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Agri-Weekly

FNB
First National Bank

17 July 2015

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Beef market trends (Graph 1)

International:

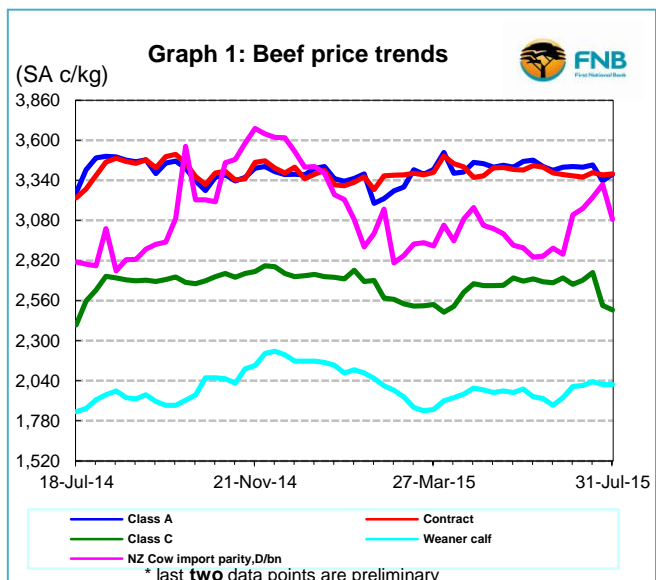
- US imported beef prices continued to post good gains on the back of tight supplies and stronger demand. Market activity on imports was reportedly moderate with prices trending moderate to sharply higher.
- At wholesale level, US beef prices continued their downward slide with the choice category falling by 3% w/w and 6% y/y at US\$234.85/cwt. The select beef prices fell by 2.9% w/w and 4.7% y/y to close at US\$232.12/cwt.
- In the cattle market, the CME feeder index was a bit firmer at US\$223.03/cwt which is up 4% y/y. The weekly cattle slaughter number came in at 538,000 head, down 2.4% w/w and 7.9% y/y. The year to date slaughter reached 15.36m head, down by 7.9% y/y.
- In Australia, cattle prices maintained a firmer trend with the benchmark Eastern Young Cattle Indicator (EYCI) finishing the week at AU\$5.41/kg cwt, which is 62% higher compared to the corresponding period last year.
- The United State Department of Agriculture's (USDA) July 2015 World Agriculture Supply and Demand Estimate (WASDE) report showed a reduced estimate of the 2015 annual US beef production compared June, but the 2016 forecast came in higher than last month. Beef production for 2015 was lowered as feedlot cattle slaughter in the second quarter is reduced. In addition, relatively good forage conditions and higher feed prices are expected to slow the pace of feedlot placements until later in 2015, reducing available supplies of feedlot cattle for slaughter in late 2015. However, these large cattle placements will lead to increased availability of marketed cattle and slaughter in 2016.

Domestic:

- Beef prices maintained a sideways trend across most categories with the exception of Class Cs which were the biggest gainers due to limited supplies. Weekly Class C beef prices advanced by 1.2% from last week at R27.43 per kg, which is 14% higher y/y.
- Class A beef prices were marginally up by 0.4% w/w and 5.6% y/y at R34.41 per kg.
- Contract Class A beef prices gained 0.9% w/w and 5% y/y to close at R33.91 per kg.
- Following a downward trend over the past few weeks due to weak demand, hide prices rebounded slightly and averaged R18.03 per kg for the week.
- In the weaner market, this segment seems to be battling with supplies at the moment. This together with strong demand saw weekly weaner calf prices increasing by 1.2% w/w and 10.6% y/y at R20.34 per kg live weight.

OUTLOOK

Weather will be critical in the next few months leading to summer. Early rains should boost soil moisture resulting in rapid pasture regrowth thereby encouraging farmers to hold on to their cattle and reducing availability for the market, which is price supportive. Grazing conditions are currently very poor.



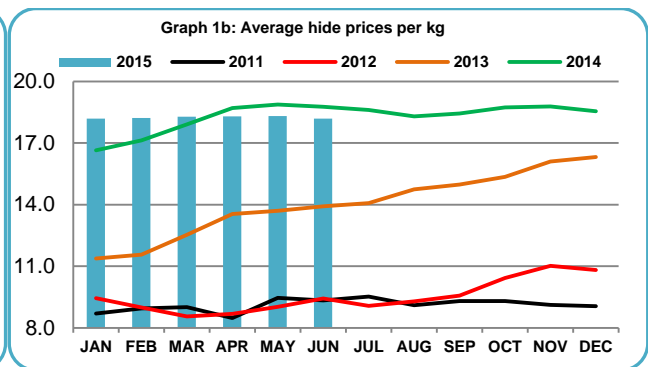
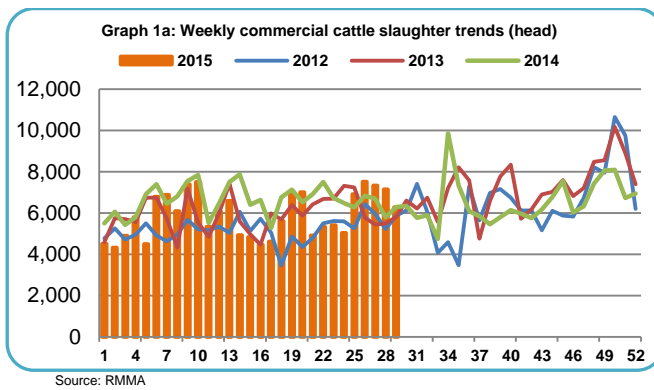
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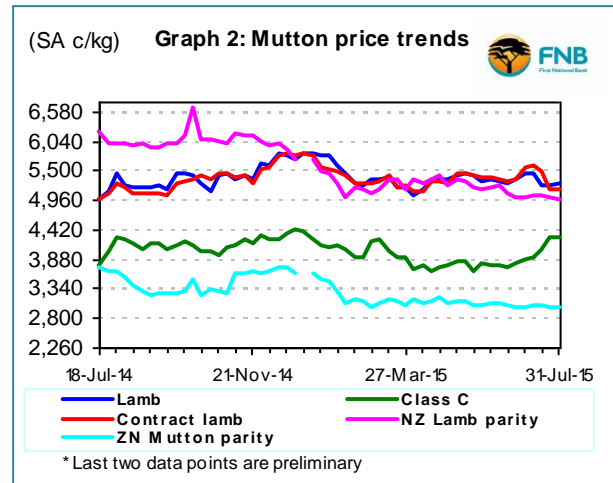
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Mutton market trends (Graph 2)

International:

- In Australia, prices were mixed with lambs trading firmer. The National Trades Lamb indicator rebounded slightly by 2% on the week at AU\$5.86/kg cwt. The mutton indicator prices extended losses and finished down 3% on last week at AU\$3.77/kg cwt.
- Domestic producer prices in New Zealand (NZ) were mixed with the 17.5kg lamb advancing slightly to close at NZ\$90.40/ head but still behind last year by 11%. Mutton prices maintained a sideways trend and closed at NZ\$52.20/ head, but still down by 16% y/y.
- Meanwhile, the export market remains relatively subdued with demand out of China reportedly weak. However, the longer term demand prospects for lamb and mutton in China remain bullish according to reports.



Domestic:

- Prices were mixed during midmonth with the mutton market continuing to post good gains on the back of limited supplies.
- Weekly Class A lamb prices fell by 4.1% w/w but were still 5.3% higher y/y at R52.34 per kg.
- Contract Class A lamb prices were down 2.1% w/w but up 10.4% y/y at R54.69 per kg.
- Mutton prices gained 3.6% w/w and 7.8% y/y at R40.65 per kg.
- Weaner lamb prices reversed recent gains and fell sharply on the back of limited demand. Weekly weaner lamb prices fell by 10% w/w and 2.4% y/y at R24.56 per kg live weight.

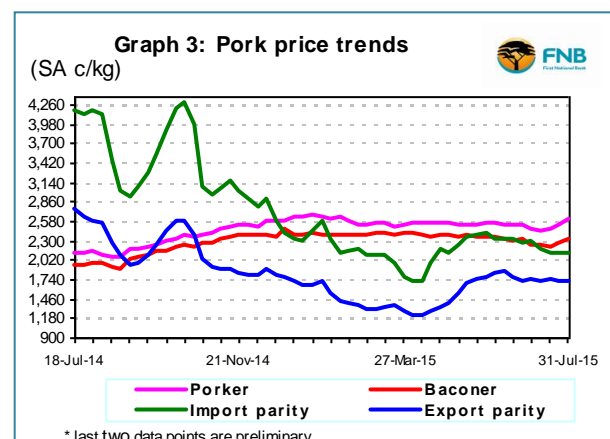
OUTLOOK

The softer trend will continue in the short term as demand remains subdued. Prices are however expected to rebound slightly in the medium term as warmer weather returns.

Pork market trends (Graph 3)

International:

- According to the USDA, the average US pork carcass cutout value was up 1.1% on last week at US\$82.30/cwt but still down by almost 40% y/y.
- Rib prices took a heavy hit, falling by 12.9% from last week and down 4% y/y. Ham prices also posted losses, coming in at US\$51.70/cwt, which is down by 4% w/w and 63% y/y. Loins were the exception, gaining 3.3% w/w but still down by 34% y/y.
- Weekly slaughter data showed a slight increase on last week at 2.09m head, which is up 14% y/y. The year-to-date estimated pig slaughter reached 61.37m head, up 7% y/y.



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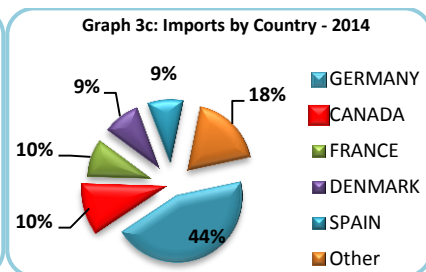
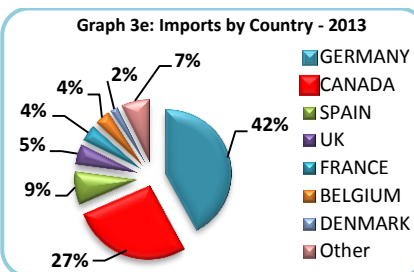
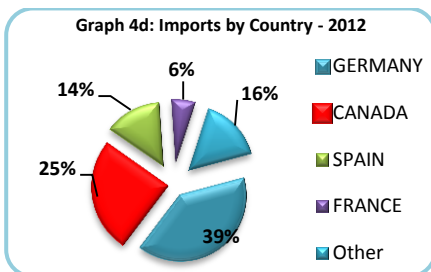
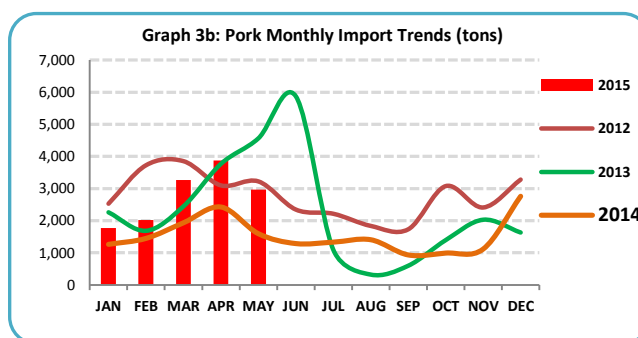
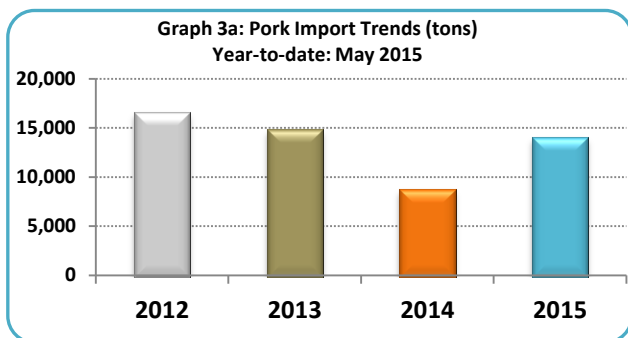
- In the latest WASDE report, USDA increased its estimate of the 2015 US pork production by 0.5% but the 2016 figure came in virtually unchanged from the previous estimate. The 2015 and 2016 pork import forecasts were lowered, while the export forecasts were raised.

Domestic:

- Prices trended sideways to lower with baconers coming under pressure due to softer demand during midmonth.
- Porkers however trended firmer due to limited supplies, ending the week at R24.55 per kg, but still up 16.5% y/y.
- Baconer prices were marginally down at R22.15 per kg, but still up 13.8% y/y.
- Import parity prices ended modestly lower largely due to lower international prices and renewed gains in the Rand/US dollar exchange rate. Weekly pork import parity prices fell by 3.5% w/w and 49% y/y.

OUTLOOK

The short term demand outlook remains sluggish due to seasonality. As a result, there is a limited upside potential for prices in the medium term until warmer weather returns.

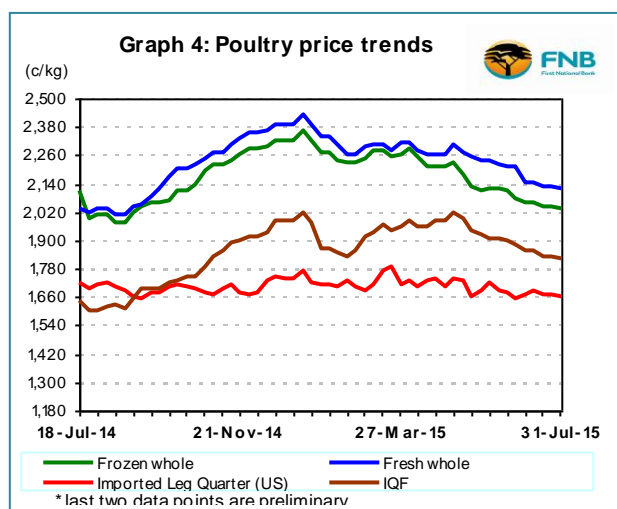


Source: SAPPO, SARS, Own Calculations

Poultry market trends (Graph 4)

International:

- US prices ended mixed with whole birds rebounding modestly.
- Demand at retail and food service was reportedly light to strong approaching the weekend. Market activity was reportedly slow to moderate.
- Whole bird prices gained 1.6% w/w and 3% y/y at US116.00 cents/lb.
- Leg quarter prices weakened and closed at US45.50 cents/lb, down 1.1% w/w and 18% y/y.
- Breast cuts closed at US130.50 cents/lb, down 1.1% w/w but almost unchanged y/y.
- Wing prices were firmer at US167.00 cents/lb, up 20.9% y/y.
- Drumsticks prices reversed recent gains and finished down 15.5% w/w and 20% y/y at US54.50 cents/lb.
- In the weekly US Broiler Hatchery report, egg sets for the week ended 18 July 2015 increased slightly on last year at 216m. Average hatchability for chicks remains at 84.0%.



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The broiler chick placements were up by 3% y/y at 179m head. Cumulative broiler placements from January 10, 2015 through July 18, 2015 were up 3% y/y at 4.96b head.

- USDA raised its forecast of US broiler production for 2015 and 2016 based on hatchery data and continued increases in bird weights. Broiler exports for 2015 were raised on improved demand and large supplies as lower feed grain prices boost production. However, the 2016 forecast came in unchanged.

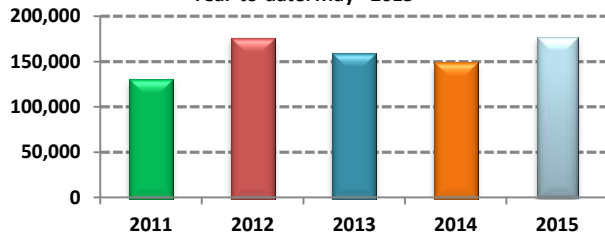
Domestic:

- The softer trend continued on the local market due to limited demand and increased availability of product.
- Weekly frozen whole bird prices eased to R20.46 per kg, down 0.5% w/w and 2.9% y/y.
- Fresh whole bird prices closed at R21.28 per kg, down 0.6% w/w but still 5% higher y/y.
- In the portions category, Individually Quick Frozen cuts (IQF) prices weakened to R18.32 per kg but still up by 11% y/y.
- Import parity prices moved slightly lower due to the weaker international prices and a firmer Rand/ US dollar exchange rate.

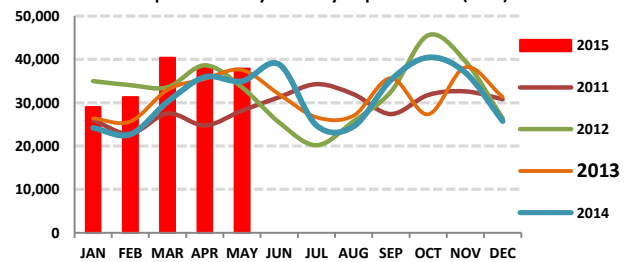
OUTLOOK

The reduced harvest outlook for maize has poultry producers worried as prices have risen sharply and are putting feeding margins under pressure. It is expected that poultry prices will remain under pressure in the short to medium term on prospects of increased domestic and import supplies. Nonetheless, prices should rebound strongly towards year end as favourable braai weather (warmer) returns.

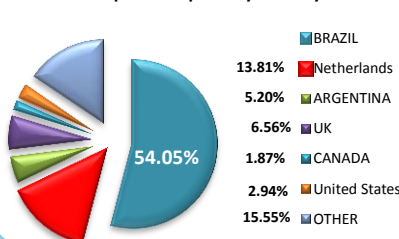
Graph 4a: Poultry Import Trends
Year-to-date: May - 2015



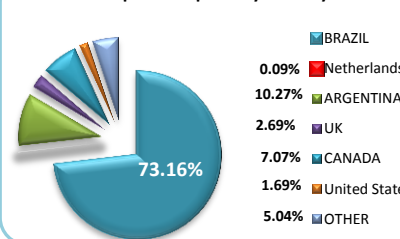
Graph 4b: Poultry Monthly Import Trends (tons)



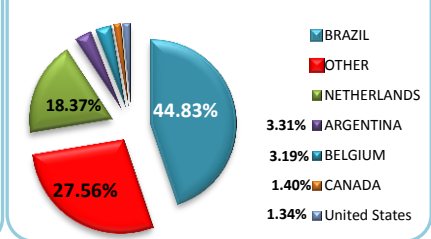
Graph 4c: Imports by Country - 2012



Graph 4c: Imports by Country - 2013



Graph 4e: Imports by Country - 2014



Source: SARS, Own Calculations; *Excluding BNLS

Producer prices for selected livestock commodities 17 July 2015	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	34.41	52.34	24.55	21.17
Open market: Class C / Baconer / Frozen whole birds(R/kg)	27.43	40.65	20.65	20.34
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	33.91	54.69	22.15	18.32
Import parity price (R/kg)	37.65	30.11	21.13	16.72
Weaner Calves / Feeder Lambs (R/kg)	20.34	24.56		

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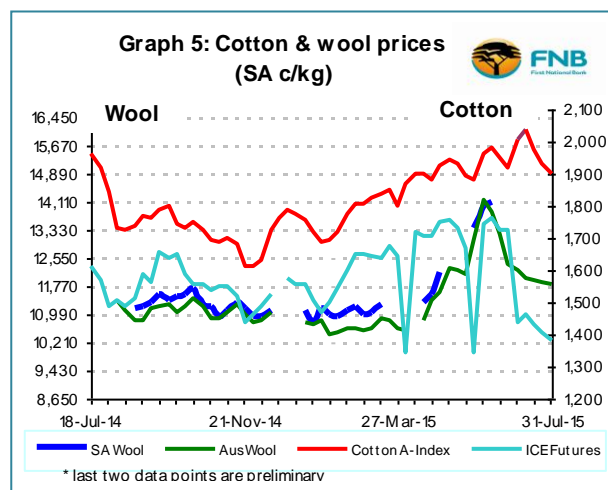
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Wool and cotton market trends (Graph 5)

International:

- US cotton prices posted some modest losses on selling pressure as China's stock offload is in progress.
- Additionally, weather conditions improved in Texas with sunny skies conducive for producers to continue field work, also bolstering overall crop development.
- US Export data came in bearish on weak import demand in China and India. Overall export shipments were down 36% w/w and 35% from the 4-week average at 136,200.
- Reports released on Wednesday indicated a 26% y/y decline in China's imports. This was attributable to lack of import quotas on plans to offload stocks.
- US cotton supply is expected to ease slightly on reduced plantings however stocks remain high on weak export demand. Total use is expected to reach 3.75m bales, down 6% y/y, ending stocks are expected to remain flat at 4.2m bales.
- Overall world production is expected to decrease by 6% y/y reaching 111.46m bales. Exports are expected to remain firm on good import demand in India and Bangladesh where Chinese mills are expanding into. Ending stocks are expected to ease to 108.14m bales, down 3% y/y.
- Weekly cotton averaged 72.36US cents/lb, down 3% w/w and 13% y/y.
- In the futures market, prices ended weaker across the board on overall weak demand. Both the Dec-15 and Mar-16 contracts were down by slightly under 1% w/w closing at US65.22 cents/lb and US64.98 cents/lb respectively.
- Wool market: The Australian wool market is currently on recess.



Domestic:

- The market is closed for the season, the next season commences on the 12th of August 2015.
- The closing Cape Wools Merino indicator for the season was R141.20 per kg clean wool. At that level the indicator was up 27% compared to the opening sale and 23% compared to the season to date average.

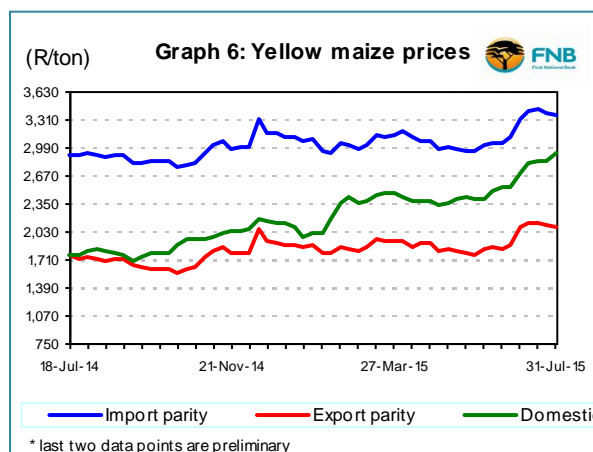
Fibre market prices 17 July 2015	SA prices (R/kg)	Australian prices (R/kg)	Australian futures Sep-15 (AU\$/kg)	Australian futures Dec-15 (AU\$/kg)
Wool market indicator (R/kg)	-	113.27		
19µ long length wool (R/kg)	-	124.35	13.10	12.80
21µ long length wool (R/kg)	-	120.69	12.70	12.40
23µ long length wool (R/kg)	-	117.63	11.50	11.20
Fibre market prices 17 July 2015	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Oct-15 (US\$/kg)	Cotton Futures Mar-16 (US\$/kg)
Cotton Prices (R/kg)	19.75	1.59	1.45	1.43

Cotton Futures on the InterContinental Exchange (ICE); SA Market currently closed for the 2014/15 season

Yellow maize market (Graph 6)

International:

- US maize prices moved sideways to firmer on improved production conditions following heavy rains in the past few weeks.
- Additionally, ethanol production has reportedly picked up momentum and provided further support.
- The turnaround in weather conditions saw USDA leaving ratings unchanged at 69% in the good to excellent condition. This was however still 7-percentage points lower y/y.
- However some fields remain water logged raising concerns over the yields.
- The July USDA's WASDE report put US maize crop at 343.7m tons, which is down 5% y/y due to reduced



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plantings and yield concerns. Ending stocks are expected to ease to 40.61m tons, down 10% y/y.

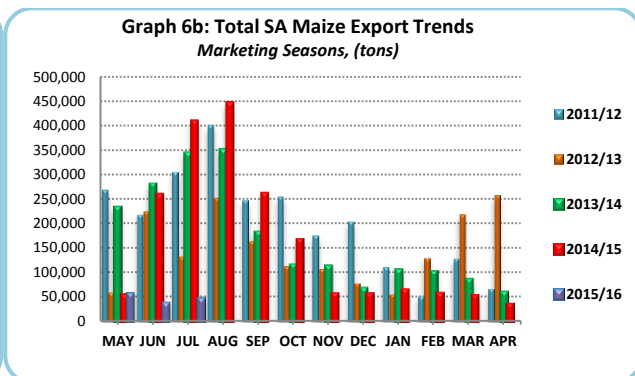
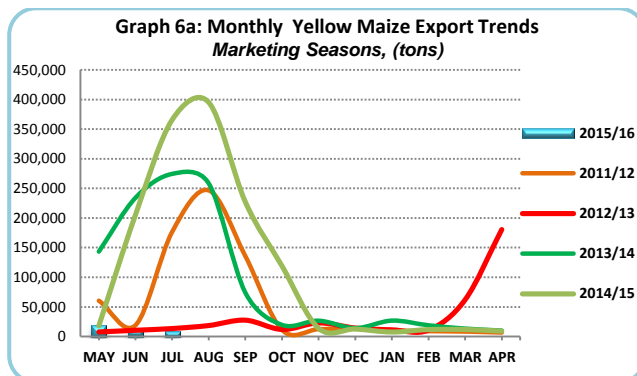
- World production was therefore revised down slightly to 987m tons which is down 1% y/y. Consumption is expected to remain firm with feed consumption up 2% y/y at 609m tons. Ending stocks are estimated at 189m tons down 3% from the previous estimate and 2% y/y.

