

INTERNATIONAL MARKET

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

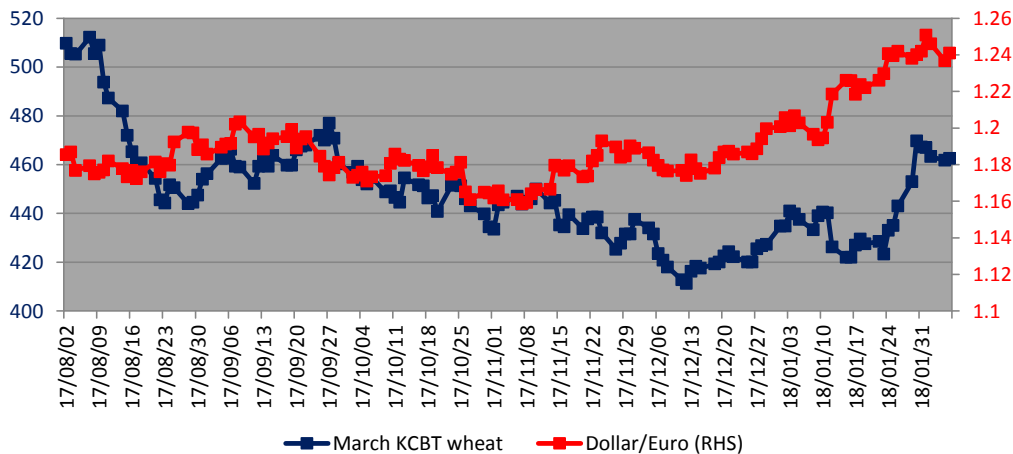
	Currently	31/01/2018	Weekly change (c/bu)	Monthly change (c/bu)
CME Mar-18	449	451 ¾	-2 ¾	21 ¼
KCBT Mar-18	471 ¾	467 ¼	4 ½	38 ½

- US wheat prices ended mixed in the past week with KCBT wheat contracts leading the way higher. On a monthly basis US wheat prices are trading higher with March CME gaining 4.9% and March KCBT wheat ending 8.8% higher in the past month.
- On the technical chart for March KCBT wheat we see that the market posted some good gains after breaking above the averages including the 100-day average. March KCBT wheat did get some resistance around \$4.70/bushel but the market broke above that level in the electronic session this morning.
- KCBT wheat prices led the way higher in the past week with the concerns that the dry weather conditions in the US winter wheat areas could put some more pressure on winter wheat crop conditions.

US wheat market

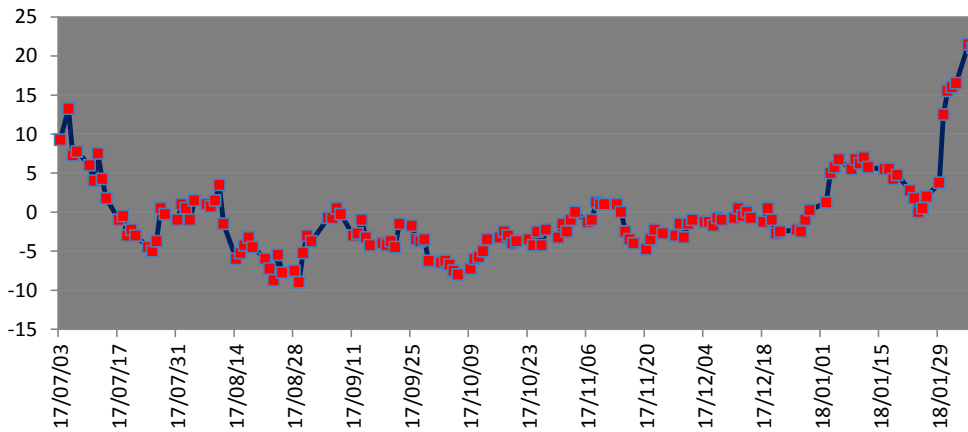
- The dollar posted some gains in the past few trading sessions. The global sell off in equities resulted in some safe haven dollar and gold buying interest. The stronger dollar seen recently could put some pressure on US wheat prices.

Figure 1: March KCBT wheat and dollar/euro



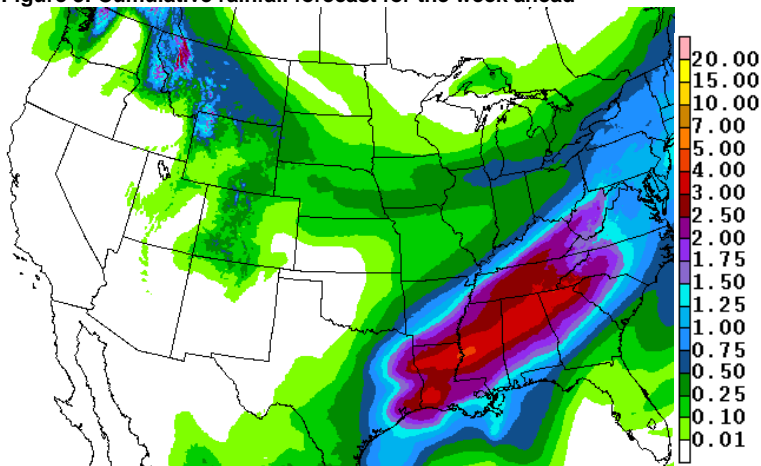
- US Kansas winter wheat prices outperformed the CME wheat prices in the past week. The growing conditions in the winter wheat areas supported winter wheat prices. Dry weather conditions and the expanding drought added some support.
- The March CME/KCBT wheat spread surged higher in the past week to a new high of \$0.21/bushel.

Figure 2: March CME/KCBT spread



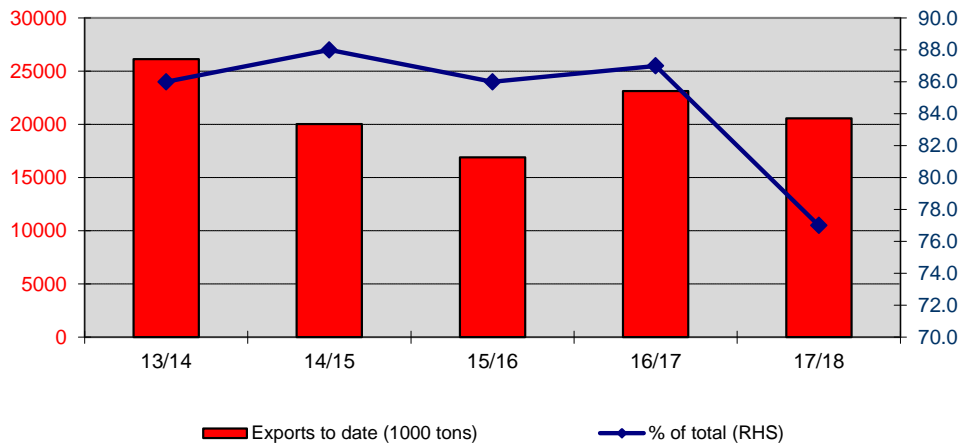
- The immediate weather forecast expects some moisture relief and snowfall in the eastern and southeastern parts of the US in the week ahead. However the key winter wheat areas of Kansas and Oklahoma should see very little relief.
- The weekly US Drought monitor released at the end of last week indicated that the drought conditions in Oklahoma and the northeastern parts of Texas has expanded in the past week.

Figure 3: Cumulative rainfall forecast for the week ahead



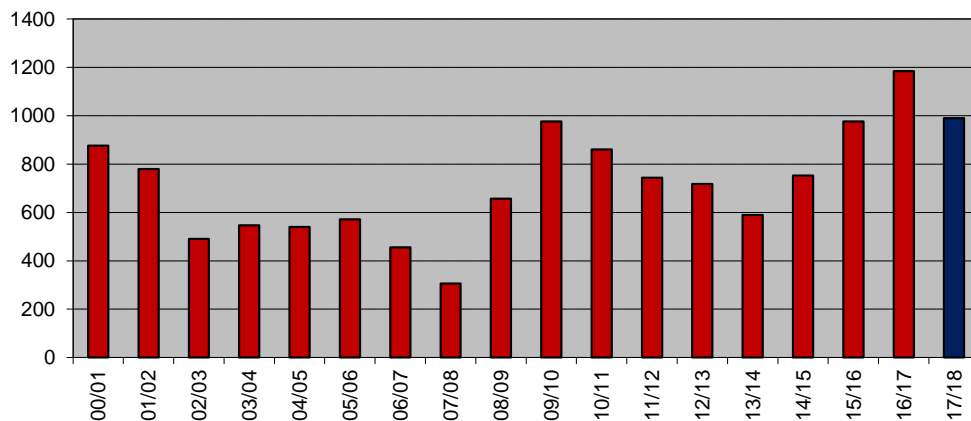
- The US and global wheat supplies and the slow export progress out of the US continue to be a limiting factor for US wheat prices.
- The US wheat export progress in the 2017/18 season to date seen at 77% of the USDA export estimate which is well behind the 5-year average seen at 85% for this time of the year.
- This could eventually result in a lower US wheat export estimate by the USDA.

Figure 4: US wheat export commitments to date and % of total (000 tons)



- The next data release will be the USDA supply and demand estimates due to be released on Thursday 8th of February.
- The average market expectation of the US 2017/18 wheat ending stocks is seen at 990 million tons which is mostly unchanged from the January estimate seen at 989 million bushels.

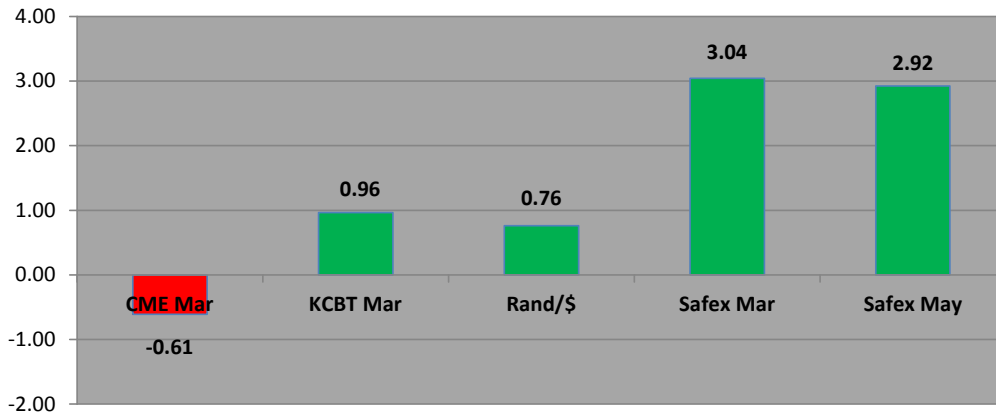
Figure 5: US wheat ending stocks (mil bushels)



LOCAL WHEAT MARKET

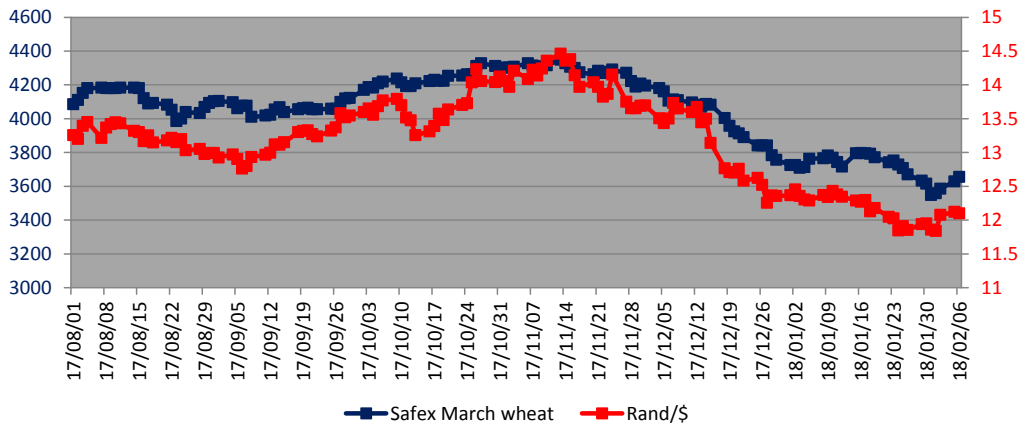
- South African wheat prices higher in the past week with March and May wheat ending 3.04% and 2.92% higher in the past week. The higher KCBT wheat prices added some support.
- The rand volatility continued with the rand once again finding some support just above R11.80 and the rand pushed weaker after that. The rand briefly traded above R12.00/\$ before gaining some ground once again on optimism that Zuma will step down.
- Some technical buying/short covering was also seen in our market. There is a divergence between the RSI and prices which resulted in some buying interest/short covering in our market.

Figure 6: Safex wheat, rand and US wheat prices



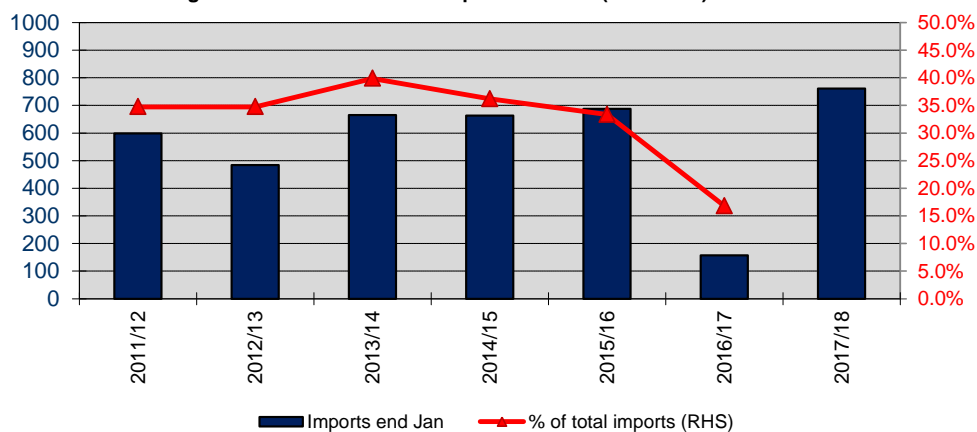
- Safex wheat prices posted some gains in the past week with the slightly weaker rand providing some support.
- The rand did come under some pressure after the dollar gained back some ground against the euro. All the uncertainty with regard to the future of Zuma added to the volatility in the rand in the past few sessions.

Figure 7: Safex March wheat and rand/dollar



- The weekly South African wheat imports for the week ending the 2nd of February indicated that 58 598 tons of wheat was imported in the past week. The wheat originated from Argentina (97 500 tons), Lithuania (38 778 tons) and the US (9 209 tons).
- The cumulative wheat imports for the season to date is seen at 760 916 tons.
- The cumulative wheat imports in the 2017/18 season to date are slightly ahead of the cumulative imports seen this time of the year in the past few seasons. On average in the past 6-years the South African wheat imports by the end of January represented 33% of the total marketing year imports.

Figure 8: Cumulative wheat imports end Jan (1000 tons) and % of total



- Looking at the share of the wheat imports from the various origins we did see that the wheat imports out of Argentina gained some ground in the past week. However our imports in the season to date have been dominated by wheat out of Russia and the Ukraine and other parts of Europe.

Table 2: South African wheat imports from various countries (%)

	13/14	14/15	15/16	16/17	17/18
US	3.6	1.6	9.0	3.7	8.4
Australian	3.1	5.5	1.9	2.5	-
Argentine	-	3.3	2.4	4.3	12.8
German	10.8	19.9	13.7	28.4	-
Ukraine	22.5	15.3	5.3	-	16.3
Canadian	6.8	6.0	5.0	3.3	-
Brazilian	-	-	-	-	-
Poland	-	5.1	9.0	9.2	-
Lithuania	2.4	2.5	7.3	-	17.4
Uruguay	-	-	-	-	-
Russia	48.0	37.4	46.5	22.1	38.5
Romanian	-	-	-	9.2	6.6
Finland	1.5	-	-	-	-
Latvia	1.3	3.4	-	-	-
Czech Rep	-	-	-	17.3	-
Total (%)	100.0	100.0	100.0	100.0	100.0

FOCUS FOR THE WEEK

- US wheat prices ended mixed with KCBT wheat prices leading the way higher. The dry weather conditions in the US and the declining crop conditions are supporting winter wheat prices.
- Gains in the market is being limited by the US and global wheat stocks. The stocks will once again be confirmed in the USDA February report due on Thursday.
- South African wheat prices posted some good gains in the past week. The higher KCBT wheat prices and the weaker rand for most of the past week added some support. The rand is trading around R11.95/\$ currently.
- Some technical buying was also seen in the past week given the divergence between the RSI and prices.

See the technical graphs below:

- Safex March wheat prices
- KCBT March wheat prices



"Together we make a difference"

