



## Agri Trends

23 September 2019

### Rain is critical in the Western Cape to relieve the deterioration of wheat crops.

**Maize:** On the 26th September 2019, the CEC will release its 7th production forecast for the summer grains. There is still some uncertainties with regards to the South African maize crop, especially given the slowdown in producer deliveries. The new production season is about to commence. For the summer rainfall region, weather forecasts show the possibility of some rain towards the last part of September and first part of October over the central to southern and southeastern parts of the country.

**Wheat:** The Western Cape is in a situation where some wheat areas look good and other areas not. Last weekend some areas had temperatures as high as 40°C coupled with Eastern winds, which was devastating to crops, the extent of which is still to be seen. Industry expects wheat crops to be lower than the previous month's estimate because of lower expected yield due to drought conditions. According to weather forecasts, some rain is possible over the last week of September and the first few days of October in the Southern Cape. Rain is very critical in the Western Cape to relieve the deterioration of wheat crops.

**Oilseeds:** The weekly South African producer deliveries of soybeans for the week ending 13 September (latest data available) indicated that 916 tons of soybeans were delivered. This brings the cumulative producer deliveries of soybeans for the season to date at 1.115 million tons, which represents 95% of the CEC crop estimate.

The weekly South African producer deliveries of sunflowerseed for the week ending 13 September indicated that 591 tons of sunflowerseed were delivered. This brings the cumulative producer deliveries of sunflowerseed for the season to date to 668,763 tons, which represents 98% of the CEC crop estimate. South African groundnut imports are on the rise because of this year's crop losses

**Fibre:** The optimal planting window for cotton is between October and November; rains are critical during this period for planting and to ensure germination. The industry is more optimistic about the upcoming 2020/21 season than they were about the 2019 season. Cotton prices are expected to trade sideways in the next three months. The South African Wool market closed higher at a value of R163.60 c/kg (clean) compared to the previous week. The 2nd sale of the 2019/20 season closed higher 10.8%. The local wool market followed the increases seen in Australia. The next sale is scheduled for 26 September 2019 where approximately ± 10 932 bales will be on sale.

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## Maize market trends

### International maize market

US Kansas yellow corn prices increased by 0.6% week on week. In South America, there is concern that the dryness may put upcoming soybean and corn crops at risk. The USDA estimates that corn ending stocks in Brazil, Ukraine, Mexico, Paraguay, and Chile for 2019/20 are lower relative to last month. Price increases were capped by above-normal temperature weather forecasts across the US Midwest for the last part of September. Warmer temperatures eased concerns about potential crop damage due to frost.

	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	14.71	163	1.72	3484	3369	2308
w/w	0.4%	0.6%	-27.1%	2.3%	1.5%	2.6%
m/m	-3.6%	0.6%	-27.1%	-1.4%	-6.1%	-1.0%
y/y	0.2%	3.2%	n/a	3.2%	8.6%	12.3%

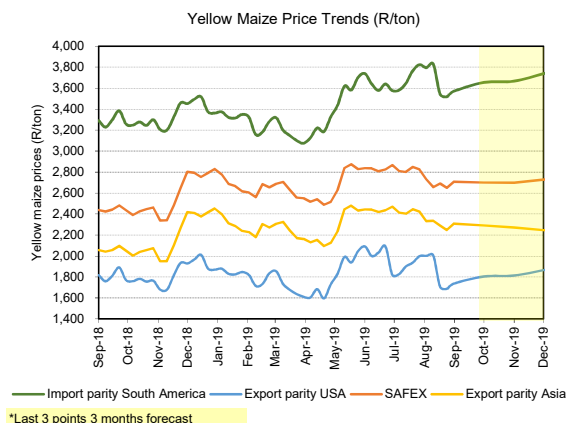
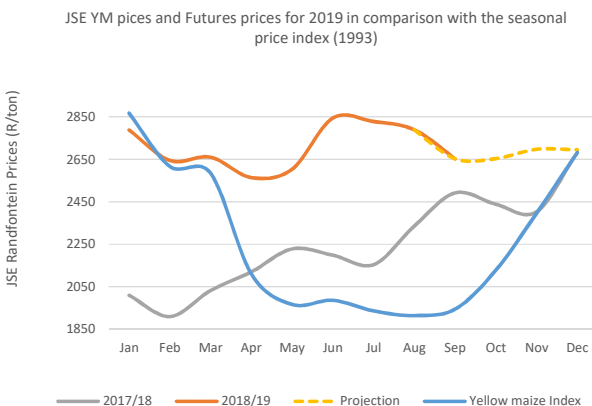
### Local maize market

South African maize future prices traded positively this week. The spot price of white maize and yellow maize increased by 2.1% and 2.2% respectively week on week. There is still some uncertainties with regards to the South African maize crop especially given the slowdown in producer deliveries. Some producers in the North West regions are recording lower harvests than previously anticipated. The new production season is about to commence. For the summer rainfall region, weather forecasts show possibility of some rain towards the last part of September and first part of October over the central to southern and southeastern parts of the country.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Mar-20	Dec-19	JSE Spot Price, Randfontein (R/ton)	Mar-20	Dec-19
Price	2845	2875	2870	2709	2709	2729
w/w	2.1%	0.9%	1.4%	2.2%	1.6%	1.5%
m/m	-0.3%	-5.3%	-4.7%	-0.9%	-5.1%	-4.3%
y/y	18.5%	19.4%	21.7%	11.1%	11.3%	14.0%

### Outlook

Internationally: Price increases were capped by forecasts of warmer weather, which eased frost damage concerns in the US Midwest. Local maize prices are expected to recover going into October. The new production season is about to commence. For the summer rainfall region, weather forecasts show possibility of some rain towards the last part of September and first part of October over the central to southern and southeastern parts of the country.



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## Wheat market trends

### International wheat market

The price of Hard Red Winter wheat increased by 1.6% and the price of Soft Red Winter wheat increased by 1.8% week on week. Current prices for SRW wheat are 0.5% lower, while the price for HRW wheat is 15.9% lower compared to prices a year ago. Concerns over dry weather conditions in Argentina and Australia (very large wheat exporting countries) supported the wheat price. The USDA has trimmed the global wheat production forecast by 2.5 million tons due to deteriorating weather conditions in the Black Sea region, Kazakhstan and Australia.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.71	216	205	664.70
w/w	0.4%	1.8%	1.6%	958.00
m/m	-3.6%	5.2%	1.5%	958.00
y/y	0.2%	-0.5%	-15.9%	640.60

### Local wheat market

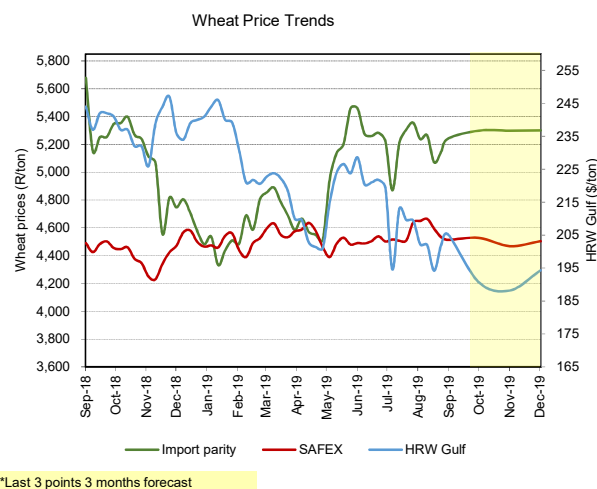
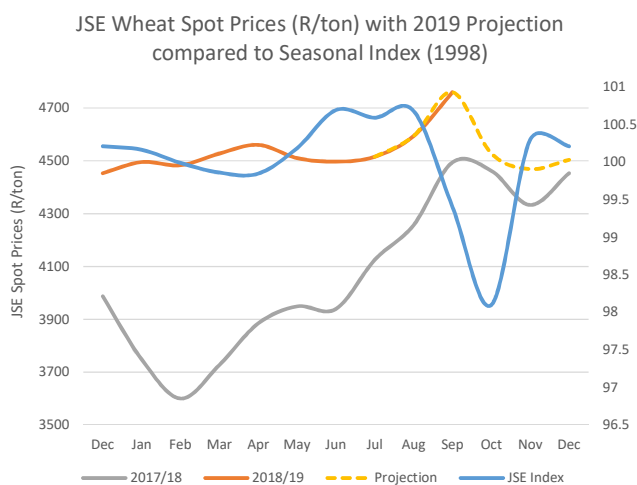
Prices in the domestic wheat market traded marginally negatively this week. The wheat spot price decreased by 0.4% week on week. The price for new season (Dec 2019) wheat increased by 0.4% week on week. The Western Cape is in a situation where some wheat areas look good and other areas not. Last weekend some areas had temperatures as high as 40°C coupled with Eastern Winds, which was devastating to crops, the extent of which is still to be seen. Industry expects wheat crops to be lower than the previous month's estimate because of lower expected yield due to drought conditions. The lower yield may not be big enough to cause big sways in the wheat price. According to weather forecasts, some rain is possible over the last week of September and the first few days of October in the Southern Cape. Rain is very critical in the Western Cape to relieve the deterioration of wheat crops. A new wheat import tariff of R664.70/ton has been published. A higher level of wheat tariff protection of R1008.58/ton was triggered on 20 August 2019 and is still pending publication.

	JSE Spot Price (R/ton)	Sep-19	Dec-19	USA Import Parity (R/ton)
Price	4514	4504	4619	4927
w/w	-0.4%	0.4%	0.4%	-4.2%
m/m	-2.9%	-4.0%	-3.8%	-5.8%
y/y	0.5%	1.9%	1.6%	-13.0%

### Outlook

The USDA's reduction of global production citing drought concerns in the major exporting countries supported the international wheat price. Global wheat stocks still remain abundant, therefore prices are not expected to hike in the short term.

According to local weather forecasts, some rain is possible over the last week of September and the first few days of October in the Southern Cape. Rain is very critical in the Western Cape to relieve the deterioration of wheat crops. Prices are expected to decline in September and then pick up in October according to seasonality.



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## Soybean market trends

### International soybean market

The prices of oilseeds in the US traded positively this week. The price of soybeans in the US gulf increased by 2.9%, the price of soya oil increased by 4% while the price of soya meal declined by 0.1% week on week. The US-China trade negotiations are expected to resume soon. There was optimism in the market last week, however President Trump mentioned in the US-China trade talk held in Washington that he wanted a trade deal with the entire nation and not just on China's agricultural goods. This prompted cancellations of soybeans purchases and will have a bearish impact on prices this week. China is diversifying its import needs from the US and Canada. Lately China has been increasing its influence in South America, increasing imports of soya meal originating from Argentina, meat products from Brazil and other agricultural products from Russia. Brazil has been very dry for the past couple of weeks which will likely lead to the delay of soybean planting.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.71	334.09	29.79	292.84
w/w	0.4%	2.9%	4.0%	-0.1%
m/m	-3.6%	-0.2%	4.4%	0.0%
y/y	0.2%	10.3%	8.3%	-4.1%

### Local soybean and sunflowerseed market

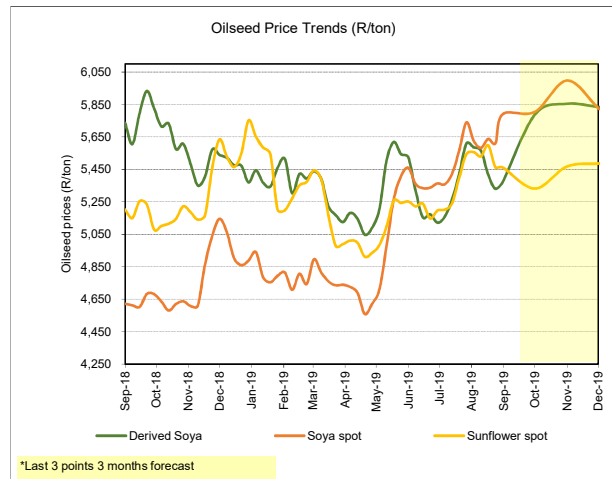
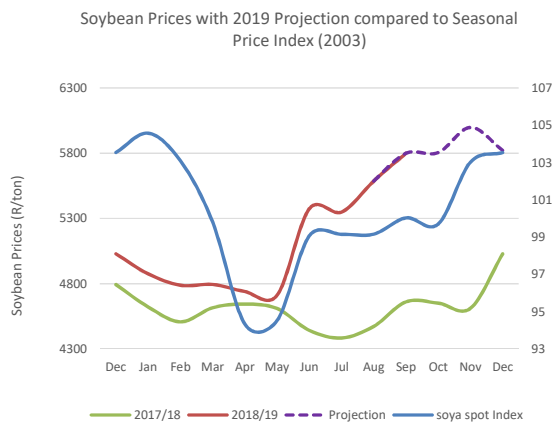
The domestic soybean spot price increased by 3.2% week on week and prices are 25.3% higher compared to a year ago. The domestic sunflower seed spot price remained stable week on week with the current price 5% higher compared to prices a year ago. The weekly South African producer deliveries of soybeans for the week ending the 13 September (latest data) indicated that 916 tons of soybeans were delivered. This brings the cumulative producer deliveries of soybeans for the season to date at 1.115 million tons, which represents 95% of the CEC crop estimate. The weekly South African producer deliveries of sunflowerseed for the week ending the 13 September indicated that 591 tons of sunflowerseed were delivered. This brings the cumulative producer deliveries of soybeans for the season to date at 668,763 tons, which represents 98% of the CEC crop estimate. South African groundnut imports are on the rise because of this year's crop losses

	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	5406	5791	-310.15	5462
w/w	1.3%	3.2%	-10.2%	0.0%
m/m	-3.9%	2.9%	-681.0%	-1.7%
y/y	-5.1%	25.3%	-453.2%	5.0%

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

### Outlook

The trade conflict between the US and China has affected prices and returns negatively for the US farmers in 2018/19. The new season will start on a negative footing for the US soybean farmers. The US is sitting with large stocks and very slow export sales, which is aggravating the situation. This week prices were supported from the spillover strength in the wheat price. The domestic oilseed prices are following the international oilseed prices. Prices are expected to recover from October onwards and then move sideways according to seasonal trends. Summer rainfall crops are heading towards their planting season. Weather forecasts show possibility of some rain towards the last part of September and first part of October over the central to southern and southeastern parts of the country.



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## Fibre market trends

### Wool Market

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) traded higher this week, up by 0.5% week on week to close at a value of 1542 ac/kg (clean). The Australian market has been volatile with prices falling at unprecedented levels and then bouncing back to record levels. There was a more neutral or slightly positive tone from the trade talks, as opposed to the past 6-8 weeks. This coupled with the drought induced low sheep numbers in Australia and New Zealand supported prices at the auctions last week. The weaker Australian dollar compared to the US dollar prompted overseas buyer interest.

**Local:** The South African Wool market closed higher at a value of R163.60 /kg (clean) compared to the previous week. The 2nd sale of the 2019/20 season (sale date: 11 and 12 September) closed higher 10.8%. The local wool market followed the increases seen in Australia. There was no sale for the week ending 20 September 2019. The next sale is scheduled for 26 September 2019 where approximately ± 10 932 bales will be on sale.

### Cotton Market

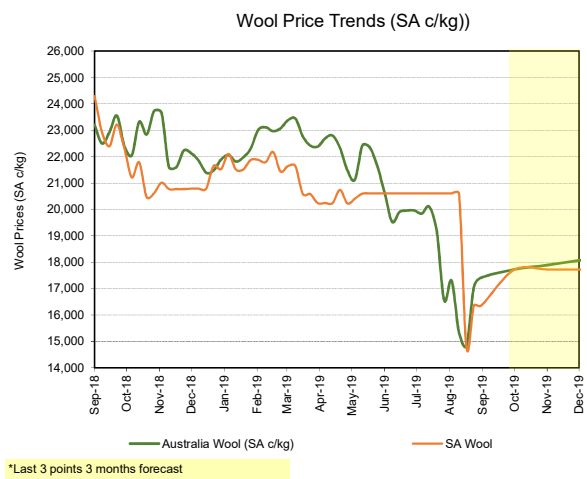
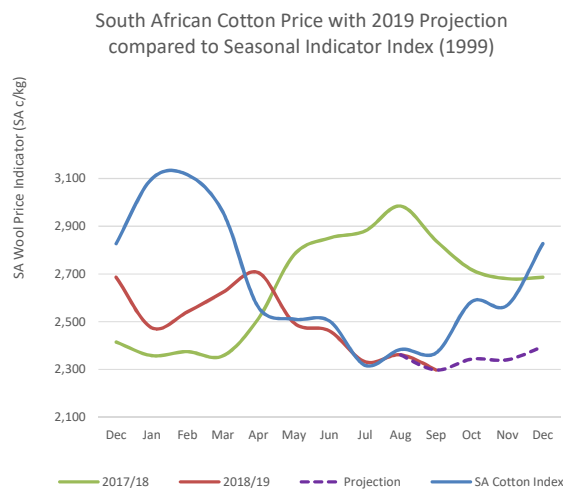
**USA:** The Cotton A index increased by 0.8% week on week. Global cotton production for 2019/20 is forecasted to increase by 5%. China and India remains the largest producers and is expected to produce around 43% of the global cotton crop. The stagnant global economic growth and rising competition from man-made fibres is capping global consumption of cotton. The US/China trade war has had a huge impact on prices. The continued trade war issues between the US (largest cotton exporter) and China (largest cotton consumer) resulted in lower exports from the US. The continuous trade war and forecasted expansion in global production and global stocks is likely to put downward pressure on prices in the short to medium term.

**Local:** The domestic cotton prices increased by 1.2% this week, prices are 18.7% lower compared to prices a year ago. The South African cotton quality is superior to most countries in the world, our producers do get a premium, which to an extent buffers the losses seen in New York trade. The local cotton price has been at a stable level since mid-April. Prices are expected to trade at the current levels until the cotton from the Northern hemisphere comes in which may add some supply pressure. However, we do not estimate a huge impact on the local cotton market from the increase in supply of Northern hemisphere producers; because our local product should be sold by then. For the 2019 season, about 95% of the crop is already sold. Industry is looking forward to the 2020/21 season. The optimal planting window for cotton is between October and November; rains are critical for this period for planting and to ensure germination. The industry is more optimistic about the upcoming 2020/21 season than they were about the 2019 season. Cotton prices are expected to trade sideways in the next three months.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.07	17415	16360	71.50	2314
w/w	0.2%	2.1%	0.0%	0.8%	1.2%
m/m	-2.6%	0.7%	-20.6%	0.4%	-3.2%
y/y	-3.3%	-25.0%	-32.6%	-18.8%	-18.7%

### Outlook

Global wool prices could improve further if trade talks between China and US improve in early October. **Cotton:** The escalation of the trade war has weighed heavily on cotton prices. The declining global economic growth and lower consumer spending power is also negatively affecting the cotton market. In the local market, sufficient rainfall will be critical during the planting season of cotton between October and November to limit planting delays and ensure the germination of crops.



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