

An innovative agreement to boost Agriculture

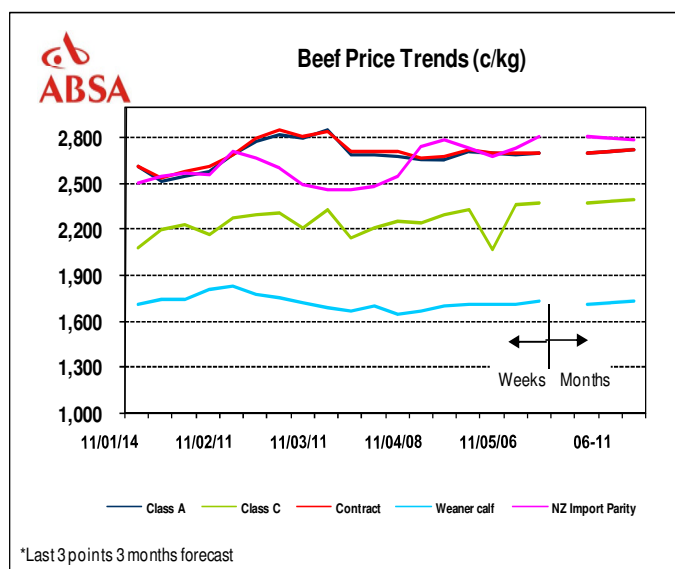
Absa Business Bank (ABB) has formed a strategic co-operative agreement with BKB Limited (BKB) which is aimed at stimulating growth in the agricultural industry through the introduction of innovative financing and risk management solutions. The principle behind the agreement is to have a more holistic approach to agriculture and its downstream value chain where financing will be done based on a commodity – such as a crop – as security. Advantages for the farmer or producer are that he still uses his long standing relationship with BKB as trusted supplier, advisor and offtaker. The farmer can most probably get the finance cheaper as it is now directly obtain from Absa. The farmer can use the credit that Absa provide to negotiate for cash discount and the crop is used as security with the offtaker still being BKB.

The advantages for BKB are that limited back office staff is needed to fill in, screen and approved the credit application (off balance sheet finance) BKB will still have the primary relationship with the client. BKB can use his own balance sheet and security to focus on their core business such as the supplying of products, advice and equipment to the farmer. BKB can buy more or negotiate discounts for buying in cash or in bulk.

Advantages for Absa are that Absa can take a view on the offtaker (BKB) when supplying credit to the farmers. Absa can use BKB's footprint in a certain region to service clients better. Absa can use BKB's knowledge as an advantage. These types of agreements can and will be negotiated with more Agri businesses.

Beef Market Trends

- International:** The US and AU beef market prices traded lower during the week compared to the previous week. In the US top inside was 0,6% lower at 200,56 \$/cwt, Rump was 6,7% lower at 244,71 \$/cwt, Strip loin was 3,8% lower at 505,65 \$/cwt, Chuck was 2,1% lower at 221,76 \$/cwt, and Brisket 0,2% lower at 165,05 \$/cwt. Texas & nearby US states still have extreme drought problems including water shortages and wildfire risks. More breeding cows being forced to markets at record-high slaughter prices due to ongoing low levels of US beef imports and shortages of lean processing beef. Bankers may be telling ranchers to keep cashing-in at these high prices for liquidity reason, even while futures contract prices for feeder calves stay at record-high levels up to 134c/lb, live. Livestock markets took another step back this week, despite a contraction in auction offerings, with many lamb and cattle processors reportedly well booked for several weeks in advance, reducing competition in the physical markets. While the lower prices of recent weeks also contributed to the reduction in auctions



nationally, prices were down across every category, with the exception of feeder steers which held steady. Restocker demand for young cattle was back to the previous week, as producers weighed up options heading into winter with the EYCI falling to its lowest level for 2011. Following last week's larger cattle auctions, numbers across reported auctions in Australia declined 33% this week as every state auctioned fewer cattle. The cooler temperatures and the changing season have tempt producers to offload cattle before winter, but the recent softening of prices has restricted throughput at centres where holding onto unfinished stock remains an option. Rain in many southern regions of the state forced producers to withhold stock. Throughput at most markets in NSW was 26 % lower, however, numbers managed to hold firm at several markets where producers were eager to offload unfinished young cattle prior to winter. Buyer competition on young cattle has begun to change as winter approaches, with restockers becoming less interested as the temperature drops. Demand for trade cattle remains strong despite the quality falling away. The effect of the high A\$ has continued to filter down to livestock prices, with grown steer and cow prices again cheaper despite the general reduction in cattle supplies Processors continuing to be squeezed by the high A\$ and competition between processors was again subdued, however, prices recovered some of the recent falls at a handful of markets.

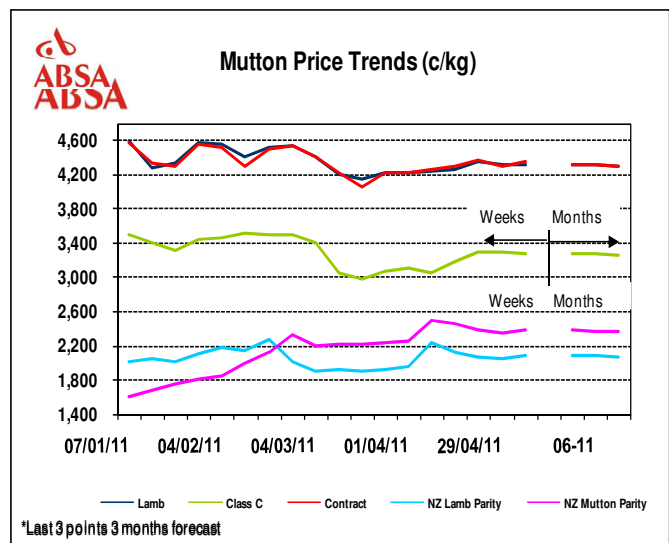
- **Domestic:** Beef prices traded higher during the past week compared to the previous week following parts of the international price trend. The prices of the different meat classes were as follows: Class A prices increased by 0,3% to R25,16/kg, Class C prices increased by 0,6% to R23,71/kg and Contract prices increased by 0,2% closing at R26,97/kg. Weaner prices closed higher at R17,11/kg compared to the previous week. Hide prices traded 7,3% lower compared to the previous week closing at R8,65/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 decrease due to normal trade after Easter and winter stepping in. The Australian market might come under further pressure due to a stronger AU dollar. In the local market, prices of red meat will move sideways in the short term with a possible upward movement in the medium term due to constant demand. Weaner prices will move sideways in the short to medium term with a possible upward movement because of the scarcity of weaners.

Mutton Market Trends

- **International:** Australian prices were mostly lower compared to the previous week. These markets were lower as a result of decreased demand after Easter. Local import parity for lamb increased by 11,9% and mutton by 4,8% respectively mainly as a result of the weaker rand against the New Zealand dollar. Nationally, lamb prices fell with the recent colder weather across the southern states reportedly impacting on quality. The strong A\$ continues to weight heavily upon the markets, with its impact upon the cattle market emphasized by the continued slow sentiment in most export markets. Cattle and lamb markets climbed to all-time highs in March, the influence of the exchange rate upon prices was largely



overshadowed by the tight and disrupted supplies. South-eastern Australia was hit by the coldest weather of the year so far, with winds straight from Antarctica bringing up to 25cm of snow to parts of Victoria and NSW. Parts of central Queensland and southern Victoria saw more than 25mm of rain, disrupting stock movements across some regions, while the rest of the continent was largely dry. There was a 25% week-on-week drop in lamb numbers reported markets this week. This was predominately in Victoria, recording a 35% drop in auctions. The large numbers of lambs sold direct to processors has been a contributor to the decline in auctions across the eastern states. The current decline in prices may have encouraged producers to hold back some lambs. Buyers were reported missing from the majority of auctions this week and those that were in attendance were more selective with purchases possibly due to processors having sufficient supplies. Trade lamb quality remains mixed. While at most markets there were some well finished pens, there was a widening variance between the top and bottom end. Despite the sharp decline in temperatures, restockers were still active on the lightweights, albeit at lower prices, as quality and age played a part in their purchases.

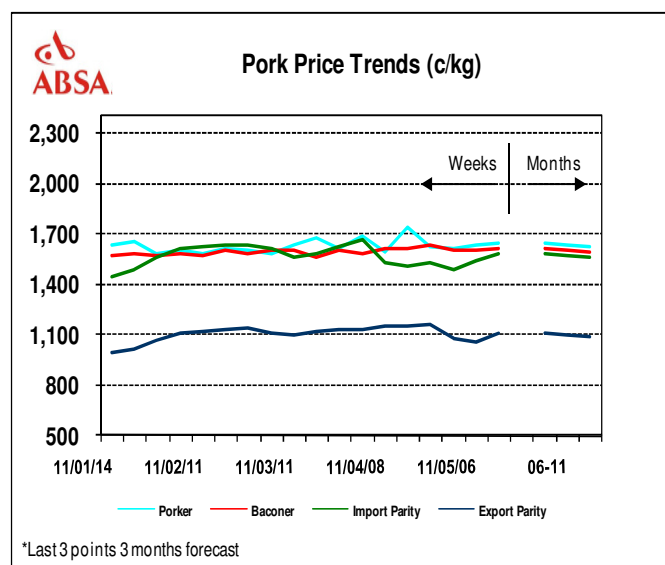
- Domestic:** This week's mutton prices traded lower compared to the previous week. Class A2 prices closing at R43,51/kg, 0,3% lower, Class C2 prices closing at R33,87/kg, 0,3% lower while Contract prices closed at R43,28/kg, 0,2% lower. Feeder lamb is still a scarce commodity although the prices had stayed the same at R22,17/kg compared to the previous week. The average price for a Dorper skin was a massive 27% higher at R67,40 and a Merino skin the was a 7% higher at R67,40 compared to the previous week. The landed imported price of Mutton, Rib from Australia and New Zealand traded the same compared to the previous week at R22,95/kg but Mutton Shoulder traded the same at R 36,95/kg.

Outlook

Internationally, prices will decrease in the short term and move sideways in the medium term due to lower sheep numbers in AU and the US while consumption will stay relative high. Locally, the price of mutton will move upwards in the short to medium term with increases due to the scarcity of lamb and constant demand. The price of lamb will move upwards in the short to medium term with a possible sideways movement during winter.

Pork Market Trends

- International:** US pork prices were higher during the past week. The price of a Carcass was 2,17% higher at US\$ 93,08/cwt, Loin was 5,15% higher at US\$ 107,57/cwt, Rib was 7,94% higher at US\$ 148,10/cwt, while Ham was 0,87% higher at US\$ 75,29/cwt. Import parity was 2,67% higher due to a weaker exchange rate compared to the previous week. Fresh loins and butts were steady to higher. Bone-in hams, side bellies were not established but lean trimmings were steady. Trading was slow to moderate, with moderate to good retail demand and light offerings while processing cuts experienced light to moderate demand and offerings. Pork has been particularly profitable this year, due to robust exports & despite US slaughterings being 1,5% lower in 2011 to-date. USDA's current pork carcass



cut-out value calculation is back at record-high 92,4 c/lb having regained the 1,6c/lbs it temporarily lost last week & current live hog price in western maize belt is 69,5c/lbs. US hog slaughter gradually seems to be picking up with the national slaughtering now again edging above 400,000 head daily.

- **Domestic:** The pork prices were higher in the past week, following the international pork market. The price of Porkers increased by 0,49% to R16,40/kg, while the price of Baconers increased by 0,56% to R16,15/kg and the price of Contract meat increased by 0,53% to R16,28/kg compared to the previous week. Market activity was slow with enough stock levels during the holidays. The imported landed price of loin from Canada and the US traded the same at R27,50/kg week on week according to AMIE.

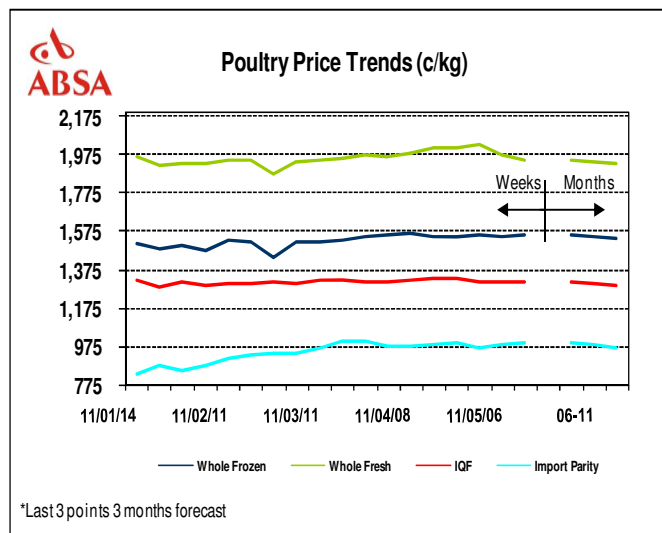
Outlook

Internationally, prices are expected to move sideways in the short to medium term with a possible downward movement after the Easter period due to lower substitute products. Locally, the prices are expected to move sideways in the short to medium term with a possible downward movement as supplies will be back to normal and due to cheaper substitute products.

Poultry Market Trends

- **International:** The poultry prices in the US were lower during the past week compared to the previous week. The load count was higher than the previous week, 339 loads compared to 331 loads. Whole bird prices were 0,28% lower at 884,34c/lbs due to a decreased demand. Breasts traded 0,4% lower at 125c/lbs and legs quarters traded also lower compared to last week at 46c/lbs at 1,08%. Whole broiler/fryer prices were trending steady overall. Offerings were light to moderate often heavy for larger size products. Retail and food service demand was light to moderate but in some instances good into fast food channels. Floor stocks

were light to moderate. In the parts structure, movement was light to moderate for late week business but prices were trending firm to higher for wings and most dark meat items and weak for breasts items. Offerings of breasts items were mostly heavy. All other parts were moderate to light. The market activity was slow to moderate. In production areas, live supplies were moderate while weights were mixed, but mostly desirable. Almost a thousand live chickens filled with mineral powder to increase their weights have been found in China, becoming the latest food scandal in the country. The chickens were found in Southwest China's Chongqing municipality during a raid jointly conducted by several local authorities while they were being transported early Sunday morning. When officers stopped two trucks carrying suspected chickens at the toll stations of the Chongqing-Guizhou highway, the officers noticed that the chickens' craws were abnormally plump and asked the drivers to hand over several of the chickens for testing. The owners of the livestock confessed to the inspectors that each of the birds had been fed from 300 to 400 grams of barite powder. Barite powder is mostly used to add weight to oil drilling mud, to deflect X-rays in medical science, as a material in the brakes of vehicles and in high-quality paints. In the next four years, Russia will continue to increase production and exports of poultry and by 2014 will be able to completely abandon import supplies, according to the forecasts. However imported products will not completely



disappear from the Russian market, a small share of imported poultry is necessary for normal operation of the industry. By 2014 the share of imported products on the poultry market will be about 7% while nowadays the industry almost completely meets the requirements of domestic consumption, and imports in the current market situation are not required. A certain amount of imported products is necessary for competition development. Nobody is talking about a ban on imported products. Due to state policy to restrict imports and increase investment in the industry, Russia, on the one hand, in the near future will be able to fully meet the demand of the domestic market and realise its export potential. On the other hand, domestic manufacturers may also face the problem of oversupply in some kinds of production due to limited range.

- Domestic:** Poultry prices closed mixed this week compared to the previous week with stocks level satisfactory after the holidays. Frozen birds traded 0,32% lower at R 15,52/kg. Whole fresh medium bird prices traded 1,27% lower at R 19,44/kg and IQF prices traded 0,08% lower at R 13,08/kg. The landed price of imported chicken leg quarters and grillers from Brazil traded mixed with leg quarters were lower at R 13,02/kg and grillers lower at R16,97/kg week on week according to AMIE.

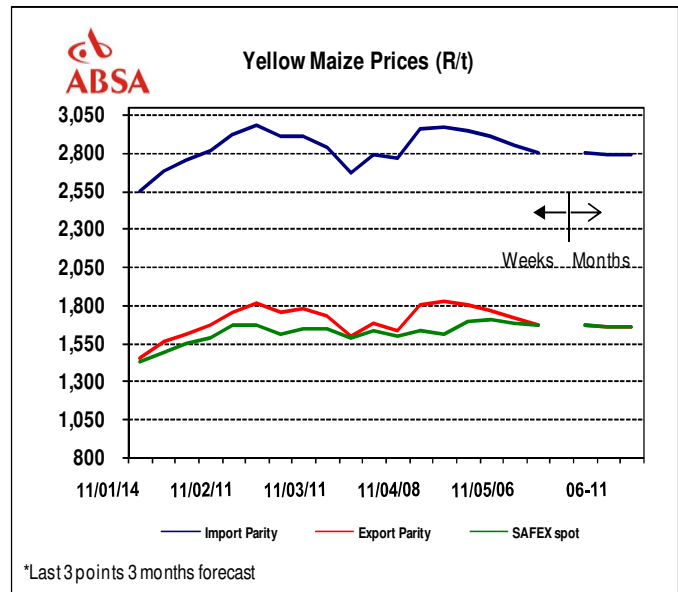
Outlook

Internationally, the prices will move downwards in the short term with a possible sideways movement in the medium term with stock levels normal. Locally, the market is expected to trade sideways with a possible downward movement due to lower demand and satisfactory stocks.

Livestock Prices (R/kg) 13 May 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	26,95	26,87	43,51	43,66	16,40	16,32	19,44	19,69
Class C/ Baconer / Frozen birds	23,71	23,58	33,87	33,97	16,15	16,06	15,52	15,47
Contract / Baconer/ IQF	26,92	26,97	43,28	43,36	16,28	16,19	13,08	13,09
Import parity price	28,09	27,33	24,86	23,71	15,80	15,39	9,90	9,84
Weaner Calves / Feeder Lambs/	17,23	17,11	22,17	21,83				
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	34,00	34,00	36,95	36,95	27,5	27,50	13,02	13,15

Yellow Maize Trends

- International:** The average US yellow maize spot prices closed the week 4,4% or US\$ 13,51/t lower compared the previous week. The futures market traded higher during the past week. Soybeans saw solid gains throughout the week but maize posted sharp losses and wheat trading two sided. Grain buyers came out after the weekend with renewed buying interest ready to buy wheat and maize, as conditions continue to deteriorate in the US. Outside markets all posted sharp gains in crude oil, precious metals as the dollar was lower adding support. However, by mid-week wheat and maize posted sharp losses as outside market influences were bearish also pulling soybeans lower. Maize had both old crop and new crop ending stocks coming in above expectations. There were some renewed rains for areas of the US, with forecasts indicating that a large portion of the Maize Belt will see some delays over the next 14 days. Latest US estimates have crop progress report showing 60% of US maize sown, up 20 points in a week, but still behind the average pace of well over 70%. Crude oil was sharply lower, along with the stock market suffering big losses and the higher dollar all pressured the grain markets. Maize had weekly export sales of old crop sales totaling 433,800 tons. Projected US feed grain supplies for 2011/12 is nearly unchanged from 2010/11 as record production is offset by the smallest beginning stocks in 15 years. Maize production for 2011/12 is projected at a record 13,5 billion bushels, up 1,1 billion from 2010/11 as a 4-million-acre increase in intended plantings and a recovery from last year's weather-reduced yields boost expected output. The 2011/12 maize yield is projected at 158,7 bushels per acre, 3,0 bushels below the 1990/2010 trend reflecting the slow progress of planting. The 2011/12 yield in this early stage is expected to be the third highest on record. This is below the 2009/10 record of 14,8 billion bushels, but up 75 million from 2010/11, as a 5-million-bushel increase in 2010/11 imports and a 50-million-bushel reduction in 2010/11 exports boost current year carryout this month.
- Global coarse grain production for 2011/12 is projected at a record 1147 million tons, up 6 % from 2010/11. A 52-million-ton increase in global maize output to 868 million tons accounts for 84 % of the year-to-year increase in coarse grain production. Foreign maize production is projected up 25,5 million tons with the largest increases expected in Argentina, China, Russia, Mexico, and Ukraine. Global maize exports are projected higher for 2011/12 with increases for Argentina, Russia, and Ukraine more than offsetting reductions for the United States, Canada, and Brazil. Global maize consumption is projected at a record 8601 million tons, up 22 million from 2010/11, with nearly all of the increase in foreign markets. World maize ending stocks for 2011/12 are projected at 129 million tons, up 7 million from 2010/11. Maize use for ethanol is projected up 50 million bushels reflecting slow expected growth in gasoline consumption and continued export demand for ethanol in the coming year. US maize exports for 2011/12 are projected 100 million bushels down from 2010/11 with larger foreign maize supplies available. US maize ending stocks for 2011/12 are projected at 900 million bushels, up 170 million from the current year projection. Stocks remain historically tight with stocks-to-use projected at 6 % compared with the current year projection of 5,4 %.**
- Domestic:** The local market traded mostly lower during the past week. The average yellow maize spot price traded 0,8% or R13,20/t lower than the previous week, following the soybean markets. The Rand: US dollar exchange rate was on average weaker during the past week, compared to the previous week. The average exchange rate for the week were R6,81/US dollar compared to



R6,68/US dollar the previous week. Safex futures also traded higher in the week: May-11 traded 1,69% (R28/t) higher, Jul-11 traded 1,61% (R27/t) higher, Sept-11 traded 1,87% (R32/t) higher, Dec-11 traded 1,88% (R33/t) higher, Mar-12 traded 1,36% (R24/t) higher and Jul-12 traded 1,65% (R29/t) higher compared to the previous week.

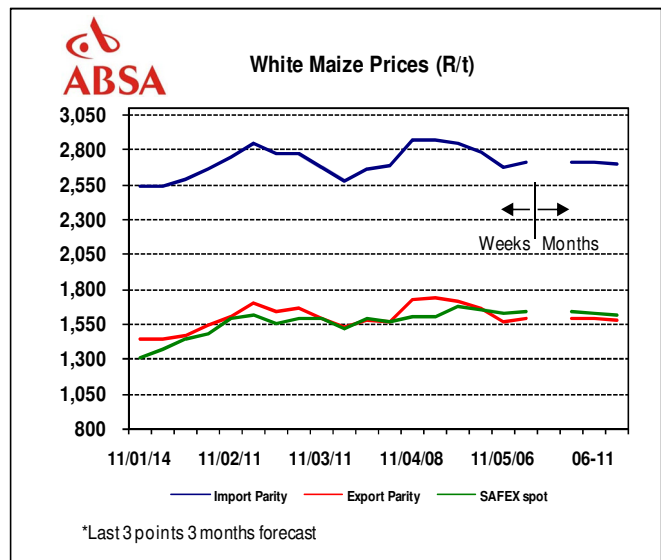
Outlook

Internationally, markets will remain to be driven by the weather and will move sideways in the short term. It is expected that the market will remain volatile, especially as we come closer towards the end of the optimum planting window. Locally, the market is expected to move sideways in the short to medium term to see what the impact of the excessive rain is on the harvest that is almost ready to be harvested but a weaker exchange rate will support the local prices.

Yellow Maize Futures 13 May 2011			Jul-11	Sept-11	Dec-11	Mar-12	May-12		
CBOT (\$/t)			268,49	257,31	246,84	251,33	254,47		
SAFEX (R/t)			1,705	1,739	1,787	1,784	1,785		
Jul-11			Sept-11			Dec-11			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
1,740	100	65	1,780	147	106	1,820	190	157	
1,700	78	83	1,740	124	123	1,780	168	175	
1,660	59	104	1,700	104	143	1,740	147	194	

White Maize Trends

- International:** The US white maize spot market traded 0,3% or US\$ 0,96/t lower in the past week compared to the previous week, following the downward trend of the yellow maize market. The local import parity of white maize was 1,5% (R39,24/ton) higher compared to the previous week due to a weaker rand: dollar exchange rate. Grain and soybeans were lower with maize trading slightly higher. Wheat was pressured by lower outside markets and increased chances of moisture for the southern plains. Soybean bids were sluggish in reaction to the higher US dollar and slow demand. Maize rallied due to wet weather outlook.



- Domestic:** The local average white maize spot price traded 0,5% (R8,50/ton) higher compared to the previous week, with white maize still trading 45,7% higher than the same time a year ago. The white maize futures contracts all traded higher this week except for Jul-12: May-11, 2,67% (R43/t) higher, Jul-11, 2,51% (R41/t) higher, Sept-11, 2,40% (R40/t) higher, Dec-11, traded 2,1% (R36/t) higher, Mar-12, 1,03% (R18/t) higher but Jul-12, traded 0,56% (R10/t) lower. The market didn't follow the lower yellow maize market as well as the lower trend in the US market.

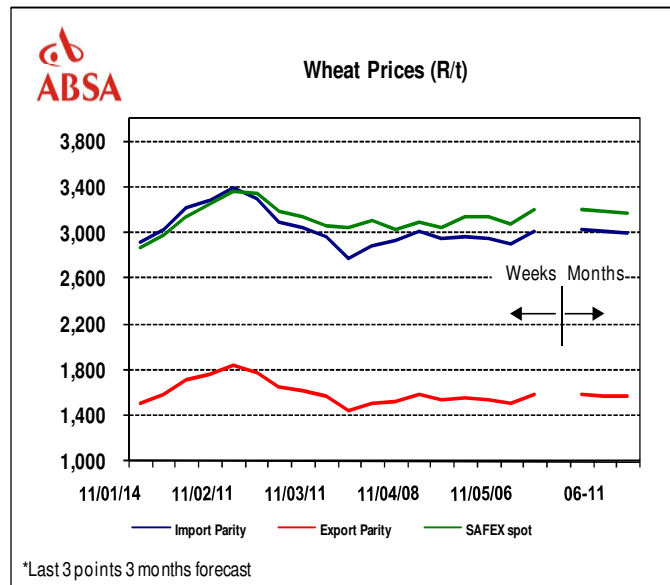
Outlook

Internationally, the white maize price trend will follow the yellow maize market in the short term with a possible higher movement in the weeks to come due to a possible weaker exchange rate. Local prices will be influenced by the international grain markets but, a weaker rand: dollar exchange rate could also push the local market higher.

White Maize Futures 13 May 2011			Jul-11		Sept-11		Dec-11		Mar-12		May-12	
SAFEX (R/t)			1,672		1,705		1,753		1,765		1,780	
Jul-11			Sept-11						Dec-11			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,720	103	55	1,740	141	106	1,800	205	158				
1,680	80	72	1,700	119	124	1,760	182	175				
1,640	60	92	1,660	99	144	1,720	161	194				

Wheat Market Trends

- International:** The average weekly wheat spot price traded higher compared to the previous week. Both the prices of hard red winter wheat and soft red wheat were higher in the past week. Soft red wheat traded 0,3% (\$0,9/t) higher, while hard red wheat traded 5,3% (\$17,83/t) higher compared to the previous week. Local import parity were also higher by 4,0% or R116,21/t due to the higher US market and a weaker Rand:US dollar exchange rate. Wheat managed a better performance despite rain where it was wanted in some dry areas of the US Southern Plains and prospects for a break in the clouds where it is needed further north and in Canada. There is slow planting up north, but forecasts look much better with possible rains for the dry south west. Dry weather cost Europe more than an Italy's-worth of wheat production last month, a cut combined with revived trade competition from the Black Sea states, has slashed its export potential. The 2011/12 outlook for US wheat is for reduced supplies with lower carrying and production than in 2010/11. The forecast of winter wheat production is down 4 %, as lower expected harvested area and yields in Colorado, Kansas, Oklahoma, and Texas sharply reduce Hard Red Winter (HRW) wheat production. Partly offsetting is higher production of Soft Red Winter (SRW) wheat with a rebound in area and higher forecast yields. Spring wheat production is expected lower despite higher expected planted area for other spring wheat. A return to trend yields from record levels of the previous 2 years is expected to reduce durum and other spring wheat production. US wheat supplies for 2011/12 are projected at 2,992 million bushels, down 9 % from 2010/11. The European Union wheat harvest was sliced by 3,6m tons to 131,5m tons its forecast for this year's, citing the dry weather which has overwhelmed in particular, the region's top four grain producing states France, Germany, Poland and the UK.



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- There has been very little rainfall since last month in most European countries and yield potentials for wheat and barley in several countries have already been affected. West EU

countries are the worst affected by the deterioration in yield potentials. The production downgrade would leave Europe's exports for 2011/12 at 17m tons, 2m tons down from previous estimates. The former Soviet Union, or Black Sea, exporters Kazakhstan, Russia and Ukraine have bounced back onto the export market, pegging the region's combined wheat shipments 14m tons higher than this season's. Economists said that a doubling in Black Sea exports is well beyond our high-end expectations at this stage, citing a late spring, which delayed the start of spring plantings, and relatively dry soil. Spain forecasts for durum wheat were also trimmed. Egypt's grain harvest may not prove as strong as forecasted, but will still break the record, and cut the dependence on foreign supplies. The country, which has been hit by the region's rising incidence of wheat rust, has introduced new varieties which yield 11 tons per hectare, with high prices encouraging farmers to ensure that potential is achieved. The USDA pegged the Egyptian harvest at 8,7m tons, 300,000 tons below the official forecast. While Egypt's wheat consumption will rise next season, underpinned by population growth, the extra 1,5m tons in output will allow the country to cut reliance on foreign supplies nonetheless. Imports could fall to a four-year low of 9,5m tons. Egyptian government's poor fiscal situation and widening budget deficit may also impact wheat imports, but has not as yet. Traders have speculated that the absence since February of Egypt from international wheat tenders which it had been undertaking roughly once a fortnight was a reflection of the country's financial strain following its revolution.

- **Domestic:** The average SAFEX wheat spot price traded 4,0% or R123,75/t higher this week compared to the previous week, following the higher international wheat markets. Safex future prices also traded higher during the past week, with current season contracts trading lower while new season crop traded higher: May-11 traded 4,5% (R135/t) higher, Jul-11 traded 4,14% (R126/t) higher; Sept-11 traded 3,68% (R112/t) higher and Dec-11, traded 3,52% (R102/t) higher than the previous week.

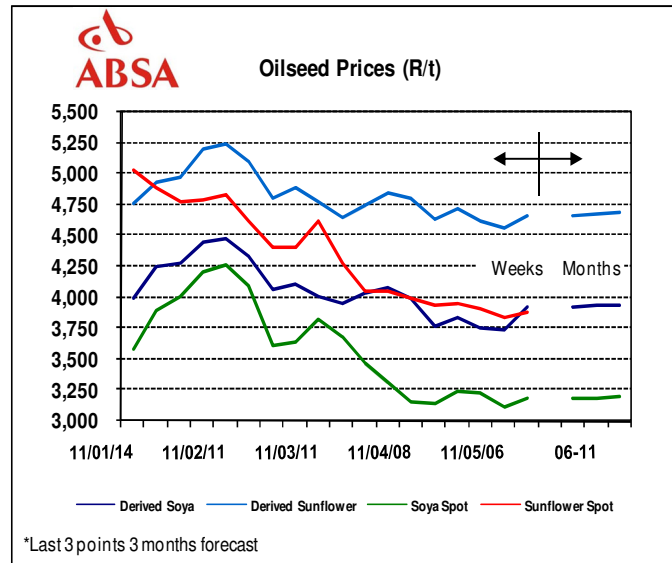
Outlook

Internationally, prices will trade higher and will find support from the droughts in Europe. Locally, the market will follow the international market closely and local prices will trade higher in the short to medium term. A weaker Rand: US dollar will support the local market.

Wheat Futures 13 May 2011			Jul-11	Sept-11	Dec-11	Mar-12	May-12
KCBT (\$/t)			328,34	337,16	343,41	344,14	340,32
SAFEX (R/t)			3,171	3,152	3,002	-	-
Jul-11			Sept-11			Dec-11	
Ask	Put	Call	Ask	Put	Call	Ask	Put
3,220	115	66	3,200	177	129	3,040	215
3,180	93	84	3,160	155	147	3,000	193
3,140	73	104	3,120	135	167	2,960	173

Oilseed Market Trends

- International:** US soybean prices traded week to week on average 2,4% lower compared to the previous week. The current price is still 38,4% higher compared to the same time a year ago. Crude oil was sharply lower, along with the stock market suffering losses and the stronger US dollar all pressured the grain markets. Soybeans had weekly export sales totaling 550,500 tons. USDA data indicating better US grain stocks while forecast inventories of the oilseed tightening a touch from already bleak levels. If speculative selling was delayed, soybeans could be setting up technically for recovery back toward



- to the upper end of recent range near \$14,00 a bushel. The market was oversold and planting concerns are rearing their head for soybeans too, which, being planted later than maize and are usually seen as potential beneficiaries in acreage terms from a poor early-spring planting progress. Extended weather is raising concerns about planting after next week's dry window. There was heavy flooding around the Mississippi river and about 3m acres of US crop land. Harvest of the soybean crops will be delayed this year and yields for late-planted crops could be lower after Mississippi river topped near a record level.
- US oilseed production for 2011/12 is projected at 990 million tons, down 1 % from 2010/11. Reduced soybean production accounts for most of the decline, but sunflowerseed, canola, and peanut production are all projected below last year's crops. Soybean production is projected at 3,285 billion bushels, down 44 million from the 2010 crop mostly due to lower harvested area. Soybean supplies are projected at 3,47 billion bushels, down less than 1 % from 2010/11 as larger beginning stocks partly offset lower production. Soybean ending stocks for 2010/11 are projected at 170 million bushels, up 30 million from last month due to reduced exports. Soybean crush for 2011/12 is projected at 1,655 billion bushels, up from 2010/11 as a lower extraction rate offsets reduced total soybean meal demand. Lower soybean meal export demand projected for 2011/12 is only partly offset by a small increase in domestic soybean meal use, leaving total soybean meal use down 1 % from 2010/11. Domestic soybean oil consumption is projected to increase 7 % mostly due to biodiesel production gains. Soybean oil used for biodiesel production is projected at 3,5 billion pounds, up 1 billion from 2010/11 reflecting a higher biodiesel use mandate. With lower 2011/12 U.S. soybean supplies and higher South American soybean supplies on hand this fall, U.S. soybean exports are projected at 1,54 billion bushels, slightly below the 2010/11 level despite a projected increase in global import demand led by China. Ending stocks for 2011/12 are projected at 160 million bushels, down 10 million from 2010/11, leaving the stocks-to-use ratio at 4,8 %.
- Will soybeans tip the Chinese government over the edge into a long-foreseen revaluation of the yuan? China unveiled its latest hike, the fifth this year, in reserve requirements banks must place against loans in an effort to slow down lending and undermine a rise in inflation.
- Domestic:** The average soybean spot prices traded 2,1% higher or R65,20/ton compared to the previous week. This increase is due to a weaker Rand: US dollar exchange rate despite of a lower international price. The current price is still 25,2% higher for the corresponding time a year ago. The soybean futures prices all traded higher, not following the international futures prices, in the past week: May-11 traded 5,72% (R175/t) higher, Jul-11 traded 5,14% (R160/t) higher, Sept-11 traded 4,93% (R156/t) higher and Dec-11 traded 5,12% (R165/t) higher compared to the previous week. The average sunflower spot price for the week also traded

higher and closed 1,3% (R49,60/t) higher than the previous week. This was still 13,9% higher than the same time a year ago. The sunflower futures prices also closed higher compared to the previous week. May-11 traded 3,72% (R141/t) higher, Jul-11 traded 3,87% (R150/t) higher Sept-11 traded 3,42% (R136/t) higher and Dec-11 traded 3,74% (R151/t) higher compared to the previous week.

Outlook

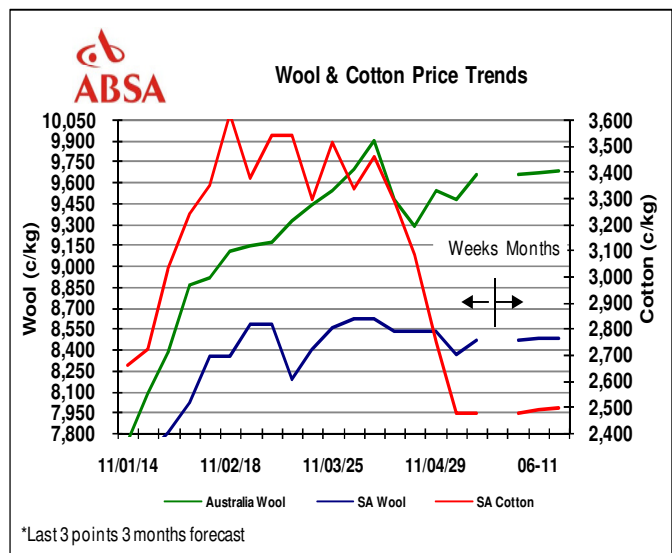
Internationally, markets will move higher in the short to medium term due to demand despite of higher stock levels but the US soybean plantings can influence the price because it is planted after maize. Locally, the oil seed market will follow the international market with higher movement in the short term till plantings has been done but, a weakening in the Rand: US dollar exchange rate could help the to a upward movement in the local market.

