



Agri Trends

15 March 2017

Gradual increase in the cattle live exports from Namibia to South Africa

Livestock exports to South Africa improved during the months leading to December 2016. Namibia normally exports weaners to South Africa in large quantities, but exports were stopped on the 1st of July 2016 following strict import requirements from the South African government. Between June and July, the number of live cattle exports reduced from 31 837 to only 2 cattle units. However, a gradual increase in the live exports can be observed reaching levels of 17 655 and 14 015 cattle units during November and December respectively. Cattle live exports to South Africa accounted for 56% of the total market share with 165 927 animals exported in 2016.

Contents

Beef market trends	1
Mutton market trends.....	3
Pork market trends.....	5
Poultry market trends.....	7
Wool market trends.....	10
Cotton market trends.....	11

Contact us at Absa AgriBusiness:

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

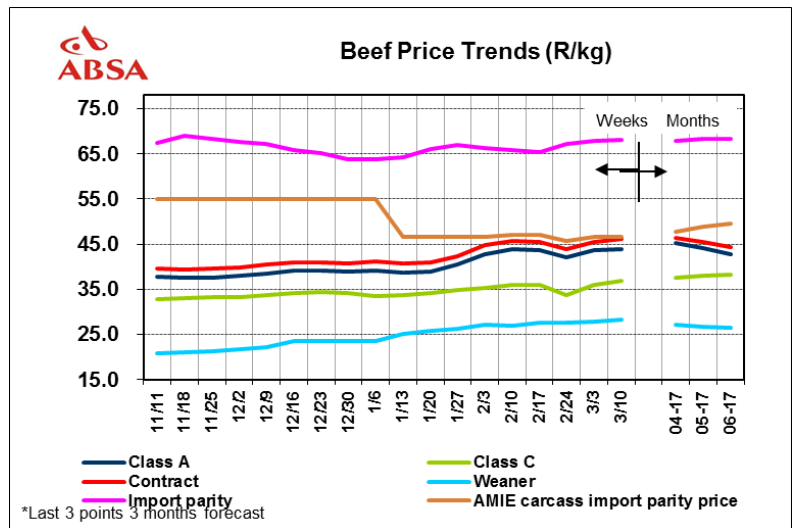
Conce.Moraba@absa.co.za

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Beef market trends

International

New Zealand steers traded 0.56% higher over the past week at 5.41NZ\$/kg and cows traded 0.71% higher at 4.26NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Top side trade 1.41% higher at \$253,14/cwt. Rump was 11.10% higher at \$357.70/cwt and Strip loin was 15.79% higher at \$706.20/cwt. Chuck traded 3.64% higher at \$248,74/cwt. Brisket traded sideways at \$212,72/cwt. The carcass equivalent price was 8.06% higher at \$331.44/cwt.



Bullish factors

- While it is in line with seasonal trends for domestic prices to increase during this time of the year, it has occurred at a faster pace this year. Demand for grinding beef in the US has had a notable increase. This bodes very well for the market going forward.
- Optimism about strong economy in the US support beef demand.
- The warm winter in the US may be factoring into better demand as consumers kick off grilling season earlier than usual
- Tight supplies in New Zealand and Australia support prices.

Bearish factors

- According to the USDA report, first quarter beef production increased on current slaughter data, and third-quarter production is expected to increase as higher expected first quarter placements are marketed in the second half of the year.
- Total US meat production for 2017 is expected to increase as higher forecast beef production more than offsets lower forecast pork and turkey production according to the US Department of Agriculture World Agricultural Supply and Demand Estimate' report (USDA Wasde).
- There is increased pressure coming on prices due to the successful rebuilding of the US herd.
- Low feed prices support favourable beef production.

Domestic

Beef prices strengthened weeks on week. 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. As a result, beef prices have strengthened over the past month. Producers are also buying more weaner calves that were not usually in demand for fattening purposes, hereby stimulating prices in the short term. Moving forward, prices may remain

steady as weather conditions continue to support the rebuilding of herds. The forecasted Absa beef prices are as follows: Class A prices are 0.96% higher at R44.00/kg. Class C prices are 2.48% higher at R37.00/kg. The average weaner calf prices over the past week were 1.5% higher at R28.26/kg. The average hide price over the past week was 2.13% lower at R14.25/kg from the previous week's price of R14.56/kg green. NB* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- Improved demand is expected over the coming weeks due to better demand heading into the Easter holidays.
- Continued widespread rainfalls in some parts of the country are helping with the rebuilding of herds. The herd rebuilding process is supporting prices.
- Feedlot stock levels are following a downward trend adding support to prices.

