



# THE WEEKLY AGRO WATCH



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4<sup>th</sup> August, 2015 Vol.30

## Industry Updates

### Highlights:

- ❖ *Crude oil prices hit six-month low*
- ❖ *South Africa's wheat plantings slightly up*

### RISE IN TRADE DEFICITS BECOME A NORM

Zambia has posted trade deficits throughout the first half of 2015 with the June deficit valued at 1,293.2 million, the largest deficits so far on record. As a country that depends mostly on copper as a source of foreign earnings, the falling copper prices have had an adverse effect on the nation's trade balances. Over the last one year, copper prices on the London metal exchange have fallen by about 27 percent and were trading at a six- year low of about US\$5183/ton on 3<sup>rd</sup> August 2015.

### South Africa's Fuel Prices Drop

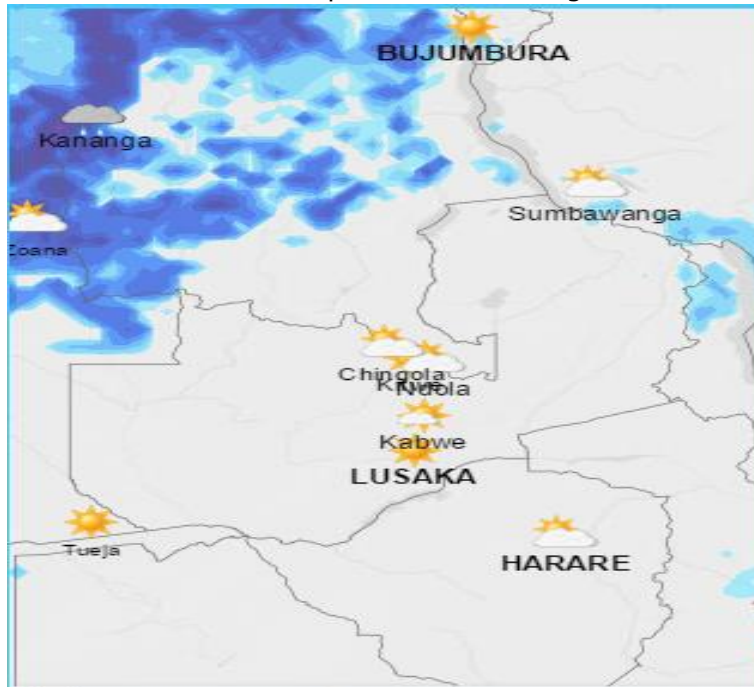
With effect from 5<sup>th</sup> August 2015, South Africa has revised downwards the price of its petroleum products by 51-89 South African cents/ litre with paraffin recording the largest reduction and petrol the least price reduction. The South African government revises its fuel prices monthly based on international and local factors. According to a statement released by the South African government, the considerable depreciation of the rand in the past month was outweighed by the fall in the international prices of crude oil and hence the drop in pump prices.

## Exchange Rates

CURRENCY	04/08/2015 (BoZ 31/07/2015)						27/07/2015					
	US Dollar		RAND		GB Pound		US Dollar		RAND		GB Pound	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
<b>First National Bank (FNB)</b>	7.78	7.94	0.62	0.63	12.14	12.39	7.59	7.75	0.61	0.62	11.98	12.04
<b>Standard Chartered Bank</b>	7.56	7.75	0.60	0.62	11.85	12.09	7.56	7.71	0.60	0.61	11.73	11.96
<b>ZANACO</b>	7.80	7.96	0.61	0.63	12.11	12.42	7.56	7.71	0.60	0.61	11.68	11.97
<b>Bank of Zambia</b>	7.65	7.67	0.605	0.607	11.97	12.00	7.65	7.67	0.604	0.606	11.88	11.92

## Weather Forecast

The table summarizes the weather forecast for some selected towns for the period 4<sup>th</sup>- 9<sup>th</sup> August 2015.



TOWN	WEATHER SUMMARY
Ndola	<ul style="list-style-type: none"> <li>➤ The whole week will have clear sunny skies.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly from the east-southeast direction.</li> <li>➤ Average daily Temps: 10-26°C</li> </ul>
Mkushi	<ul style="list-style-type: none"> <li>➤ Expectations are for the whole week to have clear sunny skies.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly from east-southeast direction.</li> <li>➤ Average daily Temps:9-25°C</li> </ul>
Kabwe	<ul style="list-style-type: none"> <li>➤ Clear sunny skies during the whole week.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly in the east-southeast direction.</li> <li>➤ Average daily Temps:9-25°C</li> </ul>
Lusaka	<ul style="list-style-type: none"> <li>➤ Clear sunny skies during the whole week.</li> <li>➤ Light to moderate breeze of 3-6m/s forecast mostly in the east and east-southeast direction.</li> <li>➤ Average daily Temps:9-24°C</li> </ul>
Mazabuka	<ul style="list-style-type: none"> <li>➤ Clear sunny skies anticipated the whole week.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly in the east and east-southeast direction.</li> <li>➤ Average daily Temps:9-26°C</li> </ul>

Choma	<ul style="list-style-type: none"> <li>➤ Clear sunny skies expected during the whole week.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly in the east and east-southeast direction.</li> <li>➤ Average daily Temps:8-24°C</li> </ul>
Livingstone	<ul style="list-style-type: none"> <li>➤ Clear sunny skies anticipated the whole week.</li> <li>➤ Light air to gentle breeze of 1-5m/s forecast from the east, east-southeast, north, north-east, west and north – west directions.</li> <li>➤ Average daily Temps:11-27°C</li> </ul>
Mongu	<ul style="list-style-type: none"> <li>➤ Clear sunny skies forecast for the whole week.</li> <li>➤ Light to gentle breeze of 1-4m/s forecast from the north, east and the east-southeast direction.</li> <li>➤ Average daily Temps:11-28°C</li> </ul>
Mansa	<ul style="list-style-type: none"> <li>➤ Clear sunny skies forecast for the whole week.</li> <li>➤ Light to moderate breeze of 1-6m/s forecast from the west-northeast, east and the east-southeast direction.</li> <li>➤ Average daily Temps:12-27°C</li> </ul>
Kasama	<ul style="list-style-type: none"> <li>➤ Clear sunny skies forecast most of the week with some fair cloud cover expected on the 9<sup>th</sup> and 10<sup>th</sup>.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly from the east and the east-southeast direction.</li> <li>➤ Average daily Temps:11-26°C</li> </ul>
Solwezi	<ul style="list-style-type: none"> <li>➤ The week will mostly have clear sunny skies.</li> <li>➤ Light to gentle breeze of 2-3m/s forecast mostly from the east and the east-southeast direction.</li> <li>➤ Average daily Temps: 10-26°C.</li> </ul>
Chipata	<ul style="list-style-type: none"> <li>➤ The week will have clear sunny skies save for the 7<sup>th</sup> – 9<sup>th</sup> when some fair clouds are anticipated.</li> <li>➤ Light to gentle breeze of 2-5m/s forecast mostly from the south, south, southeast and east-northeast direction.</li> <li>➤ Average daily Temps: 11-26°C.</li> </ul>

Source: Norway meteorological Institute

## Parity Calculations

Domestic Import Parity Prices as at 04/08/2015					
US\$/ZAR=12.73 US\$/ZMW=7.94					
Parity Prices		U\$/ZMW	Maize	Soya	Wheat
Lusaka		7.94	471.33	595	481.34
Town	Ex-Lusaka freight (ZMW)	\$	\$	\$	\$
Chipata	275	34.63	505.96	629.63	515.97
Mkushi	225	28.34	499.67	623.34	509.68
Ndola	250	31.49	502.82	626.49	512.83
Kitwe	250	31.49	502.82	626.49	512.83

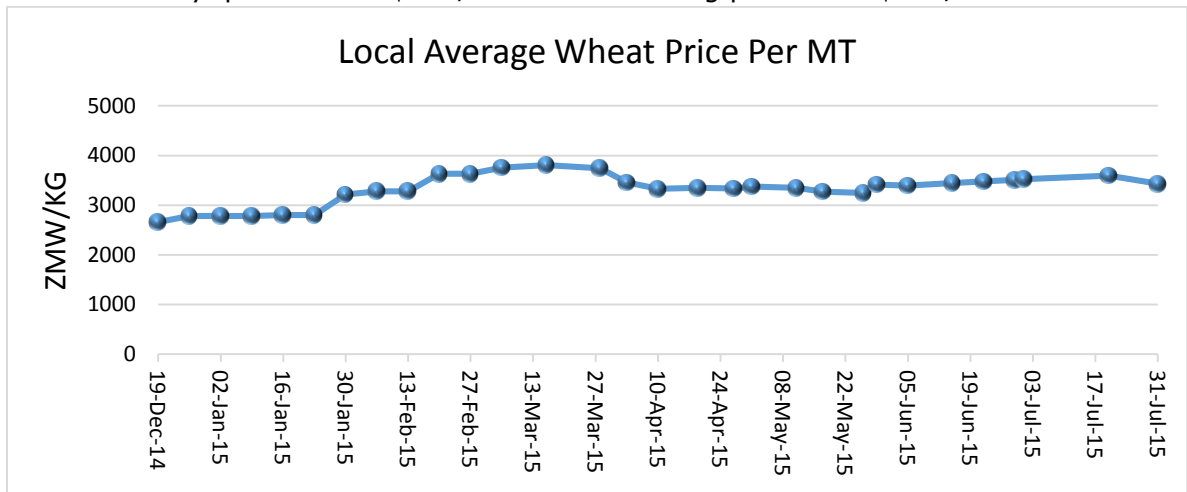
Export Parity Price Ranges (EPP)Harare-Lusaka	
Soya Beans	476-505
Wheat	330-427.5
Maize	213-320

## Wheat

### Highlights

- Renewed commodity optimism due to favourable weather in the US Midwest saw commodity prices begin this week on a weak note with wheat prices hitting six-week lows.
- Meanwhile the decline in Russian wheat prices during the last two weeks of July was supported by the increase in the harvest pace after a weather delay. Further support to the fall in wheat prices has been the depreciation of the Russian Rouble against the dollar with the countries Institute for agricultural market studies quoting a price of US\$191/ton for wheat with 12.5% protein content, fob for the week ending 24<sup>th</sup> July 2015.
- The 2015 area under wheat in South Africa has increased by 0.36 percent to 478,300 tons. According to the country's department of Agriculture, the 2015 area under wheat is the second smallest area South Africa has ever recorded.
- On the local scene, there are less than 30 days to the closure of the temporal wheat import window. Wheat imports have been recorded from as far as Russia and Ukraine with the bulk coming from South Africa between February and June 2015. As at 24<sup>th</sup> July, South Africa recorded a total of 45,902MT of wheat as destined for the Zambian market.
- The Chicago soft red wheat future price for delivery in September 2015 were hovering around US\$ 184.82/MT on 3<sup>rd</sup> August 2015.

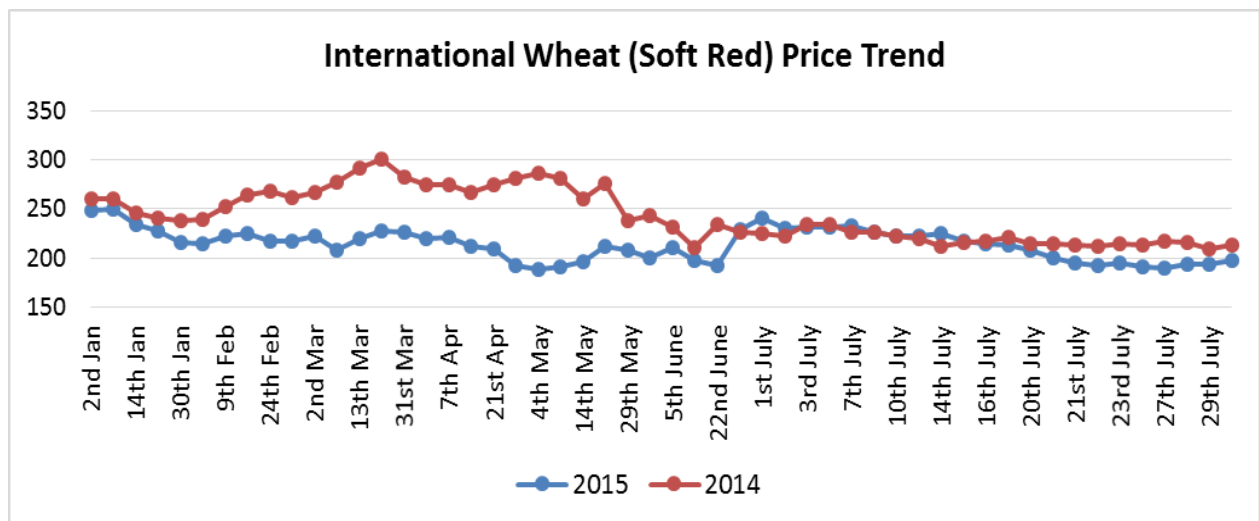
- Local wheat offer prices by traders were averaging ZMW3, 432 /ton (approx. US\$434-440/ton) during the week ending 31<sup>st</sup> July 2015. The GTAZ buying price is currently quoted at US\$440/ton and the selling price at US\$450/ton.

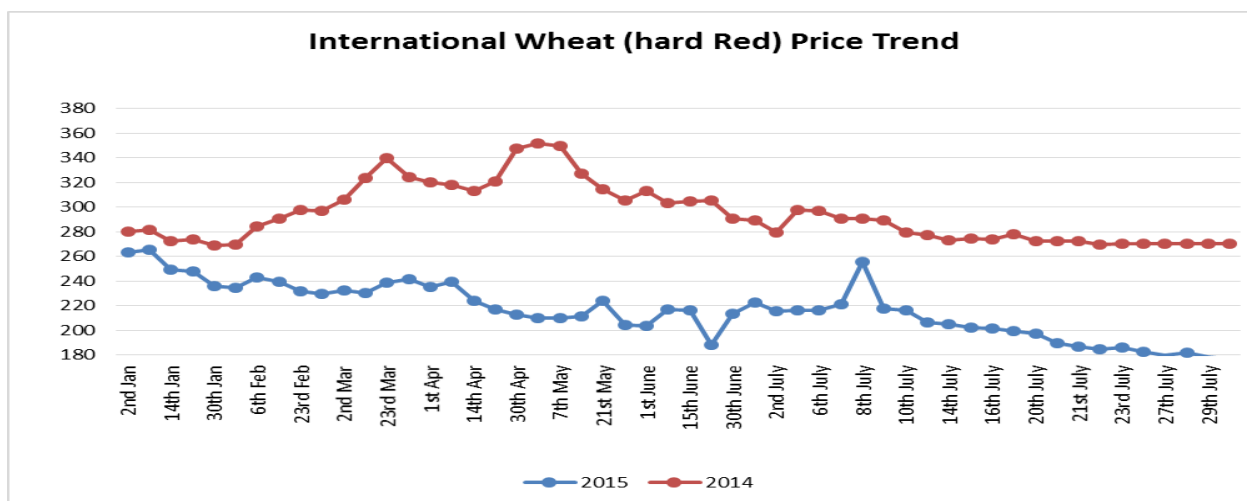


Source: ZNFU, 4455 Market Price Information System

### Price trends

The Safex international soft red and hard red wheat averaged US\$192.92/ton and US\$179.86/ton respectively in the week ending 31<sup>st</sup> July 2015. In comparison to the previous week, both soft red prices rose and hard red prices fell by 2.6 and 4.74 percent respectively. All prices are fob US gulf.



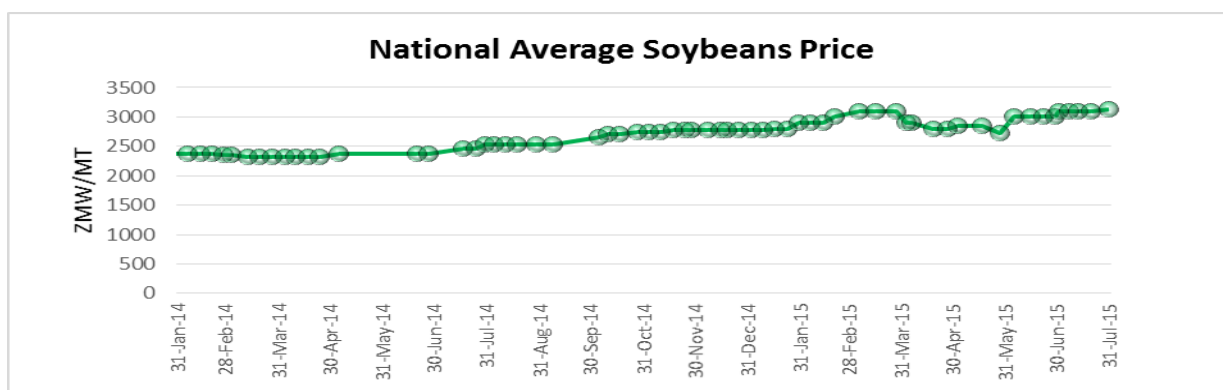


Source: Safex

## Soya Beans

### Highlights

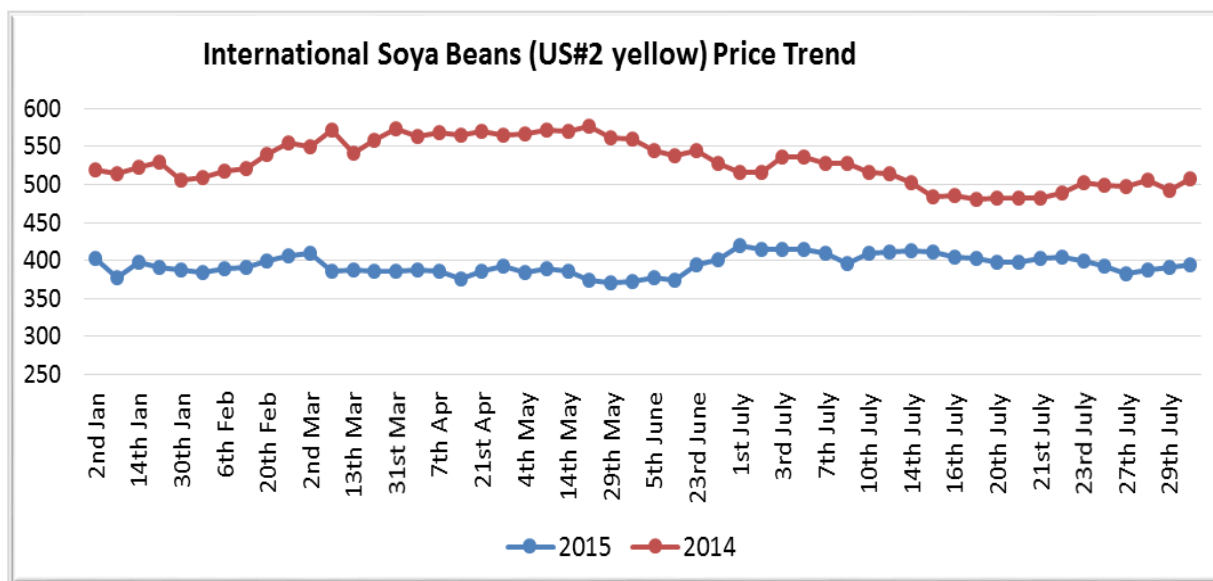
- South American farmers have bemoaned the general falls in the soya beans international market for two consecutive seasons with some reports indicating that the region might reduce its soya beans output in the 2015/16 growing season. South America account for about 50 percent of the world’s total soya beans production.
- International prices of palm oil have continued to fall and entered August on an 11 month low. Malaysian palm oil for October delivery was going for about US\$534/ton on Monday. Meanwhile, the low prices of palm oil have prevented the Indonesian government from implementing its new export tax as it is only to come into effect when prices exceed US\$750/ton. When prices are less than US\$750/ton, the export tax is zero but a levy of US\$50/ton is imposed on crude palm oil exports and US\$30/ton on processed palm oil.
- Soya beans for September 2015 delivery on Chicago Mercantile Exchange were hovering around US\$347.28/ton on 3<sup>rd</sup> August 2015.
- Soybeans offer prices by traders as captured by the ZNFU 4455 price information system were averaging ZMW3, 136/ton in the week ending 31<sup>st</sup> July, 2015.



Source: ZNFU, 4455 Market Price Information System

## Price trends

International prices of US No. 2 yellow soya beans on Safex traded lower by 2.69 percent and averaged US\$389.74/ton during the week ending 31<sup>st</sup> July. All prices are fob US gulf.

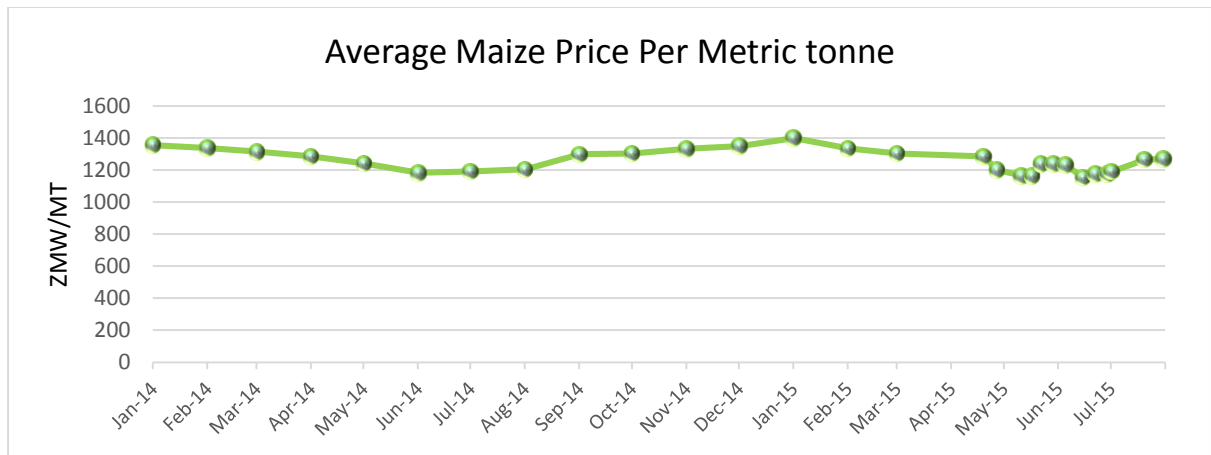


Source: Safex

## Maize

### Highlights

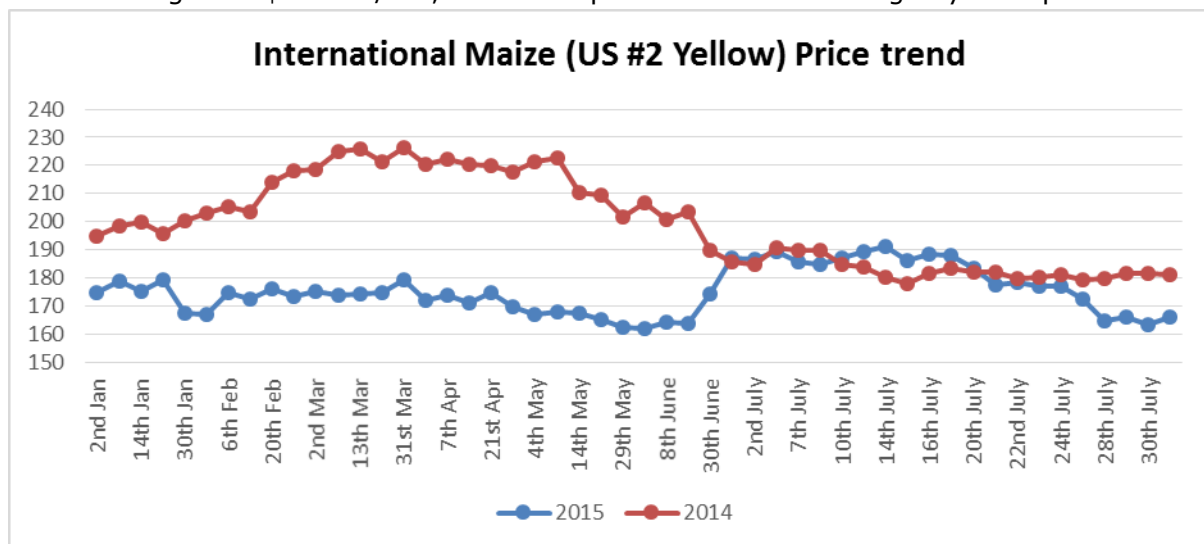
- Rains are delaying the harvest of Brazil's second maize crop. There is however still optimism that the rains will not affect the yield and quality. Meanwhile better weather in the US Corn Belt has increased confidence in the country's maize harvest by its department of agriculture.
- Zimbabwe's maize purchases by the grain marketing board (GMB) are reportedly slower than last year with the strategic reserves falling short of the 500,000MT target by about 24 percent at the beginning of July. The GMB has placed its maize offer price at US\$390/ton while private traders are purchasing in the range of US\$260-285/ton during the month of July 2015.
- Wholesale maize prices in Kenya, Nairobi were hovering around US\$376/ton on 4<sup>th</sup> August 2015 according to the Regional Agricultural trade Intelligence Network (RATIN).
- The Chicago maize futures price for delivery in September 2015 was pegged at US\$ 145.11/MT on 4<sup>th</sup> August 2015.
- Local maize offer prices by traders averaged ZMW1, 270/ton in the week ending 31<sup>st</sup> July 2015 according to the ZNFU market price information system.



Source: ZNFU, 4455 Market Price Information System

## Price trends

During the week ending 31<sup>st</sup> July 2015, international maize fob prices as recorded by Safex averaged US\$166.66/ton, below the previous week's average by 6.78 percent.



Source: Safex

## Cotton

### Highlights

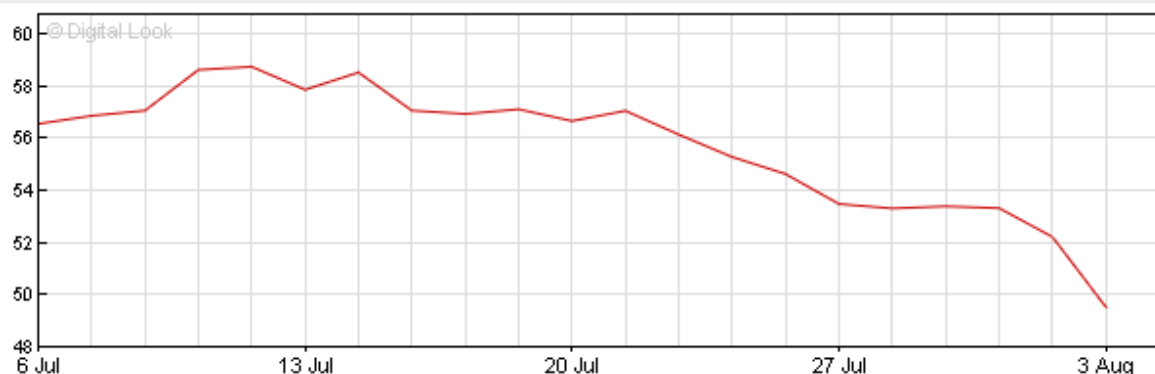
- The cotton corporation of India (CCI) has sold nearly half of the 1.46 million tons it had procured during the 2014/15 season and is expected to have a carry-over stock of about 340,000 tons when the season comes to an end in September. The slowdown of the Chinese economy prompted CCI to look for alternative markets such as Bangladesh. Meanwhile local have been cited to be of the view that CCI is holding back stock so as to artificially raise the prices.
- Cotton prices for October delivery on the new York market were pegged at US\$0.6536/pound (≈US\$1.44/kg) on 3<sup>rd</sup> August, while Cotlook "A" index prices were pegged at US\$0.7190/pound (≈US\$1.58/kg) by 15:37 CAT on 4<sup>th</sup> August 2015.



## Crude oil

- Crude oil prices have plunged to six month lows with the positive response to the gravitational pull being supported by a weakening Chinese economy. Increased oil supply against balance has also aided in the suppression of the crude oil prices. The International Energy Agency has forecast a slowdown in the demand of crude oil in 2016 from an average of 1.4million barrels / day to 1.2million barrels/day.
- Brent crude oil prices settled at US\$50.11/ barrel while WTI was pegged at US\$45.91/barrel just after midday on 4<sup>th</sup> August 2015.
- Oman's settlement price for October delivery was around US\$50.05/barrel in the early hours of 4<sup>th</sup> August 2015.

### Brent Crude Oil Futures \$/barrel

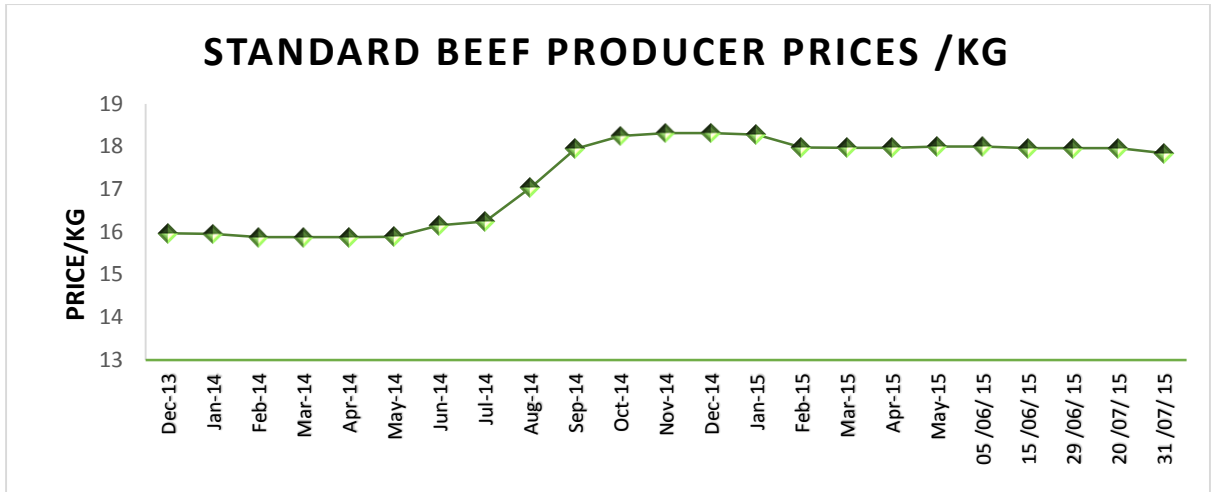


Source: BBC Business, 2015

## Beef

- The UK's beef exports in 2015 have reduced on the backdrop of a strong pound sterling and Russia's decision to block European beef. In May 2015, exports were down by about 11 percent on a year-on-year comparison. While Europe is still the lead importer of UK beef, the proportion of UK export to Europe has reduced while the proportion of exports to the rest of the world have risen.
- As at 31<sup>st</sup> July 2015, the Namibian Meat Board was quoting the weaners and heifers auction prices at ZAR 18.30 (approx.ZMW11.53) and ZAR17.52 (approx.ZMW11.04) per kg respectively. The weaner and heifer auction prices have risen by about 7 and 21 percent respectively over the past four weeks. On 3<sup>rd</sup> August, Grade A beef in abattoirs was in the range of ZAR28.73 – 34.43 per kg (approx.ZMW18.1-21.7 per kg).
- According to the ZNFU market price information system, dressed weight beef offer prices by traders were averaging ZMW17.84/kg.





*Look out for the **Zambian Farmer TV Programme** every Monday at 18:25 hours on ZNBC TV1*