

FOR ANY QUERIES, PLEASE CONTACT:

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

- SAGIS weekly grain trade data: 06/02/2018
- SAGIS producer deliveries data: 07/02/2018
- USDA World Agricultural Supply and Demand Estimates report: 08/02/2018
- National Crop Estimates Committee's data: 27/02/2018

ECONOMIC INDICATORS	02/02/2018*	05/02/2018*	d-o-d (%Δ)
Rand/US Dollar	11,96	12,03	-0,58%
Rand/Euro	14,93	14,99	-0,40%
Euro/US Dollar	1,2489	1,2459	-0,24%
Gold Spot	1 345,08	1 330,42	-1,09%
Brent Crude Oil	69,87	68,20	-2,39%
Platinum Spot	998,61	989,41	-0,92%
Dow Jones Industrial Average	26 186,71	25 520,96	-2,54%
JSE All Share	58 689,24	58 656,82	-0,06%
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 negative footing, weakening by 0.58% against the US Dollar from levels seen at midday Friday. The Rand's depreciation was in line with the US Dollar appreciation against major currencies, following solid jobs data for January 2018. At the time of writing, the Rand/US Dollar exchange traded around R12.03. From a data front, Standard Bank will release its Purchasing Managers' Index data for January 2018.
- This morning the Brent crude oil price was down by 2.39% from levels seen at midday Friday, trading around US\$68.20 per barrel. These losses were mainly on the back of an uptick in US oil production and oil-rig count. Data from the US Energy Information Administration shows that crude oil production exceeded 10 million barrels per day in November 2017, highest since 1970. Moreover, the data from Baker Hughes shows that the number of active US rigs drilling for oil increased by 6 to 765 in the week ending 02 February 2018.



MAIZE/CORN	02/02/2018*	05/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 792	1 805	+0,73%
White maize Jul 18 (R/t)	1 913	1 923	+0,52%
Yellow maize Spot (R/t)	1 887	1 900	+0,69%
Yellow maize Jul 18 (R/t)	1 976	1 988	+0,61%
CME corn Spot (US cents/bushel)	361	359	-0,55%

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

- On Friday's trade session, the South African maize market managed to claw back its recent losses, thanks to higher Chicago maize prices, as well as a slightly weaker domestic currency.
- South African maize is still in the weather market, which implies that the weather will remain a key factor in price movements at least until March 2018 when the crop passes the pollination stage of development. Although the past few weeks presented erratic rainfall across the maize belt with the western regions experiencing extremely warm conditions, the past few days brought some showers. In addition, the weather forecast for the next two weeks shoes a possibility of over 30 millimetres of rainfall across the maize belt. This could further improve soil moisture and therefore benefit the crop.
- The expected decline in South Africa's 2017/18 maize production will not significantly change the supply dynamics in the market. There are two major reasons for this, with the first one being the fact that the production estimate of 11.2 million tonnes¹ is still above the annual consumption of 10.5 million tonnes. Lastly, the total maize carryover stock in the 2017/18 marketing year is estimated 4.2 million tonnes, up four-fold from the previous year. All this will boost supplies in the 2018/19 marketing year which starts on 01 May 2018.
- On the global front – This morning the Chicago maize price was down by 1% from levels seen at midday Friday owing to the stronger US Dollar against major currencies.
- Elsewhere, Ukraine's Institute of Agrarian Economics forecasts the country's 2018/19 maize production at 26.3 million tonnes, which is 9% higher than the previous season, partly due to expectations of higher yields.

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

¹ In this estimate, we applied the preliminary area estimate of 2.3 million hectares and an average yield for the past five seasons for both white and yellow maize estimates, then assumed that weather conditions will remain favourable throughout the season, as suggested by the South African Weather Service. Above all, the official production estimates and the revised area plantings data will be released by the National Crop Estimates Committee on 27 February 2018.



WHEAT	02/02/2018*	05/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 535	3 542	+0,20%
SAFEX Wheat May 18 (R/t)	3 628	3 662	+0,94%
CME Wheat spot (US cents/bushel)	449	440	-2,00%

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

- After experiencing losses for the most part of the week, the domestic wheat market managed to claw back some of its recent losses on Friday's trade session. This was in line with higher Chicago wheat prices, as well as the slightly weaker domestic currency and commercial buying interest.
- To reiterate a point made in our note on 16 January 2018, the movements of the international wheat prices will be of importance in the local market this season, not only because of their influence on local wheat prices but their implications on the import tariff.
- South Africa is a generally a net importer of wheat but, but what distinguishes the 2017/18 marketing year is that the imports will double the previous year's volume, estimated at 1.9 million tonnes. Moreover, this is the second largest import volume on record².
- The wheat import tariff rate is currently at R716.30 per tonne, down from R910.00 per tonne on 12 December 2017. The downward revision was largely underpinned by the higher global wheat prices.
- In the short to medium term, the global wheat prices could trade sideways at levels around US\$220 per tonne³ due to solid global supplies. The USDA forecasts 2017/18 global wheat production at 757 million tonnes, which is a 1% uptick from the previous season. Therefore, the wheat import tariff could remain at current levels for some time expect there a sustained notable uptick or decline in global wheat prices from the aforesaid level.
- On the global front - This morning the Chicago wheat price was down by 2% from levels seen at midday Friday due to large global supplies, as well as the stronger US Dollar exchange against major currencies.
- Elsewhere, Ukraine's Institute of Agrarian Economics forecasts the country's 2018/19 wheat production at 25 million tonnes, down by 6% from the previous season.

Bottom line – Likewise to the maize market, today the domestic wheat prices could experience sideways movement if the Chicago wheat prices and ZAR/USD exchange maintain the current trends.

² We are using a dataset from 1936/17 marketing year. A record levels of wheat imports was in 2015/16 marketing year, where imports reached 2.1 million tonnes. This was due to lower domestic production, and a slight uptick in domestic consumption.

³ This is not much deviation from the *base price* of US\$218 per tonne. A new import tariff level can only trigger when global wheat prices deviate by more than US\$10 per tonne from the *base price* for three consecutive weeks.



SOYBEAN	02/02/2018*	05/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 370	4 370	0,00%
SAFEX Soybean May 18 (R/t)	4 489	4 491	+0,04%
CME Soybean Spot (US cents/bushel)	979	973	-0,61%

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

- There was not much new news in the domestic soybean market during Friday's trade session. Therefore, the market saw marginal gains as the relatively weaker domestic currency and higher Chicago soybean prices provided support.
- The 2017/18 soybean marketing year will end on 28 February 2018, but in better footing than the 2016/17 marketing year. The ending stock is estimated at 340 862 tonnes, which is treble the volume seen in the 2016/17 marketing year. This will boost South Africa's soybean supplies in the 2018/19 marketing year.
- As we set out in our note on 01 February 2018, the preliminary area plantings of 701 000 hectares could potentially lead to 1.2 million tonnes of production, which would be 9% lower than the 2016/17 production season⁴. This is under the yield assumption of 1.7 tonnes per hectares, which is an average for the past five seasons, as well as expectations of good weather conditions.
- South Africa's soybean crop is generally in good condition across the country, albeit unfavourable weather conditions in the past few weeks. Moreover, the soybean fields could receive rainfall of over 30 millimetres this week, which bodes well for the crop as it needs moisture at the current stage of development⁵.
- In global markets – This morning the Chicago soybean price was down by 1% from levels seen at midday Friday due to improved weather prospects in South America, as well as the stronger US Dollar against major currencies.
- A recent report from Argentina's Ministry of Agriculture indicates that the planting activity is virtually over, estimated at 99% complete on 01 February 2018. Going forward, the weather will be an important factor in the market and the weather forecast shows a possibility of light showers across Argentina in the next eight days.

Bottom line – Today the soybean market could experience sideways movements if the Chicago wheat price and ZAR/USD exchange maintain the current trend.

⁴ The key reason for a potentially lower output of 1.2 million tonnes in the 2017/18 production season despite the increase in area planted is that there were higher yields of 2.3 tonnes per hectare in the 2016/17 production season, compared to a lower average yield of 1.7 tonnes per hectares which is applied in our calculations.

⁵ We highlighted in our previous notes, the local weather bureau forecasts a weak La Niña phase through early autumn, which is February to April 2018. This implies that South African summer rainfall areas could receive above-normal rainfall.



SUNFLOWER SEED	02/02/2018*	05/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 658	4 658	0,00%
SAFEX Sunflower seed May 18 (R/t)	4 690	4700	+0,20%
EU (France) sunflower seed (US\$/t)	397	402	+1,26%

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

- On Friday the South African sunflower seed market started the day in positive territory and maintained the gains throughout the session. The strong commercial buying interest and a decline in area planted⁶ were the key factors underpinning the market.
- While the 2017/18 sunflower seed production season had a rocky start due to dryness in the western parts of the Free State and North West provinces, the weather forecasts for the next two weeks show a possibility of rainfall of between 20 and 90 millimetres. This will improve soil moisture and benefit the crops.
- As indicated in our previous notes, the long-term weather forecasts are also positive as the South African Weather Service forecasts a weak La Niña between February and April 2018. This means the summer rainfall areas could receive above-normal rainfall over this period.
- 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. Indeed, the weather will be a dominant factor in the domestic sunflower seed market throughout the production period.
- Also worth noting is that the 2018/19 sunflower seed marketing year, which starts on 01 March 2018 will have a fairly large opening stock of 183 081 tonnes compared to 163 086 tonnes in the current marketing year.
- In the global market – On Friday, the EU's sunflower seed market gained ground with the price up by 1% from the previous day, closing at US\$402 per tonne due to higher crude and vegetable oil prices. Aside from price movements, the Buenos Aires Grain Exchange forecasts Argentina's 2017/18 sunflower seed crop at 3.6 million tonnes, up by 9% y/y.

Bottom line – Today, the domestic sunflower seed market could receive additional support due to the weaker ZAR/USD exchange.

⁶ The National Crop Estimates Committee's preliminary planting estimates showed a 12% y/y decline in area for 2017/18 sunflower seed crop to 560 100 hectares. Applying an average yield of 1.2 tonnes per hectare in the current area estimate, South Africa's sunflower seed production would possibly reach 672 120 tonnes, down by 23% y/y.



POTATO	02/02/2018*	05/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	40,93	40,41	-1,27%

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

- The South African potatoes market lost ground in Friday's trade session owing to a large stock of 824 236 pockets (10kg bag) at the start of the session. The price was down by 1% from the previous day, closing at R40.41 per pocket (10kg).
- However, during the day, the market experienced commercial buying interest, coupled with relatively lower deliveries on the back of slow harvest activity. This subsequently led to a 2% decline in daily stocks to 804 451 pockets (10kg bag).

Bottom line – In today's trade session the potato market could experience extended losses due to relatively large stock of 804 451 pockets (10kg bag).

FRUIT (South Africa)	02/02/2018*	05/02/2018*	d-o-d (%Δ)
Apples (R/kg)	9,71	9,53	-1,85%
Bananas (R/kg)	5,99	5,92	-1,17%
Oranges (R/kg)	7,18	7,59	+5,71%

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

- The fruit market ended Friday's trade session on a mixed footing. The prices of apples and bananas were down by 2% and 1% from the previous day, closing at R9.53 and R5.92 per kilogram, respectively. These losses were mainly underpinned by commercial selling, but could soon be reversed owing to lower stocks of 118 000 tonnes of apples and 214 000 tonnes of bananas.
- Meanwhile, the price of oranges was up by 6% from the previous day, closing at R7.59 per kilogram due to lower stocks. At the end of Friday's session, the oranges stock was at 24 000 tonnes, down by 35% from the previous day.

Bottom line – This week the traded volumes and buying interest are likely to be the key factors underpinning the South African fruit market.



BEEF CARCASS	02/02/2018*	05/02/2018*	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

- The SAFEX beef carcass prices have been at same levels for months due to limited participation at the stock exchange. Therefore, the SAFEX beef carcass prices might not be a true reflection of the activity in the physical market, which continues to enjoy solid activity and volumes.
- The South African farmers slaughtered 238 369 head of cattle in November 2017, up by 9% from the previous month, but 6% lower compared to November 2016. The Red Meat Levy Admin will soon release slaughtering data for December 2017.

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

- Most parts of South Africa could receive rainfall of between 20 and 90 millimetres within the next eight days, which bodes well for new season summer crops (figure 1). Meanwhile, the western parts of the Western Cape and Northern Cape provinces might remain dry and warm over the observed period.
- The long-term weather forecasts present a possibility of rainfall across the country, varying between 16 and 90 millimetres (figure 2). This will be a welcome relief, particularly for the Western Cape province, which urgently needs moisture, following weeks of dryness.

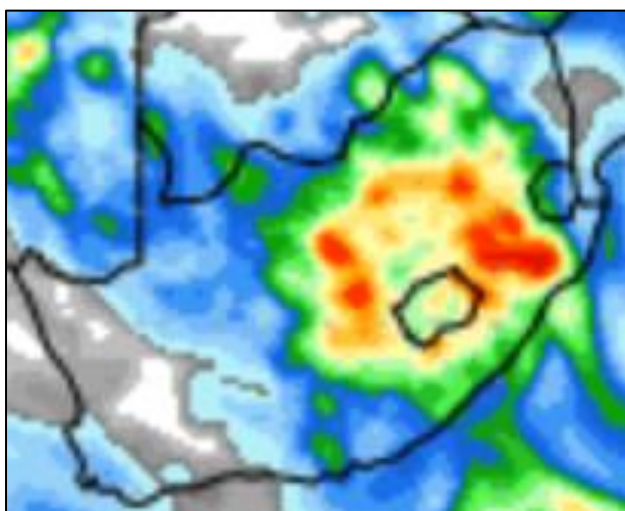


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

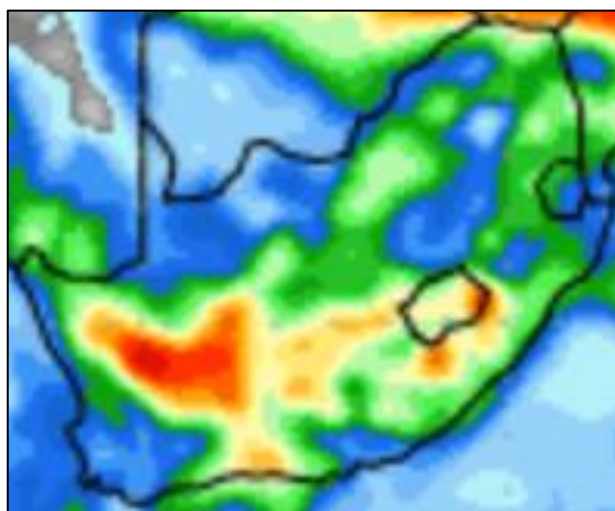


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

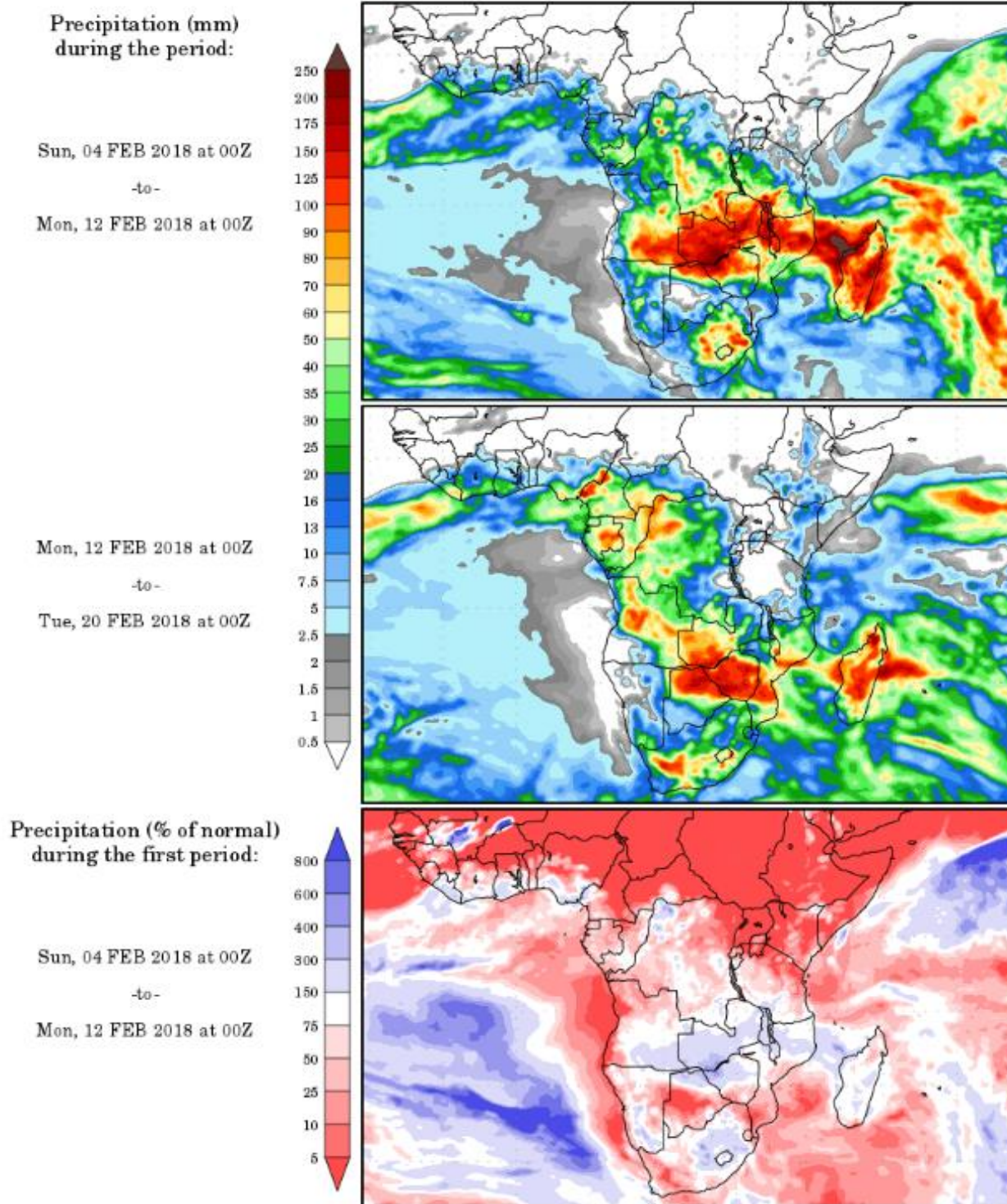


Figure 3: Precipitation forecast

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.