Bearish factors

- The slowdown in demand in line with seasonal trends.
- Beef prices remain high compared to pork and poultry prices. This may lead to more demand for the cheaper poultry and pork products.

Outlook

Internationally, tight Australian and New Zealand supplies and strong consumer demand in the US continue to support prices in the short term. Domestically, the outlook for beef prices is positive for 2017 with higher beef prices, lower feed prices and favourable grazing conditions expected to benefit the industry.

Sheep meat market trends

International

The New Zealand lamb prices were mostly higher this week compared to last week. Lamb prices closed 1,01% higher this week at NZ\$79.9/head for 15kg lamb. Lamb prices were 0.90% higher at NZ\$111.8/head for 21kg lamb. Ewe prices closed 1.46% higher at NZ\$69.3/head for a 21kg ewe. The import parity price for lamb was 0.80% higher at R55.21/kg while the import parity price for mutton was 1.07% higher at R38.08/kg.

Bullish factors

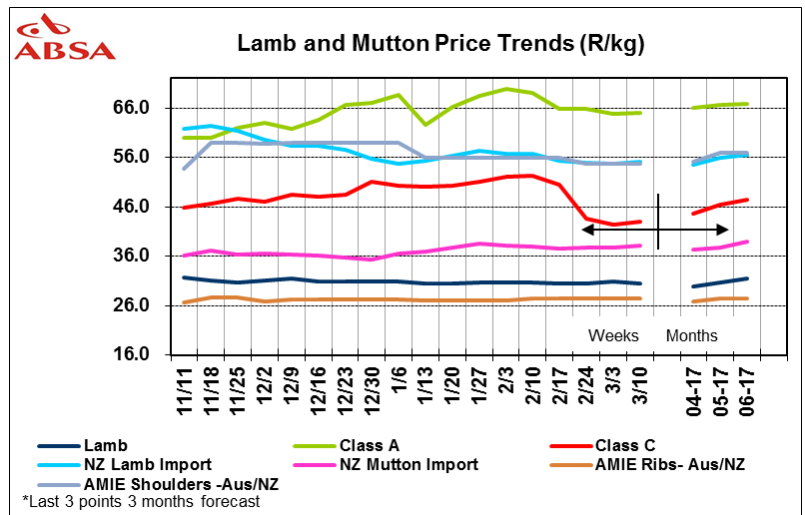
- In New Zealand, more increases in lamb prices were recorded this week, as demand remains firm in all main markets, and the slower slaughtering and lower numbers has kept procurement pressure strong. Increases in the wool prices also add support.
- Australian lamb prices are expected to hold at their current very high levels, due to declining supplies and a falling Australian currency.

Bearish factors

- If prices increase too much, this may see customers switch to alternative proteins, as seen several years ago.

Domestic

Lamb and mutton prices remained strong over the past week. Prices are expected to remain steady in the short term in line with favourable weather conditions which encourage herd rebuilding, but consumer resistance to the higher sheep meat prices may weigh down this market. It is also worth noting that lamb and mutton prices are more sensitive to market fluctuations. Lamb and mutton prices are expected as follows: The average Class A prices were 0.21% higher at R65.00/kg and the average Class C was 1.26% higher at R43.00/kg. The average price for feeder lambs traded 1.1% lower at R30.52/kg. The average price for dorper skin was 4.57% lower at R39.30/skin and merinos were 13.70% lower at R78.75/skin.



Bullish factors

- Favourable weather outlook may continue to support the livestock market as it may revive pastures and support herd rebuilding.

Bearish factors

- Consumer resistance to high lamb and mutton prices may increase price risk.
- The sheep industry does not enjoy the same export opportunities as in the beef industry.
- Lamb and mutton prices are higher when compared to beef, pork and poultry prices, and as a result there might be consumer resistance to the high mutton prices, which may add pressure to lamb and mutton prices.

Outlook

Internationally, Prices may also be supported as supplies in both New Zealand and Australia remain low. Locally, the outlook for lamb and mutton prices is positive, but these prices are more prone to market fluctuations. Easter demand may be positive for this product and it triggers more demand.

Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 1.1% higher at US\$81.29/cwt, Loin prices were 2.9% higher at US\$81.01/cwt, Rib prices were 0.4% higher at US\$123,64/cwt and ham was 6.1% higher at US\$547.97/cwt.

Bullish factors

- The pork production forecast is slightly lower as a result of lighter carcass weights in the first half of the year (USDA Wasde).
- Forecast pork exports have been increased on robust international demand and large domestic supplies of pork (USDA Wasde).
- In the US, seasonal support would be expected for the summer months.
- New government restrictions on the zoning of pig facilities in China are expected to stall Chinese herd recovery and lead to high pork prices. The higher pork prices may accelerate a trend away from pork, toward substitutes including beef, import for which are also seen at a record high. China's latest five-year-plan for agriculture set a goal of moving swine production away from waterways and densely populated area, and into the countryside. The result was widespread bans on pig production in urban areas, implemented by local authorities from 2017.

Bearish factors

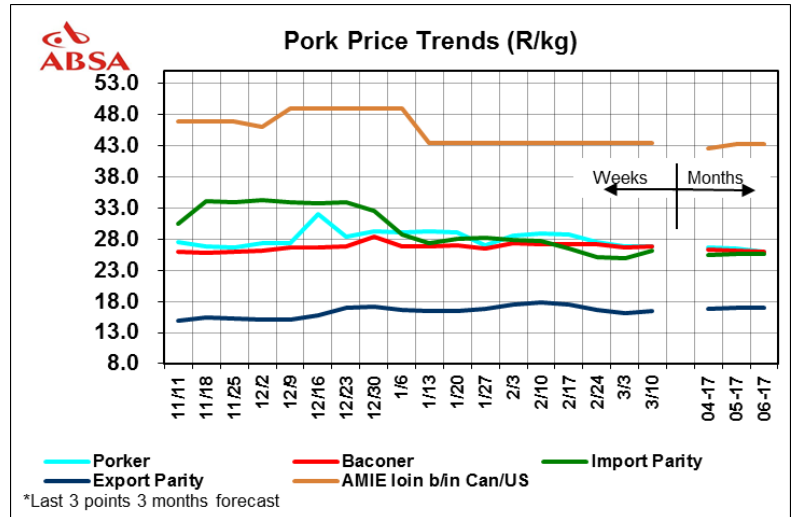
- Increased competition from other proteins may weigh down on prices.

Domestic

Domestic prices strengthened weeks on week. Prices are expected to enjoy underlying support from the higher livestock prices. The Absa forecast prices are expected as follows: Porker prices are 0,6% higher at R26.91/kg while Baconer prices are 0.7% higher at R26.87/kg.

Bullish factors

- Improvement in demand during the Easter period may provide support to pork prices.
- Import parity prices strengthened weeks on week due to higher international prices and a slight weakness in the South African Rand also positively contributed to the increases.



- Underlying support from higher livestock prices.
- Pork prices may be supported by increased spending towards pork products compared to the higher prices beef and mutton.

Bearish factors

- The 2017 maize production is expected to reach 13,918 mill tons. This production prospects was at the higher end of the market expectation. As a result, we expect that this will help to improve profitability of the dairy, pork and poultry industries as these industries are very feed intensive. The higher maize crop will help to reduce feed prices.

Outlook

Internationally, Strong US exports and new government restrictions on the zoning of pig facilities in China may support pork prices. Locally, pork prices are expected to remain supported in the short term due to improved demand associated with the Easter period. 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 to feed costs to an industry which is highly feed intensive. Total maize of 13,918 million tons is expected for 2017, which will add a bearish tone on prices.

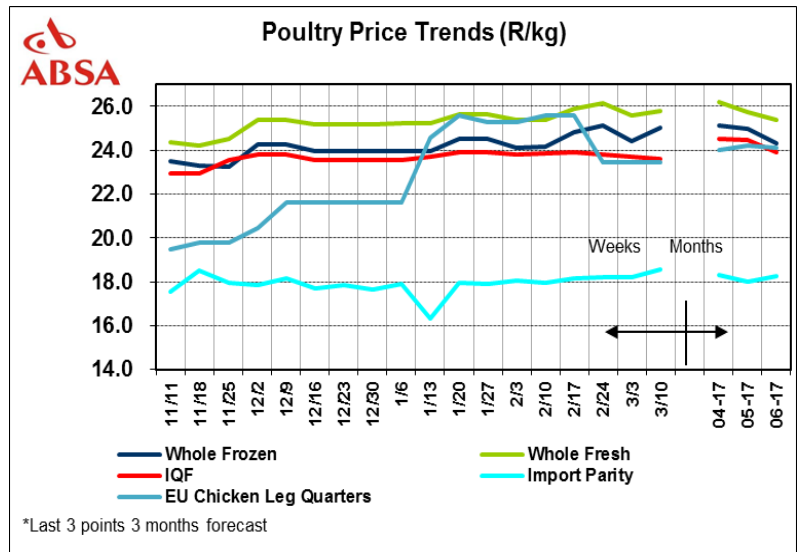
Poultry market trends

International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 7.49% higher at 93.04USc/lb. Breasts traded 5.65% higher at 121,50Sc/lb, whilst Leg Quarters traded 2.90% higher at 35,50USc/lb.

Bullish factors

- Cattle, hog, and broiler price forecasts for 2017 have been increased from last month on continued demand strength (USDA Wasde).
- US broiler export tonnage increased 12% year-over-year during January; which was the largest for that month since 2014's.
- Four more human infections of H7N9 bird flu have been reported in east China's Jiangxi Province, including one fatality



Bearish factors

- The recent highly pathogenic avian influenza outbreak in the US may limit expected export growth.
- Low feed prices in the US support favourable poultry production.
- In China, chicken is a popular and cheap alternative to pork. Demand has been hit in recent years by food safety scandals and bird flu outbreaks.
- Chicken prices in China declined to their lowest levels last week as concerns about H7N9 deepened after global health authorities said the strain had evolved into a more severe form for birds.

Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 2.40% higher at R25.02/kg during the week. Whole fresh medium bird prices were 0.74% higher at R25.79/kg while IQF prices were 0.51% lower at R23.59/kg.

Bullish factors

- Positive demand in the market currently supporting prices.
- Better demand for local product on the back of reduced supplies due to bird flu in the EU is adding support to prices.
- Poultry prices are enjoying underlying support from the higher livestock prices

- Planned temporary or permanent closures of less efficient plants may limit supply. Poultry companies have been reporting to cut down shifts or close other operations in order to remain competitive.

Bearish factors

- The animal feeds industry and intensive livestock industries should use the higher maize crop as a buying opportunity.
- The return of exports from the EU to the local market following the bird flu 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, which may add pressure on prices.

Outlook

Internationally, prices are supported by the strength of demand in the market. Locally, lower prices for maize from May onwards will improve the sustainability of broiler production. The 2017 maize production is expected to increase by 78,93% to reach 13,918 million tons. It is expected that maize prices will experience increased pressure following the positive production prospects, resulting in lower feed prices. This, together with positive poultry prices will lead to improved profitability in the industry. Poultry prices are expected to be supported by improved demand associated with Easter holidays.

Livestock Prices (R/kg) week ending 10 March 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	0.96	44.00	43.58	0.21	65.00	64.86	0.6	26.91	26.75	0.74	25.79	25.60
ClassC/ Baconer / Frozen birds	2.48	37.00	36.10	1.26	43.00	42.47	0.7	26.87	26.68	2.40	25.02	24.44
Contract / Baconer/ IQF	1.50	46.07	45.39	1.22	65.70	64.91	0.7	26.89	26.72	-0.51	23.59	23.71
Import parity price	0.62	68.19	67.77	1.07	38.08	37.68	1.4	34.4	33.9	1.88	18.5	18.2
Weaner Calves/ Feeder Lambs/	1.5	28.26	27.83	-1.1	30.52	30.85	-	-	-	-	-	-
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	0	45.70	45.70	0	54.80	54.80	0	43.50	43.50	0	23.45	23.45

Wool market trends

International

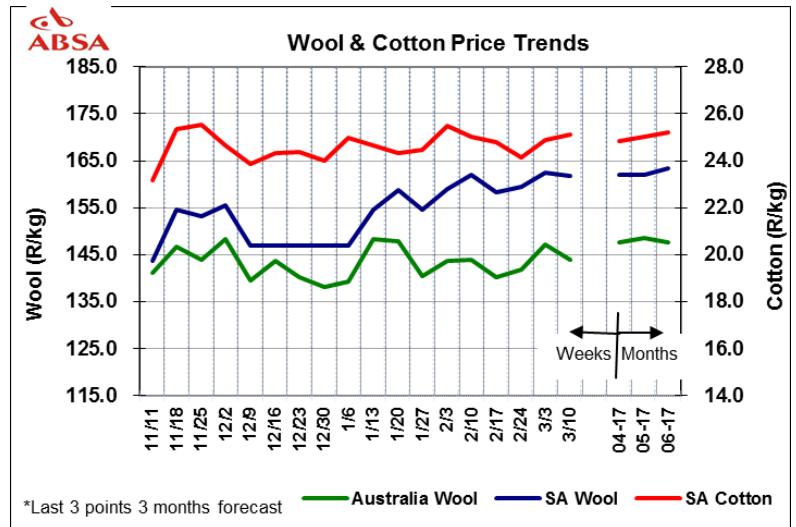
The Australian wool market prices were higher and closed 1.47% higher at Au1522c/kg at the recent auction.

Bullish factors

- Wool prices remain strong driven by increased demand from China
- Australian wool prices are expected to remain at their current high levels due to reductions in supply
- With lamb prices predicted to continue to increase in Australia in the short term, this may support the wool market.

Bullish factors

- Large volumes of stock in China following robust purchases.
- An increased national offering of 45,999 bales, 5373 more than last week was offered at the recent auction.



Domestic

Domestic wool market prices were 0.52% lower at the most recent sale of the season to close at R161.72 (Clean).

Bullish factors

- Strong demand for finer wool which achieved strong prices.
- Good competition due to smaller volumes on offer.

Bearish factors

- The Rand was 0,6% stronger against the US Dollar compared with the average rate at the previous sale.
- Flat demand for the mid micron wool.

Outlook

Internationally, prices are expected to remain at their current high levels due to reductions in supply. Locally, prices may be supported by a reduction in supplies.

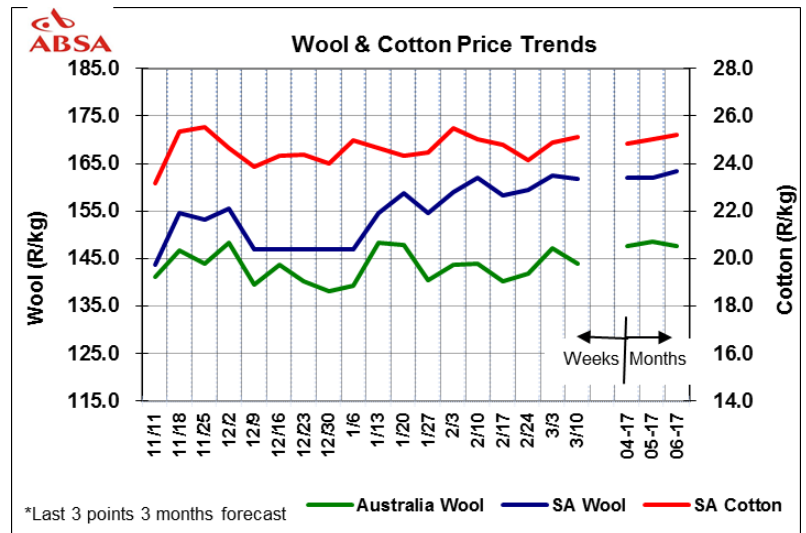
Cotton market trends

International

Cotton prices traded 7.70% higher over the past week and closed at US78.84c/lb.

Bullish factors

- A decent start to the week for daily sales of cotton from China's huge state stockpiles was realized.
- Expectations for a further decline in China's inventories are expected in the next season supported by the restarting on Monday of auctions.
- The USDA reduced its ideas of US 2016/17 cotton closing stocks by 300,000 bales, to 4.50m bales, thanks to stronger exports.
- Concerns over Indian supplies supported prices. The Indian cotton arrivals are now just over 20m bales, which is a long way from the crop estimates of around 34m bales.



Bearish factors

- The outlook for global production and inventories by the end of the 2016/17 crop year has been increased. (USDA Wasde). Hence, the price received by US farmers could fall within the range of 60-70 cents per pound, compared with the current 2016-17 forecast of 68.5 cents.
- Greater supplies outside of China are expected to pressure cotton prices in 2017/18.

Domestic

SA cotton prices traded 0.87% higher to close at R25.10/kg. The increases in prices were in line with increases in international prices and slight weakness in the exchange rate.

Outlook

Internationally, global cotton production is expected to be higher due to increased expectation of planted area in some of the major producing countries, including India, Pakistan and the US. This may add pressure on prices. Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres Market Trends
Week ending 10 March 2017

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	-0.52%	16172	-0.32	14968		-		-
19µ micron	0.37%	19124	0.41	18794	-1.14	17.30	4.32	16.90
21µ micron	1.14%	14981	-2.04	14726	-2.10	14.00	-0.72	13.80
Cotton prices		SA derived Cotton (R/kg)		New York A-Index (US\$/kg)		New York future May-2017 (US\$/kg)		New York future Jul-2017 (US\$/kg)
Cotton Prices	0.87	25.10	0.40	1.92	1.4	1.72	1.3	1.74

Absa AgriBusiness

Karabo.Takadi@absa.co.za

Wessel.Lemmer@absa.co.za

Conce.Moraba@absa.co.za

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