



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

2 Month extension of the black sea grain deal, keeps hope for stable global grain supplies.

Maize: For the week ending May 19th, CBOT corn prices decreased by 12.44% week on week. Declines were also seen month on month at 16.40% while year-on-year decreases were notable at 28.67%. Prices followed a downward trend amid the two-month extension of the Black Sea grain deal. Global prices are expected to continue the downward trend for the next month as concerns over global supplies ease, but this may be distorted by Russia's reluctance to enable the deals' efficiency. In the US, crop planting progress is recorded at 81%, ahead of the 75% five-year average, while Argentinian crop estimates remain below the previous season's output, due to prolonged challenging climatic conditions. SAFEX maize prices followed the global declining trend for the week ending May 19th, with spot prices showing year-on-year declines around the 20% mark.

Wheat: CBOT wheat prices decreased by 3.1% and 7.5% for CBOT SRW and CBOT HRW respectively for the week ending May 19th. Global wheat prices have decreased significantly amid the extension of the Black Sea grain deal, the expectation is that global wheat supplies will remain stable after the deal has been extended for another 2 months. CBOT prices were at their lowest in two years as we near the end of May. The latest *WASDE* report notes that the global wheat supply is currently estimated to be higher than last year's estimate. Argentina is expected to recover from a lagging drought to contribute towards global production, but USA estimates remain lower than last year. *The Crop Progress Report* for the USA detailed a 31% rating in good to excellent wheat quality. SAFEX wheat prices showed a price increase at 1.64% week-on-week change.

Oilseeds: CBOT soybean prices decreased by 8.9% week on week and decreased by 11.8% month on month. Global soybean prices have been pressured by bumper Brazilian crop supply, coupled with improved soybean plantings in the USA. Analysts predict a sideways price movement with the scope of a downward trend in the longer term. USA Crop Progress illustrates a 66% planting percentage, ahead of the five-year average depicted at 52%. Argentinian production remains low, and bullish trends dominate their market due to harvest delays and continued warm weather. Brazil is still estimated to contribute largely towards global supply. SAFEX Soybean prices decreased week on week by 0.96% for the week ending May 19th. They were 2.26% higher compared to a month ago and 12.40% lower year on year.

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Maize market trends

International maize market

CBOT corn prices declined as Russia extended the Ukraine Black Sea Grain deal for another two months. The decline was also supported by the dominance of cheaper Brazilian crops in the market as well as Argentina's unchanged prospects of reduced crop estimates for this season. The USDA *Crop Progress report* illustrates an 81% planting percentage, well ahead of the five-year average depicted at 75%.

	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	19.35	218	6077	4506	4487
w/w	1.3%	-12.44%	-3.81%	-4.88%	-0.15%
m/m	5.9%	-16.40%	-9.39%	-12.57%	-8.79%
y/y	20.6%	-28.66%	-18.76%	-8.34%	4.26%

Local maize market

SAFEX maize prices followed the declining global price trend as global concerns over maize supplies eased. The 2023 marketing year kicked off in May with exports mainly destined for Taiwan. Further pressures will come from the anticipated interest rate hikes which are set to play a notable role in agricultural commodity market dynamics.

	JSE WM spot price Randfontein (R/ton)	White maize Jul-23 (R/ton)	White maize Sep-23 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Jul-23 (R/ton)	Yellow maize Sep-23 (R/ton)
Price	3647	3624	3700	3698	3732	3800
w/w	2.16%	0.98%	0.82%	-0.103%	-0.29%	-0.29%
m/m	-0.90%	-0.33%	-0.46%	-1.33%	-2.41%	-2.69%
y/y	-20.30%	-19.89%	-	-21.32%	-18.16%	-

Outlook

At the time of writing SAFEX yellow maize prices traded around R 3657 per ton, following a decline in average yellow maize prices. Maize prices are expected to follow a decreasing trend over the next three months. Added pressures are expected to come from interest rate hikes as well as an increase in global supply.

