



Agri Trends: Grains and Oilseed Report

Low rainfall prospects in some winter rainfall areas, could lead to late start of wheat planting.

Maize: The spot price of white maize and yellow maize both decreased by 1.3% and 0.4% week on week. According to GrainSA summer crops are generally looking good in the western parts of the country while the eastern part of the country's crop conditions ranges from poor to very good. Some promising yields (average to above average yields) are mostly expected across the country for maize and sunflower seed. South Africa is expecting the second largest commercial maize crop on record at 15.2 million ton, which is 2.78% or 412,170 tons more than the previous forecast of 14.8 million ton.

Wheat: The wheat season started very well in the Swartland region with good rains received from 10-12 April ranging from 12mm-30mm across the area. However there was still dryness across the region and rain is needed before producers can plant at full momentum. Pastures and feed grains such as canola, barley and lupine have already been planted with the hope of rain coming soon. The Overberg area is dry and the producers in that region have started planting canola and barley. The wheat season is expected to start late in the Southern Cape due to very dry conditions, lack of soil moisture and low rainfall prospects.

Oilseeds: The insufficient domestic supplies locally lead to increase of imports of oils and fats by 11% and oil meals increased by 27% year on year. The EU was the largest supplier of soya oil into South Africa. Harvesting of oilseeds has started and production of both soybeans and sunflower seed is expected to recover from the previous season's production, Soybean production is estimated at 1.29 million tons up from 1.17 million tons and sunflower seed is estimated at 731,210 tons, up from 678,000 tons from the previous season

Wessel Lemmer
+27 12 366 6854
+27 71 354 2948
Wessel.Lemmer@absa.africa

Conce Moraba
+27 11 846 6242
+27 64 756 5766
Khomotso.Moraba@absa.co.za

www.absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Maize Market Trends

International Maize Market

US Kansas yellow corn prices increased by 1.3% week on week. The US corn futures firmed last week due to China sales and US Midwest frost forecast.

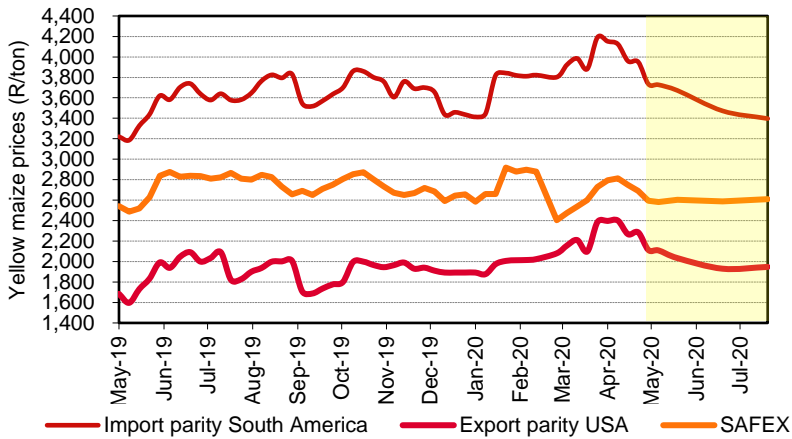
	R/US\$	US Yellow Corn (US\$/ton)	Kansas White Corn Premium (US\$/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	Asia YM Export Parity Randfontein (R/ton)
Price	18.54	145.33	-0.49	3,557.95	3,412.98	2,175.89
w/w	0.6%	1.3%	n/a	1.8%	0.2%	-0.5%
m/m	1.4%	-9.9%	n/a	-9.3%	-12.1%	-9.6%
y/y	28.8%	-10.3%	n/a	6.6%	14.2%	3.9%

Local Maize Market

The spot price of white maize and yellow maize both decreased by 1.3% and 0.4% week on week. According to GrainSA summer crops are generally looking good in the western parts of the country while the eastern part of the country's crop conditions ranges from poor to very good. Some promising yields (average to above average yields) are mostly expected across the country for maize and sunflower seed. South Africa is expecting the second largest commercial maize crop on record at 15.2 million ton, which is 2.78% or 412,170 tons more than the previous forecast of 14.8 million ton.

	JSE WM Spot Price, Randfontein (R/ton)	White Maize Jul-20 (R/ton)	White Maize May-20 (R/ton)	JSE YM Spot Price, Randfontein (R/ton)	Yellow Maize Jul-20 (R/ton)	Yellow Maize May-20 (R/ton)
Price	2,598.40	2,625.00	2,651.00	2,582.80	2,737.00	2,602.00
w/w	-1.3%	2.9%	4.0%	-0.4%	2.4%	2.5%
m/m	-24.8%	-4.6%	-3.9%	-8.2%	-5.2%	-5.7%
y/y	2.5%	-4.6%	4.2%	3.8%	0.9%	3.2%

Yellow Maize Price Trends (R/ton)



*Last 3 points 3 months forecast

onwards due to harvest pressure.

Outlook

US corn futures have been under pressure these past weeks. Each year 30% of the annual US corn crop goes for towards ethanol.

A few weeks ago, the price of nearby crude oil futures fell into the negative territory for the first the 1980's. The US is now in the 2020 planting season for corn. Farmers are currently facing the lowest corn prices in years due to the deflationary effects of the Covid-19 virus. The weather conditions in the US Plains over the coming weeks and months could determine if corn will face the same downward trend as the crude oil price. In the long run, if the global pandemic continues to pressure markets lower, and the 2020 US crop turns out large, adding to glut in the market, we could potentially see multiyear lows in the corn futures.

Local prices are expected to start tapering off from May

Wheat Market Trends

International Wheat Meat Market

The price of Hard Red Winter wheat increased by 2.6 % and the price of Soft Red Winter wheat decreased by 4.7% week on week. Current prices for HRW wheat is 14.2% higher compared to prices a year ago, while prices for Soft Red wheat is 15.6% higher year on year. CBOT wheat prices were higher supported by frost temperature forecast in the US Midwest, which could potentially damage early-planted spring crops.

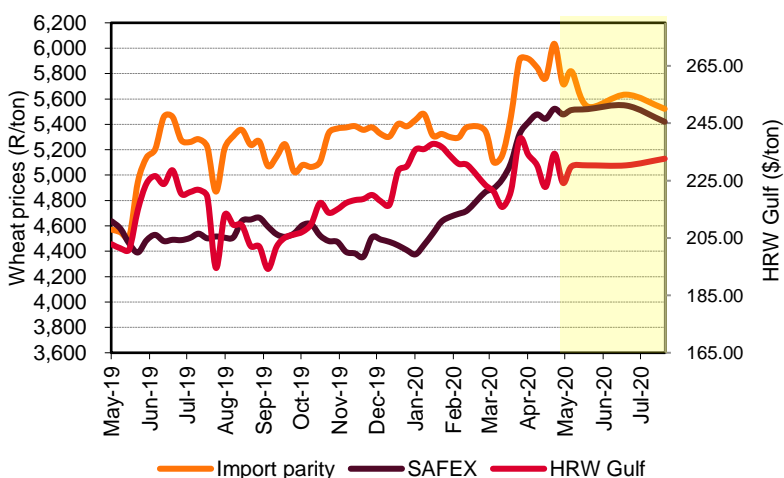
	R/US\$	Soft Red Gulf (US\$/ton)	Hard Red Gulf (US\$/ton)	Published Import Tariff (R/ton)
Price	18.54	222.00	230.00	516.60
w/w	0.6%	-4.7%	2.6%	516.60
m/m	1.4%	-7.7%	-0.2%	516.60
y/y	28.8%	15.6%	14.2%	490.70

Local Wheat Meat Market

Prices in the domestic wheat market traded higher this week. The wheat spot price increased by 0.6% week on week. The wheat season started very well in the Swartland region with good rains received from 10-12 April ranging from 12mm-30mm across the area. However the was still dryness across the region and rain is needed before producers can plant at full momentum. Pastures and feed grains such as canola, barley and lupine have already been planted with the hope of rain coming soon. The Overberg area is dry and the producers in that region have started planting canola and barley. The wheat season is expected to start late in the Southern Cape due to very dry conditions, lack of soil moisture and low rainfall prospects.

	JSE Spot Price (R/ton)	Jul-20 (R/ton)	May-20 (R/ton)	USA Import Parity (R/ton)
Price	5513	5225.00	5420.00	5816
w/w	0.6%	0.64%	1.0%	1.7%
m/m	0.6%	0.5%	0.4%	-0.6%
y/y	20.4%	15.8%	17.2%	27.3%

Wheat Price Trends



*Last 3 points 3 months forecast

Outlook

The USDA will be releasing their monthly supply and demand outlook on 12 May 2020. The report is expected to show lower US all wheat production.

Although it is too early, the outlook for the winter rainfall area is less positive with a best-case scenario of about average rainfall, especially in the June to August part with drier conditions again in September 2020. With the current high prices, producers are likely to plant more or less the same amount of wheat in the Western Cape as they did the previous season. Local wheat prices are expected trade sideways to lower from May to July following seasonality.

Oilseed Market Trends

International Oilseed Market

The prices of oilseeds in the US traded mixed this week. The price of US soybeans and US soya oil increased by 1.1% and 0.8% respectively week on week. The price of soya meal decreased by 0.4% week on week. Sharp rising of Brazilian soy oil lately to China is supporting prices, in contrast to the declining trend seen in soy meal. The downward pressure in soy oil prices in the past sessions were mainly caused by sharp declines in Argentine production of biodiesel. Price weakness in palm oil also pulled down soy oil prices during the past few weeks. Soybean prices recovered at the end of last week on the back off expectations of additional Chinese purchases of both soybeans and corn. The US soybean and corn price also recovered because of some concern that there could be some frost damage to early-planted crops during 7-10 May. The price strength in the sunflower complex is attributable to the Russian export ban on sunflowerseed.

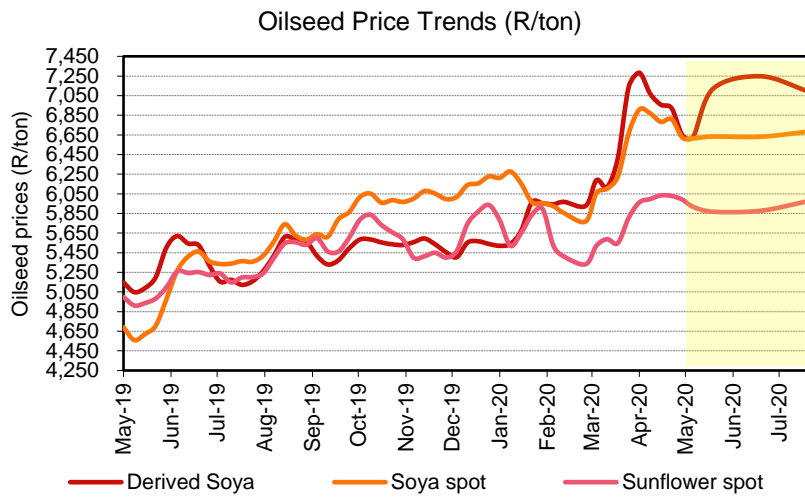
	R/US\$	Soybean Gulf (US\$/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya meal (US\$/ton)
price	18.54	329.11	25.89	292.34
w/w	0.6%	1.1%	0.8%	-0.4%
m/m	1.4%	-1.5%	-5.1%	-2.1%
y/y	28.8%	4.3%	-2.8%	1.6%

Local Oilseed Market

The soybean spot price decreased marginally by 0.1% and the sunflowerseed spot price decreased by 1.2% week on week. The insufficient domestic supplies locally lead to increase of imports of oils and fats by 11% and oil meals increased by 27% year on year. The EU was the largest supplier of soya oil into South Africa. Harvesting of oilseeds has started and production of both soybeans and sunflower seed is expected to recover from the previous season's production, Soybean production is estimated at 1.29 million tons up from 1.17 million tons and sunflower seed is estimated at 731,210 tons, up from 678,000 tons from the previous season.

	Derived soybean price (R/ton)*	JSE Soybean Spot Price (R/ton)	Crushing margin before tax (R/ton)	JSE Sunflowerseed Spot Price (R/ton)
Price	6628.40	6614.20	14.20	5917.20
w/w	-0.3%	-0.1%	-41.3%	-1.2%
m/m	-6.2%	-3.7%	-92.9%	-1.3%
y/y	31.3%	45.1%	-97.1%	20.5%

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



*Last 3 points 3 months forecast

Outlook

Large soybean import demand boosted South American soybean exports in April. It is expected that Brazilian soybean exports will remain high throughout May 2020 and June allowing the decline in some stocks. This decline in stocks may support global oilseed prices in the coming months.

Local sunflowerseed and soybean prices are expected to trade sideways from May onwards according to seasonality.