



# Agri Trends

14 August 2017

## There is room for growth in the Avocado industry

South Africa is currently planting an estimation of +-16,000 HA of avocado and there is room for growth. South Africa is renowned to produce the best quality fruit of avocado. New plantings result in roughly 1 000 newly planted hectares annually, according to tree sales statistics averaged over the past 3 years. The Avocado industry can be regarded as profitable, as it has been enjoying price increases annually. This trend is projected to continue in the next few years. The increases in prices are driven by the demand of the fruit. More and more people are starting to live a healthy life-style and include the fruit in their diet and some use it as a beauty product. On the international front, an increase in demand is growing faster than the rate in production, hence the price support.

### Contents

- Maize market trends .....1
- Wheat market trends .....4
- Oilseed market trends.....6
- Beef market trends .....9
- Sheep meat market trends .....11
- Pork market trends.....13
- Poultry market trends .....15
- Wool market trends.....18
- Cotton market trends.....20
- Vegetable market trends .....23

# Maize market trends

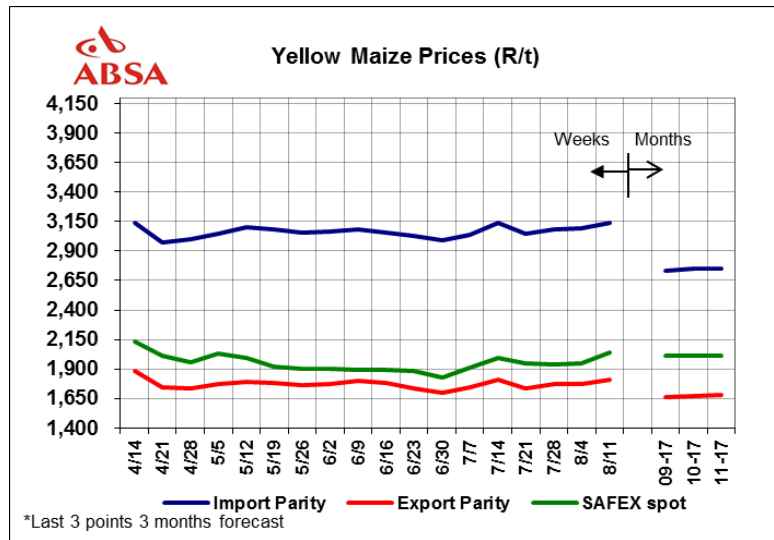
## International

The bullishness in the US maize market has come to an end for now, due to above-expected harvests estimated by the USDA in the latest WASDE report.

Week-on-week yellow maize No 2 gulf price decreased from US\$151.30/ton to \$150.02/ton.

### Bullish factors

- The latest USDA WASDE report, made downward revisions to the 2017/18 US maize outlook on the back of lower supplies, feed and exports. The US maize production is lowered by 102 million bushels from the July estimate placing the production forecast at 14.2 billion bushels. The decline rested on the expected declines in yields forecasted for South Dakota, Iowa, Minnesota and Illinois.
- Global maize export reductions were amended for the EU, Canada and Serbia for the 2017/18 season.



### Bearish factors

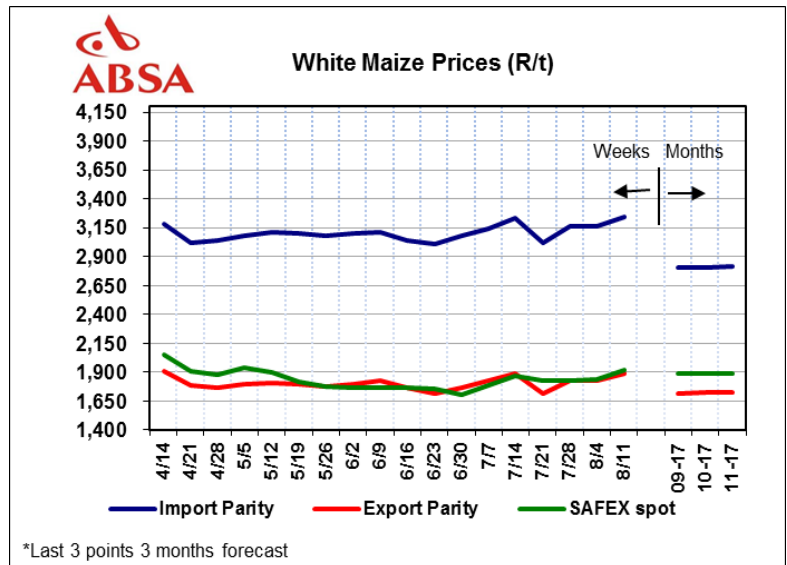
- The huge Brazilian crop is expected to raise maize exports for 2016/17. Pronounced / record shipments were reported for the local marketing year. Brazil’s agricultural statistics agency released its 16/17 maize forecast which showed a revision higher (increased by 1.2 million ton to 97.2 million ton).
- US maize production is forecast at 14.2 billion bushels, yields are expected to average 169.5 bushels per acre, down 5.1 bushels from 2016. If it realizes, this will be the third highest yield and production on record for the US.
- The larger-than-expected US harvests boosted world inventories of maize and soybeans above expectations

## Domestic

By the August 11, week on week new season white maize prices for delivery in Sep 2017 increased by 1.7% (R31) from R1855/ton to R1886/ton. Week-on-week new season yellow maize prices for delivery in Sep 2017 increased by 2.6% from R1960/ton to R2010/ton. Prices for delivery in Dec 2017 for white maize were recorded at R1965/ton up by 1.6% from a week ago (R1934/ton) and yellow maize at R2089/ton, up by 2.2% from R2045/ton.

## Bullish factors

- The South African Rand weakened to R13.38 by the 10th August. The uncertainty about the conflict in the US and North Korea, causes market players to rather invest in other “safe havens” such as gold.
- Tanzania is unlikely to lift its export ban soon. The general market however is of the view that, the erratic rainfall in some parts of the growing areas, late start to the rainy season and the damage caused by the army worm, could mean a crop production of 10% below the normal, some observers even assume a possible 20% + loss. South Africa can be a potential import destination for the country.



## Bearish factors

- The slow rate of exports may subsequently lead to higher carry-over stocks of maize in the domestic market, thus causing prices to remain sideways in the long term (coming months).
- The total commercial maize deliveries were 468,044 ton for the week ending 4th August. The previous week deliveries were 985,757 ton.

## Outlook

The local white and yellow maize price is expected to trade sideways for the coming months due to the very large supplies in the domestic market. The uncertain political climate, lower economic growth and possible credit downgrades later in the year, will have a direct effect on the strength or weakness (volatility) of the Rand which in return will directly impact the price of maize and the maize export competitiveness.

The total domestic maize deliveries (including early deliveries) were at 86.64%, up from last week's 83.71%, the 10 year average is 84.10%. Export rate are still well below the ideal, should tempo not increase, SA will have more carry-over stock than the industry is hoping for which will have a longer term sideways effect on maize prices.

The US farmers faced too much rain at the start of the season, while others grappled with dryness later, however the nation released a report on the 11th August 2017 which indicates a bigger-than-expected harvest of both soybean and maize.

<b>Yellow Maize Futures: 11 August 2017</b>			<b>Sep-17</b>	<b>Dec-17</b>	<b>Mar-18</b>	<b>Jul-18</b>		
CBOT (\$/t)			142.02	147.53	152.16	156.88		
SAFEX (R/t)			2010	2089	2128	2183		
SAFEX (R/t) <i>Change week on week (w/w)</i>			50	44	38	30		
<b>Sep-17</b>			<b>Dec-17</b>			<b>Mar-18</b>		
<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>
1,920	66	32	2,000	133	98	2,040	188	152
1,880	44	50	1,960	111	116	2,000	165	169
1,840	27	73	1,920	92	137	1,960	145	189

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

<b>White Maize Futures 11 August 2017</b>			<b>Dec-17</b>	<b>Mar-18</b>	<b>May-18</b>	<b>Jul-18</b>		
SAFEX (R/t)			1886	1965	2004	2096		
SAFEX (R/t) <i>Change w/w</i>			31	31	24	24		
<b>Sep-17</b>			<b>Dec-17</b>			<b>Mar-18</b>		
<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>
4,420	106	71	4,160	245	210	4,220	333	296
4,380	85	90	4,120	223	228	4,180	311	314
4,340	66	111	4,080	203	248	4,140	290	333

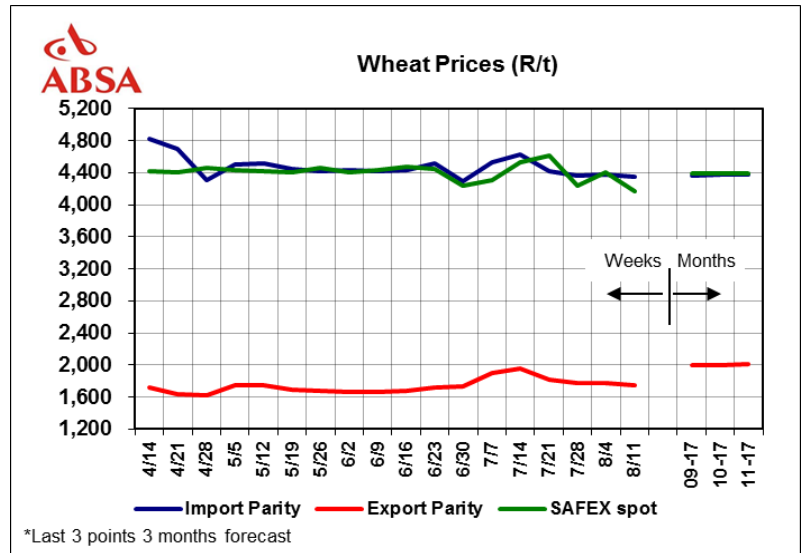
# Wheat market trends

## International

The weekly average old season HRW wheat Gulf decreased price week on week from US\$187.08/ton to reach a weekly average of US\$185.21/ton

### Bullish factors

- The US drought led to lower wheat supply projections for 2017/18, reduced by 21 million bushels to 1,739 million bushels on lower production.
- The National Australia Bank (NAB) cautioned of the potential for further downgrades to its forecasts, should rainfall continue to be below average.
- Freezing temperatures in Brazil and Paraguay, and heavy rainfall in Argentina, will likely cause a downward revision in the South American wheat crop below potential.



### Bearish factor

- The global supply was magnified by Russian reports of “high winter wheat yields in the Southern, North Caucasus, and Central Districts of Russia.” Excellent conditions and potential high yields are expected in Russia’s Spring wheat zone, Siberian, Ural and Volga Districts.
- Wheat futures dipped after US officials, noted domestic (US) wheat supplies above market expectations. That will rally world inventories as bumper crops along the Black Sea keep wheat supplies rising

## Domestic

On August 11, wheat prices for delivery in Sep 2017 decreased by 0.4% (R16) from R 4401/ton to R4385/ton week on week. A global bearish longer term view is reported due to ample large stocks. Expect global output recovery and US acreage to rise in 2018.

The South African weakened week-on-week from R13.26 to R13.32, as a net importer of wheat, this did not support prices.

## Bullish factors

- A total of 31,773 ton wheat was imported by South Africa for the week ending 04 August 2017. Import destinations were Czech Republic (12,230 ton) and Germany (19,543 ton).

## Bearish factors

- The South African Rand weakened to R13.38 by the 10<sup>th</sup> August. The uncertainty about the conflict in the US and North Korea, caused the market to rather invest in other “safe havens” such as gold.
- Growing global wheat stockpiles also surprised the markets, as the USDA increased its production forecasts for Russia, Ukraine and Kazakhstan in comparison to the previous month. This could lead to lower global wheat prices, thus underpinning the local prices.

## Outlook

Growing global wheat stockpiles surprised the markets, as the USDA increased its production forecasts for Russia, Ukraine and Kazakhstan in comparison to the previous month. Ample global stocks supported a bearish trend in the domestic wheat market.

Dam levels still remain an on-going concern; especially for the irrigation farmers who will need more water from October. The Western Cape total province dam levels were recorded at 27.4% (the previous week was 26.2%), however at the same time, last year (2016) the WC dam levels were recorded at 54.8%.

The South African Weather Services shows a possibility of light rainfall probability in the upcoming two weeks.

Wheat Futures 11 August 2017	Jul-17		Sep-17		Dec-17		Mar-18		
CME (\$/t)	161.40		171.59		179.58		185.10		
SAFEX (R/t)	0		4385.00		4125.00		4183.00		
SAFEX (R/t) Change w/w	0		-16.00		26.00		3.00		
	Sep-17			Dec-17			Mar-18		
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
	4,420	106	71	4,160	245	210	4,220	333	296
	4,380	85	90	4,120	223	228	4,180	311	314
	4,340	66	111	4,080	203	248	4,140	290	333

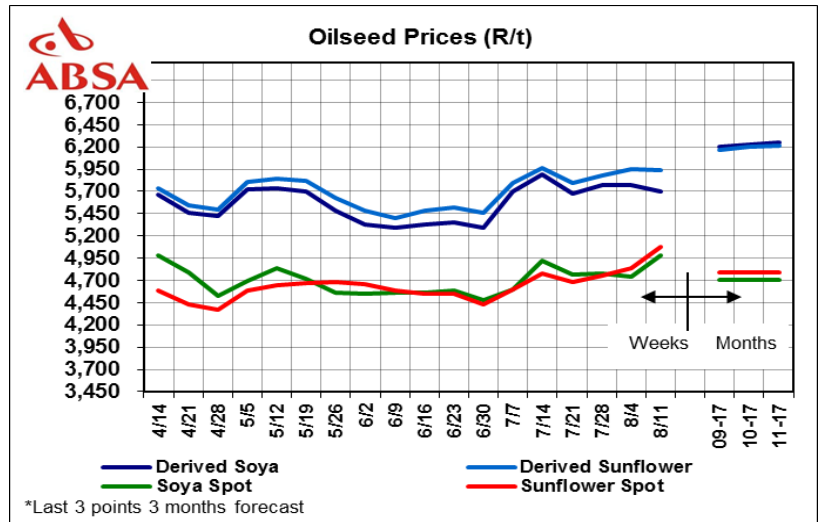
## Oilseed market trends

### International

There's a significant decline in Indian soybean crop, but old crop stocks still remain large. The evening of 11 August saw the Indian Government raise import duties for crude palm oil from 7.5% to 15% and for RDM palm olein from 15% to 25% with immediate effect. Soya oil duties were raised from 12.5% to 17.5%. Sunflower seed and rapeseed duties remain unchanged.

The weekly average USA soybean price decreased week on week from US\$372.39/ton to US\$362.56/ton. US soya oil prices decreased from US\$33.92/ton to

US\$33.74/ton and soymeal prices traded lower from US\$309.62/ton to US\$ 302.94/ton. The unexpected upward revisions noted in the USDA 10 August 2017 WASDE Report, came as a shock in the market which underpinned many soybean, oil and meal prices.



### Bullish factors

- The evening of 11 August saw the Indian Government raise import duties for crude palm oil from 7.5% to 15% and for RDM palm olein from 15% to 25% with immediate effect. Soya oil duties were raised from 12.5% to 17.5%. Sunflower seed and rapeseed duties remain the same. World exports of rapeseed and canola are anticipated to decline in the 2017/18 season, due to reduced supplies in Canada and Australia.
- Expecting downward revisions for rapeseed crop estimates in Canada and Australia.

### Bearish factors

- CONAB, Brazil's Agricultural Statistics and Food Supply Agency, raised its estimate for Brazil's 2016/17 soybean crop to 114 million ton from 113.92 million ton in July, because of the increase in planted area.
- World oilseed production 2017/18 is estimated at 576.7 million tons (up by 2.8 million ton). The higher US forecast was marginally offset by a 1.5 million ton reduction in Indian oilseed production. There's a significant decline in Indian soybean crop, but old crop stocks still remain large.
- The US Environmental Protection Agency (EPA) released its proposed renewable fuel mandate volumes for 2019. Y-o-y, soy-oil usage in the US for biodiesel is currently 10.5% ahead of last year.

- Despite dry conditions in the US Northern Plains and Southern Saskatchewan, Canola has been growing better than last year.
- Palm oil remains under pressure, due to lower global demand from China and India. Lower production also contributed to the trend.

## Domestic

On August 11, soya bean prices (Sep17) increased week on week by 1.2% (R57) from R4650/ton to R4707/ton while sunflower seed (Sep17) prices marginally increased by 0.04% (R2) from R 4785/ton to R4787/ton.

### Bullish factors

- Soybean crushing margins showing positive margins compared to a year ago.
- Sunflower seed prices are faring better than soybeans. Ample global & local supply underpinned any significant increases in the local soybean prices.

### Bearish factors

- SA expected to produce a record crop of 1.3 million tons of soybeans. The country will have an exportable surplus; so far no exports were made since May 2017.

## Outlook

Expect the local market to shift some of the planting area under maize to sunflower or soybeans, due to the very large maize crop. Soybean prices have been trading lower than the sunflower seed prices for the September 2017 and December 2017 contracts, underpinned by the lower international soybean prices and the large domestic soybean supplies expected.

Positive margins in the soybean and sunflower seed crushing industry support a positive outlook in the longer term.

The USDA's upward revision for the US soybean yield and production estimates shocked the market. Internationally some key US growing regions received some needed rainfall, others stayed dry. US stock-to-use is expected to remain high. Crop concerns still persist in soybeans and canola, especially in Australia and Canada. Upcoming August weather will be decisive for soybeans. The decision on higher import duties in India was finally released on Friday 11 August, but the time is running out to influence plantings, we foresee a pronounced decline in oilseed plantings, thankfully the heavy soybean stocks will provide a cushion for the Indian consumer.

Oilseeds Futures 11 August 2017	Sep-17	Dec-17	Mar-18	Jul-18
CBOT Soybeans (US\$/t)**	344.75	350.44	353.47	358.71
CBOT Soy oil (US c/lb)	33.63	33.99	34.29	34.47
CBOT Soy cake meal (US\$/t)*	329.12	334.29	338.57	344.07
SAFEX Soybean seed (R/t)	4707	4861	4989	4995



<i>SAFEX Soybean seed (R/t) change w/w</i>			57	61	79	-4		
<i>SAFEX Sunflower seed (R/t)</i>			4787	4978	5090	4900		
<i>SAFEX Sunflower seed (R/t) change w/w</i>			2	-3	2	0		
<b>Sunflower Calculated Option Prices (R/t)</b>								
<b>Sep-17</b>			<b>Dec-17</b>			<b>Mar-18</b>		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,820	104	71	5,020	242	200	5,130	328	288
4,780	82	89	4,980	220	218	5,090	306	306
4,740	64	111	4,940	200	238	5,050	286	326

\*short ton

\*\* Dec 2017 = Jan 2018

## Beef market trends

### International

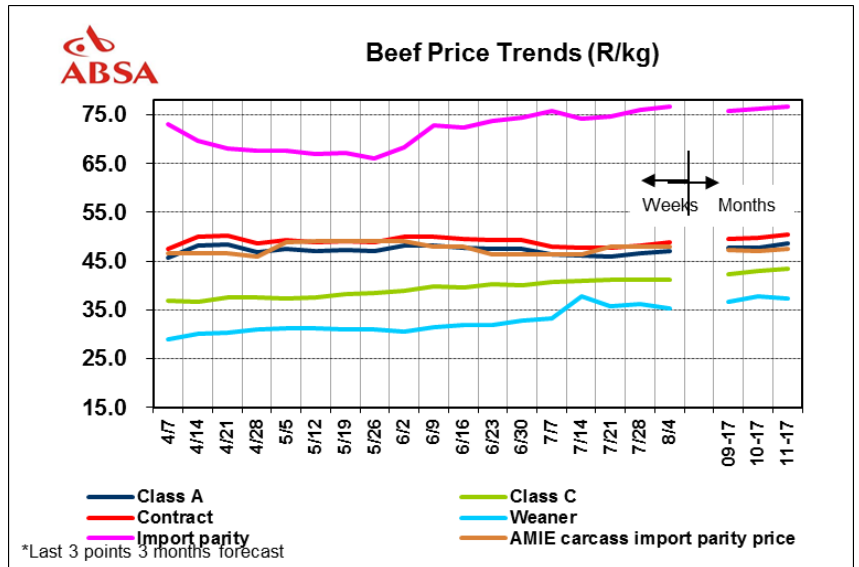
New Zealand steers traded 0.90% lower over the past week at 5.51NZ\$/kg and cows traded 1.12% lower at 4.42NZ\$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 1.73% lower at \$227.74/cwt. Rump was 0.29% higher at \$381.42/cwt and strip loin was 5.66% lower at \$532.78/cwt. Chuck traded 1.22% higher at \$233.69/cwt. Brisket traded 0.43% higher at \$202.15/cwt. The carcass equivalent price was 1.80% lower at \$288.58/cwt.

### Bullish factors

- Sharply higher US beef prices in May and June have done little so far to slow down the pace of US exports. The boosts to US trade from a weaker dollar and a squeeze on supplies from Australia continue to support beef prices. The benefit for US beef on the export market at this point is that Australia supply availability is significantly lower than a couple of years ago.
- There is a potential for further support to US beef exports from the reopening of shipments to China for the first time since a ban was imposed in 2003. While shipments at this point are very small, analysts are optimistic.

### Bearish factors

- US beef industry is at the front end of a multi-year expansion in cattle supplies, from the multi-decade low hit three years ago. This increases production.
- According to the latest US department of Agriculture (USDA) world supply and demand estimates (WASDE), the 2017 beef production is expected to increase. The increase in beef production reflects relatively large cattle placements in the second quarter which will likely impact fourth quarter cattle slaughter. For 2018, the beef production forecast has been increased from the previous month, as expected higher placements in late 2017 and early 2018 result in higher steer and heifer slaughter.



- The beef export forecast is lowered in the WASDE report from last month on the back of recent trade data and an expected slowdown in global demand for the remainder of 2017.
- Fed cattle prices are reduced in 2017 and 2018 as current prices have weakened and larger expected supplies of fed cattle are expected to pressure prices

## Domestic

Beef prices were mostly higher over the past week, but the average class C recorded slight declines. Class A prices are 1.24% higher at R47.11/kg. Class C prices are 0.421% lower at R41.17/kg. The average weaner calf prices over the past week were 2.8% lower at R35.23/kg. The average hide price over the past week was 0.58% lower at R14.08/kg green. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

### *Bullish factors*

- 8.5% fewer cattle was slaughtered during June 2017 compared to May of 2017. This trend was expected as the herd rebuilding process is underway, which limits the availability of animals for the slaughter market. The number of animals slaughtered in June 2017 is 16% lower compared to the same time a year ago.
- Beef exports fetch better prices on the export market, which may encourage producers to pursue opportunities in this market.

### *Bearish factors*

- Due to higher livestock prices, additional investment in the livestock industry may be expected, which should improve livestock productivity and production within the next two years. This should increase supply, which could see consumer prices of protein foods eventually decline. The current lower maize price during 2017 suggests that the cost of feed has declined from the high levels seen during the past season, which may boost production.
- Beef prices are currently high on the domestic market. The higher domestic beef prices may encourage producers to sell on the domestic market.

## Outlook

Internationally, the boosts to US trade from a weaker dollar and a squeeze on supplies from Australia continue to support beef prices. Domestically, herd rebuilding process is underway, which is reflected in the latest slaughter numbers. This process support market prices.

## Sheep meat market trends

### International

New Zealand lamb prices traded sideways this week compared to last week. Lamb prices closed sideways at NZ\$100.1/head for 15kg lamb. Lamb prices were sideways at NZ\$140.2/head for 21kg lamb. Ewe prices traded 1.15% lower at NZ\$85.6/head for a 21kg ewe. The import parity price for lamb was 2.08% higher at R73.35/kg, while the import parity price for mutton was 1.04% higher at R48.94/kg.

#### Bullish factors

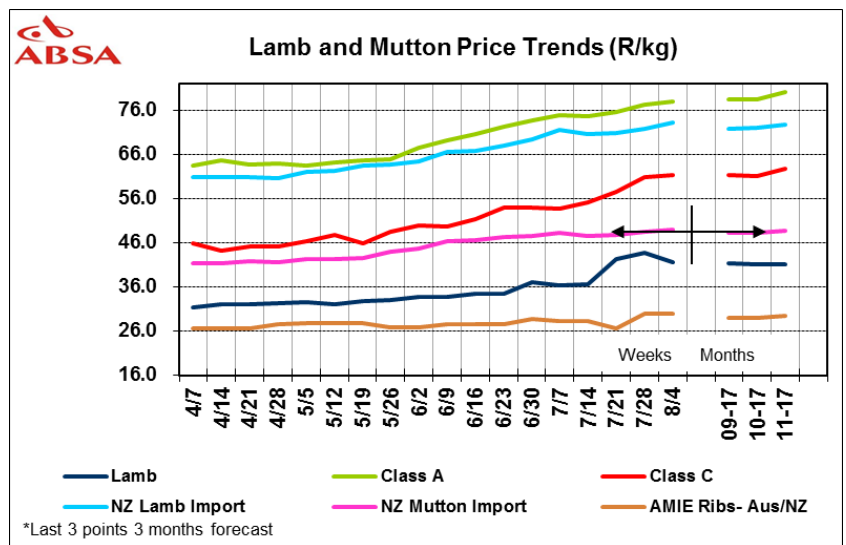
- Demand for New Zealand lamb from global markets continues to remain strong; supported by low supplies and inventories.
- Declining production in New Zealand (the largest exporter of lamb to China) has created more opportunities for Australian lamb in the Chinese market, resulting in export volumes increasing 39% compared to 2016.
- Australian lamb exports for 2017 are expected higher than previously expected as a result of expected increases in lamb production.

#### Bearish factors

- Dry weather through other parts of Australia has become the catalyst for declines in lamb and sheep prices, as it triggers increased supplies. Australia has begun to push a reasonable volume of lamb onto the export market after beginning the year at a slower pace. The dry conditions throughout June and July for many areas have meant mutton slaughter has been revised up.
- Prices for some New Zealand products have reached a ceiling, with customers showing no willingness to pay anymore. There are growing signs that there will be resistance to further increases in prices for some items.

### Domestic

Lamb and mutton prices remained strong over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 0.95% to R78.05/kg and the average Class C prices increased by 0.69% to



R61.30/kg. The average price for feeder lambs traded 5.40% lower at R41.50/kg. The average price for dorper skin is 10.99% lower at R38.89/skin and merinos were 6.91% lower at R92.75/skin.

### *Bullish factors*

- Lamb and mutton prices continue to strengthen week on week, on the back of less availability of animals being met with strong demand. The herd rebuilding process is underway, limiting the amount of sheep to be slaughtered.
- 2.2% fewer sheep was slaughtered during June 2017 compared to May of 2017. This trend was expected as the herd rebuilding process is underway, which limits the availability of animals for the slaughter market. The number of animals slaughtered is 16.6% lower compared to the same time a year ago.

### *Bearish factors*

- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton remain the most expensive meat on the market.

## **Outlook**

Internationally, lamb prices are high in the global market, which may start to weigh on consumer demand.

Locally, lamb and mutton prices continued with their strong gains over the past week, as the herd rebuilding process continues to be underway. The latest prices show that the average national lamb prices continued to reach record levels this week, with lamb prices reaching an average price of R78.05.

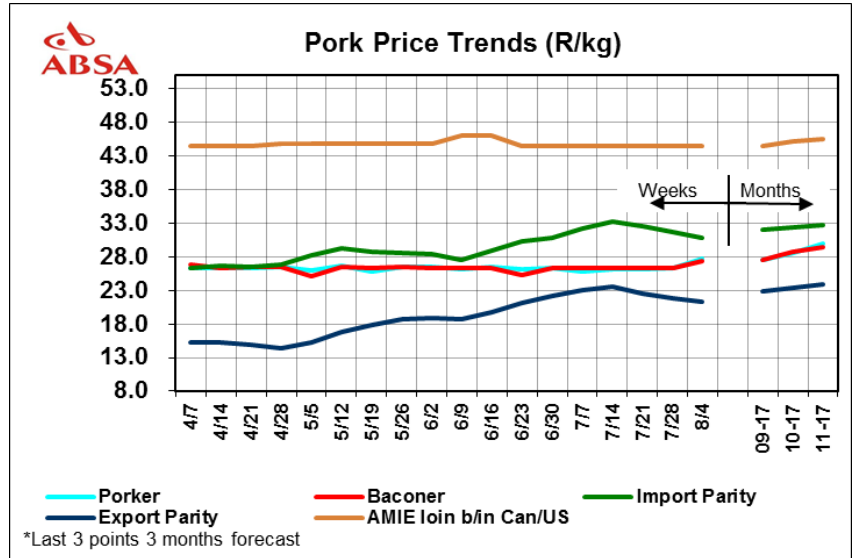
# Pork market trends

## International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 3.1% lower at US\$97.05/cwt, loin prices were 3.3% lower at US\$85.51/cwt, rib prices were 3.1% higher at US\$113.52/cwt and ham was 5.6% lower at US\$71.00/cwt.

### Bullish factors

- Pork production has been reduced this month in the WASDE report due to the lower expected slaughter in the third quarter.
- Hog price forecasts have been increased by the WASDE report for 2017 and 2018 on continued strength in demand.
- While the global pig meat market remained relatively well supplied, strong demand prevented prices falling too far.



### Bearish factors

- The main challenge for US pork exports at this time is China. Pork prices in China have declined and domestic commercial Chinese packers have been rapidly expanding production. While much of the focus in recent years has been on the size of the Chinese breeding herd (it continues to shrink) we would argue that this may not be the best indicator of Chinese supplies.
- The latest analysis from Rabobank expects global pork supply to increase further in the second half of 2017, and competition for global consumers will intensify.

## Domestic

Pork prices were mostly higher over the past week. The latest pork prices are as follows: The average porker prices are 5.0% higher at R27.71/kg, while the average baconer prices are 3.4% higher at R27.32/kg. The average cutters prices were 0.5% higher of R27.5/kg whilst the average heavy baconer price was 0.1% higher at R25.82. The SAU price is R19.76/kg and the SAB price is R22.44/kg.

### *Bullish factors*

- Higher beef, lamb and mutton prices may see buyers switch to more consumption of cheaper meats like pork and poultry.
- 12.6% less pigs was slaughtered during June of 2017 compared the same time a year ago.

### *Bearish factors*

- 6.15% more pigs were slaughtered during June of 2017 compared to May of 2017.
- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

### **Outlook**

Internationally, while the global pig meat market remained relatively well supplied, strong demand prevented prices falling too far, thereby keeping prices supported.

Locally, pork prices may gain underlying support from the higher lamb, mutton and beef prices and as herd rebuilding continues.

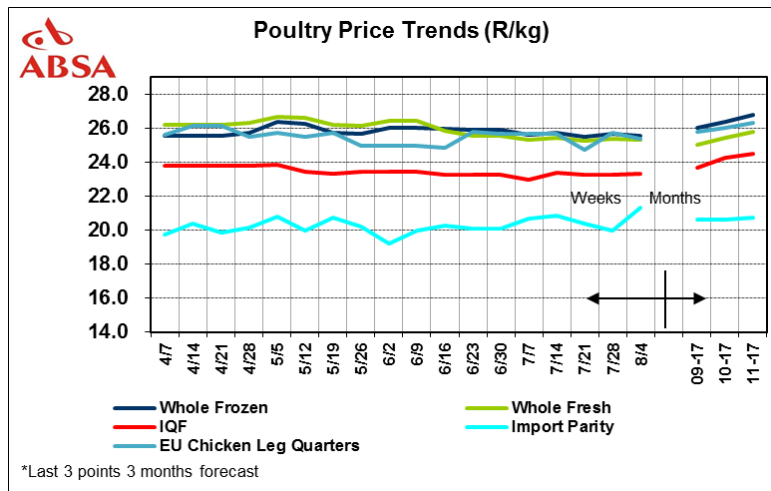
## Poultry market trends

### International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 3.05% lower at 95.24USc/lb. Breast traded 4.29% higher at 146.00USc/lb, while leg quarters traded 9.88% higher at 44.50USc/lb.

#### Bullish factors

- Global Brazilian chicken exports are starting to grow again after the rotten meat scandal, with sales slightly ahead of last year. Brazil sold over 340 000 tons of chicken abroad in July, a 6% increase compared to the same time a year ago. Trade has been boosted by a weak Brazilian real.



#### Bearish factors

- Second quarter broiler production was increased slightly by the waste report based on June production data, but no change was made to the outlying quarters
- Avian flu has returned to China's poultry sector. After an absence of about 18 months, highly pathogenic avian influenza (HPAI) has reportedly returned to the poultry sector in China. New cases are also reported in Taiwan, Myanmar, Italy, and South Africa.

### Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.36% lower at R25.57/kg during the week. Whole fresh medium bird prices were 0.28% lower at R25.30/kg, while IQF prices were 0.13% higher at R23.30/kg.

#### Bullish factors

- Poultry remains the least expensive protein meat, which may encourage consumer demand.
- Production losses associated with bird flu outbreaks may support prices
- Production costs may increase due to the added biosecurity measures and production losses. As a result, poultry producers may also start to demand higher prices.



- This industry is enjoying temporary support from the closure of the EU market following bird flu outbreaks in the EU

### *Bearish factors*

- Following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market. This may weigh on prices.

### **Outlook**

Internationally, most global markets are performing well, with a combination of strong demand, restricted supply, and ongoing low feed costs supporting this market.

Locally, following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market. This may weigh on prices. However, poultry continues to be the cheapest meat and therefore remains popular in terms of consumption.

Livestock prices (R/kg) week 11 Aug 2017	Beef			Mutton			Pork			Poultry		
	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week
Class A/Porker/Fresh birds	1.24	47.11	46.53	0.95	78.05	77.32	5.0	27.71	26.39	-0.28	25.30	25.37
Class C/Baconer /Frozen birds	-0.21	41.17	41.26	0.69	61.30	60.87	3.4	27.32	26.41	-0.36	25.57	25.66
Contract/Baconer/IQF	1.17	48.86	48.29	1.64	78.95	77.67	4.2	27.51	26.40	0.13	23.30	23.27
Import parity price	0.94	76.79	76.07	1.04	48.94	48.44	-1.0	40.2	40.6	6.92	21.32	19.94
Weaner calves/ Feeder lambs	-2.8	35.23	36.26	-5.40	41.50	43.87		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	0	48.00	48.00	3.2	63.60	61.60	0	44.50	44.50	-1.55	25.35	25.75

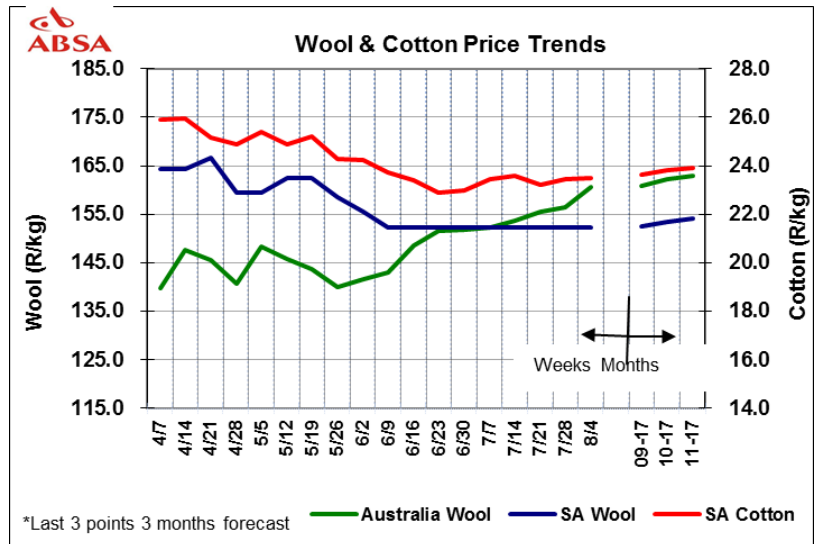
## Wool market trends

### International

The Australian wool market has returned from the three-week recess. Australian wool market prices were higher and closed 1.77% higher at Au1550c/kg at the recent auction.

#### Bullish factors

- Wool demand increased as the auctions in Australia progressed.
- The stronger AUD failed to dampen the current strong demand from mainly China.
- With such a strong finish to this week's selling at the auctions, participants expect a very strong market next week.



#### Bearish factors

- Wool prices increased in spite of a bigger offering at the latest Australian auction centres this week. Historically, this is normally a larger sale as a result of the extended break.
- Competing fibres such as cotton and synthetics may drag the wool prices down.

### Domestic

The last sale of the season was on the 07<sup>th</sup> of June 2017. Domestic wool market prices were 2.19% lower to close at R152.18 (clean) at the close of the season. This was the final auction of the 2016/17 wool growing season, and the next sale is scheduled for 16 August 2017.

#### Bullish factors

- While the final sale of the season saw the Merino indicator softening, prices for most of the season were significantly higher than in 2015/16 and the forecast is for the market to continue to increase over the long term.
- While demand is strong, world Merino production remains low, despite increases in South Africa and Australia's production

### *Bearish factors*

- South Africa saw production increase to 52,5 million kg in 2016/17, and its highest level in decades.

### **Outlook**

Internationally, with such a strong finish to this week's selling, there may be a spill over effect into the coming market, which may support prices.

Locally, The South African wool auction market is also on a break, and next sale is scheduled for 16 August 2017. Indications are that the prices will remain strong in the new season.

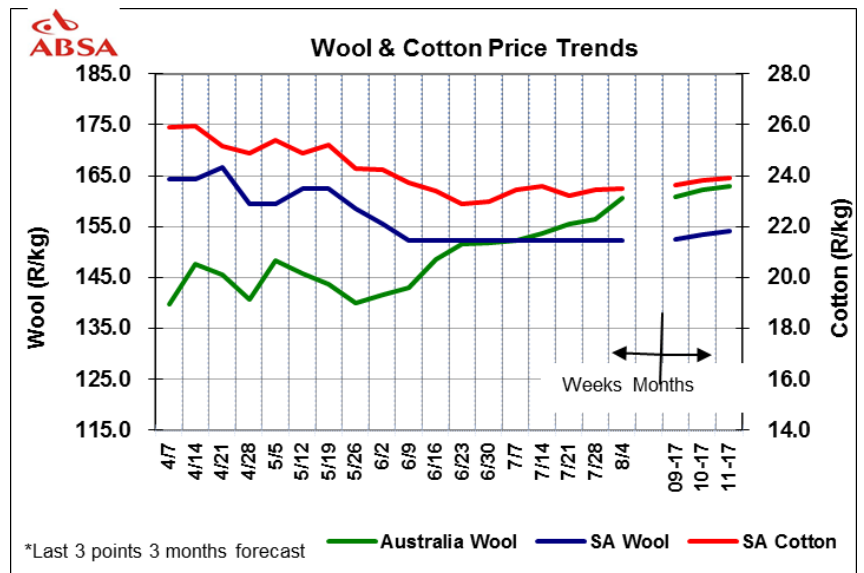
## Cotton market trends

### International

Cotton prices traded 2.25% higher over the past week and closed at US68.08c/lb.

#### Bullish factors

- As growth in the global economy strengthens, worldwide consumption of cotton is expected to increase, which should support prices.
- Strong demand for US exports gave a helping hand to cotton prices. There are ideas that a strong export performance means a downgrade to the estimate of US stocks of the fibre at the close of 2016/17.
- Reports indicate that mills in several Asian countries have already increased imports of US cotton by almost 60% this year.
- Cotton prices were supported by worries over erratic rains in India, a major exporter of the fibre.



#### Bearish factors

- Cotton prices were weighed down after the US increased expectations for the domestic output of the fibre. The first survey of US 2017 crop production indicates a crop of 20.5 million bales, 1.5 million above last month and the largest production in 11 years. The larger crop is partially offset by lower beginning stocks which are reduced 400,000 bales to 2.8 million due to an increase in final 2016/17 exports.
- The latest WASDE report has indicated that sharply larger production is increasing this month's 2017/18 global cotton stock forecasts. World production is increased 1.9 million bales, as higher production in the US, China, and Benin is partially offset by a reduction for Turkey. The forecast for China's crop has been increased 500,000 bales mainly on higher area.

## Domestic

The derived SA cotton prices traded 0.13% higher to close at R23.48/kg. The increases in prices were in line with the increases in international prices and also supported by the weakness in the South African rand. The 6th estimate for

the 2016/17 production year indicates a total crop of 77 366 lint bales, up 53% from the previous season and 2% up from the previous month's estimate.

## Outlook

Internationally, larger than expected cotton production may lead to improved global ending stock, thereby weighing on prices. Expected higher production in the US, China, and Benin is partially offset by a reduction for Turkey.

Locally, the exchange rate movement may continue to affect the domestic market prices.

**Fibres market trends**

**Week ended 04 Aug 2017**

<b>Wool prices</b>	<b>%</b>	<b>SA prices (c/kg)</b>	<b>%</b>	<b>Australian prices (SA c/kg)</b>	<b>%</b>	<b>Australian future Sep 2017 (AU\$/kg)</b>	<b>%</b>	<b>Australian future Dec 2017 (AU\$/kg)</b>
<b>Wool market indicator</b>		15218		15551		-		-
<b>19µ micron</b>		17942		18630	0.00	17.40	0.00	16.70
<b>21µ micron</b>		14673		15660	0.00	14.35	0.00	13.80
<b>Cotton prices</b>		<b>SA derived cotton (R/kg)</b>		<b>New York A Index (US\$/kg)</b>		<b>New York future Oct 2017 (US\$/kg)</b>		<b>New York future Dec 2017 (US\$/kg)</b>
<b>Cotton prices</b>	1.02	23.45	0.25	1.80	1.4	1.55	-0.1	1.519

## Vegetable market trends

### Carrots

Market prices are expected to remain constant for the period Jun- Aug 2017 at R3.50/kg- R4/kg. Prices increased w/w by 14% week-on-week due better quality received. Volumes increased slightly by 3.2%

### Onions

Prices remain under pressure, prices dropped by 13% week-on-week, due to volume increases of 4.9%. The onion price continues to experience one of its worst years, due to lack of demand from importing African countries (mainly driven by lower economic growth, affecting household incomes) as well as lack of demand from the local consumer.

The market anticipates prices to increase in the next two months, due to lower volumes delivered. This should increase prices.

### Potatoes

Market prices are expected to move sideways during the winter months (May-Jul) then start to increase towards end July, entering into August. Prices decreased week on week by 0.4 % due to volumes increasing by 10.4% in the Top 5 markets (Bloemfontein, Cape Town, Durban, Johannesburg and Pretoria). Lack of demand didn't support prices.

### Peppers

Prices declined by 11% day-to-day from average R9.14/kg to R8.09/kg. Week on week prices declined by 14% from R9.50/kg to R8.09/kg. The drop in prices is due to lower quality produce delivered.

### Tomatoes

Prices were under pressure. Overall most vegetable prices declined due to increased volumes, lower demand on the back of lower money available during the week for spending and increased volumes delivered and not taken up at the markets.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 11 August 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)



<b>Cabbages</b>	-14.0%	1850	2152	2.6%	2343	2285
<b>Carrots</b>	14.0%	3490	3062	3.2%	2777	2691
<b>Onions</b>	-13.1%	2490	2866	4.9%	8550	8152
<b>Potatoes</b>	-0.4%	2840	2852	10.4%	21953	19883
<b>Tomatoes</b>	-23.6%	5380	7038	-2.9%	5269	5424

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