



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

# Global commodity prices remain volatile

**Maize:** With the local harvest in full swing, global prices and the exchange rate remain the key drivers of commodity price movements. Global prices, however, remain volatile, on the back of uncertainties around Chinese demand and weather issues in the US. Chinese demand seems to have held firm in the week 31 May to 4 June and as a result, prices increased after decreasing 0.4% the week before. It is expected that local prices will move sideways over the coming months.

**Wheat:** As with maize concerns over dry and colder conditions in the mid-west of the US are supporting global prices. Locally, prices have however decreased on the back of a strong rand. This is expected to continue over the coming months with current expectations pointing to the rand trading at R13.00 to the dollar at the end of 2021Q3.

**Oilseeds:** CBOT soybean and soy oil prices increased marginally in the week ending 28 May, whilst soya meal prices decreased by around 0.9%. Prices of soybeans are roughly 2.6% lower compared to a month ago, the weather in the US has prompted prices to increase again in the week starting 31 May. Our outlook for local oilseed prices is largely sideways, supported by firm world prices countered by a strengthening currency.

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## Maize market trends

### International maize market

CBOT corn prices were down by a little more than 11% from the highs experienced in early May, but continue to remain volatile. In the week ending 28 May, CBOT corn were limits down on Tuesday and limits up on Thursday. The downward movement was in response to rumours that China might be cancelling US corn shipments. This has however not manifested with export demand and demand from the ethanol sector remaining firm. The new week (31 May to 4 June) started with renewed concerns of dry weather in the US. This will be a key determinant of market movements over the coming weeks.

	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	13.81	258.56	5 528	3 579	4 863
w/w	-1.5%	-0.4%	-1.1%	-1.6%	-0.8%
m/m	-3.6%	-11.5%	0.9%	-0.3%	-3.8%
y/y	-20.8%	98.3%	48.7%	71.6%	38.0%

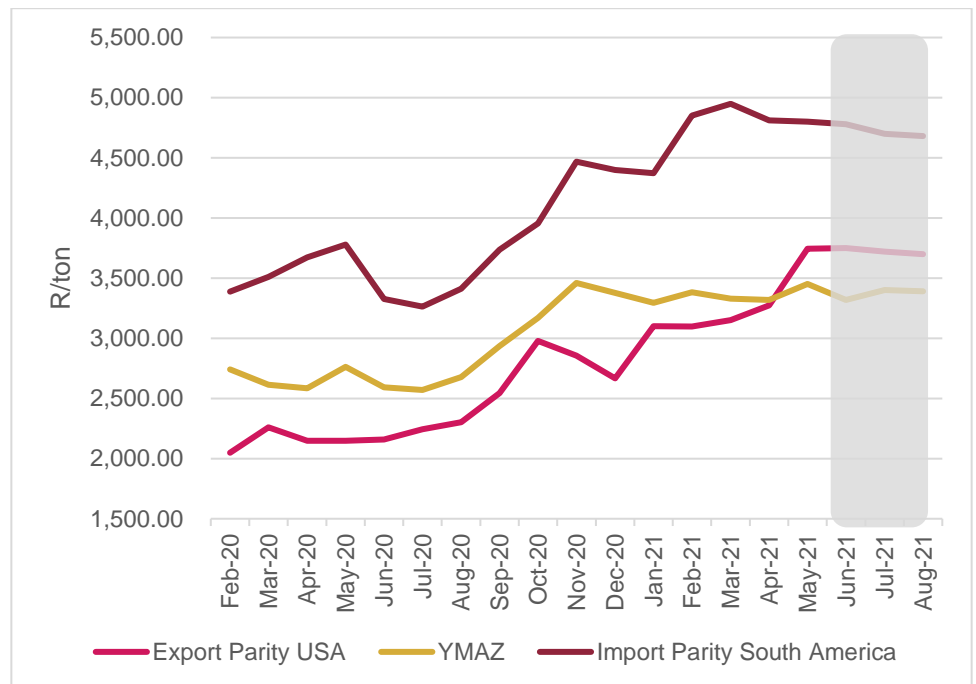
### Local maize market

Local yellow and white maize prices decreased by 1.9% and 2.0%, respectively since last week. Month on month changes amounted to a decrease of 1.9% in white maize and 3% in yellow maize. These movements are driven by a slightly lower world price and a strong exchange rate. Prices are however still markedly higher compared to the corresponding time in 2020. The crop estimate committee (CEC) adjusted their maize production projections up marginally to just below 16.2 million tons on 27 May. Our view is still that this is rather conservative and expect total production to be closer to 17 million tonnes.

