

## South African Agricultural Commodities Weekly Wrap

After writing about favourable weather conditions for the current season in the past couple of weeks, the focus is slightly shifting towards the outlook for the 2018/19 production season which commences in October. The International Research Institute for Climate and Society recently indicated that its estimate of the probability of an El Niño occurrence in the 2018/19 production season is over 60%, signalling a possibility of drier weather conditions next year. However, it is important to stress that these are still preliminary estimates, we will get clear guidance about this development on August or September updates. All things considered, we believe that local grain and oilseed commodity prices will remain at fairly lower levels throughout the year due to large supplies. Next week, the Crop Estimate Committee will release an update of the 2017/18 grain and oilseed production forecasts.

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### Maize market

There were no major data releases in the domestic maize market this week. Key to highlight as we wrap up the week is that the United States Department of Agriculture (USDA) lifted its estimate for South Africa's 2017/18 maize production by 2 percent from last month to 13.8 million tonnes, which is in line with the local Crop Estimate Committee's estimate for overall production (commercial and non-commercial), and well above the average production levels of 12.5 million tonnes.

This boosted South Africa's 2018/19 marketing year maize supplies to 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 expected production and stock from last season. Overall, these production developments, coupled with a recovery of the Rand against the US Dollar led to a 2 percent and a percentage point decline in the yellow and white maize prices to an average R2 052 and R1 988 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

## Wheat market

The preliminary 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, although it urgently needs to follow up rainfall.

Given that the weather forecast for the next eight days shows clear skies over most parts of the province, the crop conditions in the southern Cape could slightly deteriorate. Moreover, the forecast dryness also means that the dam levels might decline, following notable improvements in the past few weeks. The most recent data from the Department of Water and Sanitation shows that the Western Cape provincial dam levels averaged 49 percent in the week of 16 July 2018, up by 2 percentage points from the previous week and 25 percentage points from the same period last year. This, however, could be short-lived as the South African Weather Services forecasts above-normal rainfall in the southwestern parts of South Africa between this month and September 2018.

In the near term, the expected cool and dry weather conditions in other provinces such as Free State and Northern Cape could be helpful in driving the planting activity. The planting window in these provinces typically runs between June and July of each year, while the Western Cape starts planting towards the end of April. These are the biggest wheat growing provinces after the Western Cape, collectively accounting for nearly a third of the intended area of 500 500 hectares for this season.

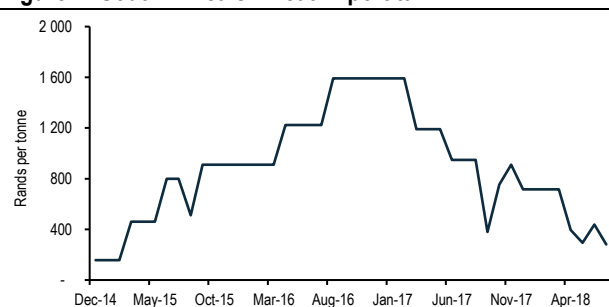
Aside from the production dynamics, the wheat import tariff rate of R281.74 per tonne that triggered on 12 July 2018 was finally published in a government gazette on 13 July 2018, making it an official rate (Figure 4). This, however, could be short-lived due to a newly triggered higher rate of R640.54 per tonne on 10 July 2018. This was underpinned by a decline in global wheat prices in the past couple of weeks. The newly triggered rate 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 R4 036 per tonne, up by 0.27 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

The domestic soybean harvest process has been completed across the country, thanks to cool and drier weather conditions experienced in the past couple of days. The yields largely varied between average and above average, which is somewhat in line with the Crop Estimate Committee’s estimate of an average national yield of 1.97 tonnes per hectare. This is well above the average yield of 1.75 tonnes per hectare in the past 5-seasons. A large share of the harvest has already been delivered to commercial silos. In the first 20-weeks of the 2018/19 marketing year, soybean producer deliveries amounted to 1.46 million tonnes, which equates to 94 percent of the expected harvest of 1.55 million tonnes. A few more tonnes will probably be delivered to commercial silos in the coming weeks.

Overall, 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, according to data from the national Supply and Demand Estimates Committee. This includes the expected production and imports, as well as opening stock.<sup>1</sup> The improvement in local supplies implies that the country could import less oilcake. We estimate a 27 percent year-on-year decline in South Africa’s 2018 oilcake imports to 458 992 tonnes. Against this backdrop, the SAFEX soybean spot price declined by 3 percent from the previous week, averaging R4 195 per tonne (Figure 5).

