



Retail and Business Banking
Sector Economics
AgriBusiness
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Agri Trends: Grains and Oilseed Report

Uncertainties continue to cause price volatility

Maize: The coming weeks are very important for the corn crop condition in the Northern hemisphere. Weather forecasts in the U.S are thus playing a critical role in the CBOT corn market. CBOT corn prices increased by 1.4% on July 27 on account of dry and hot weather forecasts. Locally, the Crop Estimates Committee (CEC) revised yellow maize production for the 2021/22 season upwards by 0.49% while keeping production estimates for white maize unchanged.

Wheat: The deal to resume Black Sea exports was signed by Ukraine and Russia last week although Russia continues to attack Ukraine which brings scepticism to the market. CBOT wheat prices fell by 12.6% and 11.4% month on month on expectations that Ukraine grain exports could start within a few days. Locally, the Preliminary Area Planted Estimate report for wheat by the CEC showed a 5.81% increase in the area planted for the current production season.

Oilseeds: Hot and dry weather in the US could limit soybean yields if they persist through the coming weeks. CBOT soybean prices bounced back from the six months lows seen last week, increasing by 9.0% on July 27 compared to the week before. Locally, the CEC revised soybean production upwards by 2.87% and decreased that of sunflower seed by 4.02%.

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Maize market trends

International maize market

This time of year, the market is frequently fixated on the US weather forecasts because both corn and soybean yield potential is particularly susceptible to the weather in July and August. CBOT corn prices increased by 1.4% on July 27 compared to a week ago when prices had decreased to new lows in nearly eight months as optimistic weather predictions for the U.S. calmed global supply concerns. However, this week's weather forecasts showed that the upcoming weeks will be hot and dry, which will affect the corn condition. Supporting CBOT corn prices further was the U.S. corn crop condition rating which fell by 3% to 61% good-excellent on the back of hot and dry weather. In Brazil, the Safrinha corn is 61.8% harvested. The higher output during harvest is causing local prices to ease in Brazil.

	R/US	Near-month CBOT corn (\$/ton)	USA YM Import parity Randfontein (R/ton)	US YM Export parity Randfontein (R/ton)	Argentina YM Export parity Randfontein (R/ton)
Price	16.85	236.3	6695	4341	3730
w/w	-1.7%	1.4%	-3.7%	-9.1%	-8.9%
m/m	6.5%	-19.3%	-8.2%	-14.7%	-6.1%
y/y	13.0%	7.6%	18.1%	24.8%	27.1%

Local maize market

Local maize prices followed global prices decreases, falling by 6% and 4.2% month on month for yellow and white maize respectively. The 2021/22 summer crop SA harvest is in full swing and while there were maize grading concerns at early harvesting stages, especially for white maize, these are expected to improve as harvesting progresses. The Crop Estimates Committee (CEC) in their 6th summer crop production forecast revised yellow maize production upwards by 0.49% and left the white maize forecast unchanged.

	JSE WM spot price Randfontein (R/ton)	White maize Sep-22 (R/ton)	White maize Dec-22 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Sep-22 (R/ton)	Yellow maize Dec-22 (R/ton)
Price	4198	4225	4293	4126	4170	4246
w/w	-1.2%	-2.8%	-2.5%	-5.0%	-3.0%	-2.9%
m/m	-4.2%	-4.7%	-4.7%	-6.0%	-6.0%	-6.1%
y/y	30.3%	-	-	22.5%	-	-

Outlook

Yellow maize prices are expected to trade sideways around the R4 200 per ton mark. Forecasts for dry weather in the US through the middle of July, a critical period for corn development, present an upside price risk.

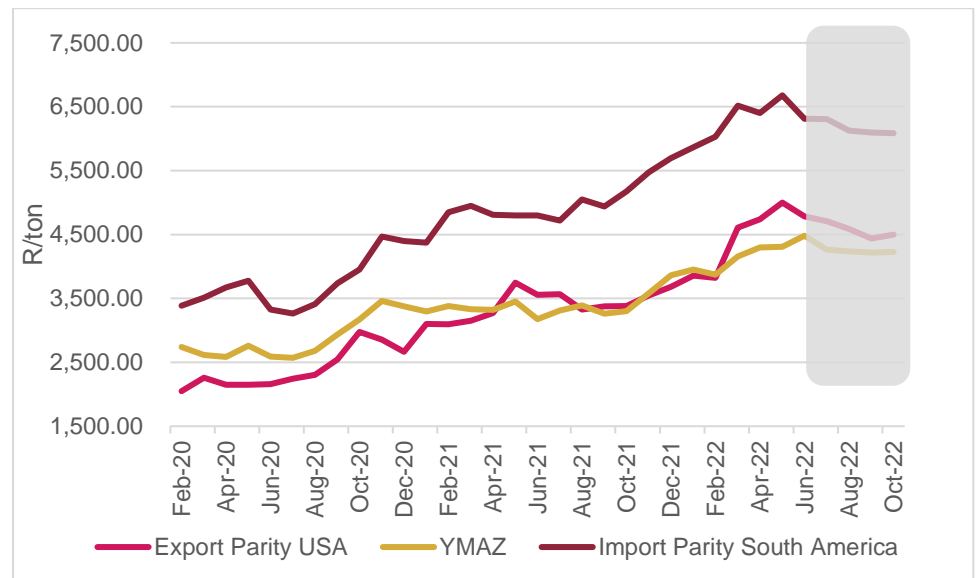


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

Uncertainty around the resumption of the Black Sea exports has led to CBOT wheat price fluctuations. While the deal to resume Black Sea exports has been signed by the major global wheat suppliers, Russia's attack on Ukraine's southern port of Odesa caused scepticism in the market. CBOT wheat prices fell by 12.6% and 11.4% month on month on expectations that Ukraine grain exports could start within a few days. Wheat supplies in India continue to dwindle on the back of persisting heatwaves. The world's second-biggest wheat producer's likelihood of supplying significant volumes of wheat for export has decreased as a result. This week, China made significant purchases of wheat from Australia and France, taking advantage of a recent drop in prices to meet its substantial demands.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	16.85	290.40	316.60
w/w	-1.7%	-3.6%	-1.0%
m/m	6.5%	-12.6%	-11.4%
y/y	13.0%	12.1%	27.8%

Local wheat market

Local wheat prices decreased by 1.6% on July 26 from the week before while they traded sideways month on month. Wheat production for the 2022/23 season is underway and the prospects for domestic wheat planting are favourable. The CEC in their Winter Cereals – Preliminary Area Planted Estimate report, increased the area planted for the current season to wheat by 5.81% to 553 900 hectares, which is significantly above the five-year average area.

	JSE spot price (R/ton)	Sep-22 (R/ton)	USA import parity (R/ton)
Price	7320	7365	7971
w/w	-1.6%	-0.2%	-2.6%
m/m	-0.4%	1.0%	-4.3%
y/y	40.8%	-	32.3%

Outlook

Local prices are expected to ease slightly over the coming months on the back of decreasing global prices. A weaker exchange rate is likely to limit the price decreases that could be experienced over the coming weeks.

