



South African Agricultural Commodities Weekly Wrap

From planting to pollination, which is typically the period between October and February, the weather becomes an important factor in the South African summer grains market. Fortunately, this year, although there are concerns about a possible El Niño later in summer, the season started on a sound footing with widespread rainfall in the eastern and central parts of the country. The planting activity is gaining ground in most areas, but it is yet to be seen if it will reach the intended area of 4.03 million tonnes in the 2018/19 production season, an increase of 5 percent year-on-year. In the winter crop growing areas, harvesting is gaining momentum and the progress is reflected in the volume of wheat delivered to commercial silos in the Western Cape. There will most likely be good progress within the next two weeks as the weather forecast currently shows clear skies over most parts of the province.

Wandile Sihlobo
+27(0)12 807 6686
wandile@agbiz.co.za


 @WandileSihlobo

Maize market

The maize planting process is gaining momentum in the eastern and central parts of South Africa, all thanks to early rainfall. The western regions could make good progress from this month onwards due to expectations of higher rainfall which, in turn, could improve soil moisture, and also the fact that the optimal planting window has recently opened in this particular region. To recap, South African farmers intend to plant 2.44 million hectares of maize, up by 6% from the 2017/18 production estimate. This accounts for a two-thirds of the total summer crop intended area of 4.03 million hectares and in line with the long-term average area plantings. About 56 percent of this is white maize with 44 percent being yellow maize. Looking ahead, although the near term forecasts paint an optimistic picture of higher rainfall over the South African maize belt, the possible El Niño later in summer remains a key risk in the market that could change the current wave of optimism that is mirrored in planting intentions data. In terms of pricing, the SAFEX market (white and yellow) gained ground this week and settled in positive territory.

Figure 1: South African maize prices

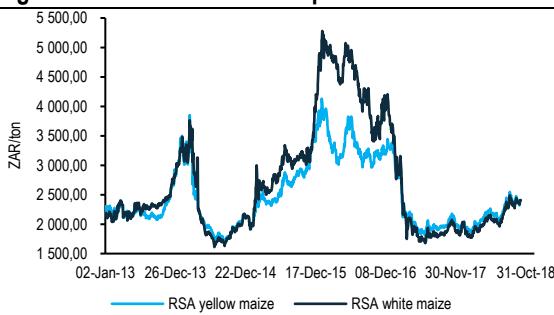
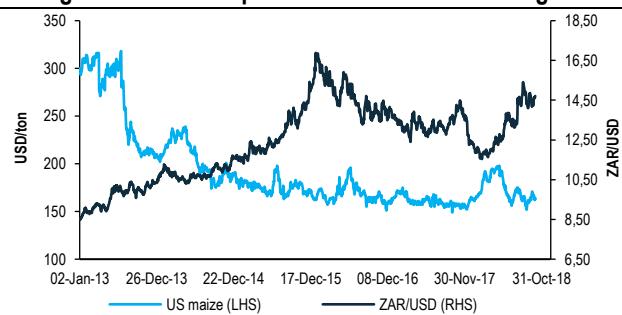


Figure 2: US maize prices and ZAR/USD exchange



Wheat market

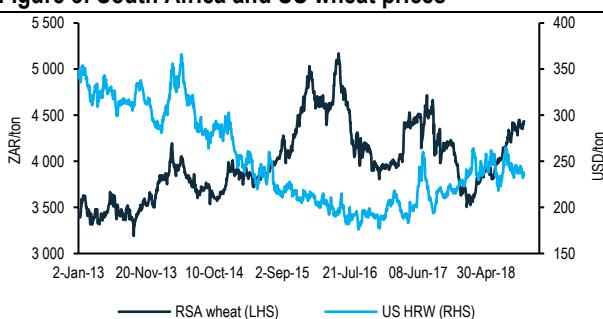
South Africa's winter wheat harvest process is slowly gaining momentum in the Western Cape. The most recent data from SAGIS shows that 78 731 tonnes of wheat were delivered to commercial silos in the week of 26 October 2018, well above the initial deliveries of 7 716 tonnes. While some areas of the province received light showers at the start of the week, which somewhat slowed the harvest process, there has now been an improvement in weather conditions. The current forecasts for the next two weeks show clear skies over most parts of the Western Cape, which implies that the harvest process could continue for some time with minimal interruptions.

As set out yesterday, we place more emphasis on this particular province, not only because the crop matured earlier than other provinces due to differences in planting dates, but because of its share contribution to South African wheat production. 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. This uptick is due to favourable weather conditions which have led to fairly higher yields in most areas, not the expansion in the area. In fact, the area planted this season is down marginally from the 2017/18.

Last week, we hinted that there could be a downward revision of the current wheat production estimate of 1.86 million tonnes when the Crop Estimate Committee reviews its estimates later this month. This was based on reports of crop damage in parts of the Swartland region following the recent heavy wind and rainfall. However, the initial feedback from farmers suggest that the impact might have been limited to a few farmers, thereafter might not lead to a major change in the production estimate.

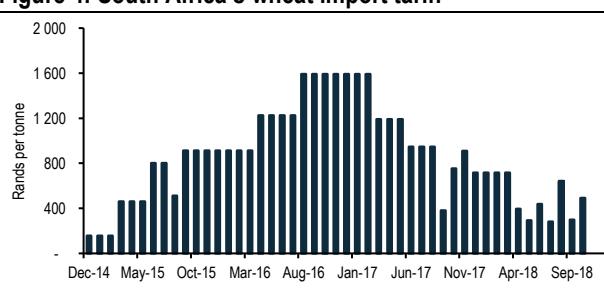
The crop growing conditions are favourable in provinces such as the Northern Cape, Free State and Limpopo, amongst others, albeit at relatively early stages of development compared to the Western Cape due to a difference in planting periods. The crop in these particular provinces is supported by recent showers and improved water levels in the dams for irrigation following good summer and winter rainfall. 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. Above all, the SAFEX spot wheat price was up by a percentage point from last week, averaging R4 421 per tonne due to the weaker rand against the US dollar, and also higher Chicago wheat prices (Figure 4)

Figure 3: South Africa and US wheat prices



Source: JSE, IGC, Agbiz Research

Figure 4: South Africa's wheat import tariff



Source: SAGIS, Agbiz Research

Soybean market

Soybean is predominantly planted in the eastern and central parts of South Africa, and has, therefore benefited from good higher rainfall that improved soil moisture over the past couple of weeks. This bodes well with the current optimism in the market, following the recent Crop Estimate Committee's data which showed that South African farmers plan to increase the area plantings for soybeans by 8 percent from the 2017/18 production season to 851 800 hectares. The key contributing provinces to the expected increase in plantings are Free State, Mpumalanga, KwaZulu Natal and North West. The expansion in soybean area has largely been driven by growing demand from the animal feed industry, especially as the processors are increasingly relying on local produce. Figures released by SAGIS last week show that South African soybean consumption (processed for oil and cake) amounted to 95 178 tonnes in September 2018, which is 21 percent increase than last month and 17 percent from the corresponding period last year. If we apply an estimate of 2.2 million tonnes of South Africa's soybean crushing capacity, which equates to 183 333 tonnes per month, then, the country utilised 52 percent of its monthly soybean processing capacity in September 2018 – the highest level since February 2018. In terms of pricing, the SAFEX soybean spot price was down by a percentage point from last week, averaging R4 546 per tonne (Figure 5).

Sunflower seed market

With the sunflower seed planting activity for the 2018/19 production season set to commence soon in most regions in the western parts of the country, the weather will also be a key focus in the market. Fortunately, the forecast for the next two weeks shows the prospects of heavy rainfall. While this could delay the starting period of plantings, soil moisture will improve, which will later benefit the planting process. As set out in our previous notes, in terms of areas plantings, our view leans towards the Crop Estimate Committee which forecasts a 4 percent reduction in 2018/19 sunflower seed plantings to 575 000 hectares. This is well below market expectations of 600 000 hectares and a long-term average area of 576 490 hectares. In terms of pricing, the SAFEX sunflower seed spot price was up by a percentage point from the last week, averaged R5 112 per tonne, as the relatively weaker rand against the US dollar continued to support the market (Figure 6). Moreover, the increased commercial buying interest also supported the market.

Figure 5: Soybean prices

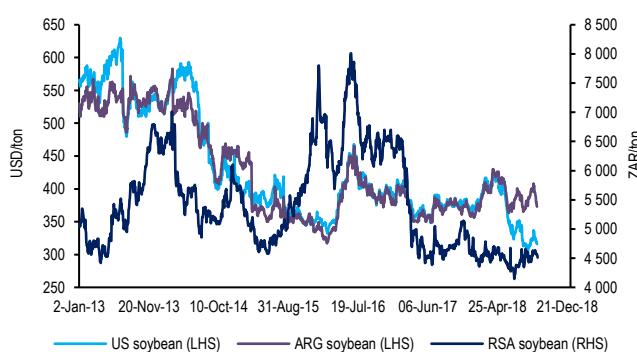


Figure 6: Sunflower seed prices



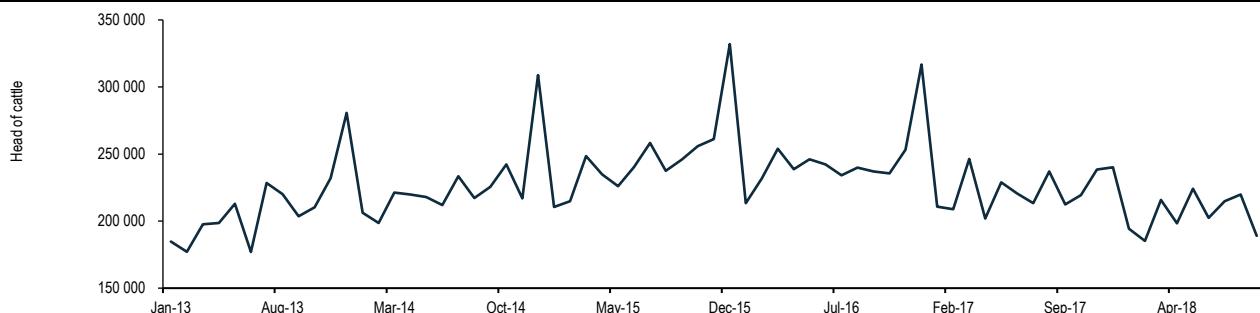
Source: JSE, IGC, Agbiz Research

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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 189 108 head of cattle in September 2018, down by 11 percent year-on-year due to the herd rebuilding process after a reduction during the 2015-16 drought (Figure 7).

Figure 7: Monthly cattle slaughtering activity

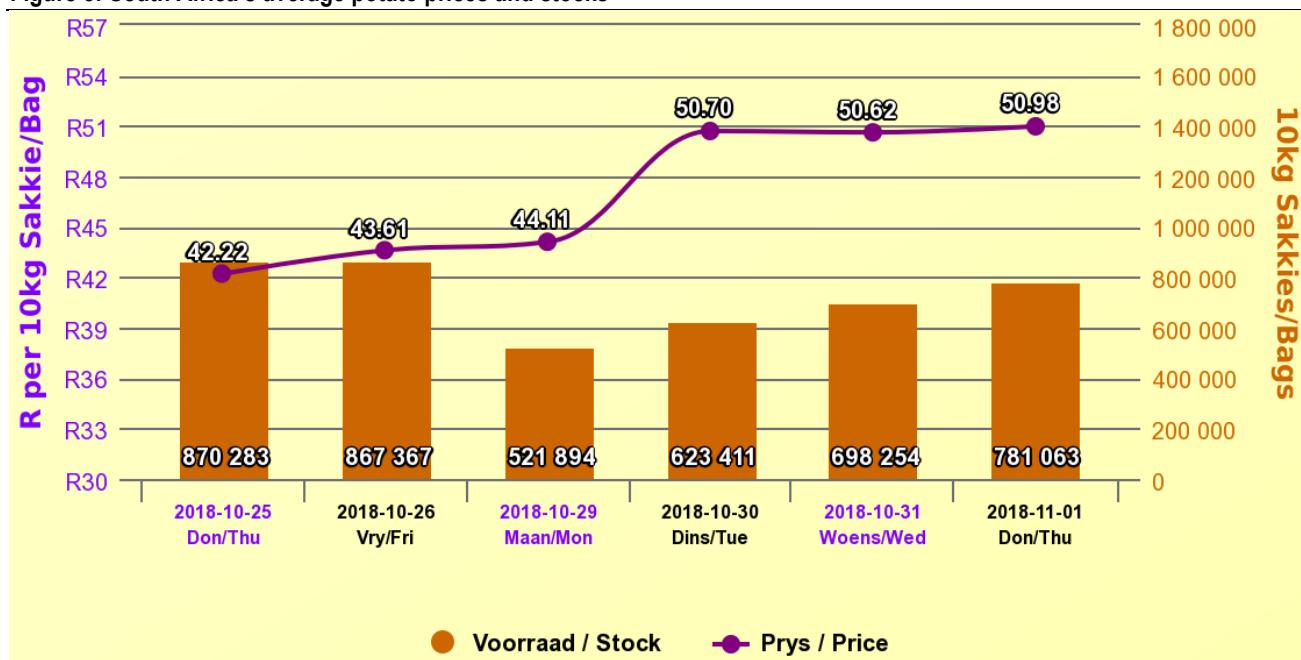


Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week in positive territory, with the price up by 21 percent from the corresponding period last week, closing at R50.98 per pocket bag (Figure 8). These gains were mainly on the back of lower producer deliveries and increased commercial buying which led to lower stocks of 781 063 pockets (10kg bag).

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



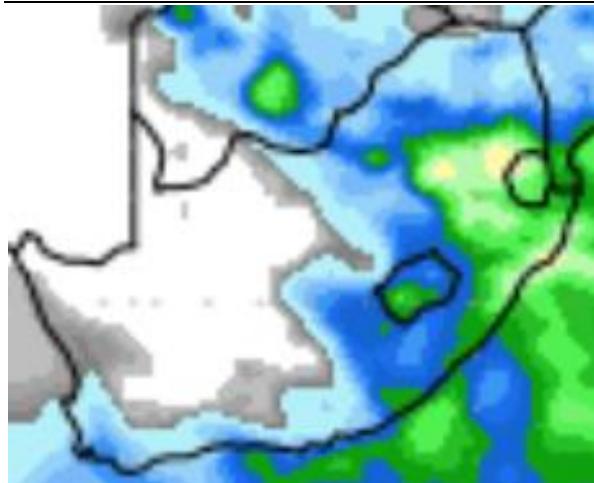
Source: Potato SA

Weather conditions ahead of the weekend

The next eight days could bring widespread rainfall over the summer crop growing areas of the country, which will further improve soil moisture and, in turn, boost the planting activity, and also support the germination process in areas that have planted (Figure 9).

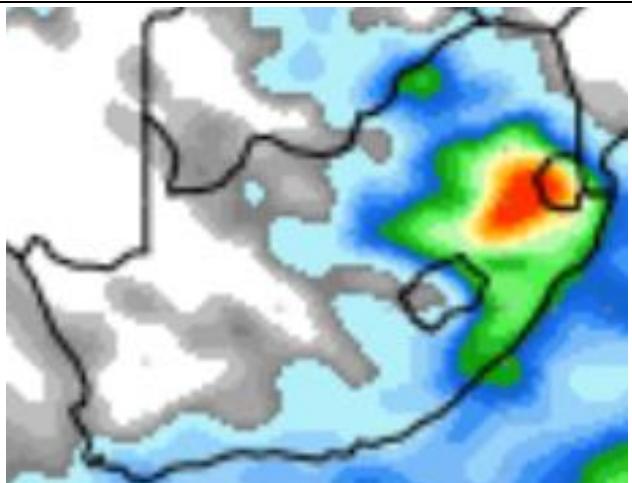
Furthermore, the weather forecast for the week of 17 November 2018 shows a likelihood of higher rainfall over most summer crop growing areas South Africa, which will further boost soil moisture and subsequently benefit the germination progress and boost planting in areas that have not yet completed the process (Figure 10). Also worth noting is that the expected cool and drier weather conditions in the Western Cape province could enhance the winter crop harvest process, which is currently underway.

Figure 9: Next 8-days precipitation forecast



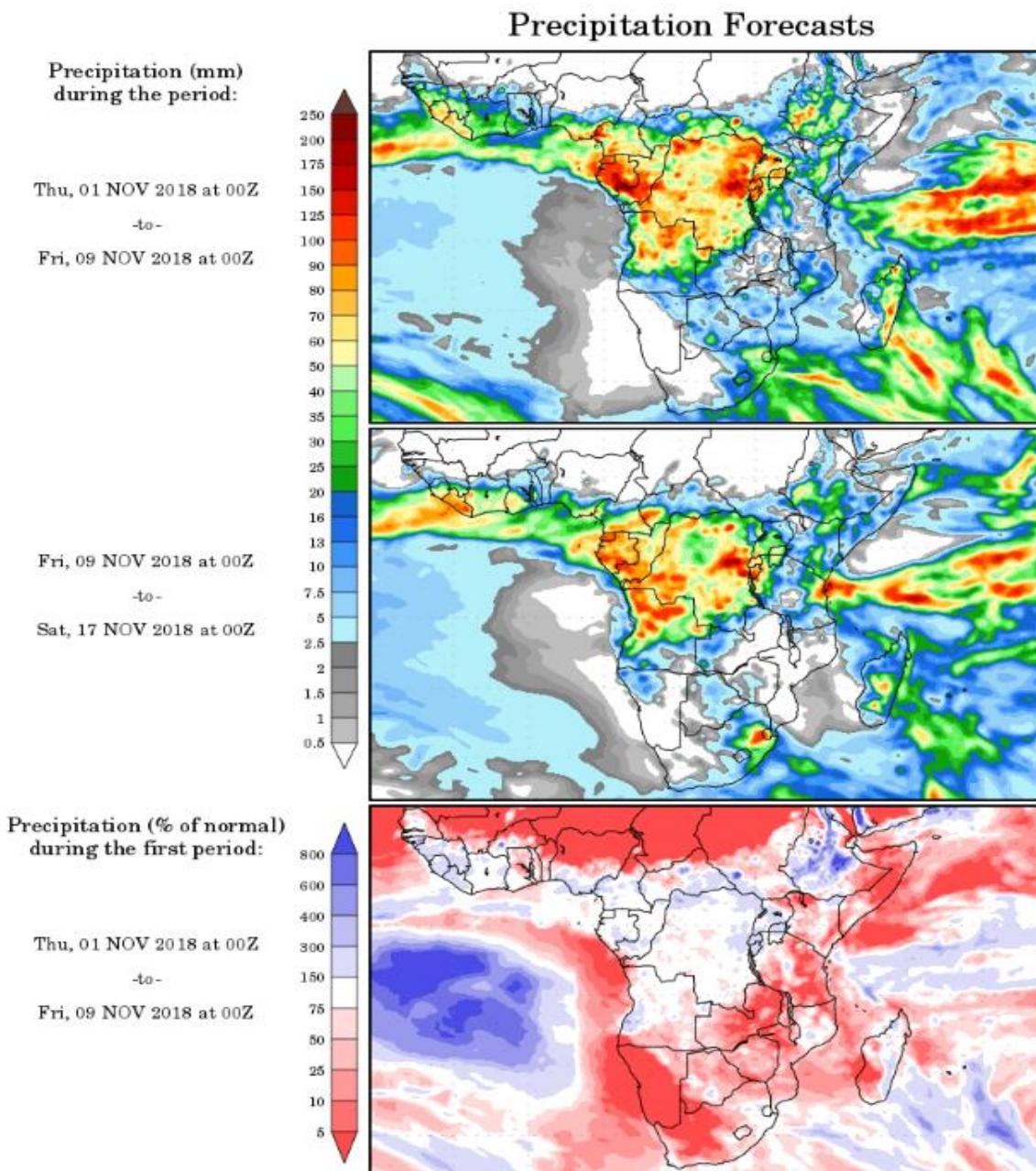
Source: wxmaps

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: 07/11/2018
- SAGIS weekly grain trade data: 08/11/2018
- SAGIS monthly data: 26/11/2018
- National Crop Estimates Committee's data: 27/11/2018

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