

South African Agricultural Commodities Weekly Wrap

This week there were no major data releases in the South African agricultural market. The weaker Rand against the US Dollar, coupled with higher Chicago grain prices provided support to the domestic grain and oilseed market, thus overshadowing the bearish sentiment that stemmed from expectations of large supplies in the 2018/19 marketing year. The notable gains were on white and yellow maize with spot prices, with each respectively up by 3 percent from last week. Sunflower seed and wheat prices were up by 2 percent and a percentage point from last week's average prices. Soybean price was marginally up from the previous week. Aside from price movements, the harvest process has been completed in most summer crop areas. This is with the exception of maize, which is behind normal schedule due to a late start of the season on the back of dryness between late last year and early 2018.

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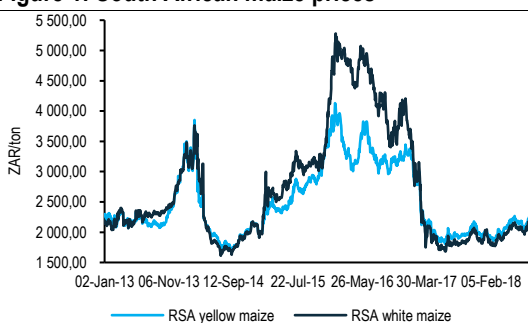
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Maize market

The favourable weather conditions in the past couple of weeks provided conducive conditions for the harvest process. The progress is reflected in the volumes of maize delivered to commercial silos in the past couple of weeks. In the first week of this month, maize producer deliveries amounted to 395 220 tonnes. About 60 percent of this was white maize, with 40 percent being yellow maize.

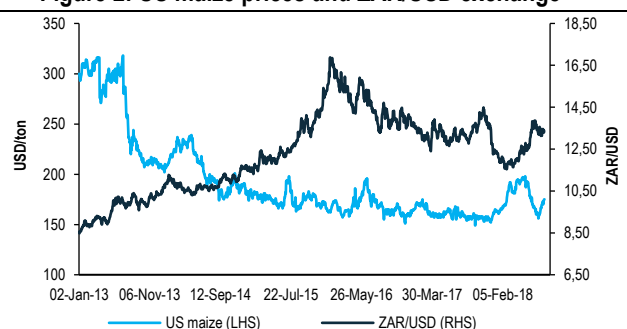
This placed South Africa's 2018/19 maize marketing year producer deliveries at 8.3 million tonnes, which equates to 63 percent of the estimated harvest of 13.2 million tonnes. Yellow maize accounts for 51 percent of overall maize deliveries, with white maize accounting for 49 percent. The yields in areas that have harvested largely varied between average and above average, which is somewhat in line with market expectations. More maize will be delivered in the coming weeks. As flagged in the introductory section, this had minimal impact on maize prices.

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 winter wheat crop is approaching the pollination stages in the Western Cape province, which means rainfall is critically needed in order to boost yields. This week, the Swartland region of the province received roughly 10 to 20 millimetres of rainfall, while Overberg and southern Cape regions received between 5 and 10 millimetres of showers. The crop is generally in good condition in the Swartland and Overberg. Meanwhile, in the southern Cape region, the crop experienced slight damages due to drier conditions in the past couple of weeks.

Looking ahead, the weather forecast for the next two weeks shows prospects of light showers over Swartland, Helderberg and Winelands regions, whereas the rest of the province could experience dryness. This is somewhat contrary to the optimistic view shared by the South African Weather Service in the past couple of weeks. The agency indicated 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). Perhaps, there will be an improvement in the coming weeks.

In the Northern Cape province, the winter wheat planting process has been completed, whereas the Free State province is generally approaching the final stages. The planting window in the Free State and Northern Cape provinces typically runs between June and July of each year (and in certain cases like this year, it runs into early August), while the Western Cape starts planting towards the end of April. These three provinces collective account for 90 percent of the estimated area of 505 000 hectares of winter wheat in the 2018/19 production season.

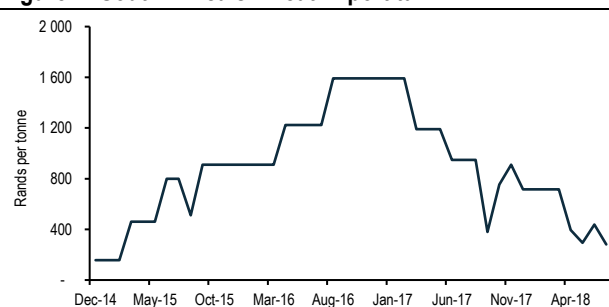
Aside from the production matters, there are no new developments on the wheat import tariff front. The newly calculated wheat tariff is R640.54 per tonne, well above the current rate of R281.74 per tonne. This will only be applicable after its publication on the government gazette. The timeframe for this process is unclear, but previous adjustments took more than three weeks (Figure 4). This is of importance as South Africa’s 2017/18 wheat imports are estimated at 1.9 million tonnes, second highest level on record. About 89 percent of this has already been imported, the rest could reach our shores before the end of September, which is the end of the marketing year. Overall, the SAFEX spot price averaged R4 191 per tonne, up by a percentage point 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

While the soybean harvest process has been completed, farmers continue to deliver the crop to commercial silos. In the week of 03 August 2018, about 1 279 tonnes of soybeans was delivered to commercial silos, down by 50 percent from the previous week. The weekly decline was unsurprising as the harvest process has been completed, with a large share of the crop already delivered to commercial silos. The yields in most areas varied between average and above-average, which is in line with market expectations. Moreover, this placed South Africa’s 2018/19 marketing year soybean producer deliveries at 1.47 million tonnes, which equates to 95 percent of the expected harvest of 1.55 million tonnes. An additional 5 percent of the estimated soybean harvest could be delivered over the coming weeks as weather outlook is quite favourable for logistics from farms to silos. The large deliveries received thus far have boosted domestic soybean stocks, which were estimated at 1.40 million tonnes in June 2018, up by 2 percent from the previous month and 37 percent from the corresponding period last year.

As set out in our previous notes, this could lead to a decline in imports as the country is increasingly becoming reliant on domestic produce. We believe that South Africa’s soybean and oilcake imports could decline by 64 percent and 17 percent year-on-year in the 2018/19 marketing year to 10 000 tonnes and 458 992 tonnes, respectively. In terms of pricing, the SAFEX soybean spot price was marginally up by 0.4 percent from the previous week, averaging R4 377 per tonne due to spillover support from higher Chicago soybean prices (Figure 5).

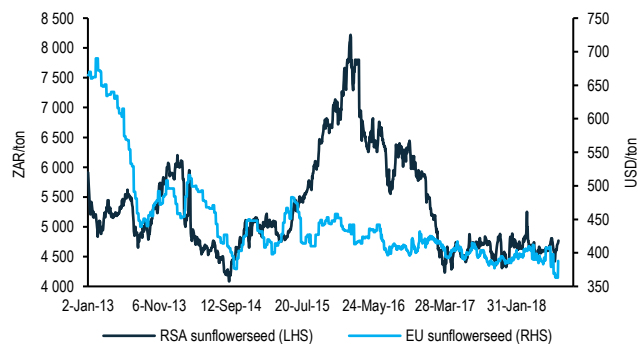
Sunflower seed market

The sunflower seed harvest process is generally towards completion, with few patches left in the late-planted areas of the North West province. The progress is reflected in the producer deliveries data, which are slowing as a large share of the crop has already been delivered to commercial silos. In the week of 03 August 2018, sunflower seed producer deliveries amounted to 8 684 tonnes, well below the previous week’s volume of 39 295 tonnes. This placed South Africa’s 2018/19 marketing year sunflower seed producer deliveries at 805 212 tonnes, which is 2 percent more than the official production estimate. With that said, the SAFEX sunflower seed spot price was up by 2 percent this week, averaged R4 850 per tonne due to the weaker domestic currency (Figure 6).

Figure 5: Soybean prices



Figure 6: Sunflower seed prices



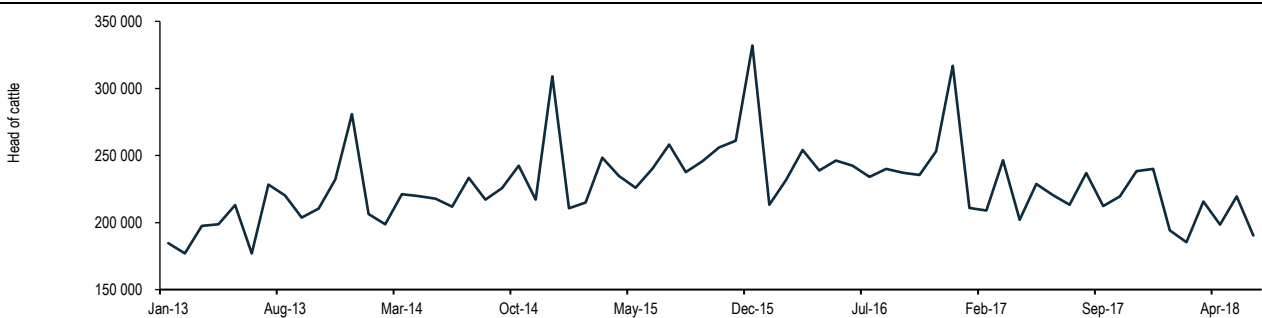
Source: JSE, IGC, and Agbiz Research

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Beef market

The SAFEX beef carcass prices have not moved in months due to thinly traded volumes. This week was no different, 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 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 (Figure 7). However, the trend could 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

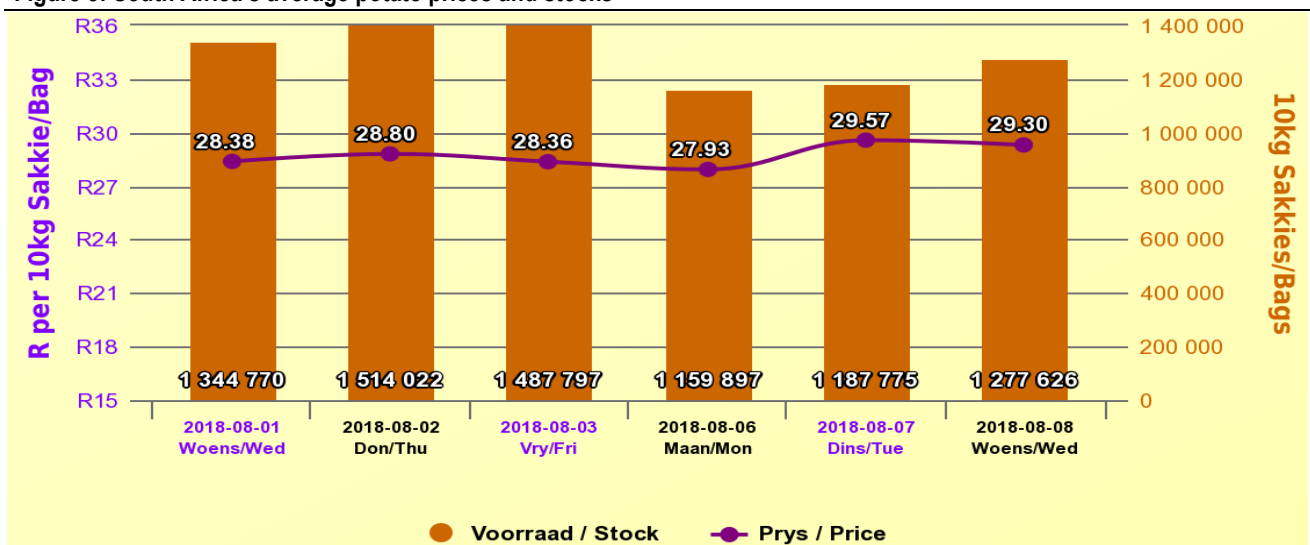


Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week in positive territory, with the price up by 3 percent from the corresponding period last week, closing at R29.30 per pocket/10kg bag (Figure 8). These gains were mainly on the back of a slight decline in stocks to 1.28 million pockets (10kg bag), due to strong commercial buying interest.

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



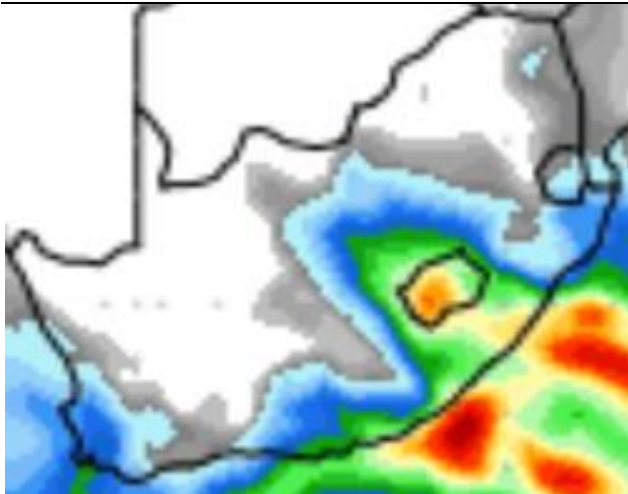
Source: Potato SA

Weather conditions ahead of the weekend

The weather forecast for the next eight days shows prospects of light showers of roughly 10 millimetres over certain areas of Swartland and Helderberg regions of the Western Cape province, while the inland regions could remain cool and dry. This does not bode well with the new season crop which currently needs moisture (Figure 9). The expected rainfall in parts of the Eastern Cape and KwaZulu Natal will not be much of an issue as a large part of the crop has already been harvested. This will, nonetheless, benefit the winter crop growing areas in these provinces.

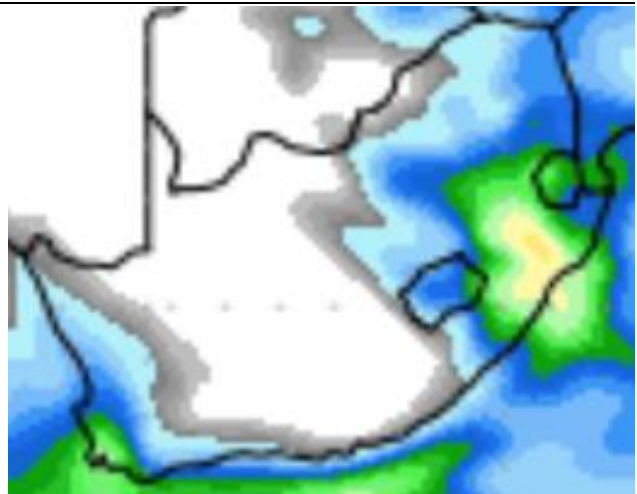
Furthermore, the week of 25 August 2018 promises more of the same in the Western Cape province, which means a share of the crop could be strained for some time due to dryness. The expected rainfall in parts of KwaZulu Natal, Mpumalanga, Gauteng and Limpopo provinces will not cause issues in the agricultural fields as the summer crop in these respective provinces has already been harvested (Figure 10).

