



10 MARCH 2017

## South African Agricultural Commodities Weekly Wrap

South African agricultural commodity markets were mainly under pressure this week, with the exception of **wheat** which managed to gain ground and closed in positive territory - largely supported by strong domestic buying interest. Meanwhile, other commodities were pressured by prospects of large domestic supplies, as well as relatively stronger Rand against the US Dollar. The **maize** market fell by an average of 13% compared to the previous week's levels. The **oilseeds** market also closed in negative territory as the bearish sentiment prevailed, on the back of expected large supplies. For **fruits** and **vegetables**, the week has again been fairly wobbly with daily volumes/stock levels underpinning the market. Lastly, the SAFEX **beef** prices remained unchanged from the previous week's level.

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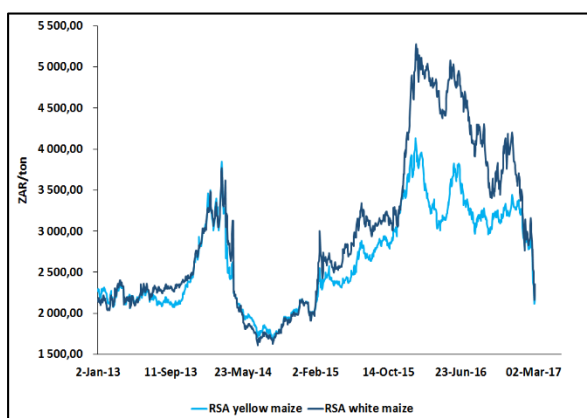
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### Maize market

With South Africa's maize production set to reach 13.92 million tonnes, the country could regain its status as a net exporter in the 2017/18 marketing season. The total maize exports are forecast at 2.5 million tonnes, more than double the previous season's export volume. About 56% of this is white maize and the remainder is yellow maize. However, for the 2016/17 marketing season, South Africa will continue to import maize in order to fulfil domestic needs. In the week ending 03 March 2017, the country imported 62 095 tonnes of yellow maize. This placed 2016/17 total maize imports at 2.03 million tonnes, which is 85% of the seasonal import forecast.

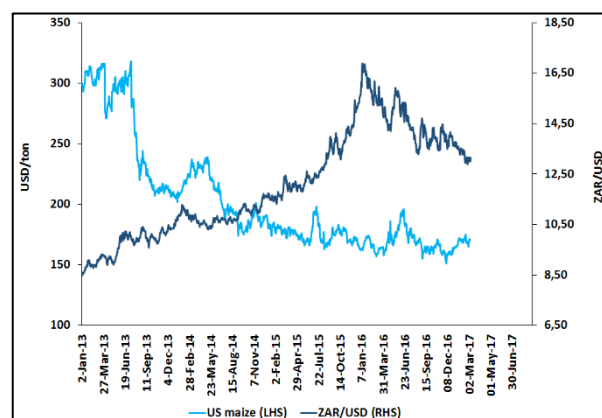
From a price perspective, white maize spot price was down by 15% this week, averaging R2 277/t from R2 679/t last week. Average weekly yellow maize spot price was down by 12%, at R2 231/t from R2 537/t last week (**Chart 1**). Meanwhile, Chicago maize price managed to gain 2% this week, averaging US\$170/t (**Chart 2**).

From the deliveries perspective, in the week ending 03 March 2017, maize producer deliveries were recorded at 12 553 tonnes, down by 78% from the previous week. This brought the overall deliveries for "week 1 to 44" to 6.66 million tonnes. Looking ahead, the forecast dry and warm weather conditions for the next few weeks could accelerate the early producer deliveries, particularly in the irrigation areas.



**Chart 1: South African maize prices**

Source: JSE, Agbiz Research



**Chart 2: US maize prices and ZAR/USD exchange**

Source: IGC, Bloomberg, and Agbiz Research



## Wheat market

Although South Africa saw good production in the 2016/17 season, the outlook for the next season is concerning due to prospects of prolonged dryness. Most winter wheat farmers are set to start planting around May 2017. This means that the winter wheat producing areas, particularly Western Cape, should get rainfall by April 2017.

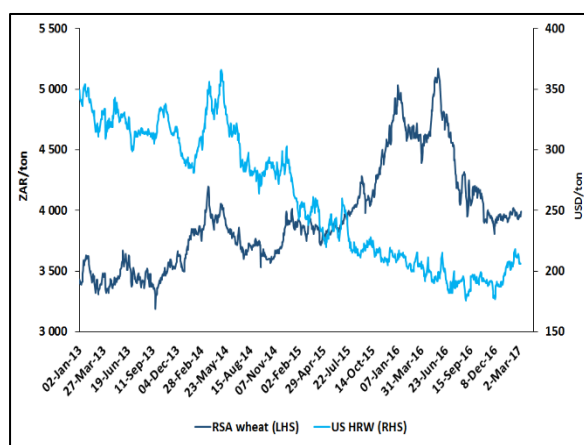
However, the weather outlook for the next few weeks shows a possibility of dry and warm conditions in the province. In addition, a recent report from the South African Weather Services suggested that an El Niño weather pattern, which is typically associated with hot and dry weather conditions, may potentially return around August 2017. Although it would be premature to provide any certainty to this outlook, it is worth noting that the Australian Bureau of Meteorology concurs with our local Weather Services, which has noted a 50% chance of El Niño development later in 2017. All of this a risk for the 2017/18 winter wheat production.

From the price perspective, this week the South African wheat market gained 1% from the previous week, averaging R3 963 per tonne, from R3 941 per tonne. These gains were largely on the back of strong domestic buying interest (**Chart 3**).

South African farmers continue to deliver wheat to commercial silos. In the week ending 03 March 2017, wheat deliveries were recorded at 4 114 tonnes, which is 61% lower than the volume recorded the previous week. This brought South Africa's 2016/17 total wheat deliveries for "week 1 to 22" to 1.80 million tonnes.

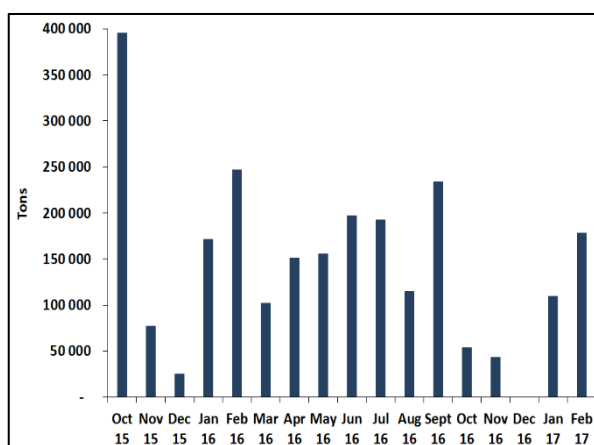
From the trade perspective, the 2016/17 total wheat imports are set to decline by 25% year-on-year to 1.5 million tonnes due to an uptick in local production. In the week ending 03 March 2017, South Africa imported 70 253 tonnes. About 37% was from Germany, 33% from the Czech Republic and 30% from the Romania. This is 46% higher than the previous week's imports. Overall, South Africa's 2016/17 total wheat imports stand at 366 477 tonnes, which is 24% of the seasonal import forecast (1.5 million tonnes).

On the global front, the USDA's monthly report indicated that 2016/17 global wheat production could reach 751.07 million tonnes, which marginally above the previous month's estimate of 748.24 million tonnes. In addition, this is 2% higher than the previous season's wheat production. The general upswing is on the back of an upward revision in the EU countries, as well as Argentina. The 2016/17 global ending stocks were revised up by 1% from the previous estimate to 249.94 million tonnes. Moreover, this is 4% higher than the previous season.



**Chart 3: South Africa and US wheat prices**

Source: JSE, IGC, and Agbiz Research



**Chart 4: South Africa's monthly wheat imports**

Source: SAGIS and Agbiz Research



## Soybean market

The domestic soybean crop is in good condition throughout the country. There was not much activity this week, as the market was generally pressured by expected increases in supply. South Africa's 2016/17 soybean production is set to reach a record level of 1.07 million tonnes, which is 44% higher than the previous estimate due to expected higher yields.

From a price perspective, the soybean market lost ground with weekly average spot price down by 4% from the previous week, at R5 684/t from R5 922/t last week (**Chart 5**). Meanwhile, Chicago soybean market gained ground on the back of wet weather conditions in South America and concerns about possible export delays. The average weekly soybean price was at US\$397 per tonne, up by 1% from the previous week.

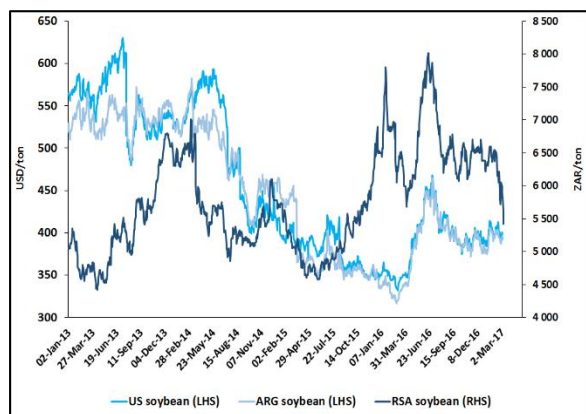
On the global front, this month's USDA World Agricultural Supply and Demand Estimates (WASDE) report indicated that 2016/17 global soybean production could reach 340.79 million tonnes, up by 1% from the previous month's estimate. In addition, this is 9% higher than the previous season's output. The key contributors to this crop are the US, Brazil, Argentina, Paraguay and China. The 2016/17 global ending stocks are estimated at 82.82 million tonnes, up by 3% from the previous estimate and (up) by 8% from the 2015/16 ending stock levels. From a demand perspective, China's 2016/17 soybean import estimate was revised up to 87 million tonnes, up by 1% from the previous estimate and 5% higher than the previous season's estimate.

## Sunflower seed market

South Africa's sunflower seed crop is in a fairly good condition and poised to be the largest crop in 16 years. The government production forecasts suggest that the crop could reach 928 620 tonnes, which is 23% higher than the previous season due to expected higher yields.

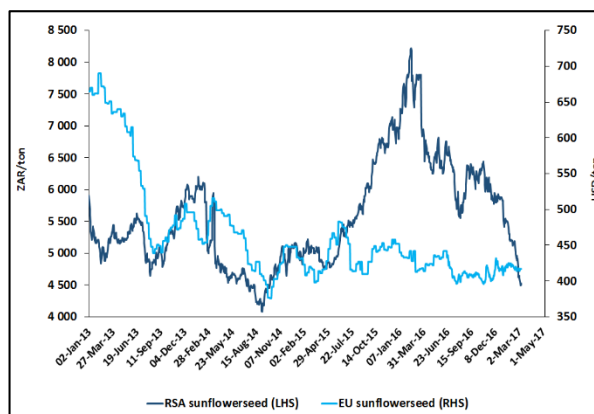
This positive outlook, together with the relatively stronger Rand against the US Dollar were the key drivers of the market this week. Overall, the average weekly spot price was at R4 509/t, down by 2.3% from the previous week (**Chart 6**).

In the global landscape, this was again another quiet week with no major developments. The global sunflower seed market is well supplied, with 2016/17 global sunflower seed production estimated at 48 million tonnes, which is a 14% annual increase and the highest volume in the past 5-years.



**Chart 5: Soybean prices**

Source: JSE, IGC, and Agbiz Research



**Chart 6: Sunflower seed prices**

Source: JSE, IGC, and Agbiz Research



## Beef market

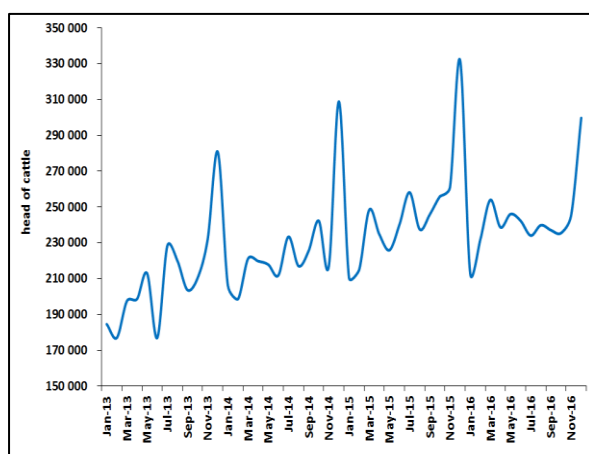
The SAFEX beef market saw a quiet week, owing to lower traded volumes. As a result, prices remained unchanged from the previous week at R44.00 per kilogramme.

January and February 2017 slaughtering data is not yet out, but the weekly slaughtering activity points to a slowing trend which suggests that farmers have started restocking their herds. This comes after recent rainfall led to a notable improvement in grazing fields, as well as relatively lower feed costs. In the week ending 24 February 2017, slaughtering activity was at 14 638 head of cattle which is 8% lower than the corresponding period last year<sup>1</sup>.

Over the past few months, the South African beef industry saw higher slaughtering rate as farmers were unable to maintain their herds due to elevated feed costs (on the back of the drought), as well as seasonal demand during the festive holiday. Data from the *Red Meat Levy Admin* shows that in December 2016, South African farmers slaughtered 299 767 head of cattle, which is 22% higher than the previous month (**Chart 7**).

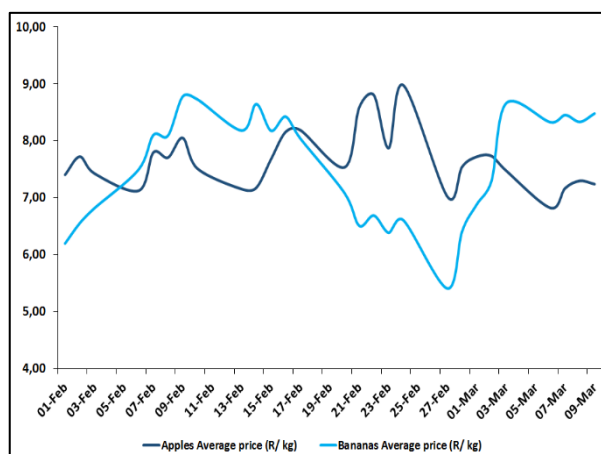
## Fruit market

The *Johannesburg Fresh Produce Market* ended the week mixed. Average weekly **apple** price was down by 8% from the previous week's level, averaging R7.20 per kilogramme, due to large stock levels which reached 207 055 tonnes by Thursday morning (compared to 166 706 tonnes the same period last week). The **oranges** price was down by 54% this week, averaging R4.86 per kilogrammes. This was also on the back of higher stock levels of 41980 tonnes. Meanwhile, the **bananas** market gained 33% from the previous week, averaging R8.45 due to strong buying interest and a marginal decline in stock levels (**Chart 8**).



**Chart 7: SA's monthly cattle slaughtering activity**

Source: Red Meat Levy Admin, Agbiz Research



**Chart 8: Apple and Banana prices**

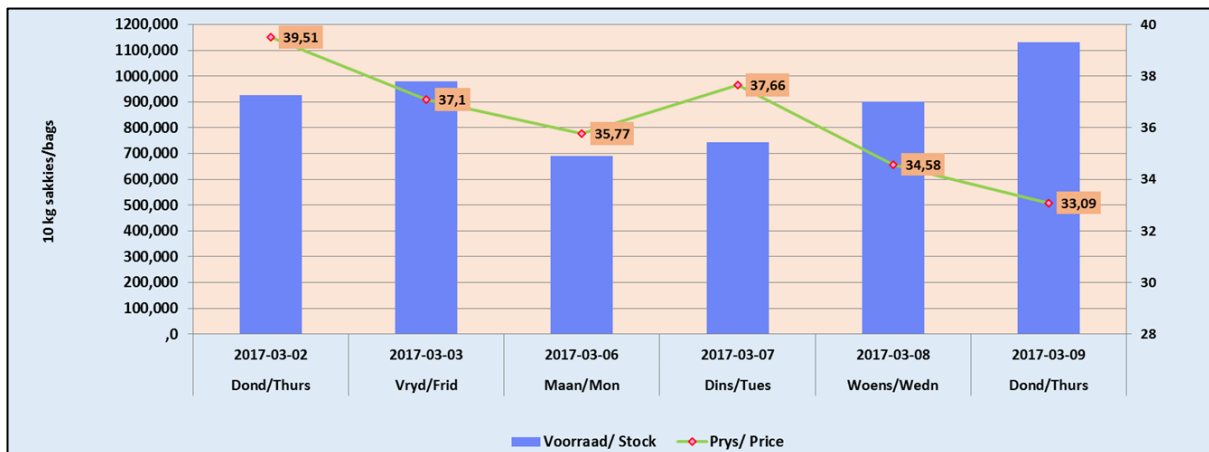
Source: Johannesburg Fresh Produce Market, Agbiz Research

<sup>1</sup> This figure represents the slaughtering activity recorded by the Red Meat Abattoir Association only, not the entire country (South Africa).



## Potatoes market

The South African potatoes market ended the week in negative territory due to higher stock levels of 1 111 000 bags (10 kg bags) by the end of Thursday's trade session. This is 22% higher than the corresponding period last week. The uptick is largely on the back of an increase in deliveries due to ongoing harvest process. As a result, potatoes price declined by 16% from last Thursday, closing at R33.09 per 10 kilogrammes.



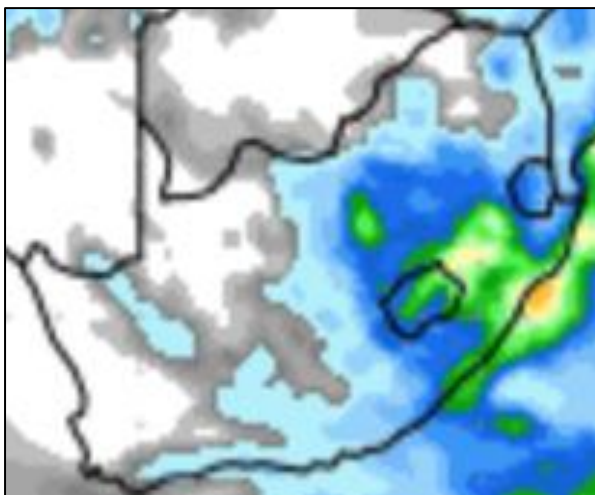
**Chart 9: South Africa's average potato prices and stocks**

Source: Potato SA, Agbiz Research

## Weather conditions ahead of the weekend

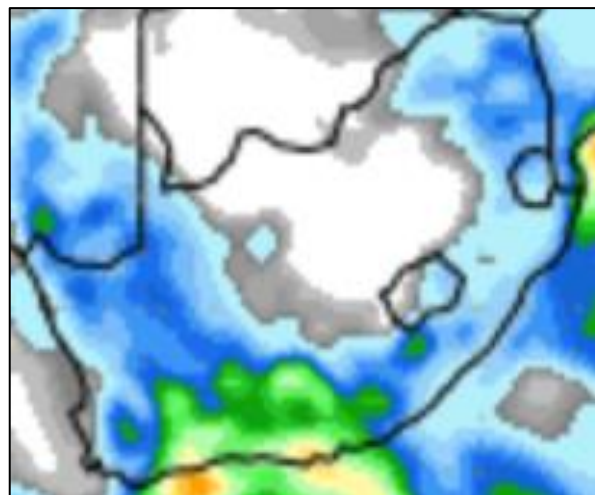
Heading into the weekend, the weather forecast shows a possibility of scattered light showers across the summer crop growing areas of South Africa within the next eight days. These expected showers vary between 5 and 16 millimetres. This is with the exception of the Western Cape, Northern Cape and the southern parts of the Eastern Cape province which might remain dry and warm over the observed period (**Chart 10**).

The long-term precipitation forecast shows a possibility of light showers across the country, with the exception of Free State, Gauteng and North West. These expected showers vary between 10 and 30 millimetres and could be beneficial for the Western Cape province which is currently experiencing drier conditions (**Chart 11**).



