



Agri Trends

06 November 2019

Above average rainfall is more likely for the central and western parts of the summer grain region from November onwards

Maize: South African maize future prices traded negatively this week. The spot price of white maize and yellow maize decreased by 3.5% and 2.4% respectively week on week. The summer crop planting season has commenced, however conditions remain very dry nationwide and producers are still awaiting the rain. According to South African Weather Services, the rainfall forecast for from November till January indicates enhanced probabilities of below-normal rainfall over the far eastern parts of the country, while above-normal rainfall is predicted to be more likely for the western to central parts.

Wheat: Prices in the domestic wheat market traded fairly stable week. The wheat spot price decreased marginally by 0.1% 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.

Oilseeds: 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. 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.

Fibre: The South African Wool market closed 6.8% higher at a value of R181.48 c/kg (clean) compared to the previous week. The new wool season is underway, with volumes remaining fairly stable due to the persistent drought in the Eastern Cape. The local wool market gained support from good competition, a weaker Rand against the dollar and positive market signals from Australia. Good quality long and medium length Merino wools attracted competition among buyers

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Maize market trends

International maize market

US Kansas yellow corn prices increased by 1.1% week on week. The US corn harvesting for the week ending 01 November was 52%, this is 23% below the 5-year average of 75%. Harvesting in the US is well behind the seasonal average. Forecast for below-normal precipitation is expected over the next week over the Midwest for the next two weeks will encourage harvesting in the region. The slow export demand for US corn continues to weigh the market down.

	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	14.81	176	Not quoted	3621	2969	2325
w/w	0.9%	1.1%	n/a	1.3%	-1.6%	-2.8%
m/m	-2.7%	4.5%	n/a	-0.7%	-12.6%	-3.0%
y/y	1.8%	6.0%	n/a	9.8%	-3.7%	14.1%

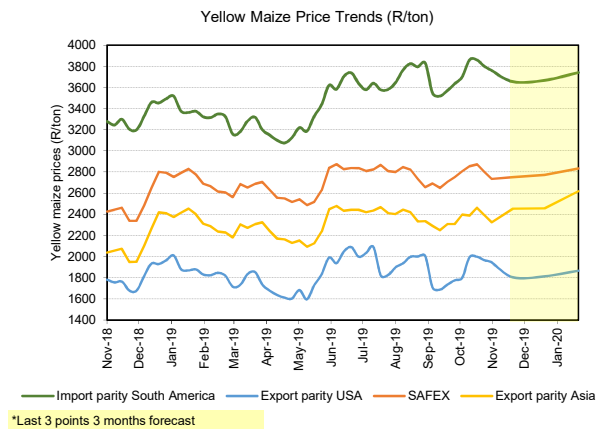
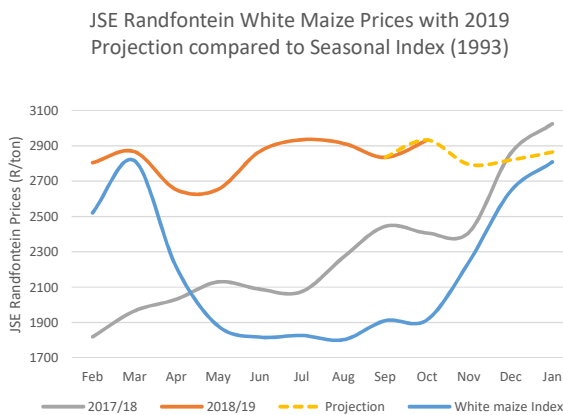
Local maize market

South African maize future prices traded negatively this week. The spot price of white maize and yellow maize decreased by 3.5% and 2.4% respectively week on week. The summer crop planting season has commenced, however conditions remain very dry nationwide and producers are still awaiting the rain. According to the South African Weather Services, the rainfall forecast for from November till January indicates enhanced probabilities of below-normal rainfall over the far eastern parts of the country, while above-normal rainfall is predicted to be more likely for the western to central parts.

	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	2805	2746	2820	2736	2698	2773
w/w	-3.5%	-1.1%	-2.2%	-2.4%	1.7%	0.2%
m/m	-3.8%	1.4%	-4.3%	-2.6%	0.7%	-2.1%
y/y	16.1%	6.4%	15.1%	12.7%	7.6%	15.1%

Outlook

Internationally: The US corn traders are adjusting positions ahead of the USDA's monthly supply and demand reports on Friday. 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. Prices are expected to trade sideways for the next two weeks.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat increased by 0.3% and the price of Soft Red Winter wheat decreased by 0.4% week on week. Current prices for HRW wheat is 9.3% lower compared to prices a year ago. The US wheat continues to face tough competition from wheat originating from the Black Sea region and Europe on the global export market. Australia received heavy rains over the weekend. The rain came too late to benefit wheat crops that suffered damage due to drought in the run-up to harvest.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.81	227	215	1008.60
w/w	0.9%	-0.4%	0.3%	1008.60
m/m	-2.7%	5.1%	3.8%	664.70
y/y	1.8%	5.0%	-9.3%	490.70

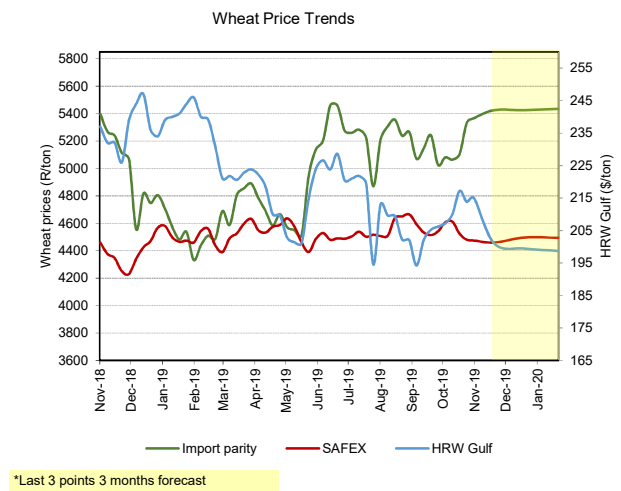
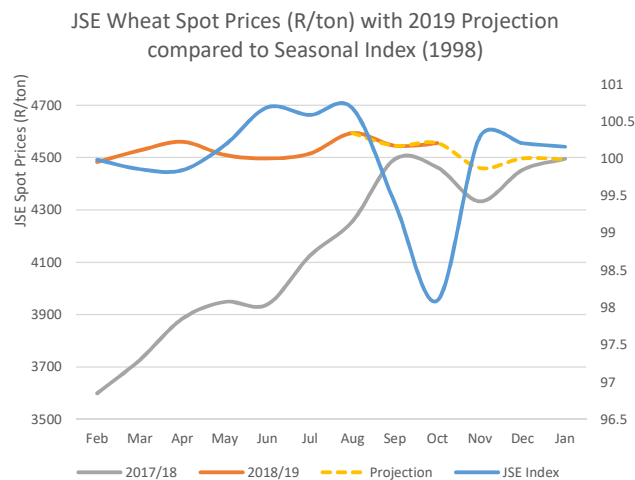
Local wheat market

Prices in the domestic wheat market traded fairly stable week. The wheat spot price decreased marginally by 0.1% 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.

	JSE Spot Price (R/ton)	Dec-19	Mar-20	USA Import Parity (R/ton)
Price	4474	4497	4603	5367
w/w	-0.1%	0.8%	1.1%	0.5%
m/m	-2.9%	-2.2%	-2.3%	5.6%
y/y	0.3%	n/a	n/a	-0.6%

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. The drier US Midwest weather is allowing farmers to continue harvesting soybeans in much of the region. Forecasts for drier weather for the next two weeks across the US Midwest supported harvesting. The USDA reported 75% of soybeans harvested as last week, however progress is still behind previous seasons. China's soyoil prices gained momentum and increased to its highest level in more than two years this week due to lower volumes available of vegetable oils.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.81	357.27	30.40	306.42
w/w	0.9%	0.6%	0.9%	-0.2%
m/m	-2.7%	7.5%	4.8%	4.7%
y/y	1.8%	12.9%	5.8%	-2.0%

Local soybean and sunflowerseed market

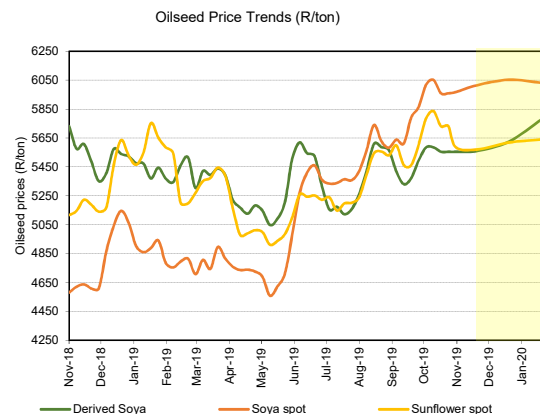
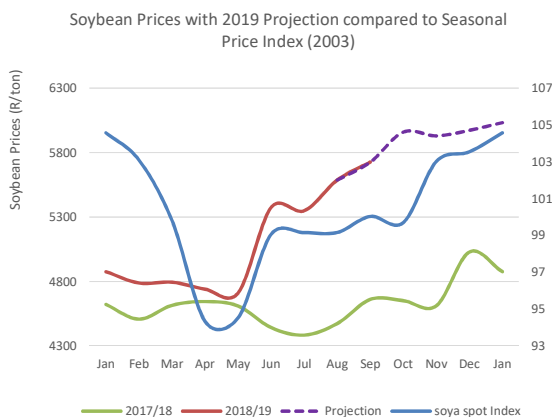
There's been a slight improvement in the crushing margin compared to the sharp declines seen a month ago, however the crushing margin remains negative. Year on year crushing margins are lower by 340.7%. Crushers remain under pressure. The soybean spot price increased by 0.4% and the sunflower seed spot 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. 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. According to South African Weather Services, the rainfall forecast for from November till January indicates enhanced probabilities of below-normal rainfall over the far eastern parts of the country, while above-normal rainfall is predicted to be more likely for the western to central parts.

	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

The US grain traders are adjusting their market positions ahead of the USDA's monthly supply and demand reports on Friday 8 November and the market is also awaiting news about a US/China trade deal. Local conditions are still very dry and producers are awaiting rains to start summer crop production. The local oilseed prices are following the international oilseed prices. Prices are expected to increase in November according to seasonal trends.



*Last 3 points 3 months forecast

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Fibre market trends

Wool Market

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 49 cents to 1,594 c/kg (clean) from 1,545 c/kg (clean) week on week, on the back of strong demand. Australian wool market performed positively across all wool types. Global supply is low due to adverse climatic conditions which is supporting prices.

Local: The South African Wool market closed 6.8% higher at a value of R181.48 c/kg (clean) compared to the previous week. The new wool season is underway, with volumes remaining fairly stable due to the persistent drought in the Eastern Cape. The local wool market gained support from good competition, a weaker Rand against the dollar and positive market signals from Australia. Good quality long and medium length Merino wools attracted competition among buyers

Cotton Market

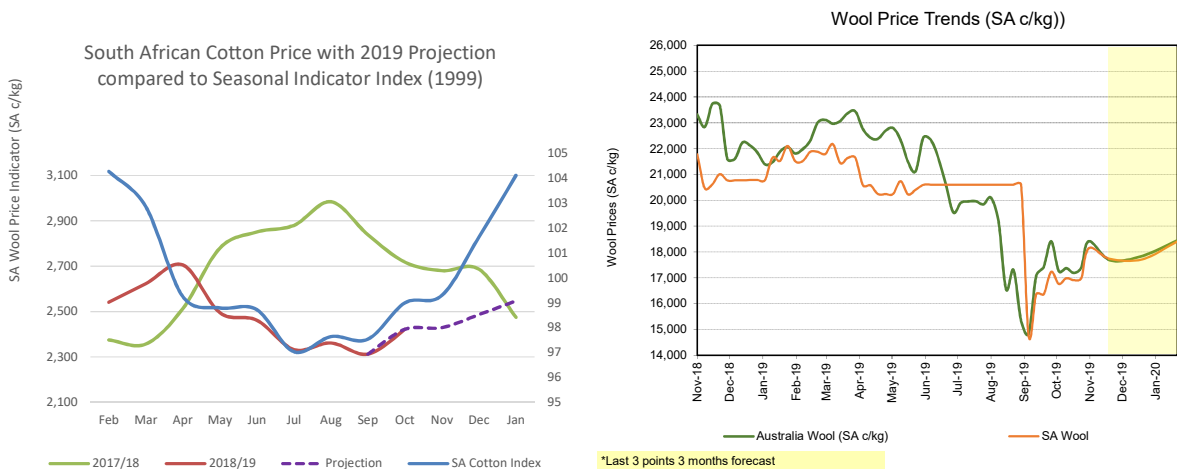
USA: The Cotton A index increased by 1.3% week on week. Global cotton prices have trended upwards due to increasing hopes on the trade front and a smaller US crop. This market is set to rebound once there is a resolution on the US-China trade front.

Local: The domestic cotton prices increased by 2.2% this week, prices are 9.1% lower compared to prices a year ago. Local cotton prices are expected to trade sideways for the next 3 months. 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.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.43	18418	18148	76.45	2491
w/w	4.4%	5.9%	6.8%	1.3%	2.2%
m/m	1.8%	6.7%	8.3%	6.3%	3.4%
y/y	0.0%	-21.0%	-16.7%	-10.7%	-9.1%

Outlook

Global: The strength of the competition between the top four trading houses will determine the trend next week. Global supplies remain limited and good quality wool offerings continue to attract buyers. Next week sees 36,000 bales being offered at the Australian trade. The domestic wool prices will follow international wool prices. Good quality offerings continue to underpin the local market. The next sale is scheduled for 07 November 2019 where approximately +/- 12,068 bales will be on sale.



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