

**INTERNATIONAL MARKET**

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

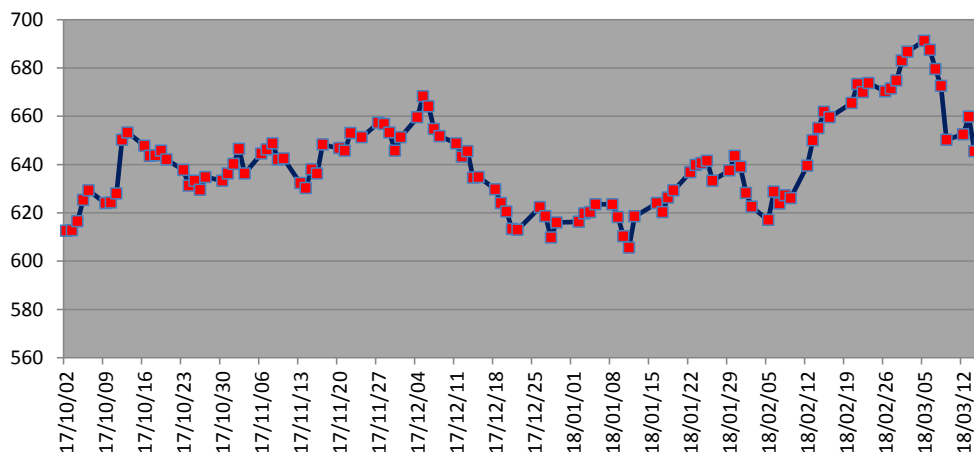
	Currently	08/08/2018	Weekly change (c/bu)	Monthly change (c/bu)
CME Jul-18	1046	1073	-27	1 ¼
CME Nov-18	1030 ¾	1045	-14 ¼	7

- US soybean prices did come under some pressure in the past week with the majority of the losses seen in the session yesterday. On a monthly basis US soybean prices are still slightly higher with July and November soybeans gaining 0.12% and 0.68% in the past month.
- On the technical chart for July soybeans we see that the market surged higher initially with soybean prices trading to a high of \$10.90/bushel but the market have since pulled well off those highs. Some of the short term averages and indicators are under some pressure which could result in some more long liquidation. Support is seen at \$10.40 and the 40-day average seen at \$10.34/bushel.
- US soybean prices were supported by the drought conditions in Argentine which fueled the global maize and soybean prices. Some profit taking and long liquidation was seen especially after the release of the USDA report.
- More recently the weather forecast expect some rainfall in parts of Argentina which could help the later planted crops while the prospect for a new record US soybean area in 2018 also added some pressure. The forecaster Allendale estimated the 2018 US soybean area at 92.104 million acres which is up from the USDA estimate seen at 90 million acres.

**US soybean market**

- US soybean prices did come under some pressure in the past week with resulted in the US CME maize/soybean spread coming under serious pressure. The spread for July traded to a high of \$6.91/bushel in early March and has since pulled sharply lower to its current level of \$6.50/bushel.

