



Agri Trends

14 September 2018

An increase in acceptance of pecans has led to growth in the global market.

The world pecan nut production for the 2018/19 season is estimated to at 300 600 tons (in-shell basis), 10% higher than the 272 413 tons produced in the previous season due to the increasing planted areas in the main producing countries. The US and Mexico remains by far the world’s biggest pecan nut producing regions, followed by South Africa and Australia.

South Africa had favourable weather conditions for the 2018/19 pecan nut crop, positively impacting on total production. There have also been increased plantings in the past years, with new orchards having come into production and boosting growth. As a result, the South African pecan crop is expected to increase by between 5-10% during the 2018/19 season to reach an estimate of between 17 000 and 18 000 tons.

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Maize market trends

International

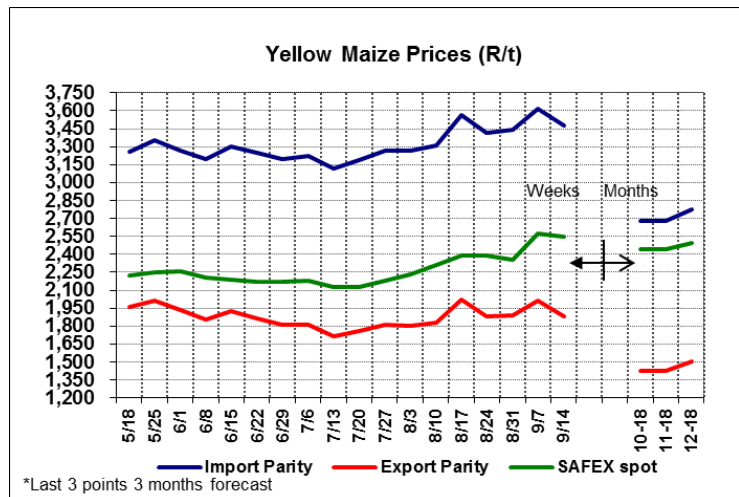
Week-on-week yellow maize No 2 gulf price decreased from US\$160.99/ton to US\$157.90/ton.

Bullish factors

- Maize usage for feed, ethanol in the USA estimated higher in the latest USDA report.

Bearish factors

- The US market remains bearish as the US enters harvest season in the next weeks. The large US maize crop and the persisting US/China trade tensions continue to place pressure on grain prices.
- Latest USDA report maize outlook is for larger production, higher ending stocks, higher exports and usage.
- Higher yields for Illinois, Iowa, Nebraska, Ohio and South Dakota supporting larger production.
- Weather outlook for the week ahead is expected to be favourable (drier), and ideal for harvesting in the US Midwest.



Domestic

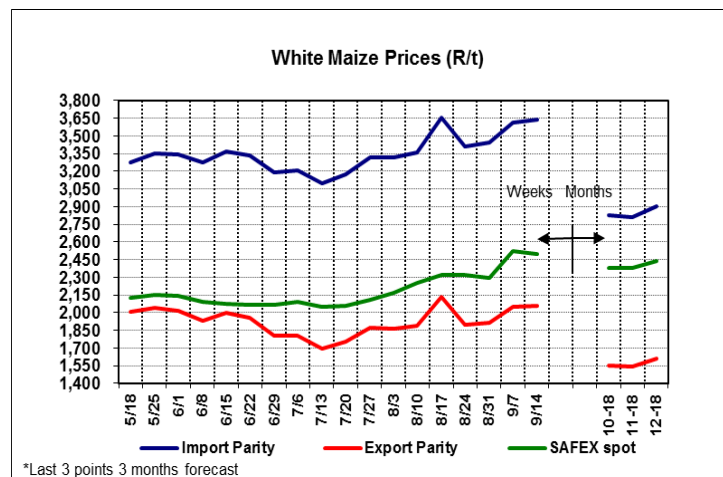
On 13 September, local maize market traded lower week on week. New season white maize prices for delivery in Dec2018 traded lower by R95/ton from R2532/ton to R2437/ton. Week-on-week new season yellow maize prices for delivery in Dec2018 decreased R97/ton from R2592/ton to R2495/ton.

Bullish factors

- The weekly SA maize exports for the week ending 7 September 2018 were 8390 tons, of which 4623 tons was white maize and 3767 tons yellow maize. This brings cumulative maize exports for the season to date at 1,214 million tons.
- Deliveries for both yellow and white maize are behind historical averages for this time of the year. The market is keeping close watch.

Bearish factors

- Stronger Rand pressured local maize prices. Local maize prices traded lower this week.



Outlook

Local

South African maize prices were lower, pressured by a slightly stronger Rand. Local deliveries for both yellow and white maize remain behind historical averages for this time of the year. The market is keeping close watch.

International

This week, the US maize market traded lower. Latest USDA report maize outlook is for larger production, higher ending stocks, higher exports and usage.

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

Yellow Maize Futures: 14 September 2018			Dec-18	Mar-18	May-19	Jul-19		
CBOT (\$/t)			137.98	142.81	146.15	148.61		
SAFEX (R/t)			2495	2542	2513	2537		
SAFEX (R/t) <i>Change week on week (w/w)</i>			-97	-98	-70	-96		
Dec-18			Mar-19			May-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,540	141	96	2,580	198	160	2,560	230	183
2,500	118	113	2,540	176	178	2,520	208	201
2,460	98	133	2,500	155	197	2,480	186	219

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

White Maize Futures 14 September 2018			Dec-18	Mar-19	May-19	Jul-19		
SAFEX (R/t)			2437	2486	2518	2545		
SAFEX (R/t) <i>Change w/w</i>			-95	-96	-96	-83		
Dec-18			Mar-19			May-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,480	168	170	2,520	162	128	2,560	241	199
2,440	128	130	2,480	140	146	2,520	218	216
2,400	88	90	2,440	120	166	2,480	197	235

Wheat market trends

International

The weekly average old season SRW wheat Gulf price declined from US\$214/ton to US\$206/ton week on week. Weekly average HRW wheat price decreased from US\$241/ton to US\$232/ton week on week.

Bullish factors

- ABARES reduced its Australian wheat output forecast to 19 million ton, a 13% decline year-on-year and the lowest crop size in 10 years due to weather (drought) related crop losses.
- In Siberia, untimely rains are forecasted to disturb fieldwork processes.
- Continued fast-paced Black Sea wheat exports supporting the world wheat price.
- Crop losses in some of the major EU wheat supplies/exporters is supporting prices in the world market.

Bearish factors

- Wheat prices traded lower in the week due to US wheat demand remaining slow and the risk of an export restriction on Russian wheat export seems to be fading.
- Global wheat supplies for 2018/19 forecasted to 3.4 million ton. Russian crop expected to increase on the back of favourable weather. Global supplies are increasing faster than usage.

Domestic

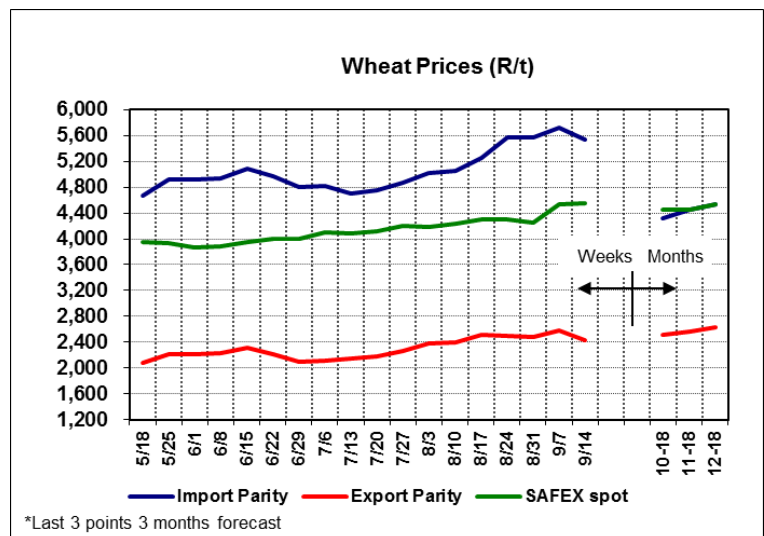
On 13 September 2018, wheat prices for delivery in Dec2018 decreased by R11/ton from R4541/ton to R4530/ton, week on week. Local wheat prices were lower due to a stronger Rand and lower international wheat (US) prices.

Bullish factors

- Conditions are favourable for wheat in the Western Cape, good rains were received and soil moisture has been replenished in some parts of the wheat growing areas in South Africa.

Bearish factors

- The stronger Rand and lower US wheat prices placed the South African wheat market under pressure this week. The market traded lower week-on-week.
- The current wheat import tariff is R640.60/ton, however on the 11 September 2018 a new lower import tariff of R490.72/ton was triggered. The market will await its publication in the Government Gazette, before it is in use. The lower tariff will lower the support, local producers enjoyed with the higher tariff protection. However, imports still kept coming despite the inefficient publication of new tariff rates. Cumulative exports for the season to date stand at 2.06 million tons, the bulk originated from Russia.



Outlook

Local

The Rand gained some strength this week, coupled with lower US wheat prices, local prices also dipped week-on-week. A lower import tariff of R490 was triggered during the week; this will lower the support local producers enjoyed with the current import tariff of R640.60/ton. However, imports still kept coming despite the inefficient publication of new tariff rates. Cumulative exports for the season to date stand at 2.06 million tons, the bulk originated from Russia

International

Wheat prices were lower this week. US wheat export progress remains slow capping any major increases in the global market.

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

Wheat Futures 14 September 2018	Dec-18	Mar-19	May-19	Jul-19
CME (\$/t)	196.58	201.72	203.28	201.08
SAFEX (R/t)	4530	4640		4739
SAFEX (R/t) Change w/w	-11	-6		0

Dec-18			Mar-19			May-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,580	105	100	4,680	170	130	4,780	251	210
4,540	65	60	4,640	149	149	4,740	229	228
4,500	25	20	4,600	129	169	4,700	209	248

Oilseeds market trends

International

The weekly average USA soybean price decreased week-on-week from US\$312.50/ton to US\$307.91/ton. US soya oil prices decreased from US\$28.21/lb to US\$22.17/lb and soymeal prices traded lower from US\$308.68/ton to US\$251.42/ton.

Bullish factors

Soybean:

- South American soybean stocks are significantly (9 million ton lower) lower than they were a year ago. Global trade performed above expectations for Brazil and the US.
- Slow farmer selling and strong demand from Chinese processors supported gains in soybean prices in Brazil.
- Import requirements for soybeans, soy oil and soymeal in China have exceeded expectations.

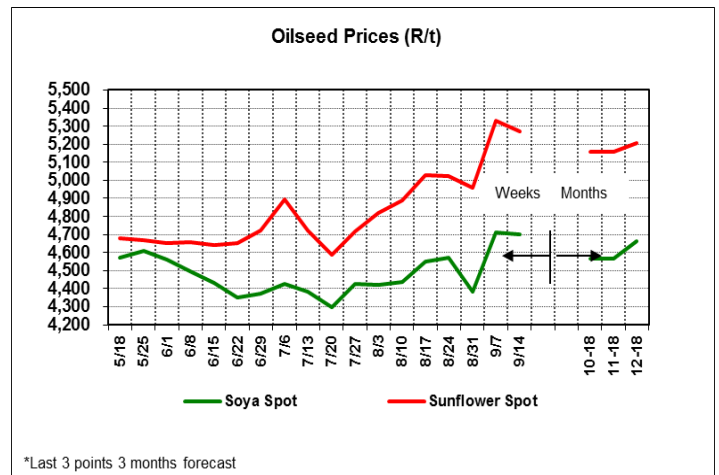
Bearish factors

Soybeans:

- Prospects for very large US soybean harvest added a bearish tone to the market.

Soymeal:

- The swine flu in China is still not under control. This has had a significant impact on the downtrend in soymeal prices because china is the largest soymeal consumer. China is expected to increase imports of soya meal during this time of the year, but the uncertainty is curbing demand.



Domestic

New season soybean prices (Dec2018) decreased week on week by R71/ton from R4735/ton to R4664/ton.

New season sunflower seed prices (Dec2018) decreased week on week by R110/ton from R5316/ton to R5206/ton.

Bullish factors

Sunflower Seed:

- Sunflower seed processing increased, supported by larger sunflower seed supplies. The production forecast for sunflower seed was increased by 8,37% or 66 350 tons to 858 605 tons according to the latest CEC report.

Soybean Seed:

- Soybean usage in the animal feed market increased by more than a third since March 2018.

Bearish factors

Soybeans

- Soybean carry-over stocks expected to be large locally, especially if the needed exports do not materialise. Exports are expected to remain low.

Sunflower Seed:

- The production forecast for sunflower seed was increased by 8,37% or 66 350 tons to 858 605 tons according to the latest CEC report.

Outlook

Local

Stocks remain large for soybean seed. Processing demand continues to grow for sunflower seed and soybean seed crushing, which bodes well for both oilseed prices.

International

US Soybean prices traded lower week on week. Ongoing trade war continues to disrupt global trade potential, causing lower soybean exports.

Sunflower seed prices declined this month due to higher than expected production in the Black Sea region. Lower global demand also curbing prices. Global soybean prices could potentially be volatile for the next one –three months if China imports soybeans from the US.

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

Oilseeds Futures 14 September 2018	Dec-18	Mar-19	May-19	Jul-19
CBOT Soybeans (US\$/t)**	311.22	315.90	320.59	324.26
CBOT Soy oil (US c/lb)	27.79	28.39	28.72	29.00
CBOT Soymeal (US c/lb)	346.04	342.86	340.99	343.08
SAFEX Soybean seed (R/t)	4664	4784	4837	4940
<i>SAFEX Soybean seed (R/t) change w/w</i>	-71	-66	-49	-73
<i>SAFEX Sunflower seed (R/t)</i>	5206	5138	5050	5196
<i>SAFEX Sunflower seed (R/t) change w/w</i>	-110	-102	-90	-71

Dec-18			Mar-19			May-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5,240	171	137	5,180	243	201	5,090	266	226
5,200	150	156	5,140	221	219	5,050	244	244
5,160	131	177	5,100	201	239	5,010	224	264

*Short ton

** Dec 2018 = Jan 2019

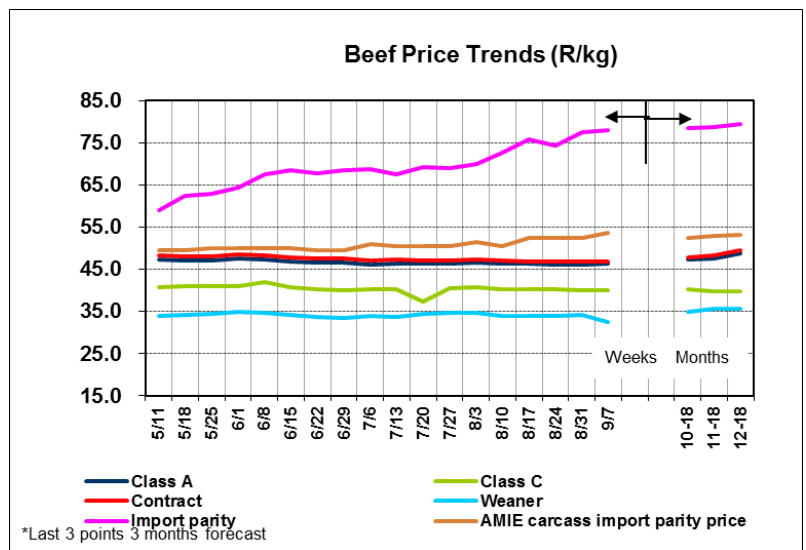
Beef market trends

International

New Zealand steers traded 0.68% higher over the past week at 5.91NZ\$/kg and cows traded 1.53% lower at 4.50NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 3.05% lower at \$204.26/cwt. Rump was 0.64% lower at \$294.78/cwt and strip loin was 0.07% lower at \$557.98/cwt. Chuck traded 0.83% higher at \$218.64/cwt. Brisket traded 3.03% lower at \$250.52/cwt. The carcass equivalent price was 0.81% lower at \$296.15cwt.

Bullish factors

- For 2018 and 2019, export forecasts are increased on expectations of continued strong demand to a number of key trading partners. USDA Wasde.
- US, Australia and Brazil all exported large volumes of beef in August



Bearish factors

- Drought-induced beef production from Australia led to higher supplies.
- The global beef market has absorbed large quantities of beef in August.

Domestic

Week on week, beef prices were mostly mixed across the different classes. The average Class A price was 0.09% higher this week at R46.21/kg. Class C prices were 0.31% lower at R39.96/kg. The average weaner calf prices over the past week traded 4.4% lower at R32.52/kg. The average hide price this week was steady, and showed a slight recovery when compared to the previous week. The average hide price was reported 1.0% higher w/w at R4.65/kg green. The recent weakening of the South African rand is expected to lend some support to this market. Overall, the hide market sentiment remains bearish, in line with the weak international hide market. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- The weaker South African Rand is expected to give support to prices.
- Cattle slaughter numbers for the first seven months of 2018 are lower year on year due to the herd rebuilding process that is underway.
- Beef prices may be supported by better demand that comes with the approaching warmer conditions. Warmer temperatures normally encourage outdoor grilling.
- Herd rebuilding phase that will come with summer rains.

Bearish factors

- During July 2018, an estimated 212 060 head of cattle were slaughtered. This is 6% more head of cattle slaughtered month on month, and 0.6% less cattle slaughtered compared to the same time a year ago.
- Cheaper alternative proteins are readily available and add a bearish tone to prices. Consumers are under pressure and some may not be willing to pay more for beef. This may result in a switch to other products.
- Lower pork prices may continue to weigh on the beef market.

Outlook

Internationally, increased supplies of total protein and potential trade fallouts may weigh on the US market.

Locally, prices are expected to follow an upward trend due to improvement in demand during the warmer months.

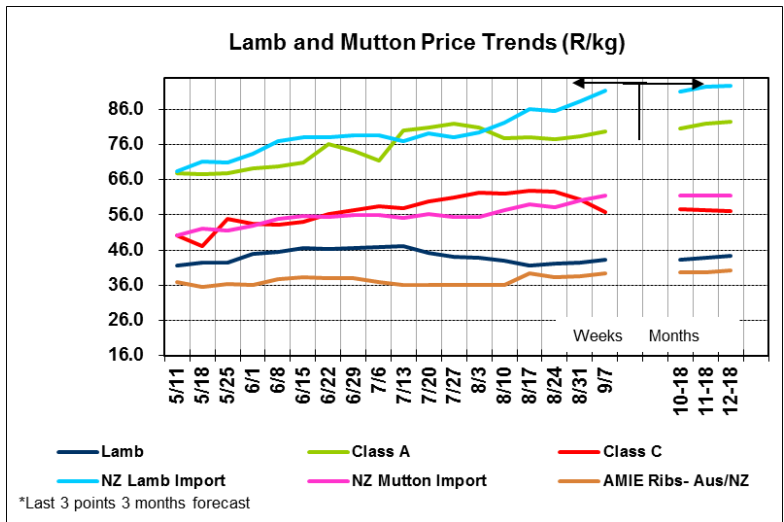
Sheep meat market trends

International

New Zealand lamb and mutton prices traded higher this week compared to last week. Lamb prices were 1.0% higher at NZ\$8.43/kg. Ewe prices traded 0.4% lower at NZ\$5.28/kg. The import parity price for lamb was 3.4% higher at R91.29/kg, while the import parity price for mutton was 2.1% higher at R61.42/kg.

Bullish factors

- Chinese market has steadied and demand for Chinese New Year should support sales until November.
- Ongoing scarcity of supply should support lamb prices in the long term
- Poor seasonal conditions have seen monthly sheep slaughter increase in Australia, a concern for the longer term production.



Bearish factors

- Global lamb markets continue to show signs of resistance to the high price levels. The gap between lamb and competing proteins has grown too wide.

Domestic

This week, lamb and mutton prices were mostly higher this week when compared to the previous week, except for C grades. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices increased by 1.7% to R79.81/kg and the average Class C carcass prices decreased by 5.7% to R56.91/kg. The average price for feeder lambs traded 2.4% higher at R43.33/kg. The average price for dorper skin is 15.4% lower at R30.00/skin and merinos were 4.4% higher at R99.36/skin.

Bullish factors

- Sheep slaughter numbers for the first seven months of 2018 are lower when compared to the previous three years, due to the herd rebuilding process that is underway.
- During July 2018, an estimated 313 162 head of sheep were slaughtered. This is 2.0% fewer head of sheep slaughtered month on month, and 9.9% less sheep slaughtered compared to the same time a year ago.
- Pasture conditions may improve should seasonal rains materialise sooner.
- Shrinking production areas negatively impact sheep production.
- The 24th of September every year is considered the National Braai Day in South Africa, which may increase red meat uptake during that time.

Bearish factors

- The struggling South African economy may negatively impact on demand.
- Lamb and mutton remains the most expensive meat in the market. Consumer resistance to high lamb and mutton remains a risk. Cheaper alternative proteins (pork and poultry) are readily available and add a bearish tone to prices.

Outlook

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

Locally, the local low herd numbers for sheep limit supplies and support meat prices. Seasonal trends may support sheep meat prices ahead of the festive season.

Pork market trends

International

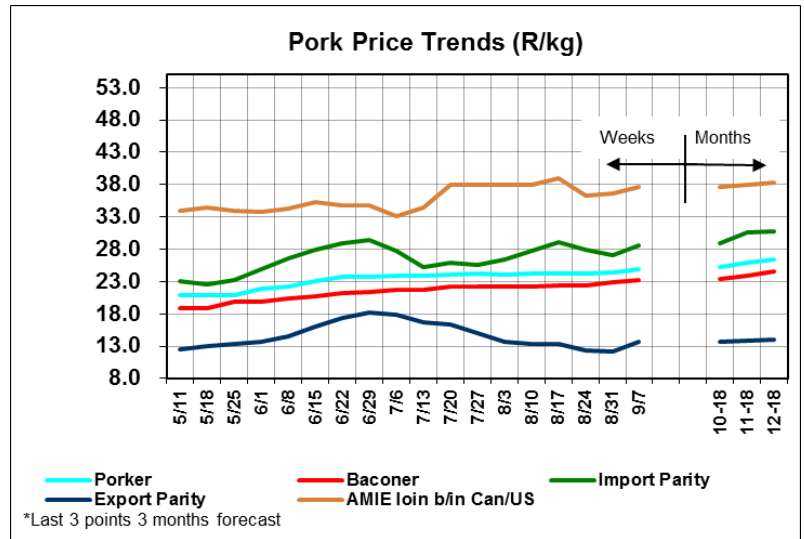
The average weekly US pork prices were mixed over the past week. Carcass prices were 3.0% higher at US\$66.69/cwt, loin prices were 1.2% higher at US\$73.62/cwt, rib prices were 1.1% lower at US\$114.83/cwt and ham was 0.8% lower at US\$51.38/cwt.

Bullish factors

- The 2018 pork production forecast is reduced on the current pace of slaughter and slightly lighter expected carcass weights in the third quarter. USDA Wasde.
- Pork export forecasts for 2018 and 2019 are raised from the previous month as US pork is expected to remain competitively priced in international markets. USDA Wasde report.

Bearish factors

- Hog price forecasts for 2018 are lowered on current prices and pressure from expected abundant meat supplies. USDA Wasde.



Domestic

This week, pork prices strengthened, and traded mostly higher across the different categories. The latest average pork prices are as follows: The average porker prices are 1,8% higher at R24.88/kg, while the average baconer prices are 1.9% higher at R23.26/kg. The average cutters prices were 1.7% higher at R23.7/kg and the average heavy baconer price was 2.1% higher at R21.97. The SAU price was 4.6% higher at R17.4/kg.

Bullish factors

- The Listeriosis outbreak has passed, but consumer confidence is still recovering however at a slow pace.
- The current low prices of pork may increase consumer uptake of pork products
- The pork industry may benefit from the underlying support from the higher red meat prices, and increased demand as warmer temperatures encourages outdoor braai.
- The lower product prices are expected to continue to support sales, and therefore add support to pork prices.

Bearish factors

- There are plentiful supplies of pork in the market, which needs to clear before seeing the strong pork prices.

Outlook

Internationally, the outbreak of African swine fever in China, record levels of beef, pork and chicken coming to market in the US and trade concerns in the US are weighing on the pork market.

Locally, the pork industry may benefit from the underlying support from the higher red meat prices in line with seasonality and as demand recovers.

Poultry market trends

International

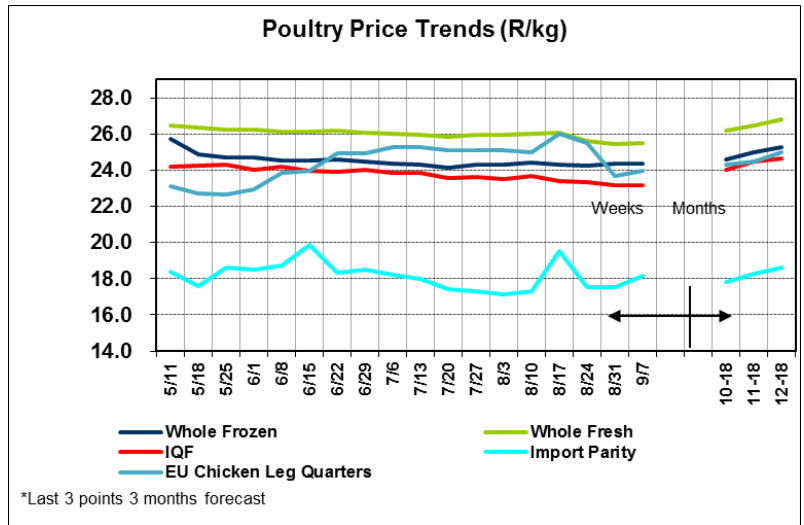
Poultry prices in the US were mixed over the past week. Whole bird prices were 0.3% higher at 82.81USc/lb. Breast traded 8.2% lower at 84.00USc/lb, while leg quarters traded sideways at 28.00USc/lb.

Bullish factors

- US poultry exports are expected to be slightly higher next year. Exports of poultry and poultry products are forecast \$100 million higher to \$5.3 billion, supported by higher volumes.

Bearish factors

- Broiler prices are reduced from last month for 2018 and 2019 on strong competition with other meats. USDA Wasde.



Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 0.1% higher at R24.37/kg during the week. Whole fresh medium bird prices were 0.1% higher at R25.47/kg, while IQF prices were 0.1% higher at R23.19kg.

Bullish factors

- The weaker South African Rand is expected to give support to prices.
- Demand may benefit from warmer temperatures which encourage outdoor grilling.

Bearish factors

- There are plentiful supplies in the market, currently weighing on prices.
- The poultry industry benefits from the lower feed environment.
- Lower pork prices may weigh on the poultry market.

Outlook

Internationally, record levels of beef, pork and chicken coming to market in the US are weighing on the market.

Locally, prices remain subdued due to higher supplies in the market, but are expected to start improving due to better demand and in line with seasonality. Improved demand towards the festive season is expected to benefit demand and prices.

Livestock prices (R/kg) week 13 Sept 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	0.09	46.21	46.17	1.7	79.81	78.50	1.8	24.88	24.45	0.1	25.47	25.44
Class C/ Baconer/ Frozen birds	-0.31	39.96	40.08	-5.7	56.91	60.32	1.9	23.26	22.84	0.1	24.37	24.34
Contract/Baconer/ IQF	-0.06	46.79	46.82	0.5	80.28	79.87	1.8	24.07	23.65	0.1	23.19	23.16
Import parity price	0.91	78.06	77.36	2.1	61.42	60.16	8.3	35.0	32.3	3.7	18.2	17.5
Weaner calves/ Feeder lambs	-4.4	32.52	34.01	2.4	43.33	42.33	-	-	-	-	-	-
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	1.90	53.50	52.50	1.9	67.75	66.50	2.7	37.60	36.60	1.2	23.94	23.66

Wool market trends

International

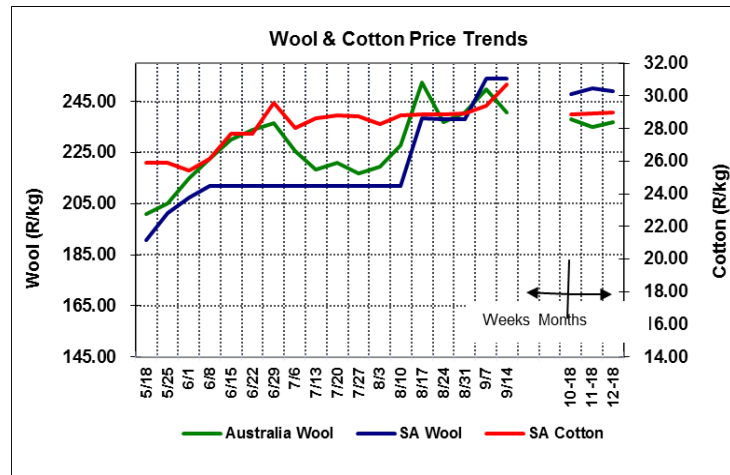
Buyer competition was strong. Australian wool market traded 0.29% higher from Au2088c/kg to AU2094c/kg.

Bullish factors

- Supply concerns remain the main issue at the Australian auctions, 50 000 bales less were offered compared to the same time last year.
- The lack of global wool supply continues to underpin prices.
- Persisting dry conditions and favorable Australian dollar sparked good buying interest.

Bearish factors

- Quality of wool capped prices. Merino skirtings added to the lower prices.



Domestic

Domestic wool market prices closed at R253.82c/kg (clean) at the sale. Wool prices closed higher week on week driven by favourable local exchange rate, very strong demand, limited supply and very fierce competition between buyers.

Bullish factors

- Continued excellent demand for SA quality long and fine wool at the recent auction. Record prices were paid for the 3rd consecutive auction.
- A significant weaker South African Rand supported exports.

Bearish factors

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

Outlook

Internationally, Australian wool auction prices were higher. The lack of global wool supply continues to underpin prices

Locally, significantly weaker Rand added to the bullish tone to the wool market.

The wool buyers paid record prices for a 3rd consecutive auction Continued strong international demand continues to support prices. The next sale is scheduled for 19 September 2018.

Cotton market trends

International

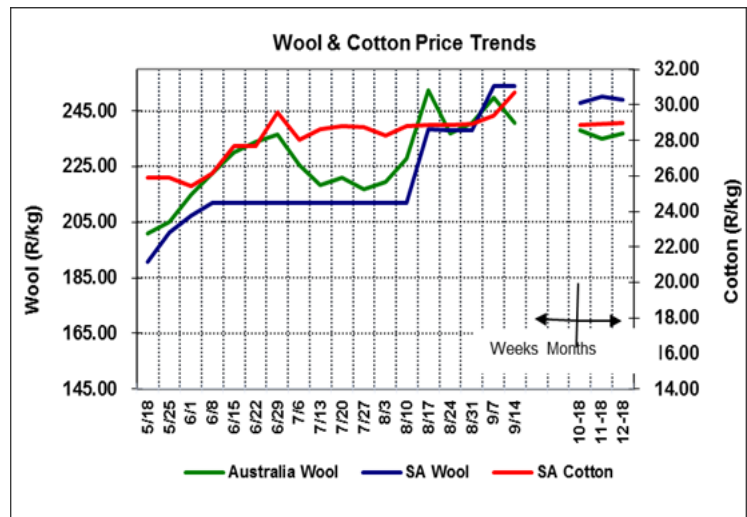
Cotton prices traded 1.09% lower over the past week and closed at US79.88/lb down from US79.19/lb.

Bullish factors

- Global cotton stocks are expected to decline in 2018/19 according to ICAC.
- Growing cotton usage demand, underpinned by growing demand in China is supporting prices.
- Narrowing gap between cotton and polyester prices, supporting the usage of cotton.
- Cotton's competition with other agricultural commodities in water scarce countries, may limit global area planted under cotton. ICAC expects a 2% decline in hectares planted in 2018/19.

Bearish factors

- The latest WASDE USDA report estimates larger cotton production, exports and ending stocks. Production was raised for Brazil, China and the US.
- Global cotton area is expected to increase due to increased prices in cotton and strong demand for the cotton fibre in the textile manufacturing industry.



Domestic

The derived SA cotton prices traded 4.44% higher to close at R30.66/kg.

Outlook

Internationally, cotton prices is estimated to remain at high levels supported by strong demand from China and support from higher global polyester prices.

Locally, the derived SA cotton prices traded 4.44% higher to close at R30.66/kg. The 7th cotton crop estimate for the 2017/18 shows a 191 310 bales crop (a 147% increase compared to the previous season). Lower maize prices induced by large maize stocks and crop production coupled with renewed interest has supported cotton planting in South Africa, strong international demand also offering support to prices.

Fibres market trends
Week ended 13 September 2018

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Dec 2018 (AU\$/kg)	%	Australian future Mar 2019 (AU\$/kg)
Wool market indicator	0	25382	4.25	22259		-		-
19µ micron	0	27901	4.57	25905	-2.95	23.00	-3.91	22.10
21µ micron	0	25173	3.80	24102	-1.79	22.00	-2.27	21.50
Cotton prices 7September 2018		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future Sep 2018 (US\$/kg)		New York future Dec 2018 (US\$/kg)
Cotton prices	4.44	30.66	-1.19	2.02	-1.3	1.79	-1.2	1.79

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.