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Key Data Releases in Agricultural Markets:

- SAGIS producer deliveries data: 27/09/2018
- SAGIS weekly grain trade data: 28/09/2018
- USDA's crop progress report: 01/10/2018
- USDA's World Agricultural Supply and Demand Estimates Report: 11/10/2018
- National Crop Estimates Committee's 'intentions of farmers' to plant summer grain for 2019: 25/10/2018

ECONOMIC INDICATORS	26/09/2018*	27/09/2018*	d-o-d (%Δ)
Rand/US Dollar	14,30	14,16	+0,99%
Rand/Euro	16,83	16,61	+1,32%
Euro/US Dollar	1,1743	1,1724	-0,16%
Gold Spot	1 198,22	1 198,12	-0,01%
Brent Crude Oil	80,97	82,18	+1,49%
Platinum Spot	828,60	829,90	+0,16%
Dow Jones Industrial Average	26 531,37	26 385,28	-0,55%
JSE All Share	56 898,45	56 570,15	-0,58%
SA repo rate	6.50	6.50	0,00%
SA CPI (y/y %)	5,10	5,10	0,00%
SA CPI – food (y/y %)	3,00	3,00	0,00%

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

- The rand started the day on firm footing, with support partly emanating from a relatively weaker US dollar and a slight recovery in some global commodity prices. The US dollar was under pressure against major currencies, despite the Federal Reserve's decision to lift interest rates by a quarter of a percentage point to a range of 2.00 percent to 2.25 percent. At the time of writing, the Rand/US Dollar exchange traded around R14.16.
- This morning the Brent crude oil price was up by 0.16 percent from the previous day, trading around US\$82.18 per barrel. The gains were partly on the back of imminent US sanctions against Iran, which are set to be implemented in two months' time. This overshadowed the bearish news of a 1.9 million barrels uptick in US oil inventories in the week of 21 September 2018.



MAIZE/CORN	26/09/2018*	27/09/2018*	d-o-d (%Δ)
White maize spot price (R/t)	2 344	2 336	-0,34%
White maize Jul 19 (R/t)	2 506	2 508	+0,08%
Yellow maize spot price (R/t)	2 377	2 376	-0,04%
Yellow maize Jul 19 (R/t)	2 483	2 502	+0,77%
CME corn Sep 18 (US cents/bushel)	364	362	-0,55%

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

- Yesterday the domestic maize spot prices were under pressure partly due to a slight recovery of the rand against the US dollar, as well as commercial buying interest. Meanwhile, July 2019 contract month prices remained in positive territory.
- The Crop Estimate Committee revised its estimate for South Africa's 2017/18 commercial maize production down by 2 percent from the previous estimate to 12.93 million tonnes, which is somewhat in line with our expectations. The non-commercial maize or smallholder farmers' maize production estimate remained unchanged at 593 975 tonnes. This placed South Africa's total maize production at 13.53 million tonnes.
- About 10.97 million tonnes of the maize crop had already been delivered to commercial silos in the week of 14 September 2018. This equates to 85 percent of the estimated harvest of 12.93 million tonnes. The yields in areas that have harvested largely varied between average and above average, in line with market expectations.
- While the harvest is well below the previous season's crop of 16.8 million tonnes, it is still above the long-term average production of 12.0 million tonnes. Moreover, this is higher than the annual maize consumption of 10.8 million tonnes. Given the foregoing and the carryover stock from the previous season, South Africa's maize supplies for the 2018/19 marketing year which ends in April 2019 are well above 16.0 million tonnes.
- Aside from the 2017/18 season, the focus in the market is somewhat shifting towards the 2018/19 production season which commences next month. On that end, the weather forecasters are predicting a possibility of another El Niño event, which could negatively affect the new season crop if it materialises.
- With that said, it is still unclear whether South African farmers will reduce the intentions to plant because of the forecast El Niño. However, we will have a better indication when the Crop Estimate Committee releases the farmers' intentions to plant data on 25 October 2018.

Bottom line – Today the domestic maize market could be under pressure due to lower Chicago maize prices, as well as a slight recovery of the rand against the US dollar.



WHEAT	26/09/2018*	27/09/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 340	4 340	0,00%
SAFEX Wheat Dec 18 (R/t)	4 453	4 448	-0,11%
CME Wheat spot (US cents/bushel)	525	518	-1,33%

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

- The SAFEX wheat market started yesterday's trade session on a positive footing, but lost ground towards the end of the day and settled on a mixed footing. The losses in December 2018 contract month price were underpinned by both increased commercial selling in the domestic front, slight recovery of the rand against the US dollar, as well as the spillover pressure from lower Chicago wheat prices.
- As set out in yesterday's trade session, the Crop Estimate Committee revised its estimate for 2018/19 wheat production up by 2 percent from last month to 1.8 million tonnes – all thanks to good rainfall in parts of the Western Cape and an expansion in area planted in the Free State province. We put more emphasis on the Western Cape because of its lion share contribution of 48 percent in South Africa's 2018/19 wheat production.
- The positive outlook is not only limited to the Western Cape, but the winter crop growing conditions are also favourable in provinces such as the Northern Cape, Free State, Eastern Cape and Limpopo, amongst others -- all thanks to recent rainfall and improved water levels in the dams for irrigation following good summer rainfall. Looking ahead, the week of 12 October 2018 promises rainfall in most regions of the aforementioned provinces, which could further improve crop conditions.
- Above all, the improvement in production estimate implies that South Africa's wheat imports for the 2018/19 marketing year which starts in October 2018 could decline by 33 percent from the previous season to 1.4 million tonnes. This is good for the country's agricultural trade balance.
- There are still some uncertainties in the domestic wheat trade environment which are partly caused by the delays in import tariff adjustments. The wheat import tariff triggered again on 11 September to R490.72 per tonne due to a decline in international wheat prices (No2 HRW) in the preceding three weeks. The previous trigger was on 14 August, which then, was calculated at R298.45 per tonne, following an uptick in international wheat prices. However, these rates are not yet applicable. The current import tariff is R640.55 per tonnes.
- The newly calculated rate will also be effective only after publication in a government gazette, of which the timeframe is unclear. The import tariff will expectedly decline to R298.45 per tonne first and then increase to R490.72per tonne.

Bottom line – Similar to maize, today the local wheat market could also be under pressure due to the slight recovery of the rand against the US dollar, coupled with lower Chicago wheat prices.



SOYBEAN	26/09/2018*	27/09/2018*	d-o-d (%Δ)
SAFEX Soybean spot price (R/t)	4 512	4 526	+0,31%
SAFEX Soybean March 2019 (R/t)	4 754	4 765	+0,23%
CME Soybean Spot (US cents/bushel)	852	849	-0,35%

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

- The SAFEX soybean market started yesterday's trade session on a positive footing and maintained the day due to increased commercial buying interest, as well as spillover from higher Chicago soybean prices.
- As set out in our previous note, the Crop Estimate Committee left its final forecast for South Africa's 2017/18 soybean production unchanged from last month at 1.55 million tonnes. This is 18 percent higher than the previous season due to an expansion in area planted, as well as fairly higher yields.
- The Committee's decision is usurping as the harvest process ended with reports of average and above average yields in a number of areas. In the week of 14 September 2018, about 1.47 tonnes of soybean had already been delivered to commercial silos. This equates to 95 percent of the estimated harvest. We believe that additional volumes will be delivered over the coming weeks as farmers continue to take their harvest to the market.
- This production data reinforced the view that South Africa's soybean supplies will be in good shape in the 2018/19 marketing year. The national Supply and Demand Estimates Committee forecasts the country's soybean supplies at 1.86 million tonnes, up by 32 percent from the 2017/18 marketing year. ¹This includes the expected production and imports, as well as opening stock.
- Furthermore, this implies that the soybean processors will largely rely on local supplies, hence we expect a decline on imports. South Africa's soybean and oilcake imports could drop by 27 percent and 17 percent year-on-year in the 2018/19 marketing year to 20 000 tonnes and 458 992 tonnes, respectively.
- As set out in our previous note, soybean consumption (processed for oil and cake) amounted to 78 349 tonnes in August 2018, which is somewhat in line with the long-term monthly average consumption trend. If we apply an estimate of 2.2 million tonnes of South Africa's soybean crushing capacity, which equates to 183 333 tonnes per month, then, the country utilised 43 percent of its monthly soybean processing capacity in August 2018. This is marginally down by a percentage point from last month and the corresponding period last year.

Bottom line – Today the SAFEX soybean prices could also be under pressure due to lower Chicago soybean prices and the relatively stronger rand against the US dollar.

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



SUNFLOWER SEED	26/09/2018*	27/09/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	5 090	5 075	-0,29%
SAFEX Sunflower seed March 2019 (R/t)	5 103	5 090	-0,25%
EU (France) sunflower seed (US\$/t)	370	370	0,00%

