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# Livestock and Fibre markets

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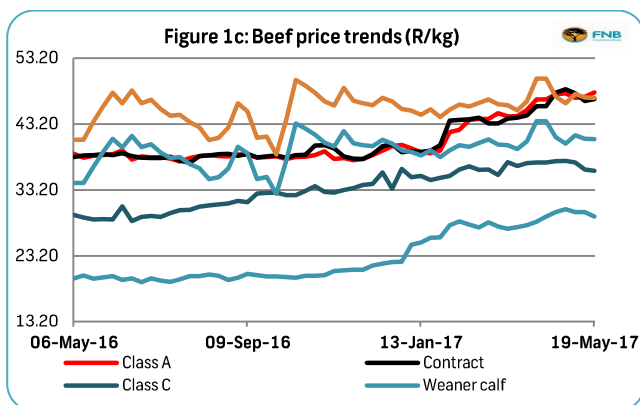
## Agri-Weekly: Livestock and Fibre markets

### International beef market update:

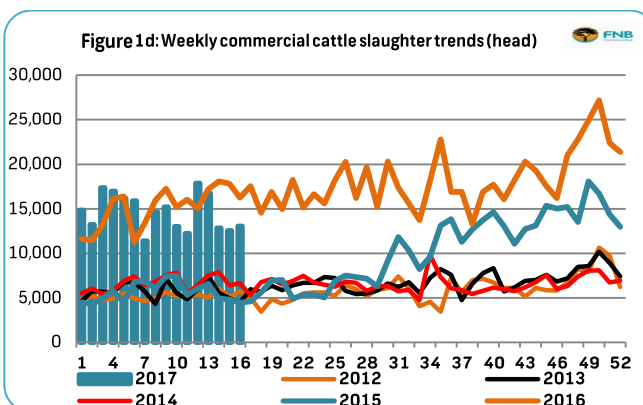
- On the US import market, trading activity was reportedly moderate to active with a combination of tight supplies and good demand helping to lift prices. Supplies out of Australia (AU) and New Zealand (NZ) continued to tighten due to weak exports and the reduced pace of slaughter respectively in the two countries.
- The benchmark for cattle prices in the US, the CME Feeder Cattle Index, rose by 3.1% week-on-week (w/w) and 2% year-on-year (y/y) at US\$145.75/ cwt. In Australia, the benchmark Eastern Young Cattle Indicator (EYCI) fell by 2% w/w but still 13% higher y/y at AU\$6.44/kg cwt.

### Domestic beef market update:

- Beef prices weakened slightly but still at higher levels on the back of softer demand. The average weekly class A beef prices ended down 1.4% w/w at R47.19 per kg, which is however still 22% higher y/y and up 12% compared to the levels achieved three months ago.
- Contract Class A beef prices shed 1.2% w/w at R47.87 per kg, which is however still 25% higher y/y. Prices have increased by almost 10% in the last three months
- Class C beef prices eased marginally lower by 0.7% w/w but still 27% higher y/y at R37.37 per kg. At current levels prices are up 6% compared to the same week three months ago.



\*Last two data points on figure 1a are preliminary



Source: RMAA

- The weaner calf market followed the softer trend in carcass prices on subdued demand. Weekly weaner calf prices reversed recent gains and finished down 1.3% w/w but still 51% higher y/y at R29.86 per kg live weight. The current prices are 7% higher than levels achieved during the same week three months ago.
- On the slaughter market, beef slaughtering rebounded slightly during the week ended 28 April 2017. The weekly cattle slaughter number was up 4% w/w at 13,065 head, which is down 18%y/y (Figure 1d).

Table 1: Beef producer prices	Beef market – South Africa				
Date	05-May-17	28-Apr-17	21-Apr-17	3-Year Avg	5-Year Avg
Class A (R/kg)	47.19	47.85	47.71	17.6%	28.6%
Class C (R/kg)	37.37	37.62	37.55	20.1%	35.3%
Contract: A (*Incl.5thQ, R/kg)	47.87	48.47	47.95	19.9%	31.2%
Import parity (R/kg)	47.78	46.35	47.40	15.3%	33.0%
Weaner calves (R/kg LW)	29.86	30.26	29.86	29.0%	47.0%

LW – Live Weight; \*Fifth quarter. Source: USDA, JSE, FNB Agric

#### Beef Carcass Futures on the JSE

- No changes on the JSE Beef market which saw prices trending sideways across the board (table 2).

Table 2: JSE Beef carcass contracts	05/05/2017	28/04/2017	%Δ w/w
JSE Beef Jun-17 (R/kg)	46.00	46.00	0.0%
JSE Beef Sep-17 (R/kg)	38.00	38.00	0.0%
JSE Beef Dec-17 (R/kg)	42.00	42.00	0.0%
JSE Beef Mar-18 (R/kg)	38.00	38.00	0.0%

Source: JSE

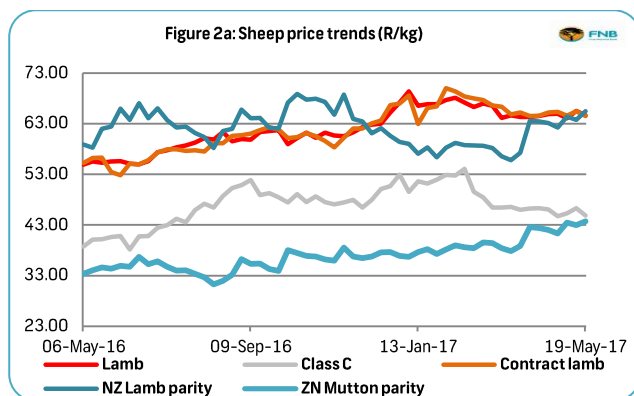
## OUTLOOK

It is expected that prices will trend sideways in the medium term due to the seasonal weakness in demand as we head into the winter months. With the exception of a few areas, grazing conditions are relatively good for over-wintering which should keep cattle supplies tighter.

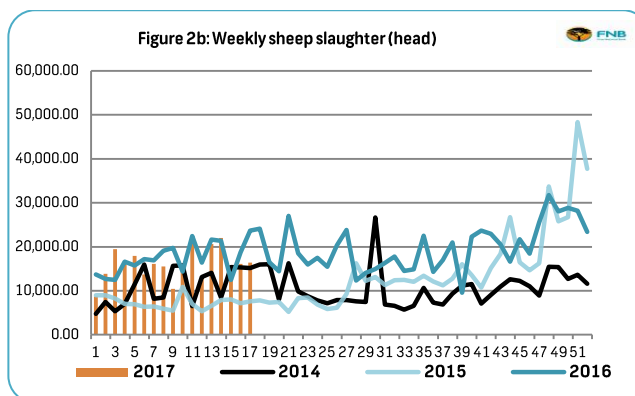
## Weekly summary of the sheep market

### International sheep market update

- Australian lamb prices finished last week slightly down with the Eastern Trades Lam Indicator falling by 2% w/w but still 21% higher y/y at AU\$6.34/kg cwt. The export market was subdued during April 2017 due to limited supplies and shorter trading weeks. AU exports were reported down 19% y/y at 17,053 tons and 3% below the five-year average. This led to a cumulative year-to-date figure of 80,742 tons, which is 3% lower compared to last year this time.
- In New Zealand (NZ), prices strengthened on good export demand and tight supplies. Beef and Lamb NZ has reportedly indicated that export lamb slaughter for the 2016/17 season reached a second lowest record of 19.2 million head. This is largely due to a decline in the North Island lamb slaughter which was reported down 7.4% y/y. Supplies in the South Island are expected to tighten for the remainder of the season, according to AgriHQ.
- The US lamb market saw further gains with the weekly carcass cutout values closing up 4.8% w/w and 10% y/y at US\$337.76/ cwt. The estimated weekly US sheep slaughter rose by 3.1% w/w at 33,000 head, but still down 13.2% y/y. This brings the year-to-date sheep slaughter number to 673,000 head, which is almost 4% lower when compared to last year this time.



\*Last two data points on figure 2a are preliminary



Source: RMAA

### Domestic sheep market update

- The lamb market reversed recent gains and eased lower as a result of limited uptake across markets.
- Weekly Class A lamb prices eased by 1.3% w/w but still 16.8% higher y/y at R64.10 per kg. Prices have however fallen by 5% compared to the same week three months ago.
- Contract Class A lamb prices were a bit softer at R64.57 per kg, down 1.2% w/w but still up by 17% y/y. The current prices are down by almost 8% compared to the same week three months ago.
- Mutton prices remained the exception, rebounding by 1.3% on the week to close at R45.28 per kg. At this level, prices are up 17% y/y but have contracted by almost 14% in the last three months.
- In the feeder lamb market, prices posted sharp losses under pressure due to limited uptake across markets. Weekly feeder lamb prices closed at R29.58 per kg live weight, down by 7.5% w/w but were still 10% higher y/y. The current prices are however down by 5% compared to the same period three months ago.
- Sheep slaughter advanced further during the week ended 28 April 2017, coming in at 16,425 head which is up 2% w/w but still 31% lower y/y.

Table 2: Sheep producer prices	Sheep market – South Africa				
	05-May-17	28-Apr-17	21-Apr-17	3-Year Avg	5-Year Avg
Class A (R/kg)	64.10	64.96	64.89	11.7%	23.8%
Mutton (R/kg)	45.28	44.70	46.07	11.6%	21.7%
Contract: A (*Incl. 5thQ, R/kg)	64.57	65.33	65.20	12.4%	23.2%
Import parity (R/kg)	65.50	62.26	63.14	11.2%	20.0%
Feeder lambs (R/kg LW)	29.58	31.98	32.08	11.5%	22.2%

LW – Live Weight; \*Fifth quarter. Source: USDA, JSE, FNB Agric

### OUTLOOK

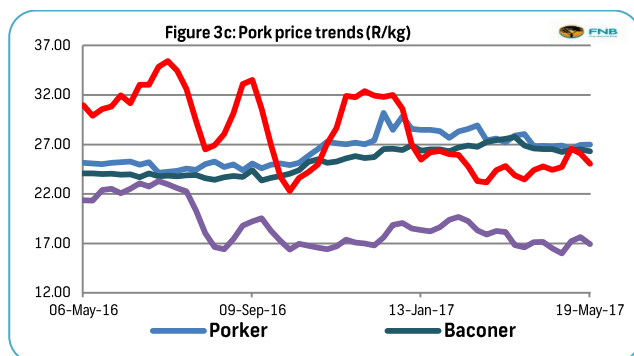
The lamb and mutton markets are expected to retain the current momentum in the short term on limited availability and stable demand. However, prices are expected to slow down as demand subsides during the winter period.

### Weekly pork market update

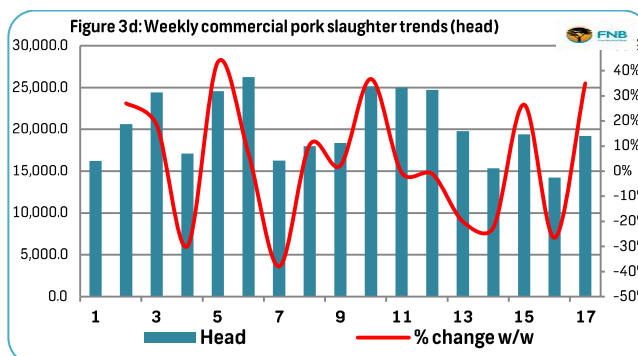
#### International pork market update

- On the US domestic market, pork prices rebounded modestly with the weekly carcass closing 3.2% higher w/w at US\$76.37/ cwt, but still down by almost 8% y/y. The weekly pig slaughter came in marginally down w/w at 2.26 million head, which is up 2% y/y. A total of 49.51 million pigs were slaughtered since the beginning of the year, which is 2% higher y/y.

- Meanwhile, the USDA Cold Storage report pegged the US pork in freezers at the end of March 2017 at 555.1 million pounds which is down 9.6% y/y and was below the five year average by 11%. On specific meat categories, hams, pork bellies, and loins were down by 6.1%, 68.4%, 24.1% y/y respectively. The exception was the pork ribs which were slightly higher y/y at a record high of 146.4 million pounds.



\*Last two data points on figure 3a are preliminary



Source: RMAA

Table 3: Pork producer prices	Pork market – South Africa				
Date	05-May-17	28-Apr-17	21-Apr-17	3-Year Avg	5-Year Avg
Porker (R/kg)	26.58	26.90	26.83	12.9%	13.3%
Baconer (R/kg)	26.44	26.25	26.53	22.7%	16.8%
Import parity (R/kg)	26.56	24.72	24.42	-15.3%	3.0%

Source: USDA, JSE, FNB Agric

#### Domestic pork market update

- The markets were again mixed with porkers easing slightly under pressure due to the improved volumes while baconers saw marginal gains on good uptake.
- Weekly porker prices closed at R26.58 per kg, which is down 1.2% w/w but still 6% higher y/y. Porker prices have dropped by almost 4% in the last three months.
- Baconers ended a bit firmer at R26.44 per kg, which is 10% higher y/y. Baconer prices have advanced by 0.5% compared to the same period three months ago.
- Pork import parity extended recent gains largely due to a renewed rand weakness and strong international prices. Weekly import parity prices gained 7.4% w/w but were still down by 14% y/y.
- In the slaughter market, weekly pig slaughter number for the week ended 28 April 2017 rose by 35% w/w and 49% y/y at 19,220 head as reflected in figure 3d.

#### OUTLOOK

It is expected that pork and baconer prices will trend sideways to firmer in the short term on supply tightness and stable demand. The improved feed supply outlook augurs well for profitability in the longer term as it constitutes a significant portion of production costs.

#### Weekly poultry market update

##### International poultry market update

- Prices in the US broiler complex were mostly mixed with whole birds and leg quarters finishing steady to moderately higher for the week. Weekly whole bird prices were almost unchanged w/w but still down by almost 10% y/y at US101 c/lb.
- Leg quarters posted good gains, closing up 7.7% w/w and 27% y/y at US42 c/lb.



- Losses were in the breasts, wings and drumsticks categories. Breast cuts dropped 4.1% w/w but still 25% higher y/y at US116.50 cents/ pound.
- Wing prices were back 2.4% w/w at US184 c/lb, which is still 18% higher y/y.

Figure 4a: World broiler production share (%)

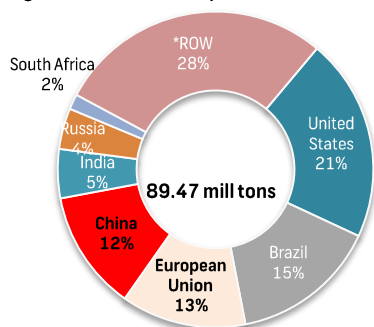
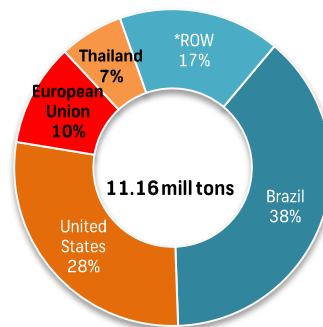


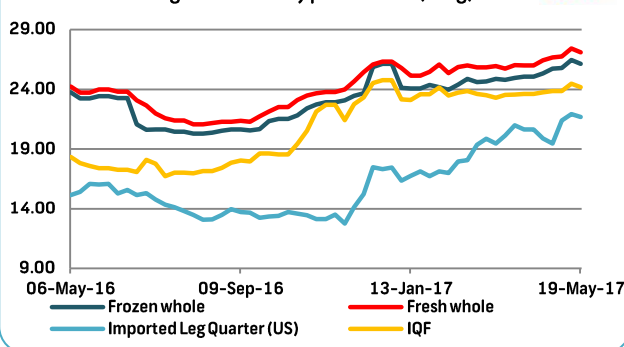
Figure 4b: World broiler exports share (%)



Source: USDA, PSD. \*ROW – Rest of the World

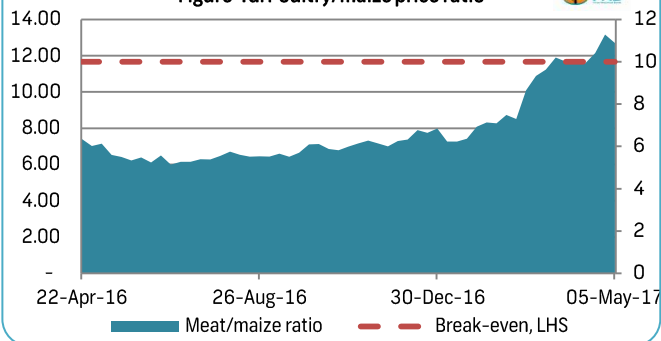
- Growth in world broiler meat exports is expected to be modest in 2017, coming in up 4.5% y/y at 11.16 million tons (figure 4b). In spite of the recent meat scandal, Brazil is expected to record a y/y growth of 10.1% in exports as most countries including China have lifted their ban on its imports. Problems with the avian flu in the EU have resulted in the export forecast for 2017 falling by 8% y/y.

Figure 4c: Poultry price trends (R/kg)



\*Last two data points on figure 4a are preliminary

Figure 4d: Poultry/maize price ratio



### Domestic poultry market update

- The poultry market saw further gains across most categories on stable to strong demand and limited supplies.
- Weekly medium fresh whole bird prices closed at R26.74 per kg, marginally up w/w and 10% higher y/y. Fresh whole bird prices have increased by almost 3% in the last three months.
- In the case of frozen whole birds, prices ended firmer at R25.79 per kg, which is 8.6% and 6.6% higher compared to last year and three months ago respectively.
- Individually Quick Frozen (IQF) portion prices steadied at R23.85 per kg, which is up 30% y/y. The IQF prices eased by 1% compared to the corresponding week three months ago.

Table 4: Poultry producer prices	Poultry market – South Africa				
Date	05-May-17	28-Apr-17	21-Apr-17	3-Year Average	5-Year Average
Fresh whole birds (R/kg)	26.74	26.68	26.44	9.7%	17.9%
Medium Frozen whole birds (R/kg)	25.79	25.73	25.34	8.7%	16.4%
Individually Quick Frozen (IQF) (R/kg)	23.85	23.85	23.75	16.3%	28.6%
Import parity (R/kg)	21.39	19.46	19.88	19.2%	25.0%

Source: USDA, JSE, FNB Agric

- On the feeding side, the poultry/ maize price ratio remained closer to the breakeven level as meat prices have improved. However, futures prices of feed inputs have rebounded modestly due to forecasts of a possible development of an El Nino weather pattern in the 2017/18 crop season ahead as reflected in Table 5.

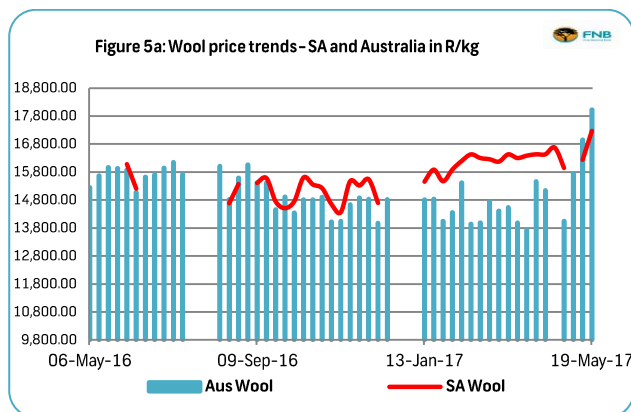
## OUTLOOK

The short to medium term price outlook remains a bit bullish on spill over strength from the red meat market and limited supplies. Chicken meat remains the cheapest source of animal protein.

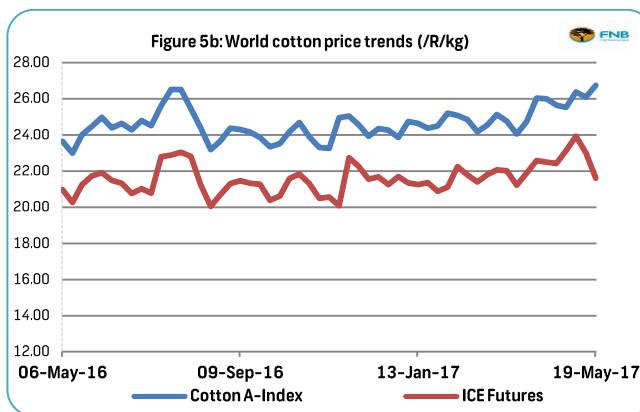
## Weekly fibre market update

### International cotton market update

- World cotton futures trended a bit firmer on concerns over planting delays due to rains in the US. This saw the average weekly cotton prices closing at US88.79 cents/ pound, almost unchanged w/w and 26% higher y/y.
- Slow progress in planting due to rains in the US has been the supporting feature on the market recently. Crop progress was reported at 21% planted which still behind last year and the 5-year average respectively by 25%.
- In the latest USDA update released today, the 2017/18 cotton stocks outside of China are forecast to increase despite lower global stocks. The Chinese cotton stocks are expected down 9 million bales due to the sales of State Reserves.
- Globally, the International Cotton Advisory Committee (ICAC) projected the world area under cotton for the 2017/18 production season to reach 30.82 million hectares in its latest update. The agency cut its world cotton ending stocks projection by almost 1 million tons y/y to 16.41 million tons for 2017/18.



\*Last two data points are preliminary



- In this week's trade, cotton futures on the InterContinental Exchange (ICE) saw losses after a firmer start to the week. Cotton futures prices closed Tuesday 09 May 2017 a bit softer across most contracts as reflected in table 6.

Table 6: ICE Cotton Futures 05 MAY 2017	Jul-17	Oct-17	Dec-17	Mar-18	May-18
Cotton (US c/lb)	77.77	75.66	74.12	73.82	73.8
% Change w/w	-1.4%	-0.4%	-0.7%	-0.5%	-0.5%
Daily futures - 09 May 2017					
Cotton (US c/lb)	77.43	74.35	73.04	72.71	72.78
% Change d/d	0.3%	-0.6%	-0.4%	-0.5%	-0.7%

Source: InterContinental Exchange (ICE)

*Domestic cotton market update*

- The projected crop for 2016/17 production year indicates a total of 74,173 lint bales, up 47% from the previous season and down 1% from last month according to the Cotton South Africa's 3rd estimate report. This is comprised of 72,173 lint bales and 2000 lint bales from South Africa and Swaziland respectively.
- Cotton SA indicated that hectares under dryland production rose by 320% y/y largely due to the availability of cotton stripper harvester technology which was successfully demonstrated under the Cotton Cluster.

<b>Table 6: Fibre market prices 05 May 2017</b>	<b>SA prices (R/kg) 10 MAY 2017</b>	<b>Australian prices (R/kg) 05 MAY 2017</b>	<b>AU wool futures Sep-17 (AU\$/kg)</b>	<b>AU wool futures Nov-17 (AU\$/kg)</b>
Wool market indicator (R/kg)	162.37	152.32		
19µ long length wool (R/kg)	179.47	194.54	1820	1720
21µ long length wool (R/kg)	144.35	151.73	1430	1400
23µ long length wool (R/kg)	-	129.14	1200	1190
<b>Cotton prices 05 May 2017</b>	<b>SA derived Cotton (R/kg)</b>	<b>New York A-Index (US\$/kg)</b>	<b>Cotton Futures Jul-17 (US\$/kg)</b>	<b>Cotton Futures Oct-17 (US\$/kg)</b>
Cotton Prices (R/kg)	26.39	1.95	1.71	1.66

Source: Cotlook, Cape Wool SA, Landmark;

- *International wool market update*

In Australia, wool sales posted strong gains with the AWEX Eastern Market Indicator (EMI) up 2.9% w/w and 21% y/y at AU\$15.44 per kg clean wool. Volumes of sales reached 36,567 bales, which is 95% of the total offerings.

*Domestic wool market update*

- There was no sale during the week ended 05 May 2017.
- In this week's sale (10 May 2017), wool market rebounded slightly which saw the weekly Cape Wools Merino Indicator closing up 1.8% from the previous sale at R162.37 per kg clean wool which is almost 11% higher than the opening sale for the current wool season.
- Major buyers were G Modiano SA with 2,180 bales (32.8%), Standard Wool SA with 1,824 bales (27.4%), Lempriere SA with 1,253 bales (18.8%), and Stucken & Co with 799 bales (12%).

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