



Agri Trends

12 October 2018

The Increased plantings and adequate rainfall has boosted macadamia production in 2018

The increased plantings and adequate rainfall has boosted macadamia production in 2018, with an estimated crop of between 51 492 and 52 412 tons NIS at 1.5% kernel moisture content. The 2018 crop is a significant improvement on the previous two season's crops of 38 000 and 44610 tons for 2016 and 2017 respectively, which were severely reduced due to a drought period. The macadamia industry is expected to expand over the next couple of years, due to an increase in plantings over the past few years, and these plantings now coming into production. Producers are currently continuing to plant more hectares to macadamias, with new plantings also substituting other crops such as sugar cane, citrus, bananas and timber. There is already an estimated 32 500ha established in South Africa.

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Maize market trends

International

Week-on-week yellow maize No 2 gulf price increased from US\$158.02/ton to US\$159.99/ton. US maize prices traded higher week on week, EU maize production is expected to decline especially in Germany and France.

Bullish factors

- Some rain induced harvest delays in in the US supported prices.
- Brazil maize production is estimated lower by the latest USDA report.

Bearish factors

- US harvesting remained ahead of the previous average at this time of the year.
- Ukraine maize production is estimated higher due to favourable rainfall.

Domestic

On 11 October, local maize market traded lower week on week. New season white maize prices for delivery in Dec2018 traded lower by R28/ton from R2438/ton to R2410/ton. Week-on-week new season yellow maize prices for delivery in Dec2018 decreased R38/ton from R2482/ton to R2444/ton.

Bullish factors

- The weekly SA maize exports for the week ending 28 September 2018 were 4834 tons white maize and 10722 tons yellow maize. This brings cumulative maize exports for the season to date at 1,345 million tons.

Bearish factors

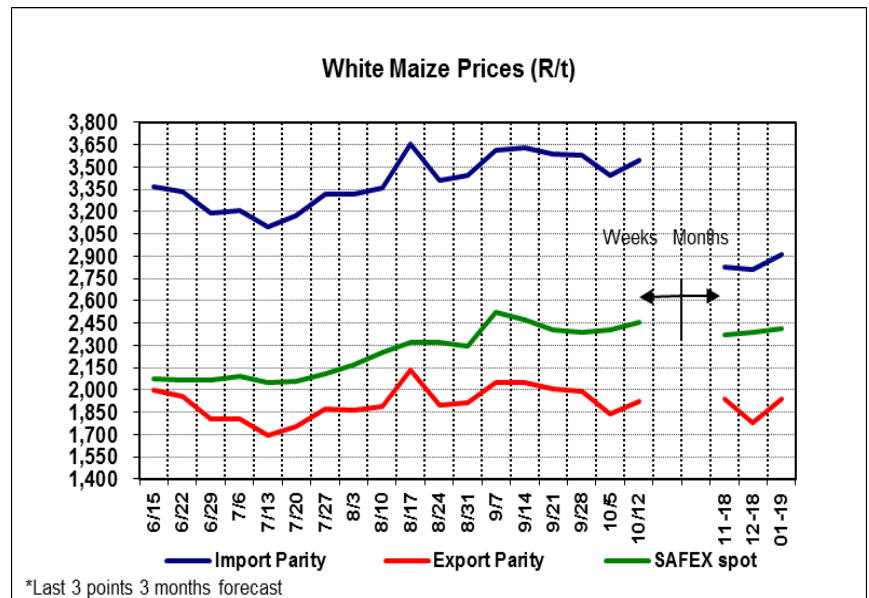
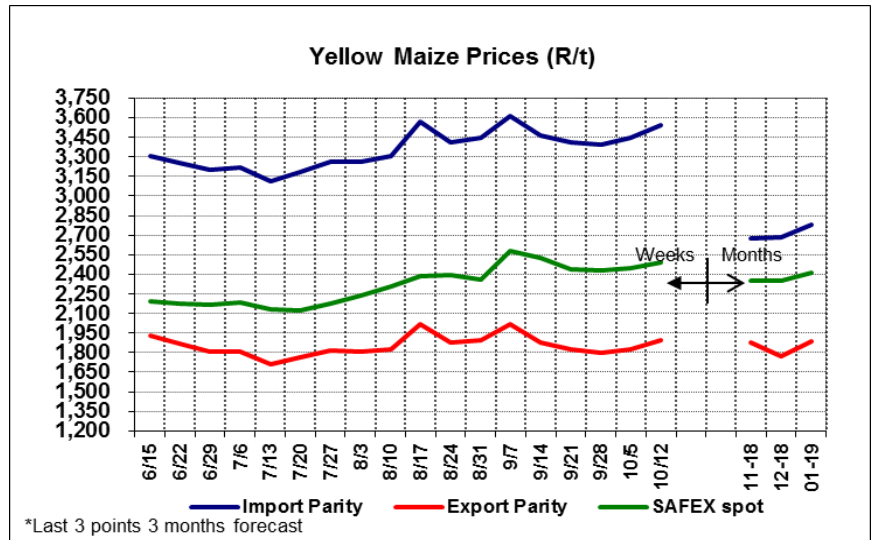
- Stronger Rand pressured local maize prices. Local maize prices traded lower this week.

Outlook

Local

South African maize prices were lower, pressured by a slightly stronger Rand and lower US maize prices. The market will be focussing on weather now, as the summer growing areas, planting season is commencing soon.

International



This week, the US maize market traded lower. Latest USDA report maize outlook is for larger supplies, higher exports, higher exports and usage. US harvesting remained ahead of the previous average at this time of the year.

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

Yellow Maize Futures: 12 October 2018	Dec-18			Mar-18			May-19			Jul-19		
CBOT (\$/t)	145.37			150.09			152.94			155.11		
SAFEX (R/t)	2444			2500			2496			2524		
SAFEX (R/t) <i>Change week on week (w/w)</i>	-38			-36			-24			-32		
Dec-18			Mar-19						May-19			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
2,540	146	50	2,580	204	124	2,560	225	161				
2,500	120	64	2,540	180	140	2,520	202	178				
2,460	97	81	2,500	158	158	2,480	180	196				

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

White Maize Futures 12 October 2018	Dec-18			Mar-19			May-19			Jul-19		
SAFEX (R/t)	2410			2467			2511			2542		
SAFEX (R/t) <i>Change w/w</i>	-28			-21			-11			-30		
Dec-18			Mar-19						May-19			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
2,480	0	0	2,520	146	93	2,560	191	142				
2,440	0	0	2,480	123	110	2,520	168	159				
2,400	0	0	2,440	102	129	2,480	147	178				

Wheat market trends

International

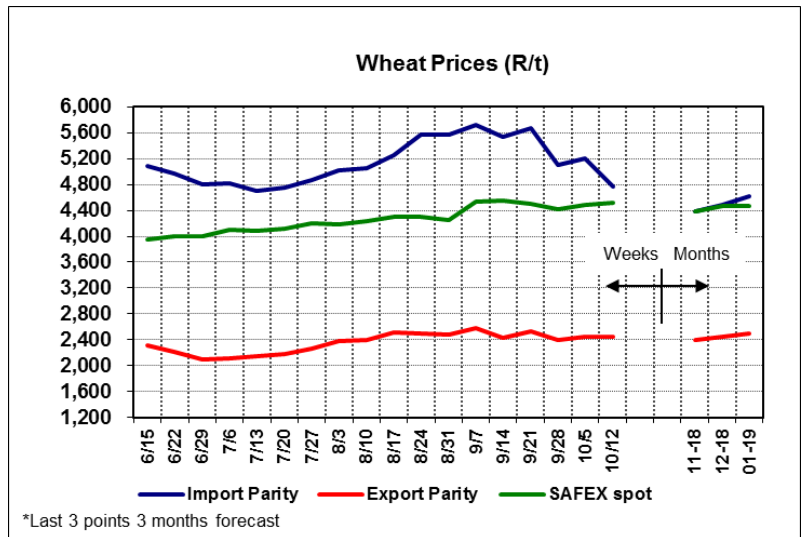
The weekly average old season SRW wheat Gulf price increased from US\$215/ton to US\$219/ton week on week. Weekly average HRW wheat price decreased from US\$242/ton to US\$237/ton week on week. US wheat prices traded slightly higher this week on the lower production, higher usage and lower stocks estimates by the USDA's WASDE report.

Bullish factors

- World wheat production is estimated lower in 2018/19 due to lower EU production. Continued dry conditions in several of European countries resulted in crop losses.
- The USDA's October 2018 World Supply and Demand Estimates Report (WASDE) projects lower 2018/19 wheat supplies and wheat stocks.
- Wheat prices were supported by harvest delays in Canada. Harvest in Australia remains uncertain.
- Cold weather conditions and drought concerns in Argentina caused some concerns for the Argentinian production outlook.

Bearish factors

- Wheat gains driven by dry conditions in some of the major exporting countries, was limited by abundant supplies.



Domestic

On 11 October 2018, wheat prices for delivery in Dec2018 decreased by R68/ton from R4538/ton to R4470/ton, week on week. Local wheat prices were lower due to a stronger Rand.

Bullish factors

- Conditions remain favourable for wheat in the Western Cape, good rains were received. Dam levels have been restored from the dire 2017 levels.

Bearish factors

- The stronger Rand supported cheaper imports this week.
- The new calculated wheat tariff of R490.72/ton still pending publication in the Government Gazette. Currently tariff remains at R298.50/ton.
- Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls.
- The local 2017/18 wheat import season closed with cumulative 2.177.232 million tons imported wheat, with Russian origin making up 44% of the imports.
- New imports for the 2018/19 season, for the week ending 5 October 2018, was 4,576 tons all from Russia.

Outlook

Local

The Rand gained some strength this week, after Tito Mboweni was announced new Finance Minister.

International

Wheat prices were higher this week supported by a bullish WASDE report by the USDA, estimating a lower world wheat production in 2018/19 due to weather woes in the EU, Australia and Canada.

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

Wheat Futures 12 October 2018	Dec-18	Mar-19	May-19	Jul-19
CME (\$/t)	194.47	198.97	201.63	201.36
SAFEX (R/t)	4470	4595		4690
SAFEX (R/t) Change w/w	-68	-67		-25

Dec-18			Mar-19			May-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,580	0	0	4,680	163	78	4,780	256	166
4,540	0	0	4,640	139	94	4,740	233	183
4,500	0	0	4,600	117	112	4,700	211	201

Oilseeds market trends

International

The weekly average USA soybean price marginally increased week-on-week from US\$316.63/ton to US\$316.82/ton. US soya oil prices decreased from US\$28.92/lb to US\$29.34/lb and soymeal prices traded higher from US\$310.64/ton to US\$313.13/ton.

Bullish factors

Soybean:

- Soy oil and palm oil prices were supported this week by firmness in the crude oil market.
- Imports of vegetable oils are increasing especially for soy oil and palm oil.

Palm Oil:

- Growth in biodiesel production are favoring palm oil usage.
- India might reduce palm oil import taxes following an agreement with Malaysia.

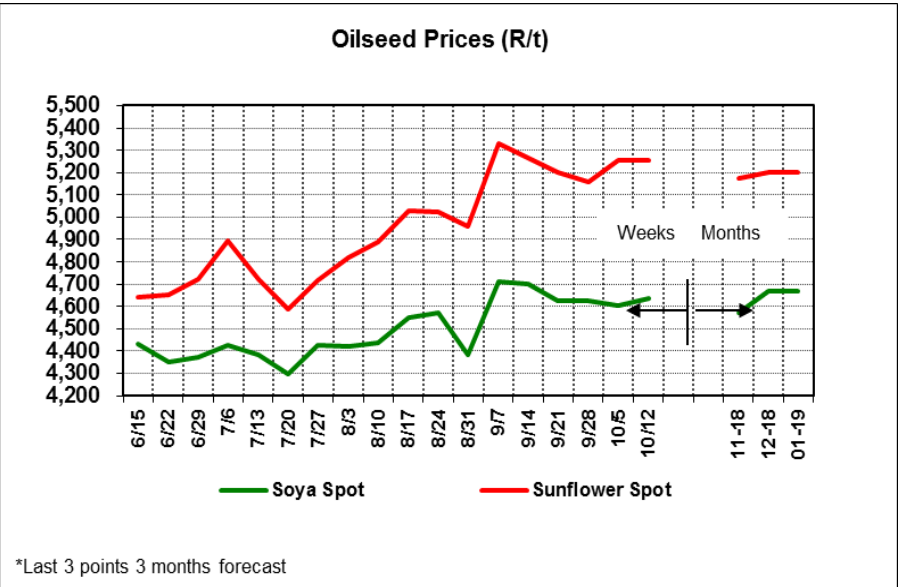
Bearish factors

Soybeans:

- Chinese imports of soybean are set to decline from a year-ago level due to ongoing politics.

Palm Oil:

- Weaker import demand, larger production, from Indonesia, have sent palm oil prices to multi year lows.



Domestic

New season soybean prices (Dec2018) increased week on week by R12/ton from R4655/ton to R4667/ton.

New season sunflower seed prices (Dec2018) decreased week on week by R103/ton from R5302/ton to R5199/ton.

Bullish factors

Sunflower Seed:

- Sunflower seed processing increased, supported by larger sunflower seed supplies.
- 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.

Outlook

Local

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

International

Soy oil and palm oil prices were supported this week by firmness in the crude oil market. Global oilseed stocks are expected to increase in 2018/19 due to increased beginning stocks, irrespective of the estimated lower global production.

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

Oilseeds Futures 12 October 2018	Dec-18	Mar-19	May-19	Jul-19
CBOT Soybeans (US\$/t)**	320.59	325.18	330.14	334.46
CBOT Soy oil (US c/lb)	29.02	29.52	29.80	30.09
CBOT Soymeal (US c/lb)	348.13	347.80	345.27	346.04
SAFEX Soybean seed (R/t)	4667	4783	4831	4930
<i>SAFEX Soybean seed (R/t) change w/w</i>	12	12	20	40
<i>SAFEX Sunflower seed (R/t)</i>	5199	5185	5033	5148
<i>SAFEX Sunflower seed (R/t) change w/w</i>	-103	-70	-3	66

Dec-18			Mar-19			May-19		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5,240	141	100	5,180	199	204	5,090	280	223
5,200	119	118	5,140	179	224	5,050	258	241
5,160	100	139	5,100	161	246	5,010	237	260

*Short ton

** Dec 2018 = Jan 2019

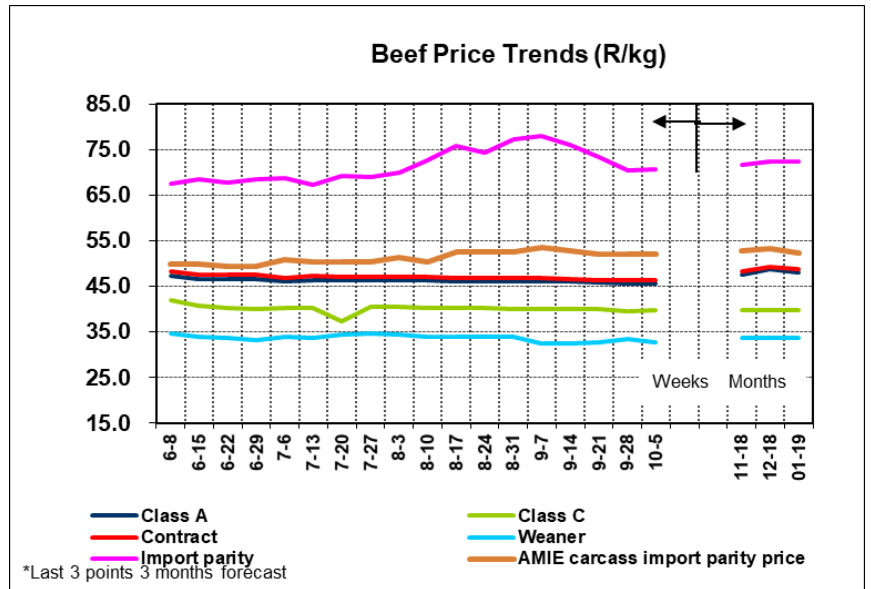
Beef market trends

International

New Zealand steers traded 2.04% lower over the past week at 5.77NZ\$/kg and cows traded 1.16% lower at 4.27NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 3.6% higher at \$207.88/cwt. Rump was 1.62% lower at \$269.23/cwt and strip loin was 5.80% lower at \$530.89/cwt. Chuck traded 1.95% lower at \$214.45/cwt. Brisket traded 0.46% lower at \$244.65/cwt. The carcass equivalent price was 2.77% lower at \$286.03cwt.

Bullish factors

- In its monthly US department of Agriculture world supply and demand estimates report (USDA Wasde), beef production was reduced from the previous month largely due to lower expected fourth-quarter fed cattle slaughter. Carcass weights are forecast lower on a higher expected proportion of cows in the slaughter mix.



Bearish factors

- For 2019, beef production is expected higher from last month as larger placements in late 2018 and early 2019 are marketed during 2019. USDA Wasde.
- The number of cattle being placed on feedlots in the US continues to break records every month. August placements were up 6% on July, and were the highest August placements since 2011; up 7% on last year.

Domestic

Week on week, beef prices were mostly higher across the different classes. The average Class A price was 0.04% higher this week at R45.67/kg. Class C prices were 0.43% higher at R39.83/kg. The average weaner calf prices over the past week traded 2.0% lower at R32.73/kg. The average hide price this week softened, and decreased when compared to the previous week. The hide market remain under pressure. The average hide price was 2.6% lower w/w at R5.0/kg green. Whilst the better grades find a place in the market; the lower grade materials have not yet found a price point. 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

- During August 2018, an estimated 211 951 head of cattle were slaughtered. This is 0.8% fewer head of cattle slaughtered month on month, and 11% less cattle slaughtered compared to the same time a year ago. Cattle slaughter numbers in 2018 are lower due to the herd rebuilding process that is underway.
- Pasture conditions may improve should seasonal rains materialise sooner. Beef prices may be supported by better demand that comes with the approaching warmer conditions. Warmer temperatures normally encourage outdoor grilling.

Bearish factors

- Cheaper alternative proteins like pork and poultry 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.

Outlook

Internationally, total protein inventories remain large, which continues to weigh on the beef market.

Locally, prices are expected to follow an upward trend due to improvement in demand during the warmer months, but pressure on consumers may limit the increases.

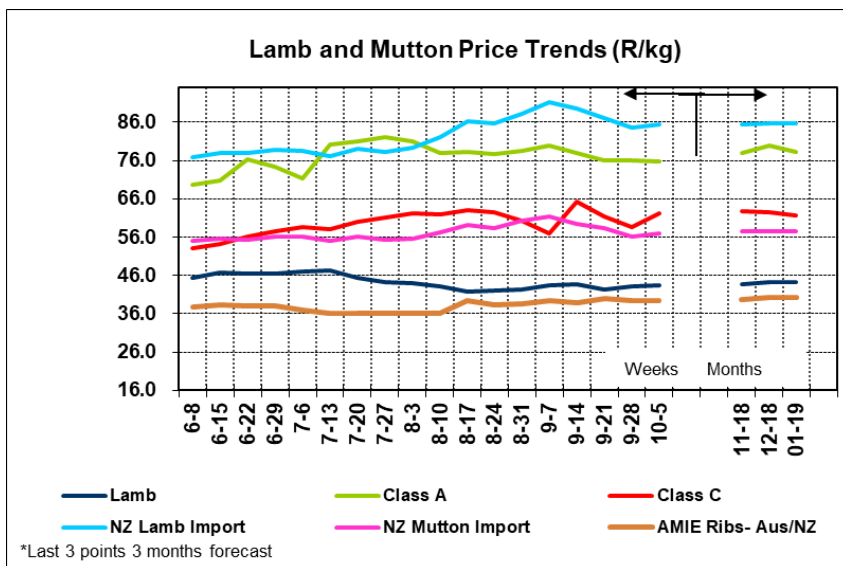
Sheep meat market trends

International

New Zealand lamb and mutton prices traded mixed this week compared to last week. Lamb prices were 0.6% lower at NZ\$8.25/kg. Ewe prices traded sideways at NZ\$5.10/kg. The import parity price for lamb was 1.1% higher at R85.50/kg, while the import parity price for mutton was 1.6% higher at R57.03/kg.

Bullish factors

- There is good confidence in the lamb market driven by the strong Chinese demand and low supply out of Australia.
- New Zealand beef and lamb export prices are forecast to remain strong in 2018/19 supported by a weaker kiwi dollar and strong export demand, according to Beef and Lamb NZ. The farmer organization indicated that while there is potential for international sheepmeat and beef trade to be disrupted in 2018/19 because of geopolitical uncertainty, large scale droughts, and disease outbreaks in competing animal proteins, the outlook for New Zealand's sector remains positive.



Bearish factors

- The gap between lamb and competing proteins has grown too wide, which may bring consumer resistance in the market.

Domestic

This week, lamb and mutton prices were mostly lower this week when compared to the previous week due to the lack of demand in the market. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices decreased by 0.2% to R75.87/kg and the average Class C carcass prices meanwhile increased by 6.4% to R62.27/kg. The average price for feeder lambs traded 0.5% higher at R43.37/kg. The average price for dorper skin is 18.1% lower at R30.56/skin and merinos were 0.6% lower at R95.00/skin.

Bullish factors

- During August 2018, an estimated 344 457 head of sheep were slaughtered. This is 11.2% less sheep slaughtered compared to the same time a year ago. Sheep slaughter numbers for the first eight months of 2018 are lower when compared to the previous three years, due to the herd rebuilding process that is underway.
- Shrinking production areas negatively impact sheep production.
- The local low herd numbers for sheep limit supplies and support meat prices in the medium to long run.
- Seasonal trends may support sheep meat prices ahead of the festive season.

Bearish factors

- During August 2018, an estimated 344 457 head of sheep were slaughtered. This is 4.5% more head of sheep slaughtered month on month.
- 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, steady demand from China and restricted lamb supply out of Australia are supporting the lamb market outlook.

Locally, prices remain under pressure due to subdued demand during mid-month.

Pork market trends

International

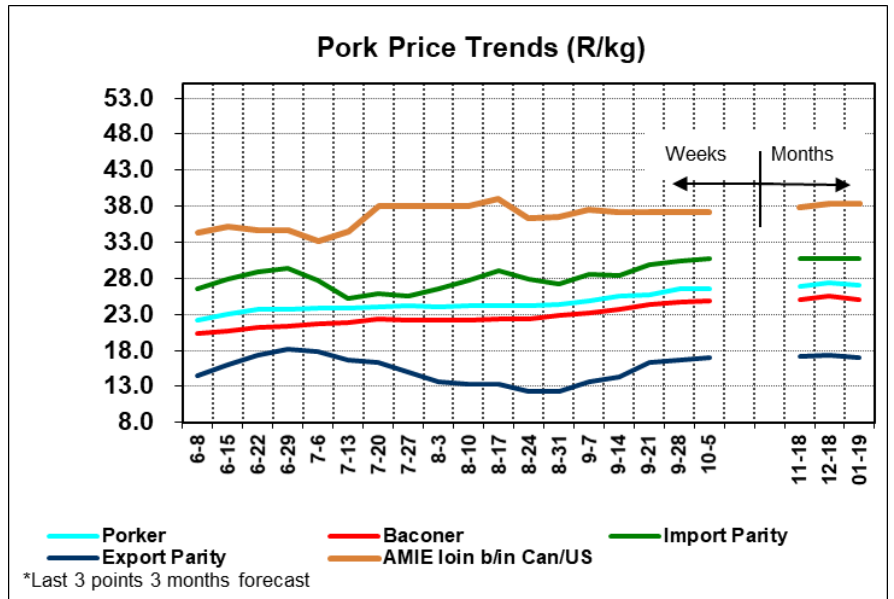
The average weekly US pork prices were mostly lower over the past week. Carcass prices were 0.5% lower at US\$78.79/cwt, loin prices were 3.8% lower at US\$80.58/cwt, rib prices were 2.4% lower at US\$117.65/cwt and ham was 1.9% lower at US\$60.22/cwt.

Bullish factors

- The pork production forecast is lowered on smaller second-half commercial hog slaughter and lighter carcass weights. USDA Wasde.
- The 2019 export forecast is raised on strong global demand for competitively priced US pork products. USDA Wasde.

Bearish factors

- The US hog market is under pressure due to plentiful supplies.
- Heavy rains in key production areas in the US were encouraging producers to market their animals more quickly, adding to the abundant supplies available in the short-term. The USDA late in September showed the total US hog herd about 3% larger than a year ago.



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 0.2% higher at R26.59/kg, while the average baconer prices are 0.6% higher at R24.93/kg. The average cutters prices were 0.5% higher at R25.6/kg and the average heavy baconer price was 1.0% higher at R24.10. The SAU price was meanwhile 1.5% lower at R17.9/kg.

Bullish factors

- During August 2018, an estimated 241 649 head of pork were slaughtered. This is 2% less pork slaughtered compared to the same time a year ago.
- 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

- During August 2018, an estimated 241 649 head of pork were slaughtered. This is 7% higher pork slaughtered compared to the same time a year ago.
- There are still plentiful supplies of pork in the market, which needs to clear before seeing the strong pork prices.

Outlook

Internationally, the US hog market remains under pressure due to plentiful supplies, but pork exports are expected to remain strong.

Locally, pork prices are following an increasing trend, supported by good uptake.

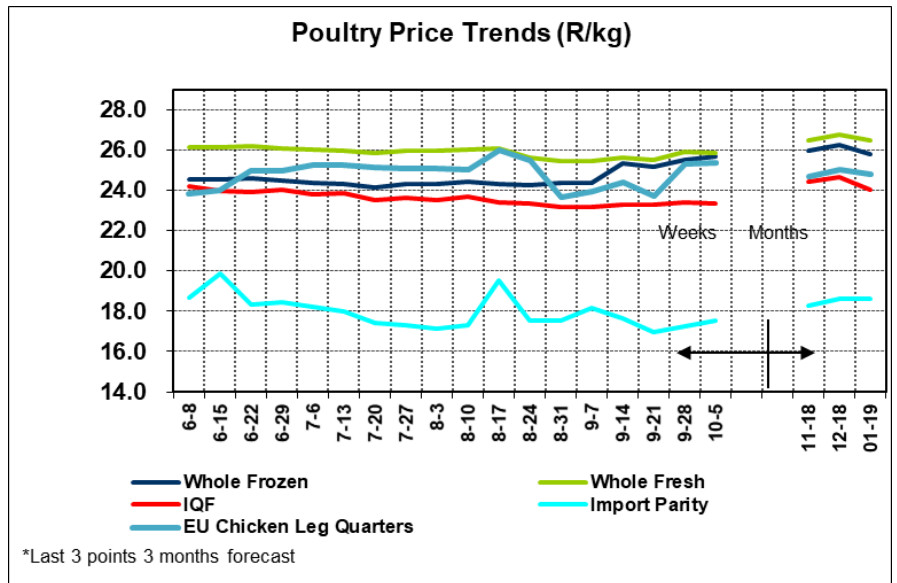
Poultry market trends

International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 2.5% lower at 80.56USc/lb. Breast traded 2.3% lower at 85.00USc/lb, while leg quarters traded sideways at 27.50USc/lb.

Bullish factors

- The broiler and turkey production forecasts are reduced on expectations of slightly lower slaughter for the remainder of the year. USDA Wasde.
- According to the North Carolina Department of Agriculture and Consumer Services, millions of farm animals drowned in the recent flooding. Nearly 3.5 million chickens and turkeys have died so far due to Hurricane Florence.
- Recent African swine Flu outbreaks in China can indirectly impact the global poultry market.



Bearish factors

- Concerns about the new avian influenza AI outbreaks are increasing as we approach the northern hemisphere winter. Bulgaria has reported an outbreak of bird flu virus on a farm in the southern district of Plovdiv. China has also reported H5N6 bird flu case on poultry farm in Guizhou province at the end of last month where local authorities culled 32,352 birds. China also registered a new case of H5N6 avian bird flu this week on a poultry farm in southern Hunan province, where 1,029 birds were culled.

Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.8% higher at R25.69/kg during the week. Whole fresh medium bird prices were 0.4% lower at R25.82/kg, while IQF prices were 0.4% lower at R23.32kg.

Bullish factors

- Demand may benefit from warmer temperatures which encourage outdoor grilling.

Bearish factors

- There are plentiful supplies in the market, currently weighing on prices.

Outlook

Internationally, record levels of animal protein is weighing on the market.

Locally, prices remain subdued due to higher supplies in the market, but are expected to improve due to better demand and in line with seasonality. Meanwhile, consumers remain under pressure.

Livestock prices (R/kg) week 11 Oct 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	0.04	45.67	45.66	-0.2	75.87	76.06	0.2	26.59	26.54	-0.4	25.82	25.92
Class C/ Baconer/ Frozen birds	0.43	39.83	39.66	6.4	62.27	58.53	0.6	24.93	24.79	0.8	25.69	25.49
Contract/Baconer/ IQF	0	46.29	46.29	-0.6	76.38	76.87	0.4	25.76	25.67	-0.4	23.42	23.42
Import parity price	0.44	70.76	70.45	1.6	57.03	56.14	1.2	30.71	30.34	1.7	17.5	17.3
Weaner calves/ Feeder lambs	-2.0	32.73	33.39	0.5	43.37	43.16		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0	52.00	52.00	0	65.20	65.20	0.1	37.25	37.20	0.2	25.35	25.30

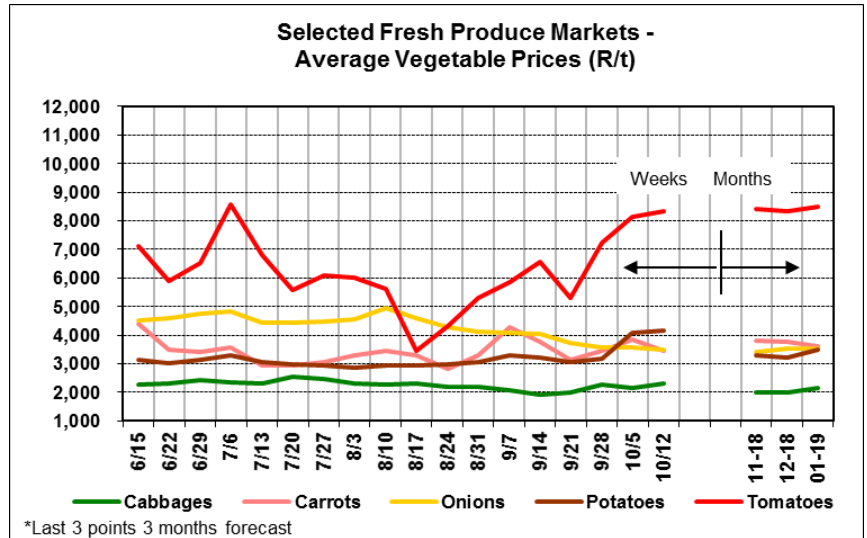
Vegetable market trends

Potatoes

Potato prices were higher week on week due to lower volumes delivered nationally. The largest producing region Limpopo is currently the main region delivering. With sporadic deliveries from the Coast and the Sandveld. Prices are supported by very good quality products, which is sold quite easily due to sustained demand. For the past two weeks potato prices have been rising, market will wait to see how the mid-month slump affects the fresh produce market in the next week. The increase in the cost of living (fuel, electricity, taxes) are expected to keep consumer demand for luxurious goods subdued. We expect people to consume more home cooked meals and less take-outs, which will support fresh produce commodities.

Onions

Compared to a year ago the national volumes of onions at the FPM have increased significantly. There is approximately 900 000 bags of onions available now that needs to be marketed. The abundant stocks is expected to subdue prices for the next 2-4 weeks. In 2017, prices at the same time last year were on average R50-R60/bag now prices are on average trading at R26-R34/10kg bag. The Johannesburg market was flooded with a record volume on the morning of the 12th October 2018. The large stocks originate from the Limpopo area. The producers in that area are in the process of aggressively marketing the last of their stock. Weather is very critical in Limpopo right now. It is a period between rainfall and very hot temperatures. If the onions are rained on and then are exposed to extreme hot conditions they will perish rapidly, that is why we now see a major influx of produce in the market and expect it to continue for the next 2-4 weeks.



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)
11 October 2018						
Cabbages	1%	2162	2138	-21%	1800	2267
Carrots	-6%	3900	4146	-25%	2061	2760
Potatoes	4%	4262	4090	-23%	15820	20479
Tomatoes	3%	9700	9436	-27%	4239	5814
Peppers	-2%	16390	16650	-30%	870	1239

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.