



Retail and Business Banking
Sector Economics
AgriBusiness
25 August 2023



Agri Trends: Grains and Oilseed Report

Weather conditions proving challenging for grains and oilseeds.

Maize: CBOT corn experienced a 1.1% increase for the week ending 18th August, followed by a month-on-month decline of 9.0% and a more pronounced decline of 28.3% year-on-year. This is due to continued dry and warm weather conditions that persisted throughout August, expected to persevere into early September. Prices were also supported by traders, by incorporating a premium into the anticipated near month contract price. Domestically, yellow maize prices followed the global increasing price trend, supported by a 1.1% appreciation of the Rand. Local prices continue to trade below both US and Argentinian export parities, pressured by lowered global prices.

Wheat: CBOT wheat prices fell by 2.2% and 0.5% for CBOT SRW and HRW respectively. Prices also softened due to Ukraine's recent declaration to consider establishing a "humanitarian corridor" along its western coastal region adjacent to Romania and Bulgaria. In Canada and the EU, the potential strain on the high-protein spring wheat harvest will raise concerns for production outlooks. For the week ending August 18th, SAFEX wheat prices rose by 0.2% despite an appreciation of the Rand.

Oilseeds: Global soybean prices decreased by 2.7% decrease week-on-week, the monthly price declined by 9.2% and decreased by 15.1% year-on-year. USA soybean prices decreased at the back unchanged CIF values, while export premiums experienced a decline. This can be attributed to the subdued demand for U.S. soybean supplies, as the export market continues to be dominated by abundant Brazilian crop. Local prices followed an increasing price trend, despite gains on the Rand.

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

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

Zama Sangweni
+27 60 901 7786
Zamangwane.sangweni@absa.africa

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

Maize market trends

International maize market

CBOT corn prices increased by 1.1% for the week ending 18 August, at the back of persistent hot and dry weather conditions. Prices were further supported by an increased risk premium on corn futures, coupled with dry weather conditions as the critical phase for pollination has passed. Month-on-month declines were 9.0% and a year-on-year decline was more pronounced by 28.3%.

	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	19.1	189	5192	3723	3836
w/w	1.1%	1.1%	-0.27%	-0.9%	2.6%
m/m	6.2%	-9.0%	-2.45%	-4.8%	2.3%
y/y	12.0%	-28.3%	-27.1%	-15.4%	-7.8%

Local maize market

Weekly SAFEX maize prices showed a reduced-price trend increase by 0.6% for yellow maize but decreased by 0.19% for white maize. This was supported by a 1.1% week-on-week appreciation of the Rand. Local prices continue to trend below US and Argentinian export parities.

	JSE WM spot price Randfontein (R/ton)	White maize Sep-23 (R/ton)	White maize Dec-23 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Sep-23 (R/ton)	Yellow maize Dec-23 (R/ton)
Price	3615	3642	3759	3655	3687	3810
w/w	-0.19%	-0.2%	-0.13%	0.6%	0.38%	0.08%
m/m	-4.9%	-5.9%	-5.4%	-3.9%	-5.2%	-4.5%
y/y	-14	-	-11.4%	-12.8%	-	-

Outlook

The SAFEX maize price was stable at R3600 at the time of writing. The expected lack of rainfall in August and early September will affect corn maturation in the US Midwest. The same climate issues facing Canada, Argentina, and China will affect global prices. The long-term corn price projection assumes a drop in global prices as global suppliers remain optimistic. Favourable production prospects should cause a long-term price decline in South Africa.

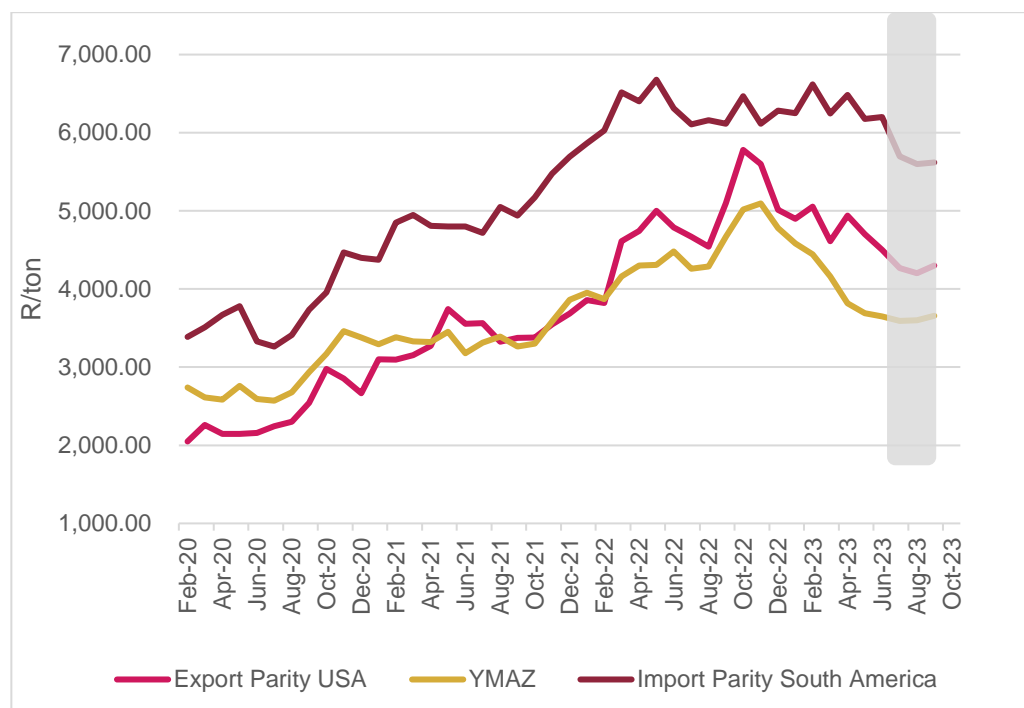


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices declined by 2.2% and 0.5% for CBOT SRW and HRW respectively. Prices lowered due to Ukraine's recent declaration to consider establishing a "humanitarian corridor" and additionally by the spillover weakness resulting from the decline in US corn prices, the ongoing harvesting of winter wheat in the US, and the appreciation of the dollar have collectively exerted additional pressure.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	19.1	241	297
w/w	1.1%	-2.2%	-0.3%
m/m	6.2%	-12.1%	-12.4%
y/y	12.0%	-21.9%	-14.7%

Local wheat market

Local wheat prices followed an increasing price trend, increasing slightly by 0.2% week-on-week at the back of increased wheat imports, between the first and second week of August, despite an appreciation of 1.1% in the Rand.

	JSE spot price (R/ton)	Sep-23 (R/ton)	USA import parity (R/ton)
Price	6800	6750	7336
w/w	0.2%	3.0%	-2.6%
m/m	1.9%	2.2%	-3.1%
y/y	-7.9%	-	-7.1%

Outlook

SAFEX wheat prices are anticipated to remain below the R7000 mark into September, the USDA reported ending stocks at 2.7% higher for the end of the 2023/24 season which will see prices softening in the medium to longer term.

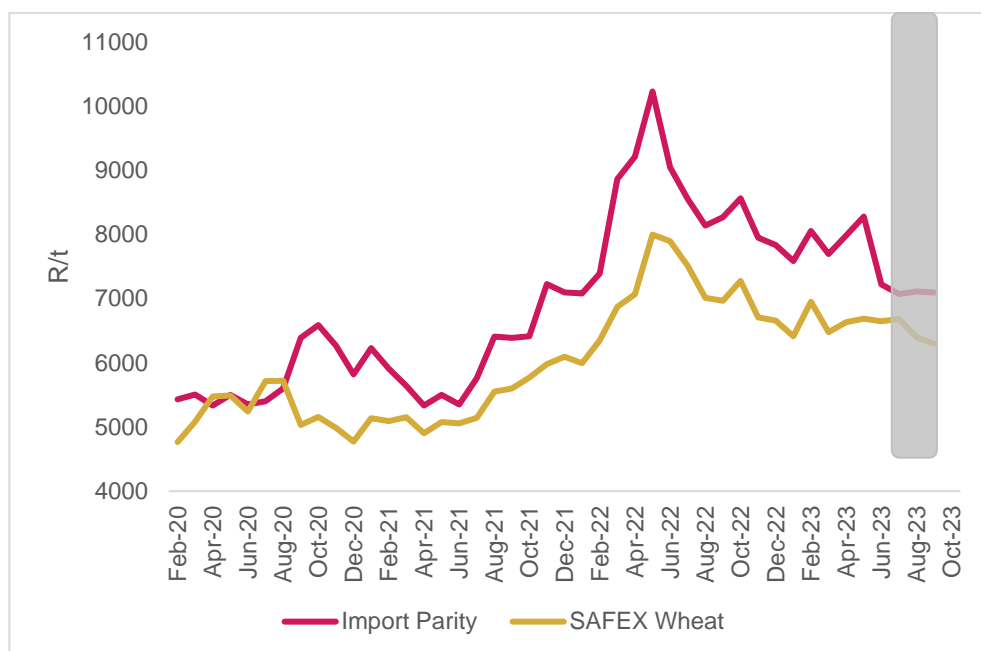


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices indicated a 2.7% decrease week-on-week, the monthly price declined by 9.2% and decreased by 15.1% year-on-year. USA Soybean prices decreased at the back of lowered export premiums.

	R/USD	Soybean CBOT (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	19.1	501	69	404
w/w	1.1%	-2.7%	-2.9%	-7.6%
m/m	6.2%	-9.2%	-1.6%	-8.8%
y/y	12.0%	-15.1%	-3.6%	-15.5%

Local oilseed market

SAFEX Soybean prices followed an increasing price trend, rising by 5.0% week on week, more pronounced at 8.4% month-on-month and 9.7 year-on-year. Sunflower seed followed global price gains, increasing by 0.15% week-on-week. Both increasing, despite an appreciation in the Rand.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	11511	9540	9200
w/w	-1.2%	5.0%	0.15%
m/m	3.5%	8.4%	-1.46%
y/y	-7.3%	9.7%	-13.7%

All data in this document is the intellectual property of Absa Bank. Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

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

Outlook

Global soybean prices are anticipated to follow an increasing price trend in the shorter term due to low rain levels and warmer temperatures in the US Midwest. Crop yields will be vulnerable as potential heat damage could reduce volumes, more especially because soybeans are in their flowering phase. Local prices are anticipated to follow global prices, declining as weather forecasts are projected to cool in the longer term.

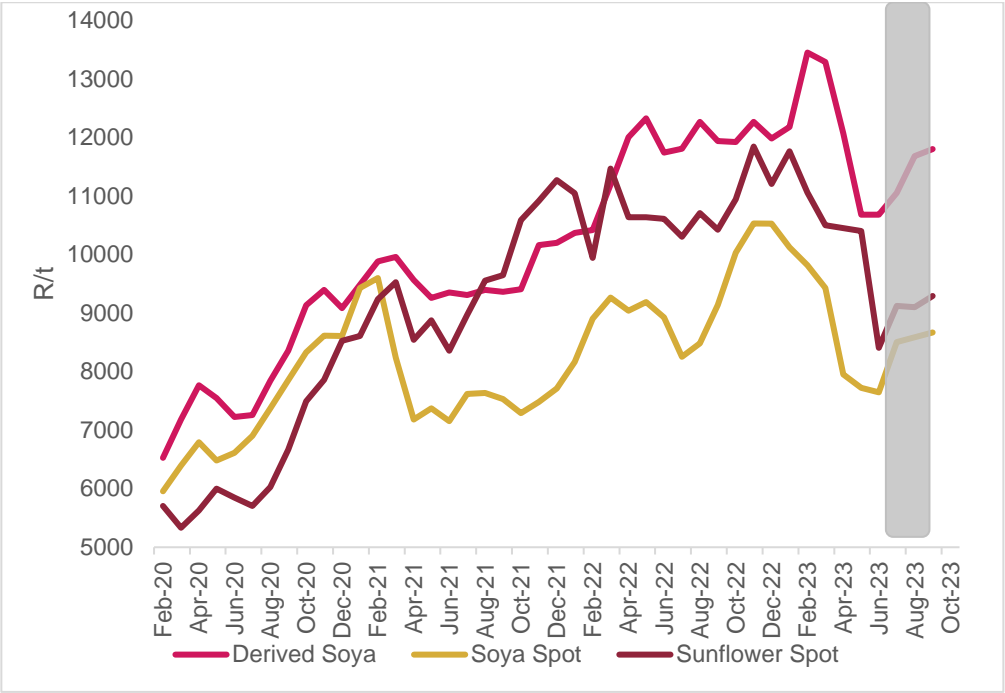


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast