



Agri Trends

9 May 2017

Uncertainty about wheat tariff is unfair

As soon as a new tariff is taken under consideration, it should first be approved and published in the Government Gazette. When the tariff of R1591.40 was triggered on 24 May 2015, it was only published in the Government Gazette after 12 weeks. The previous tariff of R1 190.20 was only published 7 weeks after it was triggered. The latest tariff was triggered on 18 April 2017, and is expected to be published after 6 weeks, meaning that at the earliest, the latest tariff will only be published in the Government Gazette on 5 June 2017. By that time, it could be too late to advise producers to plant more wheat based on a higher tariff.

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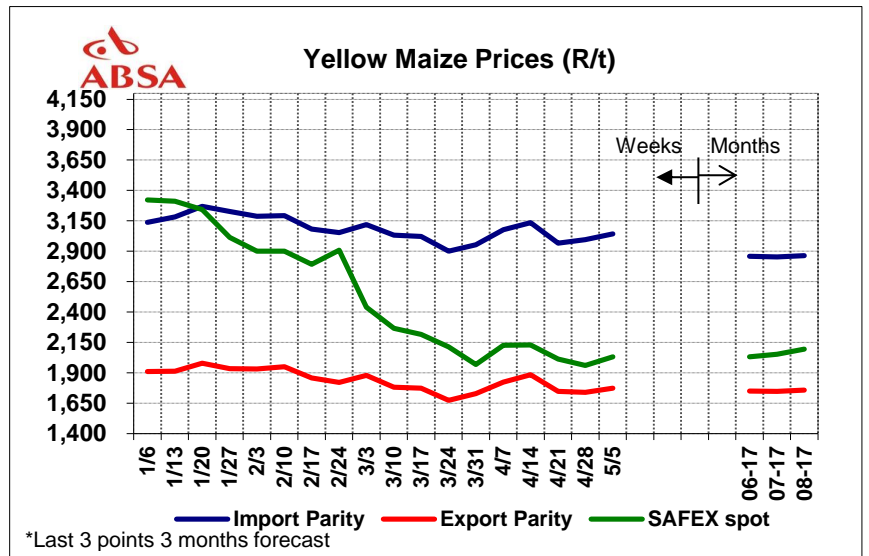
Maize market trends

International

The weekly average prices for yellow corn in the Gulf traded higher this week due to bullish maize export sales. Week-on-week increases of 0.5% from \$156.81/ton to \$157.60/ton were reported. The rand depreciated week on week from R13.29 to R13.57 on 5 May 2017.

Bullish factors

- Rainy weather have slowed planting of maize in the United States. More acres may be designated to soybean planting as maize farmers may miss their planting time.
- China’s National Grain and Oils Information Centre data suggests a decline in maize production of 3.7%, because changes in subsidies support soybean plantings, due to increased demand for the soybean crop.
- The US market is concerned that some of the corn planting areas may be diverted to soybean, as some of the corn may require replanting after the bad weather.



Bearish factors

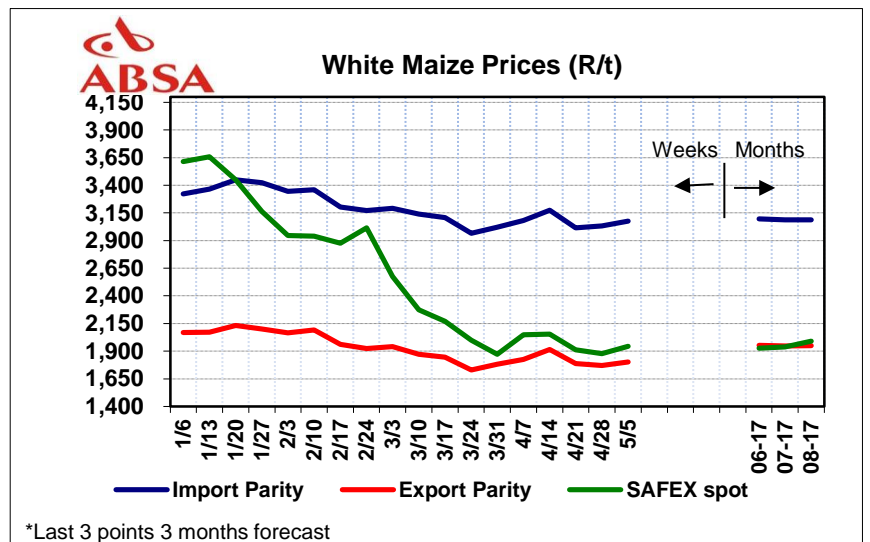
- The Chinese maize imports are estimated at a multi-year low of 3 million tons by the US Department of Agriculture.

Domestic

At week ending 5 May 2017, week on week new season white maize prices for delivery in July 2017 increased by 1.8% from R1 903/ton to R1 938/ton.

Bullish factors

- Weakening exchange rate



Bearish factors

- South Africa's expected exportable surplus may receive competition from the Zambian exportable crop.
- The limited storage capacity/silos in particular regions will add more transport cost pressure on producers, as they will need to travel further for storage facilities.

Outlook

The ample global supply, expected record harvest and sluggish international grain market, have contributed to lower grain prices. Zambia's export ban lift increased competition for South Africa's export market.

Table 1: Weekly average yellow maize futures and estimated option prices

Yellow Maize Futures: 5 May 2017	May-17			July-17			Sep-17			Dec-17		
CBOT (\$/t)	142.41			145.96			148.91			152.94		
SAFEX (R/t)	2 052			2 094			2 170			2 052		
SAFEX (R/t) Change week on week (w/w)	48			45			44			48		
Jul-17			Sep-17			Dec-17						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
2 100	93	45	2 130	139	103	2 220	194	144				
2 060	70	62	2 090	117	121	2 180	172	162				
2 020	51	83	2 050	97	141	2 140	151	181				

Table 2: Weekly average white maize futures and estimated option prices

White Maize Futures 5 May 2017	May-17			July-17			Sep-17			Dec-17		
SAFEX (R/t)	1 938			1 989			2 066			1 938		
SAFEX (R/t) Change w/w	35			32			35			35		
Jul-17			Sep-17			Dec-17						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1 980	116	74	2 020	136	105	2 100	194	160				
1 940	93	91	1 980	114	123	2 060	172	178				
1 900	74	112	1 940	94	143	2 020	151	197				

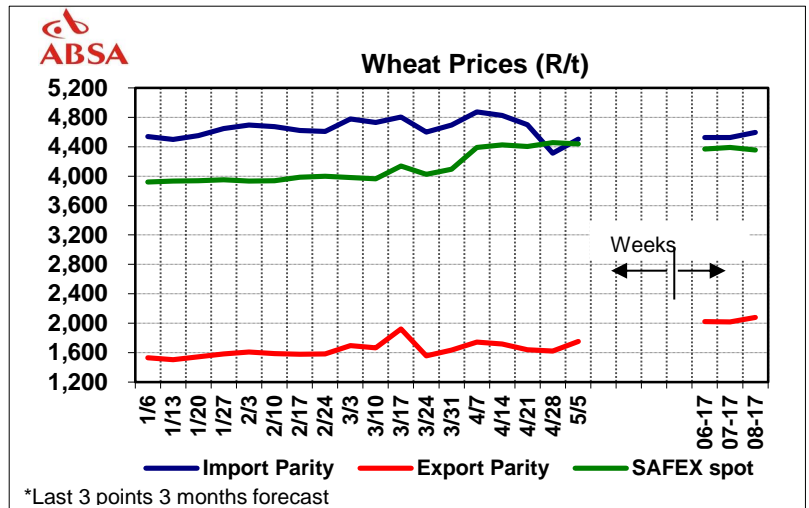
Wheat market trends

International

The weekly average old season HRW wheat Gulf increased week on week from US\$167.46/ton to reach a weekly average of US\$174.25/ton.

Bullish factors

- The US's decision to remain in the North American Free Trade Agreement (NAFTA) gave support to grain prices.
- Crop damage experienced after last week's snow had Kansas City wheat prices gaining almost 40 cents per bushel by mid-day Tuesday (2 May 2017).
- Winter wheat posted record gains as the US winter crop faced substantial losses from last week's snow.
- India will still need to import to meet the growing local demand, despite a record harvest this year.



Bearish factor

- The abundant global supplies still weighed on prices.
- Due to increased HRW-FOB prices, the future wheat import tariff may decline.