Figure 9: Next 8-days precipitation forecast



Source: wxmaps

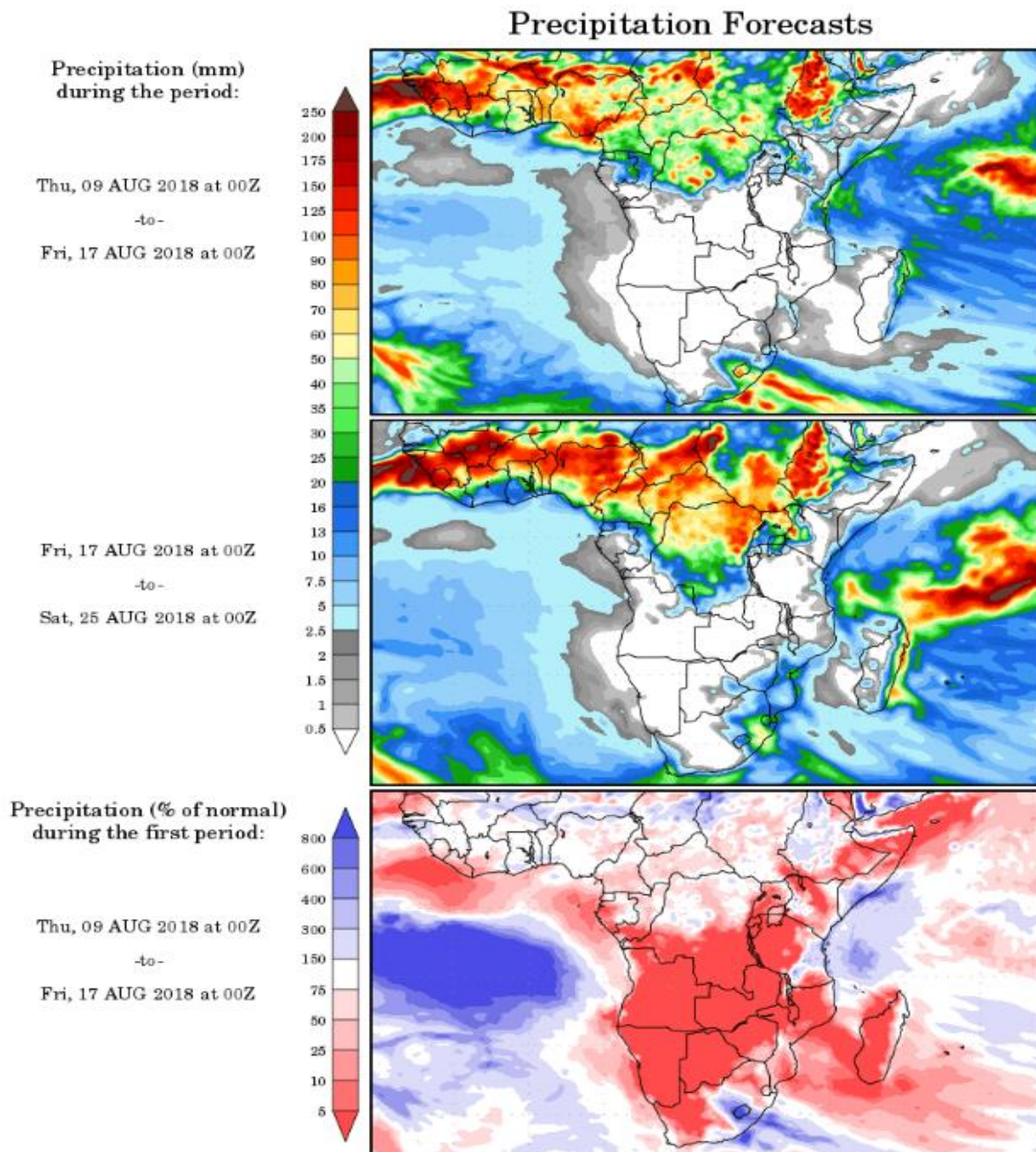
Figure 10: Next 16-days precipitation forecast



Source: wxmaps



Figure 11: Precipitation forecast for the next two weeks



Source: wxmaps

Key data releases in the South African agricultural market

- SAGIS producer deliveries data: 15/08/2018
- SAGIS weekly grain trade data: 16/08/2018
- SAGIS monthly data: 27/08/2018
- National Crop Estimates Committee's data: 28/08/2018

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