



SOYBEANS



Grain SA

June 2022

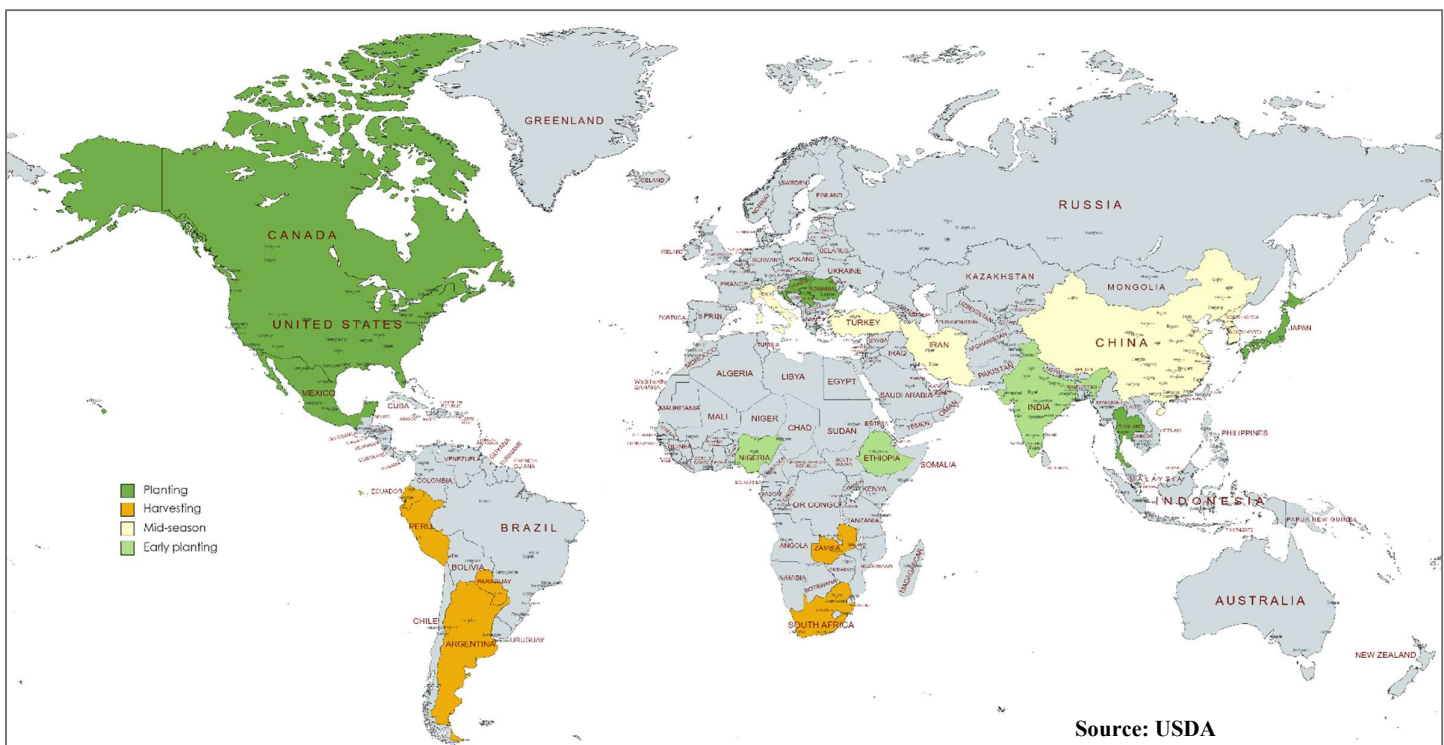
Grain Market Outlook

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This report was compiled by the applied economics team of Grain SA. If you would like any further information, please feel free to contact Heleen at heleen@grainsa.co.za.

1. World soybean production



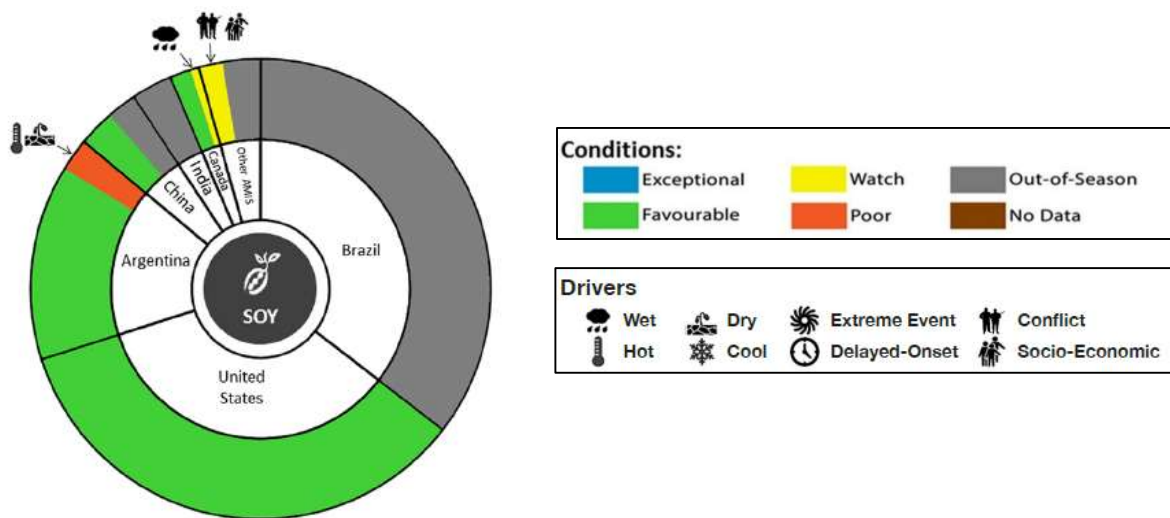
1.1. Global crop production conditions

In the **Southern hemisphere** harvesting in Argentina is underway with mixed conditions. The central parts of Argentina are experiencing hot and dry weather, whereas the more Eastern parts of Argentina are harvesting under favorable conditions. In the **Northern hemisphere** the planting season is commencing underway in mostly favorable conditions. Canada and some parts of Europe are experiencing hot and dry weather.

Comments on La Niña: According to the IRI/CPC¹ El Niño-Southern Oscillation (ENSO) forecast, the expectation is that the La Niña phase will remain until at least August (69% chance). In the longer term, forecasts for La Niña are higher than 58%, with very-low chances of El Niño.



¹International Research Institute for Climate and Society



Source: AMIS

Argentina: Harvesting is underway for the later planted crop (smaller season) with mixed conditions. Hot and dry conditions throughout the season have led to mixed yields across the different regions. The national yields are however close to the previous seasons yields.

United states: Planting has caught up following a slow start due to cold and wet weather.

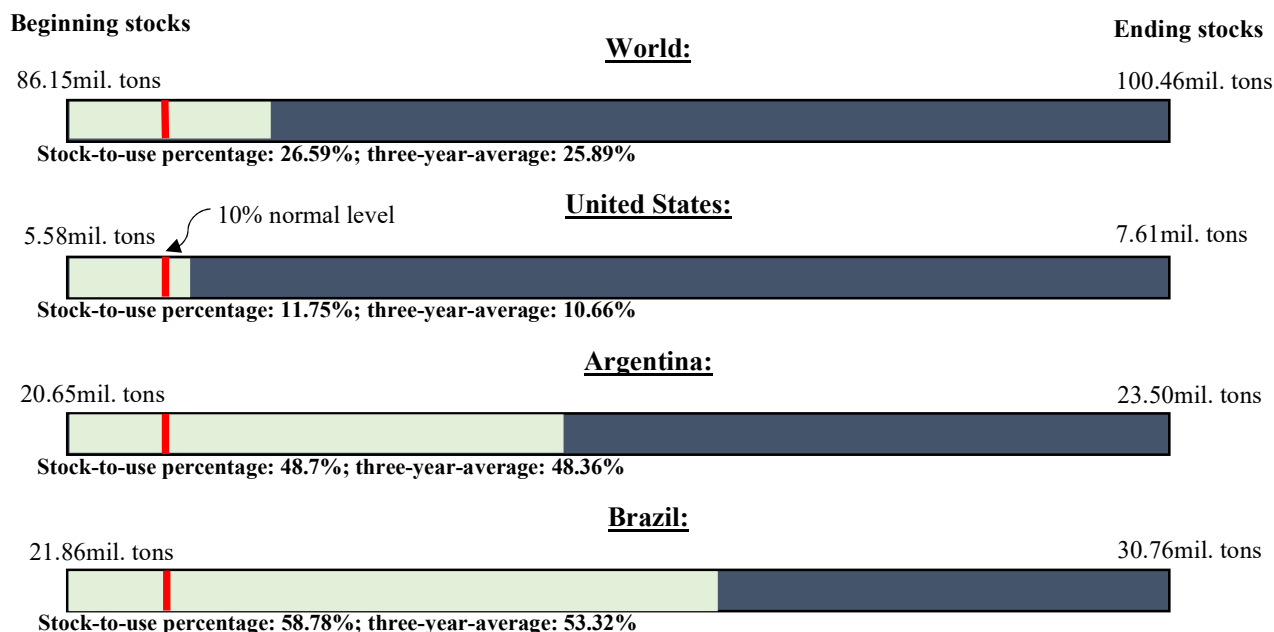
Canada: Planting is underway with favorable conditions. However, some regions are experiencing excess moisture, whilst other regions are experiencing hot and dry conditions.

Ukraine: Planting is ongoing amid the uncertainty created by the current conflict with Russia. Cold weather in May slowed crop development.

South Africa: Harvesting is underway with favorable conditions.

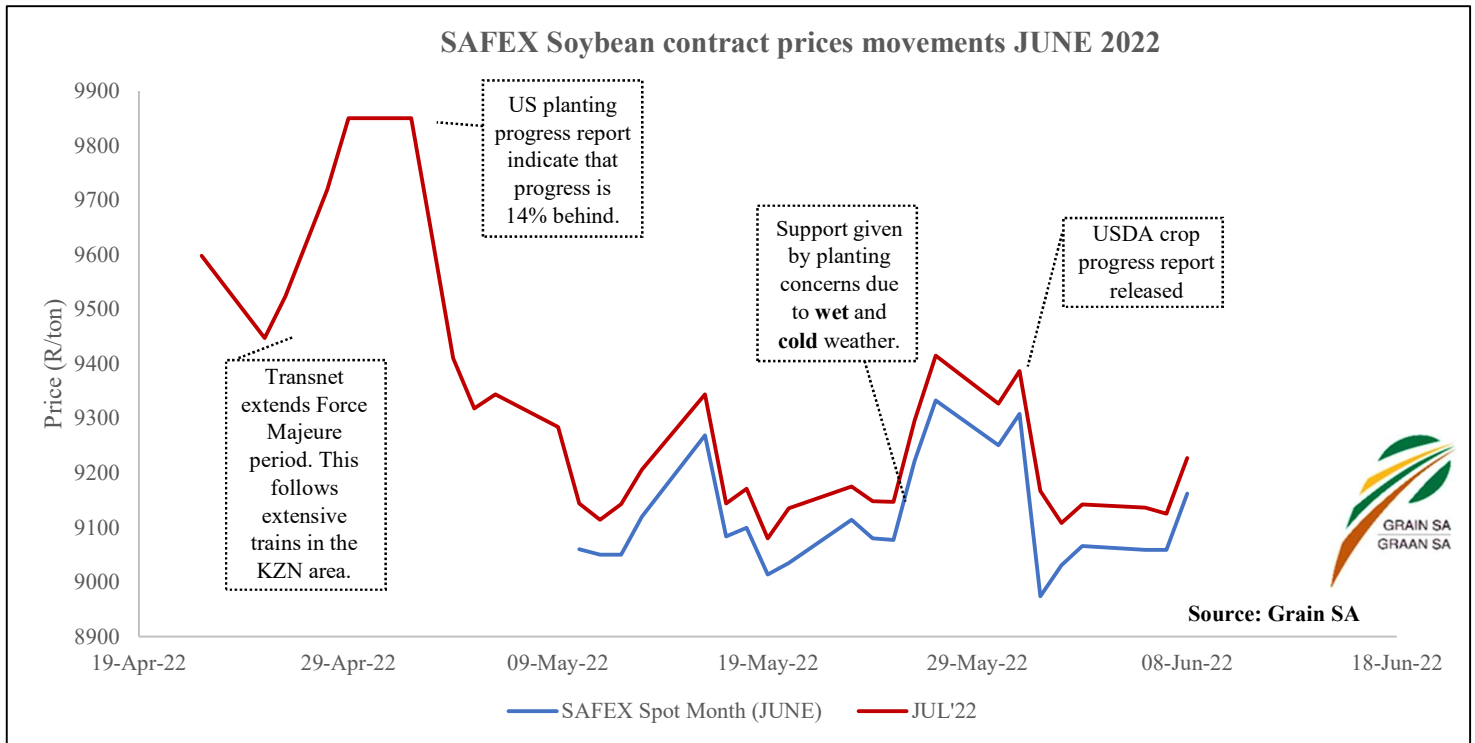
2. Supply and demand Estimates

2.1. World Agricultural Supply and Demand (WASDE) JUNE overview



Below the normal stock-to-use level prices tend to react sharply in the market environment. By comparing current year stock-to-use percentages to the norm, an indication can be concluded regarding the direction of price trends.

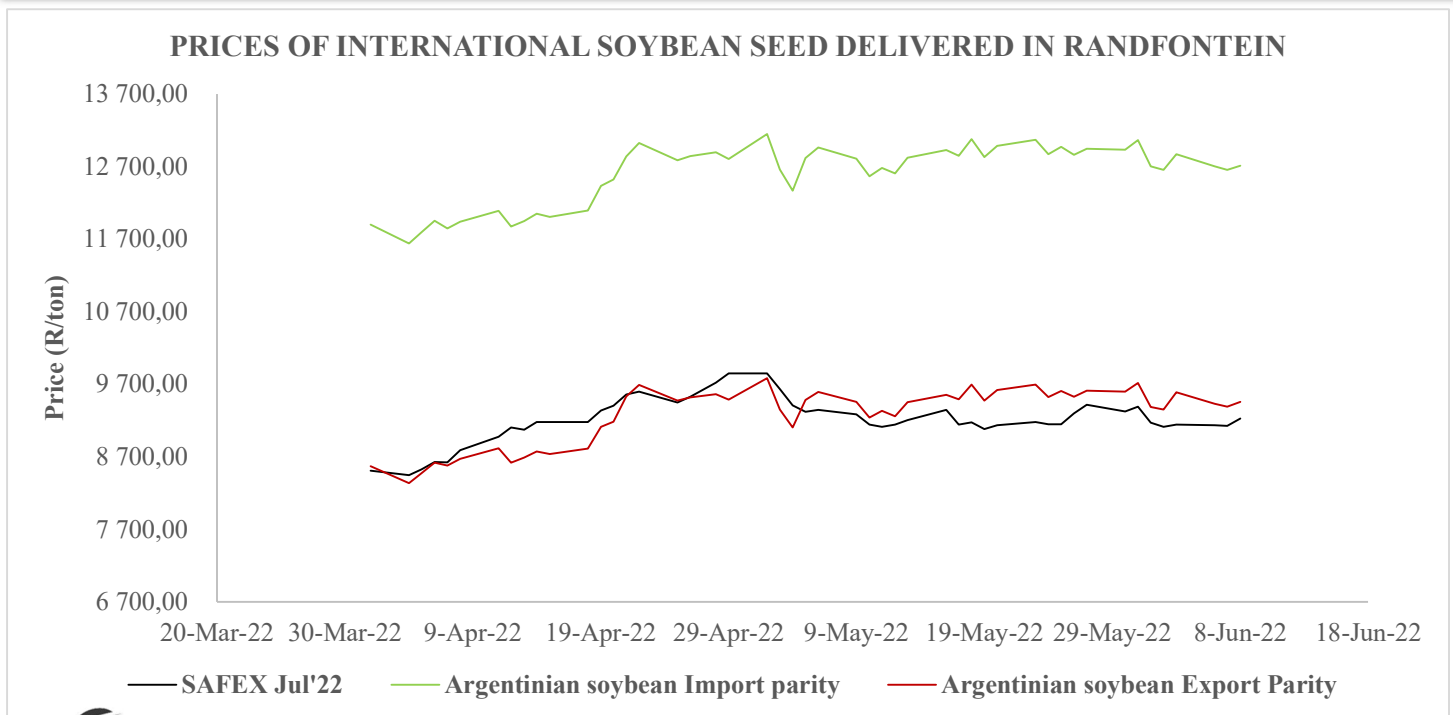
3. Monthly contract price movements



Comments on market movements for soybean contracts:

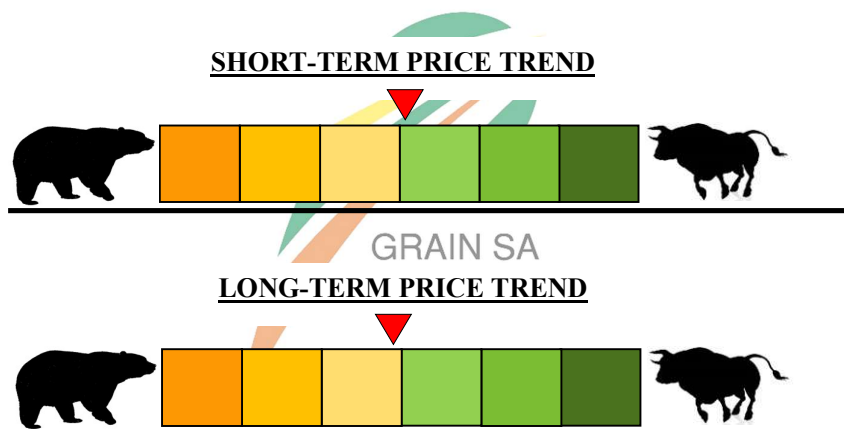
- The Russia/ Ukraine conflict significantly decreased global sunflower oil supply, which led to a high demand for other vegetable oils that could substitute sunflower oil. However, demand for canola oil exceeded the global supply. This gives additional support to the demand for soybean oil.
- The slow start to US planting gave fundamental support to soybean prices. However, American producers have caught up and is busy finishing off the season under favorable conditions.

3.1 Import and export parity prices



4. Final thoughts

Current soybean contract prices have reached price levels that have not been seen in recent years. The Russia/ Ukraine conflict continues to give underlining support to global supply shortage concerns, which in turn reflects back into the commodity contract prices. The new US soybean crop may keep a lid on increased prices with the significantly higher planted hectares of soybeans this year. Strong production will aid in servicing global demand. US demand for biofuel production may hamper US export supplies- which, at the moment, is being watched for its ability to fill the export gap created by lower yields in Brazil and Argentina.



Bullish factors:

- Tight global oilseed supply is giving fundamental support for current prices.
- South American soybeans have hit the market. However, the yield have been decreased due to drought conditions throughout production.
- Global export supply will be a watchpoint going forward. American production would need to fill the export gap left by lower yields in Southern America, and with the current wet conditions in the US, supplies might be getting tight.

Bearish factors:

- Increased acreages for the new crop being planted in the US increased significantly, which might soften prices in the long term. At the end of June we will see the first production estimates.
- High global energy prices support biofuel production.
- Current record-high soybean contract prices could limit further buying.

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Best regards,

Grain SA economy team

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