

# The Weekly Weighbridge

## 25 July 2019

### Important facts for the week

- US ethanol plants are expected to sharply limit production in the weeks ahead as steep Midwest corn prices and the US-China trade war have led to lower margins and oversupply. Margins to produce ethanol in the Corn Belt where most US production takes place, have decreased to a four-year seasonal low, while ethanol inventories are at the highest seasonally since at least 2010. Production also hit its highest seasonal level since 2010.
- The EU's crop monitoring service, MARS, decreased its estimate of the EU soft wheat yield this year to 6.04 tonnes per hectare (t/ha) from 6.10 t/ha last month. That would still be 7.3% above last year's level and 1.6% higher than the average of the past five years.
- The weather last week was probably better for the soybeans than what had been forecasted as long as the crop did not receive too much rainfall. The soybean condition held steady at 54% rated good to excellent. The soybean development continues to be slower than normal with many soybeans still very short in stature. A lot of the later planted soybeans are essentially double-cropped soybeans since they were planted so late. These later planted soybeans will need good weather during August and September and a prolonged growing season in order to achieve anything close to a normal yield.

		ZAR/mt		25 July 2019		18 July 2019		Week Move				25 July 2019		18 July 2019	
SAFEX	Sep'19 White Maize	R	2,895	R	2,989	R	(94)	ZAR/USD		R	14.01	R	13.84		
SAFEX	Dec'19 White Maize	R	2,981	R	3,077	R	(96)	EUR/USD		\$	1.1163	\$	1.1275		
SAFEX	Sep'19 Yellow Maize	R	2,809	R	2,859	R	(50)	ZAR/EUR		R	15.64	R	15.60		
SAFEX	Dec'19 Yellow Maize	R	2,876	R	2,942	R	(66)	ZAR/GBP		R	17.50	R	17.35		
SAFEX	Sep'19 Soybeans	R	5,350	R	5,350	R	-								
SAFEX	Dec'19 Soybeans	R	5,460	R	5,455	R	5								
SAFEX	Sep'19 Sunflower	R	5,122	R	5,171	R	(49)	<b>Important dates</b>							
SAFEX	Dec'19 Sunflower	R	5,289	R	5,315	R	(26)	24/07/2019	Weekly producer deliveries						
SAFEX	Sep'19 Wheat	R	4,520	R	4,500	R	20	25/07/2019	Weekly imports and exports						
SAFEX	Dec'19 Wheat	R	4,438	R	4,430	R	8	26/07/2019	Weekly USA export intentions						
Export Parity								Import Parity							
		USD/mt		18 July 2019		Week Move		Origin Country		Protein level		ZAR/mt		Week Move	
		FOB Origin													
Soybeans								Wheat							
SA	Sep'19 Soybeans	\$	414	\$	418	\$	(3)	US (HRW)	Spot Wheat	10.1%	R	4,967	R	33	
US	Sep'19 Soybeans	\$	353	\$	347	\$	6	US (SRW)	Spot Wheat		R	4,830	R	4	
Brazil	Sep'19 Soybeans	\$	362	\$	363	\$	(1)	Germany	Spot Wheat	11.0%	R	4,681	R	10	
Argentina	Sep'19 Soybeans	\$	347	\$	344	\$	3	France	Spot Wheat	10.1%	R	4,293	R	1	
								Russia	Spot Wheat	11.0%	R	4,589	R	74	
								Australian APW	Spot Wheat	9.2%	R	4,733	R	(3)	
Maize								Argentina	Spot Wheat	10.6%	R	4,646	R	40	
SA	Sep'19 Yellow Maize	\$	214	\$	222	\$	(7)	Wheat							
US	Sep'19 Yellow Maize	\$	193	\$	194	\$	(0)	South Africa	Spot Wheat	12.0%	R	4,503	R	13	
Argentina	Sep'19 Yellow Maize	\$	167	\$	166	\$	0	Yellow Maize							
Brazil	Sep'19 Yellow Maize	\$	177	\$	179	\$	(2)	US	Sep'19 Yellow Maize		R	3,574	R	53	
Black Sea	Spot Yellow Maize (non GM)	\$	194	\$	194	\$	-	Argentina	Sep'19 Yellow Maize		R	3,158	R	54	
SA	Sep'19 White Maize	\$	226	\$	237	\$	(11)	Brazil	Sep'19 Yellow Maize		R	3,302	R	30	
US	Sep'19 White Maize	\$	236	\$	226	\$	10	South Africa	Sep'19 Yellow Maize		R	3,159	R	(50)	
Mexico	Sep'19 White Maize	\$	235	\$	235	\$	-	White Maize							
								US	Sep'19 White Maize		R	4,256	R	201	
								Mexico	Sep'19 White Maize		R	4,159	R	64	
								(Wheat quality based on 12% moisture & import tariff included)							
								Wheat	Published Tariff		R	958.00			

## News for the week

### Corn/Maize

International corn prices traded lower this past week after market participants established their most bullish view for Chicago traded corn in more than three years earlier this month, but then the weather outlooks quickly and unexpectedly improved for the US crop. Selling early last week offset the prior buying and the bearish mood continued through most of the week.

US ethanol plants are expected to sharply limit production in the weeks ahead as steep Midwest corn prices and the US-China trade war have led to lower margins and oversupply. Margins to produce ethanol in the Corn Belt where most US production takes place, have decreased to a four-year seasonal low, while ethanol inventories are at the highest seasonally since at least 2010. Production also hit its highest seasonal level since 2010.

The condition of the US corn crop decreased by 1% last week and it is now rated 57% good to excellent. Most of the improvements were found in the central and southern Corn Belt while most of the decreases were found in the eastern and northern Corn Belt.

The size of the expected maize crop in South Africa has been set at 10,979 MMT, which is 46,200 MT more than the previous estimate of 10,933 MMT. The area estimate for maize is 2,301 million ha, while the expected yield is 4,77 t/ha.

South African (SA) maize prices traded lower for September 2019 and December 2019 mainly due to lower Chicago traded corn futures prices.

### Wheat

International wheat prices traded slightly lower this past week with the current harvesting of US winter wheat. European wheat prices also came under some pressure on reports of better than expected yields in parts of Europe.

The EU's crop monitoring service, MARS, decreased its estimate of the EU soft wheat yield this year to 6.04 tonnes per hectare (t/ha) from 6.10 t/ha last month. That would still be 7.3% higher than last year's level and 1.6% higher than the average of the past five years.

Asian flour millers have been buying US and Canadian spring wheat as competitive prices drive the demand. Millers from the region's top importer Indonesia and other countries such as Japan, the Philippines and Thailand, have signed contracts to import about 300,000 MT to 400,000 MT.

According to Deral, Brazilian wheat imports are expected to increase this year as a frost damaged part of the crop in key producing regions of Paraná. In a new crop estimate, Deral estimated production would decrease by nearly 16% in relation to the estimate a total of to 2.72 MMT in 2019.

According to market participants, the French export alliance of grain cooperatives that want to challenge Black Sea suppliers may not be enough to stop the EU's top exporter losing the vital Algerian market to Russian wheat. A unique coalition in which InVivo, Axereal and NatUp will combine soft wheat and feed barley exports outside the EU, is a response to booming Russian and Ukrainian exports shipments.

The EU is set for a larger wheat harvest this summer as a heatwave in late June which wilted some crops had a less severe impact than initially feared.

South African (SA) wheat prices traded higher for September 2019 and December 2019 due to weaker ZAR and higher import parity prices.

### Soybeans

International soybean prices traded slightly higher this past week with US soybean Chicago trade futures prices trading higher after talks that buyers in China are interested in buying more US soybeans.

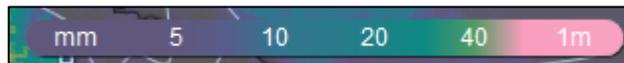
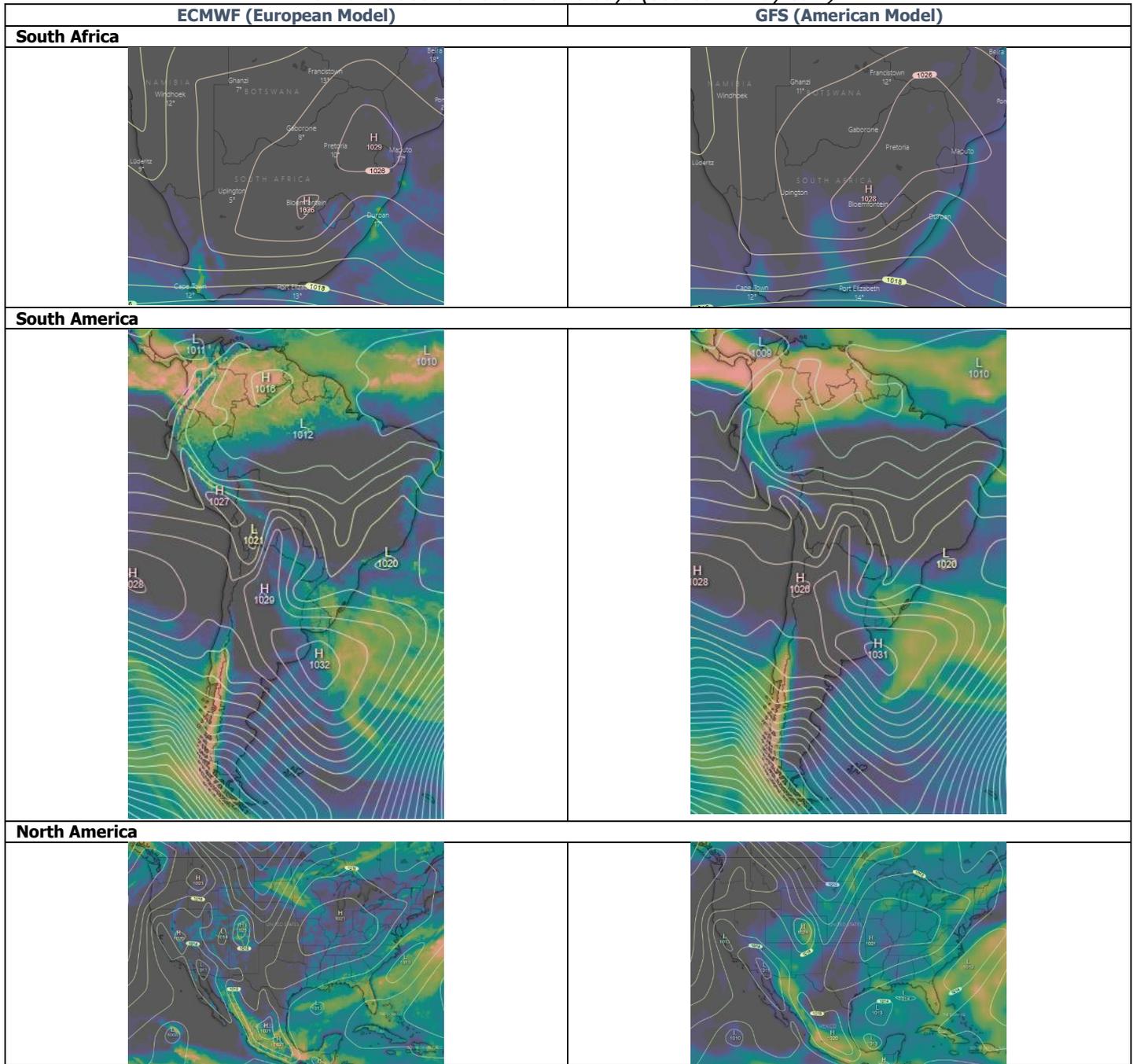
According to preliminary government data, the protein content in Brazilian soybeans decreased for the first time in four harvests in the 2018 season, which is a development that has already cost Brazilian companies business with China. Decreasing protein levels in Brazil, the world's top soybean supplier, can cause trouble for exporters who are faced with the chance of shipment cancellations and thus selling their soybeans at a discount or stricter contracts requiring quality assurances with buyers who want to guarantee a nutrient-rich purchase.

The weather experienced last week in the US was probably better for the soybeans than what have been forecasted as long as the crop did not receive too much rainfall. The soybean condition held steady at 54% rated good to excellent. The soybean development continues to be slower than normal with many soybeans still very short in stature. A lot of the later planted soybeans are essentially double-cropped soybeans since they were planted so late. These later planted soybeans will need good weather during August and September and a prolonged growing season in order to achieve anything close to a normal yield.

It might seem an unlikely time for US farmers to look to China for more business but the devastating impact of African swine fever on the Chinese pork industry is exceeding the fears about trade wars and tariffs. Experts estimate the disease will wipe out about a third of China's pork production this year or about 18 MMT. That's twice the amount of pork exported worldwide every year and enough to feed US consumers for almost two years.

South African (SA) soybean prices traded sideways for September 2019 and December 2019 this past week due to weaker ZAR and higher Chicago traded futures.

Rainfall outlook for the next 10 days (Source: Windy.com)



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