

## South African Agricultural Commodities Weekly Wrap

The 2018/19 summer crop production season started on a positive footing with forecast showers in most parts of the country in the week of 20 October 2018. This will help improve soil moisture which will be beneficial for the planting activity. The optimal window for maize and soybean planting opened this week in the eastern and central parts of the country and will run until the end of November in the case of maize, and beginning of December for soybeans. It is still unclear what the season will turn out to be; we will get a clearer guidance later this month when the Crop Estimate Committee releases its data on 'farmers intentions to plant'. The major risk in the near term is the forecast El Niño, but we are also waiting for an update about its development from the weather forecasters this month end. Aside from this, it was a fairly quiet week in the South African market with no major data releases.

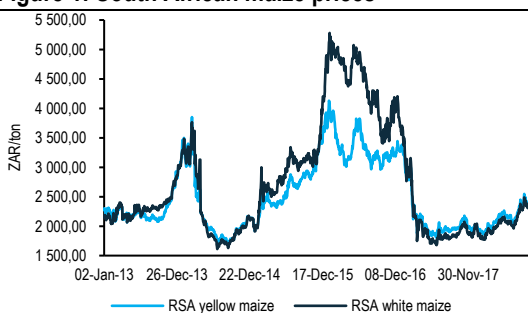
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### Maize market

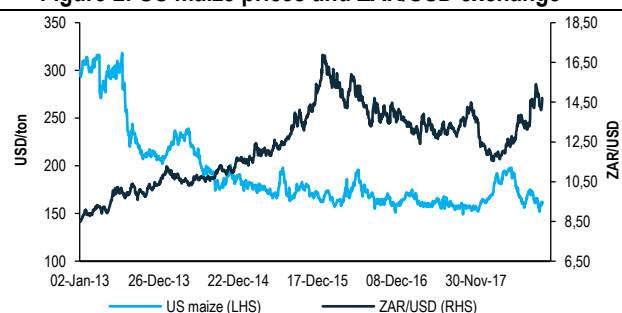
The focus in the market has shifted towards the new season with the weather outlook taking a centre stage at the moment. The near-term outlook is favourable, albeit the forecast El Niño, which we will get clarity about its possible occurrence later in the coming weeks. The optimal planting window for the 2018/19 maize crop opened this week, but there hasn't been much activity in the fields yet. The process could gain momentum around mid-October. The local Crop Estimate Committee will release its production estimate at the end of February 2019, this month's data will only show 'intentions of farmers' to plant summer grain for 2018/18 season. The International Grains Council has released a fairly optimistic view South Africa's 2018/19 maize production, forecasting it at 12.3 million tonnes. While this is 11 percent lower than the 2017/18 production season, it is still above the long-term average production of about 12.0 million tonnes. In terms of pricing, the SAFEX white and yellow maize spot prices were down by a 0.2 percent and 0.3 percent from last week, averaging R2 318 per tonne and R2 350 per tonne, respectively.

**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

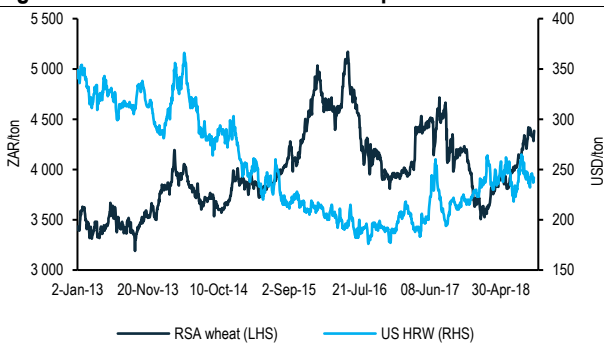
## Wheat market

South Africa’s winter wheat is currently in good shape in most parts of the country following favourable rainfall in the past couple of weeks. In the major producing province, Western Cape, the crop has matured and there are general expectations of good yields in most regions. The rainfall in the province did not only improve crop conditions, but it also boosted dam levels as well. The recent data from the Department of Water and Sanitation shows that the Western Cape provincial dam levels averaged 66 percent in the week of 01 October 2018, up by a percentage point from the previous week and 30 percentage points from the corresponding period last year.

