



Agri Trends

29 June 2018

Rainfall recovery expected to lead to increased sugar production in the new season

The sugar industry like many other agricultural industries in South Africa has been negatively affected by the drought since 2014. Overall the rainfall recovery has been good. Final South African sugar production for the 2017/18 season amounted to 1.9mil tons, a 26% increase from the previous season. The industry can expect an increase in production of approximately 9% overall in the current season due to good recovery in the dryland and irrigated areas, high volumes of carry over cane and good rainfall achieved over the summer months.

The opening price for the 2018/19 season was declared at R3824.10 per ton RV. This represents a decrease of R363.01 per ton RV from the final RV price declared for the 2017/18 season. The price at the start of the 2017/18 season was R4931 per ton RV which decreased as the season progressed. The influencer to the reduction in price has been higher sugar production, decrease in the import tariff duty in February 2017 followed by high volumes of sugar imports, drop in local market demand and a low world sugar price.

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Maize market trends

International

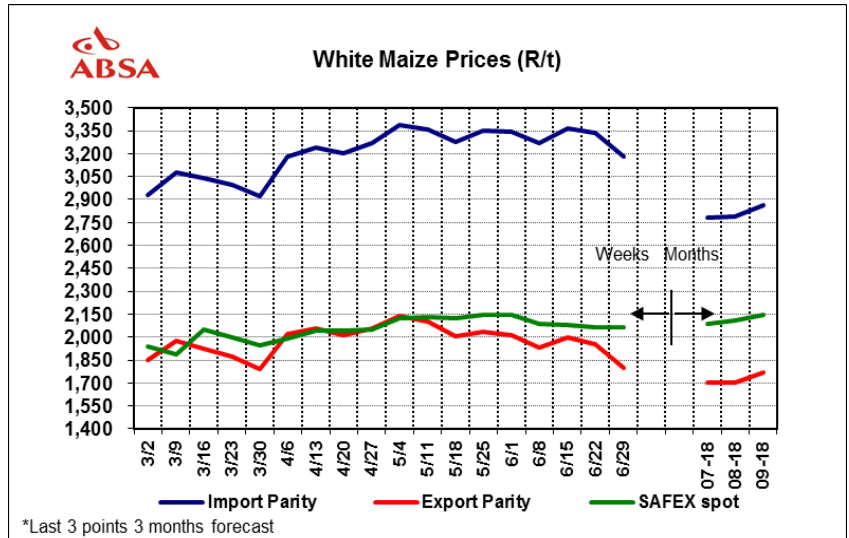
Week-on-week yellow maize No 2 gulf price decreased from US\$161.64/ton to US\$160.87/ton. Favourable weather and growing conditions in the US weighed on maize prices.

Bullish factors

- Marketing and transporting of grains and soybeans in Brazil is low compared to the previous year's progress due to ongoing trucker's strike, disrupting fuel deliveries and causing loading delays and bottlenecks at ports.
- There is talks of dry pockets in parts of the south-eastern Corn Belt; however, recent rains have left some western areas waterlogged.

Bearish factors

- Good growing conditions, supported by favourable weather in the Midwest weighed on prices. US crop emergence is at good levels.
- Better growing conditions than the market expected weighed on prices.
- Ongoing trade war tensions between China and the US weighed on the US maize market.
- A 25% import duty on US maize came into effect in the EU on 22 June 2018.



Domestic

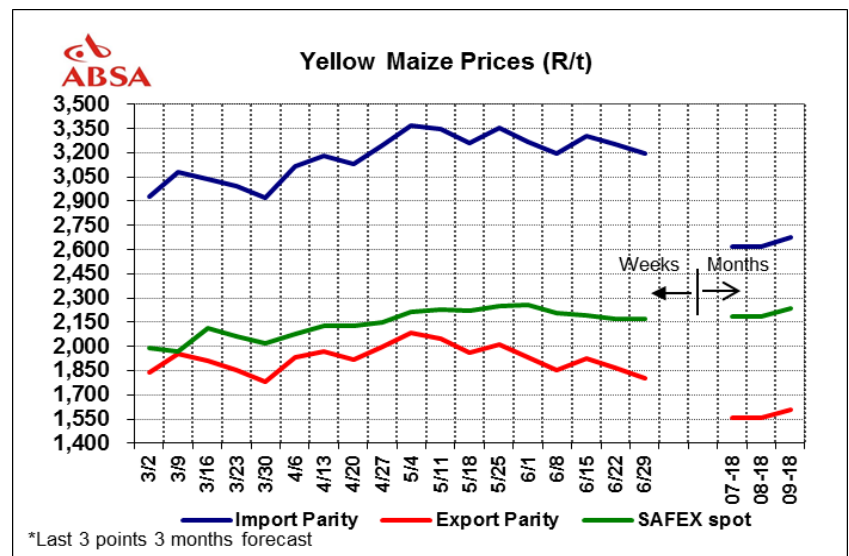
On 28 June, local maize market traded slightly higher week on week. New season white maize prices for delivery in Jul 2018 traded at R2086/ton up from R2076/ton. Week-on-week new season yellow maize prices for delivery in Jul 2018 increased marginally by R3/ton from R2183/ton to R2186/ton.

Bullish factors

- The weekly South African maize exports for the past week was reported at 74 822 tons including 6 969 tons of white maize and 67 913 tons of yellow maize. Most of the yellow maize was exported Vietnam.
- Cumulative maize exports for the season to date is 480 282 tons.

Bearish factors

- The South African commercial maize crop forecast increased by 2.3% in the fifth national CEC, currently 13.2 million tons compared to 12.9 million tons previous month. Maize crop is estimated at 6.87 million ton and yellow maize at 6.32 million ton.
- South African producers are picking up their deliveries and selling momentum.
- Uncertainty about the future trade relationship between the US and China weighed on the US maize market.



- The large drop in US maize prices recently continues to weigh on the local maize prices.
- The stronger Rand also weighs on the domestic maize prices.

Outlook

Local

The South African commercial maize crop forecast increased by 2.3% in the fifth national CEC, currently 13.2 million tons compared to 12.9 million tons previous month. Maize crop is estimated at 6.87 million ton and yellow maize at 6.32 million ton. The large drop in US maize prices recently continues to weigh on the local maize prices. Large crop, increased new crop deliveries, lower international prices and ongoing trade relation woes in the global market could potentially add a bearish tone to the local maize market in the short to medium term.

International

Weather will remain a key factor to look at in the short- medium term. Ongoing trade war tensions between China and the US weighed on the US maize market. Prices currently trading lower due to good maize growing conditions, supported by favourable weather in the Midwest weighing on prices.

Table 1: Week on week yellow maize futures and estimated option prices

Yellow Maize Futures: 22 June 2018			Jul-18	Sep-18	Dec-18	Mar-19		
CBOT (\$/t)			135.82	139.46	144.09	147.93		
SAFEX (R/t)			2186	2238	2318	2345		
SAFEX (R/t) <i>Change week on week (w/w)</i>			3	5	1	6		
Jul-18			Sep-18			Dec-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,220	44	10	2,280	99	57	2,360	155	113
2,180	20	26	2,240	76	74	2,320	133	131
2,140	7	53	2,200	57	95	2,280	113	151

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

White Maize Futures 22 June 2018			Jul-18	Sep-18	Dec-18	Mar-19		
SAFEX (R/t)			2086	2148	2231	2267		
SAFEX (R/t) <i>Change w/w</i>			10	9	13	2		
Jul-18			Sep-18			Dec-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,120	45	11	2,180	103	71	2,280	162	113
2,080	21	27	2,140	81	89	2,240	139	130
2,040	7	53	2,100	62	110	2,200	118	149

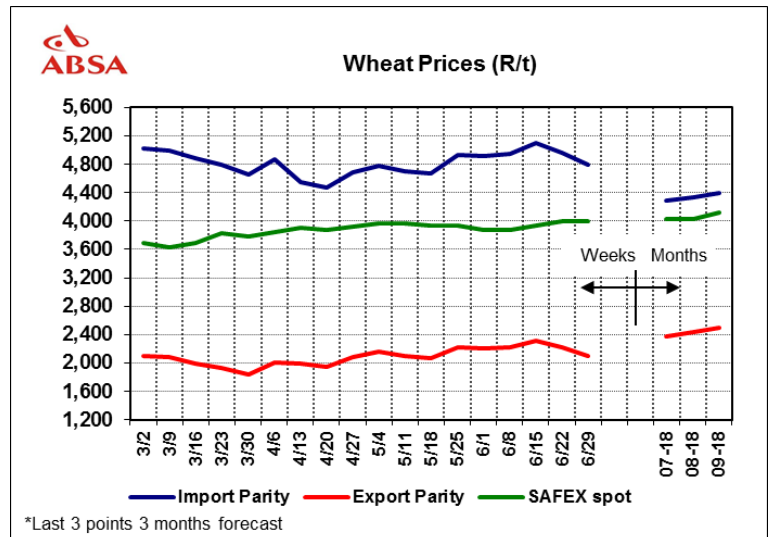
Wheat market trends

International

The weekly average old season HRW wheat Gulf price declined from US\$234/ton to US\$223/ton week on week. Weekly average SRW wheat price marginally increased from US\$207/ton to US\$209/ton week on week. Improved spring weather conditions in the US, coupled with weakness in the US soybeans and maize market weighed on wheat prices.

Bullish factors

- Poor weather conditions in China have reduced wheat production prospect. China expected to potentially increase its import demand for quality wheat.
- Weather worries and 2018/19 crop condition concerns in Russia supported wheat prices.
- Wet weather in the US, stalled harvesting of wheat, thus supporting wheat prices earlier on in the week.
- Canadian wheat crop forecast has been adjusted lower due to overly dry weather conditions.
- Egypt bought 120 000t from Russia; The Philippines bought 220000t from the EU, Black sea and Australia. Iraq is seeking 50 000t from the US, Canada or Australia.



Bearish factors

- Ongoing trade tensions between China and the US continued to weigh on the wheat prices.
- Dry conditions are expected for the week ahead in the US winter wheat areas. Promoting uninterrupted harvesting.
- US spring wheat crop is in good condition until date.

Domestic

On 28 June 2018, wheat prices for delivery in Jul2018 increased by (R34/ton) from R3990/ton to R4024/ton, week on week

Bullish factors

- Weekly SA wheat imports for the week ending 22 June 2018 were 82 101 tons. The bulk coming from Russia and the rest Germany. Cumulative wheat imports for the season now at 1.5 million tons.
- Local wheat stock levels at end of May 2018, is 955 583 tons, which should be enough for about 3.8 months' domestic consumption. June imports have picked up momentum and should keep stock levels at bay.

Bearish factors

- The cold front has brought about much needed rains in the Western Cape.

Outlook

Local

Local prices will likely follow international prices for the coming weeks. The cold front has brought about much needed rains in the Western Cape. The domestic wheat import tariff a new lower tariff of R281.74/ton was triggered on 12 June 2018. The new triggered tariff is yet to be published in the Government Gazette. The persisting lower US wheat prices could potentially increase the level of tariff protection needed in the local market.

International

Improved spring weather conditions in the US, coupled with weakness in the US soybeans and maize market weighed on wheat prices. Weather anomalies remain a key factor to monitor across major growing areas.

Table 1: Week on week wheat futures and estimated option prices

Wheat Futures 22 June 2018	Jul-18	Sep-18	Dec-18	Mar-19
CME (\$/t)	176.19	177.66	183.53	189.32
SAFEX (R/t)	4024	4114	4139	
SAFEX (R/t) Change w/w	34	38	90	

Jul-18			Sep-18			Dec-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,060	48	12	4,160	136	90	4,280	250	109
4,020	24	28	4,120	114	108	4,240	225	124
3,980	10	54	4,080	94	128	4,200	201	140

Oilseeds market trends

International

The weekly average USA soybean price decreased week-on-week from US\$346.49/ton to US\$338.40/ton. US soya oil prices declined from US\$29.24c/lb to US\$28.98c/lb and soymeal prices traded lower from US\$334.82/ton to US\$332.98/ton. Persisting uncertainty about trade relations between China and the US and favourable weather has placed pressure on soybean prices.

Bullish factors

Soybean:

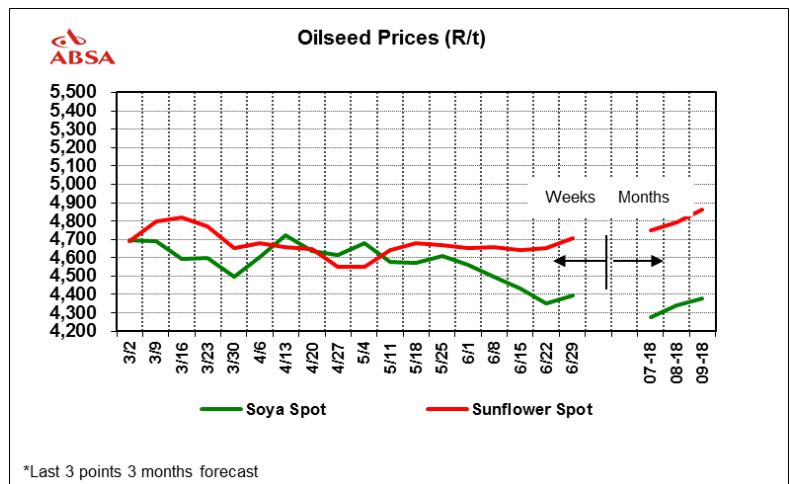
- Effective 6 July, Chinese government confirmed its intention to impose an import levy of 25% on a list of US goods including soybeans.
- Export premiums were higher in Brazil supported by higher Chinese demand.

Canola:

- ICE Canola futures were higher supported by dryness concerns in Canada and firming Chinese demand.

Rapeseed:

- Matif rapeseed futures performed higher week on week, finding support from unfavourable weather in Europe.



Bearish factors

Soybeans:

- Soybean supplies will likely pick up in the second half of the season, if normal weather conditions prevail in Argentina, production will rebound.
- US soybean prices came under pressure this week due to the ongoing US-China trade war. This leaves a lot of uncertainty on future US soybean sales to China. China is the major buyer of US soybeans.
- Positive US soybean crop ratings and favourable weather conditions to date bodes well for good soybean yield prospects.
- Uncertainty about freight costs in Brazil and continual logistical disruptions due to the trucker's strike limited trade.
- International analysts in Argentina have lifted the production outlook to 37.2 million ton.

Sunflower oil:

- Global sunflower oil production expected to increase slightly due to possible recovery of sunflowerseed crushings in Ukraine and Russia.

Domestic

New season soybean prices (Jul2018) decreased week on week by R82/ton from R4358/ton to R4276/ton.

New season sunflower seed prices (Jul2018) increased week on week by R82/ton from R4668/ton to R4750/ton.

Bullish factors

Sunflower Seed:

- The sunflower seed deliveries by end of May 2018 represented 44% of the CEC estimate. Cumulative deliveries for the season to date is 198 781 tons.
- The sunflower seed production remained unchanged at 792 255 tons.
- Deliveries of sunflower seed started slow this season with momentum starting to pick up in June.
- Lower deliveries have supported the sunflower seed market. The suns have outperformed the soybean market this week. The July soybean/sunflower seed spread has widened significantly.

Bearish factors

Soybeans

- South African soybean prices came down significantly this week (down by R82/ton) for the July contracts. The downward trend was driven by lower US soybean prices. Domestic soybean prices declined while the domestic sunflower prices increased (got up by R82/ton).
- Harvesting pressure from the very large crop and increased selling interest in the local soybean industry and low US soybean prices pressured prices.
- The major drop in US soybeans in the recent weeks have placed South African soybean prices under pressure.
- The stronger local currency (Rand) added more pressure.
- Latest CEC soybean crop estimate is 1.5 million ton (8.4% higher). The large soybean crop and large soybean stocks are adding a bearish tone to the domestic soybean market.
- The cumulative soybean deliveries for the season to date is 1.3 million tons (91% of the CEC estimate).

Outlook

Local

Soybean prices traded lower. Latest CEC soybean crop estimate is 1.5 million ton (8.4% higher). The large soybean crop and large soybean stocks are adding a bearish tone to the domestic soybean market. Lower sunflowerseed deliveries have supported the sunflower seed market. The sunflower seed contracts have outperformed the soybean market this week. The July soybean/sunflower seed spread has widened significantly.

International

The premium of Brazilian soybeans increased sharply over the Chicago soybean futures in June 2018. Argentinian and Paraguay soybean prices are also at a premium. However, other countries (non-Chinese) will have the advantage of buying US origin soybeans & products supported by lower prices.

Table 1: Week on week soybean and sunflower seed futures and estimated option prices

Oilseeds Futures 22 June 2018	Jul-18	Sep-18	Dec-18	Mar-19
CBOT Soybeans (US\$/t)**	316.46	320.59	327.94	329.77
CBOT Soy oil (US c/lb)	29.01	34.82	29.68	30.24
CBOT Soy meal (US c/lb)	364.18	363.85	364.07	356.15
SAFEX Soybean seed (R/t)	4276	4380	4505	4608
SAFEX Soybean seed (R/t) change w/w	-82	-68	-73	-40
SAFEX Sunflower seed (R/t)	4750	4865	5005	4976
SAFEX Sunflower seed (R/t) change w/w	82	60	73	65

Jul-18			Sep-18			Dec-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,800	68	18	4,900	154	119	5,040	215	180
4,760	43	33	4,860	133	138	5,000	194	199
4,720	24	54	4,820	113	158	4,960	174	219

*Short ton

** Dec 2018 = Jan 2019

Beef market trends

International

New Zealand steers traded sideways over the past week at 5.36NZ\$/kg and cows traded sideways at 4.21NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower: Topside traded 2.26% lower at \$202.31/cwt. Rump was 1.78% lower at \$362.52/cwt and strip loin was 3.84% lower at \$805.05/cwt. Chuck traded 0.01% higher at \$223.50/cwt. Brisket traded 0.93% lower at \$275.38/cwt. The carcass equivalent price was 2.15% lower at \$358.97/cwt.

Bullish factors

- New forecasts from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) indicate that increase in US cow slaughter is expected to slow local herd expansion, resulting in a marginal decline in the 2018 US cattle inventory to 94.3 million head. This is likely to limit the supply of cattle for slaughter in the second half of 2018/19.
- Australian beef exports are forecast to increase by 3% to 1.1 million tons (shipped weight) in 2018/19, reflecting an increase in Australian beef and veal production. Most of the increase is forecast to be shipped to China, where strong income growth continues to drive demand for imported beef. In 2018/19 Australian beef exports to China are forecast to increase by 18%. (ABARES).
- The barbecue season is underway in the US, adding support to the beef market.

Bearish factors

- Larger than expected placements has been reported in the latest US cattle on feed report.
- High Australian cattle prices are expected to provide producers with an incentive to maintain a relatively high slaughter rate. Increasing cattle supplies in Australia and strong prices continue to provide producers with an incentive to expand herds while maintaining a relatively high rate of turn-off. (ABARES).

Domestic

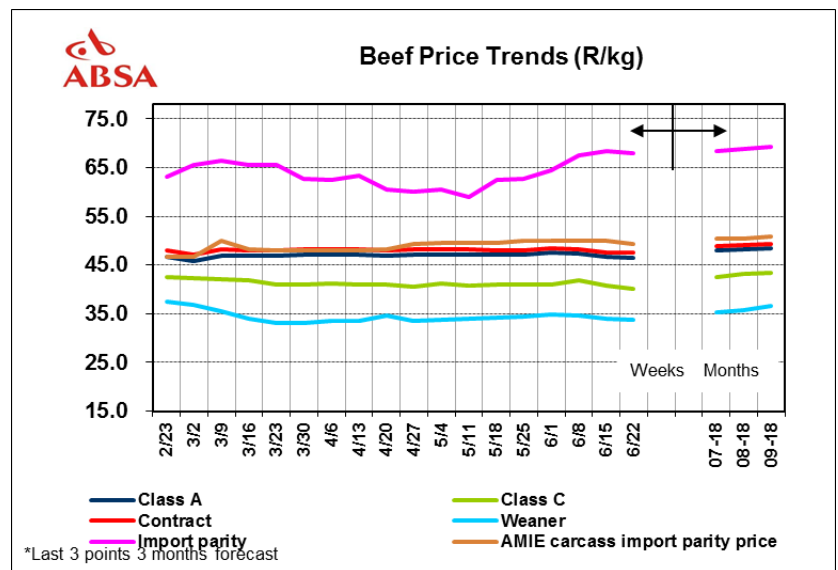
Week on week, beef prices were mostly lower across the different classes. The average Class A price was 0.36% lower this week at R46.53/kg. Class C prices were 1.56% lower at R40.16/kg. The average weaner calf prices over the past week decreased by 0.8% to R33.75/kg. The average hide price this week continued to lose some ground when compared to the previous week. The average hide prices traded 6.3% lower w/w at R7.13/kg green. Overall, the hide market sentiment remains bearish, in line with the weak international hide market. Shipments to Italy are expected to be limited as well, weighing on the market. There are also indications of oversupply in South America which further add pressure on the market. The market is currently suppressed. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- Decline in available supplies after the weaner calf season is expected to add a bullish tone to prices.
- Prices may be supported by improved demand during month end.

Bearish factors

- At this stage, there seems to be availability of weaner calfs to keep the market going, which continue to weigh on the weaner calf market. The average weaner calf prices over the past week decreased.
- The deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh on prices.
- Lower pork prices may continue to weigh on the beef market.



- There are reports of increased supplies of C grade cattle coming through the market. Normally, there is strong demand for C grades during the winter months.

Outlook

Internationally, The US market has entered into its peak demand period, which is currently supporting prices. As the US is celebrating Independence Day on the 4th of July 2018, this is expected to boost demand into that weekend.

Locally, beef prices are expected to enjoy price support during month end.

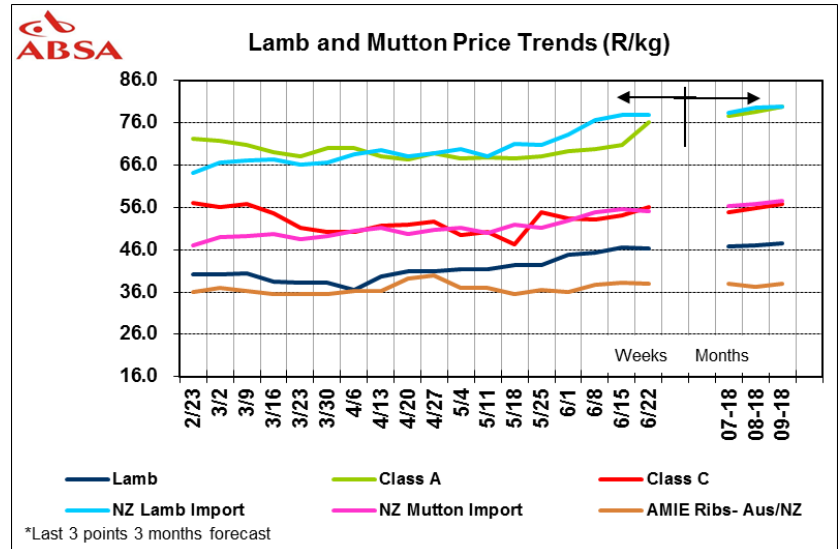
Sheep meat market trends

International

New Zealand lamb prices traded mostly higher this week compared to last week. Lamb prices closed 0.6% higher at NZ\$115.1/head for 15kg lamb. Lamb prices were 0.7% higher at NZ\$161.2/head for 21kg lamb. Ewe prices traded sideways at NZ\$106.6/head for a 21kg ewe. The import parity price for lamb was sideways at R77.79/kg, while the import parity price for mutton was 0.6% lower at R55.21/kg.

Bullish factors

- Lamb prices continue to increase steadily in New Zealand.
- Strong demand for sheep meat and wool exports is helping to support the sheep industry. Strong export demand has pushed Australian producer prices high.



Bearish factors

- Strong prices and widespread dry conditions in Australia provided producers with an incentive to increase slaughter rates

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 increased by 7.6% to R76.20/kg and the average Class C carcass prices increased by 3.9% to R56.20/kg. The average price for feeder lambs traded 0.6% lower at R46.37/kg. The average price for dorper skin is 0.9% higher at R32.78/skin and merinos were 0.2% lower at R86.50/skin.

Bullish factors

- Strong demand for sheep meat has been reported across the board.
- Feeder lambs are scarce, which is adding support to prices.
- Strong demand for feeder lambs is supporting this market.
- High meat prices and low feed costs are supporting the profitability of the sheep industry.

Bearish factors

- The deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh down on prices.
- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton remain the most expensive meat on the market.

Outlook

Internationally, strong international demand for lamb and mutton continue to support prices.

Locally, lamb and mutton prices are expected to be supported by improved demand during month end. This past week, strong demand for sheep meat has been reported across the board.

Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 3.9% higher at US\$84.02cwt, loin prices were 3.8% higher at US\$82.29/cwt, rib prices were 6.3% higher at US\$145.88cwt and ham was 0.3% higher at US\$60.81/cwt.

Bullish factors

- Improved pork demand during the grilling season may support demand. Fourth of July grilling should boost sales.
- Argentina is working with US officials to cut a deal to import US pork. There has been no American pork exported to Argentina in 25 years.

Bearish factors

- The US inventory of all hogs and pigs on June 1, 2018, was 73.5 million head, up 3.4% from last year. This is the highest June 1 inventory of all hogs and pigs since estimates began in 1964.
- Hog producers intend to have 3.17 million sows farrow during the June-to-August 2018 quarter, up 2% from the actual farrowings during the same period in 2017 and up 4% from 2016
- Trade concerns are currently weighing on the US market.

Domestic

Average pork prices have shown a declining trend over the past months. 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. In recent weeks, pork prices started to show signs of recovery.

This week, pork prices continued to show some recovery, and traded mostly higher across the different categories. The latest average pork prices are as follows: The average porker prices are 3.3% higher at R23.77/kg, while the average baconer prices are 2.3% higher at R21.20/kg. The average cutters prices were 0.6% higher at R21.1/kg and the average heavy baconer price was 1.0% lower at R19.75. The SAU price was 0.5% lower at R15.33/kg.

Bullish factors

- According to the pork producer association, the situation regarding listeriosis has improved considerably since March. Major supplier of fresh pork report that fresh pork is in a growing curve. Sales of processed meat products have also improved.
- Marketing and promotion campaigns by the pork industry drive increased pork sales. The pork industry reported that the past few months have seen an intense frequency of in-store promotions, conducted jointly with retail groups.
- The current low prices of pork may increase consumer uptake of fresh pork cuts.

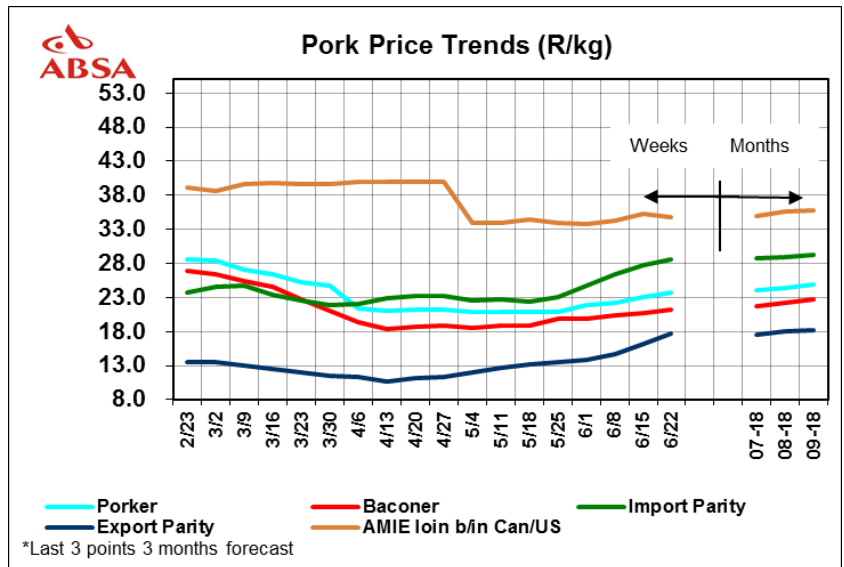
Bearish factors

- Plentiful pork volumes in the market.
- Lower feed costs will support the intensive pork industry, improving profitability.

Outlook

Internationally, improved pork demand during the grilling season is expected to support prices. The US is celebrating Independence Day on the 4th of July 2018, which may boost demand into that weekend.

Locally, there are plentiful supplies of pork in the market, which needs to clear before seeing the strong pork prices. The lower product prices are expected to continue to support sales, and therefore add support to pork prices.



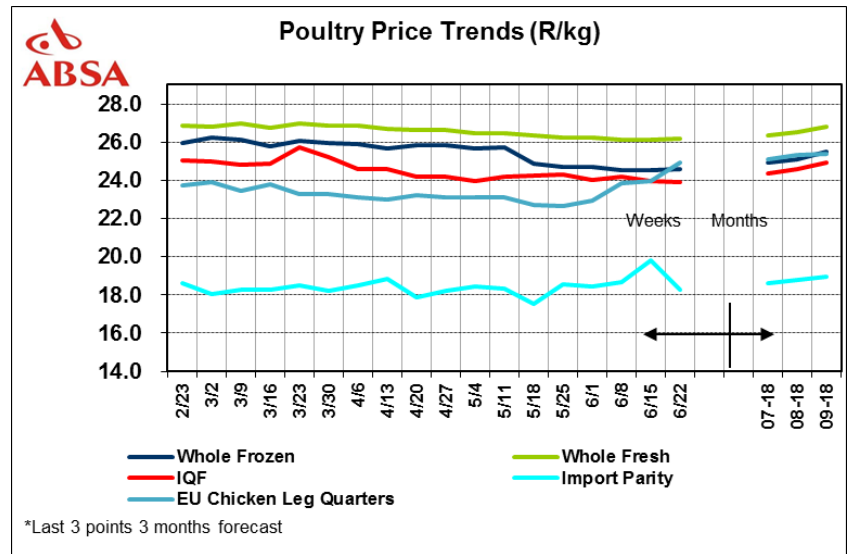
Poultry market trends

International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 1.5% lower at 118.19USc/lb. Breast traded 0.9% lower at 109.00USc/lb, while leg quarters traded 16.7% lower at 32.50USc/lb.

Bullish factors

- Rabobank reports that China's tariff on US soybeans is expected to push up Brazilian feed prices. Production this year is likely to decline in Brazil by 3%.
- Growth expectations for the whole year for the broiler sector in the US are being lowered, reflecting slower growth in both slaughter and weights through the first half of the year.
- The EU market for breast meat has become very tight, and local companies have seen prices go up, which supports the margins of the EU industry
- China is set to see ongoing profitable conditions due to limited breeding stock supply and AI vaccinations.



Bearish factors

- Saudi Arabia is in the process of implementing its new halal allowance standards, which have already led to a drop of 30% in imports in Q1 2018. Saudi Arabia is Brazil's number-one export market and a key buyer for whole chicken.
- Brazilian exports are expected to show declines in 2018 due in part to the trade restrictions set by the EU, China and the Middle East.

Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 0.4% higher at R24.61/kg during the week. Whole fresh medium bird prices were 0.3% higher at R26.17/kg, while IQF prices were 0.2% lower at R23.89kg.

Bullish factors

- The poultry industry is expected to enjoy support from low feed costs and high broiler and egg prices, positively improving margins and benefiting profitability.
- The possibilities of new occurrences of bird flu during winter continue to be a risk factor in the broiler industry.

Bearish factors

- The consumer's buying power is being eroded by high costs such as increases in fuel, vat etc
- Lower pork prices may weigh on the poultry market. White meat remains the cheaper protein in the market, which may aid consumption for this product.
- Favourable feed price environment contribute positively to feeding margins.

Outlook

Internationally, Rabobank's latest poultry outlook suggest that global poultry trade is expected to remain particularly volatile in the next quarter due to ongoing turmoil in Brazil and rising US-China trade tensions. However, many local industries are still performing well as supply in regions like the EU, South Africa, Mexico, Indonesia and India is well-balanced, creating good, profitable conditions for the industry.

Locally, prices may be supported by increased demand during month end.

Livestock prices (R/kg) week 28 June 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	-0.36	46.53	46.70	7.6	76.20	70.80	3.3	23.77	23.01	0.3	26.17	26.10
Class C/ Baconer/ Frozen birds	-1.56	40.16	40.80	3.9	56.20	54.08	2.3	21.20	20.72	0.4	24.61	24.52
Contract/Baconer/ IQF	-0.37	47.47	47.65	8.9	77.40	71.06	2.8	22.49	21.86	-0.2	23.89	23.94
Import parity price	-0.54	68.03	68.40	-0.6	55.21	55.51	6.3	37.1	34.9	-7.8	18.2	19.8
Weaner calves/ Feeder lambs	-0.8	33.75	34.02	-0.6	46.37	46.65	-	-	-	-	-	-
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	-1.30	49.35	50.00	4.9	64.25	61.23	-1.4	34.72	35.20	4.1	24.95	23.97

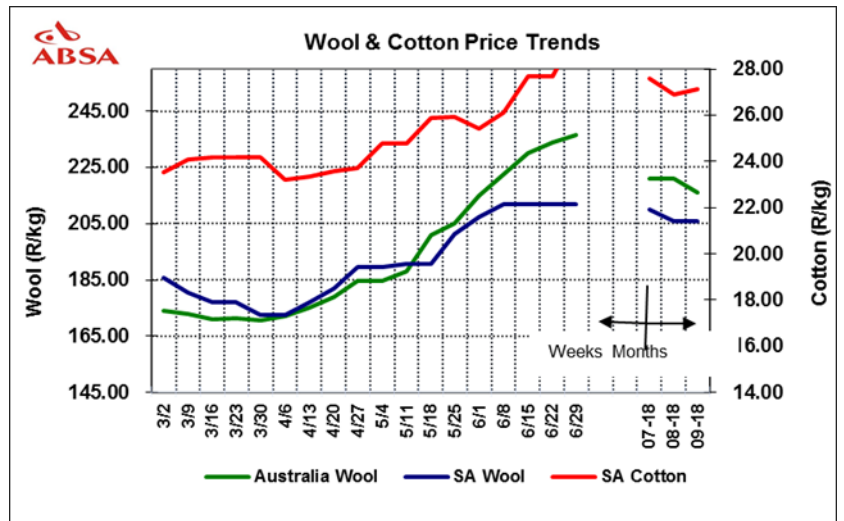
Wool market trends

International

The Australian wool market traded lower week on week. Prices traded 0.82% lower from Au2073c/kg to Au2056c/kg. It was the last selling week. It closed lower due to cautious buying but the season performed very well overall.

Bullish factors

- Limited availability of supplies/ locks encouraged competitive bidding in Australia, which pushed prices higher.
- One of the largest from top makers in China made large purchases this week.
- Lower global production, consumer taste and preferences, improved economic growth in the major buying countries i.e. China and EU is underpinning the high prices.
- High price of meat kept wool production low.
- Most drought-affected regions in Australia remain dry. This may have an impact on the growers' ability to keep some of his stock for further plans of wool growing.



Bearish factors

- The continuous drought in Australia causing growers to slaughter more sheep because cottonseed, cereal hay and grain prices are higher,
- Potential trade wars, exchange rate volatility could weigh on the market.
- Debt and credit risks in China could also weigh on the market.
- Subdued demand and buying interest from China weighed on prices.
- Some parts (North-West, Central and Western areas) of Australia received some reasonable rainfall.

Domestic

The last auction was on 06 June 2018. Domestic wool market prices closed at R211.99 c/kg (clean) at the sale. Wool prices traded at record prices this season, driven by very strong demand, limited supply and very fierce competition between buyers.

Bullish factors

- Excellent demand for quality long and fine wool at the recent auction.
- Final wool delivered to broker stores was lower than the previous season deliveries.
- Wool demand is growing in the making of next to skin apparel such as baby clothes with eczema and sportswear.

Bearish factors

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

Outlook

Internationally, it was the last selling week. It closed lower but the season performed very well with the 2017/18 seasonal market average price available to growers/sellers at EMI 1792 ac/clean kg or 1337 usc/clean kg. Next week will be the 1st week of the new selling season; usually larger volumes allow for reasonable sales, however with potentially lower bales available for auction, chances are slim for beneficial purchases.

Locally, lower supply, fierce competition amongst buyers for South African wool, coupled with lower seasonal delivering are all added to the bullish tone to the wool market.

The wool market ended the season on an all-time record high on 6 June 2018. South Africa has its last sale the previous week. Auctions will resume on 15 August 2018.

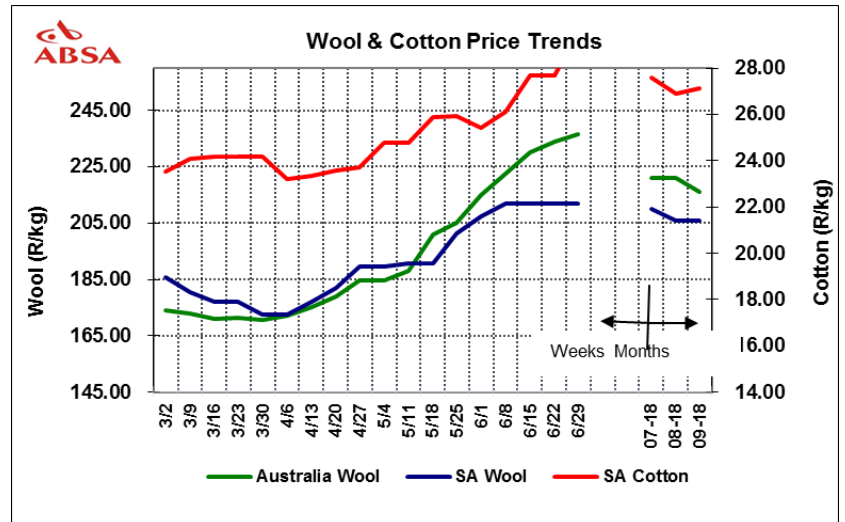
Cotton market trends

International

Cotton prices traded 7.68% lower over the past week and closed at US83.34c/lb down from US90.27c/lb.

Bullish factors

- Continuous uptrend in global demand is likely to surpass production. Asian countries driving brisk cotton imports from the US.
- Global cotton seed production in 2018/19 expected to decline due to deteriorating growing conditions in the US and Pakistan.
- Cotton prices expected to trade sideways to higher due to potential 5x higher exports to China from India in the coming season



Domestic

The derived SA cotton prices traded 5.08% lower to close at R28.05/kg.

Outlook

Internationally, Cotton prices expected to trade sideways to higher due to potential 5x higher exports to China from India in the coming season. Higher demand and weaker international prices supported by increased cotton area planted may cause prices to trade sideways.

Locally, the world market and exchange rate movement may continue to affect the domestic market prices. Lower grains profit margins has supported cotton planting in South Africa. The fifth estimate for the 2017/18 local production shows an increased cotton crop of 143%, more than the previous season. SA expected to produce 188 247 bales.

Fibres market trends
Week ended 29 June 2018

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future July 2018 (AU\$/kg)	%	Australian future Sep 2018 (AU\$/kg)
Wool market indicator	0.00	21199	0.27	20807		-		-
19µ micron	0.00	22506	1.15	24789	0.00	22.50	0.00	22.20
21µ micron	0.00	21607	1.52	23718	0.00	22.30	0.00	22.00
Cotton prices 22 June 2018		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future Jul 2018 (US\$/kg)		New York future Sep 2018 (US\$/kg)
Cotton prices	-5.08	28.05	-7.93	2.06	-9.3	1.88	-10.9	1.83

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.

