

INTERNATIONAL MARKET

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

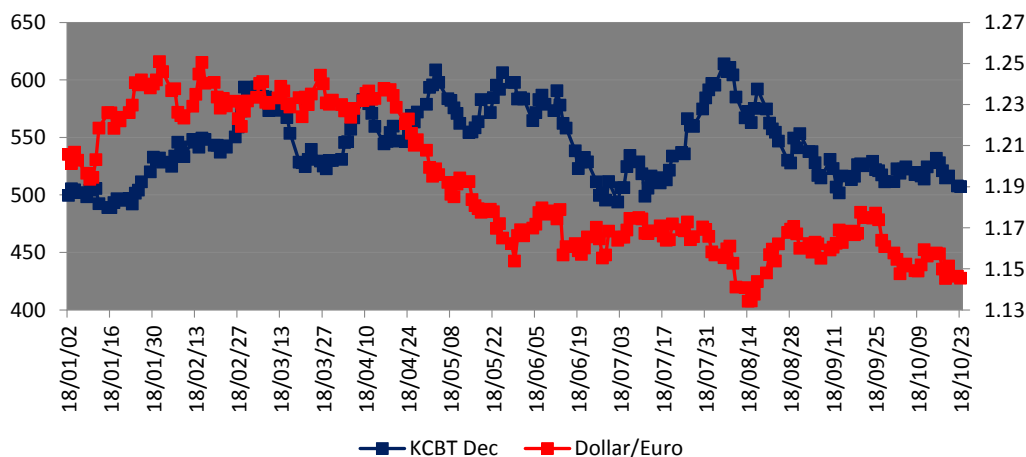
	Currently	17/10/2018	Weekly change (c/bu)	Monthly change (c/bu)
CME Dec-18	507	517 ½	-10 ½	-20
KCBT Dec-18	506	521	-15	-23

- US wheat prices traded lower in the past week with December KCBT wheat prices leading the way lower. On a monthly basis US wheat prices are also under pressure with December CME and KCBT wheat giving up 3.8% and 4.3% in the past month respectively.
- On the technical chart for December KCBT wheat we see that the market has been under some pressure in the past few sessions breaking below the 9-day and 40-day averages with the market finding some support just above \$5.00/bushel in the session yesterday. The moving averages and indicators remain under some pressure and the market is rather oversold currently.
- The US wheat traded lower in the past week with the sluggish wheat exports out of the US limiting some of the buying interest in US futures. The dollar also posted some gains in the past week which also weighed on prices making US wheat even more expensive in the global market.

US wheat market

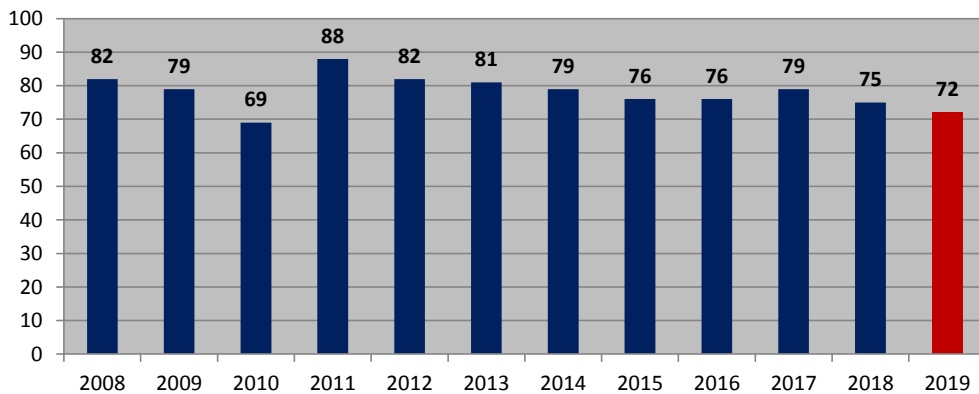
- US wheat prices traded lower in the past week with the stronger dollar adding some pressure. December KCBT ended 3.9% lower in the past week with the dollar gaining 1.1% against the euro in the past week. The stronger dollar is making US wheat even less competitive in the global export market.

Figure 1: December KCBT wheat and dollar/euro



- The USDA in their weekly crop progress report indicated that 72% of the US winter wheat crop has been planted which is up from the 65% reported last week. The current winter wheat planting progress is slightly behind the 5-year average seen at 77% for this time of the year.
- The USDA in their report also indicated that 53% of the US winter wheat crop has emerged which is up from the 44% reported last week.

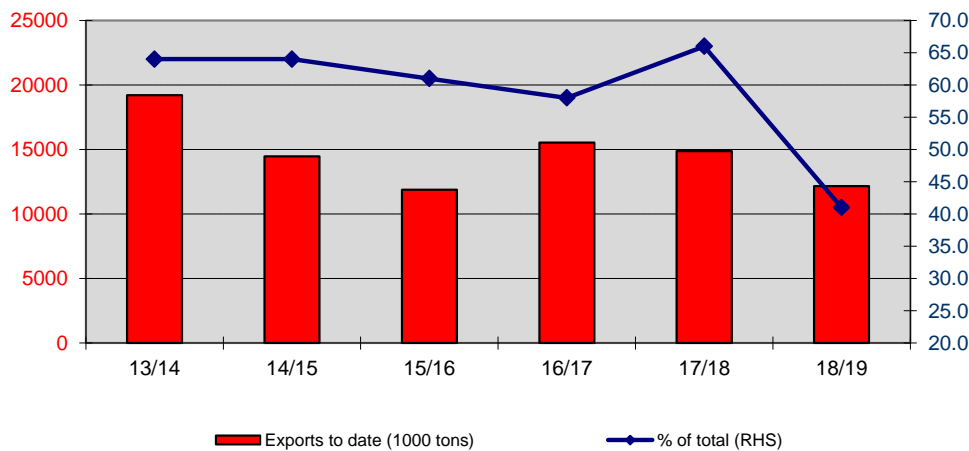
Figure 2: US winter wheat planting progress (% complete)



US export progress

- The graph below presents the US wheat export progress seen in the season to date. We see that the cumulative wheat committed for exports in the 2018/19 season is below the commitments seen this time of the year in the past 2 seasons.
- From the data in the graph below we see that the 2018/19 US wheat committed for exports represents 44% of the USDA wheat export estimate which is well below the 5-year average seen at 62% this time of the year. This could eventually result in the USDA lowering their US wheat export estimate.

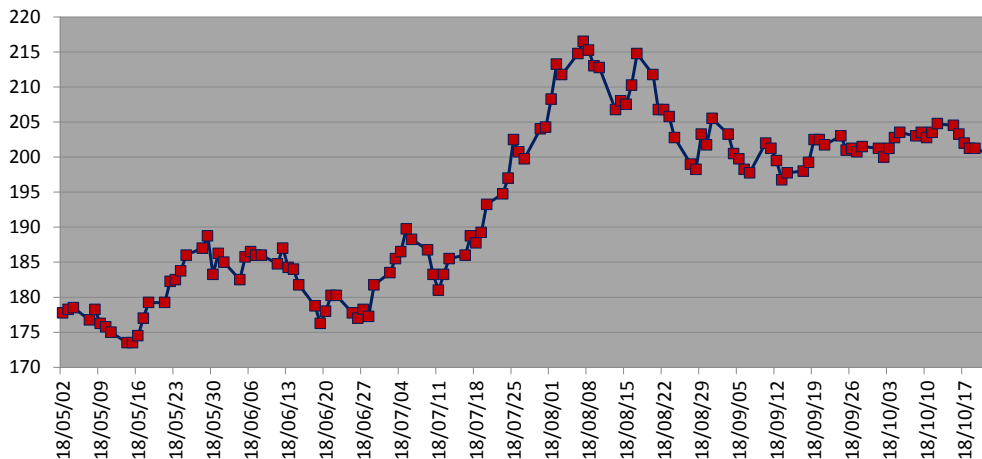
Figure 3: US wheat export commitments to date and % of total (000 tons)



European wheat prices

- From the graph below we see that European milling wheat prices also traded lower in the past week with wheat prices seen around €200/ton which is at the lower end of the €200-€205 range seen in the past 2-months.

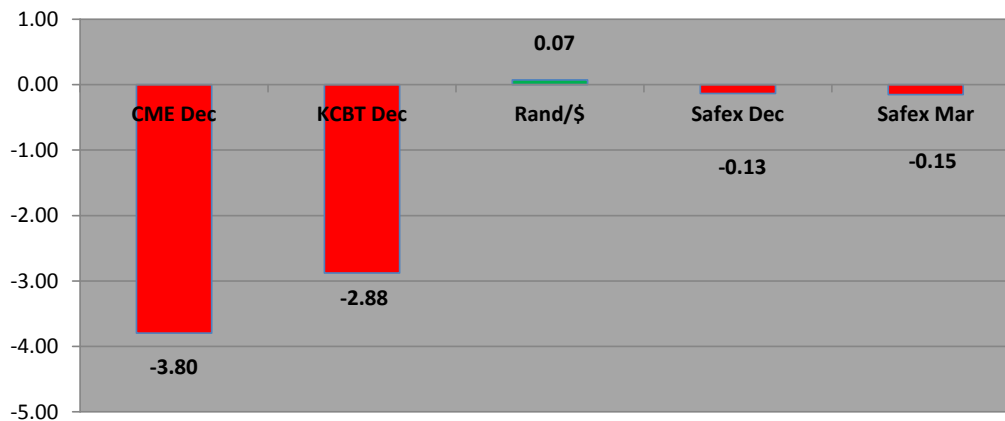
Figure 4: European milling wheat prices (euro/ton)



Local wheat market

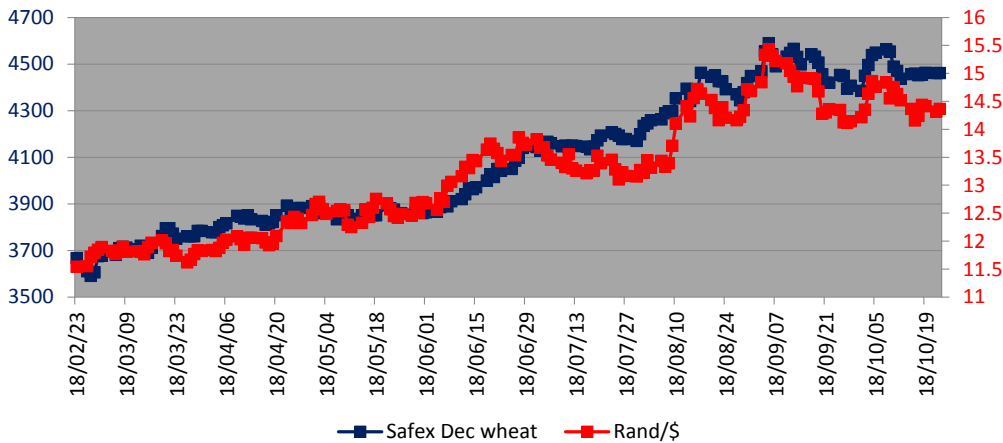
- South African wheat prices ended unchanged to slightly lower in the past week despite the sharply lower US wheat prices with December CME and KCBT wheat giving up 3% in the past week.
- The rand is trading around R14.24/\$ this morning which is mostly unchanged week on week but the rand did trade as high as R14.40-R14.45 in the past week but the rand has since gained some ground ahead of the South African medium term budget statement later today.
- The new South African wheat import tariff of R490.72 that was triggered on the 11th of September was published and came into effect on the 19th of October.

Figure 5: Safex wheat, rand and US wheat prices



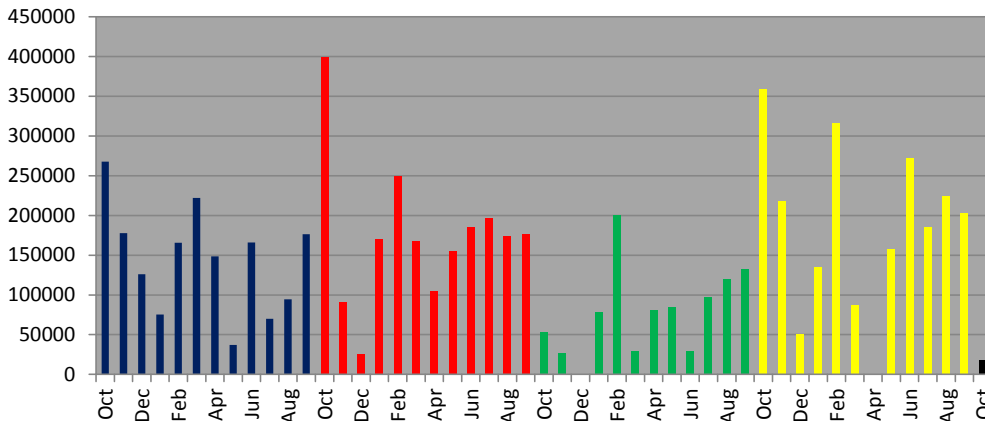
- South African wheat prices are slightly lower in the past week with December wheat giving up 0.15% in the past week. The rand is mostly flat week/week but the rand traded as high as R14.48/\$ earlier this week but has since gained back some ground and is trading around R14.24/\$ this morning.
- The harvesting of South African wheat is probably bringing some additional selling to the local wheat market which is also limiting some of the gains.

Figure 6: Safex Dec wheat and Rand/\$



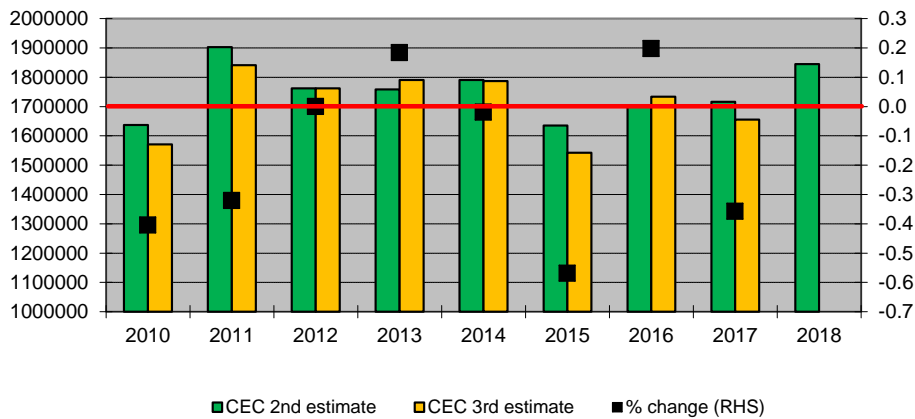
- The weekly South African wheat imports for the week ending the 12th of October indicated that 12 557 tons of wheat was imported in the past week. The wheat that was imported in the past week originated from Canada. This brings the cumulative wheat imports for the season to date at 17 133 tons.

Figure 7: South African monthly wheat imports (Tons)



- The CEC will release their 3rd South African wheat crop estimate in their report on Thursday. The graph below presents the 2nd and 3rd CEC crop estimates and the % change between the 2 estimates in the past few seasons.
- From the data in the graph below we see that the 3rd wheat crop estimate was left mostly unchanged twice in the past 8-years and the 3rd crop estimate was lowered in 4 of the past 8 seasons.

Figure 8: CEC 2nd and 3rd wheat production estimate and % change



FOCUS FOR THE WEEK

- US wheat prices traded lower in the past week with the slow export progress of wheat out of the US and the strength of the dollar seen in the past few trading sessions limiting the buying interest.
- On the technical chart for December KCBT we see that the market is under pressure breaking below the key averages including the 9-day and 40-day averages and key support is seen in the \$5.00-\$4.90 area.
- South African wheat prices ended slightly lower in the past week with the rand mostly flat week/week although we did see some rand strength in the session yesterday.
- On the technical chart for December Safex wheat we see that the market did get some resistance around the 40-day average and prices pulled lower after that. The shorter moving averages and indicators remain under some pressure.
- Key data for the local wheat market will be the Sagis monthly data and the CEC 3rd wheat crop estimate both due on Thursday.

See the technical graphs below:

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



"Together we make a difference"

