



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

Firm global agricultural prices – local prices follow suit

Maize: Local maize prices decreased week on week as a result of the softening in world prices. In the week ending 7 May, global prices however surged on the back of concerns related to dry conditions in Brazil and the US. With US plantings progressing quickly in the week ending 14 May prices trended downwards from the mentioned highs experienced the week before. We expect local prices to trend slightly downward over the coming months. This is however associated with some upside risk related to production conditions in the Northern hemisphere.

Wheat: The general increase in global agricultural commodity prices was also apparent in wheat in the week ending 7 May. This is reflected in local prices which are 9% higher compared to mid-April.

Oilseeds: Similar to wheat and maize, global oilseed and derived oil seed product prices presented significant month on month increases. This is underpinned by strong demand and low stocks. Analysts however note that the decreases apparent since 12 May is a correction in an 'overbought' market. Longer term demand support is highlighted in the WASDE report which projects increased use of soybean oil as a feedstock in an expanding renewable diesel industry.

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Maize market trends

International maize market

In the week ending 7 May, CBOT near-month corn prices rallied on the back of dry conditions in Brazil in the US. In the case of Brazil, the drought is affecting the quality and yield of the crop, whilst in the US this was affecting the farmers' ability to plant. This combined with low global stock to use ratios have created the environment in which the most actively traded CBOT corn contract reach levels not seen since 2013. In the week ending 14 May, these prices eased significantly on the back of rapid planting progress in the US and speculative sell off. Significant yearly changes are however still apparent with the CBOT near-month prices trading a staggering 125% higher compared to the corresponding time in 2020. In the WASDE report released last week, the US ending stocks for 2020/21 was adjusted downward on the back of strong exports. Crop estimates in this report project new season production of just under 15 billion bushels but has associated upside and downside risk. The upside is related to the market sentiment that area estimates are too conservative, whilst the downside view that drier conditions could impact yield.

	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	14.06	283.07	5 929	3 988	5 886
w/w	-1.7%	-7.0%	0.2%	-0.1%	12.12%
m/m	-2.5%	22.8%	18.5%	28.6%	24.1%
y/y	-23.7%	125.0%	48.8%	81.0%	54.1%

Local maize market

Local yellow and white maize prices decreased by 4.6% and 4.9%, respectively. This was on the back of lower global prices and a stronger exchange rate compared to the week before. Month-on-month changes for both yellow and white maize are roughly 10% up whilst prices for yellow is 38.4% more expensive compared to a year ago.

	JSE WM spot price Randfontein (R/ton)	White maize Jul-21 (R/ton)	White maize Sep-21 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Jul-21 (R/ton)	Yellow maize Sep-21 (R/ton)
Price	3 422	3 447	3 502	3 586	3 607	3 502
w/w	-4.9%	-5.2%	-5.1%	-4.6%	-4.9%	-5.1%
m/m	9.8%	9.6%	9.4%	9.3%	10.5%	9.4%
y/y	15.9%	32.6%	-	38.4%	34.5%	-

Outlook

Our outlook for May to July 2021 shows a slight downward trajectory for local maize prices as we enter the harvesting season. This conforms to historical season trends. There is however some upside to this. Firstly, if significant supply shock in the US manifests due to a drought global prices could pull local prices up. The second is the levels of the Rand. Here significant inflationary pressure in the US could result in the Rand depreciating which could fuel local price pressure. Analysts however seem to agree that the Rand is likely to remain strong due to South African trade surplus data and commodity prices that are currently high.

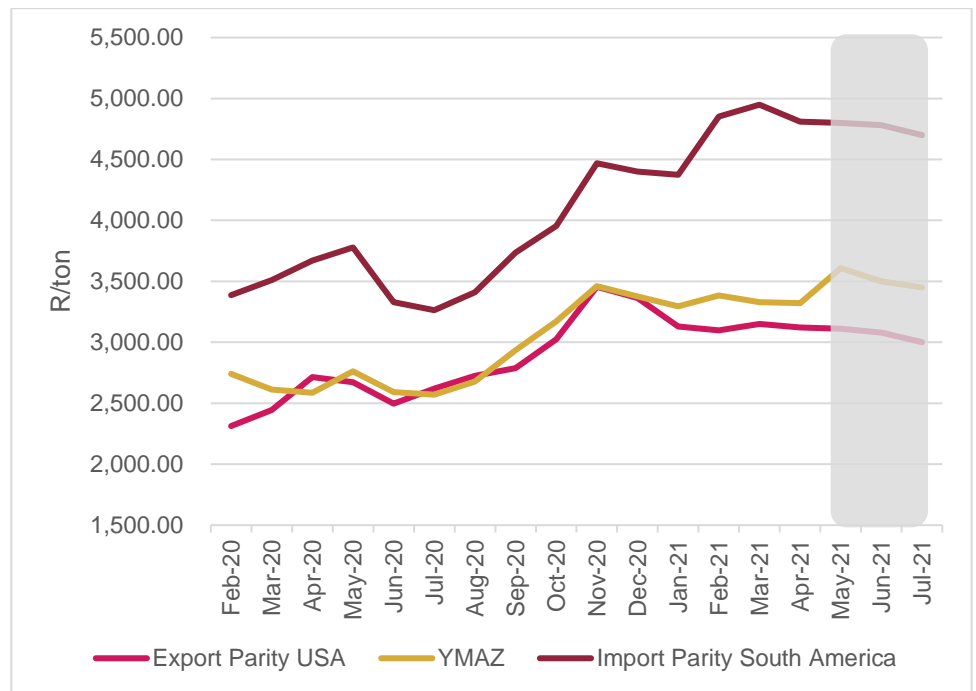


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices decreased on the back of corn prices sliding in the week of 14 May. The release of last week's WASDE report by the USD however indicates that despite higher production, lower carry-in stocks to the season are resulting in tight supplies. This is supporting prices to a level almost 45% higher compared to the corresponding period in last year if an average of SRW and HRW is considered. The WASDE further notes that wheat for feed use is expected to increase in the coming quarter on the back of a reduced wheat-corn price spread.

	R/USD	CBOT SRW JUL 21 (USD/t)	CBOT HRW JUL 21 (USD/t)
Price	14.06	265.23	239.45
w/w	-1.7%	-6.0%	-10.4%
m/m	-2.5%	11.5%	7.0%
y/y	-23.7%	43.00%	46.6%

Local wheat market

Local wheat prices decreased slightly compared to the previous week but were up 9% compared to the second week in April, benefiting from higher global prices. The latter was however offset, to some degree, by a stronger exchange rate. The crop-estimates committee's intention to plant, released on 29 April, suggests that area to wheat will increase marginally by 0.53% to 512 000 ha. Figures for the final commercial crop was also released on 6 May and amounted to 2 120 000 tons.

	JSE spot price (R/ton)	Jul-21 (R/ton)	USA import parity (R/ton)
Price	5 190	5 184	5 658
w/w	-0.8%	-1.1%	-2.5%
m/m	9.0%	-7.4%	10.1%
y/y	-6.15%	-	-2.97%

Outlook

We expect local prices to trade sideways over the coming months with upside potential due to the Northern hemisphere production risk identified for maize/corn above. Global shocks related to corn prices could spill over to wheat prices given the low stocks and the larger than usual share of wheat being channelled into the feed market.

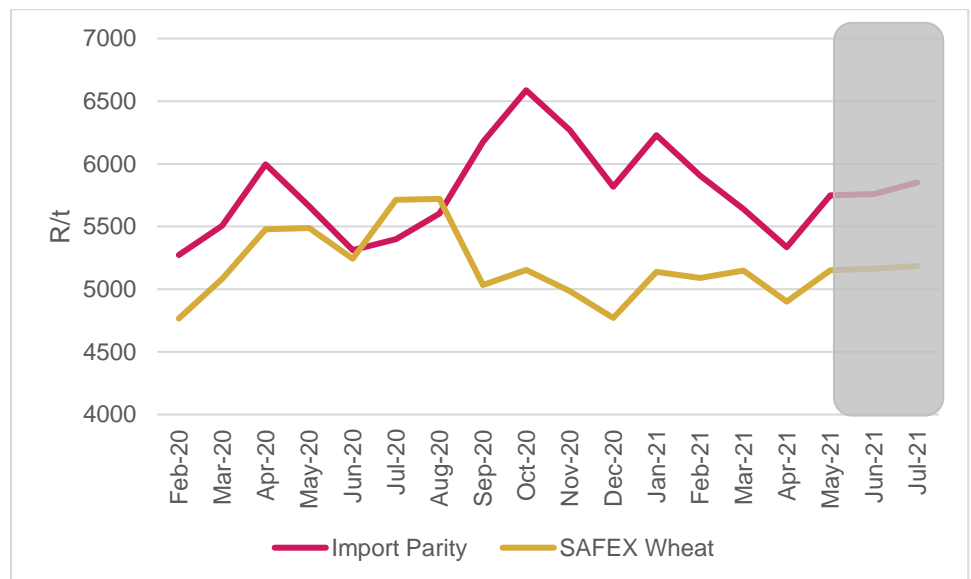


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT prices for soybeans decreased by 1.1% week on week but increased by almost 12% compared to prices in mid-April. The latter was as a result of the surge in other agricultural commodities such as corn as mentioned above, which resulted in soybeans also reaching price levels last apparent in 2013. Analysts note that the decreases apparent since 12 May is a correction to a market that has been “overbought” and markets have seen a significant sell off from speculators. Soya oil prices, in turn, continued their increasing streak apparent since mid-2020. These increases are driven by concerns about tight supplies in global vegetable oil markets.

	R/USD	Soybean CBOT Jul 2021 (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.06	589.22	68.41	423.5
w/w	-1.7%	-1.1%	3.1%	-4.3%
m/m	-2.5%	11.9%	21.4%	5.3%
y/y	-23.7%	92.5%	157%	49.1%

Local oilseed market

Local soybean prices decreased marginally week on week but increased by almost 8% compared to mid-April. This increase was because of surging global prices. Sunflowers, in turn, increased by 0.3% week on week and 9.1% month on month and benefited from price increases in vegetable oil markets as mentioned above.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9 462	7 622	8 972
w/w	0.2%	-0.2%	0.3%
m/m	-1.3%	7.7%	9.1%
y/y	24.5%	16.2%	52.4%

*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. Global dynamics warranted an adjustment which shows prices increasing slightly over the next three months. This is underpinned by tight supplies and low carryover stocks to the 2021/22 season, combined with firm demand which is expected to be sustained over coming months. As a case in point, for the 2021/22 season, the WASDE report notes increased use of soybean oil as a feedstock in an expanding renewable diesel industry.

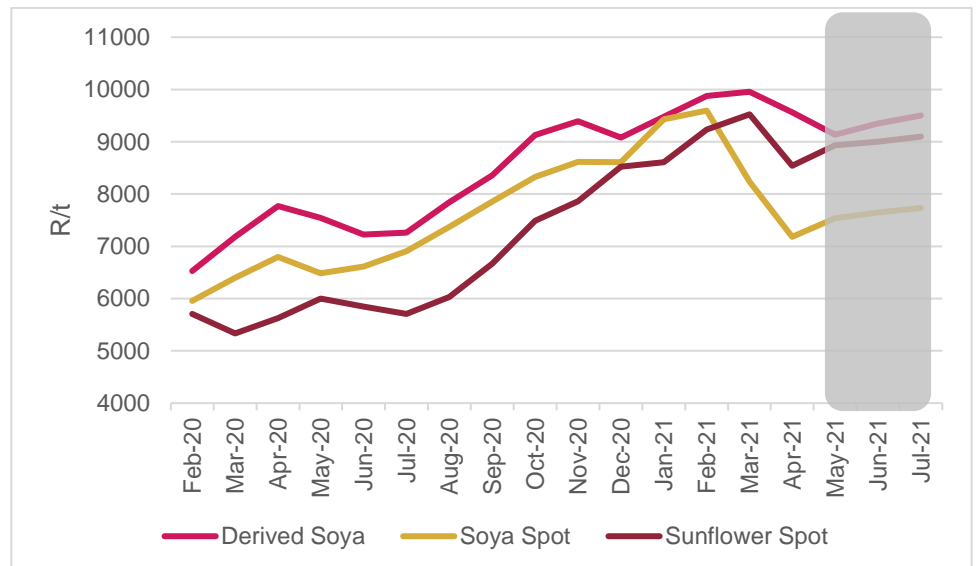


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts