



Agri Trends

23 June 2017

SA's wheat import tariff finally reviewed outcome lower at R947.21

The previous wheat import tariff of R1591.40/ton which was triggered on the 24th May 2015, was only published after 12 weeks, thereafter the current tariff of R1190.20/ton was published after 7 weeks after its trigger. The latest tariff of R1371.75 /ton on the 18th April 2017 has still not been published even after 9 weeks.

In the meantime, the wheat price increased from US\$189/ton to \$244/ton on 20 June 2017. As a result a new tariff level triggered for review

The International Trade Administration Commission (ITAC) released a report this morning, showing that the wheat import tariff will be **R947.21/ton** (reduced by R242.98) from today 23 June 2017.

The variability pertaining to the publication and implementation times create continuous uncertainty in the market, therefore affecting trading volumes.

The impact on local wheat prices should be minimal and the RSA wheat prices should continue to trade at the current price levels as the tariff decline in tandem with increases in the HRW wheat price

Contents

Maize market trends.....	1
Wheat market trends.....	4
Oilseed market trends	6
Vegetable market trends	Error! Bookmark not defined.

Contact us at Absa Agri-Business:

Conce.Moraba@absa.co.za

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/trends-and-reports/>

Maize market trends

International

The US new-crop maize could close higher by Friday 23 June 2017, if the midday weather models show a decreased chance of rain over the weekend, however, if there is an increased chance of rain over the weekend then new-crop maize could close lower.

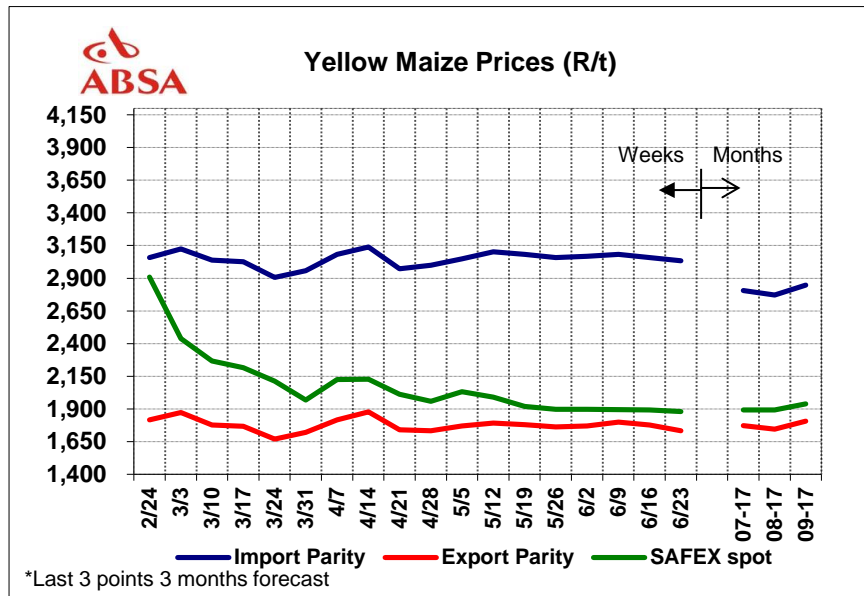
Week-on-week yellow maize increases from \$159.27/ton to \$157.21/ton were reported. The Rand weakened on average week-on-week from R12.84 to reach R12.92.

Bullish factors

- The US new crop export sales are standing at 2.87 million ton compared to 4.5 million ton from the previous year (down 36%).

Bearish factors

- The Safrinha maize harvesting process started in Brazil. Mato Grosso (responsible for 40% of the harvest), completed 12% of their harvesting process by week end 16 June 2017, an increase of 7% from the previous week.
- Change in the US weather pattern toward an improved Midwest rainfall, added pressure to maize prices. Heavy rains are expected in the western regions of the Corn Belt for the next 3-7 days.

