

Agri Trends: Grains and Oilseed Report

World prices for grain ease, but local effect is countered by a weaker rand

Maize: Local white and yellow maize prices increased slightly by 0.61% and 0.32% respectively, compared to the previous week. Month-on-month movements also recorded marginal increases in both maize categories. These increases are the combined effect of the rand depreciating by around 1.5%, and shipping costs that are roughly 3.5% higher compared to a month ago. Global corn prices are expected to remain under pressure as demand from China eases and the Northern hemisphere starts to harvest. It is expected that this will be countered by a weaker Rand compared to the second quarter of the year and local price decreases may be limited.

Wheat: Local wheat prices increased by 1.25% compared to last week while monthly prices increased by 2.97%. Historical trends suggest that prices can trend downward as we approach the winter grain harvesting season. As a result, our projection follows a slight downward slope over the coming three months. Upside risk to this exists due to the probability of exchange rate depreciation and the possible damage that the recent spell of frost in Argentina might have had on prices.

Oilseeds: Local oilseed prices decreased slightly week on week with soybean prices decreasing by -2.08% and sunflower prices decreasing by 0.07%. Prices are however higher compared to the corresponding time last month with soybeans 5.30% higher and sunflower 8.57% higher. Here sunflower prices are benefiting from strong growth in global prices which is a result of lower area estimates for the coming season in countries such as the US.

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Maize market trends

International maize market

CBOT corn prices increased marginally over the past week but decreased substantially over the past month. This is on the back of better yields in Argentina, improved production prospects in the US, and China cancelling import orders as demand for corn weakens. The World Agricultural Supply and Demand Estimates (WASDE) report published on 12 August 2021 indicated a lower production forecast for the 2021/22 season, down 415 million bushels from the July projections. The USDA crop condition report released on 9 August indicated that the good-to-excellent ratings for corn increased to 64% from 62% a week ago. Analysts expect that the August World Supply and Demand Estimates (WASDE) report will indicate increased production and yields for maize. Higher stock levels over the long term could serve to limit 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 Export parity Randfontein (R/ton)
Price	14.46	218.50	5693.95	3466.60	2913.52
w/w	-2.23 %	1.46%	-0.85%	-1.00%	-1.22%
m/m	1.53%	-20.40%	-1.64%	-7.09%	3.85%
y/y	-17.54 %	80.34%	39.43%	52.82%	34.64%

Local maize market

Local white and yellow maize prices increased slightly by 0.61% and 0.32% respectively compared to the previous week. With month-on-month movements also recording marginal increases in both maize categories. These increases are the combined effect of the rand depreciating by around 1.5%, and shipping costs that are roughly 3.5% higher compared to a month ago. With the CEC gauging the total current crop at above 17 million tonnes, prices will continue to find direction from global price movements, the exchange rate, and freight costs.

	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	3244	3275	3350	3387	3420	3493
w/w	0.68%	0.61%	0.18%	0.47%	0.32%	0.06%
m/m	1.63%	0.77%	0.69%	1.41%	0.80%	0.66%
y/y	15.98%	-	-	19.51%	-	-

Outlook

Our projection from the previous Agri Trends reports on Grains and Oilseed remains unchanged. Global corn prices are expected to remain under pressure as demand from China eases and the Northern Hemisphere starts to harvest. It is expected that this will be countered by a weaker Rand compared to the second quarter of the year. In this regard we expect white maize prices to trade around R3300 per ton with yellow maize trading between R3400 and R3500 over the coming months.

