



Agri Trends

14 June 2017

Wheat import tariff pending announcement and revisions causing more uncertainty.

Approximately half of the wheat that South Africa consumes is imported. Because SA is a net wheat importer, any changes in the global markets, will influence the local industry. The wheat import tariff is set in place to help keep the local price stable and is one of the mechanisms used to ensure that local producers do not produce at a loss.

The USA no 2 Hard Red Wheat declined by more than US\$10/ton lower than the base price of \$205.33/ton for 3 consecutive weeks . The decline in US- wheat price has a direct influence on the local wheat import tariff; therefore a new import tariff was triggered on the 18th April 2017. It is expected to increase from the previous R1190/ton to R1371/ton.

Uncertainty is reigning over the industry at the moment, because no one knows what the outcomes will be upon the revision of the import tariff formulae. And it takes weeks before the new tariff is published on the Government Gazette.

However the main challenge isn't necessarily the wheat import tariff formulae revisions, rather the policy uncertainty in South Africa, which has a direct influence on the volatility of the Rand. Luckily South Africa had sufficient carry-over stock from the previous season, produced more wheat last year, otherwise the industry would have been experiencing more pressure. So in that light, we expect normal wheat imports until the end of September 2017.

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Maize market trends

International

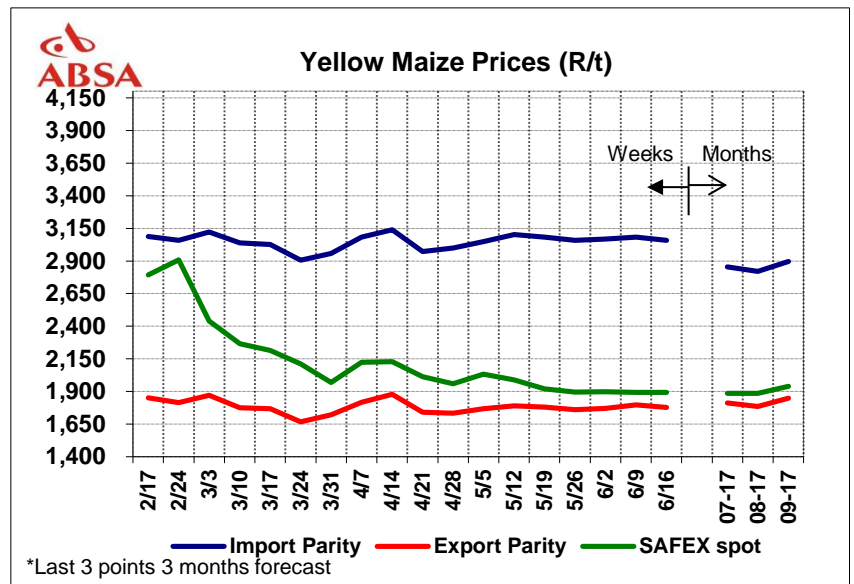
Week-on-week maize increases from \$160.06/ton to \$161.54/ton were reported. The Rand strengthened on average week-on-week from R12.84 to reach R12.76.

Bullish factors

- US maize crop is suffering from a lack of moisture, aggravated by the development of a shallow root system, amid weather constraints.

Bearish factors

- Fall in US crude oil prices, weighed down on maize prices.
- Grain output in the South American country, Brazil, adds to a global glut that is driving prices lower and pressuring profit margins for farmers and commodities traders worldwide.



Domestic

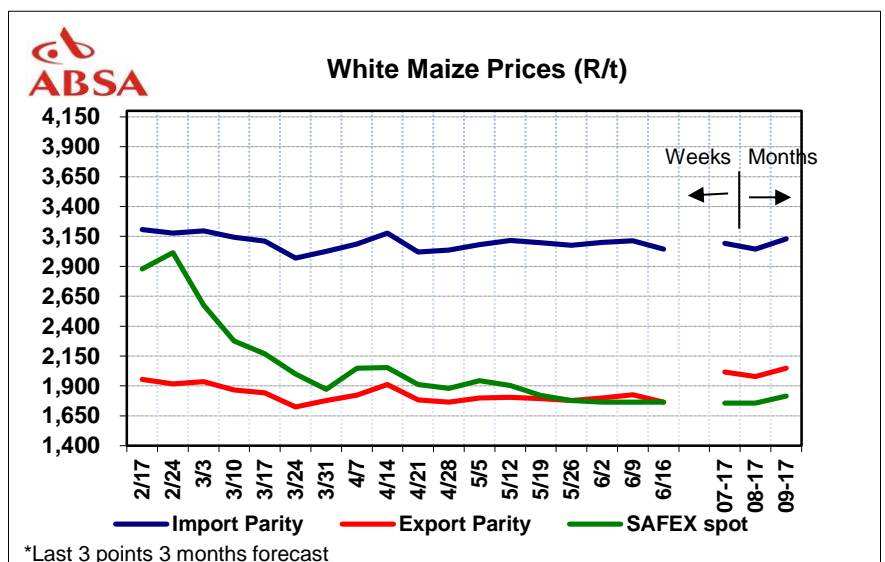
Most of the Free State has harvested approximately 30 % of their maize crop. By the 14th June , week on week new season white maize prices for delivery in July 2017 decreased by 0.8% from R1770/ton to R1755/ton. Week-on-week new season yellow maize prices for delivery in July 2017 decreased by 0.8% from R1901/ton to R1886/ton.

Bullish factors

- The lower cost white maize may be used as input in the feeds industry.

Bearish factors

- The strengthening Rand



- Zimbabwe banned maize imports. The country is expecting a crop of 2 million ton in 2017 - enough to meet the Zimbabwean domestic demand.

Outlook

Most of the Free State has harvested approximately 30 % of their maize crop. The very large expected crop will have a ripple effect in the greater agricultural industry. Supporting lower feed costs, and promoting investment in the pork and livestock industries. African region great harvests are expected to dampen SA exports to its neighbours.

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

Yellow Maize Futures: 14 June 2017	July-17			Sep-17			Dec-17			Mar-18		
CBOT (\$/t)	148.42			151.57			155.70			159.34		
SAFEX (R/t)	1886			1930			2011			2055		
SAFEX (R/t) Change week on week (w/w)	-15			-11			-16			-14		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,980	97	56	2,060	166	117	2,100	202	157				
1,940	74	73	2,020	143	134	2,060	179	174				
1,900	55	94	1,980	122	153	2,020	158	193				

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

White Maize Futures 14 June 2017	July-17			Sep-17			Dec-17			Mar-18		
SAFEX (R/t)	1755			1816			1888			1926		
SAFEX (R/t) Change w/w	-15			-16			-12			-16		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,860	128	84	1,920	154	122	1,960	202	168				
1,820	105	101	1,880	132	140	1,920	180	186				
1,780	85	121	1,840	112	160	1,880	159	205				

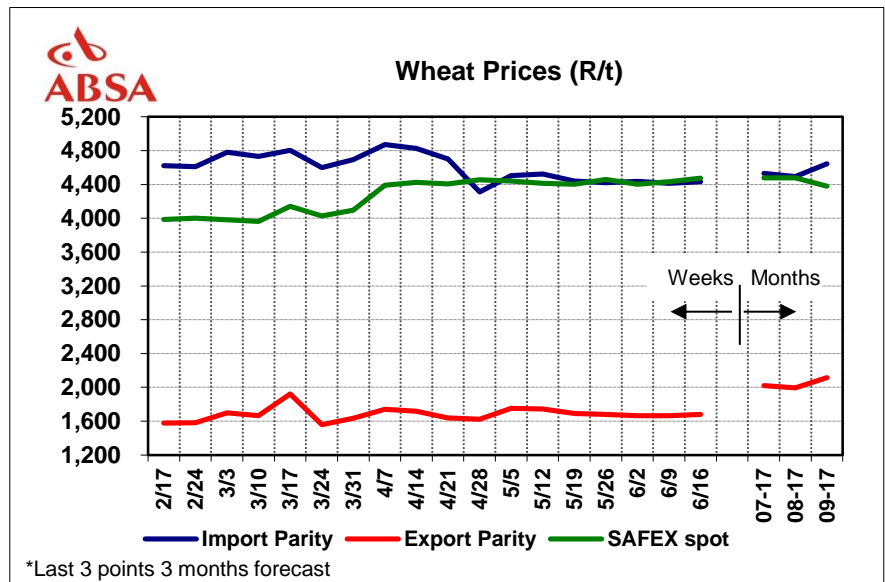
Wheat market trends

International

The weekly average old season HRW wheat Gulf increased price week on week from US\$185.35/ton to reach a weekly average of US\$186.06/ton

Bullish factors

- High-protein wheat being offered from Australia and the United States into Asia was seen climbing due to adverse weather and Australian prices have also been supported by farmers holding back supplies
- Concerns are growing over Australia's newly-seeded crop, amid talk of record dryness in Western Australia.



Bearish factor

- Brazil hiked its wheat import forecast for the next season. This is mainly driven by the reduced plantings in the top and second ranked areas (Parana & Rio Grande do Sul). Down approximately 30% year on year, due to low prices.
- Record high wheat volumes in Minneapolis

Domestic

The wheat import tariff revision remains an uncertainty. About 675 tons of wheat was exported to Botswana and Swaziland for the week ending 09 June 2017. On 14 June 2017, wheat prices for delivery in July 2017 increased by 0.6% (R27) from R 4453/ton to R4480/ton week on week.

Bullish factors

- The weather outlook remains integral, with the winter wheat still in early stages of development. The recent rainfall received, is still not sufficient.

Bearish factors

- The possible review of the existing wheat import tariff formulae may create further uncertainty in the market.

Outlook

The recent rainfall received in the Western Cape was not sufficient to provide the winter wheat with enough moisture to reach great yields. However producers remain hopeful, for June month is anticipated to receive above average rainfall.

Wheat Futures 14 June 2017	Jul-17	Sep-17	Dec-17	Mar-18				
CME (\$/t)	168.01	176.00	182.52	187.03				
SAFEX (R/t)	4480.00	4380.00	4203.00	4273.00				
SAFEX (R/t) <i>Change w/w</i>	27.00	17.00	18.00	-20.00				
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,420	219	179	4,240	306	269	4,320	389	342
4,380	198	198	4,200	285	288	4,280	367	360
4,340	178	218	4,160	264	307	4,240	346	379

Oilseed market trends

International

World exports of palm oil are expected to reach 34.8 million ton in Jan/Sept 2016/17. In India the falling domestic oilseed prices is reducing the interest of Indian producers to cultivate oilseed. The industry is demanding an increase in the vegetable oils import duty.

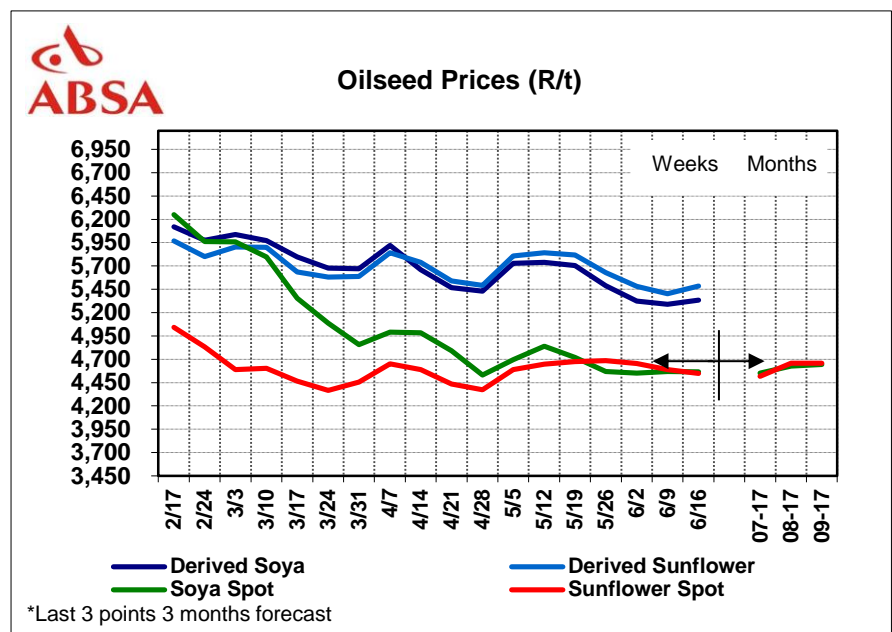
The weekly average USA soybean price increased week on week from US\$354.66/ton to US\$355.12/ton. US soya oil prices increased from US\$31.48/ton to US\$32.10/ton and soymeal prices traded higher from US\$ 303.18/ton to US\$ 301.65/ton.

