



Agri Trends

16 October 2019

Wheat harvesting is underway in the Western Cape, yields are expected to be lower due to drought related losses.

Maize: South African maize future prices traded marginally positive this week. The market remains focused on the weather developments in the weeks ahead during the optimal planting period. Forecasts indicate possible showers over the central and western parts of the summer rainfall region in the week ahead compared to the eastern summer crop growing regions.

Wheat: Prices in the domestic wheat market traded negatively this week. The wheat spot price increased by 0.1% week on week. Harvesting is underway in the Western Cape, yields are expected to be lower due to drought related losses. The first weekly SA producer deliveries of wheat for the week ending 4 October was 1,157 tons. The South African wheat imports for the 1st week of the new season, beginning 28 September - 4 October, indicated that 32,841 tons of wheat was imported in the past week. The imported wheat originated from Germany (16,175 tons), Poland (7,014 tons) and Russia (9,652 tons). The current published wheat import tariff is set at R665/ton. The market is still awaiting the publication of the R1009/ton tariff that was triggered on 20 August 2019.

Oilseeds: The weekly South African producer deliveries of sunflower seed for the week ending 4 October indicated that 63 tons of sunflower seed was delivered. This brings the cumulative deliveries for the season to date at 670,088 tons, which represents 98% of the CEC crop. The weekly South African producer deliveries of soybeans for the week ending 4 October indicated that 826 tons of soybeans was delivered, that represents 95% of the CEC crop estimate of 1.170 million tons. The growth in demand in the local market added some support. The local oilseed contracts posted some gains driven by higher US soybean prices.

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Maize market trends

International maize market

US Kansas yellow corn prices increased by 1.0% week on week. The US corn price traded higher this week on the back of lower than expected US maize stocks. The weekly USDA crop progress report indicated corn harvest at 23% complete versus 38% last year. The market will be sensitive to changes in the US corn yield in the coming weeks. A winter storm that hit the US plains and northern Midwest over the weekend might further delay harvesting in the US.

	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	15.10	170	Not quoted	3649	3282	2445
w/w	-0.8%	1.0%	n/a	0.0%	-3.3%	2.0%
m/m	3.0%	4.9%	n/a	7.2%	-1.1%	8.7%
y/y	2.5%	3.7%	n/a	10.5%	2.9%	16.7%

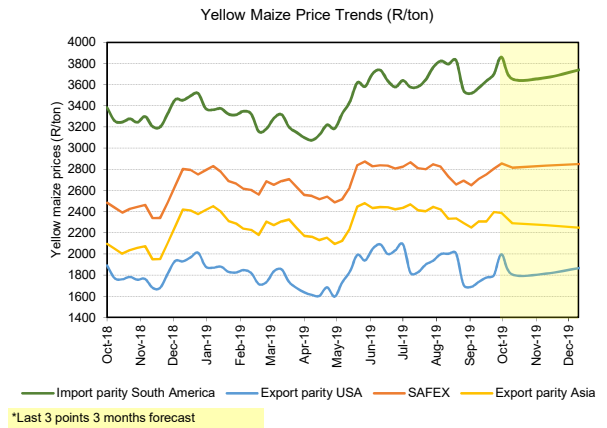
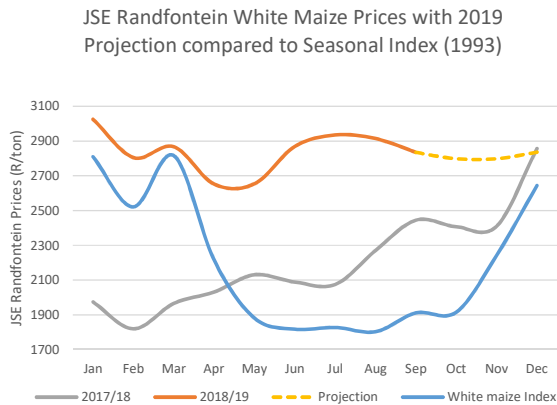
Local maize market

South African maize future prices traded marginally positive this week. The spot price of white maize and yellow maize increased by 0.8% and 1.7% respectively week on week. The weekly South African producer deliveries of maize for the week ending 4 October indicated that 28,311 tons of maize was delivered in the past week including 17,542 tons of white maize and 10,769 tons of yellow maize. This brings the cumulative deliveries for the season to date at 9,898,193 tons. Maize deliveries in September is ahead of the 5-year average. The weekly South African maize exports for the week ending the 4 October indicated that 16,671 tons of maize was exported in the past week. This included 9,885 tons of white maize and 6,786 tons of yellow maize. This brings the cumulative maize exports for the season to date at 495,645 tons. The maize intended for exports in the 8-weeks ahead to 29 November indicates exports of 132,688 tons including 79,617 tons of white maize and 53 071 tons of yellow maize.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Jul-20	Dec-19	JSE Spot Price, Randfontein (R/ton)	Jul-20	Dec-19
Price	2939	2738	2945	2855	2681	2850
w/w	0.8%	0.4%	1.0%	1.7%	0.0%	1.0%
m/m	5.5%	4.2%	6.0%	7.8%	5.3%	7.8%
y/y	20.3%	7.7%	22.2%	15.0%	6.2%	16.6%

Outlook

Internationally: The recent price direction in corn, wheat and soybeans suggests that harvest might be lower in the US. This could result in prices trending sideways-to-higher into the end of the year. Argentinian corn plantings intentions are lower due to difficult economic situations, dryness in major growing regions, recent low price trends and higher production costs for corn as opposed to soybeans. The market remains focused on the weather developments in the weeks ahead during the optimal planting period. Forecasts indicate possible showers over the central and western parts of the summer rainfall region in the week ahead compared to the eastern summer crop growing regions.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat increased by 1.4% and the price of Soft Red Winter wheat increased by 1.2% week on week. Current prices for HRW wheat is 13.2% lower compared to prices a year ago. The US dollar strength is making US wheat less competitive in the global market. The slow exports from the US and increased US supply (the harvesting of US spring wheat is almost complete) is adding downward pressure on the US wheat price.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	15.10	218	210	664.70
w/w	-0.8%	1.2%	1.4%	664.70
m/m	3.0%	2.9%	4.0%	958.00
y/y	2.5%	-0.3%	-13.2%	298.50

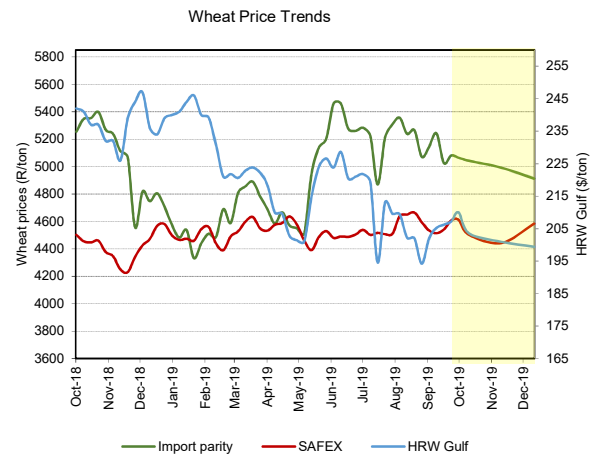
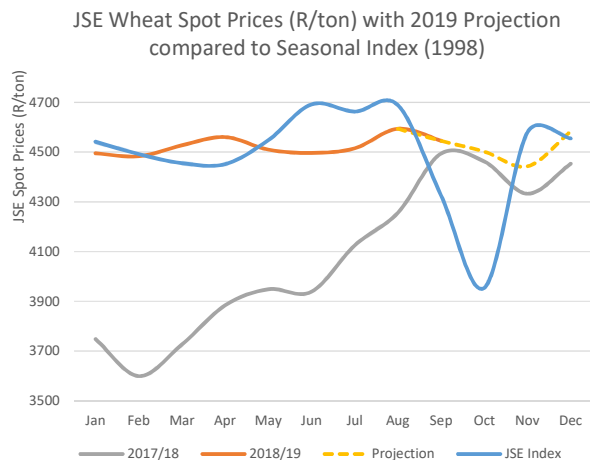
Local wheat market

Prices in the domestic wheat market traded negatively this week. The wheat spot price increased by 0.1% week on week. Harvesting is underway in the Western Cape, yields are expected to be lower due to drought related losses. The first weekly SA producer deliveries of wheat for the week ending 4 October was 1,157 tons. The South African wheat imports for the 1st week of the new season, beginning 28 September - 4 October, indicated that 32,841 tons of wheat was imported in the past week. The imported wheat originated from Germany (16,175 tons), Poland (7,014 tons) and Russia (9,652 tons). The current published wheat import tariff is set at R665/ton. The market is still awaiting the publication of the R1009/ton tariff that was triggered on 20 August 2019.

	JSE Spot Price (R/ton)	Dec-19	Mar-20	USA Import Parity (R/ton)
Price	4611	4583	4683	5064
w/w	0.1%	-0.7%	-0.8%	-0.3%
m/m	1.7%	0.7%	0.5%	-1.6%
y/y	2.4%	2.9%	2.2%	-5.0%

Outlook

The outlook for 2019/20 US wheat this month is for smaller supplies, reduced total use, and rising ending stocks. The latest USDA report has lowered world wheat production by 0.3 million tons due to the 1 million ton production cut to Australia's crop on further drought effects. Domestic prices are expected to decline during October as the producers start to harvest and then to recover from November.



*Last 3 points 3 months forecast

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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 1.9%, the price of soya oil increased by 1.0% while the price of soya meal increased by 1.2% week on week. The US soybean stocks was reported at 913 million bushels. This is much lower than the market expected at 982 million bushels. The improved export sales of US soybeans and the expectation for a lower US soybean crop is adding support to prices. The US soybean harvest is seen at 25% complete compared to 5% complete last week and 38% last year at this time.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	15.10	347.50	29.58	304.56
w/w	-0.8%	1.9%	1.0%	1.2%
m/m	3.0%	7.0%	3.3%	3.9%
y/y	2.5%	9.7%	2.4%	-2.7%

Local soybean and sunflowerseed market

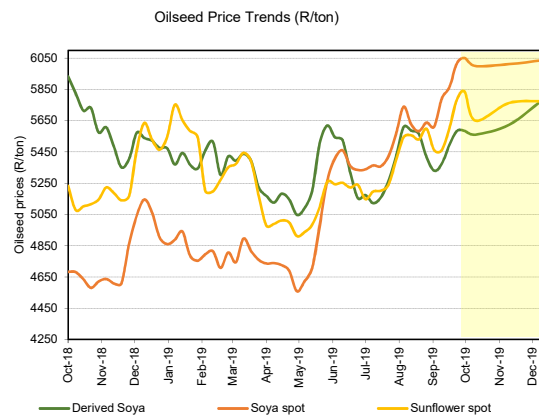
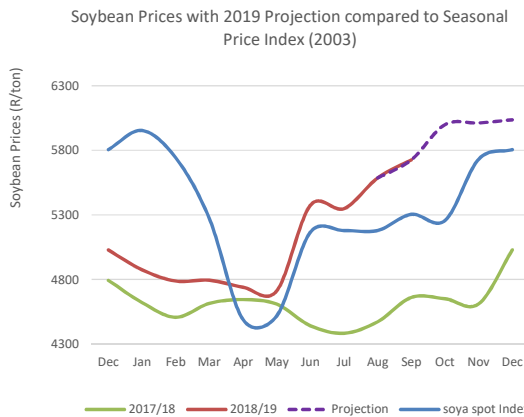
The weekly South African producer deliveries of sunflower seed for the week ending 4 October indicated that 63 tons of sunflower seed was delivered. This brings the cumulative deliveries for the season to date at 670,088 tons, which represents 98% of the CEC crop. The weekly South African producer deliveries of soybeans for the week ending 4 October indicated that 826 tons of soybeans was delivered, that represents 95% of the CEC crop estimate of 1.170 million tons. This brings the cumulative deliveries for the season to date at 1,116,405 tons. The soybean and sunflower seed spot price increased marginally by 0.5% and 0.9% respectively following firmer international oilseed prices. The growth in demand in the local market added some support. The local oilseed contracts posted some gains driven by higher US soybean prices.

	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	5549	6051	-464.19	5836
w/w	0.0%	0.5%	-7.1%	0.9%
m/m	3.8%	7.8%	-65.4%	6.8%
y/y	-5.5%	29.2%	-366.7%	11.5%

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

Outlook

Global sunflower seed supply is expected to reach a record 53 million ton in 2019/20 due to very large production in the Soviet Union. Russian sunflower yields are also looking impressive. The large upcoming South American soybean crop could reduce China's uptake of US soybeans. US exports of soybeans is expected to decline in 2020. This could add downward pressure on oilseed prices in the medium. The domestic oilseed prices are following the international oilseed prices. Prices are expected to recover during October and then move sideways according to seasonal trends.



*Last 3 points 3 months forecast

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