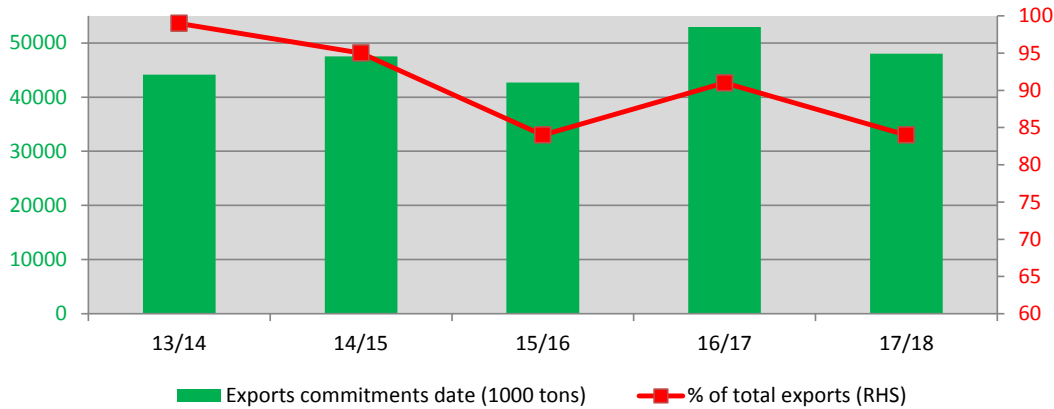
**Figure 1: CME maize/soybean spread**



- The USDA announced several private export sales in the past week with the drought conditions in Argentina supporting the demand for US soybeans. The graph below presents the cumulative soybeans committed for exports in the past few seasons as well as the % of the USDA export estimate that has been committed to date.
- In the 2017/18 season the soybeans committed is slightly below the cumulative commitments seen in the previous season and the commitments represents 84% of the

USDA export estimate which is below the 5-year average seen at 93% for this time of the year.

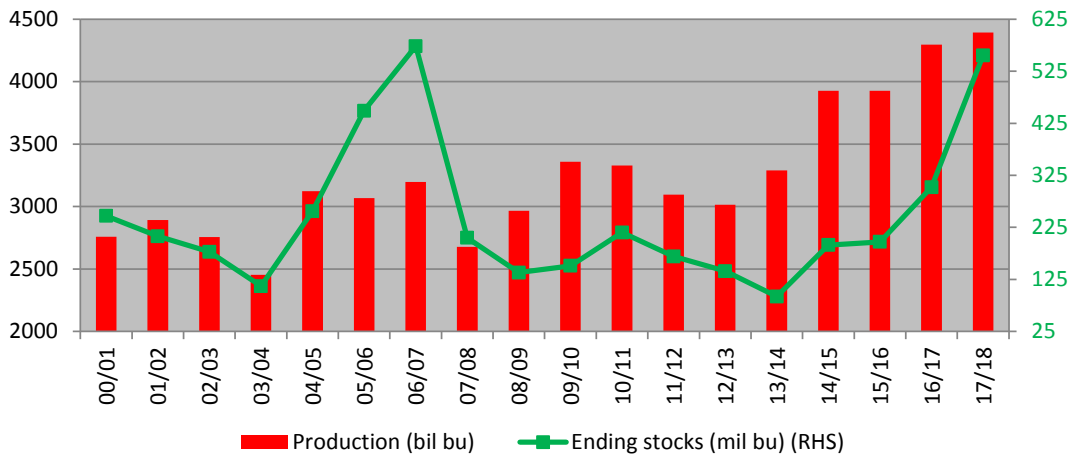
**Figure 2: US soybean export progress (1000 tons)**



**USDA Report**

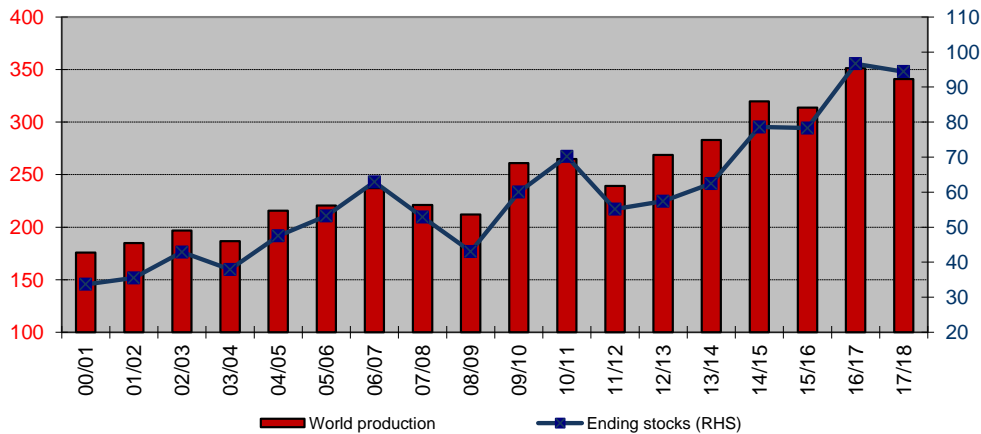
- The USDA in their report last week estimated the US 2017/18 soybean ending stocks at 555 million bushels which was higher than the market expectation seen at 530 million bushels and down from the February estimate seen at 530 million bushels.
- Changes to the US soybean balance sheet included a 35 million bushel reduction in the US soybean export estimate but the USDA did raise their US soybean crush estimate by 10 million bushels.

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



- The USDA in their report estimated the world soybean crop at 340.86 million tons which is down from the February estimate seen at 346.92 million tons. Changes to the world soybean supply side included a lower crop estimate for Argentina (-7 million tons) while the Brazilian crop was revised higher by 1 million tons.
- The 2017/18 world soybean ending stocks was estimated at 94.40 million tons which is down from the February estimate seen at 98.14 million tons.
- The 2017/18 world soybean production and ending stocks are slightly off the record levels seen in the previous season.

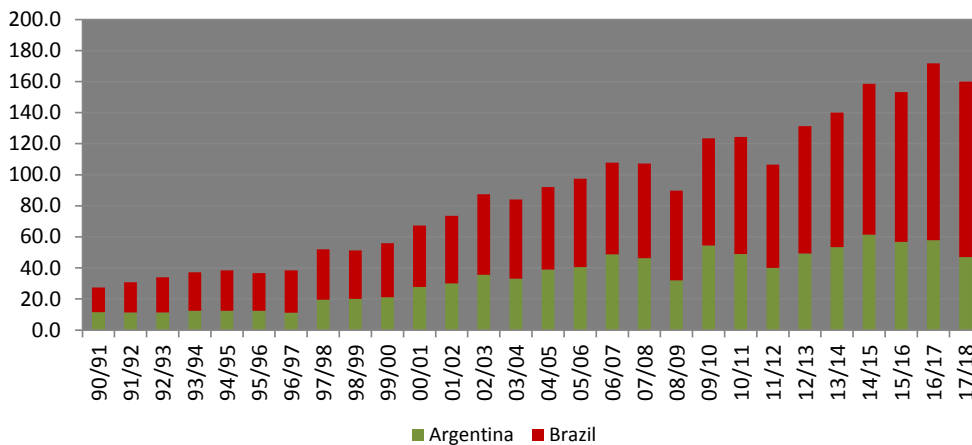
Figure 4: World soybean production and ending stocks (mil tons)



**South American market**

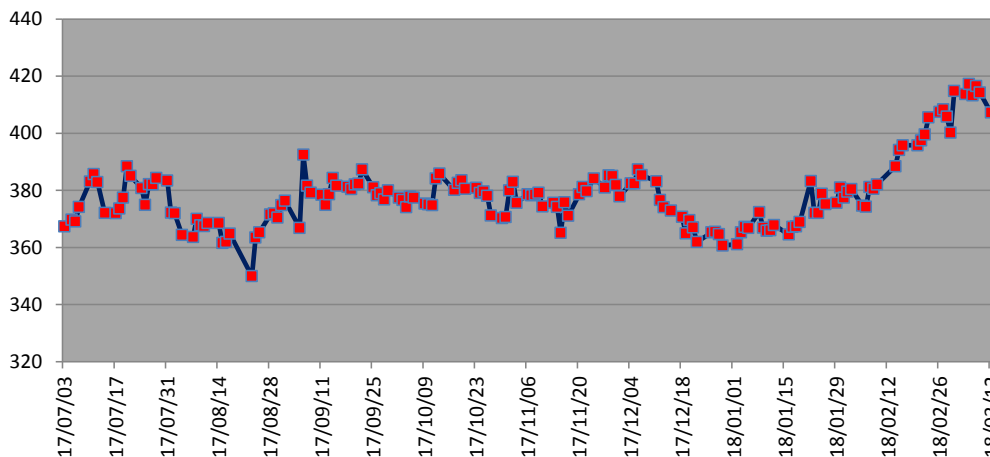
- As mentioned the USDA did lower their Argentine soybean crop estimate quite substantially but this was to some extent countered by a slightly larger crop estimate for Brazil. The 2017/18 South American soybean crop is still their 2<sup>nd</sup> largest crop on record.

Figure 5: Argentina and Brazil soybean production



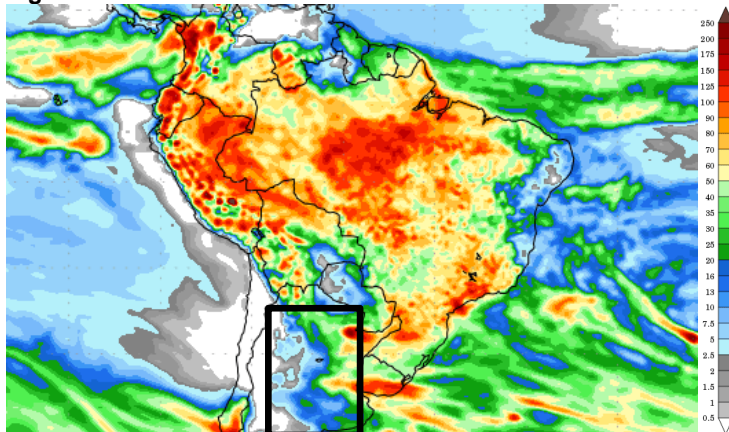
- The weather conditions in Argentina supported soybean prices globally. From the graph below we see that the market surged higher with Argentine FOB prices trading to a high of just below \$4.20 in early March but has since pulled lower and is seen around \$409/ton.

**Figure 6: Argentine FOB soybean prices (\$/t)**



- The weather forecast for the week ahead expect some rainfall in the central and eastern parts of the key growing areas of Argentina in the week ahead.
- The rainfall could bring some relief to late planted soybeans but the damage has been done for some of the Argentine soybeans.

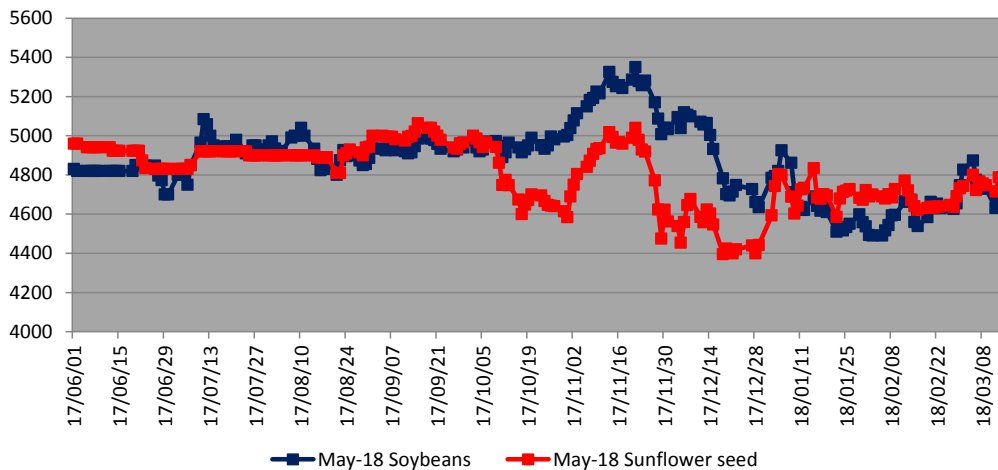
**Figure 7: Cumulative rainfall forecast for week ahead**



### LOCAL OILSEED MARKET

- South African oilseed prices ended mixed in the past week with May-18 soybeans coming under some pressure ending 2.25% lower in the past week while sunflower seed contracts managed to gain 0.37% in the past week.
- Local soybean prices were pressured by the lower US soybean prices seen in the past week while the rand also initially posted some gains trading to around R11.75/\$ and is still trading just below R11.80/\$.

**Figure 8: Safex May-18 soybean and sunflower seed prices**



**Supply and demand estimates**

- In the 2017/18 season our estimates are based on the final sunflower seed crop of 874 000 tons and we also included imports of 560 tons.
- The total sunflower seed demand is estimated at 874 000 tons resulting in sunflower seed ending stocks is 163 714 tons at the end of February 2018. This will be finalized with the Sagis monthly data due towards the end of March.
- In the 2018/19 marketing season our estimates are based on a South African sunflower seed crop at 731 505 tons which is based on an average national sunflower seed yield of 1.25 tons/ha. We did not include any imports for the 2018/19 marketing season.
- On the demand side we pegged the total sunflower seed processed for the local market in the season ahead at 820 000 tons which equates to just under 70 000 tons/month.
- Based on this the South African sunflower seed ending stocks at the end of February 2019 is estimated at 75 219 tons which is well below the stock estimates seen in the past 2-seasons.

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

	2015/16	2016/17	2017/18	2018/19
<b>Sunflower opening stock</b>	92933	45897	163154	163714
<i>Sunflower seed deliveries</i>	663700	759614	874000	731505
<i>Imports</i>	36064	70643	560	0
<b>Total supply</b>	792697	876154	1037714	895219
Projected consumption season	746800	713000	874000	820000
<b>Ending stocks surplus/(deficit)</b>	45897	163154	163714	75219
<b>Area</b>	<b>576000</b>	<b>718500</b>	<b>635750</b>	<b>584900</b>
<b>Yield</b>	<b>1.15</b>	<b>1.06</b>	<b>1.37</b>	<b>1.25</b>

- In the 2017/18 season our estimates are based on the final soybean crop at seen at 1.316 million tons. We did subtract retention of 27 000 tons. Still of the supply side we included imports of 26 858 tons.
- The South African soybean demand is projected at 1.70 million tons which is a projection made from the 11 months seen in the marketing season to date.
- Based on this the South African soybean ending stocks at the end of February 2018 is seen at 330 039 tons, which should be new record stock level for the local market.

- In the 2018/19 season our estimates are once again based on the CEC crop estimate of 1.375 million tons and we did account for retentions of 35 000 tons. We did not include any imports in the 2018/19 season.
- The total South African soybean demand is estimated at 1.100 million tons which equates to a monthly demand of around 92 000 tons/month.
- With this in mind the South African soybean ending stocks could surge to new record highs of 569 239 tons in the season ahead. We will need some additional demand to help ease the oversupplied market.

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

	<b>CEC Feb</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Soybean opening stock</b>	<b>63705</b>	<b>89116</b>	<b>84681</b>	330039
<i>Soybean producer deliveries*</i>	<i>1042130</i>	<i>713660</i>	<i>1289000</i>	<i>1339700</i>
<i>Imports</i>	<i>124981</i>	<i>271000</i>	<i>26858</i>	<i>0</i>
<b>Total supply</b>	<b>1230816</b>	<b>1073776</b>	<b>1400539</b>	<b>1669739</b>
Soybeans processed for local market	1137000	982350	1070000	1100000
<i>SA Soybean exports</i>	<i>4700</i>	<i>6745</i>	<i>500</i>	<i>500</i>
<b>Ending stocks surplus/(deficit)</b>	<b>89116</b>	<b>84681</b>	<b>330039</b>	<b>569239</b>
<b>Area</b>	<b>687300</b>	<b>502800</b>	<b>573950</b>	<b>775300</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 soybeans posted some strong gains initially with the drought in Argentina adding some support. The market has since pulled off the highs with some profit taking that was seen. The recovered area expected in the US in 2018 also added some pressure.
- The weather forecast expect some rainfall in parts of Argentina but this will only help the later planted soybeans and the damage has been done in large parts
- South African oilseeds ended mixed in the past week with soybeans under pressure while sunflower seed contracts posted some gains. The local market is sitting on a large soybean crop and record opening stocks for the season ahead which is limiting some of the gains in our market.
- The rand is below R11.80 and key support is seen in the R11.60-R11.50 area while resistance is seen at R11.80 with the 40-day average seen at R11.84/bushel.

### **Technical graphs**

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





*"Together we make a difference"*