



## Agri Trends

15 July 2019

### Domestic cotton prices under pressure

**Maize:** The US maize market outlook remains bullish for the intermediate term (3-6 months) limited by factors such as a strong US Dollar, weather anomalies and a weak Brazilian real. Drier and hot weather is forecasted for the US Midwest in the next 1-2 weeks. If it stays dry for the next two weeks crops may deteriorate. Considering that July is the most important month for pollination, if dryness occurs, crop losses would support prices. Domestic maize prices are expected to remain relatively stable in the next three months with prices expected to dip slightly in August and then pick up again in September.

**Wheat:** The domestic wheat market traded positively this week. The wheat spot price increased by 0.8% week-on-week. The price of old season (July 2019) wheat increased by 0.6% and the price for new season (Dec 2019) wheat increased marginally with 0.4% week-on-week. Import parity is 0.4% higher compared to last week. The current import tariff is at R958/ton. A new import tariff of R665/ton triggered on the 11th of June and is yet to be published.

**Soybeans:** The US soybean market traded marginally negative this week. Concerns regarding the African Swine Fever Outbreak in China along with the ongoing US/China trade negotiations reduced confidence in the US soya market, which has led to declining prices. The price of US gulf soybeans declined by 0.4%, soya oil increased by 0.8% and soya meal increased by 1.5% week-on-week. The 2019/20 season price average for soybeans is forecasted at US\$8.40/bu up from last month. U.S. soybean supply and demand projections for 2019/20 include lower beginning stocks, production, exports, and ending stocks. Soybean exports from the US and Argentina are expected to benefit in the coming weeks by the rising import demand from China. The domestic soybean spot price increased by 0.1% week on week and prices are 21.8% higher compared to a year ago. High prices continue to put pressure on the local crushers. The soybean spot price is currently trading higher than the calculated derived soybean price further indicating the struggle that crushers are facing. The calculated crushing margin (-R160.71/ton), although still negative, improved by 9.9% compared to last week. The domestic sunflower seed spot price decrease by 1.7% week-on-week. The current price is 9% higher compared to prices a year ago.

**Fibre:** The Australian wool market maintained its strong tone this week with a further increase of 0.3% in the Australian wool price compared to last week. The increase in price this week is due to strong buyer demand as the market now enters a three-week recess period. Australian wool prices have been following a declining trend lately and it is expected that prices will continue along this overall downward trend for the next three months. The market is hopeful that the current strong tones in the Australian wool market will continue in the short term when the market reopens after recess. The Cotton A index decreased by 4.5% this week. Increasing global supply and uncertainty in demand is keeping prices low in the medium term. This was seen with the US cotton price declining by 3.4% week-on-week to 58.45USc/lb. Domestic cotton prices decreased by 4.6% this week, prices are 19.4% lower compared to prices a year ago.

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## Maize market trends

### International maize market

The price for US yellow Gulf corn increased by 2.96% this week. Maize production is estimated at 195 million bushels in the US according to the latest WASDE report. Drier and hot weather is forecasted for the US Midwest in the next 1-2 weeks. If it stays dry for the next two weeks deterioration of crops will be likely, considering that July is the most important month for pollination to take place.

	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	14.10	202	-2.76	3779	3415	2437
w/w	-0.1%	3.0%	-154.5%	1.6%	1.7%	0.6%
m/m	-4.8%	-2.1%	-201.8%	-6.8%	-1.5%	0.1%
y/y	5.0%	26.8%	-180.0%	28.0%	19.0%	26.9%

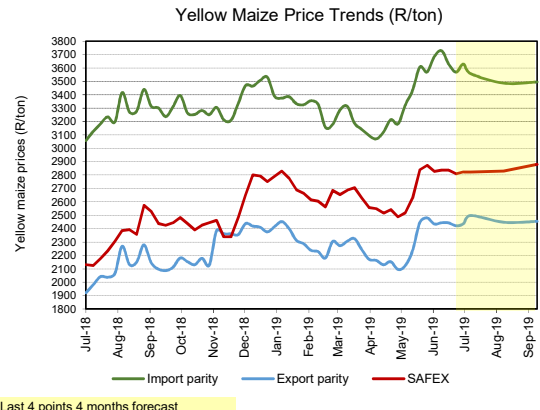
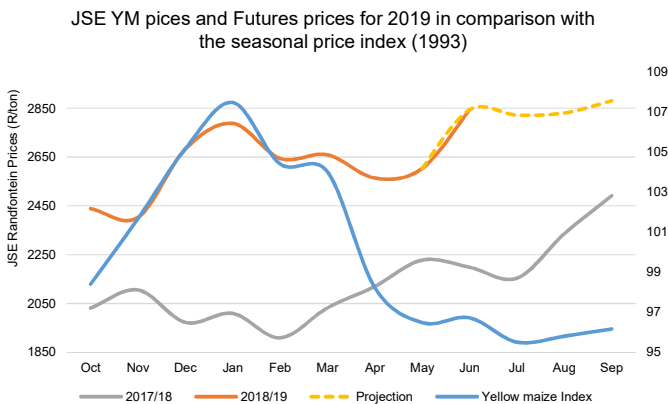
### Local maize market

Price movements in the domestic maize market were mixed this week. The spot price of yellow maize increased marginally by 0.5% and the spot price for white maize increased by 1.5% week-on-week.

	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	2939	2937	2999	2824	2822	2880
w/w	1.5%	-0.03%	0.2%	0.5%	-0.3%	-0.2%
m/m	3.3%	4.4%	4.5%	-0.1%	0.5%	0.7%
y/y	43.5%	47.5%	47.2%	32.5%	36.9%	36.0%

### Outlook

The US maize market outlook remains bullish for the intermediate term (3-6 months) limited by factors such as a strong US Dollar and a weak Brazilian real. Drier and hot weather is forecasted for the US Midwest in the next 1-2 weeks. If it stays dry for the next two weeks, deterioration of crops may occur. Considering that July is the most important month for pollination to take place, if dryness occurs, crop losses would support prices. Domestic maize prices are expected to remain relatively stable in the next three months with prices expected to dip slightly in August and then pick up again in September.



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## Wheat market trends

### International wheat market

The price of Hard Red Winter wheat increased by 0.4% and the price of Soft Red Winter wheat dropped by 0.8% week-on-week. Lower supplies globally, reduced international stocks and increased consumption underpinned prices. Current prices for SRW wheat are 5.8% higher, while the price for HRW wheat is 4.0% lower compared to prices a year ago.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.10	224	222	958.00
w/w	-0.1%	-0.8%	0.4%	958.00
m/m	-4.8%	-1.4%	-0.9%	958.00
y/y	5.0%	5.8%	-4.0%	281.70

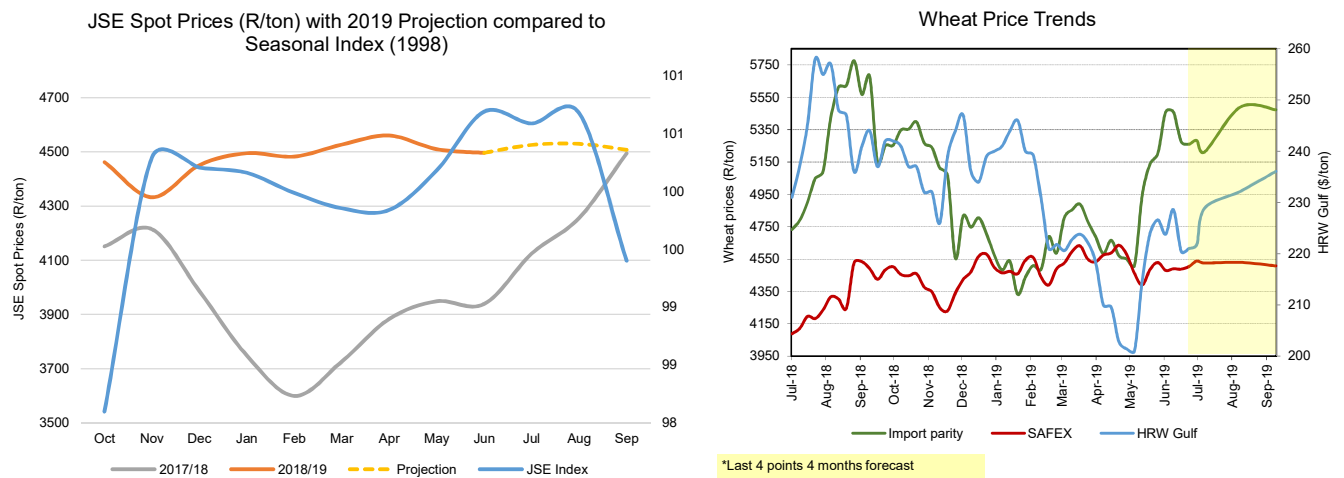
### Local wheat market

The domestic wheat market traded positively this week with the wheat spot price increasing by 0.8% week-on-week. The price of old season (July 2019) wheat increased by 0.6% and the price for new season (Dec 2019) wheat increased marginally with a 0.4% week-on-week. The current import parity is 0.4% higher compared to last week with the current import tariff at R958/ton. A new import tariff of R665/ton triggered on the 11th of June and is yet to be published.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4539	4526	4438	5283
w/w	0.8%	0.6%	0.4%	0.4%
m/m	1.3%	1.3%	0.3%	-3.3%
y/y	11.0%	12.4%	7.1%	11.6%

### Outlook

In the WASDE report, the USDA estimates lower supplies, higher domestic use, larger exports and reduced stocks for the US 2019/20 season. Non-US 2019/20 wheat supplies are expected to decline by 10.5 million tons on the back of drought-induced lower production in the major exporting countries (Russia, EU and Ukraine). Lower estimated global supplies will support international prices for the next few weeks. Domestic wheat prices are expected to trade sideways for the next three months and then decline slightly in September.



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## Soybean market trends

### International soybean market

The US soybean market traded marginally negative this week. Concerns regarding the African Swine Fever Outbreak in China along with the ongoing US/China trade negotiations have created reduced confidence in the US soya market, which has led to declining prices. The price of US gulf soybeans declined by 0.4%, soya oil increased by 0.8% and soya meal increased by 1.5% week-on-week. The 2019/20 season-average price for soybeans is forecasted at US\$8.40/bu up from last month according to the USDA. US soybean supply and demand projections for 2019/20 include lower beginning stocks, production, exports, and ending stocks. Soybean exports from the US and Argentina are expected to recover in the coming weeks supported by rising import demand from China.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.10	344.61	27.98	309.22
w/w	-0.09%	-0.4%	0.8%	1.5%
m/m	-4.8%	1.2%	1.5%	-2.9%
y/y	5.0%	-2.3%	-4.0%	-6.9%

### Local soybean market

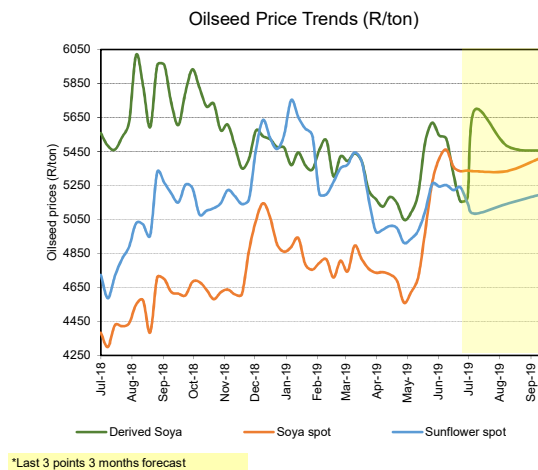
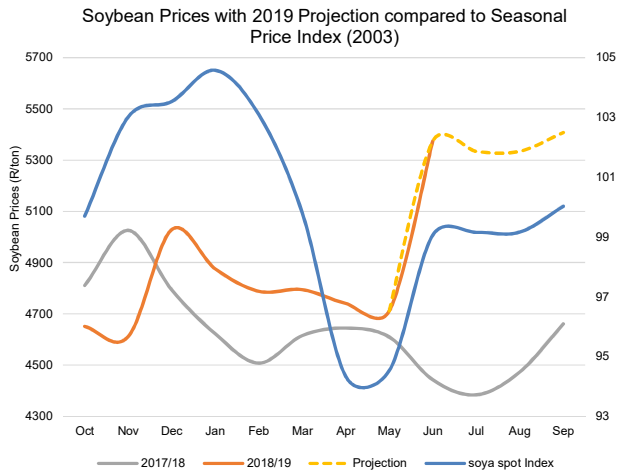
The domestic soybean spot price increased by 0.1% week-on-week and prices are 21.8% higher compared to a year ago. High prices continue to put pressure on the local crushers. The soybean spot price is currently trading higher than the calculated derived soybean price further indicating the struggle that crushers are facing. The calculated crushing margin (-R160.71/ton), although still negative, increased by 9.9% compared to last week. The domestic sunflower seed spot price decrease by 1.7% week-on-week with the current price 9% higher compared to prices 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	5172	5338	-160.71	5148
w/w	1.0%	0.1%	9.9%	-1.7%
m/m	-5.3%	-1.3%	-183.8%	-1.8%
y/y	-7.7%	21.8%	-832.0%	9.0%

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

### Outlook

The July WASDE report showed tightening global oilseed production and stocks. The US production of soybeans is estimated to be approximately 15% lower than last year's production. Global soybean demand remains at elevated levels despite the ASF outbreak in Asia. The USDA estimates an overall increase in global soybean demand. Global oilseed production is forecasted lower than last season at an estimated 586 million tons, mostly due to lower soybean production for the US, Canada and Ukraine. Hot and dry weather conditions reduced oilseed crop prospects in the EU. The USDA also estimates lower sunflower seed production in Russia, higher cottonseed production in India and lower groundnut/peanut production in the US. Domestic soybean prices are expected to decline slightly in July and recover going into September according to seasonal trends.



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## Fibre market trends

### Wool Market

The Australian wool market maintained its strong tone this week with a further increase of 0.3% in the Australian wool price compared to last week. The increase in price this week is due to strong buyer demand as the market now enters a three-week recess period. Of the 34,080 bales on offer this week, 94% were sold. Price increases were experienced across all types/styles at this auction. However, it was the better style lots with favourable additional measurements that attracted the greatest buyer demand. The next Australian wool auction is scheduled for the first week of August.

**Local:** The South African wool market is currently in 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

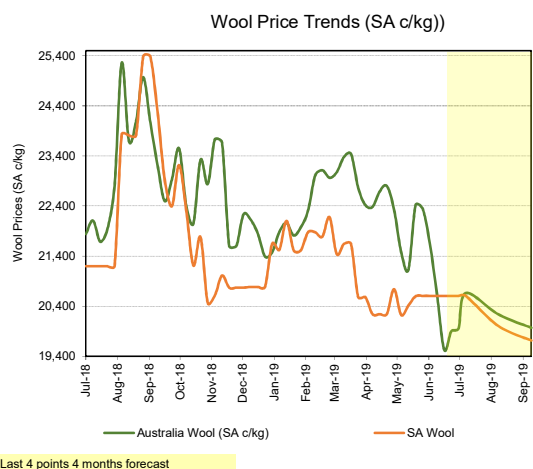
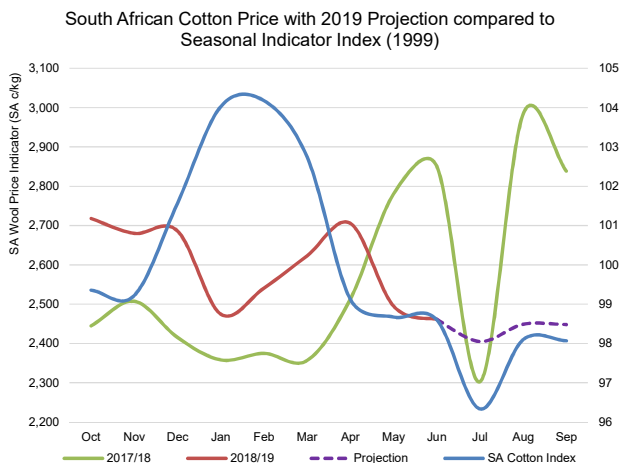
**USA:** The Cotton A index decreased by 4.5% this week. The USDA forecasted average price for the marketing year is estimated at a 4-year low of 63 cents per pound. Global cotton prices remain low. This is due to anticipated larger production for the new season coupled with sluggish demand from China. Increasing global supply and uncertainty in demand is keeping prices low in the medium term. This was seen with the US cotton price declining by 3.4% week-on-week to 58.45USc/lb.

**Local:** Domestic cotton prices decreased by 4.6% this week, prices are 19.4% lower compared to prices a year ago. The 6th production estimate for the 2018/19 cotton production year estimates a crop of 247,107 lint bales, a 31% increase over the previous season. Cotton prices are expected to trade sideways in the next three months with a dip in prices expected in August. Reduced US cotton prices place additional pressure on the domestic cotton price. Positive news regarding the US/China trade negotiations should provide support for US and, in turn, domestic prices.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.80	19957	20607	74.80	2320
w/w	-0.8%	0.3%	Recess	-4.5%	-4.6%
m/m	-4.5%	-7.8%	Recess	-1.5%	-6.2%
y/y	-0.3%	-8.6%	-2.8%	-23.2%	-19.4%

### Outlook

Australian wool prices have been following a declining trend lately and it is expected that prices will continue along this overall downward trend for the next three months. The market is hopeful that the current strong tones in the Australian wool market will continue in the short term when the market reopens after recess. The South African wool market would likely benefit from increased international prices. Domestic wool lots that are longer and finer are likely to do the best when the market reopens on the 14th of August after the recess period.



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