Agri Trends

4 August 2017

Lamb and mutton prices continue to strengthen

Lamb and mutton prices continue to show steady increases, and have shown an upward trend in recent weeks across the different classes. The feeder lamb prices have also showed strength over the past few months. Should feeder lamb prices (input) increase more than the sheep meat prices (output), this would put pressure on the profitability margins of this particular industry.

Lower supplies in the South African market triggered demand from Namibia. The Namibian industry expects that lamb prices in Namibia will remain strong as the limited supply in South African markets lead to increased demand from Namibia.

Contents

Maize market trends

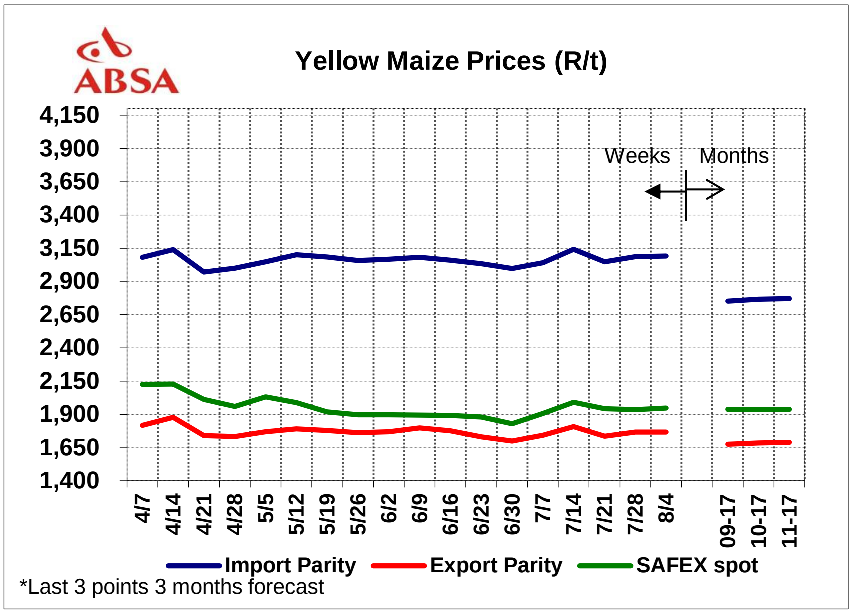
International

International CME maize prices were lower this week, due to cooler/milder temperatures this week and expected next week.

Week-on-week yellow maize No 2 gulf price decreased from US$154.11/ton to $151.99/ton.

Bullish factors

- EU maize imports set to continue, thanks to weakened prospects for domestic output, officials are forecasting increase import demand to record highs.
- The European Commission reduced its estimate for EU maize production, by 3.61million tonnes from last month to 58.45 million tonnes. Harvest downgrades due to the dry and hot weather.
- According to the Agricultural Ministry, Chinese maize production is set to decline to at a 4-year low to 211.9 million ton this year. The recent unfavourable weather conditions (dryness in north-eastern China) in the key growing regions may further reduce the crop output.



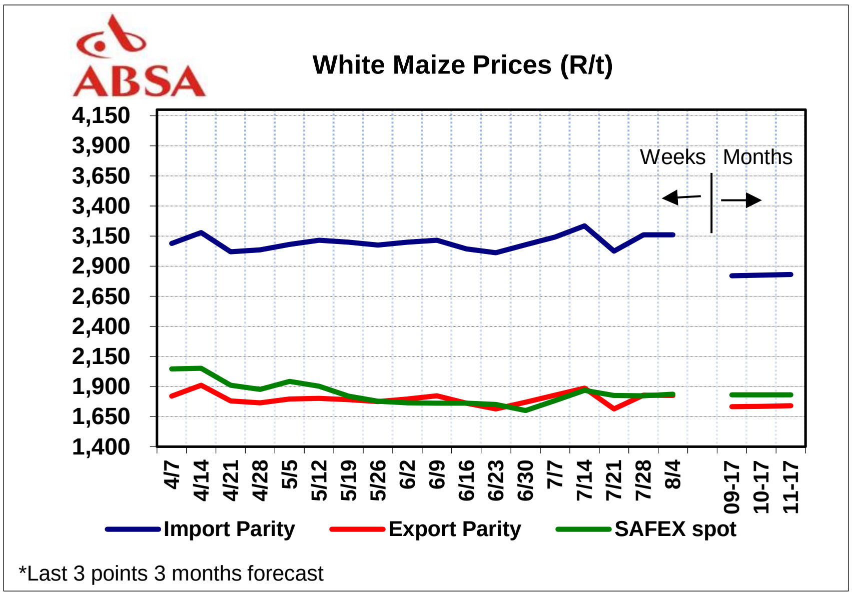
Bearish factors

- 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.
- Brazil poses as a huge threat to US maize trading and exports. The US will have to compete with the potential exports from South America during the July-to-September quarter, following strong maize and soybean harvests in Argentina and Brazil. (Brazilian farmers are about to collect their biggest maize harvest ever and US supplies are also ample, this means intense competition to win world buyers in the second half of the year).

Domestic

By the August 3rd, week on week new season white maize prices for delivery in Sep 2017 increased by 1% (R16) from R1815/ton to R1831/ton. Week-on-week new season yellow maize prices for delivery in Sep 2017 increased by 0.3% from R1932/ton to R1938/ton. Prices for delivery in Dec2017 for white maize were recorded at R1909/ton and yellow maize at R2019/ton.

Bullish factors



- The South African Rand declined to 3-week lows against the dollar on Thursday (3 August 2017), as a vote on a motion of no-confidence against President Zuma drew closer (scheduled for August 8). The currency, is trading at its lowest levels since 12 July 2017, and dropped earlier this week, amid fears of a 3rd credit agency downgrade ahead of the review by Moody's on 11 August 2017.
- 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)
- Tanzania is unlikely to lift its export ban soon. The general market however is of the view that, the erratic rainfall in some parts of the growing areas, late start to the rainy season and the damage caused by the army worm, could mean a crop production of 10% below the normal, some observers even assume a possible 20% + loss. South Africa can be

Bearish factors

South Africa's rate of exports has been slow considering the large supplies the country is anticipating. Week-on-week exports declined by 43 % (week ending July 21, SA industry exported 153,467 tons, while week ending July 28 exports were only 87,577 tons). 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).

Outlook

The local white and yellow maize price is expected to trade sideways for the coming months due to the very large supplies in the domestic market. The uncertain political climate, lower economic growth and possible credit downgrades later in the year, will have a direct effect on the strength or weakness (volatility) of the Rand which in return will directly impact the price of maize and the maize export competitiveness.

Yellow Maize Futures: 3 August 2017	Dec-17	Mar-18	May-18	Jul-18
CBOT ($/t)	143.10	148.71	153.44	157.77
SAFEX (R/t)	1938	2019	2065	2135
SAFEX (R/t) *Change week on week (w/w)*	6	10	13	14

Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,980	66	24	2,060	139	98	2,100	179	144
1,940	42	40	2,020	116	115	2,060	156	161
1,900	24	62	1,980	96	135	2,020	136	181

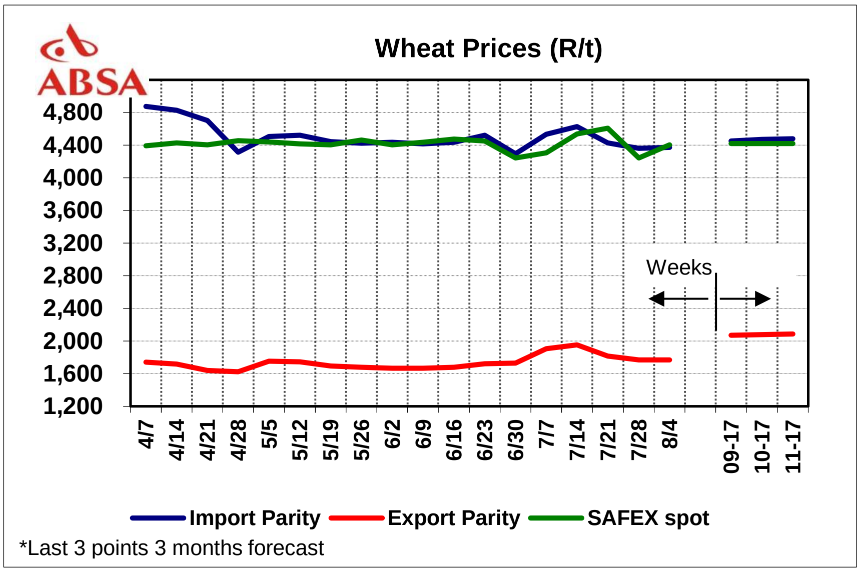
Table 2: Weekly average white maize futures and estimated option prices

White Maize Futures 3 August 2017	Dec-17	Mar-18	May-18	Jul-18
SAFEX (R/t)	1831	1909	1957	2055
SAFEX (R/t) *Change w/w*	16	20	21	18

Sep-17			Dec-17			Mar-18		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
1,880	86	37	1,940	132	101	2,000	191	148
1,840	62	53	1,900	110	119	1,960	168	165
1,800	43	74	1,860	91	140	1,920	147	184

Wheat market trends

International



Critical dry conditions from Australia to the US and Canada may cause production losses. The industry however is still with ample global supplies.

The weekly average old season HRW wheat Gulf decreased price week on week from US$187.08/ton to reach a weekly average of US$185.21/ton

Bullish factors

- Ongoing economic sanctions against Russia have had the effect of making wheat exports from Russia more competitive, caused the country's currency to weaken, which gives Russian wheat a price advantage. Because of this Russia is projected to become the world's top exporter of wheat in the current marketing year.
- Australia and Canada are likely to dictate where wheat prices head into the end of this year. Australia received below average rainfall for the current growing season, the USDA has downgraded Australia crop output to 23.5 million ton, down from their earlier estimate of 25 million ton. The Canadian crop is expected to be downgraded in response to the cut in area planted and the increased area affected by hot and dry weather.

Bearish factor

- Damage to drought affected regions and potential crop losses, is not expected to have a big impact on the global production and the global stockpile.
- Wheat prices are under pressure due to ample global supplies and low US exports. The USDA reported export sales of US wheat for the latest week at 145 500 tons (below expectations of 300,000 – 500,000 tons).

Domestic

On August 3, wheat prices for delivery in Sep 2017 increased by 3.2% (R138) from R 4280/ton to R4418/ton week on week. This was supported by international bullish trends, due to the uncertainty over the impact of the dryness in parts of the Mid-West despite rainfall and milder temperatures received this week.

Bullish factors

- South exported 2,162 tonnes of wheat to its regional markets (Botswana, Namibia and Zimbabwe) during July 2017.
- The CEC's latest report estimates that South African farmers reduced their area planted under wheat by 1.87% (9,515 ha less than the 508,365 ha planted the previous season). Producers shifted to higher income crops.

Bearish factors

- The South African Rand declined to 3-week lows against the dollar on Thursday (3 August 2017), as a vote on a motion of no-confidence against President Zuma drew closer (scheduled for August 8). The currency is trading at its lowest levels since 12 July 2017.
- A total of 50,763t wheat was imported by South Africa for the week ending 28 July 2017.Import destinations were United States (6,109 t) and Russia (44,654t).

Outlook

The prospect of a bumper Russian harvest underscored ample global supplies despite an expected sharp fall in US output. The exportable wheat stocks in major supplying countries (Ukraine, EU, Australia and the US) are expected to decline due to the drought, but effects are not expected to be critical.

Dam levels still remain an on-going concern; especially for the irrigation farmers who will need more water from October. The Western Cape total province levels were recorded at 27.4% (the previous week was 26.2%), however at the same time, last year (2016) the WC dam levels were recorded at 54.8%.
Weather forecasts for South Africa indicate a possibility for wetter conditions in the coming month for the South Cost, the industry remains hopeful.

Wheat Futures 3 August 2017	Jul-17	Sep-17	Dec-17	Mar-18
CME ($/t)	168.19	178.21	186.11	191.25
SAFEX (R/t)	4418	4095	4153	0
SAFEX (R/t) *Change w/w*	138	170	164	0

Sep-17	Dec-17	Mar-18

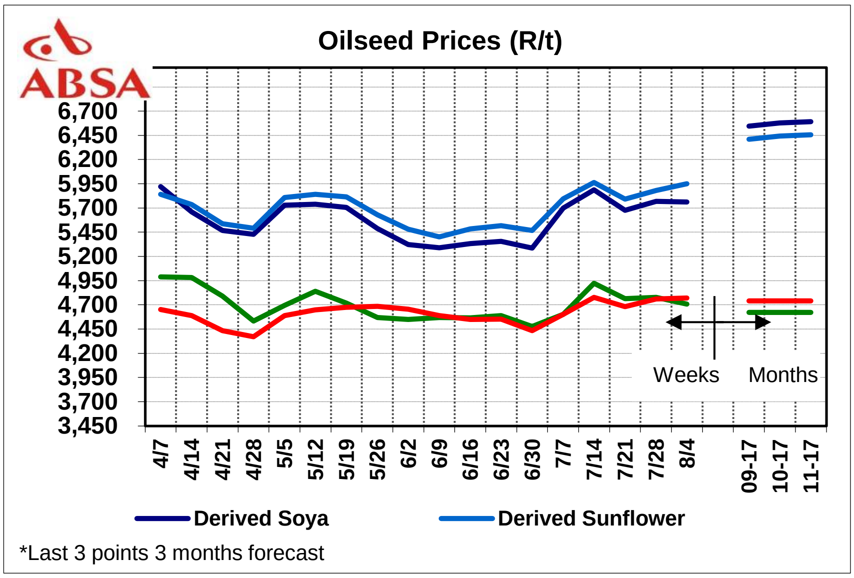
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,460	133	91	4,140	257	212	4,200	343	296
4,420	111	109	4,100	235	230	4,160	321	314
4,380	92	130	4,060	215	250	4,120	299	332

Oilseed market trends

International

There's a significant decline in Indian soybean crop, but old crop stocks still remain large. Large arrivals of Australian canola kept the German rapeseed and canola imports on a high record level of 2.23 million ton during May.

The weekly average USA soybean price decreased week on week from US$383.87/ton to US$372.39/ton. US soya oil prices increased from US$33.88/ton to US$34.00/ton and soymeal prices traded lower from US$320.98/ton to US$ 311.15/ton.



Bullish factors

- The Indian oilseed sowing progress is very behind, raising a possible significant declined in kharif oilseed production.
- Spanish olive oil production is expected to slip below potential for the second consecutive year due to the heat and drought.
- Record disposals for the 2016/17 season coupled with deteriorating crop conditions in Canada, will most likely reduce the Canadian canola supplies by 1.6 –1.8 million ton below a year ago.
- World palm oil production growth is slowing down.

Bearish factors

- Favourable weather and larger plantings may boost sunflower seed and soybean crops to new records this year in Russia.
- Soybean imports into Nigeria have almost come to a standstill since 2016. However the country's soybean and soymeal exports have increased to pronounced levels in recent months.

- Palm oil production has recovered from El Nino effects in Thailand. Should this production uptrend continue output could reach a record 2.2 million ton this year.
- Increased rainfall in parts of the Midwest since July 23 provided relief for some soybean and maize areas.The pronounced increase in rapeseed harvest seen so far in the Ukraine, has already translated into larger exports and crushings of rapeseed. Higher than expected yields were also obtained from the late –planted rapeseed crop.
- Argentinian soybean crushings were reported below expectations at 3.85 million tons (5% lower than a year ago and the lowest level for June in the last 5 years). The cumulative processing demand also declined thus keeping soybean stocks high. The crushings were partly curtailed by reserved farmer selling, because most farmers give priority to maize sales.
- China's 2016/17 production estimates remains at 12.90 million tons and the 2017/18 season is estimated higher to 14.0 million.

Domestic

On August 3, sunflower seed prices (Sep17) increased week on week by 0.1% (R6) from R4735/ton to R4741/ton while soybean (Sep17) prices declined by 2.8% (R131) from R 4753/ton to R4622/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

- Soybean crushing margins showing positive margins compared to a year ago.
- A total of 1,407 ton of soybeans was imported from Malawi & Zambia in June 2017, even tough is estimated to produce a record crop.

Bearish factors

- SA expected to produce a record crop of 1.3 million tons of soybeans. The country will have an exportable surplus; so far no exports were made since May 2017.
- In June the sunflower delivery total was 237,000 ton, above the 5-year average total of 171,000 tons.

Outlook

Expect the local market to shift some of the planting area under maize to sunflower or soybeans, due to the very large maize crop. Soybean prices have been trading lower than the sunflower seed prices for the September 2017 and December 2017 contracts, underpinned by the lower international soybean prices and the large domestic soybean supplies expected.

Positive margins in the soybean and sunflower seed crushing industry support a positive outlook in the longer term.

Internationally some key US growing regions received some needed rainfall, others stayed dry. Crop concerns still persist in soybeans and canola. Upcoming August weather will be decisive for soybeans. The decision on higher import duties in India is still pending, but the time is running out to influence plantings, we foresee a pronounced decline in oilseed plantings, thankfully the heavy soybean stocks will provide a cushion for the Indian consumer.

Oilseeds Futures 3 August 2017	**Sep-17**	**Dec-17**	**Mar-18**	**Jul-18**
CBOT Soybeans (US$/t)**	350.53	356.32	359.26	363.85
CBOT Soy oil (US c/lb)	34.71	35.02	35.25	35.48
CBOT Soy cake meal (US$/t)*	355.27	360.99	363.19	364.40
SAFEX Soybean seed (R/t)	4622	4767	4887	5020
SAFEX Soybean seed (R/t) change w/w	-131	-139	-130	20
SAFEX Sunflower seed (R/t)	4741	4935	5049	4900
SAFEX Sunflower seed (R/t) change w/w	6	28	29	0

Sunflower Calculated Option Prices (R/t)

Jul-17			**Sep-17**			**Dec-17**		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,780	128	89	4,980	250	205	5,080	327	296
4,740	106	107	4,940	228	223	5,040	305	314
4,700	87	128	4,900	208	243	5,000	285	334

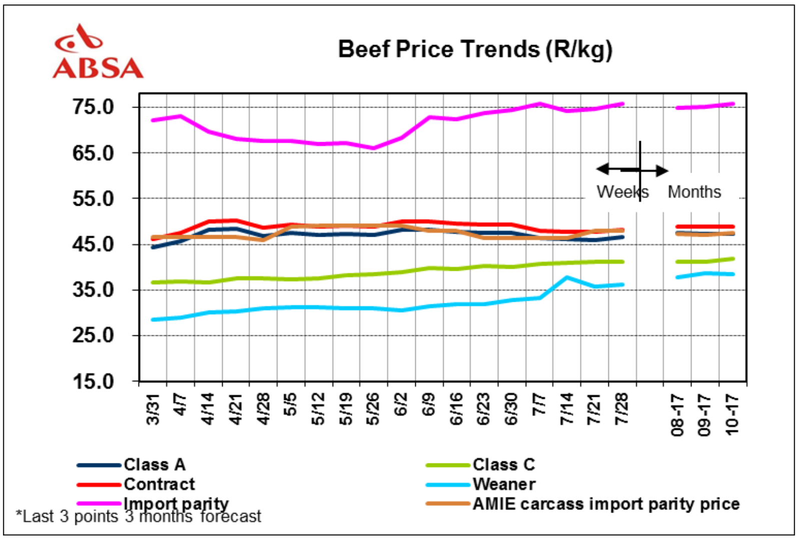
*short ton

** Dec 2017 = Jan 2018

Beef market trends

International

New Zealand steers traded 0.89% lower over the past week at 5.55NZ$/kg and cows traded sideways at 4.45NZ$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 1.33% higher at $231.74/cwt. Rump was 0.43% lower at $380.33/cwt and strip loin was 2.88% lower at $564.75/cwt. Chuck traded 1.03% higher at $230.88/cwt. Brisket traded 2.46% lower at $201.29/cwt. The carcass equivalent price was 1.35% lower at $293.87/cwt.



Bullish factors

- Beef demand both in the US and export markets is reported as being excellent
- Brazilian beef exports appear to be returning to pre-scandal levels, with new data showing global shipments increasing by nearly a third in July. Global sales of frozen Brazilian beef generated $540m in July 2017, which is 31% higher year on year. The weakness in the Brazilian real supported exports. The increased exports, together with increases in volumes exported were reasons for the increases in export values.

Bearish factors

- Increasing Australian supply is putting pressure on the market.
- Increasing US domestic production is weighing on imported demand. The declining cattle futures market and the expectation that domestic prices will be pressured by expected increases in production through the remainder of 2017 are expected to continue to weigh on the market prices.

Domestic

Beef prices were mostly higher over the past week. Class A prices are 1.28% higher at R46.53/kg. Class C prices are 0.41% higher at R41.26kg. The average weaner calf prices over the past week were 1.6% higher at R36.26/kg. The average hide price over the past week was 0.14% higher at R14.16/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

An important development in the livestock industry is the fact that the JSE (Johannesburg Stocks Exchange) is reviewing the beef contract and is also considering the introduction of a weaner contract. These 2 contracts will be positive for the industry, as they can unlock a lot of interest and potential players in the industry. This means that a yellow maize contact and a weaning calf contract can serve as input and output the beef contract. Profit opportunities can be identified quicker and absorbed by the industry through such contracts.

Bullish factors

- 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.
- Class C prices continued to strengthen due to reduced supplies
- Average weaner calf prices remain high on the back of improved demand and less available supplies. There is scarcity in weaner calves at the time were demand is very strong, and hence prices remain supported.

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.
- The higher domestic beef prices may encourage producers to sell on the domestic market.

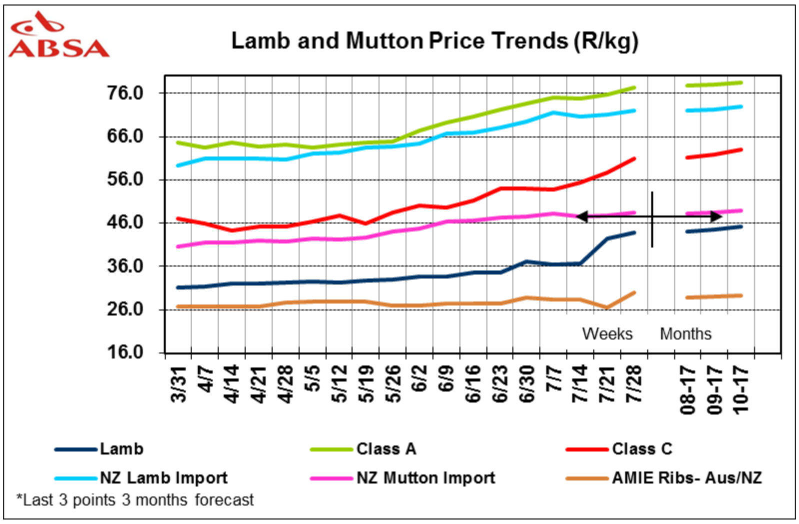
Outlook

Internationally, Beef demand both in the US and export markets are reported as being excellent, which is supportive to 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$100.5/head for 15kg lamb. Lamb prices were sideways at NZ$140.7/head for 21kg lamb. Ewe prices traded sideways at NZ$86.6/head for a 21kg ewe. The import parity price for lamb was 1.52% higher at R72.11/kg, while the import parity price for mutton was 1.48% higher at R48.44/kg.



Bullish factors

- Demand for New Zealand lamb from global markets continues to remain strong; supported by low supplies and inventories.

Bearish factors

- Increasing supply from Australia may be a contributing factor to the weakening demand for New Zealand product. Dry weather through other parts of Australia has become the catalyst for declines in lamb and sheep prices, as it triggers increased supplies.
- The recent strength in the NZD/USD is limiting exporter returns from the US and Chinese markets for New Zealand product.
- Prices for some New Zealand products have reached a ceiling, with customers showing no willingness to pay anymore. There are growing signs that there will be resistance to further increases in prices for some items.

Domestic

Lamb and mutton prices remained strong over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 2.05% to R77.32/kg and the average Class C prices increased by 5.61% to R60.87/kg. The average price for feeder lambs traded 3.39% higher at R43.87/kg. The average price for dorper skin is 0.11% higher at R43.69/skin and merinos were 2.19% higher at R99.64/skin.

Bullish factors

- 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.
- The herd rebuilding process is underway, limiting the amount of sheep to be slaughtered.

Bearish factors

- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton remain the most expensive meat on the market.

Outlook

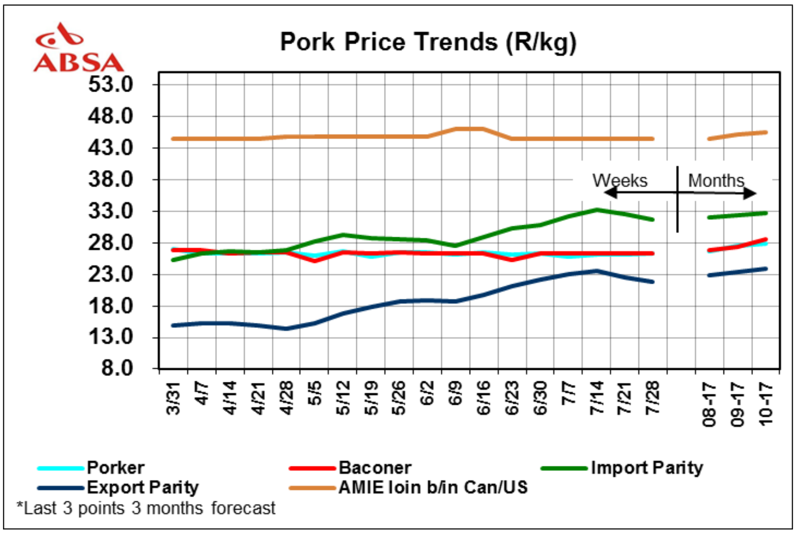
Internationally, demand from the global markets continues to remain strong, which is supportive to prices.

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 R77.32.

Pork market trends

International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 3.2% lower at US$100.11/cwt, loin prices were 5.8% lower at US$88.42/cwt, rib prices were 7.2% lower at US$110.06/cwt and ham was 3.7% lower at US$75.24/cwt.



Bullish factors

- European pork prices have increased to their highest level since 2013 as supply tightens while demand continues to increase, according to research from Rabobank. Tight supply and firm demand have maintained upward pressure on prices. These high prices have become a challenge to exporters.
- EU is experiencing slower exports due to strong prices. In this context, the recently announced trade pact with Japan, offering tariff reductions, is good news for European exporters.
- Increasing US exports are becoming even more important as production continues to expand.
- An update from Rabobank indicates that US pork exports still face uncertainty due to potential trade policy changes and a strong currency, but have been better than expected thus far in 2017. With weaker demand from China offset by stronger demand from Mexico, total exports are expected to increase by about 10%, compared with 2016.

Bearish factors

- The latest analysis from Rabobank expects global pork supply to increase further in the second half of 2017, and competition for global consumers will intensify.
- In the first five months of 2017, China's pork imports were flat, which contrasts with the significant growth seen in quarter 1 of 2016. The recovery of local Chinese production and strong international prices is believed to be responsible for slower imports. Pork prices in China have declined by 30%, from the record levels of last year.

Domestic

Pork prices were mostly higher over the past week. The latest pork prices are as follows: The average porker prices are 0,6% higher at R26.39/kg, while the average baconer prices are 0.3% higher at R26.41/kg. The average cutters prices were 1.7% higher of R27.4/kg whilst the average heavy baconer price was 2.0% higher at R25.79. The SAU price is R19.26/kg and the SAB price is R20.17/kg.

Bullish factors

- Higher beef, lamb and mutton prices may see buyers switch to more consumption of cheaper meats like pork and poultry.
- 12.6% less pigs was slaughtered during June of 2017 compared the same time a year ago.

Bearish factors

- 6.15% more pigs were slaughtered during June of 2017 compared to May of 2017.
- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

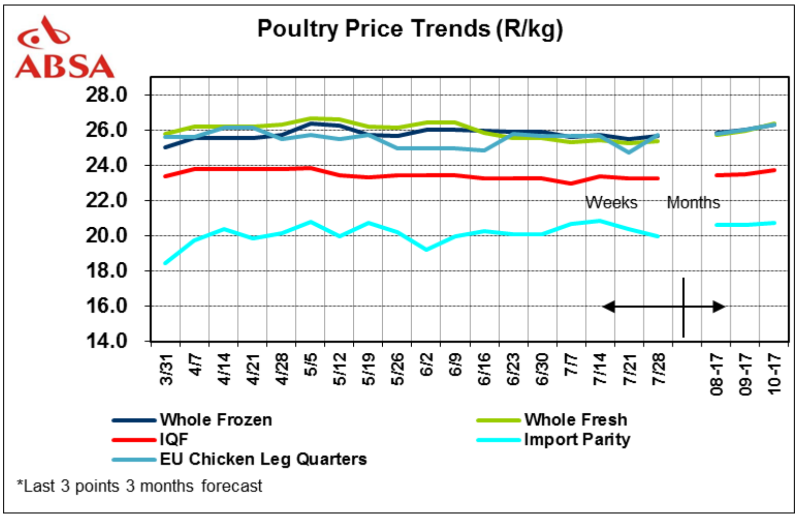
Outlook

Internationally, the latest analysis from Rabobank expects global pork supply to increase further in the second half of 2017, and that competition for global consumers will intensify.
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 3.65% lower at 98.24USc/lb. Breast traded -3.11% lower at 140.00USc/lb, while leg quarters traded 4.71% lower at 40.50USc/lb.



Bullish factors

- The US and, to a lesser extent, Thailand have benefited from the changes in trade, due to bird flu related restrictions and the impacts of the meat scandal' in Brazil.

Bearish factors

- The negative impact of human AI cases has kept prices down in China.

Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 0.73% higher at R25.66/kg during the week. Whole fresh medium bird prices were 0.55% higher at R25.37/kg, while IQF prices were sideways at R23.27kg.

Bullish factors

- Poultry remains the least expensive protein meat, which may encourage consumer demand.
- Production losses associated with bird flu outbreaks may support prices
- 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.

Bearish factors

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

Note* Reports indicate that South African poultry producer Astral Foods recently confirmed a second outbreak of highly pathogenic H5N8 bird flu at one of its Standerton breeding farm in South Africa's Mpumalanga province after avian flu was previously detected on its Villiers farm. In July South Africa's agricultural department confirmed four outbreaks of bird flu, placing the farms under quarantine and stopping the movement of chickens and chicken products onto and off the farms in an effort to prevent it spreading.

Outlook

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

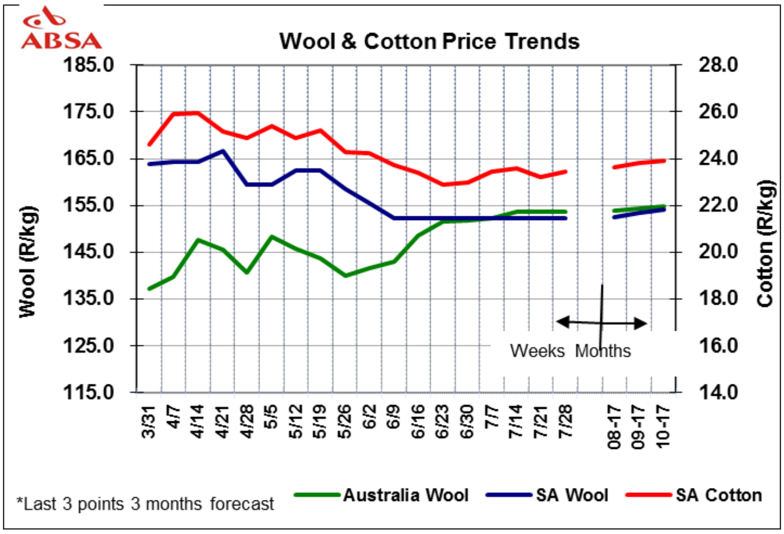
Locally, following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market. This may weigh on prices. However, poultry continues to be the cheapest meat and therefore remains popular in terms of consumption.

Livestock prices (R/kg)	Beef			Mutton			Pork			Poultry		
	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week
Class A/Porker/Fresh birds	1.28	46.53	45.95	2.05	77.32	75.76	0.6	26.39	26.22	0.55	25.37	25.23
Class C/Baconer /Frozen birds	0.41	41.26	41.09	5.61	60.87	57.64	0.3	26.41	26.33	0.73	25.66	25.48
Contract/Baconer/IQF	1.24	48.29	47.70	0.69	77.67	77.14	0.5	26.40	26.28	0	23.27	23.27
Import parity price	1.52	75.73	74.59	1.48	48.44	47.73	-1.9	40.6	41.3	-2.29	19.94	20.41
Weaner calves/ Feeder lambs	1.6	36.26	35.68	3.39	43.87	42.43		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	0	48.00	48.00	3.2	61.60	59.70	0	44.50	44.50	4.04	25.75	24.75

Wool market trends

International

The Australian wool market has entered into the three-week recess. Australian wool market prices were lower and closed 0.13% lower at Au1522c/kg at the last auction before the three week break. Wool sales in Australia are now on a break and will resume in the week commencing 7th August 2017.



Bullish factors

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

Bearish factors

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

Domestic

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

Bullish factors

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

Bearish factors

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

Outlook

Wool sales in Australia are now on a break and will resume in the week commencing 7th August 2017. Analysts forecast that strong demand may continue in the wool market as consumers are increasingly seeking natural and environmentally friendly products. The South African wool auction market is also on a break, and next sale is scheduled for 16 August 2017.

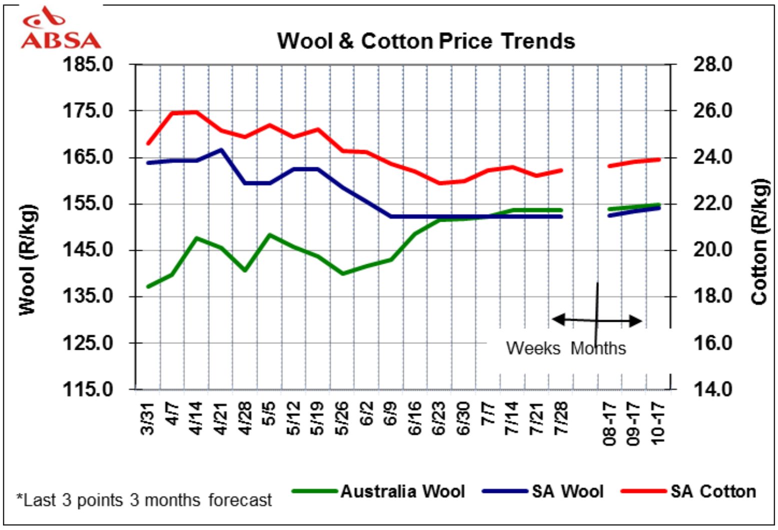
Cotton market trends

International

Cotton prices traded 0.97% higher over the past week and closed at US66.58c/lb.

Bullish factors

- There is improved sentiment in the market reflecting growing worries over the crop in the key US state of Texas.
- US farm officials last week have cut their rating on the US cotton crop, warning of crop damage from high winds carrying dirt and sand, along with multiple hail events in Texas
- Cotton prices were supported by worries over heavy rains in major Indian growing areas. India is a major exporter of the fibre.



Bearish factors

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

Domestic

The derived SA cotton prices traded 1.02% higher to close at R23.45/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

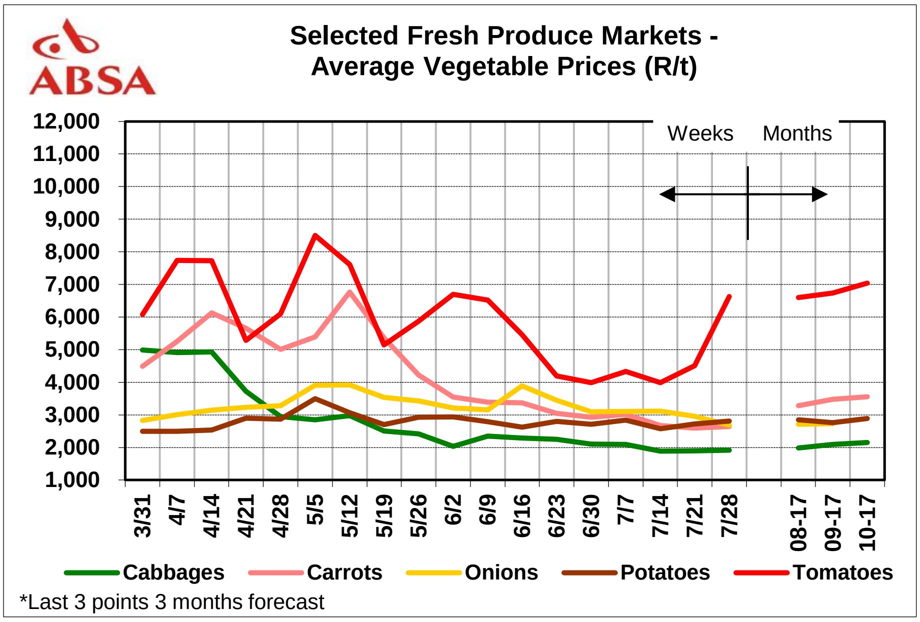
Internationally, worries over crop damage resulting from unfavourable weather conditions may keep pries supported. Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres market trends								
Wool prices	**%**	**SA prices (c/kg)**	**%**	**Australian prices (SA c/kg)**	**%**	**Australian future Sep 2017 (AU$/kg)**	**%**	**Australian future Dec 2017 (AU$/kg)**
Wool market indicator		15218		15551		-		-
19µ micron		17942		18630	0.00	17.40	0.00	16.70
21µ micron		14673		15660	0.00	14.35	0.00	13.80
Cotton prices		**SA derived cotton (R/kg)**		**New York A Index (US$/kg)**		**New York future Oct 2017 (US$/kg)**		**New York future Dec 2017 (US$/kg)**
Cotton prices	1.02	23.45	0.25	1.80	1.4	1.55	-0.1	1.519

Vegetable market trends

Carrots

Market prices are expected to remain constant for the period Jun- Aug 2017 at R3.50/kg- R4/kg. Prices increased w/w by 14% week-on-week due better quality received. Volumes increased slightly by 3.2%



Onions

Prices remain under pressure, prices dropped by 13% week-on-week, due to volume increases of 4.9%. The onion price continues to experience one of its worst years, due to lack of demand from importing African countries (mainly driven by lower economic growth, affecting household incomes) as well as lack of demand from the local consumer.

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

Potatoes

Market prices are expected to move sideways during the winter months (May-Jul) then start to increase towards end July, entering into August. Prices decreased week on week by 0.4 % due to volumes increasing by 10.4% in the Top 5 markets (Bloemfontein, Cape Town, Durban, Johannesburg and Pretoria). Lack of demand didn't support prices.

Peppers

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

Tomatoes

Prices were under pressure. Pronounced declines (23.6%) in prices were reported by end of 4 August 2017.

Overall most vegetable prices declined due to increased volumes, lower demand on the back of lower money available during the week for spending and increased volumes delivered and not taken up at the markets.

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 3 August 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	-14.0%	1850	2152	2.6%	2343	2285
Carrots	14.0%	3490	3062	3.2%	2777	2691
Onions	-13.1%	2490	2866	4.9%	8550	8152
Potatoes	-0.4%	2840	2852	10.4%	21953	19883
Tomatoes	-23.6%	5380	7038	-2.9%	5269	5424

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