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Key Data Releases in Agricultural Markets:

- SAGIS weekly grain trade data: 16/01/2018
- SAGIS producer deliveries data: 17/01/2018
- USDA weekly export sales
- SAGIS monthly data: 25/01/2018
- National Crop Estimates Committee's data: 30/01/2018

ECONOMIC INDICATORS	15/01/2018*	16/01/2018*	d-o-d (%Δ)
Rand/US Dollar	12,29	12,31	-0,16%
Rand/Euro	15,09	15,10	-0,07%
Euro/US Dollar	1,2275	1,2264	-0,09%
Gold Spot	1 343,23	1 340,71	-0,19%
Brent Crude Oil	70,02	70,19	+0,24%
Platinum Spot	999,84	993,60	-0,62%
Dow Jones Industrial Average	25 803,19	25 803,19	0,00%
JSE All Share	60 287,86	60 240,96	-0,08%
SA repo rate	6.75	6.75	0,00%
SA CPI (%)	4.60	4.60	0,00%
SA CPI – food (%)	5,20	5,20	0,00%

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

- This morning the domestic currency slightly weakened by 0.16% against the US Dollar from levels seen at midday yesterday. The Rand's depreciation was mainly in line with the US Dollar appreciation against major currencies. The relatively lower global commodity prices also added a negative sentiment to the market. At the time of writing, the Rand/US Dollar exchange traded around R12.31.
- The Brent crude oil price gained ground this morning with the price up by 0.24% from levels seen at midday yesterday. The oil market has mainly been supported by improved global demand on the back of promising economic growth prospects. Moreover, the oil production cuts in OPEC and Russia also added support to the market. At the time of writing, oil price traded around US\$70.19 per barrel.



MAIZE/CORN	15/01/2018*	16/01/2018*	d-o-d (%Δ)
White maize Spot (R/t)	2 032	2 044	+0,59%
White maize Jul 18 (R/t)	2 170	2 187	+0,78%
Yellow maize Spot (R/t)	2 019	2 036	+0,84%
Yellow maize Jul 18 (R/t)	2 120	2 127	+0,33%
CME corn Spot (US cents/bushel)	346	348	+0,58%

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

- The South African maize prices ended the day higher in yesterday's trade session as strong commercial buying, higher Chicago maize prices and unfavourable weather conditions continued to provide bullish sentiment to the market.
- After extremely hot temperatures, some areas in the central and eastern parts of the South African maize belt received light showers last night which should improve crop conditions. Meanwhile, the western parts of the country remained dry and warm which is not good for the new season crop.
- The effects of persistent dryness are clear in the western regions where soil moisture is extremely low. Thus, leading to delays in maize planting activity. Last week, farmers in the North West province had planted 70% of the intended area of 580 000 hectares. Meanwhile, farmers in the central and north-western parts of the Free State province had planted roughly 75% of their intentions¹.
- With that said, the most recent weather forecasts for the next two weeks paint a constructive picture of rainfall across the South African maize belt. This is expected to vary between 16 and 80 millimetres and will present a much-needed relief after weeks of dryness and hot temperatures.
- On the global front – This morning the Chicago maize price was up by 0.58% from levels seen at midday yesterday owing to an expected decline in global maize production.
- That said, the global maize market is still well supplied, despite the expected 3% y/y decline in 2017/18 global maize production to 1.04 billion tonnes. The global stocks are also large global stocks, at 206 million tonnes.

Bottom line – Today the domestic maize market could receive additional gains due to higher Chicago maize prices, as well as a relatively weaker ZAR/USD exchange.

¹ The optimal maize planting window has already passed, so even if South Africa was to suddenly receive widespread showers, there would be minimal improvements in planting activity in these particular provinces. Any maize planted outside the optimal window risks being affected by frost later in the season, which in turn, increases the likelihood of poor yields.



WHEAT	15/01/2018*	16/01/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 652	3 737	+2,33%
SAFEX Wheat May 18 (R/t)	3 792	3 870	+2,06%
CME Wheat spot (US cents/bushel)	420	418	-0,48%

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

- After experiencing notable losses in the past few days, the domestic wheat prices settled higher in yesterday's trade session due to a slight uptick in commercial buying interest².
- Key to monitor in the short to medium term are international wheat prices as that will have implications on domestic wheat import tariff. At the moment, the tariff rate is R716.33 per tonne, down from R910.00 per tonne in October 2017. The downward revision was linked to the higher global wheat prices.
- The tariff discussion is important, as wheat imports are set to reach 1.9 million tonnes in the 2017/18 marketing year. This is double the volume imported in 2016/17 marketing year due to relatively lower domestic supplies.
- The lower supplies are a function of both poor harvests, as well as relatively lower opening stock. South Africa's wheat production is estimated at 1.48 million tonnes, which is 23% lower than the previous season due to poor yields in the Western Cape and parts of the Free State provinces. The opening stocks for the 2017/18 marketing year are estimated at 341 424 tonnes, well below the previous year's volume of 827 232 tonnes.
- On the global front - This morning the Chicago wheat price was down by 0.48% from levels seen at midday yesterday owing to large global supplies of 757 million tonnes (up by 1% y/y).
- The weather remains a key focus in the US market as the winter wheat crop is still at growing stages. In the past few days, the country experienced unfavourable conditions, which threatened the crop. Fortunately, the conditions seem to be improving, with current weather forecasts showing a possibility of rainfall in the central and eastern parts of the country within the next two weeks. This should support the winter wheat crop.
- As indicated in yesterday's note, the USDA forecasts the US 2017/18 all-wheat production at 47 million tonnes, down by 25% from the previous season's harvest due to expectations of lower yields, as well as a decline in area plantings. Also worth noting is that this estimate is in line with the International Grains Council's one.

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

² It appears that the current lower wheat prices have sparked interest amongst participants, thus leading to bargain hunting.



SOYBEAN	15/01/2018*	16/01/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 576	4 620	+0,96%
SAFEX Soybean Mar 18 (R/t)	4 590	4 673	+1,81%
CME Soybean Spot (US cents/bushel)	960	964	+0,42%

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

- The South African sunflower seed market settled higher on Monday, as strong commercial buying and higher Chicago soybean prices continued to add support to the market. The unfavourable weather conditions in some soybean growing areas also added support to the market.
- Although the soybean crop is generally in a fair condition relative to other crops, the extremely higher temperatures over the weekend do not bode well for the crop. With that said, there is no damage reported thus far and the weather forecasts for the next two weeks promise a widespread rainfall, which should improve soybean crop conditions across the country.
- The expected rainfall is a welcome development, but hail is always a key concern for the eastern side of South Africa, especially when there are expectations of heavy rainfall. The past few weeks brought a bit of hail in some regions of Mpumalanga province, but the damage was somewhat limited. We will closely monitor the developments over the next few weeks.
- Apart from this, the data calendar for this week is light, therefore, the domestic soybean price movements will largely be driven by developments in the currency market, and in Chicago soybean market.
- In global markets – This morning the Chicago soybean price was up by 0.42% from levels seen at midday yesterday due to solid global demand.
- The USDA forecasts the 2017/18 global soybean imports at 150 million tonnes, which is 4% higher than the previous season. This uptick is mainly driven by China, Japan, Mexico and the EU countries.
- The Chinese 2017/18 soybean imports are estimated at 97 million tonnes, up by 4% from the previous season. This accounts for 65% of global soybean imports.
- Moreover, the EU is also expected to remain a key buyer with imports estimated at 14 million tonnes, up by 6% from the 2016/17 season. This accounts for 9% of global soybean imports.

Bottom line – Today the domestic soybean market could receive marginal gains if the Chicago soybean market and the ZAR/USD exchange maintain the current trend.



SUNFLOWER SEED	15/01/2018*	16/01/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 775	4 888	+2,37%
SAFEX Sunflower seed Mar 18 (R/t)	4 828	4 915	+1,80%
EU (France) sunflower seed (US\$/t)	389	392	+0,77%

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

- Yesterday the South African sunflower seed market opened higher and maintained the gains throughout the day. Besides increased commercial buying, the persistent dryness across the sunflower seed growing areas remains the fundamental driver of the market.
- The expected rainfall ahead of the weekend did not materialise in the central and western parts of the country. As a result, crops that have already planted in these particular areas continue to experience heat stress owing to lower soil moisture and extremely higher temperatures.
- Moreover, the time is running out for areas that have not yet planted³. The optimal planting window closes around 20 January 2018, which means that South Africa will have to receive rainfall this week in order to see an increase in area planted. Farmers planned to plant 665 500 hectares of sunflower seed in the 2017/18 production season, but the key producing provinces, North West and Free State have not yet completed the process due to lower soil moisture⁴.
- Fortunately, at the time of writing, the weather forecasts were painting an optimistic picture of between 16 and 80 millimetres of rainfall in weeks between 15 and 31 January 2018. While this will not be sufficient to fully replenish soil moisture, it will be a welcome development following weeks of dryness.
- In the global market – The EU's sunflower seed market had a good run in yesterday's trade session with the price up by 0.77% from the previous day, closing at US\$392 per tonne. This was in line with the vegetable oil and crude oil price movements. Moreover, the expectations of a relatively lower global sunflower seed production also added support to the market. The USDA forecasts 2017/18 global sunflower seed production at 45.8 million tonnes, down by 4% from the previous season.

Bottom line – Today, the domestic sunflower seed market could receive additional gains due to the relatively weaker ZAR/USD exchange and unfavourable weather conditions in the western parts of the country.

³ Planting outside the 'optimal planting window' implies that crops could be negatively affected by frost later in the season, which will, in turn, lower the yields.

⁴ Farmers have thus far planted roughly 40% of their intentions in the North West province. In the north-western parts of the Free State province, the progress is much slower, with only 20% of the intended area planted so far.



POTATO	15/01/2018*	16/01/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	39,47	38,47	-2,53%

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

- While there was increased commercial buying in yesterday's trade session, the potatoes market remained under pressure due to a large stock of 911 991 pockets (10kg bag) at the beginning of the trading session. The price was down by 3% from the previous day, closing at R38.47 per pocket (10kg).
- During the day, the market saw strong commercial buying interest, coupled with relatively lower deliveries on the back of slow harvest activity over the weekend. This subsequently led to a 28% decline in daily stocks to 718 814 pockets (10kg bag).

Bottom line – In today's trade session the potato market could gain ground due to lower stocks of 718 814 pockets (10kg bag).

FRUIT (South Africa)	15/01/2018*	16/01/2018*	d-o-d (%Δ)
Apples (R/kg)	8,82	8,58	-2,72%
Bananas (R/kg)	7,22	6,33	-12,33%
Oranges (R/kg)	5,35	4,51	-15,70%

*Previous trading day's price survey in Johannesburg fresh produce market

- The fruit market saw widespread losses in yesterday's trade session due to an uptick in stock levels. The price of apples was down by 3% from the previous day, closing at R8.58 per kilogram. This followed a 31% increase in daily stocks to 156 000 tonnes.
- Moreover, the prices of bananas and oranges were down by 12% and 16% from the previous day, closing at R6.33 per kilogram and R4.51 per kilogram, respectively. These losses were mainly on the back of relatively large stocks of 292 000 tonnes of bananas and 25 000 tonnes of oranges.

Bottom line – This week, the traded volumes and buying interest are likely to be the key drivers of fruit prices in the South African market.

BEEF CARCASS	15/01/2018*	16/01/2018*	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

- Yesterday the SAFEX beef carcass market presented more of the same. The price remained unchanged from the previous day, closing at R44.00 per kilogram, due to thinly traded volumes. Worth noting is that this could differ from physical market prices which continue to show solid activity and volumes.
- South African farmers slaughtered 219 393 head of cattle in October 2017, up by 3% from the previous month, but 7% lower compared to October 2016. The Red Meat Levy Admin will release an update of the cattle slaughtering data for November 2017 this week.

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

WEATHER FORECAST: South Africa

- The weather forecasts for the next eight days paint a constructive picture of widespread rainfall of between 16 and 80 millimetres across most parts of South Africa (figure 1). This is a welcome development after weeks of dryness and extremely high temperatures in the central and western parts of the country. However, parts of the Western Cape and Northern Cape provinces will most likely remain warm and dry over the observed period.
- The long-term weather forecasts also paint a similar picture of continuous rainfall of across most parts of South Africa (figure 2). This will benefit summer crops, which are currently at early stages of development that require moisture. Regrettably, parts of the Western Cape and Northern Cape provinces could remain dry and warm.

