WHEAT

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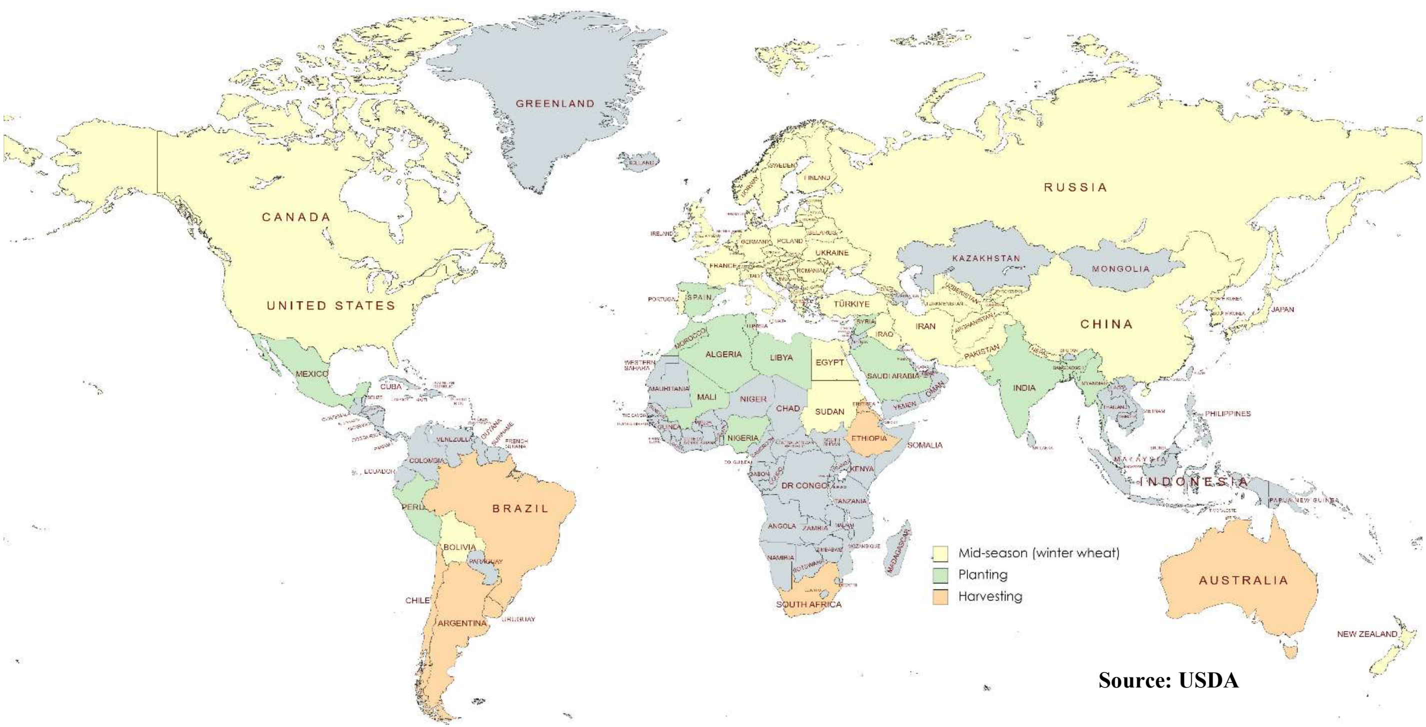
DECEMBER 2023

Grain Market Outlook

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

1. World wheat production



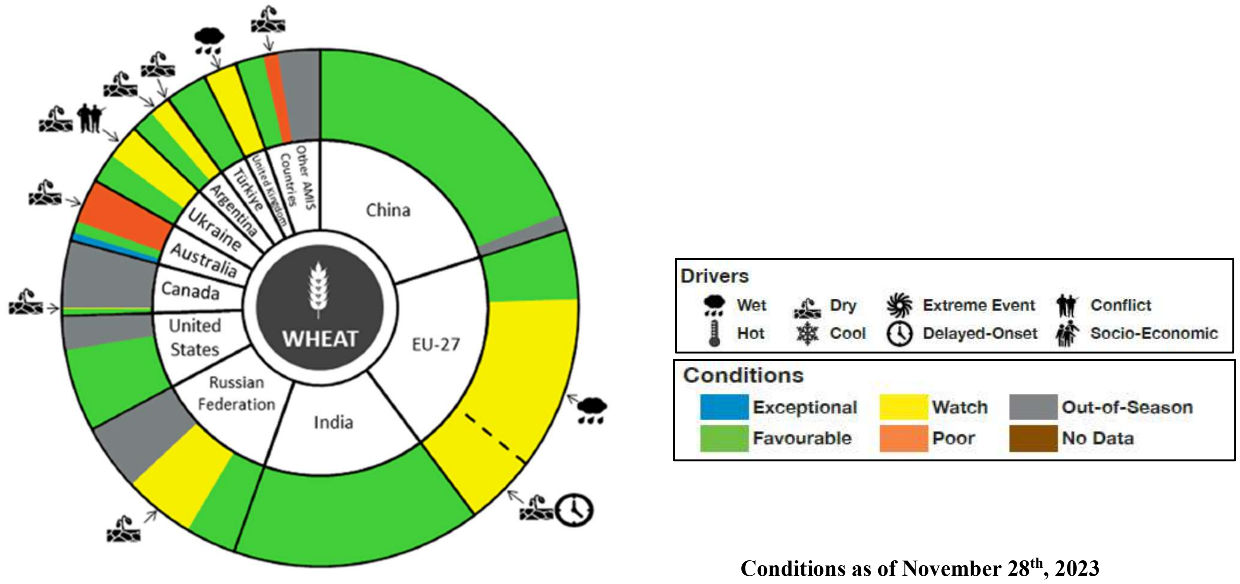
Source: USDA

1. **World production conditions**

In the **Northern hemisphere**, the planting of the winter wheat crop is wrapping up with mixed conditions, particularly in Europe and the Black Sea Region. In the **Southern hemisphere,** the harvesting process is continuing with some areas of concern in Argentina, Brazil and Australia.

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 IRI[1].

[1]International Research Institute for Climate and Society



Conditions as of November 28th, 2023
Source: Geoglam

Australia: The harvesting process is well underway with some areas experiencing drought. Conditions are mixed with hot and dry weather eroding yields across much of the country. However, sufficient rains in the South have supported grain filling.
Argentina: The harvesting process is well underway in the North, as rain has arrived too late for most crops.
European Union: In the West and North, wetter than average conditions have delayed the planting process and crop establishment. In the South, dryness and hot conditions have led to poor crop development.
United Kingdom: Abundant rainfall has resulted in late planting, which may affect early crop development.
Canada: The winter wheat conditions are generally favourable in the main producing areas.
Russian Federation: In November sufficient rains have improved the crop conditions across most regions.
China: Conditions are generally favourable as crop are entering into winter dormancy.
Ukraine: The planting process is wrapping up with favourable conditions, away from the conflict zones.

2. World supply- and demand

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

Beginning stocks | **World:** | **Ending stocks**

267.55mil. tons | 258.13mil. tons

Stock-to-use percentage: 32.6%; three-year-average: 33.55%

Argentina:

3.43mil. tons | 1.88mil. tons

Stock-to-use percentage: 28.7%; three-year-average: 36.84%

Australia:

2.84mil. tons | 2.84mil. tons

Stock-to-use percentage: 39.4%; three-year-average: 38.51%

European Union:

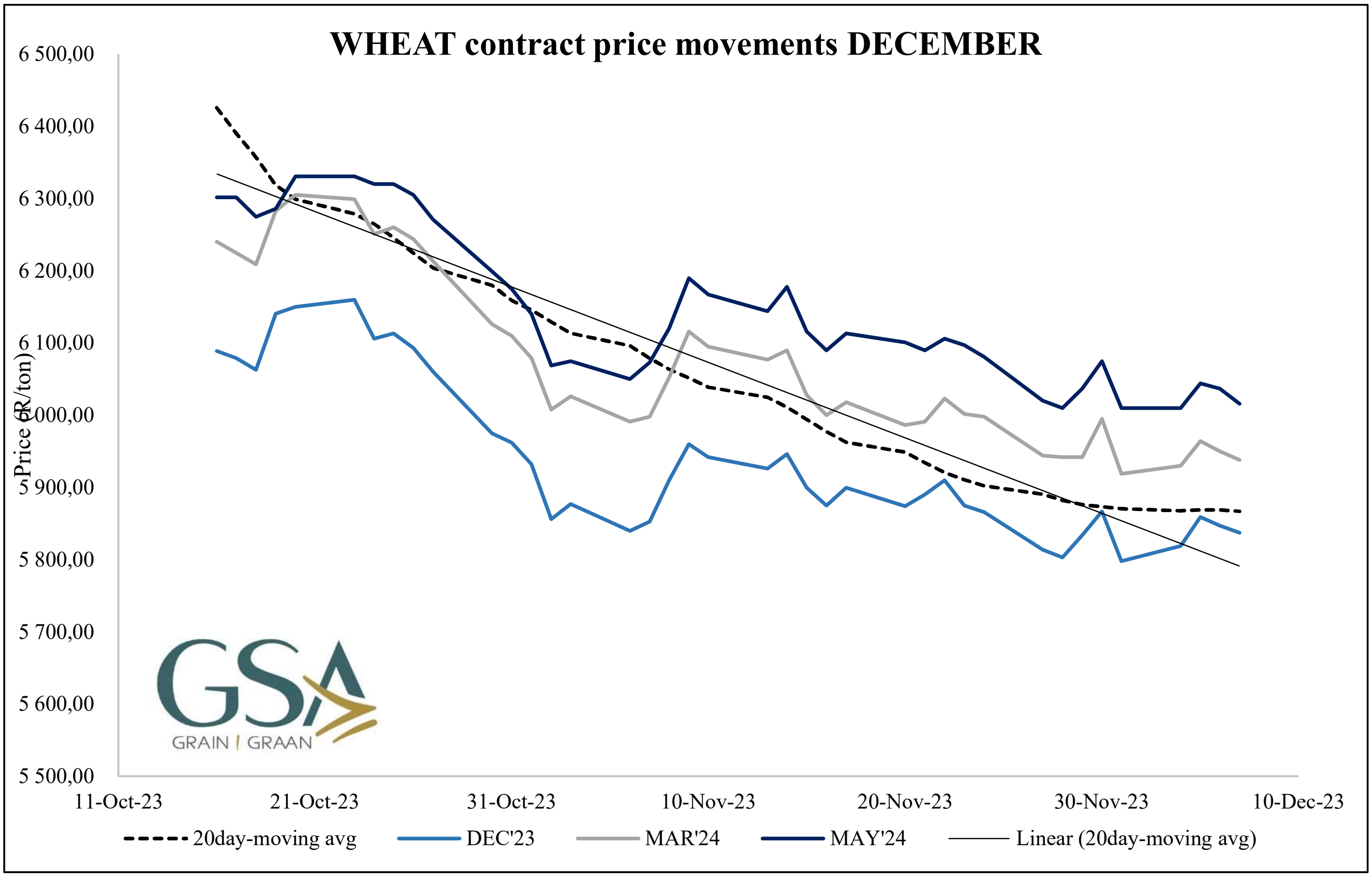
20% normal level

16.51mil. tons | 12.01mil. tons

Stock-to-use percentage: 11.1%; three-year-average: 12.88%

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.

