



# Agri Trends

06 July 2018

## Weakness in the US maize market due to US-China trade war spills over to the SA maize market.

US-Chinese politics placing some pressure on the local grains and oilseed market. The US maize prices has declined for the 6th consecutive week this week due to ongoing trade war concerns between the US and China. The large domestic crop, spiking harvesting momentum and large deliveries coupled with lower US maize prices could potentially add a bearish tone to the local maize market in the medium term. On the bright side, the lower local maize prices supported an uptick in exports. Exports have more than doubled in June 2018 when you compare to the same time last year. Momentum in exports have increased with Vietnam and Korea being major destinations in 2018. This brings the cumulative maize exports for the season to date at 544 411 tons made up of 86,276 tons of white maize and 458, 135 tons of yellow maize.

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Contact us at Absa AgriBusiness:

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

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

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

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# Maize market trends

## International

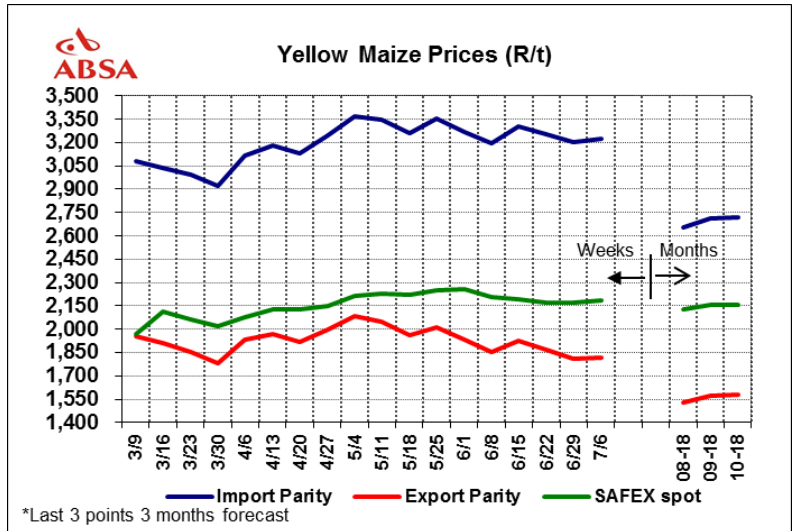
Week-on-week yellow maize No 2 gulf price decreased from US\$160.26/ton to US\$157.01/ton. Favourable weather and growing conditions in the US weighed on maize prices.

### 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.
- Growing condition concerns in EU and the Black sea region supported some price gains. Some maize were damaged in France due to widespread rainfalls that caused overly wet weather conditions.

### Bearish factors

- US maize prices declined for the sixth consecutive week amid ongoing trade war tensions between China and the US. A 25% import duty on US maize came into effect in the EU on 22 June 2018.
- Great US crop conditions continues to weigh on US maize prices.
- Prices were lower in Brazil due to seasonal pressures and weak domestic demand.
- Uncertainty about freight costs is restricting higher prices.
- Chinese demand continues to wane (decline).
- Acceleration in northern hemisphere harvest progress is weighing down on prices.
- Planting in Argentina is about 64% done (higher than 58% at the same time last year).
- Latest US Acreage and Stocks report released last week Friday placed all US wheat output 4% higher year-on-year.

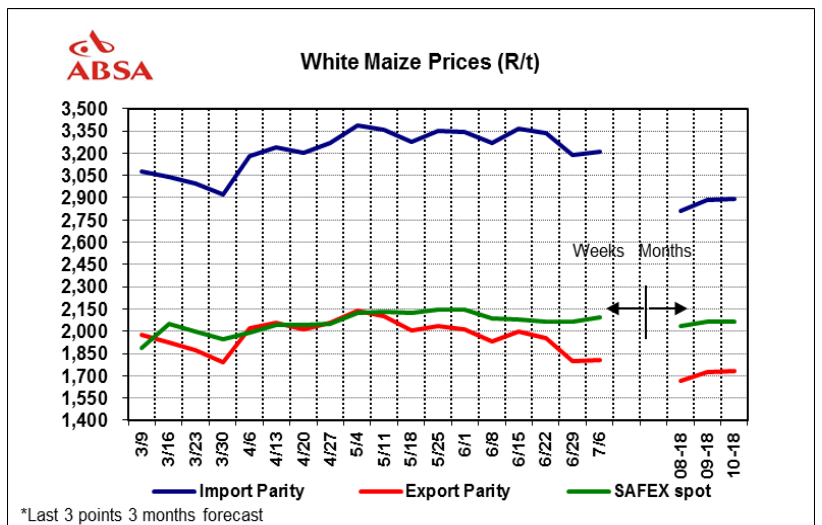


## Domestic

On 05 July, local maize market traded lower week on week. New season white maize prices for delivery in Sep 2018 traded lower by R82/ton from R2148/ton to R2066/ton. Week-on-week new season yellow maize prices for delivery in Sep 2018 decreased R82/ton from R2238/ton to R2156/ton.

### Bullish factors

- Exports have more than doubled when you compare to the same time last year. Momentum in exports have increased with Vietnam and Korea being major destinations in 2018. This brings the cumulative maize exports for the season to date at 544 411 tons made up of 86,276 tons of white maize and 458, 135 tons of yellow maize.
- Weaker domestic currency week-on-week making SA exports more competitive in the global market.



### Bearish factors

- The national commercial maize crop is estimated to be 13.2 million tons, up by 2.3% compared to the previous month's 12.9 million tons. This is still lower than the 16.8 million ton from the previous season, but still large. Large stocks, production and increased deliveries may weigh on prices in the short to medium term.
- Warm drier conditions allowing South African producers to gain harvesting and delivering momentum.
- Uncertainty about the future trade relationship between the US and China weighed on the US maize market. The weakness in the US maize market spilled over into the local maize market.

### **Outlook**

#### **Local**

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 month of July. Ongoing trade war tensions between China and the US continues to weigh on the US maize market. Prices currently trading lower due to good maize growing conditions, supported by favourable weather, good planting progress in South America and freight costs uncertainties.

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

Yellow Maize Futures: 05 July 2018		Sep-18			Dec-18			Mar-18			May-19		
CBOT (\$/t)		138.67			143.50			147.63			150.29		
SAFEX (R/t)		2156			2230			2266			2298		
SAFEX (R/t) <i>Change week on week (w/w)</i>		-82			-88			-79			-27		
Sep-18			Dec-18						Mar-19				
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call					
2,200	89	45	2,280	149	99	2,300	184	150					
2,160	66	62	2,240	126	116	2,260	162	168					
2,120	47	83	2,200	106	136	2,220	141	187					

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

White Maize Futures 05 July 2018		Sep-18			Dec-18			Mar-19			May-19		
SAFEX (R/t)		2066			2136			2184			2233		
SAFEX (R/t) <i>Change w/w</i>		-82			-95			-83			-54		
Sep-18			Dec-18						Mar-19				
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call					
2,100	92	58	2,180	139	95	2,220	189	153					
2,060	70	76	2,140	117	113	2,180	167	171					
2,020	52	98	2,100	97	133	2,140	146	190					

## Wheat market trends

### International

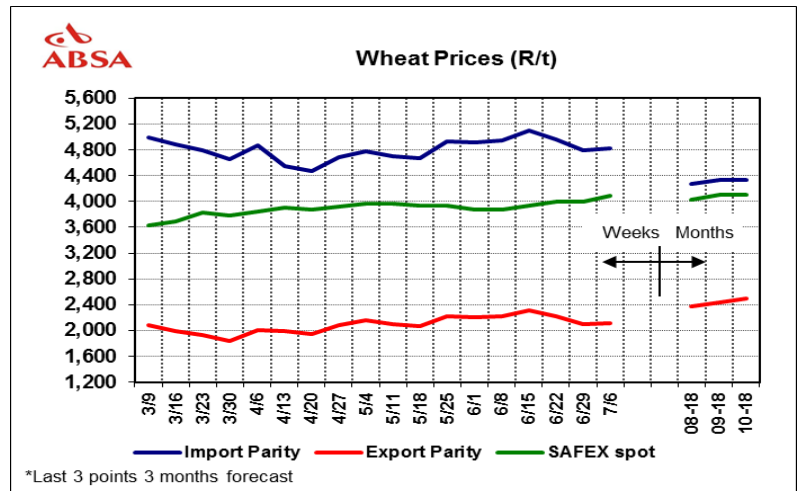
The weekly average old season HRW wheat Gulf price remained unchanged at US\$223/ton week on week. Weekly average SRW wheat price marginally increased from US\$209/ton to US\$212/ton week on week.

#### Bullish factors

- Poor weather conditions in China have reduced wheat production prospects. China is expected to potentially increase its import demand for quality wheat.
- Weather worries and 2018/19 crop condition concerns in Russia supported wheat prices.
- The wheat crop from France is estimated lower than market expected at 33.2 million ton.

#### Bearish factors

- Current US winter wheat harvesting is progressing fast and higher than the 5-year average.
- The USDA acreage and stock report had bearish sentiment with US wheat area planted estimated at 47.8 million acres, well above market expectation and higher than the previous year's all wheat area planted.



### Domestic

On 05 July 2018, wheat prices for delivery in Sep2018 decreased by (R10/ton) from R4114/ton to R4104/ton, week on week

#### Bullish factors

- Weekly SA wheat imports for the week ending 29 June 2018 were 66,242 tons. The bulk coming from Russia (46,943 tons) and the rest Germany (19,299 tons). Cumulative wheat imports for the season now at 1.58 million tons.
- Area planted according to industry is slightly lower than the previous season due to drought concerns. Preliminary estimates from industry is approximately 900,000tons.

#### Bearish factors

- Several cold fronts has brought about much needed rains in the Western Cape and Southern Cape in the month of June. The wheat growing conditions are currently looking good with the Western Cape receiving rains well in excess of 100mm in the month of June 2018. Swartland received very good rains while parts of the Overberg areas is still very dry.

### Outlook

#### Local

Local prices will likely follow international prices for the coming weeks. The wheat growing conditions are currently looking good with the Western Cape receiving rains well in excess of 100mm in the month of June 2018. Swartland received very good rains while parts of the Overberg areas is still very dry. Some wheat growers have reduced their area planted under canola in favour of feed crops/feed barley and fodder during the drought to maintain their livestock component. Area planted according to industry is slightly lower than the previous season due to drought concerns. Preliminary estimates from industry is approximately 900,000 tons. Prices expected to trade in the range of R4100-R4300/ton in the next 2 months.

## International

Current US winter wheat harvesting is progressing fast and higher than the 5-year average. The USDA acreage and stock report had bearish sentiment with US wheat area planted estimated at 47.8 million acres, well above market expectation and higher than all wheat area planted in 2017. 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 05 July 2018	Jul-18	Sep-18	Dec-19	Mar-19
CME (\$/t)	185.74	190.98	195.94	199.33
SAFEX (R/t)	4034	4104	4166	
SAFEX (R/t) Change w/w	10	-10	27	

Sep-18			Dec-18			Mar-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,080	89	86	4,140	119	122	4,200	141	191
4,040	49	46	4,100	79	82	4,160	101	104
4,000	49	46	4,060	39	42	4,120	61	229

## Oilseeds market trends

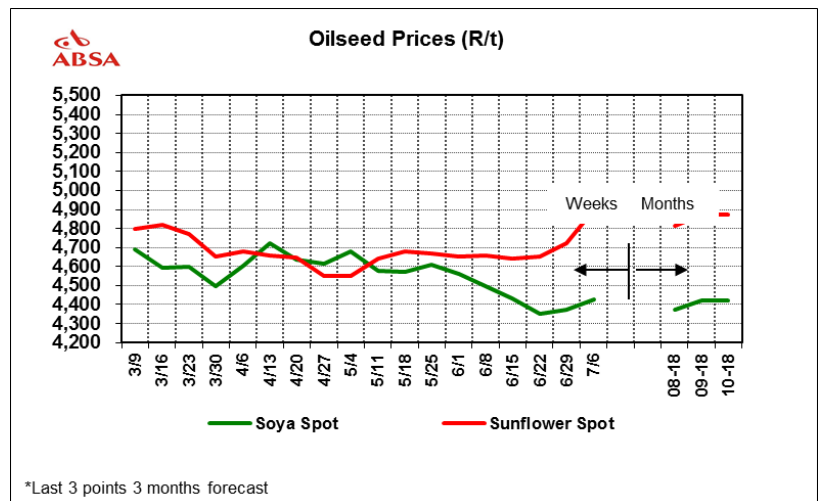
### International

The weekly average USA soybean price decreased week-on-week from US\$338.4/ton to US\$330.69/ton. US soya oil prices declined from US\$29.00c/lb to US\$28.62c/lb and soymeal prices traded lower from US\$332.94/ton to US\$328.33/ton. Persisting uncertainty about trade relations between China and the US and favourable weather has placed pressure on soybean prices.

#### Bullish factors

##### Soybean:

- Amid logistical disruptions in Brazil, blocking routes to ports and highly anticipated future demand growth from China, Brazilian soybeans basis levels is at a premium over the US Gulf soybean export prices.
- China may be in the market to take up 90% of the Brazilian soybean exports due to persisting trade conflicts between the US and China. Brazil likely to boost soybean exports to a new record 27.7 million tons in Jul/Dec 2018, however conflict in the transportation industry and freight tariffs may delay this target.
- Lower US soybean prices are attracting demand from other main importing countries despite the lower demand from China. US export sales still elevated above the previous year levels.



##### Groundnut:

- Significant drop in groundnut output in China, US and India. Argentina's poor crop is currently the principal factor influencing the groundnut market.

##### Sunflower oil:

- Sunflower oil exports (including new crop) was reported still high and active during June 2018. Soybean oil prices have since then declined significantly, because of trade relations. The premium between sunflower oil and soybean oil have since widened.

#### Bearish factors

##### Soybeans:

- 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. Minimal prospects for a resolution weighed on US oilseed prices.
- Favourable growing conditions of US soybean crops added a bearish tone to the market.
- Uncertainty about freight costs in Brazil and continual logistical disruptions due to the trucker's strike limited trade.
- South African soybean crop is pegged higher than market expected. Abundant supplies may boost domestic crushings to record 1.1 million ton during mar/Feb 2018/19. There could be a potential increase for exports.

### Domestic

New season soybean prices (Sep2018) increased week on week by R40/ton from R4380/ton to R4420/ton.

New season sunflower seed prices (Sep2018) increased marginally week on week by 0.1% from R4865/ton to R4872/ton.

#### Bullish factors

##### Sunflower Seed:

- 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

- 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.
- South African soybean crop is pegged higher than market expected. Abundant supplies may boost domestic crushings to record 1.1 million ton during mar/Feb 2018/19. There could be a potential increase for exports.

## **Outlook**

### **Local**

South African soybean crop is even higher than market expected. Abundant supplies may boost domestic crushings to record 1.1 million ton during mar/Feb 2018/19. There could be a potential increase for exports. Deliveries of sunflower seed started slow this season with momentum starting to pick up in June. The sunflower seed contracts have outperformed the soybean market this week. The Sep soybean/sunflower seed spread has narrowed this week.

### **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 05 July 2018	Sep-18	Dec-18	Mar-19	May-19
CBOT Soybeans (US\$/t)**	310.48	317.92	320.41	323.71
CBOT Soy oil (US c/lb)	34.82	29.03	29.61	29.91
CBOT Soymeal (US c/lb)	358.13	355.93	350.44	350.11
SAFEX Soybean seed (R/t)	4420	4550	4625	4668
<i>SAFEX Soybean seed (R/t) change w/w</i>	40	45	17	8
<i>SAFEX Sunflower seed (R/t)</i>	4872	5003	5000	4850
<i>SAFEX Sunflower seed (R/t) change w/w</i>	7	-2	24	0

Sep-18			Dec-18			Mar-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,920	101	97	5,040	133	134	5,040	167	167
4,880	61	57	5,000	93	94	5,000	127	127
4,840	21	17	4,960	53	54	4,960	87	87

\*Short ton

\*\* Dec 2018 = Jan 2019



## Beef market trends

### International

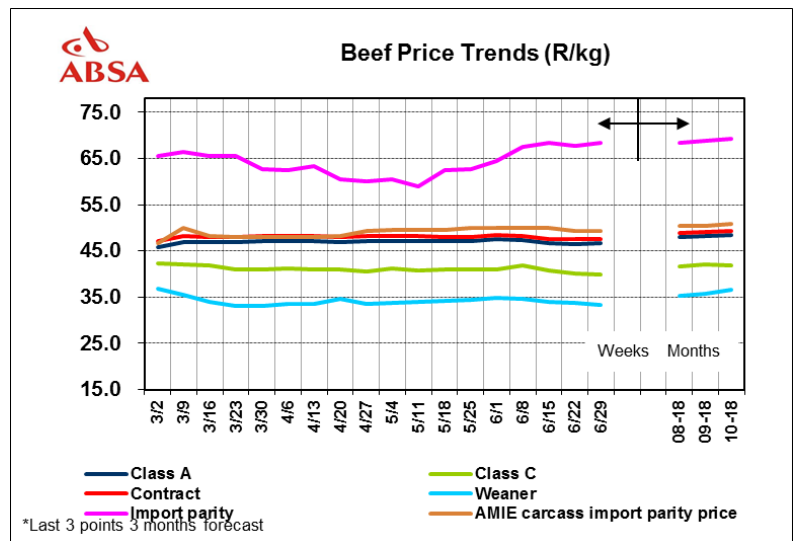
New Zealand steers traded 0.19% higher over the past week at 5.37NZ\$/kg and cows traded 0.95% higher at 4.23NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower: Topside traded 0.19% lower at \$201.93/cwt. Rump was 0.94% lower at \$359.10/cwt and strip loin was 10.54% lower at \$720.19/cwt. Chuck traded 0.65% lower at \$222.05/cwt. Brisket traded 5.32% lower at \$260.73/cwt. The carcass equivalent price was 6.17% lower at \$336.83cwt.

#### Bullish factors

- The barbecue season is underway in the US, adding support to the beef market.

#### Bearish factors

- The US market is overflowing with meat protein. Large volumes of cheap pork and chicken on the US domestic market will impact beef prices. US meat protein inventories increased by 8% year on year during the month of May.
- Corn prices dropped in part due to good growing conditions in the US Midwest. When animal feed prices decline, costs are reduced for the fattening of cattle, thereby encouraging increased production.



### Domestic

Week on week, beef prices were mixed across the different classes. The average Class A price was 0.18% higher this week at R46.61/kg. Class C prices were 0.58% lower at R39.39/kg. The average weaner calf prices over the past week decreased by 1.4% to R33.39/kg. The average hide price this week continued to lose some ground when compared to the previous week. The average hide prices traded 1.2% lower w/w at R7.04/kg green. Overall, the hide market sentiment remains bearish, in line with the weak international hide market. There is oversupply of the hides in the market currently, and demand is not holding up. The demand for low end hides has declined significantly. The market remains 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 can add a bullish tone to prices.

#### Bearish factors

- During May 2018, an estimated 219 434 head of cattle were slaughtered. This is 10.6% more head of cattle slaughtered month on month, and 4.3% less cattle slaughtered compared to the same time a year ago. Year on year declines in cattle slaughter is an indication of herd rebuilding process, following drought induced slaughter during 2015/16 season.
- At this stage, there seems to be availability of weaner calves to keep the market going, which continue to weigh on the weaner calf market. The average weaner calf prices over the past week continued to decrease.
- 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, an abundance of very cheap pork on the US market may weigh on beef prices going forward. Chicken and pork prices are already at very low levels, and the competition has pushed ground beef prices down in response.

Locally, at this stage, there seems to be availability of weaner calves to keep the market going, which continue to weigh on the weaner calf market. The average weaner calf prices over the past week continued to decrease. There are also reports of increased supplies of C grade cattle coming through the market, which is also weighing on this market currently.

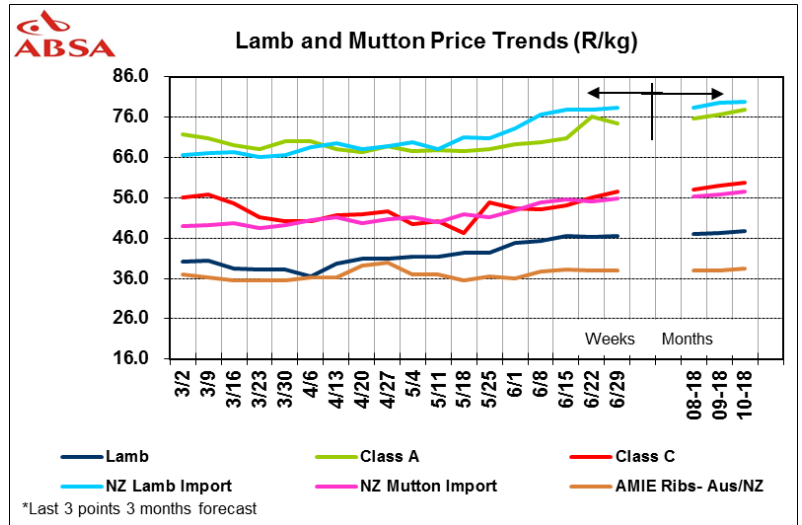
## Sheep meat market trends

### International

New Zealand lamb and mutton prices traded higher this week compared to last week. Lamb prices were 0.7% higher at NZ\$7.73/kg. Ewe prices traded 1.1% higher NZ\$5.13/kg. The import parity price for lamb was 0.9% higher at R78.48/kg, while the import parity price for mutton was 1.1% higher at R55.81/kg.

#### Bullish factors

- Global lamb markets are continuing to track along at a steady pace.
- Market sentiment is positive with future demand expected to be solid based on low inventories and reports of low Chinese domestic production.
- Chinese demand is strong, with prices showing an increasing trend in this market.



#### Bearish factors

- Strong prices and widespread dry conditions in Australia have 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 decreased by 2.5% to R74.33/kg and the average Class C carcass prices increased by 2.2% to R57.44/kg. The average price for feeder lambs traded 0.4% higher at R46.57/kg. The average price for dorper skin is 2.0% lower at R32.14/skin and merinos were 0.2% higher at R86.67/skin.

#### Bullish factors

- During May 2018, an estimated 337 060 head of sheep were slaughtered. This is 1% fewer head of sheep slaughtered month on month, and 9% less sheep slaughtered compared to the same time a year ago. Significant year on year declines in sheep slaughter is an indication of herd rebuilding process, following drought induced slaughter during 2015/16 season.
- 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

- 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, and sheep meat prices continued to hold.

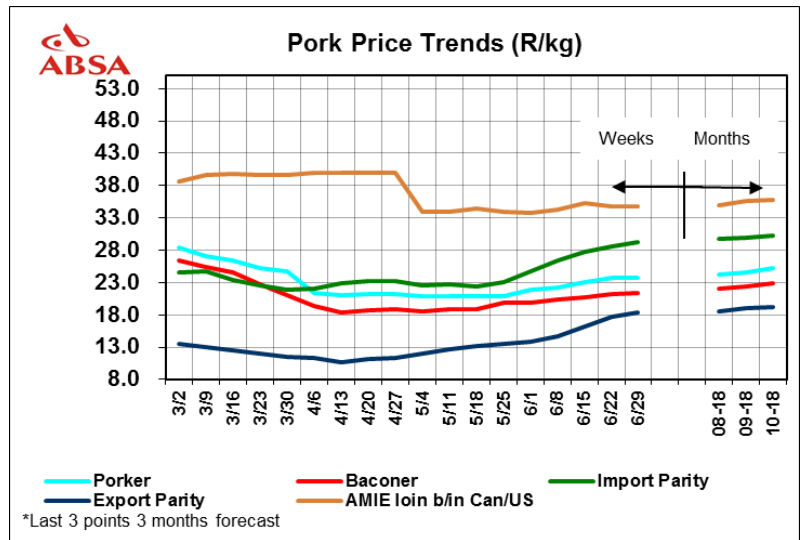
## Pork market trends

### International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 3.0% higher at US\$86.50cwt, loin prices were 0.4% higher at US\$82.65/cwt, rib prices were 3.2% lower at US\$141.20cwt and ham was 2.6% higher at US\$62.40/cwt.

#### Bullish factors

- Chinese consumers could face significantly higher pork prices in the medium term after Beijing slapped more import tariffs on US agricultural products in its trade dispute with Washington, the OECD and FAO said on Tuesday. Over the medium term, higher tariffs and hence higher costs for soybeans and feed grains would raise the costs of production for China's pigmeat industry. This, together with the higher tariffs and hence higher prices for imported pork, could lead to noticeable increases in the Chinese pork prices.
- Improved pork demand during the grilling season may support demand. Fourth of July grilling should have boosted sales.



#### Bearish factors

- US exports of pork to both Mexico and China are significantly down due to sharp increases in tariffs, at a time when US pork production is expected to be at record highs.
- Trade concerns are currently weighing on the US market.
- Highest inventory of hogs and pigs in the US.
- Government data shows that Brazilian chicken exports declined by 17% in the first half of this year compared to the same period in 2017. In addition to the truckers strike, the sector has suffered with import bans on Brazilian poultry from major trading partners such as the European Union.

### 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 hold, and traded mixed across the different categories. The latest average pork prices are as follows: The average porker prices are 0,3% lower at R23.71/kg, while the average baconer prices are 0.7% higher at R21.34/kg. The average cutters prices were 0.3% lower at R21.1/kg and the average heavy baconer price was 5.1% higher at R20.76. The SAU price was 4.8% higher at R16.06/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

- During May 2018, an estimated 270 559 head of pigs were slaughtered. This is 10% higher month on month, and 35% higher compared to the same time a year ago. 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.

### **Outlook**

Internationally, trade concerns are currently weighing on the US market. There are plentiful supplies of proteins in the US, which add a bearish tone to the meat industry.

Locally, there are plentiful supplies of pork in the market, which needs to be cleared before seeing the strong pork prices. During May 2018, an estimated 270 559 head of pigs were slaughtered. This is 10% higher month on month, and 35% higher compared to the same time a year ago.

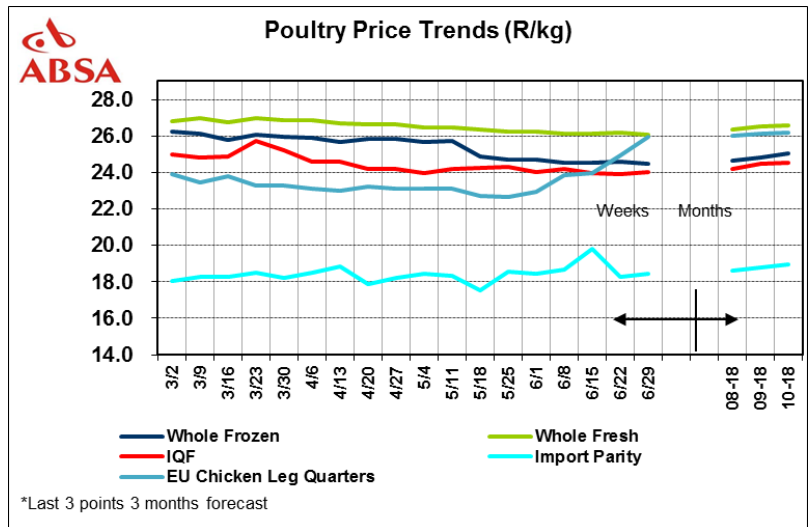
## Poultry market trends

### International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 1.6% lower at 116.34USc/lb. Breast traded 0.9% higher at 110.00USc/lb, while leg quarters traded 1.5% lower at 33.0USc/lb.

#### Bullish factors

- After having declined steadily for several months, Russian broiler meat prices have started to recover in the past few weeks. Some analysts have attributed these increases to a spike in demand caused by the ongoing World Cup.
- 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%.



#### Bearish factors

- The US market is overflowing with meat protein.
- The combined inventory of beef, pork, chicken and turkey at the end of May was 8% higher than last year and 10.5% higher than the five-year average.

### Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 0.6% lower at R24.45/kg during the week. Whole fresh medium bird prices were 0.4% lower at R26.06/kg, while IQF prices were 0.6% higher at R24.04kg.

#### 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.

### Outlook

Internationally, the higher combined inventory of beef, pork, chicken and turkey may add a bearish tone to the protein market as these meats have to compete for a share of consumers spending.

Locally, the poultry industry remains under pressure due to indications of availability of large stocks in the market. The consumer's buying power is being eroded by high costs such as increases in fuel, vat etc, which further adds a bearish tone to the market. The recent weakness in the South African rand may however add a supportive tone to prices.

Livestock prices (R/kg) week 05 July 2018	Beef			Mutton			Pork			Poultry		
	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week
Class A/ Porker/ Fresh birds	0.18	46.61	46.53	-2.5	74.33	76.20	-0.3	23.71	23.77	-0.4	26.06	26.17
Class C/ Baconer/ Frozen birds	-0.58	39.93	40.16	2.2	57.44	56.20	0.7	21.34	21.20	-0.6	24.45	24.61
Contract/Baconer/ IQF	0.06	47.50	47.47	-3.4	74.75	77.40	0.2	22.53	22.49	0.6	24.04	23.89
Import parity price	1.12	68.47	67.71	1.1	55.81	55.21	2.5	38.1	37.1	0.9	18.4	18.2
Weaner calves/ Feeder lambs	-1.4	33.29	33.75	0.4	46.57	46.37		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0	49.35	49.35	0	64.25	64.25	0	34.72	34.72	0	24.95	24.95

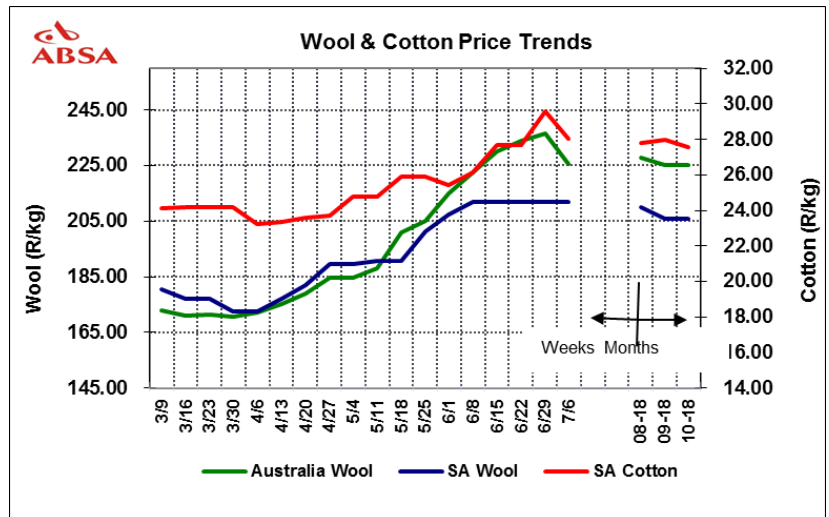
## Wool market trends

### International

The 29 June 2018 was the final sale of the 2018/19 season. The season performed very well, with Merino fleece reaching unprecedented prices. The 1<sup>st</sup> week of the new wool-selling season could not keep up with the prices at the last closing sale. Australian wool market traded 3% lower from Au2056c/kg to AU1994c/kg. Prices were lower across all microns.

### Bullish factors

- The Merino reached new records in both price and the new end use demand. Merino is now shifting from just traditional knits to higher premium clothing such as sportswear, next to skin garments and more. The vast range will underpin prices and could help maintain high prices in the industry.
- 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

- Quality of wool capped prices. Merino skirtings added to the lower prices.
- 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.
- Over 19 200 bales were offered in Melbourne.

### 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, the previous season wool prices performed very well, with Merino fleece reaching unprecedented prices. The 1<sup>st</sup> week of the new wool-selling season could not keep up with the prices at the last closing sale. Australian wool market traded 3% lower from Au2056c/kg to AU1994c/kg. Prices were lower across all microns.

Locally, lower supply, fierce competition amongst buyers for South African wool, coupled with lower seasonal deliveries 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.



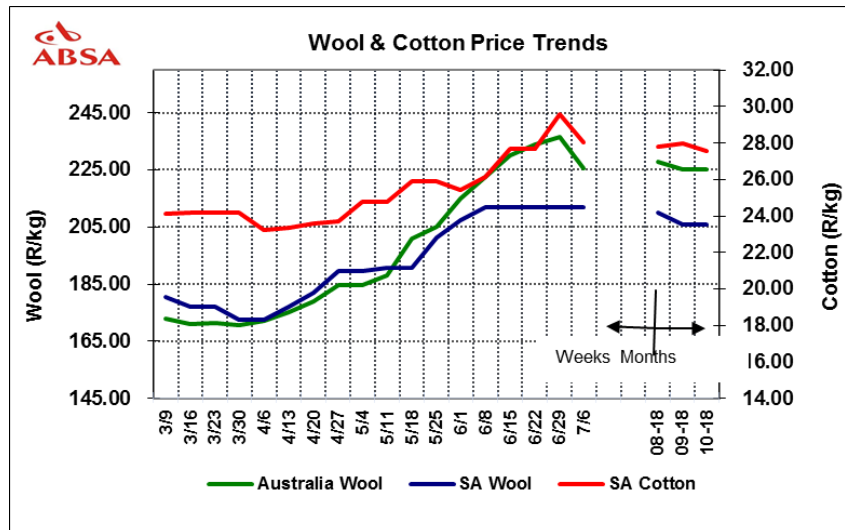
## Cotton market trends

### International

Cotton prices traded 1.63% lower over the past week and closed at US81.98c/lb down from US83.34c/lb.

#### Bullish factors

- Economic growth continues to underpin cotton demand, and supporting prices.
- China indicated plans to increase import quota in the near future.
- Drought in the largest cotton growing area of the largest exporting country (West Texas US) remains a concern.
- On-going rains in India hampered cottonseed picking, lowering supply.
- The Cotton Advisory Board has reduced its crop estimate due to pink bollworm infestation attacking some crops in parts of India.



#### Bearish factors

- USDA forecasts that Chinese ending stocks may increase in 2018/19, which could add to the already very large China stocks.
- Abundant and sufficient stocks in China for the near term capped any price highs. Sales can be extended by another month well into September with the current stocks China has.

### Domestic

The derived SA cotton prices traded 0.86% higher to close at R28.29/kg.

### Outlook

Internationally, Volatility in any cotton prices may be originating from movements in China. Talks of abundant stocks in the country limited gains this week. Cotton prices found support in June due to bad weather in India and West Texas reducing global supplies.

Locally, the world market and exchange rate movement may continue to affect the domestic market prices. Lower maize prices induced by large maize stocks and crop production coupled with renewed interest 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 05 July 2018

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Sep 2018 (AU\$/kg)	%	Australian future Dec 2018 (AU\$/kg)
Wool market indicator	0.00	21199	-4.07	19960		-		-
19µ micron	0.00	22506	-4.76	22916	-0.90	22.00	-0.96	20.60
21µ micron	0.00	21607	-4.73	22596	-2.27	21.50	-0.97	20.50
Cotton prices 29 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	0.86	28.28	0.86	2.08	-0.9	1.86	2.1	1.87

## Vegetables market trends

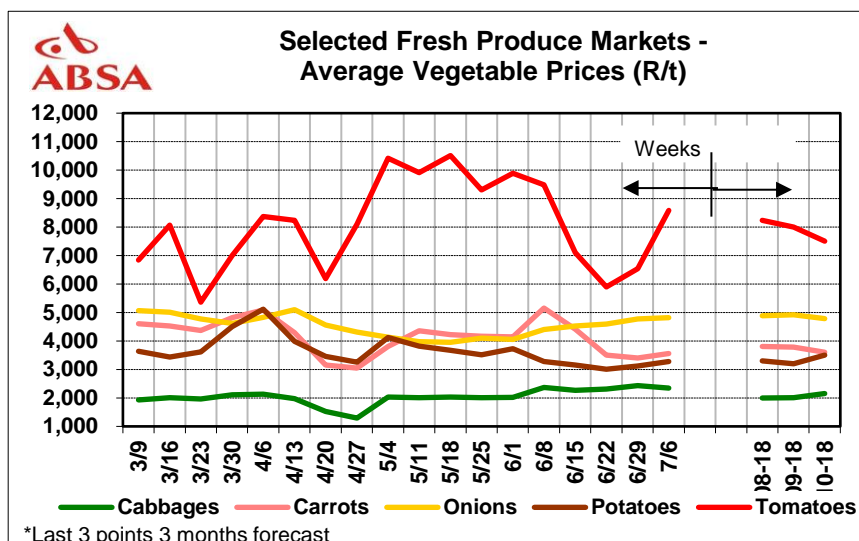
Most of the vegetable volumes sold declined significantly this week. Lower demand and higher volumes reflected in lower prices.

### Tomatoes

Tomato prices soared and increased by 30% week-on-week. Due to cold front, bringing about colder temperatures supply is starting to reduce. Producers received premium prices for better quality tomato crops. Prices increased from an average R5/kg-R6/kg to R8-R8.50/kg this week.

### Onions

Supply is sufficient. Good quality crop receiving premiums. Prices traded 1% higher week-on-week, supported by sustained demand. Prices have been trading sideways for the month and anticipated to remain at this level for the next 2 weeks.



### Potatoes

Drier conditions supporting harvesting contributed to increased producer deliveries but good demand offset any declines, instead a 5% price increase was reported week-on-week despite volumes increasing by 24%.

### Peppers

Pepper prices increased week-on-week by 3% at an average of R12.8/kg. Volumes were significantly lower and quality good. Demand for peppers was better compared to the previous week.

### Cabbage & Carrots

Cabbage volumes increased significantly by 10% at the Top 5 FPMs. Prices decreased 4%. Prices averaging around R2.3/kg. Carrots prices improved by 5% week on week supported by lower deliveries (3% decline).

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)
05 July 2018						
Cabbages	-4%	2346	2432	10%	1639	1496
Carrots	5%	3564	3400	-3%	2314	2380
Onions	1%	4818	4768	24%	6796	5497
Potatoes	5%	3282	3124	8%	19065	17682
Tomatoes	31%	8582	6542	-3%	3818	3951
Peppers	3%	12868	12472	-5%	845	887

**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.