



## Agri Trends

16 May 2017

### Positivity in the Namibian livestock market drawn from the South African market

The average South African weaner calf prices continued to see good gains in recent weeks due to improved demand and fewer supplies available in the market. This strong demand is also good news for Namibian producers, with support from the South African market spilling over into this market. Weaner prices in Namibia are also following an upward trend mainly due to high demand for Namibian weaners in the South African feedlots, for which most of the Namibian weaners are destined. Latest data suggest that the Namibian weaner prices increased by 20%, from N\$17.59/kg in February 2017 to a high of N\$21.08/kg during March 2017. As a result of the herd rebuilding by South African producers, a lot of weaners are being held back. This has brought about an opportunity for Namibian weaners to fill up this space, hence the increase in prices. The increase in prices is a welcome relief for Namibian producers.

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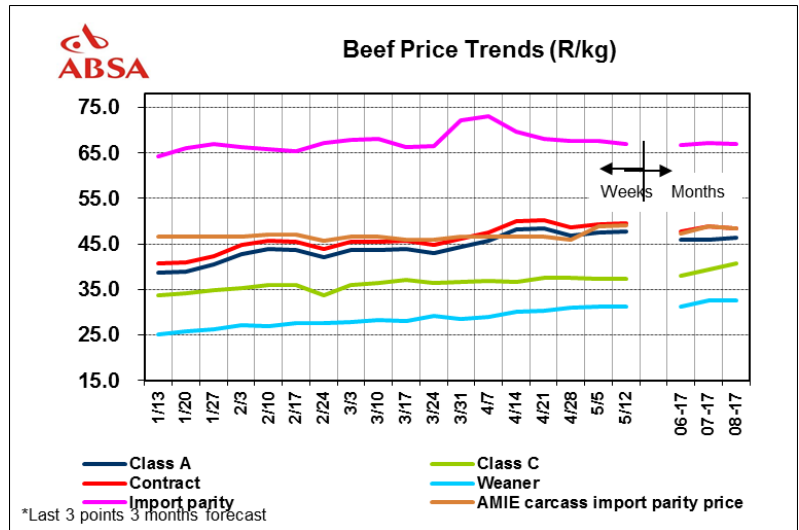
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# Beef market trends

## International

New Zealand steers traded sideways over the past week at 5.61NZ\$/kg and cows traded sideways at 4.18NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 1.40% higher at \$239.63/cwt. Rump was 1.24% higher at \$367.26/cwt and strip loin was 3.87% higher at \$825.51/cwt. Chuck traded 0.25% lower at \$238.85/cwt. Brisket traded 3.70% higher at \$229.64/cwt. The carcass equivalent price was 2.57% higher at \$356.76/cwt.



## Bullish factors

- The US is expected to regain access for beef exports to the Chinese market. This is as China is ready to start importing US beef for the first time in 14 years, following last month's trade talks between President Donald Trump and Chinese Premier Xi Jinping. The deal is subject to further technical talks on import standards but is expected to start no later than mid-July. In return, the US has agreed to open up to imports of cooked chicken products from China.
- For 2018, larger beef supplies and lower prices are expected to support stronger US beef exports. The 2017 beef and pork export forecasts are raised as demand is expected to remain strong.
- Tight supplies from both Australia and New Zealand will continue to underpin the beef market.

## Bearish factors

- Cattle placements in the US during the second half 2017 and early 2018 are forecast higher; these cattle will be slaughtered during 2018, supporting higher beef production. Carcass weights are expected to be higher.
- US cattle and hog prices for 2018 are forecast to decline relative to 2017 as both cattle and hog supplies are expected to increase.
- Beef imports into the US are forecast higher as supplies of domestic processing-grade beef remain relatively tight and supplies of beef increase in key exporting countries.

## Domestic

Beef prices were mixed over the past week, with Class A showing some good gains and Class C losing some ground week on week. The forecasted Absa beef prices are as follows: Class A prices are 0.41% higher at R47.66/kg. Class C prices are 0.15% lower at R37.30/kg. The average weaner calf prices over the past week were 0.04% higher at

R31.29/kg. The average hide price over the past week was 1.15% lower at R14.58/kg from the previous week's price of R14.75/kg green. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

### *Bullish factors*

- 6.4% fewer cattle were slaughtered during March 2017 compared to March 2016. As more cattle were slaughtered during the past drought, there is supply tightness in the market. This season's good rainfall has improved growing conditions and subsequently triggered herd building. This ultimately adds to the reduction in cattle supplies.
- Average weaner calf prices continued to see good gains. Average weaner calf prices increased to R31.29/kg this week 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*

- 17.9% more cattle were slaughtered during March 2017, compared to February 2017. While this is in line with seasonal trends, high producer prices for both the domestic and export markets and the deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh down on prices.
- Demand may start to ease after the Easter period.

### **Outlook**

Internationally, the reduction in availability of Australian and New Zealand beef and higher exports from the US are supportive to prices. Domestically, high producer prices for both the domestic and export markets and the deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh down on prices.

## Sheep meat market trends

### International

New Zealand lamb prices traded mostly sideways this week compared to last week. Lamb prices closed sideways at NZ\$90.0/head for 15kg lamb. Lamb prices were sideways at NZ\$126.0/head for 21kg lamb. Ewe prices traded sideways at NZ\$78.2/head for a 21kg ewe. The import parity price for lamb was 1.12% lower at R61.39/kg, while the import parity price for mutton was 1.08% lower at R41.97/kg.

#### Bullish factors

- Global demand for sheep meat remains firm due to tighter supplies from the two largest exporters, Australia and New Zealand. This has led to improved domestic and export prices.
- New Zealand is about to resume shipments of lamb to Iran, after an absence of two decades.

#### Bearish factors

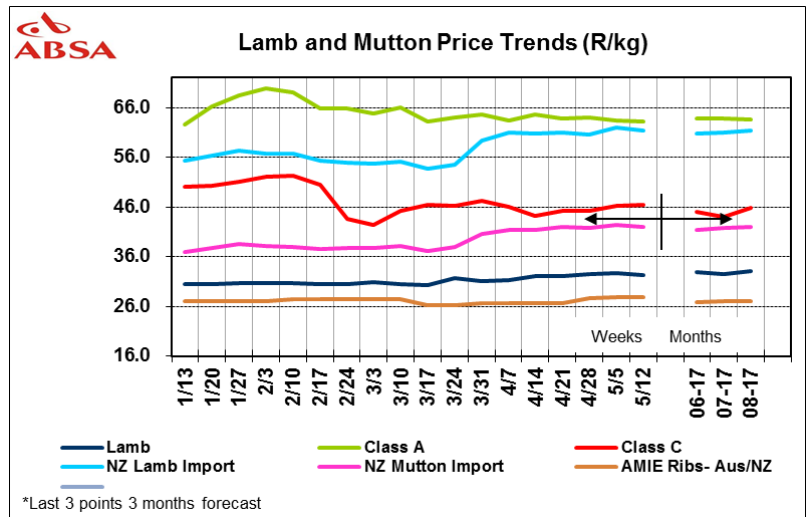
- There are some concerns that prices are reaching levels that are too high and may result in downward pressure in the coming months. If prices increase too much, this may see customers switch to alternative proteins.

### 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 were 0.36% lower at R63.20/kg and the average Class C 0.21% higher at R46.42/kg. The average price for feeder lambs traded 1.3% lower at R32.18/kg. The average price for dorper skin was 0.81% higher at R40.83/skin and merinos were 2.88% higher at R90.96/skin.

#### Bullish factors

- 11.49% less sheep were slaughtered in March 2017 compared to March 2016. This may be due to more animals having been slaughtered during the 2015/16 drought. This season's good rainfall has improved



growing conditions and subsequently triggered herd building. This ultimately adds to the reduction in sheep supplies.

- High meat prices and low feed costs are supporting the profitability of the sheep industry.

### *Bearish factors*

- 12.38% more sheep were slaughtered during March 2017 compared to February 2017. While this is in line with seasonal trends, high producer prices and the deterioration in grazing conditions going into winter may support increased slaughter and therefore weigh down on prices.
- Prices may taper off as demand normalises after increased spending associated with the Easter holidays.
- 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, limited global supplies and good demand are supporting prices for sheep. Locally, prices may taper off as demand normalises after increased spending associated with the Easter holidays.