The crop growing conditions are also favourable in provinces such as the Northern Cape, Free State, Eastern Cape and Limpopo, amongst others, albeit at relatively early stages of development compared to the Western Cape due to a difference in planting periods. The winter wheat planting period typically starts at the end of April in the Western Cape, whereas other provinces only start around mid-year. This is partly caused by variation in rainfall patterns. This is all supportive of the Crop Estimate Committee’s view of a potential 18 percent annual increase in South Africa’s wheat production to 1.85 million tonnes following an expansion in area planted. To reiterate a point made in our previous notes, the potential uptick in domestic wheat production could lead to a 33 percent decline in imports to 1.4 million tonnes of wheat in the 2018/19 marketing year which commenced this week.

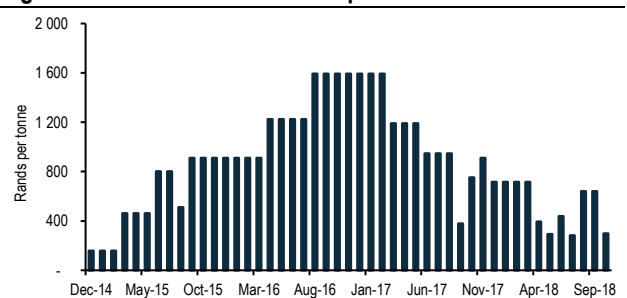
In terms of trade policy, the wheat import tariff rate of R298.46 per tonne that triggered on 14 August 2018 was finally published in a government gazette on 28 September 2018, making it an official rate. This is a decline from a previous rate of R640.54 per tonne. Nonetheless, this could be short-lived 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. Overall, SAFEX wheat spot price averaged R4 330 per tonne, marginally down by 0.2 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

After reaching a record harvest of 1.6 million tonnes in the 2017/18 production season, the international agencies such as the USDA are quite optimistic that South Africa could achieve a new record of 1.6 million tonnes in the 2018/19 production season. This is based on expectations of an expansion in area planting and also higher yields. With that said, the planting activity will only commence in the next couple of days in the eastern and central parts of the country. The local observers, Crop Estimate Committee, will then release its ‘intentions of farmers’ to plant oilseed for 2018/19 season on 25 October 2018. The near-term weather outlook is fairly favourable with chances of rainfall in the week of 20 October 2018. With that said, there is still lingering uncertainty about the season’s weather prospects given the talks of possible El Niño. Aside from the new season production prospects, South Africa’s soybean supplies are in good shape, estimated at 1.86 million tonnes in the 2018/19 marketing year. This is up by 32 percent from the previous year, as it includes the production figure and imports, as well as opening stock. Against this backdrop, the SAFEX soybean spot price was marginally down by 0.2 percent from last week, averaging R4 479 per tonne (Figure 5).

## Sunflower seed market

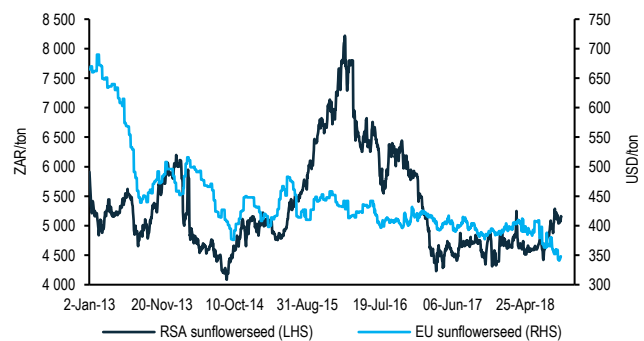
The USDA is still fairly optimistic about South Africa’s sunflower seed production for the upcoming season, although at a lesser extent than sunflower seed crop. The agency forecast 2018/19 sunflower seed production at 850 000 tonnes, down by a percentage point from the previous season. The potential decline is linked to expectations of a reduction in area plantings to 600 000 hectares, not an issue of yield expectations. This, nonetheless, is well above an average five-year production of 796 521 tonnes. Similar to other crops, the forecast El Niño over the coming months remains a key risk as it could negatively affect growing conditions and change this positive outlook. In the near term, South Africa has sufficient supplies for the 2018/19 marketing year, estimated at 1.02 million tonnes when adding imports and the carryover stock from the previous year. In terms of pricing, the SAFEX sunflower seed spot price was up by percentage point from the previous week, averaged R5 130 per tonne (Figure 6).

**Figure 5: Soybean prices**



Source: JSE, IGC, and Agbiz Research

**Figure 6: Sunflower seed prices**

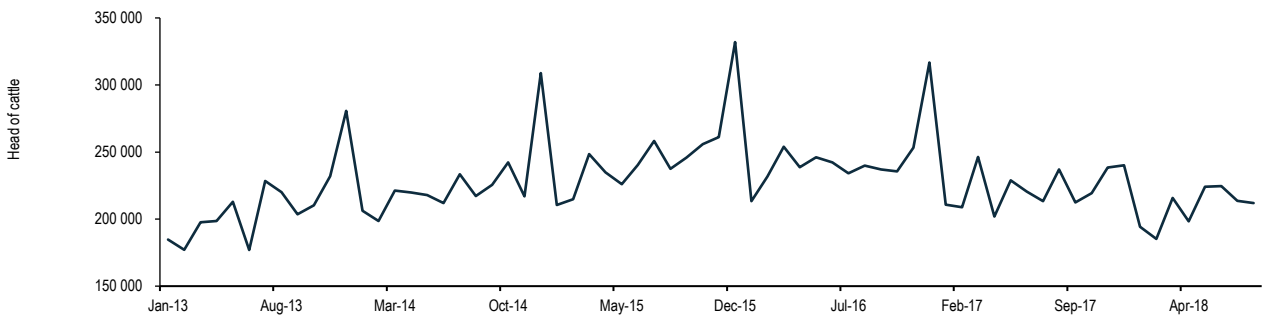


Source: JSE, IGC, and Agbiz Research

## Beef market

The SAFEX beef carcass prices have not moved in months due to thinly traded volumes. This week's trading session was no different, the price remained unchanged from last week, 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 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.

