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Key Data Releases in Agricultural Markets:

- SAGIS weekly grain trade data: 22/05/2018
- SAGIS producer deliveries data: 23/05/2018
- USDA's crop progress report: 28/05/2018
- National Crop Estimates Committee's fourth summer crop production estimates: 29/05/2018

ECONOMIC INDICATORS	21/05/2018*	22/05/2018*	d-o-d (%Δ)
Rand/US Dollar	12,81	12,63	+1,43%
Rand/Euro	15,06	14,87	+1,28%
Euro/US Dollar	1,1759	1,1780	+0,18%
Gold Spot	1 284,12	1 290,37	+0,49%
Brent Crude Oil	78,39	79,57	+1,51%
Platinum Spot	880,90	898,04	+1,95%
Dow Jones Industrial Average	24 715,09	25 013,29	+1,21%
JSE All Share	58 142,39	57 821,20	-0,55%
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

- After experiencing losses in yesterday's session, this morning the domestic currency slightly recovered, along with other emerging market currencies. At the time of writing, the Rand/US Dollar was 1.43 percent stronger compared to midday yesterday, trading at levels around R12.63. The Rand's appreciation was in line with the US Dollar depreciation against major currencies, as well as a slight increase in global commodity prices. From a data front, the SARB will release its Leading Indicator results for March 2018.
- The Brent crude oil market had a good run this morning with the price up by 1.51 percent from levels seen at midday yesterday, trading around US\$79.57 per barrel. The market was largely supported by lingering concerns about Venezuela's oil production prospects. In terms of data, the American Petroleum Institute will release the US oil inventories data for the week of 18 May 2018.



MAIZE/CORN	21/05/2018*	22/05/2018*	d-o-d (%Δ)
White maize Spot (R/t)	2 122	2 143	+0,99%
White maize Jul 18 (R/t)	2 152	2 171	+0,88%
Yellow maize Spot (R/t)	2 209	2 235	+1,18%
Yellow maize Jul 18 (R/t)	2 249	2 272	+1,02%
CME corn May 18 (US cents/bushel)	405	402	-0,74%

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

- The SAFEX maize market started yesterday's trade session on a positive footing and maintained the gains throughout the day with support emanating from the weaker Rand against the US Dollar, as well as higher Chicago maize prices.
- The maize harvest activity is underway in the irrigation areas of South Africa, particularly Northern Cape and Limpopo province. These two provinces produce nearly a million tonnes of maize a year. We will get an indication of the harvest progress tomorrow when SAGIS releases the producer deliveries data.
- In the dryland maize producing areas, the harvest activity is still at initial stages but could gain momentum in the next couple of weeks due to prospects of favourable weather conditions. The forecasts for the next two weeks show a possibility of cool and drier weather conditions over the South African maize-belt.
- While South Africa's maize supplies are in good shape, estimated at 16.4 million tonnes in the 2018/19 marketing, most countries in the region are expecting notable declines.¹ The most recent data from Malawi's Agricultural Ministry shows that 2017/18 maize production could amount to 2.8 million tonnes, down by 19 percent from the previous season.
- To recap from last week, other countries in the region such as Zambia and Zimbabwe could also have fairly lower maize supplies in the 2018/19 marketing year due to expectations of a lower harvest and opening stock. In terms of production, the recent estimates from Zambia's Ministry of Agriculture point to a 34 percent year-on-year decline in 2017/18 maize production to 2.4 million tonnes.
- Zimbabwe's 2017/18 maize production is estimated at 1.0 million tonnes, well below the previous season's harvest of 2.1 million tonnes. All things considered, most African countries will possibly look to South Africa for additional supplies in 2018/19 marketing year. More information will unfold as the season progresses.

Bottom line – Today the domestic maize market could experience marginal losses owing to a relatively stronger ZA/USD exchange, as well as lower Chicago maize prices.

¹ Supported by expected crop of 12.8 million tonnes and a large opening stock. 2018/19 MY = 2017/18 production year.



WHEAT	21/05/2018*	22/05/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 866	3 877	+0,28%
SAFEX Wheat Dec 18 (R/t)	3 850	3 893	+1,12%
CME Wheat spot (US cents/bushel)	520	506	-2,69%

*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 influence local prices. Yesterday's session was no different, the SAFEX wheat prices settled in positive territory, in line with Chicago wheat prices. Moreover, the weaker Rand against the US Dollar also added support to the market.
- Yesterday we expressed optimism about the 2018/19 winter wheat production. This was after the International Research Institute (IRI) for Climate Change Society highlighted a possibility of above-normal rainfall over the Western Cape province between June and August 2018.² The IRI's estimate was partially in line with the sentiments expressed by the South African Weather Service in its Seasonal Climate Watch in March 2018.
- Disappointingly, the near term forecasts have cleared across most parts of the Western Cape province. The only regions within the province that could possibly receive light showers within the next two weeks are Overberg, Winelands and Helderberg.
- This is concerning because a large part of the winter wheat crop has already planted, despite the drier conditions. Farmers planted on time in the belief that there will be rainfall which will improve soil moisture and support the germination process.
- With that said, these are estimates, which means there is room for possible changes in the next couple of days. We will closely monitor the developments and try to ascertain the impact on crops. According to data released at the end of last month, South African farmers intend to plant 500 500 hectares of winter wheat in the 2018/19 production season, up by 2 percent from the previous season.
- From a continental perspective, Egypt, Morocco, Ethiopia and Algeria and South Africa remain the leading producers of wheat in Africa. The USDA forecasts Egypt's 2018/19 wheat production at 8.5 million tonnes, unchanged from the previous season. Morocco and Ethiopia's 2018/19 production is estimated at 8.2 million and 4.5 million tonnes, respectively. Moreover, Algeria and South Africa's 2018/19 wheat harvest is estimated at 3.0 million and 1.8 million tonnes, respectively up by 25 percent and 20 percent, according to the USDA.

Bottom line – Today the local wheat prices could also experience marginal losses owing to a relatively stronger ZA/USD exchange, as well as lower Chicago wheat prices.

² 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/>



SOYBEAN	21/05/2018*	22/05/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 536	4 580	+0,97%
SAFEX Soybean Jul 18 (R/t)	4 595	4 645	+1,09%
CME Soybean Spot (US cents/bushel)	1 017	1 022	+0,49%

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

- The South African soybean market started yesterday's trade session on the positive footing and maintained the gains throughout the day due to a combination of factors. These include the weaker Rand against the US Dollar and higher Chicago soybean prices amongst others.
- We hardly write about Africa's soybean industry because the production of the crop is not yet fully established in most countries. South Africa, Nigeria, Zambia, Zimbabwe, Uganda and Egypt are the only African countries amongst the world's top 40 soybean producers, according to data from the USDA.
- South Africa is the only African country with production over a million tonnes. In the current season, the crop is estimated at 1.4 million tonnes. This has materialised due to an increase in area planted, technological improvements in forms of seeds, fertilizers and better farming practices, amongst others. As set out in our soybean note on 30 April 2018, a large number of South African farmers are increasingly planting genetically modified (GM) soybean crops.
- In 2016/17 production season, roughly 95 percent of South Africa's soybean plantings were under GM seeds. This is the only country in the African continent that produces GM soybeans. Therefore, it is no coincidence that 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 most recent data from the USDA shows that Nigeria's 2017/18 soybean production could amount to 600 000 tonnes, roughly unchanged from the previous season due to unfavourable weather conditions over the past few months. This is slightly below Nigeria's annual consumption of 610 000 tonnes of soybeans.
- Moreover, Zambia's and Zimbabwe's 2017/18 soybean production could amount to 300 000 tonnes and 50 000 tonnes, respectively down by 15 percent and 29 percent from the previous production season. The decline in production in both countries is due to unfavourable weather conditions earlier in the season. The soybean production in both Uganda and Egypt is negligible, estimated at 30 000 tonnes and 25 000 tonnes, respectively.

Bottom line – Today the domestic soybean market could experience sideways movements if the ZAR/USD exchange and Chicago soybean prices maintain the current trends.



SUNFLOWER SEED	21/05/2018*	22/05/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 576	4 612	+0,79%
SAFEX Sunflower seed July 18 (R/t)	4 668	4 702	+0,73%
EU (France) sunflower seed (US\$/t)	392	391	-0,26%

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

- The SAFEX sunflower seed market had a good run in yesterday's and settled in positive territory, mainly supported by the weaker Rand against the US Dollar, as well as commercial buying interest.
- There are raising concerns about the recent outbreak of sclerotinia and alternaria in parts of the Free State province. While these diseases might not have largely affected the current crop, they pose risk for the upcoming seasons. We mention this because the Free State province is a leading producer of sunflower seed in South Africa, accounting for 57 percent share in the expected harvest of 792 255 tonnes.
- In the past couple of weeks, we expressed concerns that frost could negatively affect the crop in late-planted regions of the North West and western Free State. However, a large part of the crop has passed the pollination or flowering stages of development, therefore there is minimal chance that frost could lead to lower yields.
- Moreover, the next two weeks present a possibility of cool and drier weather conditions over the sunflower seed growing regions of the country, which should support the crop in its maturing stages.
- Aside from South African dynamics, the sunflower seed production in the African continent is not yet fully established. The most recent data from the USDA shows Egypt and Morocco amongst the sunflower seed producers in the continent, but the volumes produced are quite low.
- The USDA forecasts Egypt's 2017/18 sunflower seed production at 19 000 tonnes, unchanged from the previous season, but the largest harvest since 1997/98 season. Morocco's 2017/18 sunflower seed production could reach 27 000 tonnes, also unchanged from the previous season.
- To service the growing sunflower seed demand, the continent imports large volumes of sunflower oil. In 2017, the continent's sunflower oil imports amounted to 717 384, which is roughly in line with the volume imported in the previous years. The leading importers were Egypt, South Africa, Algeria, Morocco, Tunisia, Mozambique, Mauritius and Senegal. The key suppliers of sunflower oil to the continent are typically Bulgaria, Argentina, Romania, Russia, Ukraine, Belarus, Netherlands and Portugal. Most of these exporters are expecting a good harvest in the 2018/19 production season, which means another volume of large imports for Africa.

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



POTATO	21/05/2018*	22/05/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	34,14	35,14	+2,93%

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

- Yesterday the South African potatoes market managed to claw back its recent losses, due to strong commercial buying interest. The price was up by 3 percent from the previous day, closing at R35.14 per pocket (10kg).
- In the session, the market experienced continued commercial buying interest, coupled with a slight decline in producer deliveries on the back of slow harvest activity over the weekend. This subsequently led to a 28 percent decline in daily stocks to 724 429 pockets (10kg bag).

Bottom line – Today the South African potatoes market could receive additional gains due to a relatively lower stock of 724 429 pockets (10kg bag) at the start of the session.

BEEF CARCASS	21/05/2018*	22/05/2018*	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, at R39.50 per kilogram. Above all, the SAFEX beef carcass price might not be a true reflection of the physical market which continues to show solid activity.
- From the meat supply perspective, 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

- The weather forecast has drastically changed overnight. The prospects of rainfall over the Western Cape province have diminished. The weather chart currently shows clear skies over most parts of the country with the exception of few areas around Winelands and Overberg which could receive light showers. With that said, the forecast cool and drier weather conditions could support the summer crop harvest activity (figure 1).
- Furthermore, the forecast for the week of 06 June 2018 presents more of the same, which is dry and cool weather conditions across the country with a possibility of showers in Overberg, Winelands and Helderberg regions of the Western Cape province (figure 2).

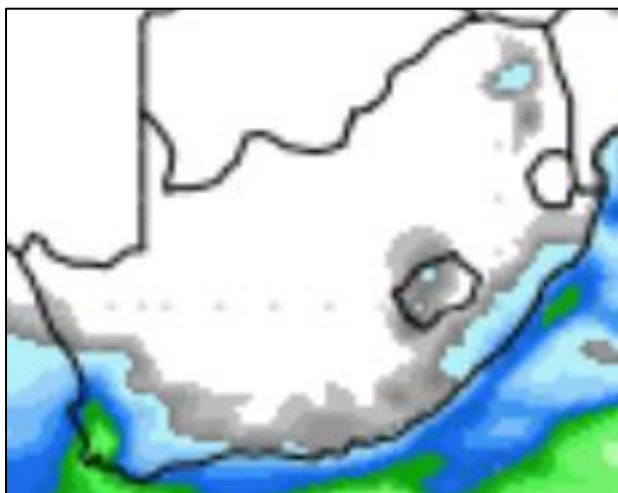


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

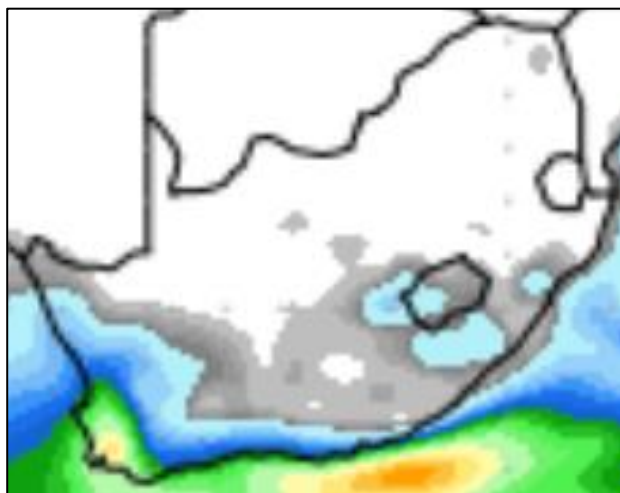


Figure 2: Next 16-days precipitation forecast
Source: wxmaps

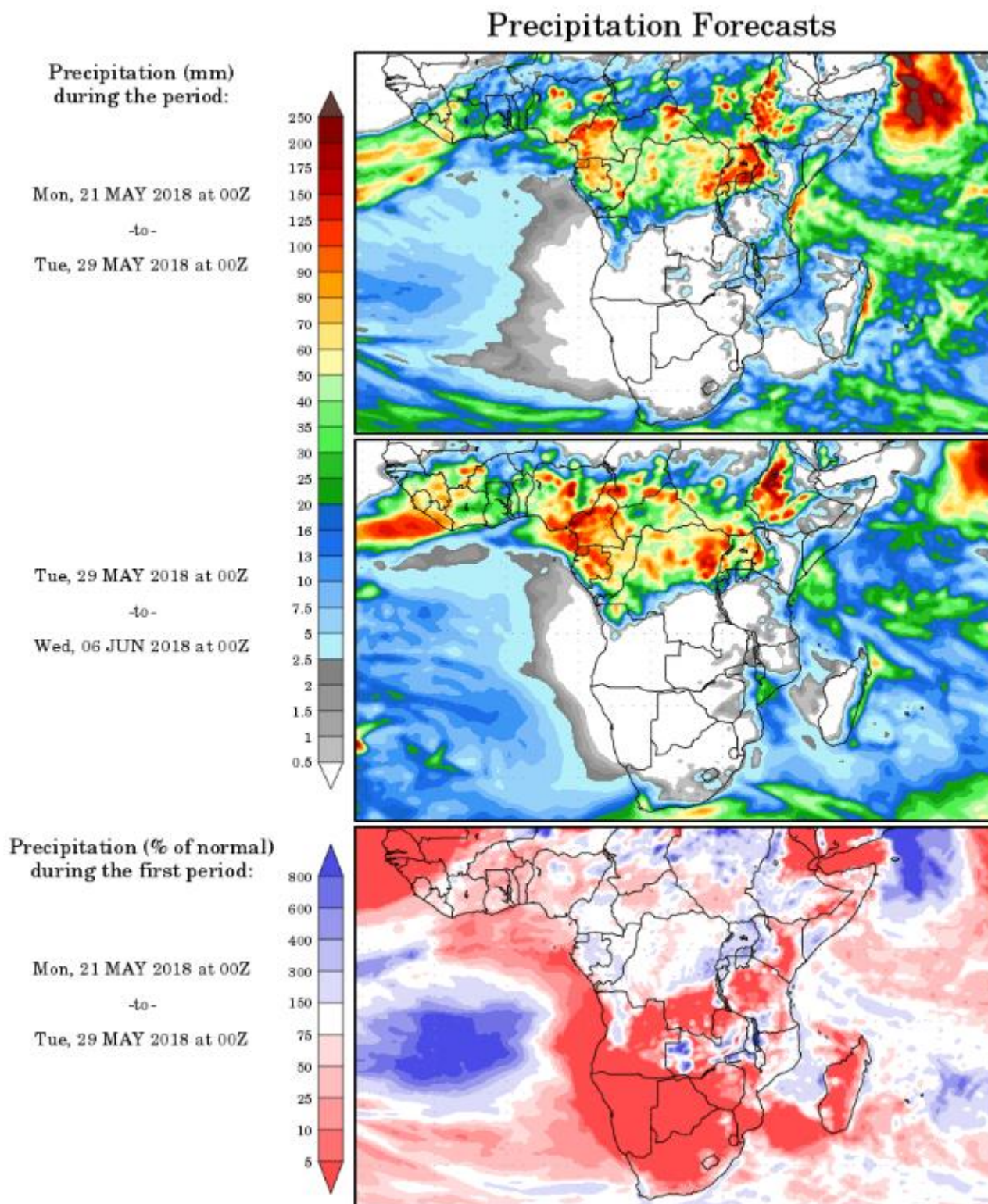


Figure 3: Precipitation forecast

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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