



Agri Trends

06 August 2019

China lifts ban of imported cloven hooved animals and their products.

Maize: The spot price of white maize decreased by 0.5% and yellow maize increased marginally by 0.1% week on week. South African maize prices came under pressure due to lower US maize prices, despite the weaker Rand. The weekly South African maize exports for the week ending the 26th of July indicated that 14,128 tons of maize was exported in the past week. The maize that was exported included 8,952 tons of white maize and 5,176 tons of yellow maize. This brings the cumulative maize exports for the season to date at 251,584 tons including 174,076 tons of white maize and 77,508 tons of yellow maize.

Wheat: Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased marginally by 0.2% week on week. The price for new season (Dec 2019) wheat increased by 0.7% week on week. The current import parity is 6.9% higher compared to last week. A weaker Rand added more pressure to the wheat market. SA is a net importer of wheat and a weaker local currency means the cost to imports is higher. The South African wheat imports for the week ending the 26th of July indicated that 38,723 tons of wheat was imported. The majority of imports originated from the Czech Republic. This brings cumulative imports for the season to date at 945,668 tons.

Soybeans: The weaker demand for US soybeans from China, the world's largest soybean importer, continue to weigh on prices. The ongoing trade issues between the US and China coupled with the ASF outbreak in China remains fundamental in influencing the US soybean price. Locally, crushing margins remain negative with soybean volumes being down. South African oilseed contracts did come under some pressure in the past week due to lower US soybean prices. The domestic prices for soybeans are expected to recover going into September.

Fibre: China announced that, they are lifting the ban of imported cloven hooved animals and their products. The South African wool market was under strain the past months as 74% of SA wool is exported to China yearly. The industry and China reached a new agreement where a health certificate is in place that enables the export of greasy wool to China to resume, subject to the temperature and time requirements in terms of the OIE Code (4°C for 4 months, or 18°C for 4 weeks, or 37°C for 8 days). South African wool prices are expected to recover in the next month, supported by the uptick in exports.

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Maize market trends

International maize market

The US yellow corn prices declined this week. Farmer's are expected to expand their corn and soybean plantings in Brazil. This means that Brazil, the world's largest soybean exporter, could potentially harvest a record corn and soybean crop in the 2019/20 season; dependent on good weather conditions. An improvement in the good/excellent rating of the US corn crop added some pressure. US corn prices came under some pressure due to favourable weather conditions in the Midwest.

	R/US\$	US Yellow Corn		RSA Maize		
		US Yellow Corn (US\$/ton)	Kansas White Corn Premium (US\$/ton)	USA WM Import Parity	Argentina YM Import Parity Worcester	Asia YM Export Parity Randfontein
Price	14.35	188	3.89	3797	3430	2415
w/w	2.7%	-4.1%	-37.8%	-1.9%	2.0%	0.1%
m/m	1.7%	-3.9%	127.8%	2.0%	2.2%	-0.3%
y/y	7.9%	10.7%	4.5%	20.5%	12.9%	18.6%

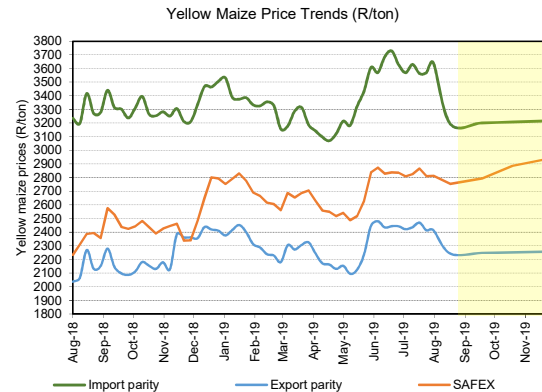
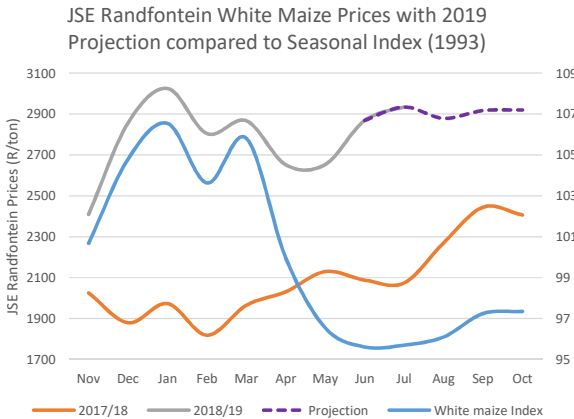
Local maize market

The spot price of white maize decreased by 0.5% and yellow maize increased marginally by 0.1% week on week. Maize prices in South Africa came under pressure due to lower corn prices in the US, despite the weaker Rand. The weekly local maize exports for the week ending the 26th of July indicated that 14,128 tons of maize was exported in the past week. The maize that was exported included 8,952 tons of white maize and 5,176 tons of yellow maize. This brings the cumulative maize exports for the season to date at 251,584 tons including 174,076 tons of white maize and 77,508 tons of yellow maize.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Sep-19	Dec-19	JSE Spot Price, Randfontein (R/ton)	Sep-19	Dec-19
Price	2907	2917	3001	2813	2793	2876
w/w	-0.5%	0.3%	0.2%	0.1%	-0.5%	-0.3%
m/m	0.4%	0.3%	0.3%	0.1%	-1.5%	-1.2%
y/y	34.1%	32.5%	31.1%	25.9%	23.6%	22.3%

Outlook

Internationally: An improved US corn crop reported last week was bearish on prices. Traders remain uncertain about the size of the upcoming US harvest. US corn prices came under pressure due to favourable weather conditions in the Midwest. Locally, the SAFEX white and yellow maize prices are following volatile US corn prices. Local maize prices are expected to recover going into September.



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Wheat market trends

International wheat market

The price of Hard Red Winter wheat increased by 9.5% week on week and the price of Soft Red Winter wheat increased by 6.4% week on week. Current prices for SRW wheat are 8.4% lower, while the price for HRW wheat is 17.4% lower compared to prices a year ago. Harvesting of US winter wheat is near completion. The very tough growing conditions in Australia and the Black Sea Regions (major exporting regions) provided support to the wheat price.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.35	212	213	958.00
w/w	2.7%	6.4%	9.5%	958.00
m/m	1.7%	-6.1%	-3.6%	958.00
y/y	7.9%	-8.4%	-17.4%	281.70

Local wheat market

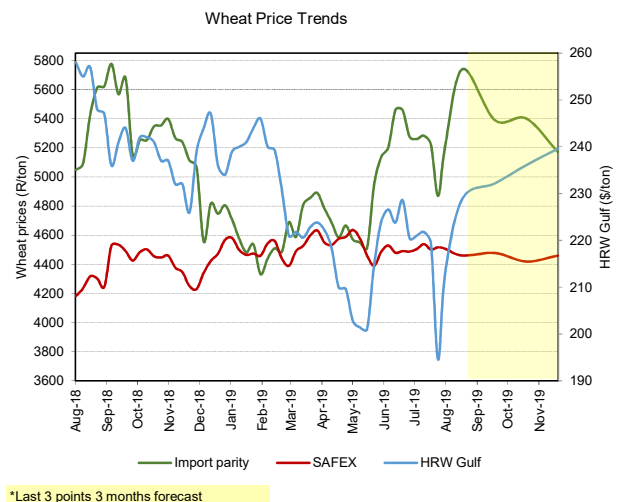
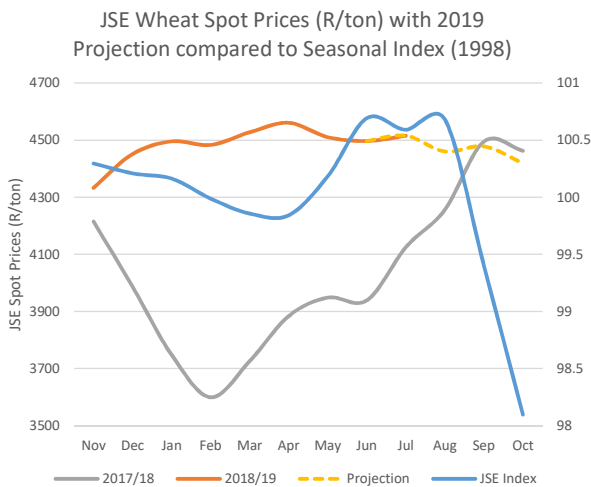
Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased marginally by 0.2% week on week. The price for new season (Dec 2019) wheat increased by 0.7% week on week. The current import parity is 6.9% higher compared to last week. A weaker Rand provided underlying support to the wheat market. SA is a net importer of wheat and a weaker local currency means that the cost to import wheat is higher. The weekly South African wheat imports for the week ending the 26th of July indicated that 38,723 tons of wheat was imported. The majority of imports originated from the Czech Republic. This brings cumulative exports for the season to date at 945,668 tons.

	JSE Spot Price (R/ton)	Sep-19	Dec-19	USA Import Parity (R/ton)
Price	4507	4478	4478	5210
w/w	-0.2%	-1.0%	0.7%	6.9%
m/m	0.1%	0.9%	1.8%	-1.0%
y/y	7.8%	n/a	5.1%	2.7%

Outlook

The harvesting of the US winter wheat crop is near completion. Reports indicate that 75% of the US winter wheat crop has been harvested which is up from the previous week's harvesting progress of 69%. Export demand remains poor for US wheat. Russian exports are expected to decline due to drought-related crop losses in 2019.

Domestic wheat prices are expected to trade sideways for the next three months and then decline slightly in September. Good rainfall is likely to continue for the next weeks until September over the western and south western parts of the Western Cape.



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Soybean market trends

International soybean market

The prices of soybean in the US traded negatively this week. The price of soybean in the US gulf decreased by 2%, soya oil decreased by 0.3% and soya meal decreased by 2.6% week on week. Favourable growing conditions in the Midwest weighed on prices. The exports of US soybeans remain low with no progress or positive news from the trade talks between the US and China. Brazil, the world's largest soybean exporter, could potentially see record harvests of both maize and soybeans in the 2019/20 season as producers are expected to increase plantings of both commodities.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.35	342.50	28.07	297.66
w/w	2.75%	-2.0%	-0.3%	-2.6%
m/m	1.7%	-1.0%	1.1%	-2.3%
y/y	7.9%	-0.6%	-1.0%	-11.3%

Local soybean and sunflowerseed market

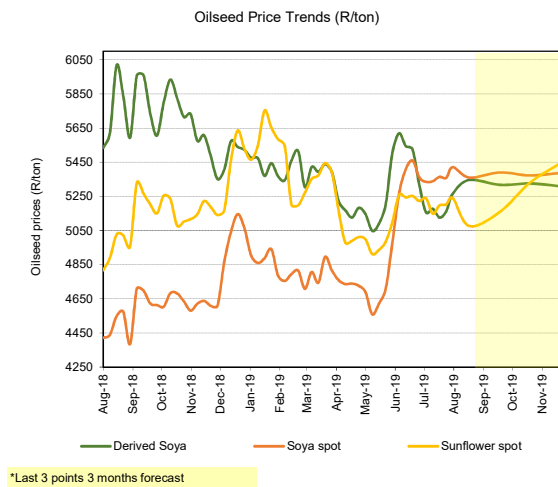
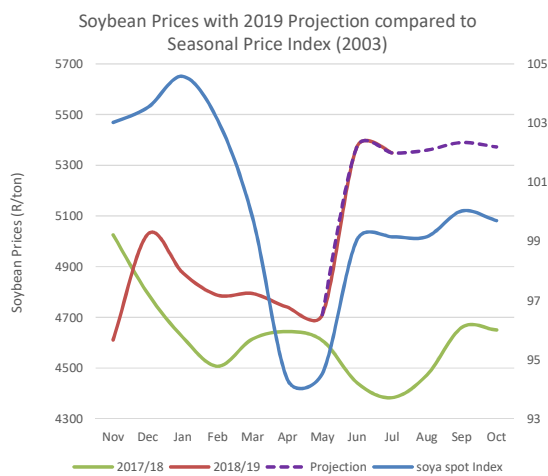
The domestic spot price increased by 1.2% week on week and prices are 22.6% higher compared to a year ago. High prices continue to put pressure on the local crushers. The domestic sunflower seed spot price increased by 0.7% week on week with the current price 8.8% higher compared to prices a year ago. The lower prices for US soybeans weighed on the domestic soybean price.

	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin after tax (R/ton)	JSE Spot Price (R/ton)
Price	5307	5421	-153.95	5239
w/w	2.1%	1.2%	21.1%	0.7%
m/m	4.2%	1.6%	13.2%	0.0%
y/y	-4.4%	22.6%	-822.5%	8.8%

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

Outlook

The weaker demand for US soybeans from China, the world's largest soybean importer, continue to weigh on prices. The ongoing trade issues between the US and China, coupled with the ASF outbreak in China, remains fundamental in influencing the US soybean price. Locally, crushing margins remain negative with soybean volumes down. Oilseed prices in South Africa experienced some pressure in the past week due to the lower prices of US soybeans. Domestic prices for soybeans are expected to recover going into September.



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Fibre market trends

Wool Market

The Australian wool market is currently in recess. The next Australian wool auction is scheduled for the first week of August.

Local: On the 23rd of July 2019, China announced that, they are lifting the ban of imported cloven hooved animals and their products. This applies to all areas of South Africa, apart from Limpopo, the Ehlanzeni area of Mpumalanga and the Umkhanyakude area of Kwa-Zulu Natal.

Export certification for wool will commence on 1st August 2019, with the following approved export facilities in Port Elizabeth: BKB, OVK, Quantro Wools and Segard Masurel.

Any wool that was in store on or before the 2nd April, which would have been sold in Catalogue 30 is cleared for export. Any wool after this date is still not cleared for export as it has not passed the 120 days at or above 4C in storage. The South African wool market is currently in recess. The first sale of the next season is scheduled for the 14th of August 2019. The price reported is the price received on the 5th of June at the last auction of the season.

Cotton Market

USA: The Cotton A index decreased by 0.8% week on week. The ICE cotton future prices plunged to 3-year lows, due to the US-China trade worries.

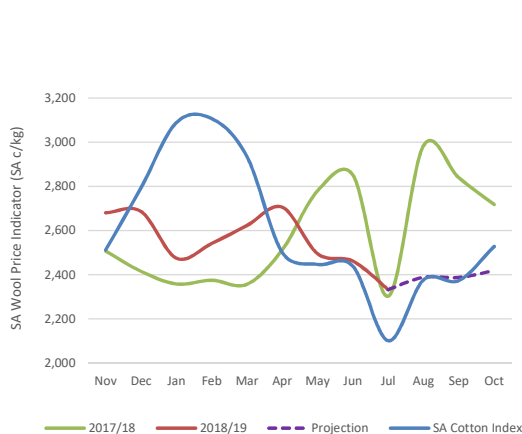
Local: The domestic cotton prices increased by 1.9% this week, prices are 18.1% lower compared to prices a year ago. Cotton prices are expected to trade sideways in the next three months with a possible uptick should a resolution in the trade talks between the US and China occur. At the moment prices in the physical market are trading higher. Currently, the US-China trade talks is the main fundamental influencing cotton prices locally and globally.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	9.87	20103	20607	74.80	2362
w/w	1.3%	1.3%	Recess	-0.8%	1.9%
m/m	-0.1%	1.0%	Recess	-4.5%	-2.9%
y/y	0.0%	-8.3%	-2.8%	-24.3%	-18.1%

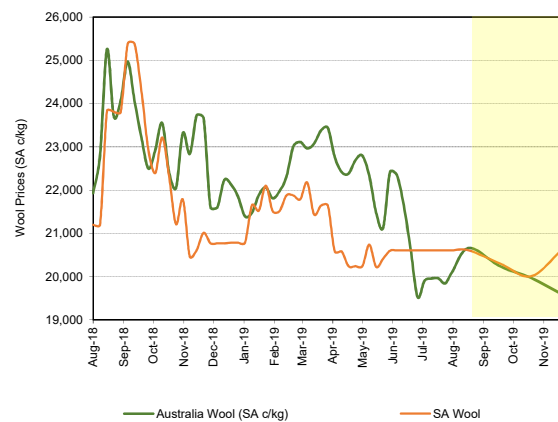
Outlook

Australian wool prices have been following a declining trend lately and it is expected that prices will continue along this overall downward trend for the next three months. The market is hopeful that the current strong tones in the Australian wool market will continue in the short term when the market reopens after the recess. China announced that, they are lifting the ban of imported cloven hooved animals and their products. The South African wool market was under strain the past months as 74% of SA wool is exported to China yearly. The industry and China reached a new agreement where a health certificate is in place that enables the export of greasy wool to China to resume, subject to the temperature and time requirements in terms of the OIE Code (4°C for 4 months, or 18°C for 4 weeks, or 37°C for 8 days). South African wool prices are expected to recover in the next month, supported by the uptick in exports.

South African Cotton Price with 2019 Projection compared to Seasonal Indicator Index (1999)



Wool Price Trends (SA c/kg)



*Last 3 points 3 months forecast

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