



# Agri Trends

02 March 2017

## Record white maize yield exceeds expectations, but do not forfeit the buying opportunity.

According to the Crop Estimates Committee’s first production estimate for maize, it is expected that South Africa will harvest a maize crop of about 13,9 million tons. At this production level, imports are replaced. Maize available for export of nearly 1,2 million tons will pressure prices to trade at export parity price levels. South Africa is a net exporting country and based on past experiences, 1,1 million tons is not much to handle. The animal feed industry and intensive livestock industries should use this buying opportunity. Although growing conditions appear to be excellent - at a national average yield of 5,3 tons/hectare - any deterioration in growing conditions leading to a decline of 0,5 tons per hectare in yield may reduce the exportable surplus. If so, maize prices may start to recover from September onwards.

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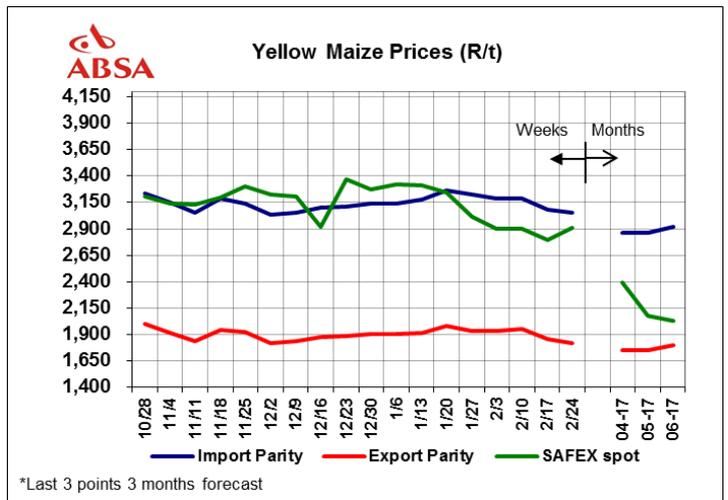
# Maize market trends

## International

Grain bids closed lower this week. The international Grain Council said that the world maize output may fall next season because of the weaker US and Chinese sowings. The weekly average prices for yellow corn in the Gulf traded lower week on week by 1,5% from \$162.62 to \$160.26/ton. The Rand strengthened week on week from R13.10 to R12.95.

### Bullish factors

- The removal of minimum purchase price policy and official efforts to switch to alternative crops; have led to second successive decline in maize plantings for China.
- There's a decline in maize sowings in the US (approx. 3%), harvested area is seen dropping by some 4% to 33.6m hectares (83m acres), because soybeans are potentially more profitable than maize.
- Ukraine has increased its market share in Asia and expanded its exports into the region. Asia is a major destination for US corn.
- US corn exports may be on the declined, underpinned by stiffer competition and abundant supplies from Argentina, Brazil and Ukraine.



### Bearish factors

- The harvested maize area of 33.6m hectares (83m acres) is still higher than the 82.4m acres, which were pegged last week, according to the USDA reports.
- Production estimates in Argentina have stabilized along with the weather, and some prominent forecasters have even begun inching their numbers higher. Expecting a great harvest from Argentina.
- The cbot maize price strength was limited by private exporters of maize in the US, that cancelled sales of 136,000 tonnes of optional- origin maize to South Korea.

## Domestic

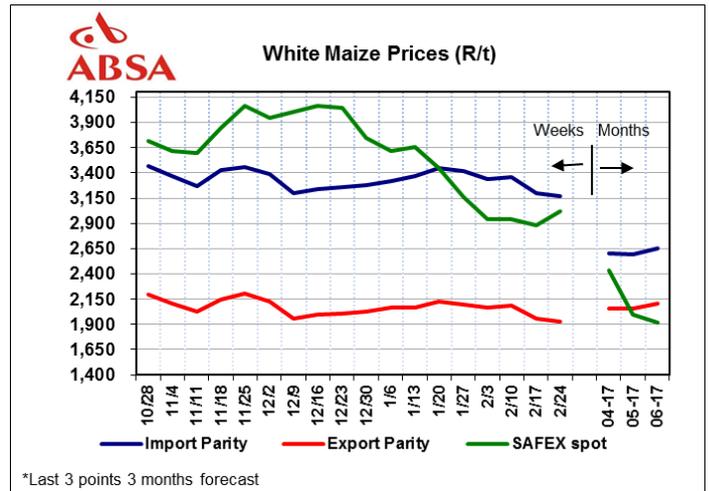
As at Wednesday 28 February 2017, the spot price for old season white maize (March 2017) decreased by 10.6% week on week from R3108/ton to R2780/ton. Week on week, old season yellow maize price (March 2017) decreased by 12.6% from R2975/ton to R2592/ton. During the same time, week on week new season white maize prices for delivery in July 2017 decreased by 4% from R1996/ton to R1917/ton.

### Bullish factors

- Due to recovery in maize production, the local demand from feedlots and human consumption may increase up to 11.5 million tons.
- A weaker Rand will support export prices.

### Bearish factors

- The CEC’s estimated area planted for maize is 2,629 million hectares, that is 681 850 ha more than the hectares planted in the previous season.
- The Rand strength will keep prices under pressure.
- Widespread showers in the summer grain producing areas, support favourable crop production prospects.
- The expected commercial maize crop is 13.918million tons, which is 78.9% more than the 7.778million tons from last year’s season. The 3<sup>rd</sup> largest crop since the 1980/81 season.



## Outlook

The CEC’s expected commercial maize crop is 13.918million tons, which is 78.9% more than the 7.778million tons from last year’s season.

The removal of minimum purchase price policy and official efforts to switch to alternative crops; have led to a second successive decline in maize plantings for China.

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

Yellow Maize Futures: 28 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
CBOT (\$/t)	144.38	147.14	149.99	152.45	155.01			
SAFEX (R/t)	2592.00	2074.00	2025.00	2076.00	2138.00			
SAFEX (R/t) Change week on week (w/w)	-383.00	-76.00	-68.00	-69.00	-66.00			
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,120	99	53	2,060	140	105	2,120	176	132
2,080	76	70	2,020	118	123	2,080	153	149
2,040	57	91	1,980	98	143	2,040	133	169

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

White-Maize Futures 28 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
SAFEX (R/t)	2780.00	1996.00	1917.00	1975.00	2042.00			
SAFEX (R/t) Change w/w	-328.00	-130.00	-79.00	-74.00	-79.00			
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,040	130	86	1,960	144	101	2,020	184	139
2,000	107	103	1,920	121	118	1,980	162	157
1,960	87	123	1,880	101	138	1,940	141	176

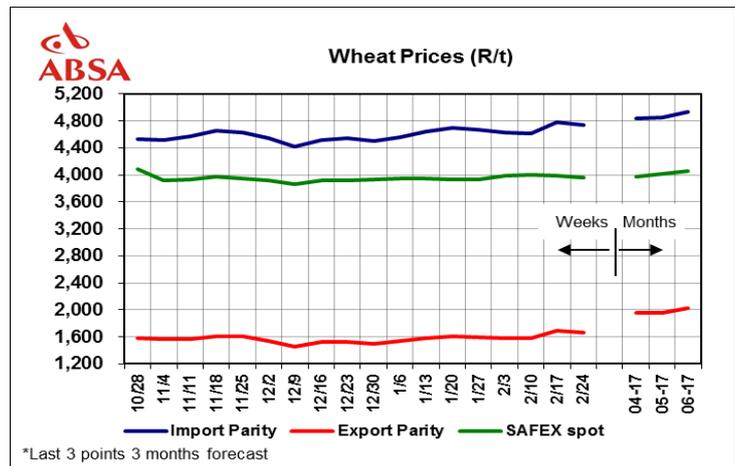
## Wheat market trends

### International

The weekly average old season HRW wheat Gulf price decreased week on week from US\$156.62/ton to reach a weekly average of US\$153.95/t. Wheat bids were mixed at the end of this week.

### Bullish factors

- Prices have been on the rise in Russia, thanks to the stronger Rouble and strong export demand.
- Egypt's General Authority for Supply Commodity (GASC) made more purchases, mainly from Russia.
- The US's wheat planting estimate made a record low at 46.0 million acres with wheat price estimates averaging \$4.30 a bushel



### Bearish factor

- Global wheat outlook is still bearish. Ample global stocks. International Grains Council (IGC) adjusted their forecast to a record 236m tons. Australia expected to produce a record wheat harvest.
- Profitability has declined quite sharply; the weaker margins are prompting US growers to cut winter wheat sowings to the lowest since 1909.
- Global wheat outlook is still bearish. Ample global stocks. International Grains Council (IGC) adjusted their forecast to a record 236m tons. Australia expected to produce a record wheat harvest.

### Domestic

As at Wednesday the 28<sup>th</sup> of February, the spot price for wheat (March 2017) decreased by 1.3% week on week from R3990/ton to R3937/ton. Wheat prices for delivery in July 2017 decreased by 1.8% from R4139/ton to R4063/ton.

## Bullish factors

- South Africa remains a net importer of wheat. If the domestic stocks are used to the full by April we may become increasingly reliant on imports and be exposed fully to any unfortunate factors that may impact international prices to increase.

## Bearish factors

- The strong Rand impact negatively on import parity.
- The high rainfall is positive for the winter production; the area planted estimate is 26,215 hectares more than final 2016 estimate.
- The expected commercial production forecast is 1,910 million tons is expected to rise by 0.85%, 16 150 tons more than the previous forecast of 1,893 million tons.
- Large amounts of wheat still sitting in the Western Cape can't be moved due to high logistics costs.
- National Treasury indicated that the wheat tariff formula will remain until the end of March 2017.

## Outlook

Locally, a stronger Rand will support foreign wheat imports. Favourable weather may increase production prospects; and relative ample supply of wheat locally is placing pressure on prices.

The expected commercial production forecast is 1,910 million tons is expected to rise by 0.85%, 16 150 tons more than the previous forecast of 1,893 million tons. Globally, wheat is in ample supply and remains at record high.

Wheat Futures								
28 February 2017			Mar-17	May-17	July-17	Sep-17	Dec-17	
CME (\$/t)			156.07	163	168	174	180.87	
SAFEX (R/t)			3937.00	4022.00	4063.00	N/A	N/A	
SAFEX (R/t) Change w/w			-53.00	-52.00	-76.00	N/A	N/A	
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,060	189	151	4,100	260	223	N/A	N/A	N/A
4,020	168	170	4,060	238	241	N/A	N/A	N/A
3,980	148	190	4,020	218	261	N/A	N/A	N/A

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## Oilseed market trends

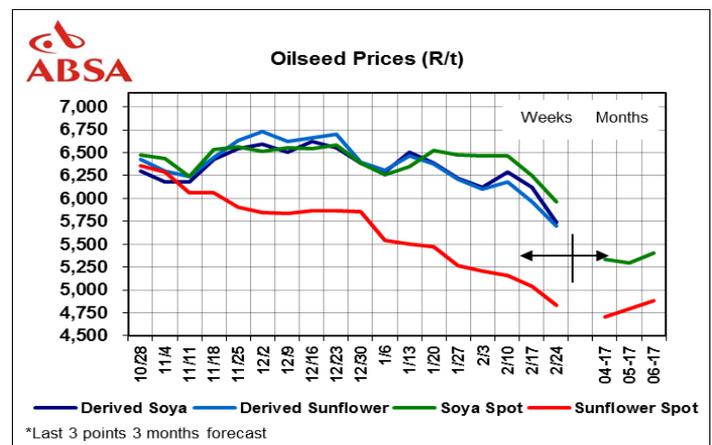
### International

#### Oilseed prices

Soybean bids were lower this week. The weekly average USA soybean price decreased week on week from US\$389.94/ton to US\$376.62/ton by 3.4%. US soya oil prices decreased from USA\$33.69/ton to USA\$32.72/ton and soymeal prices traded lower from USA\$335.00/ton to USA\$333.00/ton. USA\$32.72/ton

#### Bullish factors

- The strong global demand from rest of Asia, Middle East/North Africa, lends support to prices and continues to boost US export volumes.
- World oilseed trade driven by the top importer which is China.
- Farmgate US soybean prices are expected to keep a relative large advantage over maize prices.



#### Bearish factors

- World production and exports of sunflower meal have shown growth in the first months of 2016/17.
- USDA report forecast 88 million planted acres of soybeans, up 4.6 million from 2016.
- The US May soybeans short term trend has turned lower, USDA's forecast of increased soybean plantings in the US is placing bearish pressure on prices.
- Argentinian crop is still developing, and any rise in prices is still capped by the expected large crops in South America.

#### Domestic

As at Wednesday the 28 February 2017, sunflower seed prices (Mar 17) decreased week on week by 5.2% from R4900.00 to R4644.00 whilst Soybean prices increased by 0.8% from R6000/ton to R6049/t.

## Bullish factors

- The Crop Estimates Committee first estimates for the area planted is 635 750 hectares to sunflower seed in this season compared to 718 500 hectares in 2016.
- South Africa remains a net importer of soybean oilcake and vegetable oils, due to insufficient production and quality to meet the growing local demand.

## Bearish factors

- Domestic soybean prices may be under pressure with the arrival of the new crop from March onwards, expect prices to recover after end of April.
- The Crop Estimates Committee first estimates for the area planted is 565 856 hectares this season compared to the 502 800ha planted last year.
- Sunflower production forecast is 23% higher than the previous estimates as recorded by the CEC.

## Outlook

The expected bumper harvest in South America is limiting increases in soybean prices globally; however this should benefit the domestic market, which is a net importer. The stronger Rand supports imports. Locally price increases will be limited between end January till end April, we'll see a recovery onwards.

Oilseeds Futures 28 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
CBOT Soybeans (US\$/t)**	376.62	380.57	383.79	378.28	375.43			
CBOT Soy oil (US c/lb)	33.69	33.93	34.19	34.34	34.56			
CBOT Soy cake meal (US\$/t)*	333	336	339	336	332			
SAFEX Soybean seed (R/t)	6049.00	5300.00	5400.00	5470.00	N/A			
SAFEX Soybean seed (R/t) change w/w	49.00	-245.00	-245.00	-235.00	N/A			
SAFEX Sunflower seed (R/t)	4644.00	4790.00	4880.00	4964.00	N/A			
SAFEX Sunflower seed (R/t) change w/w	-256.00	-220.00	-210.00	-263.00	N/A			
Sunflower Calculated Option Prices (R/t)								
May-17			Jul-17			Sep-17		
4,840	208	158	4,920	253	213	5,000	307	271
4,800	186	176	4,880	232	232	4,960	286	290
4,760	166	196	4,840	211	251	4,920	265	309

\*short ton

\*\* Dec 2017 = Jan 2018



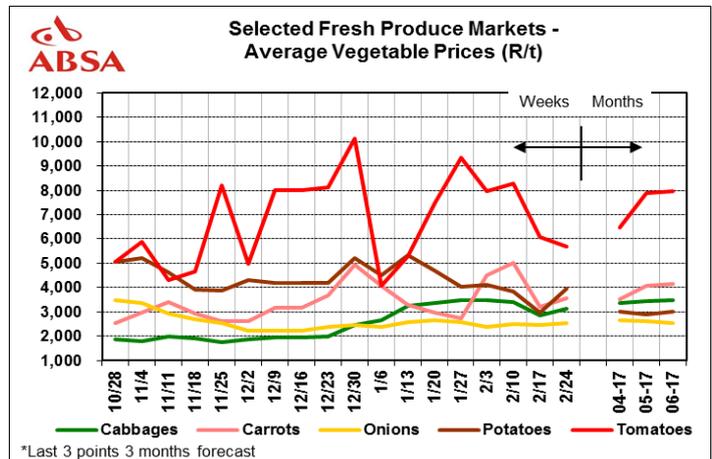
## Vegetable market trends

### Potatoes

The potato price recovered this week from a R3/kg to almost R6/kg. The increase in price was largely driven by the growth in demand after the continuous wet conditions have hindered potato harvesting from the fields. The increase in prices is expected to decline once the market receives more supply as weather changes.

### Peppers

Prices and quality is moderate after we experienced continual rains. Green peppers are still in abundant volumes, we still anticipate lower prices, and however the yellow and red peppers price is receiving good prices at the markets.



### Onion

The poor quality caused by excessive rains and is still causing prices to still remain under pressure. The demand from Africa (Angola, Zambia, Mozambique, Lesotho, & Swaziland) remains fairly compared to previous 4 years. However we expect the local prices to pick up next week and the Africa market to absorb some of the produce around March-May. The demand from price has reduced to approximately R25-R35 p/10kg as opposed to R45-R50p/10kg from last year.

### Carrots

The carrot price is still under some pressure after the excessive rains. However good quality produce from Ceres received higher prices at the markets. The price variance between poorer quality carrots and better quality carrots increased, allowing good quality carrots to reap in 40%-50% better prices as opposed to the lower quality produce. It is expected that prices will recover between March to April (Around Easter); the higher temperatures during this period make it difficult for seeds to germinate. The reduced volumes will support an increase in prices.

### Tomatoes

Quality is poorer than normal and can be attributed to an increase in variation in temperature. The warmer temperatures in the Western Cape will have negative effects on the yield in the next month and a half. Large volumes were received from Limpopo and Gauteng this week, supporting a decline in prices. The crop prices declined by 6.1% week on week.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 28 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	8.8%	3124	2871	-8.4%	12041	13139
Carrots	10.8%	3554	3208	2.7%	17432	16968
Onions	3.4%	2537	2453	-3.7%	58675	60907
Potatoes	32.4%	3967	2996	-5.8%	130422	138423
Tomatoes	-6.1%	5701	6070	2.6%	37808	36841

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