

**National Agricultural  
Marketing Council**  
Promoting market access for South African agriculture

# Relevancy and Accuracy of the SASDE Report on Wheat & Maize: March 2015.

*by*

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## **1. Introduction**

In light of the importance of food security, volatile grain and oilseed prices and the lack of sufficient information regarding future stock levels, the South African Grain and Oilseeds Supply and Demand Estimates Committee was established by the National Agricultural Marketing Council (NAMC) in 2012. The Committee has already published 20 Supply and Demand Estimates (SASDE) reports, as at the beginning of March 2014 and will publish its 21<sup>th</sup> report on Friday 27 March 2015. Feedback provided from industry is that the report is well accepted and recognized by industry role players. Industry has also indicated that the reliability and integrity of the report is of the utmost importance.

## **2. Background**

In 2011, Grain South Africa (GrainSA) applied for a statutory measure for grain traders to report on export and import contracts. Similar practices are commonly used in the United States of America (USA). The application was originally opposed by the South African Cereals and Oilseeds Trade Association (SACOTA), but much consultation and discussion, also with the Competition Commission, a Supply and Demand Estimates Committee (S&DEC) was established. The Committee has sought to tread a path without statutory interference. The following proposals were tabled:

Industry appointed Dr Andre Jooste to Chair this Committee, with the National Agricultural Marketing Council (NAMC) acting as secretariat. Dr John Purchase was appointed as Chairperson of the Supply and Demand Estimates Liaison Committee, which has an oversight responsibility to ensure the optimal functioning of the (S&DEC).

The first official Supply and Demand Estimates (SASDE) report was published at the end of June 2013. The NAMC is currently responsible for the organizing and ensuring the smooth functioning of the Committee. The Committee consist of an official of the South African Grain Information Service (SAGIS), the secretariat of the Crop Estimates Committee (CEC), three independent members recommended and appointed by industry, and officials of the NAMC.

The primary aim of the S&DEC is to publish official grain and oilseeds supply and demand estimates on a monthly basis.

This occurs through the:

- Collection of trade, production and consumption information, by the NAMC. The information is processed and reported in an aggregated manner during the S&DEC meetings.
- Extrapolation of historical data obtained from SAGIS where necessary.
- Processing of the Crop Estimates Committee (CEC) information with regards to crop estimates in supply terms.
- Calculation of an official estimate on grain and oilseeds stock levels, at a specific month, for the rest of the marketing year.

### **3. Who utilises the SASDE report?**

The report is widely used by global and national role players, such as:

- Academia
- Financial and investment institutions
- Government officials
- Grain millers

- Oilseed processors

- Feed manufacturers
- Grain and oilseed traders
- Grain and oilseed importers and exporters
- Grain and oilseeds producers
- Grain and oilseed storage facilitators
- Input suppliers towards the grain & oilseeds market
- Monitoring institutions
- Baking industry
- Producer organizations
- Research institutions and
- Agro-logistic (road, rail and sea freight) entities and organizations

#### **4. Purpose of SASDE Report**

The Report provides an analysis of the fundamental market conditions of the major grain and oilseeds industries in South Africa. The report is widely considered to be the benchmark to which private and public agricultural forecasts are compared. The Report is normally released within four to five working days after the CEC release. The reports are released into the public domain in accordance with approval of the South African Competition authorities' consent.

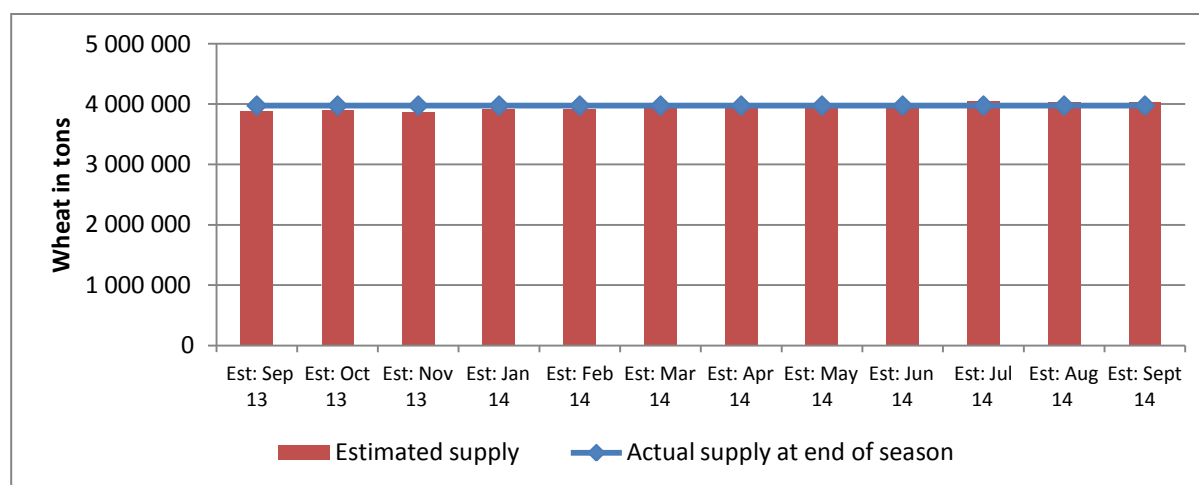
#### **5. Accuracy and relevancy of estimates**

It is important to note that the purpose of monthly meetings of the S&DEC is to capture new information available in the market at a specific time. This involves the official CEC crop estimates and information by SAGIS, as well as information received from voluntary co-workers (anonymous to the committee) in the industry (in particular reference to imports and exports).

## 6. Wheat

### 6.1. Supply of wheat

Figure 1 represents the estimated supply which includes opening stock, producer deliveries, imports, net early deliveries and the surplus. The first (Sept 2013) estimate for the season was 3,889 million tons and the last estimate (Sept 14) was 3,974 million tons against an actual supply of 4,036.



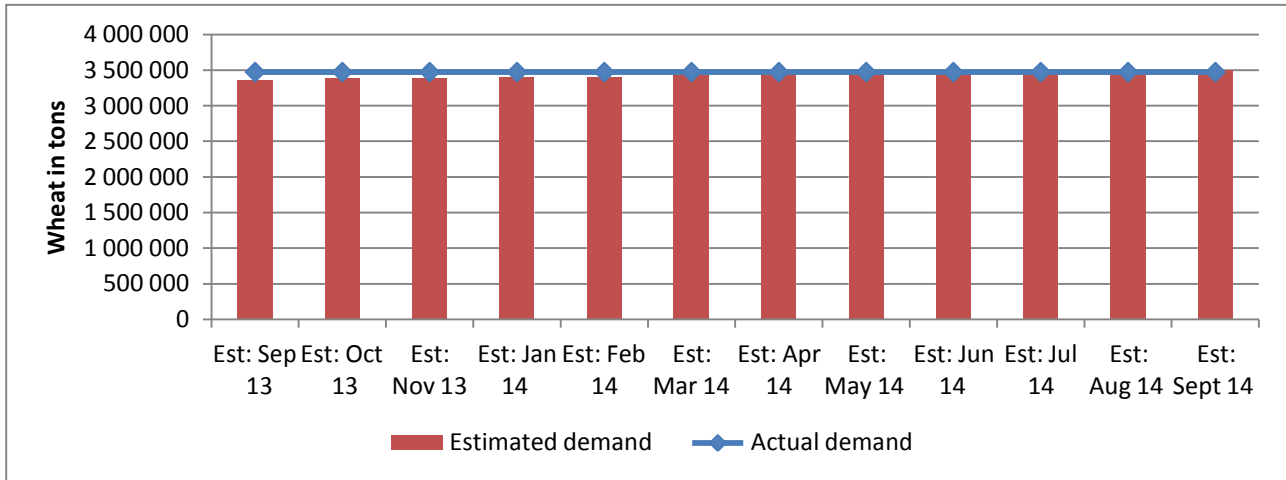
**Figure 1: Estimated vs actual supply of wheat for the 2013/14 season.**

*Source: SAGIS; 2015 & SASDE Report; Nov 2014*

The SASDE Report estimated the total supply at 3 888 885 tons, this is 3,14% lower as the actual supply, while the final estimate was estimated at 3 974 646 tons, which is 0,53% below the actual supply of wheat.

### 6.2. Demand for wheat

Figure 2 shows the estimated and actual wheat demand at the end of the marketing season. The final actual demand reported was 3 473 087 tons. The estimates by the S&DEC varied between 3 362 010 tons and 3 474 210 tons.

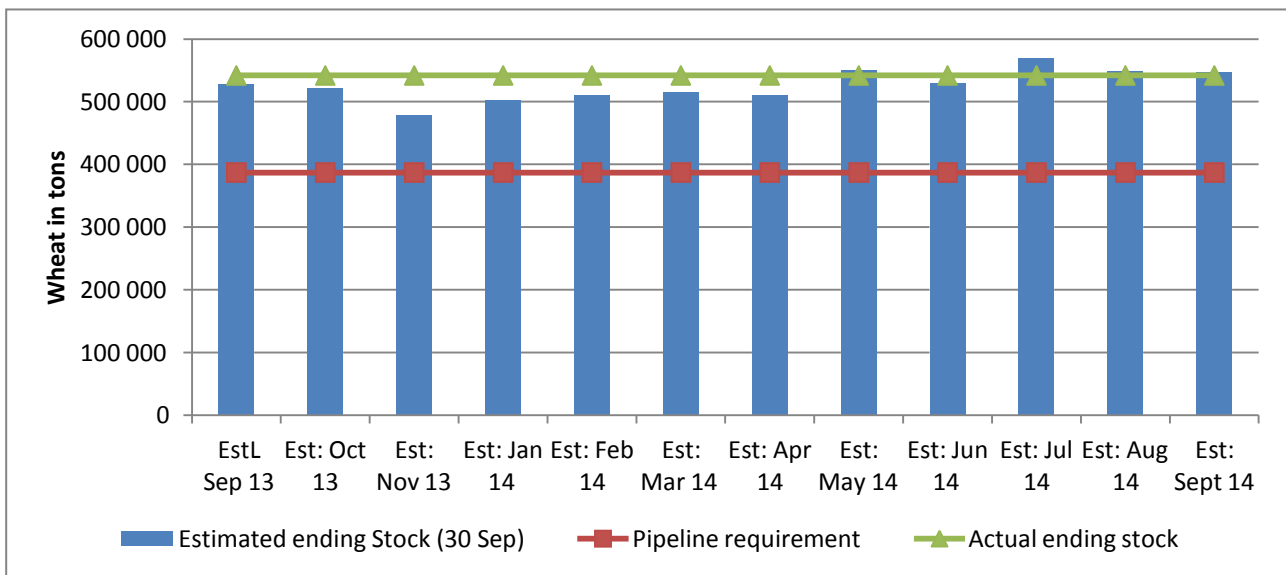


**Figure 2: Estimated demand vs. actual demand**

Source: SAGIS; 2015 & SASDE Report; Nov 2014

### 6.3. Estimated ending stock, pipeline requirements and actual ending stock

Figure 3 depicts the estimated ending stock levels by the S&DEC, the average pipeline requirements, and the actual stock level at the end of the season for the 2013/14 season. The actual ending stock was 541 973 tons. The estimated ending stock level varied between 478 603 tons and 548 043 tons.

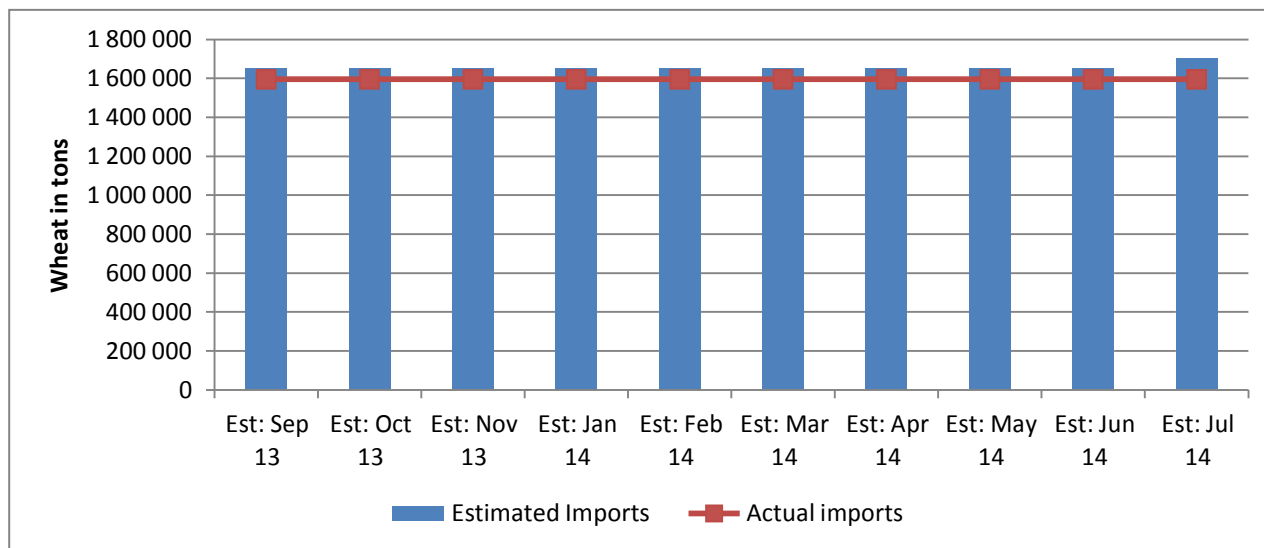


**Figure 3: Estimated ending stock, average pipeline requirements and final ending stock levels for wheat for the 13/14 season**

Source: SAGIS; 2015 & SASDE Report; Nov 2014

#### 6.4. Imports and exports of wheat

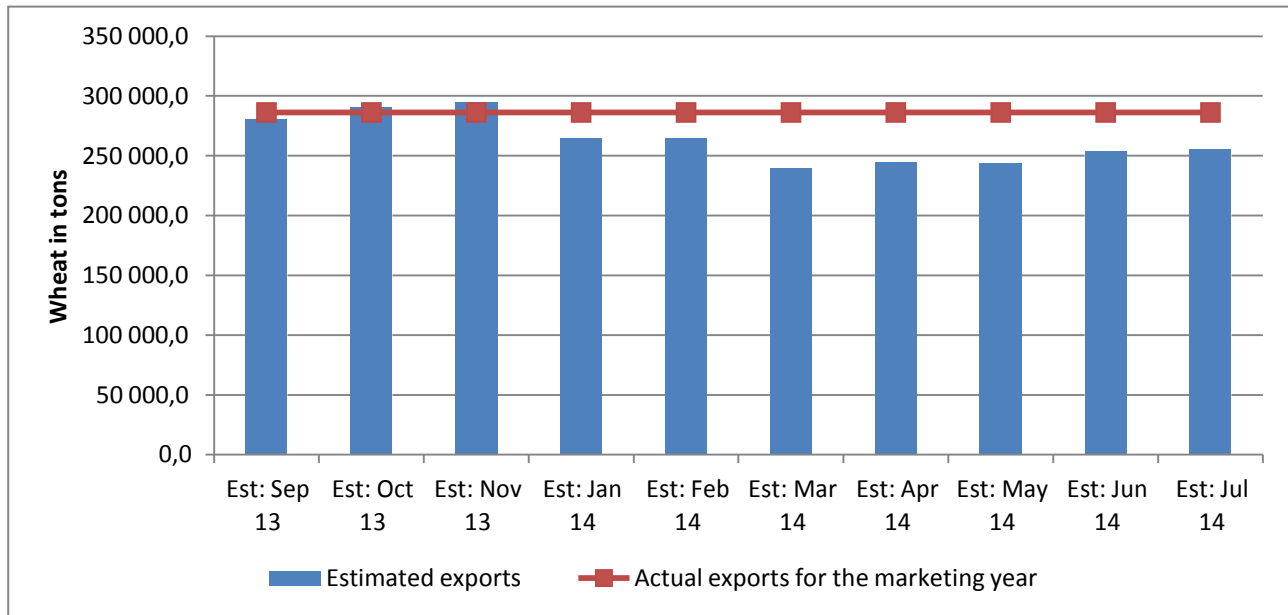
Figure 4 depicts the actual and estimated imports for the 2013/14 marketing year. A total of 1 595 209 tons of wheat was imported, against the highest estimate of 1 700 000 tons and the lowest estimate of 1 650 000 tons. The differences between the actual imports and the estimated imports can be explained by wheat that was destined to be imported in the old season, while actual delivery took place in the new season.



**Figure 4: Estimated imports vs. actual imports**

*Source: SAGIS; 2015 & SASDE Report; Nov 2014*

Figure 5 depicts the exports of wheat (inclusive of products & whole wheat) to South Africa's neighbouring countries.

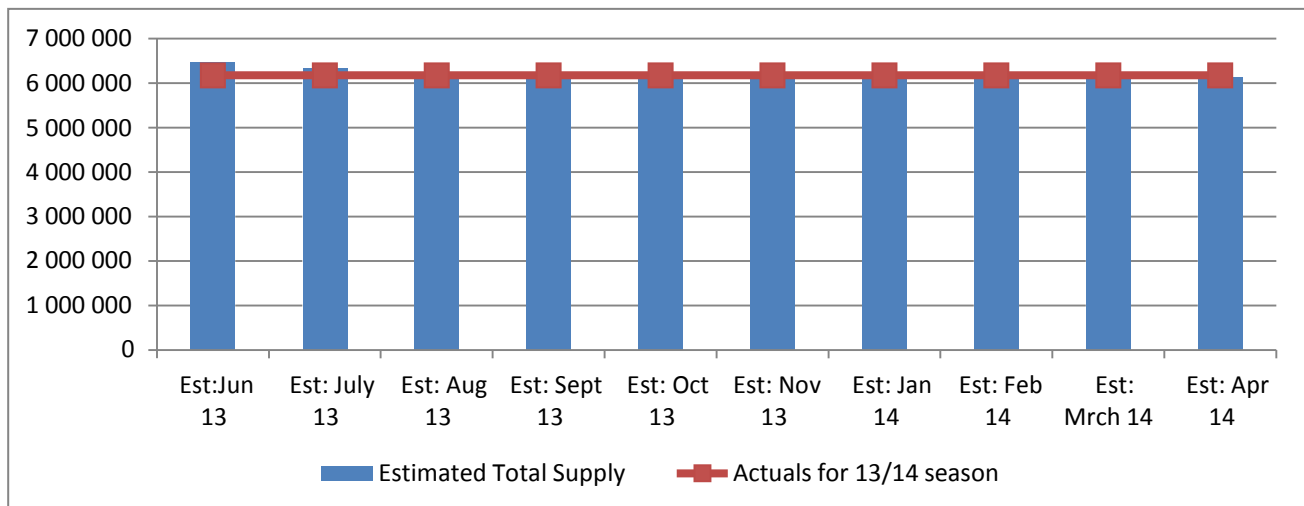


**Figure 5: Estimated exports vs. actual exports**  
 Source: SAGIS; 2015 & SASDE Report; Nov 2014

## 7. White Maize

### 7.1. White Maize Supply

Figure 6 presents the estimated supply which includes opening stock, producer deliveries, imports net early deliveries and the surplus.



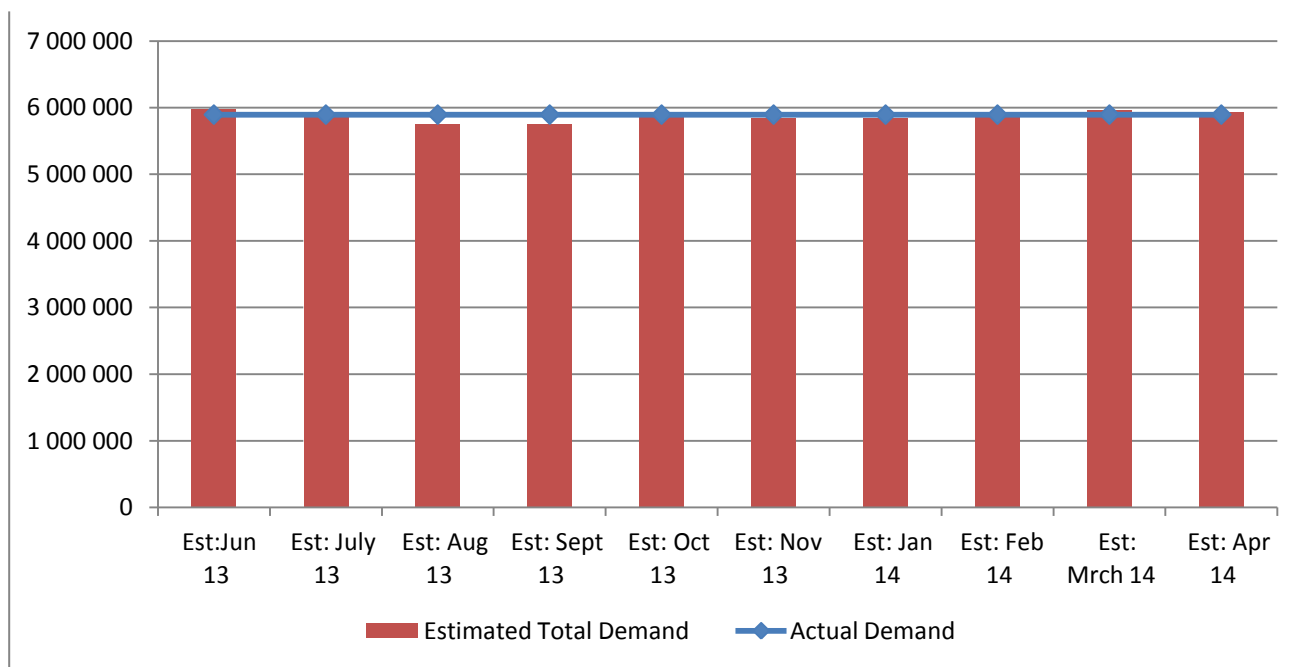
**Figure 6: Estimated supply vs. actual published supply figures for white maize 13/14 season.**  
 Source: SAGIS; 2015 & SASDE Report; May 2014



The first estimate was 299 323 higher than the actual deliveries. This can mainly be explained by a higher producer delivery figure in the estimate than the actual deliveries. It is clear that when the bulk of the maize crop was harvested; a close relationship between the actual supply and the estimates realised.

### 7.2. White Maize Demand

Figure 2 illustrates the accuracy of the estimated demand and the actual demand at the end of the marketing season. The final actual demand level reported was 5 894 959 tons. The estimates vary between 5 755 000 and 5 975 000 tons.

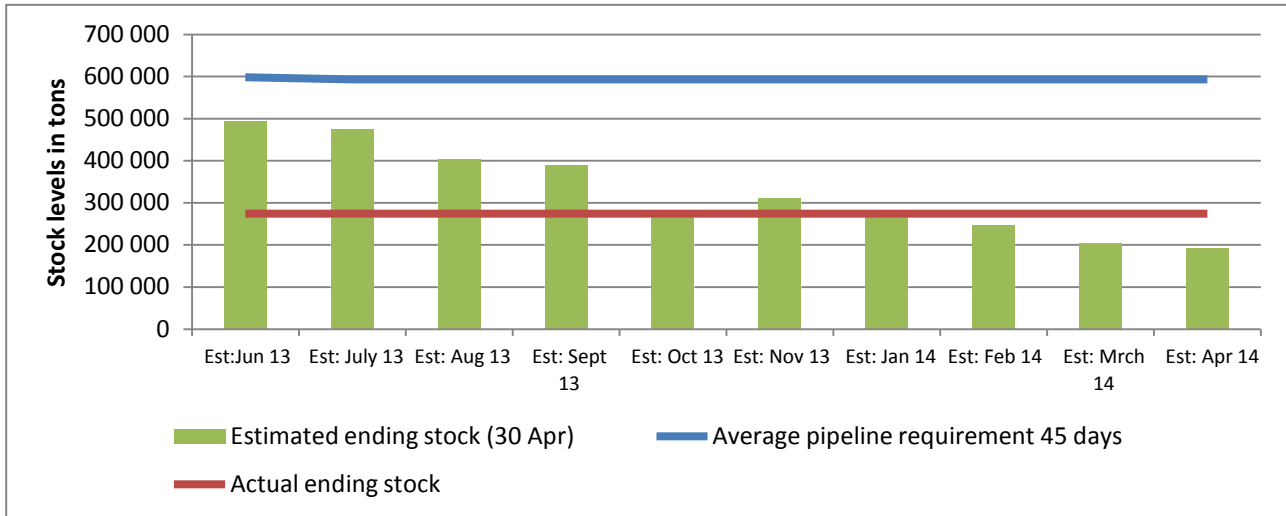


**Figure 7: Estimated demand vs actual published demand figures for white maize for the 13/14 season.**

Source: SAGIS; 2015 & SASDE Report; May 2014

### 7.3. Ending stock levels and pipeline requirement for white maize

Figure 8 depicts the estimated ending stock levels (S&DEC), the average pipeline requirements, and the stock level at the end of the season for the 2013/2014 season.



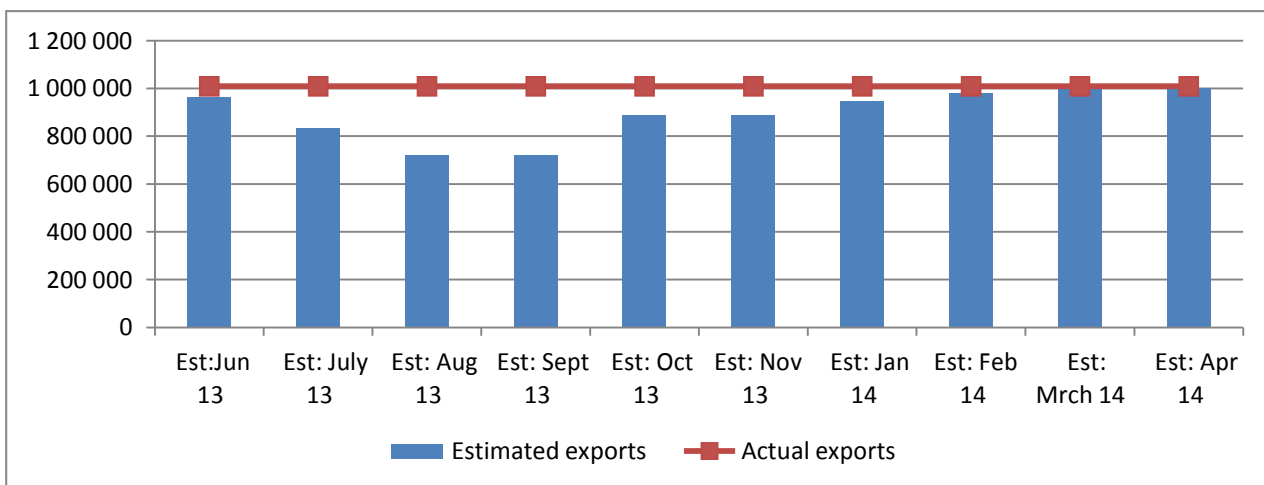
**Figure 8: Estimated ending stock, average pipeline requirements and actual ending stock levels for white maize for 13/14 season.**

Source: SAGIS; 2015 & SASDE Report; May 2014

It was already clear from the first estimates in Jun 2013 that the stock levels for the 2013/14 season would come in below the acceptable pipeline requirement of 45 days. This phenomenon/situation deteriorated from the first estimate and South Africa ended up with a situation where it only had available stock levels for 20 days at the end of the marketing season in 2014.

#### 7.4. Exports & imports of white maize

Figure 9 illustrates the export of white maize. A total of 1 008 923 was exported against the final estimated figure of 980 000 tons.



**Figure 9: Actual exports vs. estimated exports of white maize for the 13/14 season.**

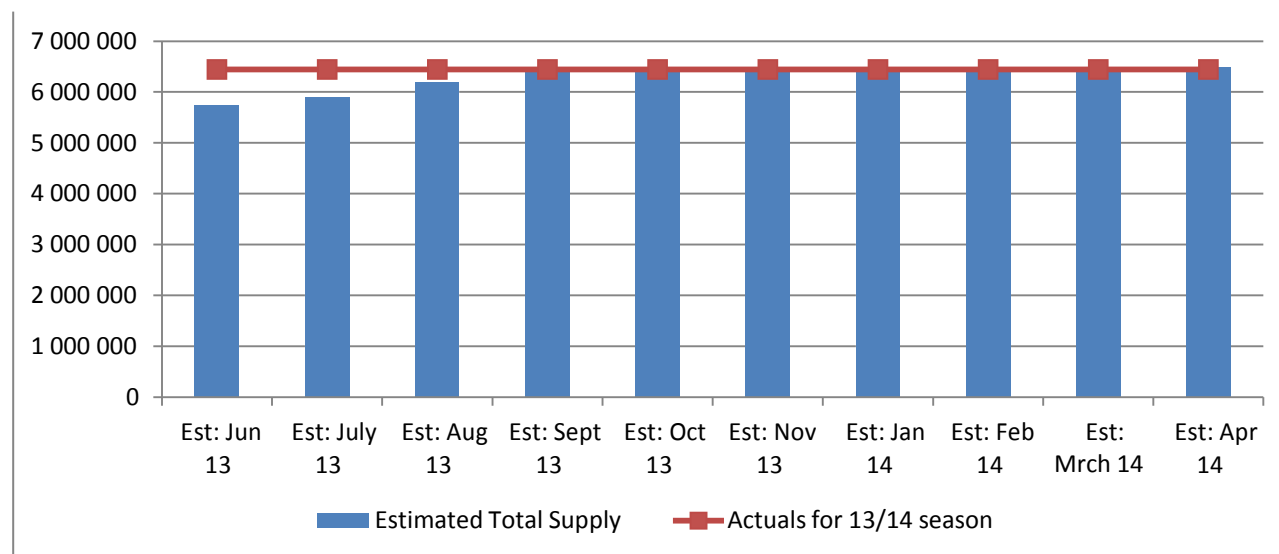
Source: SAGIS; 2015 & SASDE Report; May 2014

The S&DEC reported 10 000 tons of imports for the first 3 months, and no imports realized through the rest of the marketing year and therefore no graph was included.

## 8. Yellow Maize

### 8.1. Yellow Maize Supply

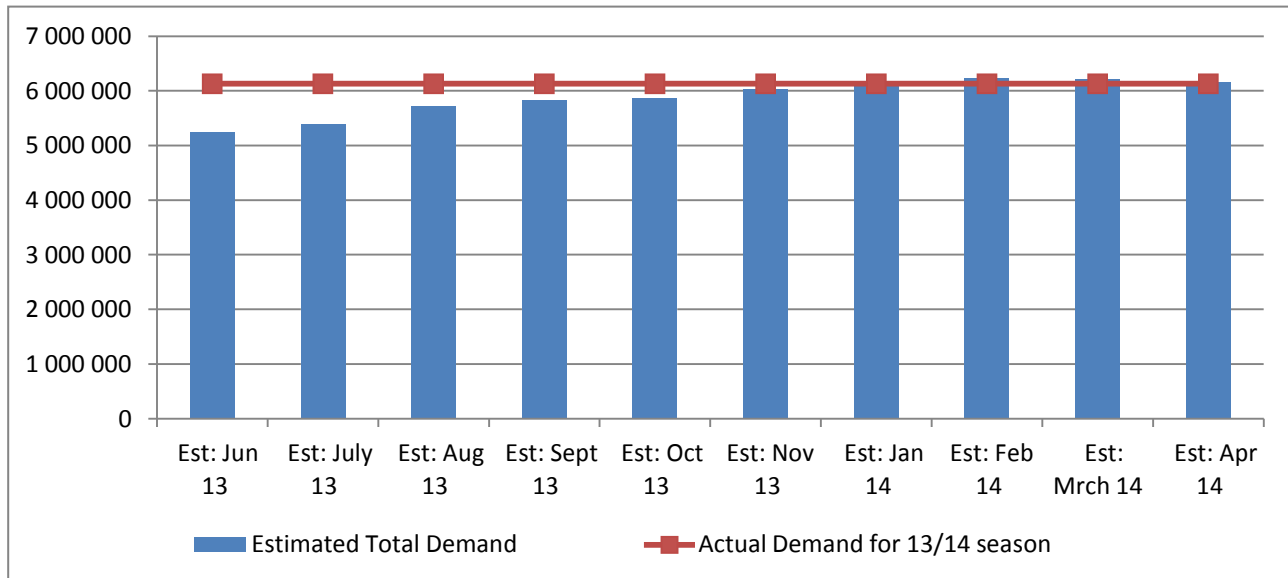
Figure 10 presents the estimated supply; including opening stock, producer deliveries, imports, net early deliveries and the surplus. It is clear that when the bulk of the yellow maize crop was harvested; a close relationship between the actual supply and the estimates realised.



**Figure 10: Estimated supply vs. Actual supply of yellow maize for the 13/14 season**  
Source: SAGIS; 2015 & SASDE Report; May 2014

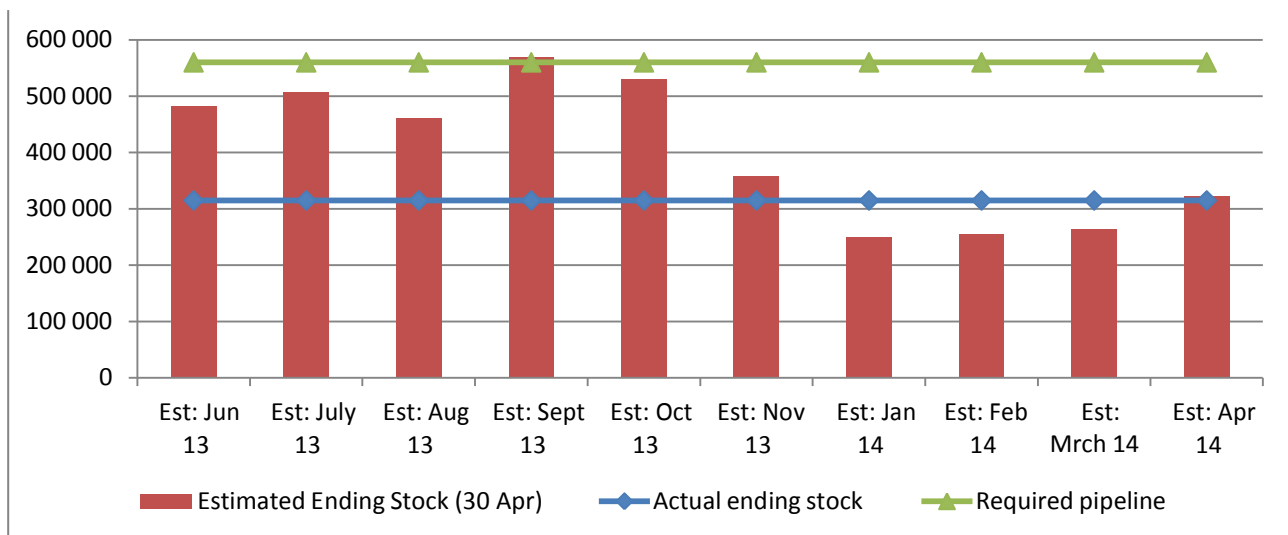
### 8.2. Yellow Maize Demand

Figure 11 illustrates the accuracy of the estimated demand and the actual demand at the end of the marketing season. The final actual demand reported was 5 894 959 tons. The estimates vary between 5 755 000 and 5 975 000 tons.



**Figure 11: Estimated demand vs. actual demand for yellow maize for 13/14 season.**  
*Source: SAGIS; 2015 & SASDE Report; May 2014*

Figure 12 depicts the estimated ending stock levels (S&DEC), the average pipeline requirements, and the stock level at the end of the season for the 2013/2014 season.

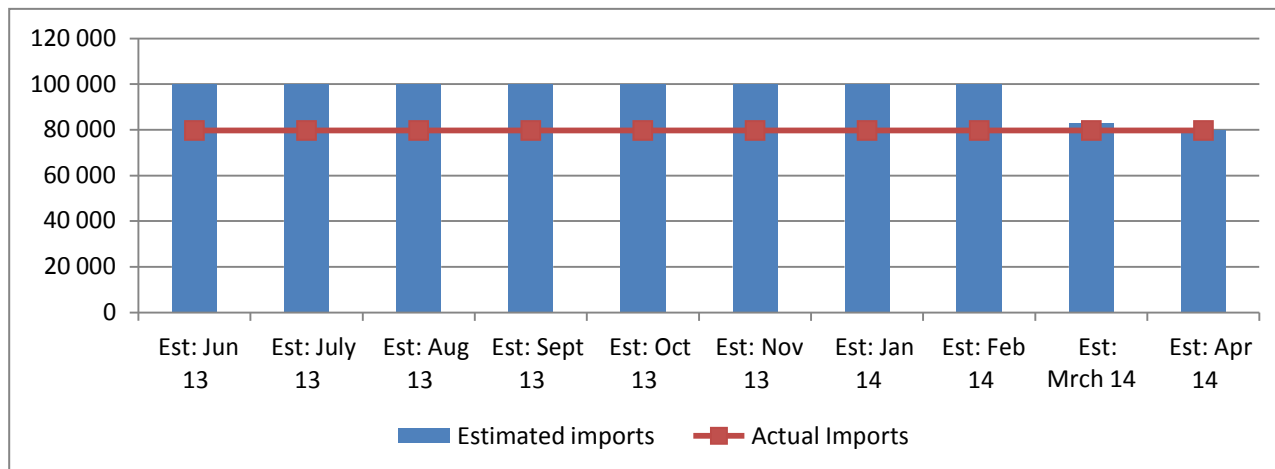


**Figure 12: Estimated ending stock, estimated average pipeline requirements and actual ending stock levels for yellow maize for 13/14 season.**  
*Source: SAGIS; 2015 & SASDE Report; May 2014*

It was also clear that the first estimates in Jun 2013 already indicated that stock levels would be below an acceptable pipeline requirement of 45 days. The situation deteriorated and South Africa ended up with a situation where it only had stock available for 20 days at the end of its marketing season.

### 8.3. Imports & exports of yellow maize

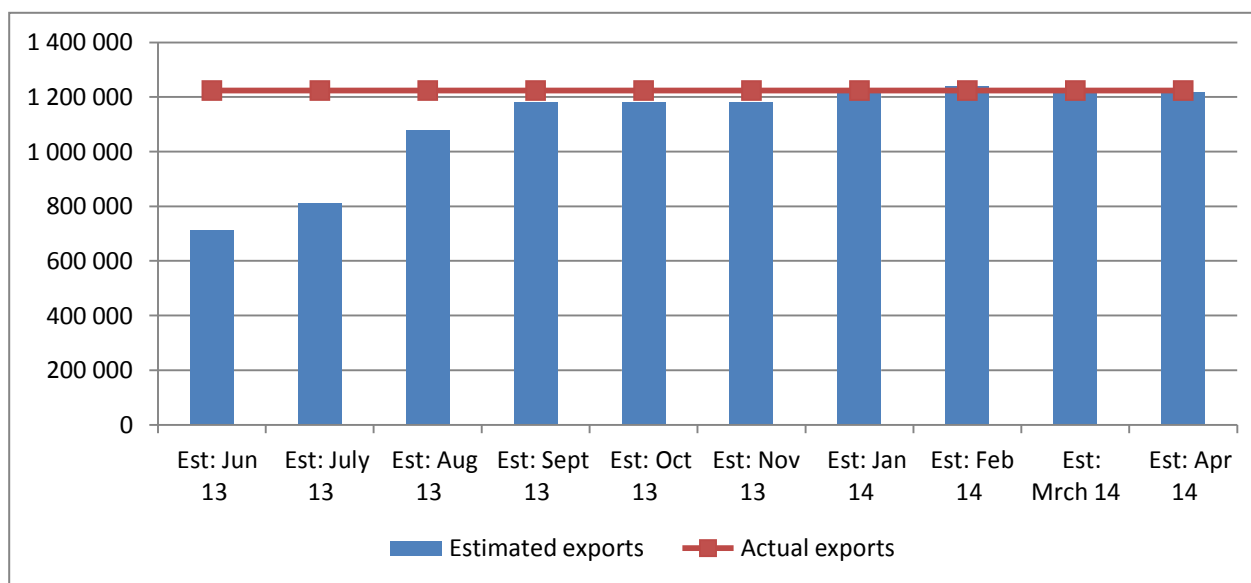
The S&DEC estimated 100 000 tons to be imported for the 2013/14 marketing season (???). Imports of 79 682 tons realized as illustrated in Figure 13.



**Figure 13: Estimated imports vs actual imports for yellow maize for the 13/14 season.**

Source: SAGIS; 2015 & SASDE Report; May 2014

The S&DEC estimated exports for Sept 2014 at 1 180 000 and increased the figure to 1 218 000 as the final estimated export figure. A total of 1 223 673 was exported for the 2013/14 marketing year. Please see Figure 14 for illustration of figures.



**Figure 14: Estimated exports vs. Actual exports for yellow maize for the 13/14 season.**

Source: SAGIS; 2015 & SASDE Report; May 2014

## 9. Conclusion

A market can only function competitively where market information is timely, accurate and relevant. The estimates provide by the S&DEC rely on crop estimates produced by the CEC, while SAGIS provides crucially important information pertaining to, amongst others, actual deliveries, and import and export figures as they realise throughout the year. Within the ambit of the aforementioned, information pertaining to future imports and exports are crucially important since such information could have a significant impact on the estimated ending stocks of wheat and maize. It is therefore vitally important to obtain such information in a timely manner, which is currently supplied anonymously by industry co-workers to the NAMC.

Reports and publication dates are available on the NAMC website <http://www.namc.co.za/pages/research--publications/publications/supply--demand-estimates>. Any enquiries can be forwarded to Christo Joubert at [christo@namc.co.za](mailto:christo@namc.co.za) or at 076 999 7766.

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