



Agri Trends

14 February 2017

Good rains favour the poor

Because livestock is needed to produce meat, we expect beef, mutton and pork prices to increase as farmers start to rebuild their herds after the good rains of late. In fact, we expect beef prices to increase by almost 15% year on year. Food inflation as a whole however is not expected to increase further due to a decline in grain, oil seed and vegetable prices as good rains lead to increased production driving prices lower. Lower grain prices will favour the poorest of the poor as they tend to eat more starch and vegetable products than meat. High earners will therefore have to pay more for their meat. Good rains therefore favour the poor.

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Beef market trends

International

New Zealand steers traded sideways over the past week at 5.21NZ\$/kg and cows traded sideways at 3.92NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Top side trade 1.28% lower at \$202,53/cwt. Rump was 1.60% higher at \$281.53/cwt and Strip loin was 2.63% lower at \$519.85/cwt. Chuck traded 0.19% higher at \$237,46/cwt. Brisket traded 3.20% lower at \$199,27/cwt. The carcass equivalent price was 1.61% lower at \$278.14/cwt.

Bullish factors

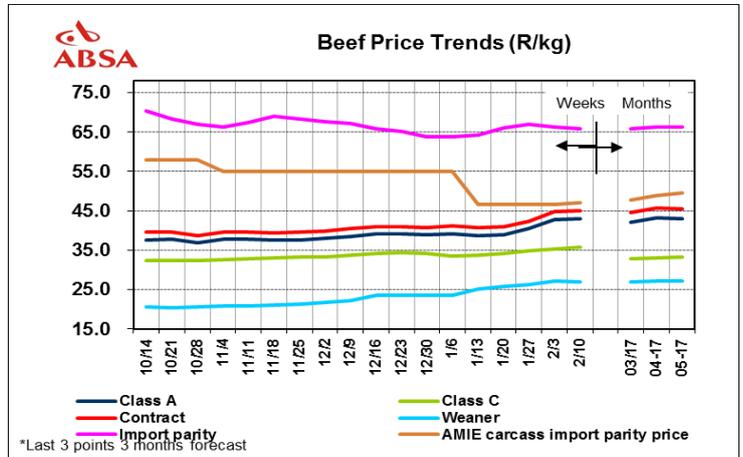
- Shortage of lean and extra lean grinding beef in the US is driving up prices
- Cattle, hog, and broiler price forecasts are raised by the US Department of Agriculture wasde (world agricultural supply and demand) report to reflect demand strength.

Bearish factors

- The flow of Indian buffalo meat to Indonesia was suspended last week. This is as local industry members challenged the Government's decision to allow the cheaper buffalo meat into the country as India is not declared free of foot and mouth disease. The cheaper buffalo meat has severely limited demand for beef from New Zealand and Australia in recent months.
- In New Zealand, prices are expected to ease as the local grilling season ends.
- Reports suggest the US beef herd is rapidly recovering and is now at its highest level since 2010, which could dampen demand for future imported product
- Beef production was increased by the wasde report. Placements and marketings for the year are increased, resulting in higher cattle slaughter.

Domestic

Market fundamentals continue to remain bullish for the beef industry, with beef prices having continued with the recent gains. Favourable rainfall across the country have been helpful to prices, as producers can keep cattle longer on the ground, which limit the number of cattle to be slaughtered. The forecasted Absa beef prices are as follows: Class A prices are 0.29% higher at R43.00/kg. Class C prices are 0.66% higher at R35.74/kg. The average weaner calf prices remained steady over the past week at R27.00/kg. The weaner calf market was very strong in recent weeks on the back of good demand and scarcity of the calves. This has led to the strength in the weaner prices, with other markets reportedly reaching levels of R30/kg. The average hide price over the past week was 0.58% lower at R14.65/kg from the previous week's price of R14.73/kg green. The recent strength of the currency and pressure from



the demand side has been adding pressure on prices. There may also be stocks still sitting from December, which further add pressure on prices. NB* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- Widespread rainfall in some parts of the country resulted in lower volumes being sent to the auctions.
- Talks of a bilateral agreement between South Africa and China to promote beef exports can also support prices. However there's uncertainty when this agreement will be finalized.
- Due to the current shortage of weaner calves, producers are also buying more weaner calves that were not usually in demand for fattening purposes. Thus stimulating prices in the short term.

Bearish factors

- According to the levy admin, 22.9% more cattle was slaughtered during the month of December 2016 compared to November 2016. This figure was however 9.7% lower than in December 2015. There are normally more volumes slaughtered in December due to higher demand during that month.
- Beef prices are higher compared to pork and poultry prices.

Outlook

Internationally, tight Australian and New Zealand supplies may continue to support prices. Shortage of lean and extra lean grinding beef in the US will also add a bearish tone on prices. Domestically, the outlook for beef prices is positive for 2017 with beef prices showing good gains over the past couple of weeks.

Mutton market trends

International

The New Zealand lamb prices were higher this week compared to last week. Lamb prices closed higher this week at NZ\$78.0/head for 15kg lamb. Lamb prices were sideways at NZ\$109.2/head for 21kg lamb. Ewe prices closed sideways at NZ\$65.1/head for a 21kg ewe. The import parity price for lamb was 1.07% lower at R56.65/kg while the import parity price for mutton was 0.74% lower at R37.92/kg.

Bullish factors

- Mutton prices are now at yearly highs as demand remains strong all over the globe.
- Lower than expected slaughter rates in recent weeks have led to some competitive pricing in the New Zealand market.
- AgriHQ February Outlook forecasts increases in prices from April as tighter lamb supplies drive the market.
- In New Zealand, the hot dry weather has brought major fire outbreaks in Canterbury and Hawkes Bay as tinder dry pastures ignite and spread quickly in windy conditions and some stock losses have been recorded.

Bearish factors

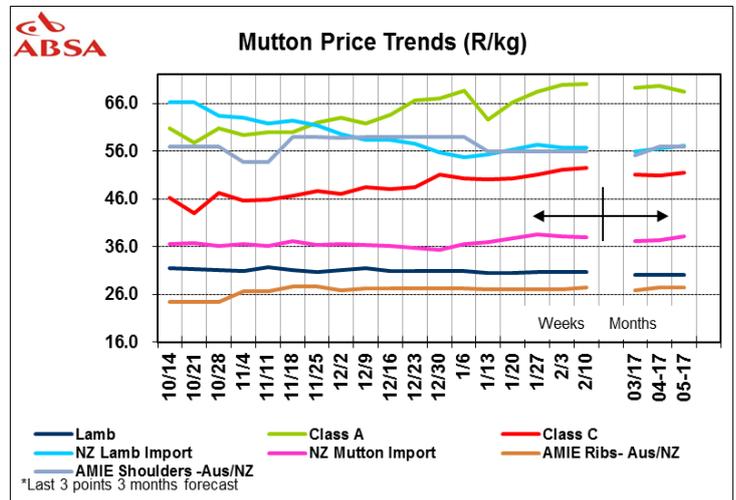
- In New Zealand, slaughter rates are likely to increase as many lambs finally reach finishing weights
- New Zealand prices typically decline at this time of year as production increases in line with seasonal trends.

Domestic

Mutton prices continued to see strong gains over the past week. Prices are expected to remain steady in the short term in line with favourable weather conditions which encourage herd rebuilding. Mutton prices are expected as follows: The average Class A prices were 0.30% higher at R70.12/kg and the average Class C was 0.58% higher at R52.40/kg. The average price for feeder lambs traded 0.03% higher at R30.70/kg. The average price for dorper skin was 4.60% higher at R47.33/skin and merinos were 7.00% higher at R95.29/skin.

Bullish factors

- 24.36% more sheep was slaughtered during December 2016 compared to November 2016. However, 19.48% less sheep was slaughtreted during December 2016 compared to the same time in 2015. The Northern Cape



saw the highest number of sheep slaughtered in the country during December 2016. A total of 208434 sheep was slaughtered in that region alone. (levy Admin)

- Favorable weather outlook may continue to support the livestock market as it may revive pastures and support herd rebuilding, keeping prices high.

Bearish factors

- Slowdown in demand during the month of February as with previous seasonal trends.
- Higher mutton prices in relation to other meat prices

Outlook

Internationally, demand remains strong all over the globe which supports prices. Prices may also be supported as they start to respond to supply shortages. Local prices remain supported due to favourable weather conditions which support herd rebuilding.

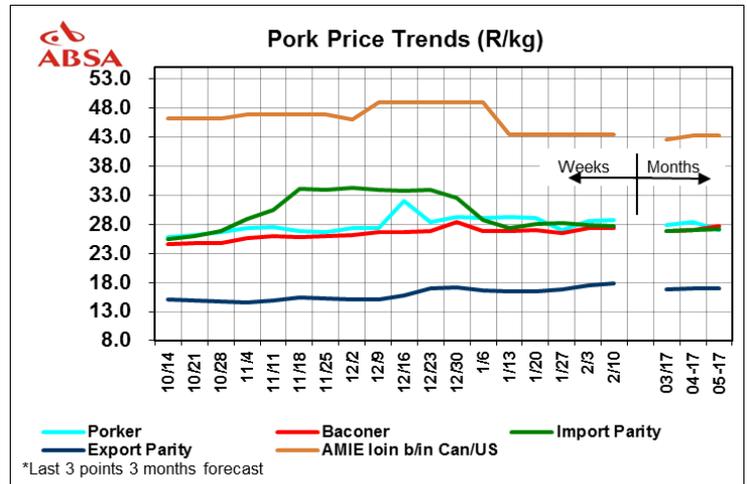
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 1.8% higher at US\$84.70/cwt, Loin prices were 0.1% lower at US\$74.32/cwt, Rib prices were 0.2% higher at US\$120,37/cwt and ham was 0.8% higher at US\$60.92/cwt.

Bullish factors

- Total red meat and poultry production for 2017 is lowered by the US waste report, largely reflecting decreased pork and poultry forecasts.
- Pork production in the first quarter is reduced due to the current pace of slaughter and slightly lighter carcass weights.
- Cattle, hog, and broiler price forecasts are increased month on month by the waste report to reflect demand strength.
- Continued large exports of pork to China are expected for the foreseeable future due to lower production.



Bearish factors

- Pork supply continues to remain large. The large supplies are likely to cap the extent of the strength the market can sustain.

Domestic

Domestic prices were stronger week on week. Prices are expected to remain steady moving forward with underlying support from the higher livestock prices. The Absa forecast prices are expected as follows: Porker prices are 0,8% higher at R28.78/kg while Baconer prices are 0.6% higher at R27.44/kg.

Bullish factors

- Import parity prices strengthened week on week on the back of the higher international prices.
- Underlying support from livestock prices.

Bearish factors

- It is in line with seasonality for prices to decline during February.

Outlook

Internationally, cattle, hog, and broiler price forecasts are increased month on month by the wasde report to reflect demand strength. Locally, the outlook for the pork industry is more positive from May onwards, especially with the bigger maize crop that is expected. The bigger crop will bring relief in feed costs.

Poultry market trends

International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 1.34% higher at 84.68USc/lb. Breasts traded 3.02% higher at 102,50Sc/lb, whilst Leg Quarters traded sideways at 32,50USc/lb.

Bullish factors

- The total red meat and poultry production for 2017 is lowered by the wasde report, largely reflecting decreased pork and poultry forecasts.
- Broiler production is lowered as increases in production in the first quarter are more than offset by reductions in the second half of the year.
- Internationally, cattle, hog, and broiler price forecasts are increased month on month by the wasde report to reflect demand strength.
- Rising Economic Growth in the US may support demand.

Bearish factors

- Low feed prices support favourable poultry production.

Domestic

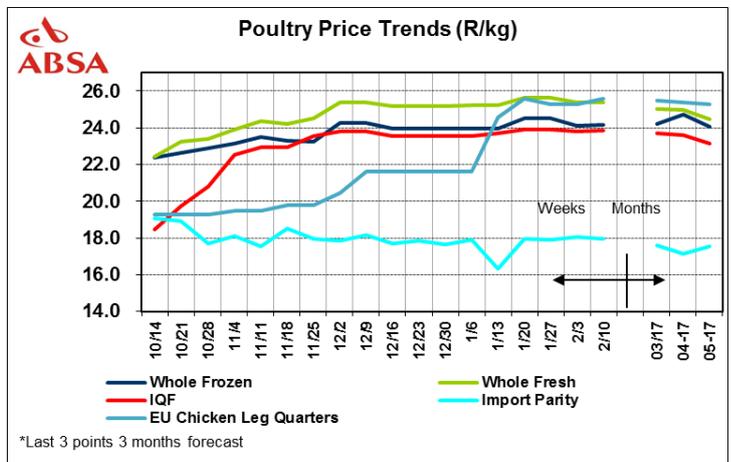
The average poultry prices over the past week were strong. The average prices for frozen birds were 0.26% higher at R24.17/kg during the week. Whole fresh medium bird prices were 0.19% higher at R25.41/kg while IQF prices were 0.27% higher at R23.86/kg.

Bullish factors

- Increasing trade protectionism by the South African government may improve the sustainability of the South African industry.
- Poultry prices are enjoying underlying support from the higher livestock prices
- Planned temporary or permanent closures of less efficient plants may limit supply.

Bearish factors

- Lower import prices are adding a bearish tone to prices.
- The new temporary import levy of 13.9% on frozen on the bone poultry meat from the EU expires by the 3rd of July 2017. After that, the return of exports to the local market may pressure prices.
- In expectation of a lower new season maize price and feed costs, consumers may expect that the price of broiler meat should decline as well from May 2017 onwards. This may add pressure on prices.



Outlook

Internationally, there is uncertainty on the export demand effects of avian influenza outbreaks. Locally, the largest contributor in the short term to support domestic broiler prices is the outbreak of Bird flu in the EU. The lower prices for maize from May onwards will improve the sustainability of broiler production.

| Livestock Prices (R/kg) week ending 10 February 2017 | Beef | | | Mutton | | | Pork | | | Poultry | | |
|--|-------|-----------------|---------------|--------|-----------------|---------------|------|-----------------|---------------|---------|-----------------|---------------|
| | % | Current Week | Prior Week | % | Current Week | Prior Week | % | Current Week | Prior Week | % | Current Week | Prior Week |
| Class A / Porker / Fresh birds | 0.29 | 43.00 | 42.88 | 0.30 | 70.12 | 69.91 | 0.8 | 28.78 | 28.55 | 0.19 | 25.41 | 25.36 |
| ClassC/ Baconer / Frozen birds | 1.47 | 35.74 | 35.22 | 0.58 | 52.40 | 52.10 | 0.6 | 27.44 | 27.28 | 0.26 | 24.17 | 24.11 |
| Contract / Baconer/ IQF | 0.66 | 45.00 | 44.70 | 1.48 | 72.00 | 70.95 | 0.7 | 28.11 | 27.92 | 0.27 | 23.86 | 23.79 |
| Import parity price | -0.77 | 65.77 | 66.28 | -0.74 | 37.92 | 38.20 | 0.6 | 36.3 | 36.1 | -0.55 | 17.9 | 18.0 |
| Weaner Calves/ Feeder Lambs/ | -0.4 | 27.00 | 27.11 | 0.03 | 30.70 | 30.69 | | - | - | | | |
| Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4 | 0.92 | 47.00 | 46.57 | 0 | 56.00 | 56.00 | 0 | 43.50 | 43.50 | 1.19 | 25.60 | 25.30 |

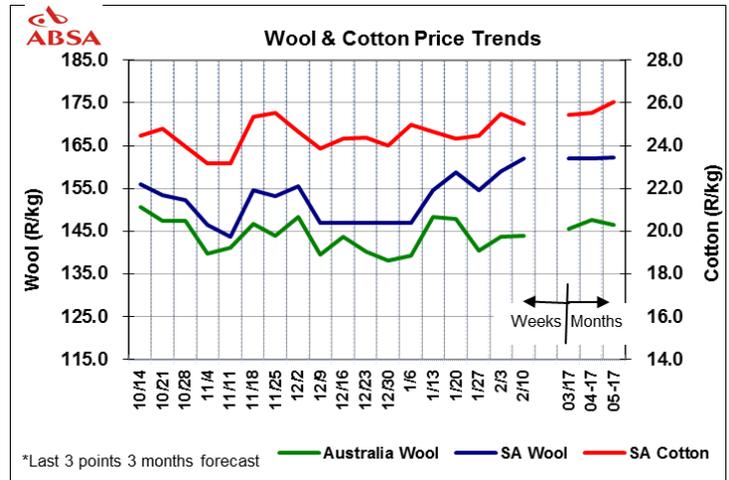
Wool market trends

International

The Australian wool market prices were higher and closed 1.05% higher at Au1437c/kg at the recent auction.

Bullish factors

- Strong buyer interest in superfine Merino continued this week in the Australian wool market, resulting in excellent price gains.
- Prices increased week on week due to a solid increase in demand. China's demand for wool had been increasing in line with the more affluent population in China. Higher demand globally had been supported by fashion shows in Europe putting wool back into vogue



Bearish factors

- Almost 48,000 bales are expected to be on offer at the auction next week, which is 12% higher than the figure advertised earlier.

Domestic

Domestic wool market prices were 1.93% higher at the most recent sale of the season to close at R161.96 (Clean).

Bullish factors

- The quantity of wool delivered to the market is declining. 11.00% less volumes were offered at this week's auction compared to the volumes at the previous auction. Only 6 863 bales was offered for sale at the last auction.
- Keen competition for the better quality good top-maker and spinner types.
- Good demand supports the market.

Bearish factors

- New Year festivities in China may have added pressure on demand.

Outlook

Internationally, higher volumes are expected to be met by good demand, which may result in a positive market.

Locally, the market is expected to remain within these levels for the remainder of the season. The movement of currency will continue to drive the domestic market.

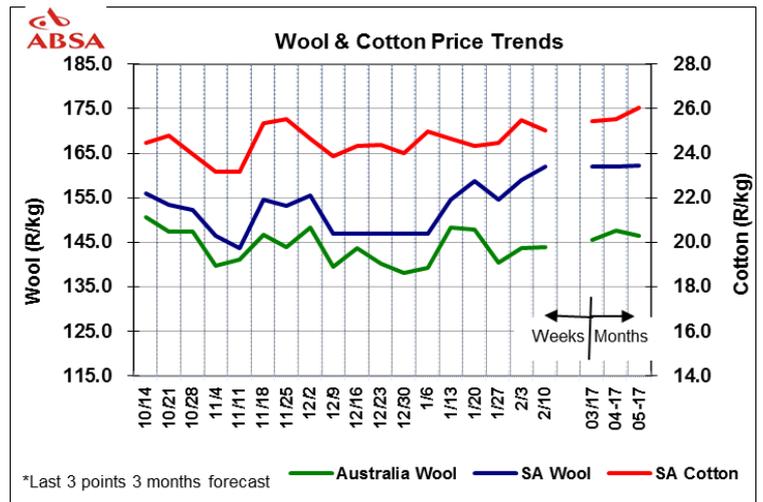
Cotton market trends

International

Cotton prices traded 0.04% lower over the past week and closed at US73.15c/lb.

Bullish factors

- The 2016/17 US cotton supply and demand forecasts show slightly higher exports and lower ending stocks relative to last month. The export forecast has been increased by 200,000 bales to 12.7 million based on strong export sales during January.
- The 2016/17 world cotton forecasts include slightly higher consumption and lower ending stocks. Global consumption is higher due to increases for India, Bangladesh and Vietnam.



Bearish factors

- The National Cotton Council over the weekend has put US cotton sowings this spring at 11.0m acres, which is a 9.4% increase year on year.

Domestic

SA cotton prices traded 1.84% lower to close at R25.02/kg. The decreases in prices were in line with the strength of the South African currency over the past week and also followed by the lower international prices. The Rand strengthened by an average of 0.86% week on week. The domestic cotton industry remains a net exporter of cotton; therefore there industry will be influenced by the currency movements.

Outlook

Internationally, prices may remain supported in the short term on the back of strong export demand. Locally, the exchange rate will continue to affect market prices as the cotton market is export driven.

Fibres Market Trends
Week ending 10 February 2017

| Wool prices | % | SA prices (c/kg) | % | Australian prices (SA c/kg) | % | Australian Future – Mar 2017 (AU\$/kg) | % | Australian Future Jun – 2017 (AU\$/kg) |
|------------------------------|----------|---|----------|--|----------|--|----------|---|
| Wool market indicator | 1.93 | 16196 | 1.76 | 14759 | | - | | - |
| 19µ micron | 8.22 | 18984 | 2.65 | 18196 | 2.98 | 17.30 | 2.45 | 16.70 |
| 21µ micron | 1.48 | 14920 | 1.19 | 14762 | -1.41 | 14.00 | 1.46 | 13.90 |
| Cotton prices | | SA derived Cotton (R/kg) | | New York A- Index (US\$/kg) | | New York future Mar- 2017 (US\$/kg) | | New York future May-2017 (US\$/kg) |
| Cotton Prices | -1.84 | 25.02 | -0.99 | 1.87 | -1.7 | 1.67 | -1.2 | 1.69 |

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