



# Agri Trends

30 November 2017

## Impacts of downgrades on agriculture

The downgrade as noted by S&P and the decision to review SA’s rating for a further downgrade by Moody’s on Friday on the 24th November 2017, will negatively impact the cost of imported production inputs such as fertilizer, fuel and agricultural precision technology, machinery and implements due to the depreciating Rand. Agricultural producers are heavily reliant on access to affordable inputs and machinery. A lower Rand creates bigger production costs. Moody’s decision to downgrade Eskom, means the SOE will be restricted to access to capital market and other sources of funding. In order to generate funds, it could mean a possible electricity rate hike for the end consumer and largely the producer. South Africa being a net exporter of agricultural commodities, a weakening Rand, may paradoxically improve the rate of maize exports and increase earnings from exports.

## Contents

Maize market trends .....	1
Wheat market trends .....	3
Oilseeds market trends.....	5
Beef market trends.....	7
Sheep meat market trends.....	9
Pork market trends.....	11
Wool market trends.....	14
Cotton market trends .....	15
Vegetables market trends.....	17

Contact us at Absa AgriBusiness:

[Karabo.Takadi@absa.co.za](mailto:Karabo.Takadi@absa.co.za)

[Wessel.Lemmer@absa.co.za](mailto:Wessel.Lemmer@absa.co.za)

[Conce.Moraba@absa.co.za](mailto:Conce.Moraba@absa.co.za)

<https://www.absa.co.za/business/sector-solutions/agribusiness/trends-and-reports/>

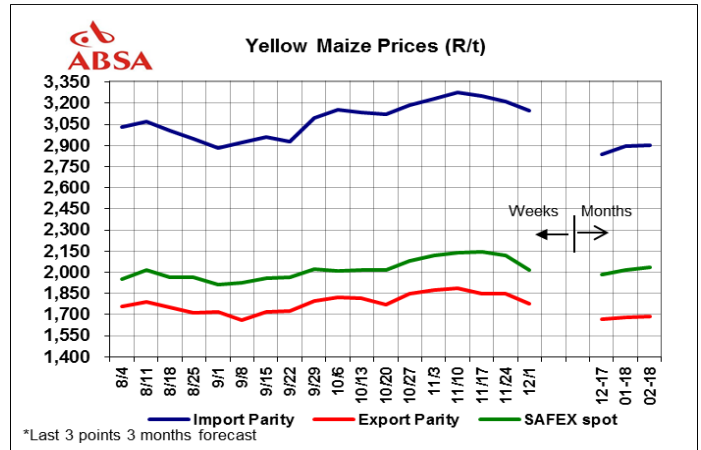
# Maize market trends

## International

Week-on-week yellow maize No 2 gulf price decreased from US\$149.72/ton to \$146.67/ton. Maize price traded sideways to lower after the Thanksgiving Holidays in the US.

### Bullish factors

- Weather uncertainties still a going concern. Due to the probable La Nina in South America next month, maize supplies could tighten. The development of La Nina is in full swing, and conditions could create unfavourable dry conditions in southern Brazil, Central Argentina and Paraguay in Dec/Feb 2017/18. We could see significant price volatility into 2018
- Chinese import demand for US maize seems to be on the rise and anticipated to increase further due to the big difference between the local (Chinese) price and the international price



### Bearish factors

- The year's aggressive selling of the Brazilian safrinha crop increased import purchases of many countries. This caused intensified competition in the global maize market.
- Plentiful supplies Argentina, spurred and aided in the intensified competition of maize selling in the global market. Increased exports from the G-6 countries were above last year's level, performing better than the US export sales. US maize shipments plunged to a 4-year low of 14.2 million ton. Exports from Brazil and Argentina reached new records.

## Domestic

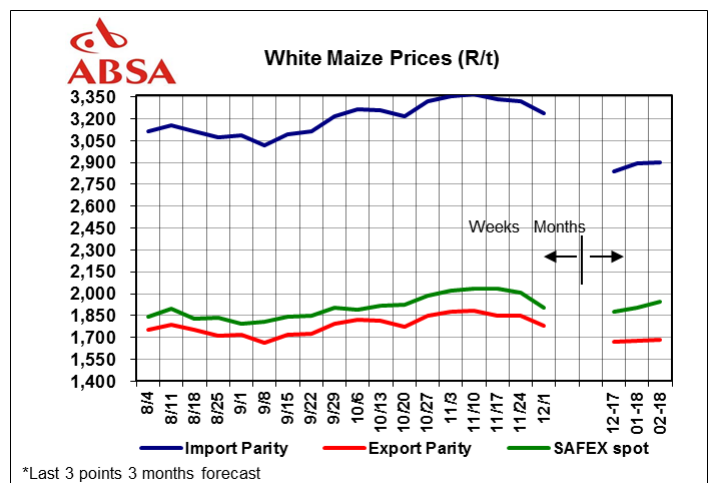
By the 30th November 2017, week on week new season white maize prices for delivery in Mar2018 decreased by 5.8% (R119) from R2064/ton to R1945/ton, Jul 2018 contracts decreased week-on-week by 4.9% (R106) from R2146/ton to R2040/ton. Week-on-week new season yellow maize prices for delivery in Mar2018 declined by 5.7% (R124) from R2160/ton to R2036/ton. Prices for delivery in Jul2018 for yellow maize were recorded at R2105/ton a 4.7% decline from R2209/ton.

Import parity R2808.47 delivered Durban (Argentinian Yellow) (SAGIS)

Export parity R1703.88 delivered Randfontein (US No 3Y)

### Bullish factors

- The Free State and North West plantings of summer crops are at lower levels due to lower rainfall received. Plantings will fully commence when the topsoil moisture is adequate to provide for proper germination of crops.
- Summer crop planting conditions weren't ideal in November due to lower than expected rainfall, hot and windy conditions as well as very low temperatures. The Eastern Free State soybean crop had some frost and cold damage. Planting dates for soybeans and groundnuts have expired; therefore we anticipate a shift to more sunflower plantings.



## Bearish factors

- Export activity has been fairly low with only 1,030,323 tons yellow maize and 519,621 tons white maize exported. Export levels are not sufficient to reduce the current stocks. We expect very large carry-over stocks into the season.
- 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.

## Outlook

### Local

Due to the large anticipated carry-over stocks, the local maize price is anticipated to carry on moving sideways in the coming season. 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. Yellow and white maize prices will continue to trade following the Rand movement. With the holiday season upon us, trade is anticipated to be lower.

### International

Ongoing weather concerns in South America likely to provide some price support. Weather uncertainties still a going concern. Due to the probable La Nina in South America next month, maize supplies could tighten. The development of La Nina is in full swing, and conditions could create unfavourable dry conditions in southern Brazil, Central Argentina and Paraguay in Dec/Feb 2017/18. We could see significant price volatility into 2018.

Yellow Maize Futures: 30 November 2017	Mar-18			May-18			Jul-18			Sep-18		
CBOT (\$/t)	143.79			147.14			149.99			152.55		
SAFEX (R/t)	2036			2067			2105			2164		
SAFEX (R/t) Change week on week (w/w)	-124			-110			-104			-117		
	Mar-18			May-18			Jul-18					
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
	2,080	150	106	2,100	183	150	2,140	206	171			
	2,040	128	124	2,060	161	168	2,100	184	189			
	2,000	107	143	2,020	140	187	2,060	163	208			

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

White Maize Futures 30 November 2017	Mar-18			May-18			Jul-18			Sep-18		
SAFEX (R/t)	1945			1992			2040			2093		
SAFEX (R/t) Change w/w	-119			-115			-106			-114		
	Mar-18			May-18			Jul-18					
	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call			
	1,980	156	121	2,030	184	146	2,080	220	180			
	1,940	134	139	1,990	161	163	2,040	198	198			
	1,900	114	159	1,950	141	183	2,000	176	216			

## Wheat market trends

### International

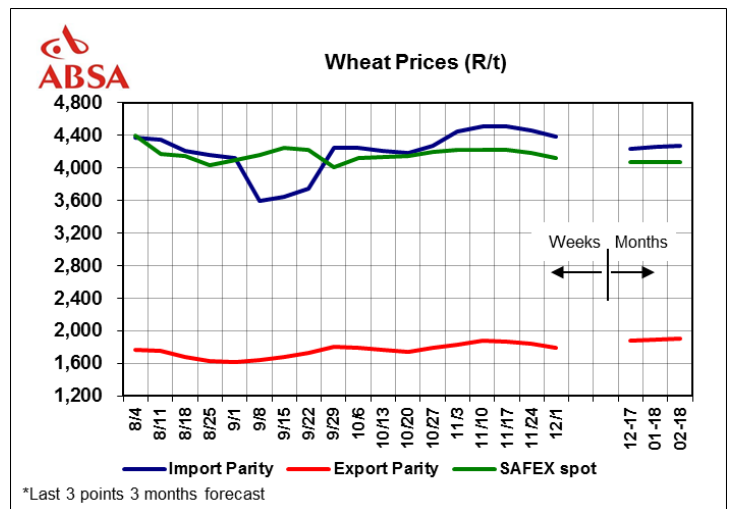
The weekly average old season HRW wheat Gulf price increased from US\$183.29/ton to US\$185.46/ton week on week.

#### Bullish factors

- Conditions of US winter wheat declined in the week ending 19<sup>th</sup> November. Only 52% of the winter crop was reported good or excellent state (it was 54% a week ago and 58% a year ago).

#### Bearish factors

- Record global wheat supplies are hindering exports of US wheat shipments due to increased competition from Black Sea supplies. U.S. shipments. Decline in export sales from the US and EU coupled with plenty world supplies of wheat, put further downward pressure on price.
- Black Sea prices for Russian wheat fell underpinned by increased competition from US and EU wheat exports.



### Domestic

On November 30<sup>th</sup>, wheat prices for delivery in Mar2018 decreased by 1.9% (R81) from R4270/ton to R4189/ton. Jul2018 prices decreased by 2.1% (R93) from R4349/ton to R4256/ton, week on week.

#### Bullish factors

- According to the latest CEC report the commercial wheat production is 1.58 million tons is 4.5% (74 000 tons) less than the previous estimate. The reduction was mainly driven by the Western Cape drought. The previous WC production estimate for wheat was 750 000 ton, with 90% of the harvesting process completed, the WC is likely to produce lower crop sizes as was estimated. The industry now estimated an area of 684 600 ha wheat in Western Cape. The drought situation in the Western Cape remains critical.
- Dam levels in the Western Cape at 34.7% (previous week 34.8%)

#### Bearish factors

- The recent published wheat import tariff of R910/ton (effective from the 3rd November 2017) has been providing some underlying support to the local wheat price; however the market has been trading on a lower wheat import tariff this week that's not yet published.

