

INTERNATIONAL MARKET

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

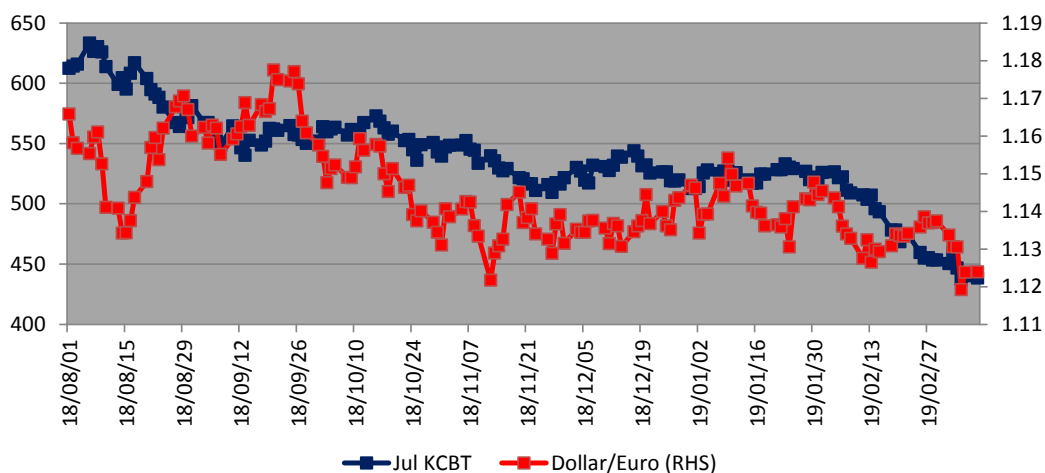
	Currently	05/03/2019	Weekly change (c/bu)	Monthly change (c/bu)
CME Jul-19	438	468	-30	-84
KCBT Jul-19	430 ½	459 ¼	-28 ¾	-73 ¼

- US wheat prices traded lower in the past week with both CME and KCBT July wheat coming under some pressure. On a monthly basis US wheat contracts are sharply lower with July CME and KCBT wheat giving up 16.1% and 14.5% in the past month respectively.
- On the technical chart for July KCBT wheat we see that the market has been under pressure in the past week setting new lows once again trading as low as \$4.28/bushel. The moving averages and indicators remain under some pressure and the market is oversold. There could be some divergence between the RSI and prices but at this stage there is nothing to suggest higher prices based on the charts.
- US and world wheat prices remain under with the ample US and world wheat supplies weighing on prices. US wheat is battling to compete in the global export market and this has forced the USDA to lower their wheat export estimate weighing on the market.

US wheat market

- The graph below presents the US July KCBT wheat prices and the dollar/euro seen in the past few months. From the graph below we see that US wheat prices has bene under pressure giving up 4.6% in the past week with the dollar posting some gains. The dollar is 0.47% stronger week/week. The US export progress is slow with the stronger dollar making US wheat less competitive in the export market.

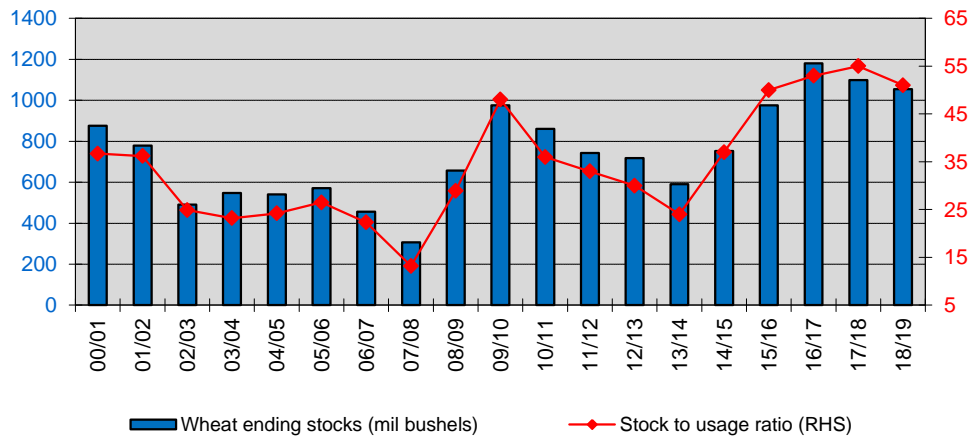
Figure 1: KCBT Jul wheat and dollar/euro



USDA report

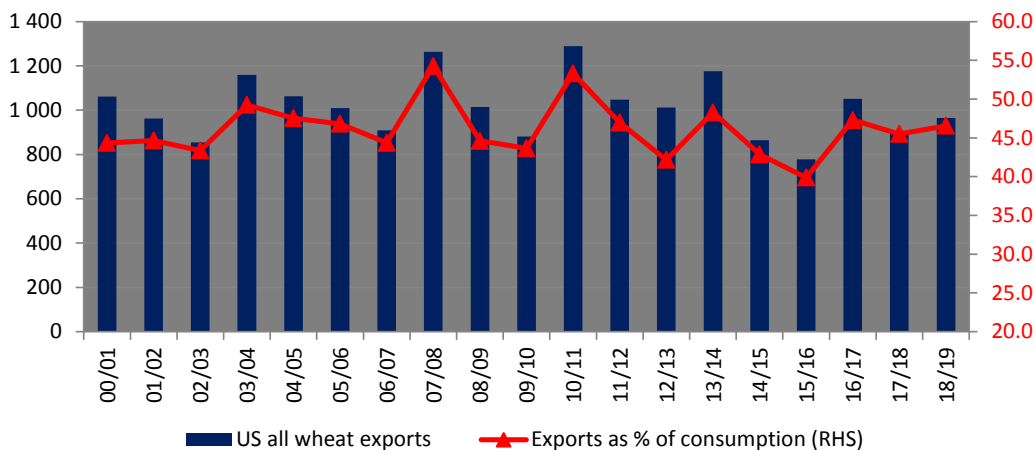
- The USDA released their March supply and demand estimates last week. The 2018/19 US wheat ending stocks was reported at 1.055 billion bushels which was higher than the market expectation seen at 1.020 billion bushels and higher than the February estimate seen at 1.010 billion bushels.

Figure 2: US wheat ending stocks and stocks to usage ratio



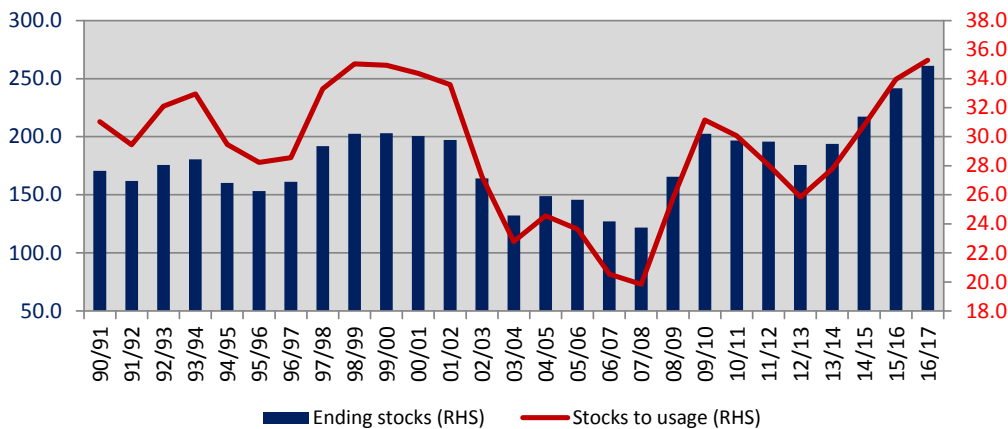
- Changes to the US wheat balance sheet included a slightly lower food usage of wheat (-5 million bushels) and the USDA did lower their US wheat export estimate by 35 million bushels to 965 million bushels. The slow export progress seen to date forced to USDA to lower their export estimate.

Figure 3: US all wheat exports and exports as % of consumption



- The USDA in their report estimated the 2018/19 world wheat crop at 733 million tons which is down from the 734.75 million tons seen in the previous month. Changes to the world wheat crop included a smaller crop estimate for Kazakhstan (-1 million tons). The 2018/19 world wheat ending stocks was reported at 270.53 million tons which is down from the previous estimate seen at 267.53 million tons.

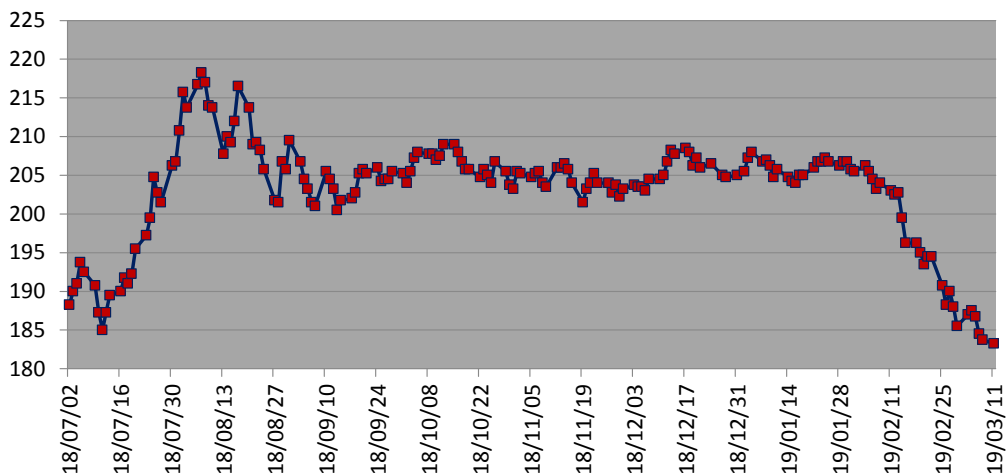
Figure 4: World wheat ending stocks and stock to usage ratio



European wheat prices

- The graph below presents the European wheat prices seen in the past few months. From the graph below we see that European milling wheat has been under pressure in the past 6-weeks with May-19 wheat prices currently trading around €183/ton which is 2% lower week/week. EU wheat prices also broke below the early July lows seen at €185/ton.

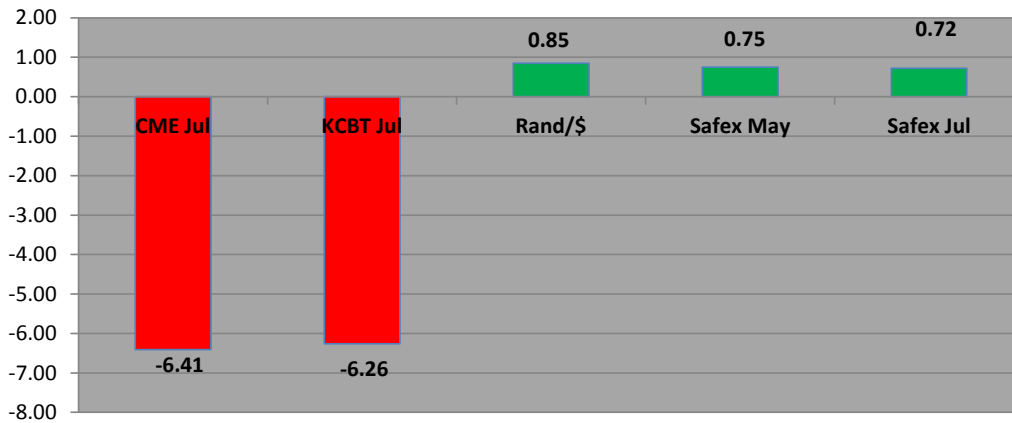
Figure 5: May-19 European milling wheat prices (Euro/t)



Local wheat market

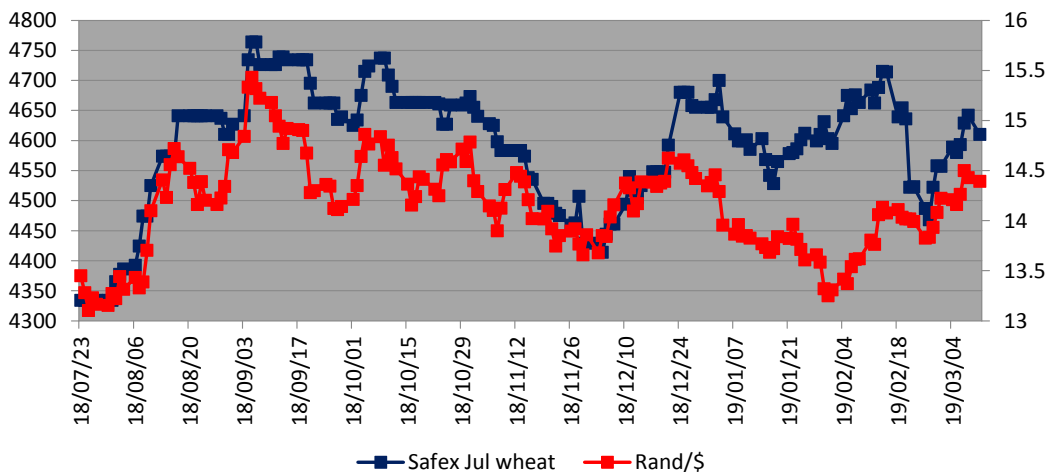
- South African wheat prices ended higher in the past week with Safex May and July wheat gaining 0.75% and 0.72% in the past week respectively our market was supported by a weaker rand.
- The rand is currently trading around R14.28/\$ which is off the recent highs but still 0.85% weaker week/week.
- South African wheat prices by far outperformed the US markets with July CME and KCBT wheat giving up 6.41% and 6.26% in the past week.
- South African wheat prices were supported on expectations for higher level of tariff protection for the local market. The selloff in US KCBT wheat prices will most like result in higher wheat import tariffs in the local market.

Figure 6: Safex wheat, rand and US wheat prices



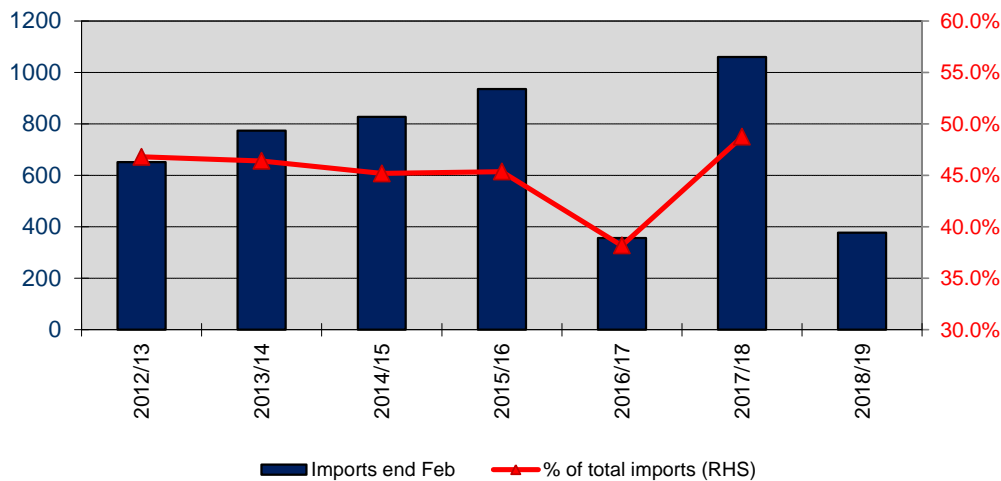
- South African wheat prices managed some gains in the past week with July wheat futures ending 0.72% higher in the past week with the weaker rand adding some support. The rand is currently trading around R14.30/\$ which is roughly 1 weaker week/week.

Figure 7: Safex July wheat and Rand/\$



- The weekly South African wheat imports for the week ending the 1st of March indicated that 33 772 tons of wheat was imported in the past week. The wheat that was imported originated from Germany once again. This brings the cumulative wheat imports for the season to date at 376 789 tons.
- The graph below presents the cumulative wheat imports seen at the end of February in the past few seasons as well as the % of total wheat imported by the end of February in the past few seasons. From the data in the graph below we see that on average the wheat imports at the end of February represents 45% of the total marketing year imports.

Figure 8: Cumulative wheat imports end Feb (1000 tons) and % of total



- We did see an increase in wheat imports out of Germany in the past few weeks which is due to the window for tariff free imports that opened in February. Wheat imports out of Germany totaled 124 937 tons in the past 4-weeks.
- The table below presents the share of the South African wheat imports seen in the current season as well as in the past few seasons. From the graph below we see that almost 35% of the South African wheat imports in the current season originated from Germany.

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

	14/15	15/16	16/17	17/18	18/19
US	1.6	9.0	3.7	4.0	2.1
Australian	5.5	1.9	2.5	-	-
Argentine	3.3	2.4	4.3	6.1	9.4
German	19.9	13.7	28.4	13.0	34.7
Ukraine	15.3	5.3	-	6.2	6.0
Canadian	6.0	5.0	3.3	4.2	9.3
Brazilian	-	-	-	-	-
Poland	5.1	9.0	9.2	0.8	-
Lithuania	2.5	7.3	-	8.4	-
Uruguay	-	-	-	-	-
Russia	37.4	46.5	22.1	44.0	22.1
Romanian	-	-	9.2	4.8	-
Finland	-	-	-	-	-
Latvia	3.4	-	-	6.4	10.4
Czech Rep	-	-	17.3	2.1	6
Total (%)	100.0	100.0	100.0	100.0	100.0

FOCUS FOR THE WEEK

- US wheat prices traded lower in the past week with both CME and KCBT wheat trading to new contract lows. The ample US and world wheat stocks and the inability for US wheat to compete in the global market is weighing on prices.
- On the chart for July KCBT wheat we see that the market traded lower in the past week setting new contract lows of \$4.28/bushel. The moving averages and indicators remain under some pressure.
- South African wheat prices posted some gains in the past week with the weaker rand adding some support. The rand traded as high as R14.58/\$ late last week but has since gained back some ground. The new lows seen in US KCBT wheat prices will most likely result in higher South African wheat import tariffs which is also supporting our market.
- On the technical chart for July Safex wheat we see that the market traded higher in the past week with the market finding some resistance around R4650 and prices has pulled



lower after that. Support is seen at the averages with the 40-day seen at R4604 and the 100-day at R4585.

See the technical graphs below:

- Safex July-19 wheat prices
- KCBT July-19 wheat prices



"Together we make a difference"



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