

FOR ANY QUERIES, PLEASE CONTACT:

 Wandile Sihlobo: wandile@agbiz.co.za
Key Data Releases in Agricultural Markets:

- USDA Wheat Outlook: 12/02/2018
- SAGIS weekly grain trade data: 13/02/2018
- SAGIS producer deliveries data: 14/02/2018
- SAGIS monthly data: 26/02/2018
- National Crop Estimates Committee's data: 27/02/2018

ECONOMIC INDICATORS	09/02/2018*	12/02/2018*	d-o-d (%Δ)
Rand/US Dollar	12,09	11,96	+1,09%
Rand/Euro	14,80	14,70	+0,68%
Euro/US Dollar	1,2255	1,2282	+0,22%
Gold Spot	1 315,02	1 323,56	+0,65%
Brent Crude Oil	64,55	63,59	-1,49%
Platinum Spot	971,52	970,21	-0,13%
Dow Jones Industrial Average	23 860,46	24 190,90	+1,38%
JSE All Share	56 100,59	55 902,62	-0,35%
SA repo rate	6.75	6.75	0,00%
SA CPI (y/y %)	4.70	4.70	0,00%
SA CPI – food (y/y %)	4,90	4,90	0,00%

*Previous day's prices are from midday (12h00) and today's ones were captured before 08h00

- The Rand started the week on a positive footing, strengthening by 1% against the US Dollar from levels seen at midday Friday. The Rand's appreciation was line with the US Dollar depreciation against major currencies, as well as higher global commodity prices. At the time of writing, the Rand/US Dollar exchange traded around R11.96. From a domestic data front, today's calendar is fairly light with no major releases.
- After experiencing a good run on Friday's trade session, oil market pulled back this morning with the price down by 1%, trading at levels around US\$63.59 per barrel. These losses were partially on the back of an uptick in US oil-rig count. The most recent data from Baker Hughes shows that the number of active US rigs drilling for oil increased by 26 to 791 in the week ending 09 February 2018.



MAIZE/CORN	09/02/2018*	12/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 825	1 827	+0,11%
White maize Jul 18 (R/t)	1 947	1 948	+0,05%
Yellow maize Spot (R/t)	1 914	1 915	+0,05%
Yellow maize Jul 18 (R/t)	2 004	2 013	+0,45%
CME corn Spot (US cents/bushel)	364	366	+0,55%

* Previous day's prices are from midday (12h00) and today's ones were captured before 08h00

- The South African maize market had a good run in Friday's trade session, mainly supported by the weaker Rand against the US Dollar, as well as the bullish sentiment from the Chicago maize market.
- The recent rainfall has helped offer brief relief from the dryness in the western sections of the Free State and North West provinces. The most recent report from *World Weather Inc.* shows that soil moisture has slightly improved in these particular regions from extreme dryness experienced at the beginning of the year.
- While it is too late for additional planting, the improvements in soil moisture bode well for the crop in areas that managed to plant on time. Moreover, the forecast rainfall within the next two weeks could further improve soil moisture and thereafter the outlook for maize crops. As previously highlighted, the South African Weather Service forecasts good rainfall across summer crop growing areas of the country from now and April 2018.
- Above all, we estimate that South Africa's 2017/18 maize production could reach 11.2 million tonnes, which would be a 33% y/y decline, but still above the annual consumption of 10.5 million tonnes. The United States Department of Agriculture's (USDA) estimate is almost in line with ours.
- The agency left its 2017/18 maize production estimate for South Africa unchanged from last month, at 12.5 million tonnes. This includes both commercial and non-commercial maize production. Meanwhile, Agbiz estimate of 11.2 million tonnes only focuses on commercial production. Overall, the official production estimates will be released by the National Crop Estimates Committee on 27 February 2018.
- On the global front – This morning the Chicago maize price was up by 1% from levels seen at midday Friday owing to solid global demand and a relatively weaker US Dollar against major currencies.
- Overall, the USDA forecasts 2017/18 global maize production at 1.04 billion tonnes, which is 3% lower than the 2016/17 due to expected lower harvest in the US, Brazil and South Africa, amongst others.

Bottom line – Today the domestic maize market could experience a sideways movement if the ZAR/USD exchange and Chicago maize prices maintain the current trends.



WHEAT	09/02/2018*	12/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 633	3 630	-0,08%
SAFEX Wheat May 18 (R/t)	3 725	3 725	0,00%
CME Wheat spot (US cents/bushel)	452	457	+1,11%

*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- South Africa is a net importer of wheat, therefore major developments in the global market tend to influence the domestic environment. Friday's session was no different, the spot price was under pressure due to a decline in Chicago wheat prices. Meanwhile, May 2018 contract month price was unchanged from the previous day.
- One of the key variables that determine the wheat import tariff level is the international wheat price (US No2 HRW). Over the past two weeks, the international wheat prices consistently traded higher than the base price of US\$218.00 per tonne by more than US\$10 per tonne. If this trend continues for another week, a new wheat import tariff, which would be less than the current rate of R716.30 per tonne, could be triggered.
- The recent uptick in international prices was largely due to dryness weather in the southern Plains of the US. However, the recent USDA's monthly report somewhat eased the fears of possible crop damage. The agency left its 2017/18 US wheat production estimate unchanged from last month at 47 million tonnes.
- Moreover, the agency revised its 2017/18 global wheat production estimate up by 0.2% from January 2018 to 758 million tonnes. This is 1% higher than the 2016/17 production season. In the same season, the global wheat ending stocks are estimated at 266 million tonnes, which is 5% higher than the previous season.
- These developments suggest that the international wheat prices could slightly decline from levels seen in the past few weeks as the market is well supplied. Such a scenario would break the price trend observed in the past two weeks, and thereafter the prospects of a change in wheat import tariff.
- We have been writing a bit lately about wheat trade matters because South Africa's 2017/18 marketing year wheat import estimate is the second largest on record, estimated at 1.9 million tonnes. The country has thus far imported 40% of the seasonal import forecast, which makes trade matters important as a large share of wheat is yet to be imported.
- On the global front - This morning the Chicago wheat price was up by 1% from levels seen at midday Friday owing to the slightly weaker US Dollar against major currencies, as well as strong global demand. The USDA forecasts 2017/18 global wheat imports at 180 million tonnes, up by 1% from the previous season.

Bottom line – Today the domestic wheat market could also experience sideways movement if the ZAR/USD exchange and Chicago wheat prices maintain the current trend.



SOYBEAN	09/02/2018*	12/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 481	4 477	-0,09%
SAFEX Soybean May 18 (R/t)	4 594	4 596	+0,04%
CME Soybean Spot (US cents/bushel)	984	999	+1,52%

*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- The domestic soybean market ended the day mixed on Friday. The spot price was under pressure owing to a bearish sentiment from the Chicago soybean market. Meanwhile, the new season contract price saw marginal gains, benefiting from increased commercial buying.
- Some soybean growing regions received light showers over the weekend. This bodes well for the new season crop which still needs moisture at its current stage of development. Also worth noting is that the weather forecast for the week shows a possibility of continuous rainfall which should further improve crop conditions.
- The medium-term weather forecasts from the South African Weather Service shows a possibility of above-average rainfall across soybean growing regions throughout the summer season. This means that there is a possibility that the country could receive another big crop¹.
- We forecast the 2017/18 soybean production at 1.2 million tonnes, which is an 8% decline from the previous season². The official soybean production estimates will be released by the National Crop Estimates Committee on 27 February 2018.
- In global markets – This morning the Chicago soybean price was up by 2% from levels seen at midday Friday due to lingering concerns of dryness in the southern parts of Argentina.
- The USDA revised its 2017/18 global soybean production estimates down by 1% from January 2018 to 347 million tonnes. This is mainly due to expected lower yields in Argentina and Paraguay. Moreover, this is 1% lower than the 2016/17 harvest.
- In the same season, the ending stock estimates were marginally down from the previous month, at 98 million tonnes. With that said, this is still 2% higher than the 2016/17 season.

Bottom line – Similarly to other crops, the soybean market could experience sideways movements if the Chicago soybean price and ZAR/USD exchange maintain the current trend.

¹ The country harvested 1.3 million tonnes of soybeans in the 2016/17 production season.

² This is despite the increase in hectares planted, as we expect yields to average 1.7 tonnes per hectares, compared to 2.3 tonnes per hectare in the 2016/17 production season.



SUNFLOWER SEED	09/02/2018*	12/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 620	4 665	+0,97%
SAFEX Sunflower seed May 18 (R/t)	4 684	4 728	+0,94%
EU (France) sunflower seed (US\$/t)	393	392	-0,25%

*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- The South African sunflower seed market had a good run on Friday's trade session, supported by a slightly weaker Rand against the US Dollar, as well as commercial buying.
- The past weekend was fairly dry and cool across the sunflower seed growing areas of the country. However, the rainfall received in the past few weeks across the western sections of the Free State and North West provinces have slightly improved soil moisture and farmers went back to the fields for additional planting.
- With that said, there is uncertainty about the yield potential given that the optimal planting window closed on 20 January 2018. Planting outside the 'optimal window' typically implies that crops could be negatively affected by frost later in the season, which might lower the yields.
- This week the sunflower seed growing regions could receive widespread rainfall of between 30 and 90 millimetres. This will further improve soil moisture and thus benefit the new season crop which currently needs moisture at its stage of development. Moreover, the forecast rainfall will support the germination process at the recently planted areas.
- With almost nothing on the data calendar this week, the domestic sunflower seed price movements will largely be driven by developments in the ZAR/USD exchange, traded volumes in the market, as well as weather conditions.
- In the global market – On Friday, the EU's sunflower seed market lost ground with the price down by 0.25% from the previous day, closing at US\$392 per tonne. This was in line with the movements in the crude and vegetables oils market.
- Elsewhere, the sunflower seed harvest process is underway in Argentina. Data from Buenos Aires Grain Exchange shows that on 07 February 2018, about 35% of the crop had already been harvested. This is 3% ahead of the corresponding period last year.

Bottom line – Today, the domestic sunflower seed market could be under pressure owing to the stronger ZAR/USD exchange, as well as favourable weather prospects.



POTATO	09/02/2018*	12/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	39,54	39,17	-0,94%

*Previous day's price survey across RSA fresh produce markets

- The South African potatoes market lost ground on Friday's trade session with the price down by 1% from the previous day, closing at R39.17 per pocket (10kg). These losses were partially on the back of a large stock of 1.00 million pockets (10kg bag) at the start of the trade session.
- During the session, the market saw an uptick in deliveries as harvest activity continues across the country. This subsequently led to a 6% increase in daily stocks to 1.06 million pockets (10kg bag).

Bottom line – In today's trade session the potato market could experience extended losses due to a large stock of 1.06 million pockets (10kg bag).

BEEF CARCASS	09/02/2018*	12/02/2018*	d-o-d (%Δ)
SAFEX Beef Mar 18 (R/kg)	44,00	44,00	0,00%

*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- On Friday, there was not much happening in the SAFEX beef carcass market. The price was unchanged from the previous day, closing at R44.00 per kilogram. Therefore, it is worth noting that the SAFEX beef carcass prices might not be a true reflection of the activity in the physical market, which continues to show solid activity.
- From a meat supply perspective, South African farmers slaughtered 262 727 head of cattle in December 2017, up by 10% from the previous month. However, this is down by 17% when compared to the corresponding period the previous year, as the restocking process still continues (but will soon normalise) after the recent drought.

Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will most likely remain flat throughout the week.

