

INTERNATIONAL MARKET

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

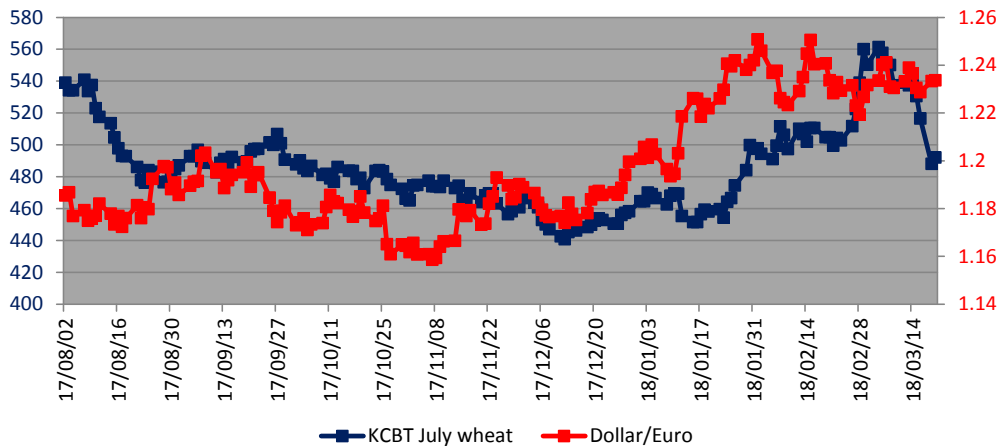
	Currently	13/03/2018	Weekly change (c/bu)	Monthly change (c/bu)
CME Jul-18	472 ¼	504	-32 ¼	-6
KCBT Jul-18	492	537 ¼	-45 ¼	-12 ¾

- US wheat prices did come under some pressure in the past week with KCBT wheat prices leading the way lower. On a monthly basis US wheat prices are also trading lower with July CME and KCBT wheat giving up 1.25% and 2.52% in the past week respectively.
- On the technical chart for July KCBT wheat we see that the market did get some resistance around \$5.60/bushel and prices traded sharply lower after that. The market has since broke below some of the key averages including the 9-day and 40-day with prices finding some support around \$4.83/bushel currently. The 100-day average is also seen as support currently around \$4.82/bushel.
- US wheat prices did come under some pressure with KCBT wheat clearly leading the way lower. KCBT wheat prices did come under pressure after some moisture relief was seen in the US winter wheat areas in the past week. The forecast also expects some more moisture in Kansas in the week ahead.

US wheat market

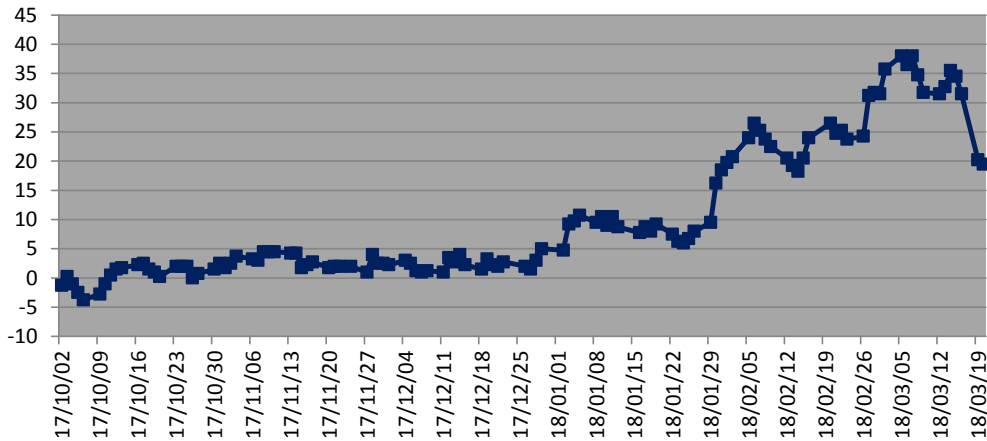
- US wheat prices slumped lower in the past week with KCBT wheat prices coming under pressure on the improved weather conditions seen in the US Plains. The dollar is also slightly stronger week/week with the dollar gaining 0.42% in the past week.

Figure 1: KCBT July wheat and dollar/euro



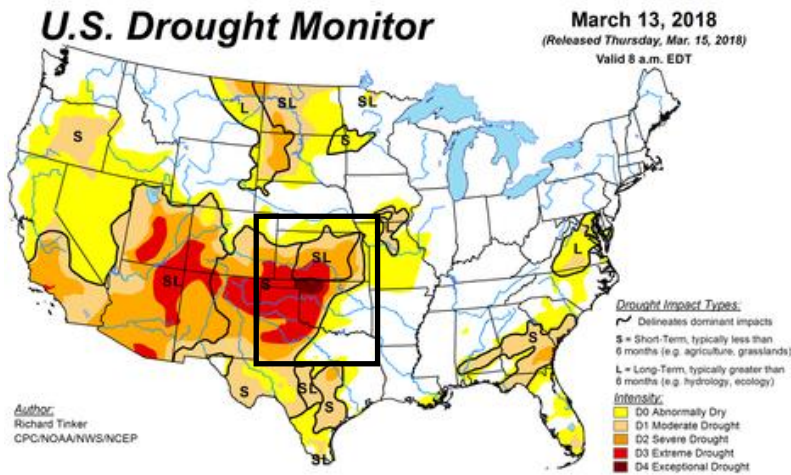
- US Kansas winter wheat prices gave up significantly more ground than CME wheat prices in the past week resulting in the CME/KCBT wheat spread narrowing sharply.
- The CME/KCBT wheat spread for July is currently trading around \$0.19/bushel which is down from the \$0.35/bushel seen less than a week ago.

Figure 2: July CME/KCBT wheat spread



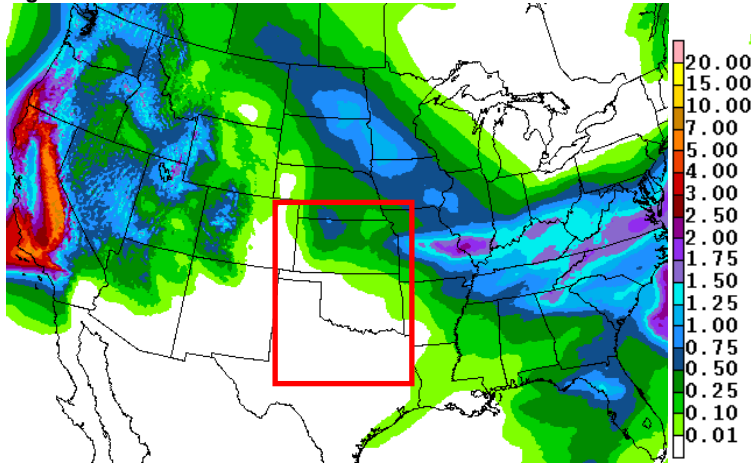
US winter wheat crop conditions

- The USDA in their weekly crop indicated that 11% of the Kansas winter wheat crop could be rated as good/excellent which is down from the 12% seen a week earlier.
- In Oklahoma 5% of their winter wheat crop could be rated as good/excellent which is down from the 7% reported last week.
- Finally in Texas the USDA indicated that 10% of their winter wheat crop could be rated as good/excellent which is down from the 13% report last week.
- The weather map below presents the US Drought monitor released last week. From the weather map below we see that the drought conditions in the US winter wheat areas have expanded in the past week.



- The weather map below presents the cumulative rainfall forecast for the week ahead. From the weather map below we see that some moisture is possible in the northern winter wheat areas of the US including Kansas.

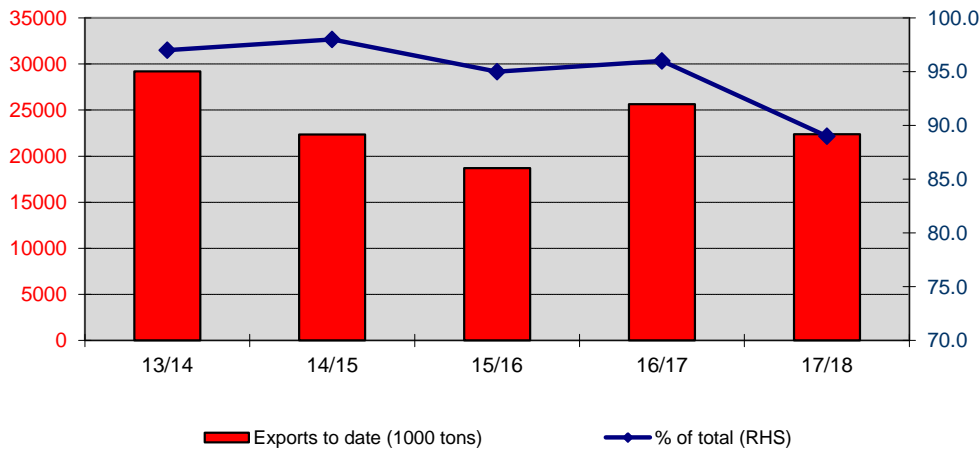
Figure 4: Cumulative rainfall forecast week ahead



US wheat export market

- US wheat export market continues to face strong competition especially with wheat out of Europe and the Black Sea region. Egypt in their last few tenders decided to buy Russian and Romanian wheat.
- The graph below presents the US wheat committed for exports this time of the year in the past few seasons.
- The US wheat committed for exports in the 2017/18 season represents 89% of the USDA wheat export estimate which is well below the 5-year average seen at 96% for this time of the year.
- This could result in a lower wheat export estimate for the US going forward.

Figure 5: US wheat export commitments to date and % of total (000 tons)

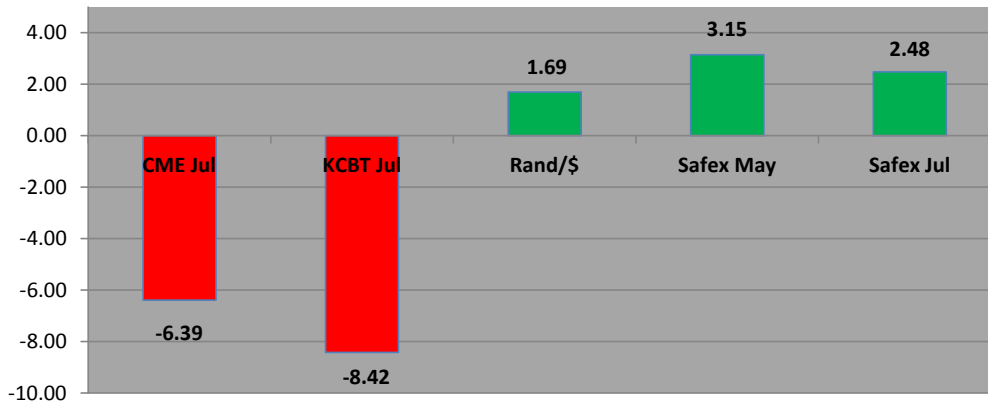


LOCAL WHEAT MARKET

- South African wheat prices posted some good gains in the past week with May and July Safex wheat ending 3.15% and 2.48% higher in the past week. South African wheat prices posted some gains despite the fact that the US wheat prices slumped lower in the past week.
- South African wheat prices were supported by the weaker rand with the rand currently trading around R12.00/\$ compared to the R11.80/\$ seen a week ago.
- Keep in mind that the sharply lower US KCBT wheat prices could once again increase the level of import tariff protection for the local market. The current tariff is seen at R716/ton but has triggered at R394/ton but is yet to be published. However a new level

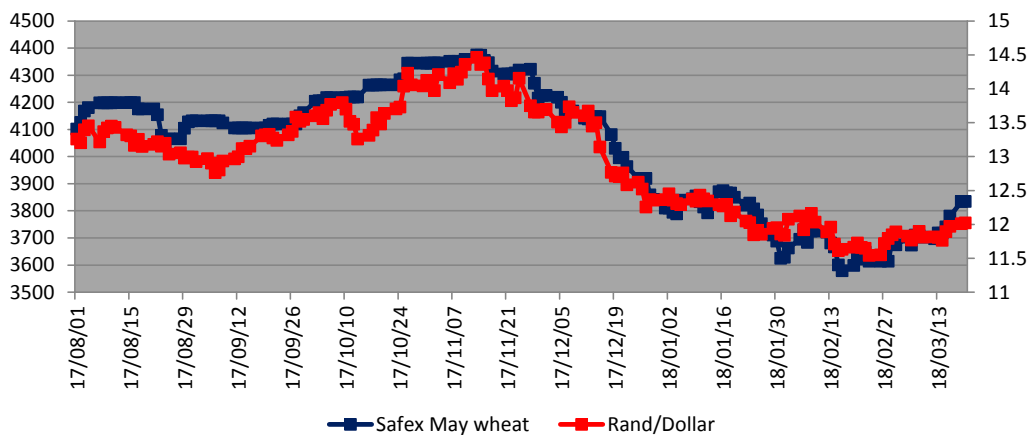
of protection has also triggered for 2 of the 3 consecutive weeks which could lower the tariff protection even further.

Figure 6: Safex wheat, rand and US wheat prices



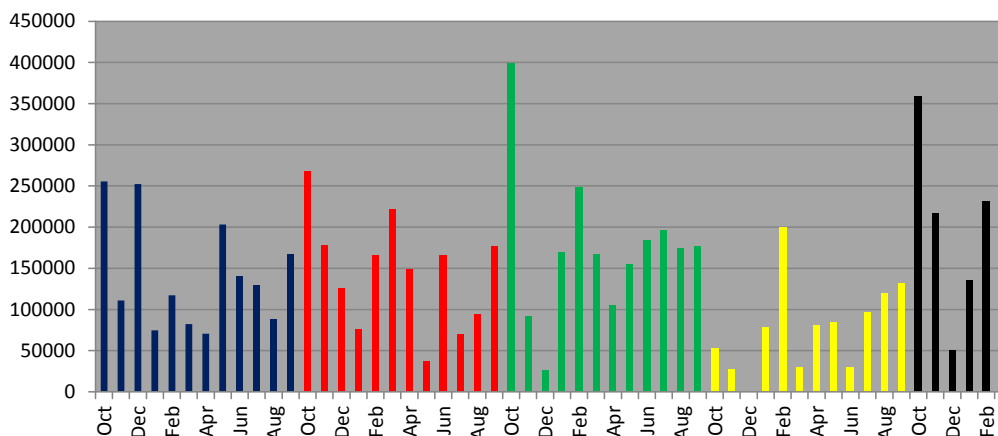
- The rand did come under some pressure in the past week with the rand trading as high as R12.10/\$ late in the session yesterday but the rand is back at around R12.01/\$ this morning. The rand is still 1.80% weaker week/week which supported Safex wheat prices.

Figure 7: Safex May-18 wheat and rand/dollar



- The weekly South African wheat imports for the week ending the 16th of March indicated that 30 635 tons of wheat was imported in the past week. The wheat that was imported originated from Latvia.
- This brings the cumulative wheat imports for the season to date at 1.170 million tons.

Figure 8: South African monthly wheat imports (Tons)



- The table below presents the share of the South African wheat imports from the various origins in the 2017/18 season to date as well as in the past few seasons. We have seen a lot of imports from Latvia, Argentina and Romania recently.
- From the table below we see that 25% of the South African wheat imports in the 2017/18 season originated from Russia while around 14% was imported from Lithuania and around 12% from Latvia recently.
- Wheat out of Argentina, Germany and the Ukraine also account for more than 10% of the South African wheat imports seen in the season to date.

Table 2: South African wheat imports from various countries (%)

	13/14	14/15	15/16	16/17	17/18
US	3.6	1.6	9.0	3.7	6.3
Australian	3.1	5.5	1.9	2.5	-
Argentine	-	3.3	2.4	4.3	11.9
German	10.8	19.9	13.7	28.4	11.6
Ukraine	22.5	15.3	5.3	-	10.6
Canadian	6.8	6.0	5.0	3.3	-
Brazilian	-	-	-	-	-
Poland	-	5.1	9.0	9.2	-
Lithuania	2.4	2.5	7.3	-	13.9
Uruguay	-	-	-	-	-
Russia	48.0	37.4	46.5	22.1	25.0
Romanian	-	-	-	9.2	8.6
Finland	1.5	-	-	-	-
Latvia	1.3	3.4	-	-	12.1
Czech Rep	-	-	-	17.3	-
Total (%)	100.0	100.0	100.0	100.0	100.0

FOCUS FOR THE WEEK

- US wheat prices traded sharply lower in the past week with KCBT wheat prices leading the way lower. Some moisture was seen in the US winter wheat areas which pressured the market.
- On the technical chart July KCBT wheat sold off sharply with the market breaking below some of the key averages including the 40-day average in the session yesterday. Key support is seen around \$4.82-\$4.80/bushel.
- South African wheat prices traded higher in the past week with the weaker rand supporting our market. The rand weakened to around R12.00/\$ once again which supported local wheat prices.
- Keep in mind that the sharply lower US wheat prices seen recently could result in a higher level of import tariff protection for the local market.
- On the technical chart for May-18 Safex wheat we see that the market posted some good gains breaking above the 9-day and 40-day averages and trading to its highest

level in 2-months. The market is rather overbought which could result in some long liquidation.

See the technical graphs below:

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



