

**INTERNATIONAL MARKET**

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

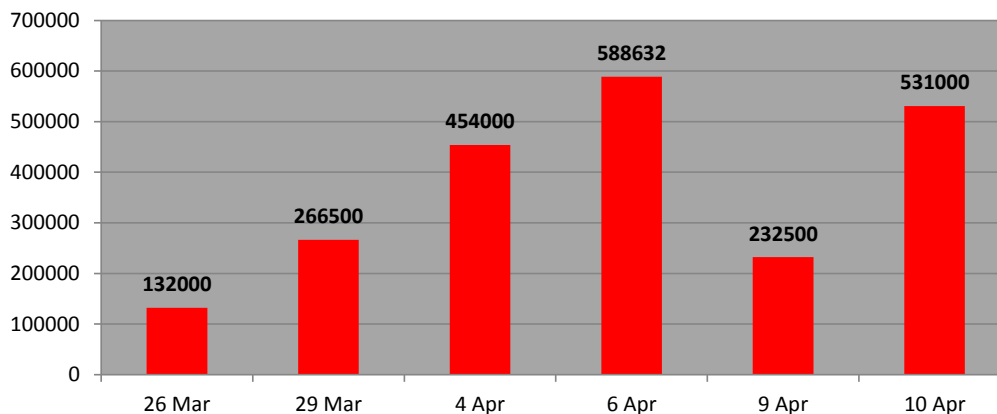
	Currently	04/04/2018	Weekly change (c/bu)	Monthly change (c/bu)
<b>CME Jul-18</b>	<b>1067 <sup>3</sup>/<sub>4</sub></b>	<b>1026 <sup>1</sup>/<sub>2</sub></b>	<b>41 <sup>1</sup>/<sub>4</sub></b>	<b>16 <sup>3</sup>/<sub>4</sub></b>
<b>CME Nov-18</b>	<b>1054 <sup>3</sup>/<sub>4</sub></b>	<b>1019</b>	<b>35 <sup>3</sup>/<sub>4</sub></b>	<b>18 <sup>3</sup>/<sub>4</sub></b>

- US soybean contracts posted some strong gains in the past week with both old and new crop soybeans gaining some good ground. On a monthly basis US soybean contracts are also higher with CME July and November soybeans gaining 1.59% and 1.81% in the past month respectively.
- On the technical chart for July CME soybeans we see that it has been a very volatile start to April for US soybeans. The market managed to find some support at the 100-day average earlier and prices posted some good gains after that. Most of the key moving averages are still pulling higher and resistance is seen around \$10.70 and the early March highs seen at \$10.85-\$10.90/bushel.
- The major supportive factor for US soybeans in the past week is the export demand for US soybeans. With the trade tensions between the US and China several buyers stepped up to buy US soybeans which drove prices higher.

**US soybean market**

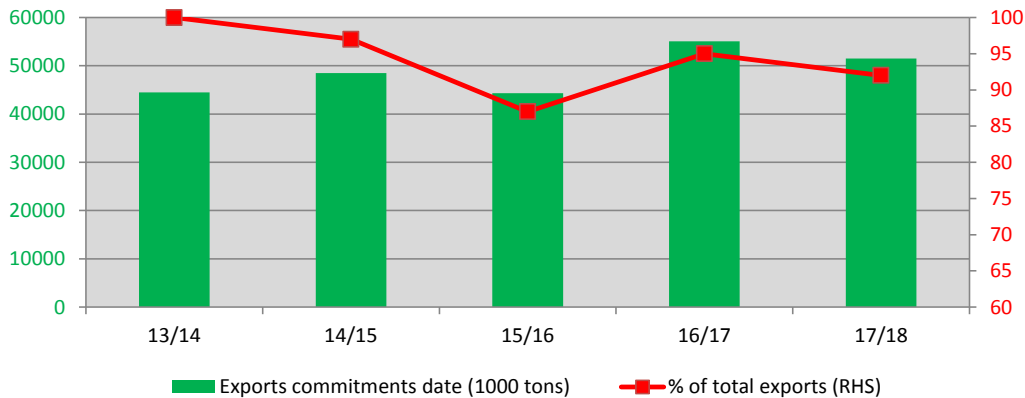
- US soybeans posted some good gains in the past week with the export demand for US soybeans surging despite the ongoing trade issues between the US and China.
- The USDA announced several private export sales in the past 10-14 days which was made up of 2017/18 and 2018/19 US soybeans.
- Argentina also bought 120 000 tons of US new crop beans in their largest purchase in 20-years due to the drought conditions there.

**Figure 1: US soybean export sales (tons)**



- We see that the cumulative soybeans committed for exports in the 2017/18 season are slightly behind the progress seen in the previous season. The 2017/18 soybeans committed for exports represents 92% of the USDA export estimate which is slightly behind the 5-year average.

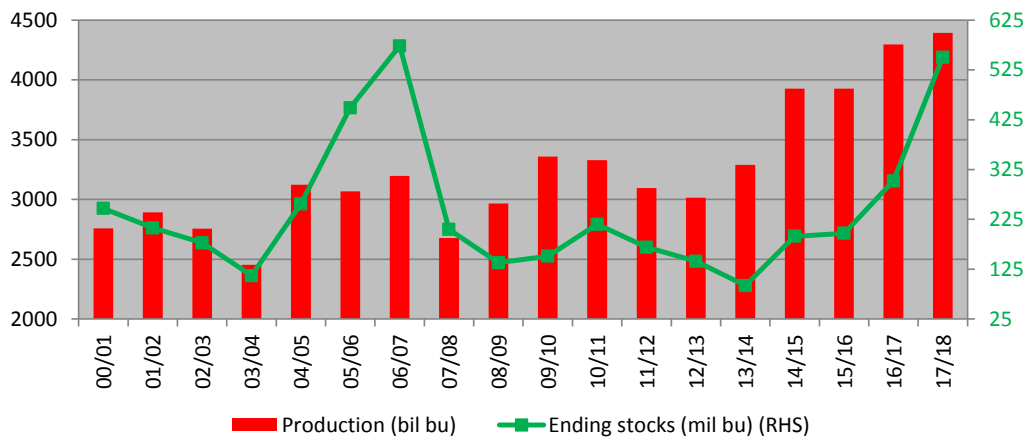
**Figure 2: US soybean export progress (1000 tons)**



**USDA supply and demand estimates**

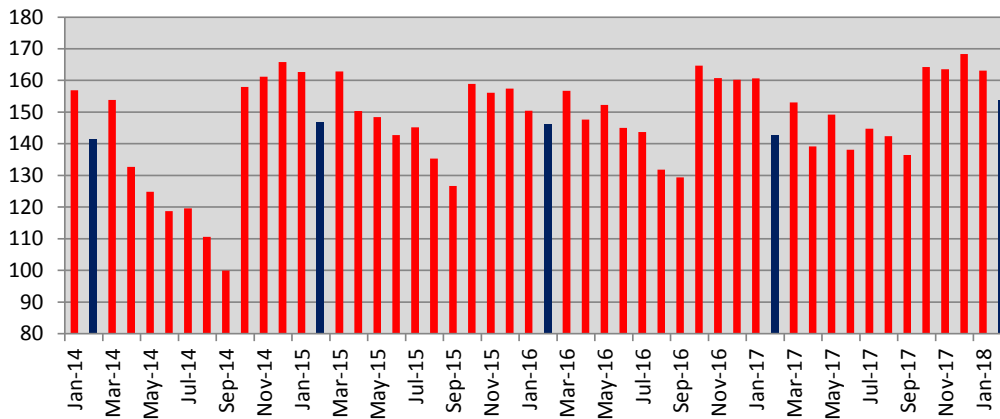
- The USDA in their report estimated the 2017/18 US soybean ending stocks at 550 million bushels which was slightly lower than the market expectation seen at 574 million bushels and lower than the March USDA estimate seen at 555 million bushels.
- Changes to the US supply and demand included a 10 million bushel increase in the US soybean crush estimate while the USDA lowered the seed demand slightly.

**Figure 3: US soybean production and ending stocks**



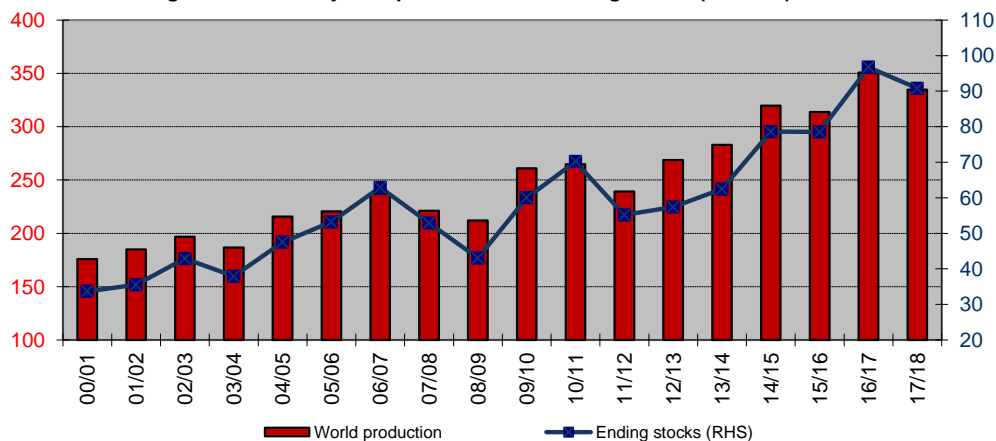
- The US NOPA soybean crush for February came in above expectations at 153.7 million bushels. The February 2018 US soybean crush was well above the monthly crush estimates this time of the year in the past few seasons.
- From this point forward there is usually a downtrend in the soybean crush estimates.

**Figure 4: NOPA US soybean crush estimates (mil bu)**



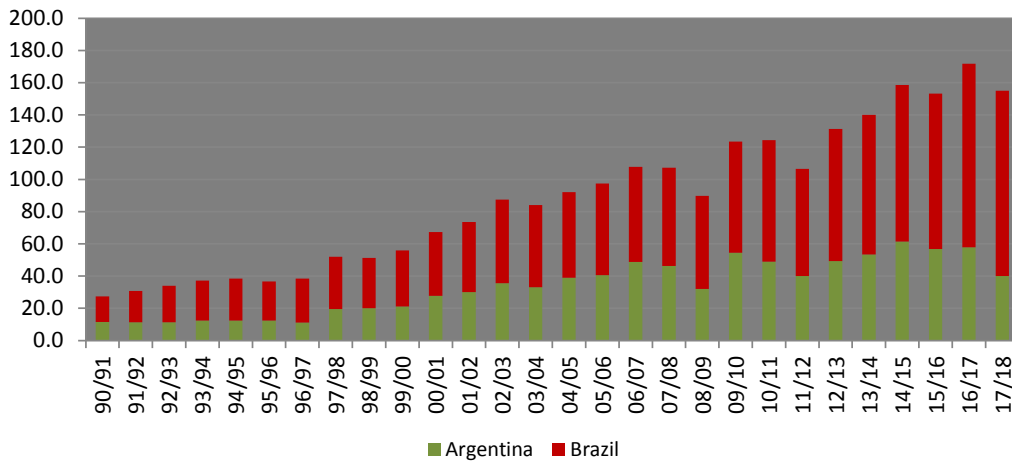
- In terms of the rest of the world the USDA estimated the 2017/18 world soybean crop at 334.81 million tons which is down from the 340.86 million tons estimated last month. This was due to the smaller South American soybean crop.
- The 2017/18 world soybean ending stocks was estimated at 90.80 million tons which is down from the 94.40 million tons estimated last month.

**Figure 5: World soybean production and ending stocks (mil tons)**



- The USDA in their report estimated the Argentine soybean crop at 40 million tons (-7 million tons month/month) while the Brazilian crop was pegged at 115 million tons (+2 million month/month).
- The 2017/18 South American soybean crop (only including Argentina and Brazil) is more 9% lower year/year due to the drought in Argentina. The Argentine soybean crop is the smallest since the 2008/09 season.

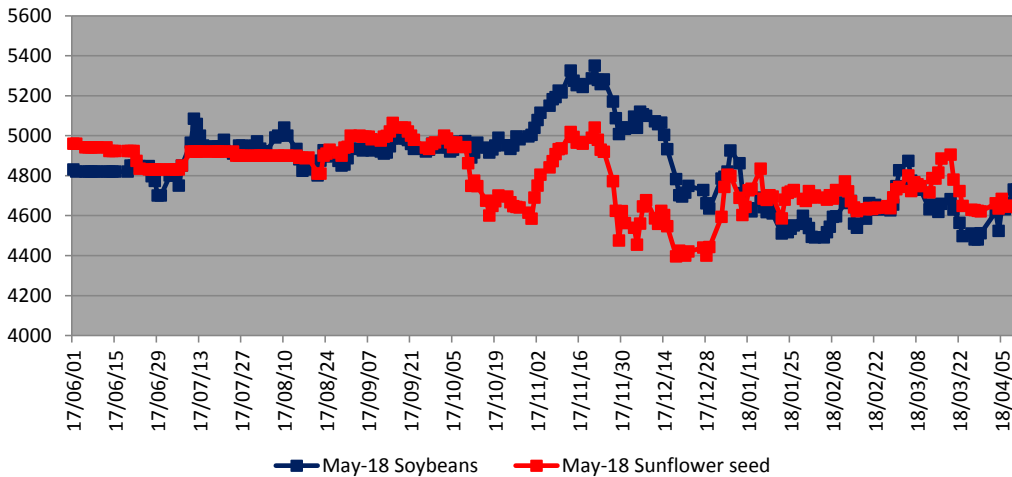
**Figure 6: Argentina and Brazil soybean production**



**LOCAL OILSEED MARKET**

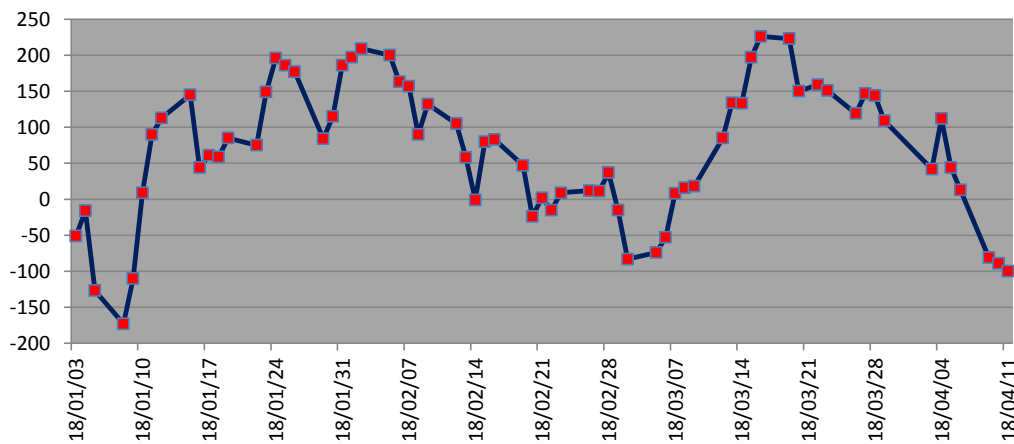
- South African oilseed prices posted some gains in the past week with May soybean contracts gaining 4.68% while May-18 sunflower seed contracts ended flat in the past week. South African soybean prices are being supported by the higher CME soybean prices seen in the past week as well as the weaker rand.

**Figure 7: Safex May-18 soybean and sunflower seed prices**



- The graph below presents the Safex May-18 soybean/sunflower seed spread. From the graph below we see that the spread has been under massive pressure in the past month trading from around R200/ton (sunflower seed above soybeans) in early March to its current level of –R100/ton (sunflower seed below soybeans).
- This despite the supply and demand estimates calling for large soybean stocks while the sunflower seed stocks at the end of the 2018/19 season will be significantly less.

**Figure 8: May-18 soybean/sunflower seed spread**



**Supply and demand estimates**

- The 2017/18 marketing season came to an end at the end of February 2018 and the South African sunflower seed ending stocks was estimated at 154 468 tons.
- In the 2018/19 season estimates are based on the CEC crop estimate of 749 205 tons and we did not include any imports.
- The total sunflower seed demand is estimated at 820 000 tons which is down from the 880 000 tons seen in the previous season.
- With this in mind the South African sunflower seed ending stocks at the end of February 2019 is estimated at 83 673 tons which is substantially lower than the stocks seen at the end of February 2018.
- Therefore there is not much room for demand to exceed our current estimate unless we see a larger crop going forward or we see some sunflower seed imports in the season ahead.

**Table 2: South African sunflower seed supply and demand (Marketing season Mar-Feb) CEC March**

	2015/16	2016/17	2017/18	2018/19
<b>Sunflower opening stock</b>	92933	45897	163086	154468
<i>Sunflower seed deliveries</i>	663700	759614	872171	749205
<i>Imports</i>	36064	70643	554	0
<b>Total supply</b>	792697	876154	1035811	903673
Projected consumption season	746800	713068	881343	820000
<b>Ending stocks surplus/(deficit)</b>	45897	163086	154468	83673
<b>Area</b>	<b>576000</b>	<b>718500</b>	<b>635750</b>	<b>601500</b>
<b>Yield</b>	<b>1.15</b>	<b>1.06</b>	<b>1.37</b>	<b>1.25</b>

- In the 2017/18 soybean marketing season which came to an end at the end of February 2018 we see that the South African soybean ending stocks is estimated at 330 566 tons which is a new record stock level for soybeans in South Africa.
- In the 2018/19 season our estimate is based on the CEC soybean crop of 1.395 million tons and we accounted for 35 000 tons of soybeans held back on farms for seeding etc. We did not include any imports in the 2018/19 season.
- The total soybean demand is estimated at 1.150 million tons which is up from the 1.072 million tons seen in the 2017/18 marketing season. Exports are expected to be minimal.
- With this in mind the South African soybean ending stocks at the end of February 2019 could be as high as 539 866 tons which is well above the 330 566 tons seen at the end of the 2017/18 marketing season.

Although everything has been done to ensure the accuracy of the report Unigrain (Pty) Ltd cannot be held responsible for any losses incurred as a result of the use of the information contained in the report

**Table 3: South African soybean situation (Marketing season Mar-Feb)**

	CEC March			
	2015/16	2016/17	2017/18	2018/19
<b>Soybean opening stock</b>	<b>63705</b>	<b>89116</b>	<b>84792</b>	330566
<i>Soybean producer deliveries*</i>	1042130	713660	1290218	1359800
<i>Imports</i>	124981	271000	27508	0
<b>Total supply</b>	<b>1230816</b>	<b>1073776</b>	<b>1402518</b>	<b>1690366</b>
Soybeans processed for local market	1137000	982239	1071538	1150000
<i>SA Soybean exports</i>	4700	6745	414	500
<b>Ending stocks surplus/(deficit)</b>	<b>89116</b>	<b>84792</b>	<b>330566</b>	<b>539866</b>
<b>Area</b>	<b>687300</b>	<b>502800</b>	<b>573950</b>	<b>787200</b>
<b>Yield</b>	<b>1.52</b>	<b>1.47</b>	<b>2.29</b>	<b>1.77</b>

\* Actual producer deliveries lower due to soybeans retained for seed purposes

### **FOCUS FOR THE WEEK**

- US soybean contracts posted some gains in the past week with the strong export demand for US soybeans in the past week to 10-days supporting the market. The ongoing trade issues between the US and China must be watched closely.
- More recently the USDA in their monthly report also pegged US soybean ending stocks below expectations which also added some support.
- South African soybean contracts posted some good gains in the past week with the higher US soybean contracts and the weaker rand supporting our market. Local soybeans by far outperformed sunflower seed.
- The rand broke the recent R11.50-R12.00 trading range and is currently trading around R12.10/\$ which could be supportive for local oilseeds in the sessions ahead.

### **Technical graphs**

- Safex May-18 soybean prices
- CME Jul-18 soybean prices



