



# Agri Trends

05 June 2017

## Large soybean crop to sharply curb SA import requirements!

As the soybean crop harvest draws closer to the finish, above average yields were reported in North West, Free State, KZN, Mpumalanga and Limpopo. These yields support the anticipated record harvest the CEC has reported on the 26<sup>th</sup> May 2017, even though the market expects more than the reported 1.23 million tons of soybeans. Both sunflower and soybean crushing is forecasted to increase by almost 13% this season, in April soybean crushing was recorded at a 5-month high.

This record harvest might reduce South Africa’s soybean and vegetable oil import requirements to meet local demand.

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# Maize market trends

## International

Expect the new maize crop to get some pressure from the weekend (3-4 June 2017), from clearer weather forecast in the Midwest.

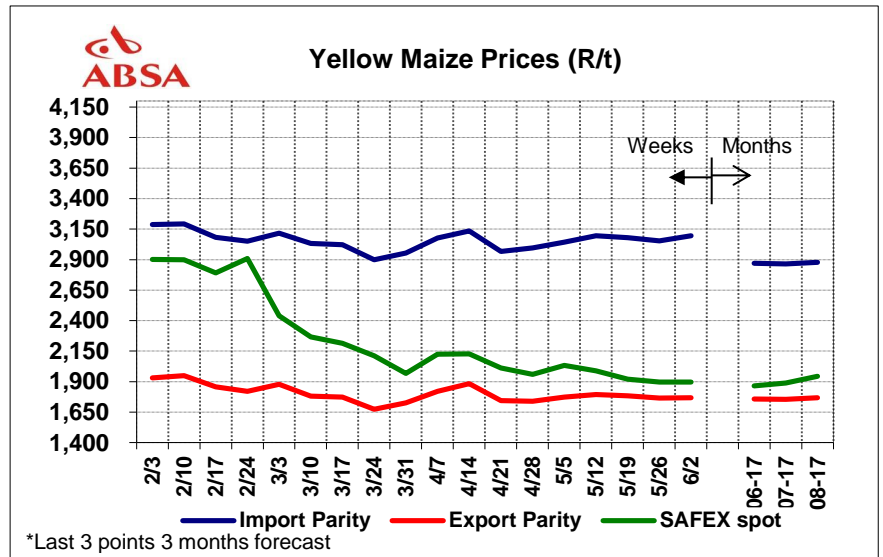
Week-on-week maize decreases of from \$158.09/ton to \$157.99/ton were reported. The rand strengthened on average week on week from R13.07 to reach R13.02 on the 2<sup>nd</sup> June 2017.

### Bullish factors

- The US records this spring as one of the wettest on record, causing major spring planting delays and soaking up the Midwestern fields.
- EU maize production estimate was cut by 2.34 million ton to 64.2 million ton, due to lower yield expectations; area planted was also lowered by 260,000 ha.

### Bearish factors

- The coming South American maize exports will add pressure on the US's exportable maize.

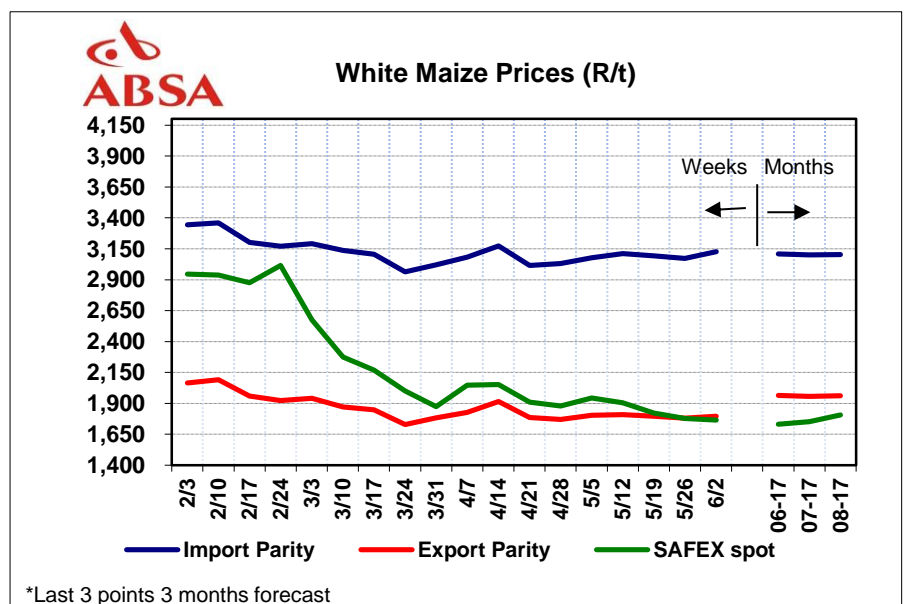


## Domestic

At week ending 02 June 2017, week on week new season white maize prices for delivery in July 2017 increased by 1.2% from R1732/ton to R1752/ton. Week-on-week new season yellow maize prices for delivery in July 2017 increased by 0.9% from R1 871/ton to R1888/ton.

### Bullish factors

- Rating agency Fitch affirms SA's sub-investment grade as "junks" status however, their outlook has changed from negative to stable.



## Bearish factors

- Fitch's change in SA's rating outlook from "negative" to "stable" backed a strengthening Rand.
- Poor employment figures from the US contributed to a stronger Rand over the weekend.
- The size of the commercial maize crop has been estimated at a stupendous 15.631 million tons.

## Outlook

The record local commercial maize crop of 15.631 million tons will have a positive effect in the intensive livestock market. We expect to see additional investment in these industries to improve their productivity and production within the next two years.

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

Yellow Maize Futures: 02 June 2017	July-17			Sep-17			Dec-17			Mar-18		
CBOT (\$/t)	146.74			149.89			153.93			157.77		
SAFEX (R/t)	1888			1944			2009			2042		
SAFEX (R/t) Change week on week (w/w)	17.00			21.00			24.00			19.00		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,980	100	64	2,040	160	129	2,080	201	163				
1,940	78	82	2,000	138	147	2,040	178	180				
1,900	59	103	1,960	118	167	2,000	157	199				

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

White Maize Futures 02 June 2017	July-17			Sep-17			Dec-17			Mar-18		
SAFEX (R/t)	1752			1807.00			1882.00			1920		
SAFEX (R/t) Change w/w	20.00			13.00			18.00			18.00		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,840	129	96	1,920	162	124	1,960	209	169				
1,800	107	114	1,880	139	141	1,920	187	187				
1,760	87	134	1,840	119	161	1,880	165	205				



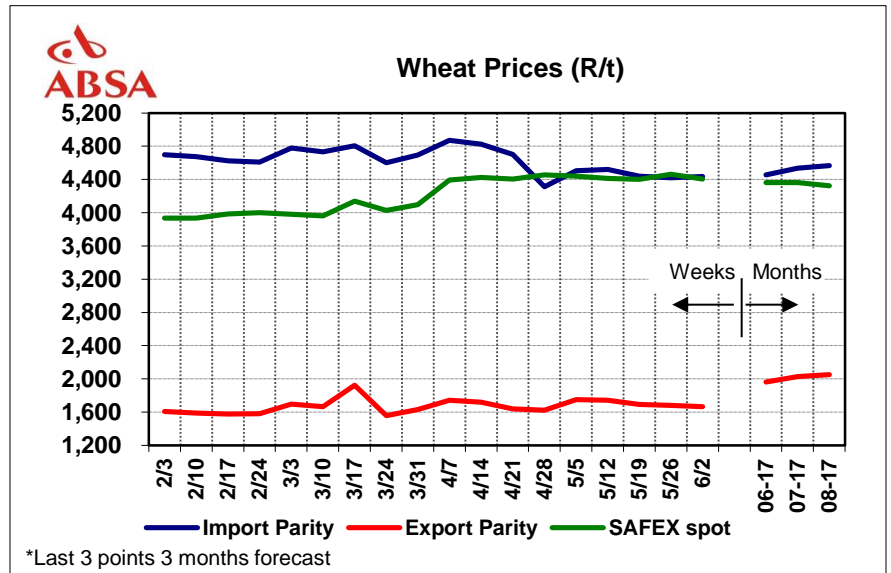
## Wheat market trends

### International

The weekly average old season HRW wheat Gulf increased price week on week from US\$180.76/ton to reach a weekly average of US\$181.64/ton on the 2<sup>nd</sup> June 2017.

#### Bullish factors

- A stronger rouble currency accompanied by concerns of cold and rainy May weather affecting the wheat quality, increased export prices.
- Exports to Turkey, (2<sup>nd</sup> largest Russian wheat buyer, after Egypt), had been stalled by a trade dispute between Moscow and Ankara.



#### Bearish factor

- US wheat exports are expected to reach 28.2 million tons by the end of the marketing year, compared to Russia's 28 million tons (making the US, the world's no.1 exporter). Egypt and Algeria are the 2 markets which the US has managed to re-enter at lower freight rates.
- US Weather forecast in the Midwestern seems favourable for planting process.

### Domestic

On 02 June 2017, wheat prices for delivery in July 2017 decreased by 0.9% from R 4400/ton to R4362/ton week on week.

#### Bullish factors

- The wheat input costs have increased by approximately 2-5% in 2017 compared to the previous year.
- The dry weather conditions in the Western Cape, may adversely affect crop yield.

## Bearish factors

- According to accuweather.com June 2017 has the highest probability of rainfall.
- The possible review of the existing wheat import tariff formulae may create further uncertainty in the market.

## Outlook

The El Nino developments are still uncertain, however it is expected that June month will probably receive rainfall in the western and south western parts of Western Cape.

80 % of the wheat has already been planted on dryland in the Swartland, should it not rain, yields will be negatively affected.

Wheat Futures 02 June 2017	Jul-17			Sep-17			Dec-17			Mar-18		
CME (\$/t)	163.05			170.86			177.38			181.61		
SAFEX (R/t)	4362.00			4323.00			4168.00			4295.00		
SAFEX (R/t) Change w/w	-38.00			-40.00			-23.00			0.00		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
4,360	231	194	4,200	311	279	4,340	399	354				
4,320	209	212	4,160	290	298	4,300	376	371				
4,280	189	232	4,120	269	317	4,260	355	390				

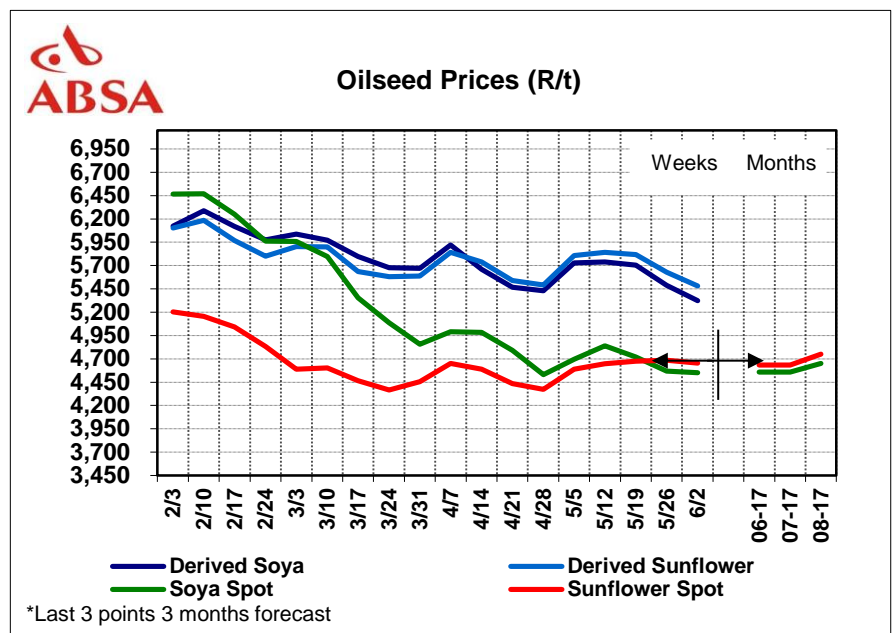
## Oilseed market trends

### International

The weekly average USA soybean price decreased week on week from US\$358.60/ton to US\$348.97/ton. US soya oil prices decreased from US\$32.53/ton to US\$31.63/ton and soymeal prices traded lower from US\$ 306.86/ton to US\$ 300.58/ton.

#### Bullish factors

- The weak Brazilian currency is causing a rise in the selling price of soybeans, but also raises the production costs (fertilizer & pesticides). Lack of financing will curb planting.
- Ongoing political crisis in Brazil, may result in less support, and less government credit given into the agricultural sector, expect Brazilian soybean crop to drop to 107.5 million tons in early 2018.
- The critical labour shortages in Malaysia will result in harvest losses of about 0.5 – 1.0 million tons of palm oil.



#### Bearish factors

- The cooler and wet weather in May, affected planting and crop development in some major growing areas in the US, rendering it necessary for the farmers to replant, or force them to shift to other crops with a later sowing window i.e. soybeans.
- Sunflower seed crop is forecasted to grow in the EU and Turkey in 2018.
- US soy oil exports were significantly large during last week (ending 2 June 2017), and the main destination was South Korea.
- The production of seed oil is expected to reduce by nearly 50 % in 2017/18, because of the expected growth in palm oil and sunflower oil.

## Domestic

On 2<sup>nd</sup> June 2017, sunflower seed prices (Jul17) decreased week on week by 1% from R 4680/ton to R 4632/ton while soybean (Jul 17) prices increased by 1.9% from R 4472/ton to R4557/ton.

### Bullish factors

- The previous season's weather conditions caused the occurrence of Sclerotinia & Alternaria in sunflowers, resulting in average yields in growing regions.
- Soybean crush margins are positive, providing support to the soybean price.

### Bearish factors

- It was an exceptional season for soybeans, due to above average crop yields achieved in most of the growing regions.

## Outlook

The CEC estimated as reported on the 26<sup>th</sup> May 2017, left the soybean crop estimate unchanged at 1.233 million tons, however industry players expect a larger crop due to great & above average yields obtained in the Free State, North West, Eastern Free State and KZN. The harvesting process is drawing to an end, and the consensus is that it was an excellent soybean season. High global soybean volumes will limit increases in local prices.

Oilseeds Futures 02 June 2017	July-17	Sep-17	Dec-17	Mar-18				
CBOT Soybeans (US\$/t)**	3118.44	3135.39	3200.21	3234.60				
CBOT Soy oil (US c/lb)	31.01	31.28	31.62	31.93				
CBOT Soy cake meal (US\$/t)*	331.76	334.73	337.58	339.23				
SAFEX Soybean seed (R/t)	4557.00	4650.00	4777.00	4852.00				
<i>SAFEX Soybean seed (R/t) change w/w</i>	85.00	70.00	62.00	57.00				
<i>SAFEX Sunflower seed (R/t)</i>	4632.00	4749.00	4924.00	4990.00				
<i>SAFEX Sunflower seed (R/t) change w/w</i>	-48.00	-61.00	-60.00	-65.00				
<b>Sunflower Calculated Option Prices (R/t)</b>								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,780	225	194	4,960	299	263	5,030	371	331
4,740	204	213	4,920	277	281	4,990	349	349



4,700	184	233	4,880	257	301	4,950	328	368
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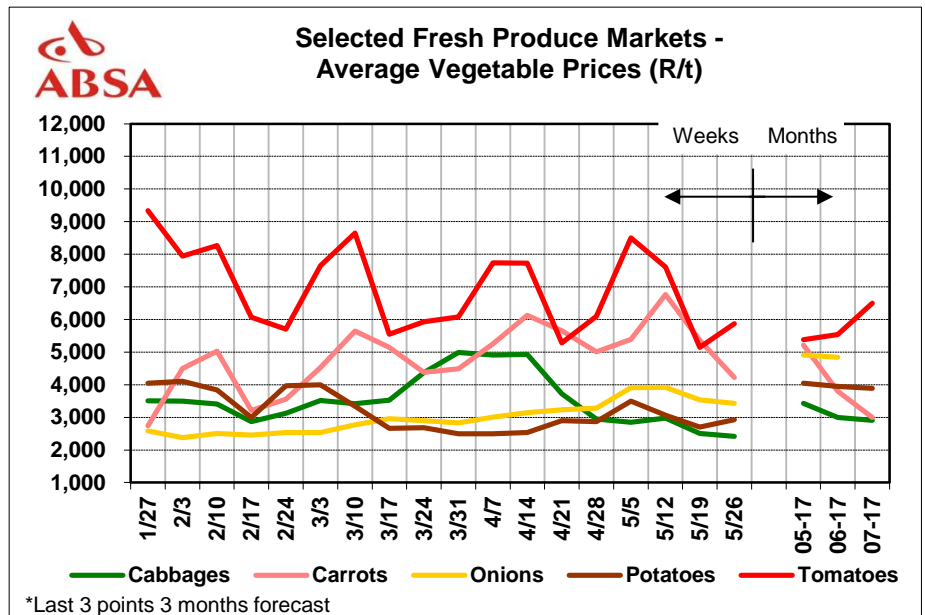
\*short ton

\*\* Dec 2017 = Jan 2018

## Vegetable market trends

### Onions

Prices declined from the previous week, due to increased volumes delivered at the markets today. Onion received from the Northern Transvaal/Limpopo areas averaged around R30-34/10kg and Western Cape R38-42/10kg. The increased volumes were as a result of higher yields thanks to better rainfall, lack of diseases and the absence of hail damage. Zambian demand was lower this week, because Zambian onion producers have harvested too, posing as a direct competitor for South African produce. Angola and Mozambique consumers slightly picked up their demand from the previous week



### Potatoes

Higher volumes on the market floors led to declines in prices for the week ending 2 June 2017. Average prices declined R30 –R32/10 kg bag.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets) – Data 1 week lagged						
Week ending	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)
26Mmay 2017						
Cabbages	-3.5%	2417	2504	9.5%	1620	1479
Carrots	-21.1%	4227	5358	23.0%	1949	1585
Onions	-3.0%	3426	3533	7.5%	6347	5903
Potatoes	8.6%	2931	2699	6.7%	17430	16340
Tomatoes	14.1%	5869	5146	-18.7%	4143	5096

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