Agri Trends

23 November 2017

La Nina development will hopefully improve summer rainfall conditions.

Production conditions deteriorated in the summer crop production areas in November due to below expected rainfall, very low temperatures, hot and windy conditions as well as very low temperatures, as was seen with the frost damage occurrence in the eastern Free State, causing damage to soybean crops. Weather conditions restricted soybean crop plantings during its optimal planting dates. Therefore the industry anticipates a shift to sunflower seed production because plantings can still take place until December and early January. The La Nina development is in full swing, and will hopefully bring about good rainfall in mid to late summer, alleviating the current weaker than expected rainfall conditions.

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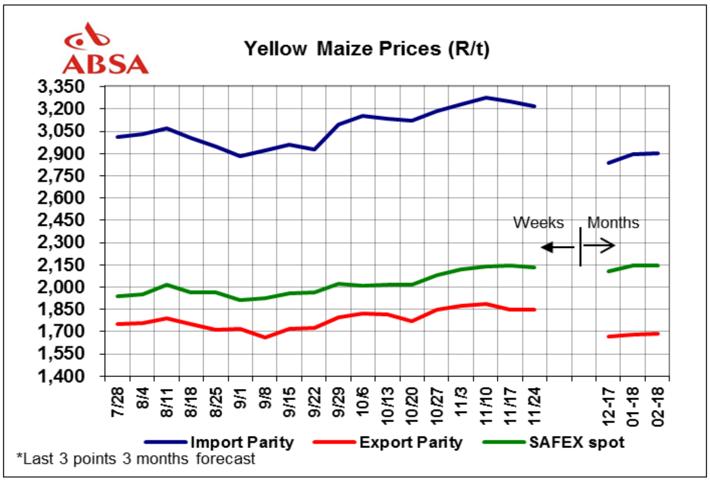
Maize market trends

International

Week-on-week yellow maize No 2 gulf price increased from US$146.86/ton to $149.72/ton. Maize price traded slightly higher today (23rdNovember 2017), ahead of the holidays, weather concerns in South America was also a reason for the price support. Rains may ease Argentine dryness concerns. Medium term weather outlooks seem to show rainfall chances well below normal through early December. If this weather pattern to continues into the New Year, which would affect crops during key development periods.

<u>Bullish factors</u>



- Weather uncertainties still a going concern. Due to the probable La Nina in South America next month, maize supplies could tighten.The development of La Nina is in full swing, and conditions could create unfavourable dry conditions in southern Brazil, Central Argentina and Paraguay in Dec/Feb 2017/18. We could see significant price volatility into 2018
- The Rabobank outlook foresees a decline in US maize plantings for the 2018/19 season.
- Concerns about Argentine dry conditions persist. According to “The Commodity Weather Group” rain received this week wouldn't be enough to replenish all of the country's growing regions. A third of maize and soybean crops are drying out over the next two weeks.

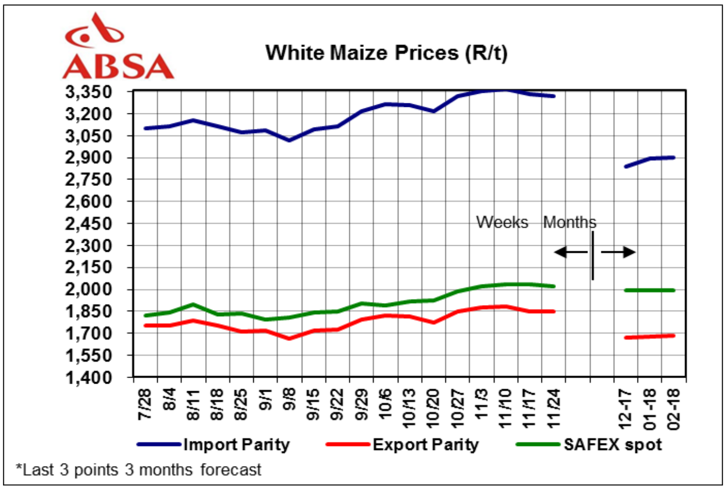
<u>Bearish factors</u>

- Plentiful supplies from the US harvest burdening prices. The USDA’s Crop Production report released on November 9th described an unexpectedly large maize yield increase for the 2017 crop.

Domestic

By the 23nd November 2017 , week on week new season white maize prices for delivery in Mar2018 increased marginally by 0.6% (R12) from R2052/ton to R2064/ton, Jul 2018 contracts increased slightly week-on-week by 0.1% (R3) from R2143/ton to R2146/ton . Week-on-week new season yellow maize prices for delivery in Mar2018 remained unchanged at R2160/ton. Prices for delivery in Jul2018 for yellow maize were recorded at R2209/ton a 0.2% decline from R2213/ton.

<u>Bullish factors</u>



- Rainfall conditions for the summer rainfall area are poorer than expectations. This is impacting the planting of summer crops and the condition of natural grazing land.
- The Free State and North West plantings of summer crops are at lower levels due to lower rainfall received. Plantings will fully commence when the topsoil moisture is adequate to provide for proper germination of crops.

<u>Bearish factors</u>

- South African maize planting intentions still indicate a great number of farmers planning to plant maize as their main/primary crop again in the new season. We do not anticipate a change in the total maize planting intentions, keeping it the same as the latest CEC report: White maize (1 404 100 ha), Yellow maize (1,066,300 ha) and total maize planting intentions at (2,470,400 ha).

- Export activity has been fairly low with only 1,030,323 tons yellow maize and 519,621 tons white maize exported. Export levels are not sufficient to reduce the current stocks. We expect very large carry-over stocks into the season.
- La Nina is usually responsible for a late start rainy season, with good rainfall over the mid to late summer rainfall. Domestic current weather outlook is similar to the previous season.

Outlook

Due to the large anticipated carry-over stocks, the local maize price is anticipated to carry on moving sideways in the coming season. Any shocks in movements or pick up in export activity will be supported by the Rand volatility due to the political uncertainty in South Africa.

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Summer crop planting conditions weren't ideal in November due to lower than expected rainfall, hot and windy conditions as well as very low temperatures. The Eastern Free State soybean crop had some frost and cold damage. Planting dates for soybeans and groundnuts have expired; therefore we anticipate a shift to more sunflower plantings. Sunflower and maize planting can still take place in the Eastern parts of Free State. Maize till end of December and sunflowers until the first part of January

Yellow Maize Futures: 23 November 2017	Mar-18	May-18	Jul-18	Sep-18
CBOT ($/t)	143.79	147.14	149.99	152.55
SAFEX (R/t)	2160	2177	2209	2281
SAFEX (R/t) Change week on week (w/w)	0	0	-4	2

Dec-17			Mar-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,200	160	120	2,220	201	158	2,240	216	185
2,160	138	138	2,180	178	175	2,200	194	203
2,120	117	157	2,140	157	194	2,160	173	222

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

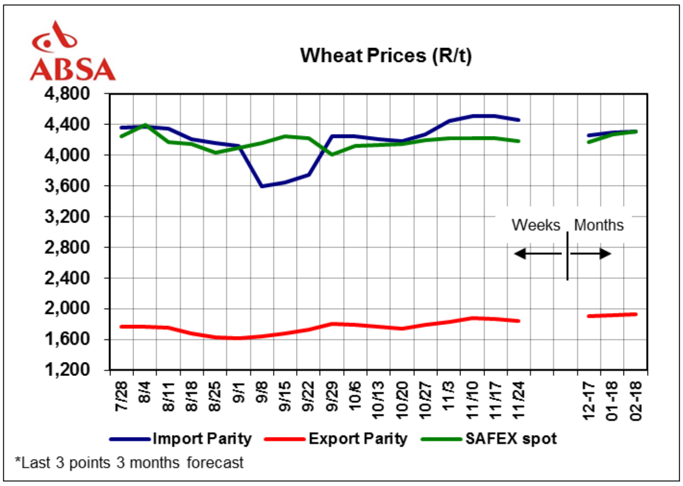
White Maize Futures 23 November 2017	Mar-18	May-18	Jul-18	Sep-18
SAFEX (R/t)	2064	2107	2146	2207
SAFEX (R/t) Change w/w	12	8	3	4

Mar-18			May-18			Jul-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,100	173	137	2,140	194	161	2,180	230	196
2,060	151	155	2,100	171	178	2,140	208	214
2,020	131	175	2,060	151	198	2,100	186	232

Wheat market trends

International

The weekly average old season HRW wheat Gulf price increased from US$182.54/ton to US$185.46/ton week on week.



Bullish factors

- Wheat futures gained on Tuesday amid concerns about radioactive contamination in Russia (the largest wheat exporter).
- Iraq looking to buy 50,000 tonnes of wheat either from the US, Canada or Australia.

Bearish factors

- Global wheat prices drop due to abundant global stocks. Black Sea exports (especially Russia) are dominating the global market with the Russian record crop. Ukrainian winter grain crops are looking much better than last year's crop; this could cause further downward pressure on prices.
- Decline in export sales from the US and EU coupled with plenty world supplies of wheat, put further downward pressure on price.

Domestic

On November 23nd, wheat prices for delivery in Mar2018 decreased by 0.8% (R29) from R4299/ton to R4270/ton. Jul2018 prices decreased marginally by 0.6% also from R4376/ton to R4349/ton, week on week.

Bullish factors

- The main local wheat producing province, the Western Cape, is experiencing drought. The 3rd production estimate by the CEC estimated 750 000 tons wheat crop. With 90% of the harvesting process completed, the WC is likely to produce lower crop sizes as was estimated. We anticipate a lower wheat production of approximately 500 000 tons to 600 000 tons. SA will be importing cheaper Black Sea (Russian & Ukrainian) wheat than previous years to supplement the demand.
- The drought situation in the Western Cape remains critical.

Bearish factors

- A total of 461 947 tons of wheat has been imported by SA since 30th September 2017.Cheaper Russian imports made up 42.3% (195 332 tons) of the imports with Ukrainian imports 26.9% (124 078 tons).
- Millers are enjoying lower cost wheat compared to the previous years.
- The recent published wheat import tariff of R910/ton (effective from the 3rd November 2017) has been providing some underlying support to the local wheat price; however the market has been trading on a lower wheat import tariff this week that's not yet published.

Outlook

The main local wheat producing province, the Western Cape, is experiencing drought. The 3rd production estimate by the CEC estimated 750 000 tons wheat crop. With 90% of the harvesting process completed, the WC is likely to produce lower crop sizes as was estimated. We anticipate a lower wheat production of approximately 500 000 tons to 600 000 tons. SA will be importing cheaper Black Sea (Russian & Ukrainian) wheat than previous years to supplement the demand.

Internationally record wheat stocks keep weighing prices down. Wheat prices are expected to remain under pressure well into the next year, because of large global stocks and Black Sea great crop prospects.

Wheat Futures **23 November 2017**	**Dec-17**	**Mar-18**	**May-18**	**Jul-18**
CME ($/t)	161.98	166.63	177.10	183.81
SAFEX (R/t)	4177	4270	4304	4349
SAFEX (R/t) ***Change w/w***	-34	-29	-42	-27

Mar-18			**May-18**			**Jul-18**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,320	174	124	4,340	197	161	4,380	229	198
4,280	152	142	4,300	176	180	4,340	208	217
4,240	132	162	4,260	156	200	4,300	188	237

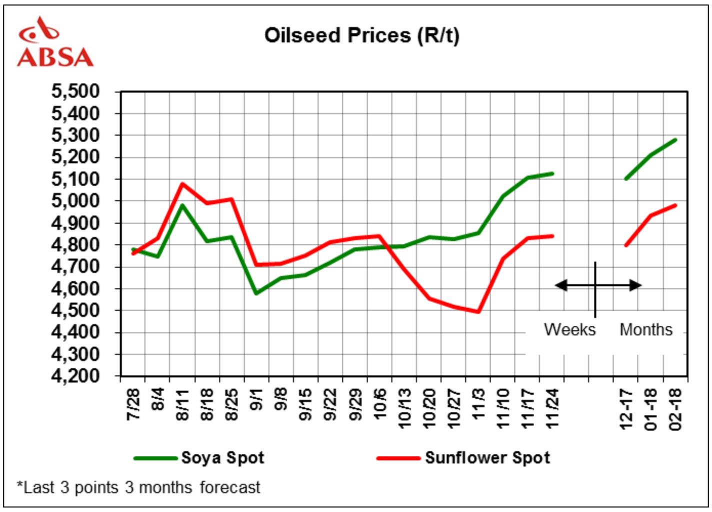
Oilseeds market trends

International

The weekly average USA soybean price increased week on week from US$365.04/ton to US$371.114/ton. US soya oil prices decreased from US$34.51/ton to US$34.80/ton and soymeal prices also traded marginally lower from US$313.94/ton to US$313.78/ton.
Soybean future prices were on a high ahead of Thanksgiving. Global prices also found support from La Nina worries (expected next month) to strain soybean and maize crops in South America.
Soybean prices staying competitive, with prices at the US gulf remaining much lower than at South American ports

Bullish factors

- Lack of farmer selling of soybeans in Argentina is artificially supporting prices. This reduced soybean ownership of crushers to very low levels in November. Therefore soybean crushings will be lower than expected in the next few weeks.
- Weather uncertainties still a going concern. The development of La Nina is in full swing, and conditions could create unfavourable dry conditions in southern Brazil, Central Argentina and Paraguay in Dec/Feb 2017/18.
- Even though we see ample sun oil supplies globally at the moment, the situation will not last the entire 2017/18 season because of CIS countries (major source of sunflower oil prices) reduced sunflower oil production. Forecasted declines in sunflower oil production and export supplies in Ukraine and Russia.



- EU rapeseed imports reached records during July/Sep2017; however declines in imports are well expected from November onwards due to tight (limited) Australian rapeseed supplies.

Bearish factors

- Brazilian soybean crop prospects improved during week ending November 16th.
- World sunflower seed production is likely to increase in 2017/18.Record stocks of sunflowerseed and oil require great demand to support prices. Currently the demand isn't enough to augment the price strength.
- The world cottonseed, cotton oil and cotton meal market this season is marked with ample supplies.
- Soya oil production is set to increase in 2017/18. Rising biodiesel production is driving the increased production of soya oil as well as increased demand in the US and Brazil.

Domestic

On November 23rd, sunflower seed prices (Mar2018) increased marginally week on week by 0.6% (R27) from R4906/ton to R4933/ton while soybean (Mar2018) prices increased by 0.4% (R21) from R 5190/ton to R5211/ton. Soybean prices fared higher than sunflower seed prices. It's anticipated that some of the hectares will be shifted from soybeans to sunflower seed plantings because the soybean planting dates have expired.

Bullish factors

- The summer crop production conditions deteriorated in November due to weaker than expected rainfall conditions, very low temperatures as well as hot and windy conditions. We anticipate a shift to more sunflower plantings into the next season and lower plantings for groundnuts and soybeans.
- Eastern Free State soybean crop incurred some frost and cold damage.

Bearish factors

- Plantings of sunflower can still take place till at the latest early January2018 in the Central and Western parts of the country.
- Establishment of La Nina conditions might improve summer rainfall prospects for the summer rainfall area.

Outlook

Local prices traded higher on the back of higher global soybean prices.
Lower than expected rainfall conditions in November, affected the summer crop production conditions. Soybean and groundnut planting dates have expired in the far eastern production areas. A lower soybean and ground nut crop production is probable in those production areas. Producers may shift to sunflower seed production to leverage off a longer planting time period.

Global prices also found support from La Nina worries (expected next month) to strain soybean and maize crops in South America. 2017/18 will be an above average growth in world soya meal output season – prices will need to stay low to compete. World oilseed production is expected to yield another surplus in 2017/18 (adding to further to the large stocks).
Major trend influences in the oilseed prices in South America:

- Palm Oil prices getting support from strong exports demand
- Fear of La Nina
- Reform of export policy in Argentine debate

Oilseeds Futures 23 November 2017	**Dec-17**	**Mar-18**	**Mar-18**	**Sep-18**
CBOT Soybeans (US$/t)**	366.43	370.56	374.14	377.08
CBOT Soy oil (US c/lb)	34.05	34.42	34.63	34.81
CBOT Soy cake meal (US$/t)*	356.48	362.42	365.16	367.25
SAFEX Soybean seed (R/t)	5102	5211	5279	5371
SAFEX Soybean seed (R/t) change w/w	7	21	21	15
SAFEX Sunflower seed (R/t)	4800	4933	4979	5081
SAFEX Sunflower seed (R/t) change w/w	-6	27	12	22

Sunflower Calculated Option Prices (R/t)

Mar-18			**May-18**			**Jul-18**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,980	265	218	5,020	337	296	5,120	354	315
4,940	243	236	4,980	315	314	5,080	333	334
4,900	223	256	4,940	294	333	5,040	312	353

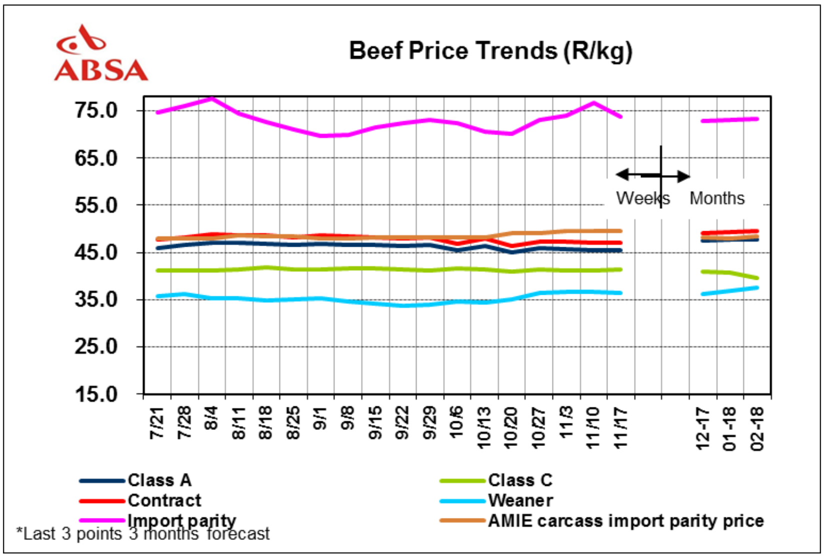
***short ton**

**** Dec 2017 = Jan 2018**

Beef market trends

International

New Zealand steers traded mostly higher over the past week at 0.18% higher 5.70NZ$/kg and cows traded 0.45% higher at 4.45NZ$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 3.14% lower at $229.72/cwt. Rump was 4.67% higher at $298.51/cwt and strip loin was 0.96% lower at $536.10/cwt. Chuck traded 1.21% lower at $220.54/cwt. Brisket traded 1.12% lower at $228.31/cwt. The carcass equivalent price was 0.81% lower at $287.41cwt.



Bullish factors

- New Zealand cattle prices increased over October, supported by strong consumer demand in key export markets.
- Prices were also supported by the seasonal quietness in supply from New Zealand and Australia, where increased rainfall over the last month had reduced the pressure to slaughter cattle.
- Chinese demand for prime beef from New Zealand has also been solid, although New Zealand faced strong competition in that market from the increasing volumes of beef being exported out of South America.
- Recent demand for New Zealand product from China had been very strong, as the Chinese prepared to enter the winter months when sheep meat consumption traditionally increased.

Bearish factors

- Rabobank's latest agribusiness monthly said the temporary suspension of China export accreditation for six Australian red meat processing facilities had now been lifted. The facilities, which accounted for about 30% of Australia's beef exports to China, could now resume exporting. The suspension had been in place since July.
- Wednesday's USDA cold storage report showed total beef stocks for October at 506.9 million pounds, above analysts' average forecast of 489.4 million pounds.

Domestic

Over the past week, beef were mixed across the different classes. The average Class A prices are 0.1% lower at R45.51/kg. Class C prices were 0.80% higher at R41.42/kg. The average weaner calf prices over the past week were 0.4% lower at R36.54/kg. The average hide price over the past week recovered slightly, and prices increased by 0.6% to reach R11.83/kg green. The indication in the market is that there are concerns of possible oversupply in the market in the immediate short term as some tanneries will be shutting down in the next two weeks for the December break and as cattle slaughter tends to strengthen ahead of the festive season. This may weigh on the market. Demand can however still be reported for good quality hides. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- Grazing conditions already improved in some areas and as the summer progresses it will have a strong re-growth that will enable farmers to rebuild their livestock herds. This may continue to support prices.
- Strong demand for beef support prices

- The beef market may start to pick up going into the end of the month. Sales may also be positively influenced by increased spending during Black Friday, which is normally associated with promotions on products.

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 cheaper products.

Outlook

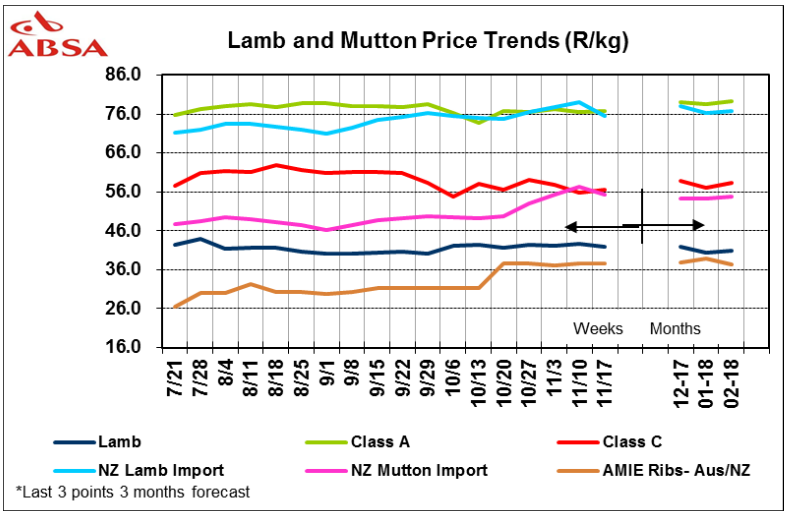
Internationally, schedule prices could ease marginally towards the end of November and over the next month as more cattle became available for slaughter and New Zealand’s beef production levels improve.

Domestically, the outlook for livestock prices remains bullish in line with increased spending ahead of the festive season.

Sheep meat market trends

International

New Zealand lamb prices traded lower this week compared to last week. Lamb prices closed 0.37% lower at NZ$108.4/head for 15kg lamb. Lamb prices were 0.39% lower at NZ$151.7/head for 21kg lamb. Ewe prices traded 1.07% higher at NZ$104.0/head for a 21kg ewe. The import parity price for lamb was 4.56% lower at R75.54/kg, while the import parity price for mutton was 3.26% lower at R55.38/kg.



Bullish factors

- Australian lamb exports have increased from 161 037 tons in 2007 to 252 285 tons in 2016 and analysts indicate that the outlook continues to remain positive.
- 2016 saw record export volumes, and in spite of tighter lamb supplies, it is expected that 2017 only record a 3% drop.
- The US lamb market also continued to perform strongly despite increased supply from both New Zealand and Australia. New Zealand's third-quarter exports to the US were up 19% by volume and 32% by value compared with the same period in 2016. The US lamb market also continued to perform strongly despite increased supply from both New Zealand and Australia. New Zealand's third-quarter exports to the US were up 19% by volume and 32% by value compared with the same period in 2016.

Bearish factors

- There is a growing concern that consumer resistance to the continuing high prices in New Zealand may weigh on prices.
- Alternative proteins are cheaper and pose a constant threat to this market. Lamb and mutton prices are currently trading at high levels, which may bring about consumer resistance.

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 0.3% to R76.77/kg and the average Class C prices increased by 1.2% to R56.56/kg. The average price for feeder lambs traded 1.8% lower at R42.02/kg. The average price for dorper skin is 6.33% lower at R37.75/skin and merinos were 1.38% lower at R97.50/skin.

Bullish factors

- Strong seasonal demand during the warmer months may continue to 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

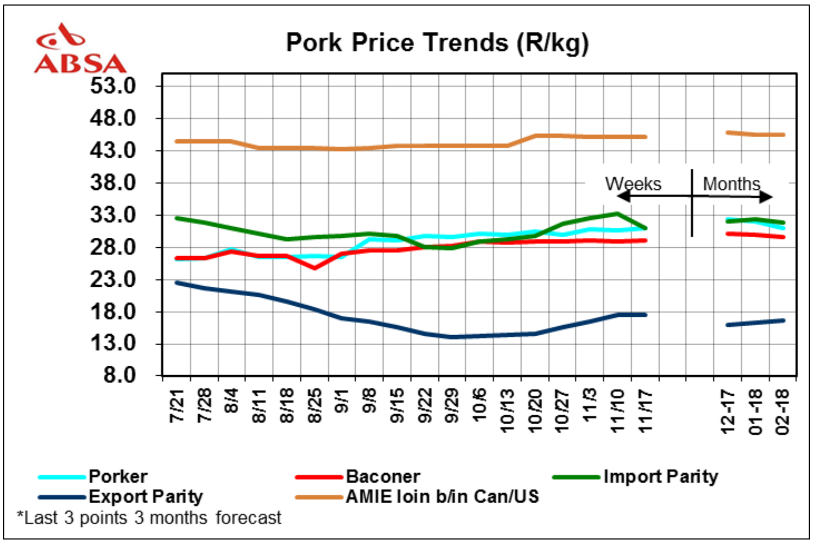
Internationally, tight sheep meat supplies coupled with good demand for the sheep meat market continue to support prices

Locally, the overall outlook for lamb and mutton points to strong prices as improved seasonal demand and the warmer temperatures are supportive to outdoor grilling. Lamb prices are roughly 28% higher compared to the same time a year ago.

Pork market trends

International

The average weekly US pork prices were mixed over the past week. Carcass prices were 0.1% higher at US$80.19/cwt, loin prices were 2.1% lower at US$71.69/cwt, rib prices were 0.4% higher at US$123.97/cwt and ham was 8.3% lower at US$63.88/cwt.



Bullish factors

- The October US Department of Agriculture's cold storage report shows that frozen pork supplies were down 3% from the previous month and down slightly from last year.
- Strong demand for pork in the market may support prices.

Bearish factors

- The US Department of Agriculture's (USDA) monthly cold storage report showed October pork inventory totaled 597.3 million pounds, above analysts' average forecast of 595.1 million pounds.
- A ban on all beef and pork imports from Brazil, the largest meat importer to Russia, has been imposed by the Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor), over concerns about the detection of a forbidden hormone. Rosselkhoznadzor banned produce from the country following test that found the muscle growth stimulant ractopamine, which is prohibited in Russia. The ban comes into effect on 1 December.

Domestic

Pork prices were higher over the past week. The latest average pork prices are as follows: The average porker prices are 1,1% higher at R30.99/kg, while the average baconer prices are 0.6% higher at R29.15/kg. The average cutters prices were 0.4% higher at R30.1/kg whilst the average heavy baconer price was 1.4% higher at R27.88. The SAU price was R21.95/kg.

Bullish factors

- Warmer weather encourages braaing
- The pork market may be supported by increased buying activities towards the end of the month.
- Pork remains a cheaper protein compared to beef and sheep meat, which may continue to support demand in this market.
- 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

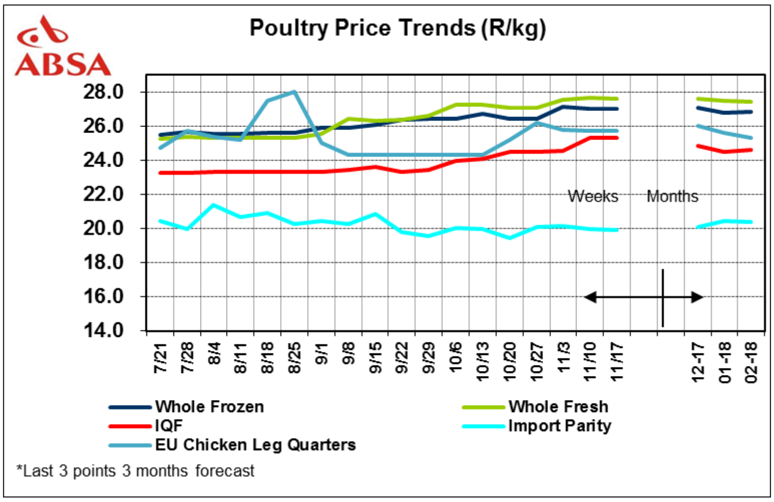
Internationally, higher pork supplies may weigh on the market.

Locally, pork prices may remain strong due to strong market demand and underlying support from the higher lamb, mutton and beef prices.

Poultry market trends

International

Poultry prices in the US were mixed over the past week. Whole bird prices were 0.37% lower at 85.80USc/lb. Breast traded sideways at 94.00USc/lb, while leg quarters traded sideways at 36.00USc/lb.



Bullish factors

- Total red meat supplies in freezers were down 1% from the previous month and down 2% from last year. Total frozen poultry supplies on the 31st of Oct 2017 were also lower, down 4% from the previous month.
- As expected for this time of year, total pounds of turkey in freezers were down 20% from last month, but stocks remain higher than last year, up 14% compared to the 31st of Oct 2016.
- Tight international supplies on the back of bird flu outbreaks are supportive to poultry prices.

Bearish factors

- Total frozen poultry supplies on the 31st of Oct 2017 were 12% higher than the same period last year.
- USDA reported that total stocks of chicken were up 6% from the previous month and up 12% from last year.
- Global poultry trade volumes have been negatively affected by the Avian Influenza (AI) outbreak, with many importers restricting trade from countries with AI outbreaks. Trade reductions were also restricted by the Brazilian meat scandal earlier in the year.

Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.07% lower at R27.02/kg during the week. Whole fresh medium bird prices were 0.05% lower at R27.63/kg, while IQF prices were 0.12% higher at R25.33kg.

Bullish factors

- According to monthly food prices reported by Statistics South Africa, egg prices (1.5 Dozen) increased by 7% during the period June to October 2017, whilst prices for (2.5 Dozen) increased by 8% during the same period. Egg prices for 2.5 dozen eggs meanwhile increased by 6% from September 2017 to October 2017. Egg prices are following an upward trend, following recent bird flu outbreaks in some regions, leading to shortages of eggs.
- Poultry remains the least expensive protein meat, which may encourage consumer demand.
- Underlying support from the beef industry is supporting the poultry market.

Bearish factors

- Exports of chicken products have been negatively affected by Avian Influenza outbreak.
- Feeding margins have improved on the back of lower maize prices this season.

Outlook

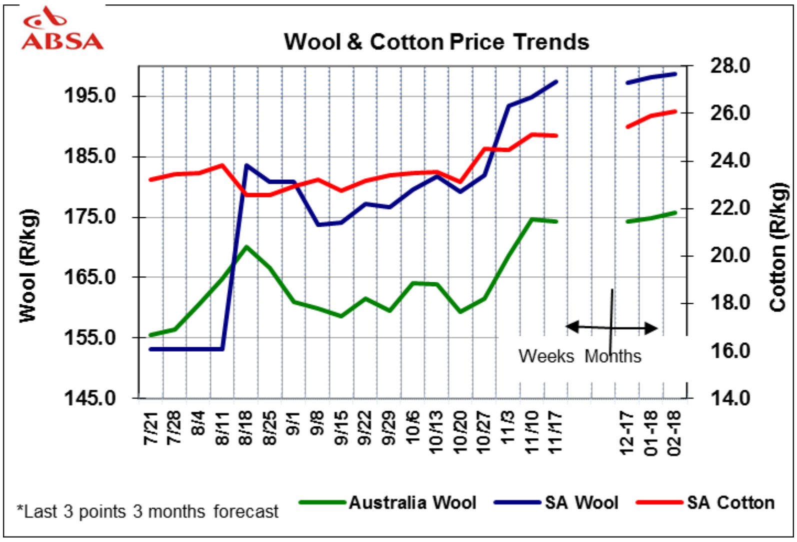
Internationally, tight international supplies on the back of bird flu outbreaks are supportive to poultry prices.
Locally, prices may follow an upward trend based on seasonal trends and as the impact of bird flu may start to influence production. Poultry remains a cheaper protein compared to sheep meat and beef, which makes it favourable.

Livestock prices (R/kg) week 23 Nov 2017	Beef			Mutton			Pork			Poultry		
	%	**Cur-rent week**	**Prior week**	**%**	**Cur-rent week**	**Prior week**	**%**	**Cur-rent week**	**Prior week**	**%**	**Cur-rent week**	**Prior week**
Class A/ Porker/ Fresh birds	-0.1	45.51	45.55	0.3	76.77	76.50	1.1	30.99	30.65	-0.05	27.63	27.64
Class C/ Baconer/ Frozen birds	0.80	41.42	41.09	1.2	56.56	55.91	0.6	29.15	28.97	-0.07	27.02	27.04
Contract/Baconer/ IQF	-0.08	46.97	47.01	-0.4	76.74	77.03	0.9	30.07	29.81	0.12	25.33	25.30
Import parity price	-3.81	73.83	76.75	-3.26	55.38	57.24	-0.3	37.5	37.6	-0.2	19.91	19.96
Weaner calves/ Feeder lambs	-0.4	36.54	36.67	-1.8	42.02	42.78		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0	49.50	49.50	0	62.35	62.35	0	45.25	45.25	0	25.70	25.70

Wool market trends

International

The Australian trade witnessed another all-time high weekly closing price. The Australian wool market prices averaged higher this week and closed 0.12% higher at Au1683c/kg at the recent auction. Prices are roughly 28% compared to the same time a year ago.



Bullish factors

- Strong export demand is continuing to encourage increasing wool prices, delivering record highs.
- Chinese interests have been particularly strong as they have continued to buy up Australian wool, supported by Australia's weaker dollar.
- The market for Merino wool remained solid and started the week well, before easing back on Thursday.
- An expected three-week break in sales over Christmas may be driving current sales. There are a few weeks of sales left for the year.

Bearish factors

- After the recent rapid increases, the Australian wool market took a breather this week in response to an increased offering of over 50,000 bales.
- Next week's volumes are similar at around 49,000 bales.
- High wool prices may weigh on future demand.

Domestic

The last sale was on the 15th of November 2017. Domestic wool market prices continued to record strong gains and were 1.27% higher to close at R197.43 (clean) at the past sale. The next sale is scheduled for 22 November 2017 where approximately ±11 720 bales will be on sale.

Bullish factors

- A solid market characterised by good demand supported prices at the recent auction
- The Rand was 1,2% weaker against the US Dollar and 3,3% weaker against the Euro, compared with the average rate at the previous sale.

Bearish factors

- 24.2% more volumes were offered and sold at the recent auction, higher compared to volumes at the previous sale.

Outlook

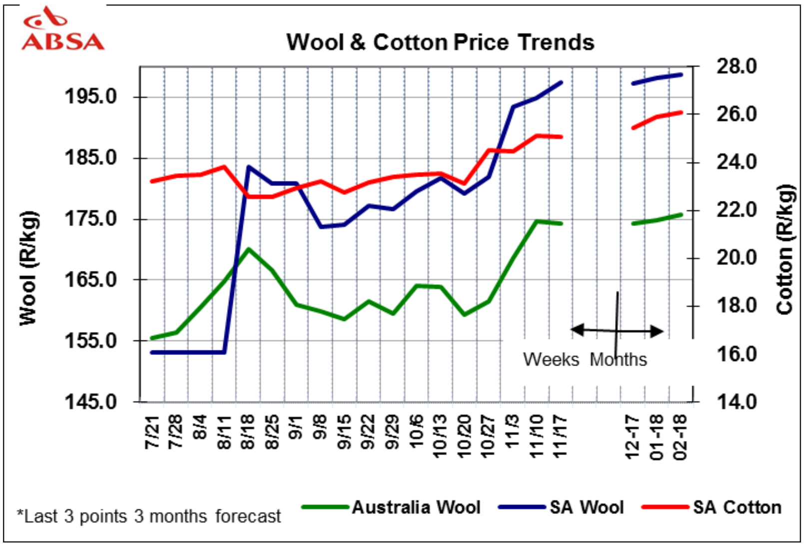
Internationally, prices remain supported on the back of strong export demand on the global market and favourable Australian currency.

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

Cotton market trends

International

Cotton prices traded 0.69% higher over the past week and closed at US67.40c/lb.



Bullish factors

- The market reports the potential for China returning to higher levels of imports, having run down its state inventories substantially through auction programmes.

Bearish factors

- This Tuesday (US Department of Agriculture data overnight showed the US harvest at 74% complete, up 10 points week on week, and 2 points ahead of the average pace). Ideas of a large US harvest especially one that is producing a substantially large crop may weigh on prices.
- The overall statistical picture still points to a bearish take on the market with world stocks outside of China at historically high levels.
- The Cotton Association of India (CAI) has released the first estimate of cotton crop for the current season (October '17-September '18). India is expected to produce 37.5 million bales of cotton, each weighing 170 Kgs, higher than last year's crop of 33.725 million bales. The increase this year is due to increase in the acreage by about 19% compared to the last season.

Domestic

The derived SA cotton prices traded 0.28% lower to close at R25.05/kg. The decreases in prices were in spite of increases in international prices, but supported by the strength in the South African rand. Some maize producers may switch their maize planting area to cotton to leverage off better profit margins. The 10th estimate for the 2016/17 production year indicates a total crop of 84 611 lint bales, up 67% from the previous season.

Outlook

Internationally, cotton prices may be pressured by larger expected world crop and harvesting pressure in the US.

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

Fibres market trends
Week ended 23 November 2017

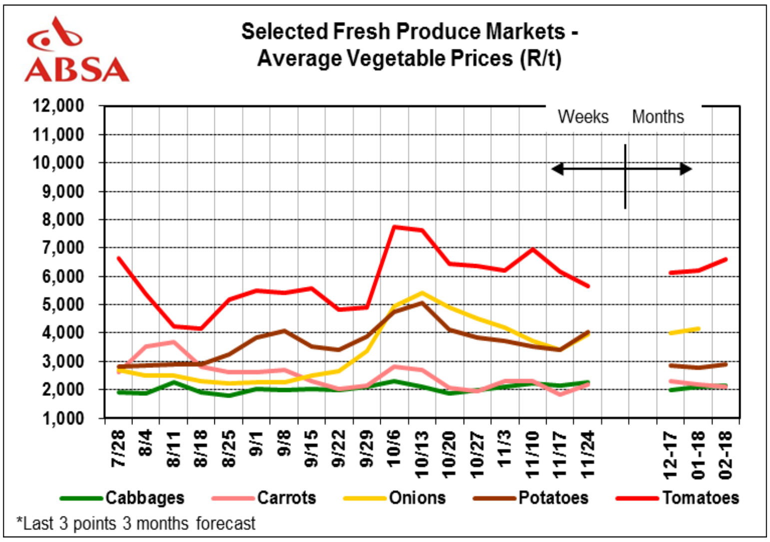
Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Dec 2017 (AU$/kg)	%	Australian future Mar 2018 (AU$/kg)
Wool market indicator	1.27	19743	0.22	18364		-		-
19µ micron	1.00	22628	0.02	21794	0.00	19.30	0.00	19.00
21µ micron	0.63	17998	-0.08	17898	0.00	15.90	-1.91	15.40
Cotton prices		SA derived cotton (R/kg)		New York A Index (US$/kg)		New York future Dec 2017 (US$/kg)		New York future Mar 2018 (US$/kg)
Cotton prices	-0.28	25.05	0.06	1.75	1.35	1.526	0.93	1.525

Vegetables market trends

Potatoes

The top 5 potato producing regions are Limpopo (21%), Western Free State (17%), Eastern Free State (14%) and Sandveld Western Cape (14%) and KZN (5%).

The Sandveld area in the Western Cape is a large potato producing region, delivering approximately 14%-15% of the total national potato crop. The current water restrictions in the Western Cape have influenced planting decisions. The borehole water supplies in the Sandveld area will be sufficient to handle planting intentions well into the next year. However producers that depend on river water will cut back on plantings (but that's a small number of producers), so overall we anticipate a reduced level of potato plantings in the Sandveld area.



Ceres will be heading to a significant reduction in hectares planted because most water will be allocated to the fruit trees; however Ceres is a small potato production area when looking at a national potato production context (Ceres normally do around 1000 ha of potatoes – 2% of national plantings. Average yield between 4,000 and 5,000 bags (10 kg) per hectare). Reductions in planting will not have a significant impact on the national price. Impact will be significant in the Ceres community itself.

The situation can change drastically within the first 5 months of 2018, depending on drought (or any other weather abnormalities). Should the drought continue well into the next year (winter), borehole supplies could get depleted, Sandveld producers may have to reduce their crop significantly by approximately 30% (reduced supplies from the Sandveld, could support higher prices in the other regions, if normal weather support normal plantings/yield in those regions).

In the short term, we anticipate normal seasonal prices to take place.

Onions

Growers in the Western Cape have planted fewer onions than normal; some have not even sown any onions this winter. Producers prefer to use the water for permanent crops. Western Cape production is expected to be lower mostly due to the drought. The WC normal production hectares are normally ±2500 hectares. Currently figures show that only 2000 hectares were planted, of which only 50% is expected to realize due to drought.

The Northern Cape producers are almost done delivering to the FPM (Fresh Produce Markets). Smaller volume is expected; due to reduced plantings as a result of the low prices last year, some growers planted no onions and decided to switch to other crops.
The full impact of the reduced plantings is expected to reach market by February 2018, where prices are expected to soar to record levels. Currently prices are trading at average R40-R50/10kg bag and might increase to R50-R60/10kg bag over the festive holidays at the Johannesburg market.

Tomatoes
Prices may marginally increase over the next two months as production will cease during the very hot months of October, November and December.
Total volumes delivered this week were lower by 11% (however bear in mind that Friday 24th November data was not yet added).This supported prices.

Peppers
Week-on-week pepper prices declined by 2.7% from R8.65/kg (17 November 2017) to R8.42/kg (23 November 2017).

Peppers sold week 23 November 2017 (ton)						
week ending	Bloemfontein Market	Cape Town Market	Durban Market	Johannesburg Market	Tshwane Market	Grand Total
23-Nov	7.93	120.52	17.38	385.01	193.46	724.30
17-Nov	9.17	176.40	20.08	486.60	193.36	885.61
%	-14%	-32%	-13%	-21%	0%	-18%

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 23 November 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	-3.6%	2088	2166	-25.4%	1116	1496
Carrots	5.5%	2310	2190	-21.4%	1897	2413
Onions	5.9%	3802	3590	-4.6%	5065	5309
Potatoes	16.3%	4132	3552	-12.5%	13449	15369
Tomatoes	-10.8%	5896	6610	-11.0%	3877	4358