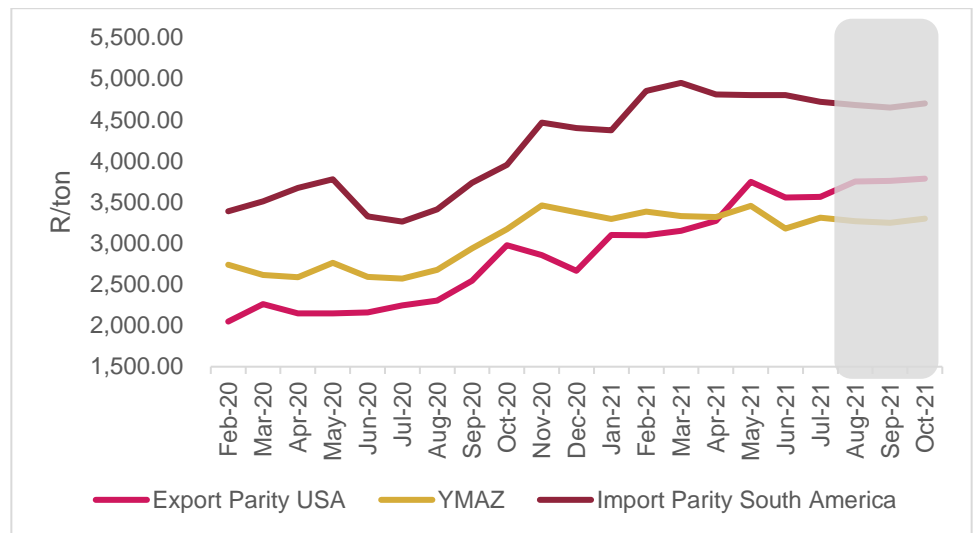


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

In the week ending 06 August, SRW and HRW prices increased by 2.7% and 4.83% respectively, compared to the previous week, on the back of a deteriorating outlook for this year's crop. This is because of drought damage in the US and Russia which is affecting yield and crop quality. The USDA crop progress report released on 8 August indicated 11% of the crop as good-to-excellent, which is an increase from 10% the week before. On a month-to-month basis, SRW prices increased by 11.34% while HRW prices increased by 15.46%. Analysts note that prices are expected to remain firm due to weather concerns and strong trade demand.

	R/USD	CBOT SRW JUL 21 (USD/t)	CBOT HRW JUL 21 (USD/t)
Price	14.46	264.19	259.32
w/w	-2.23%	2.7%	4.83%
m/m	1.53%	11.34%	15.46%
y/y	-17.54%	45.11%	69.86%

Local wheat market

Local wheat prices increased by 1.25% compared to last week while prices increased by 2.97% month on month. This increase is relatively small compared to the global price increase apparent in the CBOT prices reported in the table above. Parity prices for South Africa are however based on Argentina wheat which has, until the last week of July, had good production estimations for the current crop which kept prices relatively stable. Since then this region has had frost which could affect yields and support prices over the coming weeks

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	5262	5262	6241.91
w/w	1.25%	3.10%	1.14%
m/m	2.97%	6.89%	12.92%
y/y	-10.89%	-	11.27%

Outlook

Historical trends suggest that prices can trend downward as we approach the winter grains harvesting season. As a result, our projection follows a slight downward slope over the coming three months. Upside risk to this exists due to the probability of exchange rate depreciation and the possible damage that the recent spell of frost might have had in Argentina.

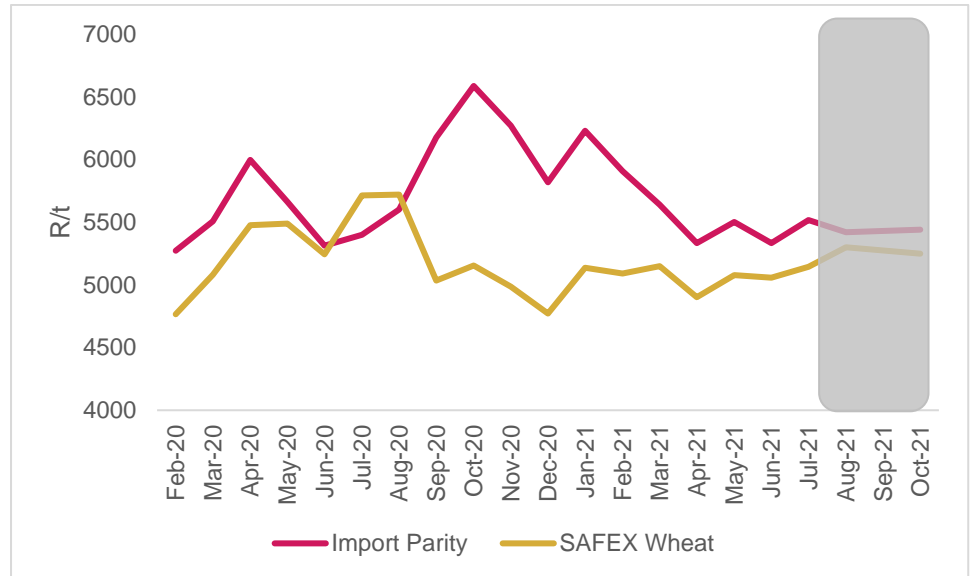


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices increased slightly by 0.53% week on week and decreased by 2.03% month on month. The WASDE reported higher beginning stocks for the 2021/22 season because of lower crush, and lower exports which are driven by lower import demand from China. The soybean production forecast for 2021/21 was revised downwards by 66 billion tons on the back of lower yields. Soy oil prices decreased week on week by 3.66% and Soya meal prices increased by 1.74%. For the soybean crop, the crop condition rating remained at 60% good-to-excellent from the week before.

	Soybean CBOT			
	R/USD	Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.46	522.59	63.41	358.8
w/w	-2.23%	0.53%	-3.66%	1.76%
m/m	1.53%	-2.03%	-5.10%	-5.55%
y/y	-17.54%	63.43%	102.26%	28.14%

Local oilseed market

Local oilseed prices decreased slightly week on week with soybean prices decreasing by -2.08% and sunflower prices decreasing by 0.07%. Prices are however higher compared to the corresponding time last month with soybeans 5.30% higher and Sunflower 8.57% higher. Here sunflower prices are benefiting from strong growth in global prices which is a result of lower area estimates for the coming season in countries such as the US.

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	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9245	7483	9215
w/w	-2.08%	-2.46%	-0.07%
m/m	5.30%	0.56%	8.57%
y/y	19.32%	3.01%	39.20%

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

Outlook

Our projection follows a moderate upward trajectory. Analysts note that global vegetable oil and oilseed prices are likely to remain firm until the end of the year when the new Northern hemisphere crop of commodities such as soybeans are marketed. This sentiment is also evident in local futures prices with December contract prices for sunflower and soybeans marginally higher than the current spot price levels.

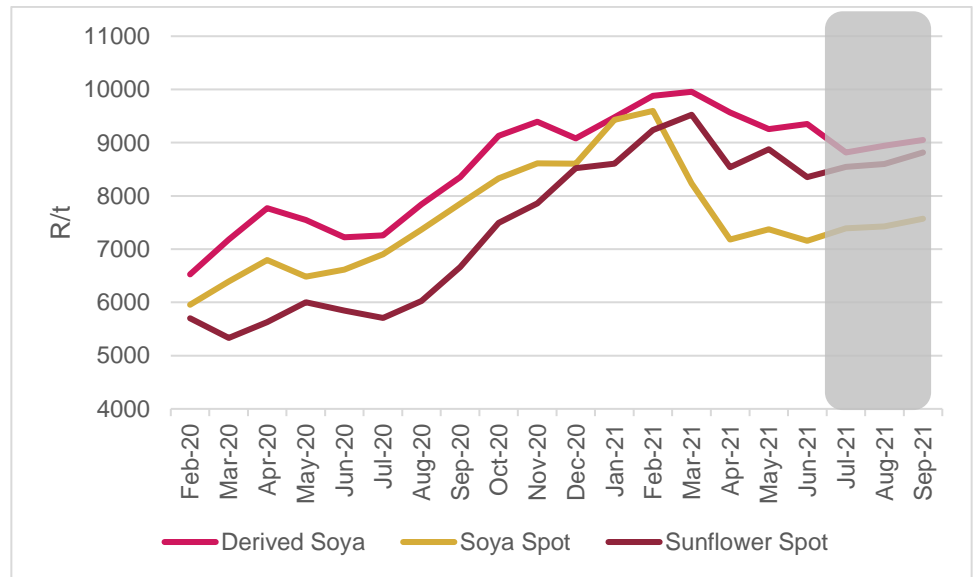


Figure 3: SAFEX oilseed price projections

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