



## Agri Trends

09 June 2017

### BLESSED ARE WE BY THE SOUTH AFRICAN PRODUCERS OF FOOD

Moody's is announced their credit rating for South Africa, on Friday 9<sup>th</sup> June 2017, one notch down to a Baa3-level with a negative outlook. This level is just above sub-investment grade. The expected downgrade is already factored in the currency but going forward, any further downgrades and increased policy uncertainty may impact the exchange rate negatively. The Reserve Bank needs to keep interest rates on hold in order to protect the value of the Rand amidst the current recession and low economic growth. Fortunate for consumers our producers started harvesting a record maize crop thereby ensuring that consumers enjoy lower priced food whilst employment is impacted by the recession conditions. South African producers ensure that food prices in South Africa are amongst the cheapest in the world. Compared to troubled countries such as Venezuela (R71), Brazil (R69) and Turkey (R37) a Big Mac costs the South African consumer only R25.

Viva the South African food producer!

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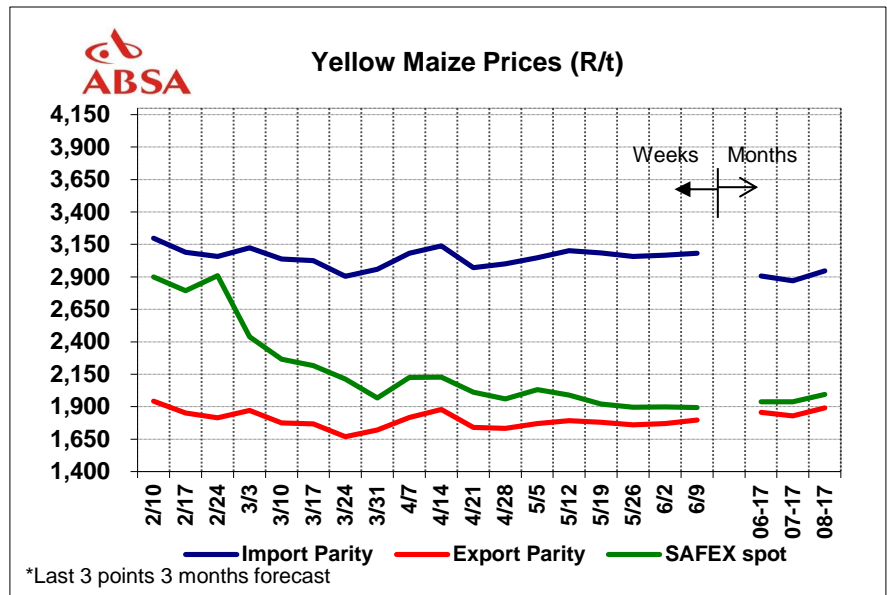
# Maize market trends

## International

Week-on-week maize increases from \$157.99/ton to \$162.82/ton were reported. The rand strengthened on week on week from R12.94 to reach R12.93 on 9 June 2017.

### Bullish factors

- There's some concern about the heat conditions developing in South and North Dakota (US) and other areas in the next 1-2 weeks. From 4<sup>th</sup> June 2017, 68% of the US maize crop was rated 'good or excellent' compared to 75% at the same time last year.
- According to China's minister of Agriculture, China's maize production has been reduced by 0.7%, reaching 211.65 million ton from 213.18 million ton for the 2017/18 season. This was prompted by the drier weather and hail damage sustained by crop.
- US maize crop is suffering from a lack of moisture, aggravated by the development of a shallow root system.



### Bearish factors

- The USDA WASDE report has increased its forecast for South African maize crop yet again, to 16.4 million ton (their previous estimate was 15.3 million ton).

## Domestic

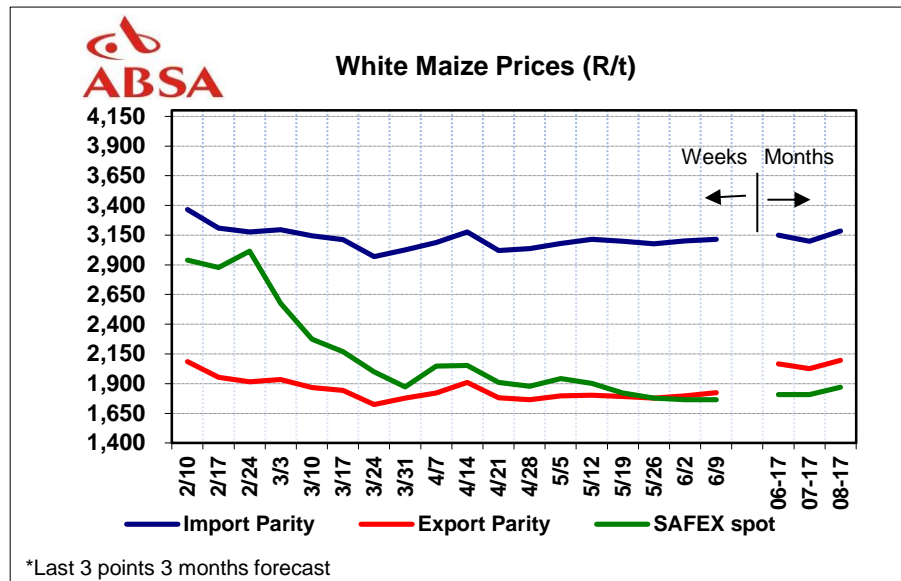
At week ending 09 June 2017, week on week new season white maize prices for delivery in July 2017 increased by 2.1% from R1752/ton to R1788/ton. Week-on-week new season yellow maize prices for delivery in July 2017 increased by 1.5% from R1888/ton to R1917/ton.

## Bullish factors

- The expected large domestic crop will have a positive effect in the intensive livestock market.

## Bearish factors

- The USDA WASDE report has increased its forecast for South African maize crop yet again, to 16.4 million ton (their previous estimate was 15.3 million ton).
- Moody's Ratings agency downgraded the country one notch with a negative outlook. It is now one notch above sub-investment grade or junk status.



## Outlook

The record local commercial maize crop of 15.631 million tons will have a positive effect in the intensive livestock market. We expect to see additional investment in these industries to improve their productivity and production within the next two years.

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

Yellow Maize Futures: 09 June 2017	July-17	Sep-17	Dec-17	Mar-18					
CBOT (\$/t)	151.86	154.91	158.95	162.10					
SAFEX (R/t)	1917.00	1972.00	2044.00	2085.00					
SAFEX (R/t) Change week on week (w/w)	29.00	28.00	35.00	43.00					
	Sep-17			Dec-17			Mar-18		
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
	2,030	99	63	2,100	165	127	2,140	203	167
	1,990	76	80	2,060	143	145	2,100	180	184
	1,950	58	102	2,020	122	164	2,060	159	203

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

White Maize Futures 09 June 2017			July-17	Sep-17	Dec-17	Mar-18		
SAFEX (R/t)			1788.00	1848.00	1921.00	1963.00		
SAFEX (R/t) Change w/w			36.00	41.00	39.00	43.00		
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,920	138	88	1,980	164	124	2,020	212	172
1,880	115	105	1,940	142	142	1,980	190	190
1,840	94	124	1,900	121	161	1,940	169	209

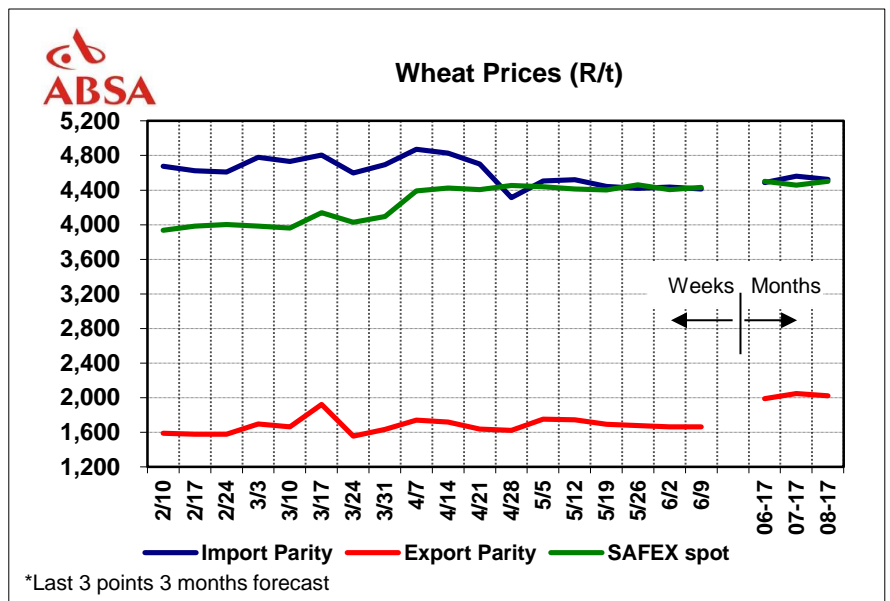
# Wheat market trends

## International

The weekly average old season HRW wheat Gulf increased price week on week from US\$175.72/ton to reach a weekly average of US\$187.85/ton on 09 June 2017.

### Bullish factors

- Cold weather delaying crop development in Russia, providing support for Russian export prices. The demand from Egypt, the largest market for Russian wheat, also providing support. Last week, Egypt's state buyer agreed to buy 120,000 ton of Russian and 60,000 ton of Romanian wheat, for July 1-10 delivery.
- US spring wheat conditions deteriorated severely from 62% crop 'good or excellent' last week to 55% 'good or excellent'. It was 79% 'good or excellent' at the same time due to dryness and heat.
- There's some concern about the heat conditions developing in South and North Dakota (US) and other areas in the next 1-2 weeks.



### Bearish factor

- France's wheat export reached a seasonal milestone in April. Exporting 709,577 ton out of the EU. In March France only export almost half of that 315,509 ton.

## Domestic

On 09 June 2017, wheat prices for delivery in July 2017 decreased by 2.2% from R 4362/ton to R4452/ton week on week.

### Bullish factors

- The wheat input costs have increased by approximately 2-5% in 2017 compared to the previous year.

## Bearish factors

- According to accuweather.com June 2017 has the highest probability of rainfall.
- The possible review of the existing wheat import tariff formulae may create further uncertainty in the market.

## Outlook

80 % of the wheat has already been planted on dryland in the Swartland, should it not receives sufficient rain, and yields will be negatively affected.

Wheat Futures 09 June 2017	Jul-17			Sep-17			Dec-17			Mar-18		
CME (\$/t)	170.22			178.02			184.27			188.59		
SAFEX (R/t)	4458.00			4367.00			4196.00			4273.00		
SAFEX (R/t) Change w/w	96.00			44.00			28.00			-22.00		
Sep-17				Dec-17					Mar-18			
Ask	Put	Call		Ask	Put	Call		Ask	Put	Call		
4,400	225	185		4,220	308	273		4,330	389	352		
4,360	204	204		4,180	287	292		4,290	367	370		
4,320	183	223		4,140	266	311		4,250	346	389		

## Oilseed market trends

### International

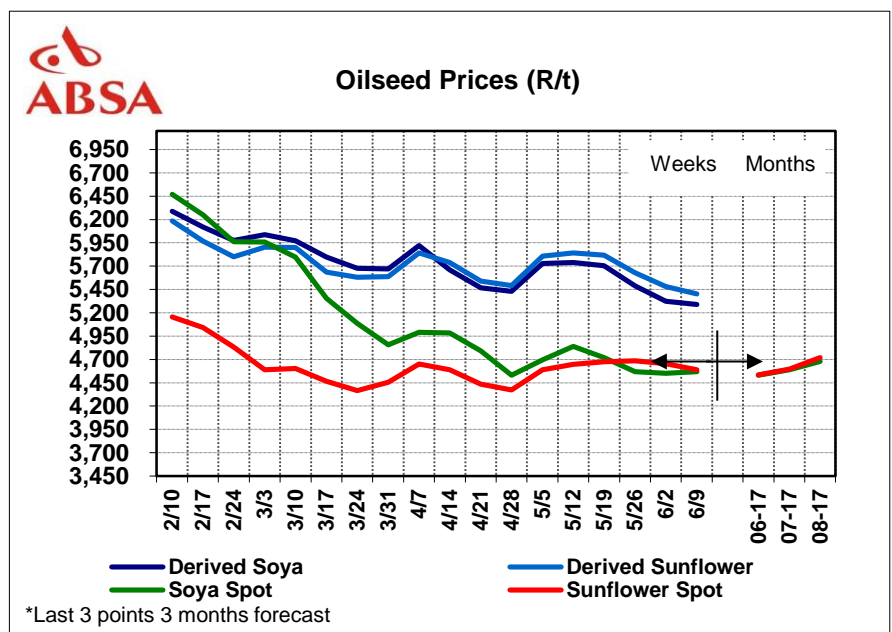
The weekly average USA soybean price increased week on week from US\$348.97/ton to US\$354.66/ton. US soya oil prices decreased from US\$31.63/ton to US\$31.48/ton and soymeal prices traded higher from US\$ 300.58/ton to US\$ 303.18/ton.

#### Bullish factors

- In India the falling domestic oilseed prices is reducing the interest of Indian producers to cultivate oilseed. The industry is demanding an increase in the vegetable oils import duty.

#### Bearish factors

- Larger than expected shipments from Russia, boosted world exports to reach a record of 6.6 million ton in Oct/Apr 2016/17 (up by 1.25 million ton from last year).
- World exports of palm oil are expected to reach 34.8 million ton in Jan/Sept 2016/17, increasing by 3.3 million ton from last year.
- EU sunflower oil imports will approach record 11.6 million tons this season.
- Price pressure from soybeans could also be induced by the reduced Chinese soybean imports in July/Sept 2016/17, caused by the recent deteriorating crush margins and large accumulated imported soybean stock in China.
- US soybean exports doubled from year ago (613 thd ton), in just the two weeks of June. This increase was driven by the export demand from Egypt and China.



#### Domestic

On 9 June 2017, sunflower seed prices (Jul17) decreased week on week by 1% from R 4632/ton to R 4587/ton while soybean (Jul 17) prices increased by 0.7% from R 4557/ton to R4588/ton.

## Bullish factors

- The previous season's weather conditions caused the occurrence of Sclerotinia & Alternaria in sunflowers, resulting in average yields in growing regions.
- Soybean crush margins are positive, providing support to the soybean price.

## Bearish factors

- It was an exceptional season for soybeans, due to above average crop yields achieved in most of the growing regions.

## Outlook

Industry players expect a larger crop due to great & above average yields obtained in the Free State, North West, Eastern Free State and KZN. The harvesting process is drawing to an end, and the consensus is that it was an excellent soybean season. High global soybean volumes will limit increases in local prices.

Oilseeds Futures 09 June 2017	July-17	Sep-17	Dec-17	Mar-18				
CBOT Soybeans (US\$/t)**	3232.87	3258.77	3324.85	3345.86				
CBOT Soy oil (US c/lb)	31.85	32.09	32.32	32.66				
CBOT Soy cake meal (US\$/t)*	336.37	339.23	340.33	342.31				
SAFEX Soybean seed (R/t)	4588.00	4685.00	4800.00	4872.00				
SAFEX Soybean seed (R/t) change w/w	31.00	35.00	23.00	20.00				
SAFEX Sunflower seed (R/t)	4587.00	4730.00	4897.00	4920.00				
SAFEX Sunflower seed (R/t) change w/w	-45.00	-19.00	-27.00	-70.00				
<b>Sunflower Calculated Option Prices (R/t)</b>								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,760	221	180	4,940	293	256	4,960	362	322
4,720	199	198	4,900	271	274	4,920	340	340
4,680	179	218	4,860	250	293	4,880	319	359

\*short ton

\*\* Dec 2017 = Jan 2018





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## Vegetable market trends

### Onions

Prices declined from the previous week, due to increased volumes delivered at the markets today. Onion received from the Northern Transvaal/Limpopo areas averaged around R30-34/10kg and Western Cape R38-42/10kg. The increased volumes were as a result of higher yields thanks to better rainfall, lack of diseases and the absence of hail damage. Zambian onion demand was lower this week, because Zambian onion producers have harvested too, posing as a direct competitor for South African produce. Angola and Mozambique consumers slightly picked up their demand from the previous week, but not at last year's level.

### Tomatoes

The differences in production cycles in different areas supported the price increase, as some areas were coming to the end of their season while others were starting, regulating supply volume. Prices increased slightly.

### Potatoes

Higher volumes on the market floors led to declines in prices for the week ending 2 June 2017. Average prices declined R30 –R32/10 kg bag. Limpopo, Western Free State and Eastern Free State as well as Natal production has started, and deliveries are increasing at the markets.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 09 June 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	-3.5%	2417	2504	9.5%	1620	1479
Carrots	-21.1%	4227	5358	23.0%	1949	1585
Onions	-3.0%	3426	3533	7.5%	6347	5903
Potatoes	8.6%	2931	2699	6.7%	17430	16340
Tomatoes	14.1%	5869	5146	-18.7%	4143	5096

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