

The Weekly Weighbridge

23 July 2018

Important facts for the week

- Russia announced that China will consider expanding its list of deliverable Russian areas from which it allows wheat, soybeans, maize, rice to be delivered from. Is this the result of the US/China trade war?
- Less than favourable weather in eastern Australia is the reason for low wheat yield expectations but there is still a substantial part of the season ahead. Australian officials estimating their crop at 18Mmt (USDA 22Mmt).
- The premium Brazil soybeans, and probably any other non-US origin, is trading to US origin on a FOB basis is on a five-year high (US\$56/mt) as a result of the trade war.
- This week president Trump threatened to increase tariffs on US\$450 billion of Chinese goods shipped to the US. This should see China less willing to negotiate around the trade war.

		ZAR/mt 23 Jul'18	Week move	23 Jul'1816 Jul'18				
SAFEX	Jul'18 WM	2 080	122	ZAR/US\$			13.52	13.24
SAFEX	Sep'18 WM	2 111	106	ZAR/EUR			15.82	15.50
SAFEX	Jul'18 YM	2 143	120	ZAR/GBP			17.72	17.52
SAFEX	Sep'18 YM	2 187	111	Important dates				
SAFEX	Jul'18 Soyb	4 356	211					
SAFEX	Sep'18 Soyb	4 440	214					
SAFEX	Jul'18 Suns	4 616	171					
SAFEX	Sep'18 Suns	4 690	150					
SAFEX	Jul'18 WH	4 150	128					
SAFEX	Sep'18 WH	4 205	113					
Export				Import				
US\$/t		FOB origin	Week move	ZAR/t		Protein basis	FCA Durban	Week move
SA	Jul'18 YM	185	5	US (HRW)	Wheat(spot)	11.0%	4 089	52
SA	Jul'18 WM	188	5	Black Sea	Wheat(spot)	11.0%	3 693	-23
US	Jul'18 YM	167	4	German	Wheat(spot)	11.0%	3 953	-44
Arg	Spot YM	165	4	South American	Wheat(spot)	11.0%		
Brazil	Spot YM	174	0	Australia APW (WA)	Wheat(spot)	10.4%	4 226	-26
Black Sea	Spot YM (non GM)	183	2	US (DNS)	Wheat(spot)	13.8%	4 486	-96
SA	Jul'18 soybeans	378	8	(Wheat quality based on 12% moisture & R281.70/t imp. tariff included)				
US	Jul'18 soybeans	334	3					
Brazil	Spot soybeans	390	-1					
Argentina	Spot soybeans	n/a						

News for the week

Corn/Maize

US corn prices traded higher this week. US dollar weakness, technical buying and better than expected US exports were supportive factors for prices.

The market is of the opinion that the USDA August S&D forecast for US corn and soybeans will be key to get to grips with yield potential. There are already some analysts forecasting record yields for both crops.

The BOLSA cut their Argentine maize crop estimate by 1Mmt to a total of 31Mmt (USDA 33Mmt), which 10 Mmt lower than last year.

Russia announced that China will consider expanding its list of deliverable Russian areas from which it allows wheat, soybeans, maize, rice to be delivered from.

South African (SA) maize prices traded higher this week supported by higher US prices and ZAR weakness.

Wheat

International wheat prices traded higher this week. Production concerns for France, Germany as well as Australia were the main supportive factor for prices.

Less than favourable weather in eastern Australia is the reason for low yield expectations but there is still a substantial part of the season ahead. Australian officials are estimating their crop at 18Mmt (USDA 22Mmt).

ABARE cut their 2018/19 Australian wheat crop forecast to 21.9Mmt, about 2Mmt below normal.

South African (SA) wheat prices traded higher this week supported by ZAR weakness and higher international prices.

Soybeans

US soybean prices traded marginally higher this week. A bit of a price correction this week after US prices declined to 10 year lows this past month mainly due to the China/US trade war. Price support came from technical buying and some short covering.

