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**Key Data Releases in Agricultural Markets:**

- SAGIS producer deliveries data: 15/08/2018
- SAGIS weekly grain trade data: 16/08/2018
- USDA's crop progress report: 20/08/2018
- SAGIS monthly data: 27/08/2018
- National Crop Estimates Committee's seventh summer crop production estimates: 28/08/2018

<b>ECONOMIC INDICATORS</b>	13/08/2018*	14/08/2018*	d-o-d (%Δ)
Rand/US Dollar	14,43	14,32	+0,77%
Rand/Euro	16,44	16,34	+0,61%
Euro/US Dollar	1,1384	1,1406	+0,19%
Gold Spot	1 202,66	1 195,61	-0,59%
Brent Crude Oil	72,64	72,56	-0,11%
Platinum Spot	816,90	801,20	-1,92%
Dow Jones Industrial Average	25 313,14	25 187,70	-0,50%
JSE All Share	58 002,54	57 885,26	-0,20%
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

- After experiencing losses at the start of the week, the Rand managed to claw back some ground against the US Dollar this morning, strengthening by 0.77 percent from levels seen at midday yesterday. The Rand's appreciation was in line with the US dollar depreciation against major currencies. From a domestic data front, Stats SA will release the mining production and sales data for June 2018.
- This morning the Brent crude oil market was under pressure with the price down by 0.11 percent from levels seen at midday yesterday, trading around US\$72.56 per barrel. These losses were partly on the back of an expected uptick in US oil production. This comes after Baker Hughes data showed that the number of active US rigs drilling for oil increased by 10 to 869 in the week of 10 August 2018.



MAIZE/CORN	13/08/2018*	14/08/2018*	d-o-d (%Δ)
White maize Jul 18 (R/t)	2 281	2 274	-0,31%
White maize Dec 18 (R/t)	2 410	2 396	-0,58%
Yellow maize Jul 18 (R/t)	2 333	2 335	0,09%
Yellow maize Dec 18 (R/t)	2 462	2 462	0,00%
CME corn Sep 18 (US cents/bushel)	354	357	+0,85%

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

- Yesterday the SAFEX maize market settled on a mixed footing. The white maize market experienced losses owing to large domestic supplies, as well as spillover from lower Chicago maize prices. Meanwhile, yellow maize contract prices were marginally higher than the previous day due to the weaker domestic currency against the US Dollar.
- There is a general understanding in the market that South Africa's maize supplies are in good shape in the 2018/19 marketing year which ends in April 2018. As indicated in our previous note, the supplies are estimated at 16.7 million tonnes, well above the annual maize consumption of 10.8 million tonnes. About 2.5 million tonnes will probably be exported and the rest be carried over to the next marketing year.
- The focus is now shifting towards the 2018/19 production season which will commence in October. The forecasts of an El Niño over the coming months have created uncertainty in the market about the potential size of the next season crop. This uncertainty is somewhat reflected on maize prices which are currently double digits up from levels seen at the beginning of August 2017.
- We should highlight, however, that the annual uptick on domestic maize prices is not only caused by uncertainty ahead of the new season but more by the weaker domestic currency and the higher Chicago maize prices. The impact of weather will largely be mirrored on maize prices when the planting season begins in October 2018 and probably runs until the end of February 2019 when the new season crop starts to mature.
- The global observers such as the United States Department of Agriculture are still optimistic about South Africa's new season crop. The agency placed South Africa's 2018/19 maize production estimate at 14.0 million tonnes, up by a percentage point from the current season. Meanwhile, the International Grains Council forecasts an 11 percent decline from the 2017/18 harvest to 12.3 million tonnes. We generally do not attach much weight on these particular estimates due to the aforementioned weather uncertainty. We will get more reliable estimates about the weather prospects in the coming month, and then release our view on crop size.

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



WHEAT	13/08/2018*	14/08/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 200	4 262	+1,48%
SAFEX Wheat Dec 18 (R/t)	4 352	4 394	+0,97%
CME Wheat spot (US cents/bushel)	538	538	0,00%

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

- The SAFEX wheat prices settled in positive territory in yesterday's trade session owing to the weaker Rand against the US Dollar, as well as commercial buying interest. The gains were, nonetheless, marginal compared to market expectations. The reason being that global wheat prices, which were expected to drive the market yesterday following the USDA's monthly report, lost ground due to profit-taking.
- We highlighted this in yesterday's note, but we will restate it briefly for context. Last week, the USDA revised its 2018/19 global wheat production estimate down to 730 million tonnes, which is 4 percent lower than the previous season. This is due to expectations of lower harvest in the Black Sea, EU region, China and India, following unfavourable weather conditions in the past couple of months and a reduction in area planted.
- These developments are important to South Africa as the country is a net importer of wheat. The 2017/18 marketing year wheat imports are estimated at 1.9 million tonnes, which is a second highest levels on record, following the 2017 Western Cape drought season which weighed on domestic production.
- In the week of 03 August 2018, about 93 percent of the estimated volumes had already been imported. The rest could reach the South African shores before the end of September 2018, when the 2017/18 marketing year ends. About 34 percent share of the imported volume so far came from Russia, 16 percent from Germany, 10 percent from Lithuania and the rest from Ukraine, the US, Latvia, Poland, Romania and the Czech Republic.
- Looking ahead, the volume of imports could be less than the 2017/18 volume of 1.9 million tonnes as production is expected to recover following improvements in weather conditions in parts of the Western Cape province. The International Grains Council forecasts South Africa's 2018/19 wheat production at 1.7 million tonnes, up by 13 percent from the previous season's harvest. An official estimate by the local authorities will be realised at the end of this month.
- We will release our estimate for South Africa's 2018/19 wheat imports early next month when we have a clearer indication of the possible size of the local harvest. With wheat imports for the past 5-seasons averaging 1.6 million tonnes, South Africa will remain a notable importer in 2018/19 regardless of the possible uptick in production. This partly explains why we continuously monitor the developments in the global wheat market.

Bottom line – Today the local wheat prices could be under pressure due to the slightly stronger Rand against the US Dollar, as well as expected decline in Chicago wheat prices.



SOYBEAN	13/08/2018*	14/08/2018*	d-o-d (%Δ)
SAFEX Soybean Jul 18 (R/t)	4 460	4 460	0,00%
SAFEX Soybean Dec 18 (R/t)	4 634	4 628	-0,13%
CME Soybean Spot (US cents/bushel)	838	853	+1,79%

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

- The SAFEX soybean spot and December 2018 contract month prices remained roughly unchanged in yesterday's trade session compared to the Friday's levels. The bullish sentiment which emanated from the weaker Rand against the US Dollar was overshadowed by lower Chicago soybean prices following the USDA's report which showed improvement in global soybean production estimates. The potential decline in Chinese soybean demand also weighed on the market.
- The general message from the USDA report was that there are large soybean supplies in the market. To reiterate a point made yesterday, the USDA revised its estimate for 2018/19 global soybean production up by 2 percent from last month to 367 million tonnes. This is 5 percent higher than the previous season due to an expansion in area planted and expectations of higher yields in major soybean producing countries such as Brazil, Argentina and the US, amongst others.
- From a demand perspective, the USDA slightly revised its 2018/19 global soybean import estimate up from the previous month to 155 million tonnes, which is a percentage point higher than the previous season. China, the EU region, Mexico and Japan are expected to remain the key buyers of soybean.
- Contrary to market expectations, the USDA lefts its estimate for China's soybean imports unchanged from last month at 95 million tonnes, which is a percentage point lower than the previous season. With that said, this is 8 percent lower than the initial estimates that were released at the beginning of May 2018. The downward revision is largely on the back of the US-China trade dispute which has resulted in the introduction of tariffs.
- A recent report from the International Grains Council quoted the Chinese Agricultural Deputy Minister saying the country will be able to cover demand for animal feed (soybean oil cake) and vegetable oil without the US soybean imports. China will utilise supplies from South America and alternative oilseeds.
- This follows last week's reports which noted that China has expanded the use of low protein animal feed formulas. In addition, China's imports of canola and sunflower meal are expected to increase this season and potentially substitute 6 million tonnes of soybean meal.

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



<b>SUNFLOWER SEED</b>	13/08/2018*	14/08/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	4 837	4 896	+1,22%
SAFEX Sunflower seed Dec 18 (R/t)	5 011	5 062	+1,02%
EU (France) sunflower seed (US\$/t)	382	377	-1,31%

