



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

Limited Black Sea exports put focus on the U.S crop

Maize: The 30 June USDA Acreage report reflected a larger corn crop than expected. Limited exports from war-stricken Ukraine have shifted the focus to the US corn crop progress which brings extreme price volatility. CBOT corn prices edged 1.3% lower on 30 June compared to the month before. The crop estimate committee (CEC) adjusted their maize production projections marginally down to 14.6 million tons.

Wheat: CBOT wheat prices continue to lose momentum, decreasing by 16.5% and 15.4% compared to a month ago for CBOT SRW and CBOT HRW respectively. Local wheat prices are higher month on month on the back of a weaker rand.

Oilseeds: The 30 June USDA Acreage report showed that the USDA cut the US 2022 area planted for soybeans by over 1 million hectares on the back of delayed plantings. The US soybean condition was rated 65% good-excellent while planting was 98% complete on Monday. The CEC increased the soybean forecast for 2021/22 to a record 2.91 million tons on the back of increased yield.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 60 881 2450
Marlene.Louw@absa.africa

Nkhensani Mashimbyi
+27 76 419 2926
Nkhensani.Mashimbyi@absa.africa

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

Maize market trends

International maize market

CBOT corn prices edged 1.3% lower on 30 June compared to the month before. The Limited exports from war-stricken Ukraine have shifted the focus to the US corn crop progress which brings extreme price volatility. The Monday, the USDA crop progress report lowered the corn condition rating to 67% good-excellent, which is 3% lower than the rating the week before. This temporarily caused prices to increase however prices fell on 30 June, after the USDA published its acreage report which reflected a larger corn crop compared to planting intentions released in March. Favourable weather forecasts support US corn production prospects and present a downward future price risk.

	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	16.25	292.80	7198	4983	4079
w/w	1.5%	-0.40%	1.4	2.8%	-2.9%
m/m	4.7%	-1.29%	0.6	5.2%	-7.3%
y/y	14.2%	3.30%	26.3	36.8%	44.0%

Local maize market

Local white and yellow maize prices have tracked global markets lower compared to a month ago, decreasing by 5.4% and 6.8% respectively. Prices are however markedly higher relative to a year ago. The crop estimate committee (CEC) adjusted their maize production projections marginally down to 14.6 million tons. This was due to a 1.09% decrease in the forecasted white maize production as a result of a lower yield. The yellow maize production forecast was increased by 0.53%. As harvesting progresses, some producers noted maize grade issues where grades were lower due to prolonged periods of wetness as a result of excessive rains earlier in the season. The lower grades sell for significantly lower than the SAFEX prices.

	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	4392	4440	4500	4406	4468	4538
w/w	-0.4%	-0.6%	-1.6%	-1.1%	-1.6%	-2.2%
m/m	-5.4%	-6.1%	-6.5%	-6.8%	-7.0%	-7.0
y/y	42.0%	-	-	36.7%	-	-

Outlook

Our outlook for the coming months is that global corn prices will ease slightly on the back of a more favorable estimated US corn production. This will be countered by a weakening rand resulting in SAFEX yellow maize prices to trade around the R4 400 per ton mark.

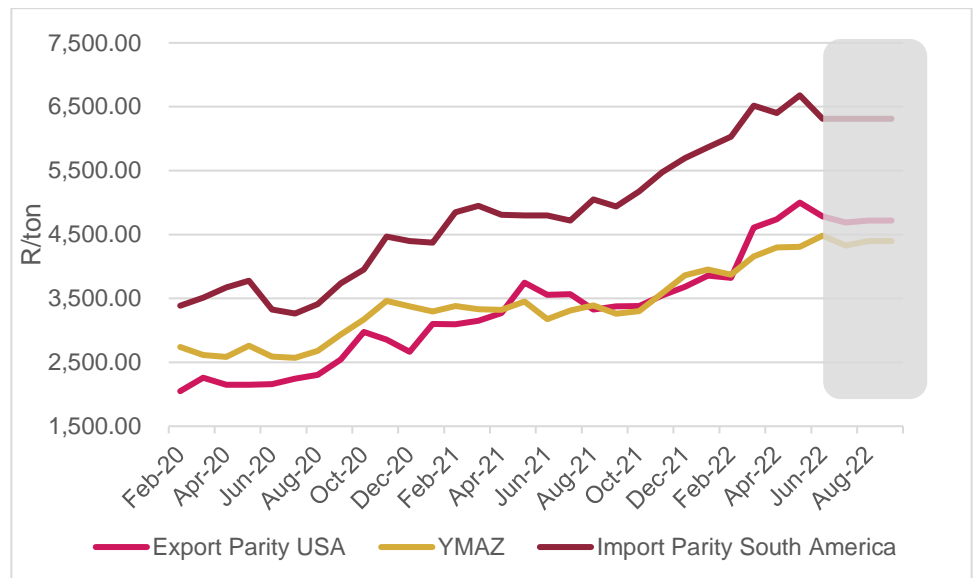


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices continue to lose momentum, decreasing by 16.5% and 15.4% compared to a month ago for CBOT SRW and CBOT HRW respectively. The fall in wheat prices is a result of wheat harvests in the US that are increasing wheat supply as well as the results of the USDA acreage report which showed an increase in US area planted for wheat by 1%. The U.S. winter wheat harvest was 41% complete on Monday, above the 35% five-year average. The winter wheat condition ratings held steady at 30% good-excellent from a week ago.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	16.25	319.20	348.60
w/w	1.5%	-6.0%	-0.4%
m/m	4.7%	-16.5%	-15.4%
y/y	14.2%	34.5%	55.2%

Local wheat market

Local wheat prices decreased week on week but increased by 2.0%. They were 8.0% higher compared to a month ago. Wheat planting is in full swing. Good Production conditions and high local prices present a good wheat production climate for this season, this was also corroborated by the CEC intentions to plant wheat report for 2022 where wheat production was forecasted to increase by 2.84%.

	JSE spot price (R/ton)	Sep-22 (R/ton)	USA import parity (R/ton)
Price	7548	7450	8478
w/w	-2.0%	2.0%	-2.5%
m/m	8.0%	-1.3%	-14.6%
y/y	46.4%	-	54.0%

Outlook

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

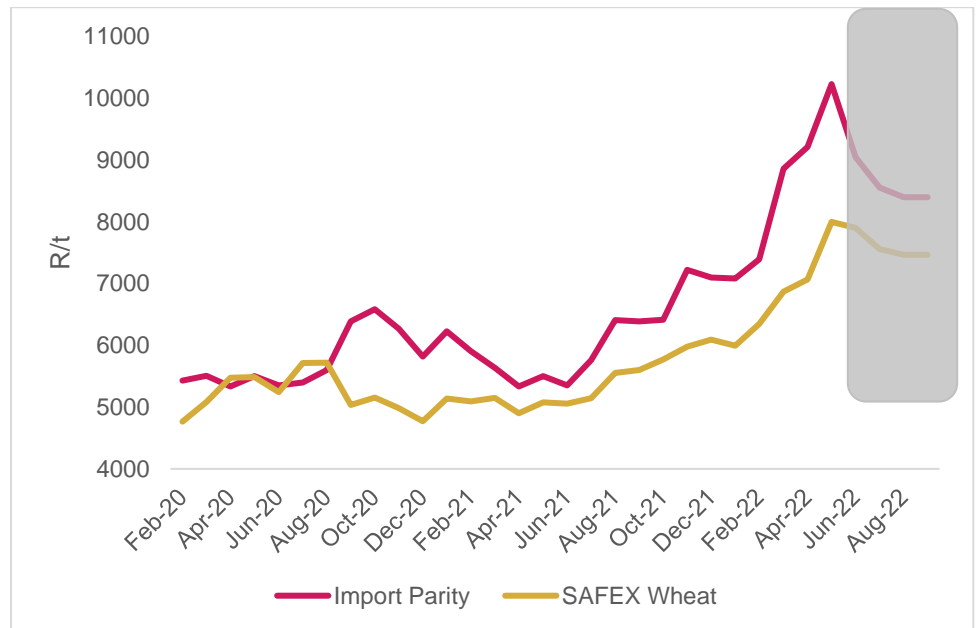


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices have CBOT soybean and soymeal increased by 4.0% and 8.6% respectively while CBOT soy oil traded sideways. For soybeans, the USDA cut the 2022 area planted by over 1 million hectares on the back of the cold wet conditions earlier in the US production season that caused severe planting delays. The planting intentions released in March had forecasted the US soybean crop to be larger than the corn crop however this cut puts soybeans behind corn in the US. Monday's soybean condition rating was 3% lower than the week before at 65% good-excellent while planting was 98% complete. Vegetable oil prices have been decreasing for the past few weeks due to lower palm oil prices because production is expected to rise in Malaysia and stock has accumulated in Indonesia due to its export restrictions earlier.

	R/USD	Soybean CBOT (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	16.25	615.50	70.0	470
w/w	1.5%	4.0%	0.3%	8.6%
m/m	4.7%	-1.3%	-14.6%	15.2%
y/y	14.2%	15.4%	4.7%	23.7%

Local oilseed market

Local soybean prices decreased week on week by 3.0% while JSE sunflower prices increased by 1.5%. These prices were lower compared to a month ago with soybeans 7% lower and sunflower seed 3.7% lower. Prices were lower due to expectations of decreased demand as some countries proposed a temporary waiver on biofuel mandates to curb high food inflation which did not materialise as it goes against the climate goal to move away from fossil fuels. The CEC increased the soybean forecast for 2021/22 to a record 2.91 million tons on the back of increased yield.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	11 291	8615	10 530
w/w	-4.2%	-3.0%	1.5%
m/m	-7.4%	-7.0%	-3.7%
y/y	28.6%	21.5%	25.4%

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

Outlook

We expect soybeans to follow a slight upward trend in the coming months. The upside price risks in oilseed markets remain as the temporary waiver on biofuel mandates is unlikely to occur, the price gains in crude oil markets, lower soybean ending stocks, and the ease of COVID-19 restrictions by major importer China present an upside price risk.

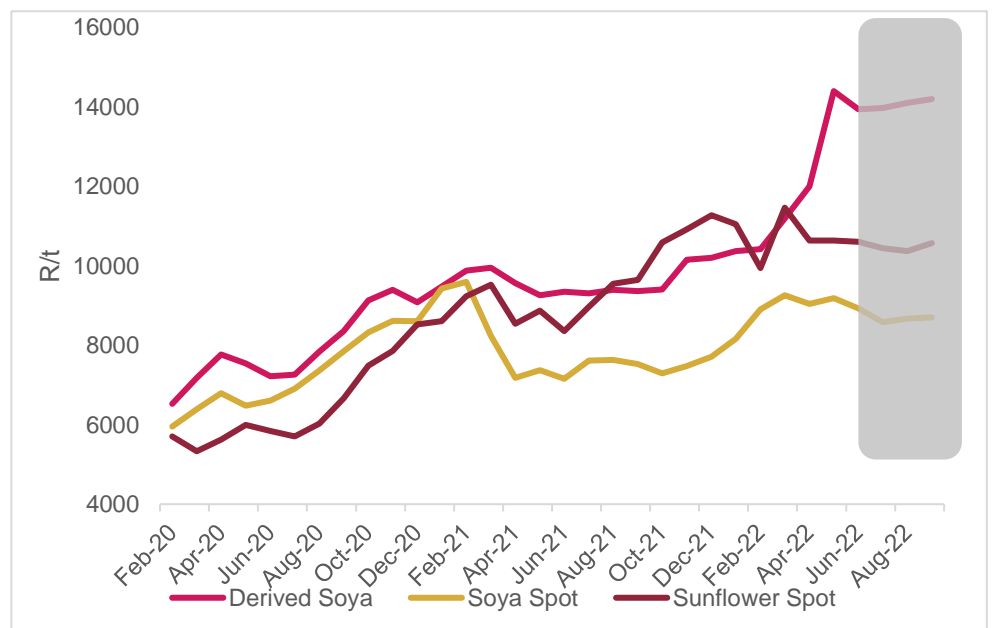


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast

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