



Retail and Business Bank
Sector Economics
Agribusiness
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Agri Trends: Grains and Oilseed Report

US soybean ending stocks estimate revised 20% downward

Maize: US Kansas yellow corn prices increased 4.2% week-on-week for the week ended 15 January 2021. Import parity prices of white corn from the US were up 6.2% and yellow corn from Argentina were up 4.6%, respectively, week-on-week. The USDA has reported lower-than-expected production of corn and soybeans across the globe, resulting in reduced ending stocks. In the domestic market, the spot prices of white and yellow maize increased 2.0% and 3.5%, respectively, week-on-week. High domestic maize prices will weigh on the margins of livestock producers as feed costs rise.

Wheat: The prices of Soft Red Winter wheat and Hard Red Winter wheat increased 2.2% and 3.0%, respectively, week-on-week. The January estimate for world wheat production remained relatively unchanged. In the domestic market, the spot price of wheat increased 2.9% week-on-week. The new import tariff of R102.69/ton that was triggered on 20 October 2020 is yet to be published.

Oilseeds: US soybean and soya meal prices increased 4.5% and 5.7%, respectively, week-on-week, while the US soya oil price decreased 2.6%. Global dependence on soybeans seems to be rising due to insufficient supplies of other oilseeds, primarily sunflower oil. In the domestic market, spot prices of soybean and sunflower seed increased 5.4% and 3.4% week-on-week, respectively.

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Maize Market Trends

International Maize Market

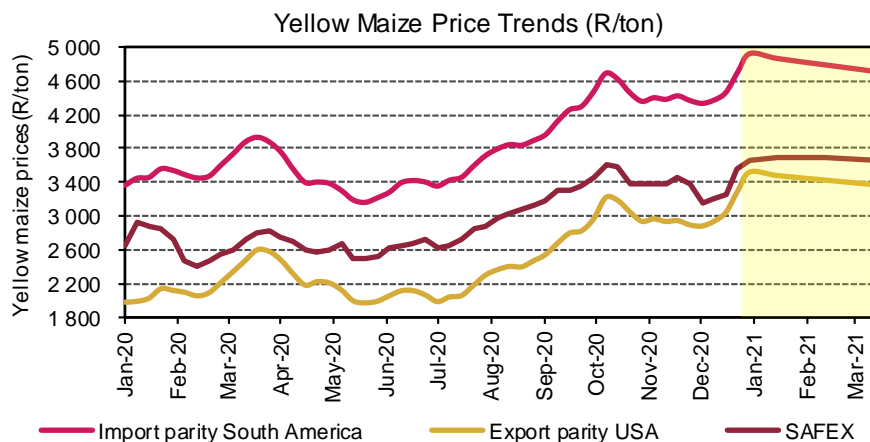
US Kansas yellow corn prices increased 4.2% week-on-week for the week ended 15 January 2021, while the premium for white corn (over yellow corn) at USD12.40/ton was 26.0% higher than the previous week. Import parity prices of white corn from the US were up 6.2% and yellow corn from Argentina were up 4.6%, respectively, week-on-week. In the January release of the World Supply and Demand Estimates (WASDE) report the United States Department of Agriculture (USDA) lowered its estimate for world corn production for the 2021/21 production year to 1,133.89MMT. The January estimate for US corn production was reduced by 2.2% from the December estimate while the Argentina January estimate for corn was reduced by 3.1%.

	R/USD	US Yellow Corn (USD/ton)	Kansas White Corn Premium (USD/ton)	USA WM Import Parity (R/ton)	Argentina YM Import Parity Worcester (R/ton)	USA YM Export Parity Randfontein (R/ton)
Price	15.29	249.25	12.40	5 153.62	4 922.39	3 520.82
w/w	2.2%	4.2%	26.0%	6.2%	4.6%	6.8%
m/m	3.1%	15.6%	28.6%	16.0%	13.6%	22.2%
y/y	6.2%	40.7%	50.2%	38.5%	42.7%	77.8%

Local Maize Market

The spot prices of white and yellow maize increased 2.0% and 3.5%, respectively, week-on-week. White and yellow maize spot prices were up 35.7% and 38.0% year-on-year, respectively. The yellow maize spot price is trading closer to the export parity price. Futures prices for white and yellow maize for the March 2021 contract decreased week-on-week, while the futures price of the September 2021 contract increased week-on-week. High domestic maize prices will weigh on the margins of livestock producers as feed costs rise.

	JSE WM Spot Price, Randfontein (R/ton)	White Maize Mar-21 (R/ton)	White Maize Sep-21 (R/ton)	JSE YM Spot Price, Randfontein (R/ton)	Yellow Maize Mar-21 (R/ton)	Yellow Maize Sep-21 (R/ton)
Price	3 687.20	3 563.00	3 194.00	3 668.40	3 569.00	3 324.00
w/w	2.0%	-1.4%	3.4%	3.5%	-1.0%	3.3%
m/m	13.8%	14.1%	14.2%	16.7%	15.2%	15.7%
y/y	35.7%	25.4%	26.6%	38.0%	28.2%	31.0%



Outlook

The USDA has reported lower-than-expected production of corn and soybeans across the globe, resulting in reduced ending stocks. This is likely to support international corn prices.

Local maize prices are likely to continue to track international corn prices.

*Absa Agribusiness forecasts

Wheat Market Trends

International Wheat Market

The prices of Soft Red Winter wheat and Hard Red Winter wheat increased 2.2% and 3.0%, respectively, week-on-week. Compared with the previous year, current prices of Soft Red Winter wheat and Hard Red Winter wheat are 13.1% and 21.9% higher, respectively. The January estimate for world wheat production remained relatively unchanged, decreasing by only 0.1% compared with the December estimate of the WASDE report.

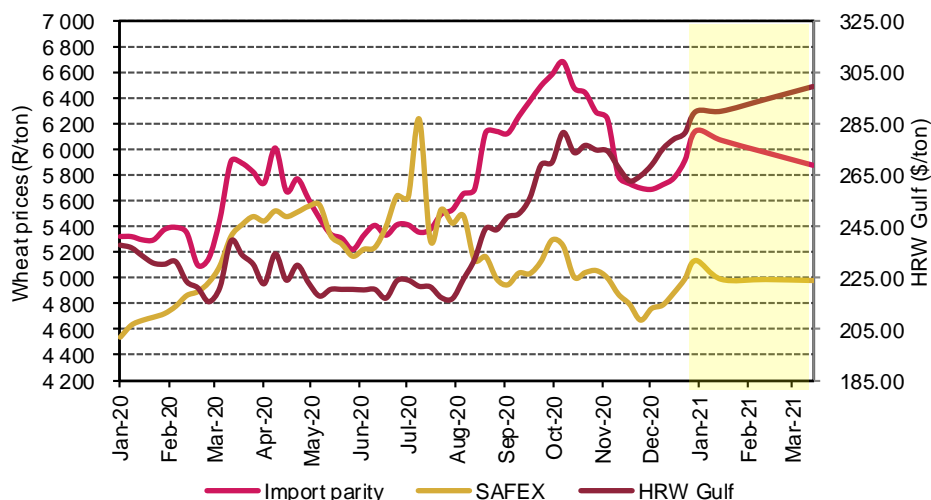
	R/USD	Soft Red Winter Gulf (USD/ton)	Hard Red Winter Gulf (USD/ton)	Published Import Tariff (R/ton)
Price	15.29	291.00	289.80	544.20
w/w	2.2%	2.2%	3.0%	544.20
m/m	3.1%	8.2%	7.7%	544.20
y/y	6.2%	13.1%	21.9%	776.20

Local Wheat Market

The spot price of wheat increased 2.9% week-on-week. Futures prices for March 2021 contracts and September 2021 increased 4.6% and 4.2%, respectively, from a week ago. Prices were higher than a year ago. The new import tariff of R102.69/ton that was triggered on 20 October 2020 is yet to be published.

	JSE Spot Price (R/ton)	Mar-21 (R/ton)	Sep-21 (R/ton)	USA Import Parity (R/ton)
Price	5136.80	5344.00	5040.00	6145.15
w/w	2.9%	4.6%	4.2%	3.9%
m/m	7.8%	9.9%	7.6%	8.0%
y/y	13.1%	17.7%	12.5%	15.4%

Wheat Price Trends



*Absa Agribusiness forecasts

Outlook

Both international and domestic wheat prices should remain relatively stable in the short term.

As South Africa is a net importer of wheat, domestic wheat prices will likely track the rand/US dollar exchange rate movements.

Oilseed Market Trends

International Oilseed Market

US soybean and soya meal prices increased 4.5% and 5.7%, respectively, week-on-week, while US soya oil decreased 2.6%. According to the WASDE report, the January estimates of soybean ending stocks for the US and Argentina were revised downwards by 20% and 7.2%, respectively. Global dependence on soybeans seems to be rising due to insufficient supplies of other oilseeds, primarily sunflower oil. This will result in soya meal and soya oil likely having to cover a larger than usual share of world consumption.

	R/USD	Soybean Gulf (USD/ton)	CBOT Soya Oil (USc/lb.)	CBOT Soya Meal (USD/ton)
Price	15.29	544.23	42.81	462.70
w/w	2.2%	4.5%	-2.6%	5.7%
m/m	3.1%	19.0%	7.9%	17.6%
y/y	6.2%	49.9%	28.2%	51.8%

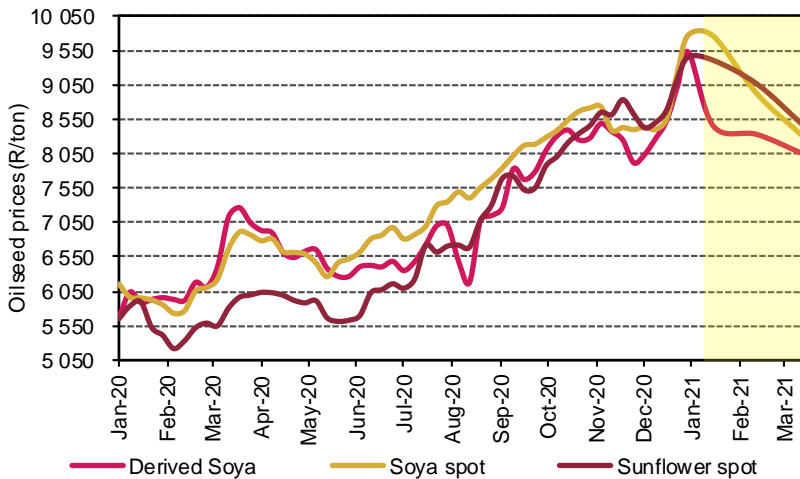
Local Oilseed Market

Spot prices of soybean and sunflower seed increased 5.4% and 3.4% week-on-week, respectively. Compared with a year ago, spot prices of soybean are up 68.0% and of sunflower seed are up 67.3%. The soybean crushing margin became more negative this week, decreasing 22.1% from last week (-R207.84/ton). The crush margin is 48.2% up versus a year ago (-R490.32/ton).

	Derived Soybean Price (R/ton)*	JSE Soybean Spot Price (R/ton)	Crushing Margin Before Tax (R/ton)	JSE Sunflower Seed Spot Price (R/ton)
Price	9517.76	9771.60	-253.84	9450.00
w/w	5.4%	5.8%	-22.1%	3.4%
m/m	18.5%	15.9%	36.2%	12.2%
y/y	68.0%	58.8%	48.2%	67.3%

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

Oilseed Price Trends (R/ton)



*Absa Agribusiness forecasts

Outlook

The USDA has reported lower-than-expected production of corn and soybeans across the globe, resulting in reduced ending stocks. This is likely to support international soybean prices.

Domestic soybean prices are likely to track international prices in the short to medium term.