

**FOR ANY QUERIES, PLEASE CONTACT:**

 Wandile Sihlobo: [wandile@agbiz.co.za](mailto:wandile@agbiz.co.za)
**Key Data Releases in Agricultural Markets:**

- 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
- USDA's crop progress report: 12/11/2018
- SAGIS monthly data: 26/11/2018
- National Crop Estimates Committee's monthly data: 27/11/2018

<b>ECONOMIC INDICATORS</b>	05/11/2018*	06/11/2018*	d-o-d (%Δ)
Rand/US Dollar	14,36	14,18	+1,27%
Rand/Euro	16,34	16,18	+0,99%
Euro/US Dollar	1,1393	1,1400	+0,06%
Gold Spot	1 231,79	1 229,05	-0,22%
Brent Crude Oil	72,74	72,90	+0,22%
Platinum Spot	872,90	868,10	-0,55%
Dow Jones Industrial Average	25 425,32	25 461,70	+0,14%
JSE All Share	54 705,21	54 915,66	+0,38%
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*

- This morning the domestic currency slightly recovered from yesterday's levels, along with other emerging market currencies. This was mainly on the back of a US dollar depreciation against major currencies. At the time of writing, the Rand/US Dollar was 1.27 percent stronger compared to midday yesterday, trading at levels around R14.18. From a domestic data front, today's calendar is fairly light with no major releases.
- Although the Brent crude oil recovered marginally from levels seen at midday yesterday, the price is still well below the US\$75.00 mark that persistent in the past couple of weeks. The general decline in oil prices is mainly on the back of growing global supply, which coincides with expectations of weaker demand in Asia.



MAIZE/CORN	05/11/2018*	06/11/2018*	d-o-d (%Δ)
White maize spot price (R/t)	2 381	2 443	+2,60%
White maize Jul 19 (R/t)	2 530	2 588	+2,29%
Yellow maize spot price (R/t)	2 384	2 428	+1,85%
Yellow maize Jul 19 (R/t)	2 510	2 544	+1,35%
CME corn spot (US cents/bushel)	374	373	-0,27%

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

- Given the favourable near-term weather outlook and large stocks from the 2017/18 production season, one would have expected the SAFEX maize market to be under pressure these days, but the relatively weaker rand against the US dollar, increased commercial buying interest, as well as spillover from higher Chicago maize prices have provided support, hence all contract month prices settled in positive territory.
- The weather indications suggest that the South African maize sector will have a good start in the 2018/19 production season. The prospects of higher rainfall between this month and January are evident in the near term weather outlook. The next two weeks could bring rainfall of roughly 20 to 80 millimetres over the South African maize-belt.
- This will bring the much-needed moisture so that the planting process could continue with minimal interruptions. The areas that have already planted, specifically in the eastern and central parts of South Africa could also benefit as improvements in moisture could support the germination process of crops.
- Also worth noting is that the expected area of 2.4 million hectares of maize, up by 6% from the 2017/18 production estimate, is still tentative.<sup>1</sup> The Crop Estimate Committee will release its preliminary area plantings on 29 January 2019, which will give us a much more reliable figure. With that said, we don't foresee much deviation from this estimate, as it is in line with the long-term area plantings.
- Moreover, the discussions with farmers on the ground are quite positive regarding the 2018/19 planting season and this is evident on the uptick in planting activity in most areas. From our side, we view the possible El Niño later in summer as a key risk that could negatively affect South Africa's maize harvest. At this stage, the question is whether South Africa could receive enough moisture earlier in the season to sustain the crop throughout or the possible dry spell could have a bigger impact? We will closely monitor the developments.

Bottom line – Today the domestic maize market could be under pressure due to the stronger ZAR/USD exchange and Chicago maize prices.

<sup>1</sup> About 1.3 million hectares is white maize with 1.1 million hectares being yellow maize.



WHEAT	05/11/2018*	06/11/2018*	d-o-d (%Δ)
SAFEX Wheat Dec 18 (R/t)	4 420	4 406	-0,32%
SAFEX Wheat Mar 19 (R/t)	4 540	4 534	-0,13%
CME Wheat spot (US cents/bushel)	505	507	+0,40%

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

- Unlike other commodities, which have had a good run in the past few days, the domestic wheat market experienced losses in the past couple of days due to harvest pressure.
- While light showers in some parts of the Western Cape might have somewhat slowed the harvest process over the weekend, the pace could pick up within the next two weeks due to expected cool and drier weather conditions in the province.
- The harvest progress made last week will be reflected on the producer deliveries data which are due for release at midday tomorrow. In the week of 26 October 2018, the producer deliveries amounted to 78 731 tonnes, well above the initial deliveries of 7 716 tonnes.
- The feedback from farmers in areas that have already harvested has been fairly positive, suggesting that yields are mostly average-to-above average. This supports the Crop Estimate Committee's view of higher yields this season and an overall harvest of 1.86 million tonnes, up by 21 percent from the 2017/18 production season.
- The Western Cape is central to this optimism. After all, the decline in 2017/18 season's wheat production was largely due to the poor harvest in the Western Cape, hence its recovery will have a notable impact on the national harvest. To reiterate a point made yesterday, the Western Cape accounts for 49 percent of the estimated 1.86 million tonnes of winter wheat in the 2018/19 production season.
- The aforementioned production improvement bodes well for South Africa's agricultural trade balance as it will lead to a decline in wheat imports. Assuming that the aforementioned harvest projection materialises, South Africa's wheat imports could fall by a third from last year's volume to 1.4 million tonnes.
- On the global front, the USDA indicated that farmers could lift wheat plantings in 2019/20 season by 9 percent year on year to 17.4 million hectares due to attractive prices on the back of tight global supplies. To recap, the 2018/19 global wheat production estimated at 729 million tonnes, down by 5 percent from the previous season, according to data from the International Grains Council. The losses are mainly in the EU, the Black Sea and Australia, amongst other countries – all underpinned by unfavourable weather conditions earlier in the season.

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



<b>SOYBEAN</b>	05/11/2018*	06/11/2018*	d-o-d (%Δ)
SAFEX Soybean spot price (R/t)	4 552	4 580	+0,62%
SAFEX Soybean March 2019 (R/t)	4 727	4 738	+0,23%
CME Soybean spot (US cents/bushel)	873	872	-0,11%

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

- The SAFEX soybean market had a good run in yesterday's trade session with support emanating from a relatively weaker domestic currency against the US dollar, increased commercial buying interest, as well as positive spillover from higher Chicago soybean prices.
- Similar to the previous day, the gains in the Chicago soybean market were linked to an improved sentiment regarding the upcoming trade talks between the US and China that will be held later this month at the G-20 meetings in Argentina. As set out in our note yesterday, the resolution of the current dispute between these two countries 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 suppressed prices.<sup>2</sup> The US farmers are now downbeat about soybean in the 2019/20 season, partly because of the lack of clarity on the trade front going forward. The most recent data from the USDA shows that the US soybeans area plantings could fall by 7 percent year-on-year to 33.1 million hectares in 2019/20 production season.
- 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 prospects for the US going forward will depend on the outcome of the planned talks. For Brazil, this has been a good period as the trade dispute coincided with a good production season with large supplies for the export market.
- Aside from the trade dispute, the forecast rainfall within the next eight days over some parts of the US Midwest could slow the harvest activity. In the week of 04 November 2018, about 83 of US soybean had already been harvested, which is 6 percent behind the corresponding period last year.

Bottom line – Today the SAFEX soybean market could be under pressure due to the stronger ZAR/USD exchange and lower Chicago soybean prices.

<sup>2</sup> 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	05/11/2018*	06/11/2018*	d-o-d (%Δ)
SAFEX Sunflower seed spot price (R/t)	5 080	5 101	+0,41%
SAFEX Sunflower seed March 2019 (R/t)	5 120	5 142	+0,43%
EU (France) sunflower seed (US\$/t)	366	365	-0,27%

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

- The SAFEX sunflower seed market started yesterday's trade session in the sound footing and maintained the gains throughout the day. This was on the back of the weaker domestic currency against the US dollar, as well as increased commercial buying interest.
- The potential delays in planting due to expected rainfall within the next two weeks are not much of an issue as the sunflower seed optimal planting window runs between November and early January in the major producing provinces such as the North West, Limpopo and Free State.
- However, it would be ideal if farmers in areas with better soil moisture could begin the planting as soon as possible so that the pollination period could occur early next year, in months with higher rainfall. The late start of planting activity means that the pollination could coincide with the expected drier weather conditions between the end of January and March 2019. This could result in poor yields in some areas, depending on the soil moisture levels.
- So far, we have not seen good momentum in planting activity over the sunflower seed growing areas. Perhaps, if the expected rainfall within the next two weeks leads to notable improvement in soil moisture, farmers will commence with the planting activity on a large scale.
- The estimates of a 4 percent decline in area plantings to 575 000 hectares, which is slightly below the long-term average area of 576 490 hectares are still tentative. We will get a much clearer view when the Crop Estimate Committee releases its preliminary area estimate on 29 January 2019.
- Elsewhere, yesterday the EU's sunflower seed market pulled back from levels seen the previous day and settled in negative territory. The price was down by 0.27 percent, closing at US\$365 per tonne, partly on the back of lower crude and vegetable oil prices.
- Aside from price movements, the planting activity is underway in South America. Data from Argentina's Agricultural Secretary shows that 69 percent of the planned area for 2018/19 had been planted on 01 November.

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



<b>BEEF CARCASS</b>	05/11/2018*	06/11/2018*	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

- Yesterday there was not much happening in the SAFEX beef carcass market due to thinly traded volumes. The price settled at R47.55 per kilogram, unchanged from the previous day. 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.

<b>FRUIT (South Africa)</b>	05/11/2018*	06/11/2018*	d-o-d (%Δ)
Apples (R/kg)	7,42	7,33	-1,21%
Bananas (R/kg)	6,01	6,29	+4,66%
Oranges (R/kg)	3,93	4,78	+21,63%

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

- Yesterday the South African fruit market settled on a mixed footing. The price of apples was down by a percentage point from the previous day, closing at R7.33 per kilogram. This followed an uptick in producer deliveries which then led to an increase in daily stocks to 695 000 tonnes.
- Meanwhile, the prices of bananas and oranges were up by 5 percent and 22 percent from the previous day, closing at R6.29 and R4.78 per kilogram, respectively. These gains, however, could be short-lived due to a fairly large stock of 1.3 million tonnes of bananas and 193 000 tonnes of oranges.

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.

POTATO	05/11/2018*	06/11/2018*	d-o-d (%Δ)
RSA Potato (R/10kg)	52,95	54,10	+2,17%

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

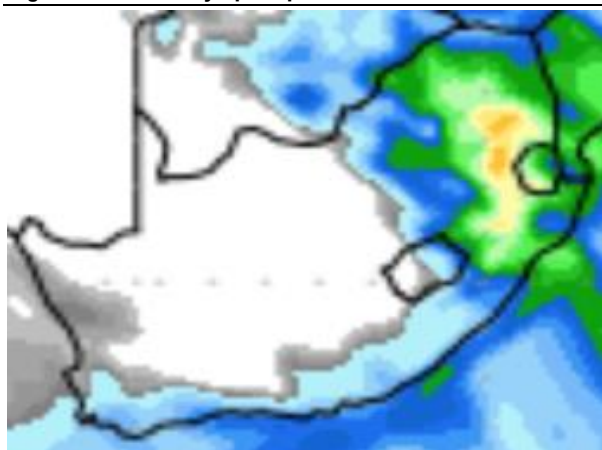
- The South African potatoes market had a good run in yesterday's trade session and settled in positive territory, with the price up by 2 percent from the previous day, closing at R54.10 per kilogram.
- The gains were underpinned by increased commercial buying interest, coupled with lower producer deliveries on the back of slow harvest activity over the weekend. This subsequently led to a 38 percent decline in daily stock to 503 349 million pockets (10kg bag).

Bottom line – Today the South African potatoes price could receive additional gains due to lower stocks of 503 349 pockets (10kg bag), compared to volumes seen during in the past few days.

**WEATHER FORECAST:** South Africa

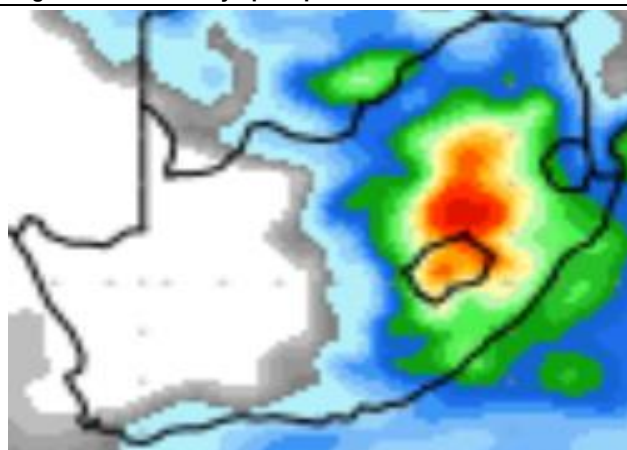
- This morning the weather forecasts for the next eight days remain roughly unchanged from what we reported yesterday, which is widespread rainfall over the central and northern parts of the summer rainfall areas (figure 1). This will help improve soil moisture, which is good for the new season crop.
- The forecast for the week of 21 November paints a constructive picture of widespread showers over most summer crop planting areas (figure 2). The expected rainfall could vary between 16 and 70 millimetres, which also bodes well with the new season planting process.

**Figure 1: Next 8-days precipitation forecast**



Source: wxmaps

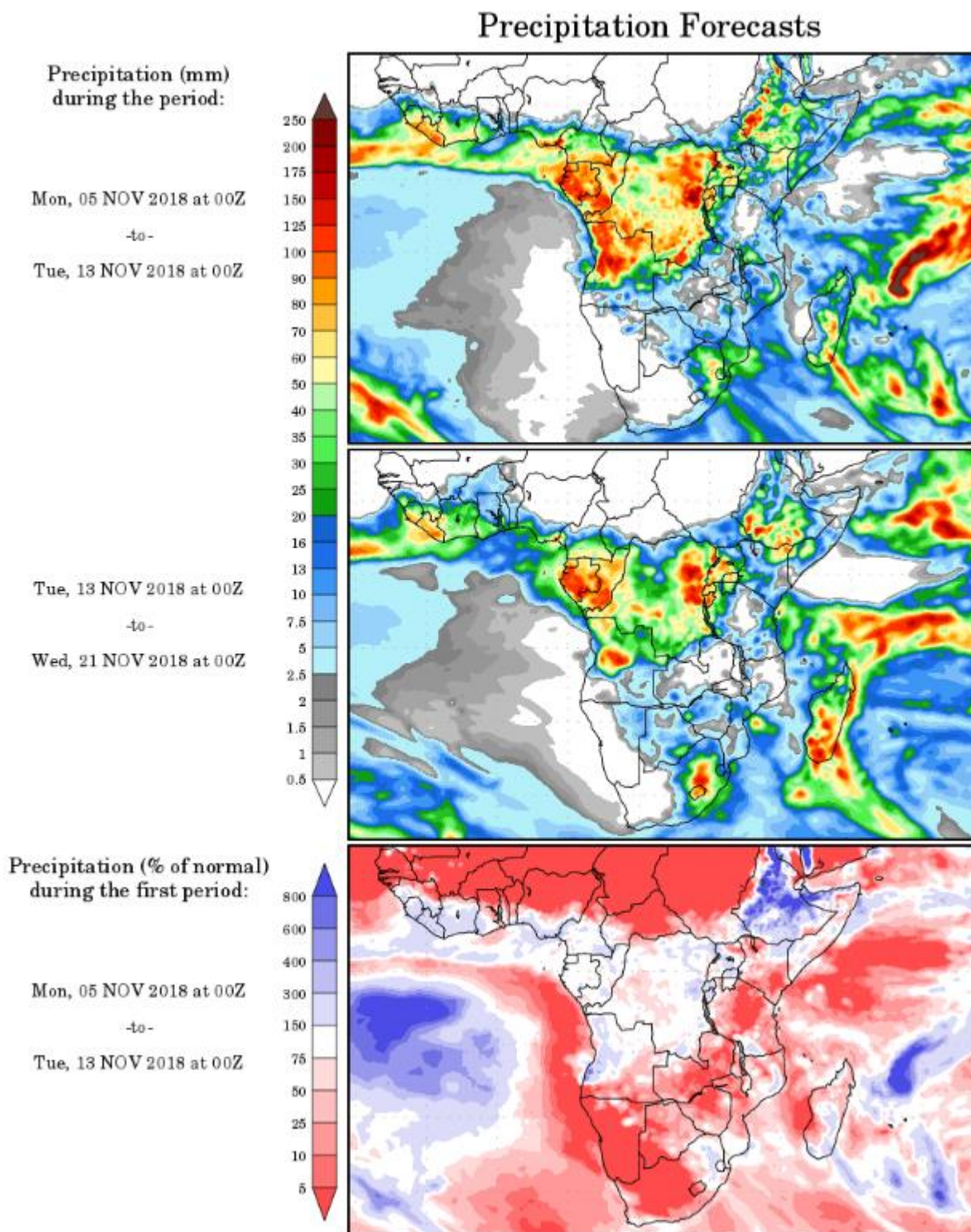
**Figure 2: Next 16-days precipitation forecast**



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.

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

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