



Agri Trends

18 June 2019

USDA projections lower than expected

Maize: The US corn market is rallying this week with the price of US yellow corn 6.7% higher compared to last week. The price for Kansas City white corn increased by 3.9% week-on-week while the premium for white corn declined by 51.7% to US\$2.80/ton. The upward momentum in the market is building and new buyers are entering the market which is further supporting prices. Domestic maize prices pulled back this week with the white maize price declining by 2.2% and the yellow maize price declining by 1.6% week-on-week.

Wheat: The ending stocks of Soft Red Winter wheat are the lowest since 2013/14 levels which is supporting prices to trade above the Hard Red Winter wheat prices. Week-on-week the SRW wheat price increased by 1.3% while the price for HRW wheat declined by 1.2%. The domestic wheat market experienced a decline this week with a 1.1% drop in price compared to last week. A new wheat tariff of R664.70/ton was triggered on the 11th of June. The current wheat tariff is R958/ton.

Soybeans: The US soya market remained relatively stable this week with slight increases in prices compared to last week. The estimated yield, production and carry out stocks reported were lower than expected and only 77% of the soya crop has been planted so far in comparison to the 96% normally planted by this time of year. In the domestic oilseed market this week the spot price of soybeans increased by 2.7% week-on-week while the spot price of sunflower seeds was relatively stable with a 0.3% decline in price week-on-week.

Fibre: There was strong buyer demand for best style wools in the Australian wool market this week; however, due to a limited supply they were unable to support prices and therefore the Australian wool price declined by 3.1% week-on-week. The South African wool market is currently on recess. The first sale of the next season is scheduled for the 14th of August 2019. The Cotton A Index declined by 1.2% week-on-week; this is a 25.1% decline compared to a year ago. The USDA planting progress report indicates that 89% of the cotton crop has been planted so far. The domestic cotton price declined by 0.5% week-on-week; this decline in price results in the current price being 16.3% lower compared to prices a year ago.

Contents

Maize market trends	2
Wheat market trends	3
Soybean market trends	4
Fibre market trends	5

Maize market trends

International maize market

The US corn market is rallying this week with the price of US yellow corn 6.7% higher compared to last week. The price for Kansas City white corn increased by 3.9% week-on-week while the premium for white corn declined by 51.7% to US\$2.80/ton. The USDA WASDE report indicated lower than expected yields, production and carry out stocks; this provided support for market prices. There is concern over the emergence of corn – normally by this time of year 97% of the corn crop has emerged while this year only 79% has emerged. The upward momentum in the market is building and new buyers are entering the market which is further supporting prices.

	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	14.81	206.00	2.80	4051.73	3845.19	2468.97
w/w	0.37%	6.7%	-51.7%	4.3%	5.7%	-0.4%
m/m	3.9%	18.4%	-18.6%	17.7%	18.4%	2.3%
y/y	11.8%	16.4%	-37.4%	24.9%	25.6%	20.6%

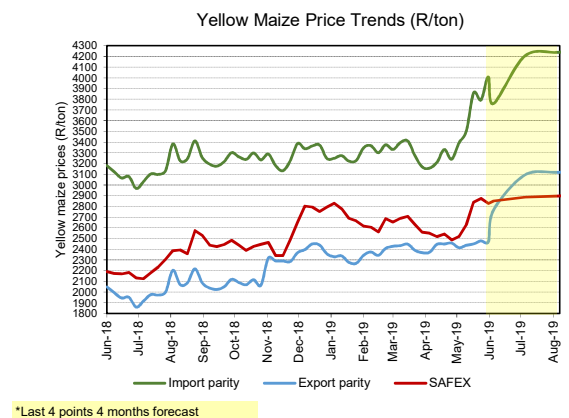
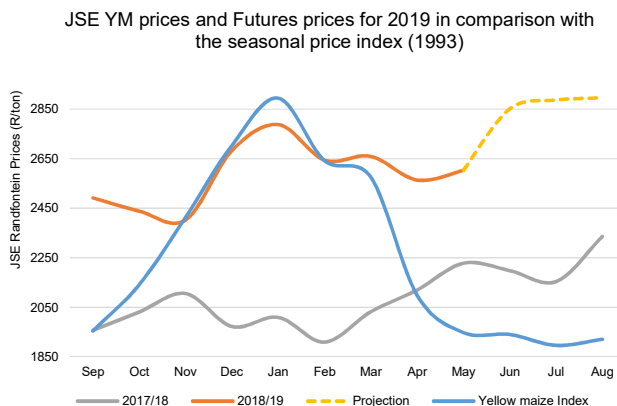
Local maize market

Domestic maize prices pulled back this week with the white maize price declining by 2.2% and the yellow maize price declining by 1.6% week-on-week. Although the prices did decline compared to last week, prices are still about 29% higher compared to a year ago. Higher maize prices are a concern for livestock farmers as it may result in increased feed costs which will reduce 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	2845.60	2901.00	2949.00	2828.20	2887.00	2937.00
w/w	-2.2%	-0.6%	-0.5%	-1.6%	0.1%	-0.1%
m/m	10.3%	11.6%	10.9%	12.3%	14.6%	13.8%
y/y	36.9%	39.7%	38.3%	29.1%	31.8%	31.0%

Outlook

The US corn market is expected to remain volatile for the next three months as the actual impact of the unseasonably wet weather will only be fully determined once the crop may be harvested. In the short term, the US corn prices are expected to continue their upward trend with follow-through buying in the next week. Domestic maize prices are expected to remain high for the next three months despite the week-on-week decline in maize price. The domestic prices are expected to stabilize at this high level in July moving into August.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Wheat market trends

International wheat market

The ending stocks of Soft Red Winter wheat are the lowest since 2013/14 levels which is supporting prices to trade above the Hard Red Winter wheat prices. Week-on-week the SRW wheat price increased by 1.3% while the price for HRW wheat declined by 1.2%. The rally of corn prices has also provided support for the wheat prices. The US wheat prices are currently still too high to be competitive on the global market, specifically in comparison to Russia's wheat prices. The large global wheat stocks are also adding pressure to the market.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.81	227.60	223.80	958.00
w/w	0.37%	1.3%	-1.2%	675.10
m/m	3.9%	15.7%	11.3%	490.70
y/y	11.8%	5.4%	-9.0%	437.20

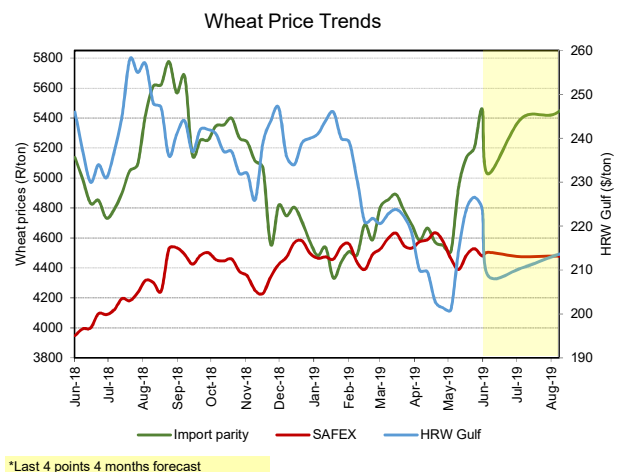
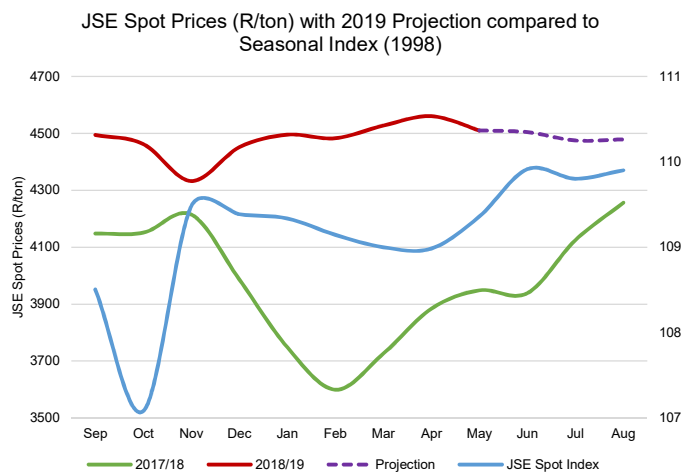
Local wheat market

The domestic wheat market experienced a decline this week with a 1.1% drop in price compared to last week. Despite the week-on-week decline in local wheat price, prices are still 13.4% higher compared to prices a year ago. A new wheat tariff of R664.70/ton was triggered on the 11th of June while the latest tariff published amounts to R958/ton.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4479.80	4475.00	4428.00	5459.30
w/w	-1.1%	-2.0%	-0.9%	4.9%
m/m	0.4%	-1.4%	1.1%	20.7%
y/y	13.4%	12.0%	10.7%	8.3%

Outlook

The US wheat market is expected to experience continued volatility in the next three months. Rallying of prices in the corn and soya markets will provide support for US wheat prices however already high prices are making the US less competitive on the global markets. The increased US wheat prices are expected to decline in order for the market to become competitive. Domestic wheat prices are expected to remain fairly stable in the next three months with a slight declining trend in price.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Soybean market trends

International soybean market

The US soya market remained relatively stable this week with slight increases in prices compared to last week. Soybeans increased by 0.02%, soya oil increased by 0.4% and soya meal increased by 0.32% week-on-week; prices are lower compared to a year ago. Prices are expected to be supported by the numbers coming from the USDA WASDE and crop progress reports. The estimated yield, production and carry out stocks reported were lower than expected and only 77% of the soya crop has been planted so far in comparison to the 96% normally planted by this time of year. The wet weather conditions in the US are delaying soya planting and the emergence of soya - which is also lower at 55% compared to the 89% emergence normally at this time of year.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.81	340.57	27.56	318.50
w/w	0.37%	0.02%	0.4%	0.32%
m/m	3.9%	8.0%	1.9%	8.0%
y/y	11.8%	-6.5%	-8.4%	-8.2%

Local soybean market

In the domestic oilseed market this week the spot price of soybeans increased by 2.7% week-on-week while the spot price of sunflower seeds was relatively stable with a 0.3% decline in price week-on-week. Compared to a year ago the soybean price is 22.1% higher and the sunflower seed price is 13.09% higher. A concern is that due to the increased soybean prices the crushing margin received is going to decline – the calculated after tax crushing margin, although still positive, has declined drastically compared to a year ago.

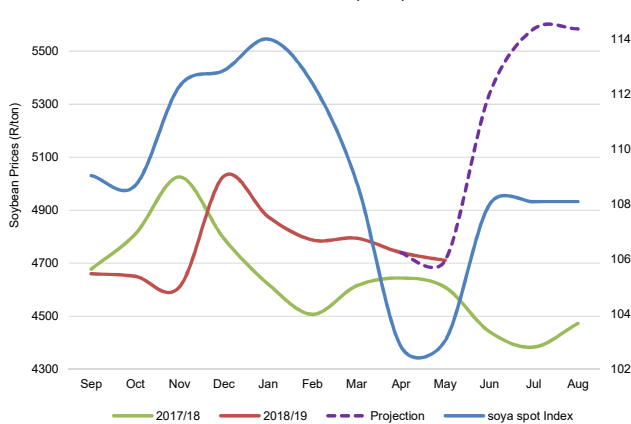
	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin after tax (R/ton)	JSE Spot Price (R/ton)
Price	5623.63	5409	132.69	5243.40
w/w	-0.3%	2.7%	-62.1%	-0.3%
m/m	12.6%	17.0%	-71.6%	6.2%
y/y	-1.7%	22.1%	-90.2%	13.0%

*Derived soybean price: Calculated price based on the imported price for soybeans and oilcake

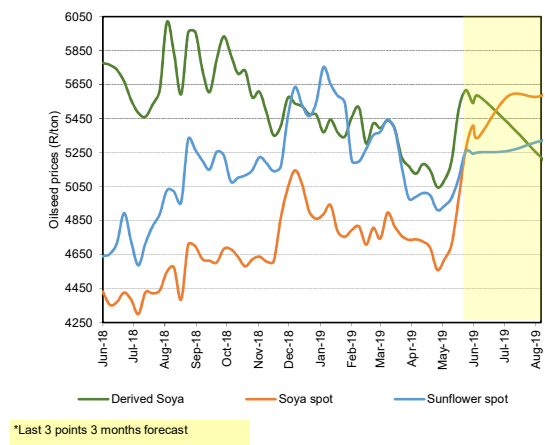
Outlook

Although there is ample soybean production this season, due to a reduction in the USA and Canadian soya crop size, the world production of soybeans in the next season is forecasted to be 5.3 million tons lower. The US soya market is expected to experience high levels of volatility. The US market is expected to rally in the short term with large increases in prices due to the low emergence and planting progress levels reported by the USDA. Domestic prices are expected to increase sharply in the short term as supported by the international prices as well as seasonal trends indicating higher domestic prices at this time of year.

Soybean Prices with 2019 Projection compared to Seasonal Price Index (2003)



Oilseed Price Trends (R/ton)



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Fibre market trends

Wool Market

Australia: There was strong buyer demand for best style wools in the Australian wool market this week; however, due to a limited supply they were unable to support prices and therefore the Australian wool price declined by 3.1% week-on-week. Of the 28,140 bales on offer at this week's auctions, 21.3% were sold.

Local: The South African wool market is currently on recess. The first sale of the next season is scheduled for the 14th of August 2019. The price reported is the price received on the 5th of June at the last auction of the season.

Cotton Market

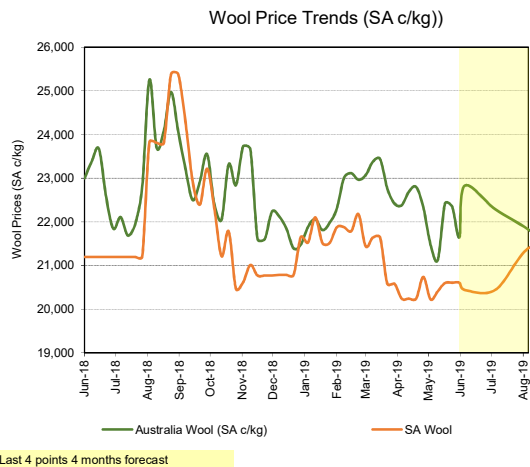
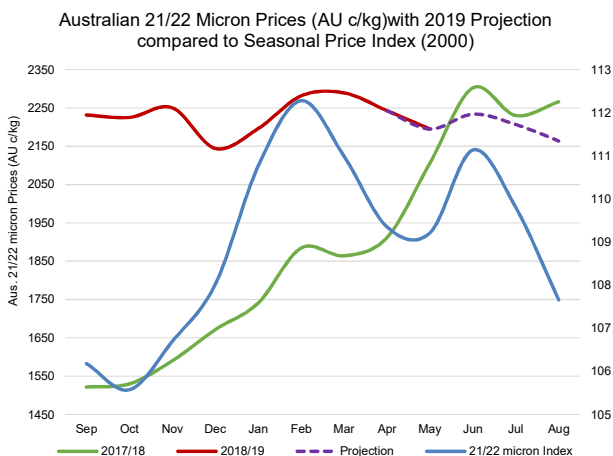
USA: The Cotton A Index declined by 1.2% week-on-week; this is a 25.1% decline compared to a year ago. The USDA planting progress report indicates that 89% of the cotton crop has been planted so far, this is in comparison to last year when 95% of the cotton crop had been planted by this time. The WASDE report has unchanged supply and demand projects for the US however projects slightly lower production, consumption and trade on a global level. The large decline in Cotton A index is mainly due to the impact of the US/China trade war as majority of the USA crop goes to China.

Local: The domestic cotton price declined by 0.5% week-on-week, this decline in price results in the current price being 16.3% lower compared to prices a year ago. The local cotton market is being impacted by the international prices. Local cotton prices are expected to continue their decline for the next two months. Seasonal trends and last year's prices give the indication that prices may increase slightly in August. The US is expected to have a large crop for the 2019/20 season.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.26	21647	20607	75.95	2474
w/w	-0.3%	-3.1%	Recess	-1.2%	-0.5%
m/m	4.1%	0.8%	1.9%	-1.4%	2.4%
y/y	2.1%	-5.9%	-2.8%	-25.1%	-16.3%

Wool Outlook

The Australian wool price is expected to experience a bump in June before declining into July and August. As the price experienced a large decline this week, this likely indicates the beginning of this declining trend. The total number of bales expected to be on offer at the next Australian auctions is 19,745 bales. The South African wool market is on recess until August.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.