



## Agri Trends

29 April 2019

### International markets under pressure

**Maize:** The international corn market traded negatively week-on-week with US yellow corn trading 2.4% lower. The premium for Kansas white corn is 19.3% down week-on-week. Domestic maize prices traded negatively this week with yellow maize down 2.3% and white maize down 1.3%. In their third production forecast the Crop Estimates Committee estimates that the total maize crop will be 10,655 million tons; this is 0.9% more than estimated in their second forecast.

**Wheat:** The US wheat prices are at contract lows this week with soft red down 2.8% and hard red down 3.1% week-on-week. The US Spring plantings are currently 5% completed; the norm for this time of year is approximately 21%. Local wheat prices traded marginally positive with a 0.4% week-on-week increase. According to the Crop Estimates Committee, farmers intend to plant 513 450ha of wheat for the 2019 season which is 2% more than the 2018 crop.

**Soybeans:** The US soya market traded negatively week-on-week with prices of soybeans down 1.9%, soya oil down 2.6% and soya meal down 1.2%. Domestic soybean prices traded 0.3% down week-on-week. The crushing margin after tax is 17.8% higher week-on-week however, is 60.8% lower than the crushing margin of R1186.15/ton received last year.

**Fibre:** Wool seasonal trends indicate a slight increase in prices June before declining again in July; while Australian prices are expected to follow this trend, an increase in South African wool prices would be unlikely considering the pressure currently on the market. Current cotton prices are 10% higher than prices experienced a year ago.

### Contents

Maize market trends	2
Wheat market trends	3
Soybean market trends	4
Fibre market trends	5

## Maize market trends

### International maize market

The international corn market traded negatively week-on-week with US yellow corn trading 2.4% lower. The premium for Kansas white corn is 19.3% down week-on-week however has increased by 179% from last year's premium of US\$1.77/ton. Hope regarding the US/China trade deal is turning into disappointment as there is no conclusion in sight. The Brazil crop is large and the Safrinha corn has been rated as 89% good quality with 11% average. Due to the wet ground conditions delaying plantings there is concern that US farmers may switch from corn to soya.

	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	14.33	161.00	4.95	3280.95	3072.74	2452.20
w/w	2.1%	-2.4%	-19.3%	1.2%	1.8%	3.1%
m/m	-1.2%	-8.5%	-18.2%	-6.4%	-6.0%	0.2%
y/y	16.1%	-16.6%	179.4%	2.8%	0.5%	17.9%

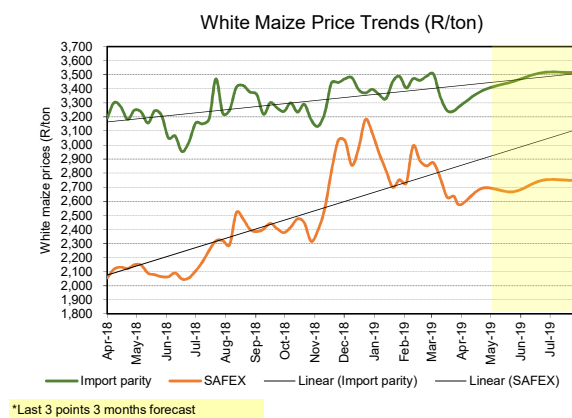
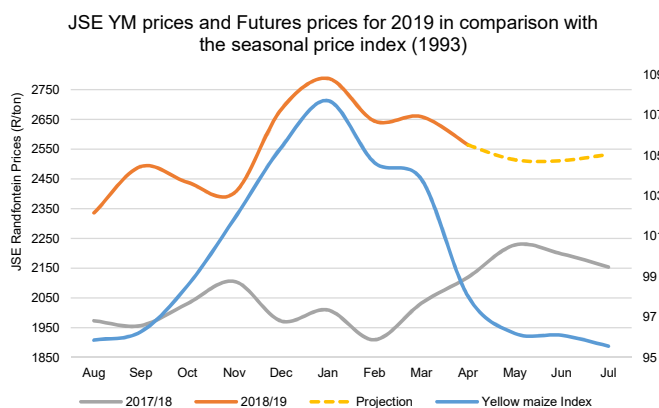
### Local maize market

Domestic maize prices traded negatively this week with yellow maize down 2.3% and white maize down 1.3%. However, prices for both yellow and white maize are higher than prices a year ago with yellow maize 25.4% higher and white maize 16.9% higher. In their third production forecast the Crop Estimates Committee estimates that the total maize crop will be 10,655 million tons; this is 0.9% more than estimated in their second forecast. Of the total crop, it is estimated that 49.61% will be white maize while 50.39% will be yellow maize. The expected average yield of maize is 4.63t/ha.

	White Maize			Yellow Maize		
	JSE Sport Price, Randfontein (R/ton)	May-19	Jul-19	JSE Sport Price, Randfontein (R/ton)	May-19	Jul-19
Price	2575.87	2568.00	2624.00	2517.13	2514.00	2532.00
w/w	-2.3%	-3.7%	-3.5%	-1.3%	-1.9%	-1.8%
m/m	-10.3%	-12.7%	-12.6%	-7.0%	-8.2%	-8.3%
y/y	25.4%	n/a	27.9%	16.9%	n/a	17.5%

### Outlook

Domestic prices of both yellow and white maize are expected to continue their decline in the next month (May) and then begin to increase from June. However, white maize prices are expected to continue declining at a faster rate than the yellow maize prices. The local market can't expect support from international prices in the coming month as US prices are expected to remain under pressure.



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## Wheat market trends

### International wheat market

The US wheat prices are at contract lows this week with soft red down 2.8% and hard red down 3.1% week-on-week. The US Spring plantings are currently 5% completed; the norm for this time of year is approximately 21%, the wet weather conditions have delayed plantings. The market was hoping that the low prices would bring in new buyers however this has not been the case. There is a large Russian wheat crop coming in which is expected to further impact US wheat prices negatively.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Import Tariff (R/ton)
Price	14.33	195.60	209.60	490.70
w/w	2.1%	-2.8%	-3.1%	490.70
m/m	-1.2%	-7.0%	-6.3%	490.70
y/y	16.1%	-12.7%	-14.4%	394.90

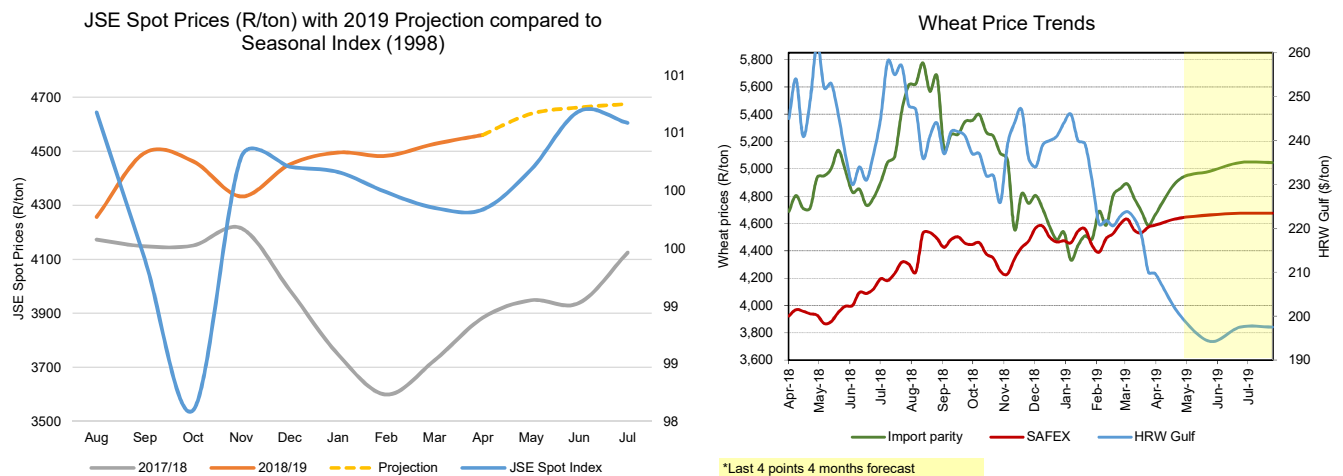
### Local wheat market

Local wheat prices traded marginally positive with a 0.4% week-on-week increase. According to the Crop Estimates Committee, farmers intend to plant 513 450ha of wheat for the 2019 season which is 2% more than the 2018 crop. Week-on-week old season wheat (May19) traded up 1.1% while new season wheat (Dec19) traded 0.4% up. The new wheat tariff is still yet to be published, the new tariff of R675.07/ton triggered over a month ago on the 12th of March.

	JSE Spot Price (R/ton)	May-19	Dec-19	USA Import Parity (R/ton)
Price	4588.20	4639.00	4378.00	4666.09
w/w	0.4%	1.1%	0.4%	-0.2%
m/m	-0.9%	-0.5%	-1.6%	-4.8%
y/y	16.9%	n/a	12.5%	-0.5%

### Outlook

The outlook for US wheat is relatively bleak with prices expected to reach near term lows, global wheat stocks are large with China's wheat stocks at a record high. Domestic wheat prices are expected to continue their slow but steady increase in the next three months. The new wheat tariff of R675.07/ton is expected to be published in May.



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## Soybean market trends

### International soybean market

The US soya market traded negatively week-on-week with prices of soybeans down 1.9%, soya oil down 2.6% and soya meal down 1.2%. US prices are at a new low since September 2018 this is due to a lack of exports, no conclusion to the US/China trade deal in sight and a large South American crop. The Brazil harvest is 92% complete while the Argentine harvest is 34% complete. The world production of soybeans has been revised with an increase of 4.4 million tons. Chinese imports and crushing of soybeans will be lower than expected due to declining demand for feed in the swine industry following the African Swine Fever outbreak reducing their pig herd.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.33	329.16	27.97	301.96
w/w	2.1%	-1.86%	-2.6%	-1.2%
m/m	-1.2%	-3.3%	-2.4%	-2.2%
y/y	16.1%	-20.4%	-9.5%	-19.4%

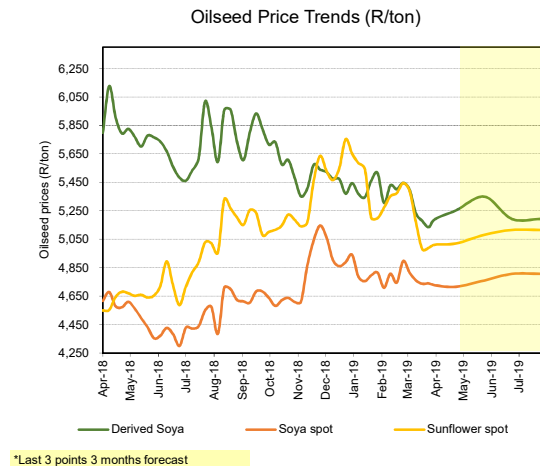
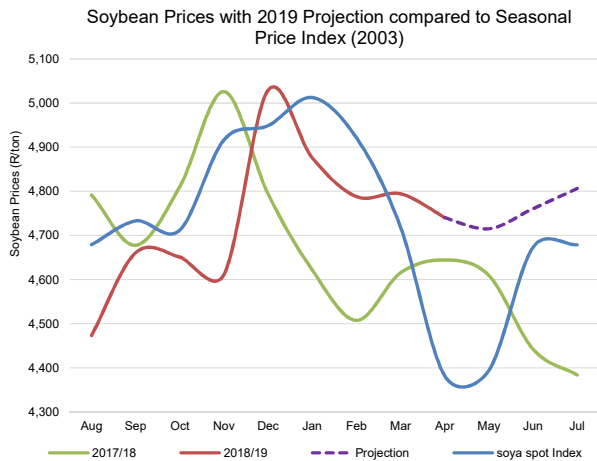
### Local soybean market

Domestic soybean prices traded 0.3% down week-on-week while the sunflower seed prices traded up by 0.4%. Prices of both soybeans and sunflowers are higher compared to this time a year ago. The crushing margin after tax is 17.8% higher week-on-week however, is 60.8% lower than the crushing margin of R1186.15/ton received last year. The third production forecast released by the Crop Estimate Committee showed that the expected production of soybeans will be 1.3 million tons (1.55% more than the estimate from the second production forecast), the expected yield is 1.77t/ha.

	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	5252.40	4726	465.21	5011.53
w/w	2.8%	-0.3%	17.8%	0.4%
m/m	-2.8%	-1.9%	-19.8%	-7.0%
y/y	-10.5%	2.4%	-60.8%	10.2%

### Outlook

The international soya market is currently at a new low since September 2018, it is expected that prices will continue their decline as the large South American crop puts pressure on the US market as they await news on the US/China trade negotiations. Domestic soybean prices are expected to continue their slow decline until June when they will start to increase again. Domestic sunflower seed prices are expected to follow a similar outlook.



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## Fibre market trends

### Wool Market

**Australia:** There was no Australian wool auction for the week ended 26 April 2019. The next auction will be held in the week beginning 29th April 2019.

**Local:** There was no South African auction this week. The next auction is scheduled for the 9th of May 2019.

### Cotton Market

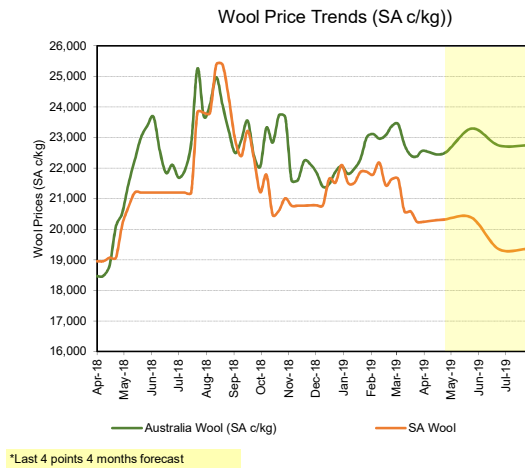
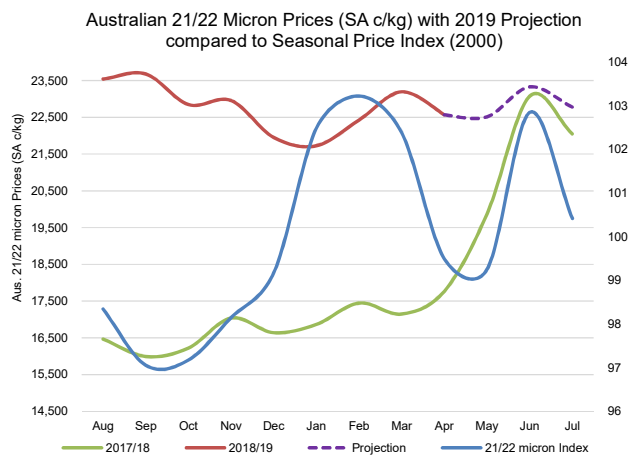
**USA:** The US cotton market traded negatively this week; the Cotton A Index was 2% lower week-on-week and is 4.6% lower than last year. Wet weather and low temperatures across parts of the US slowed fieldwork and planting activity. Spot trading was inactive with moderate demand and an offering of 8,277 bales which is almost 70% less than the 27,298 bales offered last week.

**Local:** Domestic cotton prices experienced a marginal increase of 0.6% week-on-week. Current prices are 10% higher than prices experienced a year ago. Farmers in the Indore region of India are intending to increase their cotton planting by 15% following increased demand; this may support local prices in the coming months. Domestic prices are expected to remain fairly stable in the coming months.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.12	No sale	No sale	86.45	2725
w/w	0.8%	n/a	n/a	-2.0%	0.6%
m/m	-2.2%	n/a	n/a	0.2%	-1.0%
y/y	7.7%	n/a	n/a	-4.6%	10.0%

### Wool Outlook

South African wool prices are expected to continue their downward spiral with shorter cuts experiencing the largest impact on prices. Although there are talks to reopen the South African wool export market this is unlikely to happen in the short term. Seasonal trends indicate a slight increase in prices June before declining again in July; while Australian prices are expected to follow this trend, an increase in South African wool prices would be unlikely considering the pressure currently on the market. A slight bump in prices of long good quality wool may occur but shorter wools will continue to experience declining prices.



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