

INTERNATIONAL MARKET

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

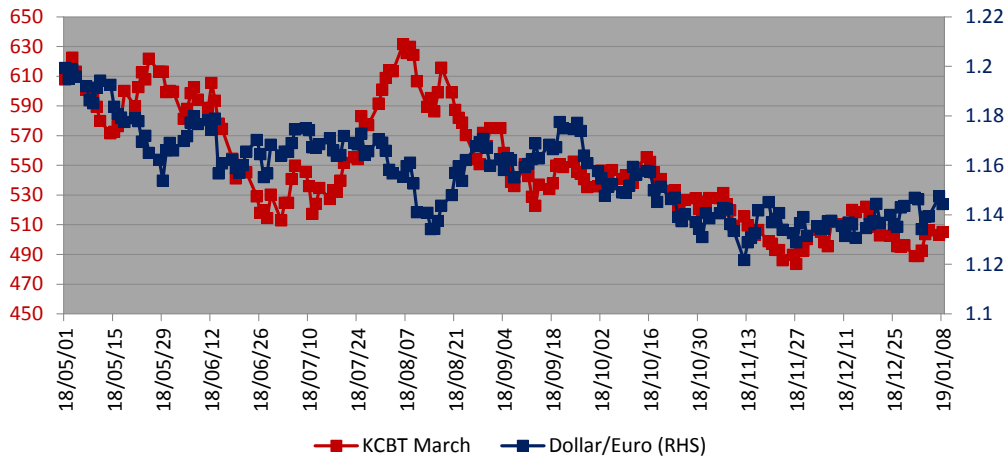
	Currently	02/01/2019	Weekly change (c/bu)	Monthly change (c/bu)
CME Mar-19	519 ¼	506 ¾	12 ½	-12
KCBT Mar-19	504 ¾	492 ½	12 ¼	-7 ¼

- US CME and KCBT wheat prices managed some gains in the past week with the majority of the gains seen in the session on the 3rd of January. On a monthly basis US wheat prices are still trading lower with March CME and KCBT wheat giving up 2.3% and 1.4% in the past month respectively.
- On the technical chart for March KCBT wheat we see that the market initially sold off finding some support just below \$4.90/bushel at the end of December and prices has pulled off the lows since. The market has posted some gains breaking above the 40-day average and the shorter moving averages and indicators are pulling higher.
- US wheat prices did get some support from short covering and technical buying in the past few sessions while the weaker dollar also added some support. The weaker dollar could be beneficial for US wheat exports but there has not been much evidence of that recently.

US wheat market

- The dollar has weakened slightly in the past week and is seen around 1.1445 to the euro currently. The weaker dollar is supportive for US grains and oilseeds making grains more competitive in the global export market.

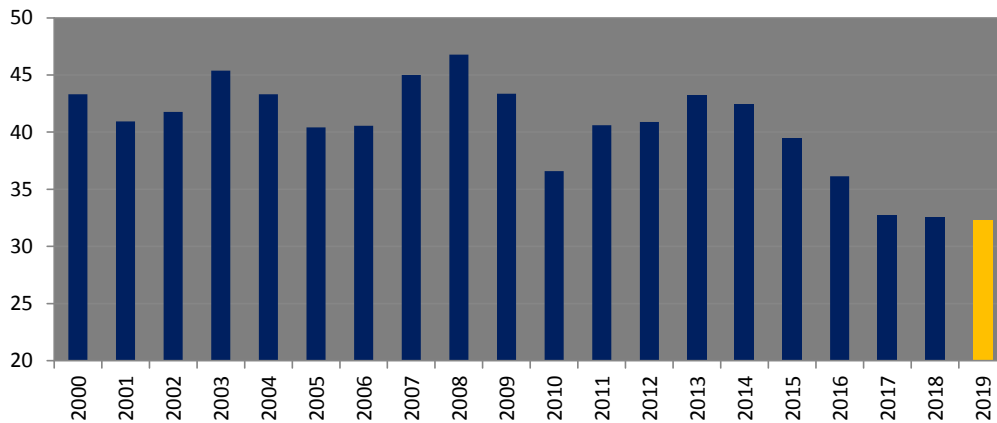
Figure 1: KCBT March wheat and dollar/euro



USDA report

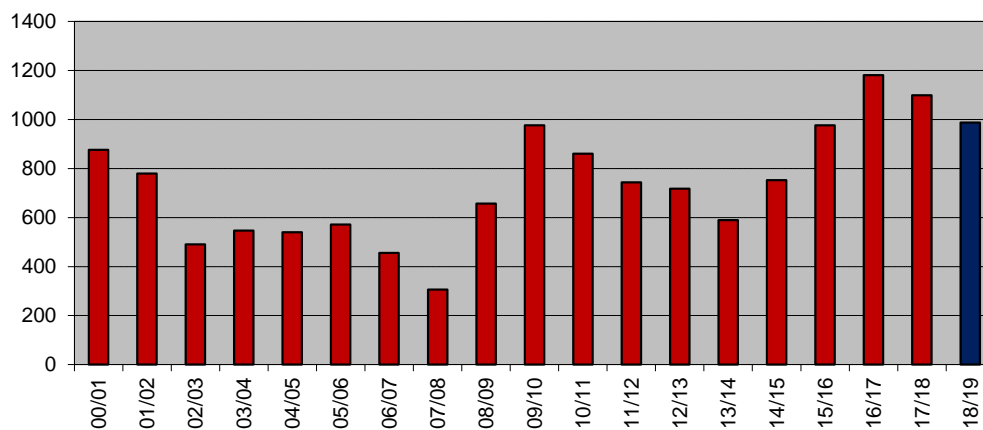
- The USDA was due to release their month and quarterly reports on Friday the 11th of January however the release of the report has been delayed due to the US government shutdown.
- Looking ahead at the report the average market expectation of the 2019 US winter wheat area is seen at 32.279 million acres compared to the 2018 US winter wheat area planted of 32.535 million acres.

Figure 2: US winter wheat area planted (mil acres)



- The average market expectation of the 2018/19 US wheat ending stocks is seen at 987 million bushels which is slightly higher than the December USDA estimate seen at 974 million bushels.

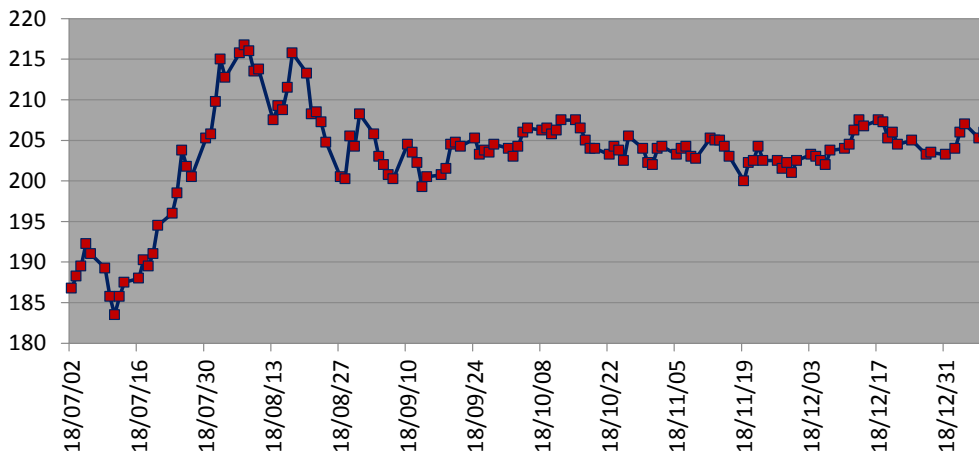
Figure 3: US wheat ending stocks (mil bushels)



European wheat prices

- European milling wheat prices has remain in a narrow trading range in the past few trading sessions with March wheat trading around €206/ton currently.

