



## Agri Trends

21 April 2017

### Limited silo capacity may add more pressure to maize price.

South Africa's much anticipated large maize crop of about 14.3 million tonnes has raised a concern for silo capacity in particular areas, especially in the regions with great yields and limited facilities. Greater yields were achieved than initially anticipated in major maize producing parts of the country, thanks to favourable weather. Some market players are even expecting a crop size between 14.3 and 14.5 million tons. Some areas in the Free State region have reported a concern in terms of storage capacity. Bunkers and other alternative storage facilities are already being placed to address the great harvest. But should capacity be filled, producers will have to travel further to locate silo's that have availability, adding more to the price pressure.

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### Contents

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

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# Maize market trends

## International

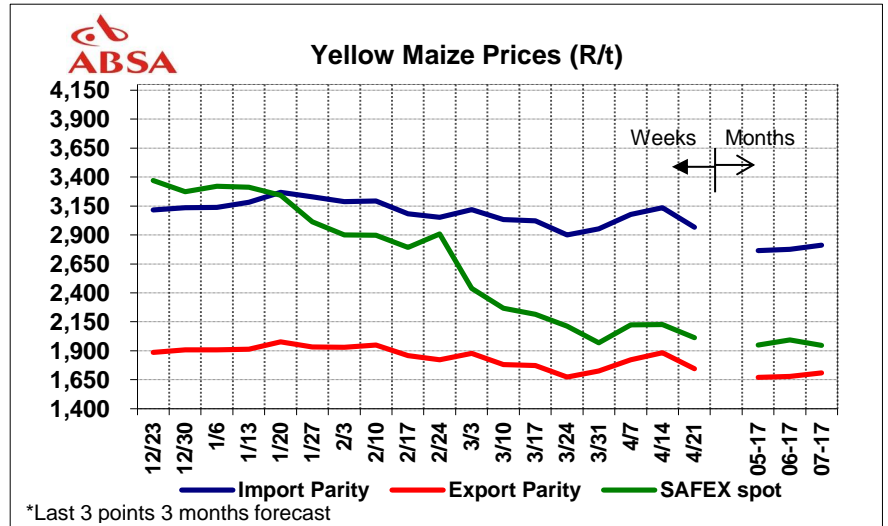
The weekly average prices for yellow corn in the Gulf traded lower this week declining by 0.3% from \$158.78/ton to \$154.35/ton. The Rand strengthened week on week from R13.55 to R13.17 on the 21st April 2017.

### Bullish factors

- Kenya & Ethiopia need imports due to domestic shortfall and drought.

### Bearish factors

- Temporary ban on Zambian exports lifted (surplus of 1 million tons above domestic demand is expected).
- Brazil's safrinha harvest may leave huge piles of maize, without storage. Slow sales of soybeans have exacerbated the storage issue.
- The Ukraine maize exports to increase competition. Expecting the Ukraine exportable stocks for the 2017/18 season to exceed a record 20 million tons.

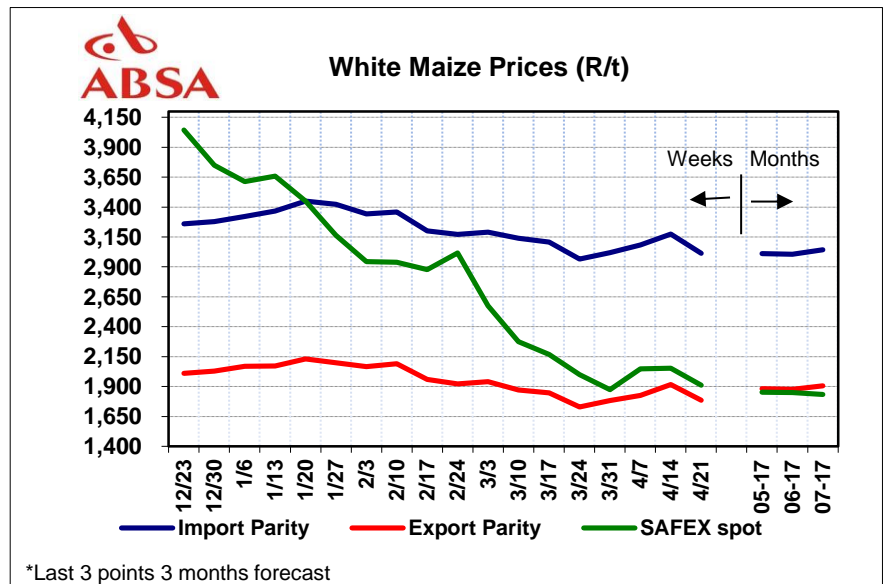


## Domestic

At week ending 21 April 2017, week on week new season white maize prices for delivery in July 2017 declined by 7.5% from R1982/ton to R1833/ton.

### Bullish factors

- Despite the expected large new season crop, SA will still have to import maize to meet old season demand. Imports for the 2016/17 (latest data captured on 31 March 2017), totalled 1,596,242 tons of white & yellow maize.



## Bearish factors

- South Africa's expected exportable surplus may receive competition from the Zambian exportable crop.
- Good maize conditions, in the Free State and North West bear great prospects.
- The limited storage capacity/ silos in particular regions will add more transport cost pressure to producers, as they will need to travel further for storage facilities.

## Outlook

The ample global supply, expected record harvest and sluggish international grain market, have contributed to lower grain prices. Zambia's export ban lift, increased competition for South Africa's export market. The expected large maize crop may also experience further storage capacity issues in particular areas in the Free State, this will add more pressure on transport costs, as producers need to drive further for storage facilities.

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

Yellow Maize Futures: 21 April 2017	May-17			July-17			Sep-17			Dec-17		
CBOT (\$/t)	140.54			143.20			146.06			150.39		
SAFEX (R/t)	1950			1947			1996			2064		
SAFEX (R/t) Change week on week (w/w)	-149			-153			-149			-148		
	May-17			Jul-17			Sep-17					
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
	2,000	53	3	1,980	103	70	2,040	145	101			
	1,960	23	13	1,940	81	88	2,000	122	118			
	1,920	6	36	1,900	62	109	1,960	102	138			

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

White-Maize Futures 21 April 2017	May-17			July-17			Sep-17			Dec-17		
SAFEX (R/t)	1852			1833			1892			1962		
SAFEX (R/t) Change w/w	-172			-149			-143			-146		
	May-17			Jul-17			Sep-17					
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
	1,900	55	8	1,880	108	64	1,940	152	107			
	1,860	28	21	1,840	86	82	1,900	129	124			

1,820	11	44	1,800	66	102	1,860	109	144
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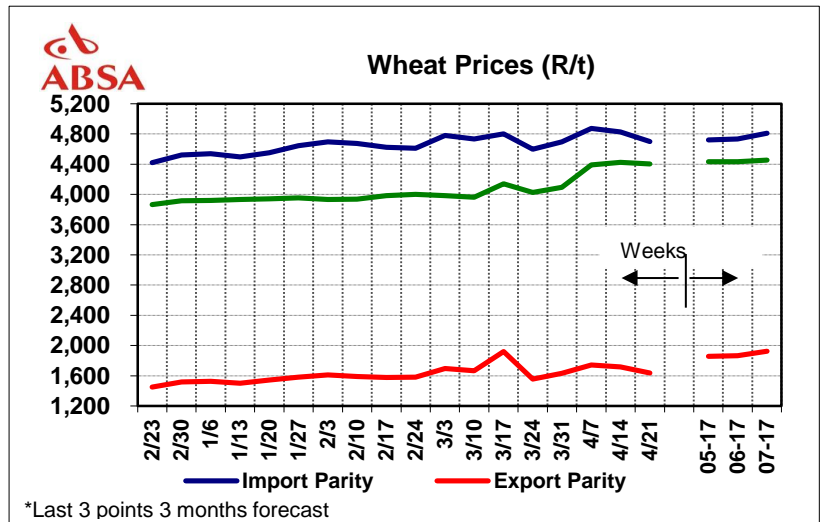
# Wheat market trends

## International

The weekly average old season HRW wheat Gulf decreased week-on-week from US\$170.86/ton to reach a weekly average of US\$159.01/ton.

### Bullish factors

- Alternative crops such as canola and pulses are becoming more popular, causing a reduction in the area planted under wheat.
- Ukrainian wheat exports expected to decline, driven by lower winter plantings.
- Anticipate increased import demand from Saudi Arabia, due to increased demand for wheat feed.



### Bearish factor

- Ongoing port and logistical issues, hampering wheat exports. (Shipping companies are diverting containers for carrying wheat to pulses and oilseeds, because of higher profitability).
- The continued stronger Australian currency, placing pressure on the competitiveness of the country's exports.

## Domestic

On the 21<sup>st</sup> April 2017, wheat prices for delivery in July 2017 increased by 0.7% from R4423/ton to R4455/ton.

### Bullish factors

- The latest import duty is R1190.19, compared to the expected import duty of R1371.75. Prices will enjoy increased underlying support if market/negotiating power lead to higher domestic bids being accepted.

### Bearish factors

- The Rand strength.
- Global Hard Red Wheat prices decline from US\$170.86/ton to US\$159.01/ton.

### Outlook

The latest import duty is R1190.19, compared to the expected duty of R1371.75

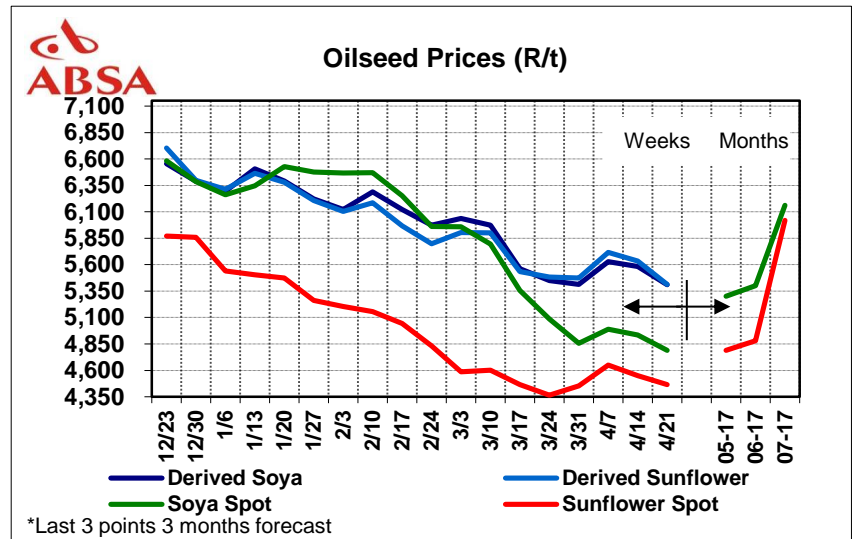
Prices will enjoy increased underlying support if market/negotiating power lead to higher domestic bids being accepted.

Wheat Futures 21 April 2017	May-17			July-17			Sep-17			Dec-17		
CME (\$/t)	154.69			160.02			168.75			175.73		
SAFEX (R/t)	4435			4455			4344			4150		
SAFEX (R/t) Change w/w	23.00			32.00			-26.00			-16.00		
			May-17			Jul-17			Sep-17			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
4,480	73	28	4,500	215	170	4,380	279	243	4,380	279	243	
4,440	50	45	4,460	194	189	4,340	257	261	4,340	257	261	
4,400	32	67	4,420	173	208	4,300	237	281	4,300	237	281	

## Oilseed market trends International

### Bullish factors

- High Argentinian production expectations were reduced after heavy rains were experienced in April. The heavy rains delayed harvesting; only about 1.8% of soybean crop was reaped last week. This is a decline of 6.2% compared to last years' figure, when Argentina also experienced heavy rains.
- Indian government has cut customs duty on import of sunflower seed to 10% from 30%. This may result in imports of 1 million tons of sunflower seed for the period Apr-Sep 2017.
- A severe labour shortage in Malaysia is expected to hamper palm oil harvesting. An increased palm oil price will provide underlying support to sunflower seed price.



### Bearish factors

- Malaysian palm oil prices plummeted to a 6-month-low, because growth in inventories outweighed the exports.
- 2017 US Crude Palm Oil output forecast is 19.6 million tonnes (2,2 million tons ahead of 2016 production) higher CPO stocks, will place downward pressure on prices.

### Domestic

On 21<sup>st</sup> April 2017, sunflower seed prices (May 17) decreased week on week by 4% from R4599/ton to R4413/ton whilst Soybean (May 17) prices decreased by 5.9% from R5001/ton to R4705/ton.

## Bullish factors

- South Africa is expected to crush 1.9 million tons of oilseeds on increased demand and expansion in crushing capacity.

## 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 onwards combined with the above average crop prospects.
- According to the WASDE Report South African sunflower meal imports will drop to about 10,000 tons from 93,000 tons imported in the previous marketing year.

## Outlook

The expected large local maize crop in the 2016/17 marketing year and resulting lower local maize price levels will place downward pressure on the area to be planted with maize later in the year. These areas may be diverted to oilseed plantings, especially for soybeans and sunflower.

Oilseeds Futures 21 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)	4705	4808	4901	5030				
SAFEX Soybean seed (R/t) change w/w	-296	-290	-278	-249				
SAFEX Sunflower seed (R/t)	4413	4540	4655	4745				
SAFEX Sunflower seed (R/t) change w/w	-4.0%	-3.9%	-3.4%	-3.6%				
<b>Sunflower Calculated Option Prices (R/t)</b>								
<b>May-17</b>			<b>Jul-17</b>			<b>Sep-17</b>		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,460	70	23	4,580	178	138	4,700	248	203
4,420	46	39	4,540	157	157	4,660	226	221



4,380	28	61	4,500	137	177	4,620	206	241
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\*short ton

\*\* Dec 2017 = Jan 2018

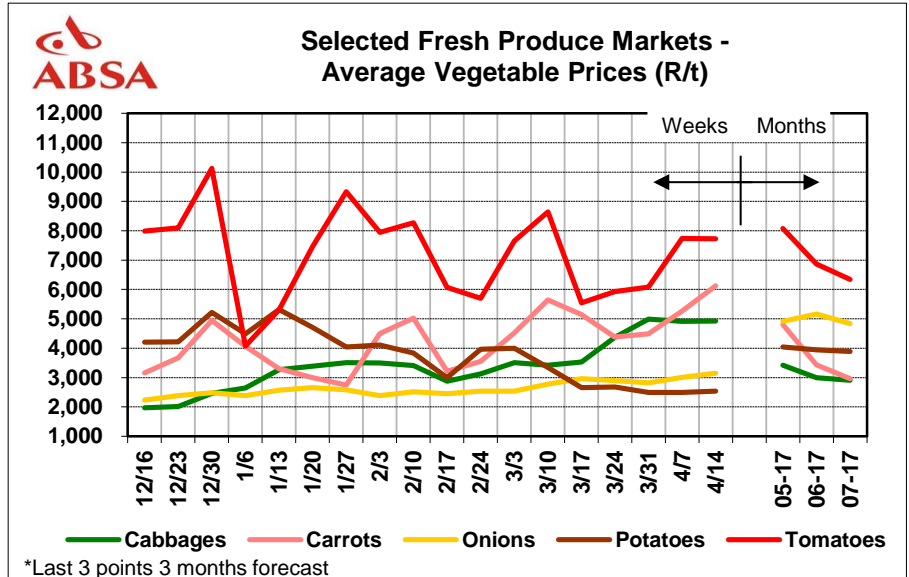
## Vegetable market trends

### Onions

Onion prices remained fairly constant the past 2 weeks at R30-R40/10kg bag. Prices are expected to increase slightly in the upcoming days (24-26 April 2017) due to increased demand just before the long weekend.

The prices are expected to decline slightly due to the increased early delivery from producers.

The ample early deliveries to the markets may cause a shortage of volumes available, later in the season.



### Carrots & Peppers

Carrot prices declined last week, after peaking during Easter Holidays. The increased volumes, in conjunction with decreased demand after the holidays, drove the price down. Prices are expected to normalize thanks to expected moderate to sufficient production in the next 2 months.

Peppers prices also experienced a decline after prices increased during the Easter holidays. The Highveld producers are almost finished with their pickings. Most labourers have returned from the holidays and already picking produce to avoid frost, this will result into an increased supply of the produce, further causing a decline in prices.

### Tomatoes

The tomato prices declined for the week ending 21 April due to the public holidays that hindered demand from the 14<sup>th</sup> – 18<sup>th</sup> April. The markets had more volumes still on the floor by Monday 24 April 2017. Prices are expected to increase during the course of this week, because demand is picking up. We expect the normal winter sowings and volumes to be good in the next 3 months, but all will be dependent on the weather.

### Lettuce

The lettuce price plummeted last week after the Easter holiday from R8-R10/punnet to R2-R3/punnet. This was mainly due to increased volumes, thanks to ideal growing conditions and decreased demand from buyers post the holiday period.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 14 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	0.3%	4925	4911	5.1%	1050	1000
Carrots	16.6%	6129	5259	-17.0%	1646	1984
Onions	4.5%	3147	3010	-26.2%	5983	8102
Potatoes	1.6%	2536	2496	-22.7%	15116	19556
Tomatoes	-0.1%	7727	7736	1.7%	3754	3693

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