



Retail and Business Banking
Sector Economics
AgriBusiness
25 November 2021



Agri Trends: Grains and Oilseed Report

The global wheat market remains bullish

Maize: US corn harvest is 95% complete. Favourable southern hemisphere production as Argentina and Brazil receive better than expected weather at the onset of the season. Local production conditions remain favourable.

Wheat: Tight global wheat supplies concerns increase on the back of untimely rains halting the ongoing harvest of the Australian record wheat crop. Tight supplies coupled with higher consumption led to new record prices since 2012. The CEC revised the expected wheat production for 2021/22 upwards by 0.86%.

Oilseeds: CBOT soybean and soyameal prices increased by 2.4% and 2.7% week on week respectively. Prices continue to track global price movements higher, supported by the local weak exchange rate.

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Maize market trends

International maize market

CBOT corn prices have gone up month on month by 7.6%. Since the beginning of the month, they have traded in a higher band between USD 5.52 and USD 5.81 while in October they traded between USD 5.12 and USD 5.68. The current season's US corn harvests as shown by the USDA crop progress report published on 22 November were 95% complete limiting harvest pressure impacts on the CBOT price volatility, however, what remains important to watch is the Southern hemisphere production which is underway for the 2021/22 season. Good early season production conditions in Brazil increased the crop by 2% due to favourable temperature and precipitation outlooks for the 2021/22 season. Argentina also had rains that boosted planting at the start of their planting season, lowering concerns of the possible hot and dry production conditions caused by the current La Nina climate phenomenon. Good production conditions in the key producing regions could lead to higher global stocks for the 2021/22 season and limit upward price pressures.

	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	15.41	224.7	5869	3541	3354
w/w	1.7%	-1.1%	-1.9%	-0.3%	2.8%
m/m	7.0%	7.6%	5.7%	-8.4%	12.1%
y/y	0.4%	35.1%	23.6%	21.5%	13.9%

Local maize market

Local white and yellow maize prices increased by 7.4% and 4.8% respectively for the week ending 19 November. Prices tracked global price movements, increasing by almost 10% month on month supported by the depreciating exchange rate. Good rainfall over parts of South Africa in the past few weeks as well as stronger prospects of the La Nina climate bode well for summer grain production for the 2021/22 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	3469	3465	3499	3650	3662	3689
w/w	7.7%	7.4%	7.4%	2.3%	4.8%	5.4%
m/m	9.9%	9.1%	9.7%	2.8%	9.7%	10.3%
y/y	1.0%	-	-	6.8%	17.9%	-

Outlook

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

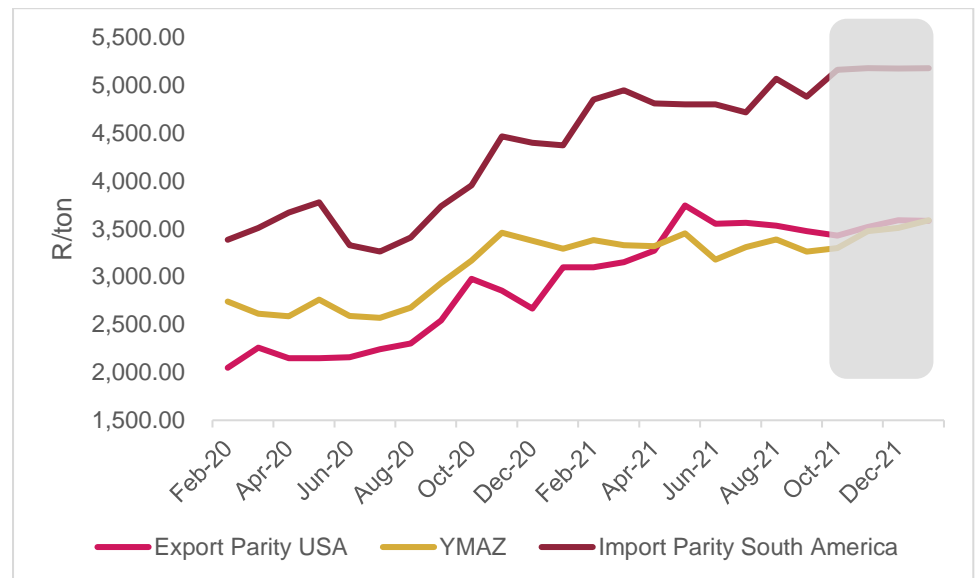


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices traded sideways for the week ending 19 November however they showed significant month-on-month increases of 9% and 8% for CBOT SRW and CBOT HRW respectively. Prices reached their highest levels in nine years on 23 November due to increased concerns of the dwindling wheat global stocks after untimely rains in Australia during the bumper wheat harvests caused crop quality concerns. The International Grains Council (IGC) cut the 2021/22 global wheat production forecast by 4 million tons on the back of diminished production outlooks for Iran and production downgrades in Kazakhstan and the EU. The US planted wheat condition was rated 44% good to excellent on the USDA crop progress report published on 22 November.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	15.41	302.4	306.7
w/w	1.7%	0.7%	0.2%
m/m	7.0%	8.9%	7.8%
y/y	0.4%	38.0%	51.7%

Local wheat market

Local wheat prices increased by 2.6% week on week and by 3.4% month on month tracking global prices and supported by the weaker exchange. Wheat prices are 21% higher compared to the same time last year. The Crop Estimate Committee, in their 4th production forecast for the 2021/22 season revised production upwards by 0.86% to 2.117 million tons on the back of a slightly higher yield at 4.04 t/ha.

	JSE spot price (R/ton)	Dec21 (R/ton)	USA import parity (R/ton)
Price	6050	6068	8652
w/w	2.6%	2.6%	15.6%
m/m	3.4%	5.9%	28.0%
y/y	21.1%	-	36.4%

Outlook

Ongoing global stock constraints and expectations for Russia, the largest wheat exporter to set up more restrictions in the forms of export taxes to stabilize their domestic food inflation is expected to give price support for wheat over the coming three months. Prices are therefore expected to follow a slight upward trend.

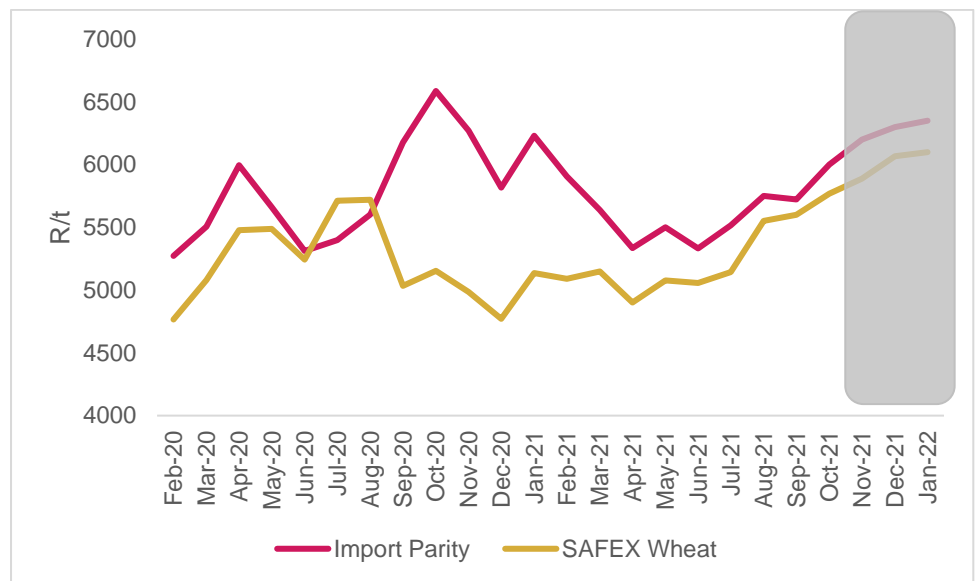


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybeans and soyameal prices increased by 2.4% and 2.7% week on week for the week ending 19 November. Soya meal firmed 15.3% month on month due to an expectation that the current shortage of the hog feed additive Lysine usually used with corn-based feed, should boost the usage of soybean meal. Soybean prices increased by 3% month on month as a result of the downgraded US crop production for 2021/22. There were significant declines in Chinese soybean imports from the US in October, contradicting historical trends where the highest Chinese soybeans imports from the US were seen in the last quarter annually. Contributing to this are lower Chinese crush margins and competitive prices in Brazil. The US soybean harvests were 95% complete on 22 November.

	R/USD	Soybean CBOT Near month (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	15.41	464.2	58.2	371.8
w/w	1.7%	2.4%	-1.4%	2.7%
m/m	7.0%	2.9%	-6.8%	15.3%
y/y	0.4%	7.3%	49.9%	-5.6%

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Local oilseed market

SAFEX soybean prices tracked global prices higher, increasing by 5.4% week on week and by 4.5% month on month also supported by the weaker exchange rate. The SAFEX sunflower seed price increased by 1.2% week on week but traded sideways month on month. On the year-on-year basis these prices have remained in the highs seen in October, trading between R10 030 per ton and R10 997 per ton since the beginning of October, benefiting from strong global vegetable oil prices.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	10 096	7473	10 830
w/w	4.1%	5.4%	1.2%
m/m	9.6%	4.5%	-0.5%
y/y	7.2%	-14.8%	24.5%

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

Outlook

Our projection over the next three months is that prices for Soybeans will largely trade sideways supported by the depreciation in the local exchange rate which is expected to give slight local price support.

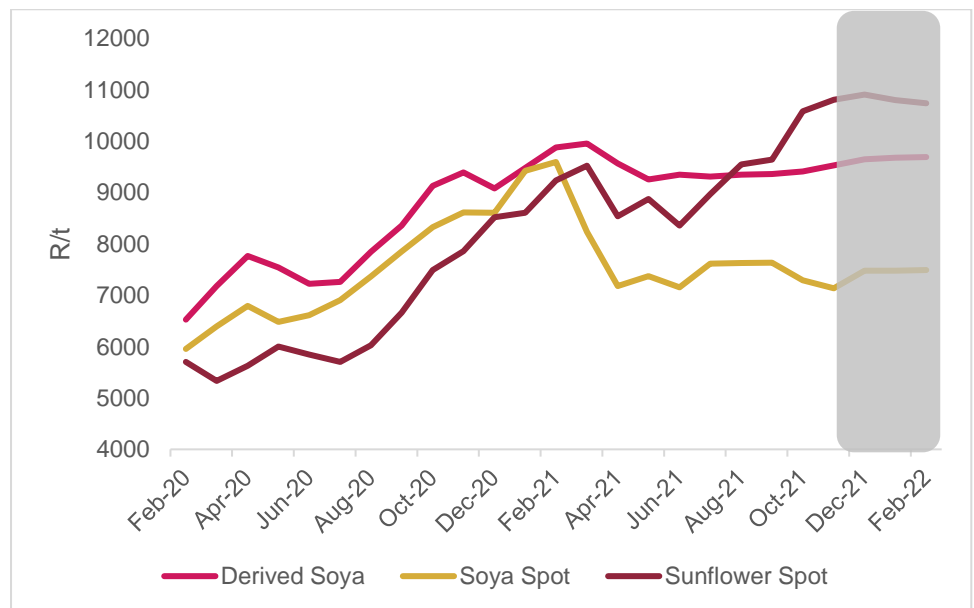


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast