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Key Data Releases in Agricultural Markets:

- USDA World Agricultural Supply and Demand Estimates report: 08/02/2018
- SAGIS weekly grain trade data: 13/02/2018
- SAGIS producer deliveries data: 14/02/2018
- SAGIS monthly data: 26/02/2018
- National Crop Estimates Committee's data: 27/02/2018

ECONOMIC INDICATORS	07/02/2018*	08/02/2018*	d-o-d (%Δ)
Rand/US Dollar	11,90	12,05	-1,24%
Rand/Euro	14,70	14,78	-0,54%
Euro/US Dollar	1,2349	1,2260	-0,72%
Gold Spot	1 329,42	1 311,22	-1,37%
Brent Crude Oil	67,15	67,57	+0,63%
Platinum Spot	981,50	974,10	-0,75%
Dow Jones Industrial Average	24 912,77	24 893,35	-0,08%
JSE All Share	56 216,57	56 886,45	+1,19%
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 local currency weakened by 1% against the US Dollar from levels seen at midday yesterday. The Rand's depreciation was partly in line with the US Dollar appreciation against major currencies, as well as a decline in global commodity prices. At the time of writing, the Rand/US Dollar exchange traded around R12.05. From a data front, Stats SA will release the mining production, and manufacturing data for December 2017.
- The Brent crude oil market started the day on a positive footing with the price up by 1% from levels seen at midday yesterday. These gains followed reports of another outage in North Sea Forties pipeline which typically handles about 450 000 barrels of crude oil per day. At the time of writing, oil price traded around US\$67.57 per barrel.



MAIZE/CORN	07/02/2018*	08/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 785	1 782	-0,17%
White maize Jul 18 (R/t)	1 901	1 899	-0,11%
Yellow maize Spot (R/t)	1 894	1 893	-0,05%
Yellow maize Jul 18 (R/t)	1 981	1 974	-0,35%
CME corn Spot (US cents/bushel)	364	365	+0,27%

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

- The domestic maize market started yesterday's trade session in negative territory and remained under pressure throughout the day. The stronger Rand against the US Dollar, as well as favourable weather prospects across the country were the key factors underpinning the market.
- Today the United States Department of Agriculture (USDA) will release a monthly update of its World Agricultural Supply and Demand Estimates report, which covers all major grains and oilseeds. In January 2018, the agency estimated South Africa's 2017/18 maize production at 12.5 million tonnes, down by 29% from the previous season. This estimate is somewhat in line with the long-term average production and well above South Africa's annual maize consumption.
- However, we believe that the agency could revise its estimate down this month due to reduced area plantings in the western parts of South Africa. At Agbiz, we estimate that South Africa's 2017/18 total maize production could decline to 11.2 million tonnes owing to lesser plantings in the western regions (*see [Agbiz Morning Market Viewpoint on Agri-commodities, 05/02/18](#)*). With that said, the weather forecasts promise good rainfall throughout the summer season, which bodes well for the new season crop.
- Under the aforementioned production estimates, South Africa will have sufficient maize supplies for the 2018/19 marketing year, as both are above annual consumption of 10.5 million tonnes and there will also be a carryover stock of roughly 4.2 million tonnes in the 2017/18 marketing year.
- In the region, Malawi has imposed a ban on maize exports after drought and fall armyworms caused damages in the new season crop. Reports from the country's Ministry of Agriculture indicate that crop potential could be reduced by 40%. Malawi typically exports maize to countries such as Zimbabwe, Mozambique, Tanzania and Cameroon, amongst others. Going forward, we will closely monitor the developments there in order to ascertain its impact on Southern Africa's maize supplies.

Bottom line – Today the domestic maize market could gain ground due to the weaker ZAR/USD exchange and higher Chicago maize prices.



WHEAT	07/02/2018*	08/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 625	3 572	-1,46%
SAFEX Wheat May 18 (R/t)	3 730	3 683	-1,26%
CME Wheat spot (US cents/bushel)	452	460	+1,77%

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

- The South African wheat market lost ground in yesterday's trade session owing to a combination of factors. The most notable ones were the stronger Rand against the US Dollar, as well as increased commercial selling.
- Winter wheat harvesting in South Africa is totally over and the yields received in the Western Cape and Free State provinces were well below average due to unfavourable weather conditions earlier in the season¹. The volumes of wheat recently delivered to commercial silos showed a decline from the previous weeks, which mirrors the reduction in activity in the farms after the completion of the harvest process.
- About 4 037 tonnes of wheat were delivered in the week ending 02 February 2018, this is well below the previous week's deliveries of 16 721 tonnes. Overall, this placed South Africa's winter wheat producer deliveries for "week 1 to 18" of the 2017/18 marketing year at 1.38 million tonnes.
- From a regional front, the Ethiopian government has issued a tender to buy 400 000 tonnes of milling wheat from the optional origin. The International Grains Council forecasts Ethiopia's 2017/18 wheat imports at 1.3 million tonnes, up by 44% from the previous season due to a decline in domestic production, as well as an uptick in consumption.
- On the global front - This morning the Chicago wheat price was up by 2% from levels seen at midday yesterday owing to renewed concerns of dryness in parts of the US.
- In the evening, the USDA will release its monthly update on the global supply and demand of wheat. Last month, the agency placed 2017/18 global wheat production at 757 million tonnes, which is 1% higher than the previous season owing to an uptick in the EU's production.
- The estimates for US wheat production will be closely watched given that the southern Plains experienced drier weather conditions in the past few weeks. Last month, the USDA estimated the US 2017/18 wheat production at 47 million tonnes, down by 24% from the previous season.

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

¹ The impact of lower yields in the Free State and the Western Cape provinces is clear from the national production estimate which is at 1.48 million tonnes, down by 23% from 2016 harvest.



SOYBEAN	07/02/2018*	08/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 410	4 454	+1,00%
SAFEX Soybean May 18 (R/t)	4 517	4 544	+0,60%
CME Soybean Spot (US cents/bushel)	993	982	-1,11%

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

- The domestic soybean market had a good run in yesterday's trade session benefiting from the bullish sentiment from the Chicago soybean, as well as commercial buying interest.
- The weather remains a primary focus in the South African soybeans market, as the crop is still at early stages of development that require moisture. Fortunately, the soybean growing areas had a fairly good start into 2017/18 production season with a fair amount of soil moisture, although experienced hail in some regions.
- The positive weather outlook for the rest season increases a chance of yet another good harvest. As indicated in our previous notes, we estimate that the preliminary area plantings of 701 000 hectares could potentially lead to at least 1.2 million tonnes of soybean production, which would be a 9% y/y decline. This is under the assumption that yields could be in line with the long-term average of 1.7 tonnes per hectares².
- In global markets – This morning the Chicago soybean price was down by 1% from the level seen at midday yesterday owing to improved weather outlook in South America.
- In its January 2018 report, the USDA estimated 2017/18 global soybean production at 349 million tonnes, down by 1% from the previous season. The downward revision was partially due to the expectation of a lower harvest in South America.
- Actually, the South American soybean crops dominated the headlines in the past few days owing to weather-related concerns in Argentina. In January 2018, the USDA estimated Argentina and Brazil's soybean production at 56 million tonnes and 110 million tonnes, down by 3% and 4%, respectively.
- South America's weather outlook shows signs of good rainfall within the next two weeks. This is set to be across the region, with the exception of the southern parts of Argentina.

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	07/02/2018*	08/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 621	4 635	+0,30%
SAFEX Sunflower seed May 18 (R/t)	4 680	4 701	+0,45%
EU (France) sunflower seed (US\$/t)	397	394	-0,76%

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

- The South African sunflower seed market had a good run in yesterday's trade session and settled in positive territory. These gains were partially on the back of commercial buying interest.
- 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. As highlighted in our previous notes, there is uncertainty about the yield potential given that the optimal planting window closed on 20 January 2018³.
- From the weather front, the recent developments have been positive and the outlook paints a promising picture of good rainfall. On Tuesday, most sunflower seed growing areas received scattered light showers which are good for crops, albeit not being sufficient to significantly improve soil moisture.
- The forecast for the next two weeks continues to show a possibility of rainfall of over 50 millimetres across the sunflower seed growing areas of the country. This supports the South African Weather Service's view of above normal rainfall across summer rainfall areas between this month and April 2018.
- In the global market – Yesterday the EU's sunflower seed market started the day in negative territory and remained under pressure throughout the day. This price was down by 1% from the previous day, closing at US\$34 per tonne due to fairly good sunflower seed supplies in the EU region.
- With that, some regions such as the Black Sea experienced a decline in sunflower seed production and that is mirrored in global production. SUNSEEDMAN forecasts 2017/18 sunflower seed production at 48 million tonnes, down by 4% from the previous season.

