

how can we help you?

Livestock and Fibre markets

Brought to you by **FNB Business**



Paul Makube: pmakube@fnb.co.za | 19 May 2017

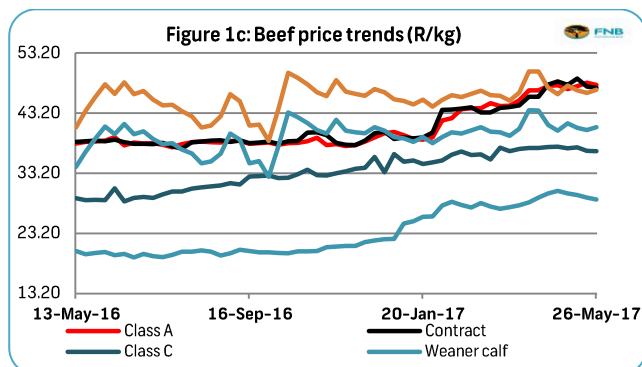
Agri-Weekly: Livestock and Fibre markets

International beef market update:

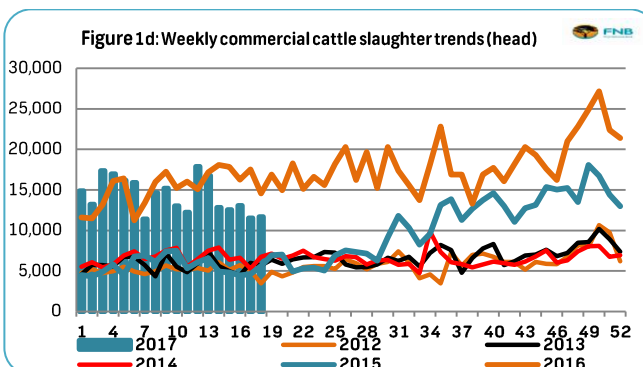
- The benchmark for cattle prices in the US, the CME Feeder Cattle Index, closed last week down 1.6% week-on-week (w/w) and almost 2% year-on-year (y/y) at US\$143.48/t. At wholesale level, the trend was upwards with choice beef gaining 5% w/w and 15% y/y at US\$244.55/cwt, while the select category was up 4.5% and 11% y/y at US\$224.54/cwt.
- On the US import market, imported prices trended higher on the back of tight domestic and supplies out of Australia (AU) and New Zealand (NZ). The strength in domestic prices helped lift the import market. However, the supply situation might improve in the medium term given the reported uptick in slaughter cows in NZ. In Australia, the benchmark Eastern Young Cattle Indicator (EYCI) fell by 2% w/w but still 12% higher y/y at AU\$6.34/kg cwt during last week's trade.

Domestic beef market update:

- Beef prices trended sideways to higher with gains in the class A category.
- Weekly class A beef prices gained 1% w/w at R47.66 per kg, which is up 25% and 13% respectively compared to the same week last year and the levels achieved three months ago.
- Contract Class A beef prices rebounded to R48.95 per kg, which is 27% higher y/y. Prices have increased by almost 12% in the last three months. Class C beef prices moved sideways at R37.51 per kg, which is up 29% y/y. At current levels prices are up by almost 4% compared to the same week three months ago.



*Last two data points on figure 1a are preliminary



Source: RMAA

- The weaner calf market extended recent losses due to softer seasonal demand. Weekly weaner calf prices closed down 1% w/w but still 46% higher y/y at R29.57 per kg live weight. The current prices are however 4% higher than levels achieved during the same week three months ago.
- On the slaughter market, beef slaughtering rebounded slightly at 11,676 head, up 1% w/w but still down 31%y/y (Figure 1d).

