



Agri Trends

12 February 2020

Looking at the current maize conditions, the country may have an above average crop

Maize: A large part of the summer grain-growing region received good rains over the past weekend. This was a critical time for the maize crop. The western regions, like Bultfontein and Hoopstad still need rain. Looking at the current maize conditions, the country may have an above average crop. According to forecasters, the probability of more follow up rains in the next few weeks is high, which bodes well for the summer crop. Generally, it looks like SA is moving into a wetter cycle when we observe the latest weather patterns.

Wheat: Prices in the domestic wheat market traded mostly positive this week. The wheat spot price increased by 0.5% week on week. The harvest is smaller with the expected production of national commercial wheat at 1,502 million tons, which is 6,06% or 96 825 tons less than the previous forecast of 1,598 million tons. Wheat producers are likely to be getting a cash premium of about R100/ton due to the shortage. There isn't much of a spread between the March-May and March-July contracts which means the nearest future month contract is trading at a premium. Due to the small crop, we could potentially see imports coming through into Cape Town around May to supplement the demand.

Oilseeds: The soybean spot price decreased by 0.5% and the sunflower seed spot price increased by 6.3% week on week. Sunflower plants are still too young, but currently looking good. The soybeans planted in the Eastern regions (could experience some distress should it get too much rain), but currently all summer crops look generally well. The timing of the rain has been great.

Fibre: The South African wool market performed better this week, supported by a smaller offering of 6,579 bales of good quality fine merino clip. Some buying houses continued to be affected by the extended Chinese New Year period and the uncertainty around trade conditions amid the coronavirus outbreak in China. A weaker South African Rand coupled with the better performance in the Australian market supported a positive trend in the SA wool market.

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Maize market trends

International maize market

US Kansas yellow corn prices decreased by 0.2% week on week. The USDA lowered its forecast of the US 2019/20 corn exports in the February World Agricultural Supply and Demand Estimates (WASDE) Report. However, the US increased its corn usage estimate for ethanol production. The fears of the rapid spread of the coronavirus weighed on markets.

	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	14.85	177	5.84	3720	2685	2452
w/w	1.4%	-0.2%	n/a	0.3%	-22.3%	-0.8%
m/m	4.5%	0.7%	n/a	8.0%	-19.2%	8.9%
y/y	10.2%	1.6%	-16.9%	11.8%	-14.1%	7.2%

Local maize market

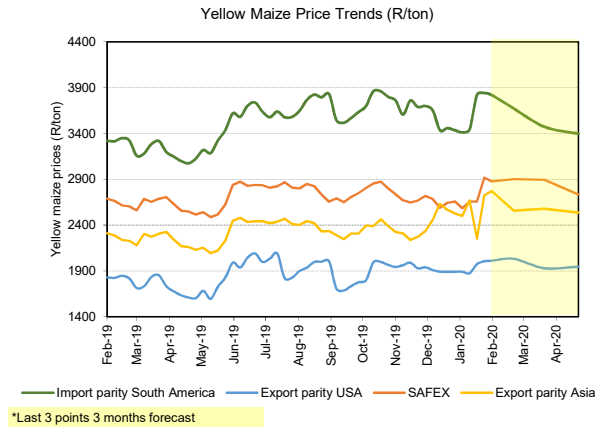
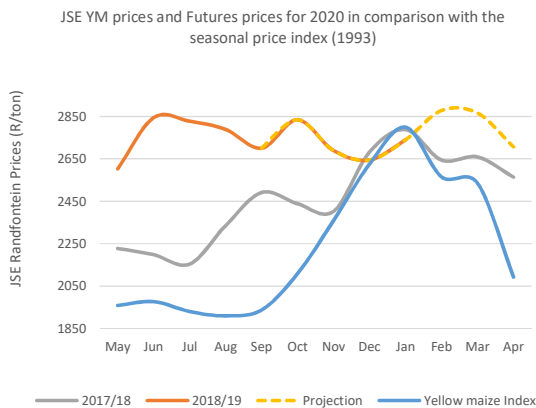
The spot price of white maize decreased by 0.2% and the yellow maize spot price decreased by 0.7% week on week. A large part of the summer grain-growing region received good rains over the past weekend. This was a critical time for the maize crop. The western regions, like Bultfontein and Hoopstad still need rain. Looking at the current maize conditions, the country may have an above average crop. According to forecasters, the probability of more follow up rains in the next few weeks is high, which bodes well for the summer crop. Generally, it looks like SA is moving into a wetter cycle when we observe the latest weather patterns.

Despite the rains, the dam storage levels in the summer rainfall areas are between 50% and 70% full capacity. The current levels are as follows: Gariep 71%, Vanderkloof 60%, Vaaldam 57%, Bloemhof 77% and Pongolapoort 44%). Dams in Lesotho (<30%) as well as the Eastern Cape are still critically low. Large storage dams in the Western Cape like Theewaterskloof with 63%, Clanwilliamdam with 45% and Bergrivierdam with 84%.

	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	3024	2503	2363	2859	2590	2465
w/w	-0.2%	-2.7%	-2.7%	-0.7%	-1.6%	-1.3%
m/m	11.3%	-0.5%	-1.3%	7.5%	0.6%	1.1%
y/y	7.1%	-17.0%	-18.4%	7.3%	-7.8%	-8.9%

Outlook

Uncertainties regarding the potential trade deal and the coronavirus outbreak remain as negative forces for commodity markets, corn prices have recovered well despite all the uncertainties. If China can follow through on corn purchases under the "phase one" trade deal, export potential during the second half of the marketing year looks promising for the US. The general maize crop production conditions in South Africa are very favourable. Above average yields are possible in the central to western production areas of South Africa.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat decreased by 1.2% and the price of Soft Red Winter wheat decreased by 1.6% week on week. Current prices for HRW wheat is 3.8% lower compared to prices a year ago, while prices for Soft Red wheat is 10.8% higher year on year. Global wheat supplies are lowered marginally. According to the February WASDE report, some small adjustment on world wheat stocks, production and use left the world wheat supplies near neutral.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.85	254	231	776.20
w/w	1.4%	-1.6%	-1.2%	776.20
m/m	4.5%	0.7%	-2.2%	1008.60
y/y	10.2%	10.8%	-3.8%	490.70

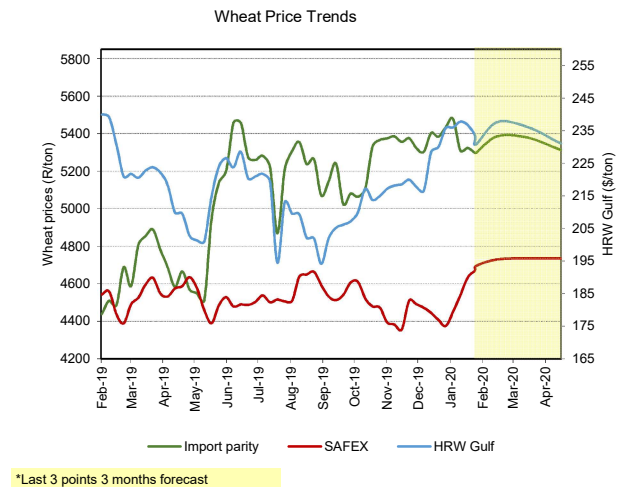
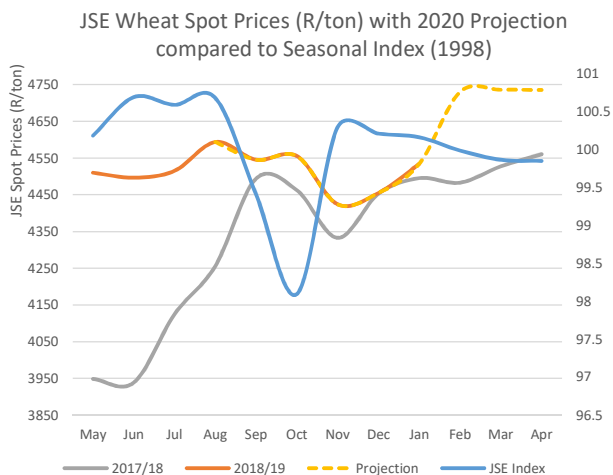
Local wheat market

