



Agri Trends

02 February 2017

Increased supplies of potatoes in the market after the recent rainfalls

Potato prices are expected to remain under pressure from February due to increased supplies in the market after the recent rainfall. The current price is lower than last year's price and a sideways movement can be expected until the end of next week, resulting from increased volumes supplied to the market. The Botswana border was recently reopened after being closed since December, this will relieve some of the supply in the South African market. The current market average as at 02 February 2017 was R41.43 per 10 kg.

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Maize market trends

International

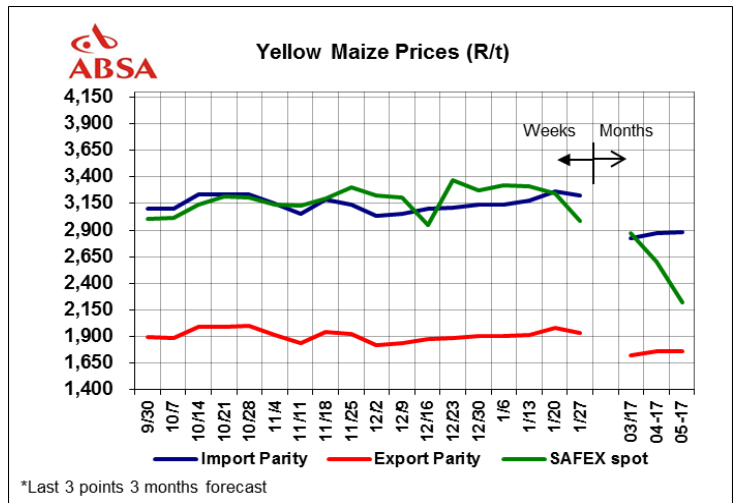
The average price for the previous week for yellow corn in the Gulf traded higher week on week by 1,2% to \$162.49/ton. The Rand strengthened week on week by 1,4% from R13.57 to R13.38. As at Wednesday the 1st of February, prices decreased by 1.58% to \$159.08/ton.

Bullish factors

- The weaker US dollar supported prices.
- The potential for a big decline in US sowings of the grain this year, unless markets offer a bigger financial incentive, by for instance closing maize's discount to soybeans.

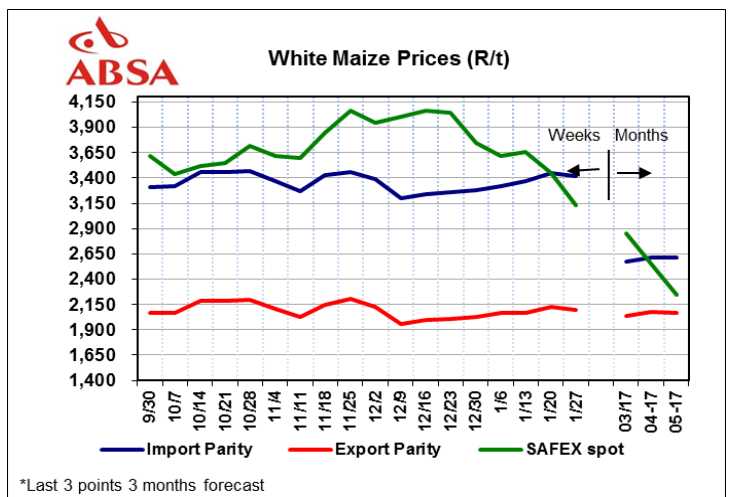
Bearish factors

- Plentiful global supplies and improved outlook for South America crops are capping gains.
- Production estimates on Argentina have stabilized along with the weather and some forecasters have even begun increasing their numbers.
- Maize came under pressure due to concerns over US trade policies under President Trump.



Domestic

As at Wednesday the 1st of February, the spot price for old season white maize (March 2017) decreased by 7.9% week on week from R3088/ton to R2869/ton. Week on week, old season yellow maize price (March 2017) decreased by 2.00% from R2907/ton to R2849/ton. During the same time, week on week new season white maize prices for delivery in July 2017 decreased by 0.98% from R2151/ton to R2130/ton whilst yellow maize prices increased by 0.45% to R2210/ton.



Bullish factors

- South African imports for the 2016/17 marketing year (old season maize) is expected to reach 2,5 million tons compared to the 2,7 million tons of imports needed. The smaller import number leads to decline in the ending stocks of old season maize.
- The closing stock at the end of April 2017 is estimated at 1 256 931 ton compared to 2 471 067 ton – a significant decline of 49% in ending stocks supporting old season prices.
- Exports of whole maize and products is expected to increase by 15% from 879 811 in 2015/16 to 1 010 000 ton in 2016/17.
- The lower maize prices for new season maize may lead to an increase in consumption of new season maize in the 2017/18 marketing year.
- An expected 4,6 ton/ha yield will realize into the production of 11,7 million tons for the 2017/18 marketing year.
- Opening stock for new season maize declined to 1,25 million tons.
- The total demand for maize for the 2017/18 marketing year may increase from 10,95 million tons to 11,2 million tons.

Bearish factors

- If the favorable weather conditions persist it is speculated that the total production of maize may increase from 7,5 million tons to 11,7 million tons leading to a decline in imports from 2,5 million tons to zero in the new season.
- MY 2013/14 compare to the MY 2017/18. In 2013/14 production equals 11,8 million tons similar to the expected 11,7 million tons in 2017/18. Opening stock levels in 2013/14 was 1,4 million tons compared to 1,26 million ton now. The high international price supported export parity and exports. If South Africa do not import 1,2 million tons of maize in 2017/18 the resulting ending stocks will reach a similar ending stock level of 1,4 million and 111 day's of stock. If the growing conditions allow for a production of 11,7 million tons it is expected that South Africa will not have to import any maize in the 2017/18 marketing year. The country will not export anymore than the previous year but ending stocks will reach more comfortable levels. Prices are expected to experience pressure.

Outlook

Internationally, weather conditions are improving especially in Argentina. Drier weather in Argentina after recent flooding may bring some relief to prices. Locally, the rainfall outlook remains favourable which increases the likelihood to replace any need for imports in 2017/18. Please note that production at 11,8 million tons is not sufficient to increase exports above the levels in the previous marketing year which may add to price support if there is any indication of drier weather.

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

| Yellow Maize Futures: 01 February 2017 | Mar-17 | | | May-17 | | | Jul-17 | | | Sep-17 | | | Dec-17 | | |
|---|---------|------|-------|---------|------|-------|---------|------|-------|---------|------|-------|---------|------|--|
| CBOT (\$/t) | 144.97 | | | 147.93 | | | 150.68 | | | 153.24 | | | 156.00 | | |
| SAFEX (R/t) | 2849.00 | | | 2250.00 | | | 2210.00 | | | 2252.00 | | | 2295.00 | | |
| SAFEX (R/t) Change week on week (w/w) | -58.00 | | | 0.00 | | | 10.00 | | | 10.00 | | | -7.00 | | |
| Mar-17 | | | | May-17 | | | | | | Jul-17 | | | | | |
| Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | |
| 2,880 | 96 | 65 | 2,300 | 126 | 76 | 2,260 | 175 | 125 | 2,260 | 175 | 125 | 2,260 | 175 | 125 | |
| 2,840 | 75 | 84 | 2,260 | 103 | 93 | 2,220 | 153 | 143 | 2,220 | 153 | 143 | 2,220 | 153 | 143 | |
| 2,800 | 57 | 106 | 2,220 | 83 | 113 | 2,180 | 132 | 162 | 2,180 | 132 | 162 | 2,180 | 132 | 162 | |

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

| White-Maize Futures 01 February 2017 | Mar-17 | | | May-17 | | | Jul-17 | | | Sep-17 | | | Dec-17 | | |
|---|---------|------|-------|---------|------|-------|---------|------|-------|---------|------|-------|---------|------|--|
| SAFEX (R/t) | 2869.00 | | | 2220.00 | | | 2130.00 | | | 2180.00 | | | 2240.00 | | |
| SAFEX (R/t) Change w/w | -219.00 | | | -30.00 | | | -21.00 | | | -20.00 | | | -21.00 | | |
| Mar-17 | | | | May-17 | | | | | | Jul-17 | | | | | |
| Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | |
| 2,900 | 147 | 116 | 2,260 | 163 | 123 | 2,180 | 208 | 158 | 2,180 | 208 | 158 | 2,180 | 208 | 158 | |
| 2,860 | 125 | 134 | 2,220 | 141 | 141 | 2,140 | 185 | 175 | 2,140 | 185 | 175 | 2,140 | 185 | 175 | |
| 2,820 | 106 | 155 | 2,180 | 120 | 160 | 2,100 | 164 | 194 | 2,100 | 164 | 194 | 2,100 | 164 | 194 | |

Wheat market trends

International

The past week, the weekly average old season HRW wheat Gulf price decreased week on week by 1,7% from US\$157.59/ton to reach a weekly average of US\$154.87/t. As at Wednesday the 1st of February, the average HRW prices week on week declined by 5.27% to US\$146.79/ton

Bullish factors

- Wheat prices increased due to huge weekly export expectations.
- A weaker dollar improved export prospects. Weakness in the US Dollar makes the US wheat origin to become more competitive in the marketplace.
- There have been worries over fresh unrest between Russia and Ukraine. With both countries big wheat exporters, the potential for any disruption to supplies, caused by conflict or sanctions, carried a substantial threat. These tensions have raised concerns about a wheat exports from the former Soviet Union region.
- Talk that European Union quality wheat is getting harder to find.

Bearish factor

- Weather worries are on the decline, with a cold snap in the former Soviet Union not seen as causing any significant damage to winter crop. The Russian Agriculture Minister has indicated that there is no major concerns over the condition of winter grains and that yields this year are expected to be high.

Domestic

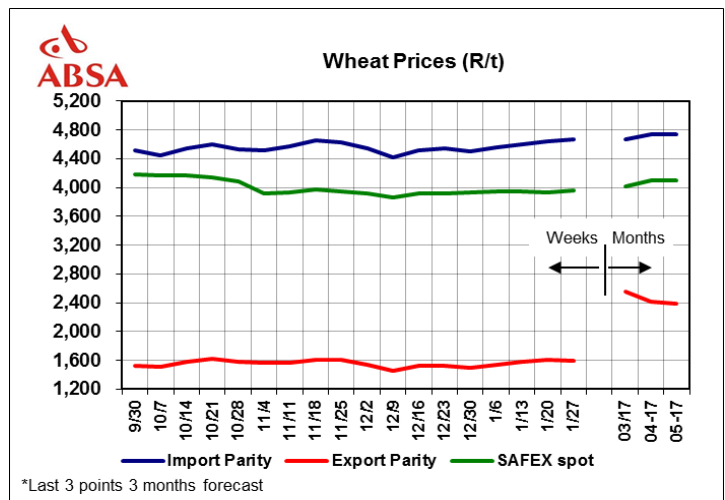
As at Wednesday the 1st of February, the spot price for wheat (March 2017) increased by 0.80% week on week from R3980/ton to R4012/ton. Wheat prices for delivery in July 2017 increased by 0.73% from R4120/ton to R4150/ton.

Bullish factors

- South Africa remains a net importer of wheat. Since the end of November no imports occurred. The current import tariff of R1591.40/ton still partially provides underlying support to domestic prices until at least end of March.
- Should the new wheat tariff be higher than what the market anticipates, this will support prices.

Bearish factors

- Surplus of wheat in Cape Town which cannot be moved inland due to high logistical points.



- There was a substantial import due to the duty free wheat which was imported from the EU. As a result, the millers have a lot of imported wheat.
- Should the new wheat tariff be lower than what the market anticipates, this will add pressure on prices.
- The recent strengthening of the South African Rand against the US Dollar.

Outlook

Globally, worries over fresh unrest between Russia and Ukraine may support prices. Locally, imports stopped completely in expectations of a favorable adjustment in the import tariff from April onwards and the opportunity to import wheat of 33 000 tons tariff.

| Wheat Futures | | | | | | | | |
|---------------------------|-----|------|---------|---------|---------|--------|--------|------|
| 01 February 2017 | | | Mar-17 | May-17 | July-17 | Sep-17 | Dec-17 | |
| CME (\$/t) | | | 159.38 | 164 | 169 | 174 | 180.41 | |
| SAFEX (R/t) | | | 4012.00 | 4097.00 | 4150.00 | N/A | N/A | |
| SAFEX (R/t) Change w/w | | | 32.00 | 32.00 | 30.00 | N/A | N/A | |
| Mar-17 | | | May-17 | | | Ju-17 | | |
| Ask | Put | Call | Ask | Put | Call | Ask | Put | Call |
| 4,060 | 145 | 97 | 4,140 | 230 | 187 | 4,200 | 299 | 249 |
| 4,020 | 123 | 115 | 4,100 | 208 | 205 | 4,160 | 277 | 267 |
| 3,980 | 103 | 135 | 4,060 | 188 | 225 | 4,120 | 256 | 286 |

Oilseed market trends

International

Oilseed prices

The weekly USA soybean price decreased week on week from US\$392.24/ton to US\$385.53/ton by 1,71%. The average USA soya oil price for the week decreased from USA\$35.31/ton to USA\$34.80/ton and the average soymeal prices traded 0.13% lower at USA\$343.04/ton.

Bullish factors

- Better than expected US export figures supported the market. Soybean export inspections in the most recent week came in at 1.63million tons, ahead of the estimated range of 1.20-1.36million tons
- A bullish sentiment was encouraged by a forecast from Indonesian palm oil association that the country, the top producer of the vegetable oil, would export 27million tons of it this year, which is an increase of 1.9million tons year on year.
- Export demand is expected to return when the Chinese get back from their New Year holiday.

Bearish factors

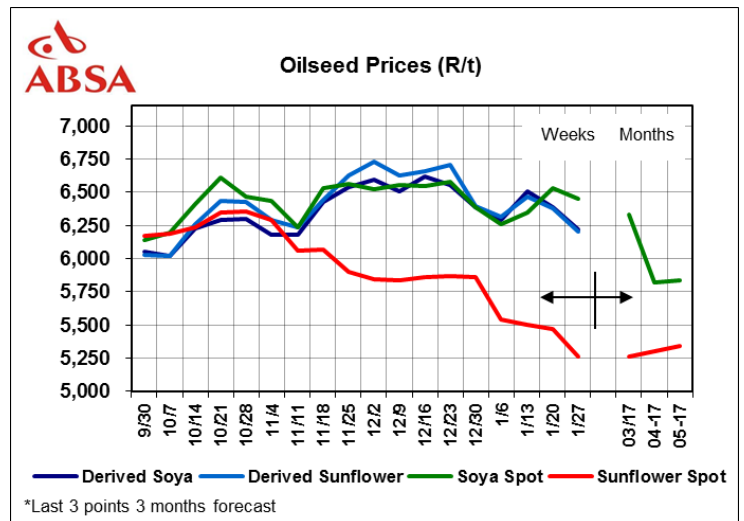
- Pressure on soybean prices as Argentina's main growing region was forecast to dry out over coming weeks.
- Demand may be weighed down with China on break for the Lunar New Year Holiday.

Domestic

As at Wednesday the 1st of February, sunflowerseed prices (Mar 17) increased week on week by 0.21% to R5261 from R5250 whilst soybean prices declined by 0.94% from R6395/ton to R6335/t.

Bullish factors

- The preliminary area planted for sunflowerseed declined by 7,33 % to 665 800 ha compared to the intentions to plant of 670 000 ha.
- South Africa remains an importer of soybeans. The expected closing stock by the end of February 2017 is 73 178 which is very similar to the previous year with days stock available at 27 days compared to 29 days the previous day. Imports is expected to reach 270 000 tons by the end of February 2017 compared to 124 981 ton the previous year.



Bearish factors

- The ending stocks for old season sunflowerseed increased at the end of February to 160 967 tons. The day's stock increased from 22 to 84 days.
- The excellent growing conditions may improve yields.
- Soybean prices may be under pressure with the arrival of the new crop from March onwards.
- The preliminary hectares planted for soybeans increased by 7,84 % from 516 000 ha to 542 200 ha. The excellent growing conditions may support improved yields as well.

Outlook

Internationally, the oilseeds markets traded lower around the world as weather conditions in South America improved. Export demand is expected to return when the Chinese get back from their New Year holiday, which may add support to prices.

South Africa remains a net importer of oilseeds; vegetable oil and oilcake which will in conjunction with a weakening exchange rate continue to provide underlying support to oilseeds in general. Price increases will be limited as margins are under pressure. Processors incentivize soybean producers with an attractive new season price ratio to increase the plantings of soybeans.

| Oilseeds Futures 01 February 2017 | Mar-17 | May-17 | July-17 | Sep-17 | Dec-17 | | | |
|---|---------|---------|---------------|---------|--------|---------------|-----|-----|
| CBOT Soybeans (US\$/t)** | 376.44 | 380.02 | 382.87 | 374.60 | 373.13 | | | |
| CBOT Soy oil (US c/lb) | 34.31 | 34.60 | 34.86 | 34.91 | 34.88 | | | |
| CBOT Soy cake meal (US\$/t)* | 336 | 340 | 342 | 335 | 328 | | | |
| SAFEX Soybean seed (R/t) | 6335.00 | 5835.00 | 5950.00 | N/A | N/A | | | |
| SAFEX Soybean seed (R/t) change w/w | -60.00 | -80.00 | -74.00 | N/A | N/A | | | |
| SAFEX Sunflower seed (R/t) | 5261.00 | 5340.00 | 5442.00 | 5540.00 | N/A | | | |
| SAFEX Sunflower seed (R/t) change w/w | 11.00 | 30.00 | 42.00 | -4.00 | N/A | | | |
| Sunflower Calculated Option Prices (R/t) | | | | | | | | |
| Mar-17 | | | May-17 | | | Jul-17 | | |
| 5,300 | 174 | 135 | 5,380 | 296 | 256 | 5,480 | 341 | 303 |
| 5,260 | 152 | 153 | 5,340 | 275 | 275 | 5,440 | 320 | 322 |
| 5,220 | 133 | 174 | 5,300 | 254 | 294 | 5,400 | 299 | 341 |

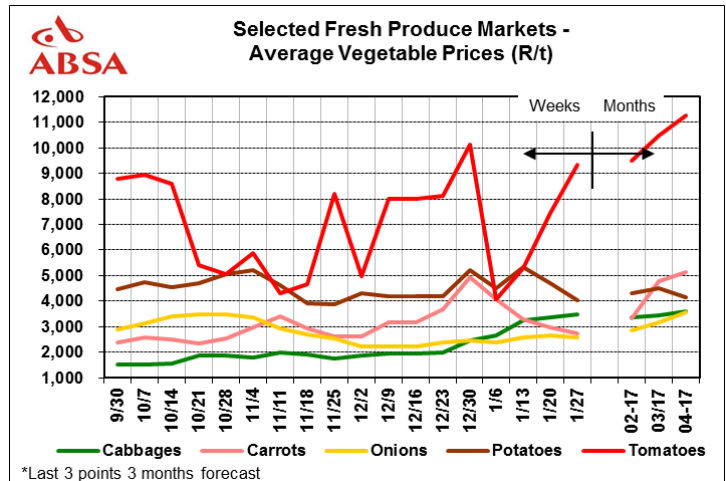
*short ton

** Dec 2017 = Jan 2018

Vegetable market trends

Potatoes

We expect the potato price to remain under pressure from February due to the increased supply in the market after the rainfall. The current price is lower than last year's price and we still anticipate a sideways move till the end of next week, this is due to the increased volume supplied in the market. The Botswana border was recently opened again after being closed since December, this will relief some of the supply in the South African market. The current market average as at 02 February 2017 was R41.43 per 10 kg.



Onions

Due to the warmer winter experienced last year and the increased temperatures during November and December the onion quality and shelf life was negatively impacted, leading to the decline of the onion price. The expectation is that prices will remain under pressure for the next 4-6 weeks but will start showing improvement in the cooler season around May month.

Carrots

Due to the recent rainfall carrots received on the fresh produce markets is of lower quality. Poor germination and loss of plantings due to excessive rainfall lead to lower yields. The price variance between poorer quality carrots and better quality carrots increased. Carrots increased in volumes. However, it is expected that prices will recover between March to April (Around Easter) by between 30% to 50%. Even so, compared to a year ago the expected increase in prices may not lead to prices being higher than a year ago.

Peppers

The price of green peppers is under great pressure. Peppers are in terms of value the fifth largest vegetable crop traded on the fresh produce markets. During December and the festive season the lack of available labour for picking and packing limited the volumes of peppers sent to the market. In January with the return of sufficient labour the volumes of peppers increased on the fresh produce markets. Quality decreased in January because the green peppers start to turn colour. Consumers want green red and yellow peppers but not half coloured green peppers. Volumes increased on the Johannesburg fresh produce market to about 14 000 boxes per day leading to an extreme price drop in January to below break-even cost for many producers. Those producers who invested in undercover farming of

peppers receive better prices for better quality but even for these producers the margins are severely squeezed. Peppers are regarded as a speculative crop and producers who are risk averse tend to plant other vegetables instead.

Tomatoes

Tomato volumes are low and quality is poorer than normal. The poor quality can be attributed to an increase in variation in temperature. In the Western Cape Province the heat experienced affects the volumes produced as flowers are weaned. Prices are expected to reach between R12 – R15/kg and should stay at these levels for the next three months. Disease affects smaller producers more than the bigger producers. Due to cold weather in Europe the production volumes of tomatoes decreased leading to higher prices. Prices in the EU are sufficient enough to enable local producers to ship tomatoes for the European market by airfreight. In certain countries in Africa the outbreak of the Fall Army worm (A quarantine pest in South Africa) affected production and increase the demand for vegetables to destinations such as Zambia.

| Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets) | | | | | | |
|---|-----------------------------------|---------------------------------------|--|------------------------------------|-------------------------------------|---|
| Week ending 27 January 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% | 3503 | 3385 | -1.2% | 12135 | 12287 |
| Carrots | -8.4% | 2741 | 2993 | 24.2% | 21995 | 17714 |
| Onions | -2.7% | 2582 | 2655 | 11.6% | 61087 | 54719 |
| Potatoes | -14.1% | 4042 | 4706 | 12.6% | 146941 | 130518 |
| Tomatoes | 25.0% | 9332 | 7464 | -6.5% | 30202 | 32295 |

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