



Agri Trends

08 July 2019

International grains and oilseed markets trade downwards

Maize: The price for US yellow Gulf corn declined by 3.3% this week. The USDA crop progress report indicated that a larger than expected number of corn acres have been planted and that 94% of the corn crop has emerged. The condition of the corn crop is said to have the lowest rating since 2014. Price movements in the domestic maize market were mixed this week. The spot price of yellow maize declined by 1% and the spot price for white maize increased by 0.7% week-on-week.

Wheat: The US wheat market traded lower this week. The price of Hard Red Winter wheat dropped by 3.7% and the price of Soft Red Winter wheat dropped by 4.2% week-on-week. Sluggish exports and large global wheat supplies added pressure to the market this week. The domestic wheat market traded positively this week with the wheat spot price increasing by 0.4% week-on-week. A new import tariff of R665/ton triggered on the 11th of June and is yet to be published.

Soybeans: The US soya market traded negatively 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. It is expected that there will be increased global demand for Argentine soybeans as China's import demands increase. Brazil's shipments of soybeans to China have been curbed due to reduced supply. The domestic soybean spot price declined by 0.5% week-on-week, however, prices are 20.5% 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.

Fibre: Data for the Australian wool market was not available for the week ended the 5th of July. The Australian wool auction should have taken place on the 2nd of July with approximately 32 504 bales expected to have been on offer. The Cotton A index increased by 1.5% this week. The US cotton market traded positively this week with a price increase of 1% week-on-week. The number of bales on offer this week amounted to 8 371 bales, this is in comparison to the 21 086 bales that were on offer last week. Domestic cotton prices increased by 0.5% this week, however, prices are 15.9% lower compared to prices a year ago. The domestic cotton prices were supported by the upward movement of the international cotton prices.

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Maize market trends

International maize market

The price for US yellow Gulf corn declined by 3.3% this week. The USDA crop progress report indicated that a larger than expected number of corn acres have been planted and that 94% of the corn crop has emerged. These numbers were unexpected and the corn market reacted strongly to the downside following this news. The condition of the corn crop is said to have the lowest rating since 2014. At this time, 9% of the US corn crop is rated as excellent compared to last year when 21% of the crop was rated as excellent. Last year 18% of the corn crop was rated as fair, whereas, this year 32% of the crop is considered to be in fair condition. The low rating of the crop condition should provide support for the corn market going forward.

	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	14.11	196.00	-1.08	3681.64	3313.74	2401.74
w/w	-1.0%	-3.26%	-390.9%	-4.9%	-2.8%	-1.7%
m/m	-4.4%	1.6%	-636.4%	-5.2%	-1.3%	-3.2%
y/y	2.9%	20.2%	-10.0%	20.2%	11.3%	19.3%

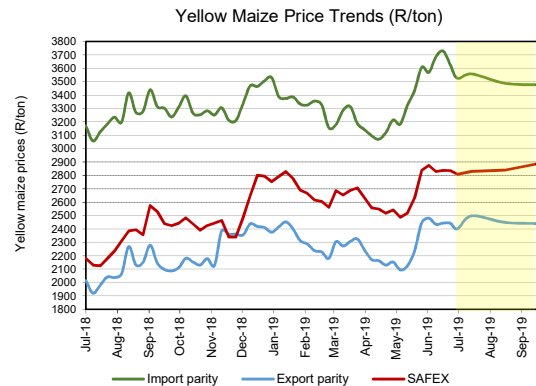
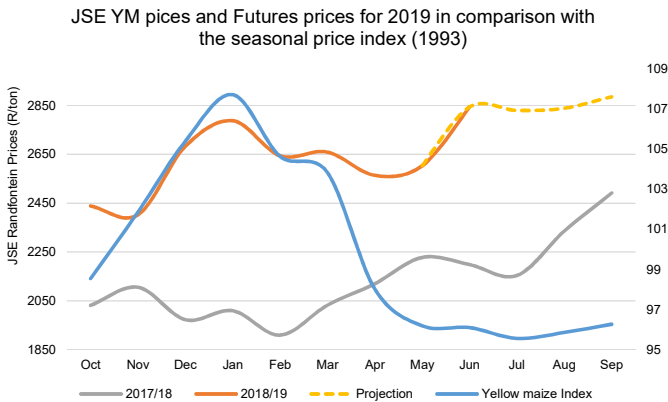
Local maize market

Price movements in the domestic maize market were mixed this week. The spot price of yellow maize declined by 1% and the spot price for white maize increased by 0.7% week-on-week. The strengthening Rand along with the declining international yellow corn price may be causes for the decline in domestic yellow maize price as South Africa imports yellow maize.

	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	2896.00	2938.00	2992.00	2809.00	2830.00	2886.00
w/w	0.8%	0.7%	1.0%	-1.0%	-0.9%	-0.9%
m/m	-0.5%	1.6%	1.6%	-2.3%	-0.9%	-0.9%
y/y	38.5%	46.5%	44.8%	28.7%	34.9%	33.9%

Outlook

In the short term, the US corn market is expected to trade slightly to the downside. In the medium term, the US corn market is likely to trade sideways as they await further news regarding the condition of the crop. The current rating of the US corn crop condition is expected to provide some support for the market. Uncertainty remains regarding the ultimate impact of the wet weather on the US corn crop. 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 US wheat market traded lower this week. The price of Hard Red Winter wheat dropped by 3.7% and the price of Soft Red Winter wheat dropped by 4.2% week-on-week. As the US corn market traded lower this week so the US wheat market followed suit. Sluggish exports and large global wheat supplies added further pressure to the market this week. Current prices for SRW wheat are 2.8% higher, while the price for HRW wheat is 5.6% 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	14.11	226.20	221.00	958.00
w/w	-1.0%	-4.2%	-3.7%	958.00
m/m	-4.4%	0.7%	-2.5%	675.10
y/y	2.9%	2.8%	-5.6%	437.20

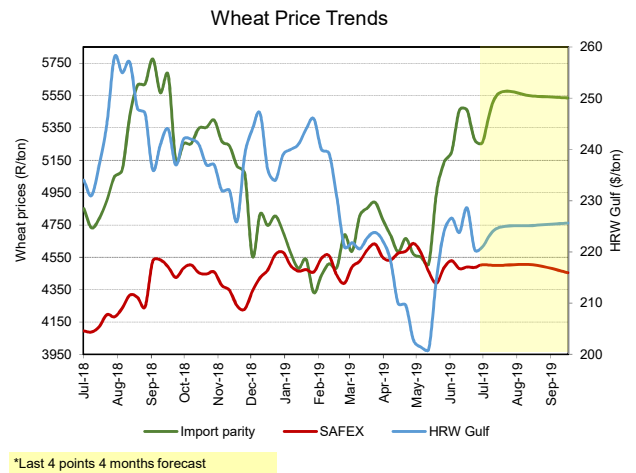
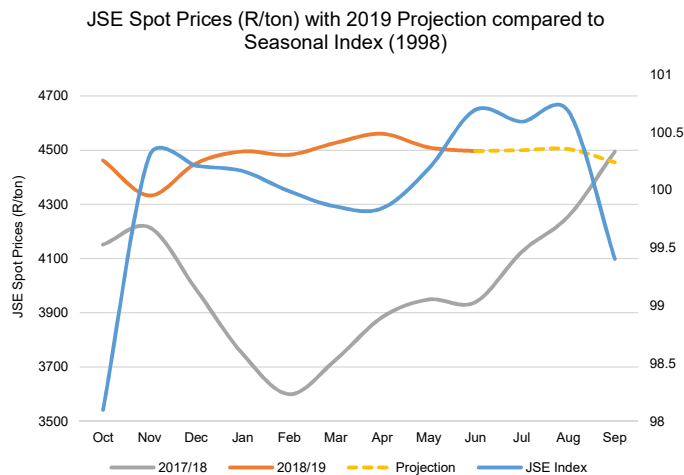
Local wheat market

The domestic wheat market traded positively this week with the wheat spot price increasing by 0.4% week-on-week. The price of old season (July 2019) wheat increased by 0.3% and the price for new season (Dec 2019) wheat remained relatively stable with a 0.05% increase week-on-week. The current import parity is 2.6% lower 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	4504.20	4500.00	4422.00	5260.63
w/w	0.4%	0.3%	0.05%	-2.6%
m/m	-0.5%	-0.9%	-0.6%	1.0%
y/y	10.0%	11.9%	6.7%	5.0%

Outlook

The US wheat market is hopeful that the market will not fall too sharply too quickly. The expectation is that the US wheat market will trade relatively sideways in the medium term. US wheat prices in the short term are expected to decline. 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 soya market traded negatively 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 2.2%, soya oil declined by 1% and soya meal declined by 3.1% week-on-week. The USDA crop progress report indicated that 83% of the planted soya crop has emerged, compared to the 98% emergence level achieved by this time last year. It is expected that there will be increased global demand for Argentine soybeans as China's import demands increase. The USA would also experience increased demand, however, they may struggle to meet this demand if they experience supply issues arising due to the wet weather conditions. Brazil's shipments of soybeans to China have been curbed due to reduced supply.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.11	345.90	27.77	304.60
w/w	-1.02%	-2.2%	-1.0%	-3.1%
m/m	-4.4%	1.6%	1.2%	-4.1%
y/y	2.9%	4.6%	-3.1%	-7.5%

Local soybean market

The domestic soybean spot price declined by 0.5% week-on-week, however, prices are 20.5% 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 declined further this week becoming even more negative than last week. The domestic sunflower seed spot price increase by 0.3% week-on-week with the current price 7.1% 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	5119.74	5335	-178.46	5239.20
w/w	-1.5%	-0.5%	-311.6%	0.3%
m/m	-8.7%	1.3%	-297.3%	-0.4%
y/y	-9.6%	20.5%	-795.8%	7.1%

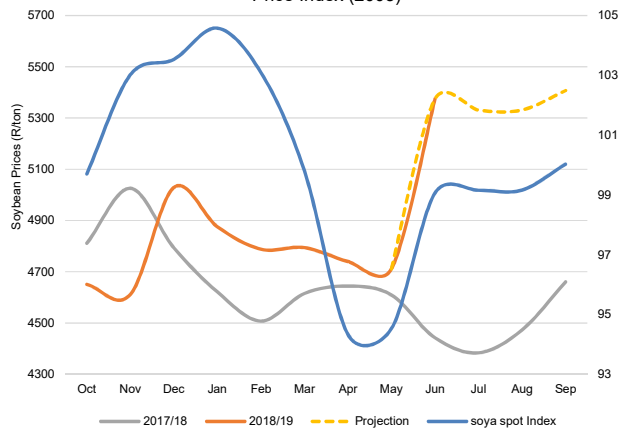
*Derived soybean price: Calculated price based on the imported price for soybeans and oilcake

Outlook

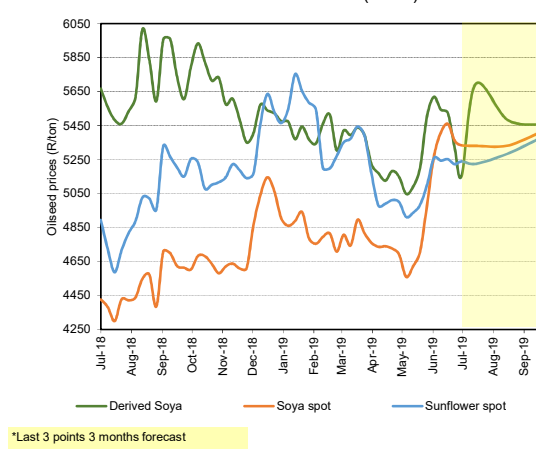
US soya prices in the short term are expected to continue trading lower. Uncertainty regarding the US/China trade deal, impact of the ASF outbreak in China as well as the impact of the wet weather conditions on the US soybean market all contribute to continued volatility. The US soya market is expecting continued volatility for the remainder of the season. The domestic soybean prices are expected to decline in the short term providing relief for crushers. However, prices are likely to pick up again in September.

In the market of other oilseeds: Domestic oilseed prices may be supported by increasing international prices. Chinese supplies for canola and rapeseed oil are tight which is boosting imports from Russia, Ukraine, the UAE and the EU-28. Demand has increased sharply for palm oil, particularly for countries such as China, in order to replace their insufficient domestic supplies of soya oil. Other countries with increased demand for palm oil include India and the EU.

Soybean Prices with 2019 Projection compared to Seasonal Price Index (2003)



Oilseed Price Trends (R/ton)



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Fibre market trends

Wool Market

Australia: Data for the Australian wool market was not available for the week ended the 5th of July. The Australian wool auction should have taken place on the 2nd of July with approximately 32 504 bales expected to have been on offer.

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

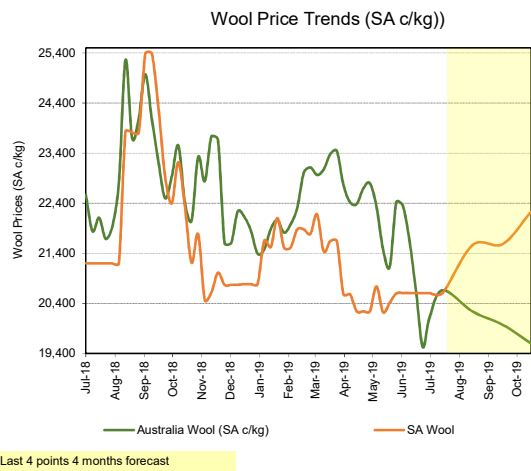
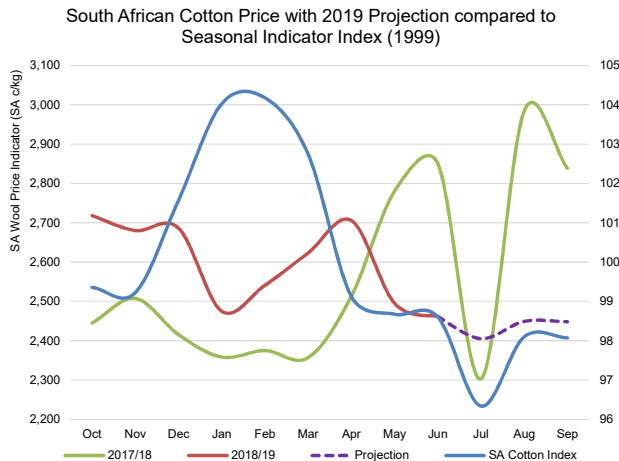
USA: The Cotton A index increased by 1.5% this week. The US cotton market traded positively this week with a price increase of 1% week-on-week. The number of bales on offer this week amounted to 8 371 bales, this is in comparison to the 21 086 bales that were on offer last week. The USDA crop progress report indicated that the planting progress of the cotton crop this year is at 37%, this is slightly behind the 5-year average of 39% progress. Majority (45%) of the cotton crop is considered to be in a good condition.

Local: Domestic cotton prices increased by 0.5% this week, however, prices are 15.9% lower compared to prices a year ago. The domestic cotton prices were supported by the upward movement of the international cotton prices. Cotton prices are expected to trade sideways in the next three months. 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	9.88	No information available	20607	78.35	2432
w/w	-0.3%	n/a	Recess	1.5%	0.5%
m/m	-4.0%	n/a	Recess	2.0%	-2.2%
y/y	-1.3%	n/a	-2.8%	-18.2%	-15.9%

Outlook

Australian wool prices are expected to continue along their declining trend. The South African wool market opens for the 2019/20 season on the 14th of August. US and domestic cotton prices are expected to remain below last year's levels but trade sideways for the next three months.



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