



Agri Trends

03 June 2019

Maize and soya prices spike

Maize: Due to the continued wet weather conditions in the US the price of US yellow corn moved up by 11.2% week-on-week. The ongoing US/China trade war is expected to continue to put pressure on the market however the bullish impact of the wet weather conditions is overriding the bearish influence of the trade war. The USDA crop progress report indicates that the progress for corn planting is now up to 58% (compared to 90% by the same time last year). The domestic maize market experienced large price movements this week with an 8% increase in the spot price of yellow maize and an 8.2% increase in the spot price of white maize.

Wheat: Wheat prices in the US moved positively this week with an increase of 4.9% in the price of Soft Red Winter wheat and a 4.3% increase in the price of Hard Red Winter wheat week-on-week. The domestic wheat market experience positive price movements this week as the increase in international prices supported local prices. The spot price of wheat increased by 2.2% week-on-week

Soybeans: The US soya market moved upwards this week. Soya meal prices experienced the largest price increase of 6.6%, followed by soybeans with a price increase of 5.1% and soya oil with an increase in price of only 1.3% week-on-week. The soybean spot price increased by 5.8% while the sunflower seed spot price increased by 2.3% week-on-week. Domestic soybean prices are expected to spike in June into July. This spike is due to the uncertainty in the international market.

Fibre: The Australian wool price increased by 6.1% week-on-week, this spike in price is due to strong demand. Although the South African wool price did increase by 1.8%; as greasy wool is still not certified for export the price did not increase to its full potential. There were 8,986 bales on offer at the auction of which 94.4% were sold. US Cotton trading this week was inactive with light levels of demand and supply. The export demand was relatively good this week. South African cotton prices increased by 5.1% week-on-week however current prices are 8% lower than prices received a year ago.

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Maize market trends

International maize market

The US corn market is highly volatile at the moment mainly due to the continued wet weather conditions not expected to end any time soon. Due to the weather the price of US yellow corn moved up by 11.2% week-on-week. The ongoing US/China trade war is expected to continue to put pressure on the market however the bullish impact of the wet weather conditions is overriding the bearish influence of the trade war. The USDA crop progress report indicates that the progress for corn planting is now up to 58% (compared to 90% by the same time last year), the market was hoping to see a progress of at least 65%.

	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	14.65	199.00	1.92	3890.16	3702.56	2450.00
w/w	1.61%	11.2%	-75.2%	7.5%	10.4%	0.5%
m/m	1.7%	18.5%	-51.1%	14.7%	16.1%	0.0%
y/y	16.4%	7.0%	-65.1%	20.3%	21.7%	20.3%

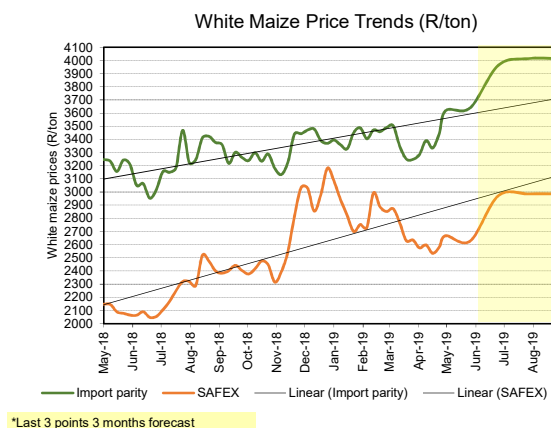
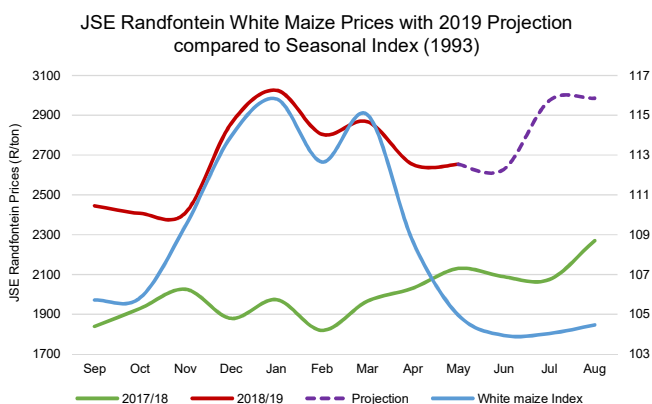
Local maize market

The domestic maize market experienced large price movements this week with an 8% increase in the spot price of yellow maize and an 8.2% increase in the spot price of white maize. This spike in prices is due to support from the large increase in the international prices. The uncertainty in the international markets has provided support for the local market as demand for South African maize increases with the expectation of reduced yields in the US.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Jul-19	Sep-19	JSE Spot Price, Randfontein (R/ton)	Jul-19	Sep-19
Price	2886.40	2973.00	3023.00	2839.00	2927.00	2984.00
w/w	8.2%	9.8%	9.4%	8.0%	9.9%	9.7%
m/m	11.1%	12.4%	11.9%	11.7%	14.4%	14.0%
y/y	34.5%	39.9%	38.7%	25.9%	19.4%	31.0%

Outlook

The international market is expected to continue to experience high levels of volatility as the wet weather continues to provide bullish support to prices and the trade war places bearish pressure on the market. The slow planting progress indicates that there will be definite acreage losses to the market but it is unknown to what extent this will impact overall yields. Domestic maize prices are expected to experience a sharp increase in June with prices expected to remain at these high levels going into August. The volatility in the international market is expected to continue to support local prices.



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Wheat market trends

International wheat market

Wheat prices in the US moved positively this week with an increase of 4.9% in the price of Soft Red Winter wheat and a 4.3% increase in the price of Hard Red Winter wheat week-on-week. This price increase is due to the heavy rains and serious flooding conditions occurring in the US. The US does still have a large supply of wheat however their prices have traded so high that they are no longer competitive on the global market. The corn market is currently seen to be driving the movements in the wheat market with wheat prices following the same up/down movements of corn prices.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.65	221.00	224.00	675.10
w/w	1.61%	4.9%	4.3%	675.10
m/m	1.7%	15.0%	10.5%	490.70
y/y	16.4%	-1.3%	-11.1%	437.20

Local wheat market

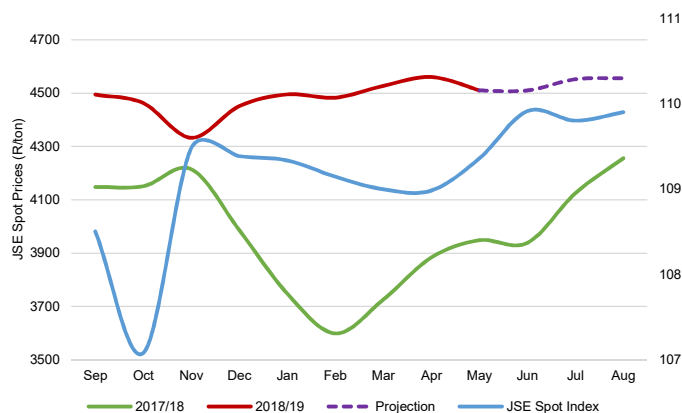
The domestic wheat market experience positive price movements this week as the increase in international prices supported local prices. The spot price of wheat increased by 2.2% week-on-week, the current spot price of R4 486/ton is 16% higher than prices received a year ago. The current wheat tariff is R675.10/ton, the tariff that was triggered on the 14th of May amounted to R957.95/ton.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4486.00	4552.00	4435.00	5137.89
w/w	2.2%	3.3%	1.1%	3.9%
m/m	-3.2%	-2.5%	0.8%	12.1%
y/y	16.0%	17.4%	14.7%	4.4%

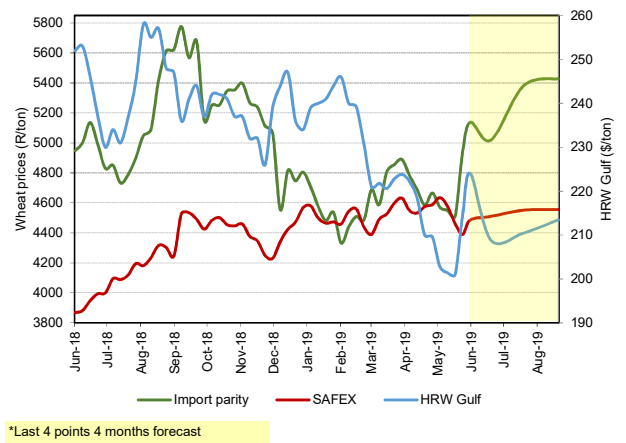
Outlook

The US wheat price needs to decline in order for the US to be competitive on the global market. The volatility in the international corn market is expected to impact the international wheat market as the wheat prices follow the upwards or downwards movement of the corn market. Domestic wheat prices are expected to remain fairly stable with a slight price increase in July. The international prices may continue to provide support to the domestic prices.

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

The US soya market moved upwards this week. Soya meal prices experienced the largest price increase of 6.6%, followed by soybeans with a price increase of 5.1% and soya oil with an increase in price of only 1.3% week-on-week. The wet weather conditions in the US may potentially lead to a decline in soya production and therefore may contribute to a declining world soybean output next season. The Brazil soybean crop is large and the total world soybean supplies will be sufficient for this season. The USDA crop progress report indicates that 29% of the soybean crop for this season has been planted so far, this is in comparison to the 74% progress made by the same time last year.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.65	333.37	27.51	317.43
w/w	1.61%	5.1%	1.3%	6.6%
m/m	1.7%	3.1%	0.3%	7.6%
y/y	16.4%	-16.1%	-12.0%	-15.9%

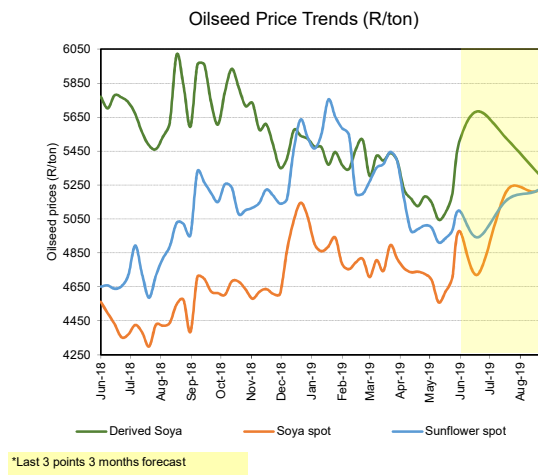
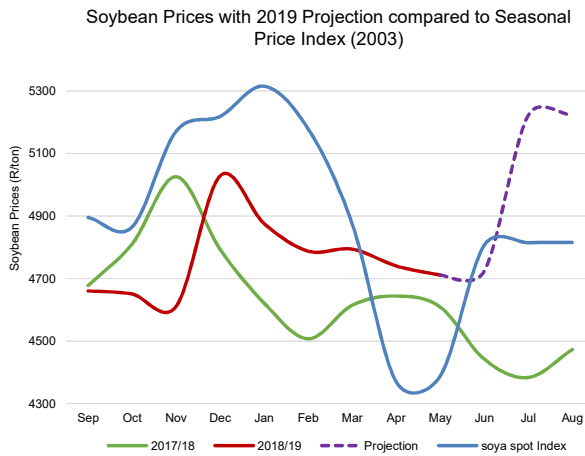
Local soybean market

The domestic oilseed market was supported by international prices and also moved upwards this week. The soybean spot price increased by 5.8% while the sunflower seed spot price increased by 2.3% week-on-week. The derived soybean price increase by 10.5% week-on-week and the calculated crushing margin after tax is 6.6% higher than last week. The current soybean harvest is less than initially expected and deliveries made have declined which was not expected this early based on historical data.

	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	5731.21	4979	524.37	5099.00
w/w	10.5%	5.8%	6.6%	2.3%
m/m	11.4%	6.2%	15.0%	2.0%
y/y	0.3%	9.2%	-56.6%	9.6%

Outlook

The international market is unsure of what the impact of the wet weather or the US/China trade war will be on the soya market. The market is expected to experience high levels of volatility. Any positive news out of the US is expected to provide support for international prices. Domestic soybean prices are expected to spike in June into July. This spike is due to the uncertainty in the international market.



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Fibre market trends

Wool Market

Australia: The Australian wool price increased by 6.1% week-on-week, this spike in price is due to strong demand as buyers competed for the small offering of 28,273 bales. Approximately 91.6% of the bales on offer were sold at the auction.

Local: The South African wool price was supported by the increase in the Australian wool price and increased by 1.8% compared to the previous sale on the 15th of May. Although the price did increase, as greasy wool is still not certified for export the price did not increase to its full potential. There were 8,986 bales on offer at the auction of which 94.4% were sold. Only a small percentage of the offering consisted of long wools which attracted good competition from buyers and supported prices, shorter wools continue to experience the most pressure.

Cotton Market

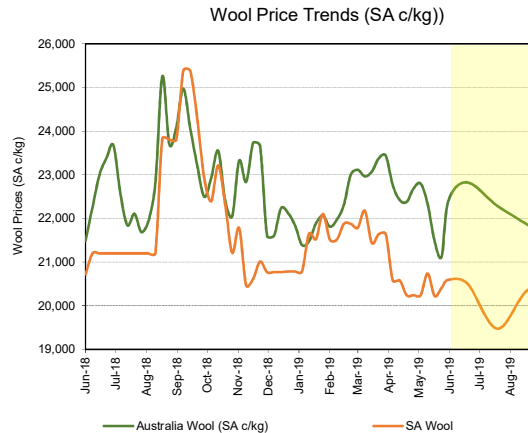
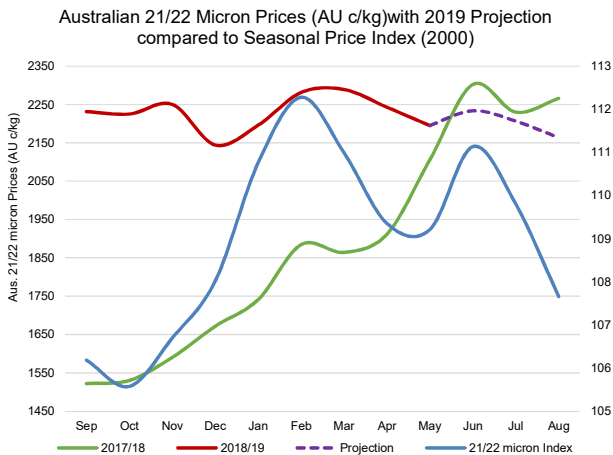
USA: Cotton trading this week was inactive with light levels of demand and supply. The export demand was relatively good this week. The Cotton A index moved upward by 2.3% this week. The offering this week consisted of 8 237 bales, this is 36% lower than the 12 871 bales offered last week. Cotton planting progress is slightly behind last year's level with 57% of the crop planted so far in comparison to the 61% planted by this time last year.

Local: South African cotton prices increased by 5.1% week-on-week however current prices are 8% lower than prices received a year ago. Cotton prices are expected to remain fairly stable in the next three months with marginal price movements. According to the International Cotton Advisory Committee, the global demand for cotton is expected to reach a record high of 27.3 million tons in 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	10.25	22416	20598	78.15	2546
w/w	3.1%	6.1%	1.8%	2.3%	5.1%
m/m	1.3%	-1.7%	1.8%	-9.3%	-6.8%
y/y	6.6%	4.3%	-0.6%	-21.8%	-8.0%

Wool Outlook

The Australian wool price is expected to increase in June/July in line with seasonal trends before decreasing in July moving into August. The Australian wool price is expected to provide support for the domestic wool price. The local market is hopeful that the Chinese market for greasy wool will be reopened soon however there are doubts that this will happen in the short term. The market is expected to experience some volatility as they wait for news on this market reopening.



*Last 4 points 4 months forecast

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