The Weekly Weighbridge

16 July 2018

Important facts for the week

- The USDA increased their US corn 2018/19 production estimate by 5 Mmt to 361.5 Mmt. However, due to lower FSU production and higher Chinese consumption estimates, global ending stocks were adjusted lower.
- The USDA lowered their wheat production estimates for Australia, the EU, China, Russia and the Ukraine. This saw world ending stocks lowered by 5.5 Mmt.
- The USDA increased their 2018/19 US soybean production estimate by 1 Mmt to 117.5 Mmt, consumption up 1 Mmt and exports down 7 Mmt as a result of the US/China trade war.
- The premium for Brazillian beans is trading higher than the US origin on a FOB basis and is on a five year high (US$60/mt) as a result of the ongoing trade war.

		ZAR/mt 16 Jul'18	Week move				16 Jul'18	9 Jul'18
SAFEX	Jul'18 WM	1 958	-56	ZAR/US$			13.24	13.41
SAFEX	Sep'18 WM	2 005	-63	ZAR/EUR			15.50	15.75
SAFEX	Jul'18 YM	2 023	-73	ZAR/GBP			17.52	17.76
SAFEX	Sep'18 YM	2 076	-75					
SAFEX	Jul'18 Soyb	4 145	-191	Important dates				
SAFEX	Sep'18 Soyb	4 226	-200	12 Jul.	USDA monthly world S&D report			
SAFEX	Jul'18 Suns	4 445	-245					
SAFEX	Sep'18 Suns	4 540	-260					
SAFEX	Jul'18 WH	4 022	-1					
SAFEX	Sep'18 WH	4 092	18					

Export				Import				
US$/t		FOB origin	Week move	*ZAR/t*		Protein basis	FCA Durban	Week move
SA	Jul'18 YM	180	2	US (HRW)	Wheat(spot)	11.0%	4 037	-84
SA	Jul'18 WM	183	2	Black Sea	Wheat(spot)	11.0%	3 716	29
US	Jul'18 YM	163	0	German	Wheat(spot)	11.0%	3 997	25
Arg	Spot YM	161	-2	South American	Wheat(spot)	11.0%		
Brazil	Spot YM	174	0	Australia APW (WA)	Wheat(spot)	10.4%	4 252	-86
Black Sea	Spot YM (non GM)	181	3	US (DNS)	Wheat(spot)	13.8%	4 479	-103
SA	Jul'18 soybeans	370	4	(Wheat quality based on 12% moisture & R437.20/t imp. tariff included)				
US	Jul'18 soybeans	331	-16					
Brazil	Spot soybeans	391	-3					
Argentina	Spot soybeans	n/a						

News for the week

Corn/Maize

US corn prices traded sideways this week. Despite the higher USDA US crop forecast, global production and ending stock estimates were lower.

Corn speculators have increased their net short postion significantly the past week. US growing conditions remain favourable.

The USDA released its latest world S&D estimate the past week. US 2017/18 ending stocks down by 2 Mmt due to a higher export estimate. US 2018/19 production 5 Mmt up at 361.5 Mmt, exports up 3 Mmt and ending stocks 0.5 Mmt lower at 39.5 Mmt. FSU production estimate down 3 Mmt (Russia estimate down 2Mmt) and Chinese consumption up 2Mmt. World ending stocks down 2.5 Mmt to 152 Mmt.

The BOLSA report indicated that 70% of the Argentine maize crop have been harvested. They also indicated that the crop could be smaller than their current 32 Mmt forecast (USDA 33Mmt) should yield reports remain below expectations.

South African (SA) maize prices traded lower this week, with ZAR strength the main source of the price pressure.

Wheat

International wheat prices were mixed this week. US and Australian prices traded lower while the Black Sea and Germany's prices gained ground. One could have expected more support given the bullish USDA global S&D report.

The USDA increased the 2018/19 US wheat production estimate by 1.5 Mmt to 51 Mmt. Australian production estimate down 2 Mmt to 22 Mmt, EU down 4.5 Mmt to 145 Mmt, China down 1 Mmt to 128 Mmt, Russia down 1.5 Mmt to 67 Mmt and Ukraine down 1 Mmt to 25.5 Mmt. World ending stocks down 5.5 Mmt to 261 Mmt. It remains relatively healthy ending stocks. However, several observers believe that China and India should be taken out of the equation, as their stock is not available to the market. If only major wheat export countries are used, stocks to usage ratio declines to levels last seen in 2007.

The Russian agriculture minister reported their most recent wheat crop forecast this week at 64.5 Mmt (last season 85 Mmt) versus the USDA forecast of 67 Mmt and most other forecasts between 69-70 Mmt.

Germany's DRV expect's the German 2018/19 wheat production estimate to be down 12% to 21.5 Mmt.

SA wheat prices traded sideways, as better international prices were neutralized by ZAR strength.

Soybeans

US soybean prices are significantly lower this week. The USDA for the first time accounted the US/China trade war into their US soybean balance sheet. US exports were significantly down and ending stocks up. Brazilian prices traded marginally lower this week as Chinese demand for this origin remains supportive. The premium for Brazillian beans is trading higher to US origin on a FOB basis and is on a five year high (US$60/mt) as a result of the trade war.

US growing conditions remain favourable.

The USDA increased their 2018/19 US production estimate by 1 Mmt to 117.5 Mmt, consumption up 1 Mmt and exports down 7 Mmt as a result of the US/China trade war. US ending stocks up 5 Mmt to 16 Mmt. Argentine production estimates up 1 Mmt to 57 Mmt (last year 37 Mmt) and Brazillian production up 2.5 Mmt to 120.5 Mmt. Chinese beginning stocks up 3 Mmt, imports down 8 Mmt and consumption down 5 Mmt with ending stocks unchanged. World ending stocks up 11 Mmt to 98 Mmt.

The USDA left 2018/19 Brazilian crush volumes unchanged compared to last year. Brazilian soybeans is now trading at a US$60/mt premium to US origin on a FOB basis. Brazilian crushers could sell more beans to exporters and crush less.

There is some speculation that state owned Chinese importers namely Sinograin and COFCO might be reimbursed for the 25% import levy charged on US imports,this could mean that they can import Brazilian beans at a premium and might then be reimbursed.

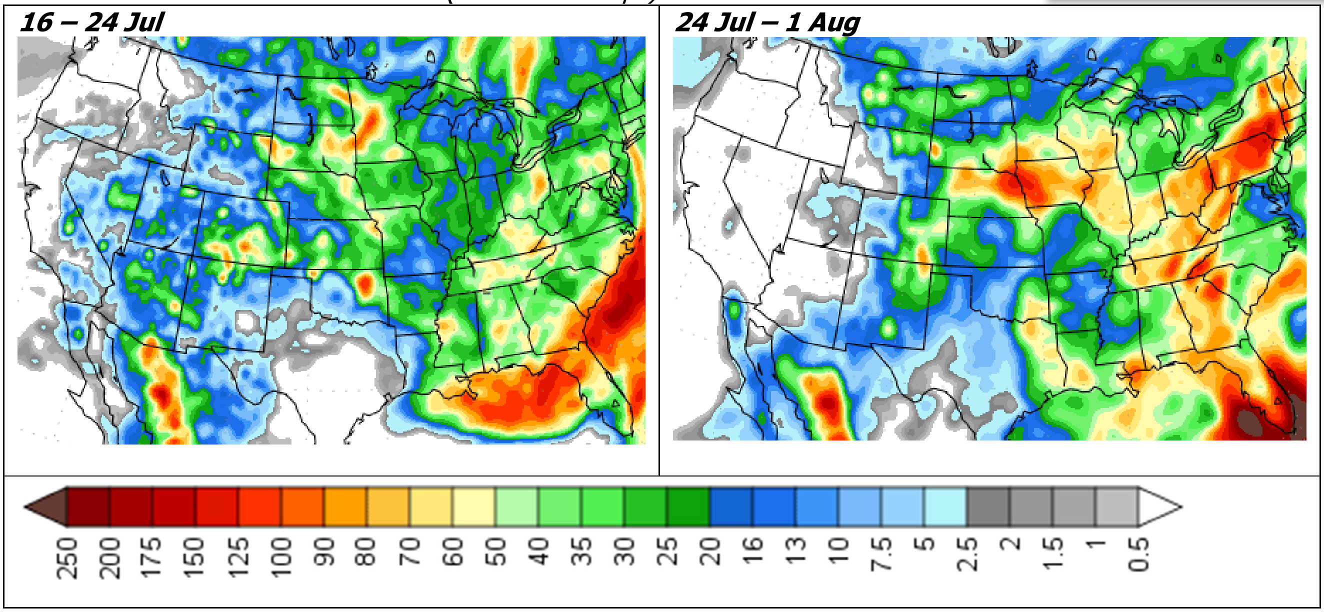
The Chinese agriculture ministry has lowered its China soybean import forecast to 94 Mmt (USDA 97 Mmt) for the 2018/19 marketing year due to higher prices as a result of the China/US trade war with China imposing a 25% import levy on US origin soybeans. Observers indicate the 13% VAT that is charged on all soybean imports is another factor pushing prices higher.

China's 2018/19 soybean acreage is estimated at 8.4M acres, up from 7.8M last year.

The US announced that a further US$200 billion in Chinese goods imported to the US will attract an import levy (talks indicate it could be 10%, which is down from the current 25%). This should see China less willing to negotiate regarding the ongoing trade war.

SA soybean prices are significantly lower mainly driven by weaker US prices and ZAR strength.

US rainfall outlook for the next two weeks (Source: Wxmaps) – not available



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