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**Key Data Releases in Agricultural Markets:**

- SAGIS producer deliveries data: 07/02/2018
- USDA World Agricultural Supply and Demand Estimates report: 08/02/2018
- SAGIS weekly grain trade data: 13/02/2018
- SAGIS monthly data: 26/02/2018
- National Crop Estimates Committee's data: 27/02/2018

<b>ECONOMIC INDICATORS</b>	06/02/2018*	07/02/2018*	d-o-d (%Δ)
Rand/US Dollar	12,07	11,95	+1,00%
Rand/Euro	14,98	14,81	+1,15%
Euro/US Dollar	1,2404	1,2388	-0,13%
Gold Spot	1 343,58	1 328,94	-1,09%
Brent Crude Oil	67,22	67,66	+0,65%
Platinum Spot	996,84	991,07	-0,58%
Dow Jones Industrial Average	24 345,75	24 912,77	+2,33%
JSE All Share	56 091,17	56 377,21	+0,51%
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 domestic currency has slightly recovered from yesterday's levels, with gains partly in line with the US Dollar depreciation against major currencies. The Rand/US Dollar is currently 1% stronger compared to midday yesterday, trading around R11.95. Apart from that, while the domestic political sentiment has generally improved since December 2017, the day to day political developments continue to weigh on the market.
- The Brent crude oil market has managed to claw back some of its recent losses. This morning the price was up by 1% from levels seen at midday yesterday, trading around US\$67.66 per barrel due to a decline in US crude oil inventories. The most recent data from the American Petroleum Institute shows that the country's oil supplies possibly fell by 1.1 million barrels in the week ending 02 February 2018.



MAIZE/CORN	06/02/2018*	07/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 787	1 785	-0,11%
White maize Jul 18 (R/t)	1 902	1 901	-0,05%
Yellow maize Spot (R/t)	1 890	1 894	+0,21%
Yellow maize Jul 18 (R/t)	1 977	1 981	+0,20%
CME corn Spot (US cents/bushel)	358	364	+1,68%

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

- The South African maize market ended yesterday's trade session on a mixed footing. White maize prices were under pressure owing to relatively large stock<sup>1</sup>, whereas yellow maize prices gained ground on the back of the weaker domestic currency, as well as higher Chicago maize prices.
- Mpumalanga province received light and scattered rainfall on Monday, which is conducive for yellow maize. Other parts of the maize belt had a fairly dry start of the week. However, that is not much of a concern, the crop is in a good condition in most areas, thanks to the recent rainfall.
- Also heartening to see is that the maize crop conditions have slightly improved in the western parts of the Free State and the North West provinces, following the recent rainfall. These particular areas received very little rainfall at the end of 2017 and the beginning of 2018 and there were concerns about possible crop failure in most regions. The sentiment has since changed to a relatively more positive one. The expected rainfall in the next two weeks will further improve soil moisture and thereafter benefit the crop.
- From a trade perspective, South Africa exported 51 593 tonnes of maize in the week ending 02 February 2018, up four-fold from the volume exported the previous week. About 87% of these exports were yellow maize, with 13% being white maize. This placed South Africa's 2017/18 maize marketing year exports at 1.9 million tonnes, which equates to 86% of the season's export forecast of 2.2 million tonnes.
- On the global front – This morning the Chicago maize price was up by 2% from the previous day owing to rising concerns of crop failure in parts of Argentina, following drier weather conditions.

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

<sup>1</sup> The 2017/18 white maize ending stocks are estimated at 2.8 million tonnes, compared to 597 837 tonnes in the 2016/17 marketing year. In the same year, yellow maize ending stocks are estimated at 1.4 million tonnes, up from 496 801 million tonnes. This collectively makes up 4.2 million tonnes of total maize ending stocks in the 2017/18 marketing year. This will be transferred as an opening stock in the 2018/19 marketing year and thus boost domestic maize supplies. Overall, this explains the bearish maize price movements experienced at the beginning of January 2018, despite the unfavourable weather conditions then.



WHEAT	06/02/2018*	07/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 596	3 625	+0,81%
SAFEX Wheat May 18 (R/t)	3 695	3 730	+0,95%
CME Wheat spot (US cents/bushel)	442	449	+1,58%

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

- The South African wheat market started the day in positive territory and maintained the gains throughout the session, as the weaker domestic currency, commercial buying interest, as well as higher Chicago wheat prices continued to provide support.
- With the harvest process complete across the country, trade is the dominant subject in the wheat market. The lower production of 1.48 million tonnes, as well as lower opening stock of 341 424 tonnes<sup>2</sup> imply that South Africa will have to import 1.9 million tonnes of wheat in the 2017/18 marketing year in order to fulfil the domestic needs.
- Actually, the wheat import activity is already underway. South Africa imported 58 598 tonnes of wheat in the week ending 02 February 2018, which is double the volume imported the previous week. About 66% from Lithuania, 18% from Argentina and 16% from the United States. Overall, this placed 2017/18 marketing year's wheat imports at 760 916 tonnes, which equates to 40% of the seasonal import forecast of 1.9 million tonnes<sup>3</sup>.
- Although a net importer of wheat, South Africa continues to export wheat to regional markets. The 15<sup>th</sup> batch of exports this season was recorded at 1 324 tonnes, down by 31% from the previous week. About 81% went to Swaziland, 16% to Namibia and 3% to Zimbabwe. This placed total wheat exports for 2017/18 marketing year at 8 732 tonnes.
- As highlighted in our note yesterday, South Africa is not the only wheat importing country in Sub-Saharan Africa, countries such as Nigeria, Sudan, Kenya and Ethiopia are amongst the key importers in the region.
- In fact, the International Grains Council forecasts Sub-Saharan Africa's 2017/18 wheat imports at 22.6 million tonnes, up by 10% y/y due decline in the region's production, as well as an uptick in consumption.

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

<sup>2</sup> There were relatively lower opening stocks at the beginning of the current marketing year, estimated at 341 424 tonnes, which is well below the 2016/17 marketing year's opening stock of 827 232 tonnes.

<sup>3</sup> This is under the assumption that domestic production will reach 1.48 million tonnes



SOYBEAN	06/02/2018*	07/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 360	4 410	+1,15%
SAFEX Soybean May 18 (R/t)	4 490	4 517	+0,60%
CME Soybean Spot (US cents/bushel)	975	993	+1,85%

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

- After experiencing losses at the start of this week, the South African soybean market gained ground in yesterday's trade session with support emanating from the weaker Rand against the US Dollar, as well as higher Chicago soybean prices.
- The new season soybean crop is generally in good condition across the country. The areas that experienced heat stress at the beginning of January 2018 are also showing signs of improvements, thanks to the recent good rainfall.
- On Monday, Amersfoort, Balfour, Davel, Ermelo, Hendrina, Middelburg and Witbank regions of Mpumalanga province received rainfall of between 10 and 40 millimetres, which bodes well for the new season soybean crop. The next two weeks promise more rainfall across the summer crop growing areas of South Africa, which should further improve soil moisture and subsequently benefit the crop<sup>4</sup>.
- In global markets – This morning the Chicago soybean price was up by 2% from the previous week, owing to concerns of dryness in Argentina.
- Elsewhere, the Chinese National Grain and Oils Information Centre recently revised its 2017/18 soybean production estimates up by 200 000 tonnes from the previous month to 14.6 million tonnes. This is 13% higher than the previous season's volume due to an increase in area planted, as well as higher yields in some regions.
- The Chinese soybean imports are also expected to increase despite the uptick in domestic production. This is mainly due to the growing demand from the animal feed industry. The USDA forecasts China's 2017/18 soybean imports at 97 million tonnes, up by 4% y/y. This equals to two-thirds of the global soybean imports.
- Looking ahead, Russia's Agricultural Ministry forecasts a 4% y/y uptick in the country's 2018/19 soybean plantings to 2.7 million hectares. This is partially driven by solid domestic demand for soybean products.

Bottom line – Similarly to other commodities, today the soybean market could experience sideways movements if the Chicago soybean price and ZAR/USD exchange maintain the current trend.

<sup>4</sup> These developments are somewhat in line with the South African Weather Services expectations of above-normal rainfall across the summer rainfall areas of the country between February and April 2018.



SUNFLOWER SEED	06/02/2018*	07/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 615	4 621	+0,13%
SAFEX Sunflower seed May 18 (R/t)	4 690	4 680	-0,21%
EU (France) sunflower seed (US\$/t)	404	397	-1,73%

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

- The South African sunflower seed market ended the day mixed in yesterday's session. The spot price benefited from the weaker domestic currency and commercial buying interest, whereas May 2018 contract month prices remained under pressure due to favourable weather outlook.
- The expected rainfall within the next two weeks will support the germination process of late planted sunflower seeds, and also other crops. Some farmers in the western parts of the Free State and North West provinces went back to the fields for additional planting after recent showers improved soil moisture.
- However, there is uncertainty about the yield potential given that the optimal planting window passed 18 days ago. Planting outside the 'optimal window' typically implies that crops could be negatively affected by frost later in the season, which then possibly lowers the yields<sup>5</sup>.
- Apart from this, the data calendar for this week is light, therefore, the domestic sunflower seed price movements will largely be driven by developments in the currency market and the weather. The short and medium-term weather forecasts paint a picture of good rainfall<sup>6</sup>, which could potentially add bearish pressure to the market.
- In the global market – After experiencing a good run in the past few days, the EU's sunflower seed market pulled back in yesterday's trade session with the price down by 2% from the previous day, closing at US\$397 per tonne. These losses were partially in line with price movements in the crude oil market.
- While it is still early in the season, Russia's Agricultural Ministry forecasts a 4% y/y decline in the country's 2018/19 sunflower seed plantings to 7.6 million hectares.

Bottom line – Today, the domestic sunflower seed market could experience marginal losses due to the stronger ZAR/USD exchange.

<sup>5</sup> 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.

<sup>6</sup> The South African Weather Services, in its recent Seasonal Climate Watch, highlighted a possibility of above-average rainfall from this month until April 2018 in summer rainfall areas of the country.



<b>POTATO</b>	06/02/2018*	07/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	41,38	43,44	+4,98%

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

- The South African potatoes market had a good run in yesterday's trade session, mainly supported by lower stocks of 569 540 pockets (10kg bag) at the start of the session. The price was up by 5% from the previous day, closing at R43.44 per pocket (10kg).
- However, during the session, the market saw an uptick in deliveries as harvest activity picks up after a quiet period in the weekend. This led to a 21% increase in daily stocks to 687 797 pockets (10kg bag).

Bottom line – In today's trade session the potato market could receive additional gains due to a relatively lower stock of 687 797 pockets (10kg bag).

<b>BEEF CARCASS</b>	06/02/2018*	07/02/2018*	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 the SAFEX beef carcass market presented more of the same. The price was unchanged from the previous day, closing at R44.00 per kilogram. With that said, 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

- Most parts of South Africa could receive rainfall of between 16 and 90 millimetres within the next eight days, which should improve soil moisture and subsequently benefit the summer crops (figure 1). This is with the exception of the regions around Mossel Bay, which could remain dry and warm over the observed period.
- The long-term weather forecasts also show a likelihood of heavy 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 after weeks of dryness.

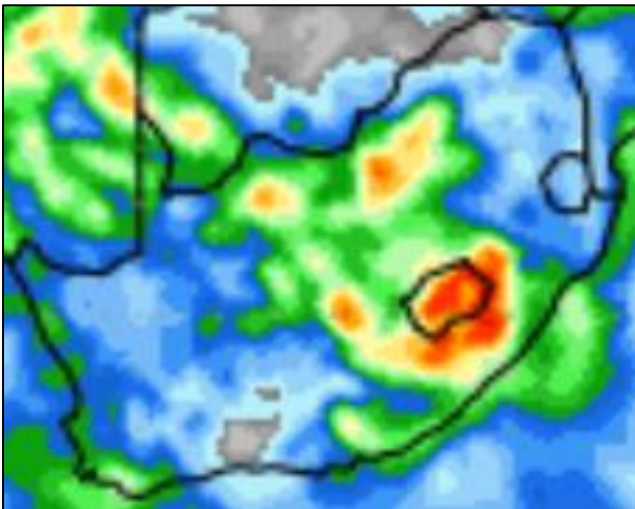


Figure 1: Next 8-days precipitation forecast  
Source: wxmaps

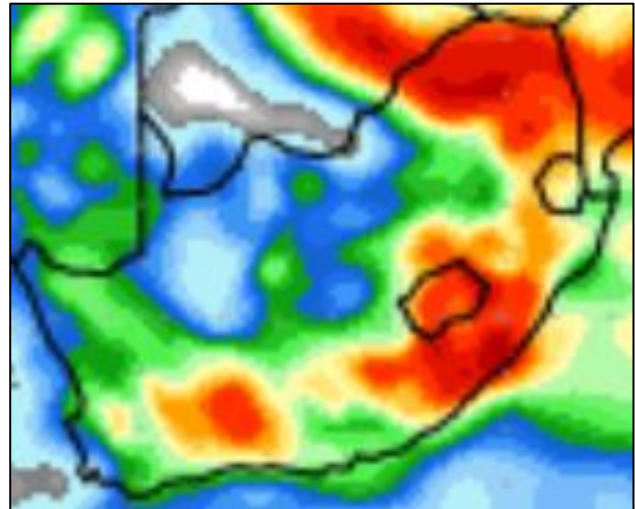


Figure 2: Next 16-days precipitation forecast  
Source: wxmaps



### Precipitation Forecasts

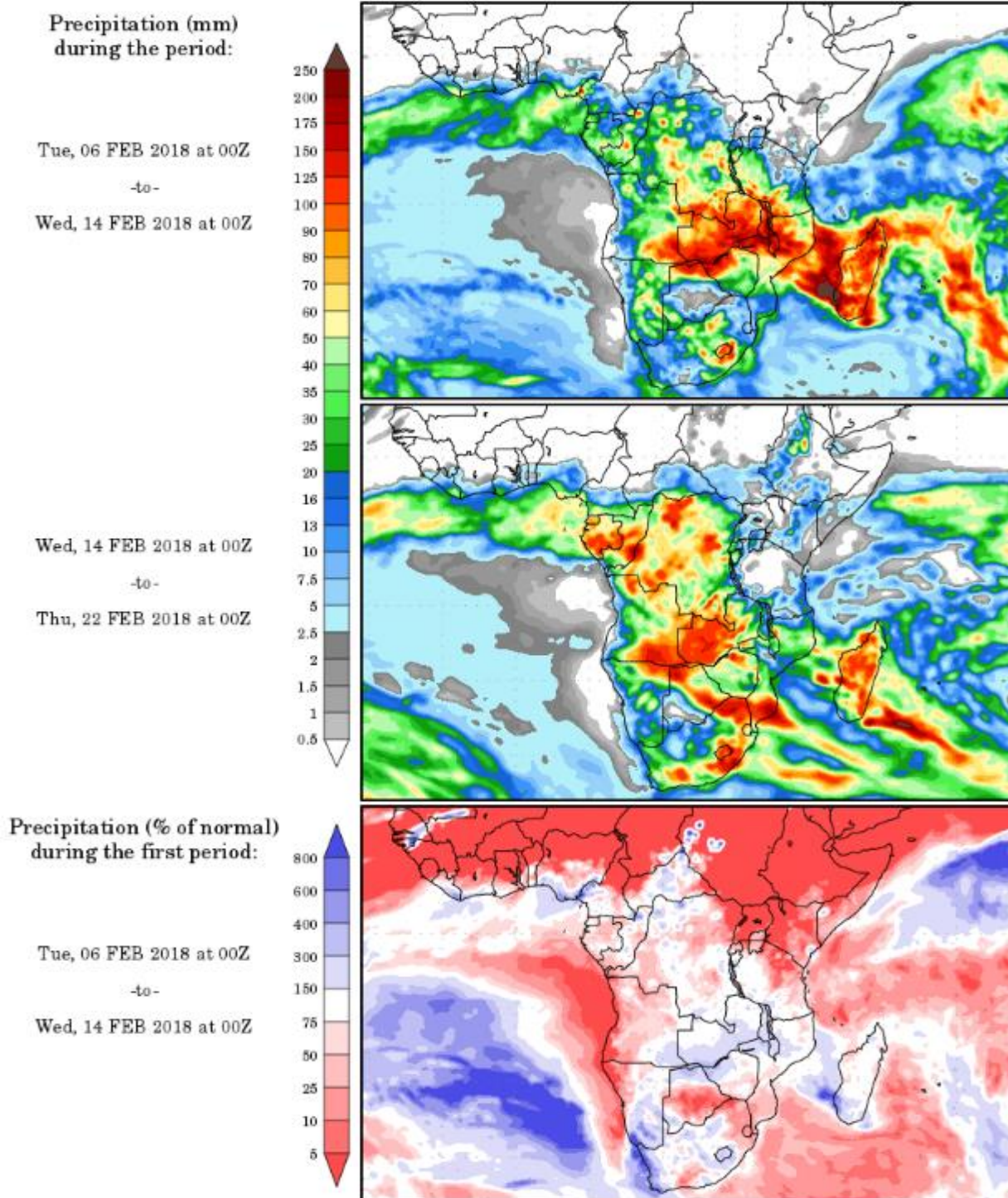


Figure 3: Precipitation forecast

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.

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