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Key Data Releases in Agricultural Markets:

- USDA's crop progress report: 09/10/2018
- SAGIS producer deliveries data: 10/10/2018
- SAGIS weekly grain trade data: 11/10/2018
- 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	08/10/2018*	09/10/2018*	d-o-d (%Δ)
Rand/US Dollar	14,91	14,85	+0,40%
Rand/Euro	17,08	17,07	+0,06%
Euro/US Dollar	1,1465	1,1498	+0,29%
Gold Spot	1 188,79	1 191,53	+0,23%
Brent Crude Oil	83,47	84,85	+1,65%
Platinum Spot	816,20	828,10	+1,46%
Dow Jones Industrial Average	26 447,05	26 486,78	+0,15%
JSE All Share	54 111,41	54 219,20	+0,20%
SA repo rate	6.50	6.50	0,00%
SA CPI (y/y %)	4,90	4,90	0,00%
SA CPI – food (y/y %)	2,90	2,90	0,00%

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

- This morning the domestic currency has managed to claw back some ground against the US dollar, strengthening by 0.40 percent from levels seen at midday yesterday. These gains were partly on the back of higher global commodity prices, as well as the slight depreciation of the US dollar against major currencies. From a domestic data front, today's calendar is fairly light with no major releases.
- After experiencing losses at the start of the week, this morning the Brent crude oil price was up by 1.65 percent from levels seen at midday yesterday, trading around US\$84.85 per barrel. This followed reports that Iran's oil exports fell to levels below 1 million barrel per day in October 2018, even though the US sanctions have not yet been implemented. Furthermore, the expected uptick in Chinese oil demand also added support to the market.



MAIZE/CORN	08/10/2018*	09/10/2018*	d-o-d (%Δ)
White maize spot price (R/t)	2 402	2 423	+0,87%
White maize Jul 19 (R/t)	2 590	2 601	+0,42%
Yellow maize spot price (R/t)	2 445	2 470	+1,02%
Yellow maize Jul 19 (R/t)	2 573	2 588	+0,58%
CME corn Sep 18 (US cents/bushel)	366	366	0,00%

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

- The SAFEX maize market posted gains in yesterday's trade session, supported by the weaker domestic currency against the US dollar, as well as commercial buying interest. Furthermore, the spillover from higher Chicago maize prices also presented a bullish sentiment to the market.
- As the focus in the shifts towards the 2018/19 maize production season, there are contrasting views about Zimbabwe's potential harvest. The government sees the 2018/19 maize crop at 1.9 million tonnes, up by 12 percent from last season. Meanwhile, the International Grains Council has placed its estimate for Zimbabwe's 2018/19 maize production at 1.2 million tonnes. This is about 29 percent lower than the 2017/18 production season and 37 lower percent than the government estimate.
- We are more convinced by the International Grains Council's estimate given the weather risks ahead, as well as the talks of possible difficulties in the importations of agricultural inputs into Zimbabwe. In an event that this estimate materialises, Zimbabwe could remain a net importer of maize in the 2019/20 marketing year. The carryover stock from the current season will not be sufficient to boost the country's maize supplies. Worth noting is that Zimbabwe's annual maize consumption typically vary between 1.8 million and 2.0 million tonnes.
- In such a scenario, the South African or Zambian farmers could get a window of opportunity to export maize to the Zimbabwean market. The International Grains Council currently forecasts South Africa's 2018/19 maize production at 12.3 million tonnes, down by 11 percent from the previous season.
- In addition to this expected harvest, South Africa could potentially have about 3.3 million tonnes of maize carryover stock from the current marketing year, which will boost its supplies in the 2019/20 marketing year. Given that South Africa's annual maize consumption is roughly 10.8 million tonnes, if we consider the aforementioned data, there is likely to be sufficient supplies for local market and exports in the 2019/20 marketing year which commences on 01 May 2019 and ends on 30 April 2020.

Bottom line – Today the domestic maize market could experience marginal losses due to the slightly stronger rand against the US dollar, and also generally large domestic supplies.



WHEAT	08/10/2018*	09/10/2018*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 450	4 450	0,00%
SAFEX Wheat Dec 18 (R/t)	4 549	4 563	+0,31%
CME Wheat spot (US cents/bushel)	518	513	-0,97%

*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 wheat market, the marginal gains were mainly on the back of weaker domestic currency against the US dollar, as well as the spillover from higher Chicago wheat prices which were underpinned by lower global supplies.
- Aside from the day-to-day changes in the wheat market, the African continent is far from being self-sufficient in wheat production. The 2018/19 wheat imports are estimated at 51 million tonnes, which is almost double the volume produced in the same season.
- This, however, is concentrated in a few countries, namely; Egypt, Algeria and Nigeria which account for more than half of the expected import volume. This is partially explained by the fact that bread is a staple food, specifically in Egypt and Algeria. The other notable wheat importers in the African continent are Morocco, Tunisia, Libya, Kenya, Ethiopia, South Africa and Sudan.
- This is likely to remain the key theme over the next couple of years as there are no convincing wheat breeding or production plans in the pipeline in many countries. In South Africa, the wheat industry is currently doing research on ways to boost yields, but the outcome of these efforts might take time to materialise.
- The expected 18 percent annual improvement in South Africa's wheat production in the 2018/19 production season to 1.8 million tonnes has largely been driven by an increase in area planted and expected higher yield following improvement in weather conditions.
- The other countries that set to record an uptick in wheat production, albeit remaining net importers, are Algeria and Morocco with the 2018/19 harvest estimate at 2.9 million tonnes and 7.3 million tonnes, respectively.
- The import dependency exposes the African continent exposed to shocks in the global wheat market. A case in point is the 2018/19 production season, where the expected 6 percent annual decline in global wheat production to 717 million tonnes could lead to tight supplies and in turn higher prices. These higher prices might translate to food price increases for the net importing African markets, which could reduce local demand.

Bottom line – The local wheat market could gain experience losses due to lower Chicago wheat prices, coupled with the stronger rand against the US dollar.



SOYBEAN	08/10/2018*	09/10/2018*	d-o-d (%Δ)
SAFEX Soybean spot price (R/t)	4 534	4 606	+1,59%
SAFEX Soybean March 2019 (R/t)	4 765	4 817	+1,09%
CME Soybean Spot (US cents/bushel)	868	871	+0,35%

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

- The domestic soybean market started yesterday's trade session on a positive note and maintained the gains throughout the day. This was also on the back of weaker rand against the US dollar, as well as spillover from higher Chicago soybean prices.
- The uptick in Chicago soybean prices was underpinned by lingering concerns that wet weather conditions could slow the harvest process. This is likely to be the key theme over the next couple of days as the weather forecasts for the next two weeks show prospects of rainfall over most parts of the Midwest.¹
- In the week of 30 September 2018, the harvest pace was still good with about 23 percent of the estimated 128 million tonnes already completed, compared to 20 percent in the corresponding period last year, as well as the five-year average pace. An update for the week of 07 October 2018, which would typically be released on Monday will be out this evening as part of the USDA's weekly crop progress report.
- Aside from the global matters, earlier this year we noted that one of South Africa's key objectives behind the expansion of the soybean crushing plants was import substitution of soybean oil and oilcake. The country has made notable progress on both products as imports have been on a decline in the past few years due to increasing domestic production.
- Most notably, between 2010 and 2017, South Africa's soybean oilcake imports declined by 42 percent to 553 003 tonnes. We estimate that 2018 soybean oilcake imports could decline further by 17 percent from last year to 458 992 tonnes due to large domestic soybean supplies that are currently estimated at 1.86 million tonnes.
- In the first half of this year, South Africa imported 271 913 tonnes of soybean oilcake, down by 3 percent from the corresponding period last year. The leading supplier was Argentina with a share of 74 percent. The rest was supplied by Zambia, Malawi, Zimbabwe, Netherlands, Mozambique and Netherlands, amongst others.

Bottom line – Similar to other commodities, today the SAFEX soybean prices could experience a sideways movement if the ZAR/USD exchange maintains its current trends.

¹ Please see the link for more information on the US precipitation prospects: <http://wxmaps.org/pix/prec1>



SUNFLOWER SEED	08/10/2018*	09/10/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	5 280	5 225	-1,04%
SAFEX Sunflower seed March 2019 (R/t)	5 311	5 285	-0,49%
EU (France) sunflower seed (US\$/t)	362	361	-0,28%

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

- After experiencing a good run last week, the SAFEX sunflower seed market started this week on the negative footing and settled in the negative territory yesterday. This was partially on the back of increased commercial buying interest and generally large domestic supplies.
- We have previously noted this, but it is worth restating it for context, the remaining four months of 2018/19 marketing year should progress with minimal interruptions as the domestic sunflower seed market is well supplied, with 1.02 million tonnes when adding production, 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.²
- Also worth noting is that at the start of the 2018/19 marketing year, the imports were expected to be marginal, roughly below 500 tonnes, which would have been a good improvement from the previous season's volume of 554 tonnes. But in August imports exceeded the expectations due to increased volume from Malawi, coupled with the fact that South Africa's 2017/18 sunflower seed production was marginally lower than the previous season. Therefore, there was a gap in the market. The other suppliers were Argentina, Botswana and Egypt. The import estimate has since been revised up to 800 tonnes, which presents a room for additional imports between this month and February 2019 – a closing month of the 2018/19 marketing year.
- However, the import pace of sunflower oil has slowed compared to last year. In the first half of this year, South Africa's sunflower oil imports amounted to 54 887 tonnes, down by 28 percent from the corresponding period last year. The key suppliers were still Romania, Netherlands and Bulgaria.
- Overall, the focus in the market will soon shift to the new production season which commences towards the end of this month. On 25 October, the Crop Estimate Committee will present an indication of a potential size of the acreage for the 2018/19 production season. One factor that remains a key concern is the possible El Niño over the coming months. The local weather agency recently indicated a possibility of dryness late summer.

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

² It is worth noting that the 2018/19 marketing year corresponds with the 2017/18 production season.



FRUIT (South Africa)	08/10/2018*	09/10/2018*	d-o-d (%Δ)
Apples (R/kg)	7,41	7,54	+1,75%
Bananas (R/kg)	5,48	5,45	-0,55%
Oranges (R/kg)	3,04	3,57	+17,43%

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

- The South African fruit market ended yesterday's trade session on a mixed footing. The prices of apples and oranges were up by 2 percent and 17 percent from the previous day, closing at R7.54 and R3.57 per kilogram. This was partly underpinned by increased commercial buying interest, which in the case of oranges, subsequently led to an 18 percent decline in stocks to 324 000 tonnes. The gains in apples market could be shortlived due to a fairly large stock of 641 000 tonnes at the end of yesterday's trade session.
- Meanwhile, the price of bananas was under pressure and settled at R5.45 per kilogram. This followed an uptick in producer deliveries, which then led to a large stock of 1.3 million tonnes at the end of the session.

Bottom line – Similar to the previous sessions, 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	08/10/2018*	09/10/2018*	d-o-d (%Δ)
SAFEX Beef Dec 18 (R/kg)	47,55	47,55	0,00

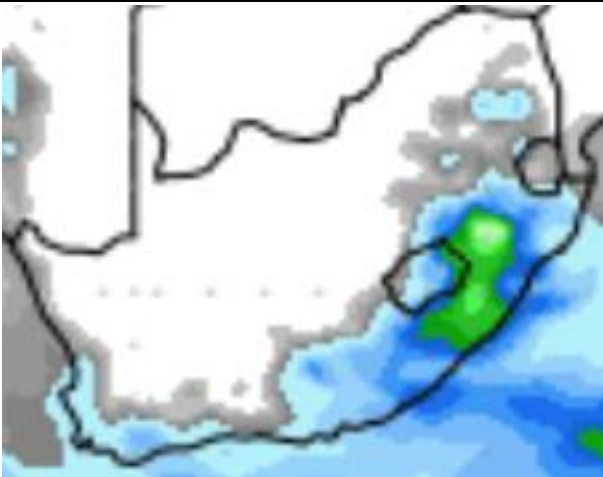
*Previous day's CME prices are from midday (12h00) and today's ones were captured before 8h00am

- 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 211 951 head of cattle in August 2018, down by 11 percent from August 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.

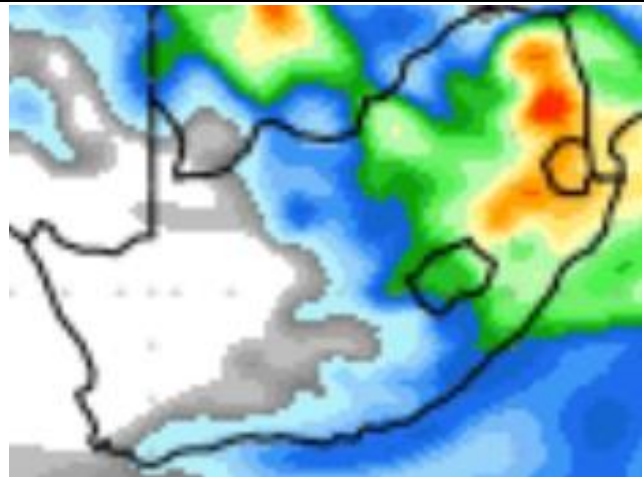
Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will again most likely remain flat throughout the week.

**WEATHER FORECAST:** South Africa

- This morning the weather charts show clear skies over most parts of the country with the exception of KwaZulu Natal and the northern parts of the Eastern Cape which could receive light showers (figure 1). The forecast rainfall in these particular provinces could improve soil moisture and benefit the new season crop plantings.
- The forecast for the week of 24 October paints a constructive picture of widespread showers over most summer crop planting areas (figure 2). This could vary between 16 and 60 millimetres and potentially boost soil moisture ahead of the planting period in most regions, particularly the central and eastern regions.

Figure 1: Next 8-days precipitation forecast

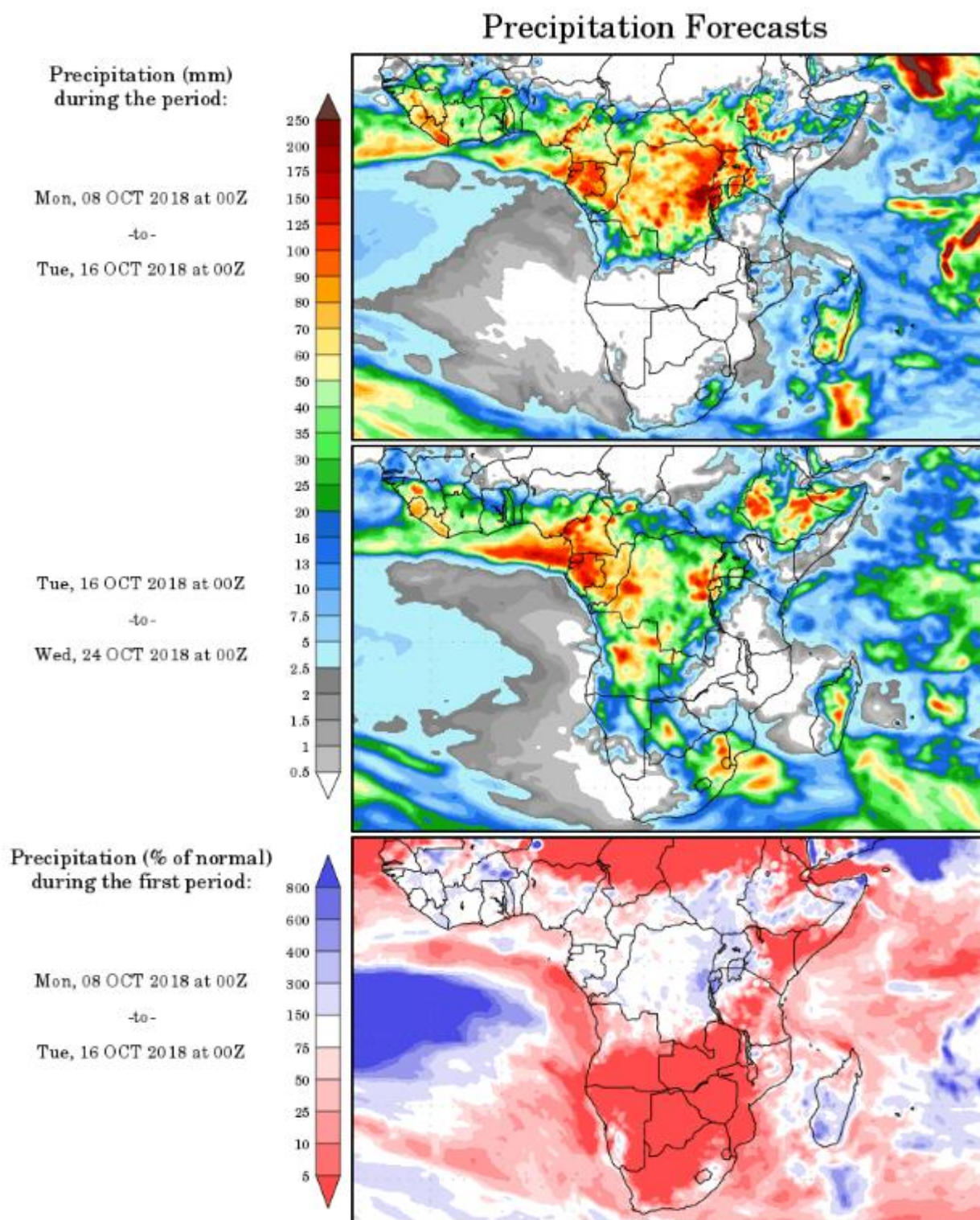
Source: wxmaps

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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