## Sunflower seed market

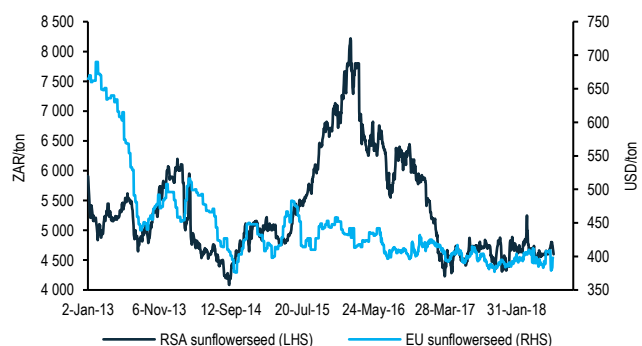
The sunflower seed harvest process is towards completion. In the major producing provinces such as the North West and the Free State, over 70 percent of the crop has already been harvest, following favourable weather conditions in the past couple of weeks. The yields received largely varied between average and above-average. The areas that reported lower yields are the late-planted ones, but this has been limited within a few regions of the North West province. To illustrate this, in the week of 06 July 2018, about 91 percent of the estimated harvest of 792 255 tonnes of sunflower seed had already been delivered to commercial silos. Overall, the SAFEX sunflower seed spot price was down by 4 percent this week, averaged R4 473 per tonne (Figure 6).

**Figure 5: Soybean prices**



Source: JSE, IGC, and Agbiz Research

**Figure 6: Sunflower seed prices**



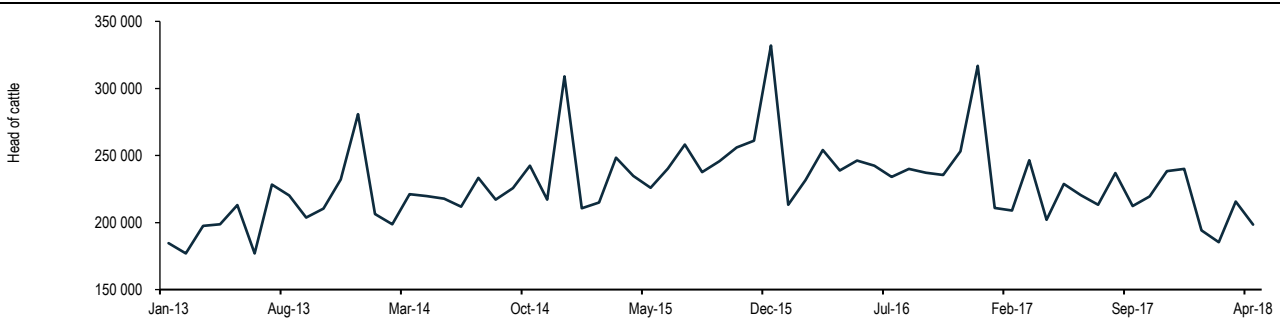
Source: JSE, IGC, and Agbiz Research

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

## Beef market

It was again a quiet week in the SAFEX beef carcass market with the price unchanged from the previous week, averaging 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**

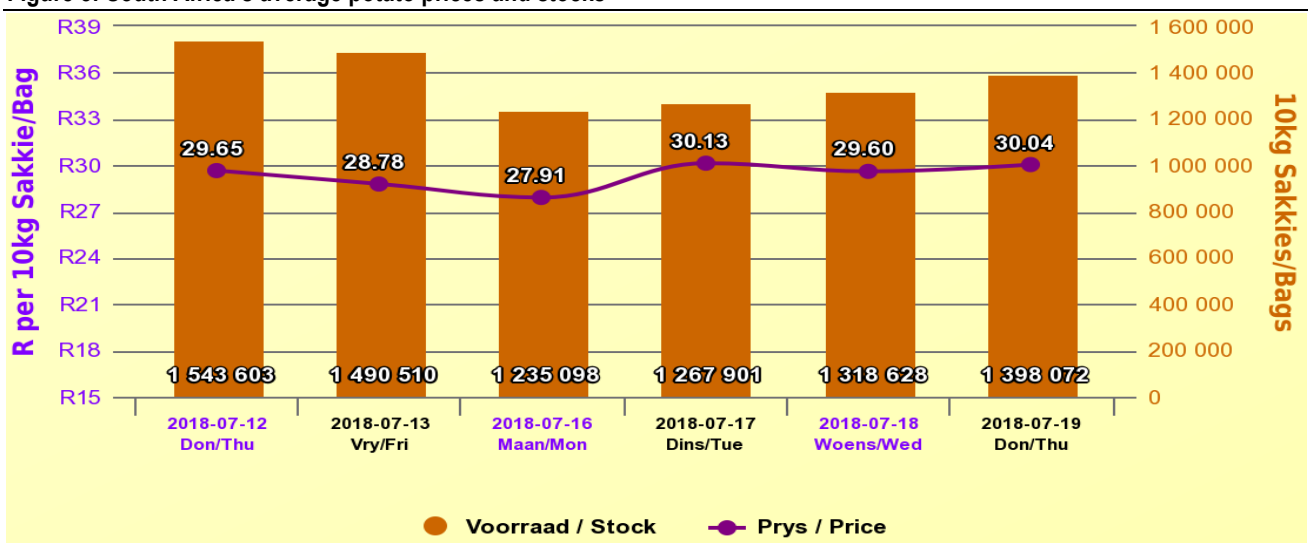


Source: Red Meat Levy Admin, Agbiz Research

## Potato market

The potato market ended the week on a positive footing, with the price up by a percentage point from the previous week, closing at R30.04 per pocket/10kg bag (Figure 8). These gains were on the back of commercial buying interest, which lead to a decline in daily stock to 1.39 million pockets (10kg bag).

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



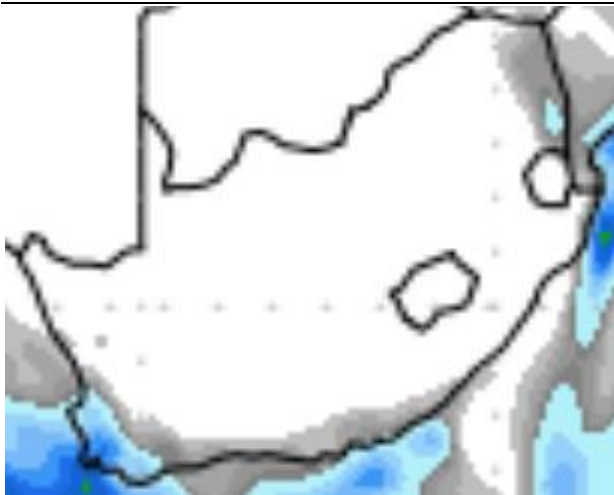
Source: Potato SA

## Weather conditions ahead of the weekend

The next eight days could bring cool and drier weather conditions across the country, which bodes well for harvest process in summer crop areas. However, the winter crop growing areas, which currently need moisture could be strained, particularly the southern Cape region (Figure 9).

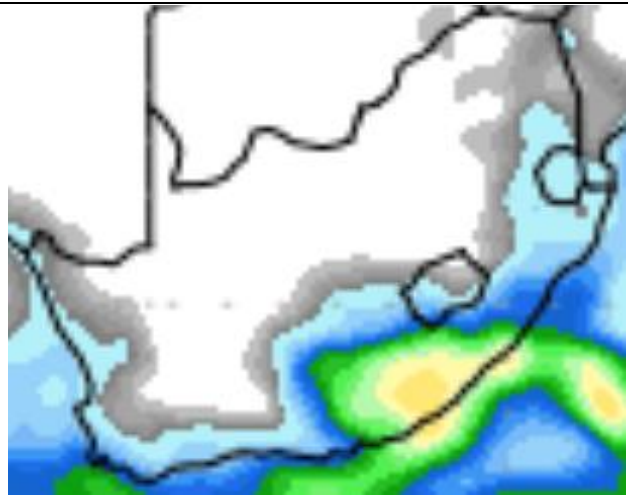
The weather forecast for the first week of August shows a slightly positive outlook, with a possibility of rainfall in the coastal parts of the Eastern Cape and KwaZulu Natal provinces. This bodes well for winter crop growing areas of the Eastern Cape province, but the Western Cape province’s winter crop regions could be strained for some time (Figure 10). This is a concern for areas such as the southern Cape, which currently needs follow up rainfall as the past couple of weeks showers not evenly distributed across the province.

**Figure 9: Next 8-days precipitation forecast**



Source: wxmaps

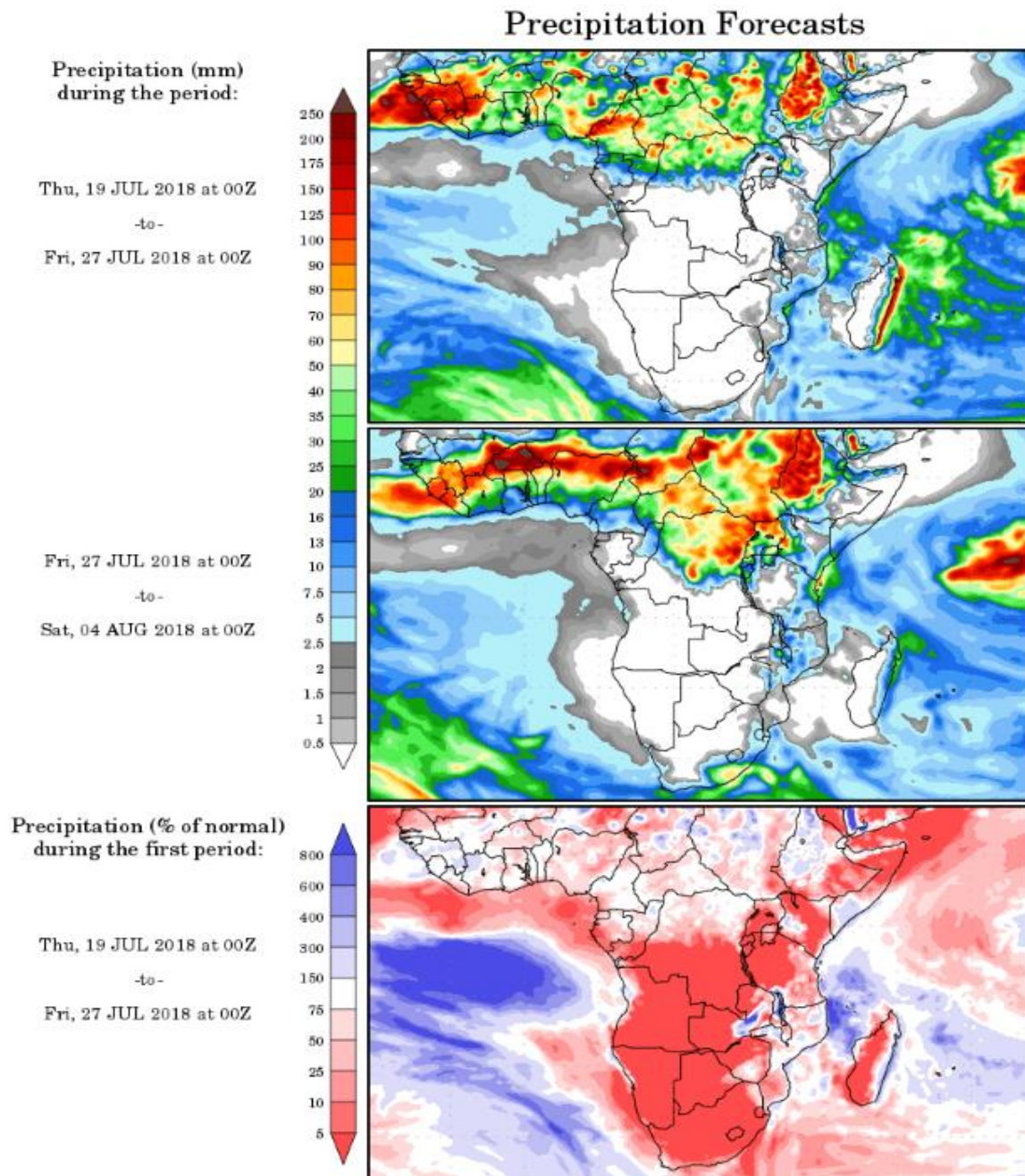
**Figure 10: Next 16-days precipitation forecast**



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: 24/07/2018
- SAGIS producer deliveries data: 25/07/2018
- SAGIS monthly data: 25/07/2018
- National Crop Estimates Committee's data: 26/07/2018

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