



## Agri Trends

09 November 2018

**The sheep meat market is currently bear, at a time where it normally follows a bullish momentum.**

The average lamb class A price during October 2018 was under great pressure, and declined month on month to 73.37/kg. Prices have followed a declining trend since July 2018. It is a norm for red meat prices to strengthen leading up to December as seasonal conditions are supportive of demand, however, prices are following a different trend this year.

A sluggish economy has constrained consumer spending, and Lamb and mutton remains the most expensive meat in the market, weighing on prices. These price decreases were reflected in the consumer price index, which measured that meat prices were 0.6% lower in September 2018 compared to during August of 2018.

### Contents

Maize market trends.....	3
Wheat market trends.....	5
Oilseeds market trends.....	7
Cotton Market Trends .....	9
Beef market trends .....	10
Sheep meat market trends .....	12
Pork market trends .....	14

Poultry market trends.....15

Vegetable market trends .....17

## Maize market trends

### International

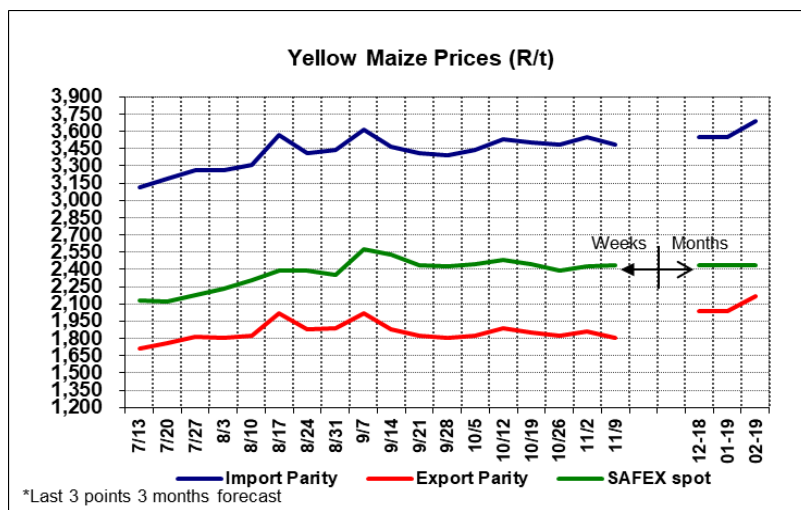
Week-on-week yellow maize No 2 gulf price increased from US\$159.51/ton to US\$164.23/ton. US maize prices traded higher week on week, on the back off a positive spill over from soybean market. Slightly bullish sentiment after the USDA's World Agricultural Supply and Demand Estimates Report (WASDE) supported prices.

#### Bullish factors

- US maize market traded positively week-on-week on the back off a positive spill over from soybean market.
- US maize production expected lower in the latest November 08 WASDE USDA report.

#### Bearish factors

- Harvesting of maize in the US progressing very well.
- Based on the USDA's latest WASDE estimates, international maize ending stocks are higher, due to increases in Argentina, Paraguay, Iran and Vietnam.
- Production is also estimated higher Kenya, Russia, Ukraine and Argentina, while production in the EU is lowered.
- China's CNGOIC made revisions to maize production estimates. The 2018/19 maize crop is expected to increase by 42.7 million ton to 259 million ton.

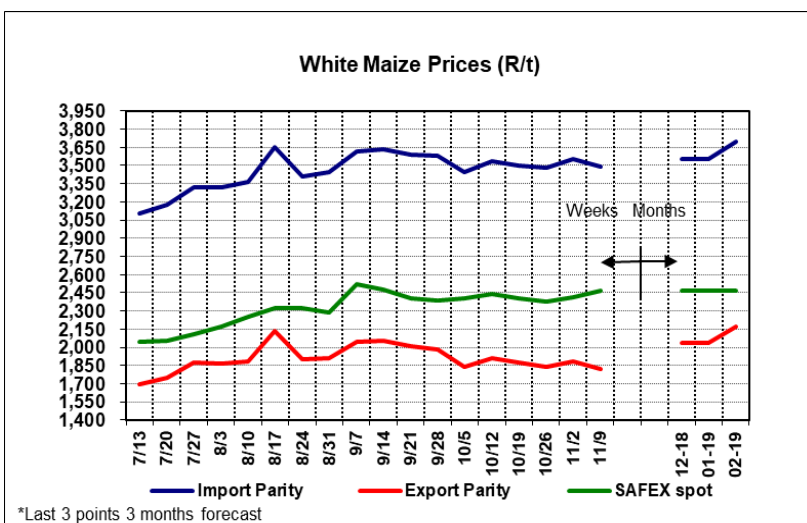


### Domestic

On 09 November 2018, local maize market traded higher week on week. New season white maize prices for delivery in Dec2018 traded higher by R69/ton from R2401/ton to R2470/ton. Week-on-week new season yellow maize prices for delivery in Dec2018 increased R23/ton from R2410/ton to R2433/ton.

#### Bullish factors

- The weekly SA maize exports for the week ending 02 November 2018 were 23745 tons white maize and 5008 tons yellow maize. This brings cumulative maize exports for the season to date at 1,566,942 million tons.
- Maize prices ended firmer this week supported by the favourable weather in the beginning of the summer grain growing season. White maize prices performed better than yellow maize prices this week.
- Warm and dry weather conditions are forecasted for the central and the western growing regions in the following week. Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November.



### Bearish factors

- The Rand was at its strongest this week since August 2018. A stronger local currency makes local grains less competitive on the export market.

## **Outlook**

### **Local**

South African maize prices were mixed, pressured by a stronger Rand. The market will be focussing on weather now, as the summer grain growing areas, is in planting season. Warm and dry weather conditions are forecasted for the central and the western growing regions in the following week. Weather forecasts seem negative, with minimal rainfall expected in the central and western summer rainfall regions until mid-November.

### **International**

This week, the US maize market traded higher. Latest USDA report maize outlook is for lower supplies, higher usage. US harvesting remained ahead of the previous average at this time of the year.

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

Yellow Maize Futures: 09 November 2018	Dec-18	Mar-18	May-19	Jul-19
CBOT (\$/t)	145.37	150.09	152.94	155.11
SAFEX (R/t)	2433	2476	2462	2510
SAFEX (R/t) <i>Change week on week (w/w)</i>	23	18	5	2

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

White Maize Futures 09 November 2018	Dec-18	Mar-19	May-19	Jul-19
SAFEX (R/t)	2470	2526	2555	2595
SAFEX (R/t) <i>Change w/w</i>	69	78	56	67

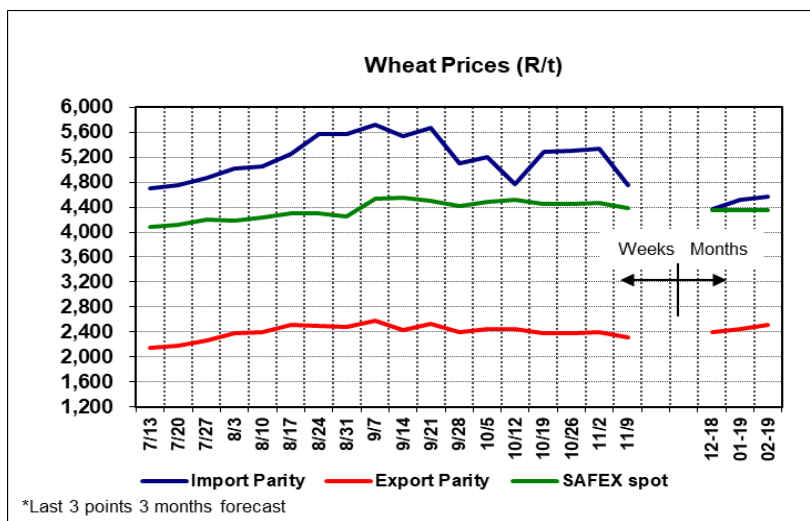
## Wheat market trends

### International

The weekly average old season SRW wheat Gulf price increased from US\$216/ton to US\$218/ton week on week. Weekly average HRW wheat price marginally decreased from US\$237/ton to US\$236/ton week on week.

#### Bullish factors

- Global wheat exports are lowered by 1.6 million tons in the latest WASDE report, primarily due to lower crop prospects in Australia. Australian exports estimated at 11.5 million tons is the smallest export total since 2007/08.
- Dryness woes in the EU and Black Sea region continues to support crop prospects.
- Excessively wet weather hindered planting for 2019/20 in the US.
- Lower wheat production prospects in Australia continue to support prices. Australia's production is estimated at 17.7 million tons (down 1 million ton) due to continued drought.



#### Bearish factors

- Global 2018/19 wheat production and beginning stocks are higher. The upward revision was supported by increases in China. China is expected to have a higher yield and area harvested for the 2018/19 production.
- Global supplies have risen more than usage, world ending stocks are raised by 6.5 million tons up to total 266.7 million ton.

### Domestic

On 09 November 2018, wheat prices for delivery in Dec2018 decreased by R103/ton from R4452/ton to R4349/ton, week on week. Local wheat prices were lower due to a stronger Rand.

#### Bullish factors

- The latest import tariff of R490.70/ton providing some underlying support from the lower tariff of R298.50/ton.

#### Bearish factors

- The stronger Rand supported cheaper imports this week.
- 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.
- The local 2017/18 wheat import season closed with cumulative 2,177,232 million tons imported wheat, with Russian origin making up 44% of the imports.
- New imports for the 2018/19 season, for the week ending 02 November 2018, was 10,115 tons (49% from the Ukraine and 51% from Russia). The cumulative imports for the 2018/19 season to date is 65,943 tons.
- Weather conditions in the other wheat growing provinces in South Africa supporting the wheat crop production estimates.

### Outlook

#### Local

The Rand gained some strength this week (the strongest the Rand has been since August 2018). 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.

### International

Global supplies have risen more than usage, world ending stocks are raised by 6.5 million tons up to total 266.7 million ton. Global wheat production and beginning stocks are higher, wheat exports are lowered by 1.6 million tons in the latest WASDE report, primarily due to lower crop prospects in Australia. Australian exports estimated at 11.5 million tons is the smallest export total since 2007/08.

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

Wheat Futures 09 November 2018	Dec-18	Mar-19	May-19	Jul-19
CME (\$/t)	194.47	198.97	201.63	201.36
SAFEX (R/t)	4349	4472	4528	4583
SAFEX (R/t) Change w/w	-103	-108	0	-72

## Oilseeds market trends

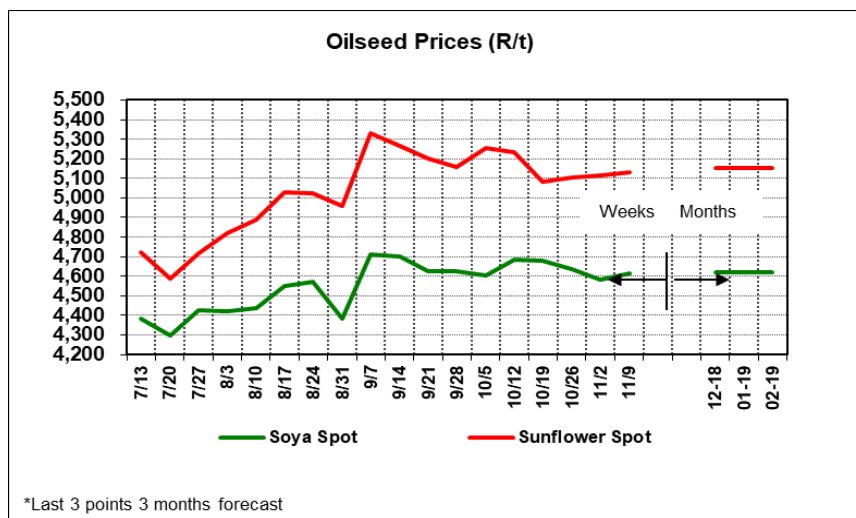
### International

The weekly average USA soybean price marginally increased week-on-week from US\$326.82/ton to US\$327.93/ton. US soya oil prices decreased from US\$28.92/lb to US\$28.73/lb and soymeal prices traded higher from US\$312.80/ton to US\$313.13/ton.

#### Bullish factors

##### Soybean:

- With the current ongoing trade disputes, China's soybean imports from the US are reduced to 90 million bushels (down 4 million bushels).
- US soybean outlook according to the USDA's WASDE report cites lower production. US soybean production is estimated at 4.600 million bushels (down by 90 million bushels) due to lower yields.
- South America is expected to be a key exporter to the Chinese soybean market amid trade tensions while the US will primarily focus on the rest of the world in the second half of the year.



#### Bearish factors

##### Soybeans:

- US soybean exports are expected to be lower 1.900 million bushels (down 160 million bushels), primarily due to lower imports for China.
- World oilseed stocks are up to 126.2 million due to higher soybeans and sunflower seed. Higher soybean stocks coming from Argentina, India and the US.

##### Sunflower seed:

- Lower production of other oilseeds (soybeans, rapeseed, cottonseed and peanuts) will be offset by higher sunflower seed production.

### Domestic

New season soybean prices (Dec2018) decreased week on week by R29/ton from R4526/ton to R4621/ton.

New season sunflower seed prices (Dec2018) increased week on week by R54/ton from R5096/ton to R5150/ton.

#### Bullish factors

##### Sunflower Seed:

- Sunflower seed processing increased, supported by larger sunflower seed supplies.
- Late rainfall in parts of the sunflower seed growing region may lead to late planting.

#### Bearish factors

##### Soybeans

- Soybean carry-over stocks expected to be large locally, especially if the needed exports do not materialise. Exports are expected to remain low.

### Outlook

#### Local

Stocks remain large for soybean seed. Processing demand continues to grow for sunflower seed and soybean seed crushing, which bodes well sunflower seed prices. Late rainfall in parts of the sunflower seed growing region may lead to late planting.

## 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 09 November 2018	Dec-18	Mar-19	May-19	Jul-19
CBOT Soybeans (US\$/t)**	320.59	325.18	330.14	334.46
CBOT Soy oil (US c/lb)	29.02	29.52	29.80	30.09
CBOT Soymeal (US c/lb)	348.13	347.80	345.27	346.04
SAFEX Soybean seed (R/t)	4621	4739	4788	4870
<i>SAFEX Soybean seed (R/t) change w/w</i>	-29	24	-32	4870
<i>SAFEX Sunflower seed (R/t)</i>	5150	5115	5004	5069
<i>SAFEX Sunflower seed (R/t) change w/w</i>	54	6	-20	-22

\*Short ton

\*\* Dec 2018 = Jan 2019



## Cotton Market Trends

### Bullish factors

- The latest WASDE report US cotton is expected to yield lower production, consumption, trade, and ending stocks. This is mainly due to adverse weather.
- ICAC (International Cotton Advisory Committee) estimate lower global area planted in 2018/19. Production expected to decline in China, India and the US (the top 3 producers).
- Australia's cotton production forecast is estimated 44% lower than the previous season due to drought issues.
- Cotton consumption is expected to be 3% higher than 2017/18.

### Bearish factors

- West Africa is expected to increase area under cotton in 2018/19 to a record of 1.3 million.

### **Outlook**

#### **Local**

The 2017/18 10<sup>th</sup> cotton production estimate indicates a 153% increase (196 206 bales) compared to the previous season. Continued interest in the cotton industry supporting prices.

#### **International**

The 2018/19 US cotton is for lower production, beginning stocks, usage, reduced exports, and ending stocks. Pakistan, the US and India is expected to yield smaller crops.

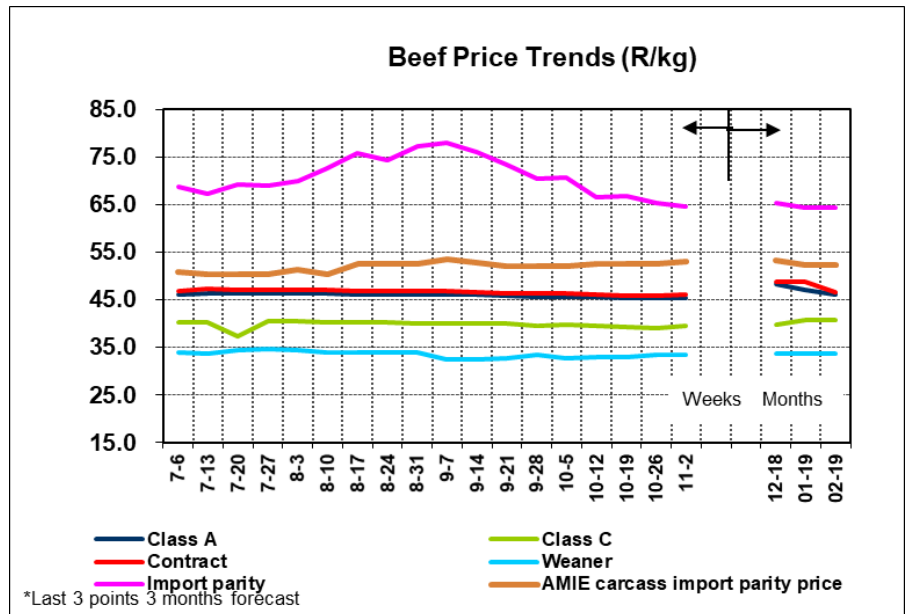
## Beef market trends

### International

New Zealand steers were 1.76% lower over the past week at 5.57NZ\$/kg and cows traded 1.02% lower at 3.90NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 2.32% higher at \$226.11/cwt. Rump was 8.70% higher at \$304.91/cwt and strip loin was 2.66% lower at \$489.62/cwt. Chuck traded 2.75% higher at \$218.14/cwt. Brisket traded 0.66% higher at \$263.92/cwt. The carcass equivalent price was 0.64% higher at \$288.62/cwt.

#### Bullish factors

- US beef exports continued to see good momentum in September and are on pace to be record high for the year.
- Australian Beef exports to all markets reached almost 99,000 tons in October, a 15% increase year-on-year. This increase is in line with recent high rates of beef slaughter and continued strong export demand, especially from developed and emerging markets in Asia.



#### Bearish factors

- Retaliatory tariffs by Mexico and China and the need for a US trade agreement with Japan are concerns that the US industry is faced with.
- Wholesale beef prices are expected to start to decline as consumers turn to cheaper turkeys and hams ahead of the US Thanksgiving Day holiday at the end of the month.

### Domestic

Week on week, beef prices were mostly higher across the different classes. The average Class A price was 0.23% higher this week at R45.41/kg. Class C prices were 1.17% higher at R39.44/kg. The average weaner calf prices over the past week traded 0.1% lower at R33.49/kg. The average hide price this week showed some gains compared to the previous week. The average hide price was 0.6% higher w/w at R4.85/kg green. In general the hide market remains under pressure and has followed a downward trend over the past months. The market for the middle/low grades keeps on falling. The situation remains negative; unlike the crises in 2008 which was related to the global financial situation; this market situation is a result of the fundamentals behind leather – prices and consumer choices have led to the situation of supply exceeding demand. Overall, the hide market sentiment is bearish, in line with the weak international hide market. NB\* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

#### Bullish factors

- During September 2018, meat was 4.7% more expensive compared to during September 2017 as measured by the consumer price index that is published by Statistics South Africa.
  - Cattle slaughter numbers in 2018 are lower due to the herd rebuilding process that is underway.
  - Pasture conditions may improve should seasonal rains materialise sooner.
- Beef prices may be supported by better demand that comes with the warmer conditions. Warmer temperatures normally encourage outdoor grilling.

### Bearish factors

- Cheaper alternative proteins like pork and poultry are readily available and add a bearish tone to prices. Consumers are under pressure and some may not be willing to pay more for beef. This may result in a switch to other products.

### **Outlook**

Internationally, competition from cheaper turkeys and hams can be expected ahead of the US Thanksgiving Day holiday.

Locally, prices have been under pressure due to lack of demand, as pressure on consumers limit increases in prices. Prices may however recover in line with seasonal trends, as there is normally improved demand during this period and into the festive season.

## Sheep meat market trends

### International

New Zealand lamb and mutton prices traded mostly lower this week compared to last week. Lamb prices were 0.9% lower at NZ\$7.93/kg. Ewe prices traded 0.4% lower at NZ\$4.93/kg. The import parity price for lamb was 0.7% lower at R82.79/kg, while the import parity price for mutton was 0.2% lower at R55.73/kg.

#### Bullish factors

- International demand for Australian sheep meat has remained strong in 2018 in most major exporting and consuming countries, which has continued to support sheep prices. The 2017/18 fiscal year value of sheep meat exports, released at the end of August by Meat and Livestock Australia, demonstrated the strength of international markets which were up 23.9% on the previous year, reaching a record A\$3.3 billion.
- Increasing disposable incomes in China are driving demand for high quality imported lamb and mutton, with domestic production currently unable to satisfy appetites. This led to strong sheep meat to China from Australia.

#### Bearish factors

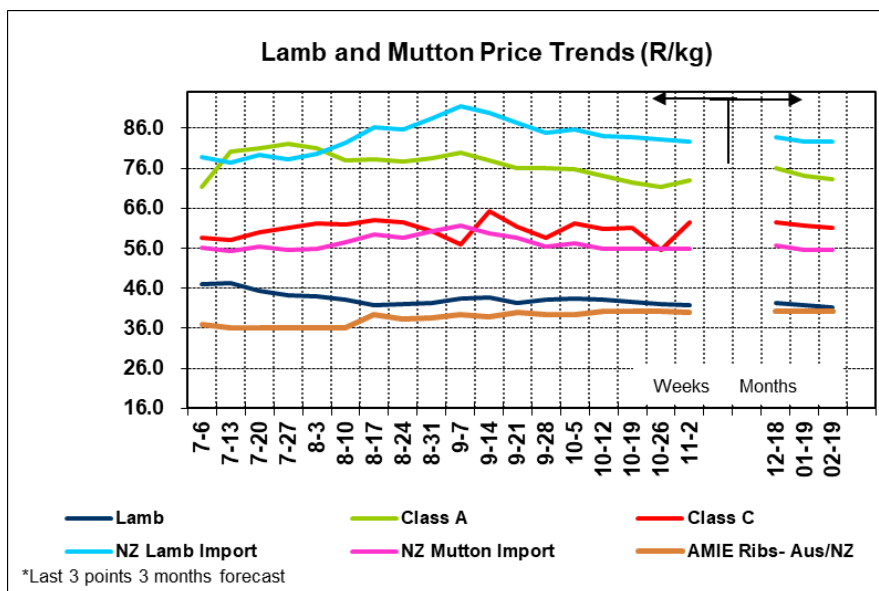
- While the Australian exports have been strong, the industry continues to closely monitor ongoing tensions between the US and China, following the introduction of retaliatory tariffs.
- The gap between lamb and competing proteins has grown too wide, which may bring consumer resistance in the market.

### Domestic

This week, lamb and mutton prices were mostly higher when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices increased by 2.4% to R73.06/kg and the average Class C carcass prices increased by 12.1% to R62.38/kg. The average price for feeder lambs traded 1.0% lower at R41.74/kg. The average price for dorper skin is 3.3% lower at R30.63/skin and merinos were 12.8% higher at R96.88/skin.

#### Bullish factors

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



### Bearish factors

- The average lamb class A price during October 2018 was under great pressure, and declined month on month to 73.37/kg. Prices have followed a declining trend since July 2018. These price decreases were reflected in the consumer price index, which measured that meat prices were 0.6% lower in September 2018 compared to during August of 2018.
- The struggling South African economy may negatively impact on demand.
- Lamb and mutton remains the most expensive meat in the market. Consumer resistance to high lamb and mutton remains a risk. Cheaper alternative proteins (pork and poultry) are readily available and add a bearish tone to prices.

### **Outlook**

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

Locally, prices remain under severe pressure due to subdued demand, but prices may recover in the short term in line with seasonal trends.

## Pork market trends

### International

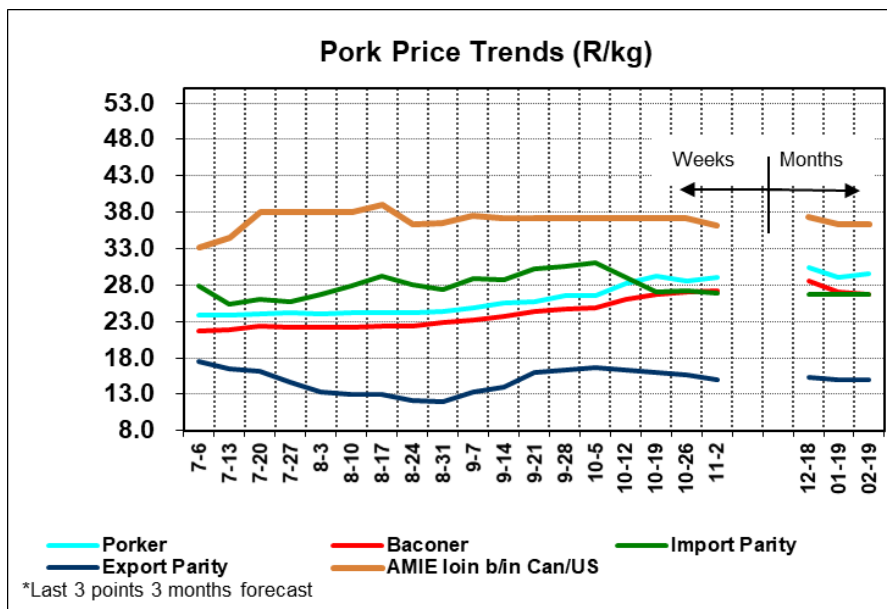
The average weekly US pork prices were mostly lower over the past week. Carcass prices were 1.4% lower at US\$74.82/cwt, loin prices were 2.0% lower at US\$71.80/cwt, rib prices were 1.5% lower at US\$117.34/cwt and ham was 1.2% higher at US\$50.56/cwt.

#### Bullish factors

- An outbreak of the highly contagious African swine fever in China has forced Chinese hog producers to cull herds. Analysts expect the disease to force China to import more pork.
- China's hog prices are expected to increase ahead of the Lunar New Year holiday in February as outbreaks of African swine fever hit supply.

#### Bearish factors

- Excessive hog supplies and increased pork production is adding pressure on the market.
- Weaker prices for wholesale pork in the US are a sign of a downturn in demand.
- US Pork exports for September were down year over year largely due to weaker demand from China and Mexico. US pork exports to top market Mexico have declined for months after Mexico imposed tariffs on imports in response to American tariffs on steel and aluminum. Pork exports to China are down sharply this year due to the US-China trade war, and the declining shipments overseas left more supplies for the domestic market.



### 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 1.3% higher at R29.01/kg, while the average baconer prices are 0.9% higher at R27.24/kg. The average cutters prices were 0.3% higher at R27.4/kg and the average heavy baconer price was 0.9% higher at R26.19. The SAU price was meanwhile 1.6% lower at R20.2/kg.

#### Bullish factors

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

#### Bearish factors

- Consumer's disposable incomes are under pressure.

### Outlook

Internationally, the pork industry is experiencing pressure from abundant supplies.

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

## Poultry market trends

### International

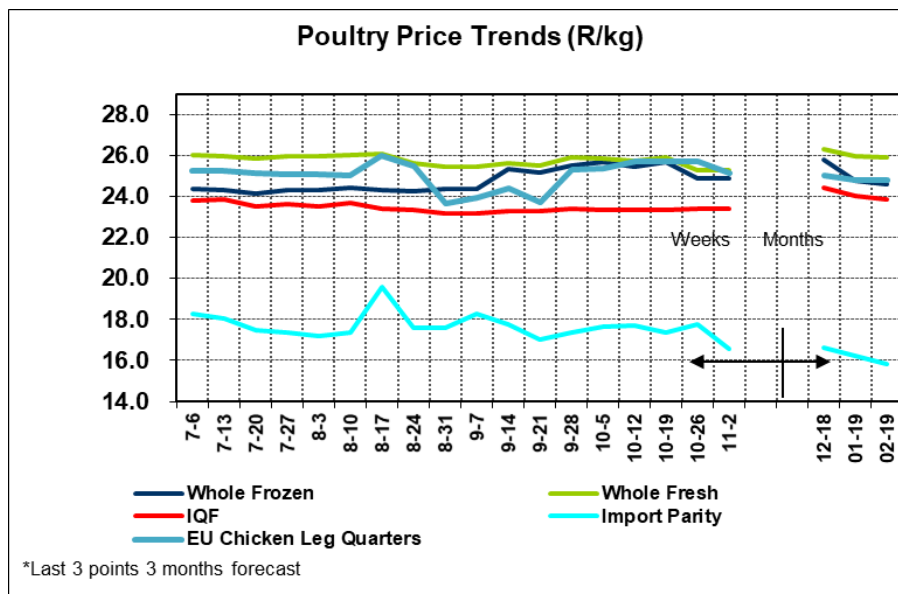
Poultry prices in the US were mostly lower over the past week. Whole bird prices were 0.8% lower at 84.67USc/lb. Breast traded 1.3% higher at 79.00USc/lb, while leg quarters traded 10.7% lower at 25.00USc/lb.

#### Bullish factors

- Russia plans to start supplying frozen poultry to China by the end of 2018. The opening of China market will help to develop Russian poultry production, which is now stagnating as markets such as Japan, South Korea and Europe remain closed for it.

#### Bearish factors

- The FAO Meat Price Index declined 2.0% from September, with ovine, pig, bovine and poultry meat all posting drops due mostly to abundant export supplies
- Concerns about the new avian influenza AI outbreaks are increasing in the northern hemisphere.



### Domestic

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

#### Bullish factors

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

#### Bearish factors

- Poultry prices have been struggling to increase on the back of indications that consumer spending has been under pressure

### Outlook

Internationally, there are increased concerns about the new avian influenza AI outbreaks in the Northern Hemisphere.

Locally, poultry prices are expected to improve in line with a recovery in demand especially towards the end of November and into the festive season.





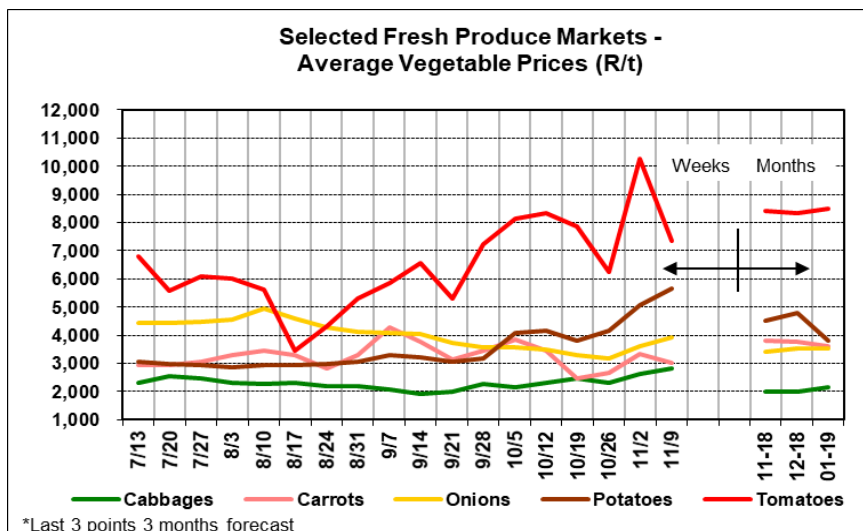
## Vegetable market trends

### Potatoes

Potato prices were higher week on week due to lower volumes delivered nationally. The largest producing region Limpopo is currently the main region delivering. With sporadic deliveries from the Coast and the Sandveld. Prices are supported by very good quality products, which is sold quite easily due to sustained demand. Month-end spending is expected to support prices for the next weeks

### Tomatoes

Tomato prices traded higher the week before but has since then lost gains. Higher tomato prices were supported by lower deliveries caused by the heatwave SA experienced about 6 weeks ago. Due to the intense heat, tomato plants couldn't bloom and carry fruit. Nationally we've been seeing lower volume deliveries. Top quality fruit captured prices at the range of R18/kg a week ago while lower quality produce received prices around R6-8/kg. Prices are expected to remain high (not as high as R18/kg) for the next weeks, on the back off good quality tomatoes available. The national average consisting of both good and poor quality was around R10/kg which has now dropped this week to R7/kg.



### Onions

Compared to a year ago the national volumes of onions at the FPM have increased significantly. There is approximately 900 000 bags of onions available now that needs to be marketed. The abundant stocks is expected to subdue prices for the next 2-4 weeks. In 2017, prices at the same time last year were on average R50-R60/bag now prices are on average trading at R26-R34/10kg bag. The producers in that area are in the process of aggressively marketing the last of their stock. Weather is very critical in Limpopo right now. It is a period between rainfall and very hot temperatures. If the onions are rained on and then are exposed to extreme hot conditions they will spoil rapidly, that is why we now see a major influx of produce in the market and expect it to continue for the next 2-4 weeks. However the snow in some parts of Limpopo have delayed harvesting and delivering, supporting prices

Vegetable Prices: Fresh Produce Market (Averages for the Pretoria, Bloemfontein, Johannesburg, Cape Town and Durban markets)						
Week ending 09 November 2018	Difference in weekly prices	This week's Average Price (R/t)	Previous week's Average Price (R/t)	Difference in weekly volumes	This week's Total Volumes (t)	Previous week's Total Volumes (t)
Cabbages	8%	2815	2610	-6%	2,105	2,242
Carrots	-9%	3033	3332	-10%	2,651	2,949
Onions	8%	3915	3612	-15%	6,530	7,650
Potatoes	12%	5640	5057	-11%	17,797	19,948

Tomatoes	-28%	7340	10262	23%	5,620	4,551
Peppers	-7%	13270	14240	0%	1,202	1,207

**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.