



Retail and Business Banking  
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AgriBusiness  
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## Agri Trends: Grains and Oilseed Report

# Strong rand causes prices to soften further

**Maize:** Global prices are trending higher on the back of firm global demand and weather-related concerns in the US. Locally, this is countered by a stronger rand, which resulted in yellow and white maize prices moving only marginally in terms of the levels recorded last week and last month. It is expected that local prices will trade downward, albeit at a slow rate.

**Wheat:** Global wheat prices are trending higher due to strong demand and production concerns in the Northern Hemisphere. As with maize, this is countered by the strong rand. Prices are around 10% lower compared to the corresponding period in 2020. This decrease is most probably the effect of a strong rand, combined with high local stock levels.

**Oilseeds:** Local prices of soybeans and sunflowers traded lower week on week and month on month on the back of lower export parity prices. As with the other commodities discussed here, downward pressure is because of the strong rand.

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## Maize market trends

### International maize market

CBOT near-month corn prices increased by 2.8% week on week and 6.4% month on month. This was as a result of expectations of lower plantings and adverse cold weather in the US, combined with firm global demand. The ZAR/USD exchange rate also strengthened notably in the past week. This was on the back of strong retail sales in February reported for South Africa, combined with the Federal Reserve in the US noting its commitment to low interest rates after above-target inflation in this country raised concerns about longer-term inflationary prospects.

	R/USD	Near-month CBOT corn (\$/ton)	USA YM Import parity Randfontein (R/ton)	US YM Export parity Randfontein (R/ton)	Argentina YM Import parity Randfontein (R/ton)
Price	14.27	233.60	5 065	3 208	4 750
w/w	-2.1%	2.8%	-1.9%	0.1%	-2.7%
m/m	-3.9%	6.4%	-1.2%	5.7%	-2.2%
y/y	-23.5%	84.2%	23.64%	35.3%	14.87%

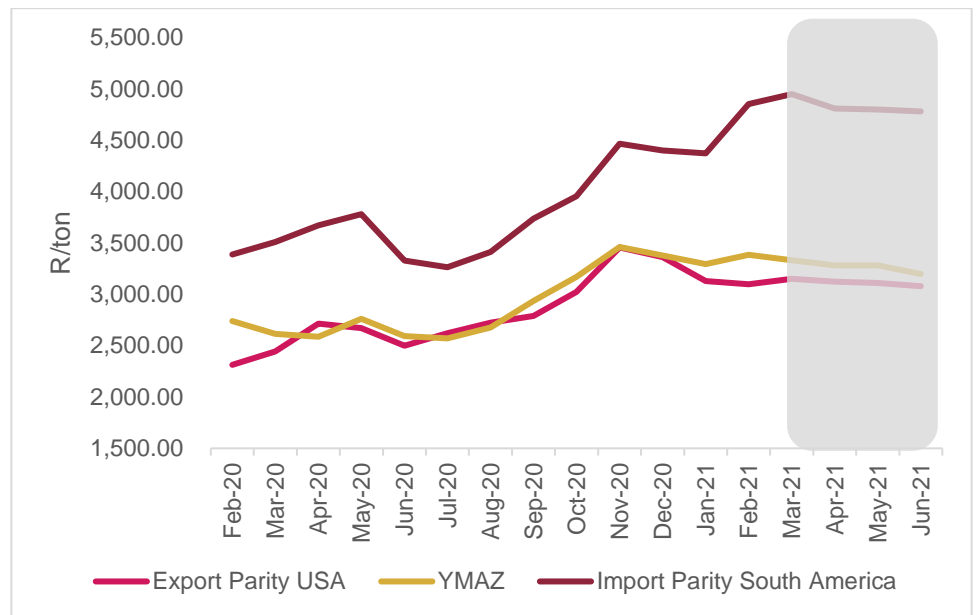
### Local maize market

Local yellow and white maize prices decreased slightly week on week and month on month. This decrease was on the back of a strengthening rand, which countered world prices trending upward. With the harvest in some areas in full swing, reports of good yields are bolstering supply expectations, which is also expected to have a negative effect on prices. US inflation announcements on 12 May will be a key indicator to watch for guidance on the direction of the exchange rate. This is expected to have a significant effect on price movements over the coming months.

	JSE WM spot price Randfontein (R/ton)	White maize May-21 (R/ton)	White maize Jul-21 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize May-21 (R/ton)	Yellow maize Jul-21 (R/ton)
Price	3 114	3 120	3 153	3 273	3 267	3 274
w/w	-0.8%	-0.2%	0.3%	-1.1%	-0.1%	0.2%
m/m	-3.1%	0.4%	3.4%	-1.5%	1.5%	3.1%
y/y	-19.5%	-	11.8%	12.4%	13.8%	13.3%

### Outlook

Our outlook for April to June 2021 remains unchanged from our projections in the Agri Trend Report of the first week of April. It shows a marginal downward trajectory for local yellow maize prices, which is supported by the current strength of the rand, combined with production figures for the current South African season. Dryer conditions in the US provide some upside risk to this. If this persists, global prices can rise even further and will filter through to local price dynamics.



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

\*Section in grey represents Absa AgriBusiness forecasts

## Wheat market trends

### International wheat market

CBOT SRW and HRW prices showed week-on-week and month-on-month increases, with SRW increasing by 3.1% since last week and HRW increasing by 4% since last week. This price increase is as a result of dryer conditions in Europe and the US, which limit wheat production prospects. Prices for both categories are also roughly 20% higher compared to a year ago. The yearly price is underpinned by a rally in feed grain prices. With the negligible price differential between corn and wheat, wheat is increasingly being used as feed in countries such as China.

	R/USD	CBOT SRW MAY 21 (USD/t)	CBOT HRW MAY 21 (USD/t)
Price	14.27	241.77	224.14
w/w	-2.1%	3.1%	4.0%
m/m	-3.9%	5.0%	4.2%
y/y	-23.5%	18.6%	22.5%

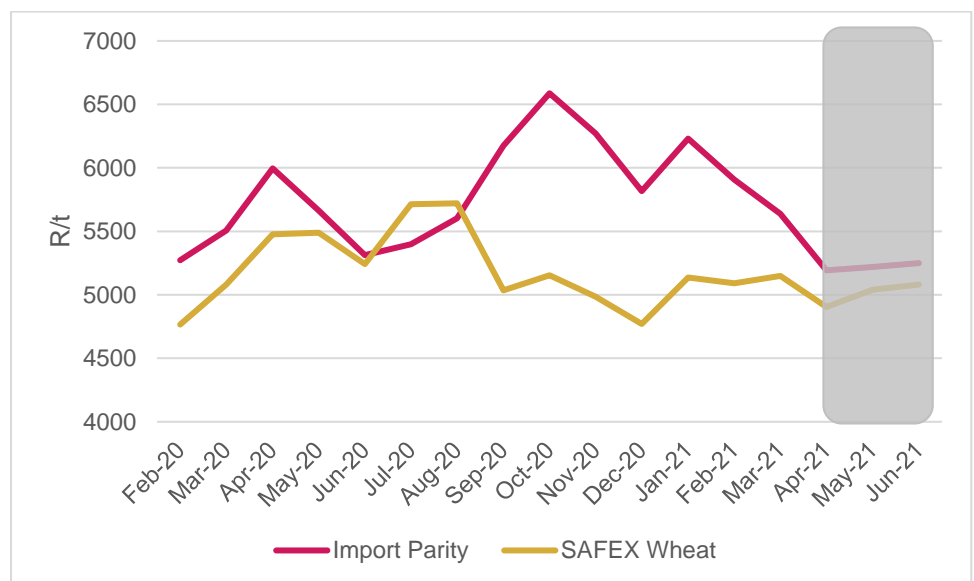
### Local wheat market

As with maize, global price increases in wheat were countered by the strengthening of the rand, which resulted in local wheat prices trading slightly lower. Prices are also around 10.4% lower compared to the corresponding period in last year. This is due to higher local stock levels because of the previous season's bumper crop. On 29 April, the Crop Estimates Committee will release the winter crop's planting intentions, which will give an indication of market movements over the coming months.

