



Agri Trends

1 April 2019

Trade war continues to put Soya prices under pressure

The negotiations for the US/China trade war are on-going and are expected to be further delayed. This is putting soybean prices under continued pressure. Local oilseed prices were the only commodity where prices dropped week-on-week, although year-on-year prices for both soybeans and sunflowers have improved. International prices for soybeans, soybean oil and soybean meal also declined week-on-week so were unable to support local prices. Price increases were seen for maize, wheat and cotton. There was no South African wool auction for the week, Australian Wool prices increased by 0.27% week-on-week.

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Maize market trends

International maize market

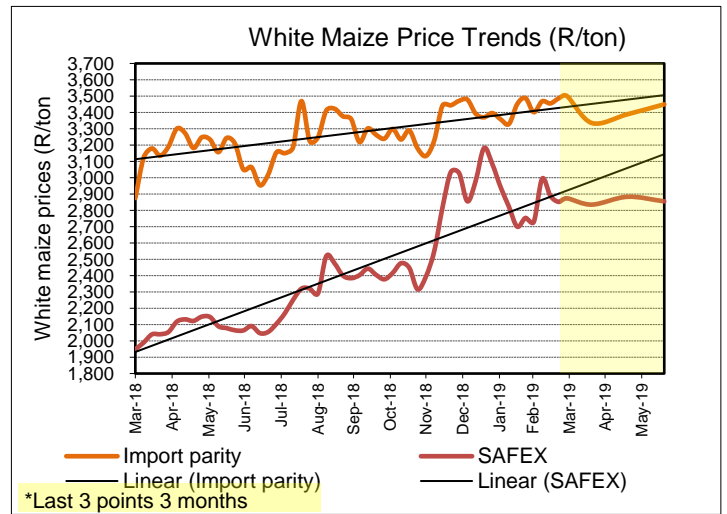
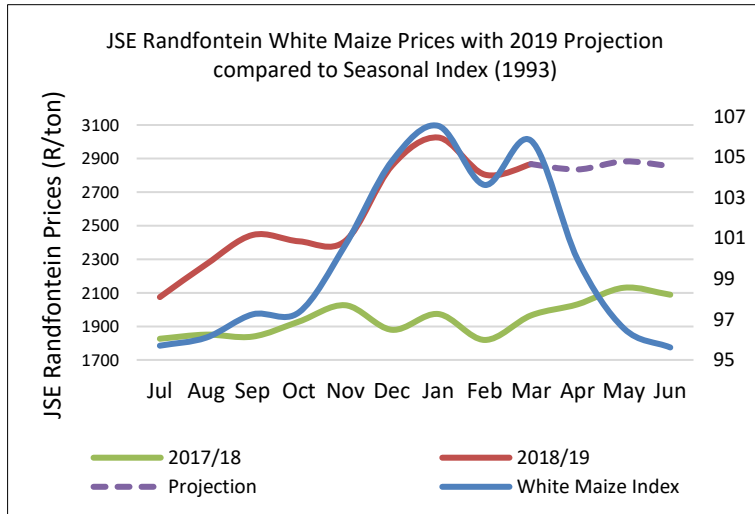
The USDA Prospective Plantings report was released on Friday the 29th of March; US growers intend to plant 92.8 million acres of corn; this is 4% higher than the 2018 plantings of 89.1 million acres. The USA/China trade war will take longer than expected to be resolved. Import tariffs will remain in place longer suppressing global soybean prices, impacting corn prices as well. US weather forecasters expect some of the worst flooding in years; forecasting a wet two weeks.

	US Yellow Corn			RSA Maize		
	R/US\$	US Yellow Corn US\$/ton	Kansas White Corn Premium \$/ton	USA WM Import Parity	Argentina YM Import Parity Worcester	ASIA YM Export Parity Randfontein
Price	14.50	176.00	6.05	R3,499/ton	R3,268/ton	R2,451/ton
w/w	0.5%	0%	-2.7%	0.4%	0.5%	0.6%
m/m	4.1%	-0.6%	-14.6%	2.9%	3.1%	4.5%
y/y	23.7%	-2.8%	na	21.7%	17.7%	33.2%

Local maize market

The Crop Estimate Committee released their second production forecast for the 2019 production season on the 26th of March. The second forecast showed a 1,500 ha reduction in planting area for yellow maize and a 200ha increase in the planting area for yellow maize. The expected production of commercial maize is expected to be 10,510 million tons.

	White Maize			Yellow Maize		
	Spot price Randfontein	May-19	Jul 19	Spot price Randfontein	May-19	Jul 19
Price	2873	2883	2942	2706	2724	2751
w/w	0.7%	-3.3%	-3.6%	0.7%	-0.7%	-0.6%
m/m	5.3%	3%	2.7%	5.6%	2.8%	3.5%
y/y	47.4%	n/a	50.6%	33.2%	n/a	35.8%



Wheat market trends

International wheat market

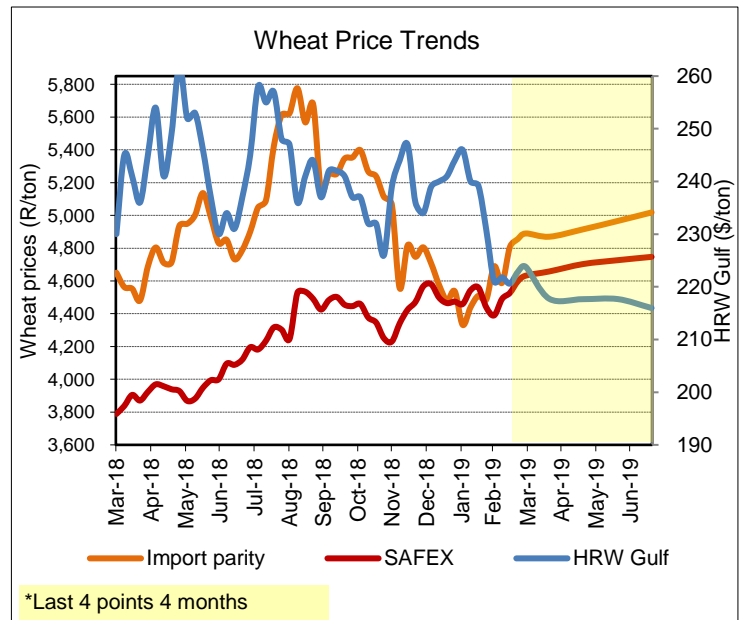
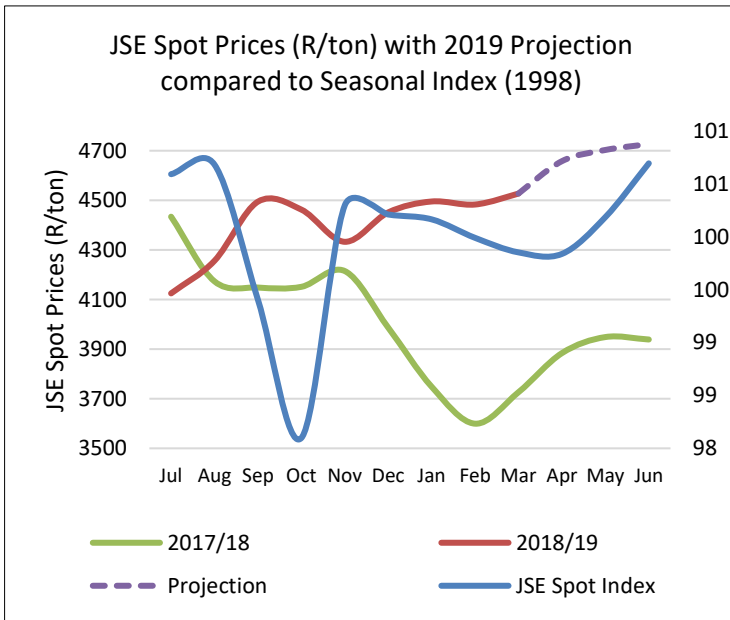
Higher USA prices for wheat are expected after the release of the USDA Prospective Plantings Report; the area planted for all wheat is expected to be 45.8 million acres. This is 4% lower than the 2018 plantings and is the lowest all wheat planting recorded since 1919. It is expected that 22.4 million acres of Hard Red Winter wheat and 5.55 million acres of Soft Red Winter wheat have been planted

	R/US\$	Soft Red Gulf (\$/ton)	Hard Red Gulf (\$/ton)	Import tariff (R/ton)
Price	14.50	210.	224	490.70
w/w	0.5%	1.3%	0.4%	490.70
m/m	4.1%	-2.7%	0.1%	490.70
y/y	23.7%	3.1%	-2.7%	716.30

Local wheat market

The sharp decline in US HRW wheat prices will trigger the publication of a new wheat tariff of more than R650/ton soon. The current tariff is R491/ton. The new tariff should be published during May. Dryland wheat producers will then be in full swing planting the next wheat crop. The industry reached consensus week to amend the wheat grading regulations in an effort to revive the industry and bring it in line with international standards. At the same time to compensate producers for the production of good quality wheat. It is pending approval and publication by the Minister of Agriculture, Forestry and Fisheries. The suggested amendments include the introduction of a Super grade (>12,5% protein, 76 kg HLM)

	R/US\$	Spot price JSE (R/ton)	New season JSE Dec 2019	Old season JSE May 2019	USA Import Parity
Price	14.50	4632	4345	4703	4889
w/w	0.5%	0.8%	-2.4%	1.2%	0.7%
m/m	4.1%	5.5%	n/a	4.1%	3.4%
y/y	23.7%	22.3%	14.9%	n/a	5.4%



Soybean market trends

International soybean market

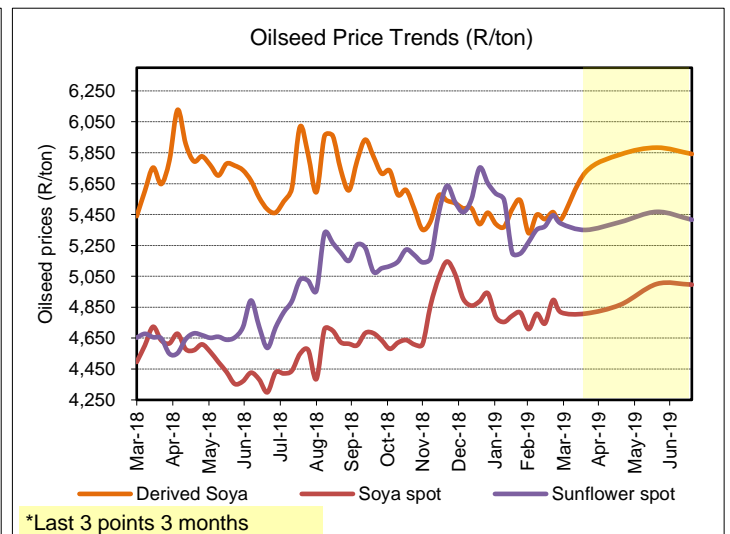
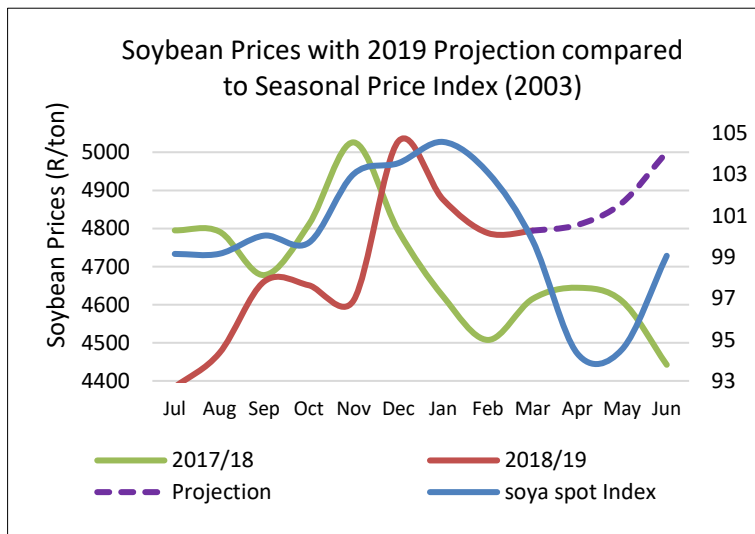
World soybean stocks are expected to reach record levels of 104.4 million tons in August 2019 due to an oversupply of soybeans worldwide. It is expected that a conclusion to the US/China trade negotiations will continue to be postponed and with China being less active in the purchasing of soybeans for crushing the CBOT prices are coming under pressure. Additionally, the trade and crush volumes of soybeans are below expected levels - over the past five seasons global consumption grew by 16.4 million tons annually, however, this year an increase of only 2.1 million tons is expected. The large South American soybean crop along with a devaluating Argentine Peso has resulted in South America being far more competitive on a global scale.

