



## Agri Trends

30 November 2018

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The expected production in the Western Cape is 906 300 tons (49%), Free State 365 000 tons (20%) and in the Northern Cape 294 500 tons (16%). The total wheat production estimate is 1.862 million tons, the same as the previous estimate.

Above average wheat crop yields are expected in some parts of the Western Cape, thanks to good rainfalls received during the winter rainfall period. Industry expects national crop estimate to materialize. The harvest process is underway and gaining momentum. Weather remains favourable for the harvest process, supporting deliveries. Producer deliveries are starting to gain momentum, 253,803 tons were delivered for the week ending 16 November 2018, sparking some selling interest.

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## Beef market trends

### International

New Zealand steers were sideways over the past week at 5.54NZ\$/kg and cows traded sideways at 3.95NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 2.02% lower at \$199.88/cwt. Rump was 2.07% higher at \$322.90/cwt and strip loin was 0.58% higher at \$487.36/cwt. Chuck traded 0.62% lower at \$211.72/cwt. Brisket traded 2.60% higher at \$272.97/cwt. The carcass equivalent price was 0.85% higher at \$288.34cwt.

#### Bullish factors

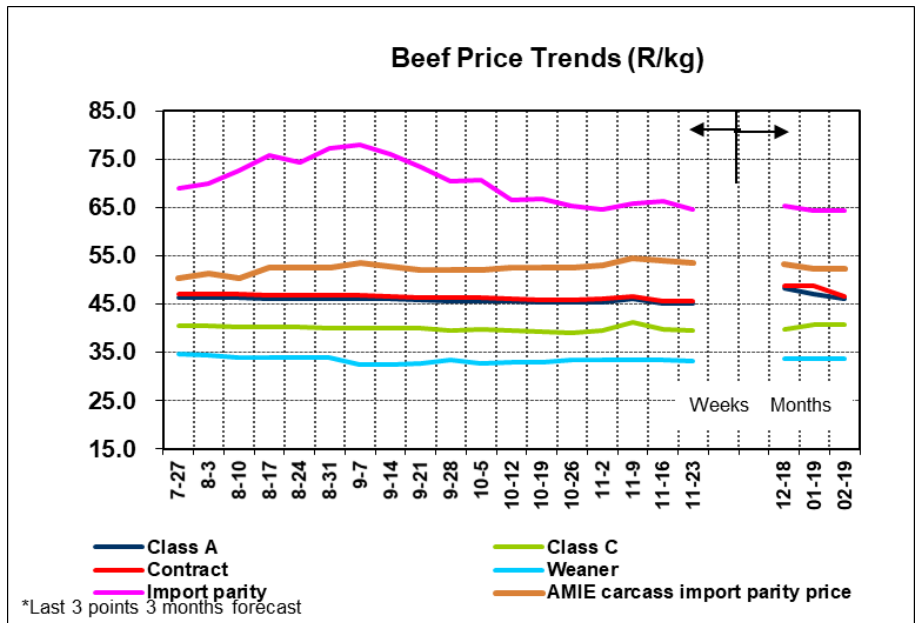
- The Chinese beef market continues to perform strongly, with prices at their highest point in the past three years, and close to 15-year highs, as a result of growing demand for red meat and impacts caused by the spread of African Swine Fever in the country's pig population.
- China continues to be the best performer of the New Zealand export markets, with signals prices may firm in coming weeks. Demand for the New Year celebrations is underpinning the market.
- Some reports are suggesting that the spread of African swine fever through China is providing support for beef and sheep meat.

#### Bearish factors

- There are concerns about the weakening demand for beef in the US.

### Domestic

Week on week, beef prices were mostly lower across the different classes. The average Class A price was 0.06% lower this week at R45.10/kg. Class C prices were 0.98% lower at R39.43/kg. The average weaner calf prices over the past week traded 0.7% lower at R33.27/kg. The average hide price this week continued to decline when compared to the previous week. The average hide price was 5.4% lower w/w at R3.93/kg green. In general the hide market remains under pressure and has followed a downward trend over the past months. There are risks of further decreases in the next few weeks. The market for the middle/low grades is under severe pressure. 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. The orders for leather (show, automotive and upholstery) are all down on previous seasons coupled with high slaughter figures in the US, Brazil and Australia. 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

- Short term forecasts are positive for rainfall to commence in the last week of November as well as December and parts of January with even heavy falls possible over the eastern areas like KZN and Mpumalanga, according to weather forecasts.
- Pasture conditions may improve should seasonal rains materialise sooner.
- Cattle slaughter numbers in 2018 are lower due to the herd rebuilding process that is underway.
- Meanwhile, prices may recover in line with seasonal trends, as there is normally improved demand during this period and into the festive season.

### Bearish factors

- Very little rain with temperature extremes occurred since the second part of October over much of the country.
- 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.
- Prices have been under pressure due to lack of demand, as pressure on consumer's disposable income limit increases in prices.

### **Outlook**

Internationally, seasonally easing demand for beef in the US can weigh on the market.

Locally, prices remain under pressure for this time of the year, with the possibility of an upside momentum in line with improvement in demand into the festive season.

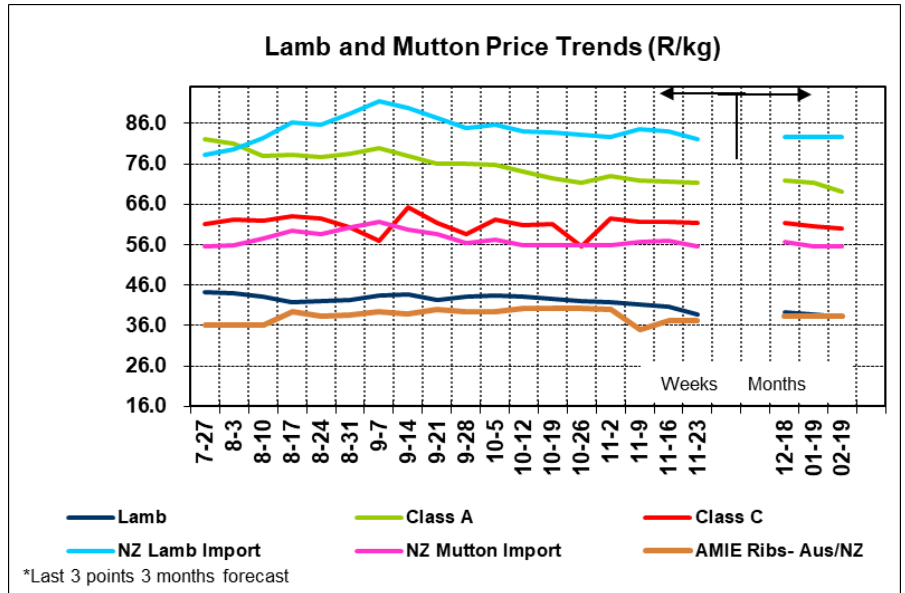
## Sheep meat market trends

### International

New Zealand lamb and mutton prices were mostly higher this week compared to last week. Lamb prices were 0.4% higher at NZ\$7.98/kg. Ewe prices traded 0.4% higher at NZ\$5.00/kg. The import parity price for lamb was 2.1% lower at R82.18/kg, while the import parity price for mutton was 2.0% lower at R56.68/kg.

#### Bullish factors

- New season lamb supply continues to be slow across New Zealand. Rain and good feed levels have removed any pressure to offload and farmers are taking the opportunity to put more weight on lambs.
- Export markets continue to signal stability through to Christmas. Chinese demand is providing plenty of support for New Zealand market.
- Average value of lamb exports from New Zealand to China in October increased 13% on year ago levels. Chinese demand right now is underpinned by requirements for their New Year celebrations.
- Strong global demand for sheep meat and limited supply availability is expected to continue to support this market.



#### Bearish factors

- 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 lower when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices decreased by 0.4% to R71.19/kg and the average Class C carcass prices decreased by 0.29% to R61.44/kg. The average price for feeder lambs traded 4.5% lower at R38.83/kg. The average price for dorper skin is 0.7% lower at R30.56/skin and merinos were 4.1% higher at R95.00/skin.

#### Bullish factors

- Sheep slaughter numbers for 2018 are lower when compared to the previous 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

- Weakness in consumer demand.
- 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 strong global demand for sheep meat and limited supply availability are expected to continue to support strong prices through 2019. In the short term, prices may benefit from improved demand in the short term.

Locally, domestic sheep meat prices have struggled to increase over the past weeks due to pressure in the market. The market may improve somewhat into the festive season.

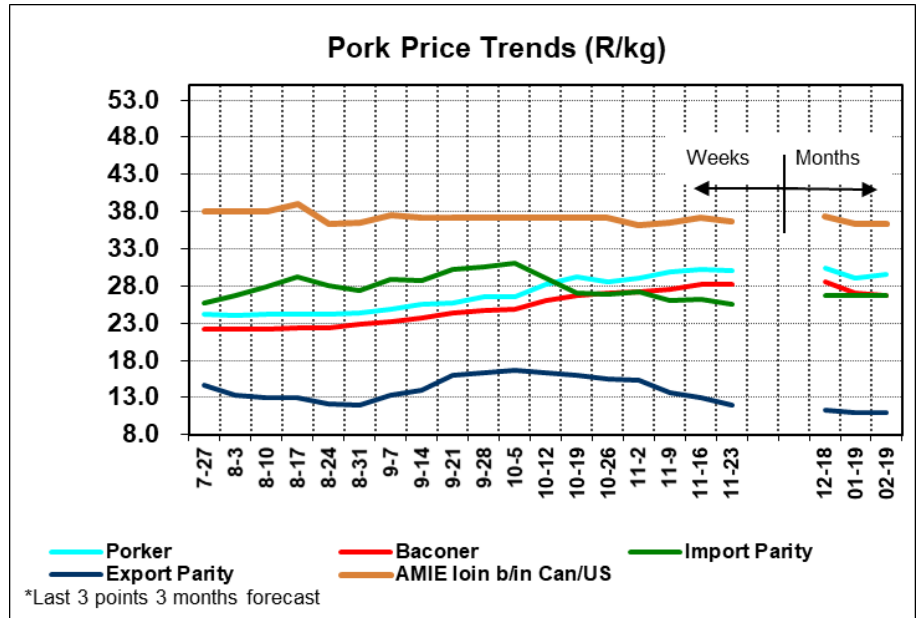
## Pork market trends

### International

The average weekly US pork prices were mostly lower over the past week. Carcass prices were 3.1% lower at US\$65.94cwt, loin prices were 2.5% lower at US\$62.17/cwt, rib prices were 1.0% lower at US\$112.85cwt and ham was 0.3% higher at US\$48.51/cwt.

#### Bullish factors

- US strong domestic and export demand for beef and pork amid general economic strength has mitigated price weakness, despite trade tariffs and record red meat production.
- Ideas that African swine fever in China's large hog herd might boost demand for US pork supports prices. The disease has spread through China, with more than 70 cases reported across farms since early August.
- Peak seasonal demand during the Lunar New Year holiday support pork prices.



#### Bearish factors

- More Chinese are shifting to poultry as the spread of African swine fever worries consumers.

### Domestic

This week, pork prices were mixed, but continued to remain steady across the different categories. The latest average pork prices are as follows: The average porker prices are 0,7% lower at R30.05/kg, while the average baconer prices are 0.1% higher at R28.25/kg. The average cutters prices were 0.3% lower at R28.4/kg and the average heavy baconer price was 1.4% lower at R26.37. The SAU price was meanwhile 0.2% higher at R19.73/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, good demand for pork is supporting the US pork market.

Locally, pork prices are expected to be supported in the short term into the festive season in line with seasonality.

## Poultry market trends

### International

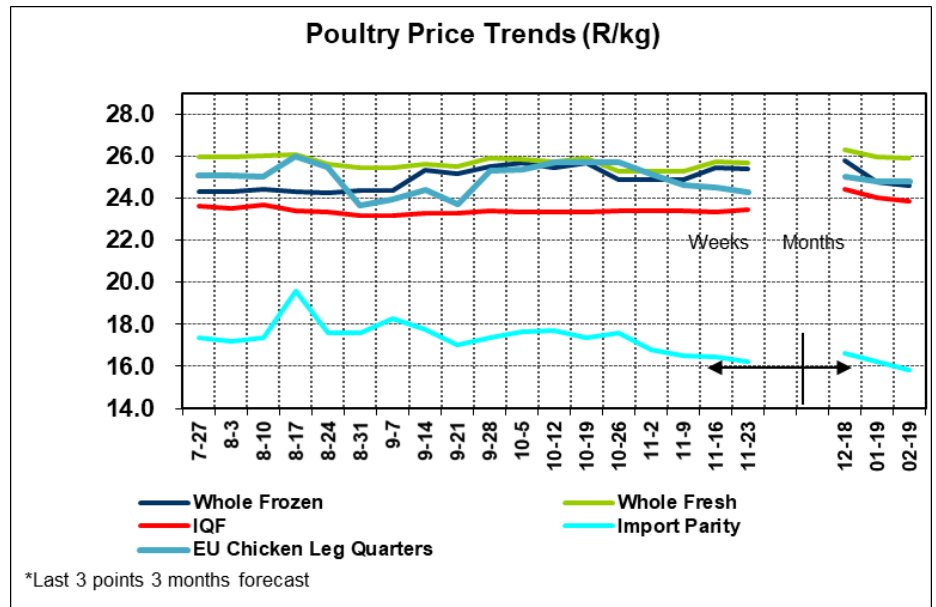
Poultry prices in the US were mixed over the past week. Whole bird prices were 0.8% lower at 87.07USc/lb. Breast traded 1.3% higher at 79.00USc/lb, while leg quarters traded 2.0% sideways at 24.50USc/lb.

#### Bullish factors

- More Chinese are shifting to poultry as the spread of African swine fever worries consumers, sending prices of chicken meat to the highest level since the end of 2015.

#### Bearish factors

- Plentiful feed supplies at relatively low prices and modest global demand are expected to continue to drive higher poultry production in 2019.
- Concerns about the new avian influenza AI outbreaks are increasing in the northern hemisphere.



### Domestic

The average poultry prices over the past week were mostly lower except for IQF. The average prices for frozen birds were 0.3% lower at R25.39/kg during the week. Whole fresh medium bird prices were 0.2% lower at R25.67/kg, while IQF prices were 0.39% higher at R23.43kg.

#### Bullish factors

- A recovery in terms of demand can be expected and into the festive season.

#### Bearish factors

- Prices are bearish because of lack of demand during mid-month.
- Poultry prices have been struggling to increase on the back of indications that consumer spending has been under pressure. Subdued consumer disposable incomes are under pressure, fuel prices have increased and VAT rates also increased. Economic conditions remain tough.
- The European Union's European Partnership Agreement safeguard duty, which has been imposed on poultry imports into South Africa from the European Union can support the poultry industry.

### Outlook

Internationally, the larger expected global animal protein in 2019 may keep the poultry market under pressure.

Locally, the market is under pressure for this time of the year, indications are that prices could improve in line with a recovery in demand during the festive season.



Livestock prices (R/kg) week 29 Nov 2018	Beef			Mutton			Pork			Poultry		
	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week
<b>Class A/ Porker/ Fresh birds</b>	-0.06	45.10	45.12	-0.4	71.19	71.50	-0.7	30.05	30.25	-0.2	25.67	25.73
<b>Class C/ Baconer/ Frozen birds</b>	-0.98	39.43	39.82	-0.29	61.44	61.62	0.1	28.25	28.23	-0.3	25.39	25.47
<b>Contract/Baconer/ IQF</b>	-0.12	45.58	45.64	-0.3	71.65	71.87	-0.3	29.15	29.24	0.39	23.43	23.34
<b>Import parity price</b>	-2.54	64.60	66.28	-2.0	55.68	56.84	-2.6	25.48	26.16	-1.7	16.2	16.5
<b>Weaner calves/ Feeder lambs</b>	-0.7	33.27	33.49	-4.5	38.83	40.67		-	-			
<b>Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4</b>	-1.15	53.52	54.14	-1.2	60.30	61.05	-1.0	36.75	37.13	-0.8	24.30	24.50

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