

# The Weekly Weighbridge

## 6 March 2019

### Important facts for the week

- China's plans to increase subsidies for corn farmers in the leading grain producing region as the country's stock surplus decreases. China also plans to keep subsidies at high levels for the second year running. This increase for the corn subsidies marks a reversal from last year's approach when the government was trying to encourage farmers to decrease the corn area planted as the country sold enormous volumes of stocks of older grain.
- Egypt, the world's largest wheat importer, has rejected a shipment of Romanian wheat over a "quality issue".
- According to the Russian agricultural consultancy IKAR, Russian wheat export prices continued to decrease last week which is in line with other international market price movements. Black Sea prices for Russian wheat with 12.5% protein content for delivery in March were \$226 per tonne on a free on board (FOB) basis at the end of last week, which is down \$8 from a week earlier.
- According to leading US-based agricultural broker McDonald Pelz, chances of China buying of US soybeans beyond 10 MMT that the US says China has committed to buy, could be restricted as a freshly-harvested Brazilian crop flows into the market. Demand for soybeans from Brazil could reduce Chinese demand for old-crop soybeans from the US.

|                      |                            | ZAR/mt     |       |    | Week  |                      |     | 06 March 2019  |                              |                 | 27 February 2019 |       |        |     |
|----------------------|----------------------------|------------|-------|----|-------|----------------------|-----|--|------------------------------|-----------------|------------------|-------|--------|-----|
|                      |                            |            |       |    | Move  |                      |     |  |                              |                 |                  |       |        |     |
| SAFEX                | May'19 White Maize         | R          | 3,000 | R  | 2,699 | R                    | 301 | ZAR/USD  |                              | R               | 14.19            | R     | 13.93  |     |
| SAFEX                | Jul'19 White Maize         | R          | 3,072 | R  | 2,764 | R                    | 308 | EUR/USD  |                              | \$              | 1.1307           | \$    | 1.1369 |     |
| SAFEX                | May'19 Yellow Maize        | R          | 2,730 | R  | 2,562 | R                    | 168 | ZAR/EUR  |                              | R               | 16.04            | R     | 15.84  |     |
| SAFEX                | Jul'19 Yellow Maize        | R          | 2,737 | R  | 2,567 | R                    | 170 | ZAR/GBP  |                              | R               | 18.65            | R     | 18.54  |     |
| SAFEX                | May'19 Soybeans            | R          | 4,933 | R  | 4,758 | R                    | 175 | <b>Important dates</b>   |                              |                 |                  |       |        |     |
| SAFEX                | Jul'19 Soybeans            | R          | 5,030 | R  | 4,855 | R                    | 175 | 06/03/2019   | Weekly producer deliveries   |                 |                  |       |        |     |
| SAFEX                | May'19 Sunflower           | R          | 5,440 | R  | 5,352 | R                    | 88  | 07/03/2019   | Weekly Imports and exports   |                 |                  |       |        |     |
| SAFEX                | Jul'19 Sunflower           | R          | 5,411 | R  | 5,304 | R                    | 107 | 07/03/2019   | Weekly USA export Intentions |                 |                  |       |        |     |
| SAFEX                | May'18 Wheat               | R          | 4,552 | R  | 4,488 | R                    | 64  |  |                              |                 |                  |       |        |     |
| SAFEX                | Jul'19 Wheat               | R          | 4,583 | R  | 4,522 | R                    | 61  |  |                              |                 |                  |       |        |     |
| <b>Export Parity</b> |                            |            |       |    |       | <b>Import Parity</b> |     |  |                              |                 |                  |       |        |     |
|                      |                            | USD/mt     |       |    | Week  | Origin Country       |     | Protein level  | ZAR/mt                       |                 | Week             |       |        |     |
|                      |                            | FOB Origin |       |    | Move  |                      |     |  | FCA Durban                   |                 | Move             |       |        |     |
| <b>Soybeans</b>      |                            |            |       |    |       | <b>Wheat</b>         |     |  |                              |                 |                  |       |        |     |
| SA                   | May'19 Soybeans            | \$         | 379   | \$ | 372   | \$                   | 7   | US (HRW)   | Spot Wheat                   | 10.1%           | R                | 4,640 | R      | 95  |
| US                   | May'19 Soybeans            | \$         | 354   | \$ | 356   | \$                   | -1  | US (SRW)   | Spot Wheat                   |                 | R                | 4,458 | R      | 132 |
| Brazil               | May'19 Soybeans            | \$         | 355   | \$ | 357   | \$                   | -2  | Germany  | Spot Wheat                   | 11.0%           | R                | 4,731 | R      | 67  |
| Argentina            | May'19 Soybeans            | \$         | 336   | \$ | 339   | \$                   | -3  | France   | Spot Wheat                   | 10.1%           | R                | 4,233 | R      | 1   |
|                      |                            |            |       |    |       | <b>Maize</b>         |     |  |                              |                 |                  |       |        |     |
| SA                   | May'19 Yellow Maize        | \$         | 214   | \$ | 205   | \$                   | 9   | Russia   | Spot Wheat                   | 11.0%           | R                | 4,698 | -R     | 0   |
| SA                   | May'19 Yellow Maize        | \$         | 233   | \$ | 214   | \$                   | 18  | Australian APW   | Spot Wheat                   | 9.2%            | R                | 4,427 | -R     | 17  |
|                      |                            |            |       |    |       | <b>Wheat</b>         |     |  |                              |                 |                  |       |        |     |
| US                   | May'19 Yellow Maize        | \$         | 172   | \$ | 174   | \$                   | -2  | Argentina  | Spot Wheat                   | 10.6%           | R                | 4,549 | R      | 67  |
| Argentina            | May'19 Yellow Maize        | \$         | 163   | \$ | 163   | \$                   | -0  | <b>South Africa</b>  |                              |                 |                  |       |        |     |
| Brazil               | May'19 Yellow Maize        | \$         | 171   | \$ | 171   | \$                   | -0  |  |                              | FCA Randfontein |                  |       |        |     |
| Black Sea            | Spot Yellow Maize (non GM) | \$         | 171   | \$ | 174   | \$                   | -4  | South Africa   | Spot Wheat                   | 12.0%           | R                | 4,466 | -R     | 22  |
|                      |                            |            |       |    |       | <b>Yellow Maize</b>  |     |  |                              |                 |                  |       |        |     |
|                      |                            |            |       |    |       | <b>White Maize</b>   |     |  |                              |                 |                  |       |        |     |
| US                   | May'19 Yellow Maize        | R          | 3,319 | R  | 3,119 | R                    | 200 |  |                              | FCA Klipheuwel  |                  |       |        |     |
| Argentina            | May'19 Yellow Maize        | R          | 3,108 | R  | 3,108 | R                    | 0   | US   | May'19 White Maize           | R               | 3,841            | R     | 95     |     |
| Brazil               | May'19 Yellow Maize        | R          | 3,223 | R  | 3,223 | R                    | 0   | Mexico   | May'19 White Maize           | N/A             | N/A              | N/A   | N/A    |     |
| South Africa         | May'19 Yellow Maize        | R          | 3,230 | R  | 3,230 | R                    | 0   | (Wheat quality based on 12% moisture & import tariff included) |                              |                 |                  |       |        |     |
|                      |                            |            |       |    |       | <b>Wheat</b>         |     |  |                              |                 |                  |       |        |     |
|                      |                            |            |       |    |       | Published Tariff     |     |  |                              |                 |                  |       |        |     |
|                      |                            |            |       |    |       | R 490.70             |     |  |                              |                 |                  |       |        |     |



## News for the week

### Corn/Maize

International corn prices traded slightly lower this past week with the market waiting in anticipation of the outcome of the US-China trade talks and the USDA WASDE on 8 March 2019.

China's plans to increase subsidies for corn farmers in the leading grain producing region as the country's stock surplus decreases. China also plans to keep subsidies at high levels for the second year running. This increase for the corn subsidies marks a reversal from last year's approach when the government was trying to encourage farmers to decrease the corn area planted as the country sold enormous volumes of stocks of older grain.

As stated by the APK-Inform consultancy, Ukrainian grain exports from sea harbours for the week from 23 February 2019 to 1 March 2019 decreased to 816,000 MT from 1.16 MMT a week prior. Corn exports decreased to 717,000 MT from 848,000 MT, while wheat exports decreased to 99,000 MT from 303,000 MT.

South African (SA) maize prices traded higher for May 2019 and July 2019 this past week with white maize and yellow maize trading higher due to international market prices trading slightly lower, ZAR weakness and growing uncertainty about rainfall for March 2019.

### Wheat

International wheat prices traded lower this past week with speculators piling into the short side of the wheat market in recent weeks, likely limiting further price decreases. But then again with bigger international crops expected for 2019/2020 and continued export competition could keep the lid on prices in the coming months.

Australia's Bureau of Meteorology stated that the East Coast will experience hot, dry weather over the following three months, once again threatening wheat production in the world's fourth-largest exporter. Australia's East Coast has only a 20% chance of receiving average rainfall between 1 March 2019 and 31 May 2019.

Australia's wheat production is likely to increase by 38% in 2019/20 from the just finalised drought-hit season, if farmers receive urgently required rainfall. In the country's first official wheat production estimate for the new crop season, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimated production at 23.9 MMT.

Saudi Arabia's state grain buyer, Saudi Grains Organization (SAGO), said it is looking to buy 595,000 MT of hard milling wheat in an international purchasing tender. Specifications giving is that the wheat should be of 12.5% protein content and is for delivery during April 2019 to June 2020.

Bangladesh's state grains buyer received the lowest offer of \$271.75 a tonne in an international purchasing tender to

purchase and import 50,000 tonnes of wheat. No purchase has yet been reported and the offers are still being considered.

Egypt, the world's largest wheat importer, has rejected a shipment of Romanian wheat over a "quality issue".

According to the Russian agricultural consultancy IKAR, Russian wheat export prices continued to decrease last week which is in line with other international market price movements. Black Sea prices for Russian wheat with 12.5% protein content for delivery in March were \$226 per tonne on a free on board (FOB) basis at the end of last week, which is down \$8 from a week earlier.

South African (SA) wheat prices traded higher this past week for May 2019 and July 2019 with ZAR weakness pushing import prices higher.

### Soybeans

US soybean prices traded slightly lower this past week with USDA WASDE expectations kept unchanged for the report released on 8 March 2019 and the US-China trade talks still being the main factor influencing prices. Other international countries traded sideways this past week.

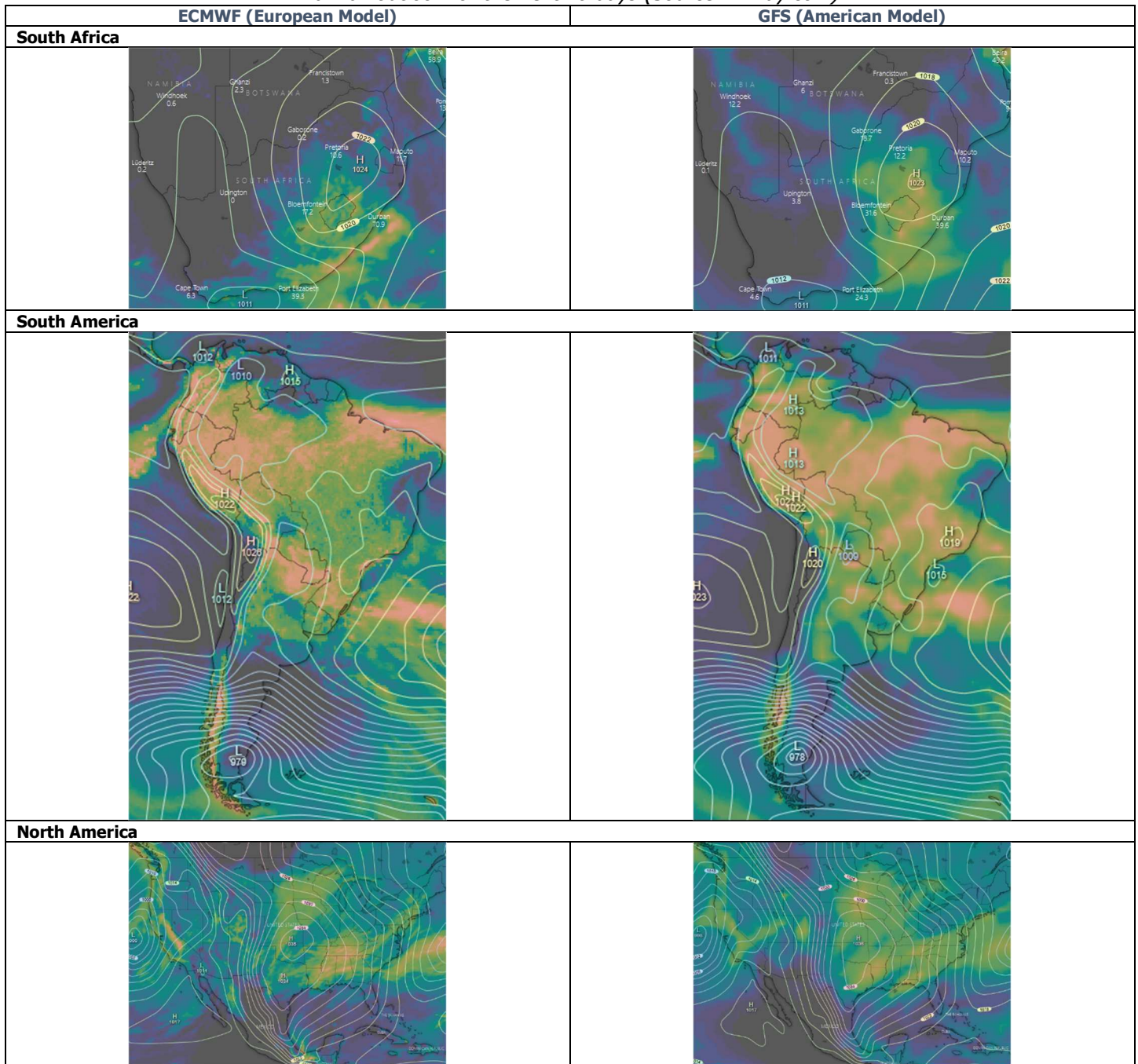
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Flooding and ice accumulation on some important waterways in the US Midwest have hindered the movement of barges that supply grain and soybeans to export terminals in the Gulf of Mexico. One lock on the Ohio River became blocked last week, stopped vessels moving to and from the Mississippi River until as late as 9 March 2019.

South African (SA) soybean prices traded higher this past week for May 2019 and July 2019 due to international market prices trading sideways, ZAR weakness and growing uncertainty about rainfall for March 2019.



Rainfall outlook for the next 10 days (Source: Windy.com)



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