



# Agri Trends

04 May 2018

## Is listeriosis under control?

Since the recall of affected products on 4 March from shop shelves the incidence of listeriosis dropped significantly. Compared to the level of occurrences under normal circumstances in the USA the reported cases of listeriosis in South Africa dropped to similar levels in the latest report of the National Listeria Incident Management Team. It is therefore expected that this crucial statistics should be shared with consumers. It may just be that the listeriosis outbreak is under control and that the ready to eat products can be consumed with increased consumer confidence. Currently, these products sell at a fair discount and it is expected, as consumer confidence recovered, the price of these products will follow suit. An announcement in this regard is due.

## Contents

Maize market trends .....	1
Wheat market trends .....	3
Oilseeds market trends.....	5
Wool market trends.....	7
Cotton market trends .....	8

Contact us at Absa AgriBusiness:

[Karabo.Takadi@absa.co.za](mailto:Karabo.Takadi@absa.co.za)

[Wessel.Lemmer@absa.co.za](mailto:Wessel.Lemmer@absa.co.za)

[Conce.Moraba@absa.co.za](mailto:Conce.Moraba@absa.co.za)

<https://www.absa.co.za/business/sector-solutions/agribusiness/trends-and-reports/>

# Maize market trends

## International

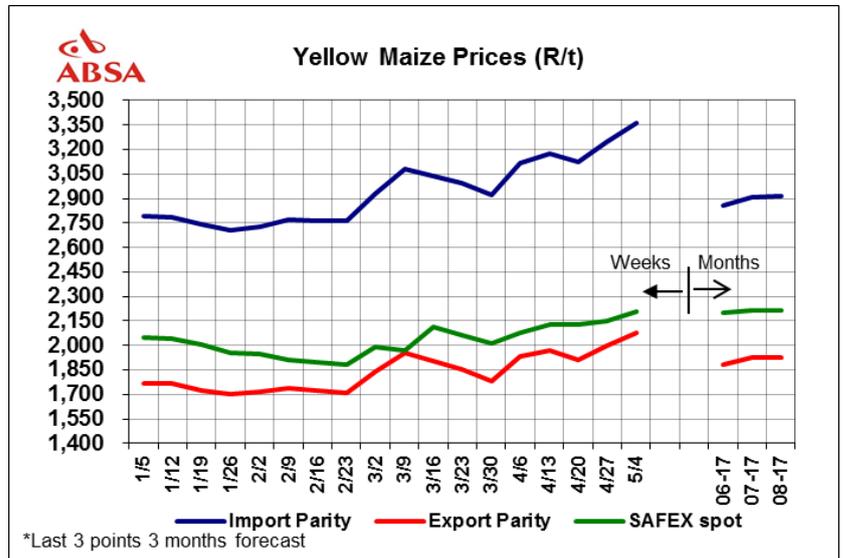
Week-on-week yellow maize No 2 gulf price marginally decreased from US\$178.48/ton to US\$177.89/ton

### Bullish factors

- Concerns about planting delays in the USA.
- Brazilian farmers who cultivate the annual second harvest of corn face the prospect of lower yields and crop failure due to drought affecting fields in top producing states. Second corn is planted after soybeans as a rotation crop in Brazil

### Bearish factors

- After initial delays, fieldwork is becoming more active across the USA Corn Belt. Forecasts indicate a round of precipitation will slow progress next week, but not substantially.

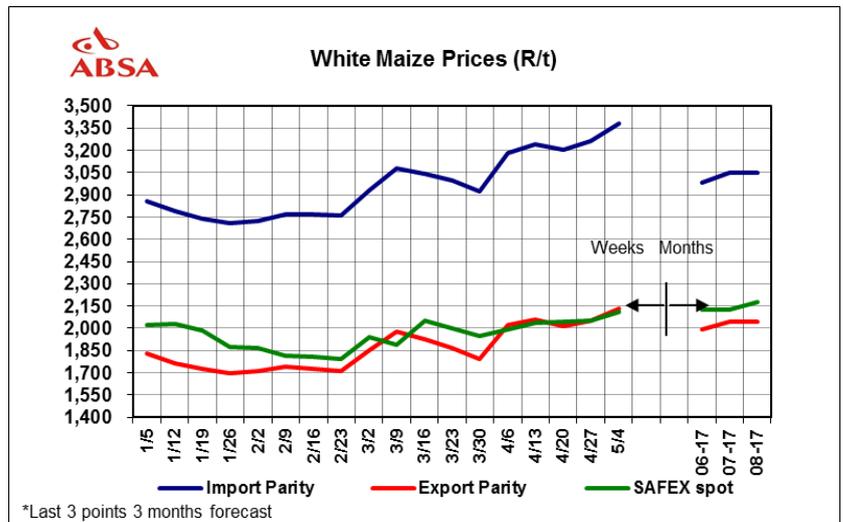


## Domestic

On the 3<sup>rd</sup> of May, local maize market traded marginally higher week on week. New season white maize prices for delivery in Jul 2018 increased marginally from R2052/ton up by 3.5% (R71/ton) to R2123/ton. Week-on-week new season yellow maize prices for delivery in Jul 2018 increased by 2.9% (R62/ton difference) from R2154/ton to R2216/ton.

### Bullish factors

- Late plantings as well as the low rate of planting of corn in the USA due to rainfall may limit new season yields.
- Old season maize prices in South Africa are at production cost levels
- Weakening rand and renewed interest to export maize to Far East destinations provide interim price support



### Bearish factors

- Sufficient global stock levels in the USA
- Increased production estimates for old season maize crop

## Outlook

### Local

Expect prices to trade sideways to lower as harvest pressure and rate of exports increase.

## International

Maize prices could enjoy temporary support due to concerns about planting delays in the US.

Yellow Maize Futures: 03 May 2018			Jul-18			Sep-18			Dec-18		
CBOT (\$/t)			160.62			163.57			166.23		
SAFEX (R/t)			2216			2260			2333		
SAFEX (R/t) Change week on week (w/w)			62			56			66		
Jul-18			Sep-18			Dec-18					
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
2,260	102	58	2,300	123	83	2,380	178	131			
2,220	80	76	2,260	101	101	2,340	156	149			
2,180	60	96	2,220	81	121	2,300	135	168			

Table 2: Week on week white maize futures and estimated option prices

White Maize Futures 03 May 2018			Jul-18			Sep-18			Dec-18		
SAFEX (R/t)			2123			2175			2252		
SAFEX (R/t) Change w/w			71			71			77		
Jul-18			Sep-18			Dec-18					
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
2,160	98	61	2,220	139	94	2,300	196	148			
2,120	76	79	2,180	117	112	2,260	173	165			
2,080	57	100	2,140	96	131	2,220	152	184			

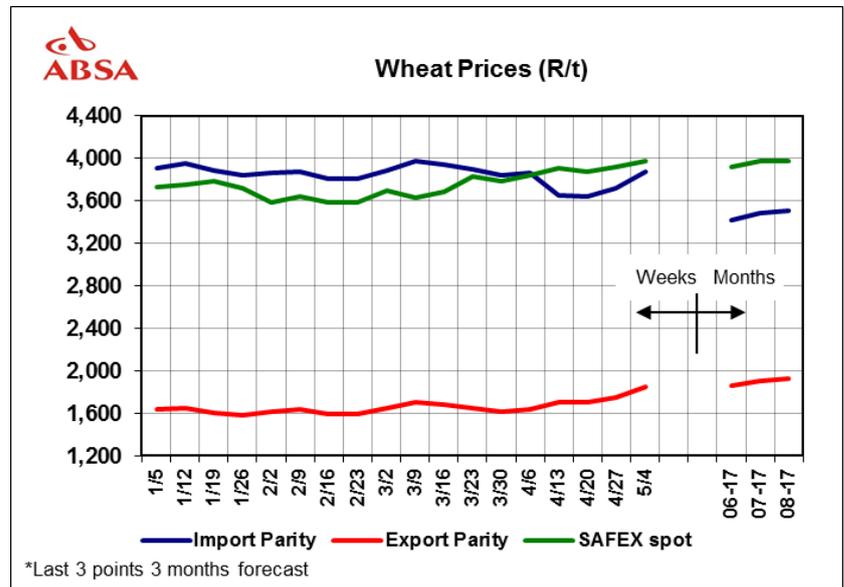
## Wheat market trends

### International

The weekly average old season HRW wheat Gulf price increased from US\$192.36/ton to US\$194.41/ton week on week. Weekly average SRW wheat price also increased from US\$198.71/ton to US\$212.50/ton week on week.

#### Bullish factors

- Worries about the drought-stressed crop in the US Plains.
- Worries over a lack of rain in Australia where farmers are beginning winter wheat seedings.
- Concerns about global wheat production are on the increase. South west Russia and adjacent areas in Ukraine are the primary focus as recent dry conditions have reduced available moisture. The eastern European Union, Romania, Bulgaria and Poland, are also dry, but may see better precipitation through next week.



#### Bearish factors

- US winter wheat crop ratings improved slightly to 33% good-to-excellent, up 2 points from the previous week.

### Domestic

On 3<sup>rd</sup> of May 2018, wheat prices for delivery in Jul2018 increased marginally by R29/ton) from R3947/ton to R3976/ton, week on week.

#### Bullish factors

- Uncertainty about rainfall and increased planting of feed eg lupins and feed barley may limit the planting of wheat in the Western Cape Province
- Exchange rate may weaken further to the end of 2018 at harvest time.
- Input costs are below break-even cost levels to be profitable. Lack of sufficient cash flow may limit the planting of wheat.
- We only harvest in October – still a lot to happen before then.
- Uncertainty on timeliness of wheat tariff announcements complicates wheat imports favoring local procurement.

#### Bearish factors

- Overall increase in the planting of wheat due to intentions to increase planting in the summer rainfall production regions.
- Global wheat prices to remain low due to global stock levels
- A strong Rand will limit price gains

### Outlook

#### Local

Expect prices of new season wheat to trade sideways. Not profitable to increase the planting of dryland wheat in the winter rainfall regions.

## International

Worries about the drought-stressed crop in the US Plains and lack of rain in Australia may weigh on market prices.

Wheat Futures 03 May 2018	May-18	Jul-18	Sep-18	Dec-18
CME (\$/t)	197.68	203.10	210.45	216.14

SAFEX (R/t)		3976	3925	3860
SAFEX (R/t) Change w/w		29	19	-22

## Oilseeds market trends

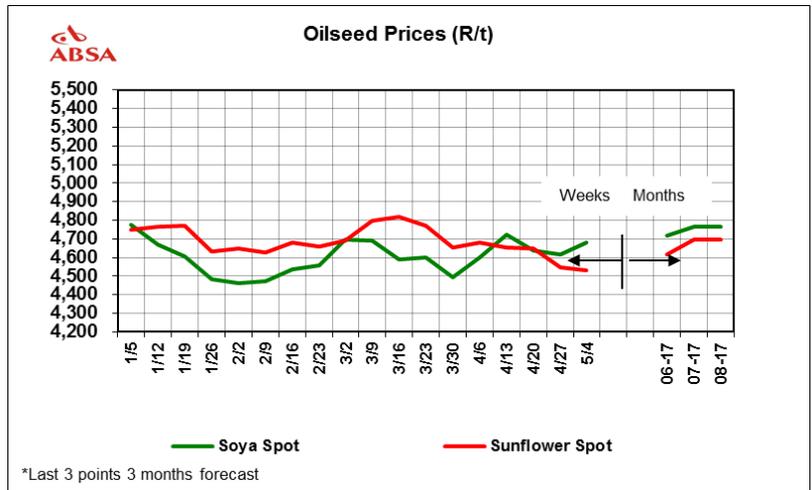
### International

The weekly average USA soybean price decreased week-on-week from US\$400.87/ton to US\$400.13/ton. US soya oil prices marginally declined from US\$30.8/ton to US\$30.6/ton and soymeal prices traded higher from US\$379.2/ton to US\$398.4/ton.

#### Bullish factors

##### Soymeal:

- Drought has dented soybean harvest prospects in Argentina
- Wet weather now disrupting Argentina's soybean harvest is adding support to soymeal prices. This follows drought which devastated yield prospects. There are some talk of the Argentine soy crop shrinking further on wet weather induced harvest delays.



#### Bearish factors

##### Soybeans:

- Concerns about decreased export demand in the US from China
- The very cold April that slowed planting progress for corn and soybeans.
- Rising expectations for a bumper crop in Brazil.

#### Domestic

New season sunflowerseed prices increased week on week from (May2018) prices increased by (58/ton) from R4512/ton to R4570/ton.

New season soybeans prices increased week on week from (May2018) prices increased by (53/ton) from R4617/ton to R4670/ton.

#### Bullish factors

##### Soybeans

- Weaker Rand to the end of 2018
- Favourable crushing margin for soybeans compared to a more tight crushing margins for sunflowerseed allowing for more soybeans to be crushed
- Increased protectionism by the USA may increase the short term demand for soybean exports to the Far East

##### Sunflower seed

- Stronger Rand to impact imported soybean oilcake prices causing more tight soybean crushing margins. Lead to sustained crushing levels of sunflowerseed.
- Late planted sunflower seed are susceptible to frost

#### Bearish factors

##### Soybeans

- Relatively strong Rand to the end of 2018
- Global stock levels are sufficient
- Expect a big old season harvest. Producers need to price now and harvest pressure may add to price pressure
-

### Sunflower seed

- Weaker Rand. Favourable crushing margin for soybeans compared to a tight crushing margin for sunflowerseed allows for less sunflowerseed to be crushed
- South Africa does not export sunflowerseed. Production and carry out of new season sunflowerseed increased and will be sufficient to meet domestic demand.
- Harvest pressure on a big sunflowerseed crop add to price pressure

### **Outlook**

#### **Local**

Soybean prices to trade sideways. Expect price support due to profitable crushing margins

#### **International**

Soybean prices are expected be pressured by concerns about decreased export demand from China as well as rising expectations for a bumper crop in Brazil. The US is sending a top-level trade delegation to China this week but the market was discounting hopes of an agreement between the two countries.

Oilseeds Futures 03 May 2018	May-18	Jul-18	Sep-18	Dec-18
CBOT Soybeans (US\$/t)**	383.33	387.00	386.64	385.63
CBOT Soy oil (US c/lb)	31.09	31.23	31.84	32.47
SAFEX Soybean seed (R/t)	4670	4767	4862	4972
<i>SAFEX Soybean seed (R/t) change w/w</i>	53	59	49	49
<i>SAFEX Sunflower seed (R/t)</i>	4570	4694	4817	4940
<i>SAFEX Sunflower seed (R/t) change w/w</i>	58	23	37	50

\*Short ton

\*\* Dec 2018 = Jan 2019

## Wool market trends

### International

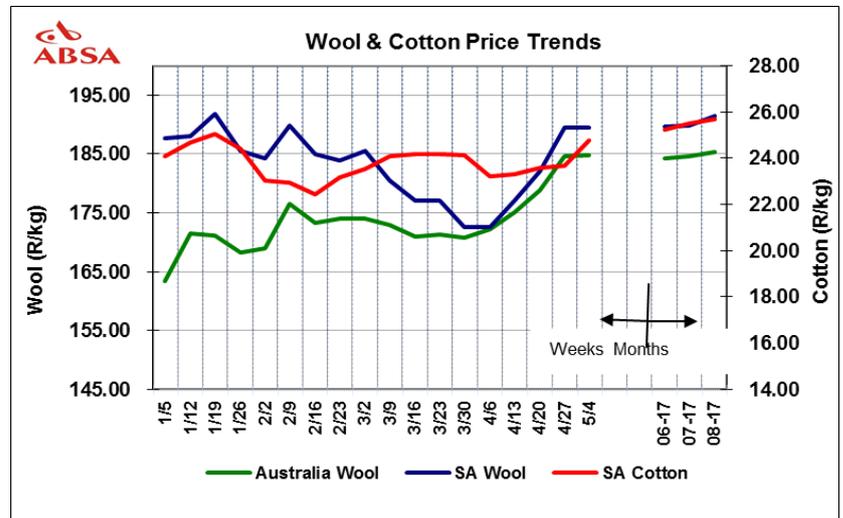
The last auction was for the week ending 04 May 2018. The Australian wool market prices declined week on week. Prices traded at Au1836 c/kg down 0.54%.

#### Bullish factors

- The AUD falling again this week.
- Next week volumes are expected to decline to just 38,000 bales. The expected vastly differing quality of wools expected to be on offer may lead to strong interest at the market.

#### Bearish factors

- The deteriorating quality of wool on offer due to adverse seasonal conditions.



### Domestic

The last auction was on the 25<sup>th</sup> of April 2018. The wool market performed stronger at the end of this week. Domestic wool market prices increased and the merino indicator was 4.07% higher to close at R189.54 (clean) at the sale. The next sale is scheduled for 09 May 2018.

#### Bullish factors

- The wool market maintained its strong performance and closed firmer at this week's auction.
- Continued excellent demand for quality long and fine wool.
- Smaller volumes at the recent auction.
- The weaker Rand increased producer returns. The Rand was 3,7% weaker against the US Dollar and 2,2% weaker against the Euro, compared with the average rate at the previous sale.

#### Bearish factors

- Analysts do caution that some degree of a downward correction is to be expected.

### Outlook

Internationally, a recovery in wool prices can be expected on the back of reduced supplies and improved quality wools.

Locally, the South African wool market is positive, driven by strong demand.

# Cotton market trends

## International

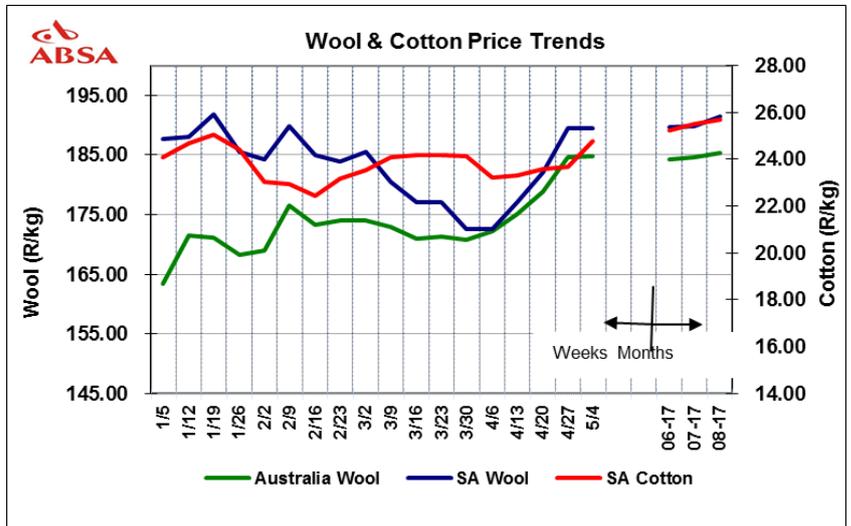
Cotton prices traded higher over the past week and closed at US80.07 c/lb from US79.22c/lb.

### Bullish factors

- The International Cotton Advisory Committee (ICAC) has indicated that drought conditions remain a concern for the cotton area in West Texas, which represents approximately 25% of the US production.
- The prospect of an increase in cotton demand.

### Bearish factors

- ICAC cut its forecast for cotton prices next season as it increased expectations for world inventories; ICAC trimmed by 2 cents a pound, its forecast for cotton prices as measured by the Cotlook A index in 2018/19, on an August-to-July basis.
- Higher prices are expected to impact planting decisions to expand area under cotton for the 2018/19 season



## Domestic

The derived SA cotton prices traded 4.53% higher to close at R24.77/kg.

## Outlook

Internationally, increased expectations for world inventories may weigh on the cotton market.

Locally, the world market and exchange rate movement may continue to affect the domestic market prices.

Fibres market trends  
Week ended 04 May 2018

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future May 2018 (AU\$/kg)	%	Australian future Jul 2018 (AU\$/kg)
Wool market indicator	4.07	18954	-0.20	17321		-		-
19µ micron	6.00	20378	0.12	19701	-2.4	20.20	1.03	19.70
21µ micron	8.29	19107	0.42	18563	0.00	19.25	0.00	18.50
Cotton prices 27 April 2018		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future May 2018 (US\$/kg)		New York future Jul 2018 (US\$/kg)
Cotton prices	4.53	24.77	1.12	2.00	2.4	1.87	1.6	1.86