



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

Global soybean prices fall as Chinese demand continues to weaken

Maize: The Crop Estimates Committee (CEC) revised the commercial maize production estimate downward to 16.2 million tons; however, this remains the second-biggest crop. The USDA quarterly stocks report shows higher than expected US corn inventories. Input prices continue to rise into the 2021/22 summer production season.

Wheat: The second production forecast for wheat by CEC shows a higher area planted estimate for the Free State. The total wheat harvest projected for the current season is almost 2.1 million tonnes which are 1.2% less than the record harvest in 2020. CBOT wheat prices are high on the back of low stocks. A USDA report released last week showed that US wheat stocks in early September were down by almost 18% compared to the corresponding time last year.

Oilseeds: CBOT soybean and soymeal prices decrease on the back of higher global stocks and significantly lower Chinese demand. Global vegetable oil prices continue to rise due to tight supply and high biodiesel demand.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 60 881 2450
Marlene.Louw@absa.africa

Nkhensani Mashimbyi
+27 76 419 2926
Nkhensani.Mashimbyi@absa.africa

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Agri Trends

Maize market trends

International maize market

CBOT corn prices increased slightly by 2.8% for the week ending 1 October, closing at 5.4 dollars per bushel. This was 5.0% higher month on month and 42.7% higher year on year. The USDA quarterly stocks report pegged the corn ending stocks higher than the initial 1.15 billion bushels at 1.24 billion bushels. The higher than anticipated stocks were in line with the International Grain Council (IGC)'s view of improved production estimates maize outlook, especially for the US and Ukraine. Prices have traded significantly lower than the highs seen in May due to higher than estimated stock levels. The higher stocks will serve to curb price growth and volatility over the coming months. The latest USDA crop condition report showed that the conditions remained at a 59% good-to-excellent rating last week.

	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	15.06	213.9	5757	3614	3120
w/w	2.1%	2.8%	1.7%	1.3%	1.9%
m/m	4.3%	5.0%	9.2%	15.7%	16.3%
y/y	-10.0%	42.7%	24.4%	28.9%	14.7%

Local maize market

Local white and yellow maize prices increased slightly by 1.1% and 1.5% week on week respectively. The Crop Estimates Committee (CEC) revised the maize production estimate downward to 16.2 million tons on the back of a 1.78% decrease in the production estimates for commercial white maize. As maize production for 2021/22 commences, prospects of good weather remain as shown in the latest Seasonal Climate Watch report which indicated that there is a high possibility of a weak La Nina during early- and mid-summer. Input costs continue to rise due to soaring freight rates, tight global inventories, and the weakening of the exchange rate over the past weeks. These costs are expected to remain firm over the coming months.

	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	3272	3328	3329	3453	3507	3487
w/w	1.0%	1.1%	1.3%	1.5%	1.4%	1.6%
m/m	9.4%	9.0%	8.1%	8.8%	8.3%	8.1%
y/y	-3.2 %	-	-	5.0%	-	-

Outlook

Our projection over the next three months is that prices will move sideways. This is supported by a view of moderating global prices countered by a slight weakening in the exchange rate towards the end of the year. A rapid and significant depreciation in the rand, as we have seen in September does however provide upside risk to this.

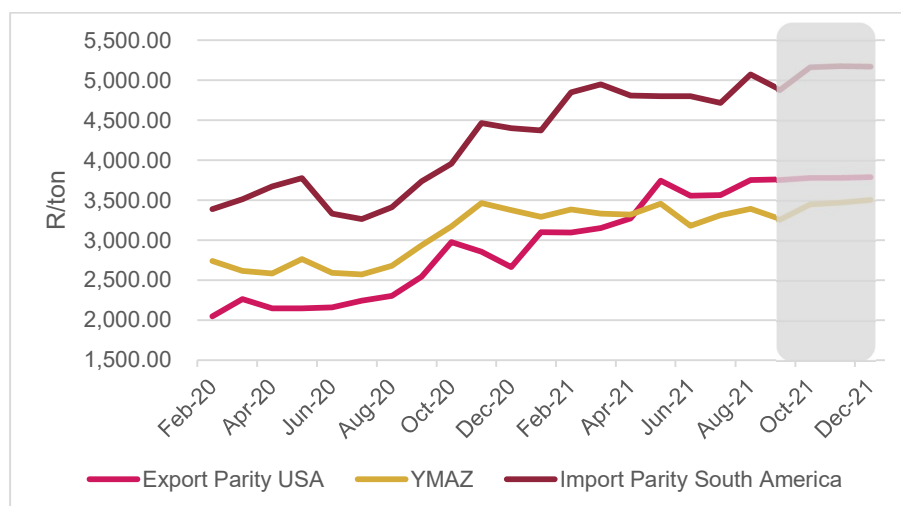


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices firmed, increasing by 4.4% for CBOT Soft Red Wheat and by 5.5% for the Hard Red Wheat. This was on the back of lower production estimates and stocks figures as reported by the USDA quarterly stocks report. The report showed that wheat stocks are at a 14-year low due to a small harvest in the US. The effect of tight stocks is further exasperated by concerns in major northern hemisphere exporters namely the US, Canada, and Russia. As other grain CBOT prices eased from the highs seen in May, wheat prices have remained firm.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	15.06	278	279
w/w	2.1%	4.4%	5.5%
m/m	4.3%	7.7%	9.2%
y/y	-10.0%	32.4%	50.0%

Local wheat market

Local wheat prices decreased by 2.4% week on week and by 1.0% month on month. Local wheat prices have softened slightly after increases in late September, on the back of higher CBOT prices and a weaker rand. Tight global stocks and the weakening exchange rate will continue to support the prices. The Crop Estimate Committee, in their 2nd production forecast for the 2021/22 season revised production slightly upwards by 0.47% to 2.095 million tons on the back of a higher area planted estimate for the Free State.

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	5760	5584	6864
w/w	-2.4%	1.9%	2.5%
m/m	-1.0%	3.9%	10.3%
y/y	14.5%	-	21.3%

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Outlook

Our projection over the next three months is that global prices will moderate as more information on the winter wheat crop in the Northern hemisphere becomes known. An upside risk to this is exchange rate dynamics which have shown during September that substantial and rapid depreciation can occur.

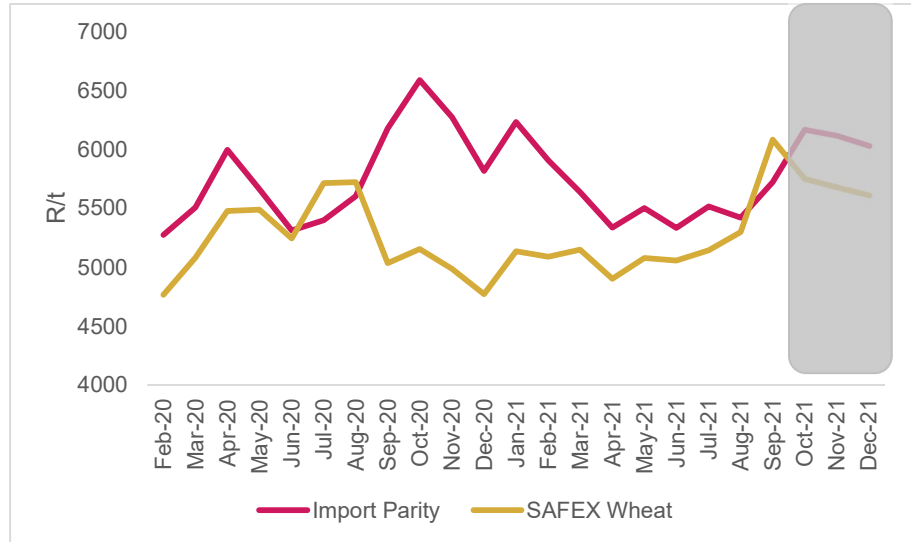


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean and soymeal prices fell by 3.0% and 3.4% while CBOT soy oil increased slightly by 1.1% week on week. The pressure on soybean prices was due to larger than expected supplies as shown by the USDA quarterly stocks report. This coupled with the lower demand for US soybeans from China has put the soybean CBOT price under pressure. The crop condition rating for soybeans remained at 58% good-to-excellent from the week before.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	15.06	458	58.6	325
w/w	2.1%	-3.0%	1.1%	-3.4%
m/m	4.3%	-2.5%	0.5%	-5.4%
y/y	-10.0%	21.8%	79.5%	-5.8%

Local oilseed market

Both the JSE soybeans price and the derived soybean price traded sideways week on week increasing slightly by 0.2% and 0.9% respectively. The JSE sunflower seed price increased by 5.7% week on week and by 6.1% month on month on the back of higher global vegetable oil prices underpinned by tight supply, ongoing labour shortages, and high biodiesel demand.

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The production forecast for soybeans and sunflower seed remained unchanged at 1,890 million tons and 677 240 tons respectively as published by the CEC.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9590	7535	10 197
w/w	0.9%	0.2%	5.7%
m/m	1.3%	0.9%	6.1%
y/y	10.2%	-4.4%	37.7%

*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 by 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.

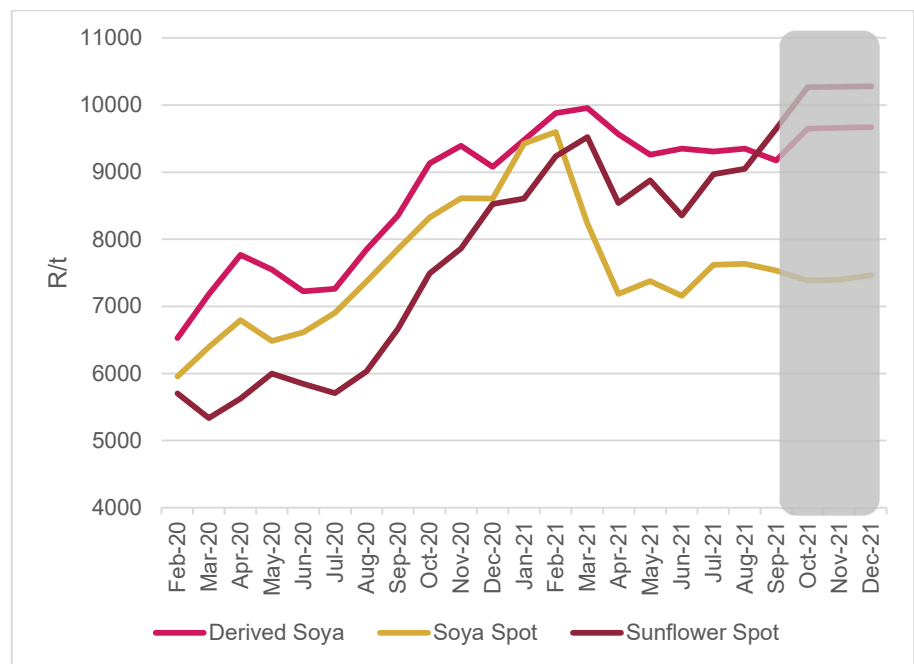


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecasts