



## Agri Trends

23 October 2019

### Planting window for summer crops is narrowing, while some areas remain very dry for planting

**Maize:** Very dry conditions dominate most of the country. Heat wave conditions were experienced over large parts of the Summer Rainfall area. The planting time for summer crops in the eastern summer crop producing area is limited. It remains very dry in many areas to plant and do primary cultivation. Forecasters expect to see some rain in the second week of November over the central to eastern Summer Rainfall area. Conditions for rain is likely to improve from December to April.

**Wheat:** Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased by 1.9% week on week. Harvesting is underway in the Western Cape. Dryland wheat production in the Western Cape and the Free State suffered damage due to the very dry and hot conditions. Some damage may even occur on irrigated winter crops due to the very high temperatures resulting in high evaporative demand. The dam water levels are also declining fast.

**Oilseeds:** There's been a slight improvement in the crushing margin compared to the sharp declines seen a month ago, however the crushing margin remains negative. Year on year crushing margins are lower by 344%. Crushers remain under pressure. The planting time for summer crops in the eastern summer crop producing area might be limited due to warm conditions. It remains very dry in many areas to plant.

**Fibre:** The South African Wool market closed 0.4% lower at a value of R169.07 c/kg (clean) compared to the previous week. The stronger Rand added downward pressure on the local wool price. Good competition among buyers for the fine long merino fleeces supported prices. The shorter wools received good prices because supplies were limited. The domestic wool prices will follow international wool prices. There is still some degree of uncertainty in the market which could result in volatility in the wool price in the medium term.

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## Maize market trends

### International maize market

US Kansas yellow corn prices increased by 2.2% week on week. The US corn harvest for the week ending 20 October was reported at 30% complete, this is 17% lower than the 5-year average of 47% at this time of the year. According to the USDA season to date export inspections are down 62% from the same time a year ago. Forecasts for drier weather around the US Midwest, will allow for improved harvesting conditions over the next two weeks. The improved weather conditions weighed on corn prices.

	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	14.83	174	Not quoted	3635	3159	2463
w/w	-1.8%	2.2%	n/a	-0.4%	-3.8%	0.8%
m/m	0.8%	6.6%	n/a	4.4%	-6.3%	6.7%
y/y	3.7%	4.1%	n/a	11.4%	3.1%	20.1%

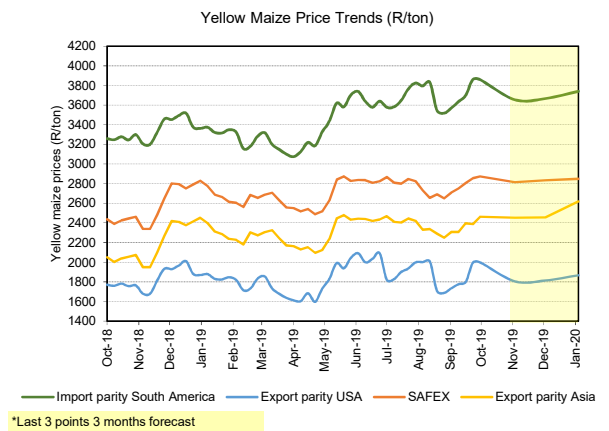
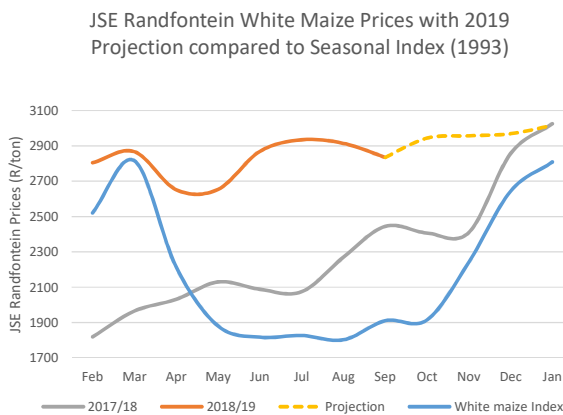
### Local maize market

South African maize future prices traded positively this week. The spot price of white maize and yellow maize increased by 1.2% and 0.6% respectively week on week. The weekly South African producer deliveries of maize for the week ending 11 October indicated that 27,751 tons of maize was delivered in the past week including 16,121 tons of white maize and 11,630 tons of yellow maize. This brings the cumulative deliveries for the season to date at 10,007,637 tons. Maize deliveries in September is ahead of the 5-year average. The weekly South African maize exports for the week ending the 11 October indicated that 16,680 tons of maize was exported in the past week. This included 9,600 tons of white maize and 7,080 tons of yellow maize. This brings the cumulative maize exports for the season to date at 479,567 tons. Very dry conditions dominate most of the country. Heat wave conditions were experienced over large parts of the Summer Rainfall area. The planting time for summer crops in the eastern summer crop producing area might be limited. It remains very dry in many areas to plant and do primary cultivation. Forecasters expect to see some rain in the second week of November over the central to eastern Summer Rainfall area. Conditions for rain is likely to improve from December to April.

	White Maize			Yellow Maize		
	JSE Spot Price, Randfontein (R/ton)	Jul-20	Dec-19	JSE Spot Price, Randfontein (R/ton)	Jul-20	Dec-19
Price	2973	2811	2969	2874	2702	2857
w/w	1.2%	2.7%	0.8%	0.6%	0.8%	0.2%
m/m	4.5%	4.5%	4.5%	6.1%	3.1%	5.3%
y/y	23.6%	10.7%	23.7%	17.9%	7.6%	17.6%

### Outlook

Internationally: The recent price direction in corn, wheat and soybeans suggests that harvest might be lower in the US. This could result in prices trending sideways-to-higher into the end of the year. The local market remains focused on the weather developments in the weeks ahead during the optimal planting period. Forecasters expect to see some rain in the second week of November over the central to eastern Summer Rainfall area



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## Wheat market trends

### International wheat market

The price of Hard Red Winter wheat increased by 3.4% and the price of Soft Red Winter wheat increased by 3.9% week on week. Current prices for HRW wheat is 9.9% lower compared to prices a year ago. Wheat futures prices gained momentum in recent weeks driven by concerns about production shortfalls in Australia and Argentina, coupled with strong demand from global importers.

	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	14.83	227	217	664.70
w/w	-1.8%	3.9%	3.4%	664.70
m/m	0.8%	5.3%	5.7%	664.70
y/y	3.7%	3.7%	-9.9%	490.70

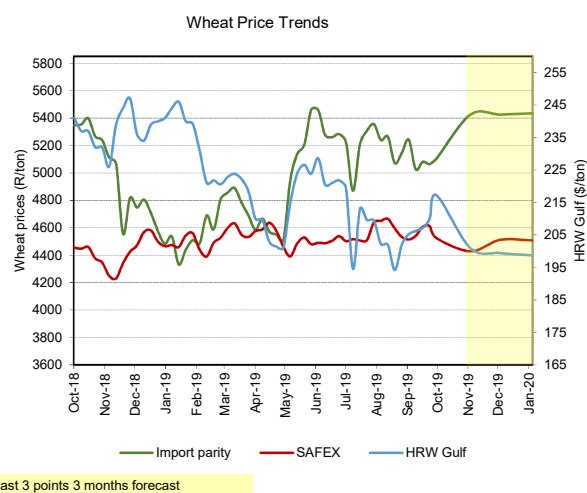
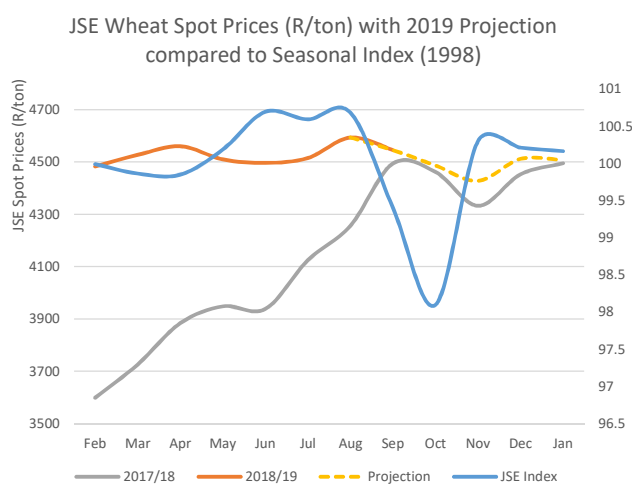
### Local wheat market

Prices in the domestic wheat market traded negatively this week. The wheat spot price decreased by 1.9% week on week. Harvesting is underway in the Western Cape. Dryland wheat production in the Western Cape and the Free State suffered damage due to the very dry and hot conditions. Some damage may even occur on irrigated winter crops due to the very high temperatures resulting in high evaporative demand. The dam water levels are also declining fast.

	JSE Spot Price (R/ton)	Dec-19	Mar-20	USA Import Parity (R/ton)
Price	4523	4512	4610	5105
w/w	-1.9%	-1.5%	-1.6%	0.8%
m/m	0.2%	-0.4%	-0.5%	3.5%
y/y	1.5%	n/a	n/a	-5.1%

### Outlook

The outlook for 2019/20 global wheat this month is for smaller supplies primarily due to production shortfalls in Argentina and Australia. The rising competition for wheat in the global export market, will support prices in the short to medium term. Domestic prices are expected to decline during October as the producers start to harvest and then to recover from November.



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## Soybean market trends

### International soybean market

The prices of oilseeds in the US traded positively this week. The price of soybeans in the US gulf increased by 2.2%, the price of soya oil increased by 1.8% while the price of soya meal increased by 0.8% week on week. US Soybean condition was reported at 54% good to excellent, which is 12% less than the same time a year ago. The harvesting progress for US soybean and corn is slower than usual. The soybean futures gained support from uncertainty about the size of the US crop. US soybean prices increased driven by market optimism over the prospect of US sales to China.

	Soybeans			
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
Price	14.83	355.31	30.12	307.14
w/w	-1.8%	2.2%	1.8%	0.8%
m/m	0.8%	6.4%	1.1%	4.9%
y/y	3.7%	7.2%	4.9%	-1.8%

### Local soybean and sunflowerseed market

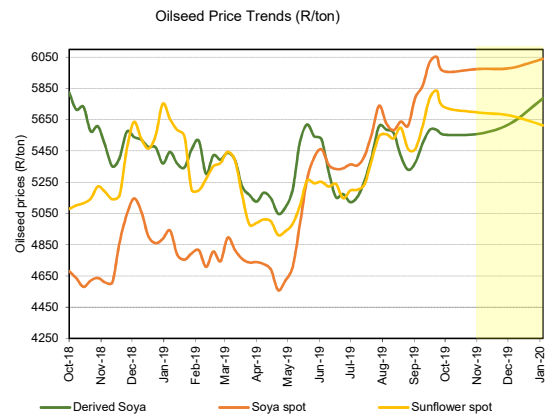
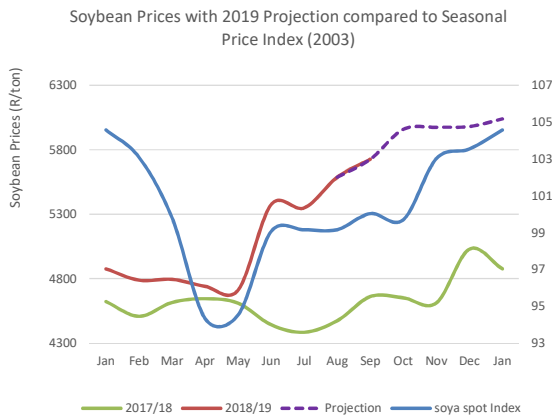
The weekly South African producer deliveries of sunflower seed for the week ending 11 October indicated that 477 tons of sunflower seed was delivered. This brings the cumulative deliveries for the season to date at 671,205 tons, which represents 98% of the CEC crop. The weekly South African producer deliveries of soybeans for the week ending 11 October indicated that 740 tons of soybeans was delivered. This brings the cumulative deliveries for the season to date at 1,119,200 tons, that represents 95% of the CEC crop estimate of 1,170,34 tons. There's been a slight improvement in the crushing margin compared to the sharp declines seen a month ago, however the crushing margin remains negative. Year on year crushing margins are lower by 344%. Crushers remain under pressure. The soybean and sunflower seed spot price decreased by 1.5% and 1.8% respectively week on week. The planting time for summer crops in the eastern summer crop producing area might be limited due to warm conditions. It remains very dry in many areas to plant and do primary cultivation.

	Soybeans			Sunflower seed
	Derived soybean price (R/ton)*	JSE Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Spot Price (R/ton)
Price	5546	5959	-469.91	5731
w/w	-0.1%	-1.5%	-1.2%	-1.8%
m/m	3.0%	2.9%	-14.1%	4.9%
y/y	-4.9%	27.3%	-343.8%	12.8%

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

### Outlook

The bumper sunflower seed production in the Ukraine and Russia will likely make sunflower seed the lowest priced vegetable oil in the 2019/20 global vegetable oil complex. The US and China reached a tentative partial agreement. The agreement details aren't well known, which limited any market shocks. No new US soybeans were imported by the Chinese after the agreement, instead China bought soybeans from Brazil. The domestic oilseed prices are following the international oilseed prices. Prices are expected to recover during October and then move sideways according to seasonal trends.



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## Fibre market trends

### Wool Market

The Australian Wool Exchange (AWEX) Eastern Market Indicator (EMI) dropped by 26 cents to 1,517 c/kg clean. Demand is subdued and wool prices are expected to rebound once trade negotiations are settled. The continued uncertainty around the trade dispute has all buyers concentrating on the short term and pre-Christmas window of opportunity. A part of the Australian wool weakness was currency driven as the Australian dollar strengthened against the US dollar week to week.

**Local:** The South African Wool market closed 0.4% lower at a value of R169.07 c/kg (clean) compared to the previous week. The stronger Rand added downward pressure on the local wool price. Good competition among buyers for the fine long merino fleeces supported prices. The shorter wools received good prices because supplies were limited. The next wool auction is scheduled for 24 October 2019 and +/- 10,415 bales will be on offer.

### Cotton Market

**USA:** The Cotton A index increased by 4.1% week on week. World production is 130,000 bales lower as declines for Australia, Brazil, Pakistan and the US more than offset a 1 million ton increase in production in India. Global cotton prices have trended upwards due to increasing hopes on the trade front and a smaller US crop. This market is set to rebound once there is a resolution on the trade front.

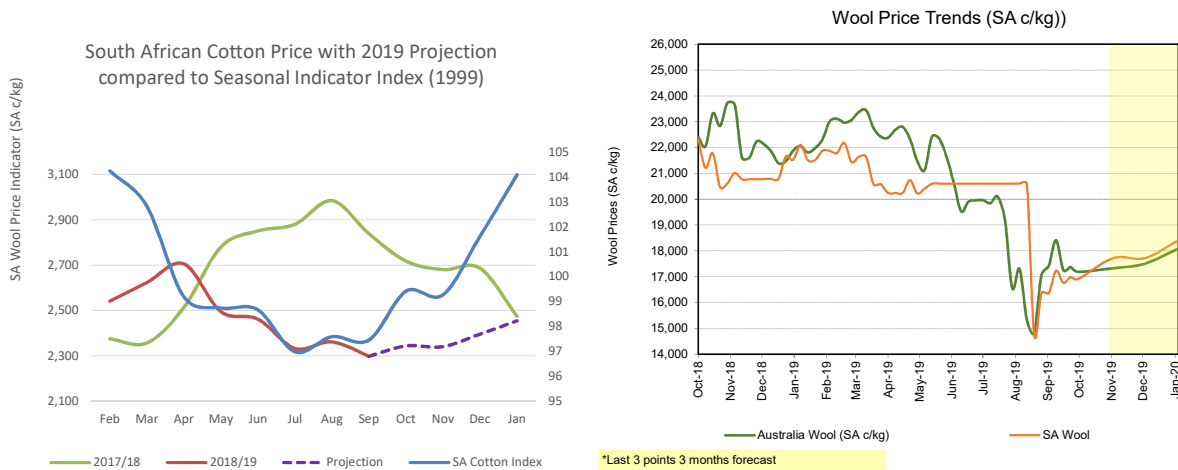
**Local:** The domestic cotton prices increased by 2.2% this week, prices are 10.3% lower compared to prices a year ago. Local cotton prices are expected to trade sideways for the next 3 months or follow international cotton price changes. The industry is paying more attention to the upcoming planting season. Weather developments will be key from October onwards. With current dry conditions, affecting the pace of planting of summer crops, cotton remains a viable option due to its drought resistance capabilities.

	Exchange Rate AU\$/R	Australian Wool (SAc/kg)	South African Wool (SAc/kg)	Cotton A Index	South African Cotton Price (SAc/kg)
Price	10.11	17190	16907	75.00	2447
w/w	-1.0%	-1.0%	-0.4%	4.1%	2.2%
m/m	0.3%	-1.3%	3.3%	4.9%	5.8%
y/y	-0.3%	-23.3%	-24.3%	-13.5%	-10.3%

### Outlook

**Global:** The European and Chinese consumer spending patterns are key to the upcoming wool to be sold. Movements in wool prices recently have been supply driven, both on volume and wool type.

**Locally:** The domestic wool prices will follow international wool prices. There is still some degree of uncertainty in the market which could result in volatility in the wool price in the medium term.



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