

## South African Agricultural Commodities Weekly Wrap

*This was a data-packed week for grain and oilseed markets, with the most notable release being the National Crop Estimates Committee's first production estimates for 2017/18 summer crops, and 2017 winter wheat final production estimates. From summer crops perspective, the 2017/18 production is set to decline by 25% y/y to 14.6 million tonnes. White maize and sunflower seed production are the key reason for this overall downswing. Meanwhile, winter wheat production estimate was revised up by 3% from the previous month to 1.5 million tonnes, which is however 21% lower than the 2016 harvest. Overall, this data was slightly better than market expectations but had limited impact on this week's prices. The grain and oilseed market ended the week on a positive footing, with commercial buying interest, slightly weaker domestic currency and higher international prices providing support.*

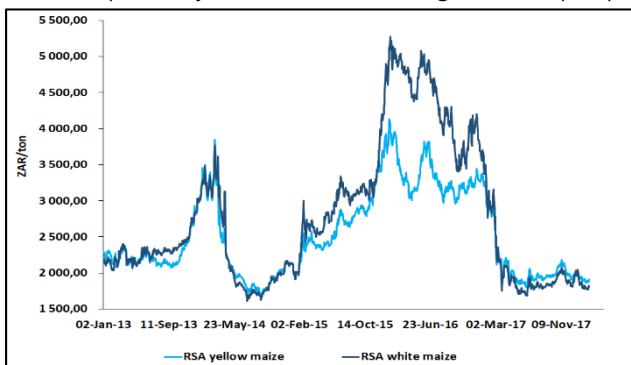
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### Maize market

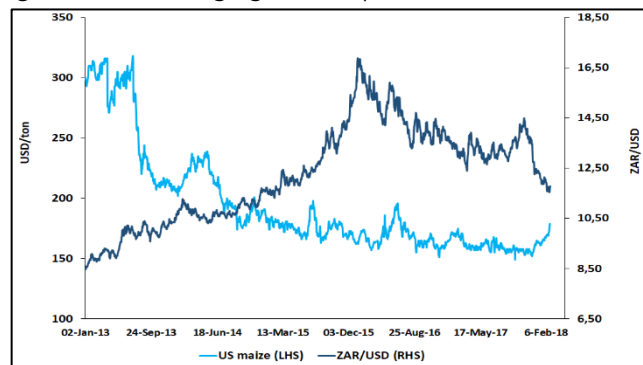
As highlighted in our previous notes, the National Crop Estimates Committee placed its first production estimates for total maize at 12.2 million tonnes, which is well above our estimate of 11.2 million tonnes, albeit having declined by 27% from the 2016/17 production season. In detail, white maize crop is estimated at 6.1 million tonnes, down by 38% y/y. Yellow maize crop is also estimated at 6.1 million tonnes, down by 11% y/y. Also worth noting is that this is that the expected harvest is above South Africa's annual maize consumption of 10.5 million tonnes. There is also a large carryover stock of 4.2 million tonnes in the current marketing year, which should boost supplies in 2018/19.

Looking ahead, the weather will be a primary focus as some of the crops are still at early stages of development, which requires moisture. The medium-term forecasts show a possibility of good rainfall which should support the crop. Overall, white and yellow maize spot prices averaged R1 796 and R1 887 per tonne, each up by 1% from last week, respectively (Chart 1). The Chicago maize spot price gained 3%, averaging US\$175 per tonne (Chart 2).



**Chart 1: South African maize prices**

Source: JSE, Agbiz Research



**Chart 2: US maize prices and ZAR/USD exchange**

Source: IGC, Bloomberg, and Agbiz Research

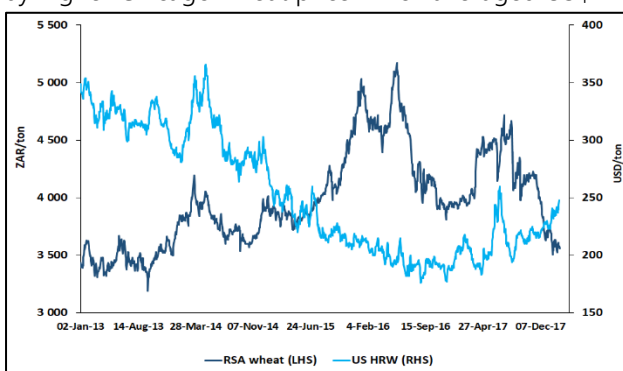
## Wheat market

While South Africa’s 2017 winter wheat production declined by 21% y/y to 1.5 million tonnes, production in most provinces was higher than the previous year with the exception of the Western and Eastern Cape provinces. The final harvest for the Western Cape province is 586 800 tonnes, down by 47% from the previous season due to a slight decline in area planted, as well as poor yields. The Eastern Cape province is not a major wheat producer, its final harvest was recorded at 9 500 tonnes, down by 14% from the previous season. The scale of a decline in national production shows the significance of the Western Cape province in South Africa’s wheat market.

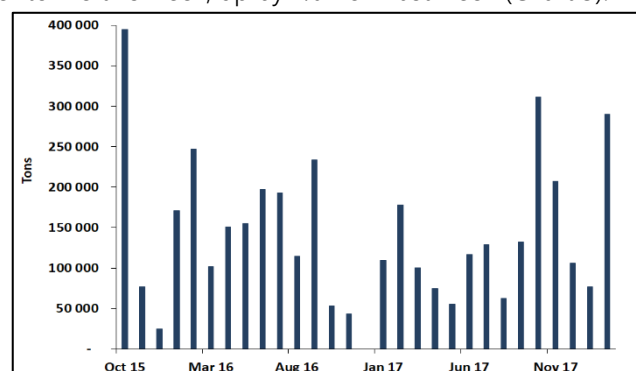
Unfortunately, the weather forecasts for the next two weeks show a possibility of continued dryness across the Western Cape province. This implies that dam levels could remain critically low in the near term. The most recent data from the Department of Water and Sanitation shows that on 26 February 2018, the province’s dam levels averaged 21%, down by two percentage points from the previous week and 11 percentage points from the corresponding period last year. This will, of course, not have an effect on the wheat market as it is an off-season period, but will negatively affect households and other agricultural activities such as horticulture and livestock.

There are no new developments on the wheat import tariff front. The newly calculated rate is R394.84 per tonne, down by 45% from the previous level<sup>1</sup>. This new rate will only be applicable after its publication on the government gazette. The timeframe for this process is unclear, but previous adjustments took more than three weeks.

With that said, the import activity is underway. South Africa imported 68 453 tonnes of wheat in the week ending 23 February 2018, which is 30% decline from the previous week’s imports (Chart 4). About 88% from Germany, 9% from Latvia and 3% from Argentina. This placed 2017/18 marketing year’s wheat imports at 992 306 tonnes, which equates to 52% of the seasonal import forecast of 1.9 million tonnes. In terms of pricing, the domestic wheat spot price averaged R3 573 per tonne this week, up by 0.06% from levels seen last week. This was partially supported by higher Chicago wheat price which averaged US\$243 per tonne this week, up by 1% from last week (Chart 3).



**Chart 3: South Africa and US wheat prices**  
Source: JSE, IGC, and Agbiz Research



**Chart 4: South Africa’s monthly wheat imports**  
Source: SAGIS and Agbiz Research

<sup>1</sup> In brief, the downward revision of the wheat import tariff was mainly underpinned by higher Chicago wheat prices. The international wheat prices traded higher than the base price of US\$218.00 per tonne by more than US\$10 per tonne for three consecutive weeks, thus triggered the new wheat import tariff.

## Soybean market

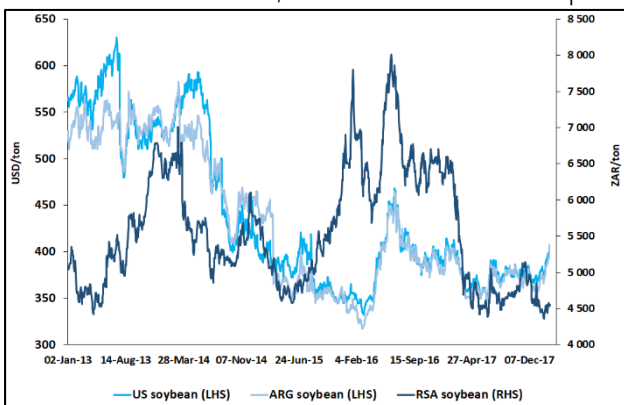
The highlight in the domestic soybean market this week was the first production estimate for 2017/18 season which showed that the country could receive a record soybean harvest. The National Crop Estimates Committee placed its first production estimates to 1.4 million tonnes, up by 5% from the previous season. This was driven by both an increase in area planted, as well as expected higher yields. The leading producing provinces are Mpumalanga and Free State, with a combined share of 78%. This is underpinned by favourable weather conditions in the eastern parts of South Africa and competitive prices. The soybean growing areas actually experienced good weather conditions since the start of the season, while the western sections of the country experienced dryness. Looking ahead, the weather forecasts for the rest of the season promises rainfall which supports prospects of a good harvest.

Also worth noting is that the 2018/19 marketing year, which started on 01 March 2018, is on better footing than the previous year, thanks to a large harvest in the 2016/17 production season. The opening stock is estimated at 340 862 tonnes, which is treble the volume seen at the beginning of 2017/18 marketing year. Above all, the domestic soybean spot price averaged R4 542 per tonne this week, up by 1% from the previous week with support emanating from the global market. The Chicago soybean price gained 2% this week, averaging US\$400 per tonne (Chart 5).

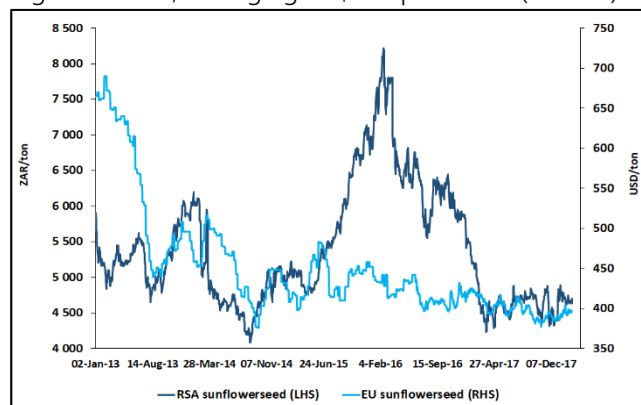
## Sunflower seed market

As set out in our note yesterday, the late sunflower seed plantings in the North West and Free State provinces made a notable improvement in 2017/18 national area planted. These particular provinces account for 91% of the planted sunflower seed area of 584 900 hectares. Nonetheless, the harvest is set to decline by 16% from the 2016/17 production season to 731 505 tonnes, as the area planted is still down by 8% y/y.

Over the coming weeks, the weather will be a central focus in the market as the crop is still in its early stages of development that needs moisture. The current forecasts from the local weather bureau suggest that the next two months could bring above-normal rainfall across summer crop growing areas, which should support the sunflower seed crop. Against this backdrop, the sunflower seed spot price gained 0.3% from last week, averaging R4 664 per tonne. At the same time, the EU's sunflower seed price also gained 0.3%, averaging US\$397 per tonne (Chart 6).



**Chart 5: Soybean prices**  
Source: JSE, IGC, and Agbiz Research



**Chart 6: Sunflower seed prices**  
Source: JSE, IGC, and Agbiz Research

## Beef market

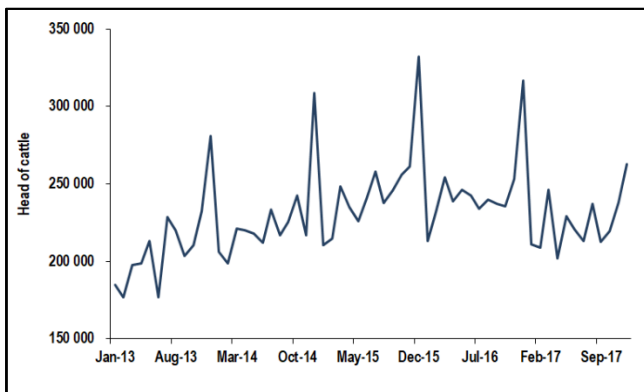
The SAFEX beef carcass price averaged R44.50 per kilogram, up by 1% from last week. This was mainly on the back of a slight increase in commercial buying interest. Nonetheless, the SAFEX beef carcass prices might not be a true reflection of the physical market, which continues to show solid activity.

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% when compared to the corresponding period the previous year, as the restocking process still continues after the recent drought (but will soon normalise) (Chart 7).

## Fruit market

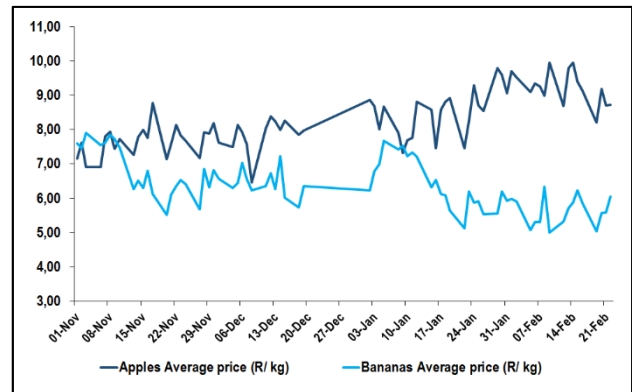
The fruit market ended the week on a mixed footing. The prices of bananas and oranges prices were up by 12% and 23%, respectively, this week, averaging R6.26 and R10.67 per kilogram (Chart 8). These gains were mainly on the back of strong commercial buying interest. With that said, the gains in the bananas market could be short-lived owing to a large stock of 300 750 tonnes.

Meanwhile, the price of apples declined by 5% compared to the previous week, averaged R8.26 per kilogram (Chart 8). This was mainly on the back of large stock of 204 500 tonnes, up by 51% from the previous week following an increase in producer deliveries.



**Chart 7: Monthly cattle slaughtering activity**

Source: Red Meat Levy Admin, Agbiz Research

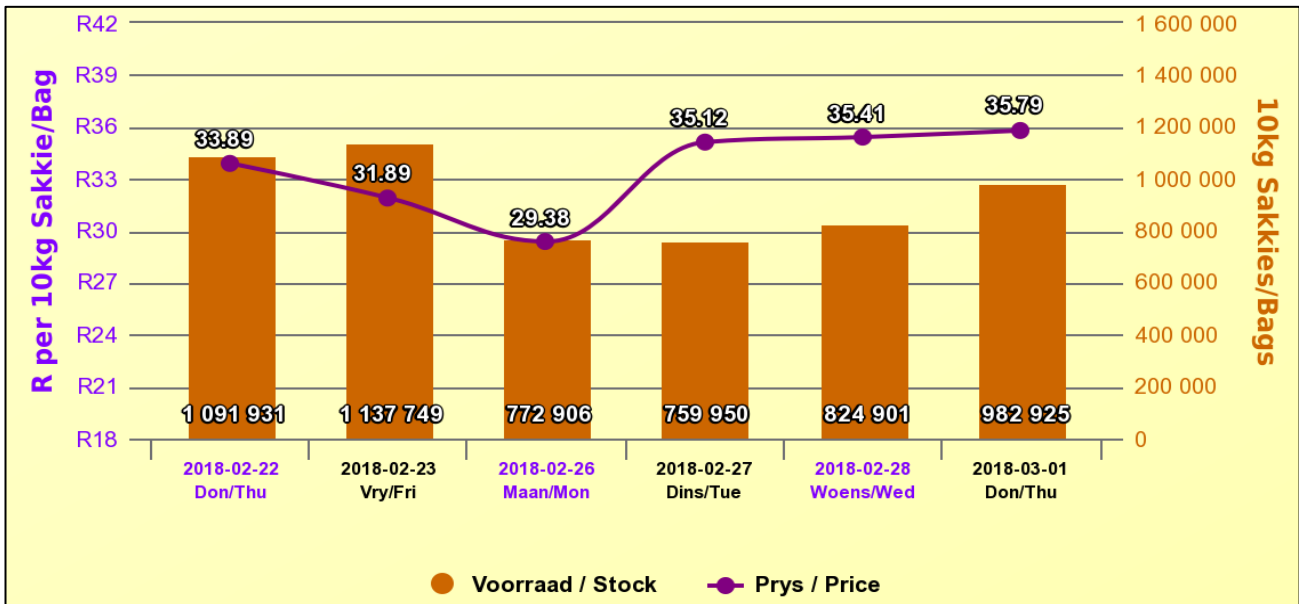


**Chart 8: Apple and Banana prices**

Source: Johannesburg Fresh Produce Market, Agbiz Research

## Potato market

The South African potato market ended the week on a positive footing, with the price up by 6% from the previous week, closing at R35.79 per pocket/10kg bag (Chart 9). These gains followed a 10% decline in daily stock to 982 925 pockets (10kg bag) at the end of Thursday’s trade session.



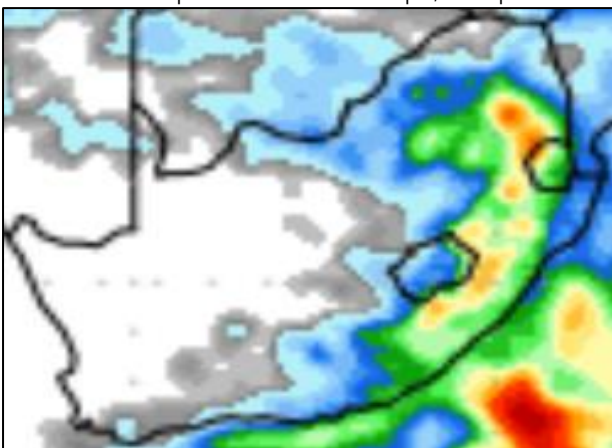
**Chart 9: South Africa's average potato prices and stocks**

Source: Potato SA

## Weather conditions ahead of the weekend

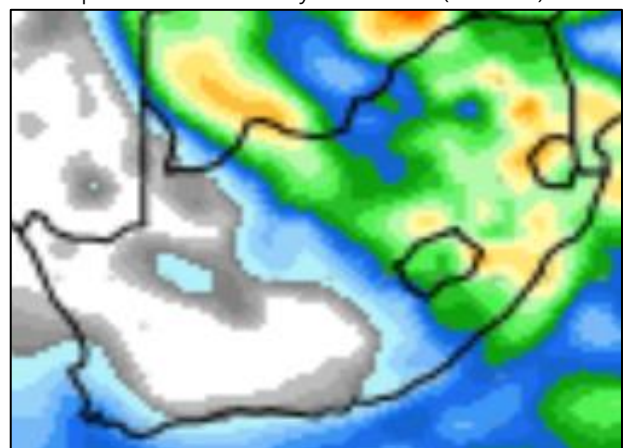
There is a possibility of higher rainfall of between 20 and 80 millimetres across the summer crop growing areas of South Africa within the next eight days (Chart 10). This should improve soil moisture and therefore benefit summer crops. Unfortunately, the central and western sections of the country could dry and warm over the observed period.

The long-term weather forecasts show a possibility of continuous rainfall over summer crop growing areas, whilst the Western Cape and Northern Cape, and parts of the Eastern Cape could remain dry and warm (Chart 11).



