

# Agri-Market **INSIGHT**



*Bringing the Insight of Market Conditions*

**NOVEMBER 2015**

## Highlights

- In the month of October tractor sales decreased by 23.2%; while combine harvester sales increased by 42.9%.
- The minister of Agriculture, Senzeni Zokwana have approved the amendments to the Poultry Meat Regulations, which relate to brining and labelling of poultry products.
- Expectations of large world grains and soya bean have kept prices in the international market low. In the domestic market, dry weather condition have led to maize prices climbing.
- The livestock market is traded mixed, with prices of beef, mutton and poultry increasing from a month ago. Prices are expected to increase in the medium term as demand should improve with festive buying.
- The average market mohair indicator closed declined to R224.61/kg in the 2<sup>nd</sup> last sale of 2015 winter season, up by 12% from the previous auction. The offering consisted 113 146kg, with 100% sold. The domestic wool market indicator closed at R135.40/kg, 0.3% lower compared to the previous auction. The offering consisted of 11 501 bales, with 98.5% sold.

## NEWS OF THE MONTH

### *Machinery sales take a further dip*

Tractor and combined harvester sales declined by 23.2% and 42.9% respectively in October compared to a year ago. Year-to-date sales show that sales are down by 10.5% and 37.6% for tractors and combined harvesters respectively.

	October		Change	Year-to-Date October		Change
	2015	2014		2015	2014	
<b>Tractors</b>	618	805	↓ -23.2%	5 042	5 634	↓ -10.5%
<b>Combine Harvesters</b>	20	35	↓ -42.9%	196	314	↓ -37.6%

Source: South African Agricultural Machinery Association

Market forecasts for tractor sales for 2015 are expected to be 15% lower compared to 2014; while combined harvester sales are projected to decline by 40% compared to the previous year. The reduction seen in the intentions to plant maize for the 2015/16 season is expected to have a ripple effect on the agricultural machinery industry.

### ***Poultry Meat Regulations approved by Minister of Agriculture***

The minister of Agriculture, Senzeni Zokwana have approved the amendments to the Poultry Meat Regulations. These amendments will be phased over a period of 6 months to allow producers to steadily adjust production practises and labelling to meet the new regulations. The amendments to include:

- The total brine injection allowed for whole carcasses is limited to maximum 10% (versus the maximum of 8% that was previously prescribed).
- Total brine injection allowed for individual portions is limited to maximum 15% (no limit was previously prescribed).
- The product name shall include a true description of the added formulated solution. [e.g. 'chicken with brine', 'sweet 'n sour marinated chicken drumsticks', etc.]
- Producers must regularly perform tests to ensure compliance with the new water uptake and injection limits, and must keep records thereof for at least 1 year.

Industry role players say this will have an impact of volume and may lead to increase in selling prices. This may likely put further upward pressure on food inflation in the medium term.

### ***SA reaches deal on poultry***

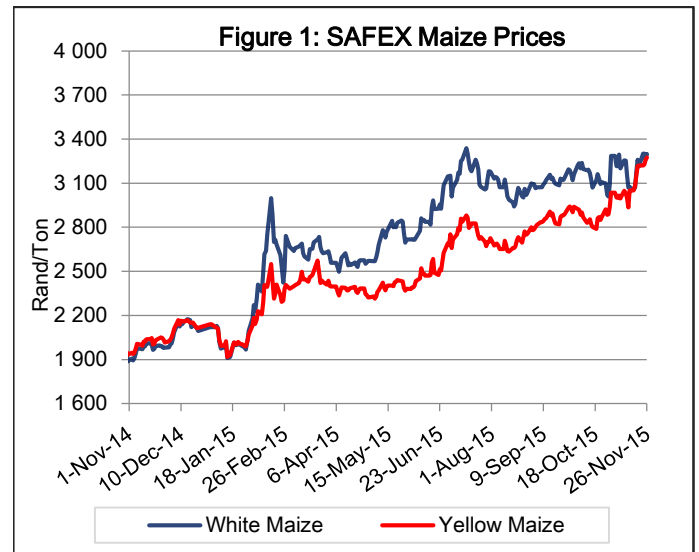
The US and SA authorities have agreed on terms for poultry imports, which thus means that SA will be included amongst countries that are part of the AGOA agreement. The terms of agreement mean that US will export 65 000 tons duty free annually to SA. This comes as SA benefits through AGOA in industries such as wine, citrus and vehicles. However, the agreement is deemed detrimental to the local poultry industry

To a certain extent one may see this move reversing the progress made with anti-dumping tariffs imposed on Brazil, UK, Germany and Netherlands in the past year. As a long term strategy, government and industry role players should seek new markets and work on expanding in markets that have not been deeply penetrated. This will help in not held ransom in new negotiations in years to come.

**GRAIN AND OILSEEDS MARKET**

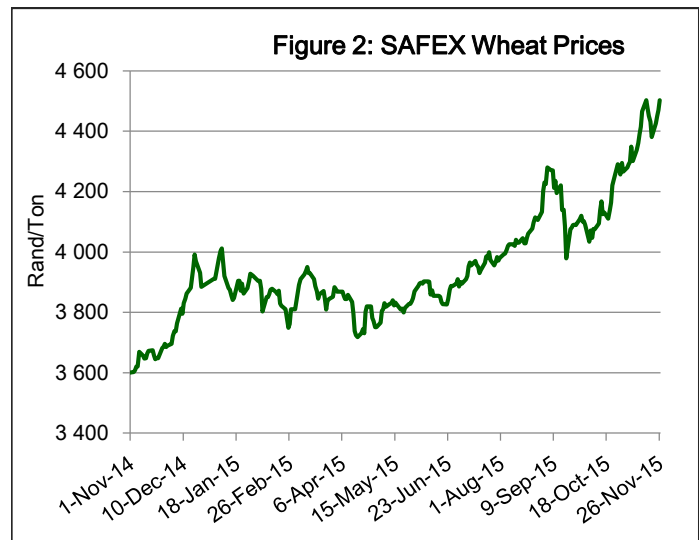
**Maize:** Prices on the international market are currently bearish on expectations of huge world maize crop at 967 million tons.

Domestic white and yellow maize are currently up by 6.5% and 14.2% respectively. Dry weather conditions in the maize belt have kept prices bullish. Expectations of rains between 20 November and 03 December will put downward pressure on prices in the short term. White and yellow maize are trading at R3, 299/ton and R3, 275/ton respectively.



**Wheat:** Just as the case of maize, prices in the international market are trading lower on expectations of a large world crop at 726.2 million tons for 2015/16.

Domestic wheat prices are currently (as at 26 Nov) at R4, 502/ton, 4.9% higher compared to a month ago. The 4<sup>th</sup> crop estimates for 2015/16 wheat are at 1.5 million tons, down by 14% from last season.



**Oilseed:** Soya bean prices are trading at a 6-year low on the back of bumper crop from major world producers. Prices are forecast to remain bearish in the short term.

Domestic oilseed prices are a little unchanged from a month ago. Prices have drawn upward support from dry weather, which may have a bearing on planting for the 2015/16 season. Sunflower and soya bean are trading at R6, 800/ton and R5, 795/ton respectively

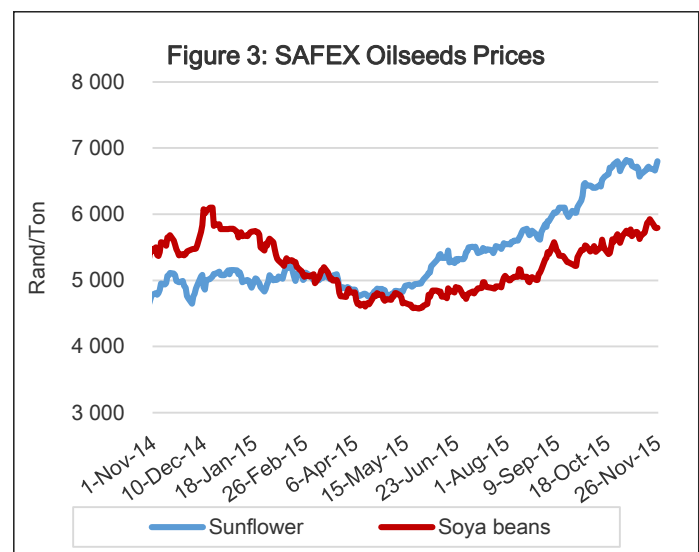


Table 3: Grains & Oilseed Prices

SAFEX Rand/Ton	26-Nov-2015	Month Ago	6 Months Ago	Year Ago
White Maize	3299	3099	2839	1989
Yellow Maize	3275	2869	2432	2045
Wheat	4502	4291	3828	3696
Sunflower	6800	6800	4960	4890
Soya bean	5795	5700	4577	5400

Source: Grain SA

### LIVESTOCK MARKET

**Beef:** The domestic beef market traded remained largely unchanged from a month earlier. Farmers suffering from drought will likely sell off their stock to reduce costs of feed. Prices are expected to decrease in the short term due to increased supply; while rebounding in medium term.

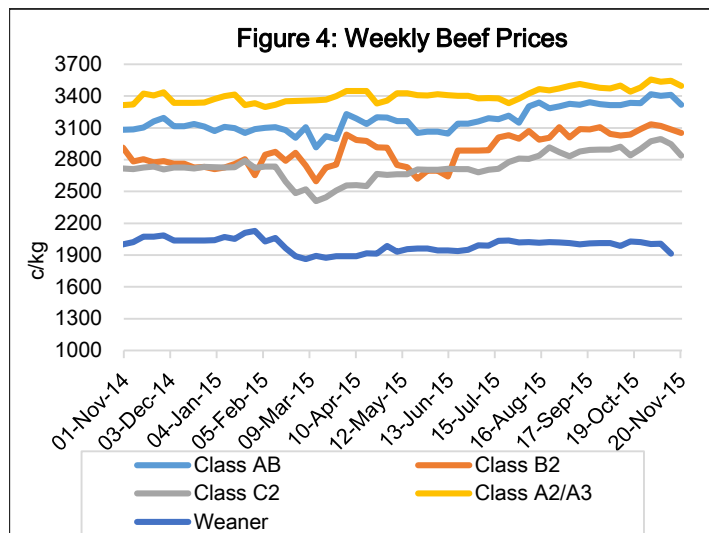


Table 4: Beef Prices

Beef Price Band c/kg	20-Nov-2015	Month Ago	6 Months Ago	Year Ago
Class A2	3496	3482	3408	3405
Class AB2	3319	3333	3051	3160
Class B2	3052	3090	2621	2773
Class C2	2839	2902	2707	2734

Source: RMAA

**Mutton:** Prices of mutton are higher for classes A2 and AB2; while classes B2 and C2 are down. Prices are expected to decline in the short term as farmers try to get rid of stock amidst of drought, following beef prices.

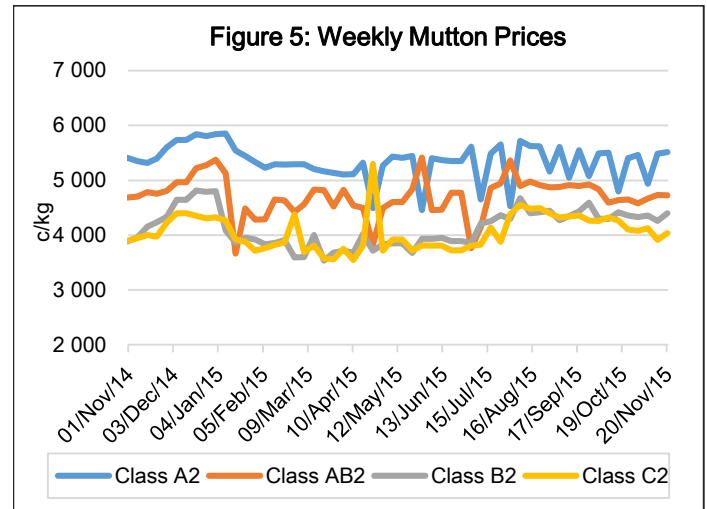
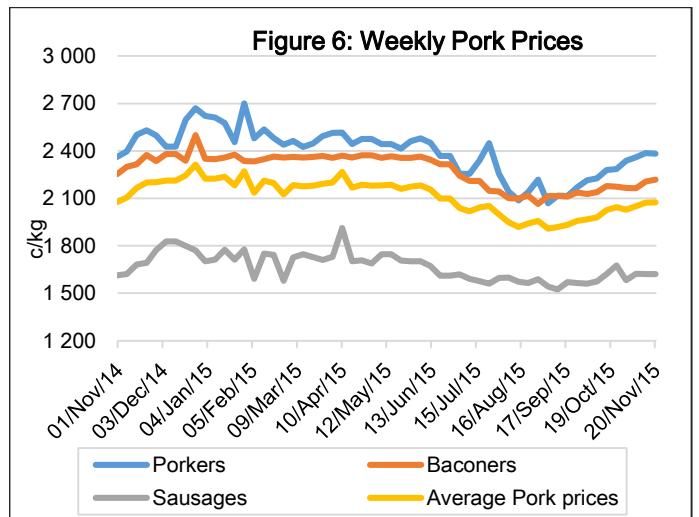


Table 5: Mutton Prices

Mutton Price Band c/kg	20-Nov-2015	Month Ago	6 Months Ago	Year Ago
Class A2	5516	5404	5442	5398
Class AB2	4726	4652	4838	4756
Class B2	4400	4416	3676	4234
Class C2	4039	4264	3719	3975

Source: RMAA

**Pork:** Domestic pork prices are trading upwards, except that of sausages. Prices are expected to even out due to ample supply (seasonal cycle); while trading sideways in the medium term.

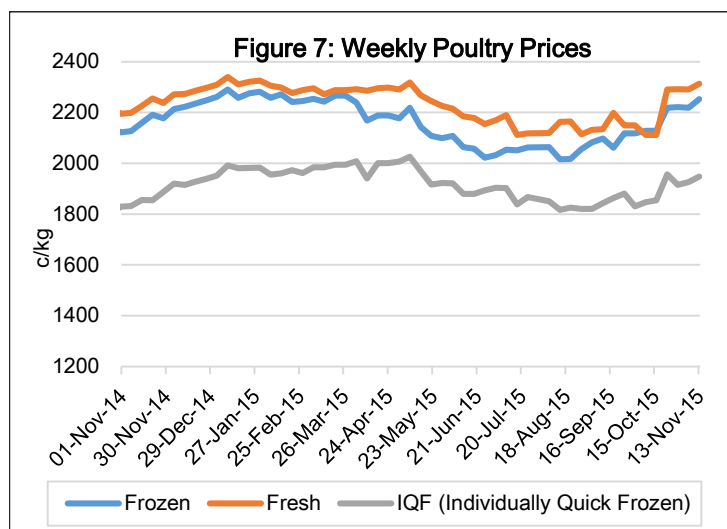


**Table 6: Pork Prices**

Pork Price Band c/kg	20-Nov-2015	Month Ago	6 Months Ago	Year Ago
Baconers	2218	2173	2355	2375
Porkers	2382	2285	2415	2530
Sausages	1622	1676	1707	1693
Average Pork Prices	2074	2044	2159	2199

Source: RMAA

**Poultry:** Domestic poultry market traded mixed in the month of November. The prices of fresh and frozen chicken traded higher compared to a month ago; while the price for IQF is lower compared a month ago. Prices are expected to increase in the short to medium term, supported by festive season buying.



**Table 7: Poultry Prices**

Poultry Price Band c/kg	13-Nov-2015	Month Ago	6 Month Ago	Year Ago
Fresh	2313	2290	2245	2255
Frozen	2253	2218	2099	2191
IQF	1948	1956	1916	1854

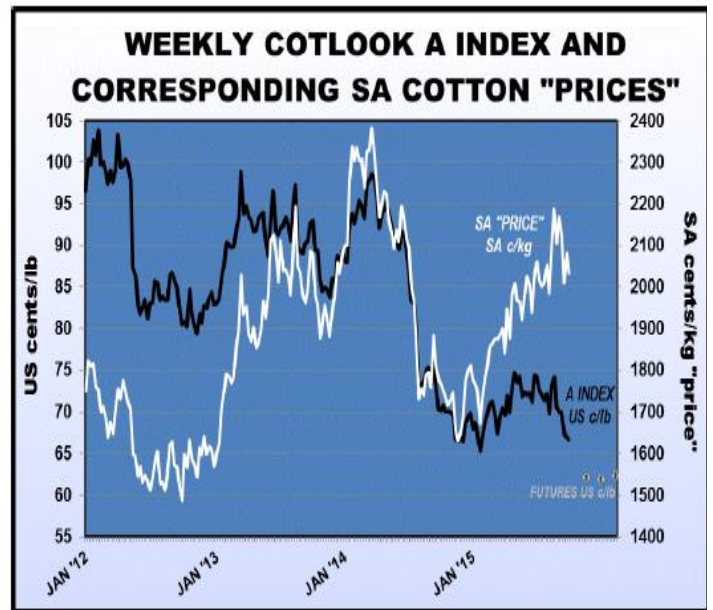
Source: Farmers Weekly

**FIBRE MARKET**

**Cotton:** El Nino conditions are expected to impact on 2015/16 production, affecting yields on the crop, over and above a decline in area planted. The International Cotton Advisory Committee (ICAC) projects 2015/16 world cotton production at 23.6 million tons, down by 8.8% from previous season. World consumption will surpass production in the 2015/16 at 25 million tons. World cotton stocks forecast at 20.6 million tons, are the lowest in over 6 seasons.

The 9<sup>th</sup> crop forecast for domestic cotton for 2014/15 season is forecast at 93 164 lint bales, previously estimated at 93 232 lint bales. The latest estimate is up by 78% compared to the previous season. Price forecasts in short to medium term are bearish on sluggish demand.

Figure 8: Cotton Prices

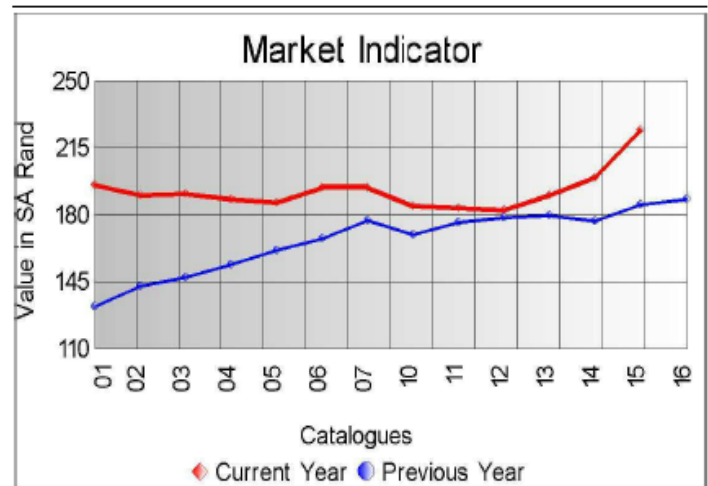


Source: Cotton SA

**Mohair:** The average market indicator closed declined to R224.61/kg in the 2<sup>nd</sup> last sale of 2015 winter season, up by 12% from the previous auction. The offering consisted 113 146kg, with 100% sold. The prices of strong adults was up by 14%, fine adults up by 12%, young goats up by 11%, and kids up by 8%.

The market continued to draw support from the weaker Rand exchange continues to give support to the market. Prices are expected to trade sideways in the short term; while increasing the medium term.

Figure 9: Mohair Prices

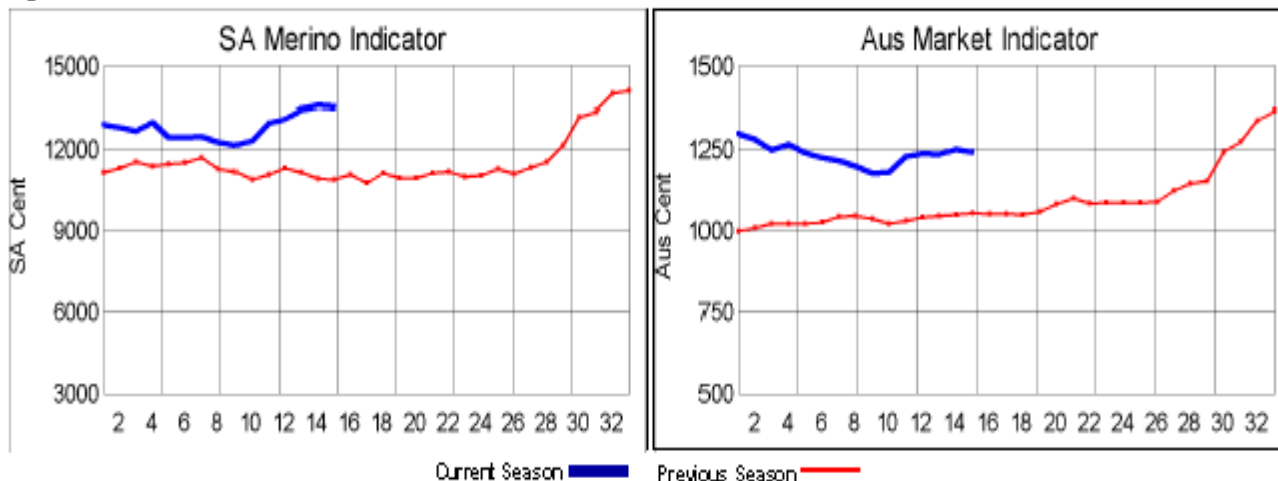


Source: Mohair SA

**Wool:** The domestic wool market indicator closed at R135.40/kg, 0.3% lower compared to the previous auction. The offering consisted of 11 501 bales, with 98.5% sold. The Rand was slightly firmer against the US dollar compared to the rate of the previous auction. There was strong demand for good quality clips.

Dominated buying came from the market Standard Wool SA(3 010 bales), Lempriere SA(2 951 bales) and G Modiano SA (2 408 bales); while on the supply side offerings only came from BKB and CMW accounting for 83% of offering. The next auction will be on 2<sup>nd</sup> December with an offering of approximately 12 290 bales. Domestic prices are forecast to increase in the short term on improved demand.

Figure 10: Wool Market



Source: Wool SA

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**Sources:**

AWI	Grain SA	Red Meat Association
Cape Wools SA	Landbou Weekblad	Wool SA
Cotton SA	Mohair SA	South African Agricultural Machinery Association
Farmers Weekly	Poultry Site	

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