



Agri Trends

23 April 2019

Wool farmers encouraged to produce longer wools

Maize: Local maize prices moved slightly this week with white maize prices increasing by 0.4% and yellow maize prices decreasing by 0.2%. The Rand weakened by 0.1% week-on-week which was likely the cause of the decline in domestic yellow maize prices. Local prices may be supported by international prices in the event of large price increases in order to cover the US short risk.

Wheat: The US currently cannot compete with Russian wheat prices, year-on-year US soft red prices are down 6.6% while US hard red prices are down 11%. The current wheat prices in the US are at a one-month low. Local wheat prices remained relatively stable this week with a slight increase in the JSE spot price of 0.9% week-on-week.

Soybeans: The African Swine Fever outbreak in China is having an effect on the international soybean market with concern regarding China's demand for soybeans and soya meal as feed components for their pig industry. JSE spot prices for soybeans and sunflower remained fairly stable this week with a slight increase in prices by 0.1% and 0.2% respectively. The calculated crushing margin after tax is declining and is currently 61.3% lower than it was this time last year.

Fibre: South African wool prices are expected to continue their decline due to the continued pressure in the market. Although South Africa and China are in continued negotiations regarding the exportation of South African wool, a solution is not expected in the short to medium term. Local wool farmers are encouraged to produce longer wool as wools shorter than 65mm are experiencing the largest impact.

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Maize market trends

International maize market

US yellow corn prices declined by 0.6% while Kansas white corn prices increased by 9.3% week-on-week. Although US traders expected the delayed plantings caused by the storm to support prices, they are finding this is not the case. It is still early in the planting season though so there is still risk regarding the weather. The US is short 323 000 contracts which could result in an upward explosion of prices in order to cover risk.

	R/US\$	US Yellow Corn		RSA Maize		
		US Yellow Corn (US\$/ton)	Kansas White Corn Premium (US\$/ton)	USA WM Import Parity	Argentina YM Import Parity Worcester	Asia YM Export Parity Randfontein
Price	14.03	165.00	6.13	3240.89	3016.39	2376.85
w/w	0.1%	-0.6%	9.3%	-0.1%	-0.4%	0.2%
m/m	-2.8%	-6.3%	-1.4%	-7.1%	-7.3%	-2.3%
y/y	16.7%	-13.2%	-0.9%	3.4%	2.3%	19.7%

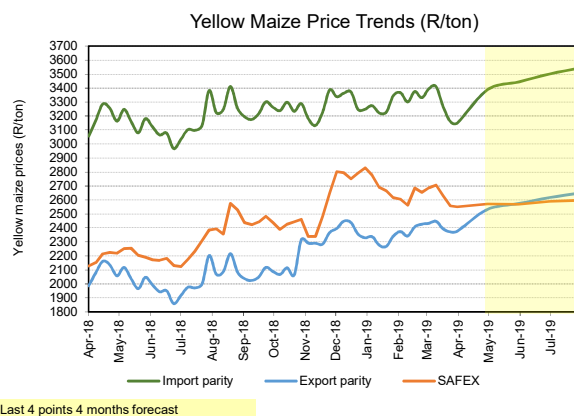
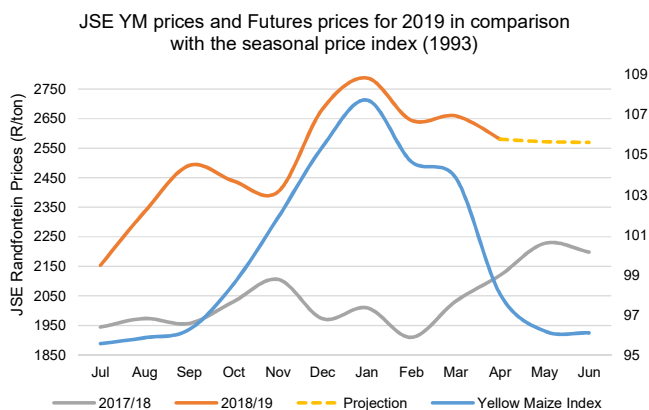
Local maize market

Local maize prices moved slightly this week with white maize prices increasing by 0.4% and yellow maize prices decreasing by 0.2%. The Rand weakened by 0.1% week-on-week which was likely the cause of the decline in domestic yellow maize prices. The crop estimate committee is set to release their third production forecast on the 25th of April.

	White Maize			Yellow Maize		
	JSE Sport Price, Randfontein (R/ton)	May-19	Jul-19	JSE Sport Price, Randfontein (R/ton)	May-19	Jul-19
Price	2641.40	2694.00	2749.00	2552.20	2572.00	2590.00
w/w	0.4%	0.9%	1.0%	-0.2%	-0.1%	-0.1%
m/m	-7.4%	-6.1%	-6.2%	-5.0%	-3.8%	-3.8%
y/y	29.4%	n/a	35.2%	19.9%	n/a	22.2%

Outlook

Domestic prices are expected to remain stable over the next three months with only marginal changes in price. The industry awaits the outcome of the elections on the 8th of May, movement of the Rand is currently a large risk factor for local producers. Local prices may be supported by international prices in the event of large price increases in order to cover the US short risk.



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Wheat market trends

International wheat market

The US currently cannot compete with Russian wheat prices and as such the US market traded negatively this week. Year-on-year soft red prices are down 6.6% while hard red prices are down 11%. The current wheat prices in the US are at a one-month low. The global supply of wheat is still plentiful.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.03	199.79	209.98	490.70
w/w	0.1%	-3.4%	-3.9%	0.00
m/m	-2.8%	-3.9%	-5.8%	0.00
y/y	16.7%	-6.6%	-11.0%	0.24

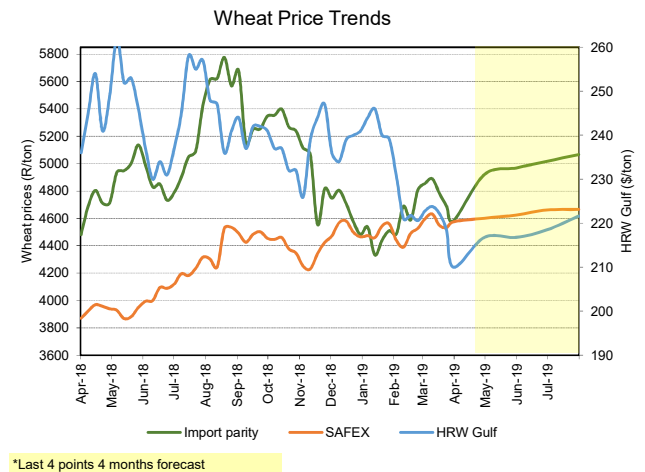
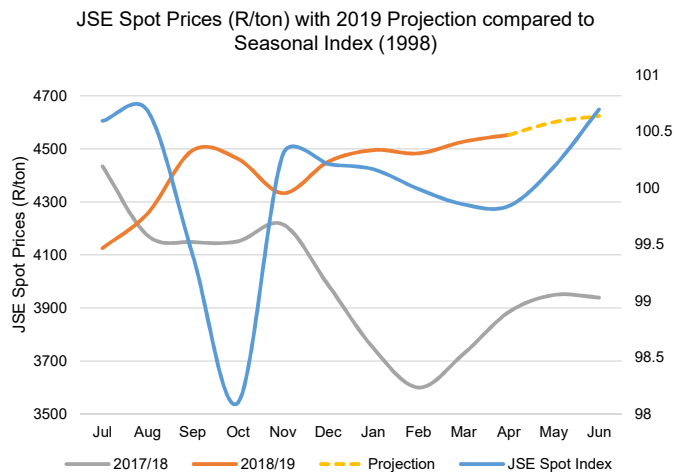
Local wheat market

Local wheat prices remained relatively stable this week with a slight increase in the JSE spot price of 0.9% week-on-week. The JSE spot price is sitting 18.2% higher than prices were a year ago. Old season (May 2019) prices increased by 0.3% this week and new season (December 2019) prices increased by 1.1%. The import parity is currently 2.4% lower than it was a week ago. The new wheat tariff has not yet been published.

