



Agri Trends

05 March 2018

Agriculture, South Africa's potential to economic growth!

South African producers are rated among the best in the world. However, at the latest “Hacking the Farm” TEDx event the importance of agriculture was highlighted. The country’s producers are well able to supply and its vast population even during the harshest conditions as previously seen during the drought years. Primary agriculture only contributes about 2% to the GDP, however further linkages in the agro processing and manufacturing sector adds more significantly to the total GDP. A big concern is that the average age of farmers in SA is about 62 years. The question was why young people are steering away from agriculture? One of the reasons is that the industry was never painted as lucrative, or appealing to the youth as opposed to other industries. It is time that agriculture gets celebrated for the beacon of hope that it is. Industry should encourage young people to participate, invest and learn in this sector and change the old-age mind-set, because who will produce our food 20-30 years from now? The latest technological developments in agriculture poses a great opportunity for anybody interested in agriculture to pursue a career. And this is not only limited to producing the crops, livestock and fibre. For more info on the past event visit www.tedxjohannesburg.co.za

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Contact us at Absa AgriBusiness:

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

Conce.Moraba@absa.co.za

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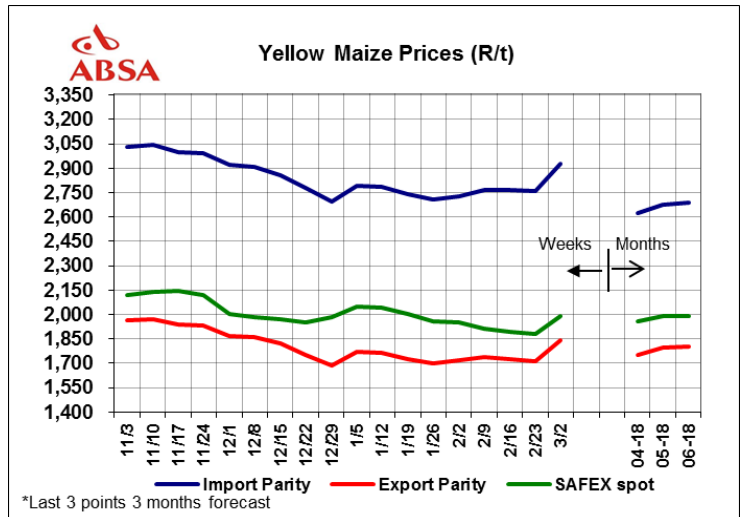
Maize market trends

International

Week-on-week yellow maize No 2 gulf price increased from US\$162.88/ton to US\$169.16/ton. Price support stemmed from increased US exports and continuous dry weather concerns in Argentina.

Bullish factors

- Global grains output outlook is dimmer mainly because of poorer maize output prospects in Argentina, Brazil and South Africa. According to IGC the forecast for total grains (wheat and coarse grains) production in 2017/18 is 6 million ton lower (month-on-month) at 2,094 million ton, a decline of 2% year-on-year.
- Argentina received some light scattered showers, but there wasn't any significant improvement in the weather conditions. Dryness still persists.
- Brazil's second safrinha planting is lagging behind the previous year's level.



Bearish factors

- The size of South Africa's maize crop is higher at 16.820 million tons, adding to the global stocks.

Domestic

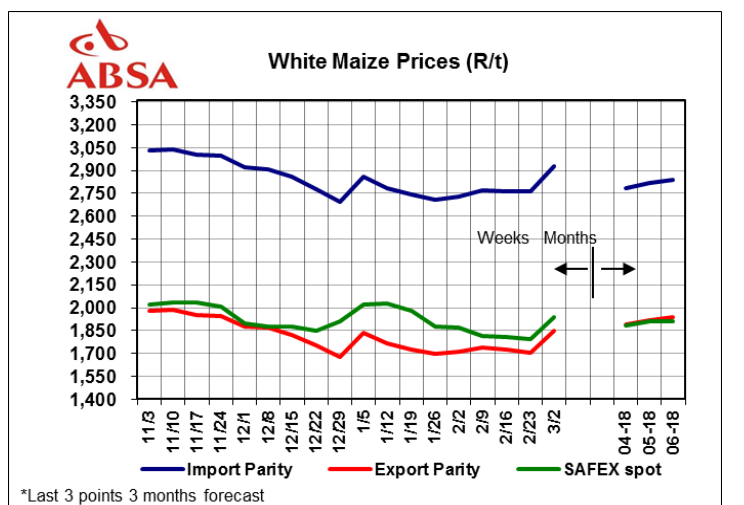
The local maize market traded higher week on week by the 2nd March 2018 new season white maize prices for delivery in May2018 were R1913/ton up by 4.7% (R86/ton), Jul 2018 contracts increased week-on-week by 4.4% (R82/ton) from R1876/ton to R1958/ton. Week-on-week new season yellow maize prices for delivery in May2018 increased by 4% (R77/ton difference) from R1913/ton to R1990/ton. Prices for delivery in Jul2018 for yellow maize were recorded at R2018/ton a 3.9% increase from R1943/ton.

Bullish factors

- The commercial maize revised area estimate is 2 302 700 ha (12.40% or 325 900 ha less than the 2 628 600 ha planted previous season and 0.28% or 6 500 ha less than the preliminary area estimate of 2 309 200 ha released in January 2018).
- White maize area was reduced by 26,500 ha to 1.258 million hectares according to CEC's revised area planted and 1st production forecast.

Bearish factors

- According to the CEC's revised area planted released 28 February yellow maize was increased by 20 000 hectares to 1.045 million hectares.
- Favourable weather conditions expected in the short-medium for the summer crop growing regions.



Outlook

Local

Favourable weather outlook and the volatility of the Rand will remain particular focus areas, impacting the market. Export activity remains sluggish. With the current strong Rand and lower domestic prices, we anticipate better commercial buying. Total commercial maize crop revised area planted declined marginally, however large stocks still available in the domestic market.

International

Strong export activity from the US and persisting poor weather conditions in South America (especially Argentina) keeps being price factors. Safrinha crop in Brazil is lagging behind due to weather issues.

Yellow Maize Futures: 02 March 2018	May-18	Jul-18	Sep-18	Dec-18
CBOT (\$/t)	147.53	150.58	153.34	156.39
SAFEX (R/t)	1990	2018	2073	2135
SAFEX (R/t) Change week on week (w/w)	77	75	81	81

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

White Maize Futures 02 March 2018	May-18	Jul-18	Sep-18	Dec-18
SAFEX (R/t)	1913	1958	2007	2074
SAFEX (R/t) Change w/w	86	82	86	83

Wheat market trends

International

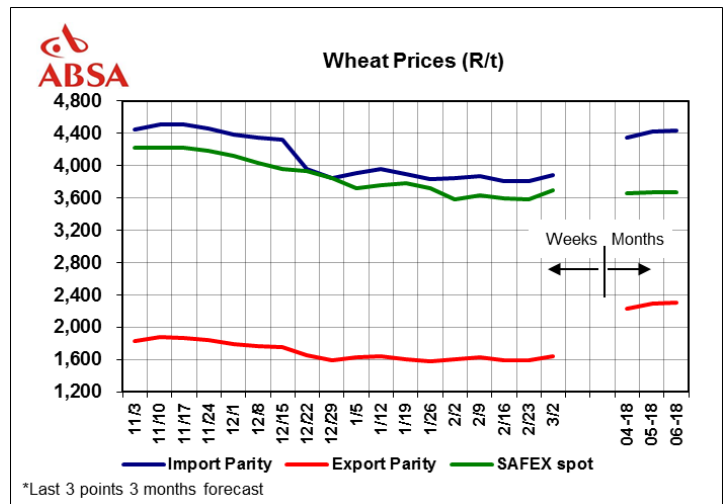
The weekly average old season HRW wheat Gulf price remained at US\$188.59/ton week on week, while the weekly average SRW wheat price increased from US\$189.06/ton to US\$198.85/ton week on week.

Bullish factors

- IGC reports that in 2018/19, reduction in both global areas planted and average yields may cause global wheat harvest downgrades, and stocks are predicted to come down for the first time since 2012/13.
- The dry weather in the southern Plains continued to put pressure on the production prospects of US HRW.
- EU and CIS countries had some concerns of a cold spell outlook in the latter part of February.

Bearish factors

- US exports are sluggish, with a 12% decline year-on-year.



Domestic

On 2nd March 2018, wheat prices for delivery in May 2018 increased by 1.7% (R60/ton) from R3614/ton to R3674/ton. Jul 2018 prices increased by 1.5% (R55/ton) from R3670/ton to R3725/ton, week on week.

Bullish factors

- Local prices traded positively following higher international prices, supported by unfavourable weather conditions in the US and parts of the EU.

Bearish factors

- The lower tariff of R394.90/ton still pending publication will have a negative effect on the producers during their optimal planting time. Dry land wheat producers in both the Western Cape and Free State can be impacted negatively when the new tariff is published during their preparations for the next wheat plantings in May.
- The Rand slightly weakened during this week after rallying the previous week. This will support imports.
- SA imported 68 453 tons of wheat for the week ending 23 February 2018.

Outlook

Local

Prices continue to follow international prices, because SA is a net importer of wheat. This week higher international prices on the back of poor weather conditions in the US and EU supported domestic prices. The strong Rand will enable more wheat imports to supplement the local needs after SA's very poor wheat season. Weather outlook for the next week shows possible rainfall for the Western Cape.

International

The dryness in the US remains a concern. Freezing weather in parts of the EU could potentially result in some winterkill of crops and heavy snow in the CIS countries seen disrupting transportation and loading at the ports. The burdensome world supplies and strong export competition, keeps a lid on any significant price increases. World market is currently responding to the weather movements.

Wheat Futures 02 March 2018	May-18	Jul-18	Sep-18	Dec-18
CME (\$/t)	194.19	199.06	205.67	210.36
SAFEX (R/t)	3674	3725	3700	3677
SAFEX (R/t) Change w/w	60	55	50	0

Oilseeds market trends

International

The weekly average USA soybean price increased week-on-week from US\$391.96/ton to US\$404.54/ton. US soya oil prices marginally increased from US\$31.91/ton to US\$32.20/ton and soymeal prices traded higher from US\$348.78/ton to US\$355.68/ton.

The severity of the drought in Argentina remains the main topic.

Bullish factors

- Argentinian soybean and sunflowerseed crop production resembles the dryness situation in 2009 and 2012. Large crop losses are expected. Further reductions expected to the soybean and soymeal crop size.
- Indian government further raised crude oil and processed palm oil import taxes by 14%, effective 1st March 2018.

Bearish factors

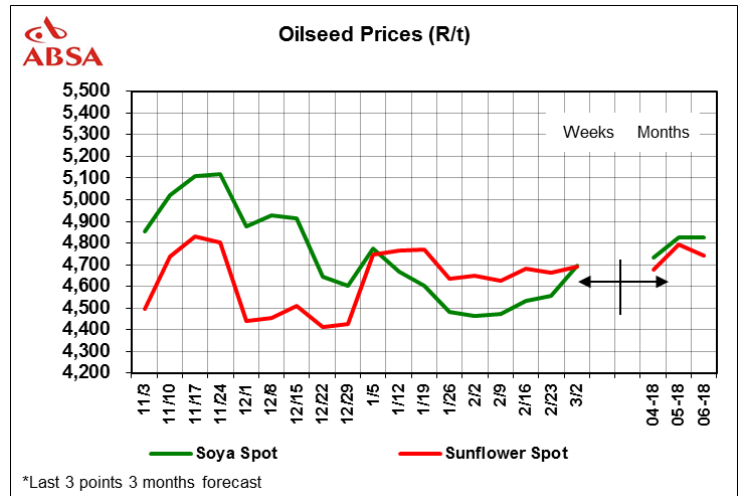
- World vegetable oil production has turned out better than expected from a month ago. Vegetable oil prices are also slightly down, in view of possible abundant palm oil supplies.
- Argentinian producers will likely sell more now at this higher, more attractive prices.
- There are still some very large stocks of soybeans available in Argentina and Brazil.
- The Chinese stocks are at record levels after their imports in January and better domestic production. Oilworld therefore expects a slower import demand rate.
- Palm oil prices have declined in Malaysia upon the announcement of the Indian Government to increase import duties of crude oil to 44% (previously 30%).

Domestic

On March 2nd, new season sunflower seed prices (May2018) increased week on week by 2.2% (R104/ton) from R4639/ton to R4743/ton while soybean (May2018) prices increased by 4.2% (R196/ton) from R 4630/ton to R4826/ton. Prices traded higher, especially soybean and soymeal prices due to weather related crop losses in South America. Vegetable oils prices were lower, abundant world market supplies, weighed down the market, as can be seen by the lower sunflower seed & sunflower seed prices.

Bullish factors

- Sunflower seed planting was below expectations due to lower rainfall received in January 2018.
- The revised sunflower seed area estimate is 584 900 hectares (8% or 50 850 hectares less than the previous planted area of 635 750 ha). Sunflower seed production is expected at 731 505 tons (16% less than 874 000 tons of the previous season).
- Due to production failures in Argentina, soybean and soymeal prices fared higher, supporting local soybean prices that are derived from the international soybean prices.



Bearish factors

- Improving weather conditions are raising the soybean crop production prospects. Soybean planted estimate is 775 300 hectares which represents a 35% increase compared to the 573 950 hectares planted last season.
- The planted area estimate for groundnut is 56 300 hectares (0.54% or 300 ha more than the 56 000 ha previous season).
- Soybean deliveries at the end of January 2018, from SAGIS stats show a 97.6% cumulative delivery of the final 1.32 million ton production.
- According to SAGIS cumulative sunflower seed delivered at the end of January 2018 was 99.6% of the 874 000 tons.

Outlook

Local

Sunflower seed planting was below expectations due to lower rainfall received in January 2018. The revised sunflower seed area estimate is 584 900 hectares (8% or 50 850 hectares less than the previous planted area of 635 750 ha). Sunflower seed production is expected at 731 505 tons (16% less than 874 000 tons of the previous season). Improving weather conditions are raising the soybean crop production prospects. Prices are currently enjoying international price support; however we expect the increased production of soybeans to add to current stocks which may place oilseed prices under strain.

International

Argentinian soybean and sunflowerseed crop was seen deteriorating further due to dryness. Required rains did not suffice in soybean belt. Further crop deterioration was seen during the week ending 2nd march 2018. There's a possible further reduction again in February. Prices for soy meal keep appreciating in March 2018.

Oilseeds Futures 02 March 2018	May-18	Jul-18	Sep-18	Dec-18
CBOT Soybeans (US\$/t)**	392.42	395.55	386.82	382.50
CBOT Soy oil (US c/lb)	32.75	32.81	34.82	33.52
CBOT Soy cake meal (US\$/t)*	392.31	393.08	387.80	378.90
SAFEX Soybean seed (R/t)	4826	4923	4999	5095
<i>SAFEX Soybean seed (R/t) change w/w</i>	196	198	153	168
<i>SAFEX Sunflower seed (R/t)</i>	4743	4755	4874	5040
<i>SAFEX Sunflower seed (R/t) change w/w</i>	104	56	72	110

*short ton

** Dec 2018 = Jan 2019

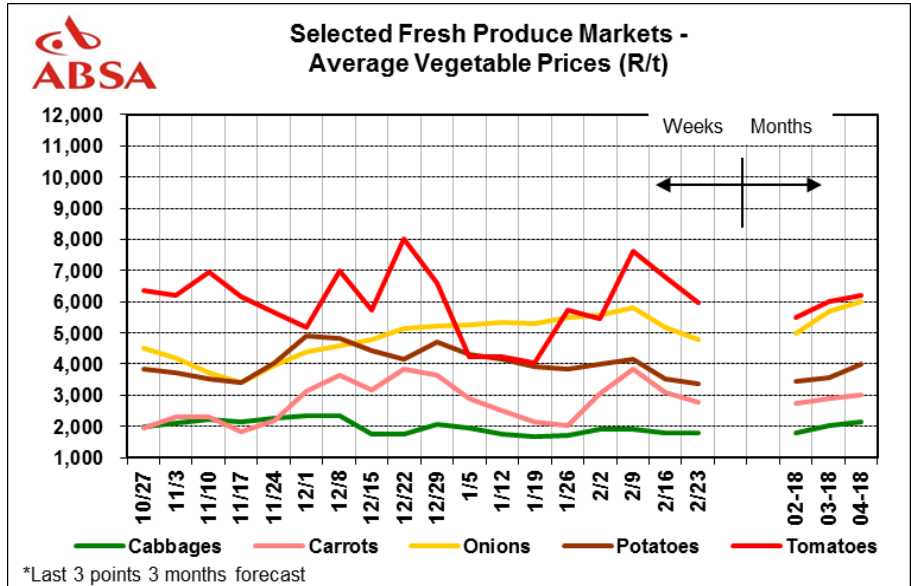
Vegetables market trends

Onions expected to rise over coming months

The reduction in onion plantings have led to increased prices from December 2017 when the Western Cape started delivering their produce to the Fresh Produce markets. Yields and quality was compromised during the heat waves and the drought. Prices are currently trading at R50-60/10kg bag. Lower volumes are delivered at the Fresh Produce markets, crop is smaller, and therefore prices are anticipated to increase over the next two months.

Potato prices lower

Area harvested declined in the Western Cape (Sandveld) and Eastern Cape region due to persisting dryness and heat. The situation can change drastically within the first 5 months of 2018, depending on drought (or any other weather abnormalities). In the short term, we anticipate normal seasonal potato prices to take place, prices expected to pick up around March 2018 to April 2018. The potatoes delivered so far at the markets are of good quality. Prices were lower week-on-week; demand was sluggish from the consumer side.



Tomatoes prices decline, poorer quality delivered.

Prices still declined significantly by 16% irregardless of the lower volumes delivered at the Top 5 Fresh Produce Markets. The higher than normal temperatures of above 37°C experienced during the heat waves between the end of 2017 and early 2018, caused tomato plants to wither, some plants didn't yield any fruits. Produce that was delivered was of fairly poorer quality.

Week ending	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)
02 March 2018					
Cabbages	1810	1790	-22.1%	1562	2005
Carrots	2790	2690	-12.3%	2030	2315
Onions	4980	4960	-9.0%	5782	6354
Potatoes	3440	3340	-13.4%	13945	16110
Tomatoes	6540	5930	-8.4%	3901	4260
Peppers	8750	7700	-11%	743	839

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.