

## The Weekly Weighbridge 19 February 2018

### Important facts for the week

- The USDA reported weekly US corn sales at 1.97Mmt, better than trade expectations. This confirms that the US is currently the favorite global export origin, driven by competitive prices.
- Mexico estimates it will produce 27Mmt of maize (white and yellow) during 2018, compared to 2017's 26Mmt.
- Australia's wheat exports slowed of late as one of their major importers Indonesia increased imports from more competitively priced origins namely Russia and the Ukrain.
- The Buenos Aires Grains Exchange (BAGE) cut their Argentine soybean crop estimate to 50Mmt previous week compared to the USDA's 54Mmt forecast. However, the dryness in Argentina has seen several analysts now forecasting sub 50Mmt crop.
- As tensions escalate between the US and China, soybeans could become the centre of the trade war. It seems the Chinese government is studying the impact of US tariffs on washing machines and solar panels and could retaliate by restricting US soybean imports through an import tariff.

		ZAR/mt 19 Feb'18	Week move			19 Feb'18	12 Feb'18	
SAFEX	Mar'18 WM	1 786	-34	ZAR/US\$		11.65	11.97	
SAFEX	Jul'18 WM	1 893	-33	ZAR/EUR		14.46	14.68	
SAFEX	Mar'18 YM	1 873	-38	ZAR/GBP		16.33	16.56	
SAFEX	Jul'18 YM	1 953	-35					
SAFEX	Mar'18 Soyb	4 478	-62	<u>Important dates</u>				
SAFEX	May'18 Soyb	4 570	-78					
SAFEX	Mar'17 Suns	4 635	-95	27 Feb	CEC - SA revised area and 1st production forecast			
SAFEX	May'18 Suns	4 625	-141					
SAFEX	Mar'17 WH	3 545	-101					
SAFEX	Jul'18 WH	3 651	-119					
Export				Import				
US\$/t		FOB origin	Week move	ZAR/t		Protein basis	FCA Durban	Week move
SA	Mar'18 YM	192	-0	US (HRW)	Wheat(spot)	11.0%	4 019	-47.79
SA	Mar'18 WM	193	-0	Black Sea	Wheat(spot)	11.0%	3 606	-48.58
US	Mar'18 YM	170	1	German	Wheat(spot)	11.0%	3 724	-63.92
Arg	Spot YM	178	1	South American	Wheat(spot)	11.0%	3 571	-71.82
Brazil	Spot YM			Australia APW (WA)	Wheat(spot)	10.4%	4 007	-108.02
Black Sea	Spot YM (non GM)	181	2	US (DNS)	Wheat(spot)	13.8%	4 584	-148.07
SA	Mar'18 soybeans	449	1	(Wheat quality based on 12% moisture & R716.30/t imp. tariff included)				
US	Spot soybeans	390	11					
South America	Spot soybeans	394	11					

## News for the week

### Corn/Maize

US corn prices marginally higher this week supported by dry conditions in Argentina and continuing strong US export sales.

The USDA reported weekly US corn sales at 1.97Mmt, better than trade expectations. This confirms that the US is currently the favorite global export origin, driven by competitive prices.

Rains in northern Brazil still a factor that could delay the soybean harvest which in turn could see planting of the Brazil safrina maize crop delayed which could impact planting area and yield potential. Traders expecting lower plantings for the safrina crop for the first time in several years.

Mexico estimates it will produce 27Mmt of maize (white and yellow) during 2018, compared to 2017's 26Mmt.

South American crop consultant, Dr Michael Cordonnier, lowered his Brazilian maize production estimate by 2Mmt to 86Mmt (USDA 95Mmt). He also lowered his Argentine maize production estimate by 1mmt to 38Mmt (USDA 39Mmt).

South African maize prices marginally lower this week. ZAR strength was the main reason for price weakness. Also, continuing favourable growing conditions in most regions contributed. Some mention this week from Mpumalanga that it is trending drier and that yield potential could suffer if it remains dry next few weeks. Marginally higher US prices limited the downside.

### Wheat

US wheat prices mixed this week. HRW a little higher but SRW and DNS a little lower. Dry conditions in large parts of the HRW region continues. However, price upside limited by healthy global stock levels.

US weekly wheat export sales around 311 000mt, slightly below market expectations.

Russia's agmin expects a grain crop of no less than 110Mmt for 2018 compared to 2017's 134Mmt.

Starategic Grains cut its forecast for EU soft wheat exports for the fourth month running due to poor competitiveness of both French and Polish wheat on the world market. Current export forecast at 21.4Mmt versus last year's 24.1Mmt.

Australia's wheat exports slowed of late as one of their major importers Indonesia increased imports from more competitively priced origins namely Russia and the Ukraine. Seems Black Sea wheat is displacing Australian wheat across Southeast Asia where it is around US\$25/mt cheaper.

Official data out of India show a 4.3% decline in Indian wheat acreage.

South African wheat prices lower mainly as a result of ZAR strength.

### Soybeans

US soybean prices higher this week. Argentine weather remains the focus and dry crop conditions are supporting soymeal prices which supports crush margins which in turn support bean prices.

