

# The Weekly Weighbridge

## 6 August 2018

### Important facts for the week

- Australian wheat production estimates around a total of 18-20Mmt (USDA 22Mmt) due to adverse weather. Seems there is concern that estimates could slip below 18Mmt if dry weather continues.
- There are reports that the Ukraine might limit its milling grade wheat export program as local stock of quality wheat dwindles. Ukraine agricultural ministry indicated there is no plans to directly limit milling wheat exports.
- There is talk in the US that the US government should consider helping farmers, who are targeted by Chinese tariffs, with alternatives. Maybe expand corn ethanol production mandates. This will provide farmers the opportunity to plant more corn at the expense of soybeans.
- US President Trump announced that he asked his administration to double proposed tariffs on US\$200bn of Chinese imports from 10% to 25%. It seems the Trump administration is punishing Beijing hoping it will bring them back to the negotiating table.

		ZAR/mt	Week			6 Aug'18	30 Jul'18	
		6 Aug'18	move					
SAFEX	Sep'18 WM	2 223	102	ZAR/US\$		13.42	13.17	
SAFEX	Dec'18 WM	2 309	100	ZAR/EUR		15.51	15.40	
SAFEX	Sep'18 YM	2 278	85	ZAR/GBP		17.37	17.28	
SAFEX	Dec'18 YM	2 369	89					
SAFEX	Sep'18 Soyb	4 392	-28	<u>Important dates</u>				
SAFEX	Dec'18 Soyb	4 555	-6					
SAFEX	Sep'18 Suns	4 920	150					
SAFEX	Dec'18 Suns	5 020	117					
SAFEX	Sep'18 WH	4 233	83					
SAFEX	Dec'18 WH	4 270	100					
Export				Import				
US\$/t		FOB origin	Week move	ZAR/t		Protein basis	FCA Durban	Week move
SA	Sep'18 YM	197	3	US (HRW)	Wheat(spot)	11.0%	4 361	188
SA	Sep'18 WM	200	4	Black Sea	Wheat(spot)	11.0%	4 050	330
US	Sep'18 YM	175	5	German	Wheat(spot)	11.0%	4 307	294
Arg	Spot YM	175	3	South American	Wheat(spot)	11.0%	n/a	
Brazil	Spot YM	183	3	Australia APW (WA)	Wheat(spot)	10.4%	n/a	
Black Sea	Spot YM (non GM)	n/a		US (DNS)	Wheat(spot)	13.8%	4 687	208
SA	Sep'18 soybeans	384	-9	(Wheat quality based on 12% moisture & R281.70/t imp. tariff included)				
US	Sep'18 soybeans	348	6					
Brazil	Spot soybeans	410	12					
Argentina	Spot soybeans	n/a						

## News for the week

### Corn/Maize

US corn prices traded higher this past week. Better than expected US export figures and a higher wheat price was supportive factors.

The USDA reported the weekly US corn exports at 1.28Mmt, exceeding current expectations.

Brazil maize crop production estimate is lower at a total of 79-81 Mmt (USDA 83 Mmt).

USDA reported the US corn crop conditions at 72% good/excellent which is in line with last week and well above last year's 61%. There is also talk of potential record high US yields this season.

South African (SA) maize prices traded higher this past week. ZAR weakness was the main price support but better international prices also played a part.

### Wheat

International wheat prices traded higher this past week. Production concerns for the EU, Australia and Canada are price supportive.

EU wheat production estimates continue to decline. Most estimates are currently around a total of 137Mmt (USDA 145Mmt) due to intense heat and dry weather.

Australian production estimates are around a total of 18-20Mmt (USDA 22Mmt) due to adverse weather. It seems there is concern that estimates could slip below 18Mmt if the dry weather continues. There is talk that the Eastern parts of Australia already has irreversible damage.

Canadian production estimates around a total of 30.5Mmt (USDA 32.5Mmt).

There is reports that the Ukraine might limit its milling grade wheat export program as local stock of quality wheat dwindles. This supported international prices. The Ukrainian agricultural ministry indicated there is no plans to directly limit milling wheat exports.

USDA reported the US spring wheat crop conditions at 78% good/excellent versus last week's 79% and last year's 31%.

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

### Soybeans

US soybean prices traded higher this past week. A continued price correction after the poor performance of US beans the past few months and higher Brazil prices were price supportive factors. There remains an underlying concern regarding the US/China trade war and the impact it could have on US soybean exports.

