



Agri Trends

22 July 2019

Rainy days forecasted for the Western Cape; is just what the wheat producer needs.

Maize: The strong basis levels in the eastern US Corn Belt is pointing towards either a poor crop or lower area planted (or both factors). The uncertainty in supply this year is supporting prices in the near term. A weather premium is likely to take place. Delayed plantings continue to prompt uncertainty about the area planted under soybeans and maize in the US. Domestic maize prices are expected to remain relatively stable in the next three months with prices expected to change based on local currency fluctuations and adverse weather developments in the major maize producing and exporting countries.

Wheat: The domestic wheat market traded marginally negative this week with the wheat spot price decreasing by 0.8% week-on-week. The price of old season (July 2019) wheat decreased by 0.1% and the price for new season (Dec 2019) wheat decreased by 0.2% week-on-week. The current import parity is 1.1% lower compared to last week. Producers are starting to contract about 10-30% of their harvest, which is normal during this time of the year. Industry players are awaiting the much needed rains which will be beneficial for wheat crop development and will aid in soil moisture levels in some very dry parts of the wheat growing areas of the Western Cape. A new import tariff of R665/ton triggered on the 11th of June and is likely to be published later this week.

Soybeans: The domestic soybean spot price increased by 0.5% week-on-week and prices are 24.8% higher compared to a year ago. High prices continue to put pressure on the local crushers. The domestic sunflower seed spot price increased by 1.0% week-on-week with the current price 13.3% higher compared to prices a year ago. Based on farmers harvesting more, some industry players anticipate the national sunflower crop to be larger than the Crop Estimates Committee's 5th forecast of 611,140 tons. The soybean crop, on the other hand, is expected to be smaller than the estimated soybean crop size of 1.22 million tons in the CEC's 5th forecast. Local soybean prices are 25% higher year-on-year. The soybean price is currently trading at R277/ton higher than the derived soybean price, which is supporting imports of oilcake/soybean oil currently. Soybean volumes are low, further affecting processing margins as can be seen by the negative crushing margin of (-R238.35/ton).

Fibre: Domestic cotton prices decreased by 2.6% this week, prices are 21.3% lower compared to prices a year ago. Cotton prices are expected to trade sideways in the next three months with a dip in prices expected in August. The 6th production estimate for the 2018/19 cotton production year estimates a 31% increase in crop size year-on-year, which may add a bearish tone to prices. Lower US cotton prices place additional pressure on the domestic cotton price.

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Maize market trends

International maize market

The US yellow maize prices were down 1% this week. Traders remain uncertain about the size of the upcoming US harvest. The very hot and dry weather after a wet period, is causing some concern and analysts anticipate lower US maize yields. Argentina's maize crop is set to be 31% higher year-on-year, this will add more stock to the global maize market.

| | 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 | 13.94 | 200 | 5.95 | 3908 | 3355 | 2470 |
| w/w | -1.1% | -1.0% | -154.5% | 3.4% | -1.7% | 1.4% |
| m/m | -4.0% | -2.4% | -201.8% | -1.0% | -4.3% | 1.0% |
| y/y | 4.5% | 20.9% | -180.0% | 29.4% | 14.4% | 24.8% |

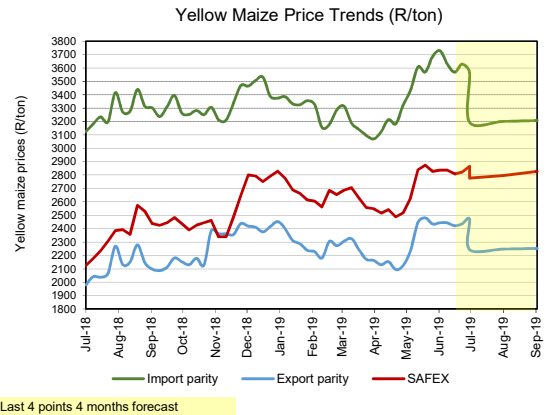
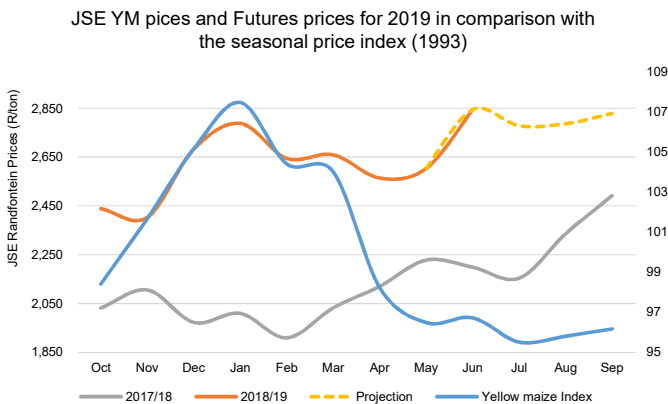
Local maize market

The spot price of white and yellow maize both increased by 1.5% week-on-week. Domestic maize prices are expected to remain relatively stable in the near term. The Rand appreciated by 4.5% year-on-year, placing pressure on the export competitiveness of SA maize in the global market. Industry players estimate that local yellow maize production could potentially be more than the 5th CEC estimate of 5.4 million ton, considering the above average yields that some farmers achieved with their late planted maize crop in the western parts of the maize growing regions.

| | 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 | 2982 | 2954 | 3040 | 2867 | 2954 | 3040 |
| w/w | 1.5% | -1.5% | -1.6% | 1.5% | 2.6% | 2.5% |
| m/m | 4.7% | 2.1% | 1.7% | 1.0% | 2.5% | 2.6% |
| y/y | 45.1% | 42.9% | 43.0% | 35.0% | 34.8% | 34.3% |

Outlook

US: The strong basis levels in the eastern Corn Belt is pointing towards either a poor crop or lower area planted (or both factors). The uncertainty in supply this year is supporting prices in the near term. A weather premium is likely to take place. Delayed plantings continue to prompt uncertainty about the area planted under soybeans and maize in the US. Domestic maize prices are expected to remain relatively stable in the next three months with prices expected to change based on local currency fluctuations and adverse weather developments in the major maize producing and exporting countries.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat decreased by 1.1% and the price of Soft Red Winter wheat dropped by 2.1% week-on-week. Current prices for SRW wheat are 0.3% higher, while the price for HRW wheat is 7.4% lower compared to prices a year ago. EU wheat prices slip as the supply pressure grows. US wheat harvesting is progressing well, with the recent easing of poor weather conditions.

| | R/US\$ | Soft Red Gulf (US\$/ton) | Hard Red Gulf (US\$/ton) | Published Import Tariff (R/ton) |
|-------|--------|--------------------------|--------------------------|---------------------------------|
| Price | 13.94 | 220 | 219 | 958.00 |
| w/w | -1.1% | -2.1% | -1.1% | 958.00 |
| m/m | -4.0% | -6.1% | -4.0% | 958.00 |
| y/y | 4.5% | 0.3% | -7.4% | 281.70 |

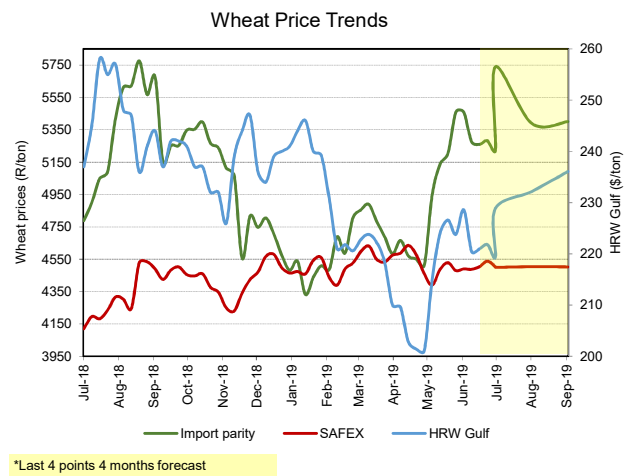
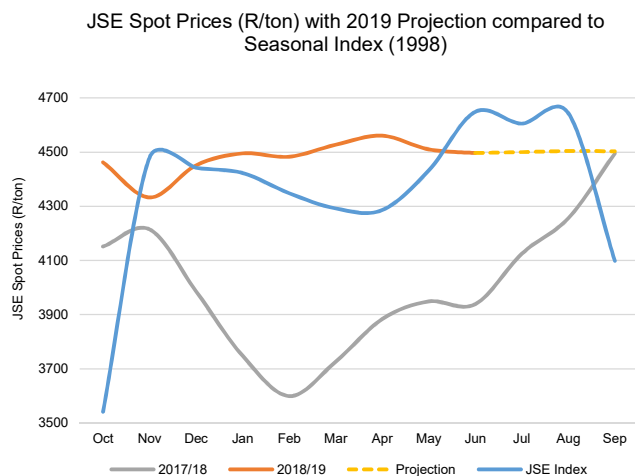
Local wheat market

The domestic wheat market traded marginally negative this week with the wheat spot price decreasing by 0.8% week-on-week. The price of old season (July 2019) wheat decreased by 0.1% and the price for new season (Dec 2019) wheat decreased by 0.2% week-on-week. The current import parity is 1.1% lower compared to last week. Producers are starting to contract about 10-30% of their harvest, which is normal during this time of the year. Industry players are awaiting the much needed rains which will be beneficial for wheat crop development and will aid in soil moisture levels in some very dry parts of the wheat growing areas of the Western Cape. A new import tariff of R665/ton triggered on the 11th of June and is likely to be published later this week.

| | JSE Spot Price (R/ton) | Jul-19 | Dec-19 | USA Import Parity (R/ton) |
|-------|------------------------|--------|--------|---------------------------|
| Price | 4502 | 4503 | 4430 | 5223 |
| w/w | -0.8% | -0.1% | -0.2% | -1.1% |
| m/m | 0.3% | 0.0% | 1.0% | -4.3% |
| y/y | 9.3% | 8.4% | 5.3% | 9.1% |

Outlook

EU wheat prices slip as the supply pressure grows. US wheat harvesting is progressing well, with the recent easing of poor weather conditions. 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. Industry players are awaiting the much needed rains which will be beneficial for wheat crop development and will aid in soil moisture levels in some very dry parts of the wheat growing areas of the Western Cape.



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Soybean market trends

International soybean market

The US soybean market traded marginally positive this week. The price of US gulf soybeans increased by 1.2%, soya oil decreased by 0.1% and soya meal remained stable. Weather risks for soybean crops in the Midwest, may underpin soybean prices. A lower soybean production will be weighed against the demand concerns amid the ongoing trade issues between the US and China coupled with the ASF outbreak in China.

| | Soybeans | | | |
|-------|----------|-------------------------|-------------------------|---------------------------|
| | R/US\$ | Soybean Gulf (US\$/ton) | CBOT Soya Oil (USc/lb.) | CBOT Soya meal (US\$/ton) |
| Price | 13.94 | 348.84 | 27.94 | 309.14 |
| w/w | -1.14% | 1.2% | -0.1% | 0.0% |
| m/m | -4.0% | -2.2% | -1.5% | -3.5% |
| y/y | 4.5% | 6.1% | 0.1% | -5.9% |

Local soybean and sunflowerseed market

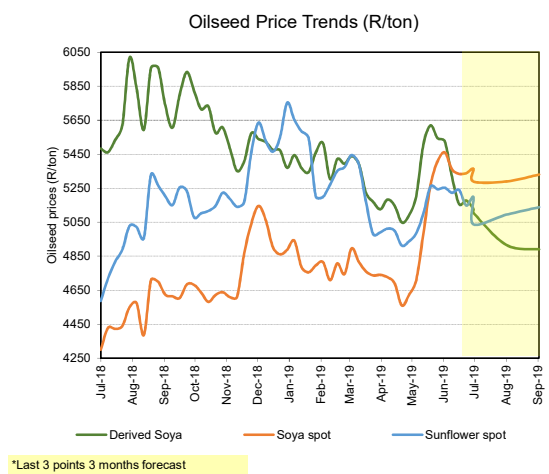
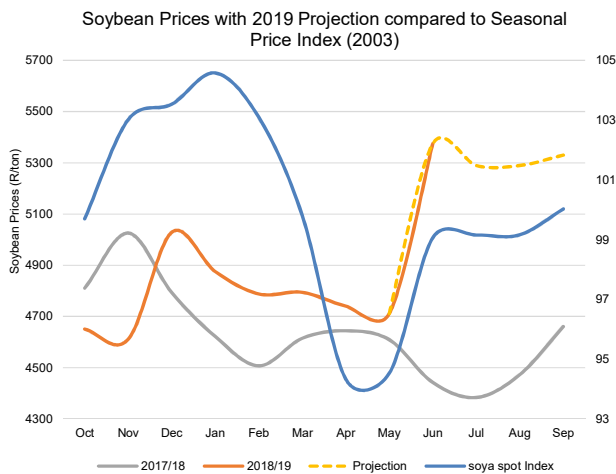
The domestic soybean spot price increased by 0.5% week-on-week and prices are 24.8% higher compared to a year ago. High prices continue to put pressure on the local crushers. The domestic sunflower seed spot price increase by 1.0% week-on-week with the current price 13.3% higher compared to prices a year ago. Based on farmers harvesting more, some industry players anticipate the national sunflower crop to be larger than the Crop Estimates Committee's 5th forecast of 611,140 tons. The soybean crop, on the other hand, is expected to be smaller than the estimated soybean crop size of 1.22 million tons in the CEC's 5th forecast. Local soybean prices are 25% higher year-on-year. The soybean price is currently trading at R277/ton higher than the derived soybean price, which is supporting increased imports of oilcake/soybean oil currently. Soybean volumes are low, further affecting processing margins as can be seen by the negative crushing margin of (-R238.35/ton).

| | 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 | 5087 | 5364 | -238.35 | 5197 |
| w/w | -1.6% | 0.5% | -48.3% | 1.0% |
| m/m | -8.9% | -1.8% | -127.0% | -1.1% |
| y/y | -7.1% | 24.8% | -596.7% | 13.3% |

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

Outlook

A lower US soybean production will be weighed against the demand concerns amid the ongoing trade issues between the US and China coupled with the ASF outbreak in China. 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 is currently in recess. 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

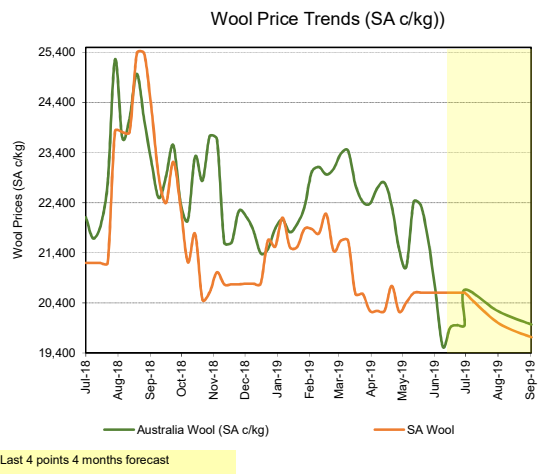
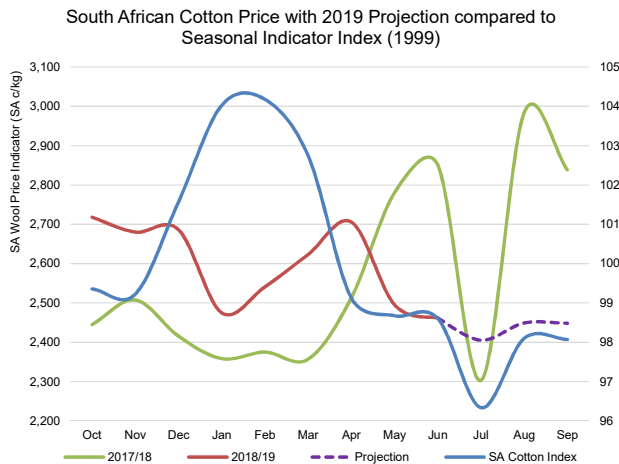
USA: The Cotton A index decreased by 1.5% this week. Global cotton prices remain low, stemming from larger production worries and trade tension, limiting exports between the US and China.

Local: Domestic cotton prices decreased by 2.6% this week, prices are 21.3% lower compared to prices a year ago. Cotton prices are expected to trade sideways in the next three months with a dip in prices expected in August. The 6th production estimate for the 2018/19 cotton production year estimates a 31% increase in crop size year-on-year, which may add a bearish tone to prices. Lower US cotton prices place additional pressure on the domestic cotton price.

| | 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 | 19960 | 20607 | 73.70 | 2260 |
| w/w | 0.0% | 0.0% | Recess | -1.5% | -2.6% |
| m/m | -1.7% | -3.3% | Recess | -4.5% | -8.3% |
| y/y | -1.5% | -9.7% | -2.8% | -24.8% | -21.3% |

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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