



Agri Trends

07 May 2019

Local prices: All but soya move upwards

Maize: Due to the severe rainfall conditions in the US; corn plantings are being delayed due to wet fields. This is lending towards a shift in plantings from corn to soybeans thereby resulting in a reduction in the corn production of the US. The local maize market experienced positive movements this week, weather forecasts show that temperatures in the first months of winter will be higher than normally experienced, this will reduce the risk of frost damage for maize planted after December last year.

Wheat: The US wheat prices traded lower compared to last week with wheat shipments behind the USDA's forecast. The domestic wheat spot price increased by 1% since last week and is 16.8% higher than prices received a year ago. The new wheat tariff has not yet been published. The international market does not have a positive outlook while the domestic market is expected to continue its upward trend for the next three months

Soybeans: The US soya market traded negatively week-on-week. Delayed corn plantings are lending towards a shift in plantings to soybeans. This could result in additional pressure on the US soybean prices as there is already a global oversupply. South Africa's soya meal imports have declined by roughly two thirds in Jan/March 2019, this is due to an increase in domestic production.

Fibre: Australian wool auctions resumed with an increase in all regional indicators as well as an increase in the Merino micron price guide. There was no SA wool auction this week. The SA wool indicator is expected to continue its decline due to ongoing pressure on prices following the ban on exports to China after the FMD outbreak. The US cotton market moved negatively this week with a 0.3% decline in the Cotton A index. The domestic cotton price is expected to follow a slight downward trend in the next three months with marginal movements in prices.

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Maize market trends

International maize market

The US yellow corn prices increased by 4.3% week-on-week. Due to the severe rainfall conditions in the US; corn plantings are being delayed due to wet fields. This is lending towards a shift in plantings from corn to soybeans thereby resulting in a reduction in the corn production of the US. This appears to be having a positive impact on prices as supply of US corn declines, however there is still the large South American crop to consider which will limit the upward movement of US corn prices. The Kansas white corn premium declined by 20.7% week-on-week however, it has increased by 262.7% since a year ago which the premium was US\$1.08/ton.

| | 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 | 14.40 | 168.00 | 3.93 | 3385.41 | 3188.87 | 2454.82 |
| w/w | 0.5% | 4.3% | -20.7% | 3.2% | 3.8% | 0.1% |
| m/m | 1.6% | -1.8% | -21.8% | 1.3% | 1.9% | 2.5% |
| y/y | 14.6% | -14.7% | 262.7% | 2.6% | 0.6% | 13.5% |

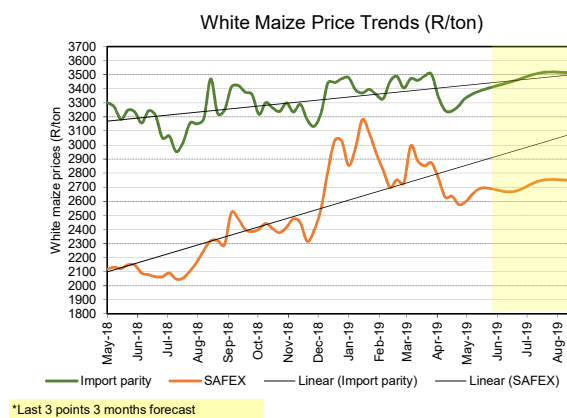
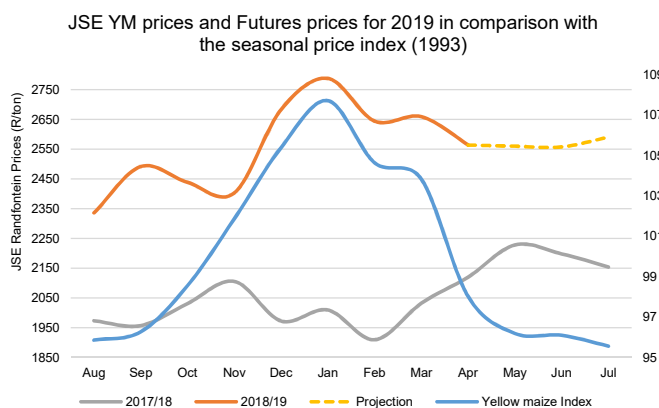
Local maize market

The local maize market experienced positive movements this week. Spot prices traded upwards with white maize prices increasing by 0.87% and yellow maize prices increasing by 1% compared to last week. Compared to last year, the white maize price is 22.7% higher and the yellow maize price is 14.8% higher. Weather forecasts show that temperatures in the first months of winter will be higher than normally experienced, this will reduce the risk of frost damage for maize planted after December last year.

| | 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 | 2598.30 | 2625.00 | 2687.00 | 2542.00 | 2560.00 | 2590.00 |
| w/w | 0.87% | 2.2% | 2.4% | 1.0% | 1.8% | 2.3% |
| m/m | -6.1% | -7.5% | -7.0% | -3.4% | -4.3% | -3.4% |
| y/y | 22.7% | n/a | 26.6% | 14.8% | n/a | 16.9% |

Outlook

Prices of domestic maize is expected to remain fairly stable in the next month and then prices are expected to begin increasing from mid June moving into July. International markets are expecting reduced yields at year-end due to the wet weather currently delaying planting, the market is hopefully that the reduced supply will help support international prices slightly amidst the large South American corn crop coming in.



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Wheat market trends

International wheat market

The US price Soft Red and Hard Red wheat declined week-on-week with soft red wheat prices dropping by 1.7% and hard red wheat prices dropping by 3.2%. The US wheat shipments are currently behind the USDA's forecast. The USDA's next crop report is being released this week and traders are hopeful it will provide the market with a boost.

| | R/US\$ | Soft Red Gulf (US\$/ton) | Hard Red Gulf (US\$/ton) | Import Tariff (R/ton) |
|-------|--------|--------------------------|--------------------------|-----------------------|
| Price | 14.40 | 192.20 | 202.80 | 490.70 |
| w/w | 0.5% | -1.7% | -3.2% | 490.70 |
| m/m | 1.6% | -9.0% | -8.7% | 490.70 |
| y/y | 14.6% | -17.9% | -20.2% | 394.90 |

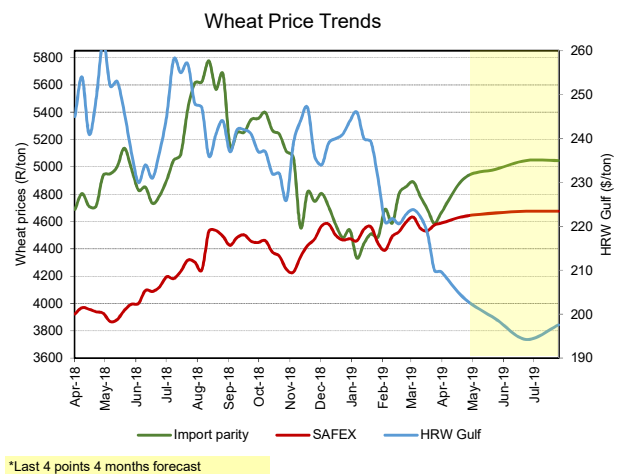
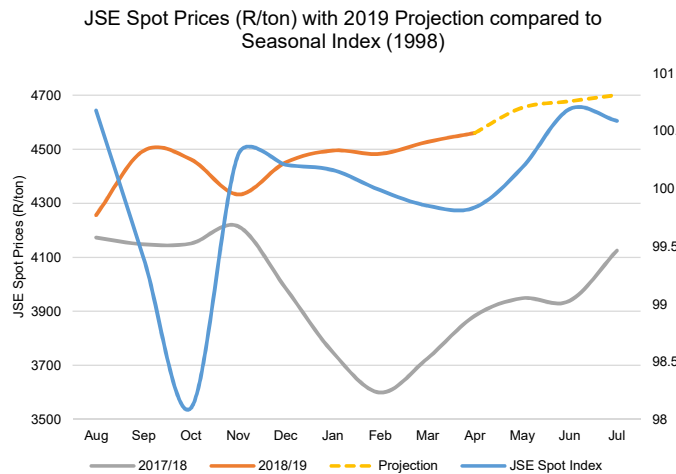
Local wheat market

The domestic wheat spot price increased by 1% since last week and is 16.8% higher than prices received a year ago. The new wheat tariff has not yet been published, it is expected that the tariff will be published within the next two weeks following its trigger on the 12th of March. Old season wheat (May19) and new season wheat (Dec19) moved similarly this week with old season increasing by 0.3% and new season increasing by 0.4% week-on-week. The USA import parity declined by 2% compared to last week, this is a 6.3% decline compared to last year.

| | JSE Spot Price (R/ton) | May-19 | Dec-19 | USA Import Parity (R/ton) |
|-------|------------------------|---------|---------|---------------------------|
| Price | 4635.70 | 4654.00 | 4395.00 | 4570.44 |
| w/w | 1.0% | 0.3% | 0.4% | -2.0% |
| m/m | 1.9% | 1.0% | 2.0% | -4.6% |
| y/y | 16.8% | n/a | 14.7% | -6.3% |

Outlook

Domestic and international markets are expected to continue moving in opposite directions. The international market does not have a positive outlook with prices expected to continue moving downwards. The domestic market is expected to continue its upward trend for the next three months, from the beginning of June the rate of increase may decline slightly but prices will continue to increase.



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Soybean market trends

International soybean market

The US soya market traded negatively week-on-week with soybean prices declining by 1.78%, soya oil prices declining by 1.9% and soya meal prices declining by 2.3%. Soya meal prices have declined by 25.5% compared to a year ago. The severe rainfall conditions in the US are delaying the plantings of corn which is lending towards a shift in plantings from corn to soybeans. This could result in additional pressure on the soybean prices as there is already a global oversupply. The amount of exports of crude soya oil leaving Brazil have declined by approximately 40% due to increased domestic use for biodiesel. A breakthrough to the US/China trade negotiations is only expected in June during the Chinese president's visit Washington DC.

| | Soybeans | | | |
|-------|----------|-------------------------|-------------------------|---------------------------|
| | R/US\$ | Soybean Gulf (US\$/ton) | CBOT Soya Oil (USc/lb.) | CBOT Soya meal (US\$/ton) |
| Price | 14.40 | 323.30 | 27.43 | 295.04 |
| w/w | 0.5% | -1.78% | -1.9% | -2.3% |
| m/m | 1.6% | -4.8% | -5.2% | -4.9% |
| y/y | 14.6% | -21.8% | -10.0% | -25.5% |

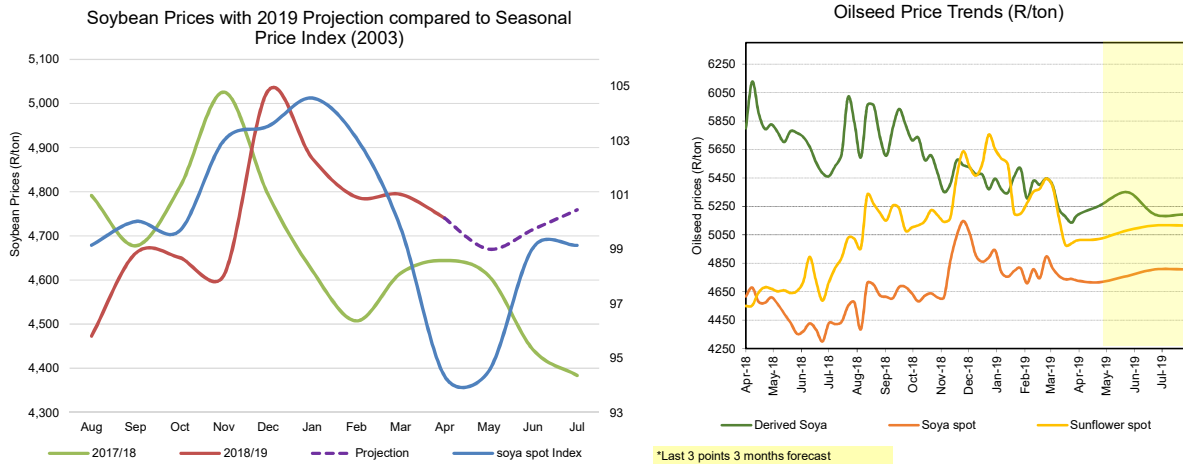
Local soybean market

Domestic oilseed prices experienced slight declines this week with soybean spot prices declining by 0.8% and the sunflower seed spot price declining by 0.3% week-on-week. The crushing margin after tax has declined by 68.4% since a year ago. South Africa's soya meal imports have declined by roughly two thirds in Jan/March 2019, this is due to an increase in domestic production.

| | 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 | 5106.63 | 4690 | 457.41 | 4998.50 |
| w/w | -2.6% | -0.8% | -0.2% | -0.3% |
| m/m | -1.9% | -1.5% | -1.0% | -3.3% |
| y/y | -17.4% | 0.2% | -68.4% | 9.8% |

Outlook

Domestic soybean prices are expected to decline until the end of May and are then expected to begin increasing from June onwards. Due to the large global stocks, prices may not increase to the expected level. Internationally, soybean prices are expected to continue their decline. Following the weather conditions delaying corn plantings, some producers may switch to soybeans, however others may consider whether the prevented planting payment will offer a better return than soybeans at their current low prices.



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Fibre market trends

Wool Market

Australia: After their one-week recess, Australian wool auctions resumed with an increase in all regional indicators as well as an increase in the Merino micron price guide. The Australian Wool Indicator (AWEX) increased by 0.87% from 1,943 AUc/kg clean at the previous action to 1,960 AUc/kg clean at this auction. Buyers actively sought out best and good style lots which drove the upward trend in the AWEX indicator and the regional indicators.

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

Cotton Market

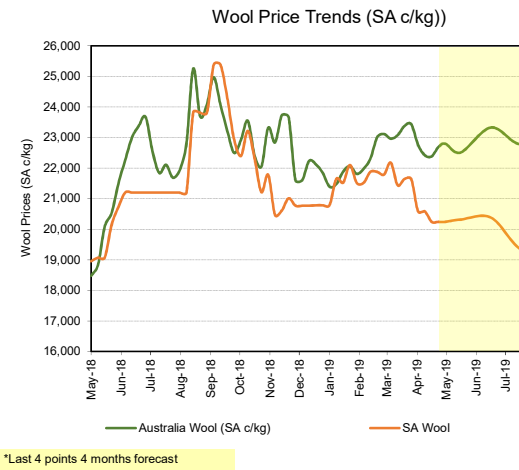
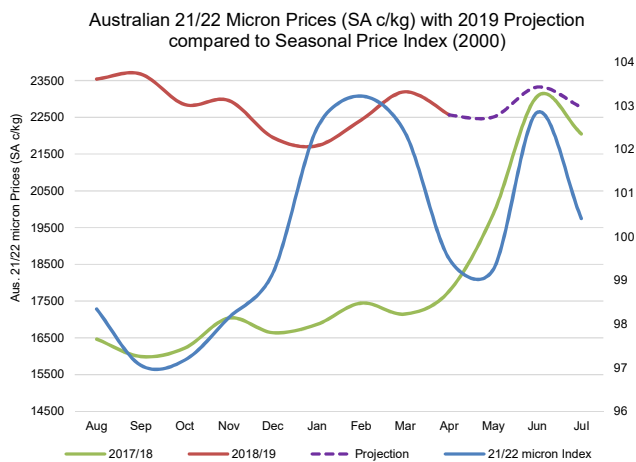
USA: The US cotton market moved negatively this week with a 0.3% decline in the Cotton A index. There were 32,665 bales on offer this week, this is 30% more than the 25,892 bales offered in the corresponding period a year ago. Deteriorating soil moisture conditions in areas that did not experience rainfall in recent weeks resulted in poor planting conditions with some farmers making use of irrigation in order to break the crust of the soil.

Local: Domestic cotton prices experienced a slight increase of 0.2% compared to last week, this is a 5.5% increase compared to prices last week. In line with seasonal trends, the domestic cotton price is expected to follow a slight downward trend in the next three months with marginal movements in prices.

| | 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 | 22797 | No sale | 86.20 | 2731 |
| w/w | -0.1% | 0.5% | n/a | -0.3% | 0.2% |
| m/m | 0.5% | 0.1% | n/a | -0.5% | 1.1% |
| y/y | 7.2% | 23.4% | n/a | -7.8% | 5.5% |

Wool Outlook

Although there has been a two week recess, the South African wool indicator is expected to continue its decline due to ongoing pressure on prices following the ban on exports to China after the FMD outbreak. Shorter cuts are expected to continue experiencing a large price impact. South African wool price seasonal trends show a slight increase in June however this is unlikely, any increase in price will be driven by longer good quality styles. Australian prices are expected to follow the seasonal trend and increase slightly till June before beginning to decline into July. The amount of bales on offer at the Australian wool auctions are expected to decline in the coming weeks with an offering of 30,719 bales expected at the sale on the 21st of May.



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