The premium Brazil soybeans and probably any other non-US origin soybeans, that is trading towards the US origin on a FOB basis is on a five-year high (US\$56/mt) as a result of the trade war. It is a substantial premium that the Chinese government is prepared to force on its crushers to make a point in the trade war. This is actually a "tax" that will filter through to the consumer. There is talk of US soybeans flowing into Canada that could eventually end up in China as "non-US origin". Argentine soybeans are still trading at a discount to the Brazilian origin and it is likely Argentine farmers/traders will hold onto stock until that discount disappears.

South American farmers could adapt the maize planting area into a soybeans planting area this coming season as they should have a captive market in China if the trade war continues.

There is a continuing debate on how many usual Brazilian customers will rather buy US origin this season to avoid the premium.

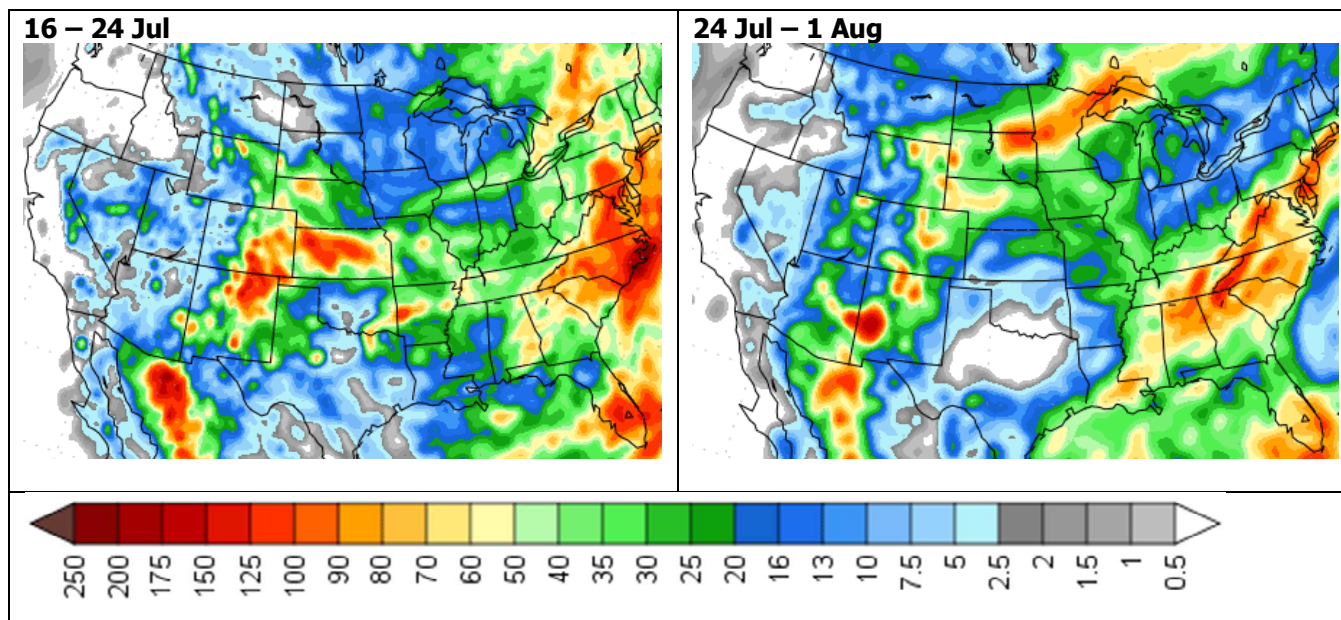
For the week ended July 12, US soybean sales commitments saw cancellations of 6Mmt, underlining Chinese buying of non-US soybeans.

The BOLSA final estimate for the season put the Argentine soybean crop at a total of 36Mmt (USDA 37Mmt).

As reported last week, the US announced a further US\$200 billion in Chinese goods imported to the US that will attract an import levy (talk could be 10%, down from the current 25%). This week president Trump threatened to increase tariffs on US\$450 billion of Chinese goods shipped to the US. This should see China less willing to negotiate around the trade war.

South African (SA) soybean prices traded higher this week driven by ZAR weakness and marginal increases in US soybean prices.

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



Disclaimer

The opinions and assumptions expressed in this publication are not necessarily see the manner of OVK and OVK accepts no responsibility or liability for any claims that are made in the report. Copyright is reserved and content may only with written permission of the editor are reproduced.