Domestic

On 5 May 2017, wheat prices for delivery in July 2017 decreased by 3.8% from R4 563/ton to R4 391/ton week on week.

Bullish factors

- The latest import duty is R1 190.19, compared to the expected import duty of R1 371.75.
- Global Hard Red Wheat prices increased from US\$167.46/ton to US\$174.25/ton week on week, increasing by US\$6.79/ton.

Bearish factors

- The new wheat import tariff may create further uncertainty in the market.

Outlook

Dry domestic conditions are affecting the progress of wheat planting. Expect prices to move sideways for the next 3 months.

Wheat Futures 5 May 2017		May-17	July-17	Sep-17	Dec-17			
CME (\$/t)		162.50	167.64	174.99	181.24			
SAFEX (R/t)		4 391	4 358	4 225	4 391			
SAFEX (R/t) Change w/w		-172	-44	25	-172			
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4 430	188	149	4 400	268	226	4 260	340	305
4 390	166	167	4 360	246	244	4 220	318	323
4 350	146	187	4 320	226	264	4 180	297	342

Oilseed market trends

International

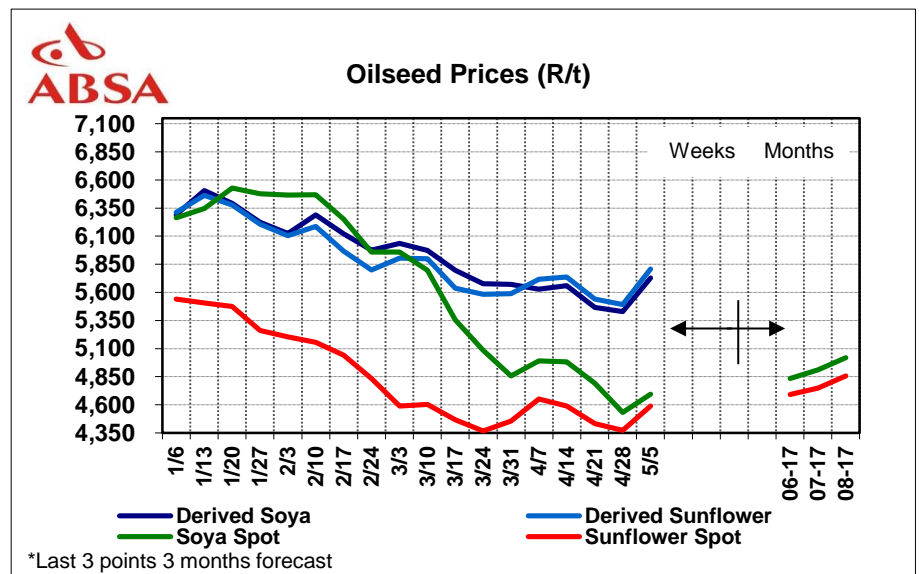
Soybean bids were higher this week. The weekly average USA soybean price increased week on week from US\$351.36/ton to US\$357.52/ton. US soya oil prices increased from US\$31.71/ton to US\$32.90/ton and soymeal prices traded higher from US\$315.80/ton to US\$316.90/ton.

Bullish factors

- The US is likely to impose import tariffs on biodiesel imports from Argentina and Indonesia.
- China's strong demand for soybean imports (China is responsible for about 60 % of global imports).

Bearish factors

- Rainy weather has slowed planting of maize in the United States. More acres may be designated to soybean planting as maize farmers may miss their planting time.
- Possible duty imposed by the US on biodiesel from Indonesia will have a bearish impact on global palm oil and soy meal prices.



Domestic

On 5 May 2017, sunflower seed prices (Jul17) increased week on week by 2.3% from R4 640/ton to R4 749/ton while soybean (May 2017) prices increased by 6.3% from R4 620/ton to R4 910/ton.

Bullish factors

- Crush margins are positive, providing support to the soybean price.
- Domestic sunflower crushing demand is higher. (We anticipate lower sunflower seed crop production than previously reported in April.)

Bearish factors

- South Africa may be sitting on a larger soybean crop than was estimated for the third CEC's estimates. The report will be published on 26 May 2017.

