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Key Data Releases in Agricultural Markets:

- SAGIS weekly grain trade data: 08/05/2018
- SAGIS producer deliveries data: 09/05/2018
- USDA's crop progress report: 14/05/2018
- National Crop Estimates Committee's fourth summer crop production estimates: 29/05/2018

ECONOMIC INDICATORS	07/05/2018*	08/05/2018*	d-o-d (%Δ)
Rand/US Dollar	12,55	12,54	+0,08%
Rand/Euro	14,96	14,95	+0,07%
Euro/US Dollar	1,1913	1,1920	+0,06%
Gold Spot	1 313,47	1 313,19	-0,02%
Brent Crude Oil	75,62	75,95	+0,44%
Platinum Spot	915,25	910,97	-0,47%
Dow Jones Industrial Average	24 262,61	24 357,32	+0,39%
JSE All Share	57 953,39	57 880,72	-0,13%
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

- This morning the Rand was almost flat from levels seen at midday yesterday, trading around R12.54 to the US Dollar. The marginal gains recorded were partly in line with the US Dollar depreciation against major currencies, as well as general positive sentiment in the domestic market. From a domestic data front, today's calendar is fairly light with no major releases.
- The Brent crude oil remained in positive territory, with the price up by 0.44 percent from levels seen at midday yesterday, trading around US\$75.95 per barrel. This is on the back of ongoing concerns about Venezuela's oil production prospects, as well as the possible reinstatement of sanctions by the US against Iran. Moreover, the general improvement in global oil demand also added support to the market. The International Energy Agency forecasts global oil demand at 99.3 million barrels a day this year, from 97.8 million barrels a day in 2017.



MAIZE/CORN	07/05/2018*	08/05/2018*	d-o-d (%Δ)
White maize Spot (R/t)	2 091	2 093	+0,10%
White maize Jul 18 (R/t)	2 145	2 139	-0,28%
Yellow maize Spot (R/t)	2 199	2 185	-0,64%
Yellow maize Jul 18 (R/t)	2 236	2 224	-0,54%
CME corn May 18 (US cents/bushel)	396	392	-1,01%

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

- Yesterday most SAFEX maize contract month prices were under pressure, with the exception of white maize spot price which registered marginal gains, benefiting from the weaker Rand against the US Dollar. Other contract month prices were in line with the Chicago maize prices and also pressured by large domestic maize supplies for the 2018/19 marketing year¹.
- The maize harvest process has started in the irrigation areas of the country. The process could get momentum this week as weather conditions are expected to remain dry and cool, with light showers only expected to return in the week of 23 May 2018. This will be concentrated in parts of Mpumalanga, Gauteng, eastern Free State and KwaZulu Natal provinces and not cause crop damage as it is expected to be light.
- As highlighted in our previous notes, there is generally some optimism that South Africa will receive a decent crop in the 2017/18 production season, estimated at 12.8 million tonnes. Although lower than the previous season's harvest of 16.8 million tonnes, this is higher than market expectations at the start of the season.
- It is also worth highlighting that South Africa is a leading producer of maize in the African continent, commanding a share of 18 percent in the 2017/18 production season according to data from the International Grains Council. The other notable producers of maize in the continent are Nigeria, Ethiopia, Tanzania, Egypt, Malawi and Zambia.
- As set out in yesterday's note, South Africa could remain a net exporter of maize this year. The country's 2018/19 maize exports are estimated at 2.3 million tonnes, down by 4 percent from the volume exported in 2017/18. About 70 percent of exports will possibly be yellow maize, and the remainder is set to be white maize.

Bottom line – Today the domestic maize market could be under pressure owing to the stronger ZAR/USD exchange and lower Chicago maize prices.

¹South Africa's maize supplies are in good shape, estimated at 16.4 million tonnes in the 2018/19 marketing year, according to data from the national Supply and Demand Estimates Committee. This includes an opening stock and local commercial deliveries. Also worth noting is that 2017/18 production season corresponds with 2018/19 marketing year.



WHEAT	07/05/2018*	08/05/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 939	3 910	-0,74%
SAFEX Wheat Dec 18 (R/t)	3 857	3 833	-0,62%
CME Wheat spot (US cents/bushel)	527	514	-2,47%

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

- South Africa is a net importer of wheat, therefore developments in the global market tend to spill over into the local environment. Yesterday was no different, the local market settled in negative territory in line with losses in Chicago wheat prices.
- The global wheat market was partially pressured by favourable weather forecasts across most parts of the US, which should benefit the spring wheat plantings that is currently underway². Moreover, there is generally some bearish sentiment in the global wheat market that emanates large harvest in 2017/18 production season
- The International Grains Council estimated 2017/18 global wheat production at 758 million tonnes, up by a percentage point from the previous season. The leading producers are Russia, US, the EU, Canada and Ukraine. These countries collectively accounted for almost half of global wheat production in the 2017/18 season.
- Looking ahead, the 2018/19 global wheat production, which is currently being planted in most countries, could decline by 3 percent from the previous season to 739 million tonnes. The reduction in production will most likely be in the EU, Russia, Canada, Ukraine, Argentina and Kazakhstan. With that said, it is still early in the season, more information will unfold over the coming weeks.
- From a demand perspective, the leading wheat importers are Indonesia, Algeria, Italy, Spain, Brazil, Morocco, Japan, Netherlands, Egypt, Germany, Mexico and Thailand, among others.
- In sub-Saharan Africa region, Nigeria, South Africa, Kenya, Sudan and Côte d'Ivoire are the leading wheat importers. The region's 2018/19 wheat imports could reach 24 million tonnes, up by 4 percent from the previous season, according to data from the International Grains Council.
- Apart from the aforementioned global dynamics, the weather remains a primary focus in the local market as the planting activity continues. The expected cool and dry weather conditions with the next two weeks could possibly slow the planting process. We will closely monitor the weather developments in this space.

Bottom line – Today the local wheat prices could again be under pressure due to lower Chicago wheat prices and the stronger ZAR/USD exchange.

² Please see the link for more details on US precipitation prospects: <http://wxmaps.org/pix/prec1>



SOYBEAN	07/05/2018*	08/05/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 674	4 607	-1,43%
SAFEX Soybean Jul 18 (R/t)	4 762	4 693	-1,45%
CME Soybean Spot (US cents/bushel)	1 020	1 003	-1,67%

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

- The SAFEX soybean market lost ground in yesterday's trade session owing to harvest pressure, increased commercial selling, as well as lower Chicago soybean prices.
- The weather conditions have been quite favourable for the soybean harvest process, mainly cool and dry the whole of last week through to the weekend. The next eight days promise more of the same which should boost the harvest process this week.
- With that said, the harvest process could slow in the week of 23 May 2018 owing to expectations of rainfall in parts of Mpumalanga, Gauteng, eastern Free State and KwaZulu Natal provinces. At this point, it appears that the forecast rainfall might not cause crop damage as could be light and scattered.
- As highlighted in yesterday's note, the yields in areas that have already harvested vary between average and above average, which supports the National Crop Estimates Committee's forecast of a record harvest of 1.4 million tonnes of soybeans in the 2017/18 production season.
- While South Africa has made notable progress in soybean production over the past couple of years, the country remains a small player in the global market. The forecast production of 1.4 million tonnes accounts for 0.4 percent of global production.
- From a regional perspective, however, South Africa continues to enjoy tremendous growth in soybean output, while production in other African countries remains negligible. The closest to South Africa's production level is Nigeria, where output averaged 640 000 tonnes over the past 5-seasons.
- The world's leading soybean producers are the US, Brazil, Argentina, China, India and Paraguay, respectively accounting for 35 percent, 34 percent, 11 percent, 4 percent and 3 percent shares in the estimated 339 million tonnes of harvest in the 2017/18 season. These countries are also the leading exporters of soybeans, whereas China, Netherlands, Mexico, Japan, Germany, Spain, Thailand, Taiwan, Russia and Indonesia are amongst the leading importers of soybean.

Bottom line – Similar to other crops, today the domestic soybean market could also could experience further losses due to the stronger ZAR/USD exchange and lower Chicago soybean prices.



SUNFLOWER SEED	07/05/2018*	08/05/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 615	4 570	-0,98%
SAFEX Sunflower seed July 18 (R/t)	4 749	4 692	-1,20%
EU (France) sunflower seed (US\$/t)	394	394	0,00%

*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 positive footing, but lost ground towards the end of the session and settled in negative territory. This was due to bearish sentiment from increased commercial selling, as well as harvest pressure.
- South Africa's sunflower seed industry has grown significantly since the dawn of democracy, from 366 000 tonnes in 1993/94 production season to an expected 792 255 tonnes in 2017/18 production season. This has been driven by a combination of factors which include an increase in area plantings, better farming practices and technological advancement, amongst others. This, in turn, was stimulated by an uptick in consumer demand for sunflower oil.
- Although this is commendable progress, South Africa remains a small player in the global market, ranked number 12th and accounting for a mere 2 percent share in global sunflower seed production in 2017/18 season, according to data from SUNSEEDMAN.
- The world's leading sunflower seed producers are Ukraine, Russia, Argentina, China, Romania and Hungary, respectively accounting for 28 percent, 22 percent, 7 percent, 6 percent, 5 percent and 4 percent shares of global harvest of 48.3 million tonnes in the 2017/18 season.
- In terms of trade, the leading exporters of sunflower seed are Romania, Bulgaria, Moldova, Hungary, France and China. The overall global sunflower seed exports typically average 4.7 million tonnes a year.
- From a demand front, the world's leading sunflower seed importers are Netherlands, France, Spain, Turkey, Germany, Italy and Portugal. In some of these countries, namely France, Netherlands, and Turkey, the sunflower seed is processed and thereafter re-exported to the world as oil.
- Looking ahead, the 2018/19 global sunflower seed production could recover by a percentage point from the previous season to 48.8 million tonnes. The uptick is driven by expected better harvest in the Black Sea countries, particularly Ukraine and Russia.