	JSE Spot Price (R/ton)	May-19	Dec-19	USA Import Parity (R/ton)
Price	4575.20	4601.00	4370.00	4584.35
w/w	0.9%	0.3%	1.1%	-2.4%
m/m	-0.5%	-1.1%	-1.4%	-5.8%
y/y	18.2%	n/a	12.3%	2.3%

Outlook

The outlook for the US wheat market is bleak with the expectation that prices will continue their decline. Domestic wheat markets are expected to remain fairly stable the next three months; marginal increases in prices may be expected due to the increasing seasonal trend.



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Soybean market trends

International soybean market

The African Swine Fever outbreak in China is having an effect on the international soybean market with concern regarding China's demand for soybeans and soya meal as feed components for their pig industry. International soya prices declined week-on-week, Soya oil and Soya meal both declined by 1% while soybean prices declined by 1.3%. The US soybean market is experiencing depressed exports with low export volumes as well as high competition from the South American market.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb)	CBOT Soya meal (US\$/ton)
Price	14.03	335.39	28.71	305.49
w/w	0.1%	-1.29%	-1.0%	-1.0%
m/m	-2.8%	-2.7%	-1.5%	-2.2%
y/y	16.7%	-18.9%	-8.3%	-18.9%

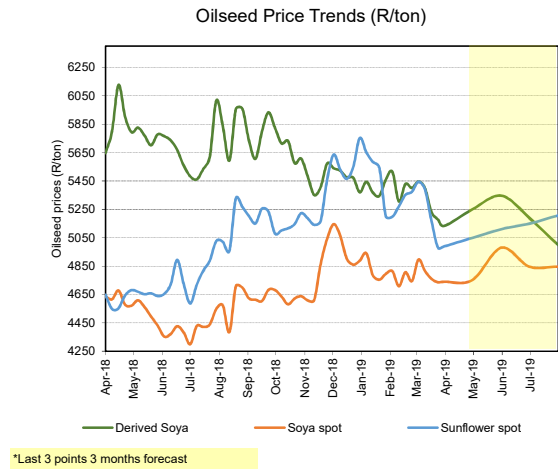
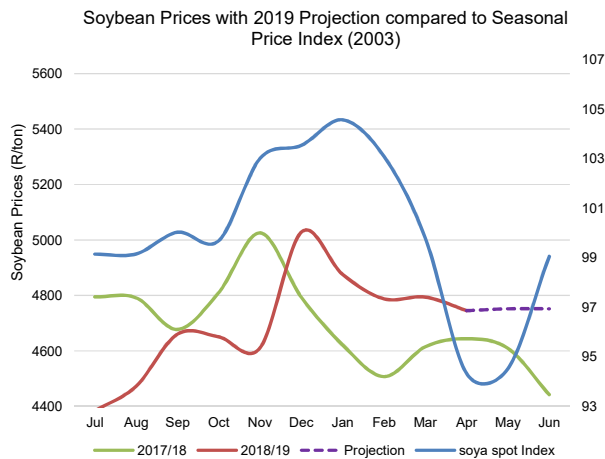
Local soybean market

JSE spot prices for soybeans and sunflower remained fairly stable this week with a slight increase in prices of 0.1% and 0.2% respectively. The derived soybean price declined by 0.4% week-on-week. The calculated crushing margin after tax is declining and is currently 61.3% lower than it was this time last year. The Crop Estimate Committee is expected to release their third production estimate on the 25th of April.

	Soybeans			Sunflower seed
	Derived soybean price (R/ton)	JSE Spot Price (R/ton)	Crushing margin after tax (R/ton)	JSE Spot Price (R/ton)
Price	5105.28	4740	393.74	4989.80
w/w	-0.4%	0.1%	-10.8%	0.2%
m/m	-6.4%	-3.2%	-28.3%	-8.4%
y/y	-8.8%	2.3%	-61.3%	7.3%

Outlook

It has been announced that a conclusion to the US/China trade negotiations may be reached late in May or in June. The outcome of these negotiations will have an impact on international prices based on the amount of oilseeds that China will purchase. Local soybean prices are expected to remain stable in the coming months with marginal movements in price. The declining international market prices and demand may negatively impact the local market.



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Fibre market trends

Wool Market

Australia: The Australian wool market indicator (AWEX) has ended its downward streak with an increase of 0.36% from last week. There were 40 774 bales on offer at this weeks auction as producers wanted to sell before the Easter weekend. The average price of 21/22 micron wool was 0.2% lower this week. The next auction is scheduled for the week beginning 29 April.

Local: The South African wool market closed 1.7% lower week-on-week, the offering at this weeks auction consisted of 9 220 bales of which 86.5% were sold. Prices for long, good quality merino fleeces remained relatively stable. Prices of medium length wools are experiencing continued downward pressure of up to 7%; this is due to the main demand for these wools coming from the Chinese market which remains closed to SA wool exports due to the FMD outbreak.

Cotton Market

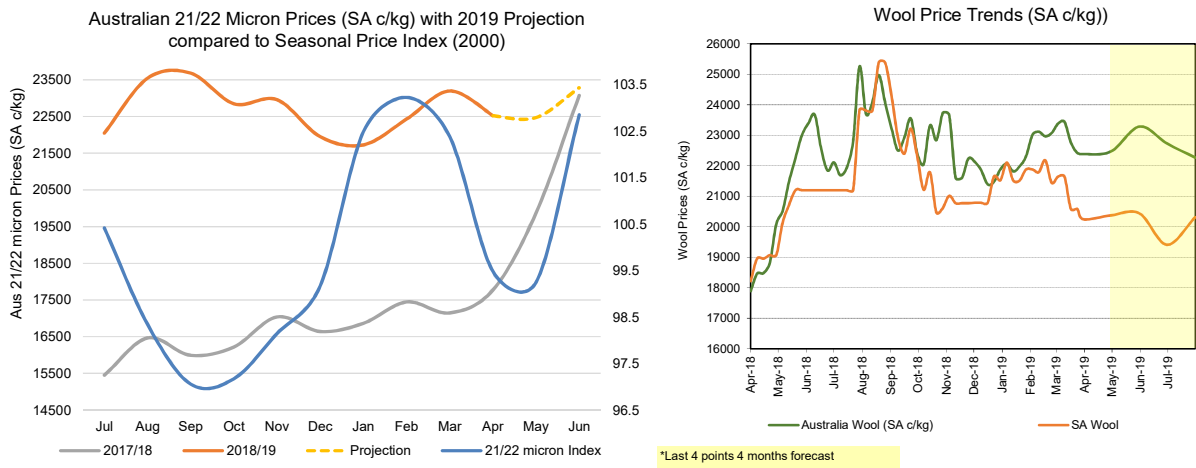
USA: The Cotton A Index was 1.2% higher this week but is lower than it was this time last year. Spot cotton trading was inactive with moderate demand and a offering of 27,298 bales. There was moderate demand for cotton through export channels with good demand from the Far East for any discounted styles.

Local: Local prices increased by 0.8% week-on-week; the current price is 14.3% higher than it was a year ago. The Indian cotton crop is smaller than had been projected and as such mills are having to import cotton. This is causing prices to increase, however, mills are adopting a "watch-and-wait" approach as they hope prices may drop again. The increased demand may support local prices.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.04	22382	20242	88.25	2709
w/w	0.3%	-0.2%	-1.7%	1.2%	0.8%
m/m	-2.3%	-4.3%	-6.5%	4.3%	0.8%
y/y	8.7%	25.1%	11.1%	-1.6%	14.3%

Outlook

South African wool prices are expected to continue their decline due to the continued pressure in the market. Although South Africa and China are in continued negotiations regarding the exportation of South African wool, a solution is not expected in the short to medium term. Local wool farmers are encouraged to produce longer wool as wools shorter than 65mm are experiencing the largest impact.



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