



# Agri Trends

17 August 2018

## Increased milk production and lower demand leading to lower milk prices.

South African milk production significantly increased in 2017, a 4% year on year increase was reported compared to 2016. The 2016/17 summer grains production season received good rains, which led to surplus soybean and maize production. Large feed supplies, lead to lower feed prices therefore positive milk to feed price ratios. Lower feed prices encouraged milk production from June 2017. The sustained uptrend in domestic production and limited consumer demand has in return lead to lower prices from May 2018. Current milk production during April 2018 was 6% higher when compared to the same time last year. The number of dairy farmers continue to decline per year over the long term we see a decline of 400 farmers per year, currently the country only has about 1300 odd producers. Production however has increased over time.

In the first half of 2018, Eastern Cape had delivered 23% of South Africa milk (11-12% higher than milk delivered in 2017). Kwa Zulu-Natal had delivered about 26-27% of the nation's milk in 2018 (about 15-20% higher than the previous year). The coastal region producers (KZN, EC, and WC), produce milk at a lower cost than inland producers. During June 2018, inland producer prices were around R4.20-R4.30/litre. At this price levels coastal milk producers still manage to produce at a profit.

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# Maize market trends

## International

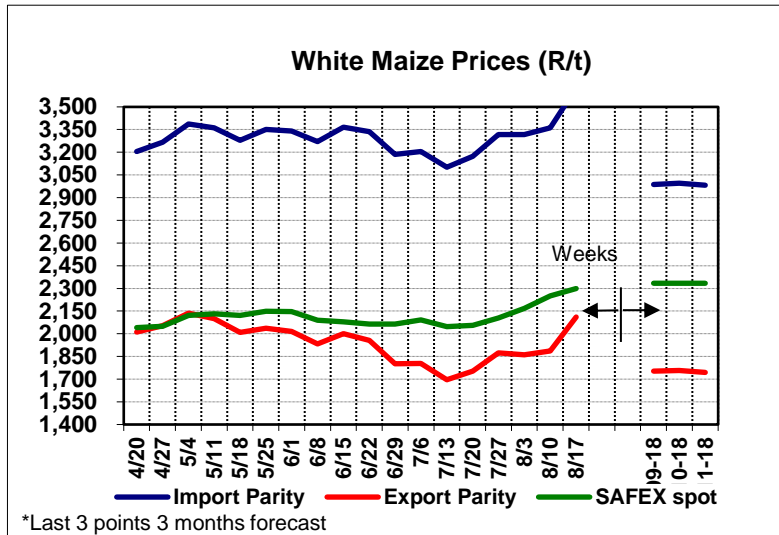
Week-on-week yellow maize No 2 gulf price decreased from US\$166.70/ton to US\$165.83/ton.

### Bullish factors

- Outlooks of drier weather in the western maize belt supported prices despite the US dollar strength.
- The 2018/19 US maize ending stocks is anticipated to be lower despite the above average yields expected and higher production.

### Bearish factors

- The USDA reported 70% of the US maize crop good/excellent week-on-week. The market expected a slight drop in ratings. US maize prices traded lower week-on week.
- The latest USDA August report reported a record yields for US maize that caused prices to drop during the week.
- Weather conditions have been favourable for the US maize crop. Next week's weather conditions expected to be favourable too.

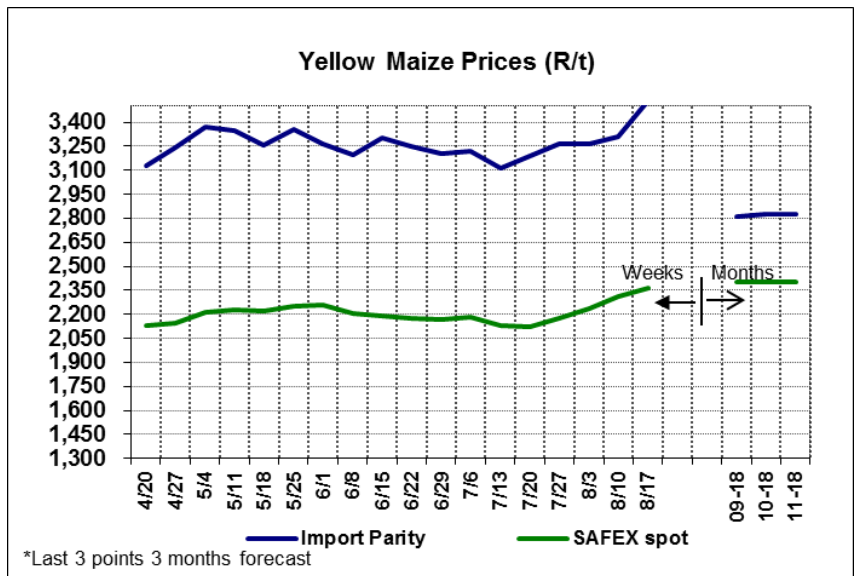


## Domestic

On 17 August, local maize market traded lower week on week. New season white maize prices for delivery in Sep 2018 traded higher by R22/ton from R2312/ton to R234/ton. Week-on-week new season yellow maize prices for delivery in Sep 2018 increased R40/ton from R2362/ton to R2402/ton.

### Bullish factors

- Significant weakening of the Rand last week, making SA exports more competitive in the global market.
- Local maize prices gained some ground despite lower international prices, finding support from the weaker Rand.
- 64070 tons of maize was exported for the week ending 3 August 2018. This brings cumulative exports for the season to 1.031 million tons. According to industry, there were some logistical issues and the exports for the 3<sup>rd</sup> August 2018 fell short of expectation.



### Bearish factors

- 64070 tons of maize was exported for the week ending 3 August 2018. This brings cumulative exports for the season to 1.031 million tons. According to industry, there were some logistical issues and the exports for the 3<sup>rd</sup> August 2018 fell short of expectation.
- Cumulative season deliveries according to SAGIS were 9.095 million tons.

### **Outlook**

Local maize prices gained some ground despite lower international prices, finding support from the weaker Rand. 64070 tons of maize was exported for the week ending 3 August 2018. This brings cumulative exports for the season to 1.031 million tons. According to industry, there were some logistical issues and the exports for the 3<sup>rd</sup> August 2018 fell short of expectation.

### **International**

The 2018/19 US maize ending stocks is anticipated to be lower despite the above average yields expected and higher production.

Table 1: Week on week yellow maize futures and estimated option prices

| Yellow Maize Futures:<br>17 August 2018         |     | Sep-18 |        |     | Dec-18 |        |     | Mar-18 |  |  | May-19 |  |  |
|---|-----|--------|--------|-----|--------|--------|-----|--------|--|--|--------|--|--|
| CBOT (\$/t)                                     |     | 143.79 |        |     | 149.50 |        |     | 154.13 |  |  | 156.88 |  |  |
| SAFEX (R/t)                                     |     | 2402   |        |     | 2506   |        |     | 2544   |  |  | 2534   |  |  |
| SAFEX (R/t)<br><i>Change week on week (w/w)</i> |     | 40     |        |     | 44     |        |     | 38     |  |  | 44     |  |  |
| Sep-18  |     |        | Dec-18 |     |        | Mar-19 |     |        |  |  |        |  |  |
| Ask   | Put | Call   | Ask    | Put | Call   | Ask    | Put | Call   |  |  |        |  |  |
| 2,200   | 0   | 202    | 2,280  | 46  | 272    | 2,300  | 73  | 317    |  |  |        |  |  |
| 2,160   | 0   | 242    | 2,240  | 36  | 302    | 2,260  | 62  | 346    |  |  |        |  |  |
| 2,120   | 0   | 282    | 2,200  | 28  | 334    | 2,220  | 51  | 375    |  |  |        |  |  |

Table 2: Week on week white maize futures and estimated option prices

| White Maize Futures<br>17 August 2018 |     | Sep-18 |        |     | Dec-18 |        |     | Mar-19 |  |  | May-19 |  |  |
|---------------------------------------|-----|--------|--------|-----|--------|--------|-----|--------|--|--|--------|--|--|
| SAFEX (R/t)                           |     | 2334   |        |     | 2435   |        |     | 2487   |  |  | 2511   |  |  |
| SAFEX (R/t)<br><i>Change w/w</i>      |     | 22     |        |     | 25     |        |     | 27     |  |  | 40     |  |  |
| Sep-18                                |     |        | Dec-18 |     |        | Mar-19 |     |        |  |  |        |  |  |
| Ask                                   | Put | Call   | Ask    | Put | Call   | Ask    | Put | Call   |  |  |        |  |  |
| 2,100                                 | 0   | 234    | 2,180  | 44  | 299    | 2,220  | 97  | 364    |  |  |        |  |  |
| 2,060                                 | 0   | 274    | 2,140  | 35  | 330    | 2,180  | 84  | 391    |  |  |        |  |  |
| 2,020                                 | 0   | 314    | 2,100  | 27  | 362    | 2,140  | 73  | 420    |  |  |        |  |  |

## Wheat market trends

### International

The weekly average old season SRW wheat Gulf price remained unchanged at US\$228/ton week on week. Weekly average HRW wheat price decreased from US\$255/ton to US\$251/ton week on week.

#### Bullish factors

- The USDA cut its world wheat production estimates lower than market anticipated.
- The USDA reduces World 2018/19 wheat supplies this month by 7.1 million tons due to lower EU production.

#### Bearish factors

- Export progress for EU and US remains sluggish.
- Due to increased planting and favourable growing conditions in Argentina, analysts estimate a record 21 million ton wheat crop production.

### Domestic

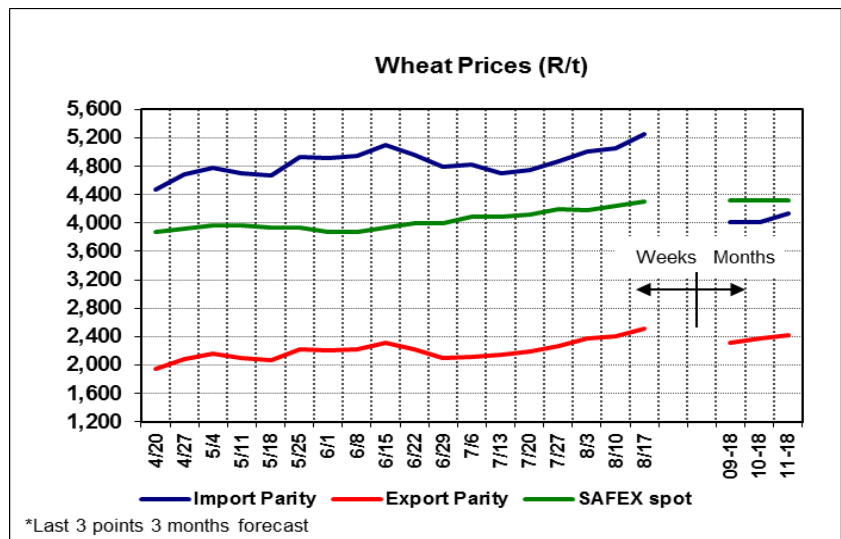
On 17 August 2018, wheat prices for delivery in Sep2018 increased by R56/ton from R4261/ton to R4317/ton, week on week. Wheat prices for Dec2018 and Mar2019 increased respectively by 0.8% week-on-week. Local prices found support in the lower local currency.

#### Bullish factors

- The weaker Rand provided some support to the wheat market in the past week.
- Slightly higher tariff of R298.45/ton was triggered on 14 August 2018 could potentially offer some support to producers, when it is eventually published on the Government Gazette.
- Crop conditions remain uncertain in the Southern Cape due to persisting dryness. The Overberg and Swartland areas received good rains but the Southern Cape is still taking strain.

#### Bearish factors

- Cumulative imports for the season to date recorded is 1.793 million tons. The latest imports recorded came from Canada, Russia and Czech Republic. Russia accounted for about 34% of this season import stock in South Africa with Germany second.



### Outlook

#### Local

Local prices were supported by the weaker local currency. The Southern Cape remains dry and crop development conditions are worrisome. The Overberg region and Swartland region received good rains over the past weeks. The wheat conditions and potential crop size is still uncertain. Prices will continue to follow international prices and exchange rate fluctuations.

## International

The latest USDA Supply and Demand estimates report lower world ending stocks, higher usage and reduced stocks. Some uncertainty remains about the production prospects in some countries, this will continue to provide some support.

**Table 1: Week on week wheat futures and estimated option prices**

| Wheat Futures<br>17 August 2018 | Sep-18 | Dec-18 | Mar-19 | May-19 |
|---------------------------------|--------|--------|--------|--------|
| CME (\$/t)                      | 206.50 | 214.86 | 218.99 | 212.65 |
| SAFEX (R/t)                     | 4317   | 4387   | 4492   |        |
| SAFEX (R/t)<br>Change w/w       | 56     | 35     | 32     |        |

| Sep-18 |     |      | Dec-18 |     |      | Mar-19 |     |      |
|--------|-----|------|--------|-----|------|--------|-----|------|
| Ask    | Put | Call | Ask    | Put | Call | Ask    | Put | Call |
| 4,080  | 0   | 237  | 4,140  | 48  | 295  | 4,200  | 83  | 375  |
| 4,040  | 0   | 277  | 4,100  | 39  | 326  | 4,160  | 71  | 403  |
| 4,000  | 0   | 317  | 4,060  | 31  | 358  | 4,120  | 61  | 433  |

## Oilseeds market trends

### International

The weekly average USA soybean price decreased week-on-week from US\$343.55/ton to US\$329.95/ton. US soya oil prices decreased from US\$28.41c/lb to US\$28.09c/lb and soymeal prices traded marginally higher from US\$331.46/ton to US\$331.73/ton.

#### Bullish factors

##### Soybean:

- The 2017/18 US ending stocks is estimated lower (430 billion bushels) than the previous month's USDA S&D report.

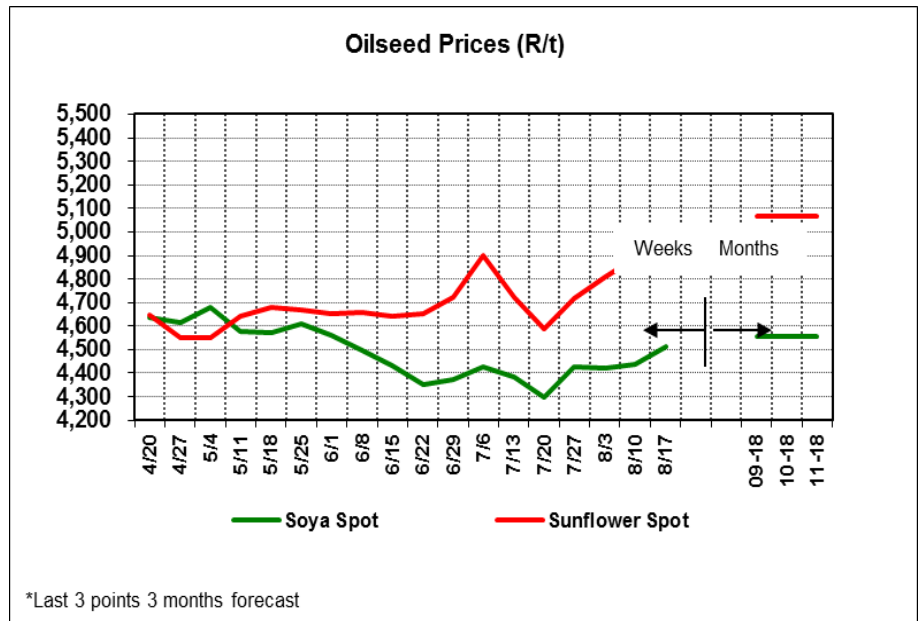
##### Rapeseed:

- The rapeseed market found support from crop condition worries in the northern hemisphere. Prices were up despite lower soybean prices.

#### Bearish factors

##### Soybeans:

- The USDA soybean % rating for good/excellent crop rating is the 3<sup>rd</sup> highest for this time of the year.
- According to the latest August USDA report, soybean production (4.56 billion bushels) and yield (51.6 bu/acre) estimates were so high, which drove, soybean prices low for the week.
- The USDSA estimates higher global ending stocks supported by higher production in the US.



### Domestic

New season soybean prices (Sep2018) increased week on week by R49/ton from R4505/ton to R4554/ton.

New season sunflower seed prices (Sep2018) increased week on week by R181/ton from R4888/ton to R5069/ton. Local sunflower and soybean market traded higher week on week despite lower international prices.

#### Bullish factors

##### Sunflower Seed:

- Weekly (week ending 10 August 2018) sunflower seed producer deliveries were 8246 tons and the cumulative deliveries to date for the season amount to 824800 tons. These deliveries are well above the CEC crop estimate for the 2018/19 season. We anticipate more sunflower seed production to be recorded in the next CEC report.
- The December sunflower/soybean seed spread widened this week. The sunflower seed outperformed the soybean seed contracts. These highs were last seen during June 2018.

#### Bearish factors

##### Soybeans

- For the week ending 10 August 2018, cumulative soybean producer deliveries for the 2018/19 MY amounted to 1.46 million ton.

### Outlook

#### **Local**

Local oilseed market gained some ground last week despite the lower international prices. The December sunflower/soybean seed spread widened this week. The sunflower seed outperformed the soybean seed contracts. These highs were last seen during June 2018.

## International

US soybean traded lower week-on-week due to bearish USDA report citing higher soybean production and higher ending stock weighing on prices. Favourable in the Midwest also adding to the bearish tone.

**Table 1: Week on week soybean and sunflower seed futures and estimated option prices**

| Oilseeds Futures<br>17 August 2018           | Sep-18 | Dec-18 | Mar-19 | May-19 |
|--|--------|--------|--------|--------|
| CBOT Soybeans (US\$/t)**                     | 325.37 | 329.59 | 337.95 | 341.90 |
| CBOT Soy oil (US c/lb)                       | 34.82  | 28.48  | 29.03  | 29.32  |
| CBOT Soymeal (US c/lb)                       | 367.69 | 370.33 | 365.82 | 362.64 |
| SAFEX Soybean seed (R/t)                     | 4554   | 4696   | 4797   | 4835   |
| <i>SAFEX Soybean seed (R/t) change w/w</i>   | 49     | 62     | 66     | 77     |
| SAFEX Sunflower seed (R/t)                   | 5069   | 5185   | 5128   | 4950   |
| <i>SAFEX Sunflower seed (R/t) change w/w</i> | 181    | 174    | 198    | 163    |

| Sep-18 |     |      | Dec-18 |     |      | Mar-19 |     |      |
|--------|-----|------|--------|-----|------|--------|-----|------|
| Ask    | Put | Call | Ask    | Put | Call | Ask    | Put | Call |
| 4,920  | 7   | 156  | 5,040  | 103 | 248  | 5,040  | 210 | 298  |
| 4,880  | 3   | 192  | 5,000  | 89  | 274  | 5,000  | 192 | 320  |
| 4,840  | 1   | 230  | 4,960  | 76  | 301  | 4,960  | 175 | 343  |

\*Short ton

\*\* Dec 2018 = Jan 2019

## Wool market trends

### International

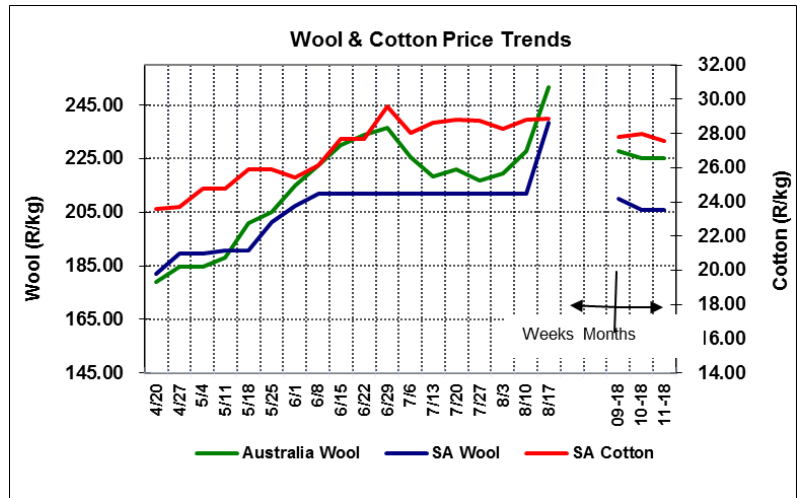
The number of bales on offer were lower by 30% week-on-week. Buyer competition was strong. Australian wool market traded 6.3% higher from AU1990c/kg to AU2116c/kg. Prices were higher across all microns.

#### Bullish factors

- Persisting demand from Europe, China and India supporting high prices.
- Small offerings at auction during the week ending 17 August, supported prices rising to new highs across all microns. The number of bales on offer at auction in Australia reduced by 30% week-on-week.
- The lack of global wool supply continues to underpin prices.
- Persisting dry conditions and favorable Australian dollar sparked good buying interest.

#### Bearish factors

- Quality of wool capped prices. Merino skirtings added to the lower prices.



### Domestic

The market opened on a great footing on 15 August 2018 of the new wool-selling season. Domestic wool market prices closed at R238.29 c/kg (clean) at the sale. Wool prices very high at the opening of the new wool selling season driven by favourable local exchange rate, very strong demand, limited supply and very fierce competition between buyers.

#### Bullish factors

- Continued excellent demand for SA quality long and fine wool at the recent auction.
- A weaker South African Rand supported exports.

#### Bearish factors

- Analysts do caution that some degree of a downward correction is to be expected.

### Outlook

Internationally, small offerings at auction during the week ending 17 August, supported prices rising to new highs across all microns. The number of bales on offer at auction in Australia reduced by 30% week-on-week. The lack of global wool supply continues to underpin prices

Locally, lower supply, weaker Rand all added to the bullish tone to the wool market.

The wool market opened quite strong on the 14-15 August 2018. A producer from Graaf-Reinet received a record R233 price for 17.5-micron wool. A weaker local currency provided support to the local wool price. Supplies remain short and demand active. Wool price expected to remain high. Next auction will be on 22 August 2018 and +/- 8589 bales will be on offer.



# Cotton market trends

## International

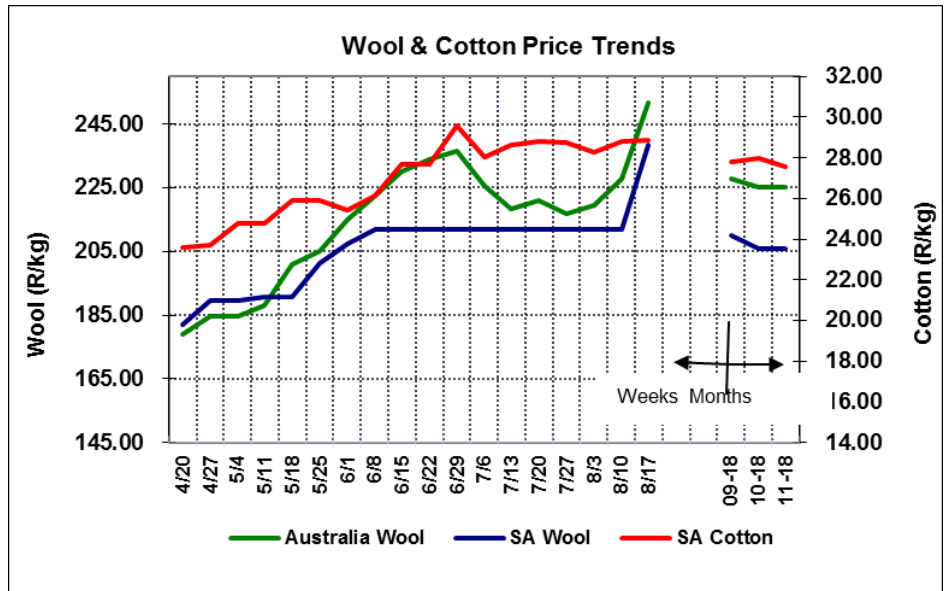
Cotton prices traded 1.77% lower over the past week and closed at US84.26/lb down from US84.44/lb.

### Bullish factors

- USDA estimated world 2018/19 ending stocks down by 1% this month, due to a combination of lower beginning stocks and higher consumption offsetting higher production.
- World consumption estimated at a record 27.5 million tons in 2018/19.

### Bearish factors

- According to the August WASDE report by the USDA, 400,000 bales, with higher expected crops in the US, Argentina, and Turkey offsetting reduced crops in Uzbekistan, Australia, and Turkmenistan, increase cotton production in 2018/19.



## Domestic

The derived SA cotton prices traded 0.11% higher to close at R28.86/kg.

## Outlook

Internationally, Cotton prices rebounded on weather concerns and stronger demand.

Locally, the derived SA cotton prices traded 0.11% higher to close at R28.86/kg. The 7<sup>th</sup> crop estimates for the 2017/18 production year estimates a cotton crop production of 191310 lint bales. Lower maize prices induced by large maize stocks and crop production coupled with renewed interest has supported cotton planting in South Africa.

Fibres market trends  
Week ended 17 August 2018

| Wool prices                  | %     | SA prices (c/kg)         | %     | Australian prices (SA c/kg) | %    | Australian future Sep 2018 (AU\$/kg) | %    | Australian future Dec 2018 (AU\$/kg) |
|------------------------------|-------|--------------------------|-------|-----------------------------|------|--------------------------------------|------|--------------------------------------|
| Wool market indicator        | 12.41 | 23829                    | 10.14 | 22641                       |      | -                                    |      | -                                    |
| 19µ micron                   | 13.39 | 22519                    | 10.32 | 26379                       | 5.12 | 22.60                                | 8.78 | 22.30                                |
| 21µ micron                   | 12.82 | 24378                    | 9.86  | 25199                       | 3.74 | 22.20                                | 7.39 | 21.80                                |
| Cotton prices 10 August 2018 |       | SA derived cotton (R/kg) |       | New York A Index (US\$/kg)  |      | New York future Sep 2018 (US\$/kg)   |      | New York future Dec 2018 (US\$/kg)   |
| Cotton prices                | 0.11  | 28.86                    | -1.57 | 2.14                        | 1.1  | 1.92                                 | 1.0  | 1.92                                 |

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