

INTERNATIONAL MARKET

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

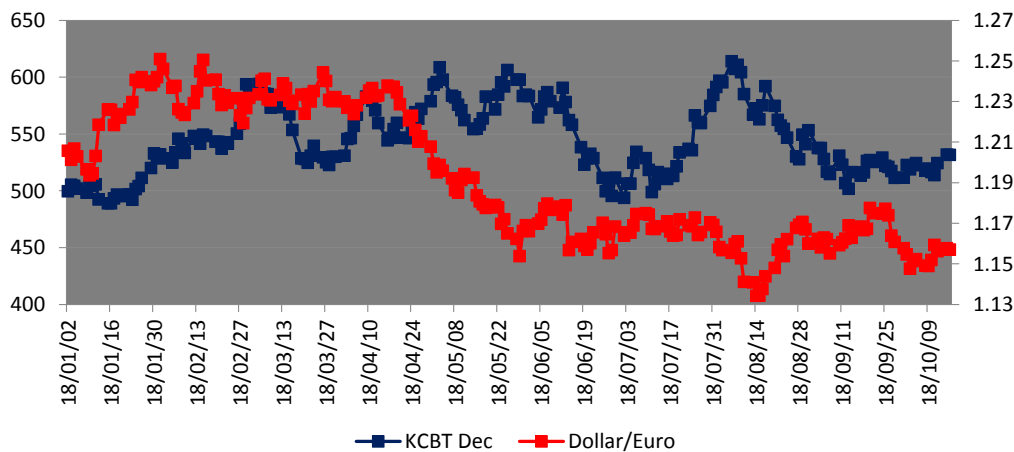
	Currently	09/10/2018	Weekly change (c/bu)	Monthly change (c/bu)
CME Dec-18	525 ½	515	10 ½	19 ¼
KCBT Dec-18	532 ¼	519 ½	12 ¾	19 ½

- US wheat prices posted some gains in the past week with December KCBT wheat prices leading the way higher. On a monthly basis US wheat prices are also trading higher with both CME and KCBT wheat prices gaining 3.8%.
- On the technical chart for December KCBT wheat we see that the market did get some support around \$5.10 and prices pushed higher after that. December KCBT wheat has since broken above the 9-day and 40-day averages which could result in some more follow through buying interest. Resistance is seen at the 100-day average currently around \$5.43/bushel.
- US wheat prices did get some support from the rising world wheat export prices with Russian wheat prices and European wheat gaining some ground in the past week.
- Another factor adding some support to US wheat futures is the fact that investment funds are sitting on a large net short position making the market vulnerable for short covering rallies.

US wheat market

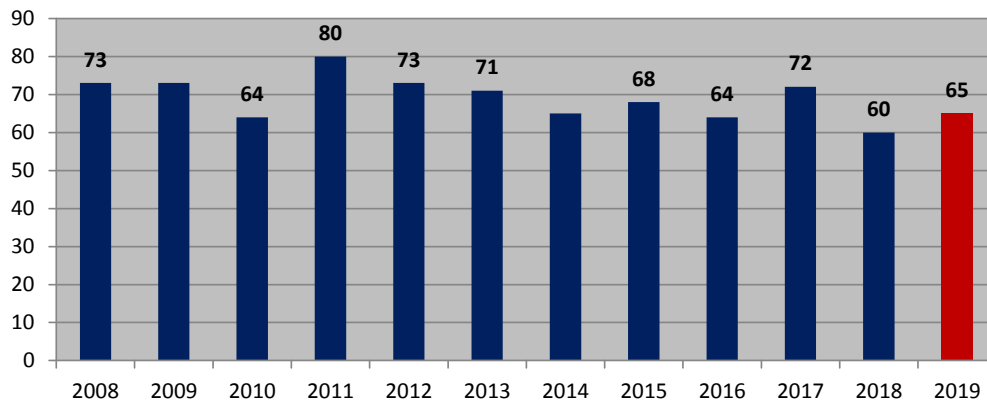
- US wheat prices posted some good gains with December KCBT wheat gaining more than 2% in the past week with the dollar also slightly weaker. The dollar is trading around 1.1570 to the euro currently compared to the 1.1490 to the euro seen a week ago.

Figure 1: December KCBT wheat and dollar/euro



- The USDA in their crop progress report indicated that 65% of the US winter wheat crop has been planted which is up from the 57% reported last week. The 5-year average planting progress for this time of the year is seen at 67%.
- The USDA in their report also indicated that 44% of the winter wheat crop has emerged which is slightly ahead of the 5-year average seen at 41% for this time of the year.

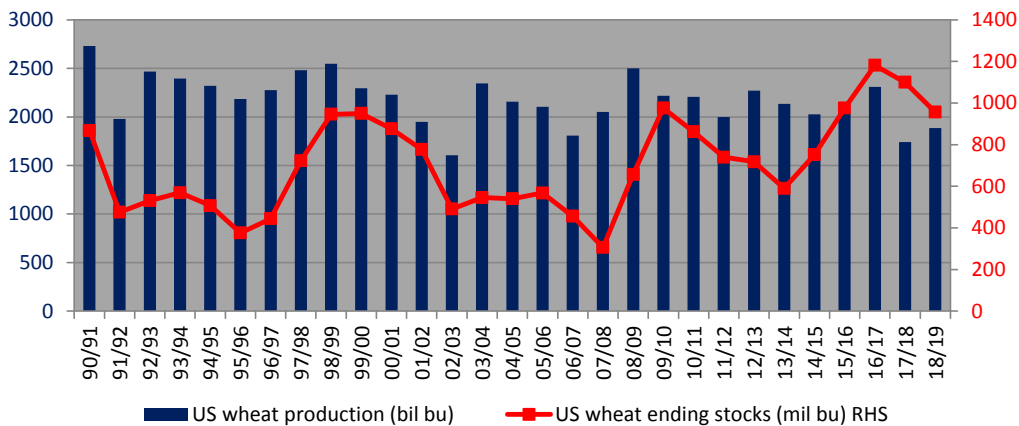
Figure 2: US winter wheat planting progress (% complete)



USDA October report

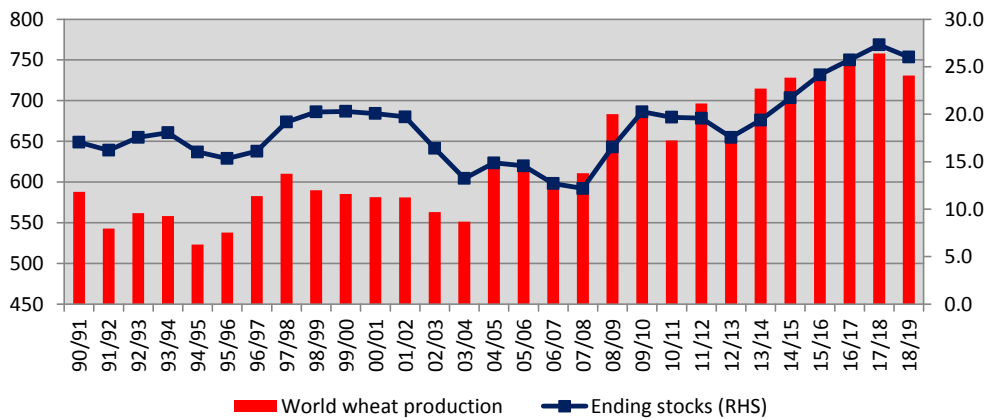
- The USDA released their supply and demand estimates last week. The 2018/19 US wheat ending stocks was reported at 956 million bushels which was slightly higher than the market expectation seen at 950 million bushels and up from the September USDA estimate seen at 932 million bushels.
- Changes to the US wheat balance sheet included a larger all wheat crop estimate seen at 1.884 billion bushels and the USDA lowered their feed usage estimate by 10 million bushels.

Figure 3: US wheat production and ending stocks



- In terms of the rest of the world the USDA estimated the 2018/19 world wheat crop at 730.92 million tons which is down from their September estimate seen at 733 million tons. The lower world maize crop was due to lower production estimates for Australia (-1.5 million tons) and Russia (-1 million tons). The 2018/19 world wheat ending stocks was estimated at 260.18 million tons which is down from the September estimate seen at 261.29 million tons.

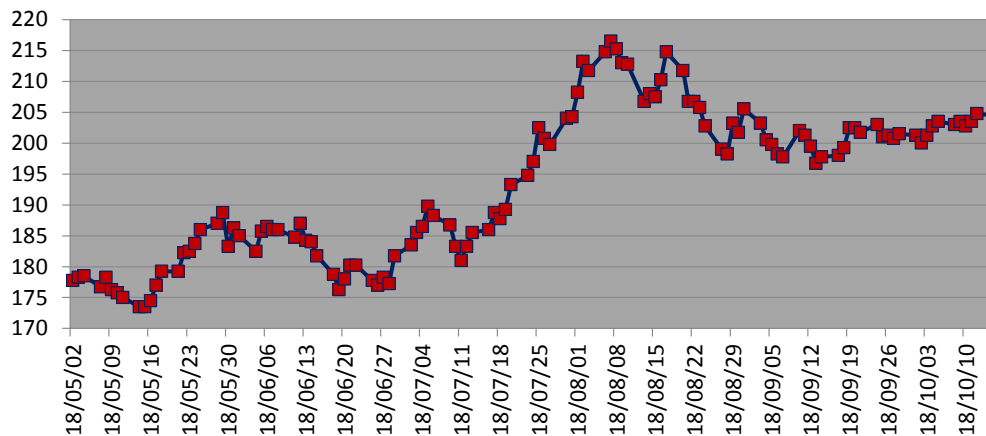
Figure 4: World wheat production and ending stocks (mil tons)



European wheat prices

- From the graph below we see that the European milling wheat prices posted some gains in the month of October to date with wheat prices currently seen around €204.5/ton. Elsewhere in the world Russian wheat export prices are also on the rise which is also supporting US wheat prices.

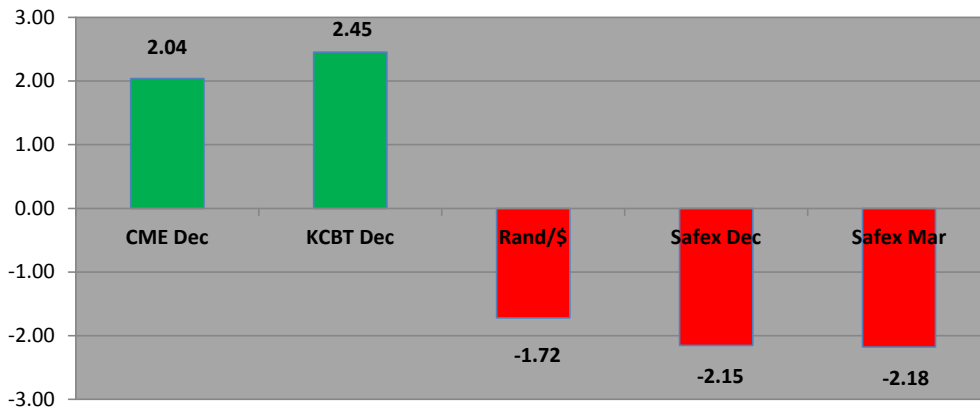
Figure 5: European milling wheat prices (euro/t)



Local wheat market

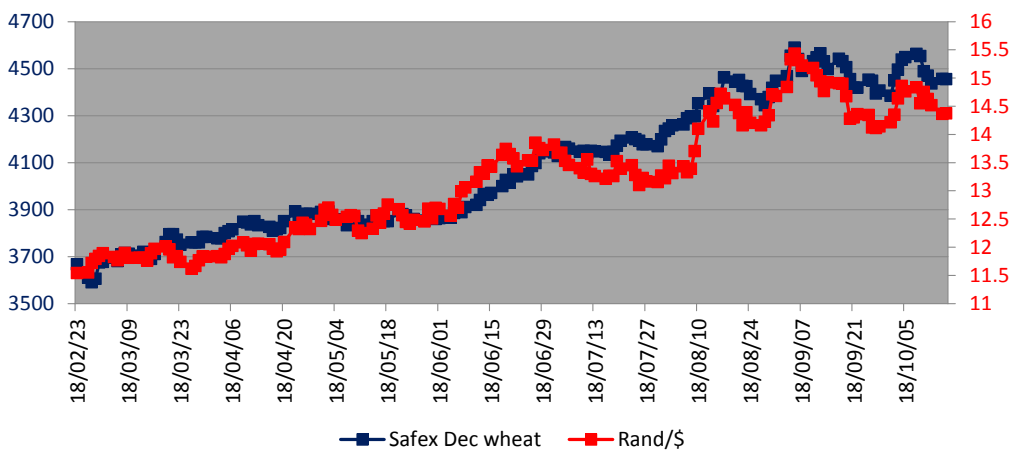
- South African wheat prices did come under some pressure in the past week with December and March Safex wheat ending 2.15% and 2.18% lower in the past week respectively. South African wheat prices failed to follow the US markets higher in the past week with the stronger rand adding pressure.
- The rand posted some gains in the past week with the rand currently trading around R14.30/\$ compared to the R14.55/\$ seen a week ago. On the technical chart we see that the rand broke below the 40-day average.

Figure 6: Safex wheat, rand and US wheat prices



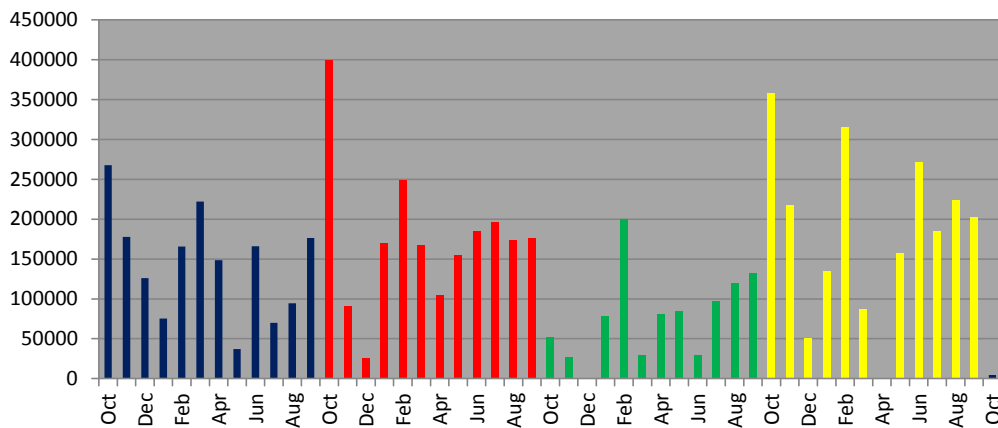
- South African maize prices did come under some pressure in the past week with the stronger rand putting some pressure on our market with local wheat failing to follow the US markets higher. The rand is currently trading around R14.35/\$ compared to the R14.55/\$ seen a week ago.

Figure 7: Safex Dec wheat and Rand/\$



- The weekly South African wheat imports for the week ending the 5th of October indicated that 4 576 tons of wheat was imported. The wheat that was imported once again originated from Russia. This is also the 1st wheat imports of the 2018/19 South African wheat marketing season.

Figure 8: South African monthly wheat imports (Tons)



Supply and demand estimates

- The table below presents the supply and demand estimates and we also included our initial estimates for the 2018/19 marketing season. Our estimates are based on the CEC crop estimate of 1.845 million tons.
- On the demand side of our wheat market the human consumption is seen at 3.185 million tons and feed usage should be minimal. Total wheat (whole and products) is estimated at 115 000 tons.
- With all of this in mind and ensuring that we have enough wheat in stocks to cover 8-weeks of pipeline requirements our estimate of the 2018/19 wheat import requirement is seen at around 1.250 million tons which is well below the wheat imports seen in the previous season.

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

	2014/15	2015/16	2016/17	2017/18	2018/19
	CEC Final	CEC Final	CEC Final	CEC Final	CEC Sep
Opening stocks (1 Oct.)	488	597	827	341	733
Total Acquisition	3 533	3 470	2 806	3 712	3 095
Producer deliveries	1 701	1 407	1 871	1 535	1 845
Human wheat	1 691	1 399	1 860	1 526	1 834
Feed wheat	10	8	11	9	11
Imports destined RSA	1 832	2 063	935	2 177	1 250
Total Consumption	3 132	3 168	3 187	3 208	3 215
Human consumption	3 109	3 142	3161	3187	3185
Animal feed	4	0	3	3	5
Other*	19	26	23	18	25
Total Exports to Africa	292	72	105	112	115
Products	17	15	12	32	20
Whole wheat	275	57	93	80	95
Ending stocks (30 Sept.)	597	827	341	733	498
8 weeks com. demand	-478	-483	-486	-490	-490
Surplus / (shortage)	118	343	- 145	243	8
Hectares	477	482	508	492	508
Yield	3.57	2.92	3.68	3.12	3.63

* Seed, gristing, withdrawn, released end consumers & misc.

CEC and Sagis final estimate

Sources: Sagis, CEC, and own calculations

FOCUS FOR THE WEEK

- US wheat prices posted some gains in the past week with some technical buying while the higher export prices globally also added some support. Investment funds are also net short resulting in some short covering.
- On the technical chart for December KCBT we see that the market did get some support around \$5.00-\$5.10 and prices pushed higher after that. The market has since broken above the 9-day and 40-day average.
- South African wheat prices traded lower in the past week with our market failing to follow the US wheat prices higher. The strength of the rand weighed on our market in the past few trading sessions.
- The rand is trading around R14.30/\$ currently which is down from the R14.55/\$ seen a week ago. The rand has broken below the 40-day average and the next area of support is seen in the R14.10-R14.00/\$ area.
- On the technical chart for December Safex wheat we see that the market broke below R4500 in the past week and the market also broke below the 40-day average with immediate support around R4450 and R4430.

See the technical graphs below:

- Safex Dec-18 wheat prices
- KCBT Dec-18 wheat prices

Daily WEAZ8

2018/04/13 - 2018/10/25 (JHB)

Cnd, WEAZ8, Trade Price
 2018/10/16, 4 456.00, 4 469.00, 4 446.00, 4 455.00, -1.00, (-0.02%)
 SMA, WEAZ8, Trade Price(Last), 100
 2018/10/16, 4 260.72
 SMA, WEAZ8, Trade Price(Last), 40
 2018/10/16, 4 473.98
 SMA, WEAZ8, Trade Price(Last), 9
 2018/10/16, 4 501.11





"Together we make a difference"