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Agri-Weekly

FNB
First National Bank

31 July 2015

pmakube@fnb.co.za

<https://www.fnbagricomms.co.za>

Beef market trends (Graph 1)

International:

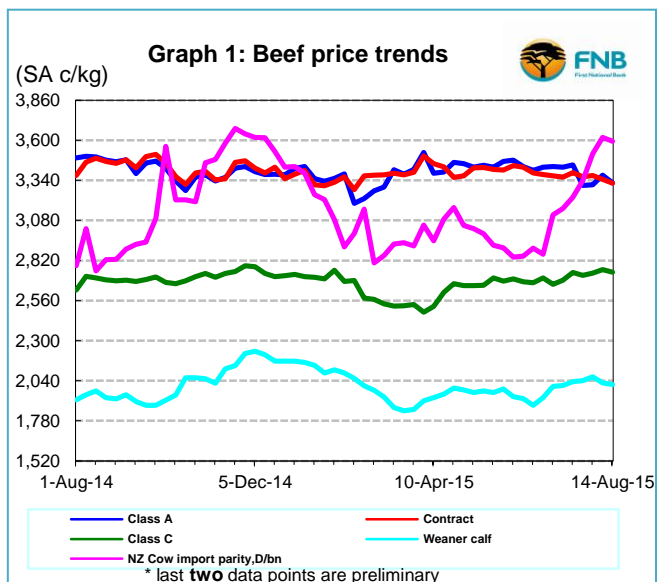
- US imported beef prices continued to post strong gains on the back of tight supplies and strong demand. Supplies out of New Zealand were reportedly low while for Australia there are concerns that meat sales will exceed the yearly tariff rate quota before year's end.
- There was a slight rebound in US wholesale beef prices after reaching a yearly low last week. Choice beef prices were firm at US\$232.67/cwt but still down 11% y/y. The select beef prices increased marginally on the week at US\$229.09/cwt, but still down 12% y/y.
- In the cattle market, the CME feeder index weakened further to US\$215.95/cwt, down by 4% y/y. The weekly cattle slaughter number came in at 532,000 head, down 1.2% w/w and 7.5% y/y. The year to date slaughter reached 16.4m head, down by 6.9% y/y.
- In Australia, cattle prices continued to advance with the benchmark Eastern Young Cattle Indicator (EYCI) finishing the week up 2% at AU\$5.59/kg cwt, which is 67% higher compared to the corresponding period last year.

Domestic:

- Beef prices trended sideways to firmer on slight improvement in demand. Weekly Class A beef prices closed firmer at R33.12 per kg, but still down 5% y/y.
- Contract Class A beef prices advanced marginally from last week and almost unchanged y/y at R33.71 per kg.
- Class C beef prices advanced by 0.5% w/w and 4.2% y/y at R27.37 per kg.
- In the weaner market, prices continued to strengthen finding support from tight supplies and relatively good demand. Weekly weaner calf prices closed at R20.65 per kg live weight, up 1.2% w/w and 7.8% y/y.
- The downward trend in hide prices continues as demand plummeted both domestically and internationally. Prices are slowly approaching the 2013 levels, currently averaging R14.93 per kg.

OUTLOOK

The beef market has bucked the historical trend remained relatively firm this winter. Weather will be critical in the next few months leading to the summer period. 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.



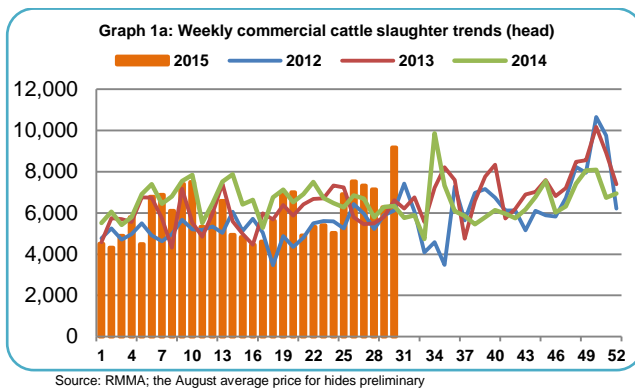
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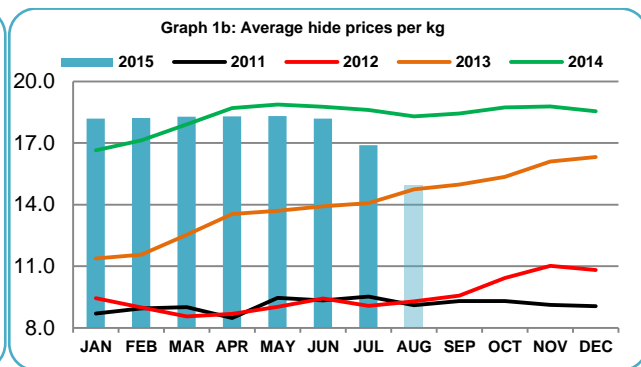
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Source: RMMA; the August average price for hides preliminary



Mutton market trends (Graph 2)

International:

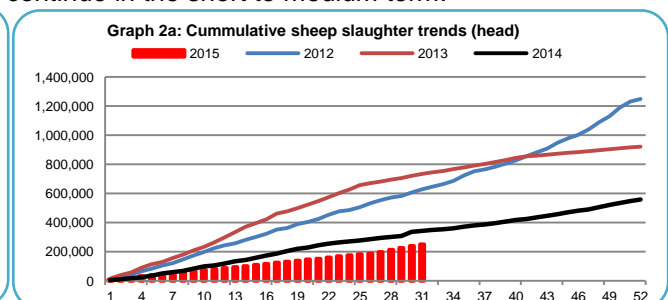
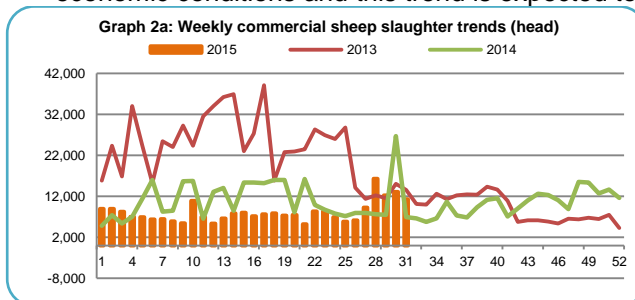
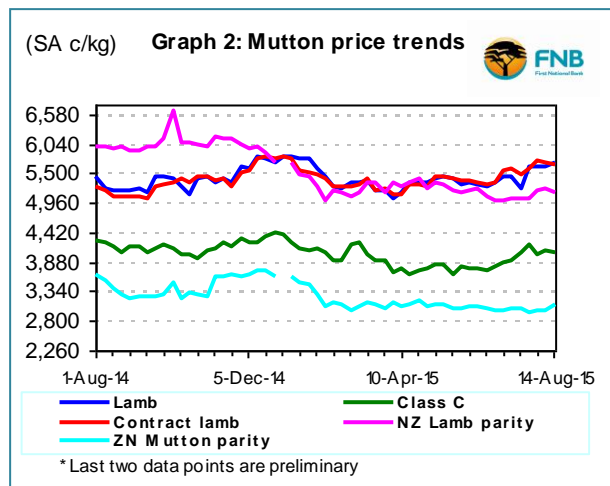
- In Australia, prices were mixed with muttons falling slightly on the week. The National Trades Lamb indicator rebounded by 2% on the week at AU\$5.90/kg cwt. The mutton indicator prices decreased by 2% w/w at AU\$3.69/kg cwt.
- Domestic producer prices in New Zealand (NZ) saw gains across most categories with the 17.5kg lamb slightly up on last week at NZ\$91.40/ head but still trails last year's by 9%. Mutton prices bottomed out and closed firmer at NZ\$51.90/ head, but still down by 11% y/y.
- The lamb export markets remain relatively subdued with prices for frozen lamb legs in the UK reportedly trending downwards which has placed NZ exporters under pressure. Demand from China is also weak.
- In the US, Lamb Carcass Cutout prices eased to US\$318.72/cwt, which is 3.6% lower y/y. Weekly sheep slaughter number was unchanged from last week at 36,000 head, but still down by 12% y/y. The cumulative year to date sheep slaughter reached 1.2m head, but still down by 7% y/y. The cumulative year to date lamb production was slightly down by 6% compared to the same period last year at 82.8 million pounds.

Domestic:

- The lamb prices continued trend firmer due to the renewed demand associated with the month end period.
- Weekly Class A lamb prices advanced marginally to close at R56.39 per kg, which is up 3.9% y/y.
- Contract Class A lamb prices gained 2.7% w/w and 9.1% y/y at R57.28 per kg.
- Mutton was the exception with prices decreasing by 4.0% w/w and 5.6% at R40.22 per kg.
- In the weaner market, prices retained the strong trend as supplies remained extremely tight. Weekly weaner lamb prices were almost unchanged on last week at R28.00 per kg, but still up 10.5% y/y.

OUTLOOK

Domestic lamb and mutton prices are expected to strengthen in the medium term on improved demand as warmer weather returns. However, weather will influence further direction as it influences the availability of slaughter animals. Internationally, the limited availability of product has supported prices despite subdued economic conditions and this trend is expected to continue in the short to medium term.



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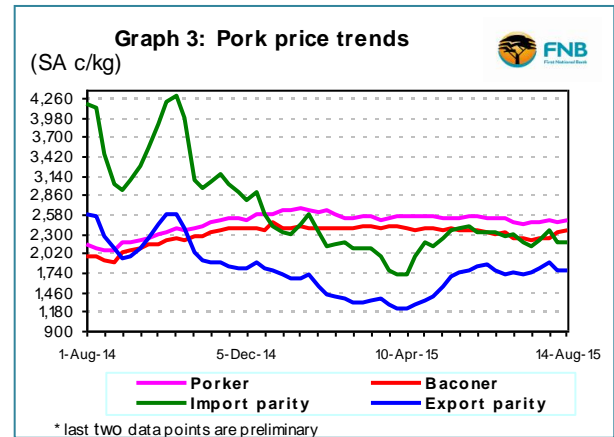
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Pork market trends (Graph 3)

International:

- US prices continued to trend upwards with the average pork carcass cutout value finishing up 2.2% from last week at US\$86.15/cwt, but still down by 34% y/y.
- Rib prices continued their downward slide, falling by 1.5% w/w and 9.4% y/y at US\$151.18/cwt. Ham prices continued to post good gains and closed up 6.3% w/w but still down by 58.4% y/y at US\$58.23/cwt. Loin prices were slightly higher by 1.2% w/w at US\$91.41/cwt, but still down by 30.8% y/y.
- Weekly slaughter data showed a further increase, coming in at 2.11m head which is up 1.7% w/w and 14% y/y. The year-to-date estimated pig slaughter reached 65.60m head, up 8% y/y.
- In the latest USDA Cold Storage report, the June pork stocks were down 3.5% m/m at 632.21m pounds but still 17.6% higher than last year. Now that the Porcine Epidemic Diarrhoea virus has subsided and the feed prices remain at low levels, producers have increased their production. These, together with favourable prices have improved the profitability of pig production. US pork production for June came in a record high of 2 billion pounds, up 15 % from the previous year. Hog slaughter totalled 9.43m head, up 16% from June 2014.

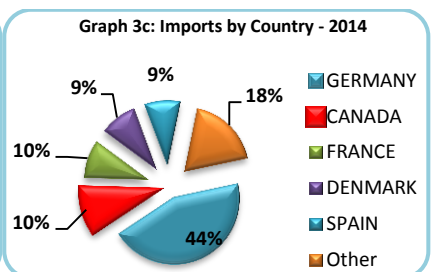
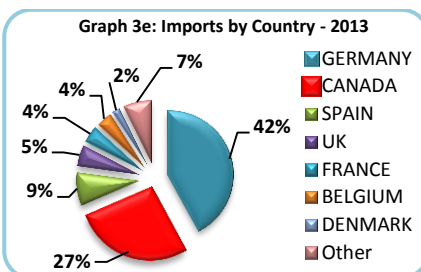
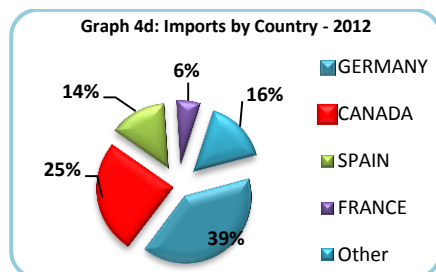
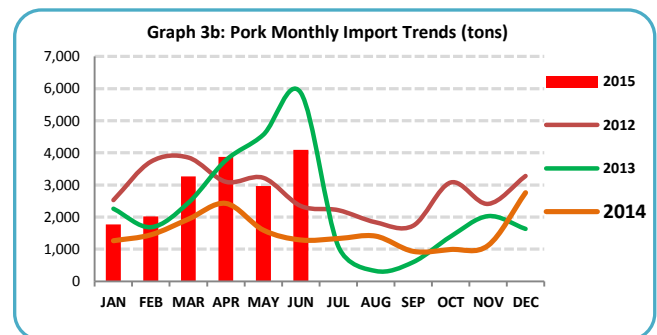
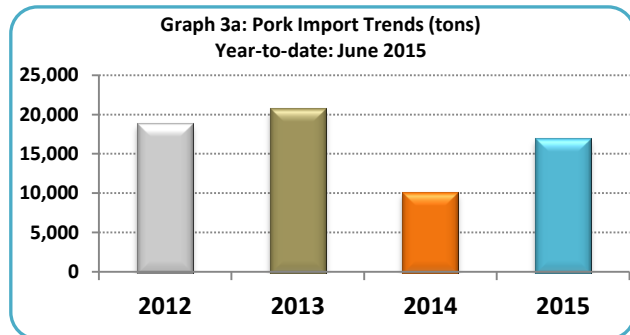


Domestic:

- Prices retained the recent uptrend supported by good demand during month end.
- Weekly porker prices gained 0.5% w/w and 16.1% y/y to close at R24.89 per kg.
- Baconer prices advanced by 0.6% w/w and 14.4% y/y at R22.41 per kg.
- Import parity prices continued to strengthen on the back of higher international prices and a sharply weaker rand. Weekly pork import parity prices increased by 6.5% w/w but still down by 44% y/y.

OUTLOOK

Pork prices are expected to trend sideways with limited upside potential due to volume pressure. However the medium term outlook is somewhat bullish on rand weakness and good as warmer weather returns.



Source: SAPPO, SARS, Own Calculations

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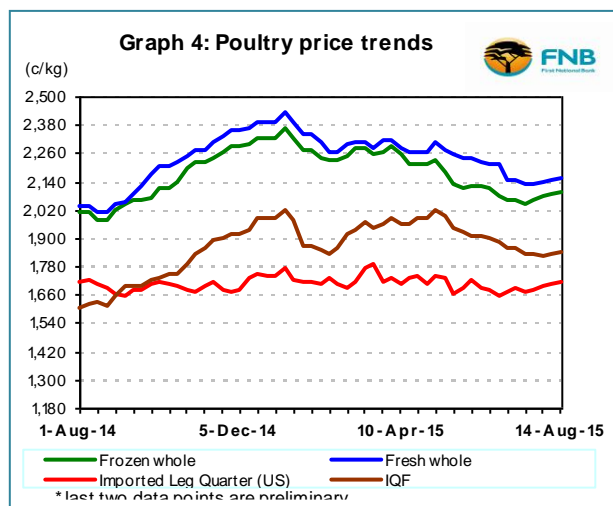
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Poultry market trends (Graph 4)

International:

- US broiler prices ended mixed with gains for whole birds. In the portions market, drumsticks posted sharp gains while breasts and wings eased lower under pressure due to heavy supplies. Market activity was reportedly slow to moderate.
- Demand was reportedly light to moderate at retail level, and fair to moderate for food service.
- Whole bird prices closed at US114.60 cents/lb, marginally up by 0.5% w/w and 1.7% y/y.
- Leg quarter prices steadied at US45.50 cents/lb, but still down by 18.3% y/y.
- Breast cuts were marginally down by 0.8% w/w but almost unchanged y/y at US130.00 cents/lb.
- Wing prices were down by 0.6% w/w but still up by 16.8% y/y at US163.50 cents/lb.
- Drumsticks prices rose sharply by 12.3% w/w but still down by 17.6% y/y at US59.50 cents/lb.
- In the weekly US Broiler Hatchery report, egg sets for the week ended August 12 2015 increased slightly on last year at 215m which is unchanged from the week earlier. Average hatchability for chicks remains at 84.0%. The broiler chick placements were up by 1% y/y at 178m head. Cumulative broiler placements from January 10, 2015 through August 1, 2015 were up 3% y/y at 5.32b head.



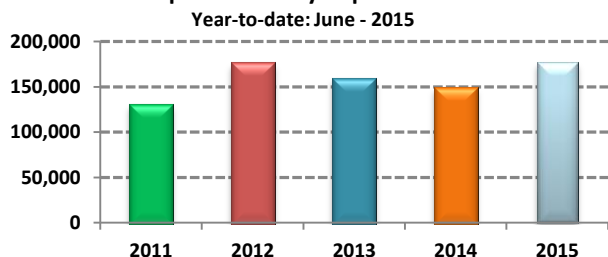
Domestic:

- Prices trended firmer in the whole bird category due to limited supplies. The mixed portions however saw marginal losses as volumes remain relatively abundant. Chicken in cold storage is reportedly adequate and placing downward pressure on prices.
- Maize prices have risen substantially since the beginning of the year and continue to put pressure on producer margins.
- Weekly medium frozen whole bird prices increased marginally by 0.8% w/w and were 3.0% higher y/y at R20.73 per kg.
- Medium fresh whole bird prices ended firmer at R21.34 per kg, which is 5.0% higher y/y.
- Mixed portions saw marginal losses with the Individually Quick Frozen cuts (IQF) prices closing at R18.25 per kg, but still up 13.8% y/y.
- Import parity prices continued to strengthen mainly due to the renewed weakness in the Rand/ US dollar exchange rate. Weekly import parity prices were up 1.3% w/w but still down by 1% y/y.

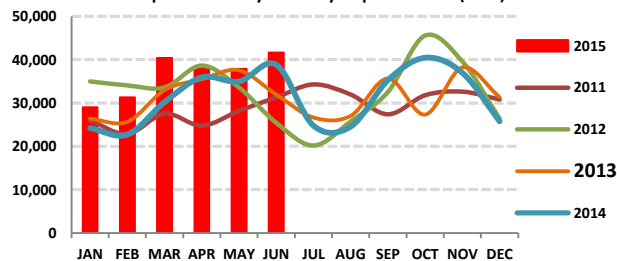
OUTLOOK

The reduced harvest outlook for maize has poultry producers worried as prices have risen sharply and are putting feeding margins under downward pressure. It is expected that poultry prices will remain under pressure in the short term due to increased stocks. Nonetheless, prices should rebound strongly towards year end as favourable braai weather (warmer) returns. Meanwhile, the further depreciation of the rand against the US dollar will curtail imports and improve the competitiveness of the local product. The rand is now trending at R12.63 to the US dollar and will definitely hurt imports if sustained above this level for a bit longer.

Graph 4a: Poultry Import Trends



Graph 4b: Poultry Monthly Import Trends (tons)



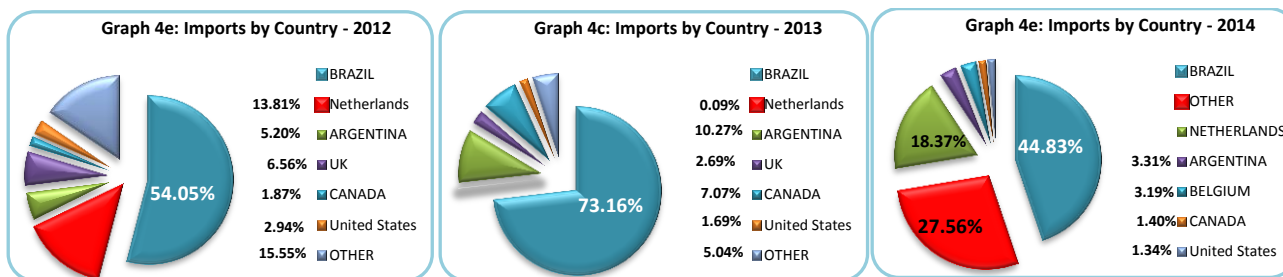
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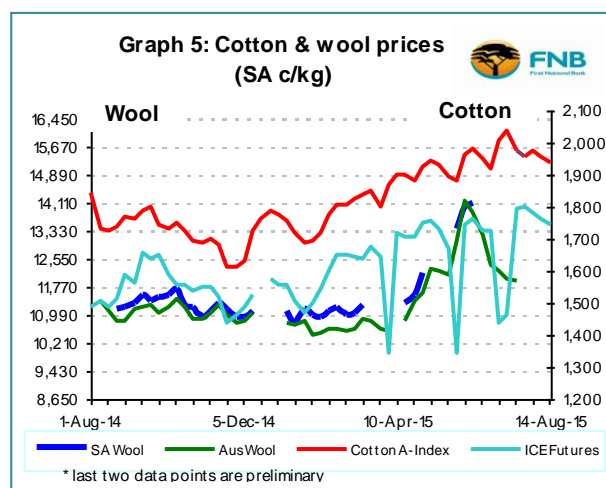
Source: SARS, Own Calculations; *Excluding BNLS

Producer prices for selected livestock commodities 31 July 2015	Beef	Mutton	Pork	Poultry
Open market: Class A / Porker / Fresh whole birds(R/kg)	33.12	56.39	24.89	21.34
Open market: Class C / Baconer / Frozen whole birds(R/kg)	27.37	40.22	20.70	20.73
Contract: A2/A3* / Baconer/ IQF (*includes fifth quarter) (R/kg)	33.71	57.28	22.41	18.25
Import parity price (R/kg)	35.13	29.80	23.60	16.97
Weaner Calves / Feeder Lambs (R/kg)	20.65	28.00		

Wool and cotton market trends (Graph 5)

International:

- Cotton prices moved sideways to weaker on light demand.
- Weather conditions remained favourable throughout the week with 57% of the US crop rated in the good to excellent condition, three percentage points above the 5-year average.
- US export data came in slightly bearish at 168,500 bales, down 3% w/w and 10% below the four week average. Major destinations were Vietnam, Turkey, and Indonesia.
- Meanwhile in India, beneficial rain covered most of the cotton fields, exerting downward pressure on the market.
- Weekly cotton averaged 71.05 US cents/lb, down 1% w/w and 10% y/y.
- In the futures market, prices weakened with both the Dec-15 and Mar-16 contracts falling by 1% w/w at US64.21 cents/lb and US64.20 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 31 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)	-	-		
19µ long length wool (R/kg)	-	-	-	-
21µ long length wool (R/kg)	-	-	-	-
23µ long length wool (R/kg)	-	-	-	-
Fibre market prices 24 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)	19.74	1.56	1.41	1.41

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

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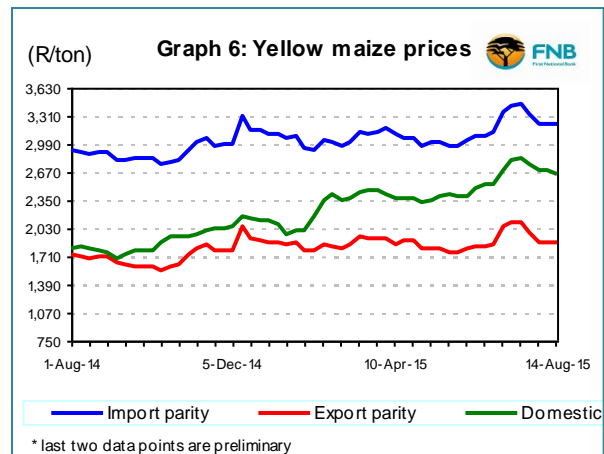
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Yellow maize market (Graph 6)

International:

- US maize prices ended with sharp losses on selling pressure and good weather conditions which bolstered crop development.
- Overall 70% of the crop was rated in the good to excellent conditions, a percentage point improvement from last week but 5-percentage points lower y/y.
- Demand for maize remains under pressure from low ethanol production due to the overall weakness in the crude oil market.
- US ethanol production has decline in the past few weeks but latest figures shows that production is still slightly ahead of last year by 1.1%.

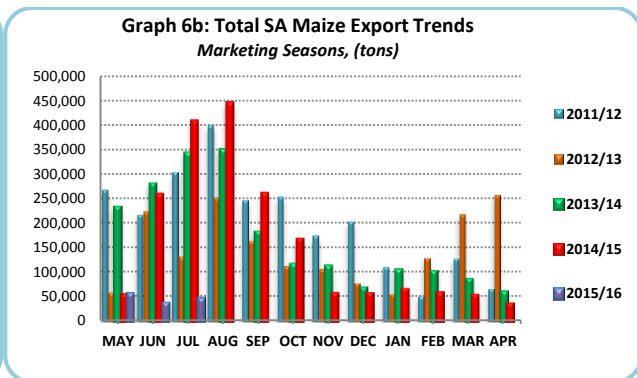
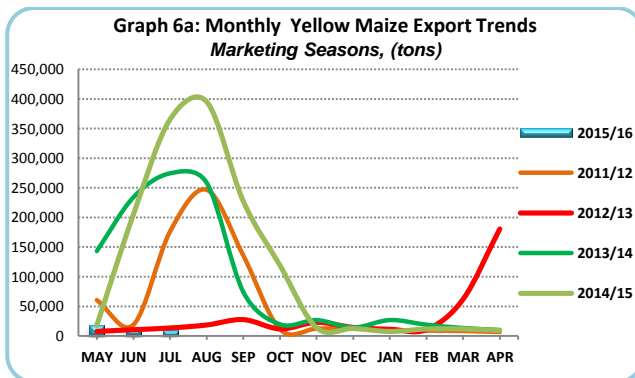


Domestic:

- In spite of a weakening rand, maize prices declined due to the spill over weakness from the international market.
- The crop estimate committee left estimates for the national crop unchanged at 9,76m tons, which is down by 30% compared to last year.
- Prices closed the week down 2% but up 50% y/y at R2,699 per ton.
- Exports for the week were estimated at 3,090 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 with recent improvements in weather patterns most likely to improve yields. Domestic prices are expected to continue to track the developments on the international market, but fundamentals are skewed to the upside with renewed rand weakness and supply concerns providing added support.



Source: SAGIS

Yellow Maize Futures 31 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
CBOT (\$/t)	146	150	154	159	155
JSE (R/t)	2 734	2 763	2 723	2 475	2 435
CHICAGO CORN (R/t)	1 900	1 976	2 723	2 475	2 435

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
2,780	88	42	2,800	156	119	2,760	191	154
2,740	65	59	2,760	134	137	2,720	170	173
2,700	46	80	2,720	115	158	2,680	149	192

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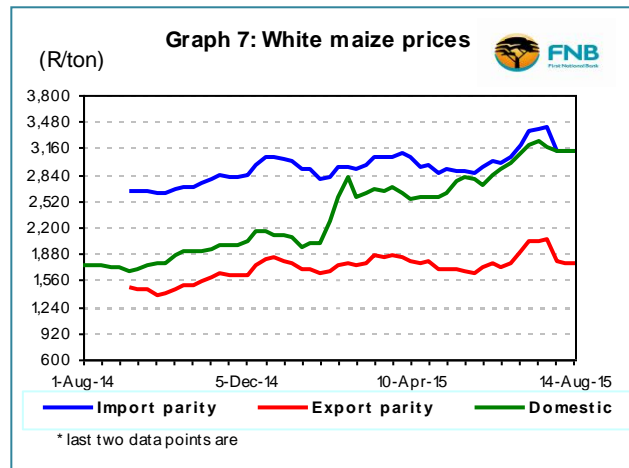
White maize market trends (Graph 7)

International:

- Prices posted moderate losses on spill over weaknesses from the international market.
- The weekly average white maize prices closed down 14% w/w at US\$143/ton.

Domestic:

- White maize prices saw pressure from weakness on the international market despite a further depreciation in the Rand/US dollar exchange rate.
- Weekly white maize prices closed at R3,121 per ton, down 2% w/w but still 81% higher compared to last year.
- Exports for the week were pegged at 7,129 tons, with the cumulative season to date reaching 113,915 tons, all destined to neighbouring countries.
- Imports for the week came in at 134 tons, bringing cumulative year to date imports to 396 tons. All sourced from Zambia.

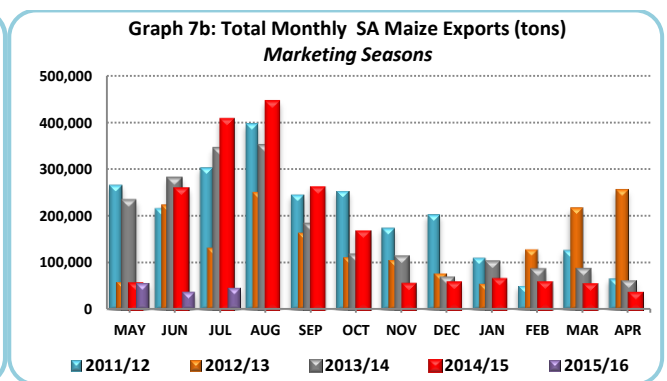
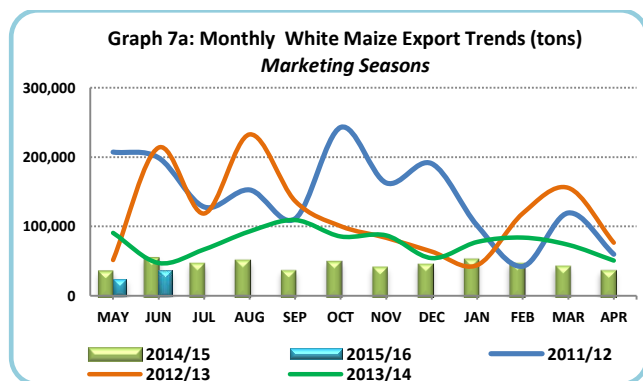


OUTLOOK

It remains a weather market internationally with recent improvements in weather patterns most likely to improve yields. Domestic prices are expected to continue to track the developments on the international market, but fundamentals are skewed to the upside with renewed rand weakness and supply concerns providing added support.

White Maize Futures 31 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
JSE (R/t) WM ₁	3 204	3 259	3 217	2 736	2 659

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
3,240	108	72	3,300	245	204	3,260	284	241
3,200	86	90	3,260	223	222	3,220	262	259
3,160	68	112	3,220	202	241	3,180	240	277



Source: SAGIS;

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Wheat market trends (Graph 8)

International:

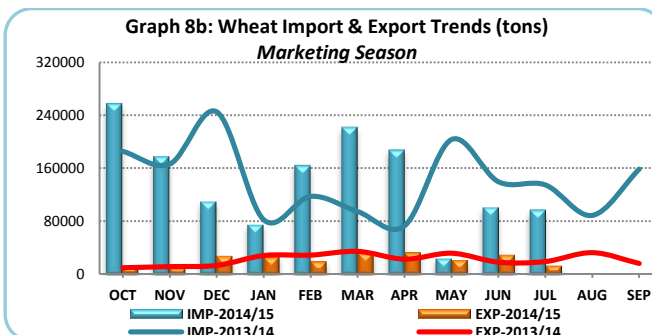
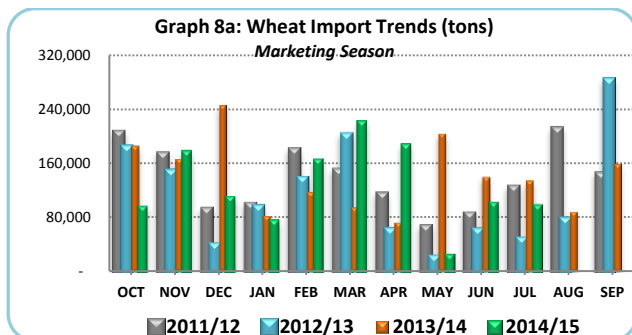
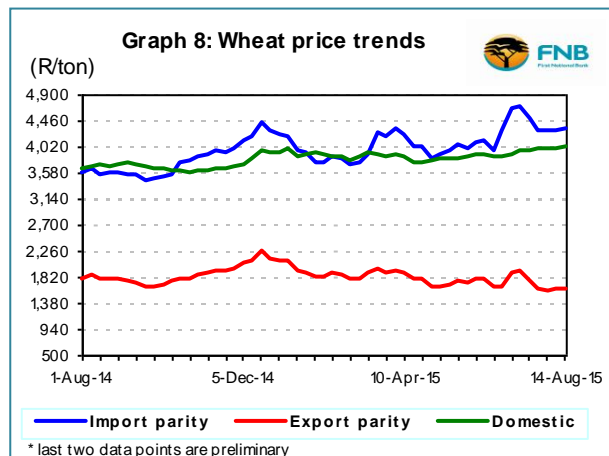
- US wheat prices ended with moderate losses on seasonal harvest pressure and prospects of a record spring wheat crop.
- Trade exceeded market expectations at 699,400 notwithstanding the stronger US\$.
- World supply outlook remain bullish with USDA expecting the largest winter wheat crop in 20 years at 15.6m tons.
- Meanwhile in Canada, the Canadian Ministry of Agriculture made a downward revision of its 2015 estimate to 27.1m tons, the lowest estimate in 10 years and 10% lower than the IGC estimate.

Domestic:

- Prices moved sideways to weaker on spill over weakness from the international market, but the weaker R/US dollar exchange rate provided some cushion.
- Weekly wheat prices closed at R3,971 per ton, virtually unchanged w/w and 9% y/y.
- According to SAGIS, imports for the week were estimated at 33,450 tons, all sourced from Germany. The cumulative year to date figure reached 1.5m tons.

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 although the Rand may help limit losses.



Source: SAGIS;

Wheat Futures 31 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
KCBT (\$/t)	180.85	188.13	193.12	196.65	199.67
JSE (R/t)	4 034	3 997	4 056	-	-

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
4,080	72	26	4,040	122	79	4,100	158	114
4,040	48	42	4,000	100	97	4,060	136	132
4,000	30	64	3,960	81	118	4,020	116	152

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Oilseed market trends (Graph 9)

International:

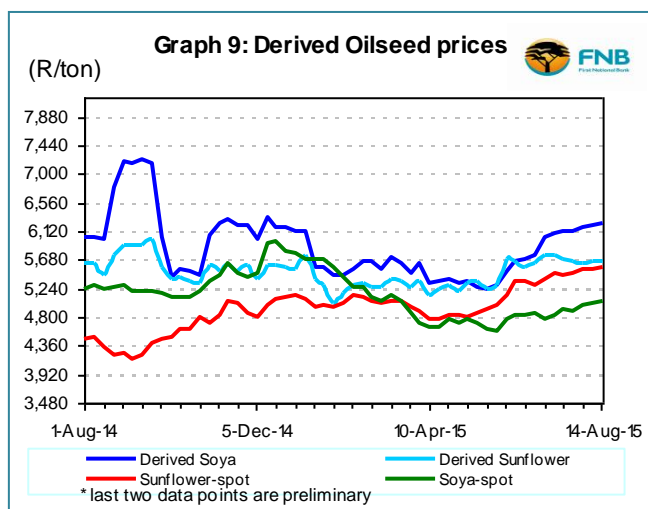
- US soya bean ended slightly lower on spill over weaknesses from the grain market.
- Crop rating remained unchanged at 62% in the good to excellent category, which is 9 percentage points below the 5-year average. Crop development is however lagging behind seasonal averages, which helped limit losses.
- In the July 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 which is 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 estimate at 322m tons, down 2% y/y. The beginning stocks for the new season are 55% higher y/y on large carry-over in main exporting countries, notably China.

Domestic:

- Prices were firmer in the oilseed market mainly due to the Rand weakness.
- Weekly soya bean prices closed at R4,996 per ton, down 2.1% w/w and 5%/y/y.
- Sunflower prices posted marginal gains and settled at R5,525 per ton, which is up 24% y/y.

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. The renewed weakness in the Rand/US dollar exchange rate will provide further support.



Oilseeds Futures 31 July 2015	Sep-15	Dec-15	Mar-16	May-16	Jul-16
CBOT Soybeans (US \$/t)	350.24	-	346.93	345.61	344.07
CBOT Soya oil (US c/lb)	30.21	30.63	30.78	30.87	30.98
CBOT Soya cake meal (US\$/t)	360.79	355.72	351.31	347.67	346.90
JSE Sunflower seed (R/t)	5 595	5 575	-	-	-
JSE Soybean seed (R/t)	5 108	5 169	5 238	4 968	-

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
5,640	122	82	5,660	243	193	5,340	291	251
5,600	100	100	5,620	222	212	5,300	270	270
5,560	81	121	5,580	201	231	5,260	249	289

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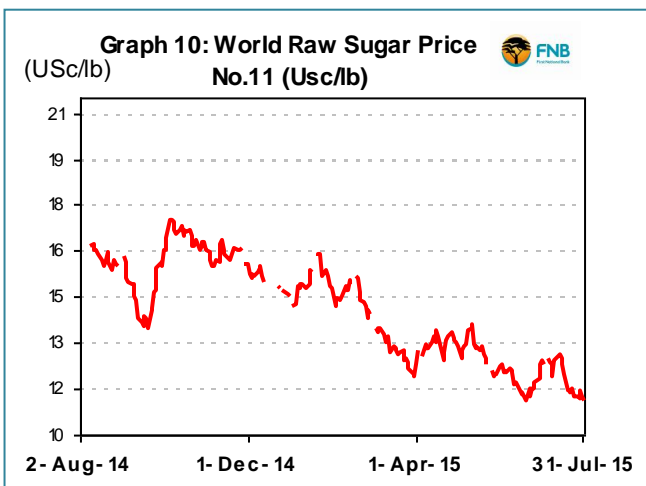
Sugar market trends (Graph 15)

International:

- Sugar prices ended with marginal losses on expectations of a large crop from Brazil. Untimely showers however delayed harvesting, limiting further losses.
- Raw sugar prices were down 1% w/w and 34% y/y and settled at 11.26 US cents/lb.
- Futures were down across the board with both the Mar-16 and May-16 contracts down 1% w/w US12.40 cents/lb and US12.50 cents/lb respectively.

Domestic:

- The July 2015 RV price in respect of cane delivered in June 2015 was declared at R3,833.07 per ton, down by R34.34 m/m. According to the South African Cane Growers Association, this was attributable to the 59,096 drop in local market demand estimate (LMDE) which was drawn from 13.4% underperformance in the first quarter of the year. Losses were however limited by the 2% m/m reduction in sugar output estimation, the firmer spot No.11 price and the weaker R/US\$ exchange rate.
- Export availability was revised up to 81,008 tons, up 30% from the June estimate on reduction in LMDE. Further significant revisions are on export availability are however expected given the uncertainty in the crop estimate as it is still early in the season.



ICE Sugar Futures 31 July 2015	Mar-16	May-16	Jul-16	Oct-16	Mar-17
Sugar No.11 (US c/lb)	12.4	12.5	12.53	12.75	13.29
% Change w/w	-1.4%	-1.5%	-1.9%	-2.1%	-3.0%

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Vegetable Market Trends (Graphs 11 to 15)

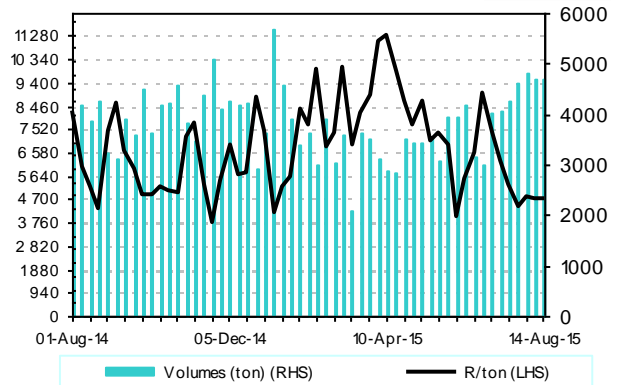
Tomatoes

Tomato prices rebounded on improved month end demand.

Weekly tomato prices closed at R4,832 per ton, up 10% w/w but down 42% y/y. Volumes of tomatoes traded reached 4,797 tons, up 4% w/w and 41% y/y.

It is however expected that prices will carry the current momentum in the short term but will ease somewhat in the medium term on moderation in demand.

Graph 11: Fresh Produce Markets - Tomato prices



* last two data points are preliminary

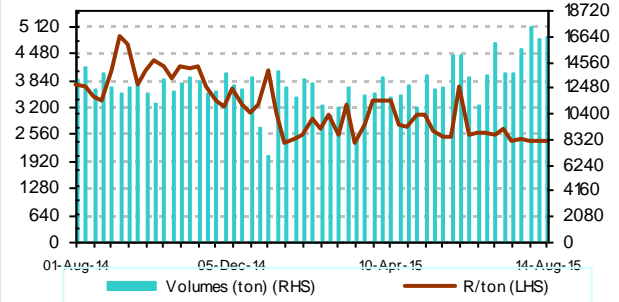
Potatoes

Potato prices reversed last week's gains on volume pressure.

The average weekly price of potatoes closed at R2,403 per ton, down 1% w/w and 36% y/y. Volumes of potatoes traded reached 17,371 tons, up 12% w/w and 31% y/y.

The sideways price trend is expected to persist in the short to medium term as demand and volumes balance out.

Graph 12: Fresh Produce Markets - Potato prices



* last two data points are preliminary

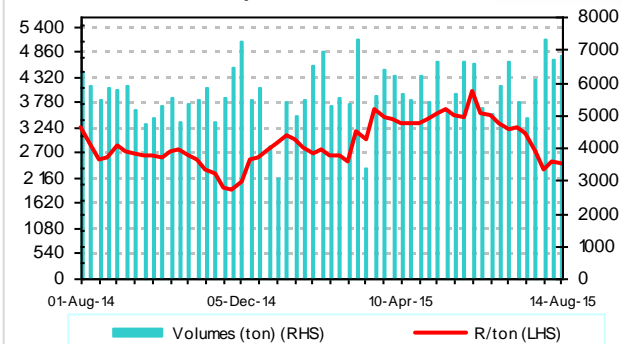
Onions

It was another week of losses in the onion market due to increased supplies across markets.

Weekly onion prices closed at R2,312 per ton, down 15% w/w and 28% y/y. Volumes of onions traded were pegged at 7,297 tons, up 20% w/w and 15% y/y.

Prices are expected to ease slightly in the short to medium term on supply pressure.

Graph 13: Fresh Produce Markets - Onion prices



* last two data points are preliminary

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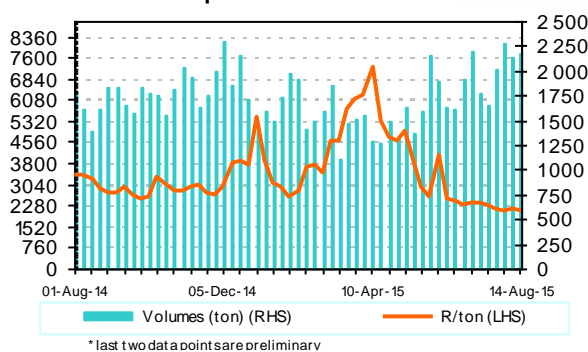
Carrots

Carrot prices extended recent losses under pressure due to abundant supplies.

Weekly carrot prices were down 1% w/w and 38% y/y, closing at R2,095 per ton. Volumes of carrots traded reached 2,279 tons, up 13% w/w and 27% y/y.

The short term price outlook for carrots remains bearish due to moderation in demand and good volumes on markets.

Graph 14: Fresh Produce Markets - Carrot prices



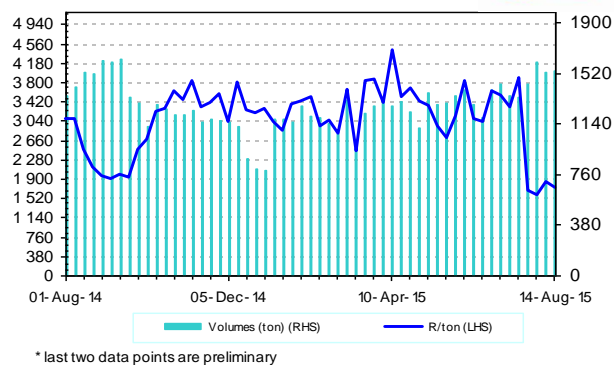
Cabbages

Cabbage prices ended with moderate losses on volume pressure.

Weekly cabbage prices closed at R1,571 per ton, down by 1% w/w and 49% y/y. Volumes of cabbages traded were up 11% w/w and 18% y/y at 1,602 tons.

Prices are however expected to carry the weaker trend in the short term on limited demand.

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 31 July 2015	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Tomato	4 832	10%	-42%	4797	4%	41%
Potato	2 403	-1%	-36%	17371	12%	31.4%
Onion	2 312	-15%	-28%	7297	20%	15%
Carrot	2 095	-1%	-38%	2279	13%	27%
Cabbage	1 571	-6%	-49%	1602	11%	18%

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

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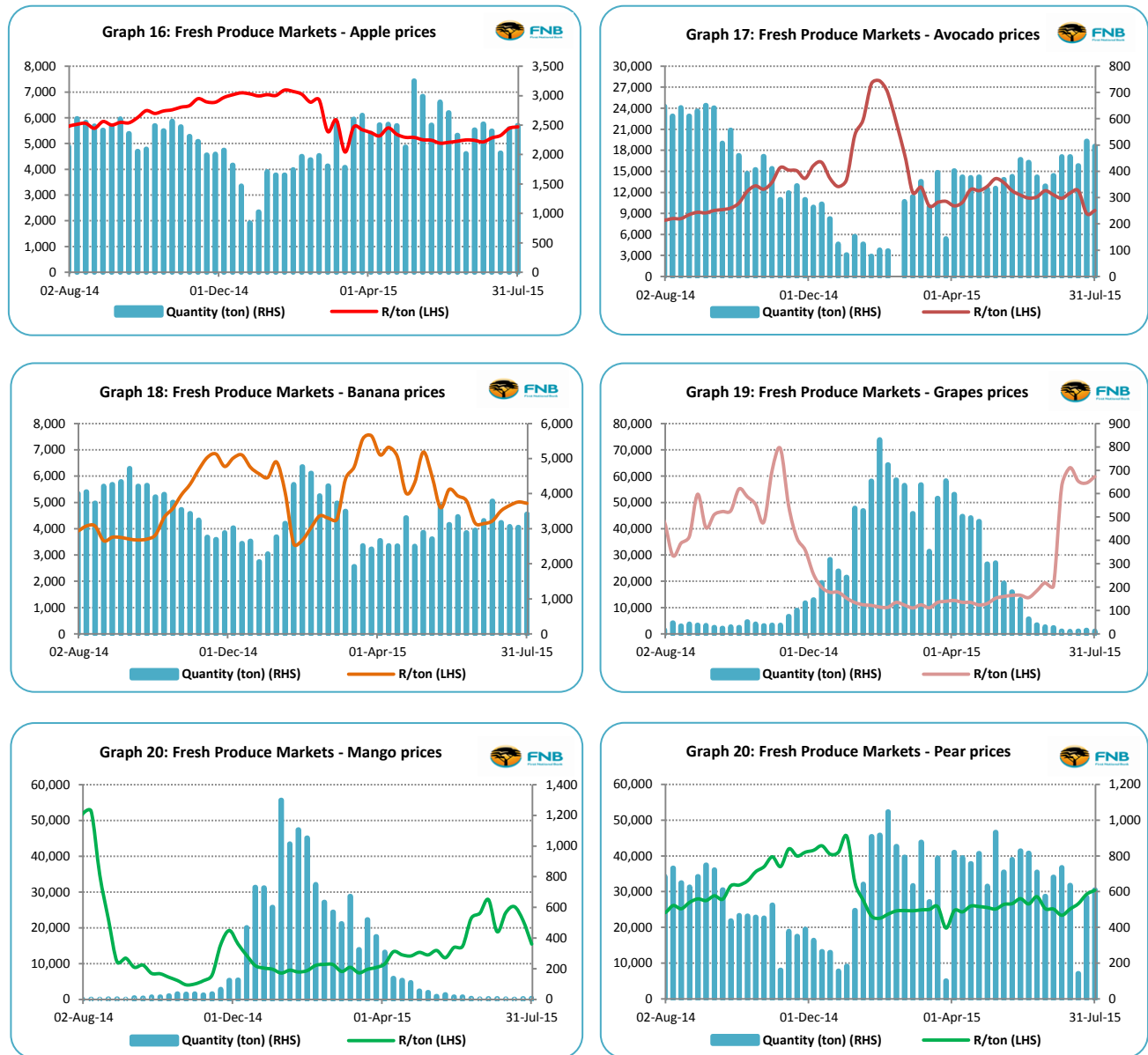
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The Fruit Market Trends – Major Fresh Produce Markets in SA (Graphs 16 to 20)



FRUIT PRICES: Major FPM. (Average Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban)						
Week ending 24 July 2015	Average Price (R/t)	w/w	y/y	Total Volume (t)	w/w	y/y
Apples	5 649	1%	0%	2496	2%	16%
Avocados	9 418	5%	17%	495	-4%	-24%
Bananas	4 966	-1%	27%	3417	12%	-15%
Grapes	59 795	4%	41%	12	-24%	-34%
Pears	30 368	4%	26%	610	7%	-11%

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

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