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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	05/02/2018*	06/02/2018*	d-o-d (%Δ)
Rand/US Dollar	12,01	12,13	-0,99%
Rand/Euro	14,98	15,01	-0,20%
Euro/US Dollar	1,2468	1,2364	-0,83%
Gold Spot	1 335,10	1 344,05	+0,67%
Brent Crude Oil	68,51	67,16	-1,97%
Platinum Spot	993,89	993,88	+0,00%
Dow Jones Industrial Average	25 520,96	24 345,75	-4,60%
JSE All Share	57 467,33	57 113,74	-0,62%
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*

- This morning the domestic currency weakened by 0.99% 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. It is worth noting that while the domestic political sentiment has generally improved since the ANC December 2017 conference, the day to day political developments continue to weigh on the market. At the time of writing, the Rand/US Dollar exchange traded around R12.13.

- The Brent crude oil market was under pressure this morning owing to the stronger US Dollar against major currencies, as well as the rising US crude oil production. This is after data from the Energy Information Administration showed that US crude oil production exceeded 10 million barrels per day in November 2017 for the first time in 47-years. At the time of writing, oil price traded around US$67.16 per barrel.

MAIZE/CORN	05/02/2018*	06/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 805	1 787	-1,00%
White maize Jul 18 (R/t)	1 923	1 902	-1,09%
Yellow maize Spot (R/t)	1 900	1 890	-0,53%
Yellow maize Jul 18 (R/t)	1 988	1 977	-0,55%
CME corn Spot (US cents/bushel)	358	358	0,00%

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

- The domestic maize prices were under pressure in yesterday's trade session, as expectations of good rainfall across the maize belt and relatively large domestic stocks[1] continued to add a bearish sentiment to the market.

- This past weekend brought good showers in most parts of the South African maize belt. The western regions received rainfall varying between 10 and 57 millimetres, which mainly benefited white maize crops. Meanwhile, the eastern regions of the maize belt received rainfall of between 10 and 47 millimetres, which largely benefited yellow maize crops.

- The rainfall received in the past few weeks is starting to yield positive results. Crop conditions have slightly improved in the western areas of the maize belt. The eastern regions were already in good condition due to a fair amount of rainfall received since the start of the season.

- Also encouraging to see is that the weather forecast for the next two weeks presents a possibility of good rainfall across the maize belt. This should further improve soil moisture and therefore benefit the crop.

- On the global front – This morning there was not much happening in the Chicago maize market. The price was unchanged from levels seen at midday yesterday.

- Elsewhere, Informa Economics revised its 2017/18 maize production estimate for Argentina down by 5.0 million tonnes from last month to 37.0 million tonnes due to poor yields in some areas. This is 25% lower than the previous season's harvest.

- Moreover, Informa Economics forecasts Brazil's 2017/18 maize production at 88.0 million tonnes, down by 10% from the previous season, also weighed down by lower yields in some parts of the country.

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] South Africa's 2017/18 total maize carryover stock is estimated 4.2 million tonnes, up four-fold from the previous year.

WHEAT	05/02/2018*	06/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 542	3 596	+1,52%
SAFEX Wheat May 18 (R/t)	3 662	3 695	+0,90%
CME Wheat spot (US cents/bushel)	440	441	+0,23%

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

- The South African wheat market had a good run in yesterday's trade session with support emanating from higher Chicago wheat prices, as well as the weaker rand against the US Dollar.

- As noted in the previous reports, the movements of the international wheat prices will be of importance in the local market this season, partly due to expected large import volume of 1.9 million tonnes, as well the impact on the import tariff (*see Agbiz Morning Market Viewpoint on Agri-Commodities, 05 February 2018*).

- The global wheat market is generally well supplies. The International Grains Council forecasts the 2017/18 global wheat production at 757 million tonnes, up by 1% from the previous season. This is also in line with the USDA's production estimates.

- The expected decline in production in key wheat producing countries such as the United States, Australia, Ukraine, Argentina, Canada and Kazakhstan is compensated by an uptick in production in Russia, the European Union, China and India. Of all these countries, Russia and India are expected to record the most significant annual percentage increases of 17% y/y and 14% y/y to 85 million tonnes and 98 million tonnes, respectively.

- Moreover, the 2017/18 global wheat stocks are also solid, estimated at 254 million tonnes, which is a 6% annual increase. Given that this information has somewhat been priced in already, the global wheat prices could trade sideways at levels around US$220 per tonne in the short to medium term. In such a scenario, there would not be much changes in the current wheat import tariff rate of R716.30 per tonne in the near term (*also see Agbiz Morning Market Viewpoint on Agri-Commodities, 05 February 2018*).

- From a regional demand perspective, Sub-Saharan Africa's 2017/18 wheat imports are set to reach 22.6 million tonnes, up by 10% y/y due decline in the region's production, as well as an uptick in consumption. The key buyers will be Nigeria, Sudan, Kenya, South Africa and Ethiopia.

- In terms of pricing, this morning the Chicago wheat price was up by 0.23% from levels seen at midday yesterday owing to strong demand from Egypt.

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

SOYBEAN	05/02/2018*	06/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 370	4 360	-0,23%
SAFEX Soybean May 18 (R/t)	4 491	4 490	-0,02%
CME Soybean Spot (US cents/bushel)	972	969	-0,31%

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

- The South African soybean market opened yesterday's trade on a positive footing, but quickly lost ground and settled in negative territory. The improved weather prospects, as well as lower Chicago soybean prices, were the key factors driving the market.

- South Africa's 2017/18 soybean production season started in a better position than other crops due to rainfall in the eastern parts of the country. With that said, the rainfall received in the past few day's further improved crop conditions, which increases a possibility of average yields this season.

- The average soybean yields for the past five seasons is 1.7 tonnes per hectares. If this is applied in the estimates area plantings of 701 000 tonnes, then South Africa could potentially harvest 1.2 million tonnes, which would be 9% lower than the 2016/17 production season[2].

- Bethlehem, Fouriesburg, Harrismith, Heilbron, Kroonstad, Senekal, Theunessen, Bethal, Graskop, Irene, Leandra, Middelburg and Morgenzon regions of eastern Free State and Mpumalanga provinces received light showers of between 10 and 43 millimetres over the weekend, which bodes well for crops.

- Moreover, the soybean growing areas of the country could experience a boost in precipitation within the next two weeks which should further improve soil and crop conditions.

- In global markets – This morning the Chicago soybean price was down by 0.31% from levels seen at midday yesterday due to a combination of factors, but the most notable ones are the improved weather prospects in South America, large global soybean supplies, as well as the stronger US Dollar against major currencies.

- Elsewhere, Informa Economics forecasts Brazil's 2017/18 soybean production at 112.5 million tonnes, which is 2% higher than CONAB's estimate. However, this is 1% lower than the previous season's harvest.

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

[2] 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.

SUNFLOWER SEED	05/02/2018*	06/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 658	4 615	-0,92%
SAFEX Sunflower seed May 18 (R/t)	4700	4 690	-0,21%
EU (France) sunflower seed (US$/t)	402	404	+0,50%

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

- After experiencing a good run in Friday's trade session, the domestic sunflower seed market pulled back in yesterday's session and settled in negative territory. This move was partially driven by favourable weather prospects, as well as commercial selling.

- Although the sunflower seed optimal planting window closed on 20 January 2018, the planting activity in some areas around northwest parts of the Free State and North West province is still underway. This follows good rainfall in the past few days which motivated farmers to continue planting.

- The ongoing planting activity is an encouraging development, but planting outside the window implies that crops could be negatively affected by frost later in the season, which will, in turn, lower the yields. With that said, if the shifts in weather patterns could perhaps delay the cold conditions later in the season, then the late planted crops could present a better harvest.

- This also means that the National Crop Estimates Committee could potentially revise its preliminary planting estimate up from the current level of 560 100 hectares when they release the revised area estimate at end of this month. The current estimate of 560 100 hectares is down by 12% from the area planted in 2016/17 season.

- Bothaville, Hoopstad, Orkney, Viljoenskroon, Derby, Klerksdorp, Regina and Ventersdorp regions of western Free State and North West provinces received good rainfall over the weekend, varying between 10 and 57 millimetres. This will benefit the newly planted regions.

- Looking ahead, the weather forecasts indicate that there is an increased chance for additional rainfall of between 20 and 90 millimetres within the next eight days. This will improve soil moisture and subsequently benefit the sunflower seed crops.

- In the global market – The EU's sunflower seed market had a good run in yesterday's trade session with the price up by 1% from the previous day, closing at US$404 per tonne, in line with vegetable oil prices.

Bottom line – Today, the domestic sunflower seed market could recover from the current lower levels due to the weaker ZAR/USD exchange.

POTATO	05/02/2018*	06/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	40,41	41,38	+2,40%

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

- Yesterday the South African potatoes market managed to claw back its recent losses with support emanating from lower stocks of 804 451 pockets (10kg bag) at the start of the session. The price was up by 2% from the previous day, closing at R41.38 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 during the weekend. This subsequently led to a 29% decline in daily stocks to 569 540 pockets (10kg bag).

Bottom line – In today's trade session the potato market could receive additional gains due to a relatively lower stock of 569 540 pockets (10kg bag).

FRUIT (South Africa)	05/02/2018*	06/02/2018*	d-o-d (%Δ)
Apples (R/kg)	9,53	9,10	-4,51%
Bananas (R/kg)	5,92	5,08	-14,19%
Oranges (R/kg)	7,59	8,10	+6,72%

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

- The fruit market started the week on a mixed footing, partially driven by an increase in producer deliveries at the fresh produce market. The prices of apples and bananas were down by 5% and 14% from the previous day, closing at R9.10 and R5.08 per kilogram, respectively. These losses followed a 45% and 50% respective increases in apples and bananas stocks to 171 000 tonnes and 322 000 tonnes.

- Meanwhile, the price of oranges was up by 7% from the previous day, closing at R8.10 per kilogram due to lower stocks of 28 000 tonnes at the end of yesterday's session.

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	05/02/2018*	06/02/2018*	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*

- Yesterday 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. Also, 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 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

- The weather charts show a possibility of a fair amount of rain in most parts of South Africa this week (figure 1). This is with the exception of the regions around Beaufort West and George, which could remain dry and warm over the observed period.

- Even more encouraging is that the long-term weather forecasts present a possibility of rainfall across the country, varying between 20 and 90 millimetres in most regions (figure 2). This will be a welcome relief, particularly for the Western Cape province, which urgently needs moisture, following weeks of dryness.