Bullish factors

- Argentinian and Brazilian soya oil prices were seen rising increased biodiesel production Argentina and Brazil. Increased import demand from China and India supported prices.

Bearish factors

- Larger than expected sunflower oil shipments from Russia supported world exports to reach a record 6.6 million ton in Oct/April 2016/17, went up 1.2 million ton from the previous year.
- Price pressure from soybeans was also induced by the reduced Chinese soybean imports in July/Sept 2016/17, caused by the recent deteriorating crush margins and large accumulated imported soybean stock in China.
- World exports of rapeseed are set to increase above the previous estimate. The estimate is up by 1.6 million ton, expected to reach a record 16.1 million ton by June/July 2016/17



Domestic

The Central and West Free soybean harvest is completed, with the sunflower harvest at almost 80% completion and maize almost 30% harvested. On 14th June 2017, sunflower seed prices (Jul17) decreased week on week by 1.3%

from R 4574/ton to R 4516/ton while soybean (Jul 17) prices increased by 0.1% from R 4545/ton to R4550/ton.

Bullish factors

- Soybean crush margins are positive, providing support to the soybean price.

Bearish factors

- Local soybean prices declined this week, as most of the Central and Free State areas finished their harvesting process. The increased supply in the market didn't provide any support to prices.

Outlook

High global soybean volumes will limit increases in local prices. US soybean crop still the least affected by the dryness. Ample global supplies kept a lid on price increases of both soybean and soybean products. World palm oil prices are under pressure from weak energy market and improved production. An increased demand for local soybean crushing (supported by positive soybean crushing margins) provides underlying price support for the soybean crop, however the sunflower seed crushing being secondarily preferred, lead to declines in the sunflower seed price.

Oilseeds Futures 14 June 2017	July-17	Sep-17	Dec-17	Mar-18				
CBOT Soybeans (US\$/t)**	3189.93	3220.82	3291.73	3330.10				
CBOT Soy oil (US c/lb)	32.09	32.33	32.56	32.84				
CBOT Soy cake meal (US\$/t)*	331.65	335.38	338.13	340.66				
SAFEX Soybean seed (R/t)	4550.00	4645.00	4773.00	4850.00				
SAFEX Soybean seed (R/t) change w/w	5.00	-12.00	-17.00	-22.00				
SAFEX Sunflower seed (R/t)	4516.00	4657.00	4816.00	4876.00				
SAFEX Sunflower seed (R/t) change w/w	-58.00	-31.00	-57.00	-44.00				
Sunflower Calculated Option Prices (R/t)								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,700	213	170	4,860	288	244	4,920	358	314
4,660	191	188	4,820	266	262	4,880	336	332
4,620	171	208	4,780	245	281	4,840	315	351

*short ton

** Dec 2017 = Jan 2018

Vegetable market trends

Onions

The taxi strike in Johannesburg/Pretoria area affected logistics, causing sellers and buyers delays to the Johannesburg market. The loss of one working day because of the public holiday (Friday June 16th) meant that more opening stock will be available on the market floors, putting pressure on prices. African demand (Zambia, Angola and Mozambique) was lower this week. Prices declined slightly compared to last week, but it's expected to increase in the next week

Tomatoes

Volumes remained high during this week, because the winter is not yet that cold. Producers have planted more than the usual during the cold season. The prices came strongly down to R6/kg.

Potatoes

Higher volumes on the market floors led to declines in prices for the week. Limpopo, Western Free State and Eastern Free State as well as Natal production has started, and deliveries are increasing at the markets.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 14 June 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	-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	2931	6.7%	17430	17430
Tomatoes	14.1%	5869	5869	-18.7%	4143	4143

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