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Key Data Releases in Agricultural Markets:

- USDA's crop progress report: 21/05/2018
- SAGIS weekly grain trade data: 22/05/2018
- SAGIS producer deliveries data: 23/05/2018
- National Crop Estimates Committee's fourth summer crop production estimates: 29/05/2018

ECONOMIC INDICATORS	18/05/2018*	21/05/2018*	d-o-d (%Δ)
Rand/US Dollar	12,58	12,77	-1,49%
Rand/Euro	14,87	15,01	-0,93%
Euro/US Dollar	1,1767	1,1752	-0,13%
Gold Spot	1 291,20	1 288,37	-0,22%
Brent Crude Oil	79,30	79,32	+0,03%
Platinum Spot	890,00	883,72	-0,71%
Dow Jones Industrial Average	24 715,09	24 715,09	0,00%
JSE All Share	58 258,02	57 801,33	-0,78%
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 Rand started the week on a negative footing, weakening by 1.49 percent against the US Dollar from levels seen at midday Friday. The Rand's depreciation was in line with the US Dollar appreciation against major currencies, as well as a decline in global commodity prices. At the time of writing, the Rand/US Dollar exchange traded around R12.77. From a domestic data front, today's calendar is fairly light with no major releases.
- This morning the Brent crude oil price was roughly unchanged from levels seen at midday Friday. The marginal uptick of 0.03 percent in price was partially supported by lingering concerns about Venezuela's oil production prospects. Also providing the bullish sentiment in the market are media reports which suggest that China and the US have put an impending trade war "on hold". From a data perspective, the number of active US rigs drilling for oil was unchanged at 844 in the week of 18 May 2018.



MAIZE/CORN	18/05/2018*	21/05/2018*	d-o-d (%Δ)
White maize Spot (R/t)	2 093	2 122	+1,39%
White maize Jul 18 (R/t)	2 124	2 152	+1,32%
Yellow maize Spot (R/t)	2 187	2 209	+1,01%
Yellow maize Jul 18 (R/t)	2 222	2 249	+1,22%
CME corn May 18 (US cents/bushel)	402	407	+1,24%

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

- On Friday the SAFEX maize market managed to claw back the previous day's losses, mainly supported by a combination of factors. These include the weaker domestic currency against the US Dollar, higher Chicago maize prices, as well as commercial buying interest.
- Today the focus will be on the US maize market ahead of the weekly crop progress data which is due for release in the evening. In the week of 13 May 2018, about 62 percent of the maize area for this season had already been planted. This, however, is slightly behind last year's pace of 68 percent in the corresponding period.
- Moreover, about 28 percent of the planted crop had already emerged. Given that the weather conditions have been quite favourable in the past couple of days, today's data is likely to show improvement on crop emergence. The overall delays in plantings were due to unfavourable weather conditions experienced earlier in the season. The conditions have now improved, with the forecasts for the next two weeks showing a possibility of rainfall over most parts of the Midwest. This should improve soil moisture and subsequently benefit the crop.
- The USDA forecasts the US 2018/19 maize production at 357 million tonnes, down by 4 percent from the previous season owing to expected lower yields in some States, as well as a slight decline in area plantings. This is almost in line with the International Grains Council estimate, which is currently at 355 million tonnes, also weighed down by similar factors as the USDA.
- Above all, the global picture is in good shape. The International Grains Council forecasts 2018/19 global maize production at 1.05 billion tonnes, up by a percentage point from the previous year. This is due to expectations of a large harvest in China, Argentina, Brazil, and Russia.
- Overall, the global maize developments could have minimal impact on the SAFEX maize prices in the near term due to solid local supplies, which are estimated at 16.4 million tonnes, well above annual consumption of 10.7 million tonnes. Therefore, the SAFEX maize prices could possibly remain at relatively lower levels for some time.

Bottom line – Today the domestic maize market could gain ground due to the weaker ZAR/USD exchange and higher Chicago maize prices.



WHEAT	18/05/2018*	21/05/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 854	3 866	+0,31%
SAFEX Wheat Dec 18 (R/t)	3 850	3 850	0,00%
CME Wheat spot (US cents/bushel)	518	523	+0,97%

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

- The SAFEX wheat market started Friday's trade session in negative footing, but gained ground towards the end of the session and settled in the positive footing. The market found support from the weaker rand against the US Dollar, as well as slightly higher Chicago wheat prices.
- The weather remains a primary focus in the domestic wheat market as the planting activity is still underway in some parts of the Western Cape province. There is generally some optimism in the market that the 2018/19 production season could be relatively better than the previous one as weather forecasts point to a possibility of above normal rainfall between June and August 2018.
- The International Research Institute (IRI) for Climate Change Society recently highlighted a possibility of above-normal rainfall over the Western Cape province between June and August 2018.¹ The IRI's estimate was partially in line with the sentiments expressed in local weather agency in March 2018.²
- The near-term weather forecasts show a possibility of widespread light showers over the Western Cape province within the two weeks, which should slightly improve soil moisture. As noted in our previous notes, we place more emphasis on this particular province because of the drought experienced in the past couple of months, but most importantly its contribution to South Africa's wheat production. The province accounts for 64 percent of South Africa's intended 500 500 hectares for winter wheat in the 2018/19 production season.
- On a data front, the focus will be on the US wheat market ahead of the crop progress report this evening. The report will give an indication of the progress in spring wheat planting and growing conditions. On 13 May 2018, about 58 percent of the spring wheat had been planted compared to 75 percent at the corresponding period last year. Of the planted crop, only 14 percent had emerged.
- Furthermore, the weather conditions over the US wheat growing areas are quite favourable, showing a possibility of showers within the next two weeks, which should improve soil moisture and support the crop.

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

¹ International Research Institute for Climate Change Society, 2018. Seasonal Climate Forecast. [Online] Available on: <https://iri.columbia.edu/our-expertise/climate/forecasts/seasonal-climate-forecasts/>

² South African Weather Service, 2018. Seasonal Climate Watch. [Online] Available on: <http://www.weathersa.co.za/media/data/longrange/gfcsa/scw.pdf>



SOYBEAN	18/05/2018*	21/05/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 508	4 536	+0,62%
SAFEX Soybean Jul 18 (R/t)	4 566	4 595	+0,64%
CME Soybean Spot (US cents/bushel)	998		

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

- On Friday, the domestic soybean market managed to claw back its recent losses and settled in positive territory. The session was mainly supported by the weaker Rand against the US Dollar and commercial buying interest, amongst other factors.
- The fears that potential rainfall could slow harvest activity in parts of Mpumalanga and KwaZulu Natal province have subsided. The weather forecast for the next eight days shows clear skies over soybean growing areas of the country which should support the harvest activity.
- To reiterate a point made in our previous notes, the areas that harvested in the past couple of weeks received average and above-average yields which support the view that South Africa could receive a record crop of 1.4 million tonnes in the 2017/18 production season. The yield for this season could average 1.82 tonnes per hectare, up by 2 percent from the previous season.³
- While not a main concern at this point, it is worth noting that the week of 02 June 2018 could bring light showers in parts of Free State, Gauteng, North West and Mpumalanga. This might slow the harvest process in some areas, but we don't foresee crop damage as rainfall is expected to be light varying between 13 and 20 millimetres.
- Elsewhere, the weather forecasts remain largely unchanged over the US Midwest, showing a possibility of showers for the next two weeks, which should support the new season crop.⁴ On 13 May 2018, about 35 percent of the area for US soybeans had been planted, compared to 29 percent in the corresponding period last year. We will receive an update later today when the USDA releases its weekly crop progress report. As indicated in our note on 17 May 2018, the USDA forecasts a 3 percent annual decline in US soybean production to 116 million tonnes in the 2018/19 production season.

Bottom line – Similar to other crops, today the domestic soybean market could gain ground due to the weaker ZAR/USD exchange and higher Chicago soybean prices.

³ The increase in area planted also contributed to the expected large harvest of 1.4 million tonnes. South African farmers planted 787 200 hectares of soybeans in the 2017/18 production season, up by 37 percent from the previous season, according to data from the National Crop Estimates Committee.

⁴ Please see the link for US precipitation forecast: <http://wxmaps.org/pix/prec1>



SUNFLOWER SEED	18/05/2018*	21/05/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 558	4 576	+0,39%
SAFEX Sunflower seed July 18 (R/t)	4 654	4 668	+0,30%
EU (France) sunflower seed (US\$/t)	390	392	+0,51%

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

- The SAFEX sunflower seed market posted gains in yesterday's trade session with support emanating from the weaker Rand against the US Dollar and commercial buying interest.
- Last week the sunflower seed growing regions experienced cool and drier weather conditions which are conducive to the harvest activity that is currently underway. The yields in areas that have harvested mainly vary between average and above-average. This is somewhat in line with the National Crop Estimates Committee's view that this season's yield could average 1.3 tonnes per hectare, well above the past five season's average yield of 1.2 tonnes per hectare.
- Looking ahead, the next two weeks could see an acceleration of the harvest activity due to forecast dry and cool weather conditions over sunflower seed growing regions. The crop in late planted areas is largely maturing, which means the expected dryness is exactly what is needed at this stage of development.
- Overall, the general expectations of higher yields in most sunflower seed growing regions support the government forecast of 792 255 tonnes this production season, which is well above market expectations at the start of the season.⁵
- In the global market, the EU's sunflower seed market also had a good run on Friday's trade session with the price up by a percentage point from the previous day, averaging US\$392 per tonne. This was in line with the gains in the crude oil market, as well as the global palm oil market.
- Elsewhere, SUNSEEDMAN forecasts the US sunflower seed crop for 2018/19 at 1 million tonnes, up by 2 percent from the previous season. The uptick is largely on the back of an expected expansion in area planted, as well as anticipation of higher yields.
- This adds to the expected large supplies in the Black Sea country. Overall, the 2018/19 global sunflower seed production is estimated at 50 million tonnes, up by 6 percent from the previous season.

