



Retail and Business Banking
Sector Economics
AgriBusiness
10 November 2021



Agri Trends: Grains and Oilseed Report

Decreased global soybean production outlook could give price support.

Maize: Record US yields and increased production in Argentina increase production outlook for the 2021/22 season. High agro-chemical and fertilizer prices persist amid global energy crisis.

Wheat: Tight global wheat supplies due to drought, frost, and heavy rains in different key production regions around the world coupled with higher consumption led to record prices since 2012.

Oilseeds: CBOT soybean and soy oil prices decreased by 3.5% and 4.1% week on week respectively and by 4.7% and 3.5% month-on-month due to favourable production in Brazil and weaker demand from China. The World Agricultural Supply and Demand Estimates report forecasted decreased production for the US and Argentina due to lower yields in the US and lower harvested area in Argentina.

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Agri Trends

Maize market trends

International maize market

CBOT corn prices decreased by 2.7%, closing at 5.53 dollars per bushel for the week ending 05 November due to the expectations of higher production forecasts for the 2021/22 season. On a month-on-month basis, CBOT prices increased by 2.9% as a result of increased demand for ethanol production due to high global energy costs. This was also reflected on the World Agricultural Supply and Demand Estimates (WASDE) report, published on 9 November which reported that corn used for ethanol production in the US increased by 50 million bushels for October as compared to September. The report maintained the outlook that the 2021/22 corn production season is for greater production on the back of record yields in the US at 177.0 bushels per acre as well as increased production in Argentina and the European Union as prevailing high prices, also shown by the significant year on the year price increase of 35% caused significant supply response from these regions.

	R/US	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	15.31	217.7	5809	3400	3146.8
w/w	2.3%	-2.7%	-2.90%	-3.3%	-2.1%
m/m	1.7%	2.9%	1.9%	-4.4%	0.78%
y/y	-3.3%	35.1%	24.4%	19.4%	7.6%

Local maize market

Local white and yellow maize prices increased by 1.6% and 2.3% respectively for the week ending 05 November supported by the depreciating exchange rate. These prices however increased 2.0% and 2.8% month on month tracking global price movements. Input prices have become increasingly important to watch due to significant price increases seen in agrochemicals, fertilizers, and crude oil which are trading at above USD 80 per barrel with the prospects to increase further due to a global energy crunch. In November the local price of the active ingredient Glyphosate increased by over 164% year on year while local fertilizer prices such as Ammonia and Urea amongst others also showed significant price increases year on year at 120.6% and 143.2% respectively as shown in the Fertilizer/Agro-chemical report by Grain SA.

	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	3348	3360	3386	3554	3578	3579
w/w	1.6%	1.2%	1.5%	2.3%	2.0%	1.8%
m/m	2.0%	0.6%	1.3%	2.8%	1.8%	2.3%
y/y	-0.3 %	-	-	6.8%	14.8%	-

Outlook

Our projection over the next three months is that prices will move sideways as global prices ease because of the higher-than-expected production outlook in the US and Argentina. Locally, the weakening exchange rate will still give some price support with significant rand weakening presenting upside price risk.

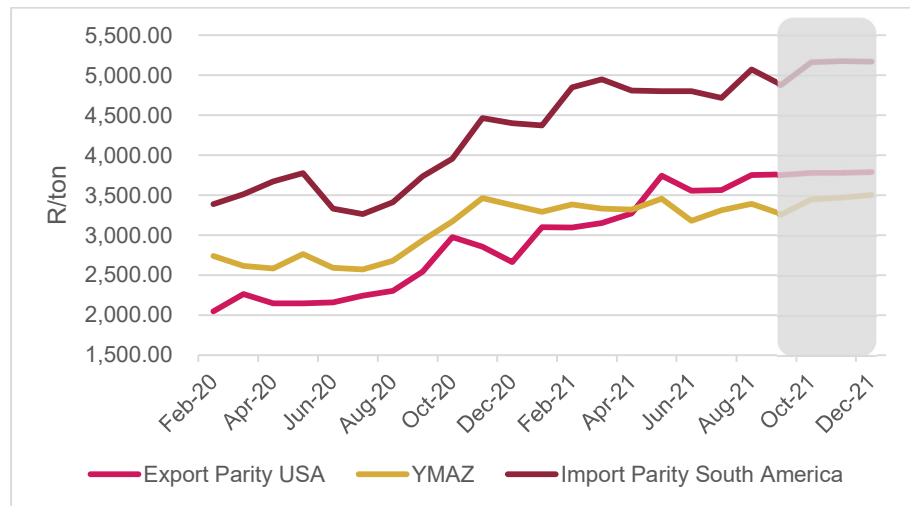


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices traded sideways for the week ending 05 November, this was after the wheat prices reached record highs since 2012 on 1 November at USD 7.97 per bushel for Soft Red Winter (SRW) wheat and USD 8.07 per bushel for Hard Red Winter (HRW) wheat. These prices increased by 2.9% and 5.1% for SRW and HRW wheat respectively month on month. The high wheat prices are a result of tight global supplies of wheat for 2021/22 due to drought, frost, and heavy rains in different key production regions around the world coupled with higher consumption. The tight supplies and higher consumption are expected to support prices throughout the 2021/22 season.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	15.31	281.64	286.14
w/w	2.3%	-0.8%	-0.9%
m/m	1.7%	2.9%	5.1%
y/y	-3.3%	25.8%	38.3%

Local wheat market

Local wheat prices decreased by 1.2% week on week but increased by 1.9% month on month supported by the weaker exchange rate and higher global prices. Wheat prices are 14.5% higher compared to the same time last year.

