



Agri Trends

20 October 2017

Potatoes gonna potato! - Potato Industry View

This year we saw potato prices on the fresh produce markets at lower levels than the previous year. Due to drought and very hot conditions in 2016, crops were damaged and stocks were limited on the fresh produce markets. The limited supply, supported price increases, and in quarter 2 of 2016, prices soared to levels of R6.07/kg, the highest it has been since 2015 (fig 1). Prices have since then declined in 2017 (Quarter 4, 2017 average price R3.55/kg) due to favourable weather, supporting greater yields and therefore larger supplies on the fresh produce market floors. In 2017, the Eastern Free State and Limpopo had good growing conditions. Limpopo had a warm winter; supporting greater yields. Even though the economy is static and consumer pockets under immense strain, it was noted that during Q1 of 2017, the fresh produce markets, made record potato sales. In general more potato bags are being sold from the fresh produce markets, compared to the earlier years, thanks to growing consumer preference and demand. Sales declined during Q2 and Q3 (2017) but we see an uptick trend in Q4 (2017), which may increase until the festive season, thereafter sales are likely to take a downward trend.

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Maize market trends

International

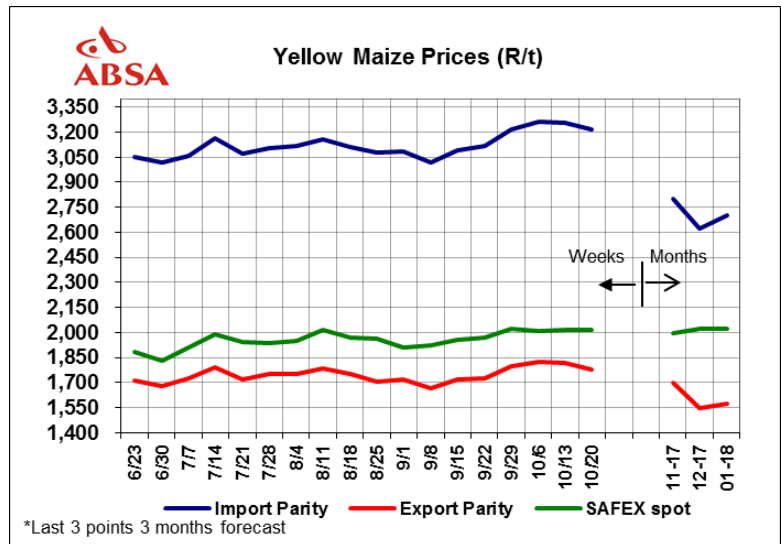
Week-on-week yellow maize No 2 gulf price increased from a weekly average of US\$150.04/ton to \$149.72/ton. Slow US harvest progress and growing crop planting concerns in Argentina (because of heavy rainfall) supported international maize prices on Friday.

Bullish factors

- Crop damage in some Argentinian maize crop, means crops have to be replanted.
- Better than expected Chinese interest pushing weekly export US sales corn.
- In Brazil, weather forecasts continue show heavy rain in southern parts of Brazil through till Saturday, while most of the northern and central growing regions remain dry.

Bearish factors

- The Argentinian government announced that they expect maize sowings to increase by 5.2%. A new free market regulation was passed.
- Favourable weather conditions, supporting harvesting processes in the US. This placed the market under pressure.
- US weather forecasts continue to look drier into early November. This means harvesting concerns are minimal.

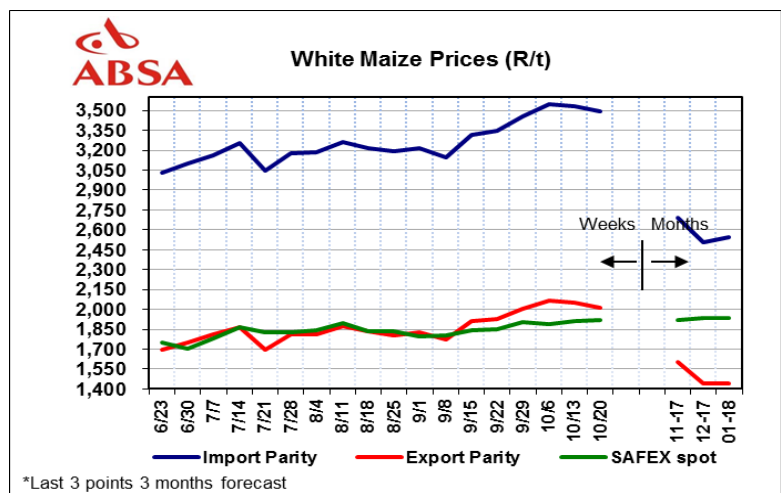


Domestic

By 20th October, week on week new season white maize prices for delivery in Dec 2017 increased marginally by 1.7% (R33) from R1903/ton to R1936/ton, Jul 2018 contracts increased marginally by 1.1% week-on-week from R2052/ton to R2075/ton. Week-on-week new season yellow maize prices for delivery in Dec 2017 increased by 1.1% (R23) from R2002/ton to R2025/ton. Prices for delivery in Jul 2018 for yellow maize were recorded at R2140/ton.

Bullish factors

- In some parts of the country's major maize growing regions, maize seed sales have declined, which may result in lower maize sowing for the coming season.
- Some producers have indicated intentions to switch to soybeans, sunflower, peanuts and cotton.
- Weaker Rand during the week supported maize prices.



Bearish factors

- Production expectations are looking good for the Free State, Northern Cape and North West. Good rainfall arrived between 25mm and 40mm in parts of the Free State during the past 2 weeks. Compared to the previous drought years, this season's soil moisture levels are better and yields are expected to be normal to above average given continued good weather.
- Maize planting intentions still indicate a great number of farmers planning to plant maize as their main/primary crop again in the new season.

Outlook

Indications of lower maize seed sales seem to indicate to potential lower maize plantings. Local production conditions look favourable, with rainfall gracing the major maize producing regions, to allow for planting (eg. soil moisture is much better in the central Free State, the region received around 25mm-40mm rain in the first two weeks of October, allowing producers to plant ,during the optimal planting season). Farmers in the Northern Free State have also started planting, especially those that have ground water tables. Maize planting intentions in the largest maize producing region seems to show that producers will still plant maize as their main crop again the next season, with some producers switching to soybeans, sunflower seed, peanut and cotton, to reap better profit margins. Prices are expected to trade sideways for the next 2 months, with any changes being determinant by the Rand volatility.

The focus remains on South American weather conditions and planting progress. Dry conditions in Brazil and wet conditions in Argentina damaging crops.

Yellow Maize Futures: 20 October 2017	Dec-17			Mar-18			Jul-18			Sep-18		
CBOT (\$/t)	135.62			141.13			147.53			150.29		
SAFEX (R/t)	2025			2077			2140			2204		
SAFEX (R/t) Change week on week (w/w)	23			27			17			18		
	Dec-17			Mar-18			Jul-18					
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
	2,060	90	55	2,120	178	135	2,180	230	190			
	2,020	68	73	2,080	156	153	2,140	207	207			
	1,980	50	95	2,040	135	172	2,100	186	226			

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

White Maize Futures 20 October 2017	Dec-17			Mar-18			Jul-18			Sep-18		
SAFEX (R/t)	1936			1983			2075			2115		
SAFEX (R/t) Change w/w	33			35			23			0		
	Dec-17			Mar-18			Jul-18					
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
	1,980	92	48	2,020	180	143	2,120	254	209			
	1,940	69	65	1,980	157	160	2,080	231	226			
	1,900	50	86	1,940	137	180	2,040	209	244			

Wheat market trends

International

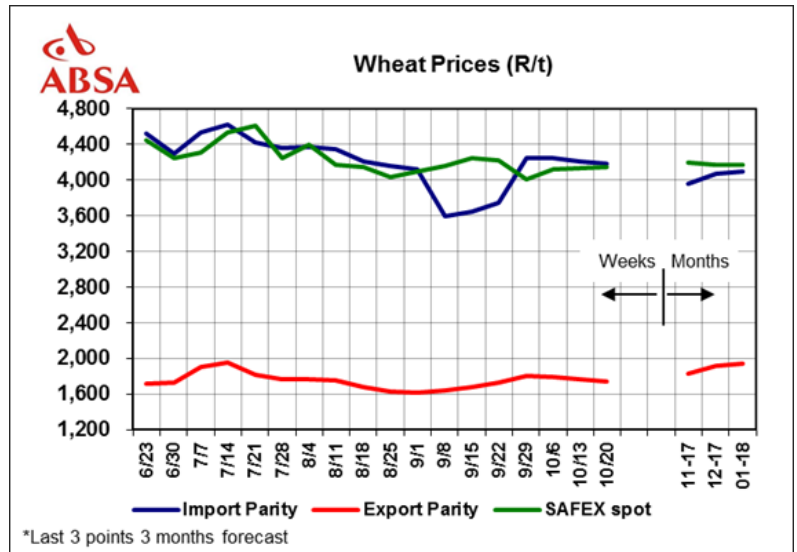
The weekly average old season HRW wheat Gulf price remained at US\$181.83/ton week on week Global wheat stocks still remain high in Canada and The US, irregardless of the poor spring wheat weather and the reduced planted acreages. The US crop emergence is slightly behind normal. Good moisture levels are anticipated to support early crop development.

Bullish factors

- Crop damage occurred in Argentina due to excessive wet conditions.
- Poor rainfall and dry conditions in Australia were the main reason the USDA cut the Australian wheat forecast; however export sales still kept to previous estimate of 18 million tonnes.

Bearish factors

- The International Grains Council is estimating the global wheat crop to be the 2nd largest ever.
- Even though Australia suffered some crop losses due to the drought, stocks still remains ample from the previous year's huge crop.



Domestic

On October 20th, wheat prices for delivery in Dec2017 increased by 1.1% (R44) from R R4127/ton to R4171/ton Mar2017 prices also increased by 1% from R4209/ton to R4253/ton, week on week.

Bullish factors

- In the Swartland area, producers are anticipated to harvest average to poor crops, especially in the northern parts of Swart Land and the West Coast.
- Production losses in Australia and Argentina, supporting higher international prices, lending support to the local wheat price.

Bearish factors

- Crop harvests expected to be normal in Northern and parts of eastern Free State. Frost received over the week, is not expected to have significant damage to crops. Most producers in the area are insured against frost damage.

Outlook

Internationally wheat prices are expected to remain under pressure well into the next year, because of large global stocks & crop, thanks to the Black Sea great crop prospect.

Normal wheat harvests are expected in the eastern parts of the Free State and in the Northern Cape. The area received some frost during the week but no significant damage was recorded. Swartland area harvest expected to average to poor in the northern parts as well as parts of the West Coast.

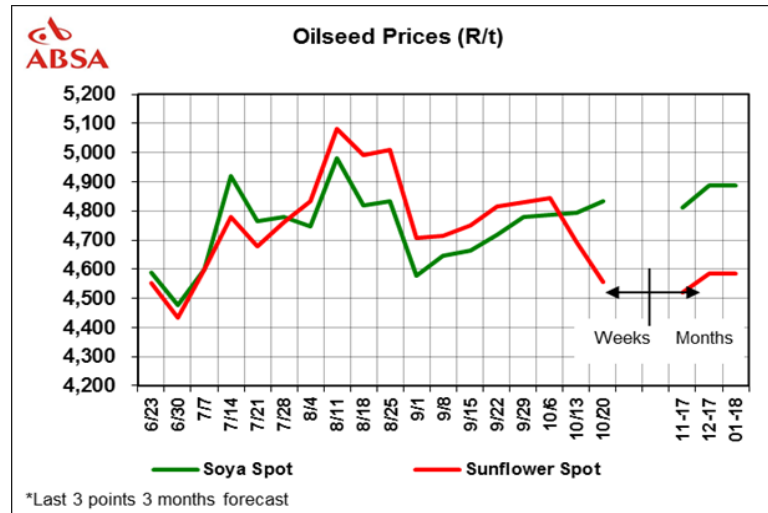
Wheat Futures 20 October 2017	Sep-17			Dec-17			Mar-17			Jul-18		
CME (\$/t)	163.33			168.56			179.31			186.01		
SAFEX (R/t)	4200			4171			4253			4264		
SAFEX (R/t) <i>Change w/w</i>	86			44			44			45		
Dec-17				Mar-18						Jul-18		
Ask	Put	Call		Ask	Put	Call		Ask	Put	Call		
4,220	116	67		4,300	186	139		4,300	244	208		
4,180	93	84		4,260	164	157		4,260	222	226		
4,140	74	105		4,220	144	177		4,220	202	246		

Oilseeds market trends

International

The weekly average USA soybean price increased week on week from US\$369.36/ton to US\$378.78/ton. US soya oil prices increased from US\$33.07/ton to US\$33.72/ton and soymeal prices also traded higher from US\$316.48/ton to US\$321.28/ton.

World sunflower seed production is lower than previous expectations (declined by 1.3 million ton). However US and Argentinian soya meal exports expected to be higher in 2017/18.



Bullish factors

- World sunflower seed production lowered to 48.4 million ton (down by 1.3 million ton). This may result into lower production and export supplies of sunflower oil and sunflower meal.
- The adverse weather conditions in the CIS countries, causing many uncertainties on the supply side of sunflower seed. Downward revisions have been made for the Russian sunflower seed area to be harvested. Ukraine harvest results also poor. The reduced production is still in its initial phase, the risk for further crop declines is still there.
- Uncertainty hovers over the Brazilian soybean crop. Should sufficient rainfall not arrive in mid-October and early November, planting and yield expectations will deteriorate.
- Argentina: Very wet conditions keep damaging crops. Major problems are faced in the soybean and maize belt. Soybean sowings expected to decline further in 2017 in Argentina as more producers switch to maize and sunflower.

Bearish factors

- In the EU sunflower seed production is expected to be higher than initial forecast. This increase was supported by crop increments in France and Spain. Due to potential lower Turkish import demand, EU sunflower seed exports are likely to recover in 2017/18.
- World sunflower seed processing will likely remain high or even increase, from the record carry-over stocks and the new crushing sunflower seed capacity coming, in the Black Sea region.
- US groundnut stocks remain at very large levels through entire season. This added to the price setback of US\$300/ton in the past 4 months.
- Groundnut oil prices were under strain during the recent weeks, underpinned by weak demand from China.
- Increased exports from Brazil, Argentina, Nicaragua and Sudan caused increased global groundnut oil exports during 2017.

Domestic

On October 20th, sunflower seed prices (Dec17) decreased week on week by 0.8% (R35) from R4620/ton to R4585/ton while soybean (Dec17) prices increased marginally by 1.2% from R 4830/ton to R4889/ton. Sunflower seed prices fared lower than soybean prices for all future contract deliveries. Higher international soybean prices, supported by weather concerns in South America supported local positive price movements in soybeans.

Bullish factors

- The positive crushing margin for sunflower seed and consequent local demand support sunflower seed prices.
- The weather conditions in South America, causing crop damage and lowering yields. Lower international production supporting local prices.

Bearish factors

- Some maize planting area will be switched to sunflower seed, soybean, peanuts and cotton production in the new season, to make more profit.

Outlook

International soybean prices have taken a bullish trend. Local oilseed prices for the week followed that trend, and will continue following international prices. The weaker Rand value supported local soybean prices.

The weather in South America will remain the major soybean price determinant in the coming weeks. The dryness in the central and northern soybean producing areas in Brazil remain a going concern. The southern parts of Brazil however received heavy rains, which caused damage to wheat crops just before harvesting also causing major setbacks in the fieldwork. If la Nina conditions develop in Brazil, Argentina and Uruguay during December and January lower rainfall could arrive. Observers think that this is a remote scenario and expect only a moderate la Nina to develop.

Oilseeds Futures 20 October 2017			Dec-17	Mar-18	Jul-18	Sep-18		
CBOT Soybeans (US\$/t)**			363.49	367.16	370.56	373.59		
CBOT Soy oil (US c/lb)			34.16	34.53	34.76	34.92		
CBOT Soy cake meal (US\$/t)*			348.46	354.18	357.14	359.78		
SAFEX Soybean seed (R/t)			4889	4950	4989	5070		
SAFEX Soybean seed (R/t) change w/w			59	39	24	41		
SAFEX Sunflower seed (R/t)			4585	4680	4700	4815		
SAFEX Sunflower seed (R/t) change w/w			-35	-34	-47	-45		
Sunflower Calculated Option Prices (R/t)								
Dec-17			Mar-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,620	174	139	4,720	287	247	4,860	365	320
4,580	152	157	4,680	265	265	4,820	343	338
4,540	133	178	4,640	244	284	4,780	322	357

*short ton

** Dec 2017 = Jan 2018

Beef market trends

International

New Zealand steers traded lower over the past week at 5.58NZ\$/kg and cows traded sideways at 4.24NZ\$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 0.84% lower at \$214.05/cwt. Rump was 1.69% higher at \$506.86/cwt and strip loin was 1.88% lower at \$223.10/cwt. Chuck traded 0.27% higher at \$235.58/cwt. The carcass equivalent price was 0.13% lower at \$280.90/cwt.

Bullish factors

- US Department of Agriculture (USDA) expects global beef and veal exports in 2018 to increase by 3% to 10.1 million tons, driven by shipments from Brazil, Australia, Argentina, and the US. Demand in East Asia will remain robust. China, in particular, is expected to continue to drive trade, as domestic production cannot meet growing consumption.

Bearish factors

- (USDA) has indicated that global production may grow by almost 2% in 2018 to 62.6 million tons with the US and Brazil alone accounting for about half of the growth. In the US, production is expected up nearly 3% in 2018 to a record 12.4 million tons, as the US enters the fourth year of its herd expansion. Increased production in Brazil will be encouraged by expanding exports.
- Argentina's production is expected to continue to be boosted by favourable policy developments and herd expansion.
- Australia's beef production is rebounding, having recovered from drought-induced herd liquidation followed by herd rebuilding.

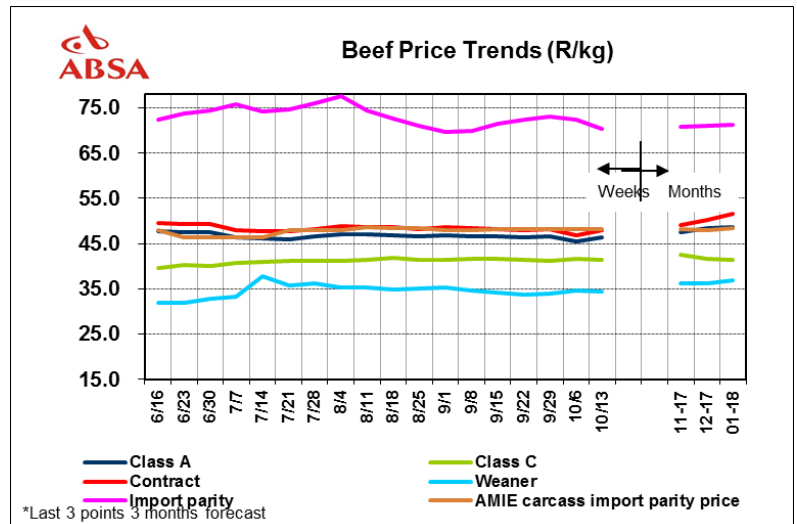
Domestic

Beef prices have remained mostly higher most of this year, and the strong momentum continues across the different classes. Over the past week, beef were mostly higher across the different classes. The average Class A prices are 2.1% higher at R46.37/kg. Class C prices were 0.45% lower at R41.35/kg. The average weaner calf prices over the past week were 0.1% lower at R34.52/kg. The average hide price over the past week continued to remain under pressure, and was 2.30% lower at R12.23/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- Grazing conditions already improved in some areas and as the summer progresses it will have a strong re-growth that will enable farmers to rebuild their livestock herds.
- If we are to compare the August 2017 slaughter numbers to the same time a year ago, it shows that 5% fewer cattle were slaughtered this year compared to last year.
- The average South African weaner cattle prices for the month of September were 2.77% lower and reached R34.14/kg. This price is however 67% higher than the price paid the same time a year ago. Quality weaner cattle for feedlots are limited which support prices of better stock. Recently, there was very little weaner stock available for feedlots on some auctions. This resulted into higher prices.

Bearish factors



- 11.2% more cattle were slaughtered during the month on August 2017 compared to July 2017.
- The average South African weaner cattle prices for the month of September were 2.77% lower and reached R34.14/kg. Prices reached high levels in the past months, possibly discouraging demand from buyers like the feedlots.
- Consumers are under pressure and some may not be willing to pay more for beef. This may result in a switch to other products.

Outlook

Internationally, higher expected global beef production in 2018 may weigh on prices.

Domestically, it is in line with seasonal trends for prices to follow an increasing trend through August until after the festive season, and as we have entered into warmer conditions (moving away from winter). It is a norm for producers to hold back on their animals during rainy season, with the hope that the rains would improve grazing conditions. The retention of animals during the rainy season leads to an even smaller herd. Neutral to weak La Niña conditions are still favoured for the season up until at least March/April 2018.

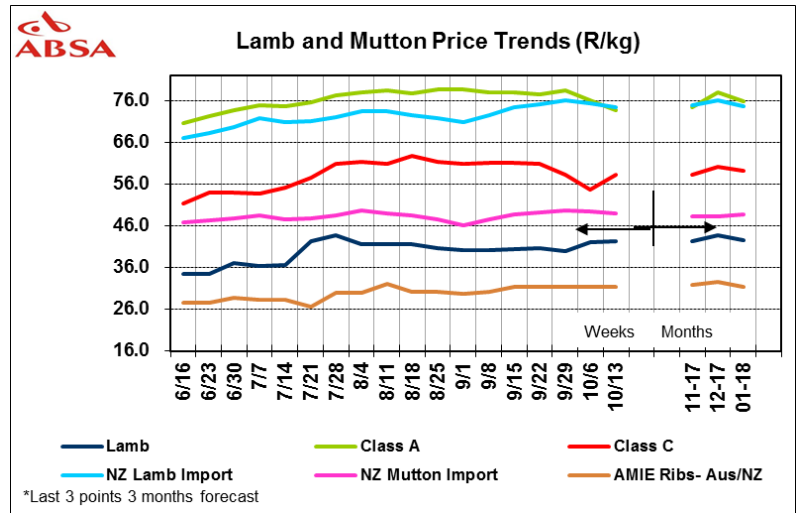
Sheep meat market trends

International

New Zealand lamb prices traded higher this week compared to last week. Lamb prices closed 1.04% higher at NZ\$106.9/head for 15kg lamb. Lamb prices were 1.01% higher at NZ\$149.6/head for 21kg lamb. Ewe prices traded 1.24% higher at NZ\$88.8/head for a 21kg ewe. The import parity price for lamb was 1.07% lower at R74.59/kg, while the import parity price for mutton was 0.93% lower at R48.92/kg.

Bullish factors

- Sale yard lamb prices in Australia are expected to increase in 2017/18 as a result of firm export demand and continued flock rebuilding.
- Australian sheep prices are forecast to increase by 6% to average 440 cents a kilogram in 2017/18 as graziers continue to retain breeding ewes to rebuild flocks. The retention of breeding ewes has been supported by on-farm fodder stores in many regions and availability of relatively low-priced feed grains for supplementary feeding.



Bearish factors

- Overall spring pasture growth in 2017 is expected to be less favourable than in 2016 in Australia, and as a result, the rate of flock rebuilding is expected to slow. The national flock is forecast to rise by 3% to around 73 million head by the end of June 2018.

Domestic

In general, the average sheep meat prices realised in October show strong declines compared to prices paid three months ago. Lamb and mutton prices were mixed across the different classes over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices decreased by 3.37% to R73.70/kg and the average Class C prices increased by 6.12% to R58.18/kg. The average price for feeder lambs traded 0.40% higher at R42.37/kg. The average price for dorper skin is 3.11% lower at R39.30/skin and merinos were 4.11% higher at R110.23/skin.

Bullish factors

- Weather forecasts show that current short to medium term forecasts are indicating very good rainfalls for most of the country for the first part of November. The exception remains the far western and south western parts as well as most of the Western Cape. This may support keeping back of herds, and therefore support prices.
- The August 2017 slaughter number represents a 7.5% reduction in sheep slaughter when we compare it to the same time a year ago.
- Strong seasonal demand during the warmer months may add support to prices.

Bearish factors

- Month on month, 11% more sheep were slaughtered in August 2017 compared to July of 2017.
- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton remain the most expensive meat on the market. The South African consumer is currently under pressure.

Outlook

Internationally, lamb prices are high in the global market (due to low global inventories), which may start to weigh on consumer demand.

Locally, lamb and mutton prices have recorded some declines over the past 2 months, after having increased to record levels in the past weeks. Consumer resistance may have contributed to the declines. Moving forward, prices may gain support from as the warmer temperatures are supportive to outdoor grilling.

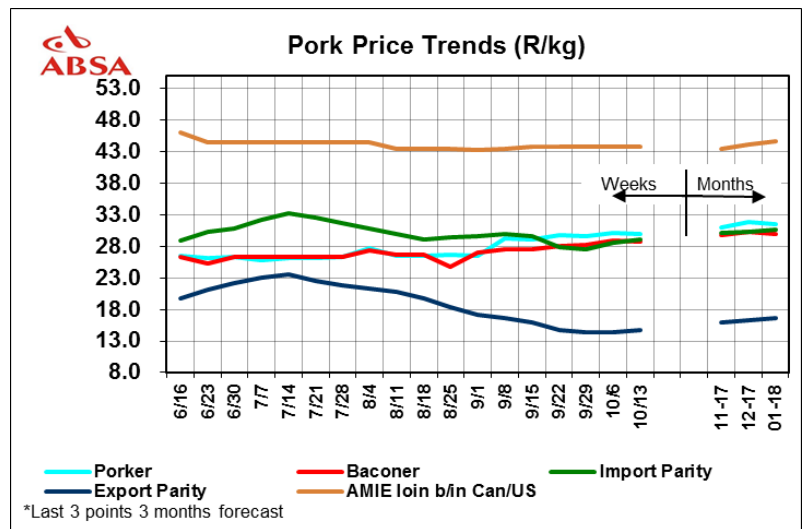
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 1.5% higher at US\$73.14/cwt, loin prices were 1.1% lower at US\$73.17/cwt, rib prices were 0.8% higher at US\$115.21/cwt and ham was 2.6% higher at US\$63.53/cwt.

Bullish factors

- The European Union is expected to reduce output due to a quiet domestic market and export sales.
- Global exports are expected to increase by 3% in 2018, driven by strong international demand.
- Robust consumer demand for pork will also boost output in Russia, the Philippines, and Mexico.



Bearish factors

- US hog supplies continue to be plentiful and are expected to be record large through the end of the year. Hog carcass weights started increasing sharply in early September due to the seasonal increase in hog supplies.
- The latest output from the US department of Agriculture indicate that global production is forecast up nearly 2% in 2018 to 113.1 million tons, primarily on expansion in China and to a lesser extent the US. China's pork production is expected to increase for the second consecutive year as producers respond to positive returns. Additions to the sow herd and higher finished weights will both drive production during 2018.

Domestic

Pork prices have strengthened recently, and are trading at favourable levels. However, the average pork prices were slightly lower over the past week, but still remain at high levels. The latest average pork prices are as follows: The average porker prices are 0.2% lower at R30.03/kg, while the average baconer prices are 0.2% lower at R28.81/kg. The average cutters prices were 0.5% lower at R29.2/kg whilst the average heavy baconer price was 0.8% higher at R27.04. The SAU price was R21.39/kg.

Bullish factors

- During the month of August 2017, 6.8% fewer pigs were slaughtered compared to July of 2017.
- Pork prices may be supported by seasonality and underlying support from higher lamb, mutton and beef prices.

Bearish factors

- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs. The pork industry is very sensitive to maize prices, with the lower prices positive for this industry as it lowers input costs.

Outlook

Internationally, the global pig meat market remains relatively well supplied, but strong demand is helping to support this market. Global pork production is expected to increase in 2018 primarily on expansion in China and to a lesser extent the US.

Locally, pork prices may gain underlying support from the higher lamb, mutton and beef prices as well as improved demand as the warmer weather encourages braaing.

Poultry market trends

International

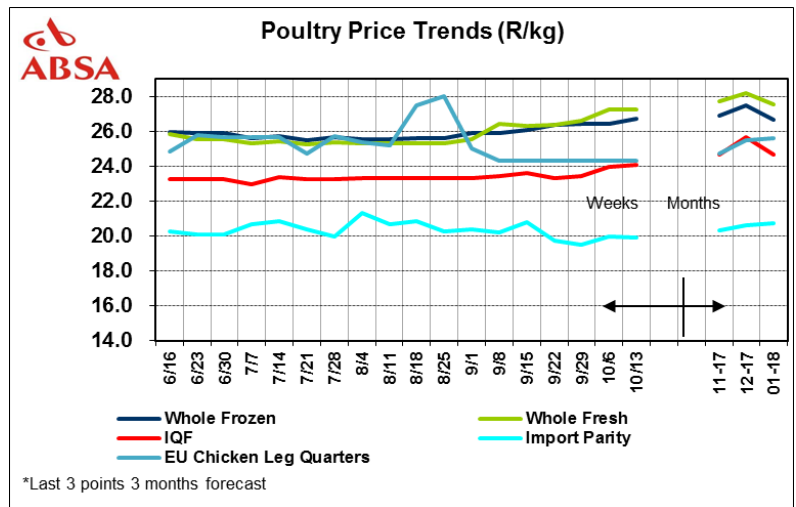
Poultry prices in the US were mostly higher over the past week. Whole bird prices were 1.67% lower at 84.44USc/lb. Breast traded 0.49% higher at 102.00USc/lb, while leg quarters traded sideways at 38.50USc/lb.

Bullish factors

- The global broiler market continues to be constrained by highly pathogenic avian influenza (HPAI).
- As Brazil recovers from a slow first half of 2017 following quality issues, exports are forecast almost 4% higher in 2018.

Bearish factors

- Global broiler production is forecast to grow 1% in 2018 to 91.3 million tons, primarily from increases in the US, Brazil, India, and the European Union. US and Brazilian expansion is driven by higher exports while the European Union and India are due to slow but steady growth in domestic demand.
- US production is expected to increase by 2% to a record 19.0 million tons in 2018.



Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 1.01% higher at R26.71/kg during the week. Whole fresh medium bird prices were sideways at R27.27/kg, while IQF prices were 0.52% higher at R24.11kg.

Bullish factors

- As a result of the bird flu, consumers can expect to as much as R3 more per dozen of eggs in the coming months due to supply shortages caused by the continued culling of chickens. The cost impact could flow further to producers of goods that use eggs as ingredients and ultimately to the consumer.
- Poultry remains the least expensive protein meat, which may encourage consumer demand.

Bearish factors

- Feeding margins have improved on the back of lower maize prices this season.

Outlook

Internationally, the global broiler market continues to be constrained by highly pathogenic avian influenza (HPAI).

Locally, the impact of bird flu on total production is still not yet determined. Prices may follow an upward trend based on seasonal trends and as the impact of bird flu may start to influence production. The low feed prices are positively contributing to poultry margins.

Livestock prices (R/kg) week 20 Oct 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	2.1	46.37	45.40	-3.4	73.70	76.26	-0.2	30.03	30.09	0	27.27	27.27
Class C/ Baconer/ Frozen birds	-0.45	41.35	41.54	6.1	58.18	54.82	-0.2	28.81	28.87	1.01	26.71	26.44
Contract/Baconer/ IQF	2.0	47.89	46.95	-3.6	73.04	75.79	-0.2	29.42	29.48	0.52	24.11	23.98
Import parity price	-2.92	70.40	72.51	-0.9	48.92	49.38	0.8	32.8	32.6	-0.2	19.91	19.95
Weaner calves/ Feeder lambs	-0.1	34.52	34.55	0.4	42.37	42.20		-	-			
Specific imports: Beef trimmings 80v/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0	48.20	48.20	0	59.60	59.60	0	43.80	43.80	0	24.30	24.30

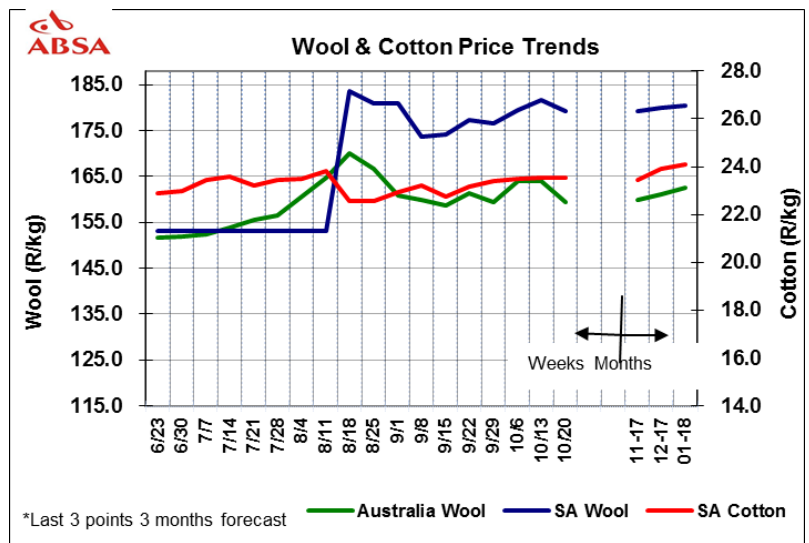
Wool market trends

International

The Australian wool market prices were slightly higher and closed 0.13% higher at Au1568c/kg at the recent auction.

Bullish factors

- The strong demand for Australian wool has been giving support to prices. The 2016/17 season delivered growers the highest wool prices in recent history. Prices are underpinned by solid demand, particularly from China. The increase largely reflects growth in China's domestic demand for woollen apparel in response to strong economic growth and rising incomes
- Some good rains have hit a few of Australia's growing regions which may slow shearing, delaying wool into store to be sold.
- Wool prices are forecast to increase in 2017/18 as growth in global demand for fine wool outpaces growth in supply.
- Less favourable pasture conditions are expected to put downward pressure on wool yields in Australia in 2018.



Bearish factors

- In 2017/18, Australian shorn wool production is forecast to increase by 4% to 353,000 tons. There is an expected increase in the number of wethers and the maturation of recent additions to the national flock, which is expected to partly offset declines in yields.

Domestic

The last sale was on the 18 October 2017. Domestic wool market prices were 1.42% lower to close at R179.20 (clean) at the past sale. The next sale is scheduled for 25 October 2017 where approximately ±9 691 bales will be on sale.

Bullish factors

- Strong competition between buyers was noted at the recent auction.
- The new wool selling season had a positive start whereby the Cape Wools Merino indicator rose by 19% to its highest level ever. Although wool prices have eased slightly since the record levels fetched at the opening sale of the season, the market has maintained its higher price levels.

Bearish factors

- The Rand was 1,0% stronger against the US Dollar and 1,6% stronger against the Euro, compared with the average rate at the previous sale.
- 8.1% more volumes were offered at the latest auction, compared to the previous sale.

Outlook

Internationally, wool prices are forecast to increase in 2017/18 as growth in global demand for fine wool outpaces growth in supply. This may continue to support prices.

Locally, wool prices may remain strong on the back of strong demand for South African wool.

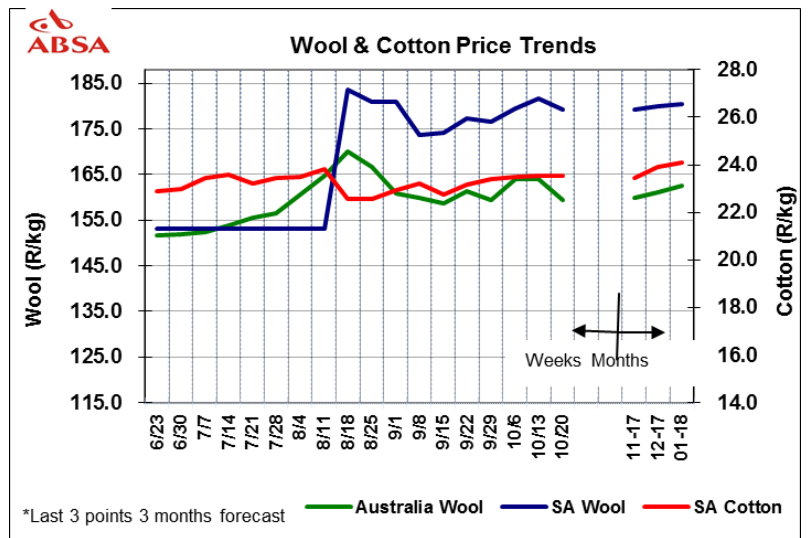
Cotton market trends

International

Cotton prices traded 0.52% higher over the past week and closed at US67.04c/lb.

Bullish factors

- The US Department of Agriculture, in its much-anticipated Wasde crop report, cut its forecast for the domestic cotton harvest this year by 643,000 bales largely in Texas and Georgia, the top two producing states. This was to account for hurricane damage to crops. The US carryout stocks forecast was cut by a modest 200,000 bales to 5.80m
- The USDA highlighted the rumours of fresh Chinese buying on international markets, talk which has been doing the rounds of late.



Bearish factors

- Cotton production forecasts has been increased about 100,000 bales as larger expected crops in Argentina, Brazil, and Greece more than offset the reduction in the forecast for the US.
- Cotton prices may decline to pre-Hurricane levels due to US harvest pressure. As the US harvest moves into full swing, this may weigh on prices.

Domestic

The derived SA cotton prices traded 0.11% higher to close at R23.53/kg. The increases in prices were in line with the increases in international prices, in spite of the strength in the South African rand. Some maize producers may switch their maize planting area to cotton to leverage off better profit margins. Maize prices are low, due to the surplus and large carry-over stocks are expected for the new season due to low export activities. As a result, producers are under pressure to plant less maize this coming season. The cotton production experienced increases for the past two seasons, and the same is expected for the 2017/18 planting season. Prices that producers can realise are now known beforehand at planting time as they are able to hedge prices in advance, which gives producers certainty.

Outlook

Internationally, harvest pressure in the US may weigh on prices.

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

Fibres market trends
Week ended 20 October 2017

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Sep 2017 (AU\$/kg)	%	Australian future Dec 2017 (AU\$/kg)
Wool market indicator	-0.30	16528	-1.42	17920		-		-
19µ micron	-0.02	19890	-1.82	20364	0.00	18.40	0.00	18.00
21µ micron	-2.44	16292	-0.91	16827	-2.55	15.30	-1.96	15.00
Cotton prices		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future Dec 2017 (US\$/kg)		New York future Mar 2018 (US\$/kg)
Cotton prices	0.11	23.53	0.06	1.74	-0.6	1.496	-0.5	1.485

Vegetable market trends

Potatoes

This year we saw potato prices on the fresh produce markets at lower levels than the previous year. Due to drought and very hot conditions in 2016, crops were damaged and stocks were limited on the fresh produce markets. The limited supply, supported price increases, and in quarter 2 of 2016, prices soared to levels of R6.07/kg, the highest it has been since 2015 (fig 1). Prices have since then declined in 2017 (Quarter 4, 2017 average price R3.55/kg) due to favourable weather, supporting greater yields and therefore larger supplies on the fresh produce market floors. In 2017, the Eastern Free State and Limpopo had good growing conditions. Limpopo had a warm winter; supporting greater yields. The supply and demand mechanism drives sales and determines prices. Even though the economy is static and consumer pockets under immense strain, it was noted that during Q1 of 2017, the fresh produce markets, made record potato sales. In general more potato bags are being sold from the fresh produce markets, compared to the earlier years, thanks to growing consumer preference and demand. Sales declined during Q2 and Q3 (2017) but we see an uptick trend in Q4 (2017), which may increase until the festive season, thereafter sales are likely to take a downward trend.

Onions

Due to unfavourable weather in the Western Cape Province and crop damage, due to drought in the Northern Cape, prices are anticipated to increase in 2018. For the time being (August 2017- October 2017) the increased supply as a result of late planted crops will continue to suppress onion prices

Tomatoes

Good weather conditions and warmer temperatures during the 2017 season, increased supply at the fresh produce markets therefore causing a decline in prices. Prices likely to remain sideways for the next month, picking up around the festive season and trading sideways again early 2018.

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 use of this information.