

# Global stocks at high levels despite weather concerns

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Currently, the global market has more than enough supplies in terms of oilseeds. The International Grains Council (IGC) has projected a soya bean ending stock of 38 million tons for the 2017/18 year, which is lower than the previous year (43,5 million), but higher than the five-year average of 33 million tons. The United States Department of Agriculture (USDA) expects world oilseeds ending stock levels at 109 million tons, which is higher than the previous two years.

According to the USDA, the global oilseeds production for 2017/18 is projected at 576,7 million tons, up 2,8 million, mainly on a 2,3 million ton increase for soya bean production. The USDA has increased the United States (US) soya bean production forecast for the season to 119 million tons, which will be a new record production for the US. By the end of August, the US soya bean prices decreased to a seven-week low due to the higher

than expected production from the US. However, despite the lower soya price the soya corn price ratio in the US market is still more favourable towards soya and is currently at 2,3.

In terms of the US market, there is still a bit of uncertainty. If the estimates realise at harvest due to crop condition reports, it could be less favourable compared to the previous season. However, for the rest of the production season the weather forecast looks more favourable.

## Soya bean production

Palm oil production increased in the current season, but is not at favourable levels yet, which provide some support for the soya beans on the demand side. World soya bean stocks are ample, keeping international prices under pressure. The lower prices dampened farmer selling that leads to lower crushing margins for soya beans in many countries. Therefore, margins will need to be more positive for

crushers to crush the large quantities of soya beans.

**In the local market, the Crop Estimates Committee (CEC) expects a record soya bean crop of 1,3 million tons, sunflower seed of 821 970 tons and groundnuts of 90 550 tons.**

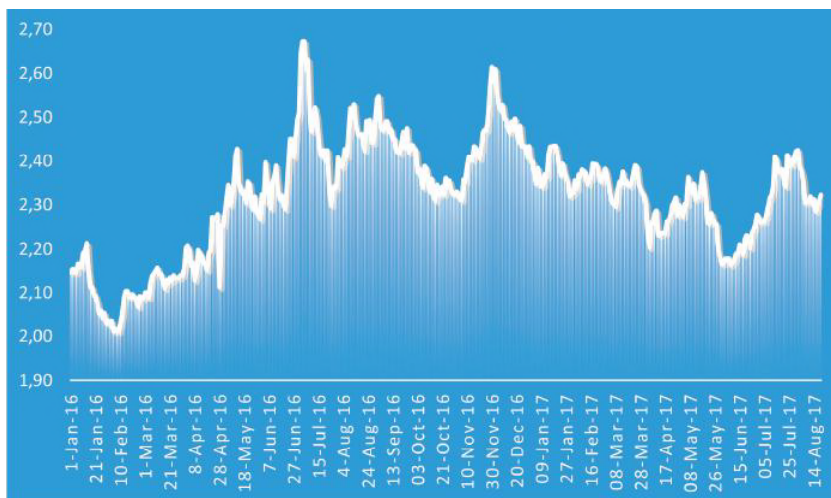
In the Southern Hemisphere, more specifically Argentina, expectations are that soya bean plantings are likely to decline to a six-year low for the season with more other crops such as maize, wheat and sunflower seed expected to take up many of the soya bean hectares.

The profitability of soya beans is still under pressure due to the high export taxes on the soya beans from Argentina. These taxes are as high as 30% and it is expected that the taxes would gradually decrease, but not enough to make a large impact within this coming season.

## Other oilseeds

In terms of other oilseeds, in the Commonwealth of Independent States (CIS) countries another good sunflower seed crop is in the making, but the expectations are that the crop is not likely to reach the levels that were seen last

Figure 1: Soya/corn price ratio. (Source: Grain SA)



season as there were a new record world production of sunflower seed.

It is therefore anticipated that the supplies of the oil of sunflower seed are likely to be tighter this season. In Argentina, the expectations are that there will be more sunflowers planted, and the area is estimated to reach close to a six-year high level, given that soya bean production is less profitable in Argentina.

The world exports of rapeseed and canola are estimated to decline by approximately two million tons in the 2017/18 season, mostly due to sharply reduced supplies in Canada and Australia. The crop conditions in these two countries are unfavourable and showed some further deterioration lately. This curbs the production of rapeseed and canola and contributes to the pressure on the supplies which are already low due to last year's unfavourable conditions.

Better crop conditions in the European Union (EU) and Ukraine will be insufficient to offset the losses in the Canadian and Australian markets. The canola prices in Canada as well as in the EU have appreciated the last few weeks and the expectations in the market are that the price gap is likely to continue to widen between canola and soya beans.

In the local market, the Crop Estimates Committee (CEC) expects a record soya bean crop of 1,3 million tons, sunflower

**Table 1: Most important oilseeds products (US \$/ton and R/ton). (Source: Oilworld and Grain SA)**

Product	17 Aug 2017	Jul 2016	% change
Soya beans (US CIF Rotterdam)	384	432	-11
Soya beans (Brazil)	754	695	8
Sunflower seed (EU)	397	403	-1
Groundnuts (VSA 40/50)	1 400	1 400	0
Palm oil (Malaysia)	643	615	5
Soya bean oil (US)	787	711	11
Sunflower oil (Arg)	735	871	-16
Soya meal (Arg)	304	414	-27
<b>Rand/\$</b>	<b>13,18</b>	<b>13,4</b>	<b>-1</b>
Sunflower seed	4 656	5 950	-22
Derived sunflower	5 152	5 585	-8
Soya beans	4 490	6 430	-30
Derived soya beans	5 681	6 315	-10
Soil canola	5 042	6 335	-20

seed of 821 970 tons and groundnuts of 90 550 tons. The crushing figures in the first three months of the marketing season were slower than expected, but expectations are that these figures will increase for the rest of the season. This is mainly because crushing margins are currently positive within the oilseeds industry.

In terms of the new production season, the expectation is currently that more hectares will shift to the oilseeds industry. This is mainly due to the fact that maize prices are at levels which is only profitable at high yields, therefore oilseeds will be used as risk diversification. The current maize/soya ratio is 2,5 which is favourable for soya bean production.

In terms of canola production, many hectares were lost mainly due to late rain in the Western Cape and poor germination. By the end of August, the crop was still under stress and later rain can assist the crop, however, yields will be compromised.

On the international market, prices are under pressure mainly due to the large stocks available. The large stocks in South Africa also put pressure on prices, but the local prices are already below the derived oilseeds prices. It will be important to monitor the next three months in terms of the US crop progress, exchange rate and the rate of processing within the local market. 🌱

**Figure 2: Maize/soya bean price ratio. (Source: Grain SA, SAFEX)**

