

# The Weekly Weighbridge

## 5 September 2018

### Important facts for the week

- Ukraine, one of the world's largest grain growers and exporters to top 30 Million ton in Maize production on record yield estimates.
- U.S. Soybean exports to China to plunge in 2018/2019 due to Sino-U.S. trade war, but Chinese supplies could be exhausted by February or March next year.
- Wheat prices under pressure as Russian farm ministry confirmed they have no plans to restrict grain exports which eased worries over global supplies.
- South Africa in recession for the first time since 2009 as Rand slumps.

|               |                            | ZAR/mt            |       | Week |               |  | 05 September 2018 |       | 29 August 2018 |       |            |            |      |       |   |
|---------------|----------------------------|-------------------|-------|------|---------------|--|-------------------|-------|----------------|-------|------------|------------|------|-------|---|
|               |                            | 05 September 2018 |       | Move |               |  |                   |       |                |       |            |            |      |       |   |
| SAFEX         | Sep'18 White Maize         | R                 | 2,429 | R    | 156           | ZAR/USD  | R                 | 15.35 | R              | 14.34 |            |            |      |       |   |
| SAFEX         | Dec'18 White Maize         | R                 | 2,531 | R    | 165           | EUR/USD  | \$                | 1.16  | \$             | 1.17  |            |            |      |       |   |
| SAFEX         | Sep'18 Yellow Maize        | R                 | 2,482 | R    | 143           | ZAR/EUR  | R                 | 17.80 | R              | 16.80 |            |            |      |       |   |
| SAFEX         | Dec'18 Yellow Maize        | R                 | 2,582 | R    | 158           | ZAR/GBP  | R                 | 19.74 | R              | 18.68 |            |            |      |       |   |
| SAFEX         | Sep'18 Soybeans            | R                 | 4,529 | R    | 185           | <i>Important dates</i>   |                   |       |                |       |            |            |      |       |   |
| SAFEX         | Dec'18 Soybeans            | R                 | 4,696 | R    | 204           |  |                   |       |                |       |            |            |      |       |   |
| SAFEX         | Sep'18 Sunflower           | R                 | 5,257 | R    | 373           |  |                   |       |                |       |            |            |      |       |   |
| SAFEX         | Dec'18 Sunflower           | R                 | 5,397 | R    | 371           |  |                   |       |                |       |            |            |      |       |   |
| SAFEX         | Sep'18 Wheat               | R                 | 4,383 | R    | 152           |  |                   |       |                |       |            |            |      |       |   |
| SAFEX         | Dec'18 Wheat               | R                 | 4,554 | R    | 175           |  |                   |       |                |       |            |            |      |       |   |
| <b>Export</b> |                            |                   |       |      | <b>Import</b> |  |                   |       |                |       |            |            |      |       |   |
|               |                            | USD/mt            |       | Week |               |  |                   |       |                |       | ZAR/mt     |            | Week |       |   |
|               |                            | FOB Origin        |       | Move |               |  |                   |       |                |       | FCA Durban |            | Move |       |   |
| SA            | Sep'18 Yellow Maize        | \$                | 184   | \$   | -3            |  |                   |       |                |       | US (HRW)   | Spot Wheat | R    | 5,662 | R |
| SA            | Sep'18 White Maize         | \$                | 181   | \$   | -2            | US (SRW)   | Spot Wheat        | R     | 5,095          | R     | 191        |            |      |       |   |
| US            | Spot Yellow Maize          | \$                | 174   | \$   | 12            | German   | Spot Wheat        | R     | 4,966          | R     | 237        |            |      |       |   |
| Argentina     | Spot Yellow Maize          | \$                | 160   | \$   | 2             | French   | Spot Wheat        | R     | 4,686          | R     | 212        |            |      |       |   |
| Brazil        | Spot Yellow Maize          | \$                | 172   | \$   | 4             | Russian  | Spot Wheat        | R     | 5,190          | R     | 237        |            |      |       |   |
| Black Sea     | Spot Yellow Maize (non GM) | \$                | 181   | \$   | -7            |  |                   |       |                |       |            |            |      |       |   |
| SA            | Sep'18 Soybeans            | \$                | 334   | \$   | -11           | (Wheat quality based on 12% moisture & import tariff included) |                   |       |                |       |            |            |      |       |   |
| US            | Sep'18 Soybeans            | \$                | 318   | \$   | 3             | Wheat  | Published Tariff  | R     | 640.60         |       |            |            |      |       |   |
| Brazil        | Sep'18 Soybeans            | \$                | 385   | \$   | 16            |  |                   |       |                |       |            |            |      |       |   |
| Argentina     | Sep'18 Soybeans            | \$                | 372   | \$   | 3             |  |                   |       |                |       |            |            |      |       |   |

### Corn/Maize

Ukraine's maize production will exceed just over 30 million tonnes this year, mainly supported by record yields after the crop had benefitted from very good growing conditions. Ukraine which is one of the world's largest grain growers and exporters will see an increase of 23 percent from the 2017 crop to an estimated total of 30.28 million tonnes of Maize. A big maize crop in Ukraine as well as a big harvest expected in the United States could help ease tensions in global markets after various setbacks to Wheat production.

Argentine farmers may plant less corn this year after the government announced a roughly 10 percent export tax on Corn as well as Wheat. While this seasons wheat crop has already been planted, Argentinian farmers may weigh the tax implications as they prepare to plant corn next month.

Speculators remain cautiously bearish toward the Chicago-traded Corn futures mainly on fears that the U.S government had underestimated the size of their domestic Corn crop.

South Africa entered recession in the second quarter for the very first time since 2009 the data showed on Tuesday, the economy had contracted by 0.7 percent quarter-on-quarter mainly due to declines in the agriculture, transport and retail sectors. The Rand is trading over R15 to the Dollar and will be supportive to local commodity prices across the board.

### Wheat

The Chicago Wheat futures dropped 1.4 percent on Tuesday after Russia's farm ministry said that they had no plans to restrict grain exports which eased worries over global Wheat supplies. Russia had a record crop last year and this year the crop is not record-sized but is still big, and this is why Russian Wheat is still one of the cheapest in the world. The Russian ministry did not see a need to impose an export duty on grains to curb grain exports in any other way they later stated.

On the other hand, Argentine farmers may delay their Wheat sales this year due to the implementation of the roughly 10 percent export tax as previously stated. The implementation of the tax is mainly part of an austerity program which is designed to halt the run on the Peso currency consultants said. This seasons Wheat crop has already been planted, but the implementation of this tax will have an influence on the amount of Corn planted next month.

Speculators are not ready to let go of the Wildly Bullish Wheat story, in the week ending 28 August the hedge funds as well as other money managers had cut their net long position in the Chicago Wheat futures and options to 51 180 from 60 812 in the previous week.

The Local South African Wheat prices did come under some pressure for the Week ending 28 August with Safex September and December prices giving up 2.77% and 2.38 % respectively. The weakening of the Rand however will be supportive to local Wheat prices.

### Soybeans

The country of China will almost entirely replace their Soybean imports from the United States with Brazilian beans and other origins in the upcoming season, but an executive with a top crusher said they may run out of oilseed in early 2019. Imports from the United States which is currently China's number two supplier will plunge to 700 000 tonnes in the 2018/2019 season starting this month compared to 27.85 million tonnes imported in the previous season.

Other alternatives for China would be Argentina, Canada, Russia and other smaller countries. The deputy director of the Chinese Soybean industry association said that China will produce over 30 million tonnes of Soybeans by 2020.

China also recently reported a new African swine fever in the Anhui province on Monday raising the risk for farmers as the disease spreads rapidly in the world's top pork producer. This disease is currently weighing on the market as this will bring concerns regarding demand for Soy meal.

Money managers extended their net short position in Chicago Soybeans to 53 642 futures and options from 40 049 in the previous week. The November Soybean futures dropped 6 percent during the period.

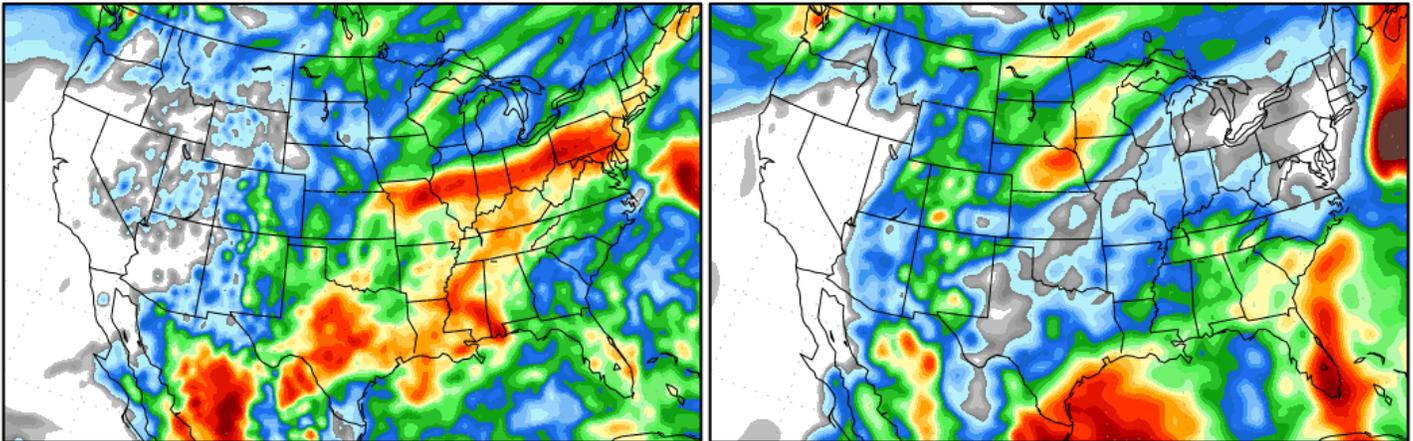
The local South African oilseed prices traded lower in the past week ending 29 August with the lower US Soybean prices and the stronger Rand seen at that stage. December Soybean and Sunflower seed contracts gave up 4.9% and 3.0% in the last week respectively.

The recent weakening of the Rand due to the recent poor GDP results will be supportive to the local Soybean and Sunflower market.

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

**5 Sep – 13 Sep 2018**

**13 Sep – 21 Sep 2018**



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