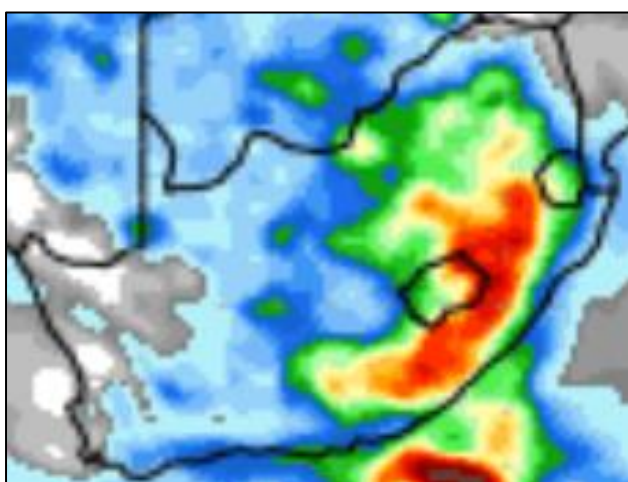


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

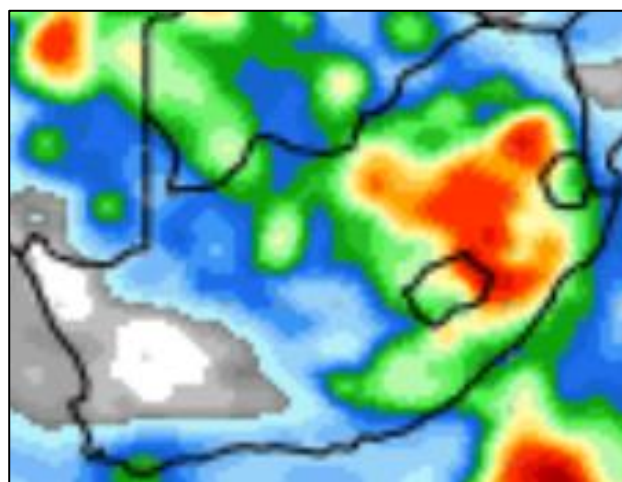


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

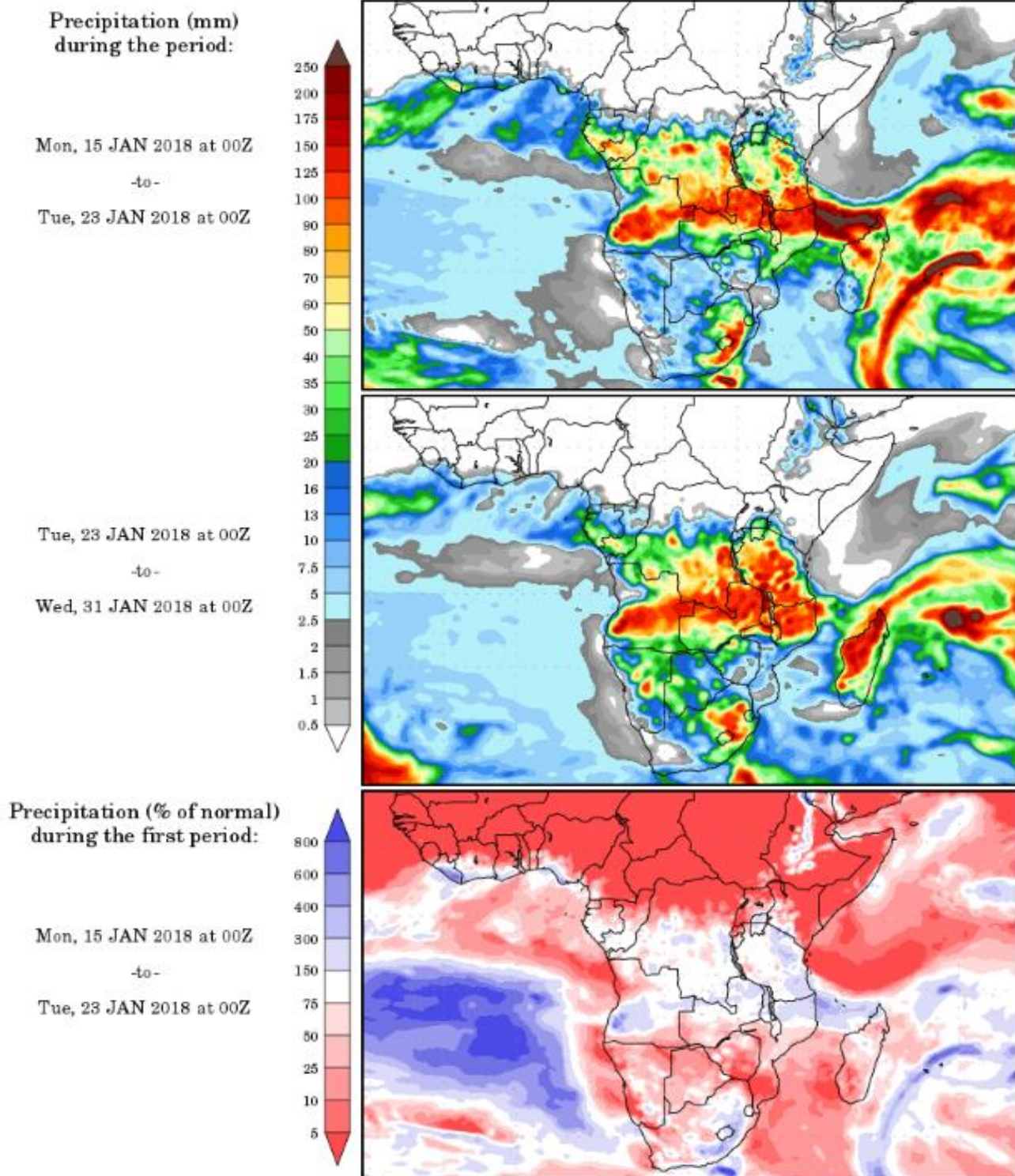


Figure 3: Precipitation forecast
Source: wxmaps

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.

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