



Agri Trends: Grains and Oilseed Report

China's soybean buying wave supported CBOT soybean prices

Maize: CBOT corn prices decreased by 3.5% month-on-month on November 8, pressured by the U.S. harvest pace. The U.S. 2023/24 corn production is forecasted to increase by 4.2 million tons, reaching a record 386.97 million tons, putting pressure on CBOT corn prices. Local market dynamics continue to be dominated by movements in global markets and the exchange rate. SAFEX maize price decreases were more pronounced when compared to global price decreases, decreasing by 5.5% and 8.6% for white maize and yellow maize respectively compared to a month ago. The price direction as we enter 2024 will be significantly influenced by developments from Southern Hemisphere producers, particularly in Brazil and Argentina.

Wheat: CBOT wheat prices increased by 3.4% and 1.8% week on week for CBOT SRW and CBOT HRW respectively on November 8 on the back of an increase in the U.S export sales. SAFEX wheat prices fell below the R6 000 per ton mark, decreasing by 5.2% month-on-month weighed by the strong rand and good harvesting conditions. SAFEX wheat prices are expected to continue to trade around the R6000 per ton mark for the coming month as the local production season draws to a close. There are some global downside price risks on the back of improved U.S. winter wheat conditions and high Russian wheat stocks.

Oilseeds: CBOT soybean prices increased by 5.4% on November 8 compared to a month prior on the back of adverse weather conditions in top exporter Brazil as well as increased demand from China. Import demand for soybeans has picked up in the US, with importers buying more than 1 million tons of soybeans on 9 November. SAFEX Soybean traded sideways month-on-month, gaining some resistance from the month-on-month resilience of the rand against the dollar.

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Maize market trends

International maize market

On November 8, CBOT corn prices decreased by 3.5% month-on-month pressured by the U.S harvest pace. On November 6, the corn harvest was reported as 81% complete, surpassing the five-year average pace of 77%. The U.S. Department of Agriculture (USDA) forecasted an increase in U.S. 2023/24 corn production by 4.2 million tons, reaching a record 386.97 million tons as shown by the November World Agricultural Supply and Demand Estimates (WASDE) report. This further contributed to the downward pressure on CBOT prices.

	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	18.61	187.4	5259	3543	3525
w/w	0.9%	-0.3%	-2.5%	-5.0%	-3.6%
m/m	-3.9%	-3.5%	-9.3%	-13.5%	-14.0%
y/y	5.3%	-27.7%	-22.4%	-40.2%	-30.5%

Local maize market

Local market dynamics continue to be dominated by movements in global markets and the exchange rate. SAFEX maize price decreases were more pronounced when compared to global price decreases, decreasing by 5.5% and 8.6% for white maize and yellow maize respectively compared to a month ago. This decrease can be attributed to a 3.9% month-on-month appreciation of the rand against the dollar. Local production dynamics remain optimistic with an expectation of yet another bumper crop for the 2023/24 production season despite the current El Nino weather pattern. From a demand perspective, the substantial culling of chickens due to the outbreak of Highly Pathogenic Avian Influenza could result in a decline in local demand for maize as animal feed. This may exert pressure on maize prices.

	JSE WM spot price Randfontein (R/ton)	White maize Dec-23 (R/ton)	White maize Mar-24 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Dec-23 (R/ton)	Yellow maize Mar-24 (R/ton)
Price	3890	3813	3843	3658	3680	3749
w/w	-0.4%	-1.9%	-2.3%	-2.2%	-2.3%	-2.2%
m/m	-5.5%	-8.8%	-8.4%	-8.6%	-10.4%	-9.6%
y/y	-26.9%	-22.6%	-	-28.2%	-24.4%	-

Outlook

SAFEX yellow maize prices lost momentum from the higher October prices, trading at around the R3 650 per ton mark at the time of writing, and are expected to trade sideways for the coming months. The decrease was underpinned by lower global prices and softer local demand. The projected bumper harvest in the U.S. is expected to put pressure on farmers' profits. In response, farmers may choose to store their maize, anticipating new demand from exports or domestic usage, which could potentially limit price losses. The price direction as we enter 2024 will be significantly influenced by developments from Southern Hemisphere producers, particularly in Brazil and Argentina. Despite the erratic weather conditions in Brazil, production forecasts remain optimistic, potentially putting downward pressure on prices. In Argentina, maize plantings faced delays due to drought possibly limiting production and presenting upward price risk.

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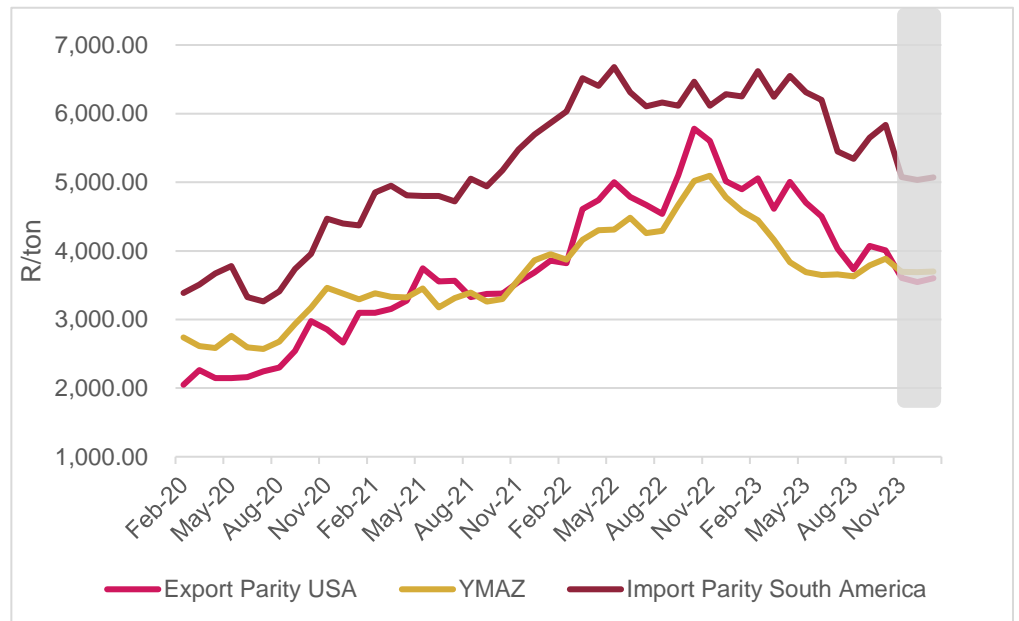


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices increased by 3.4% and 1.8% week on week for CBOT SRW and CBOT HRW respectively on November 8 on the back of an increase in the U.S export sales. The pace of Russian wheat exports has decelerated. Russia had previously dominated the wheat export market, capitalizing on its lower prices compared to the dollar. Lower prices have however discouraged farmers from selling their harvest. CBOT wheat prices are notably lower year on year.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	18.61	217.6	240.7
w/w	0.9%	3.4%	1.8%
m/m	-3.9%	2.2%	-2.1%
y/y	5.3%	-27.2%	-30.6%

Local wheat market

SAFEX wheat prices fell below the R6 000 per ton mark, decreasing by 5.2% month-on-month weighed by the strong rand. Local production conditions remain fairly favourable, with limited rains and wind. This is supported by the CEC's winter cereals' third production forecast for the 2023 season. Here, production in the Western Cape was forecasted to have increased by 5% from the previous forecast, echoing the optimistic production sentiments for the season. While the price risk remains, higher production can present some reprieve.

	JSE spot price (R/ton)	Dec-23 (R/ton)	USA import parity (R/ton)
Price	5881	5925	6625
w/w	0.8%	-0.1%	1.3%
m/m	-5.2%	-5.0%	-7.6%
y/y	-17.3%	-	-18.6%

Outlook

SAFEX wheat prices are expected to continue to trade around the R6000 per ton mark for the coming month as the local production season draws to a close. There are some global downside price risks on the back of improved U.S. winter wheat conditions, rated at 50% good-to-excellent on November 6, marking the highest rating for this time of year since 2019 as soil moisture improved. Additionally, Russia's wheat export prospects remain optimistic on the back of abundant stocks. Australian exports will decline sharply from the previous season because of severe drought cutting production by over 38% as shown by the November WASDE limiting price losses as Australia is a major wheat exporter.

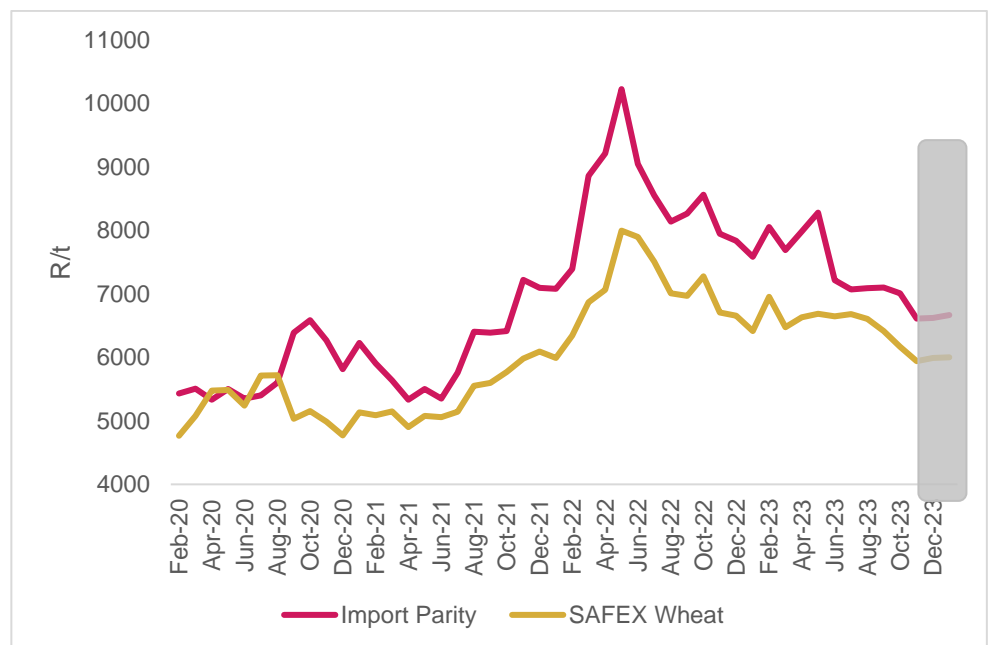


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices followed an increasing trend since the beginning of November and they were 5.4% higher on November 8 compared to a month prior. This was due to adverse weather conditions in top exporter Brazil as well as strong Chinese demand. Planting in Brazil is facing delays due to erratic weather conditions with certain regions experiencing dry conditions and others experiencing excessive rains on the back of the ongoing El Nino weather pattern. Import demand for soybeans has picked up in the US after Brazil dominated the export market, with importers buying more than 1 million tons of soybeans on 9 November extending a wave of recent export deals. Similar to corn, the current soybean harvest outpaced the five-year average of 86%, standing at 91% on November 6.

	R/USD	Soybean CBOT (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	18.61	495.7	50.0	449.8
w/w	0.9%	1.6%	1.2%	1.7%
m/m	-3.9%	5.4%	-9.8%	16.0%
y/y	5.3%	-7.3%	-35.1%	10.4%

Local oilseed market

SAFEX Soybean traded sideways month-on-month. The month-on-month slight resilience of the rand against the dollar presented some local price resistance. SAFEX sunflower seed prices also traded sideways month on month. Local soybean area planted is expected to decrease by 7.0% in the 2023/34 production season while that of sunflower is expected to increase significantly by 15.2% as shown by the Crop Estimates Committee's (CEC) intentions to plant summer crops for 2024.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	11 357	9291	8940
w/w	0.4%	0.2%	-2.8%
m/m	-0.4%	-0.7%	-0.1%
y/y	-9.8%	-13.9%	-24.7%

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

Outlook

At the time of writing, soybeans traded around the R9 200 per ton mark and are expected to trade sideways for the coming months. Sunflower seed prices are also expected to trade sideways around the R9 000 per ton mark. The USDA also increased its production forecast for soybean on the back of improved yields, leading to the projection of record soybean stocks and thus limiting price gains.

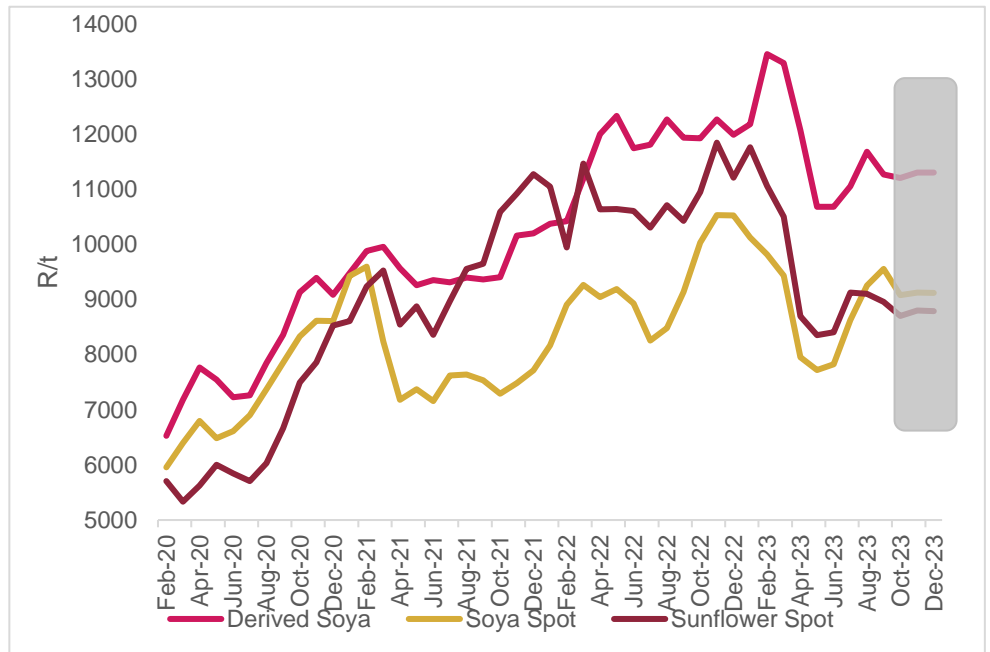


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast

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