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Key Data Releases in Agricultural Markets:

- SAGIS producer deliveries data: 03/10/2018
- SAGIS weekly grain trade data: 04/10/2018
- USDA's crop progress report: 08/10/2018
- 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	01/10/2018*	02/10/2018*	d-o-d (%Δ)
Rand/US Dollar	14,09	14,23	-0,98%
Rand/Euro	16,37	16,47	-0,61%
Euro/US Dollar	1,1572	1,1571	-0,01%
Gold Spot	1 186,07	1 191,59	+0,47%
Brent Crude Oil	83,17	85,68	+3,02%
Platinum Spot	816,30	828,50	+1,49%
Dow Jones Industrial Average	26 700,73	26 651,21	-0,19%
JSE All Share	55 768,54	55 789,75	+0,04%
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

- After recording gains in the previous session, the rand pulled back this morning owing to an appreciation of the US dollar against major currencies. The poor manufacturing PMI data for September 2018 also added a negative sentiment to the market. The Rand/US Dollar is currently 0.98% weaker compared to levels seen at midday yesterday, trading around R14.23. In terms of data, today's calendar is fairly light with no major releases.
- This morning the Brent crude oil price was up by 3.02 percent from levels seen at midday yesterday, trading around US\$85.68 per barrel. This is partly due to an expected solid oil demand in the North American region after the US and Canada reached a trade deal. Moreover, the supply concerns on the back of looming US sanctions against Iran, which will be implemented in November also added support to the market.



MAIZE/CORN	01/10/2018*	02/10/2018*	d-o-d (%Δ)
White maize spot price (R/t)	2 310	2 272	-1,65%
White maize Jul 19 (R/t)	2 491	2 446	-1,81%
Yellow maize spot price (R/t)	2 352	2 303	-2,08%
Yellow maize Jul 19 (R/t)	2 480	2 433	-1,90%
CME corn Sep 18 (US cents/bushel)	364	364	0,00%

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

- Yesterday the SAFEX maize market pulled back from levels seen the previous day and settled in negative territory following a recovery of the rand against the US dollar, as well as lower Chicago maize prices. Moreover, large domestic maize supplies of 16.4 million against an annual consumption of 10.8 million tonnes also added pressure to the market.
- Africa's maize production could take a knock in the upcoming season. Last week, the International Grains Council placed the continent's 2018/19 maize production estimate at 76 million tonnes, down by 6 percent from the previous season. The decline is tied to an expected lower harvest in South Africa, Zambia and Zimbabwe.
- The anticipated lower harvest will, nonetheless, have minimal implication in terms of global maize supplies as Africa is a small maize producer, accounting for roughly 7 percent of the expected 2018/19 global maize production
- South Africa is the leading producer, making up roughly 16 percent of the continent's output in the 2018/19 season.¹ Nigeria, Tanzania and Ethiopia are other major maize producing countries in the continent, collectively accounting for 32 percent share in the continent's output.
- Within the Sub-Saharan region, Zambia and Malawi's maize industries have seen good growth over the recent past but remain relatively small compared to major producers in the continent. The International Grains Council forecasts Zambia and Malawi's 2018/19 maize production at 2.4 million and 3.5 million tonnes, respectively. These countries collectively account for an 8 percent share in the continent's expected output.
- In terms of trade, Africa's 2018/19 maize imports are estimated at 23 million tonnes, up by 10 percent from the previous season. The leading importers will be Algeria, Egypt, Morocco and Tunisia.

Bottom line – Today the domestic maize market could experience a slight recovery from yesterday due to the relatively weaker domestic currency against the US dollar.

¹ We have applied the International Grains Council's estimate of 12.3 million tonnes in our calculation.



WHEAT	01/10/2018*	02/10/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 305	4 282	-0,53%
SAFEX Wheat Dec 18 (R/t)	4 407	4 385	-0,50%
CME Wheat spot (US cents/bushel)	508	511	+0,59%

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

- The South African wheat market started yesterday's trade session on the negative footing and remained under pressure throughout the day. This was driven by a combination of factors including the weaker rand against the US dollar and lower Chicago wheat prices.
- The wheat import tariff rate of R298.46 per tonne that triggered on 14 August 2018 was finally published in a government gazette on 28 September 2018, making it an official rate. This is a decline from a previous rate of R640.54 per tonne. Nonetheless, this could be short-lived due to a newly triggered higher rate of R490.72 per tonne on 11 September 2018. This was underpinned by a decline in global wheat prices (No2 HRW) at the time. The newly triggered rate 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.
- The trade policy aspects are important as South Africa is expected to import 1.4 million tonnes of wheat in the 2018/19 marketing year which commenced this week. Although this is 33 percent lower than the previous season's volume due to a potential uptick in local production, it is still a notable volume.
- In terms of regional perspective, the International Grains Council forecast Africa's 2018/19 wheat production at 28 million tons, up by 4% from the previous season due to expectations of a fairly good harvest in South Africa, Algeria and Morocco. While this is a welcome development, the continent remains a small player in the global wheat market, accounting for roughly 4 percent of the expected 717 million tons in the 2018/19 season.
- The leading wheat producing countries in Africa are Egypt, Morocco, Ethiopia, Algeria, South Africa and Tunisia, collectively accounting for 95 percent of the continent's harvest. The remaining 5 percent is produced by other countries on the continent.
- Nonetheless, this will not fulfil the continent's annual wheat needs. Africa's 2018/19 wheat imports are estimated at 51 million tons, down by 2 percent from the previous season. The North African countries are the largest importers as bread is one of the staple foods in a number of countries such as Egypt, Algeria and Morocco. In the sub-Saharan region, Nigeria, Sudan, Kenya, Ethiopia and South Africa are the leading wheat importers.

Bottom line – The local wheat market could gain ground in today's session due to higher Chicago wheat prices, as well as the relatively weaker rand against the US dollar.



SOYBEAN	01/10/2018*	02/10/2018*	d-o-d (%Δ)
SAFEX Soybean spot price (R/t)	4 526	4 432	-2,08%
SAFEX Soybean March 2019 (R/t)	4 750	4 666	-1,77%
CME Soybean Spot (US cents/bushel)	861	855	-0,70%

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

- After experiencing a good run in the previous session, the SAFEX soybean market came under pressure yesterday due to the relatively stronger rand against the US dollar, coupled with spillover from lower Chicago soybean prices.
- The expected large global soybean supplies and uncertainty about the export demand, particularly on the US market, were the key factors underpinning the Chicago soybean prices yesterday. This is linked to the points we made yesterday, which is that the International Grains Council revised its 2018/19 global soybean production estimate up by a percentage point from the previous month to 370 million tonnes, a new record harvest.
- This is tied to an expected increase in output in the US, Argentina, Brazil, China, India, Paraguay, Russia, Ukraine and Uruguay, amongst other countries. The optimism regarding the South American harvest is also shared by other analysts such as Safras & Mercado that have recently revised their production estimates to same levels at the International Grains Council.
- An important point to highlight again is that the planting process of the 2018/19 soybean crop has recently started in the southern regions such as Brazil, Argentina, Paraguay, amongst others. Hence, the aforementioned production estimates are still tentative.² The near-term weather forecast is quite favourable across South America, showing a possibility of rainfall, which bodes well with the planting activity.
- Back on home soil, the 2018/19 soybean planting process will soon commence in the eastern regions of the country. This season could start on positive footing compared with the previous one – all thanks to 2017/18 good summer rainfall which improved soil moisture. Also worth noting is that the near term, weather prospects remain favourable, with a fair chance of rainfall. Nonetheless, this does not discount the uncertainty regarding the expected El Niño event. The weather forecasters will provide more information about this later in the month.

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

² We don't foresee any major risks in the near term that could potentially change this positive outlook of the South American soybean crop. The forecast El Niño does not present risks as it typically leads to higher rainfall in the region -- an opposite effect to most African regions. If anything, higher rainfall could somewhat affect the quality of the crop. We will monitor the developments closely over the coming months.



SUNFLOWER SEED	01/10/2018*	02/10/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	5 120	5 088	-0,63%
SAFEX Sunflower seed March 2019 (R/t)	5 120	5 078	-0,82%
EU (France) sunflower seed (US\$/t)	368	364	-1,09%

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

- Yesterday the domestic sunflower seed market pulled back from levels seen the previous day and settled in negative territory owing to the stronger rand against the US dollar. Moreover, a bit of profit-taking following the higher price levels in the previous day also added pressure to the market.
- This month the Supply and Demand Estimates Committee didn't make notable adjustments in its figures. South Africa's 2018/19 sunflower seed supplies are estimated at 1.02 million tonnes, down by 3 percent from the previous season owing to a decline in production. Nevertheless, this is higher than market expectations at the start of the season.
- One key adjustment that the Committee made was an upward revision of an import estimate to 800 tonnes, which is a 44 percent uptick from the previous season. In August, about 85 percent of this had already been imported. The key suppliers were Malawi, Botswana, Argentina and Egypt.
- Aside from this, the focus in the market is shifting towards the 2018/19 production season. While the planting activity will soon commence in other grains and oilseeds such as maize, sorghum and soybeans, the sunflower seed plantings will probably start at the end of the month and accelerate from November onwards.
- To reiterate a point made yesterday, the optimal planting dates for major sunflower seed producing provinces, North West and Free State, runs between November and beginning of January. With that said, on 25 October 2018, the Crop Estimate Committee will present an indication of the potential planting when it releases the 'intentions of farmers' to plant summer grain crops data for 2018/19 production season.
- The uncertainty regarding the weather remains a key focus in the market in the near term, as the weather forecasters still point to a 50-55 percent chance of El Niño development during the 2018/19 summer season. This weather phenomenon could lead to drier weather conditions, which would negatively affect the crop.
- Elsewhere, the EU's sunflower seed market was under pressure in yesterday's session with the price down by 1.09 percent from the previous day, closing at US\$364 per tonne. These losses followed reports that Strategie Grains lifted its estimate for EU's 2018/19 sunflower seed production by 200 000 tonnes to 9.5 million tonnes.

Bottom line – Today, the domestic sunflower seed market could gain ground due to the relatively weaker rand against the US dollar.



POTATO	01/10/2018*	02/10/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	32,08	33,25	+3,65%

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

- The South African potatoes market started the week on positive footing with the price up by 4 percent from the previous day, settled at R33.25 per pockets (10kg bag). These gains were mainly on the back of relatively lower stock of 981 057 pockets (10kg bag) at the start of the session.
- Moreover, during the session, the market experienced a decline in deliveries on the back of a slow harvest activity over the weekend. This subsequently led to a 48 percent drop in daily stock to 509 147 pockets (10kg bag) by close of business

Bottom line – Today the South African potatoes price could receive additional gains due to a lower stock of 509 147 pockets (10kg bag) compared to levels seen in the past couple of days.

FRUIT (South Africa)	01/10/2018*	02/10/2018*	d-o-d (%Δ)
Apples (R/kg)	7,76	7,60	-2,06%
Bananas (R/kg)	5,03	4,99	-0,80%
Oranges (R/kg)	3,27	3,11	-4,89%

*Previous trading day's price survey in South African fresh produce markets

- The South African fruit market saw widespread losses in yesterday's trade session owing to an uptick in stocks. The prices of apples and bananas were down by 2 percent and a percentage point from the previous day, closing at R7.60 per kilogram and R4.99 per kilogram, respectively. The followed an uptick in producer deliveries which subsequently led to large stocks of 695 000 tonnes of apples and 1.58 million tonnes of bananas.
- Furthermore, the price of oranges was down by 5 percent from the previous day, closing at R3.11 per kilogram. Similar to other fruits, the losses in oranges market were partly due to a relatively large stock of 516 000 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	01/10/2018*	02/10/2018*	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

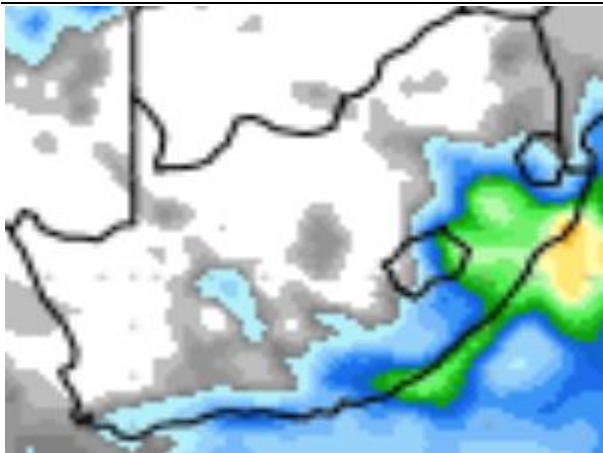
- Yesterday there was not much happening in the SAFEX beef carcass market. The piece remained unchanged from the previous day, closing at R47.55 per kilogram, due to thinly traded volumes. Therefore, the SAFEX beef carcass price is not a true reflection of the physical market which continues to show 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

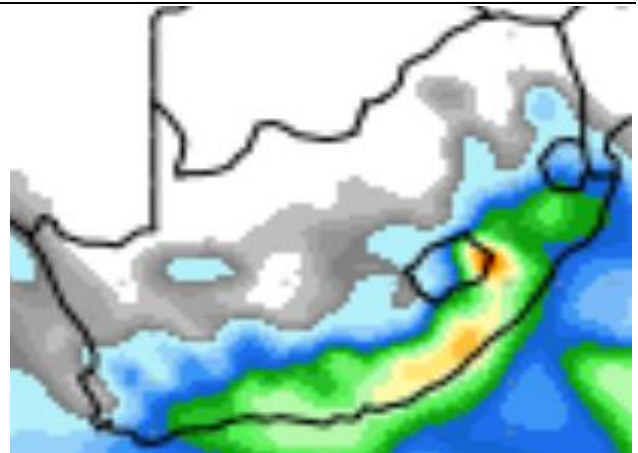
- This morning the weather charts have cleared over most parts of the country with the exception the coastal areas of the Eastern Cape and KwaZulu Natal (figure 1). These provinces could receive light showers of between 16 and 25 millimetres within the next eight days, which will boost soil moisture and, in turn, the planting activity.
- The forecast for the week of 17 October presents more of the same, which is clear skies over most parts of the country, with prospects of rainfall in the coastal provinces (figure 2). Between this month and February 2019, a period covers planting to maturity of summer crops, the weather will be a key focus in the market as it influences the crop growing conditions.

Figure 1: Next 8-days precipitation forecast



Source: wxmaps

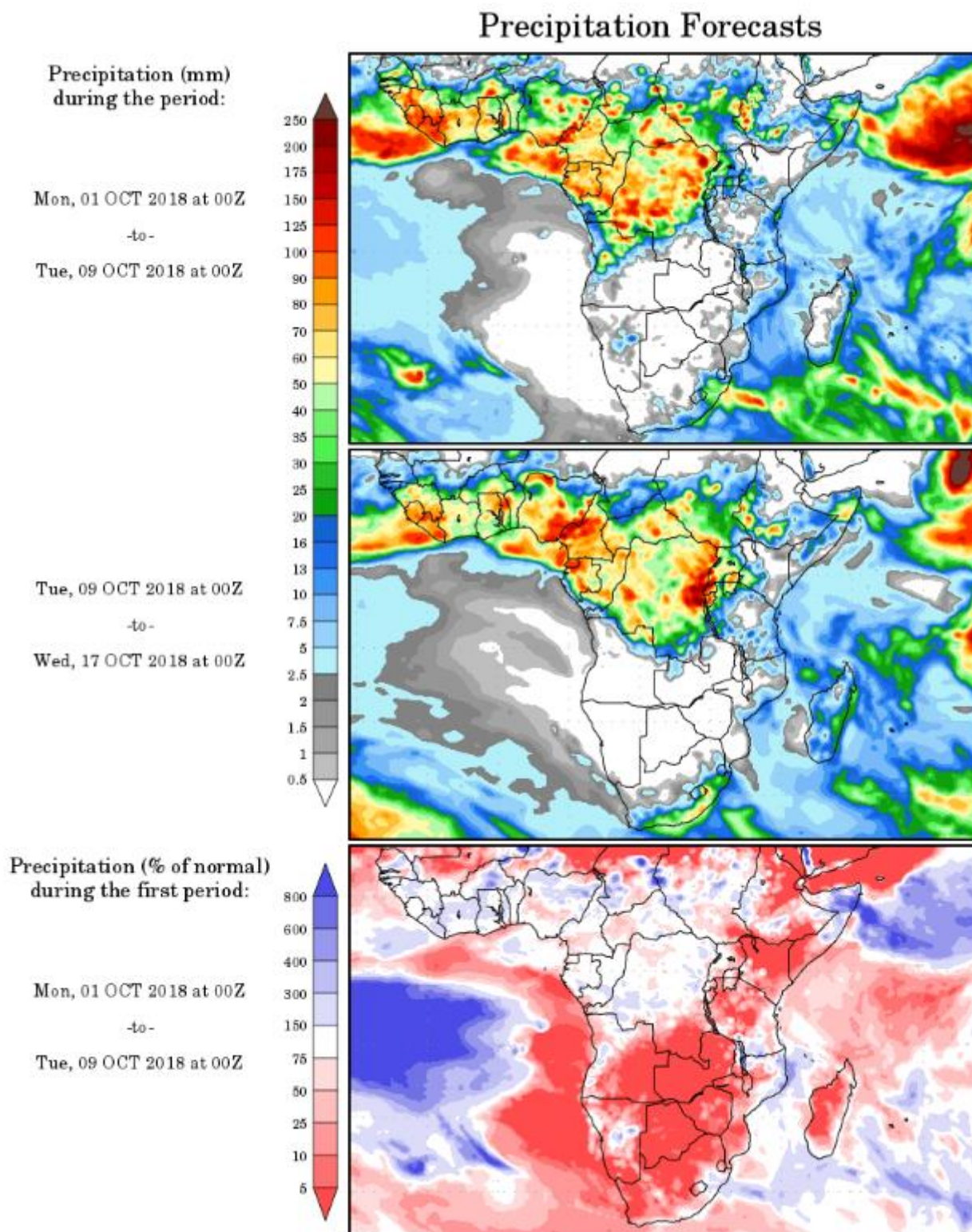
Figure 2: Next 16-days precipitation forecast



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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