

South African Agricultural Commodities Weekly Wrap

In the absence of major data releases, the weather was again a primary focus in the South African grain and oilseed market this week. This time around, however, the prospects have turned positive for summer crop areas, with expectations of higher rainfall in the country within the next two weeks. This is good for both areas that are yet to plant as it will improve soil moisture ahead of the process, and also bode well for recently planted areas as it will support the germination process of the crop. The eastern part of South Africa, which predominantly produce yellow maize and soybeans, have made good progress in terms of planting, whereas the western regions have not started in large areas due to drier conditions in the past few weeks. In terms of winter crops, the past couple of weeks brought cool and drier weather conditions in the Western Cape, and that supported the harvest process.

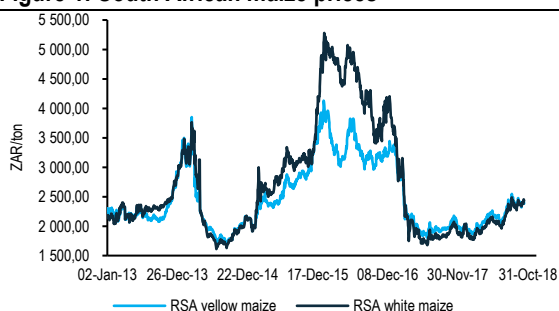
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Maize market

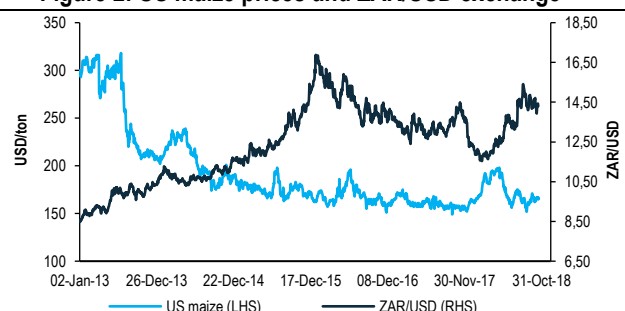
The optimal maize planting window will soon be closing in the eastern parts of South Africa. Fortunately, a large share of primarily yellow maize regions planted on time, specifically in Mpumalanga and certain areas in the eastern Free State, due to fairly good soil moisture following recent rainfall. The western regions of the maize belt, which predominantly produce white maize, have sufficient time for planting as the optimal window for the region will only close around mid-December. While planting activity has had a slightly delayed start owing to drier weather conditions, the next two weeks could bring widespread rainfall which could boost soil moisture and subsequently the planting activity. The key risk on the path ahead, which we have emphasised in our previous notes, is the possible weak El Niño early next year. The South African Weather Service has indicated that this weather phenomenon could lead to drier weather condition in a period between the end of January and March 2019. In terms of pricing, the SAFEX maize prices ended this week in positive territory compared to last week (Figure 1).

Figure 1: South African maize prices



Source: JSE, Agbiz Research

Figure 2: US maize prices and ZAR/USD exchange



Source: IGC, Bloomberg, Agbiz Research



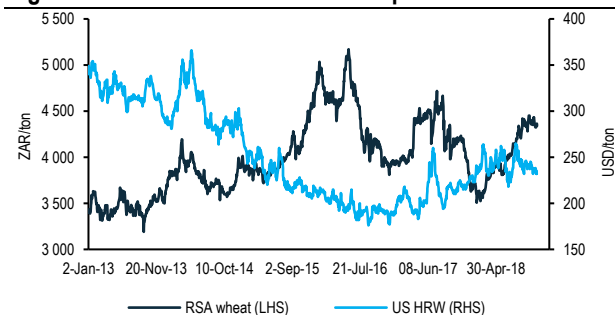
Wheat market

The winter wheat harvest process is in full swing in the Western Cape. The most recent data from SAGIS shows that 196 141 tonnes of wheat were delivered to commercial silos in the week of 09 November 2018, double the volume delivered the previous week. This placed the 2018/19 wheat producer deliveries at 449 888 tonnes, which equates to 50 percent of the Western Cape's expected harvest. While the upcoming deliveries figure for the week of 16 November 2018 could show a further uptick from volumes delivered the previous weeks as weather conditions were generally favourable, the week of 23 November shows prospects of rainfall over parts of the Western Cape, which could slow the harvest process and might also negatively affect the quality of the crop in areas that have not yet harvested. Although the feedback from farmers in areas that have already harvested has generally been positive, the heavy winds and rainfall experienced a few weeks back in the Swartland region have affected the quality of the crop in some regions. We will have a clearer picture of the Western Cape wheat conditions by the end of this month.

The crop in other winter wheat producing provinces such as the Northern Cape, Free State, Eastern Cape and Limpopo, amongst others, is still at its early growing stages due to a difference in planting periods. But, the growing conditions are favourable due to improved soil moisture and dam levels for the irrigation areas. Broadly speaking, the aforementioned developments support 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. If the expected production materialises, South Africa's wheat imports could fall by a third from last year's volume to 1.4 million tonnes, which will improve the country's agricultural trade balance.

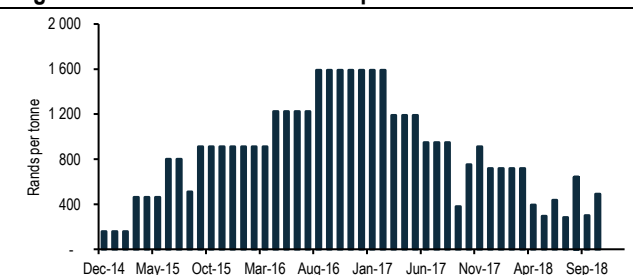
Therefore, trade policy is another area that we keep a close eye on, but this week there were no new developments. The wheat import tariff rate is currently at R490.72 per tonne, up by 64 percent from the previous rate (Figure 4). The increase was due to a decline in global wheat prices at the time at the time of calculations. This, however, will probably have a minimal impact on the volume of imports this season, as South Africa has to bring in extra volume of wheat from elsewhere as to supplement local supplies. The country has already imported 92 307 tonnes in the 2018/19 marketing year which started in October 2018. Overall, there was not much happening in the SAFEX wheat market this week. The spot price was up by 0.2 percent from the previous week, averaging R4 344 per tonne. This was partly due to commercial buying interest, and the relatively weaker rand against the US dollar (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



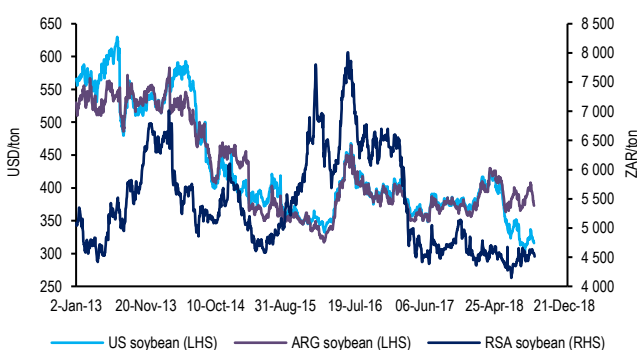
Soybean market

The soybean planting process has advanced in most areas in the eastern parts of South Africa, specifically Mpumalanga province which accounts for 38 percent of the intended soybean area of 851 800 hectares in the 2018/19 production season. The picture is mixed in the Free State and KwaZulu Natal, with the North West yet to start planting. There will probably be activity soon in the above-mentioned provinces as the weather outlook for the next two months promises continuous rainfall, which means the areas that were not fortunate to receive sufficient moisture in the past couple of weeks could also get a breakthrough this time around. Moreover, the South African Weather Service forecasts higher rainfall in most parts of the country between this month and end of January 2019. But this could be followed by a dry spell between the end of January and March, but that might have limited on crops in areas that planted early in the season as crops would be nearing pollination by end of January 2019, and probably still with sufficient soil moisture to support the process. Overall, the favourable weather conditions have generally bolstered the prospects of increased soybean plantings in the 2018/19 production season. But it will be clear at the end of January if the intended area of 851 800 hectares materialises. Overall, the SAFEX soybean spot price was up by a percentage point from last week, averaging R4 600 per tonne (Figure 5).

Sunflower seed market

The sunflower seed growing areas of South Africa could get relief from persistent dryness observed in the past couple of weeks, which slowed the start of the planting process. The weather forecast for the next two weeks shows prospects of higher rainfall, between 20 and 90 millimetres, and that should improve soil moisture and thereafter the planting activity. This is all positive for the crop in the near term, but it is important to remember that the South African Weather Service warned about potential dryness between the end of January and March 2019. This implies that pollination in the late planted areas may coincide with a dry spell and that might affect the yields, depending on the soil moisture levels across regions. Also worth noting is that the estimate of a 4 percent annual decline in sunflower seed area plantings in 2018/19 season to 575 000 hectares is tentative. The Crop Estimate Committee will release its preliminary area planting estimate on 29 January 2019. In terms of pricing, this week the SAFEX sunflower seed spot price was up by 2 percent from the previous week, averaging R5 201 per tonne (Figure 6).

