Agri Trends 18 August 2017

Western Cape drought impacts on wheat & fruit trees.

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The wheat crops planted on heavier soils is starting to suffer because, underground moisture levels are virtually non-existent, weekly irrigation of 5-10mm irrigation is really not good enough while temperatures keep on rising. The southern parts of the Swartland is looking relatively good, the rains received on wheat were "okay", the northern parts of the Swartland Area (Rooi Karoo), incurred a bit of damage, it's not that material, should the area still receive some good rains, a normal-good crop can be expected.

The industry is definitely not anticipating a top harvest since the market underwent a lot of strain due to below average rainfall and late plantings, we expect a lower wheat harvest. The Western Cape is expected to yield around 2.3-2.4 t/ha.

Contents

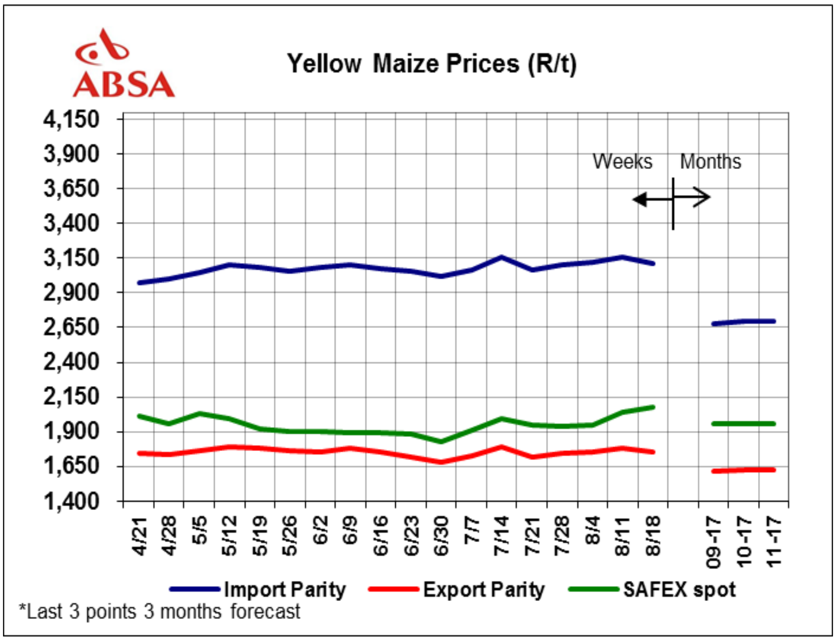
Maize market trends

International

Grains were under some pressure, weather is positive in the central and eastern Midwest. There's a 6-15 day cooler temperature forecast (next week).

Week-on-week yellow maize No 2 gulf price decreased from US$154.74/ton to $148.34/ton.

Bullish factors



- Central and Eastern Iowa did not receive rains like Dakotas, Minnesota, Nebraska, Missouri and Illinois on Wednesday and Thursday. This raises concerns on the maize yields and bean crop condition.
- Warmer/drier weather is forecasted for this weekend in the US.
- Weekly export sales were positive this week according to the USDA (62.400 million ton), but they still lag behind to what the US usually sees for their late summer crop.
- The Rand weakened to R13.22 by 18 August, after Thursday's currency rally overnight, on expectations of a higher interest rate in the US.

Bearish factors

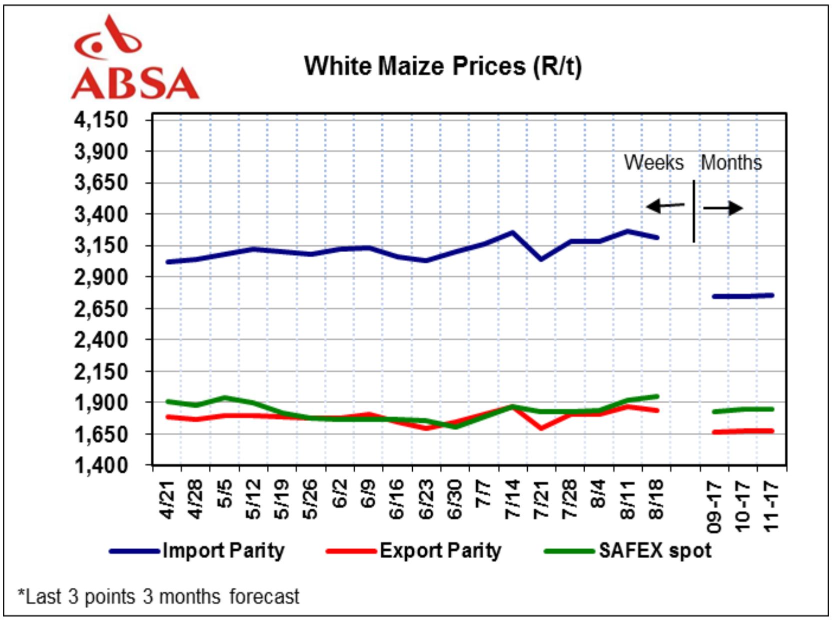
- Drought monitors in July vs Mid-August seems to show Kansas City dryness improving. Most meteorologists in the US concur that moisture levels are sufficient to get the maize crop through its critical development, reproductive stages into mid-August.
- Some reports argue that the crop conditions in Minnesota, and certain parts of the Eastern Corn Belt (ECB), will help recover the drop in yields after the adverse weather received.

