



Agri Trends

11 December 2019

Farmers relieved after good rains supported summer crop planting

Maize: The good rains received over the past week ensure enough moisture in some parts of the country to begin planting. Producers in Mpumalanga have progressed very well with their planting and have planted almost 100% of their intended area even though their planting period started later than normal. The eastern summer crop regions and Gauteng have planted about 50-60%. The western Free State and the North West have only planted approximately 15%, however we expect the pace to pick up after the rains received this past two weeks. Some parts of the following districts such as Bultfontein, Hoopstad and Bothaville remain dry. The current planting rate is however looking better than the planting rate seen at the same time last year. At the current pace it seems the intended planting area under maize estimated by the CEC might materialize.

Wheat: Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased by 0.4% week on week. Most of the producers in the Western Cape have finished harvesting. In the Swartland area yields were approximately 25% lower than the previous season. It is expected that the final wheat crop in the Western Cape may be around 640,000 tons. The grades of the local wheat is good despite the dry conditions (especially in the Western Cape).

Oilseeds: Crushing margins remain negative at R613.73/ton. Year on year crushing margins are lower by 190.7%. Crushers remain under pressure. The soybean spot price increased by 0.4% and the sunflower seed spot price increased by 1.2% week on week. Mpumalanga producers have planted approximately 90% of their soybean hectares. The soybean planting intentions in Mpumalanga will be met in the optimal planting period. Rains were received in most parts of the summer crop growing areas. The North West and western Free State producers have planted 15% of the intended area. With soil moisture levels better than a few weeks ago, we anticipate planting to gain momentum in the region.

Fibre: Local cotton prices are expected to decline in the next two months because the Northern Hemisphere will be supplying the market in the next months which could add pressure to the cotton prices, especially if the uptake in China and Europe is lower than previous levels. The South African Wool market remained unchanged at a value of R169.17/kg (clean) compared to the previous week. There was no auctions held last week. Generally good quality fine and medium length merino wools continued to attract good competition on the auction floors throughout November. The next sale is scheduled for 9 January 2020.

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Maize market trends

International maize market

US Kansas yellow corn prices increased by 0.7% week on week. The USDA in its latest world supply and demand estimate report raised its forecast of global corn ending stocks for 2019/20 to 301 million tons, up from 296 million tons last month. This month's 2019/20 US corn outlook is for lower US production and reduced use.

| | 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 | 14.63 | 171 | Not quoted | 3463 | 3294 | 2344 |
| w/w | -0.6% | 0.7% | n/a | 0.1% | 0.7% | -1.4% |
| m/m | -0.9% | -1.3% | n/a | -2.6% | -3.0% | 3.1% |
| y/y | 6.1% | 1.2% | n/a | 7.3% | 5.0% | 11.5% |

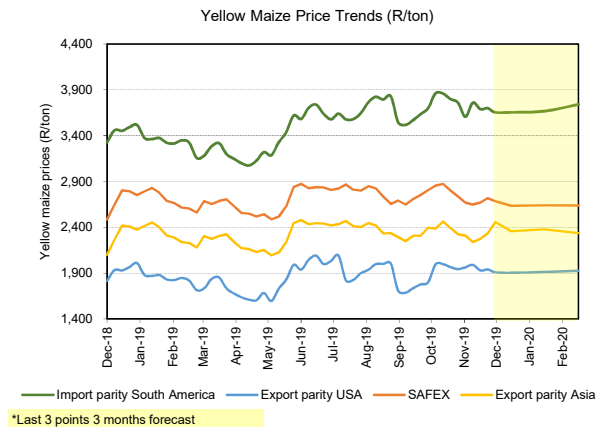
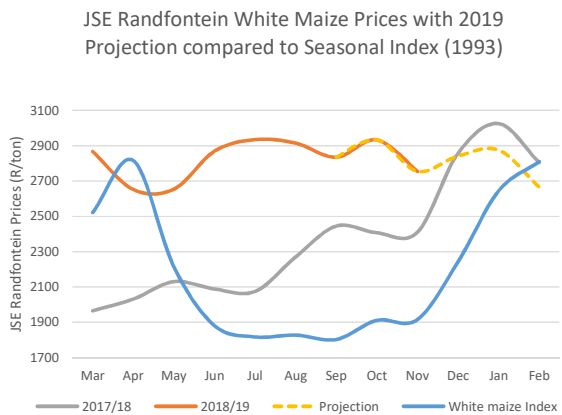
Local maize market

