

Global grains market developments, and the implications for SA

 By [Wandile Sihlobo](#)

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The March 2019 [World Agricultural Supply and Demand Estimates](#) report by the United States Department of Agriculture (USDA) has provided further evidence that the world will have fairly large maize, soybean, and rice supplies in the 2018/19 season. Meanwhile, wheat production could decline from levels seen in the 2017/18 season.



Image via [Wandile Sihlobo](#)

The USDA lifted its estimate for 2018/19 global maize production marginally from last month to 1.1 billion tonnes. This is 2% higher than the previous season. The increases are mainly in South America and the Black Sea region.

Moreover, the agency placed its 2018/19 global rice production at 501 million tonnes, up by a percentage point from the levels observed in January 2019, and the 2017/18 production season.

Global production

The 2018/19 global soybean production estimate was roughly unchanged from January 2019 levels at 360 million tonnes. But this is 6% higher than the 2017/18 production season. The uptick is mainly on the back of an expected large harvest in the United States, China, and Argentina.

The data for 2018/19 global wheat production shows a marginal decline from January 2019, with production set to reach 735 million tonnes. This, however, is a 4% decline from the 2017/18 production season.

While production of most commodities is expected to increase in the 2018/19 season, prices might not decline nor stabilise due to expectations of a rise in global consumption of grains and oilseeds, amongst other factors. This is already evident in the Food and Agricultural Organisation of the United Nations (FAO) [Global Cereal Price Index](#) which averaged 169 points in February 2019, up by 4% from the corresponding period in 2018.

Nonetheless, I suspect that there won't be a significant uptick in overall global food prices, as slowing meat and dairy products prices could overshadow the increases in grains, and sugar products prices. In fact, the FAO Food Price Index, which comprises grains (cereals), vegetable oils, meat, dairy and sugar products, averaged 167 points in February 2019, down by 2% from the same period last year.

The SA perspective

From a South African perspective, the relevance of the aforementioned points is through a number of channels, with the most direct one being that the country is a net importer of rice and wheat.

In terms of rice, prices could remain stable to downwards in the near term as global rice stocks could increase by 5% year-on-year boosted by large supplies, despite the anticipation of an increase in global consumption. Given that South Africa's 2019 rice imports could amount to 1.1 million tonnes, up by 10% from 2018, a potential decline in global rice prices as a result of increased production will benefit the consumers. The key contributing countries to the expected increase in production are India, Vietnam, Thailand, the United States, China, Bangladesh and the Philippines. These are some of the countries that supply to South Africa.

Also, worth noting is that although South Africa's wheat production has recovered from levels seen in the drought year, with the 2018/19 harvest estimated at 1.84 million tonnes, up by 19% from the previous season, the country will remain a net importer of the commodity. The imports, however, could fall by 36% from the 2017/18 season to 1.4 million tonnes. In the first week of March 2019, about 376,789 tonnes had already been imported. The leading suppliers are Germany, Russia, Argentina, Ukraine, and Canada.

Overall, the outlook for global food prices is fairly positive, although some commodity prices could show an uptick from time to time.

ABOUT WANDILE SIHLOBO

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