The Weekly Weighbridge

30 July 2018

Important facts for the week

- The USDA announced a US$12 billion income support plan to assist US farmers. The budgeted amount seems to be more or less in line with the expected amount of lost US export demand from China.
- EU wheat production estimates continue to decline. Earlier in the month the USDA cut their estimate by 4.5Mmt to a total of 145Mmt. Most estimates now around a total of 138-139Mmt (down 12-13Mmt on last year).
- China continues to pay a US$45-57/mt premium on a FOB basis for non-US origin soybeans which includes Brazil, Argentina and Canada.
- US president Trump's comments indicate the EU agreed to work together with the US against Chinese "unfair" trade practices. Not good news for China and even speculation it could force China to change their stance on aggressive import tariffs.

		ZAR/mt 30 Jul'18	Week move
SAFEX	Sep'18 WM	2 121	10
SAFEX	Dec'18 WM	2 209	31
SAFEX	Sep'18 YM	2 193	6
SAFEX	Dec'18 YM	2 280	17
SAFEX	Sep'18 Soyb	4 420	-20
SAFEX	Dec'18 Soyb	4 561	-4
SAFEX	Sep'18 Suns	4 770	80
SAFEX	Dec'18 Suns	4 903	48
SAFEX	Sep'18 WH	4 150	-55
SAFEX	Dec'18 WH	4 170	-35

	30 Jul'18	23 Jul'18
ZAR/US$	13.17	13.52
ZAR/EUR	15.40	15.82
ZAR/GBP	17.28	17.72

Important dates

Export			
US$/t		FOB origin	Week move
SA	Sep'18 YM	194	9
SA	Sep'18 WM	196	8
US	Jul'18 YM	170	3
Arg	Spot YM	172	7
Brazil	Spot YM	180	6
Black Sea	Spot YM (non GM)	n/a	
SA	Jul'18 soybeans	393	15
US	Jul'18 soybeans	342	8
Brazil	Spot soybeans	398	8
Argentina	Spot soybeans	n/a	

Import				
ZAR/t		Protein basis	FCA Durban	Week move
US (HRW)	Wheat(spot)	11.0%	4 173	84
Black Sea	Wheat(spot)	11.0%	3 720	27
German	Wheat(spot)	11.0%	4 013	60
South American	Wheat(spot)	11.0%	n/a	
Australia APW (WA)	Wheat(spot)	10.4%	n/a	
US (DNS)	Wheat(spot)	13.8%	4 479	-7

(Wheat quality based on 12% moisture & R281.70/t imp. tariff included)

News for the week

Corn/Maize
US corn prices traded higher this past week. We suspect the main support was better wheat prices dragging corn along. Better than expected US corn export inspections also were price supportive.

The USDA announced a US$12 billion income support plan to assist US farmers. The budgeted amount seems to be more or less in line with the expected amount of lost US export demand from China. Commodities listed to benefit are soybeans, corn sorghum, cotton, wheat and pork. Detail on allocations per commodity etc. still needs to be communicated and are only expected by September.

USDA reported US corn crop conditions at 72% good/excellent in line which are with last weeks reported and well above last year's 62%.

South African (SA) maize prices traded marginally higher. Better international prices were price supportive but ZAR strength neutralized most of the upside price movement.

Wheat
International wheat prices traded higher this past week. Production concerns for France, Germany as well as Australia supported wheat prices once again. Another week where analysts lowered EU productions estimates significantly.

EU wheat production estimates continue to decline. Earlier in the month the USDA cut their estimate by 4.5Mmt to a total of 145Mmt. Most estimates are currently around a total of 138-139Mmt (down 12-13Mmt on last year). EU prices have reacted on these estimates and are trading at a US$25/t premium to Black Sea wheat on a FOB basis and a US$15-20/t premium compared to US SRW.

USDA reported US spring wheat crop conditions at 79% good/excellent versus last week's 80% and last year's 33%.

Less than favourable growing weather conditions in eastern Australia continues. Australian analysts are currently forecasting a crop below a total of 20Mmt with some as low as a total of 18Mmt. Observers continue to indicate a substantial part of the season remains ahead and conditions could change.

South African (SA) wheat prices traded lower this past week due to ZAR strength. Better international prices limited the downside price movement.

Soybeans
US soybean prices traded higher this past week. Indications that the EU could join the US in the fight against unfair trade practices supported ideas of increased EU imports of US agricultural commodities. Also, some observes felt a price correction was due as the potential decline of US soybean exports to China has been discounted.

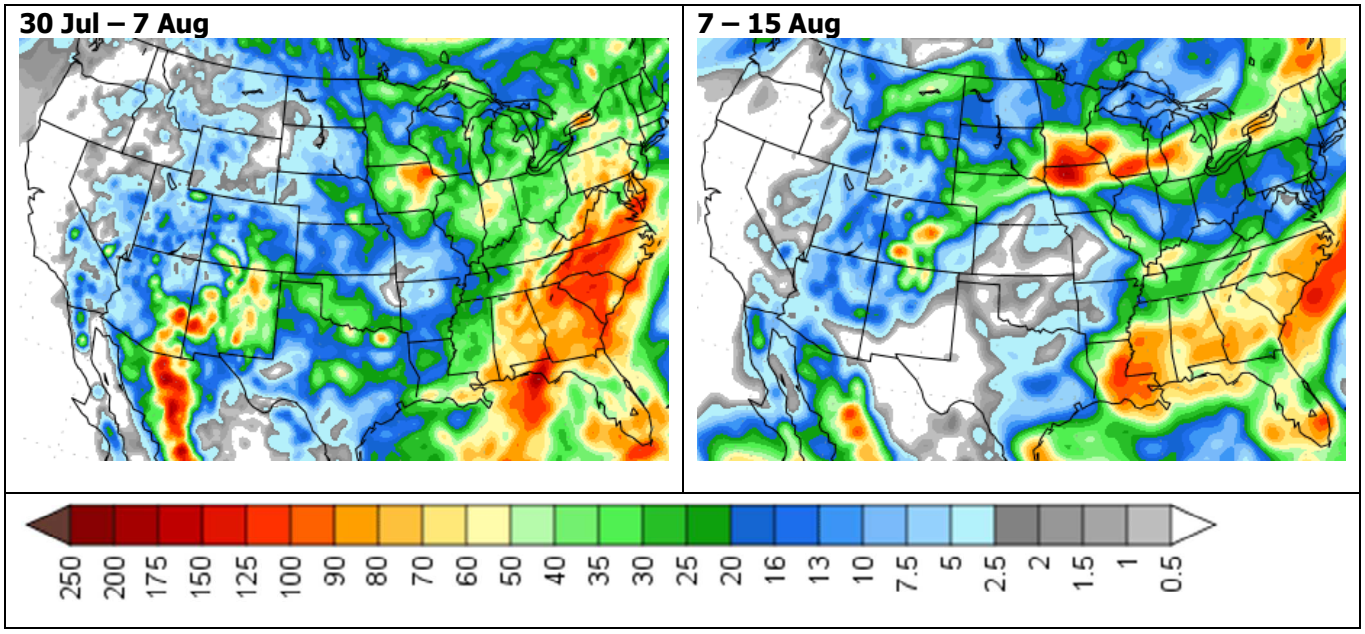
USDA reported US soybean crop condition at 70% good/excellent versus last week's 69% and last year's 69%.

China continues to pay a US$45-57/mt premium on a FOB basis for non-US origin soybeans which includes Brazil, Argentina and Canada.

US president Trump's comments indicate the EU agreed to work together with the US against Chinese "unfair" trade practices. This is not good news for China and even there is speculation it could force China to change their stance on aggressive import tariffs. President Trump was quoted saying the EU will soon buy a lot of US soybeans. Such comments will not make traders eager to short the US bean market despite the US/China trade war.

South African (SA) soybean prices traded basically sideways with ZAR strength neutralizing higher international prices.

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



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