



Agri Trends

07 July 2017

Is the soybean industry operating at its optimal level?

Definitely not!

South Africa remains a net importer of soymeal/ soya oilcake, even though our producers are planting more soybeans (SA expected to harvest a record soybean crop in this season). The capacity of the oilseeds crushing industry increased in recent years but the local demand for locally produced soymeal is lacking.

The major challenge facing the crushing industry is the lack of a market for the locally produced soya oilcake. Perspectives on the quality of locally produced soya oilcake compared to imported oilcake needs to be addressed to increase domestic uptake/demand.

There's definitely still scope to increase demand and curb some imports!

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Maize market trends

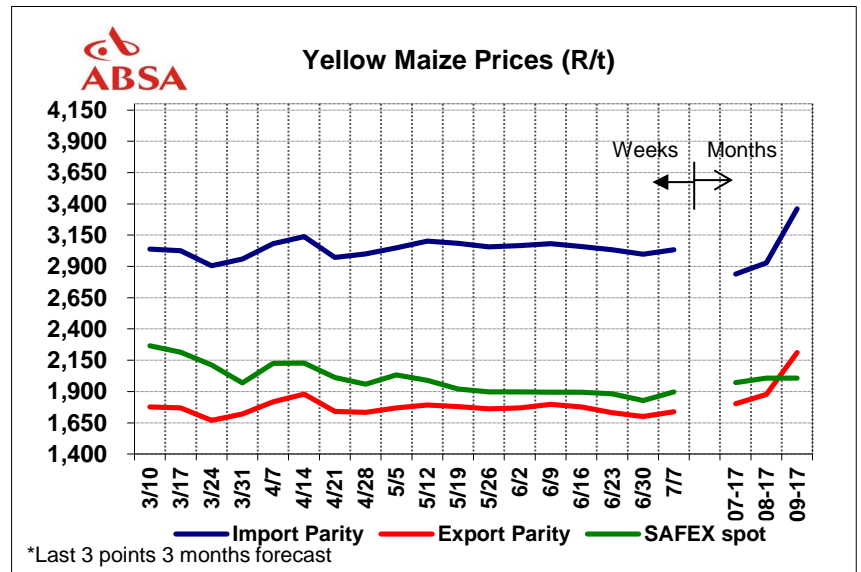
International

Record maize crop in South America, is challenging Brazil’s storage capacity. Warehouses are still full of soybeans while farmers start the winter-maize harvest.

Week-on-week yellow maize No 2 gulf price increased from US\$153.86/ton to \$157.95/ton.

Bullish factors

- Floods have slowed maize harvesting in some parts of Argentina. The country’s usual May-June harvesting season will likely be pushed back into late July due to later planting and extremely wet weather.



Bearish factors

- Supplies of maize from the US are expected to remain ample for the future. The US Department of Agriculture’s Stock and Acreage Report released on Friday 30th June 2017 raised its 2017 US maize planting estimate and pegged the country’s 01 June 2017 maize stock at more than 5.2 billion bushels, the most in 30 years.
- Argentina is expected to reap a record maize crop, which may surpass 100 million tons for the first time.

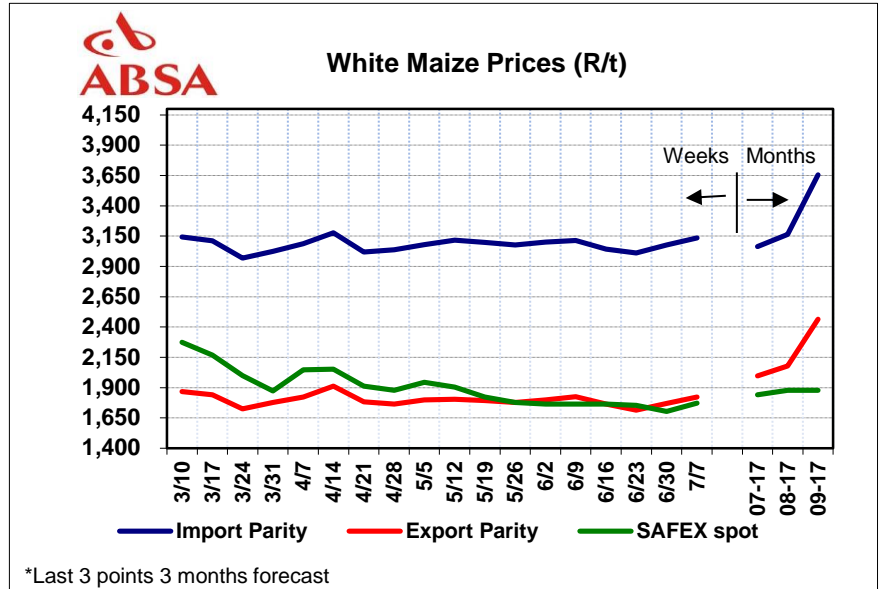
Domestic

Most domestic maize producing areas' harvest process is in full swing, and great yields were reported. Weekly total maize deliveries at SAFEX silo's declined week on week from 1,360,908 to 1, 289, 754 tons.

