

Agri-Market **INSIGHT**



Bringing the Insight of Market Conditions

FEB - MAR 2016

Highlights

- Agricultural machinery sales remains slow, with market forecasts for 2016 sales between 10% and 15% lower compared to 2015.
- Domestic sugarcane crop for 2015/16 is forecast at 14.861 million tons, down from 17.755 million tons in the season before the drought conditions.
- CEC 3rd forecasts for summer crop 2015/16 season has adjusted downward except for sunflower seed.
- A strong Rand/dollar exchange and light showers in some parts of the summer crop growing areas have put downward pressure to domestic grains and oilseeds prices.
- Farmers in the Eastern Cape have been affected negatively by drought, which has compromised quality and strength of wool produced.
- Livestock farmers are experiencing high feeds cost due to high maize price.

NEWS OF THE MONTH

Machinery sales remain slow

February tractor sales increased by 1.5% from last year at 731 units; while combine harvesters sales decreased by 50% from a year ago at 22 units. On a year-to-date basis, sales for tractors and combine harvesters are down by 2.2% and 24% respectively. Currently, farmers are buying old and cheaper stock, ahead of increases in prices of machinery (due to Rand weakness). Projections for 2016 agricultural machinery are between 10% and 15% down compared for 2015.

Underlying agricultural conditions for summer crops remain mixed, with crops in the eastern parts of the country seem good; while for the western parts crops do not seem good. Weather conditions remain a major risk factor, especially rain and frost.

Table 1: Agricultural Machinery Sale

	February		Change	Year-to-Date February		Change
	2016	2015	%	2016	2015	%
Tractors	731	720	1.5	1 311	1 341	-2.2
Combine Harvesters	22	44	-50.0	38	50	-24.0

Source: South African Agricultural Machinery Association

Sugarcane crop forecast lower

The forecast for 2015/16 sugarcane crop are at 14.861 million tons, down from 17.755 million tons in the season before. Drought has become recurring in the KZN province in the past couple of seasons, reducing crops from bumper crops experienced in 2012 and 2013, at 17.3 million tons and 20 million tons respectively. The drought has grappled the Mpumalanga province in the current season, which is also a key producer of sugarcane.

Summer crops estimates

The CEC published the 3rd forecasts for summer crop 2015/16 season with the following adjustments: downward revisions for all grains and oilseeds except sunflower seed. White and yellow maize are forecast down by 35.1% (previously 32.5%) and 23.5% (previously 22.2%) respectively. Prices are expected to remain bullish on expectations of lower crops

Table 2: Summer Crop Estimates 2015/16

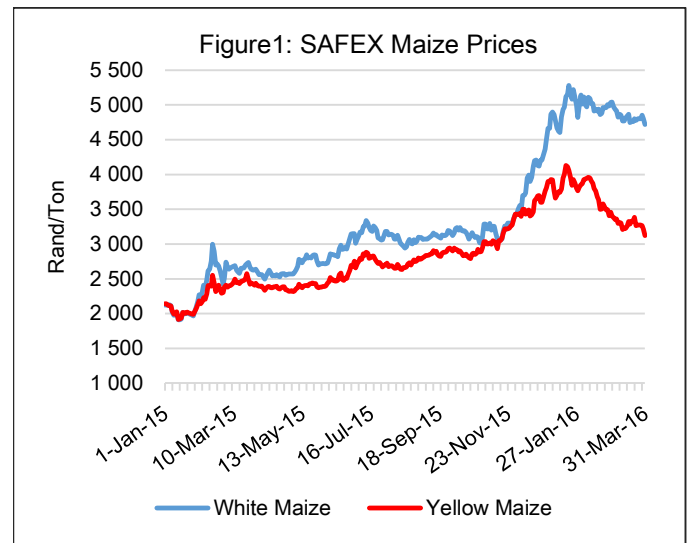
CROP	Area planted 2016 Ha	3 rd forecast 2016 Tons	Area planted 2015 Ha	Final crop 2015 Tons	Change Area planted	% Change Crop
White maize	1 014 750	3 070 675	1 448 050	4 735 000	-29.5%	-35.1%
Yellow maize	932 000	3 994 600	1 204 800	5 220 000	-21.6%	-23.5%
Total Maize	1 946 750	7 065 275	2 652 850	9 955 000	-25.9%	-29%
Sunflower seed	718 500	710 500	576 000	663 000	19.4%	7.2%
Soya beans	502 800	691 750	687 300	1 070 000	-24.4%	-35.4%
Groundnuts	22 600	33 550	58 000	62 300	-60.2%	-46.1%
Sorghum	48 500	92 700	70 500	120 500	-31.2%	-23.1%
Dry beans/	34 400	38 195	64 000	73 390	-43.1%	-48%
TOTAL/TOTAAL	3 273 550	8 631 970	4 108 650	11 944 190	-20.1%	-27.7%

Source: CEC

GRAIN AND OILSEEDS MARKET

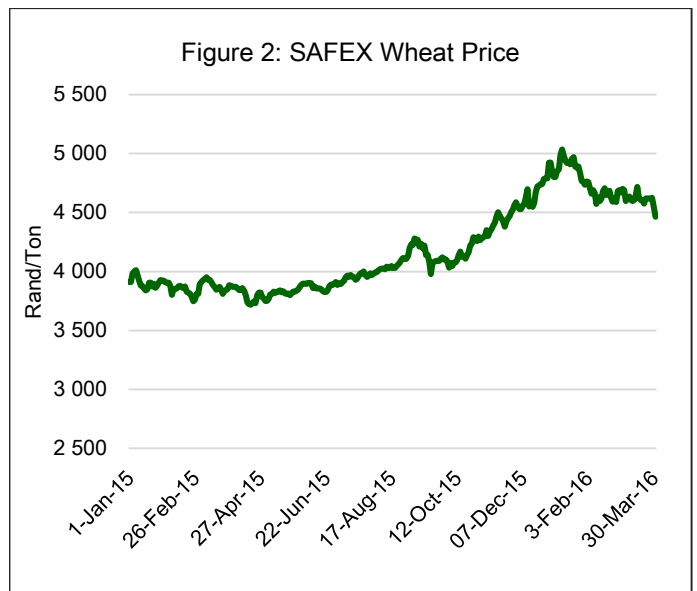
Maize: Prices on the world market are bullish owing to spill-over strength from the wheat market.

Domestic white and yellow maize are currently (31 March 2016) down by 6% and 10% respectively compared to a month ago. Forecasts for white and yellow maize crop are at 3.070 million and 3.996 million tons respectively for the 2015/16 season.



Wheat: Prices in the international market are bullish owing to concerns of dry conditions in parts of US southern wheat growing region. There are expectations that Argentina's 2016/17 wheat plantings might increase by 27% from the previous season to 4.7 million hectares, following the deregulation of agricultural markets which has led to the removal of export taxes.

Domestic wheat prices are currently (31 March 2016) at R4, 463/ton, down by 5% from a month ago. South Africa's 2015/16 wheat imports are currently at 1.029 million tons as at 25 March 2016, which is well below the import estimate of 2 million tons for the season.



Oilseed: Argentina's sunflowerseed harvesting progress is at 75% complete, slightly higher than the previous season's pace of 74%, in the same period. Argentina's 2016/17 sunflowerseed area plantings is expected to reach 1.7 million hectares, up by 21% from 2015/16 season, boosted by increased profitability following the removal of export taxes.

Domestic sunflower and soya bean prices are up by 14% and 9% respectively from last month. A strong Rand/dollar exchange and light showers in some parts of the summer crop growing areas have put downward pressure to domestic grains and oilseeds prices.

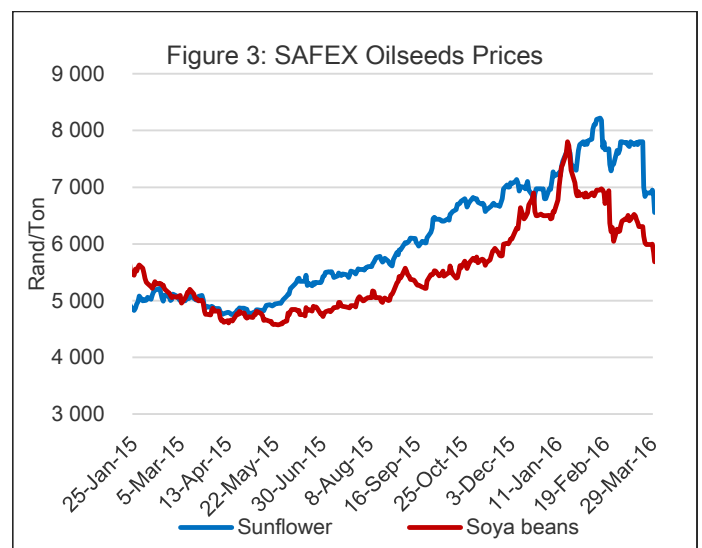


Table 3: Grains & Oilseed Prices

SAFEX Rand/Ton	31 Mar-2016	Month Ago	3 Months Ago	Year Ago
White Maize	4720	5035	4661	2637
Yellow Maize	3121	3458	3897	2436
Wheat	4463	4680	4923	3883
Sunflower	6553	7650	6800	4899
Soya bean	5687	6259	6500	4823

Source: Grain SA

LIVESTOCK MARKET

Beef: The domestic beef market traded mixed from a month ago, with class A2 and AB2 increased; while class B2 and C2 declined. Farmers are experiencing high feeds cost due to high maize price. Some livestock farmers have been forced to sell they stock before time due to shortage of water and high feeds costs.

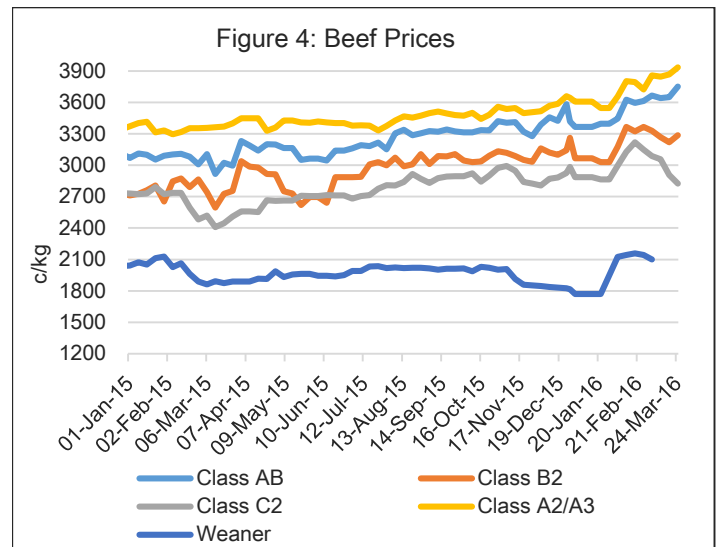


Table 4: Beef Prices

Beef Price Band c/kg	25-Mar-2016	Month Ago	3 Months Ago	Year Ago
Class A2	3933	3723	3643	3400
Class AB2	3750	3612	3417	2995
Class B2	3287	3366	3262	2754
Class C2	2824	3149	2983	2510

Source: RMAA

Mutton: Prices in the mutton market traded mixed compared to a month ago; the price of class A2, AB2 and C2 traded downward; while that of class B2 is slightly up. Prices are expected to level out in the short term; while picking up in the medium term.

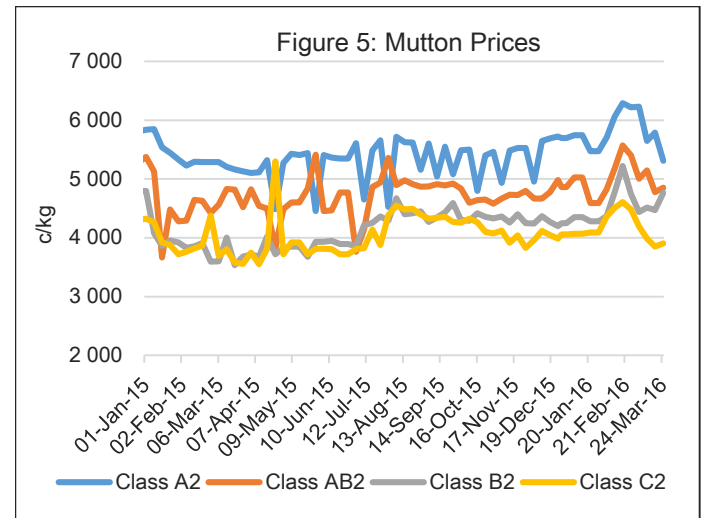


Table 5: Mutton Prices

Mutton Price Band c/kg	25-Mar-2016	Month Ago	3 Months Ago	Year Ago
Class A2	5309	6220	5696	5133
Class AB2	4855	5401	4863	4521
Class B2	4764	4744	4248	3680
Class C2	3903	4481	4058	3557

Source: RMAA

Pork: Domestic pork prices are up from a month ago. Prices are expected to even out due to ample supply (seasonal cycle); while trading sideways in the medium term.

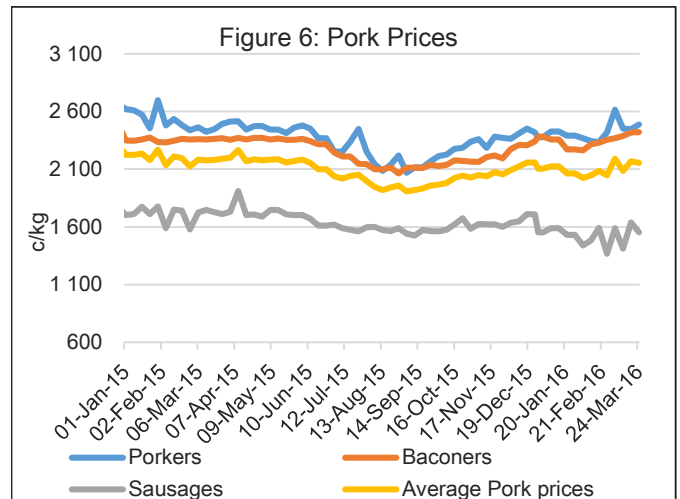


Table 6: Pork Prices

Pork Price Band c/kg	25-Mar-2016	Month Ago	3 Months Ago	Year Ago
Baconers	2421	2356	2383	2369
Porkers	2490	2419	2379	2494
Sausages	1553	1366	1553	1711
Average Pork Prices	2155	2047	2105	2191

Source: RMAA

Poultry: Domestic poultry market traded mixed from the same period last month. 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 level out the short to medium term.

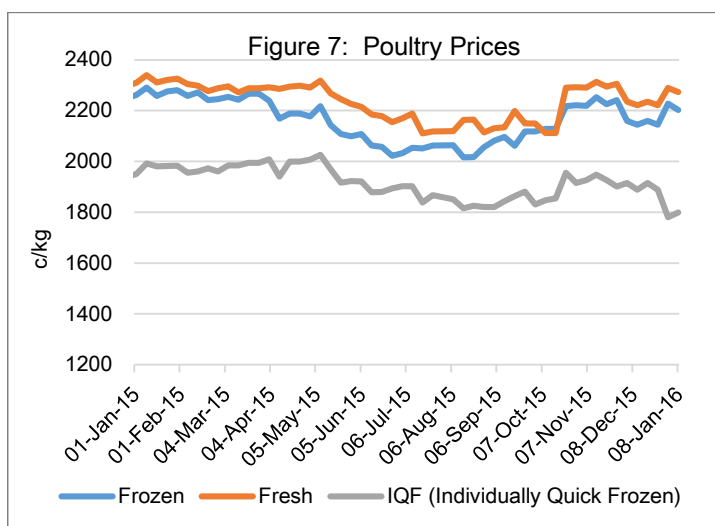


Table 7: Poultry Prices

Poultry Price Band c/kg	08-Jan-2016	Month Ago	3 Month Ago	Year Ago
Fresh	2273	2221	2112	2309
Frozen	2203	2144	2128	2290
IQF	1799	1889	1847	1992

Source: Farmers Weekly

FIBRE MARKET

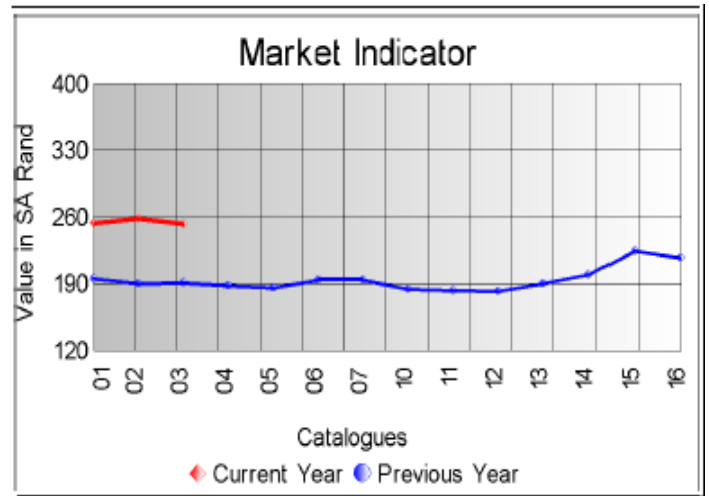
Cotton: The International Cotton Advisory Committee (ICAC) is projecting world cotton ending stocks for 2015/16 to decline by 8% to 20.5 million ton; mainly due to a decline in cotton production and not necessarily growth in demand. World cotton demand is projected to decline in 2015/16 by 2%, driven by decline in consumption in China.

The final crop forecast for domestic cotton for 2014/15 season is estimated at 93 922 lint bales, up by 115% compared to the previous season. On the domestic front, El Nino conditions are expected to impact on 2015/16 production, affecting yields on the crop, over and above a decline in area planted. Price forecasts in short to medium term are bearish on sluggish demand. For the 2015/16 season the domestic crop is forecast at 52 820 lint bales, down by 44% compared to last season. Area planted for 2015/16 declined 50% compared to the preceding season, mainly due to drought in the growing regions.

Mohair: The average mohair market indicator closed at R253.28/kg, down by 2%, in the 3rd auction of the 2016 summer season. Prices declined mainly due to rand volatility, despite good competition between buying houses. The industry, like the wool market, is expected to start feeling the pinch due to drought affecting grazing and quality of mohair fibre.

The 4th summer auction of 2016 will take place on 12 April 2016.

Figure 9: Mohair Prices

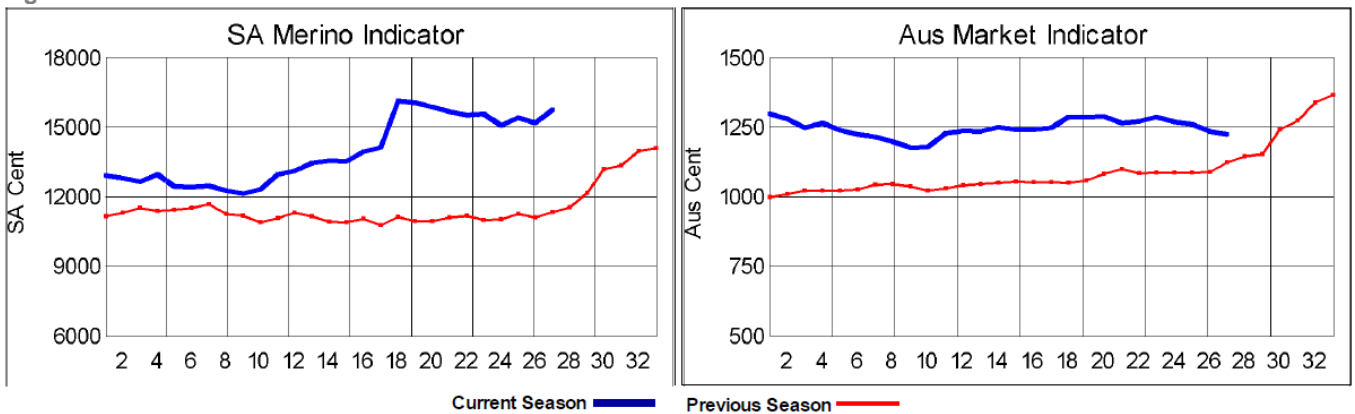


Source: Mohair SA

Wool: Farmers in the Eastern Cape have been affected negatively by drought, which has compromised quality and strength of wool produced. Severe dry conditions have affected grazing conditions in most parts of the province. Farmers are faced with buying feed, which has increased due to decline in grain and oilseed crops.

The merino market indicator for the 2015/16 is currently trading higher compared to the preceding season, largely boosted by strong demand and weaker Rand exchange (compared with the average at the previous auction). The market indicator closed at R157.68/kg, up by 3.7% from the previous auction. There is strong competition between buying houses for better quality wool. The effects of drought have become evident as volumes of better quality wools are declining.

Figure 10: Wool Market



Source: Wool SA

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Sources:

AWI

Cape Wools SA

Cotton SA

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Grain SA

Independent Online

Landbou Weekblad

Mohair SA

Poultry Site

Red Meat Abattoir Association

South African Poultry Association

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