



Agri Trends

7 December 2018

Agriculture contributes to economic growth!

The household expenditure for consumers increased and this support the market for domestic agricultural products. Equally important for primary producers is the fact that the secondary industrial sector's growth increased by 4,5% in the third quarter. The total quarterly nominal GDP growth for South Africa reached 2,2%. Agriculture recovered after the dismal performance due to the previous season's drought and other contributing factors including biosecurity issues and a strong Rand. Second to the manufacturing industry (7,5%) agriculture recovered by a growth rate of 6,5%. Policy uncertainty and recent announcements regarding land policy and the insufficient rainfall during the planting of grain and oilseed crops weighs on the sector. Food security in terms of our capacity to provide in our own needs and not to be dependent on food imports needs to be a priority. A country that exports food ensures affordable food for the population. For this, we need to improve our logistic infrastructure, access to markets and the latest on farm technology. For now, it needs to rain sufficiently to get the crop planted. Certain production areas in the summer rainfall region received up to now less rainfall than during the very dry 2015/16 production season.

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Beef market trends

International

New Zealand steer prices trade sideways over the past week at 5.54NZ\$/kg and cows traded 0.25% higher at 3.96NZ\$/kg compared to a week ago. In the US, beef prices for the week were traded on a carcass equivalent basis lower. However, Topside traded 0.53% higher at \$200.93/cwt. Rump was 3.17% higher at \$333.15/cwt. Prices for striploin declined by 2.73% to \$474.07/cwt. Chuck traded 2.2% lower at \$207.07/cwt. Brisket traded 0.10% lower at \$272.70/cwt. The carcass equivalent price was -1.24% lower at \$284.77/cwt.

Bullish factors

The drawdown in US meat stocks during November was 10.7 per cent compared to 9.3 per cent average of the last five years..

Bearish factors

The total supply of US beef, pork, chicken and turkey in cold storage at the end of November was 2.179 billion pounds, 4.9 per cent higher than a year ago and 10.2 per cent higher than the five year average.

Local

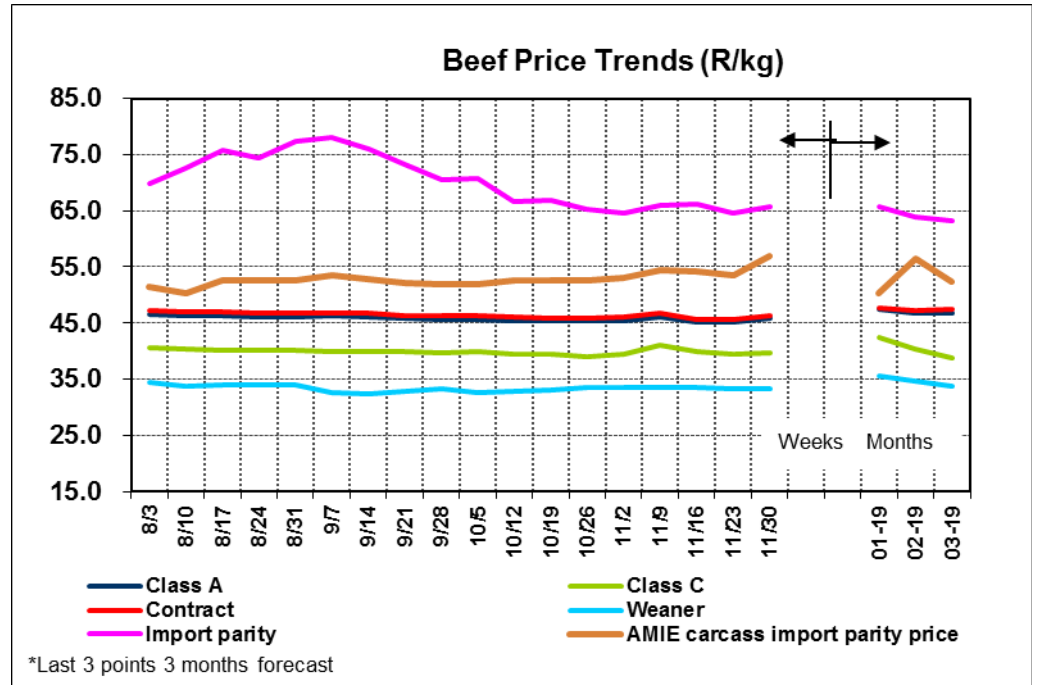
Week on week, beef prices were mostly higher across the different classes. The average Class A price increased by 1.61% higher this week to R46.30/kg. Class C prices increased by 0.53% to R39.64/kg. The average weaner calf prices traded over the past week 0.2% higher to R33.34/kg. The average hide price this week continued to decline when compared to the previous week. The average hide price was 1.9% lower w/w at R3.85/kg green.

Bullish factors: The lower fuel price, festive season and seasonal increase in demand for imported beef provides underlying support for local prices.

Bearish factors: Uncertain weather conditions for the new season and higher grain and oilseed prices can weigh on future weaner calf prices.

Outlook

Local prices receive underlying price support during the festive season and due to lower fuel prices.



Sheep meat market trends

International

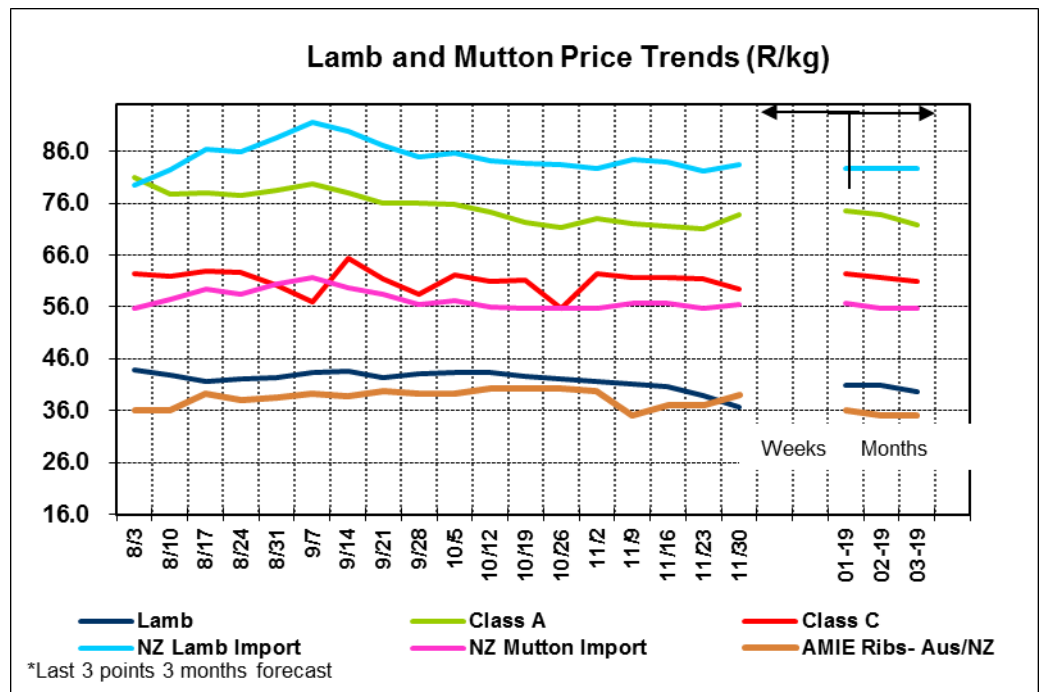
New Zealand lamb and mutton prices were sideways to higher this week compared to last week. Lamb prices were 0,3% higher at NZ\$8.00/kg. Ewe prices traded sideways at NZ\$5.00/kg. The import parity price for lamb was 1.7% higher at R83.56/kg, while the import parity price for mutton was 1.4% higher at R56.45/kg.

Bullish factors

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Bearish factors

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Local

This week, lamb and mutton prices increased when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb price increased by 3.7% to R73.83/kg and the average Class C carcass price declined by 3.09% to R59.54/kg. The average price for feeder lambs traded 5.6% lower at R36.67/kg. The average price for dorper skin traded sideways at R30.56/skin and merino skin prices traded sideways R95/skin.

Bullish factors

The increased demand for mutton during the festive season are seasonal and provide strong underlying support for local Class A prices.

Bearish factors

Class C prices trade lower during the festive season

Outlook

Internationally, the strong global demand for sheep meat and limited supply availability are expected to support strong prices through 2019.

Locally, Sheep meat prices start to recover in line with seasonal trends and improved demand for higher quality cuts during the festive season.

