



## Agri Trends

19 April 2017

### Average weaner calf prices are at high levels

Weaner calf prices have followed an upward trend over the past three months due to less available supplies and good demand in the market. An average weaner calf price increased from levels of about R21.80/kg at the beginning of December 2016 to levels of R30.11/kg the second week of April 2017. This implies a 38% increase in prices during this time period.

Drivers behind the increases can be attributed to:

- Lower feed prices which may be encouraging feeding activity and, as a consequence, adding to an increased demand for weaner calves.
- This season's good rainfall which has improved growing conditions and subsequently triggered herd building. This ultimately reduces supply of cattle.

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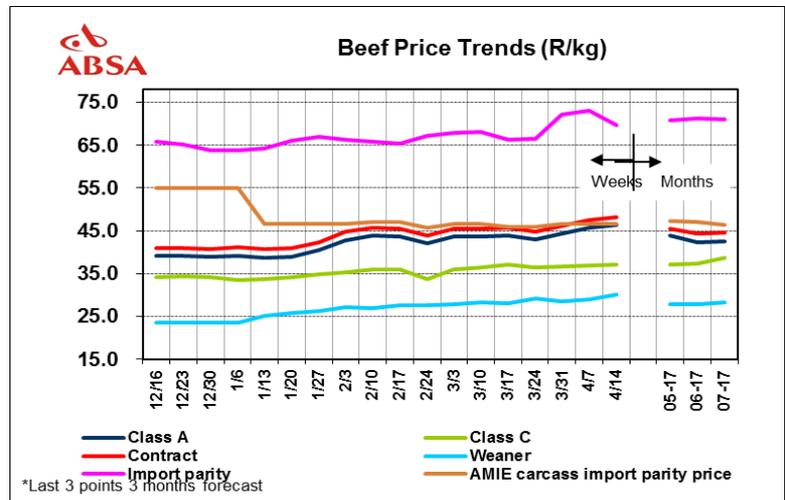
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# Beef market trends

## International

New Zealand steers traded sideways over the past week at 5.61NZ\$/kg and cows traded 2.29% lower at 4.26NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Top side traded 0.99% higher at \$212,30/cwt. Rump was -0.07% lower at \$370.20/cwt and Strip loin was 4.67% higher at \$672.00/cwt. Chuck traded 4.14% lower at \$216,20/cwt. Brisket traded 2.88% higher at \$215,00/cwt. The carcass equivalent price was 1.53% higher at \$312.46/cwt.



## Bullish factors

- Recent news that China may end a ban on US beef which it had imposed in 2003 may be positive to the US beef outlook. China, along with many other countries, imposed the ban in 2003 when a case of bovine spongiform encephalopathy, also called mad cow disease, was confirmed in a cow in the US. Should this occur, the US may take some international meat market share from Brazil.
- In the US, the above average temperatures favourable to grilling, and the strengthening consumer confidence are boosting helping demand
- The reduction in availability of Australian and New Zealand beef are supportive to prices

## Bearish factors

- According to the latest US department of Agriculture (USDA) report, the 2017 forecast of total red meat and poultry production increased from last month as higher beef and turkey production more than offset modest reductions in pork production. Beef production is expected to be higher due to the current pace of slaughter and heavier than expected cattle weights in the first half of the year.
- Higher availability of other competing meats may weigh down on demand.

## Domestic

Beef prices strengthened weeks on week across all grades. The forecasted Absa beef prices are as follows: Class A prices are 1.05% higher at R46.30/kg. Class C prices are 0.61% higher at R37.15/kg. The average weaner calf prices over the past week were 4.2% higher at R30.11/kg. The average hide price over the past week was 0.65% higher at R14.77/kg from the previous week's price of R14.68/kg green. Moving forward, hide prices are expected to gain support from the weakening of the South African currency, especially with the current political climate. NB\* Hide prices are determined by the average of RMAA (Red Meat Abattoir Association) and independent companies.

### *Bullish factors*

- 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.

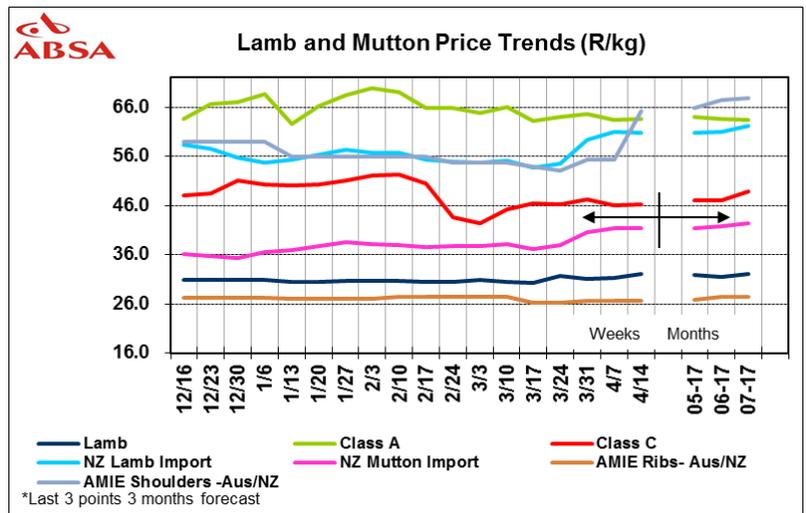
## Outlook

Internationally, the reduction in availability of Australian and New Zealand beef are supportive to prices. Domestically, lower feed prices and less livestock available are causing prices to increase. Beef prices are high due to reduced slaughter following high slaughtering during the drought. This season's good rainfall has improved growing conditions and subsequently triggered herd building. This ultimately reduces supply of cattle.

## Sheep meat market trends

### International

The New Zealand lamb prices were mostly higher this week compared to last week. Lamb prices closed 2.59% higher this week at NZ\$87.0/head for 15kg lamb. Lamb prices were 2.61% higher at NZ\$121.8/head for 21kg lamb. Ewe prices closed 2.88% at NZ\$75.1/head for a 21kg ewe. The import parity price for lamb was 0.08% lower at R60.85/kg while the import parity price for mutton was 0.01% higher at R41.46/kg.



### Bullish factors

- Global lamb prices are currently high. 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.

### 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 lost some ground during the past week. Prices are however expected to recover slightly and remain steady moving forward. Lamb and mutton prices are expected as follows: The average Class A lamb prices 0.40% higher at R63.70/kg and the average Class C at 0.38% higher to reach R46.20/kg. The average price for feeder lambs traded 2.6% higher at R32.17/kg. The average price for dorper skin was 4.60% higher at R43.85/skin and merinos were 9.75% higher at R92.32/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. Locally, the outlook for lamb and mutton prices is positive, due to high meat prices and low feed costs supporting the industry. Good grazing conditions this season are encouraging the herd rebuilding phase, which reduce available supplies for slaughter.

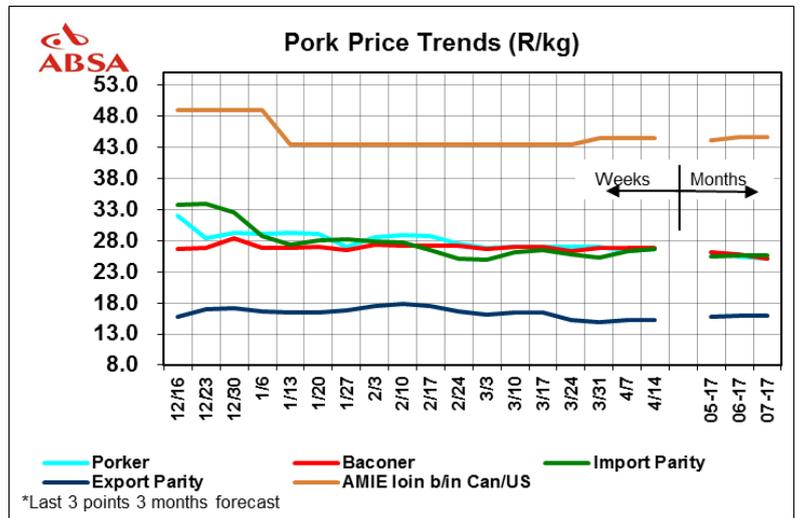
## Pork market trends

### International

The average weekly US pork prices were mostly higher over the past week. Carcass prices were 0.3% higher at US\$74.74/cwt, Loin prices were 0.2% higher at US\$74.38/cwt, Rib prices were 2.4% higher at US\$116.83/cwt and ham was 2.1% higher at US\$55.64/cwt.

### Bullish factors

- US meat prices will begin to rise amid
- demand for outdoor grilling, potentially triggering more aggressive buying of hogs by pork packers. bullish for the summer market
- As U.S. supply grows, prices are expected to moderate and generate increased demand for US pork in overseas markets.
- The pork production forecast is lowered slightly with second and third-quarter production reduced but almost offset by higher fourth-quarter production. The March Quarterly Hogs and Pigs report indicated that industry expansion is still underway although producers intend to slow farrowings this summer.
- Hog prices are expected to increase in 2017 even with three percent more pork production. Prices will be supported by stronger demand because of a growing U.S. economy and by a robust eight percent growth in exports as projected by USDA. Secondly, the optimism for the U.S. economy that has been present in early 2017 could falter. This optimism is related to a stronger job market, low unemployment, and record seeking stock market indexes.



### Bearish factors

- Feed costs will be the lowest in a decade and total production costs are expected to be at decade lows. The recently updated USDA inventory report found that the nation's breeding herd was one percent larger than the herd of a year-ago. This continues a rebuilding of the herd that began in 2014 as feed prices began to move sharply lower and the industry began to recover from pig losses due to PED. The national breeding herd has increased by four percent since 2014.
- The US supplies of pork, as well as chicken are plentiful, offering the retailer a lot of protein feature options and adding pressure to prices.

## Domestic

Pork prices haven't shown a positive trend in current weeks, but prices are expected to improve as follows: Absa forecast prices are as follows: Porker prices are 1,2% higher at R26.66/kg while Baconer prices are 0.4% higher at R26.92/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. Locally, pork prices are expected to improve moving forward supported by improved demand and higher beef, lamb and mutton prices. 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

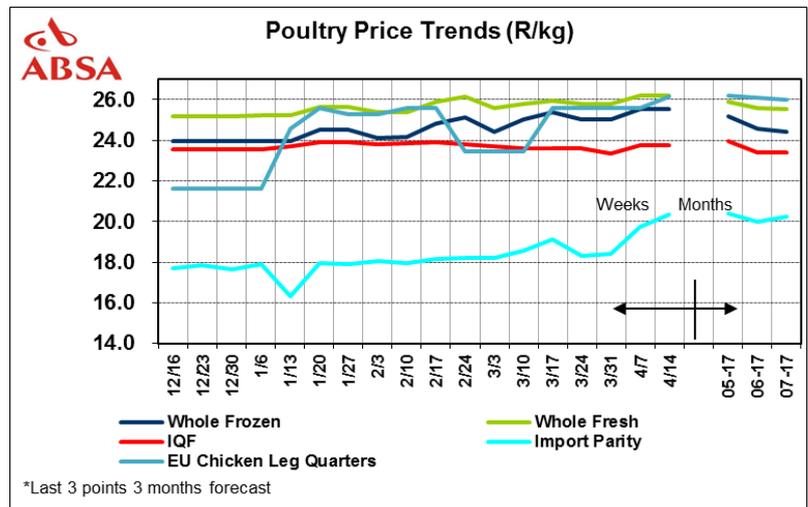
Poultry prices in the US were mostly lower over the past week. Whole bird prices were 0.94% lower at 96.49USc/lb. Breasts traded 1.22% higher at 124,50Sc/lb, whilst Leg Quarters traded 5.33% higher at 39,50USc/lb.

#### 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

- The Chinese National Health and Family Planning Commission reported on 14 additional human cases of avian influenza (H7N9), including two deaths. Avian Influenza has become a major concern for industries in many parts of the world especially in Asia, Europe, Africa and North America.
- US Broiler price forecasts have been increased in the USDA report as current prices remain strong.



### 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 has become a major concern for industries in many parts of the world especially in Asia, Europe, Africa and North America, which continue to bring uncertainties by disrupting trade prospects. Locally, poultry prices are enjoying support from the higher beef, lamb and mutton prices and positive demand in the market. 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.

Livestock Prices (R/kg) week ending 14 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	1.05	46.30	45.82	0.40	63.70	63.44	1.2	26.66	26.34	0	26.19	26.19
ClassC/ Baconer / Frozen birds	0.61	37.15	36.92	0.38	46.20	46.02	0.4	26.92	26.81	0	25.55	25.55
Contract / Baconer/ IQF	1.04	48.13	47.64	0.46	64.00	63.71	0.8	26.79	26.57	0	23.77	23.77
Import parity price	-4.59	69.66	73.01	0	41.46	41.46	0	33.7	33.7	3.06	20.4	19.8
Weaner Calves/ Feeder Lambs/	4.2	30.11	28.89	2.6	32.17	31.35		-	-			
Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4	0	46.60	46.60	17.9	65.20	55.30	0	44.50	44.50	2.15	26.15	25.60

## Wool market trends

### International

The Australian wool market prices were higher and closed 3.63% higher at Au1512c/kg at the recent 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 0.30% higher at the most recent sale of the season to close at R164.34 (Clean). Due to the Easter break, the last sale was on the 05<sup>th</sup> of April 2017 and the next sale is expected to take place on the 19<sup>th</sup> of April 2017.

#### *Bullish factors*

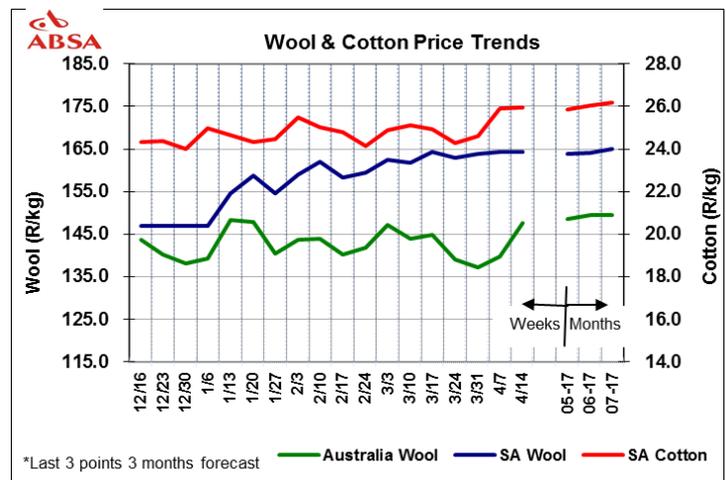
- At the last sale, the Rand was 4,5% weaker against the US Dollar compared with the average rate at the previous sale.
- There was keen competition and good demand from the market.

#### *Bearish factors*

- Weeks on week, slightly higher volumes were offered on the market.

### Outlook

Internationally, strong demand for wool may continue to support wool prices moving forward. Locally, prices are expected to be supported by a reduction in supplies and good demand for the product.



## Cotton market trends

### International

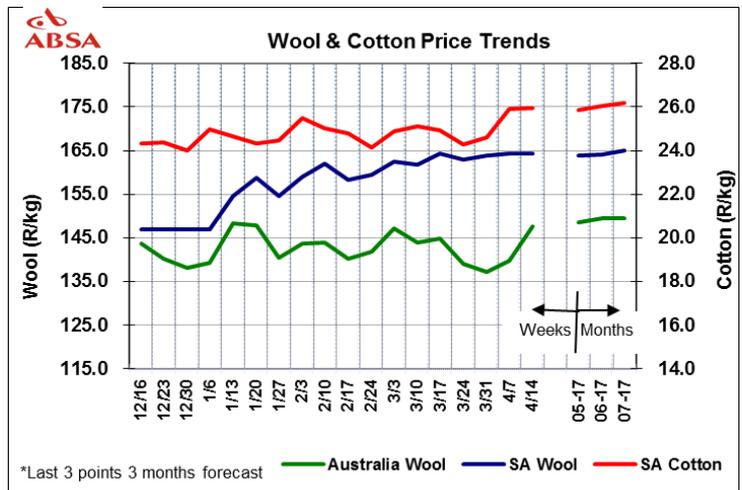
Cotton prices traded 0.17% lower over the past week and closed at US72.39c/lb.

#### Bullish factors

- In the latest USDA report, the forecast for US cotton stocks was cut by 800 000 bales to 3.70m bales, due to increased hopes of exports.

#### Bearish factors

- 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.
- The USDA reported a 430,000-bale increase to 90.91m bales for world stocks of the fibre at the close of 2016/17.



### Domestic

SA cotton prices traded 0.18% higher to close at R25.94/kg. The increases in prices were in spite of decreases in international prices.

### 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 14 April 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>	0.00	16434	1.86	15374		-		-
<b>19µ micron</b>	0.00	19898	3.76	19410	5.95	18.70	0.00	17.00
<b>21µ micron</b>	0.00	14396	6.95	15309	7.01	14.50	1.49	13.60
<b>Cotton prices</b>		<b>SA derived Cotton (R/kg)</b>		<b>New York A- Index (US\$/kg)</b>		<b>New York future May- 2017 (US\$/kg)</b>		<b>New York future Jul-2017 (US\$/kg)</b>
<b>Cotton Prices</b>	1.18	25.94	0.18	1.89	1.5	1.667	0.2	1.687

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