

INTERNATIONAL MARKET

Table 1: CME Soybean prices and weekly change (cents/bushel)

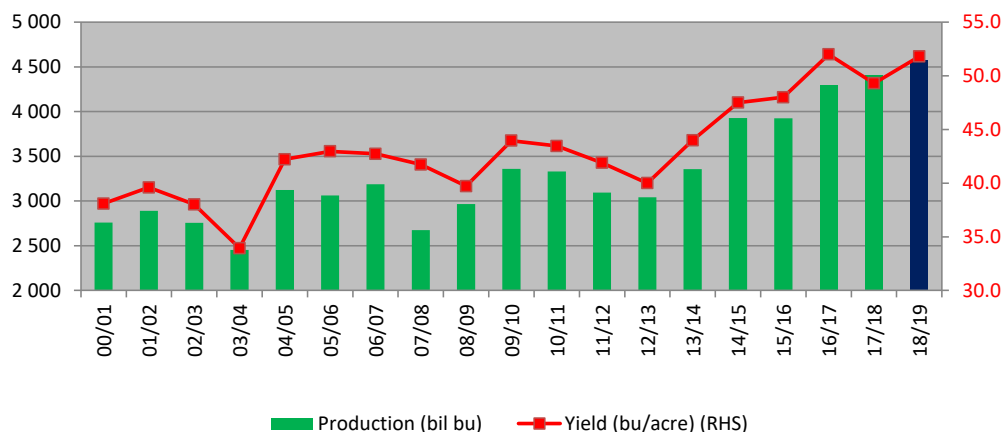
	Currently	02/01/2019	Weekly change (c/bu)	Monthly change (c/bu)
CME Jan-19	908 ½	894 ¾	13 ¾	-1 ¼
CME Mar-19	921	907	14	-1 ¾

- US soybean contracts posted some gains in the past week with both CME January and March gaining some good ground. On a monthly basis US soybean prices are trading marginally lower.
- On the technical chart for March CME soybeans we see that the market did get some support around \$8.80 by the end of December and prices posted some good gains after that. The market has since broken above the 100-day and 40-day averages and immediate resistance is seen at the 200-day average currently around \$9.29/bushels. The shorter moving averages and indicators are still pulling higher which could continue to support prices.
- US soybean contracts did get some support on optimism that the recent US/China trade talks could result in progress and could see China turning to the US soybean market. There is talk in the market that China has bought some US soybeans recently.

USDA report

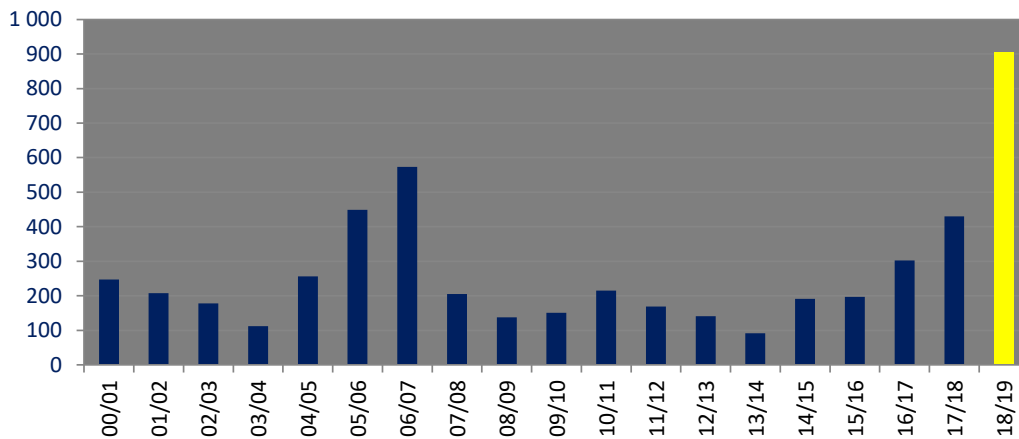
- The USDA report was due for release on Friday the 11th of January but the report has been delayed indefinitely due to the US government shutdown.
- Looking at the market expectations we see that the expectation for the final 2018 US soybean crop estimate is seen at 4.572 billion bushels which is based on a yield of 51.8 bushels/acre. The market expectation is slightly lower than the November estimate seen at 4.600 billion bushels.

