



Agri Trends

14 May 2019

SA wool prices to improve as export ban is lifted

Maize: The USDA crop progress report shows that only 30% of the corn crop has been planted to date; this is in comparison to last year when 59% of the corn crop had been planted by this time. Although the wet weather conditions were expected to act as a bullish factor for prices this has not yet materialized. The domestic maize market also moved negatively this week with yellow maize spot prices declining by 2.4% and white maize spot prices declining by 2.1% week-on-week. With the severe weather conditions experienced in Mozambique it is expected that this will result in increased exports of South African maize.

Wheat: The US wheat market remained firm this week although the market is still under pressure with the early carry out projections for the largest since 1988. The local wheat market traded negatively this week with the spot price declining by 1.3% week-on-week. The new wheat tariff of R675.07/ton has not yet been published, although another new tariff may trigger this week.

Soybeans: The US soya market traded downwards this week hitting a 10-year low. The global stocks of soybeans are expected to increase following wet weather causing a shift in plantings from corn to soybeans in the US as well as a large South American soya crop. Local oilseed prices declined this week with the soybean spot price down 2.8% and the sunflower seed spot price down 1.7% week-on-week.

Fibre: The Australian wool market indicator dropped this week following drought conditions affecting yield and style. The South African wool price moved upwards by 2.5% compared to the last sale, prices are 8.8% higher than prices a year ago. A statement was released by Chinese Customs that the ban on wool imports due to FMD will be lifted on the 8th of May; this statement applies to scoured wool/mohair. The US cotton market moved negatively this week with a 4.7% decline in the Cotton A index compared to last week, this is 12.9% lower compared to a year ago. The domestic cotton price is expected to follow a downward seasonal trend in the next three months.

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Maize market trends

International maize market

The US yellow corn price declined by 3.6% week-on-week, this is a 17.3% decline in price compared to a year ago. The USDA crop progress report shows that only 30% of the corn crop has been planted to date; this is in comparison to last year when 59% of the corn crop had been planted by this time. The ongoing US/China trade talks as well as large ending stocks are putting pressure on the market. Although the wet weather conditions were expected to act as a bullish factor for prices this has not yet materialized. The Premium for Kansas white corn has increased by 6.21% week-on-week, this is a 350.7% increase from the premium of 1.38 achieved last year.

	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	14.40	162.00	6.21	3328.82	3100.15	2463.27
w/w	-0.01%	-3.6%	58.1%	-1.7%	-2.8%	0.3%
m/m	2.7%	-2.4%	10.7%	2.6%	2.4%	3.8%
y/y	15.3%	-17.3%	350.7%	1.7%	-1.2%	15.3%

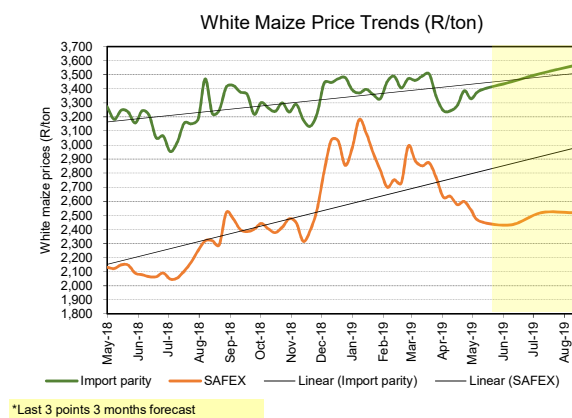
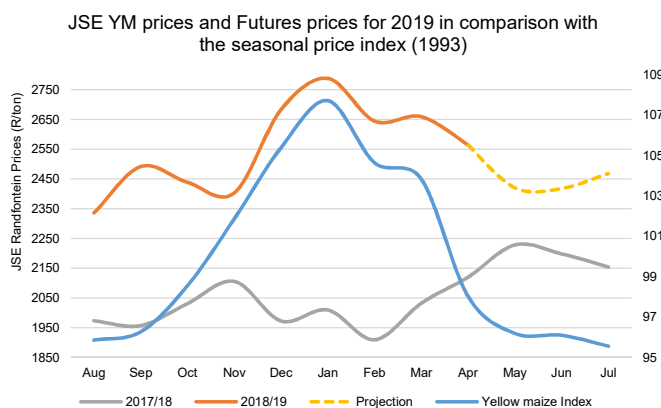
Local maize market

The domestic maize market also moved negatively this week with yellow maize spot prices declining by 2.4% and white maize spot prices declining by 2.1% week-on-week. Year-on-year domestic maize spot prices have increased - yellow maize increased by 18.9% while white maize increased by 11.8%. With the severe weather conditions experienced in Mozambique it is expected that this will result in increased exports of South African maize.

	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	2534.80	2457.00	2519.00	2487.60	2420.00	2468.00
w/w	-2.4%	-6.4%	-6.3%	-2.1%	-5.5%	-4.7%
m/m	-3.6%	-6.4%	-5.8%	-2.8%	-5.8%	-4.0%
y/y	18.9%	n/a	18.5%	11.8%	n/a	10.7%

Outlook

Domestic maize prices are seen to be on a declining trend for the month of May and are then expected to increase from June into July. The international market is lacking direction as it awaits a result to the US/China trade negotiation. The wet weather conditions in the US are expected to result in a reduction of corn acreage which should have a bullish impact on prices, the weather in the next week will determine to what extent this price increase may occur.



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Wheat market trends

International wheat market

The US wheat market remained firm this week although the market is still under pressure with Soft Red Winter wheat prices declining by 0.1% and Hard Red Winter wheat prices declining by 0.7% week-on-week. The early carry out projections for wheat are the largest since 1988 which will add pressure to the market.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.40	192.00	201.40	490.70
w/w	-0.01%	-0.1%	-0.7%	490.70
m/m	2.7%	-7.2%	-7.8%	490.70
y/y	15.3%	-12.7%	-16.4%	394.90

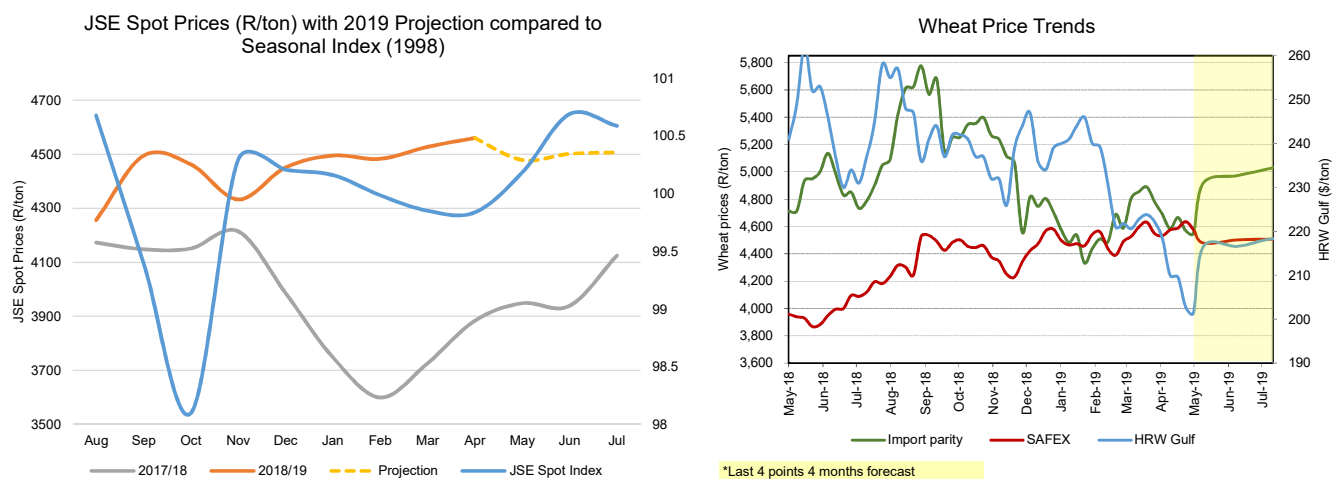
Local wheat market

The local wheat market traded negatively this week with the spot price declining by 1.3% week-on-week. The current wheat spot price is 15.7% higher than the spot price a year ago. Old season (May 2019) wheat has declined by 3.8% week-on-week while the new season (Dec 2019) wheat declined by 1.5%. The US import parity declined by 0.4% week-on-week. The new wheat tariff of R675.07/ton has not yet been published, although another new tariff may trigger this week.

	JSE Spot Price (R/ton)	May-19	Dec-19	USA Import Parity (R/ton)
Price	4577.50	4479.00	4329.00	4550.05
w/w	-1.3%	-3.8%	-1.5%	-0.4%
m/m	1.0%	-1.8%	-0.6%	-3.2%
y/y	15.7%	n/a	12.4%	-2.9%

Outlook

In the international wheat market prices are expected to remain fairly firm, the market is waiting for news on the US/China trade deal. There is hope that a conclusion to the US/China trade negotiations will provide support for the market. The domestic wheat prices are expected to drop slightly in the month of May before picking up and remaining fairly stable through June.



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Soybean market trends

International soybean market

The US soya market traded downwards this week hitting a 10-year low; the price of soybeans, soya oil and soya meal declined by 2.4%, 2.9% and 2.5% respectively week-on-week. Prices have declined compared to last year, with the price of soya meal 25.7% lower than a year ago. US and South American soya oil exports have declined due to a reduction in the Indian demand for soya oil. The exports of soya meal from the US and Argentina have increased due to higher demand from the EU-28, Indonesia and Vietnam. The global stocks of soybeans are expected to increase following wet weather causing a shift in plantings from corn to soybeans in the US as well as a large South American soya crop.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.40	315.66	26.64	287.66
w/w	-0.01%	-2.4%	-2.9%	-2.5%
m/m	2.7%	-7.1%	-8.1%	-6.8%
y/y	15.3%	-19.5%	-13.6%	-25.7%

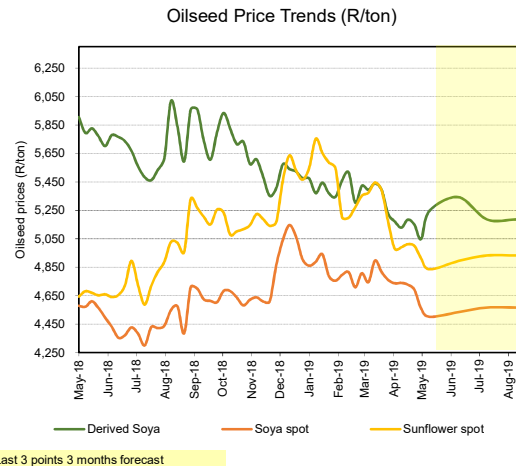
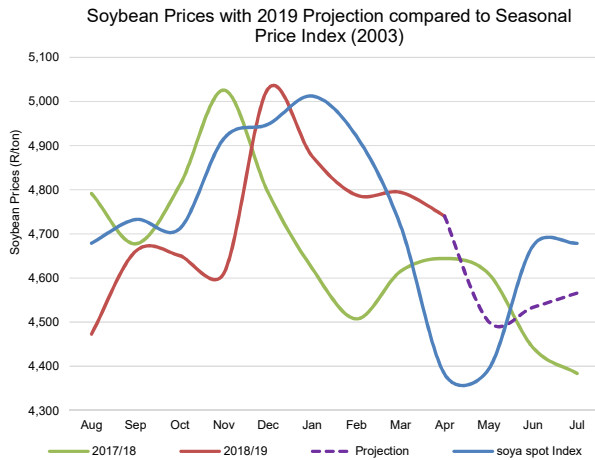
Local soybean market

Local oilseed prices declined this week with the soybean spot price down 2.8% and the sunflower seed spot price down 1.7% week-on-week. The derived soybean price declined by 2.7% week-on-week. The crushing margin after tax has increased by 6.8% week-on-week, however this is 63% lower than the crushing margin achieved a year ago.

	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	4976.11	4559	488.36	4912.00
w/w	-2.7%	-2.8%	6.8%	-1.7%
m/m	-3.9%	-3.7%	12.4%	-1.4%
y/y	-16.3%	-0.4%	-63.0%	5.8%

Outlook

The US market is hopeful that there will be a conclusion to the US/China trade negotiations soon, however it has been seen that China has increased its purchases of Brazilian soybeans and if the relations between the US and China don't improve then China is expected to become an active buyer in the Brazil market. US soya prices are expected to remain under pressure. The domestic soya prices are expected to drop in May and then pick up in June through to July. The local derived soybean price is expected to increase in May through to June before decreasing in July.



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Fibre market trends

Wool Market

Australia: The Australian wool market indicator dropped this week following drought conditions affecting yield and style. The offering of 32,081 bales consisted mostly of lots of low yield with inferior to good style. The Australian wool price dropped by 2% week-on-week but the price is 18.6% higher compared to a year ago.

Local: The South African wool price moved upwards by 2.5% compared to the last sale, prices are 8.8% higher than prices a year ago. There were 11,242 bales on offer of which 90.9% were sold, majority of the wool on sale was of medium length with 60% of the wool on offer being 20 microns or finer. A statement was released by Chinese Customs that the ban on wool imports due to FMD will be lifted on the 8th of May; this statement applies to scoured wool/mohair. Specific temperature conditions may need to be met before the export of greasy wool and mohair can resume.

Cotton Market

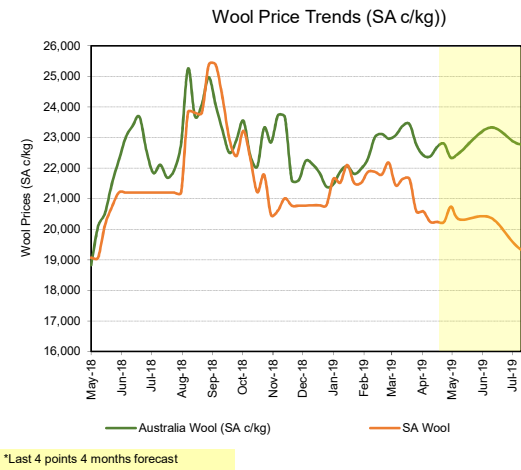
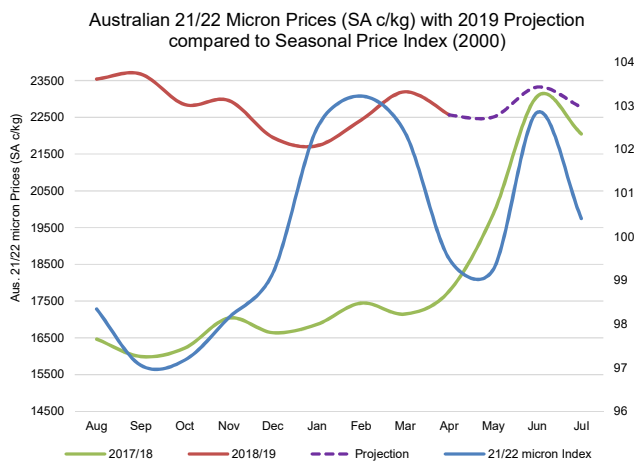
USA: The US cotton market moved negatively this week with a 4.7% decline in the Cotton A index compared to last week, this is 12.9% lower compared to a year ago. There were 21,210 bales on offer this week, this is 35.1% down from the 32,665 bales offered last week. In the earliest planted fields, cotton seedlings have started emerging.

Local: The South African cotton price declined by 4.9% compared to last week; this price is 0.2% higher than the price achieved a year ago. The domestic cotton price is expected to follow a downward seasonal trend in the next three months.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.01	22332	20739	82.15	2596
w/w	-1.0%	-2.0%	2.5%	-4.7%	-4.9%
m/m	0.1%	-0.4%	0.8%	-5.8%	-3.4%
y/y	8.3%	18.6%	8.8%	-12.9%	0.2%

Wool Outlook

Following the reopening of the Chinese wool export market the South African wool prices are expected to experience support and begin increasing. However, the market is still waiting for clarification on how DAFF will implement the issuing of health certificates within the defined parameters. Seasonal trends indicate that the local wool price will experience a decline in June going into July. The international wool market is expected to continue a decline into June and then begin to increase in the month of July.



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