



Agri Trends

15 January 2020

Maize planting is 90% complete, while sunflower seed planting is at 50% completion nationally, under normal conditions, maize planting should be complete

Maize: The spot price of white maize increased by 4.3% and the yellow maize spot price increased by 2.8% week on week. The tight old crop ending stocks for both white and yellow maize supported contracts. The widespread rainfall in the western growing areas limited the buying interest in the new crop prices. According to the latest GrainSA crop condition report, the North West province is estimated to have planted 90% of their intended area under maize, the eastern Free State and northwest to central Free State producers have planted about 70-75% of the estimated maize hectares; however, a large portion of that maize was planted outside the optimal planting window.

Wheat: Prices in the domestic wheat market traded positively this week. The wheat spot price increased by 1.7% week on week. According to the USDA's January WASDE report, the outlook for the 2019/20 US wheat is for stable supplies, lower stocks, increased feed and residual use. The global wheat bullish trend supported local wheat prices. The wheat import tariff is still at R1008/ton however a lower tariff of R776.24/ton was triggered on the 5th November 2019 which is yet to be published.

Oilseeds: Crushing margins remain negative at R750.04/ton. Year on year crushing margins are lower by 181.6%. Crushers remain under pressure. The soybean spot price increased by 1.1% and the sunflower seed spot price decreased by 4.5% week on week. Rains received up to the 1st week of January in the Limpopo growing regions were erratic, which resulted in minimal sunflower and sorghum hectares being planted. Sunflower can still be planted until end of February. Some areas in Mpumalanga (Bethal, Carolina and Hendrina) received heavy rainfall and is very wet, some crop damage was incurred in those areas. In the OVK-regions, producers were still busy planting sunflowers, which is expected to reach completion by the end of the second week of January. Industry players estimate that about 50% of the intended area under sunflowers has been planted in the North West and northwestern to central Free State. Some producers are currently still planting sunflowers in those regions as stated by GrainSA

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Maize market trends

International maize market

US Kansas yellow corn prices decreased by 0.1% week on week. The Chicago Board of Trade corn futures were lower with the market and traders awaiting more detail regarding the planned signing of a US-China Phase one trade agreement. The USDA released its first WASDE report for 2020, and has reaffirmed that there's lower corn supplies available in the US and global corn stocks are set to tighten for the 3rd year in a row.

	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	14.21	176	Not quoted	3444	3324	2252
w/w	1.1%	-0.1%	n/a	0.9%	5.2%	3.4%
m/m	-2.8%	3.7%	n/a	0.2%	1.6%	0.2%
y/y	2.1%	3.3%	n/a	1.5%	4.3%	-6.8%

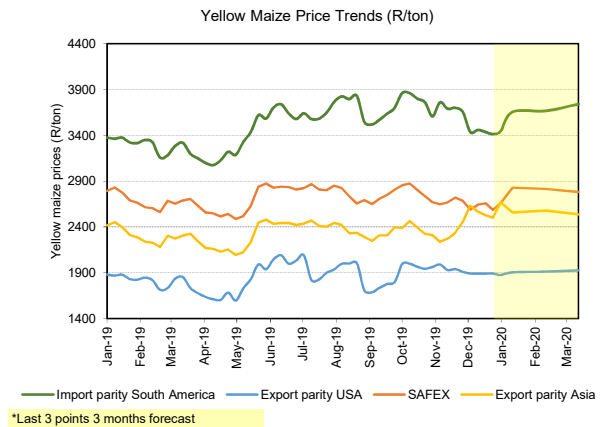
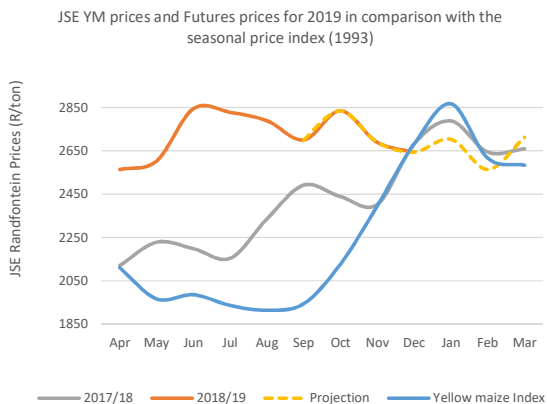
Local maize market

The spot price of white maize increased by 4.3% and the yellow maize spot price increased by 2.8% week on week. The tight old crop ending stocks for both white and yellow maize supported prices. The widespread rainfall in the western growing areas limited the buying interest in the new crop contracts. The North West province is estimated to have planted 90% of their intended area under maize, the eastern Free State and northwest to central Free State producers have planted about 70-75% of the estimated maize hectares; however, a large portion of that maize was planted outside the optimal planting window.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Jul-20	Mar-20	JSE Spot Price, Randfontein (R/ton)	Jul-20	Dec-19
Price	2718	2425	2782	2659	2460	2712
w/w	4.3%	-4.8%	3.3%	2.8%	-0.4%	4.2%
m/m	2.8%	-4.0%	6.8%	2.6%	-0.6%	6.0%
y/y	-8.8%	-21.2%	-6.8%	-4.8%	-11.2%	-2.7%

Outlook

Global corn production is forecast higher in the January USDA report with increases for Bangladesh, Russia, and the EU. The global corn production for 2019/20 is forecast marginally higher to 1,401.8 million tons. Locally, there's been improvement in the rainfall from December to January. The major maize planting regions commenced planting later than normal. The delay in planting was caused by extreme dry conditions which got followed by very good rains. The lands were too wet in some areas to plant. With maize planted late and outside the optimal planting window, there is the inherent risk for frost damage should frost occur early in 2020. Widespread rainfall is forecast for the eastern parts of the country in the week ahead.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat increased by 0.1% and the price of Soft Red Winter wheat increased by 0.3% week on week. Current prices for HRW wheat is 1.7% lower compared to prices a year ago, while prices for Soft Red wheat is 11.0% higher year on year. Prices were supported by a bullish WASDE report. According to the January USDA report global production is set lower due to reductions expected in Russia and Australia. With global supplies declining and total use increasing, global ending stocks are lowered by 1.2 million tons to 261.8 million tonnes.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.21	252	236	1008.60
w/w	1.1%	0.3%	0.1%	1008.60
m/m	-2.8%	5.5%	9.0%	1008.60
y/y	2.1%	11.0%	-1.7%	490.70

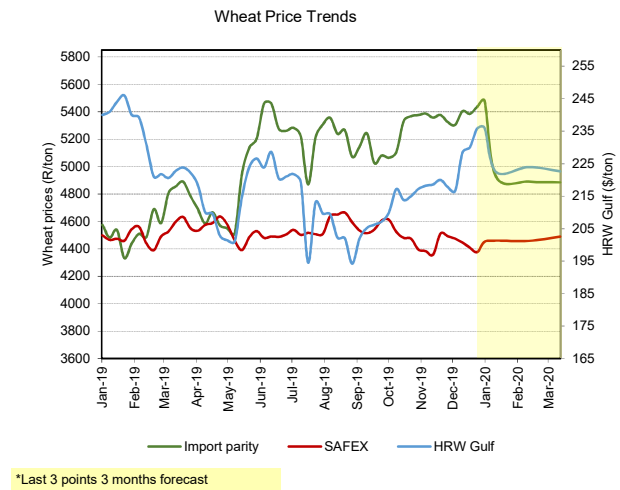
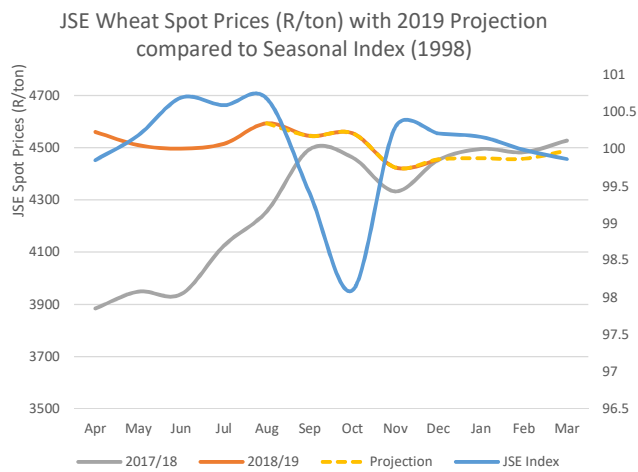
Local wheat market

Prices in the domestic wheat market traded positively this week. The wheat spot price increased by 1.7% week on week. According to the USDA's January WASDE report, the outlook for the 2019/20 US wheat is for stable supplies, lower stocks, increased feed and residual use. The global wheat bullish trend supported local wheat prices. The wheat import tariff is still at R1008/ton however a lower tariff of R776.24/ton was triggered on the 5th November 2019 which is yet to be published.

	JSE Spot Price (R/ton)	Jul-20	Mar-20	USA Import Parity (R/ton)
Price	4451	4540	4489	5479
w/w	1.7%	0.8%	1.7%	0.8%
m/m	-0.5%	-1.1%	0.3%	3.3%
y/y	-1.0%	-1.3%	-0.4%	4.8%

Outlook

According to the USDA, global production for the 2019/20 market year is lowered by 1 million tons, primarily due to a 1 million ton wheat production reduction in Russia and a 0.5 million ton reduction in Australia reflecting the severe drought conditions in parts of the country. The prevailing abundant global supplies will limit any major increases of the wheat price in the next month. 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 0.9% and the price of soya meal decreased by 0.3% 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 US oilseed production for 2019/20 is estimated at 107.4 million tons, down 0.2 million ton from the previous month's WASDE report. A smaller US canola, sunflowerseed, peanut, and cottonseed crops are partly offset by a larger US soybean crop. Crop conditions remain favorable in Brazil and Argentina, which kept a lid on futures gains in the soybean market.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.21	365.52	34.47	297.84
w/w	1.1%	-0.8%	-0.9%	-0.3%
m/m	-2.8%	4.5%	8.0%	0.4%
y/y	2.1%	7.1%	21.2%	-5.1%

Local soybean and sunflowerseed market

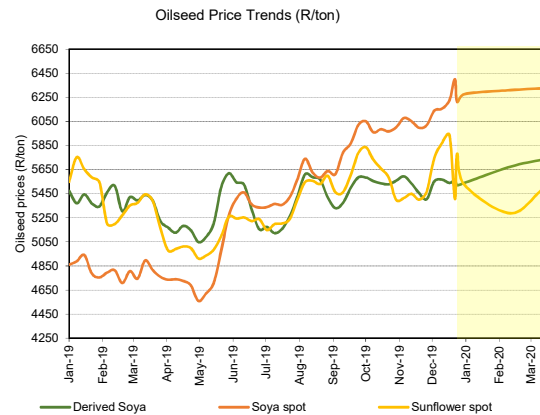
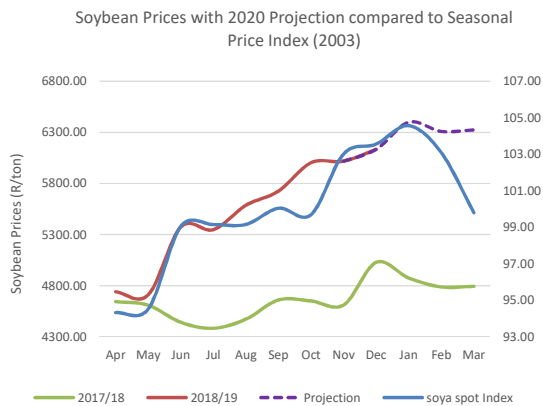
Crushing margins remain negative at R750.04/ton. Year on year crushing margins are lower by 181.6%. Crushers remain under pressure. The soybean spot price increased by 1.1% and the sunflower seed spot price decreased by 4.5% week on week. Rains received up to the 1st week of January in the Limpopo growing regions were erratic, which resulted in minimal sunflower and sorghum hectares being planted. Sunflower can still be planted until end of February. Some areas in Mpumalanga (Bethal, Carolina and Hendrina) received heavy rainfall and is very wet, some crop damage was incurred in those areas. In the OVK-regions, producers were still busy planting sunflowers, which is expected to reach completion by the end of the second week of January. Industry players estimate that about 50% of the intended area under sunflowers has been planted in the North West and northwestern to central Free State. Some producers are currently still planting sunflowers in those regions.

	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	5540	6277	-750.04	5520
w/w	0.4%	1.1%	-8.5%	-4.5%
m/m	-0.2%	2.3%	-27.9%	-3.9%
y/y	1.2%	29.2%	-181.6%	-0.5%

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

Outlook

The US season-average soybean price for 2019/20 is forecast at US\$9.00 per bushel, up 15 cents reflecting stronger soybean oil prices. According to the USDA's latest report, the US soybean oil price forecast is raised 3 cents to 34.0 cents per pound. The soybean meal price forecast is reduced US\$5.00 to US\$305.00 per short ton. Global oilseed production for 2019/20 is up by 0.2 million tons to 467.2 million, with higher sunflowerseed production counterbalancing lower cottonseed, rapeseed, and palm kernel production. Global sunflowerseed production is set to increase in Russia on higher yields. Palm kernel and palm oil production are estimated lower for Malaysia due to dry weather conditions during 2019. The local oilseed prices are following the international oilseed prices. Local prices are expected to increase in January and trade sideways for the next 2 months.



*Last 3 points 3 months forecast

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