



Agri Trends

29 September 2017

How South Africa compares with the USA – you have reason to be a proud South African!

Being biased towards South Africa we decided to compare South Africa with the USA based on 2015 data. The drought in 2016 impacted negatively on agriculture and agriculture’s contribution to GDP. We need to approach life with a positive view. South Africa’s GDP totalled \$317 billion in 2015 compared to the USA’s \$18 120 billion. South Africa’s GDP is about 1,7% of that of the USA’s GDP. Compared to individual states in the USA, South Africa outperforms 35 of the 50 states in the USA. Some of our provinces outperform a couple of states in the USA as well. Gauteng’s GDP is more than that of the Mississippi state and 14 other states, Kwazulu Natal’s GDP is larger than South Dakota State’s GDP and three other states, the Western Cape Province outperform Wyoming and Vermont. The rest of South Africa’s provinces follow after Vermont. So when you think again about South Africa and the US keep in mind there is ample reason for foreign direct investment in South Africa. Have a lovely weekend!

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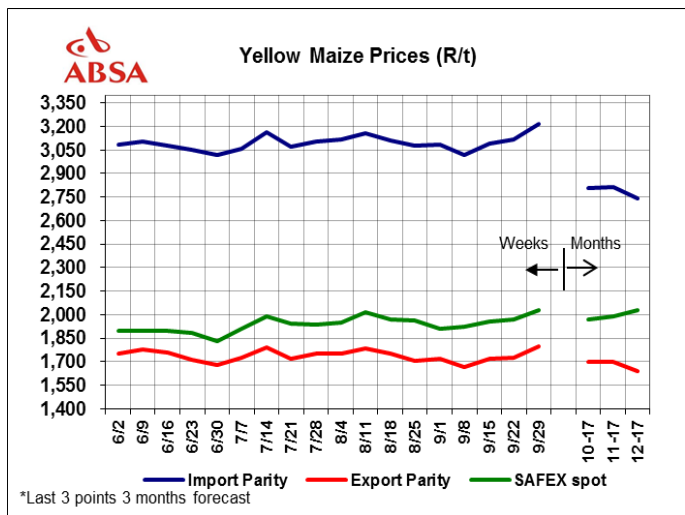
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Maize market trends International

Week-on-week yellow maize No 2 gulf price increased from a weekly average of US\$141.59/ton to \$149.72/ton.

Bullish factors

- Heavy rain was received again in some major oilseed and grains key growing areas in the week ending 29th September 2017 in Argentina. The concern is that some intended area for especially maize, soybeans and sunflowers will not be utilised, because land may not dry up in time. From the 27th September 2017, Argentinian maize crop plantings were running significantly behind, only about 10% of the land was planted (compared to 19% a year ago)
- Maize plantings in Brazil (Parana) were just 16% compared to 50% a year ago.



Bearish factors

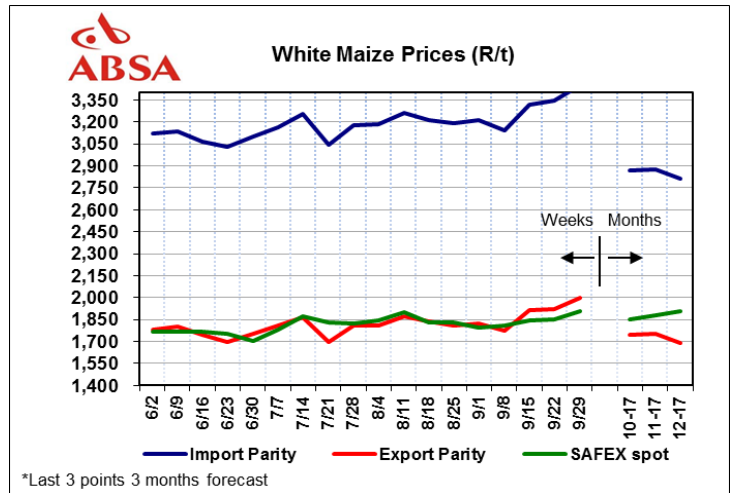
- Argentinian farmers finally completed their 2016/17 maize harvest. Wet conditions have hindered the process since March 2017. New season maize crops are already being planted in Argentina.
- Brazilian exports of maize were about 4.33 million ton during 1-24 September 2017. Last year same time exports were 2.39 million tons.

Domestic

By 28th September, week on week new season white maize prices for delivery in Dec 2017 increased marginally by 1.1% (R20) from R1890/ton to R1910/ton, Jul 2018 contracts increased marginally by 1.7% week-on-week from R2030/ton to R2065/ton. Week-on-week new season yellow maize prices for delivery in Dec 2017 increased by 1.1% (R22) from R2008/ton to R2030/ton. Prices for delivery in Jul 2018 for yellow maize were recorded at R2153/ton. Maize prices finished higher, supported by weaker Rand-dollar exchange rate which stimulated increased exports.

Bullish factors

- Maize producers may indicate by the end of October that maize plantings will reduce from 2,6 million ha to 2,2 million hectares reducing the new season harvest by 1,9 million tons at an average 4,8 ton/ha. The new season crop will then meet local demand of 10, 5 million tons.
- Increased policy uncertainty to the end of 2017, increased government debt and slow economic growth supports a credit downgrade and weaker Rand.



Bearish factors

- The final maize production estimate increased by 2% to 16,7 million tons. If the increased non-commercial maize production is included South Africa will produce more than 17,4 million tons of maize.
- If the average weekly rates of exports of 61200 tons per week continue South African maize exports will reach just short of 3.2 million tons by the end of April 2018. Too little too late as exports need to be double the amount by April 2018 for prices to recover.
- Increased producer selling at prices lower than production cost and a failure to ration supply.

Outlook

The latest CEC estimates pegged the local maize crop production even higher than the 7th estimate at 16.7 million ton. This will probably sway producers to plant less maize in the coming month, and likely reduce area planted under maize to 2.2 million ha. Long term prices expected to remain bearish until the export tempo as was seen this last week continues steadily.

Argentinian producers just finished their harvesting process, after excessive wet fields hindered the harvest process. New season maize plantings are already underway. The focus remains on South American weather conditions and planting progress.

Yellow Maize Futures: 28 September 2017	Dec-17			Mar-18			Jul-18		Sep-18
CBOT (\$/t)	138.77			143.79			150.09		152.75
SAFEX (R/t)	2030			2080			2153		2182
SAFEX (R/t) Change week on week (w/w)	22			26			37		13
Dec-17			Mar-18			Jul-18			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
2,080	119	69	2,120	187	147	2,200	229	182	
2,040	96	86	2,080	165	165	2,160	207	200	
2,000	75	105	2,040	144	184	2,120	185	218	

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

White Maize Futures 28 September 2017	Dec-17			Mar-18			Jul-18		Sep-18
SAFEX (R/t)	1910			1956			2065		2102
SAFEX (R/t) Change w/w	20			21			35		1
Dec-17			Mar-18			Jul-18			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
1,950	107	67	2,000	190	146	2,100	241	206	
1,910	85	85	1,960	167	163	2,060	218	223	
1,870	66	106	1,920	146	182	2,020	197	242	

Wheat market trends

International

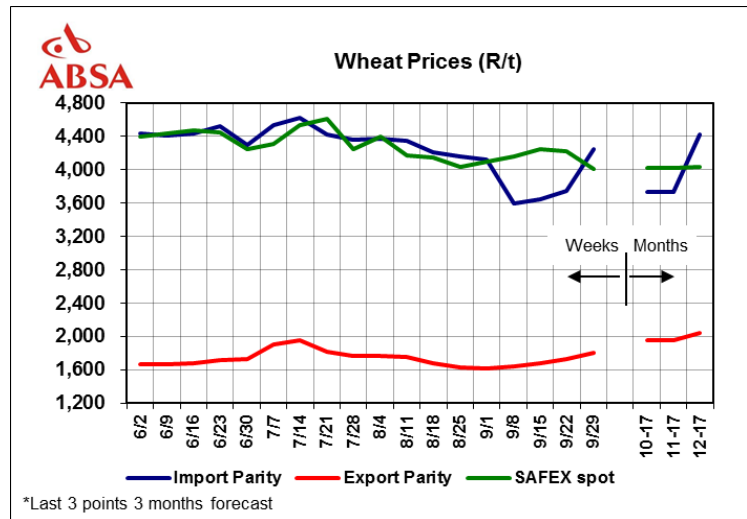
The weekly average old season HRW wheat Gulf increased price week on week from US\$184.54/ton to reach a weekly average of US\$186.26/ton.

Bullish factors

- Australian wheat prospects have been reduced by dry weather.

Bearish factor

- The International Grains Council is estimating the global wheat crop to be the 2nd largest ever.
- According to latest USDA stats spring wheat production was added by 14 million bushels, even though the trade expected a 20 million bushel drop. (All wheat is estimated at 1.741 billion bushels, trade expected a decline of 1.718 billion bushels).



Domestic

On September 28th, wheat prices for delivery in Dec2017 increased by 1.4% (R55) from R R3980/ton to R4035/ton week on week.

Bullish factors

- The production of dry land wheat in the Western Cape Province declined by 25% compared to the previous production season.
- Nationally, barley production declined by 24% compared to the previous production season.
- The wheat tariff increased from R379.30/ton to R752.40/ton thereby increasing import price levels and demand for better priced locally produced wheat.

Bearish factors

- An unexpected increase in policy certainty and weaker US\$ by the end of December 2017 will lead to a strong Rand.
- The wheat tariff increased from R379.30/ton to R752.40/ton may suppress wheat prices as consumers may lower domestic wheat price offers to ensure a lower priced grid of imported and local wheat.

Outlook

Internationally wheat prices are expected to remain under pressure well into the next year, because of large global stocks & crop, thanks to the Black Sea great crop prospect.

The drought condition in the Western Cape persists. It is too late now to change the winter wheat outlook. Harvests in the new season are expected to be average. The lower tariff from the recent weeks stimulated cheaper wheat imports but as of the 29th September 2017, a new higher tariff of R752.40/ton from the R379.30/ton was published on the Government Gazette which should provide some relief to the local producers.

Wheat Futures 28 September 2017		Sep-17	Dec-17	Mar-17	Jul-18			
CME (\$/t)		174.26	179.03	188.59	195.20			
SAFEX (R/t)		4018	4035	4120	4150			
SAFEX (R/t) Change w/w		-293	55	65	30			
Dec-17			Mar-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,080	159	114	4,160	243	203	4,200	326	276
4,040	137	132	4,120	221	221	4,160	304	294
4,000	117	152	4,080	201	241	4,120	283	313

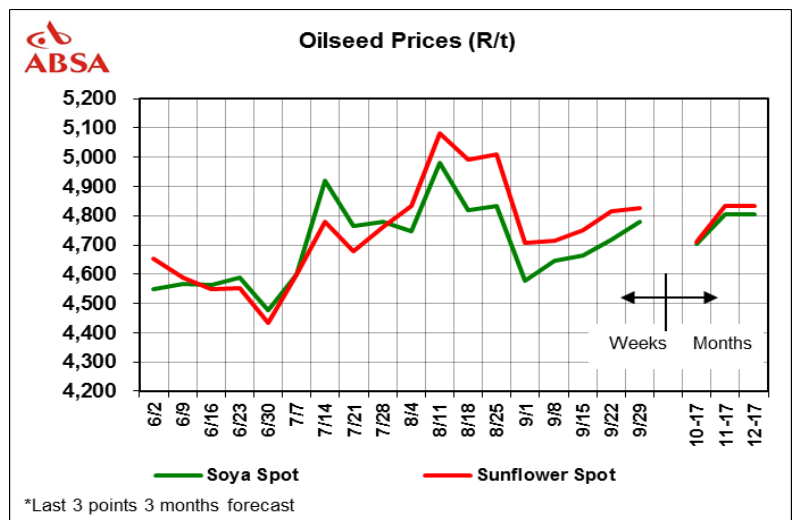
Oilseed market trends

International

The weekly average USA soybean price decreased week on week from US\$374.78/ton to US\$371.11/ton. US soya oil prices decreased from US\$3429/ton to US\$32.95/ton and soymeal prices traded lower from US\$308.86/ton to US\$308.13/ton.

Bullish factors

- Ongoing growing concern among the farming community in South America about the very dry conditions in Central Brazil and excessive moisture in Argentina could potentially jeopardize summer crop plantings.
- Chinese soybean import requirements also anticipated to increase according to latest USDA report.
- Olive oil shortage, boosted Spanish sunflower oil imports.



Bearish factors

- Price pressure is likely if the forecasts of large global soybean (vegetable oils) materialize in the upcoming season. Looming harvest pressure and large old crop stocks of both global sunflower seed and oil affects the prices right now; however an increase in sunflower seed prices is expected once the bulk of the new crop is marketed in the further course of the 2017/18 season.
- Soybean prices, bearish after the soybean 2017/18 production forecast by the USDA, pegging production up by 3% in comparison to the previous season.
- Soybean futures were under pressure due to harvesting pressure, reports of better than expected USA yields and increased farmer sales.

Domestic

On September 28th, sunflower seed prices (Dec17) decreased week on week by 0.8% (R38) from R4873/ton to R4835/ton while soybean (Dec17) prices also declined marginally by 0.1% from R 4808/ton to R4806/ton. Sunflower seed prices fared higher than soybean prices for the December 2017 deliveries, due to increased demand for local sunflower seed processing.

Bullish factors

- The positive crushing margin for sunflower seed and consequent local demand support sunflower seed prices.
- After the record USA soybean harvest attention will shift to South American soybean supplies. A combination of weaker plantings and yields for the South American 2017/18 crop will eventually lead prices in the following six months higher.
- The positive crushing margin for sunflower seed and consequent local demand support sunflower seed prices.
- Palm oil prices are expected to trend lower in the coming quarters as global supply recovers from El Nino.

Bearish factors

- According to the final crop estimate the production of soybeans is unchanged at 1 316 370 tons with the majority of 95,6% already delivered by producers in silos
- The import parity price for soybeans is R6500/ton compared to the JSE price of R4780/ton (-26%). The unutilized stock of 848 957 tons (after six months into the marketing year) exceeds the expected utilization of about 515 000 tons during the remaining six months until end of Feb 2018. According to the final crop estimate the production of sunflower seed increased by 0,52% to 874 595 tons.
- The import parity price for sunflower seed is R6100/ton compared to the JSE price of R4835/ton (-21%). Based on the past six months the utilization of sunflower seed may reach just more than 780 000 tons by the end of February 2018. The unutilized stock to date is 639 064 tons.

Outlook

According to the final crop estimate the production of soybeans is unchanged at 1 316 370 tons with the majority of 95,6% already delivered by producers in silos. Sunflower seed area planted declined from the previous season from 718 500 ha to 635 750 ha. With the current large maize crop and probable carry over stock next year, some of the area under sunflower and soybean may increase to cater for better margin crops. Positive crushing margins have been supporting local oilseed prices. Sunflower processing was 87,912 tons in August 2017 (26% higher than the same time last year). Soymeal stocks remains burdensome in South America, export activity picked up since July. Brazil and Argentina boosted exports into EU-28. The global large supply of soybeans is expected to weigh any major price increases in the longer term. International supply and demand and Rand fluctuations will determine prices.

Oilseeds Futures 28 September 2017			Dec-17	Mar-18	Jul-18	Sep-18		
CBOT Soybeans (US\$/t)**			356.51	359.90	365.69	363.03		
CBOT Soy oil (US c/lb)			32.82	33.25	33.66	33.57		
CBOT Soy cake meal (US\$/t)*			342.31	348.24	353.74	353.63		
SAFEX Soybean seed (R/t)			4806	4900	5023	0		
SAFEX Soybean seed (R/t) change w/w			-2	-4	-27	0		
SAFEX Sunflower seed (R/t)			4835	4920	5043	0		
SAFEX Sunflower seed (R/t) change w/w			-38	-65	-67	0		
Sunflower Calculated Option Prices (R/t)								
Dec-17			Mar-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,880	232	187	4,960	323	283	5,080	392	355
4,840	210	205	4,920	302	302	5,040	370	373
4,800	190	225	4,880	281	321	5,000	349	392

*short ton

** Dec 2017 = Jan 2018

Absa AgriBusiness
Karabo.Takadi@absa.co.za
Wessel.Lemmer@absa.co.za
Conce.Moraba@absa.co.za

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