



Agri Trends

16 November 2018

Economics and weather uncertainties supported maize prices in the past 2 months

Yellow and white maize prices and soybean prices have increased significantly in the past two months. This is in line with industry expectations, the Rand drooped tremendously in the past 2 months which supporting maize exports, hence supporting prices. The harvesting pressures that were weighing on prices have subsided as we now in the new planting phase. Planting intentions are expected to be slightly lower in the new production season due to the current stocks that's still large. South Africa is also experiencing weather uncertainty during planting season in the summer grain growing regions, rains are delayed and this could lead to lower maize planted in the main growing regions. All these factors contributed to the increase you see from July 2018 to September 2018.

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Beef market trends

International

New Zealand steers were 0.18% lower over the past week at 5.56NZ\$/kg and cows traded sideways at 3.90NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Topside traded 2.56% lower at \$220.32/cwt. Rump was 1.24% higher at \$308.69/cwt and strip loin was 1.49% lower at \$482.31/cwt. Chuck traded 2.44% lower at \$212.82/cwt. Brisket traded 0.15% lower at \$263.53/cwt. The carcass equivalent price was 1.22% lower at \$285.11cwt.

Bullish factors

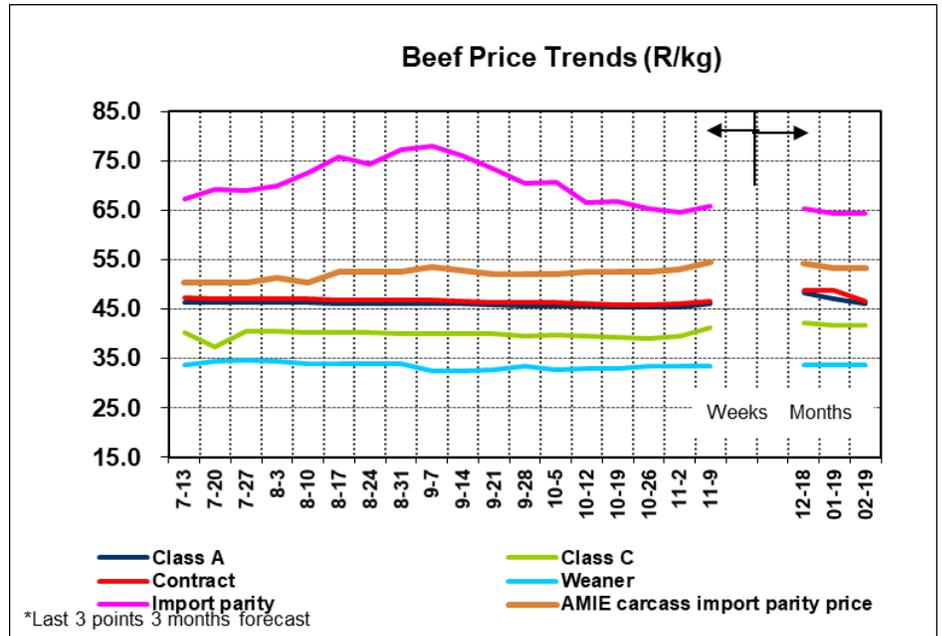
- In the New Zealand market, the US imported beef prices remained steady last week, following the previous increases. Market sentiment is still unsettled, and further downsides in prices cannot be ruled out.
- Buying for the Chinese New Year is having an influence on increased demand.
- Australia and New Zealand are expected to see beef and sheep meat decline, but prices are expected to stay the same in 2019, according to the latest Rabobank Outlook.

Bearish factors

- Seasonally easing demand for beef in the US can weigh on the market.
- There are concerns about the weakening demand for beef in the US. Wholesale beef prices are expected to start to decline as consumers turn to cheaper turkeys and hams ahead of the US Thanksgiving Day holiday at the end of the month.
- There are plentiful beef supplies in the market.

Domestic

Week on week, beef prices were mostly higher across the different classes. The average Class A price was 1.64% higher this week at R46.16/kg. Class C prices were 4.32% higher at R41.14/kg. The average weaner calf prices over the past week traded 0.1% higher at R33.52/kg. The average hide price this week showed some setbacks compared to the previous week. The average hide price was 11% lower w/w at R4.33/kg green. In general the hide market remains under pressure and has followed a downward trend over the past months. The market for the middle/low grades is under severe pressure. The situation remains negative; unlike the crises in 2008 which was related to the global financial situation; this market situation is a result of the fundamentals behind leather – prices and consumer choices have led to the situation of supply exceeding demand. Overall, the hide market sentiment is bearish, in line with the weak international hide market. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.



Bullish factors

- Short term forecasts are positive for rainfall to commence in the last week of November as well as December and parts of January with even heavy falls possible over the eastern areas like KZN and Mpumalanga, according to weather forecasts.
- During September 2018, meat was 4.7% more expensive compared to during September 2017 as measured by the consumer price index that is published by Statistics South Africa.
- Cattle slaughter numbers in 2018 are lower due to the herd rebuilding process that is underway.
- Pasture conditions may improve should seasonal rains materialise sooner.

Bearish factors

- Very little rain with temperature extremes occurred since the second part of October over much of the country.
- Very little rain occurred over most of the Western and Eastern Cape in the last 2 to 3 weeks but very strong winds from a southern to south eastern direction increased the fire risk and fires with disastrous results occurred in some areas.
- Cheaper alternative proteins like pork and poultry are readily available and add a bearish tone to prices. Consumers are under pressure and some may not be willing to pay more for beef. This may result in a switch to other products.
- Prices have been under pressure due to lack of demand, as pressure on consumers limit increases in prices.

Outlook

Internationally, plentiful feed supplies at relatively low prices and modest global demand will continue to drive higher poultry production in 2019.

Locally, prices may recover in line with seasonal trends, as there is normally improved demand during this period and into the festive season.

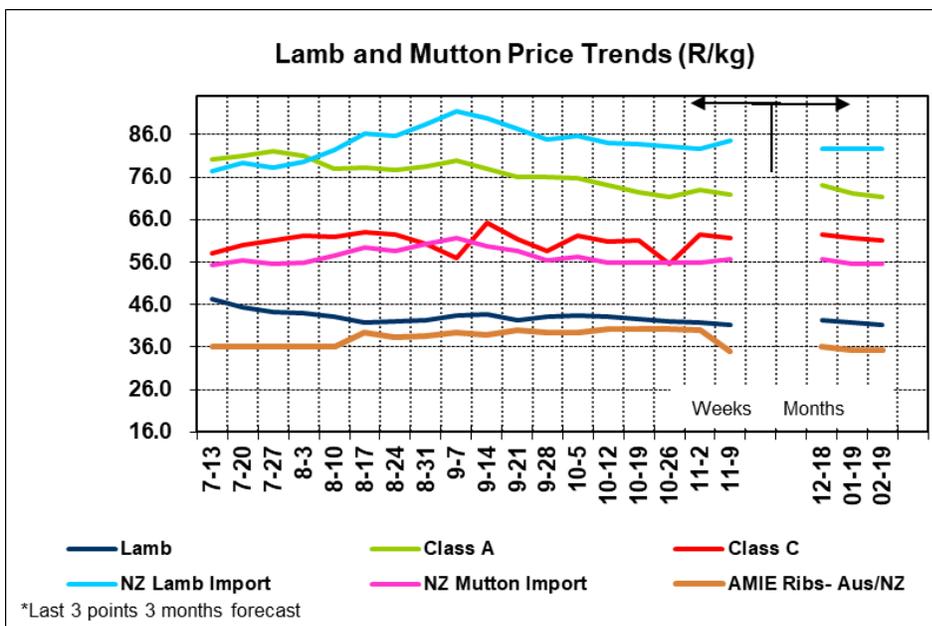
Sheep meat market trends

International

New Zealand lamb and mutton prices traded steady this week compared to last week. Lamb prices were 0.3% higher at NZ\$7.95/kg. Ewe prices traded sideways at NZ\$4.93/kg. The import parity price for lamb was 2.1% higher at R84.51/kg, while the import parity price for mutton was 1.8% higher at R56.72/kg.

Bullish factors

- Australia's sheep meat and beef producers are set to enjoy strong prices into next year, supported by a growing global appetite for meat amid limited supply availability, according to the latest Rabobank Outlook.
- The productive capacity of Australia's beef herd and sheep flock will be limited by the heavy culling of female cattle and sheep seen in 2018, with any upside dependent on improved seasonal conditions in the year ahead, according to the latest Rabobank Outlook.
- Strong global demand for sheep meat and limited supply availability will support strong prices through 2019, with New Zealand (the world's other major supplier of sheep meat) expected to have its lowest lamb slaughter on record in 2019



Bearish factors

- The gap between lamb and competing proteins has grown too wide, which may bring consumer resistance in the market.

Domestic

This week, lamb and mutton prices were mostly lower when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices decreased by 1.5% to R71.96/kg and the average Class C carcass prices decreased by 1.3% to R61.60/kg. The average price for feeder lambs traded 1.4% lower at R41.17/kg. The average price for dorper skin is 1.6% higher at R31.11/skin and merinos were 0.1% higher at R97.00/skin.

Bullish factors

- Sheep slaughter numbers for 2018 are lower when compared to the previous years, due to the herd rebuilding process that is underway.
- Shrinking production areas negatively impact sheep production.
- The local low herd numbers for sheep limit supplies and support meat prices in the medium to long run.
- Seasonal trends may support sheep meat prices ahead of the festive season.

Bearish factors

- Very little rain occurred over most of the Western and Eastern Cape in the last 2 to 3 weeks but very strong winds from a southern to south eastern direction increased the fire risk and fires with disastrous results occurred in some areas, according to weather reports.
- Very little or no rain is expected over most of the country until at least 23 November 2018, mostly as a result of the negative effects of cyclone “Alcide” over the Indian Ocean.
- The average lamb class A price during October 2018 was under great pressure, and declined month on month to 73.37/kg. Prices have followed a declining trend since July 2018. This trend in price decreases were reflected in the consumer price index, which measured that meat prices were 0.6% lower in September 2018 compared to during August of 2018.
- The struggling South African economy may negatively impact on demand.
- Lamb and mutton remains the most expensive meat in the market. Consumer resistance to high lamb and mutton remains a risk. Cheaper alternative proteins (pork and poultry) are readily available and add a bearish tone to prices.

Outlook

Internationally, the sheep meat industry continues to perform well in global markets, with a positive outlook and growing global demand for lamb and mutton, supported by strong international economies, growing populations and increasing demand for high quality proteins.

Locally, prices are expected to recover in the short term in line with seasonal trends and improved demand.

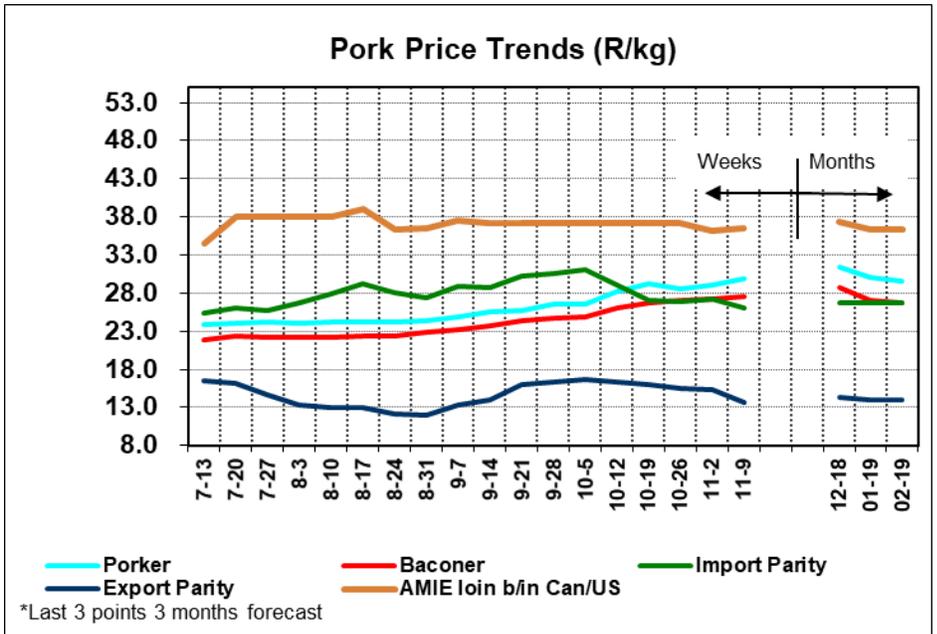
Pork market trends

International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 5.0% lower at US\$71.09cwt, loin prices were 5.2% lower at US\$68.04/cwt, rib prices were 1.3% lower at US\$115.77cwt and ham was 2.6% lower at US\$49.23/cwt.

Bullish factors

- Improving seasonal demand for pork in the US.
- Concerns about the spread of African swine fever in China.
- More news of the expanding African swine fever outbreak in China kept the market on edge. Major Chinese animal feed maker Tangrenshen Group reported on Sunday that feed produced by one of its units had been contaminated.
- The spread of African Swine Fever (ASF) is expected to continue to have a global impact on pork production, proving especially harmful in China with a decline in supply, increasing prices and higher imports.



Bearish factors

- Pork prices have declined as retaliatory duties in China and Mexico have limited US exports to those countries.

Domestic

This week, pork prices continued to strengthen, and traded mostly higher across the different categories. The latest average pork prices are as follows: The average porker prices are 2,9% higher at R29.84/kg, while the average baconer prices are 1.4% higher at R27.62/kg. The average cutters prices were 2.3% higher at R28.0/kg and the average heavy baconer price was 1.8% higher at R26.67. The SAU price was meanwhile 2.3% lower at R19.7/kg.

Bullish factors

- The Listeriosis outbreak has passed and consumer confidence is still recovering. Prices have showed some good recovery over the past weeks. The pork industry has reached prices above the 2016 level after the listeriosis crisis, but prices are still below the 2017 levels.
- The pork industry may benefit from increased demand in line with seasonality.

Bearish factors

- Consumer's disposable incomes are under pressure.

Outlook

Internationally, improving seasonal demand in the US is expected to support prices for pork during this period.

Locally, pork prices are supported by strong uptake. This trend is expected to continue into the festive season in line with seasonality.

Poultry market trends

International

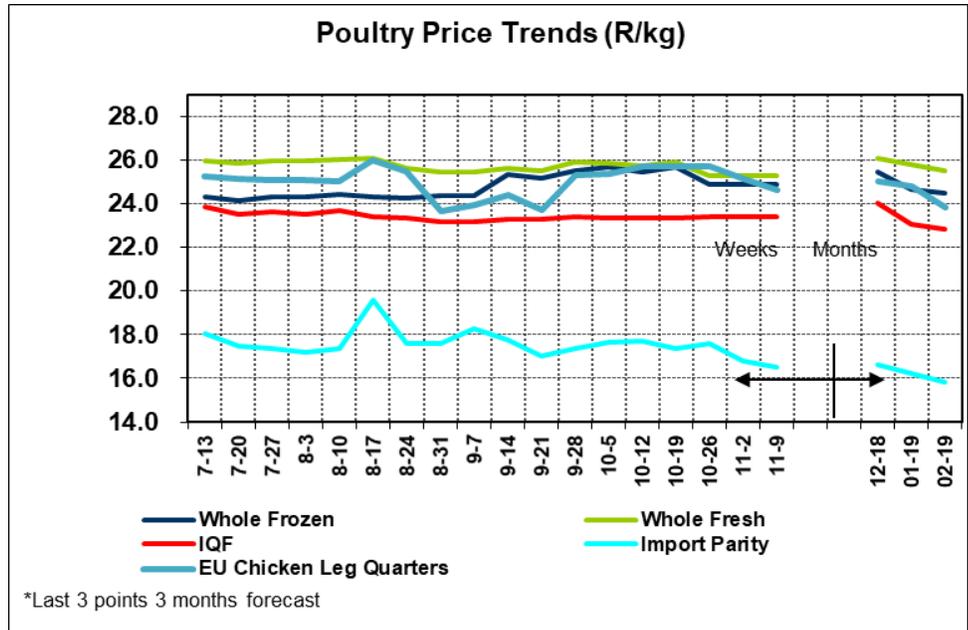
Poultry prices in the US were mixed over the past week. Whole bird prices were 1.3% higher at 85.74USc/lb. Breast traded 1.3% lower at 78.00USc/lb, while leg quarters traded sideways at 25.00USc/lb.

Bullish factors

- More Chinese are shifting to poultry from pork as the spread of African swine fever worries consumers, sending prices of chicken meat to the highest level in at least three years.

Bearish factors

- Global animal protein production (primarily beef, pork and poultry) is expected to expand by just over one million tons in 2019, well above the five year average.
- An expansion in the number of US hogs and cattle is contributing to the change in diets by boosting supplies of pork and beef, thereby adding competition to poultry.
- Concerns about the new avian influenza AI outbreaks are increasing in the northern hemisphere.



Domestic

The average poultry prices over the past week were sideways. The average prices for frozen birds were sideways at R24.88/kg during the week. Whole fresh medium bird prices were sideways at R25.29/kg, while IQF prices were sideways at R23.39kg.

Bullish factors

- A recovery in terms of demand can be expected especially towards the end of the month and into the festive season

Bearish factors

- Prices are bearish because of lack of demand during mid-month.
- Poultry prices have been struggling to increase on the back of indications that consumer spending has been under pressure

Outlook

Internationally, there are increased concerns about the new avian influenza AI outbreaks in the Northern Hemisphere. The larger expected global animal protein in 2019 may keep the poultry market under pressure.

Locally, there is currently good momentum for poultry in the market, and signs are that prices are expected to improve in line with a recovery in demand especially towards the end of the month and into the festive season.

Livestock prices (R/kg) week 15 Nov 2018	Beef			Mutton			Pork			Poultry		
	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week
Class A/ Porker/ Fresh birds	1.64	46.16	45.41	-1.5	71.96	73.06	2.9	29.84	29.01	0	25.29	25.29
Class C/ Baconer/ Frozen birds	4.32	41.14	39.44	-1.3	61.60	62.38	1.4	27.62	27.24	0	24.88	24.88
Contract/Baconer/ IQF	1.48	46.69	46.02	-1.3	72.79	73.77	2.2	28.73	28.13	0	23.39	23.39
Import parity price	1.84	65.88	64.69	1.8	56.72	55.73	-4.6	26.06	27.31	-1.7	16.5	16.8
Weaner calves/ Feeder lambs	0.1	33.52	33.49	-1.4	41.17	41.74		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	2.45	54.40	53.10	-3.9	61.40	63.90	0.6	36.45	36.25	-2.2	24.60	25.16

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