

South African Agricultural Commodities Weekly Wrap

Although this was a data-packed week in the South African agricultural market, there were no surprises or data prints that somewhat changed the outlook in almost all the releases. The adjustments in summer crop production forecasts do not change our view that South Africa’s grain and oilseed supplies are in good shape for the marketing year that ends early next year. From next week until February 2019, the weather will be a key focus in the summer grain market as this will be a period between planting and pollination of the crop. Also encouraging to see was the upward revision of the winter wheat production estimate following poor harvest on the back of the Western Cape drought – a major wheat producing province. Overall, all domestic grain and oilseed prices were under pressure compared to last week, partly due to large supplies and recovery of the rand against the US dollar.

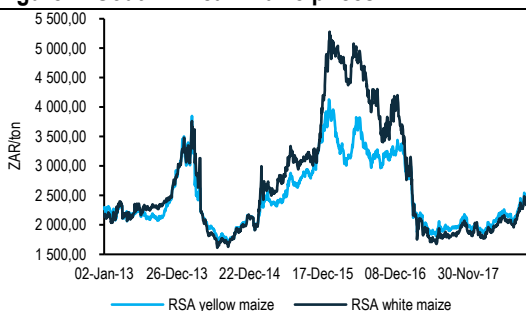
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Maize market

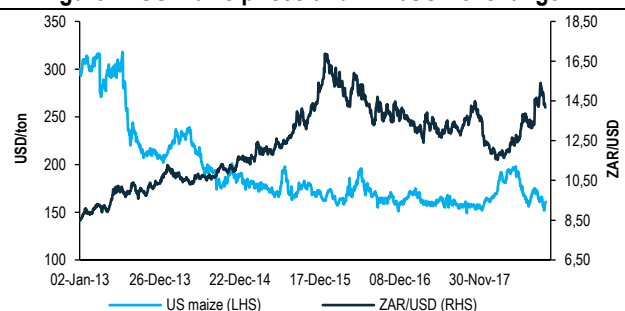
Considering that the long-term average maize production in South Africa is roughly 12.0 million tonnes, therefore the 2017/18 season with a harvest of 12.9 million tonnes, was a fairly good year. Given the foregoing and the carryover stock from the previous season, South Africa’s maize supplies for the 2018/19 marketing year which ends in April 2019 are well above 16.0 million tonnes.¹ This is higher than the annual consumption of 10.8 million tonnes. Looking ahead, the forecast El Niño is a key risk which could potentially affect the 2018/19 production season. The International Grains Council is still optimistic that South Africa could have a fairly good season, although with possibly a lower crop of 12.3 million tonnes. While it is still early to be certain about the size of the crop, this is a plausible estimate if we assume a weak El Niño event. In terms of pricing, the SAFEX white and yellow maize spot prices were each down by a percentage point from last week, averaging R2 325 per tonne and R2 357 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

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

Wheat market

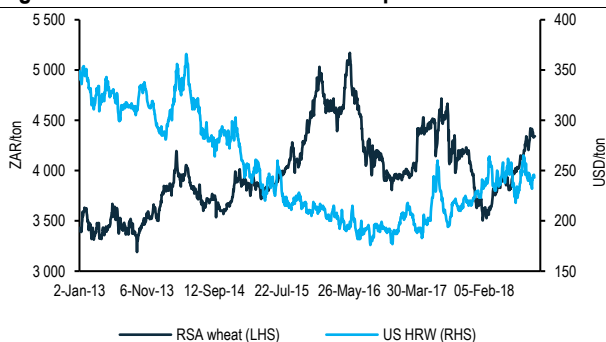
The weather conditions have been favourable over South Africa’s winter wheat growing areas, particularly the Western Cape. The benefits of this are mirrored in the production forecast for the 2018/19 season, which was recently lifted by 2 percent from last month to 1.85 million tonnes. This is 20 percent higher than the previous season’s estimate. We have singled out this particular province because of its lion share contribution of 48 percent in South Africa’s 2018/19 wheat production. 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 65 percent in the week of 24 September 2018, up by 3 percentage points from the previous week and 29 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 average provincial dam levels are over 60 percent full in all the aforementioned provinces.

It is worth noting that the aforementioned optimism is also shared by the International Grains Council, which placed South Africa’s 2018/19 wheat production at 1.80 million tonnes. The uptick in domestic wheat production 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.

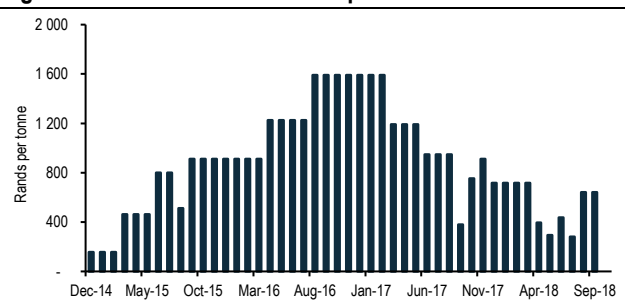
There are no new developments on the trade policy front. To recap, the wheat import tariff triggered again on 11 September to R490.72 per tonne due to a decline in global wheat prices (No2 HRW) in the preceding three weeks. The previous trigger was on 14 August, which then, was calculated at R298.45 per tonne, following an uptick in global wheat prices. But, these rates are not yet applicable. The current import tariff is R640.55 per tonnes (Figure 4). The newly calculated rates will also be effective only after publication in a government gazette, of which the timeframe is unclear. The tariff will expectedly decline to R298.45 per tonne first and then increase to R490.72 per tonne. Overall, SAFEX wheat spot price averaged R4 340 per tonne, down by 0.4 percent from last week.

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

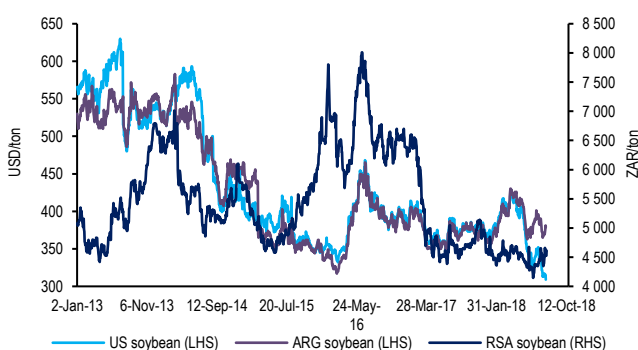
Soybean market

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, which is a record harvest. This outcome was usurping as the harvest process ended with reports of average and above average yields in a number of areas. In the week of 21 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. This 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 in 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. Against this backdrop, the SAFEX soybean spot price was down by a percentage point from last week, averaging R4 487 per tonne (Figure 5).

Sunflower seed market

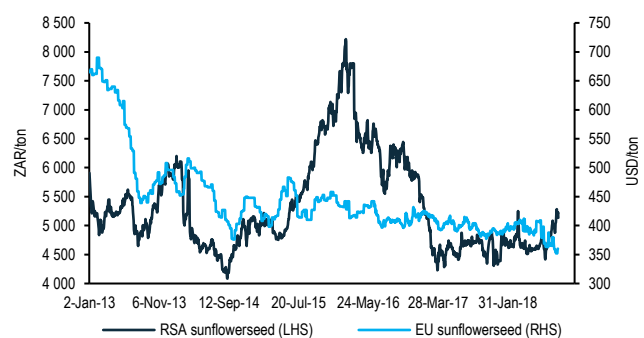
South Africa’s sunflower seed supplies are also in good shape. The Crop Estimate Committee left its 2017/18 production forecast for sunflower seed unchanged from the previous month at 858 605 tonnes. The key contributing provinces to the overall harvest are Free State and North West provinces, collectively accounting for 95 percent share of the overall harvest. A large share of the crop has already been delivered to commercial silos. On 21 September 2018, about at 850 082 tonnes of sunflower seed, which equates to 99 percent of the expected harvest, had already been delivered. This year’s harvest has generally improved South Africa’s 2018/19 marketing year sunflower seed supplies, which are currently estimated at 1.02 million tonnes when adding imports and the carryover stock from the previous year. 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 pricing, the SAFEX sunflower seed spot price was down by percentage point from the previous week, averaged R5 064 per tonne (Figure 6).

Figure 5: Soybean prices



Source: JSE, IGC, and Agbiz Research

Figure 6: Sunflower seed prices



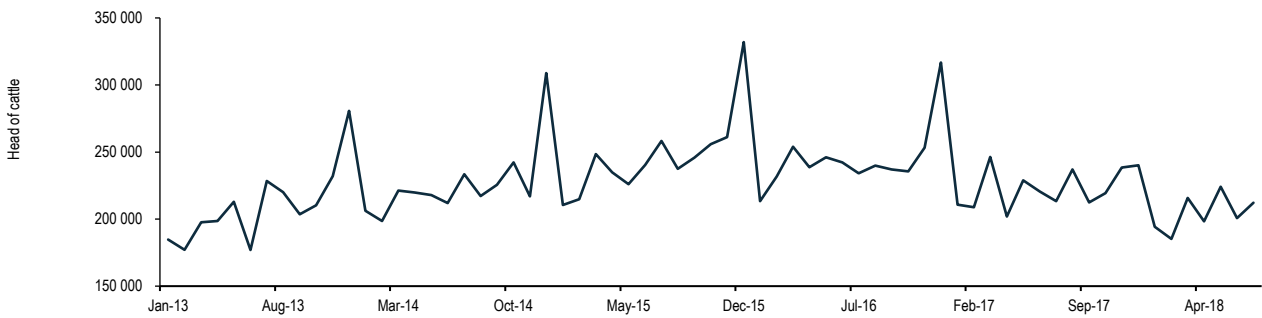
Source: JSE, IGC, and Agbiz Research



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

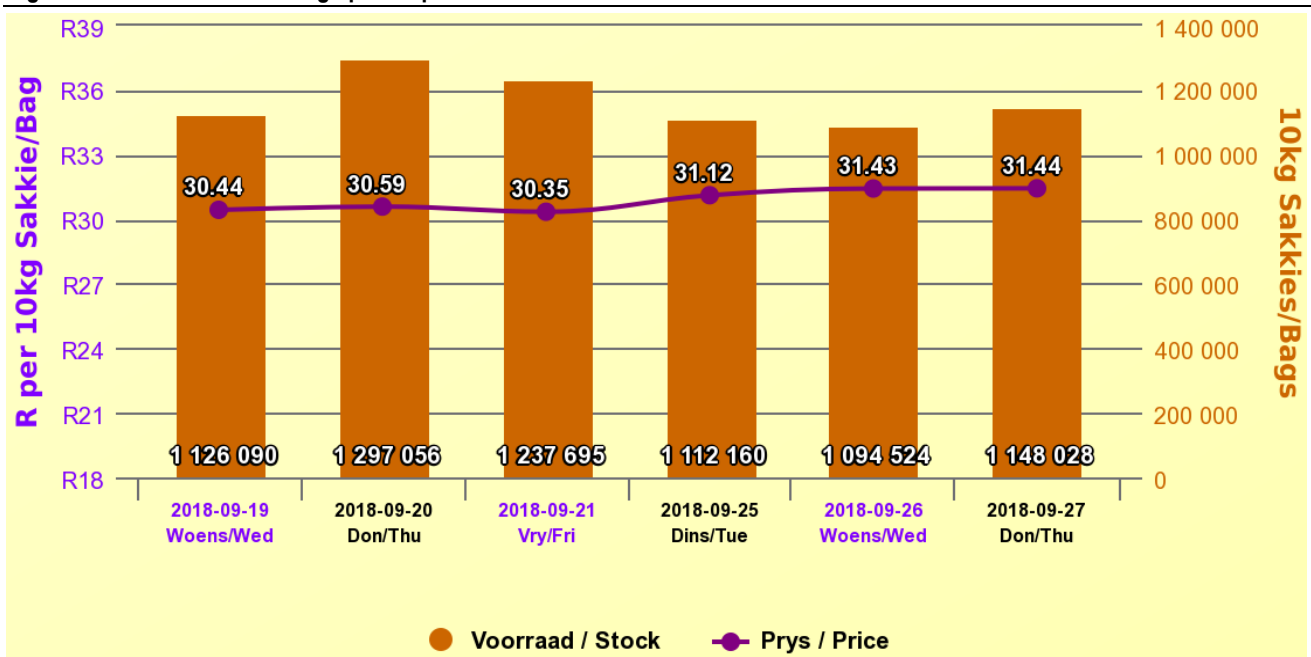


Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week in positive territory, with the price up by 3 percent from the corresponding period last week, closing at R31.44 per pocket bag (Figure 8). These gains were mainly on the back of increased commercial buying interest, which subsequently led to a slight decline in stocks to 1.15 million pockets (10kg bag).

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



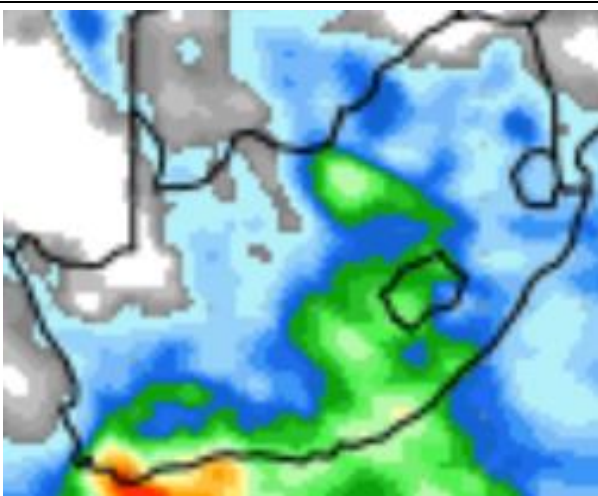
Source: Potato SA

Weather conditions ahead of the weekend

The weather forecast has changed overnight and currently shows prospects of widespread showers over most parts of the country within the next eight days (Figure 9). This bodes well for both winter crops and the upcoming summer crop planting process.

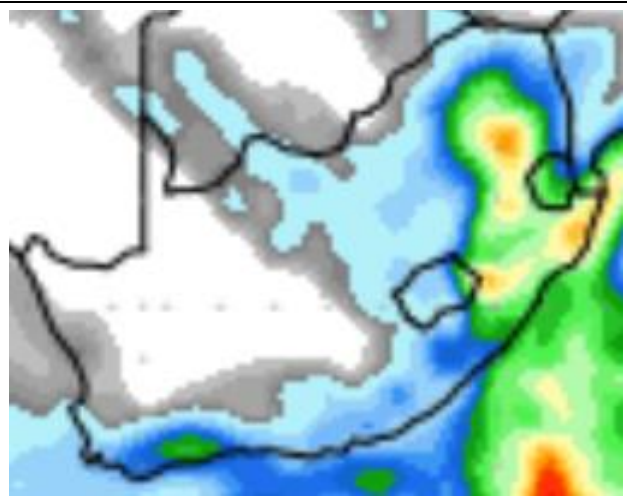
The week of 13 October 2018 promises widespread light rainfall in the eastern regions of the country, while the Western Cape, Eastern Cape and Northern Cape could remain cool and dry. The forecast showers could slightly improve soil moisture ahead of the summer crop planting period which commences mid-October (Figure 10).

Figure 9: Next 8-days precipitation forecast



Source: wxmaps

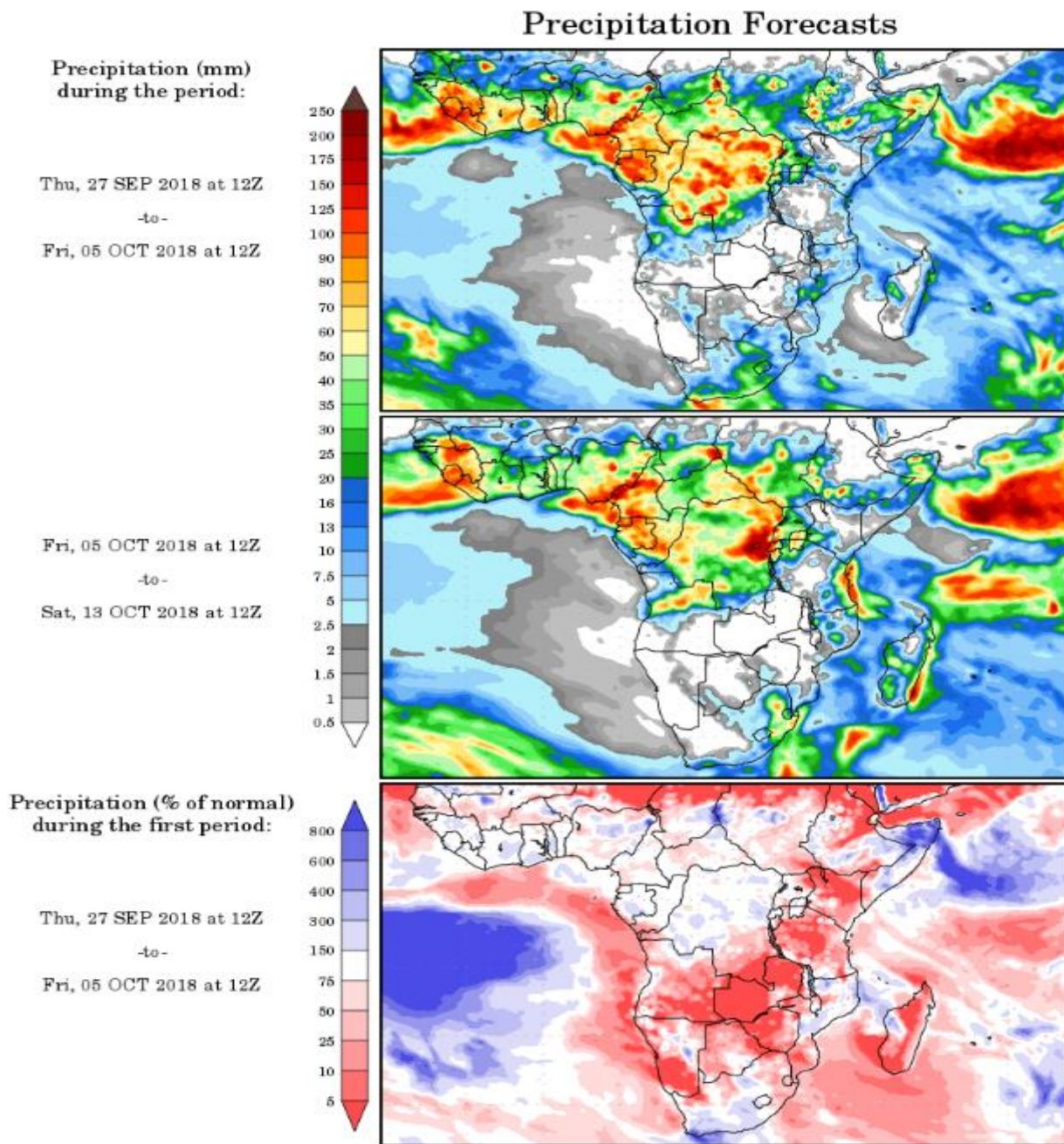
Figure 10: Next 16-days precipitation forecast



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: 03/10/2018
- SAGIS weekly grain trade data: 04/10/2018
- SAGIS monthly data: 25/10/2018
- National Crop Estimates Committee's data: 25/10/2018

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