



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

### Global grain inventory pressures ease for yellow maize and soybeans

**Maize:** The Crop Estimates Committee (CEC) will publish the 2021/22 farmers' intentions to plant on the 27<sup>th</sup> of October which will likely reflect another year of good production on the back of good weather and favourable prices in the previous season. The USDA in their WASDE report confirm higher-than-expected production in the US for the season that is currently concluding. Argentina already planted 23% of their 2021/22 maize crop after receiving rains and weather projections for Brazil also look favourable in the short run.

**Wheat:** The USDA in their WASDE report projected the 2021/22 global wheat supplies to fall by 8.6 million tons while the International Grains Council maintained global wheat production at 781 million tons. Locally, market stakeholders report another good crop but in certain regions, low rainfall during September can affect yield negatively.

**Oilseeds:** U.S. oilseed production forecasted up 1.5 million to 130.8 million tons from the previous month. Brazil expected to have record soybeans production for 2021/22. China soybeans imports decrease further. As with maize, farmers' intentions to plant will give an indication of the local 2021/22 soybeans production. Here, higher input costs associated with maize production could boost further expansions in soybean production for the coming season.

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## Agri Trends

### Maize market trends

#### International maize market

CBOT corn prices traded sideways for the week ending 15 October. This was also the case on a month-on-month basis while they were 30.8% higher year on year. The USDA, in their October World Agricultural Supply and Demand Estimates (WASDE) report, indicated a higher production forecast for the 2021/22 season for the US, up 23 million bushels from the September projection due to increased yield. A sentiment shared by the International Grains Council (IGC) which also raised its 2021/22 corn crop forecast by 1 million tons to 1.210 billion tons in their October Grain Market Review report. This higher-than-expected crop eases price pressures that we saw in the first half of the year. The USDA crop condition report released on 18 October indicated that the US corn harvest was 52% complete ahead of the 41% five-year average. The crop condition remained at a 60% good-to-excellent rating. While the local production outlook has been positive because of prospects of a weak La Nina, concerns of continued dry weather in the Southern Hemisphere remained as they usually experience drought during seasons of a La Nina. Argentina had rains in the central region at the beginning of October which helped farmers start their 2021/22 planting season on a positive note, 23% of the expected area for the season has been sown. However, the Argentina ministry of agriculture announced a market intervention policy that prioritizes exports of already harvested crops over forward sales of the new crop which is dampening the positive production prospects.

	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	14.85	207.0	5519.3	3222	3518.6
w/w	-1.0%	-0.9%	-2.6%	-6.0%	2.0%
m/m	3.9%	-0.3%	1.4%	-4.5%	3.5%
y/y	-10.0%	30.8%	13.2%	7.5%	1.8%

#### Local maize market

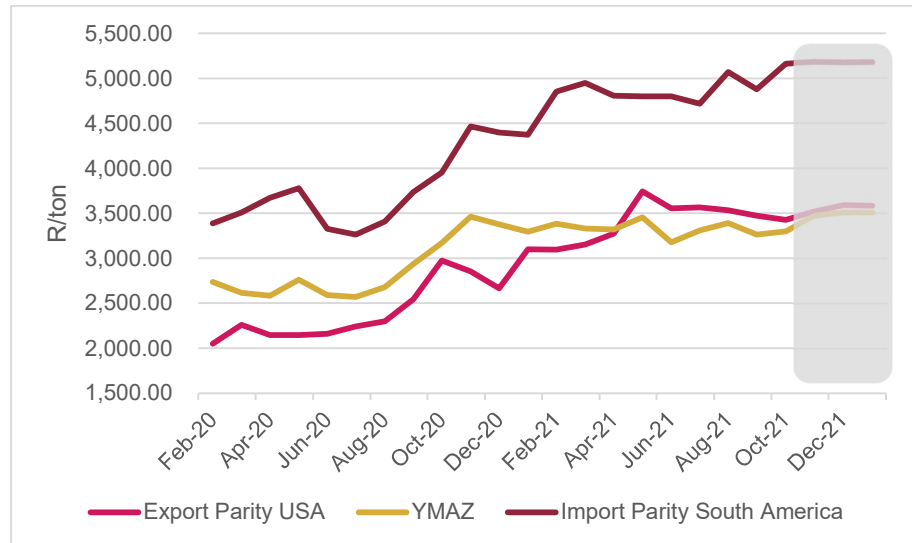
Local white and yellow maize prices decreased by 2.3% and 2.9% week on week respectively. Yellow maize prices are now around 2.4% above US export parity prices and around 6.2% above Argentine export parity prices with local prices following Argentine parity prices lower. The Crop Estimates Committee (CEC) will publish the farmers' intentions to plant data on the 27<sup>th</sup> of October which will give a better picture for the local 2021/22 production season.

	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	3178	3204	3217	3300	3354	3365
w/w	-2.3%	-2.4%	-2.3%	-2.9%	-3.0%	-2.3%
m/m	2.6%	2.0%	2.1%	2.1%	7.3%	2.8%
y/y	-12.3 %	-	-	-4.8%	-	-

#### Outlook

Our projection over the next three months is that prices will move sideways as global prices ease because of the higher-than-expected stocks in the US and better production outlook in

South America. Locally, the weakening exchange rate will still give some price support with significant rand weakening presenting upside price risk.



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

\*Section in grey represents Absa AgriBusiness forecasts

## Wheat market trends

### International wheat market

CBOT wheat prices traded sideways for the week ending 15 October while on a month-on-month basis, CBOT Soft Red Wheat and Hard Red Wheat prices, in turn, increased by 3.6% and 4.3% respectively. The WASDE reported that both the US and global wheat outlooks for 2021/22 were tightening and smaller ending stocks due to reduced beginning stocks for Iran and lower production for Canada and the US. While the IGC maintained 781 million tons forecasts of global wheat production for the 2021/22 season. China has significantly reduced its wheat imports because of the rally in wheat prices in the past weeks. Chinese corn prices have been falling limiting external demand as they were importing more wheat mainly to replace corn in feed. However, with yellow maize prices down, their imports of wheat have decreased significantly easing prices week on the week though still higher compared to the same time last month and last year.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	14.85	269.7	273.3
w/w	-1.0%	0.0%	0.8%
m/m	3.9%	3.6%	4.3%
y/y	-10.0%	17.4%	33.1%

### Local wheat market

Local wheat prices also traded sideways week on week moving only marginally by 0.5%. SAFEX prices are 5.3% lower compared to the corresponding time last month. Historical trends show a slight decreasing trend in wheat prices during the month of October can be expected but with tight global stocks and the weakening exchange rate, upside price risk might exist. Market stakeholders in certain regions such as the Swartland also note that low

levels of rain during September are expected to result in slightly lower yields for the current crop.

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	5771	5701	6720
w/w	0.5%	0.8%	-3.2%
m/m	-5.3%	4.6%	0.8%
y/y	9.9%	-	14.6%

### Outlook

Our projection over the next three months is that global prices will slightly moderate but remain high as the winter wheat crop in the Northern hemisphere is expected to be low as well as tight wheat supplies in Russia, the leading exporter. An upside risk to this is exchange rate dynamics which have shown during September that substantial and rapid depreciation can occur.

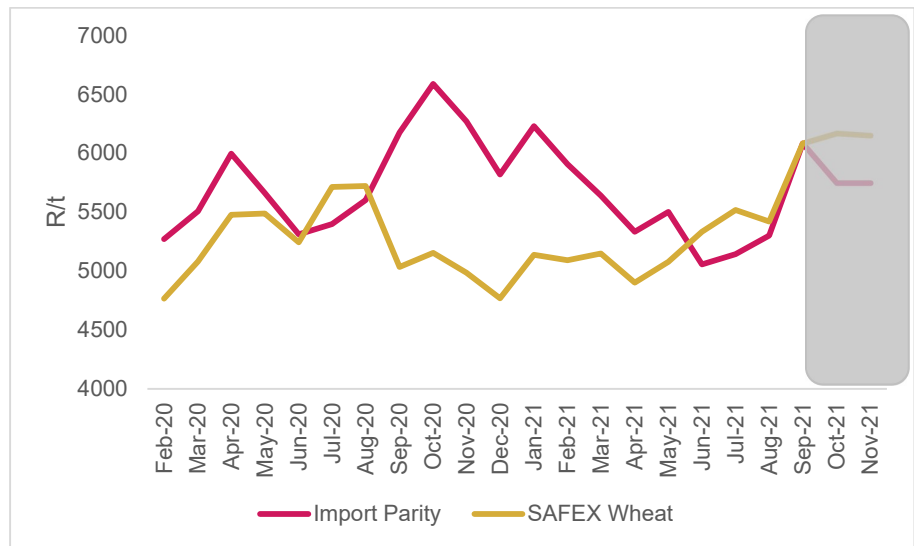


Figure 2: International and SAFEX wheat price projections

\*Section in grey represents Absa AgriBusiness forecasts

## Oilseed market trends

### International oilseed market

CBOT soybean prices fell by 2.0% week on week while prices for soy oil and soya meal traded sideways. Global soybean supplies are forecasted to be higher with U.S. oilseed production forecasted up 1.5 million to 130.8 million tons compared to the previous month. Brazil is further expected to have record soybeans production for the 2021/22 season on the back of an estimated yield of 3.58 tons per hectare. China’s demand for soybeans has decreased further, down 30% in September putting pressure on prices. The USDA crop condition indicated that the U.S. soybean harvest was 60% complete, ahead of the five-year average of 55% the crop condition remained at a 64% good-to-excellent rating.

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	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	14.85	447.5	61.3	317
w/w	-1.0%	-2.0%	-0.1%	-0.3%
m/m	3.9%	-5.2%	8.9%	-6.5%
y/y	-10.0%	16.0%	85.8%	-13.9

### Local oilseed market

SAFEX soybean prices decreased in line with the global price decline of 2% week on week and by 7% month on month. The SAFEX sunflower seed price increased slightly by 1.2% week on week and by 8.6% month on month. With palm oil prices trading at a record high, this has lent support to other oilseeds leading to high sunflower prices. Analysts note that there is more upside potential in the prices of soybeans because of the increase in biofuel demand, given the gains in the crude oil market. Locally, the farmer's intentions to plant will give a clearer picture of the expected production for the 2021/22 season, though analysts expect a good crop on the back of an increased area planted for Soybeans.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9308	7157	10 572
w/w	-0.7%	-2.0%	1.2%
m/m	0.3%	-6.9%	8.6%
y/y	15.5%	-8.8%	38.4%

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

### Outlook

As with maize, our projection is largely sideways over the next three months. This is also an effect of moderating global prices countered by a slight depreciation in the exchange rate. As with the other commodities discussed above exchange rate dynamics do provide some upside risk to this view.

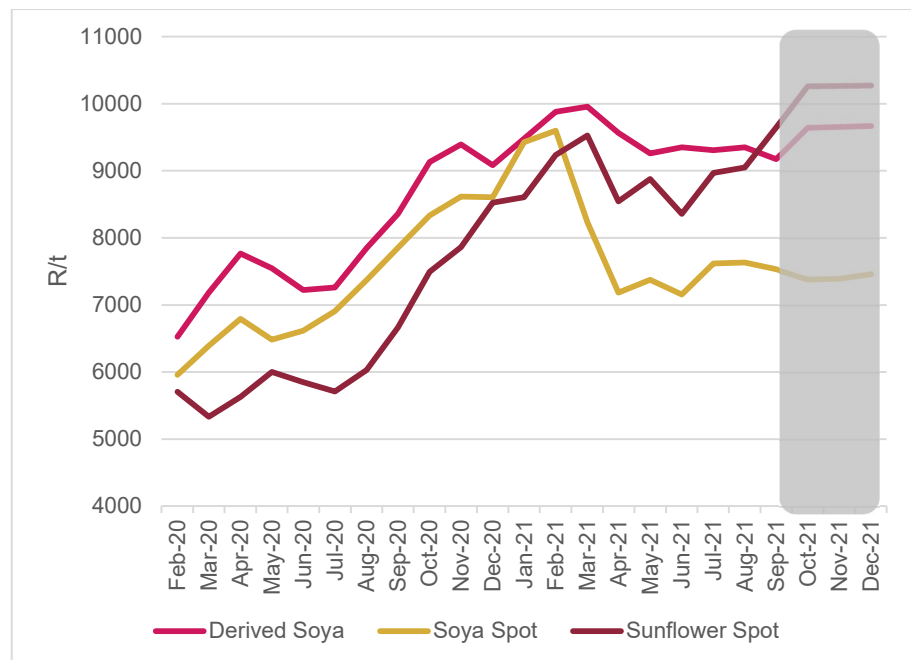


Figure 3: SAFEX oilseed price projections

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