South African Agricultural Commodities Weekly Wrap

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While the recently improved weather conditions kept the South African grain and oilseed prices under pressure in the past few weeks, the slightly weaker Rand against the US Dollar and higher Chicago grain prices provided support to the local market this week. The notable gains were on soybeans and white maize with spot prices each up by 3%, respectively, compared to last week. Sunflower seed and yellow maize also had a good run this week with spot prices each respectively up by 2% from last week. On the weather front, conditions remain favourable for the new season crop, following the South African Weather Service's monthly update which noted a possibility of above-normal rainfall in summer crop areas between this month and May 2018. The week ahead could present more of the same as the data calendar is quite light with only weekly grain trade and deliveries data due for release.

Maize market

The South African maize belt received light and scattered showers this week, but that is not much of a concern as soil moisture has generally improved in most areas. This was well illustrated in *World Weather Inc.* report of the week of 02 March 2018, thanks to recent rainfall. Moreover, the next two months could bring additional rainfall across the maize belt, which should further improve soil moisture and benefit the crop[1].

These weather developments somewhat reinforce the National Crop Estimates Committee's view of a fairly good harvest of 12.2 million tonnes of commercial maize in the 2017/18 production season (down from 16.8 million tonnes in the 2016/17 production season due to a reduction in area planted and expected lower yields). Overall, white and yellow maize spot prices averaged R1 866 and R1 939 per tonne, up by 3% and 2% from last week, respectively (Chart 1). At the same time, the Chicago maize spot price gained 4%, averaging US$186 per tonne (Chart 2).

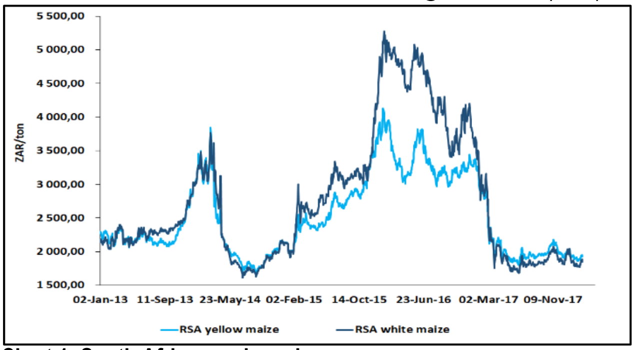

Chart 1: South African maize prices
Source: JSE, Agbiz Research

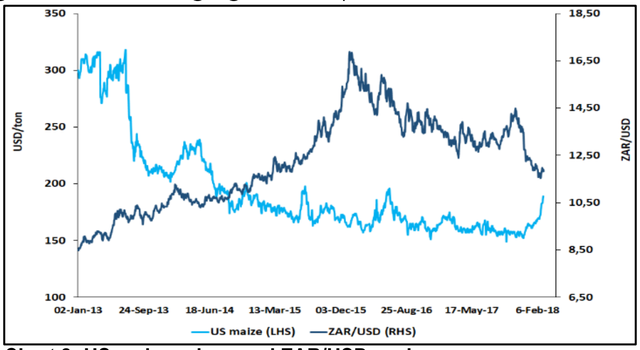

Chart 2: US maize prices and ZAR/USD exchange
Source: IGC, Bloomberg, and Agbiz Research

[1] For more information read the South African Weather Service Seasonal Climate Watch, issued on 06 March 2018.

Wheat market

As highlighted in our note yesterday, the volumes of wheat recently delivered to commercial silos declined significantly from levels seen the previous weeks. This mirrors the reduction in activity in the farms after the completion of the harvest process[2]. About 2 848 tonnes of wheat were delivered to commercial silos in the week ending 02 March 2018. This is four-fold lower than the volume delivered the previous week, and well below the volumes delivered in the past few months when the harvest process was at its peak. This placed South Africa's winter wheat producer deliveries for "week 1 to 22" of the 2017/18 marketing year at 1.44 million tonnes.

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 current level[3]. 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 has not slowed. South Africa imported 90 094 tonnes in the week ending 02 March 2018, up by 53% from the previous week. About 43% from Latvia, 32% from Argentina and 25% from Romania. This placed 2017/18 marketing year's wheat imports at 1.07 tonnes, which equates to 58% of the seasonal import forecast of 1.85 million tonnes (Chart 4).

Although a net importer of wheat, South Africa continues to export wheat to regional markets. The 20th batch of exports this season was recorded at 802 tonnes, and all went to Botswana, Lesotho and Namibia. Moreover, this is well below the previous week's exports of 2 165 tonnes. Overall, South Africa's 2017/18 wheat exports currently stand at 16 791 tonnes. In terms of pricing, the domestic wheat spot price averaged R3 624 per tonne this week, up by 1% from levels seen last week. This was mainly supported by a relatively weaker domestic currency and higher Chicago wheat price which averaged US$261 per tonne this week, up by 4% from the previous week (Chart 3).

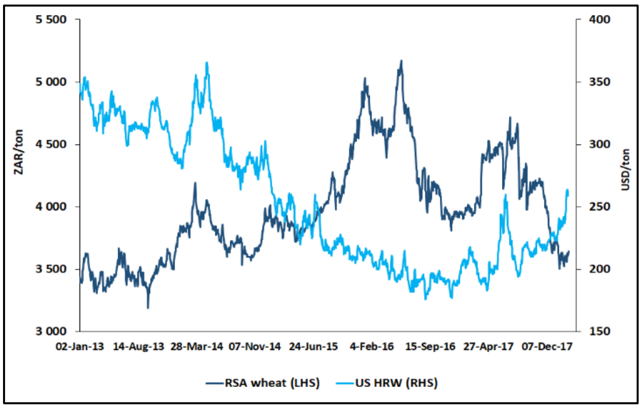

Chart 3: South Africa and US wheat prices
Source: JSE, IGC, and Agbiz Research

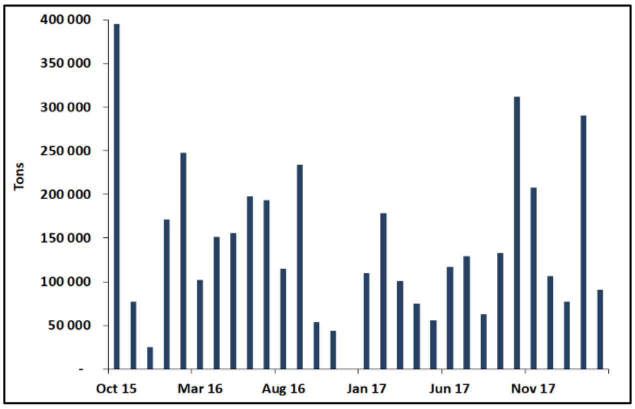

Chart 4: South Africa's monthly wheat imports
Source: SAGIS and Agbiz Research

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[2] The impact of lower yields in the Western Cape provinces is clear from the national production which declined by 20% year-on-year in 2017 to 1.52 million tonnes.

[3] 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 South African soybean market could be in good shape this season. The domestic Supply and Demand Estimates Committee forecasts soybean supplies for the 2018/19 marketing year at 1.7 million tonnes, up by 21% from the previous marketing year, owing to an expected large harvest and opening stock. At the start of the season, 01 March 2018, the soybean opening stock was estimated at 332 442 tonnes, which is treble the volume seen at the beginning of 2017/18 marketing year, thanks to the record harvest in the 2016/17 production season.

As noted in the previous notes, the current production season's crop could surpass the 2016/17 record harvest. The National Crop Estimates Committee forecasts South Africa's 2017/18 soybean production at 1.4 million tonnes, up by 5% from the previous season and the biggest crop on record. The expected rainfall within the next two months is also supportive of this estimate as it will improve soil moisture and ultimately benefit the crop.

Despite the aforementioned bearish developments, the domestic soybean spot price averaged R4 722 per tonne this week, up by 3% from last week with support emanating from the global market, as well as a relatively weaker Rand against the US Dollar. The Chicago soybean price was also up by 3% this week, averaging US$417 per tonne (Chart 5).

Sunflower seed market

The expectations of prolonged rainfall pattern by the South African Weather Service bode well with sunflower seed crop, especially the late planted areas which still need moisture to develop sufficiently. Also worth noting is that soil moisture across the sunflower seed growing areas has improved notably from levels seen at the beginning of the year, thanks to recent rainfall.

This year the sunflower seed supplies are set to decline notably from levels seen in the 2017/18 marketing year. The domestic Supply and Demand Estimates Committee forecasts South Africa's 2018/19 sunflower seed supplies at 913 826 tonnes, down by 13% from the previous year owing to an expected decline in production. This week, the market had a good run with the sunflower seed spot price up by 2% from last week, averaging R4 790 per tonne. At the same time, the EU's sunflower seed price gained 1%, averaging US$401 per tonne (Chart 6).

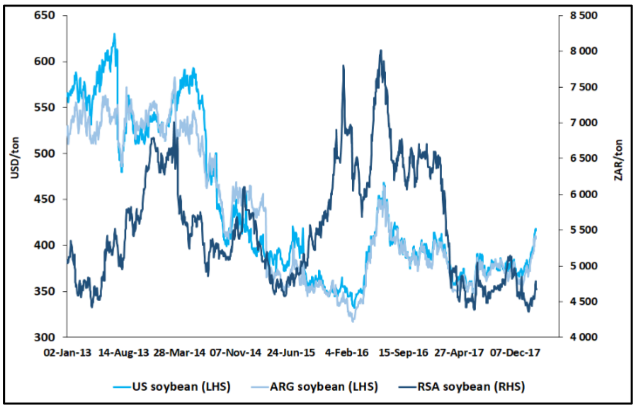

Chart 5: Soybean prices
Source: JSE, IGC, and Agbiz Research

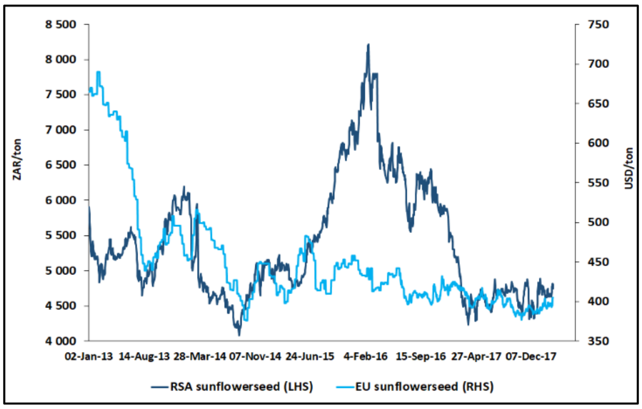

Chart 6: Sunflower seed prices
Source: JSE, IGC, and Agbiz Research

Beef market

It was again another quiet week in the SAFEX beef carcass market with the price unchanged from the previous week, averaging R44.50 per kilogram due to thinly traded volumes. Nevertheless, this SAFEX beef carcass price might not be a true reflection of the physical market which continues to show solid activity.

From a meat supply perspective, data from the Red Meat Levy shows that South African farmers slaughtered 188 737 head of cattle in January 2018, down by 21% from the previous month and 10% from the corresponding period last year (Chart 7). This was largely on the back of cattle herd rebuilding process after a reduction during the 2015-16 drought. The relatively lower maize prices and a recovery in pastures have somewhat provided a conducive environment for the cattle stock rebuilding process.

Fruit market

The fruit market ended the week on a mixed footing. The prices of apples and oranges were down by 2% and 45%, respectively, this week, averaging R7.91 and R5.96 per kilogram (Chart 8). These losses were mainly on the back of commercial selling and relatively large stocks.

Meanwhile, the price of bananas increased by 10% from the previous week, averaged R7.06 per kilogram (Chart 8). This followed a 16% decline in daily stock to 175 000 tonnes.

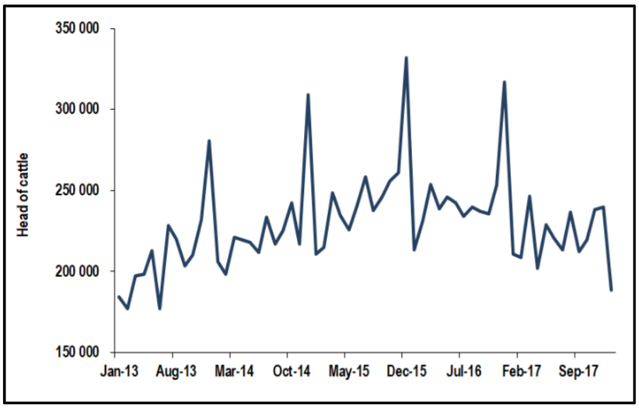

Chart 7: Monthly cattle slaughtering activity
Source: Red Meat Levy Admin, Agbiz Research

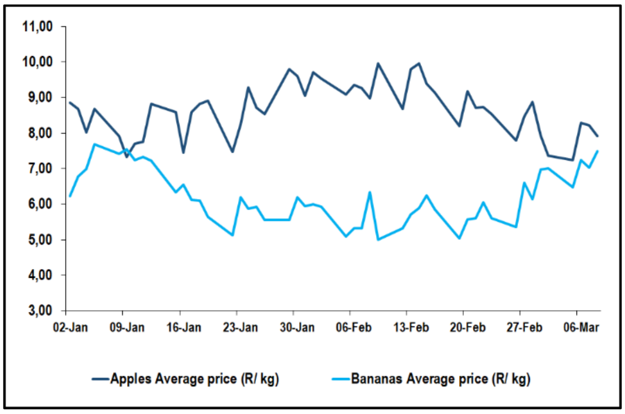

Chart 8: Apple and Banana prices
Source: Johannesburg Fresh Produce Market, Agbiz Research

Potato market

The South African potato market ended the week on a negative footing, with the price down by 1.2% from the previous week, closing at R35.35 per pocket/10kg bag (Chart 9). This is mainly due to commercial selling, as well as increased deliveries which led to a large stock of 902 788 pockets (10kg bag) at the end of Thursday's trade session.

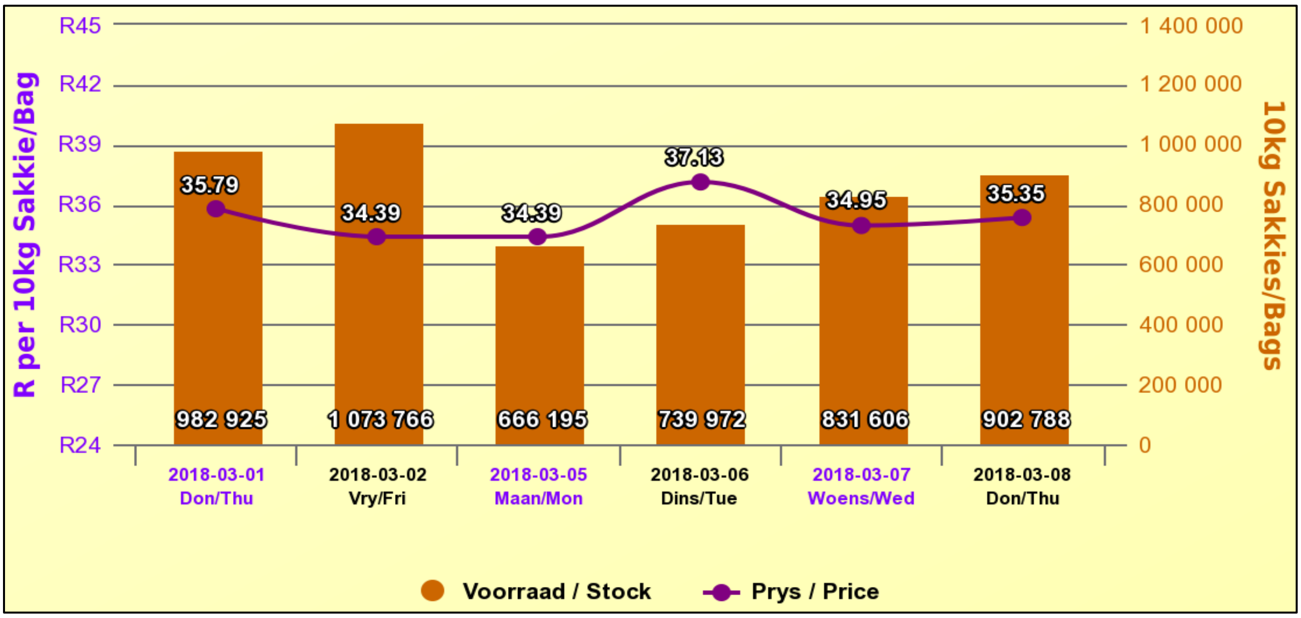

Chart 9: South Africa's average potato prices and stocks
Source: Potato SA

Weather conditions ahead of the weekend

The weather charts show a possibility of rainfall across the summer crop growing areas within the next eight days. This should further improve soil moisture and benefit the crops. Meanwhile, the western parts of the Northern and Western Cape provinces could remain dry and warm over the observed period (Chart 10).

The long-term weather forecasts present a similar outlook of continuous rainfall across the summer crop growing areas of the country, whilst the Western and Northern Cape provinces could remain dry and warm (Chart 11).

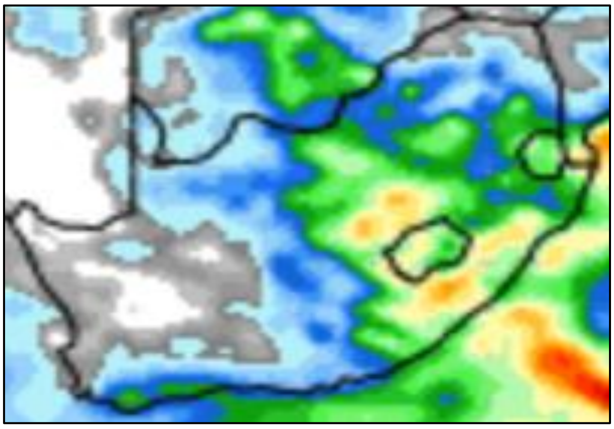

Chart 10: Next 8-days precipitation forecast
Source: wxmaps

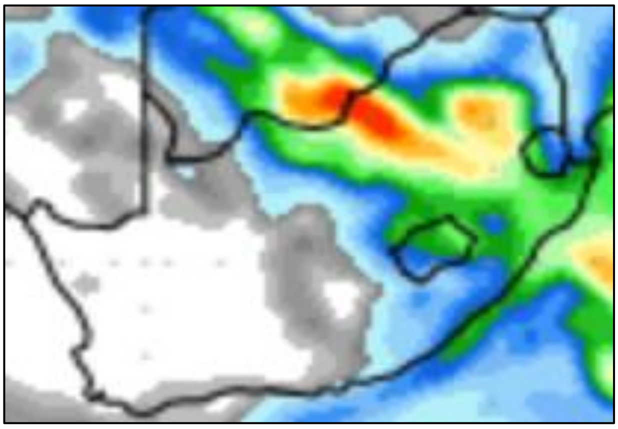

Chart 11: Next 16-days precipitation forecast
Source: wxmaps

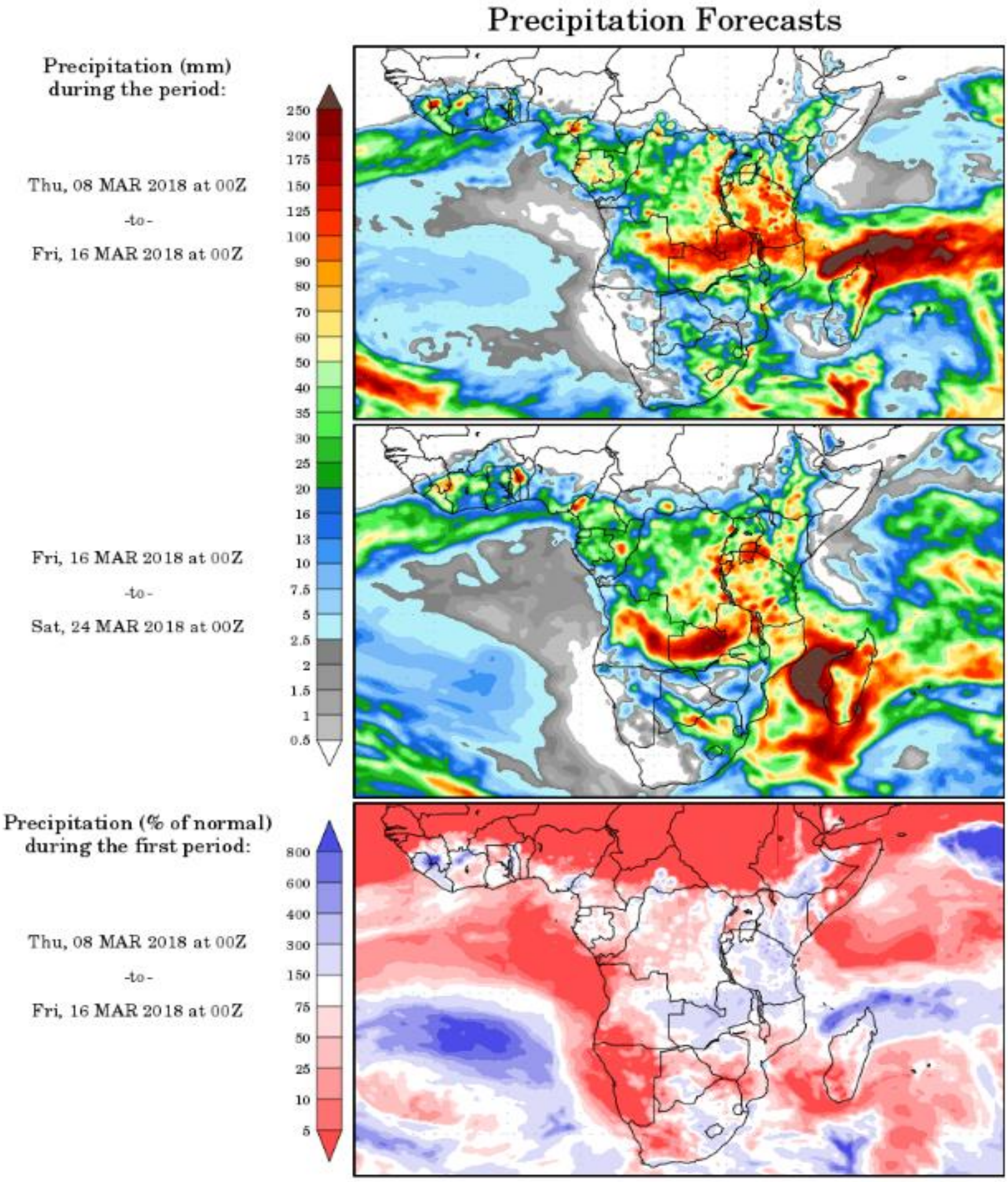

Chart 12: Precipitation forecast
Source: wxmaps

Key data releases in the South African agricultural market

- SAGIS weekly grain trade data: 13/03/2018
- SAGIS producer deliveries data: 14/03/2018
- SAGIS monthly data: 27/03/2018
- National Crop Estimates Committee's data: 28/03/2018