



Agri Trends

24 June 2019

Local prices seem to be stabilizing amidst international volatility

Maize: On average for the week the price for US yellow Gulf corn declined by 0.8% compared to last week while the price of Kansas City white corn increased by 1.7% week-on-week. Even with perfect US summer weather conditions there is still a lot of corn that did not get planted and we don't yet know how the quality of the corn that did manage to get planted will be affected by the wet weather. In the domestic market, prices remained relatively stable compared to last week with the spot price for yellow maize increasing by 0.4% and the spot price for white maize increasing by 0.1% week-on-week. The high maize prices (30%+ compared to last year) are a concern for livestock farmers.

Wheat: The US wheat market traded positively this week with a 2.7% increase in Soft Red Winter wheat and a 2.1% increase in the Hard Red Winter wheat price week-on-week. The US wheat market is still not considered to be competitive on the global market at the moment due to their high prices. In the domestic wheat market this week, the spot price of wheat remained relatively stable with only a 0.2% increase in price compared to last week. The current spot price for wheat is 12.4% higher than the spot price a year ago.

Soybeans: The US soybean market traded positively this week with large week-on-week increases in price for soybeans (4.75%) and soya oil (3%), and a slight week-on-week increase in the price of soya meal (0.6%). The unseasonably wet weather conditions in the US are of growing concern for the soybean market as the weather may have a larger than anticipated impact on the US soybean crop this season. The domestic oilseed market remained relatively stable this week with slight increases in prices. The calculated after tax crushing margin is showing a drop of 95.6% compared to a year ago - this is a serious concern for domestic crushing plants.

Fibre: In the Australian wool market this week, only two of the three auction centers held auctions this week. The Australian wool price declined by 4.7% week-on-week. Contributing to the decline in Australian wool price was low buyer confidence and weak demand. Cotton trading in the USA was inactive this week with low levels of demand resulting in the average spot price for cotton reaching a low of 60.77USc/lb despite the 1.6% increase in the Cotton A index for the week. Domestic cotton prices declined by 0.4% week-on-week resulting in current prices being 12.2% lower compared to prices a year ago.

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Maize market trends

International maize market

High levels of volatility are expected to remain in the US corn market for the rest of summer. In this week alone we saw prices see-saw with price increases one day and decreases the next day. On average for the week the price for US yellow Gulf corn declined by 0.8% compared to last week while the price of Kansas City white corn increased by 1.7% week-on-week. The premium for white corn declined by 21.1% from US\$2.80/ton last week to US\$2.21/ton this week. Even with perfect US summer weather conditions there is still a lot of corn that did not get planted and we don't yet know how the quality of the corn that did manage to get planted will be affected by the wet weather. As such the reduction of available corn is expected to boost the market in the long term.

	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	14.52	204.40	2.21	3948.07	3506.39	2466.75
w/w	-1.98%	-0.8%	-21.1%	-2.6%	1.1%	-2.0%
m/m	0.7%	14.2%	-71.3%	9.0%	8.7%	-0.7%
y/y	6.3%	22.4%	-62.8%	23.0%	16.6%	19.9%

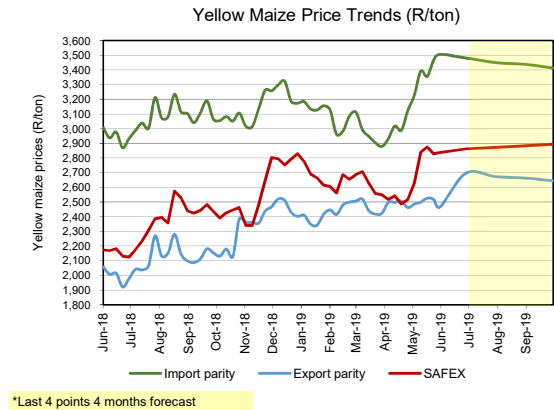
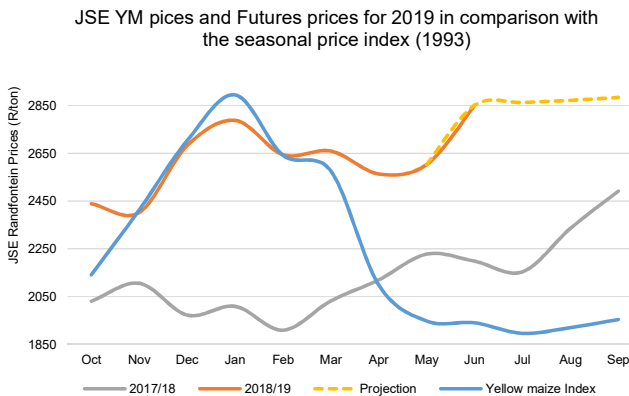
Local maize market

In the domestic market, prices remained relatively stable compared to last week with the spot price for yellow maize increasing by 0.4% and the spot price for white maize increasing by 0.1% week-on-week. Local maize prices appear to be stabilizing now at these high levels. The high maize prices (30%+ compared to last year) are a concern for livestock farmers as feed costs will be influenced which will result in reduced margins for farmers. Volatility in the US market will continue to impact the domestic market.

	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	2847.10	2868.00	2928.00	2838.10	2863.00	2917.00
w/w	0.1%	-1.1%	-0.7%	0.4%	-0.8%	-0.7%
m/m	6.7%	5.2%	5.0%	8.0%	6.6%	6.3%
y/y	37.9%	38.2%	36.9%	30.6%	31.1%	30.6%

Outlook

The US corn market is expecting continued volatility for the summer season. The reduction in the corn crop due to the unseasonably wet weather as well as the impact of that weather on the quality of the crop will not be fully known until the end of the season. The US corn prices are thought to be levelling off at this time, however, traders warn to be careful as volatility is expected and prices may move quickly and sharply as the market trades on a day-to-day basis awaiting concrete news to give the market direction. The domestic maize prices seem to be stabilizing at high levels for the next three months but things could change quickly due to volatility in the US market.



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Wheat market trends

International wheat market

The US wheat market traded positively this week with a 2.7% increase in Soft Red Winter wheat and a 2.1% increase in the Hard Red Winter wheat price week-on-week. The US wheat market is still not considered to be competitive on the global market at the moment due to their high prices. Soft Red Winter wheat prices are almost 10% higher compared to prices a year ago and is currently trading above Hard Red Winter wheat prices.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.52	233.80	228.60	958.00
w/w	-1.98%	2.7%	2.1%	958.00
m/m	0.7%	11.0%	6.4%	675.10
y/y	6.3%	9.8%	-3.5%	437.20

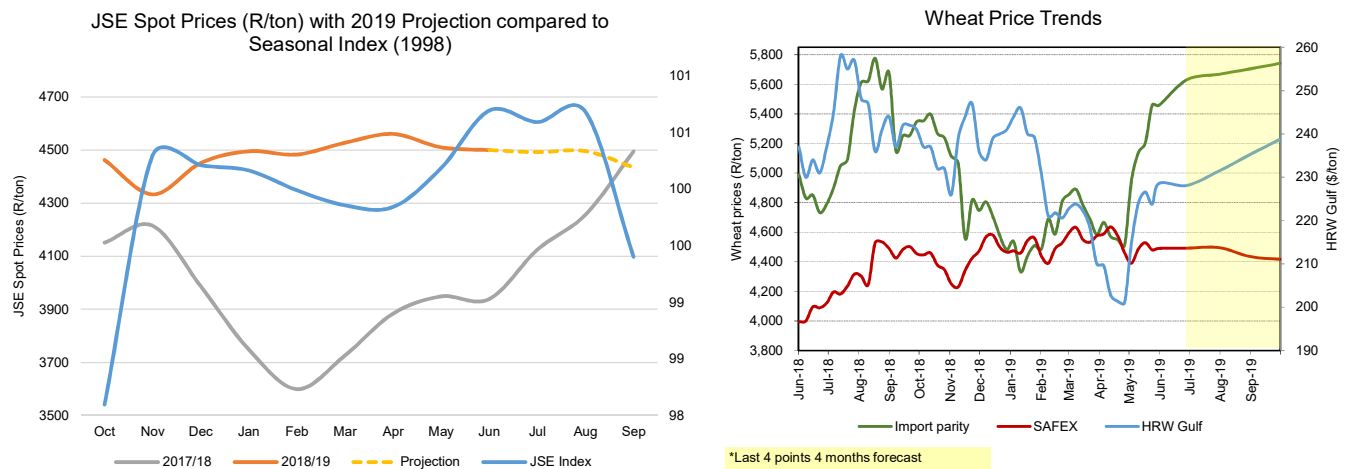
Local wheat market

In the domestic wheat market this week, the spot price of wheat remained relatively stable with only a 0.2% increase in price compared to last week. The current spot price for wheat is 12.4% higher than the spot price a year ago. The current published wheat tariff is R958/ton, the new tariff of R664.70/ton triggered on the 11th of June and is not yet published. The price of new season wheat (Dec 2019) declined by 2.3% week-on-week whilst the price of old season wheat (July 2019) increased by 0.4% week-on-week.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4490.30	4492.00	4328.00	5458.93
w/w	0.2%	0.4%	-2.3%	-0.1%
m/m	2.3%	1.8%	-0.9%	10.3%
y/y	12.4%	13.1%	6.9%	8.5%

Outlook

The US wheat market is slightly concerned as the current high US wheat prices are pricing them out of competition on the global market and because the prices are so high, there is further concern regarding how far prices could possibly fall. The US market is expecting continued volatility in the next three months as volatility in the corn and soybean market could influence the US wheat market. In the domestic market, wheat prices are expected to remain relatively stable in the next three months with prices dropping off in September.



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Soybean market trends

International soybean market

The US soybean market traded positively this week with large week-on-week increases in price for soybeans (4.75%) and soya oil (3%), and a slight week-on-week increase in the price of soya meal (0.6%). The unseasonably wet weather conditions in the US are of growing concern for the soybean market as the weather may have a larger than anticipated impact on the US soybean crop this season. This is the main reason for the large increase in the US soybean price this week. There was an increase in US soybean exports in the week which provided support for US prices. World soybean crushings are expected to decline in July to September due to China's reduced crushing requirements following the African Swine Fever outbreak.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.52	356.75	28.37	320.36
w/w	-1.98%	4.8%	3.0%	0.6%
m/m	0.7%	12.4%	4.5%	7.6%
y/y	6.3%	3.0%	-3.0%	-4.3%

Local soybean market

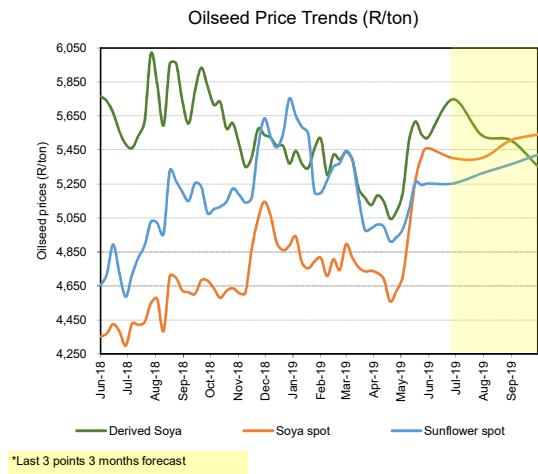
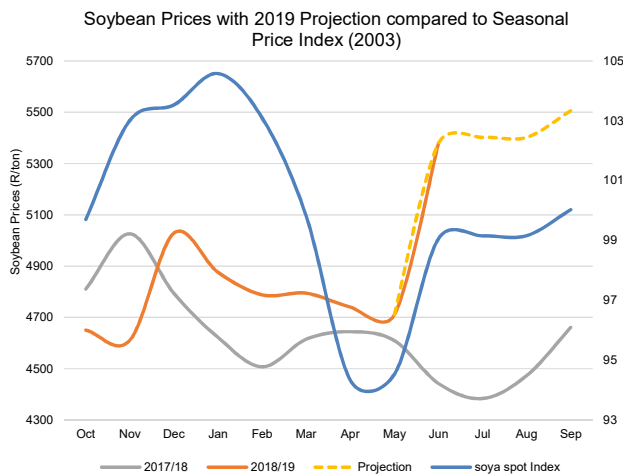
The domestic oilseed market remained relatively stable this week with slight increases in prices. The spot price for soybeans increased by 0.9% while the spot price for sunflowers increased by 0.2% week-on-week. The current soybean spot price is 25.4% higher compared to prices last year, these high soybean prices are having a large impact on the calculated after tax crushing margin, which is showing a drop of 95.6% compared to a year ago - this is a serious concern for domestic crushing plants.

	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	5463.78	5460	62.47	5252.40
w/w	-2.8%	0.9%	-52.9%	0.2%
m/m	4.4%	16.0%	-87.3%	5.4%
y/y	-5.5%	25.4%	-95.6%	12.9%

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

Outlook

The US is expecting large volatility in the soybean market as they wait to determine the impact of the weather on the planting of soybeans. Soybean prices are expected to remain high in the short term with soya meal prices expected to experience larger price increases. The domestic soybean price is expected to have stabilized at these high prices with a potential further increase in soybean price in September dependent on the volatility in the US market.



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Fibre market trends

Wool Market

Australia: In the Australian wool market this week, only two of the three auction centers held auctions this week. The Australian wool price declined by 4.7% week-on-week. Contributing to the decline in Australian wool price was low buyer confidence and weak demand. The number of bales on offer this week amounted to 19,072 bales of which 87.2% were sold. A larger number of bales are expected on offer in next week's auction.

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

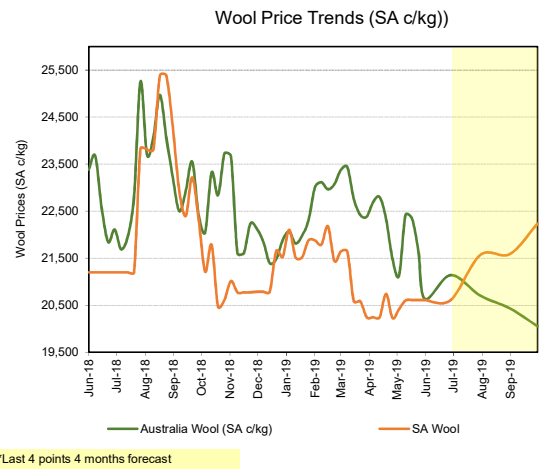
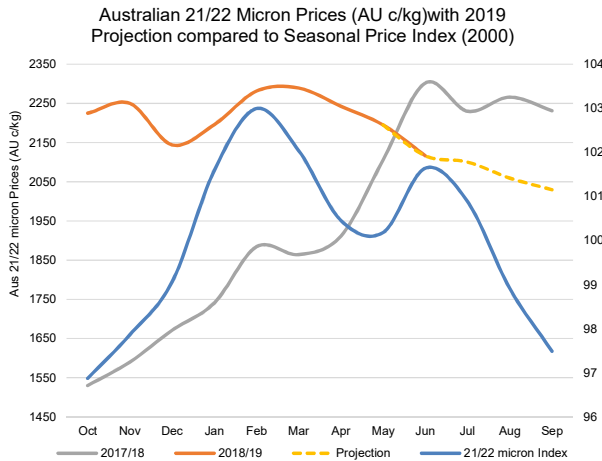
USA: Cotton trading in the USA was inactive this week with low levels of demand resulting in the average spot price for cotton reaching a low of 60.77USc/lb despite the 1.6% increase in the Cotton A index for the week. This average spot price for USA cotton is the lowest since May 2016. The decline in USA cotton price is due to the negative impact the US/China trade negotiations are having on the cotton trade market.

Local: Domestic cotton prices declined by 0.4% week-on-week resulting in current prices being 12.2% lower compared to prices a year ago. The decline in local cotton price is due to the influence of the USA cotton price. The domestic cotton price is expected to decline on average going into the month of July and then stabilize with a slight increase in prices in August/September.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.98	20631	20607	77.15	2464
w/w	-2.8%	-4.7%	Recess	1.6%	-0.4%
m/m	0.4%	-2.3%	1.0%	1.0%	1.7%
y/y	-0.3%	-11.8%	-2.8%	-17.4%	-12.2%

Wool Outlook

All three of the Australian auction centers will be open for next week's wool auction which is to be the last auction of the 2018/19 Australian wool season. Australian wool prices are expected to follow a declining trend for the next three months. Demand at the auction next week is expected to remain light. Auctions for the 2019/20 Australian wool season start in the first week of July with an expected offering of approximately 34,500 bales.



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