



Agri Trends

05 February 2020

The corona virus outbreak and subsequent uncertainty about the demand effects is pressuring agricultural markets globally.

Maize: Locally, the rainfall forecast for autumn (Feb-May) shows a higher probability of below normal rainfall over most parts of the country except the eastern parts where above normal rainfall is more likely. Higher than normal temperatures are expected for the rest of the summer and early autumn throughout the country, however, the far southwestern parts of the country is expected to receive lower than normal/minimal temperatures throughout late summer and autumn.

Wheat: The national commercial wheat production is estimated at 1,502 million ton. This production is 96,825 tons less than the previous forecast of 1,598 million ton and 20% lower than the previous season's production. The lower production was caused mainly by the very dry conditions in the main growing regions. An increase in imports is to be expected to supplement local consumption. The Western Cape where 60% of the national crop is planted, is expected to produce 633,750 tons, the Free State is expected to produce 313,600 tons and the Northern Cape 262,500 tons. The final production estimate for winter cereals for 2019 will be released on 26 February 2020.

Oilseeds: Producers managed to plant more maize, soybeans and sunflowerseed than intended in October, despite the partly severe delays due to the drought. More rainfall received in January improved general production prospects. Following last year's low soybean and sunflowerseed plantings, the area under soybean and sunflower have recovered by 4% and 7% respectively.

Fibre: The wool market traded well despite the current corona virus outbreak in China and the extended Chinese New Year, which extended the mill closures in the country. The weakening Rand and good competition for longer Merino clip supported the local wool market. 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.

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 1.1% week on week. The coronavirus situation has been bearish on the grains market due to the uncertainty regarding China adhering to its recently signed phase 1 trade deal with the US.

	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	14.64	177	6.88	3710	3457	2472
w/w	1.3%	-1.1%	n/a	-1.0%	0.3%	-1.6%
m/m	4.2%	0.8%	n/a	8.7%	9.4%	10.2%
y/y	8.3%	1.8%	-27.9%	10.5%	10.3%	6.9%

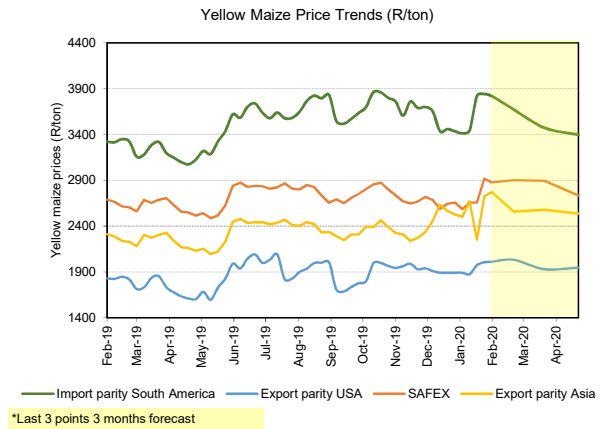
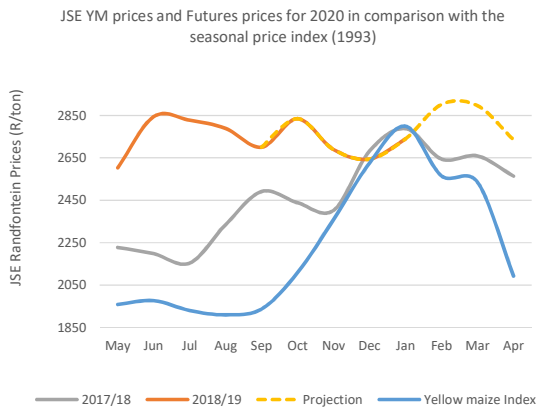
Local maize market

The spot price of white maize increased by 0.5% and the yellow maize spot price decreased by 1.3% week on week. The preliminary area estimate for commercial maize is 2,535 million hectares, which is 10,21% more than the previous season area planted of 2,300 million hectares. This is also 16 000 hectares more than the intentions to plant in October 2019. The preliminary area estimate to be planted under white maize is 1,515 million hectares, which is a 216,400 hectares (16.7%) increase compared to last season's 1,298 million hectares. The yellow maize preliminary area estimate is 1,020 million hectares, that is 18,400 hectares (1.84%) more than the 1,002 million hectares of last season. The total summer crop plantings increased by 8% compared to last season.

	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	3030	2573	2428	2879	2632	2509
w/w	0.5%	-0.5%	-0.6%	-1.3%	0.3%	0.4%
m/m	16.3%	-5.3%	-6.0%	11.4%	1.6%	2.4%
y/y	3.0%	-15.9%	-18.1%	7.0%	-6.3%	-7.1%

Outlook

US corn exports are down by 40% in Jan-Dec2019 compared to the same period a year ago. The prospective seasonal declines of shipments from Brazil and Ukraine are likely going to revive export sales of US corn in the coming months. Locally, the rainfall forecast for autumn (Feb-May) shows a higher probability of below normal rainfall over most parts of the country except the eastern parts where above normal rainfall is more likely. Higher than normal temperatures are expected for the rest of the summer and early autumn throughout the country, however, the far southwestern parts of the country is expected to receive lower than normal/minimal temperatures throughout late summer and autumn.



