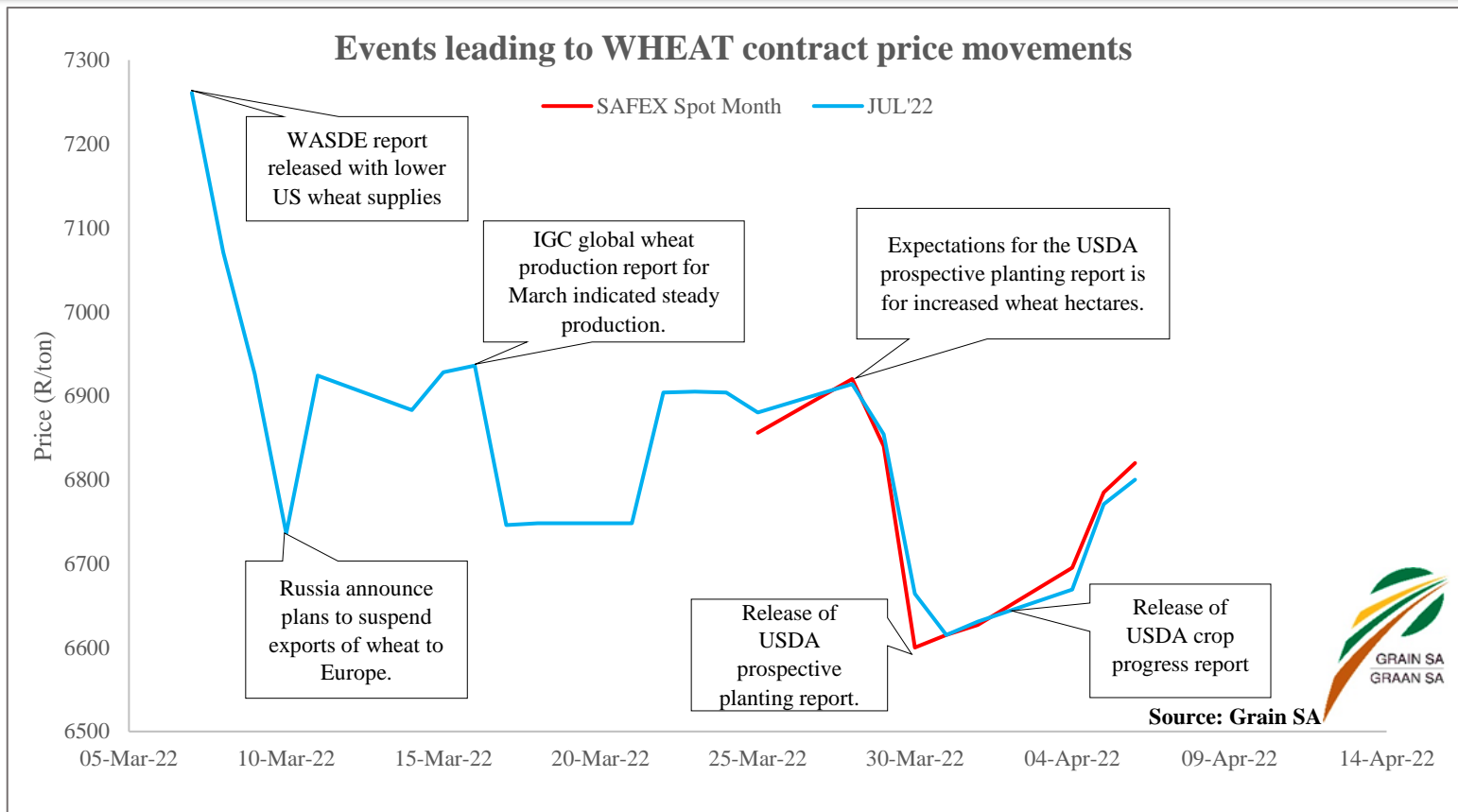
2. Supply and demand Estimates

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

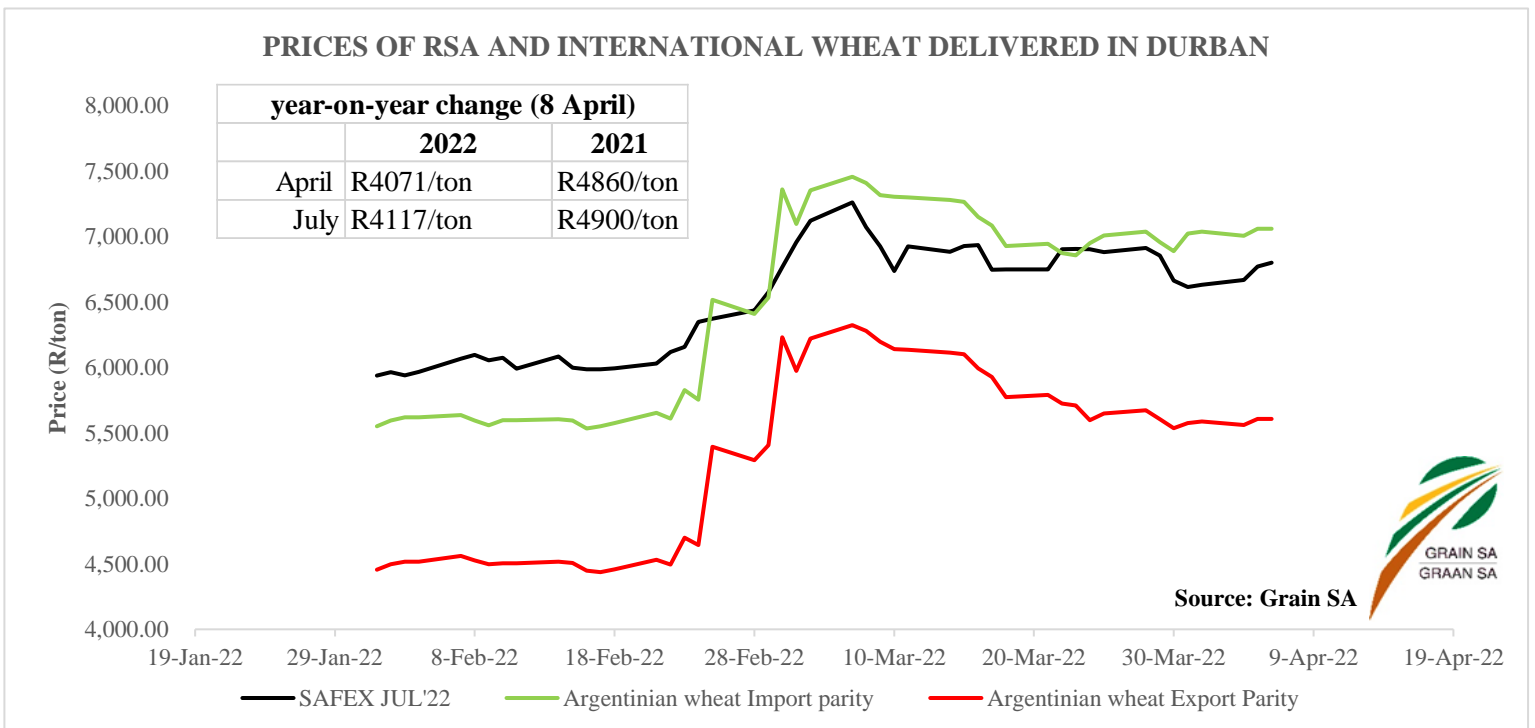
3. Monthly contract price movements



Comments on market movements for wheat contracts:

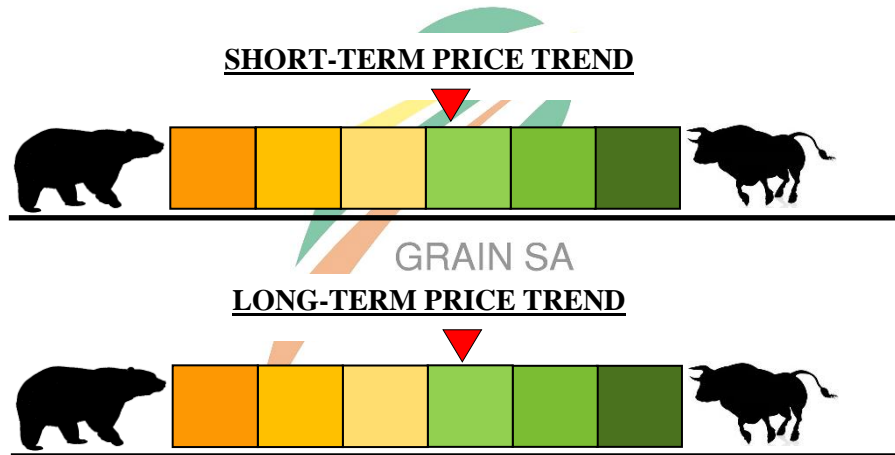
- Ukraine/Russia tension caused a lot of volatility in the market, leading to larger contract movements.
- Although the WASDE report indicated lower US wheat supplies, global stocks and production increased.
- The USDA crop progress report indicated that 2021/22 US winter wheat crop is struggling, with only 30% of the crop in good-to-excellent condition; and 36% rated as poor to very poor condition.

3.1. Import- and export parity movements



4. Final thoughts

Since the start of the Russia/ Ukraine conflict, markets- have been in an increased volatile state. Throughout the month of March, as well as the start of April, market movements have been reacting sharply to any news regarding these two countries. The conflict also resulted in fear of global supply shortages, that contributed to price support. Although markets have been reacting sharply, the general trend have been on an upward incline since February. However, not all market influencing factors point to a bullish wheat market.



Bullish factors:

- Russia's export ban on raw grain materials exports to European Union.
- Supply chain disruptions can hinder global wheat exports.
- US crop conditions are not optimal which may affect future supply.
- Local wheat exports increasing year-on-year.
- WASDE report for April report indicating tightened world ending stocks.

Bearish factors:

- High prices did not reflect the true intrinsic value of the product and prices are slowly returning.

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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