

**INTERNATIONAL MARKET**

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

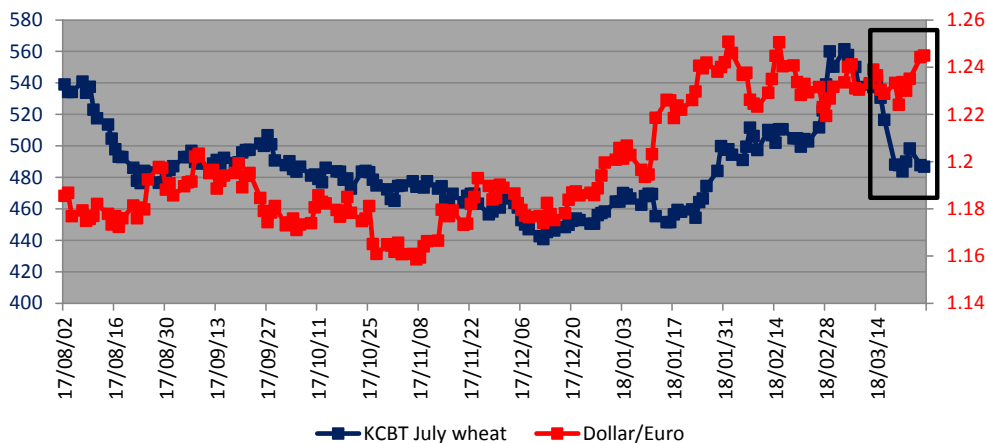
	Currently	20/03/2018	Weekly change (c/bu)	Monthly change (c/bu)
<b>CME Jul-18</b>	<b>470 ¼</b>	<b>468 ¾</b>	<b>1 ½</b>	<b>-21</b>
<b>KCBT Jul-18</b>	<b>486 ¼</b>	<b>487 ¾</b>	<b>-1 ½</b>	<b>-36 ¼</b>

- US wheat prices ended mostly flat in the past week with KCBT wheat prices slightly lower while CME wheat posted some gains. On a monthly basis US wheat prices are still trading sharply lower with July CME and KCBT wheat ending 4.3% and 6.9% lower in the past month respectively.
- On the technical chart for July KCBT wheat we see that the market sold off sharply recently with the market finding some support around the 100-day average and the market is currently trading just above \$4.80/bushel. Some of the short term averages and indicators remain under pressure but the market is rather oversold. Key support is seen at \$4.82 (100-day).
- US wheat prices has been under pressure in the past few sessions with the improved weather conditions in the US winter wheat areas and the improved crop conditions weighing on the market.
- The US and world wheat stocks and the fact that US wheat is battling to compete with wheat out of Europe and the FSU region in the export markets is also limiting some of the gains in the market. US wheat also failed to get any significant support from the weaker dollar in the past week.

**US wheat market**

- US wheat did come under some pressure in the past few sessions with KCBT wheat prices leading the way lower. US wheat prices did come under pressure despite the fact that the dollar weakened in the past few trading sessions.
- From the graph below we see that the dollar broke above 1.2400 to the euro in the past week and the correlation between the 2 has broken slightly in the past few trading session.

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



**US winter wheat crop conditions**

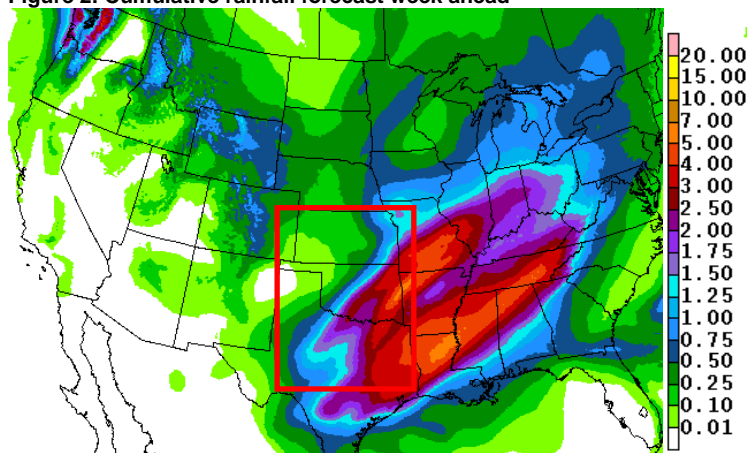
- The USDA in their weekly State by State crop conditions report indicated that 13% of the Kansas winter wheat crop could be rated as good/excellent which is 2% higher than the 11% report last week.

- In Oklahoma the USDA indicated that 9% of their winter wheat crop could be rated as good/excellent which is up from the 5% reported in this category the same time last year.
- Finally in Texas the USDA indicated that 12% of their winter wheat crop could be rated as good/excellent which is up from the 10% reported in this category the same time last week.
- The recovery in the US winter wheat crop conditions is putting some pressure on winter wheat prices.

### **US weather forecast**

- The weather forecast for the week ahead expects some widespread precipitation in some of the key winter wheat areas in the week ahead. The heaviest rainfall amounts are expected in large parts of Oklahoma and Texas with showers also expected in the eastern parts of Kansas.

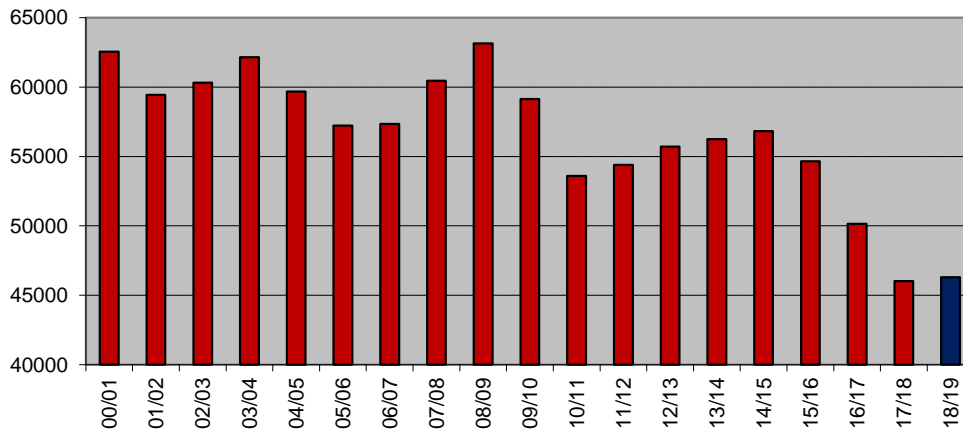
**Figure 2: Cumulative rainfall forecast week ahead**



### **US quarterly acreage and stocks report**

- The USDA will release their quarterly acreage and stocks report on Thursday 29<sup>th</sup> of March. The average market expectation of the March 1<sup>st</sup> US all wheat stocks is seen at 1.498 billion bushels which is down from the 1.659 billion bushels seen the same time last year.
- The average market expectation of the US all wheat area planted is seen at 46.297 million acres which is slightly higher than the 2017 US all wheat area planted seen at 46.012 million acres.
- From the graph we see that the 2018 US all wheat area planted is slightly higher year/year (0.62%) but is still historically very low. The drastic cut in US wheat acres (the past 2 seasons) will help to correct the oversupplied wheat market in the US.

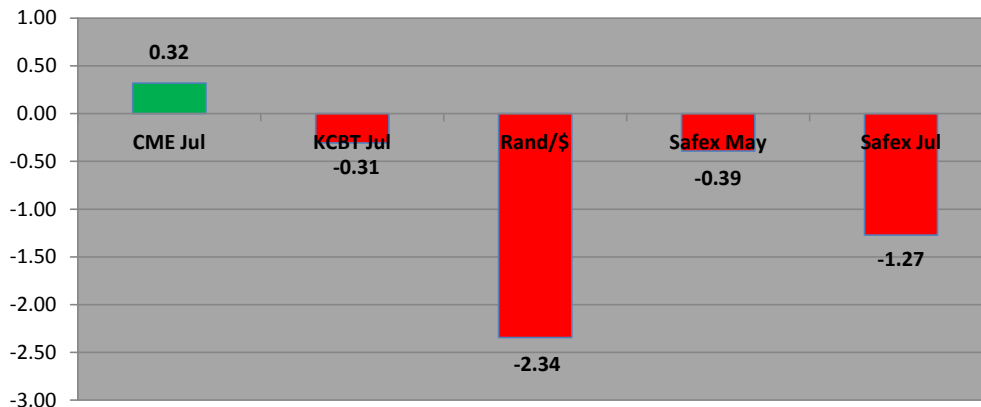
Figure 3: US all wheat area planted (000 acres)



### LOCAL WHEAT MARKET

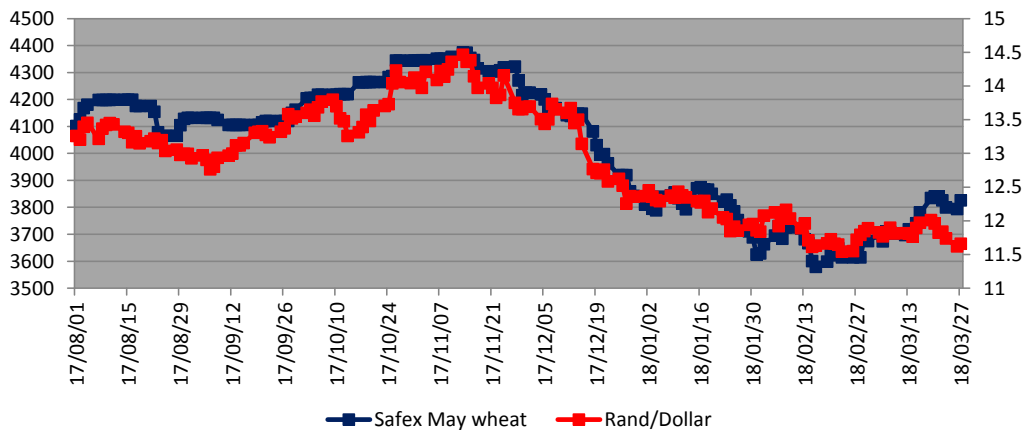
- South African wheat prices did come under pressure in the past week with May and July Safex wheat ending 0.39% and 1.27% lower in the past week respectively. South African wheat prices were pressured by the lower KCBT wheat prices seen recently and the stronger rand.
- The rand gained 2.34% in the past week with the rand trading around R11.67/\$ currently compared to the R11.95/\$ seen a week ago. The rand was supported by the weaker dollar as well as the decision by Moody's to keep the South African credit rating unchanged.
- The South African import tariff did trigger for the 3<sup>rd</sup> consecutive week with the newly calculated tariff seen at R293.74/ton. However the previous tariff of R394.85/ton is yet to be published and the recent slump in KCBT wheat prices could once again support higher tariff going forward.

Figure 4: Safex wheat, rand and US wheat prices



- The rand posted some strong gains in the past few trading sessions with the rand gaining 2.5% in the past week and is currently trading around R11.65/\$. The rand did get some support from the weaker dollar seen in the past few trading sessions and the decision by ratings agency Moody's on Friday to leave the South African credit rating unchanged.

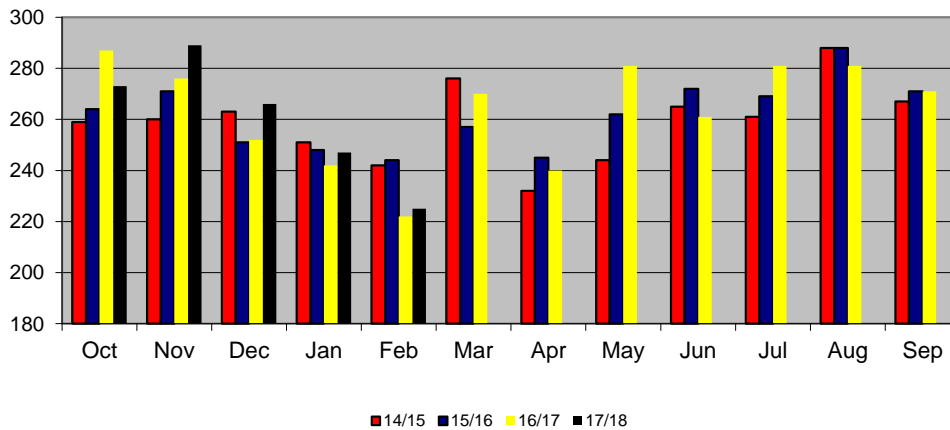
**Figure 5: Safex May-18 wheat and rand/dollar**



**Sagis monthly data**

- The Sagis monthly data was released earlier today. On the supply side of the South African wheat market we see that 39 262 tons of wheat was delivered in the month of February and we did see imports of 323 977 tons in February 2018.
- On the demand side of the South African wheat market we see that the wheat processed for the local market in February 2018 was reported at 224 504 tons which is down from the 246 782 tons seen in the previous month. The cumulative wheat processed for the local market in the season to date is seen at 1.294 million tons which is 1.2% higher than the 1.279 million tons seen the same time last year.
- The wheat processed for the local market in February 2018 is the lowest monthly total seen in the season to date. The wheat processed for the local market usually reaches a low between February and April before recovering into the end of the marketing season.

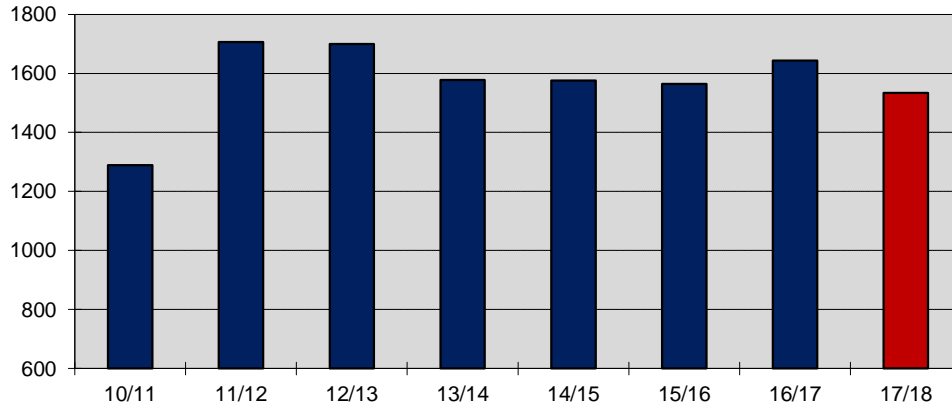
**Figure 6: Monthly wheat processed for the local market (000 tons)**



- Still on the demand side we see that the total wheat exports (whole wheat and wheat products) in the month of February was reported at 8 089 tons which is down from the 9 389 tons seen in the previous month. The cumulative exports in the season to date is seen at 31 942 tons which is down from the 44 703 tons seen the same time last year.
- The South African wheat stocks at the end of February 2018 was reported at 1.534 million tons which is slightly lower than the 1.643 million tons of wheat in stock the same time last year.
- From the graph below we see that the 2017/18 South African wheat stocks at the end of February are the lowest stock levels this time of the year since the 2010/11 season.

- The average monthly wheat usage (excluding exports) seen in the 2017/18 season to date is seen at 261 000 tons/month and based on this the stocks at the end of February should be enough for 5.8 months of consumption which should take us through into August 2018.

**Figure 7: South African wheat stocks end of Feb the past few seasons (000 t)**



## FOCUS FOR THE WEEK

- US wheat prices ended mixed in the past week with KCBET wheat slightly lower. On a monthly basis US wheat prices are still sharply lower. The improved weather conditions in the US winter wheat areas weighed on the market.
- The weather forecast expects some more moisture in the key winter wheat areas which should be beneficial for their wheat crop. The improved weather could further boost crop conditions.
- The next key data release for the US market will be the USDA quarterly acreage and stocks report due on Thursday.
- South African wheat prices did come under some pressure in the past week with the stronger rand weighing on our market. The rand is currently trading around R11.67/\$ which is lowering the price of imported wheat.
- On the technical chart for May-18 Safex wheat we see that the market has been trading in a R3800-R3850 range recently with some of the shorter moving averages and indicators pulling higher.

### See the technical graphs below:

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



*"Together we make a difference"*

