Agri Trends

14 December 2017

Drought impact on onion production in the Western Cape.

Growers in the Western Cape have planted fewer onions than normal; some have not even sown any onions this winter. Producers prefer to use the water for permanent crops. The area is expected to produce lower onions due to the drought.

The Northern Cape producers are almost done delivering to the FPM (Fresh Produce Markets). Smaller volume is expected; due to reduced plantings as a result of the low prices last year, some growers planted no onions and decided to switch to other crops.

Northern Cape producers are currently finishing off their deliveries. Less onions were planted due to lower prices received last season in NC, that coupled with the Western Cape crop delivery period (December – Jul2018), will result in lower volumes delivered at the FPM during Dec2017-Jul 2018 period.

Therefore the full impact of the reduced plantings and drought is expected to reach market by February 2018, where prices are expected to soar to record levels. Currently prices are trading at average R40-R50/10kg bag and might increase to R50-R60/10kg bag over the festive holidays at the Johannesburg market. Prices could reach about R75-R85/bag next year May/June 2018

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Contact us at Absa AgriBusiness:

Karabo.Takadi@absa.co.za
Wessel.Lemmer@absa.co.za
Conce.Moraba@absa.co.za
https://www.absa.co.za/business/sector-solutions/agribusiness/trends-and-reports/

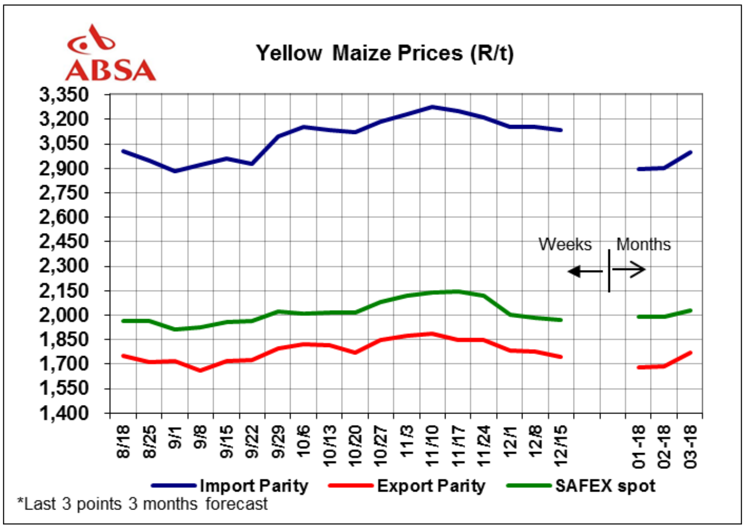
Maize market trends

International

Week-on-week yellow maize No 2 gulf price decreased from US$150.90/ton to $148.53/ton. US maize prices likely to trade sideways ahead of the holiday season.

<u>Bullish factors</u>

- Unfavourable dry weather forecast in most parts of Argentina, south of Brazil, Paraguay, and Uruguay during week ending 15 December 2017, probably until 23 December 2017 will significantly affect maize crop prospects.
- Farmers in several areas in Argentina have stopped maize plantings. Soil moisture supplies were far below the normal, with a rainfall decline of 60-70% below normal in November 2017, in many parts of the country.
  This month's USDA 2017/18 maize outlook includes increased ethanol usage, which will reduce ending stocks.



<u>Bearish factors</u>

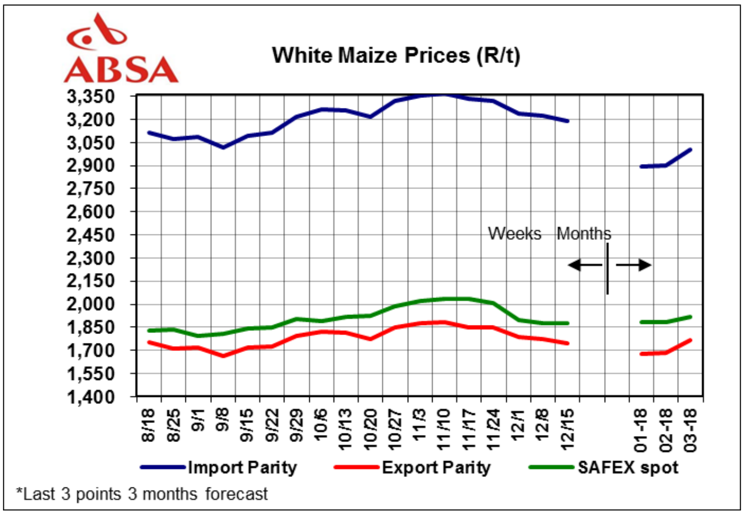
- US maize trading sideways but a low range. Abundant global stocks keep weighing prices down.
- Rains expected this weekend in parts of Argentina's main soybean and maize growing regions.

Domestic

The local maize market traded lower. By December 13th 2017 , week on week new season white maize prices for delivery in Mar2018 decreased by 0.3% (R5/ton) from R1923/ton to R1918/ton. Week-on-week new season yellow maize prices for delivery in Mar2018 declined by 0.4% (R8/ton) from R2034/ton to R2026/ton. Prices for delivery in Jul2018 for yellow maize were recorded at R2099/ton a 0.4% decline from R2108/ton. Favourable weather conditions in the northern and eastern parts of maize growing regions, supporting planting. Large supplies and favourable weather have been priced in, hence the minimal movement in the grain prices.

<u>Bullish factors</u>

- A weaker domestic currency The Rand may become more volatile as the weekend of the ANC conference approaches.
- The planting season is already late, some planting areas could not commence planting in full swing due to lower than expected rainfall.



<u>Bearish factors</u>

- La Nina is usually responsible for a late start rainy season, with good rainfall over the mid to late summer rainfall. Domestic current weather outlook is similar to the previous season.
- Weather outlooks for the next 7 days shows good volumes of probable rainfall over the central (maize belt), Northern and Eastern parts of the country.
- Total exports for the season totalled 1.7 million ton as reported week ending 08/12/2017 by SAGIS.

Outlook

Local

With the holiday season upon us, trade is anticipated to be lower. Any shocks in movements or pick up in export activity will be supported by the Rand volatility due to the political uncertainty in South Africa, especially with the ANC conference this coming weekend.

International

Ongoing weather concerns in South America remain a factor to watch.

Yellow Maize Futures: 13 December 2017	Mar-18	May-18	Jul-18	Sep-18
CBOT ($/t)	143.79	147.14	149.99	152.55
SAFEX (R/t)	2026	2065	2099	2157
SAFEX (R/t) *Change week on week (w/w)*	-8	-2	-9	7

Mar-18			May-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,060	131	97	2,100	173	138	2,140	203	162
2,020	110	116	2,060	151	156	2,100	180	179
1,980	90	136	2,020	131	176	2,060	159	198

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

White Maize Futures 13 December 2017	Mar-18	May-18	Jul-18	Sep-18
SAFEX (R/t)	1918	1967	2026	2076
SAFEX (R/t) *Change w/w*	-5	-4	-1	16

Mar-18			May-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,960	142	100	2,000	171	138	2,060	206	172
1,920	120	118	1,960	149	156	2,020	183	189
1,880	100	138	1,920	128	175	1,980	162	208

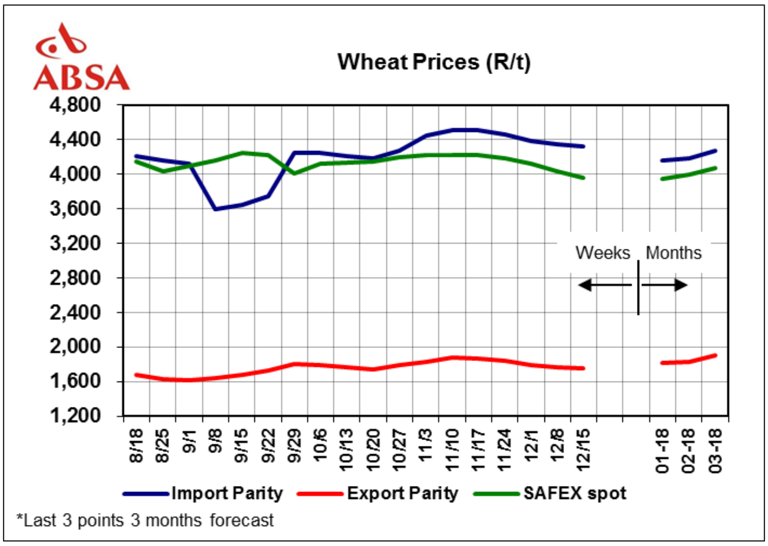
Wheat market trends

International

The weekly average old season HRW wheat Gulf price traded higher from US$183.24/ton to US$185.46/ton week on week. The SRW wheat market traded lower week on week.
Wheat prices slid this week, oversupply, great global supplies, increased competitiveness from Black Sea regions such as Russia weighing prices down.

<u>Bullish factors</u>

- Algeria, (the world's 3rd largest wheat importer) made its biggest US wheat purchase on Tuesday (12 December 2017). US prices are low enough to compete with Black Sea region wheat prices. Morocco also issued a tender to purchase wheat from the US in 2018.
- Egypt purchased wheat on a tender from Romania and Russia.



<u>Bearish factors</u>

- The USDA increased its wheat stocks forecast in 2017/18. Citing abundant large stocks (US stockpile forecast also increased), even with losses in Australia.
- French Soft Wheat exports declining in 2017/18 due to intense competition on the world markets.
- Favourable weather allowing record export of wheat from Russia.
- Argentinian wheat crop estimate anticipated to be higher than the previous estimate.

Domestic

On December 13th 2017, wheat prices for delivery in Mar2018 decreased by 1% (R35) from R4106/ton to R4071/ton. Jul2018 prices decreased by 0.8% (R33) from R4201/ton to R4168/ton, week on week. Domestic prices followed international trends. Abundant global supplies weigh prices down.

<u>Bullish factors</u>

- Lower dam levels in the Western Cape at 33.6% and persistent dry conditions supported harvesting conditions. The previous WC production estimate for wheat was 750 000 ton, with the harvesting process completed, the WC is likely to produce lower crop sizes as was estimated. The drought situation in the Western Cape remains critical.

<u>Bearish factors</u>

- Global abundant supplies and great Black Sea crop prospects (increased production expected from Russia), and increased competition from the US also intensifying competition on the world markets keeps weighing prices down.
- Total producer deliveries for the week ending 08/12/2017 were reported at 139,359 tons and total producer deliveries for the season thus far at 907,855 ton according to SAGIS.
- Northern Cape producers harvesting above average yields.

Outlook

The drought situation in the Western Cape remains critical. Winter wheat heat harvest in the Western Cape is complete. Northern Cape wheat producers under irrigation, enjoyed better water availability (78.5% total province dam level) compared to 33.6% in the Western Cape. Northern Cape producers have commenced harvesting and reaping above-average yields. Total producer deliveries for the week ending 08/12/2017 were reported at 139,359 tons and total producer deliveries for the season thus far at 907,855 ton according to SAGIS.

Internationally record wheat stocks keep weighing prices down. Wheat prices are expected to remain under pressure well into the next year.

Wheat Futures 13 December 2017	Mar-18	May-18	Jul-18	Sep-18
CME ($/t)	157.72	162.59	167.46	173.98
SAFEX (R/t)	4071	4127	4168	0
SAFEX (R/t) *Change w/w*	-35	-33	-33	0

Mar-18			May-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,120	144	95	4,160	229	196	4,200	275	243
4,080	122	113	4,120	207	214	4,160	253	261
4,040	102	133	4,080	187	234	4,120	233	281

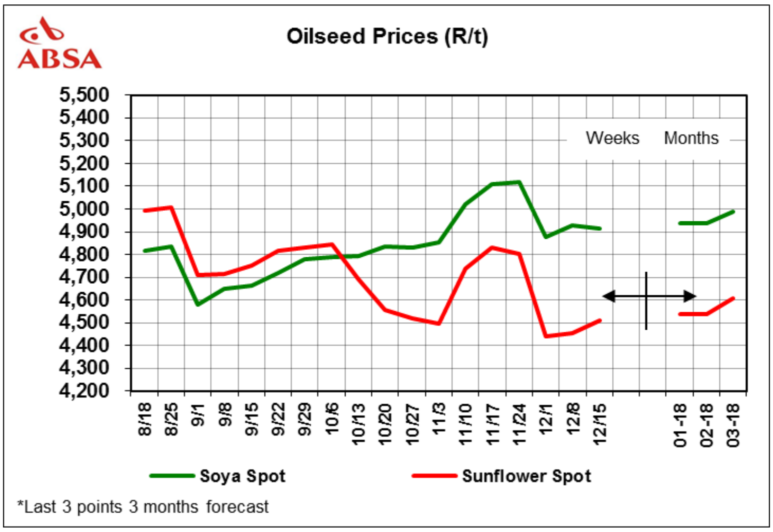
Oilseeds market trends

International

The weekly average USA soybean price decreased week on week from US$378.09/ton to US$366.60/ton. US soya oil prices decreased from US$33.33/ton to US$33.29/ton and soymeal prices traded lower from US$324.67/ton to US$324.67/ton.
Domestic prices followed international bearish trends. Argentina expected to receive rains over the weekend. Coupled with large global soybean crop, prices took a dip this week

Bullish factors

- Production risks in parts of South America due to La Nina conditions, sparked price increases of world soya meal, coupled with subdued world soybean crushings, adding to the price increases.
- World production and exports of sunflower oil expected to start declining in Jan/Mar2018.
- Forecast for a dryer than normal summer in northern Argentina and southern Brazil caused by La Nina likely to cause decline in soybean crops, farmers in Paraguay and Uruguay are also paying close attention to the forecast as well.
- A bullish trend is forming in fishmeal. Peruvian fishing prospects seen declining and export stock plummeting to a 3- year low in 2017/18.



- Argentinian soybean crop estimates have been revised downward to 53.5 million ton according to Oilworld, should weather adversities persist, further downward revisions will be made.

Bearish factors

- Record Canadian canola crop size and better than anticipated Australian canola & rapeseed have significantly increased world supplies of rapeseed and canola for 2017/18.
- A further increase in world oilseed supplies is currently building up in 2017/18. La Nina conditions remains a significant threat to South American harvest prospects.
- World vegetable oil prices relatively low this week. This trend was driven by sluggish world demand for vegetable oils, mainly driven by declined Indian purchases of palm oil, sunflower oil and sunflower oil.
- USDA pens higher sunflowerseed production estimate for the EU in 2017/18, on the back of increased area planted and improved yields.

Domestic

On December 13th 2017, sunflower seed prices (Mar2018) increased week on week by 2% (R87/ton) from R4520/ton to R4607/ton while soybean (Mar2018) prices decreased by 0.9% (R47/ton) from R 5035/ton to R4988/ton. Domestic prices followed international bearish trends. Argentina expected to receive rains over the weekend. Coupled with large global soybean crop, prices took a dip this week.

Bullish factors

- The summer crop production conditions deteriorated in November due to weaker than expected rainfall conditions. Central and western regions had lower rainfall, which delayed soybean and sunflower planting.
- A weaker domestic currency supported the sunflower seed prices.

Bearish factors

- Favourable weather prospects in the next 7 days in the northern and eastern parts of the country will support plantings. This should support soybean and sunflower plantings.
- Plantings of sunflower can still take place till at the latest early January2018 in the Central and Western parts of the country. Producers may shift to sunflower seed production to leverage off a longer planting time period.

Outlook

Local

Local soybean prices traded lower following lower global soybean prices. Possible good rains expected for Argentina this coming weekend, eased some dryness concerns. Lower than expected rainfall conditions in November, affected the summer crop production conditions. Soybean planting dates have expired in the far eastern production areas. Sunflower planting is still possible. Establishment of La Nina conditions might improve summer rainfall prospects for the summer rainfall area. Favourable weather prospects in the next 7 days in the northern and eastern parts of the country will support plantings.

International

The concern over the La Nina conditions in Argentina and Brazil, gives a hint that some significant weather risks are ahead which raises some concern about the possible crop losses on the South American soybean crop. Possible good rains expected for Argentina this coming weekend, eased some dryness concerns

Oilseeds Futures 06 December 2017	Mar-18	May-18	Jul-18	Sep-18
CBOT Soybeans (US$/t)**	363.95	367.99	371.48	369.09
CBOT Soy oil (US c/lb)	33.40	33.54	33.70	34.82
CBOT Soy cake meal (US$/t)*	363.63	366.15	368.68	367.25
SAFEX Soybean seed (R/t)	4988	5065	5150	0
SAFEX Soybean seed (R/t) change w/w	-47	-55	-44	0
SAFEX Sunflower seed (R/t)	4607	4624	4695	0
SAFEX Sunflower seed (R/t) change w/w	87	64	49	0

Sunflower Calculated Option Prices (R/t)

Mar-18			May-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,640	216	183	4,660	286	250	4,740	318	273
4,600	195	202	4,620	265	269	4,700	296	291
4,560	175	222	4,580	244	288	4,660	275	310

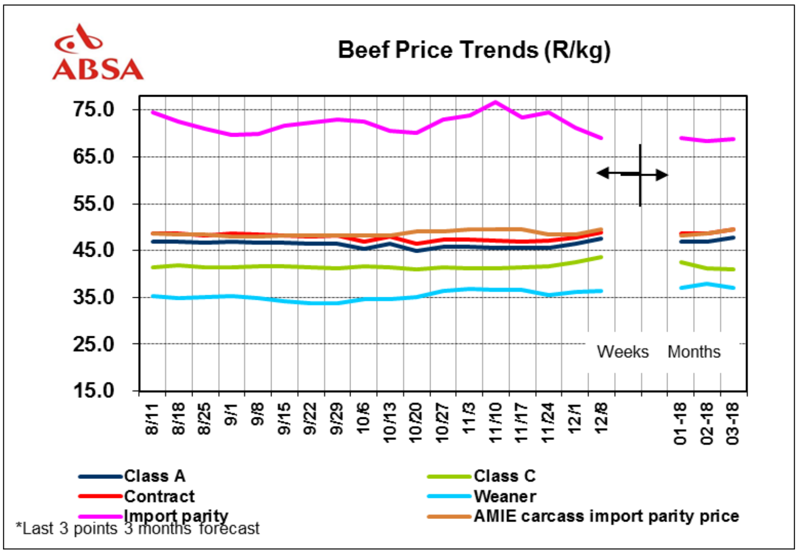
***short ton**

**** Dec 2017 = Jan 2018**

Beef market trends

International

New Zealand steers traded mostly lower over the past week at 1.60% lower 5.54NZ$/kg and cows traded 1.85% lower at 4.25NZ$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 0.30% lower at $205.37/cwt. Rump was 2.64% higher at $310.50/cwt and strip loin was 2.72% higher at $479.77/cwt. Chuck traded 4.23% lower at $202.15/cwt. Brisket traded 0.87% higher at $223.02/cwt. The carcass equivalent price was 0.20% higher at $267.55cwt.



<u>Bullish factors</u>

- The December US Department of Agriculture world agricultural supply and demand estimates (USDA Wasde) report has lowered beef production on the current pace of cattle slaughter and lighter carcass weights.
- For 2018, beef production is forecast lower, reflecting slightly lighter carcass weights in 2018. (USDA Wasde)
- The US economy is in good shape, unemployment is low and the consumer appears willing and able to pay for beef.
- In New Zealand, domestic demand is building as the BBQ market starts, but increased supply has dampened any price increases.

<u>Bearish factors</u>

- In New Zealand, the increase in cattle slaughter in the last two weeks is weighing on the market prices. Weather conditions around New Zealand will be a determining factor of supply in coming weeks.

Domestic

Beef prices recorded some week on week gains. Over the past week, beef were mostly higher across the different classes. The average Class A prices are 2.4% higher at R47.46/kg. Class C prices were 2.51% higher at R43.60/kg. The average weaner calf prices over the past week strengthened and were 0.6% higher at R36.44/kg. The average hide price over the past week lost some ground. Prices decreased by 1.96% to reach R11.53/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

<u>Bullish factors</u>

- According to the latest weather updates, grazing conditions are becoming critical over the western and far western parts of the country while the drought in the far south western parts persists, which has been prevalent for a number of years already.
- Strong demand for beef support prices. The beef market will be supported by increased consumption of beef during the festive period.

- 9.3% fewer cattle was slaughtered during October 2017 compared to October 2016. This is due to herd liquidation process during the 2016 drought, which resulted in lower stocks.

<u>Bearish factors</u>

- Higher slaugterings into the festive season.
- Weather forecasters indicate that La Nina is usually responsible for a late start to the rainy season but good falls over the mid- to late summer. The current outlook is now very similar to the previous season (2016/17) with favourable rainfall conditions still expected in the second part of the summer season. Rainfall conditions will most likely improve from the last week of December over most of the summer rainfall area. This may improve grazing conditions.
- 3.3% more cattle was slaughtered during October 2017 compared to September 2017. Total cattle slaughtered in October 2017 was 219 393 head of cattle. It is a norm for slaughter numbers to pick up towards the festive season.
- Consumers are under pressure and some may not be willing to pay more for beef. This may result in a switch to other cheaper products.

Outlook

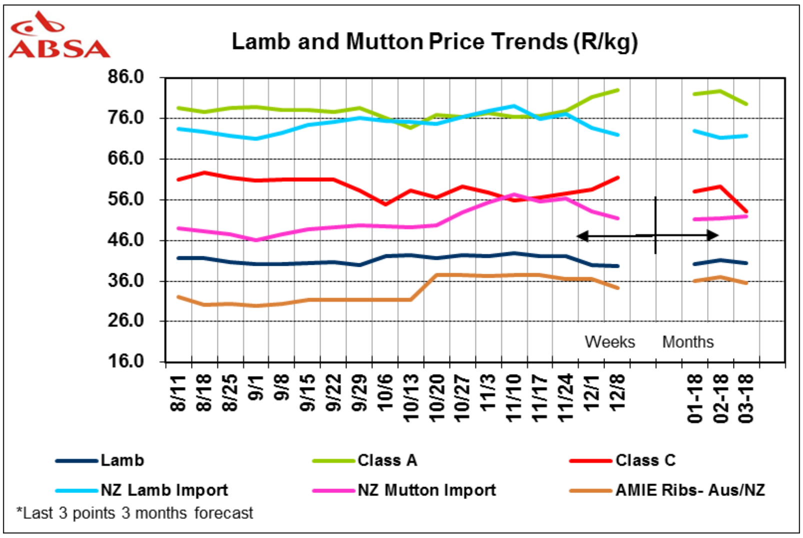
Internationally, strong market demand in the short term may continue to add support to prices.

Domestically, the outlook for livestock prices remains bullish in line with increased spending going into the festive season.

Sheep meat market trends

International

New Zealand lamb prices traded lower this week compared to last week. Lamb prices closed 1.41% lower at NZ$105.0/head for 15kg lamb. Lamb prices were 1.41% lower at NZ$147.0/head for 21kg lamb. Ewe prices traded 2.59% lower at NZ$97.7/head for a 21kg ewe. The import parity price for lamb was 2.35% lower at R71.91/kg, while the import parity price for mutton was 3.22% lower at R51.49/kg.



Bullish factors

- The market for New Zealand lamb remains historically high, for both chilled and frozen product. October average export returns were 20% up on the same month last year. Lamb average export returns typically peak in October, as all the chilled Christmas trade to the UK and EU takes place during October.
- Demand for New Zealand product from the US market continues to be firm. Average export prices are up 14% on this time last year.
- Australian exports to China have grown significantly, driving the stronger demand in sheep and lamb markets.

Bearish factors

- There is a growing concern that consumer resistance to the continuing high prices in New Zealand may weigh on prices.
- Alternative proteins are cheaper and pose a constant threat to this market. Lamb and mutton prices are currently trading at high levels, which may bring about consumer resistance.

Domestic

Lamb and mutton prices recorded some strong gains over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 2.2% to R82.99/kg and the average Class C prices increased by 4.7% to R61.41/kg. The average price for feeder lambs traded 0.3% lower at R39.75/kg. The average price for dorper skin is sideways at R35.50/skin and merinos were 0.69% lower at R91.86/skin.

Bullish factors

- Strong seasonal demand during the warmer months and especially during the festive period may continue to add support to prices. Prices continued to show very strong gains this past week.
- 0.8% fewer sheep were slaughtered during October 2017 compared to September 2017, whilst 13.7% fewer sheep were slaughtered during October 2017 compared to October 2016. A total 358 248 sheep was slaughtered during October 2017.

Bearish factors

- Higher slaugterings into the festive season.
- 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

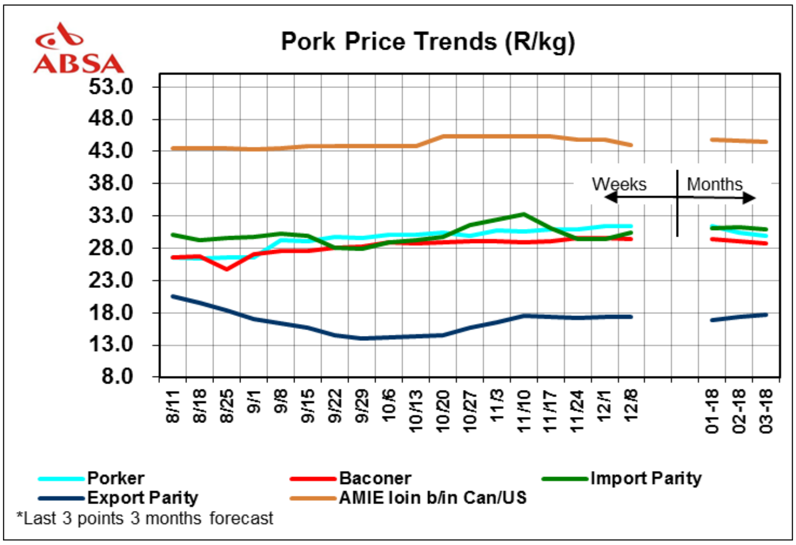
Internationally, low levels of global lamb inventory are expected to support strong prices in 2018.

Locally, the overall outlook for lamb and mutton points to strong prices as improved seasonal demand and the warmer temperatures are supportive to outdoor grilling. Prices are to be supported in the short term by increased buying during the festive season. In January, prices normally loose some ground, following increased spending/consumption during the festive season and as schools re-open.

Pork market trends

International

The average weekly US pork prices were mixed over the past week. Carcass prices were 0.7% higher at US$82.81/cwt, loin prices were 1.2% lower at US$70.90/cwt, rib prices were 5.0% lower at US$118.25/cwt and ham was 5.9% higher at US$66.54/cwt.



Bullish factors

- The December US Department of Agriculture world agricultural supply and demand estimates (USDA Wasde) report has lowered the pork production forecast from last month on smaller-than-anticipated hog slaughter this quarter although partly offset by higher carcass weights.
- For 2018, the total red meat and poultry forecast is lowered from last month on lower expected beef and pork production. (USDA Wasde)
- The hog price forecast for 2017 is raised on recent demand strength and as this strength is expected to carry into 2018, hog price forecasts are raised for next year. (USDA wasde)

Bearish factors

- Pig meat production is also picking up globally. US pig meat production was 3% higher on 2016 levels for the year to end of October, and Canadian production was 2% higher over the same period.

Domestic

Pork prices were mixed over the past week. The latest average pork prices are as follows: The average porker prices are 0,05% higher at R31.48/kg, while the average baconer prices are 0.8% lower at R29.42/kg. The average cutters prices were 3.0% higher at R31.35/kg and the average heavy baconer price was 1.6% lower at R27.16. The SAU price was R21.79/kg.

Bullish factors

- Warmer weather encourages braaing, and prices may gain support due to increased buying during the festive season.
- Pork remains a cheaper protein compared to beef and sheep meat, which may continue to support demand in this market.
- Pork prices may be supported by seasonality and underlying support from higher lamb, mutton and beef prices.

Bearish factors

- An amount of 23 126 ton of pork was imported for the twelve months until end of October 2017. This was slightly higher than the same period last year. The figure was 21 403 for the same period during 2016. Germany, Brazil and Spain were the main exporters. Ribs constituted 52% of the figure and other cuts the rest.
- 4.12% more pigs were slaughtered during October 2017 compared to September 2017. Total pig slaughter for the month of October 2017 was at 235 066 heads. It is a norm for slaughter numbers to pick up towards the festive season.
- Lower feed costs continue to 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. Currently, the feed margins in this industry are positive.

Outlook

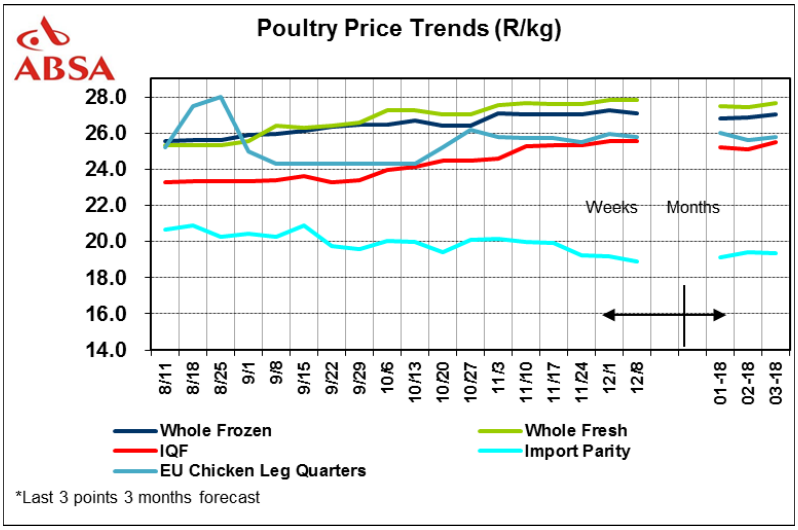
Internationally, further increases in global pork production are anticipated for 2018, which may weigh on prices.

Locally, pork prices may remain strong due to strong market demand during the festive season, and underlying support from the higher lamb, mutton and beef prices.

Poultry market trends

International

Poultry prices in the US were mixed over the past week. Whole bird prices were 0.26% lower at 85.68USc/lb. Breast traded 3.76% higher at 96.50USc/lb, while leg quarters traded 1.41% lower at 35.00USc/lb.



Bullish factors

- USDA's December World Agricultural Supply and Demand Estimates for 2017 forecast of total red meat and poultry production is reduced from last month on lower beef and pork production forecasts.
- In October, US broiler export tonnage rebounded reaching the largest volume for any month since October 2014.

Bearish factors

- US poultry exports struggled in 2016 and 2017 due in large part to persistent bans and subsequent struggles to regain markets caused by the Highly Pathogenic Avian Influenza (H7N7) in US flocks that began in late 2014 and became very serious in the first several months of 2015. Those particular US outbreaks were resolved in 2016.

Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.64% lower at R27.09/kg during the week. Whole fresh medium bird prices were sideways at R27.81/kg, while IQF prices were 0.11% lower at R25.56kg.

Bullish factors

- According to monthly food prices reported by Statistics South Africa, egg prices (1.5 Dozen) increased by 14% during the period June 2017 to November 2017, from R37.43 to R42.65, whilst prices for (2.5 Dozen) increased by 13% during the same period from R52.08 to R58.85. Egg prices for 2.5 dozen eggs meanwhile increased by 6% from October 2017 (R56.48) to November 2017 (R58.85). Egg prices are following an upward trend, following recent bird flu outbreaks in some regions, leading to shortages of eggs.
- Poultry remains the least expensive protein meat, which may encourage consumer demand.
- Underlying support from the beef industry is supporting the poultry market.

Bearish factors

- As winter passes and temperatures and rainfall increase, the virus (bird flu) should be finally contained and not spread further.
- Feeding margins remain positive on the back of lower maize prices this season.

Outlook

Internationally, poultry prices may gain price support from good demand in the market amid larger supplies.

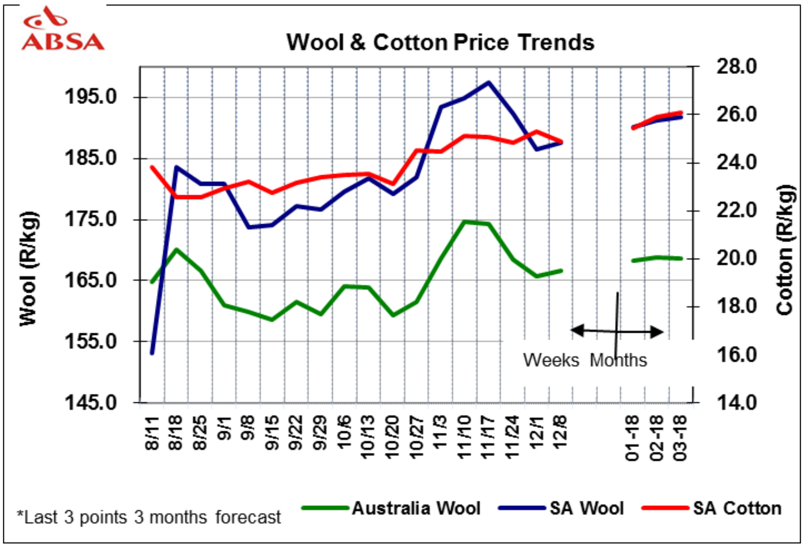
Locally, prices may follow an upward trend due to increased spending associated with the festive season. Poultry remains a cheaper protein compared to sheep meat and beef, which makes it favourable and supportive to demand.

Livestock prices (R/kg) week 14 Dec 2017	Beef			Mutton			Pork			Poultry		
	%	**Cur-rent week**	**Prior week**	**%**	**Cur-rent week**	**Prior week**	**%**	**Cur-rent week**	**Prior week**	**%**	**Cur-rent week**	**Prior week**
Class A/ Porker/ Fresh birds	2.4	47.46	46.35	2.2	82.99	81.24	0	31.48	31.46	0.02	27.81	27.81
Class C/ Baconer/ Frozen birds	2.51	43.60	42.53	4.7	61.41	58.63	-0.8	29.42	29.66	-0.64	27.09	27.26
Contract/Baconer/ IQF	2.27	48.89	47.81	1.9	83.29	81.70	-0.4	30.45	30.56	-0.11	25.56	25.58
Import parity price	-2.19	69.10	71.17	-3.22	51.49	53.21	-0.6	36.4	36.6	-1.5	18.91	19.21
Weaner calves/ Feeder lambs	0.6	36.44	36.21	-0.3	39.75	39.85		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	2.1	49.50	48.50	-0.7	60.05	60.50	-1.7	44.00	44.75	-0.58	25.80	25.95

Wool market trends

International

The last sale was on the 8th of December 2017. The Australian wool market prices averaged higher this week and closed 1.43% higher at Au1700c/kg at the recent auction.



Bullish factors

- Strong pre-Christmas buying at auctions has increased Australian wool prices this week, with prices breaking a record for the 11th time this season. The value of exported wool had increased by 20% compared with last year.
- The strong demand for prompt and nearby shipment offered support to the market.
- Price increases have been driven by growing demand for wool out of China.

Bearish factors

- Expected large offering on offer at the next auction may weigh on the market.
- High Australian wool prices may be weighing on demand, and putting pressure on buyers.

Domestic

The last sale was on the 6th of December 2017. Domestic wool market prices strengthened and the merino indicator was 0.58% higher to close at R187.65 (clean) at the sale. The next sale is scheduled for 10 January 2018.

Bullish factors

- This season the market has experienced consistently good demand for good quality long and fine wool.
- At the last sale before the December recess the market was firm across all types and delivered good returns to producers.

Bearish factors

- The Rand was 0,9% stronger against the US Dollar and 0,1% weaker against the Euro, compared with the average rate at the previous sale.
- There may be resistance to these high wool prices from the buyers.

Outlook

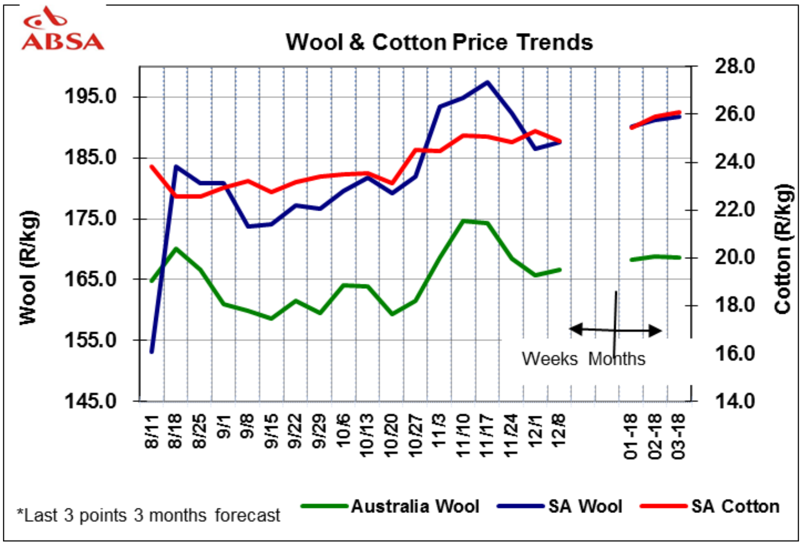
Internationally, growing demand, lack of global stocks and affirmative consumer sentiment for wool items remain firmly in play and continue to affect Australian wool auction positively.

Locally, the wool market is on a break, and will resume on the 10th of January 2018.

Cotton market trends

International

Cotton prices traded 1.27% higher over the past week and closed at US71.04c/lb.



Bullish factors

- The global 2017/18 cotton forecasts include lower beginning stocks, production, and ending stocks. Global production is reduced 1.5 million bales compared to last month's numbers as reductions for Pakistan, India, Burkina Faso, Argentina, and Australia are only partly offset by increases in Turkey and Central Asia. (USDA Wasde)
- World consumption is forecast to grow at a 4.2% annual rate in 2017/18, more than double its long-run level
- The Wasde cut the forecast for US cotton stocks at the close of 2017/18 by 300,000 bales to 5.80m bales.

Bearish factors

- Cotton production in the US is forecast higher by 63,000 bales as increases in the Southwest are largely offset by decreases in other regions.

Domestic

The derived SA cotton prices traded 1.74% lower to close at R24.88/kg. The decreases in prices were in spite of the increases in international prices, but supported by the strength in the South African rand.

Outlook

Internationally, the December US Department of Agriculture World Agricultural Supply and Demand Estimates has lowered forecasts for the global 2017/18 cotton beginning stocks, production, and ending stocks from last month, which may offer some price support.

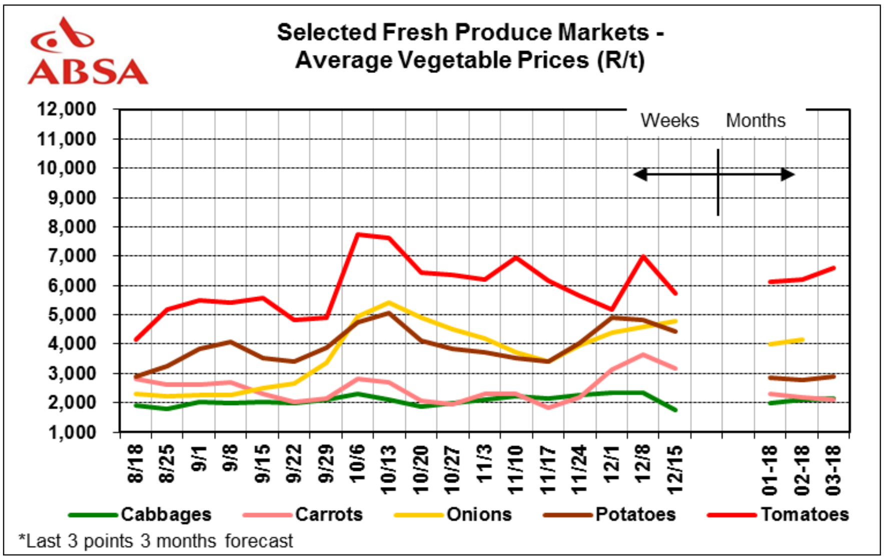
Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres market trends Week ended 08 December 2017								
Wool prices	**%**	**SA prices (c/kg)**	**%**	**Australian prices (SA c/kg)**	**%**	**Australian future Dec 2017 (AU$/kg)**	**%**	**Australian future Mar 2018 (AU$/kg)**
Wool market indicator	0.58	18,765	0.66	17469		-		-
19µ micron	2.49	21,599	0.44	20747	1.02	19.80	0.00	19.55
21µ micron	1.39	17,240	0.78	17143	1.56	16.30	0.00	16.00
Cotton prices		**SA derived cotton (R/kg)**		**New York A Index (US$/kg)**		**New York future Mar 2018 (US$/kg)**		**New York future May 2018 (US$/kg)**
Cotton prices	-1.74	24.88	-0.60	1.83	1.95	1.636	1.6	1.65

Vegetables market trends

Potatoes

In the short term, we anticipate normal seasonal prices to take place.
Prices are anticipated to increase as we are heading into the festive season. Take a dip in early 2018, then move sideways from April 2018 onwards and increase again towards the end on the year.
Prices declined week on week by 8%, thanks to increased supply at the FPMs.



Onions

Growers in the Western Cape have planted fewer onions than normal; some have not even sown any onions this winter. Producers prefer to use the water for permanent crops. Western Cape production is expected to be lower mostly due to the drought.

The full impact of the reduced onion plantings and drought repercussions is expected to reach market by February 2018, where prices are expected to soar to record levels. Currently prices are trading at average R40-R50/10kg bag and might increase to R50-R60/10kg bag over the festive holidays at the Johannesburg market.

Onion prices increased by 6.6% and volumes delivered also increased by 5% for the preliminary week ending 15 December 2017.

Tomatoes

Prices may marginally increase over the festive holidays due to increased demand during December.
Week-on-week tomato prices decreased by 6% from R7.8/kg to R7.34/kg. Volumes sold increased week –on-week by 16% also in the Top 5 FPM.

Peppers

Week-on-week pepper prices decreased by 11% from R9.37/kg to R8.30/kg. Volumes sold declined week –on-week by 1% also in the Top 5 FPM.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 14 December 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)
Cabbages	-8.4%	1970	2150	3.2%	1068	1036
Carrots	-7.2%	3316	3574	9.1%	1934	1772
Onions	6.6%	4648	4362	5.5%	5017	4757
Potatoes	-8.3%	4486	4892	0.9%	13216	13099
Tomatoes	-5.9%	7370	7832	15.7%	3428	2963
Peppers	-11%	8300	9370	-1%	720	730

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.