



Agri Trends

29 October 2019

Less cotton is expected to be planted in the Limpopo region, while an expansion in soybeans is to be expected.

Maize: The summer crop planting season has commenced, however conditions remain very dry nationwide and producers are still awaiting the rain to start the planting process. In the North West, optimal planting time only starts around the 15th November, producers have not yet started to plant any summer grain crops, producers are still waiting for the rain to start so they can proceed with their soil preparations. An increase in maize plantings is expected from this region. Producers in the VKB region have not yet started with their summer crop plantings due to delayed rains. From producers in the area it is expected that there might be a shift from drybean and soybean production in favour of expansion in maize production.

Wheat: The expected commercial wheat crop is estimated at 1,695,470 tons down by 6.1% from the previous forecast of 1,806,170 tons. The dryland, wheat production areas in both the Western Cape and Free State incurred damage due to the very dry and extremely hot conditions. Crop damage may even occur on irrigated winter crops due to the high evaporative demand and very hot conditions.

Oilseeds: Local conditions are still very dry and producers are awaiting rains to start summer crop production. The producers from the eastern parts of the country's planting window started in mid-October while producers from the western parts of the country will start planting during their optimal planting window which starts in mid-November. The local oilseed prices are following the international oilseed prices.

Fibre: The domestic cotton prices decreased by 0.4% this week, prices are 11.2% lower compared to prices a year ago. 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. The current dry conditions nationwide is affecting the pace of planting of summer crops. Less cotton is expected to be planted in the Limpopo region, while an expansion in soybeans is to be expected.

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Maize market trends

International maize market

US Kansas yellow corn prices increased by 0.1% week on week. The US corn harvesting for the week ending 27 October was 41%, this is 20% below the 5-year average of 61%. Harvesting in the US is well behind the seasonal average. Forecast for drier weather over the Midwest for the next two weeks will encourage harvesting. This weighed on prices. Increased competition for corn in the global export market has substituted demand for US 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	14.68	174	Not quoted	3576	3100	2392
w/w	-1.0%	0.1%	n/a	-1.6%	-1.8%	-2.9%
m/m	-2.1%	5.6%	n/a	-0.7%	-9.6%	2.2%
y/y	1.9%	6.1%	n/a	10.4%	1.5%	19.4%

Local maize market

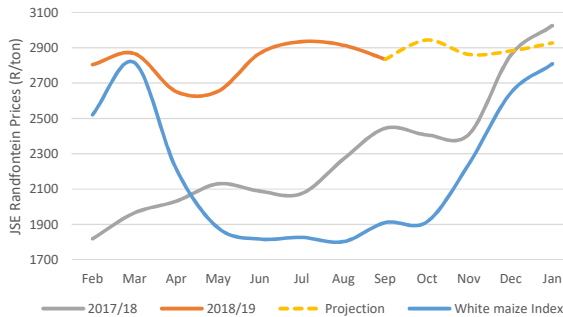
South African maize future prices traded negatively this week. The spot price of white maize and yellow maize decreased by 2.3% and 2.5% respectively week on week. The summer crop planting season has commenced, however conditions remain very dry nationwide and producers are still awaiting the rain to start the planting process. In the North West, optimal planting time only starts around the 15th November, producers have not yet started to plant any summer grain crops, producers are still waiting for the rain to start so they can proceed with their soil preparations. An increase in maize plantings is expected from this region. Producers in the VKB region have not yet started with their summer crop plantings due to delayed rains. From producers in the area it is expected that there might be a shift from drybean and soybean production in favour of expansion in maize production.

	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	2906	2777	2882	2802	2652	2767
w/w	-2.3%	-1.2%	-2.9%	-2.5%	-1.9%	-3.2%
m/m	0.7%	4.5%	0.4%	1.8%	2.2%	1.1%
y/y	22.2%	7.6%	17.6%	17.2%	6.8%	16.3%

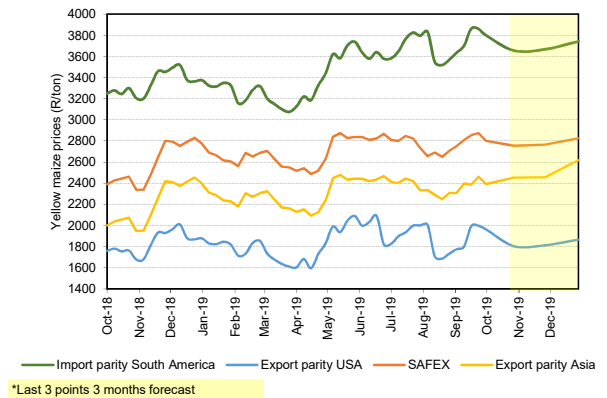
Outlook

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. The local market remains focused on the weather developments in the weeks ahead during the optimal planting period. Forecasters expect to see some rain in the second week of November over the central to eastern Summer Rainfall area

JSE Randfontein White Maize Prices with 2019 Projection compared to Seasonal Index (1993)



Yellow Maize Price Trends (R/ton)



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat decreased by 1.6% and the price of Soft Red Winter wheat increased by 0.1% week on week. Current prices for HRW wheat is 9.8% lower compared to prices a year ago. Wheat futures prices gained momentum in recent weeks driven by concerns about production shortfalls in Australia and Argentina, coupled with strong demand from global importers. The US is set to harvest a smaller crop this season. US producers are facing very tough competition from global rivals producing bumper crops and in some parts of the southern US plains, the wheat price is now lower than corn prices, which is discouraging wheat production.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.68	227	214	1008.60
w/w	-1.0%	0.1%	-1.6%	664.70
m/m	-2.1%	6.7%	3.7%	664.70
y/y	1.9%	5.7%	-9.8%	490.70

Local wheat market

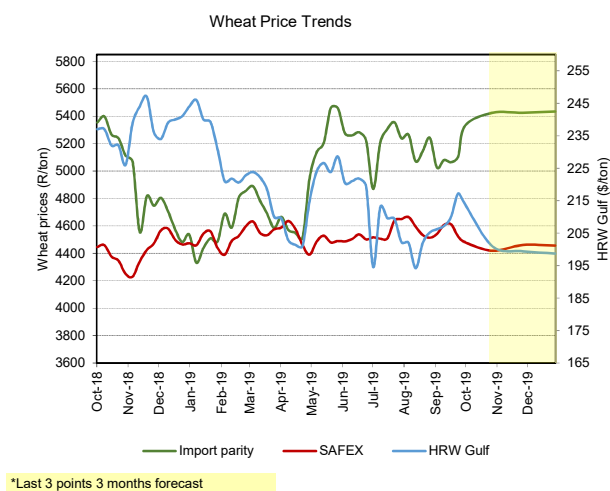
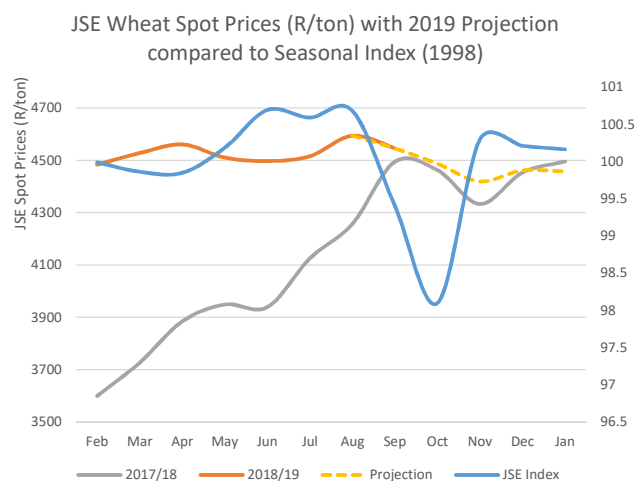
Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased by 1.0% week on week. The expected commercial wheat crop is estimated at 1,695,470 tons down by 6.1% from the previous forecast of 1,806,170 tons. The dryland, wheat production areas in both the Western Cape and Free State incurred damage due to the very dry and extremely hot conditions. Crop damage may even occur on irrigated winter crops due to the high evaporative demand and very hot conditions. The dam water levels are also declining fast.

The Northern Cape producers will start their summer crop planting once the winter grain harvest process is complete. At the moment the market expects a small expansion in maize hectares planted and less soybeans to be planted in the region.

	JSE Spot Price (R/ton)	Dec-19	Mar-20	USA Import Parity (R/ton)
Price	4480	4461	4551	5332
w/w	-1.0%	-1.1%	-1.3%	4.4%
m/m	-1.3%	-1.5%	-1.8%	6.1%
y/y	0.8%	n/a	n/a	-0.4%

Outlook

The outlook for 2019/20 global wheat this month is for smaller supplies primarily due to production shortfalls in Argentina and Australia. The rising competition for wheat in the global export market, will support prices in the short to medium term. Domestic prices are expected to decline during October as the producers start to harvest and then to recover from November.



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Soybean market trends

International soybean market

The prices of oilseeds in the US traded mixed this week. The price of soybeans in the US gulf increased by 0.6%, the price of soya oil increased by 0.9% while the price of soya meal decreased by 0.2% week on week. Forecasts for drier weather for the next two weeks across the US Midwest supported harvesting which weighed on the market. Soybean harvesting in the US progressed rapidly for the week ending 25 October, however progress is still behind previous seasons. Latest harvest progress in Ukraine and Russia indicates to bumper crops in the two largest producing regions.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.68	357.27	30.40	306.42
w/w	-1.0%	0.6%	0.9%	-0.2%
m/m	-2.1%	7.5%	4.8%	4.7%
y/y	1.9%	12.9%	5.8%	-2.0%

Local soybean and sunflowerseed market

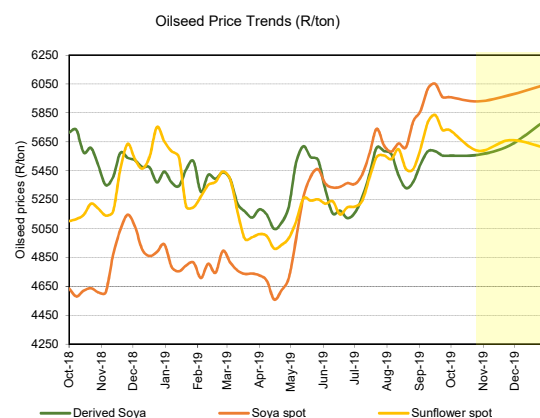
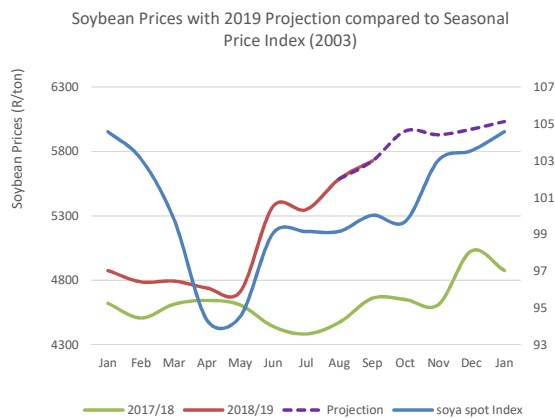
There's been a slight improvement in the crushing margin compared to the sharp declines seen a month ago, however the crushing margin remains negative. Year on year crushing margins are lower by 340.7%. Crushers remain under pressure. The soybean spot price increased by 0.4% and the sunflower seed spot price decreased by 1.3% week on week. The planting time for summer crops in the eastern summer crop producing area might be limited due to warm conditions. It remains very dry in many areas to plant and do primary cultivation. Producers in the VKB region have not yet started with their summer crop plantings due to delayed rains. From producers in the area it is expected that there might be a shift from drybean and soybean production in favour of expansion in maize production. There is an expectation for producers in the north-west Free State and central Free State to plant fewer sunflower and soybean hectares but increase their maize hectares. There's an expectation for farmers in the OVK regions to plant more maize this season instead of sunflower seed because last season the sunflower crop was quite susceptible to diseases specifically Sclerotinia. Maize stover will be very crucial for animal feed in case drought condition persists. Currently conditions remain very dry for dryland production in Limpopo, there's still time for planting. Market expects to see a possible expansion in sunflowerseed and sorghum production in Limpopo.

	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	5503	5985	-450.06	5658
w/w	-0.8%	0.4%	-11.2%	-1.3%
m/m	0.2%	2.1%	-21.7%	1.0%
y/y	-4.0%	29.1%	-340.7%	10.9%

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

Outlook

Latest sunflowerseed harvest progress in Ukraine and Russia indicates to bumper crops in the two largest producing and exporting regions. This will likely cap any price increases for sunflower seed in the 2019/20 global vegetable oil complex. Local conditions are still very dry and producers are awaiting rains to start summer crop production. The producers from the eastern parts of the country's planting window started in mid-October while producers from the western parts of the country will start planting during their optimal planting window which starts in mid-November. The local oilseed prices are following the international oilseed prices. Prices are expected to increase in November according to seasonal trends.



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Fibre market trends

Wool Market

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 28 cents to 1,545 c/kg (clean) from 1,517 c/kg (clean) week on week. Australian wool market performed positively across all wool types. Most wool participants are hoping that the early autumn sales will drive consumers to increase their spending.

Local: The South African Wool market closed 0.5% higher at a value of R169,87/kg (clean) compared to the previous week. The 8th sale had 11,418 bales on offer and 95.7% was sold. The market was supported by good quality longer merino wool on offer, which enticed strong competition among buyers. The shorter wools were under pressure, because volumes available were too low to cater to demand. Buyers demand large quantities of short wool for manufacturing purposes, however smaller volumes discouraged purchases. The market performed well despite a stronger Rand, which was encouraging. The next sale is scheduled for 31 October 2019 where about +/- 9,524 bales will be on sale

Cotton Market

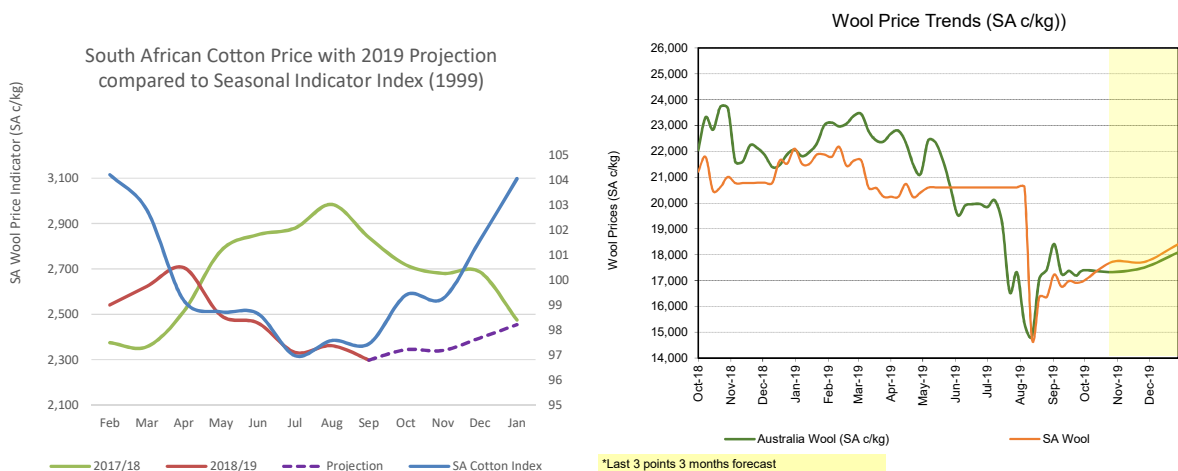
USA: The Cotton A index increased marginally by 0.7% week on week. The trade war between the US and China has been bearish for the cotton futures market. Global cotton prices have trended upwards due to increasing hopes on the trade front and a smaller US crop. This market is set to rebound once there is a resolution on the trade front.

Local: The domestic cotton prices decreased by 0.4% this week, prices are 11.2% lower compared to prices a year ago. 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. The current dry conditions nationwide is affecting the pace of planting of summer crops. Less cotton is expected to be planted in the Limpopo region, while an expansion in soybeans is to be expected.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.99	17399	16987	75.50	2438
w/w	-1.2%	1.2%	0.5%	0.7%	-0.4%
m/m	-1.6%	-5.5%	-1.4%	5.7%	3.5%
y/y	-1.3%	-21.1%	-19.9%	-12.8%	-11.2%

Outlook

Global: Australian wool growers are retaining some of their wool and enabling the supply chain further up to rid themselves of stocks. This will support auction prices in the short term. The European and Chinese consumer spending patterns are key to the upcoming wool to be sold. The domestic wool prices will follow international wool prices. Good quality offerings continue to underpin the local market.



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