	Soybeans			
	R/US\$	Soybean Gulf (\$/ton)	CBOT Oil US\$/lb	CBOT Soya meal US\$/ton
Price	14.50	340.35	28.66	308.70
w/w	0.5%	-1.3%	-1.7%	-1.2%
m/m	4.1%	-0.8%	-4.9%	-1%
y/y	23.7%	-11.9%	-10.1%	-16.4%

Local soybean market

The derived soybean price declined week-on-week as prices were not supported by the imported price of soybean oil and soybean oilcake. Crushing margins have declined year-on-year. The Crop estimates committee did not make changes to their forecasted estimates of soybeans or sunflowerseed since their first production forecast of 1 276 035 tons soybeans and 563 590 tons sunflowerseed.

	Soybeans				Sunflowerseed
	R/US\$	Derived bean Price	SAFEX spot price	Crushing margin After tax (29/03/2019)	SAFEX spot price
Price	14.50	R5,419/ton	R4,816/ton	R385/ton	R5,390/ton
w/w	0.5%	-0.8%	-1.6%	-7.4%	-1%
m/m	4.1%	-2.2%	0.03%	-3.1%	3.7%
y/y	23.7%	-0.4%	7.1%	-41.9%	15.9%



Fibre market trends

Wool market

Australia: The increasing supply of poorer style lots with low yields caused the discounts to better quality wool to continue to decline for the past five weeks across all the Australian selling centers. The supply of best styled wools continues to decline and buyers in Melbourne were focusing on quality this week with higher yields and favourable additional requirements. Prices are still trending higher than a year ago.

Local: There was no South African wool auction for the week ending 29th March. The next auction is scheduled for the 3rd of April. With the continued suspension of wool exports to China due to the Foot and Mouth Disease outbreak, the medium and short wool prices have been under pressure; declining by up to 5% in the week ending 22nd March.

Cotton market

USA: Spot cotton trading was inactive for the week ending the 29th of March with both supply and demand being light and local spot prices trading higher. Fieldwork and other preparations for planting continued across the region with producers being advised to be mindful of the wet soil conditions. The A-index declined by 4.1% year-on-year.

Local: The growth of world cotton consumption is expected to decline to 0.04%; consumption has been driven by the East Asia region over the past seven seasons. The expected use of cotton mills is expected to increase by 6% this season compared to the 14% increase last season. South African cotton prices have increased year-on-year by 18.9%

	Exchange Rate (AU \$ / R)	Australian Wool (SA c/kg)	South African Wool (SA c/kg)	Cotton A Index	SA Cotton Price (29/03/2019)
Price	R10.35	23,439 AU c/kg	No sale	86.30	2,753SA c/kg
w/w	0.76%	0.27%		1.95%	2.49%
m/m	4.2%	1.4%		7.4%	12.4%
y/y	13.5%	37.3%		-4.1%	18.9%