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	5762	5794	7309
w/w	-1.2%	-1.5%	-1.1%
m/m	1.9%	3.1%	4.27%
y/y	14.5%	-	13.8%

Outlook

Analysts expect global wheat prices to remain firm for the 2021/22 season. This combined with the sentiment that the rand can depreciate further is expected to support local prices over the coming months.

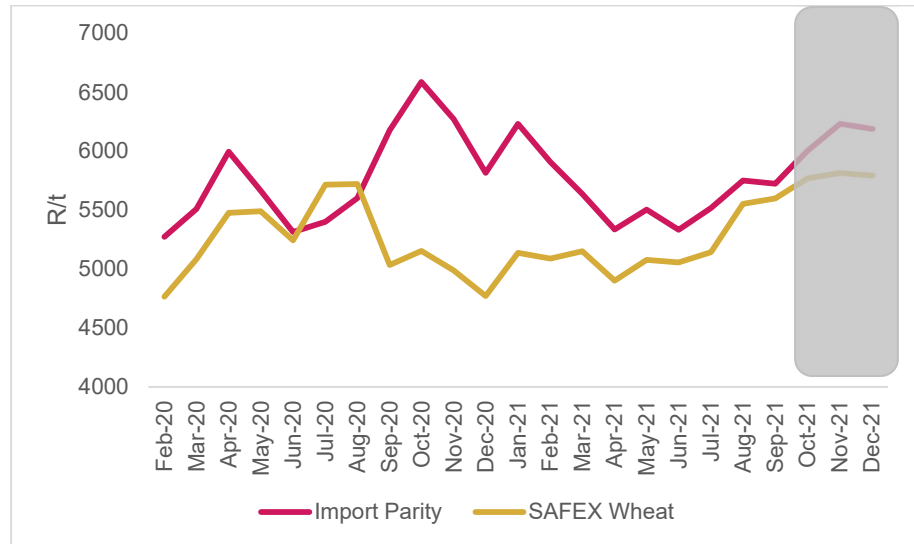


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean and soy oil prices decreased by 3.5% and 4.1% respectively for the week ending 05 November and by 4.7% and 3.5% on a month-on-month basis while CBOT soya meal prices traded sideways week on week and increased by 4% month-on-month. Price pressures were a result of low Chinese import demand and favourable planting conditions in Brazil. The WASDE report however forecasted decreased production for the US by 23 million bushels on the back of a lower yield as well as decreased production in Argentina by 1.5 million tons on the back of lower harvested area.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	15.31	458	58.8	332.7
w/w	2.3%	-3.5%	-4.1%	0.0%
m/m	1.7%	-4.7%	-3.5%	3.9%
y/y	-3.3%	8.2%	65.7%	-14.2%

Local oilseed market

SAFEX soybean prices followed global prices decreases, decreasing by 3.7% week on week and by 3.3% month on month. The lower soybean global production outlook is expected to give some price support locally benefitting from a weaker exchange rate. The SAFEX sunflower seed price traded sideways week on week, increased by 9.6% month on month, and remained high year on year increasing by 32.9% on the back of prevailing global supply constraints and strong global prices.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9529	7136	10 810
w/w	-0.8%	-3.7%	0.0%
m/m	-0.7%	-3.3%	9.6%
y/y	3.4%	-18.3%	32.9%

*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 so is soybeans with the possible global prices support as well as the depreciation in the exchange rate is expected to give slight local price support over the next three months.

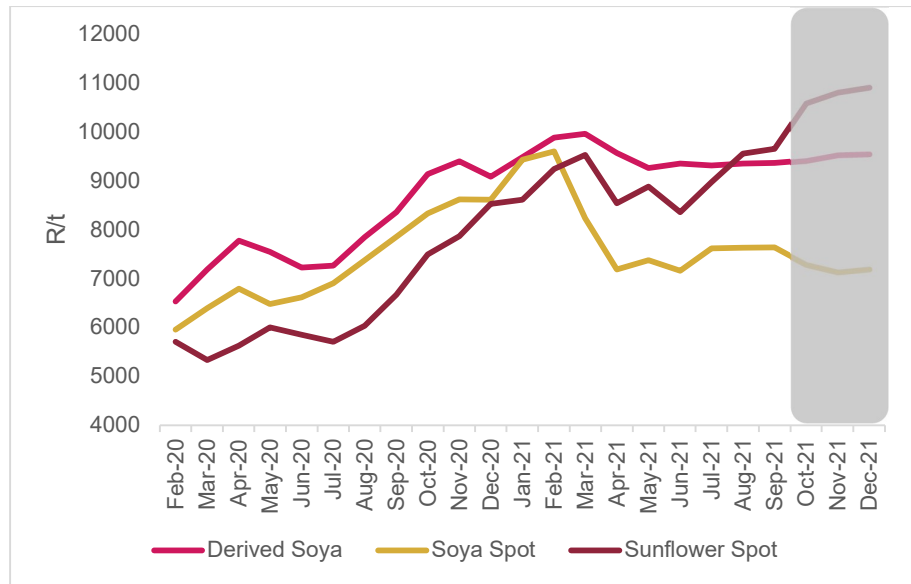


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast