

**INTERNATIONAL MARKET**

**Table 1: CME Maize prices and weekly changes (cents/bushel)**

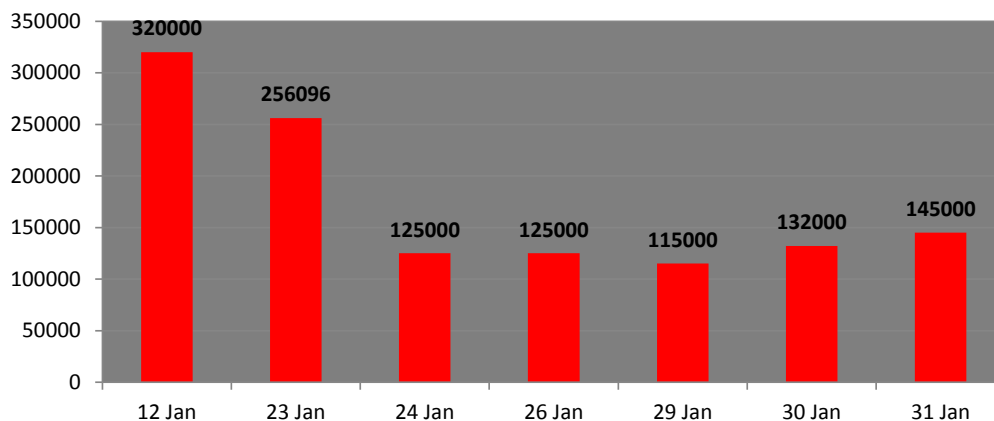
|                   | Currently    | 25/01/2018   | Weekly change (c/bu) | Monthly change (c/bu) |
|-------------------|--------------|--------------|----------------------|-----------------------|
| <b>CME Mar-18</b> | <b>360 ¾</b> | <b>355 ¼</b> | <b>5 ½</b>           | <b>7 ½</b>            |
| <b>CME Jul-18</b> | <b>376 ¾</b> | <b>371 ¾</b> | <b>5</b>             | <b>7</b>              |

- US maize prices posted some good gains in the past week with both March and July maize gaining some ground. On a monthly basis US maize prices are also trading higher with March and July CME gaining 2.1% and 1.9% in the past month respectively.
- On the technical chart for March CME maize we see that the market did get some support at the 40-day average and pushed higher after that. The market posted some solid gains in the past few sessions and broke above the 100-day average earlier this week. US maize prices traded close to a 3-month high in the past week.
- US and world maize prices did get some support from the warm and dry weather conditions seen in the key maize and soybean areas of Argentina in the past week. Adding to this the weaker dollar and improved export demand for US maize also supporting the markets.

**US MAIZE MARKET**

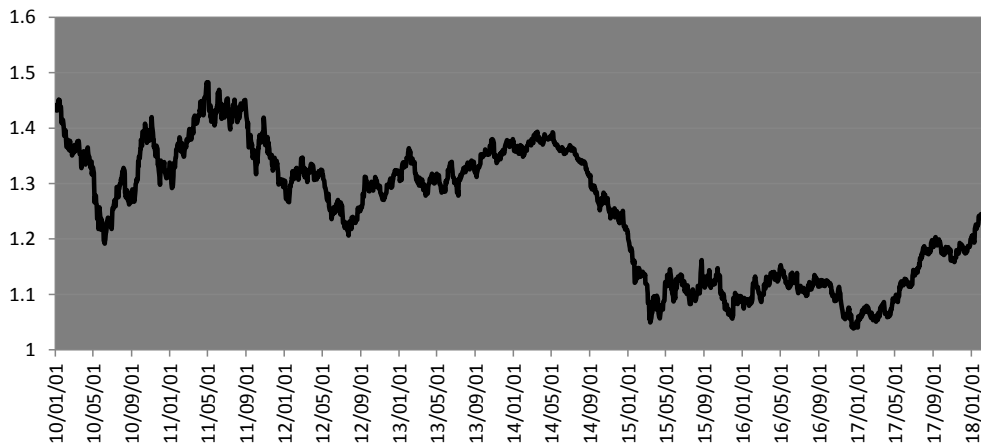
- US maize exports have improved in the past few weeks with the USDA announcing several private sales. The USDA yesterday announced a sale of 132 000 tons that was sold to Spain. Sales totaling 642 000 tons was reported in the past week.
- The US 2017/18 maize exports seen in the season to date represents 62% of the USDA export estimate which is slightly behind the 5-year average seen at 64% for this time of the year.

