



Agri Trends

08 October 2019

Domestic sunflower seed crushing declined by 200,000 tons due to the poor sunflower crop.

Maize: South African maize future prices traded positively this week. Prices are following international maize price trends. Producers are in preparation for the upcoming planting season. Rainfall from October is critical.

Wheat: Prices in the domestic wheat market traded positively this week. The wheat spot price increased by 1.4% week on week. Harvest process is about to start in the Western Cape, analysts caution that yields may be lower than initial estimates due to poor weather conditions. For the week ending 27 September wheat imported was 142,546 tons, this is just more than 50% of wheat imported compared to the previous week. Russian origin wheat made up 40% of the wheat imported. Cumulative import for the season to date is 1,356,631 tons. This is 38% down compared to last year's cumulative imports of 2,173,234 tons for the same period. 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.

Oilseeds: Domestic sunflower seed crushing declined by 200,000 tons due to the poor sunflower crop. Higher soybean crushing partly offset the decline of sunflower seed crushing. The soybean and sunflower seed spot price increased by 2.6% and 3.3% respectively following firmer international oilseed prices.

Fibre: The South African Wool market closed 2.7% lower at a value of R167.60 c/kg (clean) compared to the previous week. The market followed the weaker Australian market. The Chinese holiday hampered buyer participation, which resulted in lower sales for the week. The South African wool offering comprised of good quality length and micron wool, which attracted good prices, supported by the weaker local currency. The next wool auction is scheduled for 10 October 2019 and +/- 15,606 bales will be on offer.

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Maize market trends

International maize market

US Kansas yellow corn prices increased by 2.2% week on week. US corn prices were supported from worries about forecast for freezing weather over the northwestern Corn Belt. The US/China trade talk will be in focus this week; however, the markets have not reacted, as they await indications of progress before reacting. Analysts expect the USDA to lower the US corn production and ending stocks in Thursday's upcoming WASDE report. The CBOT corn future prices appreciated to a 2-month high for the week ending 4 October 2019. The bullish price performance was because of lower than expected US stocks of soybeans and corn.

	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	15.22	168	Not quoted	3115	2854	2397
w/w	1.5%	2.2%	n/a	-13.5%	-16.8%	2.4%
m/m	1.7%	7.9%	n/a	-9.3%	-14.7%	4.6%
y/y	5.2%	4.0%	n/a	-3.2%	-8.2%	16.6%

Local maize market

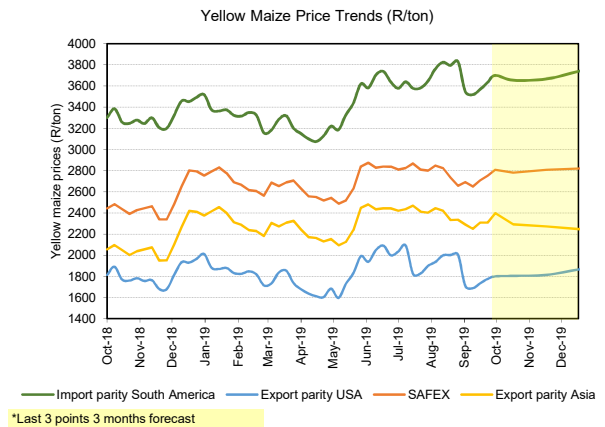
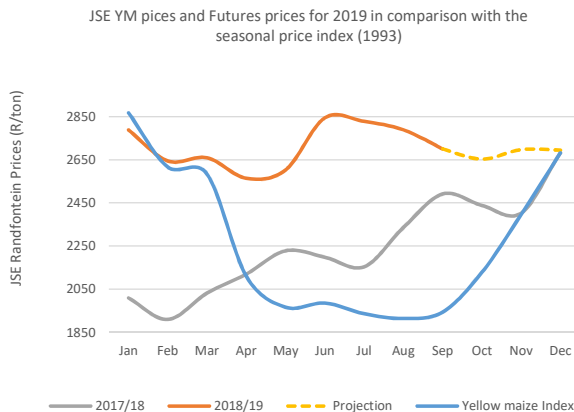
South African maize future prices traded positively this week. The spot price of white maize and yellow maize increased by 1.0% and 2.0% respectively week on week. For the week ending 27 September white maize exports was 7,414 tons, cumulative exports for the season to date is 330,060 tons. Exports for yellow maize was 6,890 tons, cumulative exports for the season to date is 147,397 tons. The total commercial maize cumulative producer deliveries for the season to date is 9,840,771 tons.

Prices are following international maize price trends. Producers are in preparation for the upcoming planting season. Rainfall from October is critical.

	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	2915	2726	2917	2807	2682	2821
w/w	1.0%	2.4%	1.2%	2.0%	2.8%	2.7%
m/m	3.3%	1.5%	3.0%	4.3%	2.1%	3.6%
y/y	21.3%	6.0%	19.6%	14.9%	4.9%	13.7%

Outlook

Internationally: Analysts expect the USDA to cut its US corn yield, production and ending stocks in the upcoming WASDE report. If they are correct, we could see some price support on the corn side. Local maize prices are expected to recover going in October and trade sideways onwards. 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 0.5% and the price of Soft Red Winter wheat increased by 1.3% week on week. Current prices for HRW wheat is 14.4% lower compared to prices a year ago. The USDA's October WASDE report will provide the markets with the latest supply and demand data as the harvest season in the US is in full swing. Analysts are expecting the USDA October report to show weekly wheat export sales in a range of 200,000 - 600,000 tons. The North American wheat supplies remain competitive in the global markets. The market anticipates price volatility going into and after the release of the October USDA report.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	15.22	216	207	664.70
w/w	1.5%	1.3%	0.5%	664.70
m/m	1.7%	6.4%	6.0%	958.00
y/y	5.2%	-1.5%	-14.4%	298.50

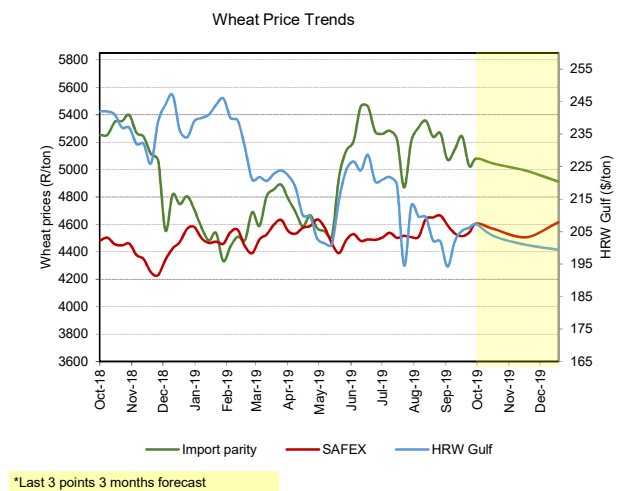
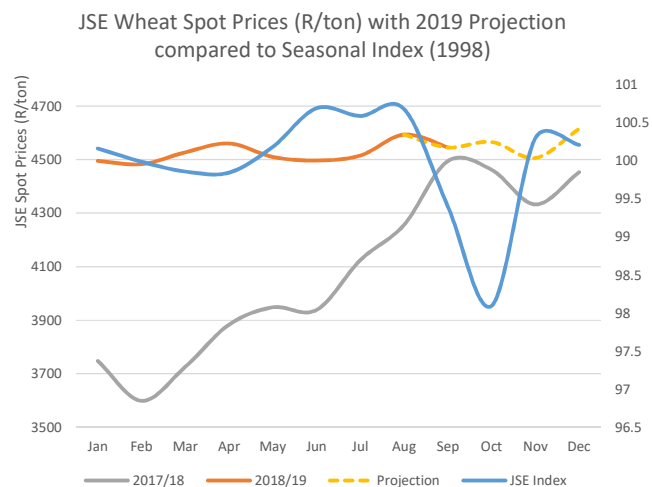
Local wheat market

Prices in the domestic wheat market traded positively this week. The wheat spot price increased by 1.4% week on week. The harvest process is about to start in the Western Cape, analysts caution that yields may be lower than initial estimates due to poor weather conditions. For the week ending 27 September wheat imported was 142,546 tons, this is just more than 50% of wheat imported compared to the previous week. Russian origin wheat made up 40% of the wheat imported. Cumulative import for the season to date is 1,356,631 tons. This is 38% down compared to last year's cumulative imports of 2,173,234 tons for the same period. The latest wheat 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.

	JSE Spot Price (R/ton)	Dec-19	Mar-20	USA Import Parity (R/ton)
Price	4606	4615	4720	5080
w/w	1.4%	1.1%	1.1%	1.1%
m/m	0.3%	-0.3%	-0.5%	-0.2%
y/y	2.7%	1.1%	0.6%	-3.3%

Outlook

The October WASDE will provide the markets with the latest supply and demand data as the harvest season in the US is in full swing Domestic prices are expected to decline in October as the producers start to harvest and then to stabilize from November.



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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 2.6%, the price of soya oil increased by 1.0% while the price of soya meal increased by 2.8% week on week. The export sales of US soybeans increased by 2.1 million tons in the week ending 26 September 2019, more than a 100% increase week on week primarily because of China demand. The CBOT soybean future prices appreciated to a 2-month high for the week ending 4 October 2019. The bullish price performance was because of lower than expected US stocks of soybeans and corn, concern about rain related quality issues and wet conditions that delayed US harvest. The soybean price was further supported by large-scale US soybean purchases by China

Global palm oil prices are expected to be higher in 2019/20, due to estimated lower global production and the largest reduction in stocks in the next 12 months.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	15.22	340.97	29.29	301.06
w/w	1.5%	2.6%	1.0%	2.8%
m/m	1.7%	3.3%	2.5%	3.9%
y/y	5.2%	7.7%	0.2%	-3.1%

Local soybean and sunflowerseed market

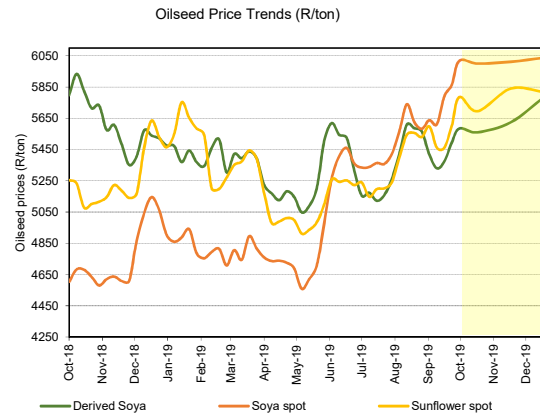
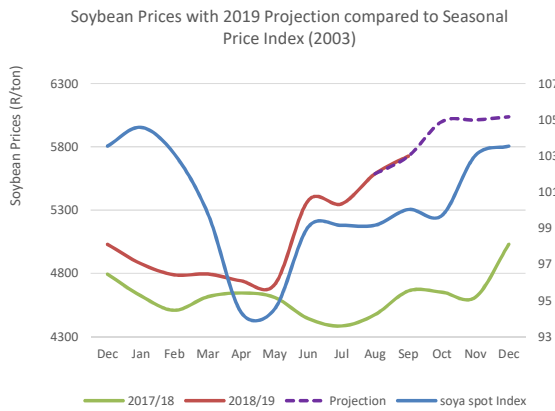
For the week ending 27 September soybean producer deliveries were 244 tons, cumulative deliveries for the season to date is 1,114,533 tons. This represents 95.2% of the CEC production estimate of 1,170,345 tons. The weekly sunflower producer deliveries for the week ending 27 September were 119 tons, cumulative deliveries for the season to date is 669,177 tons. This is 98% of the CEC production of 680,940 tons. Domestic sunflower seed crushing declined by 200,000 tons due to the poor sunflower crop. Higher soybean crushing partly offset the decline of sunflower seed crushing. The soybean and sunflower seed spot price increased by 2.6% and 3.3% respectively following firmer international oilseed 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	5548	6018	-433.38	5786
w/w	2.6%	2.6%	-17.2%	3.3%
m/m	2.2%	6.7%	-97.2%	3.4%
y/y	-5.5%	30.7%	-380.6%	10.1%

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

Outlook

The price appreciation in soybean and soymeal is not expected to be sustainable, heavy accumulation in the US is set to result in record carryovers, rising by 10 million ton year on year, to 54 million ton. The weather and crop prospects in South America will have an influence on prices. How much, and the frequency at which the Chinese will continue to buy US soybeans will be a determining factor. 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 offering was higher this week with 33,548 bales on offer. The increase in supply together with the lower buyer demand from China caused a decline in prices across all auctions in Australia. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) dropped by 98 cents to 1,511 c/kg clean. Producers were not keen to sell at these lower prices, only 33.5% of the national Australian wool offering was sold.

Local: The South African Wool market closed 2.7% lower at a value of R167.60 c/kg (clean) compared to the previous week. The market followed the weaker Australian market. The Chinese holiday hampered buyer participation, which resulted in lower sales for the week. The South African wool offering comprised of good quality length and micron wool, which attracted good prices, supported by the weaker local currency. The next wool auction is scheduled for 10 October 2019 and +/- 15,606 bales will be on offer.

Cotton Market

USA: The Cotton A index increased marginally by 0.8% week on week. The forecasted expansion in global production and global stocks is likely to put downward pressure on prices in the short to medium term.

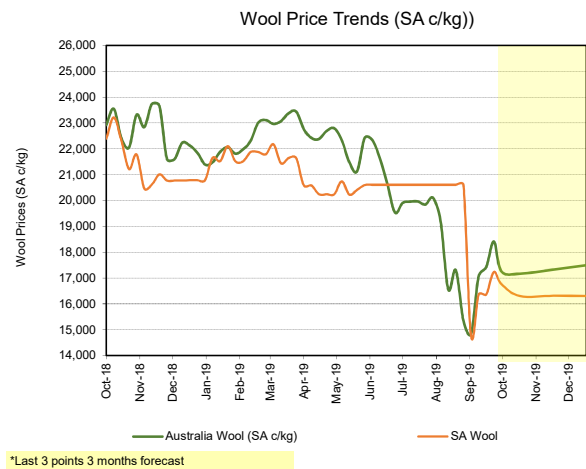
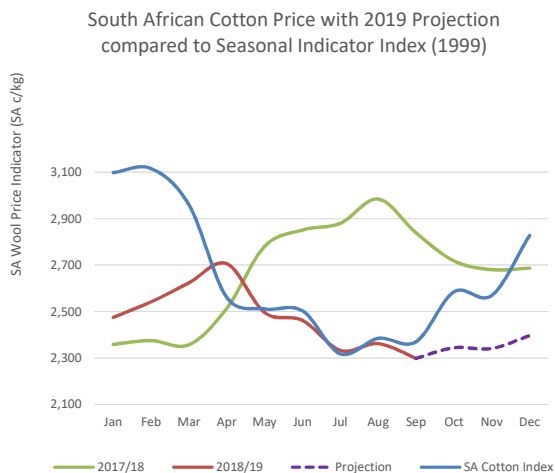
Local: The domestic cotton prices increased by 2.3% this week, prices are 15.8% lower compared to prices a year ago. With about 90% of the cotton crop ginned so far. Local cotton prices are expected to trade sideways for the next 3 months or follow international cotton price changes. The industry is paying more attention to the upcoming planting season. Weather developments will be key from October onwards.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.24	17258	16760	71.95	2409
w/w	0.9%	-6.3%	-2.7%	0.8%	2.3%
m/m	1.5%	16.4%	13.5%	3.3%	5.1%
y/y	-0.4%	-24.7%	-25.2%	-20.0%	-15.8%

Outlook

Global: The European and Chinese consumer spending patterns are key to the upcoming wool to be sold. China uses around 45% of all wool products sold annually. There will be about 34,174 bales, (higher supply than the previous week) on offer for the week ending 11 October which could have a downward pressure on prices. Overseas interest will determine if the Australian wool market finds support at the next auction.

Locally: The domestic wool prices will follow international wool prices.



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