



# **National Diploma Plant/Animal Marketing Agri-Products**

## **Handout 5 Agri Trends**



## Agri Trends

03 December 2018

### Summer grain growing producers buying less seed for the next season.

Some of the major seed suppliers in the country have reported a sharp decline in seed sales especially during this time when summer grain producers are in the optimal planting phase. It is estimated that only about 25% of sales were reported at some companies compared to the average of 40-45% sales during October of every year. Producers remain under pressure due to the very dry conditions in the summer rainfall region of the country (even though the western parts received some rains, the eastern parts remain dry). Industry stakeholders are skeptical that the CEC's latest forecast for 4.74% more summer grains to be planted will materialize. The reduced area planted will bode well for prices and reduce current stock levels.

#### Contents

Maize market trends.....	2
Wheat market trends.....	4
Oilseeds market trends.....	6

## Maize market trends

### International

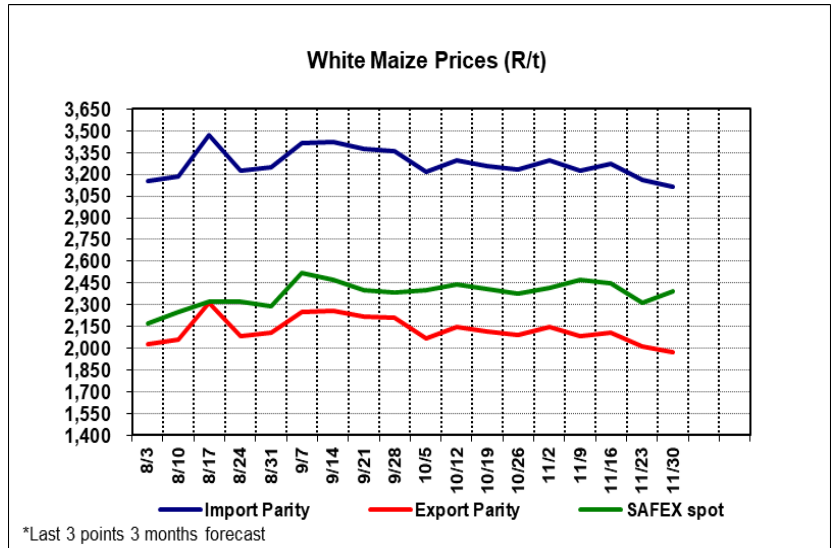
Week-on-week yellow maize No 2 gulf price decreased marginally from US\$158.59/ton to US\$158.04/ton. US maize prices traded lower week on week, harvest pressures and stronger US dollar, making US maize less competitive in the world market.

#### Bullish factors

- Argentinian 2018/19 maize planting progress was hampered by heavy rains in the maize growing regions. Storms in the central areas of Argentina caused some damage to crops.
- Worries about tensions brewing in the Black Sea and Azov regions supported prices.

#### Bearish factors

- The US maize market, entered the last stages of harvest. The process is near completion (about 90% of the crop is harvested in should enter the market). Readily available supplies are suppressing the US market.
- Planting in Argentina progressed well. Plants survived the storms very well and dry weather is supportive for fieldwork.
- Some analysts in Brazil raised their 2018/19 forecast of the Brazilian maize output to 95 million ton.
- The Agriculture Ministry in Ukraine estimates a record crop of 34.8 million ton, there may be some delays in exports due to issues at the port.

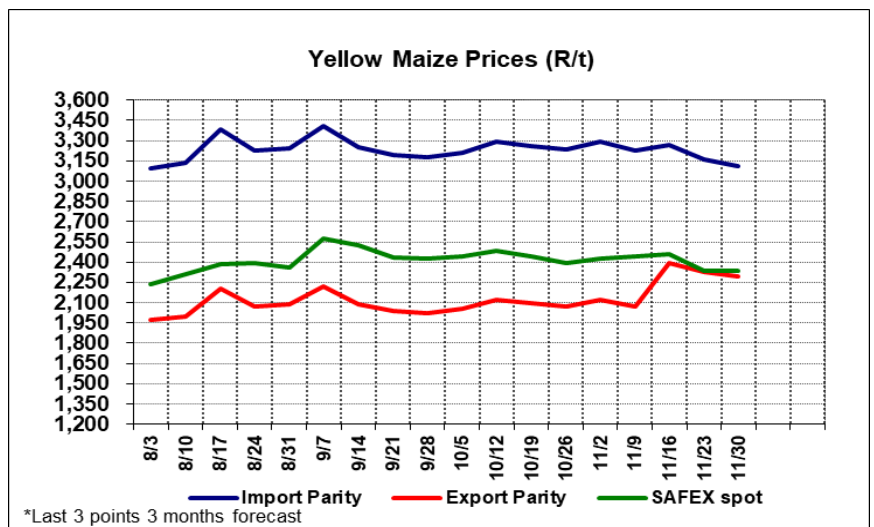


### Domestic

On 30 November 2018, local maize market traded lower week on week. New season white maize prices for delivery in Dec2018 traded higher by R155/ton from R2274/ton to R2429/ton. New season white maize prices for delivery in Mar2019 traded higher by R172/ton from R2338/ton to R2510/ton. Week-on-week new season yellow maize prices for delivery in Dec2018 increased R70/ton from R2291/ton to R2361/ton. Week-on-week new season yellow maize prices for delivery in Mar2019 increased R83/ton from R2347/ton to R2430/ton. South African maize prices outperformed the US maize market, supported by weather conditions.

#### Bullish factors

- The weekly SA maize exports for the week ending 23 November 2018 were 10133 tons white maize and 4,729 tons yellow maize. This brings cumulative maize exports for the season to date at 1,610,903 million tons.
- Total local maize exports intended for the next 8 weeks is 149,229 tons.
- Farmers in the western parts of the country experienced some delays in planting due to drier weather, however there is still optimal planting time till December.
- Weather conditions locally supported maize prices.



### Bearish factors

- Much needed rains in the eastern and northern parts of the country provided some soil moisture relief.
- It is expected that the country will may receive much more widespread showers in the growing areas of Mpumalanga and most parts of the eastern Free State in the following two weeks.
- 

### **Outlook**

#### **Local**

Maize prices posted some gains last week, primarily on the back of dry weather conditions. The weather forecast at this current stage is expected to be mostly dry for the next 7 days in the central and western parts of the country. The central and eastern parts of the country are at risk of receiving below average rainfall which may potentially lead to below average maize/soybean yields and poor grazing conditions.

#### **International**

The US maize market, entered the last stages of harvest. The process is near completion (about 90% of the crop is harvested in should enter the market). Readily available supplies are suppressing the US market.

Table 1: Week on week yellow maize futures and estimated option prices

Yellow Maize Futures: 30 November 2018	Dec-18	Mar-18	May-19	Jul-19
SAFEX (R/t)	2361	2430	2447	2479
SAFEX (R/t) <i>Change week on week (w/w)</i>	70	83	84	87

Table 2: Week on week white maize futures and estimated option prices

White Maize Futures 30 November 2018	Dec-18	Mar-19	May-19	Jul-19
SAFEX (R/t)	2429	2510	2554	2609
SAFEX (R/t) <i>Change w/w</i>	155	172	162	190

## Wheat market trends

### International

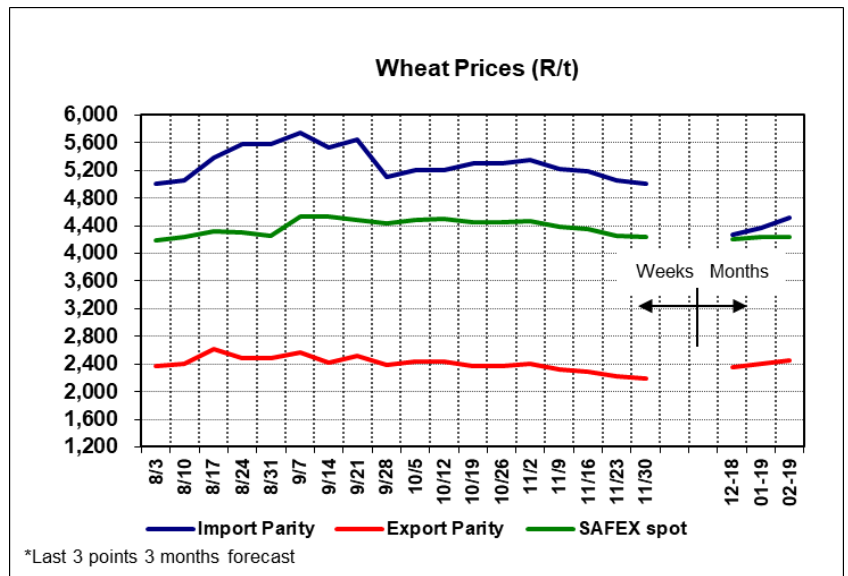
The weekly average old season SRW wheat Gulf price decreased marginally from US\$220/ton to US\$216/ton week on week. Weekly average HRW wheat price remained at US\$229/ton week on week. US wheat prices were under pressure this week due to strong export competition.

#### Bullish factors

- Dry weather conditions remains an unfavourable factor for the 2019/20 crops in Europe. Russia also expected to have a cold weather spell.
- The Brazil harvest is reported to be nearly finished but wet weather has impaired the quality of wheat. This could potentially raise the needs of imports in the country.
- Wet weather conditions in Argentina hindered harvest progress again and may potentially affect quality of crops.
- US winter wheat planting for 2019/20 was hindered by cold weather.
- Escalating tensions between Russia and Ukraine provided some price support, shipments could be delayed due to these tensions.

#### Bearish factors

- Strong export market and weakness in the crude oil markets suppressed US wheat prices.
- Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week.



### Domestic

On 30 November 2018, wheat prices for delivery in Dec2018 decreased by R34/ton from R4229/ton to R4195/ton, week on week. Wheat prices for delivery in Mar2019 decreased by R22/ton from R4354/ton to R4332/ton, week on week.

#### Bullish factors

- The cumulative imports for the 2018/19 season to date is 92,168 tons. Imports for the week ending 23 November 2018 was 2,905 tons all from Russia.

#### Bearish factors

- The CEC 27 November 2018 report estimated local wheat crop at 1.862 million tons, unchanged from the previous estimate forecasted last month.
- Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. The harvest process is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries. Producer deliveries are starting to gain momentum, 253,803 tons were delivered for the week ending 16 November 2018, sparking some selling interest.
- Weather remains dry and cool in the Western Cape supporting the harvest process.
- Weather conditions in the other wheat growing provinces in South Africa (NC, EC, Limpopo and Free State) supporting the wheat crop production estimates.

## Outlook

### Local

Harvesting pressure is currently dominating the market. The Western Cape harvesting (farmers are reporting above average yields) and delivery to silos is gaining momentum thus sparking some buying interest. Cool and drier weather is expected in the Western Cape for the next 2-3 weeks which will support the harvesting process, increasing availability of wheat in the local market.

### International

International US wheat prices traded lower week on week. Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week. Escalating tensions between Russia and Ukraine provided some price support, shipments could be delayed due to these tensions.

Wheat Futures: 30 November 2018	Dec-18	Mar-18	May-19	Jul-19
SAFEX (R/t)	4195	4332	4394	4429
SAFEX (R/t) <i>Change week on week (w/w)</i>	-34	-22	-46	-46

Table 1: Week on week wheat futures and estimated option prices

## Oilseeds market trends

### International

The weekly average USA soybean price marginally decreased week-on-week from US\$330.78/ton to US\$332.16/ton. US soya oil prices decreased from US\$28.46c/lb to US\$27.47c/lb and soymeal prices traded lower from US\$312.42/ton to US\$229.80/ton. US soybean prices fared higher week on week, on some positive outlook ahead of the trade meeting between the US and China.

#### Bullish factors

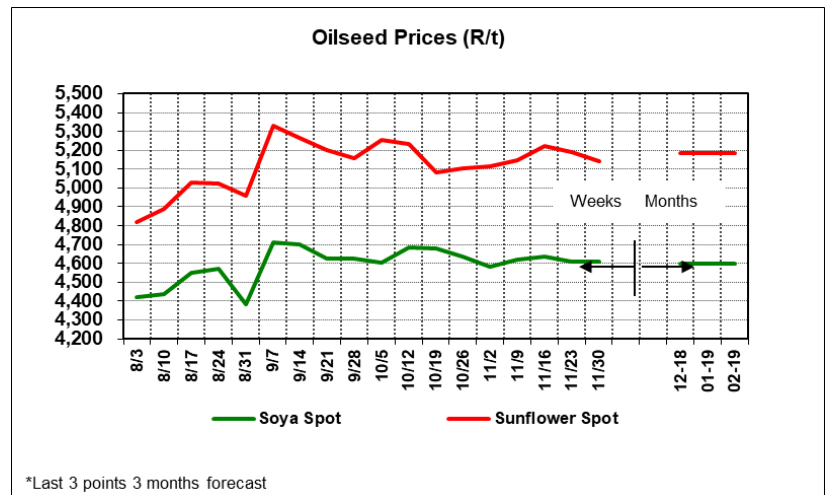
##### Soybean:

- Cold weather conditions in the US Midwest may undermine the final stages of soybean and maize harvest progress, which could lead to additional crop damage and losses.
- Heavy rainfall in Argentina slowed down planting in November. Sunflower plantings in the region are nearby complete (already exceeding last year's area planted).

#### Bearish factors

##### Soybeans:

- About 94% of the US soybean crop has been harvested, which is up from the previous week's progress but down from the previous 5 year average.
- A very sharp decline (6-year low) in EU rapeseed crushing was the opposite of the sharp rise in processing seen in EU soybeans and sunflower seed since July 2018.



#### Rapeseed:

- Additional increases in production and exports are expected in 2019/20 in Russia and the Ukraine.

#### Palm Oil:

- Heavy stocks globally (increased production contrasting with stagnating exports) are keeping palm kernel oil prices under pressure.

### Domestic

New season soybean prices (Dec2018) increased week on week by R93/ton from R4580/ton to R4673/ton. New season soybean prices (Mar2019) increased week on week by R104/ton from R4701/ton to R4805/ton.

New season sunflower seed prices (Dec2018) decreased week on week by R19/ton from R5169/ton to R5150/ton. New season sunflower seed prices (Mar2019) increased marginally week on week by R4/ton from R5116/ton to R5120/ton.

Soybean prices traded higher while sunflower prices traded lower this week. Higher US soybean prices provided some underlying support to the local soybean market.

#### Bullish factors

##### Soybean Seed:

- Strong local demand for soybeans and higher international prices, supported soybean prices this week.
- Rains are expected in the next two weeks in the eastern parts of the country, which will be beneficial to soybean crops. Widespread showers are expected across the major soybean growing areas of South Africa. Rains will replenish soil moisture aiding in good yields/crop development. The soybean optimal planting time will close around mid –December.

##### Sunflower seed:

- Due to drier and hot weather conditions in the past few weeks, sunflower seed crops could not be planted during the optimal planting period. In the next couple of days/weeks until January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State.

## Bearish factors

### Sunflower Seed:

- The stronger local currency against the dollar weighed on the sunflower seed market.
- Good rainfall is expected for the next two weeks.

### Soybean Seed:

- Cumulative local soybeans delivered for this season to date amounts to 1.48 million ton. Cumulative imports to date are 4179 ton.

## **Outlook**

### **Local**

Strong local demand and higher US soybean prices provided some support to the local soybean prices.

Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November. It is possible that a drier situation may exist over the western parts of the country compared to initial forecasts with negative forecast due to the expected effects of El Niño later in the season. Probable drier weather conditions (lower rainfall and higher temperatures) in the late 2018 and early 2019 period could have negative effect on soybean output.

Due to drier and hot weather conditions in the past few weeks, sunflower seed crops could not be planted during the optimal planting period. In the next couple of days/weeks until January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State.

### **International**

The outlook for US soybean is for lower production, reduced exports due to trade tensions and increased ending stocks.

**Table 1: Week on week soybean and sunflower seed futures and estimated option prices**

Oilseeds Futures 30 November 2018	Dec-18	Mar-19	May-19	Jul-19
SAFEX Soybean seed (R/t)	4673	4805	4891	4996
SAFEX Soybean seed (R/t) change w/w	93	104	101	113
SAFEX Sunflower seed (R/t)	5150	5120	4840	4946
SAFEX Sunflower seed (R/t) change w/w	-19	4	-121	-110

\*Short ton

\*\* Dec 2018 = Jan 2019

**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.





## Agri Trends

07 December 2018

### Agriculture contributes to economic growth!

The household expenditure for consumers increased and this support the market for domestic agricultural products. Equally important for primary producers is the fact that the secondary industrial sector's growth increased by 4.5% in the third quarter. The total quarterly nominal GDP growth for South Africa reached 2.2%. Agriculture recovered after the dismal performance due to the previous season's drought and other contributing factors including biosecurity issues and a strong Rand. Second to the manufacturing industry (7.5%) agriculture recovered by a growth rate of 6.5%. Policy uncertainty and recent announcements regarding land policy and the insufficient rainfall during the planting of grain and oilseed crops weighs on the sector. Food security in terms of our capacity to provide in our own needs and not to be dependent on food imports needs to be a priority. A country that exports food ensures affordable food for the population. For this, we need to improve our logistic infrastructure, access to markets and the latest on farm technology. For now, it needs to rain sufficiently to get the crop planted. Certain production areas in the summer rainfall region received up to now less rainfall than during the very dry 2015/16 production season.

#### Contents

Maize market trends.....	2
Wheat market trends.....	4
Oilseeds market trends.....	6
Wool market trends.....	8
Cotton market trends .....	9

## Maize market trends

### International

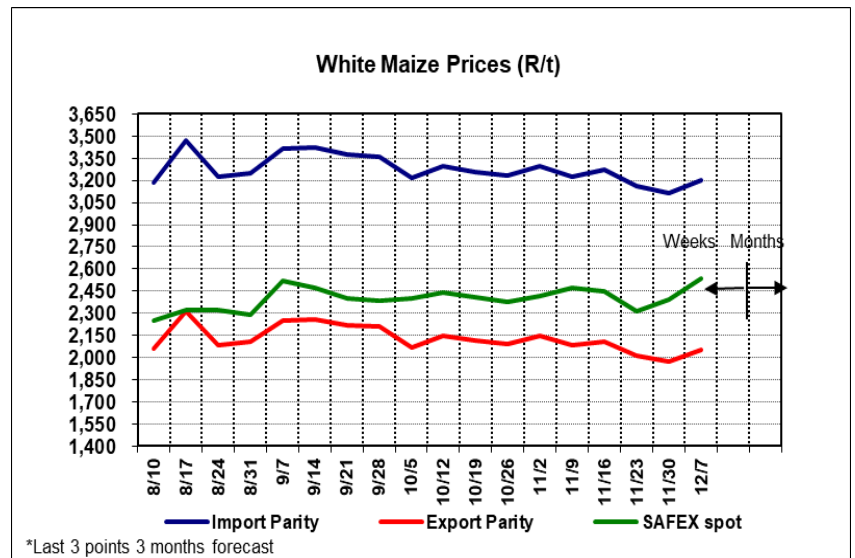
Week-on-week yellow maize No 2 gulf price decreased marginally from US\$158.04/ton to US\$166.76/ton. US maize prices traded higher week on week, supported by spill over effects from the US soybean market and eased tensions between the US and China.

#### Bullish factors

- Argentinian 2018/19 maize planting progress was hampered by heavy rains in the maize growing regions. Some rains are forecasted for the key growing areas in Argentina for the next week.
- Recent trade talks between China and the US (leaning towards China potentially returning to import maize from US) eased some of the tensions and supported prices.
- US maize prices were supported from the positive spill over effect from the US soybean market amid easing tensions between the US and China.

#### Bearish factors

- Planting in Argentina progressed well. Plants survived the storms very well and dry weather is supportive for fieldwork.
- Early crop developments are looking good in Brazil despite earlier drought.
- The Ukraine's harvest is near completion with 97% already completed. This season proves to have a huge surplus in the region. The country's ports have resumed operation after weeks of strikes limiting exports.

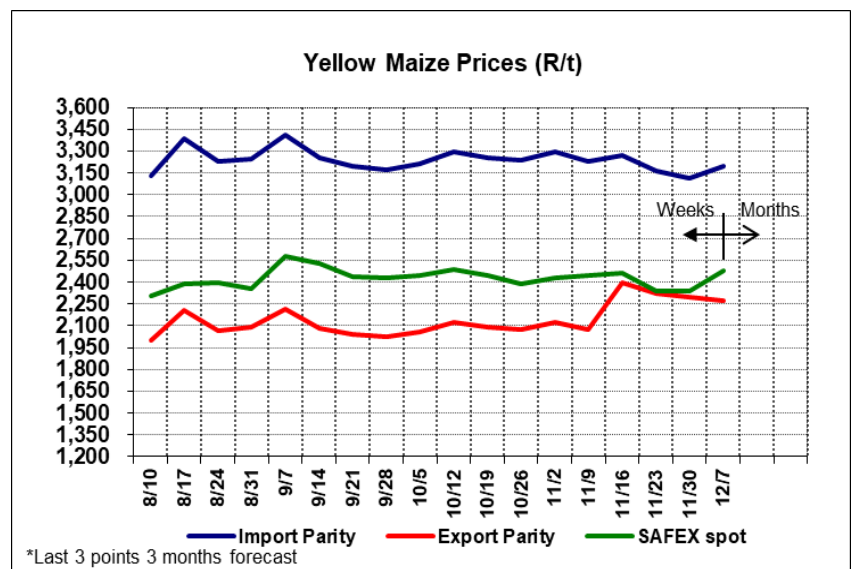


### Domestic

On 06 December 2018, local maize market traded higher week on week. New season white maize prices for delivery in Mar2019 traded higher by R84/ton from R2429/ton to R2576/ton. New season white maize prices for delivery in May2019 traded higher by R72/ton from R2545/ton to R2617/ton. Week-on-week new season yellow maize prices for delivery in Mar2019 increased R105/ton from R2413/ton to R2518/ton. Week-on-week new season yellow maize prices for delivery in May2019 increased R87/ton from R2431/ton to R2518/ton. South African maize prices found support from the higher US maize prices.

#### Bullish factors

- The weekly SA maize exports for the week ending 30 November 2018 were 11,295 tons white maize and 5,018 tons yellow maize. This brings cumulative maize exports for the season to date at 1,627,411 million tons.
- Total local maize exports intended for the next 8 weeks is 146,947 tons.
- Farmers in the western parts of the country experienced some delays in planting due to drier weather, however there is still optimal planting time till December.



- Weather conditions locally supported maize prices.
- Higher US maize prices provided some support to the local maize market.

### Bearish factors

- Much needed rains in the eastern and northern parts of the country provided some soil moisture relief.
- It is expected that the country will may receive much more widespread showers in the growing areas of Mpumalanga and most parts of the eastern Free State in the following two weeks.

### **Outlook**

#### **Local**

Maize prices posted some gains last week, primarily on the back of higher international prices. The weather will be the primary price driver for the weeks ahead in our local market. The central and eastern parts of the country are at risk of receiving below average rainfall which may potentially lead to below average maize/soybean yields and poor grazing conditions.

#### **International**

The US maize market, entered the last stages of harvest. Recent trade talks between China and the US (leaning towards China potentially returning to import maize from US) eased some of the tensions and supported prices.

Table 1: Week on week yellow maize futures and estimated option prices

Yellow Maize Futures: 07 December 2018	Mar-19	May-18	Jul-19	Sep-19
SAFEX (R/t)	2518	2518	2559	2583
SAFEX (R/t) <i>Change week on week (w/w)</i>	105	87	102	82

Table 2: Week on week white maize futures and estimated option prices

White Maize Futures 07 December 2018	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	2576	2617	2663	2705
SAFEX (R/t) <i>Change w/w</i>	84	72	76	62

## Wheat market trends

### International

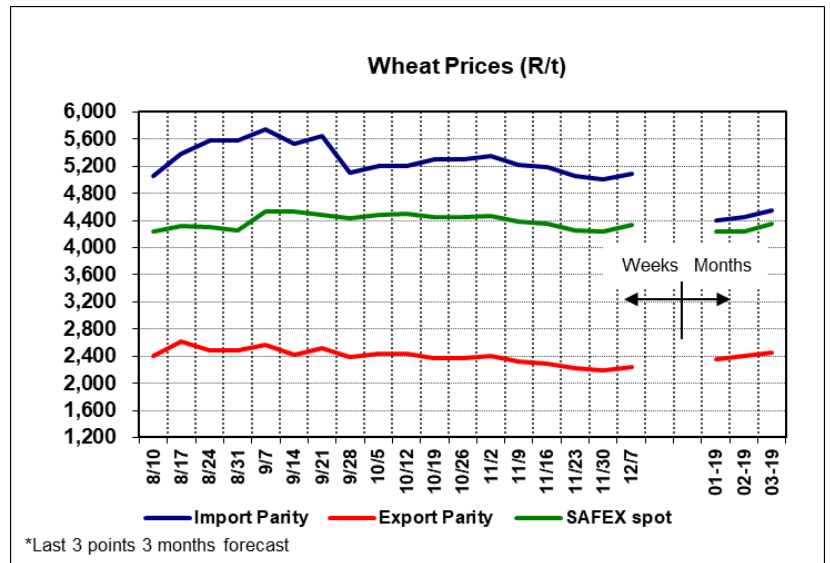
The weekly average old season SRW wheat Gulf price increased from US\$220/ton to US\$222/ton week on week. Weekly average HRW wheat price increased from US\$229/ton to US\$236/ton week on week. US wheat prices traded higher this week due to spill-over strength in US soybeans and US maize market supporting wheat prices.

#### Bullish factors

- ABARES has cut its forecast for the Australian wheat output for the 2018/19 season to a 10-year-low (2.1 million ton).
- Spill over strength from the US soybean and maize market amid easing tensions between the US and China supported US wheat prices.
- Dry weather conditions remains an unfavourable factor for the 2019/20 crops in Europe. Russia also expected to have a cold weather spell.
- The Brazil harvest is reported to be nearly finished but wet weather has impaired the quality of wheat. This could potentially raise the needs of imports in the country.

#### Bearish factors

- Poor US wheat export progress continues to limit price movement.
- Abundant nearby supplies, strong export competition for non-US wheat weighed on the world wheat prices this week. The wheat committed for exports in 2018/19, is the lowest since 2015/16 and is below the average usually reported for this time of the year



### Domestic

On 06 December 2018, wheat prices for delivery in Mar2019 increased by R46/ton from R4312/ton to R4358/ton, week on week. Wheat prices for delivery in May2019 increased by R22/ton from R4354/ton to R4332/ton, week on week. Higher international prices supported domestic wheat prices.

#### Bullish factors

- The cumulative wheat imports for the 2018/19 season to date is 144,245 tons. Imports for the week ending 30 November 2018 was 54,190 tons all from Russia.

#### Bearish factors

- The CEC 27 November 2018 report estimated local wheat crop at 1.862 million tons, unchanged from the previous estimate forecasted last month.
- Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. The harvest process is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries. Producer deliveries are starting to gain momentum, sparking some selling interest.
- Weather remains dry and cool in the Western Cape supporting the harvest process.
- Local wheat prices were pressured by stronger Rand this week (Rand strengthened on better SA GDP growth estimates in quarter 3).

## Outlook

### Local

Stronger local currency limited gains in the local wheat market. Harvesting pressure is currently dominating the market. The CEC 27 November 2018 report estimated local wheat crop at 1.862 million tons, unchanged from the previous estimate forecasted last month. Above average yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. The harvest process is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries. Producer deliveries are starting to gain momentum, sparking some selling interest.

### International

Spill over strength from the US soybean and maize market amid easing tensions between the US and China supported US wheat prices. Abundant nearby supplies, strong export competition for non-US wheat continue to weigh on US wheat commitments.

Table 1: Week on week wheat futures and estimated option prices

Wheat Futures: 30 November 2018	Mar-19	May-19	Jul-19	Sep-19
SAFEX (R/t)	4358	4417	4461	0
SAFEX (R/t) <i>Change week on week (w/w)</i>	46	23	32	0

## Oilseeds market trends

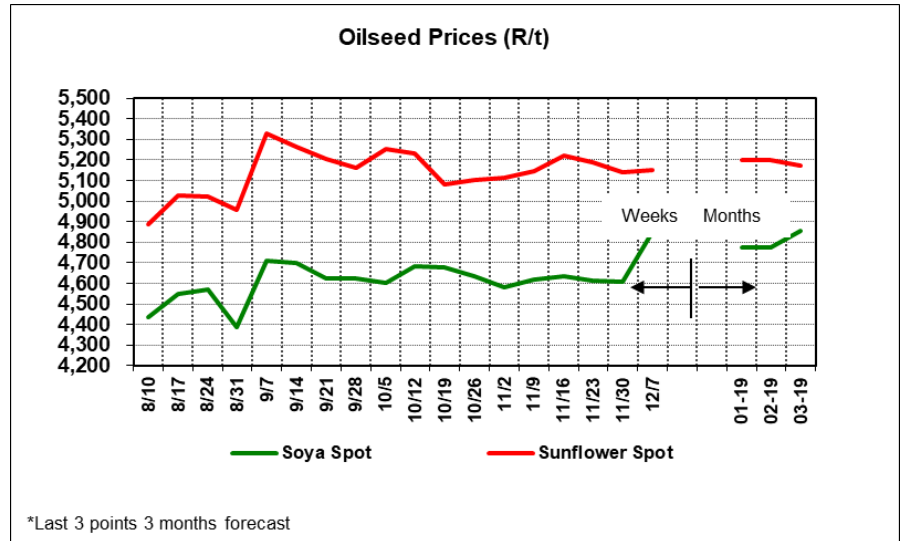
### International

The weekly average USA soybean price increased week-on-week from US\$330.78/ton to US\$340.61/ton. US soya oil prices decreased from US\$24.33c/lb to US\$22.80c/lb and soymeal prices traded higher from US\$306.20/ton to US\$311.68/ton. US soybean prices fared higher week on week, on the back of some optimism and positive outcome from the trade talks at the G20 summit.

#### Bullish factors

##### Soybean:

- Excessive moisture in Argentina continue to slow down soybean planting in some regions. Sunflower plantings in the region are nearby complete (already exceeding last year's area planted).
- US soybean prices fared higher week on week, on the back of some optimism and positive outcome from the trade talks at the G20 summit. There's renewed talks of US sales to China in 2019.
- Cold weather conditions in the US Midwest may undermine the final stages of soybean and maize harvest progress, which could lead to additional crop damage and losses.



#### Bearish factors

##### Soybeans:

- Positive weather and rainfall outlooks coupled with expected large crops weighed on the South American soybean market.

##### Rapeseed:

- Additional increases in production and exports are expected in 2019/20 in Russia and the Ukraine.

##### Palm Oil:

- Heavy stocks globally (increased production contrasting with stagnating exports) are keeping palm kernel oil prices under pressure.

### Domestic

New season soybean prices (Mar2019) remained unchanged at R4857/ton. New season soybean prices (May2019) increased marginally week on week by R7/ton from R4936/ton to R4943/ton.

New season sunflower seed prices (Mar2019) increased week on week by R67/ton from R5105/ton to R5172/ton. New season sunflower seed prices (May2019) decreased week on week by R99/ton from R4882/ton to R4783/ton.

Higher US soybean prices provided some underlying support to the local soybean market.

#### Bullish factors

##### Soybean Seed:

- Strong local demand for soybeans and higher international prices, supported soybean prices this week.
- Rains are expected in the next two weeks in the eastern parts of the country, which will be beneficial to soybean crops. Widespread showers are expected across the major soybean growing areas of South Africa. Rains will replenish soil moisture aiding in good yields/crop development. The soybean optimal planting time will close around mid –December.

##### Sunflower seed:

- Due to drier and hot weather conditions in the past few weeks, sunflower seed crops could not be planted during the optimal planting period. In the next couple of days/weeks until January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State.

## Bearish factors

### Sunflower Seed:

- The stronger local currency against the dollar weighed on the sunflower seed market.
- Good rainfall is expected for the next two weeks.

### Soybean Seed:

- Cumulative local soybeans delivered for this season to date amounts to 1.486 million ton. Cumulative local sunflower seed deliveries for this season to date is 856,830 ton

## **Outlook**

### **Local**

Strong local demand and higher US soybean prices provided some support to the local soybean prices.

Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November. It is possible that a drier situation may exist over the western parts of the country compared to initial forecasts with negative forecast due to the expected effects of El Nino later in the season. Probable drier weather conditions (lower rainfall and higher temperatures) in the late 2018 and early 2019 period could have negative effect on soybean output.

Due to drier and hot weather conditions in the past few weeks, sunflower seed crops could not be planted during the optimal planting period. In the next couple of days/weeks until January 2019, sunflower seed growing areas could receive beneficial rains which will support planting intentions in the North West and Free State.

### **International**

US soybean prices fared higher week on week, on the back of some optimism and positive outcome from the trade talks at the G20 summit. There's renewed talks of US sales to China in early 2019.

Table 1: Week on week soybean and sunflower seed futures and estimated option prices

Oilseeds Futures 30 November 2018	Mar-19	May-19	Jul-19	Sep-19
SAFEX Soybean seed (R/t)	4857	4943	5045	0
SAFEX Soybean seed (R/t) change w/w	-1	7	38	0
SAFEX Sunflower seed (R/t)	5172	4783	4802	0
SAFEX Sunflower seed (R/t) change w/w	67	-99	-148	0

\*Short ton

\*\* Dec 2018 = Jan 2019

## Wool market trends

### International

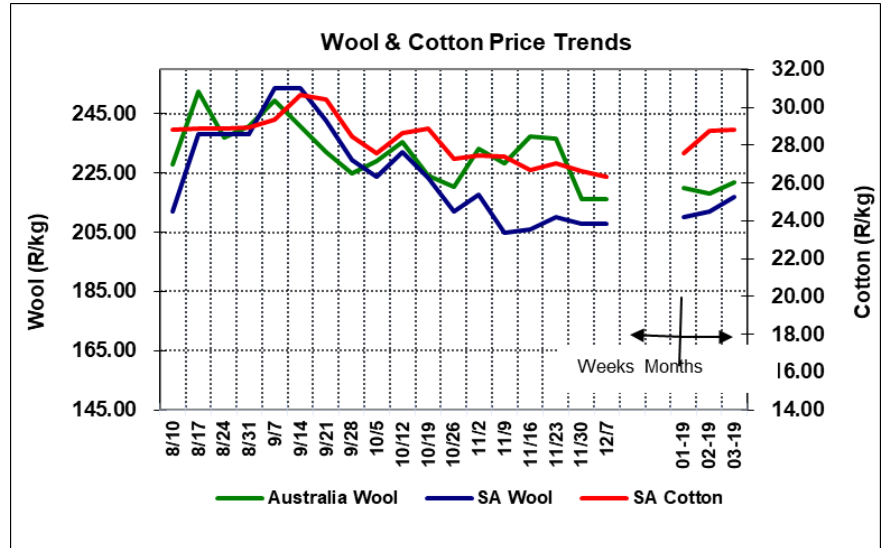
Increased supply of inferior fleece types limited gains in the market. Australian wool market traded 0.6% lower from Au1860c/kg to Au1849c/kg. Next week is the last sale before the 3-week Christmas break.

#### Bullish factors

- The Australian wool production forecast committee has reduced its forecast the 2018/19 season. This drop is a 10.8% decline from the 2017/18 season.
- Continuous dry conditions across major wool producing regions, decline in number of sheep shorn and wool cut per sheep is primarily the reason for the decline in wool estimate for the Australian 2018/19 season.

#### Bearish factors

- The Chinese Yuan has lost more than 10% of its value to the US dollar in March 2018, which places manufacturers in China at a disadvantage. They had to pay 10% more on top of the current wool prices.
- Potential trade wars, exchange rate volatility could weigh on the market.
- Debt and credit risks in China could also weigh on the market.
- Subdued demand and buying interest from China weighed on prices.



### Domestic

Domestic wool market prices closed at R207.71 c/kg (clean) at the sale. The SA market remained under pressure throughout November 2018.

#### Bullish factors

- Excellent demand for quality long and fine wool at the recent auction.

#### Bearish factors

- Analysts do caution that some degree of a downward correction is to be expected.
- Potential trade wars, exchange rate volatility could weigh on the market.

### Outlook

The SA wool market remained under pressure throughout November 2018. Developments in China (world's largest/ main buyer) will have an impact in the future. The trade tensions between the US and China have caused some uncertainty in the market.

Locally, the wool market traded marginally lower. A stronger Rand placed some pressure on export potential. The next sale is scheduled for the 5<sup>th</sup> December 2018 and approximately 14,010 bales will be on offer.



## Cotton market trends

### International

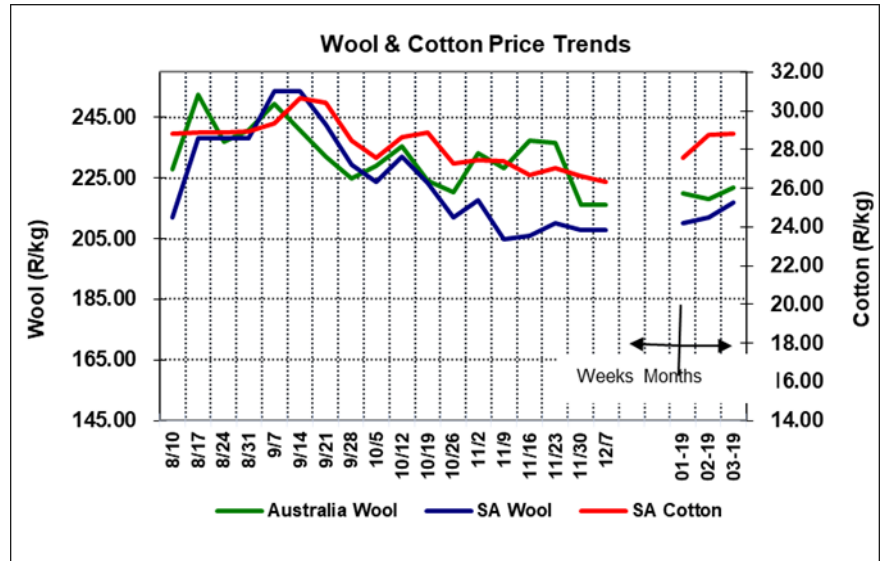
Cotton prices traded 10.06% lower over the past week and closed at US86.80c/lb down from US86.80c/lb.

#### Bullish factors

- ICAC's global consumption for the 2018/19 season is projected at 27.5 million tons (3% up from the previous season). At this current projections of world supply and demand, we anticipate global stocks to decline in 2018/19.
- Australia's cotton production is estimated 44% lower than the previous season due to drought conditions and limited water available.
- Recent weather problems in Georgia (US 2<sup>nd</sup> largest cotton producing region) have contributed in lower area planted estimates.

#### Bearish factors

- Expansion, investment and increased government support is expected to boost production in West Africa to a record 1.3 million tons.
- South America (Brazil) is expected to increase its cotton hectares and production to 9.2.3 million tons.



### Domestic

The derived SA cotton prices traded 1.12% lower to close at R26.36/kg.

### Outlook

Internationally, ICAC's global consumption for the 2018/19 season is projected at 27.5 million tons (3% up from the previous season). At this current projections of world supply and demand, we anticipate global stocks to decline in 2018/19.

Locally, the derived SA cotton prices traded 0.24% lower to close at R28.73/kg. The world market and exchange rate movement may continue to affect the domestic market prices. The 10<sup>th</sup> estimate for the 2017/18 season shows a crop of 196 206 lint bales (153% higher than the previous season). Dryland production has increased by 68% and irrigated cotton production has increased by 167% from the previous season. Lower maize prices induced by large maize stocks and crop production coupled with renewed interest has supported cotton planting in South Africa.

Fibres market trends								
Week ended 30 November 2018								
Wool prices	%	SA prices (c/kg)	%	Australian prices (SA c/kg)	%	Australian future Sep 2018 (AU\$/kg)	%	Australian future Dec 2018 (AU\$/kg)
Wool market indicator	0.00	20771	-0.41	18786		-		-
19µ micron	0.00	22580	-1.27	22420	0.00	20.80	0.49	20.70
21µ micron	0.00	2157	-0.06	21556	0.00	20.50	0.49	20.40
Cotton prices 23 November 2018		SA derived cotton (R/kg)		New York A Index (US\$/kg)		New York future Mar 2019 (US\$/kg)		New York future May 2019 (US\$/kg)
Cotton prices	-1.12	26.36	0.06	1.91	1.8	1.96	1.3	1.95

**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.



## Agri Trends

14 December 2018

### Poultry imports lead to price declines for December

The total poultry imports from Brazil are estimated at R3,2 billion for 2017. During the first 10 months of 2018 Brazilian imports already exceeded R2,9 billion. The expected imports for 2018 can be estimated at R3,6 billion. From the world, South Africa imported until October an estimated R5,14 billion broiler meat products. The total imports from the world for 2018 are estimated at R6,2 billion. Keep in mind that the average exchange rate for the Rand to the \$ were R13.32 in 2017 and R13.16 in 2018. The import value of poultry products increased by 20% year on year. The profitability of local poultry production is challenged by the increased competitive imports from the world. South African exports of poultry declined year on year by 16,3%. The impact of imports on the poultry industry and the consequent substitution of local production impacts also on other industries such as the grain and oilseeds industry. Growth in the domestic market for locally produced feedstock such as maize and soybean are impacted negatively as well.

### Contents

Beef market trends .....	2
Sheep meat market trends .....	3
Pork market trends .....	4
Poultry market trends.....	5

# Beef market trends

## International

New Zealand steer prices trade 1,8% lower over the past week at 5.44NZ\$/kg and cows traded 3,3% lower at 3.83NZ\$/kg compared to a week ago. In the US, beef prices for the week traded on a carcass equivalent basis 3,3% lower. Topside traded 3,9% lower at \$193.09/cwt. Rump was 4.6% lower at \$318.00/cwt. Prices for striploin declined by 2.1% to \$464.35/cwt. Chuck traded 3.4% lower at \$200.00/cwt. Brisket traded 5.4% lower at \$258.00/cwt. The carcass equivalent price was 3.7% lower at \$274.33/cwt.

### Bullish factors

The expected lower seasonal beef supply in Q1 of 2019, sustained high rate of exports and lower cattle weights support US beef prices. The African Swine Fever outbreak in China increase the demand for Australian beef

### Bearish factors

The strong NZ\$ weigh on processing margins and export prices in New Zealand. The Rand value of broiler meat imports by South Africa from Brazil and other destinations increased by 20% in 2018. The cheaper protein alternative to beef weighs on SA beef prices. Poultry SA submitted an application to increase the import tariff on selected broiler cuts to support the profitability of broiler production in South Africa.

## Local

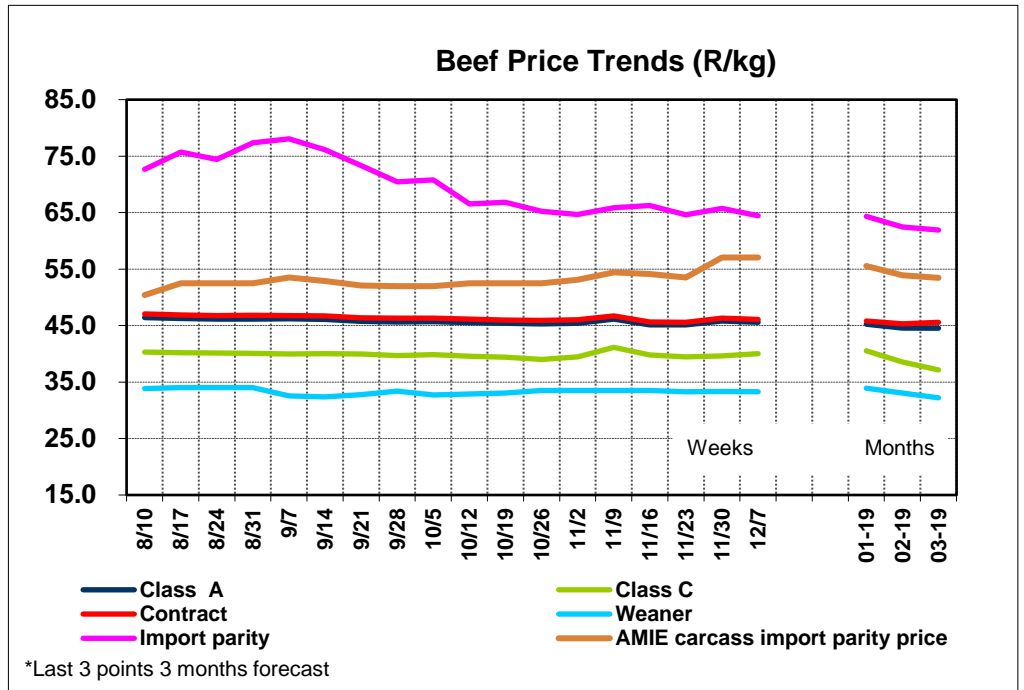
Week on week, beef prices were mostly sideways cross the different classes. The average Class A price decreased by 0.5% lower this week to R45.59/kg. Class C prices increased by 0.98% to R40.03/kg. The average weaner calf prices traded over the past week 0.61% higher to R29.88/kg. The average hide price this week trade sideways when compared to the previous week. The average hide price was w/w at R3.85/kg green.

**Bullish factors:** The lower fuel price, festive season and seasonal increase in demand for imported beef provides underlying support for local prices.

**Bearish factors:** The combination of 1) the unusual increase in supply by primary producers of cattle to meet cash flow needs and 2) the seasonal increase of supply by feedlots at abattoirs to meet demand during the festive season weigh on local beef prices.

### Outlook

Local prices enjoy underlying seasonal price support during the festive season. However, compared to December, prices are expected to trade lower in January.



## Sheep meat market trends

### International

New Zealand lamb and mutton prices traded lower this week compared to last week. Lamb prices were 1,3% lower at NZ\$7.90/kg. Ewe prices traded also lower at NZ\$4.90/kg. The import parity price for lamb was 0.2% higher at R83.70/kg, while the import parity price for mutton was 0.4% lower at R56.22/kg.

#### Bullish factors

The tightening supply in Australia and a strong export demand will support prices in 2019. The national sheep flock in Australia are going to decline by 2%. Poor seasonal conditions will reduce the number of lambs for slaughter.

#### Bearish factors

The current increased slaughter of Australian lamb and mutton constrain prices to increase more in the immediate short term. Secondly, the price of lamb relatively to other meats have risen significantly. Cheaper alternatives will lure cost-conscious consumers away from lamb.

### Local

This week, lamb and mutton prices increased overall by 0,7% when compared to the previous week but were still 1,3% lower than a month before. Lamb and mutton prices were as follows: The national average Class A carcass lamb price decreased by 0.7% to R73.30/kg and the average Class C carcass price increased by 0.87% to R60.06/kg. The average price for feeder lambs traded sideways at R36.68/kg. The average price for dorper skin traded 0,5% higher at R30.71/skin and merino skin prices traded 2,6% lower at R92.50/skin.

#### Bullish factors

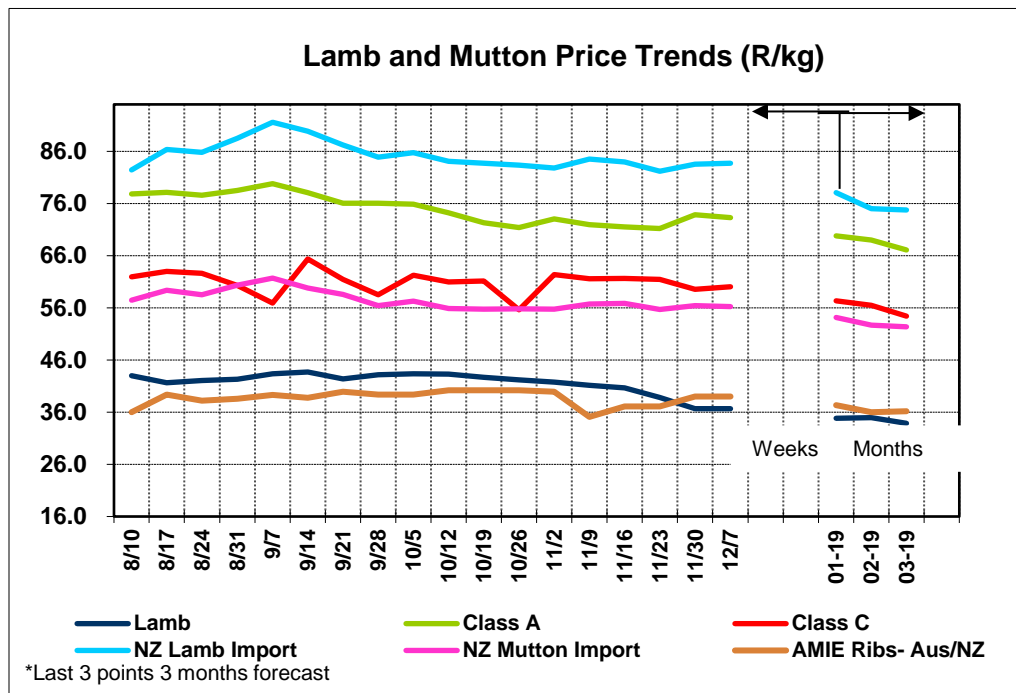
The increased demand for mutton during the festive season are seasonal and provide strong underlying support for local Class A prices.

#### Bearish factors

Class C prices trade lower during the festive season

#### Outlook

Internationally, the strong global demand for sheep meat and limited supply availability are expected to support strong prices through 2019. Locally, Sheep meat prices start to recover in line with seasonal trends and improved demand for higher quality cuts during the festive season.



# Pork market trends

## International

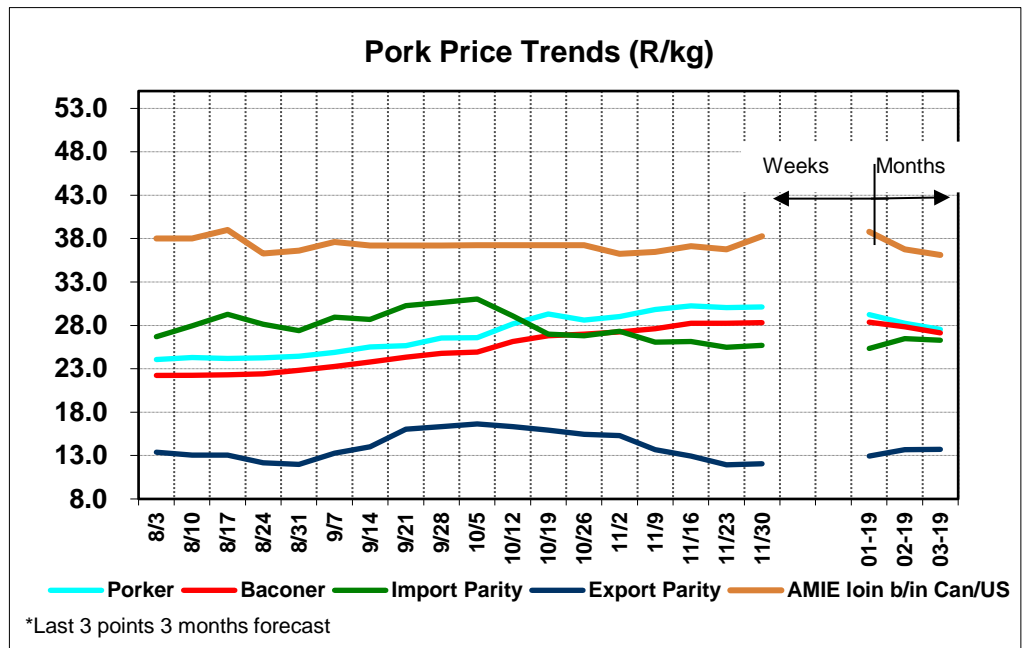
The average weekly US pork carcass prices were mostly higher over the past week. Carcass prices were 4.8% higher at US\$70.05/cwt, loin prices were 2.3 % higher at US\$62.19/cwt, rib prices were 0,6% higher at US\$115.56/cwt and ham was 8.2% higher at US\$54.13/cwt.

### Bullish factors

At current prices US pork producers will be producing pork at break-even levels during Q1 in 2019. Producers will incur losses with further declines in pork prices.

### Bearish factors

The US exports for October revealed record volumes of pork leaving the USA, but at lower prices due to the import tariffs imposed by China and Mexico. The US industry will produce record pork volumes in 2019 and that pork needs alternative markets.



## 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 1,0% higher at R29.49/kg, while the average baconer prices are 1,2% higher at R28.65/kg. The average cutters prices were 0.4% higher at R29.3/kg and the average heavy baconer price was 5.3% lower at R25.74/kg. The SAU price was 1.8% higher at R20.30/kg.

### Bullish factors

Consumer confidence is still recovering. Prices increased marginally higher over the past week and enjoys underlying support from the increase in beef, mutton and poultry prices during the festive season. The uncertain weather conditions for the planting of grain and oilseeds lead to expected increases in feed prices and lower profitability for pork production.

### Bearish factors

The weak economic growth weigh on consumer demand for more expensive protein foods such as pork and poultry.

### Outlook

Internationally, in general meat prices are trading sideways. Locally, pork prices are supported by price increases in poultry, beef and mutton during the festive season and lower fuel prices. The seasonal demand for imported pork shoulders and ribs support prices.

# Poultry market trends

## International

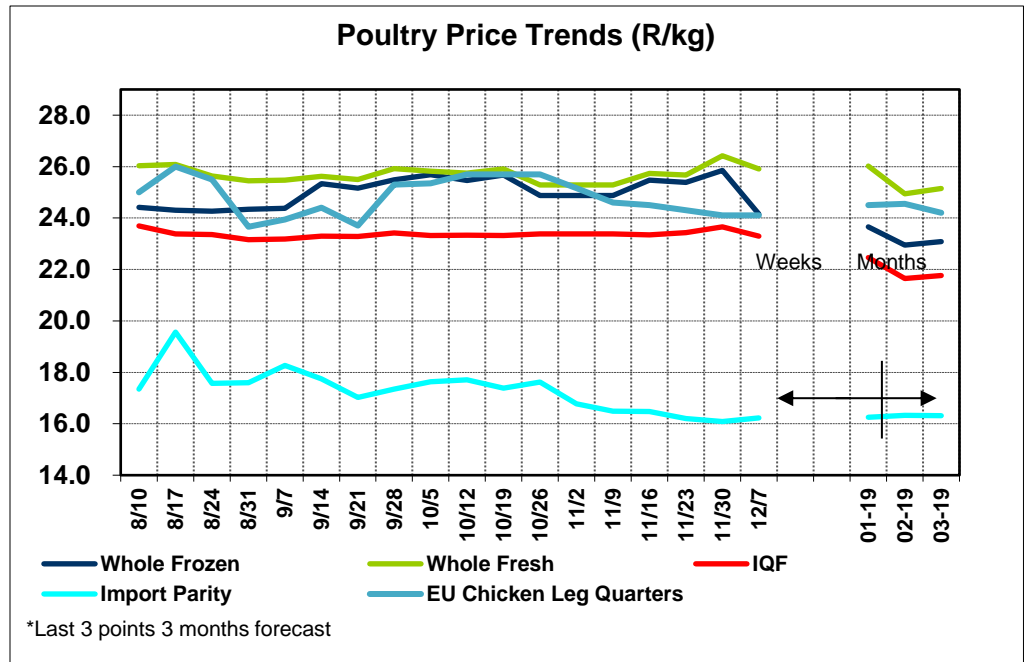
Poultry prices in the US were mostly higher over the past week. Whole bird prices were 1.4% higher at 88.39 USc/lb. Breast traded 2,6% higher at 78.00 USc/lb, while leg quarters also traded higher at 25.00 USc/lb.

### Bullish factors

The drawdown in US meat stocks during November was 10.7 per cent compared to 9.3 per cent average of the last five years.

### Bearish factors

The total supply of US beef, pork, chicken and turkey in cold storage at the end of November was 2.179 billion pounds, 4.9 per cent higher than a year ago and 10.2 per cent higher than the five year average.



## Domestic

The average poultry prices over the past week were sharply lower. The average prices for frozen whole birds were 6.6% lower at R24.15/kg during the week. Whole fresh medium bird prices were 1.9% lower at R25.91/kg, while IQF prices were 1,5% lower at R23.30/kg.

### Bullish factors

The festive season and lower fuel prices are underlying support for the increase in poultry prices. Current dry weather conditions impacts negatively on the planting of grain and oilseeds thereby increasing the future cost of feed and profitability of production.

### Bearish factors

The strong Rand lower import parity price levels thereby limiting price increases of locally produce products. Imports of Brazilian frozen chicken weigh on local prices to reduce sharply.

### Outlook

Internationally, the higher US chicken prices provide underlying support. If Poultry SA succeed in applying for a higher import tariff the new tariff will provide further support to chicken prices.

Locally, the seasonal demand for the festive season and lower fuel prices provide underlying support for SA poultry prices. but competitive imports from Brazil lead local prices lower. South African poultry imports increased 20% in Rand value since 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	1.61	45.59	45.82	-0.7	73.30	73.83	0.7	30.33	30.12	-1.9	25.91	26.42
Class C/ Baconer/ Frozen birds	0.53	40.03	39.64	+0.9	60.06	59.54	1.2	28.65	28.30	-6.6	24.15	25.85
Contract/Baconer/ IQF	1.57	46.07	46.30	-0.8	74.05	74.67	1.0	29.49	29.21	-1.48	23.30	23.65
Import parity price	1.79	64.44	65.76	-0.4	56.22	56.45	5.5	27.11	25.70	0.9	16.20	16.10
Weaner calves/ Feeder lambs	0.2	33.30	33.34	0.0	36.68	36.67		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	n/a	57.05	57.05	n/a	n/a	62.04	n/a	n/a	38.26	n/a	n/a	n/a

Livestock prices (R/kg) for the week of 30 Nov 2018