Agri Trends 28 July 2017

South Africa's maize export

With an all-new record crop of 15.9 million tons, SA is expected to have a carry-over stock of about 2.2 million ton of total commercial maize in the following season. Only about 750 000t of maize is expected to be exported by the end of August in the current marketing year, the rate of exports is currently slow considering expectations of exports around 2 million tons plus by April 2018. We may see an increased export rate once prices reach R1550/ton, this may ensure that the weekly export potential reaches full swing. Alternatively, should the Rand depreciate to R16 levels, maize prices may be supported, export parity price will then increase to production cost levels (R2100/ton), because farmers will be willing to sell. Another factor that may support domestic exports is any adverse weather uncertainty in the United States.

It's difficult for producers to sit back in late July when prices are moving sideways at unprofitable levels. Old crops are still in storage. New crop deliveries are heading. Marketing strategies will be essential to mitigate risk.

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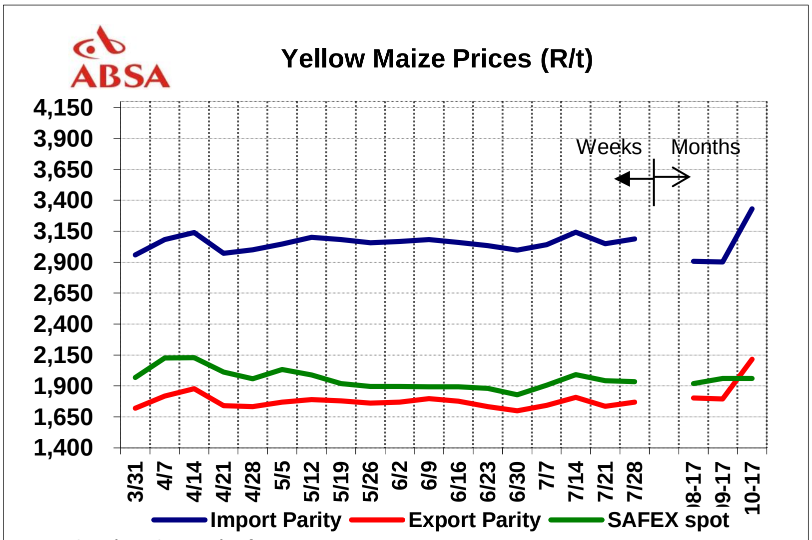
Maize market trends

International

Forecasters only expect significant showers to return to the Midwest in around two weeks. This may put a quarter of the Midwest crops at risk. Week-on-week yellow maize No 2 gulf price decreased from US$157.23/ton to $154.11/ton.

Bullish factors

- World competition and a change in Chinese diet, leading to a dramatic shift. Chinese producers are buying more soybeans to feed pigs, adding to the country's growing demand for pork. (Maize planting area decline, soybean planting area increase).
- The International Grain Council reduced its grain forecast for total grain production by 11 million tons month-on-month, which is a 4% drop from the previous season. Due to dry weather across North America, Australia and EU.



*Last 3 points 3 months forecast

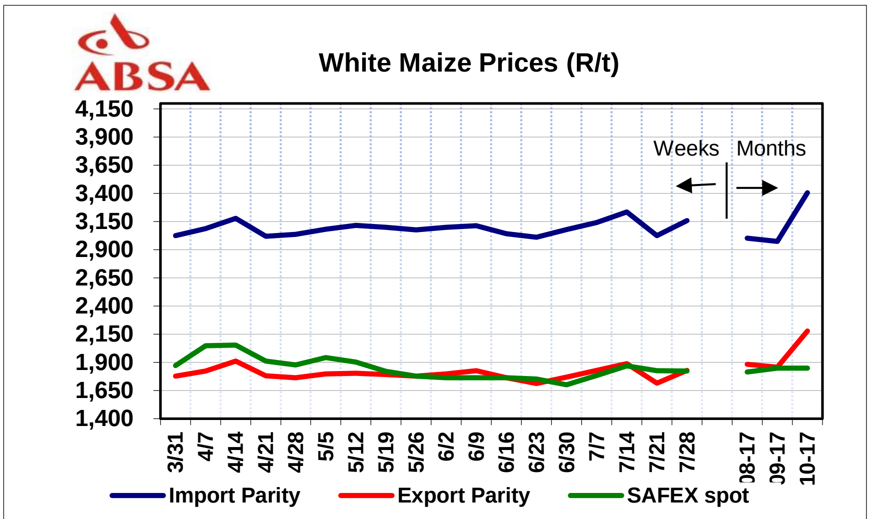
Bearish factors

- Midwest rain aiding maize and soy crops after dry July. Markets are retreating from the recent highs. Rain is expected across much of the US and the summer heat is also expected to ease down next week.

Domestic

By the July 28th, week on week new season white maize prices for delivery in Sep 2017 decreased by 1% (R19) from R1867/ton to R1848/ton. Week-on-week new season yellow maize prices for delivery in Sep 2017 decreased by 0.6% from R1973/ton to R1961/ton.

Bullish factors



*Last 3 points 3 months forecast

- SA total maize exports increased by 152,985 ton for the week ending 21 July 2017.
- Weakening Rand.

Bearish factors

Commercial white and yellow maize production prospects were revised to reach a total of 15,969,300 ton up 2% from the previous 15.631,050 ton.

Outlook

With the expected large crop in the 2016/17 season, SA is expected to have a carry-over stock of about 2.2 million ton of total commercial maize in the following season. Only about 750 000t of maize is expected to be exported by the end of August in the current marketing year, the rate of exports is currently slow considering expectations of exports around 2 million tons plus by April 2018.

On the 26 July 2017, the open interest for white maize on the JSE for Dec 2017 reflected about 8000 contracts while the July 2018 open interest had 10 000 contracts meaning the inflow of international funds showed support to the current white maize prices keeping it at levels of R1700/ ton. We may see an increased export rate once prices reach R1550/ton, this may ensure that the weekly export potential reaches full swing. A depreciating Rand to R16 levels may also support prices. Export parity price will then increase to production cost levels (R2100/ton), because farmers will be willing to sell. But it remains to be seen if policy uncertainty will increase until end of December coupled with subdued growth will cause our sovereign credit rating to be downgraded. Another factor that may support domestic exports is any adverse weather uncertainty in the United States.

It's difficult for producers to sit back in late July when prices are moving sideways at unprofitable levels. Old crops are still in storage. New crop deliveries are heading. Marketing strategies will be essential to mitigate risk. Brazil and Argentina are the fiercest competitors in the world market for soybean and maize.

Yellow Maize Futures: 28 July 2017	**Dec-17**	**Mar-18**	**May-18**	**Jul-18**
CBOT ($/t)	147.33	152.65	157.18	161.21
SAFEX (R/t)	1961	2033	2078	2145
SAFEX (R/t) *Change week on week (w/w)*	-12	-27	-20	-26

Sep-17			**Dec-17**			**Mar-18**		
Ask	**Put**	**Call**	**Ask**	**Put**	**Call**	**Ask**	**Put**	**Call**
2,000	69	30	2,080	146	99	2,120	186	144
1,960	46	47	2,040	123	116	2,080	164	162

1,920	28	69	2,000	103	136	2,040	143	181

Table 2: Weekly average white maize futures and estimated option prices

White Maize Futures 28 July 2017	Dec-17	Mar-18	May-18	Jul-18
SAFEX (R/t)	1848	1921	1970	2076
SAFEX (R/t) *Change w/w*	-19	-16	-12	-12

Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,880	83	51	1,960	140	101	2,020	199	149
1,840	61	69	1,920	118	119	1,980	176	166
1,800	43	91	1,880	98	139	1,940	154	184

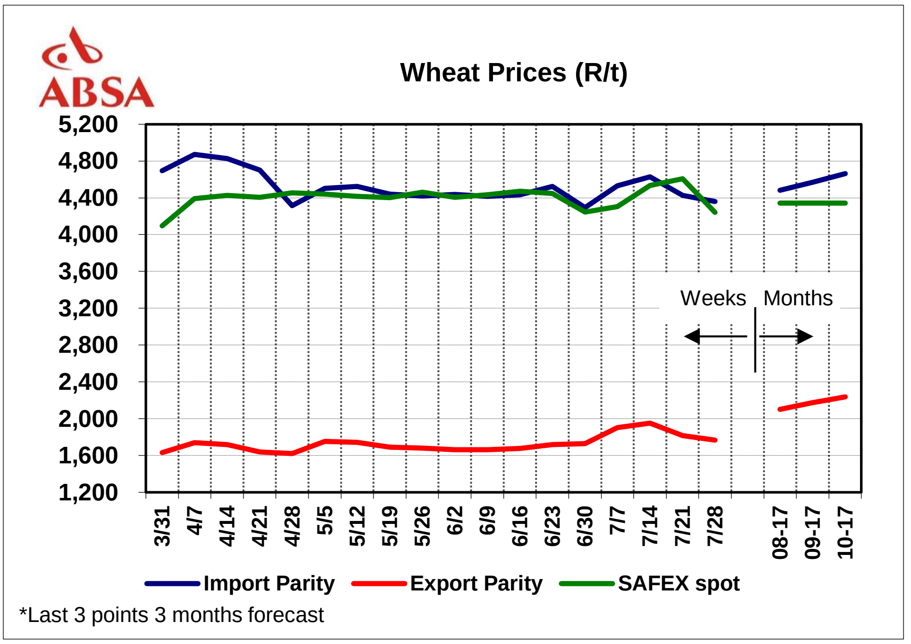
Wheat market trends

International

The uncertainty over the impact the dryness had in the Midwest, US, underpinned prices, despite the recent rainfall and milder temperatures this week.

The weekly average old season HRW wheat Gulf decreased price week on week from US$190.57/ton to reach a weekly average of US$187.08/ton

Bullish factors



- The unfavourable weather conditions in North America and Australia during June/July have affected the quality of wheat, therefore tightening supplies of seed grains.
- Extensive damage to wheat yields from recent hot &dry weather in Australia.
- USDA revises Australia's wheat production in 2017/18 (Oct/Sept) down to 22 million ton from 23.5 million ton, owing to poor growing conditions across most of the cropping areas.
- Australian farmers shifting to higher value crops such as chickpeas, canola and lentil amid lower global wheat prices.
- France (French wheat was off great quality, before the rains) secured a shipment of wheat to Egypt.
- Germany's high protein wheat will most likely replace lost spring wheat in North America. But the heavy rainfall received (90mm) over the last month, may keep high quality wheat premiums high.

Bearish factor

Damage to drought affected regions and potential crop losses, is not expected to have a big impact on the global production and the global stockpile. Ukrainian and Russian production has been higher than anticipated.

Domestic

On 28th July 2017, wheat prices for delivery in Sep 2017 increased by 5.3% (R219) from R 4123/ton to R4342/ton week on week. This was supported by international bullish trends, due to the uncertainty over the impact of the dryness in parts of the Mid-West despite rainfall and milder temperatures received this week

Bullish factors

- The current indicators of price movements in the local market, is the weather in the United States. The uncertainty over the impact the dryness had in the Midwest US and Australia, underpinned prices, despite the recent rainfall and milder temperatures this week. Tightening supplies owing to crop losses, increase wheat prices, South Africa, being a net importer of wheat, follows international price trends.
- The CEC's 6th estimate area planted under wheat declined by 1.87% from the previous season. This area (498 850 ha) is the 3rd smallest area planted since the 1930's.

Bearish factors

- The Rand weakened to R13.00 by the 28th July 2017.

Outlook

The US maize and wheat yields are currently at risk of being below expectations, despite the recent rainfall and milder temperatures this week. The latest world production figures according to the International Grains Council shows a decline of 3 million ton wheat compared to the previous estimate, world wheat production estimate = 732 million ton. Extensive damage to wheat yields from recent hot and dry weather in Australia resulted in farmers shifting to higher value crops such as chickpeas, canola and lentil.
High price volatility in the US market as crops in the major producing/ growing areas are in or very close to their critical phase of development.

The CEC's 6th estimate area planted under wheat declined by 1.87% from the previous season. This area (498 850 ha) is the 3rd smallest area planted since the 1930's. The reduction in sowings could be attributed to smaller profits, prompting producers to shift to higher value crops.
Weather and the policy uncertainty which prevailed in the industry also contributed to the reduction in plantings. Due to dry weather, the season started very late; however the industry expects average crop harvest. The South African Weather Services put out warning for possible veldt fires in central parts of the North, West and Eastern Cape. Very warm temperatures are expected over the South Western parts of the country. Dam levels still remain an on-going concern; especially for the irrigation farmers who will need more water from October. The Western Cape still has a month's rain possibility, the industry remains hopeful.

Wheat Futures 28 July 2017	Jul-17	Sep-17	Dec-17	Mar-18
CME ($/t)	191.99	199.52	203.19	208.43
SAFEX (R/t)	4480	4342	3990	4048
SAFEX (R/t) *Change w/w*	-46	219	133	125

Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,380	143	105	3,930	202	262	3,980	278	346
4,340	121	123	3,890	183	283	3,940	258	366
4,300	102	144	3,850	165	305	3,900	239	387

Oilseed market trends

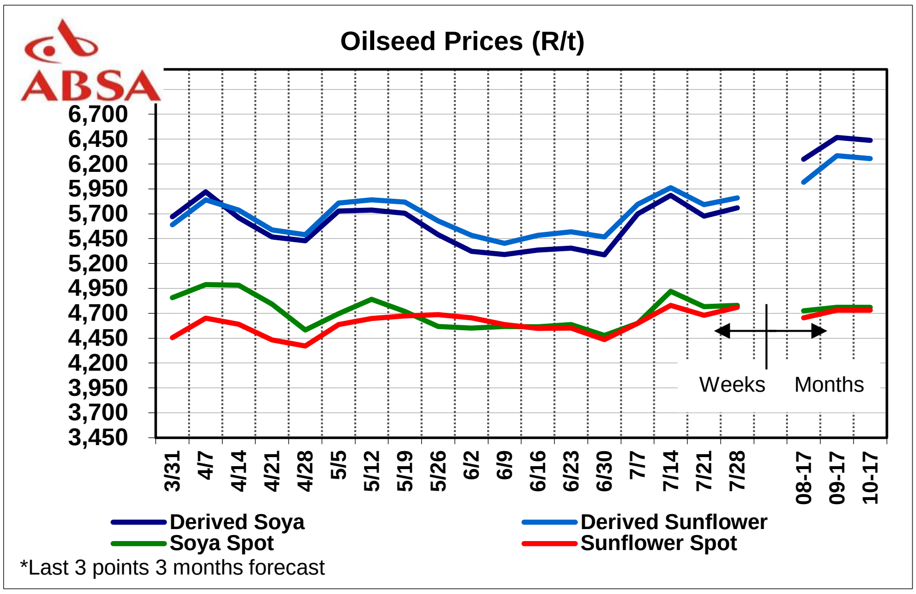
International

Recent price firmness may disturb the marketing of the large Argentine soya meal supplies. We will wait and see if the exports in the current quarter will approach 8.5 million ton as expected (up from 7.6 million ton last year).
The soya meal prices have been under pressure since June because of large global soybean supplies and relatively low demand. The sentiment in the feed industry has changed in the last weeks:

- The unfavourable weather conditions in North America and Australia during June/July have affected the quality of wheat, therefore tightening supplies of seed grains.
- Soybean crops also affected by the adverse weather conditions. Crops in parts of the US may enter its key critical phase with significant moisture deficits. This resulted in an increase of Argentine soymeal prices (up by 5% from the June average).
- Recovery in palm oil production, placing soy oil prices under pressure.

The weekly average USA soybean price increased week on week from US$378.73/ton to US$383.83/ton. US soya oil prices increased from US$33.48/ton to US$33.71/ton and soymeal prices traded lower from US$ 326.42/ton to US$ 321.72/ton.

Bullish factors



- A setback in the production of sunflower seed is possible in Europe owing to the weather related yield losses in Spain, Hungary and Italy.
- Soybean crops also affected by the adverse weather conditions. Crops in parts of the US may enter its key critical phase with significant moisture deficits.
- Deterioration of production prospects amid weather concerns in major countries caused downward revisions of world rapeseed oil production in 2017/18.

- Strong demand pushed canola plantings to record levels this year, however the severe drought experienced in the Northern Plains, will most likely offset the production to levels below last year's.

Bearish factors

- According to the Oilworld, above average sunflower seed crop is expected globally for 2017/18. Ukrainian and Russian farmers expanded sowings. Argentina is also likely to have a great expansion later in the year (about 1.80 to 1.85milion ton), partly at the expense of soybeans.
- Recovery in world palm oil production, placing soy oil prices under pressure.

Domestic

On 28th July 2017, sunflower seed prices (Sep17) decreased week on week by 2% (R100) from R4830/ton to R4730/ton while soybean (Sep17) prices declined by 1.9% (R90) from R 4850/ton to R4760/ton.

Bullish factors

- Soybean crushing margins showing positive margins (average R520/t for July 2017) compared to negative levels a year ago.

Bearish factors

- According to the latest National Crop Estimates figures, soybean crop is expected to remain at a record 1.340,370 tons. The production estimate for sunflower also remained unchanged at 821,970 ton.

Outlook

The local soybean /maize price ratio and the sunflower seed/maize price ratio are both at 2:6, supporting the expected shift of planting area under maize to sunflower or soybeans, due to the very large maize crop. Positive margins in the soybean and sunflower seed crushing industry, and higher prices received for sunflower seed and soybean crop supports a positive outlook.

Soybean crop losses in North America may be offset by the large soybean crop in South America in early 2018. The initial outlook for over-sufficient meal supplies may be revised downward due to the increased demand caused by production losses in grains.
Global sunflower oil prices are likely to appreciate, and may establish premiums over soybean oil in 2017/18. It's also likely that the price premium of high-oleic sun oil will widen thanks to insufficient supplies.

Oilseeds Futures 28 July 2017	Sep-17	Dec-17	Mar-17	May-18
CBOT Soybeans (US$/t)**	367.44	373.32	374.69	376.07

CBOT Soy oil (US c/lb)	34.11	34.45	34.75	34.81
CBOT Soy cake meal (US$/t)*	356.48	361.54	364.07	364.18
SAFEX Soybean seed (R/t)	4760	4904	5010	4930
SAFEX Soybean seed (R/t) change w/w	-90	-75	-67	-49
SAFEX Sunflower seed (R/t)	4730	4908	5000	4900
SAFEX Sunflower seed (R/t) change w/w	-100	-91	-96	-20

Sunflower Calculated Option Prices (R/t)

Jul-17			Sep-17			Dec-17		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,780	147	97	4,940	247	215	5,040	333	293
4,740	125	115	4,900	226	234	5,000	311	311
4,700	105	135	4,860	206	254	4,960	290	330

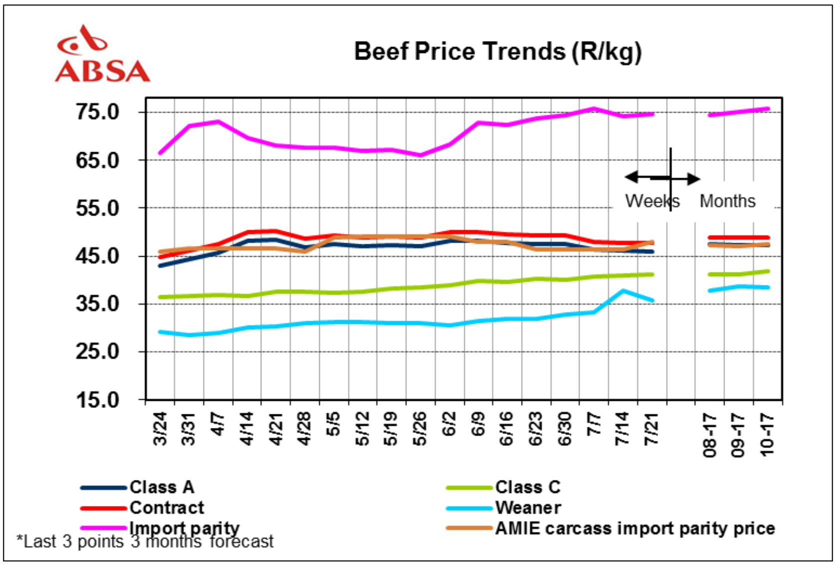
*short ton

** Dec 2017 = Jan 2018

Beef market trends

International

New Zealand steers traded 0.36% lower over the past week at 5.61NZ$/kg and cows traded sideways at 4.45NZ$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 0.96% lower at $228.69/cwt. Rump was 1.89% higher at $381.99/cwt and strip loin was 1.06% higher at $581.47/cwt. Chuck traded 0.73% higher at $228.53/cwt. Brisket traded 3.43% lower at $206.37/cwt. The carcass equivalent price was 0.06% lower at $297.88/cwt..



Bullish factors

- While strong export prices are having an impact on New Zealand prices, the key driver is the steady buyer demand. The market is being driven by more buyers and less cattle.
- The reopening of trade between the US and China will make it a lot better for the cattle industry as a whole, and support increased beef exports. China adds potential for the role of Asian markets to increase even more in coming years

Bearish factors

- US on feed cattle supplies continue to expand. The sharp increase in the rate of placements in the last few months indicates that feeder supplies may be a bit larger than earlier anticipated.
- The US cattle industry has recovered quite rapidly in the last three years and the data illustrate the gains in both the breeding herd and the number of calves coming to market. The larger herd implies a continued increase in the size of the calf crop. USDA estimates the calf crop for 2017 at 36.3 million head, the largest calf crop of the last ten years.
- The peak grilling period in the US is coming to an end, which may weigh on prices

Domestic

Beef prices were mostly lower over the past week, but prices in general still remain strong. Class A prices are 0.33% lower at R45.95/kg. Class C prices are 0.51% higher at R41.09kg. The average weaner calf prices over the past week were 5.4% lower at R35.68/kg. The average hide price over the past week was 0.58% lower at R14.14/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies. An important development in the livestock industry is the fact that the JSE (Johannesburg Stocks Exchange) is reviewing the beef contract and is also considering the introduction of a weaner contract. These 2 contracts will be positive for the industry, as they can unlock a lot of interest and potential players in the industry. This means that a yellow maize contact and a weaning calf contract can serve as input and output the beef contract. Profit opportunities can be identified quicker and absorbed by the industry through such contracts.

Bullish factors

- Class C prices continued to strengthen due to reduced supplies
- Average weaner calf prices remain high on the back of improved demand and less available supplies. There is scarcity in weaner calves at the time were demand is very strong, and hence prices remain supported.
- The country is in a herd rebuilding process, which limits the availability of cattle.

Bearish factors

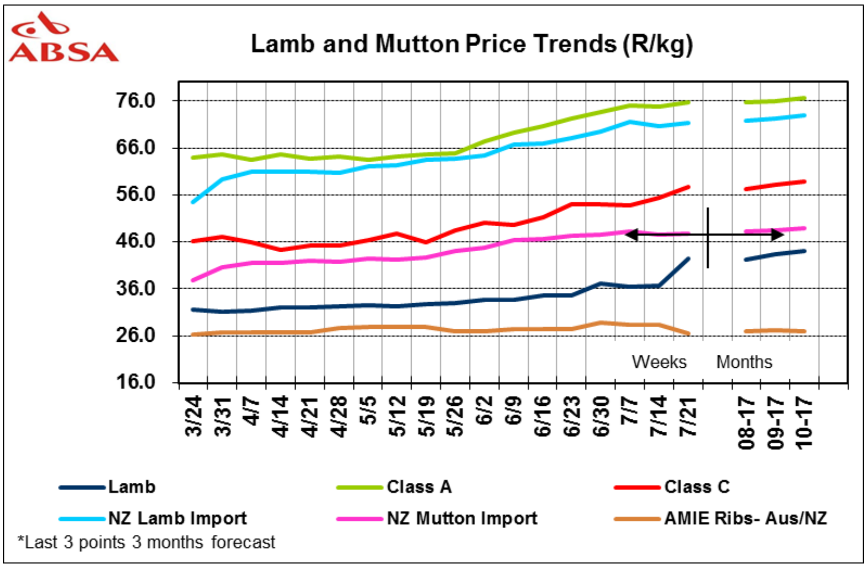
- The National Crop Estimates Committee has revised its maize crop estimation to reach a new level record of 15 969 300ton, up 2.16% from the previous 15 631 050 ton. Higher maize crop weigh on maize prices. The current lower maize price during 2017 suggests that the costs of feed have declined from the high levels seen during the past season, which may encourage feeding of animals, and bode well with production gains. There is an indication that chop prices have declined by over 50% compared to prices paid during Nov/Dec of 2016.
- Due to higher livestock prices, additional investment in the livestock industry may be expected, which should improve livestock productivity and production within the next two years. This should increase supply, which could see consumer prices of protein foods eventually decline. The current lower maize price during 2017 suggests that the cost of feed has declined from the high levels seen during the past season, which may boost production.
- The deterioration in grazing conditions during winter negatively impact on grazing conditions.

Outlook

Internationally, limited red meat export supplies in Australia and New Zealand, together with strong demand have been major supporting factors to beef prices. Domestically, herd rebuilding process is underway, which may continue to add support to beef prices. Demand may improve going into month end.

Sheep meat market trends

International



New Zealand lamb prices traded mostly higher this week compared to last week. Lamb prices closed 0.40% higher at NZ$100.9/head for 15kg lamb. Lamb prices were 0.36% higher at NZ$141.2/head for 21kg lamb. Ewe prices traded sideways at NZ$86.6/head for a 21kg ewe. The import parity price for lamb was 0.84% higher at R71.29/kg, while the import parity price for mutton was 0.47% higher at R47.73/kg.

Bullish factors

- While there has been some resistance to further in-market price increases, the low global inventories are expected to keep prices strong in the short term.
- Low supply from New Zealand and Australia may continue to support prices.

Bearish factors

- Reports indicate that consumers have reached the limit of their willingness to pay any more for the majority of New Zealand key lamb products. Prices for some New Zealand products have reached a ceiling, with customers showing no willingness to pay anymore. There are growing signs that there will be resistance to further increases in prices for some items.

Domestic

Lamb and mutton prices remained strong over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 1.32% to R75.76/kg and the average Class C prices increased by 4.25% to R57.64/kg. The average price for feeder lambs traded 15.84% higher at R42.43/kg. The average price for Dorper skin is 0.57% lower at R43.64/skin and merinos were 13.05% lower at R97.50/skin.

Bullish factors

- The herd rebuilding process is underway, limiting the amount of sheep to be slaughtered.
- Increased uptake during month end may support demand.

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.

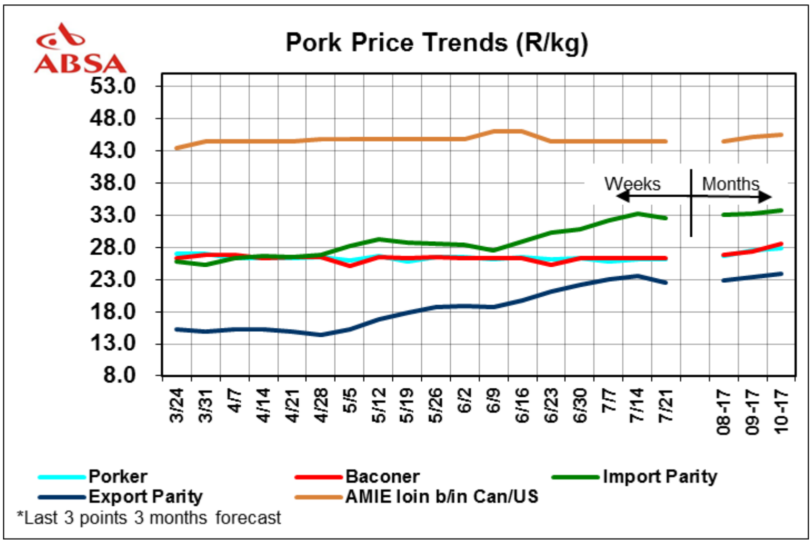
Outlook

Internationally, Low supply from New Zealand and Australia may continue to support prices.
Locally, lamb and mutton prices continued with their strong gains over the past week, as the herd rebuilding process continues to be underway and prices may be supported by month end buying. The lower supplies are met with good supplies. The average national lamb prices are at record levels.

Pork market trends

International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 0.9% lower at US$103.39/cwt, loin prices were 1.9% lower at US$93.86/cwt, rib prices were 7.9% lower at US$118.57/cwt and ham was 0.9% higher at US$78.11/cwt.



Bullish factors

- The reduction in weights has reduced about 1.2% from pork production and limited overall pork availability this summer.
- Strong demand for US pork continues to support the pork market. There is evidence of excellent domestic demand and very robust pork export flow in the first six months of the year.

Bearish factors

- US June hog slaughter is 3.2% higher than a year ago
- US Hog production has been increasing consistently in the last few months although, as with cattle, the pork supply increase has been slower than slaughter due to lower carcass weights.
- Grilling demand in the US starts to decrease, which may weigh on prices.

Domestic

Pork prices were mostly lower over the past week. The latest pork prices are as follows: The average porker prices are 0,1% higher at R26.22/kg, while the average baconer prices are 0.2% lower at R26.33/kg. The average cutters prices were 0.5% lower of R26.9/kg whilst the average heavy baconer price was 0.7% lower at R25.29. The SAU price is R19.8/kg and the SAB price is R21.4/kg.

Bullish factors

- Pork products may gain support from increase uptake during the end of the month.
- Currently, as the poultry industry is faced with bird flu outbreaks, this may increase production costs due to added biosecurity measures and production losses. Poultry producers may demand higher prices. As a result, there may be a shift towards pork products as an alternative to poultry, thereby boosting demand for pork.
- Underlying support from higher livestock prices may support pork prices.
- Higher beef, lamb and mutton prices may see buyers switch to more consumption of cheaper meats like pork and poultry.

Bearish factors

Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

Outlook

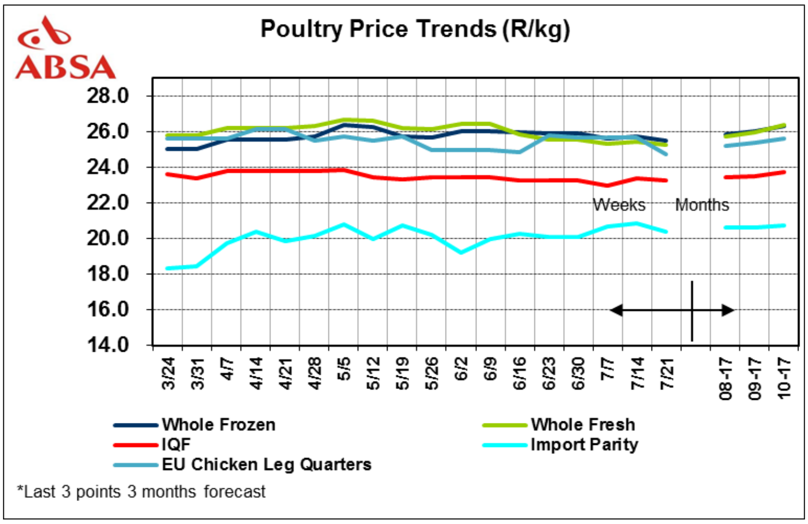
Internationally, Grilling demand in the US starts to decrease, which may weigh on prices.

Locally, Pork prices may gain underlying support from the higher lamb, mutton and beef prices as well as increased uptake during month end.

Poultry market trends

International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 4.04% lower at 101.96USc/lb. Breast traded -3.02% lower at 144.50USc/lb, while leg quarters traded sideways at 42.50USc/lb.



Bullish factors

- Countries that have recorded high numbers of bird flu cases have seen a reduction in output which has led to slower expansion of EU poultry production.
- The latest EU Commission Outlook report found that since November, when the bird flu epidemic took off, output has slumped by 12.5% in Bulgaria, 7.3% in Hungary and by smaller amounts in France and Germany.
- The popularity of poultry meat is expected to increase further over the next decade, driven by its relative affordability compared to other red meats.

Bearish factors

Exports to the two main export destinations for EU poultry in 2016 more than halved over the first four months of the year. South Africa took 58% less poultry while the Philippines reduced its EU imports by 62% . South Africa also imposed a provisional safeguard duty of 13.9% on EU imports for bone-in portion of chicken.

Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 1.05% lower at R25.48/kg during the week. Whole fresh medium bird prices were 0.80% lower at R25.23/kg, while IQF prices were 0.42% lower at R23.27kg.

Note* A report from Reuters indicates that several Kentucky Fried Chicken (KFC) outlets and some smaller chicken sellers in the capital Windhoek, Namibia have experienced shortages in recent days after the suspension of poultry imports from South Africa and Belgium following outbreaks of H5N8 bird flu. As a result, the recent complete ban on the importation of live poultry and poultry products from South Africa has been amended to allow for some bird products, under strict regulations.

Bullish factors
Prices may gain support as demand improved during month end. Poultry remains the least expensive protein meat, which may encourage consumer demand.

Bearish factors
- The Department of Agriculture, Forestry and Fisheries has reported that export of chickens has been banned and trading partners have been informed on the current situation.
- Following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market. This may weigh on prices.

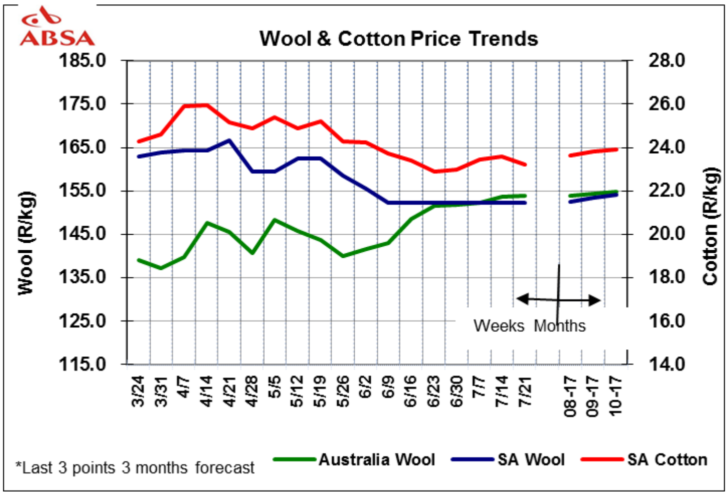
Outlook
Internationally, the spread of bird flu outbreaks across the globe has led to thousands of chickens being culled, which pose a threat to production levels.

Locally, following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market. This may weigh on prices.

Livestock prices (R/kg)	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	-0.33	45.95	46.10	1.32	75.76	74.78	0.1	26.22	26.21	-0.80	25.23	25.44
Class C/Baconer /Frozen birds	0.51	41.09	40.88	4.25	57.64	55.29	-0.2	26.33	26.39	-1.05	25.48	25.75
Contract/Baconer/IQF	-0.34	47.70	47.86	2.14	77.14	75.53	-0.1	26.28	26.30	-0.42	23.27	23.37
Import parity price	0.48	74.59	74.23	0.47	47.73	47.51	-3.7	41.3	42.9	-2.02	20.41	20.83
Weaner calves/ Feeder lambs	-5.4	35.68	37.72	15.84	42.43	36.63		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	3.23	48.00	46.50	-1.7	59.70	60.75	0	44.50	44.50	-3.51	24.75	25.65

Wool market trends

International



The Australian wool market has entered into the three-week recess. Australian wool market prices were lower and closed 0.13% lower at Au1522c/kg at the last auction before the three week break.

Bullish factors

- The underlying strength in demand supported prices.
- In general, while demand is strong, world Merino production remains low, despite increases in South Africa and Australia's production.

Bearish factors

- Competing fibres such as cotton and synthetics may drag the wool prices down.

Domestic

The last sale of the season was on the 07th of June 2017. Domestic wool market prices were 2.19% lower to close at R152.18 (clean) at the close of the season. This was the final auction of the 2016/17 wool growing season, and the next sale is scheduled for 16 August 2017..

Bullish factors

- While the final sale of the season saw the Merino indicator softening, prices for most of the season were significantly higher than in 2015/16 and the forecast is for the market to continue to increase over the long term.
- While demand is strong, world Merino production remains low, despite increases in South Africa and Australia's production

Bearish factors

- Preliminary figures show a 5,5% increase in local wool production compared with the 2015/16 season.

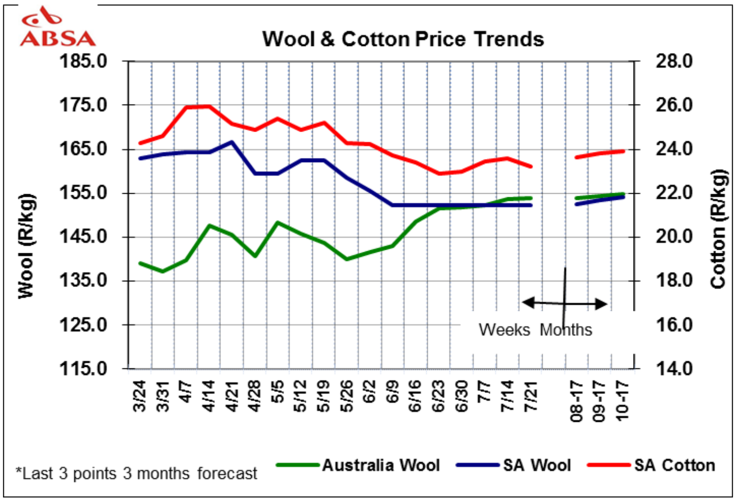
Outlook

Wool sales in Australia are now on a break and will resume in the week commencing 7th August 2017. Analysts forecast that strong demand may continue in the wool market as consumers are increasingly seeking natural and environmentally friendly products.

Cotton market trends

International

Cotton prices traded 0.64% higher over the past week and closed at US65.94c/lb.



Bullish factors

- Cotton futures revived after official data showed that weather extremes had taken an unexpectedly large toll on US crops. The gains followed US Department of Agriculture data overnight showing that the condition of US crops, beset by dryness in the western Midwest and excessive rains in the east, had deteriorated further last week than investors had expected.
- The US cotton crop was rated at 55% good or excellent – a figure in line with the three-year average, but down 5 points week on week.

Bearish factors

- Expectations for strong production globally may weigh on market prices.
-

Domestic

The derived SA cotton prices traded 1.67% lower to close at R23.21/kg. The decreases in prices were in spite of the increases in international prices but supported by the strength of the South African rand. The 6th estimate for the 2016/17 production year indicates a total crop of 77 366 lint bales, up 53% from the previous season and 2% up from the previous month's estimate

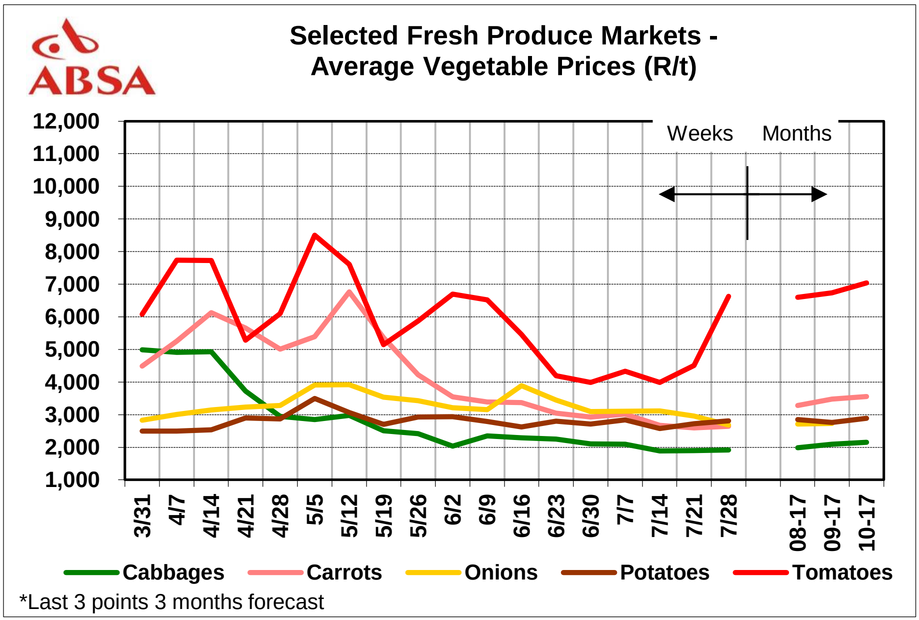
Outlook

Internationally, Expectations for strong production globally may weigh on market prices. Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres market trends								
Wool prices	**%**	**SA prices (c/kg)**	**%**	**Australian prices (SA c/kg)**	**%**	**Australian future Sep 2017 (AU$/kg)**	**%**	**Australian future Dec 2017 (AU$/kg)**
Wool market indicator		15218		15551		-		-
19µ micron		17942		18630	0.00	17.40	0.00	16.70
21µ micron		14673		15660	0.00	14.35	0.00	13.80
Cotton prices		**SA derived cotton (R/kg)**		**New York A Index (US$/kg)**		**New York future Oct 2017 (US$/kg)**		**New York future Dec 2017 (US$/kg)**
Cotton prices	-1.67	23.21	1.31	1.80	4.5	1.53	3.9	1.521

Vegetable market trends

Onions



Prices remain under pressure, prices dropped by 13% week-on-week, due to volume increases of 25%. The onion price continues to experience one of its worst years, due to lack of demand from importing African countries (mainly driven by lower economic growth, affecting household incomes) as well as lack of demand from the local consumer.

The market anticipates prices to increase in the next two months, due to lower volumes delivered. This should increase prices.

Tomatoes

Colder temperatures limited production, causing lower volumes which contributed to the increase in the tomato price week-on-week by 48%; last week average price was R4.76/kg this week the price jumped to R7.04/kg. Prices are anticipated to remain on high for the next month and should start declining during the warmer seasons starting September.

Carrots

Market prices are expected to remain constant for the period Jun- Aug 2017 at R3.50/kg- R4/kg. Prices declined by 2% week-on-week due to an increase of 12.1 % in volumes in the top 5 markets (Johannesburg, Pretoria, Cape Town, Durban and Bloemfontein).

Potatoes

Market prices are expected to move sideways during the winter months (May-Jul) then start to increase towards end July, entering into August. Prices increased week on week by 3.6 % even though volumes increased by 8%. Increased demand supported prices; more quantities were sold by week ending 28 July 2017 than the quantity on hand.

Peppers

Prices declined by 11% day-to-day from average R9.14/kg to R8.09/kg. Week on week prices declined by 14% from R9.50/kg to R8.09/kg. The drop in prices is due to lower quality produce delivered.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 28 July 2017	**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)**
Cabbages	-8.0%	2152	2340	9.2%	2285	2093
Carrots	-2.0%	3062	3124	12.1%	2691	2400
Onions	-13.0%	2866	3294	24.8%	8152	6534
Potatoes	3.6%	2852	2752	7.9%	19883	18420
Tomatoes	47.7%	7038	4766	-1.1%	5424	5487

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