Bottom line – Today, the domestic sunflower seed market could experience marginal losses due to the relatively stronger Rand against the US Dollar.



POTATO	07/05/2018*	08/05/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	42,91	41,06	-4,31%

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

- After registering solid gains in the past couple of sessions, the South African potatoes market pulled back in yesterday's trade session and settled in negative territory. The price was down by 4 percent from the previous day, closing at R41.06 per pockets (10kg bag) due to increased commercial selling.
- With that said, in the session, the market experienced a continuous decline in deliveries owing to slow harvest activity in over the weekend. This subsequently led to a further 3 percent reduction in daily stock to 748 725 pockets (10kg bag)

Bottom line – Today the South African potatoes market could claw back some of its recent losses owing to relatively lower stock of 748 725 pockets (10kg bag) at the end of yesterday's session.

FRUIT (South Africa)	07/05/2018*	08/05/2018*	d-o-d (%Δ)
Apples (R/kg)	6,60	6,67	+1,06%
Bananas (R/kg)	6,84	7,14	+4,39%
Oranges (R/kg)	3,32	3,48	+4,82%

*Previous trading day's price survey in South African fresh produce markets

- The South African fruit market benefited from continued commercial buying interest in yesterday's trade session and thus settled in the positive footing. The prices of apples and bananas were up by a percentage point and 4 percent from the previous day, closing at R6.67 and R7.14 per kilogram, respectively. This gains could, however, be short-lived owing to an uptick in stock levels to 752 335 tonnes of apples and 969 300 tonnes of bananas.
- Meanwhile, the price of oranges was up by 5 percent from the previous day, closing at R3.48 per kilogram. This followed a 31 percent decline in daily stock to 420 090 tonnes of oranges.

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



BEEF CARCASS	07/05/2018*	08/05/2018*	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

- The SAFEX beef carcass prices have been flat for months due to thinly traded volumes. Yesterday's session was no different, the price remained unchanged from the previous day, closing at R39.50 per kilogram.
- From a supply point of view, South African farmers slaughtered 204 613 head of cattle in March 2018, up by 9 percent from the previous month, but down by 17 percent from the corresponding period last year. The annual decline in slaughtering is largely on the back of a cattle herd rebuilding process after a reduction during the 2015-16 drought. With that said, the trend in slaughtering activity could soon change as the USDA forecasts a 4 percent year-on-year 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.

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

- This week could present warm and dry weather conditions across South Africa which bodes well for the harvest process in summer crop growing areas. Meanwhile, the winter crop growing areas of the Western Cape province, which urgently need moisture, could remain cool and dry with light showers in areas around Swartland and west coast (figure 1).
- The long-term weather forecasts have changed overnight, and currently, show clear skies over most parts of the country. This is with the exception of Limpopo, Mpumalanga, KwaZulu Natal, as well as parts of Gauteng and Free State provinces which could receive light showers in the week of 23 May 2018 (figure 2).

