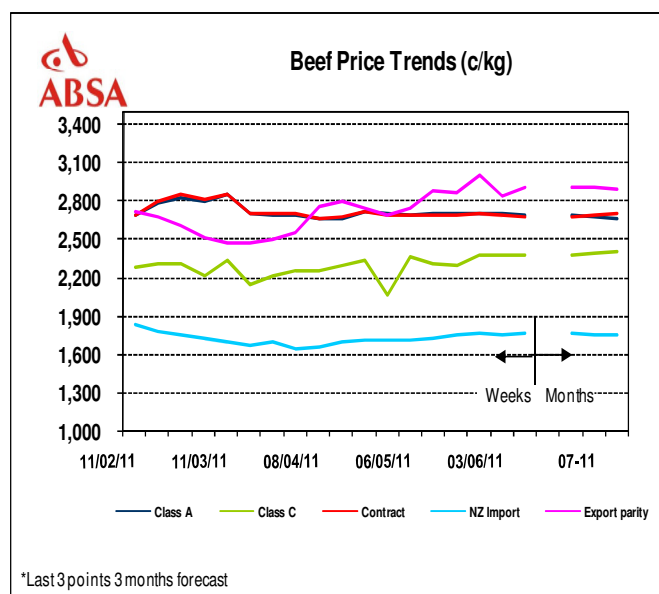


How significant is a 1% decline in the Agricultural Sector?

In the latest Abstract of the Department of Agriculture, there are a few interesting statistics. It is common knowledge that last year was a very difficult year in almost every industry in South Africa. In the Agricultural Sector commodity prices were relatively low and the rand strong which put pressure on the cash flows of farmers. The value of farm produce for the 2009/10 season was R128,206 billion rand which was 1% lower than the previous year. If you look at it in isolation it is not very significant but if you compare it to the last 5 years, it's another story. The gross product value has grown over the previous 5 years at a rate of 12,69% per annum. Agricultural intermediaries increased at a rate of 6,37% while the increase in total Agricultural debt was 9,75%. The fact that intermediaries has increased and gross farm income has decreased has put huge pressure on the farming industry and resulted in a low net income. Net farm income has decline from R43,4 billion rand to R40,1 billion rand, a decline of 7,67%. This has lead to the fact that a number of clients could not repay all there bills and had to carry some debt over to the new season. The Agricultural debt ratio has therefore increased from 24,6% to 25,4%. Regardless of the above, is the Agricultural sector only one of a few sectors in the SA economy that is still producing good results. Commodity prices have increased over the last couple of months and therefore should the Gross Farm income in the current year be higher and the pressure on cash flows eased a little.

Beef Market Trends

- International:** The US and AU beef market prices traded mixed during the week compared to the previous week. In the US, top inside was 3,1% lower at 200,00 \$/cwt, Rump was 2,9% higher at 235,74 \$/cwt, Strip loin was 3,0% higher at 503,54 \$/cwt, Chuck was 0,7% lower at 204,71 \$/cwt, and Brisket 2,8% lower at 168,96 \$/cwt. Weak food service demand and moderate to heavy supplies of imported product put pressure on prices. The seasonal New Zealand cattle run neared completion this week. With the long weekend approaching, eastern states cattle prices registered a mixed trend, with young cattle prices the best. Supply was 5% lower, mainly due to the wet and cold weather limiting turnoff in south east Australia. Additionally, markets that sold late in the week auctioned fewer cattle in response to the upcoming long weekend. The first week of June has reportedly seen steady, to strong demand for beef across the retail sector. The major supermarket chains, along with independent outlets indicated that sales have been robust, with some reporting that last week was their best sales results for many months. Reports from butchers during the first week of June have been more mixed and continued what has been a very difficult trading period for many businesses. While the change of weather can impact on butchers sales performances,



the consumer awareness program has been heightened by the current live export debate. The primary impact on butcher's patronage in recent months has been the sustained and highly publicised beef price discounting given by the major supermarket chains. The slowdown in export demand throughout May was accentuated by the record high A\$ and has seen more beef being sold into the Australian market. For May, beef utilisation in the Australian market is estimated to have increased 9% year-on-year, with the estimated beef production sold into the Australian market in May totalling 36%, up from 32%. With little prospect for an improvement in beef export demand throughout June, the supply of beef available for the Australian market is expected to remain high. Many of the northern cattle affected by the ban fall outside of the specifications demanded by many of the major retailers in the Australian market, along with almost all affected cattle requiring further finishing before reaching suitable weights for slaughtering. The implications for the Australian beef and cattle industry from the suspension of the live cattle trade to Indonesia will impact on the entire industry. The impact will be felt the hardest across northern Australia, especially for those producers in the NT and WA who have no other outlet for their cattle.

World beef prices look set to stay high in the long term given the rocketing prices of raising cattle in Brazil, and the lack of an obvious successor as the world's low-cost producer. The impact on ranchers' costs with factors such as competition for land with grain and sugar growers, and of the appreciating Brazilian Real(R\$), has already eroded the costs advantage which drove the country to top rank in world beef exports. Rises in Brazilian cattle prices have impacted its competitiveness in the world beef market noting that a surge since 2008 had taken prices above those in Australia in US dollar terms. Costs looked set for further increases, thanks to rising feed prices and bills for meeting tougher environmental impact criteria, following global concerns over the clearing of Amazon forest land for cattle, besides the continuing fight for land. Returns from cattle finishing is less than half those that grower's double-cropping maize after soybeans can earn, beef operations are being forced to remote northern areas which present further challenges to keeping bills down, such as transport costs. The days of cheap and widely-available Brazilian beef appear to be over. Brazilian cattle prices are likely to remain at above-historical levels. And while the country's higher production costs were driving some beef demand to rivals such as New Zealand and Uruguay. US cattle prices seasonally ease throughout May and June, as additional numbers enter the slaughtering markets upon the completion of the wet season. In recent weeks, and in coming weeks, the main influence upon export cattle prices will continue to be sluggish for demand in Japan and the US, along with the near record high A\$. Demand in Brazil, which still consumes about 80% of domestic beef production, is being spurred besides population growth by a growing taste for the meat, with consumption per person rising from 34 kg in 2004 to 37 kg by 2009.

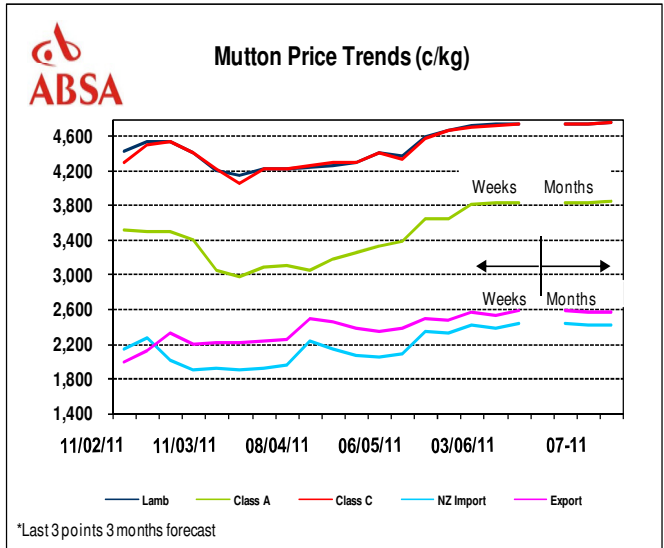
- **Domestic:** Beef prices traded mixed again during the past week compared to the previous week following the international price trend. The prices of the different meat classes were as follows: Class A prices decreased by 0,5% to R26,75/kg, Class C prices increased by 0,2% to R23,75/kg and Contract prices decreased by 0,3% closing at R26,80/kg. Weaner prices closed higher at R17,63/kg compared to the previous week. Hide prices traded 1,0% higher compared to the previous week closing at R9,38/kg. The landed imported price of beef trimmings from Namibia and Botswana trade at R34,00/kg week on week which was the same as the previous week.

Outlook

Internationally, beef prices are expected to move sideways with a possible upward movement in the short to medium term due to pressure that less cattle is available for slaughtering due to good rains and the fact that producers are busy restocking after the drought. In the local market, prices of red meat will move sideways in the short term with a possible downward movement in the medium term due to more weaners that is ready for slaughtering in a month or two. Weaner prices will move upwards in the short term with a possible sideways movement in the medium term.

Mutton Market Trends

- International:** Australian prices were slightly lower compared to the previous week. Local import parity for lamb increased by 2,4% and mutton by 2,3% due to a stronger rand against the New Zealand dollar. Lamb prices generally softened this week, but current auction prices remain historically strong. Sheep values also retreated slightly, with processors securing most lines as mutton supply remains tight. Australia exported 7,690 tons of lamb to Japan during 2010, down 8% year-on-year, largely due to low supplies, stronger demand from other markets and high prices. In value terms, shipments to Japan totalled A\$61,6 million, up 1% from the previous year. Mutton exports to Japan also fell 32% year-on-year, to 3,786 tons, with supplies becoming increasingly tight as the season in Australia improved. Lamb has established itself as the fourth meat in Japan, after beef, pork, and chicken. Mutton also continues to hold a small but consistent demand in the market, particularly in northern island of Japan. The healthy, trendy image of lamb in Japan has assisted to raise the profile of Australian lamb, however robust prices from Australia continues to challenge both Australian exporters and Japanese buyers.
- Domestic:** This week's mutton prices traded higher compared to the previous week. Class A2 prices closing at R47,36/kg, 0,1% higher, Class C2 prices closing at R38,35/kg, 0,2% higher while Contract prices closed at R47,40/kg, 0,2% higher. Feeder lamb stay a very scarce commodity with the prices still increasing at R24,33/kg compared to the previous week. The average price for a Dorper skin was a 6,6% lower at R55,40 and a Merino skin was 0,6% higher at R68,00 compared to the previous week. The landed imported price of mutton rib from Australia and New Zealand traded lower compared to the previous week at R21,63/kg and mutton shoulder traded lower at R 37,45/kg.

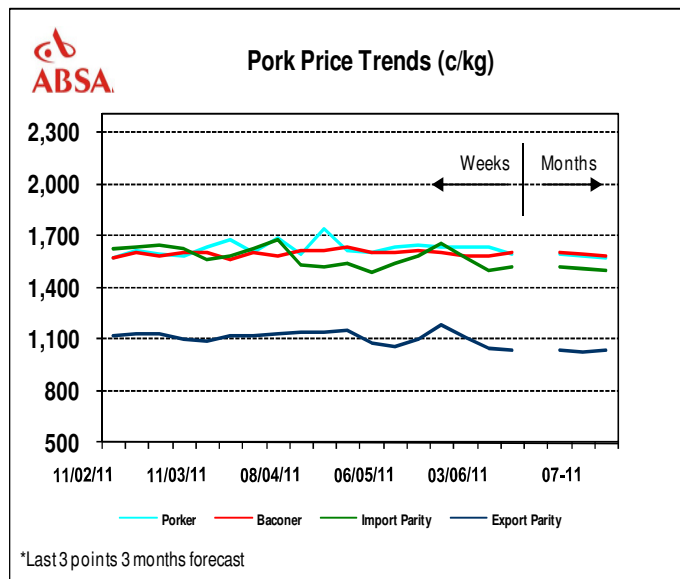


Outlook

Internationally, prices will move sideways in the short term with a possible upward movement in the medium term due to constraints on the supply side. Locally, the price of mutton will move upwards in the short to medium term with increases due to shortages in supply. The price of lamb will move upwards in the short term and sideways in the medium term due to continued shortages.

Pork Market Trends

- International:** US pork prices were lower during the past week due to increases in supplies. The price of a Carcass was 0,08% lower at US\$ 89,19/cwt, Loin was 0,16% lower at US\$ 106,46/cwt, Rib was 4,61% higher at US\$ 143,93/cwt, while Ham was 2,45% higher at US\$ 71,95/cwt. Import parity was 0,78% higher due to higher prices despite of a stronger exchange rate compared to the previous week. Fresh loins and sds bellies and skinned ham were higher. Butts and bellies were steady. Lean trimmings were higher. Trading was slow to moderate, with very light to light demand and moderate offerings. Increases in feed prices could lead



to losses up to \$12 per head for US pork producers in the next year although prices paid for slaughter pigs are likely to increase in the months to come, so will the prices for feed. Drought and floodings were the two climatic causes playing a major role in the high feed prices. A long unusual phase of drought has impacted on the quality of current crops – the last comparable drought happened in 1988, so 23 years ago. In addition, extensive floodings in e.g. the states of Louisiana, Mississippi, Missouri and North Dakota have led to many lands being flooded and being temporarily unavailable for crop production. Other states also had losses. Russia's Federal Service for Veterinary and Phytosanitary Surveillance reported that pigs were found dead at a pig farm situated in the territory of one of the penal colonies in Tver Oblast. During testing of pathological material taken from dead or emergency slaughtered pigs the specialists detected ASFV genetic material. Because of this the swine population of the farm had 80 pigs, 53 pigs dead and destroyed, and 120 pigs were emergency slaughtered. At the moment, all the necessary measures are taken on the site of the outbreak; an investigation aimed at the detection of infection routes is being carried out. China produces and consumes about half the world's pork and over the next ten years, the Chinese pig sector will undergo a fundamental revolution. It is vital for the UK pig breeders, the leaders in this field to accompany the Chinese industry in this transformation.

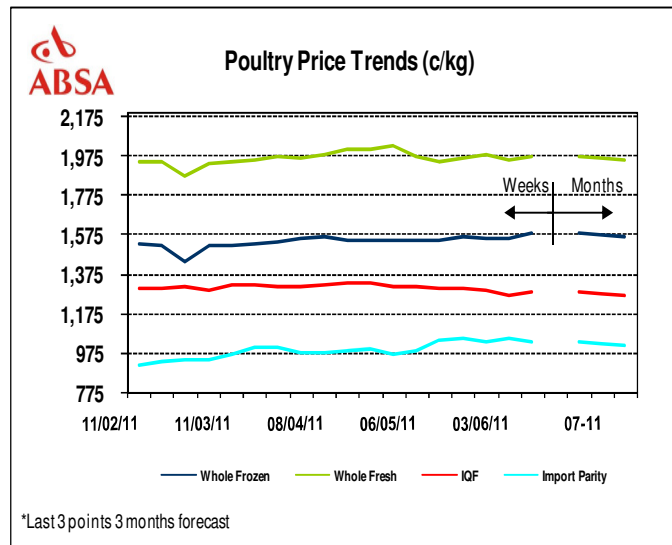
- Domestic:** The pork prices were mixed during the past week, following the international pork market. The price of Porkers decreased by 2,63% to R15,92/kg, while the price of Baconers increased by 1,46% to R15,98/kg and the price of Contract meat decreased by 0,62% to R15,95/kg compared to the previous week. The imported landed price of loin from Canada and the US traded lower at R28,22/kg week on week according to AMIE.

Outlook

Internationally, prices are expected to move downwards in the short term and sideways thereafter into the medium term due to the availability of pigs up for slaughtering. Locally, the prices are expected to move downwards in the short term with a possible sideways movement in the medium term due to enough supplies and the cheaper substitute products.

Poultry Market Trends

- International:** The poultry prices in the US were slightly lower during the past week compared to the previous week. The load count was higher and therefore the supply was higher compared to the previous week. Whole bird prices were 0,14% lower at 82,92c/lbs due to a increased supply. Breasts traded 0,85% lower at 116c/lbs and legs quarters were 1,01% lower at 49c/lbs compared to last week at 49,5c/lbs. Import parity was 1,6% lower due to lower prices and a stronger rand:US dollar exchange rate. Whole broiler/fryer prices were steady again. Offerings on smaller birds were moderate to heavy but three pound and heavier sized birds were sufficient. Retail and food service demand was light to good, mostly light to moderate entering the weekend. Market activity was slow to moderate. In the parts structure, movement was slightly under normal for the weekend demand but still noted as light to moderate overall. Floor stocks were light to moderate. Prices were trending steady to weak for breast items and tenders, steady to firm for dark meat and wings. Offerings were moderate to heavy for tenders and breast items. Wings were in good supply and moving well. Offerings for dark meat were moderate. The market activity was slow to moderate. Wings were light to moderate with the larger wings in the better balance. In production areas, live supplies were moderate. Weights were mixed, but noted were mostly desirable.
- Domestic:** Poultry prices closed higher this week compared to the previous week because of lower stocks level and the high prices of rd meat. Frozen birds traded 1,93% higher at R 15,83/kg compare to the previous week. Whole fresh medium bird prices traded 0,97% higher at R 19,75/kg and IQF prices traded 1,34% higher at R 12,88/kg. The landed price of imported chicken leg quarters and grillers from Brazil traded higher at R 13,12/kg and grillers at R19,28/kg week on week according to AMIE.



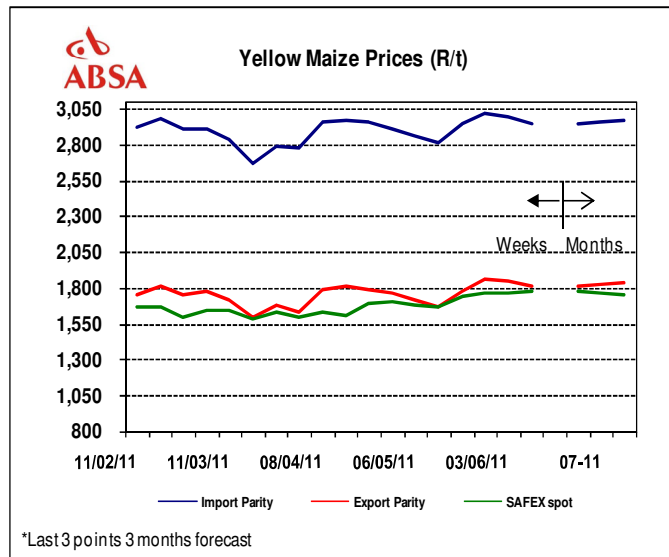
Outlook

Internationally, the prices will move downwards in the short term with a possible sideways movement in the medium term due to good supply but the high red meat prices can affect the price of chickens positively. Locally, the market is expected to trade downwards in short term with a possible sideways movement in the medium term due to enough stock and month end.

Livestock Prices (R/kg) 10 June 2011	Beef		Mutton		Pork		Poultry	
	Current Week	Previous Week	Current Week	Previous Week	Current Week	Previous Week	Current Week	Previous Week
Class A / Porker / Fresh birds	26,75	26,89	47,36	47,31	15,92	16,35	19,75	19,56
Class C/ Baconer / Frozen birds	23,70	23,75	38,35	38,28	15,98	15,75	15,83	15,53
Contract / Baconer/ IQF	26,80	26,89	47,40	47,30	15,95	16,05	12,88	12,71
Import parity price	29,03	29,34	25,86	25,29	15,18	15,06	10,30	10,47
Weaner Calves / Feeder Lambs/	17,63	17,44	24,33	23,67				
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	34,00	34,00	37,45	36,30	28,22	28,22	13,12	13,34

Yellow Maize Trends

- International:** The average US yellow maize spot prices closed the week 0,3% or US\$ 0,85/t lower compared the previous week. Compared to last week, grain and soybean bids were lower with yellow maize higher. Maize saw gains due production concerns as the weather forecast is showing more rain for the eastern maize-belt later this week and water rising down the Missouri river jeopardizing crops in low areas. The weaker dollar was also noted supporting trade. As of early this week, 94 % of the maize crop has been planted versus 86 % last week and 99% last year. The USDA report released on Thursday was friendly for maize as acres were cut from 92,2 million acres to 90,7 million acres with new crop stocks coming in below expectations at 695 million bushels. The USDA cut its estimate for the domestic harvest, leaving its forecast for US stocks at the close of 2011/12 at 695m bushels. The USDA has in a rare move slashed maize planted and harvested acres, noting delayed planting in the east and northern plains and flooding in the Mississippi and Missouri river valleys as the reason. This was rare because the USDA has, typically, waited until the end-June acres report to revise plantings estimates. Maize closed with slight gains as soybeans and most wheat contracts remained on the defensive due to bearish outside market with pressure from triple digit losses from the stock market, lower crude oil and a stronger dollar. The maize market though has little reason to sell-off with fundamentals very good.



There was plenty of support for the idea that prices will remain high, after the USDA, in the latest Wasde report on world crop supply and demand, cut the estimate for domestic maize stocks by more than 200m bushels, to a historically-tight 695m bushels. US maize stocks in 2011/12

season are now expected to be tighter than the current levels, implying that the current record high prices will continue, unable to find buying support due to outside market pressure. China's trade surplus came in at \$13,1bn last month, well short of estimates of at least \$18bn, and igniting worries about the health of the economy behind so much world growth. South Korea unexpectedly also raised interest rates, while Greek debt fears returned to centre stage, weakening the euro and helping send the dollar 0.8% higher. A stronger dollar is a negative for dollar-denominated assets, making them less competitive to buyers in other currencies. Futures were weak in Europe too, despite the euro's decline, and sterling weakness on weak UK industrial output data which factors offset by rains for dry areas. In the next several days a series of major storm systems or deep low pressure areas will be tracking through the UK. The next one arrives on Sunday which will be followed by an even stronger system on Tuesday and Wednesday which will be followed by a massive system. This system could bring a major trough with significant showers and thunderstorms in France, Spain and Germany. Things are looking better in the Ukraine too, with most of the model data showing a significant trough staying over the Ukraine, for the next several days seeing pretty good rains especially over the southern portions and near the Black Sea and the Crimea. Expectations of a rebuild in domestic inventories this year is very low. Inventories were pegged falling a further 45m bushels, rather than rising 270m bushels as had been forecasted. This report underscores just how tight maize supplies are and will remain for another year. The same went for expectations for world maize inventories, as the USDA, in its much-watched Wasde report on crop supply and demand, factored in a huge cut to Chinese supplies, and downgraded its forecast for the global number by a massive, humungous 17,2m tons. That's bigger than the shipments this season from Argentina, the world's second-ranked exporter. The downgrade also reflected a massive change to forecasts for maize in China, where official data have gained a reputation for inaccuracy, because of a tendency among provincial authorities to manipulate statistics to improve their case for handouts from Beijing. The USDA, while lifting its estimate of last year's Chinese maize harvest by 5,0m tons, and adding 6,0m tons to its forecast for the forthcoming crop, estimated that its figures on consumption were even further out – by 8m tons in the current season and 13m tons in 2011/12. There was no explanation for the revisions to China's consumption data beyond saying they were because of feeding and industrial use. The production upgrades were attributed to a bigger estimate for plantings, with yield estimates held steady.

- **Domestic:** The local market traded slightly higher during the past week. The average yellow maize spot price traded 0,8% or R13,20/t higher than the previous week. The Rand: US dollar exchange rate was on average stronger during the past week, compared to the previous week. The average exchange rate for the week were R6,75/US dollar compared to R6,83/US dollar the previous week. Safex futures traded higher in the week: Jul-11 traded 2,01% (R36/t) higher, Sept-11 traded 1,75% (R32/t) higher, Dec-11 traded 1,92% (R36/t) higher, Mar-12 traded 2,39% (R45/t) higher and Jul-12 traded 0,11% (R2/t) lower compared to the previous week.

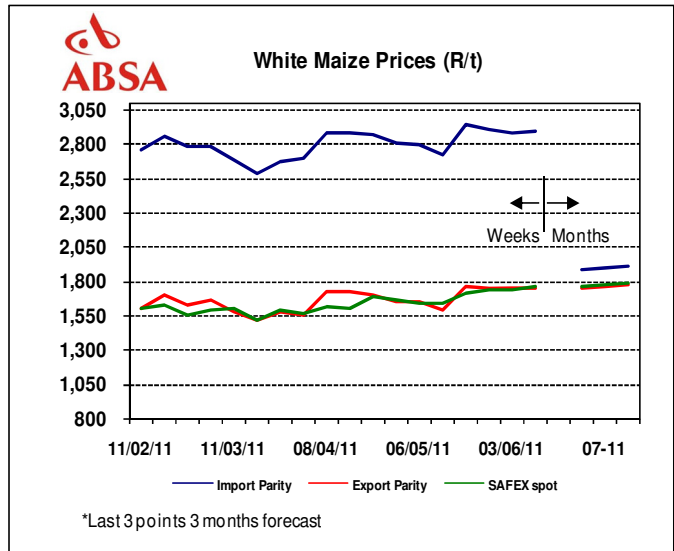
Outlook

Internationally, markets will remain cautious because of stretched world supplies. It is expected that the market will remain volatile and move sideways in the short to medium term. Locally, the market is expected to move sideways in the short to medium term to due to the wet conditions that prevent harvesting and can cause damage to the harvest.

Yellow Maize Futures 10 June 2011			Jul-11		Sept-11		Dec-11		Mar-12		Jul-12	
CBOT (\$/t)			309,83		297,62		280,46		284,63		288,57	
SAFEX (R/t)			1,824		1,857		1,908		1,930		1,840	
Dec-11			Mar-12			Jun-12						
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
1,940	198	166	1,960	234	204	1,880	269	229				
1,900	175	183	1,920	211	221	1,840	246	246				
1,860	155	203	1,880	190	240	1,800	224	264				

White Maize Trends

- International:** The US white maize spot market traded 1,7% or US\$ 5,31/t higher in the past week compared to the previous week, following the upward trend of the yellow maize market. The local import parity of white maize was almost the same 0,0% (R0,81/ton) higher compared to the previous week due to a stronger rand: dollar exchange rate despite of higher prices.
- Domestic:** The local average white maize spot price traded 1,4% (R24,80/ton) higher compared to the previous week, with white maize still trading 62,0% higher than the same time a year ago. The white maize futures contracts all traded higher this week: Jul-11, 2,43% (R43/t) higher, Sept-11, 1,99% (R36/t) higher, Dec-11, traded 2,32% (R43/t) higher, Mar-12, 2,5% (R47/t) higher and Jul-12, traded 1,96% (R36/t) higher.



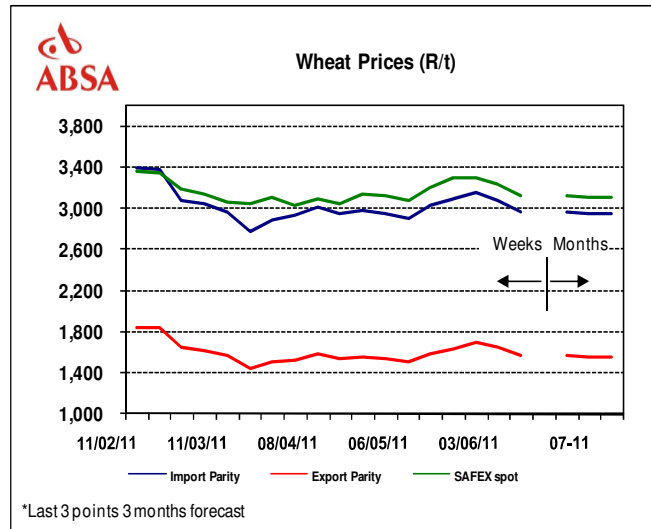
Outlook

Internationally, the white maize price trend will to follow the sideways trend of yellow maize prices in the short term with a sideways movement in the medium term due to weather constraints in the large producing countries. Local prices will be influenced by the international grain markets but in the short term the price and quality will also be influenced by the wet conditions that prevent harvesting. A stronger rand: dollar exchange rate could prevent a drastic increase in the local market.

White Maize Futures 10 June 2011			Jul-11		Sept-11		Dec-11		Mar-12		May-12	
SAFEX (R/t)			1,813		1,842		1,898		1,927		1,870	
Dec-11			Mar-12						Jun-12			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,940	195	153	1,960	235	202	1,900	282	252				
1,900	172	170	1,920	213	220	1,860	259	269				
1,860	151	189	1,880	191	238	1,820	237	287				

Wheat Market Trends

- International:** The average weekly wheat spot price traded lower compared to the previous week. The price of hard red wheat and soft red wheat was lower in the past week. Soft red wheat traded 4,0% (\$12,62/t) lower, while hard red wheat traded 2,6% (\$9,51/t) lower compared to the previous week. Local import parity were also lower by 3,8% or R117,38/t due to the lower US market and a stronger Rand:US dollar exchange rate. The HRW wheat harvest is advancing in the southern plains with reports of good test weights and quality. Most wheat contracts were lower with the July Chicago contract finding solid support. Wheat had



some support from maize and soybeans with a continued weakness in the dollar. Wheat was under pressure most of the week as rain was reported in Europe's wheat growing regions and bearish supply/demand report. Wheat had new crop ending stocks at 687 million bushels, 15 million bushels lower than last month, but winter wheat production for 2011/12 is forecast at 2,068 billion bushels, 15 million bushels higher than last month. France's soft wheat shipments are to slump by 30% due to the drought and renewed competition from the Black Sea. France will export 14m tons of soft wheat and flour in 2011/12, including 6m tons outside the Europe. The estimate forecast for 2010/11 was upwards revised, by 300,000 tons to 20,4m tons, due to better prospects for non-EU sales. France is believed to have been the beneficiary of an Algerian tender of 600,000-650,000 tons sealed late last week. Next season's downward revision of the forecasts reflect the impact on production for the March-to-May period rated by national weather forecasters as the driest and warmest in 50 years. Officials also noted the increased competition from Black Sea exporters now that they have lifted export curbs introduced following drought-hit 2010 harvests. There should be a more normal year in wheat trade due to the presence of more competitors. Russian wheat exports will recover to 9m tons in 2011/12 from 4m tons in the current season, with Ukraine's rebounding from 3,8m tons to 10m tons. The USDA, currently sees Russian shipments at 10,0m tons next season, and Ukraine's at 8,5m tons. Reduced competition from Black Sea producers has fuelled the 2,4m-ton rise forecast for French soft wheat shipments in 2010/11, enough to give the country second place in wheat exports. However, in 2011/12 Canada and potentially Australia could overtake France in exports. The recent rain is not good for everybody because it delays the early harvesting process in Spain. The government in Spain is expecting a grain crop of 22m tons, up from 19,7m tons last year. The rain may cause some of the durum crop to lose its Hagberg and be downgraded to feed. If this happens it could lead to lower import requirements on feed grains which is bad news for the UK, who typically ships Spain a stack of feed wheat. Wheat normally has the advantage on maize in the relationship because of its high protein content. While the Wasde report was generally a touch negative, unearthing a cache of Russian wheat and raising the forecast for the US harvest, many analysts have questioned the latter move given the extent of spring planting delays. There is currently a projections of 200,000-300,000 lost acres of spring wheat which are too low and will be higher. Wet weather may force Canada's farmers to abandon an area of land the size of Belgium, leaving plantings at historically low levels for a second successive year, but there are good prospects for Australian producers. Persistent rains, on top of heavy snow melt, have dashed growers' plans to plant on the 62,5m acres in western Canada, the country's agricultural heartland.

- Domestic:** The average SAFEX wheat spot price traded lower 3,8% or R123,00/t lower this week compared to the previous week, following the lower international wheat markets. Safex future prices also traded lower during the past week: Jul-11 traded 2,37% (R76/t) lower; Sept-11 traded 2,17% (R69/t) lower and Dec-11, traded 0% (R0/t) the same than the previous week.

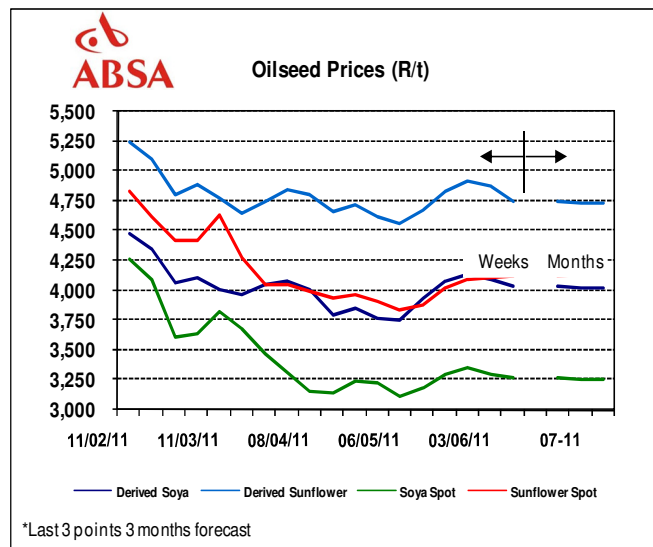
Outlook

Internationally, prices will trade lower and will find support from the extra 5m tons of wheat find in Russia and possibly good weather in Australia. Locally, the market will continue to follow the international market into lower prices in the short term with a sideways movement in the medium term.

Wheat Futures 10 June 2011		Jul-11	Sept-11	Dec-11	Mar-12	May-12		
KCBT (\$/t)		320,11	326,87	336,06	341,57	341,52		
SAFEX (R/t)		3,125	3,116	3,008	-	-		
Jul-11			Sept-11			Dec-11		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3,160	192	157	3,160	260	216	3,040	293	261
3,120	170	175	3,120	238	234	3,000	271	279
3,080	150	195	3,080	217	253	2,960	249	297

Oilseed Market Trends

- International:** US soybean prices traded week to week on average 0,7% higher compared to the previous week. The current price is still 47,9% higher compared to the same time a year ago. Soybeans posted losses early in the week on a bearish USDA report. Soybeans had both old and new crop ending stocks higher than expected at 180-190 million bushels. The Midwest finally got a break from wet weather early this week, allowing plantings to proceed in locations where heavy rain has been a problem. Soybean plantings earlier in the week came in at 68% planted compared to 83% last year. Indiana soybean plantings were listed at 49% complete. Ohio plantings are at 26% complete.



The concerns over maize and spring wheat acres shifting to soybeans were viewed as negative. Soybeans were unable to find buying support with outside market pressure. Soybeans lost further ground too, having gained no support from the Wasde, which raised estimates for US stocks at the close of both this season and 2011/12, noting weakened export prospects. The picture for oilseeds on a global basis was not so rosy, with the USDA cutting its estimates for stocks at the close of 2011/12 by 1,1m tons to 71,1m tons, reflecting worsened prospects for rapeseed production in Canada, hit by wet delays to spring plantings, and the European Union, where dry weather is the issue. The UK, officially declared some parts of England in drought, and the driest spring on record in the south east and central southern counties. China, the world's top soybean buyer, revealed that its imports of the oilseed rose 17,5% from April to 4,6m tons last month although that still left them down 1% year on year, taking the January-to-May period as a whole. But Opec's inability to agree on a rise in oil production, which has been well-trailed by Saudi Arabia and had appeared something of a formality, put a fresh spin on events. It didn't do much to help shares, which closed down 1% in London. And some questioned whether it should have been deemed bullish to farm commodities too. Without an agreement we may see Saudi Arabia increase oil production and simply ignore Opec. The strong performance spilled over into soybeans too, which closed up 0.5%, despite the bearish news of a further upgrade of the Brazilians harvest. The world's second-biggest

soybean crop for 2010/11 was pegged at a record 75,0m tons, up from a estimated of 73,6m tons in May.

- Domestic:** The average soybean spot prices traded 0,6% or R19,80/ton lower compared to the previous week. This decrease is due to a stronger Rand: US dollar exchange rate despite higher international price. The current price is still 29,8% higher for the corresponding time a year ago. The soybean futures prices all traded lower, following the international futures prices, in the past week: Jul-11 traded 0,96% (R32/t) lower, Sept-11 traded 0,92% (R31/t) lower, Dec-11 traded 0,81% (R28/t) lower, Mar-12 traded 0,71%(R25/t) lower and May-12 traded the same compared to the previous week. The average sunflower spot price for the week traded higher and closed 0,3% (R12,80/t) higher than the previous week. This was 19,7% higher than the same time a year ago. The sunflower futures prices closed lower compared to the previous week: Jul-11 traded 1,55% (R65/t) lower Sept-11 traded 1,03% (R44/t) lower and Dec-11 traded 1,16% (R51/t) lower compared to the previous week.

Outlook

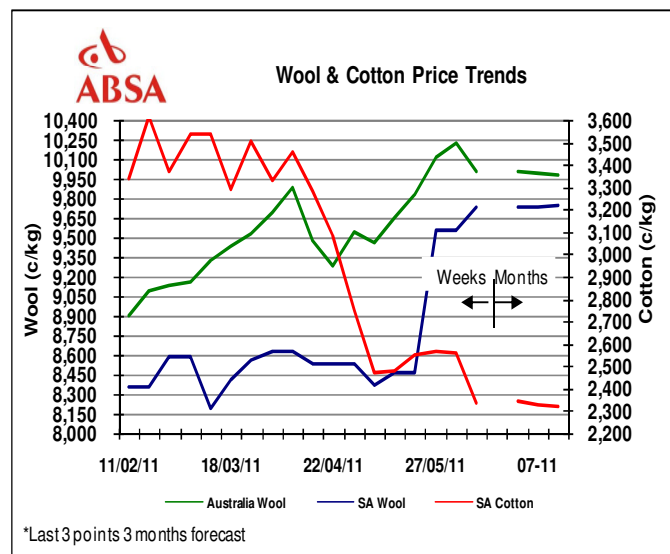
Internationally, markets will move sideways in the short to medium term due to good weather conditions in the US and the fact that there will be enough wheat for feed grain. Locally, the oil seed market will follow the international market with a sideways movement in the short to medium term. A strong Rand: US dollar exchange rate could have a adverse affect on the prices.

Oilseeds Futures 10 June 2011	Jul-11	Sept-11	Dec-11	Mar-12	May-12
CBOT Soybeans (US \$/t)	509,71	506,84	511,18	512,28	509,27
CBOT Soy oil (US c/b)	56,85	57,41	58,24	58,75	58,80
CBOT Soy cake meal (US \$/t)	373,30	365,60	364,30	366,50	363,70
SAFEX Soybean seed (R/t)	3,295	3,350	3,427	3,485	3,370
SAFEX Sunflower seed (R/t)	4,133	4,226	4,334	-	-

Sunflower Calculated Option Prices (R/t) Absa Capital Trading Desk: 011 – 895 5524								
Jul-11			Sep-11			Dec-11		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
4,180	404	357	4,260	487	453	4,380	649	603
4,140	382	375	4,220	465	471	4,340	626	620
4,100	361	394	4,180	443	489	4,300	604	638

Fibres Market Trends

- International:** The Australian market was 0,6% higher from the previous sale and closed at AU 1,407c/kg. The next sale is on the 14th and 15th June 2011. US cotton price decreased again from 158,65 US c/lbs last week to 151,94 US c/lbs this week. Cotton total spot transactions for the week were lower at 2,877 bales compared to 3,984 bales last week and 5,058 bales a year ago. The total bales for the season were 613,669 bales compared to 873,765 for the same time last season. The new cotton December crop contracts being actually better favoured by WASDE



revisions which raised US abandonment rates near to record levels for this year's crop, due to drought in Texas. The crop will incur stress and therefore growth will never be 100% during the summer and therefore the production will also be lower. The USDA cut a further 1,0m bales from its estimate for the domestic harvest, leaving it at 17,0m bales, with abandonment rates not far off the record 1998 level of 20%. The downgrade was due mainly to expected higher abandonment resulting from the increased severity of the drought in the South West. The estimate for abandoned acres was raised by 600,000 acres to nearly 2,4m acres, equivalent to nearly 19% of plantings – and compared with less than 300,000 acres last season. Other soft commodities were firm, but could not keep up with cotton's performance late in the week, even coffee which added 1,1% for July in the middle of some lingering frost fears for the Brazilian crop. New York cotton futures reversed a correction which has seen them, twice this week, drop the daily maximum limit and turned limit up instead, helped by a downgrade by the US to its harvest hopes.

- Domestic:** The last sale was on the 8th June 2011 with the next and first sale of the new season scheduled for 17th Aug 2011. The wool market closed at a record high at the final sale of the 2010/11 season when the prices increased 1,8% to close at R97,29/kg (clean). This is the highest level in over a decade. This is also 68% above the opening level and approximately 66% higher than the closing sale last season. Prices rose despite a much stronger rand, which at R6,69, had gained 4,2% against the US dollar compared with the average rate at the previous sale. It was relatively unchanged against the euro at R9,80. The sale was characterised by keen competition from all sectors of the trade. A healthy demand from the major wool-consuming countries and supply concerns were again the main drivers at the sale. It was a relatively large offering with 13 706 bales on the catalogued of which 95% was sold. The average clean price for the different categories good top-making (MF5), sound, long fleeces (less than 1% seed content) were as follows: 19 microns were down a marginal 0,4% at R122,81/kg; 19,5 microns rose 1,3% to R117,23/kg, 20 microns gained 6,2% to close at R107,79/kg; 20,5 microns were up 0,5% at R102,73/kg; 21 microns rose 1,7% to R101,87/kg, 21,5 microns were 0,8% dearer at R99,29/kg and 22 microns gained 3,8% to close at R99,94/kg.

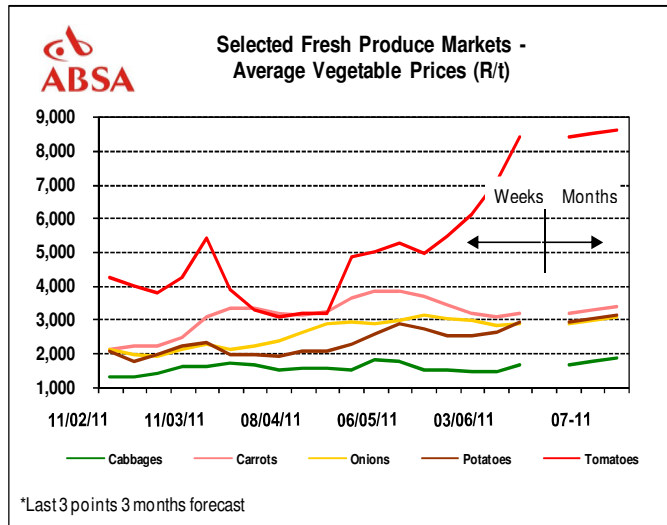
Outlook

International wool prices will most probably trade upwards again with a sideways movement in the medium term due to a higher demand but lower cotton prices can influence the wool prices negatively. However lower production forecasts can help the cotton price in the medium term. Local market cotton prices will follow lower US cotton prices with a stronger Rand: US dollar exchange rate in the short term with an upward movement in the medium term.

Fibres Market Trends Week ending 10 June 2011				
Wool prices	*SA prices (R/kg)	Australian prices (R/kg)	Australian future Jun - 11 (AU\$/kg)	Australian Future Aug - 11 (AU\$/kg)
Wool market indicator	97,29	100,14	-	-
19µ micron	127,72	123,70	16,50	16,00
21µ micron	100,78	105,19	13,25	13,25
23µ micron	93,49	91,82	11,50	11,50
Cotton prices	SA derived Cotton (R/kg)	New York A- Index (US\$/kg)	New York future Jul-2011 (US\$/kg)	New York future Oct-2011 (US\$/kg)
Cotton Prices	23,45	3,48	3,33	3,05

Vegetables Market Trends

- Cabbages:** Cabbage prices increased by 15,2% w/w and was 32,1% higher y/y for the week under review and 13,5% higher than two years ago. The price increased was partly due to a 0,9% decrease in volumes w/w. Prices are expected to increase in the short term with a possible sideways movement in the medium term towards the end of winter.
- Carrots:** Carrot prices increased by 4,6% w/w and was 1,3% higher y/y and 60,6% higher than two years ago. The price increased was despite of a 1,4% increased in supplies. Prices are expected to increase due to fewer supplies during the coming colder weeks.
- Onions:** Onion prices increased by 0,6% w/w but were 27,7% lower y/y and 36,9% lower than two years ago compared to the same week. The prices increased despite of a 0,1% decrease in volumes. Prices are expected to move upwards in the short to term with a sideways movement due to the probability of decreases in supplies during the coldest part of the year.
- Potatoes:** Potato prices increased by 12% w/w and were 5,5% higher y/y but 1,1% lower than two years ago. Prices increased due to a 10,8% decrease in volumes compared to the previous week. Prices are expected to increase due to lower supplies because of the coldness that preventing growth.
- Tomatoes:** Tomato prices increased by massive 18,4% w/w and was 0,2% higher y/y but a enormous 219,3% higher than two years ago. The increased in prices were despite of a 8,9% increase in volumes compared to the previous week. Prices are expected to increase in the short to medium term due to shortages.



Vegetable Prices: Fresh Produce Market (Averages on the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)				
Week ending 10 June 2011	This week's Average Price (R/t)	Previous week's Average Price (R/t)	This week's Total Volumes (t)	Previous week's Total Volumes (t)
Cabbages	1,664	1,444	1,464	1,478
Carrots	3,196	3,056	1,390	1,371
Onions	2,860	2,842	5,627	5,631
Potatoes	2,940	2,624	13,132	14,716
Tomatoes	8,404	7,098	2,953	2,712

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the usage of this information.

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