



Retail and Business Banking  
Sector Economics  
AgriBusiness  
30 August 2021



## Agri Trends: Grains and Oilseed Report

### Wheat prices firm on supply concerns

**Maize:** The South African Crop Estimates Committee is due to release the 7th summer crops production forecast on 30 August 2021. There is uncertainty for US producers as the Environmental Protection Agency (EPA) is expected to recommend reducing 2021 federal biofuel blending mandates. Rising input costs are important to watch as the new season approaches. Prices are projected to follow a modest upward trajectory on the back of the weakening exchange and crop quality concerns that persist in the US.

**Wheat:** Prices increase on concerns over tight global supplies. Prices are expected to remain firm as weather concerns persist, strong trade demand, and weaker exchange rate. The CEC is due to release the 1<sup>st</sup> production forecast on 30 August where production prospects are positive on the back of good rains and cold weather, favourable for major production areas.

**Oilseeds:** Soybean and oil prices decreased as forecasts of rains in parts of the U.S. raised hopes for better yields. There are global demand concerns as the spread of the Covid-19 Delta variant rises. 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 5.2% to 5.40 per bushel over the past week. Prices have been decreasing substantially over the past month on the back of better yields in Argentina and China's weakening import demand. The latest USDA crop condition report indicated the second consecutive 2% drop of the good-to-excellent ratings to 60% from 64% two weeks ago. The Environmental Protection Agency (EPA) is expected to recommend reducing 2021 federal biofuel blending mandates to the 2020 levels causing worries over demand from biofuel producers which could put prices under pressure 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 Export parity Randfontein (R/ton)
Price	15.01	212.10	5595.05	3357.41	3024.76
w/w	1.5%	-5.2%	0.5%	0.2%	0.8%
m/m	2.8%	-1.6%	-0.1%	-2.9%	1.1%
y/y	-12.1%	64.8%	36.1%	38.2%	31.5%

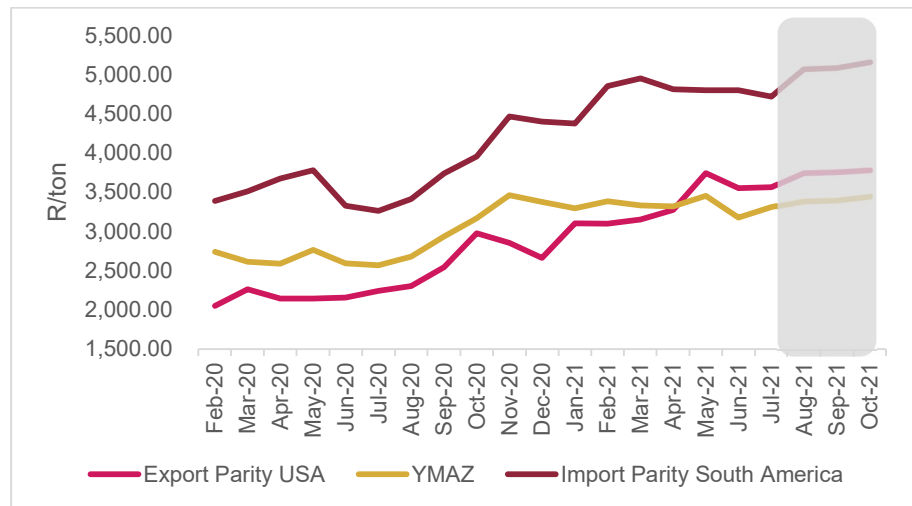
#### Local maize market

Local white maize prices decreased slightly by -0.8% while yellow maize traded sideways compared to the previous week. While global food prices soften, the effect is not directly reflected in the local prices because of the depreciation of the rand. This continues to support the firm prices. The CEC is set to release the 7<sup>th</sup> production forecast on the 30<sup>th</sup> of August, with the total current commercial crop at 16.4 million tons, prices will continue to find direction from global price movements, the exchange rate, and freight costs. With the new season is fast approaching what will be important to watch is the rising input costs as there are optimistic weather prospects.

	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	3287	3294	3385	3469	3486	3385
w/w	-0.8%	-1.0%	-0.8%	0.1%	-0.3%	-0.8%
m/m	0.9%	1.1%	0.2%	2.2%	1.0%	0.2%
y/y	10.5%	-	-	18.1%	-	-

#### Outlook

Our projection for the next three months follows a modest upward trajectory mostly driven by a weaker exchange rate outlook. Crop quality in the US continues to be adjusted downward and as a result, there could be some upward scope in global prices as well. Given weaker demand, the upside scope for this is however expected to be limited.



**Figure 1: Yellow maize prices and price projections**

\*Section in grey represents Absa AgriBusiness forecasts

## Wheat market trends

### International wheat market

For the week ending 20 August, SRW and HRW prices decreased by 6.3% and 5.4% respectively for the first time, after increasing rapidly for 8 weeks due to supply concerns from key producers such as the US. On the subsequent Monday, prices rebound as equity markets and other commodities strengthened. On a month-to-month basis, SRW prices increased by 4.42% while HRW prices increased by 8.67%. Analysts note that prices are expected to remain firm due to weather concerns and strong trade demand as the leading importers, Egypt, and Algeria issue international tenders to buy milling wheat.

	R/USD	CBOT SRW JUL 21 (USD/t)	CBOT HRW JUL 21 (USD/t)
Price	15.01	262.44	257.94
w/w	1.5 %	-6.3%	-5.4%
m/m	2.8%	4.4%	8.6%
y/y	-12.1%	35.5%	57.5%

### Local wheat market

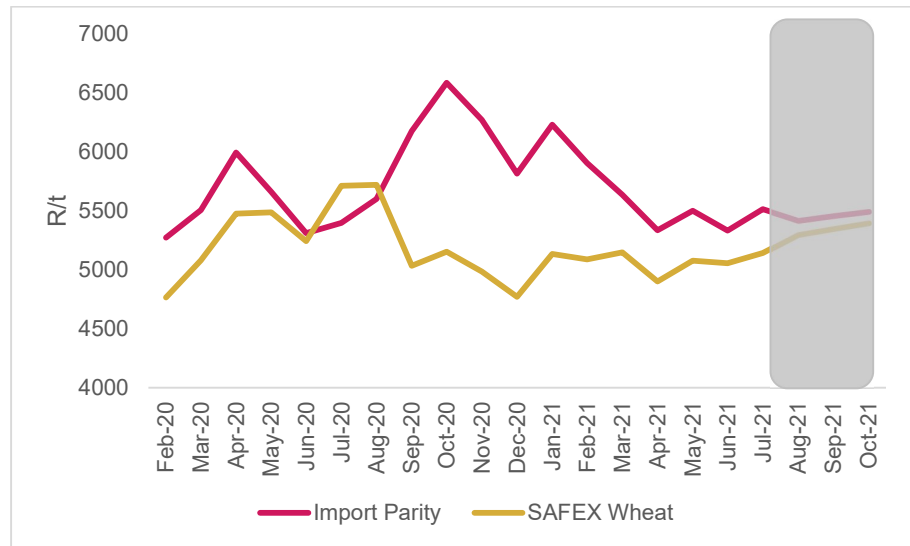
Local wheat prices increased by 1.7% compared to last week while prices increased by 6.1% month on month. The CEC is due to release the area planted estimate and 1<sup>st</sup> production forecast on 30 August where production prospects are positive on the back of good rains and cold favourable weather for major production areas. The global wheat outlook is for reduced supplies over the upcoming season is due to lower global production. This could support prices over the coming weeks.

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	5645	5500	6656.65
w/w	1.7%	2.6%	2.1%
m/m	6.1%	9.3%	11.3%
y/y	-2.7%	-	18.8%

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## Outlook

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



**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 across all products under consideration as forecasts of rains in parts of the U.S. raised hopes for better yields. Soybean decreased by 9.2%, Soy oil by 9.5%, and soya meal by 1.3%. Demand concerns still prevail due to concerns about the spread of the Covid-19 Delta variant for key importers such as China. For the soybean crop, the crop condition rating decreased to 56% good-to-excellent from 57% the week before.

	R/USD	Soybean CBOT		
		Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	15.01	475.38	60.63	353.30
w/w	1.5 %	-9.2%	-9.5%	-1.3%
m/m	2.8%	-7.7%	-12.4%	-0.1%
y/y	-12.1%	43.6%	83.0%	21.8%

### Local oilseed market

Local oilseed prices increased week on week with soybean prices increasing by 1.9% and sunflower prices increasing by 2.8%. Month to month soybean and sunflower prices also increased by 1.1% and 10.0% respectively with sunflower prices continuing to benefit from strong growth in global prices which is a result of lower area estimates for the coming season in countries such as the US.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9297	7776	9860
w/w	-0.1%	1.9%	2.8%
m/m	2.3%	1.1%	10.0%
y/y	23.7%	3.9%	47.4%

\*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 global prices that are expected to decrease slightly as we approach harvesting season in the Northern hemisphere. 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.

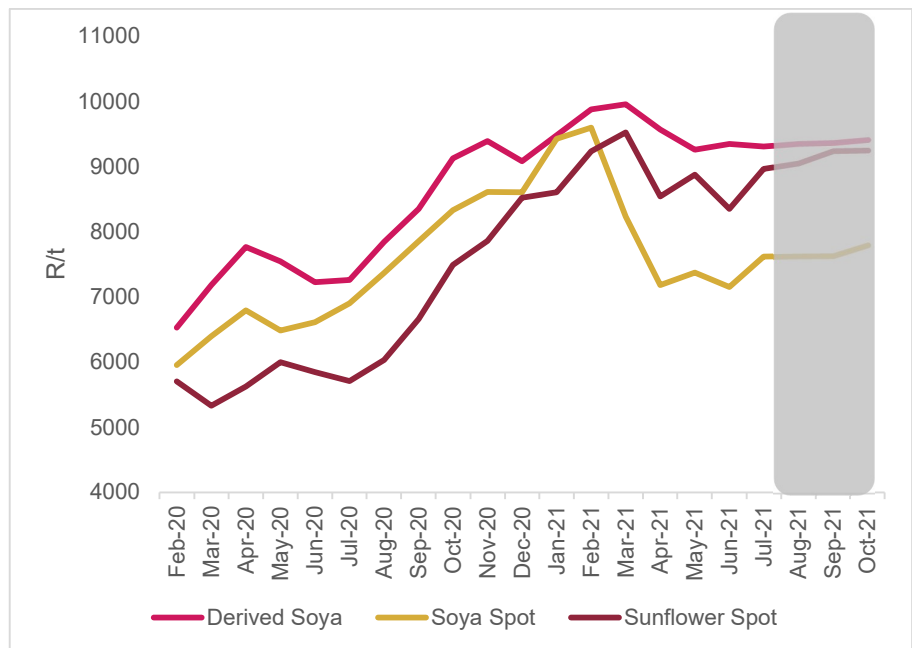


Figure 3: SAFEX oilseed price projections

\*Section in grey represents Absa AgriBusiness forecasts