



Agri Trends

01 July 2019

High soya prices put domestic crushers under pressure

Maize: For the week the price of US Gulf yellow maize increased by only 0.05%. The USDA planting and acreage report indicated a 1.2% decline in the number of acres planted to corn compared to the previous forecast. Approximately 16.7% of corn acres are still unplanted. The full extent of the impact of the weather on the corn crop will only be fully determined when the crop is harvested. The domestic maize market remained relatively stable this week with a 0.9% increase in the spot price of white maize and a slight decrease of 0.06% in the spot price of yellow maize.

Wheat: The US wheat market declined this week with the price of Hard Red Winter wheat dropping by 3.6% and the price of Soft Red Winter wheat declining by 0.7% week-on-week. The domestic wheat market remained relatively stable this week with a 0.1% decline in the wheat spot price. The current wheat spot price is 12.2% higher compared to the spot price a year ago.

Soybeans: Week-on-week gulf soybean prices declined by 0.8% while the price of soya oil declined by 1.25% and soya meal declined by 0.9%. The USDA planting and acreage report indicated that the number of acres planted to soybeans is 5.4% lower than the previous forecast and 10.3% lower compared to the previous season. The USDA reported a large soybean sale to China ahead of the Trump-Xi meeting. The domestic oilseed market traded negatively this week with the soybean spot price declining by 1.8% and the sunflower seed spot price declining by 0.6% week-on-week. The crushing margin is currently calculated to be negative for domestic crushers.

Fibre: The Australian wool price continued along its declining trend with a 5.3% drop in price this week. The reason for the continued declining trend in Australian wool price is low buyer confidence. 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 cotton A index remained relatively stable this week with a 0.1% increase compared to last week. The USA cotton market is under pressure due to the ongoing US/China trade negotiations. The price of US cotton declined by 1.4% week-on-week. Domestic cotton prices are largely influenced by the US cotton prices. The South African cotton price declined by 1.7% week-on-week.

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Maize market trends

International maize market

For the week the price of US Gulf yellow maize increased by only 0.05%. The reason for this increase in price being so slight is that the US corn market traded a bit lower on some days during the week. This was due to uncertainty and nervousness as the market awaited the USDA planting and acreage report published on the 28th of June. The premium for white maize increased from US\$2.21/ton last week to US\$3.15/ton this week. The USDA planting and acreage report indicated a 1.2% decline in the number of acres planted to corn compared to the previous forecast. Approximately 16.7% of corn acres are still unplanted. The full extent of the impact of the weather on the corn crop will only be fully determined when the crop is harvested as yield degradation is expected. The number of acres planted is 2.9% higher than the previous season according to the USDA report.

	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	14.25	204.50	3.15	3900.00	3412.67	2442.79
w/w	-1.8%	0.05%	42.2%	-1.2%	-2.7%	-0.1%
m/m	-2.7%	2.8%	64.1%	0.2%	0.6%	-0.1%
y/y	4.4%	25.5%	-420.0%	27.8%	16.2%	21.7%

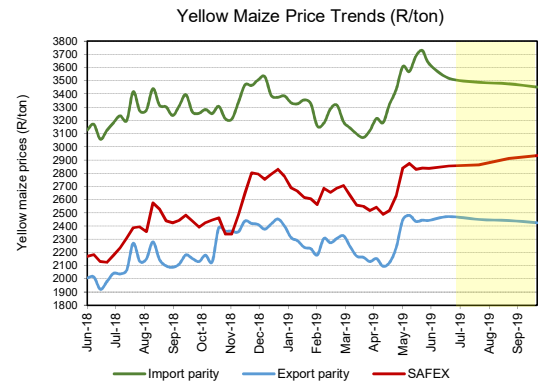
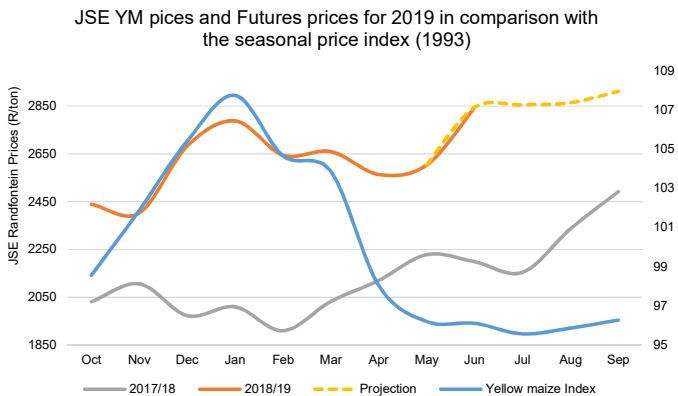
Local maize market

The domestic maize market remained relatively stable this week with a 0.9% increase in the spot price of white maize and a slight decrease of 0.06% in the spot price of yellow maize. Compared to a year ago, the yellow maize spot price is 30.8% higher while the white maize spot price is 39.2% higher year-on-year. Whilst the high maize prices place the domestic livestock industry under pressure, the prices do appear to be stabilizing in the short term; this is a positive aspect for domestic livestock producers.

	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	2872.00	2918.00	2963.00	2836.40	2855.00	2912.00
w/w	0.9%	1.7%	1.2%	-0.06%	-0.3%	-0.2%
m/m	-0.5%	2.9%	2.5%	-0.1%	2.5%	2.5%
y/y	39.2%	39.9%	37.9%	30.8%	30.6%	30.1%

Outlook

The US corn market is expected to be volatile in the next week following the news of the USDA report that corn acreage is 2.9% higher compared to the previous season but 1.2% lower compared to the previous forecast. Further reports from the USDA in July should provide a more accurate idea of the impact of the weather on the corn crop. The US market is expecting a rocky road ahead as they await news of the impact on the yield of the corn crop as well as news from the G20 summit regarding the trade negotiations with China. Domestic maize prices look to be stable in the next two months. Prices may increase slightly from end-August going into September. International prices will continue to influence domestic prices.



*Last 4 points 4 months forecast

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Wheat market trends

International wheat market

The US wheat prices saw some correction this week after the high prices they have had lately which priced US wheat out of competition globally. The US wheat market declined this week with the price of Hard Red Winter wheat dropping by 3.6% and the price of Soft Red Winter wheat declining by 0.7% week-on-week. This decline in price is due to the USDA planting and acreage report that indicated that the number of acres planted to winter wheat is 0.9% more than previously forecasted. There is still large stocks of wheat available which further added pressure to the market.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.25	232.16	220.44	958.00
w/w	-1.8%	-0.7%	-3.6%	958.00
m/m	-2.7%	5.1%	-1.6%	675.10
y/y	4.4%	8.0%	-4.2%	437.20

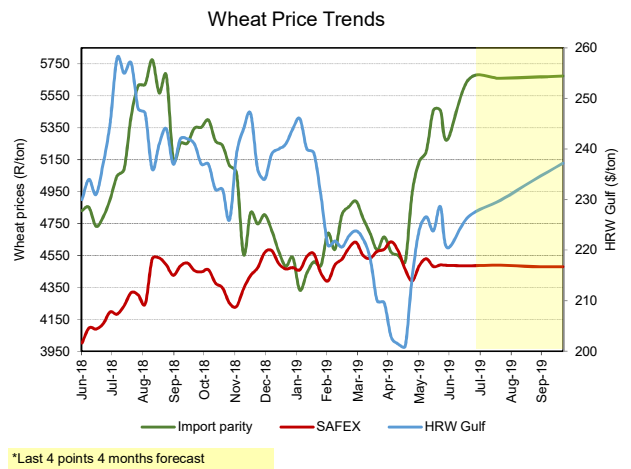
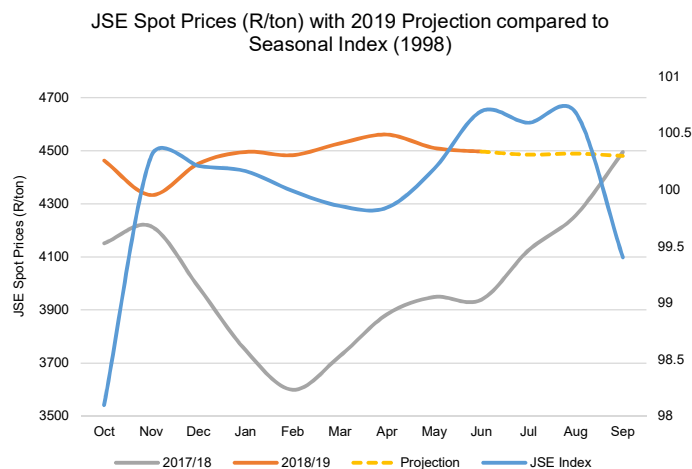
Local wheat market

The domestic wheat market remained relatively stable this week with a 0.1% decline in the wheat spot price. The price of old season (July 2019) wheat declined 0.2% while new season (Dec 2019) wheat increased by 2.1% week-on-week. The current wheat spot price is 12.2% higher compared to the spot price a year ago. The import tariff is R958/ton with a new tariff of R665/ton still to be published. The import parity for wheat declined by 3.4% week-on-week.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4487.60	4485.00	4420.00	5275.54
w/w	-0.1%	-0.2%	2.1%	-3.4%
m/m	0.0%	0.4%	0.5%	2.6%
y/y	12.2%	11.9%	6.7%	7.0%

Outlook

The seasonal index for Hard Red Winter wheat indicates that the HRW wheat prices should be on an increasing trend for the next three months. However, the US market is expecting prices to decline in the short term following the USDA report. The US wheat market seems to follow a similar trend to the US corn market as it is said to be "sympathetic" to the corn market. Therefore, as the US corn market trends downwards the US wheat market should follow suit. The domestic wheat market is expected to remain stable in the next three months.



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Soybean market trends

International soybean market

The US soybean market declined this week following the large increases it experienced last week. Week-on-week gulf soybean prices declined by 0.8% while the price of soya oil declined by 1.25 and soya meal declined by 0.9%. Compared to a year ago the soybean price is 4.5% higher while the soya oil and soya meal prices are 3.3% and 5.6% lower respectively. The USDA planting and acreage report indicated that the number of acres planted to soybeans is 5.4% lower than the previous forecast and 10.3% lower compared to the previous season. The USDA reported a large soybean sale to China ahead of the Trump-Xi meeting. The market is hopeful that there will be positive news coming out of the G20 summit.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.25	353.75	28.04	314.40
w/w	-1.80%	-0.8%	-1.2%	-1.9%
m/m	-2.7%	6.1%	1.9%	-1.0%
y/y	4.4%	4.5%	-3.3%	-5.6%

Local soybean market

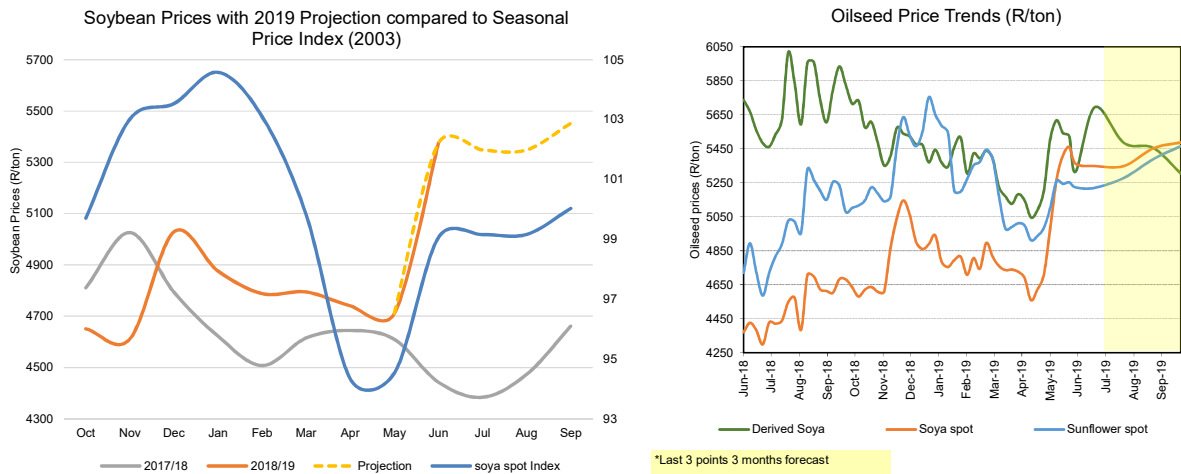
The domestic oilseed market traded negatively this week with the soybean spot price declining by 1.8% and the sunflower seed spot price declining by 0.6% week-on-week. The declining international prices are good news for the domestic market as crushers are currently under pressure due to the high domestic and international soya prices. The crushing margin is currently calculated to be negative for domestic crushers. With the Crop Estimates Committee lowering their estimate of soybean production to 1.22 million tons, bean imports are expected to increase.

	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	5196.08	5361	-45.65	5222.60
w/w	-4.9%	-1.8%	-173.1%	-0.6%
m/m	-1.8%	7.7%	-108.7%	2.4%
y/y	-10.7%	22.7%	-103.3%	10.6%

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

Outlook

The US soybean market is expecting prices to increase in the short term following news of the large soybean sale to China providing hope in the market and attracting new buyers to the market. In the long term, volatility is expected as the market is not sure which direction it is going to trade. The US market awaits news regarding a resolution to the US/China trade negotiations as well as to what extent the weather will affect the soybean crop. Domestic soybean prices are expected to dip in July going into August; this is good news for domestic crushing plants. However, prices are likely to increase again from September.



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Fibre market trends

Wool Market

Australia: The Australian wool price continued along its declining trend with a 5.3% drop in price this week. There were 29,167 bales on offer this week, this is in comparison to the 19,072 bales on offer last week. The reason for the continued declining trend in Australian wool price is low buyer confidence. The drought also had an impact on the number of lots available of the better styles; this added further pressure to prices. This was the last sale of the 2018/19 Australian wool season.

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

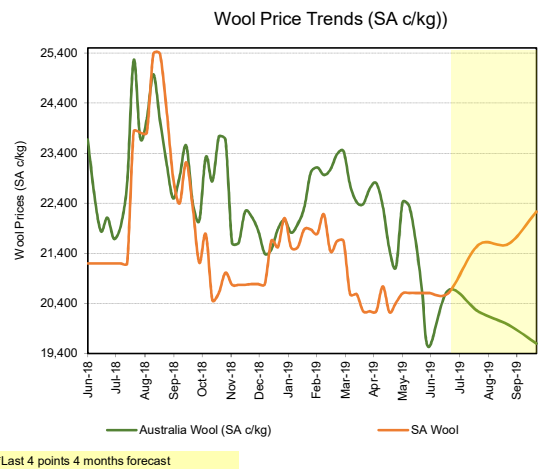
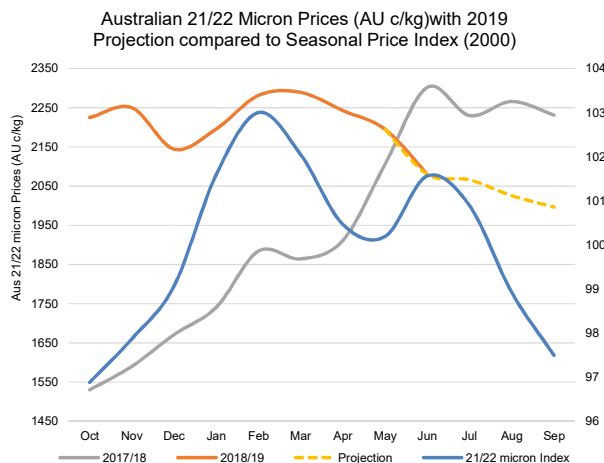
USA: The cotton A index remained relatively stable this week with a 0.1% increase compared to last week. The USA cotton market is under pressure due to the ongoing US/China trade negotiations. The price of US cotton declined by 1.4% week-on-week. The current US cotton price is 27% lower compared to prices a year ago. Spot cotton transactions for the week in the US amounted to 21 086 bales, this is approximately 1000 bales less than the previous week.

Local: Domestic cotton prices are largely influenced by the US cotton prices. The South African cotton price declined by 1.7% week-on-week. The current SA cotton price is 14.4% lower compared to prices a year ago. The US market is hopeful that positive news coming out of the G20 summit regarding the trade negotiations will provide support for US prices; this, in turn, would support South African prices.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.91	19531	20607	77.20	2421
w/w	-0.7%	-5.3%	Recess	0.1%	-1.7%
m/m	-3.3%	-12.9%	0.04%	-1.2%	-4.9%
y/y	-2.1%	-17.5%	-2.8%	-18.0%	-14.4%

Wool Outlook

The Australian wool price is likely to continue along its declining trend in the next three months. The number of bales on offer at the first sale of the 2019/20 Australian wool season is estimated at 34,504 bales. Demand at the next auction is expected to remain light. Increased offerings of better quality styles would hopefully spark demand, which would provide support for prices.



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