Figure 5: Soybean prices



Source: JSE, IGC, Agbiz Research

Figure 6: Sunflower seed prices



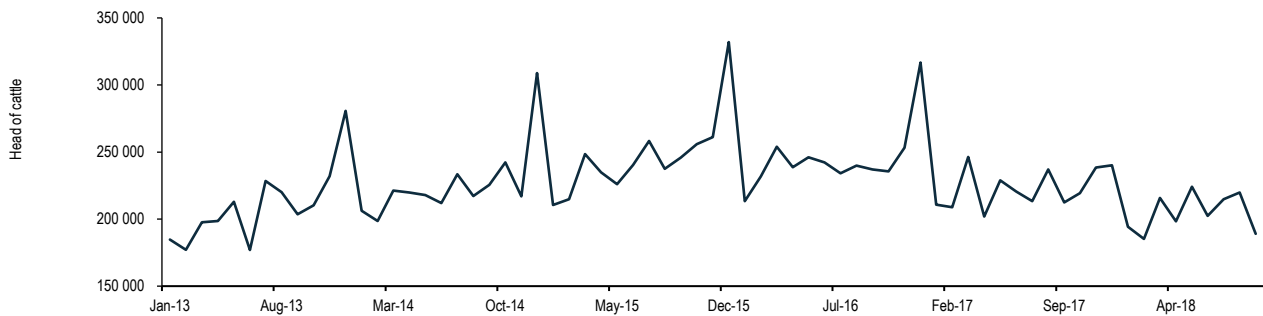
Source: JSE, IGC, Agbiz Research



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 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

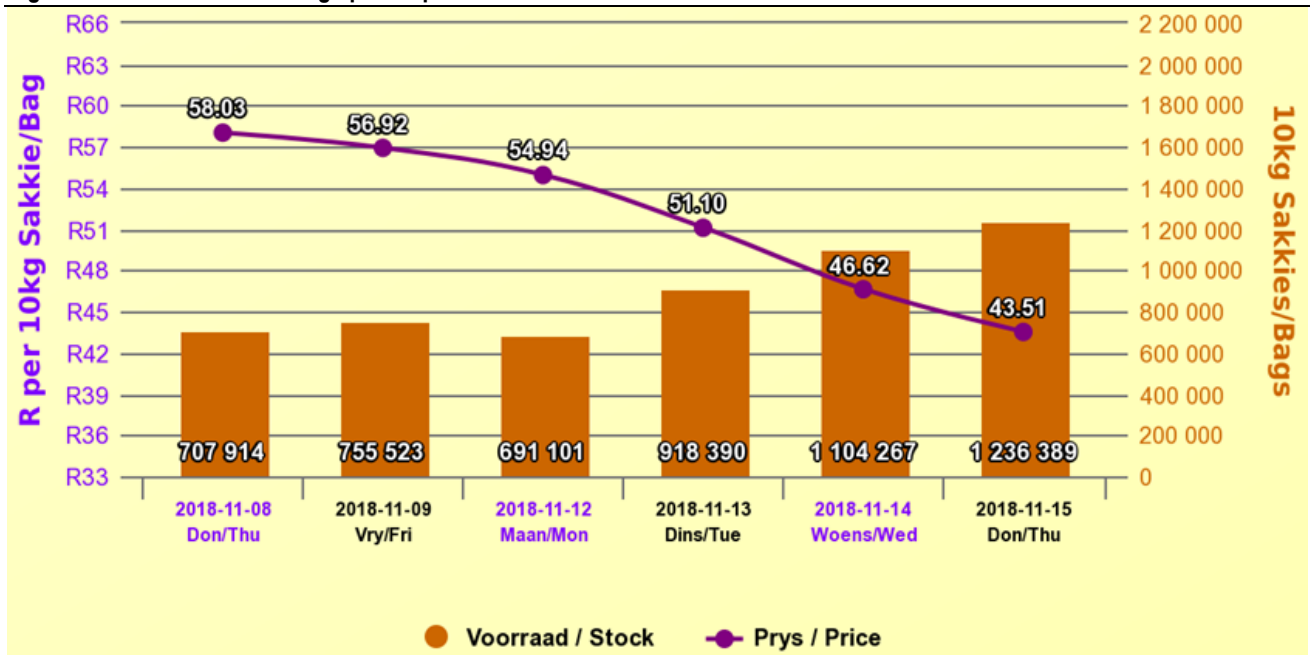


Source: Red Meat Levy Admin, Agbiz Research

Potato market

The potato market ended the week in negative territory, with the price down by 25 percent from the corresponding period last week, closing at R43.51 per pocket bag (Figure 8). These losses were mainly on the back of an uptick in producer deliveries which subsequently led to an increase in stocks to 1.2 million pockets (10kg bag).

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



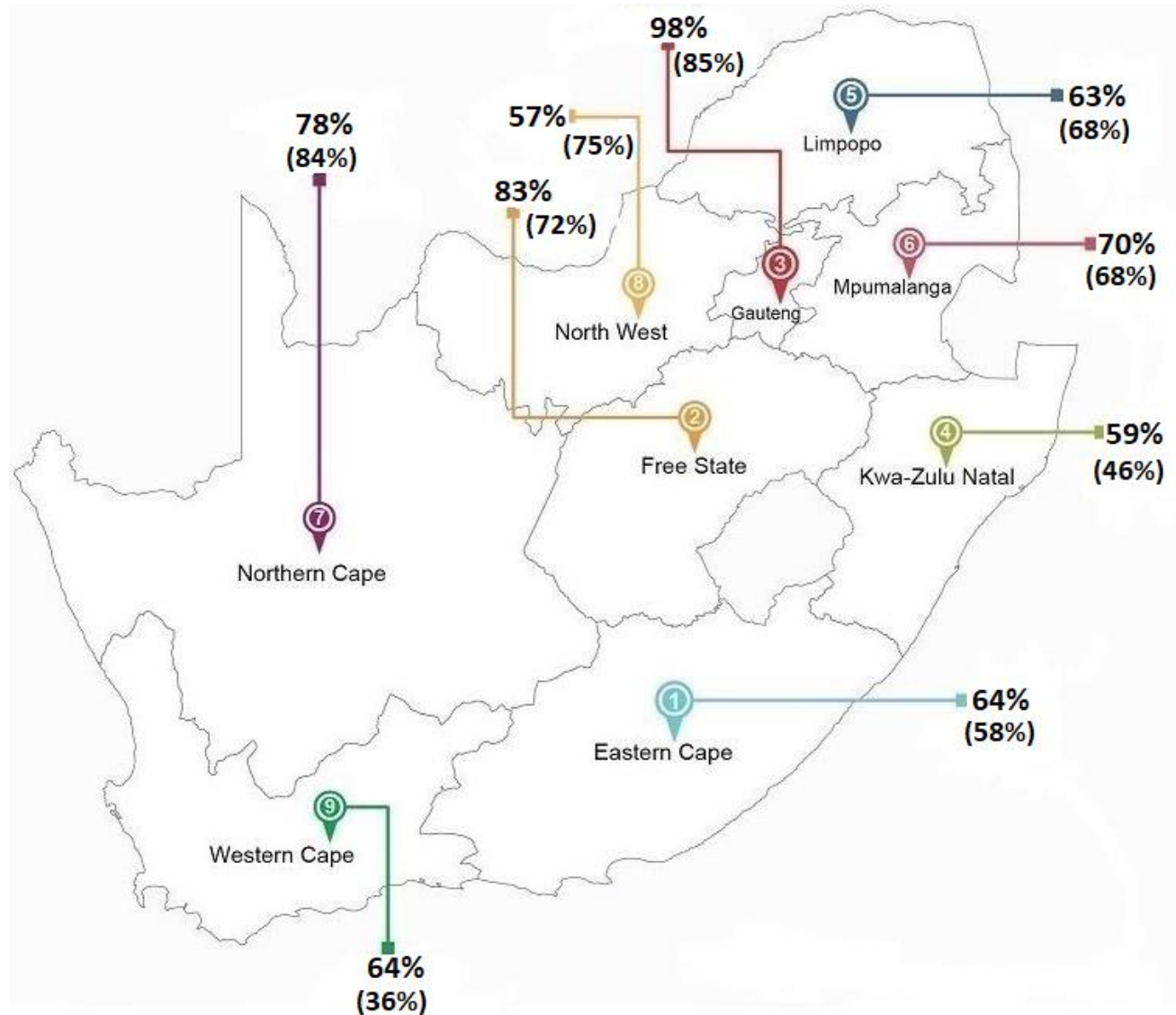
Source: Potato SA



Dam levels across the country

The dam levels are at relatively comfortable levels across South Africa (Figure 9). There could be further improvements in the coming weeks (see Figure 10) as the weather forecasts promise higher rainfall over most summer rainfall areas. The Western Cape, which experienced severe drought in 2017, has recovered somewhat and the dam levels have improved significantly as illustrated in the chart below.

