

## INTERNATIONAL MARKET

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

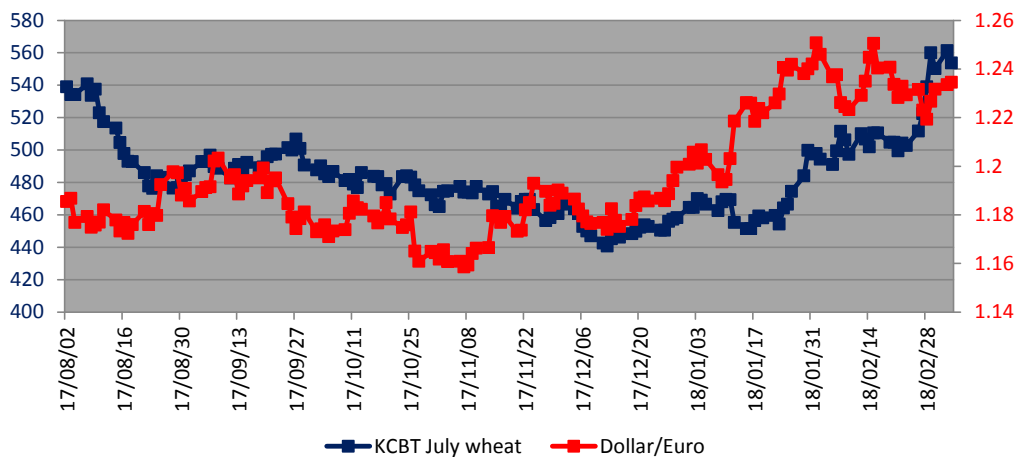
	Currently	27/02/2018	Weekly change (c/bu)	Monthly change (c/bu)
<b>CME Jul-18</b>	<b>518 ¾</b>	<b>491 ¼</b>	<b>27 ½</b>	<b>45 ¾</b>
<b>KCBT Jul-18</b>	<b>556 ¼</b>	<b>522 ½</b>	<b>33 ¾</b>	<b>56 ¾</b>

- US wheat prices posted some more gains in the past week with KCBT winter wheat prices once again leading the way higher. On a monthly basis US wheat prices are also trading higher with July CME and KCBT wheat ending 9.6% and 11.4% higher in the past month respectively.
- On the technical chart for July KCBT wheat we see that US wheat prices surged higher in the past week with July KCBT wheat trading as high as \$5.65/bushel which is its highest level since July 2017. The moving averages and indicators are pulling higher which could continue to provide some support but the RSI is looking to recover from the overbought territory.
- US wheat prices posted some strong gains in the past week with KCBT wheat prices once again leading the way higher. US wheat prices are being supported by the weather conditions with the dry weather conditions in the US winter wheat areas driving prices higher.

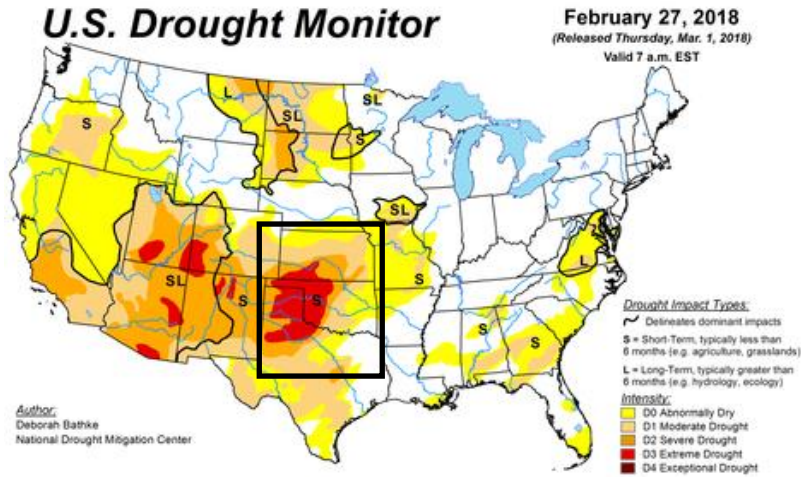
### US wheat market

- US wheat prices posted some strong gains in the past week with the weather conditions in the US Plains being the major supportive factor. The dollar also weakened slightly on the past week which supported the market. The dollar is 0.93% weaker week/week.

**Figure 1: KCBT July wheat and dollar/euro**

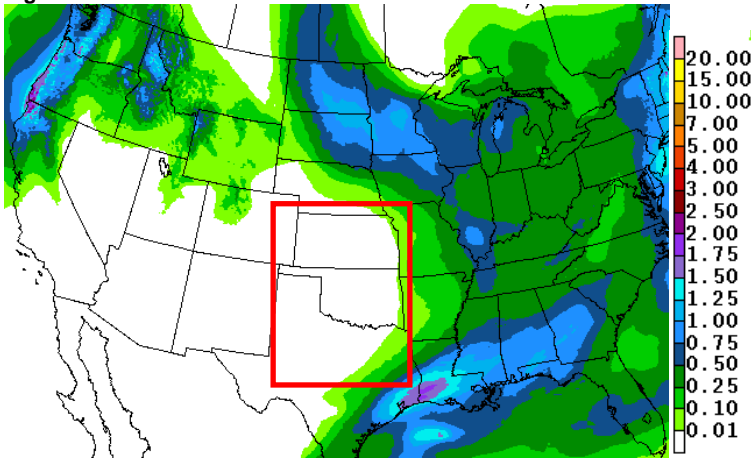


- The dry weather conditions in the key winter wheat areas in the US are driving US CME and KCBT wheat prices sharply higher. The dry weather conditions are putting some pressure on winter wheat crop conditions.
- The US Drought monitor released last week indicated that the drought conditions expanded in the past week. Extremely dry conditions are being experienced in the western parts of Oklahoma and Texas as well as the southwestern parts of Kansas.



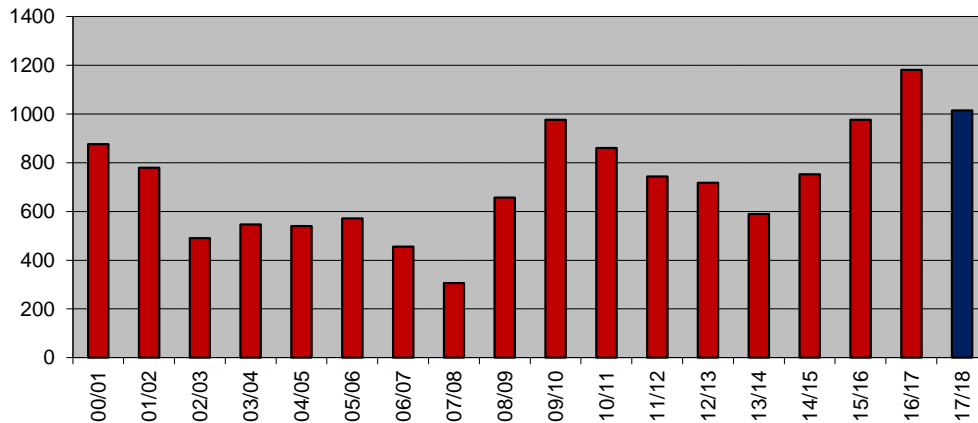
- The weather forecast for the week ahead expects the dry conditions in the US Plains to continue in the week ahead.

Figure 3: Cumulative rainfall forecast week ahead



- The next data release for the US market will be the USDA March supply and demand estimates due on Thursday the 8<sup>th</sup> of March.
- The average market expectation of the US wheat ending stocks is seen at 1.015 billion bushels compared to the February USDA estimate seen at 1.009 billion bushels.
- From the graph below we see that the 2017/18 US all wheat ending stocks of 1.015 billion bushels could be the 2<sup>nd</sup> largest stock estimate on record for the US.

Figure 4: US wheat ending stocks (mil bushels)

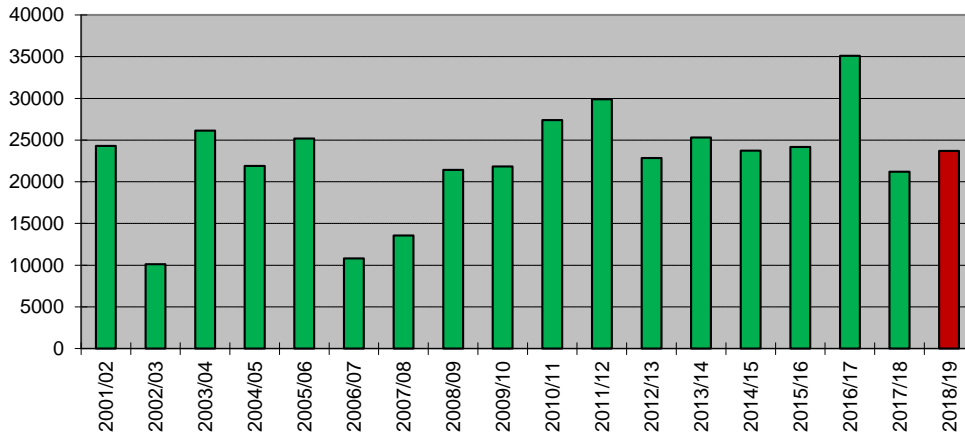


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## Australian wheat production

- In the past week the forecaster ABARE released their Australian crop estimates. The 2018/19 Australian wheat crop is seen at 23.7 million tons which is 11.8% higher year/year.
- La Nina conditions are expected to boost yield conditions in the production season ahead with planting due to start next month

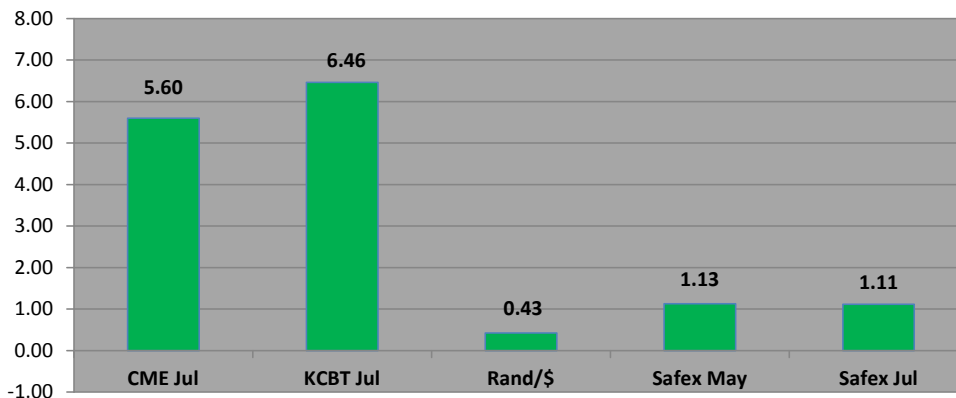
Figure 5: Australian wheat production (000 tons)



## LOCAL WHEAT MARKET

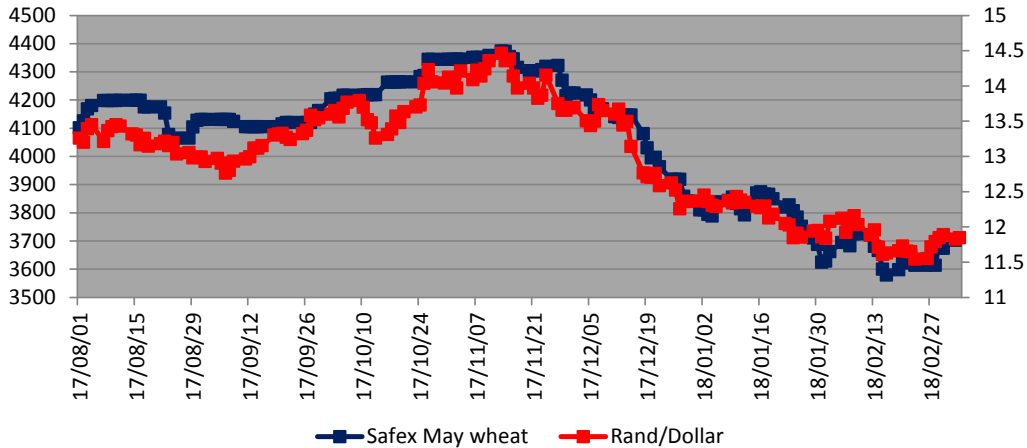
- South African wheat prices posted some gains in the past week with May and July wheat ending 1.13% and 1.11% higher in the past week. Our market was supported by the weaker rand and the higher US wheat prices.
- The rand did come under some pressure with the trading tested R12.00/\$ twice in the past week but the rand did get some resistance at the 40-day average and the rand pulled stronger after that.
- Our market failed to keep up with the gains in US wheat. Keep in mind that the rally in US wheat could eventually lower the import tariff protection for the local market.

Figure 6: Safex wheat, rand and US wheat prices



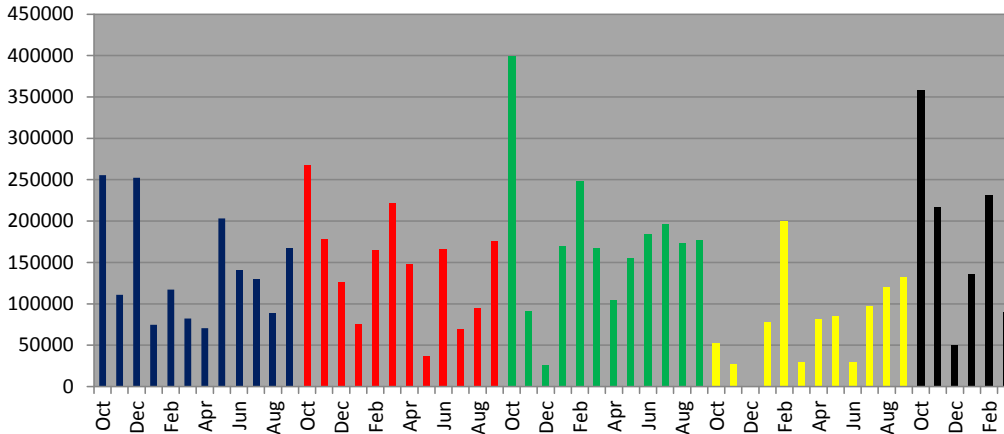
- The rand initially posted some gains in the past week with the rand trading as low as R11.50/\$ but has since come under some pressure once again with the rand trading around R11.75/\$ currently.
- The weaker rand for most of the past week has supported local wheat prices in the past week.

**Figure 7: Safex May-18 wheat and rand/dollar**



- The weekly South African wheat import figures for the week ending the 2<sup>nd</sup> of March indicated that 90 094 tons of wheat was imported in the past week. The wheat that was imported originated from Argentina (28 465 tons), Latvia (38 889 tons) and Romania (22 740 tons).
- This brings the cumulative wheat imports for the season to date at 1.073 million tons.

**Figure 8: South African monthly wheat imports (Tons)**



- Table below presents the South African wheat supply and demand estimates based on the CEC estimates and the latest Sagis monthly data. The final CEC wheat crop estimate is seen at 1.525 million tons.
- On the demand side we projected the human consumption of wheat at 3.207 million tons and total wheat export demand (whole wheat and wheat products) is seen at 123 000 tons.
- The total wheat demand (excluding exports) is seen at 3.247 million tons which is up from the 3.187 million tons seen in the previous season.
- With this in mind and ensuring that there is enough wheat to cover our 8-week pipeline requirements we estimate the 2017/18 wheat import requirement at 2 million tons of which 1.073 million tons has been imported to date.

**Table 2: Supply and demand estimates of wheat in South Africa**

	2014/15	2015/16	2016/17	2017/18
	CEC Final	CEC Final	CEC Final	CEC Final
<b>Opening stocks (1 Oct.)</b>	<b>488</b>	<b>597</b>	<b>827</b>	<b>341</b>
<b>Total Acquisition</b>	<b>3 533</b>	<b>3 470</b>	<b>2 806</b>	<b>3 525</b>
<i>Producer deliveries</i>	1 701	1 407	1 871	1 525
Human wheat	1 691	1 399	1 860	1 516
Feed wheat	10	8	11	9
<i>Imports destined RSA</i>	<b>1 832</b>	<b>2 063</b>	<b>935</b>	<b>2 000</b>
<b>Total Consumption</b>	<b>3 132</b>	<b>3 168</b>	<b>3 187</b>	<b>3 247</b>
Human consumption	3 109	3 142	3 161	3 207
Animal feed	4	0	3	3
Other*	19	26	23	37
<b>Total Exports to Africa</b>	<b>292</b>	<b>72</b>	<b>105</b>	<b>123</b>
Products	17	15	12	38
Whole wheat	275	57	93	85
<b>Ending stocks (30 Sept.)</b>	<b>597</b>	<b>827</b>	<b>341</b>	<b>496</b>
8 weeks com. demand	-478	-483	-486	-493
<b>Surplus / (shortage)</b>	<b>118</b>	<b>343</b>	<b>- 145</b>	<b>3</b>
<b>Hectares</b>	<b>477</b>	<b>482</b>	<b>508</b>	<b>492</b>
<b>Yield</b>	<b>3.57</b>	<b>2.92</b>	<b>3.68</b>	<b>3.10</b>

\* Seed, gristing, withdrawn, released end consumers & miscl.

CEC and Sagis final estimate

Sources: Sagis, CEC, and own calculations

## FOCUS FOR THE WEEK

- US wheat prices surged higher in the past week with KCBT wheat prices leading the way higher. US winter wheat is being supported by the dry weather conditions in the US Plains which is weighing on crop conditions.
- On the technical chart for July KCBT wheat we see resistance at \$5.60 and \$5.80 with the moving averages still pulling higher. The RSI is currently pulling off the overbought area.
- The dollar is also slightly weaker week/week which could provide some support for US wheat making US wheat more competitive in the export market.
- South African wheat prices posted some gains in the past week but our market failed to keep up with the gains seen in the US market. Keep in mind that the sharply higher US wheat could lower the import tariff protection for the local market.
- On the technical chart for May Safex wheat we see that the market posted some gains but the market did get overhead resistance at the 40-day average and prices pulled off that level after that. Key support is seen at R3600 and R3573.

### See the technical graphs below:

- Safex May-18 wheat prices
- KCBT July-18 wheat prices



*"Together we make a difference"*