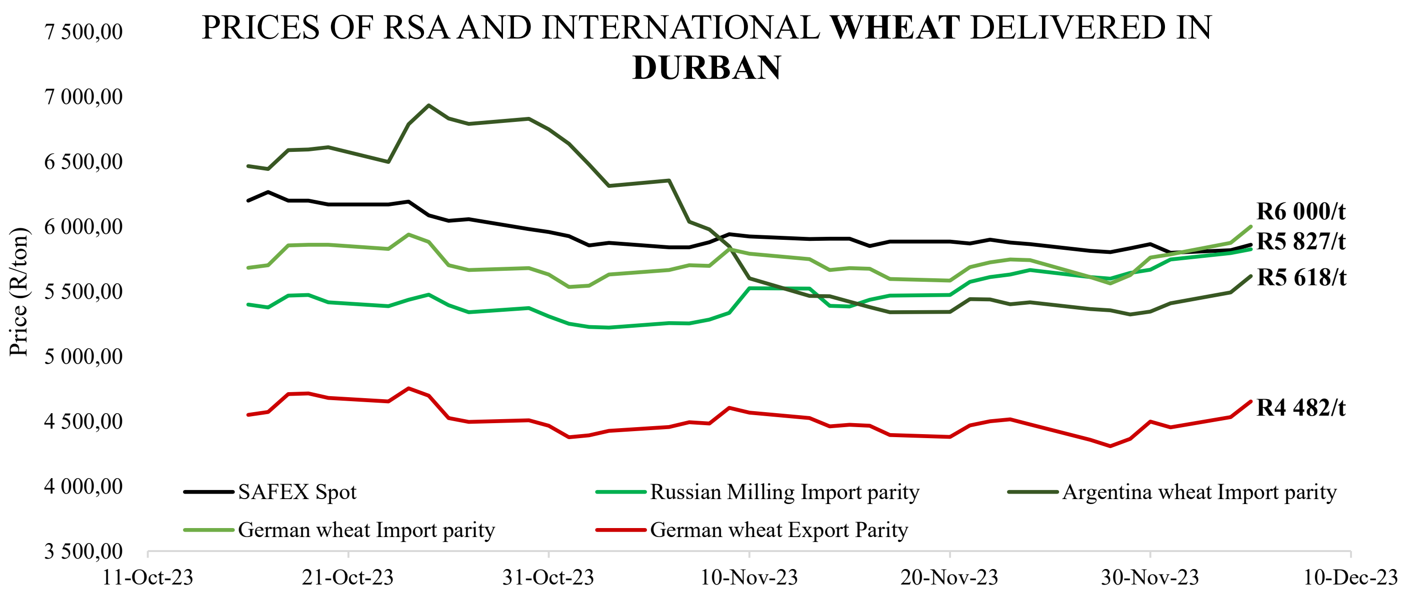
3. Monthly contract price movements



Comments on market movements for wheat contracts:

- Starting at the end of October, through November and December, local wheat producers progressed with the harvesting process for the 2023 crop. The harvesting process traditionally adds to downward pressure on contract prices. This, coupled with a faster importing rate affected prices downward since the end of October.

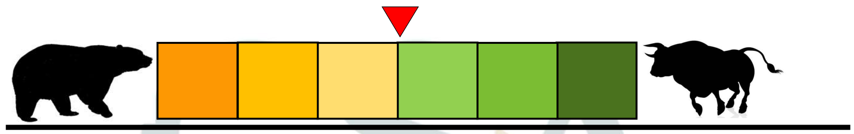
3.1. Import- and export parity movements



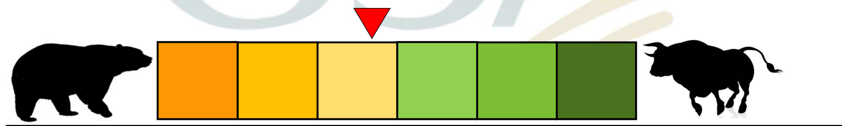
4. Final thoughts

Globally, most of the Northern hemisphere has wrapped up the planting of the winter wheat crop, with the market placing a keen focus on crop conditions. Conditions are generally favourable, with some countries in the EU, Russia and Ukraine experiencing persistent hot and dry weather. The Southern hemisphere is well underway with the harvesting process, with conditions in Australia raising some concern.

SHORT-TERM PRICE TREND



LONG-TERM PRICE TREND



Bearish factors:

- Better than expected production in Canada and Australia
- Heavy maize supplies this season are still expected to weigh down on prices in 2024, subject to the Brazilian crop remaining large.
- Harvesting pressure is evident in local markets as producers are commencing with harvesting the 2023 wheat crop, which is also a larger production season than the previous year.
- The local wheat importing trend is higher than the previous season as well as the five-year average. Increasing local stocks.

Bullish factors:

- Lowest global ending stocks since 2015/16, 258.2 million tons predicted for 2023/24
- Focus will remain on the winter wheat crop development in die Northern Hemisphere.

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

Best regards,

Grain SA economy team

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