

Sep 2023

Monthly Wheat

report

AMT

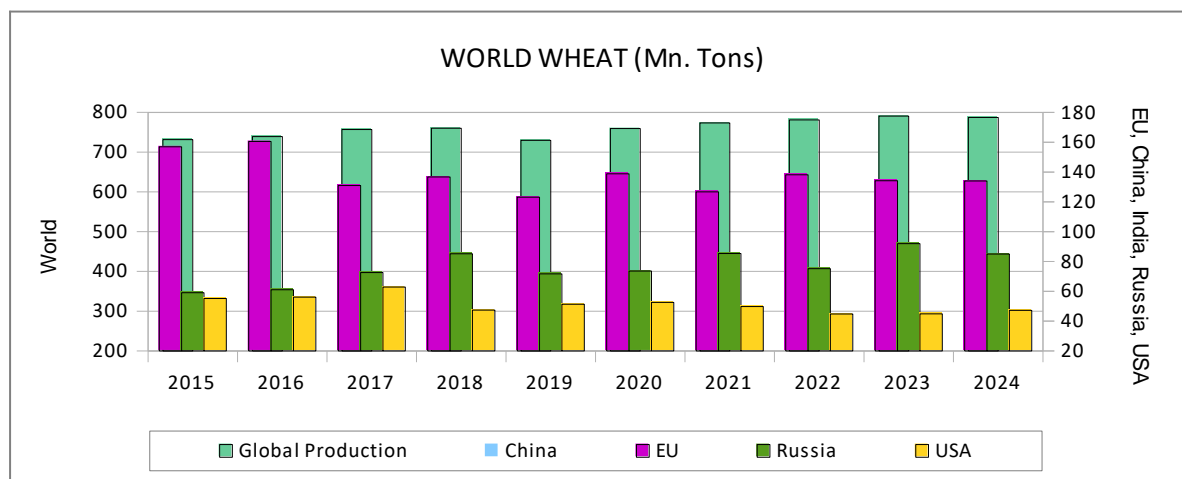


SETTING THE TREND

AMT MONTHLY WHEAT REPORT – September 2023.

Monthly Prices	Sept. 2023	m-on-m	Aug. 2023	y-on-y	Sept. 2022
CBOT Wheat (\$/t)	212.60	0.35%	211.86	-35.44%	329.30
SAFEX Wheat (R/t)	6 200	-2.58%	6 364	-12.24%	7 065
US\$/ZAR- exchange rate	18.8783	-0.12%	18.9017	4.38%	18.0857

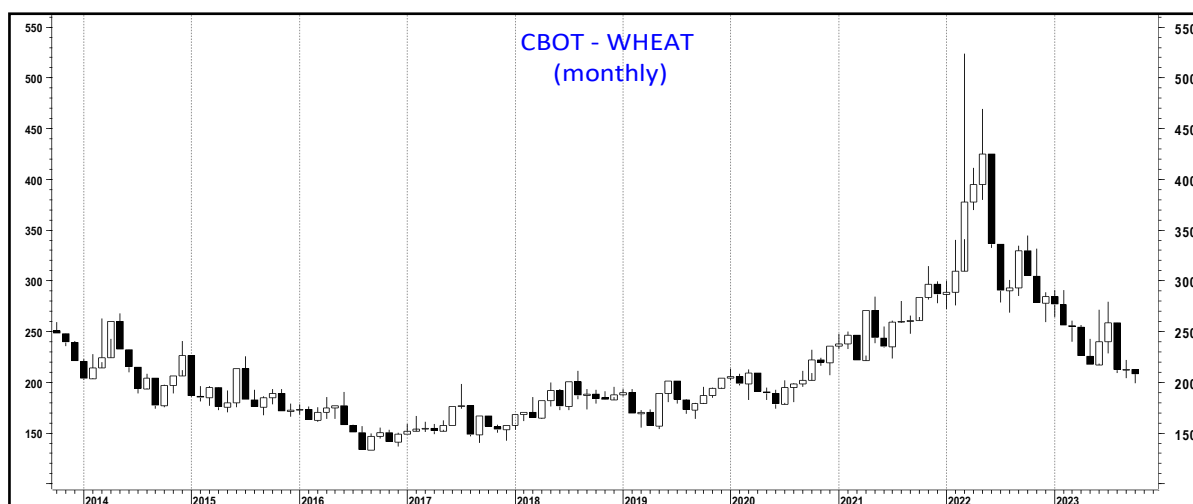
INTERNATIONAL



Conditions for planting winter wheat in the Northern Hemisphere are not particularly favourable. Figures from the European Drought Observatory show that around a quarter of the EU's territory is under a drought warning. Meteo France is forecasting mostly warm conditions in France.

In Ukraine, wheat planting is delayed due to low soil moisture. However, in the U.S., precipitation is expected over the coming weeks in hard red winter wheat areas.

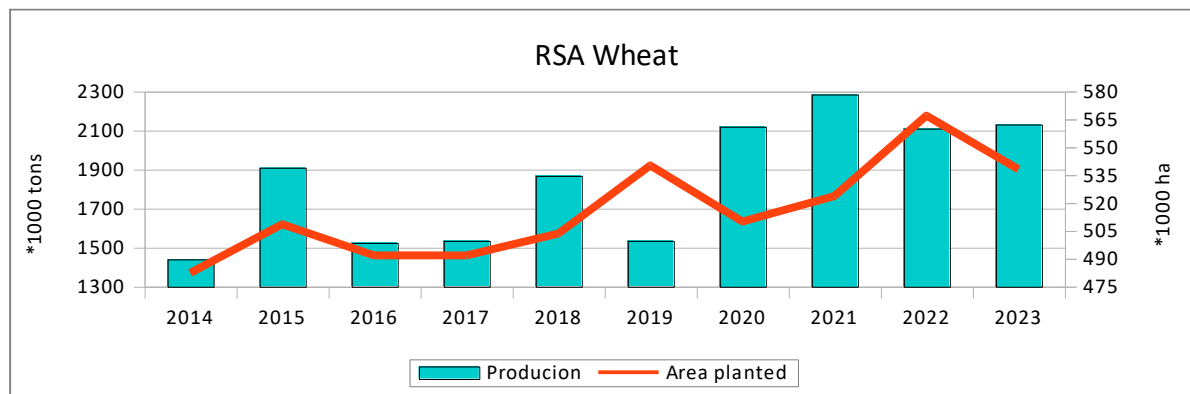
In its monthly forecast, the International Grains Council (IGC) cut global wheat production for the 2023/24 season by 600 000 tons from last month to 783.5 million tons, down 3% from the previous season, but could still be the largest wheat crop on record. The reduction was made mainly for the exporting countries Australia and Canada, by 2.5 million tons and 1.7 million tons, respectively. Higher Black Sea harvests only partially offset these declines as output from Russia and Ukraine increased by 3 million tons and 1.3 million tons respectively.



Wheat futures rebounded slightly after hitting a three-year low of \$5.42 on September 29th amid bargain buying from commodity funds. Expectations of soaring supply from key producers pressured futures to trade nearly 30% lower year-to-date.

DOMESTIC

Even if the decline in global wheat prices of recent could slow down, and start to move sideways over the coming months, it is doubtful that prices would surge to levels we witnessed a year ago following the invasion of Ukraine by Russia, which disrupted the flow of wheat supplies from the Black Sea region. In addition, while the Black Sea Grain Deal has not been renewed yet, the price reaction has not been as dramatic as some might have feared. Most wheat origins are trading well below levels of a year ago.



THE SOUTH AFRICAN SUPPLY-AND-DEMAND PROJECTIONS FOR WHEAT AT THE END OF SEPTEMBER 2023:

WHEAT (2022/23 Season)

Supply: The total supply of wheat is projected at 4 387 883 tons for the 2022/23 marketing season. This includes an opening stock level (on 1 October 2022) of 625 083 tons, local commercial deliveries of 2 060 000 tons, whole wheat imports estimated for South Africa of 1 700 000 tons and a surplus of 2 800 tons.

Demand: The total demand (domestic plus exports) for wheat is projected at 3 819 500 tons. This includes 3 450 000 tons processed for human consumption, 40 000 tons processed for animal consumption, 7 000 tons withdrawn by producers, 1 700 tons released to end-consumers, 18 800 tons projected seed for planting purposes and a balancing figure of 3 000 tons (net receipts and net dispatches). A projected export quantity of 39 000 tons processed products and 260 000 tons whole wheat is estimated for exports in the 2022/23 marketing season.

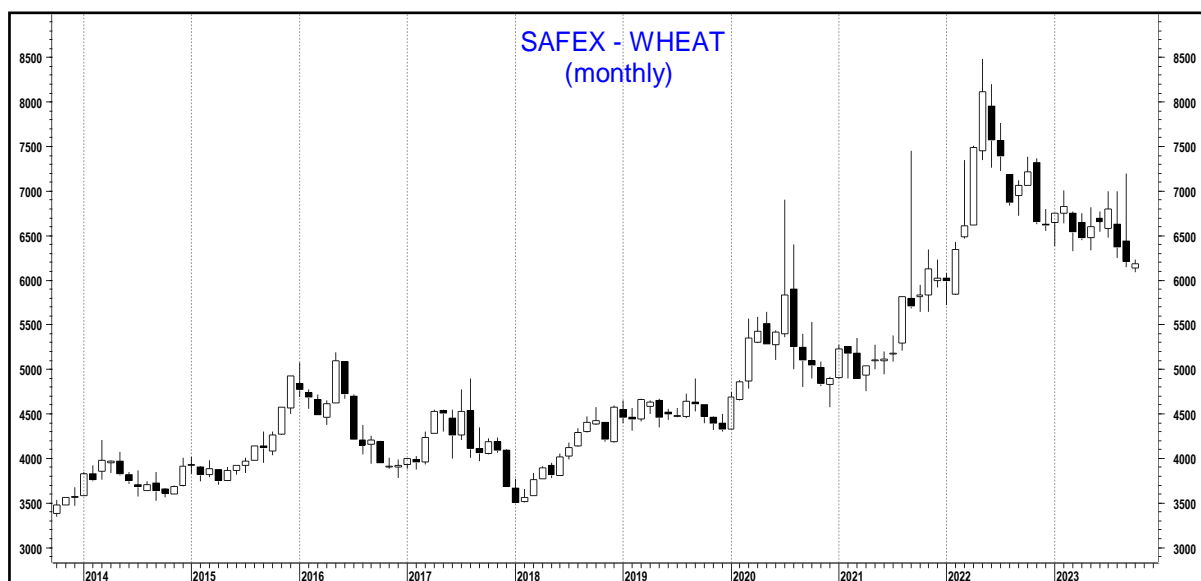
Stock levels: The projected closing stock level for 30 September 2023 is estimated at 568 383 tons. At an average processed quantity of 290 833 tons per month, this represents available stock levels for 2.0 months or 59 days.

WHEAT (2023/24 Season)

Supply: The total supply of wheat is projected at 4 261 258 tons for the 2023/24 marketing season. This includes an opening stock level (on 1 October 2023) of 568 383 tons, local commercial deliveries of 2 086 375 tons, whole wheat imports estimated for South Africa of 1 600 000 tons and a surplus of 6 500 tons.

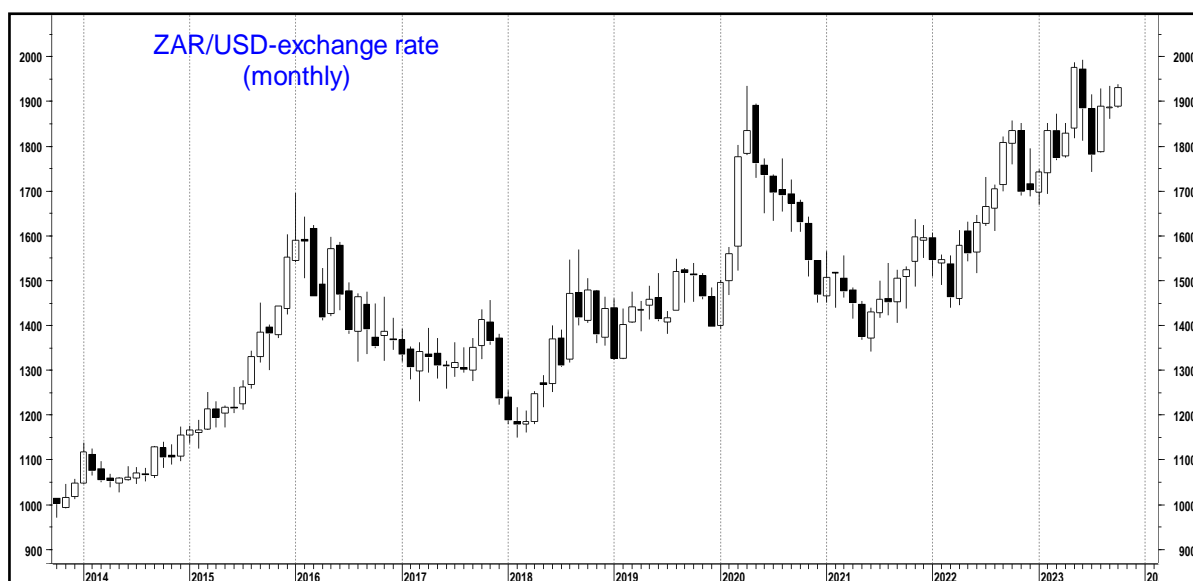
Demand: The total demand (domestic plus exports) for wheat is projected at 3 756 600 tons. This includes 3 400 000 tons processed for human consumption, 30 000 tons processed for animal consumption, 7 400 tons withdrawn by producers, 1 700 tons released to end-consumers, 19 500 tons projected seed for planting purposes and a balancing figure of 3 000 tons (net receipts and net dispatches). A projected export quantity of 30 000 tons processed products and 265 000 tons whole wheat is estimated for exports in the 2023/24 marketing season.

Stock levels: The projected closing stock level for 30 September 2024 is estimated at 504 658 tons. At an average processed quantity of 285 833 tons per month, this represents available stock levels for 1.8 months or 54 days.



As CBOT wheat continues down, SAFEX will follow as always. The only factor that will be able to keep lower prices on SAFEX marginally limited is the ZAR/USD exchange rate.

Just note that movement is close to an area where further downward sentiment could either strengthen, if the moving average is broken, or stop and find support for the time being – on a monthly basis. The weekly and daily trends are, however showing bearish possibilities.



The South African Rand is expected to trade at R19.39 by the end of this quarter, according to Trading Economics global macro models. The estimate is for R20.86 in 12 months' time.