



## Agri Trends

10 June 2019

### Domestic maize prices 30% higher than a year ago

**Maize:** The US corn market pulled back this week with the price for US yellow corn dropping by 3% week-on-week, although the current price is 9% higher compared to prices a year ago. The domestic maize spot prices traded positively overall this week. The yellow maize spot price increased by 1.2% while the white maize spot price increased by 0.8% week-on-week. The increased maize price is bad news for livestock farmers as increased feed prices will put pressure on their margins.

**Wheat:** US wheat prices traded upwards this week with the price of Soft Red Winter wheat increasing by 1.6% and the price of Hard Red Winter wheat increasing by 1.2% week-on-week. During the week the US wheat market experience high levels of volatility. In the domestic wheat market, the spot price for wheat traded 1% higher than it did last week with the current spot price 16.7% higher compared to the spot price a year ago.

**Soybeans:** In the US soybean market this week the price of Gulf soybeans increased by 2.1% week-on-week while the prices of soya oil and soya meal remained fairly stable with the price of soya oil declining by 0.3% and the price of soya meal increasing slightly by 0.02% week-on-week. The US soya market is experiencing sluggish exports with many bearish factors (US/China tariff war, burdensome domestic supplies, record Brazilian crops and excess rain) adding pressure to the market. The domestic oilseed market experienced large price increases this week with the soybean spot prices increasing by 5.8% and the sunflower seed spot price increase by 3.1% week-on-week.

**Fibre:** The Australian wool market remained fairly stable this week experiencing a slight decline of 0.3% in prices compared to last week. The slight decline in wool price maybe due to the Western center being on recess for the week. At the last auction for the South African wool season before the market goes on recess prices remained fairly stable with a 0.04% increase in price. The Cotton A index declined by 1.7% week-on-week. The local price declined by 2.3% week-on-week, this is a 10.8% drop compared to prices a year ago.

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## Maize market trends

### International maize market

The US corn market pulled back this week with the price for US yellow corn dropping by 3% week-on-week, although the current price is 9% higher compared to prices a year ago. The premium for white corn increased sharply from \$1.92/ton last week to \$5.81/ton this week. The wet weather in the US is providing some bullish impact to the US corn market as a reduction in acreage planted as well as yield is expected. The USDA planting progress report indicated that 67% of the corn crop had been planted, however the market was hoping that planting progress would be up to 71% at this time.

	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	14.75	193.00	5.81	3882.99	3636.18	2478.41
w/w	0.74%	-3.0%	202.6%	-0.2%	-1.8%	1.2%
m/m	2.5%	19.1%	-6.5%	16.5%	17.3%	0.8%
y/y	15.6%	9.0%	2.6%	23.0%	22.7%	26.0%

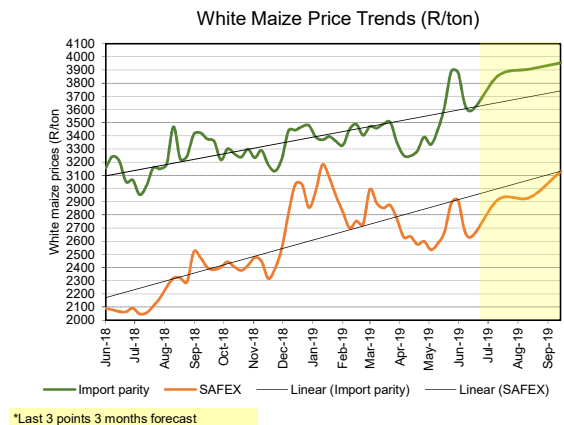
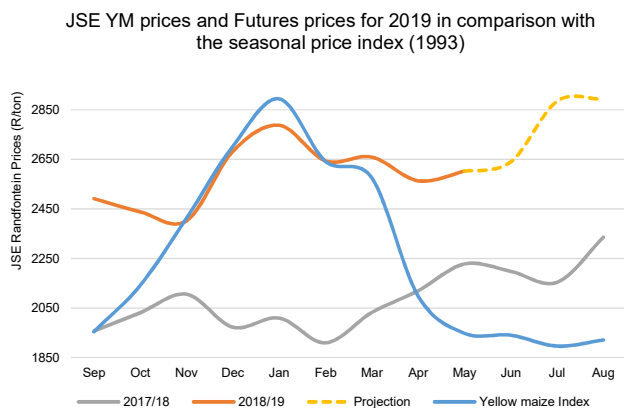
### Local maize market

The domestic maize spot prices traded positively overall this week. The yellow maize spot price increased by 1.2% while the white maize spot price increased by 0.8% week-on-week. The current spot prices for South African maize are 30.4% higher for yellow maize and 39.3% higher for white maize compared to the spot prices a year ago. The futures prices for the July-19 and September-19 contracts for both white and yellow maize traded downward week-on-week however are higher compared to a month ago. The increased maize price is bad news for livestock farmers as increased feed prices will put pressure on their margins.

	White Maize			Yellow Maize		
	JSE Sport Price, Randfontein (R/ton)	Jul-19	Sep-19	JSE Sport Price, Randfontein (R/ton)	Jul-19	Sep-19
Price	2910.40	2919.00	2965.00	2874.40	2885.00	2940.00
w/w	0.8%	-1.8%	-1.9%	1.2%	-1.4%	-1.5%
m/m	14.8%	10.9%	10.0%	15.5%	9.6%	9.1%
y/y	39.3%	40.5%	38.7%	30.4%	31.8%	31.3%

### Outlook

The US corn market is expecting continued high levels of volatility with prices moving upwards some weeks and downwards other weeks. The prices are expected to remain fairly high in the short term. The true impact of the wet weather conditions will only be fully known at the end of the season so expect volatility for the next few months. The domestic maize prices are expected to continue on their upward trajectory in the next three months with prices expected to experience a sharp increase in July.



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## Wheat market trends

### International wheat market

US wheat prices traded upwards this week with the price of Soft Red Winter wheat increasing by 1.6% and the price of Hard Red Winter wheat increasing by 1.2% week-on-week. During the week the US wheat market experience high levels of volatility. On the 5th of June the price of HRW and SRW wheat were equal and the week ended with the price of SRW wheat trading above that of HRW wheat. Global wheat supplies are ample which is adding pressure to the market. The high US wheat prices are struggling to compete with global prices, specifically the price of wheat coming from the Black Sea region. This result of these uncompetitive prices is that the US market struggling to move wheat exports and as such stocks are starting to pile up.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.75	224.60	226.60	675.10
w/w	0.74%	1.6%	1.2%	675.10
m/m	2.5%	17.0%	12.5%	490.70
y/y	15.6%	0.7%	-10.4%	437.20

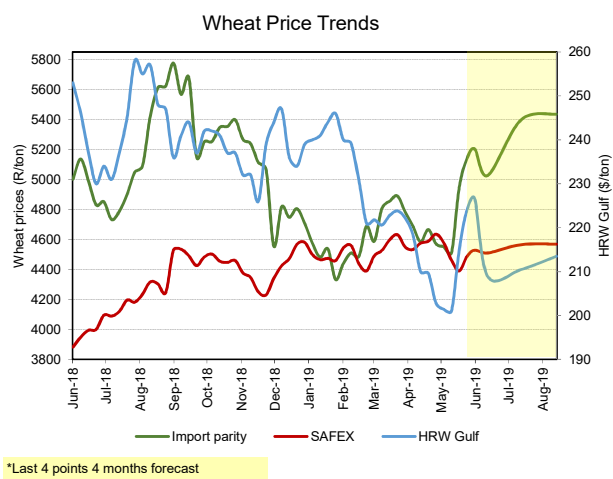
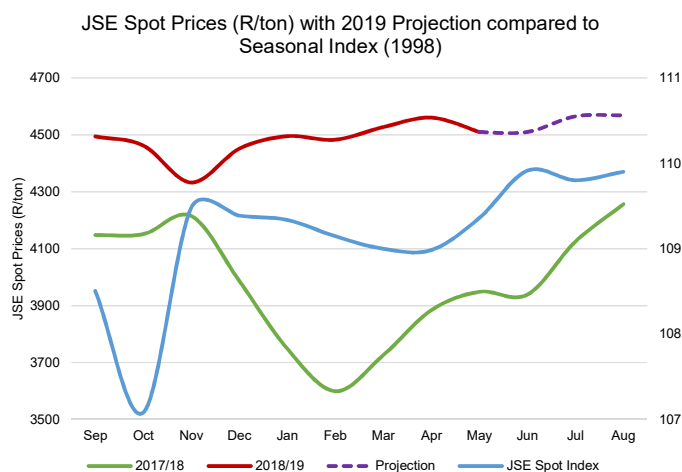
### Local wheat market

In the domestic wheat market, the spot price for wheat traded 1% higher than it did last week with the current spot price 16.7% higher compared to the spot price a year ago. This increase in wheat price is due to support from the international markets. The import tariff for wheat is currently R675.10/ton, the next tariff of R957.95/ton to be published was triggered on the 14th of May. A new tariff of around the R650/ton mark is expected to trigger in the next week.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4529.00	4565.00	4470.00	5203.91
w/w	1.0%	0.3%	0.8%	1.3%
m/m	-1.1%	-2.1%	2.3%	14.0%
y/y	16.7%	16.3%	14.0%	4.3%

### Outlook

The US wheat market is expecting prices to start declining in the short term, a reduction in prices would allow the US wheat market to regain its competitiveness. The US market is expected to remain volatile for the remainder of summer. Overall the local wheat price is on an upwards trajectory for the next three months. The local wheat price is expected to remain fairly stable in the next month. An increase in price is expected in July and then prices are expected to remain at that level moving into August.



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## Soybean market trends

### International soybean market

In the US soybean market this week the price of Gulf soybeans increased by 2.1% week-on-week while the prices of soya oil and soya meal remained fairly stable with the price of soya oil declining by 0.3% and the price of soya meal increasing slightly by 0.02% week-on-week. The global market is becoming more dependent on Argentina and Brazil soya oil and soya meal in the next year as record crops are coming out of these areas. The US soya market is experiencing sluggish exports with many bearish factors (US/China tariff war, burdensome domestic supplies, record Brazilian crops and excess rain) adding pressure to the market.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.75	340.50	27.44	317.48
w/w	0.74%	2.1%	-0.3%	0.02%
m/m	2.5%	7.9%	3.0%	10.4%
y/y	15.6%	-11.7%	-10.8%	-12.7%

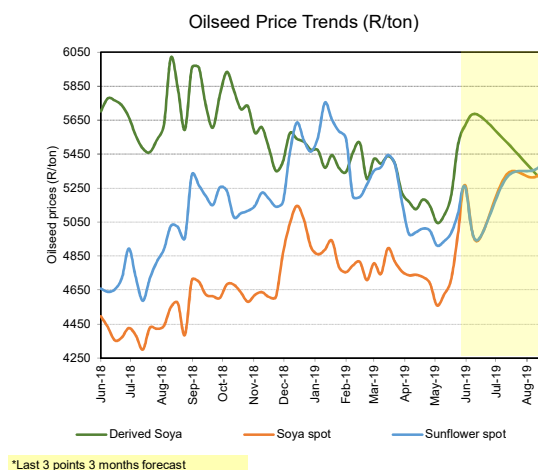
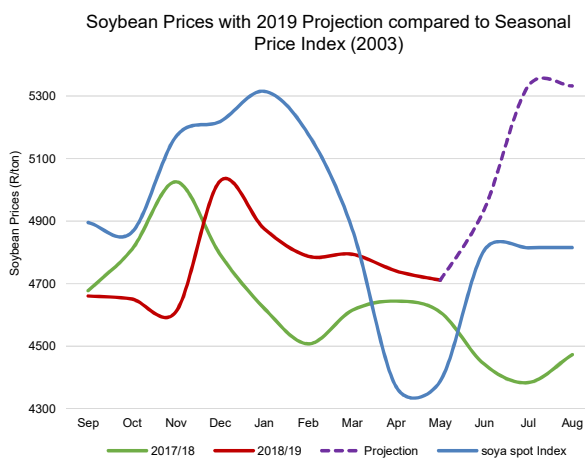
### Local soybean market

The domestic oilseed market experienced large price increases this week with the soybean spot prices increasing by 5.8% and the sunflower seed spot price increase by 3.1% week-on-week. The increased soybean price has however resulted in a 33.2% drop in the after tax crushing margin compared to last week. The increased soybean prices are in response to the continued uncertainty in the US market following the wet weather conditions, the US/China trade war as well as the African Swine Fever outbreak in China.

	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	5640.99	5267	350.13	5259.20
w/w	-1.6%	5.8%	-33.2%	3.1%
m/m	11.4%	15.5%	-28.1%	7.1%
y/y	-0.5%	17.2%	-71.0%	12.9%

### Outlook

The US market is expecting continued high levels of volatility in their soybean market as there is still much uncertainty as to which way the market is going to move. Any sign of a resolution to the US/China trade war should have a bullish impact on the market however the other bearish factors affecting the market will continue to put pressure on prices. The domestic oilseed market is expected to continue to experience high price levels for both soybeans and sunflower seeds. Prices are expected to increase sharply in June going into July and then should stabilize in August.



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## Fibre market trends

### Wool Market

**Australia:** The Australian wool market remained fairly stable this week experiencing a slight decline of 0.3% in prices compared to last week. The current wool price is fairly on par with prices received a year ago. Of the 21,744 bales on offer at the auctions this week, 84.5% were sold. The slight decline in wool price maybe due to the Western center being on recess for the week, at the auctions in the coming week all three centers will be in operation.

**Local:** The South African wool price remained fairly stable this week with a 0.04% increase in price. There were 12,437 bales offered at the auction, of which 91.3% were sold. The market is still waiting for news on the full reopening of the Chinese export market to include greasy wools. Shorter wool continue to remain under pressure with lower prices. Longer and finer wools attracted better competition at this auction which provided support for the market overall. This was the last auction for the South African wool season before the market goes on recess with the next auction date set at 14 August 2019.

### Cotton Market

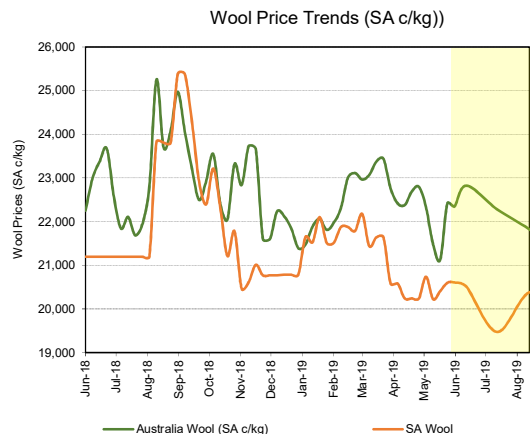
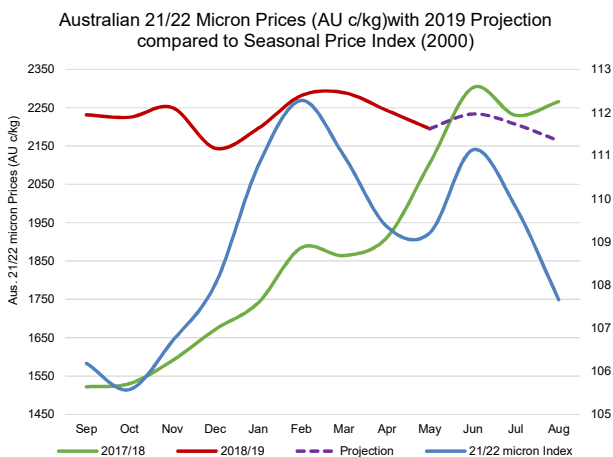
**USA:** The number of bales on offer at USA auctions this week amounted to 18,676 bales, this is a much larger offering than the 8,237 bales offered the week before. Cotton trading was slow this week with light demand from buyers. The Cotton A index declined by 1.7% week-on-week, this is a 22.4% drop compared to a year ago.

**Local:** South African cotton prices followed the USA prices and also declined this week. The local price declined by 2.3% week-on-week, this is a 10.8% drop compared to prices a year ago. Cotton prices are expected to continue their declining trend for the next three months, prices are expected to pick up again in July moving in August.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.29	22347	20607	76.85	2487
w/w	0.5%	-0.3%	0.04%	-1.7%	-2.3%
m/m	2.8%	0.1%	-0.6%	-6.5%	-4.2%
y/y	3.9%	0.4%	-2.8%	-22.4%	-10.8%

### Wool Outlook

The Australian wool price is expected to increase on average for the month of June and then decline again into July and August. The South African wool market is now on recess as the season has drawn to an end. The first auction of the next season is dated for the 14th of August. At this first auction expected higher levels of demand should provide support for prices. The full reopening of the Chinese export market is vital for the buyers who have stores of greasy wool as well as producers of shorter wools.



\*Last 4 points 4 months forecast

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