



Retail and Business Banking
Sector Economics
AgriBusiness
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Agri Trends: Grains and Oilseed Report

Rand strength pushes prices down

Maize: The strength of the rand is still causing prices to trend lower. This, combined with a slight increase in production estimates, have caused month-on-month maize prices of 2.6% and 3.3% for yellow and white maize respectively. Based on currency fundamentals, it seems that this situation will be sustained over the coming months.

Wheat: Month-on-month wheat prices are down 6% on the back of a relatively strong rand and global prices trending 5.5% lower, compared to early March. Lower US prices are as a result of production conditions improving in the central plains.

Oilseeds: Local soybean prices have been on a downward trajectory since middle March on the back of a large projected local harvest and a strong rand. Global prices are finding support from a later-than-usual Brazilian harvest. It is, however, expected that world prices will trend lower as the Brazilian harvest concludes over the next few weeks.

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We are implementing some changes to our Agri Trends Reports to improve your user experience and generate the insights in a shorter time for timelier reporting. If you have any feedback, please send it to Marlene.Louw@absa.africa

Disclaimer: 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.

Maize market trends

International maize market

CBOT near-month corn prices decreased by 1.2% week on week and increased marginally by 0.7% month on month. The highly anticipated US intentions for maize planting for the coming season came in lower than anticipated. This caused prices to increase by 4.6% between 30 and 31 March. Since then, these high prices have trended downwards by 2.1%, backed by market sentiment that the abovementioned USDA report was too conservative. Sector analysts agree that producers have a high price incentive to plant and therefore question the lower-than-anticipated planting projections. In terms of parity prices, all parity prices trended lower in monthly and weekly terms due to the strength of the rand. Yearly parity prices are still substantially higher than a year ago, although the strength of the rand is countering some of the effects of substantially higher global prices.

	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	14.57	217.7	5 075	3 121	4 810
w/w	-2.2%	-1.2%	-2.4%	-0.7%	-2.7%
m/m	-5.1%	0.7%	-3.4%	-2.8%	-3.4%
y/y	-22.8%	66.7%	19.0%	27.8%	9.9%

Local maize market

Local yellow and white maize prices decreased slightly week on week, with the month-on-month decrease being more pronounced. This is driven by the strong exchange rate, with the rand trading below R15.00 to the dollar for the past week and well below levels of around R15.20 at the beginning of March. The Crop Estimates Committee released its second production projection for the season, which was recorded at just over 15.9 million tons. This is a small upward adjustment from the previous projection in February.

	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	3 115	3 067	3 066	3 281	3 208	3 194
w/w	-1.1%	-1.8%	-1.7%	1.1%	-1.0%	-1.2%
m/m	-3.6%	-3.3%	-2.4%	-2.0%	-2.6%	-2.2%
y/y	-3.8%	NA%	9.7%	17.3%	NA%	12.1%

Outlook

Our outlook for April to June 2021 shows a marginal downward trajectory for local yellow maize prices. This is supported by the current levels of the rand, combined with production figures for the current South African season and the sentiment that the coming Northern hemisphere season is higher than current official expectations. The rand is currently finding support from a strong appetite for higher yields associated with emerging markets and fundamentals signal that this could be sustained over the coming months.

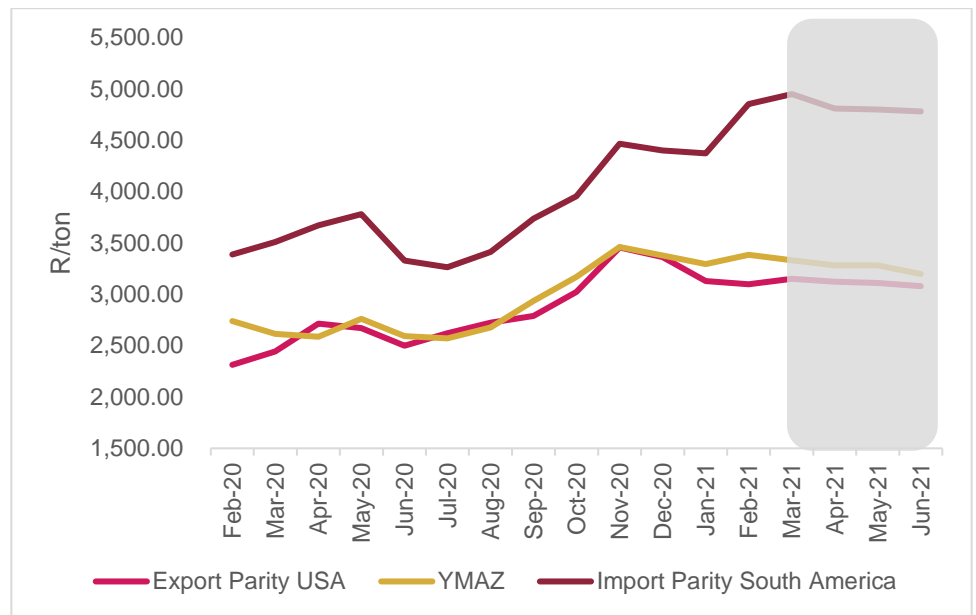


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices showed marginal week-on-week movements with soft SRW increasing 0.9% and HRW decreasing 0.4%. Month-on-month movements showed decreases of 3.4% for SRW and 5.5% for HRW. Prices are likely to come under pressure in terms of monthly movements, with the quality ratings of the current crop having improved. Prices are still substantially higher than a year ago, with the USDA projecting US stocks to decrease to their lowest levels in six years by the time the harvest of the new crop begins.

	R/USD	CBOT SRW MAY 21 (USD/t)	CBOT HRW MAY 21 (USD/t)
Price	14.57	226.6	206.7
w/w	-2.2%	0.9%	-0.4%
m/m	-5.1%	-3.4%	-5.5%
y/y	-22.8%	7.7%	14.3%

Local wheat market

Exchange rate movements are the key factor causing local prices to trend lower. Although global prices have also trended lower over the past month, low global stocks could support prices which, in turn, will provide price support locally.

	JSE spot price (R/ton)	May-21 (R/ton)	USA import parity (R/ton)
Price	4 905	4 890	5 193.8
w/w	-2.8%	-2.7%	-3.2%
m/m	-6.0%	-7.4%	-11.6%
y/y	8.7%	-	15.3%

Outlook

We expect a slightly upward trajectory over the next three months. This is supported by firm global prices on the back of low stock levels and the exchange rate trading around R15.00 to the dollar. A weaker exchange rate and/or global wheat price increases provide upside risk to parity and local prices shown in the graph below.

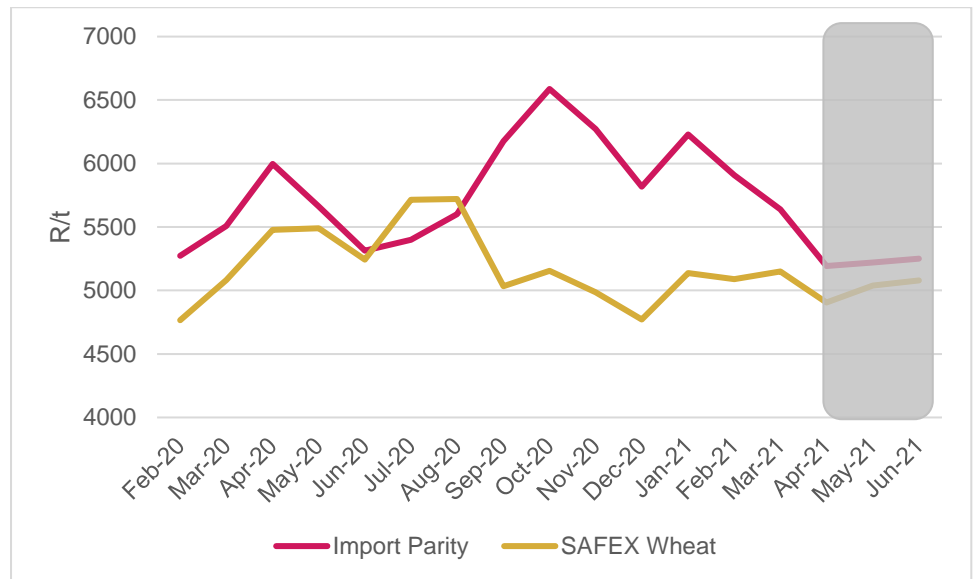


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices stayed firm on limited supply over the short term. Rain delays are causing the Brazilian harvest to be available later than anticipated, which is supporting global prices. Soya meal was up marginally by 0.3% week on week, with oil prices increasing 3.1% since last week. Soya oil is still finding price support from strong vegetable oil prices in general. Here, rapeseed oil output in the EU and palm oil output in Malaysia are under pressure. This, combined with strong demand, is expected to keep global vegetable oil prices high throughout April.

	R/USD	Soybean CBOT May 2021 (USD/ton)	CBOT soya oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.57	524.10	53.75	411.4
w/w	-2.2%	1.7%	3.1%	0.3%
m/m	-5.1%	0.8%	-5.5%	3.8%
y/y	-22.8%	65.2%	96.1%	40.6%

Local oilseed market

Local prices of soybeans traded higher week on week, supported by higher world prices. It is, however, still lower compared to early March. Since mid-March soybean prices have been on a downward trajectory. Several factors are contributing to this. The first is the strength of

the rand and the second is, the large projected soybean harvest that was adjusted upwards by the CEC on 25 March, albeit marginally.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9 783	7 412	8 922
w/w	-1.2%	3.2%	2.4%
m/m	-0.1%	-16.9%	-8.0%
y/y	22.7%	8.1%	51.2%

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

Outlook

In our Agri Trends Grains Report in mid-March we projected a sideways movement. Seasonal trends, however, suggest that as the Southern Hemisphere harvest is marketed, prices trend lower. With the Brazilian harvest later than expected, supply is currently tight providing global price support. It is, however, expected that this will decrease over the next few weeks and as a result our outlook has a negative price trajectory.

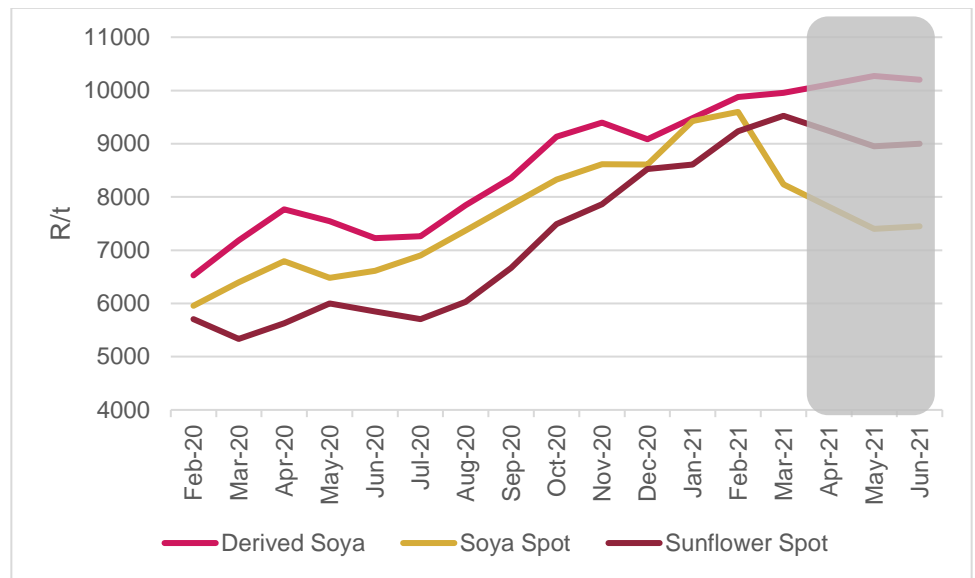


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts