

South African Agricultural Commodities Weekly Wrap

The weather continues to be the key focus in the domestic market for both summer and winter crop growing areas. Earlier in the week, there was an overcast across the country, which raised concerns of possible harvest delays, but that has now cleared over most summer crop areas. This means the harvest process could continue with minimal interruptions over the next couple of weeks. The winter crop growing areas of the Western Cape province could receive some rain this weekend into early next week, which should improve soil moisture and crop conditions. These factors, coupled with the slight recovery of the domestic currency against the US Dollar and lower Chicago grain prices added a bearish sentiment to the market, hence keeping most commodities prices under pressure. Looking ahead, the data calendar for next week is fairly light, which means the weather will remain prominent.

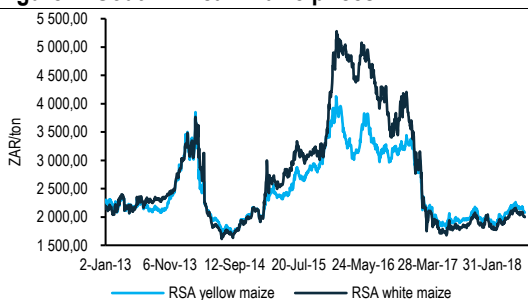
Wandile Sihlobo
+27(0)12 807 6686
wandile@agbiz.co.za

[@WandileSihlobo](https://twitter.com/WandileSihlobo)

Maize market

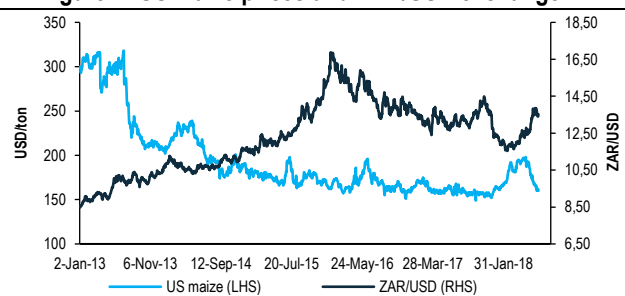
The concerns of possible harvest delays have eased as the weather forecast shows clear skies over most parts of the South African maize-belt. The provinces that are not yet out of the woods are the Eastern Cape, southern parts of the Free State and KwaZulu Natal provinces, where the weather forecast shows a likelihood of between 16 and 20 millimetres of rainfall within the next eight days. While this year's harvest process is behind the normal schedule, the pace increased in the past couple of weeks. Hence the weekly producer deliveries were over 800 000 tonnes in the past three consecutive weeks. This boosted total maize producer deliveries in the first 10-weeks of the 2018/19 marketing year to 5.1 million tonnes, which equates to 39 percent of the estimated crop of 13.2 million tonnes.¹ Against this backdrop, and a recovery of the Rand against the US Dollar, white and yellow maize spot prices declined by 2 percent each from levels seen last week, averaging R2 007 and R2 090 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 The 2018/19 marketing year corresponds with 2017/18 production season.

Wheat market

The weather has been quite favourable in winter crop growing areas of South Africa in the past couple of days, with a fair amount of rainfall. The forecast for the next eight days shows a possibility of continuous rainfall in most parts of the Western Cape, Eastern Cape, KwaZulu Natal, Free State and Northern Cape provinces, which bodes well for the 2018/19 winter wheat production season.

While a welcome development, the expected showers could slow the planting process, which is currently underway in the Free State, Eastern Cape and Northern Cape provinces. The Northern Cape and Free State are the two biggest wheat growing provinces after the Western Cape, collectively accounting for nearly a third of the intended area of 500 500 hectares in the 2018/19 production season. The planting window in these particular provinces typically runs between June and July of each year, while the Western Cape starts planting towards the end of April.

The other province where winter wheat planting is still underway is the Eastern Cape. Some regions around Matatiele, Ugie and Maclear towns are preparing field trials for various dryland winter wheat cultivars, which could also benefit from the expected rainfall in the province. We will closely monitor the developments in this area over the coming months in order to assess whether the new cultivars adapt well. If the trials succeed, additional production could boost the province’s contribution to national wheat plantings, which currently stands at mere 0.4 percent of the intended area of 500 500 hectares for the 2018/19 season.

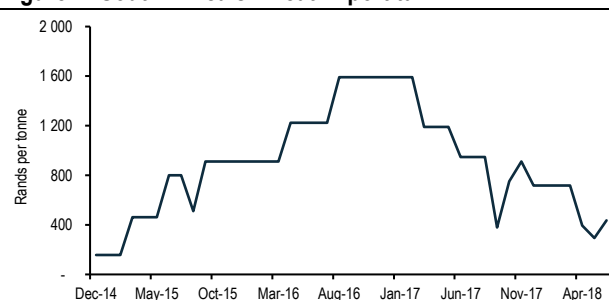
As previously noted, the winter wheat planting process in the Western Cape province was completed a couple of weeks back. The crop has emerged and benefited from rainfall received in the past couple of weeks. The province accounts for more than two-thirds of the intended area for this season, an improvement in its crop would be a good boost for South Africa’s wheat supplies. With that said, it is still early in the season, the province will need continuous good rainfall over the coming weeks. To this end, there is some optimism that the province could receive above-normal rainfall between this month and September 2018, according to data from the South African Weather Service. In terms of pricing, the SAFEX wheat spot price averaged R4 025 per tonne, marginally up by 0.3 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

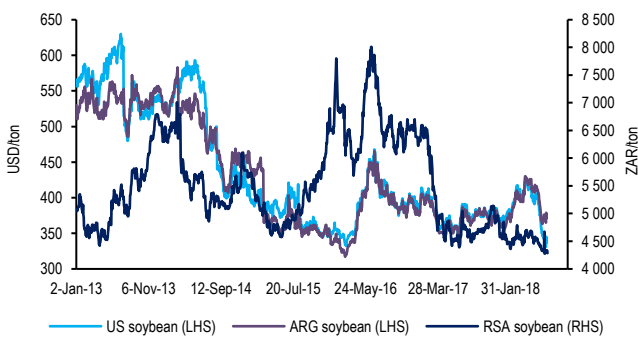
Soybean market

This week there were no new major developments in the domestic soybean market. The fundamentals remain unchanged, which means supplies are in good shape. South Africa’s 2018/19 soybean supplies could reach 1.87 million tonnes, up by 33 percent from the previous year, according to data from the National Supply and Demand Estimates Committee. This includes the expected production and imports, as well as opening stock. The past few week’s cool and drier weather conditions provided conducive conditions for the harvest process in most soybean growing areas. In the first 19-weeks of the 2018/19 marketing year, soybean producer deliveries amounted to 1.48 million tonnes, which equates to 95 percent of the expected harvest of 1.55 million tonnes.² The yields largely varied between average and above-average, which is in line with the national Crop Estimate Committee’s view. As set out in our previous note, we estimate that South Africa’s soybean and oilcake imports could decline by 27 percent and 17 percent year-on-year in the 2018/19 marketing year to 20 000 tonnes and 458 992 tonnes, respectively. This decline is mainly due to improvements in domestic supplies. Overall, the SAFEX soybean spot price was marginally down by 0.1 percent compared to the previous week, averaging R4 313 per tonne (Figure 5).

Sunflower seed market

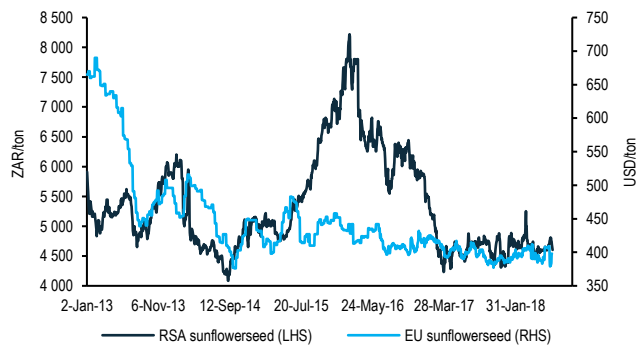
The sunflower seed harvest process progressed with minimal interruptions over the past couple of weeks, thanks to favourable weather condition. In the week of 06 July 2018, the producer deliveries amounted to 75 033 tonnes, down by 17 percent from the previous week. This placed South Africa’s 2018/19 sunflower seed producer deliveries at 651 916 tonnes, which equates to 82 percent of the estimated harvest of 792 255 tonnes. More sunflower seed will be delivered in the coming weeks as the weather forecast continues to show a possibility of cool and drier weather conditions. As indicated in our previous daily notes, the yields varied between average and above-average in the early planted regions, which supports the national Crop Estimate Committee’s view of higher yields of about 1.32 tonnes per hectare. Meanwhile, reports from late-planted areas point to below-average yields. Overall, the SAFEX sunflower seed spot price was down by 2 percent this week, averaged R4 670 per tonne (Figure 6).

Figure 5: Soybean prices



Source: JSE, IGC, and Agbiz Research

Figure 6: Sunflower seed prices



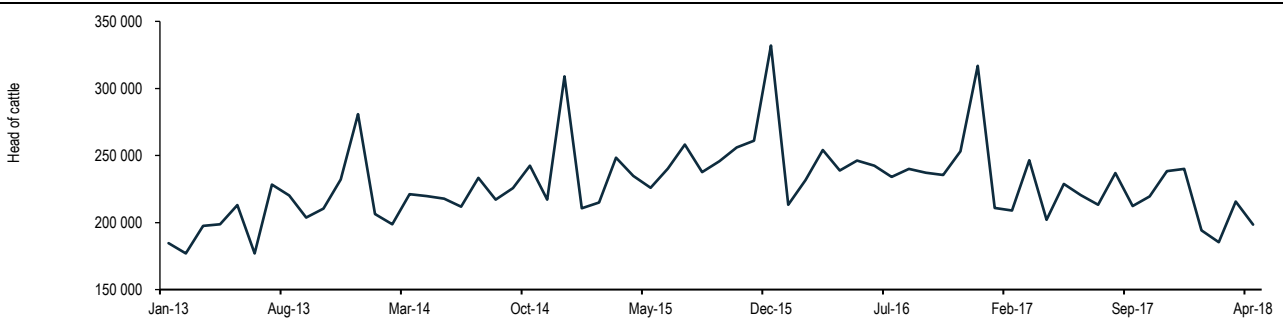
Source: JSE, IGC, and Agbiz Research

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

Beef market

The SAFEX beef carcass prices have not moved in months due to thinly traded volumes. This week the price averaged R47.50 per kilogram. As indicated in the previous note, the SAFEX beef 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

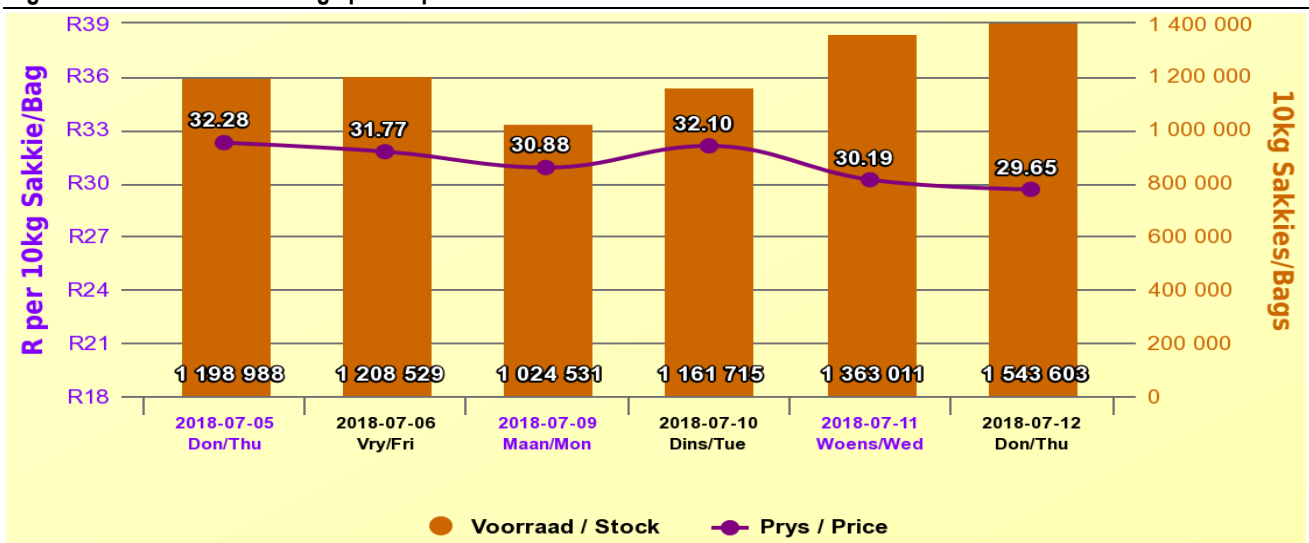


Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week on a negative footing, with the price down by 8 percent from the previous week, closing at R29.65 per pocket/10kg bag (Chart 8). These losses were mainly on the back of fairly large stock levels to 1.54 million pockets (10kg bag), which was supported by ongoing harvest activity in the country.

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



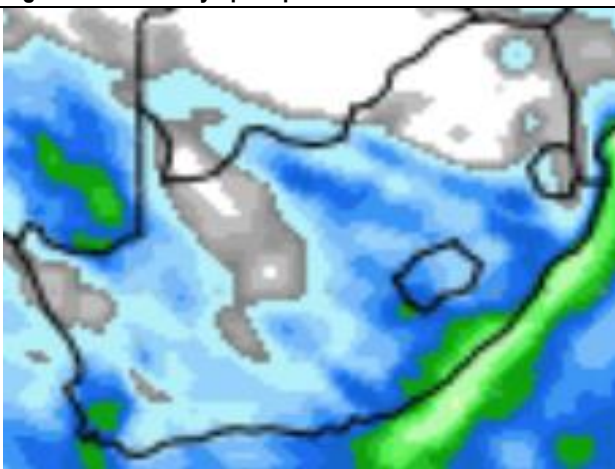
Source: Potato SA

Weather conditions ahead of the weekend

The Western Cape, Eastern Cape, Northern Cape, KwaZulu Natal and parts of the Free State province could receive light showers within the next eight days. This bodes well for winter crop growing areas but could slow the harvest process in the summer crop regions (Figure 9).

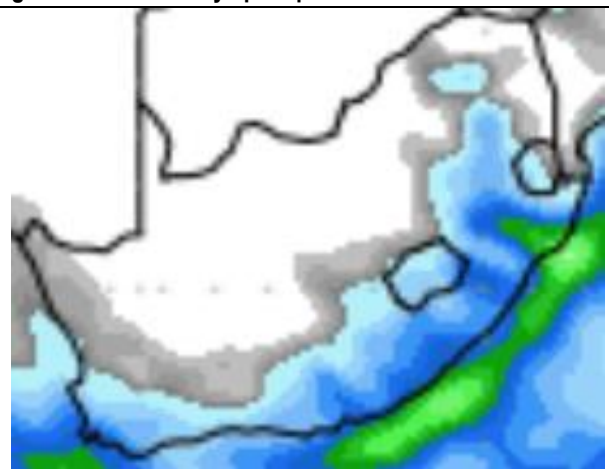
The week of 28 July 2018 shows clear skies over most parts of the country, with the exception of the coastal areas which could receive light showers (Figure 10). This will allow the harvest process to regain momentum in the summer crop areas. The winter crop growing areas will also receive a bit of a breather, which should support crops after a prospective rainy week.

Figure 9: Next 8-days precipitation forecast



Source: wxmaps

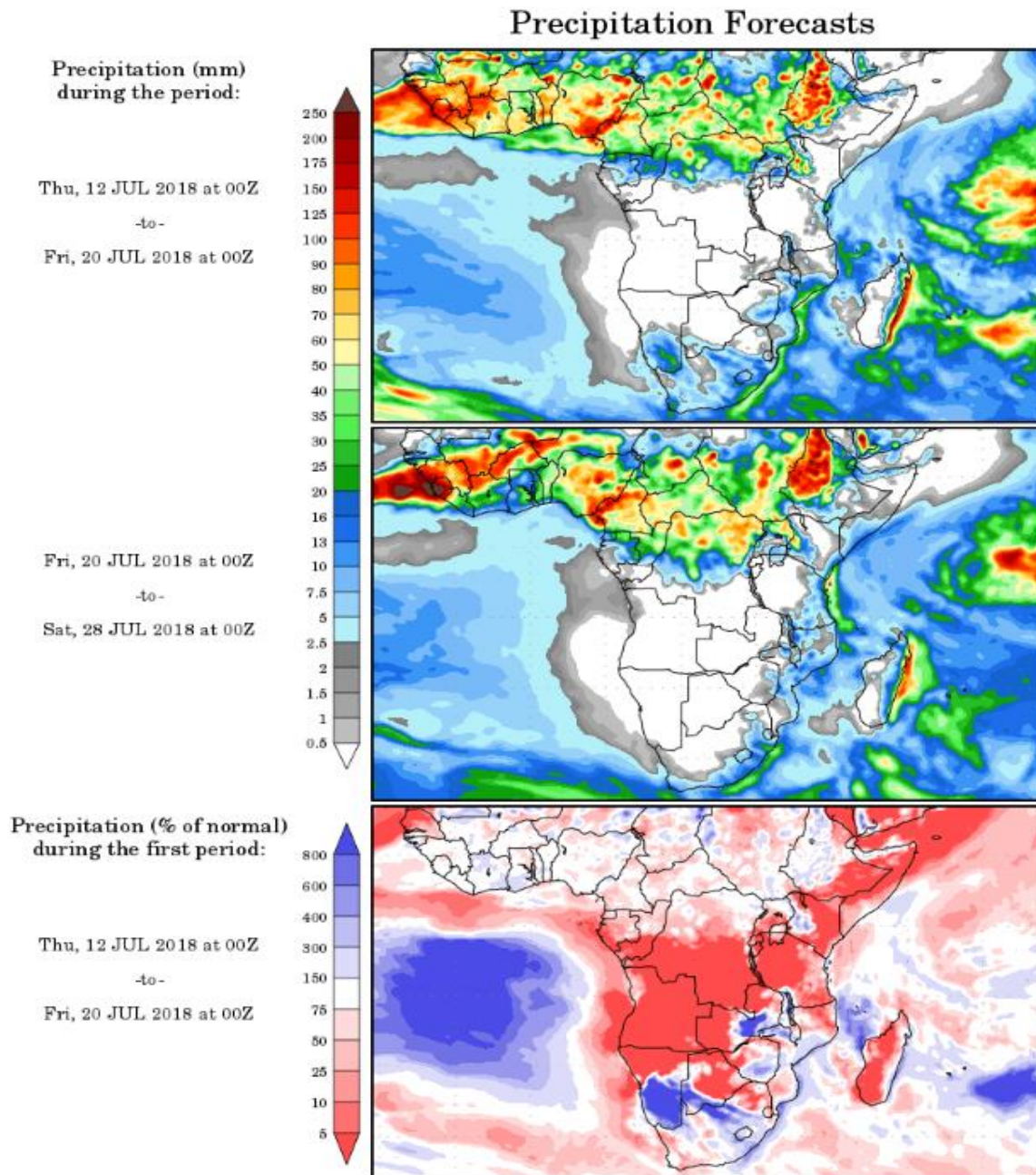
Figure 10: Next 16-days precipitation forecast



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: 17/07/2018
- SAGIS producer deliveries data: 18/07/2018
- SAGIS monthly data: 25/07/2018
- National Crop Estimates Committee's data: 26/07/2018

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