Outlook

The domestic market may be sitting on a larger soybean crop that may even be bigger than the CEC's third estimates. The positive soybean crushing margins are supporting prices. However, we anticipate the market to decline, especially with the import of Zambian soybean crop around July.

Oilseeds Futures 5 May 2017	May-17	July-17	Sep-17	Dec-17				
CBOT Soybeans (US\$/t)**	3 446.53	3 478.63	3 446.53	3 480.42				
CBOT Soy oil (US c/lb)	32.90	32.71	33.08	33.28				
CBOT Soy cake meal (US\$/t)*	348.24	343.19	349.01	348.90				
SAFEX Soybean seed (R/t)	4 910	5 020	5 107	4 910				
<i>SAFEX Soybean seed (R/t) change w/w</i>	290	291	287	290				
SAFEX Sunflower seed (R/t)	4 749	4 858	4 996	4 749				
<i>SAFEX Sunflower seed (R/t) change w/w</i>	109	120	129	109				
Sunflower Calculated Option Prices (R/t)								
Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4 780	179	148	4 900	243	201	5 040	329	285
4 740	158	167	4 860	221	219	5 000	307	303
4 700	139	188	4 820	201	239	4 960	286	322

*short ton

** Dec 2017 = Jan 2018

Vegetable market trends

Onions

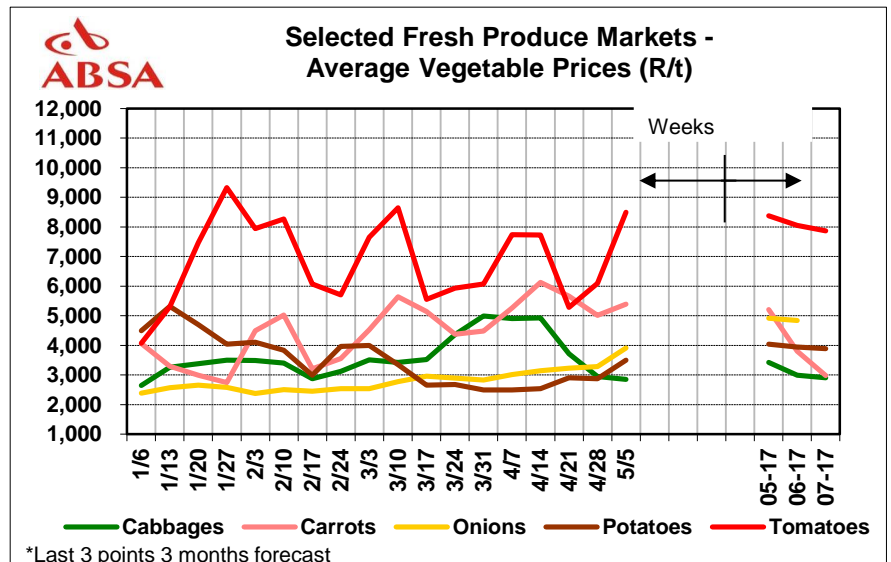
Onion volumes decreased drastically for the week ending 5 May 2017, because of the very strong demand from both Zambia and domestic consumers. Prices increased by R4 – R8 per bag. The R30 – R40/7kg bag increased to R40 – R50/7kg. The expectation is for the prices to remain at this level for the upcoming 3 months.

Carrots & Peppers

Carrot and pepper prices saw a slight increase last week, after suffering a strong decline after the Easter period's peaked prices. Prices are expected to normalise due to expected moderate to sufficient production during the next 2 months.

Tomatoes

Prices were seen increasing strongly by approximately R4/kg as volumes declined. The differences in production cycles in different areas supported the price increase, as some areas were coming to the end of their season while others were starting, regulating supply volume.



Vegetable Prices: Fresh Produce Market

(Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)

Week ending 5 May 2017	Difference in weekly prices	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly volumes	This week's Total Volumes (t)	Previous week's Total Volumes (t)
Cabbages	-9.2%	2 680	2 950	30.4%	2 246	1 722
Carrots	7.6%	5 390	5 010	3.2%	2 457	2 380
Onions	19.2%	3 910	3 280	29.3%	9 565	7 398
Potatoes	22.0%	3 500	2 870	18.9%	23 456	19 734
Tomatoes	24.1%	8 330	6 710	-0.4%	4 773	4 792

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