



Retail and Business Bank
Sector Economics
Agribusiness
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Agri Trends: Grains and Oilseed Report

Domestic maize prices supported amid ongoing quality concerns

Maize: US Kansas yellow corn prices increased 0.6% week on week, while the premium for white corn (compared to yellow corn) decreased 13.3% since the previous week. The spot price of white maize and yellow maize rose 1.7% and 1.8%, respectively, week on week. Futures prices for white and yellow maize also found support compared to last week, likely due to ongoing quality issues, such as high moisture content or damaged kernels.

Wheat: The price of Hard Red Winter wheat was up 0.5%, while the price of Soft Red Winter wheat decreased 2.9% week on week. The current prices of Hard Red Winter wheat is 4.3% higher than the price a year ago, while the price for Soft Red wheat is 23.6% higher year on year. Prices in the domestic wheat market were lower this week. The wheat spot price declined 1.9% week on week, as local wheat prices were relatively higher, despite the current market conditions.

Oilseeds: The price of US soybean and US soya meal rose 0.5% and 0.9%, respectively, week on week, while the price of soya oil decreased 0.2%. Ongoing weather concerns in South America could result in reduced soybean production in the region. The spot price of soybean and sunflower seed increased 0.8% and 1.3%, respectively, week on week. The soybean crushing margin is still poor, although better than the crushing margin reported a month ago.

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Agri Trends

Maize Market Trends

International Maize Market

US Kansas yellow corn prices increased 0.6% week on week, while the premium for white corn (compared to yellow corn) decreased 13.3% since the previous week. The import parity price of white corn from the US and yellow corn from Argentina increased 1.9% and 2.9%, respectively, week on week. The United States Department of Agriculture (USDA) released its latest World Agricultural Supply and Demand Estimates (WASDE) report on 12 August 2020. The report indicated lower beginning stocks for the 2020/21 US marketing year, implying that the corn ending stocks of the 2019/20 US marketing year were lower than initially estimated.

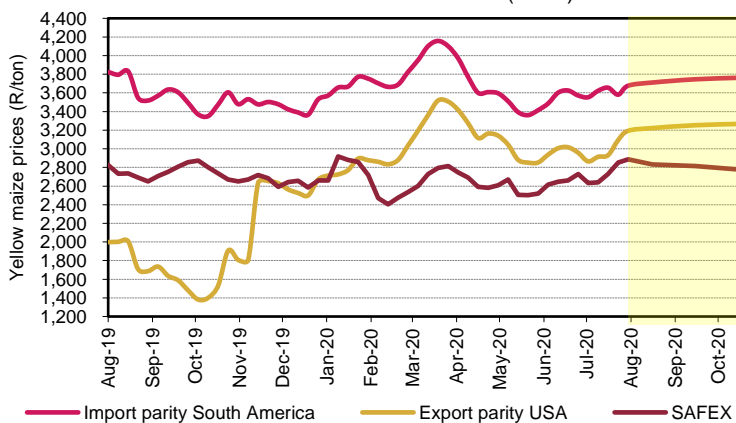
	R/USD	US Yellow Corn (USD/ton)	Kansas White Corn Premium (USD/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	Asia YM Export Parity Randfontein (R/ton)
Price	17.55	164.00	9.65	4,094.18	3,684.05	2,497.44
w/w	1.0%	0.6%	-13.3%	1.9%	2.9%	1.4%
m/m	4.9%	-1.6%	-6.2%	3.8%	10.2%	11.4%
y/y	14.7%	-2.4%	263.0%	3.2%	2.4%	3.1%

Local Maize Market

The spot price of white maize and yellow maize increased 1.7% and 1.8%, respectively, week on week. Futures prices of white and yellow maize also found support compared to last week, likely due to ongoing quality issues, such as high moisture content or damaged kernels. To secure good quality maize, larger premiums are driving future prices closer to import parity, despite the large local maize crop estimate.

	JSE WM Spot Price, Randfontein (R/ton)	White Maize Sep-20 (R/ton)	White Maize Dec-20 (R/ton)	JSE YM Spot Price, Randfontein (R/ton)	Yellow Maize Sep-20 (R/ton)	Yellow Maize Dec-20 (R/ton)
Price	2,841.00	2,883.00	2,959.00	2,887.60	2,921.00	3,005.00
w/w	1.7%	2.3%	2.1%	1.2%	1.8%	1.9%
m/m	11.5%	10.9%	10.4%	9.7%	8.5%	8.4%
y/y	-4.5%	-2.5%	-2.9%	2.2%	4.1%	4.1%

Yellow Maize Price Trends (R/ton)



*Last 3 points 3 months forecast

Outlook

US corn prices are expected to decline in the next three months due to an anticipated increase in production for the 2020/21 US marketing year based on the USDA's WASDE report released on 12 August 2020.

As local prices move closer to import parity levels, some price resistance is expected to develop. A possible increase in the delivery of maize could put a cap on premiums, which may cause futures prices to decline over the next three months.

Wheat Market Trends

International Wheat Market

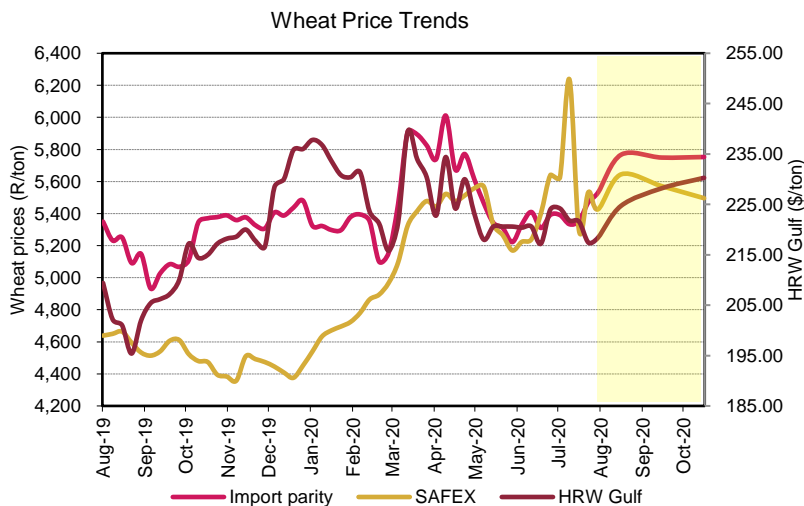
The price of Hard Red Winter wheat increased 0.5%, while the price of Soft Red Winter wheat decreased 2.9% week on week. The current price of Hard Red Winter wheat is 4.3% higher than the price a year ago, while the price of Soft Red wheat is 23.6% higher year on year. The current published import tariff is R516.60; however, a new tariff of R832.07 was triggered on 24 March 2020, which is yet to be published.

	R/USD	Soft Red Gulf (USD/ton)	Hard Red Gulf (USD/ton)	Published Import Tariff (R/ton)
Price	17.55	225.40	218.40	516.60
w/w	1.0%	-2.9%	0.5%	516.60
m/m	4.9%	-3.6%	-2.6%	516.60
y/y	14.7%	23.6%	4.3%	958.00

Local Wheat Market

Prices in the domestic wheat market traded lower this week. The spot price of wheat decreased 1.9% week on week, as local wheat prices were relatively higher, despite the current market conditions. Futures prices for old season wheat (Sep 2020) declined 24%, while that for new season wheat (Dec 2020) fell 33.8% from the previous week. Prices were higher than a year ago.

	JSE Spot Price (R/ton)	Dec-20 (R/ton)	Sep-20 (R/ton)	USA Import Parity (R/ton)
Price	5427	4899	5589	5531
w/w	-1.9%	-33.8%	-24.0%	1.1%
m/m	-3.5%	1.3%	7.7%	2.6%
y/y	17.0%	6.5%	20.8%	3.4%



*Last 3 points 3 months forecast

Outlook

The USDA’s WASDE report did not show any significant changes to its estimates for wheat crop of the 2020/21 US marketing year. International prices are expected to remain relatively stable.

Domestic wheat prices are expected to trade slightly lower over the next three months. Higher import tariff has already been factored into futures prices and is not expected to have any major impact once published.

Oilseed Market Trends

International Oilseed Market

The price of US soybean and US soya meal increased 0.5% and 0.9%, respectively, week on week, while the price of soya oil decreased 0.2%. Ongoing weather concerns in South America could result in reduced soybean production in the region. The global trade of soybean has been increasing steeply over recent months. China specifically has remarkably increased its imports of soybean to accommodate high crushing volumes.

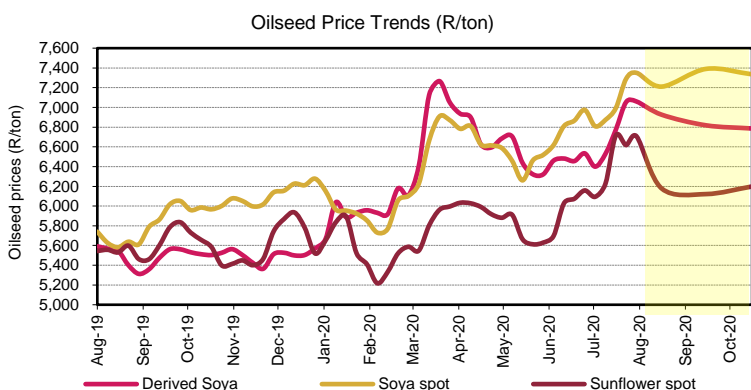
	R/USD	Soybean Gulf (USD/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya Meal (USD/ton)
price	17.55	354.68	31.48	285.24
w/w	1.0%	0.5%	-0.2%	0.9%
m/m	4.9%	2.0%	9.0%	0.0%
y/y	14.7%	5.4%	7.7%	-2.9%

Local Oilseed Market

The spot price of soybean and sunflower seed rose 0.8% and 1.3%, respectively, week on week. The soybean crushing margin is still poor, although better than the crushing margin reported a month ago. Despite relatively poor crushing margins for soybean, it may not be viable to switch over to sunflower seed crushing, therefore demand for soybean remains intact, despite prices moving closer to import parity levels.

	Derived Soybean Price (R/ton)*	JSE Soybean Spot Price (R/ton)	Crushing Margin Before Tax (R/ton)	JSE Sunflower Seed Spot Price (R/ton)
Price	7059.28	7349.40	-290.12	6706.20
w/w	0.1%	0.8%	-22.9%	1.3%
m/m	10.3%	7.9%	29.2%	10.1%
y/y	26.2%	28.0%	-95.9%	21.0%

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



*Last 3 points 3 months forecast

Outlook

International soybean prices are expected to increase if the poor weather conditions in South America continue to prevail. However, should the weather conditions improve, international oilseed prices may decline, due to increased global production of soybean estimated by the USDA in its WASDE report.

Domestic soybean prices are expected to decline in the short term.