



Agri Trends

22 January 2020

One or two weeks of dry spells over the summer crop area is expected in late February/early March 2020

Maize: The tight old crop ending stocks for both white and yellow maize supported prices. The SA white maize stocks at the end of 2019 should be able to cover about 2.5 months of consumption. This together with expectations that early deliveries could be minimal, due to late-planted crops, could put some pressure on stocks ahead of the new crop. According to latest weather forecasts, drier spells are still probable in the summer crop growing areas in February and March, but it is not expected to be long.

The South African yellow maize stocks at the end of 2019 should be enough for 1.2 months of consumption, which should be sufficient until April 2020. Some yellow maize imports may be needed, local yellow maize stocks may be tight ahead of the arrival of the new crop (especially if yellow maize exports pick up).

Wheat: The latest published wheat import tariff is R776.20/ton a 23% decline from the previous tariff of R1008/ton. A new lower tariff of R516.61/ton has triggered. Short-term weather forecasts indicate a good chance for summer rainfall in the Southern Cape, for the last part of January and 1st part of February. According to latest weather forecasts, a late start to the normal winter rainfall season is to be expected.

Oilseeds: The soybean market by far outperformed the sunflower seed market in the past few sessions. Rainfall conditions improved since mid-December over the summer crop area. Producers in the Central to western parts of the summer crop region were able to plant within the planting window; however, plantings were late yet again in the south-eastern Free State. Periods of lower rainfall is expected during the second part of February and the first part of March over the summer crop areas. Probability is good for the western and southern parts of the summer rainfall areas to receive average rainfall from February to April.

Fibre: Local cotton production is expected to decline to 65,000-75,000 tons in 2020 according to industry. The reduction is mainly because of the adverse climatic conditions during planting period and a seed shortage that occurred during planting period. The Cotton SA 11th estimate for the 2018/19 season shows a crop of 238,222 lint bales for RSA. This is a 1.4% decline from the 241,484 lint bales estimated in November 2019.

Contents

Maize market trends	2
Wheat market trends	3
Soybean market trends	4

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Maize market trends

International maize market

US Kansas yellow corn prices decreased by 0.1% week on week. The US grain market did not see a huge reaction after the US and China made Phase 1 of their trade agreement deal official. Commodities such as soybeans, corn and wheat will benefit after some time, once uptake from China starts gaining momentum.

	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	14.36	177	8.26	3625	3354	2252
w/w	1.0%	-0.1%	n/a	0.9%	5.2%	3.4%
m/m	0.1%	3.7%	n/a	0.2%	1.6%	0.2%
y/y	4.1%	3.3%	-0.7%	1.5%	4.3%	-6.8%

Local maize market

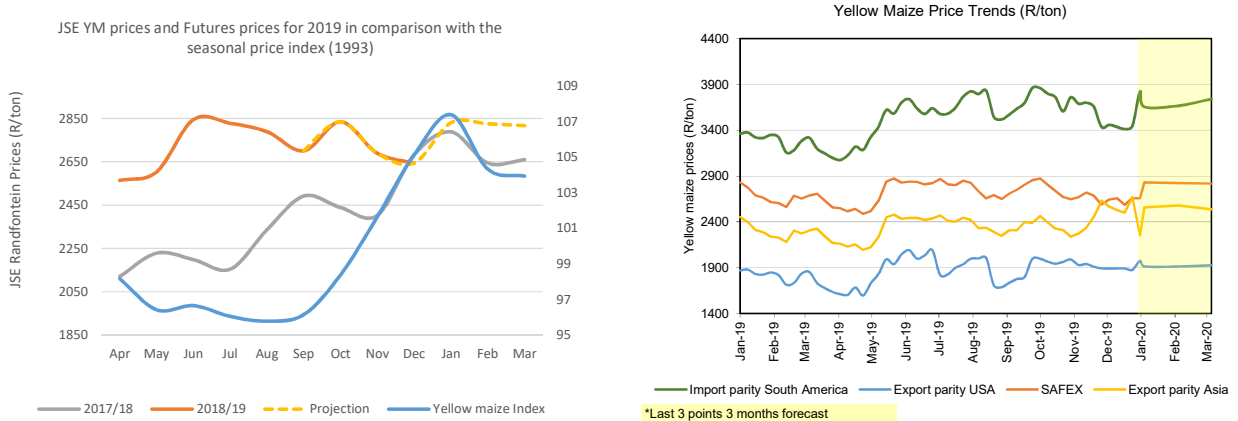
The spot price of white maize increased by 4.3% and the yellow maize spot price increased by 2.8% week on week. The tight old crop ending stocks for both white and yellow maize supported prices. The SA white maize stocks at the end of 2019 should be able to cover about 2.5 months of consumption. This together with expectations that early deliveries could be minimal, due to late-planted crops, could put some pressure on stocks ahead of the new crop. According to latest weather forecasts, drier spells are still probable in the summer crop growing areas in February and March, but it is not expected to be long.

The South African yellow maize stocks at the end of 2019 should be enough for 1.2 months of consumption, which should be sufficient until April 2020. Some yellow maize imports may be needed, local yellow maize stocks may be tight ahead of the arrival of the new crop (especially if yellow maize exports pick up).

	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	2426	2915	2659	2442	2817
w/w	4.3%	0.0%	4.8%	2.8%	-0.7%	3.9%
m/m	2.8%	-6.9%	7.1%	2.6%	-3.7%	6.9%
y/y	-8.8%	-27.1%	-9.8%	-4.8%	-11.2%	-2.7%

Outlook

US corn prices are expected to rise in the coming weeks as China starts to increase their agricultural imports from the US. Locally, prices have been supported by international grain trends and tight local supplies. Prices are expected to trade sideways from January onwards. With maize planted late and outside the optimal planting window, there is the inherent risk for frost damage should frost occur early in 2020.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Wheat market trends

International wheat market

The price of Hard Red Winter wheat increased by 0.8% and the price of Soft Red Winter wheat increased by 2.1% week on week. Current prices for HRW wheat is 1.3% lower compared to prices a year ago, while prices for Soft Red wheat is 13.8% higher year on year. Wheat prices were supported by rising export prices in Russia backed by increased demand from Egypt. A possible introduction of a wheat export quota in Russia caused increased demand.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.36	257	238	776.20
w/w	1.0%	2.1%	0.8%	776.20
m/m	0.1%	4.0%	4.1%	1008.60
y/y	4.1%	13.8%	-1.3%	490.70

Local wheat market

Prices in the domestic wheat market traded positively this week. The wheat spot price increased by 2.0% week on week. The cumulative South African wheat imports in the 2019/20 season to date is seen at 437 303 tons.

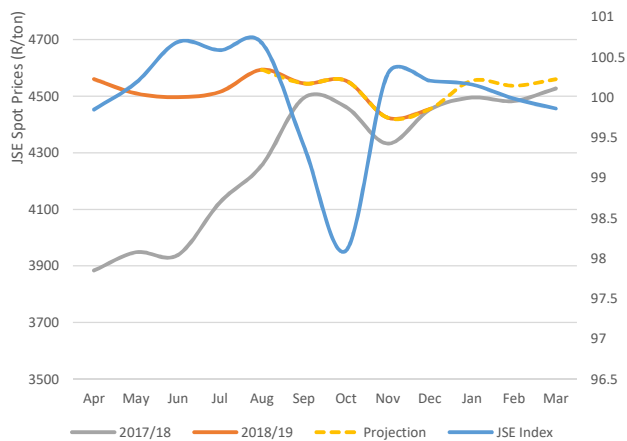
The latest published wheat import tariff is R776.20/ton a 23% decline from the previous tariff of R1008/ton. A new lower tariff of R516.61/ton has triggered. Short-term weather forecasts indicate a good chance for summer rainfall in the Southern Cape, for the last part of January and 1st part of February. According to latest weather forecasts, a late start to the normal winter rainfall season is to be expected.

	JSE Spot Price (R/ton)	Jul-20	Mar-20	USA Import Parity (R/ton)
Price	4540	4620	4560	5311
w/w	2.0%	1.8%	1.6%	-3.1%
m/m	2.1%	0.9%	2.3%	-1.7%
y/y	1.7%	2.0%	2.9%	3.1%

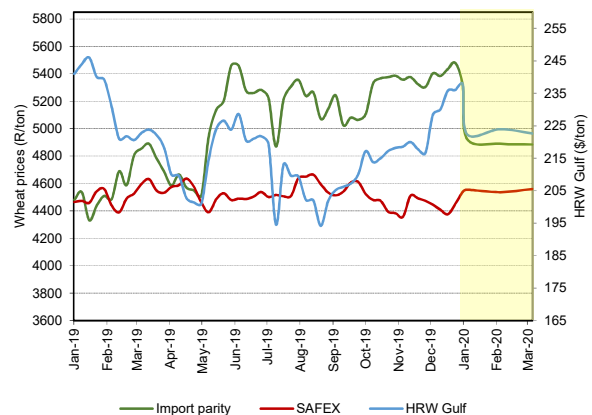
Outlook

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 slightly downwards in January and start to pick-up marginally from February. 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.

JSE Wheat Spot Prices (R/ton) with 2019 Projection compared to Seasonal Index (1998)



Wheat Price Trends



*Last 3 points 3 months forecast

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Soybean market trends

International soybean market

The prices of oilseeds in the US traded mostly negative this week. The price of US soybeans decreased by 0.7% and the price of soya oil declined by 3.1% while the price of soya meal increased by 0.7% week on week. CME soybean futures dropped last week as traders awaited China to buy after the US and China signed their Phase 1 trade deal last week. Expectations for a bumper crop in Brazil also added pressure on prices. The geopolitical tensions in the Middle East have simmered down now after oil prices increased a few weeks ago.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.36	363.08	33.39	299.86
w/w	1.0%	-0.7%	-3.1%	0.7%
m/m	0.1%	0.4%	-0.6%	-0.2%
y/y	4.1%	8.1%	15.2%	-3.8%

Local soybean and sunflowerseed market

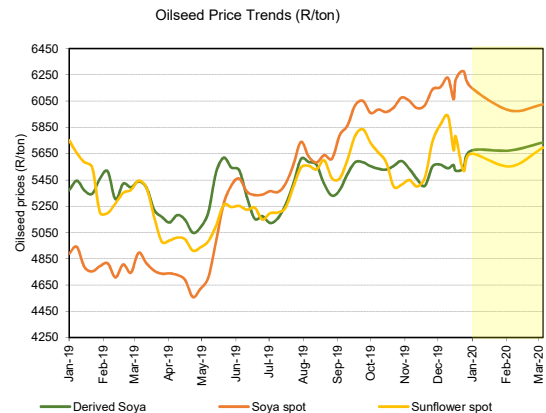
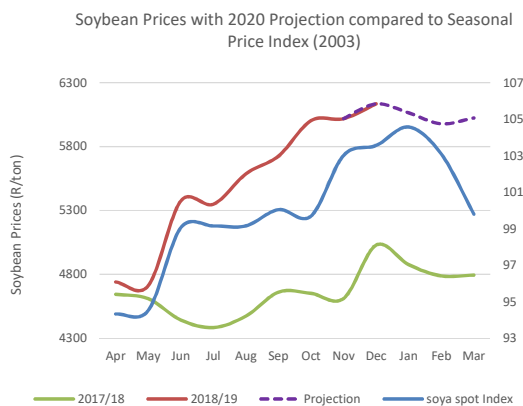
Crushing margins remain negative at R481.47/ton. Year on year crushing margins are lower by 199.9%. Crushers remain under pressure. The soybean spot price decreased by 2.0% and the sunflower seed spot price increased by 2.4% week on week. The soybean market by far outperformed the sunflower seed market in the past few sessions. Rainfall conditions improved since mid-December over the summer crop area. Producers in the central to western parts of the summer crop region were able to plant within the planting window; however, plantings were late yet again in the south-eastern Free State. Periods of lower rainfall is expected during the second part of February and the first part of March over the summer crop areas. Probability is good for the western and southern parts of the summer rainfall areas to receive average rainfall from February to April.

	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	5673	6154	-481.47	5650
w/w	2.2%	-2.0%	34.0%	2.4%
m/m	2.5%	0.0%	22.6%	-3.7%
y/y	5.6%	25.9%	-199.9%	-1.8%

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

Outlook

Global soybean export supplies are expected to be offset by lower US stocks, even though South America is expected to have a huge crop. Soybean prices are still at the lowest. China future meal prices were at a 6-month low last week, confirming that the hog rebuilding process is faring very slowly after the ASF outbreak. Local prices are expected to increase in January and trade sideways for the next 2 months.



*Last 3 points 3 months forecast

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Fibre market trends

Wool Market

Australian wool auctions resumed last week after a 3-week Christmas break. The Australian EMI improved last week by 3.3% at 1609 c/kg clean. A large offering of 52,261 bales was on offer. The gains were supported by strong competition among buyers for lots with superior length and strength. A massive offering of 60,000 bales is scheduled for offer next week.

Local: The 15th wool auction took place last week with 11,329 bales on offer. The market performed 0.5% higher at a value of R177,43/kg clean. Buyer competition was strong for long and finer microns, with the medium and stronger end of the clip experiencing downward pressure. The next sale is scheduled for 23 January 2020 and 10,986 bales will be on offer.

Cotton Market

USA: The Cotton A index increased by 0.9% week on week. The global 2019/20 cotton forecasts include lower production, trade and ending stocks. The global production is forecast 630,000 bales lower due to decreases in the US, Turkey, Australia, Mali and Pakistan.

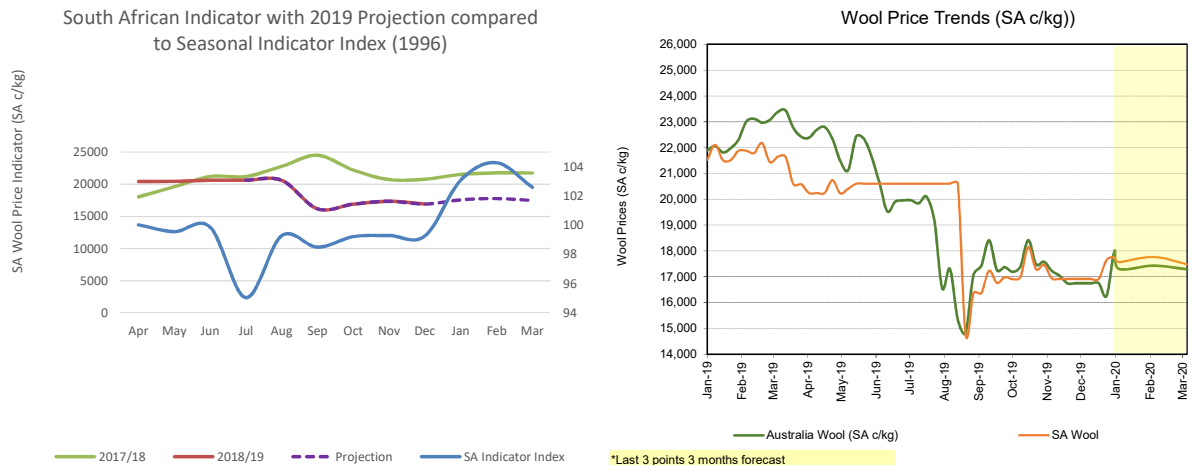
Local: The domestic cotton prices increased by 1.9% this week, prices are 0.5% lower compared to prices a year ago. Local cotton production is expected to decline to 65,000-75,000 tons in 2020 according to industry. The reduction is mainly because of the adverse climatic conditions during planting period and a seed shortage that occurred during planting period. The Cotton SA 11th estimate for the 2018/19 shows a crop of 238,222 lint bales for RSA. This is a 1.4% decline from the 241,484 lint bales estimated in November 2019.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.94	17992	17743	79.20	2502
w/w	2.3%	10.6%	0.5%	0.9%	1.9%
m/m	-0.6%	7.4%	4.9%	-0.7%	-1.7%
y/y	0.9%	-17.8%	-17.6%	-4.5%	-0.5%

Outlook

Volatility in the market is creating uncertainty about future price movements. The Australian forward wool markets traded on lower volumes again; sellers are inclined to withhold some stock hoping for better prices in the coming weeks.

The global cotton consumption was led by Asia and Southeast Asia economies, it is expected that the growth in their manufacturing activities and the demand for consumer goods in the region will decelerate which in the long term will reduce demand. Locally good quality fine and long merino wools continue to attract competition and buyer interest.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.