



Agri Trends

25 January 2019

The summer crop production areas' drought, lead to a price decline in the beef industry.

The suspension of beef exports and the poor outlook of summer crops which will subsequently affect the feed industry were the main drivers of the decline in prices in the beef industry. The carcass prices started declining after May 2018 to reach a price level of just below R45.50/kg in October 2018. In the run up to the festive season prices increased marginally to R45.60/kg. Since the suspension of exports and South Africa losing its Foot and Mouth Disease free status prices declined by 2,2 % to reach R44.60/kg. The latest indications are that carcass prices may continue to decline to reach R41/kg before the end of January. Consumers should enjoy the lower beef prices in the retail sector and chain stores soon.

However, due to the strong demand for protein, we anticipate the demand for beef will increase and as a result, this will start to underpin the recovery of beef prices.

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Maize market trends

International

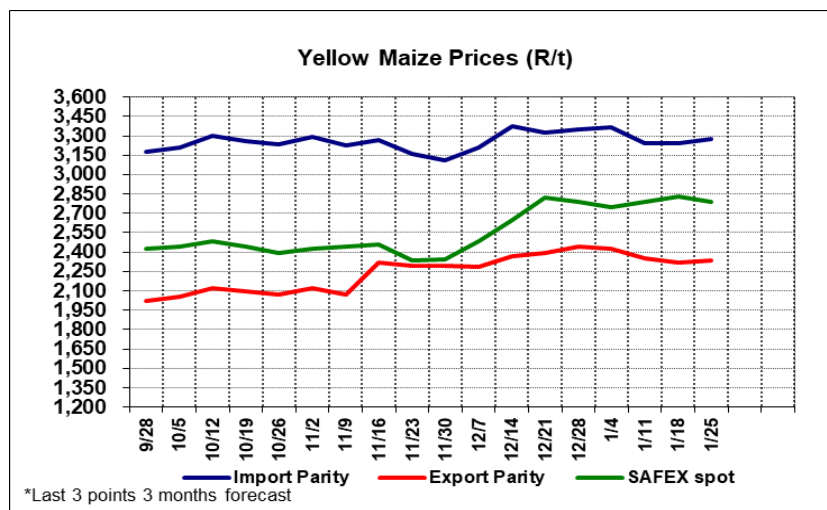
Week-on-week yellow maize No 2 gulf price increased marginally (1.6%) from US\$165.74/ton to US\$167.05/ton. Good export demand for US maize, continued weather concerns in parts of South America and spill over from soybeans supported the US maize market.

Bullish factors

- Weather condition worries (dryness in Brazil and heavy rainfall in Argentina) in South America and potential crop losses for maize in those regions supported US maize prices.
- Rainfall continued to hamper plantings in Argentina.

Bearish factors

- The lack of Chinese purchases and ongoing trade relation conflict between China and the US remains a bearish factor limiting gains in the market.
- Forecast for more favourable weather conditions (rainfall) in Brazil pressured the market slightly this week.

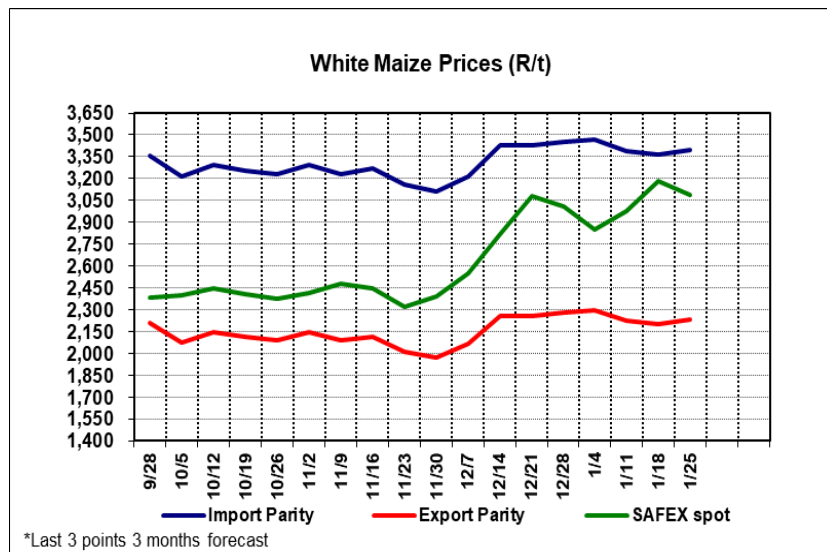


Domestic

On 24 January 2018, local maize market traded lower week on week. New season white maize prices for delivery in Mar2019 traded lower by R227/ton from R3232/ton to R3005/ton. New season white maize prices for delivery in May2019 traded lower by R219/ton from R3279/ton to R3060/ton. Week-on-week new season yellow maize prices for delivery in Mar2019 decreased by R99/ton from R2840/ton to R2741/ton. Week-on-week new season yellow maize prices for delivery in May2019 decreased by R75/ton from R2825/ton to R2750/ton. South African maize prices was under pressure in the past trading sessions due to sharp improvement in rainfall prospects and conditions for most of the summer rainfall areas.

Bullish factors

- Very late planted summer crops, especially where plants are still young are experiencing some heat stress conditions in the central and western parts of the summer grain growing part of the country.
- Late planting of maize crops brings its own challenges and sets of risks. Improved rainfall in the coming weeks may increase the risk for insufficient growth to complete the development cycle of late planted crops due to temperature related stress.
- Early frost damage is a possibility.



Bearish factors

- Maize prices came under pressure this week when the latest weather forecasts showed possibility for moderate rainfall over the eastern summergrain growing regions. There's an improvement in the rainfall conditions for most parts of the summer rainfall region in the few weeks to come.
- Frost risk is expected to be minimised by the positive rainfall outlook.

Outlook

Local

There is a positive rainfall outlook for the rest of the summer season.

According to Santam Agri, for the western parts of the country there's a 70% probability for average to above average rainfall occurring for the remainder of the season. For the eastern parts of the country there's a 70% probability for average to above average rainfall occurring until the end of March.

There's a 40% probability of light frost occurring in the Bothaville area before 10 April. Frost risk seems to be much lower towards the north western production areas such as Lichtenburg. Due to better rainfall forecasted for February and March, the risk for frost is lower. The lower temperatures on the other hand, due to rainfall, may lead to lower growth rate, which will have negative effects on the development of late planted crops.

International

The trade war between China and the US had the biggest impact on the global grains market in 2018. The market will be determined by growing conditions in South America and the protectionist policies between the US and China in the next few weeks.

Table 1: Week on week yellow maize futures

Yellow Maize Futures: 24 January 2019	Mar-19	May-18	Jul-19	Sep-19
SAFEX (R/t)	2741	2750	2745	2812
SAFEX (R/t) <i>Change week on week (w/w)</i>	-99	-75	-83	-57

Table 2: Week on week white maize futures

White Maize Futures 24 January 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	3005	3060	3098	3160
SAFEX (R/t) <i>Change week on week (w/w)</i>	-227	-219	-228	-162

Wheat market trends

International

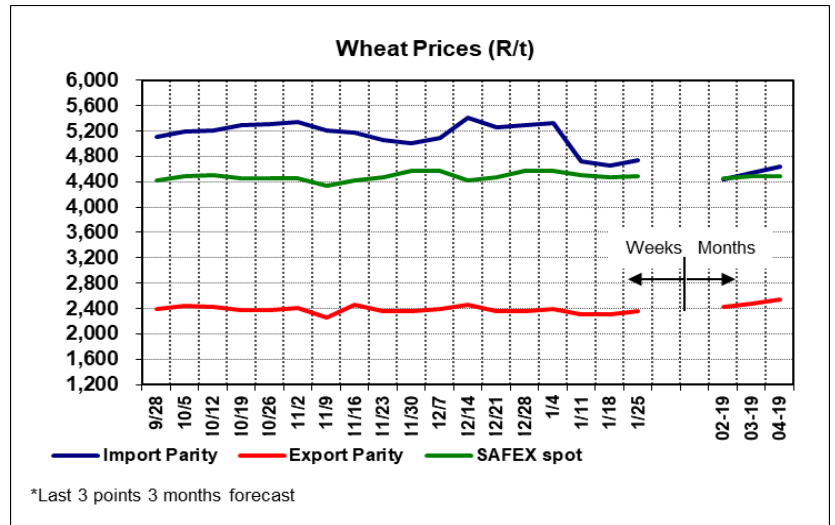
The weekly average old season SRW wheat Gulf prices traded marginally higher week on week from US\$226/ton to US\$228/ton. Weekly average HRW wheat price traded marginally higher from US\$241/ton to US\$244/ton week on week. US wheat market traded higher this week, on renewed optimism by analysts that US wheat exports will increase going forward due to its price competitiveness against Black Sea origin wheat.

Bullish factors

- Higher wheat prices from the Black Sea region (Russia and the Ukraine) have created an opportunity for cheaper wheat from the US which is supporting exports from that region.
- Positive outlook for future wheat exports from the US support US wheat prices during this week. Some industry players expect Russian exports to slow down in the near future which will bode well for US wheat prices.
- Russia (the world's largest wheat exporter), may reduce wheat exports this season to protect their local prices.

Bearish factors

- Snow coverage in the winter wheat producing areas could be beneficial in providing some protection against freezing conditions.



Domestic

On 24 January 2019, wheat prices for delivery in Mar2019 increased by R56/ton from R4430/ton to R4486/ton, week on week. Wheat prices for delivery in May2019 increased by R69/ton from R4495/ton to R4564/ton, week on week. Domestic wheat prices traded higher.

Bullish factors

- Weaker Rand was a supportive factor in the market.

Bearish factors

- Cumulative weekly wheat imports as at the week ending 18 January 2019 are 184,517 tons. No imports were recorded for the week ending 18 January 2018. There will be a tariff free importing window from beginning February allowing imports of 300 000 tons free into SA. Imports into the local wheat market should gain some momentum. This may suppress local wheat prices.

Outlook

Local

March wheat prices traded positively after trading negatively for consecutive sessions. Prices are expected to trade sideways in the medium term. The 300 000 ton tariff free importing window may weigh on local prices from 1st February 2019 as we expect imports to gain momentum.

Key data to look out for in the market, is the 6th wheat crop estimate which will be published by the CEC next week Tuesday.

International

US wheat market traded higher this week, on renewed optimism by analysts that US wheat exports will increase going forward due to its price competitiveness against Black Sea origin wheat.

Table 2: Week on week wheat futures

Wheat Futures 24 January 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	4486	4564	4601	n/a
SAFEX (R/t) SAFEX Wheat (R/t) change w/w	56	69	73	n/a

Oilseeds market trends

International

The weekly average USA soybean price increased week-on-week from US\$336.02/ton to US\$344.10/ton. US soya oil prices decreased from US\$29.10c/lb to US\$22.43c/lb and soymeal prices traded lower from US\$311.70/ton to US\$234.55/ton.

Bullish factors

Soybean:

- Speculation about US-China trade and South American weather woes are supporting the global soybean prices.

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.

Palm Oil:

- Competitiveness of palm oil on the Indian market has improved, supported by an import duty cut. On 1st January 2019 import duty on crude palm oil was reduced by 4% and RBD palm olein from Malaysia by 10%.

Bearish factors

Soybeans:

- US soybean exports are not as large as the industry anticipated. Due to the significant soybean crop losses in Brazil, markets expected more soybean exports from the US to China. However the lack of demand for soymeal in the feed sector of China limited the expected exports.
- Key soybean exporters are hit by the demand slowdown in the Chinese feed sector.

Domestic

For the week ending 24 January 2019, new season soybean prices (Mar2019) traded lower from R4923/ton to R4902/ton. New season soybean prices (May2019) decreased marginally week on week by R13/ton from R5003/ton to R4990/ton. New season sunflower seed prices (Mar2019) decreased week on week by R260/ton from R5730/ton to R5470/ton. New season sunflower seed prices (May2019) decreased week on week by R282/ton from R5682/ton to R5400/ton.

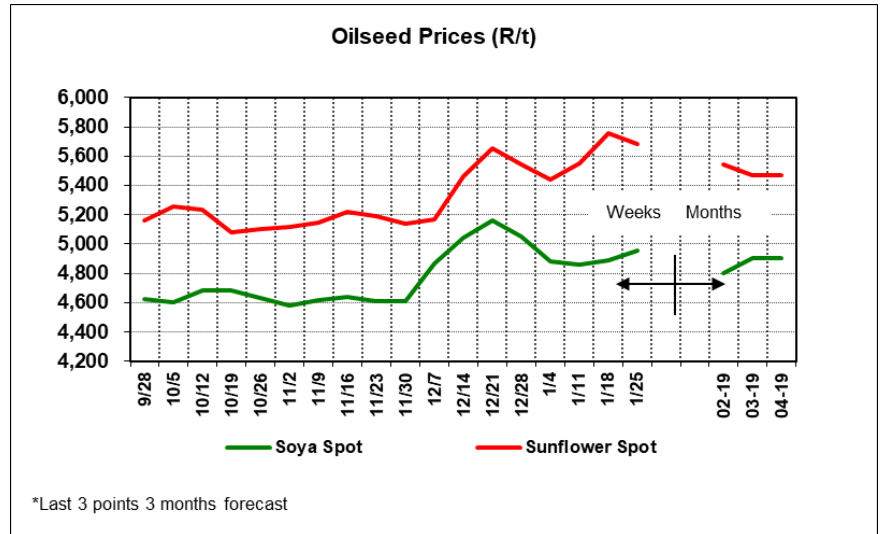
Bullish factors

Sunflower seed:

- Very hot and dry conditions in the central and western parts of the country have resulted in lower plantings of sunflower seed.
- The last planting dates have almost lapsed with the 3rd week of January being the last opportunity to plant for the western summergrain and oilseed producers.

Soybean seed:

- In November 2018, local soybean exports had jumped to approximately 29,000 tons and primarily exported to Turkey. Conditions for additional exports have since declined, and local soybean prices have become stronger amid concerns about the crop outlook due to the drought that affected major parts of the summer crop areas.



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.

Outlook

Local

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International

The uncertainty surrounding the US-China trade conflict may continue till March which is when the negotiations period is expected to conclude. If talks go well and China decides to remove the import duty, the US and South America will compete intensively to supply the Chinese market. If however the Chinese government keep the import duty intact, the US may need to reduce soybean prices to attract demand from other countries besides China.

Table 1: Week on week soybean and sunflower seed futures

Oilseeds Futures 24 January 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX Soybean seed (R/t)	4902	4990	5070	n/a
SAFEX Soybean seed (R/t) change w/w	-21	-13	-20	n/a
SAFEX Sunflower seed (R/t)	5470	5400	5174	5307
SAFEX Sunflower seed (R/t) change w/w	-260	-282	-293	-103

Vegetable market trends

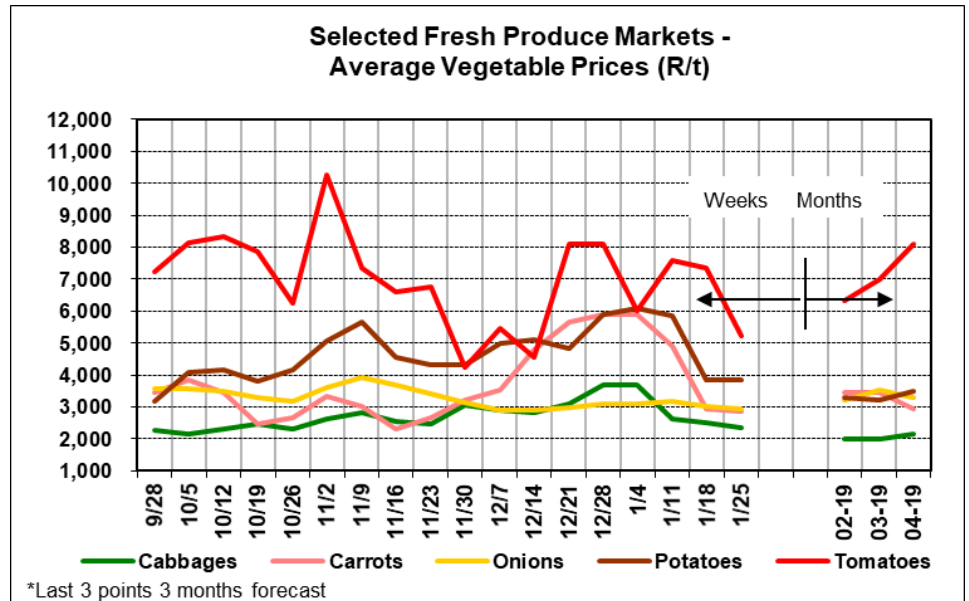
Potatoes

Potato prices were higher week on week due to lower volumes delivered nationally. Demand for fresh fruits and vegetables is expected to increase in the coming week due to higher demand during the month-end phase.

Because of the decline in beef and poultry prices, consumers are expected to increase their protein intake and spend more money on meat rather than vegetables.

Onions

Prices steadily increased since mid-November. Most producers did not market in December due to holidays. Farmers are currently marketing full swing, prices are picking up from low volumes. The demand from the SADC buyers has also picked up and is expected to remain at that level in the next two weeks. On average prices are now trading at R38-R45/10kg bag.



Tomatoes

Warm weather conditions and very high temperatures have resulted in poorer quality tomatoes on the shelves. Volumes have picked up, but prices have dropped significant by 25% week on week. With current warm condition it is expected that prices will trade sideways to lower in the next coming week or two.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 24 January 2019	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	6%	2630	2490	-10%	1,871	2,090
Carrots	-8%	3120	3398	-12%	2,233	2,526
Onions	2%	3130	3080	3%	6,081	5,877
Potatoes	-4%	3890	4054	-15%	15,427	18,139
Tomatoes	-25%	5412	7228	6%	5,198	4,883
Peppers	7%	8728	816416650	-18%	777	942

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