



## Agri Trends

13 December 2016

### South American weather is critical for future maize price direction

The weather impacting the new season crop conditions and production of corn in South America will potentially be the determinant drivers of the global maize price in 2017. Except for the USA and China, stock levels for maize are, compared to previous years, in short supply. This provides underlying support. If the weather in South America disappoints it may lead to potential price rallies in global maize prices. The weaker currencies compared to the USA \$ enable other exporting countries to compete with the USA. The latter provide additional support to maize prices globally. Although the production outlook for maize in South Africa improved it is still too early to tell what the final crop estimate will be.

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#### Contents

Beef market trends.....	1
Mutton market trends.....	3
Pork market trends .....	5
Poultry market trends.....	6
Maize market trends.....	9
Wheat market trends.....	11
Oilseed market trends .....	13
Wool market trends .....	15
Cotton market trends.....	16
Vegetable market trends .....	18

#### Contact us at Absa Agri-business:

[Karabo.Takadi@absa.co.za](mailto:Karabo.Takadi@absa.co.za)

[Wessel.Lemmer@absa.co.za](mailto:Wessel.Lemmer@absa.co.za)

<https://www.absa.co.za/business/sector-solutions/agribusiness/trends-and-reports/>

# Beef market trends

## International

New Zealand steers traded sideways week on week the past week at 5.39NZ\$/kg and cows traded sideways at 3.95NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Top side trade 2.28% lower at \$192,25/cwt. Rump was 5.02% lower at \$221.91/cwt and Strip loin was 4.65% higher at \$461.68/cwt. Chuck traded 1.31% lower at \$196,70/cwt. Brisket traded 4.52% higher at \$234,96/cwt. The carcass equivalent price was 2.07% higher at \$259.04/cwt.

### Bullish factors

- Lack of Australian exports has boosted New Zealand exports to other markets. The absence of Australian beef has lessened the competitive pressure and as a result, New Zealand's supplies into Japan and Korea have increased through November.

### Bearish factors

- Market demand is still under pressure from rapid growth in US domestic supplies. US beef production has increased year-on-year in the past six weeks. Higher supplies are expected to limit demand for imported product going forward
- Further downwards pressure on price is evident in New Zealand as volumes increase.

## Domestic

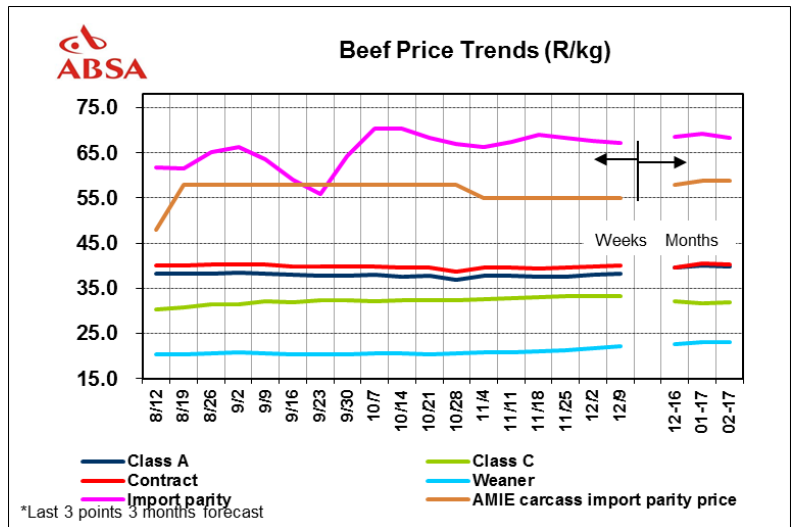
Beef prices strengthened week on week. Prices are expected to gain support moving forward from better demand that comes with increased demand during the festive season. The forecasted Absa beef prices are as follows: Class A prices are 0.69% higher at R38.20/kg. Class C prices are 0.33% higher at R33.37/kg. The average weaner prices were 1,5% higher at R22.13/kg. The average hide price over the past week was 0.77% higher at R15.63/kg green. NB\* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

### Bullish factors

- Prices will be supported by festive season buying and the favorable weather outlook.
- Seasonally, producer prices continue to increase into the festive season due to improved demand during this time.

### Bearish factors

- Higher slaughtering into the festive season.



- In the long run in 2017 a strengthening Rand and improvement in feed price levels may add pressure on prices.

## Outlook

Internationally, Market demand is still under pressure from rapid growth in US domestic supplies. Domestically, higher slaughtering into the festive season is expected to be met by strong demand, which will support prices into the New Year.

## Mutton market trends

### International

The New Zealand lamb prices were mostly lower this week compared to last week. Lamb prices closed this week 0.87% at NZ\$79.9/head for 15kg lamb. Lamb prices were 0.97% lower at NZ\$111.8/head for 21kg lamb. Ewe prices closed again sideways at NZ\$60.40/head for a 21kg ewe. The import parity price for lamb was 1.45% lower at R58.65/kg while the import parity price for mutton was 0.66% lower at R36.19/kg.

### Bullish factors

- Improved demand into the festive season may boost prices

### Bearish factors

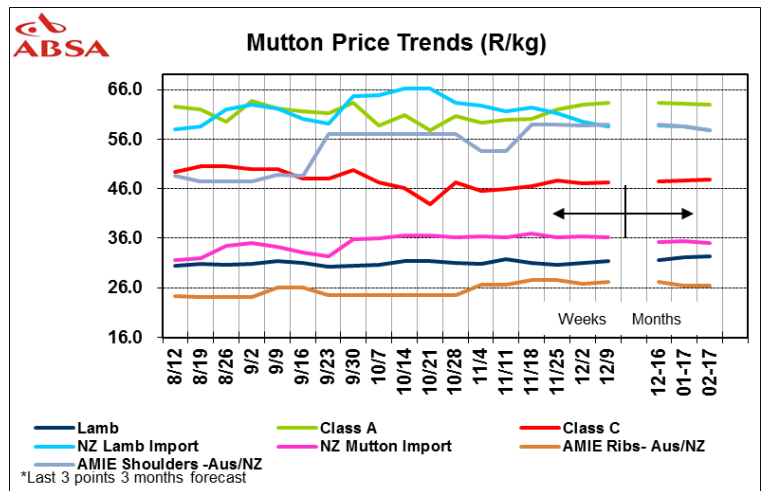
- Increase in slaughter rates prior to Christmas in New Zealand is weighing down on prices. This is due to a progression in weaning across the country as well as those wanting to offload prior to Christmas
- New Zealand's lamb exports through November down on a year ago
- Buyer interest is more subdued in the market.

### Domestic

Mutton prices were higher over the past week, with an upward trend expected to continue into the New Year. Mutton prices are expected as follows: The average Class A prices were 0.76% higher at R63.40/kg and the average Class C was 0.57% higher at R47.30/kg. The average price for feeder lambs traded 1.61% higher at R31.48/kg. The average price for dorper skin was 3.83% higher at R43.89/skin and merinos were 16.84% higher at R92.50/skin.

### Bullish factors

- Prices will be supported by improved spending during the holiday season.
- Favorable weather outlook may support the livestock market as it may revive pastures and support herd rebuilding.
- Week on week strength in prices for feeder lamb may be an indication of improved demand



### *Bearish factors*

- Lacking of sufficient buying power from consumers may negatively impact on demand for livestock as prices are high. Low economic growth and high interest rates limit the consumer's buying power.
- The production season for the fattening of feeder lamb for the festive season runs out and that may see prices start to decline.
- The past 2 weeks have seen week on week strength in slaughter numbers.

### **Outlook**

Internationally, Improvement in demand into the festive season may see solid pricing for lamb and mutton products. Additional demand from China is expected to continue after the New Year. Local prices may be supported into the New Year due to improved demand in line with seasonality.

## Pork market trends

### International

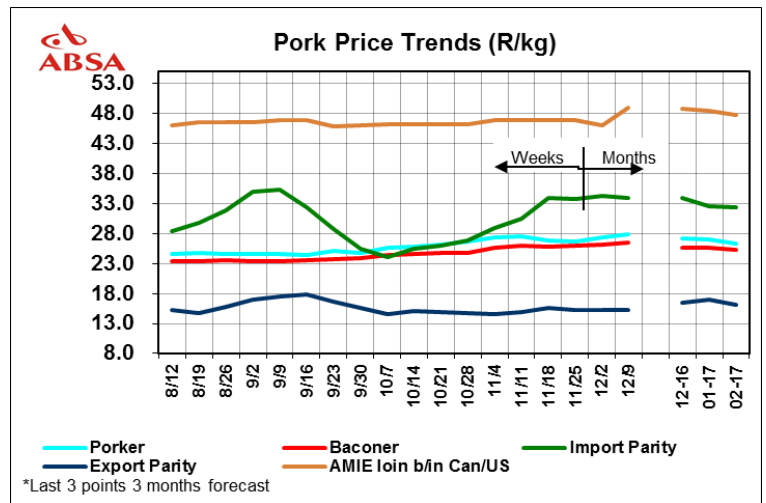
The average weekly US pork prices were higher over the past week. Carcass prices were 1.7% higher at US\$74.51/cwt, Loin prices were 3.7% higher at US\$67.30/cwt, Rib prices were 0.5% higher at US\$105.49/cwt and ham was 1.9% higher at US\$77.34/cwt.

#### Bullish factors

- Pork production is expected lower by the US department of Agriculture as a result of counter-seasonally lighter-than-expected carcass weights this quarter.

#### Bearish factors

- Larger pork and total meat supplies are adding a bearish tone to pork prices.



### Domestic

Domestic prices remained strong over the past week. Prices are expected to continue with the price support in the short term due to improvement in demand heading into the festive season. The Absa forecast prices were as follows: Porker prices are 1,6% higher at R27.86/kg while Baconer prices are 1.0% higher at R26.44/kg.

#### Bullish factors

- Seasonality points out to improved demand of pork products going into the festive season.
- 4,7% less pigs (25 997) were slaughtered week on week
- Pork remains the cheaper protein when compared with beef and mutton, and this may support the demand side of the product.

#### Bearish factors

- A strengthening Rand and competing imports of other meat products from the EU may add price pressure. Lower poultry price increases may lead to a shift in demand from pork.

### Outlook

Internationally, larger pork and total meat supplies continue to add a bearish tone to pork prices into Christmas, but the festive season may give a boost to the market and improve demand. Locally, prices can be supported in line with seasonality and improved demand during this period especially with underlying support from beef and mutton prices.

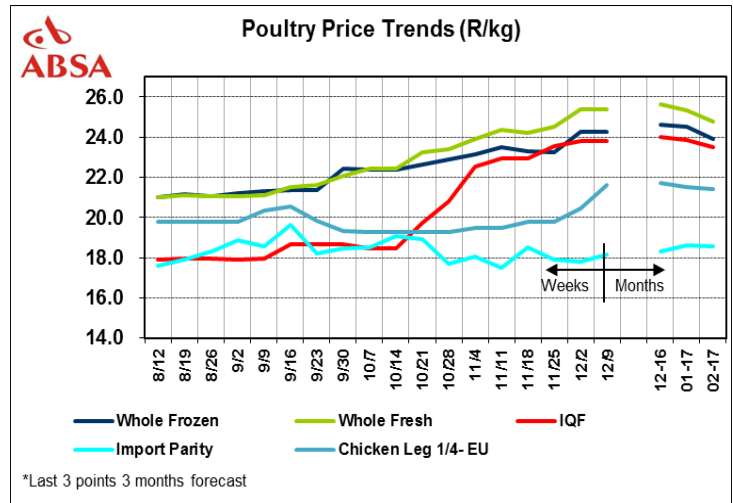
## Poultry market trends

### International

Poultry prices in the US were higher over the past week. Whole bird prices were 0.55% higher at 84.49USc/lb. Breasts traded 2.65% higher at 97,00Sc/lb, whilst Leg Quarters traded 6.56% higher at 32,50USc/lb.

#### Bullish factors

- Broiler and turkey production is forecast lower, largely reflecting the slower pace of slaughter in the fourth quarter
- Broiler prices may improve for 2016 and 2017 on recent price strength.
- The ongoing Chinese supply shortage will continue to affect global market conditions.



#### Bearish factors

- The Chinese industry is working on new strategic sourcing initiatives to alleviate some of this supply pressure.
- Pressured global trade volumes are expected next year, given a continuation of high avian influenza impacts and increasing trade protectionism.

### Domestic

The average poultry prices over the past week sideways. The average prices for frozen birds were sideways at R24.24/kg during the week. Whole fresh medium bird prices were sideways at R25.41/kg while IQF prices were sideways at R23.78/kg.

#### Bullish factors

- Recently new markets in the Middle East have been opened and present a further opportunity for export to the domestic poultry industry in South Africa may support prices.
- A number of countries are currently experiencing Highly Pathogenic Avian Influenza outbreaks and consequently, in line with the guidelines of the World Organisation for Animal Health, South Africa has placed a ban on imports of poultry from Denmark, France, Germany, Hungary, Israel, the Netherlands and Poland.
- Poultry prices start to follow pork prices higher.

#### Bearish factors

- Consumer resistance may start to impact negatively on demand.

## Outlook

Internally, the emergence of avian flu, as well as rising global pork and beef production, will prove challenging for the poultry industry going forward. Concerns regarding bird flu will pose as a challenge for the global poultry outlook, and will likely limit international trade. Locally, prices are expected to be supported by improvement in demand in line with seasonal trends and due to upward pressure in IQF prices following the new brining regulations.



Livestock Prices (R/kg) week ending 9 December 2016	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	0.69	38.20	37.94	0.76	63.40	62.92	1.6	27.86	27.43	0	24.41	25.41
ClassC/ Baconer / Frozen birds	0.33	33.37	33.26	0.57	47.30	47.03	1.0	26.44	26.18	0	24.24	24.24
Contract / Baconer/ IQF	0.34	40.00	39.86	0.67	64.20	63.77	1.3	27.15	26.81	0	23.78	23.78
Import parity price	-0.68	67.25	67.71	-0.66	36.19	36.43	-1.0	33.88	34.24	1.81	18.10	17.80
Weaner Calves/ Feeder Lambs/	1.5	22.13	21.80	1.61	31.48	30.98		-	-			
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	0	55.00	55.00	0.5	59.00	58.70	6.3	48.90	46.00	5.62	21.60	20.45

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## Maize market trends

### International

The weekly average prices for yellow corn in the Gulf increased week on week by 3,9% from \$154/ton to \$160/ton. The Rand strengthen week on week by 2,5% from R14.00 to R13.65.

#### *Bullish factors*

- Except for the USA and China the maize stock levels in the rest of the world is, compared to recent marketing years smaller thus providing underlying support to global maize prices.
- Threat of drought conditions in South America support prices.

#### *Bearish factors*

- Stock levels in the USA and Argentina are sufficient.

### Domestic

The weekly average spot price for old season white maize increased by 1,48% from R3947/ton to R4006/ton. The weekly average price for yellow maize decreased from R3221/ton to R3209/ton by 0,38%. The average weekly new season white maize prices for delivery in July 2017 decreased from R2600/ton to R2596/ton and decreased for yellow maize from R2559/ton R2536/ton.

#### *Bullish factors*

- At the current intentions to plant of 2.46 million hectares South Africa still need to import maize. It is still early in the season and rainfall in February will play a significant role in determining the final average yield.
- Rate hikes by the USA Federal Reserve will necessitate rate hikes of 25 basis points by the Reserve Bank in January in order to protect the Rand against further weakness. A weaker Rand will support maize prices.
- The SADC region, including Zimbabwe, needs maize.

#### *Bearish factors*

- A favorable weather outlook for new season maize and an expected increase in planting and production may impacts negatively on new season maize prices. The weather outlook points to rains across the summer producing regions in the weeks to come, which bodes well with the planting of the summer grains.
- If the USA Federal Reserve fail to hike interest rates soon and the South African government manage to reach a solution in favor of political certainty sooner than expected the Rand may gain ground leading to further declines in the import parity prices of maize.
- Additional white maize imports from the USA may ease domestic demand. That is given that sufficient quantities of registered GMO white maize events are available for export by US traders.

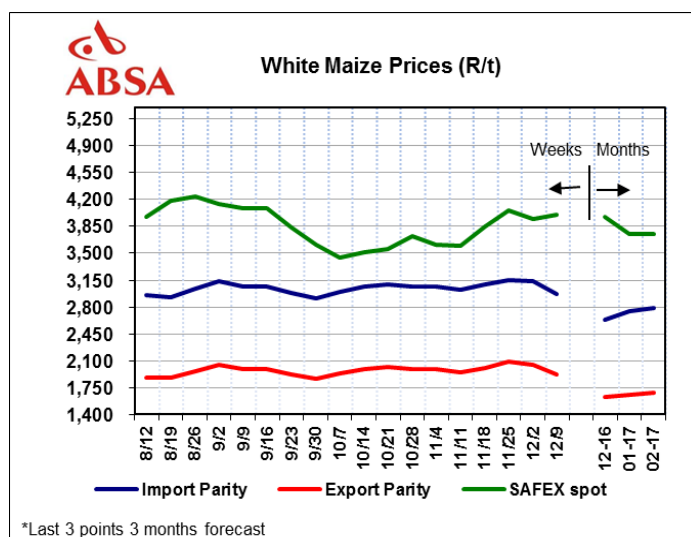
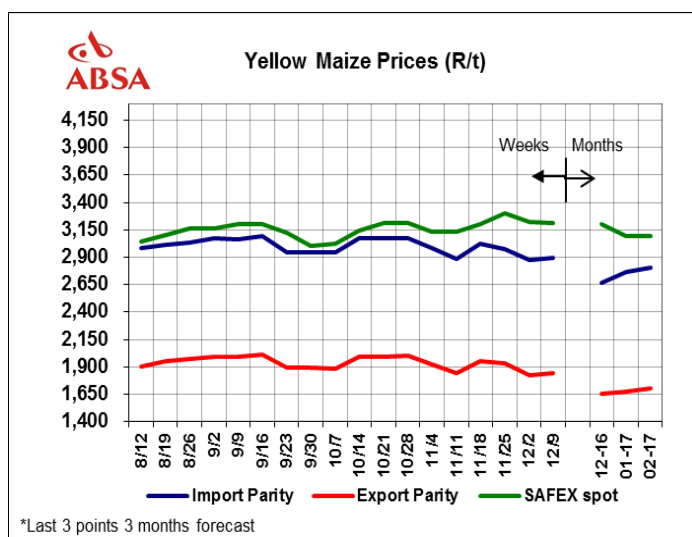
### Outlook

Internationally, prices are supported on demand from the rest of the world as global stocks, except for China and the

USA are limited. Locally, the favourable weather outlook and possible increased imports of US white maize may add a bearish tone to maize prices.

Yellow Maize Futures: 9 December 2016	Dec-16			Mar-17			May-17			July-17			Sep-17		
CBOT (\$/t)	137.59			141.43			144.19			147.04			149.89		
SAFEX (R/t)	3206			3095			2535			2512			2587		
SAFEX (R/t) Change week on week (w/w)	-39			-80			-40			-36			-19		
Mar-17				May-17						Jul-17					
Ask	Put	Call		Ask	Put	Call		Ask	Put	Call		Ask	Put	Call	
3,140	173	128		2,580	168	123		2,560	240	192		2,520	218	210	
3,100	151	146		2,540	146	141		2,480	196	228					
3,060	131	166		2,500	125	160									

White-Maize Futures 9 December 2016	Dec-16			Mar-17			May-17			July-17			Sep-17		
SAFEX (R/t)	3977			3747			2797			2591			-		
SAFEX (R/t) Change w/w	-209			-129			-29			-3.0			-		
Mar-17				May-17						Jul-17					
Ask	Put	Call		Ask	Put	Call		Ask	Put	Call		Ask	Put	Call	
3,780	325	292		2,840	253	210		2,640	318	269		2,600	296	287	
3,740	303	310		2,800	231	228		2,560	274	305					
3,700	282	329		2,760	210	247									



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## Wheat market trends

### International

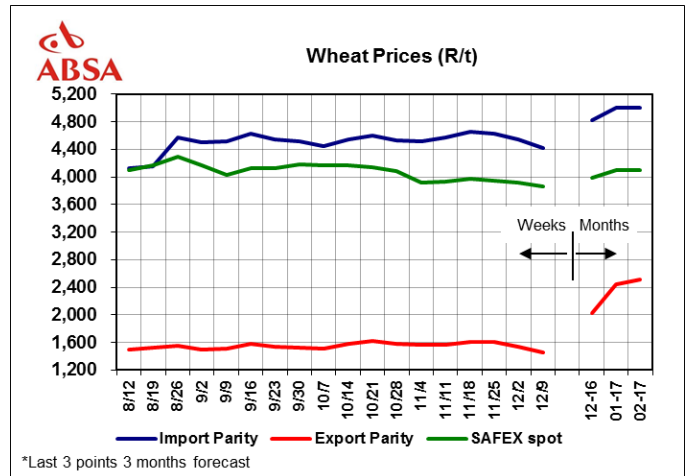
The weekly average old season HRW wheat Gulf price decreased week on week by 5,9% from US\$146.90/ton to reach a weekly average of US\$138/t.

#### Bullish factors

- The global consumption of wheat is expected to increase.

#### Bearish factors

- The expected world production of wheat and the global carryover stocks increased.



### Domestic

Domestic new season weekly average wheat prices traded lower from R3913/ton to R3865/ton by 1,2%.

#### Bullish factors

- South Africa is a net importer of wheat.
- The current import tariff of R1591.40/ton still provides underlying support to domestic prices.
- It is still early but the new season crop of 2017/18 in the Western Cape Province may suffer drought. The average rainfall for 2016 is lower than normal.

#### Bearish factors

- Uncertainty remains about the future of the R1591/ton wheat import tariff and the variable tariff formulae. An announcement about a timely downward adjustment is expected before the launch of the new season wheat derivative for December 2017.
- Consumer resistance prevents further wheat price increases.
- From February onwards a monthly amount of 33 333 tons can be imported tariff free from the EU. Imports are not allowed during the three months of harvesting (Nov, Dec & Jan).

### Outlook

Globally, wheat production increased and carry-out stocks reached record high levels keeping international prices low. Locally, the domestic demand for wheat outstrips local supply. Prices enjoy underlying support as the import requirement does not meet the weekly demand.

Wheat Futures			Dec-16	Mar-17	May-17	July-17	Sep-17		
9 December 2016									
CME (\$/t)			147	153	157	161	166		
SAFEX (R/t)			3925	4035	4115	4111	N/A		
SAFEX (R/t) Change w/w			25	-2	15	-14	N/A		
Mar-17			May-17			Ju-17			
Ask	Put	Call	Ask	Put	Call	Ask	Put	Call	
4,080	218	173	4,160	299	254	4,160	314	265	
4,040	196	191	4,120	277	272	4,120	292	283	
4,000	176	211	4,080	256	291	4,080	271	302	

## Oilseed market trends

### International

#### Oilseed prices

The weekly average USA soybean price increased week on week from US\$388.69/ton to US\$394.12/ton by 1,4%. USA soya oil prices increased from USA\$37.00/ton to USA\$37.32/ton and soymeal prices traded sideways at USA\$317/ton. Vegetable oil prices reached a multi-year high in early December.

#### Bullish factors

- The current shortage of vegetable oils support prices in the short term but can be short lived unless crop conditions in South America deteriorate.
- The USA biofuel policy support prices as biofuel mandates were increased for 2017.
- Global sunflowerseed oil supplies trade at a discount compared to other vegetable oils due to higher sunflowerseed oil stock.

#### Bearish factors

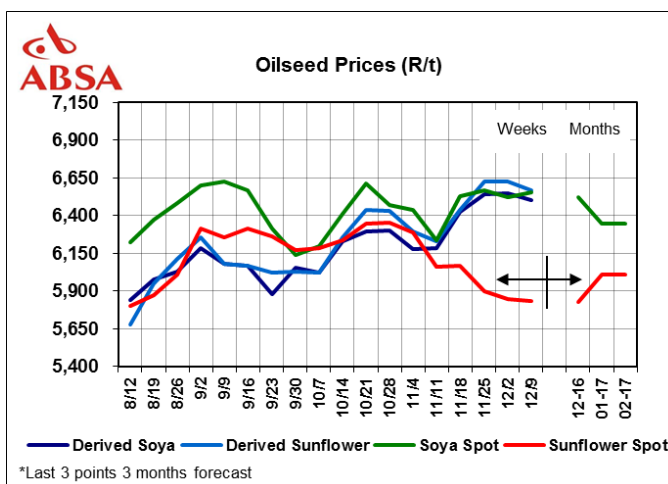
- President Trump decided to appoint a known opponent of the US environmental policies as head of the EPA. It raises doubts whether support for biofuels will continue in the USA.
- The South American soybean exports are picking up with Brazilian shipments likely to double from a month earlier.

#### Domestic

Old season weekly average sunflowerseed prices for delivery in December 2016 decreased week on week from R5848/ton to R5834/ton. The weekly average old season soybean prices increased from R6520/ton to R6553/ton.

#### Bullish factors

- Lack of supplies and high prices for soybeans led to processing plants closing down and to import vegetable oil and oilcake to meet client's demands.
- The price ratio between sunflowerseed and white maize is currently insufficient to ensure an increase in the planting of new season sunflowerseed above that of white maize. The price ratio for delivery in May 2017



weakened further to 1,8. To increase production the ratio need to increase to 2,3 for producers to increase the sunflowerseed hectares. The price ratio between maize and soybeans improved to support increased soybean plantings.

### Bearish factors

- It seems as if stocks at processors and traders will meet old season demand until middle of April 2017 to cover carry out demand.
- Processors of soybeans compete with higher bids on yellow maize in order to increase the plantings of soybeans.

### Outlook

South Africa remains a net importer of oilseeds, vegetable oil and oilcake which will in conjunction with a weakening exchange rate continue to provide underlying support to oilseeds in general. Price increases will be limited as margins are under pressure. Processors incentivize soybean producers with an attractive new season price ratio to increase the plantings of soybeans.

Oilseeds Futures 9 December 2016	Dec-16	Mar-17	May-17	July-17	Sep-17			
CBOT Soybeans (US\$/t)**	381	385	388	390	382			
CBOT Soy oil (US c/lb)	36.74	37.21	37.37	37.50	37.18			
CBOT Soy cake meal (US\$/t)*	317	323	325	328	323			
SAFEX Soybean seed (R/t)	6520	6350	6091	6161	N/A			
SAFEX Soybean seed (R/t) change w/w	-50	-161	-189	-151	N/A			
SAFEX Sunflower seed (R/t)	5831	6011	5975	6020	N/A			
SAFEX Sunflower seed (R/t) change w/w	-119	-126	-110	-100	N/A			
Sunflower Calculated Option Prices (R/t)								
Mar-17			May-17			Jul-17		
6,100	350	261	6,000	412	387	6,060	442	402
6,060	327	278	5,960	390	405	6,020	420	420
6,020	306	297	5,920	369	424	5,980	399	439

\*short ton

\*\* Dec 2016 = Jan 2017

## Wool market trends

### International

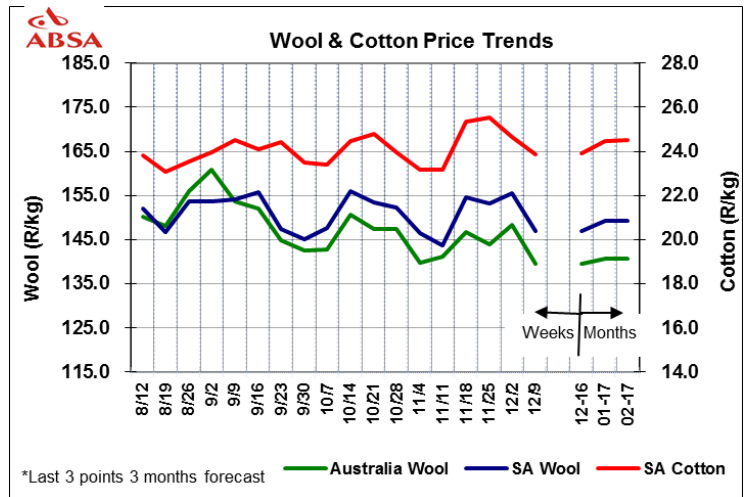
The Australian wool market prices were lower and closed 2.10% lower at Au1349c/kg at the recent auction.

#### Bullish factors

- The lower prices available early in the week supported demand during the week.

#### Bearish factors

- The stronger \$A weighed on the market.
- The spike in prices in the market over the previous few weeks resulted in an increase of wool onto the market with an extra 4103 bales to a weekly total of 53,248 bales, the highest since January
- Next week, over 56,000 bales are expected to be on offer. The higher volumes will likely weigh down on prices



### Domestic

Domestic wool market prices were 5.45% lower at the most recent sale and final sale of the season to close at R146.93 (Clean).

#### Bullish factors

- Demand for South African wool remains healthy.

#### Bearish factors

- There was a large quantity of wool on offer at the closing sale of the season
- The Rand strengthened by 2,8% against the US Dollar compared with the average rate at the previous sale.

### Outlook

Internationally, the strong market conclusion is expected to be supportive to the market at next week's auction, at a time when there will be higher volumes in the market. Locally, positive demand and the movement of currency will continue to drive the domestic market.



## Cotton market trends

### International

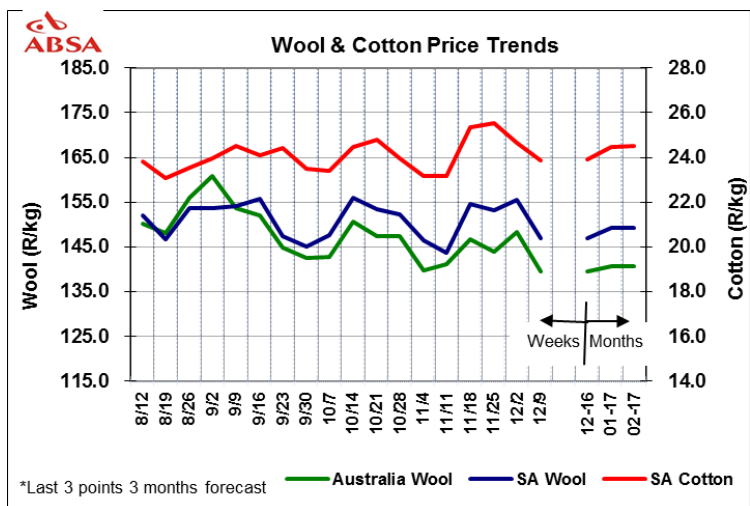
Cotton prices traded 0.23% lower over the past week and closed at US70.24c/lb.

#### Bullish factors

- Robust weekly US export sales data on Thursday supported the market.

#### Bearish factors

- Stronger US dollar.
- The USDA increased production and stocks numbers for cotton, both in the US and globally.



### Domestic

SA cotton prices traded 3.11% lower to close at R23.89/kg. The decreases in prices were in line with the strength in the South African currency over the past week. The Rand strengthened by an average of 2.50% weeks on week, and this added to the price declines.

### Outlook

Internationally, higher global production and stocks are expected to weigh down on prices. Locally, the exchange rate will continue to affect market prices as the cotton market is export driven, while the lower cotton crop during the 2015/16 season may also add support.

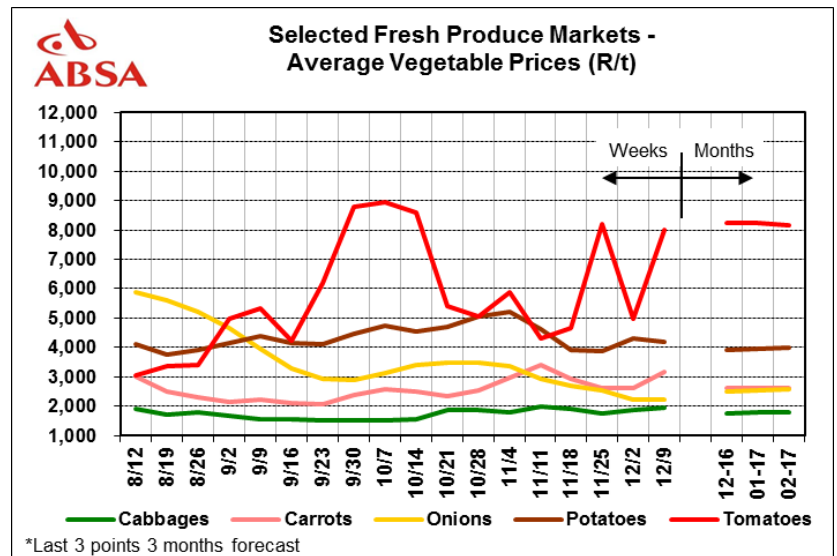
**Fibres Market Trends**
**Week ending 09 December 2016**

<b>Wool prices</b>	<b>%</b>	<b>SA prices (c/kg)</b>	<b>%</b>	<b>Australian prices (SA c/kg)</b>	<b>%</b>	<b>Australian Future – Mar 2017 (AU\$/kg)</b>	<b>%</b>	<b>Australian Future Jun – 2017 (AU\$/kg)</b>
<b>Wool market indicator</b>	<b>-5.45%</b>	14693	<b>-5.14</b>	13615		-		-
<b>19μ micron</b>	<b>-5.78%</b>	16493	<b>-4.99</b>	16212	<b>-0.64</b>	15.55	<b>0.39</b>	15.47
<b>21μ micron</b>	<b>-6.15%</b>	14063	<b>-5.92</b>	14120	<b>-1.08</b>	13.70	<b>0.00</b>	13.40
<b>Cotton prices</b>		<b>SA derived Cotton (R/kg)</b>		<b>New York A- Index (US\$/kg)</b>		<b>New York future Mar- 2017 (US\$/kg)</b>		<b>New York future May-2017 (US\$/kg)</b>
<b>Cotton Prices</b>	<b>-3.11</b>	23.89	<b>-0.62</b>	1.75		1.57		1.58

## Vegetable market trends

### Peppers

The prices for peppers traded at the Pretoria market at a price of R6.37/kg. An amount of 226 454 kg were sold during the week ending 9 September. During the same week peppers traded at Bloemfontein at R10.84 with volumes at 8858 kg.



### Vegetable Prices: Fresh Produce Market

(Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)

Week ending	Difference in weekly prices	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly volumes	This week's Total Volumes (t)	Previous week's Total Volumes (t)
09 December 2016						
Cabbages	3.8%	1966	1893	-20.7%	1232	1553
Carrots	20.3%	3159	2625	-3.9%	2382	2479
Onions	-0.3%	2230	2238	-0.7%	7783	7836
Potatoes	-2.5%	4205	4312	-2.5%	16509	16941
Tomatoes	60.4%	7989	4980	20.6%	4240	3516

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**Absa Agri-Business**

[Karabo.Takadi@absa.co.za](mailto:Karabo.Takadi@absa.co.za)

[Wessel.Lemmer@absa.co.za](mailto:Wessel.Lemmer@absa.co.za)

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