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Key Data Releases in Agricultural Markets:

- SAGIS producer deliveries data: 13/06/2018
- USDA's crop progress report: 18/06/2018
- SAGIS weekly grain trade data: 19/06/2018
- National Crop Estimates Committee's fourth summer crop production estimates: 27/06/2018

ECONOMIC INDICATORS	12/06/2018*	13/06/2018*	d-o-d (%Δ)
Rand/US Dollar	13,16	13,33	-1,28%
Rand/Euro	15,52	15,66	-0,89%
Euro/US Dollar	1,1793	1,1742	-0,43%
Gold Spot	1 298,10	1 295,10	-0,23%
Brent Crude Oil	76,13	75,63	-0,66%
Platinum Spot	908,00	896,70	-1,24%
Dow Jones Industrial Average	25 322,31	25 320,73	-0,01%
JSE All Share	58 088,53	58 207,82	+0,21%
SA repo rate	6.50	6.50	0,00%
SA CPI (y/y %)	4,50	4,50	0,00%
SA CPI – food (y/y %)	3,70	3,70	0,00%

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

- The Rand lost ground this morning, weakening by 0.63 percent against the US Dollar from levels seen at midday yesterday, partly due to relatively lower global commodity prices. Furthermore, these losses were in line with the US Dollar appreciation against major currencies ahead of the US Fed meeting. At the time of writing, the Rand/US Dollar exchange traded around R13.33. From a domestic data front, Stats SA will release the Retail Sales data for April 2018.
- This morning the Brent crude oil price pulled back from levels seen at midday yesterday, but still trading at higher levels around US\$75 per barrel mark. The oil price has partly been sustained at these levels by a combination of factors, but most importantly the expected decline in Iran and Venezuela' oil production. Aside from that, this morning's marginal losses can be ascribed to an expected uptick in US oil production.



MAIZE/CORN	12/06/2018*	13/06/2018*	d-o-d (%Δ)
White maize Spot (R/t)	2 083	2 056	-1,30%
White maize Jul 18 (R/t)	2 095	2 070	-1,19%
Yellow maize Spot (R/t)	2 179	2 158	-0,96%
Yellow maize Jul 18 (R/t)	2 201	2 183	-0,82%
CME corn May 18 (US cents/bushel)	370	376	+1,62%

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

- Following a good run at the start of the week, the SAFEX maize prices came under pressure in yesterday's trade session as the Rand, which has been amongst the key drivers of the market, slightly strengthened against the US Dollar towards midday yesterday. The lower Chicago maize prices, coupled with the ongoing harvest activity also added bearish pressure to the market.
- Last night, the United States Department of Agriculture (USDA) left its estimate for South Africa's 2017/18 maize production unchanged from the last month at 13.5 million tonnes. While above market expectations, this is lower than the previous season's record harvest of 17.6 million tonnes due to a decline in area planted and expectations of average yields in some areas.
- Moreover, this is in line with the National Crop estimate Committee's estimate for overall production (commercial and non-commercial). The non-commercial production, which is subsistence farming accounts for a 6 percent share in the estimated harvest of 13.5 million tonnes.
- The key message from these numbers is that South Africa's maize market will be well supplied in the 2018/19 marketing year. The total maize supplies could reach 16.3 million tonnes, well above the local demand of 10.8 million tonnes, according to data from the national Supply and Demand Estimates Committee. The supplies figure includes an opening stock and expected production.
- This essentially means that South Africa's 2018/19 marketing year maize exports could, at least, amount to 2.4 million tonnes, down by 4 percent from the volume exported in 2017/18. Most importantly, this suggests that the SAFEX maize prices could remain at relatively lower levels for some time, all else being equal.
- With that said, last week's maize exports were quite disappointing. The country exported 27 103 tonnes of maize in the week, down by 73% volume exported in the week of 01 June 2018. About 75 percent of the exports were yellow maize, with 25 percent being white maize.

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



WHEAT	12/06/2018*	13/06/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 861	3 867	+0,16%
SAFEX Wheat Dec 18 (R/t)	3 925	3 940	+0,38%
CME Wheat spot (US cents/bushel)	517	531	+2,71%

*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, driven by a combination of factors. These include commercial buying interest, as well as spillover support from higher Chicago wheat market, which in turn, was supported by lingering concerns of dryness in the southern parts of Russia.
- Yesterday was quite an eventful day in the global wheat market, but before we delve into that, there were a few data releases in the local market which included the weekly grain trade data. Last Week, South Africa imported 28 932 tonnes of wheat, down by 45 percent from the volume imported in the week of 01 June 2018. About 95 percent from Russia and 5 percent from Germany. This brought South Africa's 2017/18 wheat imports to 1.3 million tonnes, which equates to 68 percent of the season's import forecast of 1.9 million tonnes.
- In the fields, the recent rainfall in the Western Cape province have made a notable improvement on subsoil moisture, which should support the newly emerged crop. This is evident on the provincial dam levels which averaged 26 percent in the week of 11 June 2018, up by 2 percentage points from the previous week and 7 points from the corresponding period last year.
- Fortunately, the weather forecast for the next eight days shows a possibility of continuous rainfall in parts of the Western Cape province which bodes well with the new season crop. These are encouraging developments for farmers, but subsoil moisture levels are still low across the province due to the recent drought. The province needs intense and persistent rainfall in order to show notable improvements.
- Beyond our borders, the USDA revised its 2018/19 global wheat production estimate down marginally from last month to 745 million tonnes. This was driven by expected lower harvest in the EU and the Black Sea regions. Overall, the expected harvest is 2 percent lower than the 2017/18 production season.
- The global wheat demand is set to remain fairly solid. The 2018/19 global wheat imports are estimated at 184 million tonnes, up by a percentage point from the previous season. North Africa and the Middle-East are amongst the key wheat importing regions, with 2018/19 imports estimated at 26 million and 18 million tonnes, respectively. These developments could partially support global wheat prices in the medium term, which could then spillover to the local market as South Africa is a net importer of wheat.

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



SOYBEAN	12/06/2018*	13/06/2018*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 400	4 404	+0,09%
SAFEX Soybean Jul 18 (R/t)	4 449	4 444	-0,11%
CME Soybean Spot (US cents/bushel)	958	944	-1,46%

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

- The SAFEX soybean market ended yesterday' trade session on a mixed footing. The spot price benefitted from spillover support from the Chicago soybean market. Meanwhile, July 2018 contract month price settled in negative territory due to harvest pressure.
- South Africa's soybean harvest activity is towards completion. The areas that are still harvesting could make good progress within the next two weeks due to favourable weather outlook. The yields in areas that have already harvested largely varied between average and above-average, which supports the National Crop Estimates Committee's view of a record harvest of 1.4 million tonnes.
- Beyond our borders, the focus is already on the new season crop, with planting activity underway in a couple of northern hemisphere countries. Yesterday the USDA lifted its 2018/19 global soybean production estimate marginally from last month to 355 million tonnes. This is 6 percent higher than the previous season.
- This is supported by an expected recovery in South America's soybean production, particularly Argentina where 2018/19 soybean production is estimated at 56 million tonnes, up by 44 percent from the 2017/18 production season. Brazil's harvest is estimated at 118 million tonnes, down by a percentage point from the previous season.
- Meanwhile, the United States, Canada and Ukraine, amongst others are expected a fairly lower crop compared to the 2017/18 production season.
- To reiterate a point made in yesterday's note, the USDA global soybean production estimate is almost in line with the International Grains Council estimates which of 356 million. The Council also cited a potential recovery in production in South America, China, India and Russia as a key driver of the expected large harvest.
- In terms of demand, the world's 2018/19 global soybean imports are estimated at 160 million tonnes, up by 4 percent from the previous season. China will be amongst the key importers with a volume of 103 million tonnes, which equates to 65 percent share of global soybean imports.

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



SUNFLOWER SEED	12/06/2018*	13/06/2018*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 615	4 607	-0,17%
SAFEX Sunflower seed July 18 (R/t)	4 644	4 643	-0,02%
EU (France) sunflower seed (US\$/t)	395	396	+0,25%

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

- The SAFEX sunflower seed market opened yesterday's session on the negative footing and remained under pressure throughout the day. The relatively stronger Rand against the US Dollar, combined with large producer deliveries on the back of ongoing harvest activities were amongst the key factors underpinning the market.
- The weather is increasingly becoming a primary focus in the global sunflower seed market as the new season crop is at its early stages of development in most northern hemisphere countries. The Black Sea region experienced dryness in the past couple of week, but conditions have now improved. Yesterday there were reports of rainfall in Romania, Moldova and western parts of Ukraine, which bodes well with the new season sunflower seed crop.
- The Black Sea region is expected to have a fairly good season because of an expansion in areas planted in Russia and Ukraine, and prospects of favourable weather conditions. Russia and Ukraine's 2018/19 sunflower seed production is estimated at 11.3 million and 14.0 million tonnes, each respectively up 5 percent from the previous season, according to data from SUNSEEDMAN.
- Meanwhile, Romania and Moldova's 2018/19 sunflower seed production could decline by 9 percent and 3 percent from the previous season to 2.1 million tonnes and 825 000 tonnes due to a reduction in area planted and expectations of lower yields in some areas.
- The aforementioned countries are not alone in the declining production trend. As set out in our previous note, Stratégie Grains forecasts a 5 percent annual decline in the EU's 2018/19 sunflower seed production to 9.1 million tonnes due to an expected reduction in area planted.
- With that said, we are still a few months into the 2018/19 production season, more information will unfold over the coming months. Ultimately, the weather will be a primary factor to watch as it will influence the yield levels in various countries. Overall, USDA forecasts 2018/19 global sunflower seed production at 49.8 million tonnes, up by 6 percent from the previous season. If the yields change in most countries over the coming months, this global production estimate will also change.

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



POTATO	12/06/2018*	13/06/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	31,19	31,95	+2,44%

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

- Yesterday the South African potatoes market managed to claw back its recent losses, supported by strong commercial buying interest. The price was up by 2 percentage points from the previous day, closing at R31.95 per pockets (10kg bag).
- Nonetheless, in the session, the market experienced an uptick in deliveries due to the ongoing harvest activity in most parts of the country. This subsequently led to a 6 percent increase in daily stock to 1.19 million pockets (10kg bag) by close of business.

Bottom line – Today the South African potatoes market could experience extended losses owing to a large stock of 1.19 million pockets (10kg bag).

FRUIT (South Africa)	12/06/2018*	13/06/2018*	d-o-d (%Δ)
Apples (R/kg)	6,45	6,53	+1,24%
Bananas (R/kg)	5,70	5,88	+3,16%
Oranges (R/kg)	2,49	2,64	+6,02%

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

- The South African fruit market posted gains in yesterday's trade session following a decline in daily stocks. The price of apples was up by a percentage point from the previous day, closing at R6.53 per kilogram. This was underpinned by an 8 percent decline in daily stocks to 501 399 tonnes.
- The prices of bananas and oranges were up by 3 percent and 6 percent from the previous day, closing at R5.88 and R2.64 per kilogram, respectively. This followed a 19 percent and 9 percent decline in daily stocks of bananas and oranges to 804 161 tonnes and 871 981 tonnes, respectively.

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	12/06/2018*	13/06/2018*	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

- There have not been any movements in SAFEX beef market in months due to thinly traded volumes. Yesterday's session was no different, the price was flat, at R39.50 per kilogram. Overall, 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 supply, the South African farmers slaughtered 188 888 head of cattle in April 2018, down by 6 percent from the same period last year. The decline in slaughtering is on the back of a cattle herd rebuilding process after a reduction during the 2015-16 drought. However, the trend 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.

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

- There forecast for the next eight days is quite favourable (figure 1). There are clear skies over summer crop growing areas which should support the harvest activity, whereas the winter crop growing areas of the Western Cape could receive a rainfall which bodes well with the new season crop.
- The weather forecast for the week of 28 June 2018 presents more of the same, which is cool and drier weather conditions in most parts of the country. The Western Cape province could also receive light showers over the observed period but will be concentrated in areas around Helderberg and Winelands (figure 2).

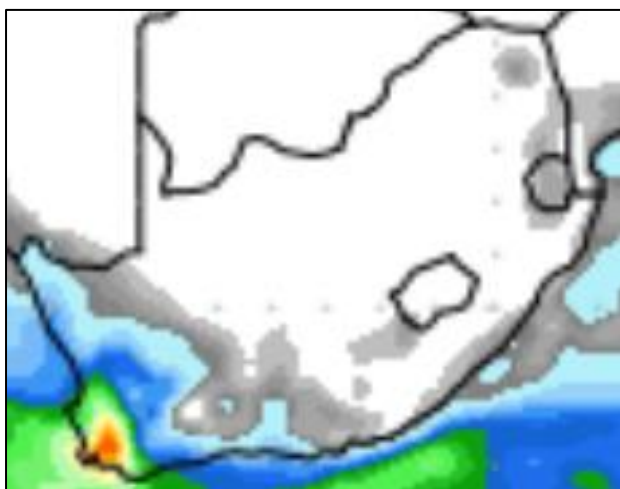


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

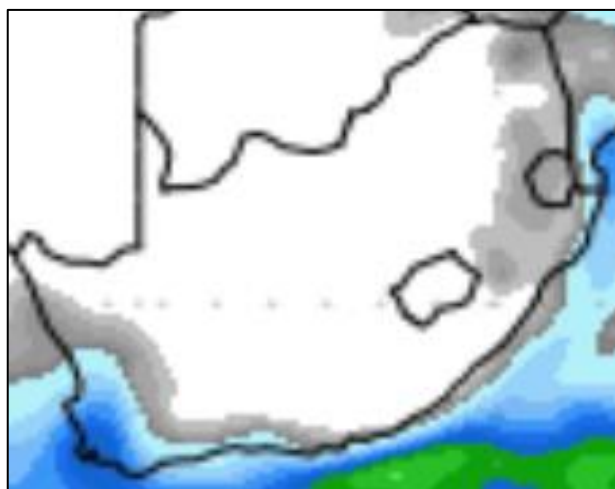


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

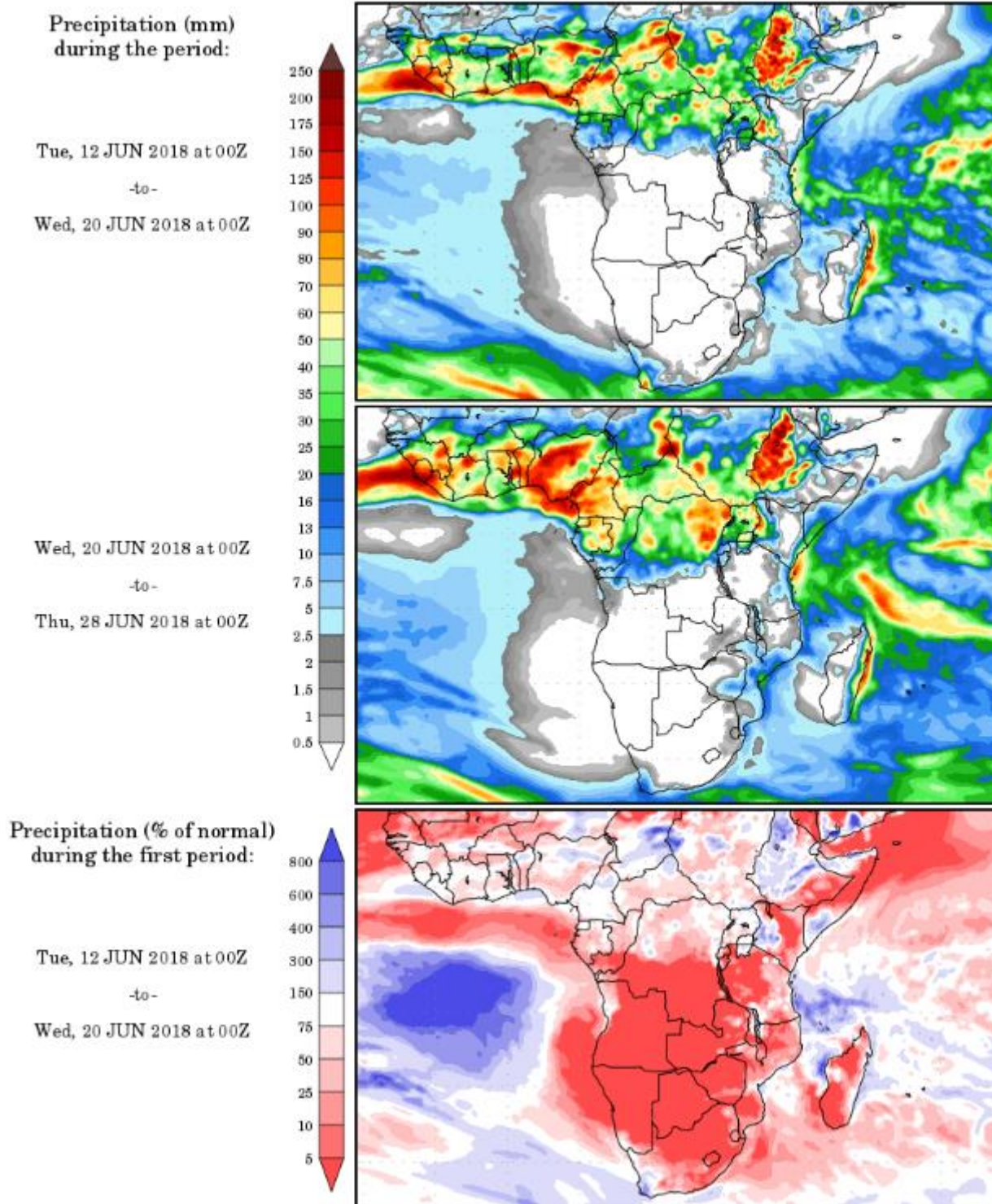


Figure 3: Precipitation forecast
Source: wxmaps

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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