Domestic:

- Maize prices continue to post modest gains on spill over gains from the international market.
- Prices closed the week up 1% and were 62% higher y/y at R2,835 per ton.
- Exports for the week were estimated at 4,741 tons, all destined to neighbouring countries.
- There were no imports registered for the week, cumulative year to date import stand at 140,789 tons all sourced from Argentina.

OUTLOOK

It remains a weather market internationally. If the recent favourable weather conditions in the USA persist, prices could turn lower in the medium term. Domestic prices are expected to track the developments on international market.



Source: SAGIS

Yellow Maize Futures 17 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
CBOT (\$/t)	170	174	176	178	168
JSE (R/t)	2 884	2 911	2 886	2 631	2 611
CHICAGO CORN (R/t)	3 000	3 045	2 886	2 631	2 611

Calculated Yellow Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-15			Dec-15			Mar-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
2,880	101	64	2,908	161	121	2,880	227	181
2,840	79	82	2,868	139	139	2,840	205	199
2,800	60	103	2,828	119	159	2,800	184	218

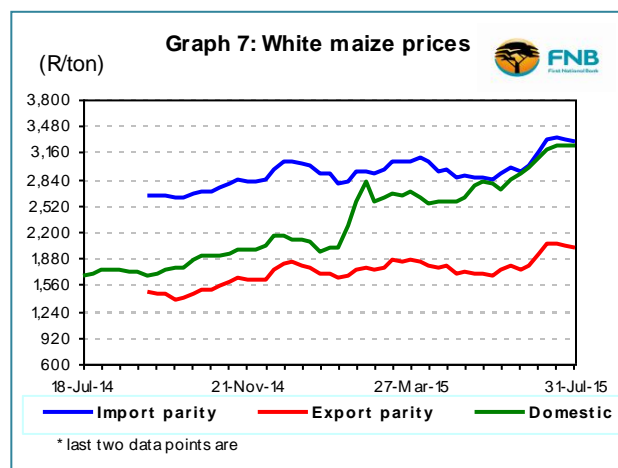
White maize market trends (Graph 7)

International:

- Prices moved sideways to firmer as quality concerns subsided due to the turnaround in weather conditions.
- Weekly white maize prices were slightly up on last week and were 11% higher y/y at US\$165/ton.

Domestic:

- Prices ended firmer due to supply concerns and the spill over gains from the international market.
- Weekly white maize prices closed at R3,252 per ton, up 2% w/w and 95% y/y.
- Exports for the week were pegged at 10,622 tons, with the cumulative season to date reaching 99,267 tons, all destined to neighbouring countries.



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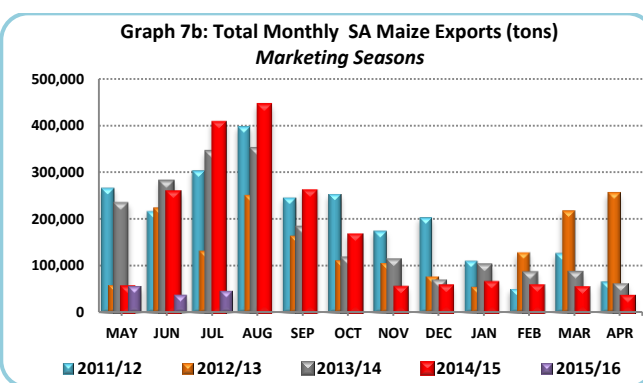
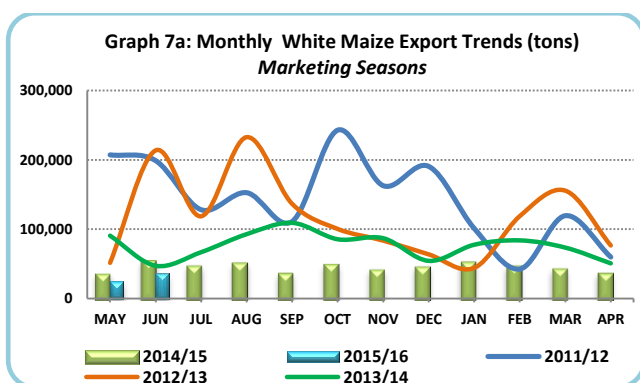
- There were no imports registered for the week, cumulative year to date imports stood at 262 tons all sourced from Zambia.

OUTLOOK

It remains a weather market internationally. If the recent favourable weather conditions in the USA persist, prices could turn lower in the medium term. Domestic prices are expected to track the developments on international market.

White Maize Futures 17 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
JSE (R/t) WM ₁	3 330	3 391	3 354	2 805	2 735

Calculated White Maize Options prices (R/ton) RMB commodity desk (Tel: 011 269 9005)								
Sep-15			Dec-15			Mar-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3,260	128	84	3,320	247	208	3,280	290	256
3,220	106	102	3,280	225	226	3,240	268	274
3,180	86	122	3,240	204	245	3,200	247	293



Source: SAGIS;

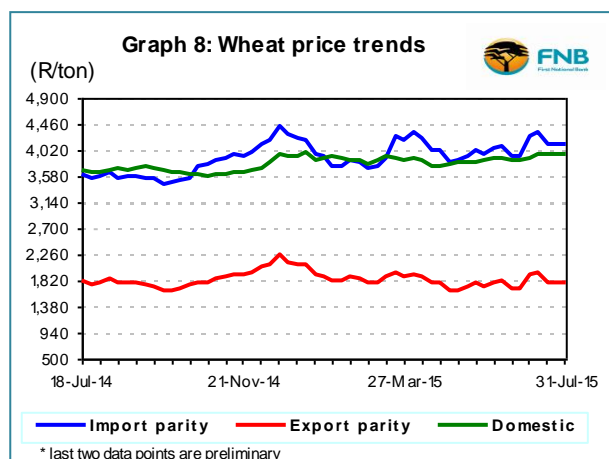
Wheat market trends (Graph 8)

International:

- Weekly wheat prices ended with losses on harvest pressure and poor export demand.
- US export sales saw pressure from the strong US\$ index which limited demand for US wheat.
- The bullish world supply outlook continued to place downward pressure on the market. USDA is expecting the largest winter wheat crop in 20 years at 15.6m tons.
- Total world production is estimated at 722m tons, down from a record of 726m tons in 2014/15 marketing season. This is however the second highest crop on record. Consumption is however expected to ease to 714m tons on reductions in China and Canada. This is however up 2% from the 5-year record. World trade is also expected to ease on low export availability in key export countries.
- Meanwhile, production conditions in Europe continue to deteriorate raising concerns over yields.

Domestic:

- Prices remained relatively firm with concerns over production conditions providing added support.
- Weekly wheat prices closed at R3,950 per ton, up 7% y/y.
- According to SAGIS, imports for the week were estimated at 8,704 tons, all sourced from Canada. The cumulative year to date figure reached 1.5m tons.



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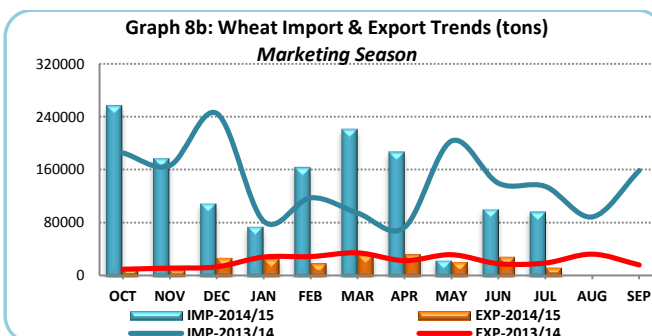
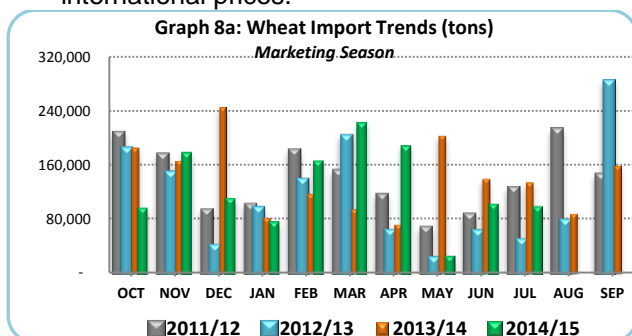
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OUTLOOK

Prices are expected to come under more pressure on the international market due to abundant world supplies. Given the South Africa is a net importer of wheat, prices are expected to continue to track international prices.



Source: SAGIS;

Wheat Futures 17 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
KCBT (\$/t)	207.01	210.17	211.64	211.72	213.92
JSE (R/t)	3 960	3 899	3 952	-	-

Calculated Wheat Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

Sep-15			Dec-15			Mar-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,000	79	39	3,940	124	83	4,000	161	113
3,960	56	56	3,900	102	101	3,960	139	131
3,920	38	78	3,860	83	122	3,920	119	151

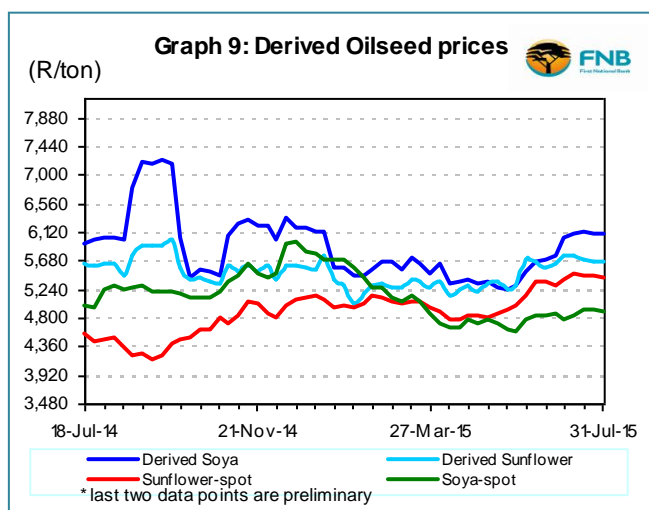
Oilseed market trends (Graph 9)

International:

- US soya bean prices moved sideways on good crushing demand, however pressure from large world stocks limited upside potential.
- Crushing was reported at a month's high of 142.5m tons, which is slightly above market expectations.
- In the latest USDA WASDE report, US oilseed output was revised up to 115m tons based on final plantings report. This is however still down 2% y/y. Further, ending stocks are expected to lower than previous estimates.
- Soya bean output was revised higher on increased land area while yields were left unchanged. Total US soya bean output is estimated at 105.7m tons, down 2% y/y. Soya bean ending stocks were revised lower on high crushing estimates.
- The International Grain Council estimates world production for the 2014/15 322m tons well above the previous estimate and 13% higher y/y on upward revisions for Argentina and Brazil. For the new season, production was left unchanged from previous estimates at 322m tons, down 2% y/y. Beginning stocks for the new season are 55% higher y/y on large carry-over in main exporting countries, notably China.

Domestic:

- Prices were mixed in the oilseed market.
- Weekly soybean prices ended with moderate gains on spill over strength from the international market. Prices closed at R4,927 per ton, however still down 1% y/y.
- Sunflower prices moved sideways to weaker on lack of supportive news, settling at R5,460 per ton, up 20% y/y.



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OUTLOOK

Internationally, soya bean prices are expected to trend sideways with further downside potential on adequate global supplies. However, the medium term price outlook for the domestic market remains bullish due to the lower expected crop compared to last year.

Oilseeds Futures 17 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
CBOT Soybeans (US \$/t)	369.86	-	367.07	366.92	363.10
CBOT Soya oil (US c/lb)	31.94	32.37	32.41	32.46	32.42
CBOT Soya cake meal (US\$/t)	384.16	380.74	369.16	368.06	366.19
JSE Sunflower seed (R/t)	5 481	5 555	-	-	-
JSE Soybean seed (R/t)	4 985	5 045	5 155	5 137	-

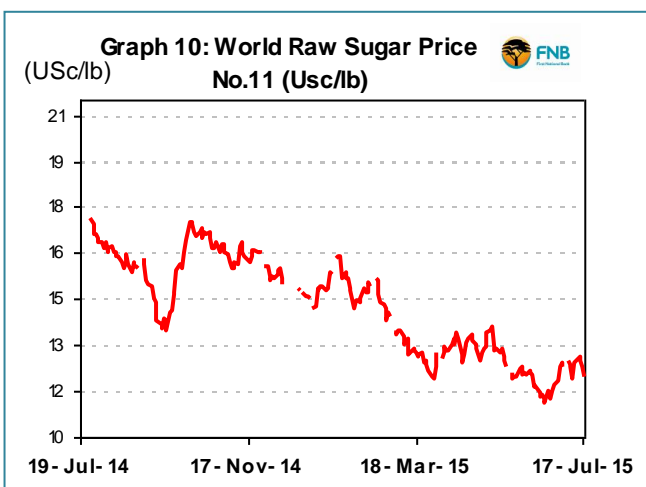
Calculated Sunflower Option prices (R/ton) RMB commodity desk (Tel: 011 269 9005)

Sep-15			Dec-15			Mar-16		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
5,600	152	102	5,620	265	215			
5,560	130	120	5,580	243	233			
5,520	110	140	5,540	222	252			

Sugar market trends (Graph 15)

International:

- Sugar prices moved sideways to firmer as rain induced harvest delays were met by expectations of a bumper crop in Brazil.
- This coupled with the weaker Real should see prices resuming a downward trend.
- However, the lower ending stocks will limit further declines.
- Raw sugar prices were virtually unchanged w/w and settled at US12.38 cents/lb, which is down 28% y/y.
- Futures were down across the board with the Mar-16 contract down 2% w/w at US13.35 cents/lb; while the May-16 contract saw slight losses, ending down 2% w/w at US13.44 cents/lb.



Domestic:

- The June 2015 RV price in respect of cane delivered in May 2015 was declared at R3,867.41 per ton, up by R14.88 m/m. According to the South African Cane Growers Association, this was attributable to the 20,134 ton drop in gross sugar production currently estimated at 1.75m tons, an improved average world market price and the weaker Rand. The downside pressure came from the decrease in the sugar:RV ratio.
- Export availability is estimated at 62,083 tons however further significant revisions are expected in future given the uncertainty in the crop estimate as it is still early in the season.

ICE Sugar Futures 17 July 2015	Mar-16	May-16	Jul-16	Oct-16	Mar-17
Sugar No.11 (US c/lb)	13.35	13.44	13.51	13.75	14.34
% Change w/w	-2.2%	-1.8%	-1.0%	-0.5%	-0.2%

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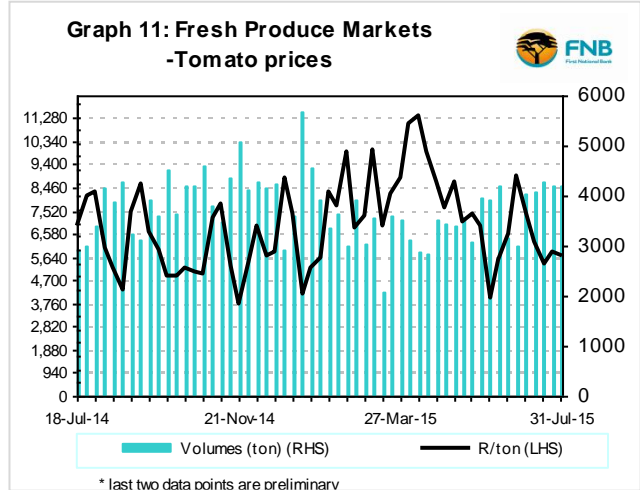
Vegetable Market Trends (Graphs 11 to 15)

Tomatoes

Tomato prices carried the weak momentum as a result of volume pressure.

Weekly tomato prices closed at R5,327 per ton, down 15% w/w and 23% y/y. Volumes of tomatoes traded reached 4,276 tons, up 5% w/w and 46% y/y.

Prices are however expected to rebound slightly on moderation in supplies.

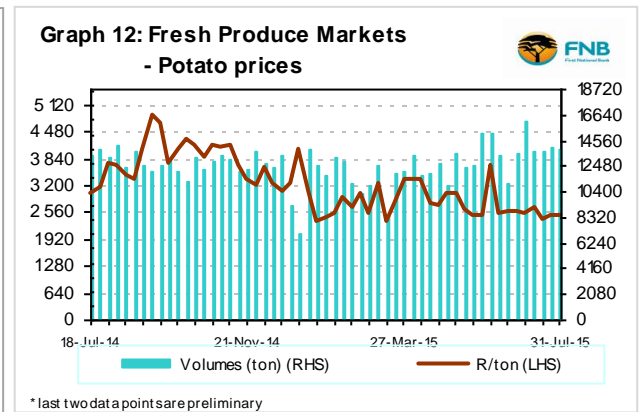


Potatoes

Potato prices resumed a weaker trend on increased supplies across markets.

The average weekly price of potatoes eased to R2,393 per ton, down 11% w/w and 20% y/y. Volumes of potatoes traded reached 13,717 tons, virtually unchanged w/w and up 3% y/y.

Prices are expected to rebound on good demand in the short to medium term.

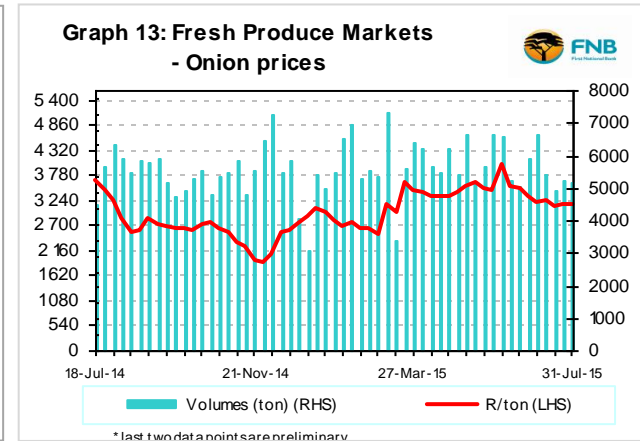


Onions

Onion prices reversed last week's gains on subdued uptake on markets.

Weekly onion prices closed at R3,083 per ton, down 5% w/w and 16% y/y. Volumes of onions traded were pegged at 4,903 tons, down 9% w/w but up 10% y/y.

It is expected that prices will flatten out in the short term on moderation in supplies.



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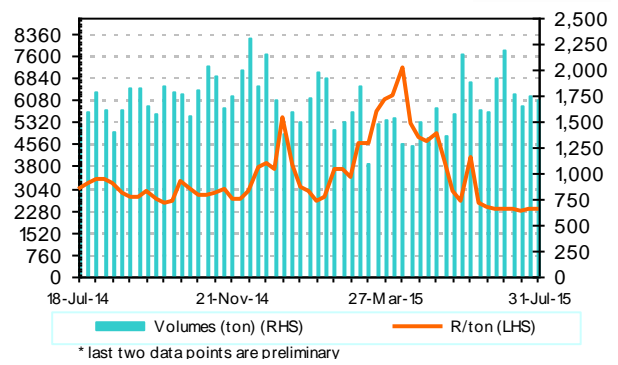
Carrots

Carrot prices extended recent losses under pressure due to moderation in demand during midmonth.

Weekly carrot prices were down 2% w/w and 25% y/y, closing at R2,284 per ton. Volumes of carrots traded reached 1,651 tons, down 7% w/w but up 12% y/y.

Prices are expected to remain flat in the short to long term due to a balance in the supply and demand dynamics for the medium term.

Graph 14: Fresh Produce Markets - Carrot prices



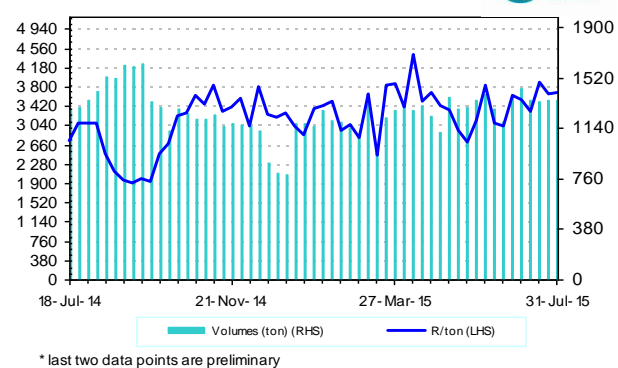
Cabbages

Cabbaged prices rebounded from last week's losses on moderation in supplies across markets.

Weekly cabbage prices closed at R3,875 per ton, up 18% w/w and 42% y/y. Volumes of cabbages traded were down by 1% w/w but up 5% y/y at 1,342 tons.

For the short term, prices are expected to ease slightly on volume pressure, but will rebound in the medium term as demand picks up.

Graph 15: Fresh Produce Markets - Cabbage prices



Vegetable prices: South Africa's Major Fresh Produce Markets. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)

Week ending 17 July 2015	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	5 327	-15%	-23%	4276	5%	46%
Potato	2 393	-11.4%	-20.0%	13717	0%	3.3%
Onion	3 083	-5%	-16%	4903	-9%	10%
Carrot	2 284	-2%	-25%	1651	-7%	12%
Cabbage	3 875	18%	42%	1342	-1%	5%

* Daily prices also available at <https://www.fnbagricomms.co.za>

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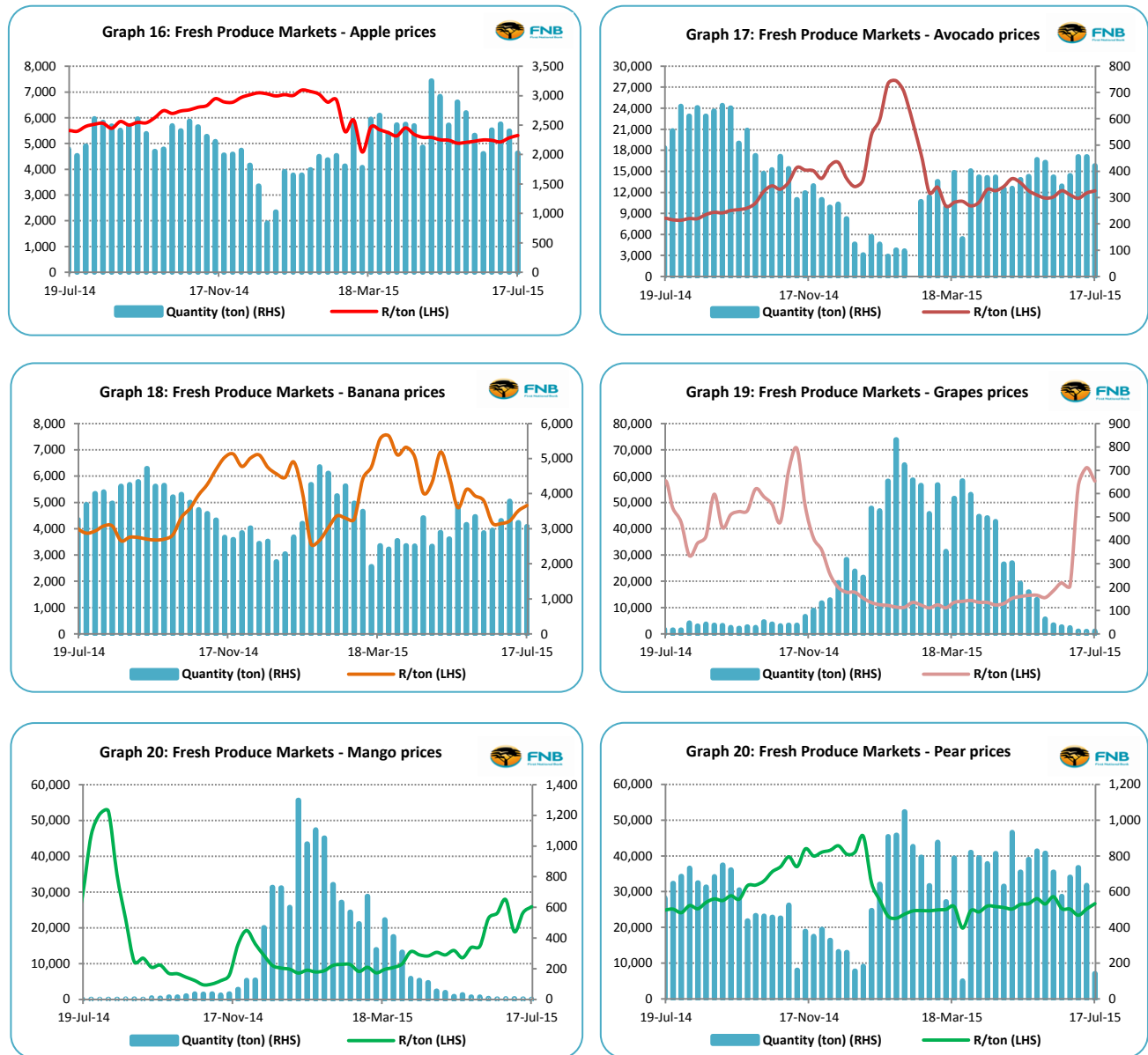
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The Fruit Market Trends – Major Fresh Produce Markets in SA (Graphs 16 to 20)



FRUIT PRICES: Major FPM. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)						
Week ending 17 July 2015	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Apples	5 313	2%	-3%	2026	-16%	-3%
Avocados	12 216	3%	47%	421	-8%	-14%
Bananas	4 885	4%	22%	3062	-4%	-6%
Grapes	58 115	-8%	1%	12	7%	-38%
Pears	26 633	6%	7%	141	-78%	-75%

* Daily prices also available at <https://www.fnbagricomms.co.za>

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