



Agri Trends

28 March 2017

China lifts a ban on Brazilian meat imports

China, the EU and some South American countries imposed a total or partial ban on meat imports from Brazil last Monday. The ban was imposed following an investigation which revealed that some Brazilian inspection officers accepted bribes to allow the export of Salmonella tainted or rotten meat from Brazil. Brazil has so far ordered the temporary closure of 6 of the 21 food processing plants under investigation by the police and health authorities. The other 15 plants are not allowed to export, although they may still produce for the domestic market. Brazil’s key markets China, Egypt and Chile were seen lifting their bans this past Saturday. Egypt and Chile announced the resumption of meat imports from Brazil on Saturday but with certain exceptions. China lifted its ban on most meat imported from Brazil.

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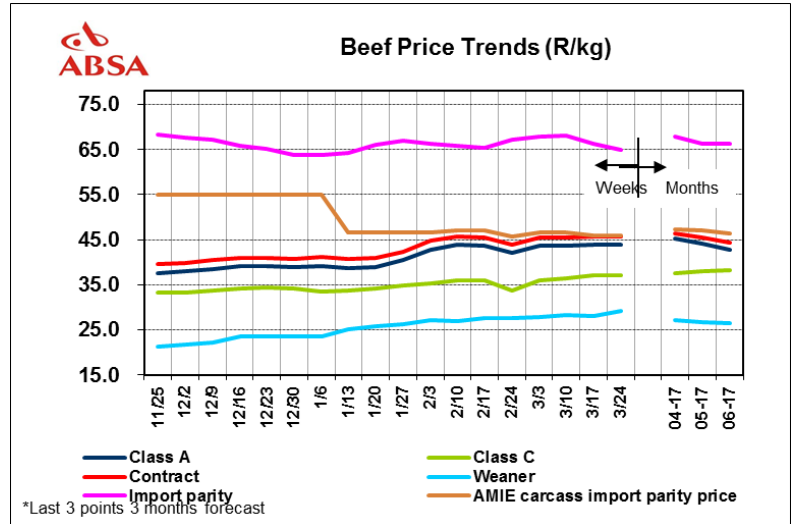
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Beef market trends

International

New Zealand steers traded sideways over the past week at 5.41NZ\$/kg and cows traded sideways at 4.26NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Top side traded 2.95% lower at \$244,70/cwt. Rump was 2.75% higher at \$405.93/cwt and Strip loin was 5.77% higher at \$779.54/cwt. Chuck traded 1.39% higher at \$247,00/cwt. Brisket traded 3.78% higher at \$209,50/cwt. The carcass equivalent price was 2.15% higher at \$347.10/cwt.



Bullish factors

- There were slight increases in US imported beef prices this week, reinforced by on-going limited supply from Australian and New Zealand
- Production from New Zealand continues to be low this week, with the North Island of New Zealand's slaughter rates declining weeks on week.
- Optimism about strong economy in the US support beef demand and thus, supportive to prices. A more positive economic climate (low unemployment, higher incomes etc are positive to beef demand).
- The warm winter in the US may be factoring into better demand as consumers kick off the grilling season earlier than usual.
- Strong exports, a notable decline in imports and a favourable weather conditions likely all contribute to the larger than expected stock depletion in the US.

Bearish factors

- Meat scandal in Brazil threatens Brazilian demand for meat products. This development is bad news for meat prices in Brazil, which in turn will impact feed demand, at least until the situation is back to normal. Allegations that Brazil has been exporting unsafe meat have made headlines this week.
- China has implemented a temporary ban on all Brazilian meat imports after the meat scandal broke, however, but on Saturday, the nation lifted its ban on most meat imported from Brazil. Reports from Australia already indicated an increase in demand for beef from China following the scandal.
- There is increased pressure coming on prices due to the successful rebuilding of the US herd and lower feed prices.

Domestic

Beef prices strengthened weeks on week. Lower feed prices and less livestock available are causing prices to increase. The forecasted Absa beef prices are as follows: Class A prices are 0.15% higher at R43.95/kg. Class C prices are

0.24% higher at R37.16/kg. The average weaner calf prices over the past week were 4.1% higher at R29.16/kg. The average hide price over the past week was 0.46% lower at R14.07/kg from the previous week's price of R14.13/kg green. The recent strength in the South African Rand may have added pressure on prices. NB* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- It is expected that a possible increase in South African exports may support meat prices especially with the trade agreement between South Africa and China.
- Improved demand is expected over the coming weeks due to better demand heading into the Easter holidays.

Bearish factors

- Beef prices remain high compared to pork and poultry prices. This may lead to more demand for the cheaper poultry and pork products.

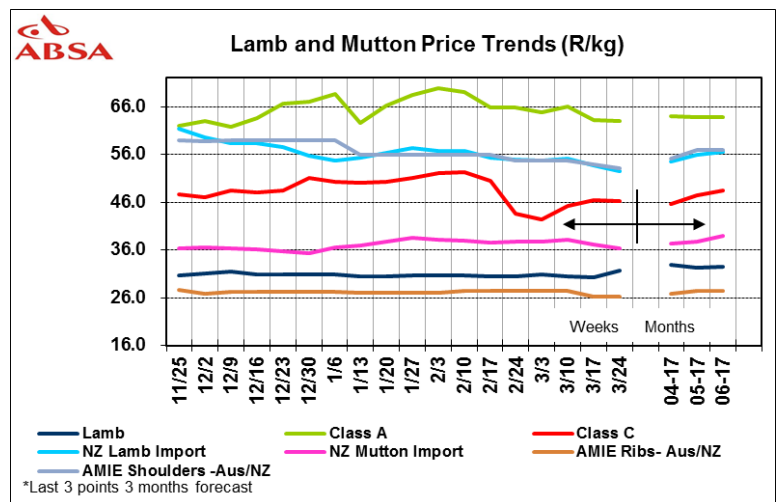
Outlook

Internationally, on-going limited supplies from Australian and New Zealand are currently supporting prices. Domestically, lower feed prices and less livestock available are causing prices to increase. 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 sideways this week compared to last week. Lamb prices closed the same this week at NZ\$79.9/head for 15kg lamb. Lamb prices were the same at NZ\$111.8/head for 21kg lamb. Ewe prices closed sideways at NZ\$69.3/head for a 21kg ewe. The import parity price for lamb was 2.10% lower at R52.55/kg while the import parity price for mutton was 2.01% lower at R36.32/kg.



Bullish factors

- In New Zealand, there is growing confidence in lamb prices through winter/spring, given the expectation that low supplies will continue to push slaughter prices higher.
- Numbers are hard to find, and demand is far exceeding supply which support prices in New Zealand
- Limited sheep availability in Australia is the primary driver behind the strong prices nationally, with strong wool and lamb prices encouraging producers to retain whatever ewes they can.

Bearish factors

- There are some concerns that prices are reaching levels that are too high and may result in downwards pressure in the coming months. If prices increase too much, this may see customers switch to alternative proteins.

Domestic

Lamb and mutton prices eased during the past week. Lamb and mutton prices were as follows: The average Class A lamb prices were 0.18% lower at R63.00/kg and the average Class C was 0.48% lower at R46.22/kg. The average price for feeder lambs traded 5.1% higher at R31.71/kg. The average price for dorper skin was 16.68% higher at R45.27/skin and merinos were 3.89% higher at R94.45/skin.

Bullish factors

- The revival in pastures supports herd rebuilding.

Bearish factors

- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton prices remain the expensive meat in the market.
- The sheep industry does not enjoy the same export opportunities as 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, due to high meat prices and low feed costs supporting the industry. Easter demand may be positive for this product as it triggers more demand.

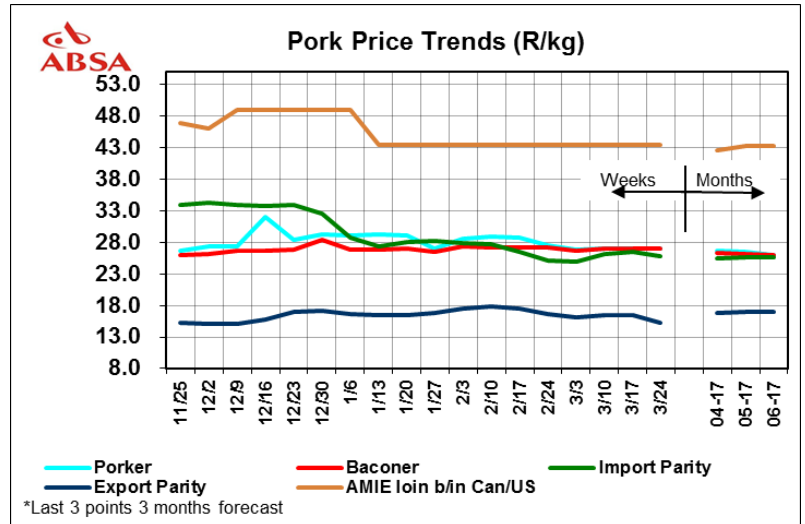
Pork market trends

International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 3.3% lower at US\$78.84/cwt, Loin prices were 3.6% lower at US\$78.83/cwt, Rib prices were 4.8% lower at US\$116,41/cwt and ham was 1.0% lower at US\$59.41/cwt.

Bullish factors

- Good demand for pork products in the US is expected to support prices.
- New government restrictions on the zoning of pig facilities in China are expected to stall Chinese herd recovery and lead to high pork prices.



Bearish factors

- In China, pork remains the protein of choice for the Chinese consumer, but consumption is expected to be reduced by the high pork prices encouraging consumers to switch to alternative protein sources such as beef.
- The restrictions on Brazilian proteins by major imports may weigh down on demand. Restrictions were imposed after police raided processing plants over claims that officials had taken bribes to clear rotten or infected meat. These restrictions will impact on international trade given the key role Brazil has in the global meat market.
- Increasing US production will continue to pressure prices.

Domestic

The Absa forecast prices are expected as follows: Porker prices are 0,6% higher at R27.09/kg while Baconer prices are 0.2% higher at R27.02/kg.

Bullish factors

- Improvement in demand during the Easter period may provide support to pork 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 the pigs.

Outlook

Internationally, strong exports from the US and new government restrictions on the zoning of pig facilities in China may continue to support pork prices. Locally, pork prices are expected to remain supported in the short term due to improved demand associated with the Easter period.

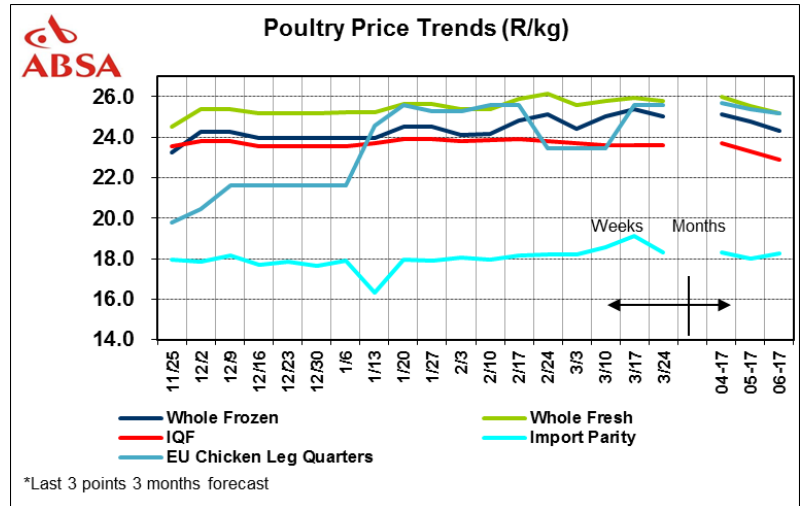
Poultry market trends

International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 2.01% higher at 98.57USc/lb. Breasts traded 3.27% higher at 126,50Sc/lb, whilst Leg Quarters traded 5.26% lower at 36,00USc/lb.

Bullish factors

- Brazilian poultry production and exports are seen growing by 4 and 10% respectively in 2017, due to cheaper maize as well as bird flu in competing markets. In 2017, a record maize crop is already entering the market and feed costs have declined. The extent and the impact of the Brazilian meat scandal is yet unknown as the Meat scandals in Brazil could hurt demand from that nation.
- Dark meat prices in the US continue to perform well due to robust exports and improved domestic spring demand.



Bearish factors

- Meat scandals in Brazil could hurt demand from that nation.
- The outlook for the global poultry industry in 2017 has been shaken up by sharp increases in the number of human avian influenza (AI) cases in China. This has dramatically changed Chinese market conditions, as prices have fallen sharply, to historic lows.
- 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.

Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 1.27% lower at R25.04/kg during the week. Whole fresh medium bird prices were 0.45% lower at R25.80/kg while IQF prices were 0.07 at R23.60/kg.

Bullish factors

- Positive demand in the market currently supports prices.
- Better demand for local product on the back of reduced supplies due to bird flu in the EU is adding support to prices.

Bearish factors

- 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, the Brazilian meat scandal will impact on international trade. Locally, poultry prices are expected to be supported by improved demand associated with Easter holidays and less supplies in the market.

Livestock Prices (R/kg) week ending 24 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	0.15	43.95	43.89	-0.18	63.00	63.11	0.6	27.09	26.94	-0.45	25.80	25.92
ClassC/ Baconer / Frozen birds	0.24	37.16	37.07	-0.48	46.22	46.44	0.2	27.02	26.98	-1.27	25.04	25.36
Contract / Baconer/ IQF	0.12	45.70	45.64	1.44	65.00	64.08	0.4	26.06	26.96	0.07	23.60	23.59
Import parity price	-2.10	64.91	66.30	-2.01	36.32	37.07	-4.7	32.5	34.1	-4.3	18.3	19.1
Weaner Calves/ Feeder Lambs/	4.1	29.16	28.01	5.1	31.71	30.18		-	-			
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	0	46.00	46.00	-1.9	53.00	54.00	0	43.50	43.50	0	25.60	25.60

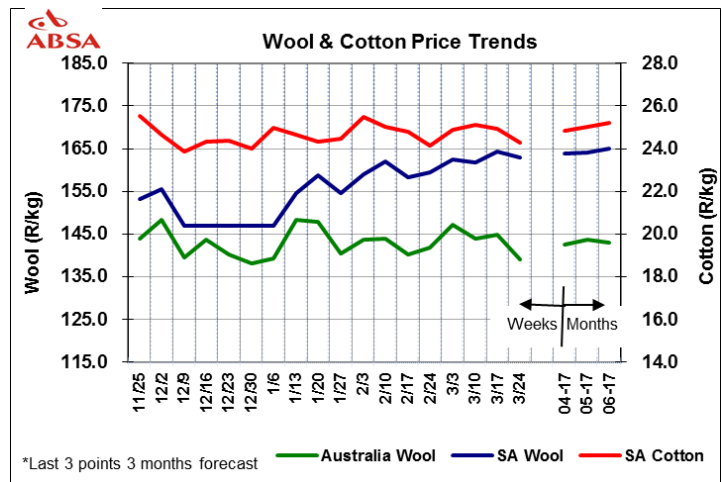
Wool market trends

International

The Australian wool market prices were sideways and closed sideways at Au1546c/kg at the recent auction.

Bullish factors

- Strong Chinese demand is supporting wool prices. Demand is focused on better quality wool.
- Decreasing supplies of wool from Oceania due to less favourable weather conditions over the past months is seeing as supporting prices.
- The position of wool as a premium fibre, when compared to other fibres, should allow the price to be set by consumer demand and not impacted by the low price of synthetic and bulk production competitive fibres.



Bullish factors

- The large volume of around 50,000 bales was on offer at the previous auction.
- Steady supplies are expected to be on offer at the next auction.

Domestic

Domestic wool market prices were 0.80% lower at the most recent sale of the season to close at R163.00 (Clean).

Bullish factors

- Smaller volumes on offer supported prices. 35% fewer bales were on offer weeks on week.
- Good competition for good quality wool is supportive to prices.
- The firm demand for particularly fine wool continues and good prices were attained at the recent auction.

Bearish factors

- The Rand was 3,2% stronger against the US Dollar compared with the average rate at the previous sale

Outlook

Internationally, the plentiful supplies at the next auction are expected to be met by good demand. Locally, prices are expected to be supported by a reduction in supplies.

Cotton market trends

International

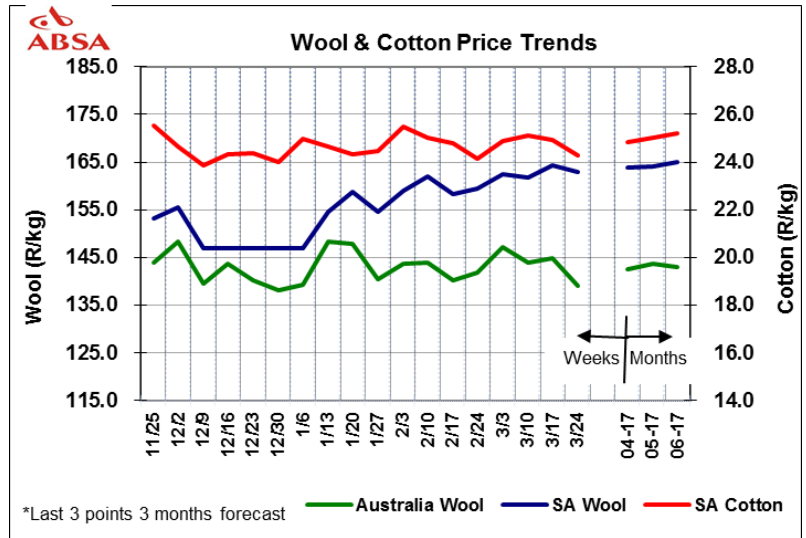
Cotton prices traded 0.12% lower over the past week and closed at US74.41c/lb.

Bullish factors

- Prices have found good support in the strong US exports of late.

Bearish factors

- Cotton faces tougher competition from artificial fibres, whose values have been undermined by the drop in oil prices.
- The market will keep an eye on the March 31 planting report, with a 14% increase in US acreage expected for 2017. Higher prices make cotton plantings more profitable, attracting additional farmers and driving up global production



Domestic

SA cotton prices traded 2.70% lower to close at R24.27/kg. The decreases in prices were in line with decreases in international prices and the strength 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 which may weigh down on prices. Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres Market Trends
Week ending 24 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	-0.80	16300	-2.28	14980		-		-
19μ micron	-1.00	19027	-2.13	18891	4.00	18.20	0.29	17.00
21μ micron	-2.85	14587	-3.62	14343	0.35	14.15	0.00	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	-2.70	24.27	-0.63	1.91	-1.2	1.703	-1.2	1.730

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