Oilseeds Futures 13 May 2011	Jul-11	Sept-11	Dec-11	Mar-12	May-12
CBOT Soybeans (US \$/t)	488,47	484,28	484,80	485,46	483,77
CBOT Soy oil (US c/b)	56,14	56,65	57,18	57,50	57,49
CBOT Soy cake meal (US \$/t)	345,40	344,30	339,10	341,90	340,50
SAFEX Soybean seed (R/t)	3,270	3,320	3,385	3,350	3,255
SAFEX Sunflower seed (R/t)	4,030	4,115	4,191	-	-

Sunflower Calculated Option Prices (R/t) Absa Capital Trading Desk: 011 – 895 5524								
Jul-11			Sept-11			Dec-11		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3,300	167	137	3,360	255	215	3,420	369	334
3,260	145	155	3,320	233	233	3,380	347	352
3,220	126	176	3,280	212	252	3,340	325	370

Fibres Market Trends

- International:** The Australian market was 1,94% up from the previous sale and closed at 96,58. The next sale is on the 17th and 18th May 2011. US cotton price decreased again from 155,31 US c/lbs last week to 146,71 US c/lbs this week. Cotton total spot transactions for the week were lower at 692 bales compared to 10,514 bales last week and 503 bales a year ago. Even cotton managed a rally, jumping 2,0% to 147 c/lbs for July and 1,1% to 120 c/lbs for December, helped by a better performance in China the top importer and consumer of the fibre. China has been particularly under the microscope thanks to data showing its cotton imports fell 24%, year on year, in April and reports of growing stocks of fibre. Cotton struggled to join the grains on the recent rally, looking less particularly threatened by weather and as a non-food crop, more attuned to economic sentiment.



- Domestic:** The last sale was on the 10th/11th May 2011 with the next sale that is scheduled for 17th/18th May 2011. The local derived cotton prices closed 0,1% higher than the previous week at R24,82/kg and 69,5% higher than a year ago. The market followed the US market, due to higher prices and a weaker Rand US dollar exchange rate, which weakened to R6,81/US\$ from the previous week's R6,68/US\$.

Outlook

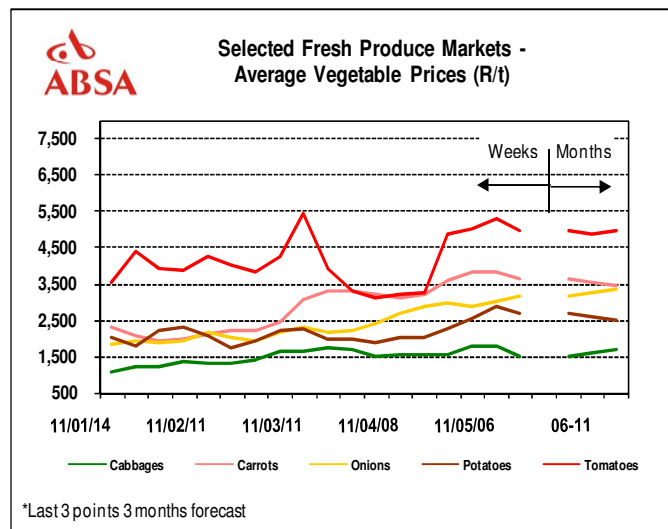
International wool prices will most probably trade sideways with a possible upward movement due to a higher demand after the Easter holiday, while the local market might also trade upwards after the holidays and find support from a weaker of the Rand: US dollar exchange rate. US cotton prices will move sideways with market activity expected to pick up slightly to follow the wool prices. Local market cotton prices will find support from the US market while changes in the Rand: US dollar exchange rate will also support the prices.

Fibres Market Trends Week ending 13 May 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	8,471	96,58	-	-
19µ micron	109,88	114,42	16,00	15,00
21µ micron	89,34	95,95	12,50	12,25
23µ micron	70,77	88,45	11,45	11,20
Cotton prices	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	New York future May-2011 (US\$/kg)	New York future Jul-2011 (US\$/kg)
Cotton Prices	24,82	3,65	3,18	2,85

Vegetables Market Trends

- Cabbages:** Cabbage prices decreased by 14,8% w/w but was 25,3% higher y/y for the week under review and 1,8% higher than two years ago. The price decreased was despite of a 3,8% increase in volumes w/w. Prices are expected to increase in the short to medium term due to decreases in supplies during the colder months.
- Carrots:** Carrot prices decreased by 4,4% w/w but was 16,1% lower y/y but 10,1% higher than two years ago. The price increased was due to a 8,9% increased in supplies. Prices are expected to decrease due to more supplies.
- Onions:** Onion prices increased by 4,4% w/w but were 8,0% lower y/y and 35,7% lower than two years ago for the corresponding week. The prices increased due to a 10,4% decrease in volumes. Prices are expected to move upwards in the short to medium term due to possible decreases in supplies during the winter season.



- **Potatoes:** Potato prices decreased by 6,1% w/w but were 8,8% higher y/y and 4,4% higher than two years ago. Prices decreased despite of a 6,8% decrease in volumes compared to the previous week. Prices are expected to increase due to possible lower supplies.
- **Tomatoes:** Tomato prices decreased by 6,1% w/w but was 27,9% higher y/y and 54,2% higher than two years ago. The decreased in prices were despite of a 9,1% decrease in volumes compared to the previous week. Prices are expected to move sideways in the short to medium term due to decreases in supplies.

Vegetable Prices: Fresh Produce Market (Averages on the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)				
Week ending 13 May 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	1,504	1,766	1,298	1,349
Carrots	3,656	3,826	1,286	1,182
Onions	3,126	2,986	4,355	4,863
Potatoes	2,708	2,884	11,,533	12,377
Tomatoes	4,962	5,286	3,036	3,344

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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