

**INTERNATIONAL MARKET**

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

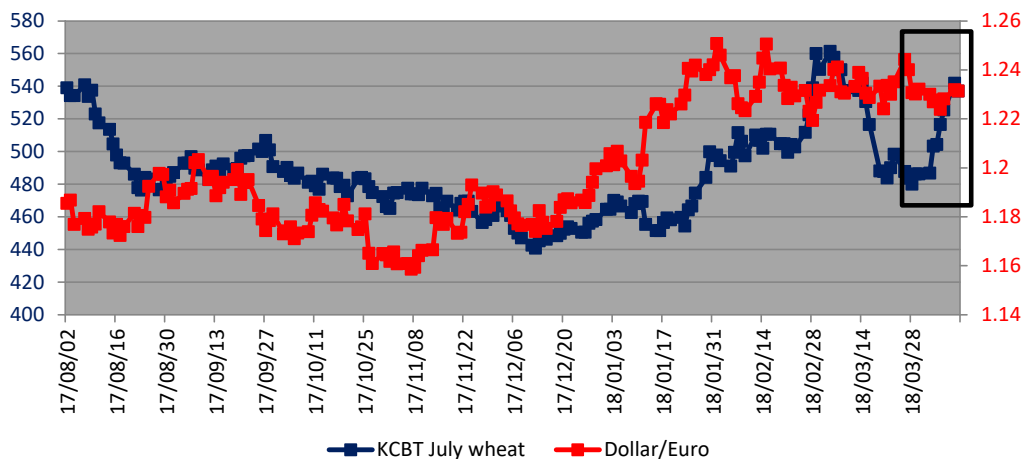
|                    | Currently    | 03/04/2018   | Weekly change (c/bu) | Monthly change (c/bu) |
|--------------------|--------------|--------------|----------------------|-----------------------|
| <b>CME Jul-18</b>  | <b>500 ¾</b> | <b>474</b>   | <b>26 ¾</b>          | <b>-4 ¾</b>           |
| <b>KCBT Jul-18</b> | <b>534 ½</b> | <b>503 ¼</b> | <b>31 ¼</b>          | <b>-2 ¾</b>           |

- US wheat prices posted some good gains in the past week with KCBT winter wheat prices once again leading CME wheat prices higher. On a monthly basis US CME and KCBT wheat prices are slightly lower.
- On the technical chart for July KCBT wheat we see that the market initially got some support around the 100-day average and prices pushed higher after that. The market posted some strong gains in the past few trading sessions breaking above the 40-day average and is currently finding some resistance in the \$5.45-\$5.50 area. Key resistance is seen at the early March highs seen around \$5.60-\$5.65/bushel.
- US winter wheat prices are being supported by the dry weather conditions experienced in the key winter wheat producing areas and we are already seeing the winter wheat conditions index coming under pressure. The US drought monitor also indicated that the drought has expended in the past week.
- In the US spring wheat areas the cooler temperatures experienced in the past week has resulted in some early planting delays which supported Minneapolis wheat prices.

**US wheat market**

- US KCBT wheat prices posted some gains in the past week despite the fact that the dollar has been mostly flat in the past week and is quoted at 1.2315 to the euro this morning.
- The weather conditions in the US winter wheat and spring wheat areas are the major factor supporting prices.

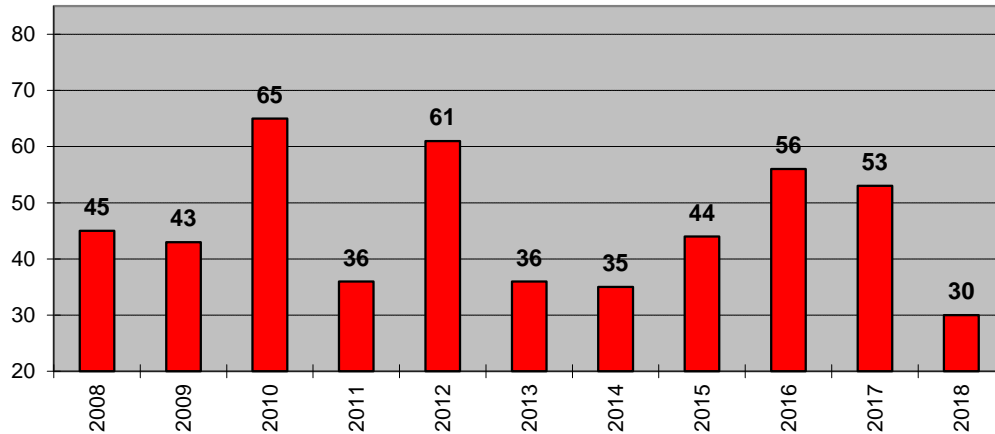
**Figure 1: KCBT July wheat and dollar/euro**



**USDA crop conditions and progress**

- The USDA in their winter wheat crop conditions report indicated that 30% of the US winter wheat crop could be rated as good/excellent which is 2% lower than the crop rating seen last week and well below the 53% seen this time last year.
- The 2018 winter wheat rated as good/excellent still the lowest in recent history.

Figure 2: US winter wheat crop conditions (% rated as good/excellent)

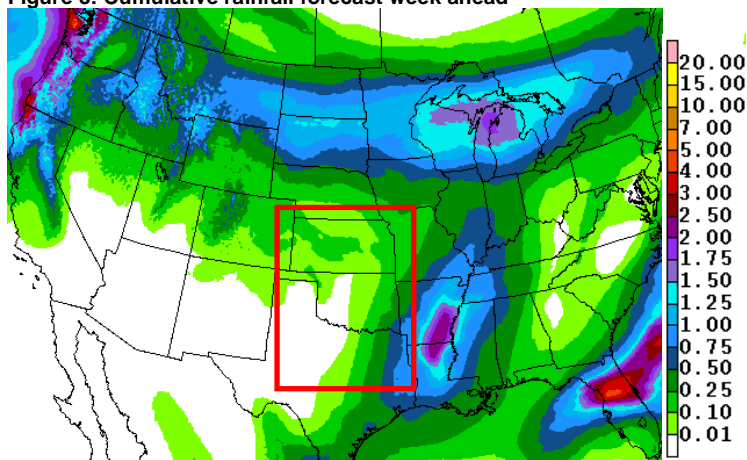


- The USDA in their report also indicated that 2% of the US spring wheat crop has been planted which is slightly below the 5-year average of 6% planted this time of the year.

### US weather forecast

- The weather forecast for the week ahead expects very little rainfall in the key winter wheat areas of the US in the week ahead. The mostly dry weather forecasted could continue to weigh on crop conditions going forward.

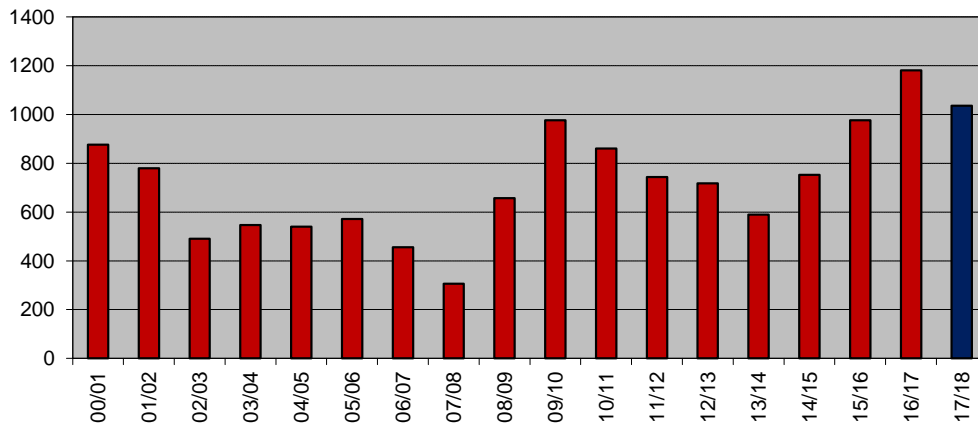
Figure 3: Cumulative rainfall forecast week ahead



### USDA supply and demand estimates

- The USDA will release their April supply and demand estimates in their report due later today. The average market expectation of the US 2017/18 US wheat ending stocks is seen at 1.036 billion bushels which is mostly unchanged from the March USDA estimate.
- The 2017/18 US wheat ending stocks is still the 2<sup>nd</sup> largest US wheat stocks estimate in recent history.

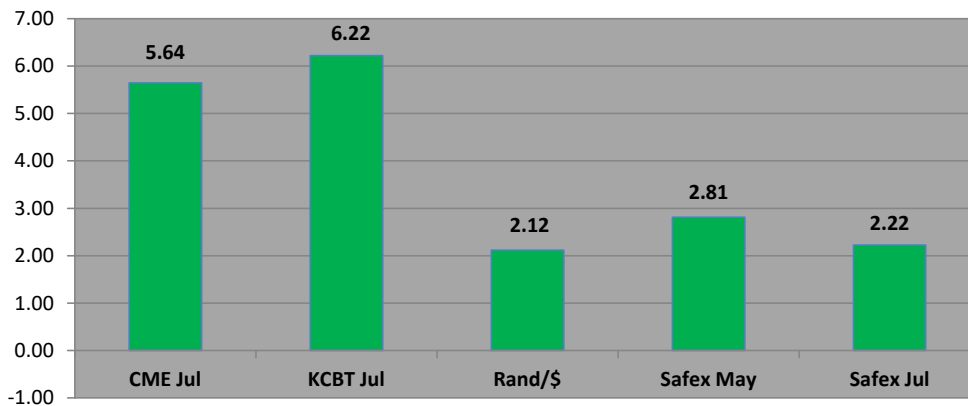
**Figure 4: US wheat ending stocks (mil bushels)**



**LOCAL WHEAT MARKET**

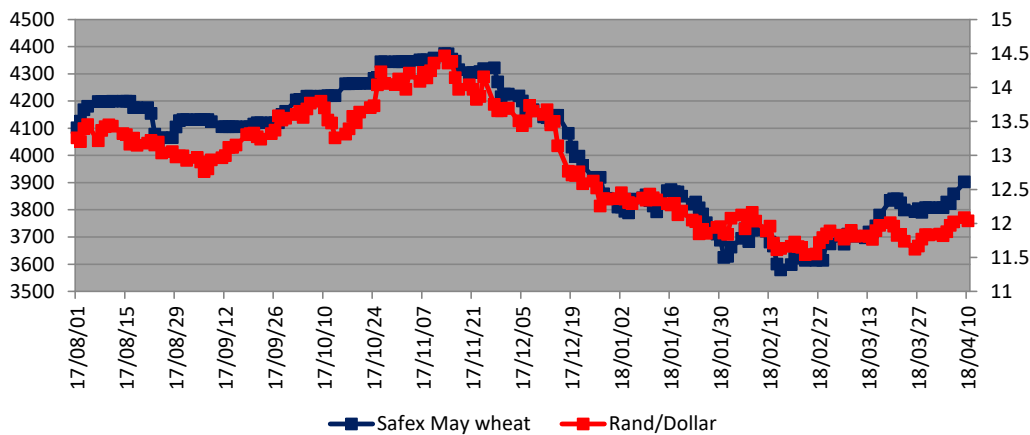
- South African wheat prices posted some good gains in the past week with May and July Safex wheat ending 2.81% and 2.22% higher in the past week. Our market was supported by the weaker rand.
- The rand broke above the recent R11.50-R12.00 range and traded as high as R12.15/\$ this week which supported local wheat prices. The rand has since pulled slightly off that level at is seen around R12.08/\$.
- The new wheat import tariff of R394/ton was published in the past week but a new tariff of R293/ton already triggered but is yet to be published. The rally in US KCBT wheat prices could lower the level of protection for local wheat.

**Figure 5: Safex wheat, rand and US wheat prices**



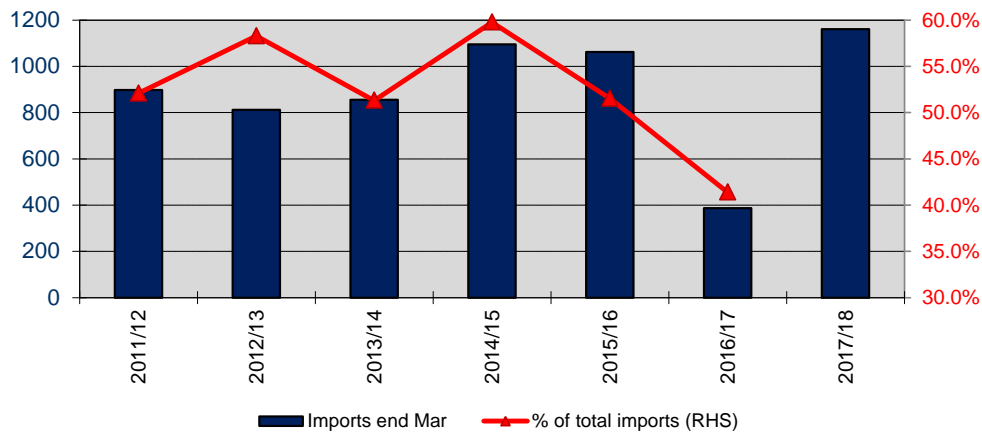
- The rand did come under some pressure in the past week with the rand breaking above R12.00/\$ in the session yesterday and trading as high as R12.15/\$ but the rand has since gained back some ground and is trading around R12.03/\$

**Figure 6: Safex May-18 wheat and rand/dollar**



- Graph below presents the cumulative wheat imports end of March in the past few seasons. The 2017/18 cumulative imports seen to date is the highest for 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 March represents 52% of the total marketing year imports.

**Figure 7: Cumulative wheat imports end Mar (1000 tons) and % of total**



## FOCUS FOR THE WEEK

- US wheat prices posted some gains in the past week with KCBT wheat and Minneapolis wheat prices leading the way higher. The dry weather conditions and declining winter wheat crop conditions index supported the market.
- The weather forecast expects very little moisture relief for the US winter wheat areas in the week ahead.
- On the technical chart we see that KCBT wheat prices broke above the key averages and the next area of resistance is seen at the early March highs seen around \$5.60-\$5.65/bushel.
- South African wheat prices posted some gains in the past week with the weaker rand supporting our market. The rand traded in the R11.50-R12.00 range for some time but broke above R12.00/\$ this week which supported local wheat.
- On the technical chart for May-18 Safex wheat we see that the market did get some support around R3800 and pushed higher after that. Wheat prices broke above the key averages including the 100-day average which could be supportive for our market in the sessions ahead.

**See the technical graphs below:**

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



*"Together we make a difference"*

