



Agri Trends

10 February 2017

Fall army worm is causing an uproar

The Fall Army worm is considered a serious enough pest to be registered as a quarantine pest by the Department of Forestry and Fisheries (DAFF). As soon as it was reported by producers, DAFF took the necessary steps to implement an emergency registration process. This was necessary to allow the use of available and effective pesticides to control the pest in the interim. Collaboration between Grain SA, the Department of Agriculture and seed and pesticide suppliers aims to mitigate crop damage. It seems as if the occurrence and impact of this specific pest is more severe following a widespread drought. The pest will in future contribute to an increase in production costs to control it. Successful control will not be limited to South Africa to keep our fields clean. Southern African Development Community (SADC) countries - literally located upwind from South Africa - need to step up their game to effectively control the pest as well to prevent new infestations from occurring. Countries north of our border have also incurred significant losses in certain regions. Is this pest a threat to food security in South Africa this year? No, it may not have any bullish impact on prices. This newcomer entered the country without an unabridged birth certificate and ate its way through to the media. The media advocates successfully to aid the identification of the pest and to emphasize the importance to eradicate this unwelcome guest from South America travelling all the way via Nigeria.

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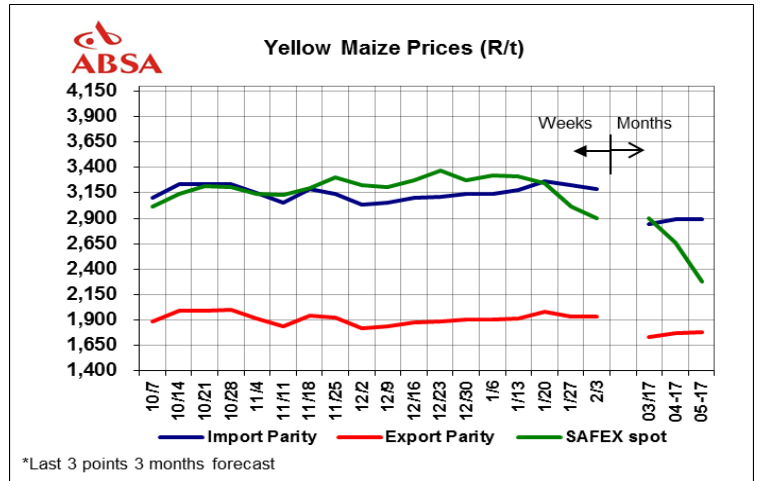
Maize market trends

International

The average price for the previous week for yellow corn in the Gulf traded lower week on week by 1,2% to \$160.58/ton. The Rand weakened week on week by 1,0% from R13.38 to R13.51. As at Wednesday the 8th of February, prices increased by 2.04% to \$162.33/ton week on week.

Bullish factors

- Informa lowered its estimate of Argentine maize production by 800,000 tons to 35.2 million tons.
- December maize price ratio of 2.58 was seen as encouraging sowings of the soybean crop over the maize crop.
- Independent price support from strong US ethanol production data.
- Unfavourable weather which may cause excessive wet conditions and flooding is expected in the first two weeks of February in Argentina. This may damage corn and other crops.

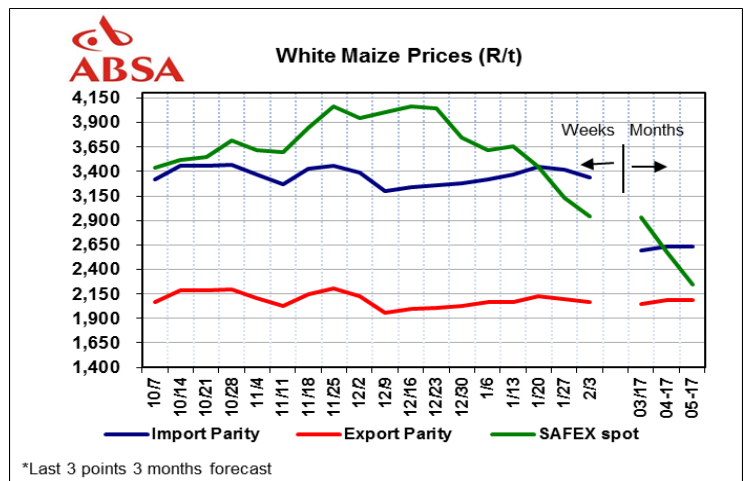


Bearish factors

- Plentiful global supplies and improved outlook for South America crops are capping gains.
- Informa increased its estimate of Brazil's crop to 89.0 million tons, up from the previous estimate.

Domestic

As at Wednesday the 8th of February, the spot price for old season white maize (March 2017) increased by 2.3% week on week from R2869/ton to R2934/ton. Week on week, old season yellow maize price (March 2017) increased by 1.7% from R2849/ton to R2897/ton. During the same time, week on week new season white maize prices for delivery in July 2017 increased by 1.4% from R2130/ton to R2160/ton whilst yellow maize prices increased by 0.77% from R2210/ton to R2227/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.
- 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 more than the previous year but ending stocks will reach more comfortable levels. Prices are expected to experience pressure.

Outlook

Internationally concern on weather conditions in Argentina and preference to plant more soybeans than corn are offset by better conditions in Brazil. Additional support is experienced by an increase in ethanol production. Locally, the rainfall outlook remains favourable which increases the likelihood to replaces 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: 08 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
CBOT (\$/t)	145.96	149.01	151.76	154.13	156.49			
SAFEX (R/t)	2897.00	2276.00	2227.00	2269.00	2314.00			
SAFEX (R/t) Change week on week (w/w)	48.00	26.00	17.00	17.00	19.00			
Mar-17			May-17			Jul-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,940	104	61	2,320	114	70	2,260	165	132
2,900	81	78	2,280	91	87	2,220	143	150
2,860	62	99	2,240	72	108	2,180	123	170

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

White-Maize Futures 08 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
SAFEX (R/t)	2934.00	2249.00	2160.00	2212.00	2265.00			
SAFEX (R/t) Change w/w	65.00	29.00	30.00	32.00	25.00			
Mar-17			May-17			Jul-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,980	154	108	2,280	148	117	2,200	183	143
2,940	132	126	2,240	126	135	2,160	161	161
2,900	112	146	2,200	106	155	2,120	140	180

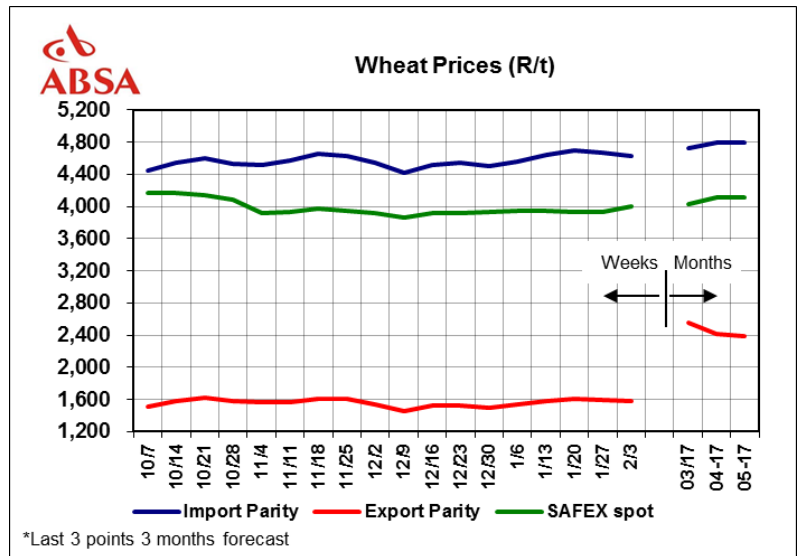
Wheat market trends

International

The past week, the weekly average old season HRW wheat Gulf price decreased week on week by 3,0% from US\$154.87/ton to reach a weekly average of US\$150.17/t. As at Wednesday the 8th of February, the average HRW prices week on week increased by 2.5% to US\$150.46/ton.

Bullish factors

- There have been worries over unrest between Russia and Ukraine. Russia and Ukraine are large wheat exporters. A potential conflict or sanctions amongst the two, will pose a great threat to supplies.
- These tensions have raised concerns about wheat exports from the former Soviet Union region.
- Independent price support from strong US ethanol production data
- Solid weekly export sales
- Should temperatures drop across the US Plains, particularly in Kansas, crops could be damaged as snow cover is gone after the recent warm weather.
- Cold weather in the Black Sea giving support to wheat prices for fear of damage to autumn-sown crops.



Bearish factor

- The cold weather in Ukraine old is slowing down the shipments from Ukraine's ports, with fog and freezing temperatures obstructing loading works.
- Argentina's wheat exports reached a record of R1.8million tons in January. This brought the total Oct/Jan 2016/17 to 4.4 million tons.

Domestic

As at Wednesday the 8th of February, the spot price for wheat (March 2017) increased by 0.45% week on week from R4012/ton to R4030/ton. Wheat prices for delivery in July 2017 increased by 0.17% from R4150/ton to R4157/ton.

Bullish factors

- 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.

Outlook

Globally, worries over 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 248 495 tons of wheat duty free from February onwards.

Wheat Futures			Mar-17			May-17			July-17			Sep-17			Dec-17		
08 February 2017																	
CME (\$/t)			162.96			168			172			179			182.80		
SAFEX (R/t)			4030.00			4108.00			4157.00			N/A			N/A		
SAFEX (R/t) Change w/w			18.00			11.00			7.00			N/A			N/A		
			Mar-17			May-17			July-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
4,080	116	66	4,150	213	171	4,200	282	239	4,120	240	277						
4,040	94	84	4,110	192	190	4,160	260	257									
4,000	74	104	4,070	171	209												

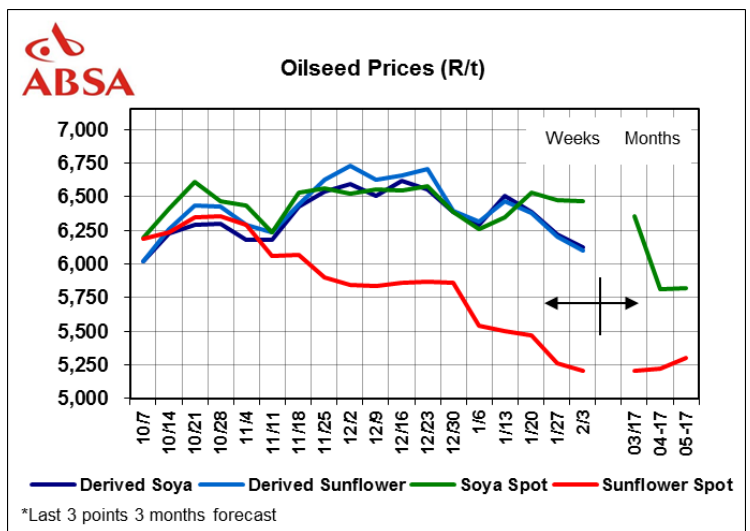
Oilseed market trends International

Oilseed prices

The weekly USA soybean price decreased week on week from US\$385.53/ton to US\$377.36/ton by 2, 12%. The average USA soya oil price for the week decreased from USA\$34.80/ton to USA\$34.04/ton and the average soymeal prices traded 2.61% lower at USA\$334.08/ton.

Bullish factors

- Argentina: There's a concern that the renewed rainfall in the first 2 weeks of February could cause excessive wet conditions and local flooding, therefore inflicting damage to the crop.
- The sizeable increase of US exports inspections for soy, corn and wheat boosted US shipments for these commodities. Soybean export inspections in the most recent week came in at 1.63million tons.



Bearish factors

- Pressure on soybean prices as Argentina's main growing region was forecast to dry out over coming weeks.
- Argentine yields reported so far are slightly below last year's yield. There's anticipation for a setback in the entire crop productivity.

Domestic

As at Wednesday the 8th of February, sunflowerseed prices (Mar 17) decreased week on week by 0.97% to R5210 from R5261 whilst soybean (Mar 17) prices increased by 0.33% from R6335/ton to R6356/t.

Bullish factors

- South Africa remains an importer of soybeans. The expected closing stock by the end of February 2017 is 73 178 ton 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.
- The local demand for sunflower seed oil remains strong leading to better margins for crushers

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.
- Soybean prices may be under pressure with the arrival of the new crop from March onwards. Crushers prefer to crush available old season sunflower seed and not more expensive soybean
- The preliminary hectares planted for soybeans increased by 7, 84 % from 516 000 ha to 542 200 ha.
- Expecting approximately a 800-900'00 ton harvest of soybean on the back of excellent growing conditions

Outlook

Internationally, the rising prices on the world market lead to a major decline in imports of fats and oils into SA. The import levels were at a lower level than Oct/Dec 2016 and only rose by 2%. This rise of imports was piggy banking on the imports of palm oil and sunflower oil and meal consumption and not soya oil.

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 08 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
CBOT Soybeans (US\$/t)**	389.02	392.88	395.64	385.90	378.83			
CBOT Soy oil (US c/lb)	34.44	34.74	34.99	35.09	35.08			
CBOT Soy cake meal (US\$/t)*	332	335	338	334	328			
SAFEX Soybean seed (R/t)	6356.00	5825.00	5900.00	5995.00	N/A			
SAFEX Soybean seed (R/t) change w/w	21.00	-10.00	-50.00		N/A			
SAFEX Sunflower seed (R/t)	5210.00	5306.00	5401.00	5481.00	N/A			
SAFEX Sunflower seed (R/t) change w/w	-51.00	-34.00	-41.00	-59.00	N/A			
Sunflower Calculated Option Prices (R/t)								
Mar-17			May-17			Jul-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5,260	122	72	5,350	246	202	5,440	291	252
5,220	99	89	5,310	224	220	5,400	270	271
5,180	80	110	5,270	204	240	5,360	249	290

*short ton

** Dec 2017 = Jan 2018

Vegetable market trends

Potatoes

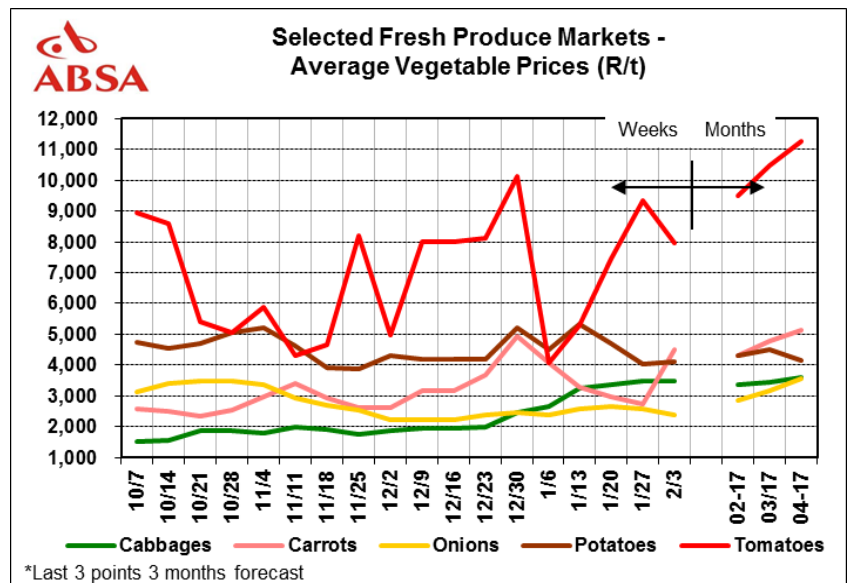
Potato volumes rose by 12.6 % week on week, while prices declined by 14.1%.

In 2016 the unprecedented increase in white maize prices lead the price of starchy crops such as potatoes higher. The new season maize crop prices is significantly lower compared to old season maize crops. The underlying support provided by maize prices is declining as the season progress.

It is in line with seasonal trends for the supply of potatoes to increase the first three months of the year which normally result in lower prices. 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.

White maize prices are near or at total production cost levels. Producers cannot afford to produce crops below production cost especially after the devastating drought. Producer resistance to limit the pricing of maize at lower prices may also provide underlying support to potato prices. If white maize meal prices are sticky enough not to follow through completely on lower white maize prices this may also add to support potato prices in the month's to come.

The recovery in rainfall and excellent growing conditions can lead to an increase in the production of potatoes for the next six months adding to increased volumes on fresh produce markets and consequent price pressure.



Onions

Volumes increased by 11.6 % week on week (from 54719 tons to 61087 tons), the prices declined by 2.7% from R2655/ton reaching R2582/ton. Prices are expected to remain under pressure for the next 3-4 weeks, as a result from the warmer winter experienced last year and the increased temperatures during November and December. The onion quality and shelf life was negatively affected, leading to the decline of the onion price.

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

Volumes were down 6.5 % week on week and the price went up 25% week on week. Tomato volumes are expected to increase in the next 2-3 weeks in the Bosveld, Hoefeld, Western Cape and Gauteng areas. The increased volumes are expected to bring the tomato price down from R12-R15/kg to R8 – R13/kg. The incline in volumes is attributed to favourable weather conditions. 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 03 February 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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