



# Agri Trends

29 June 2017

## Producers should report suspected cases of bird flu

Following recent outbreaks of Avian flu outbreak in chickens which were reported in South Africa, the affected farms have been placed under quarantine and eradication is in process to try to combat further spread of the virus from these farms. Sampling of the farms within 3 km of the HPAI farms is done and farms are monitored within 30 km for signs of the disease.

Currently, no case of HP H5N8 has been reported in ostriches, but as ostriches need to be bred outside, there is a real risk that it may affect the ostrich industry. It is also unknown how this virus will affect ostriches while poultry is known to die from the virus. Meanwhile, producers must please monitor feed intake, check for green urine and check the overall health of ostriches. If any suspicious cases are noticed, producers are encouraged to report the suspected cases. The avian influenza has never been found in commercial chickens in South Africa although it has been found in ostriches in both countries in the past.

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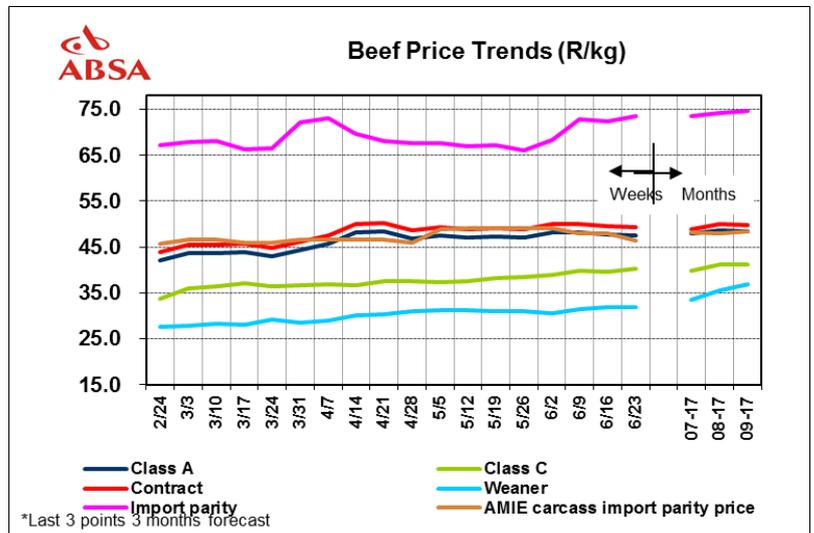
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# Beef market trends

## International

New Zealand steers traded sideways over the past week at 5.70NZ\$/kg and cows traded sideways at 4.48NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 1.27% lower at \$258.98/cwt. Rump was 1.60% lower at \$363.65/cwt and strip loin was 11.07% lower at \$726.15/cwt. Chuck traded 2.58% lower at \$230.81/cwt. Brisket traded 1.89% lower at \$308.95/cwt. The carcass equivalent price was 5.88% lower at \$359.88/cwt.



## Bullish factors

- Imported US beef prices for New Zealand product continue to increase above expectations, strengthened by low Australian supply, the seasonal decline in New Zealand production and firm domestic prices.
- Offerings from Australia are particularly low, and the outlook points to low cattle slaughter out to at least August. This will be supportive of prices in the short term.
- The US is celebrating Independence Day on the 4<sup>th</sup> of July 2017, which may boost demand into that weekend.
- Beef and veal production is expected to decline moderately in New Zealand as producers retain cows and heifers for herd rebuilding.

## Bearish factors

- This week the US has delisted five Brazilian beef plants, with beef from these plants no longer accepted in the market. This comes at a time when Brazilian beef import volumes were gaining momentum, with May shipments the largest so far this year.
- Global beef and veal production is expected to grow less than 2% in 2017 to nearly 62 million tons, primarily from gains in the US, Brazil, and Argentina.
- US beef and veal production is expected to grow over 5% in 2017 to over 12 million tons, reaching a 9-year high.

## Domestic

Beef prices were mixed over the past week. Class A prices are 0.50% lower at R47.62/kg. Class C prices are 1.58% higher at R40.29/kg. The average weaner calf prices over the past week were 0.3% lower at R31.89/kg. The average hide price over the past week was 0.71% lower at R14.30/kg green. The international hide markets have taken a sharp downturn; and this coupled with the strength in the South African rand weighs down on prices. The hide market is also approaching a quiet season. All these factors are expected to weigh down on prices moving forward. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

### *Bullish factors*

- 20.2% fewer cattle were slaughtered during April 2017 compared to March 2017.
- Average weaner calf prices remain high on the back of improved demand and less available supplies. Tightening supplies have been the main driver behind steady increases in prices over the past few months.

### *Bearish factors*

- The deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh down on prices.

## Outlook

Internationally, as the US is celebrating Independence Day on the 4th of July 2017, this is expected to boost demand into that weekend. Strong consumer demand on the global market and less supplies in the major exporting countries of New Zealand and Australia may support prices. Domestically, herd rebuilding process is underway, which may support beef prices.

## Sheep meat market trends

### International

New Zealand lamb prices traded higher this week compared to last week. Lamb prices closed 1.12% higher at NZ\$99.0/head for 15kg lamb. Lamb prices were 1.17% higher at NZ\$138.6/head for 21kg lamb. Ewe prices traded sideways at NZ\$87.7/head for a 21kg ewe. The import parity price for lamb was 2.40% higher at R68.55/kg, while the import parity price for mutton was 1.32% higher at R47.23/kg.

### Bullish factors

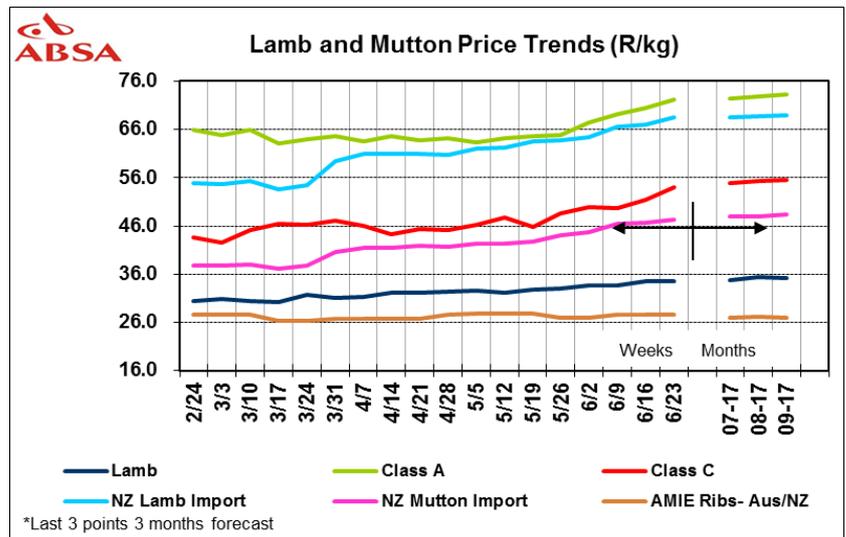
- Market demand for lamb remains firm, underpinned by low supply from New Zealand and Australia.
- The Middle East has been a strong performer as the lack of supply from Australia boosts demand for New Zealand product.
- The re-opening of the Iran market for sheep meat offers opportunity for premium sales, with the market showing good demand and a willingness to pay.
- The stability of the market going forward will be very sensitive to supply changes, however the outlook through to mid-2018, indicates that the volume of production from New Zealand and Australia is unlikely to prove burdensome through this period.

### Bearish factors

- Prices for some New Zealand products have reached a ceiling, with customers showing no willingness to pay anymore. While prices in lamb markets continue to be firm, there are growing signs that there will be resistance to further increases for some items.

### Domestic

Lamb and mutton prices were mostly higher over the past week. Lamb and mutton prices were as follows: The national average Class A lamb prices increased by 2.39% to R72.26/kg and the average Class C prices increased by



5.10% to R53.97/kg. The average price for feeder lambs traded 0.04% lower at R34.50/kg. The average price for dorper skin is 2.33% higher at R41.36/skin and merinos were 2.78% lower at R98.44/skin.

### *Bullish factors*

- 23.28% fewer sheep were slaughtered during April of 2017 compared to March 2017. The lower volumes slaughtered are supportive to lamb and mutton prices.
- High meat prices and low feed costs are supporting the profitability of the sheep industry.

### *Bearish factors*

- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton remain the most expensive meat on the market.

## **Outlook**

Internationally, firm global demand is expected to continue to support prices. Locally, lamb and mutton prices continued with their strong gains over the past week, as the herd rebuilding process continues to be underway. The average national lamb prices exceeded the R72/kg mark, which is very strong.

# Pork market trends

## International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 4.8% higher at US\$98.66/cwt, loin prices were 1.0% lower at US\$91.01/cwt, rib prices were 4.5% higher at US\$151.44/cwt and ham was 5.3% higher at US\$71.28/cwt.

### Bullish factors

- US pork exports may support pork prices. The US remains the world's low-cost producer of pork, along with the Brazilian state of Mato Grosso. But with foot and mouth disease in the hog population in Mato Grosso, this may keep the Brazilian pork from entering some major markets.
- Strong demand for pork continues to support the pork market.

### Bearish factors

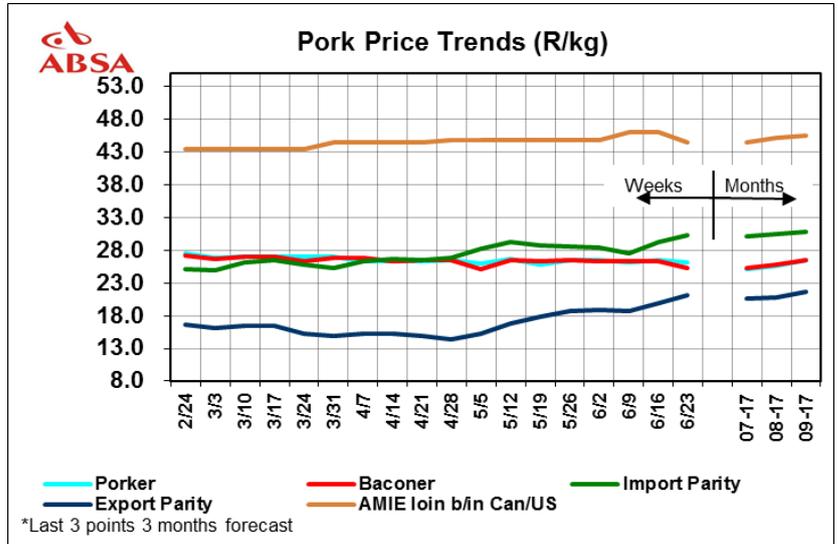
- Hogs and pigs are expected to show herd growth. For the most recent production quarter (March-May), the US pig crop is expected to follow recent trends (up about 3% year-over-year). That increase is as more sows farrowed than a year ago.
- A big hog supplies in the US may pressure prices. US pork supplies and prices remain plentiful.

## Domestic

Pork prices were mostly lower over the past week. The latest pork prices are as follows: The average porker prices are 1,5% lower at R26.09/kg, while the average baconer prices are 3.8% lower at R25.31/kg. The average cutters prices were 1.5% lower of R26.55/kg whilst the average heavy baconer price was 0.2% lower at R25.34. The average SAU price is R19.40/kg and the SAB price is R22.7/kg.

### Bullish factors

- 17.83% fewer pigs were slaughtered during April of 2017 compared to March of 2017. The less pigs slaughtered is bullish to prices.
- Underlying support from higher livestock prices.



### *Bearish factors*

- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

### **Outlook**

Internationally, improved demand for pork during the grilling season in the US may support pork prices even during the time of plentiful supplies. Locally, pork prices may improve due to good demand and also from gaining underlying support from the higher beef and mutton prices. As the poultry industry is faced with bird flu outbreaks, this may instil fear in buyers to consume poultry products. As a result, there may be a shift towards pork products as an alternative to poultry, thereby boosting demand for pork.

## Poultry market trends

### International

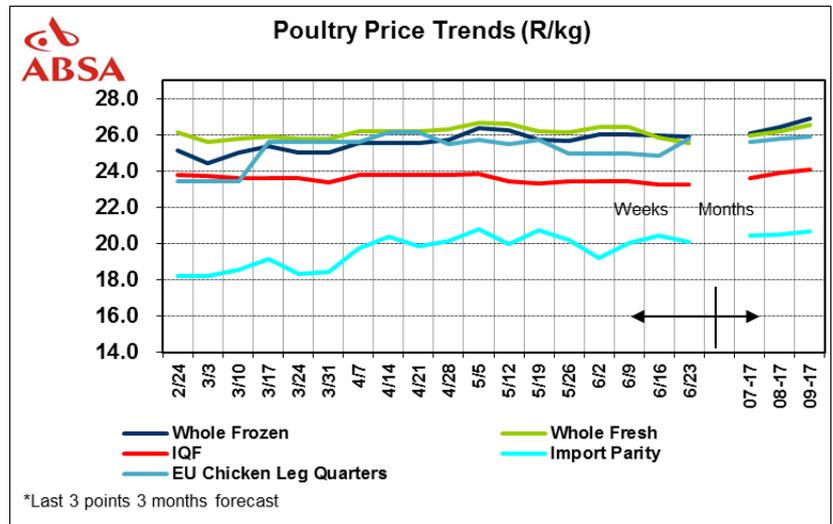
Poultry prices in the US were mostly lower over the past week. Whole bird prices were 0.04% lower at 107.75USc/lb. Breast traded 1.31% higher at 155.00USc/lb, while leg quarters traded 2.35% lower at 41.50USc/lb.

#### Bullish factors

- Demand for low cost animal protein remains strong, supporting prices.

#### Bearish factors

- There are numerous outbreaks of highly pathogenic avian influenza (HPAI) across the globe with cases occurring in Asia, Africa, Europe, Russia, and the US. Although these outbreaks will constrain expansion, global broiler meat production is expected to increase by 1% to 89.5 million tons in 2017.



### Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.18% lower at R25.90/kg during the week. Whole fresh medium bird prices were 1.20% lower at R25.55/kg, while IQF prices were sideways at R23.24kg.

#### Bullish factors

- The increase in domestic prices can be attributed to the timely impact of import bans on EU broiler meat from the EU due to Bird Flu and to a lesser extent the imposed 13.9% safeguard duty on frozen chicken legs imported from the European Union (EU) to help the ailing local industry.
- As the poultry industry is faced with bird flu outbreaks, this may instil fear in buyers to consume poultry products. As a result, there may be a shift towards pork products as an alternative to poultry.
- South Africa has reported outbreaks of the Avian influenza. Should this situation escalate, this may pose a risk to the poultry production.

### *Bearish factors*

- Imports from the EU picked up slightly as some of the plants have been cleared. The volumes from these plants are however not significant.
- As soon as the prevalence of the Bird Flu threat in the EU subsides an increase in poultry imports will continue to hurt the local industry.

### **Outlook**

Internationally, positive economic growth and consumer demand are supportive to poultry prices.

Locally, the outbreaks of bird flu in South African poultry industry may pose risks to prices.

Livestock prices (R/kg)	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	-0.50	47.62	47.86	2.39	72.26	70.57	-1.5	26.09	26.48	-1.20	25.55	25.86
Class C/Baconer /Frozen birds	1.58	40.29	39.66	5.10	53.97	51.35	-3.8	25.31	26.32	-0.18	25.90	25.95
Contract/Baconer/IQF	-0.51	49.40	49.65	3.25	72.49	70.20	-2.6	25.70	26.40	0	23.24	23.24
Import parity price	1.37	73.47	72.48	1.32	47.23	46.61	3.6	39.7	38.3	-1.63	20.1	20.4
Weaner calves/ Feeder lambs	-0.3	31.89	31.98	-0.04	34.50	34.52		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	-3.1	46.50	48.00	6.4	58.00	54.50	-3.3	44.50	46.00	3.82	25.80	24.85

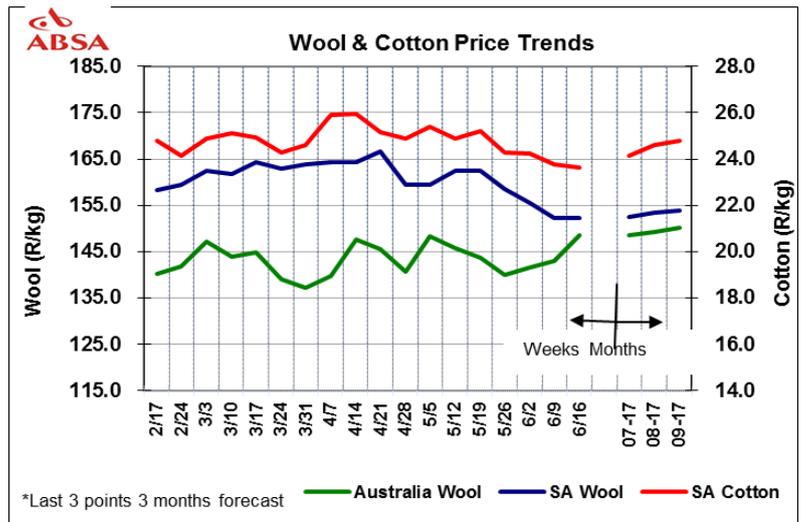
## Wool market trends

### International

Australian wool market prices were higher and closed 1.79% higher at Au1533c/kg.

#### Bullish factors

- The smallest national offering for the year saw wool prices gain support. The extremely low supply of just over 20,000 bales nationwide was on offer, supporting prices.
- The weakening Australian dollar (AUD) against the US dollar (USD) also supported prices as this encouraged buying from overseas buyers.
- Strong demand offered support to the market.
- A break in South Africa's wool sales should help the Australian wool market. South Africa's wool sales finished last week and have headed into their annual break.



#### Bearish factors

- Australian wool prices are at record levels, and as a result, may experience a correction.
- Next week, Australian volumes on offer are expected to recover, which may weigh on prices.

## Domestic

The last sale of the season was on the 07<sup>th</sup> of June 2017. Domestic wool market prices were 2.19% lower to close at R152.18 (clean). This was the final auction of the 2016/17 wool growing season, and the next sale is scheduled for 16 August 2017.

### *Bullish factors*

- The South African wool market is positive, driven by strong demand for quality and the finer wools. This positive sentiment is expected to continue
- South Africa suffered a severe El Nino induced drought during the summer of 2015/16, which negatively affected wool production and impacted negatively on wool yields. In response to the drought, sheep producers also slaughtered more of their sheep, resulting in declines in the national herd. This negatively impacted on production.

### *Bearish factors*

- Despite the terrible drought experienced in large parts of the country, wool production has increased. According to the accumulative results up to 24 May, production is up by 5% to just over 52 million kg.
- Production is expected to recover as producers are currently rebuilding herds. The drought of 2015/16 was followed by favourable rainfall during the 2016/17 production year, which led to the much anticipated recovery in pastures.

## Outlook

Moving forward, strong demand and the reduction in volumes in both Australia and South Africa may provide support for the domestic and international wool markets. However, Australian volumes in the next three weeks are substantially above the offering of the past month or so, which may weigh on prices.

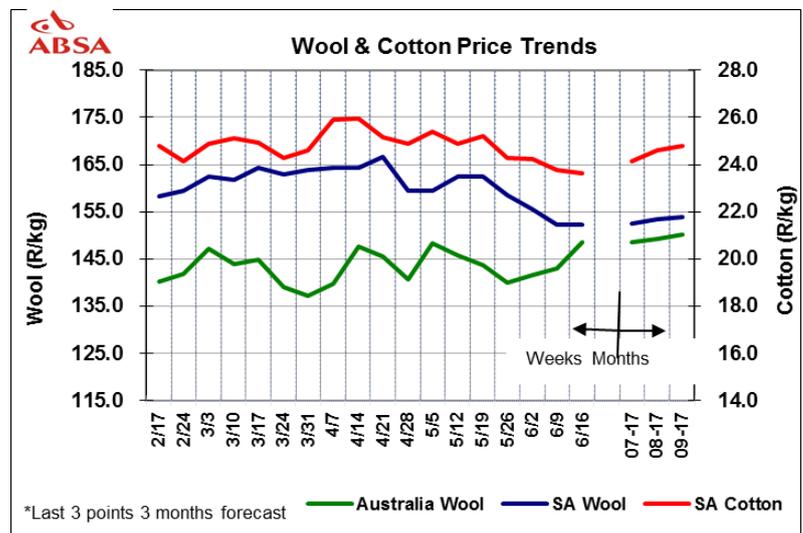
## Cotton market trends

### International

Cotton prices traded 6.15% lower over the past week and closed at US66.99c/lb.

#### Bullish factors

- The rating for Texas, the top cotton-growing state in the US, deteriorated by 4 points to 46%, undermined by factors including dryness, high winds and pests.
- The US cotton crop deteriorated by 4 points week on week to 57% good or excellent – led by a 19-point slump in the figure in Oklahoma.
- Strong US export data added support to prices.



#### Bearish factors

- The state of Texas is reported to have enjoyed rains since the rating was taken, on Sunday, which may support production. Most of the US growing areas is getting a nice amount of rain which should help the growers with their crops moving forward.
- The US cotton crop is still broadly in good shape, despite its recent deterioration. Expectations remain of a strong harvest this year.

### Domestic

The derived SA cotton prices traded 3.14% lower to close at R22.88/kg. The decreases in prices were in line with decreases in international prices, in spite of the decreases in the South African rand.

### Outlook

Internationally, expectations for the US remain of a strong harvest this year, which is expected to weigh on market prices. Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres market trends								
Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Jun 2017 (AU\$/kg)	%	Australian future Sep 2017 (AU\$/kg)
Wool market indicator		15218		15000		-		-
19µ micron		17942		18659	0.82	18.55	1.12	18.00
21µ micron		14673		15475	2.70	15.20	2.11	14.50
Cotton prices		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future Jul 2017 (US\$/kg)		New York future Oct 2017 (US\$/kg)
Cotton prices	-3.14	22.88	-2.80	1.77	-1.1	1.568	-4.5	1.50

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