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Sector Economics
AgriBusiness
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Agri Trends: Grains and Oilseed Report

CBOT soybeans slide as Brazil benefits from favorable weather.

Maize: CBOT corn prices followed an increasing trend since the beginning of December driven by higher-than-expected U.S. export sales. Gains were however limited by favourable weather forecasts for Brazil. Local maize prices followed an upward trend as well supported by the slower local planting pace for this season caused by hot and dry weather. SAFEX maize prices breached the R4000 per ton mark and are expected to trade at this level for the coming months supported by high temperature forecasts during critical months of the production season. Weather developments locally and for the other major Southern Hemisphere producers will be important for price direction in the coming months.

Wheat: CBOT wheat prices rallied since the end of November fueled by heightened demand from China. CBOT SRW increased by 7.9% month-on-month while CBOT HRW increased by 2.7%. SAFEX wheat prices increased week-on-week by 1.0% on December 5 but traded sideways month-on-month. The Crop Estimates Committee (CEC) revised the wheat crop's forecast downwards by 0.7% in the fourth winter grains production forecast however the 2023/24 winter wheat production season remains favorable, with an expected crop of 2.15 million tons.

Oilseeds: CBOT soybean prices lost momentum since mid-November attributed to rain and forecasts predicting additional wet weather in drought-affected cropping areas in Brazil. These conditions have enhanced prospects for yields in the world's largest soybean supplier. SAFEX Soybean decreased by 2.4% week-on-week following global price decreases but continued to trade sideways month-on-month.

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Maize market trends

International maize market

CBOT corn prices followed an increasing trend since the beginning of December, rising by 1.0% month-on-month, driven by higher-than-expected U.S. export sales. Gains were limited by favourable weather forecasts for Brazil and parts of South America easing worries regarding the impact of drought on crop yields.

	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	18.89	184.4	5564	3678	3828
w/w	1.9%	0.9%	6.3%	6.3%	7.8%
m/m	3.8%	1.0%	4.5%	1.8%	8.2%
y/y	8.9%	-26.2%	-15.7%	-26.4%	-21.5%

Local maize market

Local maize prices followed an upward trend, trading above the R4000 per ton mark since mid-November. This increase was supported by the slower local planting pace for this season, which has lagged behind last year's pace due to delays caused by hot and dry weather. On December 05, SAFEX yellow maize prices increased both week-on-week and month-on-month by 2.6% and 10.9% respectively while SAFEX white maize traded sideways weekly and increased by 9.9% compared to a month prior. Production sentiments however remain optimistic with an expectation of yet another good crop limiting upward price risks.

	JSE WM spot price Randfontein (R/ton)	White maize Mar-24 (R/ton)	White maize May-24 (R/ton)	JSE YM spot price Randfontein (R/ton)	Yellow maize Mar-24 (R/ton)	Yellow maize May-24 (R/ton)
Price	4333	4331	4250	4094	4131	4086
w/w	0.0%	-0.3%	-2.3%	2.2%	2.6%	2.2%
m/m	9.9%	11.0%	-8.4%	10.9%	9.5%	-
y/y	-12.5%	-	-	-14.9%	-	-

Outlook

At the time of writing, SAFEX yellow maize prices traded at R4094 per ton. Prices are expected to continue trading around these levels for the coming few months supported by high temperature forecasts during critical months of the production season. The price direction as we enter 2024 will be notably influenced by weather developments among Southern Hemisphere producers, with a particular focus on Brazil and Argentina.

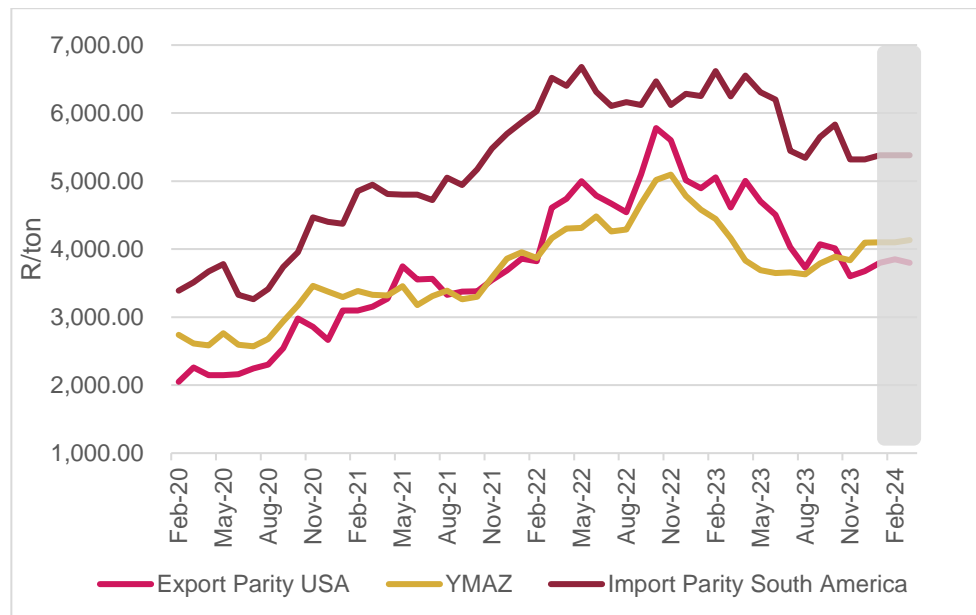


Figure 1: Yellow maize prices and price projections

*Section in grey represents Absa AgriBusiness forecasts

Wheat market trends

International wheat market

CBOT wheat prices rallied since the end of November, reaching their highest level in four months on December 5. This surge was fueled by heightened demand from China. Consequently, CBOT SRW increased by 7.9% month-on-month while CBOT HRW increased by 2.7%. Winter wheat ratings as of November 27 indicate that the crop is off to its best start in four years, with a rating of 50% in the good-to-excellent category, marking a 16 percentage point improvement compared to the same time last year. This bodes well for production prospects in the world's fourth-largest wheat exporter, potentially alleviating concerns about tightening global wheat supplies thereby limiting long-term upward price risks. CBOT wheat prices remain notably lower year-on-year.

	R/USD	CBOT SRW (USD/t)	CBOT HRW (USD/t)
Price	18.89	228.1	241.6
w/w	1.9%	7.6%	1.9%
m/m	3.8%	7.9%	2.7%
y/y	8.9%	-12.9%	-22.7%

Local wheat market

SAFEX wheat prices increased week-on-week by 1.0% on December 5 but traded sideways month-on-month. The 2023/24 winter wheat production season was largely favorable, with an expected crop of 2.15 million tons. However, the forecasted wheat crop was revised downwards by 0.7% in the Crop Estimates Committee's (CEC) fourth winter grains production forecast. This adjustment is attributed to decreases in yield for the leading wheat-producing province, Western Cape, primarily due to crop quality deterioration resulting from heavy floods during the harvest.

	JSE spot price (R/ton)	Mar-24 (R/ton)	USA import parity (R/ton)
Price	5859	5964	7115
w/w	1.0%	0.4%	10.5%
m/m	0.3%	-0.5%	6.8%
y/y	-12.2%	-	-10.4%

Outlook

SAFEX wheat prices are expected to continue to trade below the R6000 per ton mark for the coming months. The international wheat market is currently placing less emphasis on available stocks, given the favorable production seasons in major Northern Hemisphere producers like Russia and the U.S. Additionally, expectations of a rebound in production from Southern Hemisphere producers, such as Argentina, contribute to this outlook. However, the drought conditions in Australia, influenced by the El Niño phenomenon, provide some level of price support to a lesser extent.

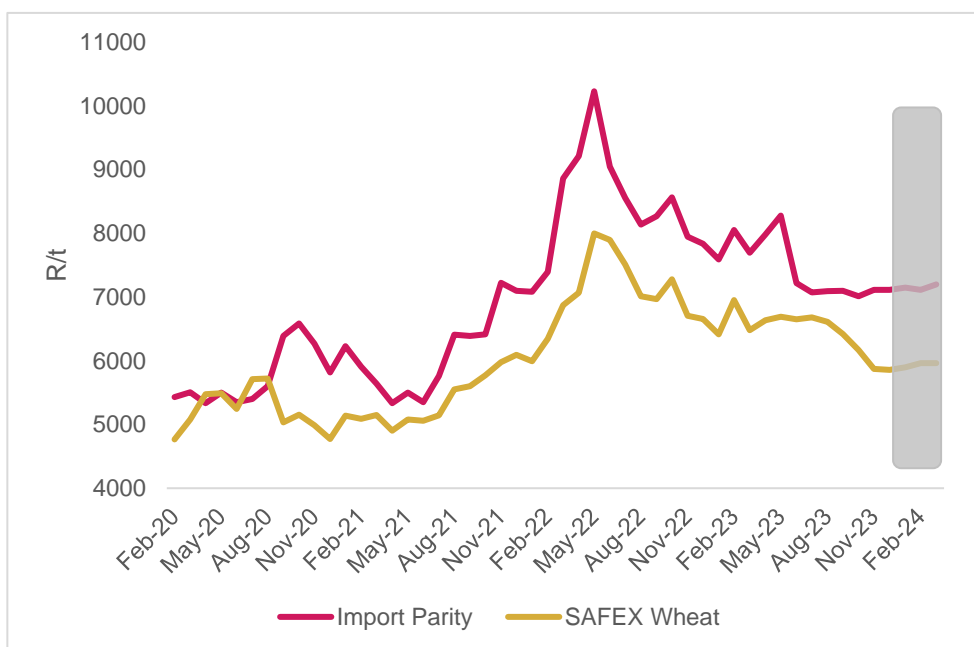


Figure 2: International and SAFEX wheat price projections

*Section in grey represents Absa AgriBusiness forecasts

Oilseed market trends

International oilseed market

CBOT soybean prices lost momentum, following a decreasing trend since mid-November. This trend can be attributed to rain and forecasts for additional wet weather in drought-affected cropping areas in Brazil, which have bolstered prospects for yields in the world's largest soybean supplier. Monthly decreases were noted through all CBOT soybean categories, decreasing by 2.1%, 1.9%, and 3.5% for CBOT soybean, soy oil, and soya meal respectively.

	R/USD	Soybean CBOT (USD/ton)	CBOT soy oil (USc/lb)	CBOT soya meal (USD/ton)
Price	18.89	479.7	50.2	433.7
w/w	1.9%	-1.5%	-2.3%	2.0%
m/m	3.8%	-2.1%	-1.9%	-3.5%
y/y	8.9%	-12.0%	-19.3%	-8.1%

Local oilseed market

SAFEX Soybean decreased by 2.4% week-on-week following global price decreases but continued to trade sideways month-on-month. On the other hand, SAFEX sunflower seed prices increased by 2.5% week-on-week and by 1.7% month-on-month. Both the oilseed prices were notably lower compared to a year ago.

	Derived soybean price (R/ton)*	JSE soybean spot price (R/ton)	JSE sunflower seed spot price (R/ton)
Price	11 313	9278	9308
w/w	-3.7%	-2.4%	2.5%
m/m	-0.2%	0.0%	1.7%
y/y	-2.9%	-11.8%	-14.4%

*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 300 per ton mark. The direction of prices will be influenced significantly by further production developments in Brazil, playing a pivotal role in determining the market direction.

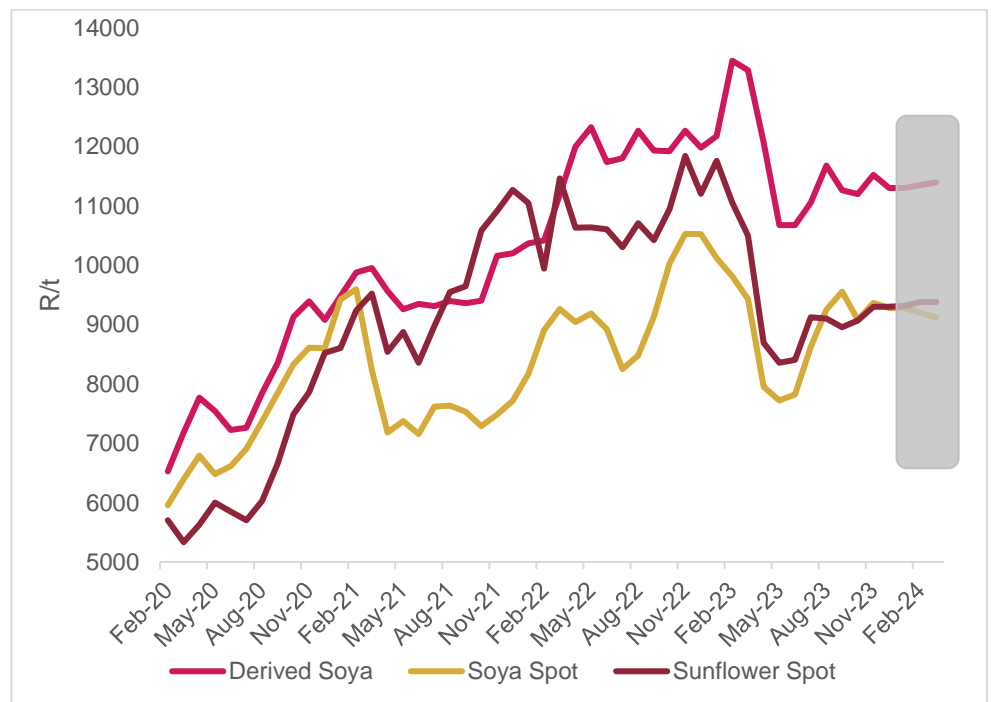


Figure 3: SAFEX oilseed price projections

*Section in grey represents Absa AgriBusiness forecast