## Outlook

The main local wheat producing province, the Western Cape, is experiencing drought. According to the latest CEC report the commercial wheat production is 1.58 million tons is 4.5% (74 000 tons) less than the previous estimate. The reduction was mainly driven by the Western Cape drought. The previous WC production estimate for wheat was 750 000 ton, with 90% of the harvesting process completed, the WC is likely to produce lower crop sizes as was estimated. The industry now estimated an area of 684 600 ha wheat in Western Cape. The drought situation in the Western Cape remains critical. More wheat will be imported than previous years to supplement domestic demand.

Internationally record wheat stocks keep weighing prices down. Wheat prices are expected to remain under pressure well into the next year, because of large global stocks and Black Sea great crop prospects.

Wheat Futures 30 November 2017		Mar-18			May-18			Jul-18			Sep-18		
CME (\$/t)		163.88			168.56			173.61			180.04		
SAFEX (R/t)		4189			4215			4256					
SAFEX (R/t) Change w/w		-81			-89			-93					
Mar-18			May-18						Jul-18				
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call					
4,220	148	117	4,260	254	209	4,300	299	255					
4,180	127	136	4,220	232	227	4,260	277	273					
4,140	107	156	4,180	211	246	4,220	256	292					

## Oilseeds market trends

### International

The weekly average USA soybean price increased week on week from US\$371.11/ton to US\$372.94/ton. US soya oil prices decreased from US\$34.11/ton to US\$33.85/ton and soymeal prices traded higher from US\$319.36/ton to US\$325.20/ton.

Soybean prices are being supported by dry weather concerns across Argentina.

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.

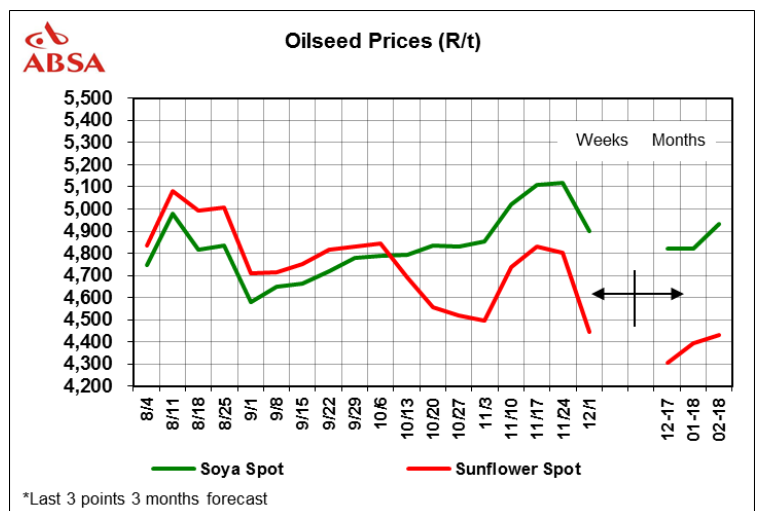
Australian meteorologists' report suggests a La Nina conditions to develop in December and possibly lasting until February 2018.

#### Bullish factors

- Only 80% of soybean sowings in Brazil were done, due to crop development concerns as lower than normal rainfall in central Brazil during November and forecasts of ongoing dryness for next week limit producer intentions to plant.
- Declining Peruvian production prospects, supporting fish oil and fish meal prices in the short term. A catch quota of only 1.49 million ton fresh fish, keeps a lid on Peruvian production prospects.

#### Bearish factors

- Palm oil exports from Indonesia have picked up, above levels of a year ago. Despite substantial recovery in production, increased exports have reduced Indonesian palm oil stocks below the year ago. Thailand palm oil exports are also increasing sharply this year.
- Sunflower oil production increased sharply in the Ukraine, production estimated at 4.14 million ton for Jan/Oct 2017.
- US soybean supplies are currently plentiful, mainly because of the sluggish export sales but also due to significant growth in production.
- The current season's large groundnut crop and low disposals might increase Argentina's groundnut exports during Oct/Mar 2017/18.
- The latest import taxes increase on linseed will increase linseed supplies for other importers (increased competition for import demand between the 3 key linseed suppliers: Russia Canada & Kazakhstan), putting pressure on prices. Turkish linseed buyers will decline significantly during the course of 2018.



### Domestic

On November 30<sup>th</sup>, sunflower seed prices (Mar2018) decreased significantly week on week by 10% (R500/ton) from R4933/ton to R4433/ton while soybean (Mar2018) prices also declined by 5.3% (R278/ton) from R 5211/ton to R4933/ton.

#### Bullish factors

- The summer crop production conditions deteriorated in November due to weaker than expected rainfall conditions, very low temperatures as well as hot and windy conditions. We anticipate a shift to more sunflower plantings into the next season and lower plantings for groundnuts and soybeans.
- Eastern Free State soybean crop incurred some frost and cold damage. Crop losses may reduce crop size.

### Bearish factors

- Plantings of sunflower can still take place till at the latest early January 2018 in the Central and Western parts of the country.
- Establishment of La Nina conditions might improve summer rainfall prospects for the summer rainfall area.

### **Outlook**

#### **Local**

Local prices traded higher on the back of higher global soybean prices.

Lower than expected rainfall conditions in November, affected the summer crop production conditions. Soybean and groundnut planting dates have expired in the far eastern production areas. A lower soybean and ground nut crop production is probable in those production areas. Producers may shift to sunflower seed production to leverage off a longer planting time period.

#### **International**

The soybean market outlook is one of a declining export and a steep increase in supplies from one year to another, which will keep prices subdued in 2017/18. 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. Australian meteorologists' report suggests a La Nina conditions to develop in December and possibly lasting until February 2018.

Oilseeds Futures 30 November 2017	Dec-17	Mar-18	May-18	Jul-18				
CBOT Soybeans (US\$/t)**	369.00	372.76	375.89	372.31				
CBOT Soy oil (US c/lb)	34.29	34.50	34.69	34.82				
CBOT Soy cake meal (US\$/t)*	363.41	366.04	368.24	366.04				
SAFEX Soybean seed (R/t)	4821	4933	5007	5110				
SAFEX Soybean seed (R/t) change w/w	-281	-278	-272	-261				
SAFEX Sunflower seed (R/t)	4308	4433	4475	4597				
SAFEX Sunflower seed (R/t) change w/w	-492	-500	-504	-484				
<b>Sunflower Calculated Option Prices (R/t)</b>								
<b>Mar-18</b>			<b>May-18</b>			<b>Jul-18</b>		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,480	234	187	4,520	302	257	4,640	321	278
4,440	212	205	4,480	280	275	4,600	299	296
4,400	191	224	4,440	259	294	4,560	278	315

\*short ton

\*\* Dec 2017 = Jan 2018

## Beef market trends

### International

New Zealand steers traded mostly lower over the past week at 1.24% lower 5.59NZ\$/kg and cows traded 1.35% lower at 4.37NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 5.83% lower at \$216.33/cwt. Rump was 2.91% higher at \$307.20/cwt and strip loin was 3.11% lower at \$519.44/cwt. Chuck traded 1.00% lower at \$218.34/cwt. Brisket traded 3.07% lower at \$221.29/cwt. The carcass equivalent price was 2.26% lower at \$280.91cwt.

#### Bullish factors

- Most reports suggest that demand for New Zealand's beef from China will continue for their New Year celebrations.
- If consumer demand remains positive in New Zealand's key export markets of the US and China, cattle prices are expected to hold up reasonably well and sit above long term average returns.
- US consumer confidence remained at a 17-year high in November, with optimism indicating higher for the fifth straight month, according to a monthly survey. Consumers' outlook about jobs and the business environment increased, adding to October's gains according to the Conference Board. This may boost demand during the holidays.

#### Bearish factors

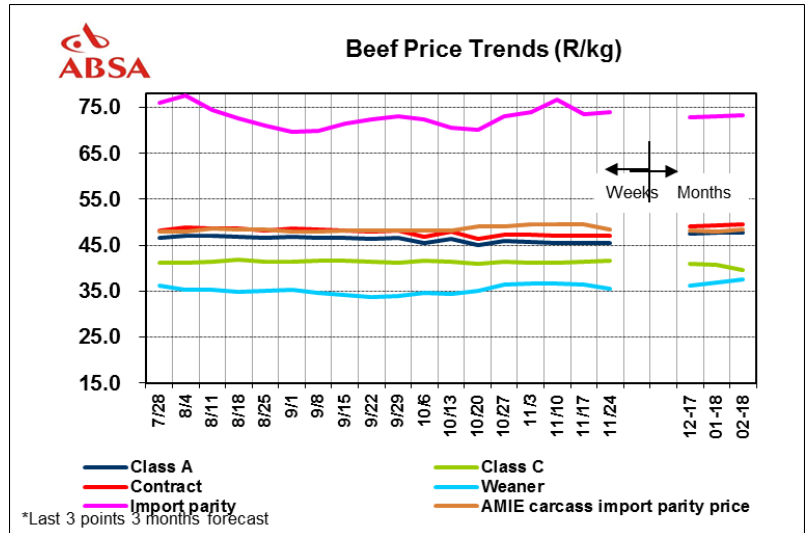
- The latest Rabobank protein report for 2018 indicates that beef and pork will be the strongest contributors to global animal protein expansion, with global beef production expected to increase for a third consecutive year in 2018.
- For New Zealand, the report says, farm-gate beef prices are likely to come under downward pressure as rising global beef production increases competition through 2018.

### 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 0.2% higher at R45.58/kg. Class C prices were 0.76% higher at R41.74/kg. The average weaner calf prices over the past week lost some ground and were 2.9% lower at R35.48/kg. The average hide price over the past week remained steady. Prices decreased only slightly by 0.13% to reach R11.82/kg green. The indication in the market remain that there are concerns of possible oversupply in the market in the immediate short term as some tanneries will be shutting down for the December break and as cattle slaughter tend to strengthen ahead of the festive season. This may weigh on the market. Demand can however still be reported for good quality hides. The movement of the exchange rate may also influence prices. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

#### Bullish factors

- Indications are that rainfall conditions for the Summer Rainfall Area are currently weaker than expected and impacts on the planting of summer crops as well as condition of natural grazing. Quantity and quality of natural grazing is deteriorating rapidly, especially over the central to western and far western parts of the country. As a result, reproductive animals with calves/lambs start to suffer.
- Strong demand for beef support prices





- The beef market will be supported by increased spending during month end.

### Bearish factors

- Weather forecasters indicate that La Nina development is taking place that will hopefully improve summer rainfall conditions. Rainfall outlooks for the rest of the season are still favourable for the Summer Rainfall Area. The expected rainfall may replenish soil moisture and revive grazing conditions.
- 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. Just to give an indication, the average class A beef price increased by over 20% compared to the same period a year ago

### **Outlook**

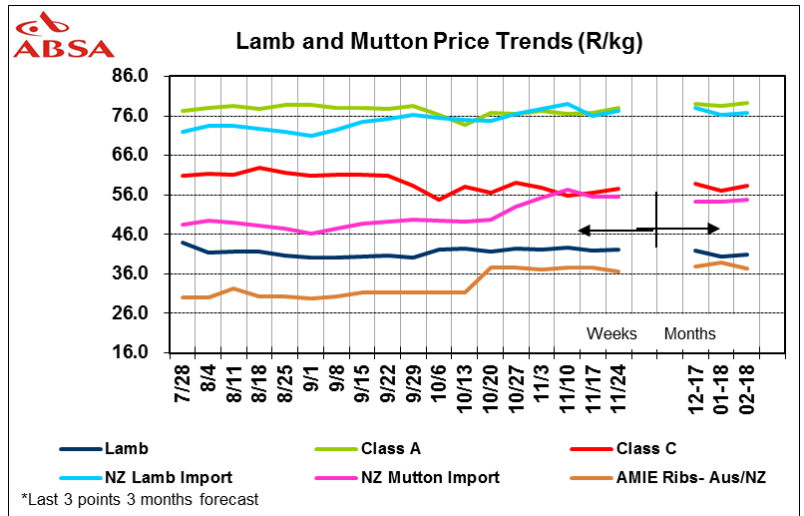
Internationally, global animal protein is expected to expand in 2018, which may add pressure to meat prices. In the short term, strong market demand may add support to prices.

Domestically, the outlook for livestock prices remains bullish in line with increased spending into the end of the month and also getting into the festive season.

## Sheep meat market trends

### International

New Zealand lamb prices traded lower this week compared to last week. Lamb prices closed 0.64% lower at NZ\$108.4/head for 15kg lamb. Lamb prices were 0.72% lower at NZ\$151.7/head for 21kg lamb. Ewe prices traded 2.49% lower at NZ\$101.9/head for a 21kg ewe. The import parity price for lamb was 1.56% higher at R77.17/kg, while the import parity price for mutton was 0.06% lower at R55.57/kg.



### Bullish factors

- Rabobank's animal protein report indicates that signs are also positive for New Zealand's sheep meat producers, with low levels of global lamb inventory expected to support strong prices in 2018.
- New Zealand's sheep flock is forecast to decline by close to 1% in 2018, however, favourable breeding and lambing conditions are likely to result in a marginal increase in the supply of New Zealand lamb onto the global market in 2018.
- Mutton prices are also likely to remain high due to an expected reduction in New Zealand export volumes and continued high demand out of China.

### Bearish factors

- New Zealand's new season lambs are finally hitting the processors in larger numbers. The increase has been late in coming, and possibly helped by a hint of dryness in parts of the country.
- 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 were mostly higher over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 1.5% to R77.94/kg and the average Class C prices increased by 1.9% to R57.65/kg. The average price for feeder lambs traded 0.3% higher at R42.13/kg. The average price for dorper skin is 13.75% lower at R32.56/skin and merinos were 3.33% lower at R94.25/skin.

### Bullish factors

- Strong seasonal demand during the warmer months and especially during the festive period may continue to add support to prices.

### 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. The South African consumer is currently under pressure. Just to give an indication, the average class A lamb price has increased by roughly 26% compared to the same period a year ago.

## **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. Lamb is however expensive, and that may limit price support.

## Pork market trends

### International

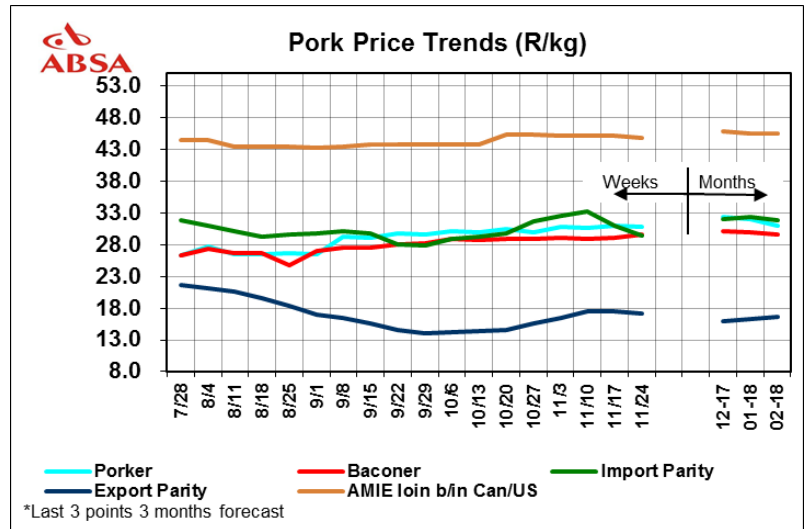
The average weekly US pork prices were mostly higher over the past week. Carcass prices were 0.9% higher at US\$80.88/cwt, loin prices were 0.1% higher at US\$71.74/cwt, rib prices were 0.4% higher at US\$124.44/cwt and ham was 3.7% lower at US\$61.54/cwt.

#### Bullish factors

- Strong demand for pork in the market may support prices.

#### Bearish factors

- Animal protein production is expected to expand around the world in 2018 increasing both trade competition and competition between different meat types according to Rabobank's Global Outlook for animal protein. Production increases are likely in most regions with Brazil, China and the US expected to record particularly strong production growth.
- Rabobank has indicated that beef and pork will be the strongest contributors to global animal protein expansion as significant growth in pork production is anticipated.



### Domestic

Pork prices were mixed over the past week, but remained strong in general. The latest average pork prices are as follows: The average porker prices are 0,3% lower at R30.90/kg, while the average baconer prices are 1.4% higher at R29.57/kg. The average cutters prices were 0.5% higher at R30.2/kg whilst the average heavy baconer price was 0.5% lower at R27.75. The SAU price was R21.67/kg.

#### Bullish factors

- Warmer weather encourages braaing, and prices may gain support due to increased buying during month end.
- 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

- A total 2299 tons meat of swine, fresh, chilled or frozen was imported into South Africa during September 2017. This figure is 12% higher month on month, and 15% higher year on year.
- 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, significant growth in pork production is anticipated in 2018 in the global market, which may weigh on prices.

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

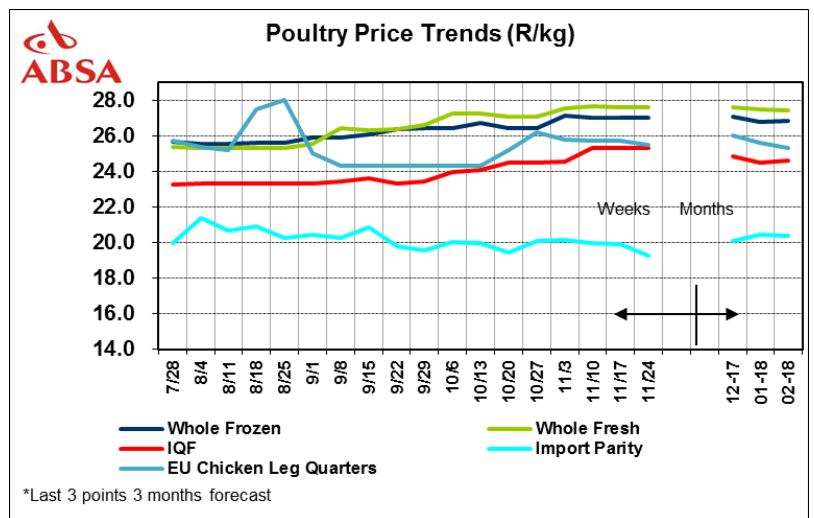
## Poultry market trends

### International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 0.38% higher at 86.13USc/lb. Breast traded 1.06% higher at 93.00USc/lb, while leg quarters traded 2.78% lower at 35.00USc/lb.

#### Bullish factors

- Even though poultry and seafood production are expected to register production growth in 2018, the growth rate in these sectors is anticipated to be slightly lower than that recorded during 2017.
- The upcoming bird flu season in the northern hemisphere may be a threat to production.
- Tight international supplies on the back of bird flu outbreaks are supportive to poultry prices.



#### Bearish factors

- Poultry and seafood production are also set by Rabobank to register production growth in 2018.
- Cold storage inventories in the US have increased at a faster pace than normal in the last three months, in part because of an increase in the supply of chicken that is ending up in storage rather than going into domestic and export channels.
- Global poultry trade volumes have been negatively affected by the Avian Influenza (AI) outbreak, with many importers restricting trade from countries with AI outbreaks.

### Domestic

The average poultry prices over the past week were sideways. The average prices for frozen birds were sideways at R27.02/kg during the week. Whole fresh medium bird prices were the same at R27.63/kg, while IQF prices were sideways at R25.33kg.

#### Bullish factors

- According to monthly food prices reported by Statistics South Africa, egg prices (1.5 Dozen) increased by 7% during the period June 2017 to October 2017, from R37.43 to R40.11, whilst prices for (2.5 Dozen) increased by 8% during the same period from R52.08 to R56.48. Egg prices for 2.5 dozen eggs meanwhile increased by 6% from September 2017 (R53.38) to October 2017 (R56.48). 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 production is expected to register production growth in 2018, larger supplies may weigh on demand.

Locally, prices may follow an upward trend based on seasonal trends and increased spending associated with month end. Poultry remains a cheaper protein compared to sheep meat and beef, which makes it favourable and supportive to demand.

Livestock prices (R/kg) week 30 Nov 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	0.2	45.58	45.51	1.5	77.94	76.77	-0.3	30.90	30.99	0	27.63	27.63
Class C/ Baconer/ Frozen birds	0.76	41.74	41.42	1.9	57.65	56.56	1.4	29.57	29.15	0	27.02	27.02
Contract/Baconer/ IQF	0.16	47.05	46.97	2.0	78.25	76.74	0.5	30.24	30.07	0	25.33	25.33
Import parity price	0.78	74.07	73.50	-0.06	55.57	55.60	-1.9	36.8	37.5	-3.3	19.26	19.91
Weaner calves/ Feeder lambs	-2.9	35.48	36.54	0.3	42.13	42.02		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	-2.0	48.50	49.50	-1.4	61.50	62.35	-1.1	44.75	45.25	-0.78	25.50	25.70

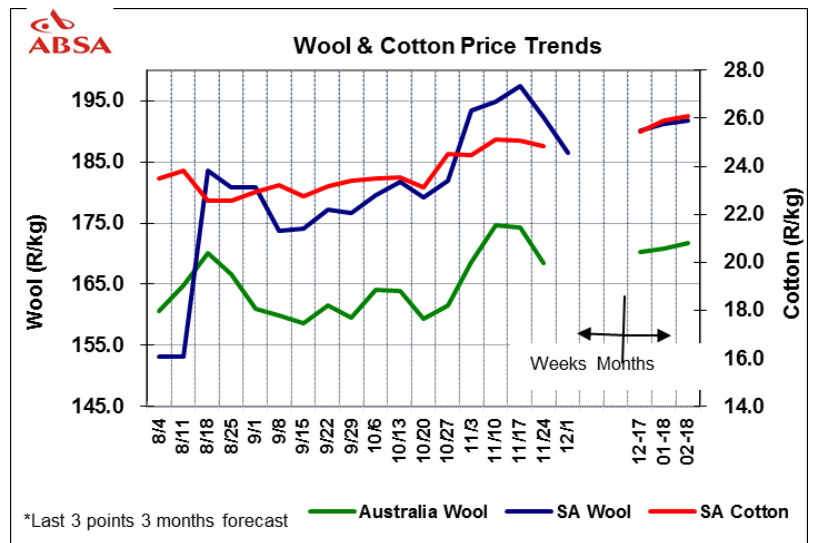
## Wool market trends

### International

The last sale was on the 23<sup>rd</sup> of November 2017. The Australian wool market prices averaged lower this week and closed 0.83% lower at Au1669c/kg at the recent auction. However, the indicator is still 22.5% higher than the corresponding sale of the previous year.

#### Bullish factors

- There are only three weeks of auctions left before a three week break for Christmas. It is expected that there will be around 50,000 bales in each of these sale weeks. Although prices lost ground this week, the weaker trend is expected to encourage some absent buyers back into the market. There is still demand for wool. An expected three-week break in sales over Christmas and the declines in prices week on week may drive sales.



#### Bearish factors

- The Australian wool market softened this week on the back of increased auction supply. Analysts indicate that the size of the offering allowed buyers to be more selective in their purchases.
- Buyers were still keen to buy Merino wool, but at a lower intensity than in recent weeks.
- High wool prices may weigh on future demand.

### Domestic

The last sale was on the 29th of November 2017. Domestic wool market prices lost some ground over the past week and the merino indicator was 3.01% lower to close at R186.56 (clean) at the sale. The next sale is scheduled for 06 December 2017 where approximately  $\pm 15\ 037$  bales will be on sale.

#### Bullish factors

- The market reported consistently good demand for good quality long and fine wool.

#### Bearish factors

- The volume of wool on offer has increased significantly as the seasonal deliveries at broker stores peak. At the recent auction, total volumes offered increased by 24% week on week.
- There may be resistance to these high wool prices from the buyers.
- The Rand was 2,1% stronger against the US Dollar and 2,4% stronger against the Euro, compared with the average rate at the previous sale.

### Outlook

Internationally, there is still demand for wool. In Australia, an expected three-week break in sales over Christmas and the declines in prices week on week may drive sales.

Locally, the strengthening of the South African Rand helped to weigh on market prices. The industry expects that larger seasonal offerings will continue as the season unfolds, yet a smaller drought reduced clip can be expected. Wool prices may remain strong on the back of strong demand for quality wool.

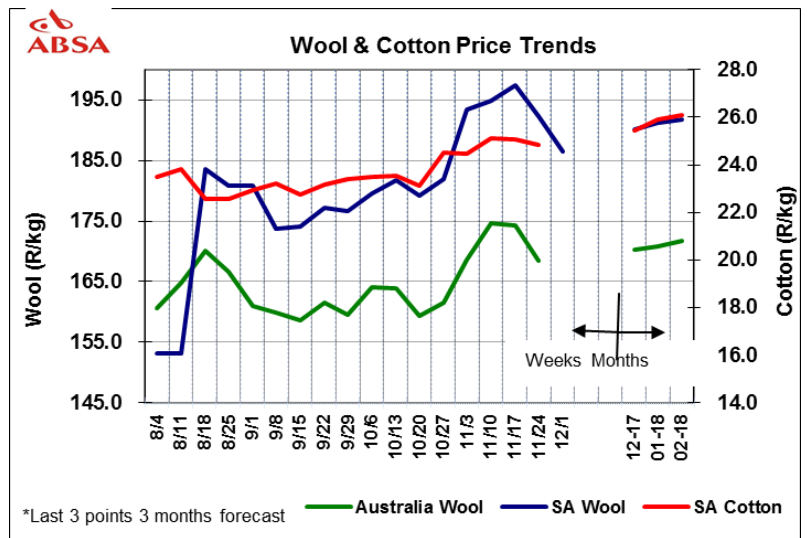
## Cotton market trends

### International

Cotton prices traded 1.44% higher over the past week and closed at US68.37c/lb.

#### Bullish factors

- Cotton saw support from strong US export sales data, and strong Chinese imports last month too.
- Demand for US cotton from major importing countries Bangladesh, Vietnam and China is expected to increase, and the stock build-up outside China is expected to be somewhat smaller," which may support overall prices.
- There are growing worries over output prospects in India, where Commerzbank reported that pest infestation has caused significant crop losses and is reducing the supply available for export. Current crop estimates are for 37.5m bales, below figures of record 40m bales which had been anticipated and encouraging downgrades to export hopes.
- The market reports the potential for China returning to higher levels of imports, having run down its state inventories substantially through auction programmes.



#### Bearish factors

- Data from the USDA showed that US farmers' higher-than-expected shift into cotton this is setting a trend, with sowings over the next decade seen beating previous expectations, encouraged by improved price prospects. The forecast for sowings next year, at 11.2m acres, while representing a drop of some 1.2m acres year on year, is well above the 10.3m acres at which the USDA had previously pinned them.

### Domestic

The derived SA cotton prices traded 0.88% lower to close at R24.83/kg. The decreases in prices were in spite of increases in international prices, but supported by the strength in the South African rand.

### Outlook

Internationally, cotton prices may be pressured by larger expected world crop and harvesting pressure in the US.

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



Fibres market trends  
Week ended 30 November 2017

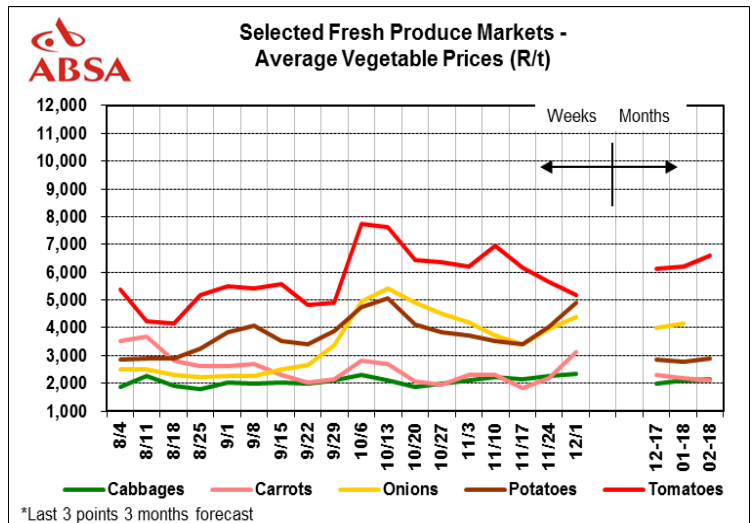
Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Dec 2017 (AU\$/kg)	%	Australian future Mar 2018 (AU\$/kg)
Wool market indicator	-3.01	18,656	-3.95	17639		-		-
19µ micron	-2.42	21,074	-4.05	20912	-1.55	19.00	-1.05	18.80
21µ micron	-3.30	17,004	-3.36	17297	-2.52	15.50	-2.60	15.00
Cotton prices 24 November 2017		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	-0.88	24.83	1.70	1.78	2.21	1.560	2.83	1.568

## Vegetables market trends

### Potatoes

The Sandveld area in the Western Cape is a large potato producing region, delivering approximately 14%-15% of the total national potato crop. The current water restrictions in the Western Cape have influenced planting decisions. The borehole water supplies in the Sandveld area will be sufficient to handle planting intentions well into the next year. However producers that depend on river water will cut back on plantings (but that's a small number of producers), so overall we anticipate a reduced level of potato plantings in the Sandveld area.

The situation can change drastically within the first 5 months of 2018, depending on drought (or any other weather abnormalities). Should the drought continue well into the next year (winter), borehole supplies could get depleted, Sandveld producers may have to reduce their crop significantly by approximately 30% (reduced supplies from the Sandveld, could support higher prices in the other regions, if normal weather support normal plantings/yield in those regions).



In the short term, we anticipate normal seasonal prices to take place.

### 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 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.

Prices increased week on week by 12.3% due to lower volumes delivered. 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 delivery period (December – Jul2018), will result in lower volumes.

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.

Prices could reach about R75-R85/bag next year May/June 2018.

### Tomatoes

Prices may marginally increase over the next two months as production will cease during the very hot months of October, November and December.

Total volumes delivered this week were higher by 9%. Prices also marginally increased by 0.9%. We anticipate prices to remain fairly at this level or slightly higher during the festive holidays.

### Peppers

Week-on-week pepper prices increased by 23% from R8.07/kg to R9.96/kg. Volumes sold declined week –on-week by 23% also in the Top 5 FPM. The Johannesburg market sold 58.6 % of the peppers in the past 3 months at an average of R12.41/kg, Pretoria market second with 21.8% purchases at an average of R9.85/kg, Cape town

FPM sold 16.3% at average R12.39/kg, Durban FPM sold 2.1% at an average R10.63/kg and lastly Bloemfontein FPM sold 1.2% at an average R10.67/kg.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 30 November 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	12.5%	2350	2088	2.9%	1149	1116
Carrots	24.7%	2880	2310	6.3%	2016	1897
Onions	12.3%	4270	3802	-1.4%	4995	5065
Potatoes	17.3%	4848	4132	-6.6%	12557	13449
Tomatoes	0.9%	5948	5896	7.9%	4185	3877
Peppers	23%	9960	8070	-23%	734	949

**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.