Domestic

By August 17, week on week new season white maize prices for delivery in Sep 2017 decreased by 4.5% (R86) from R1913/ton to R1827/ton. Week-on-week new season yellow maize prices for delivery in Sep 2017 decreased by 3.5% from R2031/ton to R1960/ton. Prices for delivery in Dec2017 for white maize were recorded at R1904/ton and yellow maize at R2035/ton.

Bullish factors

- Kenyan maize meal prices are likely to increase substantially between now and the end of September when the subsidy program ends. The Kenyan government has extended its duty-free importing window for yellow maize from 31 August to end June 2018. Imports into the Kenyan market are anticipated to increase after the elections and as the Ugandan maize dries up (Ugandan imports had commenced and landing in Kenya for dry & wet maize). Offloading of maize has generally been slow, due to the slowdown in activities during the elections.



- Kenya needs at least 250 000 ton of maize on a monthly basis. Market becoming more optimistic that the expected deficit towards the end of the year can be covered by imports from (Mexico, South Africa, Uganda & Zambia).

Bearish factors

- The slow rate of exports may subsequently lead to higher carry-over stocks of maize in the domestic market, thus causing prices to remain sideways in the long term (coming months).
- There's currently no selling pressure on the producer, producers still holding on to their crop.

Outlook

Maize producers produced 15,9 million tons of maize. Our exportable surplus is more than 4,3 million tons. Consequently, maize prices will trade at export parity for the 2016/17 (May/Apr) marketing year as well as the

2017/18 (May/Apr) marketing year. Export parity varies between R1700 – R1800/ton. Production cost for producers vary between R1800/ton to R2500/ton.

If producers continue to plant more than 2,6 million ha and it becomes known prices may drop to JSE levels of R1550/ton. To prevent this 100 000 ha of maize production in the eastern production regions must be redirected to planting soybeans and maize producers in the western maize production regions must plant 500 000 ha less maize. We need to export 2,1 million tons in the current marketing year and 2,3 million tons in the following marketing year. By managing to plant only for the domestic market, successful exports and using a long term average of 4,6 ton/ha (compared to record 6 ton/ha) prices may start to recover in the 2017/18 marketing year.

Globally, maize prices are expected to remain trading sideways. Some reports argue that the crop conditions in Minnesota, and certain parts of the Eastern Corn Belt (ECB), will help recover the drop in yields after the adverse weather received. We will look forward to the USDA's September and especially the October report, to see what the yields hold.

Yellow Maize Futures: 17 August 2017	**Sep-17**	**Dec-17**	**Mar-18**	**May-18**
CBOT ($/t)	137.98	143.40	148.12	152.85
SAFEX (R/t)	1960.00	2035.00	2072.00	2126.00
SAFEX (R/t) *Change week on week (w/w)*	-71.00	-78.00	-79.00	-81.00

Sep-17			**Dec-17**			**Mar-18**		
Ask	**Put**	**Call**	**Ask**	**Put**	**Call**	**Ask**	**Put**	**Call**
2,000	49	9	2,080	134	89	2,120	181	133
1,960	23	23	2,040	111	106	2,080	158	150
1,920	8	48	2,000	91	126	2,040	137	169

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

White Maize Futures 17 August 2017	**Sep-17**	**Dec-17**	**Mar-18**	**May-18**
SAFEX (R/t)	1827.00	1904.00	1952.00	2049.00
SAFEX (R/t) *Change w/w*	-86.00	-91.00	-90.00	-80.00

Sep-17			**Dec-17**			**Mar-18**		
Ask	**Put**	**Call**	**Ask**	**Put**	**Call**	**Ask**	**Put**	**Call**
1,860	52	19	1,940	127	91	2,000	187	139
1,820	29	36	1,900	105	109	1,960	165	157
1,780	14	61	1,860	85	129	1,920	143	175

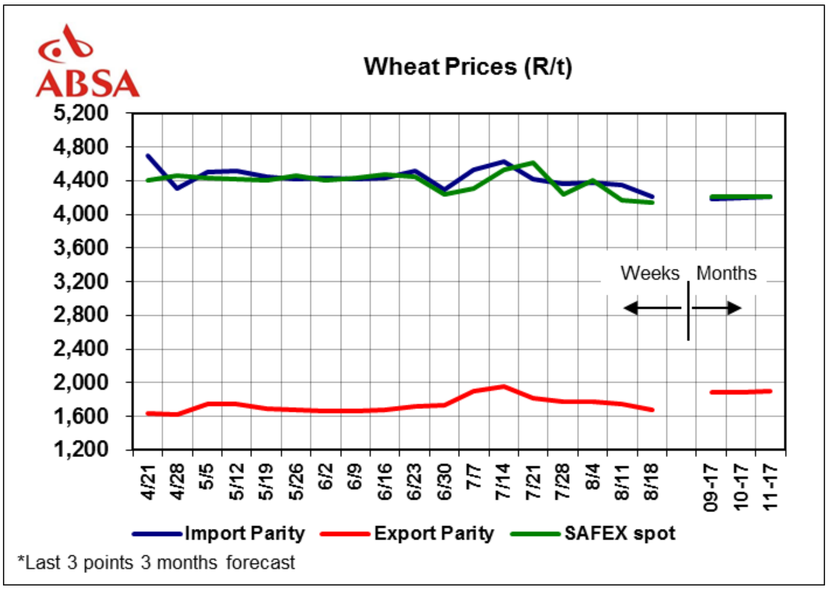
Wheat market trends

International

The weekly average old season HRW wheat Gulf decreased price week on week from US$184.17/ton to reach a weekly average of US$167.92/ton.

Bullish factors

- US wheat sales were 634 000 tonnes, above market expectations of 300-600k tonnes.
- US wheat values reportedly US$12 higher than Russian (Black Sea supplies), for Egypt tender.
- Heavy rainfall in Argentina stalled sowing due to excessive moisture on 1.3-1.4 million hectares. Some growing land may be abandoned as result of flooding.



Bearish factor

- Larger Russian production than expected keeps prices under pressure.
- Winter wheat will be planted in Southern Plains soon, and it seems that the crop will be planted on well-watered soils following good rains and moisture.

Domestic

On August 17, wheat prices for delivery in Sep 2017 decreased by 4.2% (R183) from R 4393/ton to R4210/ton week on week. This was supported by international bullish trends, larger than expected Russian production forecast reported by the USDA, underpinned wheat price gains.

Bullish factors

- The wheat crops planted on heavier soils is starting to suffer because, underground moisture levels are virtually non-existent, weekly irrigation of 5-10mm irrigation is really not good enough while temperatures keep on rising, yields could drop significantly.
- Currently the Swartland area has an irrigation issue, they've been getting between 5-10mm irrigation weekly, which helps with the wheat at the moment but the dams still remain relatively empty as seen on the latest dam level statistics for the Western Cape at 29.6% (compared to 57.5% in 2016). If however sufficient rains are not received, the viticulture and horticultural industry may incur material damage later.

Bearish factors

- The Western Cape is expected to yield around 2.3-2.4 t/ha on average, which may result in approximately 780 000 ton. According to the South African Weather Bureau, the next 2 months holds probability for good to above average rainfall for the Western Cape.
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Outlook

Internationally wheat prices remain under pressure due to unexpected bigger Russian crop.
US wheat prices are higher ($12 ton higher) than Russian prices, therefore the Egypt tender was not offered to the United States of America. Lower US prices are needed; the Southern Plains received good rains and moisture. Winter wheat will be planted in Southern Plains soon, and it seems that the crop will be planted on well-watered soils following good rains and moisture.

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The industry is definitely not anticipating a top harvest since the market underwent a lot of strain due to below average rainfall and late plantings, we expect a lower wheat harvest. The Western Cape is expected to yield around 2.3-2.4 t/ha on average, which may result in approximately 780 000 ton. According to the South African Weather Bureau, the next 2 months holds probability for good to above average rainfall for the Western Cape.

3 Critical things need to be noted facing the WC:

- The Dam levels which are empty
- Irrigation for fruit trees & Grape trees (vineyards), is critical- (damage could be really material should an above average rainfall not be received to sustain the dams)
- Wheat crop look alright, late good rains will be beneficial for increased yields.

The current wheat prices are on break-even point for an average crop harvest. The wheat harvest is at its lowest since the past 15 years in terms of stock levels. We anticipate a nice premium to be enjoyed during August before the imports pick up.

Wheat Futures 17 August 2017	**Jul-17**	**Sep-17**	**Dec-17**	**Mar-18**
CME ($/t)	152.12	161.95	170.40	186.75
SAFEX (R/t)	4210.00	4006.00	4090.00	0
SAFEX (R/t) ***Change w/w***	-183.00	-111.00	-91.00	0

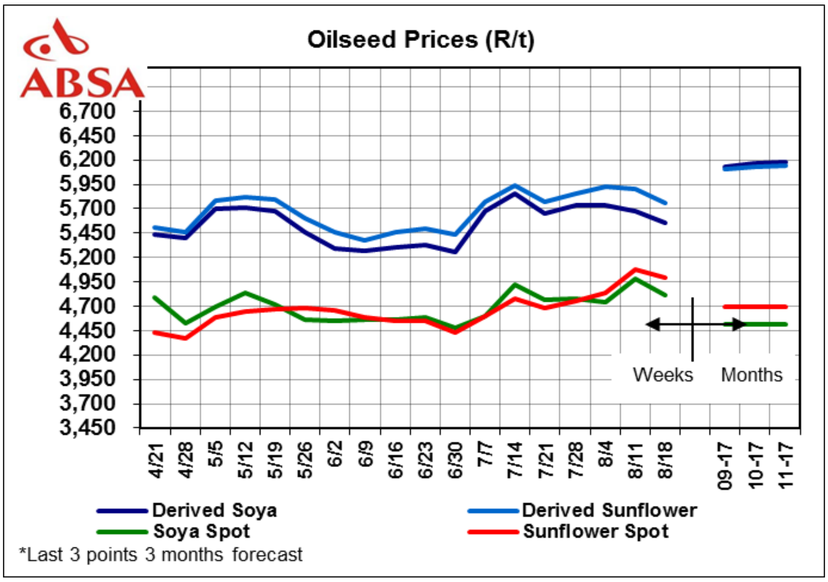
Sep-17			**Dec-17**			**Mar-18**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,240	76	46	4,040	230	196	4,130	322	282
4,200	54	64	4,000	209	215	4,090	301	301
4,160	37	87	3,960	189	235	4,050	280	320

Oilseed market trends

International

The international prices traded lower this week, on the back ampleness in the international soybean market, as can be noted on the USDA's bearish WASDE August report.
Palm oil & Canola prices traded higher overnight.

The weekly average USA soybean price decreased week on week from US$362.56/ton to US$358.34/ton. US soya oil prices decreased from US$33.74/ton to US$33.05/ton and soymeal prices traded lower from US$302.94/ton to US$296.30/ton.



Bullish factors

- Old US soybean crop exports sales are running at very fast/impressive pace. This week 453k tonnes were exported, above the 50-250k tonnes market expectation.
- The USDA announced the daily sale of 165,000 million ton optional origin soybeans to China for the 2017/18 marketing year.
- World exports of sunflower oil was raised by 23% from a year ago, to reach a new high of 10.4 million ton in Oct/Sep 2016/17, mainly driven by Ukraine and Russian exports.
- Palm oil prices are on the recovery, trend driven by prospective slowing down on year-on-year production in Asia, change in consumer sentiment and the seasonally low production in Dec/Mar 2017/18 outlook.
- Palm oil exports reached a high increase of 0.6 million ton from the previous year; biggest shipments were made to India & EU-28.
- Uptrend demand for biodiesel production, may be causing a sharp uptick in total US soya oil usage (up 8% yearly).

- World exports of rapeseed and canola expected to decline due to significant reductions in supplies from Australia and Canada.

Bearish factors

- Sunflower seed crop prospects are looking largely favourable in Ukraine and Russia. Increased rainfall allowed moisture supply to recover in most parts of Ukraine and helped minimize heat damage during 1st week of August.
- Palm oil stocks increased sharply in Malaysia to a 15-month high, due to higher than expected production in June and July and lower than anticipated exports.

Domestic

On August 17, sunflower seed prices (Sep17) decreased week on week by 2.2% (R104) from R4796/ton to R4692/ton while soybean (Sep17) prices declined by 5.3% (R253) from R 4771/ton to R4518/ton. Sunflower seed prices fared higher than soybean prices for the September 2017 deliveries, soybean prices were underpinned by lower international prices as well as domestic large supplies.

Bullish factors

- Rand volatility may provide support to the local market operating in a weaker international market

Bearish factors

Large soybean deliveries have been coming in strong for the 2017/18 season. So far the monthly soybean deliveries are 1.240 million tons (SAGIS); this figure is above the highest year deliveries (1,042 million ton) during the 2015/16 marketing season.

Outlook

Sunflower seed and Soybean prices followed the Rand direction this week. We saw a decline of the September soybean contract from R4771 to R4518 (17 Aug 2017 JSE figures), while the Rand strengthened from R13.33 (14/08/2017) to R13.22 (18/08/2017). The sunflower seed prices are faring better than soybeans for both Dec2017 and Mar2018 contracts. Large soybean deliveries have been coming in strong for the 2017/18 season. So far the monthly soybean deliveries are 1.240 million tons (SAGIS); this figure is above the highest year deliveries (1,042 million ton) during the 2015/16 marketing season.
The local sunflower seed and soybean remains under pressure because of the global glut and weakness in the international prices. Rand strength will play a role in the local price strength or weakness from time to time.

International market prices traded lower after the USDA's WASDE report.

Oilseeds Futures 17 August 2017	**Sep-17**	**Dec-17**	**Mar-18**	**Jul-18**
CBOT Soybeans (US$/t)**	341.81	345.85	348.88	353.84
CBOT Soy oil (US c/lb)	33.21	33.55	33.89	34.14
CBOT Soy cake meal (US$/t)*	325.38	329.67	333.63	338.35
SAFEX Soybean seed (R/t)	4518.00	4660.00	4780.00	4915.00
SAFEX Soybean seed (R/t) change w/w	-253.00	-255.00	-245.00	-150.00
SAFEX Sunflower seed (R/t)	4692.00	4848.00	4950.00	4886.00
SAFEX Sunflower seed (R/t) change w/w	-104.00	-145.00	-140.00	-14.00

Sunflower Calculated Option Prices (R/t)

Sep-17			**Dec-17**			**Mar-18**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,730	81	43	4,880	223	191	5,000	320	270
4,690	59	61	4,840	202	210	4,960	298	288
4,650	41	83	4,800	182	230	4,920	277	307

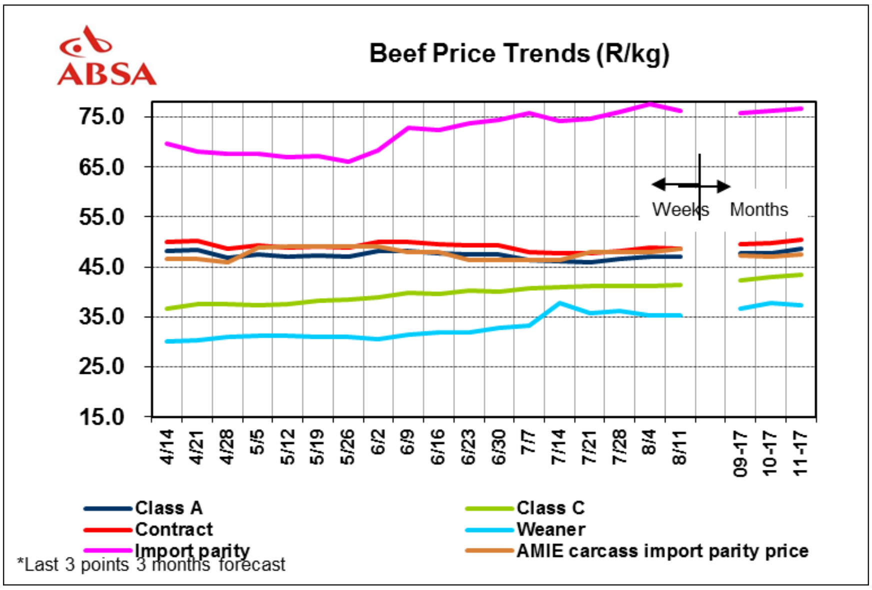
*short ton

** Dec 2017 = Jan 2018

Beef market trends

International

New Zealand steers traded 0.72% lower over the past week at 5.51NZ$/kg and cows traded 0.89% lower at 4.43NZ$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 2.38% lower at $222.31/cwt. Rump was 3.73% lower at $367.20/cwt and strip loin was 3.27% lower at $515.34/cwt. Chuck traded 0.70% higher at $235.33/cwt. Brisket traded 1.25% lower at $199.63/cwt. The carcass equivalent price was 1.72% lower at $283.61/cwt.



Bullish factors

- Wholesale prices for US beef are climbing even higher in Japan, fed by the country's new additional tariff on American frozen beef as well as continued robust demand from restaurants. Japan's emergency tariff took effect on the 1st of August, as the nation's quarterly import volume of US frozen beef increased in the April-June period by more than the 17% threshold that triggers this safeguard mechanism.
- Rising incomes are driving the stronger Chinese demand for beef. One forecast sees consumption increasing by 20% between 2017 and 2025.

Bearish factors

- New Zealand's beef cattle herd continues to grow with high prices seen as the reason behind a 2.8% increase to 3.6 million head. The increase tracked by Beef + Lamb New Zealand's annual stock number survey, showed that continued high returns were making farmers switch towards livestock that were less labour-intensive and more profitable.

Domestic

Beef prices were mixed over the past week, but still remain at high levels in general. Class A prices are 0.23% lower at R47.00/kg. Class C prices are 0.74% higher at R41.48kg. The average weaner calf prices over the past week were 0.3% higher at R35.34/kg. Weaner calf prices may start to taper off to some extend as prices have increased too much over the past few months. Increases in prices were as the less available weaner calf supplies were met by strong demand. The average hide price over the past week was 2.66% lower at R13.70/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- Due to the past season's drought conditions, the number of cattle slaughtered increased and the national herd numbers declined considerably as a result. The supply of weaner calves declined which fell together with the lower maize prices. This has led to increases in weaner calf prices to R37/kg. At these prices levels the A2/A3 grade beef price need to increase above R51/kg for feedlots to break even. Pressures for feedlots are the need to continue producing carcasses due to overhead costs.
- 8.5% fewer cattle was slaughtered during June 2017 compared to May of 2017. This trend was expected as the herd rebuilding process is underway, which limits the availability of animals for the slaughter market. The number of animals slaughtered in June 2017 is 16% lower compared to the same time a year ago.
- Beef exports fetch better prices on the export market, which may encourage producers to pursue opportunities in this market.

Bearish factors

- 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.
- Beef prices are currently high on the domestic market. The higher domestic beef prices may encourage producers to sell on the domestic market.

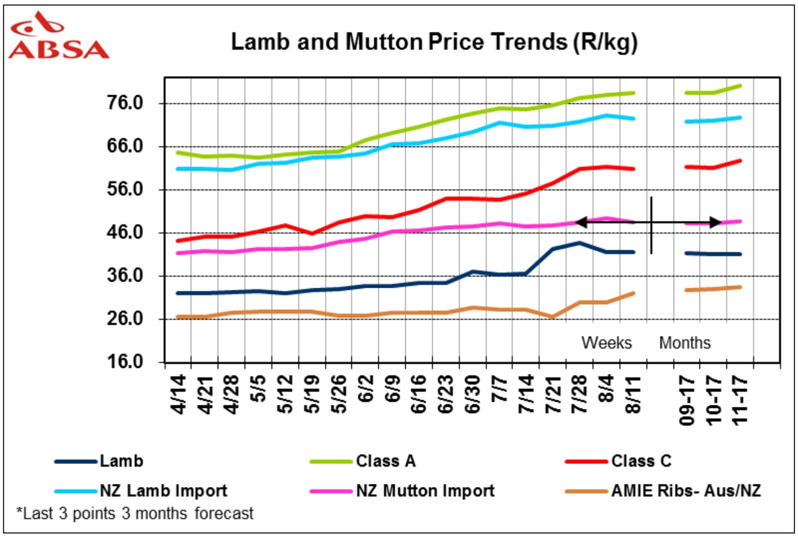
Outlook

Internationally, the boosts to US trade from a weaker dollar and growing consumption in East Asia, particularly China, continue to support beef prices. Domestically, herd rebuilding process is underway, which is reflected in the latest slaughter numbers. This process support market prices.

Sheep meat market trends

International

New Zealand lamb prices traded sideways this week compared to last week. Lamb prices closed sideways at NZ$100.1/head for 15kg lamb. Lamb prices were sideways at NZ$140.2/head for 21kg lamb. Ewe prices traded 1.15% lower at NZ$85.6/head for a 21kg ewe. The import parity price for lamb was 1.04% lower at R72.59/kg, while the import parity price for mutton was 1.96% lower at R48.45/kg.



Bullish factors

- According to the latest survey by Beef + Lamb New Zealand, the steady decline in New Zealand's sheep numbers continued at a slower pace over the past year as farmers in some areas rebuilt their flocks following drought, natural disasters and the impact of facial eczema. Sheep numbers have reduced to an estimated 27.34 million as at June 30 from 27.58 million a year earlier.
- Beef + Lamb New Zealand further indicated that New Zealand sheep numbers have declined as farmers chased higher returns for cattle. The latest survey further pointed out that there was continued growth in beef production as farmers move towards livestock that are less labour-intensive and currently more profitable.

Bearish factors

- In Australia, a very dry winter has dented prices in the past month, but some rain has been falling across the east.
- 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 were mixed over the past week, Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 0.72% to R78.61/kg and the average Class C prices decreased by 0.50% to R60.99/kg. The average price for feeder lambs traded 0.10% higher at R41.54/kg. The average price for dorper skin is 11.03% higher at R43.18/skin and merinos were 6.70% higher at R98.96/skin.

Bullish factors

- Lamb and mutton prices continue to strengthen week on week, on the back of less availability of animals being met with strong demand. The herd rebuilding process is underway, limiting the amount of sheep to be slaughtered.
- 2.2% fewer sheep was slaughtered during June 2017 compared to May of 2017. This trend was expected as the herd rebuilding process is underway, which limits the availability of animals for the slaughter market. The number of animals slaughtered is 16.6% lower compared to the same time a year ago.

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. The South African consumer is currently under pressure.

Outlook

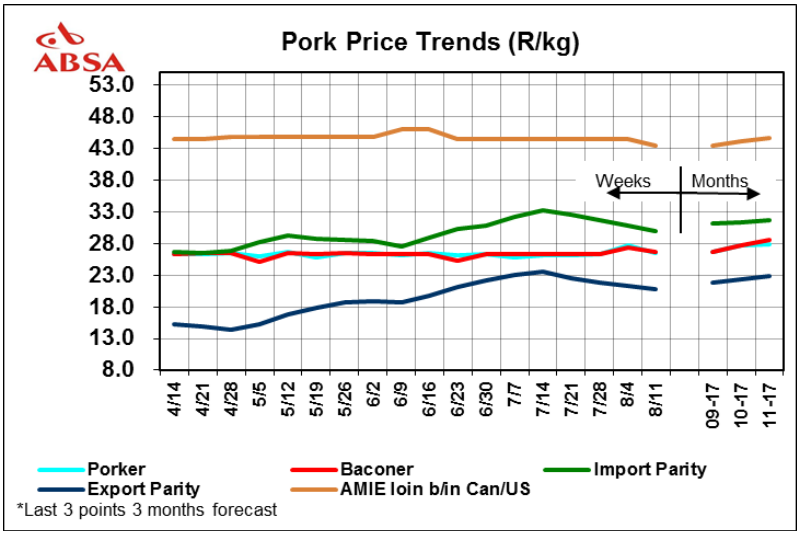
Internationally, lamb prices are high in the global market, which may start to weigh on consumer demand.

Locally, lamb and mutton prices continued with their strong gains over the past week, as the herd rebuilding process continues to be underway. The latest prices show that the average national lamb prices continued to reach record levels this week, with lamb prices reaching an average price of R78.61.

Pork market trends

International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 2.2% lower at US$94.87/cwt, loin prices were 1.9% lower at US$83.85/cwt, rib prices were 7.3% higher at US$121.84/cwt and ham was 4.3% lower at US$67.95/cwt.



Bullish factors

- Disease outbreaks in both the beef and poultry sectors have reportedly boosted demand for pig meat this year.
- Pork production has been reduced this month in the wasde report due to the lower expected slaughter in the third quarter.

Bearish factors

- Global markets for pig and poultry meat have remained well supplied. Increasing US exports are becoming even more important as production continues to expand.

Domestic

Pork prices lost some ground over the past week. The latest pork prices are as follows: The average porker prices are 4,1% lower at R26.56/kg, while the average baconer prices are 2.4% lower at R26.65/kg. The average cutters prices were 1.6% higher of R28.0/kg whilst the average heavy baconer price was 0.3% higher at R25.89. The BP price this week was R26.70/kg whilst the BO price this week was R26.67/kg. The SAU price is R19.36/kg and the SAB price is R22.59/kg.

Bullish factors

- The pork industry is exploring export markets in countries such as Singapore, Thailand, the Philippines and India, some South African farmers are already exporting successfully to countries in Africa. Between January and May this year, 3 000 ton of pork was exported to African countries. Negotiations and administrative procedures regarding exports to the East are still in progress.
- Higher beef, lamb and mutton prices may see buyers switch to more consumption of cheaper meats like pork and poultry.

Bearish factors

- Imports have substantially increased in May 2017. The cumulative import figure for January to May 2017 is 9% higher than imports for the same period in 2016. Spain and Germany were the main exporters. Rib imports represent just more than 50% of total imports.
- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

Outlook

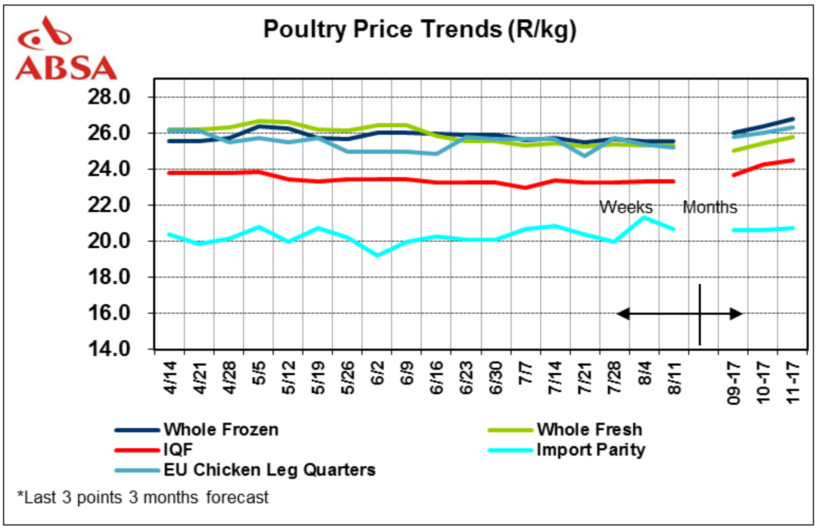
Internationally, while the global pig meat market remained relatively well supplied, strong demand is helping to support the market.

Locally, pork prices may gain underlying support from the higher lamb, mutton and beef prices and as herd rebuilding continues.

Poultry market trends

International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 1.25% lower at 94.05USc/lb. Breast traded 0.34% lower at 145.50USc/lb, while leg quarters traded 5.62% lower at 42.00USc/lb.



Bullish factors

- Reports indicate that millions of eggs across Europe have been destroyed, in a food scare caused by a pesticide that was sprayed on chickens in the Netherlands to treat them for ticks, flies and lice.
- Global bird flu outbreaks may constrain expansion.

Bearish factors

- Disease outbreaks in both the beef and poultry industries have reportedly boosted demand for pig meat this year. This as a result may have taken demand away from the poultry sector.
- Second quarter broiler production was increased slightly by the wasde report based on June production data, but no change was made to the outlying quarters

Domestic

The average poultry prices over the past week were mostly sideways. The average prices for frozen birds were sideways at R25.57/kg during the week. Whole fresh medium bird prices were sideways at R25.30/kg, while IQF prices were sideways at R23.30kg.

Bullish factors

- South Africa's Western Cape Department is investigating possible occurrences of highly pathogenic avian influenza (HPAI), type H5N8, in two ostrich farms in the Heidelberg area. Both farms have been placed under quarantine. The ostriches suspected to be infected are not close to any commercial poultry farms, and as a result, no decision has yet been taken to cull them. Veterinarians have previously indicated that ostrich and chicken meat that is on sale in retail outlets is safe for human consumption.

- Poultry remains the least expensive protein meat, which may encourage consumer demand.
- Production losses associated with bird flu outbreaks may support prices. The poultry industry is still busy with calculations to determine the impact of the bird flu on total production. As a result of the bird flu, production costs may increase due to the added biosecurity measures and production losses. As a result, poultry producers may also start to demand higher prices.
- The poultry industry continues to enjoy temporary support from the closure of the EU market following bird flu outbreaks in the EU.

Bearish factors

- In terms of the bird flu, as winter passes and temperatures and rainfall increase, the virus should be finally contained and not spread further.
- Following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market. This may weigh on prices. However it is also important to note that the closing of borders to exports is mandatory following the outbreak, but some neighbours evaluate the extend of the disease and the risks, and may end up relaxing and amending their import ban.
- Feeding margins have improved on the back of lower maize prices this season.

Outlook

Internationally, most global markets are performing well, with a combination of strong demand, restricted supply, and ongoing low feed costs supporting this market.

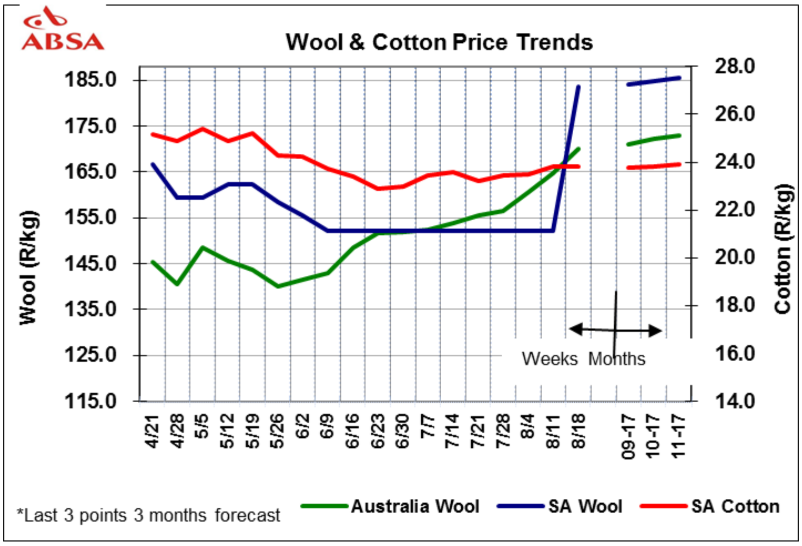
Locally, poultry remains the cheapest meat and therefore remains popular in terms of consumption. Prices may remain supported as beef and mutton prices continue to trade higher.

Livestock prices (R/kg) week 18 Aug 2017	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	-0.23	47.00	47.11	0.72	78.61	78.05	-4.1	26.56	27.71	0	25.30	25.30
Class C/Baconer /Frozen birds	0.74	41.48	41.17	-0.50	60.99	61.30	-2.4	27.65	27.32	0	25.57	25.57
Contract/Baconer/IQF	-0.32	48.70	48.86	-0.30	78.71	78.95	-3.3	26.60	27.51	0	23.30	23.30
Import parity price	-1.92	76.16	77.65	-1.96	48.45	49.42	-1.4	39.6	40.2	-3.11	20.66	21.32
Weaner calves/ Feeder lambs	0.3	35.34	35.23	0.10	41.54	41.50		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	1.56	48.75	48.00	4.7	66.60	63.60	-2.2	43.50	44.50	-0.59	25.20	25.35

Wool market trends

International

Prices in the Australian wool market increased significantly this week. The increases in the market prices were supported by lower offerings at the auction compared to last week. The Australian wool market prices were higher and closed 4.13% higher at Au1614c/kg at the recent auction.



Bullish factors

- The increases in the market prices were supported by lower offerings at the auction compared to last week.
- Australia's wool price benchmark has broken through 1600c/kg clean for the first time as Chinese buyers switch from "hand-to-mouth" to forward buying.

Bearish factors

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

Domestic

The South African wool market started this new season with a strong basis, with wool prices showing strong gains at the recent auction. Domestic wool market prices were 19.82% lower to close at R183.50 (clean) at the close of the season. The last sale of the season was on the 07th of June 2017 where prices reached R153.14 (clean).

Bullish factors

- Traders indicated that strong demand for good quality long South African Merino wool from buyers in China, India and the Czech Republic supported the market. This was as a result of the continued growth in consumer demand for wool apparel.
- Competition between buyers was strong.
- The Rand was 3,1% weaker against the US Dollar and 7,4% weaker against the Euro, compared with the average rate at the previous sale.

Bearish factors

- South Africa saw production increase to 52,5 million kg in 2016/17, its highest level in decades.

Outlook

Internationally, expected volumes on offer in the coming week will be similar to this week, which may be met by good market demand.

Locally, wool prices may remain strong on the back of strong demand for South African wool.

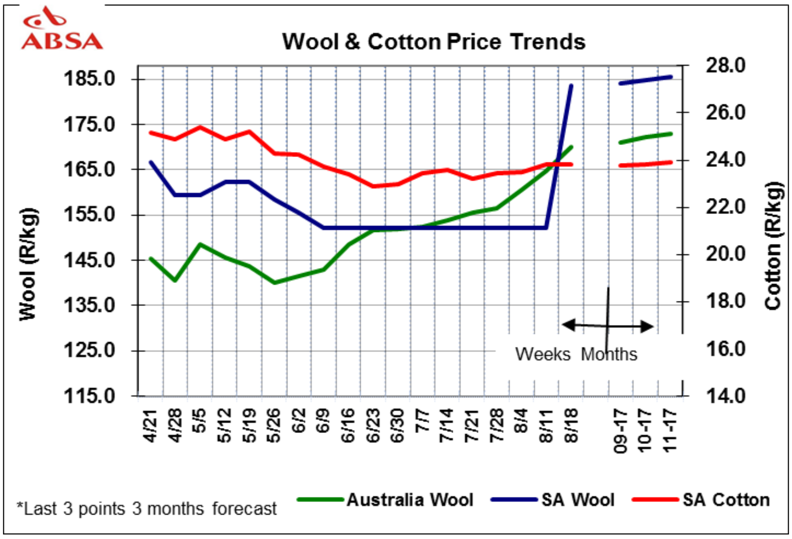
Cotton market trends

International

Cotton prices traded 0.41% higher over the past week and closed at US68.36c/lb.

Bullish factors

- As growth in the global economy strengthens, worldwide consumption of cotton is expected to increase, which should support prices.



Bearish factors

- The latest wasde report has indicated that sharply larger production is increasing this month's 2017/18 global cotton stock forecasts. World production is increased 1.9 million bales, as higher production in the US, China, and Benin is partially offset by a reduction for Turkey. The forecast for China's crop has been increased 500,000 bales mainly on higher area.

Domestic

The derived SA cotton prices traded 1.53% higher to close at R23.84/kg. The increases in prices were in line with the increases in international prices and also supported by the weakness in 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, larger than expected cotton production may lead to improved global ending stock, thereby weighing on prices.

Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres market trends Week ended 18 Aug 2017								
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	20.58	18350	2.09	16800		-		-
19µ micron	16.09	20828	1.98	20037	6.44	19.00	2.27	18.00
21µ micron	20.26	17646	3.47	17338	3.97	15.70	4.14	15.10
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	1.53	23.84	1.06	1.79	-3.2	1.53	-2.9	1.502

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