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

- The SAFEX sunflower seed market started yesterday's trade session in the positive footing and maintained the gains throughout the day as the weaker Rand against the US Dollar continued to provide support to the market.
- Aside from the price movements, there were no major developments in the domestic sunflower seed market. The expected cool and drier weather conditions over the sunflower seed growing areas of the country could provide conducive conditions for a few areas that have not yet completed the harvest process.
- As set out in yesterday's note, the Crop Estimate Committee have underestimated the sunflower seed harvest for the 2017/18 production season. In the week of 03 August 2018, farmers had already delivered 805 212 tonnes of sunflower seed to commercial silos, which is 2 percent higher than the official production estimate.<sup>1</sup> An update for the week of 10 August 2018 will be released tomorrow.
- Elsewhere, the EU's sunflower seed market saw extended losses in yesterday's trade session with the price down by 1.31 percent from the previous day, closing at US\$377 per tonne due to improvements in the EU's sunflower seed production estimate, as well as favourable weather conditions in parts of the Black Sea region.
- The USDA placed the EU's 2018/19 sunflower seed production estimate at 9.7 million tonnes, up by a percentage point from the previous season due to an expansion in area planted and expectations of higher yields in some areas. Moreover, Russia and Ukraine's 2018/19 sunflower seed production is estimated at 11.0 and 15.0 million tonnes, up by 6 percent and 7 percent from the previous season due to expected higher yields and expansion in area planted.
- The weather prospects for the next eight days are quite positive over the most parts of the EU and the Black Sea regions, showing prospects of rainfall, which should further improve soil moisture and subsequently yields following weeks of persistent dryness in these regions.

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

<sup>1</sup> The Crop Estimate Committee have underestimated the production estimate partly due to better than expected yields in the late planted areas of the Free State and North West provinces. The average national yield is estimated at 1.32 tonnes per hectare, which is well above the average 5-year yield of 1.21 tonnes per hectare. At the start of the harvest season, there were views that the yields could be at levels below 0.9 tonnes per hectare in the late planted areas of the North West and Free State provinces. However, things turned out differently, most regions received average yields, thanks to the late-season rainfall.



<b>POTATO</b>	13/08/2018*	14/08/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	29,34	28,45	-3,03%

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

- The South African potatoes market lost ground in yesterday's trade session with the price down by 3 percent from the previous day, closing R28.45 per pockets (10kg bag). These losses were mainly on the back of relatively large stock of 1.39 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 34 percent drop in daily stock to 917 022 pockets (10kg bag) by close of business.

Bottom line – Today the South African potatoes market could recover from the current levels and settle in positive territory due to relatively lower stocks of 917 022 pockets (10kg bag).

<b>BEEF CARCASS</b>	13/08/2018*	14/08/2018*	d-o-d (%Δ)
SAFEX Beef Sep 18 (R/kg)	47,50	47,50	0,00

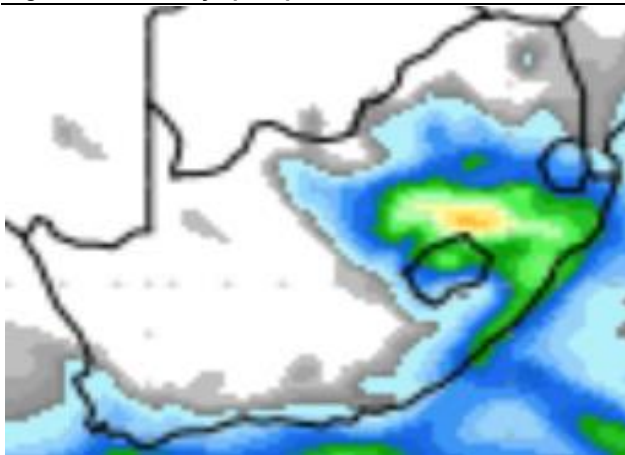
\*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- 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 190 454 head of cattle in June 2018, down by 14 percent from June 2017 due to the herd rebuilding process after a reduction during the 2015-16 drought. However, the trend could possibly 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.

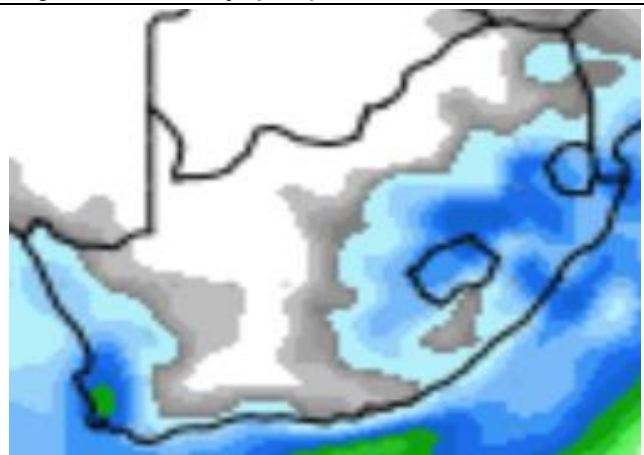
Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will again most likely remain flat throughout the week.

**WEATHER FORECAST:** South Africa

- The weather forecast has changed overnight in the Western Cape province, and currently shows prospects of cool and drier weather conditions for the next eight days. This is with the exception of the areas around Somerset West which could receive light showers (figure 1). This generally does not bode well with winter crops which need moisture at its current stage of development.
- The forecasts for the last week of this month also presents a disappointing picture of the drier conditions over most parts of the Western Cape province, with a possibility of light showers in the Swartland and Helderberg, and Winelands regions figure 2).

**Figure 1: Next 8-days precipitation forecast**

Source: wxmaps

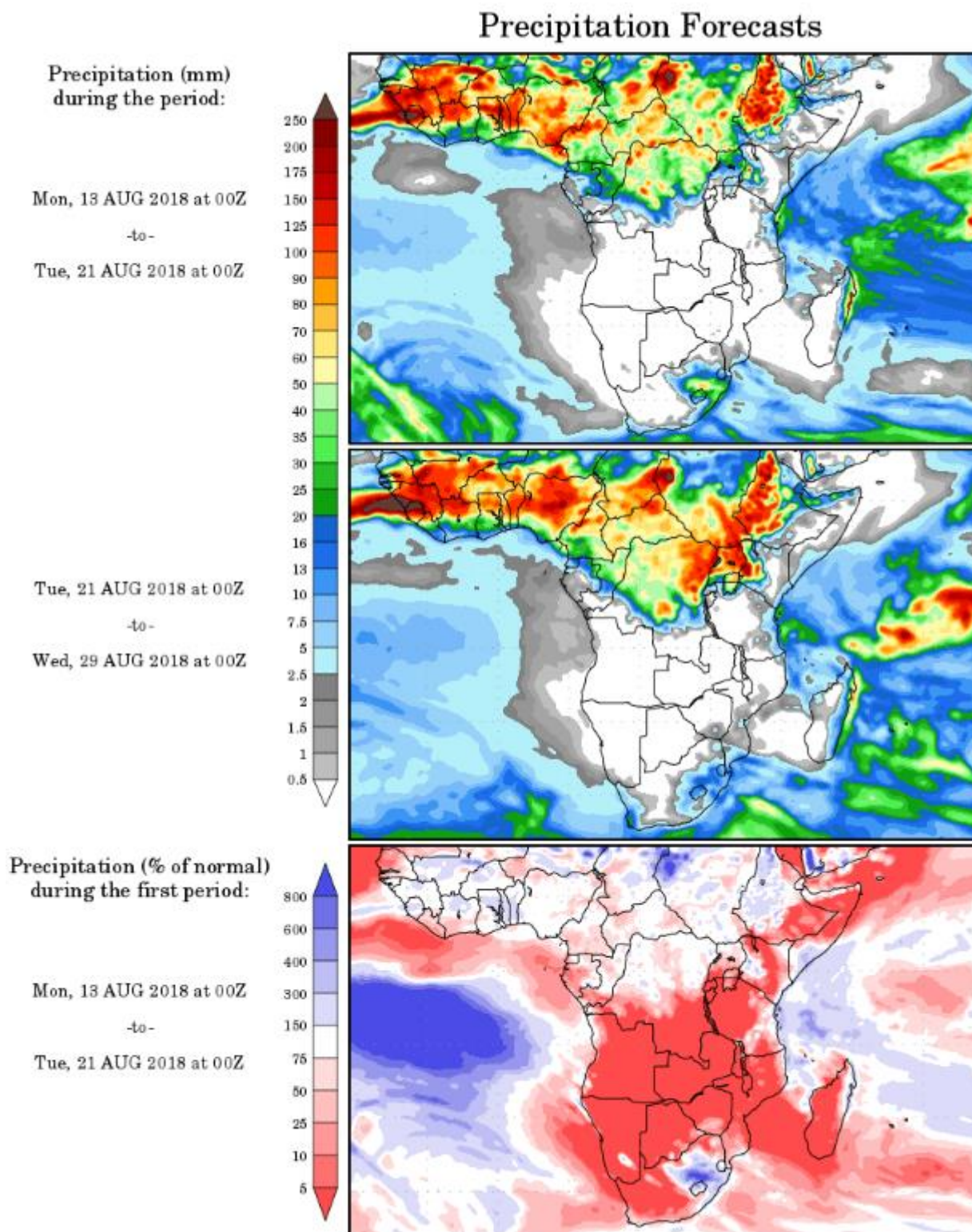
**Figure 2: Next 16-days precipitation forecast**

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.

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