



Agri Trends

18 February 2019

Prospects for drier weather conditions to follow in the latter part of February and early March 2019.

Significant rains were received during the first two weeks of February 2019 covering most of the summer rainfall areas. However follow up rains in the next two weeks is critical to ensure sufficient soil moisture to assist crop development and minimise crop damage until the end of season. According to Sanlam Agri heavy rainfall was sufficient in many areas but drought conditions still prevails in parts of the north western, central to south eastern Free State, the western parts of the North West and parts of the Northern Cape. If the central to north-west Free State and parts of the North West does not get more rainfall in the weeks to come, the region could face some drought related crop damages. According to weather forecasts, drier conditions are expected for the remaining February month and early March. The drier conditions may assist crop development with heat units, but drought will still be a huge risk.

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Maize market trends

International

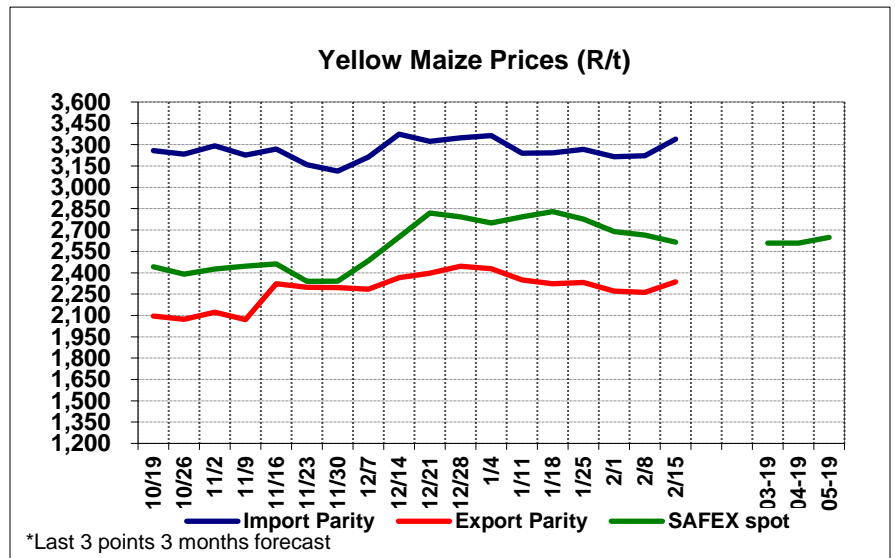
Week-on-week yellow maize No 2 gulf price decreased marginally (0.2%) from US\$170.07/ton to US\$169.72/ton.

Bullish factors

- The 2018/19 US maize crop is reported at 14.20 billion bushels according to the USDA, lower than the market expected.
- After some trade talks between the US and China, US soybean exports picked up which had a positive spill-over effect on the US maize market this week.

Bearish factors

- Drier weather conditions in Argentina and some expected rainfall in Brazil in the week ahead will be beneficial for soybean and maize crops.
- According to the latest USDA WASDE report world maize ending stocks is expected to be 309.78 million bushels slightly higher than the December estimate (308.8million bushels).



Domestic

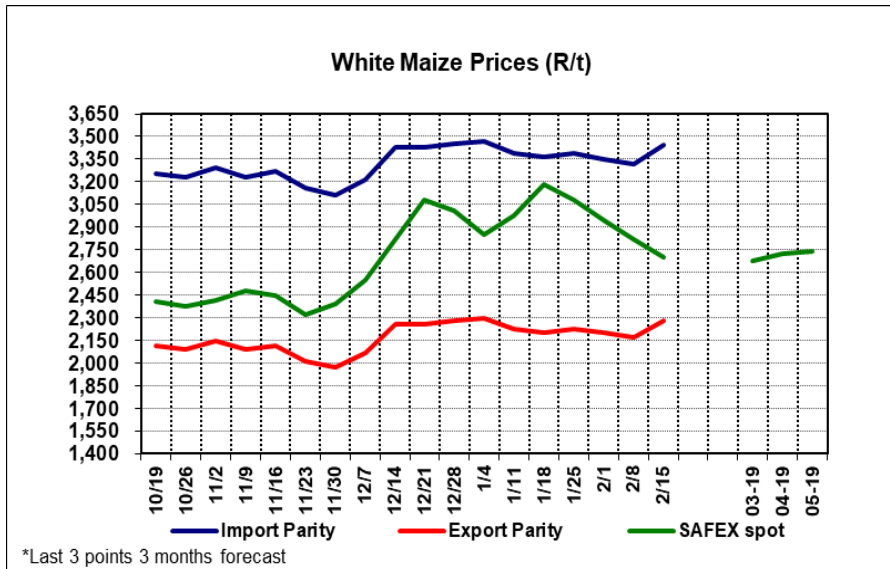
On 15 February 2019, local maize market traded lower week on week. New season white maize prices for delivery in Mar2019 traded lower by R110/ton (4%) from R2783/ton to R2673/ton. New season white maize prices for delivery in May2019 traded lower by R106/ton from R2848/ton to R2742/ton.

Week-on-week new season yellow maize prices for delivery in Mar2019 decreased by R70/ton from R2679/ton to R2609/ton.

Week-on-week new season yellow maize prices for delivery in May2019 decreased R65/ton from R2713/ton to R2648/ton.

Bullish factors

- The CEC in their finalisation report of the 2018 maize crop, estimated the commercial SA maize crop at 12.51 million tons, down from the previous estimate of 12,931 million tons.
- Very dry conditions still remain over parts of the north-western, central to south-eastern Free State, parts of the North West province and parts of KZN.
- Maize intended for exports for the 8-weeks ahead till 5 April 2019 shows 140,105 tons of maize exports consisting of 109,624 tons white maize and 30,481 tons yellow maize.
- Cumulative maize exports for the season to date for the week ending 8 February 2019 consists of 402,744 tons white maize and 1,455,767 tons yellow maize.
- If the central to north-west Free State, parts of North West and KZN doesn't get follow-up rains in the last part of February 2019, maize crop may suffer drought damage.



Bearish factors

- The yellow and white maize prices did come under some pressure recently due to widespread showers that occurred in the first two weeks of February 2019. The spread between the two grades have also narrowed over the past two weeks.
- According to weather forecasters heavy falls are a possibility over the north eastern parts of the country during the latter part of February.
- For the week ending 8 February 2019, cumulative yellow maize exports for the season to date is at 50,613 tons.

Outlook

Local

Significant rainfall occurred over large parts of the Summer Rainfall region. Good rainfall received have cooled market fears over the upcoming crop, causing declines in the maize market and narrowing the spread between the yellow and white maize spread. Follow-up rains remains critical for the central, north-western to south-eastern Free State, parts of the North West and KZN to ensure crop development and minimise drought damage. If drought conditions do materialise, crops may suffer which may support prices.

International

Some widespread showers are expected in the key growing areas of Brazil which should be beneficial for maize and soybean crops. After some trade talks between the US and China, US soybean exports picked up which had a positive spill-over effect on the US maize market this week.

Yellow Maize Futures: 15 February 2019	Mar-19	May-18	Jul-19	Sep-19
SAFEX (R/t)	2609	2648	2665	2717
SAFEX (R/t) <i>Change week on week (w/w)</i>	-70	-65	-39	-33
SAFEX (R/t) <i>% Change week on week (w/w)</i>	-2.6%	-2.4%	-1.4%	-1.2%

Table 1: Week on week yellow maize futures

White Maize Futures 15 February 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	2673	2742	2792	2852
SAFEX (R/t) Change w/w	-110	-106	-96	-85
SAFEX (R/t) % Change week on week (w/w)	-4.0%	-3.7%	-3.3%	-2.9%

Table 2: Week on week white maize futures

Wheat market trends

International

The weekly average old season SRW wheat Gulf prices traded marginally lower (0.9%) week on week from US\$224.65/ton to US\$222.65/ton. Weekly average HRW wheat price traded lower (1.1%) from US\$203.54/ton to US\$201.34/ton week on week.

Bullish factors

- USDA estimates a lower US wheat area planted, lower than the 2018 winter wheat area planted and lower than the market expected.
- US wheat futures were supported this week by buying interest from Egypt and Nigeria.

Bearish factors

- USDA estimates 2018/19 global wheat crop at 734 million ton up from the previous estimate. The larger estimate is due to the expected larger crop in Russia of about 1.6 million ton.

Domestic

On 15 February 2019, wheat prices for delivery in Mar2019 increased marginally by R16/ton (0.4%) from R4546/ton to R4562/ton, week on week. Wheat prices for delivery in May2019 increased by R27/ton (0.6%) from R4632/ton to R4659/ton, week on week.

Bullish factors

- The CEC expects the commercial production of wheat to be 1.79 million tons, which is 1.74% less than the previous forecast of 1.83 million tons.
- SA wheat imports have been fairly slow. The market is still keeping an eye on the price movements during this tariff free-wheat import period.
- There's still much uncertainty about the start of the winter rainfall expectations, however forecasters' initial projections are for normal to later-than-normal rainfall.

Bearish factors

- Local wheat prices were under pressure this week.
- Cumulative weekly wheat imports for the season to date is 235,911 tons. Weekly SA imports for the week ending 8 February 2019 was 45,844 tons consisting of 22,453 tons (Czech Republic) and 23,391 tons (Germany).

Outlook

Local

SA wheat imports have been fairly slow. The market is still keeping an eye on the price movements during this tariff free-wheat import period. There's still much uncertainty about the start of the winter rainfall expectations, however forecasters' initial projections are for normal to later-than-normal rainfall.

International

US wheat prices were supported by export demand from Egypt and Nigeria. In the latest WASDE report by the USDA, US winter wheat area planted is estimated lower than the previous season's area planted and lower than the initial market expectations.

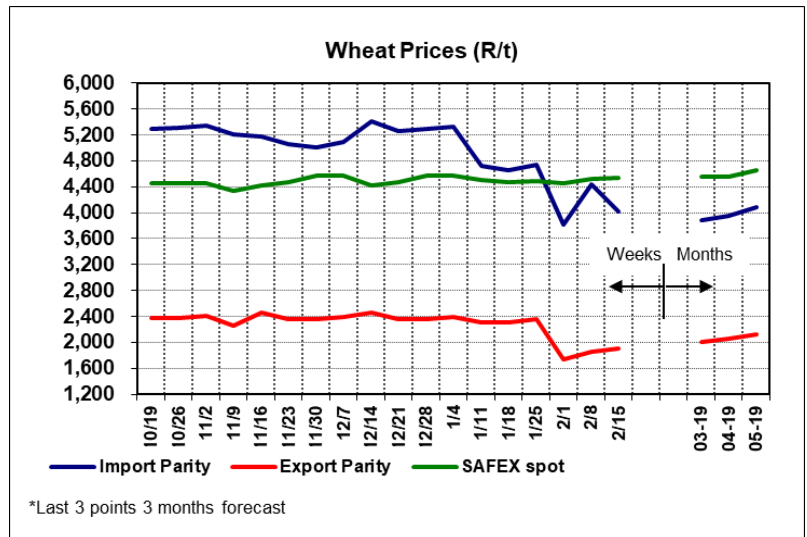


Table 1: Week on week wheat futures

Wheat Futures: 15 February 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	4562	4659	4714	4596
SAFEX (R/t) <i>Change week on week (w/w)</i>	16	27	51	47
SAFEX (R/t) <i>% Change week on week (w/w)</i>	0.4%	0.6%	1.1%	1.0%

Oilseeds market trends

International

The weekly average USA soybean price decreased (0.82%) week-on-week from US\$345.29/ton to US\$342.45/ton. US soya oil prices decreased from US\$30.62/lb to US\$30.08c/lb and soymeal prices traded marginally lower from US\$308.14/ton to US\$307.24/ton.

Bullish factors

Soybean:

- Sharp soybean supplies from Brazil will result in lower Brazilian exports.
- Soybean imports and crushing are picking up in North Africa (Egypt).

Soymeal:

- Severe drought conditions in Australia, supported soymeal imports.

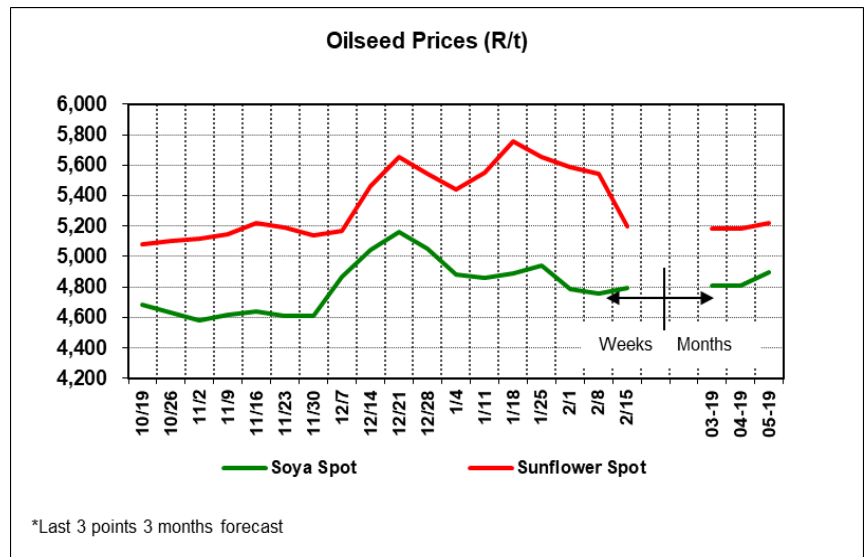
Bearish factors

Sunflower oil:

- Sunflower oil exports from Ukraine, Russia and Argentina increased by 6.5% to china, EU and Iran.

Soybean seed:

- In the long term (2019/20), prices are likely to decline due to the slow demand from China. Surplus soybean stocks are likely to suppress prices.
- As a result of the African Swine Fever (ASF), China has less number of pigs which contributed to lower soymeal demand and crushing.



Domestic

For the week ending 15 February 2019, new season soybean prices (Mar2019) traded marginally higher from R4803/ton to R4810/ton. New season soybean prices (May2019) increased marginally by 0.4% week on week by R19/ton from R4875/ton to R4894/ton.

New season sunflower seed prices (Mar2019) decreased week on week by R231/ton (4.3%) from R5413/ton to R5182/ton. New season sunflower seed prices (May2019) decreased week on week by R23/ton from R5241/ton to R5218/ton.

Bullish factors

Soya bean:

- Higher local crushing and processing, and higher local production of fats and oils curbed imports of oil meals.
- Exports of soya oil and soya meal from South Africa to other African countries in 2018 supported prices.
- The CEC estimates 743,600 hectares planted under soybean, which is a 43,600 hectares decline (5.54%) compared to the previous season's 787,200 hectares planted.

Bearish factors

Soya bean:

- Local crushing increased to a record 0.32 million ton in Oct/Dec, therefore increasing the processing of soybeans.

Outlook

Local

The CEC's preliminary estimate for sunflower seed area is 44,000 hectares, which is 26.18% (157,500 hectares) lower than the previous season where 601,500 hectares was planted. This is the 3rd smallest area planted in the past 5 years. The CEC estimates 743,600 hectares planted under soybean, which is a 43,600 hectares decline (5.54%) compared to the previous season's 787,200 hectares planted. Higher local crushing and processing, and higher local production of fats and oils curbed imports of oil meals. Exports of soya oil and soya meal from South Africa to other African countries in 2018 supported prices.

International

The bullish factors such as the soybean crop losses in South America will likely be offset by the very low soybean imports and crushing in China. The lower demand from China will curb US soybean exports. US soybean stocks could become burdensome in 2019 therefore suppressing prices. Currently US prices are supporting plantings of soybeans which may add to the stocks in 2019/20.

Table 1: Week on week soybean and sunflower seed futures

Oilseeds Futures 15 February 2019	Mar-19	May-19	Jul-19	Sep-19
SAFEX Soybean seed (R/t)	4810	4894	4980	5069
<i>SAFEX Soybean seed (R/t) change w/w</i>	7	19	13	59
<i>SAFEX Soybean seed (R/t) % change week on week (w/w)</i>	0.1%	0.4%	0.3%	1.2%
SAFEX Sunflower seed (R/t)	5182	5218	5213	5255
<i>SAFEX Sunflower seed (R/t) change w/w</i>	-231	-23	51	-49
<i>SAFEX Sunflower seed (R/t) % change week on week (w/w)</i>	-4.3%	-0.4%	1.0%	-0.9%

Wool market trends

International

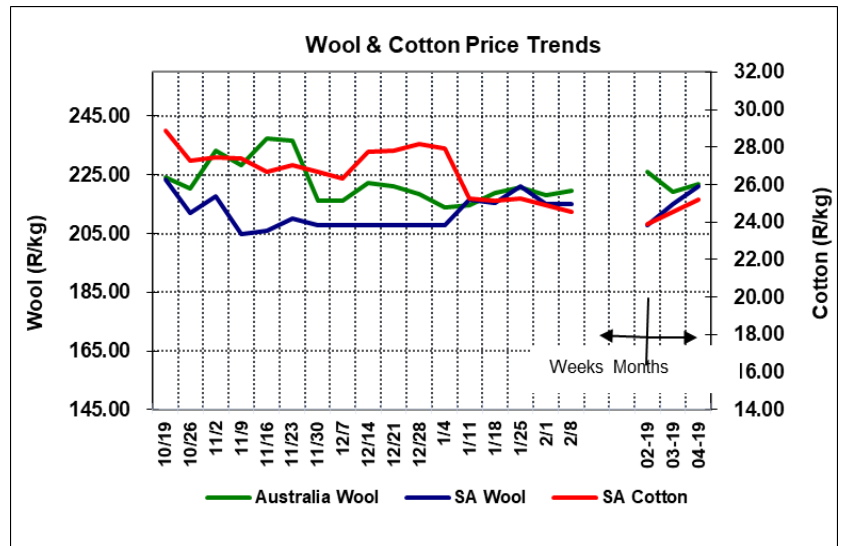
Australian market traded 1.23% higher week-on-week from Au1944c/kg to AU1968c/kg. Global supply worries continue to support the market.

Bullish factors

- Global supply concerns remain a supporting factor for wool prices.
- There is a 15% supply decline year-on-year for wools in the 19 and 22 microns, due to the drought.
- New Zealand sheep numbers have steadily declined, with current sheep flock sitting at 12.8 million compared to 40.1 million sheep in 2006.

Bearish factors

- Wool prices are expected to decline in February due to the Chinese New Year affecting business activities.
- Chinese mills are having difficulties obtaining financing due to higher wool prices.
- China's economic growth is expected to slow down in 2019, this will have lower wool demand significantly.



Domestic

Domestic wool market prices closed at R218.76 c/kg (clean) at the sale (1.67% higher than the previous week). **The Chinese Customs have suspended all greasy wool imports from South Africa due to the Foot and Mouth Disease outbreak detected earlier in the year. Therefore auction scheduled for the 20th February will be postponed. Industry is confident that the issue is receiving urgent attention and a resolution will be made in the soonest time possible to minimise losses.**

Bullish factors

- South African wools market indicator traded higher week-on-week due to weaker Rand and fierce competition.
- Good demand from Europe and China is supporting prices.
- Due to drought the 21 and 22 micron categories are now falling closer to the superfine category. Better quality clips and sound and long medium wools will continue to reap better prices from buyers due to supply issues.

Bearish factors

- Currency fluctuations and lower economic growth may limit gains in the market.
- South African wool exports to China have been banned due to the Foot-and-Mouth-Disease outbreak.

Outlook

Local

South African wools market indicator traded higher week-on-week due to weaker Rand and fierce competition.

International

Market expects to come under pressure in February when business activities are expected to slow down during the Chinese New Year. In the long term, ongoing trade disputes between the US and China will cause some degree of uncertainty and volatility in the market. Lower supplies globally will likely still offer a supporting factor for wool prices. Medium wools in the 21 and 22 micron category are hard to come by. Prices for these wools is expected to remain high.

Cotton market trends

International

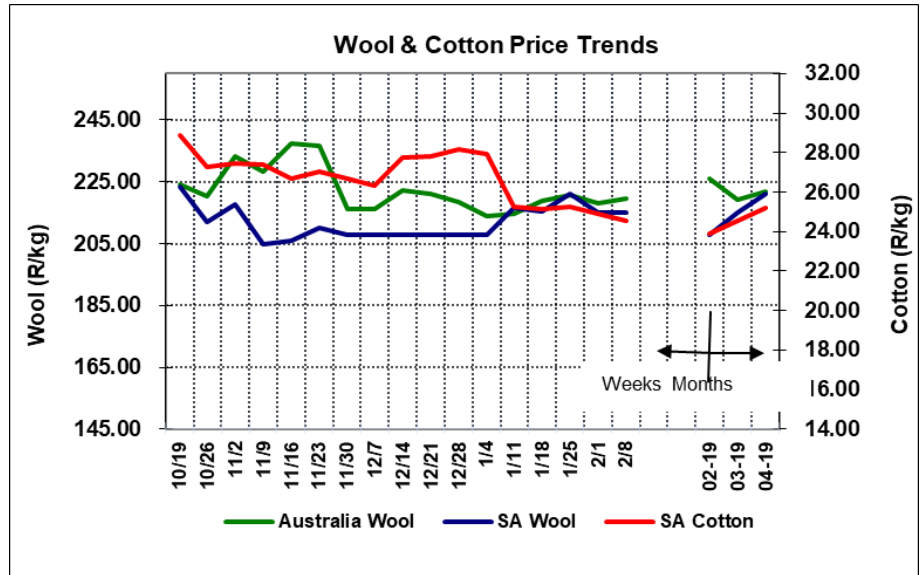
Cotton prices traded 1.07% lower over the past week and closed at US82.85c/lb down from US83.75c/lb

Bullish factors

- The USDA estimates lower world production of cotton seed. World cotton production is estimated to drop by 3% according to ICAC to reach 25.9 million tons.
- Downward revisions were made for India (7% down y/y) due to lower rainfall and Uzbekistan (20% decline y/y) due to reduction of land under cotton crop.
- The reduced global stocks is driven by increase global consumption and a decline in global production.

Bearish factors

- World ending stocks of cotton seed for 2018/19 is estimated at .2.3 million bales, pushed higher by larger stocks in China.
- The USDA forecast for the marketing year 2018/19 average price for producers is reduced by 2 cents per pound.
- Brazil is expected to increase cotton production by 20% in 2018/19 and Brazilian export are expected to expand by 48% in 2018/19, which will make the country the second largest cotton exporter.



Domestic

The derived SA cotton price traded 1.37% lower to close at R24.57/kg from R24.91/kg the previous week.

Bullish factors

- Renewed interest into the cotton industry still maintains the growing expansion into cotton crop production without having a negative effect on price due to the global demand.

Outlook

Local

South Africa's 1st estimate for 2018/19 cotton crop is at 220,221 lint bales which is a 17% increase from the previous season. Renewed interest into the cotton industry still maintains the growing expansion into cotton crop production.

International

Ongoing trade uncertainties and lower global economic growth will continue to influence world cotton trade export demand. Cotton prices have come under pressure in the past weeks.