



Agri Trends

23 August 2018

Blueberry production: big profits, big opportunities

The South African Blueberry industry is a small one, when compared to the local fruit sector, as well as globally. This industry has however proven to be one that is attracting a lot of interest, showing significant growth over the past few years. Initial estimates by the industry pointed to an area growth to 2016 ha during the 2022 year, but growth has come at a faster pace than expected. As it stands, 1640 ha were planted during 2017/18, and looking at the current growth, development and involvement prospects, the industry expects that 2500 ha may be reached by the end of 2019. There is certainly room for expansion, with an average of a minimum additional 500 ha expected to be planted to blueberries every year. These additional plantings are expected to lead to steady increases in production growth in the years to come. Great returns and roughly a 30% global increase in demand annually are encouraging expansions in this industry.

Contents

Beef market trends.....	1
Sheep meat market trends.....	1
Pork market trends.....	2
Poultry market trends.....	4

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Beef market trends

International

New Zealand steers traded 1.79% higher over the past week at 5.69NZ\$/kg and cows traded sideways at 4.50NZ\$/kg compared to a week ago. In the US, beef prices for the week were mixed as follows: Topside traded 0.49% lower at \$208.22/cwt. Rump was 0.94% lower at \$315.30/cwt and strip loin was 1.34% higher at \$532.93/cwt. Chuck traded 0.62% higher at \$213.59/cwt. Brisket traded 6.17% higher at \$246.10/cwt. The carcass equivalent price was 2.13% higher at \$289.69cwt.

Bullish factors

- The approaching Labor Day holiday in the coming weeks in the US may strengthen demand. This is considered the last grilling holiday of summer.
- Beef and dairy producers in Australia, across Europe and even in North America have all been in short supply of water, forcing some to cull cattle. In the long term, drought will lead to reduced supply availabilities.

Bearish factors

- Competition between red meat and poultry is weighing on the meat market.
- Beef and dairy producers in Australia, across Europe and even in North America have all been in short supply of water, forcing some to cull cattle. Drought is forcing cattle to market earlier, leading to short term plentiful supplies in the market.

Domestic

Week on week, beef prices were mixed across the different classes. The average Class A price was 0.35% lower this week at R46.24/kg. Class C prices were 0.37% lower at R40.17/kg. The average weaner calf prices over the past week increased by 0.4% to R33.99/kg. The average hide price this week remained steady when compared to the previous week. The average hide prices traded 0.7% higher w/w at R5.34/kg green. Overall, the hide market sentiment remains bearish, in line with the weak international hide market. If the weakening of the rand continues, prices might be supported further. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- The weaker exchange rate is adding support to import prices.
- Slaughter numbers continue to remain under pressure, due to the herd rebuilding process that is underway.
- Beef prices may be supported by better demand that comes with the approaching warmer conditions. There is a possible improvement in demand as warmer temperatures approaches. Improved demand during month end also may support prices.

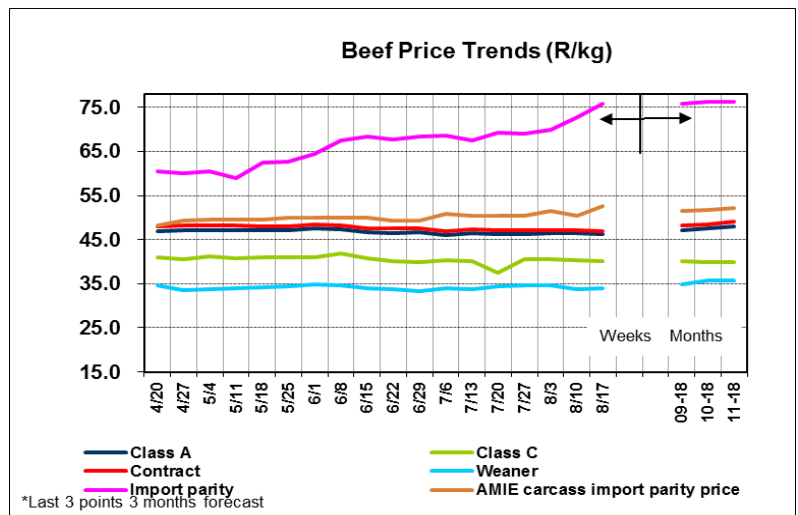
Bearish factors

- Contributing factors like an increased probability for spring and early summer rain as well as favourable soil water conditions can soften the effect of El Nino to prevent a severe drought. The summer production season poses a high risk where initial conditions are sub-optimal or over utilised and soils with a low water holding capacity.
- Cheaper alternative proteins are readily available and add a bearish tone to prices.

Outlook

Internationally, plentiful supplies of red meat are weighing on the meat market.

Locally, beef prices may gain support from increased uptake during the end of the month. Beef prices are expected to recover in the next few weeks due to better demand as warmer temperatures are approaching.



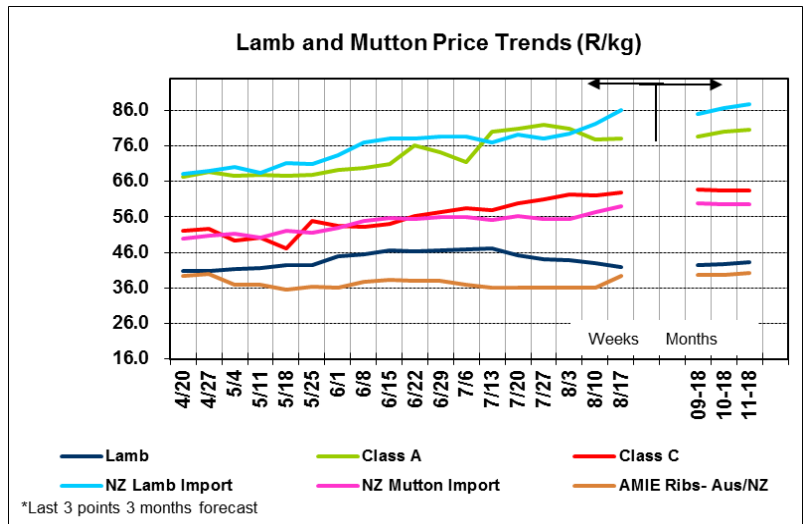
Sheep meat market trends

International

New Zealand lamb and mutton prices traded mixed this week compared to last week. Lamb prices were 0.6% higher at NZ\$8.18/kg. Ewe prices traded 0.9% lower at NZ\$5.23/kg. The import parity price for lamb was 4.8% higher at R86.14/kg, while the import parity price for mutton was 3.2% higher at R59.14/kg.

Bullish factors

- Strong demand from China, coupled with tight supplies in New Zealand, has been key contributors to the record Australian trade lamb prices in recent weeks.
- Meat Livestock Australia reports that Australia's sheepmeat exports to China have seen the largest ever start to the year, increasing 43% year-on-year to an all-time record of almost 55,000 tons for the January-July period.
- China produces one-third of the world's sheepmeat, and high prices, growing demand and government support are forecast to underpin growth over the next decade. Current estimates suggest that China's sheepmeat production will continue to fall short of meeting consumption out to 2027.



Bearish factors

- The high sheep meat prices could discourage consumers from buying lamb and mutton.
- Strong prices are expected to provide an incentive to feed sheep.

Domestic

This week, lamb and mutton prices were mostly higher this week when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices increased by 0.4% to R78.12/kg and the average Class C carcass prices increased by 1.7% to R62.96/kg. The average price for feeder lambs traded 3.1% lower at R41.67/kg. The average price for dorper skin is 2.9% higher at R36.00/skin and merinos were 0.1% lower at R91.00/skin.

Bullish factors

- Slaughter numbers continue to remain under pressure, due to the herd rebuilding process that is underway.
- The weaker exchange rate is adding support to import prices.
- Shrinking production areas domestically.

Bearish factors

- Feeder lamb prices softened over the past week due to plentiful availability of supplies.
- Lamb and mutton remains the most expensive meat in the market. Consumer resistance to high lamb and mutton remains a risk.

Outlook

Internationally, strong international demand for lamb and mutton continue to support prices.

Locally, the industry is expected to continue to benefit from high meat and wool prices. Meat prices may gain support on the back of increased demand during month end.

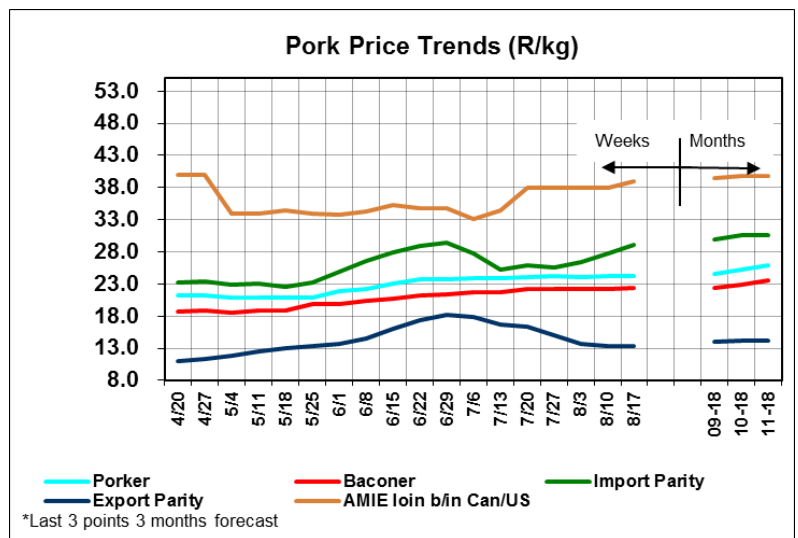
Pork market trends

International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 4.1% lower at US\$67.84cwt, loin prices were 0.9% lower at US\$74.97/cwt, rib prices were 2.8% lower at US\$114.51cwt and ham was 3.2% lower at US\$56.54/cwt.

Bullish factors

- China reported a third case of the highly infectious African swine fever (ASF) among hogs on Sunday, raising concerns that the authorities may step up inspection of meat imports. Hogs have been culled as a result. The first case of African swine fever was reported earlier in August in the northeastern province of Liaoning.
- After a second outbreak of ASF, China has ordered the world's top pork producer, WH Group Ltd, to shut a major slaughterhouse as authorities race to stop the spread of deadly ASF.
- Thousands of hogs may be culled to address infected and potentially infected pigs, leading to deficits. This may lead to strength in global meat prices which are currently under pressure.



Bearish factors

- Potential Mexican tariffs and trade discussions with China are hampering pork sales to Asia and ham sales to Mexico out of the US.
- Any significant slaughtering of hogs in the affected regions in China due to AFS may hurt demand for corn and soybean meal.

Domestic

This week, pork prices were mixed this past week across the different categories. The latest average pork prices are as follows: The average porker prices are 0,4% lower at R24.19/kg, while the average baconer prices are 0.3% higher at R22.32/kg. The average cutters prices were 0.9% higher at R22.8/kg and the average heavy baconer price was 1.9% higher at R21.25. The SAU price was 1.0% lower at R16.4/kg.

Bullish factors

- Pork prices may gain support from increased buying during month end.
- The Listeriosis outbreak has passed, but consumer confidence is still recovering at a slow pace.
- The current low prices of pork may increase consumer uptake of pork products.
- The pork industry may benefit from the underlying support from the higher red meat prices.

Bearish factors

- There are plentiful supplies of pork in the market, which needs to clear before seeing the strong pork prices. The lower product prices are expected to continue to support sales, and therefore add support to pork prices.

Outlook

Internationally, plentiful supplies of meat and trade concerns are weighing on the market. Reports of African swine fever in China may also weigh on the international pork market.

Locally, consumer confidence is still recovering, and pork prices are expected to benefit from improved uptake for pork in the market. This industry may benefit from the underlying support from the higher red meat prices and increased spending during the end of the month.

Poultry market trends

International

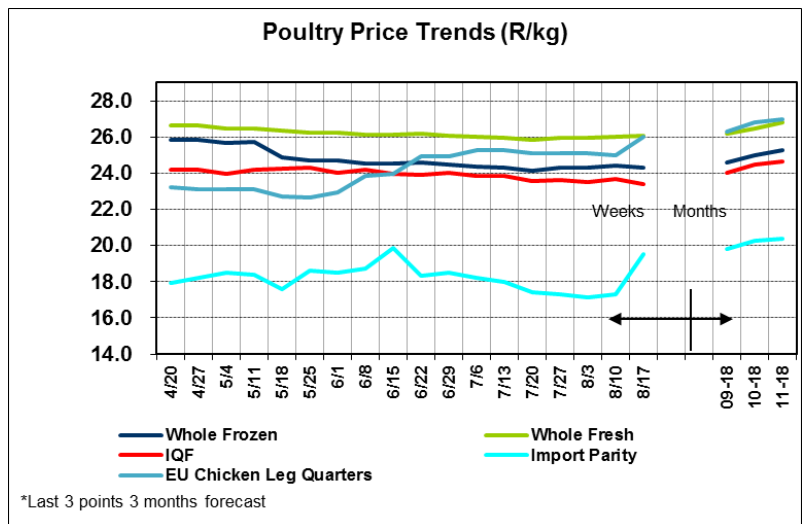
Poultry prices in the US were mixed over the past week. Whole bird prices were 4.2% lower at 86.13USc/lb. Breast traded sideways at 91.00USc/lb, while leg quarters traded 15.3% higher at 34.00USc/lb.

Bullish factors

- The Indonesian agriculture ministry has halted shipments of poultry and poultry-related products from Malaysia after a case of bird flu was reported in the neighboring nation.
- German egg producer continue to worry about increasing feed costs

Bearish factors

- US broiler production has been increased by the US Department of agriculture for 2019 on lower forecast feed prices
- Record levels of beef, pork and chicken coming to market at low prices are weighing on the market.



Domestic

The average poultry prices over the past week were mostly lower. The average prices for frozen birds were 0.5% lower at R24.31/kg during the week. Whole fresh medium bird prices were 0.2% higher at R26.08/kg, while IQF prices were 1.3% lower at R23.39kg.

Bullish factors

- Import parity prices were higher this week due to the weakness in the South African currency.
- Domestic prices may gain support on the back of the weaker currency.
- Demand is expected to be supported by improved uptake during month end.
- White meat remains the cheaper protein in the market, which may aid consumption for this product at the time when red meat prices are at high levels.
- Improved demand towards the festive season may benefit demand and prices.

Bearish factors

- The consumer's buying power is being eroded by high costs such as increases in fuel, vat etc, which further adds a bearish tone to the market.

Outlook

Internationally, there are plentiful supplies of meat, which add a bearish tone to the protein market.

Locally, prices remain subdued due to higher supplies in the market, but are expected to start improving due to better demand and in line with seasonality. Month end buying may add support to prices. Improved demand towards the festive season is also expected to bring support to prices.

Livestock prices (R/kg) week 23 August 2018	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	-0.35	46.24	46.40	0.4	78.12	77.83	-0.4	24.19	24.29	0.2	26.08	26.03
Class C/ Baconer/ Frozen birds	-0.37	40.17	40.32	1.7	62.96	61.93	0.3	22.32	22.25	-0.5	24.31	24.42
Contract/Baconer/ IQF	-0.35	46.90	47.06	0.2	78.77	78.63	-0.0	23.26	23.27	-1.3	23.39	23.69
Import parity price	4.19	75.72	72.67	3.2	59.14	57.28	3.9	33.6	32.3	12.8	19.5	17.3
Weaner calves/ Feeder lambs	0.4	33.99	33.84	-3.1	41.67	43.02		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	4.17	52.50	50.40	3.7	66.00	63.65	2.6	39.00	38.00	4.0	26.00	25.00

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.