

South African Agricultural Commodities Weekly Wrap

The weather remains a key focus in the local agricultural market but could have a different impact on crops than the past couple of weeks. The crops in areas that planted in the optimal summer planting window have matured, and are therefore approaching the harvest period, which requires drier weather conditions. Fortunately, the near-term weather forecasts provide a positive outlook, with light showers, however, expected to return in some areas in the week of 05 May 2018. Apart from that, this was a fairly quiet week and most commodities prices settled in positive territory, with the exception of wheat which registered marginal losses. The week ahead is data-packed, but the most anticipated release is the National Crop Estimate Committee's third production estimate for 2017/18 summer crops. The sentiment in the market is fairly positive following good rainfall in the past few weeks.

Wandile Sihlobo
+27(0)12 807 6686
wandile@agbiz.co.za

[@WandileSihlobo](https://twitter.com/WandileSihlobo)

Maize market

South Africa's maize crop is generally in good condition across the country. The areas that started the season on a bad footing received a boost from higher rainfall in the past couple of weeks. A large share of crops in the eastern regions of the country, including the Eastern Cape province, have matured and are therefore approaching the harvest period. Meanwhile, the late planted areas in the western regions could still benefit from rainfall. The forecasts, however, show a possibility of dry and cool conditions for the next eight days.

The focus is currently on the National Crop Estimates Committee (CEC) which will release the third production estimates on 25 April 2018. Last month, the CEC placed 2017/18 maize production estimate at 12.42 million tonnes (while lower than last season's record harvest, this is well above market expectations of a fairly small harvest). Overall, white and yellow maize spot prices averaged R1 971 and R2 068 per tonne, respectively up by 0.2% and 0.4% from last week (Chart 1). Meanwhile, the Chicago maize spot price gained 1%, averaging US\$194 per tonne (Chart 2)

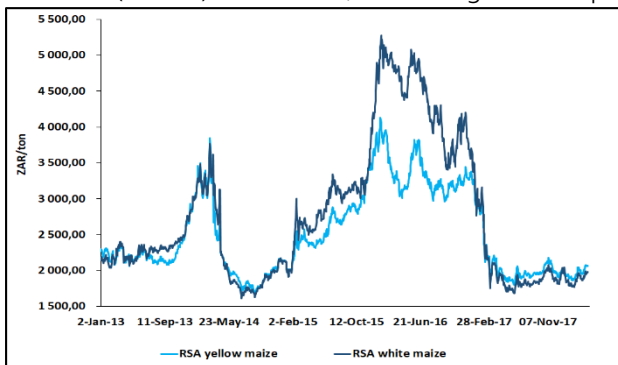


Chart 1: South African maize prices
Source: JSE, Agbiz Research

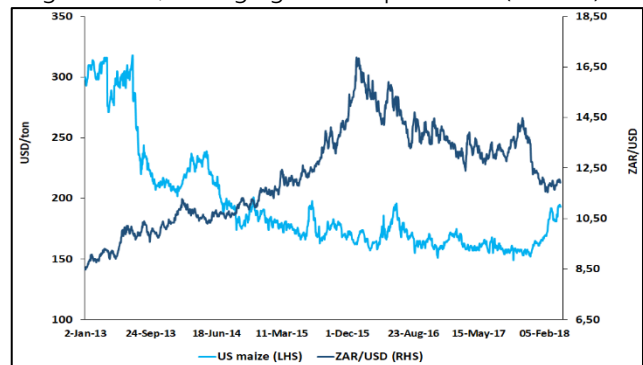


Chart 2: US maize prices and ZAR/USD exchange
Source: IGC, Bloomberg, and Agbiz Research

Wheat market

The weather will soon be a centre of attention in the South African wheat market as the planting period for the new season crop is fast-approaching. The weather forecasts for the next two weeks show a possibility of drier conditions across the major winter wheat producing province, Western Cape, with a possibility of light showers mainly concentrated towards the coastal areas. This could possibly lead to a slight delay in planting activity which typically starts around May in some areas.

There is, however, optimism that weather conditions could improve over the coming weeks. As set out in our previous notes, the South African Weather Service indicated that between the end of April and June 2018, parts of the south-western cape regions of the country could receive above-normal rainfall. As highlighted last week, the USDA, forecast South Africa's 2018/19 wheat production at 1.65 million tonnes, up by 8% from the previous season. The USDA's optimism is based on expectations of higher yields supported by favourable weather conditions. The yields are forecast at 3.4 tonnes per hectare, up by 10% from the previous season. The USDA expects these higher yields to offset lower area plantings of 480 000 hectares, down by 2% year-on-year.

The CEC will release their first production estimate for winter wheat at the end of August 2018. But, we will get an indication of the prospects of the 2018/19 winter crop production on Wednesday next week when the CEC releases farmers' intentions-to-plant data. Contrary to the USDA, the CEC's forecast could show an improvement in the area plantings from last year, as sentiment is fairly positive amongst farmers.

Aside from production dynamics, trade aspects will also be a key focus in the coming weeks, with all the recent wheat import changes. The wheat import tariff has triggered again on 10 April 2018 to R437 per tonne. The previous trigger was on 20 March 2018, which then, was calculated at R293.74 per tonne, after an uptick in international wheat prices (No2 HRW), which were supported by unfavourable weather conditions in the US wheat growing regions. However, these rates are not yet applicable. The current import tariff is R394.85 per tonnes (Chart 4). The newly calculated rates will be applicable after publication in a government gazette, of which the timeframe is unclear. The import tariff will expectedly decline to R293.74 per tonne first and then increase to R437.25 per tonne. Overall, the SAFEX wheat spot price averaged R3 844 per tonne, down by a percentage point from last week. This was in line with the Chicago wheat prices which declined by 3% from last week, averaging US\$239 per tonne (Chart 3).

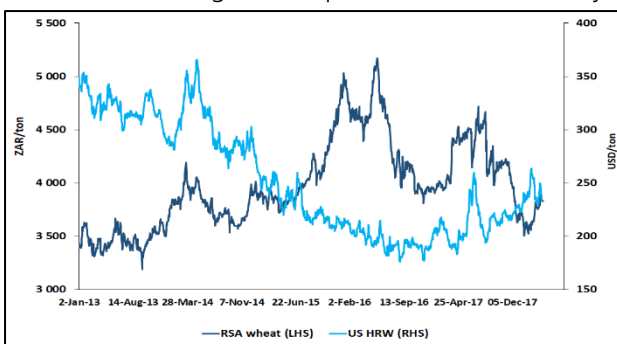


Chart 3: South Africa and US wheat prices
Source: JSE, IGC, and Agbiz Research

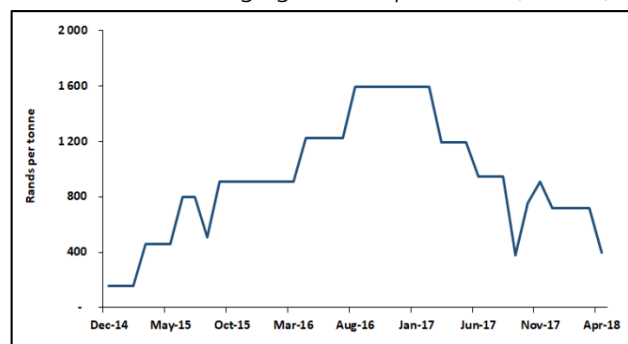


Chart 4: South Africa's wheat import tariff
Source: SAGIS and Agbiz Research

Soybean market

There is generally some optimism that South Africa will receive a good soybean harvest. The yield expectations vary across the country, mainly ranging from average and above average yields. Similar to maize, a large part of the crop has already matured, and therefore approaching the harvest process. The expected dry and cool weather conditions within the next eight days will add positive momentum to the harvest activity.

Next week the focus will be on the CEC’s production estimate update. Last month, the Committee placed South Africa’s soybean production estimate at a record level of 1.39 million tonnes. This is mainly on the back of higher yields and an expansion in area planted. The yield estimate is 1.77 tonnes per hectares, which is slightly higher than the average yield of the past five production season. While this is a notable achievement, South Africa will remain a net importer of soybeans this marketing year. The South African Supply and Demand Estimates Committee forecasts 2018/19 soybean imports at 20 000 tonnes, down by 27% from the previous marketing year. Overall, the domestic soybean spot price gained 0.3% from last week, averaging R4 649 per tonne this week. This was partially supported by higher Chicago soybean prices, which averaged US\$425 per tonne, up by a percentage point from last week (Chart 5). The relatively weaker Rand against the US Dollar also added support to the market.

Sunflower seed market

The crops are generally in good condition across the country. The expected dry conditions present similar dynamics as in other summer crops. Drier weather conditions bode well for crops in areas that planted on time with crops already matured, and therefore almost at harvest stages. While the late planted areas are still at a stage of development that requires moisture, crops might not be negatively affected by expected drier conditions as soil moisture has improved notably following the recent rainfall.

At the moment, however, the crop is in good condition, which is in line with the CEC’s production estimate of 749 205 tonnes in the 2017/18 season. While 14% lower than the previous season’s harvest owing to a decline in area planted, this output is better than expectations at the start of the year. In terms of pricing, it was a fairly quiet week in the SAFEX sunflower seed market, characterised by thinly traded volumes. The spot price was marginally up by 1% from last week, averaging R4 674 per tonne (Chart 6).

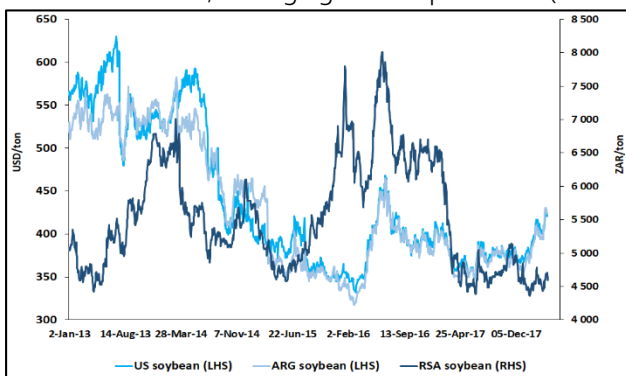


Chart 5: Soybean prices
Source: JSE, IGC, and Agbiz Research

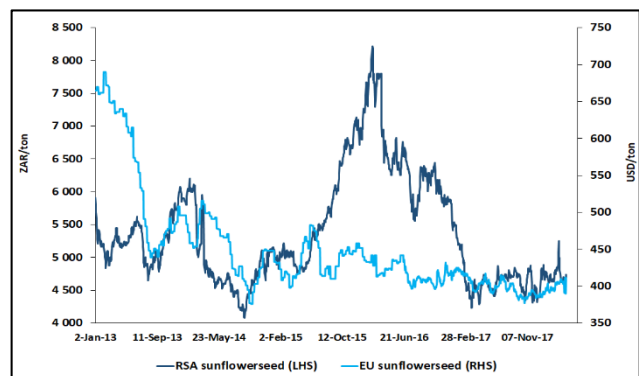


Chart 6: Sunflower seed prices
Source: JSE, IGC, and Agbiz Research

Beef market

It was again another quiet week in the SAFEX beef carcass market with the price flat at R39.50 per kilogram, due to thinly traded volumes. Also worth noting that this price might not be a true reflection of the physical market, which continues to show solid activity. From a meat supply point of view, South African farmers slaughtered 185 262 head of cattle in February 2018, down by 11% from the corresponding period last year. This was largely on the back of a cattle herd rebuilding process after a reduction during the 2015-16 drought. Lower maize prices and a good recovery in pastures have provided a conducive environment for the cattle stock rebuilding process (Chart 7).

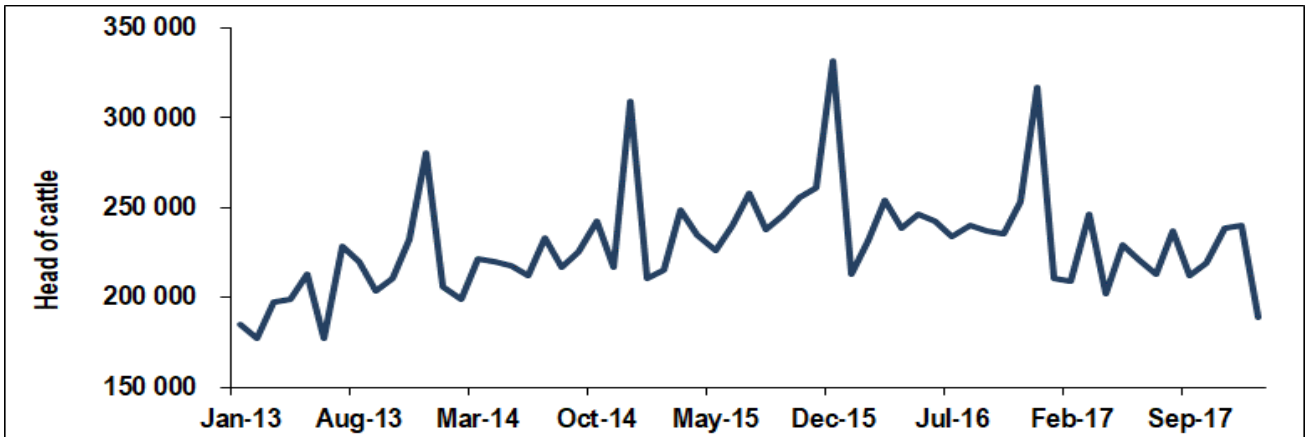


Chart 7: Monthly cattle slaughtering activity

Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week in negative territory, with the price down by 13% from the previous week, closing at R33.58 per pocket/10kg bag (Chart 8). This is due to large deliveries on the back of ongoing harvest activity, which subsequently led to a large stock of 1.19 million pockets (10kg bag) at the end of Thursday's session.

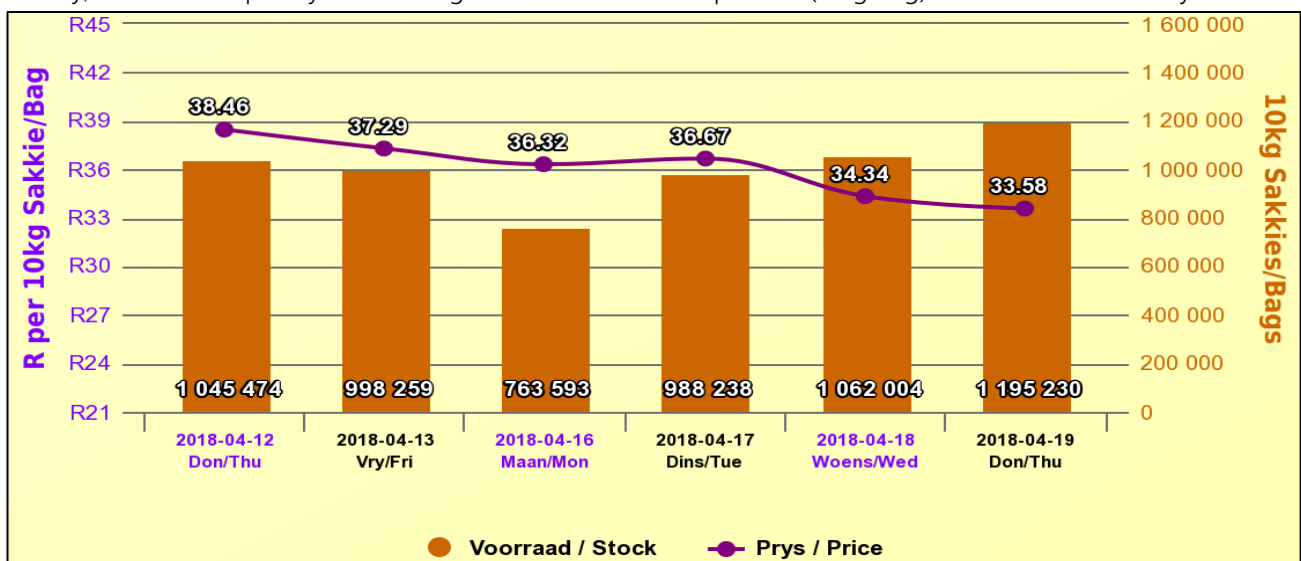


Chart 8: South Africa's average potato prices and stocks

Source: Potato SA

Weather conditions ahead of the weekend

The weather charts currently show clear skies across the country, with the exception of the eastern sections of Mpumalanga and KwaZulu Natal provinces, as well as the south-western parts of the Western Cape provinces which could receive light showers within the next eight days (Chart 9). Meanwhile, the forecasts for the week of 05 May 2018 promise light showers of between 16 and 30 millimetres over most summer crop growing areas which bode well for crops in late-planted areas, especially the western sections of the Free State and North West (Chart 10). Unfortunately, the Western Cape province could experience persistent dryness which means that the winter crop planting activity could be slightly delayed.

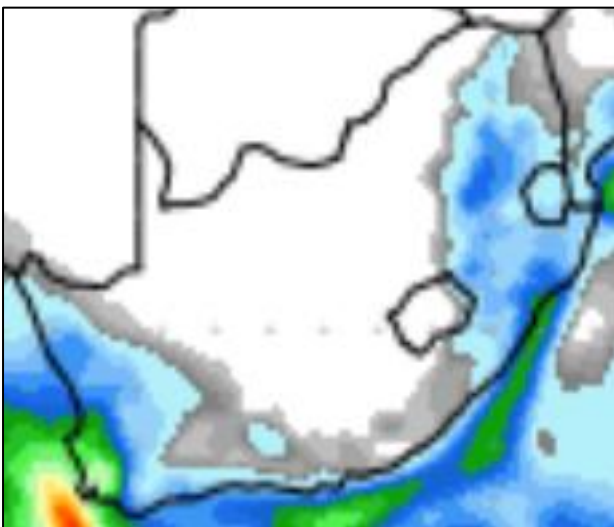


Chart 9: Next 8-days precipitation forecast
Source: wxmaps

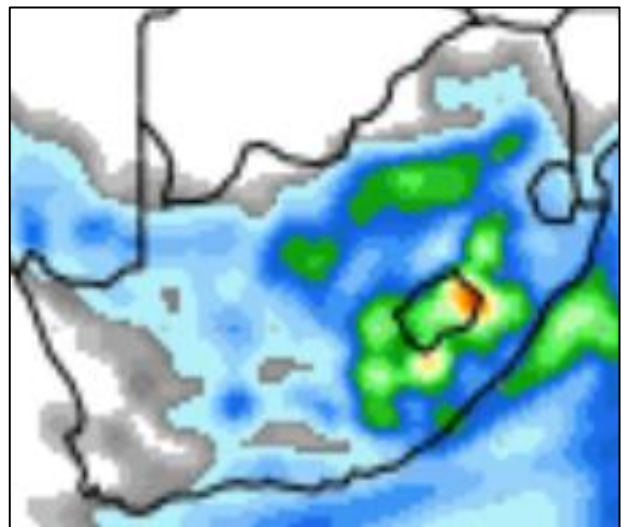


Chart 10: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

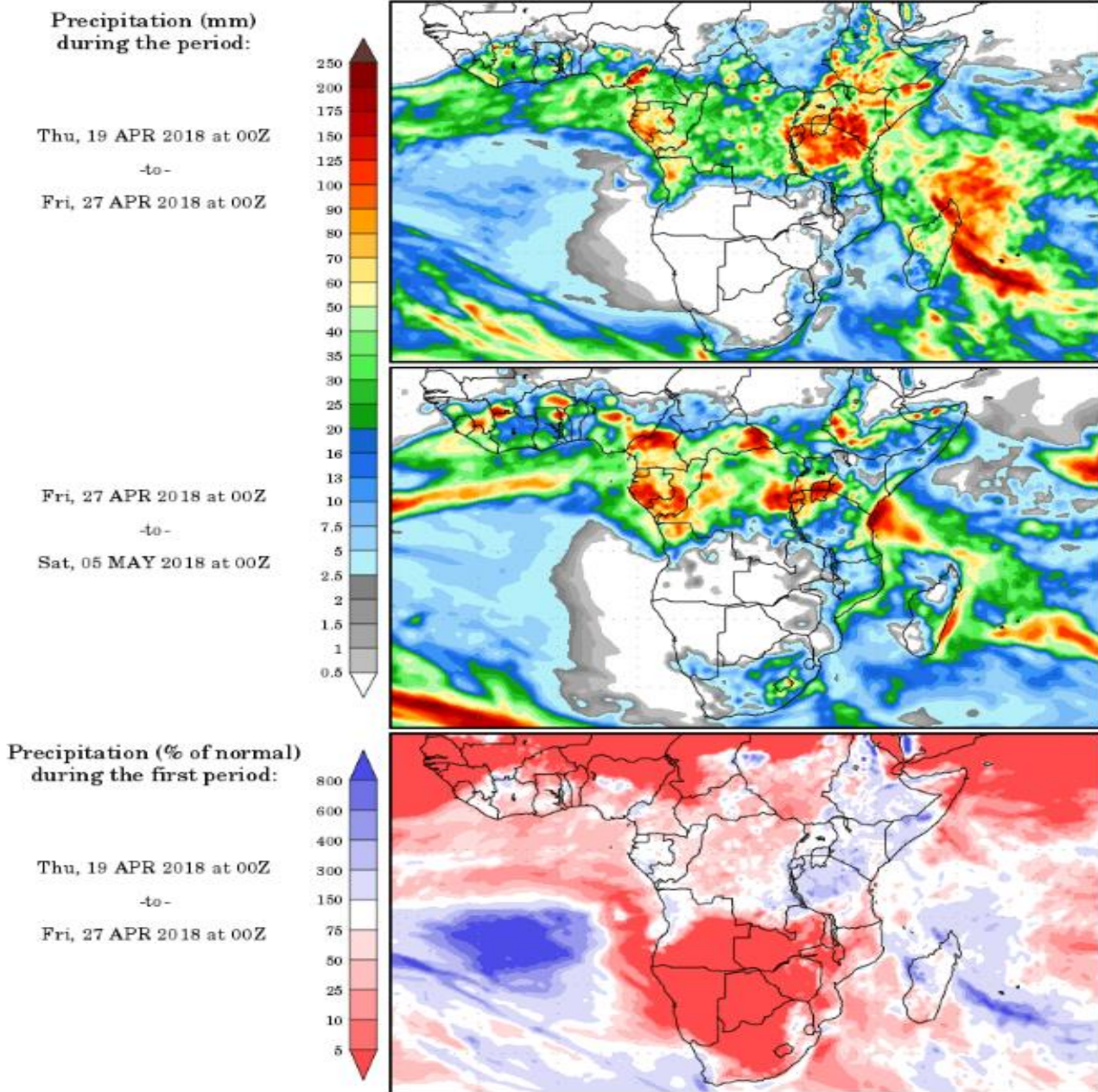


Chart 11: Precipitation forecast

Source: wxmaps

Key data releases in the South African agricultural market

- SAGIS weekly grain trade data: 24/04/2018
- SAGIS producer deliveries data: 25/04/2018
- SAGIS monthly data: 25/04/2018
- National Crop Estimates Committee's data: 25/04/2018

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