LAMB CARCASS	09/02/2018*	12/02/2018*	d-o-d (%Δ)
SAFEX Lamb Mar 18 (R/kg)	70,00	70,00	0,00%

*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- The SAFEX lamb carcass market also experienced a fairly quiet session on Friday, characterised by thinly traded volumes. The price remained flat from the previous day, settling at R70.00 per kilogram.
- From a supply front, the South African farmers slaughtered 494 909 head of cattle in December 2017, up by 11% from the previous month. However, this was down by 27% from the corresponding period the previous year due to a combination of factors, with the most notable one being the restocking process following the recent drought.

Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX lamb carcass prices will most likely remain flat throughout the week.

WEATHER FORECAST: South Africa

- The weather charts show a possibility of rainfall across South Africa within the next eight days (figure 1). The forecast rainfall varies between 16 and 90 millimetres and should improve soil moisture across summer crop growing areas. The Western Cape province, which has been dry and warm for some time, could also get showers. However, this will not be sufficient to meaningfully improve dam levels.
- The long-term weather forecasts also show a likelihood of light rainfall across many sections of the country, also varying between 16 and 90 millimetres (figure 2). However, this is with the exception of the western parts of the Western Cape and Northern Cape provinces which could remain dry and warm over the observed period.

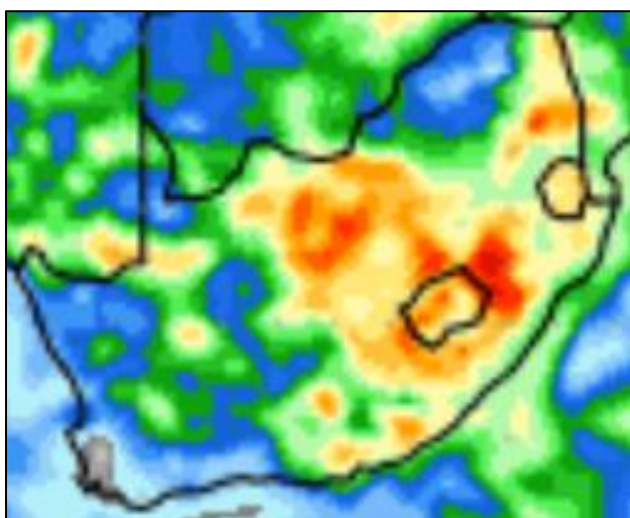


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

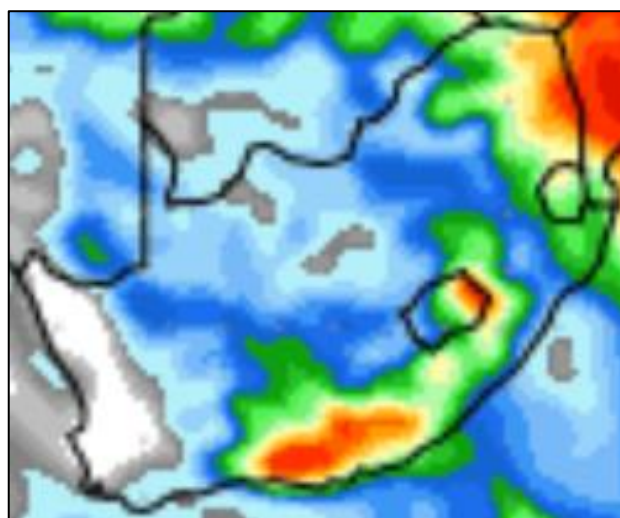


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

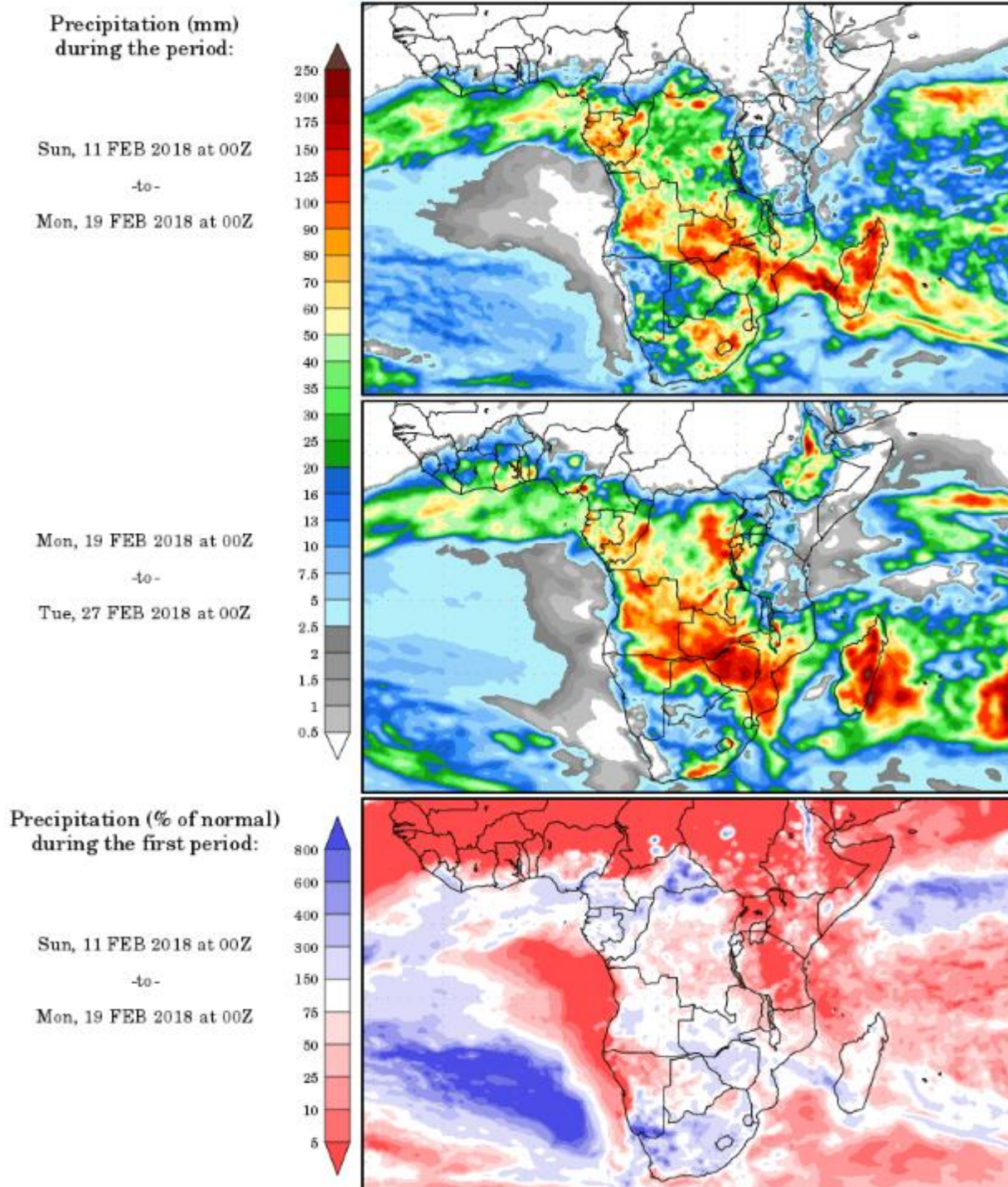


Figure 3: Precipitation forecast

Source: wxmaps

Data Sources: JSE, CME, Potatoes SA, Johannesburg Fresh Produce Market, Red Meat Levy, Reuters, SAGIS, USDA, International Grains Council, National Crop Estimate Committee, South African Weather Services, Sunseedman and wxmaps.

[@WandileSihlobo](#) [@AgriChamber](#)

Disclaimer: Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.