

## Food inflation to increase in spite of economic slump

**Lower commodity prices to negatively impact economic growth** – Commodity prices for hard commodity's (platinum, iron-ore, coal, etc.) has halved during the last year. This has a major impact on the economic growth of commodity exporting countries like South Africa and has led to a decline in economic growth to below 1% in 2016. Slower growth does not necessarily translate to lower demand for food as Government is supporting the poor through social grants and has in the past budget upped social grants in line with inflation.

**Demand for food expected to remain strong** – The combined effect of a above inflation wage increases and the fact that approximately 60% of the social grant is spent on food imply that the demand for food will remain fairly strong in the short term in spite of the negativity around the economy.

**Supply of food to decline** – The supply of food is expected to decline this is mainly due to the combined effect of lower production volumes due to the drought as well as higher exports due to higher export realisation due to a weaker Rand

**Food inflation to reach a new high** - The combined effect of lower supply and higher demand will continue to drive food prices higher food inflation is therefore expected to reach a high during 2016 and should peak at approximately 15% year on year

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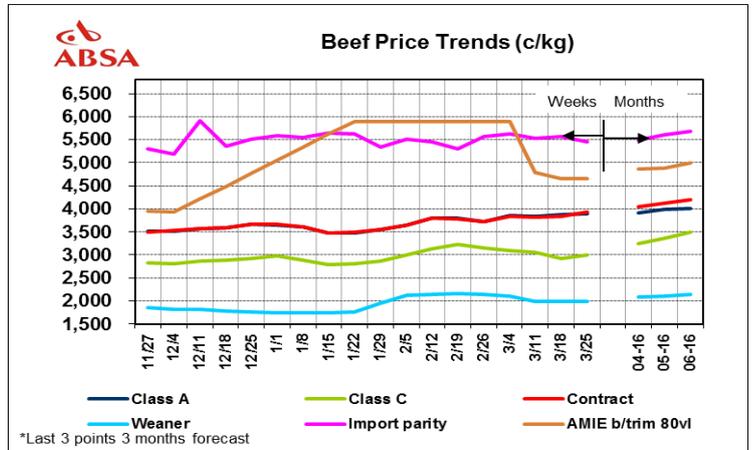
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# Beef market trends

## International

New Zealand steers traded 0.41% lower at NZ\$480 and cows were 1.62% lower at NZ\$303 per head respectively compared to a week ago. In the US, beef prices for the week were mostly lower as follows: Top side was 4.23% lower at \$234,91/cwt, Rump was 3.63% lower at \$365,35/cwt and Strip loin was 0.25% lower at \$585,35/cwt, Chuck traded 6.49 lower at \$244,82/cwt, Brisket traded 3.14% lower at \$239,27/cwt.



## Bullish factors

- The meat market tends normally get support as temperatures across North America rise and support outdoor grilling
- Total US beef stocks last month dropped 27.5 million from January and were at 490.6 million lbs, which is supportive to prices
- The latest cold storage report from the US indicates a significant drawdown in boneless beef, which supports an increase in demand.
- First-quarter beef production is reduced by the USDA due to the pace of slaughter and lower carcass weights

## Bearish factors

- Price competition from pork and poultry may add pressure to prices.
- The trend of placing heavier cattle, and feeding them to heavier weights is expected to continue in the US

## Domestic

Beef prices as reported by RMAA<sup>1</sup> were slightly lower the past week. The forecasted Absa beef prices are as follows: Class A prices are 0.57% higher at R38.90/kg, Class C prices are 1.51% higher at R29.63/kg. The average weaner prices are at R19.88/kg partly due to softer demand. The average hide price was slightly higher over the past week at R13,85/kg green. NB\* Hide prices are determined by the average of RMAA and independent companies.

## Bullish factors

- According to DAFF<sup>1</sup>, national cattle numbers declined by about 1.59% from August 2014 to August 2015. This is bullish as reduction in national herd follows increased slaughtering due to dry conditions, which will result in long term price support as herd rebuilding takes time.

## Bearish factors

- Higher week on week slaughtering of 5.43% reported by RMAA added pressure to prices
- Consumers are under pressure and might switch to cheaper proteins like pork and poultry which are more affordable leading to a decline in demand for red meat

## Outlook

Internationally, cattle prices are expected to find some seasonal support as the grilling season approaches. Locally, beef prices are expected to follow an upward trend in the next months due to the impact of the drought.

<sup>1</sup> DAFF-Department of Agriculture, Forestry and Fisheries

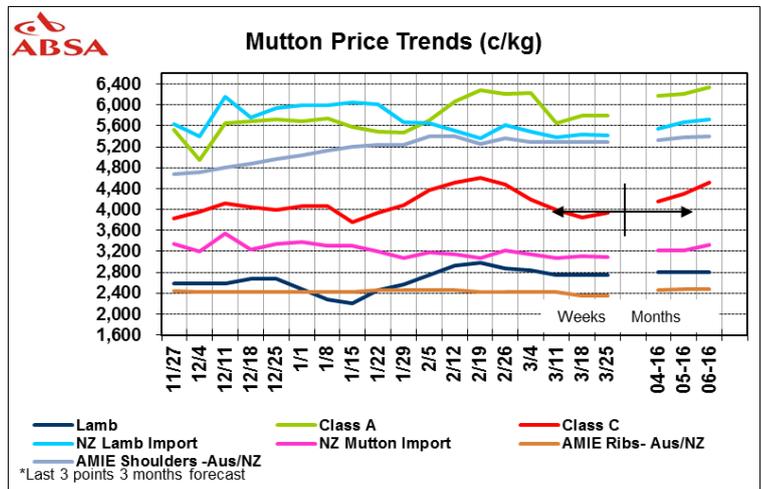
## Mutton market trends

### International

The New Zealand lamb prices traded mostly higher this week compared to last week and mutton prices remained the same. Lamb prices closed 0.15% higher this week at NZ\$69.0/head for 15kg lamb. Ewe prices closed the same compared to last week at NZ\$46.30/head for a 21kg ewe. The import parity price for lamb was 0.93% higher at R54.22/kg while the import parity price for mutton was 0.89% higher at R30.98/kg.

#### Bullish factors

- New Zealand's production this year is expected to slow in May/June, which might result in fewer supplies.
- There are signs of some price recovery in global markets



#### Bearish factors

- The dry autumn has affected many eastern areas of New Zealand which encouraged early processing.
- Limited upside potential can be expected in April as New Zealand's lamb production through March and April is expected to be sufficient for both markets and processors

### Domestic

Mutton prices as reported by RMAA were slightly lower the past week. Forecasted Absa mutton prices increased. Class A was 0.21% higher at R58.00/kg and Class C was 2.18% higher at R39.40/kg this week. The average price for feeder lambs is at R27.42/kg. The average price for dorper skin was slightly higher at R63.85/skin and merinos were also higher at R88.37/skin.

#### Bullish factors

- According to DAFF, national sheep numbers declined by about 0.77% from August 2014 to August 2015.

#### Bearish factors

- Higher week on week slaughtering numbers reported by RMAA added pressure on prices.
- Slow growth in consumer spending and higher food inflation will add pressure to demand.

### Outlook

Internationally, prices are expected to recover from their current lows due to improving demand in the international market and expected tight supplies in New Zealand. Locally, mutton prices are expected to remain supported due to the impact of the drought. It is however worth noting that consumers are cash strapped which may reduce buying power.

## Pork market trends

### International

The average weekly US pork prices were mixed over the past week. Carcass prices were 0.29% higher at US\$76.02/cwt, Loin prices were 3.22% lower at US\$77.22/cwt, Rib prices were 2.08% higher at US\$150.44/cwt and ham was 4.90% lower at US\$50.02/cwt.

#### Bullish factors

- Slightly lower pork production due to slightly lighter carcass weights
- Better than expected domestic and foreign demand for US pork.
- US pork in cold storage in February posted the smallest gain for that month in nine years. This is due to decreased pork production and solid bacon demand. Wintry weather earlier in the month also contributed.

#### Bearish factors

- Feed prices remain low which supports pork expansion.

### Domestic

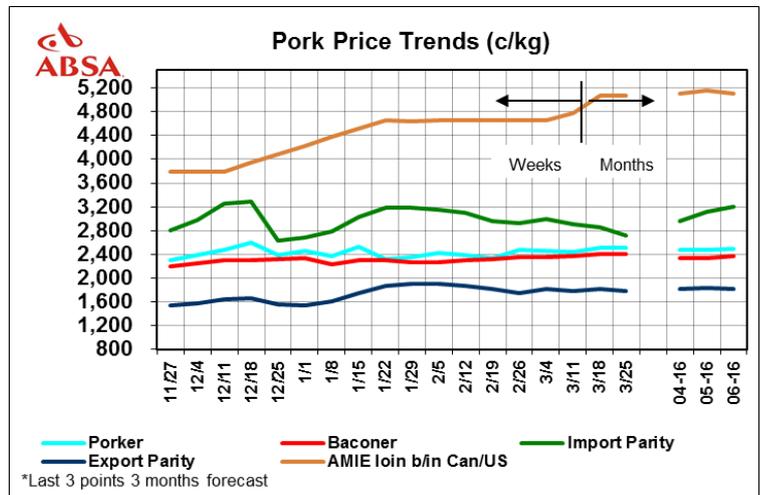
Domestic prices were higher over the past week. Porker prices were 0.32% higher at R25.12/kg while Baconer prices were 0.25% higher at R24.10/kg.

#### Bullish factors

- Underlying support from higher beef and mutton prices.
- According to DAFF, national pigs numbers declined by about 2.54% from August 2014 to August 2015.

### Outlook

Internationally, decreased pork production might add some support to prices. Locally, better demand for cheaper proteins like pork over beef and mutton might support prices.



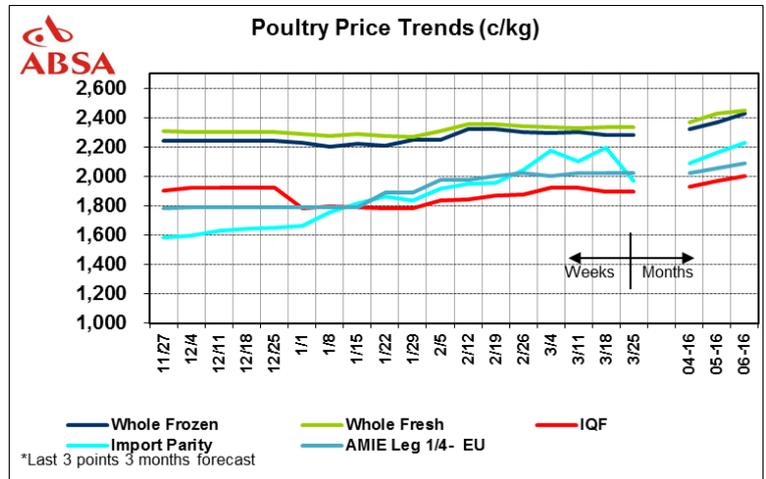
## Poultry market trends

### International

Poultry prices in the US were mostly lower over the week compared to the past week except for whole birds. Whole bird prices were 0.73% higher at 87.20USc/lb. Breasts traded 2.59% lower at 103,00USc/lb but Leg Quarters traded 15.38% lower at 38,00USc/lb.

#### Bullish factors

- The poultry sector benefited from high-priced beef. This led to a move by consumers to cheaper chicken products.
- There is higher demand for Brazilian product around the world due to avian influenza outbreaks in other producing countries.
- More Bird Flu Found in Nigeria



#### Bearish factors

- US broiler prices are expected to remain low due to expected higher production.
- Brazil's poultry meat production for 2016 is now expected to increase by 3% in 2016 to 13.5 million tons.
- Lower feed costs bode well with higher production, which puts pressure on prices.
- Global poultry meat exports will remain highly affected by avian influenza (AI)

### Domestic

The average poultry prices over the past week were sideways for the different categories. The average price for frozen birds was at R22.82/kg during the week. Whole fresh medium bird prices were R23.25/kg while IQF<sup>2</sup> prices were at R18.98/kg.

#### Bullish factors

- It seems poultry prices may gain underlying support from the higher beef and mutton prices.

#### Bearish factors

- Poultry supplies remain in abundance.
- Shipments from the US from under AGOA have landed. Reports indicate that the first chicken imported from the US is apparently being sold mainly in Durban and surrounding areas.

### Outlook

Internationally, broiler prices are expected to remain low due to higher production. Locally, poultry prices have remained weak due to high supplies.

<sup>2</sup> IQF-Individually Quick Frozen Chicken

Livestock Prices (R/kg) 25 March 2016	Beef			Mutton			Pork			Poultry		
	%	Current Week	Prior Week	%	Current Week	Prior Week	%	Current Week	Prior Week	%	Current Week	Prior Week
<b>Class A / Porker / Fresh birds</b>	0.57	38.90	38.68	0.21	58.00	57.88	0.32	25.12	25.04	0	23.25	23.25
<b>Class C/ Baconer / Frozen birds</b>	1.51	29.63	29.19	2.18	39.40	38.56	0.25	24.10	24.04	0	22.82	22.82
<b>Contract / Baconer/ IQF</b>	2.27	39.25	38.38	0.78	58.43	57.98	0.29	24.61	24.54	0	18.98	18.98
<b>Import parity price</b>	-1.9	54.50	55.60	-0.3	30.98	31.07	-5.1	27.17	28.64	-6.67	19.68	21.95
<b>Weaner Calves/ Feeder Lambs/</b>	0	19.88	19.88	0	27.42	27.42		-	-			
<b>Specific Imports: Beef trimmings 80vl/b/Mutton Shoulders/Loin b/in /chicken leg1/4</b>	0	46.56	46.56	0	53.00	53.00	0	50.66	50.66	0	20.20	20.20

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## Maize market trends

### International

When compared to the previous week, the average US yellow maize price (Fob Gulf) closed the week 0.12% higher at US\$160.99/t. When compared to the previous week, the average US white maize price (Fob Gulf) closed the week higher at US\$172.59/t. In the USA white maize realises a premium of between 8% and 9%.

#### Bullish factors

- According to the latest USDA prospective plantings report for the USA, the area planted with corn (for all purposes) in 2015 is estimated at 89.2 million acres, which is 2% lower year on year. This will be the third consecutive year of an acreage decline and could be the lowest planted acreage in the United States since 2010.

#### Bearish factors

- In the USA, corn exports declined by 4.4 million tons in Sept/Feb 2015/16 as a result of the strong competition from Ukraine, Russia and South America.
- In Argentina corn planting decisions for 2016/17 is currently estimated at 5.3 to 5.7 million hectares well up from 4.3 million hectares.
- The drop in the metal and energy markets put pressure on the commodity markets over the last week.
- Ample global supplies

### Domestic

The week on week spot price for yellow maize traded 5.32% lower to R3 205/t on Thursday. The week on week spot price for white maize traded 0.52% higher at R4 828/t on Thursday. The premium of white maize is R1623/ton higher than yellow maize.

#### Bullish factors

- The weekly average exchange rate strengthened to R15.35US\$ compared to R15.60/US\$ the previous week.
- There were no white maize imports for the week ending 18 March; this is the 6<sup>th</sup> week of no white maize imports into South Africa.
- The yellow maize exports for the week ending 18 March was 2 068 tons, the cumulative exports for yellow maize so far is 195 666 tons.
- The white maize exports for the week ending 18 March was 10 561 tons, the cumulative exports for white maize so far is 405 131 tons.

#### Bearish factors

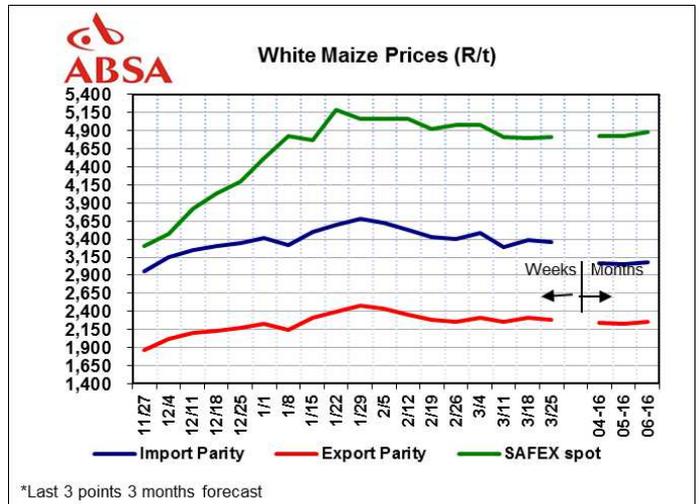
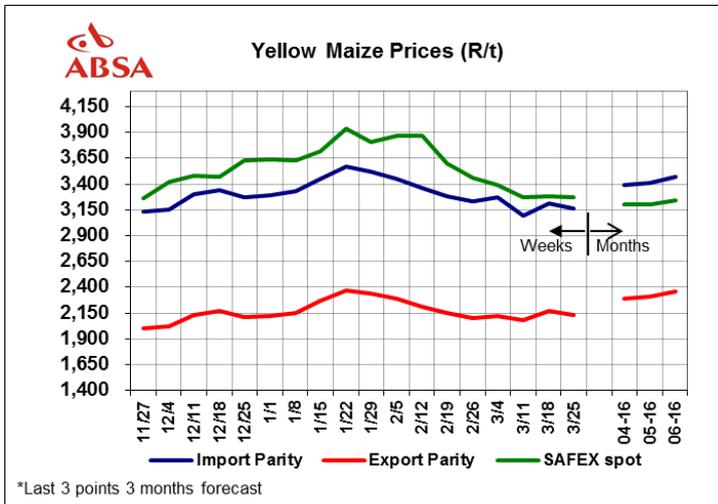
- Volumes for early maize deliveries put pressure on prices
- The yellow maize imports for the week ending 18 March was 30 577 tons from Argentina the cumulative imports for yellow maize so far is 1 398 387 tons.
- Forecasts for widespread rainfall during the following week will bring relief to drought stricken production areas.

### Outlook

Internationally as a result of the ample supplies, maize prices are expected to remain under pressure. Should there be any weather concerns in the US prices could receive support. Locally the uncertainty regarding the South African maize crop is expected to support the market but forecasted rainfall may lead to price declines for yellow maize and a decline in the white maize premium above the yellow maize price.

<b>Yellow Maize Futures: 24 March 2016</b>	<b>May-16</b>	<b>July-16</b>	<b>Sept-16</b>	<b>Dec-16</b>	<b>Mar-17</b>				
<b>CBOT (\$/t)</b>	159	161	165	168	169				
<b>SAFEX (R/t)</b>	3205.00	3239	3291	3332	3275				
<b>SAFEX (R/t) Change week on week (w/w)</b>	-9	-5	0	6	24				
	<b>May-16</b>			<b>Jul-16</b>		<b>Sept-16</b>			
	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>
	3,240	116	81	3,280	175	134	3,330	222	183
	3,200	94	99	3,240	153	152	3,290	200	201
	3,160	75	120	3,200	133	172	3,250	179	220

<b>White-Maize Futures 24 March 2016</b>	<b>May-16</b>	<b>July-16</b>	<b>Sept-16</b>	<b>Dec-16</b>	<b>Mar-17</b>				
<b>SAFEX (R/t)</b>	4828.00	4828	4877	4903	4588				
<b>SAFEX (R/t) Change w/w</b>	36	49	53	43	26				
	<b>May-16</b>			<b>Jul-16</b>		<b>Sept-16</b>			
	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>	<b>Ask</b>	<b>Put</b>	<b>Call</b>
	4,860	165	133	4,860	244	212	4,920	320	277
	4,820	144	152	4,820	223	231	4,880	298	295
	4,780	125	173	4,780	203	251	4,840	277	314



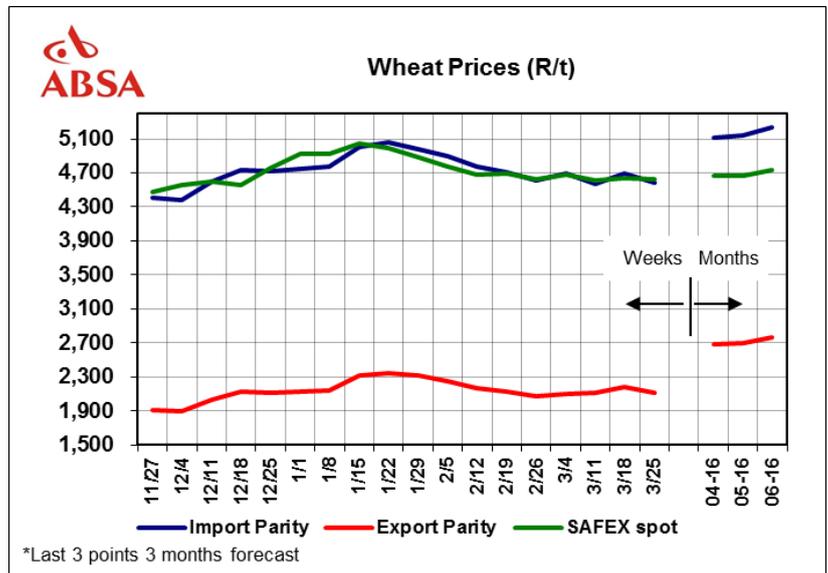
## Wheat market trends

### International

Hard red wheat traded 0.19% lower week on week at US\$190.05.

#### Bullish factors

- The market is trying to ascertain the impact of the damage caused by the recent cold weather in the western plains in the USA.
- Due to heavy rains during harvesting, the 2015 Brazilian harvest will only satisfy half of their local need therefore imports are required from the USA and neighbouring countries.
- According to the latest USDA prospective plantings report for the USA the area planted with wheat for 2015 is estimated at 55.4 million acres which is 3% lower than 2014. The 2015 winter wheat planted area is estimated at 40.8 million acres which is 4% lower than last year but up less than 1% lower than the previous estimate.



#### Bearish factors

- The plentiful supplies and good wheat condition ratings continue to put pressure on wheat prices
- Wheat remains bearish due to ample world stocks.

### Domestic

The SAFEX wheat spot prices on Thursday increased from last week's levels and traded at R4 660/t which is 1.19% higher week on week.

#### Bullish factors

- Strengthening of the rand to the US dollar by 1.6% week on week as on 24 March.
- For the week ending the 18 March South Africa exported 1 892 tons of wheat (1 100 tons to Lesotho and 792 tons to Zimbabwe), which brings the cumulative wheat exports for the season to 29 232 tons.

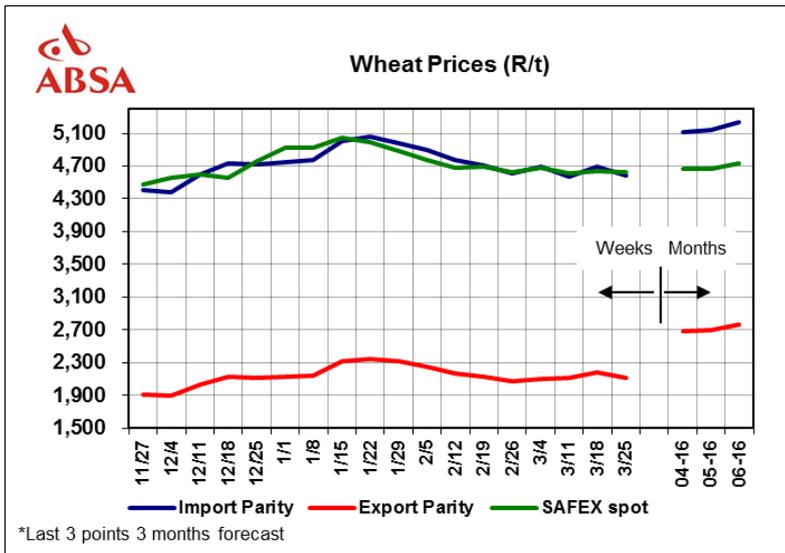
#### Bearish factors

- For the week ending the 18 March South Africa imported 18 951 tons of wheat (18 005 tons from Poland and 946 tons from Lithuania), which brings the cumulative wheat exports for the season to 971 890 tons.

### Outlook

Internationally the weather concerns and lower planted hectares in the USA may support their wheat prices. Locally the market will return to normal in the coming week after all the public holidays.

Wheat Futures 24 March 2016	May-16	July-16	Sept-16	Dec-16	Mar-17			
CME (\$/t)	191	194	218	221	207			
SAFEX (R/t)	4660	4740	4790	4520	n/a			
SAFEX (R/t) Change w/w	0	-10	-50	5	n/a			
Mar-16			May-16			Jul-16		
Ask	Put	Call	Ask	Put	Call			
4,700	94	54	4,780	145	105	4,830	183	143
4,660	72	72	4,740	123	123	4,790	161	161
4,620	53	93	4,700	104	144	4,750	141	181



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## Soybean market trends

### International

Brazilian soybean prices for delivery cif Rotterdam trade at US\$370/ton compared to \$411/ton a year earlier, down 9.98%. Brazilian soybean oil trade at USA\$ 693/ton which is 1.4% less week on week. Soya meal from Argentina traded at USA\$325/ton compared to US\$406/ton a year earlier.

#### *Bullish factors*

- In Argentina soybean planting decisions for 2016/17 are currently estimated 0.9 to 1.3 million hectares less.
- Oil World has estimated this year's Argentinean soybean harvest at 59.5 million tons which is lower than last year's 60 million tons.

#### *Bearish factors*

- Argentinean soybean prices declined by 14% in March as a result of the strengthening Peso.
- The prices of soybeans, soya oil and palm oil are vulnerable to setbacks in the near term.
- USA soy meal exports were double the trade expectations and was the largest weekly soy meal sales in 13 years.

### Domestic

The average domestic soybean spot prices traded 4.61% lower at R6 015/t in comparison to the previous week.

#### *Bullish factors*

- The harvest this season may be less than the market expects

#### *Bearish factors*

- There are expectations of rain in the coming weeks
- The crushing of soybeans may decline in the short term as a result of the costs of importing and the long term weaker rand.
- The strengthening Rand puts pressure on local soybean prices.
- International markets are supporting soybeans however there has not as much upward momentum as expected and has traded mostly sideways.

### Outlook

Internationally the soybean prices are expected to move sideways. Locally the CEC are releasing their next report on Wednesday 30 March which will have a significant effect on the market.

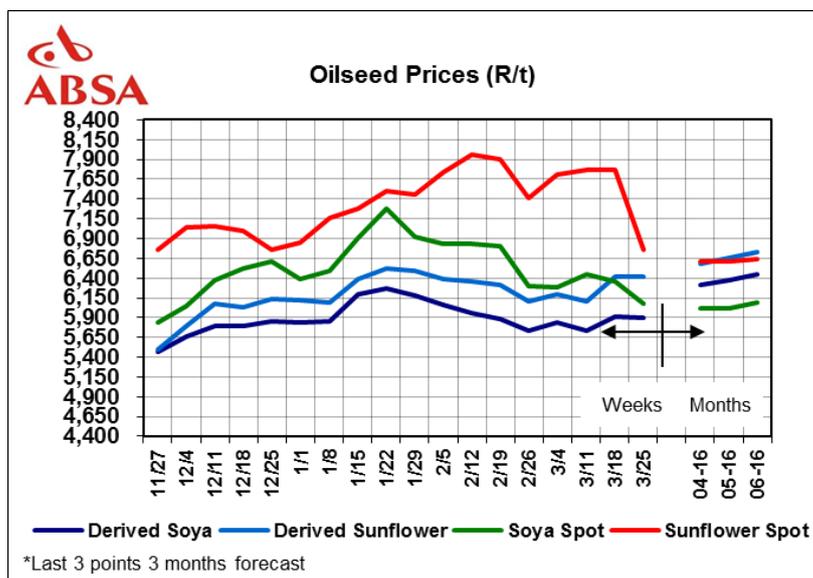
## Sunflower seed market trends

### International

Compared to a year ago when EU sunflower seed prices traded at \$445/ton prices have remained the same week on week. However, fob Black Sea sunflower seed prices traded at \$400/ton for delivery in March. Sunflower seed oil prices from Argentina traded at \$755/ton fob Argentina compared to \$800/ton a year ago. However sunflower seed oil prices fob Black Sea trade at \$785/ton compared to \$750/ton a year ago. EU sunmeal prices declined from \$258/ton a year ago to \$200/ton for delivery in May.

#### Bullish factors

- Palm oil prices have been supported by ongoing dry and hot weather in the first 20 days of March which has affected 50-70% of the total palm oil area.
- As of 23 March 75% of the sunflower seed was harvested in Argentina which is 1% higher year on year however the yields are estimated at 2.13 t/ha versus 2.21 t/ha last year.



#### Bearish factors

- Canada increased their canola crushing's and exports by 13% to 10.4 million tons in Aug/Feb 2015/16.
- China increased their imports of vegetable and oilseed oils from last year in February.
- The sowings of sunflower seed in Argentina are expected to recover by 1.7 million hectares as a result of the removal of the export taxes on sunflower seed and products.

### Domestic

The average domestic sunflower seed spot prices traded 15.32% weaker at R6 605/t in comparison to the previous week.

#### Bullish Factors

- Possibility of a credit downgrade in June
- Palm oil stocks in Indonesia will decrease considerably in Jan/June 2016 due to a slowdown in production and increased local palm oil usage.

#### Bearish Factors

- The decline in international sunflower seed oil and meal prices decrease import parity price levels for sunflower seed and products
- Strengthening of the rand.

#### Outlook

For April/June 2016 the crude palm oil process for Rotterdam and fob Malaysia are estimated 15 and 12% higher from Jan/March 2016.

Oilseeds Futures 24 March 2016			May-16	July-16	Sept-16	Dec-16	Mar-17	
CBOT Soybeans (US \$/t)			334	337	337	340	341	
CBOT Soy oil (US c/lb)			31	32	34	32	33	
CBOT Soy cake meal (US \$/t)			274	275	277	279	280	
SAFEX Soybean seed (R/t)			6015	6085	6165	6240	n/a	
<i>SAFEX Soybean seed (R/t) change w/w</i>			<i>-36</i>	<i>-36</i>	<i>-30</i>	<i>-31</i>	n/a	
SAFEX Sunflower seed (R/t)			6605	6635	6715	6801	n/a	
<i>SAFEX Sunflower seed (R/t) change w/w</i>			<i>-245</i>	<i>-110</i>	<i>-111</i>	<i>-129</i>	n/a	
SAFEX Sorghum (R/t)			n/a	3650	n/a	3750	n/a	
<i>SAFEX Sorghum (R/t) change w/w</i>			n/a	0	n/a	0	n/a	
Sunflower Calculated Option Prices (R/t)								
May-16			July-16			Sept-16		
6,640	194	159	6,680	336	291	6,760	433	388
6,600	173	178	6,640	315	310	6,720	411	406
6,560	153	198	6,600	294	329	6,680	390	425

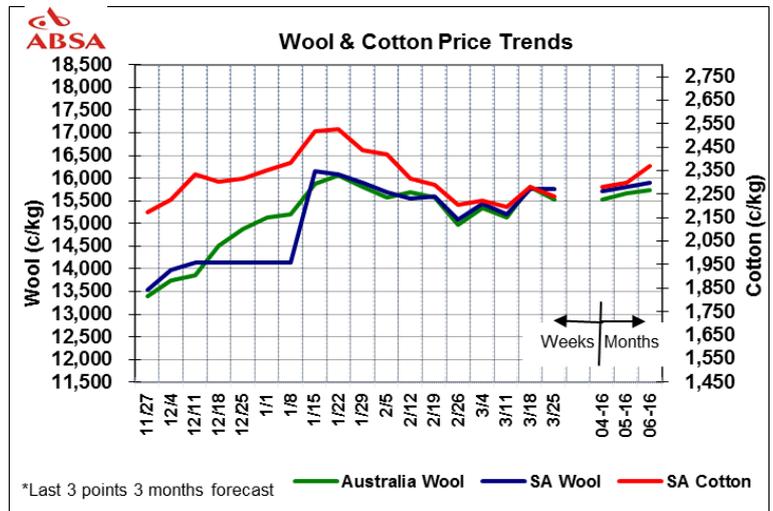
## Wool market trends

### International

The Australian wool market prices strengthened slightly this week. The Australian wool market prices closed higher at Au 1239c/kg or 0,98% higher at the recent auction.

#### Bullish factors

- Demand was fairly widespread with buyer support evident for the better types
- Yearly offering so far of 1.36 million bales is almost 8% lower than the same time last year, which raises questions about supply.
- ABARES<sup>3</sup> forecast that wool prices this year will be supported by an assumed lower value of the Australian dollar and a forecast fall in wool production
- The weaker Australian dollar is the big driver in growth, and it's improving Australia's competitive position against imports and helping export demand (ABARES).



#### Bearish factors

- The Australian dollar strengthened during the week

### Domestic

The last auction was on the 16<sup>th</sup> of March 2016. The wool market prices were 3.75% higher to close at R157.68 (Clean). Note\* The next sale is expected to take place on the 30th of March, where approximately 12347 bales will be offered for sale.

#### Bullish factors

- Better competition for the better quality wools
- Reduced volumes due to the impact of the drought.

#### Bearish factors

- Expected higher volumes on offer at the next auction can pressure the market.

### Outlook

Internationally, the next wool sales will be held after the annual one-week Easter recess. The direction of the AU dollar will influence prices in the short term while in the long term; reduced volumes will likely encourage demand in both New Zealand and Australia. Locally, the impact of drought may continue to be supportive to market prices due to lower production as a result of lower yields. The exchange rate will also continue to influence market prices.

<sup>3</sup> ABARES- Australian Bureau of Agricultural and Resource Economics and Sciences

## Cotton market trends

### International

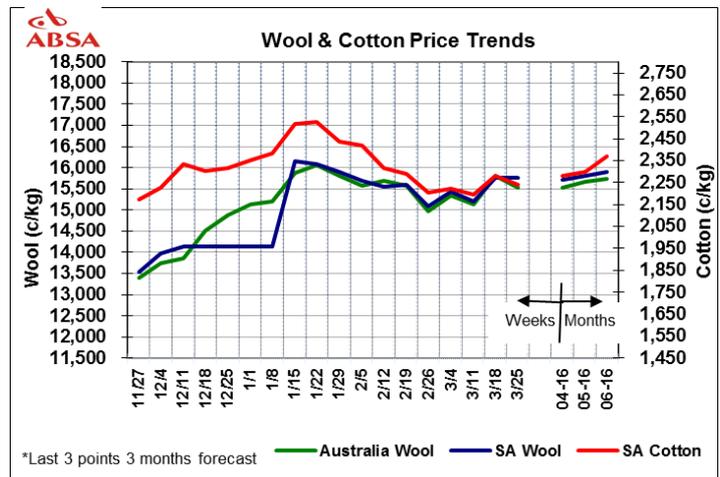
Cotton prices traded 0.21% lower over the past week and closed at US56,40c/lb.

#### Bullish factors

- Analysts indicated that some buyers in Pakistan were making cautious deals due to shortage of quality lint.
- Rains in Pakistan are causing tight supply of fine type.

#### Bearish factors

- China is expected to restart cotton auctions during the second half of April as it plans to sell off some of its 11 million metric-ton stockpile
- Most of the Chinese stocks will be sold to domestic buyers but it could impact global prices by reducing demand for foreign cotton from Chinese buyers
- Weak world demand growth, and low prices of man-made fibres such as polyester adds pressure to prices



### Domestic

SA cotton prices traded 1.76% lower to close at R22.38/kg. The decreases in prices are in line with the stronger currency and lower international prices.

#### Bullish factors

- The strengthening Rand over the past week pressured prices

### Outlook

Internationally, the cotton market struggle as China is expected to restart cotton auctions during the second half of April. China plans to sell off some of its 11 million metric-ton stockpile, which will pressure the market. Locally, cotton prices will continue to be influenced by the direction of the currency.

#### Fibres Market Trends Week ending 25 March 2016

Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian Future - May 2016 (AU\$/kg)	%	Australian Future Jul - 2016 (AU\$/kg)
Wool market indicator	0	15768	-2.27	14375		-		-
19µ micron	0	16550	-1.84	16239		13.95		13.65
21µ micron	0	15851	-1.58	15605		13.40		13.10
Cotton prices		SA derived Cotton (R/kg)		New York A-Index (US\$/kg)		New York future May-2016 (US\$/kg)		New York future Jul-2016 (US\$/kg)
Cotton Prices		22.39		1.46		1.27		1.27

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## Ostrich market trends

Meat price (R) for 42kg	% change	25-Mar	18-Mar
Exports	-0.07%	41.94	41.97
Heat treated	-0.06%	31.83	31.85
Domestic and breeding birds less than 50	0.00%	11.61	11.61
Breeding birds more than 50, exports		19.00	
Average skin price	-0.79%	1508.65	1520.66

Note: Two more outbreaks of low pathogenic avian influenza hit South African poultry farms last week.

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