



## Agri Trends

09 April 2019

### Prices down across local markets

Local prices this week were down on average for all commodities. White maize prices declined by 3.7% while yellow maize prices declined by 2.8% week-on-week. This is positive news for feedlots as their margins may increase. Week-on-week wheat prices were down 1.8%, soybean prices down 1.7% and sunflower seed prices down 4.1%. The crushing margin after tax is down by 54.6% year-on-year. On average prices are expected to continue their decline in April before picking up again in May. The fiber market also declined week-on-week with South African wool prices decreasing by 4.9% and cotton prices down by 2%.

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## Maize market trends

### International maize market

US Yellow corn prices are down by 2.8% week-on-week. The USA corn supply is 300 million bushels larger than traders anticipated. The US/China trade negotiations continue with rumors that China will import 7 million tons of corn from the USA which would support prices. The extreme weather conditions will have affected USA crops acreage and traders wait to hear news from the next production estimate in May

	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	14.17	171.00	5.02	3339.56	3130.89	2399.01
w/w	-2.3%	-2.8%	-17.1%	-4.6%	-4.2%	-2.2%
m/m	-0.8%	-3.4%	-21.5%	-3.7%	-3.4%	-0.5%
y/y	19.0%	-10.9%	-1.9%	6.9%	6.1%	20.6%

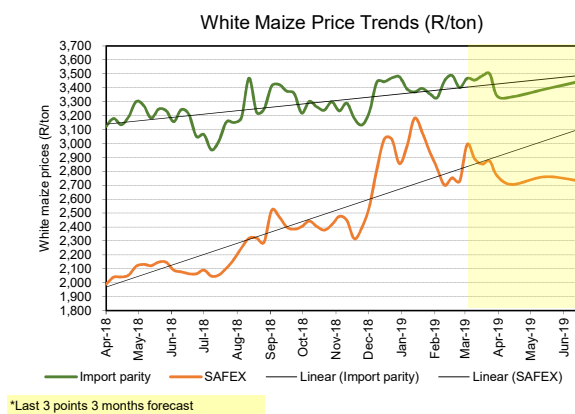
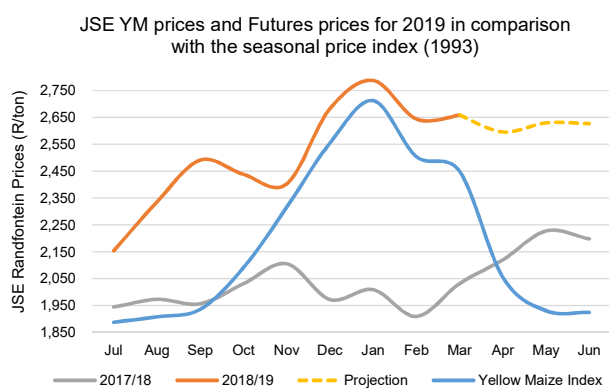
### Local maize market

Prices for both white and yellow maize declined week-on-week, this is good news for feedlots as their margins may increase. Year-on-year prices of white maize are up by 39% while prices of yellow maize are up by 27%. Crop farmers in the Western Cape have been urged to be aware of potential army worm outbreaks after the discovery of the armyworm on a farm near Clanwilliam.

	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	2766.20	2761.00	2810.00	2630.40	2630.00	2640.00
w/w	-3.7%	-4.2%	-4.5%	-2.8%	-3.5%	-4.0%
m/m	-7.6%	-8.1%	-8.3%	-2.1%	-2.6%	-2.8%
y/y	39.0%	n/a	41.6%	27.0%	n/a	27.6%

### Outlook

Prices of both white and yellow maize are expected to drop during April. Prices are then expected to increase slightly in May and remain steady at those levels moving into June. The outcome of the elections on the 8th of May and the USDA Production Estimate on the 10th of May and news on a final USA/China trade deal can lead to price increases and higher prices for local producers.



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## Wheat market trends

### International wheat market

The international wheat market is trading lower at the moment as President Donald Trump's threat of closing the US/Mexican border is a concern for producers. Wheat prices of Soft red Winter Wheat were supported by the corn and soybean markets this week.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.17	211.20	222.20	490.70
w/w	-2.3%	0.4%	-0.7%	490.70
m/m	-0.8%	0.8%	0.2%	490.70
y/y	19.0%	-0.4%	-9.3%	394.90

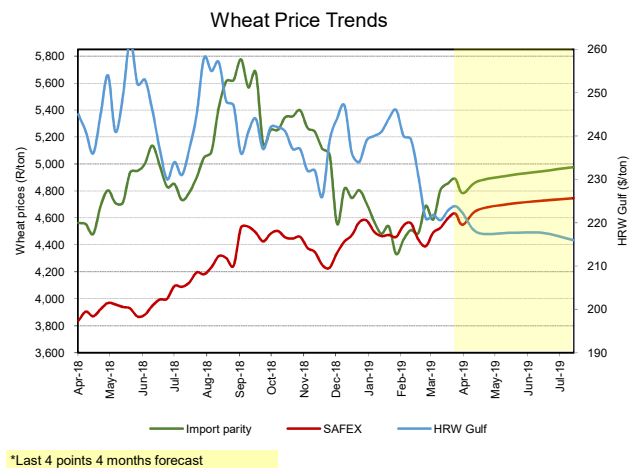
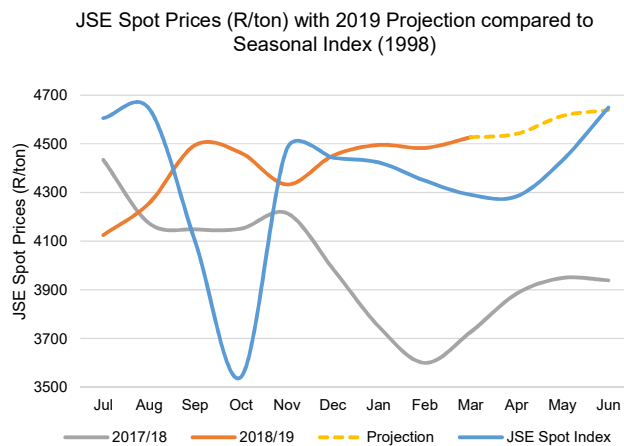
### Local wheat market

This week the JSE spot price for wheat traded 1.8% lower, however prices are 18.6% higher than a year ago. The new import tariff has not been implemented yet so the tariff currently remains at R490.70. A new wheat tariff of R675.07 triggered on 12 March 2019. The market expects that the new tariff will be published by 16 April 2019. The new tariff will be an increase by more than 38%, or R185/ton. Prices of both new season (Dec 2019) and old season (May 2019) contracts declined week-on-week; the USA import parity also declined week-on-week.

	JSE Spot Price (R/ton)	May-19	Dec-19	USA Import Parity (R/ton)
Price	4549.60	4615.00	4330.00	4783.06
w/w	-1.8%	-1.9%	-0.3%	-2.2%
m/m	1.3%	1.7%	n/a	-0.2%
y/y	18.6%	n/a	12.5%	4.8%

### Outlook

Prices of Hard Red Winter Wheat are expected to remain relatively stable as the USA awaits confirmation on the US/Mexican border closing. South African wheat prices are expected to dip slightly in April but then rise steadily until July in accordance with the seasonal trend and supported by the increased wheat tariff.



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## Soybean market trends

### International soybean market

The soybean gulf prices dropped by 0.2% this week as Brazil harvested ahead of schedule and the South American soybean crop is producing higher yields than expected. Exports of soya oil and soya meal both increased resulting in higher prices of CBOT soya oil (1% higher week-on-week) and CBOT soya meal (0.5% higher week-on-week). The market waits to hear the outcome of the US/China trade war.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb)	CBOT Soya meal (US\$/ton)
Price	14.17	339.67	28.94	310.18
w/w	-2.3%	-0.2%	1.0%	0.5%
m/m	-0.8%	-1.3%	-2.5%	2.1%
y/y	19.0%	-12.6%	-9.2%	-18.8%

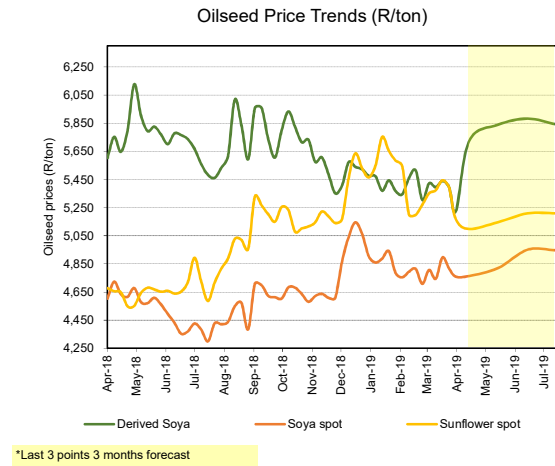
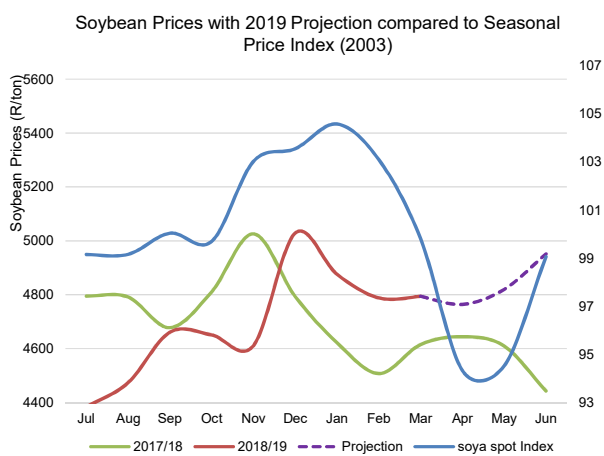
### Local soybean market

The local oilseed market traded lower week-on-week with soybean prices 1.2% down and sunflowerseed prices 4.1% down. The crushing margin after tax is down by 54.6% year-on-year and the derived soybean price is down by 7.6% year-on-year. The price ratio between soybeans and maize is 1.72 which indicates that either the value of local soybeans is undervalued (note the derived soybean price) or that the price of local maize is overvalued (note the yellow maize export parity for Asia).

	Soybeans			Sunflowerseed
	Derived soybean price (R/ton)	JSE Spot Price (R/ton)	Crushing margin after tax (R/ton)	JSE Spot Price (R/ton)
Price	5228.98	4760	463.11	5167.60
w/w	-1.7%	-1.2%	-19.3%	-4.1%
m/m	-2.9%	-1.0%	-25.1%	-3.4%
y/y	-7.6%	3.4%	-55.2%	10.5%

### Outlook

Soybean and sunflowerseed prices are expected to follow the seasonal trends and dip in April before increasing steadily from May to June. Due to the low sunflowerseed stock levels, sunflowerseed priced by 10.5% year-on-year.



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## Fibre market trends

### Wool Market

**Australia:** Australian wool prices declined by 2.9% week-on-week, however prices are up by 32.3% compared to a year ago. The quantity of lower yielding lots with poorer style continued to increase thereby generating reductions in prices. There was a limited selection of good style wools with high yields which caused strong competition at the auction. The offering at next weeks auction is expected to be larger at 38,712 bales.

**Local:** South African wool prices declined by 4.9% week-on-week. The continued suspension of wool exports to China as well as the strengthening of the Rand against the US Dollar added pressure to buyers. The offering at this week's auctions was rather large with 11,829 bales available, however only 75.5% were sold which is below the average clearance rate at wool auctions.

### Cotton Market

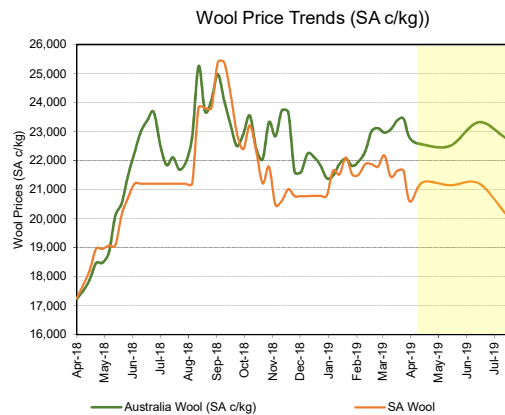
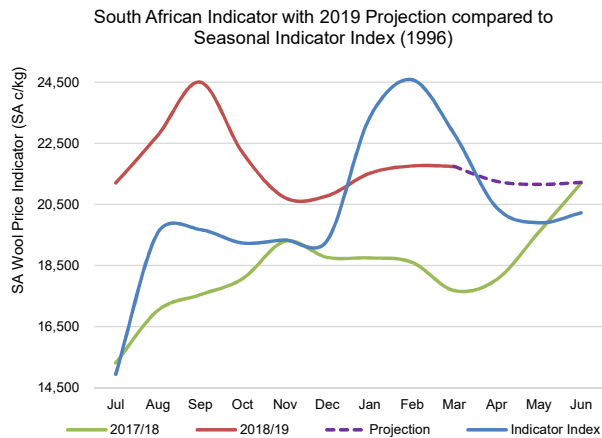
**USA:** The cotton A Index increased by 0.4% week-on-week, however this is 2.7% lower than a year ago. Spot cotton trading was inactive this week with moderate producer offerings and demand. Futures contract prices traded higher; producers took advantage of this to fix prices on a moderate volume of previously contracted 2019-crop cotton. A new import quota for upland cotton is to be established from the 11th of April 2019. The quota is equivalent to one week's consumption by domestic mills and is applicable from 9 July - 7 October 2019.

**Local:** The International Cotton Advisory Committee (ICAC) has estimated that due to the growth in population, global cotton consumption will increase by 1.5% in the 2019/20 season. The South African cotton prices declined week-on-week by 2% however, prices are 15.4% higher than a year ago.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.07	22764	20584	86.65	2697
w/w	-2.7%	-2.9%	-4.9%	0.4%	-2.0%
m/m	0.8%	-0.9%	-7.2%	5.3%	4.9%
y/y	9.4%	32.2%	19.2%	-2.7%	15.4%

### Outlook

South African wool prices are expected to decline slightly in the next few months as exports to China are still prohibited. Prices will then begin to increase from June onwards. South African cotton is expected to follow an upward trend.



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