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Key Data Releases in Agricultural Markets:

- SAGIS weekly grain trade data: 03/05/2018
- SAGIS producer deliveries data: 03/05/2018
- USDA's crop progress report: 07/05/2018
- National Crop Estimates Committee's fourth summer crop production estimates: 29/05/2018

ECONOMIC INDICATORS	02/05/2018*	03/05/2018*	d-o-d (%Δ)
Rand/US Dollar	12,61	12,65	-0,32%
Rand/Euro	15,13	15,16	-0,20%
Euro/US Dollar	1,1997	1,1985	-0,10%
Gold Spot	1 310,63	1 309,15	-0,11%
Brent Crude Oil	73,49	73,76	+0,37%
Platinum Spot	898,95	897,95	-0,11%
Dow Jones Industrial Average	58 411,94	58 480,44	+0,12%
JSE All Share	24 099,05	23 924,98	-0,72%
SA repo rate	6.50	6.50	0,00%
SA CPI (y/y %)	3,80	3,80	0,00%
SA CPI – food (y/y %)	3,50	3,50	0,00%

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

- The domestic currency was again slightly under pressure this morning, along with other emerging markets currencies. This comes after the US Dollar recovered some of its losses that were partially linked to the US Fed decision to leave interest rates unchanged at a target range of 1.50 - 1.75 percent. At the time of writing, the Rand/US Dollar was 0.32 percent weaker compared to midday yesterday, trading at levels around R12.65.
- This morning the Brent crude oil price was up by 0.37 percent from levels seen at midday yesterday, trading around US\$73.76 per barrel. The market was generally supported by concerns of geopolitical tensions in the Middle-East, as well as concerns about Venezuela's oil production prospects. This surpassed the bearish news of an improvement in US oil inventories. Data from the Energy Information Administration showed that US oil inventories rose by 6.2 million barrels in the week ending 27 April 2018.



MAIZE/CORN	02/05/2018*	03/05/2018*	d-o-d (%Δ)
White maize Spot (R/t)	2 037	2 070	+1,62%
White maize Jul 18 (R/t)	2 093	2 122	+1,39%
Yellow maize Spot (R/t)	2 148	2 168	+0,93%
Yellow maize Jul 18 (R/t)	2 196	2 219	+1,05%
CME corn May 18 (US cents/bushel)	395	395	0,00%

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

- Yesterday the SAFEX maize market had a good run benefiting from follow-through support from the previous day. Furthermore, the weaker domestic currency against the US Dollar, as well as higher Chicago maize prices also provided a bullish sentiment to the market.
- The weather conditions remain conducive for crops ahead of the harvest period. The recent update shows a possibility of continuous cool and drier weather conditions for the next eight days. Aside from that, there is generally some optimism in the domestic maize market.
- As highlighted in our previous note, the International Grains Council (IGC) recently lifted its estimate for South Africa's 2017/18 maize production by 2 percent from March 2018 to 12.9 million tonnes (while lower than the last season's harvest of 16.8 million tonnes, this is higher than market expectations at the start of the season and well above the annual maize consumption level).¹
- Beyond our borders, the 2017/18 global maize production is estimated at 1.04 billion tonnes, down by 4 percent from the previous season. This is mainly on the back of expectations of relatively lower harvest in the US, Brazil, Argentina and South Africa, amongst others. With that said, the market remains well supplied with stocks estimated at 307 million tonnes.
- Looking ahead, the planting activity for the 2018/19 maize crop is underway in the US and other countries in the northern hemisphere. The IGC forecasts a year-on-year percentage point uptick in global maize production to 1.05 billion tonnes in 2018/19 production season.
- This is on the back of an expected increase in production in South America, China and Russia, amongst others. More will unfold over the coming months as the production season continues. Broadly speaking, the weather outlook is fairly favourable for most countries.

Bottom line – Today the domestic maize market could receive support owing the weaker ZAR/USD exchange and relatively higher Chicago maize prices.

¹ South Africa's annual maize consumption is roughly 10.5 million tonnes.



WHEAT	02/05/2018*	03/05/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 895	3 919	+0,62%
SAFEX Wheat Dec 18 (R/t)	3 890	3 892	+0,05%
CME Wheat spot (US cents/bushel)	529	526	-0,57%

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

- The SAFEX wheat market had a good run in yesterday's trade session with support stemming from what seemed to be strong commercial buying interest. Moreover, the weaker domestic currency against the US Dollar, as well as higher Chicago wheat prices also added support to the market.
- The Western Cape's weather is a primary focus in the wheat market as planting activity continues to gain momentum. This process commenced despite lower soil moisture across the province, as farmers hope for better rainfall in the coming weeks. As set out in yesterday's note, the South African Weather Service has also weighed on this, suggesting that the parts of the south-western cape regions of the country could receive above-normal rainfall between this month and June 2018².
- The near-term weather forecasts paint a constructive picture of rainfall, varying between 16 and 35 millimetres, across most parts of the province within the next eight days. This is with the exception of areas around Laingsburg, Calizdorp, Oudtshoorn, Citrusdal and Clanwilliam which could remain cool and dry over the observed period. The weather forecasts for the week ending 18 May 2018 also presents similar dynamics.
- While this is a welcome development, there will be a limited improvement in soil moisture which is currently low and requires continuous and higher rainfall in order to meaningfully improve. The forecasts of higher rainfall highlighted by the local weather agency are precisely what is needed in order to sufficiently replenish soil moisture and subsequently benefit the crops.
- In the near term, this means the provincial dam levels could remain at fairly lower levels for some time. In the week of 30 April 2018, the dams averaged 17 percent, up by a percentage point from the previous week, but down by 4 percentage points from the corresponding period last year.³
- Apart from this, the 2018/19 global wheat production could decline by 3 percent from the previous season to 739 million tonnes, according to data from the IGC. This is due to expectations of a decline in production in the EU, Russia, Canada, Ukraine and Argentina.

Bottom line – Today the local wheat prices could receive marginal gains due fairly higher Chicago wheat prices and the weaker ZAR/USD exchange.

² South African Weather Service's report: <http://www.weathersa.co.za/media/data/longrange/gfcsa/scw.pdf>

³ South African farmers intend to increase the area planted to wheat by 2% from the 2017/18 season to 500 500 hectares.



SOYBEAN	02/05/2018*	03/05/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 681	4 688	+0,15%
SAFEX Soybean Jul 18 (R/t)	4 779	4788	+0,19%
CME Soybean Spot (US cents/bushel)	1 041	1 033	-0,77%

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

- The SAFEX soybean market posted gains in yesterday's trade session, benefiting from bullish sentiment emanating from higher Chicago soybean prices, commercial buying interest, as well as the weaker domestic currency against the US Dollar.
- The weather has cleared up over South Africa's soybean growing areas, therefore the harvest process could gain momentum within the next eight days, especially in areas around Mpumalanga province. As highlighted in yesterday's note, the areas that have harvested received average yields, which supports the National Crop Estimates Committee's production forecasts of a record 1.4 million tonnes in the 2017/18 production season.
- This optimism in soybean production is not limited to South Africa. A number of countries such the US, Brazil, China and Canada are in good shape, with 2017/18 harvest estimated at 119.5 million, 116.0 million, 14.3 million and 7.7 million tonnes, respectively, according to data from the IGC.
- From a global perspective, the uptick in soybean production in these particular countries was, however, overshadowed by the decline in Argentina, Uruguay, Paraguay and India⁴. This is evident from IGC's data which shows that 2017/18 global soybean production at 338.8 million tonnes, down by 3 percent from the previous season. Moreover, the ending stocks are estimated at 41 million tonnes, down by 15 percent from the 2016/17 production season. This provided the near-term support to the market.
- Looking ahead, the path could soon change, as IGC forecasts a 5 percent year-on-year uptick in 2018/19 global soybean production to 355 million tonnes. This is underscored by prospects of a recovery in Argentina and India production, which in turn is supported by expectations of favourable weather conditions and an expansion in area plantings. Moreover, Brazil's harvest is set to increase further by 3 percent from the 2017/18 production season to 119 million tonnes. With that said, it is still early in the season, more will unfold over the coming months. Some of the countries in the northern hemisphere are at initial stages of planting the 2018/19 crop.

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

⁴ The lower output in in Argentina, Uruguay, Paraguay and India is mainly due to unfavourable weather conditions experienced earlier in the season.



SUNFLOWER SEED	02/05/2018*	03/05/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 511	4 515	+0,09%
SAFEX Sunflower seed July 18 (R/t)	4 652	4 656	+0,09%
EU (France) sunflower seed (US\$/t)	399	396	-0,75%

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

- The SAFEX sunflower seed market started yesterday's trade session on a quiet footing, but gained ground towards the end of the session and settled in positive territory. The gains were largely on the back of the weaker Rand against the US Dollar, as well as commercial buying interest.
- Yesterday we highlighted a possibility of light showers over South Africa's sunflower seed growing areas within the next eight days. That view has changed as latest weather charts show clear skies across the country with light showers set to return in the week ending 18 May 2018.
- This means the harvest process could gain momentum in areas that planted earlier in the season (or during the optimal window), as the process has already commenced in parts of the North West province. With that said, the crop in late-planted areas might not be negatively affected as soil moisture has improved following rainfall received in the past couple weeks.
- The aforementioned weather dynamics support the National Crop Estimates Committee's view of a fairly good crop of 792 255 tonnes in the 2017/18 production season. Although 9 percent lower than the previous season's crop, this is well above market expectations at the start of the season.
- Beyond our borders, the 2017/18 global sunflower seed production could reach 48.3 million tonnes, down by 4 percent from the previous season, according to data from SUNSEEDMAN. The decline is mainly underpinned by lower harvests in the Black Sea region, particularly Ukraine and Russia. With that said, these countries are still the world's leading sunflower seed producers with a combined share of 50 percent of global production in 2017/18 season.
- Looking ahead, the 2018/19 global sunflower seed production could recover marginally to 48.8 million tonnes according to preliminary estimates from SUNSEEDMAN. The uptick is underlined by anticipations of better yields in Russia, Ukraine, China, Romania and Turkey. With that said, it is still early in the season and some areas have not started planting. More will transpire over the next couple of months. The share contribution of Russia and Ukraine is set to increase to 51 percent in the 2018/19 production season.

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



POTATO	02/05/2018*	03/05/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	31,77	40,67	+28,01%

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

- The South African potatoes market recorded solid gains in yesterday's trade session with the price up by 28 percent from the previous day, closing at R40.67 per pockets (10kg bag). This was on the back of commercial buying interest and lower stocks of 687 462 pockets (10kg bag) at the start of the session.
- However, in the session, the market saw an uptick in producer deliveries as harvest activity picks up after a long weekend. This subsequently led to a 21 percent increase in daily stock to 834 522 pockets (10kg bag)

Bottom line – Today the South African potatoes price could experience marginal losses following a recovery in daily stocks to 834 522 pockets (10kg bag).

BEEF CARCASS	02/05/2018*	03/05/2018*	d-o-d (%Δ)
SAFEX Beef June 18 (R/kg)	39,50	39,50	0,00

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

- Yesterday the SAFEX beef carcass market presented more of the same. The price remained unchanged from the previous day, closing at R39.50 per kilogram, due to thinly traded volumes. To reiterate a point made in our previous notes, the SAFEX beef carcass price is not a true reflection of the physical market, which continues to show solid activity and price movements.
- While cattle slaughtering activity is on negative footing, showing a decline in numbers slaughtered 2017, the dial could soon change as the USDA forecasts a 4 percent annual increase in the number of cattle to be slaughtered in South Africa in 2018 to 3.5 million cattle, due to the anticipated uptick in demand and a general recovery in the industry performance. This will influence the path of meat price inflation in the month ahead.

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 have changed overnight. They currently show clear skies in most parts of the country, which implies that weather conditions could remain cool and dry within the next eight days. This supports the harvest process in summer crop growing areas. Meanwhile, the winter crop growing areas of the Western Cape could receive light showers which bode well for the planting activity that is currently underway (figure 1).
- The long-term weather forecasts show a possibility of light showers over summer crops growing areas in the week of 18 May 2018. This could slow the harvest process, especially around Free State province (figure 2).

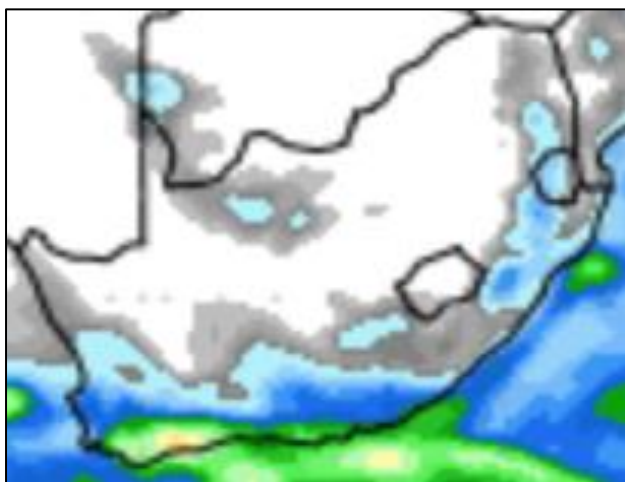


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

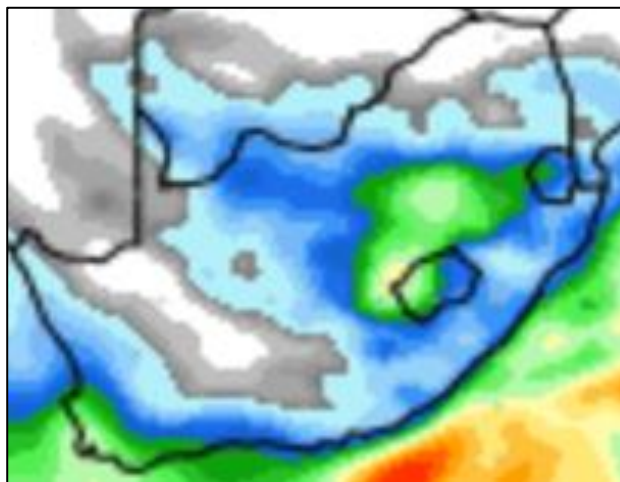


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

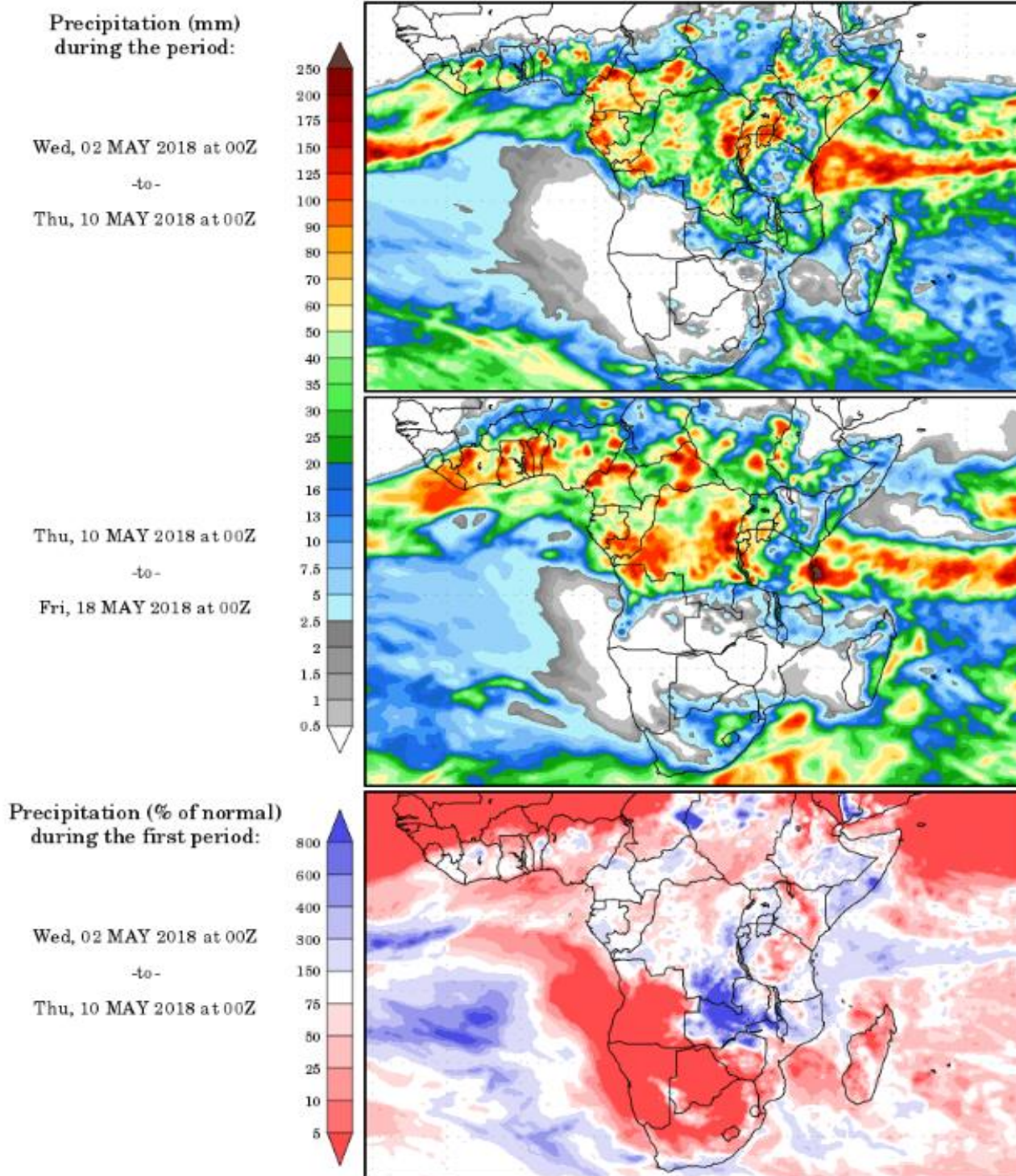


Figure 3: Precipitation forecast

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.

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