



Agri Trends

30 March 2017

The continent's largest maize producer raises maize forecast to 2nd highest levels since 1980!

South Africa is set to harvest a record 14.3 million tons of maize this season. The crop size is 83% higher than the 2016 season and the 2nd highest crop size the country has seen in 36 years. Growing conditions seem excellent with above average rainfall recorded during January – February in the Central Region (largest maize producing region), supporting favourable crop prospects. There is a possible 1.54 million tons of white maize and 310 000 tons of yellow maize available for export. The potential total amount of maize exports adds up to 1.85 million tons in order to allow for a 62 day's stock level (10-year average). Logistically, it is possible to export 1.85 million tons. It is equal to the average export number for the previous 6 years. Note that the export window for exports stretches from June to September to the Far East (China, Taiwan). If maize prices do not trade at prices of about R150/ton below export parity we may forfeit sufficient exports. If this happens maize prices will be subdued for a longer time period as the northern hemisphere new season crop start to compete with RSA from October onwards. The maize outlook is generally bearish; the Rand Dollar exchange rate is the main driver of price changes. The aftermath of the cabinet reshuffle on the Rand, gave the maize price a helping hand.

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Maize market trends

International

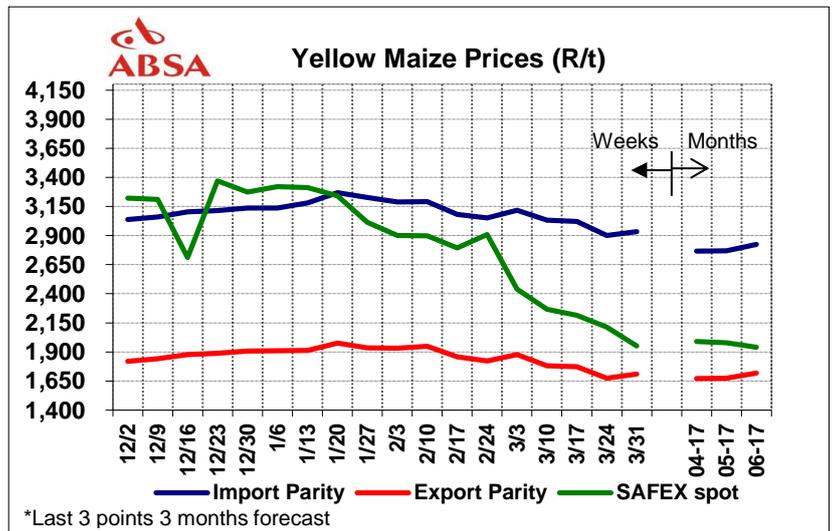
The weekly average prices for yellow corn in the Gulf traded lower this week declining by 1.8% from \$156.91/ton to \$154.05/ton. The Rand weakened week on week from R12.58 to R12.94

Bullish factors

- The US dollar rose yesterday, boosted by the positive economic growth in the US.

Bearish factors

- The latest projections show larger maize crops in Argentina, Brazil, India and South Africa.
- Storage deficit in Brazil, will force farmers to sell/export their crop at harvest time, when prices are low and freight costs high.
- Abundant global grain supplies, and favourable weather outlook, keep prices under pressure.
- Anticipate US maize sales and shipments to slowdown, mainly due to increased fierce competition from Brazil.
- The Brazilian maize crop is projected at 3.6 billion bushels.

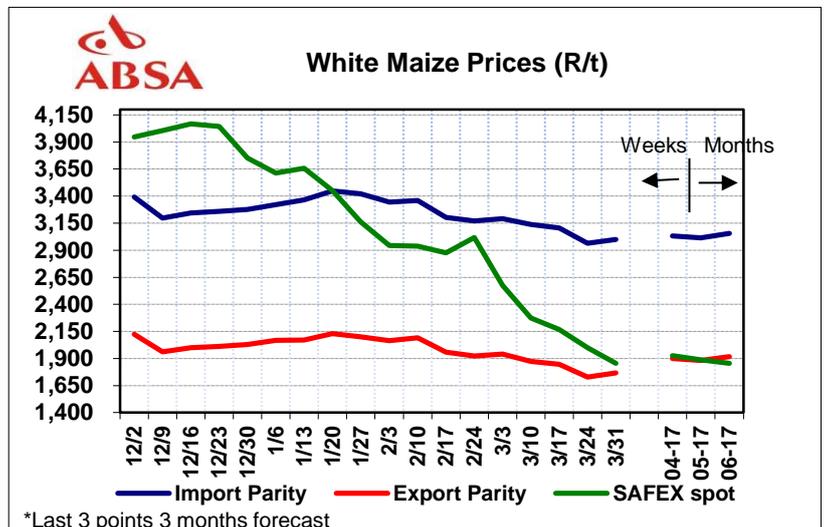


Domestic

As at Thursday 30th March 2017, week on week new season white maize prices for delivery in July 2017 increased by 3.6% from R1795/ton to R1860/ton.

Bullish factors

- Expectations are that the latest cabinet reshuffle may add to the depreciation of the Rand.



- Despite the expected large new season crop, SA will still have to import maize to meet old season demand. Imports for the week 20-24 March 2017, totalled 11, 212 tons of white maize and 530 tons of yellow maize.

Bearish factors

- The size of the commercial crop has been lifted by 2,91% from the 1st forecast by the CEC. The estimated crop is forecasted at 14,323 million tons compared to the 1st forecast of 13,918 million tons. This is the second largest crop since the 1980/81 season crop size of 14,656 million tons.
- The expected commercial maize crop is 84% bigger than last year's season.
- Significant rains received during January 2017 – February 2017 in the summer grain producing areas will support favourable crop production prospects.

Outlook

The currency strength added more price pressure to the local maize price. The CEC's 2nd forecast, reported an increased maize crop size of 14,323,500 tons. This is the 2nd largest crop size since the 1980/81 season. The outlook is bearish, and maize prices may decline to about R1650 at the height of export pressure, end of June, in order to allow exports to take place.

Table 1: Weekly average yellow maize futures and estimated option prices

Yellow Maize Futures: 30 March 2017	Mar-17			May-17			July-17			Sep-17			Dec-17		
CBOT (\$/t)	N/A			140.74			143.69			146.55			149.99		
SAFEX (R/t)	N/A			1980.00			1973.00			2023.00			2074.00		
SAFEX (R/t) Change week on week (w/w)	N/A			71.00			71.00			79.00			68.00		
May-17				Jul-17						Sep-17					
Ask	Put	Call		Ask	Put	Call		Ask	Put	Call		Ask	Put	Call	
2,020	69	29		2,020	125	79		2,060	152	116		2,020	130	134	
1,980	45	45		1,980	102	96		2,020	130	134		1,980	110	154	
1,940	28	68		1,940	82	116		1,980	110	154					

Table 2: Weekly average white maize future and estimated option prices

White-Maize Futures 30 March 2017			Mar-17	May-17	July-17	Sep-17	Dec-17	
SAFEX (R/t)			0.00	1888.00	1860.00	1918.00	1985.00	
SAFEX (R/t) <i>Change w/w</i>			0.00	3.5%	3.6%	4.0%	3.4%	
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,920	82	50	1,900	120	80	1,960	162	120
1,880	60	68	1,860	98	98	1,920	140	138
1,840	42	90	1,820	78	118	1,880	119	157

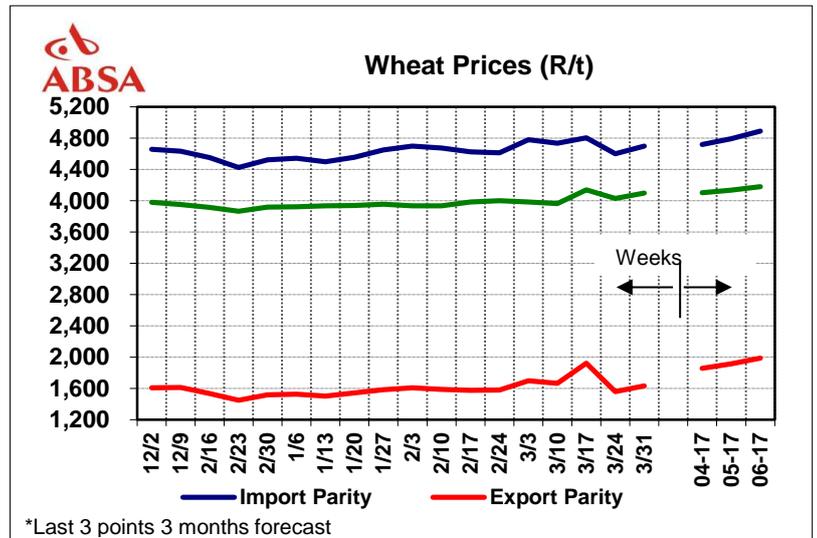
Wheat market trends

International

The weekly average old season HRW wheat Gulf price increased week on week from US\$146.24/ton to reach a weekly average of US\$166.63/ton.

Bullish factors

- Egyptian imports are increasing by 0.5 million tons year-on year. Expect Egyptian imports to increase after the implementation of a new grain inspection system that'll improve shipping efficiency.
- US production seen at 1.86 billion bushels, which is down 454 million bushels year-on-year. Record low US acres planted for wheat.
- Anticipate the global stocks to fall, due to increased consumption demand; food, seed and industrial use. Expect consumption to increase by 1.5% in 2017/18.
- India imposed a 10% import duty on wheat to support prices.
- The US Department of Agriculture reports that China's 2016-17 wheat crop had serious quality issues.



Bearish factor

- The IGC nudged the world wheat inventories 1 million tons higher, to a record 236 million tons.
- Poor outlook for profits adds downward pressure on prices.
- Australia expected to produce a record wheat harvest, while US wheat supplies remains at their highest in decades.

Domestic

As at Thursday the 30th March 2017, wheat prices for delivery in July 2017 increased by 1.7% from R4110/ton to R41790/ton.

Bullish factors

- South Africa's wheat tariff is finally published at R1190/ton from the previous R1591/ton. Since about a year ago domestic wheat prices did not follow import parity prices due to the tariff increases higher. The new import tariff is only R401/ton lower and therefore should not impact negatively on domestic prices.
- The recent weakening of the Rand supports prices.
- South Africa imported 454,406 tons of wheat from Oct 2016-Feb 2017. If the domestic stocks are used to the full by April we may become increasingly reliant on imports.

Bearish factors

- The area planted increased from 482,150 ha (2015/16) to 508,365 ha in the 2016/17 season.
- Recent impacts of duty free EU wheat add to price pressure.
- The new import duty is R1190.19 compared to the previous duty of R1591.40. Prices will lack underlying support if market/negotiating power lead to lower domestic price bids being accepted.

Outlook

Locally, favourable weather may increase production prospects; and relative ample supply of wheat locally is placing pressure on prices. Globally, wheat outlook is bearish; ample supply and low prices.

Wheat Futures 30 March 2017			Mar-17	May-17	July-17	Sep-17	Dec-17	
CME (\$/t)			154.69	159.46	165.07	172.51	178.02	
SAFEX (R/t)			N/A	4135.00	4179.00	4155.00	N/A	
SAFEX (R/t) Change w/w			N/A	1.5%	1.7%	0.8%	N/A	
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,180	137	92	4,220	230	189	4,200	293	248
4,140	115	110	4,180	208	207	4,160	272	267
4,100	95	130	4,140	188	227	4,120	251	286

Oilseed market trends

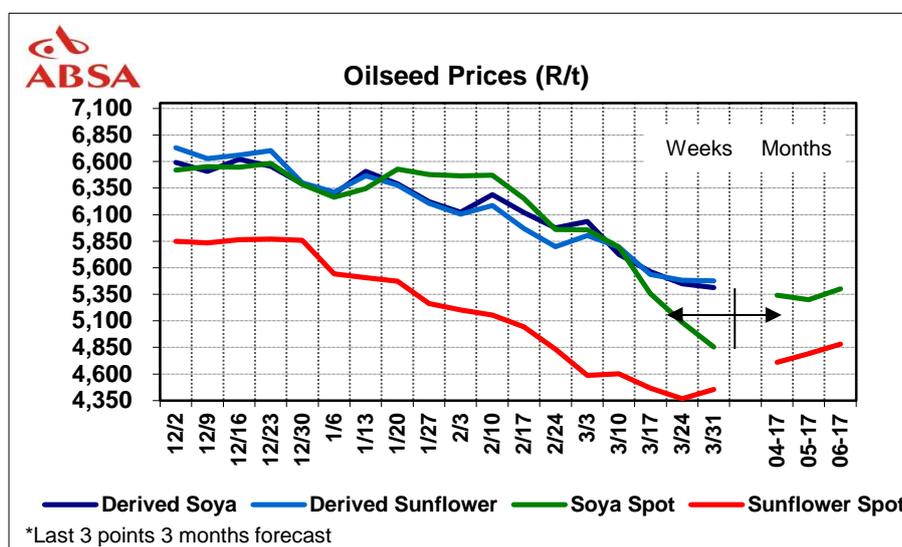
International

Oilseed prices

Soybean bids were higher this week. The weekly average USA soybean price decreased week on week from US\$374.41/ton to US\$365.23/ton to by 2.5%. US soya oil prices decreased from US\$32.20/ton to US\$32.00/ton and soymeal prices traded lower from US\$318.20/ton to US\$314.90/ton.

Bullish factors

- Black Sea sunflower market is awaiting clarity on the Turkish buying policy. Import licenses issued last week, no longer include Russia among the tax-exempt origins. Turkey is the world's largest sunflower oil importer and top buyer of Russian supplies. This new policy will subject imports to massive tariffs.
- The world's top sunflower seed grower Ukraine set to reduce sunflower seed production next season. Following exceptional sowings from the previous harvest.
- China's soybean imports increased by 3 million tons year-on-year. China is the world's top importer, thanks to ever growing demand for protein and vegetable oils.
- Nigerian palm oil prices were seen rising as imports are restricted due to limited access to foreign currency. The import restrictions will boost local producers.



Bearish factors

- The Brazilian soybean production forecast increased by 147 million bushels over the February forecast and brings total soybean production in Brazil to 3.97 billion bushels.
- In India soybean profitability is higher than corn, prompting more soybean plantings.

Domestic

As at 30th March 2017, sunflower seed prices (May 17) increased week on week by 1% from R4407.00/ton to R4450.00/ton whilst Soybean (May 17) prices decreased by 0.4% from R4860/ton to R4840/ton.

Bullish factors

- The Crop Estimates Committee 2nd forecast for sunflower seed production is 896 060 tons, a decline of 3.51% from the 1st CEC estimate of 928 620 tons. The area planted is estimated at 635 750 ha, compared to the 2016 area planted of 718 500 ha.
- The progressive imports statistics for the period March 2016 till February 2017 records sunflower seed imports of 68,533 tons, which is more than the 2015/16 season of 30,611 tons.
- Depreciating Rand will support local prices.
- Soybean imports shows an increase at 267,094 ton (February 2017) compared to the previous seasons' 121,343 tons imports.

Bearish factors

- The highest soybean production at a record 1,162,425 tons is expected according to the Crop Estimates Committee 2nd forecast released on the 28th March 2017.
- Domestic soybean prices may be under pressure with the arrival of the new crop from March onwards combined with the above average crop prospects.

Outlook

The latest CEC forecasts a record soybean crop of 1,162,425 tons (the highest South Africa has ever produced).

Oilseeds Futures 30 March 2017	Mar-17	May-17	July-17	Sep-17	Dec-17
CBOT Soybeans (US\$/t)**	N/A	3494.74	3526.91	3493.67	3497.25
CBOT Soy oil (US c/lb)	N/A	32.01	32.29	32.44	32.59
CBOT Soy cake meal (US\$/t)*	N/A	314.90	318.30	317.90	316.40
SAFEX Soybean seed (R/t)	N/A	4840.00	4935.00	5020.00	5144.00
SAFEX Soybean seed (R/t) change w/w	N/A	-20.00	-15.00	-40.00	4.00
SAFEX Sunflower seed (R/t)	N/A	4450.00	4615.00	4685.00	4790.00
SAFEX Sunflower seed (R/t) change w/w	N/A	1.0%	1.9%	0.5%	1.3%
Sunflower Calculated Option Prices (R/t)					
	May-17	Jul-17		Sep-17	

Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,600	202	52	4,660	208	163	4,720	263	228
4,560	174	64	4,620	187	182	4,680	241	246
4,520	148	78	4,580	167	202	4,640	221	266

*short ton

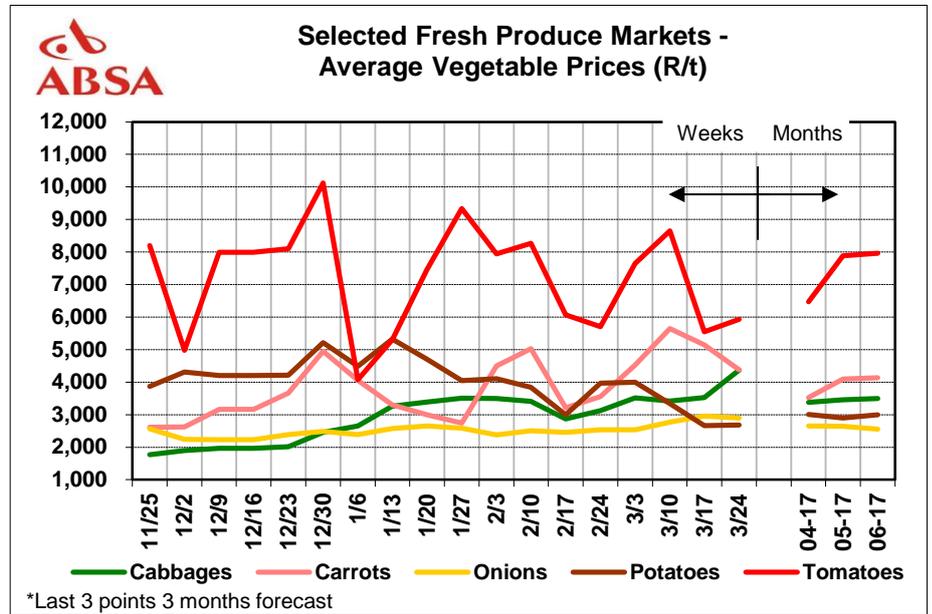
** Dec 2017 = Jan 2018

Vegetable market trends

Onions

Prices are inching higher due to lower volumes. The Northern Cape farmers have delivered most of their supply, most the poorer quality onions was received from those parts of the country. Prices are expected to increase, attributed to increased demand expected during the March-April Easter holiday period, lower volumes and improved quality.

The Zambian borders have been reopened 2 days ago after being closed for a couple of weeks due to political reasons. The demand is expected to pick up from 1st April 2017. This will support prices.



Carrots

Prices declined week-on-week by 14.9%, this was driven by increased levels of supply to the markets.

It is expected that prices will recover between April (Around Easter); the higher temperatures during this period make it difficult for seeds to germinate. The reduced volumes and increased demand will support an increase in prices.

Tomatoes

Fairly attractive prices were received this week at the markets. Lower volumes, supported prices. Favourable weather has resulted in higher quality produce; those producers received higher prices compared to the lower quality crops. The expectation for the next three months is for prices to increase on the back of lower volumes supplied to the market.

Potatoes

Demand is still relatively strong, lower volumes delivered support an increase in prices. Volumes have declined week-on-week by 7.4%. Prices show an increase of 0.9%.

Vegetable Prices: Fresh Produce Market
(Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)

Week ending 30 March 2017	Difference in weekly prices	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly volumes	This week's Total Volumes (t)	Previous week's Total Volumes (t)
Cabbages	23.9%	4367	3524	-18.0%	1035	1262
Carrots	-14.9%	4380	5147	6.9%	1806	1689
Onions	-2.1%	2896	2958	-2.9%	5949	6125
Potatoes	0.9%	2684	2659	-7.4%	15267	16485
Tomatoes	6.8%	5928	5550	2.1%	4047	3965

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