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## Key Data Releases in Agricultural Markets:

- USDA's crop progress report: 20/08/2018
- SAGIS producer deliveries data: 22/08/2018
- SAGIS weekly grain trade data: 23/08/2018
- SAGIS monthly data: 27/08/2018
- National Crop Estimates Committee's seventh summer crop production estimates: 28/08/2018

| ECONOMIC INDICATORS | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| Rand/US Dollar | 15,01 | 14,65 | +2,46% |
| Rand/Euro | 17,09 | 16,74 | +2,09% |
| Euro/US Dollar | 1,1407 | 1,1427 | +0,18% |
| Gold Spot | 1 175,81 | 1 185,46 | +0,82% |
| Brent Crude Oil | 71,67 | 71,41 | -0,36% |
| Platinum Spot | 775,40 | 789,00 | +1,75% |
| Dow Jones Industrial Average | 25 548,15 | 25 669,32 | +0,47% |
| JSE All Share | 56 887,49 | 56 647,52 | -0,42% |
| 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*

- This morning the Rand has managed to claw back some of its recent losses due to a slight recovery in global commodity prices. Moreover, the Rand's appreciation was in line with the US Dollar depreciation against major currencies. The Rand/US Dollar is currently 2.46 percent stronger compared to levels seen at midday Friday, trading around R14.65. From a domestic data front, today's calendar is fairly light with no major releases

- After experiencing a good run in the previous session, the Brent crude oil market pulled back this morning due to expectations of a slowdown in global economic growth, which in turn, could lead to a decline in global demand. At the time of writing, the oil price was down by 0.36 percent from levels seen at midday Friday, trading around US$71.41 per barrel.

| MAIZE/CORN | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| White maize spot price (R/t) | 2 311 | 2 378 | +2,90% |
| White maize Jul 19 (R/t) | 2 565 | 2 630 | +2,53% |
| Yellow maize spot price (R/t) | 2 380 | 2 451 | +2,98% |
| Yellow maize Jul 19 (R/t) | 2 573 | 2 627 | +2,10% |
| CME corn Sep 18 (US cents/bushel) | 365 | 365 | 0,00% |

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

- The SAFEX maize market had a good run on Friday's trade session and settled in positive territory. This was mainly on the back of the weaker domestic currency against the US Dollar, higher Chicago maize prices, as well as commercial buying interest.

- As indicated in our previous note, the focus in the market is now shifting towards the 2018/19 production season which will commence in October 2018. Global observers such as the International Grains Council currently forecasts South Africa's 2018/19 maize production at 12.3 million tonnes, down by 11 percent from the previous season. While this is a plausible estimate, we generally do not attach much weight on it at this stage, at least, until there is clarity on the weather expectations, particularly the possibility of an El Niño event.

- Aside from the new season prospects, the data calendar for the week is quite light with only weekly grain trade and producer deliveries figures due for release. In the week of 10 August 2018, South Africa's 2018/19 maize marketing year producer deliveries were at 9.1 million tonnes, which equates to 69 percent of the estimated harvest of 13.2 million tonnes.[1] The yields in areas that have harvested largely varied between average and above average, which is somewhat in line with market expectations. An update for the week of 17 August 2018 will be released on Wednesday. Most importantly, the maize harvest process should be completed by end of this month as the weather forecast for the next two weeks is favourable in the western parts of South Africa.

- In terms of trade, South Africa exported 35 380 tonnes of maize in the week of 10 August 2018, down by 45 percent from levels seen in the previous week. About 84 percent was yellow maize, with 16 percent being white maize. The leading buyer was Japan with a share of 76 percent and the rest went to regional markets (Southern Africa). Overall, this placed South Africa's 2018/19 maize exports at 1.07 million tonnes, which equates to 42 percent of the seasonal export forecast.

Bottom line – Today the domestic maize market could be under pressure due to relatively lower Chicago maize prices, coupled with the stronger ZAR/USD exchange.

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

| WHEAT | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| SAFEX Wheat Spot (R/t) | 4 294 | 4 341 | +1,09% |
| SAFEX Wheat Dec 18 (R/t) | 4 387 | 4 462 | +1,71% |
| CME Wheat spot (US cents/bushel) | 556 | 556 | 0,00% |

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

- South Africa is a net importer of wheat, hence the local prices are somewhat integrated into and affected by developments in the global market. Friday's session was no different, the SAFEX wheat market had a good run due to spillover support from higher Chicago wheat prices. The weaker domestic currency against the US Dollar, as well as commercial buying interest also added support to the market.

- The gains in the Chicago wheat market were partially on the back of an uptick in export demand. Last week, the US wheat export sales amounted to 803 000 tonnes, which was well above market expectations. Moreover, there is generally a bullish sentiment in the global wheat market which emanates from reports of unfavourable weather conditions in the European and Black Sea regions, which led to a 4 percent year- on- year decline in the 2018/19 global wheat production estimate to 730 million tonnes. This is according to data from the United States Department of Agriculture.

- Our general observations of the current crop conditions in the Western Cape province suggest that the 2018/19 season recovery could somewhat be subdued. While the Swartland and Overberg regions received good rainfall in the past couple of weeks and the crop is in good condition, the opposite is true for the southern Cape region.

- On Friday, most parts of the Western Cape province received light showers of between 5 and 10 millimetres, which is generally a positive development. Nonetheless, this will have minimal impact on the southern Cape region. There are already reports of crop damage in some areas, but the scale is unclear at this point.

- Other winter wheat producing provinces such as the Free State, Northern Cape and Limpopo are have recently completed the planting process and will possibly have a good harvest this season due to favourable weather outlook and higher dam levels for the irrigation areas.

- Overall, we will get a clearer picture of the potential recovery of South Africa's wheat production when the Crop Estimate Committee releases its forecasts on 28 August 2018. The global observers such as 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 due to improved weather conditions in some parts of the country.

Bottom line – Today the local wheat prices could also be under pressure due to the relatively stronger Rand against the US Dollar, as well as limited activity in the Chicago wheat market.

| SOYBEAN | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| SAFEX Soybean spot price (R/t) | 4 520 | 4 652 | +2,92% |
| SAFEX Soybean March 2019 (R/t) | 4 797 | 4 912 | +2,40% |
| CME Soybean Spot (US cents/bushel) | 878 | 892 | +1,59% |

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

- The domestic soybean market started Friday's trade session on a positive footing and maintained the gains throughout the day. Similar to other commodities, this was supported by the weaker Rand against the US Dollar, as well as positive spillover from higher Chicago soybean prices.

- The gains in Chicago market followed reports of 154 404 sales of US soybean to Mexico, as well as confirmation that there will be trade talks this week between the US and China. There are hopes that the talks could potentially yield positive results which could subsequently support US soybean exports to China.

- We have stated this in our previous notes, but it is worth restating to provide context on the aforementioned statement. In 2017, the US was the world's second largest exporter of soybeans after Brazil, accounting for 37 percent of global soybean exports, according to data from Trade Map. The major destination of these exports was China. In fact, over the past 5-years, about two-thirds of the US soybean exports were absorbed by China. Hence, a positive outcome in the scheduled trade talks is crucial for US soybean farmers.

- Back on home soils, while the SAFEX soybean prices have slightly increased from levels seen the past couple of days, the current prices are quite competitive (or affordable), roughly 4 percent above the export parity prices. This is due to large supplies which are estimated at 1.87 million tonnes in the 2018/19 marketing year, up by 33 percent from the previous year.

- The supplies figure combines the opening stock and expected production in the 2017/18 production year. Therefore, the notable recovery is on the back of an expected record harvest of 1.55 million tonnes. In the week of 10 August 2018, about 94 percent of the expected crop had already been delivered to commercial silos. On Wednesday, SAGIS will release an update for the week of 17 August 2018.

- Elsewhere, the favourable weather conditions in the past couple of days might improve the US soybean crop conditions. In the week of 12 August 2018, about 66 percent of the US soybean crop was rated good/excellent, down by a percentage point from the previous week's rating. Most importantly, this was 7 percentage points higher than the corresponding period last year.

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

| SUNFLOWER SEED | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| SAFEX Sunflower seed spot price (R/t) | 5 031 | 5 085 | +1,07% |
| SAFEX Sunflower seed March 2019 (R/t) | 5 128 | 5 160 | +0,62% |
| EU (France) sunflower seed (US$/t) | 373 | 377 | +1,07% |

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

- The SAFEX sunflower seed market had a good run on Friday's trade session with support emanating from the weaker Rand against US Dollar, combined with commercial buying interest.
- In the absence of major data releases, the focus this week will again be on the producer deliveries figures which will be out on Wednesday. In the week of 10 August 2018, about 824 788 tonnes of sunflower seed had already been delivered to commercial silos. This is 4 percent higher than the official production estimate due to higher than expected yields in the late-planted areas of the country.
- While this season's deliveries are still 6 percent lower than the 2016/17 harvest, this margin could narrow as producer deliveries are expected to continue over the coming weeks, particularly in the western parts of the North West and Free State province which have recently completed the harvest process.
- On 28 August 2019, the Crop Estimate Committee will release its seventh forecast for the 2017/18 production forecast. This will most likely show an uptick from the current forecast, as the producer deliveries data already shows that the Committee has underestimated the harvest.
- This will essentially boost South Africa's sunflower seed supplies in the 2018/19 marketing year and perhaps lead to a decline in potential imports.[2] Last month, the Supply and Demand Estimates Committee estimated South Africa's 2018/19 sunflower seed imports at 500 tonnes, down by 10 percent from the previous season due to expectations of a slight decline in consumption.
- The imports estimate was based on the view that domestic production could amount to 792 255 tonnes. Given that the crop delivered into commercial silos already 32 533 tonnes higher than this estimate, we could potentially see South Africa's sunflower seed imports falling well below the initial expectations.
- Elsewhere, on Friday the EU's sunflower seed price was up by 1.07 percent from the previous day, closing at US$377 per tonne. This was mainly on the back of higher crude oil and vegetable oil prices.

Bottom line – Today, the domestic sunflower seed market could experience losses due to the stronger Rand against the US Dollar, as well as large producer deliveries.

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

| **POTATO** | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| RSA Potato (R/10kg) | 28,95 | 28,42 | -1,83% |

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

- The South African potatoes market lost ground on Friday's trade session and settled in negative territory due to a large stock of to 1.29 million pockets (10kg bag) at the start of the session. The price was down by 2 percent from the previous day, closing R28.42 per pockets (10kg bag).

- However, during the session, the market experienced a slight decline in deliveries on the back of a slow harvest activity, coupled with increased commercial buying interest. This subsequently led to a 5 percent drop in daily stock to 1.23 million pockets (10kg bag) by close of business.

Bottom line – Today the South African potatoes market could experience extended losses due to a fairly large stock of 1.23 million pockets (10kg bag), compared to levels seen in the past couple of days.

| **FRUIT (South Africa)** | 17/08/2018* | 20/08/2018* | d-o-d (%Δ) |
|---|---|---|---|
| Apples (R/kg) | 7,26 | 6,75 | -7,02% |
| Bananas (R/kg) | 5,80 | 5,64 | -2,76% |
| Oranges (R/kg) | 3,04 | 3,24 | +6,58% |

**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 prices of apples and bananas were down by 7 percent and 3 percent from the previous day, settled at R6.75 and R5.64 per kilogram, respectively. Nonetheless, the market could soon recover from these levels due to lower stocks of 415 000 tonnes of apples and 758 000 tonnes of bananas, compared to levels seen the past few days.

- Meanwhile, the price of oranges was up by 7 percent from the previous day, closing at R3.24 per kilogram due to a lower stock of 431 000 tonnes.

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.

| BEEF CARCASS | 17/08/2018* | 20/08/2018* | 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*

- The SAFEX beef carcass prices have not moved in months due to thinly traded volumes. Friday's session was no different, the price remained flat at R47.50 per kilogram. 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. This is somewhat contrary to the USDA's view of a potential increase in slaughtering this year in anticipation of an uptick in demand, as well as the general recovery in the industry performance following the 2015-16 drought.

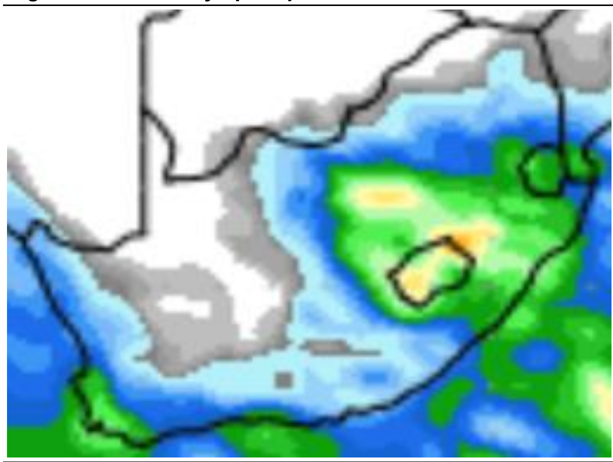
Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will again most likely remain flat throughout the week.

**WEATHER FORECAST**: South Africa

- This week could bring rainfall of between 13 and 25 millimetres in most parts of South Africa (figure 1). This bodes well for winter crops which are currently at a stage of development that requires moisture, particularly in the Western Cape and Free State provinces.

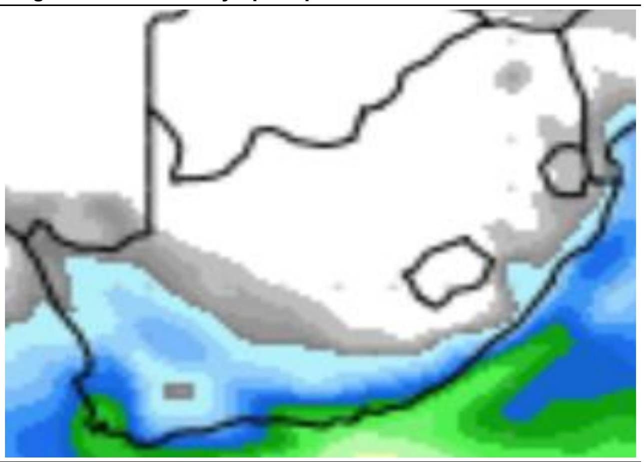
- The weather forecast for the first week of September 2018 paints a positive picture of light showers over the Western Cape and parts of the Eastern Cape province (figure 2). This should benefit winter crops in these respective provinces.

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



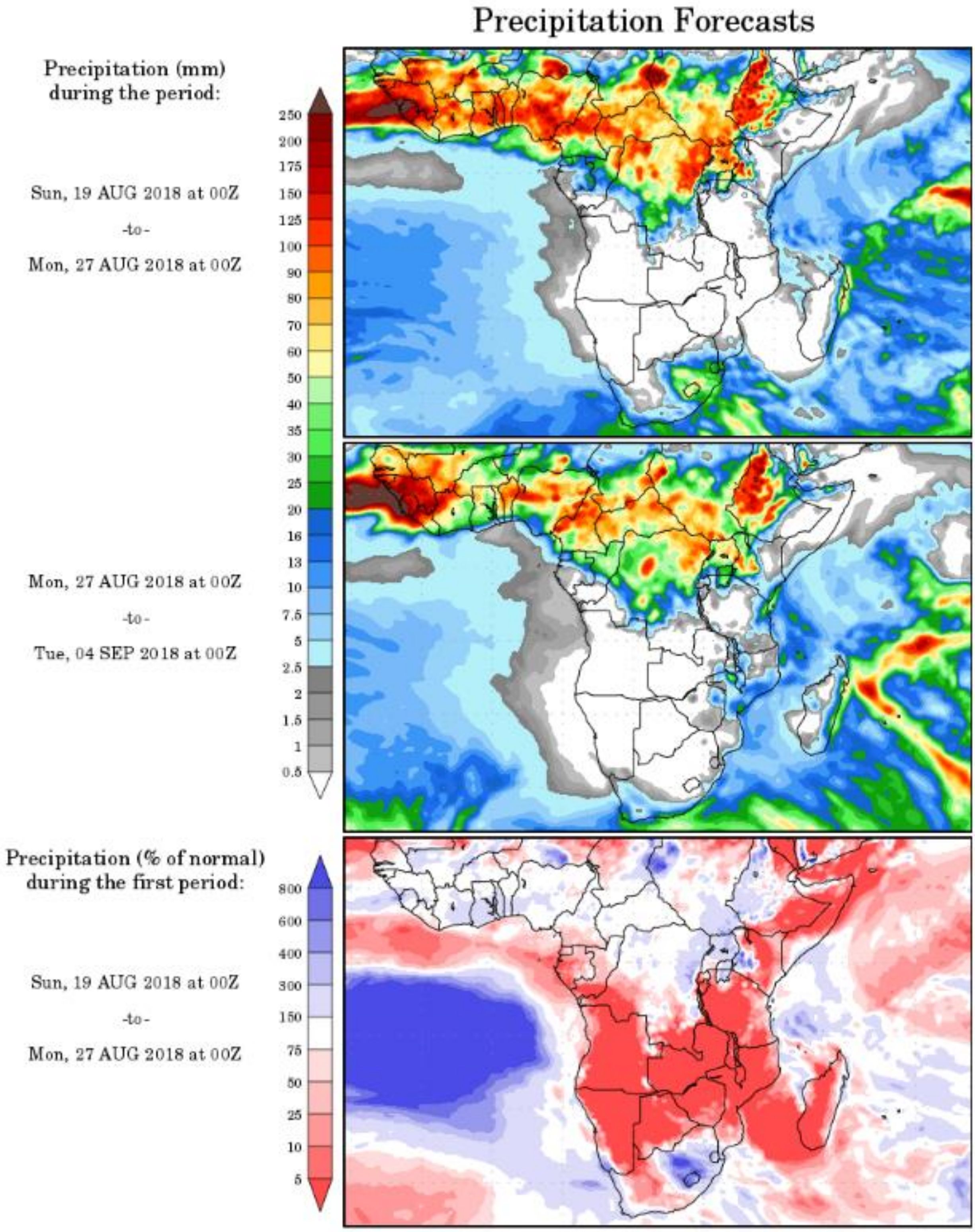
Source: wxmaps

**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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