

### A Changing World

*South African agricultural exports are facing challenges posed by global developments disrupting our traditional markets. Developed economies grow slowly, geo-political tensions and military action faces Europe, the Middle East and North Africa and China's GDP growth slows down. The Russian ban on exports from Europe and the USA offers risky opportunities but increased competition by the EU. The changing world needs a better understanding and industry information as future growth may stagnate as a result of markets in turmoil. As the Rand decline in value our exports becomes more attractive which hopefully will assist our current account deficit to improve.*

The need for understanding this changing world is increasing and better industry information is needed.

Agricultural exports are increasingly impacted by external factors. The world economy, geopolitics and the world commodity business is undergoing significant changes. Developed economies face slow growth despite quantitative easing programs. Ineffective governments add to slower growth. Countries in developing economies such as Brazil and Russia are experiencing recessions while China's GDP growth is slowing down. Europe, the Middle East and North Africa experiences different kinds of military action involving ISIS which lead to refugee crises. The closing of the Russian market for commodities from the EU and USA hit exports hard. As a result the EU competes in different countries in Africa with countries such as South Africa, disrupting markets. Exports to Russia may be an opportunity but the risks are relatively high.

At home the details of South Africa's financial and economic interaction with the rest of the world are the most important in assessing its health, alongside its gross domestic product. Our balance of payments shows if South Africa has a prosperous future ahead or not.

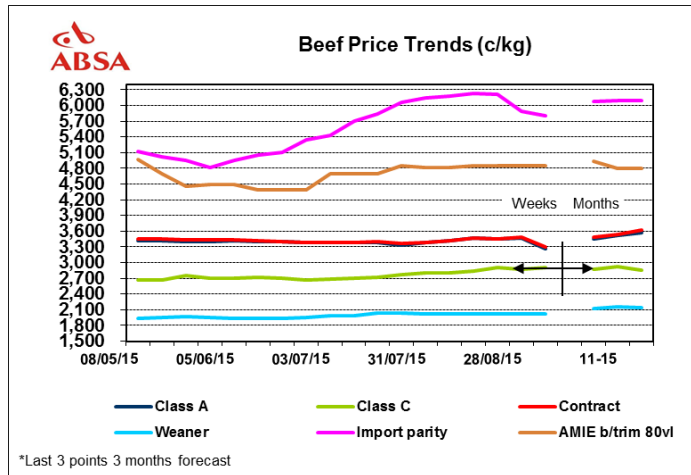
It is important to remember that current account deficits are inevitable and not necessarily a crisis given that it is self-correcting. Countries running current account deficits had to slow down their economies in order to bring them back into balance. The current account, which measures the flow of goods in and out of South Africa is declining as South Africa imports more goods than what we export, hence the large current account deficit. The capital account should balance out the deficit in the current account and when this cannot happen a full blown balance of payments crises may arise.

Most deficits can be safely sustained for many years. This is typical when a country runs a large current account deficit without a crisis when the currency's value decline against others. As the exchange rate drops South Africa's exports become cheaper and therefore more attractive to foreigners. This may boost our sale abroad and should bring down the current account deficit. The current account deficit should be self-correcting. It is however important to keep an eye on deficits. It is estimated that South Africa's GDP growth may aim at 1,7% for 2015 and that it may increase to 1.9% for 2016.

**Wessel Lemmer**

## Beef Market Trends

- International:** New Zealand steers and cows traded sideways to slightly lower at NZ\$583 and NZ\$383 per head respectively. In the US, beef traded mostly lower as follows: Top side traded lower at \$277,09/cwt, Rump traded higher at \$461,16/cwt and Strip loin traded lower at \$651,16/cwt, Chuck traded slightly lower at \$292,21/cwt, Brisket traded slightly lower at \$259,98/cwt which gave us an average carcass price of \$358,56/cwt. There wasn't much activity with exports from New Zealand ahead of



the weekend that led to Labour Day in the US. The US celebrated its Labour Day holiday on the 7th of September. Clear signs about the direction of the market can be expected in the week to come. Meanwhile during August, Australia hit its US quota trigger level, meaning that 85% of its annual allowance has been used. This quota controls have triggered for the first time in more than a decade. This will slow exports from Australia to the US for the next few months, which will boost New Zealand's exports to some extent until the start of the new quota year in mid-November. However, New Zealand exporters also have their own quota issues to concentrate on.

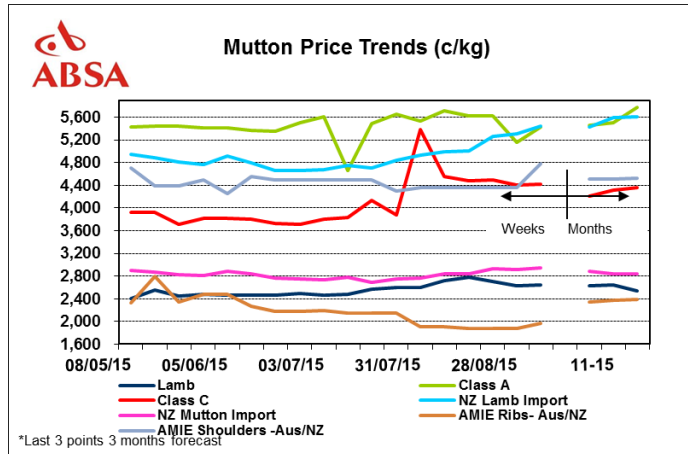
- Domestic:** The previous week saw actual beef prices as reported by The Red Meat Abattoir Association (RMMA) increase, while this week, the average forecast prices are expected to trade mixed in line with seasonal trends. The forecast prices of the different meat classes are as follows: Class A prices decreased by 5.99% to 32.63/kg, Class B prices increased by 0.69% to R31.27/kg and Class C prices increased by 1.39% to R29.10/kg. The slaughtering numbers increased from the previous week, as reported by RMAA. The weaner prices traded slightly lower compared to last week at R20.13/kg. The average hide price traded sideways over the past week at R12,25/kg green as supply continues to be greater than demand worldwide. NB\* Hide prices are determined by the average of RMMA and independent companies.

## Outlook

Internationally, the US production of red meat and poultry has showed good increases in recent months resulting from increasing domestic demand. US production is expected to increase in 2015/16 well distributed between beef, pork and poultry, which should pressure prices in the medium term. Locally, prices are expected to follow an upward trend in line with the seasonal trends as demand improves during the warmer seasons.

## Mutton Market Trends

**International:** The New Zealand lamb and mutton increased this week compared to last week. Lamb closed slightly higher this week at NZ\$84,0/head for 15kg. Ewes closed the same compared to last week at NZ\$53.50/head for a 21kg ewe. Import parity prices for lamb was slightly higher at R54.46/kg while for mutton was also higher at R29.41/kg respectively. The New Zealand producer lamb prices have continued to trend upwards as supply tightens and the Christmas trade approaches.



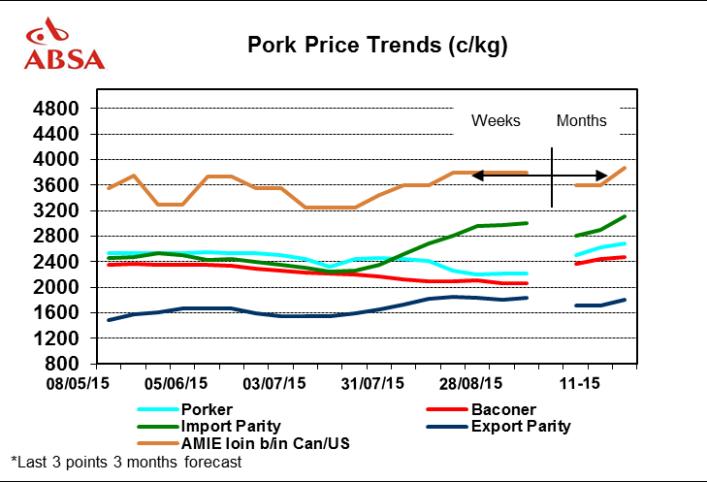
- Domestic:** The actual mutton prices decreased over the past week, while the forecast prices for this week improved. The forecast prices of the different meat classes are as follows: Class A traded slightly higher at R54.30/kg and Class C traded higher at R44.49/kg this week. The average price for feeder lambs traded slightly higher at R26.38/kg. The average price for dorper skin traded slightly higher at R82.50/skin and merino also traded higher at R80.00/skin respectively. The landed imported price of mutton rib from Australia and New Zealand traded slightly higher at R 19,70/kg compared to the previous week and mutton shoulders traded the same at 47,75/kg according to (Association of Meat Importers and Exporters) AMIE. The weakening of the currency has been playing a role in influencing the import prices.

## Outlook

Internationally, prices should continue to be supported by the limited supplies from the major exporting countries while the anticipated demand for mutton over the festive season is helping to support prices moving forward. Locally, prices are expected to trade sideways to downwards in the short term in line with seasonal trends and as demand remains limited in the market. Lamb and mutton are considered as luxurious meats. The market might see improved demand moving forward as consumers tend to barbeque more during the warmer months.

## Pork Market Trends

- International:** The weekly US average pork prices traded mostly lower over the past week. Carcass prices traded 0.76% lower at US\$85.09/cwt, Loin traded 1.21% lower at US\$79.56/cwt, Rib prices traded 2.68% lower at US\$150.12/cwt and ham traded lower at US\$68.00/cwt. Pork production continues to continue to be greater than of year-ago levels and wholesale prices follow in a sideways trend. This to some extent gives plants less incentive to stock up on growing supply of hogs. This week, some plants were reported to have been faced with some mechanical setbacks and continued to assess how many shifts to operate in the days ahead of a shortened holiday week for Labour Day. The production of Pork in the EU-28 has exceeded expectations, growing 3.2% from a year earlier; Meanwhile, China has become a large buyer of pork from the EU.



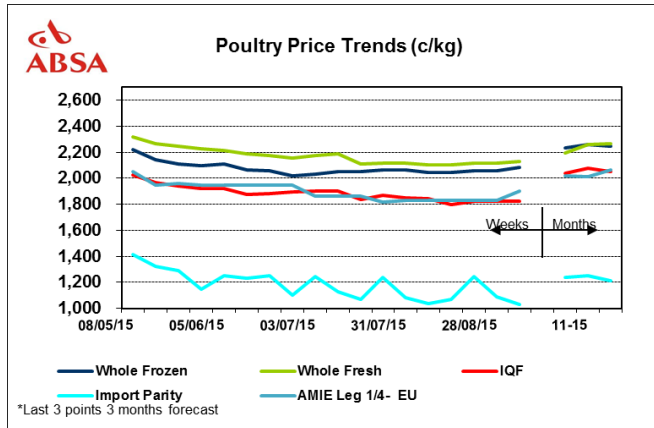
- Domestic:** Domestic prices traded mixed over the past week, and the Absa forecast prices to decline this week. Porker prices traded slightly lower at R22.12/kg while Baconer prices were slightly lower at R20.61/kg.

## Outlook

Internationally, pork production continues to be at higher levels and prices are expected to remain lower for 2015. Declines in the Chinese hog production are expected to be in favour of international demand for pork. China is the leading producer and consumer of the product. Domestic prices are expected to start following an upward trend after months of lower prices in line with seasonal trends.

## Poultry Market Trends

**International:** Poultry prices in the US traded lower over the week compared to the past week. Whole bird prices traded 5.10% lower at 78.11USc/lb. Breasts traded sideways at 138,00USc/lb and leg Quarters traded lower at 22,50USc/lb respectively. Surveys by the Brazilian Animal Protein Association (ABPA) have shown that exports of chicken meat continue to improve in 2015, with exports having increased by 5.5% in the first eight months of this year. 2.82 million tons were exported in the period January-August 2015.



- Domestic:** The average poultry prices traded sideways to higher during the past week compared to the previous week. Frozen birds traded 1.26% at R20.82/kg compared to the previous week. Whole fresh medium bird prices traded slightly higher at R21.31/kg while IQF traded the same at R18.21/kg.

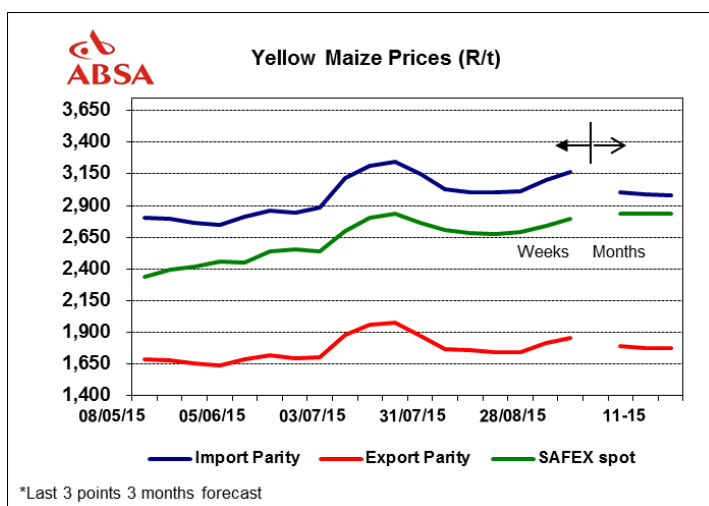
## Outlook

Internationally, higher broiler production continues to put some pressure on prices. World production of meats is expected to grow year on year by a combined 2.4% increase during Oct/Sep 2015/16. The contributing factor has been plentiful supplies of oilcake and feed grains. This will pressure prices in the medium to long term. Locally, not much has changed in the domestic market. Prices are expected to improve moving forward in line with seasonal trends as demand normally picks up during this period.

Livestock Prices (R/kg) 04 Sep 2015	Beef		Mutton		Pork		Poultry	
	Current Week	Previous Week	Current Week	Previous Week	Current Week	Previous Week	Current Week	Previous Week
Class A / Porker / Fresh birds	32.63	34.71	54.30	51.58	22.12	22.17	21.31	21.14
Class C/ Baconer / Frozen birds	29.10	28.70	44.49	43.97	20.61	20.66	20.82	20.56
Contract / Baconer/ IQF	33.37	34.79	55.67	52.98	21.37	21.42	18.21	18.21
Import parity price	58.03	58.87	29.41	29.12	30.11	29.71	10.32	10.89
Weaner Calves / Feeder Lambs/	20,13	20,20	26,38	26,30	-	-		
Specific Imports: Beef trimmings 80v/b/Mutton Shoulders/Loin b/in /chicken leg1/4	48,50	48,50	47,75	43,60	37.95	37.95	18.99	18.30

## Yellow Maize Trends

- International:** When compared to the previous week, the average US Fob Gulf maize price closed the week 0.65% lower at US\$162.56/t. Grain prices were pressured as a result of the anticipated large harvest and good growing conditions. The imports of feed grains into China increased sharply as a result of producers partially replacing their high-prices domestic supplies of maize, sorghum and barley with cheaper international supplies.



- Domestic:** The local maize market for yellow maize traded 1.85% higher at an average of R2793.40/t over the past week. The average exchange rate for the week was weaker at R13.47/US\$ compared to R13.14/US\$ the previous week. In the week ending 28 August the yellow maize deliveries for the week were 29 271 tons. The 15/16 year yellow maize deliveries now constitute 87.1% of the CEC7th white maize crop estimates. There were no yellow maize imports in the week ending 28 August.

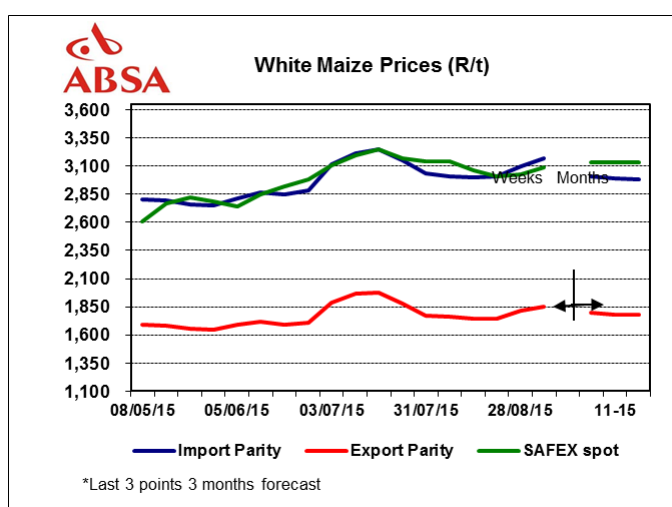
## Outlook

Internationally the US maize prices are feeling pressure with the approaching harvesting season and the good weather conditions. Locally the recent rains have put pressure on prices and the anticipation of further rains is expected to continue pressuring prices.

Yellow Maize Futures: 4 September 2015	Sep-15	Dec-15	Mar-16	May-16	July-16			
CBOT (\$/t)	149.55	154.91	159.39	162.15	164.12			
SAFEX (R/t)	2802	2836	2807	2545	2520			
SAFEX (R/t) Change week on week (w/w)	45	47	48	-19	-29			
Dec-15			Mar-16			May-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,880	177	133	2,840	209	176	2,580	218	183
2,840	155	151	2,800	187	194	2,540	196	201
2,800	134	170	2,760	167	214	2,500	176	221

## White Maize Trends

- International:** Kansas City US No 2 rail White Corn was lower over the last week, averaging US\$142.13/t for the week compared to the US\$141.37/t the previous week. The global state of the economy especially with China's financial concerns continues to be a concern and the rebound of the US dollar is also pressuring crops. Ukraine has completed 70% of their harvests of their sown area. Ukraine's weak currency and their producer's eagerness to convert their crops to cash have made them very competitive in the international market.



- Domestic:** The rand has weakened against the dollar during the week by 2.53%. The local average white maize spot price traded 1.94% or R58.80t higher at R3087.60t compared to the prior week. In the week ending 28 August the white maize deliveries for the week were 30 166 tons. The 15/16 year white maize deliveries now constitute 90.4% of the CEC7th white maize crop estimates. There were 827 tons of white maize imports in the week ending 28 August.

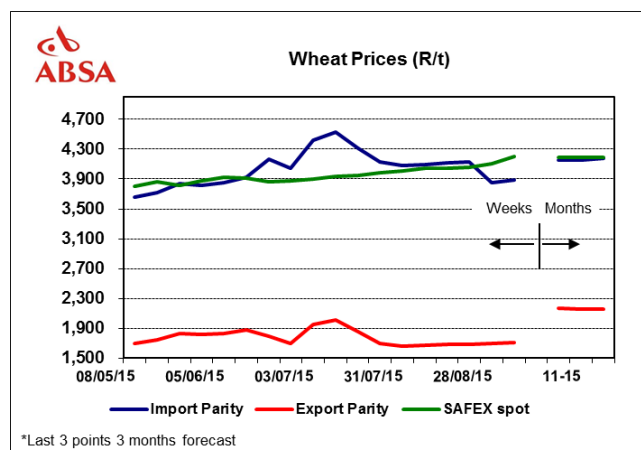
## Outlook

Internationally, the market will continue to experience pressure from the recently released USDA report. Locally the anticipated further weakening of the rand may support local prices. Over the eastern interior light rains are expected over the next week.

White-Maize Futures 4 September 2015			Sep-15	Dec-15	Mar-16	May-16	July-16	
SAFEX (R/t)			3066	3129	3101	2741	2666	
SAFEX (R/t) Change w/w			28	30	34	-1	-74	
Dec-15			Mar-16			May-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3,160	188	157	3,140	233	194	2,780	236	197
3,120	167	176	3,100	211	212	2,740	214	215
3,080	147	196	3,060	190	231	2,700	193	234

## Wheat Market Trends

- International:** The average weekly wheat spot price traded 1.69% lower compared to the previous week at US\$179.00/t. Soft red wheat traded 0.38% lower at US\$183.88, while hard red wheat traded 3.04% lower at US\$174.13. The wheat in Europe remains in good condition having missed the recent hot, dry weather conditions. Ukraine's winter wheat plantings have however been affected by the weather conditions. Russia's wheat harvest is more than 60% complete and their winter wheat plantings are 16.7% complete. In the latest Iraq tender Australia was the cheapest source at \$231.70/ton.





- **Domestic:** The average SAFEX wheat spot price increased from last week's levels of R4105.00/t and traded at R4203.00/t which is 2.4% higher week on week. The wheat prices traded higher over the last week. The week ending the 28th of August there were 39 431 tons of wheat. 28 172 tons of the wheat imported originated from Russia and the remainder 10 719 tons came from Ukraine. To date the cumulative wheat imports for the season are at 1.622 million tons. *Note: The current import tariff used for the three projected prices until end of November is the published R510.60/ton tariff. A new tariff level triggered but is not publicly announced yet. When announced the tariff may increase to R911/ton*

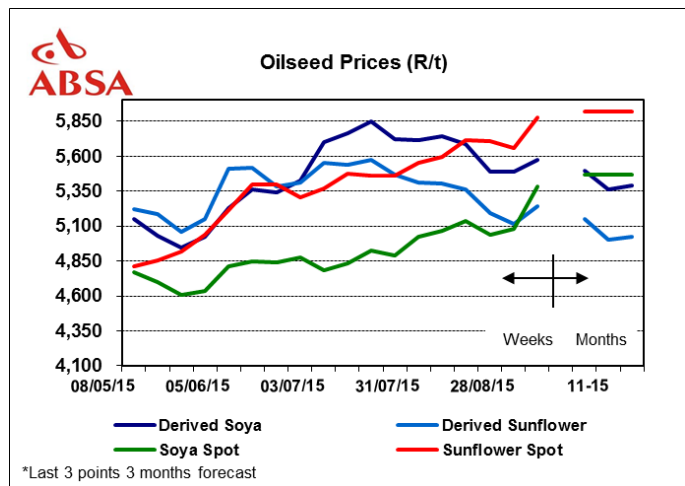
## Outlook

Internationally the large global supply is expected to weigh on prices for the next few weeks. The US wheat market is still not competitive which is putting pressure on prices. Locally the wheat prices are expected to continue gaining support from the depreciating rand. The weaker international market will weigh on prices. Very little moisture relief is forecast for the Western Cape in the week ahead which could offer some support to the new crop wheat prices.

Wheat Futures 4 September 2015			Sep-15	Dec-15	Mar-16	May-16	July-16	
CME (\$/t)			183.14	186.81	189.97	192.18	193.79	
SAFEX (R/t)			4225.0	4195.0	4280	n/a	n/a	
SAFEX (R/t) <i>Change w/w</i>			119.0	48.0	61.0	n/a	n/a	
Sep-15			Dec-15			Mar-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,260	58	23	4,240	139	94	4,320	183	143
4,220	36	41	4,200	118	113	4,280	161	161
4,180	20	65	4,160	98	133	4,240	141	181

## Oilseed Market Trends

- International:** Soybean prices week on week traded 1.8% lower at US\$322.32/t. Soya meal traded at US\$317.46/t, which is 2.2% lower compared to the previous week while soy oil traded 0.7% higher at US\$27.12/t. Import parity increased. In August world exports of soybeans declined seasonally however they are still 1.9 million tons higher than last year. In India, the dry spell in August has had a negative impact on their oilseed crops. The international exports of soybean increased by 9.2



million tons to 124.4 million tons. World-wide there is a deficit in rapeseed/canola in the 2015/16 season. Brazil was still the main exporter of soybeans in August, exporting 5.2 million tons. China is the main destination for soybeans with a new high of 76.8 million tons imported in Sept/Aug 2014/15, which is 4.6 million tons higher year on year. Plantings in central Argentina have been delayed as a result of the fields being too wet. The incentive to produce high-oleic sunseed and sun oil has decreased as a result of lower prices. The premium over the standard qualities has diminished. Soybean plantings in Mato Grosso Brazil will commence on 16 September, however rains are required as the soil moisture levels are currently insufficient.

- Domestic:** The average soybean spot prices traded 6.04% higher at R5383.20/t in comparison to the previous week. The average sunflower spot prices for the week traded 3.88% higher at R5875.80/t compared to the previous week. South Africa had a record crop of 1 million tons of soybean. Despite this good harvest imports of soybean into South Africa have increased recently. This increase in imports supports an upward trend in soybean processing in South Africa. In August South Africa import 30 000 tons of soybeans from Brazil. The oilseeds markets were bullish over the last week as a result of the further depreciating rand to the US dollar.

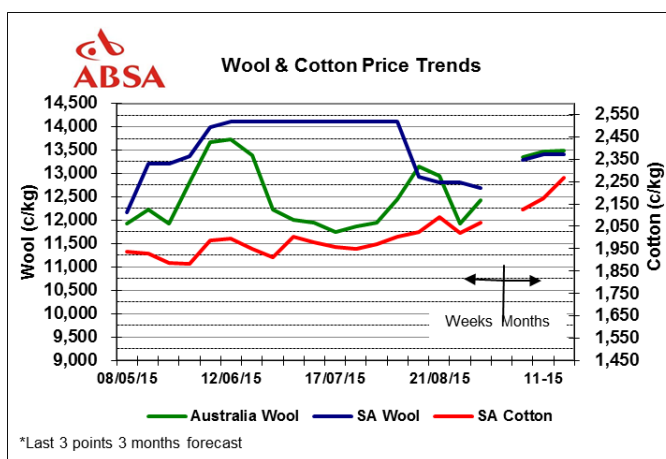
## Outlook

Internationally there is a threat of new strike actions in Argentina by farmers in the coming weeks to put pressure on government to reduce export taxes. Locally markets are expected to remain sideways to downwards.

Oilseeds Futures 4 September 2015	Sep-15	Dec-15	Mar-16	May-16	July-16			
CBOT Soybeans (US \$/t)	322.32	319.52	320.04	320.77	321.95			
CBOT Soy oil (US c/b)	26.44	26.73	27.27	27.67	27.74			
CBOT Soy cake meal (US \$/t)	313.90	306.80	302.60	299.30	299.10			
SAFEX Soybean seed (R/t)	5435	5470	5270	5000	n/a			
SAFEX Soybean seed (R/t) change w/w	275	242	115	20	n/a			
SAFEX Sunflower seed (R/t)	5930	5920	5600	4950	n/a			
SAFEX Sunflower seed (R/t) change w/w	205	185	200	n/a	n/a			
SAFEX Sorghum (R/t)	3050	3030	2974	n/a	n/a			
SAFEX Sorghum (R/t) change w/w	0	23	0	n/a	n/a			
<b>Sunflower Calculated Option Prices (R/t) Absa Capital Trading Desk: 011 – 895 5524</b>								
<b>Dec-15</b>			<b>Mar-15</b>			<b>May-16</b>		
5,960	302	262	5,640	403	363	5,000	415	365
5,920	281	281	5,600	381	381	4,960	393	383
5,880	260	300	5,560	360	400	4,920	371	401

## Fibre Market Trends

**International:** The Australian wool market traded 2.95% higher at the last auction to close on Au 1258c/kg. Australian wool prices have recovered this week after recording sharp declines over the past weeks. The market perceives the recovery as a clear sign of the increasing volatility of the market. Meanwhile in New Zealand, South Island wool auction lost ground as lack of confidence in global markets and limited support from China in spite of a currency reduction. Prices are however at



higher levels than last year and the low stocks should support prices moving forward. Cotton prices have traded 1.08% lower over the past week and closed at US60,64c/lb. The International Cotton Advisory committee has increased its forecast for cotton prices in spite of the confusion with China's stock market. There are growing fears for the economy in the top consumer and exporter China. The committee has cut more than 500,000 tons from its forecast for year-end inventories. The upgrade implies prices averaging 5 cents a pound more in the 2015/16 season which started last month.

**Domestic:** The market during this week's sale traded slightly lower to close the day at R126.80 (Clean) which is 1.04% lower than the close of the season price. Traders reported that trade started with a strong momentum, before easing. There was also sufficient demand from Chinese buyers. The latest sale was on the 2<sup>nd</sup> of September and the next sale is expected to be on the 9th of September with about 5000 bales expected to be on offer. SA cotton prices traded higher or a 2.22% increase to close at R20.65/kg due to the weaker exchange rate.

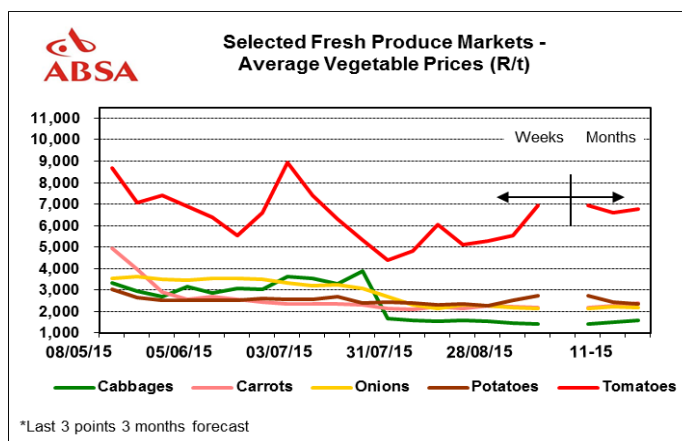
## Outlook

Internationally, the wool market is currently very volatile, but good demand and weaker supplies are expected to support prices moving forward. Local wool prices have been supported by the weakening of the exchange rate and good demand. Both international and domestic cotton continue to be influenced by the volatility in the commodity and equity markets. International cotton prices are expected to improve slightly moving forward, and also as the International Cotton Advisory Committee have cut its year end inventories and forecast prices higher. The volatility in the exchange rate is expected to continue to influence local cotton prices.

Fibres Market Trends Week ending 04 September 2015				
Wool prices	SA prices (c/kg)	Australian prices (SA c/kg)	Australian Future Oct - 2015 (AU\$/kg)	Australian Future Dec - 2015 (AU\$/kg)
Wool market indicator	12680	11855	-	-
19µ micron	13170	13089	13.30	13.00
21µ micron	12708	12486	12.90	12.60
Cotton prices	SA derived Cotton (R/kg)	New York A- Index (US\$/kg)	New York future Oct-2015 (US\$/kg)	New York future Dec-2015 (US\$/kg)
Cotton Prices	20.65	1.54	1.39	1.38

## Vegetables Market Trends

- Cabbage:** Cabbage prices decreased week on week to R1404/t. The price decrease was despite a decrease in volumes. Prices are expected to move sideways with possible upward movement in line with seasonal trends.
- Carrots:** Carrot prices traded lower compared to the previous week at R2181/t. The price decrease was due to an increase in volumes. Prices are expected to continue to move sideways



to downwards in line with seasonal trends, but improved demand might be supportive to prices.

- **Onions:** Onion prices decreased by week on week to R2139/t. The price decrease was due to the increase in volumes. Prices are expected to trade sideways to downwards in the short to medium term in line with seasonal trends, and limited demand.
- **Potatoes:** Potato prices increased week on week to R2727/t. The increase in prices was despite an increase in volumes. Potato SA expects prices to move sideways until at least the middle of September as a result of the increased hectares and good yields in Limpopo and the western Free State. The current real prices are lower than prior years. When producers cannot lift potatoes as a result of rainfall, the prices may move upwards.
- **Tomatoes:** Tomato prices increased week on week to R6938/t. The price increase was as a result of a decrease in volumes during the past week. Prices are expected to move sideways to downwards in line with seasonal trends, but lower volumes might support prices.

<b>Vegetable Prices: Fresh Produce Market</b> (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 4 September 2015	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly average price	This week's Total Volumes (t)	Previous week's Total Volumes (t)	Difference in weekly average Volumes
<b>Cabbages</b>	1404	1450	-3.14%	1626	1668	-2.52%
<b>Carrots</b>	2181	2197	-0.71%	2487	2233	11.37%
<b>Onions</b>	2139	2157	-0.82%	7363	7233	1.80%
<b>Potatoes</b>	2727	2515	8.41%	16697	15497	7.74%
<b>Tomatoes</b>	6938	5518	25.74%	3934	4482	-12.23%

<b>Fruit Prices: Fresh Produce Market</b> (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 28 August 2015	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly average price	This week's Total Volumes (t)	Previous week's Total Volumes (t)	Difference in weekly total Volumes
<b>Avocados</b>	10740	10338	3.89%	418	448	-6.57%
<b>Grapes</b>	51901	54951	-5.55%	20	18	8.95%
<b>Mangos</b>	5280	4419	19.48%	4	3	44.81%
<b>Oranges</b>	3116	2681	16.20%	2394	2463	-2.80%
<b>Peppers</b>	8929	8179	9.17%	843	1113	-24.30%

**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the usage of this information.

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