

## South African Agricultural Commodities Weekly Wrap

The producer deliveries data for 2017/18 summer grains and oilseeds, particularly maize, soybeans and sunflower seed, show that South Africa will have sufficient supplies until the first quarter of 2019. Hence, 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. 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 its estimates on October 25. From a winter crop perspective, this has been one of the good seasons following a drought year in the Western Cape that led to a double-digit decline in 2017/18 wheat production.

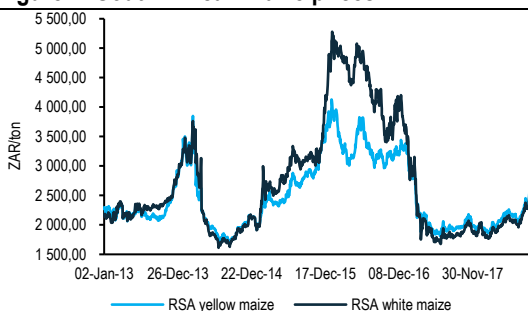
**Wandile Sihlobo**  
+27(0)12 807 6686  
[wandile@agbiz.co.za](mailto:wandile@agbiz.co.za)

[@WandileSihlobo](https://twitter.com/WandileSihlobo)

### Maize market

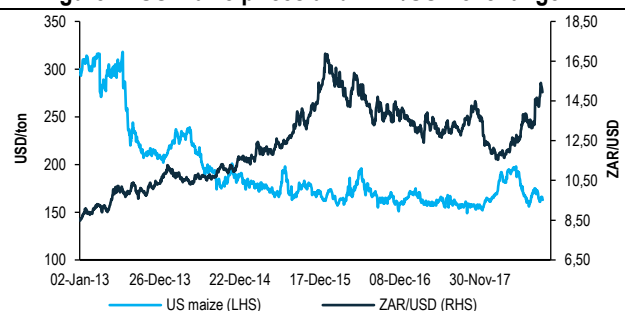
South Africa's maize market will be well supplied in the 2018/19 marketing year, which ends in April 2019.<sup>1</sup> Total maize supplies could reach 16.7 million tonnes, well above the local demand of 10.8 million tonnes. The maize supplies figure combines opening stocks and expected production. This means that South Africa's maize exports could, at least, amount to 2.3 million tonnes, down by 8 percent year-on-year. Looking ahead, the United States Department of Agriculture revised its estimate for South Africa's 2018/19 maize production down by 4 percent from last month to 13.0 million tonnes. While this is 6 percent lower than the 2017/18 production season, it is still above the long-term average production of 12.5 million tonnes. Overall, the forecast El Niño remains a key risk which could potentially change this fairly optimistic picture. In terms of pricing, the SAFEX white and yellow maize spot prices were each up by a percentage point from last week, averaging R2 429 per tonne and R2 482 per tonne.

**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

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

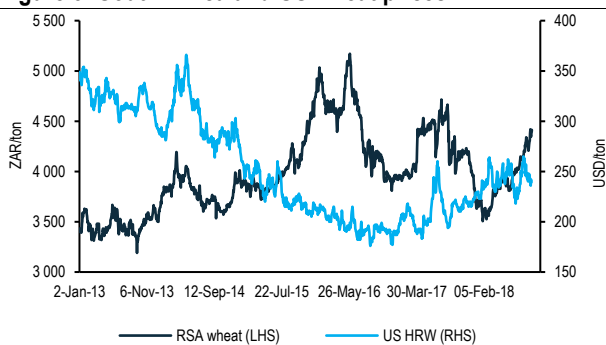
## Wheat market

The weather conditions have been favourable over South Africa’s winter wheat growing areas, particularly the Western Cape province. Last week, the Swartland region received between 20 and 30 millimetres of rainfall. In Overberg and southern Cape regions, there were about 20 to 40 millimetres of rainfall. This bodes well with the crop which is currently at its pollination stage that requires moisture. This recent showers did not only replenish soil moisture but also improved dam levels. The most recent data from the Department of Water and Sanitation shows that the Western Cape provincial dam levels averaged 61 percent in the week of 10 September 2018, up by 3 percentage points from the previous week and 26 percentage points higher than the same period last year.

In other provinces such as Free State, Limpopo and Northern Cape, amongst others, the winter wheat crop is in good shape and will be sustained in such conditions due to improved soil moisture following good summer rainfall and showers in the past couple of weeks. Moreover, the irrigation areas will also benefit from improved dam levels across the country. The favourable crop conditions are mirrored in the production prospects, which the Crop Estimate Committee places at 1.8 million tonnes, up by 18 percent from the 2017/18 production season. Aside from expected higher yields, the expansion in area planted also played a notable role in the expected harvest. This could potentially lead to a 33 percent year-on-year decline in South Africa’s 2018/19 wheat imports to 1.4 million tonnes as the processors will increasingly become reliant to domestic supplies.

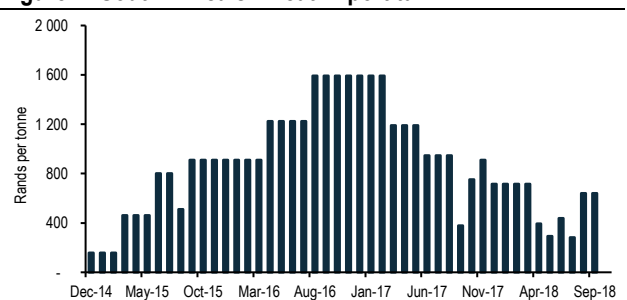
The wheat import tariff triggered again on 11 September to R490.72 per tonne due to a decline in international wheat prices (No2 HRW) in the past three weeks. The previous trigger was on 14 August, which then, was calculated at R298.45 per tonne, following an uptick in international wheat prices. However, these rates are not yet applicable. The current import tariff is R640.55 per tonnes (Figure 4). 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. The import activity has, nonetheless, continued over the past couple of weeks, despite the uncertainty created by delayed tariff adjustments. South Africa’s 2017/18 wheat imports currently stand at 2.06 million tonnes, which equates to 98 percent of the seasonal import forecast. Overall, SAFEX wheat spot price averaged R4 383 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

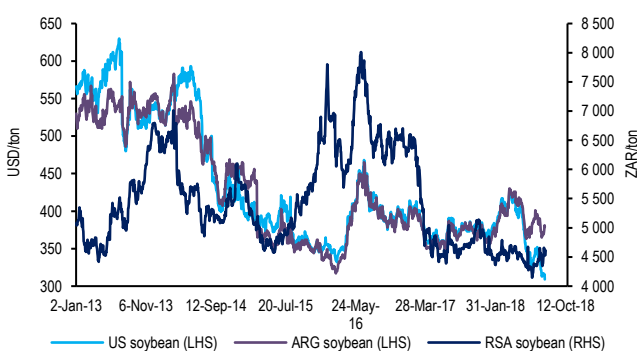
## Soybean market

There were no new developments in the local market this week. The soybean supplies are in good shape in the 2018/19 marketing year, estimated at 1.86 million tonnes, up by 32 percent from the 2017/18, according to data from the national Supply and Demand Estimates Committee. This includes the expected production and imports, as well as opening stock. The notable uptick from last year is supported by expected record production. While South Africa, and to some extent Zambia, have seen a notable improvement in soybean production over the recent past, most African countries remain small contributors in soybean production. The African continent is a net importer of soybeans, with an average volume of 1.7 million tonnes a year. This is according to data from Trade Map. The leading importers are Tunisia, Zimbabwe, Morocco, South Africa, Kenya, Botswana, Rwanda, Gabon, Tanzania and Mozambique, amongst others. South Africa could fall off the list of top importers in the continent if production is sustained at levels over a million tonnes in the coming seasons. The US and South American countries are typically the key suppliers. Although the fundamentals in the domestic market are somewhat bearish, the SAFEX soybean spot price was up by a percentage point from last week, averaging R4 383 per tonne (Figure 5).

## Sunflower seed market

South Africa's sunflower seed supplies are in good shape. Evidently, the Supply and Demand Estimates Committee shows that 2018/19 sunflower seed supplies could amount to 1.02 million tonnes.<sup>2</sup> Although this is 3 percent lower than the 2017/18 marketing year, it is well above market expectations. The supplies figure combines opening stocks, imports and expected production. Looking ahead, the United States Department of Agriculture forecasts a percentage point decline in South Africa's 2018/19 sunflower seed production to 850 00 tonnes, which is still above a long-term average production. The annual decline is on the back of an expected marginal reduction in area plantings to 600 000 hectares. One key risk regarding this forecast is the expected El Niño, which could negatively affect growing conditions. But, if the predicted El Niño dissipates, the USDA's estimate will be quite plausible. In terms of pricing, the SAFEX sunflower seed spot price was up by percentage point from the previous week, averaged R5 184 per tonne (Figure 6).

**Figure 5: Soybean prices**



Source: JSE, IGC, and Agbiz Research

**Figure 6: Sunflower seed prices**



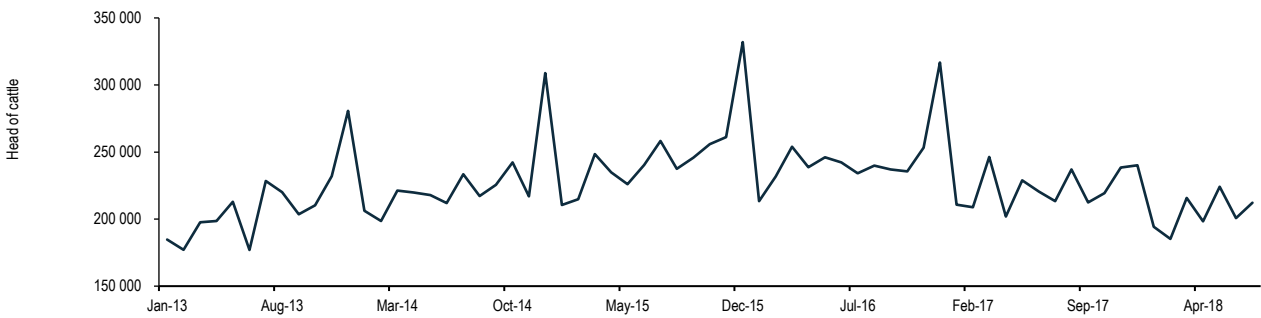
Source: JSE, IGC, and Agbiz Research

<sup>2</sup> The 2018/19 marketing year corresponds with 2017/18 production year.

## Beef market

The SAFEX beef carcass prices have not moved in months due to thinly traded volumes. This week's sessions were no different, the price remains unchanged, averaging 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 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.

**Figure 7: Monthly cattle slaughtering activity**

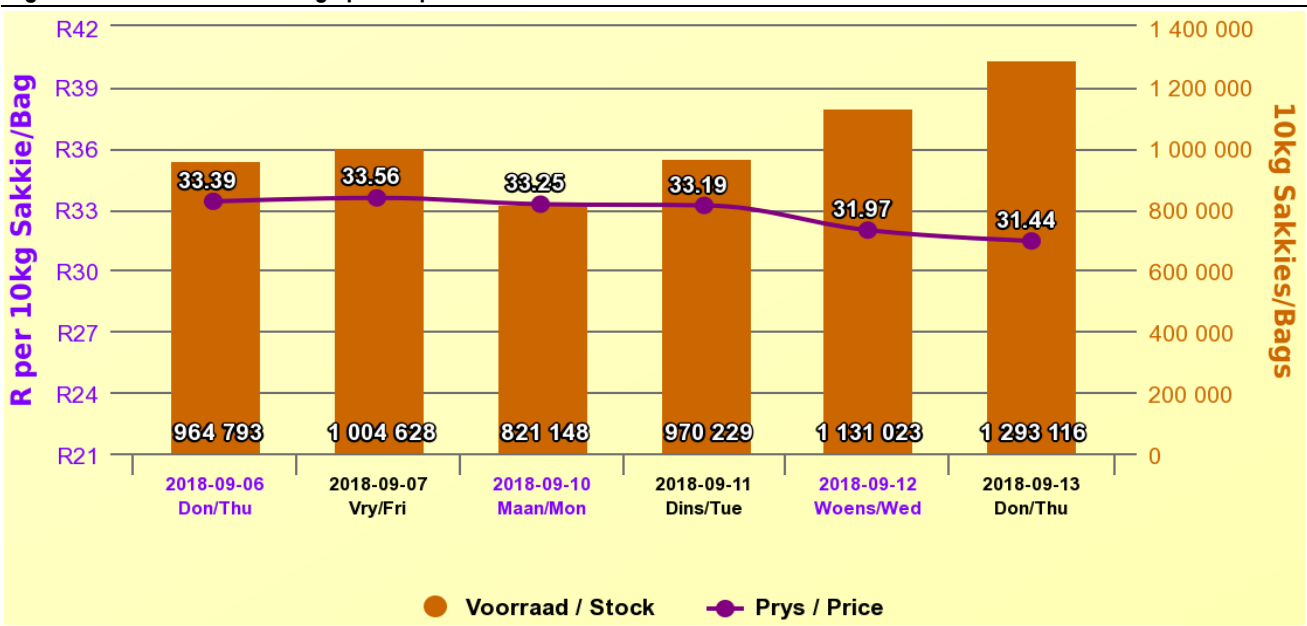


Source: Red Meat Levy Admin, Agbiz Research

## Potato market

The potato market ended the week in negative territory, with the price down by 6 percent from the corresponding period last week, closing at R31.44 per pocket bag (Figure 8). These losses were underpinned by a 34 percent increase in stocks to 1.29 million pockets (10kg bag) on the back of ongoing harvest activity.

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



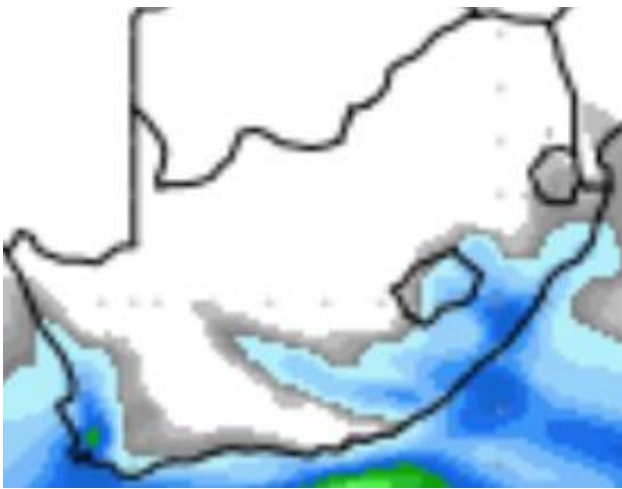
Source: Potato SA

## Weather conditions ahead of the weekend

This morning the weather forecasts for the next eight days show clear skies over most parts of the country, with the exception of the coastal areas of the Western Cape and KwaZulu Natal provinces. This will provide a good breather for the Western Cape, following showers and cold temperatures over the past couple of days (Figure 9).

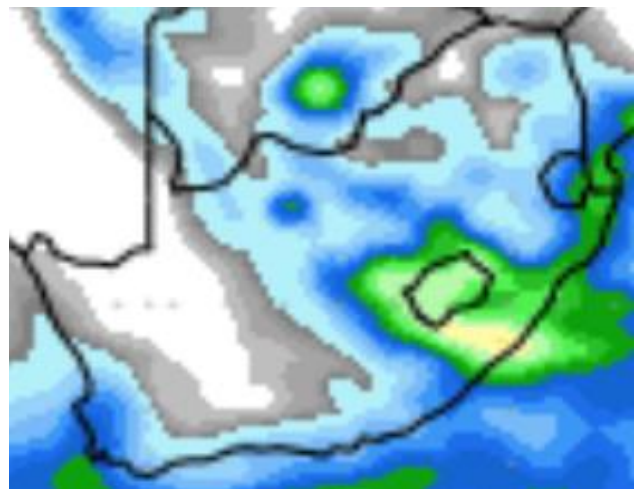
The week of 29 September promises widespread light rainfall in the eastern regions of the country, while the Western Cape, Eastern Cape, Northern Cape and parts of Limpopo could remain cool and dry. The forecast showers could slightly improve soil moisture ahead of the summer crop planting period which starts next month (Figure 10).

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



Source: wxmaps

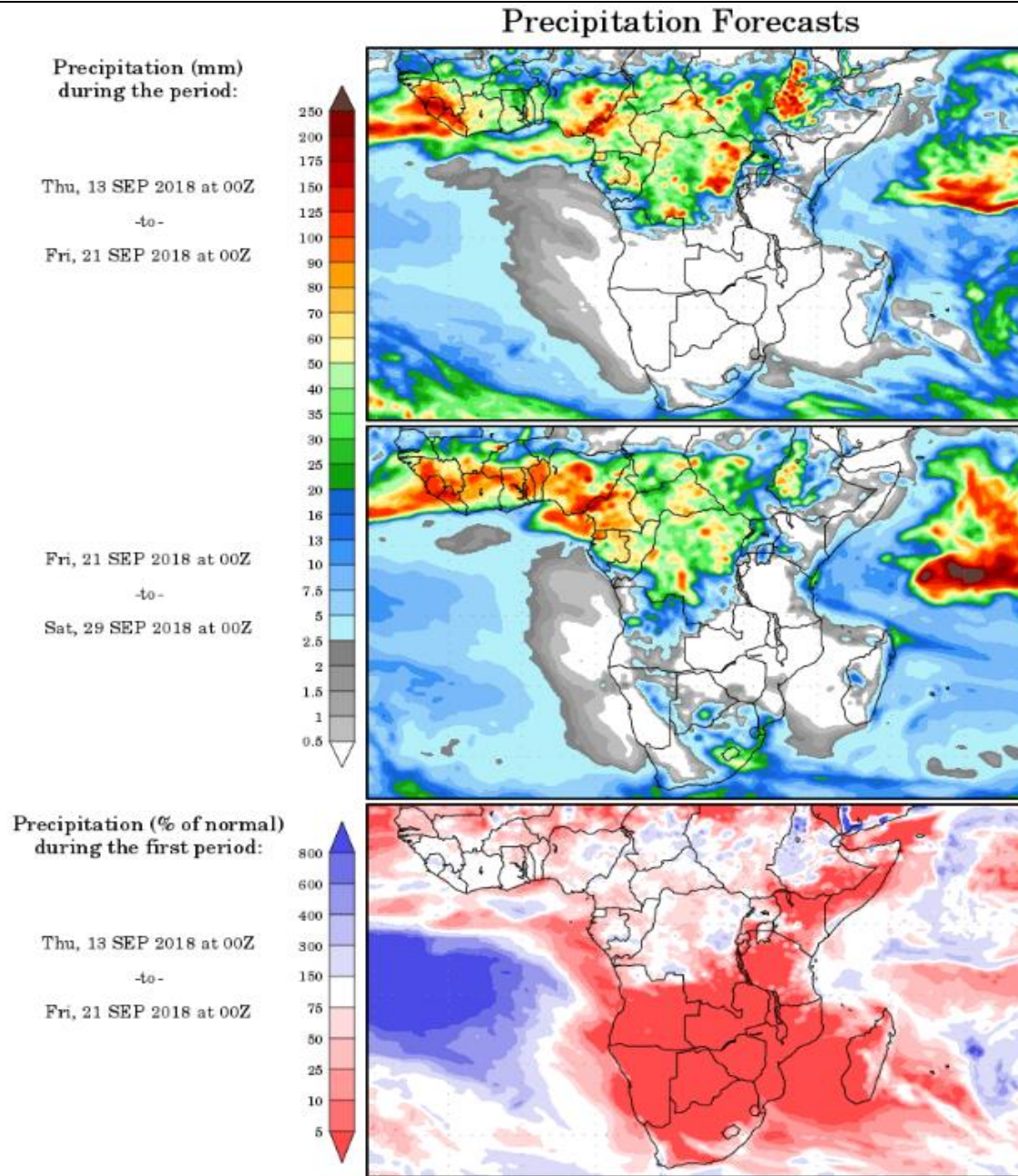
**Figure 10: Next 16-days precipitation forecast**



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: 19/09/2018
- SAGIS weekly grain trade data: 20/09/2018
- SAGIS monthly data: 25/09/2018
- National Crop Estimates Committee's data: 26/09/2018

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