



Retail and Business Banking
Sector Economics
AgriBusiness
2 August 2021



Agri Trends: Grains and Oilseed Report

Quality of US grain crop lower compared to 2020

Maize: The South African Crop Estimates Committee released the 6th summer crops production forecast on 28 July 2021. Based on the recent depreciation of the rand, we foresee that prices could increase slightly over the coming months. This can be amplified by higher global corn prices. Analysts however note that crop quality seems to have stabilised in the US. This, combined with weaker demand from China for corn, as growth in their swine herd eases, is however expected to limit the degree of price increases over the second half of the year. Dry weather in the US remains a concern as the northern hemisphere approaches its new marketing season.

Wheat: Inadequate rainfall in Argentina led to a deterioration of the wheat crop and hot and dry weather in the US persist. The preliminary area estimate for the Western Cape is 8.9% more than that planted for the previous season. We continue to 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.

Oilseeds: Soybean and oil prices decreased as demand from China decreased while U.S. farmers look to sell their third-largest harvest. Locally, the Crop Estimate for June is unchanged from estimates in June at 1 918 million tonnes which is a 54% increase in production compared to the previous season with sunflower production being estimated at 677 thousand tonnes. As with our previous Agritrends report, our outlook over the next 3 months follows a conservative upward trajectory. This is as a result of a weaker exchange rate compared to the first half of the year, combined with the view that oilseed prices might lose momentum over the coming months.

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Maize market trends

International maize market

CBOT corn prices continued to move downward over the past weeks, trading in a three-time consecutively decreasing band between USD 6.97 and USD 5.47 per bushel. This price movement spanned from forecasted improved weather conditions in the mid-West of the US, projected larger crop levels as well as weakening demand from China. Low stocks-to-use levels are still causing the markets to be very responsive and as such, issues that could affect Northern hemisphere supply due to weather conditions will continue to cause corn price fluctuations. The USDA crop condition report released on 26 July indicated that the good-to-excellent ratings for corn fell by 1 % to 64% which was below market expectations. Parity prices are supported by global and exchange rate dynamics combined with surges in the international shipping cost.

	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	14.61	215.44	5791.96	3597.55	3051.68
w/w	0.69 %	-1.57%	3.27%	3%	7.73%
m/m	2.97%	-14.02%	4.39%	2%	9.83%
y/y	-11.73 %	67.74%	49.21%	50.75%	53.35%

Local maize market

Local white and yellow maize prices continue to track global markets lower. This has been offset, to some extent, by a weaker rand. Local white and yellow maize prices increased by 1.34% and 1.74% respectively compared to last week. Yellow maize prices are now following US parity prices lower at around 5.8% below US export parity prices. The crop estimate for July increased by 2.72% for white maize and unchanged for yellow maize. The large harvest of white maize is also seen in the rest of the region therefore regional exports will be limited. Global prices and exchange rate movements will continue to give price direction in the local market.

	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	3254	3292	3378	3400	3450	3532
w/w	1.34%	1.07%	1.32%	1.74%	1.38%	1.67%
m/m	7.18%	6.57%	6.70%	7.90%	6.88%	6.87%
y/y	20.88%	-	-	27.10%	-	-

Outlook

Based on a depreciation of the rand we foresee that prices could increase slightly over the coming months. This can be amplified by higher global maize prices. Analysts however note that crop quality seems to have stabilised in the US. This, combined with weaker demand from China for corn, as growth in their swine herd eases, is however expected to limit the degree of price increases over the second half of the year.

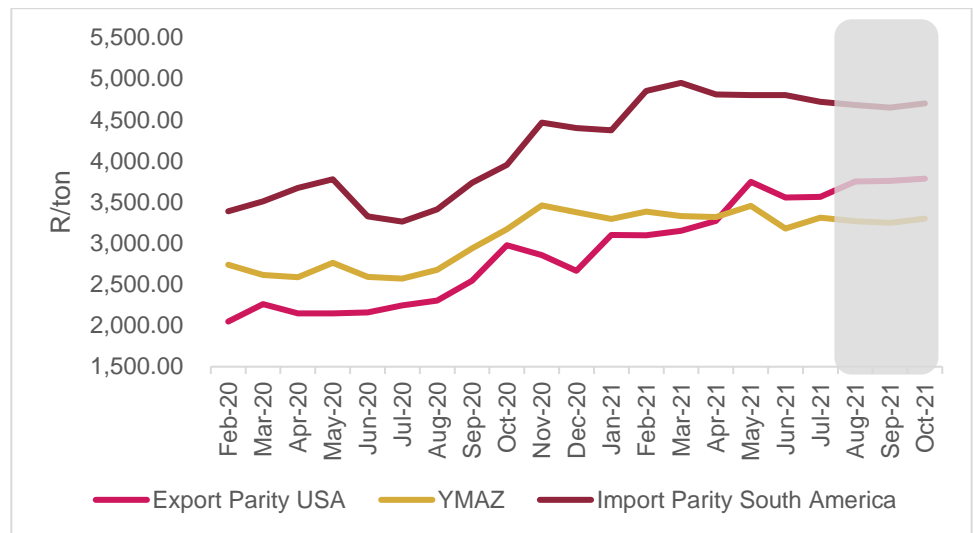


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

In the week ending 23 July, SRW and HRW prices decreased in weekly terms after rallying for a week by 13.8% and 8.85% respectively on the back of weather conditions concerns in the US and the deterioration of the wheat crop in Argentina due to inadequate rainfall. The USDA crop condition report indicated a 9% good-to-excellent spring wheat condition which decreased from 11% the week before. On a month-to-month basis, SRW prices increased by 7.38% while HRW prices increased by 7.62%. The extended forecast is 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	14.61	251.33	237.37
w/w	0.69 %	-1.23 %	-0.84%
m/m	2.97%	7.38 %	7.62%
y/y	-11.73 %	26.78 %	53.35%

Local wheat market

Local wheat prices decreased slightly by 0.25% compared to last week while prices increased by 2.88% month on month due to the depreciating rand. The preliminary area estimates for wheat as released by the South African Crop Estimates Committee release is 1,22% more than that of the previous season. This was due to a year-on-year 8.9% increase in the area planted in the Western Cape.

	JSE spot price (R/ton)	Sep21 (R/ton)	USA import parity (R/ton)
Price	5247	5038	6122
w/w	-0.25 %	0.76 %	6.39 %
m/m	2.88 %	2.65 %	14.80 %
y/y	0.06 %	-	16.62 %

Outlook

We keep our projections from our previous Agri trends report unchanged and 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.

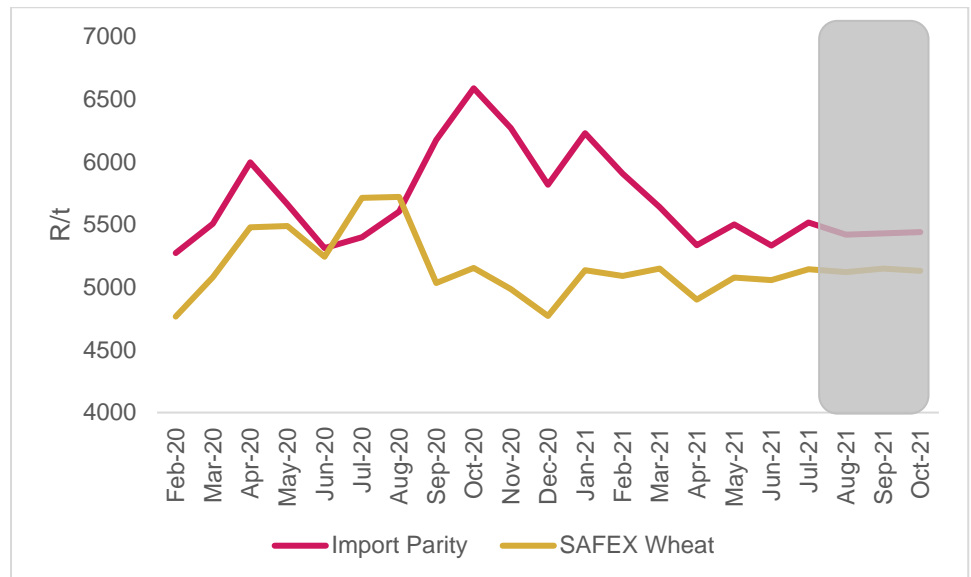


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices decreased by 3.6% week on week and increased by 5.36% month on month. This weekly decrease was driven by lower import demand from the largest soybean importer China which is set to slow sharply in the second half of 2021 as U.S. farmers look to sell their third-largest harvest ever. This anticipated large soybean supply and weakening demand are expected to continue to put downward pressure on prices. Soy oil and Soya meal prices decreased week on week as well by 3.88% and 2.64% respectively. While Soya meal demand was high during the first half of 2021 due to the increased demand from China in its quest to rebuild hog herds, the demand has since gone down as new African swine fever outbreaks increased. For the soybean crop, the crop condition was rated 58% good-to-excellent, which is down from the 60% crop condition the week before.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.61	514.78	65.66	353.6
w/w	0.69 %	-3.69 %	-3.88 %	-2.64%
m/m	2.97%	5.36 %	9.96 %	1.84%
y/y	-11.73 %	54.85%	141.40 %	21.60%

Local oilseed market

Local oilseed prices decreased slightly week on week with soybean prices decreasing by 0.09% and sunflower prices decreasing by 0.03%. Prices are however higher compared to the corresponding time last month. The crop estimate for July is unchanged from estimates

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in June at 1 918 million tonnes which is a 54% increase in production compared to the previous season.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9 310.00	7 617.00	8 971
w/w	-0.09 %	-0.96 %	-0.03 %
m/m	6.55 %	7.81 %	9.68 %
y/y	35.26 %	9.63 %	45.11 %

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

Outlook

As with our previous Agritrends report, our outlook over the next 3 months follows a conservative upward trajectory. This is as a result of a weaker exchange rate compared to the first half of the year, combined with the view that oilseed prices might lose momentum over the coming months.

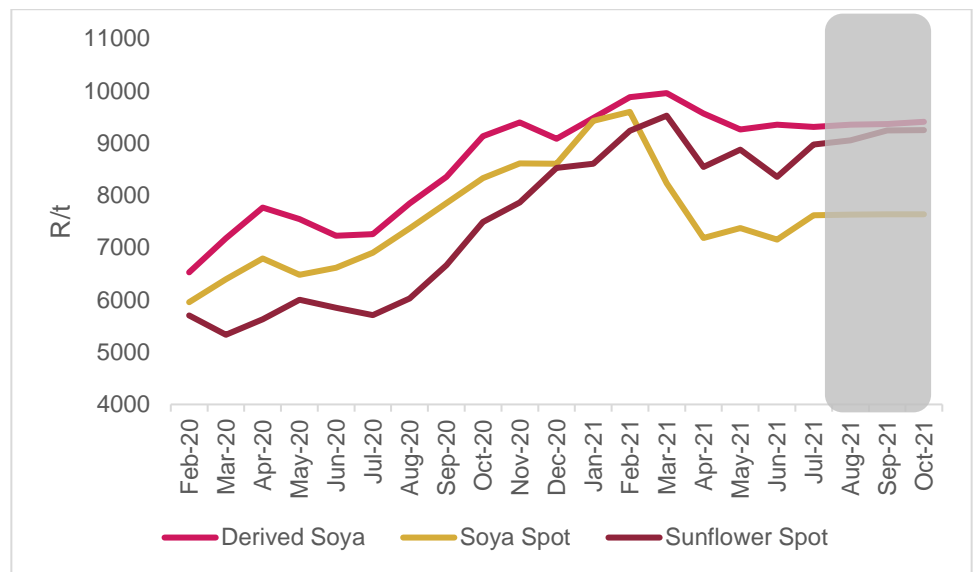


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts