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Key Data Releases in Agricultural Markets:

- SAGIS producer deliveries data: 24/10/2018
- SAGIS weekly grain trade data: 25/10/2018
- SAGIS monthly data: 25/10/2018
- National Crop Estimates Committee's 'intentions of farmers' to plant summer grain for 2019: 25/10/2018

ECONOMIC INDICATORS	23/10/2018*	24/10/2018*	d-o-d (%Δ)
Rand/US Dollar	14,36	14,24	+0,84%
Rand/Euro	16,49	16,33	+0,98%
Euro/US Dollar	1,1454	1,1468	+0,12%
Gold Spot	1 234,78	1 232,04	-0,22%
Brent Crude Oil	78,47	76,91	-1,99%
Platinum Spot	830,00	835,30	+0,64%
Dow Jones Industrial Average	24 921,57	25 191,43	+1,08%
JSE All Share	51 397,22	51 168,50	-0,45%
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

- The domestic currency has slightly recovered from yesterday's levels, along with other emerging market currencies. These gains were partly in line with the US Dollar depreciation against major currencies, as well as a slight uptick in some commodity prices. The Rand/US Dollar is currently 0.84 percent stronger compared to midday yesterday, trading around R14.24. Above all, the focus today will be on the Medium Term Budget Policy Statement which will be delivered in the afternoon.
- This morning the Brent crude oil price was down by 1.99 percent from levels seen at midday yesterday, trading around US\$76.91 per barrel. These losses were partly on the back of an expected uptick in Saudi Arabia's oil production after the Kingdom committed to ensuring stable global oil supplies in the coming months. This comes on the back of potential supply disruptions when the US sanctions against Iran kicks in next month.



MAIZE/CORN	23/10/2018*	24/10/2018*	d-o-d (%Δ)
White maize spot price (R/t)	2 370	2 360	-0,42%
White maize Jul 19 (R/t)	2 530	2 530	0,00%
Yellow maize spot price (R/t)	2 372	2 367	-0,21%
Yellow maize Jul 19 (R/t)	2 493	2 498	+0,20%
CME corn spot (US cents/bushel)	369	368	-0,27%

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

- The SAFEX maize market ended yesterday's trade session on a mixed footing. The spot prices were under pressure due to spillover from lower Chicago maize prices, as well as increased commercial selling activity. Meanwhile, July 2019 contract month prices managed to claw back some of the recent losses and settled in positive territory.
- Although there is uncertainty about the weather outlook later in the 2018/19 summer season with talks of a possible El Niño, the planting period started on good footing. South Africa has had well-timed rain events so far which have improved soil moisture for early planting in the eastern and central regions.
- The planting process has begun in several areas and is set to gain momentum over the next couple of weeks. This is all due to improved soil moisture in the eastern regions, as previously mentioned, and also prospects of widespread higher rainfall in the first week of November, which will further uplift soil moisture and thereafter encourage farmers in the western areas of South Africa to also commence with planting activity.
- This is all unsurprising as the optimal planting window for yellow maize and soybeans growing areas, the eastern and central regions of South Africa, opened earlier this month and expected to continue until late November. White maize and sunflower seed optimal planting window will only open at the beginning of next month in the western regions of South Africa and continue until late December.
- As we have been highlighting throughout the week, tomorrow we will get a sense of South Africa's 2018/19 maize area planting when the Crop Estimate Committee releases its monthly data. For context, the South African farmers planted 2.3 million hectares of white and yellow commercial maize in the 2017/18 production season, down by 12 percent year-on-year. In the same season, the communal farmers or non-commercial maize planting was about 314 835 hectares, down by 14 percent from the 2016/17 production season.

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



WHEAT	23/10/2018*	24/10/2018*	d-o-d (%Δ)
SAFEX Wheat Dec 18 (R/t)	4 461	4 445	-0,36%
SAFEX Wheat Mar 19 (R/t)	4 585	4 570	-0,33%
CME Wheat spot (US cents/bushel)	507	507	0,00%