By the July 6th, week on week new season white maize prices for delivery in July 2017 increased by 8% from R1690/ton to R1826/ton. Week-on-week new season yellow maize prices for delivery in July 2017 increased by 8.2% from R1808/ton to R1956/ton.

Bullish factors

- Kenyan government will conduct its elections during first week of August. No local new crop is expected before October, so imports will drive maize supply for the next 4-5 months and at this stage government the only importer. Main importing source will be Mexico and South Africa.
- South African maize exports slightly picked up during the week 23 June 2017- 30 June 2017. With a total 44 556 ton white maize exported (36 499 ton destined for Kenya) and 68 018 ton yellow maize exported (66 100 ton destined for Taiwan).



- The Rand weakened after a proposal that the SARB (South African Reserve Bank) be nationalised.

Bearish factors

- Most domestic maize producing areas' harvest process is in full swing, and great yields were reported.

Outlook

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.

Yellow Maize Futures: 06 July 2017			July-17	Sep-17	Dec-17	Mar-18		
CBOT (\$/t)			149.70	153.73	158.55	162.29		
SAFEX (R/t)			1956	2007	2082	2118		
SAFEX (R/t) Change week on week (w/w)			148	146	156	142		
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,040	82	49	2,120	154	116	2,160	197	155
2,000	60	67	2,080	132	134	2,120	175	173
1,960	42	89	2,040	112	154	2,080	154	192

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

White Maize Futures 06 July 2017			July-17	Sep-17	Dec-17	Mar-18		
SAFEX (R/t)			1826	1878	1949	1995		
SAFEX (R/t) Change w/w			136	132	147	141		
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,920	112	70	1,980	148	117	2,030	201	166
1,880	90	88	1,940	126	135	1,990	179	184
1,840	70	108	1,900	106	155	1,950	158	203

Wheat market trends

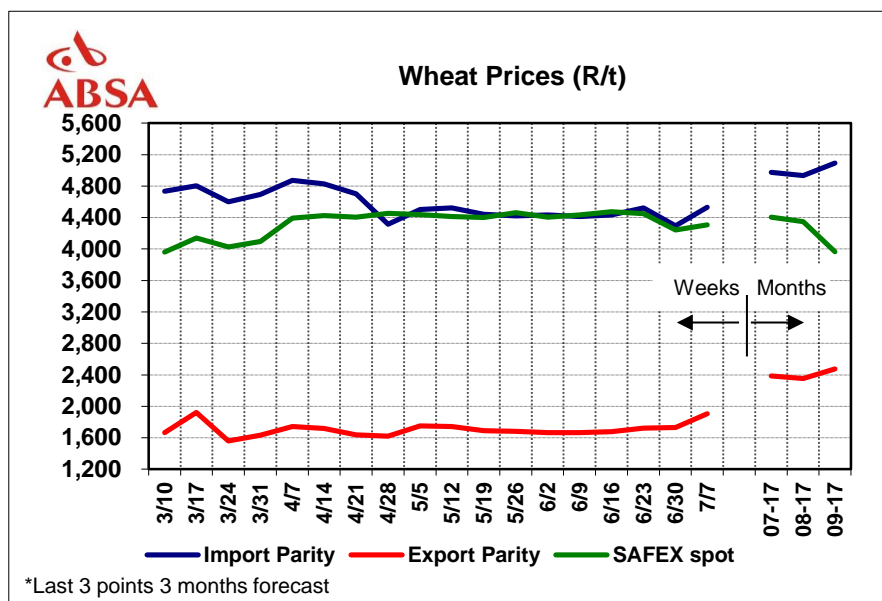
International

Critical dry conditions from Australia to the US and Canada have led to soaring spring wheat prices. The US Department of Agriculture June 30th 2017 Stocks & Acreage report, showed a higher than anticipated reduction in the US wheat acreage to the lowest in at least 50 years.

The weekly average old season HRW wheat Gulf increased price week on week from US\$188.47/ton to reach a weekly average of US\$194.63/ton

Bullish factors

- Wheat imports by Spain, the European Union's top buyer, will soar further than expected, by 43%. Due to Spain cutting its own harvest, thanks to dry weather.
- Drought and shrinking area plantings across the High Plains caused prices to increase by 52 % this year. Majority of the wheat growing areas of Montana and the Dakotas were in moderate to extreme droughts as of June 27, and the area for all varieties of wheat planted for 2017 is the smallest on record since 1919.
- Because of too dry conditions, downward revisions were made to the Canadian area planted to a 6-year low (9.1 million ha)



Bearish factor

- Argentine farmers are currently planting winter crop and may further boost wheat sowings by 0.4 million hectares.

Domestic

On 6th July 2017, wheat prices for delivery in July 2017 increased by 4.1% (R174) from R 4229/ton to R4403/ton week on week. This was supported by international bullish trends. Prices of high-protein wheat surged due to deteriorating crop conditions in the United States of America.

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.

Bearish factors

- The Rand weakened amid policy uncertainty, when a proposal was made that the South African Reserve Bank (SARB) be nationalized. South Africa is a net importer of wheat. A weaker Rand makes it imports less affordable.

Outlook

World wheat stocks are still seen as ample, however high protein wheat supplies could become tighter in view of a deteriorating crop outlook in the US because of adverse weather. The exportable wheat stocks in major supplying countries (Ukraine, EU, Australia and the US) are expected to decline due to the drought.

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

Wheat Futures 06 July 2017	Jul-17			Sep-17			Dec-17			Mar-18		
CME (\$/t)	198.05			206.22			212.38			215.60		
SAFEX (R/t)	4403			3964			3751			3865		
SAFEX (R/t) Change w/w	4.1%			-1.0%			-1.8%			-1.9%		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
4,000	169	133	3,800	265	216	3,900	334	299				
3,960	147	151	3,760	243	234	3,860	312	317				
3,920	127	171	3,720	222	253	3,820	290	335				

Oilseed market trends

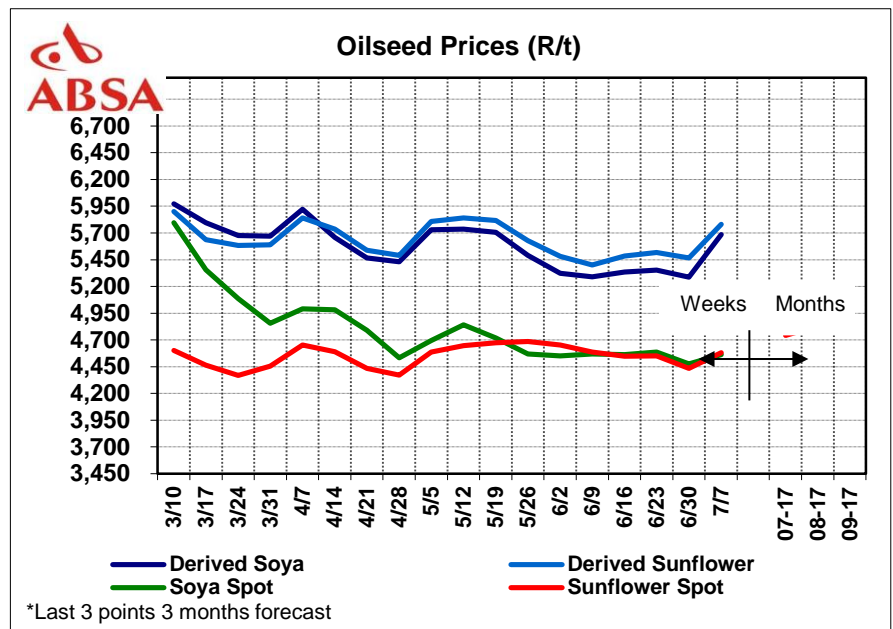
International

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.

The weekly average USA soybean price increased week on week from US\$347.31/ton to US\$373.77/ton. US soya oil prices increased from US\$31.78/ton to US\$32.75/ton and soymeal prices traded higher from US\$ 294.02/ton to US\$ 308.02/ton.

Bullish factors

- Indian oilseed production prospects have declined because the Indian domestic oilseed prices reduced below the minimum support level tempering the interest of farmers for oilseed cultivation.
- India may raise their import taxes on vegetable oils soon, to support domestic oilseed prices
- In India production of rapeseed oil has been dampened by reserved farmer sales and poor margins.
- Estimated Chinese soybean imports at 91 million ton and expect crushing to increase by 6.4 million ton to 82.2 million ton by Oct/Sept 2017/18.
- Argentine soybean plantings are likely to decline further in 2018, as area planted for soybean is shifted to other commodities such as wheat, maize and sunflower.
- Crop stress is apparent in the Ukraine and southern Europe. There's a possibility that next season's supplies of sunflower seed, oil and meal may drop, causing an increased demand for sun oil & meal and palm oil.



Bearish factors

- Sunflower seed production and supplies exceeded expectations from 2016/17 primarily in the Ukraine and Russia whose combined crushing is seen rising substantially by 3.6 million ton Oct/Sept 2016/17
- Increased palm kernel production in Malaysia and Indonesia will boost processing of palm kernels by 1.9 million ton (15%). Palm kernel oil prices have come under pressure due to rising production and stocks. Indonesian and Malaysian palm oil supplies are set to increase July/Dec 2017.
- Processing of rapeseed and canola will recover seasonally to an estimated 16.2 million ton in July/Sept 2017, due to new crop supplies becoming available from CIS countries, EU, North America and China. Statistics Canada released planting estimate for canola at record 9.24 million ha up by 1 million ha from last (1st time that canola planting area is are more than wheat planting of 9.1 million ha)

Domestic

On 6th July 2017, sunflower seed prices (Jul17) increased week on week by 4.1% from R 4489/ton to R 4674ton while soybean (Jul 17) prices increased by 7.9% from R 4394/ton to R4740/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 ripple effects of the expected domestic bumper maize crop could lead to a shift to soybean plantings.
- 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 an 8.7% increase from the previous estimate. The harvest process is almost complete, great yields are supportive of the CEC estimate.
- The Rand weakened amid policy uncertainty.

Outlook

The ripple effects of the recent expected bumper maize crop could lead to a shift to soybean plantings, but prices need to favor the production of soybeans to that of maize during the following planting period of summer crops. The expected bumper maize crop, may keep maize price under pressure, especially with the expected 2.2 million ton carry-over stock into the next marketing year. That may prompt increased soybean plantings, in order to reap better prices. Given excellent production conditions in the coming season and SA being a net importer of soybean oilcake and vegetable oils producers should be incentivized to increase soybean plantings.

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. Crop stress is apparent in the Ukraine and southern Europe. There's a possibility that next season's supplies of sunflower seed, oil and meal may drop, causing an increased demand for sun oil & meal and palm oil.

Oilseeds Futures 06 July 2017			July-17	Sep-17	Dec-17	Mar-18		
CBOT Soybeans (US\$/t)**			360.36	364.04	369.92	369.00		
CBOT Soy oil (US c/lb)			32.83	33.03	33.38	33.65		
CBOT Soy cake meal (US\$/t)*			351.65	356.15	362.31	363.74		
SAFEX Soybean seed (R/t)			4740	4857	4984	5040		
<i>SAFEX Soybean seed (R/t) change w/w</i>			346	357	353	313		
SAFEX Sunflower seed (R/t)			4674	4828	4997	5062		
<i>SAFEX Sunflower seed (R/t) change w/w</i>			185	194	186	182		
Sunflower Calculated Option Prices (R/t)								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,860	181	149	5,040	278	235	5,100	352	314
4,820	160	168	5,000	256	253	5,060	330	332
4,780	140	188	4,960	236	273	5,020	309	351

*short ton

** Dec 2017 = Jan 2018

Vegetable market trends

Onions

Prices are expected to remain under pressure for the next week due to higher volumes saturating the market. The onion price is currently experiencing one of its worst years, due to lack of demand from importing African countries (mainly driven by lower economic growth, affecting household incomes).

The market anticipates prices to increase in the next two months, due to lower volumes delivered. This will prompt

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. A 3.9 % decline in volumes supported prices for this week. Prices were ranging at R5/kg- R6/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

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, post month-end.

Potatoes

Market prices are expected to move sideways during the winter months (May-Jul) then start to increase towards end July, entering into August. Prices declined week on week by 0.4 %.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 06 July 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	2.7%	2260	2200	-6.6%	1622	1736
Carrots	2.3%	3160	3090	-4.4%	2175	2276
Onions	0.0%	3120	3120	-1.0%	6257	6322
Potatoes	-0.4%	2790	2800	4.2%	18227	17498
Tomatoes	5.0%	4230	4030	-3.9%	5096	5301

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