



## Agri Trends

20 March 2017

### A lower sunflower price brings much needed relief to crushers.

Last year was a particular tough year for oil and cake crushers in South Africa with extremely high prices for soya and sunflower due to the drought. Low domestic volumes combined with relatively low international prices for cake meal and oil placed crush margins under pressure hence the decision to keep factories running, 38 000 tons of sunflower seed was imported. This combined with above average growing conditions and higher plantings in South Africa lead to a decline in sunflower prices from a high of R6862/t in June 2016 to R4490/t in March 2017. Lower domestic sunflower prices brought much needed relief to crushers who need to keep a minimum through put through their factories to survive. Although this sounds great, crush margins are expected to remain under pressure as crushers need to compete internationally as import parity prices for cake and oil declined due to a stronger Rand.

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# Maize market trends

## International

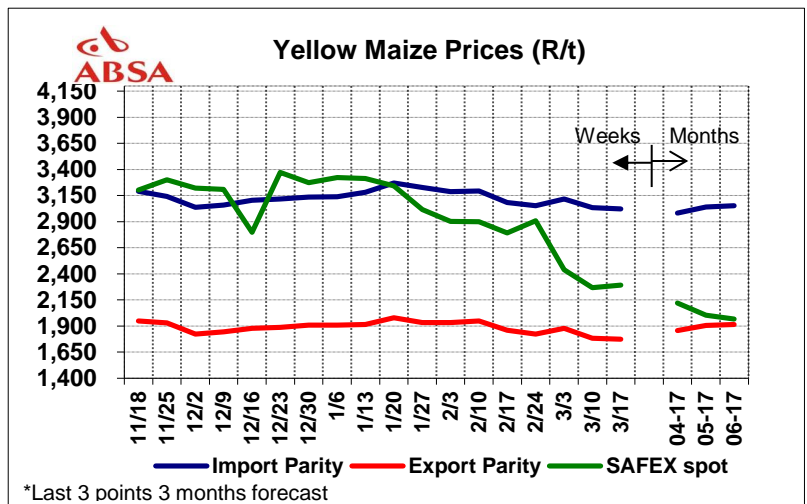
The weekly average prices for yellow corn in the Gulf traded higher week on week by 1.4% from \$157.80 to \$160.06/ton. The Rand strengthened week on week from R13.17 to R12.69

### Bullish factors

- US corn price fares well because of better export sales than anticipated.

### Bearish factors

- The US Federal Reserve raised interest rates by 25 basis points and expectations for additional increases this year will support the US dollar to gain strength in 2017.
- Weakness in US soybean prices in the short term, caused by expectations of a bumper South American soybean crop, is impacting US planting intentions in favour of corn. Therefore US corn sowings may increase because it is expected that corn production will be more profitable.
- Corn production estimates for Argentina (37.5 million tons) & Brazil (91.5 million tons) increased leading to a joint increase of 34% compared to the previous year.

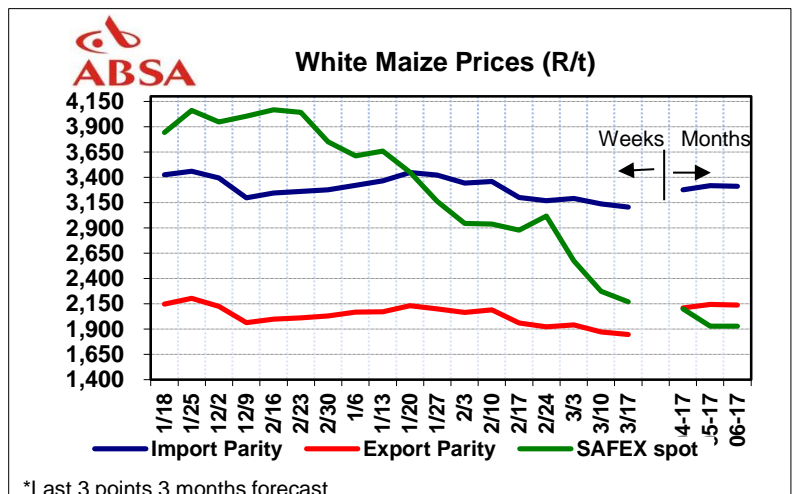


## Domestic

As at Monday 20 March 2017, the spot price for old season white maize (March 2017) decreased by 1.9% week on week from R2157/ton to R2115/ton. Week on week, old season yellow maize price (March 2017) decreased by 1.9% from R2225/ton to R2183/ton. During the same time, week on week, new season white maize prices for delivery in July 2017 decreased by 2.5% from R1892/ton to R1845/ton.

### Bullish factors

- Expect yellow maize imports, because more white maize was planted under irrigation for harvesting in March.



- In the long term expectations are that the low economic growth, risk of a credit downgrade and policy risk will weigh on the Rand to depreciate further until the end of 2017.
- With Zambia's ban of exports, SA can export to the neighbouring countries, the surplus crop expected in this season.

### Bearish factors

- The expected commercial maize crop by CEC is 13.918million ton. There are talks in the industry that the crop might actually reach 14.2 million tons.  
Should the expected commercial maize crop reach the industry expectation of 14.2 million ( more than the CEC estimate of 13.9 million), 1.477 million tons will have to be exported.

### Outlook

Locally old season 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. South Africa is expected to import some yellow maize, because more white maize was planted as opposed to yellow.

US forecasters are worried that with the bumper crop expected from South America, competition will increase for maize exports. They're worried that international buyers will turn to South America before the US has exported enough to reduce stocks.

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

Yellow Maize Futures: 20 March 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
CBOT (\$/t)	139.26	143.10	146.06	148.61	151.57			
SAFEX (R/t)	2183.00	1964.00	1951.00	1993.00	2050.00			
SAFEX (R/t) Change week on week (w/w)	-42.00	-60.00	-51.00	-43.00	-45.00			
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,000	81	45	2,000	137	88	2,040	166	119
1,960	58	62	1,960	114	105	2,000	143	136
1,920	40	84	1,920	93	124	1,960	122	155

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

White-Maize Futures 20 March 2017		Mar-17	May-17	July-17	Sep-17	Dec-17		
SAFEX (R/t)		2115.00	1892.00	1845.00	1899.00	1970.00		
SAFEX (R/t) Change w/w		-1.9%	-2.2%	-2.5%	-2.1%	-2.1%		
May-17			Jul-17			Sep-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,940	114	66	1,880	127	92	1,940	170	129
1,900	91	83	1,840	105	110	1,900	147	146
1,860	71	103	1,800	86	131	1,860	127	166

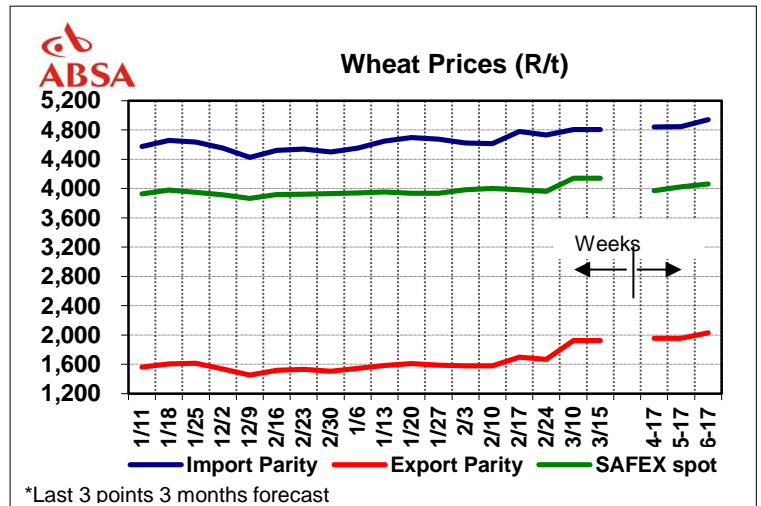
## Wheat market trends

### International

The weekly average old season HRW wheat Gulf price increased week on week from US\$150.00/ton to US\$153.95/t.

### Bullish factors

- Concerns over dry and cold weather, harming yields in wheat producing areas in the US, supported increases prices.
- Wheat price rises on dollar weakness.
- U.S. imports were lowered by 10 million bushels due to slow Canadian shipments.
- USDA reported a near 4 million acre decrease in area planted for winter wheat. This will support a sizable drop in the projected wheat planted area for 2017/18.
- 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.
- Profitability has declined quite sharply; the weaker margins are prompting US growers to cut winter wheat sowings to the lowest since 1909.



### Bearish factor

- Robust maize exports, added more pressure on the wheat price.
- World ending wheat stocks are projected to increase to nearly 250 million tons.
- There's a limited movement of farm stored inventory across the US.
- 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 20<sup>th</sup> March 2017, the spot price for wheat (March 2017) decreased by 0.9% week on week from R4068/ton to R4033/ton. Wheat prices for delivery in July 2017 decreased by 1.1% from R4178/ton to R4133/ton.

### Bearish factors

- If the new import duty to be implemented is R1190.19 compared to the current duty of R1591.40, prices will lack underlying support.
- Recent impacts of duty free EU wheat add to price pressure.
- Prices in the Western Cape remain under pressure, underpinned by ample supply and carry-over stocks.
- National Treasury indicated that the wheat tariff formula will be reviewed by the end of March 2017.

## Outlook

Locally, the price is still relatively uncertain, as we await the new import duty to be implemented. The favourable weather may increase production prospects; and relative ample supply of wheat in the WC is placing pressure on prices.

Globally the wheat outlook remains bearish; due to ample supply and low prices.

Wheat Futures 15 March 2017			Mar-17	May-17	July-17	Sep-17	Dec-17		
CME (\$/t)			151.38	160	166	171	177.47		
SAFEX (R/t)			4033.00	4088.00	4133.00	4149.00	4033.00		
SAFEX (R/t) <i>Change w/w</i>			-0.9%	-1.2%	-1.1%	-1.2%	-0.9%		
May-17			Jul-17			Sep-17			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
4,120	166	134	4,180	254	207	4,180	304	273	
4,080	145	153	4,140	232	225	4,140	282	291	
4,040	126	174	4,100	211	244	4,100	261	310	

## Oilseed market trends

### International

#### Oilseed prices

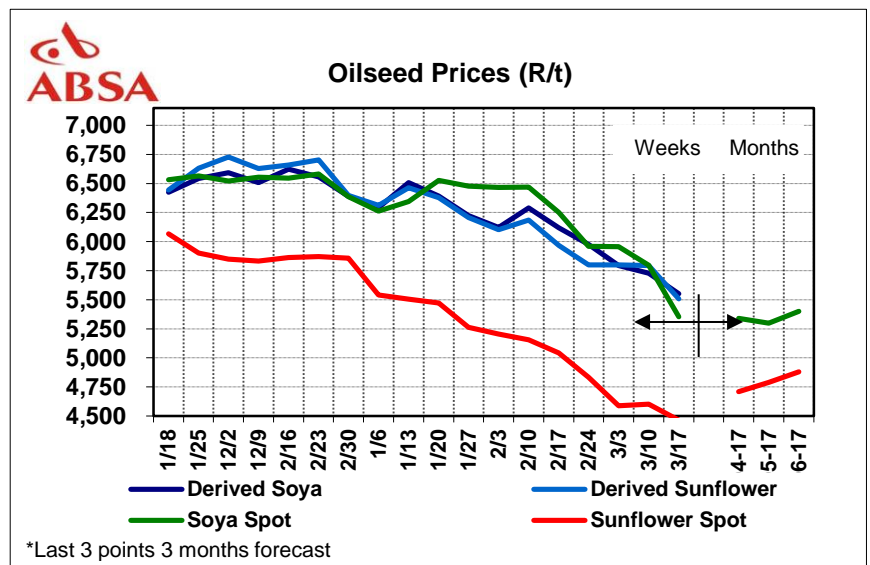
Soybean bids were lower this week. The weekly average USA soybean price decreased week on week from US\$380.29/ton to US\$378.09/ton, US soya oil prices decreased from USA\$33.76/ton to USA\$31.87/ton and soymeal prices traded lower from USA\$335/ton to USA\$ 3240.02/ton.

#### Bullish factors

- Weak dollar helped the market regain some ground after a sustained decline in prices during the last few days while maize prices also moved higher.
- World oilseed trade driven by the top importer which is China.

#### Bearish factors

- US Soybeans continue to trade lower as forecasters still raise their expectation on the Brazilian bumper crop.
- 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 20<sup>th</sup> March 2017, sunflower seed prices (Mar 17) decreased week on week by 2.6% from R4500.00 to R4385.00 whilst Soybean prices decreased by 1.6% from R5410/ton to R5322/t.

## Bullish factors

- South Africa imported sunflower seed which is currently being crushed This is supporting prices.
- The large soya oil stocks caused a drop in global prices. This prompted local producers to shift towards sunflower seed production, in order to receive better prices.
- South Africa remains a net importer of soybean oilcake and vegetable oils, due to insufficient production and quality to meet the growing local demand.

## Bearish factors

- Expects more sunflower seed being harvested and crushed than the previous year.
- A stronger Rand adds more pressure.
- Domestic soybean prices may be under pressure with the arrival of the new crop from March onwards.

## Outlook

The expected bumper harvest in South America limits increases in soybean prices globally. This is beneficial for the importing countries including SA.

Oilseeds Futures 20 March 2017	Mar-17	May-17	July-17	Sep-17	Dec-17			
CBOT Soybeans (US\$/t)**	3550.44	43647.00	43405.00	43344.00	43313.00			
CBOT Soy oil (US c/lb)	31.85	32.74	33.02	33.17	33.40			
CBOT Soy cake meal (US\$/t)*	328.80	358.90	362.64	360.33	357.47			
SAFEX Soybean seed (R/t)	5322.00	5007.00	5091.00	5167.00	5230.00			
<i>SAFEX Soybean seed (R/t) change w/w</i>	-1.6%	-0.6%	-0.8%	-0.8%	-1.3%			
SAFEX Sunflower seed (R/t)	4385.00	4475.00	4593.00	4740.00	4785.00			
<i>SAFEX Sunflower seed (R/t) change w/w</i>	-2.6%	-3.1%	-3.2%	-2.8%	-3.7%			
<b>Sunflower Calculated Option Prices (R/t)</b>								
<b>May-17</b>			<b>Jul-17</b>			<b>Sep-17</b>		
4,520	172	127	4,630	224	187	4,780	285	245
4,480	150	145	4,590	203	206	4,740	264	264
4,440	130	165	4,550	182	225	4,700	243	283

\*short ton

\*\* Dec 2017 = Jan 2018





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