WHEAT

FEBRUARY 2024

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

1. World wheat production

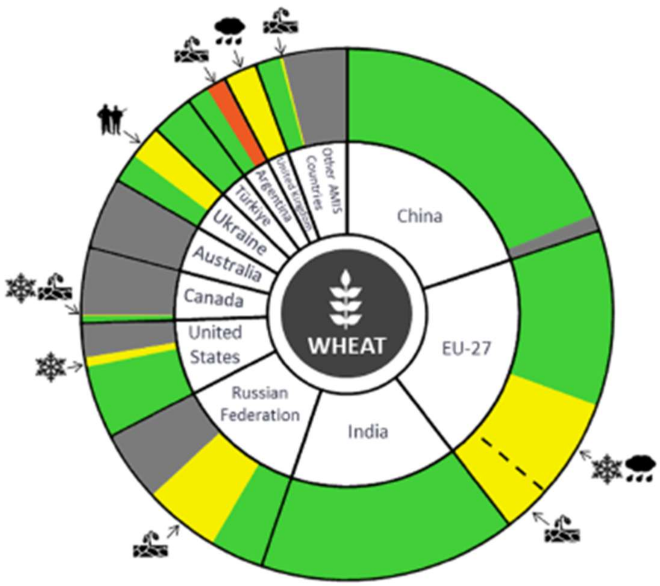
Source: USDA

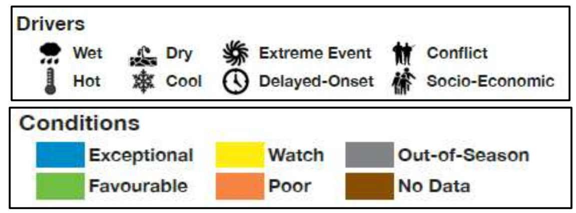
1. World production conditions

In the **Northern hemisphere**, most of the large production areas are in mid-season with conditions generally favorable.

Comments on El Niño: The El Niño Oscillation (ENSO) is currently in the El Niño phase, with forecasts of a weakening event increasing. The possibility for ENSO-neutral conditions is likely during April and June (73% chance). According to the IRI[1], a La Niña event has a 64% likelihood during August and October.

[1]International Research Institute for Climate and Society





Conditions as of January 28th, 2024
Source: Geoglam

Australia: The harvesting process is wrapping up with mixed conditions, despite the severe drought experienced earlier in the season across the country.
European Union: The North is experiencing cold conditions, the Central parts excessive rainfall, and dryness along the Mediterranean.
United Kingdom: Conditions are mixed, with some areas experiencing excessive rainfall.
Turkey: Conditions are generally favourable.
Ukraine: Generally, conditions are favorable away from the conflict zones.
Russian Federation: Soil moisture improved following ample rainfall; however dry conditions remain in parts of the country.
United States: Conditions are generally favorable despite recent extreme cold temperatures combined with limited snow cover, increasing potential for winterkill.

2. World supply- and demand

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

Beginning stocks — **World:** — **Ending stocks**

271.21mil. tons — 210.69mil. tons

Stock-to-use percentage: 26.4%; three-year-average: 31.73%

Argentina:

4.07 mil. tons — 2.38mil. tons

Stock-to-use percentage: 35.5%; three-year-average: 41.76%

Australia:

4.37 mil. tons — 7.0 mil. tons

Stock-to-use percentage: 51.0%; three-year-average: 48.74%

European Union:

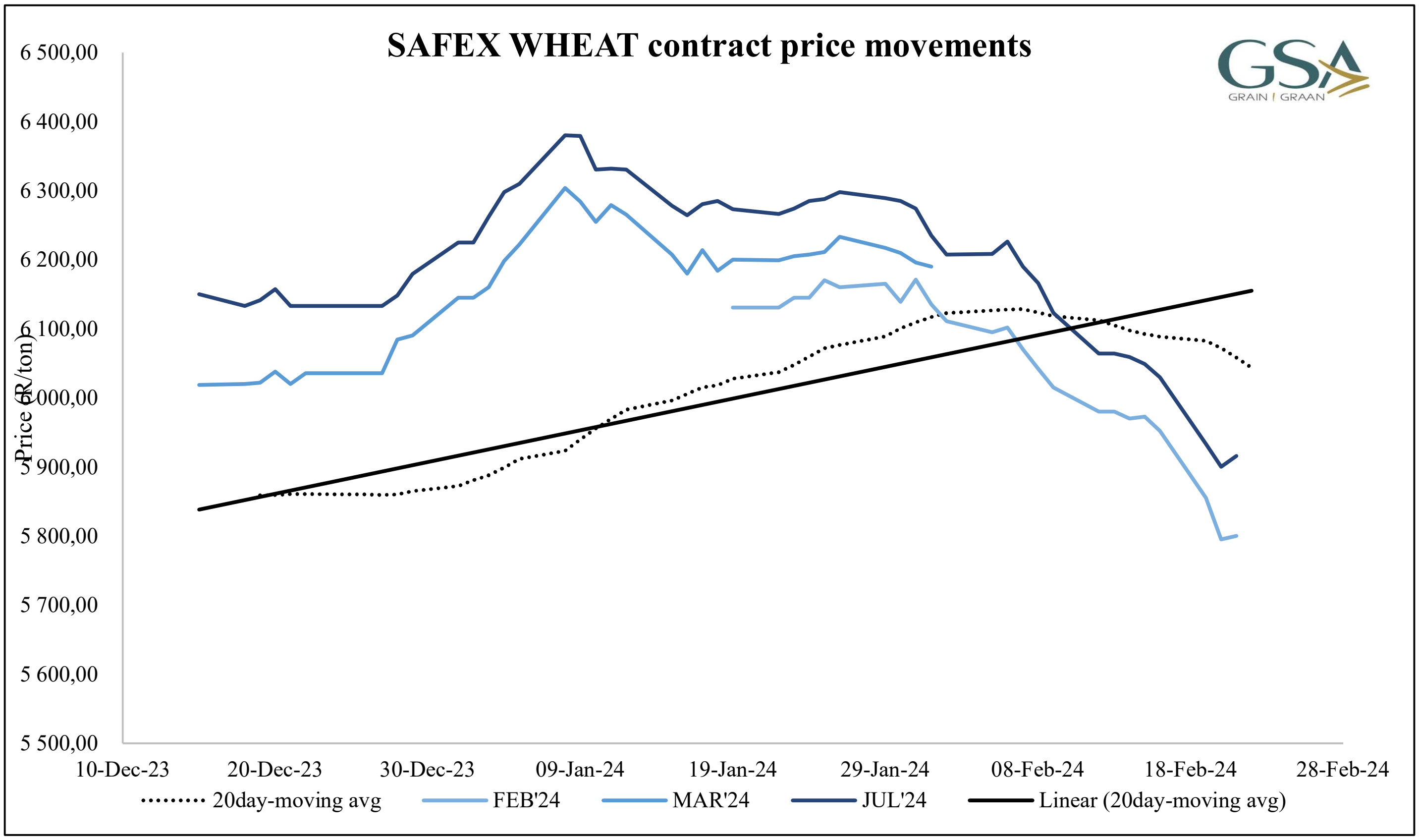
20% normal level

16.52 mil. tons — 12.82mil. tons

Stock-to-use percentage: 14.0%; three-year-average: 13.88%

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.

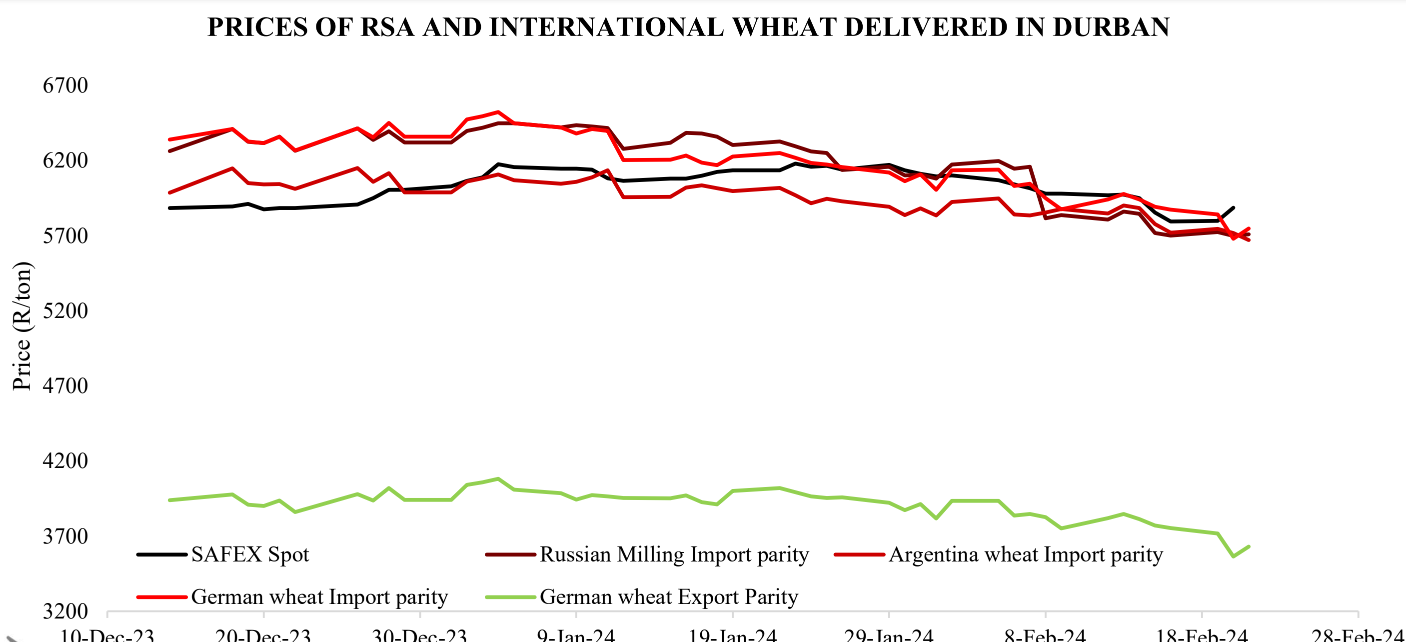
3. Monthly contract price movements



Comments on market movements for wheat contracts:

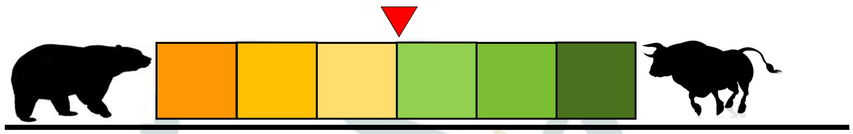
- Since middle December local wheat contracts has traded with a slight general upward trend. However, supplies continue to increase as harvesting in the Western have wrapped up and the import pace, compared to previous season and five-year average.

3.1. Import- and export parity movements



Globally, most of the Northern hemisphere is currently in the middle of the wheat production season with conditions being generally favourable. However, some drought conditions are evident in the EU, Russia, Argentina and the United Kingdom. The IGC estimates global wheat production to decrease slightly for the 2023/2024 season.

SHORT-TERM PRICE TREND



LONG-TERM PRICE TREND

Bearish factors:

- Heavy maize supplies this season are still expected to weigh down on prices in 2024, subject to the Brazilian crop remaining large.
- Locally, larger volumes of wheat have been imported compared to the previous seasons. If this trend continues, higher supplies could weigh on prices.
- Competitive Black Sea grain prices continue to pressure markets.

Bullish factors:

- The IGC estimates global wheat production to decrease slightly with 2% for the 2023/2024 when compared to the previous season.
- Longer term, the EU wheat balance is expected to be tighter on the year and conditions of planted crops are in focus.

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,

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