The Buenos Aires Grains Exchange (BAGE) cut their Argentine crop estimate to 50Mmt previous week compared to the USDA's 54Mmt forecast. However, the dryness in Argentina has seen several analysts now forecasting a sub 50Mmt crop. BAGE increased the poor/very poor portion of the Argentine crop to 56% this week versus only 20% just two weeks ago. The market is expecting further cuts in crop estimates soon.

As tensions escalate between the US and China, soybeans could become the centre of the trade war. It seems the Chinese government is studying the impact of US tariffs on washing machines and solar panels and could retaliate by restricting US soybean imports through an import tariff. China annually purchases about a third of the entire US soybean crop which in mainly uses to feed 400 million pigs. Any curb on soybean imports will directly impact farmers in the Midwestern US. However, a Chinese curb on US soybean imports will increase production costs of pork for the world's largest producer, also not ideal.

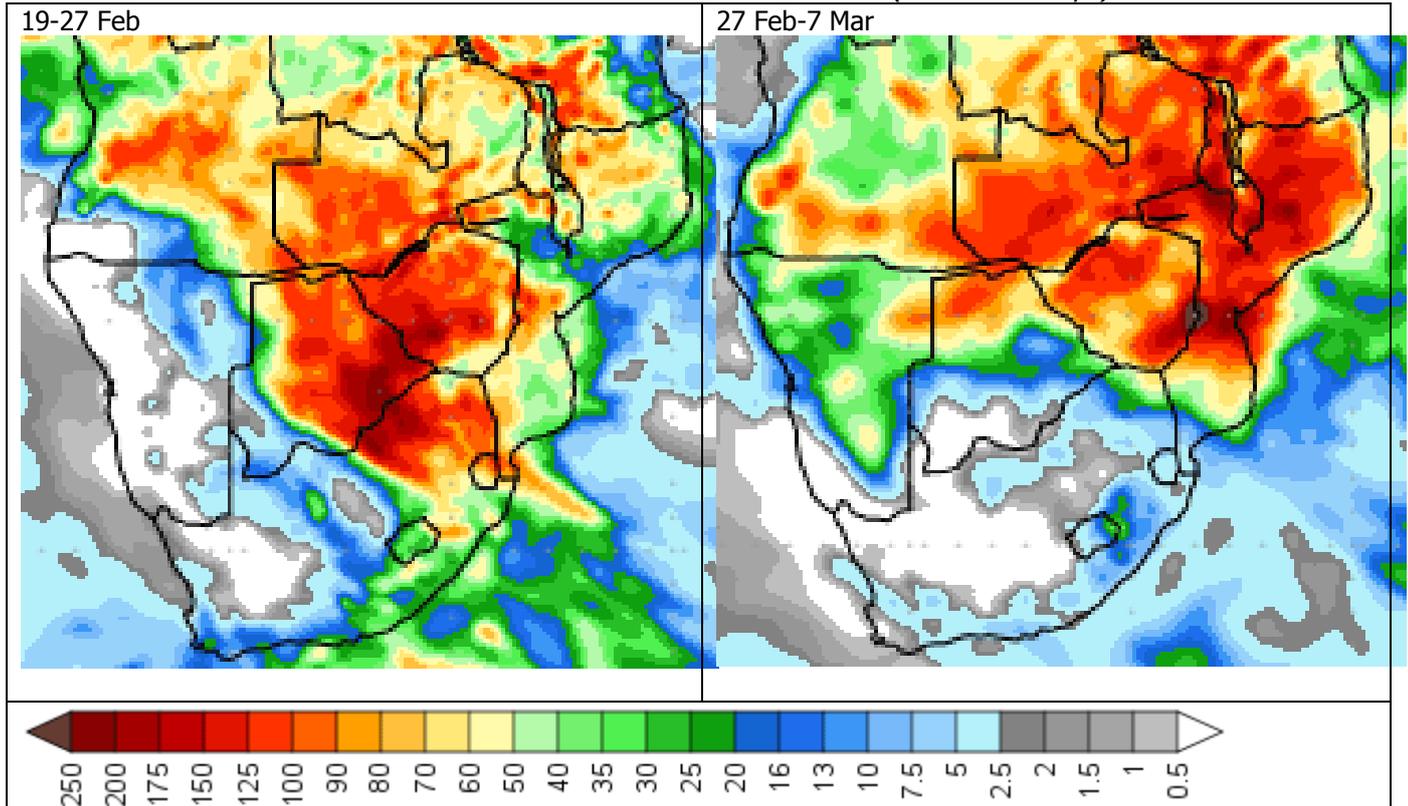
Dr Michael Cordonnier left his Brazil production forecast unchanged at 112Mmt in line with the USDA estimate but lowered his Argentine forecast by 1Mmt to 50Mmt (USDA 54Mmt).

US weekly soybean export sales around 640 000mt, above market expectations.

NOPA confirmed a record high crush number for the US during January but it was still slightly below trade expectations.

South African soybean prices lower this week due to the strong ZAR. However, the healthy improvement in international bean prices, including the US and Argentina, limited the downside.

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



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