

**INTERNATIONAL MARKET**

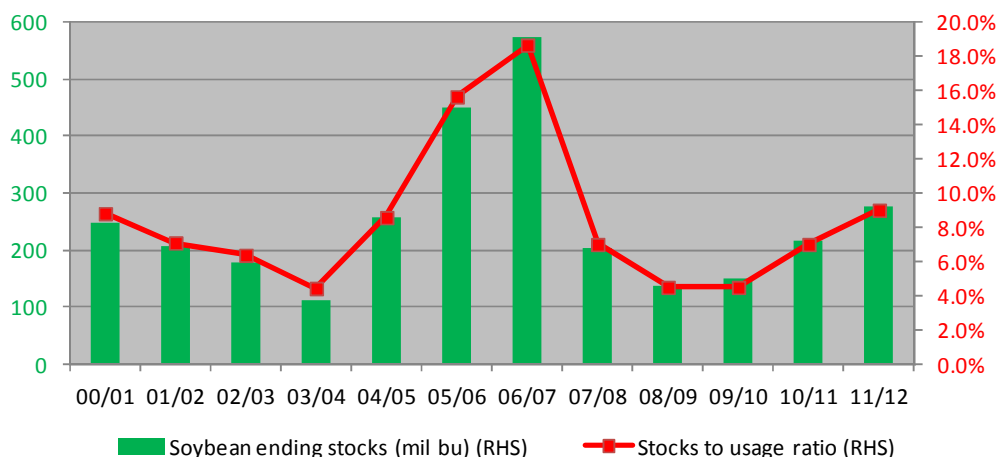
**Table 1: CME Soybean prices and weekly change (cents/bushel)**

	Currently	09/02/2012	Weekly change (c/bu)	Monthly change (c/bu)
<b>CME Mar-12</b>	<b>1253</b>	<b>1227 ½</b>	<b>25 ½</b>	<b>69 ½</b>
<b>CME May-12</b>	<b>1261</b>	<b>1236</b>	<b>25</b>	<b>68 ½</b>

- US soybean prices by far outperformed the other US grain markets in the past week with both March and May contracts gaining some good ground. On a monthly basis US soybeans are also trading sharply higher with March and May gaining 5.8% and 5.7% in the past month respectively.
- US soybean contracts was well supported by on ideas that the recent warm and dry conditions in the southern parts of the Brazil and the northern parts of Argentina could result in some additional soybean crop losses.
- Adding to this some renewed export business for US soybeans also provided some good underlying support. In the past week the US sold some old crop soybeans to China and the market expectation is that some more soybean sales will be announced soon.
- Looking at the technical charts we see that March soybeans initially met some tough resistance around \$12.30/bushel which was also the top seen in the beginning of January. In the session on the 13<sup>th</sup> of February the market broke above that key resistance level and we did see some good follow through buying interest with the market current seen at its highest level since early November 2011. The major indicators and moving averages are still pointing higher but it is worth keeping an eye on the RSI which is fast approaching the overbought territory.

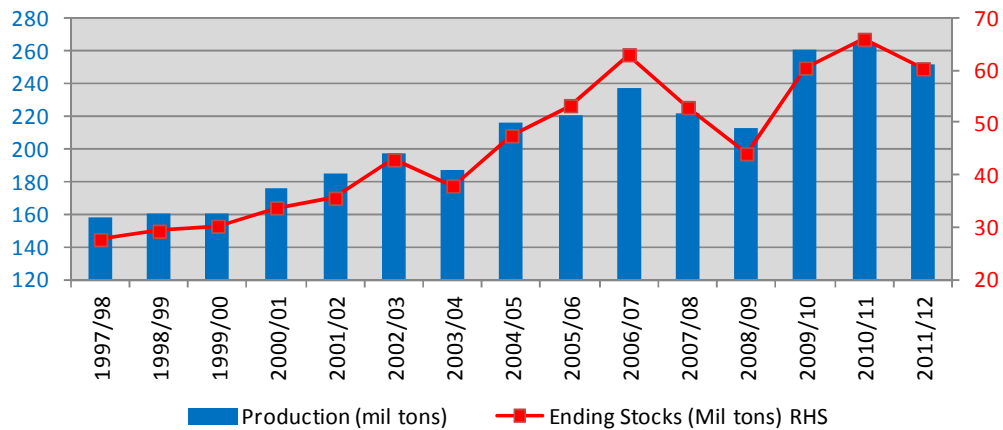
The USDA released their monthly supply and demand estimates last week. The average market expectation of the 2011/12 US soybean ending stocks was expected at 273 million bushels. The official estimate came in at 275 million bushels which is unchanged from the January USDA estimate and very much in line with the expectations as the USDA made no changes to the US soybean balance sheet. **Figure 1** presents the US soybean ending stocks and stock to usage ratio in the past few seasons. From the graph below it can be seen that the 2011/12 US soybean stocks is at its highest level in the past 5 years and the stock to usage ratio of 9% is also well above the ratio seen in the past few seasons.

**Figure 1: US soybean ending stocks and stock to usage ratio**



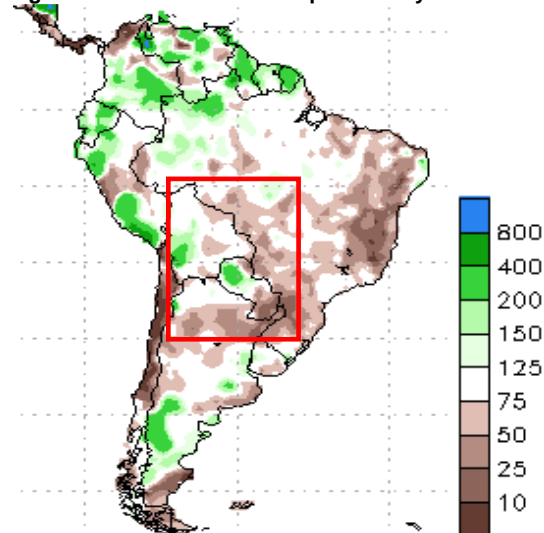
In terms of the rest of the world the USDA estimated the 2011/12 global soybean production at 251.47 million tons which is 5.5 million tons lower than the estimate that was seen in January. The lower world soybean crop is largely due to lower production estimate for Brazil (-2 million tons) and Argentina (-2.5 million tons). The lower world soybean crop was a major source of support for US soybean prices in the past few weeks. The 2011/12 world soybean ending stocks was reported at 60.28 million tons which is 3.1 million tons lower than the January estimate. **Figure 2** presents the world soybean production and ending stocks estimates in the past few seasons. From the graph we see that the 2011/12 world soybean crop is below the levels that were seen in the past 2 seasons due to the drought conditions seen in South America. Ending stocks are however still at high levels historically and the stock to usage ratio for soybeans globally is seen at 23%.

**Figure 2: World soybean production and ending stocks**



In the USDA report last week we did see a significant downward revision in the South American soybean crop which was due to the drought conditions which very much started in December. **Figure 3** below presents the % of normal rainfall for South America in the past 30-days. From the weather map below we see that below normal rainfall was seen in most of the major soybean growing areas of Argentina and Brazil which could see the crop deteriorate even further.

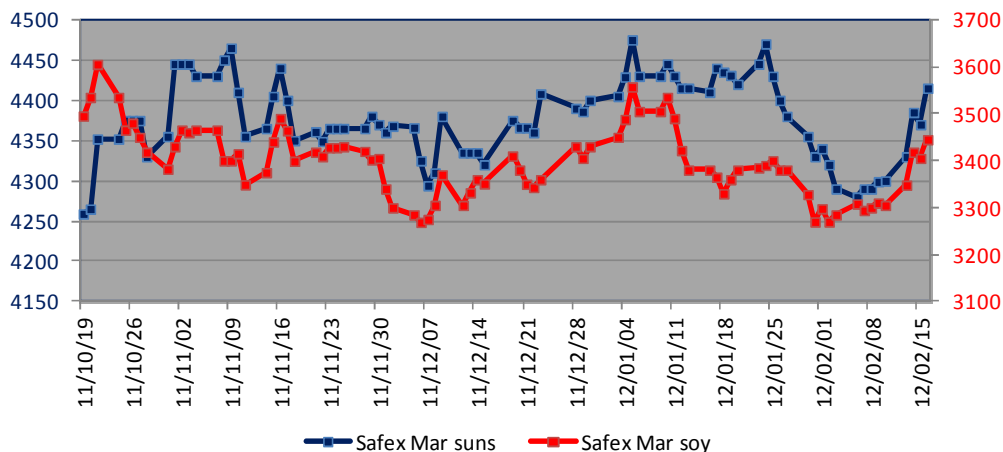
**Figure 3: % of normal rainfall past 30-days**



## LOCAL GRAIN MARKET

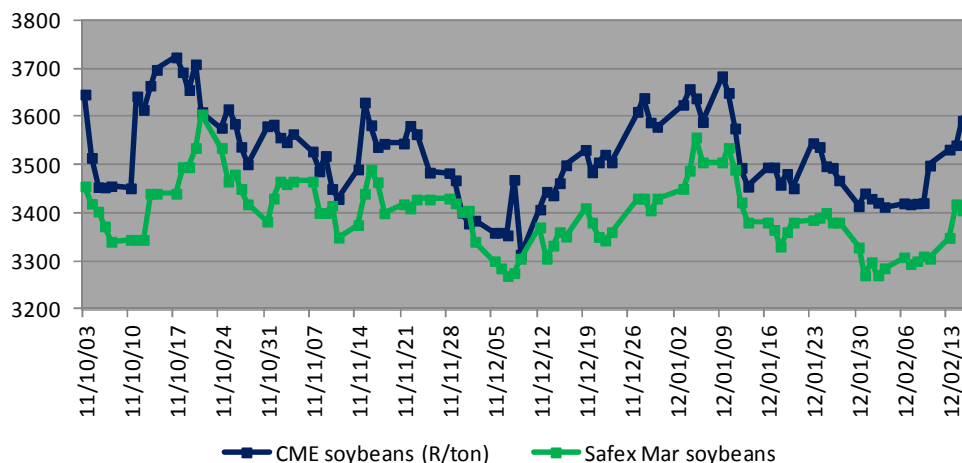
**Figure 4** presents the Safex March-12 sunflower and soybean prices. From the graph below it can be seen that South African oilseed prices surged higher in the past week with support coming from the sharply higher US soybeans prices that was seen in the past weeks. March sunflower seed prices gained 2.7% in the past week and managed to break above R4400 on the 16<sup>th</sup> of February which is its highest level since early December 2011. Safex March soybean contracts were even more impressive gaining 4.1% in the past week with soybeans prices currently trading around R3450. South African soybean contracts in the pasty met some tough resistance as the market approached R3500 and it will be interesting to see if our soybean market will be able to sustain its current strength.

**Figure 4: Safex March sunflower and soybean prices**



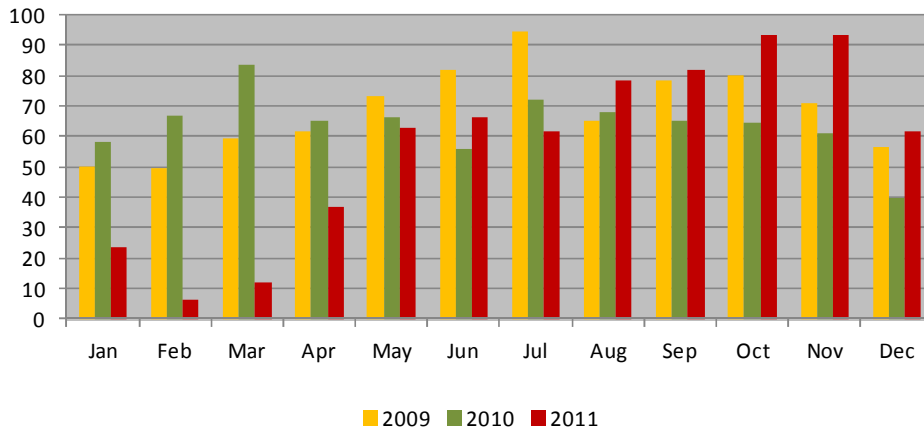
In an effort to compare the performance of local soybeans with the gains that was seen in the US we take a look at the CME March soybeans in rand/ton in **Figure 5**. From the graph we see that our market got some good support from the US market since the beginning of February but the spread between local and US soybean prices in rand/ton has actually opened up to around R180/ton which is an indication that our soybean market actually underperformed compared to the US market which could be the reason for the strength seen in our market recently.

**Figure 5: Safex and CME March soybeans (R/ton)**



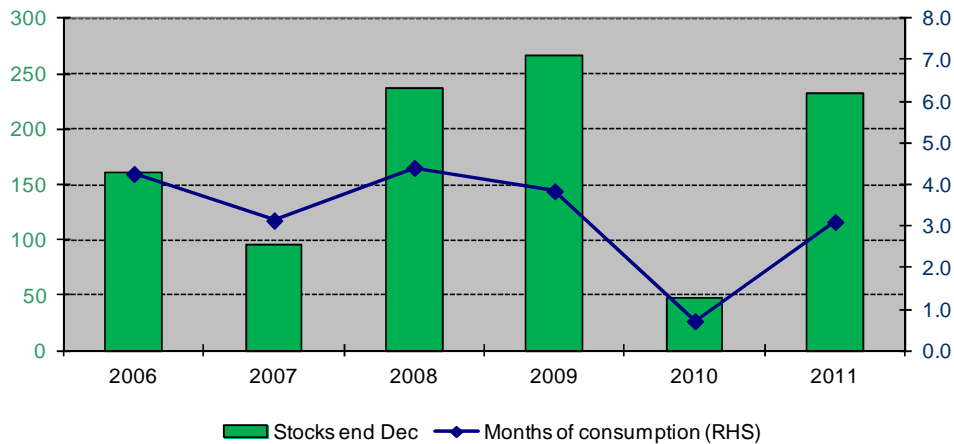
The Sagis monthly bulletin was released at the end of January and in the section below we take a look at the sunflower seed situation in South Africa given that suns is significantly tighter than the soybean market. **Figure 6** presents the monthly sunflower seed processed for our local market. From the graph we see that in December 2011 there has been a significant drop in the sunflower seed processed to 61 400 tons compared to the 93 300 tons seen in November 2011. The significant drop is attributed to the price increases seen locally as well as the festive season. From the Argentine shipping line up we also see that some sunflower oil is also being imported which is probably also an indication that local prices are at the high end.

**Figure 6: Sunflower seed processed for local market (000 tons)**



The decline in the sunflower seed processed for our local market in the month of December has gone a long way to help ease our rather tight sunflower seed balance sheet ahead of the new crop. **Figure 7** presents the sunflower seed stocks at the end of December as well as the months of consumption left in the stock at hand. The December 2011 sunflower seed stocks was reported at 232 600 tons which should be enough for 3-months of consumption (based on the average processed in the 2<sup>nd</sup> half of the marketing season). Therefore the stocks at hand should be enough until the end of March just before the new South African sunflower seed crop arrives in the market.

**Figure 7: Sunflower stocks end Dec and months of consumption**



### FOCUS FOR THE WEEK

- US soybean prices was well supported in the past week with the declining global soybean crop and some renewed export interest for the US providing support. These factors could continue to support prices.

- Looking at the technical charts the market also looks strong making multi month highs and the indicators and moving averages pointing higher. However as mentioned the RSI is fast approaching the overbought territory.
- The major risk of US soybean prices at this stage is the outside markets. Equity and commodity prices are under some pressure which together with the dollar strength could attract some fund selling.
- South African sunflower seed and soybean prices gained some good ground in the past week with the higher US soybean prices providing support in an effort by our market to keep up.
- South African soybean contracts reached new recent highs in the trading session today and from a technical point of view our market could be in for some more gains in the sessions ahead.
- The new crop prices are also being supported by the weather which has been less than factorable in the month of February especially in the eastern growing areas which is more of a concern for soybeans. Some showers are forecasted this weekend which could bring some relief.

#### **Technical graphs**

- Safex May soybean prices
- Safex May sunflower seed prices



*"Together we make a difference"*