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

³ 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. 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.



POTATO	07/02/2018*	08/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	43,44	41,51	-4,44%

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

- Following a good run at the start of the week, the South African potatoes market took a breather in yesterday's session with the price down by 4% from the previous day, closing at R41.51 per pocket (10kg). This was partially on the back of a large stock of 687 797 pockets (10kg bag) at the start of the trade session.
- During the session, the market saw an uptick in deliveries as harvest activity continues across the country. This subsequently led to a 19% increase in daily stocks to 816 903 pockets (10kg bag).

Bottom line – In today's trade session the potato market could experience extended losses due to a relatively large stock of 816 903 pockets (10kg bag).

FRUIT (South Africa)	07/02/2018*	08/02/2018*	d-o-d (%Δ)
Apples (R/kg)	9,36	9,27	-0,96%
Bananas (R/kg)	5,31	5,31	0,00%
Oranges (R/kg)	5,84	5,84	0,00%

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

- Yesterday the fruit market experienced a fairly quiet session with fewer producer deliveries at the fresh produce market. The price of apples was down by 1% from the previous day, closing at R9.27 per kilogram due to a large stock of 202 000 tonnes.
- Meanwhile, the prices of bananas and oranges remained flat from the previous day, settling at R5.31 and R5.84 per kilogram, respectively. With that said, the stocks of these fruits paint a mixed picture. The bananas stocks are estimated at 416 000 tonne, which is double the levels seen in the past few weeks. This could add pressure on prices. Meanwhile, oranges stock remains fairly low, at 17 000 tonnes, which is supportive of prices.

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	07/02/2018*	08/02/2018*	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 continued on a quiet path, with the price unchanged from the previous day, closing at R44.00 per kilogram. However, 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 the solid activity.
- The South African farmers slaughtered 262 727 head of cattle in December 2017, up by 10% from the previous month, but 17% lower compared to the corresponding period the previous year.

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 next eight days could bring rainfall of between 16 and 90 millimetres across South Africa (figure 1). This should improve soil moisture and subsequently benefit the summer crops. Moreover, the Western Cape province, which urgently needs moisture, could get a slight relief.
- The long-term weather forecasts also show a likelihood of heavy rainfall across the country, varying between 30 and 90 millimetres in most regions (figure 2). However, this is with the exception of the western parts of the Western Cape and Northern Cape provinces which could remain dry and warm over the observed period.

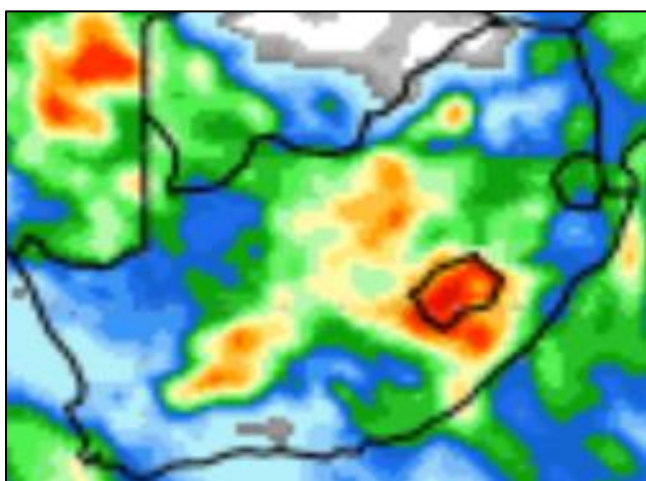


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

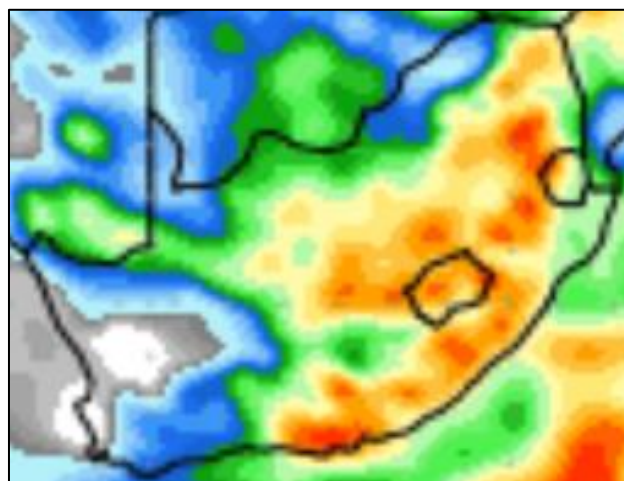


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

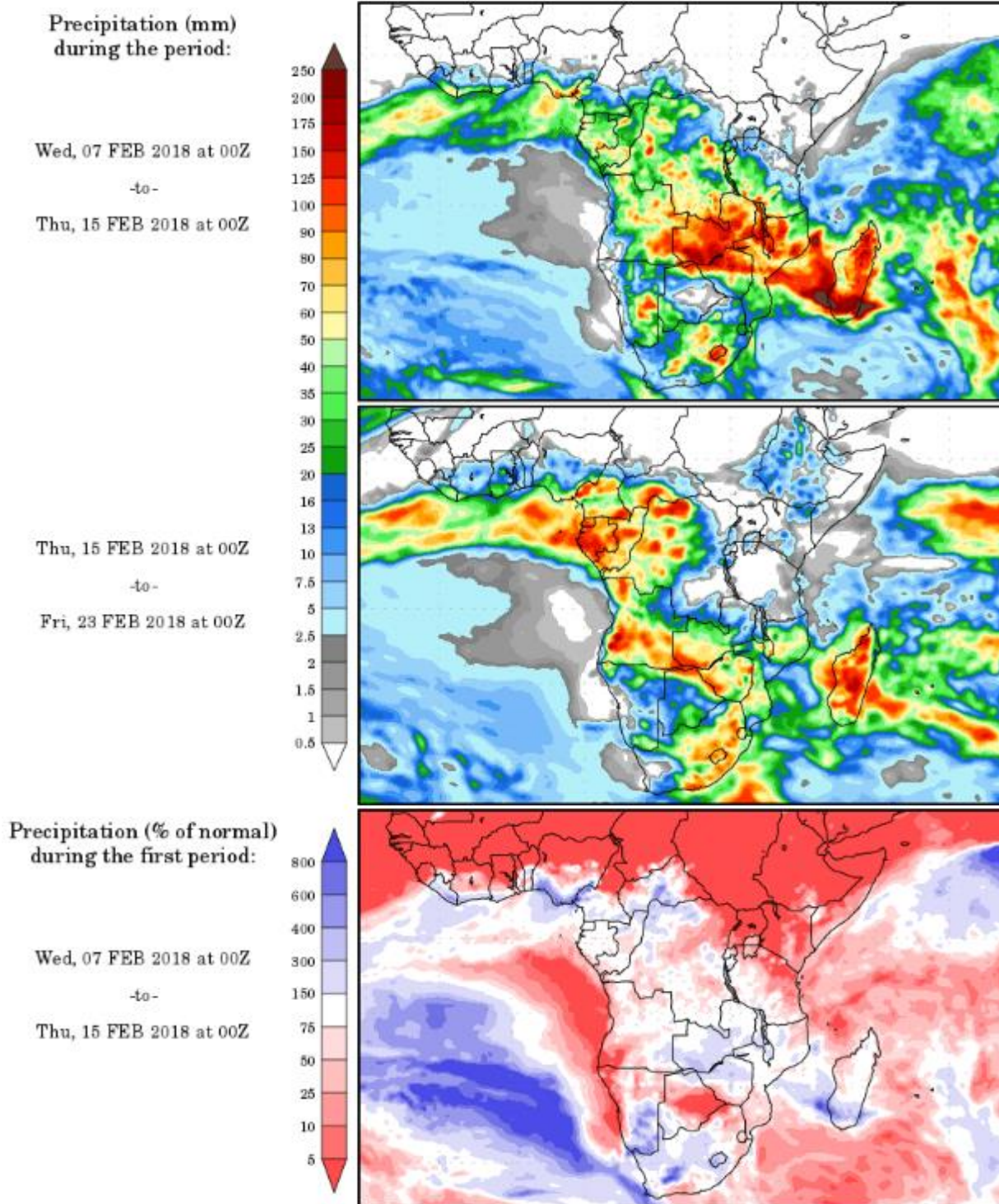


Figure 3: Precipitation forecast

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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