



Retail and Business Bank  
Sector Economics  
Agribusiness  
1 February 2021



## Agri Trends: Grains and Oilseed Report

# Global fundamentals are providing support for local prices

**Maize:** Global corn prices are receiving support from strong global demand, limited stocks and selected supply constraints. We expect that these factors will continue to provide global and local price support over the coming months.

**Wheat:** Global wheat prices traded sideways as a result of record production levels combined with strong demand. Locally, the record 2020/21 harvest is likely to make a significant contribution to Agricultural GDP for the fourth quarter of 2020.

**Oilseeds:** Local oilseed prices are tracking global prices to higher levels. High soybean prices, apparent since Q4 2020, have increased the area under soybeans in South Africa by 14.3% for the new season.

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We are implementing some changes to our Agri Trends Reports in order to improve your user experience and generate the insights in a shorter time for more timely reporting. If you have any feedback please do not hesitate to send it to [Marlene.Louw@absa.africa](mailto:Marlene.Louw@absa.africa)

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## Maize Market Trends

### International Maize Market

US Kansas yellow corn prices increased 8.5% week-on-week for the week ended 29 January 2021, while the premium for white corn (over yellow corn) at USD15.75/ton was 14.3% higher than the previous week. Import parity prices of white corn from the US were up 0.7% and yellow corn from Argentina were up 0.1%, respectively, week-on-week. Low global stocks, short global supply associated with La Nina, and strong demand pull from China are providing international price support. Bullish international prices are expected until May/June when the bulk of the Southern hemisphere grain harvest will become available.

	R/USD	US Yellow Corn (USD/ton)	Kansas White Corn (USD/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	USA YM Export Parity Randfontein (R/ton)
Price	15.14	209.44	225.19	5 147.24	4 859	3 124
w/w	0.5%	8.5%	8.9%	0.7%	0.1%	0.2%
m/m	3.1%	18.8%	12.4%	15.3%	3.2%	6.4%
y/y	3.8%	36.7%	40.7%	38.7%	40.6%	54.1%

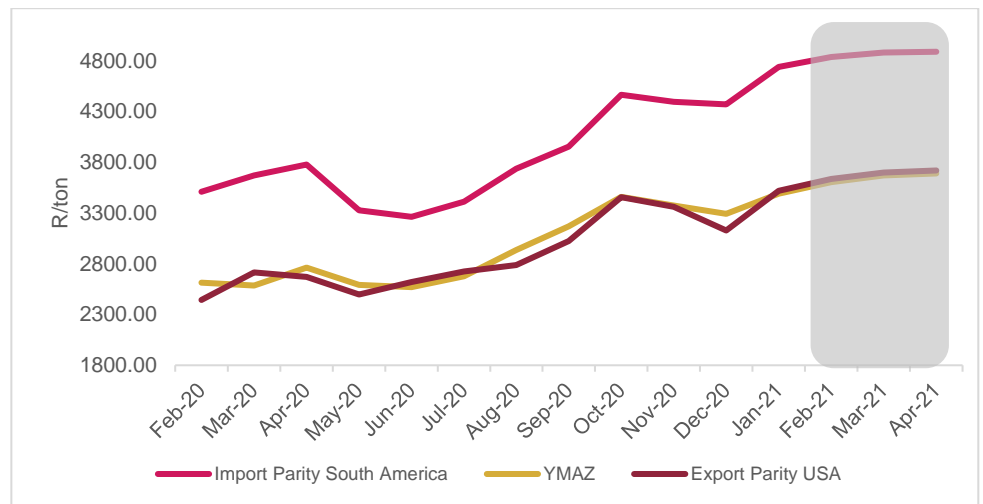
### Local Maize Market

The spot prices of white and yellow maize decreased marginally by -0.03% and -0.02%, respectively, week-on-week. White and yellow maize spot prices were up 9.4% and 20.1% year-on-year, respectively. Last week, the Crop Estimates Committee reported on the area planted to summer grains, which indicated an increase compared with the intentions to plant reported last year. This, combined with exchange rates that seem to have stabilised after strengthening significantly in December and early January, likely caused w-o-w prices to trade sideways.

	JSE WM Spot Price, Randfontein (R/ton)	White Maize Mar-21 (R/ton)	White Maize Jul-21 (R/ton)	JSE YM Spot Price, Randfontein (R/ton)	Yellow Maize Mar-21 (R/ton)	Yellow Maize Jul-21 (R/ton)
Price	3 401	3 344	3 123	3 462	3 433	3 271
w/w	-0.03%	-0.8%	0.1%	-0.02%	-0.3%	1.6%
m/m	4.5%	5.0%	11.1%	8.2%	8.6%	13.5%
y/y	9.4%	27.8%	19.0%	20.1%	30.2%	25.9%

### Outlook

As mentioned earlier, world prices are likely to remain elevated due to strong demand and restricted supply. Local maize prices are expected to follow this trend and receive further support from a weaker rand. The possibility of an exchange rate depreciation provides significant upside risk to the projections above, with the fiscal strategy presented in the National budget speech at the end of the month providing a key indicator of what this trajectory could look like over the coming months.



**Figure 1: Yellow maize prices and price projections**

\*Section in grey represents Absa Agribusiness Forecast

## Wheat Market Trends

### International Wheat Market

The prices of Soft Red Winter wheat decreased by 0.3% week-on week, whereas the prices of Hard Red Winter Wheat increased by 1.4%, week-on-week. Compared with the previous year, current prices of Soft Red Winter wheat and Hard Red Winter wheat are 15.5% and 28.3% higher, respectively. The International Grains Council (IGC) estimates record global production levels of 768 million tons for the 2020/21 marketing season. This, combined with strong demand and export restrictions from key exporters, has caused prices to trade sideways w-o-w.

	R/USD	Soft Red Winter Gulf (USD/ton)	Hard Red Winter Gulf (USD/ton)
Price	15.14	291.00	295
w/w	0.5%	-0.3%	1.4%
m/m	3.1%	5.8%	6.9%
y/y	3.8%	15.5%	28.3%

### Local Wheat Market

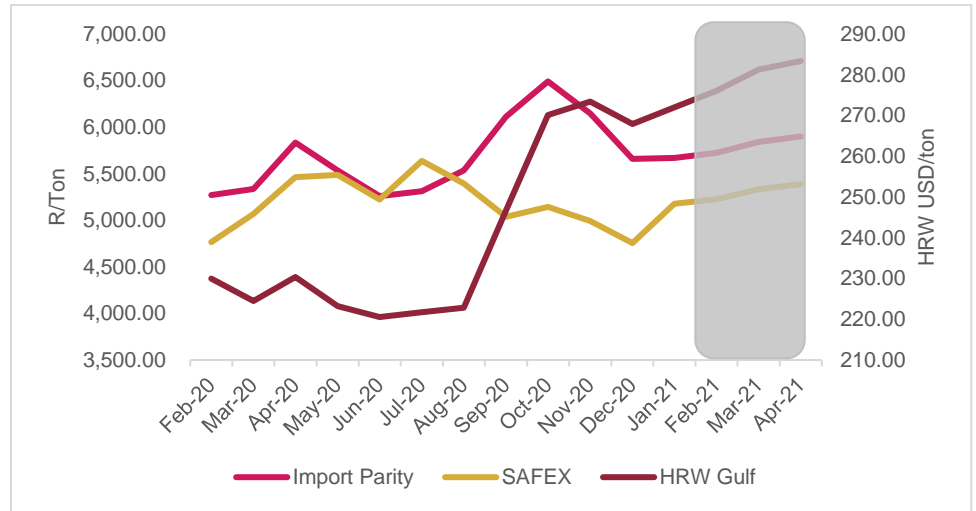
The spot price of wheat increased 1.0% week-on-week. Futures prices for March 2021 contracts increased 1.3% from a week ago and 6.7% from a month ago. Prices were also substantially higher than a year ago. With the Crop Estimates Committee projecting 2.1 million tons of production for the 2020/21 season, the wheat subsector is likely to show significant value growth and make a strong contribution to agricultural GDP.

	JSE Spot Price (R/ton)	Mar-21 (R/ton)	USA Import Parity (R/ton)
Price	5 267	5 306	6 384
w/w	1.0%	1.3%	1.3%
m/m	8.04%	6.7%	8.9%
y/y	12.4%	-	16.5%

### Outlook

As South Africa is a net importer of wheat, domestic wheat prices will likely track the rand/US dollar exchange rate movements. As the rand is expected to depreciate throughout 2021 due

to structural issues mentioned above, the price projections shown below has significant upside potential.



**Figure: International and SAFEX Wheat Price Projections**

\*Section in grey represents Absa Agribusiness Forecast

## Oilseed Market Trends

### International Oilseed Market

US soybean oil and soya meal prices decreased 1.4% and 2.5%, respectively, week-on-week. Month-on-month and year-on year prices are however still high. The relatively high price compared with a year ago can be attributed to a lower US harvest for soybeans during January and low global stock levels, as discussed in our previous Agritrends report on grains and oilseeds.

	R/USD	Soybean Gulf (USD/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya Meal (USD/ton)
Price	15.14	556.48	43.3	437.5
w/w	0.5%	4.3%	-1.4%	-2.5%
m/m	3.1%	13.9%	1.9%	2.5%
y/y	3.8%	51.2%	25.7%	52.0%

### Local Oilseed Market

Spot prices of soybean and sunflower seed increased 6.5% and 1.2% week-on-week, respectively. Compared with a year ago, spot prices of soybean are up 64.0% and of sunflower seed are up 56.8%. According to the Crop Estimates Committee, area planted to soybeans are up by 14.3%. Although this could have potentially resulted in price pressures for soybeans over the coming months, it is expected that international price support will transmit to local prices, to result in an increasing local price trend over the coming months.

	Derived Soybean Price (R/ton)*	JSE Soybean Spot Price (R/ton)	JSE Sunflower Seed Spot Price (R/ton)
Price	10 127	9 800	9 400
w/w	1.3%	6.5%	1.2%
m/m	10.9%	13.3%	7.3%
y/y	52.3%	64.0%	56.8%

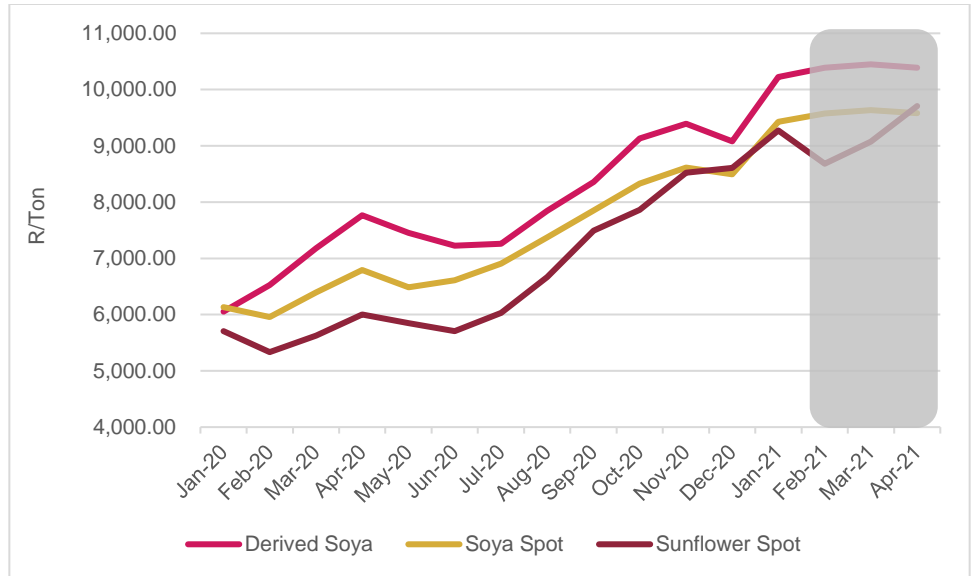
\*Derived soybean price: Calculated price based on the imported price for soybean oil and oilcake

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### Outlook

The USDA has reported lower-than-expected production of soybeans across the globe, resulting in reduced ending stocks. This, combined with strong demand for soybeans, especially from China, is likely to support international soybeans prices. In the case of sunflowers, lower production from the black sea region has affected availability, which in turn, supported global prices.

Domestic soybean prices are likely to track international prices and prices are likely to remain elevated until mid-2021 when the Southern hemisphere harvest becomes available.



**Figure: SAFEX Oilseed Price Projections**

\*Section in grey represents Absa Agribusiness Forecast