Figure 1: US soybean production and yield estimates



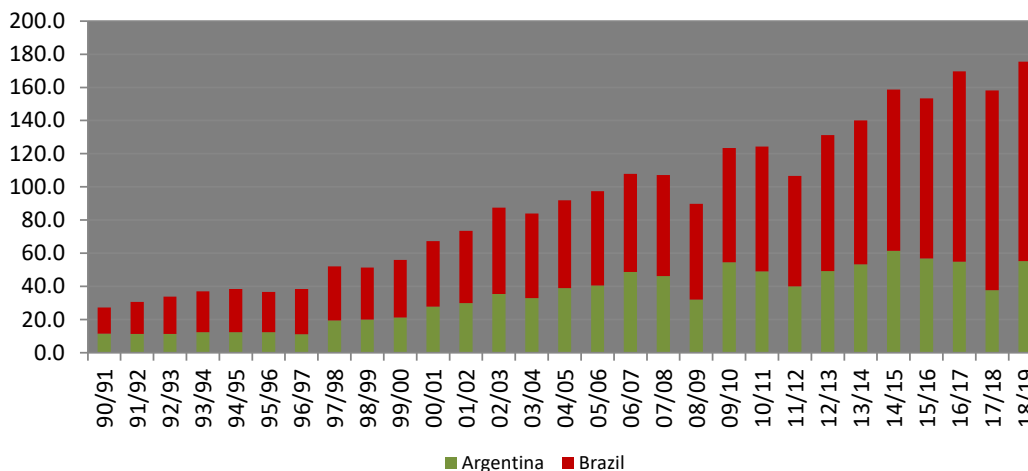
- The average market expectation of the 2018/19 US soybean ending stocks is seen at 904 million bushels which is down from the December USDA estimate seen at 955 million bushels.

Figure 2: US soybean ending stocks (million bushels)



- In terms of the rest of the world the average market expectation of the Brazilian soybean crop is seen at 120.13 million tons which is down from the December USDA estimate seen at 122 million bushels. The Argentine soybean crop is seen at 55.29 million tons which is down from the December USDA estimate seen at 55.5 million tons.
- Despite the expected month/month cut in production the South American soybean crop could still be at record highs.

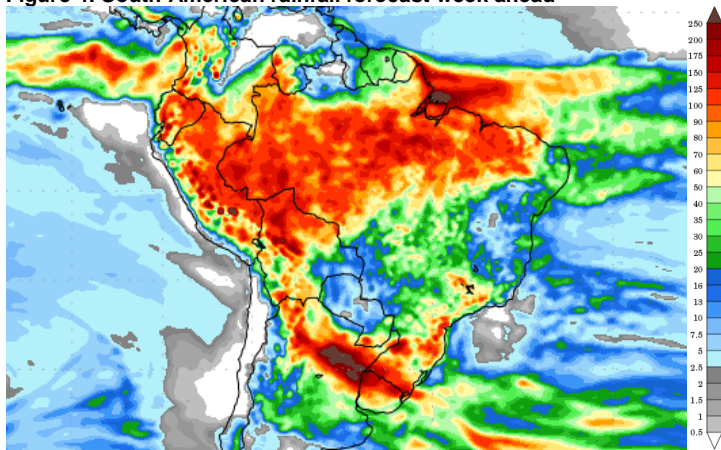
Figure 3: Argentina and Brazil soybean production



South America weather

- South American weather conditions has been less than ideal with excessively wet weather conditions seen in the northern parts of Argentina and the southern parts of Brazil while drier conditions was seen in the central parts of Brazil. Looking at the forecast the trend is set to continue.

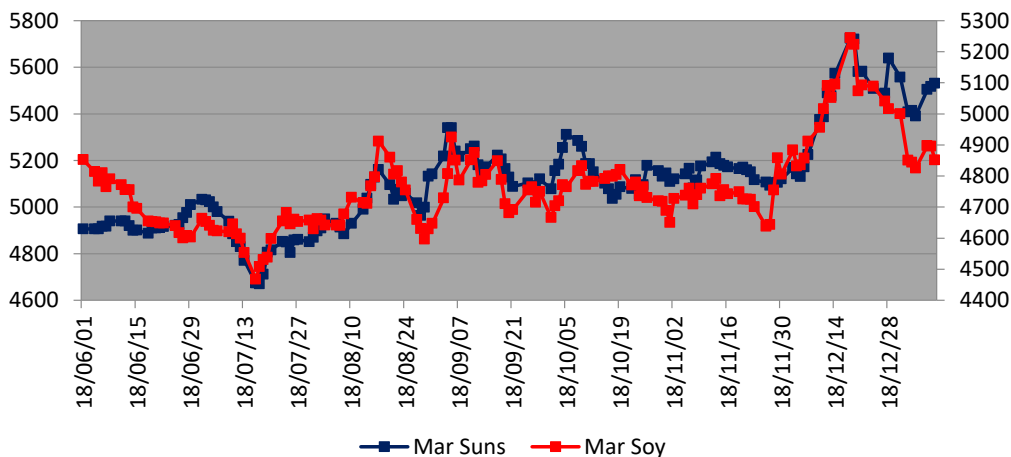
Figure 4: South American rainfall forecast week ahead



