AGRIBUSINESS PRICE UPDATES

March 2016

Summary Tables

Field crop commodity prices traded mixed in February 2016, due to a combination of a slightly firmer exchange rate, drought-related concerns about availability to meet demand, and lower import parity prices. This trend is expected to continue for the following weeks if the rand maintains its firm stance.

Over the following months, meat prices are expected to increase due to lower availability, stable demand and escalating feed costs.

Commodity price summary table

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Feb 2015 Average Price</th>
<th>Jan 2016 Average Price</th>
<th>Feb 2016 Average Price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow maize</td>
<td></td>
<td>R/ton</td>
<td>R 2 316.90</td>
<td>R 3 876.14</td>
<td>R 3 716.86</td>
<td>-4.1%</td>
<td>60.4%</td>
</tr>
<tr>
<td>White maize</td>
<td></td>
<td>R/ton</td>
<td>R 2 553.00</td>
<td>R 4 935.90</td>
<td>R 4 991.57</td>
<td>1.1%</td>
<td>95.5%</td>
</tr>
<tr>
<td>Wheat</td>
<td>Average Safex spot prices</td>
<td>R/ton</td>
<td>R 3 843.80</td>
<td>R 4 892.05</td>
<td>R 4 661.00</td>
<td>-4.7%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Soya bean</td>
<td></td>
<td>R/ton</td>
<td>R 5 265.10</td>
<td>R 7 014.76</td>
<td>R 6 732.10</td>
<td>-4.0%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td></td>
<td>R/ton</td>
<td>R 5 076.90</td>
<td>R 7 345.76</td>
<td>R 7 790.24</td>
<td>6.1%</td>
<td>53.4%</td>
</tr>
<tr>
<td>Beef</td>
<td>Class A2/A3</td>
<td>R/kg</td>
<td>R 33.37</td>
<td>R 35.30</td>
<td>R 37.59</td>
<td>6.5%</td>
<td>12.6%</td>
</tr>
<tr>
<td></td>
<td>Weaner calf</td>
<td></td>
<td>R 19.29</td>
<td>R 18.03</td>
<td>R 21.42</td>
<td>18.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Lamb</td>
<td>Class A2/A3</td>
<td>R/kg</td>
<td>R 52.98</td>
<td>R 55.67</td>
<td>R 61.02</td>
<td>9.6%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Pork</td>
<td>Average porkers</td>
<td></td>
<td>R 25.30</td>
<td>R 23.99</td>
<td>R 24.20</td>
<td>0.9%</td>
<td>-4.3%</td>
</tr>
<tr>
<td></td>
<td>Average baconers</td>
<td></td>
<td>R 24.02</td>
<td>R 22.82</td>
<td>R 23.19</td>
<td>1.6%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Dairy</td>
<td>Class 1</td>
<td>R/L</td>
<td>R 4.45</td>
<td>R 4.10</td>
<td>R 4.10</td>
<td>0.0%</td>
<td>-7.9%</td>
</tr>
</tbody>
</table>

m/m: month-on-month
y/y: year-on-year

JSE prices for crop commodity futures (per ton)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>R 4 803</td>
<td>R 4 763</td>
<td>R 4 804</td>
<td>R 4 798</td>
<td>R 4 848</td>
<td>R 4 678</td>
<td>R 4 598</td>
<td>R 3 333</td>
<td>R 3 423</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yellow maize</td>
<td>R 3 365</td>
<td>R 3 300</td>
<td>R 3 220</td>
<td>R 3 222</td>
<td>R 3 284</td>
<td>R 3 320</td>
<td>R 3 251</td>
<td>NA</td>
<td>R 3 002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>R 4 575</td>
<td>R 4 620</td>
<td>R 4 610</td>
<td>R 4 685</td>
<td>R 4 780</td>
<td>R 4 510</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>R 7 000</td>
<td>R 6 860</td>
<td>R 6 600</td>
<td>R 6 590</td>
<td>R 6 680</td>
<td>R 6 780</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soya beans</td>
<td>R 6 140</td>
<td>R 6 100</td>
<td>R 6 060</td>
<td>R 6 130</td>
<td>R 6 195</td>
<td>R 6 271</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1 Weather forecast and dam levels

Current conditions

Figure 1: Current rainfall conditions

Figure 1 shows that in December 2015 rainfall was below normal in most parts of the country, except for parts of the Northern Cape, the Eastern Cape, Mpumalanga and Gauteng where rainfall was above normal. In January 2016, rainfall showed an upward trend to above normal rainfall over the western half of the country, while the eastern half received near normal to above normal rainfall. From 11 to 20 February 2016, below normal rainfall was received in parts of KwaZulu-Natal (KZN), the Free State and Mpumalanga. The Eastern Cape received near normal to above normal rainfall. From July 2015 to January 2016, rainfall was below normal over most of the country, with above normal in the southern coastal areas and the Northern Cape.

Dry to very dry conditions persist in many provinces. Livestock, veld and pastures are in reasonable to poor condition in most provinces and continue to deteriorate with reports of mortalities in some areas. Incidents of veld fires were reported in the Northern Cape and the Free State. The Southern African region has received poor and erratic rainfall as a result of the El Niño, the region is likely to experience significant reductions in crop production in 2016, a situation that will worsen food security during the 2016/17 marketing year.

Forecast conditions

The rainfall forecast for March to July 2016 (Figure 2) shows chances of below-normal rainfall across the country in autumn over the summer rainfall areas. There are chances of above normal rainfall during late-autumn to early-winter in some of the eastern and central parts of the country.
Minimum and maximum temperatures are expected to be generally above normal across the country through autumn towards early-winter in South Africa (National Agro-meteorological Committee, 2016).

**Dam levels**

**Table 1: Provincial dam levels**

<table>
<thead>
<tr>
<th>Province</th>
<th>Jan-2015</th>
<th>Jan-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Cape</td>
<td>77</td>
<td>73</td>
</tr>
<tr>
<td>Free State</td>
<td>85</td>
<td>54</td>
</tr>
<tr>
<td>Gauteng</td>
<td>99</td>
<td>84</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>73</td>
<td>51</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>84</td>
<td>54</td>
</tr>
<tr>
<td>North West</td>
<td>66</td>
<td>64</td>
</tr>
<tr>
<td>Western Cape</td>
<td>59</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: National Agro-meteorological Committee, 2016

In January 2016, dam levels in all reported provinces were lower than in January 2015 (Table 1).
Figure 2: Rainfall forecast – March to July 2016
Source: National Agro-meteorological Committee, 2016
2 Exchange rates

The average exchange rate for the first 18 days of March 2016 was R15.50 to the US dollar. This was stronger than the February 2016 average by 2.1% but weaker than the March 2015 average by 28.5%.

**Figure 3: Rand to US dollar exchange rate**
Source: Standard Bank Research, 2016

The rand has generally strengthened against the US dollar since February 2016, as stability seems to have been restored at the Treasury following the appointment of Pravin Gordhan as Finance Minister. However, the strengthening of the rand could be undermined as traders assess the risks associated with potential instability in the Treasury due to growing tensions with the South African Revenue Service (SARS). The rand could also weaken due to political controversies currently hounding the African National Congress.

3 Fertilizer prices

In February 2016, domestic fertilizer prices showed an upward trend. Price changes were due to a combination of fluctuations in international fertilizer prices, oil prices movements, and exchange rate movements.

- MAP: R9 957 a ton, up 1% m/m and 6% y/y.
- Limestone ammonium nitrate (LAN): R5 821 a ton, up 3.4% m/m and 3.8% y/y.
- Urea: R6 423 a ton, up 3.4% m/m but down 1.6% y/y.
- Potassium chloride: R7 744 a ton, up 4.4% m/m and 2.9% y/y (Figure 4).

**Figure 4: Domestic prices of fertilizers**
Source: Grain SA, 2016b

In February 2016, the international price for urea was R3 269 a ton, down 5% m/m and 12% y/y, while MAP was R3 854 a ton, down 8% m/m but up 9% y/y.
4 Fuel

The international Brent crude oil price, international fuel prices and the rand to US dollar exchange rate influence the domestic price of fuel. The price of petrol went down significantly on 2 March 2016 by 69 cents a litre mainly due to lower international petrol prices and a stronger rand. However, the price of diesel went up by 15 cents a litre mainly because of rising international diesel prices. The average rand to US dollar exchange rate has been improving, but the upward trend in the Brent crude oil price is expected to outweigh this. As a result, the petrol price is expected to go up by between 31 cents and 35 a litre, and diesel is expected to go up by 60 cents a litre on 6 April 2016. These increases will be on top of the 30 cents a litre increase in the fuel levy, which becomes effective from April 2016.

Figures 5 and 6 show the average monthly prices of Brent crude oil and fuel respectively. On 2 March 2016, the price movements of fuel were as follows:

- **Petrol:**
  - Reef – unleaded 95 cost R11.74 a litre, down 5.6% m/m but up 4.2% y/y.
  - Coast – unleaded 95 cost R11.31 a litre, down 5.8% m/m but up 4.1% y/y.

- **Diesel:**
  - Reef – 0.05% cost R9.58 a litre, up 1.6% m/m but down 4.2% y/y.
  - Coast – 0.05% cost R9.24 a litre, up 1.5% m/m but down 4.7% y/y.

- In February 2016, **Brent crude oil** cost USD33.59 a barrel on average, up 4.8% m/m but down 42.9% y/y.

Most analysts expect international oil prices to be bearish once again, after Iran dashed hopes of a coordinated freeze in oil production. This freeze was intended to reduce the global surplus.

5 Electricity

South Africa’s power utility, Eskom, has managed to keep the lights on for more than six months and power outages might not return in the foreseeable future. However, it is reported that the improved power outlook is less about what the state power utility is doing, but has more to do with the global and domestic economic slowdown. The drop in global metal prices has affected the mining sector and lower global demand has affected the manufacturing
sector. Uninterrupted power supply might be conducive for the agriculture sector, but the subdued global demand affecting manufacturing will also negatively affect agricultural growth.

6 Labour

Minimum wage could lead to job losses
The Congress of South African Trade Unions (Cosatu) slammed a new report by the Institute for Justice and Reconciliation, warning that the unintended consequences of a national minimum wage of R5 000 a month, which applies to agriculture as well, would trigger massive job losses.

Citrus orchard theft could threaten jobs
There have been reports of fruit theft at an alarming scale in lemon orchards in the Sunday’s River Valley, which could affect farm jobs if left unabated. An organised crime syndicate is believed to be behind these raids and investigations are underway.

7 Grains and oil seeds

On 25 February 2016, the Crop Estimates Committee (CEC) released figures of the revised area planted and second production forecast for summer crops for the 2016/17 marketing year (see Table 2). Out of all the crops, production and area planted is expected to only increase in sunflower seed as it is more drought-tolerant and farmers opted to increase the area planted.

Table 2: Second summer crop forecast for the 2016/17 marketing year

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2nd forecast 2016 Tons</th>
<th>1st forecast 2016 Tons</th>
<th>Final crop 2015 Tons</th>
<th>Area planted 2016 Hectares</th>
<th>Area planted 2015 Hectares</th>
<th>Change (a ÷ c)</th>
<th>Change (d ÷ e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow maize</td>
<td>3 195 800</td>
<td>3 267 000</td>
<td>4 735 000</td>
<td>1 020 750</td>
<td>1 448 050</td>
<td>-32.5%</td>
<td>-29.5%</td>
</tr>
<tr>
<td>White maize</td>
<td>4 059 950</td>
<td>4 171 250</td>
<td>5 220 000</td>
<td>945 000</td>
<td>1 204 800</td>
<td>-22.2%</td>
<td>-21.6%</td>
</tr>
<tr>
<td>Total maize</td>
<td>7 255 750</td>
<td>7 438 250</td>
<td>9 955 000</td>
<td>1 965 750</td>
<td>2 652 850</td>
<td>-27.1%</td>
<td>-25.9%</td>
</tr>
<tr>
<td>Soya beans</td>
<td>724 600</td>
<td>768 560</td>
<td>1 070 000</td>
<td>519 800</td>
<td>687 300</td>
<td>-32.3%</td>
<td>-24.4%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>687 150</td>
<td>622 000</td>
<td>663 000</td>
<td>687 500</td>
<td>576 000</td>
<td>3.6%</td>
<td>19.4%</td>
</tr>
</tbody>
</table>

Source: Crop Estimates Committee, 2016

Table 3 shows the price trends of yellow maize, white maize, wheat, soya beans and sunflower seed on the Johannesburg Stock Exchange (JSE) Commodity Derivatives Market (Safex) in February 2016. The prices of these crop commodities traded mixed due to a combination of a slightly firmer exchange rate, drought-related concerns about availability to meet demand, and lower import parity prices..

Table 3: Monthly price movements in grain and oil seeds

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Feb 2015</th>
<th>Jan 2016</th>
<th>Feb 2016</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow maize</td>
<td>Average SAFEX spot prices</td>
<td>Rand/ton</td>
<td>R 2 316.90</td>
<td>R 3 876.14</td>
<td>R 3 716.86</td>
<td>-4.1%</td>
<td>60.4%</td>
</tr>
<tr>
<td>White maize</td>
<td></td>
<td></td>
<td>R 2 553.00</td>
<td>R 4 935.90</td>
<td>R 4 991.57</td>
<td>1.1%</td>
<td>95.5%</td>
</tr>
<tr>
<td>Wheat</td>
<td></td>
<td></td>
<td>R 3 843.80</td>
<td>R 4 892.05</td>
<td>R 4 661.00</td>
<td>-4.7%</td>
<td>21.3%</td>
</tr>
<tr>
<td>Soya beans</td>
<td></td>
<td></td>
<td>R 5 265.10</td>
<td>R 7 014.76</td>
<td>R 6 732.10</td>
<td>-4.0%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Sunflower seed</td>
<td></td>
<td></td>
<td>R 5 076.90</td>
<td>R 7 345.76</td>
<td>R 7 790.24</td>
<td>6.1%</td>
<td>53.4%</td>
</tr>
</tbody>
</table>

Source: Grain SA, 2016
Table 4 shows the price trends of commodity futures as at 22 March 2016.

Table 4: JSE commodity futures prices per ton

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White maize</td>
<td>R 4 803</td>
<td>R 4 763</td>
<td>R 4 804</td>
<td>R 4 798</td>
<td>R 4 818</td>
<td>R 4 988</td>
<td>R 3 333</td>
<td>R 3 423</td>
<td></td>
</tr>
<tr>
<td>Yellow maize</td>
<td>R 3 285</td>
<td>R 3 300</td>
<td>R 3 220</td>
<td>R 3 220</td>
<td>R 3 284</td>
<td>R 3 320</td>
<td>R 3 251</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Wheat</td>
<td>R 4 575</td>
<td>R 4 620</td>
<td>R 4 610</td>
<td>R 4 685</td>
<td>R 4 780</td>
<td>R 4 510</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Sunflower seed</td>
<td>R 7 000</td>
<td>R 6 800</td>
<td>R 6 600</td>
<td>R 6 590</td>
<td>R 6 680</td>
<td>R 6 700</td>
<td>NA</td>
<td>NA</td>
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</tr>
<tr>
<td>Soya beans</td>
<td>R 6 140</td>
<td>R 6 100</td>
<td>R 6 060</td>
<td>R 6 130</td>
<td>R 6 195</td>
<td>R 6 271</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

Source: Grain SA, 2016a

## Maize

**Domestic maize prices to trend slightly lower**

The average price trends (per ton) of yellow and white maize are shown in Figures 7 and 8 respectively. Domestic white and yellow maize average prices have generally been trending upward and have been more than import parity price in 2016. However, in February 2016, the yellow maize price traded lower and the white maize price increased slightly on a monthly basis. In the next few weeks, maize price is expected to trend slightly lower due to:

- slight strengthening of the rand; and
- slight improvement in the rainfall situation in some parts of the country over the last few weeks.

**Domestic maize supply**

In the week ending 4 March 2016:

The weekly South African maize delivery figures showed that 35 185 tons of maize were delivered that week. This included 19 038 tons of white maize and 16 147 tons of yellow maize. This brings the total maize deliveries for the 2015/16 marketing year to date to 9 054 112 tons: 4 518 154 tons of white maize and 4 535 958 tons of yellow maize.

**Domestic maize imports**

In the 2016/17 marketing year, total maize imports are estimated to reach 3.8 million tons, up significantly by 127% y/y. This significant increase will be necessary to offset the 27% yearly drop in production. The total yellow maize imports for the 2015/16 marketing year to date stand at 1.325 tons: with 50% originating from Argentina and 37% from Brazil. Yellow maize imports have been gaining momentum in Q1:2016 (Unigrain, 2016).
International maize price down
Chicago Board of Trade (CBOT) maize prices have been trading lower mainly because:
- there are expectations of favourable weather conditions across South America’s maize producing areas;
- the United States Department of Agriculture (USDA) forecasted an increase in the 2016 US maize area planted at 90 million acres, which is 0.45% higher than expected; and
- the International Grains Council (IGC) estimated the 2015/16 global maize production at 969 million tons, which is 1% higher than the previous estimate due to upward revision in South America’s production estimates and 1.2% higher y/y.

In February 2016, the maize sub-index of the International Grains Council (IGC) Grains and Oilseeds Index decreased by 1.2% month-on-month (m/m) and it is 4.1% lower y/y.

Wheat

Figure 9 shows the average monthly price trends of wheat (rands per ton)

Figure 9: Wheat average monthly prices

Domestic wheat price to move sideways
In February 2016, wheat prices showed a downward trend as the stronger rand made inbound shipments more affordable for South Africa, which is a net importer of wheat. The wheat price is expected to move sideways for the next few weeks due to stable import parity prices.

Domestic wheat supply
In the week ending 11 March 2016, 12 460 tons of wheat were imported by South Africa. This brings the cumulative imports for the season (from October 2015) to 928 883 tons.

International wheat prices lower
The 2015/16 US and global wheat stocks continue to keep wheat prices under pressure on the market. The USDA estimates global wheat production at a record 732.32 million tons, up 1% y/y.
Soya beans

Figure 10 shows the average monthly price trends of soya beans (rands per ton).

Figure 10: Soya bean average prices

Domestic soya bean price to trend lower
In February 2016, domestic soya bean prices showed a downward trend for the following reasons, which will maintain a bearish trend for the next few weeks:

- the slightly stronger rand made imported soya bean meal more affordable;
- slight improvement in the rainfall situation in some parts of the country over the last few weeks; and
- lower import parity prices.

International soya bean prices down
International soya bean prices have generally been under pressure as weather conditions in Brazil and Argentina are reportedly favourable with record production expected this season. Soya bean exports from Brazil are reportedly increasing on the global market. Analysts expect the South American crop to shift demand away from the US soya bean, which could further put pressure on soya bean prices.

Sunflower seed

Figure 11 shows the average monthly price trends of sunflower seed (rands per ton).

Figure 11: Sunflower seed monthly prices

Domestic sunflower seed prices to move sideways
Domestic sunflower seed prices maintained an upward trend because of concerns about availability and good demand.

International sunflower seed prices down
International sunflower seed prices have been under pressure due to large global supplies. Oilworld forecasts 2015/16 global sunflower seed production at 41.5 million tons, up by 600
000 tons from the previous season, due to large harvest in the Black Sea region. Ukraine’s 2015/16 sunflower seed crop is estimated at 11.4 million tons, up by 14% from the previous season. At the same time, Russia’s harvest is forecasted at 9.7 million tons, up by 8% from the previous season.

8 Livestock

Lamb and mutton

Figure 12 shows the average monthly price trends (rands per kg) of lamb and mutton.

Figure 12: Average monthly lamb prices

Lamb and mutton prices could go up
In February 2016, the price of lamb and mutton classes went up m/m and y/y (Table 5) due to the tighter availability associated with drought slaughter and picking demand, following the cyclical drop in demand associated with January. The number of sheep and lamb slaughtered was 6% higher m/m (in January 321 550 head were slaughtered), and 18.2% higher y/y.

Table 5: Monthly price movements in lamb and mutton

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Average price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Feb 2015</td>
<td>Jan 2016</td>
<td>Feb 2016</td>
</tr>
<tr>
<td>Lamb and mutton</td>
<td>Class A2/A3</td>
<td>(R/kg)</td>
<td>R 52.98</td>
<td>R 55.67</td>
<td>R 61.02</td>
</tr>
<tr>
<td></td>
<td>Class AB2/AB3</td>
<td></td>
<td>R 44.34</td>
<td>R 47.57</td>
<td>R 52.23</td>
</tr>
<tr>
<td></td>
<td>Class B2/B3</td>
<td></td>
<td>R 38.48</td>
<td>R 42.08</td>
<td>R 47.73</td>
</tr>
<tr>
<td></td>
<td>Class C2/C3</td>
<td></td>
<td>R 40.74</td>
<td>R 39.52</td>
<td>R 44.12</td>
</tr>
</tbody>
</table>

Sheep meat supplies are expected to shrink over the following months as the industry gears up for flock-rebuilding when production conditions improve. In the following weeks, demand is expected to continue to increase following the January slump. With the tighter supplies and higher feed costs that farmers are facing, lamb and mutton prices are expected to trend upward.

The import parity price of lamb and mutton from Australia (based on the exchange rate) was R82.54 and R42.64 a kg respectively in February 2016. The rand is expected to continue to
firm slightly against the Australian dollar in the next few weeks, so the import parity price of lamb and mutton could decrease slightly.

**Beef**

![Graph showing average monthly beef prices](image)

**Figure 13: Average monthly beef prices**
Source: RMAA, 2016

**Beef and weaner prices could go up**

In February 2016, the price of beef increased m/m and y/y due to tighter supplies, picking demand following lower demand associated with the January period, and generally rising feed costs. The weaner price also increased m/m and y/y (Table 6) as a higher anticipated A2/A3 meat prices and a 4% lower yellow maize price saw demand for weaners go up slightly. According to the Red Meat Levy Admin (2016), 193 075 cattle were slaughtered in January 2016. In February 2016, the number of head slaughtered was down 3.3% m/m and higher by 17.3 y/y. Beef slaughter is expected to dwindle over the following months following much drought-induced slaughter.

**Table 6: Monthly price movements in beef and weaners**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Feb 2015</th>
<th>Jan 2016</th>
<th>Feb 2016</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>Class A2/A3</td>
<td>(R/kg)</td>
<td>33.37 R</td>
<td>35.30 R</td>
<td>37.59 R</td>
<td>6.5%</td>
<td>12.6%</td>
</tr>
<tr>
<td></td>
<td>Class AB2/AB3</td>
<td></td>
<td>30.74 R</td>
<td>33.67 R</td>
<td>38.10 R</td>
<td>13.16%</td>
<td>23.9%</td>
</tr>
<tr>
<td></td>
<td>Class B2/B3</td>
<td></td>
<td>28.37 R</td>
<td>30.55 R</td>
<td>33.11 R</td>
<td>8.4%</td>
<td>16.7%</td>
</tr>
<tr>
<td></td>
<td>Class C2/C3</td>
<td></td>
<td>26.17 R</td>
<td>28.47 R</td>
<td>31.23 R</td>
<td>9.7%</td>
<td>19.3%</td>
</tr>
<tr>
<td></td>
<td>Weaner calf</td>
<td></td>
<td>19.29 R</td>
<td>18.03 R</td>
<td>21.42 R</td>
<td>18.80%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

Demand for beef has been growing following the January slowdown, and this, along with tighter supply (as the industry gears up for herd-rebuilding), is expected to see the price of beef trend upward in the following months. Weaner prices are expected to increase slightly or move sideways as demand for weaners from anticipated higher beef prices is kept in check by generally high feed costs.

In February 2016, the derived import parity price of cow meat from Australia was R69.19 a kg. The rand is expected maintain its firmness against the Australian dollar in the following weeks, so the import parity price of cow meat could decrease.
Beef-to-maize price ratio
In February 2016, the beef-to-maize price ratio was 10:1, firmer by 11% m/m due to a higher meat and lower feed price, but still nearly 30% weaker than the long-term average of 14.4:1.

The ratio has been below the long-term average since February 2015 due to rising feed prices. This is of great concern to the beef feedlot industry (Figure 14).

Pork
In February 2016, the monthly prices of porkers and baconers went up m/m (Table 7) due to good demand and rising feed costs, which are posing a big challenge for pig farmers. Prices were, however, down y/y. According to the Red Meat Levy Admin (2016), 196 647 pigs were slaughtered in January 2016. In February 2016, slaughter was up significantly by 71.5% m/m and 84.7% y/y as farmers continue to face production hardships related to the drought.

Table 7: Monthly price movements in pork products

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Average price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pork</td>
<td>Porker</td>
<td>(R/kg)</td>
<td>Feb 2015 25.30 R 23.99</td>
<td>R 24.20</td>
<td>0.9%</td>
</tr>
<tr>
<td></td>
<td>Baconer</td>
<td></td>
<td>Jan 2016</td>
<td>R 24.02</td>
<td>R 22.82</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Feb 2016</td>
<td>R 23.19</td>
<td></td>
</tr>
</tbody>
</table>

Over the next few weeks, the price of pork is expected to increase due to lower availability, growing demand (pork is a cheaper red-meat option) and escalating feed costs.

In February 2016, the derived import parity price of US barrows and gilts was R30.06 a kg. If the rand maintains its firmer trend import parity prices could trend lower in the following weeks.
Dairy

Figure 16 shows the average monthly milk producer price trends (rands per litre).

Figure 16: Average monthly milk prices
Source: Milk Producers Organisation, 2016

Lower milk producer prices persist
Total milk production in 2015 was 5.5% higher y/y, which resulted in an oversupply and falling milk producer prices (Table 8). March 2016 is expected to be the fourth month of negative growth in milk production. The slowdown in production is due to a combination of higher grain prices; expected increases in electricity costs; scarcity of roughage and lower-quality silage; lower producer prices; and the enforcement of production quotas.

Table 8: Monthly price movements in dairy

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Category</th>
<th>Units</th>
<th>Feb 2015</th>
<th>Jan 2016</th>
<th>Feb 2016</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td>Class 1</td>
<td>(R/L)</td>
<td>4.45</td>
<td>4.10</td>
<td>4.10</td>
<td>0.0%</td>
<td>-7.9%</td>
</tr>
</tbody>
</table>

Announcements of producer price increases are expected in the following weeks to support the struggling dairy farmers.

Milk-to-maize price ratio
In February 2016, the milk-to-maize price ratio was 1.10:1, firmer by 4.3% m/m, but 38.3% weaker than the long-term average of 1.8:1.

The ratio has been below the long-term average since June 2015 due to rising feed costs.

Higher feed prices are expected to cause slower milk production growth in the first half of 2016 (Figure 17).

Global dairy prices still low
Prices on the Fonterra Global dairy trading platform increased slowly in December 2014 and January 2015, and were up by 10% growth by the end of February 2015. From March to August 2015, international prices decreased to the lowest level in eight years. Concerns about supply resulted in a 63% increase in product prices at four consecutive sales. Since then prices decreased again but are still 24% above the lowest level at the beginning of August.
2015. The weaker rand has generally buffered the South African market from the decrease in product prices.

9 Vegetables

**VEGETABLES**

Table 9 shows the price trends (rands per ton) and Table 10 total volumes traded (tons) in onions, potatoes and tomatoes.

**Table 9: Average monthly price movements in vegetables**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Units</th>
<th>Average price</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Feb 2015</td>
<td>Jan 2016</td>
<td>Feb 2016</td>
</tr>
<tr>
<td>Onions</td>
<td>Rand/Ton</td>
<td>R 2 526</td>
<td>R 4 191</td>
<td>R 4 435</td>
</tr>
<tr>
<td>Potatoes</td>
<td>Rand/Ton</td>
<td>R 2 796</td>
<td>R 5 236</td>
<td>R 5 940</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>Rand/Ton</td>
<td>R 5 864</td>
<td>R 7 256</td>
<td>R 6 061</td>
</tr>
</tbody>
</table>

**Table 10: Monthly volume movements in vegetables**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Tons</th>
<th>Change (m/m)</th>
<th>Change (y/y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Feb 2015</td>
<td>Jan 2016</td>
<td>Feb 2016</td>
</tr>
<tr>
<td>Onions</td>
<td>30 721</td>
<td>26 523</td>
<td>31 209</td>
</tr>
<tr>
<td>Potatoes</td>
<td>81 662</td>
<td>68 948</td>
<td>62 418</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>18 976</td>
<td>17 930</td>
<td>22 428</td>
</tr>
</tbody>
</table>

Onions

The average monthly price of onions is expected to steadily increase towards late autumn, as demand increases and supply slows down. Figure 18 depicts the current price trend.

**Figure 18: Onion prices and volumes**

Source: Department of Agriculture, Forestry and Fisheries (DAFF), 2016
10 Other news and developments

Economy

The Reserve Bank raises interest rates
The Reserve Bank raised its benchmark interest rate for a second time this year in a decision that split the monetary policy committee and as a political crisis engulfing the country hurt the currency. The repurchase rate was increased to 7% from 6.75%.

Inflation rises significantly
Inflation rose significantly in February 2016 to 7% y/y, mainly due to higher food, fuel and medical insurance prices. Inflation’s sharp acceleration from 6.2% y/y in January 2016 supports the Reserve Bank’s decision to raise interest rates in both January and March 2016. The 7% increase in the consumer price index (CPI) was highest rate since May 2009.

South Africa faces ratings downgrade
The next three months are critical for South Africa; this is according to business and labour leaders who have been trying to persuade Moody’s not to downgrade the country’s investment rating. Business, labour and the government put up a united effort around early-March 2016 during an international roadshow to reassure investors that a plan was in place to curb high prices.
government debt and spending and to grow the economy. Finance Minister Pravin Gordhan remains confident that South Africa could avoid rating downgrades, even though ratings agencies have reported that a weak economy and worsening fiscal deficits pose a major risk to South Africa's investment-grade status.

**International trade**

**Brandy makers focus on exports**
Brandy makers are working to revive interest in their product domestically and more so, internationally, amid declining domestic consumption. South Africa is the world’s seventh largest producer of brandy by volume and focus has been primarily on the local market. However, demand has been steadily contracting, with many South Africans choosing imported whiskies instead of brandy.

**Agribusiness**

**Potato prices trend upward**
South African potato prices more than doubled in February 2016 on a y/y basis, as the severe drought cut yields in major growing regions. The current prices are the highest on record.

**Monsanto on an acquisition bid**
After losing the bid to acquire Syngenta, it is reported that Monsanto is exploring possible deals with BASF and Bayer of Germany as the US seed company seeks to bolster its position amid industry consolidation.

**Drought affects wool production**
As the drought affects the quality of grazing and pushes up the cost of feed, sheep farmers have trimmed their flocks, placing the wool market in a vulnerable position heading into the new season that starts in July 2016.

**Policy issues**

**Minimum wage relief for farmers**
Minimum wage increases came into effect on 1 March 2016, however, in an effort to prevent retrenchments, the Department of Labour has allowed farmers to apply incremental increases to avoid extra financial pressure as they are already under pressure from the drought.

**Rethinking agricultural projects**
The Nelson Mandela Bay Municipality has ploughed R7.5 million into nine agricultural projects since 2003 and 90% of them have failed, forcing the city to rethink its funding model and support strategy. Most of the crop-farming projects are dilapidated, with no money to show for their businesses.

**Drought affects education**
The ongoing drought has become a ‘huge concern’ for the Western Cape Education Department as the cost of food needed for the school feeding programme soars.

**Conclusion**

The rainfall forecast for March to July 2016 shows chances of below-normal rainfall across the country in autumn over the summer rainfall areas. There are chances of above normal rainfall during late-autumn to early-winter in some of the eastern and central parts of the country.
Minimum and maximum temperatures are expected to be generally above normal across the country through autumn towards early-winter in South Africa.

Dry to very dry conditions persist in many provinces. Livestock, veld and pastures are in reasonable to poor condition in most provinces and continue to deteriorate with reports of mortalities in some areas. Incidents of veld fires were reported in the Northern Cape and the Free State.

Field crop commodity prices traded mixed due to a combination of a slightly firmer exchange rate, drought-related concerns about availability to meet demand, and lower import parity prices. This trend is expected to continue for the next few months.

Sheep meat supplies are expected to shrink in the medium to longer term as the industry gears up for flock-rebuilding when production conditions improve. In the following weeks, demand is expected to increase following the January slump. With the tighter supplies and higher feed costs that farmers are facing, lamb and mutton prices are expected to trend upward.

Demand for beef has been growing following the January slowdown, and this, along with tighter supply (as the industry enters a herd-rebuilding phase), is expected to see the price of beef trend upward in the following weeks. Weaner prices are expected to increase slightly or move sideways as demand for weaners from anticipated higher beef prices is kept in check by high feed costs.

Over the next few weeks, the price of pork is expected to increase due to lower availability, growing demand (pork is a cheaper red-meat option) and escalating feed costs.

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