



# Agri Trends

08 September 2017

## Lack of quality weaner cattle support SA livestock prices

The average South African weaner cattle prices for the month of August reached R35.09/kg which is strong. This price is 71% higher than the price paid the same time a year ago. Quality weaner cattle for feedlots have been limited, which support prices of better stock. Recently, there was very little weaner stock available for feedlots on some auctions in the country.

Livestock prices have increased significantly over the past months, and prices may have reached their peak. Consumers are under pressure, which may lead to a switch to cheaper alternatives. It is however in line with seasonal trends for prices to follow an increasing trend through August until after the festive season. South Africa celebrates heritage day on the 24th of September, a day which is often celebrated by having informal braais. The warmer weather also encourages outdoor activities like braaing after winter.

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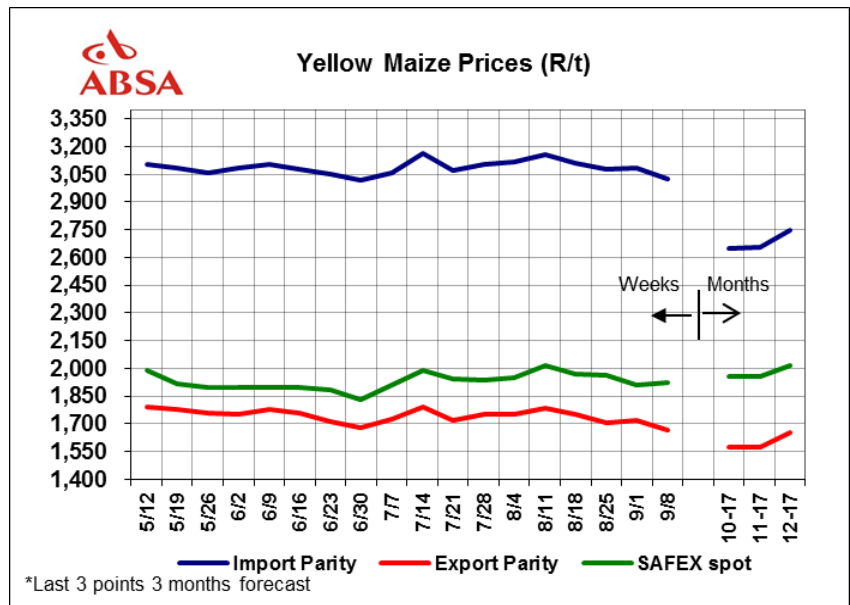
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## Maize market trends International

Week-on-week yellow maize No 2 gulf price increased from US\$145.78/ton to \$149.33/ton.

### Bullish factors

- The US dollar, which is trading at the lowest levels since January 2015, is capping any significant losses, because US commodities can now trade more competitively on the world market.
- Biggest unknown this week in the US are category 5 hurricane Irma as it continues on its catastrophic trek across the Caribbean and the conflict between the US and North Korea. This provided commodities some support currently. Grains traded cautiously ahead of next week's USDA report.



- US maize crop rates 61% good to excellent, which is down 1% compared to the 62% the market anticipated.
- A sizable recovery in maize arrivals in July propelled Chinese imports of grains and grain by-products to a more than one-year high. This trend was mainly driven by the reduction of VAT which had come into effect on 1st July coupled with the uptrend in the domestic maize prices.

### Bearish factors

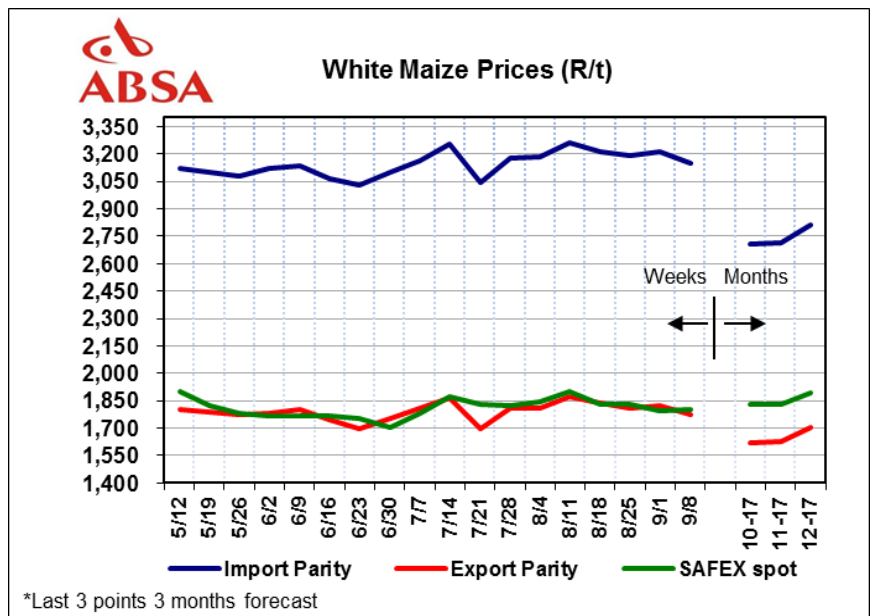
- The EU increased its maize yield estimate from 6.83t/ha to 6.93t/ha.

## Domestic

By September 7th, week on week new season white maize prices for delivery in Sep 2017 increased marginally by 0.3% (R5) from R1803/ton to R1813/ton, Jul 2018 contracts increased marginally by 0.1% week-on-week from R2044/ton to R2047/ton. Week-on-week new season yellow maize prices for delivery in Sep 2017 increased by 0.7% from R1923/ton to R1936/ton. Prices for delivery in Dec2017 for white maize were recorded at R1890/ton and yellow maize at R2016/ton both increasing from the previous week's future contract prices for Dec2017. September white & yellow maize prices have traded marginally lower on a weekly basis as a stronger Rand has pressured prices.

### Bullish factors

- Next year's production prospects could see a decline in white maize plantings.
- Some irregularities during the Kenyan elections during early August have seen the Supreme Court annul those elections. New elections will be held on October 31<sup>st</sup>, whether or not this will impact the maize subsidisation programme remains to be seen. As it stands now, the prior arrangement still holds and the government remains to subsidise white maize and will do so till end September. The entire white maize supply is imported mainly from South Africa and Mexico.



### Bearish factors

- Large domestic supplies of white maize coupled with slow export tempo/activity keeping prices low. 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).
- Stronger Rand

## Outlook

The current maize outlook remains bearish, with ample local white maize supply still ample and export activity below the optimal level needed to reduce the current stocks. For now it cannot be said with certainty what producers will plant in the next production season, market anticipates a shift to oilseeds and yellow maize due to the large volumes of white maize already available.

Ample supplies of maize in South America will augment the seasonal pressure on maize prices in the northern hemisphere. 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

Weather forecasts in the US are cool and dry across the Corn Belt and Plains as the cold front moves into the Midwest. This cool/dry forecast is less than ideal way to finish up crops for the Americans as they head through to September. Some pockets in the Central and Eastern Corn Belt would benefit from the extra moisture before crop reach maturity, but cooler weather will likely keep development running behind normal, putting the crop at risk for potential damage as they approach seasonal frost dates.

<b>Yellow Maize Futures: 07 September 2017</b>	<b>Sep-17</b>			<b>Dec-17</b>			<b>Mar-18</b>			<b>Jul-18</b>		
<b>CBOT (\$/t)</b>	134.54			139.85			144.78			150.29		
<b>SAFEX (R/t)</b>	1936.00			2016.00			2059.00			2122.00		
<b>SAFEX (R/t) Change week on week (w/w)</b>	13.00			11.00			7.00			3.00		
<b>Sep-17</b>			<b>Dec-17</b>						<b>Mar-18</b>			
<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	
2,060	129	85	2,100	197	156	2,160	229	191	2,160	229	191	
2,020	107	103	2,060	175	174	2,120	206	208	2,120	206	208	
1,980	87	123	2,020	154	193	2,080	185	227	2,080	185	227	

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

<b>White Maize Futures 07 September 2017</b>	<b>Sep-17</b>			<b>Dec-17</b>			<b>Mar-18</b>			<b>Jul18</b>		
<b>SAFEX (R/t)</b>	1813.00			1890.00			1933.00			2047.00		
<b>SAFEX (R/t) Change w/w</b>	5.00			0.00			-3.00			3.00		
<b>Sep-17</b>			<b>Dec-17</b>						<b>Mar-18</b>			
<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	
1,930	119	79	1,980	200	153	2,080	262	229	2,080	262	229	
1,890	96	96	1,940	178	171	2,040	239	246	2,040	239	246	
1,850	77	117	1,900	156	189	2,000	218	265	2,000	218	265	

# Wheat market trends

## International

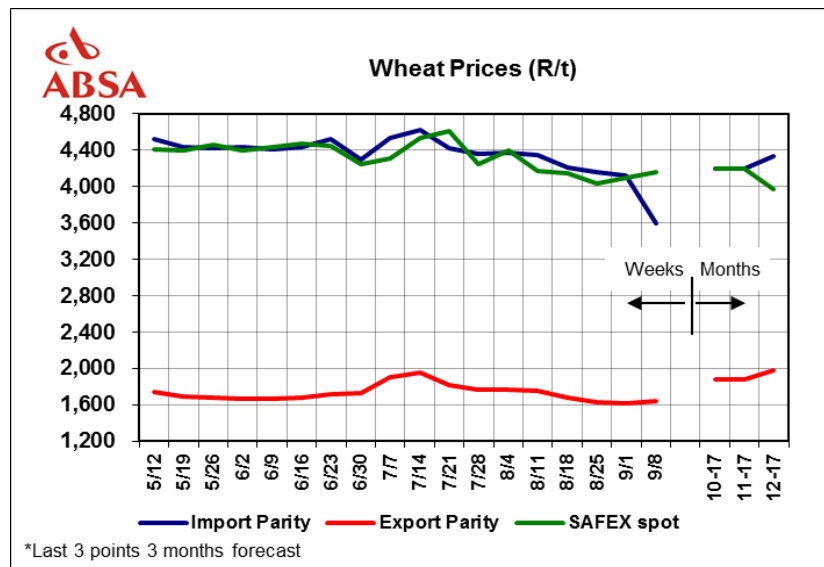
The weekly average old season HRW wheat Gulf increased price week on week from US\$176.68/ton to reach a weekly average of US\$181.42/ton.

### Bullish factors

- US exporters typically export 28% of the final wheat by this point; in 2016 at this point 25% was exported, this year 29% of the USDA's target was inspected.

### Bearish factor

- In the US, 89% of the spring wheat crop is harvested, up 13% from the previous week.
- Larger Russian production than expected keeps prices under pressure.



## Domestic

On September 7<sup>th</sup>, wheat prices for delivery in Sep 2017 increased by 2.8% (R116) from R 4082/ton to R4198/ton week on week.

### Bullish factors

- Persisting drought in the Western Cape. Dams still remain relatively empty as seen on the latest dam level statistics for the Western Cape at 33.7% (compared to 61.5% in 2016). If sufficient rains are not received, the viticulture and horticultural industry may incur material damage later.
- Stronger Rand

### Bearish factors

- A reduction in the wheat import tariff to R379.34/ton as published on the 8<sup>th</sup> September 2017 placed wheat prices under pressure. December 2017 SAFEX wheat contract closed lower today at R3974/ton.

## Outlook

Internationally wheat prices are expected to remain under pressure well into the next year, because of large global stocks & crop, thanks to the Black Sea great crop prospect.

The domestic wheat industry is definitely not anticipating a top harvest since the industry was laden with a lot of strain due to below average rainfall and late plantings, we expect a lower wheat harvest.

The new wheat import tariff was published on the 8<sup>th</sup> September 2017, revised downwards to R379.35/ton from R947.20/ton.

This tariff is the one that was triggered on the 11<sup>th</sup> July 2017 but was never published. The tariff publication system works in such a way that all the triggered tariffs (not previously published) must first be published chronologically before the latest one is published, therefore we only see the lower R379.35/ton (triggered 11<sup>th</sup> July 2017) now, thereafter a R752.35/ton (triggered 8<sup>th</sup> August 2017) tariff must be published before the latest triggered tariff R909.99/ton (triggered 5<sup>th</sup> September 2017) is officially published. How long before the producers should wait till a higher tariff is announced remains an uncertainty, for now this lower tariff may weigh on domestic prices and encourage imports.

Wheat Futures 07 September 2017	Sep-17			Dec-17			Mar-17			Jul-18		
CME (\$/t)	160.66			168.56			173.43			183.53		
SAFEX (R/t)	4198.00			3977.00			4076.00			4131.00		
SAFEX (R/t) Change w/w	116.00			-24.00			-28.00			0.00		
Sep-17			Dec-17			Mar-18						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
4,020	178	135	4,120	257	213	4,180	336	287				
3,980	157	154	4,080	236	232	4,140	313	304				
3,940	136	173	4,040	215	251	4,100	292	323				

## Oilseed market trends

### International

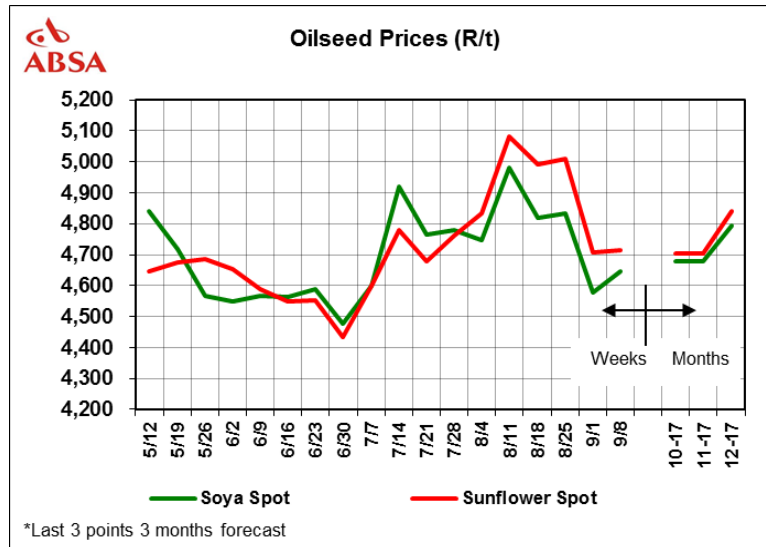
The weekly average USA soybean price increased week on week from US\$363.76/ton to US\$371.66/ton. US soya oil prices increased from US\$34.64/ton to US\$35.00/ton and soymeal prices traded higher from US\$294/ton to US\$301.08/ton.

#### Bullish factors

- Plantings of soybeans (which will be harvested in early 2018) are about to begin in Brazil, during September. The current unfavourable weather patterns in the region may prompt market players to start to include a risk premium primarily into soybean values, considering how important the 1<sup>st</sup> Brazilian soybean crop is to the world market. We anticipate this to have a bullish spill-over effect on the US soybean market.
- US soybean export shipments to China for the week ending 31 August were 14.1 million bushels.
- Ongoing growing concern among the farming community in South America about the very dry conditions in Central Brazil and excessive moisture in Argentina could potentially jeopardize summer crop plantings.
- Ample and attractively priced Black Sea sunflower oil supplies boosted combined EU imports.
- Due to poor growing conditions and shift of acreage to other crops India, will remove a large proportion of its vegetable oil supplies in 2017/18.

#### Bearish factors

- Canada Statistics reported that soybeans are gaining attractiveness among the Canadian farmers, one third boost in the area planted, because there's reduction in average yields for wheat, canola, flaxseed.
- Looming harvest pressure and large old crop stocks of both global sunflower seed and oil affects the prices right now; however an increase in sunflower seed prices is expected once the bulk of the new crop is marketed in the further course of the 2017/18 season.



## Domestic

- On September 7th, sunflower seed prices (Sep17) decreased week on week by 0.1% (R4) from R4706/ton to R4702/ton while soybean (Sep17) prices increase by 0.4% (R20) from R 4635/ton to R4655/ton. Sunflower seed prices fared higher than soybean prices for the September 2017 deliveries, soybean and sunflower prices found support in the higher international prices which were boosted by larger than expected export demand from China. Increased local demand for sunflower seed crushing supports sunflower seed prices above soybean prices.

## *Bullish factors*

- Low old crop stocks coupled with low domestic soya meal consumption demand caused the decline (24% decline Mar/July 2017) in domestic soybean crushings in the recent months, even with the bumper crop. Processing needs shifted more to sunflower seed crushings (up by 12% Apr/July 2017).

## *Bearish factors*

- The local sunflower seed production was revised upward to 0.87 million tons, matching the record obtained 10 years ago and up by 15% from the previous season. Soybean production was reduced to 1.32 million tons, which is still a record high, with an above average yield of 2.3t/ha.

## Outlook

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South African crushing industry will hardly need to import sunflower seed in this season; potential increase of processing may curb South African import requirements for sunflower oil and meal in the coming months.

Soymeal stocks remain burdensome in South America, export activity picked up since July. Brazil and Argentina boosted exports into EU-28.

An ambitious export agreement between China and Bolivia is aimed to lift the agri sector out of stagnation in Bolivia. World stocks of rapeseed and canola remain tight in the coming months, explaining the prevailing price premium over soybeans and sunflower seed.



Oilseeds Futures 07 September 2017			Sep-17	Dec-17	Mar-18	Jul-18		
CBOT Soybeans (US\$/t)**			353.93	359.54	362.75	368.54		
CBOT Soy oil (US c/lb)			35.08	35.43	35.80	36.13		
CBOT Soy cake meal (US\$/t)*			332.31	337.58	342.20	347.69		
SAFEX Soybean seed (R/t)			4655.00	4795.00	4884.00	4987.00		
SAFEX Soybean seed (R/t) change w/w			20.00	17.00	-1.00	35.00		
SAFEX Sunflower seed (R/t)			4702.00	4842.00	4953.00	5100.00		
SAFEX Sunflower seed (R/t) change w/w			-4.00	-32.00	-32.00	100.00		
<b>Sunflower Calculated Option Prices (R/t)</b>								
Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,880	281	243	5,000	350	303	5,040	403	463
4,840	259	261	4,960	328	321	5,000	383	483
4,800	239	281	4,920	307	340	4,960	363	503

\*short ton

\*\* Dec 2017 = Jan 2018

## Beef market trends

### International

New Zealand steers traded sideways over the past week at 5.46NZ\$/kg and cows traded sideways at 4.32NZ\$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 1.52% lower at \$199.81/cwt. Rump was 9.68% lower at \$283.22/cwt and strip loin was 3.56% higher at \$490.75/cwt. Chuck traded 1.88% lower at \$226.83/cwt. Brisket traded 1.98% higher at \$203.01/cwt. The carcass equivalent price was 0.32% higher at \$269.82cwt.

### Bullish factors

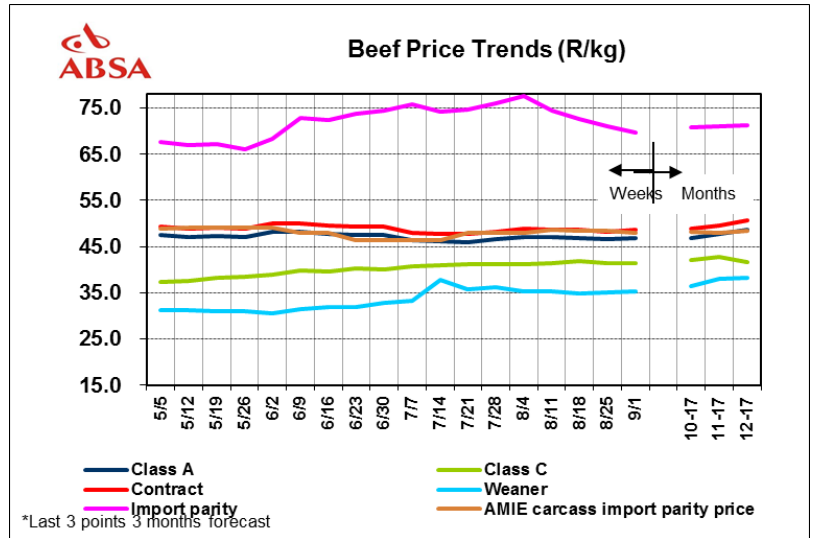
- In the US, improved demand towards Labour Day added supported to prices. Labour Day holiday was on Monday the 04th of September 2017, and it is regarded as the final grilling holiday.
- Robust beef exports continue to support the beef market. Lower fed cattle prices and continued good demand from Asian markets, particularly Japan and Hong Kong have contributed to the growth of US beef exports.
- Going forward, there is a lot of speculation about the potential that the Chinese market holds for US beef. China beef demand has strengthened in recent years and that market is expected to continue to grow as consumer diets in large urban areas become more westernized.

### Bearish factors

- The increases of tariffs for frozen beef into Japan have stopped trade to this market for New Zealand and the US until 31 March 2018.
- Reports from the US market indicate that the volumes of Australian manufacturing beef are increasing and August shipments to the US are expected to reach their highest level since May 2016. This has the potential to place further downwards pressure on imported prices, particularly with expectations that these increased volumes are expected to continue into November, when New Zealand manufacturing beef production increases.

### Domestic

Beef prices were mostly higher across the different classes over the past week, recovering from losses recorded in the past week. The average Class A prices are 0.7% higher at R46.96/kg. Class C prices were 0.36% lower at R41.35/kg. The average weaner calf prices over the past week were 0.6% higher at R35.20/kg. The average hide price over the past week continued to remain under pressure, and was 2.02% lower at R12.88/kg green. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.



### *Bullish factors*

- 6.2% fewer cattle were slaughtered during the month on July 2017 compared to June 2016. If we are to compare the July 2017 slaughter numbers to the same time a year ago, it shows that a two digit 13.2% fewer cattle were slaughtered this year compared to last year. This is representative of the current trends in the market where producers are rebuilding herds.
- The average South African weaner cattle prices for the month of August reached R35.09/kg which is strong. This price is 71% higher than the price paid the same time a year ago. Quality weaner cattle for feedlots are limited which support prices of better stock. Recently, there was very little weaner stock available for feedlots on some auctions.

### *Bearish factors*

- 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, strong beef exports continue to support the beef market.

Domestically, beef prices may lose some ground after increased uptake during month end. Prices are expected to rebound and gain some strength after mid-month as the country celebrates heritage day on the 24<sup>th</sup> of September, a holiday which is often celebrated by braaing. It is on line with seasonal trends for prices to follow an increasing trend through August until after the festive season.

## Sheep meat market trends

### International

New Zealand lamb prices traded higher this week compared to last week. Lamb prices closed 1.06% higher at NZ\$105.0/head for 15kg lamb. Lamb prices were 1.10% higher at NZ\$147.0/head for 21kg lamb. Ewe prices traded sideways at NZ\$87.7/head for a 21kg ewe. The import parity price for lamb was 0.96% lower at R71.07/kg, while the import parity price for mutton was 1.85% lower at R46.44/kg.

#### Bullish factors

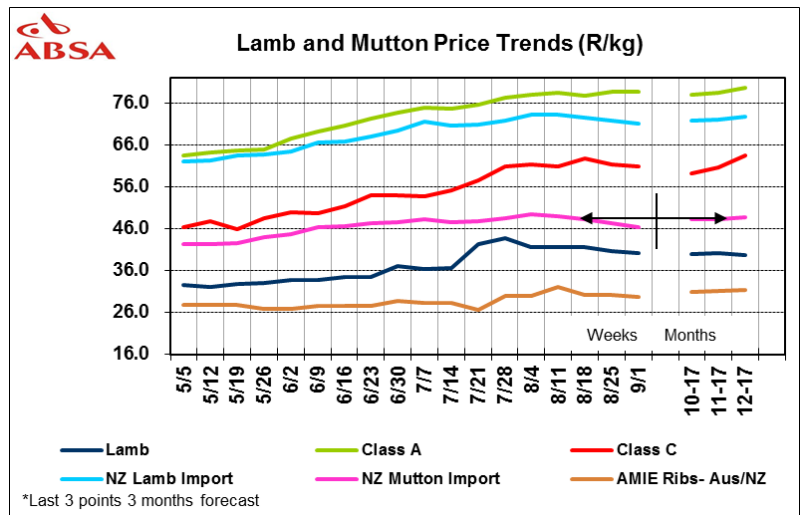
- Low global inventories continue to result in overseas markets paying above the odds for New Zealand lamb this season.
- In New Zealand, July trade statistics have showed that average export prices for both chilled and frozen product are tracking well above any prices seen in recent years; including 2011, the last time the market witnessed such strong global demand for lamb.

#### Bearish factors

- 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.
- Rabobank's August outlook for the Australia's agriculture industry predicts easing prices for sheep meat and beef due to below average rainfall and the forecast rising value of the Australian dollar.

### Domestic

Lamb and mutton prices were mixed across the different classes over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 0.13% to R78.82/kg and the average Class C prices decreased by 1.12% to R60.81/kg. The average price for feeder lambs traded 1.01% lower at R40.26/kg. The average price for dorper skin is 5.15% lower at R41.82/skin and merinos were 0.41% lower at R100.83/skin.



### *Bullish factors*

- Month on month, 10.8% fewer sheep were slaughtered in July 2017 compared to June of 2017. This represents a 9.1% reduction in sheep slaughter when we compare it to the same time a year ago.
- Lamb and mutton prices may gain support from less availability of animals in the market.
- Strong seasonal demand during the warmer months may add support to prices.

### *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 (due to low global inventories), which may start to weigh on consumer demand.

Locally, demand for lamb and mutton may taper off following increased uptake during month end. In the medium term, prices may gain support from as the warmer temperatures are supportive to outdoor grilling.

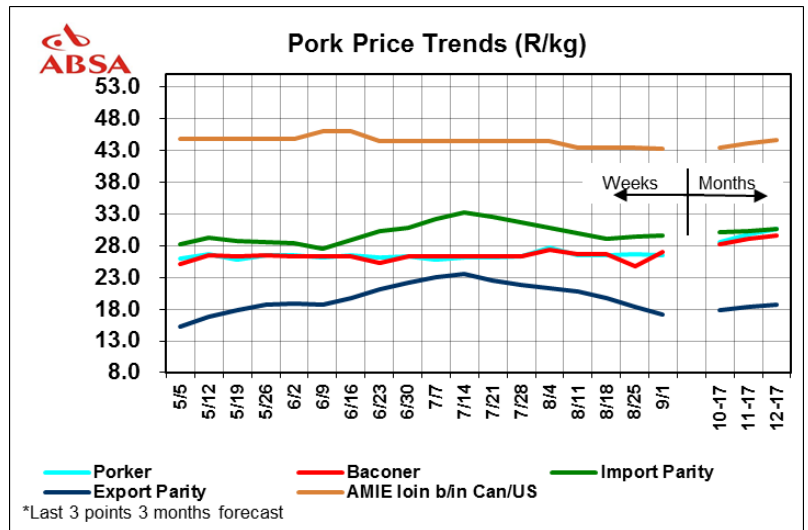
# Pork market trends

## International

The average weekly US pork prices were mixed over the past week. Carcass prices were 3.8% lower at US\$84.19/cwt, loin prices were 0.1% higher at US\$82.48/cwt, rib prices were 1.8% lower at US\$134.24/cwt and ham was 2.1% higher at US\$68.71/cwt.

### Bullish factors

- Global pork export prices continued to move upwards in the second quarter of 2017. This is according to analysis from AHDB Pork, based on the four largest global pork exporters (the EU, US, Canada and Brazil) which showed that the average value of pork traded reached US\$2.75/kg in June, 9% above year earlier levels and the highest level since January 2015. The increase in prices was driven by a sharp increase in the value of EU pork exports between April and May. This followed from steep increases in European producer prices at the time, reflecting a tight supply situation. EU export prices were, on average, the highest of the four largest global exporters in the first six months of 2017.



### Bearish factors

- Labour Day holiday on the 4th of September 2017 has passed. This holiday is known as the final grilling holiday. Demand may be weighed moving forward.
- 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

The average pork prices were mixed over the past week. The latest average pork prices are as follows: The average porker prices are 0,4% lower at R26.50/kg, while the average baconer prices are 9.2% higher at R27.01/kg. The average cutters prices were sideways oat R28.1/kg whilst the average heavy baconer price was 0.3% lower at R26.36. The average BP price this week increased to R27.03/kg whilst the BO price this week increased to R27.15/kg. The SAU price was R20.31/kg.

### *Bullish factors*

- During the month of July 2017, 1.4% fewer pigs were slaughtered compared to June of 2017. When one compared the July 2017 figure, this constitutes a reduction of 5.9% pig slaughter compared to July of 2016.
- Pork prices may be supported by seasonality and underlying support from higher lamb, mutton and beef prices.

### *Bearish factors*

- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs. The pork industry is very sensitive to maize prices, with the lower prices positive for this industry as it lowers input costs.

### **Outlook**

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

Locally, pork prices may gain underlying support from the higher lamb, mutton and beef prices as well as improved demand as the warmer weather encourages braaing.

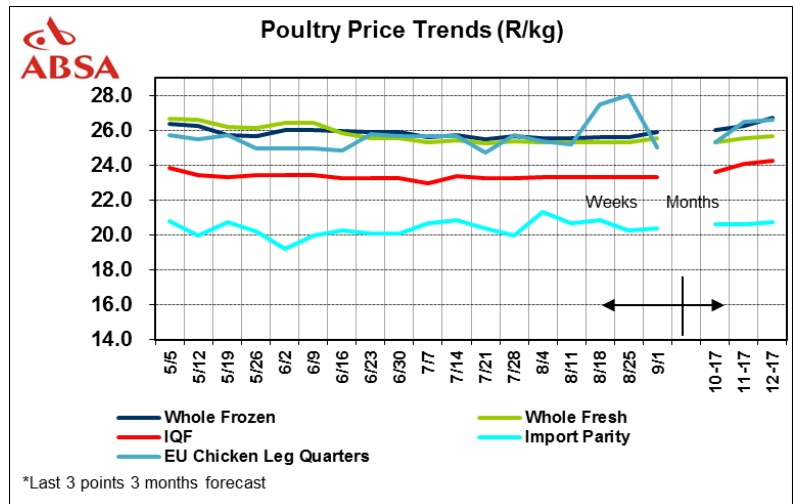
## Poultry market trends

### International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 2.94% lower at 89.44USc/lb. Breast traded 1.13% higher at 134.00USc/lb, while leg quarters traded 2.44% higher at 42.00USc/lb.

#### Bullish factors

- In response to strong consumer demand for chicken in the US, Tyson Foods, Inc. (international leader in the food industry) announced plans to build a \$320 million poultry complex in eastern Kansas.
- All poultry keepers across the UK are being urged to remain vigilant to the threat of bird flu and take action now to reduce the risk to their flocks and the wider poultry industry this winter. Given the recent outbreaks in wild birds in Norfolk and on the continent, there is a likelihood the disease will return this winter.



#### Bearish factors

- Disease outbreaks in the poultry industries have reportedly boosted demand for pig meat this year. This as a result may have taken demand away from the poultry sector.

### Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 1.12% higher at R25.88/kg during the week. Whole fresh medium bird prices were 0.85% higher at R25.33/kg, while IQF prices were sideways at R23.33kg.

#### Bullish factors

- Poultry remains the least expensive protein meat, which may encourage consumer demand.
- The poultry industry continues to enjoy temporary support from the closure of the EU market following bird flu outbreaks in the EU.



### *Bearish factors*

- Reports indicate that following bird flu outbreaks, the government would consider importing fertile eggs to help close a supply gap due to the culling of thousands of birds following the outbreak.
- In terms of the bird flu, as winter passes and temperatures and rainfall increase, the virus should be finally contained and not spread further.
- 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, the impact of bird flu on total production is still not yet determined. Prices may follow an upward trend based on seasonal trends and as the impact of bird flu may start to influence production.

Livestock prices (R/kg) week 08 Sep 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	0.7	46.96	46.64	0.13	78.82	78.72	-0.4	26.50	26.59	0.85	25.53	25.32
Class C/Baconer /Frozen birds	-0.36	41.35	41.50	-1.12	60.81	61.50	9.2	27.01	24.74	1.12	25.88	25.59
Contract/Baconer/IQF	0.59	48.55	48.27	0.50	79.53	79.13	4.2	26.75	25.67	0	23.33	23.33
Import parity price	-1.91	69.63	70.98	-1.85	46.44	47.31	-4.3	35.2	36.8	0.6	20.36	20.24
Weaner calves/ Feeder lambs	0.6	35.20	35.00	-1.01	40.26	40.67		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	-0.7	48.09	48.45	0	60.14	60.14	-0.5	43.30	43.50	-10.7	25.00	28.00

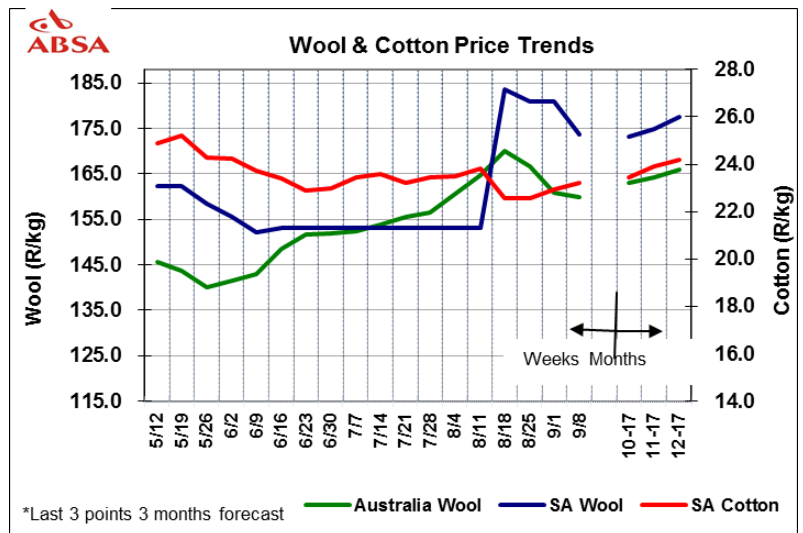
## Wool market trends

### International

The Australian wool market prices were slightly lower and closed 0.06% lower at Au1557c/kg at the recent auction.

#### Bullish factors

- The strong demand for Australian wool continues to support prices. The 2016/17 season delivered growers the highest wool prices in recent history.
- China drove prices higher on the Australian market. Demand has been a key driver with imports to China from Australia up 9.4% for the 2016/17 season



#### Bearish factors

- Good volumes of wool are expected to be on offer at the next auction.

## Domestic

The last sale was on the 06th of September 2017. Domestic wool market prices were 4.01% lower to close at R173.66 (clean) at the close of the season. The next sale is scheduled for 13<sup>th</sup> of September 2017 where approximately ±5 203 bales will be on sale.

#### Bullish factors

- The new wool selling season had a positive start whereby the Cape Wools Merino indicator rose by 19% to its highest level ever.
- Continued solid demand for wool at the latest auction is supportive to prices.
- Strong competition for good quality long wool.

### *Bearish factors*

- The effect of the stronger Rand may have weighed on the market. The Rand was 2.5% stronger against the US Dollar.
- 34% more wool on offer compared to the previous sale may have added pressure to prices.

### **Outlook**

Internationally, demand from China, Italy and India supports the market. Although prices have softened somewhat since the first sale of the season, analysts pin the outlook for wool on the positive. The Australian Bureau of Agricultural and Resource Economics and Sciences predict another 3% increase in prices this season.

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

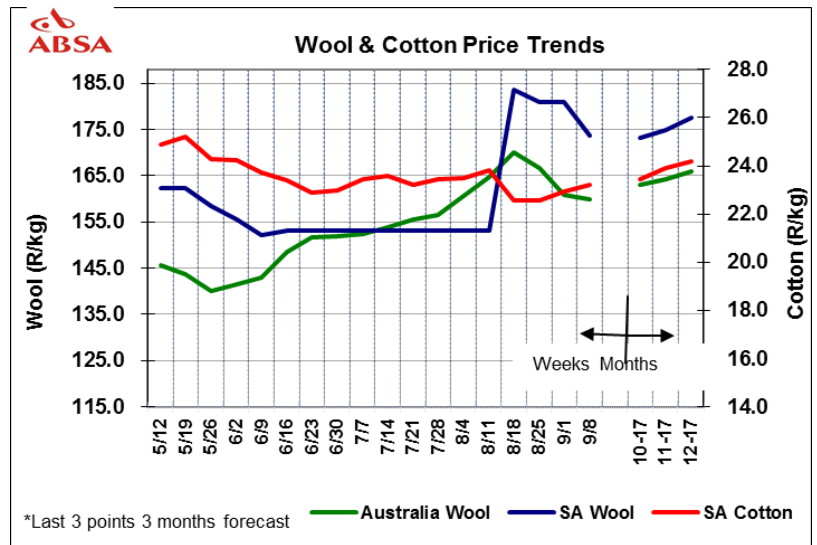
## Cotton market trends

### International

Cotton prices traded 3.04% higher over the past week and closed at US69.05c/lb.

#### Bullish factors

- Concerns over crop damage from Hurricane Harvey, and continued strong US export sales data support cotton prices. The next hurricane, Irma, may also negatively impact the cotton crop.
- Prices continued to strengthen on Monday after China said that it would ban trading firms from buying cotton from state reserves for this month, allowing cotton spinners a free hand at purchases from the daily auctions of the state's (huge) stocks.
- China, which began this year's auctions in early March, had intended to end the programme last month, before the strong demand persuaded it to keep the events going for September too.



#### Bearish factors

- The US cotton crop, though is expected to still be large this year.

## Domestic

The derived SA cotton prices traded 1.16% higher to close at R23.21/kg. The increases in prices were in line with the increases in international prices and due to the strength in the South African rand. As far as the local outlook is concerned, the 7th estimate for the 2016/17 production year indicates a total crop of 82 785 lint bales, which is an increase of 64% from the previous season. About 80 785 lint bales are estimated to be produced from South African grown seed cotton, up 60% from the previous season.

## Outlook

Internationally, tropical Depression Harvey and the development of the next hurricane, Irma, may continue to support the cotton market.

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

**Fibres market trends**

**Week ended 08 September 2017**

<b>Wool prices</b>	<b>%</b>	<b>SA prices (c/kg)</b>	<b>%</b>	<b>Australian prices (SA c/kg)</b>	<b>%</b>	<b>Australian future Sep 2017 (AU\$/kg)</b>	<b>%</b>	<b>Australian future Dec 2017 (AU\$/kg)</b>
<b>Wool market indicator</b>	<b>-4.01</b>	17366	<b>-0.52</b>	16024		-		-
<b>19µ micron</b>	<b>-3.29</b>	19326	<b>-1.15</b>	18820	<b>-0.56</b>	17.80	<b>0.00</b>	17.20
<b>21µ micron</b>	<b>-6.84</b>	16672	<b>-0.76</b>	16367	<b>-0.65</b>	15.40	<b>0.00</b>	15.00
<b>Cotton prices</b>		<b>SA derived cotton (R/kg)</b>		<b>New York A Index (US\$/kg)</b>		<b>New York future Oct 2017 (US\$/kg)</b>		<b>New York future Dec 2017 (US\$/kg)</b>
<b>Cotton prices</b>	<b>1.16</b>	23.21	<b>2.41</b>	1.78	<b>1.9</b>	1.58	<b>1.6</b>	1.564

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