The spot price of white maize decreased by 4.3% and the yellow maize spot price decreased by 1.2% week on week. The good rains received over the past week ensure enough moisture in some parts of the country to begin planting. Producers in Mpumalanga have progressed very well with their planting and have planted almost 100% of their intended area even though their planting period started later than normal. The eastern summer crop regions and Gauteng have planted about 50-60%. The western Free State and the North West have only planted approximately 15%, however we expect the pace to pick up after the rains received this past two weeks. Some parts of the following districts such as Bultfontein, Hoopstad and Bothaville remain dry. The current planting rate is however looking better than the planting rate seen at the same time last year. At the current pace it seems the intended planting area under maize estimated by the CEC might materialize.

| | 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 | 2731 | 2600 | 2696 | 2686 | 2530 | 2640 |
| w/w | -4.3% | -6.0% | -6.4% | -1.2% | -3.8% | -4.3% |
| m/m | 1.7% | -2.4% | -1.9% | 0.5% | -3.6% | -2.3% |
| y/y | 7.2% | -1.4% | 6.1% | 8.1% | 0.0% | 6.1% |

Outlook

US corn prices were higher on improved trade outlook as Canada, Mexico and the United States approved changes to a preliminary trade deal struck last year to replace their existing pact. Locally, there's been improvement in the rainfall in the past two weeks of December for most of the summer rainfall area. Longer term rain forecast for the summer rainfall area, Namibia and Botswana indicate higher rainfall prospects towards the second part of summer.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat decreased by 1.0% and the price of Soft Red Winter wheat increased by 0.7% week on week. Current prices for HRW wheat is 10.7% lower compared to prices a year ago. The US wheat prices were capped by plentiful global supplies. According to the November USDA report global supplies are higher with increased production forecasts for the EU, Russia, and the Ukraine.

| | R/US\$ | Soft Red Gulf (US\$/ton) | Hard Red Gulf (US\$/ton) | Published Import Tariff (R/ton) |
|-------|--------|--------------------------|--------------------------|---------------------------------|
| Price | 14.63 | 240 | 218 | 1008.60 |
| w/w | -0.6% | 0.7% | -1.0% | 1008.60 |
| m/m | -0.9% | 5.7% | 0.3% | 1008.60 |
| y/y | 6.1% | 5.3% | -10.7% | 490.70 |

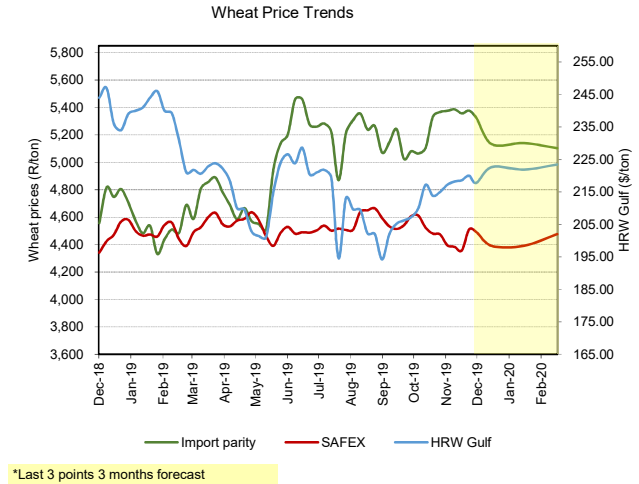
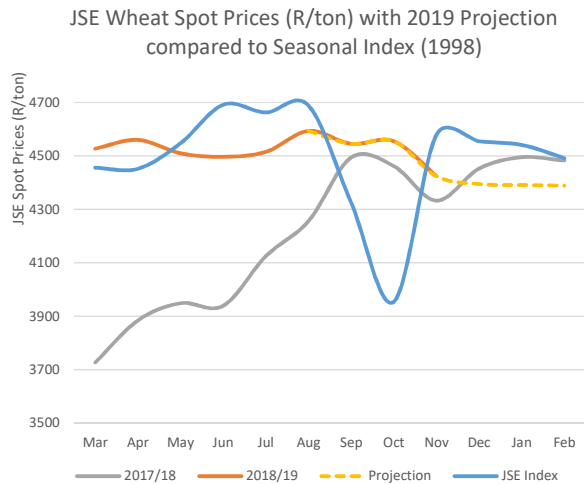
Local wheat market

Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased by 0.4% week on week. Most of the producers in the Western Cape have finished harvesting. In the Swartland area yields were approximately 25% lower than the previous season. It is expected that the final wheat crop in the Western Cape may be around 640,000 tons. The grades of the local wheat is good despite the dry conditions (especially in the Western Cape).

| | JSE Spot Price (R/ton) | Dec-19 | Mar-20 | USA Import Parity (R/ton) |
|-------|------------------------|--------|--------|---------------------------|
| Price | 4492 | 4476 | 4596 | 5324 |
| w/w | -0.4% | -0.7% | -0.4% | -1.0% |
| m/m | 2.2% | -1.0% | -1.4% | -1.0% |
| y/y | 3.5% | 1.6% | 2.3% | 1.1% |

Outlook

With global supplies rising more than consumption, 2019/20 ending stocks are raised to a record 288.3 million tons. The abundant global supplies will limit any major increases of the wheat price in the next 3 months. Locally, wheat prices are expected to trade sideways from December onwards. South Africa is a net importer of wheat therefore local wheat prices follow international wheat price swings. Due to that, the expected smaller wheat crop will not influence local wheat prices.



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Soybean market trends

International soybean market

The prices of oilseeds in the US traded negatively this week. The price of soybeans in the US gulf decreased by 0.8%, the price of soya oil declined by 0.4% and the price of soya meal decreased by 0.2% week on week. A bearish factor is the ongoing uncertainty regarding the conclusion of phase one of the trade deal between the US and China. The developments in China, contribute to the higher prices of vegetable oils and the lower prices of soybean meal and soybeans. The 2019/20 soybean season will be the first season in 4 years in which world production will be lower due to extreme weather conditions in the US. The other region to monitor is South America. The South American soybean season started with dryness followed by delayed planting. Weather conditions have improved but there are still some critical pockets of dryness in Paraguay, Argentina and Brazil.

| | Soybeans | | | |
|-------|----------|-------------------------|-------------------------|---------------------------|
| | R/US\$ | Soybean Gulf (US\$/ton) | CBOT Soya Oil (USc/lb.) | CBOT Soya meal (US\$/ton) |
| Price | 14.63 | 342.72 | 30.30 | 295.06 |
| w/w | -0.6% | -0.8% | -0.4% | -0.2% |
| m/m | -0.9% | -3.6% | -4.2% | -2.6% |
| y/y | 6.1% | 0.6% | 6.3% | -5.0% |

Local soybean and sunflowerseed market

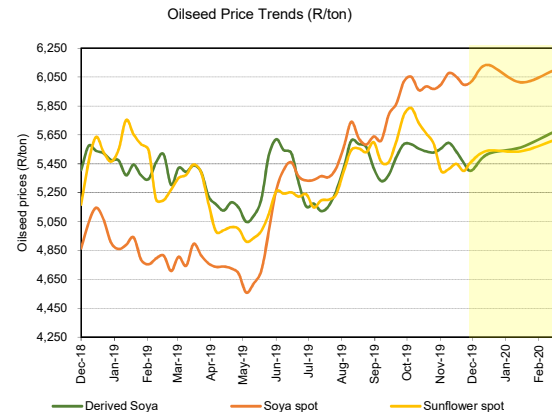
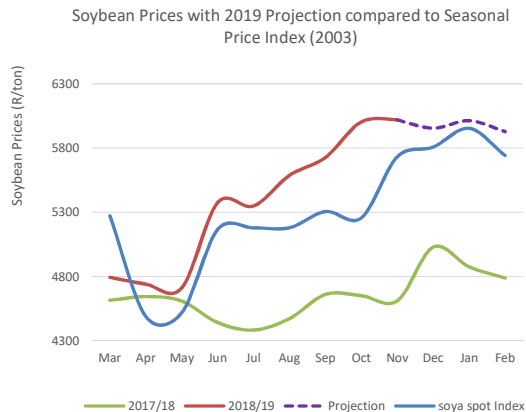
Crushing margins remain negative at R613.73/ton. Year on year crushing margins are lower by 190.7%. Crushers remain under pressure. The soybean spot price increased by 0.4% and the sunflower seed spot price increased by 1.2% week on week. Mpumalanga producers have planted approximately 90% of their soybean hectares. The soybean planting intentions in Mpumalanga will be met in the optimal planting period. Rains were received in most parts of the summer crop growing areas. The North West and western Free State producers have planted 15% of the intended area. With soil moisture levels better than a few weeks ago, we anticipate planting to gain momentum in the region.

| | 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 | 5403 | 6018 | -613.73 | 5465 |
| w/w | -1.0% | 0.4% | -11.9% | 1.2% |
| m/m | -2.8% | 0.3% | -39.0% | 1.2% |
| y/y | -0.1% | 23.7% | -190.7% | 5.8% |

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

Outlook

The US soybean outlook according to the latest USDA WASDE report is for lower production, reduced crushing and higher ending stocks. US soybean production is forecast lower due to lower yields and an unchanged harvested area. Other oilseed production changes in the major oilseed producing areas include lower sunflowerseed production for Argentina and lower rapeseed production for Australia and the EU. The expected abundant supplies in South America may further add downward pressure on global oilseed prices in the next few weeks. The local oilseed prices are following the international oilseed prices. Prices are expected to decline slightly in December and trade sideways from January 2020.