Table 1: Beef producer prices	Beef market – South Africa				
Date	12-May-17	05-May-17	28-Apr-17	3-Year Avg	5-Year Avg
Class A (R/kg)	47.66	47.19	47.85	19.1%	30.5%
Class C (R/kg)	37.51	37.37	37.62	20.9%	35.5%
Contract: A (*Incl.5thQ, R/kg)	48.95	47.87	48.47	20.8%	33.2%
Import parity (R/kg)	47.00	47.78	46.35	14.3%	31.1%
Weaner calves (R/kg LW)	29.57	29.86	30.26	27.7%	44.9%

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

Beef Carcass Futures on the JSE

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

Table 2: JSE Beef carcass contracts	12/05/2017	05/05/2017	%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. The longer term outlook for weaner calf prices remains bullish as a result of the drought induced supply tightness.

Weekly summary of the sheep market

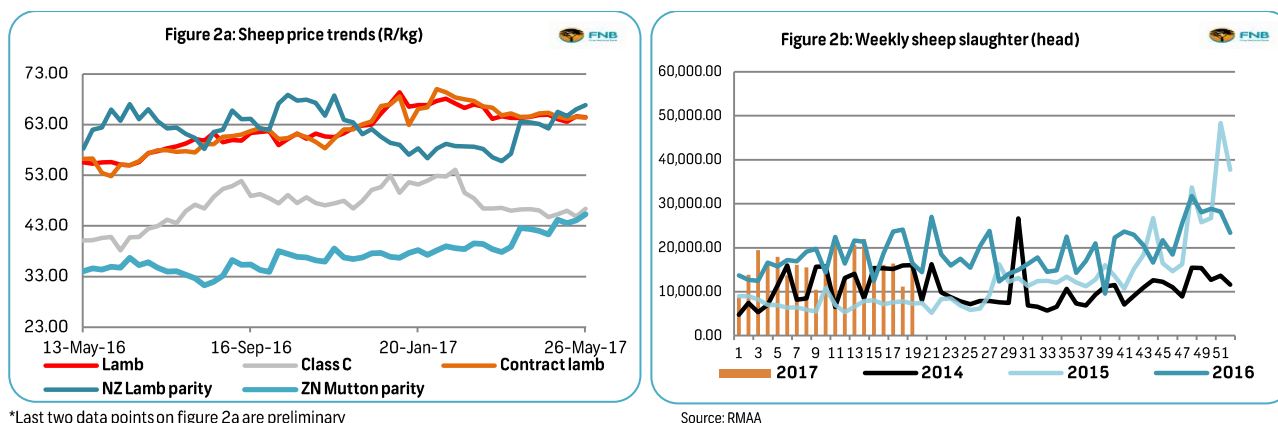
International sheep market update

- Australian lamb prices recovered slightly last week which saw the Eastern Trades Lam Indicator closing higher this week at AU\$6.51/kg cwt from last week's AU\$6.41/kg cwt. Meanwhile, the export market was reportedly 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.
- The US lamb market continued to post good gains with the weekly carcass cutout values closing last week up 4.3% w/w and almost 14% y/y at US\$352.27/ cwt. The estimated weekly US sheep slaughter rose by 3% w/w at 34,000 head, but still down 13% y/y. This brings the year-to-date sheep slaughter number to 707,000 head, which is 4% lower when compared to last year this time.

Domestic sheep market update

- The JSE introduced the lamb carcass futures as reflected in table 3.

Table 3: JSE Lamb carcass contracts	12/05/2017	05/05/2017	%Δ w/w
JSE Beef Jun-17 (R/kg)	64.22	-	-
JSE Beef Sep-17 (R/kg)	63.58	-	-



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 marginally lower w/w but still 14% higher y/y at R63.57 per kg. Prices have however fallen by 7% compared to the same week three months ago.
- Contract Class A lamb prices were a bit softer at R64.12 per kg, down 0.7% w/w but still up by 14% y/y. The current prices are down by almost 8% compared to the same week three months ago.
- Mutton prices remained the exception, gaining 1.5% on the week to close at R45.96 per kg. At this level, prices are up 15% y/y but have contracted by almost 13% in the last three months.
- In the feeder lamb market, prices reversed losses on limited availability across markets. Weekly feeder lamb prices closed at R31.98 per kg live weight, up 8% w/w but were still 16% higher y/y. The current prices are up 4% compared to the same period three months ago.
- Sheep slaughter rose by 50% w/w to 16,835 head, which is however down 31% on last year.

Table 4: Sheep producer prices	Sheep market – South Africa				
Date	12-May-17	05-May-17	28-Apr-17	3-Year Avg	5-Year Avg
Class A (R/kg)	63.57	64.10	64.96	10.0%	22.4%
Mutton (R/kg)	45.96	45.28	44.70	10.9%	23.3%
Contract: A (*Incl. 5th Q, R/kg)	64.12	64.57	65.33	10.1%	21.7%
Import parity (R/kg)	64.67	65.50	62.26	10.2%	17.9%
Feeder lambs (R/kg LW)	31.98	29.58	31.98	14.7%	28.0%

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

OUTLOOK

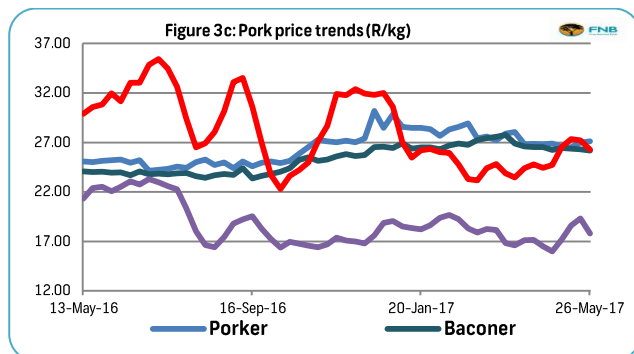
The lamb and mutton markets are expected to retain the current momentum in the short term on limited availability and stable demand. However, prices are expected to slow down as demand subsides during the winter period.

Weekly pork market

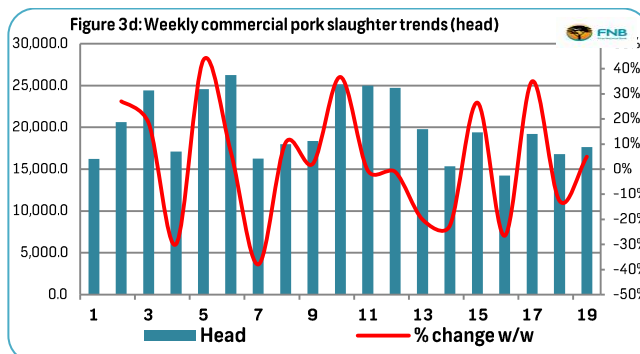
International pork market update

- On the US domestic market, pork prices saw further gains with the weekly carcass values closing 6.4% higher w/w at US\$81.25/ cwt, but still down by almost 2% y/y. The weekly pig slaughter came in almost unchanged w/w at 2.26 million head, which is however up 4% y/y. A total of 43.78 million pigs were slaughtered since the beginning of the year, which is 3% 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 5: Pork producer prices	Pork market – South Africa				
Date	12-May-17	05-May-17	28-Apr-17	3-Year Avg	5-Year Avg
Porker (R/kg)	26.49	26.58	26.90	12.6%	13.4%
Baconer (R/kg)	26.37	26.44	26.25	22.4%	16.8%
Import parity (R/kg)	27.36	26.56	24.72	-12.7%	5.9%

Source: USDA, JSE, FNB Agric

Domestic pork market update

- The pork and baconer markets weakened under pressure due to the subdued demand towards midmonth.
- Weekly porker prices closed at R26.49 per kg, which is marginally down on last week but still 6% higher y/y. Porker prices have dropped by 6.4% in the last three months.
- Baconers eased to R26.37 per kg, which is however still 10% higher y/y. Baconer prices are now back 1.3% compared to the same period three months ago.
- Pork import parity extended recent gains largely due to strong international prices. Weekly import parity prices gained 3% w/w but were still down by 9% y/y.
- In the slaughter market, weekly pig slaughter number rose by 5% w/w, coming in at 17,629 head as reflected in figure 3d.

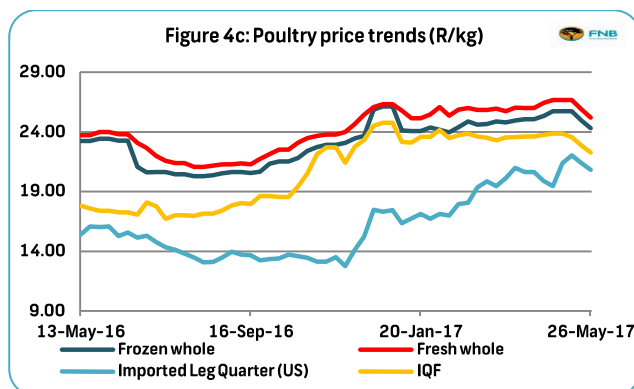
OUTLOOK

It is expected that pork and baconer prices will trend sideways to firmer in the short term on supply tightness and stable demand.

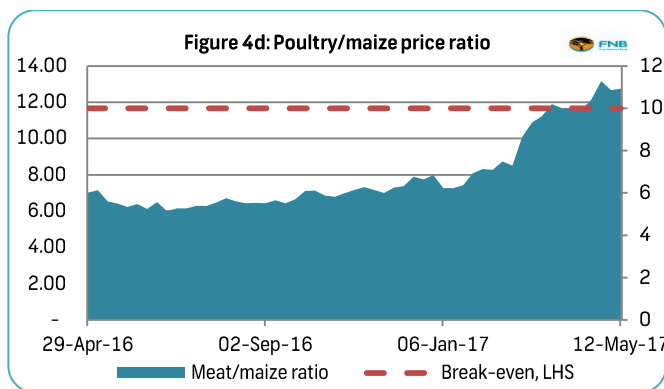
Weekly poultry market update

International poultry market update

- Prices in the US broiler complex trended sideways to moderately during last week. Weekly whole bird prices were almost unchanged w/w but still down by 9% y/y at US101.80 c/lb.
- Leg quarters posted good gains, closing up by almost 3% w/w and 27% y/y at US43.00 c/lb.
- Breast cuts increased 6% w/w and 31% y/y at US123 cents/ pound.
- USDA projected a slightly lower second quarter broiler production which lowers the expected overall output for 2017 in its monthly update.



*Last two data points on figure 4a are preliminary



Domestic poultry market update

- The poultry market steadied across most categories with the exception of the IQF category.
- Weekly medium fresh whole bird prices closed at R26.68 per kg, unchanged w/w and 12% higher y/y. Fresh whole bird prices have increased by almost 5% in the last three months.
- In the case of frozen whole birds, prices ended firmer at R25.73 per kg, which is 11% and 7% higher compared to last year and three months ago respectively.
- Individually Quick Frozen (IQF) portion prices were softer at R23.57 per kg, but still up 32% y/y. The IQF prices are up by 0.4% compared to the corresponding week three months ago.

Table 6: Poultry producer prices	Poultry market – South Africa				
Date	12-May-17	05-May-17	28-Apr-17	3-Year Average	5-Year Average
Fresh whole birds (R/kg)	26.68	26.68	26.68	8.9%	17.9%
Medium Frozen whole birds (R/kg)	25.73	25.73	25.73	8.4%	16.5%
Individually Quick Frozen (IQF) (R/kg)	23.57	23.85	23.85	15.4%	27.4%
Import parity (R/kg)	22.03	21.39	19.46	19.1%	26.6%

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, the farthest maize 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

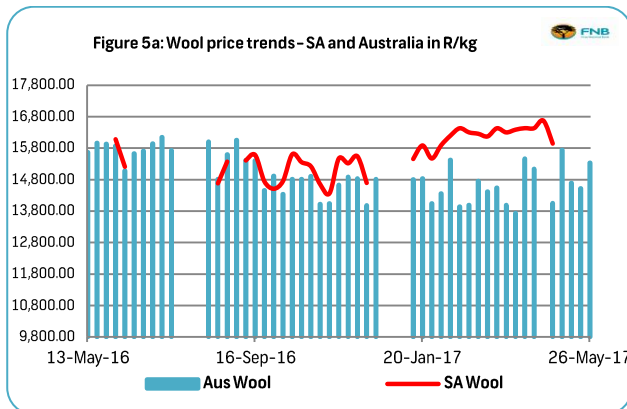
The short to medium term price outlook remains a bit bullish on spill over strength from the red meat market and limited domestic supplies. Chicken meat remains the cheapest source of animal protein. However, indications that there is a strong resumption of imports will limit further upside in the medium term.

Weekly fibre market update

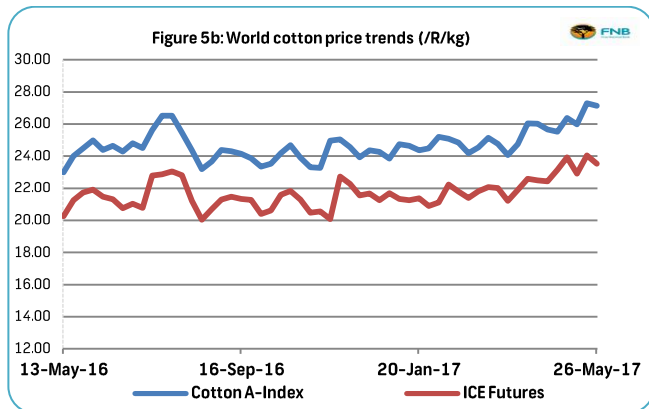
International cotton market update

- World average weekly cotton prices finished last week slightly lower at US\$87.49 cents/ pound, but still 27% higher y/y.
- Cotton futures however rebounded this week with new crop months trending mostly higher. Market expectations are that demand remains good but a further uptick in prices may hurt it. US planting conditions remain mixed due to recent cold and wet weather but the short term outlook calls for warmer temperatures and more wet conditions. The overall planting pace was reportedly good last week, but the annual planting pace is still behind the five year average.

- In yesterday's trading update, China reportedly sold another 24,300 tons of cotton from state reserves on with sales reaching 81.19% of the near 30,000 tons offered. The total for this week has run 99,600 tons (457,330 480-lb bales).
- In the latest USDA update, 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 Thursday 18 May 2017 a bit softer across most contracts as reflected in table 6.

Table 7: ICE Cotton Futures 18 MAY 2017		Jul-17	Oct-17	Dec-17	Mar-18	May-18
Cotton (US c/lb)		79.24	75.68	73.64	73.24	73.53
% Change w/w		0.1%	2.1%	1.5%	1.3%	1.3%
Daily futures - 09 May 2017						
Cotton (US c/lb)		79.24	75.68	73.64	73.24	73.53
% Change d/d		-1.2%	-1.1%	-1.1%	-0.7%	-0.4%

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.

Table 8: Fibre market prices	SA prices (R/kg) 12 MAY 2017	Australian prices (R/kg) 12 MAY 2017	AU wool futures Sep-17 (AU\$/kg)	AU wool futures Nov-17 (AU\$/kg)
Wool market indicator (R/kg)	-	152.81		
19 μ long length wool (R/kg)	-	192.47	17.35	16.75
21 μ long length wool (R/kg)	-	148.87	14.10	13.70
23 μ long length wool (R/kg)	-	136.63	12.00	11.90
Cotton prices 12 May 2017	SA derived Cotton (R/kg)	New York A-Index (US\$/kg)	Cotton Futures Jul-17 (US\$/kg)	Cotton Futures Oct-17 (US\$/kg)
Cotton Prices (R/kg)	27.29	2.04	1.81	1.81

Source: Cotlook, Cape Wool SA, Landmark;

- *International wool market update*

In this week's trading, wool sales on the Australian market weakened which saw the AWEX Eastern Market Indicator (EMI) falling by 1.7% w/w but still 13% higher y/y at AU\$15.22 per kg clean wool. Volumes of sales reached 32,125 bales, which is 92% of the total offerings.

Domestic wool market update

- The wool market rebounded slightly last week 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%).
- There were no sales for this week, the next sale is scheduled for the 24th of May 2017.

To find out more or to speak to one of our **agricultural specialists**, please contact us.

Name	City	Cell	Email
Grewar, Oosthuizen	EASTERN CAPE -Port Elizabeth	071 607 6850	grewar.oosthuizen@fnb.co.za
Edmund, De Beer	EASTERN CAPE -Port Elizabeth	084 656 5634	edebeer1@fnb.co.za
Martin, Louw	FREE STATE -Theunissen	082 784 8880	mlouw1@fnb.co.za
Chris, Bekker	FREE STATE -Bloemfontein	082 560 1894	cbekker@fnb.co.za
Jan, Theron	GAUTENG -Pretoria	082 556 7494	jantheron@fnb.co.za
Marc, Strydom	KwaZulu-Natal -Pietermaritzburg	082 497 4781	mstrydom@fnb.co.za
Greg, Sparrow	KwaZulu-Natal -Pietermaritzburg	071 684 8420	greg.sparrow@fnb.co.za
Jurgens, du Preez	KwaZulu-Natal -Newcastle	063 688 9146	jurgens.dupreez@fnb.co.za
Sarah, van der Merwe	KwaZulu-Natal - Pietermaritzburg	082 371 1040	sarah.vandermerwe@fnb.co.za
Adolf, Grobler	LIMPOPO -Bela-Bela	082 337 6040	agrobler@fnb.co.za
Stephan, Scheepers	MPUMALANGA -Nelspruit	082 377 8516	sscheepers2@fnb.co.za
Theo, Verwey	MPUMALANGA -Pretoria	082 419 6086	tverwey@fnb.co.za
Pedrie, Van der Merwe	NORTHERN CAPE -Kimberly	071 351 3439	pedrie.vandermerwe@fnb.co.za
Frik, Coetzee	NORTHERN CAPE -Upington	082 497 4769	frik.coetzee@fnb.co.za
Johan, De Klerk	NORTH WEST -BRITS	082 776 3477	jdeklerk2@fnb.co.za
Johan, Strydom	NORTH WEST -Potchefstroom	082 497 2274	cstrydom@fnb.co.za
Johan, Beukes	WESTERN CAPE -Stellenbosch	082 372 4656	jbeukes@fnb.co.za
Lize, Morris	WESTERN CAPE -George	082 928 8546	lmorris@fnb.co.za
Arno, Cloete	WESTERN CAPE -Willowbridge	082 302 3621	arno.cloete@fnb.co.za

Disclaimer:

This report may contain certain opinions, predictions and assumptions and has been compiled from a variety of sources. Accordingly, you use the information in this report ("this information") at your own risk and should not rely on it as a substitute for obtaining any specific professional advice you require. Accordingly, First National Bank, a division of FirstRand Bank Limited ("FNB") provides no warranties or undertakings of any kind, whether express, implied or otherwise, concerning this information, its accuracy and/or reliability. Neither FNB nor its holding company, subsidiaries or other group companies will be liable to you for any claims, demands, expenses, losses or damages, of whatsoever nature, which you may suffer or incur by using this information.