



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

Unrests and weaker rand could support prices over the coming weeks

Maize: Local white and yellow maize prices have tracked global markets lower for the week ending 9 July. This has been offset, to some extent, by a weaker rand. Local white and yellow maize prices decreased by 6.6% and 7% respectively compared to last week. Our price projections have a slight downward trajectory which is a typical tendency as the size and quality of the local harvest and that of other Southern hemisphere producers become known. This however has notable upside potential due to the weaker rand.

Wheat: Local wheat prices moved largely sideways compared to the week before but increased by slightly more than 2% compared to the corresponding time in June. This monthly increase is a result of a depreciating rand. To date, good rainfall in the Western Cape suggests that the current season will again record good production performance. We expect local wheat prices to hover around the R5 100 per ton mark over the coming months. As with maize, upside potential exists largely driven by the potential of a weaker exchange rate over the coming weeks

Oilseeds: In the week ending 9 July, local soybean spot prices decreased by 3.7% on the back of lower global prices. Month on month movements was largely sideways with the weaker rand countering lower global prices. The local soybean harvest has largely been concluded with most production areas recording above-average yields. In the Eastern Freestate, the wet summer did however affect yields. Here some areas recorded average yield levels as opposed to the above-average recorded elsewhere in the country. Our outlook over the next 3 months follows a conservative upward trajectory. This is supported by global prices. This increase is driven by higher global prices, which is, in turn, the effect of firm vegetable oil price growth.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 060 881 2450
Marlene.Louw@absa.africa

Nkhensani Mashimbyi
Nkehnsani.Mashimbyi@absa.africa

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Maize market trends

International maize market

CBOT corn prices recorded a substantial weekly decrease in the week ending 9 July. On June 30, the USDA published its acreage report which reflected a larger crop compared to planting intentions released in March. This was however still below analyst's expectations with analysts anticipating actual plantings to be around 1% higher than the actual numbers released on June 30. This caused a surge in prices in the week ending 2 July. CBOT corn prices have however decreased by around 10% for the week ending 9 July to USD 6.30 per bushel since then. For the week ending 9 July, 69% of the corn crop was classified as good to excellent compared to 64% the week before. The improvement in crop quality is expected to temper price growth over the coming weeks. On 12 July, the World Supply and Demand Estimates (WASDE) report indicated that ending stocks for the 2020/21 season will decrease by around 0.74%, whilst ending stocks for the 2021/22 season is expected to increase by 1.77%. Higher stock levels over the long term could also serve to curb price growth and volatility.

	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	14.30	248.02	5 427	3 335.2	2 483
w/w	0.1%	-9.7%	7.6%	-12.6%	-13.4%
m/m	5.0%	-8.0%	-2.4%	-6.9%	-15.0%
y/y	-14.8%	85.0%	35.0%	44.0%	22.9%

Local maize market

Local white and yellow maize prices have tracked global markets lower. This has been offset, to some extent, by a weaker rand. Local white and yellow maize prices decreased by 6.6% and 7% respectively compared to last week. In terms of parity prices, Argentine export parity prices traded lower as dryer weather in Argentina allowed for corn harvesting to resume after heavy rains experienced in the latter part of June stopped. With the local maize harvest well underway, regions such as Mpumalanga and KZN are reporting above-average yields. In the North West yields are somewhat lower than expected which is attributed to insufficient heat units. Reports suggest that the Eastern Freestate is recording average yield levels which is also lower than expected earlier in the season. These lower yields are attributed to cases of waterlogging and leaching of fertilizer which was due to the excessive rains earlier in the season.

	JSE WM spot price Randfontein (R/ton)	White maize Sep-21 (R/ton)	White maize Dec-21 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Sep-21 (R/ton)	Yellow maize Dec-21 (R/ton)
Price	3 085	3 139	3 188	3 212	3 252	3 316
w/w	-6.6%	-6.7%	-7.5%	-7.0%	-7.3%	-7.5%
m/m	-4.1%	-4.8%	-5.2%	-3.8%	-4.9%	-5.2%
y/y	17.4%	-	-	17.8%	-%	-

Outlook

Our price projections have a slight downward trajectory which is a typical tendency as this size and quality of the local harvest and that of other Southern hemisphere producers become known. This however has notable upside potential. The first is due to lingering dry conditions

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in the US corn belt. The second is the exchange rate. Current unrest and looting have seen the rand depreciate to levels close to R14.80 and if stability is not restored soon a weaker rand is expected to push local prices to higher levels.

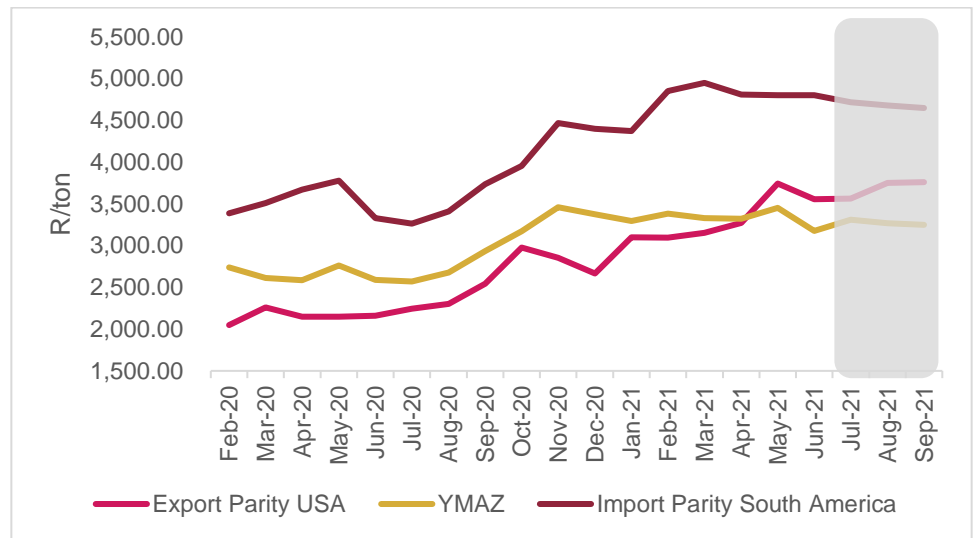


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

In the week ending 9 July, SRW and HRW prices decreased in weekly and monthly terms. With the new marketing season of wheat starting in the Northern hemisphere, price trended lower in Russia, France, and on CBOT. In the case of HRW, this was amplified by some rain in the Northern Plains of the US that has been plagued by drought since June. The extended forecast is however that weather will remain dry which will affect yields and the quality of the crop. This is expected to limit price decreases.

	R/USD	CBOT SRW JUL 21 (USD/t)	CBOT HRW JUL 21 (USD/t)
Price	14.30	223.56	220.07
w/w	0.1%	-5.8%	-2.0%
m/m	4.9%	-11.0%	-6.1%
y/y	-14.8%	13.6%	33.4%

Local wheat market

Local wheat prices moved largely sideways compared to the week before but increased by slightly more than 2% compared to the corresponding time in June. This monthly increase is a result of a depreciating rand. To date, good rainfall in the Western Cape suggests that the current season will again record good production performance.

	JSE spot price (R/ton)	Sep21 (R/ton)	USA import parity (R/ton)
Price	5 148	5 040	5 456.6
w/w	-0.04%	-1.1%	-1.8%
m/m	2.1%	1.9%	2.0%
y/y	-8.9%	-	-0.7%

Outlook

We expect local wheat prices to hover around the R5100 per ton mark over the coming months. As with maize, upside potential exists largely driven by the potential of a weaker exchange rate over the coming weeks.

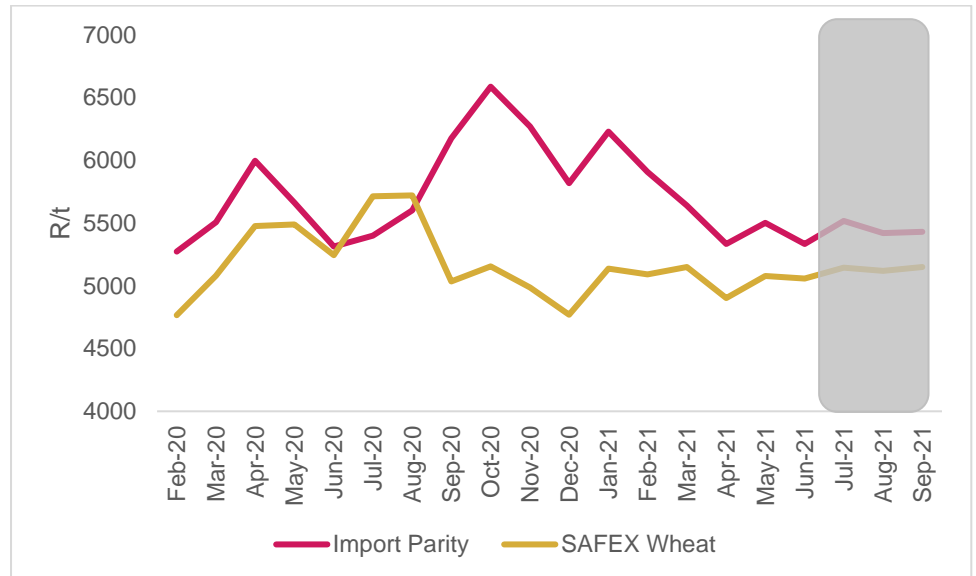


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices decreased by 3.3% week on week and almost 7% month on month. This weekly decrease was driven by favourable weather combined with speculative traders closing their positions out before the release of the WASDE report on 12 July. This report indicated the ending stocks for 2021 will increase by 3.5% which also put downward pressure on prices. In the June acreage report, there was a slight decline in US plantings compared to the intentions published in March. This is expected to limit downward movement in prices.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.30	516	62.41	352.5
w/w	0.1%	-3.3%	-6.6%	-7.2%
m/m	4.9%	-6.9%	-6.8%	-8.0%
y/y	-14.8%	57.5%	122%	21.2%

Local oilseed market

In the week ending 9 July, local soybean spot prices decreased by 3.7% on the back of lower global prices. Month on month movements was largely sideways with the weaker rand countering lower global prices. The soybean harvest has largely been concluded with most production areas recording above-average yields. In the Eastern Freestate, the wet summer did affect yields. Here some areas recorded average yield levels as opposed to the above-average recorded elsewhere in the country.

Derived soybean price (R/ton)*

JSE soybean spot price (R/ton)

JSE sunflower seed spot price
(R/ton)

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Price	8 914	7 400	8 558
w/w	2.3%	-3.7%	-0.9%
m/m	-1.9%	-0.04%	0.3%
y/y	23.5%	4.5%	43.3%

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

Outlook

Our outlook over the next 3 months follows a conservative upward trajectory. This is supported by global prices. This increase is driven by higher global prices, which is, in turn, the effect of firm vegetable oil price growth. In this case, palm oil stocks are roughly 15% lower than the corresponding time last year and this is expected to provide support for all oilseeds and vegetable prices over the coming weeks.

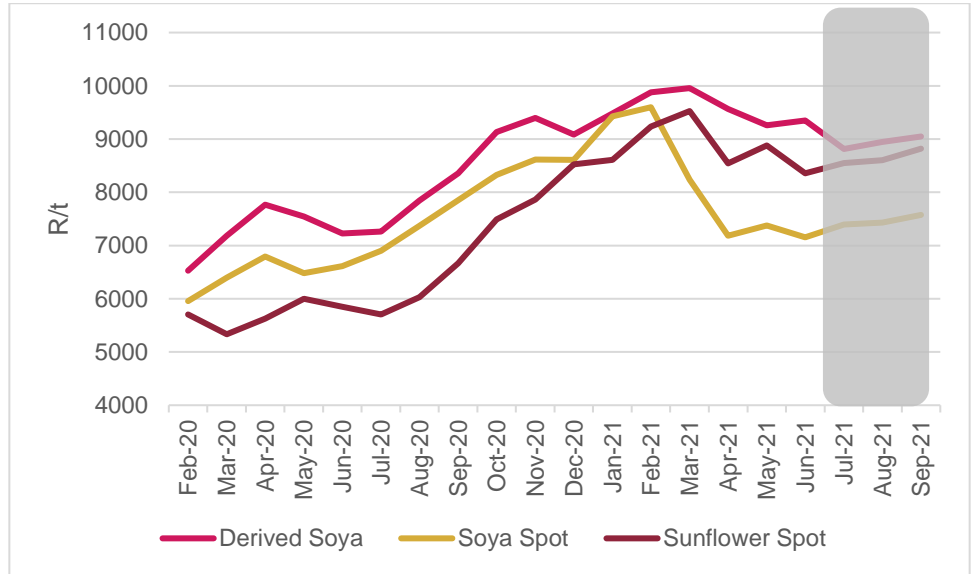


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts