



Agri Trends

03 December 2018

Summer grain growing producers buying less seed for the next season.

Some of the major seed suppliers in the country have reported a sharp decline in seed sales especially during this time when summer grain producers are in the optimal planting phase. It is estimated that only about 25% of sales were reported at some companies compared to the average of 40-45% sales during October of every year. Producers remain under pressure due to the very dry conditions in the summer rainfall region of the country (even though the western parts received some rains, the eastern parts remain dry). Industry stakeholders are skeptical that the CEC's latest forecast for 4.74% more summer grains to be planted will materialize. The reduced area planted will bode well for prices and reduce current stock levels.

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Maize market trends

International

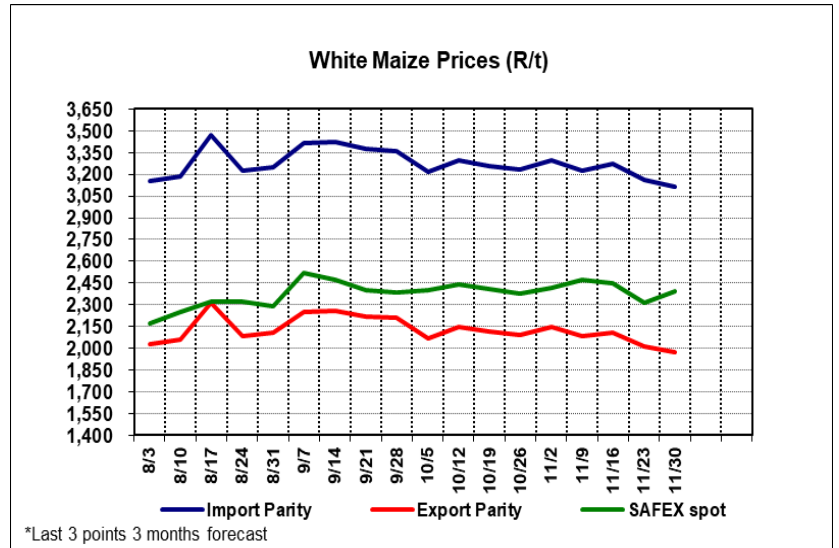
Week-on-week yellow maize No 2 gulf price decreased marginally from US\$158.59/ton to US\$158.04/ton. US maize prices traded lower week on week, harvest pressures and stronger US dollar, making US maize less competitive in the world market.

Bullish factors

- Argentinian 2018/19 maize planting progress was hampered by heavy rains in the maize growing regions. Storms in the central areas of Argentina caused some damage to crops.
- Worries about tensions brewing in the Black Sea and Azov regions supported prices.

Bearish factors

- The US maize market, entered the last stages of harvest. The process is near completion (about 90% of the crop is harvested in should enter the market). Readily available supplies are suppressing the US market.
- Planting in Argentina progressed well. Plants survived the storms very well and dry weather is supportive for fieldwork.
- Some analysts in Brazil raised their 2018/19 forecast of the Brazilian maize output to 95 million ton.
- The Agriculture Ministry in Ukraine estimates a record crop of 34.8 million ton, there may be some delays in exports due to issues at the port.

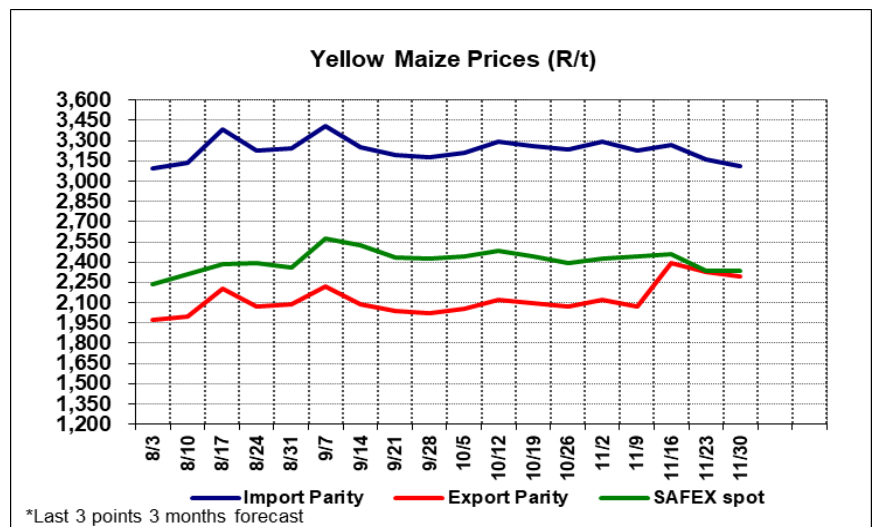


Domestic

On 30 November 2018, local maize market traded lower week on week. New season white maize prices for delivery in Dec2018 traded higher by R155/ton from R2274/ton to R2429/ton. New season white maize prices for delivery in Mar2019 traded higher by R172/ton from R2338/ton to R2510/ton. Week-on-week new season yellow maize prices for delivery in Dec2018 increased R70/ton from R2291/ton to R2361/ton. Week-on-week new season yellow maize prices for delivery in Mar2019 increased R83/ton from R2347/ton to R2430/ton. South African maize prices outperformed the US maize market, supported by weather conditions.

Bullish factors

- The weekly SA maize exports for the week ending 23 November 2018 were 10133 tons white maize and 4,729 tons yellow maize. This brings cumulative maize exports for the season to date at 1,610,903 million tons.
- Total local maize exports intended for the next 8 weeks is 149,229 tons.
- Farmers in the western parts of the country experienced some delays in planting due to drier weather, however there is still optimal planting time till December.
- Weather conditions locally supported maize prices.



Bearish factors

- Much needed rains in the eastern and northern parts of the country provided some soil moisture relief.
- It is expected that the country will may receive much more widespread showers in the growing areas of Mpumalanga and most parts of the eastern Free State in the following two weeks.
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Outlook

Local

Maize prices posted some gains last week, primarily on the back of dry weather conditions. The weather forecast at this current stage is expected to be mostly dry for the next 7 days in the central and western parts of the country. The central and eastern parts of the country are at risk of receiving below average rainfall which may potentially lead to below average maize/soybean yields and poor grazing conditions.

International

The US maize market, entered the last stages of harvest. The process is near completion (about 90% of the crop is harvested in should enter the market). Readily available supplies are suppressing the US market.

Table 1: Week on week yellow maize futures and estimated option prices

Yellow Maize Futures: 30 November 2018	Dec-18	Mar-18	May-19	Jul-19
SAFEX (R/t)	2361	2430	2447	2479
SAFEX (R/t) <i>Change week on week (w/w)</i>	70	83	84	87

Table 2: Week on week white maize futures and estimated option prices

White Maize Futures 30 November 2018	Dec-18	Mar-19	May-19	Jul-19
SAFEX (R/t)	2429	2510	2554	2609
SAFEX (R/t) <i>Change w/w</i>	155	172	162	190

Wheat market trends

International

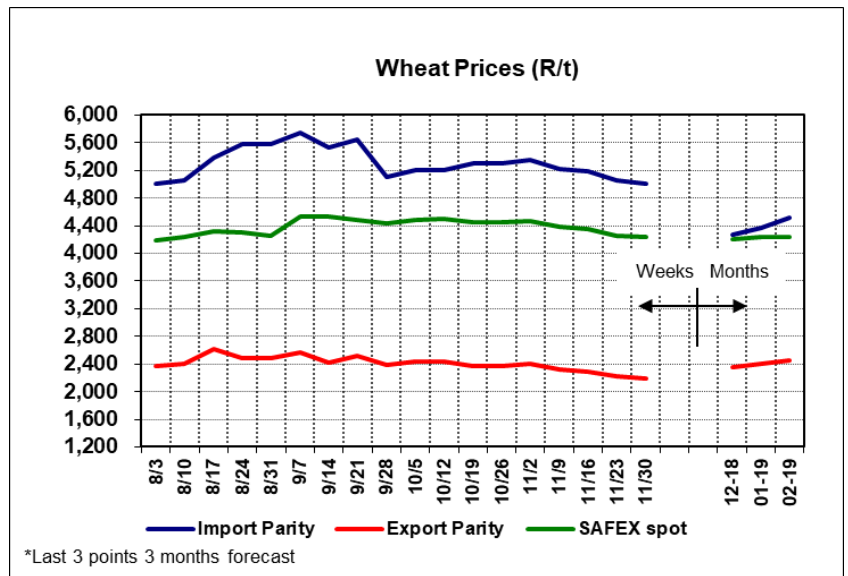
The weekly average old season SRW wheat Gulf price decreased marginally from US\$220/ton to US\$216/ton week on week. Weekly average HRW wheat price remained at US\$229/ton week on week. US wheat prices were under pressure this week due to strong export competition.

Bullish factors

- Dry weather conditions remains an unfavourable factor for the 2019/20 crops in Europe. Russia also expected to have a cold weather spell.
- The Brazil harvest is reported to be nearly finished but wet weather has impaired the quality of wheat. This could potentially raise the needs of imports in the country.
- Wet weather conditions in Argentina hindered harvest progress again and may potentially affect quality of crops.
- US winter wheat planting for 2019/20 was hindered by cold weather.
- Escalating tensions between Russia and Ukraine provided some price support, shipments could be delayed due to these tensions.

Bearish factors

- Strong export market and weakness in the crude oil markets suppressed US wheat prices.
- Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week.



Domestic

On 30 November 2018, wheat prices for delivery in Dec2018 decreased by R34/ton from R4229/ton to R4195/ton, week on week. Wheat prices for delivery in Mar2019 decreased by R22/ton from R4354/ton to R4332/ton, week on week.

Bullish factors

- The cumulative imports for the 2018/19 season to date is 92,168 tons. Imports for the week ending 23 November 2018 was 2,905 tons all from Russia.

Bearish factors

- The CEC 27 November 2018 report estimated local wheat crop at 1.862 million tons, unchanged from the previous estimate forecasted last month.
- Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. The harvest process is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries. Producer deliveries are starting to gain momentum, 253,803 tons were delivered for the week ending 16 November 2018, sparking some selling interest.
- Weather remains dry and cool in the Western Cape supporting the harvest process.
- Weather conditions in the other wheat growing provinces in South Africa (NC, EC, Limpopo and Free State) supporting the wheat crop production estimates.

Outlook

Local

Harvesting pressure is currently dominating the market. The Western Cape harvesting (farmers are reporting above average yields) and delivery to silos is gaining momentum thus sparking some buying interest. Cool and drier weather is expected in the Western Cape for the next 2-3 weeks which will support the harvesting process, increasing availability of wheat in the local market.

International

International US wheat prices traded lower week on week. Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week. Escalating tensions between Russia and Ukraine provided some price support, shipments could be delayed due to these tensions.

Wheat Futures: 30 November 2018	Dec-18	Mar-18	May-19	Jul-19
SAFEX (R/t)	4195	4332	4394	4429
SAFEX (R/t) <i>Change week on week (w/w)</i>	-34	-22	-46	-46

Table 1: Week on week wheat futures and estimated option prices

Oilseeds market trends

International

The weekly average USA soybean price marginally decreased week-on-week from US\$330.78/ton to US\$332.16/ton. US soya oil prices decreased from US\$28.46c/lb to US\$27.47c/lb and soymeal prices traded lower from US\$312.42/ton to US\$229.80/ton. US soybean prices fared higher week on week, on some positive outlook ahead of the trade meeting between the US and China.

Bullish factors

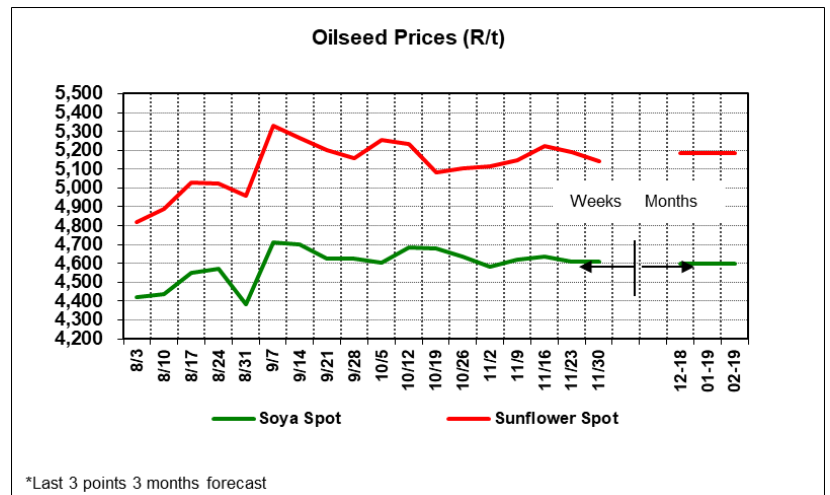
Soybean:

- Cold weather conditions in the US Midwest may undermine the final stages of soybean and maize harvest progress, which could lead to additional crop damage and losses.
- Heavy rainfall in Argentina slowed down planting in November. Sunflower plantings in the region are nearby complete (already exceeding last year's area planted).

Bearish factors

Soybeans:

- About 94% of the US soybean crop has been harvested, which is up from the previous week's progress but down from the previous 5 year average.
- A very sharp decline (6-year low) in EU rapeseed crushing was the opposite of the sharp rise in processing seen in EU soybeans and sunflower seed since July 2018.



Rapeseed:

- Additional increases in production and exports are expected in 2019/20 in Russia and the Ukraine.

Palm Oil:

- Heavy stocks globally (increased production contrasting with stagnating exports) are keeping palm kernel oil prices under pressure.

Domestic

New season soybean prices (Dec2018) increased week on week by R93/ton from R4580/ton to R4673/ton. New season soybean prices (Mar2019) increased week on week by R104/ton from R4701/ton to R4805/ton.

New season sunflower seed prices (Dec2018) decreased week on week by R19/ton from R5169/ton to R5150/ton. New season sunflower seed prices (Mar2019) increased marginally week on week by R4/ton from R5116/ton to R5120/ton.

Soybean prices traded higher while sunflower prices traded lower this week. Higher US soybean prices provided some underlying support to the local soybean market.

Bullish factors

Soybean Seed:

- Strong local demand for soybeans and higher international prices, supported soybean prices this week.
- Rains are expected in the next two weeks in the eastern parts of the country, which will be beneficial to soybean crops. Widespread showers are expected across the major soybean growing areas of South Africa. Rains will replenish soil moisture aiding in good yields/crop development. The soybean optimal planting time will close around mid –December.

Sunflower seed:

- Due to drier and hot weather conditions in the past few weeks, sunflower seed crops could not be planted during the optimal planting period. In the next couple of days/weeks until January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State.

Bearish factors

Sunflower Seed:

- The stronger local currency against the dollar weighed on the sunflower seed market.
- Good rainfall is expected for the next two weeks.

Soybean Seed:

- Cumulative local soybeans delivered for this season to date amounts to 1.48 million ton. Cumulative imports to date are 4179 ton.

Outlook

Local

Strong local demand and higher US soybean prices provided some support to the local soybean prices.

Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November. It is possible that a drier situation may exist over the western parts of the country compared to initial forecasts with negative forecast due to the expected effects of El Nino later in the season. Probable drier weather conditions (lower rainfall and higher temperatures) in the late 2018 and early 2019 period could have negative effect on soybean output.

Due to drier and hot weather conditions in the past few weeks, sunflower seed crops could not be planted during the optimal planting period. In the next couple of days/weeks until January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State.

International

The outlook for US soybean is for lower production, reduced exports due to trade tensions and increased ending stocks.

Table 1: Week on week soybean and sunflower seed futures and estimated option prices

Oilseeds Futures 30 November 2018	Dec-18	Mar-19	May-19	Jul-19
SAFEX Soybean seed (R/t)	4673	4805	4891	4996
SAFEX Soybean seed (R/t) change w/w	93	104	101	113
SAFEX Sunflower seed (R/t)	5150	5120	4840	4946
SAFEX Sunflower seed (R/t) change w/w	-19	4	-121	-110

*Short ton

** Dec 2018 = Jan 2019

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

