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Key Data Releases in Agricultural Markets:

- USDA's crop progress report: 02/07/2018
- SAGIS weekly grain trade data: 03/07/2018
- SAGIS producer deliveries data: 04/07/2018
- SAGIS monthly data: 25/07/2018
- National Crop Estimates Committee's fifth summer crop production estimates: 26/07/2018

ECONOMIC INDICATORS	27/06/2018*	28/06/2018*	d-o-d (%Δ)
Rand/US Dollar	13,66	13,86	-1,44%
Rand/Euro	15,89	16,01	-0,75%
Euro/US Dollar	1,1603	1,1560	-0,37%
Gold Spot	1 257,92	1 252,51	-0,43%
Brent Crude Oil	76,39	77,49	+1,44%
Platinum Spot	867,30	859,00	-0,96%
Dow Jones Industrial Average	24 501,21	24 117,59	-1,57%
JSE All Share	54 763,88	55 369,26	+1,11%
SA repo rate	6.50	6.50	0,00%
SA CPI (y/y %)	4,40	4,40	0,00%
SA CPI – food (y/y %)	3,00	3,00	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 1.44 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. At the time of writing, the Rand/US Dollar exchange traded around R13.86. From a domestic data front, Stats SA will release the Producer Price Index data for May 2018.
- The Brent crude oil price was up by 1.44 percent from levels seen at midday yesterday, trading around US\$77.49 per barrels. This comes after the Energy Information Administration's data showed that the US crude oil supplies declined by 9.9 million barrels in the week of 22 June 2018 - far exceeded market expectations of a 2.3 million barrels decline. This coincided with the lingering concerns about Libyan crude oil exports.



MAIZE/CORN	27/06/2018*	28/06/2018*	d-o-d (%Δ)
White maize Jul 18 (R/t)	2 046	2 061	+0,73%
White maize Dec 18 (R/t)	2 192	2 206	+0,64%
Yellow maize Jul 18 (R/t)	2 150	2 167	+0,79%
Yellow maize Dec 18 (R/t)	2 284	2 299	+0,66%
CME corn July 18 (US cents/bushel)	354	352	-0,56%

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

- The SAFEX maize market posted gains in yesterday's trade session with support emanating from the weaker Rand against the US Dollar, commercial buying interest, as well as slightly higher Chicago maize prices.
- The harvest activity is gaining momentum across the country, largely supported by favourable weather conditions. The progress is reflected in the volumes of maize delivered to commercial silos which amounted to 845 630 tonnes in the week of 22 June 2018, up by 10 percent from the previous week.
- About 59 percent of this was yellow maize, with 41 percent being white maize. Overall maize deliveries for the initial eight weeks of the 2018/19 marketing year are estimated at 3.1 million tonnes, which equates to 23 percent of the estimated harvest for the season.¹
- More maize will be delivered in the coming weeks as the expected cool and drier weather conditions during the next two weeks could provide conditions conducive for the harvest activity, particularly in the early planted areas in the eastern and central parts of the South African maize-belt.
- To reiterate a point made in our previous note, the National Crop Estimate Committee lifted its forecast for South Africa's 2017/18 maize production by 2 percent from last month to 13.2 million tonnes. Of this, 6.9 million tonnes are white maize, with yellow maize at 6.3 million tonnes. Meanwhile, subsistence farmers' maize production forecast (white and yellow) was left unchanged from last month, currently at 593 975 tonnes.
- Furthermore, with the domestic annual maize need estimated at 10.8 million tonnes, at the back of expected 13.2 million tonnes of production, with an opening stock of 3.7 million tonnes, South Africa could see exports exceeding 2.5 million tonnes in the 2018/19 marketing year which ends on April 2019. Fortunately, the regional maize demand could be solid this season given that a number of countries are expecting a lower harvest.

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

¹ The 2018/19 marketing year corresponds with 2017/18 production season.



WHEAT	27/06/2018*	28/06/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	3 981	4 009	+0,70%
SAFEX Wheat Dec 18 (R/t)	4 085	4 098	+0,32%
CME Wheat spot (US cents/bushel)	478	477	-0,21%

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

- The weaker Rand against the US Dollar, combined with higher Chicago wheat prices provided a bit of support to the local market during yesterday's trade session.
- In the absence of major news in the domestic wheat market, the weather remains a centre of attention as it could influence crop growing conditions within the next few months. The forecast for the next eight days shows a possibility of light showers of between 16 and 30 millimetres in the West Coast, Swartland, Helderberg, Winelands and northern parts of Overberg regions of the Western Cape province. Meanwhile, the week of 13 July 2018 could probably be cool and dry, which is not conducive for the crop.
- This is somewhat in contrast to the optimistic picture painted by the South African Weather Service earlier this week. With that said, these are short-term forecast which could change any day. We remain positive that the local weather bureau's view of a possibility of above-normal rainfall in the south-western parts of the country within the next three months could materialise.
- As set out in yesterday's note, the expected higher rainfall is exactly what is needed in the Western Cape province following months of dryness that depleted subsoil moisture. The recent showers have been useful in supporting plantings and sustaining the new season crop but were not sufficient to improve subsoil moisture levels. Most importantly, the rainfall was not evenly distributed across the province, the crop in regions such as the Southern Cape are generally not in good condition.
- Aside from the production dynamics, some farmers continue to deliver old season crop to commercial silos. About 583 tonnes of wheat were delivered to commercial silos in the week of 22 June 2018, which is well below the volume delivered in the previous week. Overall, South Africa's 2017/18 marketing year wheat deliveries for week 1 to 38 are estimated at 1.5 million tonnes
- Another key factor which could support prices in the near term is the decline in stock levels. South Africa's wheat stocks were at 995 583 tonnes in May 2018, down by 11 percent from the previous month and 5 percent from the corresponding period last year due to an uptick in monthly demand, as well as relatively lower supplies following a drought period (import activity was also slow in the past couple of weeks).

Bottom line – Today the local wheat prices could also experience a sideways movement if the ZAR/USD exchange and Chicago wheat prices maintain the current trends.



SOYBEAN	27/06/2018*	28/06/2018*	d-o-d (%Δ)
SAFEX Soybean Jul 18 (R/t)	4 308	4 675	+8,52%
SAFEX Soybean Dec 18 (R/t)	4 527	4 519	-0,18%
CME Soybean Spot (US cents/bushel)	874	863	-1,26%

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

- Yesterday there was an unusual upswing of 9 percent in the daily SAFEX soybean spot price to R4 675 per tonne. It is unclear what exactly underpinned this movement, but some of the factors are the weaker Rand against the US Dollar, coupled with commercial buying interest. Meanwhile, the December contract month price was under pressure due to spillover from lower Chicago soybean prices.
- This notable uptick could soon be reversed following an upward revision of the 2017/18 soybean production forecast. As indicated in our previous note, the National Crop Estimates Committee lifted its soybeans production estimate by 8 percent from last month to a new record level of 1.55 million tonnes. This was mainly driven by a large area planted, as well as expected higher yields on the back of favourable weather conditions.
- The key producing provinces are Free State, Mpumalanga and KwaZulu Natal, collectively accounting for 88 percent of the expected harvest of 1.55 million tonnes. All these provinces experienced an expansion in area planted this season.
- This will essentially lead to a further decline in South Africa's soybean and soybean oilcake imports. We estimate that South Africa's soybean and oilcake imports could decline by 27% and 17% year-on-year in the 2018/19 marketing year, to 20 000 tonnes and 458 992 tonnes, respectively.
- In the fields, the harvest activity is towards completion and this is clear from the declining trend in producer deliveries after weeks of higher volumes. In the week of 22 June 2018, about 27 034 tonnes of soybean was delivered to commercial silos, which is 34 percent lower than the previous week.
- Overall, in the first 17 weeks of the 2018/19 marketing year, soybean producer deliveries amounted to 1.44 million tonnes, which equates to 93 percent of the expected harvest of 1.55 million tonnes.² A few more areas that are at the final stages of harvesting will benefit from expected cool and drier weather conditions within the next two weeks.

Bottom line – Similar to other commodities, today the SAFEX soybean prices could experience a sideways movement if the ZAR/USD exchange and Chicago soybean prices maintain the current trends.

² The 2018/19 marketing year corresponds with 2017/18 production season.



SUNFLOWER SEED	27/06/2018*	28/06/2018*	d-o-d (%Δ)
SAFEX Sunflower seed July 18 (R/t)	4 700	4 705	+0,11%
SAFEX Sunflower seed Dec 18 (R/t)	4 945	4 970	+0,51%
EU (France) sunflower seed (US\$/t)	387	387	0,00%

*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 trade session on a positive footing and maintained the gains throughout the day as the weaker domestic currency against the US Dollar continued to provide support to the market.
- The favourable weather conditions continue to provide conducive conditions for harvest activity. This is marked by volumes of sunflower seed delivered to commercial silos in the past couple of weeks. In the week of 22 June 2018, sunflower seed producer deliveries amounted to 50 907 tonnes, which is 16 percent higher than the previous week. This placed 2018/19 sunflower seed producer deliveries at 486 465 tonnes, which equates to 61 percent of the estimated harvest of 792 255 tonnes.
- The current momentum in harvest activity is likely to last for some time as weather forecast show a possibility of cool and drier weather conditions within the next two weeks in sunflower seed growing regions. The yield reports from farmers point to average and above-average yields in most areas, which is roughly in line with the National Crop Estimates Committee's forecast of 1.32 tonnes per hectare.³
- In the fields, frost remains a key concern in the late planted regions, but it might not negatively affect the yield levels, the impact could possibly be on the quality of the crop. With that said, there are a few areas that have reported so far, mainly areas around Lichtenburg, Delareyville, Sannieshof, Bothaville and Mafikeng. The extent of damage is, nonetheless, still unknown.
- Overall, South Africa's 2018/19 sunflower seed supplies could amount to 955 596 tonnes this season, down by 9 percent from the previous season due to an expected decline in production.⁴ This coincides with the expected decline in sunflower seed consumption (crush and oil). As a result, imports could amount to 500 tonnes, down by 10 percent from the previous season.

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

³ The National Crop estimates Committee's fifth production estimate was left unchanged from last month, at 792 255 tonnes, which is in line with our expectations. With that said, this is 9 percent lower than the 2016/17 production season's harvest due to a reduction in area planted, which in turn, was underpinned by unfavourable weather conditions at the start of the season.

⁴ The 2018/19 marketing year corresponds with 2017/18 production season.



POTATO	27/06/2018*	28/06/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	32,14	31,30	-2,61%

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

- The South African potatoes market lost ground in yesterday's trade session with the price down by 3 percent from the previous day, closing at R31.30 per pockets (10kg bag). This was mainly pressured by a large stock of 1.01 million pockets (10kg bag) at the start of the session.
- Furthermore, in the session, the market experienced an uptick in producer deliveries on the back of ongoing harvest activity in most parts of the country, which subsequently led to an 8 percent increase in daily stock to 1.09 million pockets (10kg bag) by close of business.

Bottom line – Today the South African potatoes market could experience extended losses owing to a relatively large stock of 1.09 million pockets (10kg bag).

FRUIT (South Africa)	27/06/2018*	28/06/2018*	d-o-d (%Δ)
Apples (R/kg)	7,32	6,87	-6,15%
Bananas (R/kg)	4,64	4,48	-3,45%
Oranges (R/kg)	2,04	1,97	-3,43%

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

- After experiencing a good run at the start of the week, the South African fruit market pulled back in yesterday's session and settled in negative territory due to commercial selling. The price of apples and bananas were down by 6 percent and 3 percent from the previous day, closing at R6.87 per kilogram and R4.48 per kilogram, respectively. This, however, could be short-lived due to relatively lower stocks of 460 000 tonnes of apples and 891 000 tonnes of bananas at the end of yesterday's session.
- The price of oranges was down by 3 percent from the previous day, reaching a lower level of R1.97 per kilogram. The market was largely pressured by large stocks of 1.2 million tonnes, which in turn was supported by an increase in producer deliveries.

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

BEEF CARCASS	27/06/2018*	28/06/2018*	d-o-d (%Δ)
SAFEX Beef Sep 18 (R/kg)	47,50	47,50	0,00

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

- Yesterday the SAFEX beef carcass prices remained unchanged from the previous day due to thinly traded volumes. 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 219 434 head of cattle in May 2018, down by 4 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

- The next eight days could bring light showers of between 16 and 30 millimetres in the West Coast, Swartland, Helderberg, Winelands and northern parts of Overberg regions of the Western Cape province, while the rest of the country could experience cool and drier weather conditions (figure 1).
- The weather forecast for the week of 13 July 2018 currently shows clear skies across most parts of the country (figure 2). This bodes well for harvest activity in summer crop growing regions but will strain winter crops which urgently need moisture at the current stages of development.

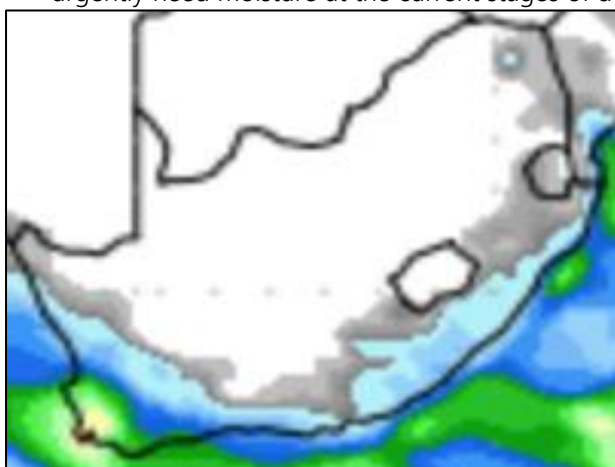


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

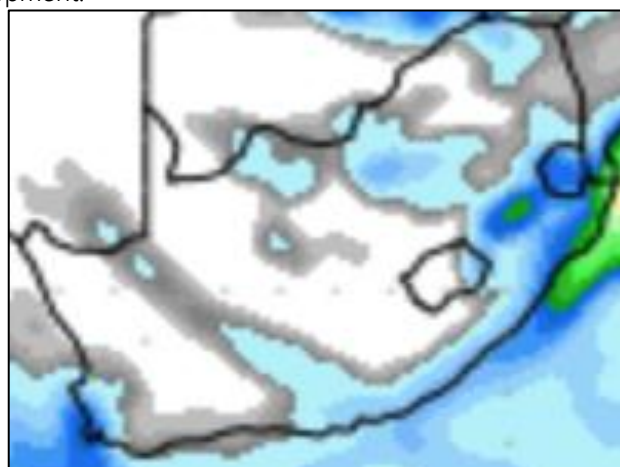


Figure 2: Next 16-days precipitation forecast
Source: wxmaps



Precipitation Forecasts

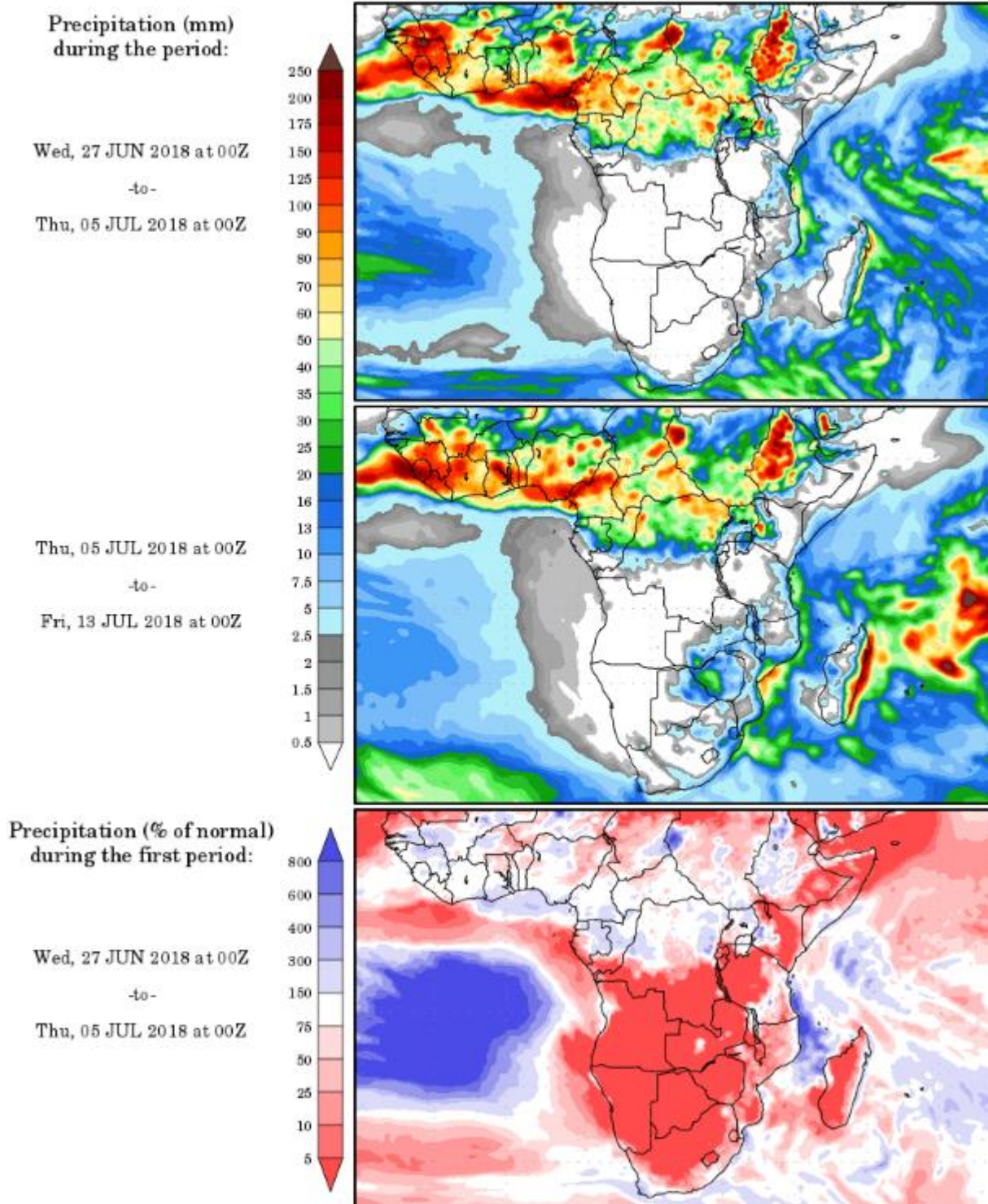


Figure 3: Precipitation forecast

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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