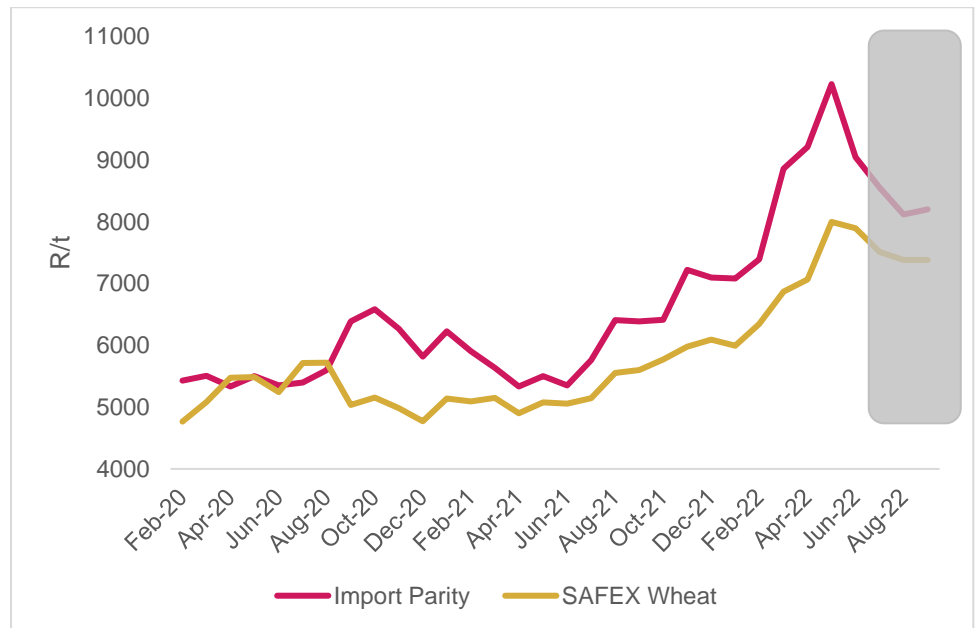


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices bounced back from the six months lows seen last week, increasing by 9.0% on July 27 compared to the week before. As with corn, there are supply concerns because the U.S. soybean crop is starting to be impacted by the dry and hot weather which could limit soybean yields. Monday's soybean condition rating was 2% lower than the week before at 59% good-excellent.

	R/USD	Soybean CBOT (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	16.85	580.10	61.20	488.90
w/w	-1.7%	9.0%	1.9%	12.0%
m/m	6.5%	-3.2%	-13.6%	10.4%
y/y	13.0%	10.1%	-8.6%	37.1%

Local oilseed market

Local soybean prices creased by 4.8% month on month but traded sideways week on week. For sunflower, seed prices continue to decrease as global vegetable oil prices lose momentum caused by the weakening of palm oil prices as top producer Indonesia supplies in excess to the market. They were 2.9% lower on July 26 compared to a week ago and 1% lower month on month. For soybeans, the CEC revised local soybean production upwards by 2.87% due to increased yield and for sunflower seed, production was revised down by 4.02% due to decreased yield.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	11 681	8118	10 048
w/w	-0.7%	-0.5%	-2.9%
m/m	4.9%	-4.8%	-1.0%
y/y	25.5%	16.6%	12.0%

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

Outlook

We expect soybeans to trade around R8 300 per ton with an upside price risk presented by the potential yield losses in the US should bad weather persists in the coming weeks. For sunflower seeds, prices are expected to trade sideways around the R10 000 per ton mark.

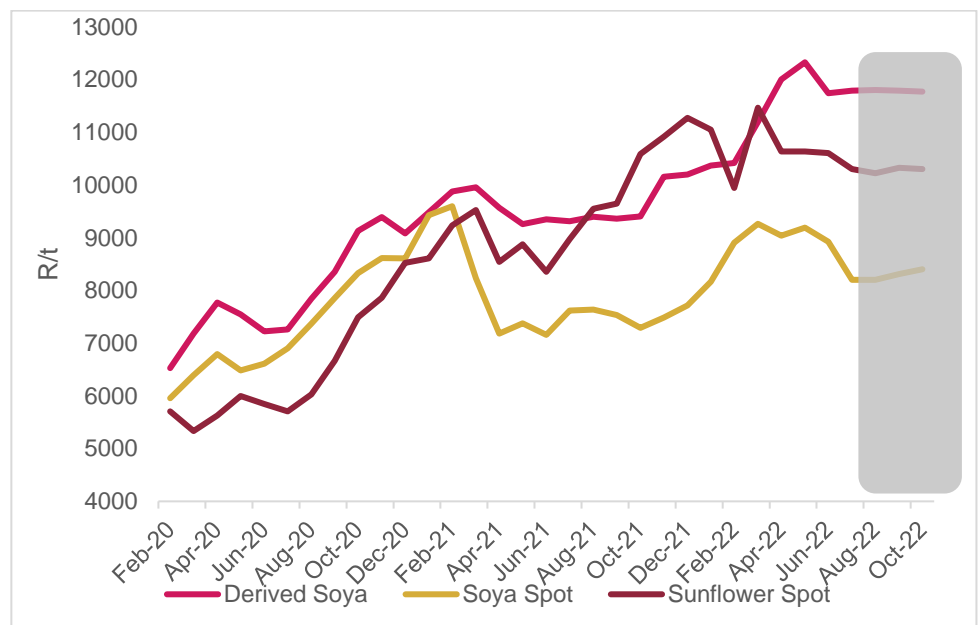


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast