



19 June 2017

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Key Data Releases in Agricultural Markets:

- USDA crop progress report: 19/06/2017
- SAGIS weekly grain trade data: 20/06/2017
- SAGIS weekly producer deliveries data: 21/06/2017
- USDA weekly export sales data: 22/06/2017

ECONOMIC INDICATORS	15/06/2017*	19/06/2017*	d-o-d (%Δ)
Rand/US Dollar	12,81	12,80	+0,08%
Rand/Euro	14,31	14,34	-0,21%
Euro/US Dollar	1,163	1,196	+0,30%
Gold Spot	1 259,81	1 252,96	-0,54%
Brent Crude Oil	47,00	47,20	+0,43%
Platinum Spot	927,00	925,00	-0,22%
Dow Jones Industrial Average	21 374,56	21 384,28	+0,05%
JSE All Share	51 109,09	50 831,89	-0,54%
SA repo rate	7,00	7,00	0,00%
SA CPI (%)	5,30	5,30	0,00%
SA CPI – food (%)	6,60	6,60	0,00%

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

- The South African Rand started the week on firm footing, gaining 0.08% from levels seen at midday Thursday. The Rand's appreciation was in line with the US Dollar depreciation against major currencies. At the time of writing, the Rand/US Dollar exchange traded around R12.80. From a data perspective, it is likely to be a quiet day with no major data releases in the domestic market.
- This morning the Brent crude oil price was up by 0.43% from levels seen at midday Thursday. This was largely on the back of a relatively weaker US Dollar against major currencies. However, these gains could be short lived due to increasing US oil production. Data from Baker Hughes shows that a number of active US rigs drilling for oil increased by 6 to 747 rigs in the week ending 16 June 2017. At the time of writing, oil price traded around US\$47.20 per barrel.



MAIZE/CORN	15/06/2017*	19/06/2017*	d-o-d (%Δ)
White maize Spot (R/t)	1 736	1 741	+0,29%
White maize Dec 17 (R/t)	1 888	1 882	-0,32%
Yellow maize Spot (R/t)	1 866	1 864	-0,11%
Yellow maize Dec 17 (R/t)	2 011	2 007	-0,20%
CME corn Spot (US cents/bushel)	376	380	+1,06%

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

- The domestic maize market was under pressure during Thursday's trade session, as lower Chicago maize prices and harvest pressure underpinned the market. This was with the exception of white maize spot price which saw marginal gains on the back of strong buying interest, as a relatively weaker domestic currency.
- Harvesting of maize crop is in full swing and excellent yields are reported across the country. The forecast drier and warm weather conditions across the maize belt this week should accelerate the process, which will also lead to an uptick in producer deliveries¹.
- So far the incoming evidence is in line with the National Crop Estimate Committee's view of a possible record crop this season – estimated at 15.63 million tonnes. As indicated in our previous note, the country will generally have large supplies in the season under review. Adding opening stocks to the expected crop leads to total supplies of 16.05 million tonnes. This is well above South Africa's annual maize consumption of 10.50 million tonnes.
- This, unfortunately, comes against a relatively weak demand in the global markets, particularly for white maize. The regional markets, which are traditional buyers of South African white maize, are well supplied due to higher domestic production.
- On the global front - This morning the Chicago maize market was up by 1.06% from levels seen at midday Thursday owing to concerns of dryness in parts of the US Midwest.
- Looking ahead, unfavourably drier weather conditions in the US could negatively affect the recently emerged crops. This evening, the USDA will release an update of US crop conditions data. Last week, 67% was rated good/excellent, which is 8% below the same period last year.

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

¹ The South African farmers delivered 1.03 million tonnes of maize to commercial silos in the week ending 09 June 2017, which is 14% higher than the previous week's deliveries.



WHEAT	15/06/2017*	19/06/2017*	d-o-d (%Δ)
SAFEX Wheat Spot (R/t)	4 510	4 510	0,00%
SAFEX Wheat Dec 17 (R/t)	4 203	4 198	-0,12%
CME Wheat Spot (US cents/bushel)	442	462	+4,52%

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

- The domestic wheat market was mixed once again on Thursday. The spot price remained flat due to lower traded volumes, whereas December 17 contract month price ended the day in negative territory, following recent showers in parts of the Western Cape province.
- Although the recent rainfall in the province was not sufficient to replenish soil moisture, it benefited the newly emerged crops.
- With that said, it had minimal impact on dams. In the week ending 12 June 2017, the Western Cape average dam levels were estimated at 20% full, which is 10% below the corresponding period last year.
- Dam levels in the Northern Cape and Free State provinces, which produce nearly half of South Africa's wheat crop, are at healthy levels of above 80% full. This will benefit the crop.
- On the global front – This morning the Chicago wheat price was significantly up by 4.52% from levels seen at midday Thursday, on the back of dry weather hitting US yields.
- With spring wheat crops still at early growing stages, weather remains a key focus in the US wheat market. The current drier conditions in some parts of the Midwest continue to threaten the crop.
- The drier weather conditions had a negative impact on crops as early as the beginning of last week. It was only 45% of the crop that was rated good/excellent, compared to a rate of 79% in the corresponding period last year. This evening the USDA will release an update in its weekly crop progress report.
- Elsewhere, data from Saskatchewan province of Canada shows that spring crop planting is complete. Moreover, recent precipitation in the province benefited the crop and improved soil moisture.
- In EU, *Stratégie Grains* revised its 2017/18 wheat production estimate down by 1.1 million tonnes from the previous estimate to 141.6 million tonnes. This is still 4% higher than the previous season.

Bottom line – Wheat could see marginal gains in today's trade session owing to significantly higher Chicago wheat prices, as well as persistent dryness on the domestic front.



SOYBEAN	15/06/2017*	19/06/2017*	d-o-d (%Δ)
SAFEX Soybean Spot (R/t)	4 512	4 510	-0,04%
SAFEX Soybean Mar 18 (R/t)	4 850	4 850	0,00%
CME Soybean Spot (US cents/bushel)	929	947	+1,94%

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

- The South African soybean market ended the day mixed during Thursday's trade session. The spot price was under pressure due to lower Chicago soybean prices, while the new season contract month price remained flat on the back of lower traded volumes.
- Harvesting is almost over and the forecast drier weather conditions within the next two weeks should enable the process to finish off smoothly. The areas that have harvested received exceptional yields, which support the National Crop Estimate Committee's view of a possible record crop of 1.23 million tonnes.
- In global markets - this morning Chicago soybean price was also up by 1.94% from levels seen at midday yesterday, owing to persistent dryness in parts of the US Midwest.
- Weather remains a key focus in the US soybean market. The forecast drier weather conditions across certain areas of the US Midwest could strain the recently emerged crop. At the beginning of last week, US farmers had planted with 92% of the intended 36.35 million hectares for this season, which is 1% ahead of the corresponding period last year. About 77% of the crop had already emerged, in line with the previous season. This evening, the USDA will release an update, with crop ratings, in its weekly crop progress report.
- Elsewhere, Russia's 2017/18 soybean acreage is complete on 2.3 million hectares, which is 27% higher than the previous season. In addition, Ukraine's Agricultural Ministry forecasts the country's 2017/18 soybean acreage at 1.88 million hectares, which is 1% higher than the previous season.
- From a demand perspective, Chinese soybean crush margins remain negative which could lessen soybean imports in the short term. With that said, China is set to remain a key buyer of soybeans in the world, with 2017/18 imports estimated at 93 million tonnes, up 4% from the previous season.
- In South America, soybean harvesting is virtually over, but forecast rainfall this week could delay the progress. Argentinian farmers had harvested 95% of the expected 57.8 million tonnes on 15 June 2017.

Bottom line – Similar to maize, domestic soybean prices could see sideways movements in today's trade session if the ZAR/USD exchange and Chicago soybean prices maintain the current trends.



SUNFLOWER SEED	15/06/2017*	19/06/2017*	d-o-d (%Δ)
SAFEX Sunflower seed Spot (R/t)	4 466	4 505	+0,87%
SAFEX Sunflower seed Mar 18 (R/t)	4 876	4 886	+0,21%
EU (France) sunflower seed (US\$/t)	396	391	-1,26%

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

- The domestic sunflower seed market saw marginal gains during Thursday's trade session, with support mainly coming from a relatively weaker Rand against the US Dollar.
- Besides the aforementioned, there was not much happening in the domestic sunflower seed market. Harvesting is virtually over across the country, with the exception of the areas that planted late in the season – particularly around the western parts of North West province.
- The areas that have already harvested obtained yields that are well above average levels of 1.2 tonnes per hectare, which suggests that the total crop could reach the National Crop Estimate Committee's forecast of 853 470 tonnes, up 13% from the previous season.
- From a global perspective – The EU's sunflower seed market ended the day in negative territory during Thursday's trade session. The price was down by 1.26% from the previous day, closing at US\$391 per tonne due to lower crude oil prices and favourable outlook for new season crop.
- The EU's 2017/18 sunflower seed production is estimated at 9.1 million tonnes, up 6% from the previous season². This comes on the back of an expected increase in acreage across many EU countries, as well as favourable weather outlook.
- Meanwhile, in the Black Sea region, the sunflower oil market gained 1% from the previous day's level, closing at US\$734 per tonne due to relatively strong demand.
- The Black Sea region's sunflower seed planting for the 2017/18 season is complete. Russia planted 7.4 million hectares, up 6% from the 2016/17 season, according to data from the country's Ministry of Agriculture. Data from Ukraine's Agricultural Ministry shows that the country planted 5.6 million hectares, up 2% from the previous season.

Bottom line – The domestic sunflower seed market could see marginal losses in today's session if the ZAR/USD exchange maintains the current gains.

² Estimates from the European Commission.



POTATOES	15/06/2017	19/06/2017*	d-o-d (%Δ)
RSA Potatoes (R/10kg)	26,10	26,13	+0,11%

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

- The South African potatoes market gained 0.11% on Thursday's trade session, closing at R26.13 per bag (10 kg bag). This was mainly on the back of strong buying interest.
- However, these gains could be short lived due to higher stocks in the market. Thursday's trade session started off with stocks at higher levels of 1.30 million bags (10 kg bags). During the session, the market saw an uptick in deliveries owing to ongoing harvest activity. Therefore, the daily stocks increased by 8% towards the end of the session to 1.40 million bags (10 kg bags).

Bottom line – The potatoes market could see losses in today's trade session due to higher stocks of 1.40 million bags (10 kg bags).

BEEF CARCASS	15/06/2017*	19/06/2017*	d-o-d (%Δ)
SAFEX Beef June 2017 (R/kg)	45,81	44,50	-2,86%

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

- The SAFEX beef carcass market lost ground during Thursday's trade session, with the price down by 2.86% from the previous day, closing at R44.50 per kilogramme. These losses were largely on the back of increased selling.
- The SAFEX beef carcass prices could, however, differ from physical market prices due to relatively lower participation or light traded volumes at the stock exchange. In fact, the sentiment in the physical market remains bullish due to easing slaughter activity, as farmers continue to restock their herds after a 2016 drought spell. Data from the Red Meat Levy Admin shows that South African farmers slaughtered 193 373 head of cattle in April 2017, down 19% from the previous month and the corresponding period last year.

Bottom line – The movements of the SAFEX beef price will mostly depend on the volumes traded at the stock exchange. Therefore, it is worthwhile emphasising that these prices could differ from the physical market due to limited participation (in the stock exchange).



WEATHER FORECAST: South Africa

- This week could see warm and dry conditions across the many parts of the country, with the exception of the western areas of the Western Cape province (figure 1). Dryness will accelerate summer crop harvest activity, while negatively affecting newly emerged winter crops, particularly in the Western Cape province which urgently needs continuous good rainfall to improve soil moisture.
- The long-term weather forecast shows a possibility of scattered showers across many parts of the country, which could be beneficial for winter crop growing areas (figure 2). This will have minimal impact on summer crops - with most areas at final stages of harvesting.

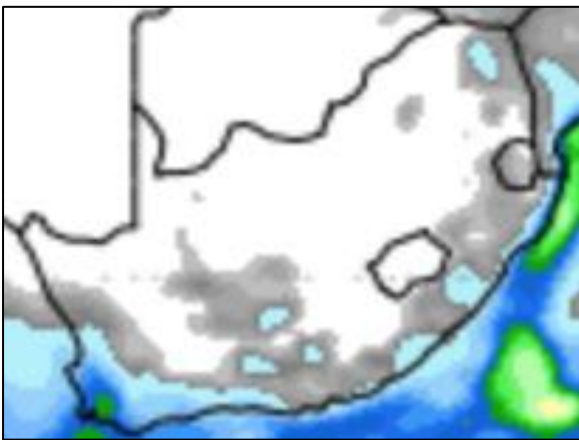


Figure 1: Next 8-days precipitation forecast
Source: wxmaps

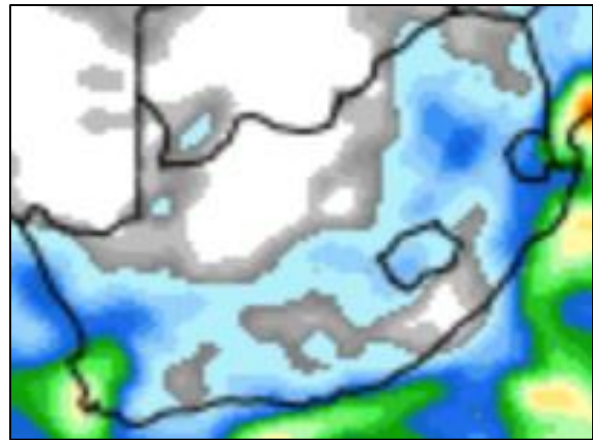


Figure 2: Next 16-days precipitation forecast
Source: wxmaps

Precipitation Forecasts

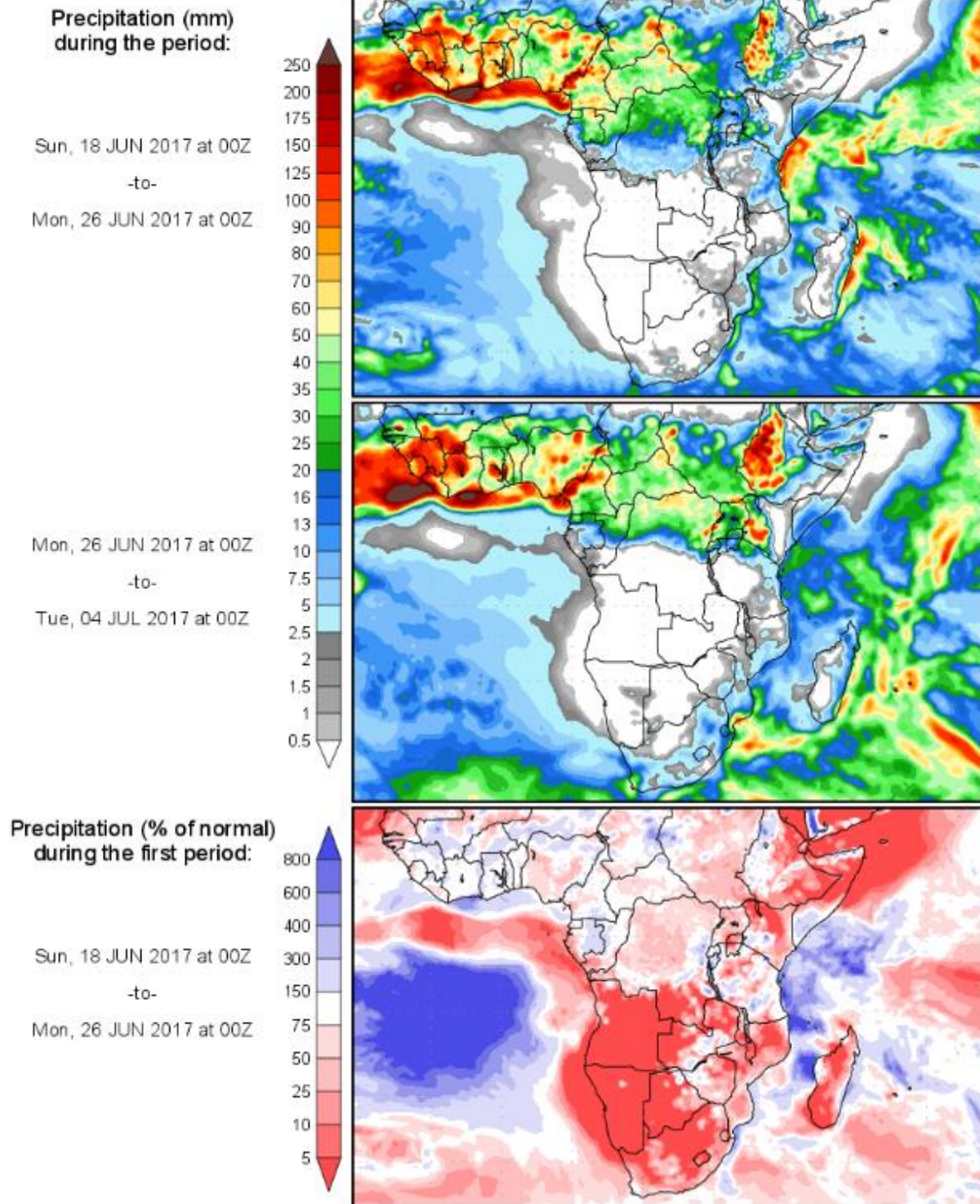


Figure 3: Precipitation forecast
Source: wxmaps

Key Data Sources: JSE, CME, Potatoes SA, Johannesburg Fresh Produce Market, Red Meat Abattoir Association, Reuters, SAGIS, USDA, International Grains Council, National Crop Estimate Committee, Earth Institute: Columbia University, South African Weather Services, Sunseedman, SASDE and wxmaps.

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