LOCAL OILSEED MARKET

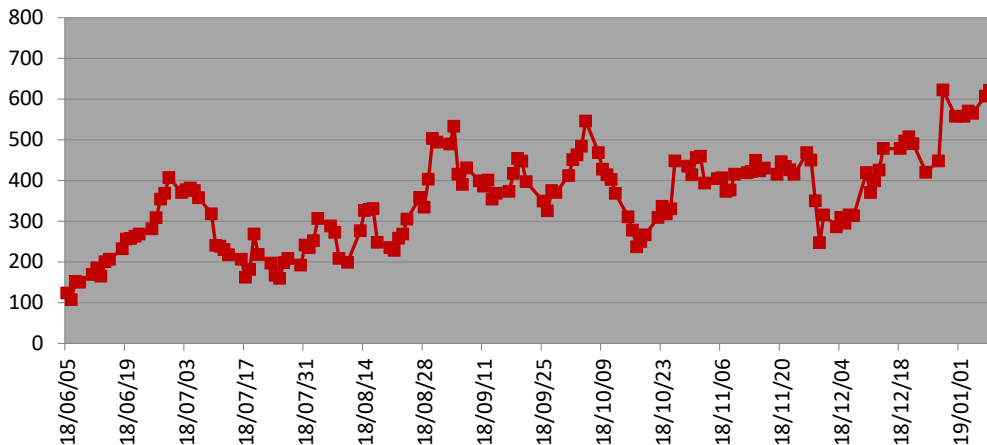
- South African oilseeds ended mixed in the past week with March soybeans ending mostly flat while sunflower seed contracts gained 2.2% in the past week. The sunflower seed contracts posted some gains despite the strength of the rand with the rand trading around R14.00/\$ currently which is well off the R14.45/\$ seen a week ago.
- The adverse weather conditions especially in the central and western growing areas and uncertainty with regard to the area planted supported sunflower seed prices. Keep in mind that 85% of the South African sunflower seed crop is planted in the Free State and North West provinces.

Figure 5: March Safex soybean and sunflower seed prices



- The graph below presents the March Safex soybean/sunflower seed spread in the past few months. From the graph below we see that the spread surged higher from the beginning of December to reach new highs of R680/ton. The uncertainty with regard to the sunflower seed new crop area and the tighter sunflower seed stock situation compared to soybeans added some support.

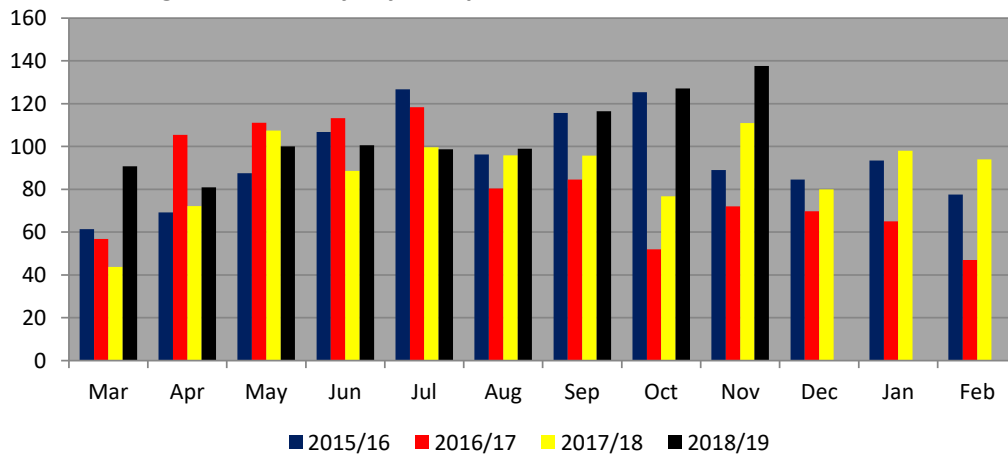
Figure 6: March soybean/sunflower seed spread



Sagis monthly data

- The Sagis monthly data was released towards the end of December. Starting with the South African soybean market we see that 4 491 tons of soybeans was delivered in November 2018 bringing the cumulative deliveries for the season to date at 1.488 million tons. Imports of 1 259 tons was seen in the month of November.
- On the demand side of the South African soybean market we see that the soybean processed for the local market in November 2018 was reported at 137 620 tons which is up from the 127 158 tons seen in the previous month. This brings the cumulative soybean processed for the local market in the season to date at 951 773 tons which is well above the 790 919 tons seen the same time last year.
- From the graph below we see that the soybeans processed for the local market in November 2018 is a new monthly record for the South African market.

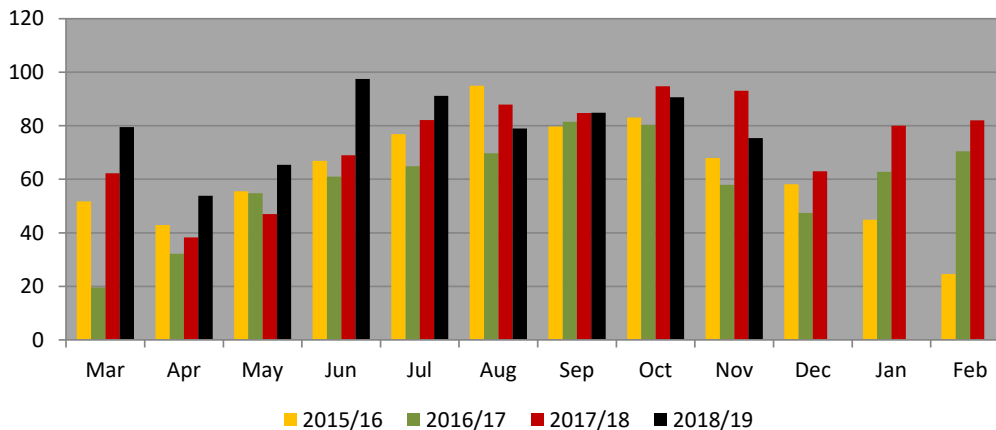
Figure 7: Monthly soybean processed for local market (000 tons)



- The South African soybean stocks at the end of November 2018 was reported at 839 958 tons which is well above the 588 818 tons seen the same time last year. The average soybeans usage in the season to date is seen at 107 000 tons/month and based on this the stocks at the end of November should be enough for 7.8 months of consumption. If demand should remain at the current record levels of 137 000 tons/month the stock at the end of November should be enough for 6.1 months of consumption.

- Looking at the Sagis monthly data for the South African sunflower seed market we see that 2 535 tons of sunflower seed was delivered in the month of November 2018 bringing the cumulative deliveries for the season to date at 858 861 tons. Imports of sunflower seed remain minimal.
- On the demand side of the South African sunflower seed market we see that 75 436 tons of sunflower seed was processed for the local market in November 2018 which is down from the 90 666 tons seen in the previous month. The cumulative sunflower seed processed for the local market in the season to date is seen at 717 680 tons which is 8.7% higher year/year.

Figure 8: Sunflower seed processed for local market (000 tons)



- The South African sunflower seed stocks at the end of November 2018 was reported at 296 555 tons which is well below the 371 772 tons seen at the end of November 2017. The average sunflower seed usage in the season to date is seen at 80 000 tons/month and based on this the stock at the end of November 2018 should be enough for 3.7 months of consumption.

FOCUS FOR THE WEEK

- US soybean contracts posted some gains in the past week with the optimism regarding the recent US/China trade talks adding some support.
- On the technical chart for March CME soybeans we see that the market has broken above some of the key averages and resistance is seen at \$9.30 while support is seen at \$9.07 and \$8.91/bushel.
- The weather conditions in South America will also continue to drive prices with some more heavy rainfall forecasted for Argentina and the southern parts of Brazil while drier conditions are expected in the central parts of Brazil.
- South African oilseeds ended mixed with soybeans flat week/week while sunflower seed contracts posted some good gains.
- The weather forecast for the week ahead expects warmer and drier conditions could be supportive for local oilseeds.
- On the chart for March Safex soybeans we see that the market is caught between the averages with support at R4809 and resistance at R4883.

Technical graphs

- Safex Mar-19 soybean prices
- CME Mar-19 soybean prices



"Together we make a difference"



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