



Agri Trends: Grains and Oilseed Report

Grains prices remain supported by demand amid Covid-19 trade uncertainties.

Maize: Although it is very early, there are indications for the development of a La Nina event in the summer of 2020/2021. This can imply that above average rainfall may occur over most of the Summer Rainfall Area from about November/December 2020. La Nina usually favour rainfall towards the central to western parts of the country with about average rainfall over the eastern parts of the country. It is highly probable that the central to western parts of South Africa will enter a wetter cycle for the next years.

According to reports, earlier this week, the OPEC region ended the war with a commitment to cut its output by 23%, however, Saudi Arabia launched another price war, offering discounts to key markets. If current market conditions persist to the end of April, petrol prices could drop by between R1.81 and R1.89 per litre, while diesel could drop by between R1.14 and R1.17 p/l in May. The grain industry is approaching harvest season, and a fuel price drop will bode very well for the industry.

Wheat: According to some industry players in the Western Cape, South Africa needs to supplement the current wheat stocks with imports since the local Western Cape wheat supplies are almost diminished. Prices in the domestic wheat market traded higher this week supported by higher global prices due to export restrictions. SA is a net importer of wheat. The uncertainty of major wheat exporting countries possibly restricting exports will have a negative effect on our economy. Russia was one of the leading suppliers; however, their government have considerable slowed down the issuing of phytosanitary certificates required to clear cargoes in an attempt to restrict some exports. This may cause some supply uncertainties into South Africa especially if other wheat exporting regions also follow suit.

Weather: The summer season was characterized by average to above average rainfall of most of the central parts of the country. For a place like Bothaville in the northwest Free State, more than 720mm was recorded for the season, which is about 20% above the long-term average. It was about the same for Coligny in Northwest Province that recorded about 740mm that is about 150mm more than the long-term average rainfall. Most of the rain in the central parts occurred from the second part of December that coincided with the active and important growing season of summer crops. Less rain was measured in the Eastern Free State and parts of Mpumalanga where a dry spell from the first part of February until the second part of March caused drought damage to the summer crop.

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Maize Market Trends

International Maize Market

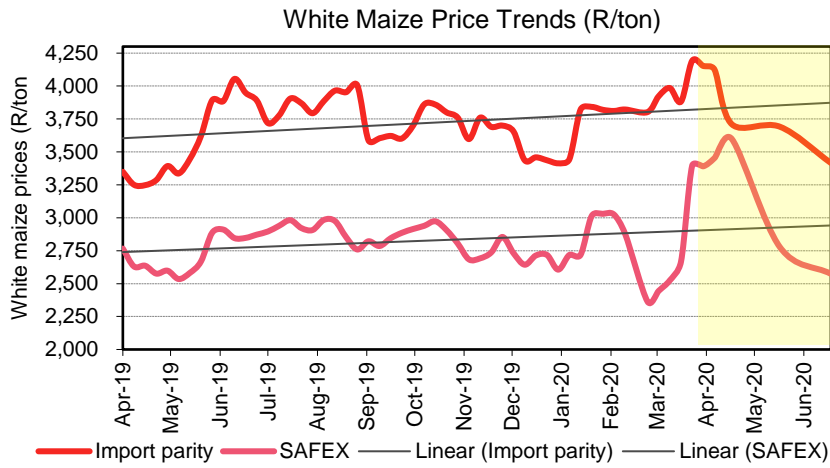
US Kansas yellow corn prices decreased by 1.0% week on week. The weakness in the market has slowed ethanol production in the US, which placed downward pressure on prices. US maize prices remained under pressure with the continuous spreading of the coronavirus weighing on global markets.

	R/US\$	US Yellow Corn (US\$/ton)	Kansas White Corn Premium (US\$/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	Asia YM Export Parity Randfontein (R/ton)
Price	18.27	161	Not quoted	3922	3927	2407
w/w	0.7%	-1.0%	n/a	-1.1%	-0.3%	0.8%
m/m	12.9%	-7.0%	n/a	-2.2%	9.0%	13.0%
y/y	30.4%	-2.8%	n/a	20.6%	35.2%	10.8%

Local Maize Market

The spot price of white maize and yellow maize both increased by 1.9% and 0.7% week on week. The South African new crop July maize prices did come under some pressure last week despite the weakened local currency. Despite the uncertainty around the economic effects of the Covid-19 on the agricultural sector and overall local economy, this year promises to be a good summer crop production year for South Africa. The data release by the Crop Estimates Committee (CEC) show that South Africa's 2019/20 entire summer crops production could increase by a further 1.83% to 17.1 million tons from the previous estimate of 16.8 million tons. The 2019/20 season's maize, soybeans and sunflower seed crop production is estimated at 14.8 million tons, 1.3 million tons, and 731,210 tons respectively. That is an increase of 1.7%, 2.11% and 4.5% respectively compared with the first CEC estimate released in February 2020. This is the second estimate for the season, with seven more to follow, if the estimated commercial maize crop materialises, this could be the second largest maize crop harvested on record after the 2016/17 bumper maize crop of 16.7 million tons. The increase in production was underpinned by favourable weather conditions, which supported an expansion in area planted and improvements in yields.

	JSE Spot Price, Randfontein (R/ton)	White Maize Jul-20 (R/ton)	White Maize May-20 (R/ton)	JSE Spot Price, Randfontein (R/ton)	Yellow Maize Jul-20 (R/ton)	Yellow Maize May-20 (R/ton)
Price	3453	2729	2777	2814	2862	2741
w/w	1.9%	-2.8%	-2.5%	0.7%	-2.9%	-2.6%
m/m	36.8%	9.5%	11.6%	10.9%	9.6%	9.8%
y/y	31.3%	-3.1%	5.8%	10.0%	5.8%	6.7%



*Last 3 points 3 months forecast

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. In South Africa, although it is very early, there are indications for the development of a La Nina event in the summer of 2020/2021. This can imply that above average rainfall may occur over most of the Summer Rainfall Area from about November/December 2020. La Nina usually favour rainfall towards the central to western parts of the country with about average rainfall over the eastern parts of the country. It is highly probable that the central to western parts of South Africa will enter a wetter cycle for the next years.

According to Reuters earlier this week, the OPEC region ended the war with a commitment to cut its output by 23%, however, Saudi Arabia launched another price war, offering discounts to key markets. If current market conditions persist to the end of April, petrol prices could drop by between R1.81 and R1.89 per litre, while diesel could drop by between R1.14 and R1.17 per litre. The grain industry is approaching harvest season, and a fuel price drop will bode very well for the industry.

Local prices are expected to start trade higher in April and slightly taper off from May onwards.

Wheat Market Trends

International Wheat Meat Market

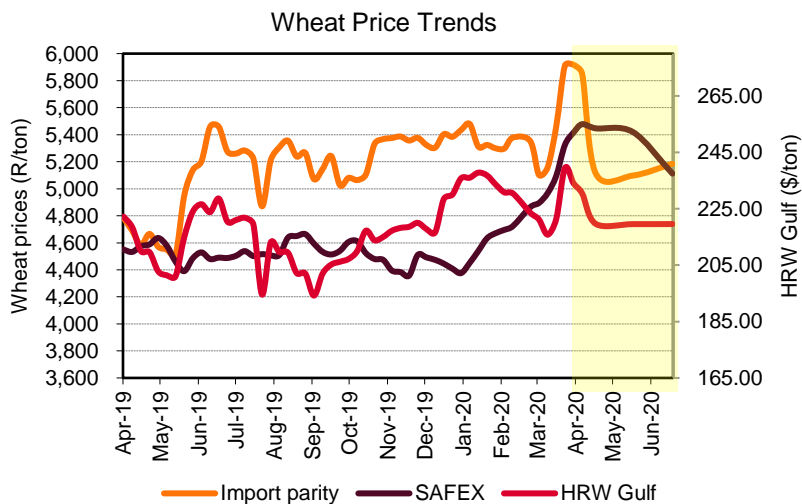
The price of Hard Red Winter wheat decreased by 1.5 % and the price of Soft Red Winter wheat decreased by 1.5% week on week. Current prices for HRW wheat is 5.5% lower compared to prices a year ago, while prices for Soft Red wheat is 16.3% higher year on year. The spreading of the coronavirus and the uncertainty of its impact continues to weigh on the markets. The US wheat prices came under some pressure in the past week due to the ongoing weakness in the global markets as a result of the coronavirus.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	18.27	241	230	516.60
w/w	0.7%	-1.5%	-1.5%	516.60
m/m	13.6%	2.7%	6.8%	516.60
y/y	30.4%	16.3%	5.5%	490.70

Local Wheat Meat Market

Prices in the domestic wheat market traded higher this week. The wheat spot price increased by 1.2% week on week, however the nearest contract month (May-20) declined by 2.6% week on week. According to some industry players in the Western Cape, South Africa needs to supplement the current wheat stocks with imports since the local Western Cape wheat supplies are almost diminished. By 3 April 2020, South Africa had imported 42% of the intended wheat for the 2019/20 season, while the country is still 6-7 months away from harvesting new crop. Russia was one of the leading suppliers, however their government have considerably slowed down the issuing of phytosanitary certificates required to clear cargoes in an attempt to restrict some exports. This may cause some supply uncertainties into South Africa especially if other wheat exporting regions also follow suit.

	JSE Spot Price (R/ton)	Jul-20 (R/ton)	May-20 (R/ton)	USA Import Parity (R/ton)
Price	5478	5391	5420	5849
w/w	1.2%	-2.7%	-2.6%	-1.1%
m/m	6.6%	8.5%	9.5%	13.4%
y/y	20.9%	17.2%	18.8%	24.1%



*Last 3 points 3 months forecast

Outlook

Some major wheat exporting countries have placed export bans, which supported the bullish trend seen in wheat in the past trading sessions. However, there are still large supplies of wheat in the global market. South Africa is a net importer of wheat therefore local wheat prices follow international wheat price swings. Local wheat prices are expected trade sideways from April to June. Although it is too early, the winter rainfall area outlook is less positive with a best-case scenario of about average rainfall, especially in the June to August part with drier conditions again in September 2020. Western Cape producers are expected to start planting some feed crops (barley, lupine and canola) next week.

Oilseed Market Trends

International Oilseed Market

The prices of oilseeds in the US traded mixed this week. The price of US soybeans and US soya meal decreased by 2.3% and 2.8% respectively week on week. The price of soya oil increased by 2.5% week on week. So far in April most vegetable oil prices increased, while soymeal prices remain under pressure. Soy meal prices came under pressure as the export delay concerns started easing from South America. South American soybean crushing is expected to be higher than expected in April, which added a bearish tone to prices. Soy oil prices have been struggling due to reduced biodiesel usage in Argentina, Brazil and Europe. Russia has decided to restrict exports of sunflower seed between April 12 and Jun 30. Prices rallied owing to stiff competition among the importing countries.

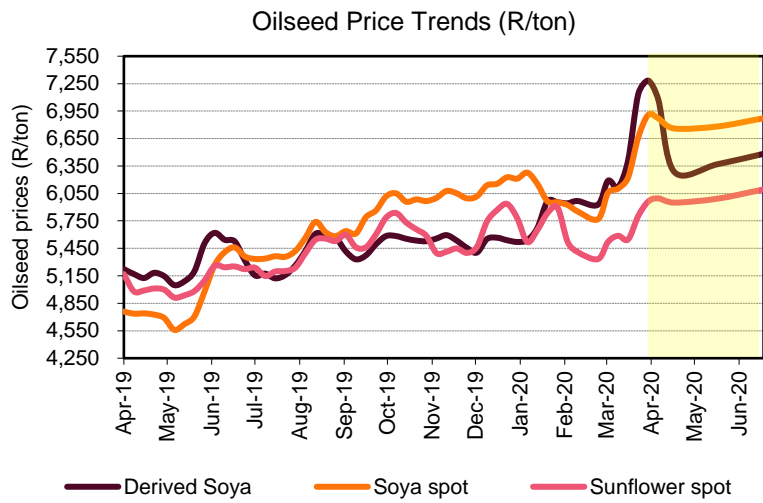
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	18.27	334.03	27.28	298.52
w/w	0.7%	-2.3%	2.5%	-2.8%
m/m	13.6%	-1.5%	1.5%	-2.2%
y/y	30.4%	-1.7%	-5.9%	-3.3%

Local Oilseed Market

The soybean spot price decreased marginally by 0.6% and the sunflowerseed spot price increased by 0.6% week on week. The 2019/20 season's maize, soybeans and sunflower seed crop production is estimated at 14.8 million tons, 1.3 million tons, and 731,210 tons respectively. That is an increase of 1.7%, 2.11% and 4.5% respectively compared with the February CEC estimate. The summer season was characterized by average to above average rainfall of most of the central parts of the country. For a place like Bothaville in the northwest Free State, more than 720mm was recorded for the season that is about 20% above the long-term average. It was about the same for Coligny in Northwest Province that recorded about 740mm that is about 150mm more than the long-term average rainfall. Most of the rain in the central parts occurred from the second part of December that coincided with the active and important growing season of summer crops. Less rain was measured in the Eastern Free State and parts of Mpumalanga where a dry spell from the first part of February until the second part of March caused drought damage to the summer crop. Frankfort in the northeastern Free State recorded about 500mm for the season, which is about 150mm less than the long-term average. Standerton in Mpumalanga measured about 750mm for the season, which is equal to the long-term average, but the distribution over time was poor with very little rain in the crucial part of the growing season in February and first part of March.

	Derived soybean price (R/ton)*	JSE Soybean Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Sunflowerseed Spot Price (R/ton)
Price	7070	6870	200.48	5996
w/w	-2.9%	-0.6%	-46.4%	0.6%
m/m	15.6%	12.6%	-92.1%	7.3%
y/y	36.8%	45.0%	-53.7%	20.4%

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



*Last 3 points 3 months forecast

Outlook

Soybean crushers in southern China have begun to receive beans again from South America, easing a supply shortage in the world's top market. Chinese soybean imports are set to increase significantly in April. Soybean production in Brazil is turning out lower than expected. It is expected that about 50% of the soybean crop in Rio Grande do Sul may be lost. This bodes well for soybean prices in April. Local sunflowerseed and soybean prices are expected to trade higher from April onwards according to seasonality.

