



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

### South American corn and soybeans production lowered

**Maize:** US corn ending stocks raised beyond expectations while South American production is lowered by half a million tons and 3 million tons in Argentina and Brazil respectively. High rainfalls are cause for concern on the local crop quality and area planted. The CEC's *Preliminary area planted* report will provide a better picture of the potential local summer crop size.

**Wheat:** CBOT wheat prices decreased month on month as concerns over the Omicron Covid-19 variant weighed on demand. Supply concerns were also eased due to forecasted bumper harvests for Australia and Argentina. The CEC revised the expected wheat production for 2021/22 upwards by 1.7%.

**Oilseeds:** CBOT Soybean and CBOT Soya meal prices increased by 8.5% and 13.1% respectively month on month due to supported by forecasts of dry and hot conditions in South America lower yields in Brazil and Argentina and leading to production cuts of 3 million tons and 5 million tons for Argentina and Brazil respectively. JSE sunflower seed prices breached the R11 000 per ton underpinned by the ongoing global vegetable oils tight supplies.

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## Maize market trends

### International maize market

The World Agricultural Supply and Demand Estimates (WASDE) report published on 12 January raised the US ending stocks higher than expected to 1.540 billion bushels from 1.494 million bushels on the back of higher production. Production in Argentina and Brazil was lowered by 0.5 million tons and 3 million tons respectively because of yield reductions caused by the dry and hot conditions in December 2021. CBOT corn prices increased by 2.1% month-on-month basis as a result of corn development concerns in South America and they were 30.8% higher year-on-year.

|       | R/US  | Near-month<br>CBOT corn<br>(\$/ton) | USA YM<br>Import parity<br>Randfontein<br>(R/ton) | US YM<br>Export parity<br>Randfontein<br>(R/ton) | Argentina YM<br>Export parity<br>Randfontein<br>(R/ton) |
|-------|-------|-------------------------------------|---|--|---|
| Price | 15.77 | 236.60                              | 6009  | 3805   | 3649  |
| w/w   | -0.7% | -0.9%                               | -1.7%   | -1.7%  | 0.0%  |
| m/m   | -1.7% | 2.1%                                | 1.1%  | -2.9%  | 5.0%  |
| y/y   | 1.9%  | 13.1%                               | 18.2%   | 20.4%  | 10.1%   |

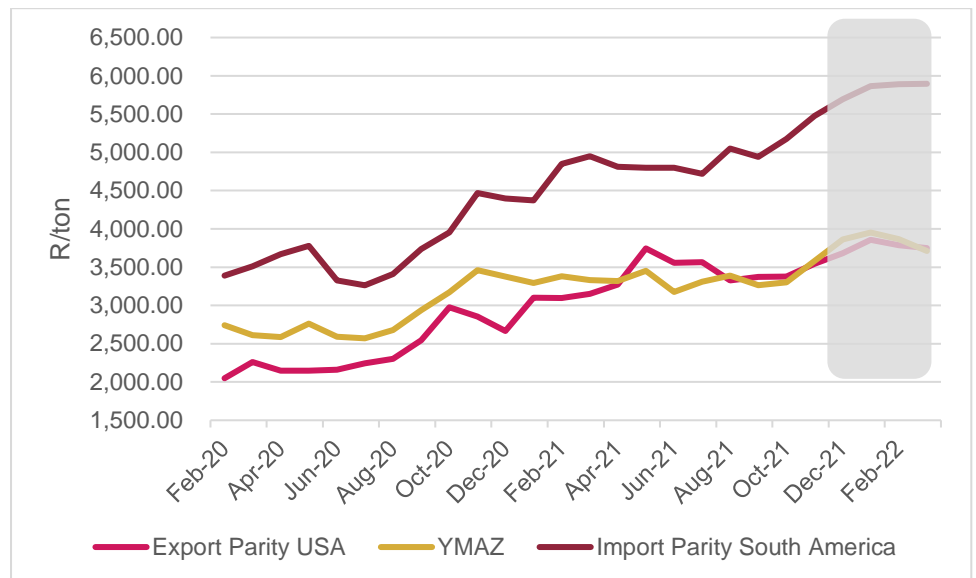
### Local maize market

Though the intention to plant both white and yellow maize was raised as published in the CEC's Intentions of producers to plant summer crops for 2022 report, high rainfalls as a result of the La Nina caused crop damage and might have affected the area planted. Effects of the high rainfalls on the crop will be shown by the CEC's preliminary area planted report due to be published on 27 January.

|       | JSE WM spot<br>price<br>Randfontein<br>(R/ton) | White maize<br>Mar-22<br>(R/ton) | White maize<br>Jul-22<br>(R/ton) | JSE YM spot price<br>Randfontein<br>(R/ton) | Yellow maize<br>Mar-22<br>(R/ton) | Yellow maize<br>Jul-22<br>(R/ton) |
|-------|--|----------------------------------|----------------------------------|---|-----------------------------------|-----------------------------------|
| Price | 3812   | 3775                             | 3593                             | 3940  | 3912                              | 3650                              |
| w/w   | 2.2%   | 1.6%                             | 0.1%                             | -0.7%                                       | -0.3%                             | 0.4%                              |
| m/m   | 7.3%   | 6.5%                             | 5.7%                             | 1.6%  | 1.9%                              | 2.2%                              |
| y/y   | 3.1%   | -                                | -                                | 7.9%  | -                                 | -                                 |

### Outlook

Our projection for the next few months is that prices will follow a slight downward trend though persisting weather concerns in South America pose an upside price risk. Better than expected production in the US could put downward pressure on the price later when the US begins planting in April. Locally, the exchange rate is expected to depreciate as the Federal Reserve policymakers could start increasing interest rates as early as March and this poses an 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 lost momentum month on month decreasing by 1.7% and 1.2% for CBOT SRW and CBOT HRW respectively due to concerns over the Omicron Covid-19 variant as well as eased supply concerns because of forecasted bumper harvests in Australia and Argentina however prices remain elevated year-on-year, having increased 13.8% and 23% for CBOT SRW and CBOT HRW respectively because global stock levels remain a concern.

|       | R/USD | CBOT SRW<br>(USD/t) | CBOT HRW<br>(USD/t) |
|-------|-------|---------------------|---------------------|
| Price | 15.77 | 282.5               | 290.8               |
| w/w   | -0.7% | 1.4%                | 2.1%                |
| m/m   | -1.7% | -1.7%               | -1.2%               |
| y/y   | 1.9%  | 13.8%               | 23.1%               |

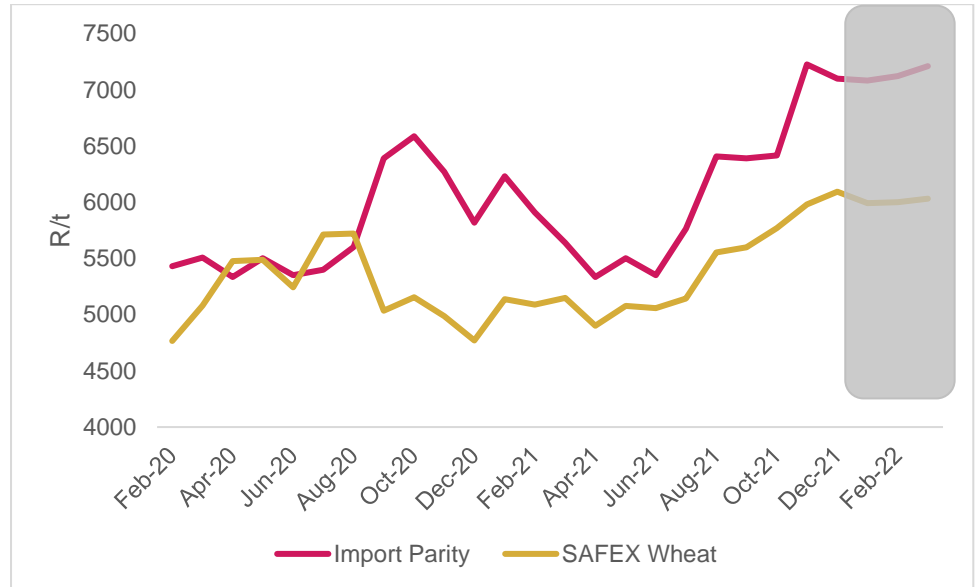
### Local wheat market

Local wheat prices tracked global prices in 2021, also peaking in November. Prices decreased by 1.2% and 2.7% on a week on week and month on month basis respectively. The Crop Estimate Committee (CEC), in their 5<sup>th</sup> production forecast for the 2021/22 season revised production further upwards by 1.7% to 2.153 million tons, on the back of a slightly higher yield at 4.11 t/ha. If this production is realised, it will be the largest wheat crop since 2002, however, the high rainfall as a result of the second consecutive La Nina might have caused crop quality damage. The market direction will be given by the CEC report due to be released on the 27<sup>th</sup> of January.

|       | JSE spot price (R/ton) | Mar-22 (R/ton) | USA import parity (R/ton) |
|-------|------------------------|----------------|---------------------------|
| Price | 5950                   | 6155           | 7370                      |
| w/w   | -1.2%                  | -1.6%          | -4.1%                     |
| m/m   | -2.7%                  | -2.6%          | -2.5%                     |
| y/y   | 17.8%                  | -              | 18.4%                     |

## Outlook

We expect local wheat prices to hover around the R5 900 per ton mark over the coming months as high global prices are decreasing demand for wheat used as feed. Upside price potential exists largely driven by the weaker exchange rate.



**Figure 2: International and SAFEX wheat price projections**

\*Section in grey represents Absa AgriBusiness forecasts

## Oilseed market trends

### International oilseed market

CBOT Soybean and CBOT Soya meal prices decreased by 2.9% and 7.8% year-on-year however on a month-on-month basis, said prices increased by 8.5% and 13.1% respectively supported by forecasts of dry and hot conditions in South America. Soy oil prices increased by 10.1% and 41% month-on-month and year-on-year respectively on the back of soaring global vegetable oil prices driven by supply constraints of the most globally consumed palm oil due to the persisting labour shortages at palm oil plantations in Malaysia. The WASDE report showed a projected 10 million bushel increase for US Soybean production while production was decreased by 3 million tons and 5 million tons for Argentina and Brazil respectively on the back of lower yields and area planted.

|       | R/USD | Soybean CBOT Near month (USD/ton) | CBOT soy oil (USc/lb) | CBOT soya meal (USD/ton) |
|-------|-------|-----------------------------------|-----------------------|--------------------------|
| Price | 15.77 | 506.6                             | 59.0                  | 427.3                    |
| w/w   | -0.7% | -1.8%                             | 0.6%                  | -1.4%                    |
| m/m   | -1.7% | 8.5%                              | 10.1%                 | 13.1%                    |
| y/y   | 1.9%  | -2.9%                             | 41.0%                 | -7.8%                    |

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## Local oilseed market

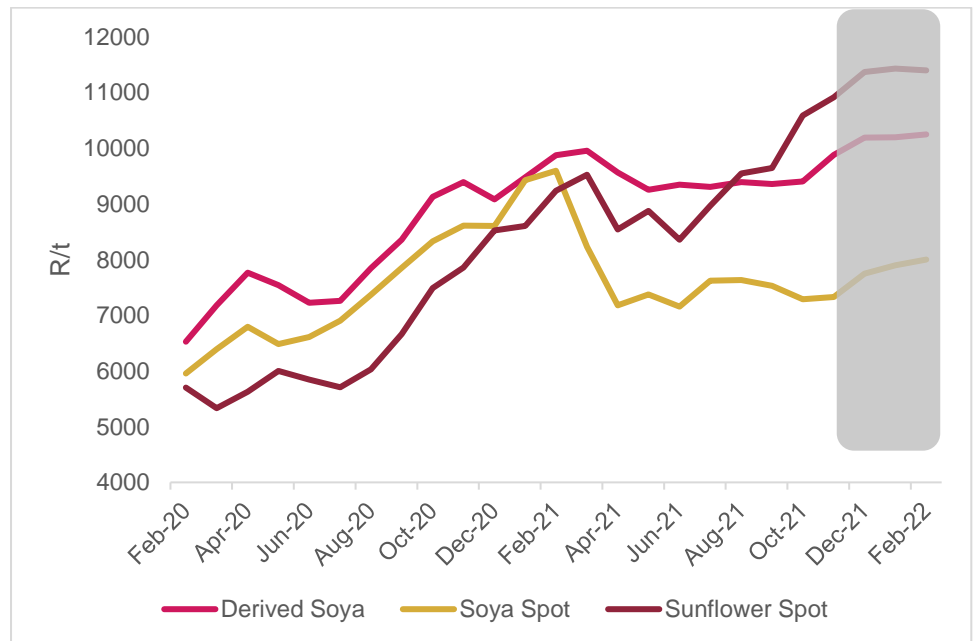
Both the JSE soybeans price and the derived soybean price increased week on week by 3.0% and 3.8% respectively, they also increased on a month-on-month basis by 7.8% and 2.8% respectively tracking the global soybeans price increase. The JSE sunflower seed price decreased by 1.7% week on week and traded sideways month on month. These prices breached the R11 000 per ton mark in November and have been trading between R11 050 per ton and R11 600 per ton since then underpinned by the ongoing tight global vegetable oils supplies. Sunflower prices are 19% higher as compared to the same time in January 2021.

|       | Derived soybean price (R/ton)* | JSE soybean spot price (R/ton) | JSE sunflower seed spot price (R/ton) |
|-------|--------------------------------|--------------------------------|---------------------------------------|
| Price | 10 573                         | 8 212                          | 11 300                                |
| w/w   | 3.8%                           | 3.0%                           | -1.7%                                 |
| m/m   | 2.8%                           | 7.2%                           | 0.38%                                 |
| y/y   | 0.1%                           | -15.8%                         | 18.9%                                 |

\*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 follow an increasing trend on the back of weather concerns in South America. In their *Intentions of producers to plant summer crops for 2022* report, the CEC showed increases of 16.3% and 11.8% in areas of soybeans and sunflower due to the favourable global vegetable oil prices, the recent high rainfalls are cause for concern locally on whether this will result in the desired high production as they could have caused crop damage which will further support prices up.



**Figure 3: SAFEX oilseed price projections**

\*Section in grey represents Absa AgriBusiness forecast