



Agri Trends

10 May 2017

Economic expectations for 2017

It is expected that economic growth will average at 1.1% for 2017 compared to 0.7% in 2016. Due to low economic growth and possible further downgrades, it is expected that the rand may weaken to R14.50 by the end of June, R15 by the end of 2017 and R16.30 by the end of 2018. Policy uncertainty is expected to increase through the remainder of 2017, adding to the probability of a further credit downgrade. According to the Reserve Bank, interest rates may not decline as previously expected. The weakening rand may favour commodity export prices but will lead to increased prices for consumer goods and fuel. Except for staple foods such as white maize, prices for protein foods may remain high in 2017.

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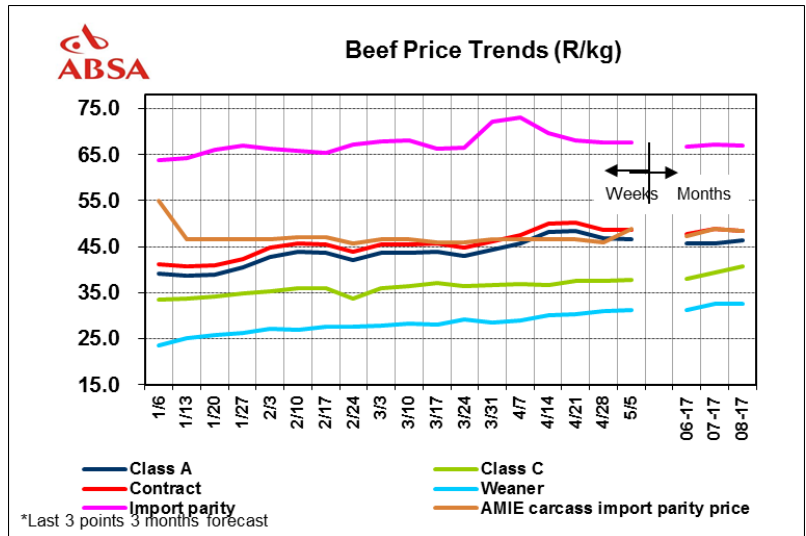
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Beef market trends

International

New Zealand steers traded sideways over the past week at 5.63NZ\$/kg and cows traded 1.18% lower at 4.18NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 5.32% higher at \$226,31/cwt. Rump was 2.90% higher at \$362.75/cwt and strip loin was 7.60% higher at \$794.75/cwt. Chuck traded 4.74% higher at \$239,44/cwt. Brisket traded 7.10% higher at \$221,45/cwt. The carcass equivalent price was 6.38% higher at \$347.81/cwt.



Bullish factors

- Tight supplies from both Australia and New Zealand will continue to underpin the beef market.
- US domestic slaughter is higher year on year, however, solid export performance and lighter carcass weights may mean that the supply of beef in the market will not be much higher than this time last year. Exports of fresh, frozen or cooked beef and veal in March were 77 743 tons, an increase of 24% year on year. This was the largest monthly beef export volume since June 2014.
- Good demand for beef as the market heads into peak grilling season is expected to support beef prices moving forward.
- US consumer confidence is high, with disposable income levels on the increase. This is expected to boost demand prospects.

Bearish factors

- US domestic slaughter is higher year on year, and higher than the same time a year ago.
- US beef production is expected to continue to increase and prices are adjusting downwards on the back of higher supplies.

Domestic

Beef prices were mixed over the past week, with Class A showing some losses and Class C showing some modest gains. The forecasted Absa beef prices are as follows: Class A prices are 0.44% lower at R46.69/kg. Class C prices are 0.20% higher at R37.75/kg. The average weaner calf prices over the past week were 0.7% higher at R31.27/kg. The average hide price over the past week was 0.24% lower at R14.75/kg from the previous week's price of R14.79/kg

green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- 6.4% fewer cattle was slaughtered during March 2017 compared to March 2016. As more cattle were slaughtered during the past drought, there is supply tightness in the market. This season's good rainfall has improved growing conditions and subsequently triggered herd building. This ultimately adds to the reduction in cattle supplies.
- Average national Class A beef prices declined by 3% week on week. This may be due to the tapering off of demand after the Easter break.
- Average weaner calf prices continued to see good gains. Average weaner calf prices have increased to R31.27/kg this week 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

- 17.9% more cattle was slaughtered during March 2017, compared to February 2017.
- Demand may start to ease after the Easter period.
- Beef prices remain high compared to pork and poultry prices. This may lead to higher demand for cheaper poultry and pork products.

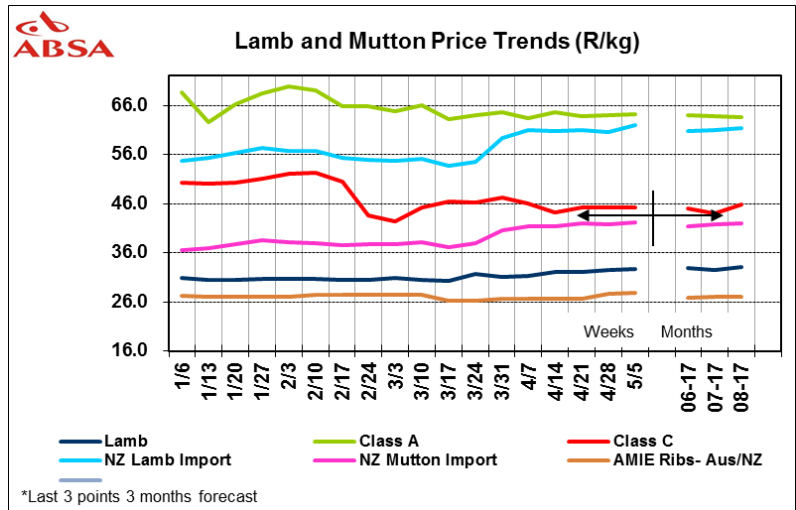
Outlook

Internationally, the reduction in availability of Australian and New Zealand beef and higher exports from the US are supportive to prices. Domestically, high producer prices for both the domestic and export markets and the deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh down on prices.

Sheep meat market trends

International

New Zealand lamb prices were mostly higher this week compared to last week. Lamb prices closed 1.24% higher this week at NZ\$90.0/head for 15kg lamb. Lamb prices were 1.29% higher at NZ\$126.0/head for 21kg lamb. Ewe prices traded sideways at NZ\$77.7/head for a 21kg ewe. The import parity price for lamb was 2.33% higher at R62.08/kg, while the import parity price for mutton was 1.16% higher at R42.21/kg.



Bullish factors

- Global demand for sheep meat remains firm due to tighter supplies from the two largest exporters, Australia and New Zealand. This has led to improved domestic and export prices.
- Limited global supplies are helping demand for sheep meat.
- Beef and Lamb New Zealand released their mid-season update last week. They have increased New Zealand's export lamb slaughter for the 2016/17 season to be the second lowest on record at 19.2 million head. Compared to last season, this is down by just under 700 000 head.

Bearish factors

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

Domestic

Lamb and mutton prices recorded some good gains over the past week. Lamb and mutton prices are expected as follows: The average Class A lamb prices were 0.18% higher at R64.22/kg and the average Class C 0.12% higher, reaching R45.26/kg. The average price for feeder lambs traded 0.7% higher at R32.62/kg. The average price for dorper skin was 6.53% lower at R40.50/skin and merinos were 4.62% lower at R88.41/skin.

Bullish factors

- 11.49% less sheep were slaughtered in March 2017 compared to March 2016. This may be due to more animals having been slaughtered during the 2015/16 drought.
- Lamb, mutton and beef prices remain supported. Good grazing conditions this season are encouraging to the herd rebuilding phase.
- High meat prices and low feed costs are supporting the profitability of the sheep industry.

Bearish factors

- 12.38% more sheep were slaughtered during March 2017 compared to February 2017.
- Prices may taper off as demand normalises after increased spending associated with the Easter holidays.
- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton remain the most expensive meat in the market.

Outlook

Internationally, limited global supplies and good demand are supporting prices for sheep. Locally, prices may taper off as demand normalises after increased spending associated with the Easter holidays.

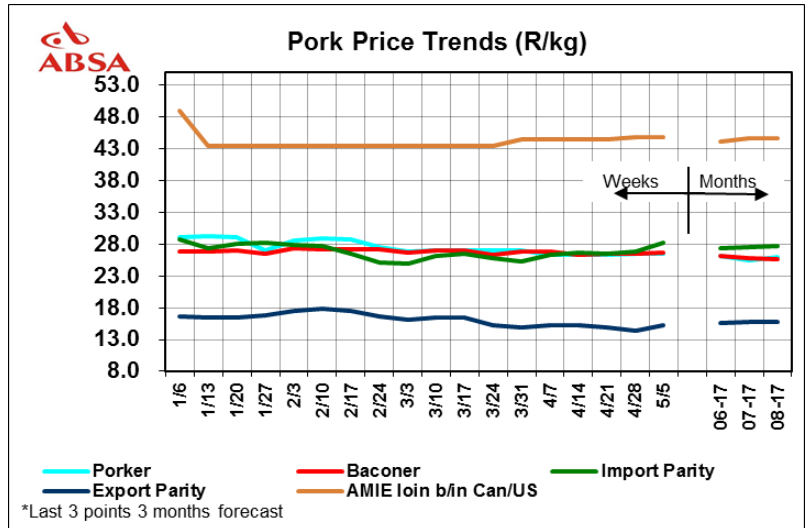
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 2.4% higher at US\$75.93/cwt, loin prices were 1.8% higher at US\$76.94/cwt, rib prices were 2.9% higher at US\$119,07/cwt and ham was 3.3% higher at US\$62.08/cwt.

Bullish factors

- In the US, total shipments of fresh, frozen and cooked pork for March were 176 574 tons, which is 22 671 tons higher than a year ago. This was another all-time record monthly volume, exceeding the record amount that was shipped in November 2016.
- The recovery in global pork production is expected to drive exports, and therefore support pork prices.



Bearish factors

- The US has entered 2017 with record large pork production and an increase in beef slaughter.
- Lower grain prices support the fattening of hogs.
- Global pork production is expected to increase by 1% in 2017. The majority of the expected production increase is driven by the US and Russia, more than offsetting a forecast decline in Chinese output.

Domestic

Pork prices have improved week on week. Absa price forecasts are as follows: Porker prices are 0,5% higher at R26.54/kg, while baconer prices are 0.4% higher at R26.66/kg.

Bullish factors

- Underlying support from higher livestock prices.

Bearish factors

- 0.04% more pigs were slaughtered during March 2017 compared to February 2017.

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

Outlook

Internationally, increases in global pork production may weigh down on prices, but the recovery in global pork production could drive exports.

Locally, pork prices may move sideways. Lower feed costs may support the intensive pork industry, improving profitability.

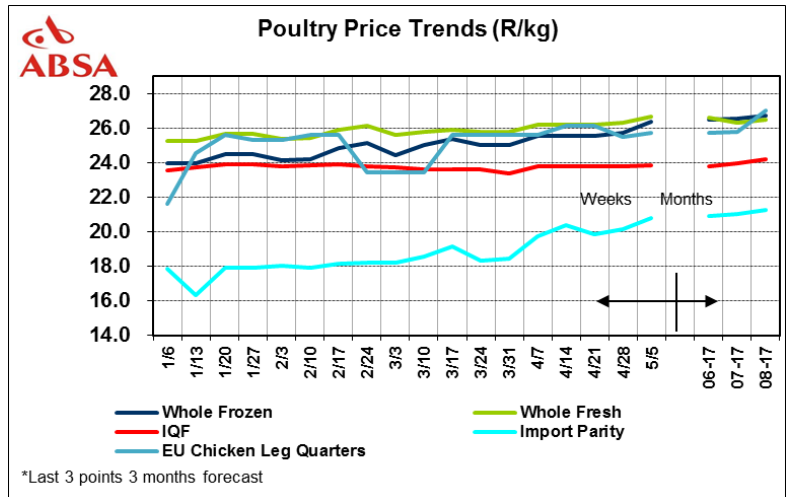
Poultry market trends

International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 1.91% higher at 99.12USc/lb. Breast traded 5.86% higher at 144,50Sc/lb, while leg quarters traded 2.44% higher at 42,00USc/lb.

Bullish factors

- US red meat and poultry exports were strong in March, with both export volume and revenue high.
- Exports of fresh/frozen broiler meat in March were 269 744 tons, which is 11% higher than a year ago.



Bearish factors

- China continues to see a steady pace of new H7N9 avian flu infections late into the season, with 24 cases reported over the past week, including at least one from a province that had never reported one before.
- Broiler production in the US increased by 2% in the first quarter of 2017.

Domestic

The average poultry prices over the past week were higher. The average prices for frozen birds were 2.55% higher at R26.38/kg during the week. Whole fresh medium bird prices were 1.40% higher at R26.68/kg, while IQF prices were 0.25% higher at R23.84kg.

Bullish factors

- Better demand for local products on the back of reduced supplies due to bird flu in the EU is supporting prices.
- Higher lamb, mutton and beef prices may support the poultry market.
- Reports indicate that the South African Poultry Association has shown that egg prices could increase due to a shortage caused by many small farmers going bankrupt. This is as small farmers (defined as those with between 5 000 and 40 000 hens) were squeezed out of business by the drought which pushed feed prices higher.

Bearish factors

- Prices may taper off slightly after heavy uptake during the Easter period.
- The return of exports from the EU to the local market following bird flu may put pressure on prices.

Outlook

Internationally, avian influenza continues to remain a problem, bringing uncertainties by disrupting trade. Strong US exports may limit declines in prices.

Locally, poultry prices may remain stable in the short term. The industry as a whole will benefit from cheaper feed costs in 2017.

Livestock prices (R/kg) week ended 5 May 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	-0.44	46.69	46.89	0.18	64.22	64.10	0.5	26.54	26.42	1.40	26.68	26.32
Class C/Baconer/Frozen birds	0.20	37.75	37.67	0.12	45.26	45.21	0.4	26.66	26.56	2.55	26.38	25.72
Contract/Baconer/IQF	-0.18	48.64	48.73	0.15	64.60	64.51	0.4	26.60	26.49	0.25	23.84	23.78
Import parity price	0.01	67.66	67.65	1.16	42.21	41.72	4.4	33.4	32.0	3.11	20.8	20.2
Weaner calves/ Feeder lambs/	0.7	31.27	31.05	0.7	32.62	32.40		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg1/4	6.50	48.99	46.00	-1.7	56.60	57.60	0	44.90	44.90	0.78	25.70	25.50

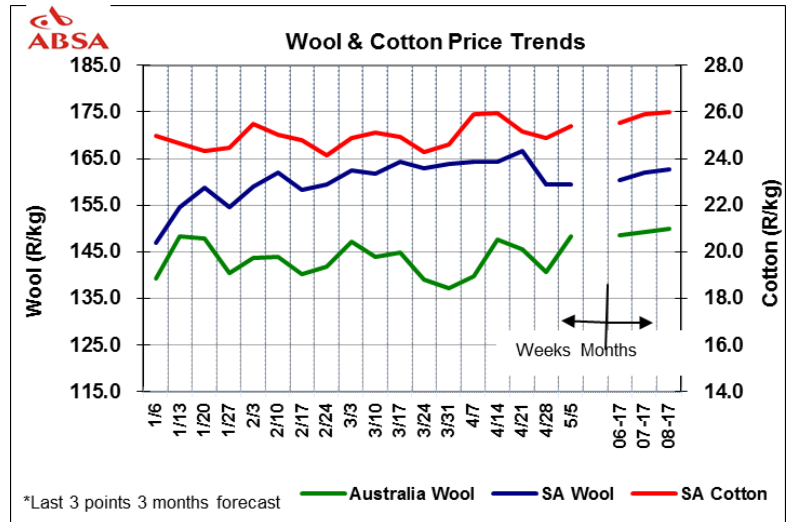
Wool market trends

International

Australian wool market prices were lower and closed 2.86% higher at Au1544c/kg at the latest auction.

Bullish factors

- Reduced offerings at the latest auction amid strong demand may have added support to prices.
- Strong purchasing interest from both India and China were reported.
- Talks around the market indicate that manufacturers are still struggling to satisfy their demand needs, particularly those using Merino types in their production.
- The South African wool market is close to the end of the wool-selling season. Some of the traditional demand for that market may swing to Australia to fill any shortfalls in raw material required.



Bullish factors

- Australian wool prices are at record levels, and as a result, may experience a correction.

Domestic

The last sale was on 25 and 26 April 2017, and the next sale is scheduled for 10 May 2017. Domestic wool market prices were 4.37% lower at the most recent sale of the season to close at R159.44 (clean).

Bullish factors

- The demand for good quality long-fleece wool remains strong. Despite the larger auction, only 7% was left unsold.

Bearish factors

- Higher volumes were offered at the last auction.
- Fine, medium and strong wool all traded easier.

Outlook

Moving forward, strong demand may continue to provide support for the domestic and international wool markets.

Cotton market trends

International

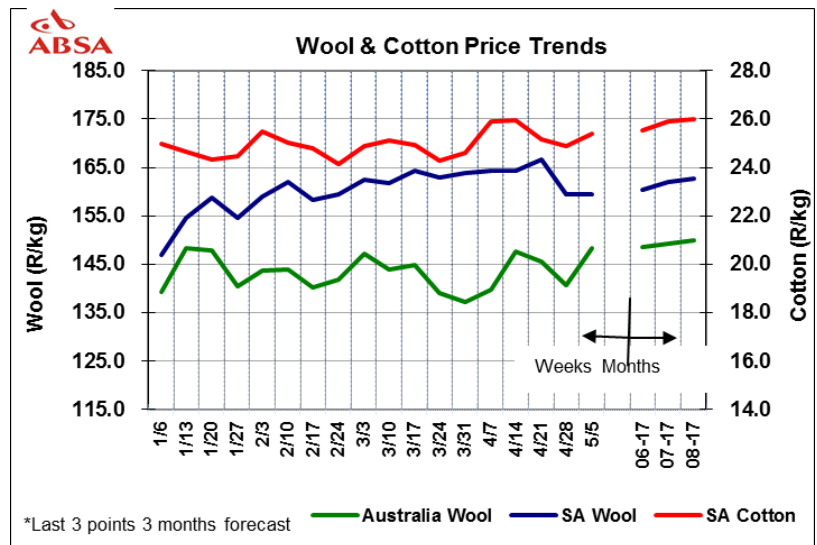
Cotton prices traded 0.54% lower over the past week and closed at US75.69c/lb.

Bullish factors

- Speculations of huge Chinese imports ahead. This is as higher quality supplies from the government's stock sales programme in China are said to be running low, and the country's output falling far behind demand.
- High cotton prices have prevailed in 2016/17.

Bearish factors

- Slowing demand over the past weeks seems to have toughened buying enthusiasm.
- Farmers in the US are forecast to expand the harvested cotton area by 12% to 4.3m hectares.
- Higher cotton prices are bringing more acreage back into cotton production. The International Cotton Advisory Committee (ICAC) is projecting a 5% expansion in the global growing area for cotton during the 2017/18 season, which is an increase of 30.8 million hectares.
- Drier weather in the south of the US is expected to allow some pick-up in US sowings later this week.



Domestic

SA cotton prices traded 1.95% higher to close at R25.38/kg. The increases in prices were in spite of decreases in international prices, but supported by the strength of the South African rand. The third estimate for the 2016/17 cotton production year indicates a total crop of 74 173 lint bales, which is an increase of 47% from the previous season.

Outlook

Internationally, ideas of higher world cotton production may weigh down on prices. Locally, the exchange rate movement may continue to affect the domestic market prices.

Fibres market trends

Week ended 5 May 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		15944	3.99	15398		-		-
19µ micron		19223	4.35	19624	2.16	18.90	5.51	18.20
21µ micron		14347	5.19	15289	2.07	14.80	5.15	14.30
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	1.95	25.38	-0.46	1.89	1.9	1.782	1.2	1.740

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