	JSE spot price (R/ton)	May-21 (R/ton)	USA import parity (R/ton)
Price	4 833	4 810	5 151.6
w/w	-0.7%	-1.2%	-0.8%
m/m	-6.5%	-7.5%	-7.9%
y/y	-10.5%	-	-14.8%

## Outlook

Our view in the previous Grains and Oilseed Agri Trend Reports was that wheat prices will trend upward, albeit marginally over the next three months. Our view is unchanged due to world prices trending upward. The effect of the strong rand is, however, causing prices to trade lower than expected. An exchange rate of substantially below R15.00 to the dollar would counter higher world prices, as it did in the weeks preceding this report, which will cause prices to trend lower.



**Figure 2: International and SAFEX wheat price projections**

\*Section in grey represents Absa AgriBusiness forecasts

## Oilseed market trends

### International oilseed market

International soybean prices traded marginally lower week on week, but was up by 18% month on month. Ahead of the new summer crop season in the US, analysts indicate that the monthly run in soybean prices is normalising the spread between corn and soybeans, which have favoured corn over the past months. If this persists, much more corn (compared to soybeans) can be planted in the new season based on more favourable prices. The market is therefore anticipating this and making a correction for soybeans. Soya oil prices were up around 8% week on week due to tight supplies.

	R/USD	Soybean CBOT May 2021 (USD/ton)	CBOT soya oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.27	504.26	56.13	402.3
w/w	-2.1%	-0.4%	7.7%	0.1%
m/m	-3.9%	18.0%	-4.8%	-0.6%
y/y	-23.5%	65.2%	96.1%	40.6%

### Local oilseed market

Local prices of soybeans and sunflowers traded lower week on week and month on month on the back of lower export parity prices. As with the other commodities discussed here, downward pressure is because of the strong rand. Shipping costs have also traded lower, which is contributing to lower export parity levels. All eyes will be on the Crop Estimates Committee's third production estimate to be released on 29 April, which will give an updated indication of the size of the crop.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9 624	6 960	8 130
w/w	-1.6%	-2.7%	-4.5%
m/m	-6.0%	-18.2%	-14.7%
y/y	22.7%	3.0%	34.7%

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

### Outlook

In our previous Agri Trends Grains Report in mid-March, we projected a negative oilseed price trajectory. Given seasonal trends, our projection remains unchanged and it is expected that prices will trend lower as the Southern Hemisphere harvest becomes available. Northern Hemisphere plantings could also influence market dynamics over the coming weeks. Here, weather in the US should be keenly watched. Drier conditions could favour increased soybean plantings, compared to maize, which will put downward pressure on soybean prices over the longer term.

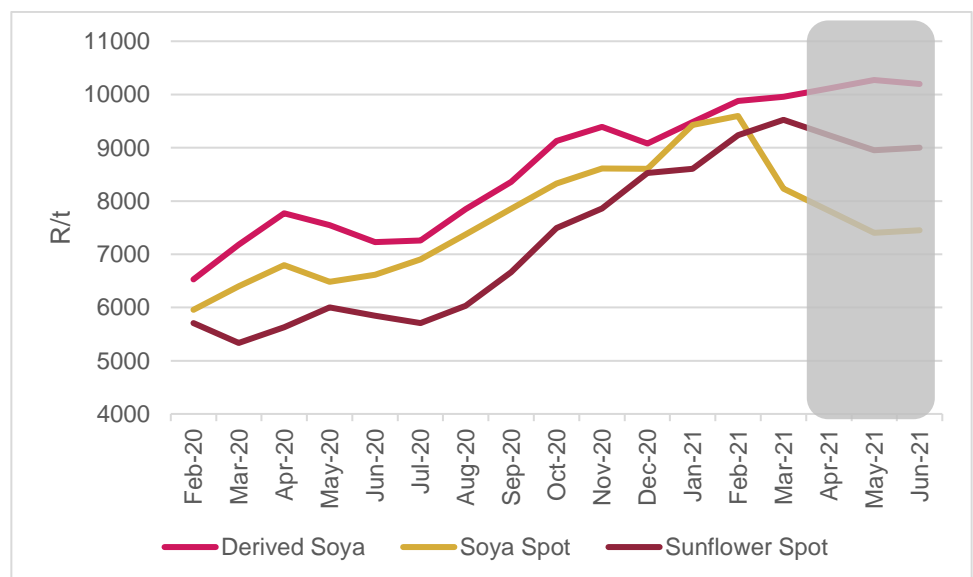


Figure 3: SAFEX oilseed price projections

\*Section in grey represents Absa AgriBusiness forecasts