**Figure 7: Monthly cattle slaughtering activity**

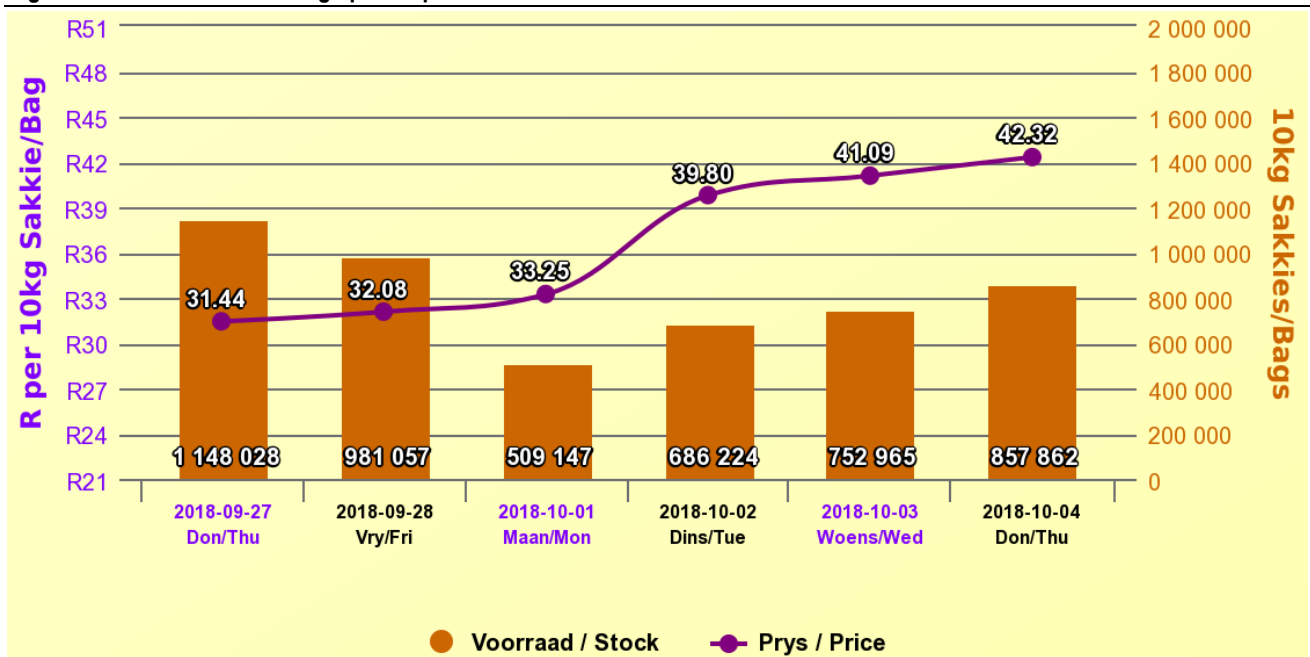


Source: Red Meat Levy Admin, Agbiz Research

## Potato market

The potato market ended the week in positive territory, with the price up by 35 percent from the corresponding period last week, closing at R42.32 per pocket bag (Figure 8). These gains were mainly on the back of increased commercial buying interest, which subsequently led to a decline in stocks to 857 862 pockets (10kg bag).

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



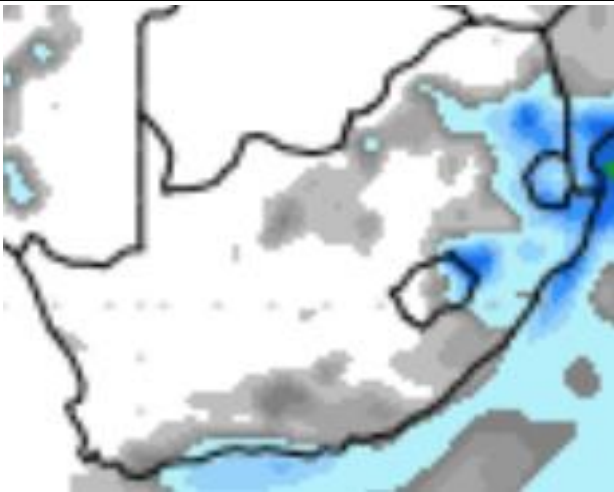
Source: Potato SA

## Weather conditions ahead of the weekend

The weather forecast for the next eight days shows clear skies over most parts of the country with the exception of the coastal areas of KwaZulu Natal and north-eastern regions of Mpumalanga which could receive light showers (Figure 9). While rainfall is a welcome development, the forecast showers will be light and therefore have minimal impact on soil moisture.

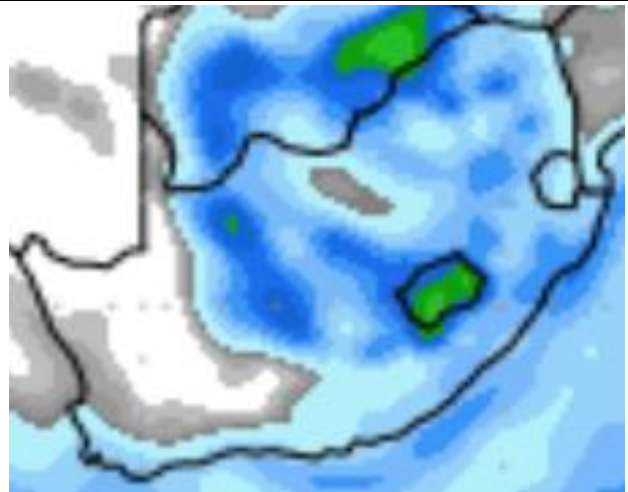
However, the prospects for the week of 20 October 2018 is quite positive, showing a fair chance of rainfall over summer crop growing areas of the country (Figure 10). This will slightly improve soil moisture and subsequently benefit the planting process.

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



Source: wxmaps

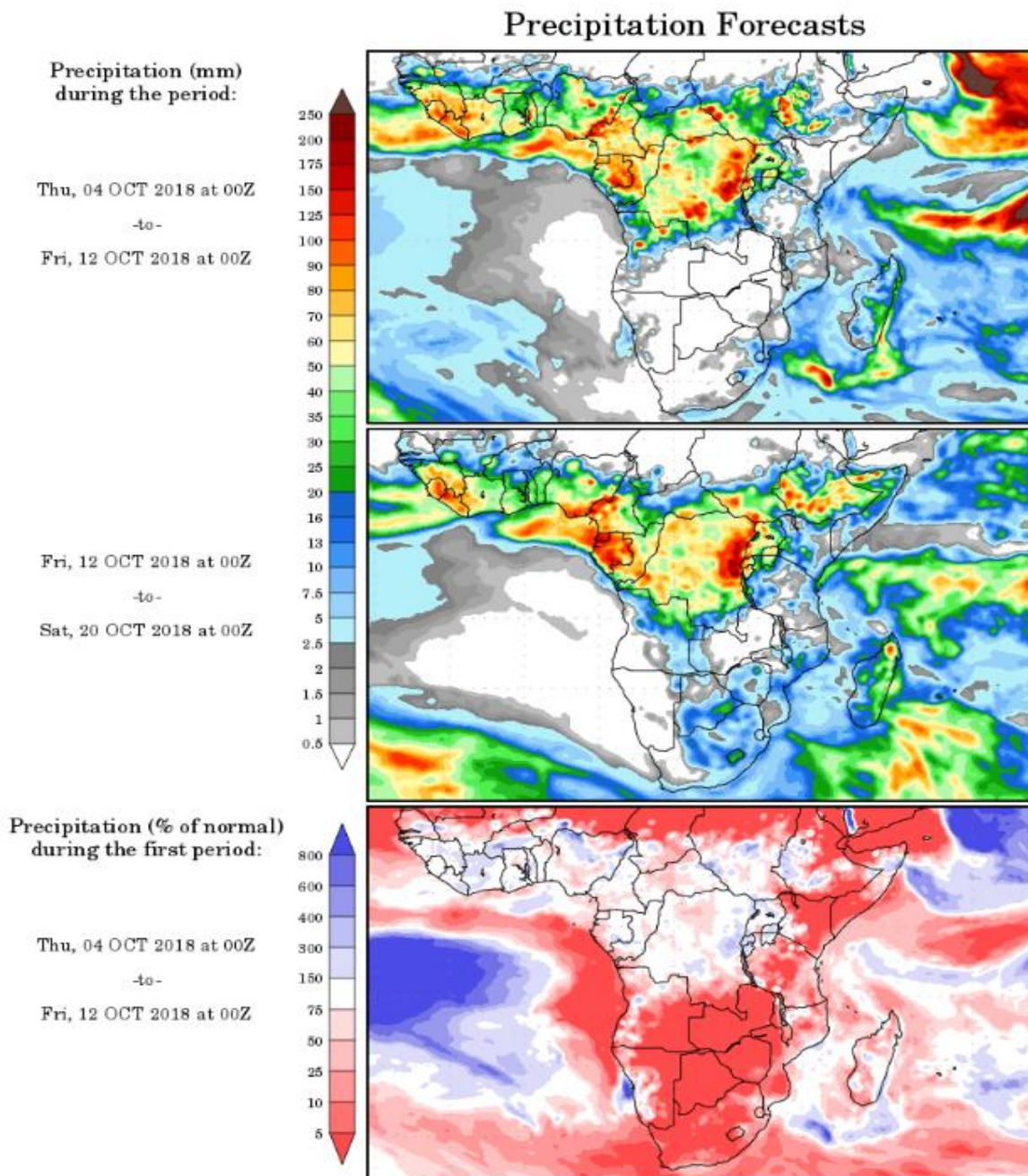
**Figure 10: Next 16-days precipitation forecast**



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: 10/10/2018
- SAGIS weekly grain trade data: 11/10/2018
- SAGIS monthly data: 25/10/2018
- National Crop Estimates Committee's data: 25/10/2018

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