



## Agri Trends

01 March 2017

### The 2017 maize production is expected to reach 13,918 million tons

Following a good rainfall period and favourable growing conditions, South Africa is expected to harvest a total maize crop of 13,918 million tons. The crop is 78,93% more than the 2016 crop, when the country was battling with dry conditions. A second largest yield of 5.3 ton/ha is expected with 2 628 600 hectares having being planted. Both hectares planted and yields have improved. The largest crop on record was during the 1980/81 production year whereby 14,656 million tons was produced and 4 388 000 ha were planted. The second largest crop was during the 2013/14 production year with a total crop of 14,250 million tons and the hectares planted were 2 688 200 ha. The trend show in general that yields have improved over time. At these production levels, we expect limited imports. Total maize to be exported is expected to reach 1.2 million tons. Due to recovery in production the local demand from feedlots and human consumption may increase up to 11.5 million tons. It is a significant increase in line with long term trends in demand growth. It is expected that prices will experience increased pressure following the positive production prospects.

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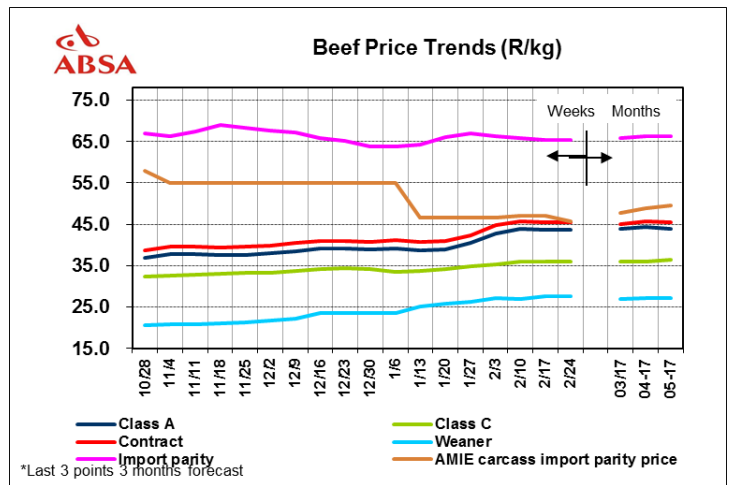
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# Beef market trends

## International

New Zealand steers traded 0.19% lower over the past week at 5.25NZ\$/kg and cows traded 0.50% higher at 4.02NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Top side trade 10.36% higher at \$236,54/cwt. Rump was 7.66% higher at \$301.46/cwt and Strip loin was 9.10% higher at \$545.62/cwt. Chuck traded 2.61% higher at \$246,71/cwt. Brisket traded 0.55% lower at \$204,04/cwt. The carcass equivalent price was 4.92% higher at \$291.38/cwt.



## Bullish factors

- Slaughter rates following recent rain through the North Island of New Zealand have come to an immediate stand still, and are likely to remain quiet until dairy farmers begin their annual cull.
- A shortage of cows to slaughter in New Zealand will keep a level of procurement pressure in the market, to the benefit of farmers.

## Bearish factors

- There is increased pressure coming on prices due to the successful rebuilding of the US herd. Goldman Sachs bank suggested that prices have increased, encouraging higher feedlot placement which will work its way through to more fed cattle availability in months to come. This will add pressure on prices

## Domestic

It seems livestock prices are starting to taper off after the strong trend over the past month. Market fundamentals however still continue to remain positive for the beef industry, with beef prices remaining at levels above R43/kg for A Class. Favourable rainfall across the country have been helpful to prices, as producers can keep cattle longer on the ground, which limit the number of cattle to be slaughtered. As a result, beef prices have strengthened over the past month. Moving forward, prices may remain steady as weather conditions continue to support the rebuilding of herds. The forecasted Absa beef prices are as follows: Class A prices are 0.19% lower at R43.55/kg. Class C prices are 0.21% higher at R35.97/kg. The average weaner calf prices remained steady over the past week at R27.54/kg. The average hide price over the past week was 0.03% lower or sideways at R14.65/kg from the previous week's price of R14.66/kg green. The recent strength of the currency and pressure from the demand side has been adding pressure on prices. NB\* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

### *Bullish factors*

- The export market may support prices. South Africa currently exports to some markets like Africa and the Middle East, and the industry is working on a plan to expand markets. A talk of a bilateral agreement between South Africa and China to promote beef exports is expected to materialize, and when this happens, this is expected to support prices.
- Beef prices remain strong at levels above R43/kg for A Class.
- Demand for weaner calves remains strong, and there is scarcity in the market which drives prices higher.
- Continued widespread rainfalls in some parts of the country are helping with the rebuilding of herds.

### *Bearish factors*

- It seems beef prices are starting to ease after the strong trend over the past month.
- The slowdown in demand in line with seasonal trends.
- Beef prices remain high compared to pork and poultry prices. This may lead to more demand for the cheaper poultry and pork products.

### **Outlook**

Internationally, tight Australian and New Zealand supplies and strong demand for beef from China may continue to support prices in the short term. Domestically, the outlook for beef prices is positive for 2017 with beef prices showing steady gains over the past month due to favourable weather conditions which encourage herd rebuilding.

## Mutton market trends

### International

The New Zealand lamb prices were mostly lower this week compared to last week. Lamb prices closed 0,51% lower this week at NZ\$78/head for 15kg lamb. Lamb prices were 0.46% lower at NZ\$109.2/head for 21kg lamb. Ewe prices closed 1.51% higher at NZ\$67.2/head for a 21kg ewe. The import parity price for lamb was 0.99% lower at R54.86/kg while the import parity price for mutton was 0.67% higher at R37.70/kg.

### Bullish factors

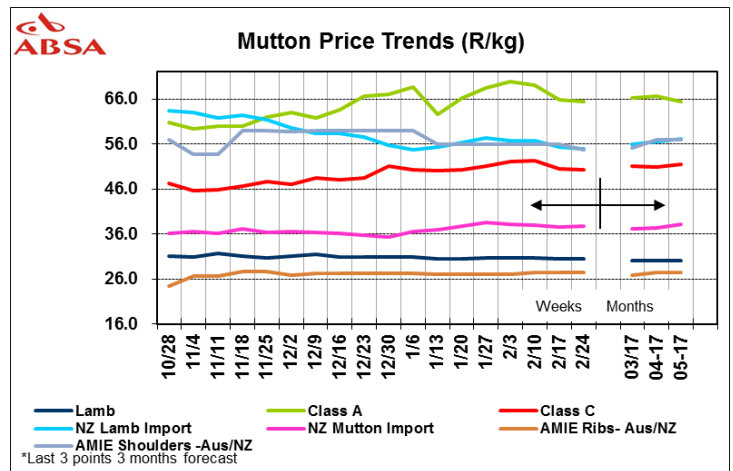
- Abattoirs in Australia are beginning to shut their doors due to higher lamb prices. Some abattoirs are forced to close as they can no longer afford to pay premium prices for lambs which are now in short supply.
- Meat and Livestock Australia (MLA) indicate that current prices are very close to record levels.
- Australian farmers are taking advantage of the high wool prices and begin to build their flocks after drought. It is expected that one million fewer Australian lambs will be available for slaughter this year.
- New Zealand lamb supplies continue to tighten. Recent rain in the North Island of New Zealand has seen slaughter rates drop to record lows for the time of year.

### Bearish factors

- If New Zealand prices increase too much, this may see customers switch to alternative proteins, as seen several years ago.

### Domestic

Mutton prices tapered off over the past week after gaining over the past month. Prices are expected to remain steady in the short term in line with favourable weather conditions which encourage herd rebuilding, but consumer resistance to the higher mutton prices may weigh down this market. Mutton prices are expected as follows: The average Class A prices were 0.55% lower at R65.44/kg and the average Class C was 0.43% lower at R50.30/kg. The average price for feeder lambs traded sideways R30.52/kg. The average price for dorper skin was 0.25% higher at R44.41/skin and merinos were 4.75% lower at R93.41/skin.



### *Bullish factors*

- Mutton prices may be supported by increased buying associated with month end spending.
- Favorable weather outlook may continue to support the livestock market as it may revive pastures and support herd rebuilding.

### *Bearish factors*

- It seems mutton prices are starting to taper off after the strong trend over the past month. During the recent week, class A mutton prices lost some ground to levels just below R66/kg from almost reaching R70/kg at the beginning of February.
- Mutton prices are higher when compared to beef, pork and poultry prices, and as a result there might be consumer resistance to the high mutton prices, which may add pressure to lamb and mutton prices.
- Mutton prices showed a declining trend week on week
- There are enough supplies of feeder lambs in the market.

### **Outlook**

Internationally, demand remains strong all over the globe which supports prices. Prices may also be supported as supplies in both New Zealand and Australia remain low. Locally, beef prices lost some ground weeks on week. Prices may be supported in the short term due to support from month end buying.

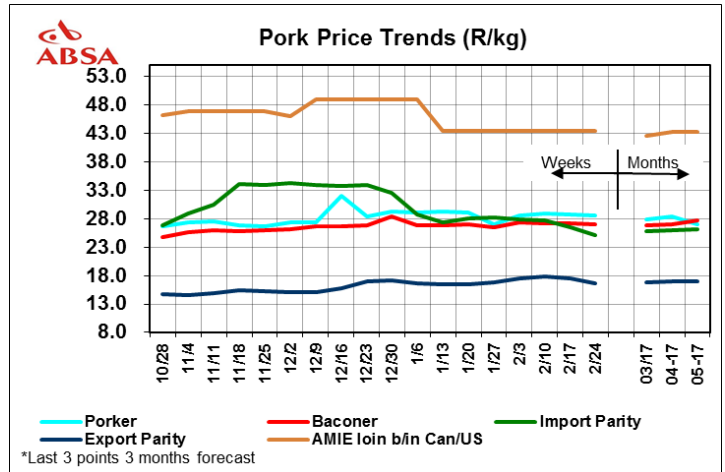
## Pork market trends

### International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 3.4% lower at US\$81.77/cwt, Loin prices were 1.6% higher at US\$76.21/cwt, Rib prices were 0.6% lower at US\$121,56/cwt and ham was 6.8% lower at US\$54.97/cwt.

#### Bullish factors

- China is expected to maintain the high level of pork imports this year.
- US Department of Agriculture forecasts that American pork exports to all countries will grow by almost 4%.
- Brazilian pork prices are expected to increase due to exports and internal demand. The increases in prices are directly connected to the crisis the sector experienced in 2016, when many producers left the market due to high production costs and low demand. In addition, Brazilian producers of pork meat have benefited from the avian flu crisis in Asian-Pacific countries, which has positively impacted the demand for other types of meat.



#### Bearish factors

- Increased competition from other proteins may weigh down on prices.
- Unless alternative markets can be found, a decline in demand from China could begin to put pressure on global pork prices this year, particularly in light of the expansion in US production.

### Domestic

Domestic prices lost some ground weeks on week. Prices are expected to remain steady moving forward with underlying support from the higher livestock prices and improved spending during month end. The Absa forecast prices are expected as follows: Porker prices are 0,3% lower at R28.60/kg while Baconer prices are 0.2% lower at R27.05/kg.

#### Bullish factors

- Underlying support from higher livestock prices.
- Pork prices may be supported by increased spending associated with month end uptake.

### *Bearish factors*

- The 2017 maize production is expected to reach 13,918 mill tons. This production prospects was at the higher end of the market expectation. As a result, we expect that this will help to improve profitability of the dairy, pork and poultry industries as these industries are very feed intensive. The higher maize crop will help to reduce feed prices.

### **Outlook**

Internationally, demand for pork may continue to support prices. Locally, the outlook for the pork industry is more positive from May onwards, especially with the bigger maize crop that is expected. The bigger crop will bring relief in feed costs. Total maize of 13,918 million tons is expected for 2017.

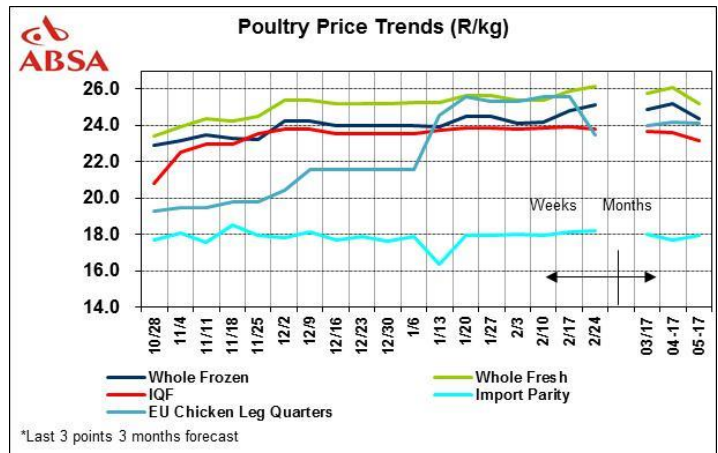
## Poultry market trends

### International

Poultry prices in the US were mostly higher over the past week. Whole bird prices were 0.53% higher at 86.12USc/lb. Breasts traded 2.22% higher at 115,00Sc/lb, whilst Leg Quarters traded 1.47% higher at 34,50USc/lb.

#### Bullish factors

- Poultry markets, including China, will gradually recover after the Northern Hemisphere winter season, when avian influenza pressure will likely be reduced. This may lead to recovery in demand for the product.



#### Bearish factors

- Low feed prices support favourable poultry production.
- In China, chicken is a popular and cheap alternative to pork. Demand has been hit in recent years by food safety scandals and bird flu outbreaks.
- Chicken prices in China declined to their lowest level in more than a decade last week as concerns about H7N9 deepened after global health authorities said the strain had evolved into a more severe form for birds.

### Domestic

The average poultry prices over the past week were mixed. The average prices for frozen birds were 1.26% higher at R25.15/kg during the week. Whole fresh medium bird prices were 0.91% higher at R26.14/kg while IQF prices were 0.54% lower at R23.79/kg.

#### Bullish factors

- Poultry prices may be supported by increased buying associated with month end.
- Less competition in terms of imports from the EU market is supporting domestic prices.
- Poultry prices are enjoying underlying support from the higher livestock prices
- Planned temporary or permanent closures of less efficient plants may limit supply.
- Strong demand for low value product.
- Better demand for local product on the back of reduced supplies due to bird flu in the EU is adding support to prices.



### *Bearish factors*

- The 2017 maize production is expected to reach 13,918 mill tons. This expectation is at the higher end of what the market anticipated. As a result, we expect that this will help to improve profitability of the dairy, pork and poultry industries as these industries are very feed intensive. The higher maize crop will help to reduce feed prices.
- The return of exports from the EU to the local market following the bird flu may pressure prices.
- In expectation of a lower new season maize price and feed costs, consumers may expect that the price of broiler meat should decline as well from May 2017 onwards. This may add pressure on prices.

### **Outlook**

Internationally, the outlook for the global poultry industry in 2017 has been disrupted by a sharp increase in the number of human avian influenza cases in China. This intensely affected Chinese market conditions, as prices have declined to low levels. The avian influenza situation has significant implications, both locally and globally and is a disruption to trade. Locally, lower prices for maize from May onwards will improve the sustainability of broiler production. The 2017 maize production is expected to increase by 78,93% to reach 13,918 million tons. It is expected that prices will experience increased pressure following the positive production prospects, resulting in lower feed prices.

Livestock Prices (R/kg) week ending 24 February 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	-0.19	43.55	43.63	-0.55	65.44	65.80	-0.3	28.60	28.69	0.91	26.14	25.90
ClassC/ Baconer / Frozen birds	0.21	35.97	35.90	-0.43	50.30	50.52	-0.2	27.05	27.12	1.26	25.15	24.83
Contract / Baconer/ IQF	0.32	45.60	45.45	-0.39	65.80	66.06	-0.3	27.83	27.91	-0.54	23.79	23.92
Import parity price	-0.06	65.31	65.35	0.67	37.70	37.45	-3.3	34.4	35.6	0.40	18.2	18.1
Weaner Calves/ Feeder Lambs/	0	27.54	27.54	0	30.52	30.52	-	-	-	-	-	-
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	-2.77	45.70	47.00	-2.1	54.80	56.00	0	43.50	43.50	-8.4	23.45	25.60

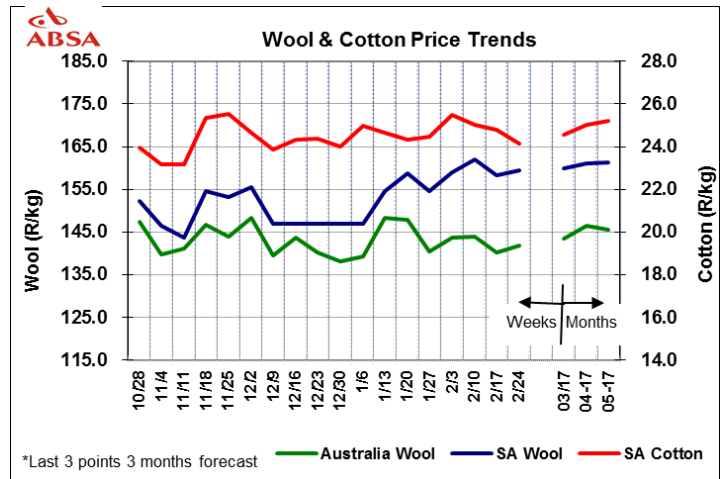
## Wool market trends

### International

The Australian wool market prices were higher and closed 0.63% higher at Au1449c/kg at the recent auction.

#### Bullish factors

- Quantities of wool at auction are starting to show signs of reduction which is usual for this time of year.
- The Australian dollar eased a little against the USD which added support to prices.
- Increasing demand for high end wool in China.
- House prices continued to increase across China in the first month of this year which may be a sign of economic well-being. The growth rates and confidence of real estate in China may lead to a sustainable wool price going forward.



### Domestic

Domestic wool market prices were 0.69% higher at the most recent sale of the season to close at R159.37 (Clean).

#### Bullish factors

- The wool market was stronger at the recent auction.
- Fine wool remained in good demand and the limited supply of good quality long and fine wool pushed prices higher.
- The quantity of wool delivered to the market declined week on week. 27.85% less volumes were offered at this week's auction compared to the volumes at the previous auction. 8784 bales were offered at this week's auction compared to 12 175 bales offered at the previous week's auction.
- The Rand was 0,4% weaker against the US Dollar compared with the average rate at the previous sale.

#### Bearish factors

- The next sale is expected to take place on 01 March 2017 where approximately ±12 531 bales will be on sale.

### Outlook

Internationally, prices are expected to remain strong due to good demand. Quantities of wool at auction are starting to show signs of subsiding which is usual for this time of year; this will add underlying support to prices. Locally, strong demand continues to add an upward pressure on market prices.

## Cotton market trends

### International

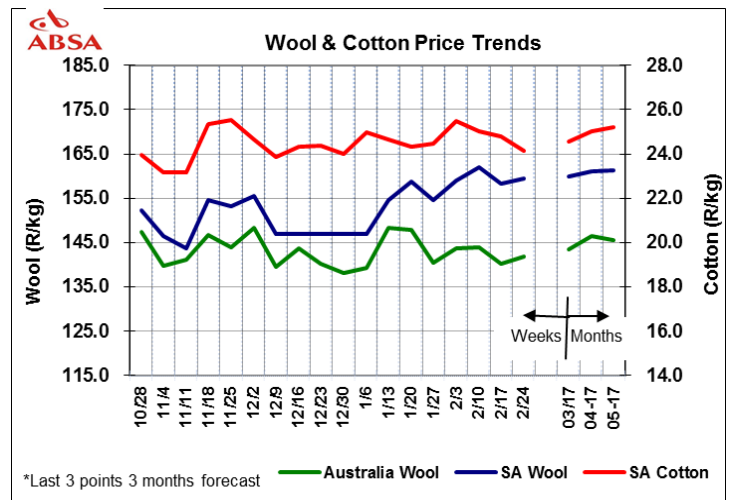
Cotton prices traded 2.00% lower over the past week and closed at US71.99c/lb.

#### Bullish factors

- The US Department of Agriculture's (USDA) forecast world cotton demand to outstrip consumption for the third year in a row, as the Chinese government continues to draw down its massive stocks. The USDA's latest cotton outlook sees consumption exceeding demand by 6.0million bales during the 2017/18 season.
- The decline in Chinese stocks could set the stage for larger imports in the season to come.

#### Bearish factors

- China's production is expected to increase for the second consecutive season, as production in the east has largely stabilized and Xinjiang production continues to grow.
- Cotlook expects higher global cotton production due to increased expectation of planted area in some of the major producing countries, including India, Pakistan and the US.
- US cotton plantings were seen soaring by 1.4m acres to a four-year high of 11.5m acres than expected.
- Growing stocks of cotton outside China may add a bearish tone to cotton prices.



### Domestic

SA cotton prices traded 2.58% lower to close at R24.14/kg. The decreases in prices were in line with declines in international prices.

### Outlook

Internationally, global cotton production is expected to be higher due to increased expectation of planted area in some of the major producing countries, including India, Pakistan and the US. Locally, the exchange rate will continue to affect market prices.

**Fibres Market Trends**
**Week ending 24 February 2017**

<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 – Jun 2017 (AU\$/kg)</b>	<b>%</b>	<b>Australian Future Sep – 2017 (AU\$/kg)</b>
<b>Wool market indicator</b>	0.69	15937	1.20	14572		-		-
<b>19µ micron</b>	-1.92	18063	1.88	18021	0.00	16.70	0.00	16.00
<b>21µ micron</b>	1.16	14661	1.01	14448	0.00	13.80	-0.37	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>	-2.58	24.15	-1.98	1.85	0.0	1.65	-0.9	1.68

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