



## Agri Trends

18 January 2019

The expected lower maize production lead to a drop in livestock prices.

As a result of maize prices increasing to import parity price levels and carcass prices declining due to the suspension of beef exports as a result of SA's loss of its free Foot-and-mouth disease status, feedlots are near break-even cost levels. Producers who depend on the diversification between grain and extensive livestock production (weaners) to lower their risk may not reap the benefits in 2019. The preliminary estimate of hectares planted will be published by the end of January. Stakeholders in the industry expect that the hectares planted in the Free State and North West provinces may only reach 70% of intentions while the yield of maize production in these provinces may even be 20% less than the four year average yield. To summarize, it can be expected that the total hectares planted may only reach a total of about 1,95 million hectares with a total production of 9,3 million tons. At these production levels and considering the total demand of maize at 10,8 million tons South Africa need to import 1,1 million tons of yellow maize to meet the demand for animal feeds. The rainfall between July and December adds up to 139 mm for the Free State compared to 82 mm during 2015 and the long term average (since 1960) of 244 mm. Rainfall in the North West Province adds up to 115 mm (97 mm in 2015) compared to a long term average rainfall of 208 mm. Mpumalanga received 285 mm (211 mm in 2015) compared to the long term average of 378 mm. The total production in the 2015/16 production season reached nearly 7,8 million tons.

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## Maize market trends

### International

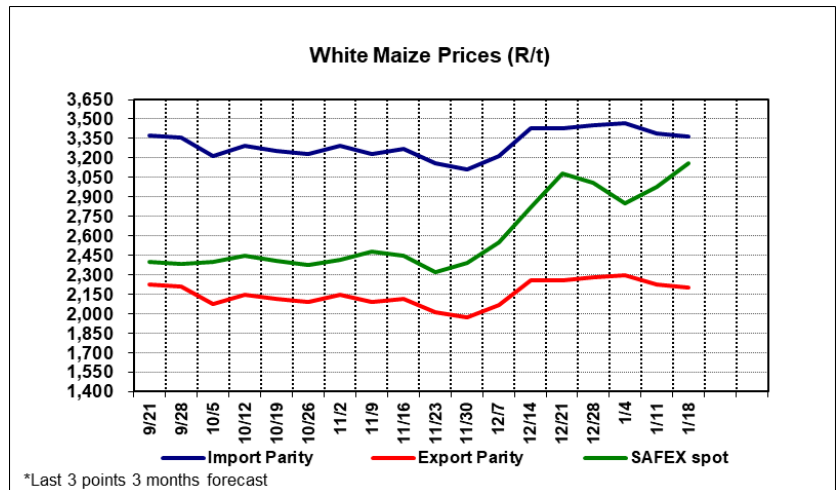
Week-on-week yellow maize No 2 gulf price decreased marginally (1.3%) from US\$166.76/ton to US\$164.54/ton. US maize prices traded sideways week-on-week

#### Bullish factors

- Worries about South American weather supported maize prices and an increased in international demand.

#### Bearish factors

- Spill over declines from the soybean market and uncertainty regarding the US-China trade relations weighed on prices.
- The 2018/19 production forecast for China was raised by 42.3 million ton month-on-month to 257.3 million (259 million previous year).

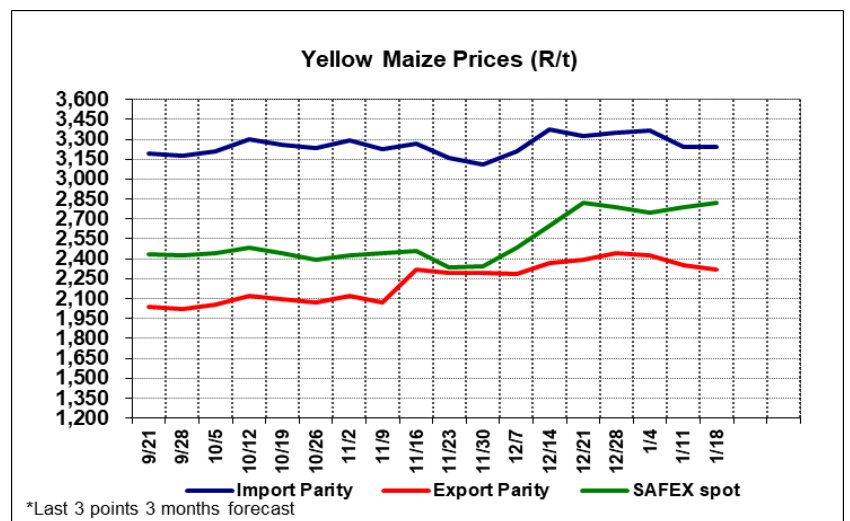


### Domestic

On 17 January 2018, local maize market traded higher week on week. New season white maize prices for delivery in Mar2019 traded higher by R247/ton from R2985/ton to R3232/ton. New season white maize prices for delivery in May2019 traded higher by R253/ton from R3026/ton to R3279/ton. Week-on-week new season yellow maize prices for delivery in Mar2019 increased R53/ton from R2787/ton to R2840/ton. Week-on-week new season yellow maize prices for delivery in May2019 increased R74/ton from R2751/ton to R2825/ton. South African maize prices found support from the poor growing conditions and expectations of a lower crop. White maize trading at +/-R200/ton premium over yellow maize.

#### Bullish factors

- The Free State and Western Free State is likely to have 20% decline in yield respectively due to the poor growing conditions.
- Generally 2018/19 production season was difficult, characterized by very dry and hot conditions during the planting phase.
- Late planting of maize crops brings its own challenges and sets of risks.
- In the eastern Free State region follow-up rains remains critical. Planting conditions (below average rainfall and hot temperatures) were very poor during the optimal planting window. Expectations are for lower maize and soybean hectares to be planted compared to initial estimates.



- Frost may be risk for maize that was planted late. There is a 40% probability of light frost in the Northwest Free State before mid-April. Weather forecasters also estimate a 20-30% probability of moderate to severe frost from the 20-30 April in the area (Bothaville). The probability and risk of severe frost occurring before end of April is very low in the Lichtenburg area.

## Bearish factors

- Large parts of the Free State received some beneficial rains during the end of December and beginning of January 2019. Some parts of the province received more rain in the past 30 days than the entire season. Regular widespread follow-up rains remain critical.
- Fairly normal yields can be expected from the Mpumalanga region for this season. Crops in Mpumalanga are now in flowering stage, late rains received will help mitigate crop losses.
- Current stocks remain large in the country. With approximately 5.4 million tons total of maize in silo's currently.

## **Outlook**

### **Local**

The Free State and Western Free State is likely to have 20% decline in yield respectively due to the poor growing conditions. Late planting of maize crops brings its own challenges and sets of risks. Frost may be risk for maize that was planted late. There is a 40% probability of light frost in the Northwest Free State before mid-April. Weather forecasters also estimate a 20-30% probability of moderate to severe frost from the 20-30 April in the area (Bothaville). The probability and risk of severe frost occurring before end of April is very low in the Lichtenburg area.

The preliminary estimate of hectares planted will be published by the end of January. Stakeholders in the industry expect that the hectares planted in the Free State and North West provinces may only reach 70% of intentions while the yield of maize production in these provinces may even be 20% less than the four year average yield. To summarize, it can be expected that the total hectares planted may only reach a total of about 1,95 million hectares with a total production of 9,3 million tons.

### **International**

The trade war between China and the US had the biggest impact on the global grains market in 2018. Only less than 60 days left in the "peace" between the two trading giants to implement more import restrictions. The market will be determined by growing conditions, area planted and the protectionist policies in the next few weeks.

Table 1: Week on week yellow maize futures

Yellow Maize Futures: 17 January 2019	Mar-19	May-18	Jul-19	Sep-19
SAFEX (R/t)	2840	2825	2828	2869
SAFEX (R/t) <i>Change week on week (w/w)</i>	53	74	59	48

Table 2: Week on week white maize futures

White Maize Futures 17 January 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	3232	3279	3326	3322
SAFEX (R/t) <i>Change w/w</i>	247	253	248	219

## Wheat market trends

### International

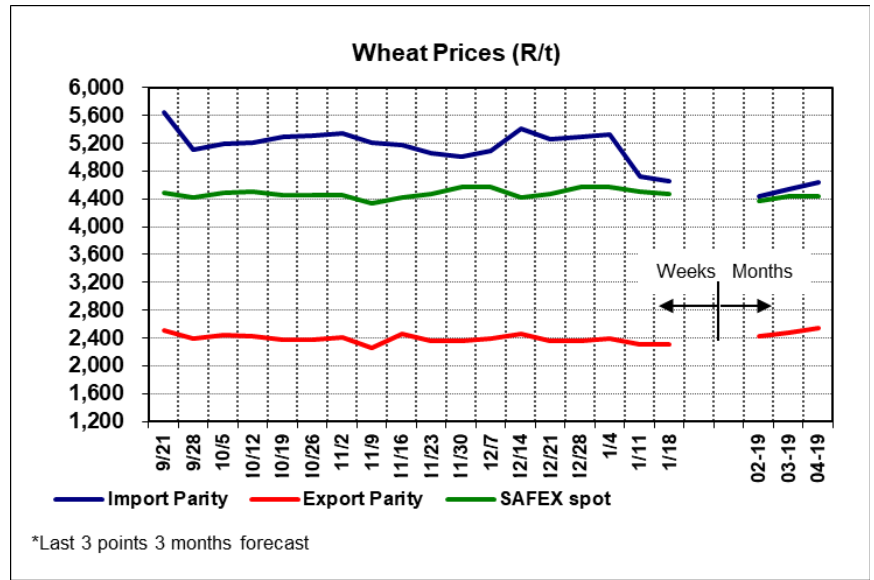
The weekly average old season SRW wheat Gulf prices traded marginally lower week on week from US\$226/ton to US\$224/ton. Weekly average HRW wheat price traded marginally higher from US\$238/ton to US\$241/ton week on week. US wheat market traded lower on slow exports.

#### Bullish factors

- Price competitiveness improved this week and the US exporters were more optimistic about sales.
- Overly wet weather conditions during planting time in the US has analysts estimating lower area planted in the US for winter wheat compared to last season. The US market expects 2019 winter wheat area at 32.28 million acres compared to the 32.54 million acres in 2018.
- Australian barley prices got support from strong feed demand.

#### Bearish factors

- Slow exports from the US continue to weigh on the wheat market.
- Snow coverage in the winter wheat producing areas could be beneficial in providing some protection against freezing conditions.



### Domestic

On 17 January 2019, wheat prices for delivery in Mar2019 decreased by R75/ton from R4505/ton to R4430/ton, week on week. Wheat prices for delivery in May2019 decreased by R81/ton from R4576/ton to R4495/ton, week on week. Domestic wheat prices traded lower, pressured by a stronger Rand.

#### Bearish factors

- Local wheat prices were pressured by stronger Rand this week.
- There will be a tariff free importing window from beginning February allowing imports of 300 000 tons free into the SA, this may suppress local wheat prices. Currently the published tariff is R490.70/ton.
- Cumulative weekly wheat imports as at the week ending 11 January 2019 are 183,764 tons. All imports for the week originated from Argentina (21,794 tons).

### Outlook

**Local**  
Stronger local currency limited gains in the local wheat market. Prices are expected to trade sideways in the medium term. Current weather worries affecting the summer grain producing regions is irrelevant to the wheat growing areas. The 300 000 ton tariff free importing window may weigh on local prices in the coming month.

### International

Slow exports from the US and EU continue to weigh on the global wheat market.

Table 1: Week on week wheat futures

Wheat Futures: 17 January 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	4430	4495	4528	0
SAFEX (R/t) <i>Change week on week (w/w)</i>	-75	-81	-73	0

## Oilseeds market trends

### International

The weekly average USA soybean price decreased week-on-week from US\$341.34/ton to US\$336.02/ton. US soya oil prices increased from US\$24.43/lb to US\$28.98c/lb and soymeal prices traded higher from US\$310.85/ton to US\$313.96/ton. US soybean futures traded lower due to stagnant progress on the US-China trade relations talks and improved competitive southern hemisphere pricing.

### Bullish factors

#### Soybean:

- The global soybean supply is estimated at 454.3 million ton (7 million ton less than previous estimate).
- China has resumed importing soybeans from China. There is however still uncertainty with regards to the size of sales because the US government isn't releasing any export sales reports due to the partial US government shutdown since 21 December 2018.
- US soybean producers and exporters are likely to benefit from the significant reductions in Brazilian export supplies in 2019.

#### Soymeal:

- Soymeal prices will be linked to the price movements of soybeans in the coming months. If South American crops deteriorate any further, the decline in soybean crops will support soymeal prices.

#### Groundnut:

- The groundnut market is currently characterized by diminishing supplies and a lower demand. World production is estimated at 29.3 million ton (shelled), which is 2.3 million ton reduction from the previous year. The major crop reductions occurred in China, USA and in India.

### Bearish factors

#### Soybeans:

- South American soybean crop losses are significant but have not yet eliminated the global soybean production surplus.
- US soybean stocks are likely to remain large. The future US-China trade talks/resolution will continue to be a key factor on the demand side.

#### Soymeal:

- The global supply of soybean, coupled with the seasonal increase in South American crushing and export supplies may have a negative effect on soymeal prices in the medium term.

#### Groundnuts:

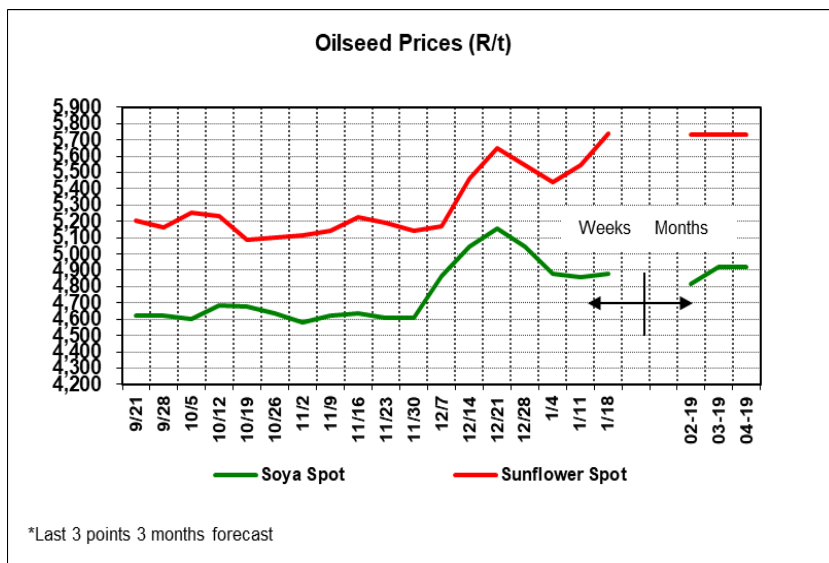
- Groundnut consumption has slowed down in China due to the slow economic growth.

#### Sunflower oil:

- World sunflower oil production will likely increase this season exceeding 20 million tons, due to large Russian and Ukraine supplies.
- Sunflower oil import estimates were raised for Egypt, South Africa, Mexico, China, Iraq, Lebanon and other few countries.

#### Sunflower seed:

- Global sunflower seed production is likely to increase to 52.8 million ton ((3.2 million tons higher than the previous year).



## Domestic

For the week ending 17 January 2019, new season soybean prices (Mar2019) traded higher from R4849/ton to R4923/ton. New season soybean prices (May2019) increased week on week by R67/ton from R4936/ton to R5003/ton.

New season sunflower seed prices (Mar2019) increased week on week by R187/ton from R5543/ton to R5730/ton. New season sunflower seed prices (May2019) increased week on week by R350/ton from R5332/ton to R5682/ton.

### Bullish factors

#### Sunflower seed:

- Due to drier and hot weather conditions in the past few weeks, maize crops could not be planted during the optimal planting period. In the next 3 weeks of January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State. It is key to note that 85% of SA's sunflower seed crop is planted in the Free State and North West.

### Bearish factors

#### Sunflower Seed:

- There's optimism for either average rainfall for the rest of January and early February 2019, followed by dry conditions in the latter part of the summer rainfall season in the western parts of the country. Good rainfall is expected for the next two weeks. Plantings of sunflower seed could be supported.
- The eastern parts could potentially receive average rainfall from now till the end of March (the probability of this occurrence is 70%) or below average rainfall from February to March (probability of this occurrence is 30%).

## Outlook

### Local

Poor weather conditions, below normal rainfall and very hot conditions, in the central and western summergrain and oilseeds growing areas and the ongoing uncertainty with regards to the area planted under soybean or sunflower seed will support prices in the next few weeks.

### International

South American weather worries continue to underpin soybean prices. Production losses in South America are significant but global supplies still remain burdensome. The price outlook for soybeans remains bearish. Soymeal prices will be linked to the price movements of soybeans in the coming months. If South American crops deteriorate any further, the decline in soybean crops will support soymeal prices.

Table 1: Week on week soybean and sunflower seed futures

Oilseeds Futures 17 January 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX Soybean seed (R/t)	4923	5003	5090	0
SAFEX Soybean seed (R/t) change w/w	74	67	75	0
SAFEX Sunflower seed (R/t)	5730	5682	5467	5410
SAFEX Sunflower seed (R/t) change w/w	187	350	448	348



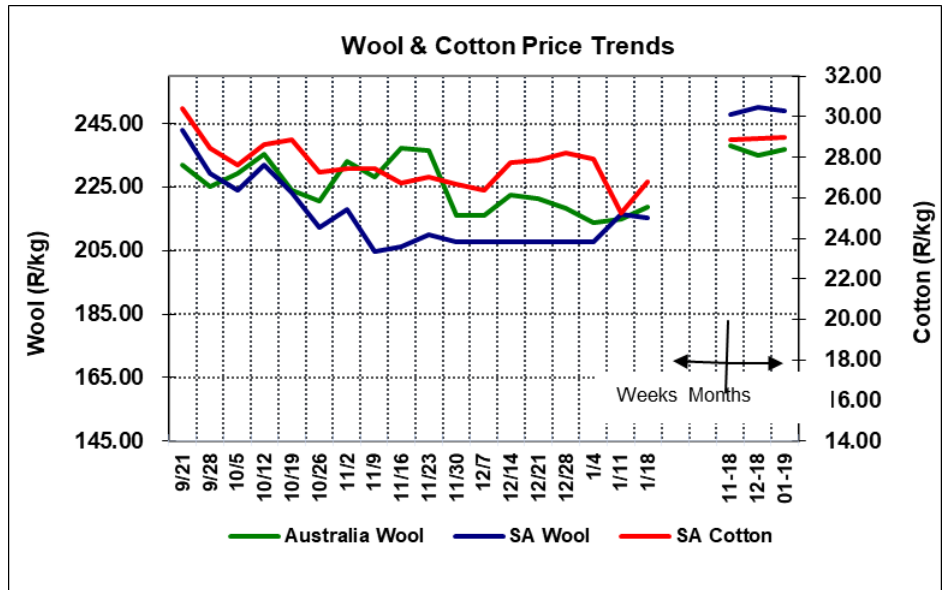
## Wool market trends

### International

Australian wool auctions resumed this week, with prices appreciating across all microns.

#### Bullish factors

- Continuous dry conditions across major wool producing regions, decline in number of sheep shorn and wool cut per sheep continues to support prices.
- Global supply concerns continue to underpin prices even though the January auctions so far had large volumes on offer.
- Strong demand for crossbred wool. Limited supply of best style lots received premiums.
- A lower supply of 41,503 bales will be on offer at the auction in Australia next week. This is down from 50,000 last week and should spark some strong competition next week.



#### Bearish factors

- The on/off trade dispute between the two largest economies (US/China) affecting traders' certainty.
- This week 51 703 bales were on offer at Australia's auction, which was expected to weigh on prices.
- Large volumes of drought affected super fine wool limited the gains in the market in Australian wool sales.

### Domestic

Domestic wool market prices closed at R215.24 c/kg (clean) at the sale a 0.6% marginal decrease from R216.48 c/kg (clean) last week. The SA market traded sideways at this week's auction.

#### Bullish factors

- Excellent competition on merino wools of well grown and longer length wools.
- Some price support will come from lower supplies due to the ongoing drought in South Africa and Australia.
- The wool growing areas remain dry, livestock grazing conditions remain a concern.

#### Bearish factors

- Analysts do caution that some degree of a downward correction is to be expected.

### Outlook

Domestic wool market is expected to trade well in the short to medium term. Supply concerns remain a bullish factor due to persisting drought in the wool growing areas. The price support came from excellent competition on merino wools of well grown and longer length wools. The next sale is scheduled for the 23 January 2019 and approximately 8931 bales will be on offer.

## Cotton market trends

### International

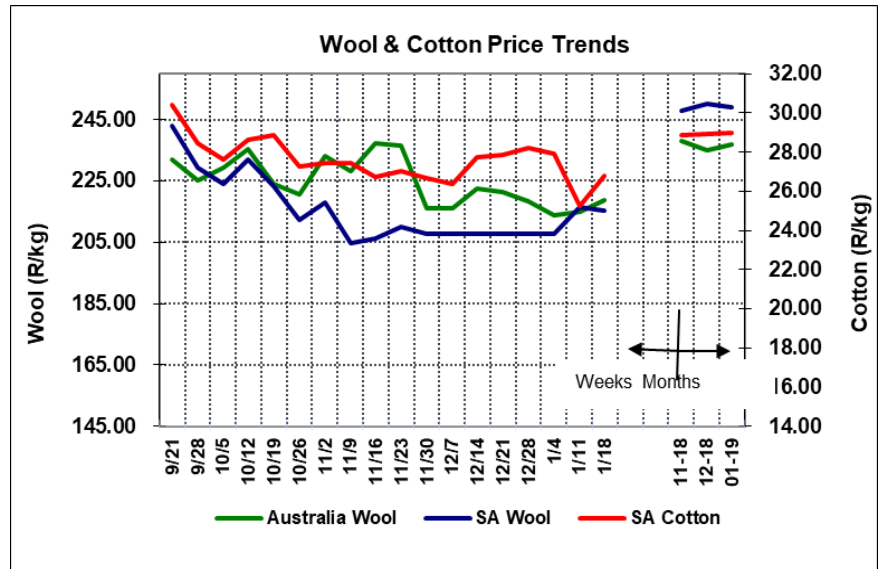
Australian wool auctions continued to trade higher week on week. Australian wool market traded 3% higher week on week at AU 1923 c/kg.

### Bullish factors

- Unfavourable weather conditions are likely to reduce the global cotton seed production to 43.1 million ton in 2018/19 (3-4% less than the previous year)
- Dryness in India contributed to the decline in crop production estimate.
- The shortage of fodder and other feed in the intensive livestock sector has boosted the consumption of direct food use of cotton seed in Australia and USA.

### Bearish factors

- Brazilian farmers are seen increasing their cotton seed plantings. Production is expected to increase by 20-25% this year in the country.



### Domestic

The derived SA cotton prices traded lower at R25.24/kg.

### Outlook

Internationally, Cotton prices rebounded on weather concerns and stronger demand.

The final estimate for the 2017/18 cotton seed production year is 188 220 lint bales, which is a 143% increase compared to the previous season and 4% lower than the November estimate. Dryland cotton seed production hectares increased by 36% and irrigation hectares increased by 164% due to more favourable prices of cotton in increased demand.

Fibres market trends Week ended 18 January 2019								
Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Sep 2018 (AU\$/kg)	%	Australian future Dec 2018 (AU\$/kg)
Wool market indicator	-0.6	21524	3.44	1923		-		-
19µ micron	1.40	23045	1.97	26379	1.86	21.90	1.88	21.70
21µ micron	0.20	21953	3.72	21953	3.37	21.50	3.90	21.30
Cotton prices 11 January 2019		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future Sep 2018 (US\$/kg)		New York future Dec 2018 (US\$/kg)
Cotton prices	-1.5	25.24	-1.57	2.14	1.1	1.92	1.0	1.92

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