



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

CEC to release second production estimate for winter crops

Maize: US Kansas yellow corn prices increased 1.4% week-on-week, while the premium for white corn (compared with yellow corn) increased 10% from the previous week's premium of USD9.84/ton. The domestic spot price of white maize and yellow maize increased 4.7% and 4.4%, respectively, week-on-week. Local maize prices were supported by the increase in internal corn prices.

Wheat: The price of Soft Red Winter wheat increased 0.2%, while the price of Hard Red Winter wheat increased 0.6%, week-on-week. The domestic spot price of wheat increased 1.8% week-on-week. The Crop Estimates Committee (CEC) will release its second production forecast for winter crops on 29 September 2020. The first production forecast indicated an estimated 1.96 million tons of wheat production for the 2020/21 season.

Oilseeds: The price of US soybean and soya meal increased 1.0% and 3.8%, respectively, week-on-week. However, the price of US soya oil declined by 4.1% from last week. Record US soybean volumes are booked for shipment to China. Soya meal prices are likely to increase globally on the back of declining soybean processing in Argentina and the supply tightness in Brazil.

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Maize Market Trends

International Maize Market

US Kansas yellow corn prices increased 1.4% week-on-week, while the premium for white corn (compared with yellow corn) increased 10% from the previous week's premium of USD9.84/ton. The premium for white corn was 189.52% higher than a year ago, when white corn traded at a USD3.74/ton premium to yellow corn. The import parity price of white corn from the US and yellow corn from Argentina was up 3.7% and 3.5%, respectively, week-on-week.

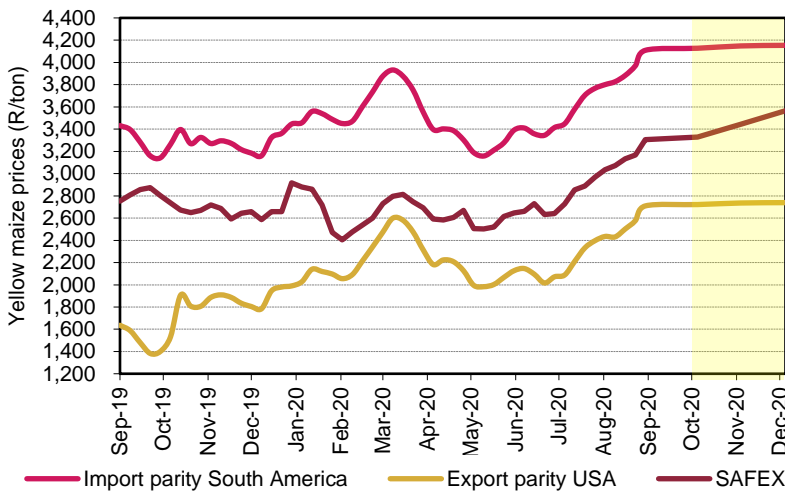
	R/USD	US Yellow Corn (USD/ton)	Kansas White Corn Premium (USD/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	USA YM Export Parity Randfontein (R/ton)
Price	16.82	194.25	10.83	4,529.05	4,109.22	2,709.72
w/w	2.4%	1.4%	10.0%	3.7%	3.5%	5.2%
m/m	-1.1%	12.4%	22.2%	9.9%	8.1%	11.3%
y/y	12.1%	17.9%	189.5%	25.7%	19.7%	65.7%

Local Maize Market

The spot price of white maize and yellow maize increased 4.7% and 4.4%, respectively, week-on-week. Futures prices of white and yellow maize also increased compared with last week. The spot price of white maize and yellow maize was higher 18.6% and 20.2%, respectively, than a year ago. Local maize prices were supported by the increase in local corn prices.

	JSE WM Spot Price, Randfontein (R/ton)	White Maize Oct-20 (R/ton)	White Maize Mar-21 (R/ton)	JSE YM Spot Price, Randfontein (R/ton)	Yellow Maize Oct-20 (R/ton)	Yellow Maize Mar-21 (R/ton)
Price	3,423.20	3,494.00	3,430.00	3,306.40	3,350.00	3,348.00
w/w	4.7%	6.9%	6.6%	4.4%	4.7%	5.3%
m/m	12.1%	16.0%	12.4%	8.9%	10.7%	9.3%
y/y	18.6%	N/A	17.5%	20.2%	N/A	21.6%

Yellow Maize Price Trends (R/ton)



*Last 3 points 3 months forecast

Outlook

US corn prices are expected to rise in the short to medium term following the reduced production forecasts in the USDA World Agricultural Supply and Demand Estimates (WASDE) report released on 11 September 2020.

Local maize prices may receive some additional support from the increasing international corn prices. Seasonality indicates an expected increase in domestic maize prices over the next three months.

Wheat Market Trends

International Wheat Market

The price of Soft Red Winter wheat increased 0.2%, while the price of Hard Red Winter wheat increased 0.6%, week-on-week. The current price of Hard Red Winter wheat is 21.3% higher than the price a year ago, while the price of Soft Red Winter wheat is 17.7% higher. A new import tariff of R544.21/ton was triggered on 22 September 2020.

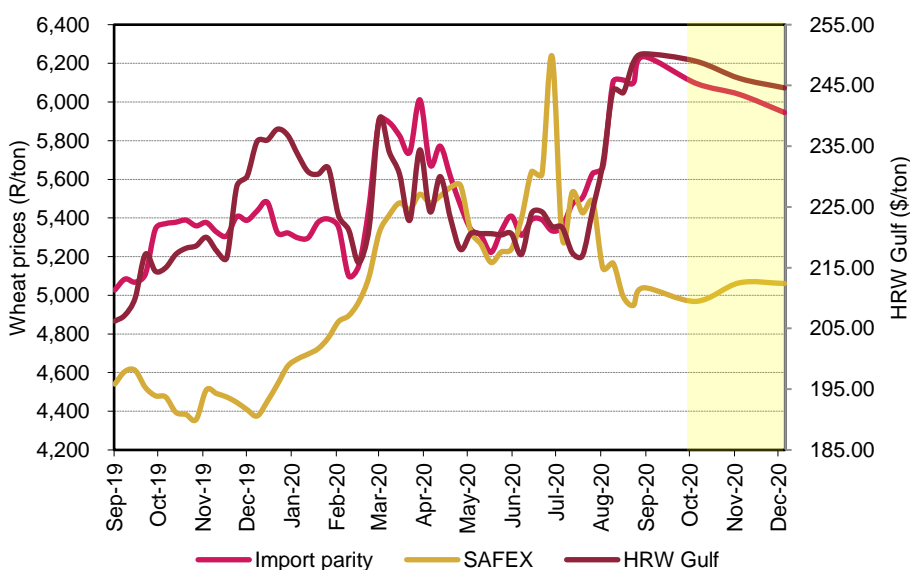
	R/USD	Soft Red Winter Gulf (USD/ton)	Hard Red Winter Gulf (USD/ton)	Published Import Tariff (R/ton)
Price	16.82	250.80	250.20	832.10
w/w	2.4%	0.2%	0.6%	832.10
m/m	-1.1%	4.5%	7.8%	516.60
y/y	12.1%	17.7%	21.3%	664.70

Local Wheat Market

The spot price of wheat increased 1.8% week-on-week. The September futures contract finished trading on 22 September while the October futures contract started trading on 3 September. Futures prices for old season wheat (Oct 2020) increased 3.2% from a week ago, while that for new season wheat (March 2021) rose 1.3% from the previous week. Prices were higher than a year ago. The Crop Estimates Committee (CEC) will release its second production forecast for winter crops on 29 September 2020. The first production forecast indicated an estimated 1.96 million tons of wheat production for the 2020/21 season. The CEC is likely to keep its estimates roughly unchanged from the August release. Rainfall in the Western Cape has been favourable and the winter crops in the province are in good shape.

	JSE Spot Price (R/ton)	Mar-21 (R/ton)	Oct-20 (R/ton)	USA Import Parity (R/ton)
Price	5038.80	5034.00	5080.00	6234.20
w/w	1.8%	1.3%	3.2%	2.2%
m/m	-2.0%	1.5%	N/A	10.1%
y/y	11.0%	8.4%	N/A	24.0%

Wheat Price Trends



*Last 3 points 3 months forecast

Outlook

Both international and domestic wheat prices are expected to remain relatively stable in the short term.

As South Africa is a net importer of wheat, domestic wheat prices would be expected to trade in line with the rand/US dollar exchange rate movements.

Oilseed Market Trends

International Oilseed Market

The price of US soybean and soya meal increased 1.0% and 3.8%, respectively, week-on-week. However, the price of US soya oil declined by 4.1% compared with last week. US soybean export capacity may become a concern in the coming months, as there record volumes of US soybean exports are booked for shipment to China. Soya meal prices are likely to increase globally on the back of declining soybean processing in Argentina and the supply tightness in Brazil. A risk premium is becoming justified due to large soybean production uncertainties in South America, delayed planting in Brazil due to the lack of rainfall and Argentina’s crop next year may be reduced to only 46-47 million tons due to exchange rate woes, export taxes and a detrimental weather.

	R/USD	Soybean Gulf (USD/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya Meal (USD/ton)
price	16.82	401.86	33.17	336.70
w/w	2.4%	1.0%	-4.1%	3.8%
m/m	-1.1%	9.0%	2.0%	14.6%
y/y	12.1%	20.9%	14.3%	15.0%

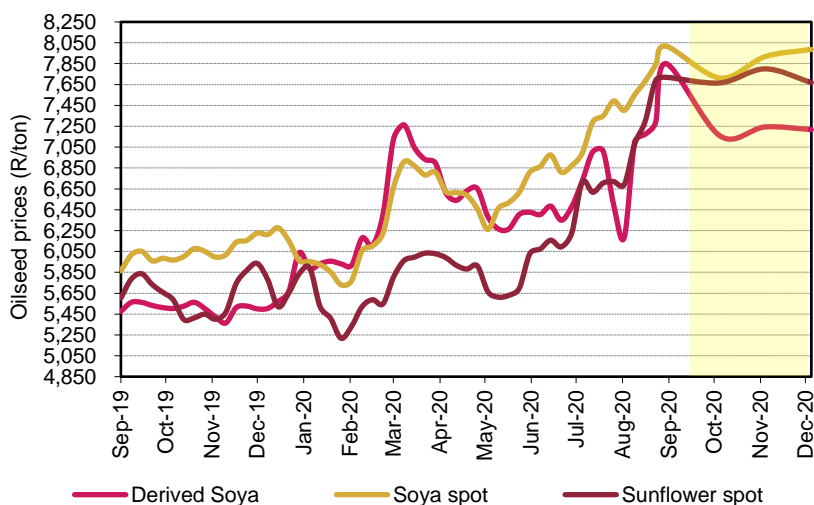
Local Oilseed Market

The spot price of soybean and sunflower seed increased 2.3% and 0.4%, respectively, week-on-week. The soybean spot price and the sunflower seed spot price is 36.7% and 37.8% higher, respectively, compared with prices a year ago. Although the soybean crushing margin is still poor, the margin has improved 69.7% from the –R551.13/ton margin last week. The current crushing margin is a 56.9% improvement compared with a year ago when the margin was –R387.99/ton.

	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	7850.55	8017.60	-167.05	7719.40
w/w	7.7%	2.3%	69.7%	0.4%
m/m	27.0%	8.3%	86.3%	15.4%
y/y	43.3%	36.7%	56.9%	37.8%

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

Oilseed Price Trends (R/ton)



*Last 3 points 3 months forecast

Outlook

International soybean and soya meal prices are expected to increase in the short term due to the uncertainties regarding the South American soybean production.

Domestic soybean prices are expected to receive some support from increasing international prices; however, they are likely to remain relatively stable at current levels in the short term.