



Agri Trends

19 February 2020

The jury is still out when it comes to the impact the coronavirus outbreak in China will have on SA agricultural commodities.

Maize: The CEC's latest report indicated that South African commercial farmers are intending to plant 2.535 million hectares for the 2019/2020 production year. On the back of the recent favourable weather conditions in the summer rainfall area, the commercial maize crop is expected to be approximately 14,2 million tons on an average yield of 5.6 t/ha.

Wheat: The weekly South African wheat imports for the week ending the 31 January shows that 82,385 tons of wheat was imported. No imports were recorded in the past week. The wheat that was imported originated from Czech Republic and Lithuania. This brings the cumulative wheat imports for the season to date at 537,812 tons. Due to the small crop, we could potentially see imports coming through into Cape Town around May to supplement the demand. According to Santam Agri's latest weather update, the winter rainfall area is likely to have a late start to the rainfall season because summer rainfall is still expected over the next months. Domestic prices followed international wheat prices.

Oilseeds: The local soybean production is expected to reach about 1.5 million tons, on the back of favourable weather if an average yield of 2.01 t/ha is achieved. The South African sunflower crop is estimated to reach 727,986 tons under favourable weather conditions and if a yield of 1.32 t/ha is achieved.

Fibre: Local wool prices have been supported by the surprise solid performance in the international market. The fires in Australia in late 2019 have caused further reductions in Australia's already small wool supply. The limited available volumes globally and superior South African wool quality supported the local wool prices.

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Maize market trends

International maize market

US Kansas yellow corn prices decreased by 0.1% week on week. Favourable weather conditions in South America has raised expectations for a large corn crop, which is a bearish factor on global corn prices. The spreading of the coronavirus is creating an uncertainty about the economic impact on China, which continues to weigh on markets. Traders continue to monitor the market this week to see if China will make sizable purchases of US agricultural goods, as the phase 1 agreement between the US and China comes into effect this weekend.

	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	14.90	177	6.50	3738	3539	2312
w/w	0.3%	-0.1%	n/a	0.5%	-0.6%	-5.7%
m/m	3.5%	-0.3%	n/a	2.9%	5.3%	2.7%
y/y	7.2%	0.3%	-7.7%	8.3%	12.1%	3.3%

Local maize market

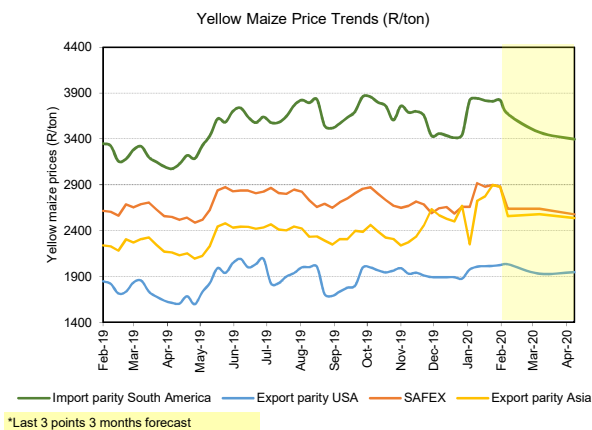
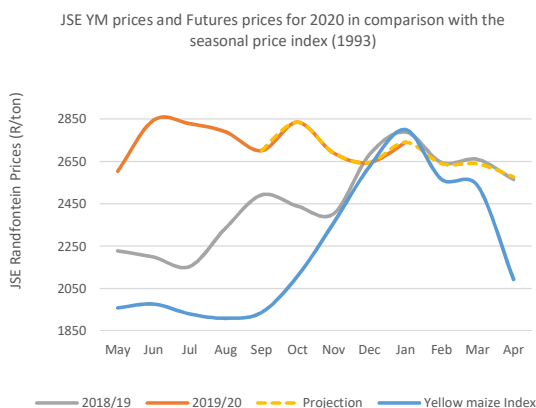
The spot price of white maize and yellow maize both decreased by 4.9% week on week. The CEC's latest report indicated that South African commercial farmers are intending to plant 2.535 million hectares for the 2019/2020 production year. On the back of the recent favourable weather conditions in the summer rainfall area, the commercial maize crop is expected to be approximately 14.2 million tons on an average yield of 5.6 t/ha.

The weekly South African maize exports for the week ending the 7 February 2020 equaled 39,358 tons. The maize that was exported included 33,297 tons of white maize and 6,061 tons of yellow maize. This brings the cumulative total maize exports for the season to date to 976,279 tons.

	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	2876	2488	2340	2719	2585	2464
w/w	-4.9%	-0.6%	-1.0%	-4.9%	-0.2%	0.0%
m/m	5.8%	-5.1%	-5.9%	2.3%	-1.9%	-1.2%
y/y	6.5%	-16.0%	-18.1%	3.9%	-7.1%	-8.0%

Outlook

Uncertainties regarding the potential trade deal and the coronavirus outbreak remain as bearish factors for the commodity markets, however corn prices have recovered well despite all the uncertainties. If China can follow through on corn purchases under the "phase one" trade deal after the weekend, exports will pick up for US corn. The general maize crop production conditions in South Africa are very favourable. Weather and crop development risk (such as early frost damage and water logging) for grains and oilseeds remains minimal for now. Local prices are expected to start trailing off from March according to seasonality.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat decreased by 0.2% and the price of Soft Red Winter wheat decreased by 1.7% week on week. Current prices for HRW wheat is 3.7% lower compared to prices a year ago, while prices for Soft Red wheat is 9.1% higher year on year. Export prices for Russian wheat fell last week due to intensified competition with other main wheat exporting countries. The spreading of the coronavirus and the uncertainty of its impact continues to weigh on the markets. The uncertainty about the supply potential (due to poor weather conditions) among the major exporters such as Russia, Australia and Argentina lend some support to export prices.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.90	249	230	776.20
w/w	0.3%	-1.7%	-0.2%	776.20
m/m	3.5%	-3.0%	-3.1%	776.20
y/y	7.2%	9.1%	-3.7%	490.70

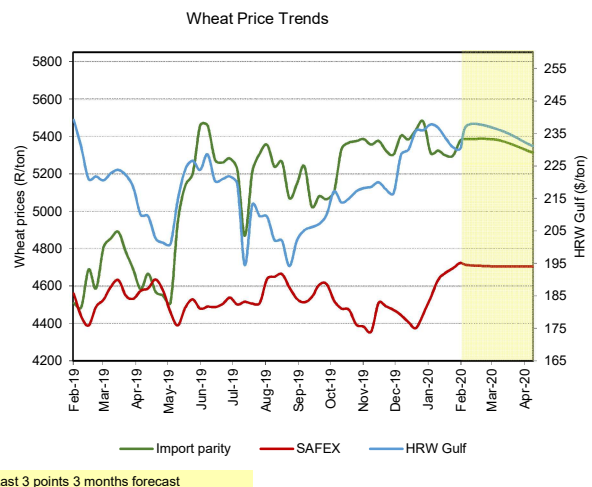
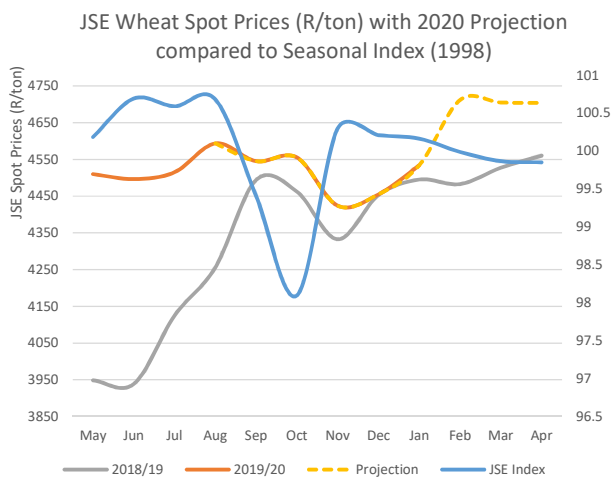
Local wheat market

Prices in the domestic wheat market traded mixed this week. The wheat spot price increased by 0.6% week on week, however the nearest contract month declined by 0.7% week on week. The weekly South African wheat imports for the week ending the 31 January shows that 82,385 tons of wheat was imported. No imports were recorded in the past week. The wheat that was imported originated from Czech Republic and Lithuania. This brings the cumulative wheat imports for the season to date at 537,812 tons. According to Santam Agri's latest weather update, the winter rainfall area is likely to have a late start to the rainfall season because summer rainfall is still expected over the next months. Domestic prices followed international wheat prices.

	JSE Spot Price (R/ton)	Jul-20	Mar-20	USA Import Parity (R/ton)
Price	4724	4755	4705	5379
w/w	0.6%	0.1%	-0.7%	1.5%
m/m	4.0%	3.5%	3.7%	1.0%
y/y	3.6%	0.8%	2.8%	6.3%

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 local wheat crop will not influence local wheat prices. Local wheat prices are expected to increase from January to February and then trade sideways from March to April.



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Soybean market trends

International soybean market

The prices of oilseeds in the US traded mixed this week. The price of US soybeans and US soya meal increased by 1.2% and 1.0% respectively week on week. The price of soya oil declined by 0.9% week on week. Export business is expected to be hindered by travel restrictions, lockdowns and logistical problems stemming from the coronavirus in China. A potential bumper soybean crop in Brazil and a very weak Brazilian currency is making Brazil more competitive in the global market. However, China is now forced to turn to the US for near term soybean shipments due to logistical issues at the Brazilian ports. China announced on Tuesday (18 Feb 2020) that it will allow importers to apply for exemptions to additional trade war tariffs on nearly 700 types of goods from the US, the list including pork, soybeans and beef. Markets were supported by the news.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.90	345.66	30.62	291.40
w/w	0.3%	1.2%	-0.9%	1.0%
m/m	3.5%	-4.8%	-8.3%	-4.4%
y/y	7.2%	0.9%	1.8%	-5.2%

Local soybean and sunflowerseed market

The soybean spot price decreased by 1.2% and the sunflowerseed spot price decreased by 2.0% week on week. The local soybean production is expected to reach about 1.5 million tons, on the back of favourable weather if an average yield of 2.01 t/ha is achieved. The South African sunflower crop is estimated to reach 727,986 tons under favourable weather conditions and if a yield of 1.32 t/ha is achieved. The nearest future contract prices (March 2020) soybeans are outperforming the March 2020 sunflower seed future contract prices with a split of more than R300/ton. Local oilseed prices followed global oilseed prices.

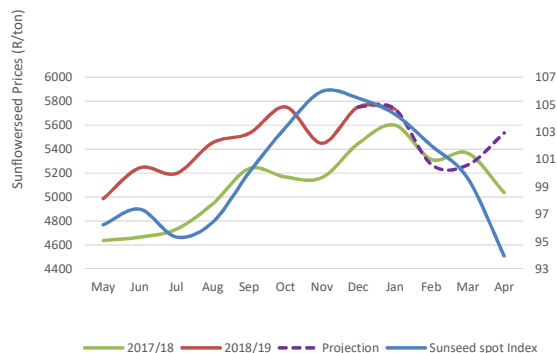
	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Spot Price (R/ton)
Price	5967	5854	113.85	5410
w/w	0.4%	-1.2%	488.3%	-2.0%
m/m	5.3%	-4.9%	528.9%	-4.2%
y/y	9.3%	22.1%	-83.2%	4.0%

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

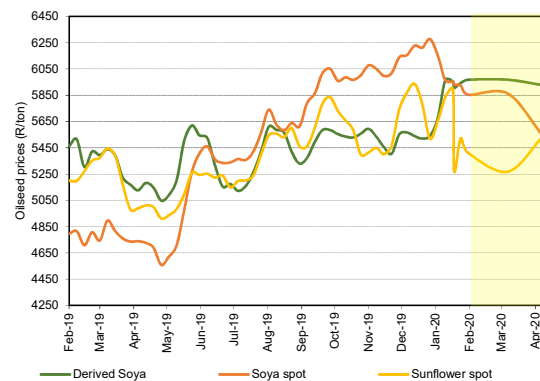
Outlook

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. Local sunflowerseed prices are expected to decrease from January, then recover from February towards March. The soybean prices is expected to trade sideways from February until March and then decline from March to April.

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) slid back by 0.6% last week to close at 1568 c/kg clean. China's buying interest has been strong over the past week, especially on the better quality and finer Merino fleece. The unexpected dominant buying from Europe has been supporting the Australian wool market for the past few sessions. The China market is heavily dependent on the textiles and fibre industry, if the travel restrictions, lockdown and curfews were to persist therefore impacting sales of wool and cotton, the Chinese economy could be severely impacted. That is why for now Chinese wool buying have still remained strong. It was fortunate for the industry that the outbreak happened during the seasonal "quiet" time over the Chinese New Year when businesses were closed. This cushioned a potential deceleration in prices locally and globally.

Local: The South African wool market closed 0.4% higher at a value of R178,06/kg (clean). Despite South Africa and Australia depending heavily on China's uptake of wool. International and local wool prices have traded surprisingly well for the past 3 weeks. Local prices have been supported by the surprise solid performance in the international market. The fires in Australia in late 2019 have caused further reductions in Australia's already small wool supply. The limited available volumes globally and superior South African wool quality supported the local wool prices.

Cotton Market

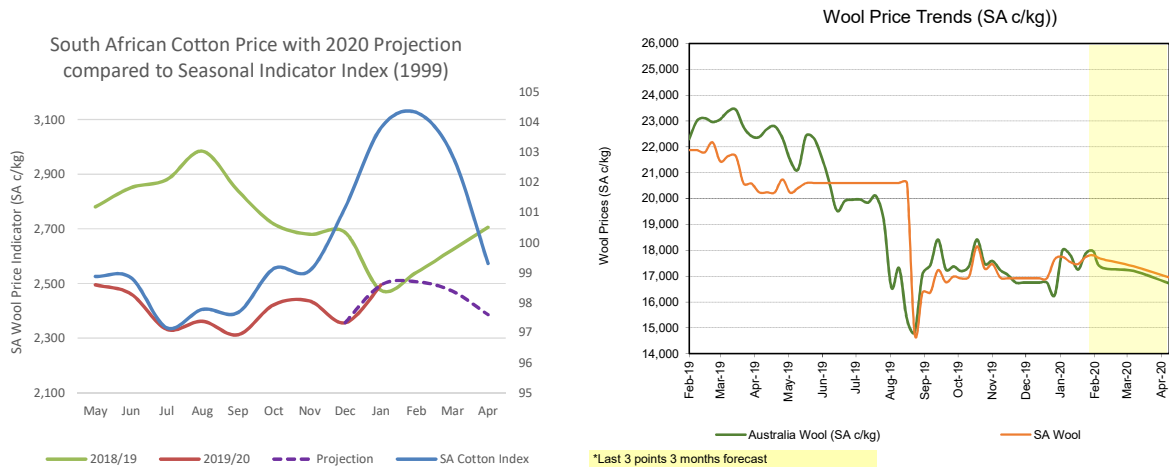
Global: The Cotton A index increased by 1.5% week on week. In January the nearest month (March 2020) cotton futures contracts have traded higher on the back of positive sentiment surrounding the trade-war after the signing of a "phase one" agreement between the US and China. However, the global cotton market has corrected itself from those recent highs, with the coronavirus outweighing the positivity about the trade deal signing. Manufacturing companies have closed their doors in China to prevent the spread of the virus, which is causing a build-up of cotton inventories. This comes at a time when cotton prices are usually strong according to seasonality.

Local: The domestic cotton prices increased by 1.8% this week, prices are 5.1% higher compared to prices a year ago. 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	10.02	17947	17806	77.70	2548
w/w	0.4%	0.4%	0.4%	1.5%	1.8%
m/m	0.8%	-0.3%	0.4%	-1.9%	1.8%
y/y	2.1%	-19.5%	-18.6%	-2.8%	5.1%

Outlook

One of the imminent setbacks will be the immediate lack of containers arriving from China. The shipment of wool relies on the movement of goods from China into Australia and then getting the wool back to China. A typical year in the Australian wool market would follow an increasing wool price pattern until Easter and then tapering off. Locally good quality fine and long merino wools continue to attract competition and buyer interest. In the short term, we could see price volatility and uncertainty that will dictate how prices will move globally and locally for both cotton and wool.



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