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 decreased by 1.4% and the price of Soft Red Winter wheat decreased by 2.1% week on week. Current prices for HRW wheat is 5.0% lower compared to prices a year ago, while prices for Soft Red wheat is 12.2% higher year on year. EU wheat prices declined this week, as investors were concerned about the economic fallout of the coronavirus outbreak in China.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.64	258	234	776.20
w/w	1.3%	-2.1%	-1.4%	776.20
m/m	4.2%	2.7%	-0.9%	1008.60
y/y	8.3%	12.2%	-5.0%	490.70

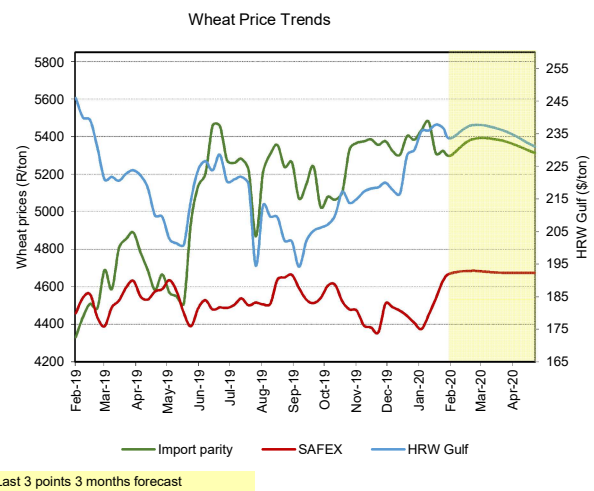
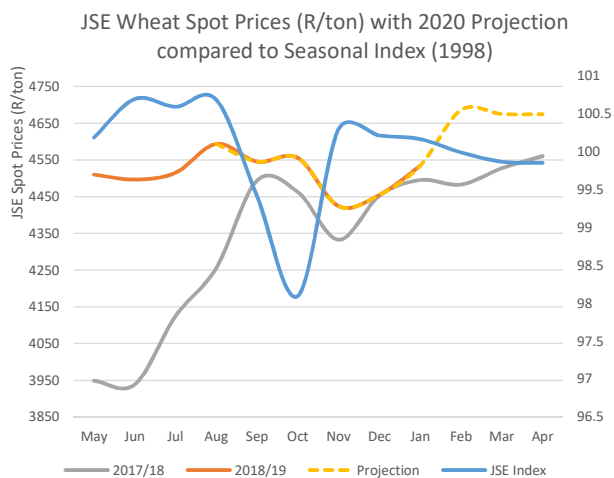
Local wheat market

Prices in the domestic wheat market traded mostly positive this week. The wheat spot price increased by 0.8% week on week. The national commercial wheat production is estimated at 1,502 million ton. This production is 96,825 tons less than the previous forecast of 1,598 million ton and 20% lower than the previous season's production. The lower production was caused mainly by the very dry conditions in the main growing regions. An increase in imports is to be expected to supplement local consumption. The Western Cape where 60% of the national crop is planted, is expected to produce 633,750 tons, the Free State is expected to produce 313,600 tons and the Northern Cape 262,500 tons. The final production estimate for winter cereals for 2019 will be released on 26 February 2020.

	JSE Spot Price (R/ton)	Jul-20	Mar-20	USA Import Parity (R/ton)
Price	4671	4710	4675	5299
w/w	0.8%	0.0%	0.5%	-0.5%
m/m	6.8%	5.5%	7.1%	-2.6%
y/y	4.8%	2.3%	4.4%	4.6%

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 pick-up 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.



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 mixed this week. The price of US soybeans decreased by 2.9% and the price of soya oil and soya meal remained unchanged week on week. The soybean market was bearish, amplified by the coronavirus outbreak. The extension of the Chinese New Year additionally slowed down business activity. Soybean futures continued on a downtrend on the CBOT and lost 4% in the week of 31 January 2020. There hasn't been large purchases of US soybean to China so far and there is a concern that the coronavirus will further delay and limit China's buying

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.64	347.24	32.84	304.00
w/w	1.3%	-2.9%	0.0%	0.0%
m/m	4.2%	-5.7%	-5.6%	1.7%
y/y	8.3%	0.5%	8.6%	-2.3%

Local soybean and sunflowerseed market

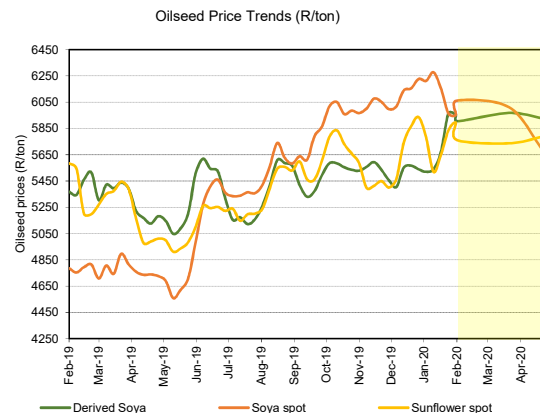
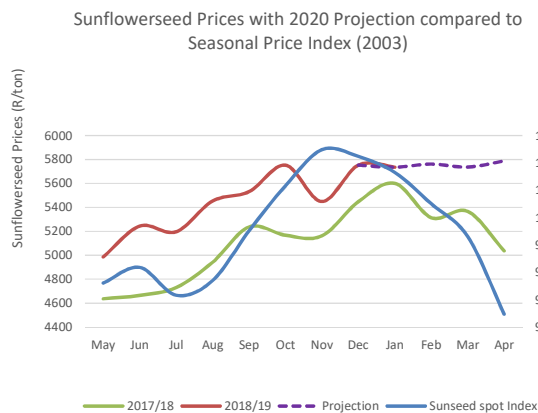
The soybean spot price decreased by 0.2% and the sunflower seed spot price increased by 1.0% week on week. Producers managed to plant more maize, soybeans and sunflowerseed than intended in October, despite the partly severe delays due to the drought. More rainfall received in January improved general production prospects. Following last year's low soybean and sunflowerseed plantings, the area under soybean and sunflower have recovered by 4% and 7% respectively.

	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	5887	5953	-66.01	5894
w/w	-2.5%	-0.2%	-215.9%	1.0%
m/m	6.9%	-4.2%	90.9%	2.0%
y/y	9.7%	24.4%	-977.4%	5.5%

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

Outlook

Sunflowerseed crushing reached a new high in Russia underpinned by last year's record crop and large product exports. Large Argentinian soy oil exports may lead to a reduction in stocks and support an appreciation of soy oil prices. Soybean crop prospects in South America are favourable. The Argentine soybean area turned out lower than expected but good rains in January supported yield prospects. There is a probable drier weather pattern shaping up in South America in the near term that warrants some monitoring. Local soybean prices are expected to decrease from March, while sunflowerseed prices are expected to trade sideways from February according to seasonality.



*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

The Australian wool auctions started weak due to the concerns of the corona virus outbreak in China. The long weekend in Australia and the extension of the Chinese New Year caused a slowdown in business activity. Buyers are getting less confident about getting orders from China. The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) lost 1.8% this week to close at 1548 c/kg clean. Next week has 36,000 bales scheduled for auction.

Local: The South African wool market closed 0.5% lower at a value of R174.63/kg (clean). The wool market traded well despite the current corona virus outbreak in China and the extended Chinese New Year, which extended the mill closures in the country. The weakening Rand and good competition for longer Merino clip supported the local wool market. The next sale is scheduled for 6 February 2020 with +/- 6,427 bales on offer.

Cotton Market

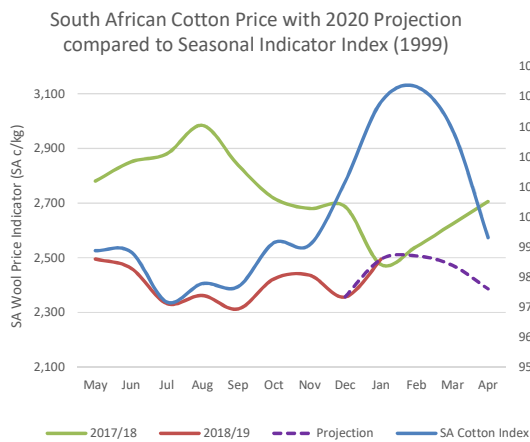
USA: The Cotton A index decreased by 1.3% week on week. Cotton prices fell amid the corona virus outbreak in China. With China being one of the largest consumers, slower demand driven by the closure of mills during the extended Lunar New Year also weighed on prices.

Local: The domestic cotton prices remained unchanged this week, prices are 2.4% 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. 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.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.86	17253	17463	79.15	2550
w/w	0.2%	-3.2%	-0.5%	-1.3%	0.0%
m/m	-1.4%	3.0%	3.2%	1.3%	5.6%
y/y	0.8%	-20.9%	-18.8%	-5.5%	2.4%

Outlook

Volatility in the market is creating uncertainty about future cotton price movements. The global cotton forecast indicates lower production and beginning stocks. Global cotton production is lowered again for India, Pakistan, Australia, and Turkey. The global cotton consumption is largely unchanged with higher consumption in Uzbekistan offsetting lower consumption in Bangladesh and Vietnam. Global trade is down with lower imports in China, Vietnam, and Bangladesh coupled with lower exports for Australia, India, and Uzbekistan. 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.