



Agri Trends

26 May 2017

Breaking News: Largest Maize Crop in SA history!

The latest Crop Estimates Committee's 4th forecast is estimating the size of the commercial maize crop at a whopping 15.631 million tons. This is the largest maize crop to be ever produced by South Africa. This estimate is 1.095 million tons more than the 3rd estimate reported in April. The expected yield is 5.95 t/ha, the highest yield ever reported

Benefits for other industries:

Both soybean and maize prices declined which benefitted a decline in animal feed prices. This will assist the intensive livestock industries to start recovery. We expect to see additional investment in these industries to improve their productivity and production within the next two years. This will increase supply which bodes well for the prices of protein foods to eventually decline.

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Maize market trends

International

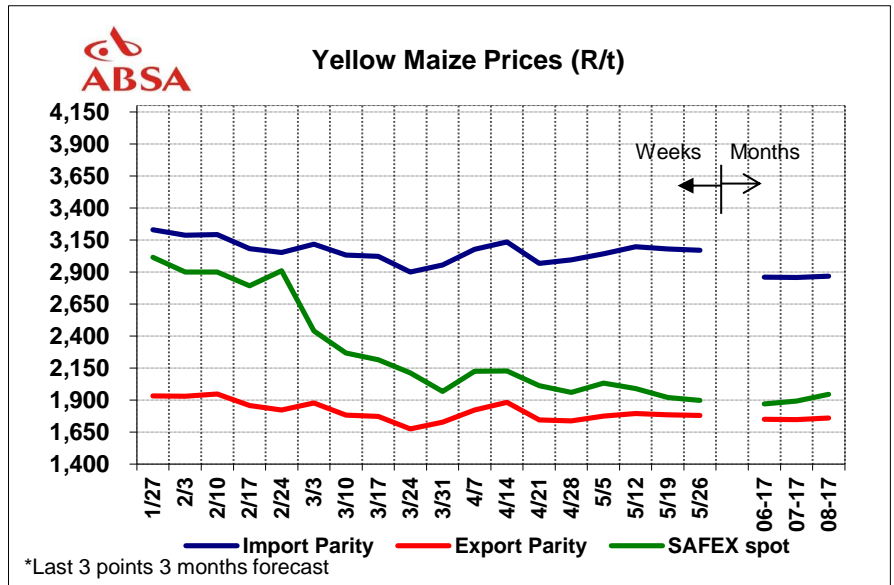
Total maize export shipments remained bullish indicating USDA’s projected total demand could be too low. Week-on-week maize increases of 1.01% from \$157.01/ton to \$159.27/ton were reported. The rand strengthened on average week on week from R13.28 to R12.89.

Bullish factors

- The International Grain Council (IGC) has lowered its world grain stocks for the end of this season to multi-year low, due to higher expectations of increased industrial usage for corn in the US and China.

Bearish factors

- Mexico imported more affordable yellow corn from Brazil, while NAFTA talks still looming.
- The USDA also lifted its estimate for the 2016-17 Argentine corn harvest, by 1.5m tonnes to a record 40.0m tonnes.

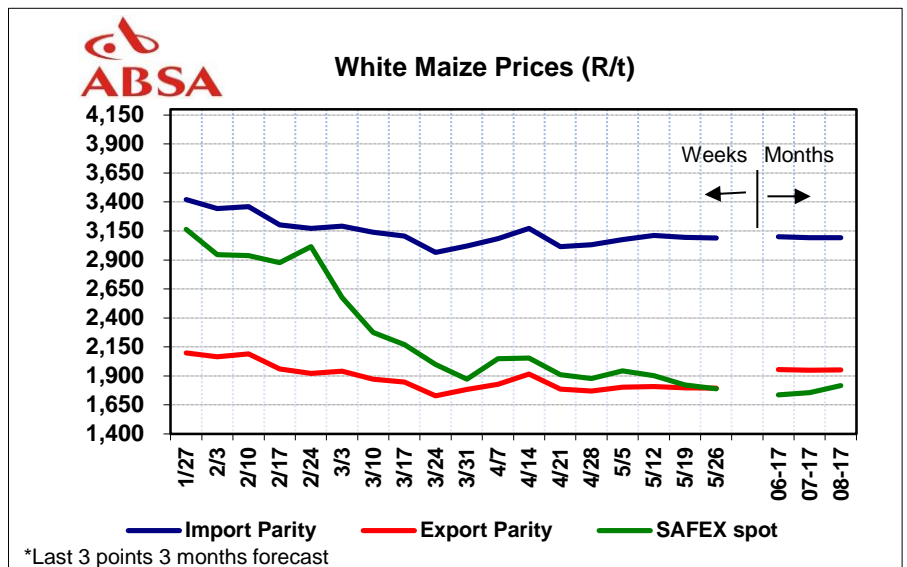


Domestic

At week ending 26th May 2017, week on week new season white maize prices for delivery in July 2017 decreased by 0.6% from R1 1792/ton to R1781/ton. Week-on-week new season yellow maize prices for delivery in July 2017 increased by 0.3% from R1 912/ton to R1918/ton.

Bullish factors

- The possibility of South African credit rating downgrade may result in a weaker Rand.



Bearish factors

- The strengthening Rand
- The size of the commercial maize crop has been estimated at a stupendous 15.631 million tons. This crop 101% bigger than the 2016 crop. Yield was reported at 5.95t/ha, which is also the highest yield ever in the history of SA.

Outlook

The record local commercial maize crop of 15.631 million tons will have a positive effect in the intensive livestock market. The new estimated crop is 101% larger than the 2016 crop, and the yield was 5.95 t/ha (the highest yield ever achieved for maize in SA). The Zambian government lifted all restrictions last week; this combined with a possible strengthening Rand may add bearish pressure on the price of maize.

Ample global supply, expected record harvest and sluggish international grain market, have contributed to low grain prices.

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

Yellow Maize Futures: 18 May 2017	July-17			Sep-17			Dec-17			Mar-18		
CBOT (\$/t)	146.15			149.20			153.44			157.18		
SAFEX (R/t)	1918.00			1972.00			2028.00			2067.00		
SAFEX (R/t) Change week on week (w/w)	6.00			2.00			-8.00			-16.00		
Jul-17			Sep-17			Dec-17						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,960	72	30	2,020	128	80	2,060	165	133				
1,920	48	46	1,980	105	97	2,020	143	151				
1,880	30	68	1,940	85	117	1,980	123	171				

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

White Maize Futures 18 May 2017	July-17			Sep-17			Dec-17			Mar-18		
SAFEX (R/t)	1781.00			1837.00			1912.00			1951.00		
SAFEX (R/t) Change w/w	-11.00			-15.00			-11.00			-13.00		

Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,820	87	48	1,880	123	80	1,960	181	133
1,780	65	66	1,840	100	97	1,920	158	150
1,740	46	87	1,800	80	117	1,880	137	169

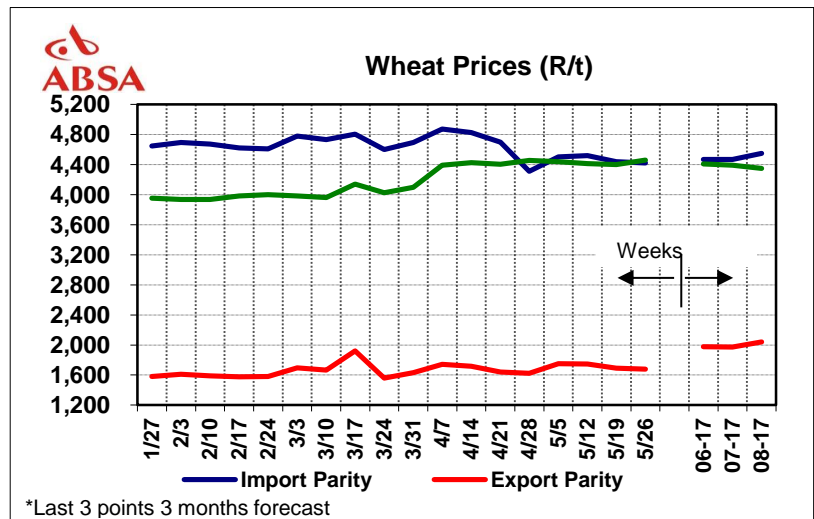
Wheat market trends

International

The weekly average old season HRW wheat Gulf increased price week on week from US\$175.82/ton to reach a weekly average of US\$176.48/ton on the 25th May 2017.

Bullish factors

- Cold weather delaying Black Sea barley and wheat ripening, delaying harvest.
- A drought in the Ukraine, combined with any damage to crops from the late spring's cold snaps, may lead to price increases and smaller crops in Europe. The drought in the Ukraine has a greater impact on the market than the US; this weather shock could ignite a price rally.



Bearish factor

- Kansas and Chicago wheat futures show a decline, due to concerns about the quality and protein content in the grains from all the rain.

Domestic

On 25th May 2017, wheat prices for delivery in July 2017 decreased by 0.2% from R 4397/ton to R4387/ton week on week.

Bullish factors

- The wheat input costs have increased by approximately 2-5% in 2017 compared to the previous year.
- The latest import duty is R1 190.19, compared to the expected import duty of R1 371.75 to be published probably in June 2017.

Bearish factors

- The Swartland Area, received 2-3 mm rain this morning (26 May 2017), and follow-up rains are expected in the next week to help with the current water dam levels.
- The possible review of the existing wheat import tariff formulae may create further uncertainty in the market.

Outlook

Dry domestic conditions have been affecting the progress of wheat planting. The Swartland area received rains this week, but it's still not sufficient. The increased (2%-5%) input costs, placing pressure on producers to reach break-even point.

In the global domain, the drought in the Ukraine has a greater impact on the market than the US; this weather shock could spark a price rally.

Wheat Futures 18 May 2017	May-17		July-17		Sep-17		Dec-17	
CME (\$/t)	158.92		163.88		171.87		178.57	
SAFEX (R/t)	4387		4322		4180		4295	
SAFEX (R/t) Change w/w	-10.00		-22.00		-20.00		0.00	
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,420	146	113	4,360	240	202	4,220	323	283
4,380	124	131	4,320	218	220	4,180	301	301
4,340	105	152	4,280	198	240	4,140	280	320

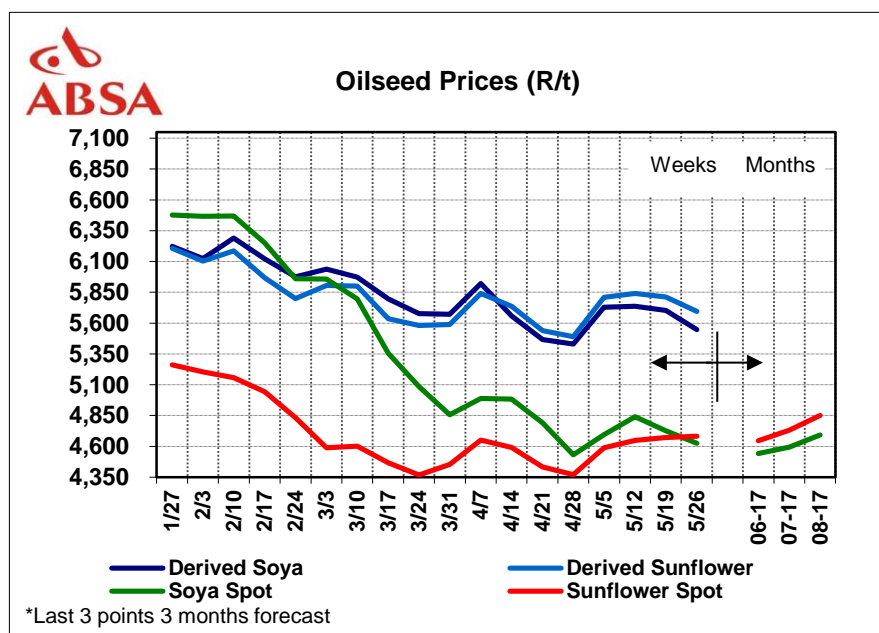
Oilseed market trends

International

The weekly average USA soybean price increased week on week from US\$360.54/ton to US\$361.83/ton. US soya oil prices decreased from US\$33.00/ton to US\$32.30/ton and soymeal prices traded lower from US\$ 307.00/ton to US\$ 306.40/ton.

Bullish factors

- Soybean world consumption expected to jump from 261.4 million tons 2012/13 to 328.2 million ton 2016/17. This is an annual turnover growth of 16.7 million ton.
- World palm oil (2.1 million ton) and sunflower oil (1.4 million ton) exports to increase in Oct/Sep 2016/17.
- Unusually strong Chinese import demand (estimate of 91 million ton), help relieve world stocks.



Bearish factors

- Soybean world stocks approach 100 million ton at the of 2016/17 season for the 1st time ever.
- Soymeal demand lower than expected in several exporting and producing countries (EU & USA) – This will result in the downward revision of soymeal consumption and downward revision of soybean crush estimate in the USA and Argentina.
- After OPEC’s decision to extend production, oil prices saw a decline of 4%, its biggest drop in 3 weeks.

Domestic

On 25th May 2017, sunflower seed prices (Jul17) decreased week on week by 2% from R 4800/ton to R 4705/ton while soybean (May 2017) prices decreased by 4.5% from R 4757/ton to R4 545/ton.

Bullish factors

- Crush margins are positive, providing support to the soybean price.

Bearish factors

- South Africa may be sitting on a larger soybean crop than was estimated for the third CEC's estimates. The new report will be published on 26 May 2017. The larger crop is due to the above average yields (3 t/ha) compared to the normal average yield of 1.8 t/ha.

Outlook

The strengthening Rand supports prices as South Africa is a net importer of soymeal and soy oil. Anticipate soybean prices to increase after the latter part of May and moving forward.

Crush margins are positive, providing support to the soybean price. The expected increase on the bean cost is only 6% indicating that the crush margin is likely to increasingly recover until the end of 2017.

Oilseeds Futures 18 May 2017	July-17	Sep-17	Dec-17	Mar-18				
CBOT Soybeans (US\$/t)**	3303.91	3300.43	3352.87	3377.49				
CBOT Soy oil (US c/lb)	32.28	32.50	32.82	33.06				
CBOT Soy cake meal (US\$/t)*	336.70	339.45	341.76	342.53				
SAFEX Soybean seed (R/t)	4545.00	4655.00	4778.00	4865.00				
SAFEX Soybean seed (R/t) change w/w	-212.00	-199.00	-202.00	-135.00				
SAFEX Sunflower seed (R/t)	4705.00	4846.00	5000.00	5074.00				
SAFEX Sunflower seed (R/t) change w/w	-95.00	-60.00	-66.00	30.00				
Sunflower Calculated Option Prices (R/t)								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,740	142	107	4,880	216	182	5,040	311	271
4,700	121	126	4,840	195	201	5,000	289	289
4,660	102	147	4,800	175	221	4,960	269	309

*short ton

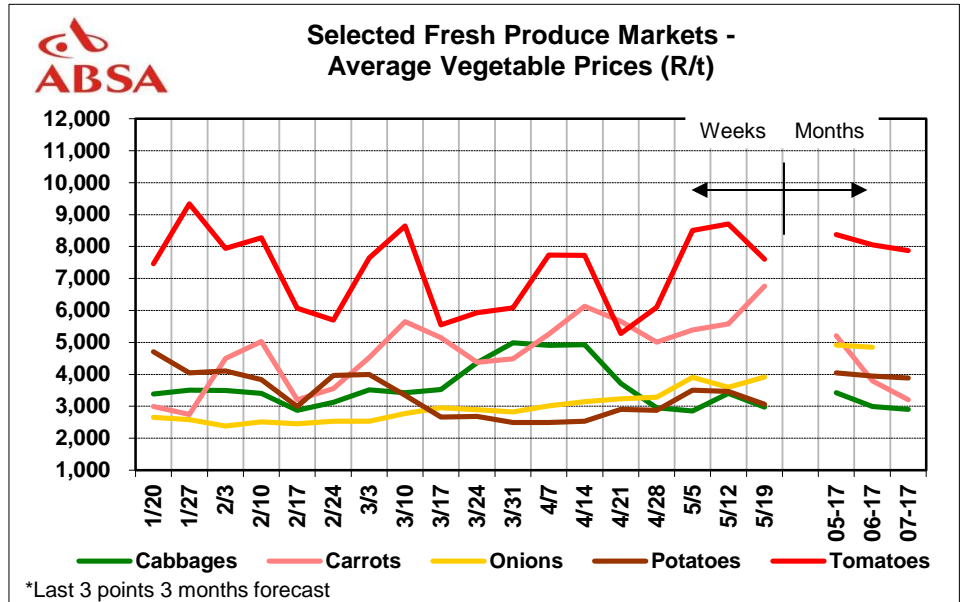
** Dec 2017 = Jan 2018

Vegetable market trends

Onions

Prices slightly declined, due to increased volumes delivered at the markets today. The Johannesburg Fresh Produce Market started the day (26 May 2017) with 360 000 10kg bags. Prices will only start to increase when about 160 000 bags have been sold, reducing volumes to 200 000 10kg bags. Onion received from the Northern Transvaal areas averaged around R36-R40/10kg and Western Cape R40-46/10kg. The increased volumes were as a result of higher yields thanks to better rainfall, lack of diseases and the absence

of hail damage. Zambian demand was lower this week, because Zambian onion producers have harvested too, posing as a direct competitor for South African produce. The Tanzanian onion producers are also exporting some of their produce to Zambia.



Carrots & Peppers

Carrot and pepper prices moved sideways for the week ending 26th May 2017. Prices are expected to normalize due to expected moderate to sufficient production during the next 2 months.

Tomatoes

Volumes were relatively high this week. Volumes should stay at this level for the 1st 2 weeks of June if the temperatures do not become too cold. Prices were low, averaging at R4-R9/kg depending on the quality. The input costs were relatively high.

Vegetable Prices: Fresh Produce Market

(Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets) – Data 1 week lagged

Week ending 19 May 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	10.9%	2972	2680	-36.6%	1423	2246
Carrots	25.5%	6766	5390	-35.1%	1594	2457
Onions	0.2%	3917	3910	-41.6%	5587	9565
Potatoes	-12.5%	3063	3500	-32.5%	15839	23456
Tomatoes	-8.7%	7604	8330	-18.3%	3900	4773

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