



Agri Trends

29 July 2019

Domestic cotton prices increased by 2.5% this week, following higher international cotton prices

Maize: An improved US crop report scheduled to be released on the 26th of July may be bearish on prices. Traders remain uncertain about the size of the upcoming US harvest. Locally, the CEC's latest maize production estimate upgraded SA's commercial maize crop to 10.98 million tons. White maize was increased by 1.53% to 5.572 million tons and yellow maize was cut marginally by 0.70% to 5.407 million tons. However the SAFEX white and yellow maize prices have not reflected this increase instead prices are still following volatile US corn price.

Wheat: The domestic wheat market traded positive this week with the wheat spot price increasing marginally by 0.3% week-on-week. The price of old season (July 2019) wheat increased by 0.5% and the price for new season (Dec 2019) wheat increased by 0.3% week-on-week. The current import parity is 6.8% lower compared to last week. Good rainfall is likely to continue for the next couple of weeks until September over the western and south western parts of the Western Cape. Our market came under pressure due the lower international US wheat prices.

Soybeans: The domestic soybean spot price decreased by 0.1% week-on-week and prices are 21% higher compared to a year ago. High prices continue to put pressure on the local crushers. The domestic sunflower seed spot price increased by 0.1% week-on-week with the current price 10.3% higher compared to prices a year ago. The production forecast for sunflower seed increased by 7.28% or 44 500 tons to 655 640 tons. The production forecast for soybeans is 1.170 million tons, which is 3.79% or 46 050 tons less than the previous forecast of 1.216 million tons. Crushing margins remain negative with soybean volumes down.

Fibre: Domestic cotton prices increased by 2.5% this week, following higher international cotton prices. The Cotton A index increased by 2.3% this week as the market weighs trade talks. Hope renewed that a resolution in US-China trade talks would help the market battle demand woes. Poor weather conditions in India are also lending support to the cotton prices.

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Maize market trends

International maize market

The US yellow corn prices remained stable this week. Traders remain uncertain about the size of the upcoming US harvest. Corn prices slipped a bit this week, amid mild weather conditions in US Midwest this weekend. Exports are not as brisk as the market would like it to be. Sluggish US export data and uncertainty about US growing weather conditions are adding a bearish tone to prices. An improved crop report scheduled to be released on the 29th of July may be bearish on prices.

	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	13.97	200	6.25	3920	3362	2413
w/w	0.2%	0.0%	5.0%	0.3%	0.2%	-2.3%
m/m	-2.0%	-2.1%	98.4%	0.8%	-1.4%	-1.2%
y/y	4.8%	17.4%	68.0%	24.2%	12.5%	18.2%

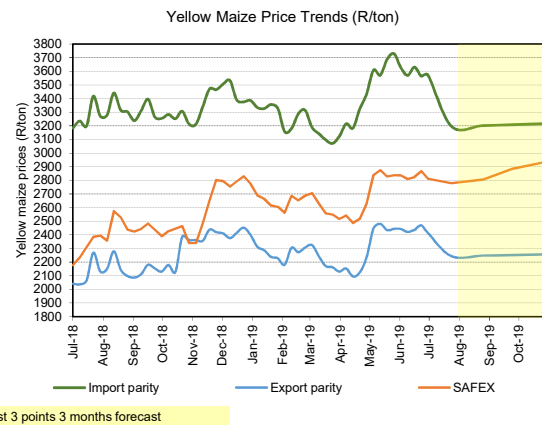
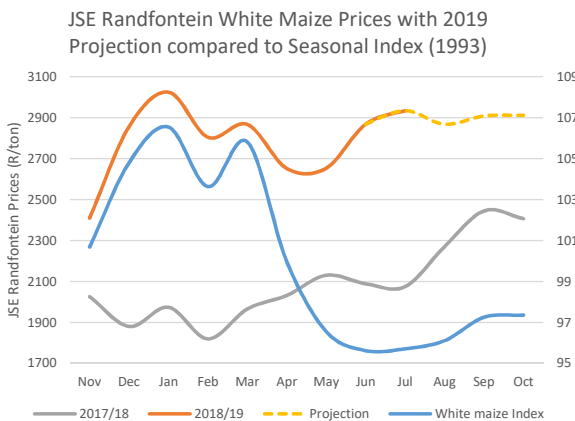
Local maize market

The spot price of white and yellow maize both decreased by 2% week-on-week. Domestic maize prices are expected to remain relatively stable in the near term. Maize deliveries are still entering the market with the market closely following the white maize deliveries given the slow progress seen to date. The South African maize market underperformed this week compared to the US maize market.

	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	2921	2909	2994	2810	2806	2886
w/w	-2.0%	-1.5%	-1.5%	-2.0%	-5.0%	-5.1%
m/m	1.7%	0.0%	-0.1%	-0.9%	-2.4%	-2.3%
y/y	38.8%	36.8%	35.2%	29.1%	28.0%	26.4%

Outlook

Internationally: An improved US crop report scheduled for release on the 29th of July may be bearish on prices. Traders remain uncertain about the size of the upcoming US harvest. Locally, the CEC's latest maize production estimate upgraded SA's commercial maize crop to 10.98 million tons. White maize was increased by 1.53% to 5.572 million tons and yellow maize was cut marginally by 0.70% to 5.407 million tons. However, the SAFEX white and yellow maize prices have not reflected this increase, instead prices are still following volatile US maize price.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat decreased by 11.3% and the price of Soft Red Winter wheat declined by 9.1% week on week. Current prices for SRW wheat are 10.5% lower, while the price for HRW wheat is 20.6% lower compared to prices a year ago. Wheat prices followed declining US corn prices. Harvesting of winter wheat and a strong dollar are adding bearish pressure to US wheat prices. Better than expected yields in parts of Europe also caused downward prices in the European wheat prices

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	13.97	200	195	958.00
w/w	0.2%	-9.1%	-11.3%	958.00
m/m	-2.0%	-15.5%	-15.2%	958.00
y/y	4.8%	-10.5%	-20.6%	281.70

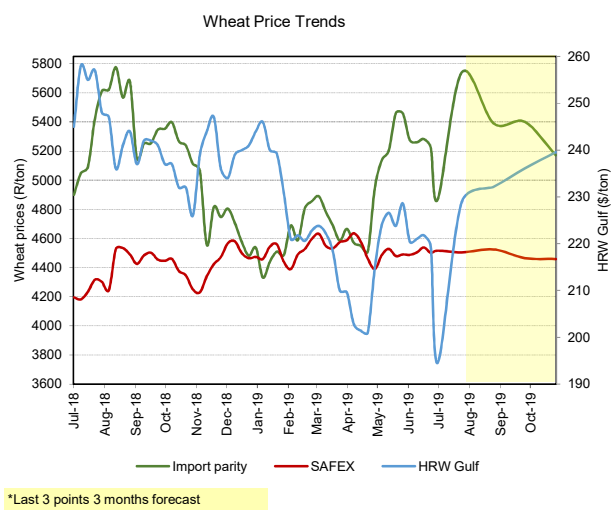
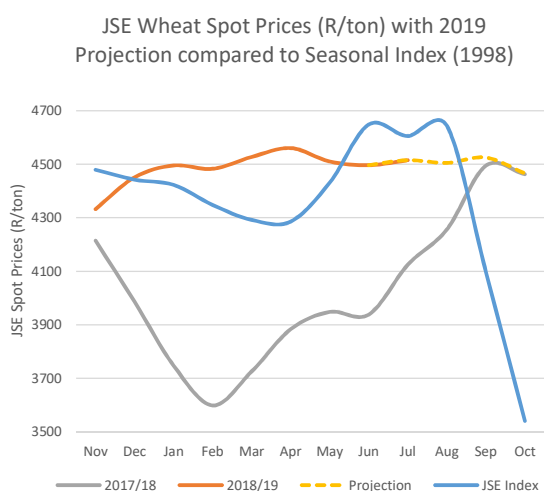
Local wheat market

Prices in the domestic wheat market traded positively this week. The wheat spot price increased marginally by 0.3% week on week. The price of old season (July 2019) wheat increased by 0.5% and the price for new season (Dec 2019) wheat increased by 0.3% week-on-week. The current import parity is 6.8% lower compared to last week. Good rainfall is likely to continue for the next couple of weeks until September over the western and south western parts of the Western Cape. Our market came under pressure due the lower international US wheat prices.

	JSE Spot Price (R/ton)	Jul-19	Dec-19	USA Import Parity (R/ton)
Price	4516	4525	4445	4870
w/w	0.3%	0.5%	0.3%	-6.8%
m/m	0.6%	1.0%	0.9%	-9.9%
y/y	7.6%	n/a	6.6%	-0.6%

Outlook

The harvesting of US wheat is underway. There is lackluster demand for US wheat at the moment. US wheat prices cannot compete with the lower EU prices. Domestic wheat prices are expected to trade sideways for the next three months and then decline slightly in September. Good rainfall is likely to continue for the next weeks until September over the western and south western parts 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 0.2%, soya oil increased by 0.8% and soya meal decreased by 1.1%. Weather risks for soybean crops in the Midwest may underpin soybean prices. China crushers could resume purchases of US soybean. The Chinese government issued a tariff-free quota of 2.3 million tons to be imported from the USA.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	13.97	349.57	28.16	305.62
w/w	0.23%	0.2%	0.8%	-1.1%
m/m	-2.0%	-1.2%	0.4%	-2.8%
y/y	4.8%	4.2%	-0.4%	-7.5%

Local soybean and sunflowerseed market

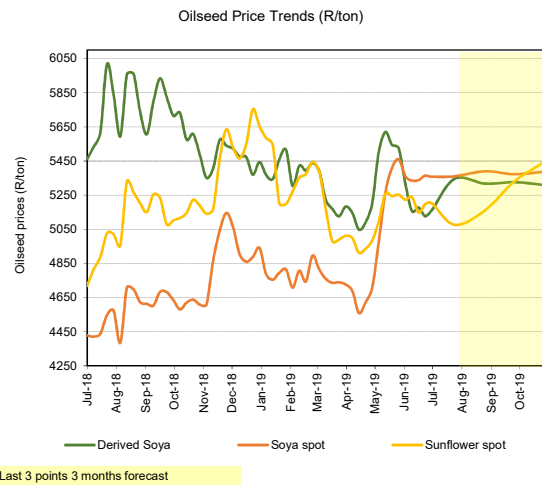
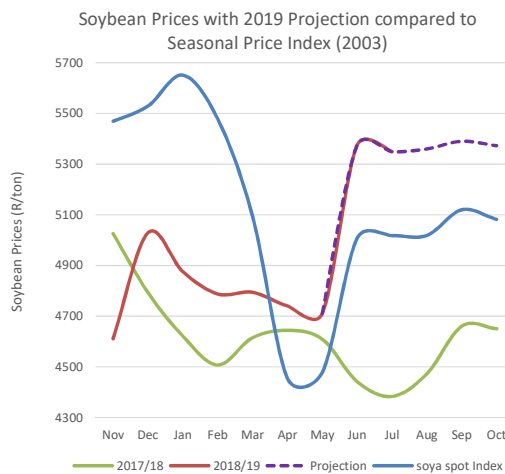
The domestic soybean spot price decreased by 0.1% week-on-week and prices are 21% higher compared to a year ago. High prices continue to put pressure on the local crushers. The domestic sunflower seed spot price increased by 0.1% week-on-week with the current price 10.3% higher compared to prices a year ago. The production forecast for sunflower seed increased by 7.28% or 44 500 tons to 655 640 tons. The production forecast for soybeans is 1.170 million tons, which is 3.79% or 46 050 tons less than the previous forecast of 1.216 million tons. Crushing margins remain negative with soybean volumes being down. South African oilseed contracts did come under some pressure in the past week with the lower US soybean contracts adding some pressure.

	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	5358	-196.15	5202
w/w	2.1%	-0.1%	17.7%	0.1%
m/m	-2.8%	-0.1%	-352.4%	-0.4%
y/y	-4.9%	21.0%	-626.9%	10.3%

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

Outlook

Uncertainty about the production of soybeans in the US and lower demand concerns. The ongoing trade issues between the US and China coupled with the ASF outbreak in China remains fundamental in influencing the US soybean price. Locally, crushing margins remain negative with soybean volumes down. South African oilseed contracts did come under some pressure in the past week. The lower US soybean contracts added pressure. Domestic soybean prices are expected to decline slightly in July and recover going into September.



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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 increased by 2.3% this week. Hope renewed that a resolution to the US-China trade talks would be found and, in turn, would result in positive price movements in the market. Poor weather conditions in India are also lending support to the cotton prices.

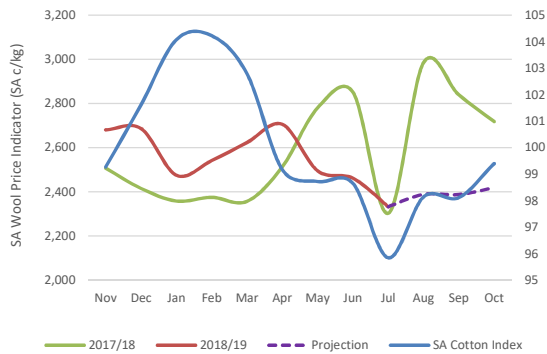
Local: The domestic cotton prices increased by 2.5% this week, prices are 19.3% lower compared to prices a year ago. Cotton prices are expected to trade sideways in the next three months with a possible uptick should a resolution in the trade talks between the US and China occur.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.74	19844	20607	75.40	2317
w/w	-0.6%	-0.6%	Recess	2.3%	2.5%
m/m	-1.7%	-3.3%	Recess	-2.3%	-4.3%
y/y	-0.2%	-8.5%	-2.8%	-23.0%	-19.3%

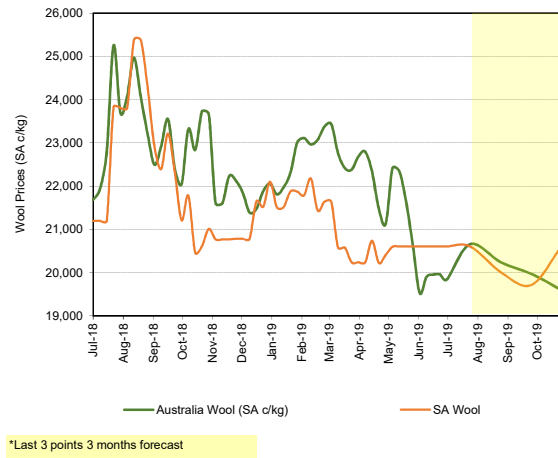
Outlook

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 the 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.

South African Cotton Price with 2019 Projection compared to Seasonal Indicator Index (1999)



Wool Price Trends (SA c/kg)



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