Prices in the domestic wheat market traded positive this week. The wheat spot price increased by 0.5% week on week. The harvest is smaller with the expected production of national commercial wheat at 1,502 million tons, which is 6,06% or 96 825 tons less than the previous forecast of 1,598 million tons. Wheat producers are likely to be getting a cash premium of about R100/ton due to the shortage. There isn't much of a spread between the March-May and March-July contracts which means the nearest future month contract is trading at a premium. Due to the small crop, we could potentially see imports coming through into Cape Town around May to supplement the demand. Wheat coming through via Cape Town will be higher priced because the tariff-free wheat isn't allowed to come through via Cape Town. In the Swartland area, chickpeas, canola and sweet Lupine is growing in popularity. Producers are expected to shift some of the area usually used for wheat to chickpeas and sweet lupine by approximately 10,000 hectares respectively, which could lead to a 20,000-hectare decline in area planted under wheat in the Swartland region. These crops are growing popularity due to their ability to save nitrogen for the follow-up year and they are very high in protein, which is beneficial when used as feed in the livestock enterprises.

	JSE Spot Price (R/ton)	Jul-20	Mar-20	USA Import Parity (R/ton)
Price	4696	4748	4736	5298
w/w	0.5%	0.8%	1.3%	0.0%
m/m	5.5%	5.4%	7.1%	-3.4%
y/y	3.4%	1.5%	4.0%	6.9%

Outlook

The prevailing abundant global supplies will limit any major increases of the wheat price in the next month. 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 US soybeans decreased by 1.6% and the price of soya oil and soya meal declined by 7.8% and 4.7% respectively week on week. Soya oil prices benefitted from spill-over support from the palm oil complex and increased in the week that ended 7th February 2020. The reported number of coronavirus cases and deaths continued to rise in China, but demand uncertainties seen the previous week have somewhat faded. China purchased additional cargoes of soybeans from Brazil recently. The prices of sunflowerseed was torn between the weakness in cash soybeans and the recovery of palm oil prices last week. Sunflowerseed prices are expected to increase in the coming months, following the lead from palm oil and other vegetable oils.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.85	341.53	30.29	289.80
w/w	1.4%	-1.6%	-7.8%	-4.7%
m/m	4.5%	-6.6%	-12.1%	-2.7%
y/y	10.2%	-1.1%	-1.1%	-6.0%

Local soybean and sunflowerseed market

The soybean spot price decreased by 0.5% and the sunflowerseed spot price decreased by 6.3% week on week. Sunflower plants are still too young, but are currently looking good. The soybeans planted in the Eastern regions (could experience some distress should it get too much rain), but currently all summer crops look generally well. The timing of the rain has been great.

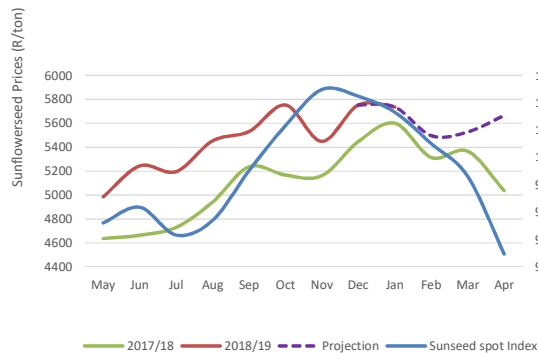
	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Spot Price (R/ton)
Price	5943	5923	19.35	5521
w/w	0.9%	-0.5%	441.1%	-6.3%
m/m	6.6%	-5.6%	3904.8%	0.0%
y/y	11.2%	24.6%	-96.8%	-0.4%

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

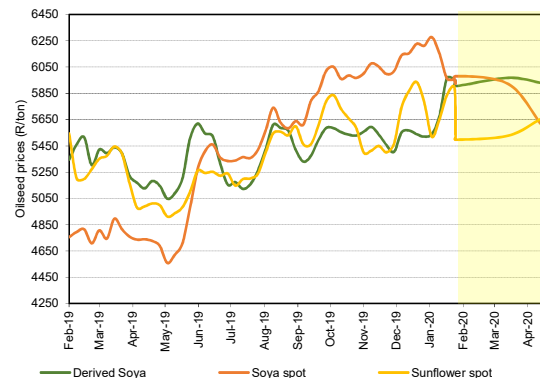
Outlook

Globally, the record 2020 South American soybean crop and still ample US supplies are likely to provide an additional reason for prices of soya meal, (the driver of the oil meal complex) to stay low in the coming months. The record soybean crop that Brazil is harvesting and the weakening Brazilian currency in relation to the US dollar has prompted large export sales from Brazil. Locally, a recovery of oilseed production is required this year in view of the growing requirements of the local crush industry. Local soybean crushing has more than doubled in the past 6 years. Local soybean prices are expected to decrease from March, while sunflowerseed prices are expected to trade sideways from February according to seasonality.

Sunflowerseed Prices with 2020 Projection compared to Seasonal Price Index (2003)



Oilseed Price Trends (R/ton)



*Last 3 points 3 months forecast

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Fibre market trends

Wool Market

Global: The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) gained 29 cents or 1.9% this week to close at 1577 c/kg (clean). The Australian wool market performed surprisingly well as market analysts expected prices to decline by the uncertainty caused by the growing coronavirus. A very strong European uptake of wool and a great purchasing pull from a large Chinese top maker underpin the increase.

Local: The South African wool market closed 1,6% higher at a value of R177,41 c/kg (clean). The South African wool market performed better this week, supported by a smaller offering of 6,579 bales of good quality fine merino clip. Some buying houses continued to be affected by the extended Chinese New Year period and the uncertainty around trade conditions amid the coronavirus outbreak in China. A weaker South African Rand coupled with the better performance in the Australian market supported a positive trend in the SA wool market.

Cotton Market

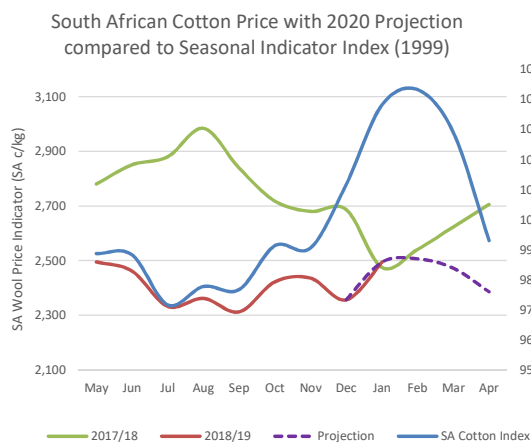
Global: The Cotton A index decreased by 3.3% week on week. The 2019/20 world cotton ending stocks are expected to be higher driven by larger production and lower consumption. China's consumption is estimated to decline by 1 million bale because of the negative effects of the coronavirus despite the positive impact of the US China trade agreement.

Local: The domestic cotton prices declined by 1.9% this week, prices are 1.8% higher compared to prices a year ago. The uncertainty about the demand effects of the corona virus, weighed on international cotton prices. With SA exporting most of its crop, local cotton prices follows the movement in international cotton prices.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.98	17876	17741	76.55	2502
w/w	1.1%	3.6%	1.6%	-3.3%	-1.9%
m/m	2.7%	9.9%	0.5%	-2.5%	1.9%
y/y	2.0%	-18.7%	-17.5%	-7.6%	1.8%

Outlook

The global cotton production is largely unchanged with consumption expected to decline in China due to the novel coronavirus outbreak. Locally good quality fine and long merino wools continue to attract competition and buyer interest. The next wool sale is scheduled for the 13 February 2020 where approximately +/- 4 245 bales will be on sale. The smaller offering may add a bullish tone to the market at the next auction.



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