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Fibre market trends

Wool Market

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost 38 cents to 1,492 c/kg (clean) from 1,530c/kg (clean) week on week. A strengthening Australian dollar against the major trading currencies used in wool trading added downward pressure on prices. The issue encountered last week was the timing of large volumes of wool coming into the market in an environment where normal delivery capabilities for overseas buyers and local exporters are hindered. The Chinese New Year is falling on 25 January next year; last week was in effect the last pre-Christmas opportunity to ship in time before the Chinese mills close down for their New Year shutdown as mentioned by AWI.

Local: The South African Wool market remained unchanged at a value of R169.17/kg (clean) compared to the previous week. There was no auctions held last week. Generally good quality fine and medium length merino wools continued to attract good competition on the auction floors throughout November. The next sale is scheduled for 9 January 2020.

Cotton Market

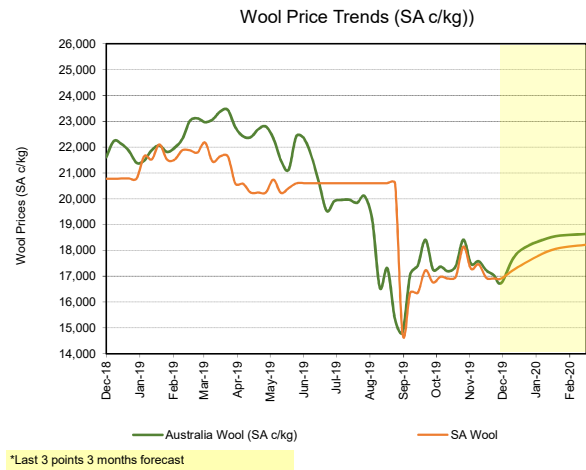
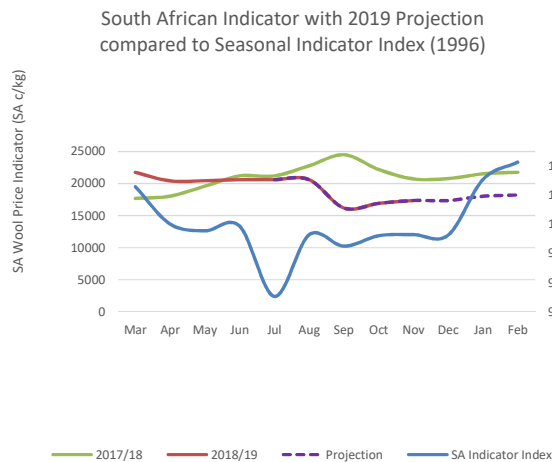
USA: The Cotton A index decreased by 1.3% week on week. In the November WASDE report, the USDA estimates the 2019/20 world cotton production lower and world trade higher. World production is lowered by nearly 3.0 million bales and the main reductions were primarily in the US, Pakistan, India, and China. Economic growth is a major influencer for cotton demand. China's cotton consumption has been lowered for the 2018/19 and 2019/20 forecasts due to slower economic growth in China which is exacerbated by the US/China trade war.

Local: The domestic cotton prices decreased by 1.8% this week, prices are 9.8% lower compared to prices a year ago. Local production is expected to decline to 65,000-75,000 tons in 2022 according to industry. The reduction is mainly because of the prevailing climatic conditions and a seed shortage that occurred during planting period. Prices are expected to decline in the next two months because the Northern hemisphere will be supplying the market in the next months which could add pressure to the cotton prices, especially if the uptake in China and Europe is lower than previous levels.

| | Exchange Rate AU\$/R | Australian Wool (SAc/kg) | South African Wool (SAc/kg) | Cotton A Index | South African Cotton Price (SAc/kg) |
|-------|----------------------|--------------------------|-----------------------------|----------------|-------------------------------------|
| Price | 10.00 | 16748 | 16917 | 74.15 | 2387 |
| w/w | 0.2% | -1.7% | 0.0% | -1.3% | -1.8% |
| m/m | -1.6% | -4.2% | -2.2% | -0.7% | -1.7% |
| y/y | -1.6% | -22.5% | -18.6% | -15.0% | -9.8% |

Outlook

The Chinese middle class consumer is the largest influencer of wool demand globally, the uncertainty regarding phase one of the trade deal between the US and China, may continue to add bearish pressure on international wool prices. Australian wool quantities on offer are expected to increase in the next 2 weeks leading up to the three-week Christmas sale recess. Locally good quality fine and medium merino wools continue to attract competition and buyer interest. Due to shipping backlogs currently experienced and the upcoming Chinese New Year holidays (that falls on 25 January 2020), which may result in deliveries not being able to reach clients by the 20th January. The brokers and buyers have agreed to postpone auctions till next year to ensure product reaches destination on time. The next sale is scheduled for 9 January 2020



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