**Chart 10: Next 8-days precipitation forecast**

Source: wxmaps

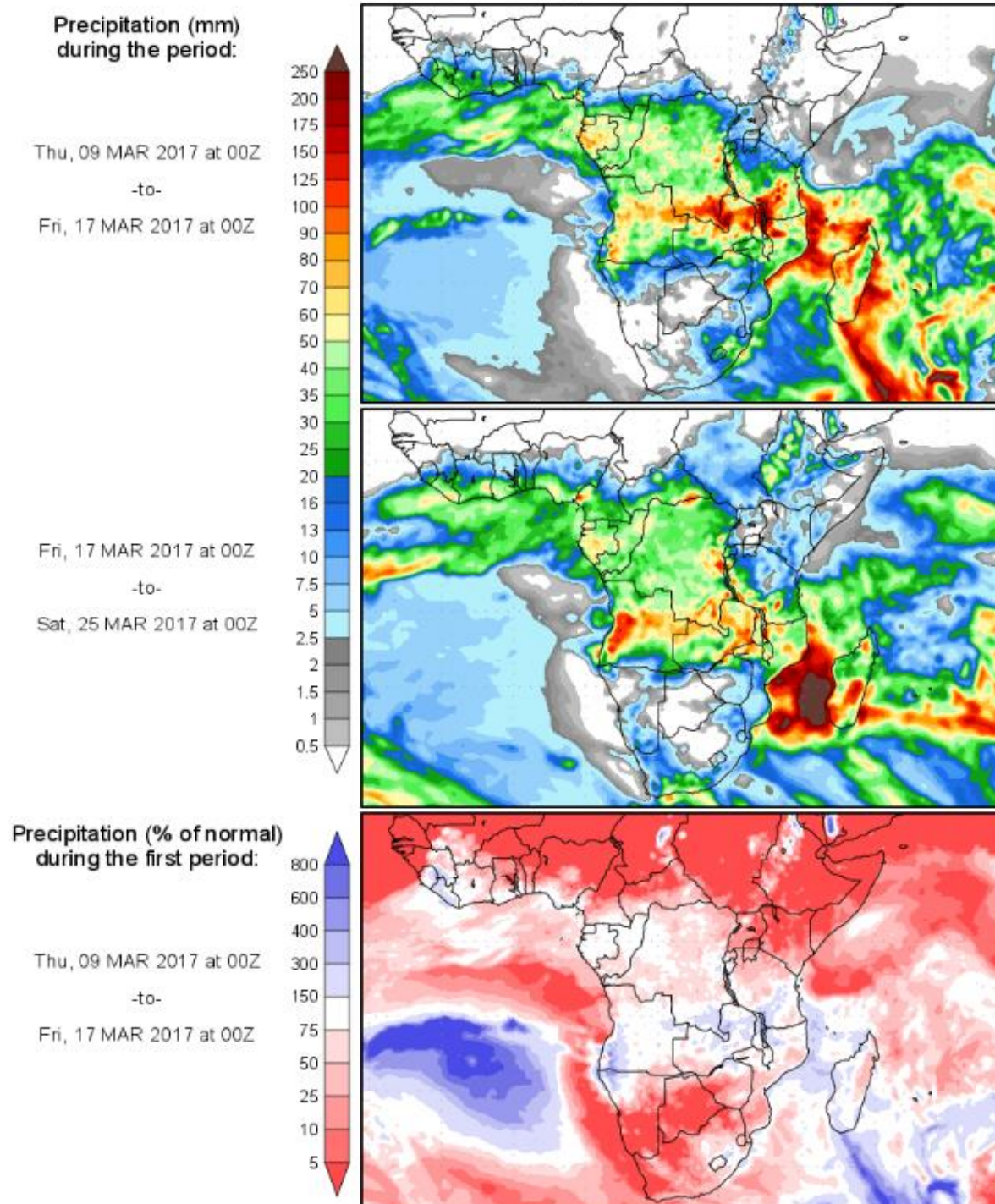


**Chart 11: Next 16-days precipitation forecast**

Source: wxmaps



## Precipitation Forecasts



**Chart 12: Precipitation forecast**

Source: wxmaps

## Key data releases in South African agricultural markets

- SAGIS weekly grain trade data: 14/03/2017
- SAGIS weekly producer deliveries data: 15/03/2017
- USDA weekly export sales data: 16/03/2017

### Disclaimer:

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