

**FOR ANY QUERIES, PLEASE CONTACT:**

 Wandile Sihlobo: [wandile@agbiz.co.za](mailto:wandile@agbiz.co.za)
**Key Data Releases in Agricultural Markets:**

- SAGIS producer deliveries data: 14/02/2018
- SAGIS weekly grain trade data: 20/02/2018
- SAGIS monthly data: 26/02/2018
- National Crop Estimates Committee's data: 27/02/2018

<b>ECONOMIC INDICATORS</b>	13/02/2018*	14/02/2018*	d-o-d (%Δ)
Rand/US Dollar	11,96	11,92	+0,34%
Rand/Euro	14,76	14,75	+0,07%
Euro/US Dollar	1,2335	1,2381	+0,37%
Gold Spot	1 328,30	1 334,91	+0,50%
Brent Crude Oil	62,68	62,99	+0,49%
Platinum Spot	976,55	979,85	+0,34%
Dow Jones Industrial Average	24 601,27	24 640,45	+0,16%
JSE All Share	57 170,79	57 208,97	+0,07%
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 Rand started the day on a positive footing, largely supported by the US Dollar depreciation against major currencies, higher global commodity prices, as well as improved domestic political sentiment. The Rand/US Dollar is currently 0.34% stronger compared to midday yesterday, trading around R11.92. From a domestic data front, Stats SA will release the retail sales data for December 2017.
- After experiencing losses in the past few days, this morning the Brent crude oil market managed to claw back some of its recent losses. This came after the International Energy Agency's report showed a possibility of strong global crude oil demand this year. Moreover, the weaker US Dollar against major currencies also added support to the market. At the time of writing, the oil price was up by 0.49% from levels seen at midday yesterday, trading around US\$62.99 per barrel.



MAIZE/CORN	13/02/2018*	14/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 814	1 803	-0,61%
White maize Jul 18 (R/t)	1 934	1 924	-0,52%
Yellow maize Spot (R/t)	1 905	1 895	-0,52%
Yellow maize Jul 18 (R/t)	2 002	1 988	-0,70%
CME corn Spot (US cents/bushel)	366	365	-0,27%

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

- Yesterday the South African maize market opened lower and remained under pressure throughout the day as the stronger Rand against the US Dollar, lower Chicago maize prices, as well as favourable weather conditions continued to provide bearish sentiment to the market.
- The past few days have been dry and cool across the South African maize belt, but rainfall could soon return as the weather charts show a possibility showers varying between 25 and 60 millimetres across within the next two weeks.
- As highlighted in our previous notes, the weather forecasts promise a possibility of above-normal rainfall in summer crop growing areas between this month and April 2018. This should improve soil moisture and maize crop conditions, which will subsequently boost yields<sup>1</sup>.
- From a trade perspective, South Africa exported 29 392 tonnes of maize in the week ending 09 February 2018, down by 43% from the volume exported the previous week. About 76% of these exports were yellow maize, with 24% 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 down by 0.27% from levels seen at midday yesterday due to large global maize supplies. The 2017/18 global production is estimated at 1.04 billion tonnes.
- There are still lingering concerns that dry and warm weather conditions in the south-eastern parts of Argentina could negatively affect the crop. With that said, the USDA is optimistic about Argentina's 2017/18 maize production, forecasting a 2% y/y increase to 42 million tonnes.

Bottom line – Today the domestic maize market could register extended losses due to the lower Chicago maize prices, as well as the stronger ZAR/USD exchange.

<sup>1</sup> We estimate that South Africa's 2017/18 maize production could reach 11.2 million tonnes, which would be a 33% y/y decline, but still above annual consumption of 10.5 million tonnes.



WHEAT	13/02/2018*	14/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 635	3 608	-0,74%
SAFEX Wheat May 18 (R/t)	3 721	3 681	-1,07%
CME Wheat spot (US cents/bushel)	461	455	-1,30%

\*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 the stronger domestic currency, as well as lower Chicago wheat prices.
- As we set out in yesterday's note, the weather is currently of less importance in the winter wheat growing areas of South Africa as the harvest process is totally over. However, the recent developments in the major wheat production province, Western Cape, are worth mentioning. The province received light showers last night, which is a welcome development, albeit not being sufficient to notably improve dam levels.
- The most recent data from the Department of Water and Sanitation shows that on 12 February 2018, the province's dam levels averaged 23%, down by one percentage point from the previous week and 12 percentage points from the corresponding period last year.
- Apart from the weather aspects, South Africa continues to receive large volumes of wheat imports. The country imported 65 268 tonnes in the week ending 09 February 2018, up by 11% from the previous week. About 79% from Latvia, 20% from Germany and 1% from Argentina. Overall, this placed 2017/18 marketing year's wheat imports at 826 184 tonnes, which equates to 43% of the seasonal import forecast of 1.9 million tonnes<sup>2</sup>.
- Although a net importer of wheat, South Africa continues to export wheat to regional markets. The 16<sup>th</sup> batch of exports this season was recorded at 542 tonnes last week, well below the previous week's exports of 1 324 tonnes. About 68% went to Namibia, 19% to Botswana and 13% to Zimbabwe. This placed total wheat exports for 2017/18 marketing year at 9 274 tonnes.
- On the global front - This morning the Chicago wheat price was down by 1.30% from levels seen at midday yesterday owing to large global supplies. The 2017/18 production is estimated at 758 million tonnes, up 1% y/y.
- Recent reports from the International Grains Council shows that Syria is currently looking for 300 000 tonnes of milling wheat from the optional origin. Also, Japan is looking for 84 683 tonnes of million wheat.

Bottom line – Today the domestic wheat market could experience extended losses due to the stronger ZAR/USD exchange and lower Chicago wheat prices.

<sup>2</sup> This is under the assumption that domestic production will reach 1.48 million tonnes.



SOYBEAN	13/02/2018*	14/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 536	4 536	0,00%
SAFEX Soybean May 18 (R/t)	4 665	4 663	-0,04%
CME Soybean Spot (US cents/bushel)	1 002	1 008	+0,60%

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

- The domestic soybean market was under pressure in yesterday's trade session due to stronger Rand against the US Dollar, as well as favourable weather forecasts for this production season.
- The soybean crop is mainly planted in the eastern parts of South Africa, which received a fair amount of rainfall at the start of the production season. As a result, a majority of the crop is generally in good condition. The expected precipitation within the next few weeks will bolster soil moisture and further improve crop conditions<sup>3</sup>.
- In the past nine seasons, South Africa's soybean production doubled, from half a million tonnes in 2008/09 to 1.32 million tonnes in 2016/17 production season. This was due to an increase in area planted, as well as higher yields which were boosted by improved technology and better production practices.
- The main driver behind the increase in plantings has been the growing domestic demand from the animal feed industry. However, this significant increase in production has been unable to satisfy the local market as soybean oilcake imports remain fairly high.
- The most recent data from the International Grains Council shows that South Africa's 2017/18 soybean oilcake imports could reach 600 000 tonnes, despite the record soybean production in the 2016/17 season. Actually, this is 20% higher than the 2015/16 season.
- Therefore, 2018/19 soybean oilcake imports could increase further as we expect South Africa's 2017/18 soybean production to decline by 8% y/y to 1.2 million tonnes. Over the past few years, South American countries have been the key supplies of soybean oilcake to South Africa.
- In global markets – This morning the Chicago soybean price was up by 0.60% from levels seen at midday yesterday due to concerns of dryness in the southern parts of Argentina.

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

<sup>3</sup> We forecast South Africa's 2017/18 soybean production at 1.2 million tonnes, down by 8% from the previous season. This is despite the increase in hectares planted, as we expect yields to average 1.7 tonnes per hectares, compared to 2.3 tonnes per hectare in the 2016/17 production season.



SUNFLOWER SEED	13/02/2018*	14/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 730	4 750	+0,42%
SAFEX Sunflower seed May 18 (R/t)	4 770	4 721	-1,03%
EU (France) sunflower seed (US\$/t)	391	392	+0,26%

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

- The South African sunflower seed market started yesterday's trade session on a positive footing, benefiting from strong commercial buying interest. However, at the end of the session, the market was mixed – the spot price maintained its gains, whereas May 2018 contract month price closed in negative territory. The losses were mainly driven by the stronger domestic currency, as well as favourable weather conditions.
- The weather remains a primary focus in the sunflower seed market. The dry and cool conditions at the beginning of this week presented an opportunity for farmers to accelerate the planting activity in some parts of the north-western Free State and North West provinces<sup>4</sup>.
- Apart from that, there was no new news in the sunflower seed market. The ongoing planting activities mean that the National Crop Estimates Committee will possibly revise its preliminary planting estimate up from the current level of 560 100 hectares. An update will be released on 27 February 2018.
- Looking ahead, the near term weather charts show a possibility of rainfall across the sunflower seed growing areas within the next eight days. This will essentially support the germination process in the newly planted areas. Moreover, the crop will probably receive sufficient moisture throughout the growing season as the South African Weather Service forecasts above-normal rainfall between this month and April 2018.
- In the global market – After experiencing losses in the past few days, in yesterday's trade session the EU's sunflower seed market managed to claw back some of its recent losses. The price was up by 0.26% from the previous day, closing at \$US392 per tonne due to spillover support from the palm oil market.
- Elsewhere, the sunflower seed harvest process is totally over in Argentina, but drier weather conditions in the south-eastern parts of the country could negatively affect the crop. The USDA forecasts Argentina's 2017/18 sunflower seed production at 3.6 million tonnes, up by 6% from the previous season.

Bottom line – Today, the domestic sunflower seed market could experience losses due to the stronger ZAR/USD exchange, as well as favourable weather prospects.

<sup>4</sup> As highlighted in our previous notes, the optimal planting window closed on 20 January 2018. Any planting activity outside this window implies that crops could be negatively affected by frost later in the season, which will, in turn, lower the yields.



<b>POTATO</b>	13/02/2018*	14/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	36,17	37,29	+3,10%

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

- Yesterday the South African potatoes market managed to recover from its recent losses owing to a lower stock of 867 816 stock pockets (10kg bag) at the start of the trade session. The price was up by 3% from the previous day, closing at R37.29 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 9% increase in daily stocks to 945 931 pockets (10kg bag).

Bottom line – In today's trade session the potato market could experience marginal losses due to a relatively lower stock of 945 931 pockets (10kg bag).

<b>FRUIT (South Africa)</b>	13/02/2018*	14/02/2018*	d-o-d (%Δ)
Apples (R/kg)	8,69	9,79	+12,66%
Bananas (R/kg)	5,33	5,72	+7,32%
Oranges (R/kg)	6,31	6,00	-4,91%

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

- The fruit market was again mixed in yesterday's trade session. The prices of apples and bananas were up by 13% and 7% from the previous day, closing at R9.79 and R5.72 per kilogram, respectively. However, these gains could soon be reversed due to large stocks of 184 000 tonnes of apples and 394 000 tonnes of bananas.
- Meanwhile, the price of oranges declined by 5% from the previous day, closing at R6.00 per kilogram due to commercial selling. Looking ahead, the oranges market should soon gain ground as stocks are at lower levels of 4 000 tonnes, compared to levels of over 30 000 tonnes at the beginning of the month.

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

<b>BEEF CARCASS</b>	13/02/2018*	14/02/2018*	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 not moved in months due to thinly traded volumes. Yesterday's session was no different, the price was unchanged from the previous day, setting at R44.00 per kilogram. As previously highlighted, the SAFEX beef carcass prices might not be a true reflection of the activity in the physical market, which continues to show solid activity.
- From a meat supply perspective, South African farmers slaughtered 262 727 head of cattle in December 2017, up by 10% from the previous month. However, this is down by 17% from the corresponding period the previous year, as the restocking process continues after the recent drought (but will soon normalise).

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

- South Africa could receive widespread light showers within the next eight days (figure 1). While this will not meaningfully improve dam levels in the Western Cape province, it is a welcome development after a month of dryness and higher temperatures. The summer crops in most areas are in fairly good shape and the forecast rainfall will further improve growing conditions.
- The long-term weather forecasts also show a likelihood of light rainfall across South Africa (figure 2). This should vary between 16 and 50 millimetres, and will slightly boost soil moisture. However, the western parts of the Western Cape and Northern Cape could remain dry and warm over the observed period.

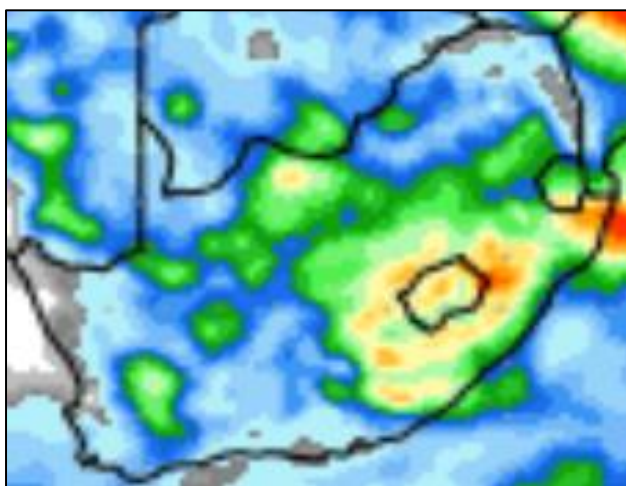


Figure 1: Next 8-days precipitation forecast  
Source: wxmaps

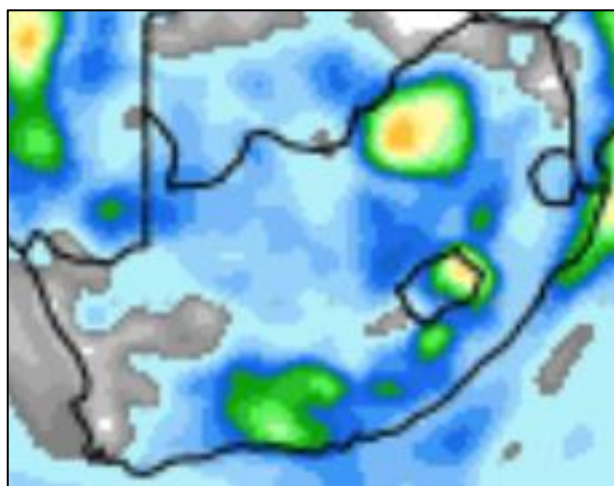


Figure 2: Next 16-days precipitation forecast  
Source: wxmaps



### Precipitation Forecasts

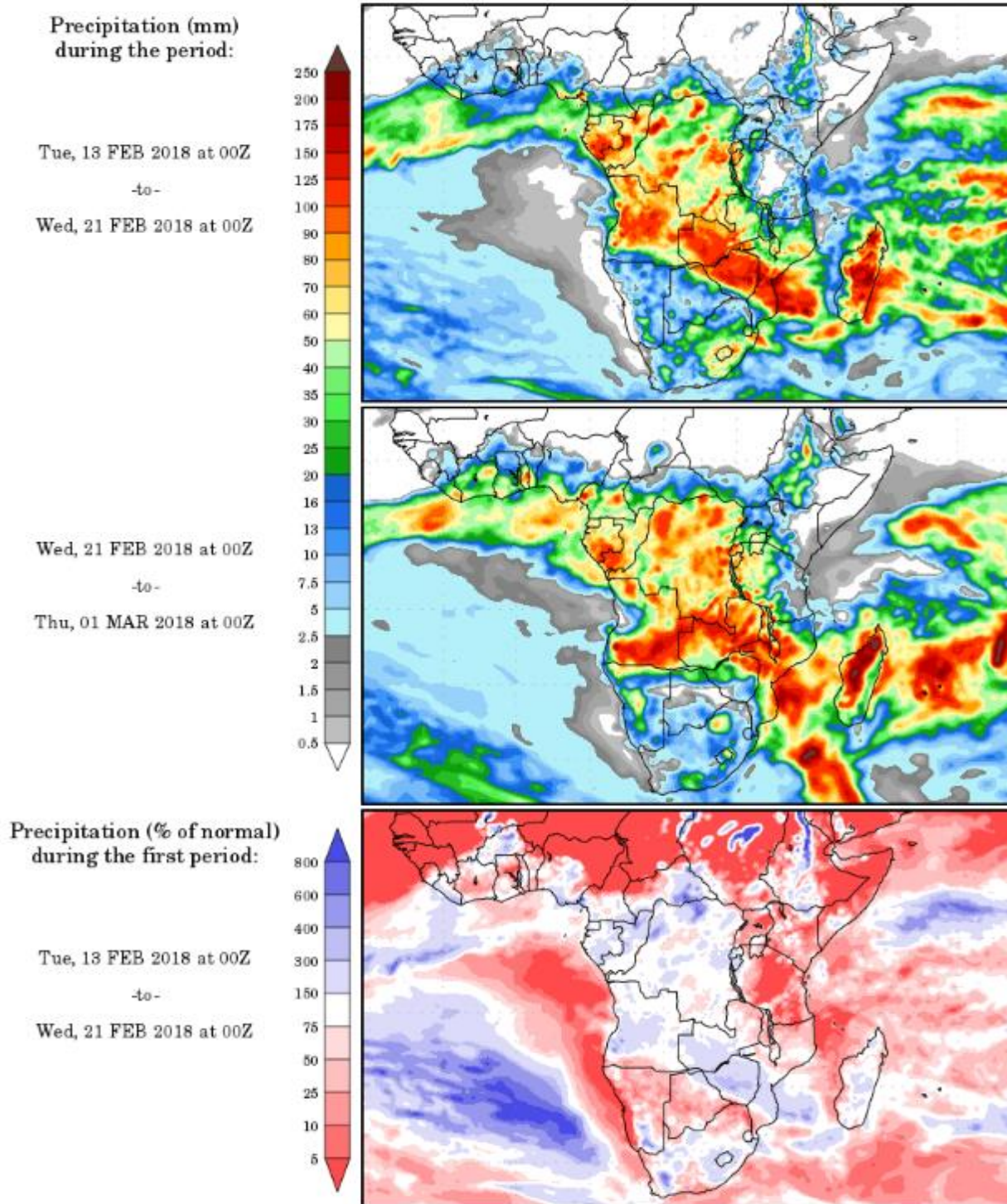


Figure 3: Precipitation forecast

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.

[@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.