**Chart 10: Next 8-days precipitation forecast**

Source: wxmaps

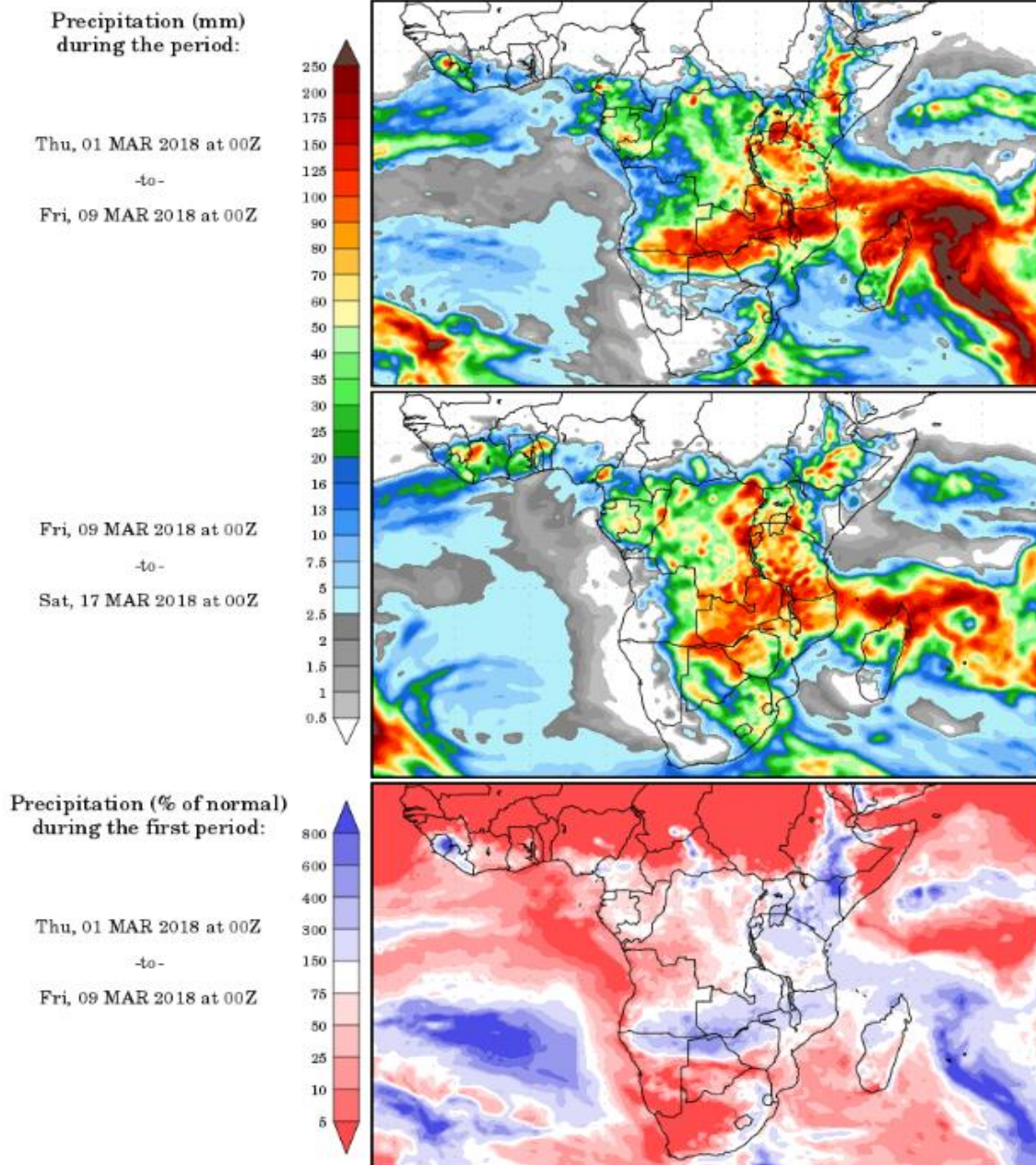


**Chart 11: Next 16-days precipitation forecast**

Source: wxmaps



### Precipitation Forecasts



**Chart 12: Precipitation forecast**

Source: wxmaps

### Key data releases in the South African agricultural market

- SAGIS weekly grain trade data: 06/03/2018
- SAGIS producer deliveries data: 07/03/2018
- SAGIS monthly data: 27/03/2018
- National Crop Estimates Committee's data: 28/03/2018

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