

## South African Agricultural Commodities Weekly Wrap

The weather remains a key focus in the South African grains and oilseeds market. Unfortunately, the central and western parts of the country received very little rainfall in the last few weeks of 2017 and they have also had a drier start to 2018. This led to delays in summer crop planting activity, particularly in the North West, and the western parts of the Free State. These provinces collectively account for 68% of the intended maize planting area of 2.47 million hectares in the 2017/18 production season. They also account for 86% share of the 665 500 hectares intended for sunflower seed production in the same season. Overall, these weather developments, coupled with relatively higher global agricultural commodity prices added support to the domestic grains market this week. Fruit and vegetable prices were volatile throughout the week with lower stock levels underpinning the market.

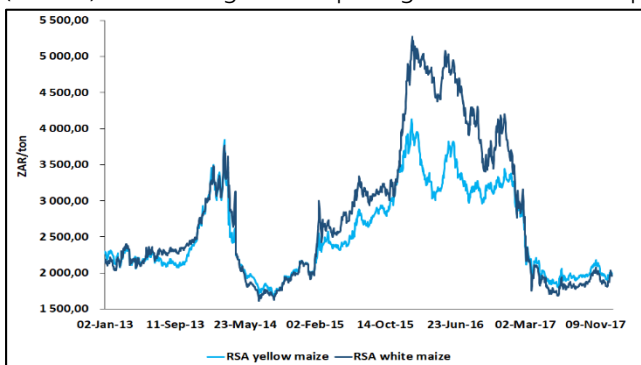
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### Maize market

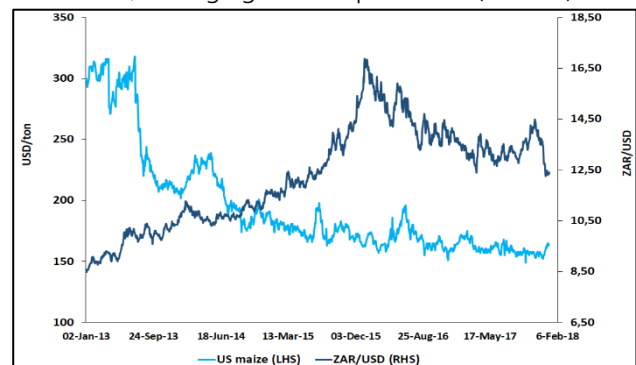
The eastern regions of South Africa which predominately produce yellow maize are generally in good shape, with a fair amount of soil moisture, despite the recent heatwave. This area mainly covers Mpumalanga, Kwa-Zulu Natal, northern parts of the Eastern Cape and the eastern Free State province. Limpopo province also managed to plant the intended area and the crop is in good condition. Meanwhile, the western regions of the country which largely produce white maize were unable to meet their planting intentions due to persistent dry and warm conditions.

Fortunately, these developments follow a very good season with record maize harvest of 17.4 million tonnes in the 2016/17 production season. This means that South Africa is well supplied in the short to medium term, hence maize prices did not significantly increase in the past few weeks. White maize spot prices averaged R1 986 per tonne, up by 3% from the previous season. Meanwhile, yellow maize spot price increased by 1%, averaging R1 999 per tonne (Chart 1). The Chicago maize price gained 1% from the previous week, averaging US\$164 per tonne (Chart 2).



**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

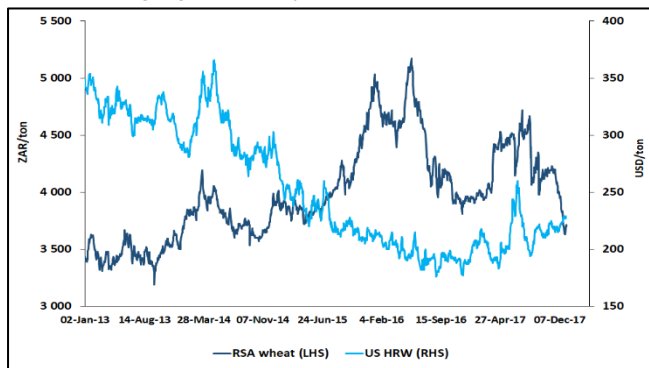
The winter wheat harvest is virtually over in South Africa, with the exception of the eastern parts of the Free State province which are in the final stages of the process. The yields were generally below average in the Western Cape and parts of the Free State province, whereas the Northern Cape received above-average yields.

South Africa’s 2017 winter wheat production is estimated at 1.48 million tonnes, down by 23% from the previous season owing to disappointing yields in the Western Cape and Free State provinces. More specifically, the Western Cape province winter wheat harvest is estimated at 586 800 tonnes, down by 47% from the previous season. The Free State province’s wheat harvest is estimated at 296 000 tonnes, down by 4% year-on-year. Meanwhile, other provinces received a marginal uptick in production, thanks to good irrigation systems and rainfall. This is not yet a final estimate, an update will be released on 30 January 2018. But, we do not foresee any major changes.

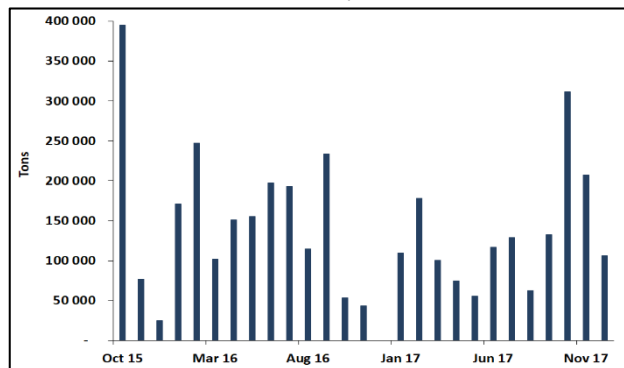
Apart from that, the Western Cape province could receive light showers of between 13 and 25 millimetres in the week to 27 January 2018. It is an off-season period in wheat producing areas, therefore, rainfall will not be of importance in the market, but will benefit households and other agricultural activities such as horticulture and livestock. Moreover, this could improve the province’s dam levels which are critically low, estimated at 28%, down by one percentage point from last week, and 16 percentage points lower than levels seen on 08 January 2017.

In terms of trade, this was again a quiet week, with no imports reported. The last imports were in the weeks of 09 and 29 December 2017, coming in at 48 432 tonnes. This placed South Africa’s 2017/18 wheat marketing year’s imports at 625 073 tonnes, which equates to 35% of the seasonal import forecast of 1.80 million tonnes<sup>1</sup> (Chart 4). While a net importer, South Africa continues to export wheat to regional markets (Southern Africa). The country total wheat exports for 2017/18 marketing year stand at 4 730 tonnes.

Overall, the domestic wheat spot price was up by 1% from the previous week, averaging R3 699 per tonne, mainly supported by commercial buying and higher international wheat prices. The Chicago wheat price gained 0.4% this week, averaging US\$228 per tonne. This was due to unfavourable weather conditions in parts of the US (Chart 3).



**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

<sup>1</sup> This estimate is under the assumption that domestic production will reach 1.48 million tonnes.

## Soybean market

The fears that heatwave could damage the soybean crop in some parts of the country have somewhat eased following the recent light showers in the eastern regions. Moreover, the weather prospects show a possibility of good rainfall across South Africa within the next two weeks, which bodes well for the soybean crop.

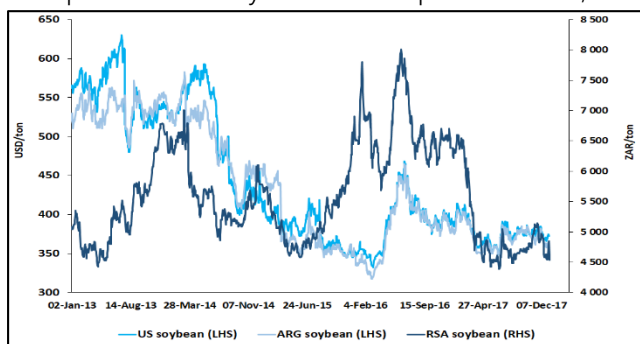
Unlike other crops which are spread across the country, soybean is concentrated in the eastern regions. Thus, it managed to receive enough moisture in the past few weeks. Farmers were able to plant a large share of the 720 000 hectares of intentions. This is with the exception of the North West province – a relatively small soybean producer - which planted roughly 85% of the intended area thus far due to drier weather conditions. The major negative event in soybean growing areas in the recent weeks was hail, but the extent of damage is unclear at this point.

Overall, South Africa still has sufficient soybean supplies. The country’s soybean ending stocks were estimated at 589 106 tonnes in November 2017, double the volume seen the previous year due to a large harvest in 2016/17 production season. With that said, the market posted good gains this week, with the spot price up by 2% from the previous week, averaging R4 702 per tonne. This was partly due to commercial buying, as well as relatively higher global soybean prices. The Chicago soybean price gained 1% this week, averaging US\$373 per tonne (Chart 5).

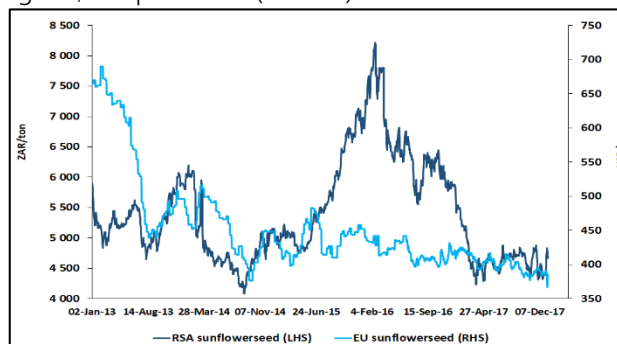
## Sunflower seed market

As indicated in our note on Monday, the expectations of heavy rainfall in the western parts of South Africa did not materialise in most areas during the festive season, particularly in the North West, and the western parts of the Free State. These provinces collectively account for 86% share of the 665 500 hectares intended for sunflower seed production in the 2017/18 season.

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. Fortunately, the optimal planting window is still open until 20 January 2018. Therefore, if South Africa happens to receive good rainfall before this cut-off date, farmers could still plant sunflower seed. Overall, the sunflower seed spot price increased by 4% from the previous week, averaging R4 737 per tonne. Meanwhile, the EU’s sunflower seed price declined by 4% from the previous week, averaging US\$376 per tonne (Chart 6).



**Chart 5: Soybean prices**  
Source: JSE, IGC, and Agbiz Research



**Chart 6: Sunflower seed prices**  
Source: JSE, IGC, and Agbiz Research

## Beef market

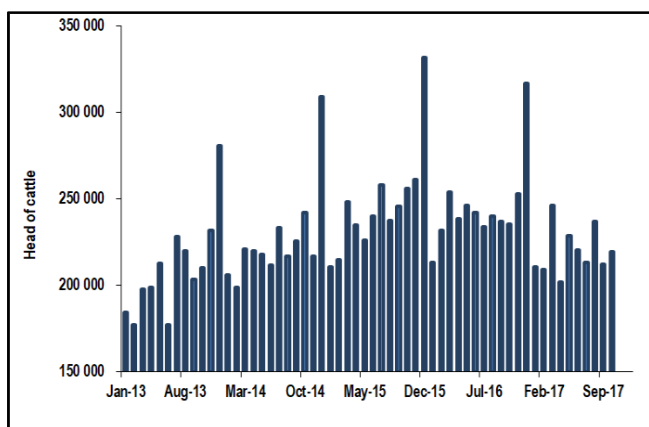
The SAFEX beef carcass market started the year on a quiet footing with the price flat at R44.00 per kilogram. Worth noting, however, is that this could differ from the physical market which continues to show solid activity and volumes.

In October 2017, South African farmers slaughtered 219 393 head of cattle, up by 3% from the previous month, but 7% lower compared to October 2016 (Chart 7). The Red Meat Levy Admin will release an update of the cattle slaughtering data for November 2017 in the afternoon. This will probably show an uptick due to strong festive season demand.

## Fruit market

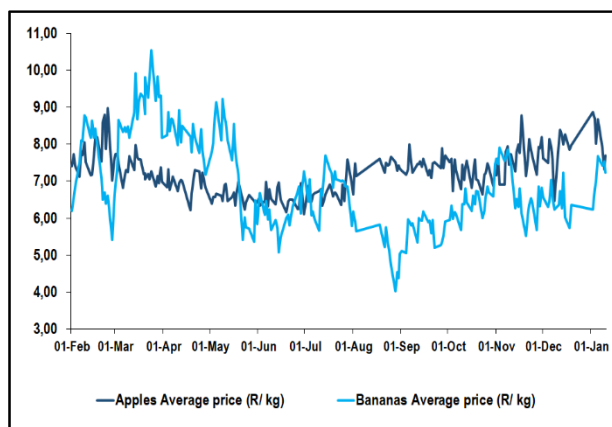
The fruit market ended the week on a mixed footing due to relatively lower stocks. The prices of bananas and oranges were up by 16% and 13%, respectively, this week, averaging R7.47 and R5.88 per kilogram (Chart 8). These gains were mainly on the back of strong commercial buying, as well as relatively lower stocks compared to the previous weeks. The bananas stocks were at 218 750 tonnes, with oranges at 25 500 tonnes.

Meanwhile, the price of apples was down by 5% from the previous week, averaging R7.91 per kilogram owing to relatively large stocks of 168 000 tonnes (Chart 8).



**Chart 7: Monthly cattle slaughtering activity**

Source: Red Meat Levy Admin, Agbiz Research



**Chart 8: Apple and Banana prices**

Source: Johannesburg Fresh Produce Market, Agbiz Research



## Potato market

The South African potato market ended the week in negative territory, with the price down by 6% from last Thursday, closing at R41.05 per pocket/10kg bag (Chart 9). These losses were mainly on the back of large stock of 891 752 pockets/10kg bags, up by 15% from a corresponding period last week.

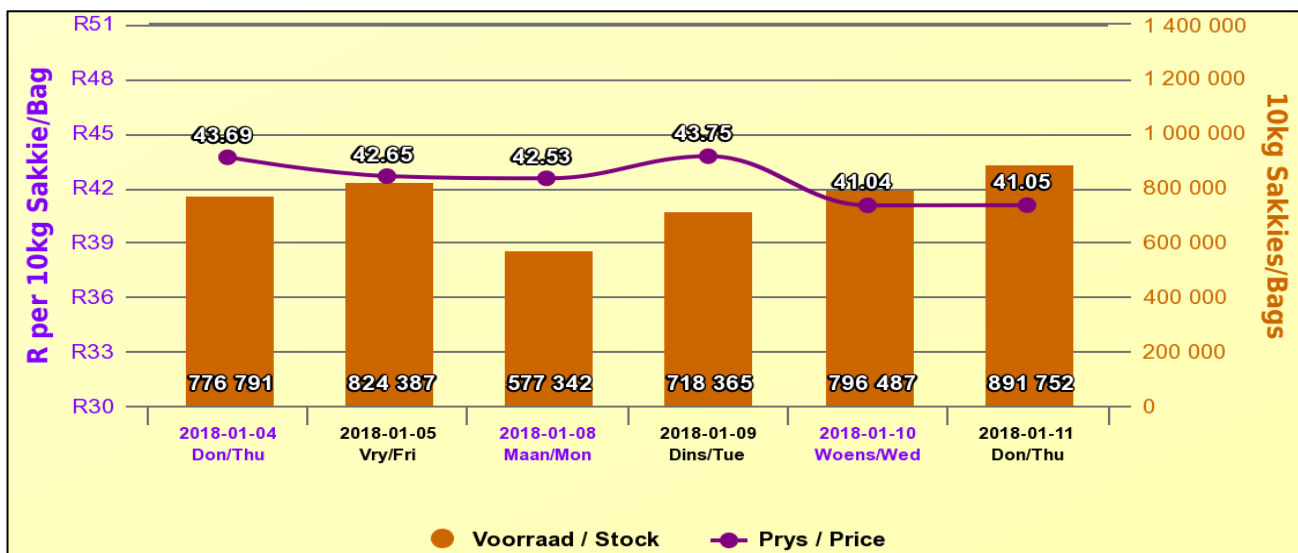


Chart 9: South Africa's average potato prices and stocks

Source: Potato SA

## Weather conditions ahead of the weekend

Most parts of South Africa could receive good showers of between 13 and 30 millimetres within the next eight days, which is conducive for summer crops (Chart 10). This is with the exception of the western parts of the Eastern Cape, Northern Cape and Western Cape provinces which might remain dry and warm over the observed period.

The long-term weather forecasts paint a picture of widespread rainfall across the country, which should improve soil moisture and subsequently benefit the summer crops (Chart 11). This could also improve dam levels in the Western Cape province which urgently needs rainfall.

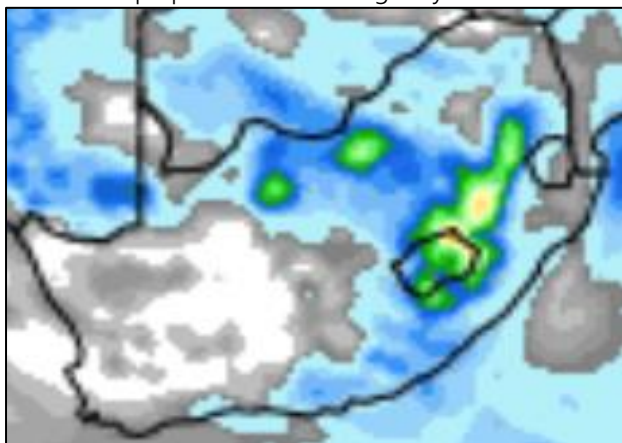


Chart 10: Next 8-days precipitation forecast

Source: wxmaps

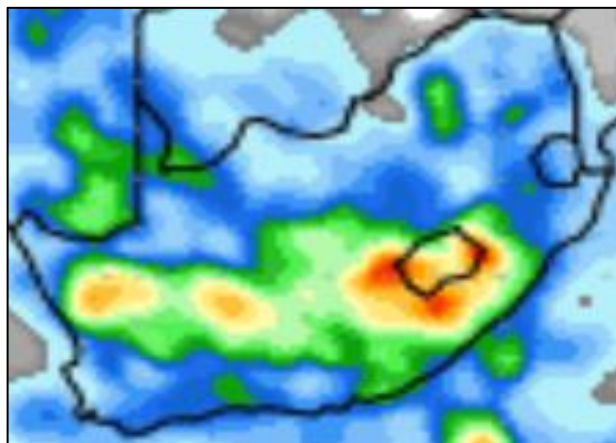


Chart 11: Next 16-days precipitation forecast

Source: wxmaps



### Precipitation Forecasts

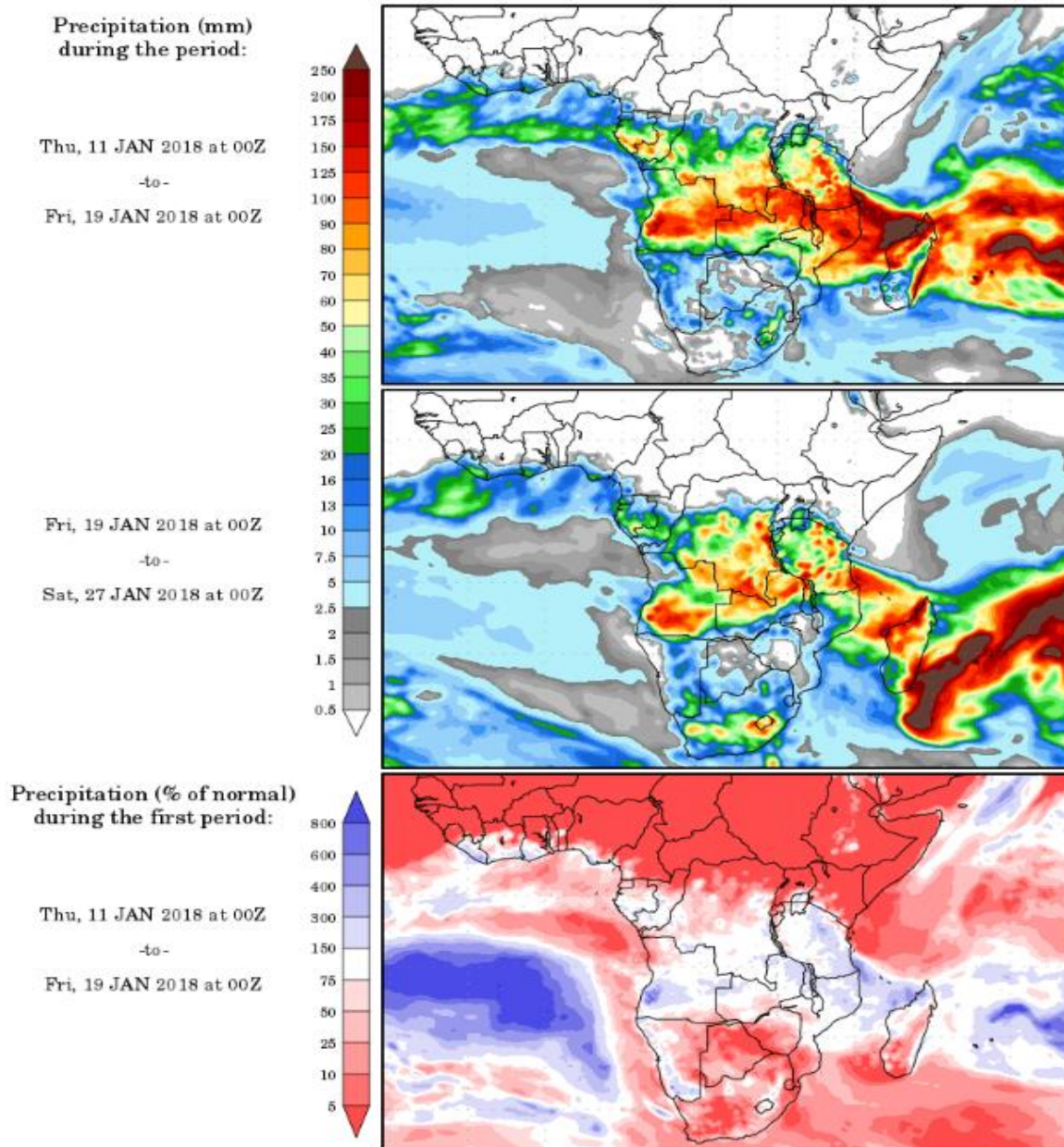


Chart 12: Precipitation forecast

Source: wxmaps

### Key data releases in the South African agricultural market

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

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