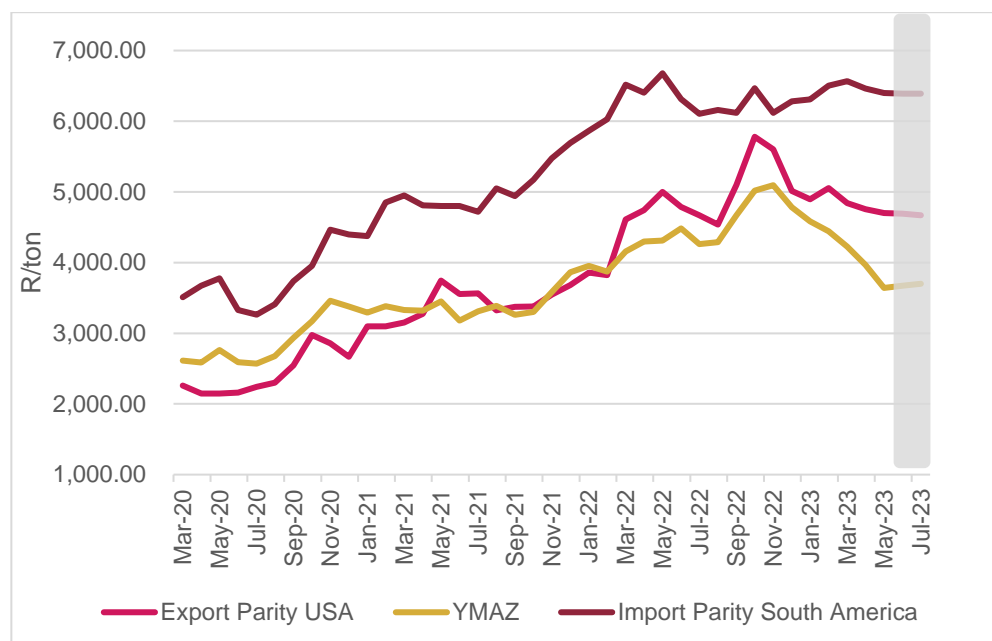


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices decreased by 3.12% and 7.5% for CBOT SRW and CBOT HRW respectively for the week ending May 19th. The *USDA Crop Progress report* informed that only 31% of the winter wheat was in good to excellent condition, 29% was rated fair and 22% was classified as poor. The latest WASDE report notes that global wheat supply is currently estimated at 788.26 million tons for this year, up from last year's 780.29 million tons. The EU and Russia are expected to be the largest contributor towards production. Projected world consumption is estimated at 791.7 million tons, down 3.0 million compared with last year.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	19.35	238	324
w/w	1.3%	-3.12%	-7.57%
m/m	5.9%	-8.58%	-1.96%
y/y	20.6%	-47.73%	-33.27%

Local wheat market

SAFEX wheat prices showed an increasing price trend against the global price trend, increasing by 1.64% week on week for the week ending May 19th and increased by 1.12% compared to a month ago. Prices were 18.15% lower year on year. Local wheat imports are also expected to start flowing in mainly from Poland.

	JSE spot price (R/ton)	Jul-23 (R/ton)	USA import parity (R/ton)
Price	6800	6681	8580
w/w	1.64%	1.07%	2.79%
m/m	1.12%	-0.73%	3.25%
y/y	-18.15%	-	-20.95%

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Outlook

SAFEX wheat prices are expected to trade sideways around the R6 700 mark over the next 3 months. Global wheat crop development and the effectiveness of the renewed black sea grain deal will guide market trends in the longer term. Price dynamics are also expected to be impacted by exchange rate dynamics.

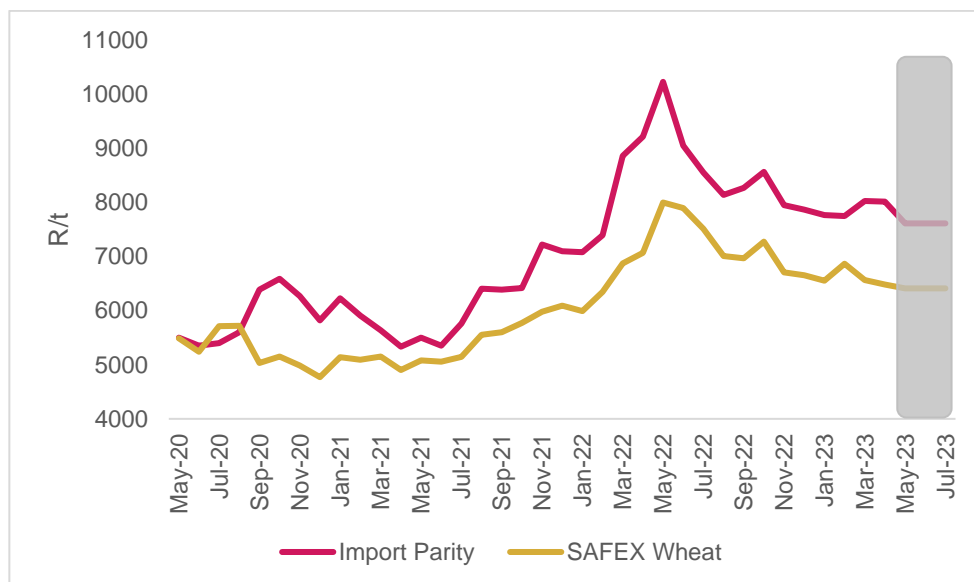


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices have been pressured due to an increased supply of Brazilian crops. Increased planting rates in the USA, exceeded market expectations. The USDA Crop Progress report illustrates a 66% planting percentage, ahead of the five-year average depicted at 52%. For the week ending May 5th, CBOT soybean prices increased by 1.7% week on week and decreased by 1.6% month on month amid exceeding planting prospects for May.

	R/USD	Soybean CBOT (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	19.35	492	47	409
w/w	1.3%	-8.9%	-5.2%	-4.4%
m/m	5.9%	-11.8%	-11.5%	-8.2%
y/y	20.6%	-24.3%	-40.5%	-5.4%

Local oilseed market

SAFEX Soybean prices decreased week on week by 0.96% for the week ending May 19th. They were 2.3% higher compared to a month ago and 12.4% lower year on year. Spot prices have been declining due to the global supply increases. Local prices traded downwards, along with the global price trend. Sunflower seed prices followed a declining trend, decreasing by 1.50% month on month and by 21.54% year on year.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	9189	7855	8455
w/w	-1.40%	-0.96%	-1.28%
m/m	-5.17%	2.3%	-1.50%
y/y	-38.9%	-12.4 %	-21.54%

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

Outlook

Analysts predict that local soybean prices will follow the declining global price trend, due to the expected increase in local supply as well as global bearish factors which predict favorable early season conditions for the USA. Local sunflower seed prices are expected to continue a downward price trend along with global vegetable oil prices.

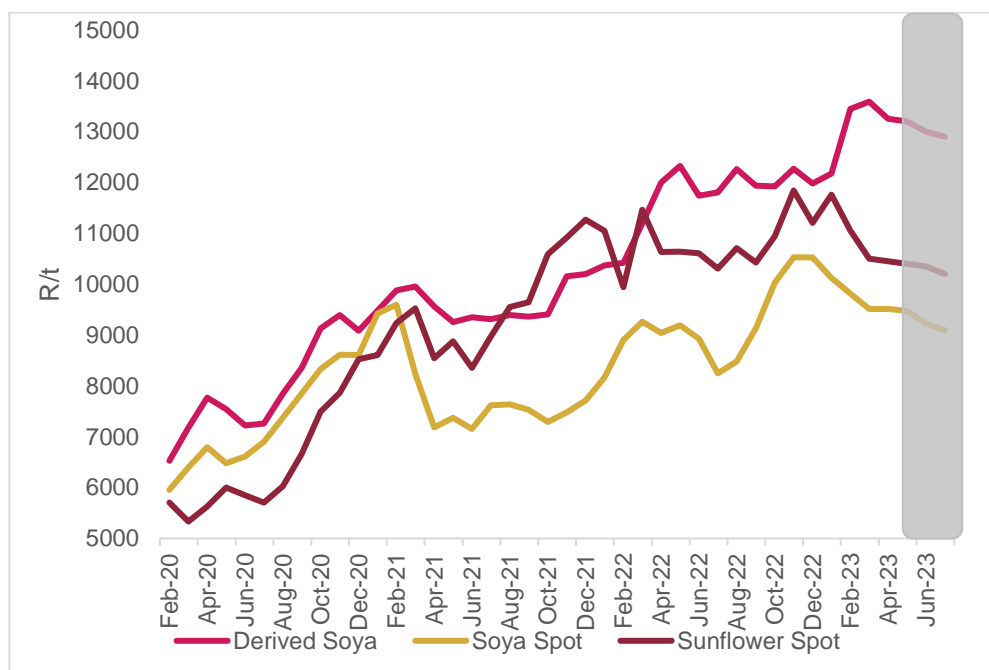


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast