



Agri Trends

11 May 2018

Export the maize in storage

There is less than five months of the annual marketing window left during which more sustainable price levels may be ensured for the following production year. Producers should use the current selling opportunities until end of September to export maize in storage before the next USA corn crop will be harvested. It is still possible to reduce this marketing's year record amount of maize in storage from 4.2 million tons to 2.7 million tons by the end of April 2019. It is still not a sufficient reduction in stock levels but it will contribute to the sustainable production of maize in the next production season. A healthy cash flow qualifies for a sufficient production loan. Producers already commit themselves to export a significant portion of the old season crop in storage.

Contents

Maize market trends	1
Wheat market trends	3
Oilseeds market trends.....	5
Beef market trends.....	7
Sheep meat market trends.....	8
Pork market trends.....	9
Poultry market trends.....	10
Wool market trends.....	12
Cotton market trends.....	13

Contact us at Absa AgriBusiness:

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

Conce.Moraba@absa.co.za

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Maize market trends

International

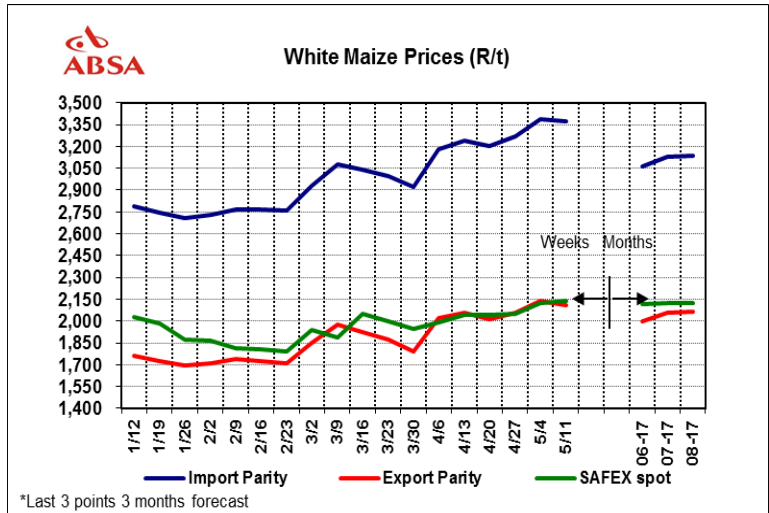
Week-on-week yellow maize No 2 gulf price marginally increased from US\$178.61/ton to US\$179.57/ton. Bullish sentiment in the latest WASDE report supported prices.

Bullish factors

- The latest World Agricultural Supply and Demand Estimates report (WASDE) by the USDA showed a decline in US maize crop due to lower forecasted planted area and yields based on weather related factors.
- World maize ending stocks forecasted lower according to the USDA.

Bearish factors

- Brazil's maize crop is pegged higher in the latest WASDE crop.

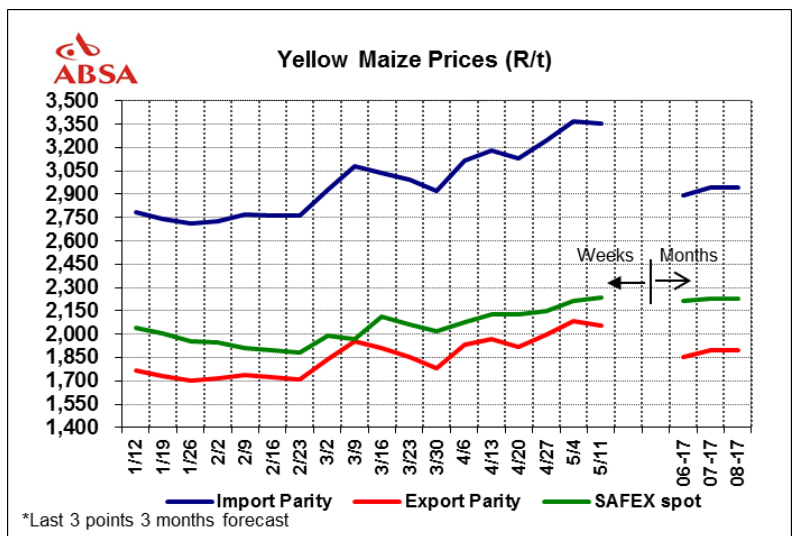


Domestic

On 11 May, local maize market traded marginally higher week on week. New season white maize prices for delivery in Jul 2018 increased marginally from R2123/ton up by 0.1% (R2/ton) to R2125/ton. Week-on-week new season yellow maize prices for delivery in Jul 2018 increased by 0.6% (R13/ton difference) from R2216/ton to R2229/ton.

Bullish factors

- Old season maize prices in South Africa are at production cost levels
- Renewed interest to export maize to Far East destinations provide interim price support
- Relatively stronger Rand week on week.



Bearish factors

- Increased production estimates for old season maize crop.
- Maize deliveries will increase from mid-May. Storage may pose a challenge for already stocked up silos from the previous season's carry over.
- Increased maize deliveries, harvest pressure and storage costs may add more pressure to maize prices from end May 2018.

Outlook

Local

Expect prices to trade sideways to lower as harvest pressure and rate of exports increase.

International

Seasonally maize and soybean prices are following bullish trends, which may continue. Weekly price support stemmed from the release of the bullish WASDE report.

Yellow Maize Futures: 11 May 2018	Jul-18			Sep-18			Dec-18			Mar-19		
CBOT (\$/t)	160.62			163.57			166.23			169.28		
SAFEX (R/t)	2229			2276			2344			2375		
SAFEX (R/t) Change week on week (w/w)	13			16			11			10		
Jul-18			Sep-18			Dec-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
2,260	102	58	2,300	123	83	2,380	178	131				
2,220	80	76	2,260	101	101	2,340	156	149				
2,180	60	96	2,220	81	121	2,300	135	168				

Table 2: Week on week white maize futures and estimated option prices

White Maize Futures 11 May 2018	Jul-18			Sep-18			Dec-18			Mar-19		
SAFEX (R/t)	2125			2180			2256			2289		
SAFEX (R/t) Change w/w	2			5			4			9		
Jul-18			Sep-18			Dec-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
2,160	98	61	2,220	139	94	2,300	196	148				
2,120	76	79	2,180	117	112	2,260	173	165				
2,080	57	100	2,140	96	131	2,220	152	184				

Wheat market trends

International

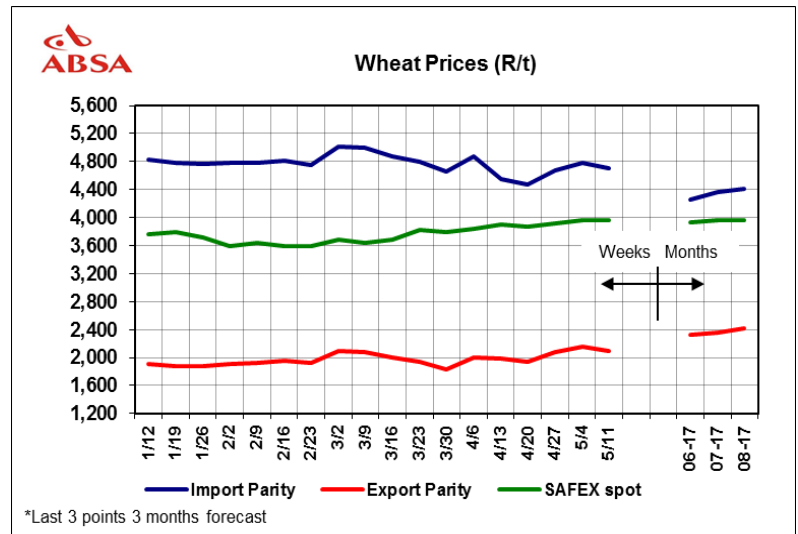
The weekly average old season HRW wheat Gulf price decreased from US\$248/ton to US\$243/ton week on week. Weekly average SRW wheat price also increased from US\$218/ton to US\$227/ton week on week.

Bullish factors

- The Wheat Quality Council found winter wheat in Kansas affected by drought and frost damage. HRW yields forecast expected to decline by 23% year-on-year. Harvest in this state said to be the smallest since the 1989/1990 season.

Bearish factors

- The USDA released its latest WASDE report; US wheat production set to increase due to a combination of higher area planted and improved yields. USDA projects the 2018/19 wheat crop to increase by 5%.
- Weather: A drier outlook in Argentina supported planting prospects. Australia received rains at an opportune time at the beginning of seeding process. Black Sea regions received some precipitation that eased dryness worries.



Domestic

On 11th of May 2018, wheat prices for delivery in Jul2018 decreased marginally by (R18/ton) from R3976/ton to R3958/ton, week on week.

Bullish factors

- Input costs are below break-even cost levels to be profitable. Lack of sufficient cash flow may limit the planting of wheat.
- We only harvest in October – still a lot to happen before then. Weather (rainfall) remains uncertain.
- Uncertainty on timeliness of wheat tariff announcements complicates wheat imports favoring local procurement.

Bearish factors

- The commercial wheat crop has been increased by 10 250 tons to 1.53 million tons according to the latest CEC.
- Global wheat prices to remain low due to large global stock levels and bearish WASDE report indicating larger production in the US.
- A strong Rand will limit price gains.

Outlook

Local

Expect prices of new season wheat to trade sideways. Global glut may put pressure on international prices throughout the year. Profitability remains a concern for dryland producers in the Western Cape.

International

Any price movements were linked to weather affecting the 2018/19 crops. Prices declined weekly largely because of a bearish WASDE report that shows a possible 5% increase in US wheat crop production.

Wheat Futures 11 May 2018	May-18	Jul-18	Sep-18	Dec-18
CME (\$/t)	186.11	192.17	199.89	206.68
SAFEX (R/t)	3909	3958.00	3903.00	3850.00
<i>SAFEX (R/t) Change w/w</i>	-21	-18	-22	-10

Oilseeds market trends

International

The weekly average USA soybean price decreased week-on-week from US\$413.36/ton to US\$392.05/ton. US soya oil prices marginally increased from US\$30.47/ton to US\$30.75/ton and soymeal prices traded lower from US\$396.23/ton to US\$388.30/ton.

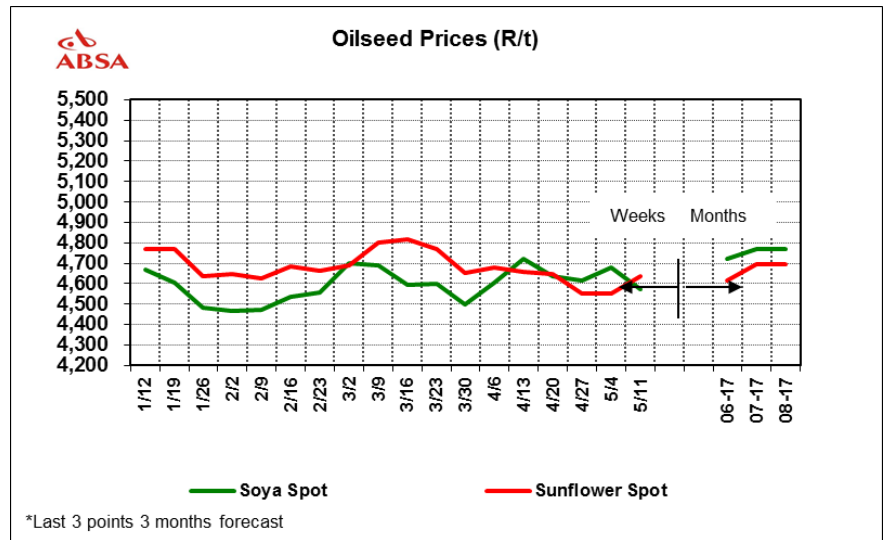
Bullish factors

Soybean:

- According to the USDA's WASDE, report the total US oilseed production for the 2018/19 season is projected at 127.3 million tons, down from 2017/18 due to lower soybean production.

Soymeal:

- Global soymeal exports projected to be lower. Argentinian soymeal exports were lower due to drought effects.



Bearish factors

Soybeans:

- Concerns about the future China-US trade relations caused a huge drop in soybean purchases by China from the US.
- Rising expectations for a bumper crop in Brazil. Brazil crop will likely offset the crop losses in Argentina.

Domestic

New season soybean prices decreased week on week from (Jul2018) prices decreased by (R141/ton) from R4767/ton to R4626/ton.

New season sunflower seed prices increased week on week from (Jul2018) prices increased by (R40/ton) from R4694/ton to R4734/ton.

Bullish factors

Soybeans

- Favourable crushing margin for soybeans compared to a more tight crushing margins for sunflower seed allowing for more soybeans to be crushed
- Increased protectionism by the USA may increase the short term demand for soybean exports to the Far East

Sunflower seed

- Late planted sunflower seed are susceptible to frost damage.

Bearish factors

Soybeans

- Relatively stronger Rand week on week.
- Large global stocks will influence local prices.
- Expect a big old season harvest. Producers need to price now and harvest pressure may add to price pressure

Sunflower seed

- Tight crushing margin for sunflower seed allows for less sunflower seed to be crushed
- Harvest pressure on a big sunflower seed crop may add to price pressure.

Outlook

Local

Soybean prices to trade sideways. Expect price support due to profitable crushing margins

International

The 2018/19 US soybean outlook shows higher supplies, crushing, more exports and lower ending stocks.

Oilseeds Futures 11 May 2018	Jul-18	Sep-18	Dec-18	Mar-19
CBOT Soybeans (US\$/t)**	375.25	377.45	380.57	375.15
CBOT Soy oil (US c/lb)	31.13	34.82	31.87	32.47
CBOT Soymeal (US c/lb)	417.47	413.19	389.12	385.27
SAFEX Soybean seed (R/t)	4626	4730	4847	4900
<i>SAFEX Soybean seed (R/t) change w/w</i>	-141	-132	-125	-135
<i>SAFEX Sunflower seed (R/t)</i>	4734	4874	4970	4934
<i>SAFEX Sunflower seed (R/t) change w/w</i>	40	57	30	25

*Short ton

** Dec 2018 = Jan 2019

Beef market trends

International

New Zealand steers traded sideways over the past week at 5.34NZ\$/kg and cows traded 0.51% lower at 3.93NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 4.36% higher at \$223.33/cwt. Rump was 2.90% higher at \$350.75/cwt and strip loin was 7.85% higher at \$771.06/cwt. Chuck traded 2.93% higher at \$216.53/cwt. Brisket traded 1.58% higher at \$250.67/cwt. The carcass equivalent price was 4.80% higher at \$343.32/cwt.

Bullish factors

- The US market is entering its seasonally high demand period, which is expected to support prices in the short term.
- For 2019, larger beef supplies and firm global demand are expected to support stronger US beef exports relative to 2018.

Bearish factors

- Increasing Australian and US beef supply could lead to price pressure in coming months.
- Concerns that there are large volumes of domestic beef to come onto the US market and that these volumes will hit the market in the late June and July, when demand seasonally weakens may weigh on market.
- Australian supply is also a factor to watch. Dry conditions resulted in increased export production so far in 2018, and this could create some price pressure.

Domestic

Week on week, beef prices were mixed across the different classes. The average Class A price was 0.16% higher this week at R47.19/kg. Class C prices were 1.41% higher at R41.19/kg. The average weaner calf prices over the past week increased by 0.7% to R33.76/kg. The average hide price over the past week showed some recovery. The average hide prices traded 3.1% higher w/w at R8.14/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- The lower feed price together with the lack of weaner calves to rebuild the national herd in the medium term may result in carcass prices to remain elevated for a long time period to come.
- Decline in available supplies after the weaner calf season may add a bullish tone to prices.

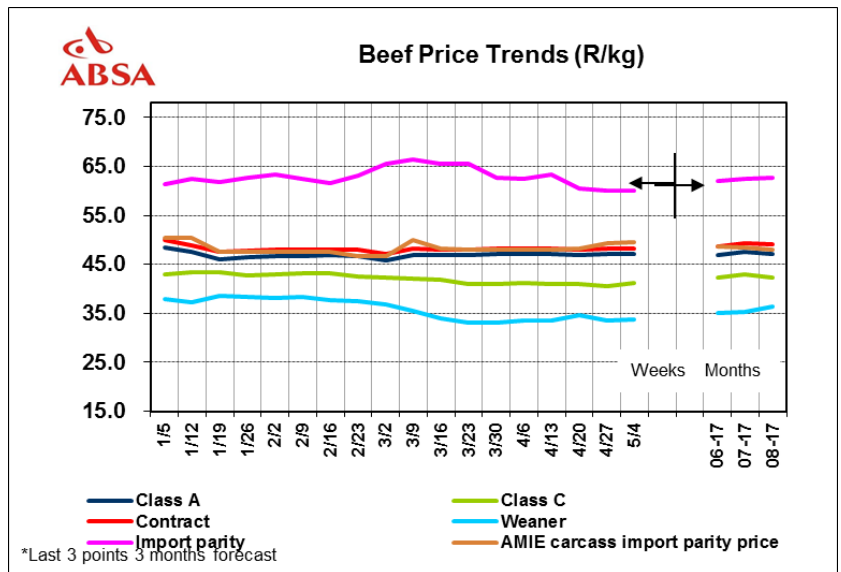
Bearish factors

- Normally, the increased supply for weaner calves during the weaner season from March until May weigh on weaner calf prices. This will improve the price margin for feedlots.
- Lower pork prices may weigh on the beef market.

Outlook

Internationally, for 2019, the US Department of Agriculture forecast fed cattle prices above 2018 as relatively strong demand absorbs expected increases in supplies.

Locally, the lower feed price together with the lack of weaner calves to rebuild the national herd in the medium term may result in carcass prices to remain elevated for a long time period to come.



Sheep meat market trends

International

New Zealand lamb prices traded higher this week compared to last week. Lamb prices closed 0.4% higher at NZ\$108/head for 15kg lamb. Lamb prices were 0.3% higher at NZ\$151.2/head for 21kg lamb. Ewe prices traded 0.6% higher at NZ\$104/head for a 21kg ewe. The import parity price for lamb was 0.8% higher at R69.38/kg, while the import parity price for mutton was 0.9% higher at R51.17/kg.

Bullish factors

- Fundamentals continue to look positive in global lamb markets for the remainder of the season. New Zealand export returns remain at high levels and medium term outlook for global lamb market remains strong, according to Agri HQ.
- Demand from the US remains strong.

Bearish factors

- Over the medium term, continued high prices are expected to provide Australian producers with an incentive to maintain a high rate of lamb turn-off.

Domestic

This week, lamb and mutton prices were mostly higher this week when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices decreased by 1.5% to R67.69/kg and the average Class C carcass prices decreased by 6.2% to R49.37/kg. The average price for feeder lambs traded 1.3% higher at R41.37/kg. The average price for dorper skin is 13.0% lower at R29.00/skin and merinos were 12.8% lower at R72.50/skin.

Bullish factors

- Weather forecasters indicated that the best rainfalls in many months occurred over large parts of the Summer Rainfall Area in March and April 2018. Favourable rains improve soil moisture levels, veldt conditions ahead of winter.

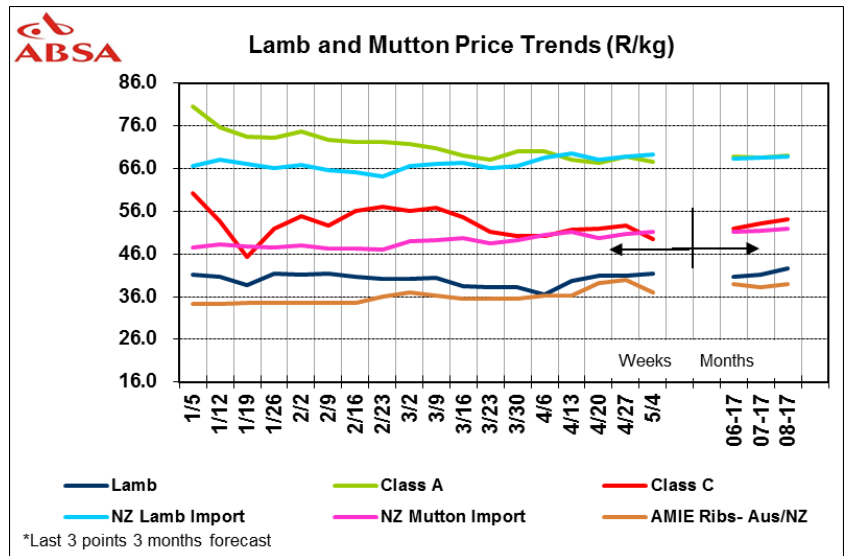
Bearish factors

- Lamb and mutton remains an expensive meat in the market.
- Seasonally, we are moving away from warmer temperatures which are supportive of outdoor grilling, which may weigh on demand prospects.

Outlook

Internationally, market conditions continue to support prices, due to tight global supplies.

Locally, Lamb and mutton remains an expensive meat in the market. We are moving away from warmer temperatures which are supportive of outdoor grilling, which may weigh on demand prospects. Subdued demand during mid-month may continue to weigh on the market.



