Agri Trends

10 March 2017

Wet conditions may provide underlying support to maize prices.

Carry-over stocks are tight. Consumers including millers, processors and the animal feeds industry are looking forward to utilizing the less expensive new season crop. The current inverse market poses a challenge. It is a risky business to import additional maize at higher prices only to sell at lower prices in an inverse market. This will lead to losses. Therefore, consumers are holding their breath on any weather forecasts indicating cooler wet weather. Should the maize production regions receive widespread follow up rainfall on the already saturated soils in the coming weeks; producers will not be able to harvest their maize. As it is, the cooler humid weather does not help much to dry out maize in certain regions to be accepted in time at silos. In retrospect, maybe the new season prices should not have started to decline while tight carry out stock levels are still relevant. The prevalence of second grade maize may increase this year as well. The Rand weakens, as the US dollar strengthens due to prospects of an interest rate hike next week by the Federal Reserve, leading to a support in local maize prices.

Contents

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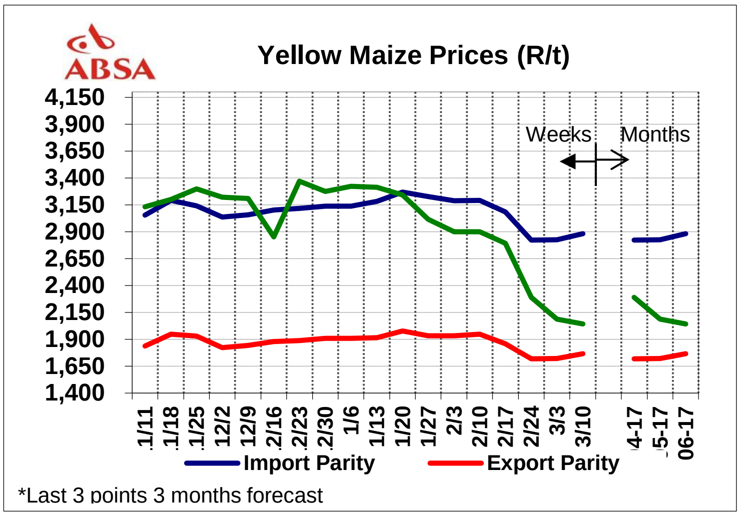
Maize market trends

International

US maize price remained high this week, with growing demand. The weekly average prices for yellow corn in the Gulf traded higher week on week by 1,7% from $160.26to $162.82/ton. The Rand weakened week on week from R13.09 to R13.25

Bullish factors

- Investors anticipating that the US Federal Reserve will raise interest rates supported the recent gains on the US dollar.
- US corn and soy prices spiked on Tuesday, amidst rumours of a new deal to change regulations surrounding biofuels i.e. curbing imports and boosting US domestically produced biofuels surfaced.
- US corn price fares well as the export demand continues.



Bearish factors

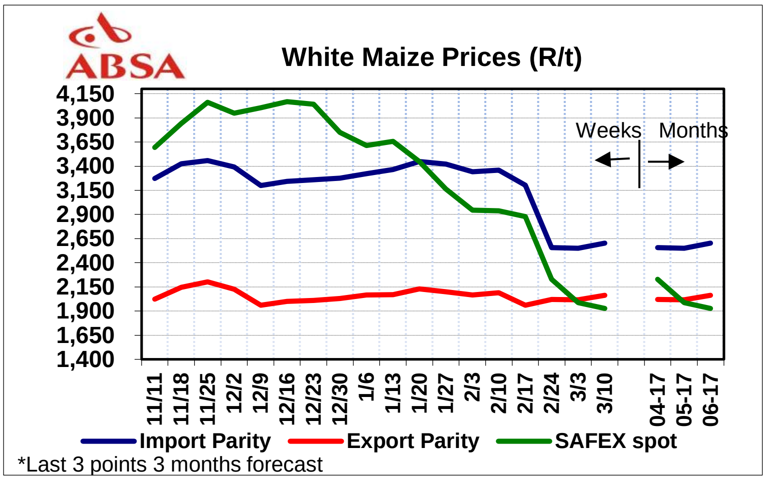
- Zambia has large stocks from last year, 230,000 tons which have still not been traded or moved which will probably end up as carry-over stocks. The country may run out of storage space if the exporting ban isn't lifted. This will add pressure to prices in the next months.
- US prices have inched lower on the expectation of a bumper South American maize crop.
- Brazil has raised its corn estimates to record high, underpinned by improved seed and friendly weather.
- Bearish risk continues due to possible changes in trade relations between the US, China and others.

Domestic

As at Thursday 09 March 2017, the spot price for old season white maize (March 2017) decreased by 6.2% week on week from R2780/ton to R2344/ton. Week on week, old season yellow maize price (March 2017) decreased by 8.9% to R2592/ton R2360/ton. During the same time, week on week new season white maize prices for delivery in July 2017 increased by 1.2% from R1917/ton to R1922/ton.

Bullish factors

- Rand weakening supported export prices; the export parity price is higher.
- With Zambia's ban of exports, SA can export to the neighbouring countries, the surplus crop expected in this season.
- Due to recovery in maize production, the local demand from feedlots and human consumption may increase up to 11.5 million tons.
- Despite the expected large crop, SA will still have to import.



Bearish factors

- The CEC's estimated area planted for maize is 2,629 million hectares, that is 681 850 ha more than the hectares planted in the previous season.
- Widespread showers in the summer grain producing areas, support favourable crop production prospects.
- The expected commercial maize crop is 13.918million tons, which is 78.9% more than the 7.778million tons from last year's season. The 3rd largest crop since the 1980/81 season.

Outlook

Carry out stocks are tight. Consumers including millers, processors and the animal feeds industry are looking forward to utilizing the less expensive new season crop. The Rand depreciated, as the US dollar gained strength due to prospects of an interest hike by the US Federal Reserve.

Table 1: Weekly average yellow maize futures and estimated option prices

Yellow Maize Futures: 09 March 2017	Mar-17	May-17	July-17	Sep-17	Dec-17
CBOT ($/t)	141.63	144.48	147.43	150.09	152.85
SAFEX (R/t)	2360.00	2077.00	2042.00	2077.00	2146.00
SAFEX (R/t) *Change week on week (w/w)*	30.00	-24.00	-39.00	-44.00	-28.00

May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,120	82	50	2,080	135	98	2,120	165	129
2,080	60	68	2,040	112	115	2,080	143	147
2,040	42	90	2,000	93	136	2,040	123	167

Table 2: Weekly average white maize future and estimated option prices

White-Maize Futures 09 March 2017	Mar-17	May-17	July-17	Sep-17	Dec-17
SAFEX (R/t)	2344.00	1974.00	1922.00	1964.00	2046.00
SAFEX (R/t) *Change w/w*	-6.2%	-1.8%	-1.2%	-1.8%	-1.4%

May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,020	109	77	1,960	131	99	2,020	179	132
1,980	87	95	1,920	109	117	1,980	156	149
1,940	68	116	1,880	89	137	1,940	135	168

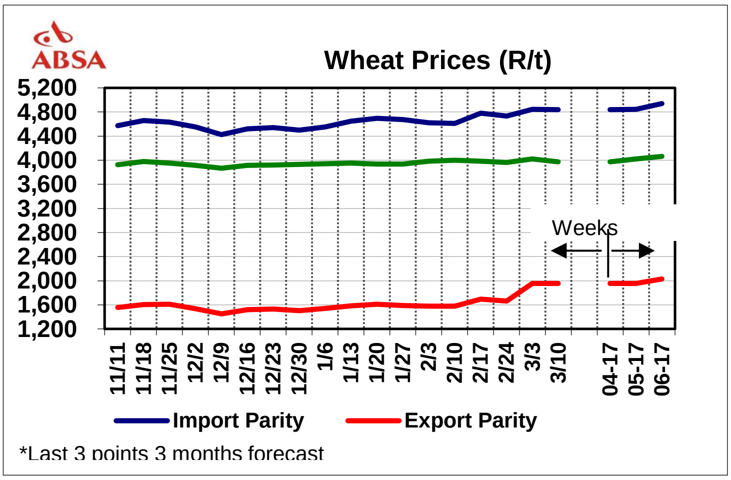
Wheat market trends

International

The weekly average old season HRW wheat Gulf price decreased week on week from US$153.95/ton to reach a weekly average of US$158.55/t. Wheat bids were mixed at the end of this week.

Bullish factors

- Exports to India were significantly heavy, due to the domestic shortage the Indian government is facing.
- World import demand is strong. This is mainly supported by the low prices and poor quality domestic harvest in both China and India.
- Expect the milling wheat demand in India to remain strong until March 2017.



Bearish factor

- US wheat crop followed a weak trend after a weather forecast, predicted return of rains in the big US production regions.
- Profitability has declined quite sharply; the weaker margins are prompting US growers to cut winter wheat sowings to the lowest since 1909.
- Australia expected to produce a record wheat harvest, while US wheat supplies remains at their highest in decades.
- Global wheat outlook is still bearish, due to large carry-over stocks and relatively larger production forecast.

Domestic

As at Wednesday the 09 March 2017, the spot price for wheat (March 2017) increased by 2.2% week on week from R3937/ton to R4025/ton. Wheat prices for delivery in July 2017 decreased by 0.9% from R4063/ton to R4025/ton.

Bullish factors

- The recent weakening of the Rand supports prices.
- If the new import duty to be implemented is higher than what the market anticipates.
- South Africa remains a net importer of wheat. If the domestic stocks are used to the full by April we may become increasingly reliant on imports.

Bearish factors

- The local wheat price is lower than the calculated import parity price
- Prices remain under pressure, underpinned by ample supply and carry-over stocks.
- The high rainfall is positive for the winter production; the area planted estimate is 26,215 hectares more than final 2016 estimate.
- If the new import duty to be implemented is lower than what the market anticipates.
- National Treasury indicated that the wheat tariff formula will remain until the end of March 2017.

Outlook

Locally, favourable weather may increase production prospects; and relative ample supply of wheat locally is placing pressure on prices. The local wheat price is lower than the calculated import parity price. The uncertainty regarding the wheat tariff still remains. Globally, wheat outlook is bearish; ample supply and low prices.

Wheat Futures **28 February 2017**	**Mar-17**	**May-17**	**July-17**	**Sep-17**	**Dec-17**
CME ($/t)	156.53	163	169	174	180.96
SAFEX (R/t)	4025.00	4100.00	4156.00	4147.00	0.00
SAFEX (R/t) ***Change w/w***	1.6%	1.5%	1.4%	1.6%	N/A

May-17			**Jul-17**			**Sep-17**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,140	169	134	4,200	252	212	4,220	311	271
4,100	147	152	4,160	230	230	4,180	289	289
4,060	128	173	4,120	209	249	4,140	268	308

Oilseed market trends

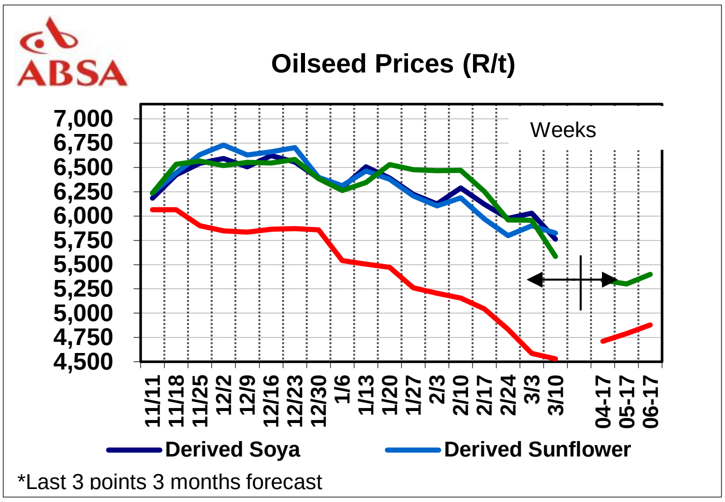
International

Oilseed prices

Soybean bids were higher this week. The weekly average USA soybean price increased week on week from US$376.62/ton to US$385.53 /ton to by 2.4%. US soya oil prices decreased from USA$33.90/ton to USA$32.90/ton and soymeal prices traded lower from USA$328/ton to USA$333.00/ton. USA$324.10/ton

Bullish factors

- Stronger US currency, aided by prospect of an interest rate hike, supported cheaper imports.
- Brazil's top producing state (Mato Grosso) trimmed its output due to heavy rains damaging some of its crops.
- Huge Brazilian crop is placing pressure on the US soy exports.
- US Soy exports have helped to counter some supply pressure.
- World oilseed trade driven by the top importer which is China.



Bearish factors

- Brazil raised its soybean crops to record high, supported by improved seed and good weather.
- USDA report raises Brazil's soy crop estimates to 108 million tons.
- Argentinian crop is still developing, and any rise in prices is still capped by the expected large crops in South America.

Domestic

As at 09 March 2017, sunflower seed prices (Mar 17) increased week on week by 0.6% from R4644.00 to R4577.00 whilst Soybean prices decreased by 8.2% from R6049/ton to R5500/t.

Bullish factors

- The weakening Rand supports price.
- Local demand remains constant.
- South Africa remains a net importer of soybean oilcake and vegetable oils, due to insufficient production and quality to meet the growing local demand.
- The Crop Estimates Committee first estimates for the area planted is 635 750 hectares to sunflower seed in this season compared to 718 500 hectares in 2016.

Bearish factors

- Sunflower production forecast is 23% higher than the previous estimates as recorded by the CEC.
- Expecting more sunflower harvest and pressing than previous year.
- The price is trending towards export parity. A stronger Rand adds more pressure.
- Domestic soybean prices may be under pressure with the arrival of the new crop from March onwards, expect prices to recover after end of April.
- The Crop Estimates Committee first estimates for the soybean area planted is 565 856 hectares this season compared to the 502 800ha planted last year.

Outlook

The large Brazilian crop is cutting into the US soy export market. The expected bumper harvest in South America limits increases in soybean prices globally. This is beneficial for the importing countries including SA. Local price increases will be limited between end January till end April, we'll see a recovery onwards.

Oilseeds Futures 28 February 2017	Mar-17	May-17	July-17	Sep-17	Dec-17
CBOT Soybeans (US$/t)**	43770.00	43647.00	43405.00	43344.00	43313.00
CBOT Soy oil (US c/lb)	32.87	33.11	33.38	33.56	33.83
CBOT Soy cake meal (US$/t)*	356	361	365	362	359
SAFEX Soybean seed (R/t)	5500.00	5175.00	5270.00	5337.00	
SAFEX Soybean seed (R/t) change w/w	-0.08	-0.03	-0.03	-0.03	
SAFEX Sunflower seed (R/t)	4577.00	4685.00	4810.00	4875.00	4969.00
SAFEX Sunflower seed (R/t) change w/w	0.6%	0.3%	0.1%	-1.5%	N/A

Sunflower Calculated Option Prices (R/t)								
May-17			Jul-17			Sep-17		
4,740	179	133	4,860	236	196	5,000	297	257
4,700	158	152	4,820	214	214	4,960	276	276
4,660	138	172	4,780	194	234	4,920	255	295

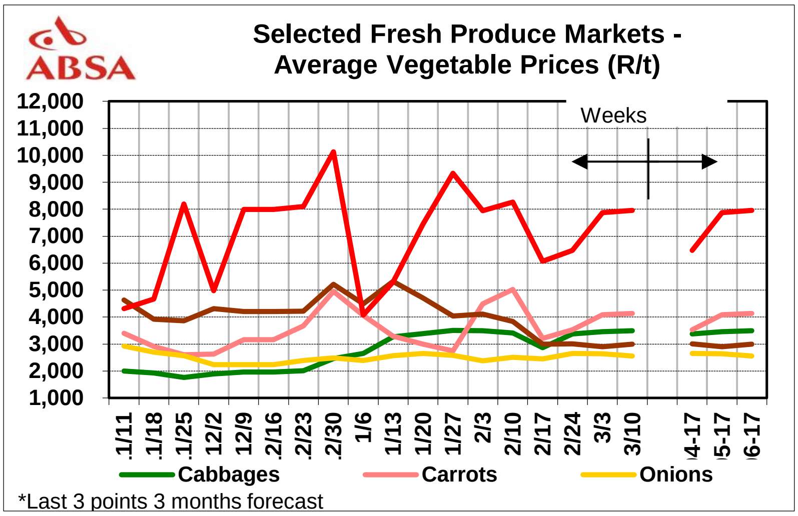
***short ton**

**** Dec 2017 = Jan 2018**

Vegetable market trends

Potatoes

Large volumes were delivered this week at the markets. The favourable weather increased harvesting efficiencies. Demand is still relatively strong, but the larger volumes caused a decline in prices.



Peppers

Green and red pepper volumes have dropped and supported price increases. Quality has improved, leading to good prices this week. Yellow peppers were more this week, and were sold at approximately R150-R200/5kg box.

Onion

Prices are systematically starting to increase, due to stronger demand. The volumes are declining. The Northern Cape farmers have delivered most of their supply already at the markets. Prices are expected to increase in the next 3 weeks and during the March-April Easter period. The demand from Africa has slightly picked up with Zambia buyers heading the buying trend this week.

Carrots

The carrot price came out strong this week, thanks to favourable weather. Quality improved last week, but some of the issues, arising from the rain are still there. Top quality producers received around R80-R90/10kg for their produce. The demand was stronger at the markets during the beginning of the week; we expect prices to normalize as the supply levels increase. It is expected that prices will recover between March to April (Around Easter); the higher temperatures during this period make it difficult for seeds to germinate. The reduced volumes will support an increase in prices.

Tomatoes

Lower volumes have contributed to an increase in prices of 34% week on week. The quality of the produce has improved thanks to the favourable weather.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 09 March 2017	Difference in weekly prices	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly volumes	This week's Total Volumes (t)	Previous week's Total Volumes (t)
Cabbages	12.4%	3513	3124	-24.3%	911	1204
Carrots	27.3%	4525	3554	25.7%	2192	1743
Onions	-0.1%	2535	2537	37.9%	8092	5868
Potatoes	0.7%	3996	3967	43.3%	18695	13042
Tomatoes	34.1%	7647	5701	-2.6%	3683	3781

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