



Agri Trends

10 April 2017

Money matters, what a downgrade could possibly mean to you.

On 3 April 2017 Standard and Poor's (S&P) downgraded South Africa's foreign currency credit rating to sub-investment grade – commonly known as “junk status”. Fitch Ratings followed on 7 April 2017 Fitch Ratings by also downgrading South Africa's unsecured foreign-currency and local-currency bonds to non-investment grade. On the other hand, while Moody's has kept South Africa's sovereign rating unchanged at two levels about “junk status”, it has decided to review the country's credit outlook. The knock-on effects could see an increase in the cost of borrowing, increased interest rates accompanied by escalating fuel and food price which will adversely affect consumers as well as producers. After the rating status announcements, however, the depreciating Rand did provide some support for commodity prices in the short term and export opportunities in the longer term.

Contents

| | |
|-------------------------------|---|
| Maize market trends..... | 1 |
| Wheat market trends..... | 4 |
| Oilseed market trends..... | 6 |
| Vegetable market trends | 9 |

Contact us at Absa Agri-business:

Conce.Moraba@absa.co.za

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/trends-and-reports/>

Maize market trends

International

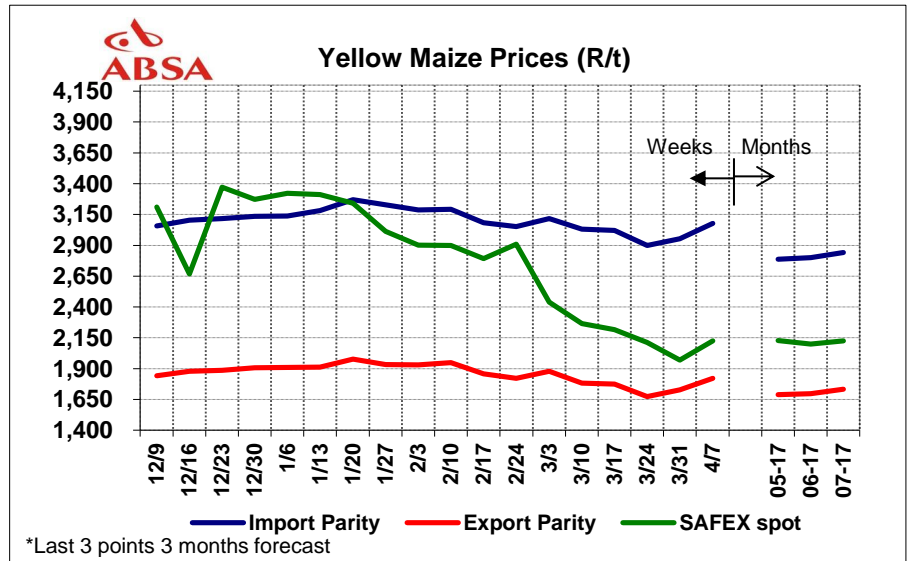
The weekly average prices for yellow corn in the Gulf traded higher this week declining by 0.8% from \$153.66/ton to \$154.94/ton the price increase was backed by increased export demand for US maize. The Rand depreciated week on week due to the sovereign credit rating downgrade from R13.39 to R13.78 on the 7th April 2017.

Bullish factors

- The US dollar recovered on the 7th April 2017, after touching a 5-month low against the Japanese Yen.
- Mexico is exploring the prospect of Brazil or Argentina as alternative corn importer.

Bearish factors

- Early plantings in the US may bring harvest to clash with peak export harvest from South America; this may push global prices down.
- Abundant global grain supplies forecasts from South America, and favourable weather outlook, keep prices under pressure.
- Weekly data from the US Energy, Information Administration reflected inventories of maize- based ethanol at record high levels. This turned maize futures down.

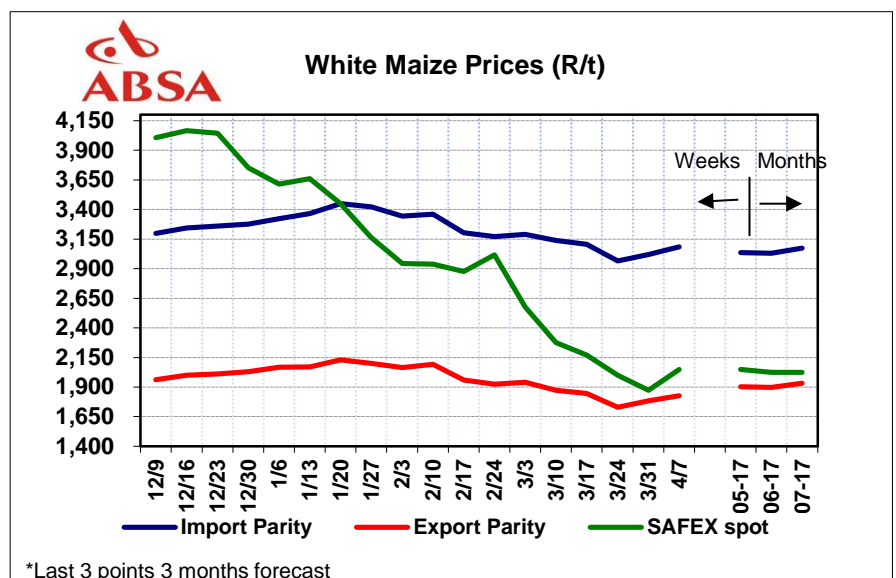


Domestic

At week ending 7 April 2017, week on week new season white maize prices for delivery in July 2017 increased 3% from R1935/ton to R2002/ton.

Bullish factors

- The depreciating Rand, due to the sovereign credit rating downgrade status, supported prices.



- Despite the expected large new season crop, SA will still have to import maize to meet old season demand. Imports for the 2017/17 (latest data captured on 31 March 2017), totalled 1,596,242 tons of white & yellow maize.

Bearish factors

- Significant rains received during January 2017 – February 2017 in the summer grain producing areas will support favourable crop production prospects.
- The total producer maize deliveries for March 2017 totalled 178,814 tons (white maize) and 58,764 (yellow maize).

Outlook

The domestic currency depreciation supported an increase in the maize price. The outlook remains bearish, due to the expected large crop.

Table 1: Weekly average yellow maize futures and estimated option prices

| Yellow Maize Futures: 7 April 2017 | May-17 | | | July-17 | | | Sep-17 | | | Dec-17 | | |
|---|---------|------|--------|---------|------|--------|---------|------|--|---------|--|--|
| CBOT (\$/t) | 141.53 | | | 144.58 | | | 147.53 | | | 151.37 | | |
| SAFEX (R/t) | 2112.00 | | | 2111.00 | | | 2161.00 | | | 2223.00 | | |
| SAFEX (R/t) Change week on week (w/w) | 67.00 | | | 71.00 | | | 71.00 | | | 78.00 | | |
| May-17 | | | Jul-17 | | | Sep-17 | | | | | | |
| Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | | | | |
| 2,160 | 66 | 18 | 2,160 | 126 | 77 | 2,200 | 157 | 118 | | | | |
| 2,120 | 41 | 33 | 2,120 | 104 | 95 | 2,160 | 135 | 136 | | | | |
| 2,080 | 23 | 55 | 2,080 | 83 | 114 | 2,120 | 115 | 156 | | | | |

Table 2: Weekly average white maize future and estimated option prices

| White-Maize Futures 7 April 2017 | May-17 | | | July-17 | | | Sep-17 | | | Dec-17 | | |
|-------------------------------------|---------|------|--------|---------|------|--------|---------|------|--|---------|--|--|
| SAFEX (R/t) | 2046.00 | | | 2002.00 | | | 2062.00 | | | 2128.00 | | |
| SAFEX (R/t) Change w/w | 5% | | | 3% | | | 3% | | | 3% | | |
| May-17 | | | Jul-17 | | | Sep-17 | | | | | | |
| Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | | | | |
| 2,080 | 72 | 38 | 2,040 | 119 | 81 | 2,100 | 165 | 127 | | | | |
| 2,040 | 50 | 56 | 2,000 | 97 | 99 | 2,060 | 142 | 144 | | | | |
| 2,000 | 33 | 79 | 1,960 | 78 | 120 | 2,020 | 122 | 164 | | | | |

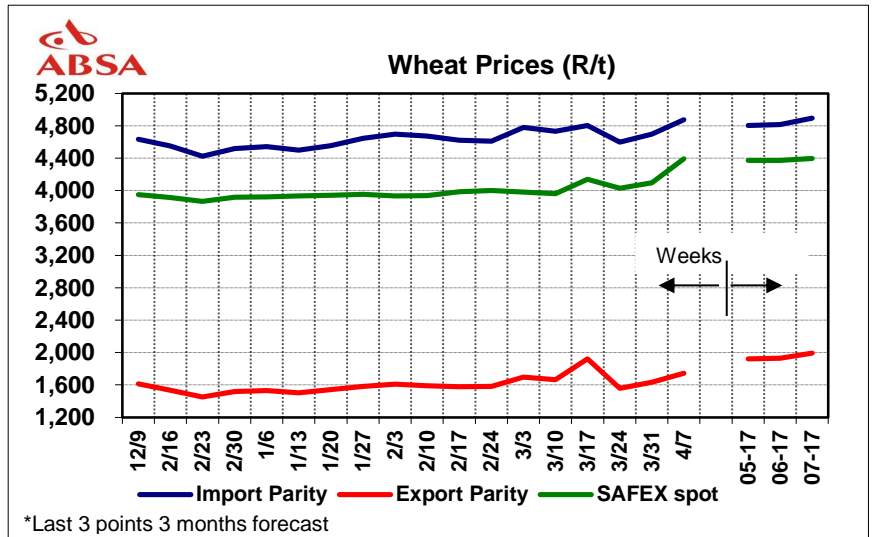
Wheat market trends

International

The weekly average old season HRW wheat Gulf price increased thanks to firm demand for US wheat, week on week from US\$164.33/ton to reach a weekly average of US\$165.34/ton.

Bullish factors

- One of the world's largest wheat importers Algeria (OAIC) purchased around 570, 000 tons of EU wheat.
- Turkish flour mills have purchased several thousand tons of grains to cover their short term needs from the Ukraine, Hungary, Latvia and Lithuania to avoid the 130 % import duty tax imposed on wheat imports from Russia.
- Anticipate increased import demand from Saudi Arabia, due to increased demand for wheat feed.
- Anticipate the global stocks to fall, due to increased consumption demand; food, seed and industrial use. Expect consumption to increase by 1.5% in 2017/18.
- India imposed a 10% import duty on wheat to support prices.



Bearish factor

- Russian wheat price is expected to decline partly due to the agricultural trade dispute between Russia and Turkey.
- The UK wheat prices remain tight, capped by the supply perspective.
- The IGC nudged the world wheat inventories 1million tons higher, to a record 236 million tons.

Domestic

On the 7th April 2017, wheat prices for delivery in July 2017 increased by 3% from R4300/ton to R4429/ton.

Bullish factors

- The recent weakening of the Rand supports prices.
- South Africa's wheat tariff is finally published at R1190/ton from the previous R1591/ton. Since about a year ago domestic wheat prices did not follow import parity prices due to the tariff increases higher. The new import tariff is only R401/ton lower and therefore should not impact negatively on domestic prices.
- RSA has exported 27,375 tons of wheat during March 2017 to Botswana, Namibia and Zimbabwe.

Bearish factors

- The local wheat producers have delivered 27,375 tons during March 2017.
- Recent impacts of duty free EU wheat add to price pressure.
- The new import duty is R1190.19 compared to the previous duty of R1591.40. Prices will lack underlying support if market/negotiating power lead to lower domestic price bids being accepted.

Outlook

Increased demand from Algeria, Turkey and Saudi Arabia supported an increase in global prices; however the wheat outlook remains bearish; capped by ample supply and low prices. The depreciating Rand supported prices. Our local favourable weather and production prospects; and relative ample supply of wheat locally is placing pressure on prices.

| Wheat Futures 7 April 2017 | May-17 | | | July-17 | | | Sep-17 | | | Dec-17 | | |
|-------------------------------|---------|-----|------|---------|-----|------|---------|-----|------|---------|--|--|
| CME (\$/t) | 160.29 | | | 165.25 | | | 172.70 | | | 178.76 | | |
| SAFEX (R/t) | 4410.00 | | | 4429.00 | | | 4390.00 | | | 4164.00 | | |
| SAFEX (R/t) Change w/w | 3% | | | 3% | | | 3% | | | | | |
| | May-17 | | | Jul-17 | | | Sep-17 | | | | | |
| | Ask | Put | Call | Ask | Put | Call | Ask | Put | Call | | | |
| | 4,460 | 119 | 69 | 4,460 | 222 | 191 | 4,440 | 301 | 251 | | | |
| | 4,420 | 96 | 86 | 4,420 | 201 | 210 | 4,400 | 279 | 269 | | | |
| | 4,380 | 76 | 106 | 4,380 | 181 | 230 | 4,360 | 258 | 288 | | | |

Oilseed market trends

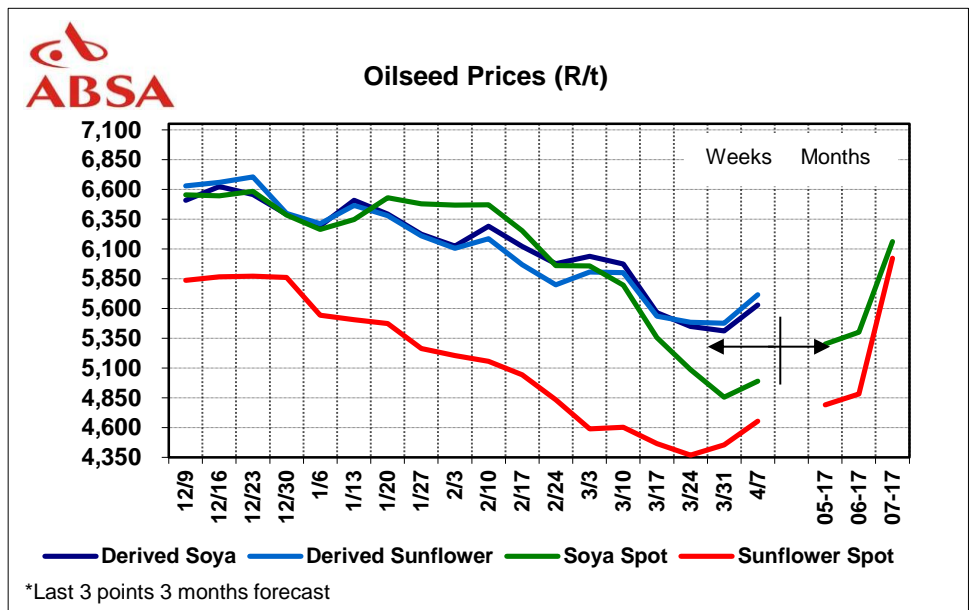
International

Oilseed prices

The weekly average USA soybean price decreased week on week from US\$365.23/ton to US\$355.21/ton to by 2.7%. US soya oil prices decreased from US\$32.25/ton to US\$31.51/ton and soymeal prices traded lower from US\$315.33/ton to US\$308.28/ton.

Bullish factors

- Argentinian soybean price was supported by rains in Argentina, which slowed down soybean harvest.
- Black Sea sunflower market is awaiting clarity on the Turkish buying policy. Import licenses issued last week, no longer include Russia among the tax-exempt origins. Turkey is the world's largest sunflower oil importer and top buyer of Russian supplies. This new policy will subject imports to massive tariffs.
- Nigerian palm oil prices were seen rising as imports are restricted due to limited access to foreign currency. The import restrictions will boost local producers.



Bearish factors

- The Brazilian soybean production forecast increased by 147 million bushels over the February forecast and brings total soybean production in Brazil to 3.97 billion bushels.
- 2017 US Crude Palm Oil output forecast is 19.6 million tonnes (2,2 million tons ahead of 2016 production). Higher CPO stocks, will suppress prices.

Domestic

On 7th April 2017, sunflower seed prices (May 17) decreased week on week by 1% from R4586/ton to R4537/ton whilst Soybean (May 17) prices increased by 1% from R4950/ton to R4994/ton.

Bullish factors

- Depreciating Rand supported local prices.
- The progressive imports statistics till February 2017 records sunflower seed imports of 70,643 tons, which is more than the 2015/16 season of 36,064 tons.
- Soybean imports show an increase at 271,098 ton (end February 2017) compared to the previous seasons' 124,343 tons imports.

Bearish factors

- The highest soybean production at a record 1,162,425 tons is expected in the 2016/17 season, domestic soybean prices may be under pressure with the arrival of the new crop from March onwards combined with the above average crop prospects.

Outlook

The latest CEC forecasts a record soybean crop of 1,162,425 tons (the highest South Africa has ever produced).

| Oilseeds Futures 7 April 2017 | May-17 | July-17 | Sep-17 | Dec-17 | | | | |
|--|---------|---------|---------|---------|------|--------|-----|------|
| CBOT Soybeans (US\$/t)** | 3336.61 | 3337.10 | 3330.10 | 3359.90 | | | | |
| CBOT Soy oil (US c/lb) | 31.62 | 31.88 | 32.08 | 32.33 | | | | |
| CBOT Soy cake meal (US\$/t)* | 337.80 | 342.20 | 342.97 | 341.65 | | | | |
| SAFEX Soybean seed (R/t) | 4994 | 5101 | 5199 | 5285 | | | | |
| SAFEX Soybean seed (R/t) change w/w | 44 | 56 | 49 | 35 | | | | |
| SAFEX Sunflower seed (R/t) | 4537 | 4662 | 4802 | 4890 | | | | |
| SAFEX Sunflower seed (R/t) change w/w | -1% | -1% | -1% | -1% | | | | |
| Sunflower Calculated Option Prices (R/t) | | | | | | | | |
| May-17 | | | Jul-17 | | | Sep-17 | | |
| Ask | Put | Call | Ask | Put | Call | Ask | Put | Call |
| 4,580 | 108 | 65 | 4,700 | 194 | 156 | 4,840 | 261 | 223 |
| 4,540 | 86 | 83 | 4,660 | 173 | 175 | 4,800 | 239 | 241 |
| 4,500 | 67 | 104 | 4,620 | 153 | 195 | 4,760 | 219 | 261 |

*short ton

** Dec 2017 = Jan 2018

Vegetable market trends

Onions

The local strikes in Johannesburg on Friday (7th April 2017) hampered deliveries and demand at the markets. This resulted in lower volumes, supporting prices. Prices are expected to remain on the increase, due to the higher demand anticipated during the April Easter holiday period. The average prices were ranging at R40-R45/10kg compared to the previous' week R30-R35/10kg bag.

Carrots

Prices increased week-on-week by 2.5%, this was driven better quality supply met by increased demand. Higher temperatures were supporting prices. Prices are expected to increase around April (Easter), but we expect it to normalize during the next 2 months. A difference in weekly volumes was 14.9 %.

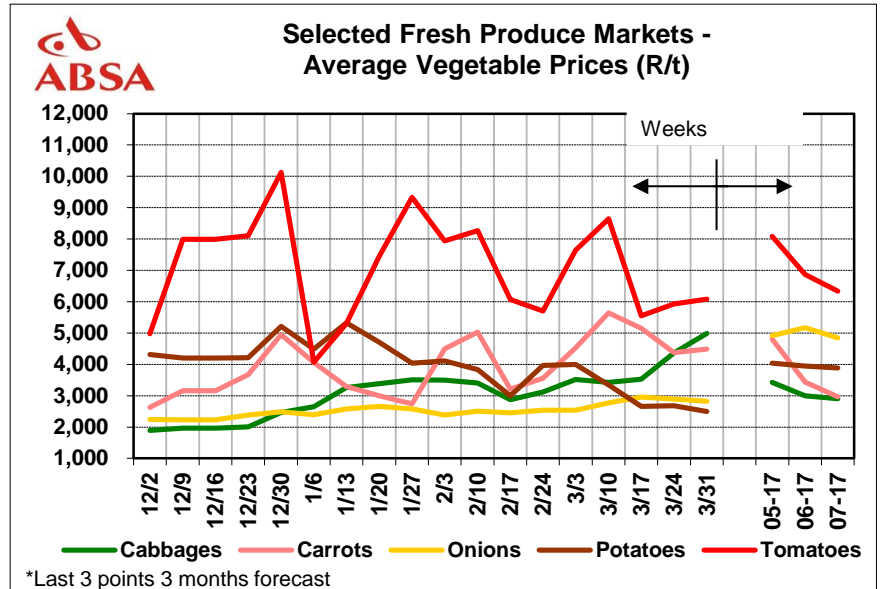
Tomatoes

Fairly attractive prices were received this week at the markets. Increased volumes, of greater qualities supported high prices. The demand is anticipated to remain high during the Easter holidays. The expectation for the next three months is for prices to increase on the back of lower volumes supplied to the market.

We saw an average of 2.5% increase in prices and a 4.1 % increase in volumes from the markets.

Potatoes

Prices came down significantly due to higher volumes. The average price was R20-R22/7kg compared to R28-R32/7kg price of last week. The safety uncertainty caused by the strikes, resulted in a decline demand.



Vegetable Prices: Fresh Produce Market
 (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)

| Week ending 7 April 2017 | Difference in weekly prices | This week's Average Price (R/t) | Previous week's Average Price (R/t) | Difference in weekly volumes | This week's Total Volumes (t) | Previous week's Total Volumes (t) |
|-----------------------------|-----------------------------------|---------------------------------------|--|------------------------------------|-------------------------------------|---|
| Cabbages | 14.3% | 4991 | 4367 | 6.7% | 1104 | 1035 |
| Carrots | 2.5% | 4489 | 4380 | 14.9% | 2074 | 1806 |
| Onions | -2.5% | 2825 | 2896 | 24.9% | 7428 | 5949 |
| Potatoes | -7.1% | 2494 | 2684 | 21.0% | 18477 | 15267 |
| Tomatoes | 2.5% | 6077 | 5928 | 4.1% | 4213 | 4047 |

Absa Agri-Business
Conce.Moraba@absa.co.za
Karabo.Takadi@absa.co.za
Wessel.Lemmer@absa.co.za

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the usage of this information.