



Retail and Business Bank
Sector Economics
Agribusiness
20 November 2020



Agri Trends: Grains and Oilseed Report

Rainfall bodes well for summer crop production

Maize: US Kansas yellow corn prices increased 2.7% week-on-week for the week ended 20 November 2020. Import parity prices of white corn from the US were down 0.2% and yellow corn from Argentina were up 0.5%, respectively, week-on-week. In the local market, the spot prices of both white and yellow maize increased 0.3% week-on-week. Good rainfall over parts of South Africa in the last two weeks has resulted in planting difficulties for farmers in some areas due to the wet conditions.

Wheat: The price of Soft Red Winter wheat decreased 0.4% week-on-week but was up 16.9% year-on-year, while Hard Red Winter wheat price was up 0.1% week-on-week and 25.8% year-on-year. In the local market, the spot price of wheat decreased 1.1% week-on-week. A new import tariff of R102.69/ton was triggered on 20 October 2020; however, the R544.21 tariff that was triggered on 15 September 2020 has not yet been published.

Oilseeds: US soybean prices increased 1.8% week-on-week, while US soya oil and soya meal prices increased 4.4% and 1.1%, respectively. Ongoing dry weather conditions in South America could add to the bullishness in the soybean and oilseed products markets. Global dependence on soya oil and meal is increasing this season due to a shift from sunflower oil and insufficient supplies of other commodities. The domestic oilseed market was supported by rising prices in the international market this week. Spot prices of soybean and sunflower seed increased 0.2% and 2.2% week-on-week and 44.3% and 58.6% year-on-year, respectively.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Paige Bowen
+27 66 288 9429
Paige.Bowen@absa.africa

www.absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Accessor

Maize Market Trends

International Maize Market

US Kansas yellow corn prices increased 2.7% week-on-week for the week ended 20 November 2020, while the premium for white corn (over yellow corn) at USD10.83/ton was 26.7% lower than the previous week's premium of USD14.76/ton. Import parity prices of white corn from the US were down 0.2% and yellow corn from Argentina were up 0.5%, respectively, week-on-week. Continued poor weather conditions in South America and the high Chinese demand for US corn have supported US corn prices.

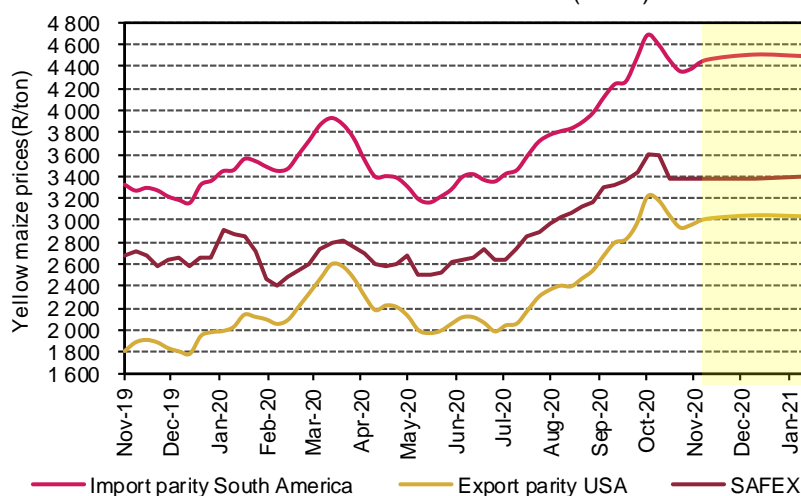
	R/USD	US Yellow Corn (USD/ton)	Kansas White Corn Premium (USD/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	USA YM Export Parity Randfontein (R/ton)
Price	15.42	226.25	10.83	4 722.36	4 379.99	2 957.24
w/w	-0.9%	2.7%	-26.7%	-0.2%	0.5%	0.8%
m/m	-5.8%	-0.4%	5.8%	-6.0%	-6.6%	-8.1%
y/y	4.7%	32.6%	N/A	33.6%	31.7%	63.6%

Local Maize Market

The spot prices of both white and yellow maize increased 0.3% week-on-week. White and yellow maize spot prices were up 26.2% and 26.4% year-on-year, respectively. The yellow maize spot price is trading closer to the export parity price. Futures prices for white and yellow maize for the December 2020 and March 2021 contracts decreased week-on-week. Good rainfall over parts of South Africa in the last two weeks has resulted in planting difficulties for farmers in some areas due to the wet conditions; however, the good weather does bode well for production.

	JSE WM Spot Price, Randfontein (R/ton)	White Maize Dec-20 (R/ton)	White Maize Mar-21 (R/ton)	JSE YM Spot Price, Randfontein (R/ton)	Yellow Maize Dec-20 (R/ton)	Yellow Maize Mar-21 (R/ton)
Price	3 455.00	3 415.00	3 418.00	3 382.80	3 383.00	3 388.00
w/w	0.3%	-2.7%	-1.9%	0.3%	-1.4%	-0.5%
m/m	-8.1%	-9.4%	-7.5%	-6.1%	-7.4%	-6.0%
y/y	26.2%	25.7%	25.5%	26.7%	26.4%	26.4%

Yellow Maize Price Trends (R/ton)



*Last 3 points 3 months forecast

Outlook

International corn prices are likely to remain strong in the short term if the ongoing weather concerns in South America persist.

Local maize prices are likely to continue to track international corn prices.

All data in this document is the intellectual property of Absa Bank. 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 Soft Red Winter wheat decreased 0.4% week-on-week but was up 16.9% year-on-year, while Hard Red Winter wheat price was up 0.1% week-on-week and 25.8% year-on-year. The USDA reported lower than expected wheat export sales of 7.1 million bushels; China was the largest buyer with 4.6 million bushels.

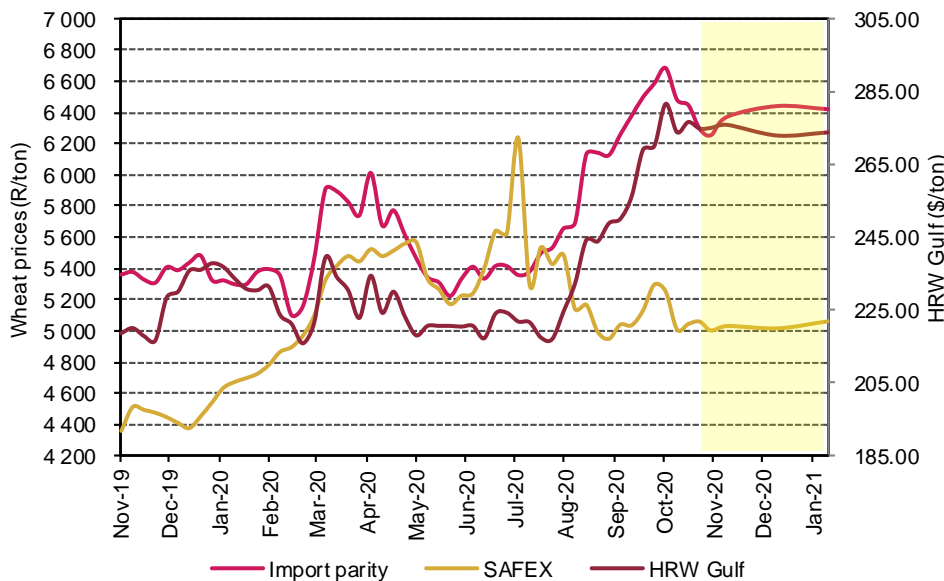
	R/USD	Soft Red Winter Gulf (USD/ton)	Hard Red Winter Gulf (USD/ton)	Published Import Tariff (R/ton)
Price	15.42	268.00	275.00	832.10
w/w	-0.9%	-0.4%	0.1%	832.10
m/m	-5.8%	-4.5%	-2.3%	832.10
y/y	4.7%	16.9%	25.8%	1008.60

Local Wheat Market

The spot price of wheat decreased 1.1% week-on-week. Futures prices for old season (December 2020) and new season wheat (March 2021) decreased 2.3% and 1.7%, respectively, from a week ago. Prices were higher than a year ago. A new import tariff of R102.69/ton was triggered on 20 October 2020; however, the R544.21 tariff that was triggered on 15 September 2020 has not yet been published.