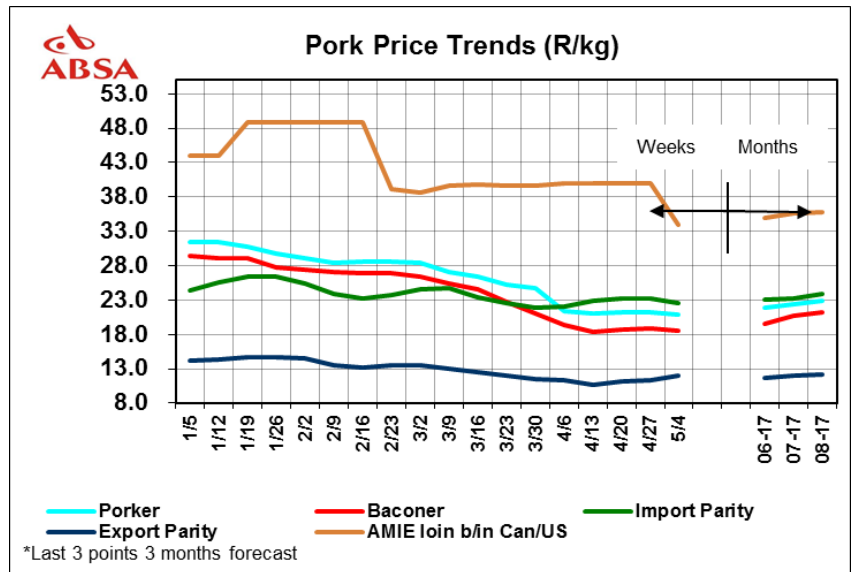
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 1.9% higher at US\$68.61/cwt, loin prices were 3.1% higher at US\$72.77/cwt, rib prices were 3.5% higher at US\$130.52/cwt and ham was 6.7% lower at US\$49.07/cwt.

Bullish factors

- The second-quarter pork production forecast was lowered on the US Department of Agriculture's monthly report due to the current pace of slaughter.
- Milder weather around the US during May allow for more outdoor grilling and therefore boost demand.
- Pork exports are expected to increase next year as expanding supplies and competitive prices support demand for US pork.
- For 2019, hog prices are forecast above 2018 as relatively strong demand absorbs expected increases in supplies. (USDA Wasde report).



Bearish factors

- US pork production in 2019 is forecast to increase as expected growth in farrowings and pigs per litter will support larger pig crops. (USDA Wasde report).
- Hog weights are also forecast higher in 2019. (USDA Wasde report).

Domestic

Average pork prices have shown a steady declining trend since January 2018. Average pork prices have declined by between 30% and 40% during the second week of April 2018, compared to the second week of January 2018.

This week, pork prices showed some declines, after following an increasing trend over the past two weeks. The latest average pork prices are as follows: The average porker prices are 1.6% lower at R20.94/kg, while the average baconer prices are 2.4% lower at R18.45/kg. The average cutters prices were 0.3% lower at R19.8/kg and the average heavy baconer price was 9.0% lower at R17.87. The SAU price was 7.2% lower at R14.05/kg.

Bullish factors

- Sappo has indicated that most retail groups have reported increase in demand for fresh pork.
- Marketing and promotion campaigns by the pork industry drive increased pork sales.
- The current low prices of pork may increase consumer uptake of fresh pork cuts.

Bearish factors

- Plentiful supplies in the market.

Outlook

Internationally, pork prices may benefit from increased demand as temperature allows for outdoor grilling from May.

Locally, prices are expected to show some recovery as the lower product prices boost sales.

Poultry market trends

International

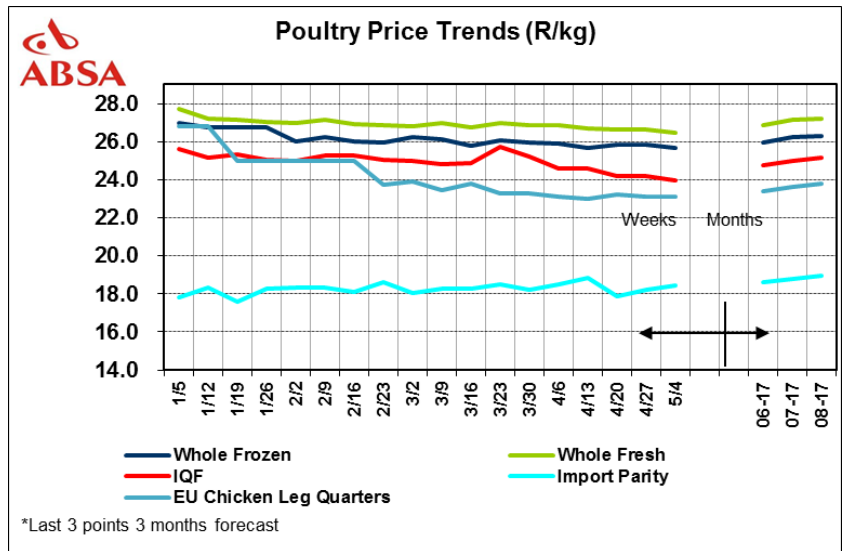
Poultry prices in the US were sideways to higher over the past week. Whole bird prices were 4.5% higher at 113.96USc/lb. Breast traded sideways at 118.00USc/lb, while leg quarters traded sideways at 36.50USc/lb.

Bullish factors

- US broiler exports are forecast higher in 2019 on expected continued gains in foreign demand. (USDA Wasde report).

Bearish factors

- Total US red meat and poultry production for 2019 is forecast above 2018. (USDA Wasde report).
- Broiler production is expected to surpass 2018 as the industry responds to favorable broiler prices. (USDA Wasde report).
- Egg production in 2019 is forecast higher as the sector continues to respond to favorable prices during much of 2018. (USDA Wasde report).



Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.8% lower at R25.65/kg during the week. Whole fresh medium bird prices were 0.6% lower at R26.46/kg, while IQF prices were 0.9% lower at R23.97kg.

Bullish factors

- The possibility of new occurrences of bird flu towards winter may be a risk factor in the broiler industry.

Bearish factors

- Lower pork prices may weigh on the poultry market.
- Favourable feed price environment.

Outlook

Internationally, the 2019 broiler price in the US is forecast lower than the previous year on increasing supplies and competition from expanding red meat supplies.

Locally, the lower pork market may pose competition to the poultry market especially since there are discounts run at the retail stores.

Livestock prices (R/kg) week 10 May 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	0.16	47.19	47.12	-1.5	67.69	68.74	-1.6	20.94	21.27	-0.6	26.46	26.61
Class C/ Baconer/ Frozen birds	1.41	41.19	40.62	-6.2	49.37	52.60	-2.4	18.45	18.91	-0.8	25.65	25.86
Contract/Baconer/ IQF	0.08	48.17	48.13	-1.6	68.26	69.35	-2.0	19.70	20.09	-0.9	23.97	24.19
Import parity price	-0.06	60.01	60.04	0.9	51.17	50.70	3.4	29.2	28.3	1.3	18.4	18.2
Weaner calves/ Feeder lambs	0.7	33.76	33.52	1.3	41.37	40.83		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0.61	49.50	49.20	1.5	59.50	58.60	-15	34.00	40.00	0	23.10	23.10

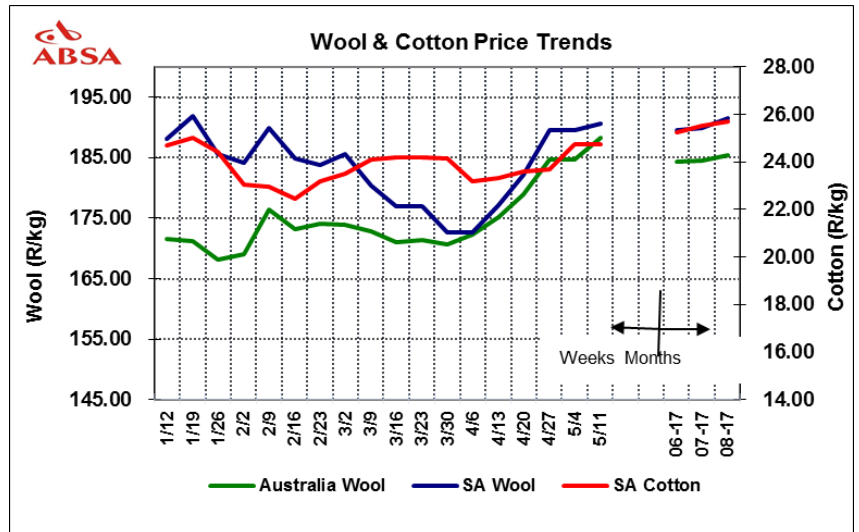
Wool market trends

International

The Australian wool market traded higher week on week. Prices traded at Au1891 c/kg up by 3%.

Bullish factors

- Wool brokers in Australia have been predicting that bale numbers would start to dry up earlier than usual this season, as many woolgrowers had brought autumn shearing forward.
- Reports indicate that this week, overseas users placed orders to renew the rather empty greasy wool pipeline in front of machinery globally.
- The foreign exchange rates of the AUD versus the USD is at its lowest level since the middle of June 2017.



Bearish factors

- Last month's April AWTA data (a wool production forecasting committee) showed that volumes being produced across Australia is at least matching that of last season, despite the harsh conditions of this growing season.
- Due to the current favourable sheep meat, lamb and wool price levels, wool producers intent on keeping their numbers of sheep as high as possible and are presently dedicated to feeding daily in order to ensure the core breeding flock is kept intact.

Domestic

The last auction was on 9 May 2018. The wool market performed stronger at the end of this week. Domestic wool market prices increased and the merino indicator was 0.61% higher to close at R190.70 (clean) at the sale.

Bullish factors.

- Excellent demand for quality long and fine wool at the recent auction.
- There were lower volumes offered.
- Reduced seasonal deliveries
- The weaker Rand over the past week added support to prices. The South African rand was 1.5% weaker against the US Dollar.

Bearish factors

- Analysts do caution that some degree of a downward correction is to be expected.

Outlook

Internationally, supply fears around the availability of the quality wool required is a growing concern in the market, which is supportive to the market.

Locally, strong demand for South African wool, as well as reduced seasonal delivering are all adding a bullish tone to the wool market.

Cotton market trends

International

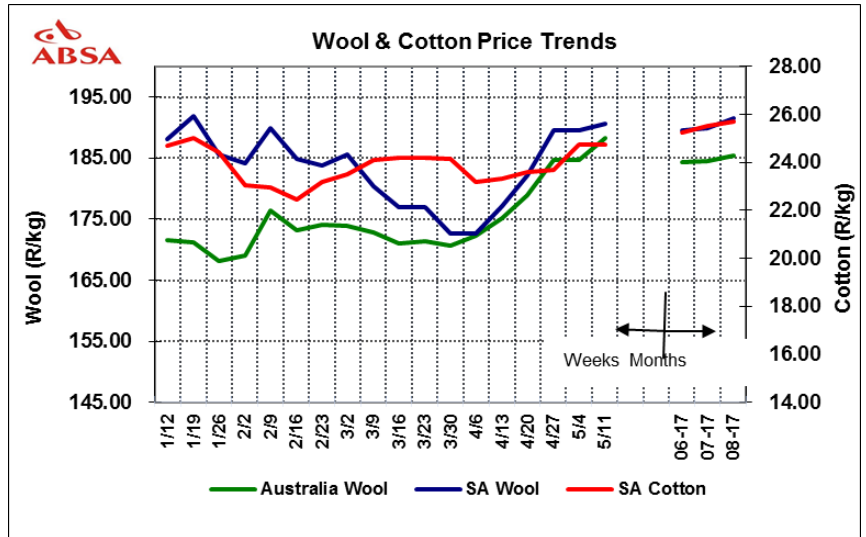
Cotton prices traded marginally higher over the past week and closed at US80.22 c/lb up from US80.07c/lb.

Bullish factors

- Global 2018/19 cotton stocks projected to decline to 4.5 million bales. Consumption is exceeding production yet again.
- World production is set to fall marginally due to lower area planted.
- India (the largest producer) will not change the production from the previous year. However Australia, the US and China are expected to decline production according to the latest WASDE report released by the USDA on 10 May 2018.

Bearish factors

- Higher prices are expected to impact planting decisions to expand area under cotton for the 2018/19 season.
- Brazil, Turkey and Pakistan expected to raise their cotton production.



Domestic

The derived SA cotton prices traded 4.47% higher to close at R25.88/kg.

Outlook

Internationally, world cotton production is set to fall marginally due to lower area planted.

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

Fibres market trends
Week ended 11 May 2018

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future May 2018 (AU\$/kg)	%	Australian future Jul 2018 (AU\$/kg)
Wool market indicator	0.61	19070	0.99	17492		-		-
19µ micron	-0.17	20344	1.54	20005	2.72	20.75	5.33	20.75
21µ micron	-0.97	18921	1.79	18895	1.30	19.50	3.51	19.15
Cotton prices 27 April 2018		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future May 2018 (US\$/kg)		New York future Jul 2018 (US\$/kg)
Cotton prices	4.47	25.88	3.14	2.06	-0.6	1.86	0.4	1.86

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