



## Agri Trends

12 August 2019

### Imports of vegetable oils into South Africa reach a 7-year record.

South Africa's sunflower seed production fell to a 6-year low, down 24% this season. Dry conditions during planting season lead to late harvesting, this was coupled with very low old-crop supplies in storage. This resulted in limited volumes available for crushing throughout March-June 2019. This has led to a record influx of imports of sunflower oil of 75,000 tons originating mainly from Argentina and the EU. Due to the ongoing trade war between the US and China, vegetable oil prices are generally lower. The low global prices supported increased imports into South Africa. Local soybean production is at a 3-year low this year, however, large domestic soybean carry-over stocks have subdued the need to import plenty soybean oil and oilcake.

**Maize:** South African maize prices traded positively this week. The spot price of white maize and yellow maize increased by 2.6% and 1.7% respectively week on week. The South African maize deliveries for the week ending the 2nd of August 2019 was 287,100 tons, consisting of 78,295 tons yellow maize and 208,805 tons white maize. This brings cumulative maize deliveries for the season to date to 7,140,477 tons. The September and December white maize contracts ended 3.8% and 3.9% higher respectively this past week. The Rand was weaker this week due to the escalating US-China trade war and the possibility of a credit rating downgrade by Moody's. The weaker Rand and higher US corn prices supported the South African maize prices.

**Wheat:** Spillover weakness from lower US corn and soybean prices added pressure on the US wheat price. Wheat production from Europe and Russia will dictate the price movements of global wheat prices over the coming weeks.

Domestic wheat prices are expected to trade sideways for the next month and then decline slightly in September. Some good widespread rainfall was seen in parts of the Western and Southern Cape. The much needed rain was necessary to replenish soil moisture and to benefit wheat crop development. Weather forecasts indicated more rainfall in the Western Cape over the long weekend.

**Soybeans:** The imports of vegetable oils to South Africa have increased to a 7-year high due to SA's lower oilseed production this season and the subsequent lower crushing for the past months. Sunflower oil imports were the largest component amongst the vegetable oils imported. South Africa's sunflower seed production fell to a 6-year low, down 24% this season. Dry conditions during planting season that lead to late harvesting, coupled with very low old-crop supplies in storage have limited the volumes available for crushing throughout March-June 2019. This has led to a record influx of sunflower oil imports of 75,000 tons originating mainly from Argentina and the EU.

**Fibre:** The domestic cotton prices decreased by 2.2% this week, prices are 19.9% lower compared to prices a year ago. Cotton prices are expected to trade sideways in the next three months with a possible uptick should a resolution in the trade talks between the US and China occur. Currently, the US-China trade talks is the main fundamental influencing cotton prices in the global and local cotton market.

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## Maize market trends

### International maize market

US corn prices were under pressure at the beginning of the week due to the escalating trade war between the US and China. However, for the week overall, the US yellow corn prices remained stable. The US have indicated that from 1 September, they would impose tariffs on \$300 billion of Chinese goods. The Chinese counter attacked by stopping imports of US agricultural goods.

	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	14.95	188	1.67	3889	3542	2445
w/w	4.2%	0.0%	-57.0%	2.4%	3.3%	1.8%
m/m	6.1%	-6.6%	-160.7%	2.9%	3.7%	0.4%
y/y	11.0%	10.7%	-55.0%	22.1%	17.9%	26.9%

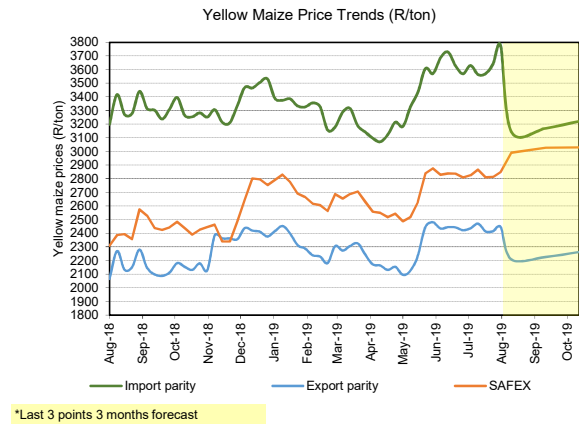
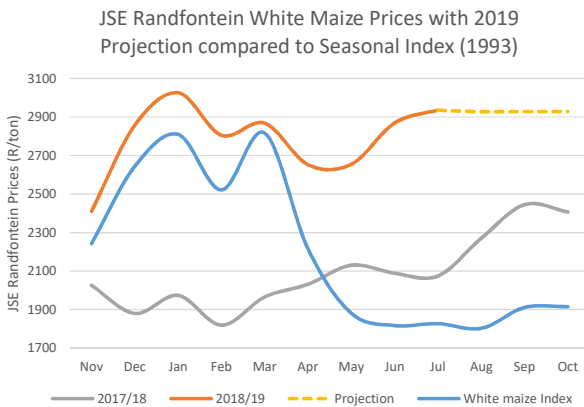
### Local maize market

South African maize prices traded positively this week. The spot price of white maize and yellow maize increased by 2.6% and 1.7% respectively week on week. The South African maize deliveries for the week ending the 2nd of August 2019, was 287,100 tons, consisting of 78,295 tons yellow maize and 208,805 tons white maize. This brings cumulative maize deliveries for the season to date to 7,140,477 tons. The September and December white maize contracts ended 3.8% and 3.9% higher respectively this past week. The Rand was weaker this week due to the escalating US-China trade war and the possibility of a credit rating downgrade by Moody's. The weaker Rand and higher US corn prices supported the South African maize prices.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Sep-19	Dec-19	JSE Spot Price, Randfontein (R/ton)	Sep-19	Dec-19
Price	2984	3027	3118	2848	2871	2961
w/w	2.6%	3.8%	3.9%	1.7%	2.8%	3.0%
m/m	1.5%	0.6%	0.6%	0.9%	-0.5%	-0.4%
y/y	32.5%	34.8%	33.4%	23.4%	24.6%	23.6%

### Outlook

Internationally: The release of the USDA's World Supply and Demand report on the 12th August will be a key factor for the US corn and soybean markets this week, as this report will give revised soybean and corn crop estimates and area planted. US market estimates a 2019 US corn crop of approximately 13 billion bushels. If the US and China can agree on a trade deal that leads to purchases, prices could recover immensely. However if the trade and currency war continues it would likely weigh on prices of the agricultural products. Local maize prices will follow volatile international corn prices in the medium term. Local maize prices are expected to recover going into September



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## Wheat market trends

### International wheat market

The price of Hard Red Winter wheat decreased by 1.7% and the price of Soft Red Winter wheat increased marginally by 0.7% week on week. Current prices for SRW wheat are 5.6% lower, while the price for HRW wheat is 17.8% lower compared to prices a year ago. Solid weekly US wheat exports provided some support to wheat futures the past week.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.95	215	210	958.00
w/w	4.2%	0.7%	-1.7%	958.00
m/m	6.1%	-4.1%	-5.5%	958.00
y/y	11.0%	-5.6%	-17.8%	281.70

### Local wheat market

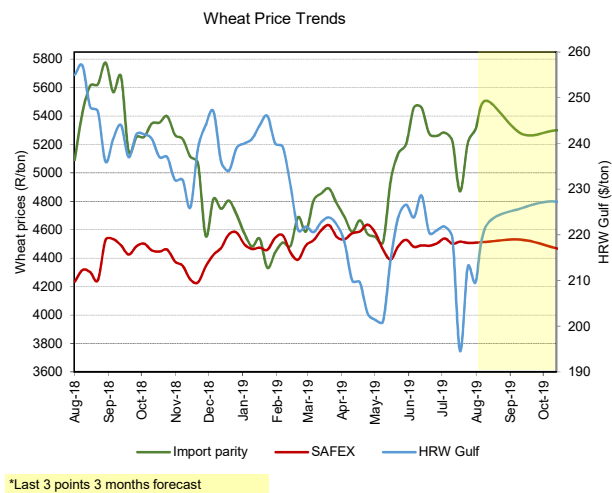
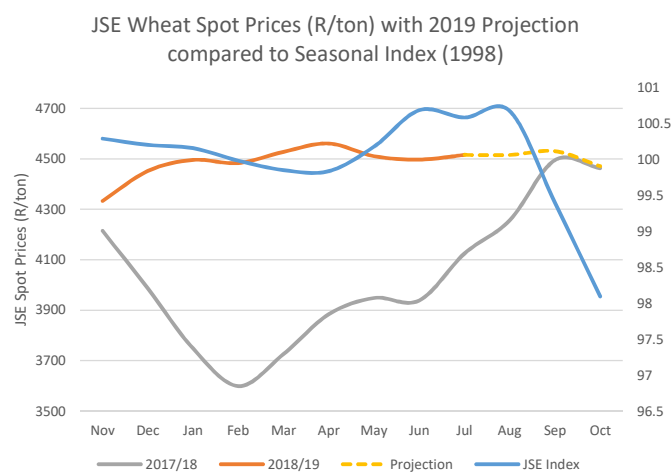
Prices in the domestic wheat market traded positively this week, supported by the weaker Rand. The wheat spot price increased marginally by 0.1% week on week. The price for new season (Dec 2019) wheat increased by 1% week on week. The current import parity is 1.8% higher compared to last week. A weaker Rand provided underlying support to the wheat market. Locally South Africa has imported 945,668 tons of wheat for the season to date. Some good widespread rainfall was seen in parts of the Western and Southern Cape. The much needed rain was necessary to replenish soil moisture and to benefit wheat crop development. Weather forecasts indicated more rainfall in the Western Cape over the long weekend.

	JSE Spot Price (R/ton)	Sep-19	Dec-19	USA Import Parity (R/ton)
Price	4509	4530	4522	5307
w/w	0.1%	1.2%	1.0%	1.8%
m/m	-0.6%	0.2%	1.7%	0.4%
y/y	6.5%	0.0%	2.9%	4.4%

### Outlook

Spillover weakness from lower US corn and soybean prices added pressure on the US wheat price. Wheat production from Europe and Russia will dictate the price movements of global wheat prices over the coming weeks.

Domestic wheat prices are expected to trade sideways for the next month and then decline slightly in September. Some good widespread rainfall was seen in parts of the Western and Southern Cape. The much needed rain was necessary to replenish soil moisture and to benefit wheat crop development. Weather forecasts indicated more rainfall in the Western Cape over the long weekend.



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## Soybean market trends

### International soybean market

The prices of oilseeds in the US traded mostly negative this week. The price of soybean in the US gulf decreased by 7.8%, and soya meal decreased by 0.9%, while the price of soya oil increased by 0.9% week on week. CBOT soy oil prices outperformed both soybean and soymeal. The US government made a decision to impose a 10% import tariff on the remaining US\$300 billion of Chinese products from 1 September onwards. The Chinese retaliated by stopping all imports of agricultural goods from the US. US farmers may have to prepare for a longer period of lower soybean prices. Weather conditions are favourable in the major summer crop growing regions of the US. Russia and the Ukraine are heading for massive oilseed and vegetable oil production and crushing in 2019/20. It is expected that Russian sunflower oil will be offered at above normal discount compared to the Ukrainian sunflower oil in 2019/20. World supplies of palm oil are tightening, which is supporting palm oil prices.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.95	315.66	28.33	294.90
w/w	4.2%	-7.8%	0.9%	-0.9%
m/m	6.1%	-8.4%	1.3%	-4.6%
y/y	11.0%	-8.1%	-0.3%	-11.0%

### Local soybean and sunflowerseed market

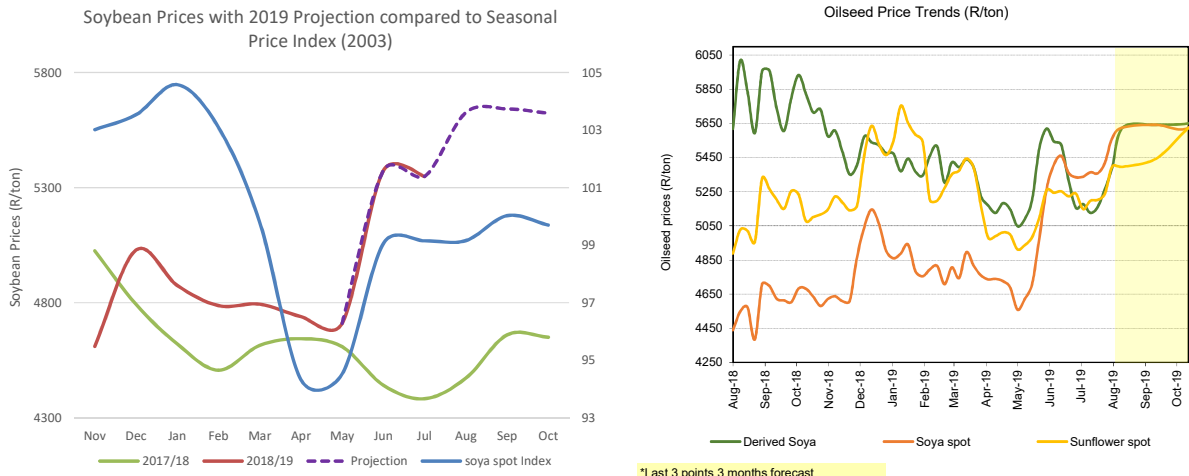
The domestic soybean spot price increased by 2.7% week on week and prices are 25.4% higher compared to a year ago. High prices continue to put pressure on the local crushers. The domestic sunflower seed spot price increased by 3% week on week with the current price 10.4% higher compared to prices a year ago. Imports of vegetable oils have increased to a 7-year high due to SA's lower oilseed production this season and the subsequent lower crushing for the past months. Sunflower oil imports were the largest component amongst the vegetable oils imported. South Africa's sunflower seed production fell to a 6-year low, down 24% this season. Dry conditions during planting season lead to late harvesting this was coupled with very low old-crop supplies in storage. This resulted in limited volumes available for crushing throughout March-June 2019. This has led to a record influx of sunflower oil imports of 75,000 tons originating mainly from Argentina and the EU.

	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Spot Price (R/ton)
Price	5476	5565	-149.23	5398
w/w	3.2%	2.7%	3.1%	3.0%
m/m	5.5%	4.3%	6.5%	4.9%
y/y	-3.5%	25.4%	-890.5%	10.4%

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

### Outlook

US farmers may have to prepare for a longer period of lower soybean prices. China typically purchased 25% of the US annual soybean crop, until all the trade tensions emerged. The lack of Chinese buying continues to weigh heavily on the price of soybeans. US soybean crushing is also suffering from increased competition from South America. The USDA's August 12 report will provide a better view on the US soybean crop production. Locally, crushing margins remain negative with soybean volumes down. Domestic prices for soybeans are expected to recover going into September.



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## Fibre market trends

### Wool Market

The Australian wool market resumed auctions this week. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost 4.5% to 1676 Au c/kg. The China and US trade tension is quoted as the main reason why demand for wool from the Chinese has plummeted.

**Local:** On the 23rd of July 2019, China announced that, they are lifting the ban of imported cloven hooved animals and their products. This applies to all areas of South Africa, apart from Limpopo, the Ehlanzeni area of Mpumalanga and the Umkhanyakude area of Kwa-Zulu Natal.

Export certification for wool will commence on 1st August 2019, with the following approved export facilities in Port Elizabeth: BKB, OVK, Quantro Wools and Segard Masurel.

Any wool that was in store on or before the 2nd April, which would have been sold in Catalogue 30 is cleared for export. Any wool after this date is still not cleared for export as it has not passed the 120 days at or above 4C in storage. 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

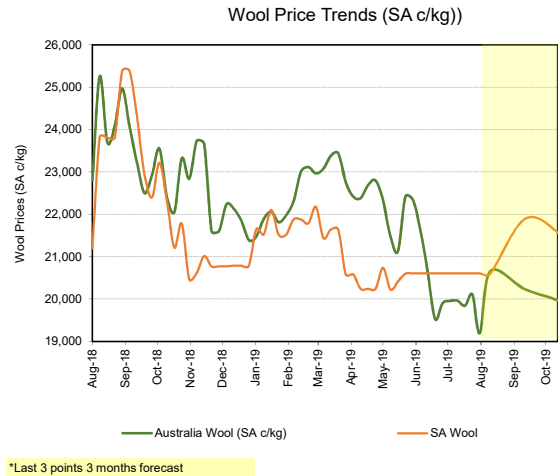
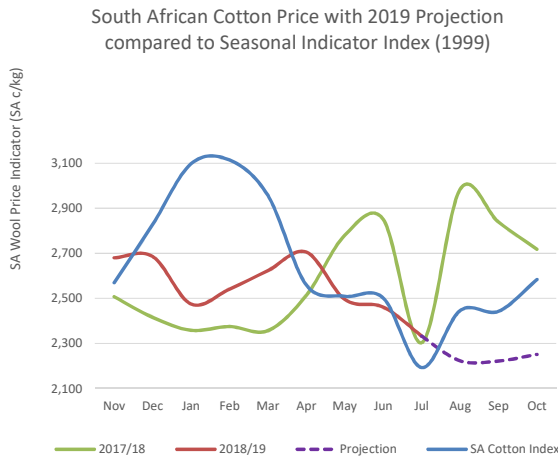
**USA:** The Cotton A index decreased by 6% week on week. Spot cotton trading was inactive because of lower supplies available and lower demand. The global price of cotton is at its lowest level since 2016, reaching a bottom of 55.66 US cents per pound. The escalation of the trade war has weighed heavily on cotton prices.

**Local:** The domestic cotton prices decreased by 2.2% this week, prices are 19.9% lower compared to prices a year ago. Cotton prices are expected to trade sideways in the next three months with a possible uptick should a resolution in the trade talks between the US and China occur. Currently, the US-China trade talks is the main fundamental influencing cotton prices in the local and global cotton market.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.16	19198	20607	70.30	2311
w/w	2.9%	-4.5%	Recess	-6.0%	-2.2%
m/m	3.6%	-3.8%	Recess	-6.0%	-0.4%
y/y	-1.7%	-15.8%	-2.8%	-27.7%	-19.9%

### 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. Global trade issues are putting downward pressure on the wool prices. Current trade tensions, lack of consumer demand and political instability is affecting all commodity markets. The South African wool industry and China reached a new agreement where a health certificate is in place that enables the export of greasy wool to China to resume, subject to the temperature and time requirements in terms of the OIE Code (4°C for 4 months, or 18°C for 4 weeks, or 37°C for 8 days). South African wool prices are expected to recover in the next month, supported by the uptick in exports. **Cotton:** The escalation of the trade war has weighed heavily on cotton prices. The slow global economic growth and weakening consumer spending power is reducing demand. The increasing cotton production world wide is exerting further downward pressure on cotton prices. The market expects prices to decline further if a trade resolution/agreement does not happen.



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