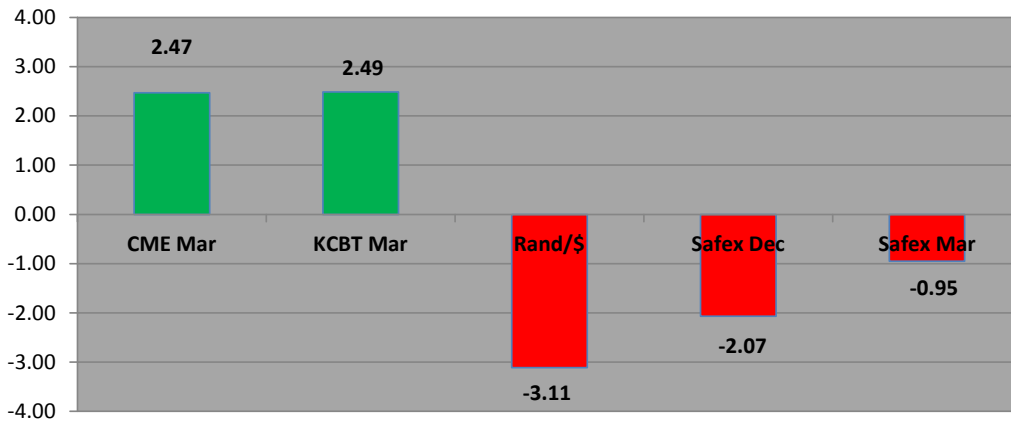
Figure 4: March European milling wheat prices (Euro/t)



Local wheat market

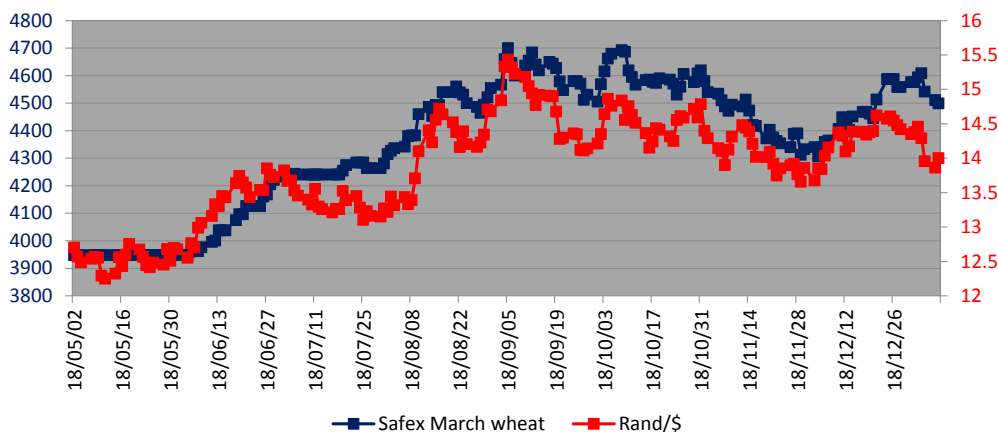
- South African wheat prices did come under some pressure in the past week with Safex March and May wheat giving up 2.07% and 0.95% in the past week. Our market was pressured by a stronger rand with the rand currently trading around R14.00/\$. The rand strengthened more than 3% in the past week.
- Local wheat prices failed to get support from the higher US wheat futures with March CME and KCBT wheat gaining 2.47% and 2.49% in the past week.

Figure 5: Safex wheat, rand and US wheat prices



- South African wheat prices did come under some pressure in the past week and March wheat gave up 1.6% in the past week with the stronger rand seen in the past few trading sessions adding pressure.
- The rand is currently quoted around R14.00/\$ which is 2.6% stronger week/week. The rand has posted some gains in the past few trading sessions. On the chart we see that the rand has broken below some of the key averages including the 40-day and 50-day. Support is seen around R13.80 and the 200-day average seen just above R13.70/\$.

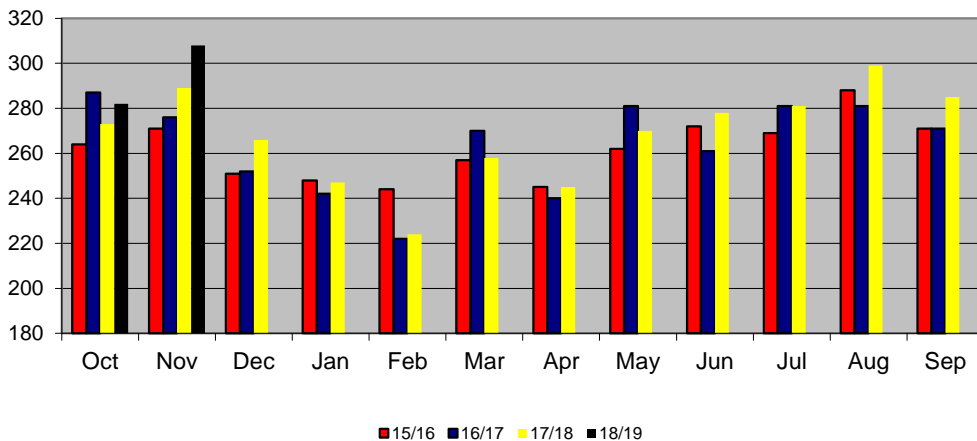
Figure 6: Safex March wheat and Rand/\$



Sagis monthly data

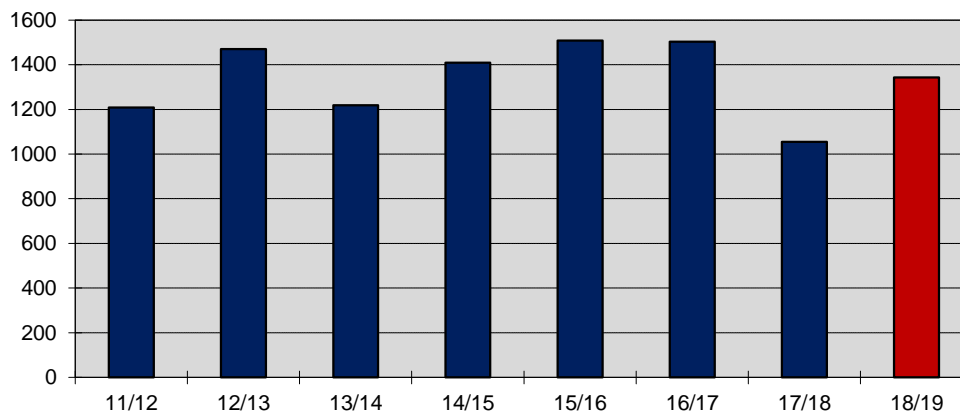
- The Sagis monthly data was released towards the end of December. On the supply side of the South African wheat market we see that 893 346 tons wheat was delivered in the month of November bringing the cumulative total for the season to date at 1.083 million tons. The cumulative wheat deliveries by the end of November represent 60% of the CEC wheat crop estimate seen at 1.830 million tons.
- On the demand side we see that 308 262 tons of wheat was processed for the local market in November 2018 which is up from the 281 973 tons seen in the previous month. This brings the cumulative wheat processed for the season to date at 590 235 tons which is 6% higher year/year. The wheat processed in November 2018 is a new record for the South African market.

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



- The South African wheat ending stocks at the end of November 2018 was reported at 1.343 million tons which is up from the 1.055 million tons seen the same time last year.

Figure 8: South African wheat stocks end of Nov the past few seasons (000 t)



FOCUS FOR THE WEEK

- US wheat prices posted some gains in the past week with short covering and technical buying that was seen while the higher outside markets especially the weaker dollar also added some support.
- On the technical chart for March KCBT wheat we see that the market did get some support around \$4.90 and prices has pulled higher since. The market has broken above the short term averages including the 9-day and 40-day averages.
- South African wheat prices did come under some pressure in the past week with our market failing to follow the US markets higher with the stronger rand adding some pressure. The rand gained around 3% in the past week and is trading around R14.00/\$ currently.
- On the chart for March Safex wheat we see that the market has been under pressure in the past 3-trading sessions with the market breaking below the 100-day average. Support is seen at R4500 and R4440 and resistance is seen at R4524.

See the technical graphs below:

- Safex March-19 wheat prices
- KCBT March-19 wheat prices



"Together we make a difference"



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