	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	3 175	3 155	3 201	3 295	3 285	3 328
w/w	-1.9%	-2.5%	-2.7%	-2.0%	-2.5%	-2.7%
m/m	-1.9%	-3.6%	-3.9%	-3.0%	-3.7%	-3.8%
y/y	34.7%	20.1%	-	31.8%	20.1%	-

### Outlook

Our outlook for June to August moves largely sideways. There is however some upside potential. As mentioned above, weather in the US will play a key role in market direction over the coming weeks, and if dry conditions turn out to be persist, global prices could increase substantially. The rand is also projected to strengthen over the coming months to reach levels of around R13.00 to the dollar at the end of 2021Q3. This could offset global price surges or potentially put further downward pressure on local prices.



**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 slightly week on week and between 10.6% and 12.2% since the highs in early May. Lingering concerns over dry conditions in the Northern Plains in the US and Canada has however supported prices leading into the week of 31 May to 4 June. Prices are still trading between 28.8% and 22% higher compared to a year ago.

	R/USD	CBOT SRW JUL 21 (USD/t)	CBOT HRW JUL 21 (USD/t)
Price	13.81	243.77	225.31
w/w	-1.5%	-1.6%	-1.7%
m/m	-3.6%	-10.6%	-12.2%
y/y	-20.8%	28.8%	33.0%

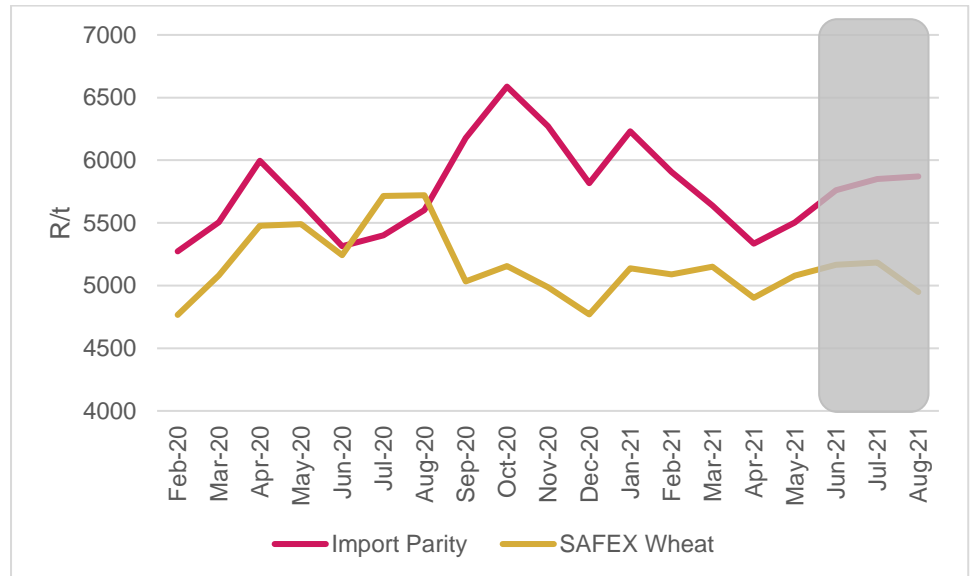
### Local wheat market

Local wheat prices decreased slightly week on week but increased by 1.3% since the beginning of May. Wheat planting is in full swing in the Southern and Western Cape. Heavy rains in the last two weeks of May have resulted in floods and soil erosion in some areas and in some cases farmers would need to re-plant. At this point we do however not expect this to have material effect on the number of hectares planted

	JSE spot price (R/ton)	Jul-21 (R/ton)	USA import parity (R/ton)
Price	5 100	4 940	5 237
w/w	-1.8%	-0.3%	-1.1%
m/m	1.3%	-2.3%	-8.8%
y/y	-2.1%	-	-1.1%

## Outlook

Local prices are expected to decrease over the coming months on the back of the strengthening rand. There is upside potential to this, specifically linked to world prices that could increase significantly if the dry conditions in North America persist.



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

\*Section in grey represents Absa AgriBusiness forecasts

## Oilseed market trends

### International oilseed market

CBOT soybean and soy oil prices increased marginally in the week ending 28 May, whilst soya meal prices decreased by around 0.9%. Prices of soybeans are roughly 2.6% lower compared to a month ago however, similar to the other commodities discussed here the weather in the US has prompted prices to increase again in the week starting 31 May. Soya oil prices continued their price run to increase by almost 4% compared to early May with prices being 134% higher compared to the corresponding period in 2020. Over the shorter term, vegetable oil prices do seem to be losing some momentum due to the lockdowns in Asia curbing demand.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	13.81	562.31	68.79	395.5
w/w	-1.5%	0.3%	0.5%	-0.9%
m/m	-3.6%	-2.6%	3.9%	-7.1%
y/y	-20.8%	76.4%	134%	36.8%

### Local oilseed market

Local soybean prices decreased marginally week on week and month on month. The continued downward pressure is on the back of a strengthening rand. Sunflower prices, in turn, are marginally lower but 1.2% higher compared to the corresponding period last month. The crop estimates committee adjusted its projection for total soybean production up by just below 7% to a total of just more than 1.9 million tons. Sunflowers, in turn, was adjusted upward with just below 3% to 716 240 tons.

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	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9 288	7 185	8 765
w/w	-0.6%	1.8%	-0.2%
m/m	1.2%	-0.3%	-0.6%
y/y	28.2%	14.1%	56.3%

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

## Outlook

Our outlook for oilseeds is largely sideways, supported by firm world prices countered by a strengthening currency. As with the other commodities discussed in this report, the upside to this is related to weather issues in the Northern hemisphere.

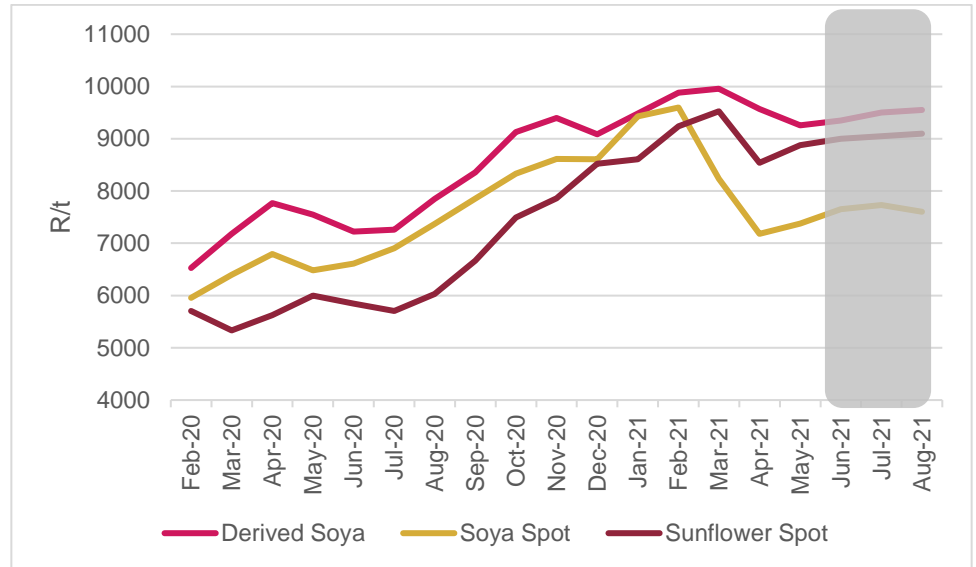


Figure 3: SAFEX oilseed price projections

\*Section in grey represents Absa AgriBusiness forecasts