



Agri Trends

20 May 2019

US Planting Progress at a 30-year low

Maize: The price of US yellow corn increased by 7.4% compared to last week. This increase in price is due to the wet weather conditions delaying corn plantings. Prices are expected to increase further should the rainfall continue to prevent planting but it really could go either way at the moment. The local maize market traded upwards this week with the support from the international markets. The yellow maize spot price increased by 1.2% and the white maize spot price increased by 1.8% week-on-week.

Wheat: In the US market this week Soft Red Winter wheat traded upwards by 2.5% while the Hard Red Winter wheat traded down by 0.2%. This increase in price is due to the bullish impact of the weather delaying the Spring wheat plantings. The domestic wheat spot price traded 2.5% downwards week-on-week. A new tariff of R957.95/ton has been triggered.

Soybeans: Week-on-week the price of US soybeans declined by 0.1% while the price of soya oil and soya meal increase by 1.5% and 2.5% respectively. The US Soybean stocks are becoming burdensome with a risk of storage problems. Domestic soybean prices increased by 1.4% week-on-week, this increase in price is due to support from the international markets. The derived soybean price is 5.4% higher while the crushing margin after tax is 4.2% lower week-on-week.

Fibre: Australian wool price declined by 3.8% this week, the number of bales sold this week amounted to 25,965 bales which consisted only 21.6% of the number of bales on offer. The South African wool price declined by 2.5% this week, the market was under pressure due to the stronger Rand as well as the downward trend in the Australian market. The US cotton market traded negatively again this week with trading inactive resulting in prices moving down 6.2% from last week. South African cotton prices also moved downwards this week with a drop of 6.9% in price. The cotton price is expected to continue moving downwards until July before picking up slightly in August in line with seasonal trends.

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Maize market trends

International maize market

The price of US yellow corn increased by 7.4% compared to last week. This increase in price is due to the wet weather conditions delaying corn plantings. The USDA crop progress report provided empirical evidence of the delayed plantings and the numbers were worse than expected which resulted in the jump in price. The premium for white corn is down 44.5% week-on-week but is 150% higher than a year ago. The import parity for yellow maize increased while the export parity declined.

	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	14.25	174.00	3.44	3438.02	3248.21	2419.38
w/w	-1.01%	7.4%	-44.5%	3.3%	4.8%	-1.8%
m/m	1.5%	5.5%	-43.8%	6.0%	7.6%	1.7%
y/y	14.1%	-7.9%	150.0%	8.1%	6.5%	17.5%

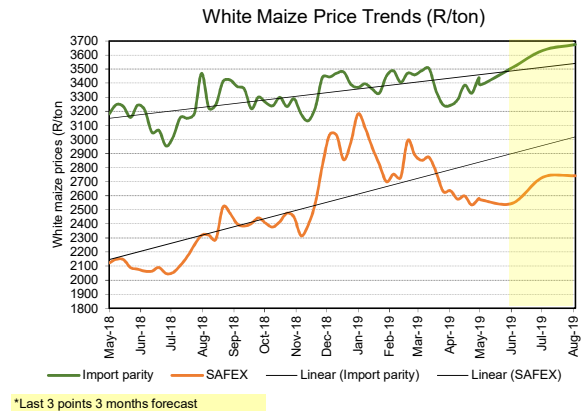
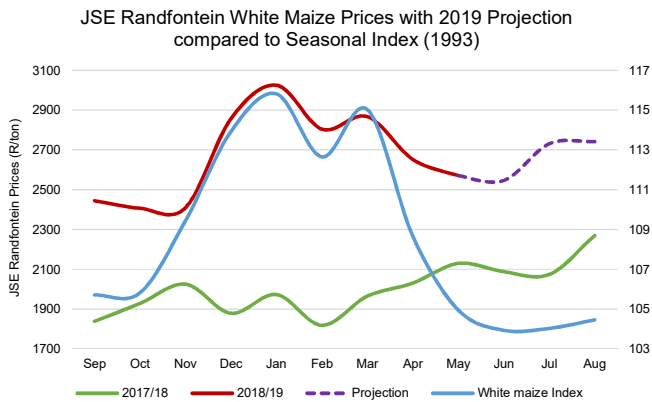
Local maize market

The local maize market traded upwards this week with the support from the international markets. The yellow maize spot price increased by 1.2% and the white maize spot price increased by 1.8% week-on-week. Year-on-year the spot price of yellow maize is up by 13.4% while the spot price of yellow maize increased by 21.6%.

	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	2581.00	2682.00	2731.00	2517.60	2618.00	2659.00
w/w	1.8%	9.2%	8.4%	1.2%	8.2%	7.7%
m/m	-2.1%	-0.2%	-0.5%	-1.3%	1.5%	2.4%
y/y	21.6%	26.4%	26.9%	13.4%	n/a	20.4%

Outlook

In the international market - the short term future of the corn market is dependent on the weather and is therefore expected to be volatile. Prices are expected to increase further should the rainfall continue to prevent planting but it really could go either way at the moment. Domestic maize prices are expected to follow a similar trend to prices last year; this would be a declining price trend for the rest of May going into June before increasing in July to level out in August. Local prices are currently receiving support from the increased international prices, this support may continue dependent on the weather conditions in the US.



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Wheat market trends

International wheat market

In the US market this week Soft Red Winter wheat traded upwards by 2.5% while the Hard Red Winter wheat traded down by 0.2%. This increase in price is due to the bullish impact of the weather delaying the Spring wheat plantings. The current prices are lower than prices achieved a year ago with soft red 12.5% lower and hard red 19.3% lower.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.25	196.80	201.00	490.70
w/w	-1.01%	2.5%	-0.2%	490.70
m/m	1.5%	-2.2%	-7.1%	490.70
y/y	14.1%	-12.5%	-19.3%	394.90

Local wheat market

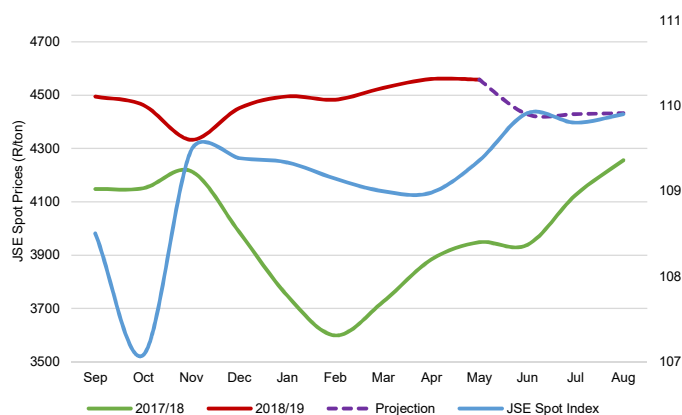
The domestic wheat spot price traded 2.5% downwards week-on-week with old season (May19) down by 1.1% and new season (Dec19) increased by 1.6%. Year-on-year prices have increased with the spot price 13.3% higher than a year ago. The import parity declined by 0.9% week-on-week. The import tariff which triggered of R675,07/ton which triggered on the 12th of March has not yet been published. In the meantime a new tariff of R957.95/ton has been triggered (new tariff triggered on the 14th of May).

	JSE Spot Price (R/ton)	May-19	Dec-19	USA Import Parity (R/ton)
Price	4461.20	4428.00	4398.00	4510.51
w/w	-2.5%	-1.1%	1.6%	-0.9%
m/m	-2.4%	-3.9%	1.2%	-3.5%
y/y	13.3%	15.5%	11.2%	-6.1%

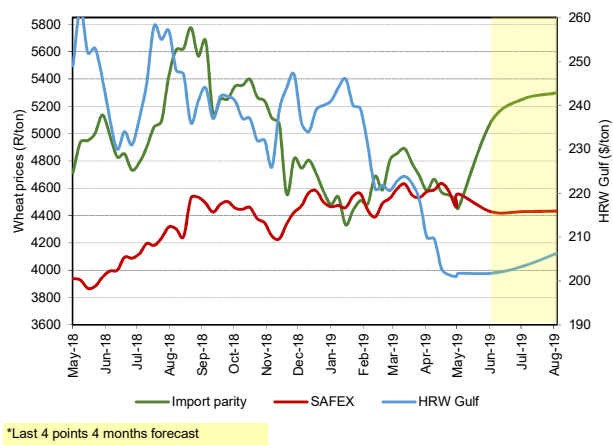
Outlook

In the international market, the soft red and the hard red wheat prices are expected to remain fairly stable in the next months with slight price increases in line with an increasing seasonal trend. The domestic wheat price is expected to continue decreasing for the remainder of May going into June before stabilizing into July and August.

JSE Spot Prices (R/ton) with 2019 Projection compared to Seasonal Index (1998)



Wheat Price Trends



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Soybean market trends

International soybean market

Week-on-week the price of US soybeans declined by 0.1% while the price of soya oil and soya meal recovered this week and increase by 1.5% and 2.5% respectively. The wet weather is severely delaying plantings with the USDA crop progress report showing the slowest planting progress in the USA in 30 years. To date approximately 9% of the US soybean crop has been planted; this is in comparison to last year where 32% of the crop had been planted by this time of year. The US Soybean stocks are becoming burdensome with a risk of storage problems as increased soya production is expected due to the shift in plantings from corn to soya.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.25	315.22	27.05	294.80
w/w	-1.01%	-0.1%	1.5%	2.5%
m/m	1.5%	-6.0%	-5.8%	-3.5%
y/y	14.1%	-18.5%	-12.6%	-22.4%

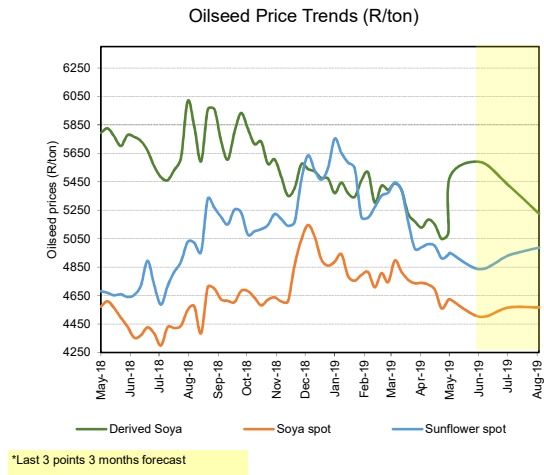
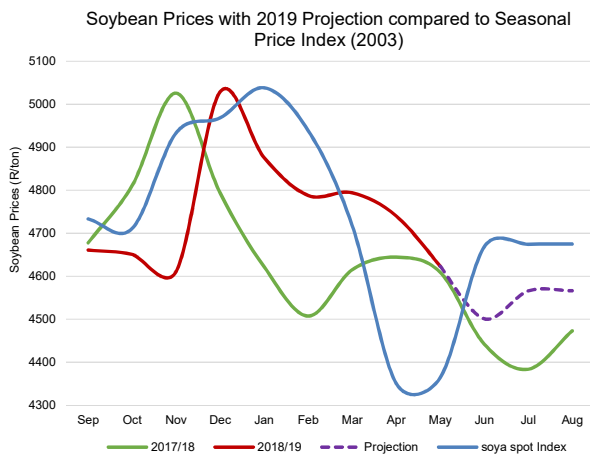
Local soybean market

Domestic soybean prices increased by 1.4% week-on-week, this increase in price is due to support from the international markets. The derived soybean price is 5.4% higher while the crushing margin after tax is 4.2% lower week-on-week. The crushing margin after tax is 62.2% lower than a year ago, the crushing margin is expected to continue its decline for the rest of the month. The sunflower seed spot price increased week-on-week by 0.5%, the current price is 5.5% higher than 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	5246.82	4621	468.06	4936.60
w/w	5.4%	1.4%	-4.2%	0.5%
m/m	2.8%	-2.5%	20.7%	-1.1%
y/y	-8.8%	1.1%	-62.2%	5.5%

Outlook

The US market was hopeful that a conclusion to the US/China trade negotiation will benefit their soya market, however there doesn't appear to be an end in sight which is making the market lose hope. China has announced retaliatory tariffs to be put in place from the beginning of June in response to the US tariff increase from 10 May. The local price of soybeans and sunflowers are expected to decline for the rest of May into June before increasing into July, this is in line with seasonal trends.



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Fibre market trends

Wool Market

Australia: The Australian wool price declined by 3.8% this week. Producers were reluctant to sell at these prices. There were a limited number of crossbred lots. The number of bales sold this week amounted to 25,965 bales which consisted only 21.6% of the number of bales on offer. The current Australian wool price is 6.9% higher than a year ago.

Local: The South African wool price declined by 2.5% this week, the market was under pressure due to the stronger Rand as well as the downward trend in the Australian market. Only 77.4% of the 5,686 bales on offer were sold, this is due to continued uncertainty regarding the export certification and the economic trading environment in China. Finer wools provided support to the market while shorter and coarser wools continue to experience the most downward pressure.

Cotton Market

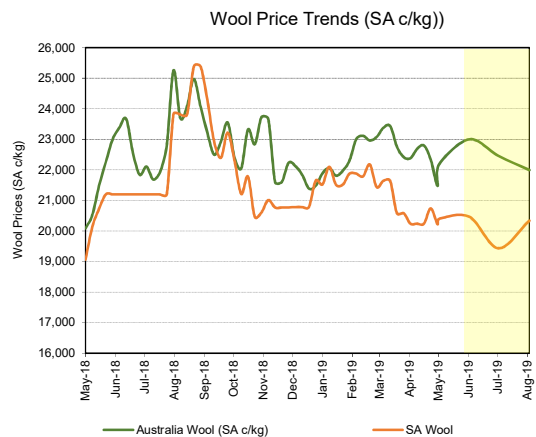
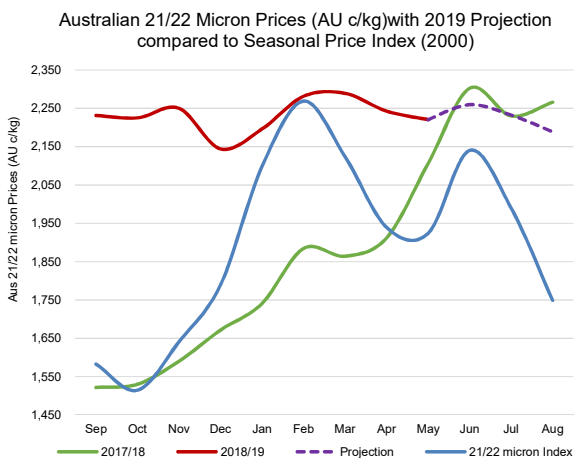
USA: The US cotton market traded negatively again this week with trading inactive resulting in prices moving down 6.2% from last week. The current price is 16.7% lower than prices a year ago. The number of bales for the week in the spot transactions totaled 1,905 bales, this is 91% down from the 21,210 bales reported last week. The USDA crop progress report shows that approximately 26% of the cotton crop has been planted so far this year; this is in comparison to the 34% of the crop planted by the same time last year.

Local: South African cotton prices also moved downwards this week with a drop of 6.9% in price. The domestic cotton price tends to move in the same direction as the international prices, although SA cotton prices were stronger last year and as such the year-on-year change in SA cotton price is only 5% down in comparison to the US cotton price moving 16.7% down year-on-year. The cotton price is expected to continue moving downwards until July before picking up slightly in August in line with seasonal trends.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.86	21477	20225	77.05	2416
w/w	-1.5%	-3.8%	-2.5%	-6.2%	-6.9%
m/m	-1.8%	-4.0%	-0.1%	-12.7%	-10.8%
y/y	4.2%	6.9%	6.1%	-16.7%	-5.0%

Wool Outlook

Australian wool prices are expected to increase for the remainder of May into June in line with seasonal trends, prices should then begin to trend downwards. The South African wool price is expected to remain fairly stable in May with prices declining from June into July and increasing in August. Domestic prices are expected to gain support once there is clarification regarding the certification of wool for exports.



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