Agri Trends

29 June 2017

Getting the logistics ready to move the expected maize surplus.

South Africa has a potential of approximately 4.1 million tons of total maize available for exports. The country has sufficient infrastructure in place to handle the upcoming crop. The industry participants in the export programme reckon, the Durban and East London port facilities, coupled with railway and road should be able to handle the full envisaged crop.

Some of the challenges facing the logistics of the crop are:

- The increased competition for railway usage between coal industry and agriculture in the Mpumalanga region.
- The inland silos may need to be available to load out and stay open 24/7 and not just operate during weekdays, to eliminate the possible bottlenecks that might arise during weekdays.
- SA still has to finalize more export markets. South Korea and Taiwan have indicated that they'll be importing GMO maize from SA. We need preferential market access to the potential export countries and producers need to ensure that they comply with their GMO requirements.

During the 1994/95 marketing year, South Africa managed to export 4.7 million tons of maize, efficiently. This gives us hope that it's possible and can be done!

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Maize market trends

International

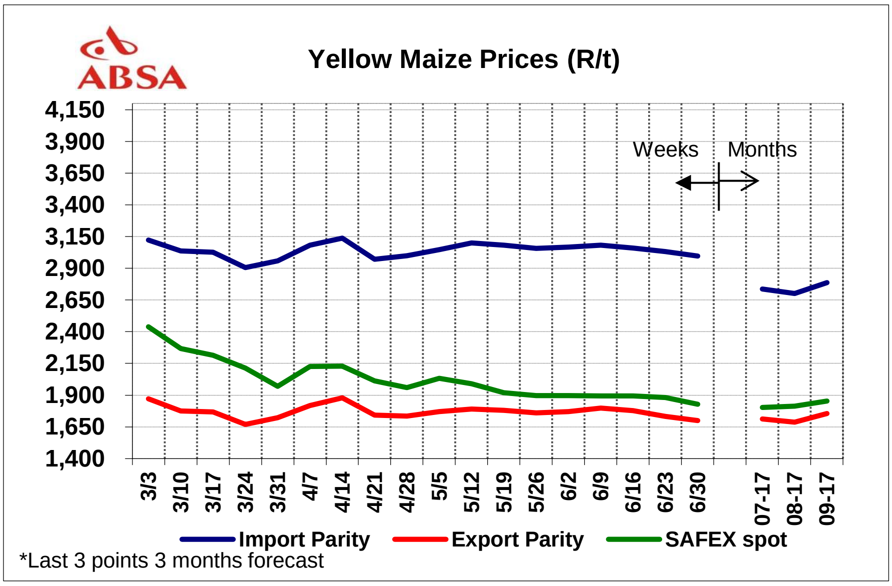
The weather forecasts into July show the Midwest enjoying favourable crop growing weather. This means that maize will enter the important flowering period in moderate temperatures and with good moisture. Maize futures have been on the decline, the trend is likely to continue as long as the weather co-operates.
Commodity dynamics suggest the marketplace could be in for a shock when USDA's acreage and stocks report is announced on 30 June 2017.
Week-on-week yellow maize No 2 gulf price decreased from US$159.82/ton to $153.86/ton.

Bullish factors

- Weather could swing crop yields negatively.

Bearish factors

- Countries such as Mexico and South Korea that traditionally purchase large volumes of US grain are seeking cheaper alternatives. South Korea is looking to purchase some maize from South America.
- Grain output in the South American country, Brazil, adds to a global glut that is driving prices lower and pressuring profit margins for farmers and commodities traders worldwide.

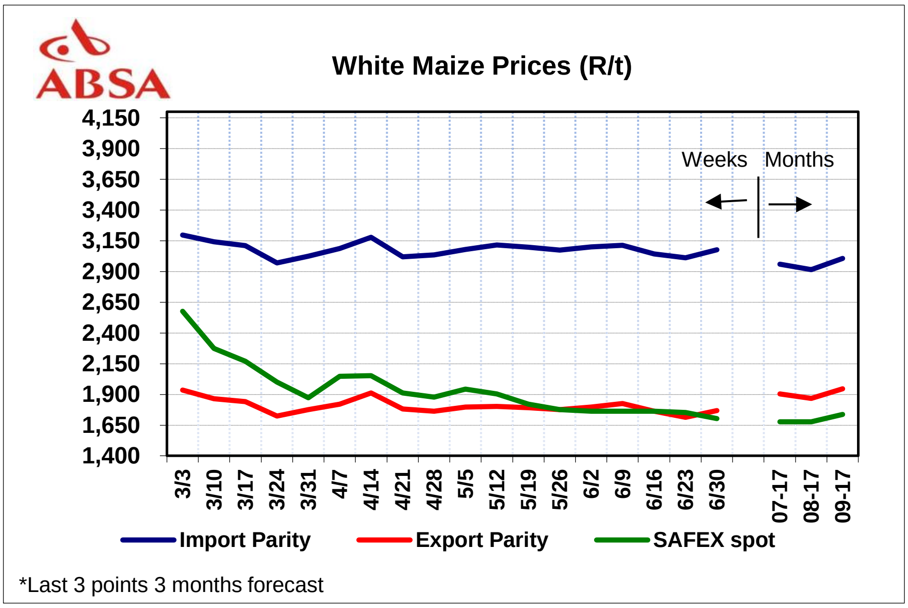


Domestic

National Crop Estimates Committee's latest release, kept the potential South African commercial maize crop unchanged at 15.6 million tons. By the June 28th , week on week new season white maize prices for delivery in July 2017 decreased by 4.8% from R1762/ton to R1678/ton. Week-on-week new season yellow maize prices for delivery in July 2017 decreased by 4.7% from R1892/ton to R1804/ton.

Bullish factors

- South African maize exports slightly picked up during the week 17 June 2017- 23 June 2017. With a total 42 085 ton yellow maize exported (40,000 ton destined for Taiwan) and 44 835 ton white maize exported (38,578 ton destined for Kenya).
- South Korea which traditionally imported maize from the US is a potential export market for SA yellow maize.



Bearish factors

- The strengthening Rand
- Most domestic maize producing areas' harvest process is in full swing.
- Mozambique is expecting a bumper crop and early harvesting is well underway. Malawi's new crop and carry over stock is also expected to meet local demand, the Malawian government's commercial crop estimates are around 3.0 - 3.2 million tons while local annual demand in Malawi is projected at 2.7 – 3.0 million ton. Zimbabwe is also expected to produce sufficient supplies for their local consumers. South Africa will be looking at Middle and Far East Asian countries as possible markets for its 2 million tons of exportable maize surplus.

Outlook

The CEC's 5th estimate was released on the 28th June 2017; maize crop expectations remained unchanged at 15.6 million tons. Maize prices traded lower due to harvesting and stronger Rand pressure. The local white and yellow maize price are expected to trade lower or sideways for the next couple of months as the crop gets harvested. We expect that to export 2 million tons of the exportable surplus out of 4.2 million tons this year, the remaining 2.2 million tons will be stored and carried over to the next marketing year (May/Apr 2018/19). Consequently, maize prices will remain under pressure near export parity price levels.

Yellow Maize Futures: 29 June 2017	July-17	Sep-17	Dec-17	Mar-18
CBOT ($/t)	140.45	144.19	148.12	151.96
SAFEX (R/t)	1804	1854	1926	1969
SAFEX (R/t) *Change week on week (w/w)*	-88	-85	-85	-86

Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,900	89	43	1,960	145	111	2,000	181	150
1,860	66	60	1,920	123	129	1,960	159	168
1,820	47	81	1,880	103	149	1,920	139	188

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

White Maize Futures 29 June 2017	July-17	Sep-17	Dec-17	Mar-18
SAFEX (R/t)	1678	1737	1790	1844
SAFEX (R/t) *Change w/w*	-84	-79	-92	-82

Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,780	112	69	1,830	145	105	1,880	190	154
1,740	89	86	1,790	123	123	1,840	168	172
1,700	69	106	1,750	103	143	1,800	147	191

Wheat market trends

International

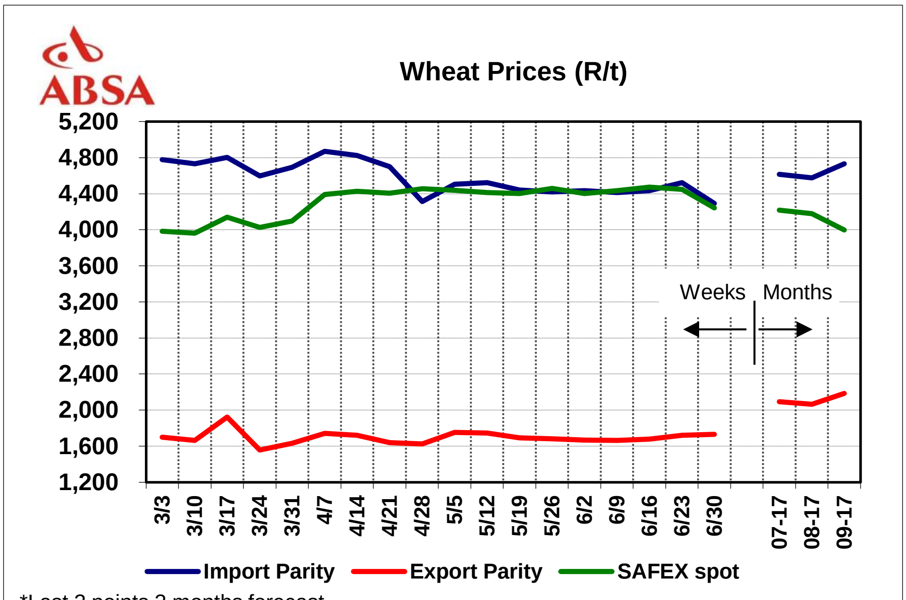
The wheat market climbed to multi-month highs earlier this week, gains were ignited by concerns of low protein content in the winter wheat harvest, and the dryness in the northern Plains.

A heatwave hitting France and southern Europe may damage this year's wheat crops, especially in the top EU producer France and in Spain.

The weekly average old season HRW wheat Gulf increased price week on week from US$186.97/ton to reach a weekly average of US$188.47/ton

Bullish factors

- US spring wheat crop is in its worst shape in 29 years amid dry weather. The expectation of considerable lower production has boosted US spring wheat to 3-year highs.
- UK turns net wheat importer, as demand from the bioethanol industry surges.
- The EU trimmed its crop size forecast, due to expected crop losses in Spain and Italy citing exceptionally warm and dry conditions.
- Expect the USDA to reduce its US spring wheat plantings estimate due to weather constraints.



*Last 3 points 3 months forecast

Bearish factor

- The world's leading global wheat exporter (Russia) is expected to harvest a large wheat crop this year, although it will be lower than the record crop in 2016.

Domestic

On 28 June 2017, wheat prices for delivery in July 2017 decreased by 4.5% (R204) from R 4422/ton to R4218/ton week on week. The SAFEX daily spot prices moved higher from R4180/t (26 June 2017) to R 4218/t (27 June 2017), this was supported by international bullish trends. Concerns about adverse weather supported global wheat prices, which pushed domestic wheat prices higher.

Bullish factors

- The adverse weather experienced in the US notched US spring wheat to 3-year highs. South Africa, being a net importer of wheat, benefitted from positive global wheat trends, pushing the domestic prices higher.
- The strengthening Rand

Bearish factors

- The Rand may weaken amid policy uncertainty, ahead of the ANC's policy conference coming up over the weekend.

Outlook

It is still not possible to give a clear indication regarding the expected rainfall conditions for the winter-rainfall region of South Africa, even with early spring prospects of favourable rainfall conditions in the region. Much needed rainfall is still necessary to replenish topsoil moisture and allow wheat crops to advance.

Globally we expect wheat exports to be lower for 2017/18 than the previous year. The exportable wheat stocks in major supplying countries (Ukraine, EU, Australia and the US) are expected to decline due to the drought.

Wheat Futures 29 June 2017	**Jul-17**	**Sep-17**	**Dec-17**	**Mar-18**
CME ($/t)	173.80	181.97	187.39	191.34
SAFEX (R/t)	4218	3998	3830	3949
SAFEX (R/t) *Change w/w*	-204	-262	-340	-291

Sep-17			**Dec-17**			**Mar-18**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,040	183	141	3,880	276	226	3,980	343	312
4,000	162	160	3,840	254	244	3,940	321	330
3,960	142	180	3,800	233	263	3,900	300	349

Oilseed market trends

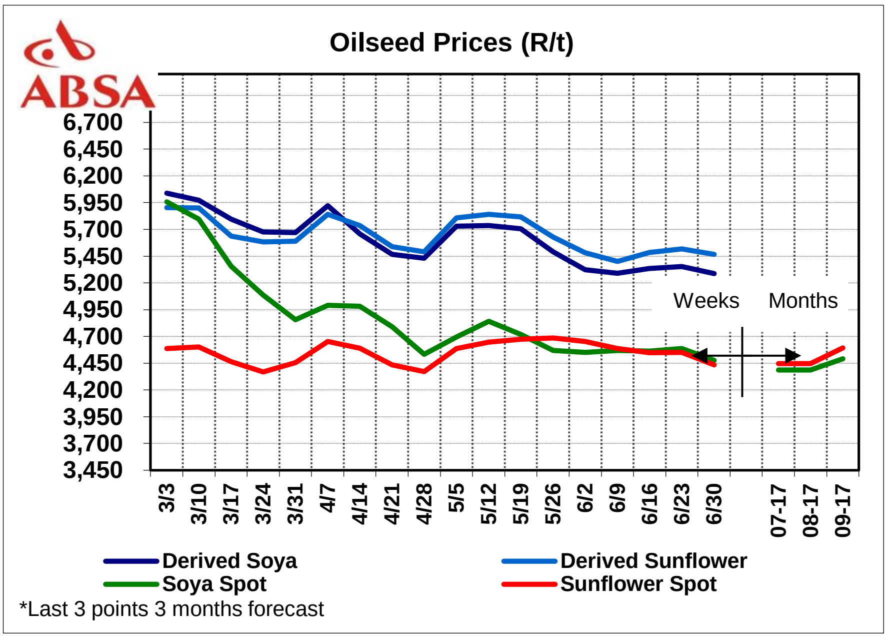
International

Wetter weather in the US supported the prospect of a larger crop, causing prices to trade lower at the end of week 29th June 2917.

Soybean and sunflower seed production are likely to suffer setbacks in 2017/18, but oilseed supplies should be sufficient if there are no unforeseen crop losses.

The weekly average USA soybean price decreased week on week from US$353.56/ton to US$347.31/ton. US soya oil prices decreased from US$32.08/ton to US$31.78/ton and soymeal prices traded higher from US$ 300.30/ton to US$ 294.02/ton.

Bullish factors



- Assuming declining average yields in US soybean and Canadian canola due to the unfavourable weather experienced (initially very wet weather, which caused late plantings, and then the first 3 weeks of June was considerably dry and hot).
- Downward adjustments were made for Australian canola and Ukrainian rapeseed.
- Indian oilseed production prospects have declined because of the monsoon, causing below-average rainfall in 2 top soybean producing regions and reduced plantings because farmers are dissatisfied with the very low prices received for some oilseeds and pulse crops, which have plummeted even below the minimum support prices.
- Expect world soybean production to reduce in 2017/18. Soybeans have lost attractiveness in South America, and farmers are moving to other crops. In Argentina the prevailing taxes on exports of soybean and soybean products, will encourage the shifting from soybean plantings in favour of grains and probably sunflower seed. It is quite likely that the Argentine soybean planting may fall to a 6-year low.
- In Argentina, soybean crushing exceeded expectation, supported by higher exports of biodiesel and soya oil.
- Sunflower seed production has come under immense pressure in Spain, France, Central & Northern Ukraine as well as parts of Italy, due to excessive heat and dry conditions.

- The world supply of rapeseed and canola is expected to remain below potential for 2017/18. Opening stocks are estimated at a 4-year low and the dryness in the Ukraine and Australia limited recovery in production.
- In India production of rapeseed oil has been dampened by reserved farmer sales and poor margins.
- Ongoing labour shortages at many plantations reducing yield and palm oil production primarily in Malaysia.

Bearish factors

- Brazil soybean exports have been uplifted in May and June to reach 66.5 million ton in calendar year 2017 (vs. 51.6 million ton from the previous year). Brazil soybean exports are going to surpass US exports.
- Forecasted world palm oil output at a record 70 million tons for Jan/Dec2018.
- Sunflower seed plantings exceeded expectations in the CIS countries; the 2017/18 season is anticipated to have large supplies.
- Expectations of above average recovery of yields in Malaysia and Indonesia, will likely facilitate a recovery of stock

Domestic

On 28th June 2017, sunflower seed prices (Jul17) decreased week on week by 1.6% from R 4518/ton to R 4447/ton while soybean (Jul 17) prices decreased by 4.9% from R 4612/ton to R4387/ton.

Bullish factors

- The sunflower seed production estimates was reduced by 3.6% (31 500 tons) to 821 970 tons from 853 470 tons.

Bearish factors

- The National Crop Estimates Committee's latest report estimates a record 1,340,370 ton soybean crop to be harvested in South Africa. This is a 8.7% increase from the previous estimate.
- The Rand weakened amid policy uncertainty ahead of the ruling ANC's policy conference coming up this weekend.

Outlook

The world soybean supply and demand outlook is characterized by strong expansion. We expect a growth of 294 million tons in soybean crushing, due to strong consumption and production during 2017/18. Soybean usage for food and feed is expected to continue rising, reaching new highs of 343 million ton.

World palm oil production surpluses are likely to occur in 2017/18 due to recovering yields in Malaysia and Indonesia. The expected above average production growth, will facilitate the recovery of palm oil stocks. Soya oil producers will have increased competition from recovering palm oil outputs.

World production of sunflower oil is expected to decline , primarily driven by lower output in the CIS countries where sunflower seed crushing have deteriorated from the record levels seen during the 2016/17season. Record large carry-over stocks from the previous season will cause the world sun oil supplies to stagnate next season. Despite increased production, EU is anticipated to remain the 2nd largest buyer of sun oil (behind India), because of insufficient supplies of rapeseed oil.

Oilseeds Futures 29 June 2017	**July-17**	**Sep-17**	**Dec-17**	**Mar-18**
CBOT Soybeans (US$/t)**	3069.55	3115.06	3174.55	3219.10
CBOT Soy oil (US c/lb)	32.12	32.36	32.56	32.85
CBOT Soy cake meal (US$/t)*	323.74	327.58	329.56	332.86
SAFEX Soybean seed (R/t)	4387	4492	4623	4700
SAFEX Soybean seed (R/t) change w/w	-225	-213	-194	-194
SAFEX Sunflower seed (R/t)	4447	4593	4761	4820
SAFEX Sunflower seed (R/t) change w/w	-71	-57	-65	-68

Sunflower Calculated Option Prices (R/t)								
Jul-17			**Sep-17**			**Dec-17**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,630	186	149	4,800	270	231	4,860	342	302
4,590	165	168	4,760	248	249	4,820	320	320
4,550	145	188	4,720	228	269	4,780	299	339

***short ton**

**** Dec 2017 = Jan 2018**

Vegetable market trends

Onions

The onion price averaged at R3.12/kg compared to R3.10/kg from the previous week. Prices are expected to remain under pressure for the next two weeks due to higher volumes saturating the market. When compared to the 5 year seasonal average onion price, the onion price is currently experiencing one of its worst years , due to lack of demand from importing African countries and South African consumers, driven by lower economic growth.

With the Cape almost done with their deliveries, volumes are anticipated to decline. This will prompt prices to slightly pick up in the next 2 months.

Tomatoes

Prices remain under pressure due to warmer weather enabling producers to still produce tomatoes, whereas they normally wouldn't have been able to, during this time, at colder temperatures. The warmer weather coupled with above average yields received in most planting areas, have led to greater volumes, capping any potential price increases. Prices were ranging at R4/kg- R5/kg for poorer quality and R7/kg- R8/kg for better/good quality produce.

Should the warm weather persist, prices will remain under pressure for the next month.

Carrots

The Johannesburg market traded 1st grade carrots at R3/kg-R4/kg on Thursday (29 June 2017). Market prices are expected to remain constant for the period Jun- Aug 2017 at R3.50/kg- R4/kg. Demand picked up during this week, because it was the last week of the month, we expect to see a rise in prices and demand in the coming week also. Gauteng and Cape Town farmers aren't currently producing carrots, because colder temperatures during winter aren't ideal for growth.

Potatoes

The weekly average price for potatoes was R27/10kg compared to the previous week's R26.3/10kg. A year ago, at the same time, prices were soaring at R44.24/10kg. Market prices are expected to move sideways during the winter months (May-Jul) then start to increase towards end July, entering into August.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 29 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	-8.1%	2260	2460	16.5%	1736	1490
Carrots	-2.2%	3090	3160	34.4%	2276	1693
Onions	0.6%	3120	3100	15.8%	6322	5459
Potatoes	0.0%	2800	2800	31.1%	17498	13350
Tomatoes	-10.8%	4030	4520	17.2%	5301	4524

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