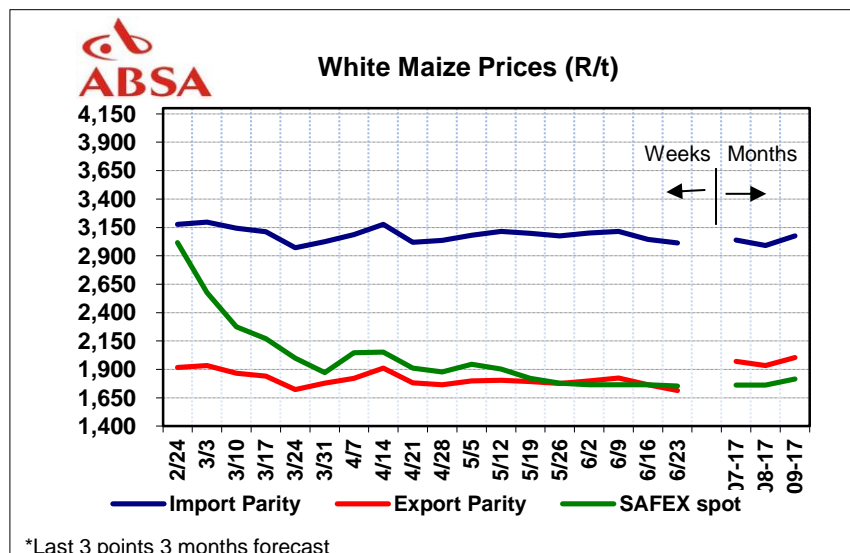


Domestic

The Free State has harvested approximately 30 % of their maize crop. By the 21st June , week on week new season white maize prices for delivery in July 2017 increased by 0.5% from R1753/ton to R1762/ton. Week-on-week new season yellow maize prices for delivery in July 2017 increased by 0.8% from R1877/ton to R1892/ton.

Bullish factors

- The lower cost white maize may be used as input in the feeds industry.



Bearish factors

- The Rand firmed overnight (22 June 2017), after the Constitutional Court ruled in favour to have a secret ballot to vote for the motion of no confidence for the President.
- An above average crop size is underway; this exerts pressure due to large volumes supplying the market.
- Maize exports started to increase as white maize prices declined below export parity price levels.

Outlook

Agricultural companies dependent on the handling and storage of grain and oilseeds on behalf of clients should have an excellent business year in the 2018/19 (Mar-Feb) marketing year.

There's a potential for approximately 4.2 million tons of total whole maize available for exports. The current challenge that white maize producers are facing, is the global low demand for white maize and the current Rand strength. The probable solution is to increase white maize usage in the feed industry and promote yellow maize exports.

A weakening Rand can also reduce maize price pressure – should the rand deteriorate against the dollar.

New and existing export markets must still be pro-actively explored by industry, in conjunction with Government in a supportive role.

Available capacity and infrastructure is sufficient and capable to manage the expected export surplus of about 2 million tons, South Africa is well capable of exporting even to levels of 4.7million tons as we did in the 1994/95 marketing year.

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

Yellow Maize Futures: 21 June 2017	July-17			Sep-17			Dec-17			Mar-18		
CBOT (\$/t)	145.17			148.32			152.26			156.00		
SAFEX (R/t)	1892.00			1939.00			2011.00			2055.00		
SAFEX (R/t) Change week on week (w/w)	15.00			9.00			4.00			6.00		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,980	93	52	2,060	163	114	2,100	199	154				
1,940	71	70	2,020	140	131	2,060	177	172				
1,900	52	91	1,980	119	150	2,020	156	191				

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

White Maize Futures 21 June 2017			July-17	Sep-17	Dec-17	Mar-18		
SAFEX (R/t)			1762.00	1816.00	1882.00	1926.00		
SAFEX (R/t) <i>Change w/w</i>			9.00	2.00	0.00	1.00		
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,860	122	78	1,920	154	116	1,960	200	166
1,820	100	96	1,880	132	134	1,920	177	183
1,780	80	116	1,840	111	153	1,880	156	202

Wheat market trends

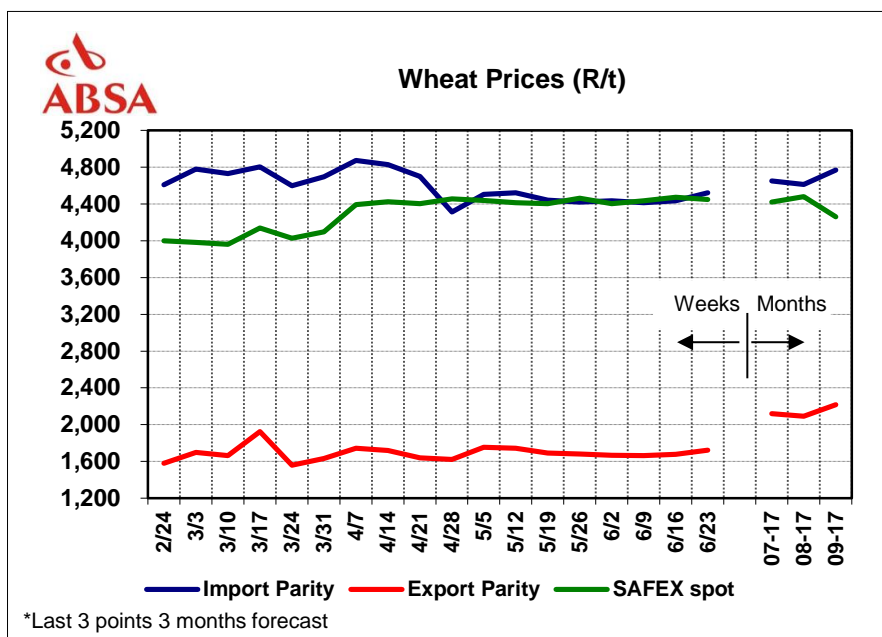
International

If the weather forecasts are clear for the US Southern Plains and Kansas City, the wheat crop might endure some weekend price pressure late on Friday (23rd June 2017)

The weekly average old season HRW wheat Gulf increased price week on week from US\$186.06/ton to reach a weekly average of US\$186.97/ton.

Bullish factors

- Continued concerns over the prolonged hot spell that hit the US, has left the US spring wheat in the worst shape in decades. Potential yield losses lifted prices. Some producers may shift to barley due to delayed plantings for spring.
- The concerns of heat wave impact on crop in EU's top producer France.
- Possible harvest delays in Russia for 2-3 weeks pushing prices up.



Bearish factor

- Prospects of another large harvest in Russia and Ukraine this year, adds to underlying backdrop of ample global supplies. Widespread crop /production losses need to be experienced before the fundamentally bearish supply outlook for wheat can change.

Domestic

The wheat import tariff revision remains an uncertainty.

About 675 tons of wheat was exported to Botswana and Swaziland for the week ending 09 June 2017. On 14 June 2017, wheat prices for delivery in July 2017 increased by 0.6% (R27) from R 4453/ton to R4480/ton week on week.

Bullish factors

- The weather outlook remains integral, with the winter wheat still in early stages of development. The recent rainfall received, is still not sufficient. An expected dry weather outlook compared to previous weather report in parts of the Western Cape paints a concerning picture for wheat crop development prospects.

Bearish factors

As of today, the current import tariff for wheat is R947.21/ton (from R1 190.19 /ton) as reported by ITAC this morning.

Outlook

The impact on local wheat prices should be minimal and the RSA wheat prices should continue to trade at the current price levels as the tariff decline in tandem with increases in the HRW wheat price.

The weather outlook remains integral, with the winter wheat still in early stages of development. An expected dry weather outlook compared to previous weather report in parts of the Western Cape paints a concerning picture for wheat crop development prospects.

In the international markets, dry spell and heat waves in the US and EU presents possible crop yield losses.

Wheat Futures 14 June 2017	Jul-17	Sep-17	Dec-17	Mar-18				
CME (\$/t)	176.19	184.45	190.33	194.56				
SAFEX (R/t)	4422.00	4260.00	4170.00	4240.00				
SAFEX (R/t) Change w/w	-49.00	-47.00	-28.00	-33.00				
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,300	204	164	4,220	305	255	4,280	378	338
4,260	183	183	4,180	283	273	4,240	356	356
4,220	163	203	4,140	262	292	4,200	334	374

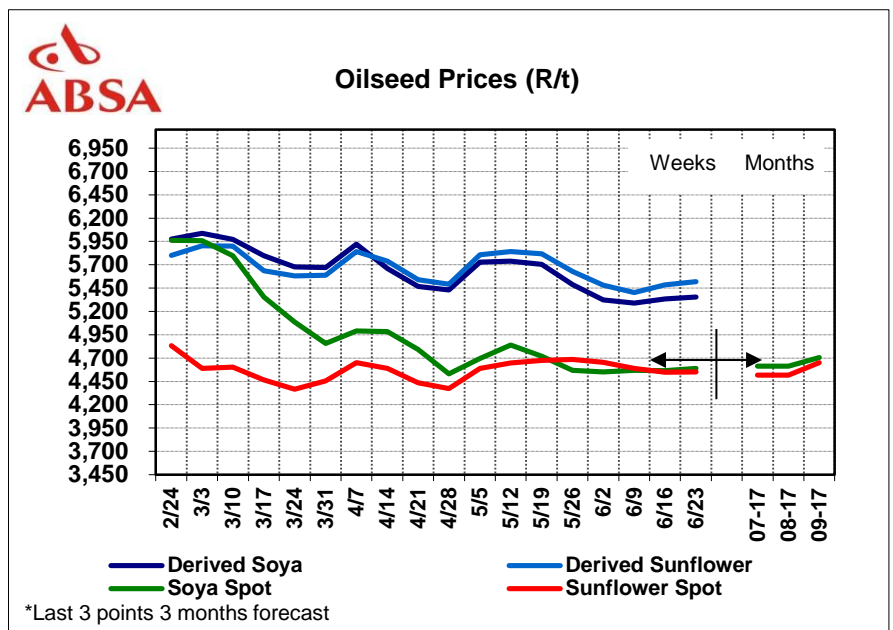
Oilseed market trends

International

The weekly average USA soybean price decreased week on week from US\$355.12/ton to US\$353.56/ton. US soya oil prices increased from US\$32.10/ton to US\$32.08/ton and soymeal prices traded lower from US\$ 301.65ton to US\$ 300.08/ton.

Bullish factors

- EU rapeseed crop has improved in Germany, France and other EU members, however global supplies are expected to remain tight in 2017/18 due to lower crop prospects in Canada and Australia. The EU-28 rapeseed imports is expected to reach 1.4 million ton (up by 0.6 Million ton from Apr/June 2016), thus pushing the total EU imports of rapeseed and canola to new high of 4.4 million ton in July/June 2016/17.
- Mexican oilseed imports reached an unprecedented level of 1.2 million ton in Apr/May 2017, an increase of 10 % from a year ago. This was mainly driven by larger soybean arrivals.



Bearish factors

- Russian sunflower seed production is up by 0.3 million ton to reach 11.3 million ton. Russian exports are likely to reach 2.0 million ton (up 25 %).
- Sunflower seed production has exceeded official estimates in the Ukraine and Russia. Favourable weather conditions in Russia are contrasting with the intensifying drought experienced in north central Ukraine.
- Due to ample soybean supplies in the US, South America and India, lower growth of meal exports, curbed crushing below expectations /potential and caused pressure on the soya meal prices. The world's soybean trend for the month was sluggish crushing but booming exports.

- Soy Oil combined exports from the US, Argentina, Brazil and Paraguay rose by 70% from a year ago, reaching record 2.57 million ton in May/March 2017.
- The increased Mexican oilseed crush capacities, pumped a shift in from product imports towards value added processing, therefore oil meals saw a drop of 30 %
- In Malaysia palm oil production continued rising, up by 0.3 million ton from a year ago. Palm kernel oil production recovered by 16% in Jan/May 2017. Malaysian palm kernel oil output is expected to recover to 2.26 million ton in the 2017 calendar year.

Domestic

The Central and Western Free State soybean harvest is completed, with the sunflower harvest at almost 80% completion. On 21st June 2017, sunflower seed prices (Jul17) decreased week on week by 0.9% from R 4559/ton to R 4518/ton while soybean (Jul 17) prices increased by 1.3% from R 4533/ton to R4612/ton.

Bullish factors

- Soybean crush margins are positive, providing support to the soybean price.

Bearish factors

- The July soybean prices followed the Rand's movement during the week. The July contract climbed 1.3% from R4, 533 to R4, 612.

Outlook

An increased demand for local soybean crushing (supported by positive soybean crushing margins) provides underlying price support for the soybean crop, however the sunflower seed crushing being secondarily preferred, lead to declines in the sunflower seed price. Prices increased week-on-week as the Rand weakened from R12.84 to R13.07.

Oilseeds Futures 14 June 2017	July-17	Sep-17	Dec-17	Mar-18
CBOT Soybeans (US\$/t)**	3101.54	3135.39	3213.94	3257.04
CBOT Soy oil (US c/lb)	32.09	32.33	32.56	32.84
CBOT Soy cake meal (US\$/t)*	337.58	339.42	343.65	345.94
SAFEX Soybean seed (R/t)	4612.00	4705.00	4817.00	4894.00
SAFEX Soybean seed (R/t) change w/w	59.00	76.00	43.00	44.00
SAFEX Sunflower seed (R/t)	4518.00	4650.00	4826.00	4888.00
SAFEX Sunflower seed (R/t) change w/w	-41.00	-44.00	-36.00	2.00

Sunflower Calculated Option Prices (R/t)								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,700	207	157	4,860	277	243	4,920	347	315
4,660	185	175	4,820	256	262	4,880	326	334
4,620	165	195	4,780	235	281	4,840	305	353

*short ton

** Dec 2017 = Jan 2018

Absa Agri-Business

Conce.Moraba@absa.co.za

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.