



Agri Trends

09 June 2017

Mohair production in 2017 may decline by between 5-10%, due to aftermath of the drought

South Africa is the world largest producer of mohair, and accounted for 53% of the total global production in 2016. Total production traded sideways in 2016 compared to 2015. The South African rand has strengthened recently, which proves to be a challenge for prices as this industry is mainly export driven. South Africa is technically in a recession phase and we need a reduction in interest rates to foster growth. However we expect that the Reserve Bank will hold interest rates unchanged in order to protect the Rand. The increased political uncertainty and possible credit downgrades is a risk for the value of the Rand. Should the rand weaken further, it will benefit the export income of the mohair industry.

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Beef market trends

International

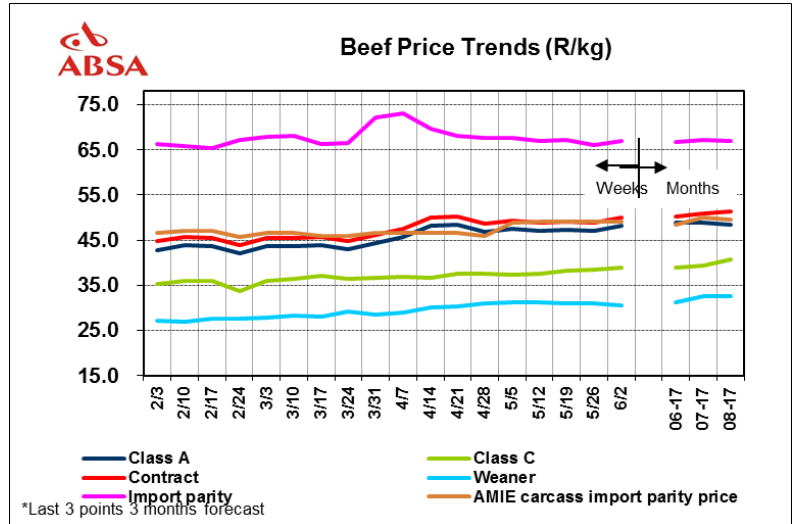
New Zealand steers traded higher over the past week at 5.65NZ\$/kg and cows traded sideways at 4.21NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 3.12% higher at \$235.31/cwt. Rump was 1.18% lower at \$361.53/cwt and strip loin was 2.16% lower at \$780.95/cwt. Chuck traded 0.85% higher at \$222.41/cwt. Brisket traded 5.32% higher at \$246.91/cwt. The carcass equivalent price was 0.36% higher at \$347.67/cwt.

Bullish factors

- Growing beef production starting in 2016 along with lower beef prices helped the US to see expanded beef exports in 2016. There is additional export growth projected for the US in 2017. The US are in a good position to increase global market share in major export markets given the disruptions and uncertainty among other major beef exporters. The long anticipated opening of China to US beef will provide an opportunity for US beef exports to grow significantly over time. Trade policy uncertainty continues to hang over the US cattle and beef industry even as market conditions support expanded beef exports.
- New Zealand is experiencing reduced production and herd rebuilding which is expected to restrict total beef exports in 2017. However, New Zealand is working to expand market share in China with a new agreement that allows for chilled beef exports in addition to frozen beef exports to China.

Bearish factors

- Expectations for softer prices post Memorial Day may be bearish to the beef market. Beef prices typically decline in June following increased buying from retailers for outdoor grilling during the US Memorial Day holiday weekend at the end of last month.
- Australia has dropped to third place among beef exporting countries with a projected 2017 export total of 1.4 million tons. Australia is beginning to recover from a serious drought that forced cattle herd liquidation and temporarily raised beef production and exports in 2014 and 2015. This resulted in a reduction in herd, which led to reduced beef production and exports in 2016 and continues to restrict beef volumes in 2017. Herd rebuilding is beginning in 2017 but will take some time. As a result, Australia is seeing reduced beef exports to all its major markets including Japan, the US, South Korea and China.



Domestic

Beef prices were strong over the past week, with prices showing some good gains across the different classes. The latest beef prices are as follows: Class A prices are 2.54% higher at R48.29/kg. Class C prices are 1.13% higher at R39.00/kg. The average weaner calf prices over the past week were 1.50% lower at R30.63/kg. The average hide price over the past week was 0.27% lower at R14.58/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

- Average beef prices remained strong across the different categories over the past week.
- 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

- 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.

Outlook

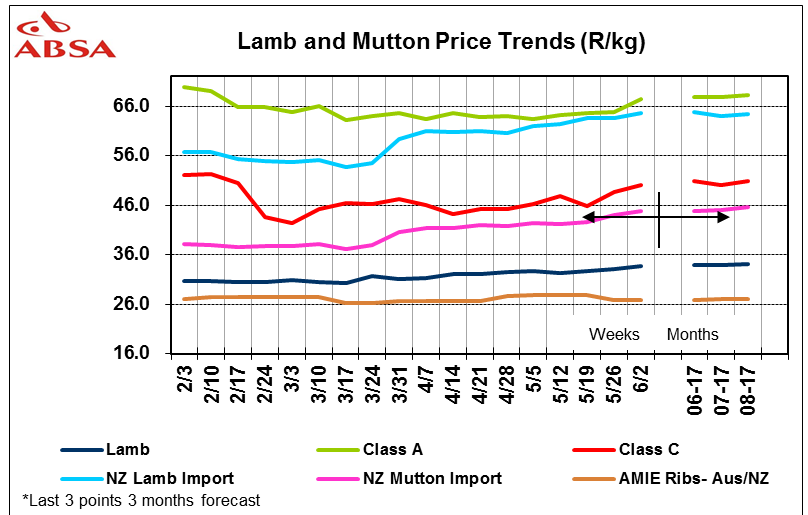
Internationally, strong consumer demand and good exports may support prices.

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Sheep meat market trends

International

New Zealand lamb prices traded mostly higher this week compared to last week. Lamb prices closed 1.16% higher at NZ\$96.0/head for 15kg lamb. Lamb prices were 1.20% higher at NZ\$134.4/head for 21kg lamb. Ewe prices traded 1.31% higher at NZ\$85.1/head for a 21kg ewe. The import parity price for lamb was 1.61% higher at R64.72/kg, while the import parity price for mutton was 1.63% higher at R44.76/kg.



Bullish factors

- Global lamb markets continue with the positive trend. Lamb prices have increased in New Zealand this week as demand in the UK, Europe, and North America remains strong, and stocks are low in China and the Middle East.
- Demand from the EU continues to be very solid, with the market going into its peak summer grilling period.

Bearish factors

- Growing signs that global lamb prices may have reached their limit. While prices in lamb markets continue to be firm, there are growing signs that there will be resistance to further increases for some items. The market appears to have reached its maximum levels, but that does not mean that prices are headed for a sharp fall.
- A further tightening of supply may be enough to keep global prices at current levels.

Domestic

Lamb and mutton prices were mostly higher over the past week. Lamb and mutton prices were as follows: The average Class A lamb prices increased by 3.96% to R67.47/kg and the average Class C prices increased by 2.96% to R49.99/kg. The average price for feeder lambs traded 2.0% higher at R33.70/kg. The average price for dorper skin is 2.92% lower at R41.82/skin and merinos were 0.29% lower at R96.35/skin.

Bullish factors

- 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, global lamb markets continue with the positive trend due to good demand. Locally, prices were supported by month end buying.

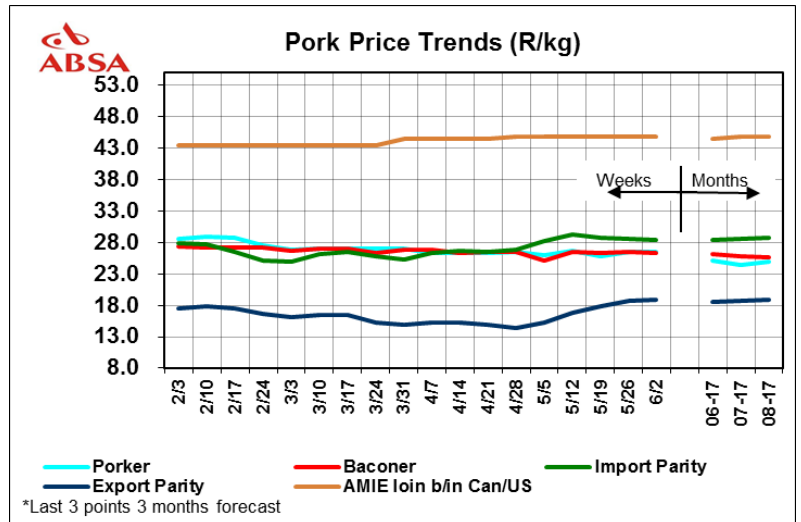
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 1.1% higher at US\$90.06/cwt, loin prices were 1.3% higher at US\$88.82/cwt, rib prices were 0.9% higher at US\$143.05/cwt and ham was 1.2% lower at US\$65.03/cwt.

Bullish factors

- US exports to most other markets registered strong increases. Mexico is now by far the top market for US pork and a stronger peso has further strengthened prospects for US shipments to that market.



Bearish factors

- China's domestic pork production rebounds.
- China's domestic hog prices continue to fall
- Bumper grain crops have reduced costs to feed animals, encouraging production.
- US pork prices have stayed relatively low due to plentiful supplies.

Domestic

Pork prices were mostly lower across the different classes. The latest pork prices are as follows: The average porker prices are 0,1% higher at R26.42/kg, while the average baconer prices are 0.8% lower at R26.30/kg. The average cutters prices were 3.2% lower of R26.90/kg whilst the average heavy baconer were 1.0% lower at R25.54. The SAU price is R18.59/kg and the SAB price is R20.22/kg.

Bullish factors

- 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, the unofficial kick-off to summer and the grilling season may support pork prices even during the time of plentiful supplies.

Locally, pork prices may improve gaining underlying support from the higher beef and mutton prices.

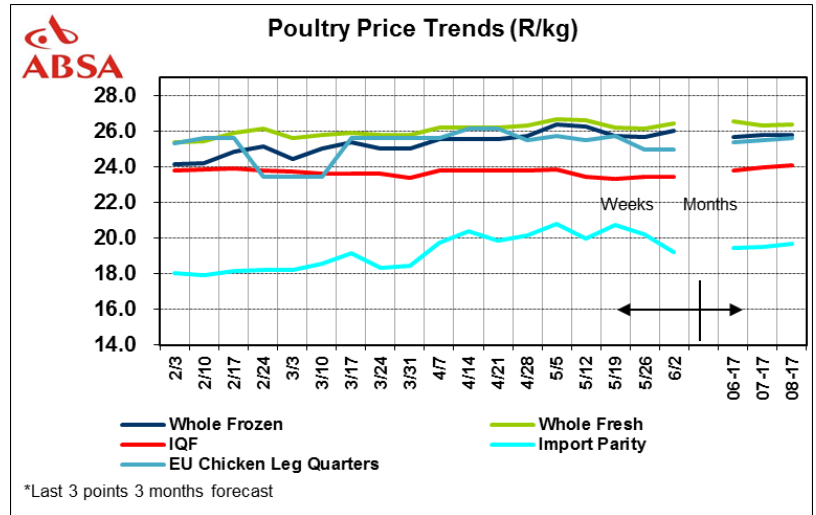
Poultry market trends

International

Poultry prices in the US were mixed over the past week. Whole bird prices were 1.56% higher at 115.62USc/lb. Breast traded 0.29% higher at 172.50USc/lb, while leg quarters traded 8.43% lower at 38.43USc/lb.

Bullish factors

- Demand for US red meat and poultry products in global markets remains strong, helping sustain industry expansion
- Positive economic growth and good consumer demand are supportive to poultry prices



Bearish factors

- Lower feed costs are beneficial to increased poultry production.

Domestic

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 1.43% higher at R26.02/kg during the week. Whole fresh medium bird prices were 1.05% higher at R26.41/kg, while IQF prices were 0.02% lower at R23.41kg.

Bullish factors

- Poultry prices have remained strong in the market currently.
- The government is seeking to establish new export markets for the local poultry industry in order to drive competitiveness.
- 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.

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.

Note* Zimbabwe reported an outbreak of highly pathogenic H5N8 bird flu at a commercial poultry farm. The outbreak was first announced last week at a large poultry farm 80km south of Harare. At this stage there is no evidence that emergency procedures are in place to contain the outbreak.

Outlook

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

Locally, poultry prices may remain stable in the short term. The profit margins for the broiler industry are expected to recover. The declining new season maize prices lower feed costs as feed for broilers contain about 70% maize. On the other hand, the price for broilers has improved. As a result of the bird flu outbreaks which broke in the EU towards the end of 2016, imports from this area were halted, a move which provides support for the local industry. The local producers are enjoying some price support as a result of the banning of low cost imports.

Livestock prices (R/kg) week ended 02 June 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	2.54	48.29	47.09	3.96	67.47	64.90	0.1	26.42	26.41	1.05	26.41	26.14
Class C/Baconer /Frozen birds	1.13	39.00	38.56	2.96	49.99	48.56	-0.8	26.30	26.51	1.43	26.02	25.65
Contract/Baconer/IQF	2.44	50.10	48.91	4.04	68.17	65.52	-0.4	26.36	26.46	-0.02	23.41	23.41
Import parity price	1.27	67.02	66.18	1.63	44.76	44.04	0.8	37.1	36.8	-5.02	19.2	20.2
Weaner calves/ Feeder lambs	-1.5	30.63	31.10	2.0	33.70	33.05		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	0	49.00	49.00	0	54.75	54.75	0	44.90	44.90	0	24.95	24.95

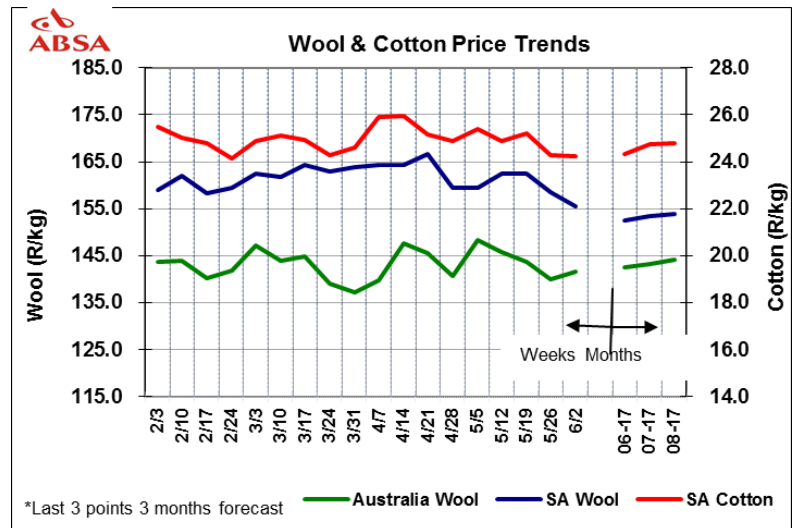
Wool market trends

International

Australian wool market prices were lower and closed 1.54% lower at Au1472c/kg.

Bullish factors

- The Australian Eastern Market Indicator (EMI) wool price is currently driven by stronger processor demand for fine wool set against limited supplies.
- There has been a good demand for quality Merino wools from China where consumers are becoming wealthier and looking less at price and more at the quality of the clothing they are buying.



Bearish factors

- World wool production is expected to increase this season due to expected increases in the Australian clip and increases in the South African production of wool.
- Australian wool prices are at record levels, and as a result, may experience a correction.
- Negative sentiment prevailed in the Australian wool market this week

Domestic

Domestic wool market prices were 1.88% to close at R155.59 (clean).

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

- Production is expected to recover as producers are currently rebuilding herds. The drought of 2015/16 was followed by favorable rainfall during the 2016/17 production year, which led to the much anticipated recovery in pastures.

Outlook

Internationally, wool volumes are declining which may support wool prices.

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.

Cotton market trends

International

Cotton prices traded 0.88% lower over the past week and closed at US74.56c/lb.

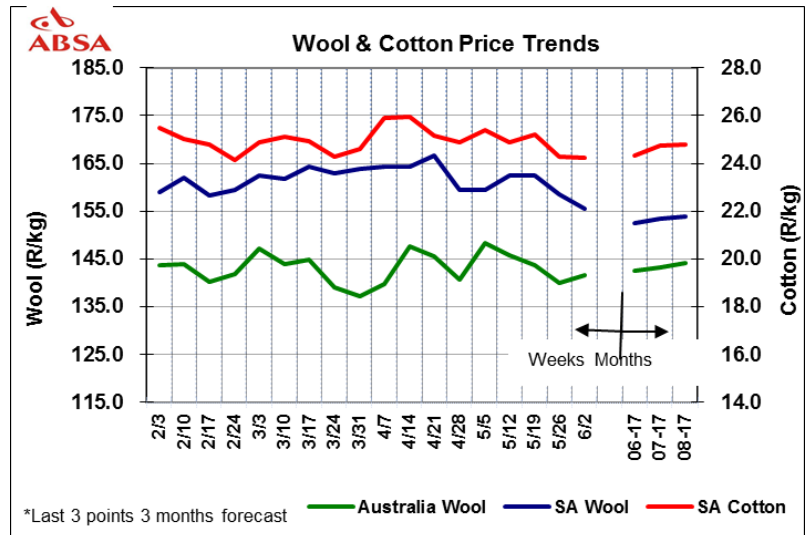
Bullish factors

- Consumption growth in the spinning sectors of Vietnam, Bangladesh and Indonesia is expected to drive global demand growth. The International Cotton Advisory Committee is forecasting a drop of nearly 1 million tons in global stocks despite.

Bearish factors

- Prices have been weighed by ideas of strong US production ahead, which gained credence when the US on Monday said that 61% of the domestic crop was in good or excellent condition, up from 47% a year before.
- sapped by rising world production
- Area in India is expected to increase 8% year on year in 2017/18.

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Domestic

The derived SA cotton prices traded 0.23% lower to close at R24.23/kg. The decreases in prices were in line with decreases in international prices, and also supported by the strength in 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 02 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	-1.88	15559	-0.88	14384		-		-
19µ micron	-5.86	17916	-2.85	17782	-3.23	18.00	1.74%	17.50
21µ micron	0.60	14878	0.51	14391	-0.34	14.50	0.36%	13.95
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	-0.23	24.23	-0.14	1.86	0.6	1.711	1.6	1.67

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