FOR ANY QUERIES, PLEASE CONTACT:

Wandile Sihlobo: wandile@agbiz.co.za

Key Data Releases in Agricultural Markets:

- SAGIS weekly grain trade data: 20/02/2018
- SAGIS producer deliveries data: 21/02/2018
- SAGIS monthly data: 26/02/2018
- National Crop Estimates Committee's data: 27/02/2018

ECONOMIC INDICATORS	16/02/2018*	19/02/2018*	d-o-d (%Δ)
Rand/US Dollar	11,61	11,64	-0,26%
Rand/Euro	14,52	14,45	+0,48%
Euro/US Dollar	1,2499	1,2413	-0,69%
Gold Spot	1 359,07	1 347,95	-0,82%
Brent Crude Oil	64,79	65,54	+1,16%
Platinum Spot	1 009,28	1 005,66	-0,36%
Dow Jones Industrial Average	25 200,37	25 219,38	+0,08%
JSE All Share	59 293,89	59 122,34	-0,29%
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 started the week on a negative footing, weakening by 0.26% 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. Moreover, a slight decline in global commodity prices also added bearish pressure to the domestic market. At the time of writing, the Rand/US Dollar exchange traded around R11.64.

- This morning the Brent crude oil market gained ground with the price up by 1.16% from levels seen at midday Friday, trading around US$65.54 per barrel. This was mainly on the back of an expected uptick in Asian demand, as well as lingering concerns over tensions in the Middle East. However, these gains could be short-lived due to rising US oil production. The most recent data from Baker Hughes shows that the number of US oil rigs rose by seven to 798 in the week ending 16 February 2018. This is the highest since April 2015.

MAIZE/CORN	16/02/2018*	19/02/2018*	d-o-d (%Δ)
White maize Spot (R/t)	1 776	1 777	+0,06%
White maize Jul 18 (R/t)	1 897	1 897	0,00%
Yellow maize Spot (R/t)	1 862	1 862	0,00%
Yellow maize Jul 18 (R/t)	1 957	1 958	+0,05%
CME corn Spot (US cents/bushel)	368	367	-0,27%

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

- The South African maize market started Friday's trade session in negative territory and remained under pressure for a large part of the session due to the stronger domestic currency and favourable weather conditions. However, towards the close of the session, increased commercial buying interest and a slight uptick in Chicago maize prices slightly changed the domestic price trend. Thus, settled in positive territory.

- The recent rainfall brought relief in the western sections of the Free State and North West provinces. The most recent report from *World Weather Inc*. shows that soil moisture has improved significantly in these particular regions from extreme dryness experienced at the beginning of the year.

- Although it is too late for additional planting, the improvements in soil moisture bode well for the crop in areas that managed to plant on time. Moreover, the forecast rainfall this week could further improve soil moisture and the outlook for maize crops. As highlighted in our previous notes, the South African Weather Service forecasts good rainfall across summer crop growing areas of the country from now and April 2018.

- Above all, these positive weather developments increase a possibility of yet another good crop, while might be lower than the 2016/17 production season due to a decline in area planted. We estimate that South Africa's 2017/18 maize production could at least reach 11.2 million tonnes, which is well above annual consumption of 10.5 million tonnes. The official production estimates will be released by the National Crop Estimates Committee at the end of this month.

- On the global front – This morning the Chicago maize price was down by 0.27% from levels seen at midday Friday owing to large global supplies. The USDA forecasts 2017/18 global maize production at 1.04 billion tonnes.

- Looking ahead, Stratégie Grains is fairly optimistic about the EU's 2018/19 maize production. The firm placed its maize production estimate at 60 million tonnes, up by 800 000 tonnes from the 2017/18 production season.

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

WHEAT	16/02/2018*	19/02/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 542	3 525	-0,48%
SAFEX Wheat May 18 (R/t)	3 600	3 579	-0,58%
CME Wheat spot (US cents/bushel)	462	458	-0,87%

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

- On Friday, the domestic wheat market remained on a negative territory due to a combination of factors such as the stronger Rand against the US Dollar, commercial selling and expected downward revision of the wheat import tariff, amongst others.

- With wheat imports set to reach the second highest level on record in the 2017/18 marketing year, the import tariff matters will continue to dominate the market. On 12 February 2018, we indicated that the wheat import tariff could possibly remain unchanged at the current level of R716.33 for some time. This view was based on expectations that the Chicago wheat prices could slightly decline after the United States Department of Agriculture's monthly report showed that there are large global wheat supplies in the market.

- At the time, the international wheat prices had consistently traded higher than the base price of US$218.00 per tonne by more than US$10 per tonne and our belief was that this price trend would be broken.

- However, the unfavourable weather conditions in the southern Plains of the US kept Chicago wheat prices at relatively higher levels for a third consecutive week, thus triggering a new wheat import tariff rate at R394.85, which is 45% lower than the current rate.

- Worth noting is that the new rate of R394.85 has not yet been published on the government gazette, and will only be applicable after its publication. The timeframe for this process is unclear, but previous adjustments took more than three weeks.

- On the global front - This morning the Chicago wheat price was down by 0.87% from levels seen at midday Friday due to large global supplies. The USDA forecasts 2017/18 global wheat production at 758 million tonnes.

- Looking ahead, Stratégie Grains recently released its EU's 2018/19 grain production estimates which showed a general upward trend. However, a closer look shows that overall wheat production could slightly decline by 300 000 tonnes from the 2017/18 production season to 141.7 million tonnes. This is due to expectations of lower yields in some parts of the EU region.

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

SOYBEAN	16/02/2018*	19/02/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 459	4 436	-0,52%
SAFEX Soybean May 18 (R/t)	4 560	4 539	-0,46%
CME Soybean Spot (US cents/bushel)	1 024	1 021	-0,29%

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

- The domestic soybean market started Friday's trade session in negative territory and remained under pressure throughout the day as the stranger Rand against the US Dollar, lower Chicago soybean prices, as well as favourable weather conditions continued to add a bearish sentiment to the market.

- South Africa's soybean crop is in good condition owing to favourable weather conditions throughout the season. In addition, the expected rainfall this week and within the next two months will further improve soil moisture in soybean growing areas. This increases a possibility of yet another good crop.

- As highlighted in the previous notes, we forecast South Africa's 2017/18 soybean production at 1.2 million tonnes[1]. The official estimates by the National Crop Estimates Committee will be released on 27 February 2018.

- Apart from production developments, the 2017/18 soybean marketing year will end on 28 February 2018, but in better shape than the previous 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, which starts on 01 March 2018.

- In global markets – This morning the Chicago soybean price was down by 0.29% from levels seen at midday Friday due to improved weather prospects in South America.

- The weather remains an important factor in South America's soybean market. After weeks of dryness in Argentina, the weather charts for the week show a possibility of rainfall[2] across many sections of the country. This should ease concerns of dryness and improve soybean growing conditions. Brazil and Paraguay could also receive higher rainfall this week.

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

[1] The key reason for a potential decline in output while the area has increased is because we used a relatively lower yield of 1.7 tonnes per hectare in our estimates, compared to a yield of 2.3 tonnes per hectare obtained in the 2016/17 production season.

[2] Please see the link for more information on South America's precipitation prospects: http://wxmaps.org/pix/prec8

SUNFLOWER SEED	16/02/2018*	19/02/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 661	4 635	-0,56%
SAFEX Sunflower seed May 18 (R/t)	4 640	4 622	-0,39%
EU (France) sunflower seed (US$/t)	396	399	+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 lost ground in Friday's trade session with the stronger Rand against the US Dollar and improved weather conditions adding bearish pressure to the market.
- After a warm and drier start of the 2017/18 production season, the sunflower seed growing areas of South Africa received a fair amount of rainfall at the end of January 2018 and start of this month. As a result, the crop is currently in good conditions across the country.
- Additional planting that started at the end of January in the western sections of Free State and North West provinces has been completed in most areas. Therefore, the improved soil moisture should support the germination process of the crops. Also worth noting is that at the end of the month, the National Crop Estimates Committee will possibly lift its sunflower seed planting estimate from the current level of 560 100 hectares.
- Moreover, this week could bring further improvements in soil moisture and the weather forecasts show a possibility of over 50 millimetres of rainfall in most sunflower seed growing areas of the country. As indicated in our previous notes, the long-term outlook also promises good rainfall until April 2018. This will potentially support the newly planted crop from germination to pollination stages of development.
- In the global market – On Friday the EU's sunflower seed market had a good run with the price up by 0.76% from the previous day, closing at $US399 per tonne. These gains were mainly on the back of higher vegetable and crude oil prices.
- The global sunflower seed and products demand remain solid. In the first 13 days of this month, Ukraine exported 109 200 tonnes and 23 000 tonnes of sunflower oil and meal to the global market.
- Elsewhere, the sunflower seed harvest process is underway in Argentina. Data from Buenos Aires Grain Exchange shows that 38% of the crop had already been harvested on 14 February 2018. This is six percentage points behind the corresponding period last year.

Bottom line – Today, the domestic sunflower seed market could receive marginal gains due to the relatively weaker Rand against the US Dollar.

POTATO	16/02/2018*	19/02/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	33,99	32,71	-3,77%

* *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 higher stock of 1.2 million pockets (10kg bag) at the start of the trade session. The price was down by 4% from the previous day, closing at R32.71 per pocket (10kg).

- In the session, the market experienced an increase in commercial buying interest, coupled with relatively lower deliveries on the back of slow harvest activity in some parts of the country. This subsequently led to an 8% decline in daily stock to 1.1 million pockets (10kg bag).

Bottom line – In today's trade session the potato market could experience extended losses due to a relatively large stock of 1.1 million pockets (10kg bag).

FRUIT (South Africa)	16/02/2018*	19/02/2018*	d-o-d (%Δ)
Apples (R/kg)	9,95	9,39	-5,63%
Bananas (R/kg)	5,88	6,24	+6,12%
Oranges (R/kg)	8,86	4,64	-47,63%

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

- The fruit market will start today's trade session on a mixed footing following a volatile session on Friday. The prices of apples and oranges were under pressure in Friday's trade session due to large stocks, as well as commercial selling in the case of oranges.

- Meanwhile, the price of bananas was up by 6% from the previous day, closing at R6.24 per kilogram due to a decline in daily stocks. The bananas stocks fell by 16% in Friday's trade session and settled at 226 000 tonnes owing to strong commercial buying interest.

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

BEEF CARCASS	16/02/2018*	19/02/2018*	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 market started the week on a quiet note owing to thinly traded volumes on Friday's trade session. The price was unchanged from the previous day, closing at R44.00 per kilogram. As highlighted in our previous reports, 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 should soon normalise).

Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will again most likely remain flat throughout the week.

WEATHER FORECAST: South Africa

- The weather charts suggest that the summer crop growing areas of South Africa could receive good rainfall of over 50 millimetres this week (figure 1). This should further improve soil moisture and benefit the crops. The Western Cape province could also receive light showers this week, whereas the Northern Cape could remain dry and warm over the observed period.

- The long-term weather forecasts show clear skies across the country with the exception of the eastern sections of Limpopo, Mpumalanga, KwaZulu Natal and Eastern Cape provinces (figure 2). This is not much of a concern for summer crops as the week of 26 February would have already improved soil moisture in most provinces.

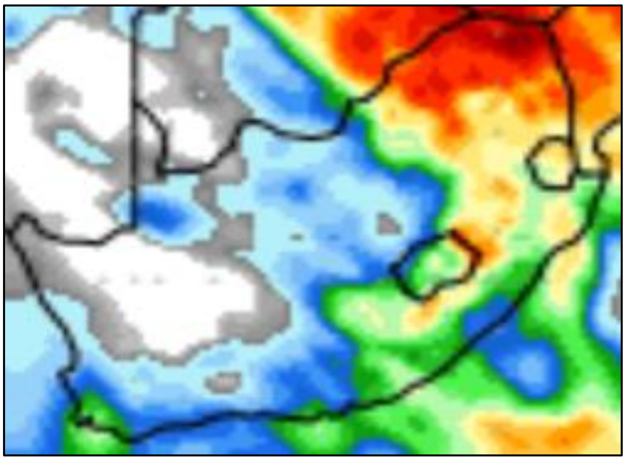

Figure 1: Next 8-days precipitation forecast
Source: wxmaps

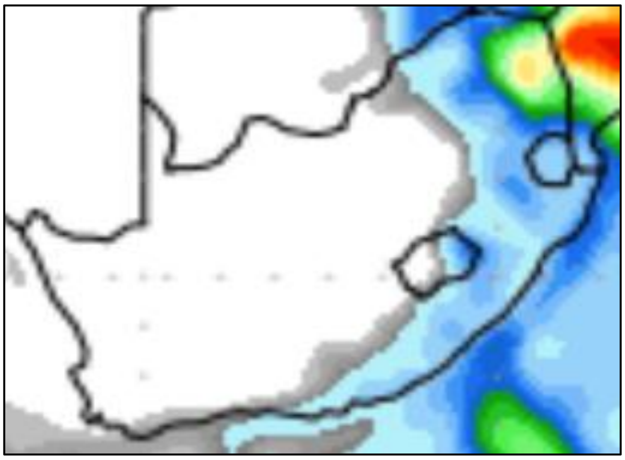

Figure 2: Next 16-days precipitation forecast
Source: wxmaps

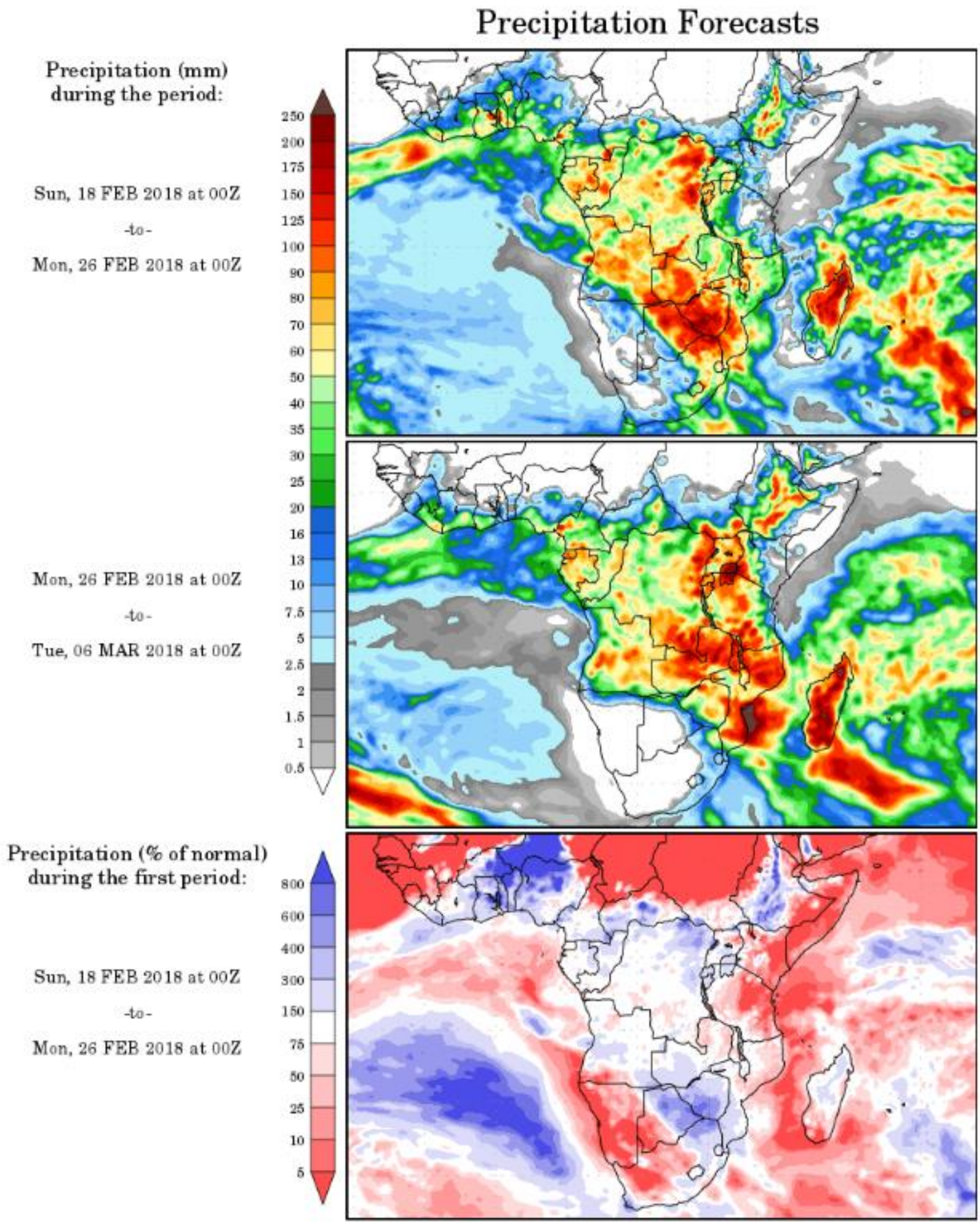

Figure 3: Precipitation forecast

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.*

@WandileSihlobo @AgriChamber