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

- After experiencing a good run at the start of the week, the SAFEX sunflower seed market pulled back in yesterday's trade session and settled in negative territory. This was partly on the back of a relatively stronger rand against the US dollar, as well as generally large domestic supplies.
- Yesterday the Crop Estimate Committee left its 2017/18 production forecast for sunflower seed unchanged from the previous month at 858 605 tonnes. While the 2017/18 harvest has exceeded expectations, it is still 3 percent lower than the previous season. The key contributing provinces to the overall harvest are Free State and North West provinces, collectively accounting for 95 percent share of the overall harvest.
- A large share of the crop has already been delivered to commercial silos. On 14 September 2018, about at 848 713 tonnes of sunflower seed had already been delivered, which equates to 99 percent of the expected harvest. At midday, SAGIS will release an update for the week of 21 September 2018. The volume of deliveries is likely to be negligible as a large part of the crop is already in silos.
- This year's harvest has generally improved South Africa's 2018/19 marketing year sunflower seed supplies, which are estimated at 1.02 million tonnes when adding imports and the carryover stock from the previous year.² While this is 3 percent less than the 2017/18 marketing year, the market is well supplied compared to expectations at the beginning of the year.
- In terms of trade, South Africa imported 213 tonnes of sunflower seed in August 2018. About 61 percent of this originated from Malawi, with 39 percent from Botswana. This placed South Africa's sunflower seed imports at 682 tonnes, well above the market expectations of 500 tonnes of imports in the 2018/19 marketing year.
- Looking ahead, the 2018/19 sunflower seed production will commence next month, particularly in areas with improved soil moisture levels. Moreover, the weather will be a key focus ahead of the start of planting processes. The forecast El Niño remains a key risk that could potentially undermine the progress made thus far in terms of agricultural output.

Bottom line – Today, the domestic sunflower seed market could experience marginal losses due to the slightly stronger rand against the US dollar.

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



POTATO	26/09/2018*	27/09/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	31,12	31,43	+1,00%

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

- The South African potatoes market had a good run in yesterday's trade session with the price up by a percentage point from the previous day, closing at R31.43 per pockets (10kg bag). This was partly on the back of lower stock of 1.11 million pockets (10kg bag) at the start of the session.
- In the session, the market experienced increased commercial buying interest and a slight decline in producer deliveries, which subsequently declined by 2 percent decline in stocks to 1.09 million pockets (10kg bag).

Bottom line – Today the South African potatoes price could receive additional gains due to a relatively lower stock of 1.09 million pockets (10kg bag) compared to levels seen in the past couple of days.

BEEF CARCASS	26/09/2018*	27/09/2018*	d-o-d (%Δ)
SAFEX Beef Dec 18 (R/kg)	47,55	47,55	0,00

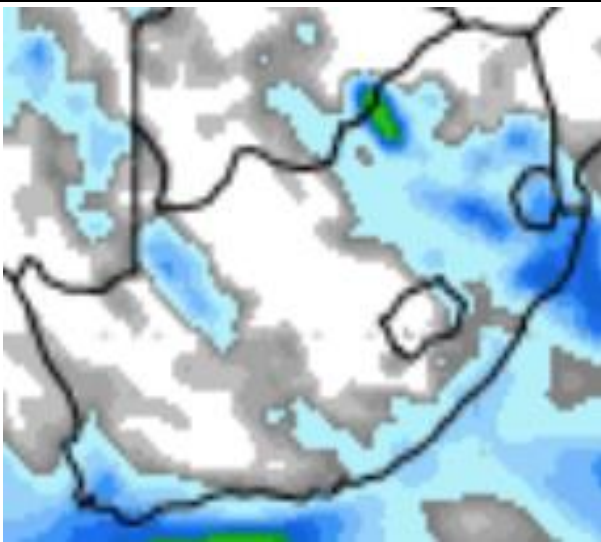
*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- The SAFEX beef carcass prices have not moved in months due to thinly traded volumes. Yesterday's session was no different, the price remains unchanged from the previous day, at R47.55 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 212 060 head of cattle in July 2018, down by a percentage point from July 2017 due to the herd rebuilding process after a reduction during the 2015-16 drought. That's said, the USDA forecasts a 4 percent year-on-year increase in the number of cattle to be slaughtered in South Africa in 2018 to 3.5 million cattle, partially due to the anticipated uptick in demand.

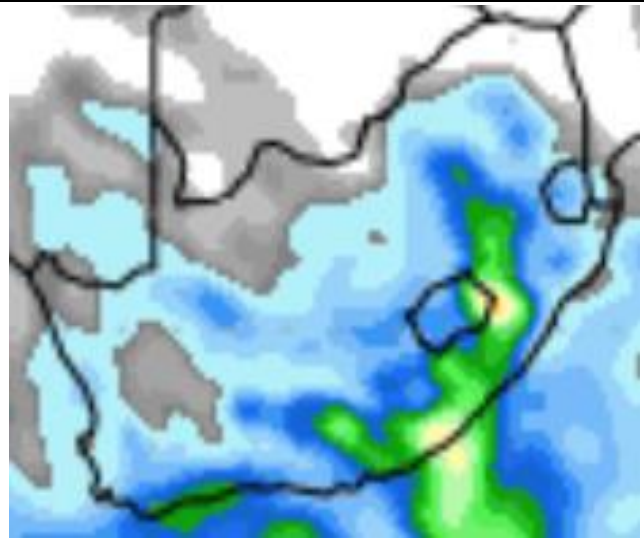
Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will again most likely remain flat throughout the week.

**WEATHER FORECAST:** South Africa

- This morning the weather forecast was roughly unchanged from what we reported yesterday. There were clear skies over most parts of the country, with the exception of few patches over the Gauteng and Mpumalanga provinces (figure 1). This is not much of an issue as the winter crop is in good condition across the country and the summer crop season only starting next month.
- However, the week of 12 October could bring widespread rainfall in most parts of the country, which is a welcome development ahead of the planting period which commences next month (figure 2).

Figure 1: Next 8-days precipitation forecast

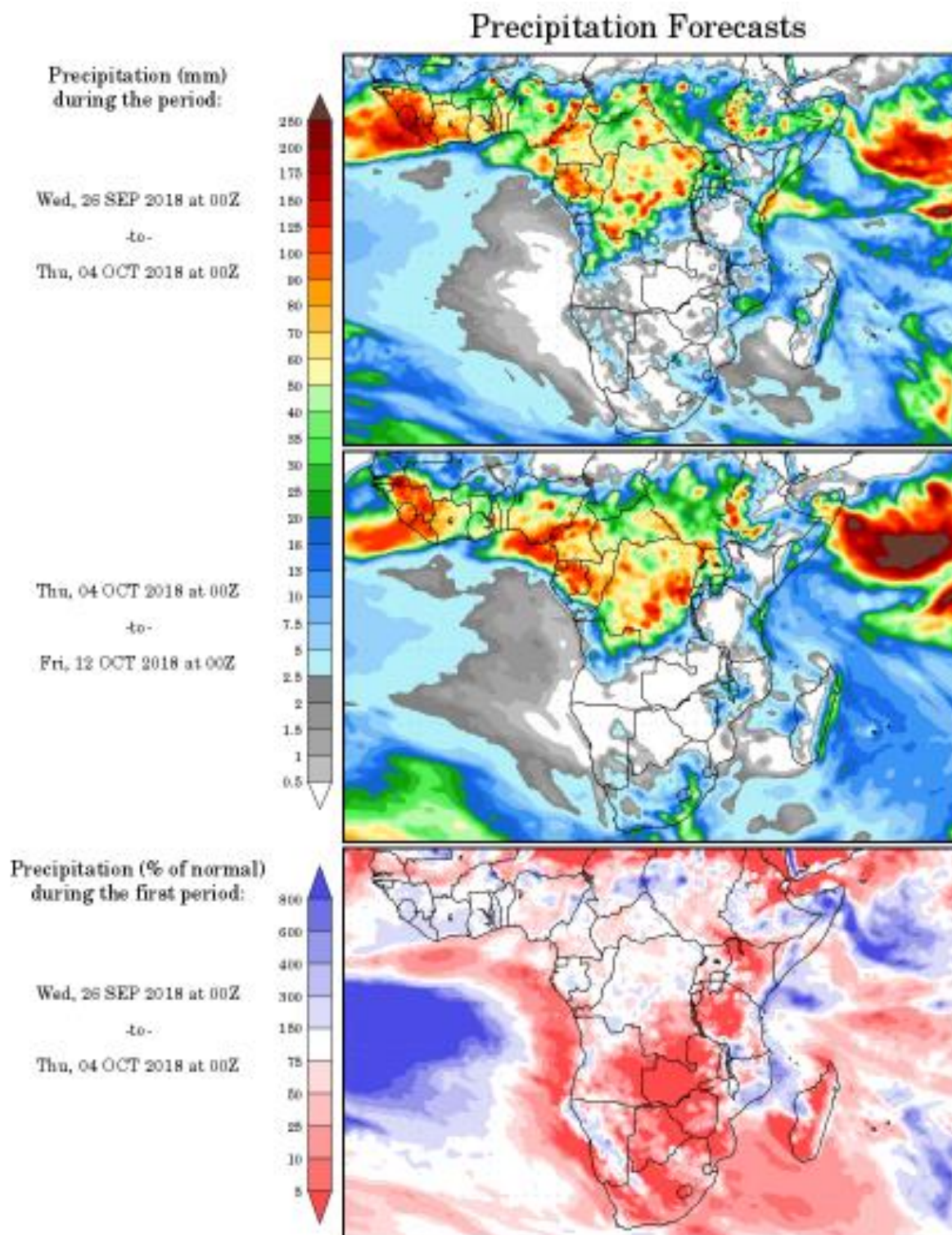
Source: wxmaps

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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