

**INTERNATIONAL MARKET**

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

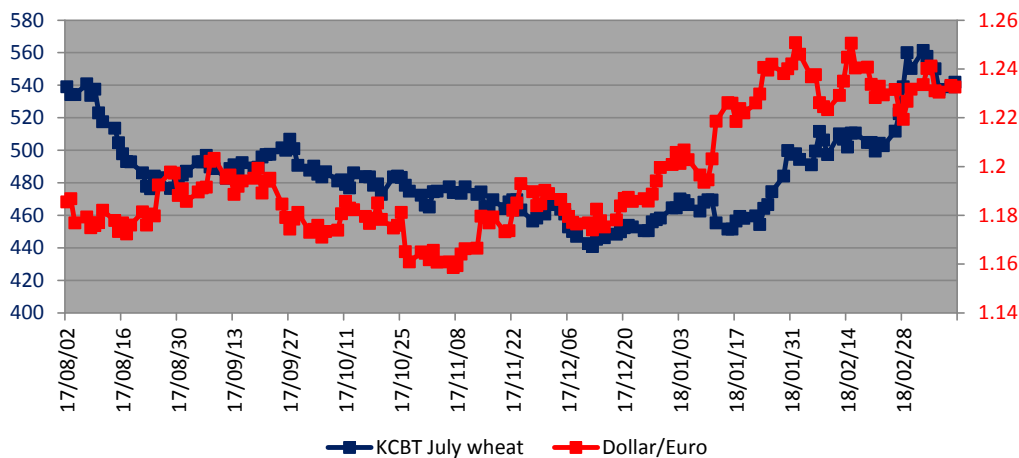
	Currently	06/03/2018	Weekly change (c/bu)	Monthly change (c/bu)
<b>CME Jul-18</b>	<b>510</b>	<b>521 ¼</b>	<b>-11 ¼</b>	<b>22 ½</b>
<b>KCBT Jul-18</b>	<b>543</b>	<b>557 ¾</b>	<b>-14 ¾</b>	<b>36 ¼</b>

- US wheat prices did come under some pressure in the past week following the massive gains seen earlier. On a monthly basis US wheat prices are still trading higher with July CME and KCBT gaining 4.6% and 7.2% in the past month respectively.
- On the technical chart for July KCBT wheat we see that the market traded to a high of around \$5.65 towards the end of last week and prices has since pulled lower. The market also broke below the 9-day average and traded to a low of \$5.30 and has since pulled off that level. The moving averages remain well supported but some of the indicators are pulling lower.
- US wheat prices did come under some pressure in the past few sessions following the release of the USDA supply and demand estimates.
- However the weather conditions in the US winter wheat areas and the declining winter wheat crop conditions are limiting the losses in US wheat futures.

**US wheat market**

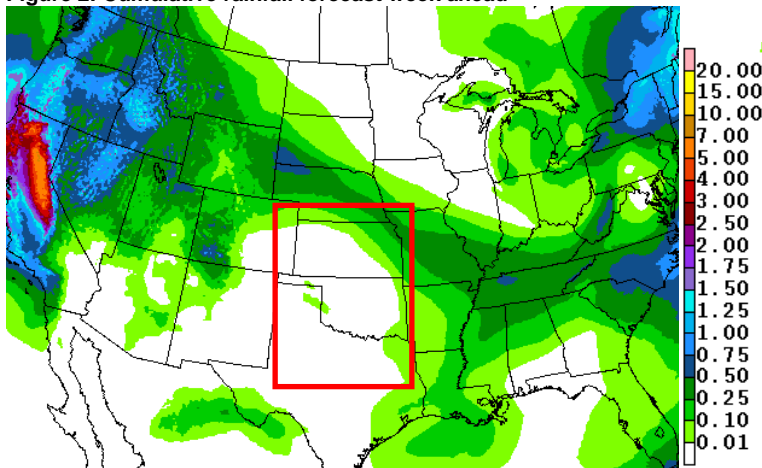
- US wheat prices did come under some pressure in the past week with the dollar also posting some gains. The dollar is trading around 1.2330 to the euro this morning which is 0.62% stronger than the levels seen a week ago.

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



- The USDA released their winter wheat crop conditions report after the market closed yesterday. The USDA indicated that 12% of the Kansas winter wheat crop could be rated as good/excellent which is 1% lower than the crop rating seen last week.
- In Oklahoma 7% of the US winter wheat crop could be rated as good/excellent which is 1% higher than the crop rating seen last week. The USDA also indicated that 13% of the Texas winter wheat crop could be rated as good/excellent which is up from the 10% reported last week.
- The weather forecast for the US winter wheat areas in the week ahead expects very little moisture relief in the key winter wheat areas in the week ahead. The mostly dry weather forecasted could very well put some more pressure on winter wheat crop conditions.

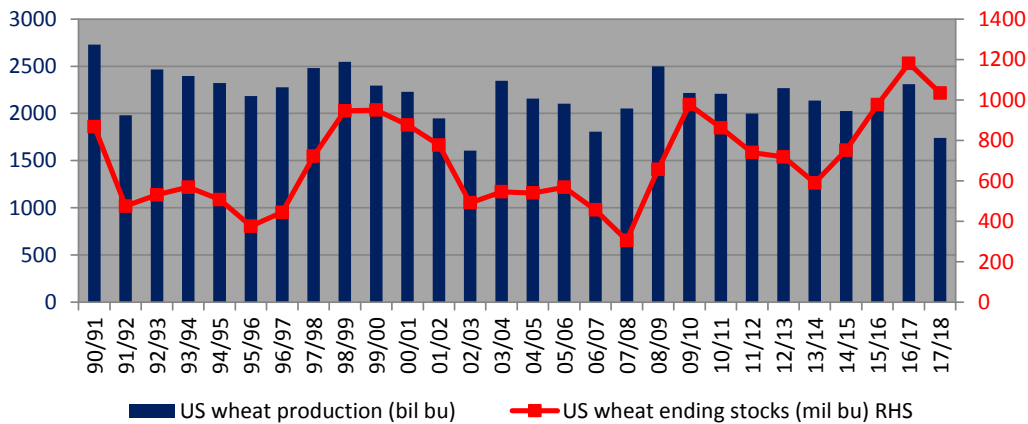
Figure 2: Cumulative rainfall forecast week ahead



**USDA report**

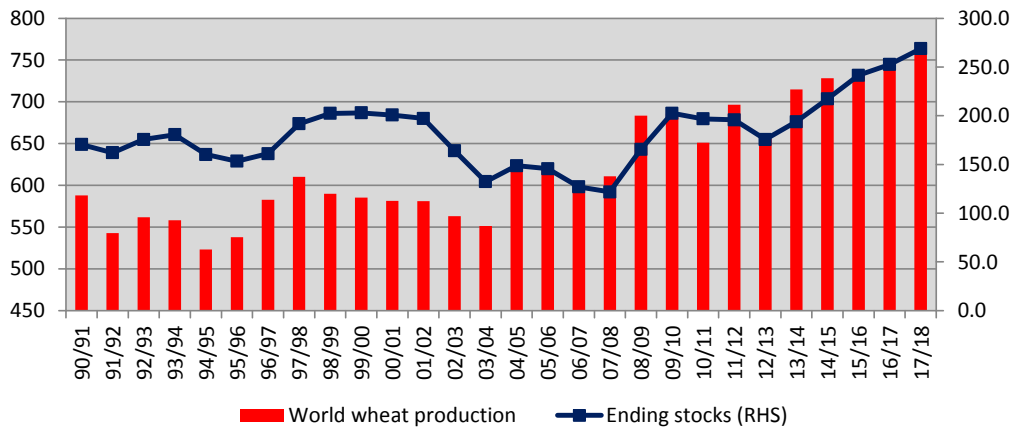
- The USDA in their report estimated the 2017/18 US wheat ending stocks at 1.034 billion bushels which was higher than the market expectation seen at 1.015 billion bushels and up from the February estimate seen at 1.009 billion bushels.
- Changes to the US supply and demand estimates included a 25 million bushel drop in the US wheat export estimate.
- The 2017/18 US wheat crop is the smallest since the 2002/03 season and this resulted in a drop in ending stocks.

Figure 3: US wheat production and ending stocks



- Looking at the world wheat estimates we see that the 2017/18 world wheat crop was pegged at 758.79 million tons which is up from the 758.25 million tons seen in the report last month. Changes to the world wheat crop included minor changes to the crop estimates for China, India and Kazakhstan.
- The 2017/18 world wheat ending stocks was pegged at 268.89 million tons which is up from the 266.10 million tons seen in the report last month. The USDA estimated world wheat demand at 742.50 million tons compared to the 744.79 million tons seen last month.
- From the graph below we see that the world wheat production and ending stocks has surged to new highs in the 2017/18 marketing season.

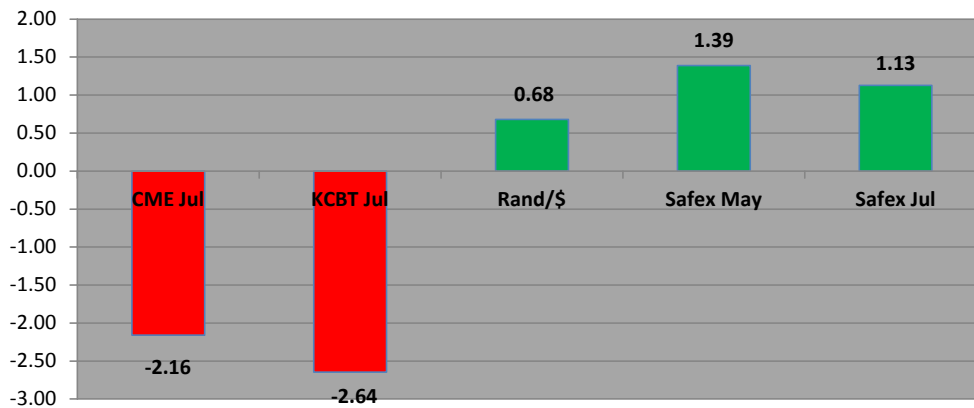
**Figure 4: World wheat production and ending stocks (mil tons)**



**LOCAL WHEAT MARKET**

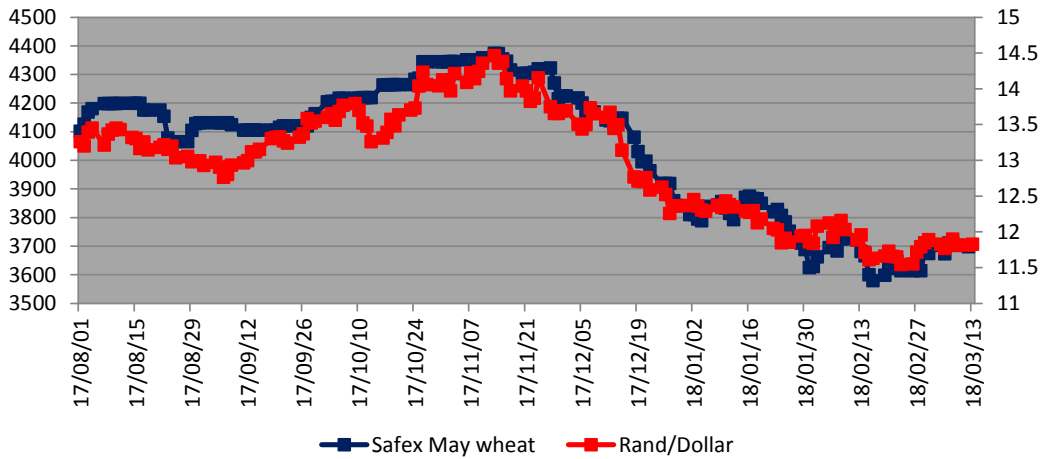
- South African wheat prices managed some gains in the past week with May and July wheat gaining 1.39% and 1.13% in the past week respectively. South African wheat prices are being supported by the weaker rand.
- The rand weakened to around R11.84/\$ compared to the R11.76/\$ seen a week ago. The weaker rand is supporting the price of imported wheat.
- South African wheat prices by far outperformed the US wheat prices with July CEM and KCBT wheat ending 2.16% and 2.64% lower in the past week respectively.

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



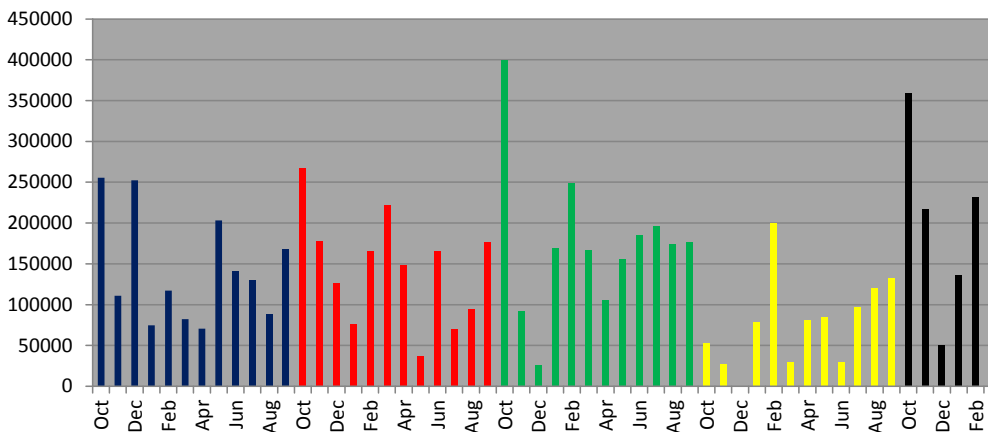
- The rand is slightly weaker compared to the levels seen a week ago. The rand is currently trading around R11.84/\$ compared to the R11.76/\$ seen a week ago. The rand has been trading around the R11.80/\$ level in the past few sessions with the local currency looking for new direction.

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



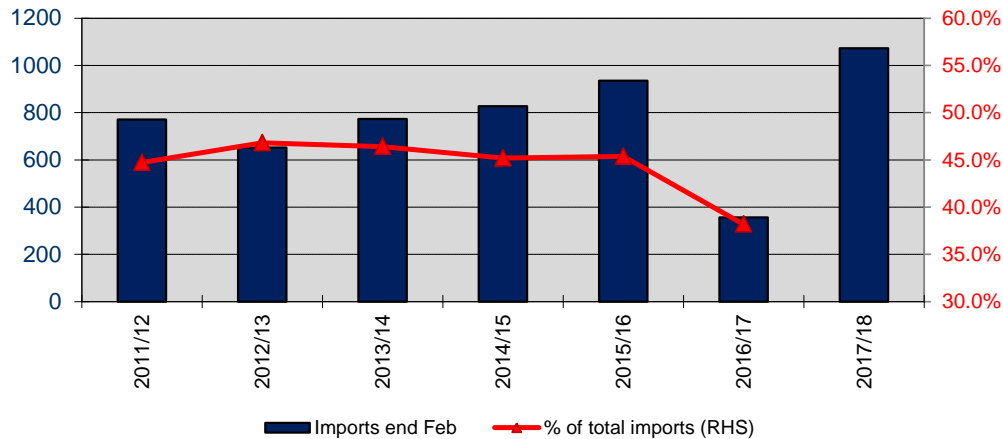
- The weekly South African wheat imports for the week ending the 9<sup>th</sup> of March indicated that 55 958 tons of wheat was imported. The wheat that was imported originated from Argentina (10 088 tons), Latvia (17 309 tons) and Romania (28 561 tons).
- This brings the cumulative wheat imports for the season to date at 1.143 million tons.

**Figure 7: South African monthly wheat imports (Tons)**



- In the graph below we look at the cumulative wheat imports at the end of February in the past few seasons as well as the % of total imports by the end of February.
- The 2017/18 cumulative wheat imports by the end of February are seen well above the imports seen this time of the year in the past few seasons.
- On average the South African wheat imports by the end of February represents 44% of the total marketing year imports.
- With this in mind and the 2017/18 imports seen to date we could be looking at a total wheat imports of 2.430 million tons which is slightly larger than our estimate for total imports seen around 2 million tons.

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



### FOCUS FOR THE WEEK

- US wheat prices did come under some pressure in the past week with most of the weakness following the USDA supply and demand estimates. US wheat ending stocks came in well above expectations.
- In the electronic session today the US wheat prices posted some gains with the dry weather conditions in the US winter wheat areas and declining winter wheat crop conditions providing some support.
- South African wheat prices posted some gains in the past week with the weaker rand providing some support. Keep in mind that declining US wheat futures could eventually raise import tariff levels.
- The rand has been trading around R11.80/\$ for some time and the rand is looking for some renewed direction.
- On the technical chart for May-18 wheat we see that the market did get some resistance around R3700 but the market did break above that level in the session today and in that prices also broke above the 40-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