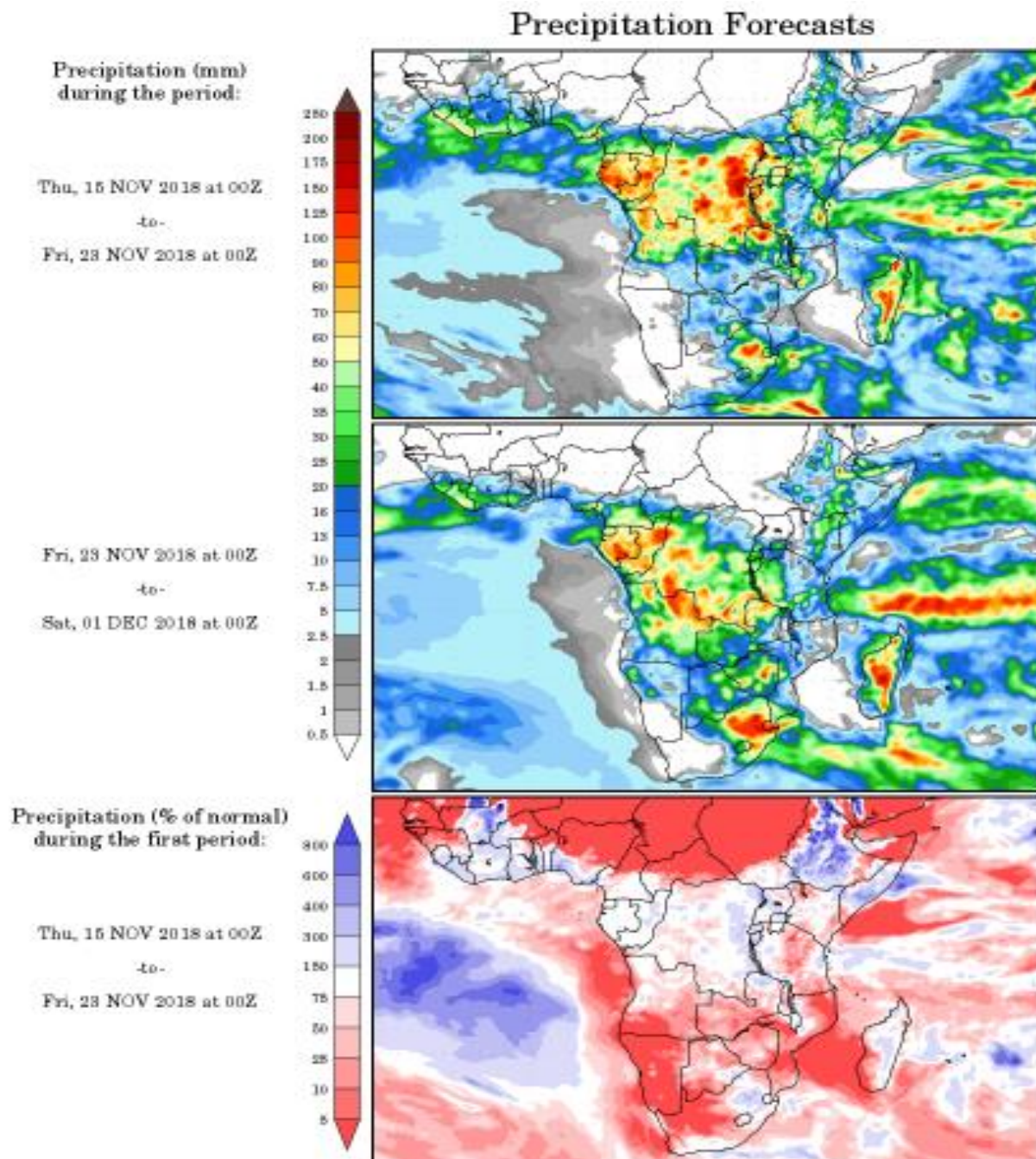
Figure 9: South Africa's average dam levels: week ended 05 November 2018, with the same week last year in brackets



Source: Department of Water and Sanitation and Agbiz Research



Figure 10: Precipitation forecast for the next two weeks



Source: wxmaps

Key data releases in the South African agricultural market

- SAGIS producer deliveries data: 21/11/2018
- SAGIS weekly grain trade data: 22/11/2018
- SAGIS monthly data: 26/11/2018
- National Crop Estimates Committee's data: 27/11/2018

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