



Agri Trends

02 October 2019

Western Cape wheat harvest might be even lower than the 780 000 tons estimated by CEC

Maize: South African maize future prices traded positively this week. The spot price of white maize and yellow maize increased by 1.4% and 1.6% respectively week on week. For the week ending 20 September white maize exports was 45,859 tons, cumulative exports for the season to date is 322,646 tons. Exports for yellow maize was 8,994 tons, cumulative exports for the season to date is 140,507 tons. Weather developments will be crucial to monitor going into the planting season.

Wheat: The CEC reduced the commercial wheat crop by 5.72% in their 2nd production estimate for winter grains, citing below average rainfall in the Western Cape. The harvest season is expected to start sooner this year (2 weeks earlier), around the 15-20th October in the Western Cape. Due to the dry weather conditions, wheat crops may have quality issues such as high protein levels. However, it still too early to know.

Oilseeds: For the week ending 20 September soybean producer deliveries were 412 tons, cumulative deliveries for the season to date is 1,114,679 tons. This represents 95% of the CEC production estimate of 1,170,345 tons. The weekly sunflower producer deliveries for the week ending 20 September were 195 tons, cumulative deliveries for the season to date is 668,958 tons. This is 98% of the CEC production of 680,940 tons. The soybean and sunflower seed spot price increased by 1.3% and 2.6% respectively following firmer international oilseed prices.

Fibre: The Chinese domestic consumer is now the main customer of Australian wool. Trends in the China retail market will influence the global prices and uptake of wool. The Nanjing Wool Market conference, the largest wool trade gathering, was held last week and advice received was for growers to produce more 19.5 micron, 21 micron and 22.6 micron Merino wool. There is too much super fine Merino wool. Some users are being forced to blend finer Merino with crossbred in order to achieve the thicker yarns required by consumers. Locally, better wools on offer received good prices compared to the previous week. The consumer sentiment is positive, prompting buying. The next sale is scheduled for 02 October 2019, and approximately +/- 5847 bales will be on offer.

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Maize market trends

International maize market

US Kansas yellow corn prices increased by 1.1% week on week. Corn futures were higher after the USDA reported smaller than expected supplies of yellow corn. Very high temperatures and absence of frost assisted the development of late planted soybean and corn crops in the US throughout September.

	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	15.00	165	3.74	3602	3431	2341
w/w	1.9%	1.1%	117.1%	3.4%	1.8%	1.4%
m/m	-1.9%	2.3%	58.3%	1.4%	-5.4%	0.2%
y/y	5.1%	1.7%	n/a	7.2%	12.9%	14.7%

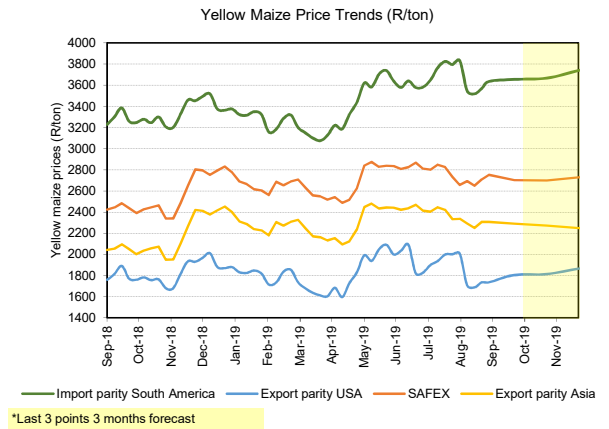
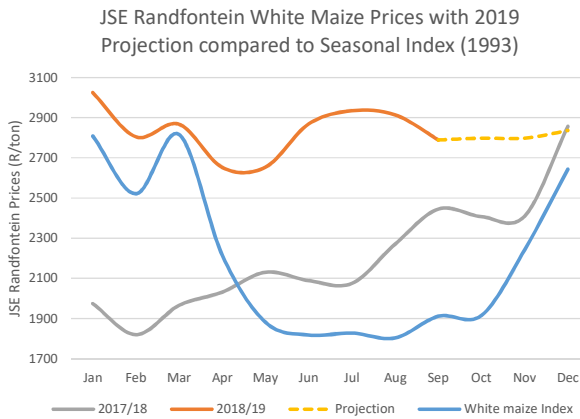
Local maize market

South African maize future prices traded positively this week. The spot price of white maize and yellow maize increased by 1.4% and 1.6% respectively week on week. For the week ending 20 September white maize exports was 45,859 tons, cumulative exports for the season to date is 322,646 tons. Exports for yellow maize was 8,994 tons, cumulative exports for the season to date is 140,507 tons. Weather developments will be crucial to monitor going into the planting season.

	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	2886	2661	2883	2752	2608	2747
w/w	1.4%	-0.2%	0.5%	1.6%	0.7%	0.7%
m/m	1.2%	-2.2%	1.4%	0.5%	-2.0%	1.0%
y/y	21.0%	6.9%	21.7%	13.5%	5.4%	13.7%

Outlook

Internationally: The above average temperatures and lack of frost, supported the development of late planted corn crops. Corn crop ratings in the US were higher than expected at 57% good or excellent compared to the same period a year ago, the US crop rating was 69% good or excellent. 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 a possibility of some rain towards the 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 0.4% and the price of Soft Red Winter wheat decreased by 1.2% week on week. Current prices for HRW wheat is 13% lower compared to prices a year ago. Some parts of Australia are set to experience at least three more months of hot, dry weather. Australia trimmed its wheat production forecast by nearly 10% because of the drought. The trimmed Australian production is one area of support for benchmark prices, which are still at lows due to abundant global supplies.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	15.00	213	206	664.70
w/w	1.9%	-1.2%	0.4%	664.70
m/m	-1.9%	3.0%	2.6%	958.00
y/y	5.1%	0.0%	-13.0%	298.50

Local wheat market

Prices in the domestic wheat market traded positively this week. The wheat spot price increased by 0.6% week on week. The price for new season (Dec 2019) wheat increased by 1.1% week on week. The Western Cape remains dry with very little rain received over the past weekend in the Swartland and Overberg region, however it was not sufficient. The CEC reduced the commercial wheat crop by 5.72% in their 2nd production estimate for winter grains, citing below average rainfall in the Western Cape. The harvest season is expected to start sooner this year (2 weeks earlier), around the 15-20th October in the Western Cape. Due to the dry weather conditions, wheat crops may have quality issues such as high protein levels. The latest wheat import tariff that triggered on the 20 August 2019 amounting to R1008.58/ton is yet to be published. The current published tariff took 3 and half months to be published after triggering.

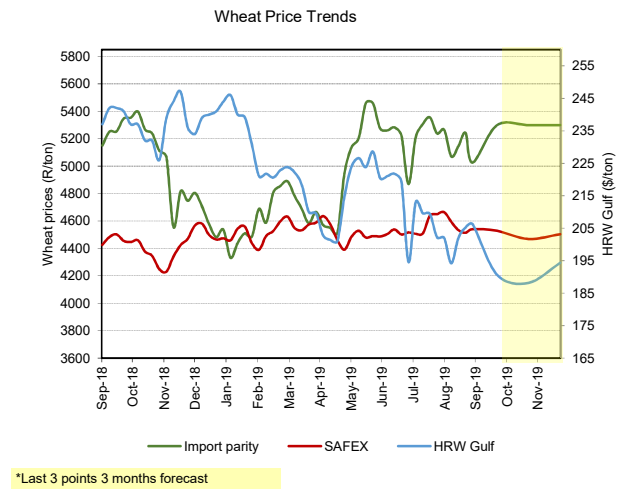
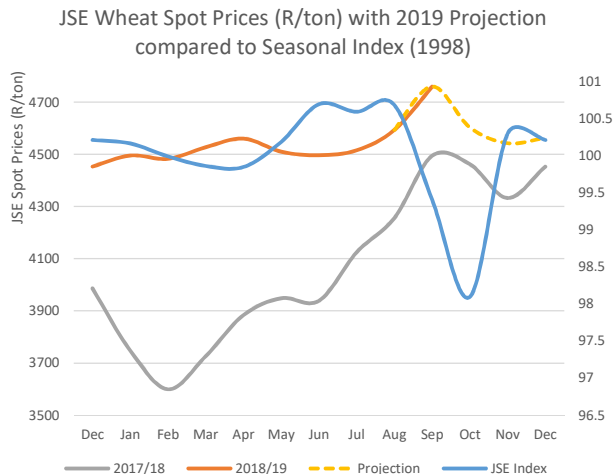
For the week ending 20 September wheat imported was 73,282 tons. Cumulative import for the season to date is 1,214,085 tons. This is 43% down compared to last year's cumulative imports of 2,150,071 tons for the same period.

	JSE Spot Price (R/ton)	Dec-19	Mar-20	USA Import Parity (R/ton)
Price	4541	4563	4670	5026
w/w	0.6%	1.3%	1.1%	1.9%
m/m	-2.6%	-2.2%	-2.2%	-4.3%
y/y	2.6%	4.1%	3.7%	-1.3%

Outlook

Australian analysts estimate a lower wheat production in Australia caused by the ongoing dry conditions. This will likely relieve some of the abundant global supplies. This supported global prices this week.

Prices are expected to decline in October as the producers start to harvest and then to stabilize from November. Harvest season locally is expected to commence 2 weeks earlier than the usual time, due to dry conditions.



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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 soybeans in the US gulf decreased by 0.5%, the price of soya oil decreased by 2.6% while the price of soya meal remained unchanged week on week. Higher than expected production and crushing of sunflowerseed in the Ukraine and Russia, will likely add some downward pressure on the sunflower oil and sunflower meal price. Very high temperatures and absence of frost assisted the development of late planted soybean and corn crops in the US throughout September. US soybean export inspections at 0.92 million tons, exceeded expectations because of Europe, Mexico and China, which supported prices. US burdensome stock levels should decline in 2019/20 due to setbacks in production. The ASF outbreak has spread from China to eastern Russia, South Korea and other neighbouring countries. This will have repercussions on feed demand.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	15.00	332.38	29.01	292.76
w/w	1.9%	-0.5%	-2.6%	0.0%
m/m	-1.9%	0.3%	2.5%	0.3%
y/y	5.1%	6.0%	1.7%	-4.5%

Local soybean and sunflowerseed market

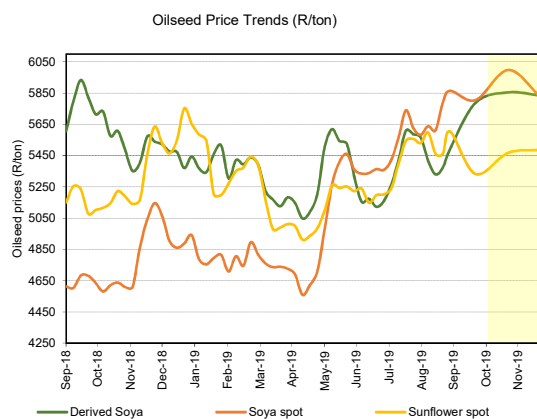
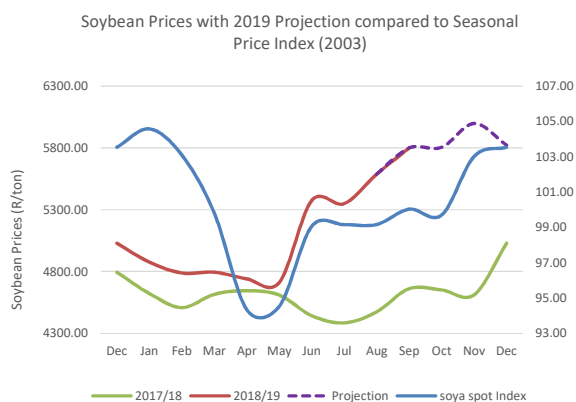
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	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Spot Price (R/ton)
Price	5466	5865	-369.67	5604
w/w	0.9%	1.3%	10.3%	2.6%
m/m	-2.3%	5.0%	n/a	1.3%
y/y	-1.4%	27.1%	-367.3%	8.8%

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

Outlook

The prospects of China increasing their uptake of US soybeans, will likely support prices globally and locally. 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.



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Fibre market trends

Wool Market

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) traded higher this week, up by 4.35% week on week to close at a value of 1609 c/kg (clean). The AWEX market indicator traded 20% lower year on year. Australian wool prices traded higher assisted by the Australian dollar falling around 0.6% against the US dollar.

Local: The South African Wool market closed 5.3% higher at a value of R172.31c/kg (clean) compared to the previous week. A weaker South African currency against the US dollar, supported wool price competitiveness on the global trade market. Better wools on offer received good prices, with demand picking up.

Cotton Market

USA: The Cotton A index decreased marginally by 0.1% week on week. Global cotton production for 2019/20 is forecasted to increase by 5%. 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.

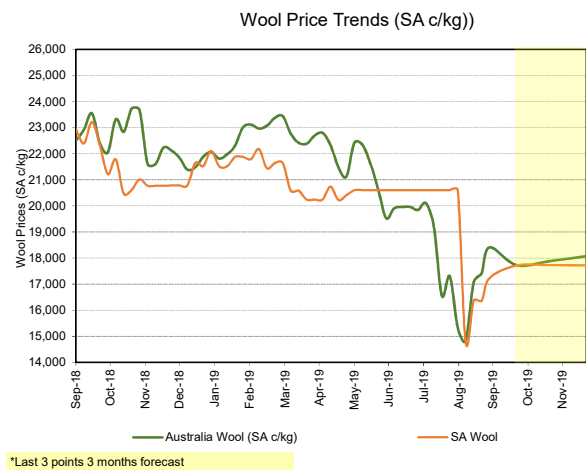
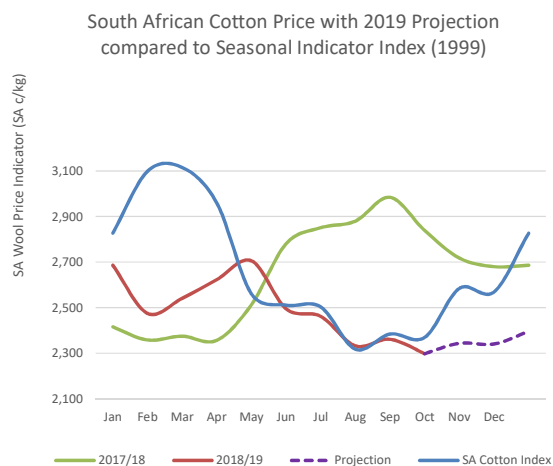
Local: The domestic cotton prices increased by 1.8% this week, prices are 14.6% lower compared to prices a year ago. The optimal planting window for cotton is between October and November; rains are critical for this period for planting and to ensure germination. The industry is more optimistic about 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	10.15	18412	17231	71.40	2356
w/w	0.8%	5.7%	5.3%	-0.1%	1.8%
m/m	-1.4%	20.0%	-16.4%	1.9%	-0.1%
y/y	-2.1%	-18.2%	-24.8%	-18.8%	-14.6%

Outlook

The Chinese domestic consumer is now the main customer of Australian wool. Trends in the China retail market will influence the global prices and uptake of wool. The Nanjing Wool Market conference, the largest wool trade gathering, was held last week and advice received was for growers to produce more 19.5 micron, 21 micron and 22.6 micron Merino wool. There is too much super fine Merino wool. Some users are being forced to blend finer Merino with crossbred in order to achieve the thicker yarns required by consumers. Locally, better wools on offer received good prices compared to the previous week. The consumer sentiment is positive, prompting buying. The next sale is scheduled for 02 October 2019, and approximately +/- 5847 bales will be on offer.

Cotton: 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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