

FOR ANY QUERIES, PLEASE CONTACT:

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

- USDA's crop progress report: 30/07/2018
- SAGIS producer deliveries data: 01/08/2018
- SAGIS weekly grain trade data: 02/08/2018
- USDA's World Agricultural Supply and Demand Estimates: 10/08/2018
- SAGIS monthly data: 27/08/2018
- National Crop Estimates Committee's sixth summer crop production estimates: 28/08/2018

ECONOMIC INDICATORS	27/07/2018*	30/07/2018*	d-o-d (%Δ)
Rand/US Dollar	13,27	13,19	+0,61%
Rand/Euro	15,43	15,38	+0,33%
Euro/US Dollar	1,1650	1,1655	+0,04%
Gold Spot	1 218,87	1 220,83	+0,16%
Brent Crude Oil	74,66	74,23	-0,58%
Platinum Spot	825,70	825,60	-0,01%
Dow Jones Industrial Average	25 550,48	25 451,06	-0,39%
JSE All Share	57 191,46	57 162,38	-0,05%
SA repo rate	6.50	6.50	0,00%
SA CPI (y/y %)	4,60	4,60	0,00%
SA CPI – food (y/y %)	3,10	3,10	0,00%

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

- The domestic currency started the week on a positive footing, strengthening by 0.61 percent against the US Dollar from levels seen at midday Friday. The Rand's appreciation was in line with the US Dollar depreciation against major currencies and higher global commodity prices. At the time of writing, the Rand/US Dollar exchange traded around R13.19.
- This morning the Brent crude oil price was down by 0.58 percent from levels seen at midday Friday, trading around US\$74.23 per barrel. This was partially driven by an expected uptick in US oil production. Data from Baker Hughes shows that the number of US rigs drilling for oil increased by 3 to 868 in the week of 27 July.



MAIZE/CORN	27/07/2018*	30/07/2018*	d-o-d (%Δ)
White maize Jul 18 (R/t)	2 093	2 094	+0,05%
White maize Dec 18 (R/t)	2 214	2 221	+0,32%
Yellow maize Jul 18 (R/t)	2 156	2 156	0,00%
Yellow maize Dec 18 (R/t)	2 283	2 287	+0,18%
CME corn Sep 18 (US cents/bushel)	362	364	+0,55%

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

- On Friday, the SAFEX maize market recovered from the previous day's levels and settled in positive territory. This was underpinned by the weaker domestic currency against the US Dollar, commercial buying interest, as well as spillover support from higher Chicago maize prices.
- The International Grains Council lifted its forecast for South Africa's 2017/18 maize production by 3 percent from the previous month to 13.8 million tonnes. This is in line with the local Crop Estimate Committee's forecast for commercial and non-commercial (smallholder farmers) production.
- These estimates are well above South Africa's average maize production of 12.5 million tonnes, albeit being lower than the 2016/17 harvest of 17.6 million tonnes. Most importantly, the expected production, combined with the stocks from the previous season implies that South Africa's maize supplies will be higher than annual consumption of 10.8 million tonnes.
- To reiterate a point made in our notes, South Africa could see maize exports exceeding 2.5 million tonnes in the 2018/19 marketing year which ends in April 2019.¹ In the week of 20 July 2018, South Africa had already exported 838 925 tonnes of maize, which equates to 34 percent of the seasonal export forecast. The leading destinations or markets were Vietnam, Taiwan, South Korea, Italy and Botswana.
- Looking ahead, the focus this week will most likely be on the harvest process. The expected favourable weather conditions will provide conducive conditions for the process. In the week of 20 July 2018, about 51 percent of the estimated commercial maize harvest of 13.2 million tonnes had already been delivered to silos (the difference between the expected 13.8 million tonnes and the aforementioned 13.2 million tonnes is non-commercial production, therefore not accounted in the producer deliveries data). The yields in areas that have harvested varied between average and above average, which is in line with market expectations.

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



WHEAT	27/07/2018*	30/07/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 134	4 134	0,00%
SAFEX Wheat Dec 18 (R/t)	4 178	4 178	0,00%
CME Wheat spot (US cents/bushel)	536	536	0,00%

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

- On Friday there was not much happening in the SAFEX wheat market. The spot and December 2018 contract month prices remained flat from the previous day.
- We continue to monitor the weather developments across the country as the winter wheat crop is still at the stages of development that requires moisture. The key producing provinces are the Western Cape, Free State, Northern Cape and Limpopo, collectively accounting for 95 percent of the estimated area of 505 000 hectares in the 2018/19 production season.
- The crop in the Western Cape, a leading producer with 63 percent share, was planted earlier than all other provinces and benefited from rainfall in the past couple of weeks. However, this was not evenly distributed, all areas received good showers, with the exception of the southern Cape. This is mirrored in crop conditions, with Overberg and Swartland regions in good shape, whilst the opposite is true in the southern Cape.
- Looking ahead, the weather forecast for this week promises some levels of improvement, with prospects of between 16 and 30 millimetres of rainfall over the Western Cape province. This could help ease concerns of a potential deterioration in crop conditions, particularly in the southern Cape region.
- Be that as it may, the medium-term forecasts are quite positive. As previously indicated, the South African Weather Service forecasts a likelihood of above-normal rainfall over the western coastal regions of the country, which include the Western Cape province, during early spring (a period between August and October 2018).
- Other provinces are at the final stages of the planting process and could benefit from improved soil moisture following good summer rainfall in the 2017/18 season. It is also worth noting is that a share of the Free State, Limpopo and the Northern Cape province's winter wheat crop is under irrigation, which means the provinces could have a better season as dam levels are over 70 percent full in these particular provinces.
- On the global front, the International Grains Council revised its 2018/19 wheat production estimate down by 2 percent from last month to 721 million tonnes. This is 4 percent lower than the previous season, with the key drivers of the decline being the EU, Russia, Ukraine, Kazakhstan, China and India.

Bottom line – Today the local wheat prices could be under pressure if the ZAR/USD exchange and Chicago wheat price maintain the current trends.



SOYBEAN	27/07/2018*	30/07/2018*	d-o-d (%Δ)
SAFEX Soybean Jul 18 (R/t)	4 371	4 361	-0,23%
SAFEX Soybean Dec 18 (R/t)	4 563	4 563	0,00%
CME Soybean Spot (US cents/bushel)	868	873	+0,58%

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

- The SAFEX soybean market ended Friday's trade session on a mixed footing. The spot price was under pressure due to large domestic supplies and spillover from lower Chicago soybean prices. The December 2018 contract month price remained unchanged from the previous day.
- As set out in our previous note, the Crop Estimate Committee left its forecast for South Africa's 2017/18 soybean production forecast unchanged from last month at 1.6 million tonnes. This is 23 percent higher than the previous season due to an expansion in area planted, as well as higher yields.
- The Committee's decision is usurping as the harvest process ended with reports of average and above average yields in a number of areas. On 20 July 2018, about 95 percent of the expected crop had already been delivered to commercial silos. The rest will probably be delivered in the coming weeks.
- This basically reinforced the view that South Africa's soybean supplies will be in good shape in the 2018/19 marketing year. The national Supply and Demand Estimates Committee forecasts the country's soybean supplies at 1.87 million tonnes, up by 33 percent from the 2017/18 marketing year. ²This includes the expected production and imports, as well as opening stock.
- This essentially means that this year there will be increased reliance on local supplies, which explains the expectations of a decline in imports. South Africa's soybean and oilcake imports could drop by 27 percent and 17 percent year-on-year in the 2018/19 marketing year to 20 000 tonnes and 458 992 tonnes, respectively.
- On the global front, the focus is on the 2018/19 production season. On Friday, the International Grains Council slightly lifted its global soybean production forecast to 359 million tonnes, from 358 million tonnes last month. This is 6 percent higher than the 2017/18 season, with the key driver being the expected large output in Brazil, Argentina, India, Paraguay, Uruguay, China and Russia.

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

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



SUNFLOWER SEED	27/07/2018*	30/07/2018*	d-o-d (%Δ)
SAFEX Sunflower seed July 18 (R/t)	4 687	4 705	+0,38%
SAFEX Sunflower seed Dec 18 (R/t)	4 869	4 896	+0,55%
EU (France) sunflower seed (US\$/t)	384	386	+0,52%

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

- On Friday, the SAFEX sunflower seed market managed to claw back some of its recent losses and settled in positive territory. This was partially driven by the slightly weaker domestic currency against the US Dollar, as well as commercial buying interest.
- Last week, the Crop Estimate Committee left its forecast for South Africa's 2017/18 sunflower seed production unchanged from last month at 792 255 tonnes.³ This was unsurprising as a large share of the crop has already been harvested with yields varying between average and above average, particularly in the early planted regions. In fact, in the week of 20 July 2018, about 96 percent of the estimated crop had already been delivered to commercial silos.
- The harvest process is generally towards completion, with few patches left in the late-planted areas. This should be completed soon, due to favourable weather outlook within the next two weeks over the summer crop growing areas of the country.
- Overall, South Africa's sunflower seed supplies for the 2018/19 marketing year could reach 955 596 tonnes, down by 9 percent from the previous season (in line with a decline in production), according to data from the National Supply and Demand Estimate Committee. This figure includes the expected production, imports and carryover stock from the previous marketing year.
- This, however, might not lead to an increase in sunflower seed supplies, as local consumption is expected to soften from 893 143 tonnes in 2017/18 marketing year to 853 550 tonnes. The decline in local demand will probably be compensated by an uptick in sunflower oil imports.
- We forecast South Africa's 2018 sunflower oil imports at 147 679 tonnes, up by 2 percent from last year. In the recent past, the leading supplies were Bulgaria, Argentina, Romania and Spain. These countries are likely to remain the key supplies of sunflower seed to South Africa this year.

Bottom line – Today, the domestic sunflower seed market could experience extended losses due the relatively stronger ZAR/USD exchange.

³ This is 9 percent lower than the 2016/17 production season due to the reduction in area planted.



POTATO	27/07/2018*	30/07/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	29,20	27,83	-4,69%

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

- The local potatoes market was under pressure on Friday's trade session with the price down by 5 percent from the previous day, closing at R27.83 per pockets (10kg bag). This was underpinned by a large stock of 1.53 million pockets (10kg bag) at the beginning of the session.
- However, during the session, the market experienced a slight decline in deliveries, coupled with strong commercial buying interest, which then led to a percentage point decline in stocks to 1.52 million pockets (10kg bag) by close of business.

Bottom line – Today the South African potatoes market could experience extended losses due to a relatively large stock of 1.52 million pockets (10kg bag).

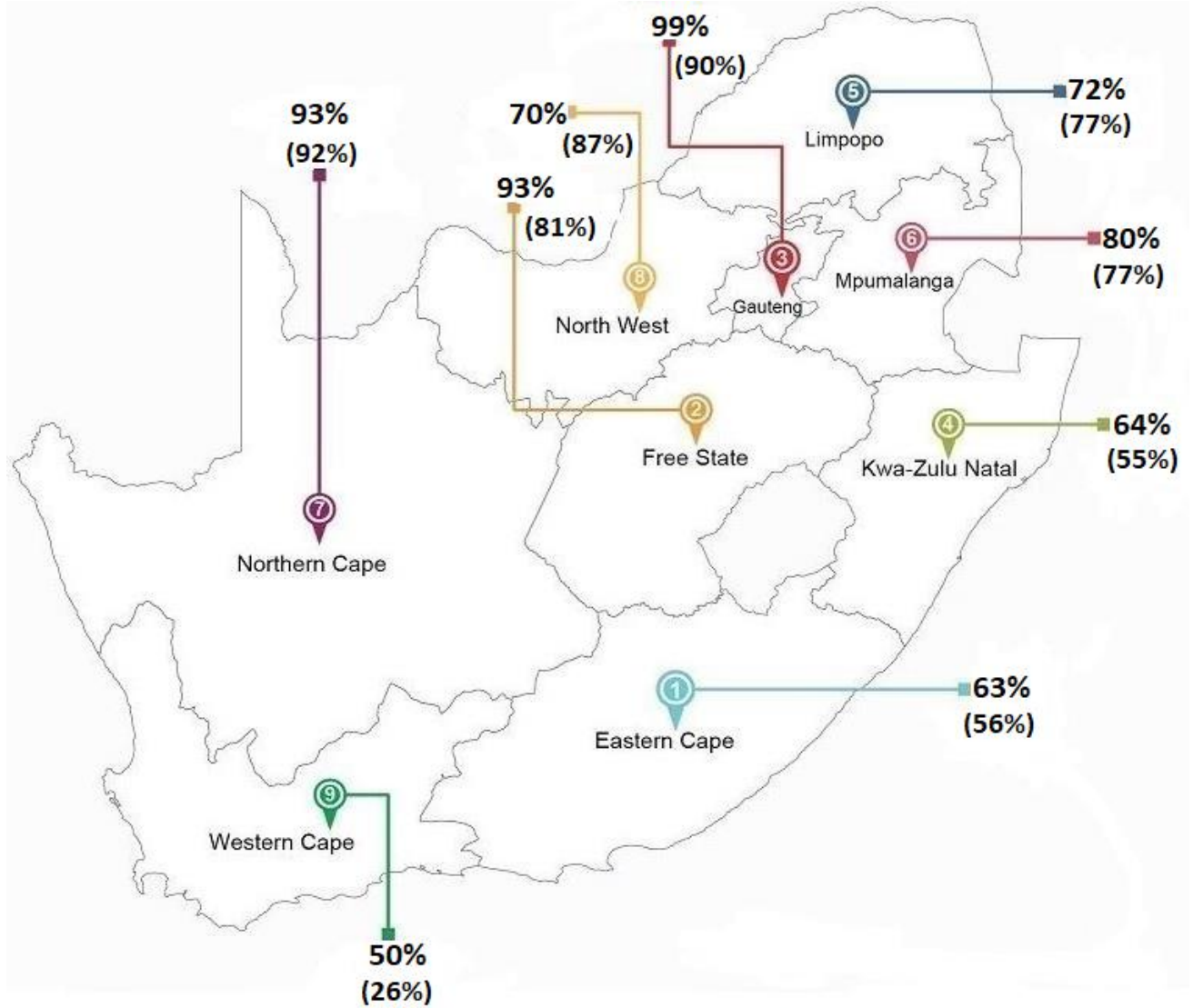
FRUIT (South Africa)	27/07/2018*	30/07/2018*	d-o-d (%Δ)
Apples (R/kg)	7,02	6,52	-7,12%
Bananas (R/kg)	5,65	5,78	+2,30%
Oranges (R/kg)	2,48	2,49	+0,40%

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

- The South African fruit market ended Friday's trade session on a mixed footing. The price of apples was down by 7 percent from the previous day, settled at R6.52 per kilogram. The market could, however, soon recover these losses due to a lower stock of 493 000 tonnes at the end of the week.
- The prices of bananas and oranges were up by 2 percent and 0.4 percent from the previous day, closing at R5.78 and R2.49 percent, respectively. This was mainly supported by strong commercial buying interest, which led to a slight decline in stocks to 852 000 tonnes of bananas and 905 000 tonnes of oranges.

Bottom line – 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.

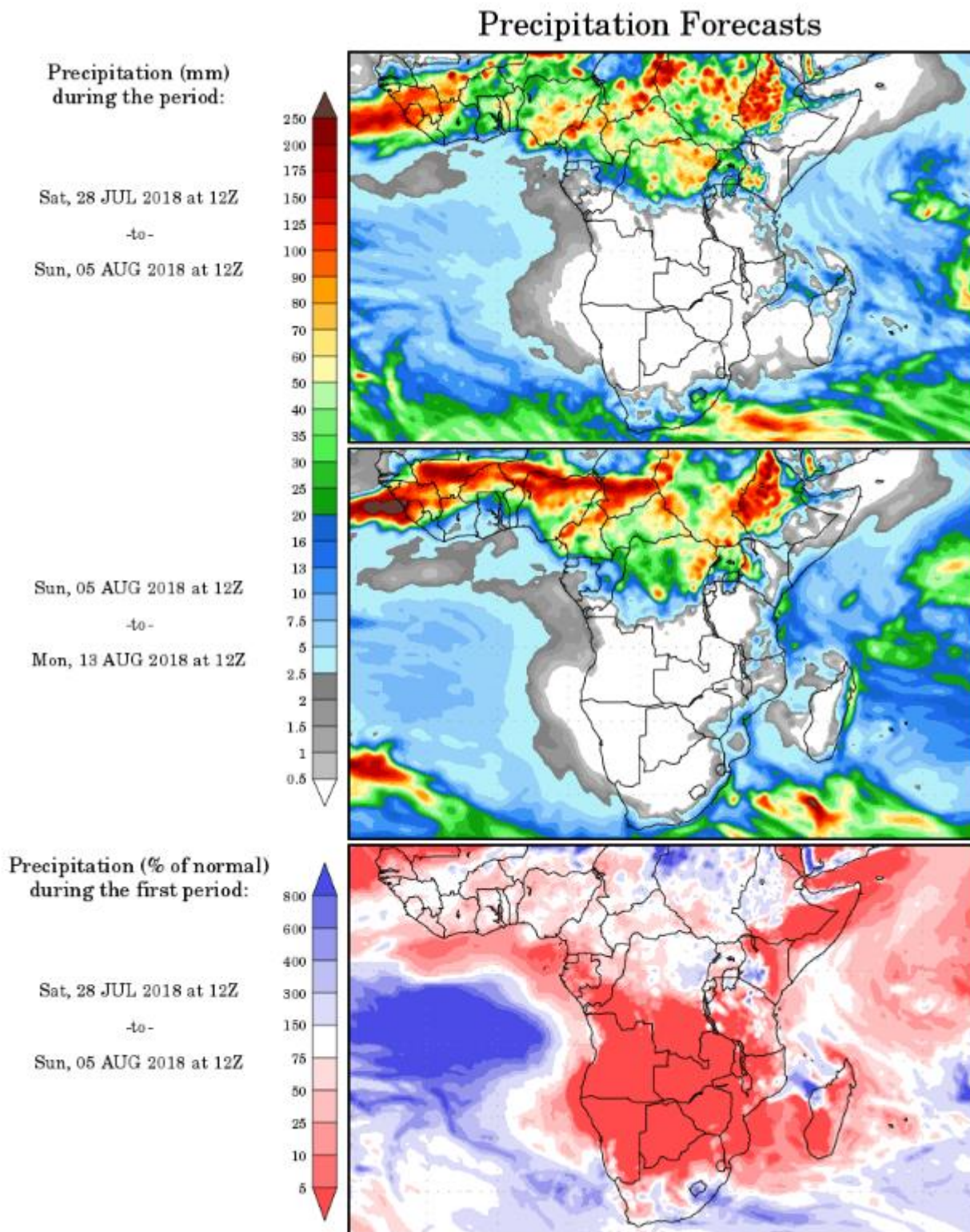
Figure 1: South Africa's average dam levels: week ended 23 July 2018, with the same week last year in brackets



Source: Department of Water and Sanitation and Agbiz Research



Figure 2: 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.