

The Weekly Weighbridge

27 August 2018

Important facts for the week

- Talk that 9 million acres of 2018 US soybean production could shift to corn 2019 due to the US/China trade war. This could add around 40 Mmt to US corn production and will have a significant negative impact on prices.
- Ideal US weather for soybean pod filling is likely to see an all-time record soybean yield, potentially well above the previous record at 52bpa and above the USDA August 10 forecast.
- The USDA is expected to announce an income aid payment program per bushel for US farmers impacted by Chinese import tariffs, this coming week. Talk soybeans will receive the bulk of the aid and could be US\$ 7.8 billion (US\$ 1.65/bushel of final 2018 yields).
- Brazilian soybeans are trading at a US\$ 53/mt premium compared to US origin and Argentina US\$ 46/mt premium, on a FOB basis.

		ZAR/mt 27 Aug'18	Week move						27 Aug'18	20 Aug'18
SAFEX	Sep'18 WM	2 267	-30	ZAR/US\$					14.14	14.52
SAFEX	Dec'18 WM	2 364	-32	ZAR/EUR					16.49	16.57
SAFEX	Sep'18 YM	2 358	-5	ZAR/GBP					18.21	18.50
SAFEX	Dec'18 YM	2 437	-25	Important dates						
SAFEX	Sep'18 Soyb	4 445	-53							
SAFEX	Dec'18 Soyb	4 580	-54							
SAFEX	Sep'18 Suns	4 930	10							
SAFEX	Dec'18 Suns	5 062	7							
SAFEX	Sep'18 WH	4 235	-69							
SAFEX	Dec'18 WH	4 390	-2							
Export				Import						
US\$/t		FOB origin	Week move	ZAR/t		Protein basis	FCA Durban		Week move	
SA	Sep'18 YM	193	2	US (HRW)	Wheat(spot)	11.0%	4 353		-367	
SA	Sep'18 WM	193	0	Black Sea	Wheat(spot)	11.0%	4 139		-112	
US	Sep'18 YM	162	-9	German	Wheat(spot)	11.0%	4 439		-135	
Arg	Spot YM	161	-10	South American	Wheat(spot)	11.0%	n/a			
Brazil	Spot YM	176	-9	Australia APW (WA)	Wheat(spot)	10.4%	n/a			
Black Sea	Spot YM (non GM)	188	-10	US (DNS)	Wheat(spot)	13.8%	4 753		-275	
SA	Sep'18 soybeans	368	-2	(Wheat quality based on 12% moisture & R281.70/t imp. tariff included)						
US	Sep'18 soybeans	318	-24							
Brazil	Spot soybeans	n/a								
Argentina	Spot soybeans	n/a								

News for the week

Corn/Maize

US corn prices continued to trade lower this past week on record yield expectations and potential increased planting area next year. Also, lower soybean prices are dragging corn lower.

The trade war between the US and China and the potential negative impact it could have on US soybean prices will probably impact US corn production. There is talk that 9 million acres of 2018 soybean production could shift to corn 2019. This could add around 40Mmt to US corn production and will have a significant negative impact on prices.

The USDA's Ukraine maize production forecast is at 31 Mmt but most local analysts are closer to 26-28 Mmt. Relatively healthy Ukraine prices are suggesting the USDA could be too optimistic.

USDA reported US corn crop conditions at 68% good/excellent, which is down 2% on last week but still above last year's 62%.

South African (SA) maize prices traded lower. Lower US prices and ZAR strength pressured prices. One could have expected even more pressure from the significant drop in international maize prices.

Wheat

International wheat prices traded mixed this past week, with German wheat and Black Sea wheat trading sideways but US wheat trading lower. US wheat prices followed corn prices and soybean prices lower. Other origins found price support from lower crop expectations in the EU, Black Sea and Australia.

Wheat production forecasts for Australia seems to be stabilising at 18-20 Mmt (USDA 22Mmt). The IGC's forecast is at 20.5 Mmt. Indications that Australian exports should be closer to 13 Mmt and not the 16 Mmt the USDA is forecasting.

The German farm ministry is forecasting the German crop at 19.4 Mmt compared to last year's 24 Mmt.

USDA reported US spring wheat crop conditions at 74% good/excellent versus last week's 75% and last year's 34%.

South African (SA) wheat prices traded sideways to lower. ZAR strength limiting the upside price movement.

Soybeans

US soybean prices traded lower this past week. Predictions of record US yields and no real progress to solve the US/China trade war pressured prices.

Ideal US weather for soybean pod filling is likely to see an all-time record soybean yield, potentially well above the previous

record at 52bpa and above the USDA August 10 forecast. This, together with no positive news on potential meetings between the US and China to try and resolve the current trade war has seen more analysts predict a bearish price outlook for soybeans medium term.

The USDA is expected to announce an income aid payment program per bushel for US farmers impacted by Chinese import tariffs, this coming week. Crops that should benefit are soybeans, corn, wheat, sorghum, rice and cotton. Market expects soybeans will receive the bulk of the aid and talk of US\$ 7.8 billion (US\$ 1.65/bushel of final 2018 yields) for soybeans.

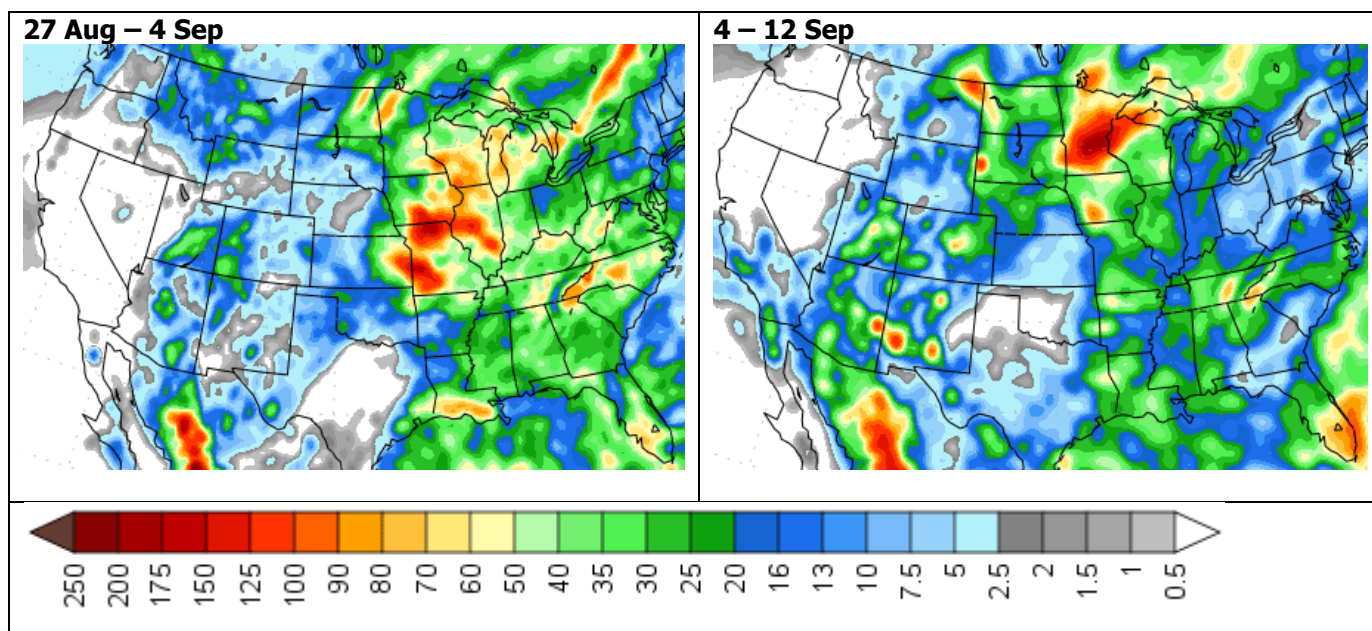
Brazilian soybeans are trading at a US\$ 53/mt premium compared to US origin and Argentina US\$ 46/mt on a FOB basis. With no end in sight for the US China trade war, one could expect Brazil could plant more soybeans coming season at the expense of maize. Brazil's maize premium is above US on a FOB basis at US\$ 13/mt.

China continued to buy Brazilian and Argentine soybeans this week. However, they are complaining about poor quality. It is the last of the crop they are importing which could be a reason for poor quality. With China so dependent on South American soybeans given the high import tariff on US cargoes, they probably have to take what they get.

USDA reported US soybean crop conditions at 65% good/excellent, which is down 1% on last week and above last year's 60%.

South African (SA) soybean prices traded lower. Lower US prices and ZAR strength pressured prices.

US rainfall outlook for the next two weeks (Source: Wxmaps)



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