

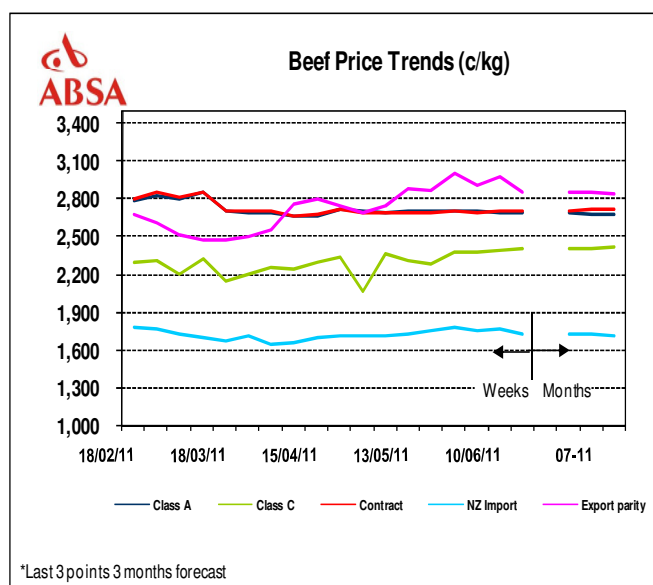
Can the EU survive another round?

The Greece debt crisis has popped up again. There was some hope that selling pressure on maize had run its course when the grain managed to bounce, above limits down. Clouds over the macro picture gathered to form a heavy storm over financial markets again, soaking anything deemed a risk asset. It was not just the continuing jitters over Greece debt, but the return of fears over Irish borrowings as well, with bondholders in Irish banks looking set for a trim. US data showed a fall in manufacturing fortunes and a rise in core inflation to its highest in nearly three years. Commodities hardly looked the best sector to be exposed to, with the CRB index tumbling more than 2%. That in turn was hardly surprising when the dollar, the currency in which most of the big commodities are traded in, soared in a rush for the supposed security of bonds. Dollar strength makes dollar-denominated assets much less affordable to buyers in other currencies and so have a strong negative correlation with commodity prices. Agricultural commodities took their share of the pain, in decreased prices. Can Greece get another rescue package?

Beef Market Trends

- International:** The US and AU beef market prices traded mixed again during the week compared to the previous week. In the US, top inside was 1,0% higher at 195,26 \$/cwt, Rump was 3,1% higher at 235,88 \$/cwt, Strip loin was a staggering 13,9% lower at 422,67 \$/cwt, Chuck was 0,2% higher at 204,68 \$/cwt, and Brisket 2,3% lower at 167,22 \$/cwt. Chicago, cattle had another strong run, with both feeder and live cattle posting gains of 2,5 c/lbs more in late deals, helped by firm demand, compounded by covering by funds of short positions. Cattle futures raised the exchange maximum in Chicago in sharp contrast to the slump in crop prices after data showed buyers

paying more for animals, even in the face of a stream of supplies from the drought stricken Mexico. Futures in both live cattle, animals fattened for slaughtering and those ready to be put into feedlots closed limits up, which is their highest in nearly a month, even as grains and many soft commodities posted another session of heavy losses. Very important is the fact that grain and meat producers in France signed an agreement on the establishment of contracts to limit the volatility of prices for livestock feed. Fifteen professional organizations including cattle, pigs, poultry, dairy and cereals have signed the agreement which shall come into force on 1 July. Two types of contracts will be offered in early July: the first between collectors and animal feed producers, the second between feed manufacturers and farmers. The goal is to smoothen the prices, while international cereal prices have rocketed in recent months causing a surge in prices of animal feed. This smoothing must allow meat producers to anticipate their costs and thus stabilize their incomes. The ambition is to sign contracts covering 25% of the volumes for animal feed, with a view to eventually cover 40% of the cereal volume. French wants the world's



group of 20 rich industrial nations and major emerging markets to set up a shared central database of food prices to help control market volatility and keep commodity speculators in check. Key measures proposed to curb commodity price volatility include minimum cash deposits for derivative trades as well as the creation of trade repositories that would be able to keep track of these trades. US beef export sales came in at 15,800 tons, keeping the country on track to complete its recovery, in trade volume terms, from losses sustained following a BSE outbreak in 2003. The rise in cattle prices comes at a time when many farmers in the southern US and Mexico have been running down herds in the face of drought which has left little pasture. The principal forage-producing states of Mexico are facing extreme drought conditions that could endanger animals, particularly if critical rainfall is not received in June and July, which is the rainy season for these areas. Some 40% of Mexico is suffering a drought billed as the worst in seven decades, while 2010 was the rainiest year on record. US cattle imports from Mexico, offered for placement directly on feedlots given the shortage of pasture, have remained firm after jumping 28% in the first four months of 2011, compared with year-before levels. These higher imports have been maintained in recent weeks, as weekly official data reports through the first week of June also show cattle imports from Mexico was 27% higher year-over-year.

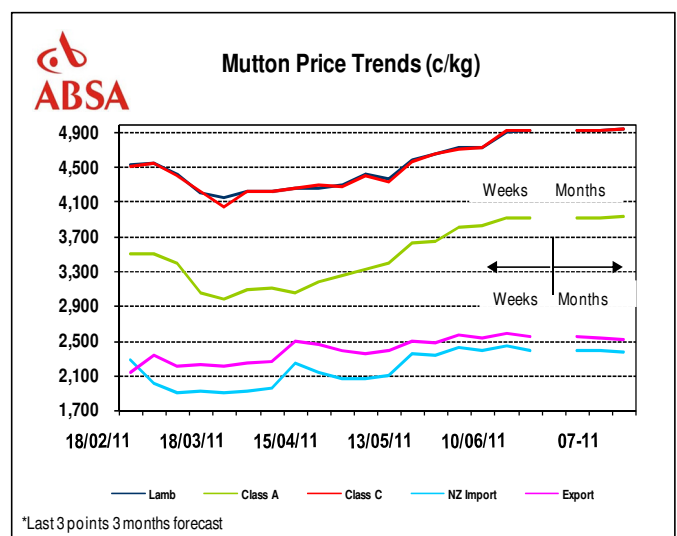
- **Domestic:** Beef prices traded mixed again during the past week compared to the previous week following the international price trend. The prices of the different meat classes were as follows: Class A prices decreased by 0,2% to R26,81/kg, Class C prices increased by 0,2% to R23,93/kg and Contract prices increased by 0,1% closing at R27,01/kg. Weaner prices closed lower at R17,22/kg compared to the previous week. Hide prices traded 5,5% higher compared to the previous week closing at R9,90/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 downward movement in the short to medium term due to the available of more for slaughtering after recent good rains, however the number of cattle that go to the feedlots has tumble which can influence the places to increase. 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 moving to the markets. Weaner prices will move downwards in the short term and sideways in the medium term with a possible upward movement due to the fact that producers will soon have maize rests to feed on.

Mutton Market Trends

- **International:** Australian prices were sideways compared to the previous week. Local import parity for lamb decreased by 1,9% and mutton by 1,8% due to a stronger rand against the New Zealand dollar. Exports of live sheep from the US to Mexico tumbled below 5,000 head in the first quarter to their lowest number in the last six years, and down by two-thirds compared to 2010. US sheep exports to Mexico hit 22,000 head in the April-to-June quarter last year. The USDA will on Friday release monthly data expected to show placements of cattle on feedlots falling 7,8% in May from a year before, as supplies of feeder cattle diminish.



- **Domestic:** This week's mutton prices traded higher again compared to the previous week. Class A2 prices closing at R49,19/kg, 0,2% higher, Class C2 prices closing at R39,25/kg, 0,1%

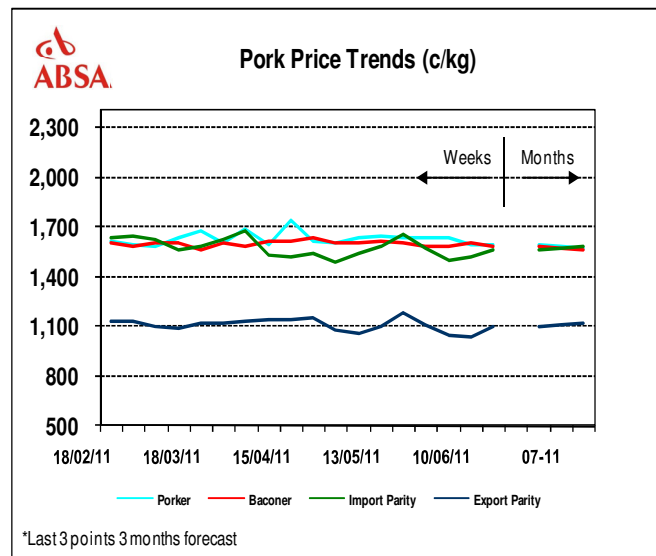
higher while Contract prices closed at R49,21/kg, 0,1% higher. Feeder lamb is a very scarce product with the prices still increasing at R24,41/kg compared to the previous week. The average price for a Dorper skin was a 1,4% higher at R56,17 and a Merino skin was 13,0% lower at R59,17 compared to the previous week. The landed imported price of mutton rib from Australia and New Zealand traded lower compared to the previous week at R20,10/kg and mutton shoulder traded higher at R 38,45/kg.

Outlook

Internationally, prices will move sideways in the short term with a possible upward movement in the medium term due to supply constraints as a result of restocking. Locally, the price of mutton will move upwards in the short to medium term with increases due to shortages in supply. The affect of Rift Valley Fever is now very clear. The price of lamb will move upwards in the short term and sideways in the medium term due to deminishing stocks.

Pork Market Trends

- International:** US pork prices were higher during the past week due to decreases in supplies. The price of a Carcass was 4,31% higher at US\$ 93,03/cwt, Loin was 4,58% higher at US\$ 111,34/cwt, Rib was 12,19% higher at US\$ 161,47/cwt, while Ham was 2,61% higher at US\$ 73,83/cwt. Import parity was 2,87% higher due to higher prices despite of a weaker exchange rate compared to the previous week. Fresh loins were higher. Sdls bellies, skinned ham and butts were not tested. Lean trimmings were higher. Trading was slow with moderate demand and very light to light offerings. Another outbreak of African Swine Fever (ASF) has been reported west of Moscow. This outbreak was discovered in a backyard farm. It was reported that the ASFV genetic material was detected in the samples of pathological material taken from a pig from the backyard of the farm. Anti-epidemic measures are being carried out in the affected area, the source of infection and the routes of its introduction into the territory are being investigated. Malawi says a suspected outbreak of ASF has occurred in the northern districts putting at risk a total of 92,000 pigs. According to the Department of Animal Health and Livestock Department, 5,000 pigs valued at Malawi Kwacha 25 million (€116,000) have already died. Both districts are located in the country's north. So far 4,600 pigs in Rumphi and 365 pigs in Mzimba have died due to the suspected outbreak. The country's chief animal health officer said swine fever which was detected in Tanzania three months ago crossed over to Malawi through illegal transportation of pigs or pork. In Karonga and Chitipa districts which border Tanzania about 6,000 pigs have died. So far there is no vaccination but transportation of pigs or pork where banned but have not been successful because the disease is about 225 km from Karonga. 200,000 tons of frozen pork meat from three Brazilian companies will make its way to China over the coming five years, it has been reported. The announcement by the Chinese government is seen as a breakthrough for Brazil, as it is the first time that pork meat from Brazil will be exported to China. For a long time now Brazilian pig farmers have wanted to see exports make its way to China. Brazil's customers are mainly the European Union and Russia.



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- Domestic:** The pork prices were lower during the past week, not following the international pork market. The price of Porkers decreased by 0,06% to R15,91/kg, while the price of Baconers decreased by 1,0% to R15,82/kg and the price of Contract meat decreased by 0,53% to

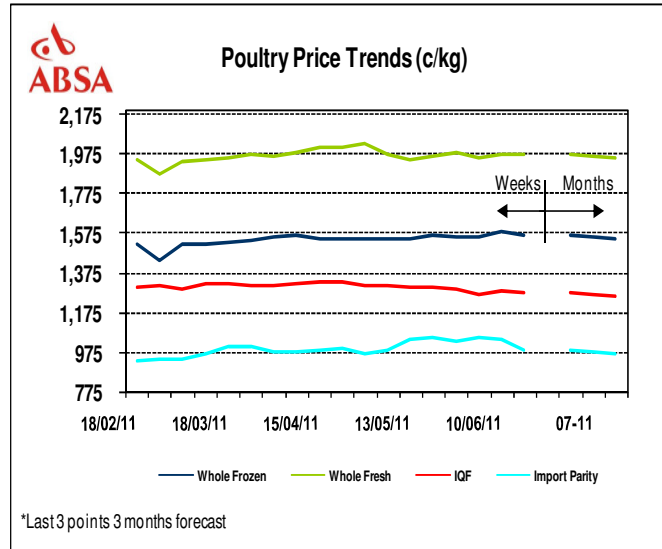
R15,87/kg compared to the previous week. The imported landed price of loin from Canada and the US traded higher at R28,50/kg week on week according to AMIE.

Outlook

Internationally, prices are expected to move sideways in the short term and possible increases thereafter into the medium term due to the possibility of more exports to the EU and China. 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 but month end buying can change it around.

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 and therefore the supply was higher compared to the previous week. Whole bird prices were 0,43% lower at 83c/lbs due to a increased supply. Breasts traded 0,43% lower at 115,5c/lbs and legs quarters were 8,08% lower at 45,5c/lbs compared to last week at 49,5c/lbs. Import parity was 5,21% lower due to lower prices despite of a weaker rand:US dollar exchange rate. Whole broiler/fryer prices were steady to weak during the week. Offerings were light to heavy, mostly light to moderate for current trade needs. Retail demand was light to moderate and food service demand was light to good entering the weekend. Floor stocks were light to moderate while market activity was mostly slow to moderate. In the parts structure, movement was light to moderate for late week business. Prices were trending steady to weak for breast items and tenders, firm to higher for wings and steady to lower for dark meat. Offerings were moderate to heavy for tenders and breast items, heavy for legs and leg quarters. Wings were in good supply and moving adequately. The market activity was slow to moderate. In production areas, live supplies were moderate. Weights were mixed, but noted were mostly desirable. The European compound feed manufacturers (Fefac) have provided final estimates for the compound feed production for the EU-27 in 2010. Lower availability of forages and cereals due to drought affecting key EU producing areas may trigger a higher demand for industrial compound feed. The total production estimate for the EU-27 is now set at 150 million tons which is 1,4% above the figure for 2009 but still below the record level 153,4 million tons in 2008. The slight recovery was mostly linked to poultry feed, with a 3% increase compared to 2009, whereas cattle feed recovered by 1% while pig feed remained stable. For the first time ever in the EU, poultry feed overtook pig feed to become the leading segment of compound feed. The two key factors have weighed on the EU feed demand in 2010 was firstly a partial recovery regarding consumer's demand for animal products after the financial crisis of 2009 where meat consumption in the EU-27 increased by 1 kg per capita in 2010 vs. 2009, but is still 3,5 kg per capita below the 2008 figure. Secondly the dramatic market crisis affecting the pig sector, aggravated by the high feed materials costs, which led to a stalling demand for industrial pig feed, although pork output increased by 2%.



- Domestic:** Poultry prices closed lower this week compared to the previous week because of sufficient stock level. Frozen birds traded 1,14% lower at R 15,65/kg compare to the previous week. Whole fresh medium bird prices traded 0,05% lower at R 19,74/kg and IQF prices traded 0,78% lower at R 12,78/kg. The landed price of imported chicken leg quarters and grillers from Brazil traded higher at R 13,44/kg and grillers at R19,90/kg week on week according to AMIE.

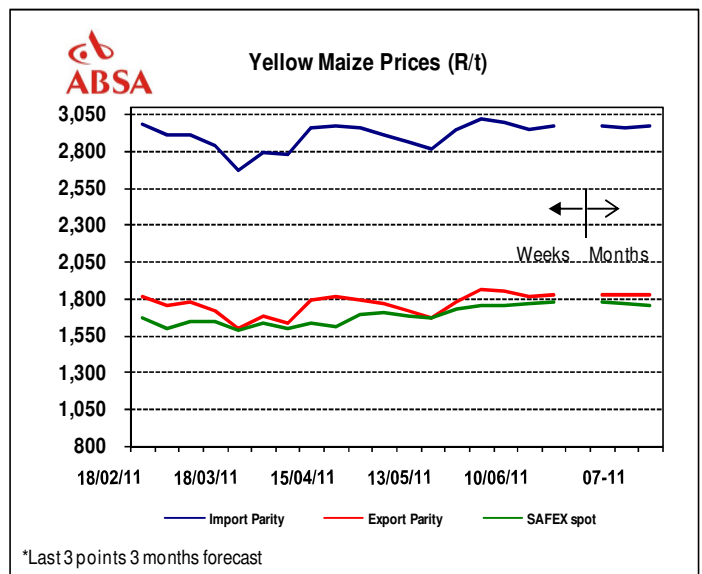
Outlook

Internationally, the prices will move downwards in the short term with a possible sideways movement in the medium term due to enough supplies and light demand. There can be a possible increase in prices due to month end buying. Locally, the market is expected to trade downwards in short term due to enough stock but month end buying can influence the price with a possible sideways movement in the medium term.

Livestock Prices (R/kg) 17 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	26,81	26,87	49,19	49,09	15,91	15,92	19,74	19,75
Class C/ Baconer / Frozen birds	23,93	23,89	39,25	39,21	15,82	15,98	15,65	15,83
Contract / Baconer/ IQF	27,01	26,97	49,21	49,15	15,87	15,95	12,78	12,88
Import parity price	28,49	29,71	25,41	25,86	15,61	15,18	9,38	10,37
Weaner Calves / Feeder Lambs/	17,22	17,63	24,41	24,33				
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	34,00	34,00	38,45	37,45	28,50	28,22	13,44	13,12

Yellow Maize Trends

- International:** The average US yellow maize spot prices closed the week 0,1% or US\$ 0,46/t lower compared the previous week. Compared to last week, maize and soybean bids were lower. Additional pressure for maize was noted on improved crop weather across the Midwest and crop conditions rated at 69% good to excellent. Maize had total export sales of old and new crop sales of 894,700 tons with old crop sales of 295,800 tons. Maize had solid gains on new crop months with flooding concerns. However, flooding conditions along the Missouri River and tight stocks limit the possible losses. There is speculation that the US maize yield will be 163,8 bushels per acre which is 6,0 bushels per acre above the USDA's figure, meaning an extra 500m bushels and more in output. There was continuing talk over Thursday's Senate



vote to scrap tax perks for the ethanol industry. This bill has not been taken up by the House and therefore will not become law. This is certainly a psychological negative for maize. China has not step in to buy maize as expected given the country's previous willingness to buy on breaks. There were only small tenders showing world buyers are noticing the drop in prices but yet no sign of China. Southern hemisphere farmers, in Argentina and Australia, have got off to a good start to the planting season, with Europe getting more much-needed rains. It has been raining again in northern Europe, and whilst most traders understand it has come too late to transform a poor crop into a good one, it has certainly prevented it getting worse. Macro uncertainties remain, and fears of a slowdown in global and particularly the Chinese economic growth are likely to weaken demand and certainly lower speculative interest in agricultural markets. Linger production uncertainties combined with incredibly tight old crop stock levels will likely buffer prices from a collapse this season.

- Domestic:** The local market traded slightly higher during the past week. The average yellow maize spot price traded 0,6% or R9,95/t higher than the previous week. 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 R6,80/US dollar compared to R6,75/US dollar the previous week. Safex futures traded lower in the week: Jul-11 traded 4,55% (R83/t) lower, Sept-11 traded 4,47% (R83/t) lower, Dec-11 traded 4,51% (R86/t) lower, Mar-12 traded 4,4% (R85/t) lower and Jul-12 traded 3,53% (R65/t) lower compared to the previous week.

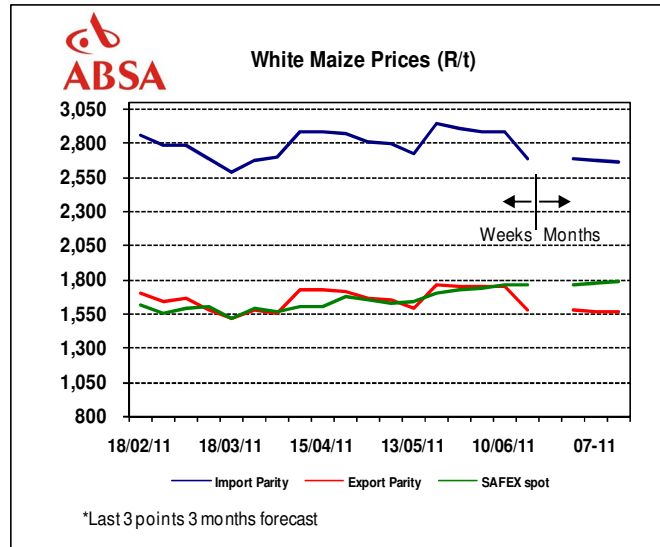
Outlook

Internationally, markets will remain cautious and it is expected that the market will remain volatile and therefore will move downwards in the short term with a possible upward movement in the medium term after the initial germination period. 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 17 June 2011			Jul-11	Sept-11	Dec-11	Mar-12	Jul-12		
CBOT (\$/t)			276,13	269,43	257,07	261,95	267,47		
SAFEX (R/t)			1,741	1,774	1,822	1,845	1,775		
Dec-11			Mar-12			Jun-12			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
1,860	189	151	1,880	225	190	1,840	273	208	
1,820	167	169	1,840	202	207	1,800	249	224	
1,780	146	188	1,800	180	225	1,760	227	242	

White Maize Trends

- International:** The US white maize spot market traded 10% or US\$ 31,10/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 decreased by 7% (R202,61/ton) higher compared to the previous week due to a weaker rand: dollar exchange rate andf lower prices.
- Domestic:** The local average white maize spot price traded 0,4% (R7,35/ton) higher compared to the previous week, with white maize still trading 66,1% higher than the same time a year ago. The white maize futures contracts all traded lower this week: Jul-11, 4,91% (R89/t) lower, Sept-11, 4,29% (R79/t) lower, Dec-11, traded 4,32% (R82/t) lower, Mar-12, 4,51% (R87/t) lower and Jul-12, traded 4,17% (R78/t) lower.



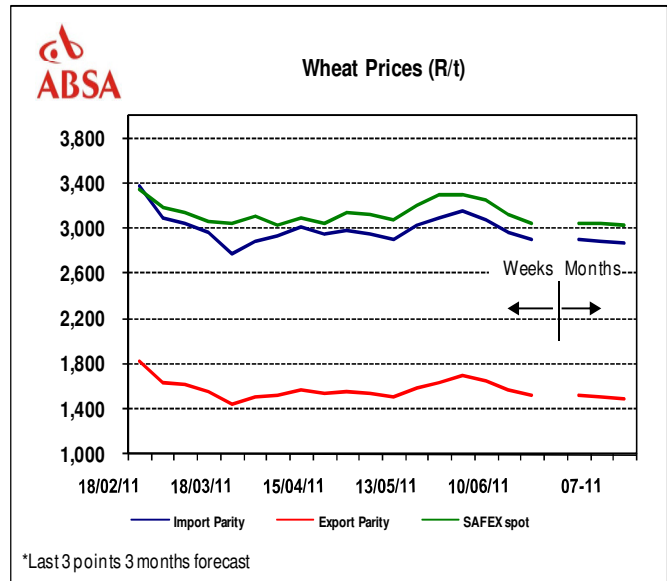
Outlook

Internationally, the white maize price trend will follow the yellow maize prices in the short term with a sideways movement in the medium term due to possible weather constraints in the EU and Eastern countries. Local prices will be influenced by the international grain markets with a downward movement in the short term but the quality will determent the price at the end. A weaker rand: dollar exchange rate could help and increase in the local market.

White Maize Futures 17 June 2011			Jul-11		Sept-11		Dec-11		Mar-12		Jul-12	
SAFEX (R/t)			1,724		1,763		1,816		1,840		1,792	
Dec-11			Mar-12						Jun-12			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call				
1,860	185	141	1,880	227	187	1,820	264	244				
1,820	163	159	1,840	204	204	1,780	241	261				
1,780	141	177	1,800	182	222	1,740	220	280				

Wheat Market Trends

- International:** The average weekly wheat spot price traded 3,8% lower compared to the previous week. Soft red wheat traded 3,7% (\$11,19/t) lower, while hard red wheat traded 3,9% (\$13,73/t) lower compared to the previous week. Local import parity were also lower by 2,3% or R67,72/t due to the lower US market despite of a weaker Rand:US dollar exchange rate. Wheat followed maize, along with global wheat conditions improving as rain moved in the growing regions of Europe and Russia. The wheat harvest in Kansas was delayed due to rain and stands at 11% complete as a week ago. Wheat had total export sales of 455,500 tons. Wheat closed mixed as well, with KC wheat higher and Chicago wheat slightly lower. 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. The best performing wheat looked set to be harder varieties, given the lower premiums for new crop contracts that the market is attributing to the higher protein types traded in Kansas and Minneapolis. There is a threat that wet conditions can pose a problem to North American spring wheat. There is a danger of huge Black Sea exports, despite their limited impact so far in terms of actual deals. It's clear that a number of shippers own some seriously cheap wheat in both Russia and Ukraine and their obvious priority is to get it loaded and exported before the governments put a spanner in the works in the form of taxes or quotas. European prices have also come under pressure from a decision to extend a suspension of import duties on grains from countries outside the EU until the end of 2011. As a result, Ukrainian and Russian wheat can compete into the likes of Spain and Portugal without suffering the usual E12-a-ton tariff. Critical levels of drought in Europe's main grain producing countries has ditch expectations of a rise in the region's soft wheat harvest this year, even as rains arrived for some parched crops. The forecast for the EU soft wheat was slashed by 5,9m tons, to 125,6m tons. The springtime drought continued throughout May in west Europe, reaching critical levels in many countries. Durum, the type of hard wheat used in making pasta, was pegged at 134,0m tons well below last year's figure but above previous estimates. Wheat yield potential is stabilising in areas where crops are not too far advanced, especially in northern France. Rainfalls allow grain filling to improve and potential yields are recovering. Weather models continue to show a pretty active wet pattern. The pattern turns wet and stormy in the six-to-10 day outlook for the UK, northern Germany, Denmark, all of Scandinavia into the Baltic region North West Russia and in towards the upper Volga district area, and Moscow. The model shows some areas in Denmark in Scandinavia, the Baltic and all of central and northern Russian seeing two-to-four inches of rain over the few days. Information coming from Ukraine is that they are looking to front run Russian wheat exports, with an estimated 7m-9m tons to move into the world market in the coming months. Ukrainian weather has been more stable than Russia's weather making their eagerness to export understandable. Competition on export markets looked further heated up by Australia's upgrade estimates for exports in both 2010/11 and 2011/12. Australia has hiked its forecast for wheat exports by nearly 6m tons, in a report highlighting a good start to the winter plantings. Canadian farmers are, for a second successive season, to suffer a substantial loss of acres to wet weather, with the wheat harvest on course to fall below last year's weak crop.



- Domestic:** The average SAFEX wheat spot price traded 2,3% or R72,70/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 4,51% (R141/t) lower; Sept-11 traded 4,56% (R142/t) lower and Dec-11, traded 2,13% (R64/t) lower than the previous week.

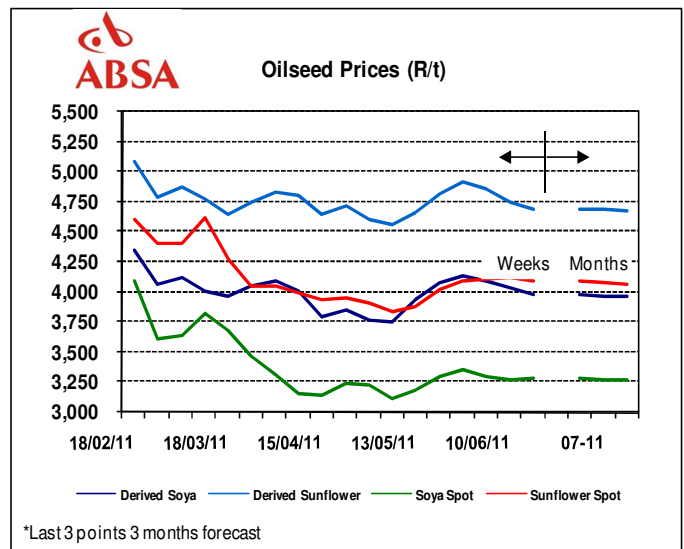
Outlook

Internationally, prices will trade lower but will find support from the drought stricken areas and the Greece debt crises keep appearing and hamper the total EU community. Good weather in Australia can play a positive affect in the market in the longer term. Locally, the market will continue to follow the international market with lower prices at the order of the day in the short term with a sideways movement going into the medium term.

Wheat Futures 17 June 2011		Jul-11	Sept-11	Dec-11	Mar-12	Jul-12		
KCBT (\$/t)		293,21	300,20	309,23	314,97	316,51		
SAFEX (R/t)		2,984	2,974	2,944	-	-		
Jul-11			Sept-11			Dec-11		
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call
3,020	181	145	3,020	247	201	2,980	287	251
2,980	159	163	2,980	225	219	2,940	264	268
2,940	139	183	2,940	204	238	2,900	243	287

Oilseed Market Trends

- International:** US soybean prices traded week to week on average 2,0% lower compared to the previous week. The current price is still 42,5% higher compared to the same time a year ago. The markets were under pressure with the dollar sharply higher as Greece's debt default fears help to spark a wide sell-off in the equities and energy markets with the Stock Market with crude oil suffering sharp losses. Export sales for week ending June 10, had soybeans with export sales of 179,200 tons. Grain trade closed mixed on Friday with soybeans losing the most ground, maize for July closed slightly lower with new crop maize closing higher. Soybeans had double-digit losses on continued selling. Oil was weaker and the reason for oil's weakness was not clear. Greece's debt woes were widely blamed, but many markets were taking a more positive view of the crisis after Germany backed down over plans for investors to contribute to Greek debt restructuring, potentially paving the wave for a E150bn (\$215bn) aid package. Funds just getting nervous, before the weekend. A weak oil prices reduce margin opportunities for maize and ethanol plants. Soybeans, as a source of soyoil of which much is turned into biodiesel, also felt pressure from falling crude prices.
- Domestic:** The average soybean spot prices traded 0,4% or R12,50/ton higher compared to the previous week. This increase is due to a weaker Rand: US dollar exchange rate despite of lower international price. The current price is still 29,7% 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 1,21% (R340t) lower, Sept-11 traded 1,49% (R50/t) lower, Dec-11 traded 2,16% (R74/t) lower, Mar-12 traded the same and May-12 traded 1,60% (R54/t) lower



compared to the previous week. The average sunflower spot price for the week traded lower and closed 0,9% (R38,20/t) lower than the previous week. This was still 21,6% higher than the same time a year ago. The sunflower futures prices closed lower compared to the previous week: Jul-11 traded 1,86% (R77/t) lower Sept-11 traded 1,80% (R76/t) lower and Dec-11 traded 1,82% (R79/t) lower compared to the previous week.

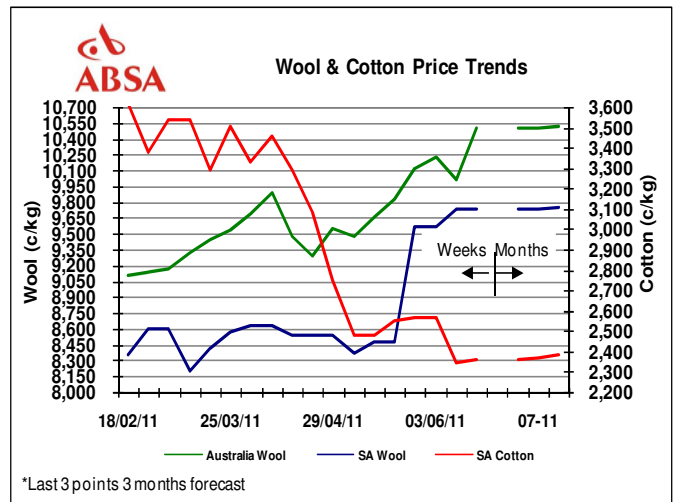
Outlook

Internationally, markets will move downwards in the short to medium term due to good planting conditions and good support from lower crude oil prices. Locally, the oil seed market will follow the international market with a sideways movement in the short to medium term with the harvesting period almost finished. A weaker Rand: US dollar exchange rate could have a positively affect the prices.

Oilseeds Futures 17 June 2011			Jul-11	Sept-11	Dec-11	Mar-12	Jul-12	
CBOT Soybeans (US \$/t)			489,79	489,65	493,32	494,64	495,01	
CBOT Soy oil (US c/b)			55,92	56,45	57,26	57,83	58,10	
CBOT Soy cake meal (US \$/t)			349,00	347,80	345,50	348,50	347,70	
SAFEX Soybean seed (R/t)			3,255	3,300	3,353	3,485	3,316	
SAFEX Sunflower seed (R/t)			4,056	4,150	4,255	-	-	
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
4,100	388	344	4,280	528	398	4,300	632	587
4,060	366	362	4,240	505	415	4,260	609	604
4,020	344	380	4,200	482	432	4,220	586	621

Fibres Market Trends

- International:** The Australian market was 1,74% higher from the previous sale and closed at AU 1,431c/kg. The next sale is on the 21th and 22th June 2011. Australian wool export demand has surged this season, on the back of continued demand from China and India and much stronger demand from Europe and East Asia. The growth in export volumes and value has been centred on the fine and superfine wools, as well as the broadmicrons. Exports of fine and superfine wool have lifted sharply, with the value of exports of this wool up by 52% to A\$1,1 billion. Forward prices softened during the week as trader expectations of a pullback grow. After such a long strong run, many traders expect some sort of consolidation in the short term. In the longer term there are still encouraging signals coming from the demand side, provided that unforeseen surprises do not drag the market down. The bigger picture still looks quite solid. US cotton price decreased again from 151,94 US c/lbs last week to 150,43 US c/lbs this week. Cotton total spot transactions for the week were higher at 28,534 bales compared to 2,877 bales last week and 3,076 bales a year ago. The total bales for the season were 642,203 bales compared to 881,899 for the same time last season. Cotton, the new December crop, did manage to rebound, standing 3,2% higher as the



Texas crop continues to fry. Analysts expecting abandonment of 100% of the acreage of cotton planted on dryland in west Texas which is very significant.

- 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 past season was one of the best seasons for the South African wool industry in decades. The Cape Wools Merino indicator closed at R97,29c/kg, its highest level since the late 1980s. The season open at a slightly lower level than the previous season's closing level, but slowly gained in strength. Prices thereafter increased at a rapid speed and were 68% up on the opening level at the end of the season. This is encouraging when the relative strength of the rand in this period is taken into account. Some wool-growing areas experienced drought conditions. The total offering at auction was about 4% down on the previous season and production for 2010/11 is estimated at 46,4 mkg. No stock is being carried over to next season as 99% of the wool offered at auction has been sold. The current micron profile of the South African clip remains relatively stable, with 98% of the total production (all qualities) testing below 24,5µ. The value of total wool exports for the 2010 calendar year was R1,511-billion, comprising largely unprocessed wool. On a weight basis greasy wool shipments decreased by 10,4% compared to 2009. Analysis of major export destinations for 2010 compared to 2009 showed an interesting shift, with European destinations increasing their relative share significantly, particularly in comparison with China and India. The 2010 figures show the Czech Republic, Italy and Germany taking 39,6% of total value, compared with only 24% in 2009. Accordingly, China and India's combined market share dropped to 53,1% from 67,9% in 2009. However, India and China remain key markets and considerable work is being done by exporters to maintain their service levels and to exploit market opportunities in these markets. In dollar terms, the market's performance was even more impressive, with the indicator up 82% by season end.

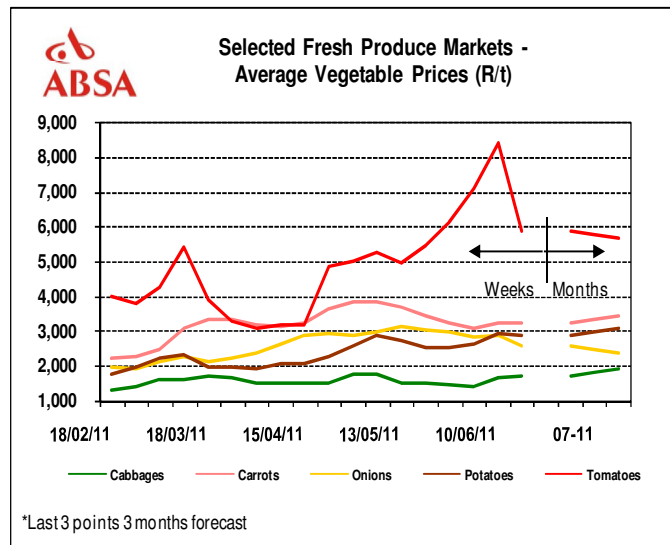
Outlook

International wool prices will most probably trade upwards again in the short term with a sideways movement in the medium term due to a higher demand and a expected correction. Cotton prices can move downwards in the short term due to higher supplies and influence the wool prices negatively. However lower production forecasts can help the cotton price later in the season. Local market cotton prices will follow lower US cotton prices with a weaker Rand: US dollar exchange rate in the short term that can support the cotton prices and the wool when the new season open on the 17th Aug.

Fibres Market Trends Week ending 17 June 2011				
Wool prices	*SA prices (R/kg)	Australian prices (R/kg)	Australian future Aug- 11 (AU\$/kg)	Australian Future Oct - 11 (AU\$/kg)
Wool market indicator	97,29	105,04	-	-
19µ micron	127,72	129,28	16,10	15,80
21µ micron	100,78	111,47	13,35	12,95
23µ micron	93,49	96,66	11,60	11,60
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	23,62	3,48	3,21	2,81

Vegetables Market Trends

- Cabbages:** Cabbage prices increased by 2,2% w/w and was 20,7% higher y/y for the week under review and 25,7% higher than two years ago. The price increase was due to a 16,8% decrease in volumes w/w. Prices are expected to increase in the short term with a possible sideways movement in the medium term but month end supplies can cause a sideways movement.
- Carrots:** Carrot prices increased by 0,9% w/w and was 5,9% higher y/y and a massive 75,1% higher than two years ago. The slight price increase was due to a massive 26,2% decrease in supplies. Prices are expected to increase due to supply constraints during the colder weeks.
- Onions:** Onion prices decreased by 9,6% w/w and were 35% lower y/y and 33,5% lower than two years ago compared to the same week. The prices decreased despite of a 28,5% decrease in volumes. Prices are expected to move downwards in the short to term with a sideways movement in the medium term due to month end buying.
- Potatoes:** Potato prices decreased by 2,2% w/w and were 4,8% lower y/y but 3,2% higher than two years ago. Prices decreased despite of a 11,3% decrease in volumes compared to the previous week. Prices are expected to increase due to lower supplies and month end buying.
- Tomatoes:** Tomato prices decreased a massive 30,1% w/w and was 31,5% lower y/y but a good 154,9% higher than two years ago. The decreased in prices were due to a 9,6% increase in volumes compared to the previous week. Prices are expected to increase in the short to medium term due to less stock and month end buying.



Vegetable Prices: Fresh Produce Market (Averages on the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)				
Week ending 17 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	1,700	1,664	1,218	1,464
Carrots	3,226	3,196	1,025	1,390
Onions	2,586	2,860	4,021	5,627
Potatoes	2,876	2,940	11,652	13,132
Tomatoes	5,872	8,404	3,237	2,953

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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