

South African Agricultural Commodities Weekly Wrap

Although the recent upward revision of South African maize and soybean production forecasts underscored the view that the country's supplies are in good shape, the weaker Rand against the US Dollar provided support to the market this week. The largest gains were on wheat and soybeans with spot prices respectively up by 3 percent and 2 percent from last week. Other commodity prices were up marginally from last week. In the fields, the harvest process is in full swing across the country and the yield reports from farmers have largely been positive. Looking ahead, the weather will be a key focus within the next couple of weeks as it continues to influence the harvest activity of summer crops and growing conditions of new season winter crops. The forecasts for the next eight days is favourable, showing clear skies over summer crop areas and a fair chance of rainfall in winter crop growing areas.

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Maize market

While the harvest activity is still at initial stages with just 23 percent of the estimated crop harvested so far, the yield reports from a couple of farmers and the recent upward revision of the production estimates show that the country's maize supplies will be in good shape in the 2018/19 marketing year. To recap, the national Crop Estimate Committee lifted its forecast for South Africa's commercial maize production by 2 percent from last month to 13.2 million tonnes, with subsistence farmers' maize production forecast unchanged from last month at 593 975 tonnes.¹

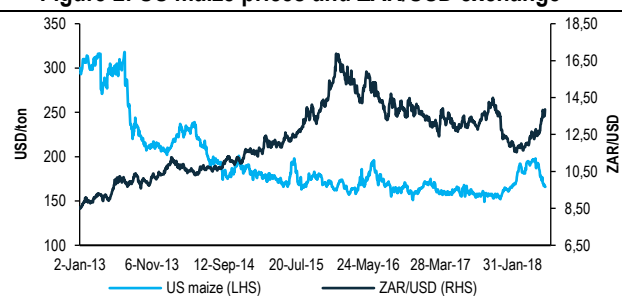
Total maize supplies for the 2018/19 marketing year could reach 16.9 million tonnes, which is well above annual domestic consumption of 10.8 million tonnes. This essentially means South Africa will remain a net exporter of maize this year. In terms of pricing, white and yellow maize spot prices were marginally up from levels seen last week due to the weaker domestic currency, averaging R2 067 and R2 166 per tonne, respectively (Figure 1).

Figure 1: South African maize prices



Source: JSE, Agbiz Research

Figure 2: US maize prices and ZAR/USD exchange



Source: IGC, Bloomberg, and Agbiz Research

¹ It is worth noting is that the expected 13.2 million tonnes crop is well above an average production of 12.5 million tonnes, but 21% lower than the previous season.

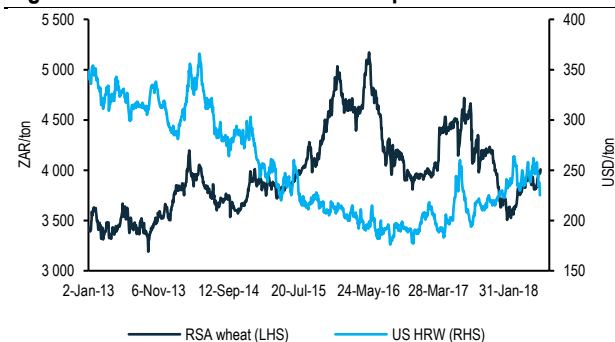
Wheat market

The weather remains a central part of the discussion in the South African wheat market as the crop is still in its early stages of development. The forecast for the next eight days shows a possibility of light showers of between 16 and 40 millimetres over the Western Cape province. This will not be sufficient to replenish subsoil moisture but will keep the new season winter wheat in good condition. Furthermore, the medium term forecasts remain positive, following the South African Weather Service’s view of a possibility of above-normal rainfall in the south-western parts of the country within the next three months. This is precisely what the province needs in order to replenish subsoil moisture and subsequently benefit the winter wheat crop following months of dryness. The recent showers were light and scattered, thus improvements have largely been limited on topsoil moisture. The dams also benefited from recent showers. The Western Cape provincial dam levels averaged 36 percent in the week of 25 June 2018, up by 2 percentage points from the previous week and 13 percentage points from the corresponding period last year.

As set out earlier this week, the USDA forecasts South Africa’s 2018/19 wheat production at 1.65 million tonnes, up by 8% from the previous season due to expectations of higher yields. With that said, the official production estimated by the national Crop Estimates Committee will only be released at the end of August. What is known at the moment is that South African wheat farmers intended to plant 500 500 hectares of wheat in the 2018/19 marketing year, well above the USDA’s estimate of 480 000 hectares, and 2 percent higher year-on-year.

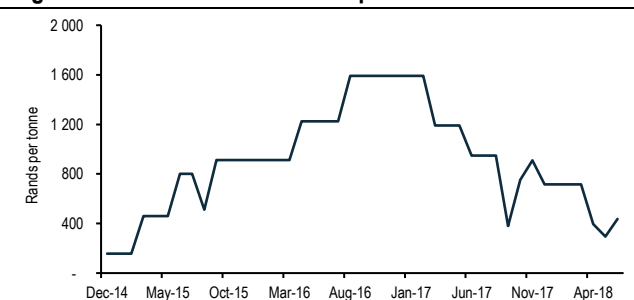
In terms of trade policy, the import tariff matters will continue to dominate the market as imports are set to reach the second highest level on record in the 2017/18 marketing year, which ends in September 2018. On 12 June 2018, the wheat import tariff triggered to a new rate of R281.74 per tonne, which is 36 percent lower than the current rate. This adjustment followed an uptick in global wheat prices in the past couple of weeks, due to unfavourable weather conditions in parts of the Black Sea and the EU regions. The newly triggered rate of R281.74 per tonne has not yet been published on the government gazette, and will only be applicable after its publication (Figure 4). The timeframe for this process is unclear, but previous adjustments took more than three weeks. Overall, the SAFEX wheat spot price averaged R3 982 per tonne, up by 3 percent from last week (Figure 3).

Figure 3: South Africa and US wheat prices



Source: JSE, IGC, and Agbiz Research

Figure 4: South Africa’s wheat import tariff



Source: SAGIS and Agbiz Research

Soybean market

This was a data-packed week for soybean market, with the most notable release being the national Crop Estimate Committee’s fifth production forecast for 2017/18 season. As highlighted in our previous note, the Committee lifted its soybeans production estimate by 8 percent from last month to a new record level of 1.55 million tonnes due to higher yields. The key producing provinces are Free State, Mpumalanga and KwaZulu Natal, collectively accounting for 88 percent of the expected harvest. This is a positive development and will essentially lead to a further decline in 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.

Also worth noting is that the harvest activity is towards completion in the fields. 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 for this season. These developments were, nonetheless, overshadowed by the impact of the weaker domestic currency. Hence, the SAFEX soybean price increased by 2 percent compared to the previous week, averaging R4 408 per tonne (Figure 5).

Sunflower seed market

The sunflower seed production forecast was left unchanged from last month, at 792 255 tonnes, which was roughly in line with market expectations. At the moment, the key focus in the market is weather, as the harvest activity is still underway in most areas. The favourable conditions experienced in the past couple of weeks have added good momentum to the harvest activity. In the week of 22 June 2018, the 2018/19 sunflower seed producer deliveries had already accumulated to 486 465 tonnes, which equates to 61 percent of the estimated harvest for the season.

Another important release this week was the SAGIS monthly figures, which showed that South Africa’s sunflower seed stock was at 308 659 tonnes in May 2018, down by 43 percent from the same period last year due to expectations of a fairly lower crop and delayed harvest activity in late-planted areas. In terms of pricing, the SAFEX sunflower seed price averaged R4 689 per tonne this week, up by a percentage point from last week (Figure 6).

Figure 5: Soybean prices

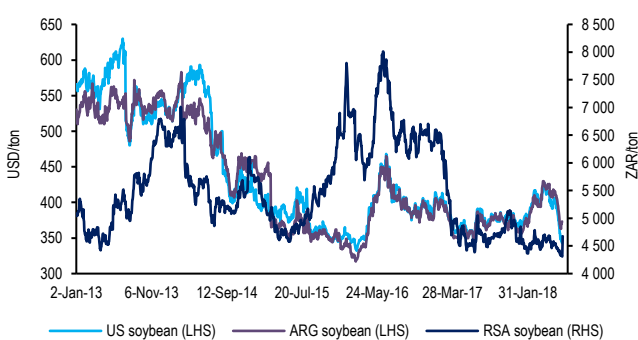
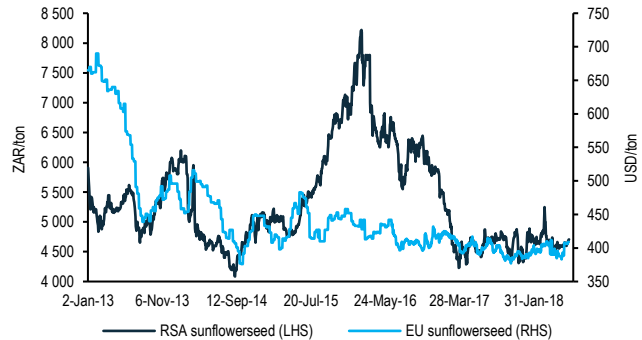


Figure 6: Sunflower seed prices



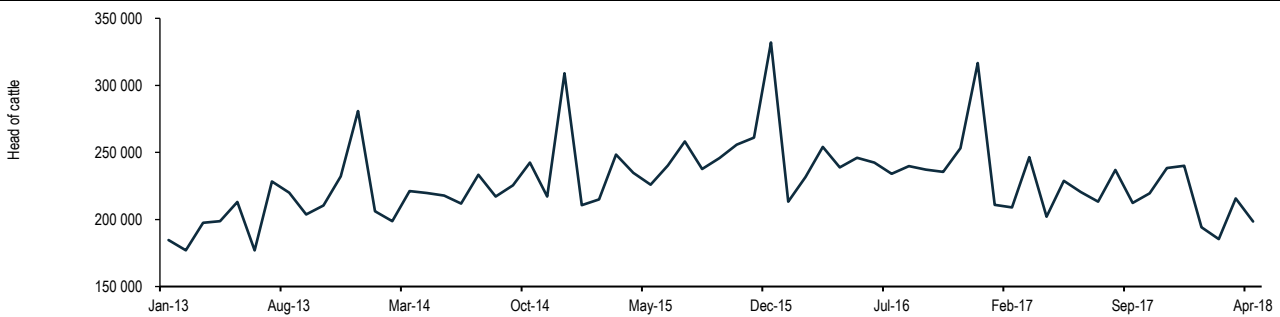
Source: JSE, IGC, and Agbiz Research

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Beef market

There was not much happening in the SAFEX beef carcass market this week, the price remained flat, averaging R47.50 per kilogram due to thinly traded volumes. That said, this 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 May 2017 due to the herd rebuilding process after a reduction during the 2015-16 drought (Figure 7). 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.

Figure 7: Monthly cattle slaughtering activity

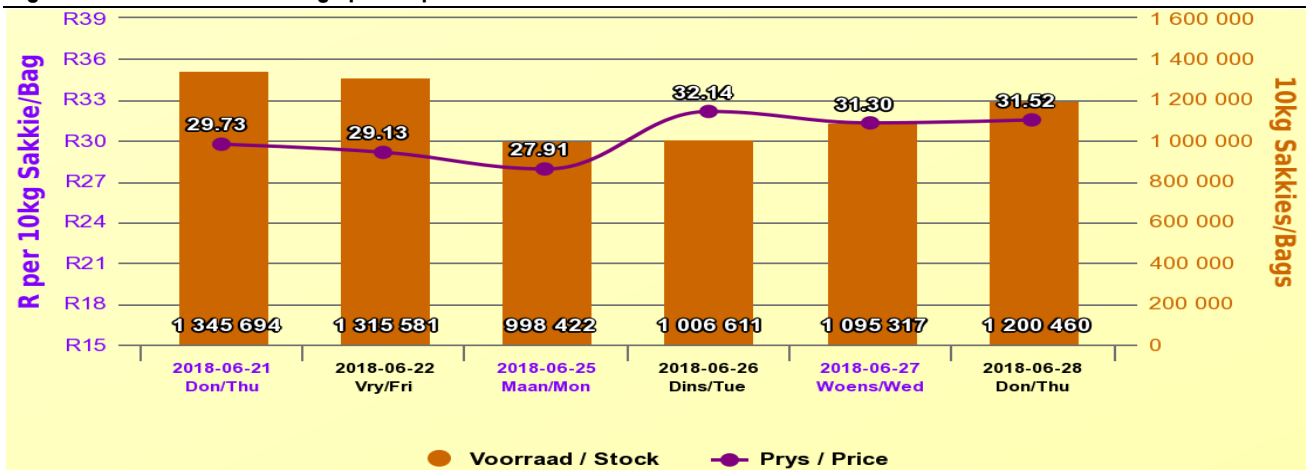


Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week on a positive footing, with the price up by 6% from the previous week, closing at R31.52 per pocket/10kg bag (Chart 8). These gains were mainly on the back of a slight decline in stock levels to 1.20 million pockets (10kg bag), which in turn, were underpinned by a reduction in producer deliveries.

Figure 8: South Africa's average potato prices and stocks



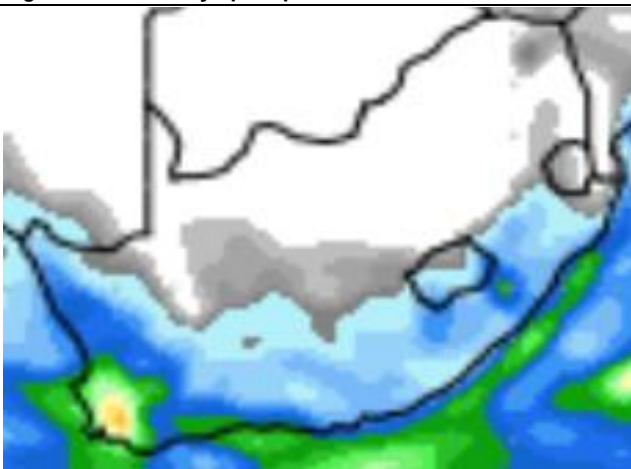
Source: Potato SA

Weather conditions ahead of the weekend

The next eight days could bring light showers of between 16 and 40 millimetres over the Western Cape province, which bodes well for winter crops. Meanwhile, the rest of the country could experience cool and drier weather conditions, which should support the summer crop harvest activity (Figure 9).

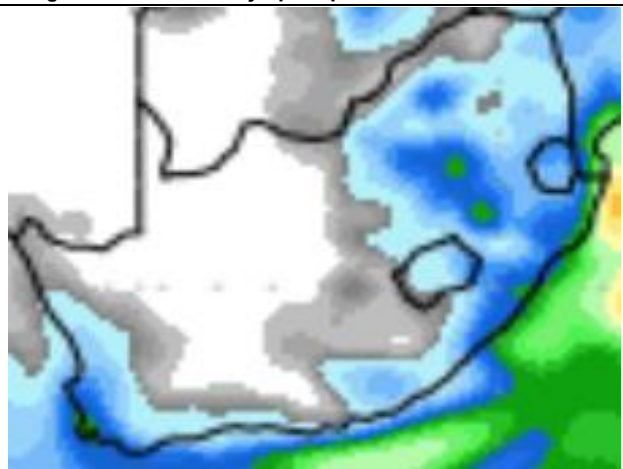
The week of 14 July 2018 shows a possibility of dry and cool weather conditions over the Western Cape province, while the northern parts of the country could experience light showers (Figure 10). This does not bode well for both winter and summer crops. The forecast showers could delay the summer crop harvest activity, while drier weather conditions could strain winter crops, which need moisture at its current stages of development.

Figure 9: Next 8-days precipitation forecast



Source: wxmaps

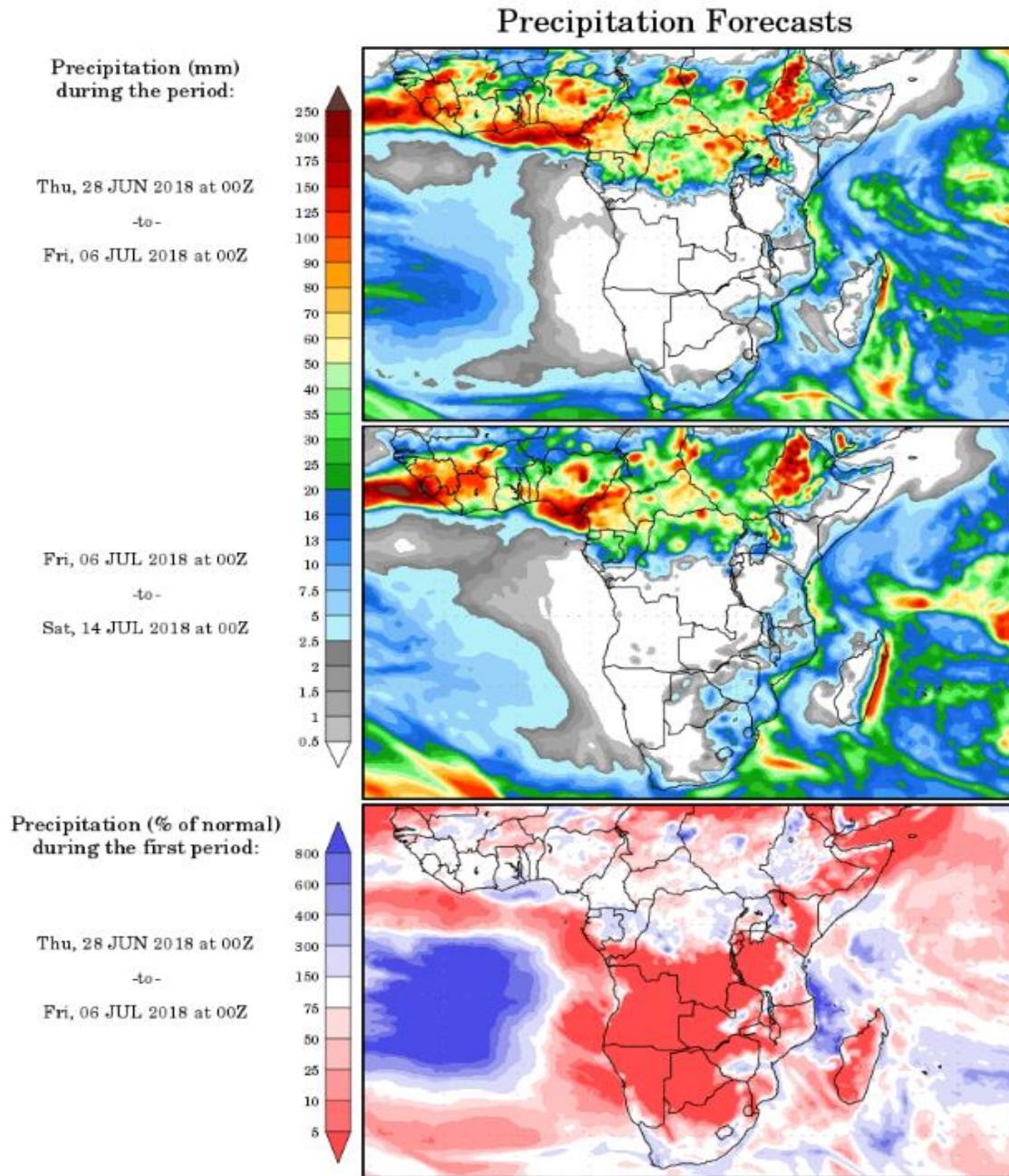
Figure 10: Next 16-days precipitation forecast



Source: wxmaps



Figure 11: Precipitation forecast for the next two weeks



Source: wxmaps

Key data releases in the South African agricultural market

- 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 data: 26/07/2018

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