## Pork market trends

### International

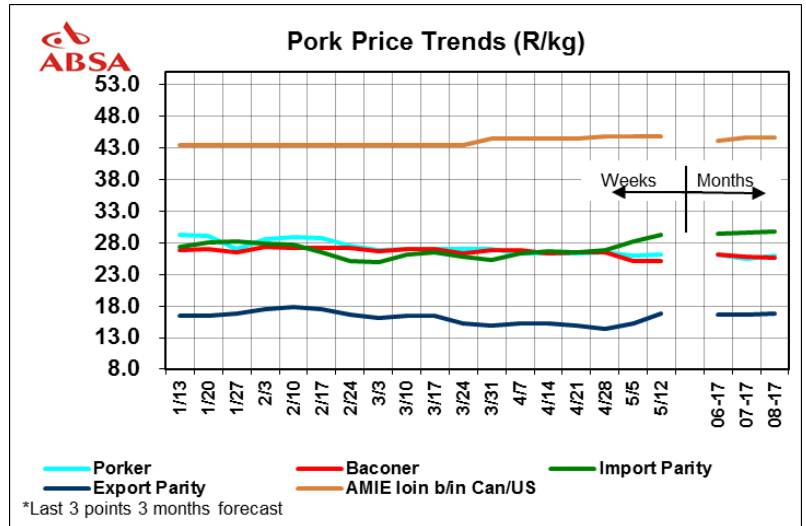
The average weekly US pork prices were mostly higher over the past week. Carcass prices were 6.1% higher at US\$80.58/cwt, loin prices were 5.8% higher at US\$81.40/cwt, rib prices were 6.9% higher at US\$127.25/cwt and ham was 3.8% higher at US\$64.45/cwt.

### Bullish factors

- In the US, the total red meat and poultry production for 2017 is expected to be lower from the previous month due to lower beef, pork and broiler production.
- The 2017 beef and pork export forecasts are expected to be higher in the US as demand is expected to remain strong.
- The 2017 US cattle and hog price forecasts are expected to increase due to recent price strength and expectations that demand will remain relatively firm throughout the year.
- For 2018, US pork exports are forecast to increase as expanding supplies and competitive prices support demand for pork. US pork imports are forecast to decline as domestic supplies are expected to put pressure on prices.

### Bearish factors

- Pork production in 2018 is forecast higher on expected increased farrowing and continued gains in sow productivity.
- Cattle and hog prices for 2018 are forecast to decline relative to 2017 as both cattle and hog supplies are expected to increase.



## Domestic

Pork prices have declined week on week. Prices are expected to recover moving forward and the forecasted Absa prices are expected as follows: Porker prices are 0,4% higher at R26.10/kg, while baconer prices are 0.3% higher at R25.16/kg.

### *Bullish factors*

- Underlying support from higher livestock prices.

### *Bearish factors*

- 0.04% more pigs were slaughtered during March 2017 compared to February 2017.
- Lower feed costs will support the intensive pork industry, improving profitability. The lower feed costs are encouraging to the fattening of pigs.

## Outlook

Internationally, increases in global pork production may weigh down on prices, but the recovery in global pork production could drive exports. Demand for pork is strong, especially in China.

Locally, pork prices may move sideways. Lower feed costs may support the intensive pork industry, improving profitability.

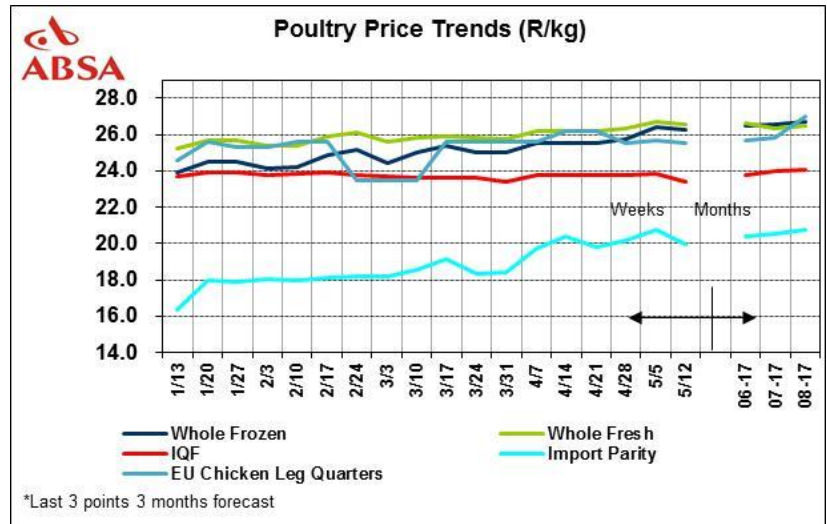
## Poultry market trends

### International

Poultry prices in the US were mixed over the past week. Whole bird prices were 5.18% higher at 104.25USc/lb. Breast traded 1.04% higher at 146.00USc/lb, while leg quarters traded 7.14% lower at 39.00USc/lb.

#### Bullish factors

- The US 2017 broiler price forecast may increase as second quarter prices increase due to recent price strength.
- Lower forecast second quarter production in the US may lower broiler production in 2017.
- The 2018 broiler and turkey exports in the US are forecast higher on expected continued gains in foreign demand.



#### Bearish factors

- Total red meat and poultry production for 2018 in the US is projected higher than 2017 on increased livestock and poultry production.
- In 2018, higher broiler and egg production reflects expanded production in the US in response to moderate feed prices and relatively strong 2017 prices.

### Domestic

The average poultry prices over the past week were lower. The average prices for frozen birds were 0.49% lower at R26.25/kg during the week. Whole fresh medium bird prices were 0.37% lower at R26.59/kg, while IQF prices were 1.71% lower at R23.43kg.

#### Bullish factors

- Better demand for local products on the back of reduced supplies due to bird flu in the EU is supporting prices.
- Higher lamb, mutton and beef prices may support the poultry market.



- Reports indicate that the South African Poultry Association has shown that egg prices could increase due to a shortage caused by many small farmers going bankrupt. This is as small farmers (defined as those with between 5 000 and 40 000 hens) were squeezed out of business by the drought which pushed feed prices higher.

### *Bearish factors*

- Prices may taper off slightly after heavy uptake during the Easter period.
- The return of exports from the EU to the local market following bird flu may put pressure on prices.

### **Outlook**

Internationally, avian influenza continues to remain a problem, bringing uncertainties by disrupting trade. Strong US exports may limit declines in prices.

Locally, poultry prices may remain stable in the short term. The industry as a whole will benefit from cheaper feed costs in 2017.

Livestock prices (R/kg) week ended 12 May 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	0.41	47.66	47.47	-0.36	63.20	63.43	0.4	26.10	25.99	-0.37	26.59	26.68
Class C/Baconer /Frozen birds	-0.15	37.30	37.36	0.21	46.42	46.32	0.3	25.16	25.09	-0.49	26.25	26.38
Contract/Baconer/IQF	0.35	49.47	49.30	-0.31	63.47	63.67	0.4	25.63	25.54	-1.71	23.43	23.84
Import parity price	-1.12	66.90	67.66	-1.08	41.97	42.43	5.3	35.2	33.4	-3.98	20.0	20.8
Weaner calves/ Feeder lambs	0.04	31.29	31.27	-1.3	32.18	32.62		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	0.02	49.00	48.99	-1.9	55.50	56.60	0	44.90	44.90	-0.78	25.50	25.70

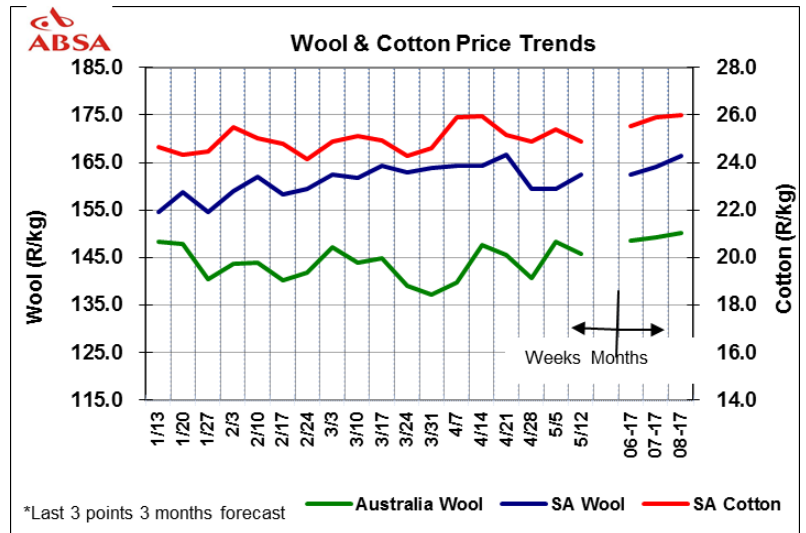
## Wool market trends

### International

Australian wool market prices were lower and closed 0.65% lower at Au1534c/kg at the latest auction.

#### Bullish factors

- Wool buyers are concerned about supply for the remainder of the season, as the forecast national offering declines. The reduction in volumes in both Australia and South Africa may support prices.
- Brokers have reported that large numbers of Australian growers have shorn sheep earlier than usual (at 6-9 months' growth) in order to benefit from the recent higher prices. This wool will therefore not be available at its usual offering time, potentially creating a forward wool shortage and putting upward pressure on prices.



#### Bearish factors

- Merino wool prices have declined this week as fleece with high vegetable matter content and more prematurely shorn clips weighed down on prices.
- Next week, smaller volumes are expected at the Australian auction.
- Australian wool prices are at record levels, and as a result, may experience a correction.

### Domestic

Domestic wool market prices were 1.84% higher at the most recent sale of the season to close at R162.37 (clean).

#### Bullish factors

- The rand was 2.8% weaker against the US dollar compared with the average rate at the previous sale.
- Volumes are on the decline with the season tapering off.
- Good demand for good quality long-fleece wool.

### *Bearish factors*

- Slightly higher volumes are expected to be on offer at the next auction.

### **Outlook**

Internationally, a big factor affecting pricing currently is the quality of the wool and the types on offer, and this variability is expected to influence 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.

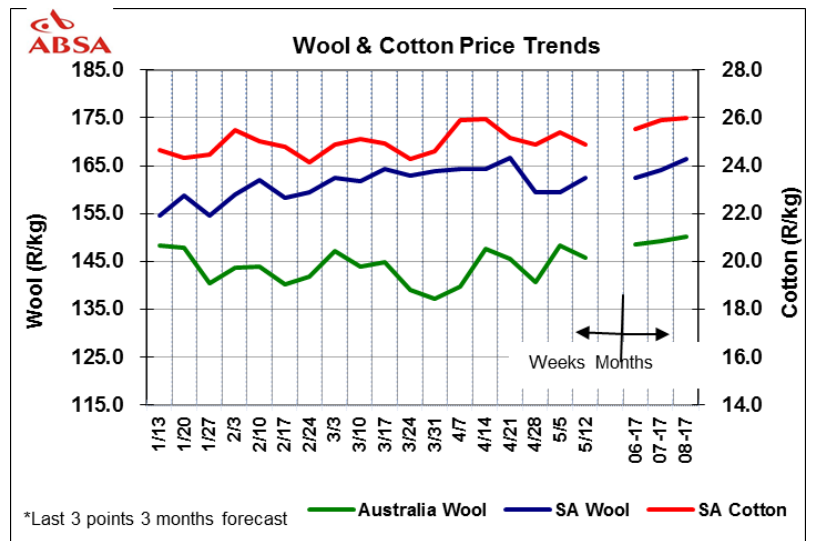
## Cotton market trends

### International

Cotton prices traded 1.80% lower over the past week and closed at US74.33c/lb.

#### Bullish factors

- Positive US export data supported cotton prices over the past week.
- Higher exports from the US may be an indication of some tightness in the world market.
- The July cotton contract closed up the exchange maximum of 3.00 cents (3.8%) at 82.18 cents a pound, the highest level in nearly three years for a spot contract.



#### Bearish factors

- The US Department of Agriculture (USDA) expects global cotton production of 113.2m bales in 2017/18. The USDA was still predicting a figure of 108m bales back in February.
- The threat of cotton's price surge losing its demand to rival fibres.

## Domestic

SA cotton prices traded 1.95% lower to close at R24.88/kg. The decreases in prices were in line with decreases in international prices, in spite of the weakness in the South African rand. The third estimate for the 2016/17 cotton production year indicates a total crop of 74 173 lint bales, which is an increase of 47% from the previous season.

## 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 ended 12 May 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>	1.84	16237	-0.39	15338		-		-
<b>19µ micron</b>	-4.98	18265	-1.13	19401	0.00	18.90	0.00	18.20
<b>21µ micron</b>	-0.82	14229	-2.14	14962	0.00	14.80	-1.40	14.10
<b>Cotton prices</b>		<b>SA derived cotton (R/kg)</b>		<b>New York A Index (US\$/kg)</b>		<b>New York future Jul 2017 (US\$/kg)</b>		<b>New York future Oct 2017 (US\$/kg)</b>
<b>Cotton prices</b>	-1.95	24.88	-2.39	1.85	0.3	1.746	-2.8	1.63

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