WHEAT

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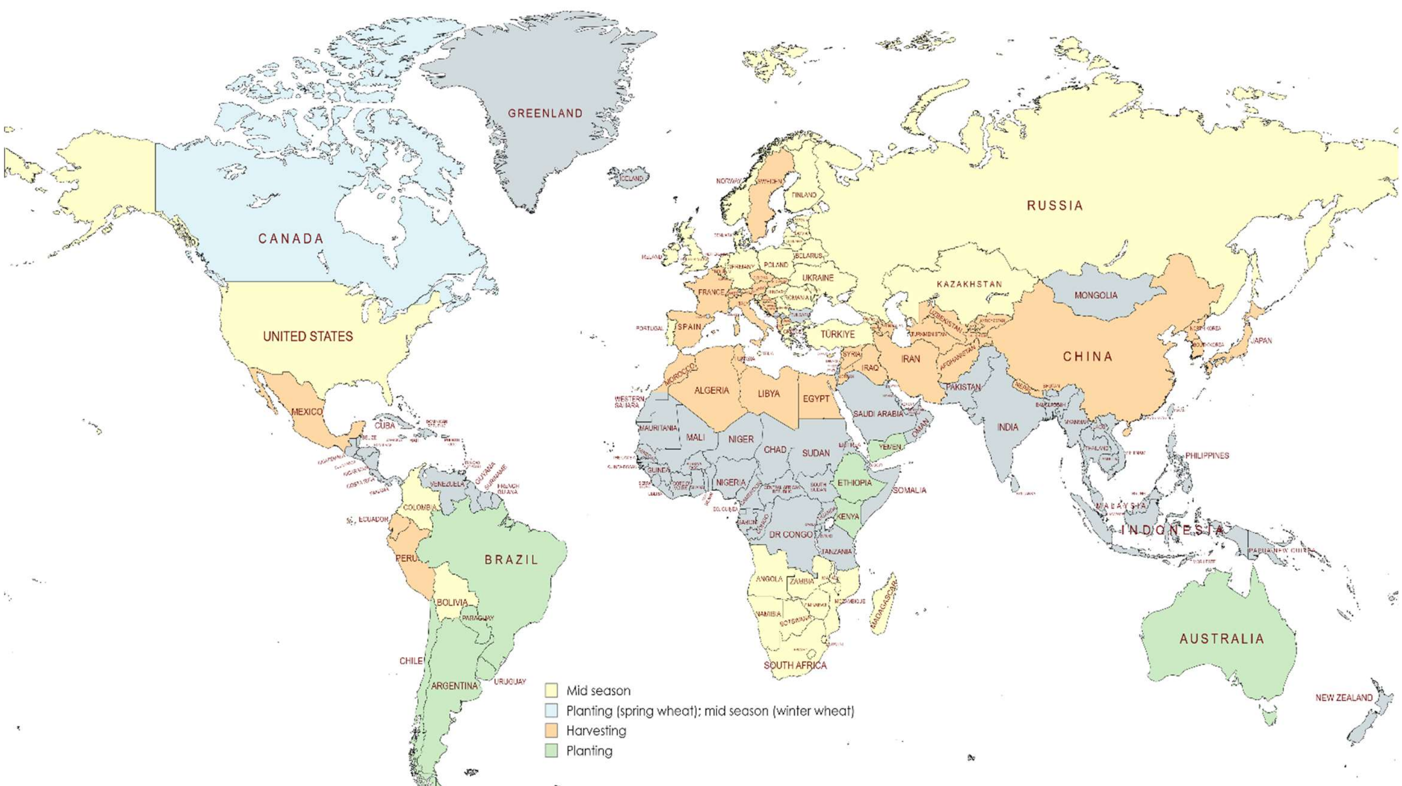
JUNE 2024

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



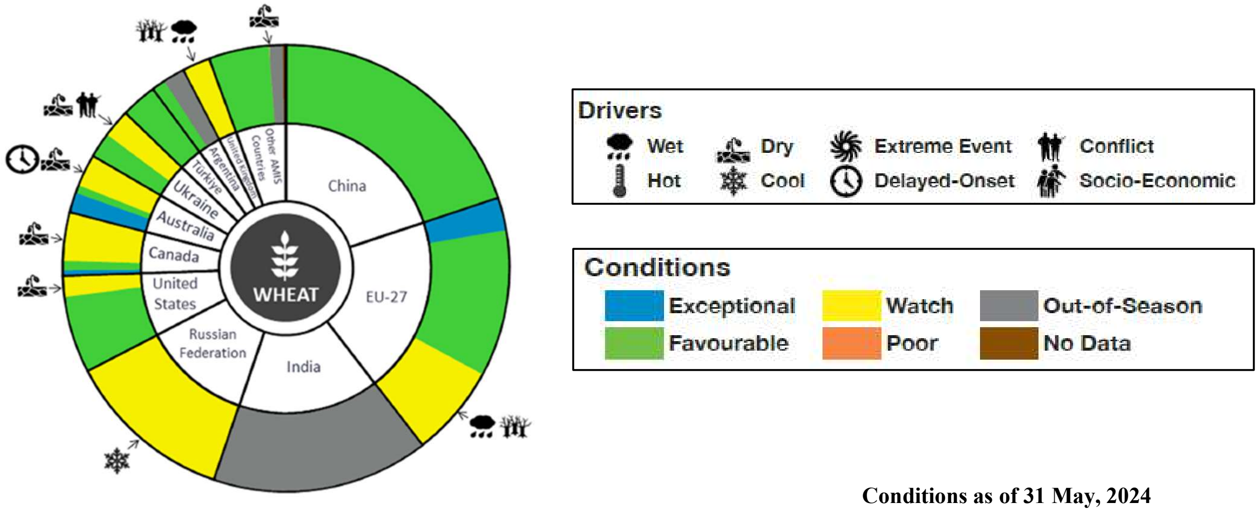
Source: USDA

1. **World production conditions**

In the **Northern hemisphere**, some countries have started harvesting the winter wheat crop as the spring wheat crop planting is wrapping up. The **Southern hemisphere** is slowly progressing with planting.

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 July to September (69% chance), and chances remain high into 2025 - according to the IRI[1].

[1]International Research Institute for Climate and Society



Conditions as of 31 May, 2024
Source: Geoglam

Europe: Conditions are greatly varied. Excessive rains, resulting in water logging and high pest pressure, is evident in parts of Western Europe. While conditions is Portugal, Romania, and Spain are exceptional.
Russia: Prolonged periods of freezing temperatures in May have likely impacted both the winter and spring crop development negatively.
Turkey: Conditions remain favourable.
Ukraine: Since the middle of April drought conditions have impacted crop development in the Southern region alongside persistent impacts of the ongoing war.
United States: For winter wheat the conditions are generally favourable, except for Kansas that continues to experience dry conditions.
Canada: Planting of the spring wheat crop continues with the possibility of drought in parts of the Prairies.
Australia: Planting continues with above-average conditions in New South Wales, Queensland and Victoria. Conditions in South Australia and Western Australia remains dry.

2. World supply- and demand

2.1. World Agricultural Supply and Demand (WASDE) JUNE 2024/2025 overview

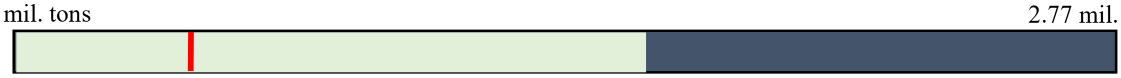
Beginning stocks **World:** **Ending stocks**
257.80 mil. tons 253.61 mil. tons

Stock-to-use percentage: 31.60%; three-year-average: 32.78%

Argentina:
3.88 mil. tons 2.34 mil. tons

Stock-to-use percentage: 46.1%; three-year-average: 54.97%

Australia:
3.07 mil. tons 2.77 mil. tons



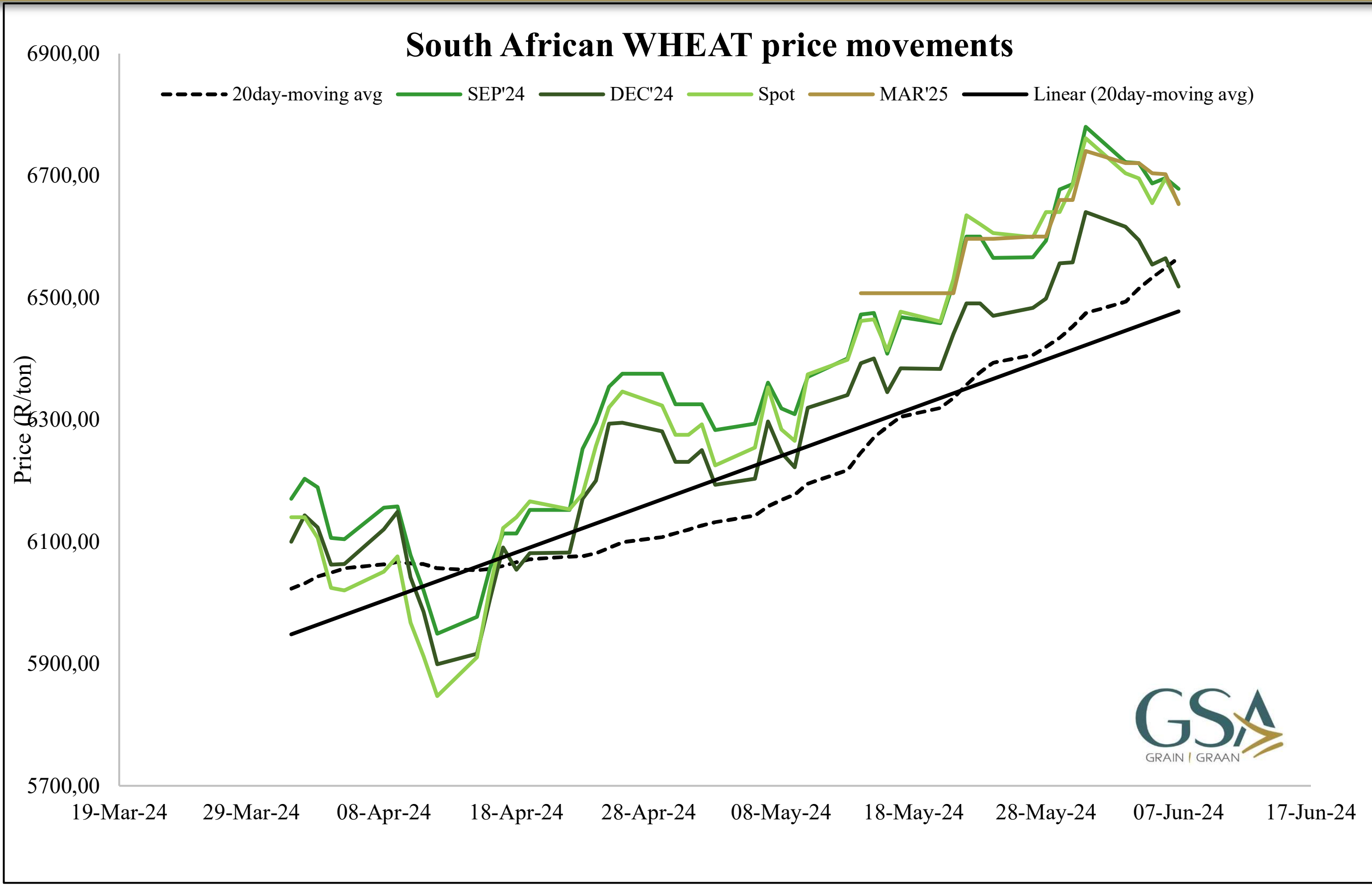
Stock-to-use percentage: 53.90%; three-year-average: 53.16%

European Union:
20% normal level
16.69 mil. tons 14.44 mil. tons

Stock-to-use percentage: 10.50%; three-year-average: 12.96%

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.

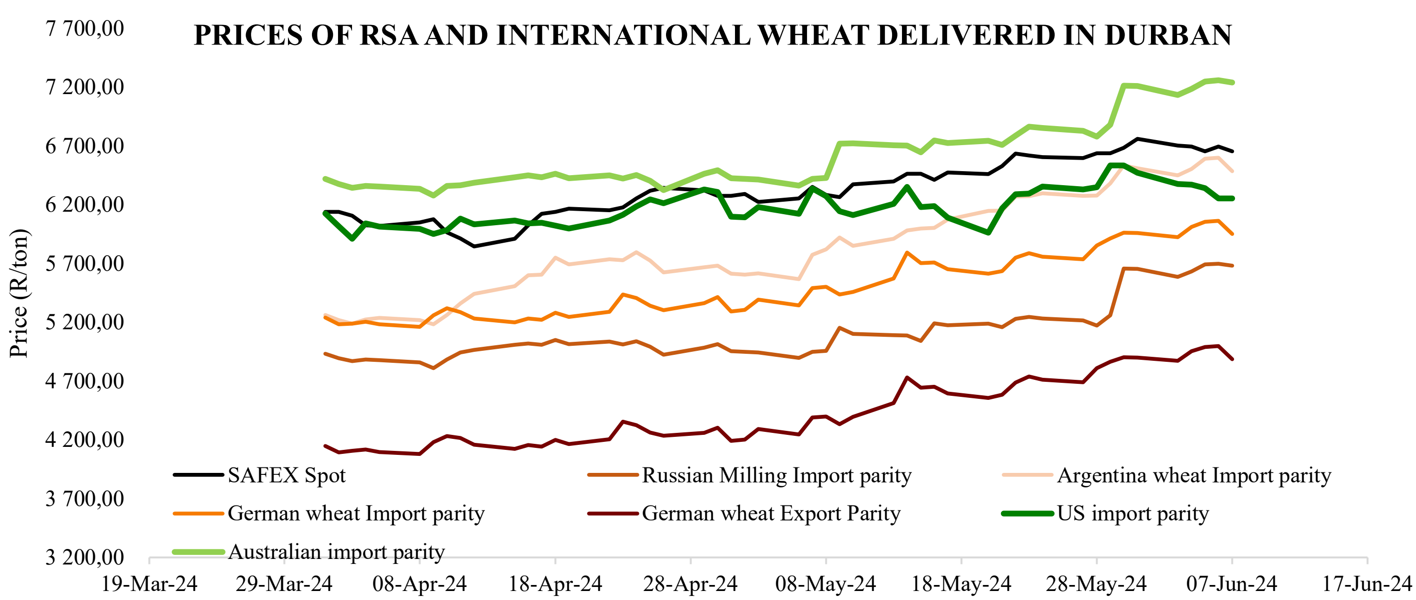
3. Monthly contract price movements



Comments on market movements for wheat contracts:

Generally the local wheat prices moved with upward trends for all contracts, as can be seen through the moving average. It can be noted that the September month contract is trading above December, which may suggest lower stocks in September. The market is expecting lower prices in December as harvesting is ongoing.

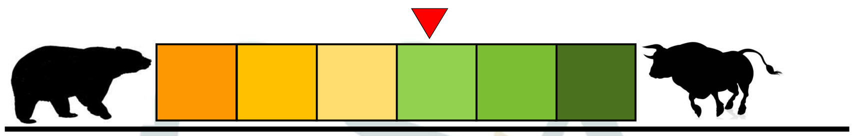
3.1. Import- and export parity movements



4. Final thoughts

Globally, the Northern Hemisphere is the current market watchpoint. Concerns about export competitiveness and harvest pressure are, for now, outweighing crop condition concerns. Looking at the longer term the yields of the 2024/2025 harvest will be crucial to the global outlook, but unless there are further downgrades, concerns are likely to ease.

SHORT-TERM PRICE TREND



LONG-TERM PRICE TREND

Bearish factors:

- The USDA reported that the US wheat harvest got off to a faster than expected start. Early results are better than expected.
- Australia's government also predicted its 2024/25 wheat crop will grow 12% year-on-year.
- Turkey, the world's fourth largest wheat importer in 2023/24, announced it would stop wheat imports from 21 June until at least mid-October. The potential for reduced global import demand weighs heavily on.

Bullish factors:

- Global crop condition concerns continue to support prices.

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

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