

FOR ANY QUERIES, PLEASE CONTACT:

 Wandile Sihlobo: wandile@agbiz.co.za
Key Data Releases in Agricultural Markets:

- SAGIS weekly grain trade data: 17/07/2018
- SAGIS producer deliveries data: 18/07/2018
- USDA's crop progress report: 23/07/2018
- SAGIS monthly data: 25/07/2018
- National Crop Estimates Committee's sixth summer crop production estimates: 26/07/2018

ECONOMIC INDICATORS	16/07/2018*	17/07/2018*	d-o-d (%Δ)
Rand/US Dollar	13,19	13,18	+0,08%
Rand/Euro	15,43	15,45	-0,13%
Euro/US Dollar	1,1703	1,1718	+0,13%
Gold Spot	1 243,97	1 241,39	-0,21%
Brent Crude Oil	73,45	72,24	-1,65%
Platinum Spot	833,10	830,50	-0,31%
Dow Jones Industrial Average	25 045,45	25 064,36	+0,08%
JSE All Share	55 877,90	55 442,04	-0,78%
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

- This morning the Rand was almost flat from levels seen at midday yesterday, trading around R13.18 to the US Dollar. The marginal gains recorded were in line with the US Dollar depreciation against major currencies. Aside from this, the key focus this week is on the SARB's interest rate announcement which is scheduled for Thursday. From a domestic data front, today's calendar is fairly light with no major releases.
- The Brent crude oil price pulled back from levels seen at midday yesterday. This morning the price was down by 1.65 percent, trading around US\$72.24 per barrel owing to a potential decline in global oil demand on the back of an expected slowdown in global economic growth. Moreover, the reopening of Libyan ports, combined with potential oil supply increases by Russia also added pressure to the oil market.



MAIZE/CORN	16/07/2018*	17/07/2018*	d-o-d (%Δ)
White maize Jul 18 (R/t)	1 979	1 958	-1,06%
White maize Dec 18 (R/t)	2 089	2 066	-1,10%
Yellow maize Jul 18 (R/t)	2 046	2 024	-1,08%
Yellow maize Dec 18 (R/t)	2 175	2 147	-1,29%
CME corn Sep 18 (US cents/bushel)	341	346	+1,47%

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

- The SAFEX maize market lost ground in yesterday's trade session as the stronger Rand against the US Dollar, coupled with lower Chicago maize prices continued to add pressure to the market.
- As set out in yesterday's note, South Africa's maize supplies for the 2018/19 marketing year are in good shape, estimated 16.7 million tonnes, which is 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.¹
- However, the preliminary weather forecasts for the upcoming production season which will start in October 2018 presents an unfavourable outlook. The most recent data from the International Research Institute for Climate Society shows a likelihood of an El Niño occurrence in the next season at levels over 60 percent. This means that there is a higher chance that South Africa could experience a drier season next year.
- With that said, these are still initial estimates, we will keep a close eye on the developments over the coming months in order to ascertain the impact of this on next season's crop production. In the near term, this will possibly have minimal impact on maize prices until there is some level of confidence or clarity on the estimates, which should be in the space of a month or two.
- Aside from these weather developments, the global maize market is also in good shape, following a slight upward revision of the production estimate for the 2018/19 season to 1.05 billion tonnes, according to the USDA. Most importantly, this is 2 percent higher than the 2017/18 global maize production. The key contributing countries are Brazil, Argentina, Russia, Ukraine and China, amongst others. Going forward, the weather will remain an important factor to monitor across the globe as it could still influence the aforementioned estimates.

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

¹ As indicated in the previous reports, this means South Africa's 2018/19 marketing year maize exports could, at least, amount to 2.5 million tonnes, slightly lower than the volume exported in 2017/18. Therefore, the SAFEX maize prices could remain at relatively lower levels for some time, all else being equal.



WHEAT	16/07/2018*	17/07/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 020	4 026	+0,15%
SAFEX Wheat Dec 18 (R/t)	4 148	4 145	-0,07%
CME Wheat spot (US cents/bushel)	493	492	-0,20%

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

- Unlike other commodities which registered notable losses in yesterday's trade session, the SAFEX wheat market experienced a fairly quiet session and settled on a mixed footing. The spot price was up, largely supported by the spillover from higher Chicago wheat price, whereas the December 2018 contract month price experienced losses.
- Aside from the price movements, initial indications suggest that South Africa could have a far better season compared to last year. A good boost has been the improvement in the Western Cape province's weather condition. The past couple of weeks brought widespread rainfall, which benefited the crop across the province. The region that started the season on bad footing was the Southern Cape but has also improved notably.
- Moreover, the next two weeks could bring additional rainfall across most parts of the province, which will further improve soil moisture and benefit the crop. It is worth highlighting that the rainfall of the past couple of weeks has not fully replenished soil moisture across the province following months of persistent dryness. The province still needs intense and persistent rainfall in order to recover. To this end, there is hope that the South African Weather Services estimates for above-normal rainfall between this month and September 2018 could materialise and make a meaningful improvement.
- The conditions in other major wheat producing provinces, Free State and Northern Cape, remain unchanged. These are the biggest wheat growing provinces after the Western Cape, respectively accounting for 19 percent and 7 percent of the intended area of 500 500 hectares in the 2018/19 production season. The winter wheat planting window in these provinces typically runs between June and July of each year, so planting should be completed by end of this month or early next month as weather forecasts also remain favourable for planting.²
- A clear picture of these positive developments will be presented at the end of next month when the national Crop Estimate Committee releases its first winter crop forecast forecasts. The indication from the ground suggests that a number of areas were able to plant the intended hectares. In closing, the key factor to monitor in the medium term is the weather as it will continue to influence the crop growing conditions.

Bottom line – Today the local wheat prices could be under pressure due to lower Chicago wheat prices and the relatively stronger ZAR/USD exchange.

² The planting activity in these provinces started in June, but at a fairly slower pace as farmers were still busy with the summer crop harvest process. Therefore, the completion could be in early August in some areas.



SOYBEAN	16/07/2018*	17/07/2018*	d-o-d (%Δ)
SAFEX Soybean Jul 18 (R/t)	4 231	4 145	-2,03%
SAFEX Soybean Dec 18 (R/t)	4 452	4 360	-2,07%
CME Soybean Spot (US cents/bushel)	818	838	+2,44%

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

- Yesterday's losses in the SAFEX soybean market were largely due to the stronger Rand against the US Dollar, as well as spillover from lower Chicago soybean prices. The large domestic soybean supplies are well known in the market and somewhat factored in already. Hence, we believe this had minimal impact on the recent losses.
- To add context to the aforementioned remark, South Africa's 2018/19 soybean supplies are in good shape, estimated at 1.87 million tonnes, up by 33 percent from the previous year. The supplies figure include the expected record production, opening stock, as well as import estimate
- The conditions in the fields corroborate the production forecasts. In the first week of this month, South Africa's soybean producer deliveries for the 2018/19 marketing year accumulated to 1.48 million tonnes, which equates to 95 percent of the expected harvest of 1.55 million tonnes.³
- The harvest process could soon be completed as the weather forecast for the rest of this month show clear skies over South Africa's soybean growing areas. This essentially means that the process could continue with minimal interruption. We will closely monitor this development over the coming weeks and also feedback in terms of yields in order to assess whether they will meet the official estimates.
- On the global front, the two major factors underpinning the market is the recent upward revision of the production estimates with large harvest expected in South America, as well as a potential decline (or shift to other markets other than the US) in Chinese soybean demand owing to the US-China trade dispute.
- There are no new developments in both of these points. To recap, the USDA forecasts 2018/19 global soybean production at 359 million tonnes, which is 7 percent higher than the previous season. In terms of demand, last week the Chinese 2018/19 soybean imports estimates were slashed by 8 percent from the previous month to 95 million tonnes.

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

³ The 2018/19 marketing year corresponds with 2017/18 production season.



SUNFLOWER SEED	16/07/2018*	17/07/2018*	d-o-d (%Δ)
SAFEX Sunflower seed July 18 (R/t)	4 558	4 445	-2,48%
SAFEX Sunflower seed Dec 18 (R/t)	4 778	4 667	-2,32%
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 saw widespread losses in yesterday's trade session following a slight recovery of the domestic currency against the US Dollar. The ongoing harvest activity across the country also added pressure to the market.
- The next two weeks promise cool and drier weather conditions across the sunflower seed growing areas, which means the harvest process could continue with minimal interruptions in the late planted areas of the country. As set out in our previous reports, the harvest process has progressed well thus far with about to 82 percent of the estimated crop of 792 255 tonnes already delivered to commercial silos by the start of this month.
- An update of sunflower seed producer deliveries for the week of 13 July 2018 will be released by SAGIS at midday tomorrow. There could be a slight decline from a fairly large volume of 75 033 tonnes delivered in the week of 06 July 2017, as harvest slows towards completion. Furthermore, the reports of fairly lower yields in the late-planted areas of the country could also lead to lower deliveries this week and also in the coming weeks.
- With that said, the influence of lower yields in the overall harvest is still unclear at this point. The Crop Estimate Committee will provide guidance on the size of the crop when it releases its monthly update next week.
- For now, the data we have suggests that 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.⁴⁵ This corresponds to the expected decline in sunflower seed consumption (crush and oil). Therefore, South Africa's 2018/19 sunflower seed imports could amount to 500 tonnes, down by 10 percent from the previous season. Overall, this numbers could also change if there are major adjustments on the crop estimates forecasts next week (even though we view that as unlikely to happen).
- Elsewhere, there was not much happening in the EU's sunflower seed market. The price remained unchanged from the previous day, at US\$387 per tonne. Aside from that, the weather remains a primary focus in the EU.

Bottom line – Today, the domestic sunflower seed market could be under pressure due to the relatively stronger ZAR/USD exchange.

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

⁵ The estimated harvest of 792 255 tonnes for the 2017/18 production season is 9 percent lower than the previous season.



POTATO	16/07/2018*	17/07/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	28,78	27,91	-3,02%

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

- Yesterday the South African potatoes market were under pressure with the price down by 3 percent from the previous day, closing at R27.91 per pockets (10kg bag). These losses were underpinned by large stocks of 1.49 million pockets (10kg bag) at the beginning of the session.
- However, during the session, the market experienced a slight decline in deliveries on the back of a slow harvest activity over the weekend. This subsequently led to a 17 percent drop in daily stock to 1.24 million pockets (10kg bag) by close of business.

Bottom line – Today the South African potatoes market could again experience losses owing to a relatively large stock of 1.24 million pockets (10kg bag) compared to levels seen in the past couple of weeks.

FRUIT (South Africa)	16/07/2018*	17/07/2018*	d-o-d (%Δ)
Apples (R/kg)	6,07	6,67	+9,88%
Bananas (R/kg)	5,41	5,20	-3,88%
Oranges (R/kg)	2,47	2,54	+2,83%

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

- The South African fruit market started the week on a mixed footing. The price of bananas was down by 4 percent from the previous day, closing at R5.20 per kilogram. This followed an 18 percent uptick in daily stock to 934 000 tonnes.
- Meanwhile, the prices of apples and oranges were up by 10 percent and 3 percent from the previous day, settled at R6.67 per kilogram and R2.54 per kilogram, respectively. These gains were largely underpinned by commercial buying interest, which led to the lower stock of 502 000 tonnes of apples and 848 00 tonnes of oranges.

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	11/07/2018*	12/07/2018*	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

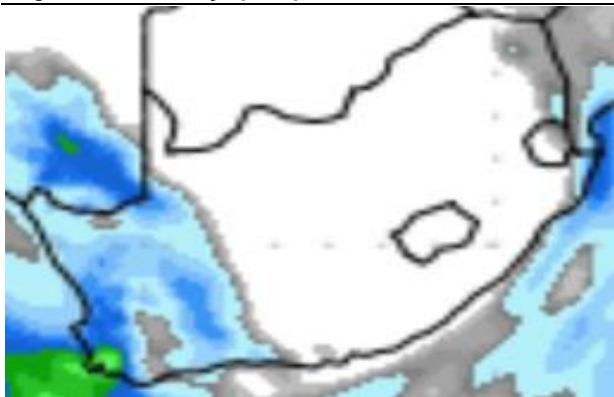
- Yesterday there was not much happening in the SAFEX beef carcass market. The price remained unchanged from the previous day, closing at R47.50 per kilogram due to thinly traded volumes. Therefore, the SAFEX beef carcass price is not a true reflection of the physical market which continues to show solid 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

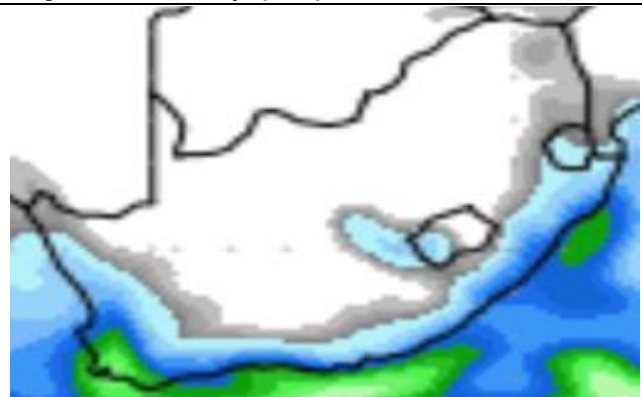
- The weather forecast for the week is quite favourable. There are clear skies over summer crop growing areas of South Africa which should support the harvest process, whereas the winter crop growing areas show a likelihood of rainfall that will improve soil moisture and benefit the new season crop (figure 1).
- The last week of this month will most likely be dry and cool over most parts of the country with the exception of the coastal areas which could receive light showers (figure 2). In the Western Cape province, the expected showers will most likely be concentrated in the West Coast, Swartland, Helderberg, Winelands and Overberg regions, which means the winter crops will benefit from it.

Figure 1: Next 8-days precipitation forecast



Source: wxmaps

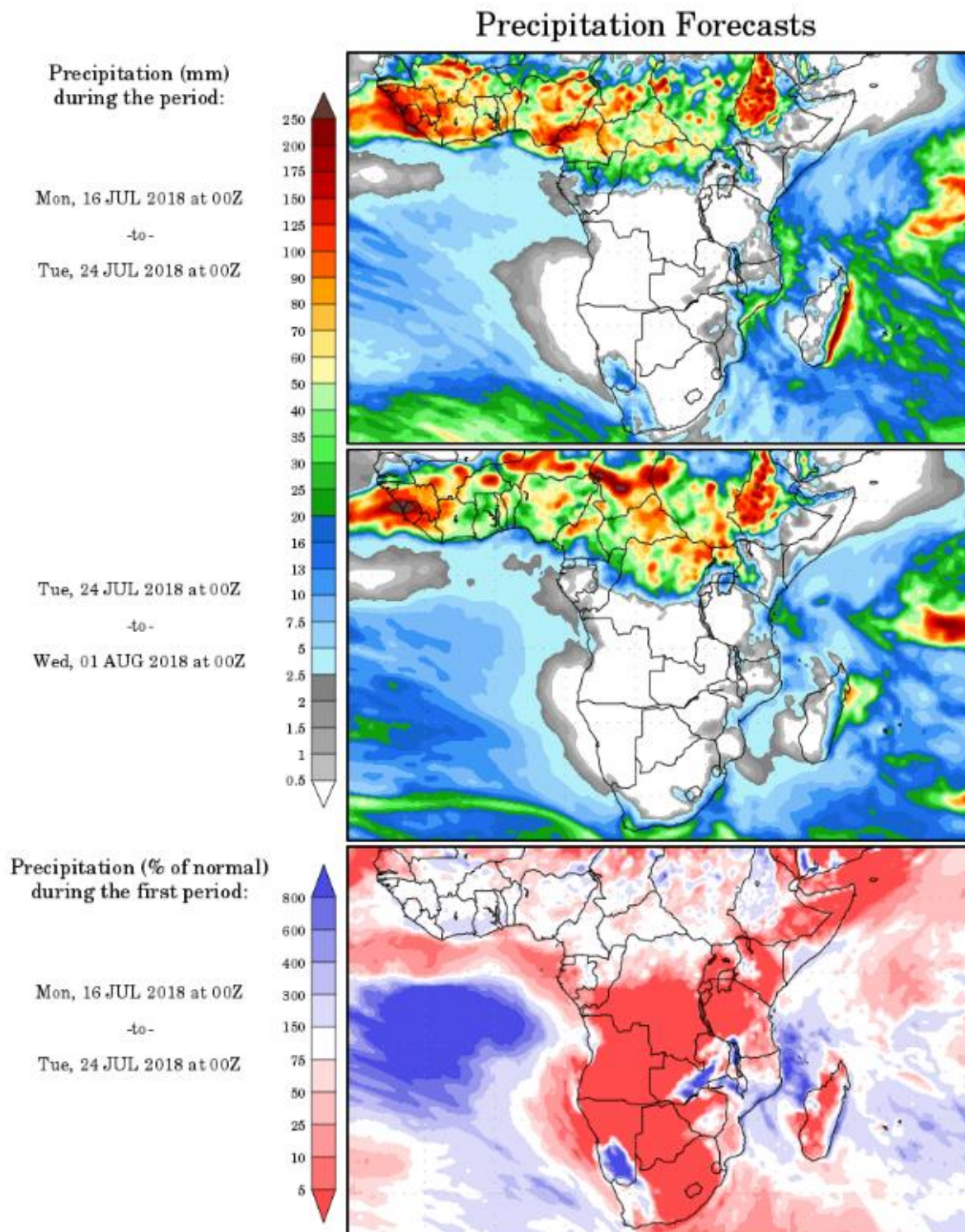
Figure 2: Next 16-days precipitation forecast



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.

[@WandileSihlobo](#) [@AgriChamber](#)

Disclaimer: Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.