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

⁵ The expected sunflower seed harvest is, nonetheless, well below the 2016/17 production season's harvest of 874 000 tonnes.



POTATO	18/05/2018*	21/05/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	36,61	34,14	-6,75%

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

- Following a good run for the most part of the week, the South African potatoes market pulled back on Friday's trade session and settled in negative territory owing to a large stock of 1.03 million pockets (10kg bag) at the start of the session. The price was down by 7 percent from the previous day, closing at R34.14 per pocket (10kg).
- However, in the session, the market experienced strong commercial buying interest, coupled with a slight decline in producer deliveries on the back of slow harvest activity in some parts of the country. This subsequently led to a 2 percent decline in daily stocks to 1.01 million pockets (10kg bag).

Bottom line – Today the South African potatoes market could experience extended losses owing to a relatively large stock of 1.01 million pockets (10kg bag).

FRUIT (South Africa)	18/05/2018*	21/05/2018*	d-o-d (%Δ)
Apples (R/kg)	6,71	6,89	+2,68%
Bananas (R/kg)	6,29	6,13	-2,54%
Oranges (R/kg)	3,27	3,38	+3,36%

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

- The South African fruit market settled on a mixed footing in Friday's trade session. The prices of apples and oranges were each up by 3 percent from the previous day, closing at R6.89 and R3.38 per kilogram, respectively. These gains were mainly on the back of lower stocks of 406 019 tonnes of apples and 515 800 tonnes of oranges.
- Meanwhile, the price of banana was down by 3 percentage points from the previous day and settled at R6.13 per kilogram. This was due to higher producer deliveries which subsequently led to a 16 percent increase in daily stock to 807 067 tonnes.

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	18/05/2018*	21/05/2018*	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

- Friday's trade session presented more of the same in the SAFEX beef carcass market. The price remained flat from the previous day and settled at R39.50 per kilogram due to thinly traded volumes. Above all, the SAFEX beef carcass price might not be a true reflection of the physical market which continues to show solid activity.
- In terms of the meat supply, 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. 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

- The weather forecast for this week is quite favourable for both summer and winter crop growing areas. The winter crop growing areas of the country, which are currently at planting stages of the new season crop, could receive widespread light showers which should slightly improve soil moisture. Meanwhile, most summer crop areas could experience cool and dry weather conditions, which bodes well with the harvest activity (figure 1).
- Moreover, the forecast for the week of 05 June 2018 shows a possibility of rainfall over most parts of South Africa. The expected rainfall bodes well for the winter crop growing areas, whereas, summer crop harvest activity could somewhat be slowed (figure 2).

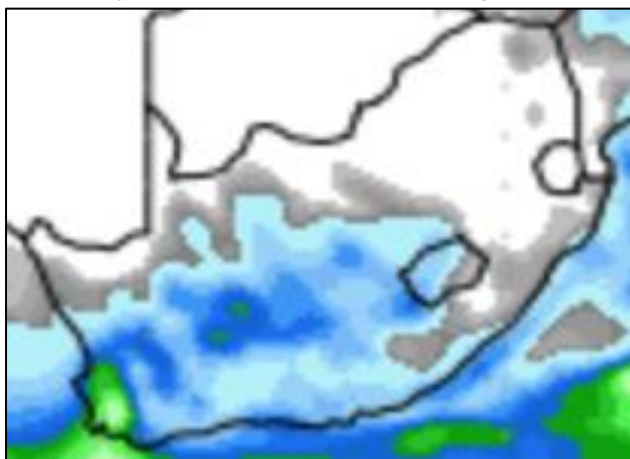


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

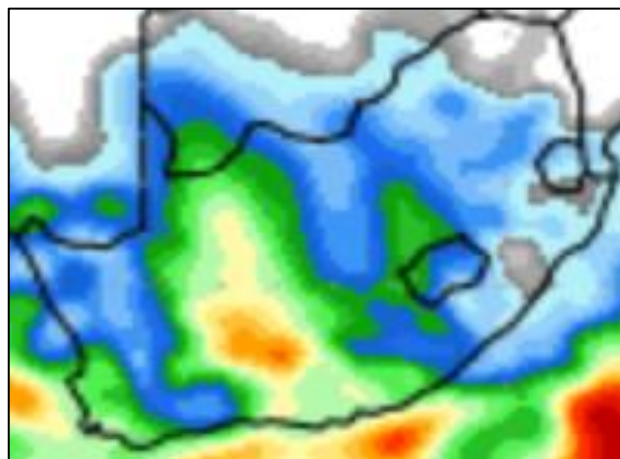


Figure 2: Next 16-days precipitation forecast
Source: wxmaps

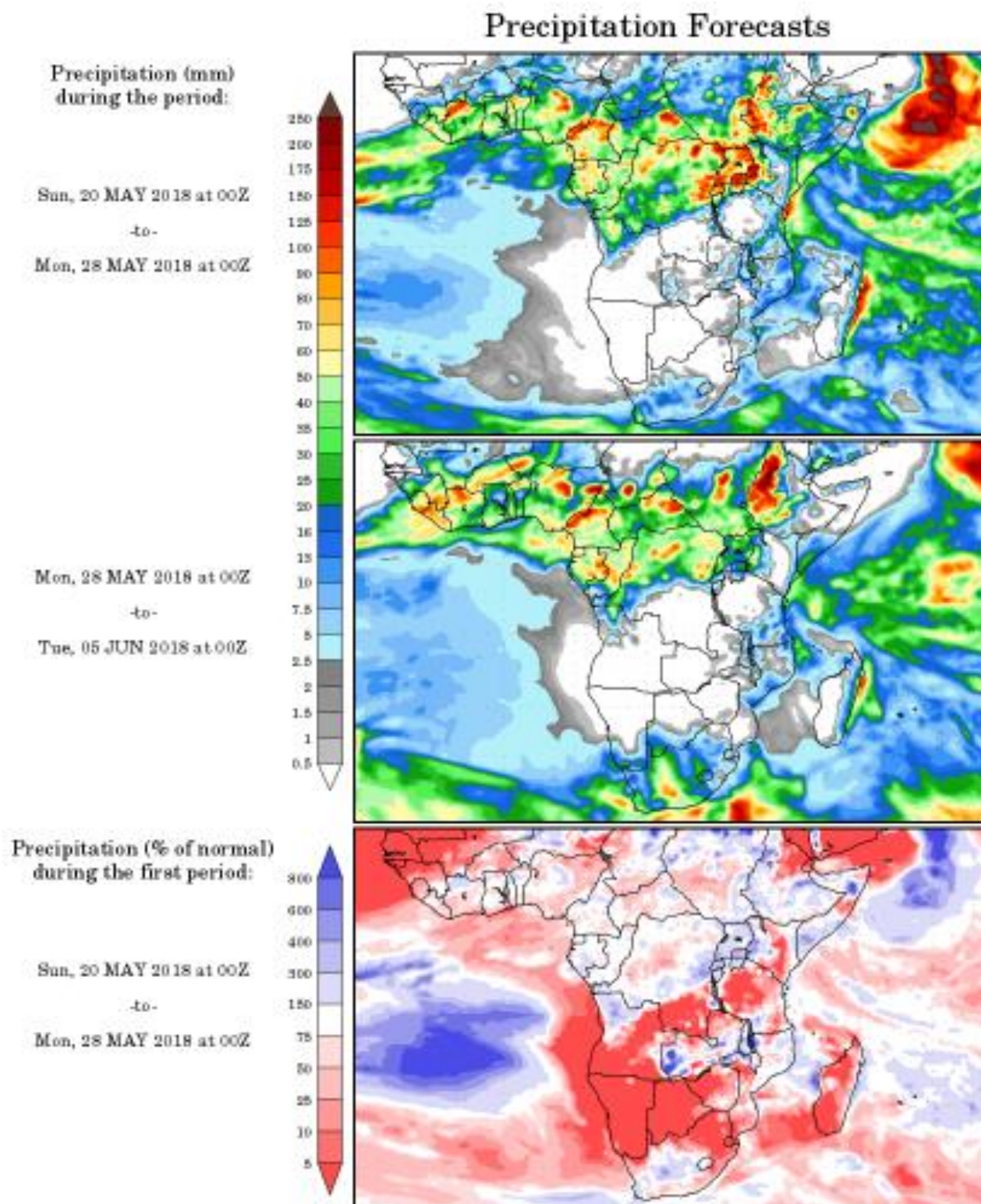


Figure 3: Precipitation forecast

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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