Brazil reported it exported 2.6Mmt more soybeans to China during June 2018 compared to last year and 4.5Mmt more compared to the year to date number from last year.

USDA reported the US soybean crop condition at 70% good/excellent which is in line with last week and above last year's 59%.

China continues to pay a US\$44-62/mt premium on a FOB basis for non-US origin soybeans which includes Brazil, Argentina and Canada. Brazilian premiums are at the top end of the spread and Argentinian premium are at the bottom.

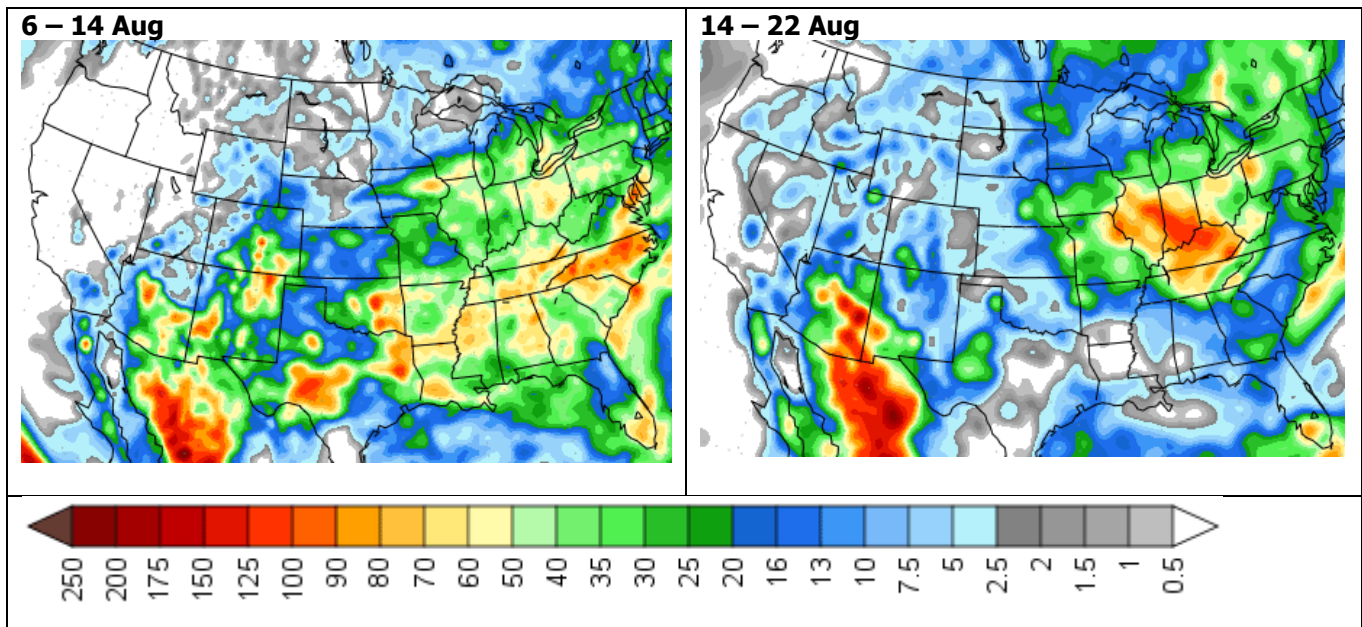
The USDA has reported the Argentine soybean carry in stocks at 20Mmt while most other observers estimate 3-7.5Mmt. Seems the USDA figure might be inaccurate and there could be much less beans in Argentina compared to previous expectations.

There are reports this week that China plans tariffs on a further US\$60bn of US imports at 25%. US President Trump announced that he asked he's administration to double proposed tariffs on US\$200bn of Chinese imports from 10% to 25%. It seems the Trump administration is punishing Beijing, hoping it will bring them back to the negotiating table.

There is also talk in the US that the US government should consider helping farmers, who are targeted by Chinese tariffs, with alternatives. Maybe by expanding corn ethanol production mandates. This will provide farmers with the opportunity to expand corn plantings at the expense of soybeans (impacted by Chinese import tariffs).

South African (SA) soybean prices traded sideways this past week. Lower US prices was neutralized by ZAR weakness.

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



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