

INTERNATIONAL MARKET

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

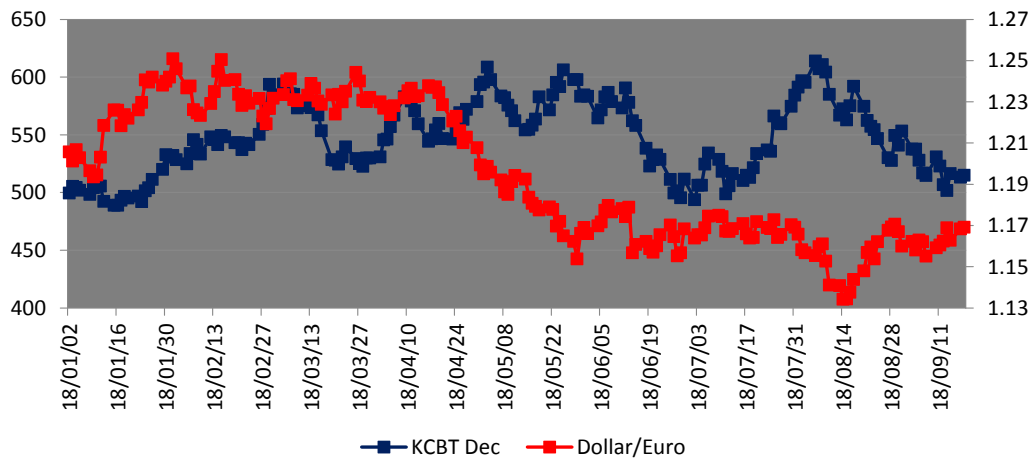
	Currently	11/09/2018	Weekly change (c/bu)	Monthly change (c/bu)
CME Dec-18	509 ¾	518 ¾	-9	-70
KCBT Dec-18	515 ¼	522 ¾	-7 ½	-76 ¾

- US wheat prices traded lower in the past week with CME December wheat leading the way lower. On a monthly basis US wheat prices are also trading lower with December CME and KCBT wheat giving up 12% and 13% in the past month respectively.
- On the technical chart for December KCBT wheat we see that the market sold off in the past few weeks with prices finding some support around \$5.00 in the past week and prices pushed higher after that with some short covering that was seen. The moving averages remain under pressure and key support is seen at \$5.00 and the \$4.95 lows seen July. There could be some divergence between the RSI and prices.
- The crop losses in some of the major exporters was a supportive factor for US and world wheat but this was countered after the USDA released their crop estimates. The export progress out of the US remains slow with Russian wheat dominating the world export market and there are no signs of the Russian government limiting exports at this stage.

US wheat market

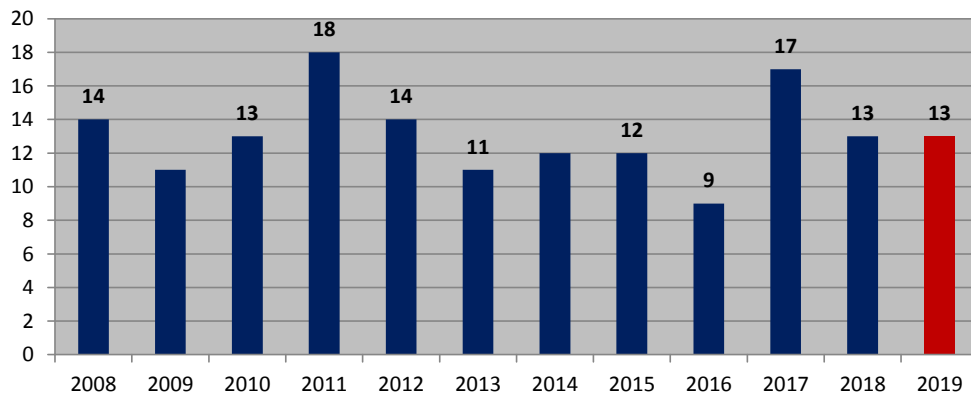
- US wheat prices traded lower in the past week despite the fact that the dollar did come under some pressure. The ongoing trade war between the US and China is weighing on the dollar. The dollar traded as high as 1.1720 late last week and is once again around 1.1700 this morning. The dollar has broken above its 100-day average once again.

Figure 1: December KCBT wheat and dollar/euro



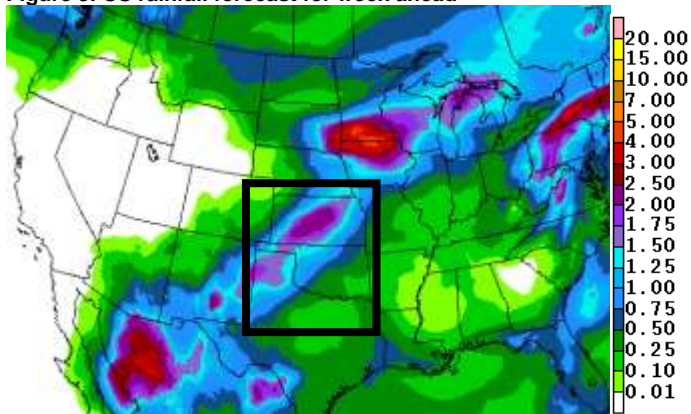
- The USDA in their crop progress report indicated that 97% of the US spring wheat crop has been harvested which is up from the 93% reported last week. The current spring wheat harvesting progress is slightly ahead of the 5-year average seen at 92% harvested this time of the year.
- The USDA in their report also indicated that 13% of the US winter wheat crop has been planted which is up from the 5% reported last week. The current winter wheat harvesting progress is in line with the 5-year average seen at 14% planted this time of the year.

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



- The weather map below presents the cumulative rainfall forecast for the week ahead. From the weather map below we see that some widespread rainfall is forecasted for the US winter wheat areas including Kansas and Oklahoma which should boost soil moisture levels for the season ahead.

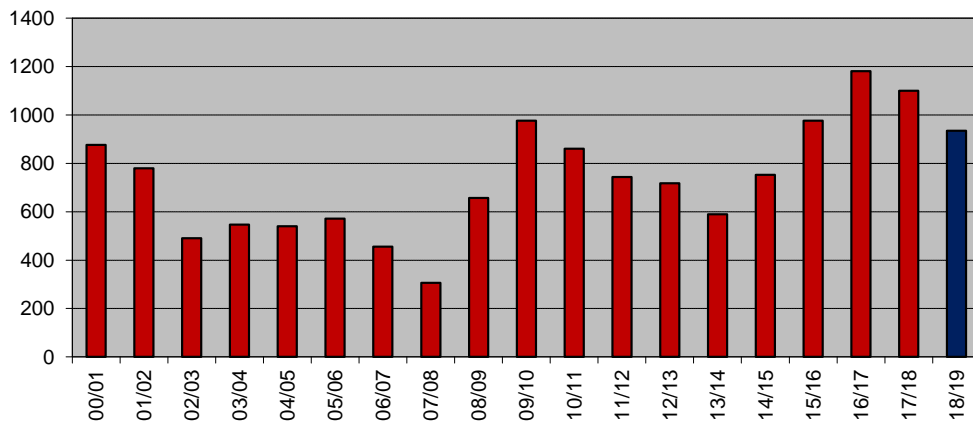
Figure 3: US rainfall forecast for week ahead



USDA supply and demand estimates

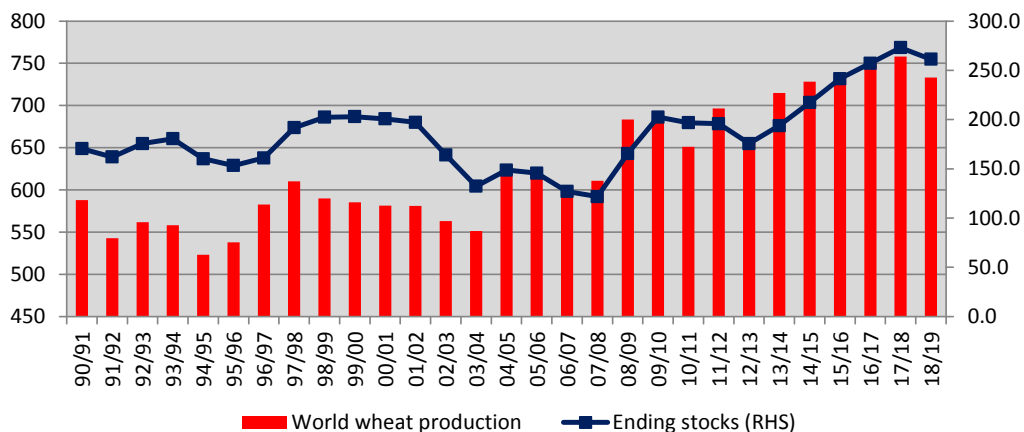
- The USDA released their September supply and demand estimates last week. Markets traded lower following the USDA numbers with the USDA surprising the market with larger than expected world wheat crop estimates.
- In their report the USDA estimated the US 2018/19 wheat ending stocks at 935 million bushels which was unchanged from the August estimate while the market was looking for a slightly larger ending stocks estimate.

Figure 4: US wheat ending stocks (mil bushels)



- The USDA estimated the 2018/19 world wheat crop at 733 million tons which is up from the 729.63 million tons estimated last month which surprised the market. The larger crop estimate was due to larger production estimates for India (+2.7 million), Russia (+3 million) and Kazakhstan (+500 000 tons). The USDA did lower their wheat crop estimates for Australia (-2 million) and Canada (-1 million).
- The 2018/19 world wheat ending stocks was estimated at 261.29 million tons which is up from the 258.96 million tons estimated last month. The world wheat demand was raised to 746.06 million tons.
- The graph below presents the world wheat production and ending stocks seen in the past few seasons. From the graph below we see that world wheat ending stocks are expected to decline year/year after 5 consecutive years of higher world wheat stocks.

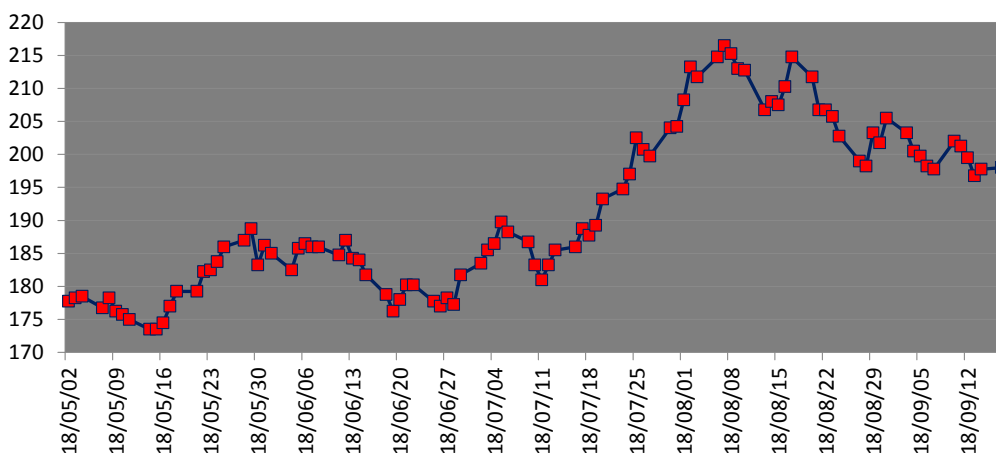
Figure 5: World wheat production and ending stocks (mil tons)



European wheat prices

- From the graph below we see that European milling wheat prices has been under some pressure after the highs of around €215 seen in early August with wheat prices currently trading around €198/ton. Key support is seen in the €200-€195 area.

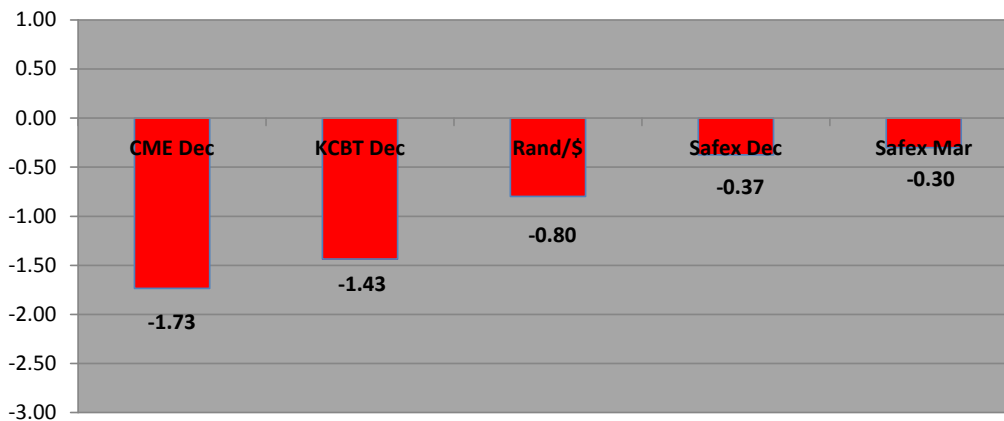
Figure 6: European milling wheat prices (euro/t)



Local wheat market

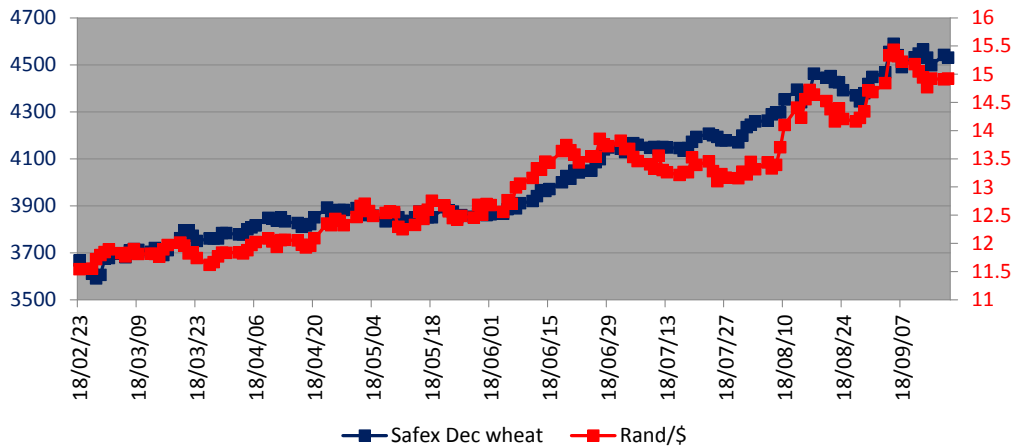
- South African wheat prices ended slightly lower in the past week with the stronger rand for most of the past week weighing on our market. Safex December wheat prices gave up 0.37% in the past week while the rand strengthened 0.80%. South African wheat prices outperformed the US markets with CME and KCBT wheat ending 1.73% and 1.43% lower in the past week.
- Looking at the South African wheat import tariff the current official tariff is seen at R640 with the market awaiting the publication of the R298/ton tariff. A new import tariff of R490/ton has also triggered last week.

Figure 7: Safex wheat, rand and US wheat prices



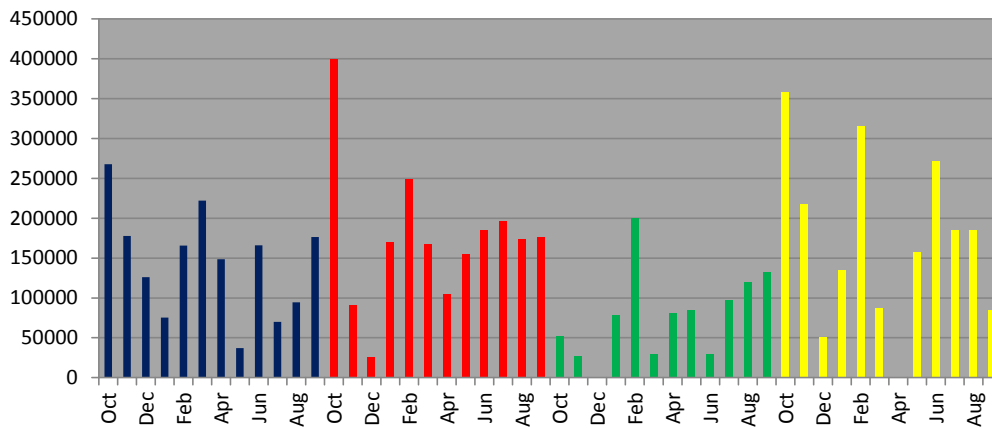
- The rand posted some gains in the past week with the market breaking below R15.00/\$ and the local currency traded as low as R14.60/\$ late last week and this pressured local wheat prices. The rand has since weakened once again with the rand trading around R14.92/\$ currently.

Figure 8: Safex Dec wheat and Rand/\$



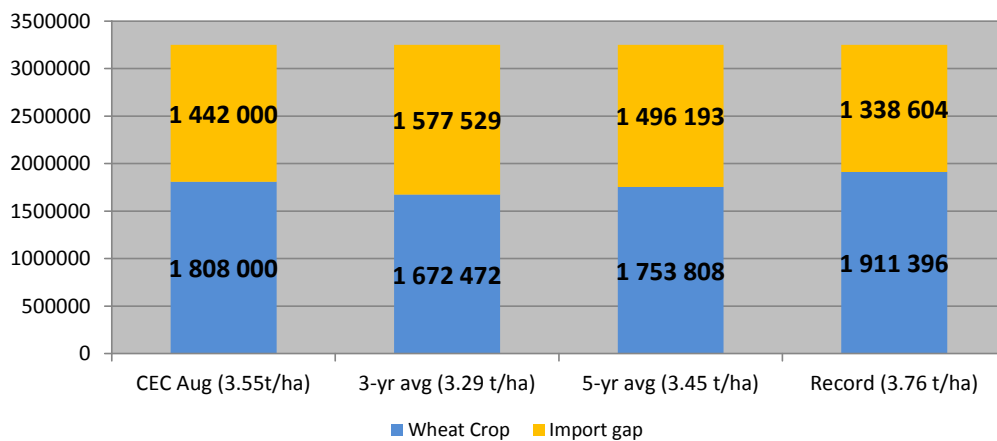
- The weekly South African wheat imports for the week ending the 7th of September indicated that 85 086 tons of wheat was imported in the past week. The wheat that was imported in the past week once again originated from Russia and this brings the cumulative imports to date at 2.061 million tons.

Figure 9: South African monthly wheat imports (Tons)



- The CEC in their August report estimated the South African wheat crop at 1.808 million tons which is based on a South African wheat yield of 3.55 tons/ha.
- The graph below presents the South African wheat crop estimates (CEC estimate and several other yield scenarios) as well as the import requirements. We pegged total demand at 3.250 million tons including 3.150 million tons of local demand and another 100 000 tons for wheat and wheat product exports.
- Looking at the possible crop estimates apart from the CEC crop estimate a 3-year average yield will point to a crop of 1.672 million tons while a 5-year will equate to 1.754 million tons and a record wheat yield could result in a crop of 1.911 million tons.
- Based on all of this the South African wheat import requirement should range between 1.339 and 1.578 million tons. This is well below the current wheat imports of around 2.1 million tons.

Figure 10: SA Wheat production and import estimates



FOCUS FOR THE WEEK

- US wheat prices traded lower in the past week with the slow export demand for US wheat and the bearish USDA estimates seen last week adding some pressure. The spillover weakness from the lower US maize and soybeans also added some pressure.
- On the technical chart for December KCBT wheat we see that the moving averages remain under pressure while the indicators have flattened out. There could be some divergence between the RSI and prices and key support is seen in the \$5.00-\$4.95 area.
- South African wheat prices traded lower in the past week but our market outperformed the US markets in the past week. South African wheat prices are following the rand with the rand trading around R14.95/\$ currently.
- On the technical chart for December Safex wheat we see that the market has remained in a R4500-R4550 range in the past week. The shorter moving averages and indicators have started to pull lower with the RSI recovering from the overbought territory.

See the technical graphs below:

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





"Together we make a difference"