



Agri Trends

23 June 2017

Avian flu outbreak reported in South Africa

According to a press release by the Astral Foods Limited (Astral), the first outbreak Avian Influenza (AI) was reported. A strain of AI known as H5N8 has been reported on a farm in the Villiers district in the Free State.

The South African Poultry Association (SAPA) had previously indicated that the Department of Agriculture, Forestry and Fisheries (DAFF), academics, private veterinarians and the industry are determined to work on various methods which will increase the likelihood of early detection. SAPA has also indicated that it will also remind farmers about biosecurity requirements.

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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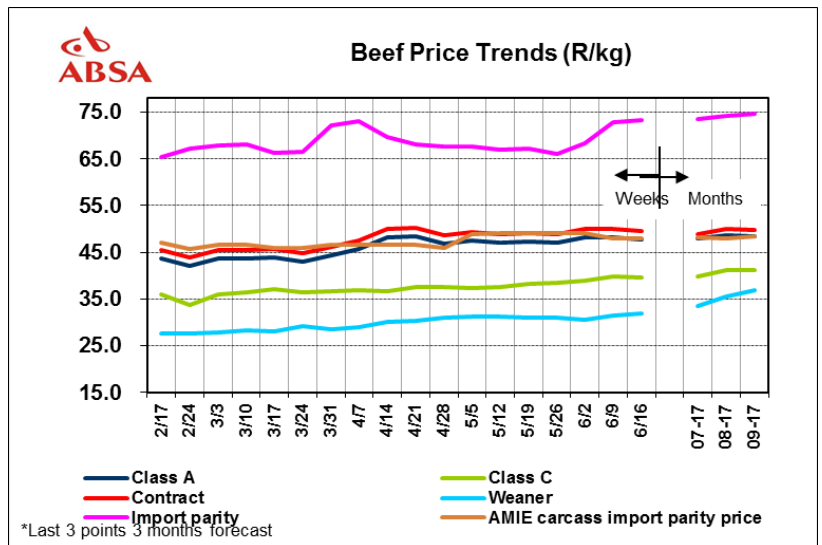
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Beef market trends

International

New Zealand steers traded 0.18% higher over the past week at 5.71NZ\$/kg and cows traded 1.12% higher at 4.53NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 4.15% higher at \$262.31/cwt. Rump was 1.66% higher at \$369.56/cwt and strip loin was 0.05% lower at \$816.55/cwt. Chuck traded 1.76% higher at \$236.92/cwt. Brisket traded 5.59% higher at \$314.89/cwt. The carcass equivalent price was 2.02% higher at \$382.36/cwt.



Bullish factors

- Higher exports to Asia and moderate expansion in domestic demand is expected to support Brazilian prices.
- Beef production is expected to decline most in Australia and South Africa as herds are rebuilt after drought-induced liquidation of stocks, supporting prices.
- Beef and veal production is expected to decline moderately in New Zealand as producers retain cows and heifers for herd rebuilding.

Bearish factors

- 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 lost some ground over the past week. Class A prices are 0.62% lower at R47.86/kg. Class C prices are 0.48% lower at R39.66/kg. The average weaner calf prices over the past week were 1.5% higher at R31.98/kg. The average hide price over the past week was 0.60% lower at R14.40/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, 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.

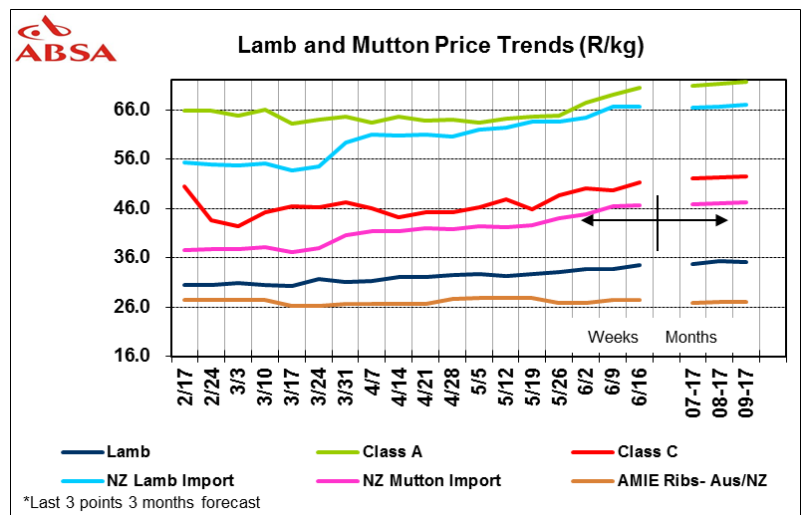
Sheep meat market trends

International

New Zealand lamb prices traded mostly higher this week compared to last week. Lamb prices closed 0.72% higher at NZ\$97.5/head for 15kg lamb. Lamb prices were 0.74% higher at NZ\$136.5/head for 21kg lamb. Ewe prices traded 1.27% higher at NZ\$87.7/head for a 21kg ewe. The import parity price for lamb was 0.14% higher at R66.70/kg, while the import parity price for mutton was 0.56% higher at R46.61/kg.

Bullish factors

- Tight global supplies may support prices.
- Firm global demand is expected to also continue to support prices.



Bearish factors

- Growing signs that global lamb prices may have reached their limit may weigh down on prices. 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.

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 2.05% to R70.57/kg and the average Class C prices increased by 3.26% to R51.35/kg. The average price for feeder lambs traded 2.5% higher at R34.52/kg. The average price for dorper skin is 3.76% lower at R40.42/skin and merinos were 5.31% lower at R101.25/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.

Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 3.9% higher at US\$94.14/cwt, loin prices were 1.4% higher at US\$91.90/cwt, rib prices were 3.1% higher at US\$144.97/cwt and ham was 7.3% higher at US\$68.26/cwt.

Bullish factors

- Export demand is supporting the EU market.
- Strong imports markets in Asia may support prices.
- In China, the shift away from backyard pig farmers to larger operations is resulting in fewer hog farms to a more modern pork production system.

Reuters reports that Chinese hog farmers are on a building spree. The reports from local media that shipments of live hogs from the United States arriving in the country's hog region, diversifying the genetic portfolio of China's swine herd, is another clear sign of expansion.

Bearish factors

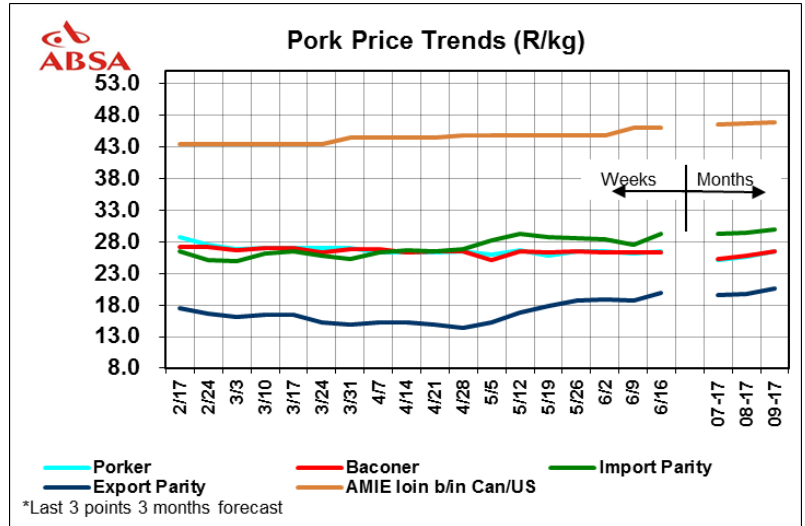
- Consumer demand for pig meat in key EU markets continues to struggle in 2017, which may weigh down on prices.
- A big hog supplies in the US may pressure prices.

Domestic

Pork prices were mostly higher over the past week. The latest pork prices are as follows: The average porker prices are 1,6% higher at R26.48/kg, while the average baconer prices are 0.1% higher at R26.32/kg. The average cutters prices were 0.3% higher of R26.96/kg whilst the average heavy baconer price was 0.5% lower at R25.40. The average SAU price is R19.33/kg and the SAB price is R21.35/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.

Poultry market trends

International

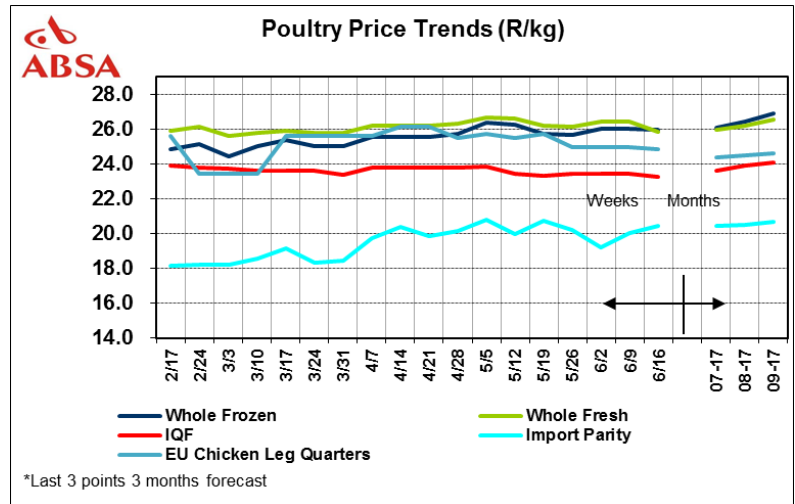
Poultry prices in the US were mostly lower over the past week. Whole bird prices were 4.28% lower at 107.79USc/lb. Breast traded 3.47% lower at 153.00USc/lb, while leg quarters traded 2.41% higher at 42.50USc/lb.

Bullish factors

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

Bearish factors

- The 2016/17 winter season has seen 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.
- Production gains in Brazil, the US, EU, and India is expected to more than offset a decline in China.



Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.26% lower at R25.95/kg during the week. Whole fresh medium bird prices were 2.08% lower at R25.86/kg, while IQF prices were 0.70% lower at R23.24kg.

Bullish factors

- 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.

Outlook

Internationally, positive economic growth and consumer demand are supportive to poultry prices. Locally, poultry prices may remain stable in the short term due to good demand experienced in the market currently.

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	-0.62	47.86	48.16	2.05	70.57	69.15	1.6	26.48	26.08	-2.08	25.86	26.41
Class C/Baconer/Frozen birds	-0.48	39.66	39.85	3.26	51.35	49.73	0.1	26.32	26.30	-0.26	25.95	26.02
Contract/Baconer/IQF	-0.62	49.65	49.96	1.51	70.20	69.16	0.8	26.40	26.19	-0.7	23.24	23.41
Import parity price	0.60	73.29	72.85	0.56	46.61	46.35	4.2	38.3	36.8	2.11	20.4	20.0
Weaner calves/Feeder lambs	1.5	31.98	31.49	2.5	34.52	33.67		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	0	48.00	48.00	0	54.50	54.50	0	46.00	46.00	-0.4	24.85	24.95

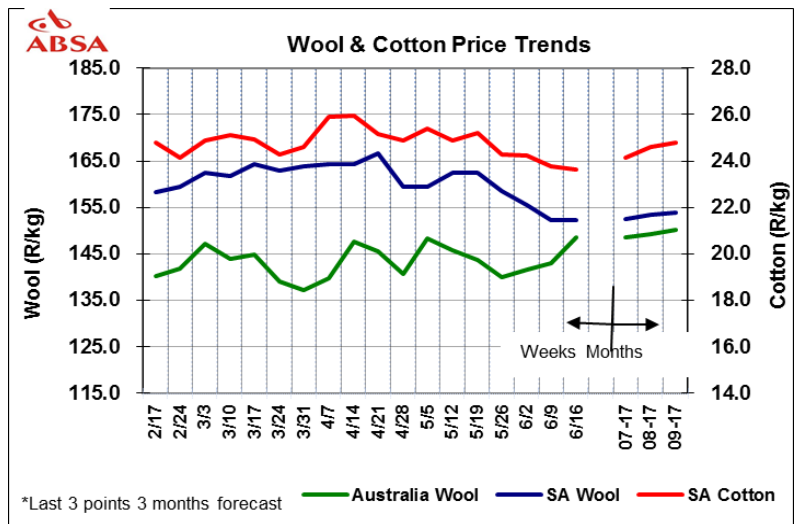
Wool market trends

International

Australian wool market prices were higher and closed 1.89% higher at Au1506c/kg.

Bullish factors

- The Australian wool market experienced another strong week on the back of small volumes available globally.
- Strong buyer sentiment provided 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.
- 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.

Domestic

The last sale of the season was on the 07th 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

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

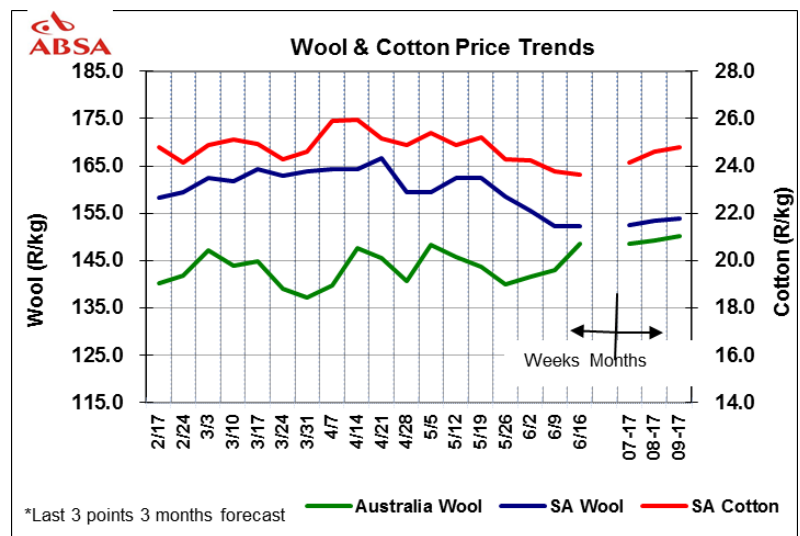
Cotton prices traded 2.94% lower over the past week and closed at US71.38c/lb.

Bullish factors

- Demand for US cotton for export has been decent.
- US old-crop sales of upland cotton more than doubled last week to a two-month high of 167,000 running bales, and those for 2017/18 topping 426,000 running bales.

Bearish factors

- Cotton prices are being weighed by strong prospects for the US harvest this year



Domestic

The derived SA cotton prices traded 0.64% lower to close at R23.63/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, continued optimism over US output this year is also weighing on 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		14714		-		-
19µ micron		17942		18189	2.22	18.40	1.71	17.80
21µ micron		14673		15186	2.07	14.80	1.79	14.20
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	-0.64	23.63	-1.64	1.83	-6.1	1.585	-5.1	1.57

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