

FOR ANY QUERIES, PLEASE CONTACT:

Wandile Sihlobo: wandile@agbiz.co.za

Key Data Releases in Agricultural Markets:

- USDA's crop progress report: 05/11/2018
- SAGIS producer deliveries data: 07/11/2018
- SAGIS weekly grain trade data: 08/11/2018
- USDA's World Agricultural Supply and Demand Estimates Report: 08/11/2018
- SAGIS monthly data: 26/11/2018
- National Crop Estimates Committee's monthly data: 27/11/2018

ECONOMIC INDICATORS	02/11/2018*	05/11/2018*	d-o-d (%Δ)
Rand/US Dollar	14,33	14,35	-0,14%
Rand/Euro	16,34	16,32	+0,12%
Euro/US Dollar	1,1384	1,1383	-0,01%
Gold Spot	1 233,90	1 232,44	-0,12%
Brent Crude Oil	75,50	72,41	-4,09%
Platinum Spot	852,00	873,80	+2,56%
Dow Jones Industrial Average	25 287,30	25 270,83	-0,07%
JSE All Share	55 080,15	54 271,19	-1,47%
SA repo rate	6,50	6,50	0,00%
SA CPI (y/y %)	4,90	4,90	0,00%
SA CPI – food (y/y %)	3,40	3,40	0,00%

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

- The domestic currency started the week on a negative footing, weakening by 0.14 percent against the US dollar from levels seen at midday Friday. The rand's depreciation was in line with the US dollar appreciation against major currencies, as well as a decline in some global commodity prices. At the time of writing, the Rand/US dollar exchange traded around R14.35. In terms of data, today's calendar is fairly light with no major releases.
- After experiencing a good run in the past couple of weeks, this morning the Brent crude oil price was down by 4.09 percent from levels seen at midday Friday, trading around US\$72.41 per barrel. These losses were mainly on the back of growing global supply, and lingering concerns about the potential decline of global oil demand.





MAIZE/CORN	02/11/2018*	05/11/2018*	d-o-d (%Δ)
White maize spot price (R/t)	2 384	2 381	-0,13%
White maize Jul 19 (R/t)	2 528	2 530	+0,08%
Yellow maize spot price (R/t)	2 382	2 384	+0,08%
Yellow maize Jul 19 (R/t)	2 508	2 510	+0,08%
CME corn spot (US cents/bushel)	373	372	-0,27%

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

- The SAFEX maize market posted gains on Friday's trade session with the exception of white maize spot price which settled in negative territory. The gains were underpinned by a combination of factors which include the relatively weaker rand against the US dollar, as well as spillover from higher Chicago maize prices.
- Last week, the South African Weather Service noted that 'the El Niño-Southern Oscillation (ENSO) is still in a neutral phase and although most models indicate a strong strengthening towards an El Niño phase in the early summer season, it is not expected to have an influence on South Africa during the first half of summer.'
- The weather agency further indicated that above-normal rainfall conditions are expected over most parts of parts of the country during early summer, which is November 2018 and January 2019. This is evident on the near term weather forecasts which currently show prospects of higher rainfall over the South African maize belt within the next two weeks. This could help improve soil moisture, which will subsequently benefit the germination process in areas that have planted and boost planting activity in areas that have not yet planted.
- With that said, the period between late January and March 2019 could experience dryness associated with expected El Niño, albeit some weather forecasters arguing that it could be fairly weaker. We worry about the potential impact this may have on maize crop as it could coincide with pollination stages of development. We will keep a close eye on this in the coming months.
- As set out in our note on 25 October 2018, South African farmers intend to plant 2.4 million hectares of maize, up by 6% from the 2017/18 production estimate. About 1.3 million hectares is white maize with 1.1 million hectares being yellow maize, both up from levels planted in the 2017/18 production season.
- On the domestic data front, the calendar this week is light with only week producer deliveries and grain trade figures which are due for release on Wednesday and Thursday. In the week of 26 October, about 88 percent of the 12.9 million tonnes harvested in the 2017/18 season has already been delivered to commercial silos.

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



WHEAT	02/11/2018*	05/11/2018*	d-o-d (%Δ)
SAFEX Wheat Dec 18 (R/t)	4 452	4 420	-0,72%
SAFEX Wheat Mar 19 (R/t)	4 580	4 540	-0,87%
CME Wheat spot (US cents/bushel)	510	511	+0,20%

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

- After experiencing a good run during the course of the week, the SAFEX wheat market pulled back on Friday and settled in negative territory, partly due to increased commercial selling.
- Although there are expectations of rainfall over summer crop growing areas of the country, the winter crop areas, specifically the Western Cape could experience cool and drier weather conditions within the next two weeks which bodes well with the ongoing harvest activity.
- Aside from the light showers at the beginning of last week, the weather conditions were fairly favourable over the Western Cape province, hence we expect an uptick in producer deliveries for the week of 02 November 2018, which will be released by SAGIS on Wednesday. In the week of 26 October 2018, the producer deliveries amounted to 78 731 tonnes, well above the initial deliveries of 7 716 tonnes.
- To reiterate a point made in our previous notes, the Western Cape accounts for 49 percent of the estimated 1.86 million tonnes of winter wheat in the 2018/19 production season. Most importantly, the province's wheat production is up by 54 percent from the 2017/18 season due to favourable weather conditions which have led to fairly higher yields in most areas.
- In our previous notes, we signalled a possibility of a downward revision of the current wheat production estimate of 1.86 million tonnes when the Crop Estimate Committee releases its updated estimates later this month. We based this view on reports of crop damage in parts of the Swartland region following the heavy wind and rainfall. However, the initial feedback from farmers suggests that the impact might have been limited to a few farms, and therefore might not lead to a major change in the production estimate.
- Elsewhere, the winter wheat planting process is almost complete in the US, albeit being behind last year's pace. In the week of 28 October 2018, about 78 percent of the planned area had already been planted which is 5 percentage point behind the corresponding period last year. This evening, the USDA will release an update of the area plantings for the week of 04 November 2018 as part of its weekly crop progress report. Aside from this, the 2018/19 global wheat supplies are quite tight, with production estimated at 729 million tonnes, down by 5 percent from the previous season. This is according to data from the International Grains Council.

Bottom line – The local wheat market could receive marginal gains today due to the relatively weaker rand against the US dollar, and higher Chicago wheat prices.





SOYBEAN	02/11/2018*	05/11/2018*	d-o-d (%Δ)
SAFEX Soybean spot price (R/t)	4 478	4 552	+1,65%
SAFEX Soybean March 2019 (R/t)	4 650	4 727	+1,66%
CME Soybean spot (US cents/bushel)	887	875	-1,35%

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

- On Friday, the SAFEX soybean market managed to claw back some of its recent losses and settled in positive territory. This was supported by a combination of factors which include the relatively weaker domestic currency against the US dollar, as well as spillover support from higher Chicago soybean prices.
- The gains in the Chicago soybean market were underpinned by solid US soybean weekly export sales of 455 800 tonnes, and also reports of constructive trade talks between the US and China. The resolution on the current dispute is critical for US soybean farmers, in order to capitalise on growing Chinese soybean demand.
- The current uncertainty has thus far had a negative impact on US soybean exports to China and subsequently pressured soybean prices.¹ To recap, China is a key player in the global soybean market, accounting for two-thirds of the 2018/19 global import estimate of 154 million tonnes.
- The US-China trade dispute opened a room for Brazil to dominate the Chinese market. Data from the USDA shows that 66 percent of Chinese soybean imports in the 2017/18 marketing were supplied by Brazil, with the US accounting for only 29 percent. The US presence in the Chinese soybean market largely depends on the current talks and whether there will be a constructive resolution for both countries.
- For Brazil, the trade dispute coincided with a good production season with large supplies for the export market. The 2018/19 production which is still at its initial stages, but promises to be good. Last week, INTL FC Stone placed its 2018/19 estimate for Brazil's soybean production at 120 million tonnes, up by a percentage point from last season. This is based on expectations of higher yields on the back of favourable weather outlook.
- Back on home soil, the planting process could be slightly delayed this week as the weather forecast show prospects of widespread rainfall. This, however, will not be much of an issue as there is still time for planting activity to progress throughout the month.

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

¹ See, for instance, C Gibbs 'I Am a Soybean Farmer Hurt by Trump's Trade War. I Can't 'Take It.' New York Times, 2 August 2018, available at: <https://www.nytimes.com/2018/08/02/opinion/trump-trade-war-china-soybean-farmer.html>



SUNFLOWER SEED	02/11/2018*	05/11/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	5 073	5 080	+0,14%
SAFEX Sunflower seed March 2019 (R/t)	5 109	5 120	+0,22%
EU (France) sunflower seed (US\$/t)	361	366	+1,39%

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

- There have not been any fundamental changes in the South African sunflower seed market. Friday's gains were mainly underpinned by increased commercial buying interest, and to a certain extent, the relatively weaker domestic currency against the US dollar.
- This week starts with a positive weather outlook over the sunflower seed growing areas, showing prospects of between 16 and 25 millimetres of rainfall within the next two weeks. While the forecast rainfall could slow the planting activity in the near term, the potential improvement in soil moisture which could result from it will be more beneficial in the medium term, as the recently opened optimal sunflower seed planting window could last until the end of December 2018.
- From an area plantings perspective, the current indications from the Crop Estimate Committee point to a possible 4 percent year-on-year reduction in 2018/19 sunflower seed plantings to 575 000 hectares. As set out in our previous notes, this is slightly below the long-term average area of 576 490 hectares.
- Looking ahead, the key risk remains the possible El Niño later in summer. As previously noted, the South African Weather Service forecasts below-normal rainfall over summer crop growing areas from late January to March 2019, although the season is set to start on sound footing with higher rainfall. This period coincides with the typical pollination of sunflower seeds – a process that requires moisture.
- It remains to be seen what impact the expected drier weather conditions will have on the crop, and subsequently supplies in the 2019/20 marketing year which starts on 01 March 2019. At the moment, South Africa has sufficient supplies for the 2018/19 marketing year which ends in February 2019 – all thanks to a large harvest in the 2017/18 production season, as well as relatively large opening stock.²
- Elsewhere, the EU's sunflower seed market had a good run on Friday's trade session with the price up by 1.39 percent from the previous day, closing at US\$366 per tonne. This was partly on the back spillover support from higher vegetable oil prices.

Bottom line – Today, the domestic sunflower seed market could gain ground due to the relatively weaker ZAR/USD exchange.

² Key to note that the 2018/19 marketing year corresponds with the 2017/18 production season.

BEEF CARCASS	02/11/2018*	05/11/2018*	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

- On Friday, there was not much happening in the SAFEX beef carcass market. The price remained unchanged from the previous day, at R47.55 per kilogram, due to thinly traded volumes. Therefore, the SAFEX beef carcass price is not a true reflection of the physical beef market which continues to show solid activity.
- In terms of the supply, the South African farmers slaughtered 189 108 head of cattle in September 2018, down by 11 percent year-on-year due to the continuous herd rebuilding process after a reduction during the 2015-16 drought. In the first nine months of this year, the South African farmers slaughtered roughly 1.8 million head of cattle, down by 7 percent from the corresponding period last year.

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.

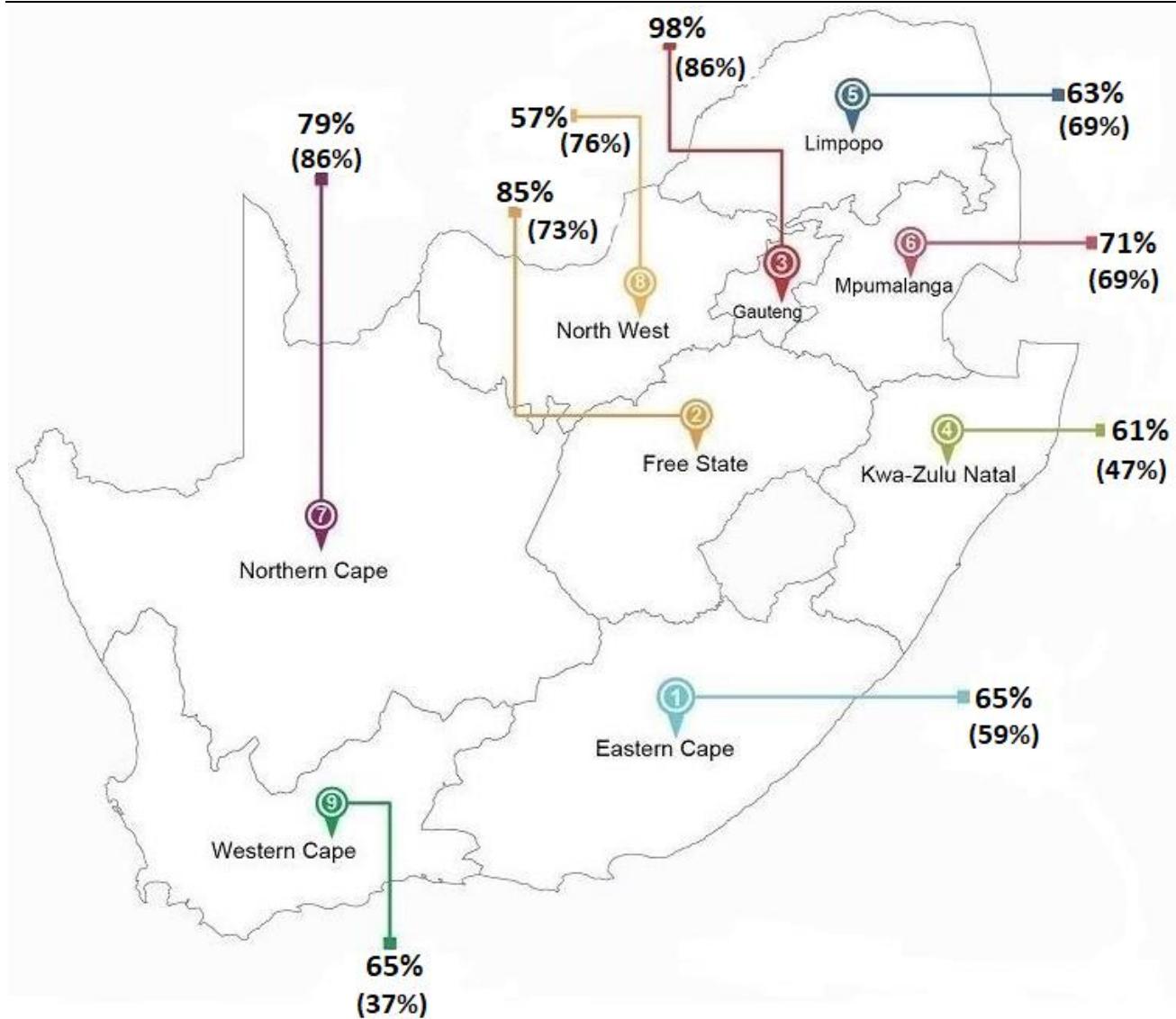
FRUIT (South Africa)	02/11/2018*	05/11/2018*	d-o-d (%Δ)
Apples (R/kg)	7,74	7,97	+2,97%
Bananas (R/kg)	5,38	6,12	+13,75%
Oranges (R/kg)	3,85	4,74	+23,12%

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

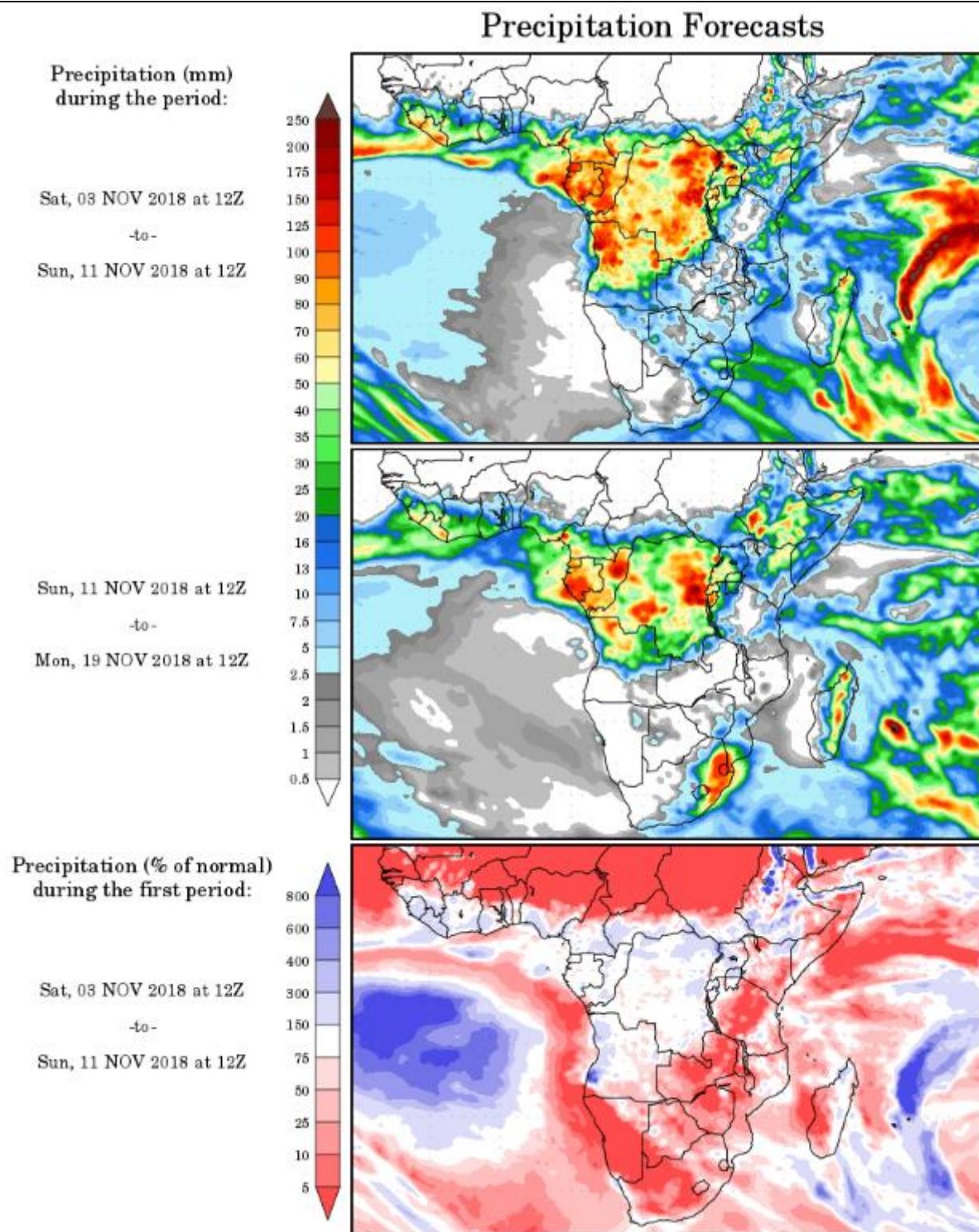
- The South African fruit market had a good run on Friday's trade session and settled in positive territory. The prices of apples and bananas were up by 3 percent and 14 percent from the previous day, closing at R7.97 and R6.12 per kilogram, respectively. This was underpinned by lower stocks of 389 000 tonnes of apples and 662 000 tonnes of bananas.
- Furthermore, the price of oranges was up by 23 percent from the previous day, closing at R4.74 per kilogram. This was underpinned increased commercial buying interest, which led to a 29 percent decline of oranges daily stocks to 147 000 tonnes on Friday's trade 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.

Figure 1: South Africa's average dam levels: week ended 29 October 2018, with the same week last year in brackets



Source: Department of Water and Sanitation and Agbiz Research

Figure 2: 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.

 [@WandileSihlobo](#) [@AgriChamber](#)

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