



Agri Trends

25 April 2017

Improvement in feed costs to lead to more favourable feed: milk price ratio

The latest Crop Estimate Committee report (CEC) showed that a total of 14.5 million tons of maize is likely to be produced in 2017. The estimated maize crop is 87% higher than the crop in 2016. As a result, maize prices have declined. This bodes well with the feed intensive industries as it suggests a decline in the cost of feed from the high levels seen during the past season. Lower grain prices have resulted in an improvement in the milk: feed price ratio. Ultimately, the decline in the grain prices as well as possible increases in the producer prices will support improved milk: feed price ratio, thereby increasing the profitability of milk production.

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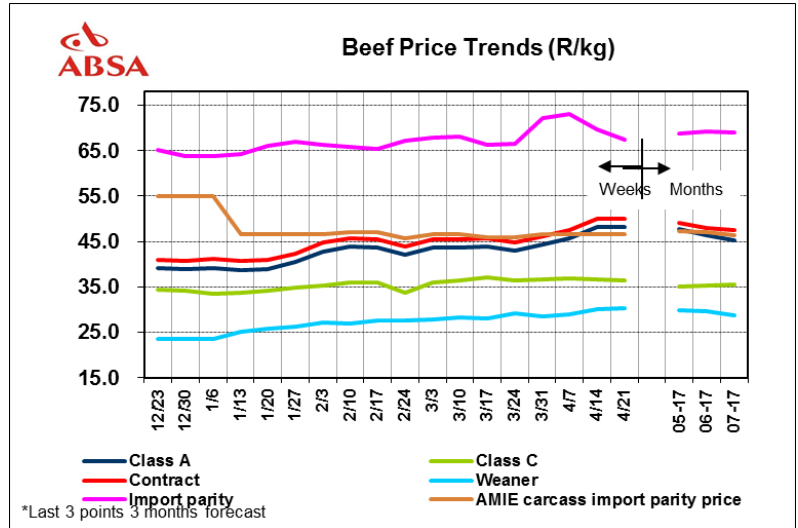
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Beef market trends

International

New Zealand steers traded sideways over the past week at 5.61NZ\$/kg and cows traded 1.41% lower at 4.20NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Top side traded 4.17% higher at \$221,16/cwt. Rump was 7.34% lower at \$343.04/cwt and Strip loin was 3.35% higher at \$694.52/cwt. Chuck traded 5.06% higher at \$227,17/cwt. Brisket traded 0.13% lower at \$214,72/cwt. The carcass equivalent price was 2.20% higher at \$319.34/cwt.



Bullish factors

- In New Zealand, low supplies together with good demand may limit market downside.
- It was reported last week that China has agreed to allow beef imports from the US for the first time since 2003. This would be a very positive development for the US beef industry. China has a large and growing middle class and has experienced steady increases in beef consumption. Export protocol negotiations are expected to determine timelines for US beef in China
- The reduction in availability of Australian and New Zealand beef are supportive to prices

Bearish factors

- Preliminary estimates show that Brazilian meat exports could drop by \$1.5 billion in 2017. This follows the recent scandal surrounding beef and poultry meat. It was reported that meat processing plants had been selling rotten beef and poultry for years. A number of countries put bans in place following the scandal. These bans remained in place for a number of days before being lifted.

Domestic

Beef prices recorded some good gains over the past week. The forecasted Absa beef prices are as follows: Class A prices are 0.16% higher at R48.20/kg. Class C prices are 0.41% lower at R36.54/kg. The average weaner calf prices over the past week were 0.6% higher at R30.28/kg. The average hide price over the past week was 0.17% lower at R14.75/kg from the previous week's price of R14.77/kg green. NB* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- An average national Class A beef prices breached the level of R48/kg over the past week. This price increased from about R39/kg the same time a year ago.
- Weaner calf prices have increased to R30.28/kg this week on the back of improved demand and less available supplies. This price increased from R20.10/kg the same time a year ago. Prices may recover in the coming month as the available supplies recover.
- The latest slaughter numbers show that 6.5% less cattle were slaughtered in February 2017 (192,186 heads) compared to January of 2017 (205,549 heads). The total 192,186 cattle were slaughtered in February 2017, which is 17% lower than the 231,700 cattle slaughtered in February 2016. Lower slaughtering is supportive to prices.
- This season's good rainfall has improved growing conditions and subsequently triggered herd building. This ultimately reduces supply of cattle.

Bearish factors

- Beef prices remain high compared to pork and poultry prices. This may lead to more demand for the cheaper poultry and pork products.

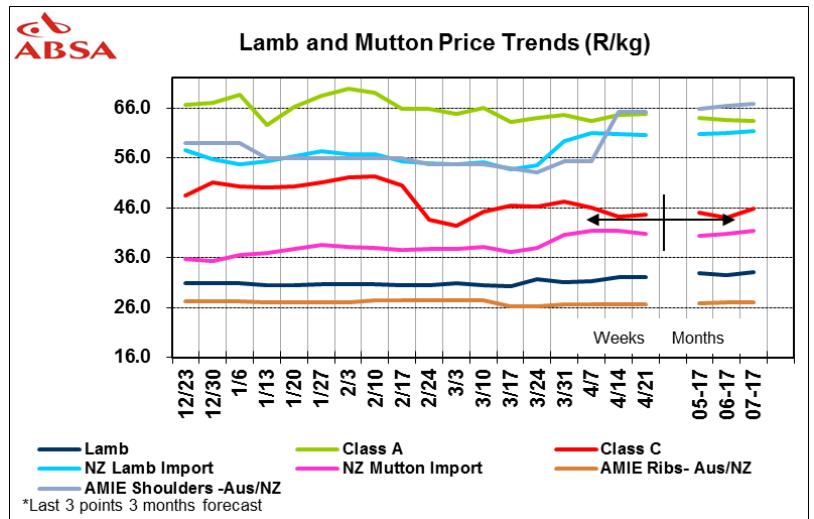
Outlook

Internationally, the reduction in availability of Australian and New Zealand beef are supportive to prices. Domestically, prices may remain supported ahead of the long weekend.

Sheep meat market trends

International

The New Zealand lamb prices were mostly higher this week compared to last week. Lamb prices closed 1.26% higher this week at NZ\$88.1/head for 15kg lamb. Lamb prices were 1.31% higher at NZ\$123.4/head for 21kg lamb. Ewe prices sideways at NZ\$75.1/head for a 21kg ewe. The import parity price for lamb was 0.57% lower at R60.50/kg while the import parity price for mutton was 1.62% lower at R40.79/kg.



Bullish factors

- Lamb supply continues to be low across New Zealand. Procurement competition is pushing lamb prices up in both islands of New Zealand.
- In Australia, low supply and high slaughter prices have forced the temporary closure of several sheep processing plants. Australian processors have indicated that they will consider re-opening once they are able to assess spring lambing rates.
- Global lamb prices are currently high. The low global inventories and continuing low supply are keeping market prices high.

Bearish factors

- There are some concerns that prices are reaching levels that are too high and may result in downwards pressure in the coming months. If prices increase too much, this may see customers switch to alternative proteins.

Domestic

Lamb and mutton prices were mixed over the past week. Lamb and mutton prices are expected as follows: The average Class A lamb prices 0.26% higher at R64.80/kg and the average Class C at 0.36% lower to reach R44.10/kg. The average price for feeder lambs traded sideways at R32.17/kg. The average price for dorper skin was 5.93% lower at R41.25/skin and merinos were 1.03% higher at R93.27/skin.

Bullish factors

- Lamb, mutton and pork prices remain supported. Good grazing conditions this season are encouraging the herd rebuilding phase.
- High meat prices and low feed costs are supporting the lamb and mutton market.

Bearish factors

- Consumer resistance to high lamb and mutton prices may increase price risk. Lamb and mutton prices remain the expensive meat in the market.

Outlook

Internationally, the low global inventories and continuing low supply are keeping market prices high. The shortage of product from both Australia and New Zealand continue to support lamb and mutton prices. Locally, prices may remain supported ahead of the long weekend.

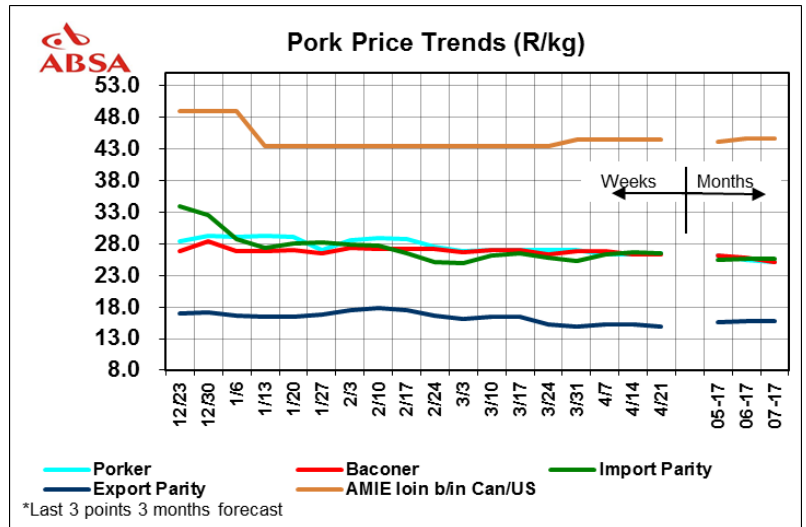
Pork market trends

International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 0.2% lower at US\$74.57/cwt, Loin prices were 0.3% higher at US\$74.59/cwt, Rib prices were 1.9% higher at US\$119,08/cwt and ham was 2.8% higher at US\$57.19/cwt.

Bullish factors

- Higher US pork production increases the importance of exports. Higher imports are supportive to prices.
- Currently, many hog farmers in China are forced to shut down or demolished due to the environmental policy. The Government's need to consider its policy package to address concerns of both environment protection and pork supply in terms of land law and subsidies is limiting China's swine production.



Bearish factors

- Robust growth in overall pork production and ample supplies in the US may pressure prices.
- The USDA's March Hogs and Pigs report indicates slaughter hog numbers this Autumn are expected to be even higher than one year ago however new processing capacity coming on line in the US is expected to help keep pace with that expanded production.

Domestic

Pork prices haven't shown a positive trend in current weeks, but prices are expected to improve moving forward. Absa forecast prices are as follows: Porker prices are 0,4% higher at R26.45/kg while Baconer prices are 0.2% lower at R26.30/kg. Prices are expected to follow an upward trend in the short term supported by expected improvement in demand.

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 the pigs.

Outlook

Internationally, abundant pork supplies in the US will be met by good demand. Prices are under pressure due to ample hog supplies ahead. Prices are expected to follow an upward trend in the short term supported by expected improvement in demand. Lower feed costs will also support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of the pigs.

Poultry market trends

International

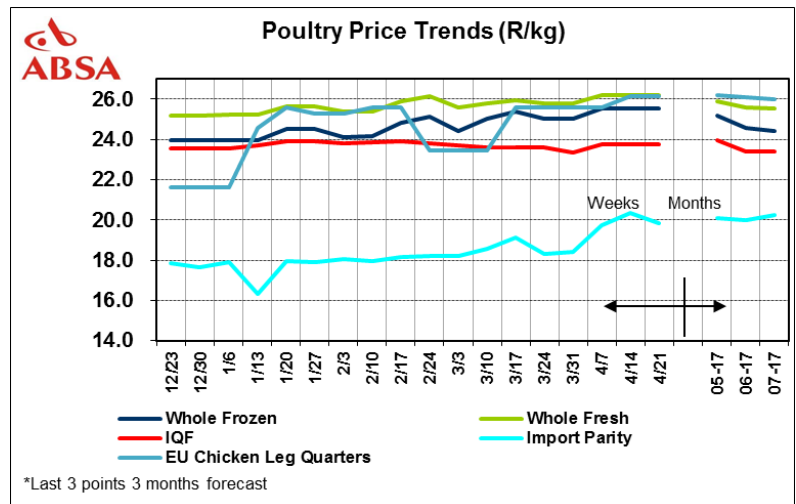
Poultry prices in the US were mixed over the past week. Whole bird prices were 0.05% lower at 96.44USc/lb. Breasts traded 7.23% higher at 133,50Sc/lb, whilst Leg Quarters traded 1.27% lower at 39,00USc/lb.

Bullish factors

- Chicken is a least expensive protein, which may lead to more consumers to buy chicken instead of pork or beef, supporting chicken prices.

Bearish factors

- China's H7N9 cases increase, led by infections in Beijing. After several weeks of declining H7N9 avian influenza activity, China's cases are rising again. Avian Influenza has become a major concern for industries in many parts of the world especially in Asia, Europe, Africa and North America.



Domestic

The average poultry prices over the past week were sideways. The average prices for frozen birds were sideways at R25.55/kg during the week. Whole fresh medium bird prices were sideways at R26.19/kg while IQF prices were sideways at R23.77/kg.

Bullish factors

- Positive demand in the market currently supports prices.
- 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 return of exports from the EU to the local market following the bird flu may pressure prices.

Outlook

Internationally, Avian Influenza continues to remain a problem, bringing uncertainties by disrupting trade. Locally, poultry prices may be supported by good demand currently, as well as higher beef, lamb and mutton prices.

The industry as a whole will benefit from cheaper feed costs in 2017, following high costs in 2016 due to the drought conditions. This season's good rainfall improved growing conditions which led to higher crops. 14.536 million tons of maize may be produced in 2017, which bodes well with the feed intensive industries.

| Livestock Prices (R/kg) week ending 21 April 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 | 0.16 | 48.20 | 48.12 | 0.26 | 64.80 | 64.63 | 0.4 | 26.45 | 26.35 | 0 | 26.19 | 26.19 |
| ClassC/ Baconer / Frozen birds | -0.41 | 36.54 | 36.69 | -0.36 | 44.10 | 44.26 | -0.2 | 26.30 | 26.35 | 0 | 25.55 | 25.55 |
| Contract / Baconer/ IQF | 0.15 | 50.03 | 49.96 | 0.40 | 65.57 | 65.31 | 0.1 | 26.38 | 26.35 | 0 | 23.77 | 23.77 |
| Import parity price | -3.06 | 67.53 | 69.66 | -1.6 | 40.79 | 41.46 | -2.9 | 32.8 | 33.7 | -2.60 | 19.8 | 20.4 |
| Weaner Calves/ Feeder Lambs/ | 0.6 | 30.28 | 30.11 | 0 | 32.17 | 32.17 | - | - | - | - | - | - |
| Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4 | 0 | 46.60 | 46.60 | 0 | 65.20 | 65.20 | 0 | 44.50 | 44.50 | 0 | 26.15 | 26.15 |

Wool market trends

International

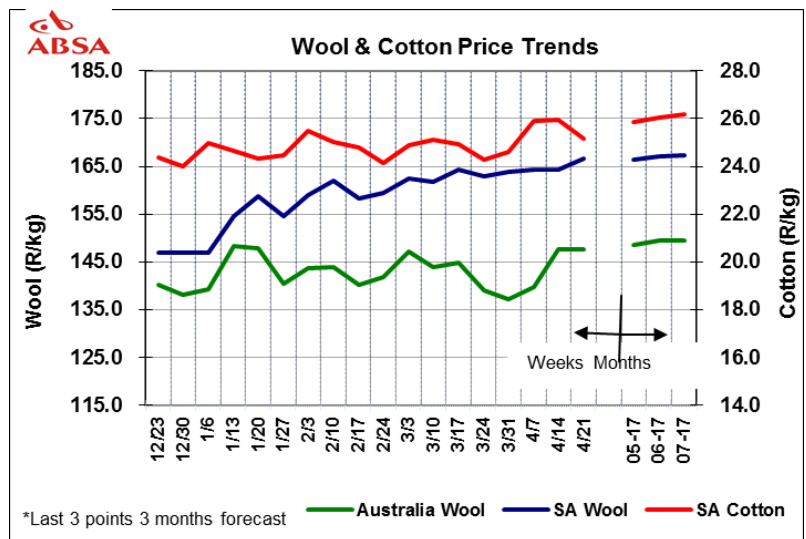
There was no auction in Australia this week; the last auction was during the week which ended on the 14th of April 2017. The Australian wool market prices were higher and closed 3.63% higher at Au1512c/kg at the last auction.

Bullish factors

- Strong demand has supported wool prices in the past weeks.

Bullish factors

- Australian wool prices are at record levels, and as a result, may experience a correction.



Domestic

Domestic wool market prices were 1.45% higher at the most recent sale of the season to close at R166.73 (Clean).

Bullish factors

- The wool market performed well due to a smaller offering.
- Excellent demand for good quality long wool increased.

Bearish factors

- The Rand was 2,5% stronger against the US Dollar compared with the average rate at the previous sale.
- Higher volumes are expected to be on offer at the next sale which will be on the 26th of April 2017.

Outlook

Strong demand continues to provide support for the domestic and international wool market.

Cotton market trends

International

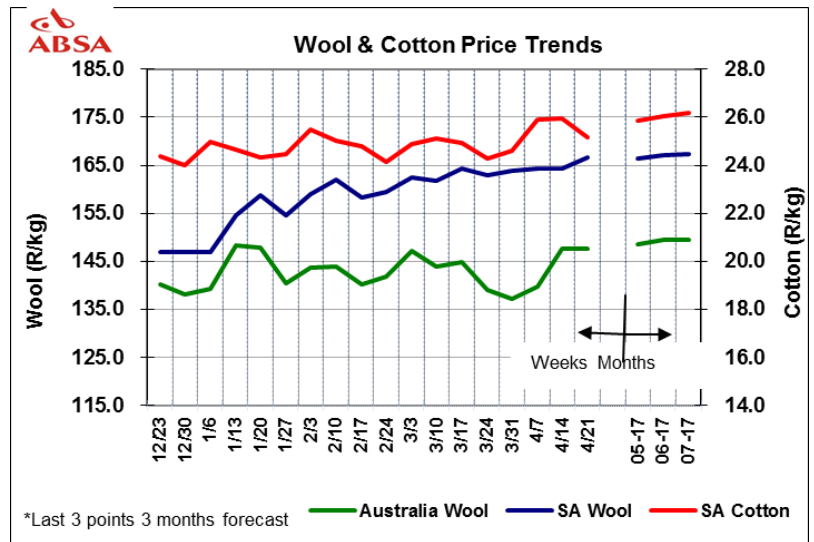
Cotton prices traded 4.28% higher over the past week and closed at US75.49c/lb.

Bullish factors

- Tightness of US old crop stocks may add support to the cotton market.
- Poor to average response to state auction in China may support world cotton prices.

Bearish factors

- Indian cotton market came under pressure on reports of higher imports.
- The USDA increased ideas of world production. Higher output from China and Brazil more than offset the reduced forecasts for Australia's cotton crop, leading to a higher global 2016 carry out.



Domestic

SA cotton prices traded 2.99% lower to close at R25.16/kg. The decreases in prices were in spite of increases in international prices and the weakening of the exchange rate.

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 ending 21 April 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 | 1.45 | 16673 | 1.86 | 15374 | | - | | - |
| 19µ micron | 1.79 | 20254 | 3.76 | 19410 | 5.95 | 18.70 | 0.00 | 17.00 |
| 21µ micron | 3.94 | 14963 | 6.95 | 15309 | 7.01 | 14.50 | 1.49 | 13.60 |
| Cotton prices | | SA derived Cotton (R/kg) | | New York A- Index (US\$/kg) | | New York future May- 2017 (US\$/kg) | | New York future Jul-2017 (US\$/kg) |
| Cotton Prices | -2.99 | 25.16 | -0.23 | 1.89 | 5.9 | 1.765 | 3.4 | 1.744 |

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