



Agri Trends

07 July 2017

The public health risk associated with the Avian influenza (Bird flu) H5N8 disease.

According to the Department of Agriculture, Forestry and Fisheries, though some avian influenzas are zoonotic (a disease which primarily affects animals, but causes disease in humans), this particular strain is reported not to be a zoonosis by both the World Organization for Animal Health and the World Health Organization. Transmission to humans has occurred when there is close contact with infected birds or heavily contaminated environments. Export of chickens has been banned and trading partners have been informed on the current situation. Movement of chickens from quarantine area to non-quarantine area/s has been prohibited.

Veterinarians have reported that it is safe to consume poultry products as well as eggs.

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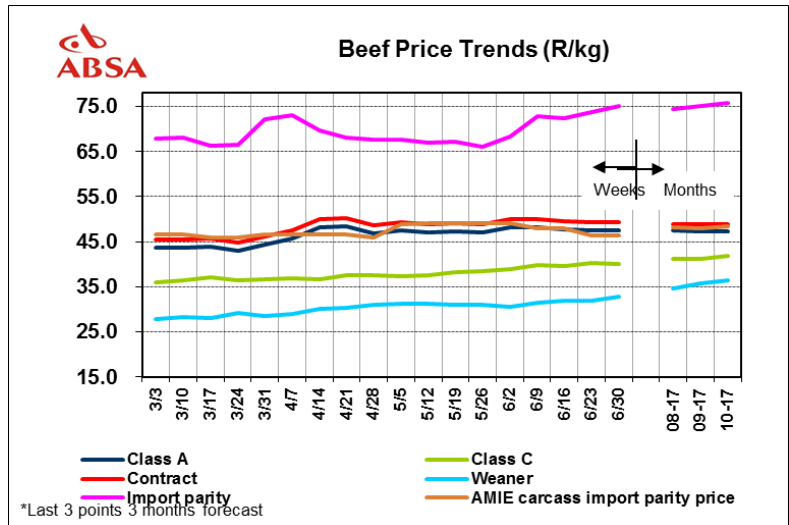
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Beef market trends

International

In the US, beef prices for the week were mostly lower as follows: Topside traded 51.1027% lower at \$24558.7698/cwt. New Zealand steers traded sideways over the past week at 5.70NZ\$/kg and cows traded sideways at 4.50NZ\$/kg compared to a week ago. Rump was 3.01% higher at \$374.59/cwt and strip loin was 6.33% lower at \$680.19/cwt. Chuck traded 0.70% lower at \$229.19/cwt. Brisket traded 14.28% lower at \$264.84/cwt. The carcass equivalent price was 6.52% lower at \$336.41/cwt.



Bullish factors

- The US exports continue to perform strongly. Demand is increasing for US beef exports.
- Beef availability on the spot market in the US continues to be particularly tight and is keeping prices for this market particularly firm. This has been intensified by the complete ban of Brazilian beef imports this week.
- The US was celebrating Independence Day on the 4th of July 2017, which may have boosted demand into that weekend.
- Thanks to a boom in supply, retail-beef prices in the US are low enough to compete with pork and poultry. This may support improved demand for beef.
- Australian national cattle herd is in a rebuilding phase, which limits exportable supplies.

Bearish factors

- Dry conditions in Australia are resulting in larger volumes offered from this country. If the dry conditions extend, some industry analysts expect that the larger volumes will put pressure on prices.
- US beef production is rising for a second straight year, helping to boost meat and poultry output to the highest levels and weighing on meat prices

Domestic

Beef prices retreated slightly over the past week. Class A prices are 0.33% lower at R47.46/kg. Class C prices are 0.40% lower at R40.13/kg. The average weaner calf prices over the past week were 2.9% higher at R32.82/kg. The average hide price over the past week was 0.21% higher at R14.33/kg green. 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, limited red meat export supplies in Australia and New Zealand, together with strong demand have been major supporting factors to beef and lamb prices. Continued strong demand in Asia supported meat prices too. Domestically, herd rebuilding process is underway, which may support beef prices.

Sheep meat market trends

International

New Zealand lamb prices traded higher this week compared to last week. Lamb prices closed 0.31% higher at NZ\$98.6/head for 15kg lamb. Lamb prices were 0.36% higher at NZ\$138.1/head for 21kg lamb. Ewe prices traded sideways at NZ\$87.7/head for a 21kg ewe. The import parity price for lamb was 2.10% higher at R69.54/kg, while the import parity price for mutton was 1.76% higher at R48.06/kg.

Bullish factors

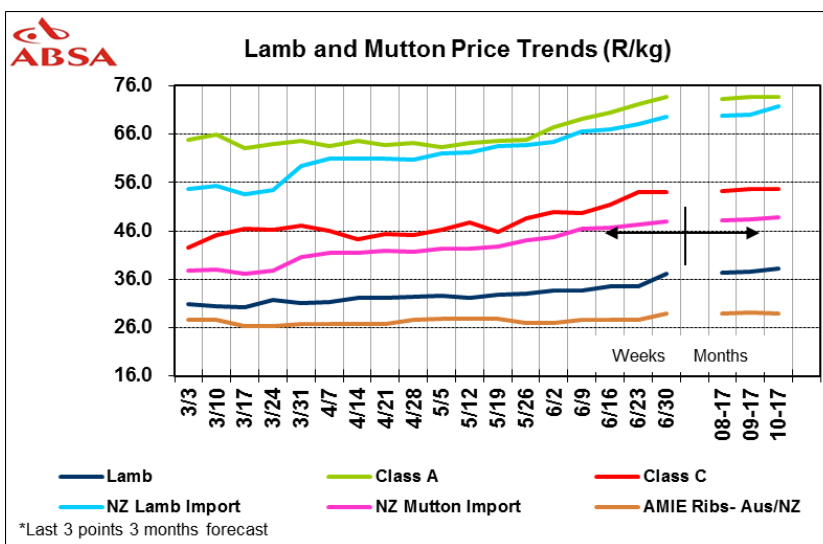
- New Zealand's export revenue data for May illustrates just how far lamb returns have come compared to year ago levels. The average export value for lamb in May increased to close to 25% on May 2016. It was the highest average export value recorded for May since 2011.
- Global market demand for lamb remains firm, underpinned by low supply from New Zealand and Australia.

Bearish factors

- Prices for some New Zealand products have reached a ceiling, with customers showing no willingness to pay anymore. While prices in lamb markets continue to be firm, there are growing signs that there will be resistance to further increases for some items.

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 2.06% to R77.75/kg and the average Class C prices decreased by 0.05% to R53.94/kg. The average price for feeder lambs traded 7.72% higher at R37.17/kg. The average price for dorper skin is 4.76% higher at R43.33/skin and merinos were 2.54% higher at R100.94/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. The average national lamb prices exceeded the R73/kg mark, which is very strong. This price is about 25% higher compared to the same time a year ago.

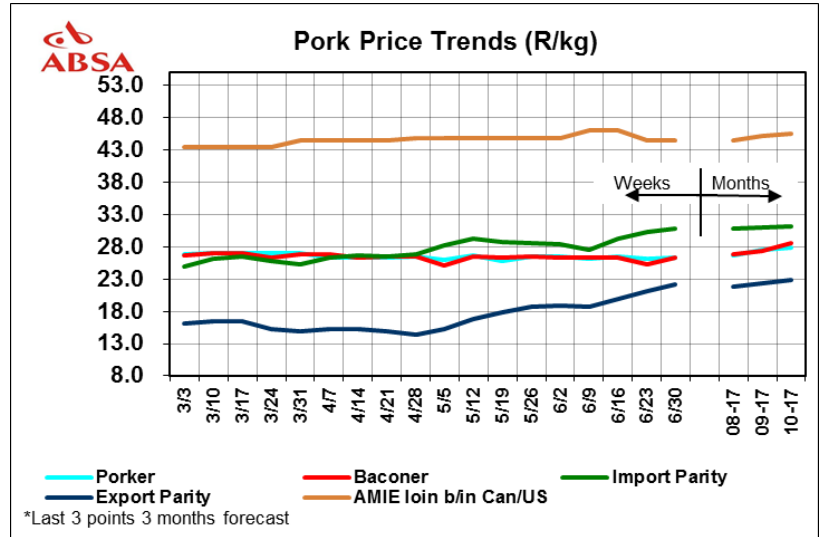
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 3.2% higher at US\$101.78/cwt, loin prices were 3.0% higher at US\$93.78/cwt, rib prices were 1.8% lower at US\$148.74/cwt and ham was 1.9% higher at US\$73.18/cwt.

Bullish factors

- Strong demand for pork continues to support the pork market. The 4th of July celebration is the nation’s top grilling day of the year, which may have boosted demand for pork.
- US pork exports may continue to support pork prices.



Bearish factors

- Pork production in China will likely start to recover in the second half of 2017, as lower feed grain prices encourage farmers to build up herds and newly established capacity comes online.
- A big hog supplies in the US may pressure prices. US pork supplies and prices remain plentiful.

Domestic

Pork prices were mostly higher over the past week. The latest pork prices are as follows: The average porker prices are 0,9% higher at R26.32/kg, while the average baconer prices are 3.8% higher at R26.28/kg. The average cutters prices were 1.9% higher of R27.06/kg whilst the average heavy baconer price was 1.0% higher at R25.58. The average SAU price is R19.25/kg and the SAB price is R19.32/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. As the poultry industry is faced with bird flu outbreaks, this may instil fear in buyers to consume poultry products. As a result, there may be a shift towards pork products as an alternative to poultry, thereby boosting demand for pork.

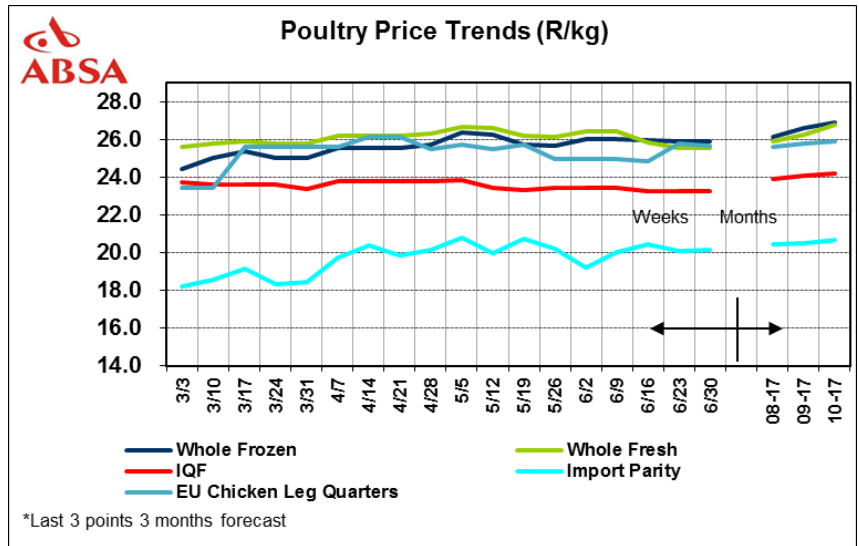
Poultry market trends

International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 0.20% higher at 107.97USc/lb. Breast traded 5.16% higher at 163.00USc/lb, while leg quarters traded sideways at 41.50USc/lb.

Bullish factors

- Demand for low cost animal protein remains strong, supporting prices.
- The spread of bird flu outbreaks across the globe has led to thousands of chickens being culled, which pose a threat to production levels.



Bearish factors

- The spread of numerous outbreaks of highly pathogenic avian influenza (HPAI) across the globe with cases in Asia, Africa, Europe, Russia, and the US have been negative for poultry prices. Although these outbreaks will constrain expansion, global broiler meat production is expected to increase by 1% to 89.5 million tons in 2017.

Domestic

The average poultry prices over the past week were mostly sideways. The average prices for frozen birds were sideways at R25.90/kg during the week. Whole fresh medium bird prices were sideways lower at R25.55/kg, while IQF prices were sideways at R23.24kg.

Bullish factors

- Human infection with A(H5N8) cannot be excluded but the likelihood is very low and globally now infections with A(H5N8) have been detected. There is no risk to the human population of South Africa but the virus is highly pathogenic and cause losses in the poultry industry. Should this situation escalate, this may pose a risk to the poultry production.

- As the poultry industry is faced with bird flu outbreaks, this may instil fear in buyers to consume poultry products. As a result, there may be a shift towards pork products as an alternative to poultry. Two outbreaks were reported near Villiers and Standerton. The outbreaks are contained to the two locations
- The impact of a total culling of birds on production at a site may have an impact of between four to six months before production fully recover to previous levels. This is if the producer adheres to proper biosecurity measures.

Bearish factors

- The Department of Agriculture, Forestry and Fisheries has reported that export of chickens has been banned and trading partners have been informed on the current situation.
- Following the recent bird flu outbreak, poultry destined for exports have to be absorbed in the South African market.

Outlook

Internationally, positive economic growth and consumer demand are supportive to poultry prices during the time of plentiful supplies.

Locally, the outbreaks of bird flu in South African poultry industry may pose risks to poultry production, consumption and therefore affect prices.

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	-0.33	47.46	47.62	2.06	73.75	72.26	0.9	26.32	26.09	0	25.55	25.55
Class C/Baconer/Frozen birds	-0.40	40.13	40.29	-0.05	53.94	53.97	3.8	26.28	25.31	0	25.90	25.90
Contract/Baconer/IQF	-0.31	49.24	49.40	0.96	73.18	72.49	2.3	26.30	25.70	0	23.24	23.24
Import parity price	1.82	75.14	73.79	1.76	48.06	47.23	2.9	40.8	39.7	0.17	20.13	20.09
Weaner calves/Feeder lambs	2.9	32.82	31.89	7.72	37.17	34.50		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	0	46.50	46.50	3.6	60.10	58.00	0	44.50	44.50	-0.58	25.65	25.80

Wool market trends

International

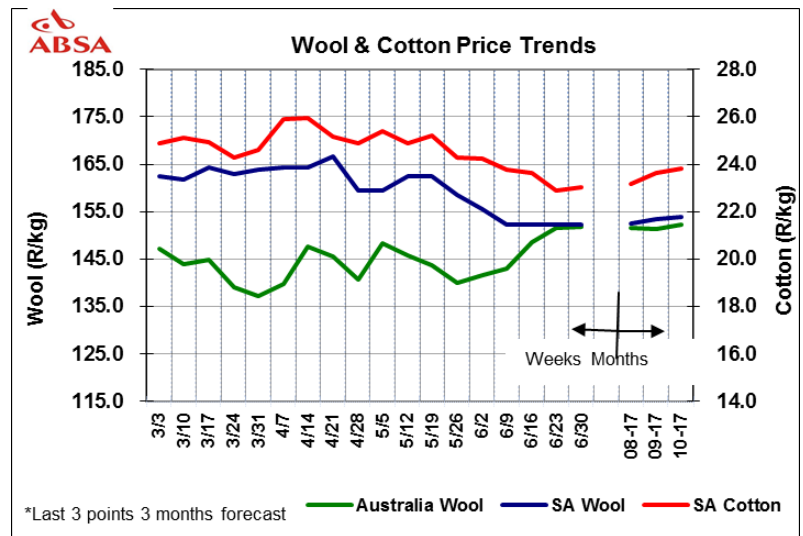
Australian wool market prices were lower and closed 1.70% lower at Au1507c/kg.

Bullish factors

- While demand is strong, world Merino production remains low, despite increases in South Africa and Australia's production.

Bearish factors

- A larger offering pressured the market.
- A stronger A\$ put Merino wool prices under pressure this week in the Australian wool market.
- Australia's production is expected to increase by 4%.



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) at the close of the season. This was the final auction of the 2016/17 wool growing season, and the next sale is scheduled for 16 August 2017.

Bullish factors

- While the final sale of the season saw the Merino indicator softening, prices for most of the season were significantly higher than in 2015/16 and the forecast is for the market to continue to increase over the long term.
- While demand is strong, world Merino production remains low, despite increases in South Africa and Australia's production

Bearish factors

- Preliminary figures show a 5,5% increase in local wool production compared with the 2015/16 season.

Outlook

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.

Analysts forecast that this strong demand will continue as consumers are increasingly seeking natural and environmentally friendly products.

Cotton market trends

International

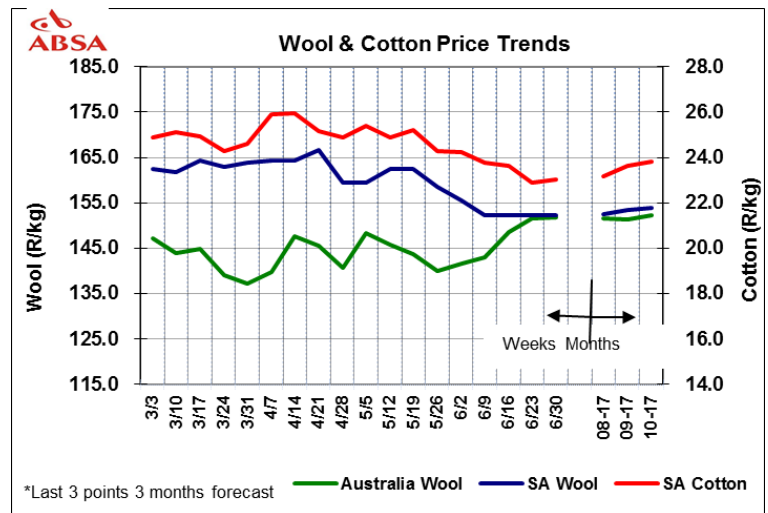
Cotton prices traded 0.21% lower over the past week and closed at US66.85c/lb.

Bullish factors

- China's global stocks are expected to decline by 18% to 7.6m tons. According to the International Cotton Advisory Committee (ICAC), the country's share of world inventories is expected to decline to 44%, which would be the first time since 2011/12 that it held less than half of global stocks.

Bearish factors

- ICAC expects cotton stocks held outside China to increase by 17% to 9.6m tons. Large stocks are seen as a negative indicator for prices
- Supply prospects elsewhere in the world have been boosted by the knock-on effect of this season's high prices in encouraging farmers to plant the fibre. In India, for instance, sowings are expected to increase by 8% at 11.3m hectares. An early and enough monsoon, a higher minimum support price, and the prospect of better returns from cotton compared to competing crops have reported to be factors which encouraged farmers in India to expand area. In Pakistan too, sowings were seen rising by 8%, to 2.7m hectares, while higher seedings were seen helping US output this year to increase by 12% to 4.2m tons.
- The US cotton crop is still broadly in good shape, despite its recent deterioration. Expectations remain of a strong harvest this year.



Domestic

The derived SA cotton prices traded 0.59% higher to close at R23.02/kg. The increases in prices were in spite of decreases in international prices, but supported by the weakening of the South African rand.

Outlook

Internationally, expectations for strong production globally, which may weigh on market prices. Supply prospects elsewhere in the world except China have been boosted by the knock-on effect of this season's high prices in encouraging farmers to plant the fibre. 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		15141		-		-
19µ micron		17942		18631	-2.96	18.00	-2.78	17.50
21µ micron		14673		15486	-4.61	14.50	-3.45	14.00
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	0.59	23.02	0.34	1.78	4.0	1.631	1.5	1.52

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