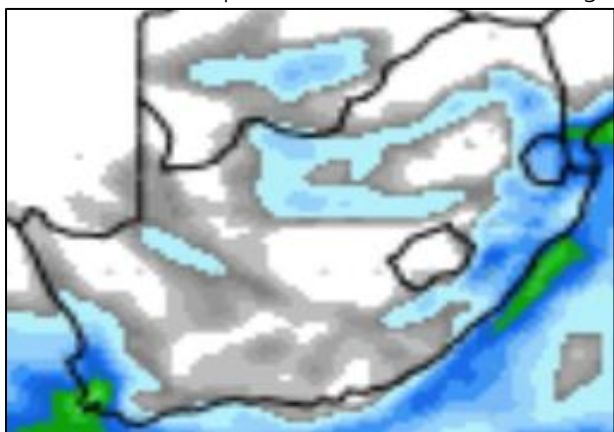


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

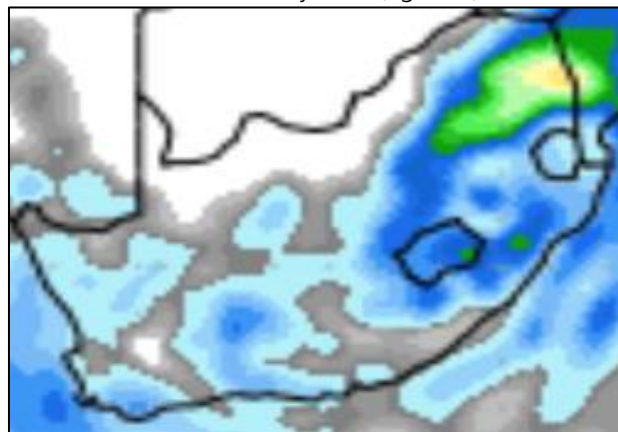


Figure 2: Next 16-days precipitation forecast
Source: wxmaps

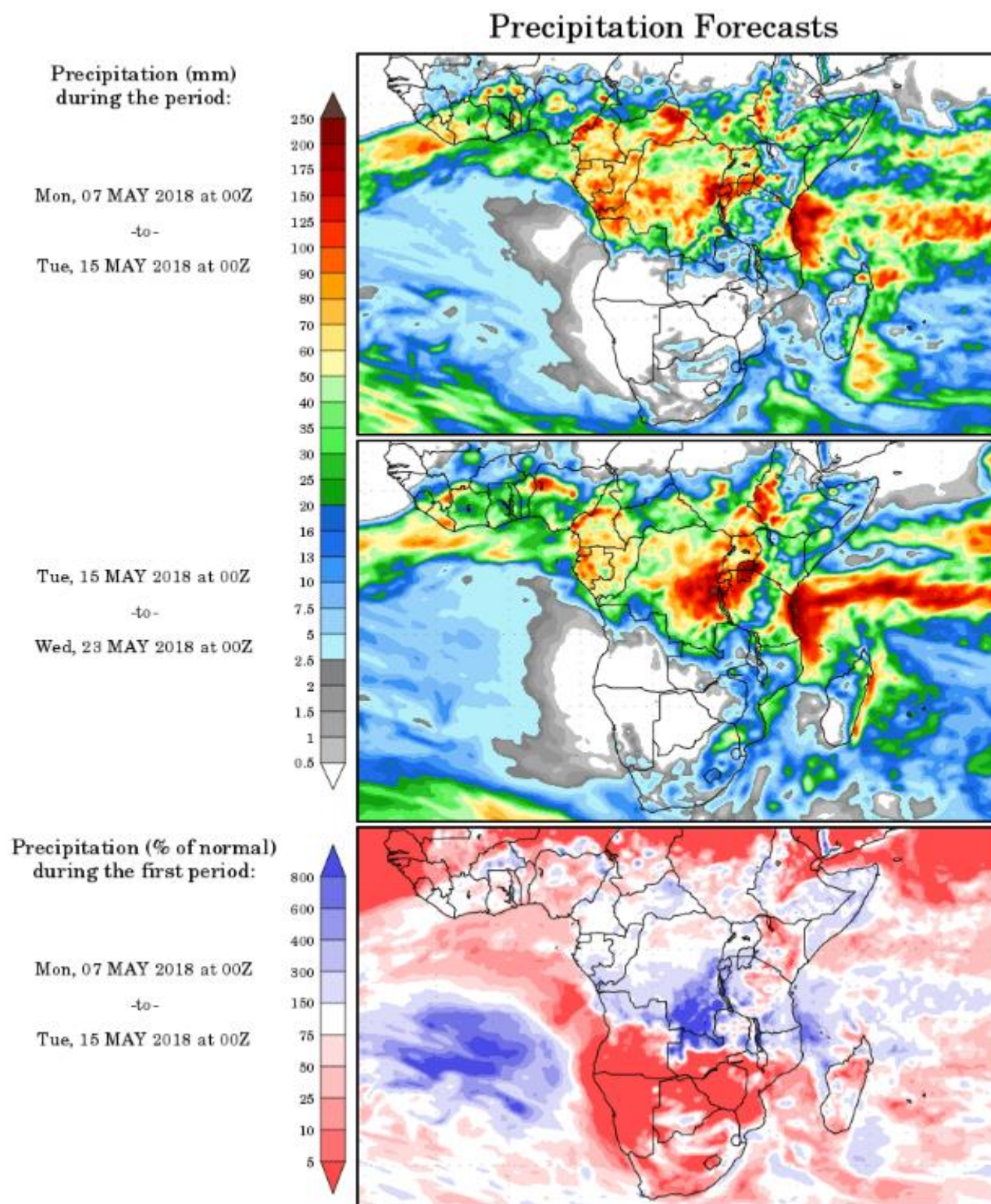


Figure 3: Precipitation forecast

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.

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