



## Agri Trends

15 June 2017

### Outbreak of bird flu in Zimbabwe

Zimbabwe's poultry industry was recently hit by an outbreak of highly pathogenic avian influenza, which affected thousands of chickens at a poultry farm near Harare. At this stage, there is no impact on South Africa, even though the risk profile has now gone up. The origin seems to be wild ducks who are migrating i.e. they will continue to move southwards before heading to Europe again, which is where this strain has originated. Unfortunately, one cannot stop the wild ducks flying and therefore early detection is the best way of dealing with the risk. The Department of Agriculture, Forestry and Fisheries (DAFF), academics, private veterinarians and the industry are determined to work on various methods which will increase the likelihood of early detection. The poultry industry has also indicated that it will also remind farmers about biosecurity requirements. The risks associated with this bird flu outbreak are expected to persist for another month or so. This is the first time that HPAI has been found in commercial chickens in Zimbabwe. It has never been found in commercial chickens in South Africa although it has been found in ostriches in both countries in the past.

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# Beef market trends

## International

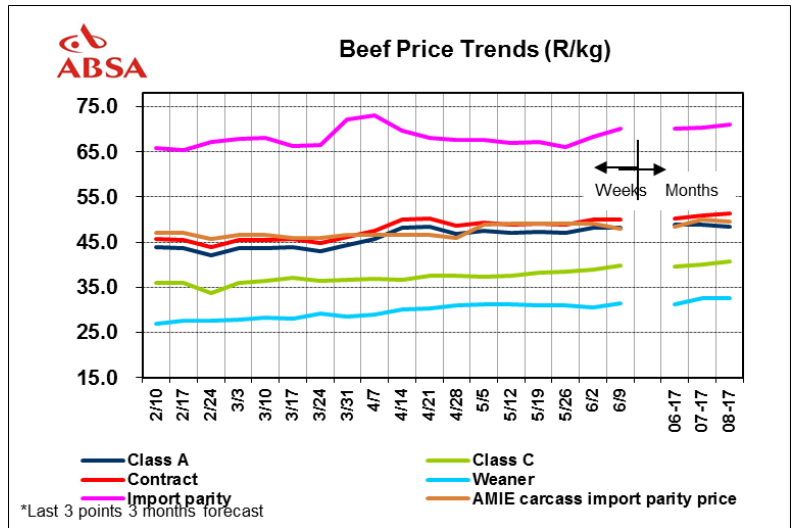
New Zealand steers traded sideways over the past week at 5.66NZ\$/kg and cows traded 0.47% higher at 4.31NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 7.03% higher at \$251.85/cwt. Rump was 0.55% higher at \$363.53/cwt and strip loin was 4.61% higher at \$816.97/cwt. Chuck traded 3.75% higher at \$232.83/cwt. Brisket traded 20.78% higher at \$298.21/cwt. The carcass equivalent price was 7.80% higher at \$374.80/cwt.

### Bullish factors

- Meat production in the US is growing more slowly than previously expected. The 2017 forecast for total meat production by the US department of Agriculture's (USDA) World agricultural supply and demand estimates (Wasde) report is expected lower from last month. Beef production for 2017 is lowered primarily on lighter carcass weights which more than offsets higher expected slaughter in the later part of 2017.
- The USDA has indicated that the US has moved one step closer toward resuming its beef export to China after trade rules have been finalised. The country has reached agreements with China on final details of a protocol to allow it to export beef to China. Beef destined for China must be sourced from cattle that were born, raised and slaughtered in the US, or animals that were imported from Canada and Mexico before being slaughtered domestically, according to the agricultural department. Cattle must be traceable either to their birth farm or, if initially imported into the US. Most of the agreements are expected to be implemented by 16 July.

### Bearish factors

- Higher expected placements in the US may support a higher 2018 beef production forecast
- Expectations for softer prices post Memorial Day may be bearish to the beef market. Beef prices typically decline in June following increased buying from retailers for outdoor grilling during the US Memorial Day holiday weekend at the end of last month.



## Domestic

Beef prices were mixed over the past week, with some classes losing some ground slightly over the past week. In general, prices remained strong and are still at high levels. Class A prices are 0.28% lower at R48.16/kg. Class C prices are 2.20% higher at R39.85/kg. The average weaner calf prices over the past week were 2.8% higher at R31.49/kg. The average hide price over the past week was 0.63% lower at R14.49/kg green. The international hide markets have taken a sharp downturn; and this coupled with the strength in the South African rand weighs down on prices. The hide market is also approaching a quiet season. All these factors are expected to weigh down on prices moving forward. 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 beef prices remained strong over the past week due to good demand.
- 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, strong consumer demand on the global market and less supplies in the major exporting countries of New Zealand and Australia may support prices. Domestically, high demand is currently supporting prices in the market.

## Sheep meat market trends

### International

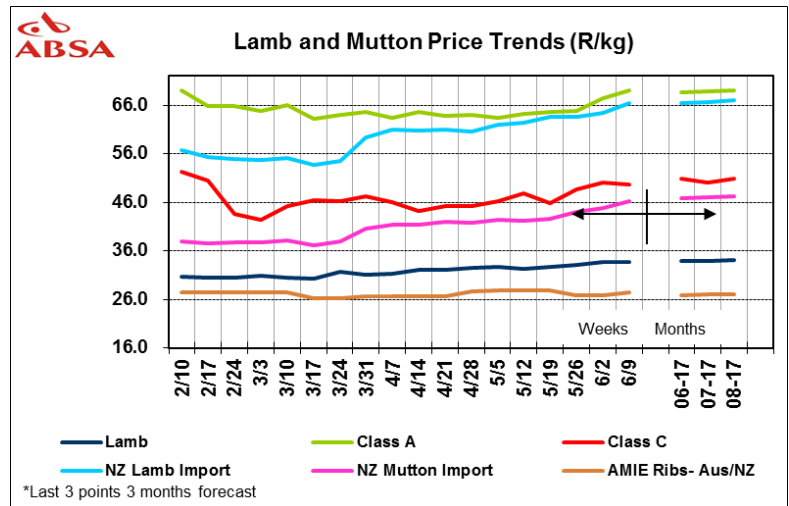
New Zealand lamb prices traded mostly higher this week compared to last week. Lamb prices closed 0.84% higher at NZ\$96.4/head for 15kg lamb. Lamb prices were 0.75% higher at NZ\$134.9/head for 21kg lamb. Ewe prices traded 1.18% higher at NZ\$86.1/head for a 21kg ewe. The import parity price for lamb was 2.91% higher at R66.35/kg, while the import parity price for mutton was 3.06% higher at R46.13/kg.

### Bullish factors

- Global lamb markets continue with the positive trend.
- New Zealand lamb prices have been increasing steadily for several months supported by tighter supply combined with strong global market prices.
- Demand for New Zealand product internationally is strong, and declining sheep numbers have limited the volumes available.

### Bearish factors

- In New Zealand, currency has become a major limiting factor for lamb this past week as the New Zealand Dollar strengthened against the GBP, Euro and US dollar through last week, weighing down on prices.
- Growing signs that global lamb prices may have reached their limit may weigh down on prices. While prices in lamb markets continue to be firm, there are growing signs that there will be resistance to further increases for some items. The market appears to have reached its maximum levels, but that does not mean that prices are headed for a sharp fall.



## Domestic

Lamb and mutton prices were mostly higher over the past week. There are classes however which recorded slight drops. Lamb and mutton prices were as follows: The average Class A lamb prices increased by 2.49% to R69.15/kg and the average Class C prices decreased by 0.53% to R49.73/kg. The average price for feeder lambs traded 0.1% lower at R33.67/kg. The average price for dorper skin is 0.43% higher at R42.00/skin and merinos were 10.98% higher at R106.93/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, While currency factors will play a large role in price direction going forward, global lamb markets continue with the positive trend due to good demand. Locally, lamb and mutton prices are strong, supported by good demand.

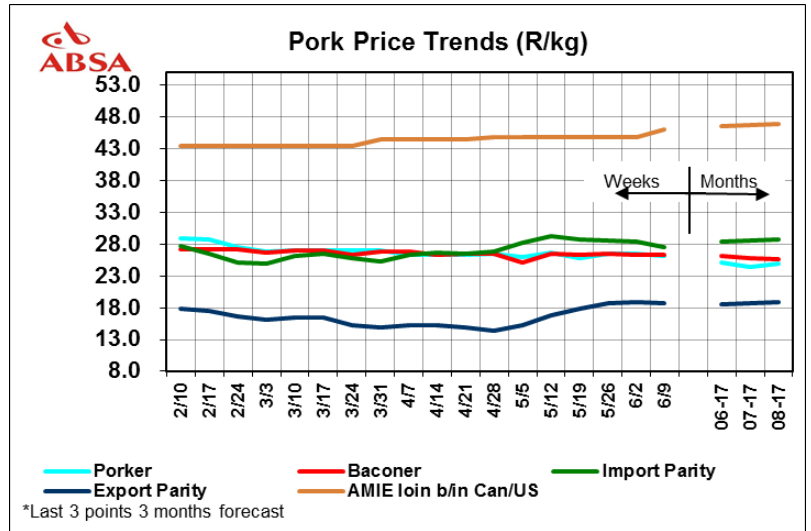
# Pork market trends

## International

The average weekly US pork prices were mixed over the past week. Carcass prices were 0.6% higher at US\$90.63/cwt, loin prices were 2.0% higher at US\$90.61/cwt, rib prices were 1.7% lower at US\$140.56/cwt and ham was 2.1% lower at US\$63.64/cwt.

### Bullish factors

- Pork production for 2017 is expected lower by the Wasde report due to the current pace of second-quarter slaughter and lighter carcass weights.
- Hog prices may remain supported due to expected strong demand next year.



### Bearish factors

- A big hog supplies in the US may pressure prices.

## Domestic

Pork prices were mixed across the different classes. The latest pork prices are as follows: The average porker prices are 1,3% lower at R26.08/kg, while the average baconer prices are sideways at R26.30/kg. The average cutters prices were 0.1% lower of R26.89/kg whilst the average heavy baconer were 0.1% higher at R25.57. The SAU price is R18.72/kg and the SAB price is R22.29/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 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.

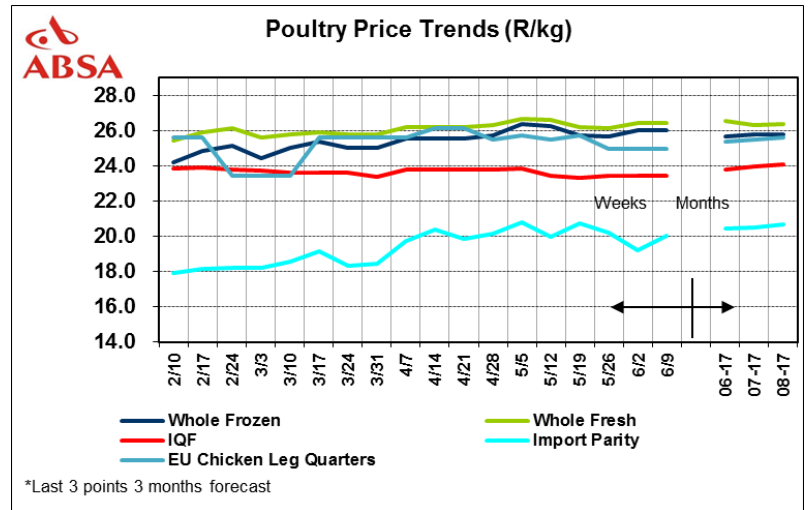
## Poultry market trends

### International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 2.60% lower at 112.61USc/lb. Breast traded 8.12% lower at 158.50USc/lb, while leg quarters traded 9.21% higher at 41.50USc/lb.

#### Bullish factors

- Broiler production for 2017 is expected lower by the USDA Wasde report due to the pace of second quarter slaughter.
- Broiler prices for 2017 and 2018 are expected higher by the USDA on expectations of continued strong demand.
- Demand for US red meat and poultry products in global markets remains strong, helping sustain industry expansion



#### Bearish factors

- According to the national health authority, China reported 37 human deaths from H7N9 bird flu in May, up from 24 in April. 72 cases of human infection from H7N9 bird flu during May were also reported. Outbreaks of bird flu weigh down on demand for poultry.

### Domestic

The average poultry prices over the past week were sideways. The average prices for frozen birds were the same at R26.02/kg during the week. Whole fresh medium bird prices were sideways higher at R26.41/kg, while IQF prices were the same at R23.41kg.

#### Bullish factors

- The government is seeking to establish new export markets for the local poultry industry in order to drive competitiveness.



- The increase in domestic prices can be attributed to the timely impact of import bans on EU broiler meat from the EU due to Bird Flu and to a lesser extent the imposed 13.9% safeguard duty on frozen chicken legs imported from the European Union (EU) to help the ailing local industry.

### *Bearish factors*

- Imports from the EU picked up slightly as some of the plants have been cleared. The volumes from these plants are however not significant.
- As soon as the prevalence of the Bird Flu threat in the EU subsides an increase in poultry imports will continue to hurt the local industry.

### **Outlook**

Internationally, positive economic growth and consumer demand are supportive to poultry prices. Locally, poultry prices may remain stable in the short term due to good demand experienced in the market currently.

Livestock prices (R/kg) week ended 09 June 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	-0.28	48.16	48.29	2.49	69.15	67.47	-1.3	26.08	26.42	0	26.41	26.41
Class C/Baconer /Frozen birds	2.20	39.85	39.00	-0.53	49.73	49.99	0	26.30	26.30	0	26.02	26.02
Contract/Baconer/IQF	-0.29	49.96	50.10	1.45	69.16	68.17	-0.7	26.19	26.36	0	23.41	23.41
Import parity price	2.61	70.09	68.30	3.06	46.13	44.76	-0.9	36.8	37.1	4.24	20.0	19.2
Weaner calves/ Feeder lambs	2.8	31.49	30.63	-0.1	33.67	33.70		-	-			
Specific imports: Beef trimmings 80vl/b/Mutton shoulders/Loin b/in/chicken leg 1/4	-2.04	48.00	49.00	-0.5	54.50	54.75	2.4	46.00	44.90	0	24.95	24.95

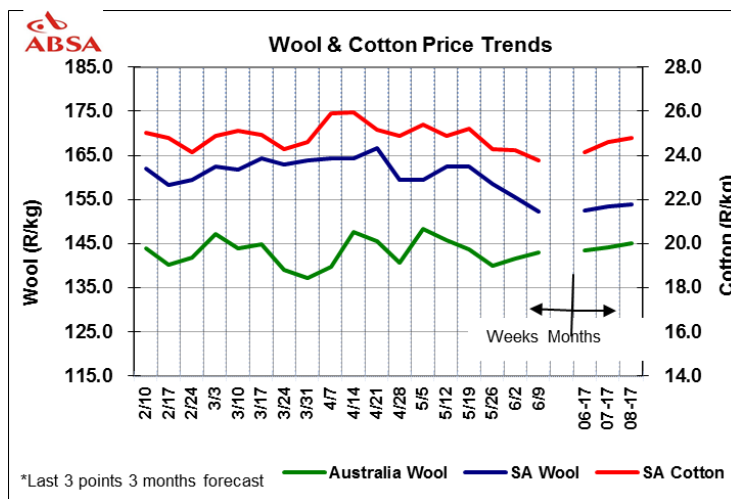
## Wool market trends

### International

Australian wool market prices were higher and closed 0.41% higher at Au1478c/kg.

#### Bullish factors

- A break in South Africa's wool sales should help the Australian wool market. South Africa's wool sales finished last week and have headed into their annual break.
- Strong request from India and China for medium to stronger wool may support prices.
- Wool quantities are down
- Wool exports are continuing to grow, with new figures released by the Australian Bureau of Statistics showing exports were 22% higher in April compared to this time last year.



#### Bearish factors

- The strength in the Australian Dollar against the USD and Euro may have weighed down on prices.
- Australian wool prices are at record levels, and as a result, may experience a correction.
- World wool production is expected to increase this season due to expected increases in the Australian clip and increases in the South African production of wool.

## Domestic

Domestic wool market prices were 2.19% lower to close at R152.18 (clean). This was the final auction of the 2016/17 wool growing season, and the next sale is scheduled for 16 August 2017.

### *Bullish factors*

- The South African wool market is positive, driven by strong demand for quality and the finer wools. This positive sentiment is expected to continue
- South Africa suffered a severe El Nino induced drought during the summer of 2015/16, which negatively affected wool production and impacted negatively on wool yields. In response to the drought, sheep producers also slaughtered more of their sheep, resulting in declines in the national herd. This negatively impacted on production.

### *Bearish factors*

- The Rand was 2,0% stronger against the US Dollar compared with the average rate at the previous sale. one must take into account that the rand has for a large part of the season been much stronger against the US dollar than last season, weighing down on prices.
- Despite the terrible drought experienced in large parts of the country, wool production has increased. According to the accumulative results up to 24 May, production is up by 5% to just over 52 million kg.
- Production is expected to recover as producers are currently rebuilding herds. The drought of 2015/16 was followed by favourable rainfall during the 2016/17 production year, which led to the much anticipated recovery in pastures.

## Outlook

Internationally, wool volumes are declining which may support wool 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

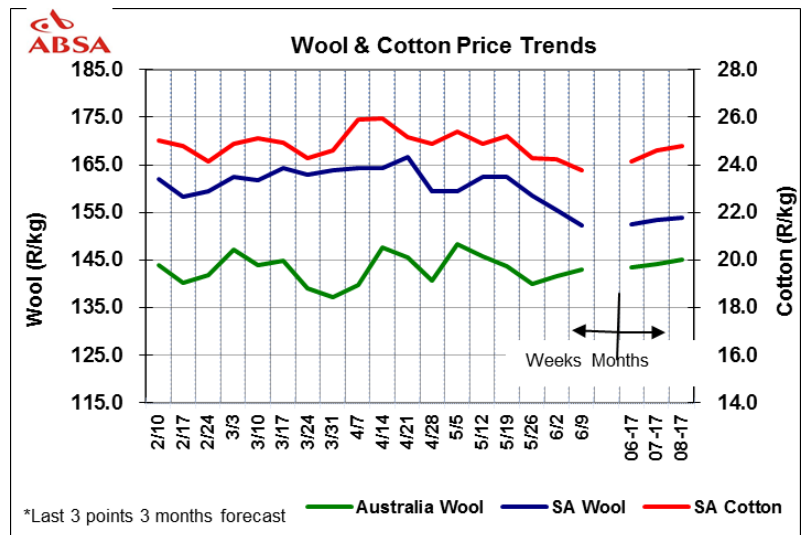
Cotton prices traded 1.37% lower over the past week and closed at US73.54c/lb.

#### Bullish factors

- World ending stocks are now projected at 87.7 million bales by the USDA Wasde report, the lowest since 2011/12.
- China's consumption is expected higher in both 2016/17 and 2017/18, as sales from the national reserve and steady imports suggest that consumption there is stronger than previously estimated.

#### Bearish factors

- The US cotton projections for 2017/18 show a reduction of 500,000 bales in exports from last month to 13.5 million, as higher anticipated foreign production is expected to reduce global import demand
- US ending stocks are now projected at 5.5 million bales which, if realized would be a 9-year high.
- The 2017/18 world cotton projections include increases in global production, consumption, and ending stocks. Production is raised for Pakistan, China, and Mexico based on higher estimated planted area.



## Domestic

The derived SA cotton prices traded 1.85% lower to close at R23.78/kg. The decreases in prices were in line with decreases in international prices, and also supported by the strength 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 09 June 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	-2.19	15218	-0.31	14340		-		-
19µ micron	0.15	17942	0.10	17799	0.00	18.00	0.00	17.50
21µ micron	-1.38	14673	1.10	14549	0.00	14.50	0.00	13.95
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	-1.85	23.78	-0.47	1.86	-1.4	1.688	-0.8	1.65

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