



# Agri Trends

02 February 2018

## Lower wheat production and its effect on the economy.

The expected commercial production of wheat in South Africa is about 1.4 million tons, which is almost 23% less than the previous season. The decline was driven by poorer than expected yields, especially in the Swartland area. In the Western Cape 325,000 ha of wheat had been planted of which 200,000 hectares had been planted in the Swartland. Importing plans are already underway to supplement SA's local demand for wheat. Looking solely at the wheat industry in the Western Cape, the industry estimates a loss of about R1.7 billion to R2 billion in gross incomes.

Summer rainfall areas are likely to receive late summer rains, which could result in late winter rainfall again for the Western Cape. However with prudent financial planning, risk mitigating strategies and sustainable farming practices we believe our producers will find a way to get through this challenging time and prosper!

“An industry that feeds you, is an industry worth fighting for” - Unknown

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## Maize market trends

### International

Week-on-week yellow maize No 2 gulf price increased from US\$156.06/ton to US\$158.31/ton. Global maize prices were “higher” in January 2018, supported by concerns regarding the Argentinian crop prospects, spill-over support from wheat and a weaker US dollar.

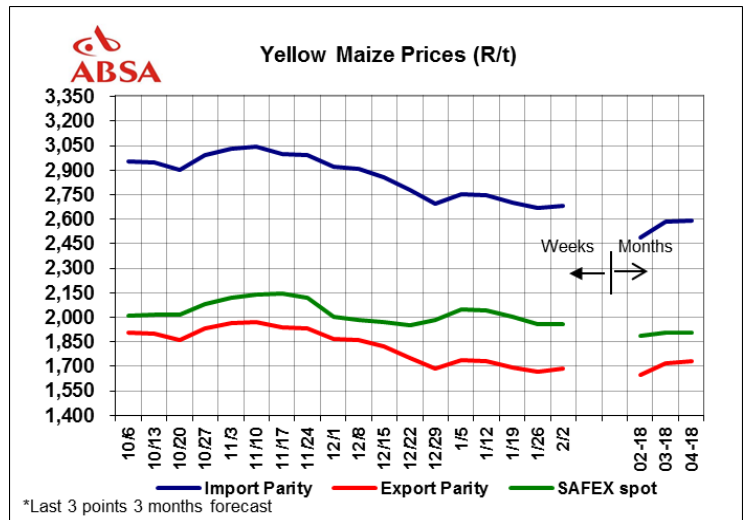
Grain producers will be keeping an eye on the second WASDE report of the year, next Thursday, 8<sup>th</sup> February 2018.

### Bullish factors

- China is increasingly acquiring maize from Ukraine. US grain quality and paper work concerns limited exports from USA.
- Argentinian maize crop facing weather pressure. Increasing concerns, triggered support & speculative covering.
- US export sales data swaying positive with the USDA reporting total exports of 1.85 million ton. The export total was 28% higher than last weeks.

### Bearish factors

- The USDA increased its yield (176.6 bu/acre) and production (by 660 430 million tons) expectations in the January WASDE report.
- The USDA’s hiked its Mexico maize production expectations. That’s important given the latest round of NAFTA talks and ahead of February’s WASDE.
- The IGC has increased China’s ending stocks, which has a significant effect on the global maize ending stocks.
- US export sales expected to increase during the next few months. Brazilian export competition on the global market will be reduced, ahead of its safrinha harvest.

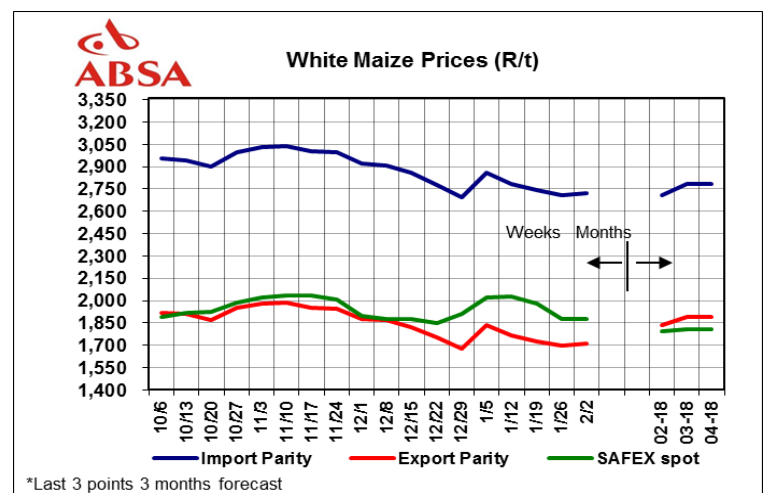


### Domestic

The local maize market traded lower, following a stronger Rand. By February 1<sup>st</sup>, week on week new season white maize prices for delivery in Mar2018 decreased by 4% (R69/ton) from R1880/ton to R1811/ton, Jul 2018 contracts decreased week-on-week by 4% (R72/ton) from R1985/ton to R1913/ton. Week-on-week new season yellow maize prices for delivery in Mar2018 declined by 3% (R53/ton) from R1956/ton to R1903/ton. Prices for delivery in Jul2018 for yellow maize were recorded at R1976/ton a 2% decline from R2025/ton.

### Bullish factors

- On the 30<sup>th</sup> January 2018 the CEC released their preliminary estimates for area planted. Total maize area estimate is 2.3 million ha, 12.2% (319 400 ha) less than the previous season area of 2.62 million hectares. Producers had initially intended on planting 2.47 million hectares but due to very warm weather and lower than expected rainfall in the western parts of South Africa’s maize belt, some farmers were not able to sow their intended area.
- Late planted summer crops suffered from the heat and damage occurred to some crops, especially plants in the process of emergence or young crops.



### Bearish factors

- The stronger Rand (weekly average R11.90 compared to R11.96 previous week) against the US dollar. Exports are less competitive.
- The CEC’s preliminary area estimate sowed for yellow maize is 1.024 million hectares (up by 4% year on year).

- Sufficient rain is still possible during the months of February and March. This rain will retain moisture levels to conditions that are conducive for good production and very good grazing.
- The white maize preliminary area estimate (1.284 million hectares) represents a 21.8% decline (358 400 hectares compared to previous season). Yellow maize is up 4% (from 985 500 ha to 1.024 million ha) from the previous season.
- South Africa's export activity remains sluggish. Total maize exports for the week ending 26 January 2018 was only 12,886 ton (9,028 ton white maize and 3,858 ton yellow maize).

## Outlook

### Local

On the 30th January 2018 the CEC released their preliminary estimates for area planted. Total maize area planted estimate is 2.3 million ha, 12.2% (319 400 ha) less than the previous season area of 2.62 million hectares. Producers had initially intended on planting 2.47 million hectares but due to very warm weather and lower than expected rainfall in the western parts of South Africa's maize belt, some farmers were not able to sow their intended area. The white maize preliminary area estimate (1.284 million hectares) represents a 21.8% decline (358 400 hectares compared to previous season). Yellow maize is up 4% (from 985 500 ha to 1.024 million ha) from the previous season.

Planting season is over. The summer rainfall season had a late start to the season and there's anticipation that the second part of the summer season will be much better. Rain will however still be very welcome for soil moisture levels, veldt conditions and dam levels.

### International

Global maize prices were "higher" in January 2018, supported by weather concerns affecting the Argentinian crop prospects, spill-over support from wheat and a weaker US dollar. Grain producers will be keeping an eye on the second WASDE report of the year, next Thursday, 8th February 2018.

|  |               |             |               |               |               |            |               |             |  |
|--|---------------|-------------|---------------|---------------|---------------|------------|---------------|-------------|--|
| <b>Yellow Maize Futures:<br/>01 February 2018</b>    | <b>Mar-18</b> |             | <b>Jul-18</b> |               | <b>Sep-18</b> |            | <b>Dec-18</b> |             |  |
| <b>CBOT (\$/t)</b>                                   | 142.41        |             | 148.71        |               | 151.57        |            | 154.81        |             |  |
| <b>SAFEX (R/t)</b>                                   | 1903          |             | 1976          |               | 2034          |            | 2094          |             |  |
| <b>SAFEX (R/t)<br/>Change week on week<br/>(w/w)</b> | -53           |             | -49           |               | -28           |            | -38           |             |  |
|  | <b>Mar-18</b> |             |               | <b>May-18</b> |               |            | <b>Jul-18</b> |             |  |
| <b>Ask</b>   | <b>Put</b>    | <b>Call</b> | <b>Ask</b>    | <b>Put</b>    | <b>Call</b>   | <b>Ask</b> | <b>Put</b>    | <b>Call</b> |  |
| 1,940  | 67            | 30          | 2,000         | 113           | 69            | 2,020      | 148           | 104         |  |
| 1,900  | 45            | 48          | 1,960         | 90            | 86            | 1,980      | 126           | 122         |  |
| 1,860  | 27            | 70          | 1,920         | 71            | 107           | 1,940      | 105           | 141         |  |

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

|   |        |      |        |        |      |        |        |      |        |
|---|--------|------|--------|--------|------|--------|--------|------|--------|
| White Maize Futures<br>01 February 2018 | Mar-18 |      |        | Jul-18 |      |        | Sep-18 |      | Dec-18 |
| SAFEX (R/t)                             | 1811   |      |        | 1913   |      |        | 1969   |      | 2030   |
| SAFEX (R/t)<br>Change w/w               | -69    |      |        | -72    |      |        | -66    |      | -69    |
| Mar-18                                  |        |      | May-18 |        |      | Jul-18 |        |      |        |
| Ask                                     | Put    | Call | Ask    | Put    | Call | Ask    | Put    | Call |        |
| 1,860                                   | 90     | 41   | 1,900  | 134    | 99   | 1,960  | 163    | 116  |        |
| 1,820                                   | 66     | 57   | 1,860  | 112    | 117  | 1,920  | 140    | 133  |        |
| 1,780                                   | 47     | 78   | 1,820  | 92     | 137  | 1,880  | 119    | 152  |        |

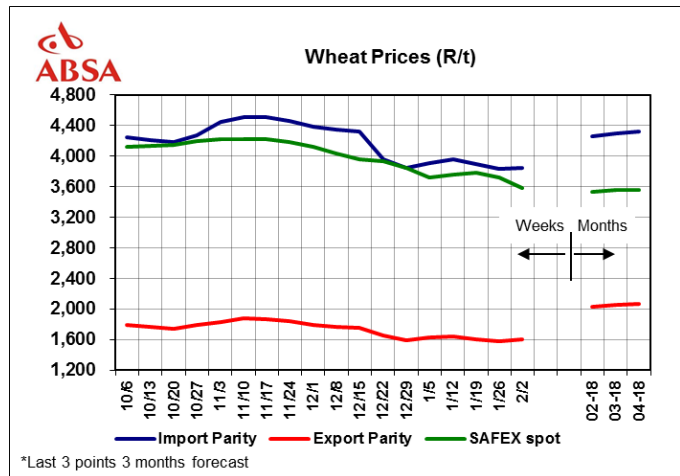
## Wheat market trends

### International

The weekly average old season HRW wheat Gulf price decreased from US\$188.59/ton to US\$187.42/ton week on week. While the weekly SRW wheat price increased from US\$176.55/ton to US\$185.35/ton week on week. Global wheat export prices posted some gains during this week. The weaker dollar supported advances in US wheat futures.

#### Bullish factors

- Russian wheat exports have been dominating the global market, however in January 2018, very cold weather created bottlenecks at the Russian ports, limiting the country's ability to move produce.
- US wheat producing areas experienced drought in November and December, which limited crop cover, leaving the growing areas vulnerable in January when the cold spell fell.
- Geopolitical risk remains in the grain market, with the Trump Administration decision to pull out of the Trans Pacific Partnership negotiations, increasing a protectionism attitude. US will likely lose some of its market share in the Japanese wheat market.
- Kansas crop proportion that was rated poor/very poor rose to 44% from 20% (same time last year), while the Oklahoma area assessed, showed 79% of the winter wheat in poor/very poor condition (up from 42% in December 2017).



#### Bearish factors

- Saudi Arabia tendered for 715000 million tons of US wheat.
- Preliminary outlook on Canadian wheat prospects for the 2018/19 season shows a 4% increase supported by increased sowings of spring wheat and durum, outweighing any declines in hard winter wheat sowings.
- Firmer Euro continued to dampen export prospects.

### Domestic

On 1<sup>st</sup> February 2018, wheat prices for delivery in Mar2018 decreased by 4% (R149) from R3708/ton to R3559/ton. Jul2018 prices also decreased by 4% (R158) from R3823/ton to R3665/ton, week on week. Domestic prices followed international trends. Stronger local currency weighs on prices.

#### Bullish factors

- Lower dam levels in the Western Cape remain critical at 25%.
- The CEC's latest crop estimates kept the expected commercial production unchanged at 1.475 million tons.
- Because the summer rainfall season started late, there's likelihood that the winter rainfall over the Western Cape might also be delayed.

#### Bearish factors

- Imports for the week ending 26 January 2018, was 22,419 tons of which the bulk originated from Argentina. Total imports so far for the season amounts to 702,491 tons. The industry anticipates an influx of imports around April/May 2018 to supplement local demand.
- Preliminary outlook on Canadian wheat prospects for the 2018/19 season shows a 4% increase supported by increased sowings of spring wheat and durum, outweighing any declines in hard winter wheat sowings. Larger global wheat stocks will weigh on the domestic wheat prices.
- Stronger local currency weighing on domestic prices, meanwhile supporting cheaper wheat import influx.

## Outlook

### Local

The drought situation in the Western Cape remains critical. The wheat industry is in a difficult place with profit margins heavily squeezed. The industry has to survive in a time faced with burdensome global stocks, lower local yields coupled with stronger local currency supporting imports. Probability of light falls over the Southern Cape is high, which should provide some relief. Some industry players are adding a livestock component and reducing the percentage of land sowed under wheat to mitigate their risk.

### International

Global burdensome wheat stocks keep weighing prices down. Wheat prices are expected to remain under pressure well into the next year, due to Black Sea great crop prospects. Canadian great crop prospects add to the global abundant supplies. Geopolitical risk remains in the grain market, with the Trump Administration decision to pull out of the Trans Pacific Partnership negotiations, increasing a protectionism attitude. US will likely lose some of its market share in the Japanese wheat market.

| Wheat Futures<br>01 February 2018 | Mar-18 |      |        | May-18 |      |        | Jul-18 |      |        | Sep-18 |      |  |
|-----------------------------------|--------|------|--------|--------|------|--------|--------|------|--------|--------|------|--|
| CME (\$/t)                        | 170.58 |      |        | 175.63 |      |        | 180.60 |      |        | 187.39 |      |  |
| SAFEX (R/t)                       | 3559   |      |        | 3628   |      |        | 3665   |      |        | 3698   |      |  |
| SAFEX (R/t)<br>Change w/w         | -149   |      |        | -156   |      |        | -158   |      |        | 0      |      |  |
|                                   |        |      | Mar-18 |        |      | May-18 |        |      | Jul-18 |        |      |  |
| Ask                               | Put    | Call | Ask    | Put    | Call | Ask    | Put    | Call | Ask    | Put    | Call |  |
| 3,600                             | 61     | 20   | 3,660  | 128    | 96   | 3,700  | 166    | 131  |        |        |      |  |
| 3,560                             | 37     | 36   | 3,620  | 106    | 114  | 3,660  | 144    | 149  |        |        |      |  |
| 3,520                             | 20     | 59   | 3,580  | 87     | 135  | 3,620  | 125    | 170  |        |        |      |  |

## Oilseeds market trends

### International

The weekly average USA soybean price decreased week on week from US\$377.63/ton to US\$374.23/ton. US soya oil prices marginally increased from US\$32.53/ton to US\$32.98/ton and soymeal prices traded lower from US\$339.26/ton to US\$337.43/ton.

Soybean prices declined week on week on the news of improving weather in South America, and lower than expected export sales.

#### Bullish factors

- Chinese import requirements (feed & food demand) estimated to remain a key factor in soybean economy, especially since China is running out of farm land.
- Argentinian production estimates likely to reduce due to dry hot weather.
- Mexican soybean import demand increased to a 15-year high at 4.3 million ton in 2017. Trend was supported by robust demand, increased red and poultry meat production, appealing feed prices.
- The 10-day weather outlook for central Argentina looks too dry for good pod filling; however weather forecast is not as dry as it was.

#### Bearish factors

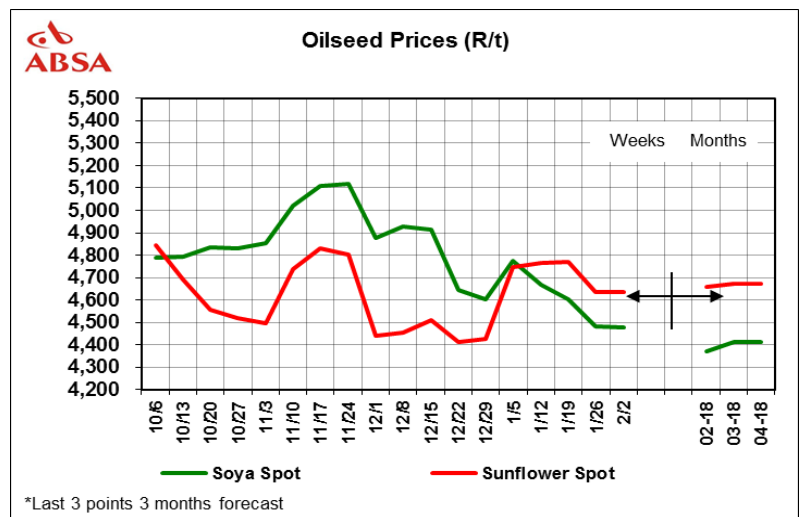
- Brazil soybean production estimate set to be increased by 1 million tons. Current estimate is around 111 million tons. The country's 2017/18 soybean crop will be its second largest crop production ever. China is expected to be a primary buyer. Ports are expected to be flooded with produce.
- The soybeans planted for this year in Brazil, will likely yield close to last year's crop level irregardless of the weather concerns.

### Domestic

On February 1<sup>st</sup>, sunflower seed prices (Mar2018) decreased week on week by 3% (R121/ton) from R4793/ton to R4672/ton while soybean (Mar2018) prices also decreased by 1% (R62/ton) from R 4474/ton to R4412/ton.

#### Bullish factors

- CEC's preliminary soybean area planted estimates is 701 000 hectares, slightly lower than the intentions (720 000 hectares). Unfavourable weather and growing conditions caused the decline. The 701 000 hectares however is 22% higher than the 2017 area planted (573 950 hectares).
- The CEC's preliminary sunflower seed area estimate declined by 11.9% nationally. With all the major sunflower seed growing regions showing significant declines when compared to the intentions to plant. (Mpumalanga 10% decline, Free State 11.4% decline, North West a whopping 23% decline and Limpopo 14.8% decline)
- Preliminary soybean area estimate shows declines in the major growing regions (Mpumalanga, Free State and the North West) compared to the intentions.



#### Bearish factors

- The CEC's preliminary soybean area planted estimate of 701 000 hectares is 22% higher than the 2017 area planted (573 950 hectares).
- The summer crop production conditions deteriorated in November-December 2018 due to weaker than expected rainfall conditions, very low temperatures as well as hot and windy conditions.

- Probable favourable weather is forecasted in the next 2 weeks of February 2018 over the soybean and sunflower seed growing regions.

## Outlook

### Local

Local sunflowerseed and soybean prices closed lower this week suppressed by lower US soybean prices. Lower than expected rainfall conditions from November-December 2017, affected the summer crop production conditions. CEC's preliminary soybean area planted estimates is 701 000 hectares, slightly lower than the intentions (720 000 hectares). Unfavourable weather and growing conditions caused the decline. The 701 000 hectares however is 22% higher than the 2017 area planted (573 950 hectares). Mpumalanga, North West and Free State soybean and sunflower growing areas will likely receive between 50-150mm rainfalls in the next two weeks, which would support growing conditions.

### International

World soybean supplies are expected to remain abundant in 2017/18. Global stocks anticipated to rise by 16 million tons to 442 million ton in 2017/18. Old crop carry-over supplies will likely offset the probable decline (due to unfavourable weather especially in South America) in production during 2018.

| Oilseeds Futures<br>01 February 2018            | Mar-18 | Jul-18 | Sep-18        | Dec-18 |      |               |     |      |
|---|--------|--------|---------------|--------|------|---------------|-----|------|
| CBOT Soybeans (US\$/t)**                        | 361.93 | 366.15 | 369.64        | 368.72 |      |               |     |      |
| CBOT Soy oil (US c/lb)                          | 32.90  | 33.10  | 33.31         | 34.82  |      |               |     |      |
| CBOT Soy cake meal (US\$/t)*                    | 367.03 | 371.10 | 373.96        | 372.09 |      |               |     |      |
| SAFEX Soybean seed (R/t)                        | 4412   | 4597   | 4701          | 4805   |      |               |     |      |
| SAFEX Soybean seed (R/t) change w/w             | -62    | -24    | -29           | -29    |      |               |     |      |
| SAFEX Sunflower seed (R/t)                      | 4672   | 4700   | 4835          | 4871   |      |               |     |      |
| SAFEX Sunflower seed (R/t) change w/w           | -121   | -20    | 218           | 0      |      |               |     |      |
| <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 |
| 4,720   | 141    | 93     | 4,740         | 241    | 191  | 4,740         | 275 | 235  |
| 4,680   | 119    | 111    | 4,700         | 219    | 209  | 4,700         | 253 | 253  |
| 4,640   | 99     | 131    | 4,660         | 199    | 229  | 4,660         | 232 | 272  |

\*short ton

\*\* Dec 2018 = Jan 2019



## Beef market trends

### International

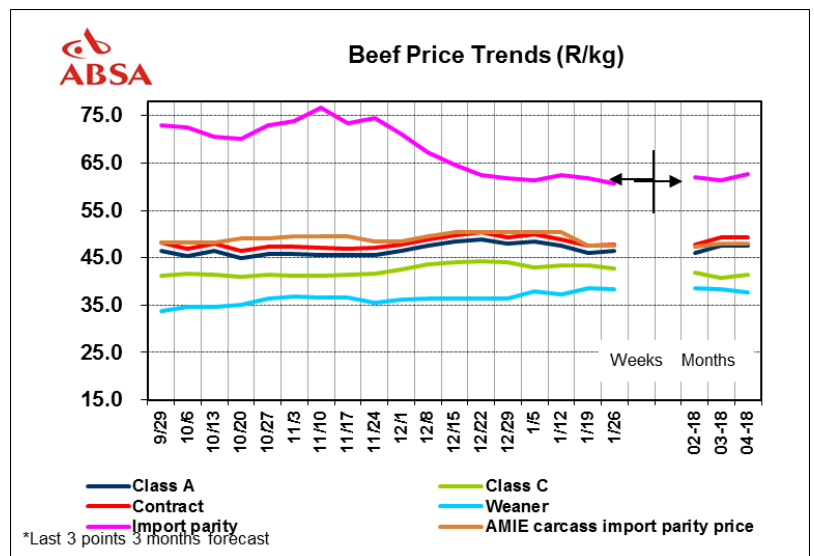
New Zealand steers traded sideways over the past week at 5.38NZ\$/kg and cows traded sideways at 4.00NZ\$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 2.67% higher at \$209.49/cwt. Rump was 2.20% lower at \$344.83/cwt and strip loin was 0.16% higher at \$509.20/cwt. Chuck traded 2.61% lower at \$234.41/cwt. Brisket traded 1.51% lower at \$239.91/cwt. The carcass equivalent price was 1.12% lower at \$292.28cwt.

#### Bullish factors

- Sharply declining national cattle slaughter in New Zealand may support prices.

#### Bearish factors

- US beef production in 2018 is expected to increase as higher cattle placements in late 2017 are expected to result in higher fed cattle marketing's and slaughter in the first half of 2018. Average carcass weights in the US are also expected to be heavier.
- The rising NZD: USD.
- Growing global beef (as well as poultry and pork) production, together with increased cattle numbers in Australia, would exert downward pressure on domestic cattle prices.



### Domestic

The average beef producer prices increased during the months leading to December, but prices are losing some ground into January 2018. The average December 2017 class A price increased by 6% from the average R45.64 during October 2017. Prices have lost some ground into January in line with seasonality.

Week on week, beef were mixed across the different classes. The average Class A prices recovered this week and are 0.65% higher at R46.42/kg. Class C prices were 1.50% lower at R42.66/kg. The average weaner calf prices over the past week slightly lost some ground and were 1.0% lower at R38.26/kg. Weaner calf prices so far in January are strong, due to higher demand. The average hide price over the past week continued to lose some ground. The markets are generally weak after pressure resulting from the strength in the South African rand. The strong South African rand, together with the weakening hide market resulted in lower prices. The average hide prices traded 4.30% lower at R10.39/kg green. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

#### Bullish factors

- The upcoming Easter holidays will support prices.
- Good demand and limited supplies of weaner calves.
- Preliminary slaughter numbers shows that 225 744 head of cattle was slaughtered during December 2017, which is 5% lower than During November 2017.
- The latest weather forecast indicates that summer rainfall forecasts improved for the last week of January 2018 and the whole of February with the exception of the extreme western and south western parts of the country.
- Farmers were unable to plant summer crops over the western and south western parts of the summer crop area, resulting in a reduction of about 10-20% of the intended total maize production area.
- 30% fewer cattle was slaughtered during December 2017(225 744) compared to December 2016 (322 554).

#### Bearish factors

- Consumers normally become under pressure during the January month following increased spending during the festive season.
- The weather was dominated by dry and hot conditions for the first three weeks of January 2018 over most of the country, this negatively impacted moisture levels on the veld. Natural grazing as well as cultivated pastures were not producing, causing the condition of animals to deteriorate.

## **Outlook**

Internationally, the expanding global beef production is expected to create strong competition in global markets, and possibly add pressure on beef prices.

Locally, beef prices tend to decline during January in line with seasonal trends, after having peaked during the festive season. There is generally lower demand for beef as consumers are under pressure after the holiday season and school commences.

## Sheep meat market trends

### International

New Zealand lamb prices traded sideways this week compared to last week. Lamb prices closed sideways at NZ\$102.8/head for 15kg lamb. Lamb prices were sideways at NZ\$143.9/head for 21kg lamb. Ewe prices traded sideways at NZ\$94.5/head for a 21kg ewe. The import parity price for lamb was 1.62% lower at R65.99/kg, while the import parity price for mutton was 1.57% lower at R46.96/kg.

#### Bullish factors

- There was strong demand from China for New Zealand mutton through December, and confidence is at least solid for the coming months. Higher early season mutton production led to exporters shipping 11,800t of mutton to China through December, more than any other month in history. This was 7000t more than the same month a year ago, and held 85% above five-year average levels.
- Lower slaughtering in both New Zealand and Australia in recent weeks may limit export volumes.
- Strong sheep meat export markets and limited growth in global production would continue driving good lamb prices in Australia.

#### Bearish factors

- In New Zealand, dryness in parts of the country and strong production pre-Christmas has weighed on market prices.

### Domestic

Lamb and mutton prices followed an upward trend for the months heading into December 2017, but prices have lost some ground into January 2018.

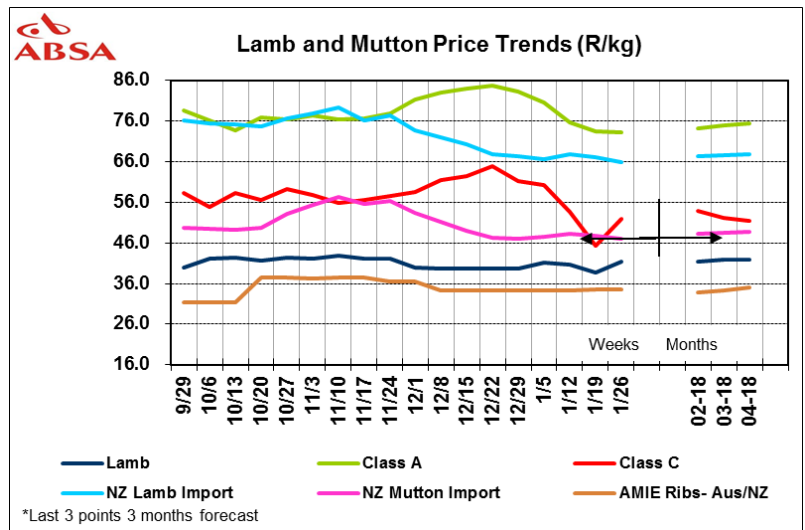
Lamb and mutton prices were mostly lower over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices decreased by 0.1% to R73.29/kg and the average Class C prices increased by 14.5% to R51.97/kg. The average price for feeder lambs traded 7.1% higher at R41.38/kg. The average price for dorper skin is 10% lower at R32.50/skin and merinos were 0.8% higher at R92.22/skin.

#### Bullish factors

- The upcoming Easter holidays will support prices
- 31% fewer head of sheep was slaughtered during December 2017(470 041) compared to in December 2016 (681 611).
- Short term forecasts favour improved conditions for rainfall for the next weeks over the summer rainfall area, especially the central parts like the Northwest province, the Free State, eastern parts of the Northern Cape and parts of adjacent provinces. This may improve veld conditions.

#### Bearish factors

- Preliminary slaughter numbers shows that 470 041 head of sheep was slaughtered during December 2017, which is 6% higher than During November 2017.
- The weather was dominated by dry and hot conditions for the first three weeks of January 2018 over most of the country, this negatively impacted moisture levels on the veld. Natural grazing as well as cultivated pastures were not producing, causing the condition of animals to deteriorate.



## **Outlook**

Internationally, global lamb markets remain solid into 2018, which may limit the extent of seasonal price declines. Low levels of global lamb inventory are expected to support strong prices in 2018.

Locally, prices are expected to follow a sideways to lower movement. It is a norm for prices to lose some ground in January following increased spending/consumption during the festive season and as schools re-opens and consumers commit to other financial obligations.

## Pork market trends

### International

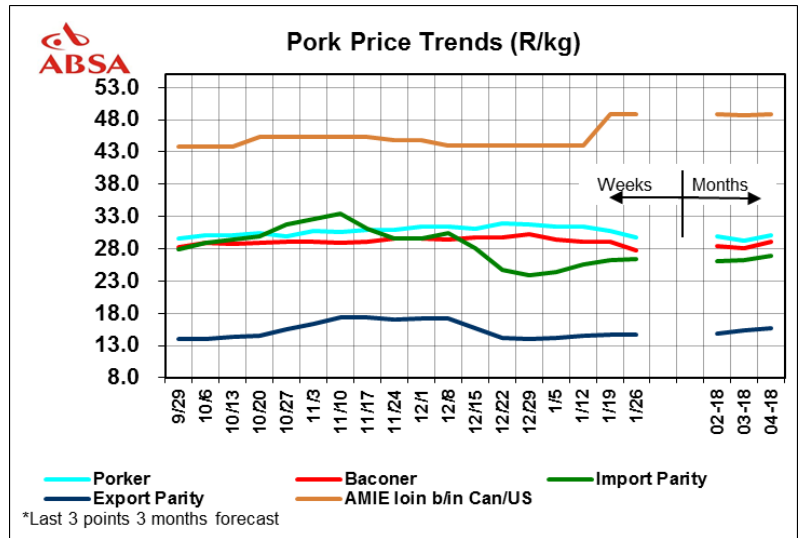
The average weekly US pork prices were mostly higher over the past week. Carcass prices were 1.9% higher at US\$81.31/cwt, loin prices were 1.0% higher at US\$71.34/cwt, rib prices were 0.2% lower at US\$131.45/cwt and ham was 3.8% higher at US\$65.06/cwt.

#### Bullish factors

- The first-quarter 2018 hog price forecast is expected higher, reflecting recent price strength and firm demand. (USDA Wasde.)

#### Bearish factors

- The Russian ban on Brazilian beef and pork due to the presence of a banned substance, a growth hormone ractopamine. If this is not settled soon Brazil may be forced to divert meat onto other markets and given the size of the Brazilian beef industry this may send out ripples.
- The pork production forecast for 2018 is expected higher. USDA's Quarterly Hogs and Pigs report estimated the September-November pig crop was 3% above 2016 which supports a higher first half production forecast. The report also indicated that producers expect to expand farrowings about 3% in the first half of the year which, coupled with continued gains in pigs per litter, supports higher second-half production. (USDA Wasde.)



### Domestic

Pork prices are following a declining trend having increased during the festive season. This week, pork prices were mostly lower. The latest average pork prices are as follows: The average porker prices are 3.09% lower at R29.73/kg, while the average baconer prices are 4.6% lower at R27.71/kg. The average cutters prices were 6.2% lower at R28.2/kg and the average heavy baconer price was 4.4% lower at R26.20. The SAU price was 5.5% lower at R20.09/kg.

#### Bullish factors

- 20% fewer pigs were slaughtered during December 2017 at 193 982 heads compared to 242 728 heads during December 2016.
- Preliminary slaughter numbers shows that 193 982 pigs were slaughtered during December 2017, which is 22% lower than During November 2017.
- Pork remains a cheaper protein compared to beef and sheep meat, which may continue to support demand in this market.

#### Bearish factors

- Pork prices may follow beef and mutton prices lower.
- The recent strength in the South African Rand is expected to weigh on pork prices.
- Lower feed costs continue to support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

### Outlook

Internationally, the rising supply of competitive meat proteins, like poultry and beef may weigh on pork prices.

Locally, prices are expected to follow a sideways trend in the short term with an upside potential towards the Easter holidays on improved demand.

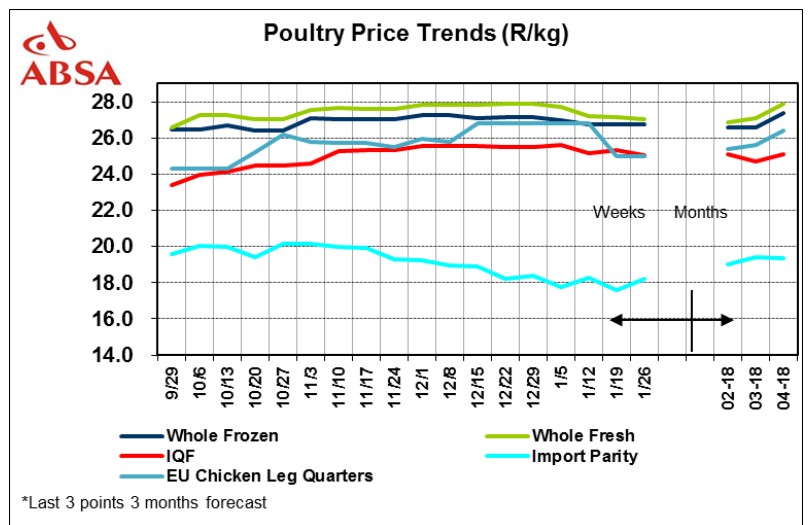
## Poultry market trends

### International

Poultry prices in the US were mixed over the past week. Whole bird prices were 2.01% lower at 92.72USc/lb. Breast traded 1.05% higher at 96.50USc/lb, while leg quarters traded 10.14% higher at 38.00USc/lb.

#### Bullish factors

- Improved exports in the US support prices.
- Possible return of avian influenza in the northern hemisphere this winter may impact global trade.
- The EU poultry industry is expected to continue remain strong due to favourable supply/demand balance. This is as AI restricts production growth and animal welfare/environmental regulations prevent significant expansions.
- Brazilian industry is recovering from the meat scandal, and exports have returned to 2016 levels after substantial drops in quarters two and three.
- First and second quarter broiler and egg price forecasts are expected higher as due to recent price strength and continued strong demand. (USDA Wasde)



#### Bearish factors

- In the US, estimated record-high US corn and soybean harvest are expected to lower feed prices.
- Forecast broiler production is expected higher for 2018 on favourable returns.
- The rising supply of competitive meat proteins, like pork and beef may weigh on poultry prices.

### Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were sideways at R26.75/kg during the week. Whole fresh medium bird prices were 0.43% lower at R27.05/kg, while IQF prices were 1.12% lower at R25.05/kg.

#### Bullish factors

- The drought in the North West and Free State Provinces impact negatively on maize stocks. This will result in increased feed prices in 2019.
- Prices may increase towards Easter.
- Egg prices are following an upward trend, following recent bird flu outbreaks in some regions, leading to shortages of eggs. Production prices for Jumbo eggs in Rands per dozen have increased by 38% during November 2017 compared to November 2016, from R18.27 rand per dozen to R25.14 Rands per dozen.
- There is stronger demand for cheaper proteins like poultry.

#### Bearish factors

- Strength of the South African rand is weighing on local prices.
- Poultry prices may be weighed on by the declining beef and mutton prices.
- Sufficient rainfall during February and March may assist in very good grazing conditions before winter. This can also help to ensure good production conditions for summer grain crops.
- The low domestic maize and soybean prices result in favourable animal feed prices for 2018.

## Outlook

Internationally, larger broiler supplies are expected, but possible outbreaks of Avian Influenza may limit production growth.

Locally, Poultry prices may gain support from increased spending during 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 01 Feb 2018   | 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   | 0.65  | 47.42        | 46.13      | -0.1   | 73.29        | 73.36      | -3.0 | 29.73        | 30.68      | -0.43   | 27.05        | 27.16      |
| Class C/ Baconer/ Frozen birds   | -1.50 | 42.66        | 43.31      | 14.5   | 51.97        | 45.39      | -4.6 | 27.71        | 29.06      | 0       | 26.75        | 26.75      |
| Contract/Baconer/ IQF  | 0.55  | 47.77        | 47.51      | -0.6   | 73.09        | 73.54      | -3.8 | 28.72        | 29.87      | -1.12   | 25.05        | 25.34      |
| Import parity price  | -1.62 | 60.76        | 61.76      | -1.6   | 46.96        | 47.71      | -0.9 | 31.7         | 32.0       | 3.7     | 18.24        | 17.58      |
| Weaner calves/ Feeder lambs  | -1.0  | 38.26        | 38.66      | 7.1    | 41.38        | 38.66      |      | -            | -          |         |              |            |
| Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4 | 0     | 47.50        | 47.50      | 0      | 56.60        | 56.60      | 0    | 48.90        | 48.90      | 0       | 25.00        | 25.00      |

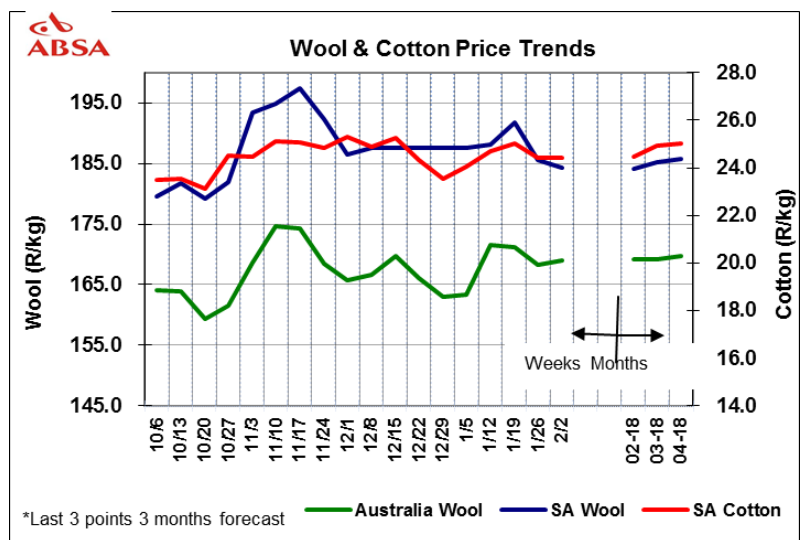
## Wool market trends

### International

The last auction was on the 1<sup>st</sup> of February 2018. The Australian wool market steadied this week after last week's declines with buyer confidence strengthening as the sale progressed. The Australian wool market prices averaged lower this week and closed 0.34% lower at Au1738c/kg at the recent auction.

#### Bullish factors

- Wool's tight market conditions are predicted to continue through the first half of 2018, helping to support high prices with Australian supplies likely to increase only marginally.
- No supply shock to undermine the market with demand strong in China.



#### Bearish factors

- The AUD was stronger against the USD this week.

### Domestic

The last auction was on the 31<sup>st</sup> of January 2018. Domestic wool market prices decreased and the merino indicator was 0.71% lower to close at R184.24 (clean) at the sale. The next sale is scheduled for 07 February 2018 where approximately  $\pm$  5 299 bales will be on sale.

#### Bullish factors

- There are concerns regarding the scarcity of wool with smaller auctions now expected due primarily to the impact of the drought. There were smaller volumes at the latest auction
- Good demand for quality long and fine wool may continue to support prices.

#### Bearish factors

- This week saw the Rand at R11,87 to the US Dollar and R14,77 to the Euro. The Rand was 1,0% stronger against the US Dollar and 0,1% stronger against the Euro, compared with the average rate at the previous sale.

### Outlook

Internationally, Drought conditions both in Australia and South Africa continue to pose a risk to the upcoming supply numbers.

Locally, concerns regarding the scarcity of wool due primarily to the impact of the drought may support prices.



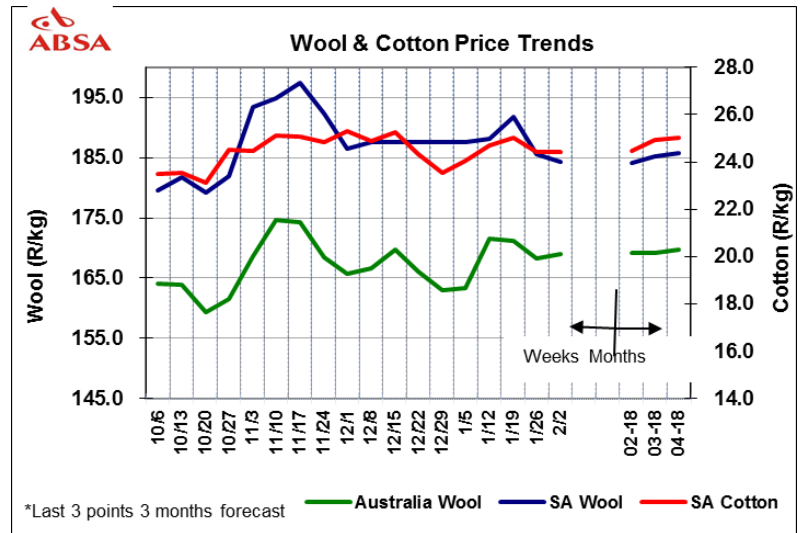
## Cotton market trends

### International

Cotton prices traded 0.78% higher over the past week and closed at US79.66c/lb.

#### Bullish factors

- The International Cotton Advisory Committee (ICAC) pegged at 74 cents a pound its forecast for cotton prices, as measured by the Cotlook A index of physical values in 2017/18, on an August-to-July basis.
- ICAC has downgraded to the forecast for world cotton stocks, on a lower estimate for Pakistani output due to disappointing rate of crop deliveries by producers
- Rising price of competing fibres is expected to support demand for cotton. Increasing prices of oil, which in turn increase the values of artificial fibres such as polyester may lead to increases in global consumption of cotton.



#### Bearish factors

- Production in the US for the current season is expected to increase 25% to 4.7 million tons.
- US export sales data for last week which came in at just 67,700 running bales for upland cotton - down 75% week on week

### Domestic

The derived SA cotton prices traded 2.40% lower to close at R24.43/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, Rising price of competing fibres is expected to support demand for cotton.

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

Fibres market trends  
Week ended 02 February 2018

| Wool prices                   | %     | SA prices (c/kg)         | %     | Australian prices (SA c/kg) | %     | Australian future Mar 2018 (AU\$/kg) | %    | Australian future May 2018 (AU\$/kg) |
|-------------------------------|-------|--------------------------|-------|-----------------------------|-------|--------------------------------------|------|--------------------------------------|
| Wool market indicator         | -0.71 | 18424                    | -0.69 | 16693                       |       | -                                    |      | -                                    |
| 19µ micron                    | -0.33 | 20810                    | -0.67 | 19933                       | 4.90  | 20.35                                | 4.95 | 20.15                                |
| 21µ micron                    | -0.67 | 17159                    | 0.53  | 17240                       | 1.48  | 17.15                                | 2.11 | 16.95                                |
| Cotton prices 26 January 2018 |       | 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                 | -2.40 | 24.43                    | 0     | 2.05                        | -0.91 | 1.805                                | -0.5 | 1.82                                 |

## Vegetables market trends

### Potatoes

Looking at January 2018 compared to January 2017, prices declined on average by 12% from R45.8/10kg to R40.2/10kg on average.

Prices were slightly lower in early 2018; however we expect prices to trade sideways from April 2018 onwards and increase again towards the end of the year, following the usual potato cycle if no extreme weather conditions occur.

### Onions

Onion prices are anticipated to be high in 2018. Prices have been at R50/10kg since November till now. Better quality onions receiving premium and currently trading at R60/10kg.

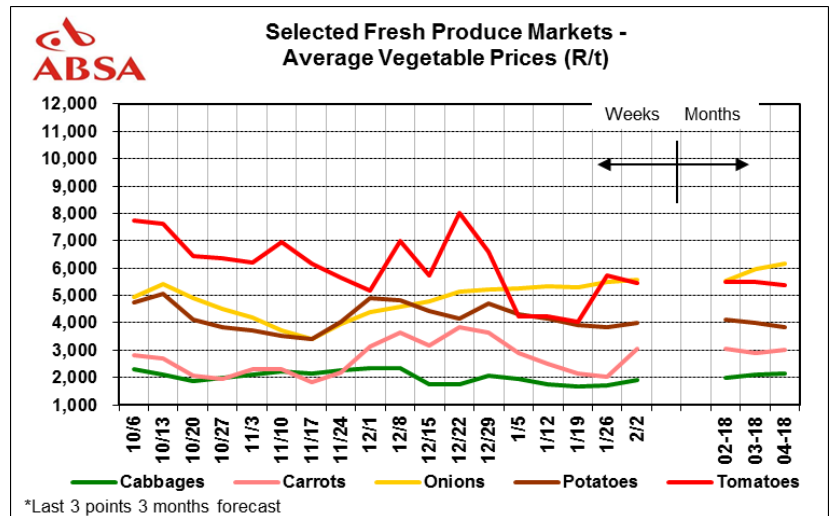
The fewer hectares planted we estimated in 2017 remained unchanged, continuous dryness in the Western Cape (2nd largest producing area) limited supplies, the dry and extreme hot conditions in the Northern region (the largest onion producing region Limpopo + North West) may affect yields. Lower yields might support prices to reach levels of R80-R85/10kg by April. With talks with some industry players we reckon prices above the R100/10kg threshold might not realize as previously anticipated.

### Tomatoes

Total volumes delivered this week were lower by 5%. Prices also dipped by 3.4%. Prices were lower in January 2018, due to sluggish demand after the December holidays. We start to see an increase in prices from the week ending 26 January 2018.

### Carrots

Prices increased significantly by 33.5% week on week, thanks to lower volumes delivered at the top 5 producing markets.



### Vegetable Prices: Fresh Produce Market

(Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)

| Week ending      | 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) |
|------------------|-----------------------------|---------------------------------|-------------------------------------|------------------------------|-------------------------------|-----------------------------------|
| 01 February 2018 |                             |                                 |                                     |                              |                               |                                   |
| Cabbages         | 14.3%                       | 1872                            | 1638                                | -17.8%                       | 1738                          | 2116                              |
| Carrots          | 33.5%                       | 3004                            | 2250                                | -15.9%                       | 2442                          | 2905                              |
| Onions           | -2.3%                       | 5320                            | 5444                                | -3.1%                        | 6569                          | 6778                              |
| Potatoes         | 4.0%                        | 4024                            | 3868                                | -4.3%                        | 15848                         | 16557                             |
| Tomatoes         | -3.4%                       | 5614                            | 5810                                | -5.1%                        | 4660                          | 4912                              |

**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.