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

- As we have stated in our previous notes, South Africa is a net importer of wheat, hence the developments in the global market tend to influence the SAFEX wheat prices. Yesterday was no different, the domestic prices were under pressure owing to spillover from lower Chicago wheat prices.
- The losses in the Chicago wheat market was linked to a combination of factors which include the slightly firmer US dollar against major currencies, good progress in winter wheat planting activity, as well as forecast rainfall over most parts of the US within the next two weeks.¹
- The US winter wheat planting process is almost complete, therefore, the forecast rainfall will be on time to boost the germination process. In the week of 21 October 2018, about 72 percent of the planned area had already been planted, which is a percentage point behind the corresponding period last year. About 53 percent of this had already emerged, up by 3 percentage points from the same period last year.
- This, however, does not change the 2018/19 global wheat production outlook which points to a possible 6 percent annual decline to 717 million tonnes. As explicitly stated in our previous notes, the regions constituting to this decline are the EU and the Black Sea. Australia, China and India are also amongst the countries expecting lower harvests this season. This is all underpinned by expected lower yields on the back of unfavourable weather conditions, as well as a reduction in area planted in some countries.
- On the domestic front, we have maintained a fairly optimistic view for the season owing to an expansion in area planted, as well as expected higher yields following a recovery in the Western Cape weather conditions. But, the reports of crop damage in parts of Swartland due to heavy wind conditions over the weekend and a bit of rainfall could slightly change the picture. At this stage, however, it is unclear what the magnitude of the damage could be, we will get more clarity over the coming days.
- Given that this all happened recently, we doubt if the production estimates that are due for release on tomorrow will factor in this event. To recap, South Africa's 2018/19 wheat production is currently estimated at 1.85 million tonnes, up by 18 percent year-on-year.

Bottom line – The local wheat market could also experience a sideways movement if the ZAR/USD exchange and Chicago wheat prices maintain the current trends.

¹ Please see the link for US precipitation forecast: <http://wxmaps.org/pix/prec1>



SOYBEAN	23/10/2018*	24/10/2018*	d-o-d (%Δ)
SAFEX Soybean spot price (R/t)	4 602	4 602	0,00%
SAFEX Soybean March 2019 (R/t)	4 770	4 780	+0,21%
CME Soybean spot (US cents/bushel)	856	856	0,00%

*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 gains throughout the day, but settled on a mixed footing. The gains were generally underpinned by the relatively weaker domestic currency against the US dollar, increased commercial buying interest, as well as spillover from higher Chicago soybean prices.
- Although the 2018/19 global soybean production is up by 9 percent from the previous season to 369 million tonnes, there are rising concerns about the crop quality, specifically in the US. This follows a period of higher rainfall in parts of the soybean growing areas in the past couple of days.²
- Moreover, the recent showers have also slowed the harvest process. In the week of 21 October 2018, about 53 percent of the US soybean crop had already been harvested. This is 14 percentage points behind the corresponding period last year and 16 percentage points behind the average 5-year pace.
- The weather forecast for the next two weeks shows prospects of higher rainfall over most parts of the US Midwest. This is a source of the concern about the quality of the crop in areas that have not yet harvested, as well as the potential harvest delays, which could exacerbate the aforementioned slow pace in harvesting.
- Aside from these concern, this is a fairly good season for US farmers, at least from a supply perspective. The USDA forecasts the country's 2018/19 soybean production at 128 million tonnes, up by 6 percent from the previous season. This equates to 35 percent of global soybean production.
- Back on home soil, the 2018/19 soybean planting activity should gain momentum within the next few weeks as soil moisture has improved somewhat in the eastern regions of the country following the recent rainfall. The expected cool weather conditions within the next eight days in the country offer a window for planting process. Thereafter, the week the first week of November will provide a break as it promises heavy rainfall in the country, which should not only improve soil moisture but aid the germination process in an area that will have planted.

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

² The concerns are largely driven by expected showers in the next two weeks. The past rainfall have had minimal impact on crop quality as 66 percent of the US soybean was rated good/excellent in the week of 21 October 2018.



SUNFLOWER SEED	23/10/2018*	24/10/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	5 033	5 048	+0,30%
SAFEX Sunflower seed March 2019 (R/t)	5 079	5 116	+0,73%
EU (France) sunflower seed (US\$/t)	360	359	-0,28%

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

- Yesterday the SAFEX sunflower seed market managed to claw back some of its recent losses and settled in positive territory. This was underpinned by a slightly weaker domestic currency against the US dollar, as well as increased commercial buying interest.
- The producer deliveries data, which is due for release at midday, will potentially have minimal impact on SAFEX sunflower seed market as a large share of the crop has already been delivered to commercial silos. In the week of 12 October 2018, about 99 percent of the 858 605 tonnes harvest had already been delivered.
- To reiterate a point made in our previous notes, the fairly large domestic harvest, combined with imported sunflower seed in the past couple of months and carryover stock from the 2017/18 marketing year has boosted South Africa's 2018/19 sunflower seed supplies to an estimated 1.02 million tonnes. This is well above the market expectations and likely to keep the country's sunflower seed supplies in good shape until the end of the 2018/19 marketing year, which is February 2019.³
- Going forward, the 2018/19 sunflower seed production season could start on good footing with a fair amount of soil moisture. The weather forecast for the week of 08 November 2018 could bring widespread showers of between 20 and 60 millimetres over the sunflower seed producing areas of the country.
- More importantly, this coincides with the first week of the optimal sunflower seed planting window, which underscores our view that the season will have a good start. As set out in our note yesterday, this week the Crop Estimate Committee will give us a sense of the area that farmers plan to plant this season.
- Elsewhere, yesterday the EU's sunflower seed market experienced extended losses with the price down by 0.28 percent from the previous day, trading around US\$359 per tonnes. This was mainly due to spillover from lower vegetable oil and Brent crude oil prices. Above all, there is generally a bearish sentiment in the global sunflower seed market which stems from the expected large harvest of 51 million tonnes, up by 4 percent year-on-year, according to data from SUNSEEDMAN.

Bottom line – Today, the domestic sunflower seed market could be under pressure due to a relatively stronger ZR/USD exchange.

³ The 2018/19 marketing year corresponds with the 2017/18 production season.



POTATO	23/10/2018*	24/10/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	38,89	41,40	+6,45%

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

- The South African potatoes market had a good in yesterday's trade session with the price up by 6 percent from the previous day, closing at R41.40 per pockets (10kg bag). This is partly on the back of a lower stock of 571 230 pockets (10kg bag) at the start of the session.
- However, in the session, the market saw an uptick in producer deliveries as harvest activity resumes after a quiet period during the weekend in some fields in the country. This subsequently led to a 22 percent increase in daily stocks to 697 879 pockets (10kg bag)

Bottom line – Today the South African potatoes price could receive additional support due to a relatively lower stock of 697 879 pockets (10kg bag) compared to levels seen in the past few days.

BEEF CARCASS	23/10/2018*	24/10/2018*	d-o-d (%Δ)
SAFEX Beef Dec 18 (R/kg)	47,55	47,55	0,00

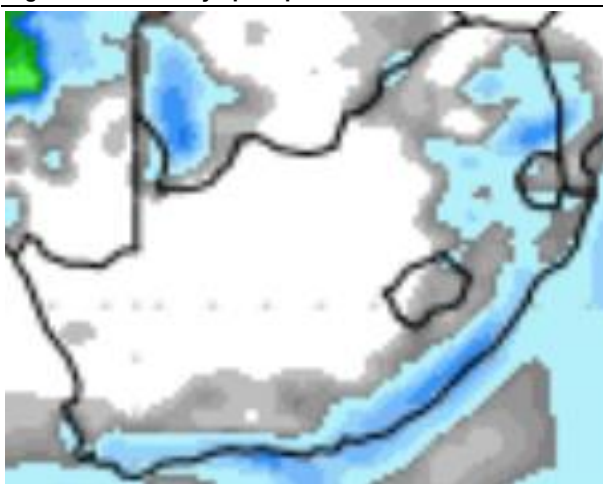
*Previous day's SAFEX prices are from midday (12h00) and today's ones were captured before 8h00am

- 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.

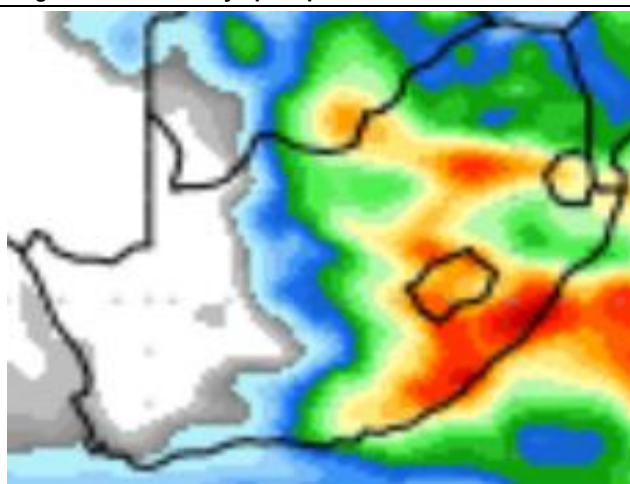
Bottom line – With traded volumes at the stock exchange still disappointing, the SAFEX beef carcass prices will again most likely remain flat throughout the week.

**WEATHER FORECAST:** South Africa

- This morning the weather charts present a similar picture to what we reported yesterday, which is cool and drier weather conditions over most summer crop growing areas of the country within the next eight days (figure 1). This means the 2018/19 summer crop planting activity could continue with minimal interruptions in areas that have already received a bit of early summer rainfall to improve soil moisture.
- Fortunately for areas that have not yet received early rainfall, the week of 08 November 2018 could bring widespread showers of between 16 and 70 millimetres in most parts of the country (figure 2). This could boost the germination process that has already planted. Essentially, it will improve soil moisture which is good for the new season crop.

Figure 1: Next 8-days precipitation forecast

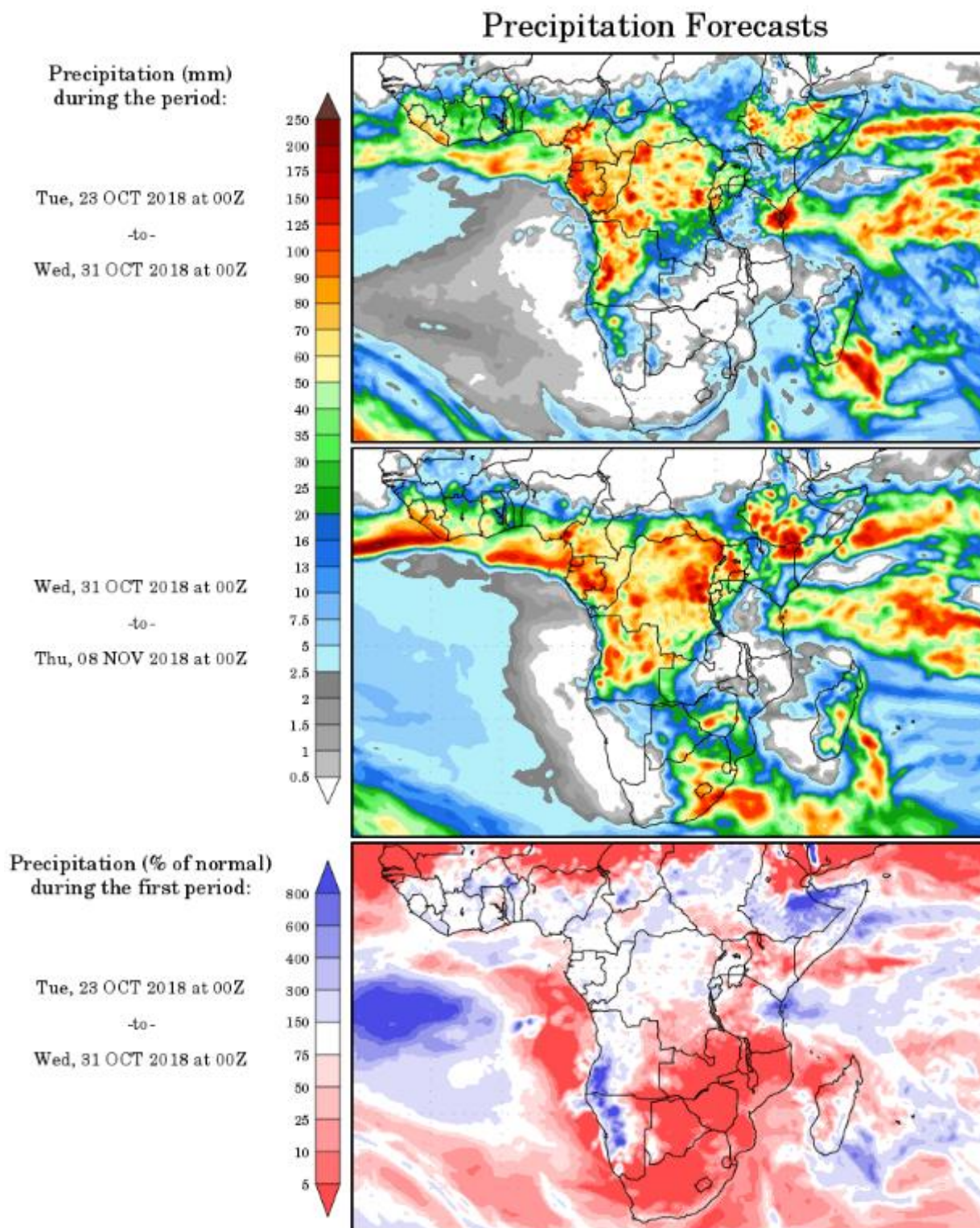
Source: wxmaps

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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