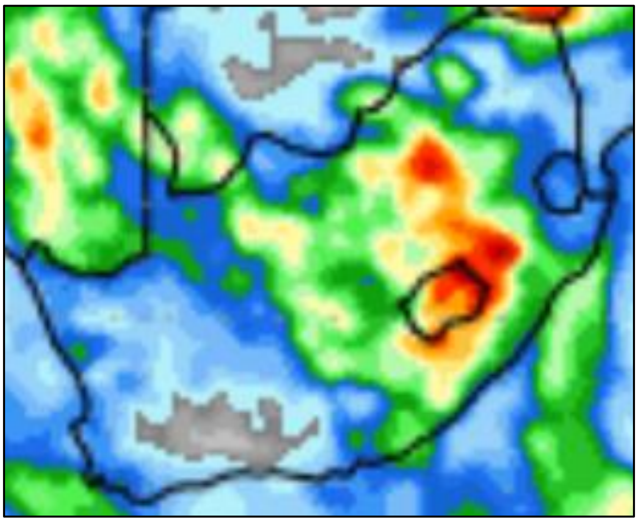

Figure 1: Next 8-days precipitation forecast
Source: wxmaps

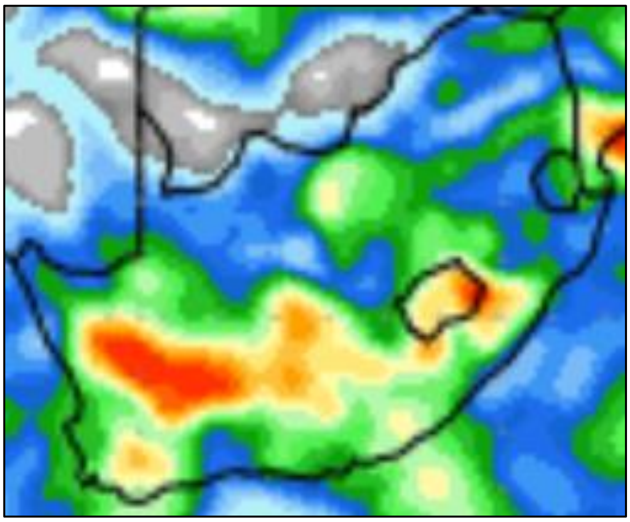

Figure 2: Next 16-days precipitation forecast
Source: wxmaps

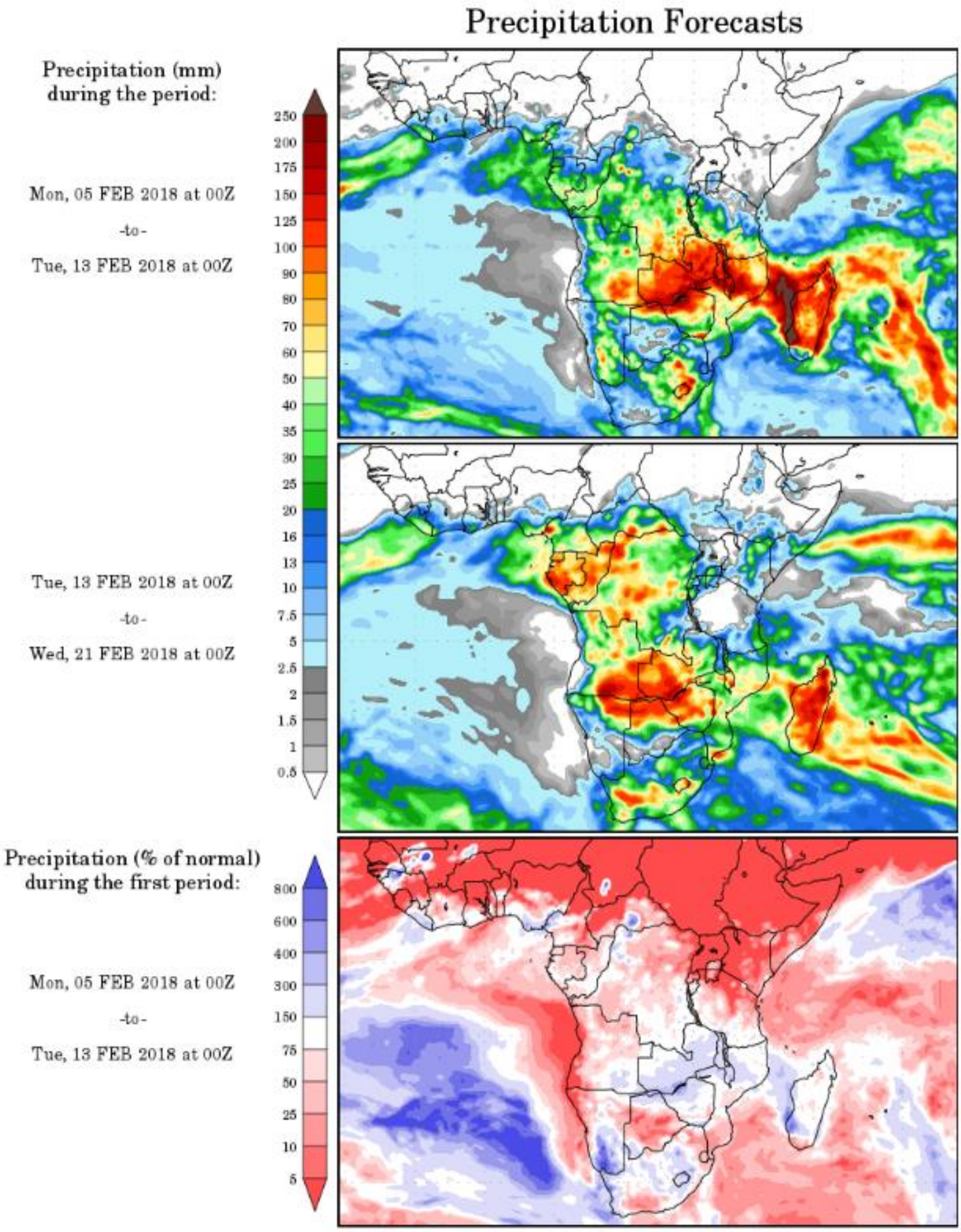

Figure 3: Precipitation forecast

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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