SOFT COMMODITIES – Africa Weekly Report

Jacques Pienaar
Office: +27 11 782 7721
jacques@ciafrica.co.za
Website: www.ciafrica.co.za

Week 4, Aug 2016 (25 Augustus 2016)

Important facts for this week

Kenya. Kenyan maize prices higher this week. As reported before, the Tanzanian border was closed for maize exports some three weeks back to take stock and has not re-opened. When the borders were closed initially it was planned for only two weeks. We understand there is military presence on the Tanzania side of the border to curb informal exports. No indications yet if and when borders will be re-opened. Observers believe the price support experienced the last few weeks is mainly due to the closed Tanzanian border. Observers still confident that the borders will be re-opened in due course. With flows from Tanzania substantially lower and with imports from Uganda only expected from September, supply in Kenya is relatively tight. As reported before, the Uganda crop seems to be much smaller than previously expected and this could impede their export volumes. The new Kenya long rains crop should only begin harvesting from Oct/Nov so with the smaller Uganda crop and the Tanzania border closed at this stage, there is some short term supply concerns. Talk in the market that the long rains crop could be down 5-10% compared to previous expectations due to some disease and weather issues. However, given the better than average crop expectations so far this season, at least a normal crop is still expected by most observers.

Delivered mill spot maize price indication for decent quality in Nairobi around KSH2950/90kg bag (US$323/t) and Mombasa KSH3000/90kg bag (US$329/t). Eldoret and Nakuru at KSH2700/90kg bag (US$296/t).

New crop Narok wheat harvest well progressed and talk of a 300-350 000t crop. Annual consumption around 1.4-1.6mt (some observers feel it is as high as 1.8mt). Government recommended wheat price for the new crop has been set at KSH3000/90 kg bag (US$329/t) in Narok which probably equates to KSH3150/90kg bag (US$345/t) ex Nairobi. Millers likely to pay the recommended price to prevent higher import duties. Imports, mainly Black Sea origin, currently landing CIF Mombasa US$200-205/t (landed Nairobi including import duties around US$280-285/t).

Uganda. Maize prices marginally lower this week. Maize trading into Kampala at UGX800/kg (US$237/t). The harvest campaign well progressed. However, our contacts indicate available supply below expectations which is supporting the view of a much smaller than expected crop. Observers of the opinion that there is very little further price downside from current levels and that the price could move higher to UXG850/kg towards the end of September. Talk that the crop could be below

Table 1. Relevant Africa data

Price indications in US$/t*

	White maize		Wheat		Soybeans		Soy meal	
	Pr.	Wk.ch.	Pr.	Wk.ch.	Pr.	Wk.ch.		
SA (spot)	298	down	304	down	453	down		
Mexico (FCA Durban)	270	down						
Tanzania (DAR)	234	down						
Kenya (Nairobi)	323	up			550	unch		
Kenya (Mombasa)	329	up						
Malawi (Lilongwe)	295	up			520	unch	575	unch
Mozambique (Nampula)	269	down			490	unch		
Mozambique (Beira)	284	down						
Mozambique (Maputo)	330	down						
Zambia (Lusaka)	201	down	380	down	500	up	570	unch
Uganda (Kampala)	237	down			535	unch		
Zimbabwe (Harare)	360	unch	340	unch	580	down	630	up

Exchange rates (bid) 23 Aug 2016

	vers. US$	Wk.ch		vers. US$	Wk.ch
SA Rand	14.12	up	Mozambique Metical	70.50	up
Tanzania Shilling	2 183	unch	Zambian Kwacha	9.85	down
Kenyan Shilling	101.35	unch	Uganda Shilling	3 375	up
Malawi Kwatcha	730	unch	Ghana Cedi	3.970	up
Indian Rupee	67.07	up	Nigerian Naira	330.0	up

Central & east Africa fertelizer import parity indications (Bagged) (US$/t)

	Durban	DAR	Beira	Momb.	Lilongw.	Lusaka	Kampa.	Harare
Urea (Middle East, granular)	265	268	281	268	369	394	n/a	359
Urea (Russia, prilled)	259	262	275	262	363	388	n/a	353

Moving rate indications (US$/t)

Road	Harare	Lusaka	Maputo	Lilongw	Nairobi	Beira
JHB	120	n/a	70	n/a	n/a	n/a
Durban	145	n/a	n/a	n/a	n/a	n/a
Beira	85	115	n/a	100	n/a	n/a
Mombasa	n/a	n/a	n/a	n/a	30	n/a
Lilongwe	60	n/a	n/a	n/a	n/a	60
Lusaka	60	n/a	n/a	n/a	n/a	90

Imp par indications (ex mill)

From	To	Bulk (US$/t)	Wk.ch.
White maize (GMfree) unless otherwise indicated			
SA	Harare (road)	426	down
SA	Harare (rail)	401	down
SA (GM)	Maputo (rail)	330	down
SA (GM)	Beira (via Durban)	419	down
SA	Mombasa (excl imp tax)(via Durban)	435	down
SA (GM)	Mombasa (excl imp tax)(via Durban)	433	down
Tanzania	Mombasa (road)	279	down
Uganda	Nairobi (road)	267	down
Zambia	Harare (road)	340	unch
Zambia	Nairobi (excl. imp duties)(via Tanz)	n/a	
US	Mombasa (excl imp tax)		
US	Harare (via Beira)		
Wheat			
Black Sea	Beira	255	up
Black Sea	DAR (incl. 10% import duty)	259	up
Black Sea	Mombasa (incl. 10% import duty)	259	up
Black Sea	Kampala	329	up
Black Sea	Harare (via Beira)	332	up
Black Sea	Lilongwe	342	up
Black Sea	Lusaka (excl import duty)	372	up
SA (B2) (spot)	Harare	415	down
SA (B2) (spot)	Lusaka	435	down
Soybeans			
Zambia	Harare (road)	561	up
Malawi	Harare (road)	606	unch
Soy meal			
Zambia	Harare (road)	630	unch
India	Dar es Salaam		
India	Beira/Nacala		
India	Harare		
India	Kampala		

Note: *Commodity price indications based on recent trades, current bid/ask spreads, government/exchange indications and local trade indications.

that of last year and 20-30% below earlier expectations. We understand prices in northern Uganda around UGX850/kg (US$252/t) with continued demand from South Sudan and lower than expected yields continuing to underpin prices.

Tanzania. Maize prices in Tanzania marginally lower this week. Harvest process progressing well. Our contacts continue to indicate quality of maize not great but a sizable crop is on the cards. Formal maize exports to Kenya have been stopped by government for a two week period to take stock. Three weeks has passed since the close but no indication yet when borders will re-open. We further understand that the military is deployed at the border with Kenya to prevent/limit informal (illegal) exports. Observers of the opinion that given the large expected crop, government is likely to re-open borders soon. Maize price in Dar es Salaam around TSH510-530/kg (US$234-243/t). A bumper crop with a healthy exportable surplus is still expected. The export campaign should include destinations such as Kenya, Malawi and even northern Mozambique and the DRC.

The Indian pigeon pea market significantly weaker again this week. The reasons for price weakness remain the same. Good planting and early growing conditions for the new Indian crop to be harvested from November continues and government's efforts to indirectly control prices, through direct purchases from import origins, are paying off. As indicated before, East African growing conditions was favourable and average to above average crops are expected. Mtwara type pigeon peas (spot shipment) trading at around US$590/t CIF India and Arusha type at US$650/t. This allows for an ex Dar es Salaam price, when exporting to India, in the region of US$480/t (Mtwara type) and US$540/t (Arusha type).

Mozambique. Rebel activity (fighting) remains a concern and our contacts indicate it is still deteriorating with rebels getting active in more areas, especially in the Zambezia province. Negotiations not making progress.

Maize prices in Mozambique lower this week. Local prices sideways to marginally down and local currency weaker. Maize flows remain slow in the centre and south due to a much smaller than normal crop. Some price support for the central region due to demand from the south. Flows in the northern region slow but improving. Low demand from millers and talk of deep sea imports pressuring prices. Also, it seems the elections in Zambia with the same president re-elected calmed nerves that Zambia exports could be limited which added to price pressure. Informal exports from northwest Mozambique into Malawi continues. A substantial national maize deficit is anticipated. As said before, substantial wheat/rice substitution is likely this season which could limit upward price movement of maize. Maize price in Nampula (northern region) around MZM19-20/kg (US$269-284/t) and Beira/Chomoio (central region) at MZM20/kg (US$284/t). Maputo is supplied by South Africa (SA) and maize now landing at around US$330/t.

Soybean price sideways. As indicated before, very little tradable in-country supply available but demand also low. Chimoio/Nampula price around US$490-500/t. Continued reports that substantial volumes of beans are moving to Malawi from western Mozambique.

CIF India price indications for Mozambique origin white pigeon peas significantly lower at US$590/t which comes to an ex-warehouse Beira/Nacala price of around US$470/t.

Malawi. Maize prices marginally higher this week. The harvest well progressed and there is sufficient supply available which is a combination of local crop and informal Zambian imports. Current commercial price indications in Blantyre at MWK225/kg (US$308/t) and Lilongwe at MWK215/kg (US$295/t). We have heard that informal imports from Zambia trading at around MWK200/kg (US$274/t) at the border. The NFRA (government procurement arm) buying at MWK250/kg (US$342/t) in Lilongwe but it seems to be a stop/start process with infrequent buying. We understand the NFRA has purchased around 60 000t and ADMARC 50 000t. If a trader/miller pays relatively quick, commercial price levels are achievable. The commercial market expects a shortfall of between 600 000 and 1mt. Zambia and southern Tanzania the likely formal import origins.

Soybeans trading in Lilongwe at MWK380-390/kg (US$520-534/t) but very little stock are moving. Our contacts indicate crushers in Harare offering US$600-610/t which comes to an ex Lilongwe price, ready for export, in the region of US$530-540/t. Observers expect a crop around 70-80 000t, compared to last year's 90 000t, which should be sufficient for local demand but limit exports. However, imports from Mozambique probably the reason why Malawi exports are possible. Soy meal price in Lilongwe around US$575/t and we understand small volumes are being exported to Zimbabwe.

CIF India spot pigeon pea price for Malawi origin red variety significantly lower at around US$560/t (add US$30/t for the white variety) for spot shipments. This allows for an ex Blantyre price, when exporting to India, at US$405/t. The white variety should start harvesting from early September.

Zimbabwe. Doing business in Zimbabwe remains extremely tough given the liquidity crisis.

Zimbabwe white maize price sideways this week. Maize reaching Harare at around US$360-370/t. Our contacts indicate local supply is basically depleted. Small volumes of Zambia old crop imports continue to arrive. Also deep sea imports from Mexico supporting supply. The GMB (government procurement arm) continues to offer US$390/t delivered at their depots (we hear GMB payments are taking longer). Traders are buying in the local market and importing and delivering to the GMB. The GMB price should soon be the market price if they continue to buy. Zambian new crop imports still delayed due to the lack of export permits. Although Zambian prices are still well below export parity to Zimbabwe levels, we expect that when export permits are issued the Zambia price should adjust to export parity around US$280-300/t ex Lusaka. Local production expectations more or less in line with last year. A shortfall of 700 - 800 000t is expected (a substantial portion of the shortfall has already been imported). Zambia will probably be the main import origin from Sep/Oct when Zambia new crop exports should commence. However, the entire shortfall will probably not be imported as people will eat less and substitute.

Deep sea imports remain the main wheat supply. Imported wheat price in Harare around US$340-370/t depending on origin. The liquidity crisis is limiting imports and making the milling industry extremely challenging. New crop growing conditions favourable and talk of a 60-70 000t potential crop, to be harvested Sep/Oct, if all goes well. Annual demand around 250-300 000t. Market expects to pay around US$380-400/t delivered for the new crop. As indicated before, there is also a possibility that the GMB could get involved in the wheat market. Last year they paid US$490-500/t ex depot when import parity was significantly lower.

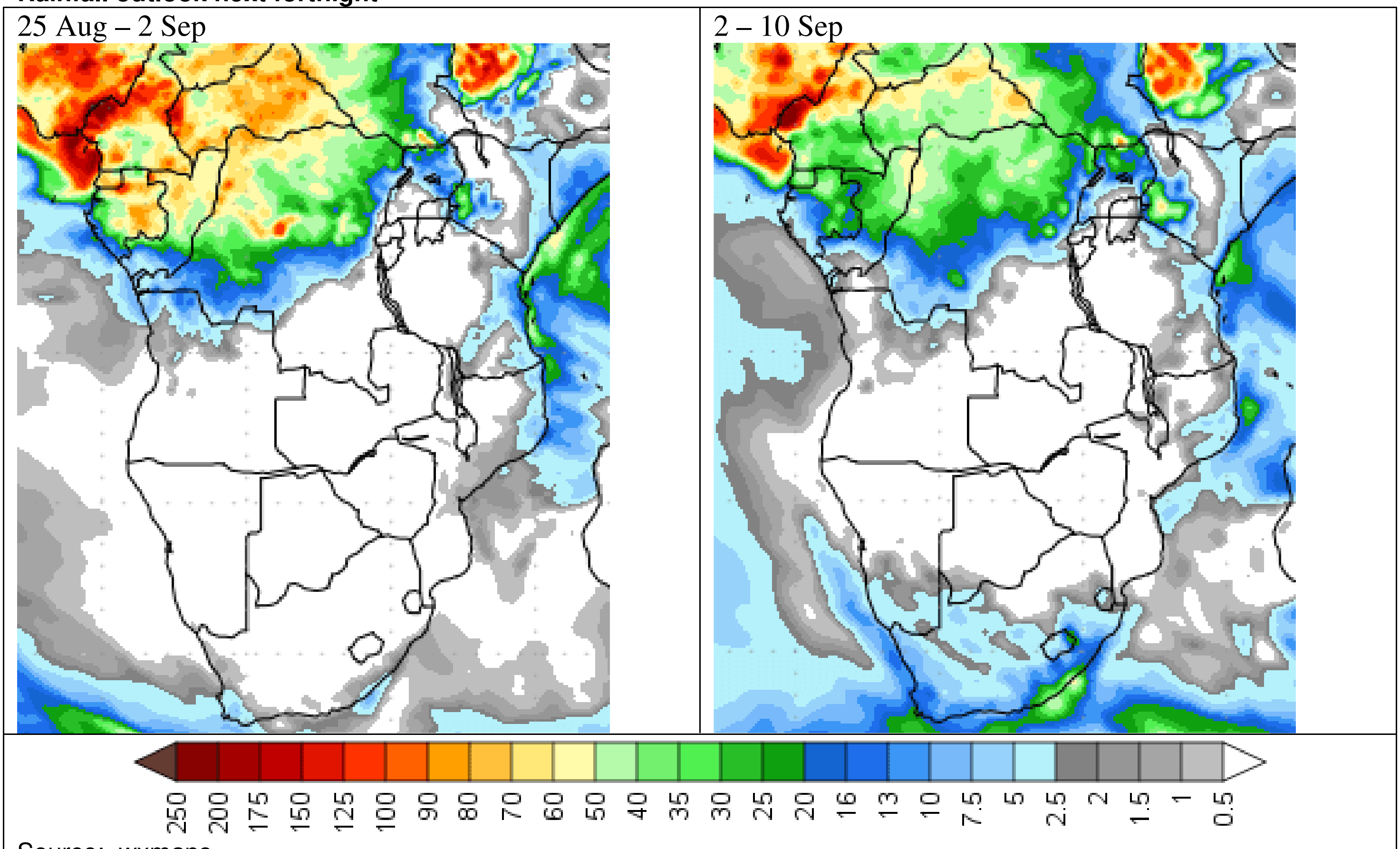
Soybean price in Harare around US$580-600/t (lower price local stock and higher price imports). Basically no local tradable supply available. We understand small bean volumes are being imported from Malawi and imports from Zambia expected soon. Our contacts indicate ex Harare soy meal prices at US$630-640/t for both imports and local stock. Small volumes being imported from Malawi.

Zambia. The maize harvest well progressed with healthy flows reaching the market. Prices lower this week with uncertainty regarding export permits the main negative factor. Millers/traders in Lusaka offering K1980-2050/t (US$201-208/t). Take note this is the buying price for farmer stock. The trader selling price will be higher. As indicated last week, traders are not that active in the market as most of them already own substantial stock and there remain uncertainty regarding the potential export campaign. Government have not issued export permits for new crop yet but traders hopeful that this process could get momentum after last week's elections. That said, we have heard that the FRA has purchased around 200 000t since their buying campaign commenced mid-July versus the previous season's 500 000t during the same period. Some observers feel export permits will not be issued before the FRA has purchased at least 500 000t. The low FRA buying price of K1700/t (US$173/t) ex depot, probably the main reason for slow buying. Another factor that might be underestimated at this stage is informal exports. We understand substantial volumes are flowing over the border and once the government gets a grip on the volumes that have left the country, they might change their view on the size of the remaining exportable surplus, which is likely to impact export permit volumes. Maize crop estimates between 2.6-2.8mt. It is expected that Zambia will have an exportable surplus (formal and informal exports) of around 800 000t (a substantial portion of this has probably already left the country informally).

Spot wheat price lower this week and now more or less in line with expected new crop prices. Spot price for uncontracted wheat around US$380-390/t ex Lusaka. Millers will be allowed to import 10 000t but need to contract whatever they import with local farmers on a 1:1 basis. No imports booked yet as millers do not want to pay duties and government not yet up and running to be able to wave the import duties. We understand that small new crop volumes have been contracted at a delivered price around US$380-390/t but farmers need more contracts. With millers remaining cautious of demand and currency risk, we expect another season where millers buy in the spot market only what they need short term and farmers/traders carry the stock. Black Sea import parity, excluding import duties, around US$370-380/t (including a 15% import duty it comes to around US$420/t).

Lusaka delivered spot soybean price sideways to higher this week around US$500-510/t. Given the bumper crop this season, there is a surplus in the market and government is not issuing export permits yet. We understand government has cleared 15 000t for export but the issue of export permits only likely to commence by September at the earliest. One could expect some price support when export permits are issued as export parity price ex Lusaka probably US$540-550/t. Makes sense that traders do not want to sell locally at the moment and are rather waiting for export permits. Crop estimates between 220-230 000t (last year 170 000t). Soymeal trading at US$570-580/t in Lusaka and no exports to Zimbabwe yet. With the Zimbabwe price at US$630-640/t there could be export opportunities.

Rainfall outlook next fortnight



Source: wxmaps

Disclaimer