	JSE Spot Price (R/ton)	Mar-21 (R/ton)	Dec-20 (R/ton)	USA Import Parity (R/ton)
Price	5001.00	5060.00	4953.00	6253.56
w/w	-1.1%	-1.7%	-2.3%	-0.6%
m/m	-4.8%	-3.1%	-3.4%	-6.4%
y/y	14.8%	12.4%	10.8%	16.7%

Wheat Price Trends



*Last 3 points 3 months forecast

Outlook

Both international and domestic wheat prices should remain relatively stable in the short term.

As South Africa is a net importer of wheat, domestic wheat prices will likely track the rand/US dollar exchange rate movements.

Oilseed Market Trends

International Oilseed Market

US soybean prices increased 1.8% week-on-week, while US soya oil and soya meal prices increased 4.4% and 1.1%, respectively. Ongoing dry weather conditions in South America could add to the bullishness in the soybean and oilseed products markets. South American crop losses may lead to increased dependence on US soybeans. China's strong demand for soybeans continues as it rebuilds its hog herd. Global dependence on soya oil and meal is increasing this season due to a shift from sunflower oil and insufficient supplies of other commodities. World consumption of soya oil is expected to increase by 2.7 million tons compared to last year.

	R/USD	Soybean Gulf (USD/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya Meal (USD/ton)
Price	15.42	450.85	38.17	393.68
w/w	-0.9%	1.8%	4.4%	1.1%
m/m	-5.8%	6.7%	14.4%	4.0%
y/y	4.7%	29.0%	23.8%	31.2%

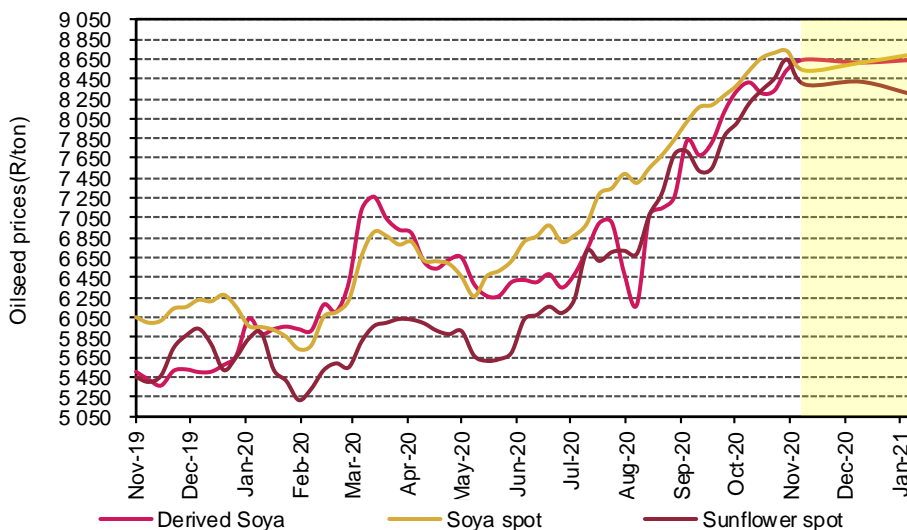
Local Oilseed Market

The domestic oilseed market was supported by rising prices in the international market this week. Spot prices of soybean and sunflower seed increased 0.2% and 2.2% week-on-week and 44.3% and 58.6% year-on-year, respectively. Although still negative, the soybean crushing margin increased 50.1% from last week (-R377.95/ton) and is 65.6% up versus a year ago (-R548.15/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	8540.51	8729.20	-188.69	8644.40
w/w	2.5%	0.2%	50.1%	2.2%
m/m	2.5%	4.1%	-240.7%	8.0%
y/y	55.2%	44.3%	65.6%	58.6%

*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 could rise in the short term due to the uncertainties around soybean production in South America and the strong demand from China.

Domestic soybean prices are expected to receive some support from increasing international prices.