



Retail and Business Banking

Sector Economics

AgriBusiness

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Agri Trends: Grains and Oilseed Report

Hurricane Ida puts pressure on grain prices

Maize: Local white and yellow maize prices have tracked global markets lower for the week ending 3 September. This has been offset, to some extent, by a weaker rand. Local white and yellow maize prices decreased by 6.15% and 6.17% respectively compared to last week. The WASDE report will be published later today and is expected to give price direction.

Wheat: The first production forecast for wheat is over 2 086 million tons as published by the CEC. Global prices trade sideways on concerns over tight global supplies. Local prices are projected to follow a slight upward slope due to a weaker exchange rate and firm world prices on the back of supply concerns.

Oilseeds: Soybean and oil prices decreased further because of facility damage concerns after Hurricane Ida. Prices are expected to follow a modest upward trajectory due to a weakening exchange rate outlook. Sunflower prices are expected to move sideways over the outlook period as vegetable oil prices lose momentum.

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Agri Trends

Maize market trends

International maize market

CBOT corn prices decreased by 9%, closing at 5.08 dollars per bushel for the week ending 03 September. This was the lowest weekly closing price since mid-January 2021 and was due to export delay concerns as a result of damages to facilities caused by Hurricane Ida at the Gulf of Mexico which saw speculators in the market selling off their positions. Prices had already been decreasing for the past two months on the back of an improved crop outlook as yields in Argentina improved and demand from China slowed. The latest USDA crop condition report showed a 1% decrease of the good-to-excellent crop from the 60% a week ago. The International Grain Council is optimistic about production in the 2021/22 season, with maize forecasted to increase by over 75 million tons year on year. The USDA will publish the World Supply and Demand Estimates (WASDE) report later today which will indicate the stock levels for the 2021/22 season. The previous WASDE report showed a 1.77% expected ending stock increase of the 2021/22 season. 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 Export parity Randfontein (R/ton)
Price	14.47	200	5273.20	3124.20	2682.24
w/w	-3.79%	-8.96%	-2.71%	-3.08%	-6.62%
m/m	1.09%	-8.47%	-6.03%	-7.82%	-4.94%
y/y	-13.79%	46.29%	32.14%	32.14%	13.45%

Local maize market

Local white and yellow maize prices tracked global markets lower where white maize prices decreased by -6.15% while yellow maize prices decreased by 6.01% compared to the previous week. This is smaller than decreases in global prices which have largely been offset, high shipping costs. The Crop Estimates Committee revised the total commercial maize production down by 0.70% on the back of decreased white maize production forecast however the 2020/21 season still maintains the second-largest maize crop. As the new season approaches, local weather prospects remain optimistic, however concerns of continued dryer weather in South America rise which will lead to a lower crop size. This is likely to support local prices over the months to come.

	JSE WM spot price Randfontein (R/ton)	White maize Dec-21 (R/ton)	White maize Mar-22 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Dec-21 (R/ton)	Yellow maize Mar-22 (R/ton)
Price	2992.00	3054	3079	3175	3238	3228
w/w	-6.15%	-6.63%	-6.44%	-6.01%	-6.17%	-5.70%
m/m	-5.73%	-7.29%	-7.09%	-4.88%	-6.12%	-7.09%
y/y	-4.68%	-	-	2.75%	-	-

Outlook

Our projection for the next three months follows a modest upward trajectory mostly driven by a weaker exchange rate outlook. The crop size and quality in the US are likely to give global markets direction over the coming months and the release of the September WASDE will be key in this.

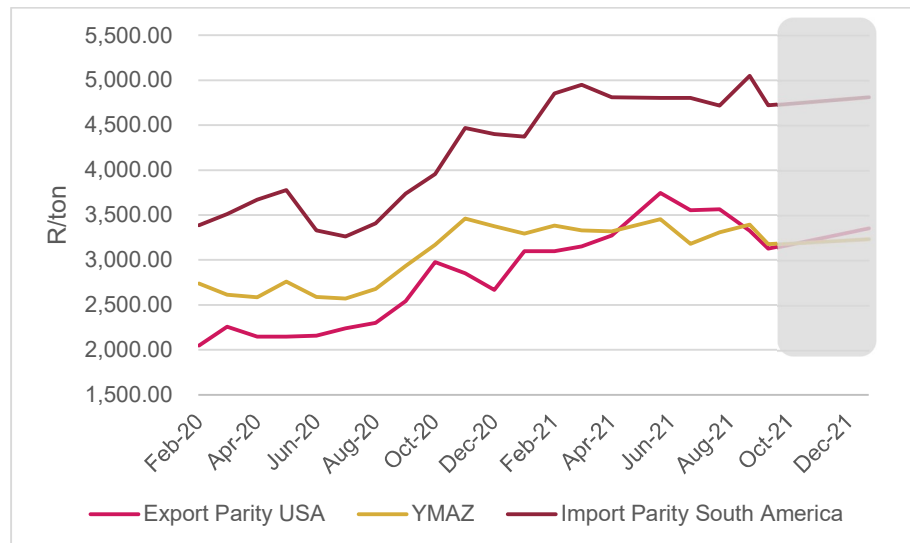


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

Wheat prices traded sideways for the week ending 03 September. Prices are expected to remain firm on the back of supply concerns with production estimates lowered for the US, Canada, and Russia. In Russia, wheat export prices increased due to higher export taxes and increased local demand. Australia saw a 17% increase in its production estimate for the season which should limit excessive price increases due to lower stocks.

	R/USD	CBOT SRW JUL 21 (USD/t)	CBOT HRW JUL 21 (USD/t)
Price	14.47	262.54	262.81
w/w	-3.79%	-0.56%	0.42%
m/m	1.09%	-0.63%	1.35%
y/y	-13.79%	32.38%	50.74%

Local wheat market

Local wheat prices increased by 3.59% week on week and by 14.67% month on month. The CEC's 1st production forecast for the 2021/22 season is 1.60% lower than the previous season at 2 086 million tons. This was due to a decrease in the area planted for the Free State province. The season however started well with favourable weather conditions especially in the Western Cape where the majority of wheat is produced. Although the expectation for local production is optimistic, the global wheat outlook leans towards lower wheat stocks which could support prices over the coming weeks.

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	5997	5439	6245.15
w/w	3.59%	-1.04%	-2.68%
m/m	14.67%	5.61%	1.14%
y/y	17.13%	-	6.15%

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Outlook

Our projection continues to follow a slight upward slope over the coming months. As with maize, this is due to a weaker exchange rate and world prices remaining firm on the back of supply concerns.

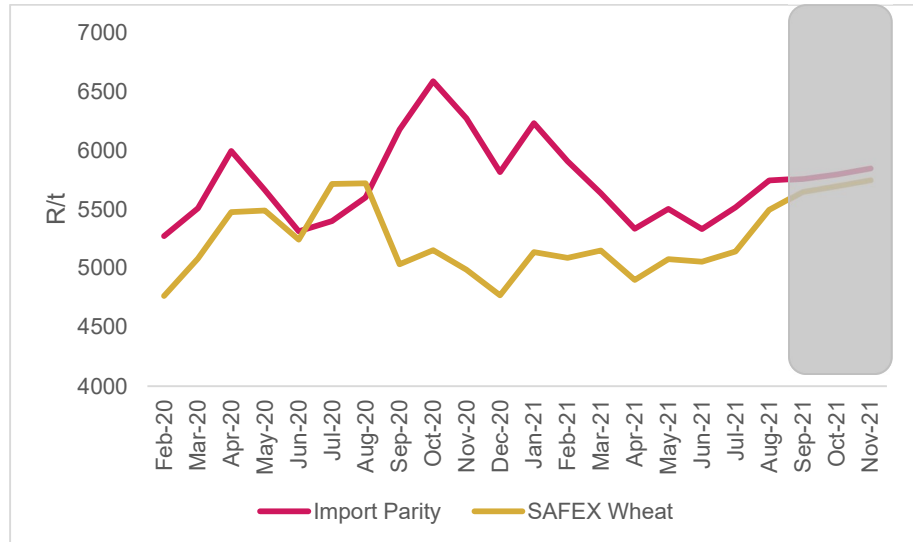


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean, soy oil, and soy meal prices decreased due to exports concerns as a result of facilities damages caused by Hurricane Ida. Prices had already been decreasing because of demand concerns. Export sales from the US however increased compared to a month ago. For the soybean crop, the crop condition rating increased to 57% good-to-excellent from 56% the week before after favorable rains in the U.S. The WASDE report will also give price direction but it is expected that the potential of drastic downward movements in price, in response to favourable production estimates, would be limited due to strong industrial demand for soybeans.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.47	471.43	59.00	340.90
w/w	-3.79%	-5.61%	-3.75%	-3.75%
m/m	1.09%	-9.79%	-6.95%	-4.99%
y/y	-13.79%	32.34%	78.36%	10.04%

Local oilseed market

In accordance with global price movements, local soybeans prices decreased week on week by 3.75% while sunflower increased by 4.54% on the back of higher global vegetable oil

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prices. The CEC adjusted the soybeans production forecast downward by 1.44% to a record 1 890 450 tons while sunflower remained unchained.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9301	7471	9650
w/w	-2.18%	-3.75%	-041%
m/m	-0.51%	0.50%	4.54%
y/y	15.97%	-1.67%	34.25%

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

Outlook

Our outlook for soybeans also follows a modest upward trajectory due to a weakening exchange rate outlook. This is countered by the slight decrease in global prices as we approach harvesting season in the Northern hemisphere. Although market sentiments suggest otherwise, there could however be some upward potential if crop size or quality are negatively adjusted in this month’s WASDE. Vegetable oil prices seem to have lost momentum compared to the price run at the beginning of 2021. This results in sunflower prices moving sideways over the outlook period.

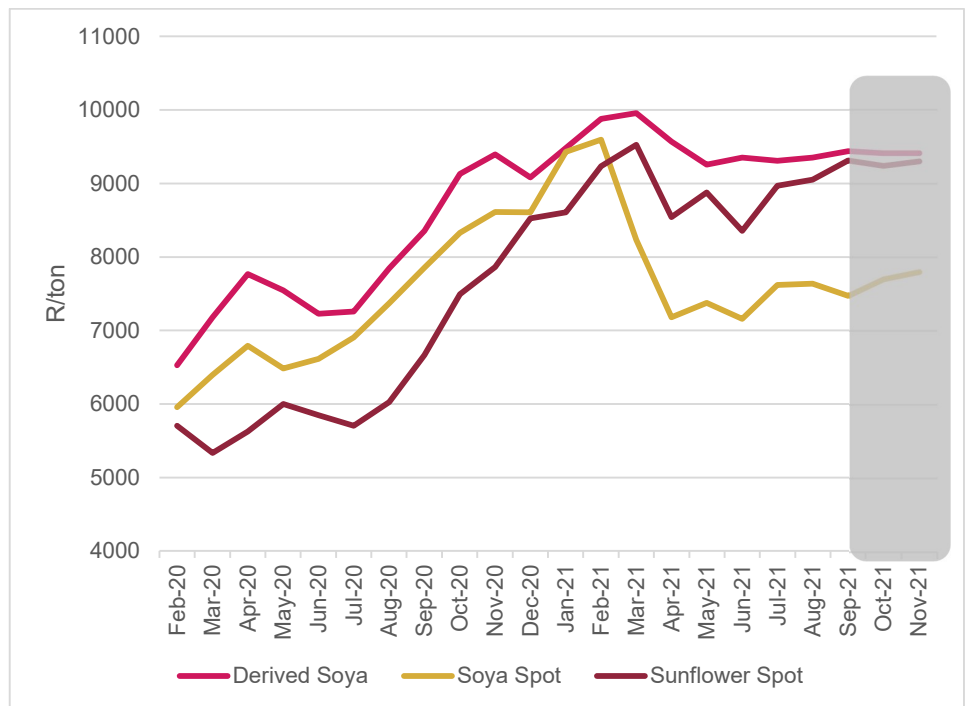


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts