



Agri Trends

16 November 2018

Economics and weather uncertainties supported maize prices in the past 2 months

Yellow and white maize prices and soybean prices have increased significantly in the past two months. This is in line with industry expectations, the Rand drooped tremendously in the past 2 months which supporting maize exports, hence supporting prices. The harvesting pressures that were weighing on prices have subsided as we now in the new planting phase. Planting intentions are expected to be slightly lower in the new production season due to the current stocks that's still large. South Africa is also experiencing weather uncertainty during planting season in the summer grain growing regions, rains are delayed and this could lead to lower maize planted/ lower yields in the main growing regions. All these factors contributed to the increase you see from July 2018 to September 2018.

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Maize market trends

International

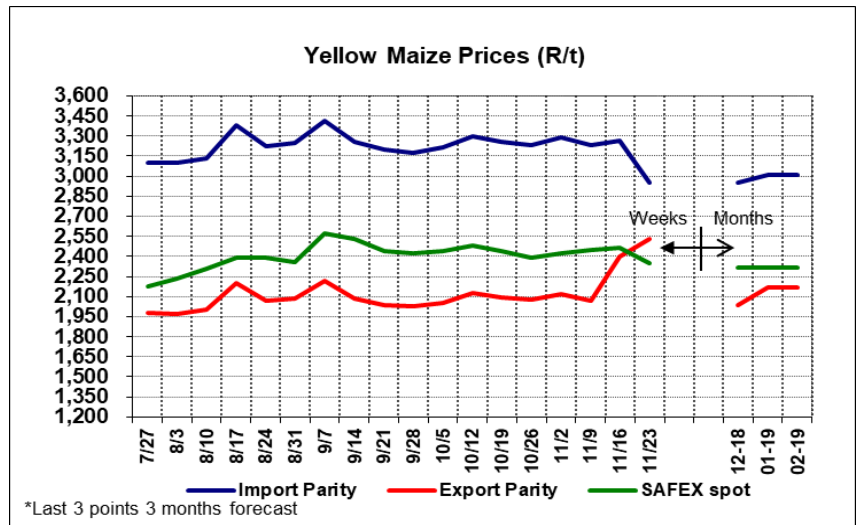
Week-on-week yellow maize No 2 gulf price decreased from US\$164.16/ton to US\$161.59/ton. US maize prices traded lower week on week, due to technical selling and a stronger US dollar, making US maize less competitive in the world market

Bullish factors

- The 2018/19 US maize output estimate was cut by a 3.9 million ton to reach 371.5 million ton.

Bearish factors

- Harvesting of maize in the US progressing very well.
- CONAB lifted Brazil's 2018/19 maize output forecast to 90.5 million (previously 80.8 million ton)
- Stronger US dollar, weighed on the competitive market for US maize trade. US maize market traded lower week-on-week on the back due to stronger dollar.

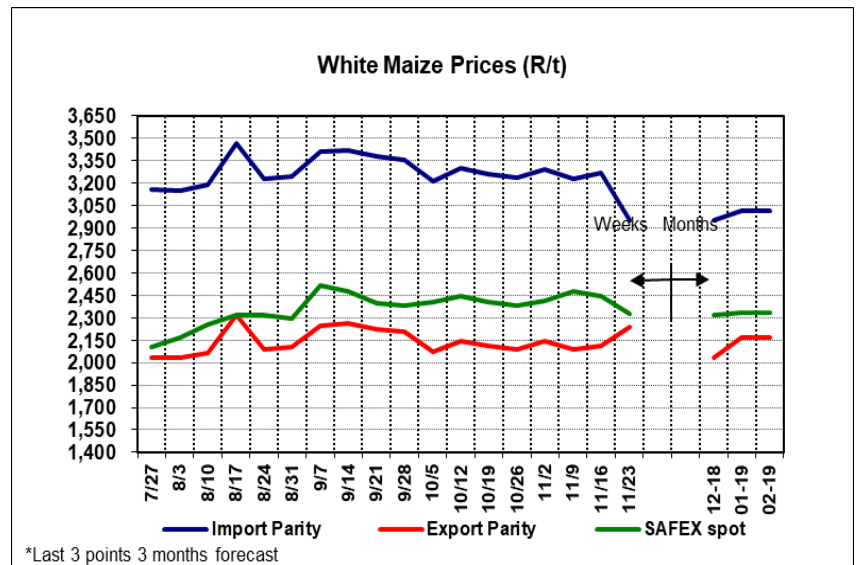


Domestic

On 16 November 2018, local maize market traded lower week on week. New season white maize prices for delivery in Dec2018 traded lower by R123/ton from R2521/ton to R2398/ton. Week-on-week new season yellow maize prices for delivery in Dec2018 decreased R57/ton from R2486/ton to R2429/ton.

Bullish factors

- The weekly SA maize exports for the week ending 09 November 2018 were 7,133 tons white maize and 6,808 tons yellow maize. This brings cumulative maize exports for the season to date at 1,581,282 million tons.
- Warm and dry weather conditions are forecasted for the central and the western growing regions in the following week. Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November.
- The Rand was slightly weaker this past week, providing some support to the maize market.



Bearish factors

- Weather forecast for the week ahead is more promising. Rainfall expected in the next week for Mpumalanga, eastern Free State and the eastern parts of North West. These are the major maize producing provinces. Rainfall in these areas could provide some relief and assist growth during the planting time after a week of very high temperatures.

Outlook

Local

Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November. It is possible that a drier situation may exist over the western parts of the country compared to initial forecasts with negative forecast due to the expected effects of El Nino later in the season.

International

This week, the US maize market traded lower. Harvesting of maize in the US progressing very well and a stronger US dollar weighing on the export potential vs other competitive markets such as the Ukraine.

Table 1: Week on week yellow maize futures and estimated option prices

Yellow Maize Futures: 16 November 2018	Dec-18	Mar-18	May-19	Jul-19
CBOT (\$/t)	145.37	150.09	152.94	155.11
SAFEX (R/t)	2429	2472	2460	2492
<i>SAFEX (R/t) Change week on week (w/w)</i>	-57	-50	-32	-53

Table 2: Week on week white maize futures and estimated option prices

White Maize Futures 16 November 2018	Dec-18	Mar-19	May-19	Jul-19
SAFEX (R/t)	2398	2460	2512	2536
<i>SAFEX (R/t) Change w/w</i>	-123	-114	-88	-106

Wheat market trends

International

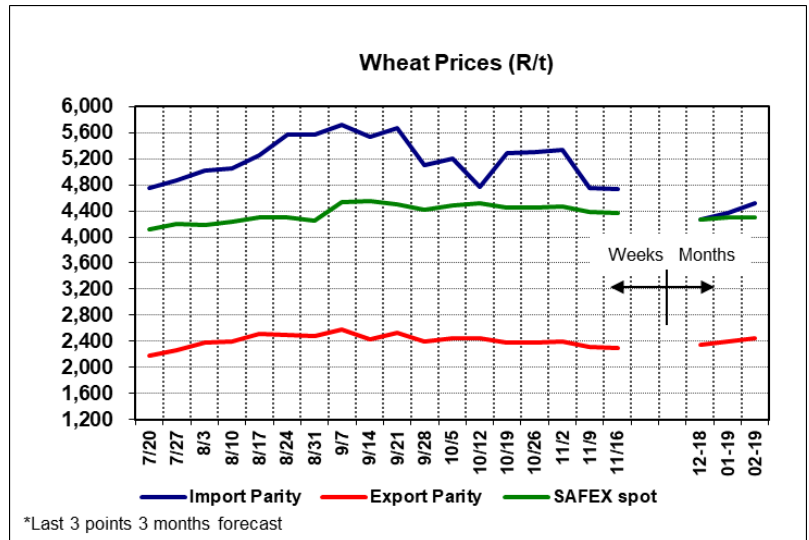
The weekly average old season SRW wheat Gulf price decreased marginally from US\$218/ton to US\$217/ton week on week. Weekly average HRW wheat price marginally decreased from US\$236/ton to US\$230/ton week on week. Global prices declined this week due to abundant nearby supplies and more price competitive wheat supplies available in the world market.

Bullish factors

- Some price support came from unfavourable wet weather conditions in Argentina and Australia.
- Dry weather conditions remains an unfavourable factor for the 2019/20 crops in Europe. Russia also expected to have a cold weather spell.
- The Brazil harvest is reported to be nearly finished but wet weather has impaired the quality of wheat. This could potentially raise the needs of imports in the country.

Bearish factors

- Slow export sales from the US added pressure to the international wheat prices.
- Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week.



Domestic

On 16 November 2018, wheat prices for delivery in Dec2018 decreased by R83/ton from R4376/ton to R4293/ton, week on week. Local wheat prices were lower due to a stronger Rand.

Bullish factors

- The latest import tariff of R490.70/ton providing some underlying support from the lower tariff of R298.50/ton.

Bearish factors

- Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. The harvest process is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries.
- New imports for the 2018/19 season, for the week ending 09 November 2018, was 26 364 tons all originating from the Ukraine. The cumulative imports for the 2018/19 season to date is 92,307 tons.
- Weather conditions in the other wheat growing provinces in South Africa supporting the wheat crop production estimates.

Outlook

Local

Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. The harvesting of the new crop is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries.

International

Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week. Global supplies have risen more than usage, world ending stocks are raised by 6.5 million tons up to total 266.7 million ton.

Table 1: Week on week wheat futures and estimated option prices

Wheat Futures 16 November 2018	Dec-18	Mar-19	May-19	Jul-19
CME (\$/t)	184.82	188.13	191.43	194.83
SAFEX (R/t)	4293	4417	4505	4535
<i>SAFEX (R/t) Change w/w</i>	-83	-77	-27	-48

Oilseeds market trends

International

The weekly average USA soybean price marginally increased week-on-week from US\$327.75/ton to US\$331.06/ton. US soya oil prices decreased from US\$28.73c/lb to US\$28.46c/lb and soymeal prices traded marginally lower from US\$312.80/ton to US\$312.42/ton.

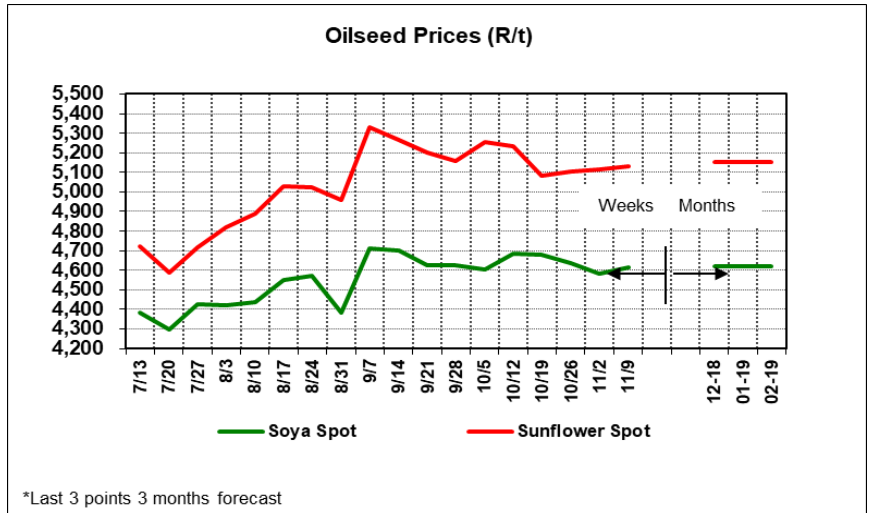
Bullish factors

Soybean:

- US soybean outlook according to the USDA's WASDE report cites lower production. US soybean production is estimated at 4.600 million bushels (down by 90 million bushels) due to lower yields.
- South America is expected to be a key exporter to the Chinese soybean market amid trade tensions while the US will primarily focus on the rest of the world in the second half of the year.

Rapeseed:

EU rapeseed prices were higher weekly, on the back off deteriorating outlooks for the 2019/20 production.



Bearish factors

Soybeans:

- An increasingly US supply of soybeans weighed on the US soybean market this past week.
- US carryover stocks are expected to be 1.9 million tons higher due to the slow buying from China.
- Farmer selling remains sluggish in Brazil, combined with the local currency strength, soybean prices remain subdued.
- Slower export interest was noticed last week. There might be a potential breakthrough in the US-China trade talks. This could potentially lead to lower prices for Brazilian soybean.

Canola:

- Values were lower in the global canola market due to negative spillover from the soybean market. Additional pressure stemming from reserved farmer selling and slow export demand also contributed to lower prices.

Domestic

New season soybean prices (Dec2018) decreased week on week by R17/ton from R4636/ton to R4619/ton.

New season sunflower seed prices (Dec2018) increased week on week by R16/ton from R51966/ton to R5212/ton.

Bullish factors

Sunflower Seed:

- Probable drier weather conditions (lower rainfall and higher temperatures) in the late 2018 and early 2019 period could have negative effect on soybean output.

Bearish factors

Soybeans

- Rains are expected in the next two weeks in the eastern parts of the country, which will be beneficial to soybean crops.

Outlook

Local

Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November. It is possible that a drier situation may exist over the western parts of the country compared to initial forecasts with

negative forecast due to the expected effects of El Nino later in the season. Probable drier weather conditions (lower rainfall and higher temperatures) in the late 2018 and early 2019 period could have negative effect on soybean output.

International

The outlook for US soybean is for lower production, reduced exports due to trade tensions and increased ending stocks.

Table 1: Week on week soybean and sunflower seed futures and estimated option prices

Oilseeds Futures 16 November 2018	Dec-18	Mar-19	May-19	Jul-19
CBOT Soybeans (US\$/t)**	320.59	325.18	330.14	334.46
CBOT Soy oil (US c/lb)	29.02	29.52	29.80	30.09
CBOT Soymeal (US c/lb)	348.13	347.80	345.27	346.04
SAFEX Soybean seed (R/t)	4619	4742	4822	4923
<i>SAFEX Soybean seed (R/t) change w/w</i>	-17	-18	6	19
<i>SAFEX Sunflower seed (R/t)</i>	5212	5172	5050	5081
<i>SAFEX Sunflower seed (R/t) change w/w</i>	16	-3	10	0

*Short ton

** Dec 2018 = Jan 2019