**Figure 1: USDA reported export sales (tons)**



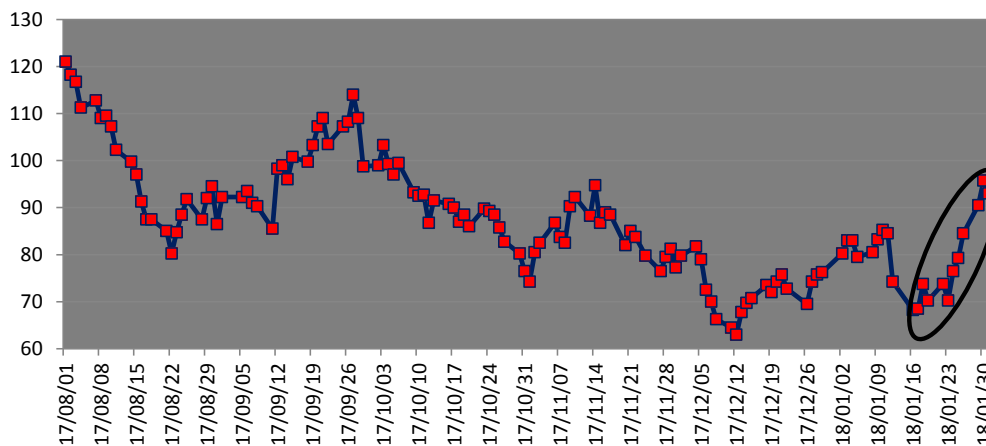
- The US maize exports are also being supported by the weaker dollar with the weaker dollar making US grains more competitive in the global export market. US dollar trading around 1.2430 currently which is levels last seen towards the end of 2014. Ongoing dollar weakness could continue to support the US grains and oilseeds.

Figure 2: Long term US dollar/euro



- Looking at the spreads we see that the CME March maize/wheat spreads posted some gains in the past week with wheat prices outperforming the US maize market. The spread is seen at \$0.93/bushel which is levels last seen in mid-November 2017.
- Rally in wheat prices and higher spreads could once again increase the feed usage of maize compared to wheat.

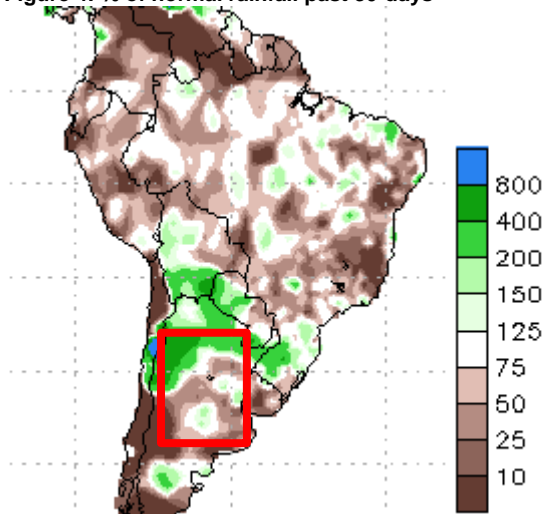
Figure 3: March Corn/Wheat spread (c/bushel)



## SOUTH AMERICA

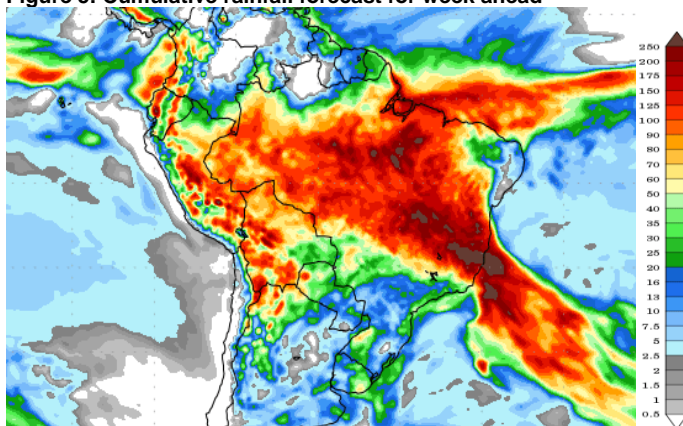
- The weather conditions in South America and more specifically Argentina has been a supportive factor for the international maize market in the past week. Argentine maize prices posted some gains in the past week with Argentine FOB prices seen around \$169/ton currently.
- Mostly warm and dry weather conditions was seen in some of the key growing areas of Argentina in the past week especially the central and southern parts. The below normal rainfall that was seen could lower yields going forward.

Figure 4: % of normal rainfall past 30-days



- The weather forecast for the week ahead expects very little if any rainfall in the key growing areas of Argentina in the week ahead. Adding to this well above normal temperatures is also forecasted for the next week to 10-days. Rainfall in February will be crucial.
- Some of the weather models are more optimistic for some moisture in Argentina from around mid-February.

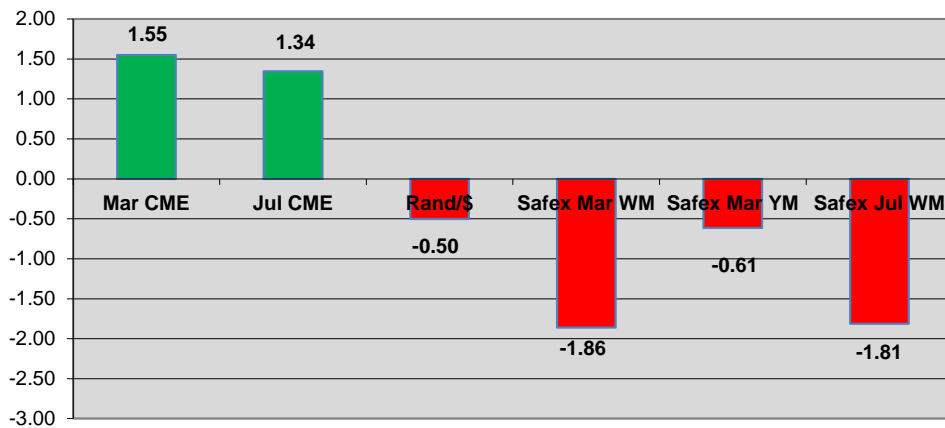
Figure 5: Cumulative rainfall forecast for week ahead



## LOCAL MAIZE MARKET

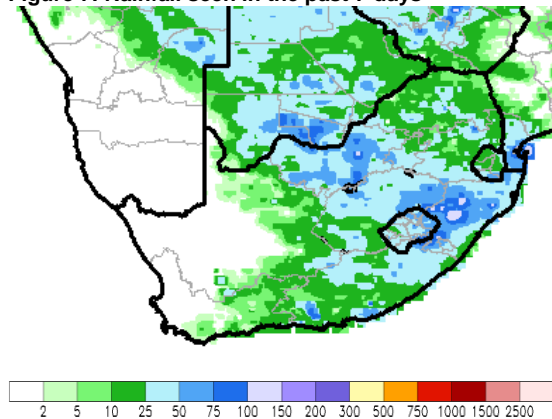
- South African maize prices did come under pressure in the past week with white maize leading the way lower. March and July white maize contracts ended 1.8% lower in the past week.
- Local maize prices did come under pressure as a result of the improved weather with some rainfall that was seen. The larger than expected new crop maize area estimates and the strength of the rand added some pressure.

Figure 6: Safex WM and YM CME and rand/\$ (% change)



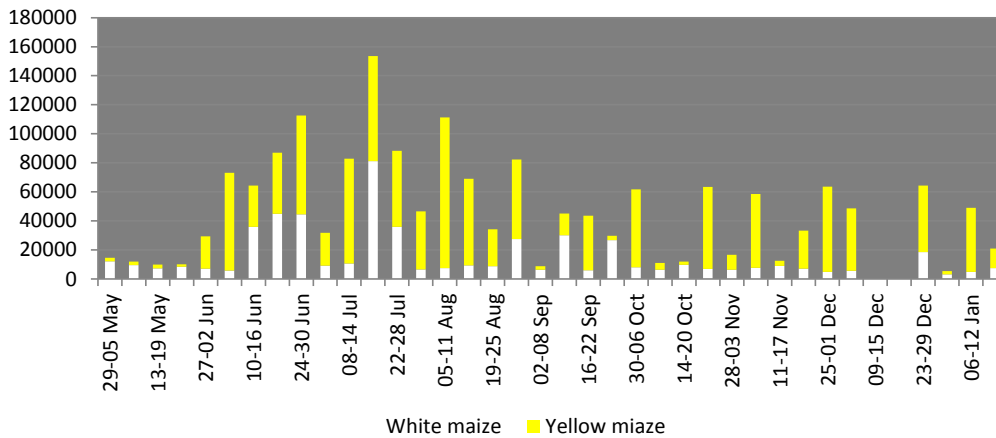
- Weather conditions did improve in the past week with some widespread rainfall that was seen in the past weekend with most of the summer grain areas getting some rainfall. Some overnight rainfall was also seen in some of the central and eastern parts of the country.
- The improved weather conditions have put some pressure on South African white and yellow maize prices as crop prospects improve.

Figure 7: Rainfall seen in the past 7-days



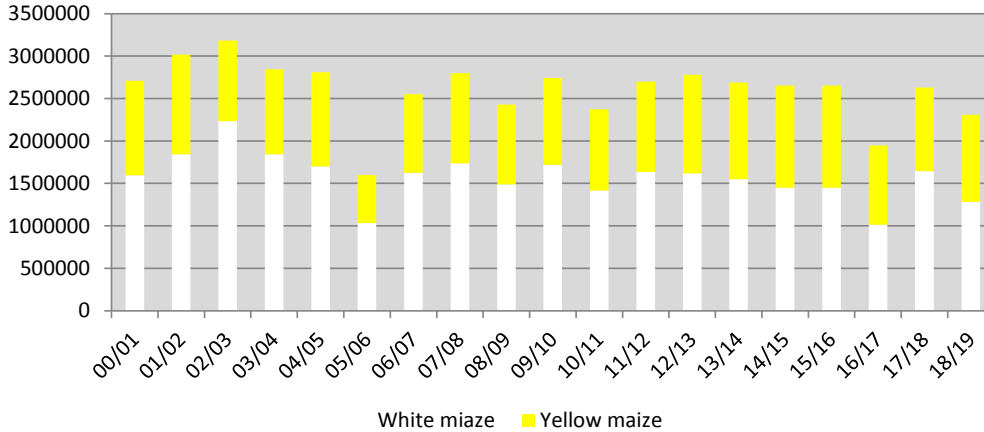
- The weekly South African maize exports for the week ending the 26<sup>th</sup> of January indicated that 12 886 tons of maize was exported. The maize exported included 9 028 tons of white maize and 3 858 tons of yellow maize.
- Cumulative exports for the season to date is seen at 1.841 million tons including 568 624 tons of white maize and 1.272 million tons of yellow maize.

**Figure 8: Weekly South African white and yellow maize exports**



- CEC released their new crop preliminary area estimates this week. The South African maize area planted was reported at 2.309 million hectares which was higher than the market expectation seen at 2.15 million (both Reuters and Bloomberg) but down from the October intentions seen at 2.47 million hectares.
- The white maize area was pegged at 1.285 million hectares which is 21% lower year on year while the yellow maize area was estimated at 1.025 million hectares 4% higher year/year.
- The 2018/19 South African maize area estimate if realized should be the 2<sup>nd</sup> lowest maize area planted since 2005/06.

**Figure 9: South African white and yellow maize area planted**

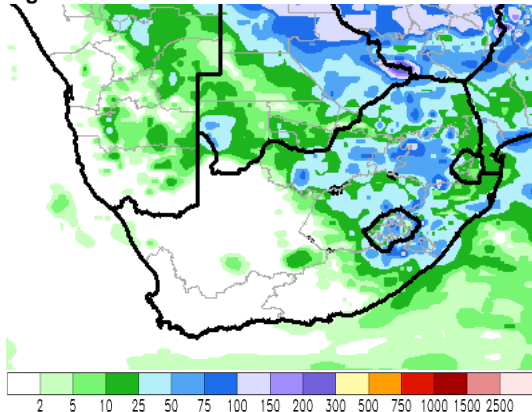


- Looking at possible production estimates we considered several yield estimates and we looked at the 3-year, 5-year and 10-year average yields for both white and yellow maize. We also looked at the record yield and the lowest yield seen in the past 10-years.
- Looking at the 3-yr, 5-yr and 10-yr averages the South African total maize crop could range between 10.81 and 10.94 million tons.
- Keep in mind that we expect the 2017/18 market season to end with around 4 million tons of carry over stock which together with an 11 million ton potential crop should more than provide for the local market and some exports.

| South African yield estimates |      |      | Maize crop estimates |         |         |          |
|-------------------------------|------|------|----------------------|---------|---------|----------|
| Yields                        | WM   | YM   |                      | WM      | YM      | Total    |
| <b>Record</b>                 | 6.02 | 6.95 | <b>Record</b>        | 7733894 | 7120275 | 14854169 |
| <b>3-yr avg</b>               | 4.22 | 5.32 | <b>3-yr avg</b>      | 5421434 | 5450340 | 10871774 |
| <b>5-yr avg</b>               | 4.21 | 5.40 | <b>5-yr avg</b>      | 5408587 | 5532300 | 10940887 |
| <b>10-yr avg</b>              | 4.29 | 5.18 | <b>10-yr avg</b>     | 5511363 | 5306910 | 10818273 |
| <b>Lowest</b>                 | 3.27 | 4.33 | <b>Lowest</b>        | 4200969 | 4436085 | 8637054  |

- The weather forecast expects some more rainfall in the summer grain areas in the week with most of the rainfall forecasted from today through to Sunday and another rainfall even is seen in the 2<sup>nd</sup> half of next week.

Figure 10: Cumulative rainfall forecast week ahead



#### FOCUS FOR THE WEEK

- US maize prices posted some good gains in the past week with the South American weather conditions and the export demand for US maize adding some support.
- The recent dollar weakness also added some support with the weaker dollar making US maize more competitive in the global export market.
- On the technical chart we see that the market posted some strong gains breaking above the key averages including the 100-day average with US maize trading near a 3-month high.
- South African maize prices did come under some pressure with white maize leading the way lower on long liquidation. The improved growing conditions and the larger than expected near crop area estimates weighing on the market.
- The weather forecast is mostly favourable for the week ahead with some more overnight rainfall that was seen.
- On the technical chart the market remains under pressure and key support for March white maize seen in the R1840-R1830 area.

#### Also see the technical graphs below

- Safex March-17 white maize prices
- CME March-17 corn prices





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