Pork market trends

International

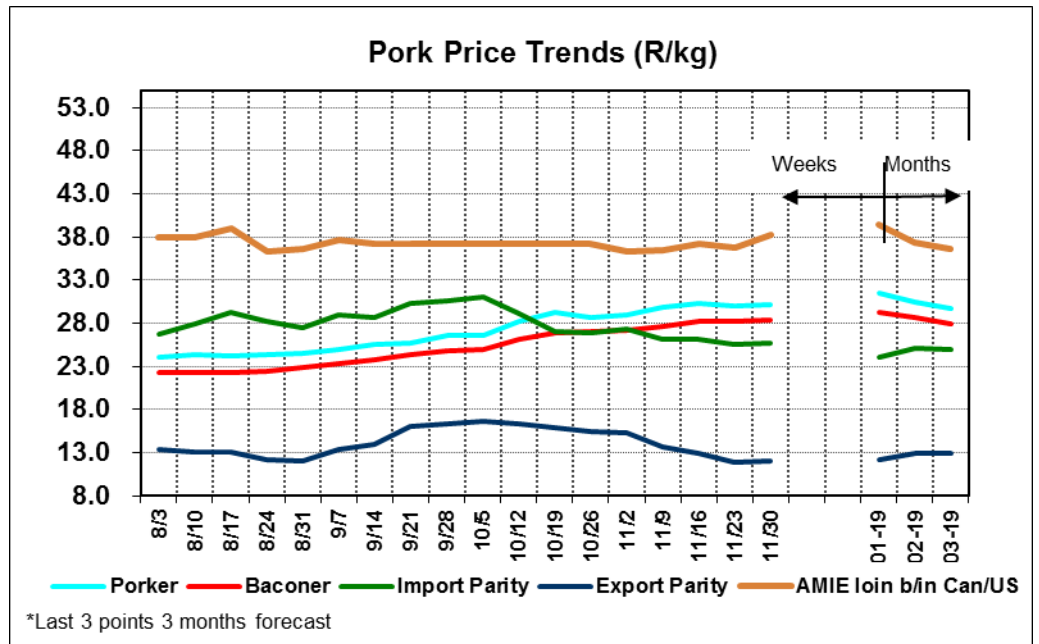
The average weekly US pork carcass prices were mostly higher over the past week. Carcass prices were 1.4% higher at US\$66.87/cwt, loin prices were 2.2% lower at US\$60.82/cwt, rib prices were 1.8% higher at US\$114.88/cwt and ham was 3.1% higher at US\$50.03/cwt.

Bullish factors

The drawdown in US meat stocks during November was 10.7 per cent compared to 9.3 per cent average of the last five years..

Bearish factors

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Domestic

This week, pork prices continued to strengthen, and traded mostly higher across the different categories. The latest average pork prices are as follows: The average porker prices are 0,2% higher at R30.12/kg, while the average baconer prices are 0.2% higher at R28.30/kg. The average cutters prices were 0.4% higher at R28.5/kg and the average heavy baconer price was 3.1% higher at R27.19. The SAU price was 0.9% lower at R19.90/kg.

Bullish factors

Consumer confidence is still recovering. Prices increased marginally higher over the past week and enjoys underlying support from the increase in beef, mutton and poultry prices during the festive season. The uncertain weather conditions for the planting of grain and oilseeds lead to expected increases in feed prices and lower profitability for pork production.

Bearish factors

The weak economic growth weigh on consumer demand for more expensive protein foods such as pork and poultry.

Outlook

Internationally, in general meat prices are trading sideways. Locally, pork prices are supported by price increases in poultry, beef and mutton during the festive season and lower fuel prices. The seasonal demand for imported pork shoulders and ribs support prices.

Poultry market trends

International

Poultry prices in the US were mostly lower over the past week. Whole bird prices were 0.1% lower at 87.20 USc/lb. Breast traded 3,8% lower at 76.00 USc/lb, while leg quarters traded sideways at 24.50USc/lb.

Bullish factors

The drawdown in US meat stocks during November was 10.7 per cent compared to 9.3 per cent average of the last five years..

Bearish factors

The total supply of US beef, pork, chicken and turkey in cold storage at the end of November was 2.179 billion pounds, 4.9 per cent higher than a year ago and 10.2 per cent higher than the five year average.

Domestic

The average poultry prices over the past week were higher. The average prices for frozen whole birds were 1.8% higher at R25.85/kg during the week. Whole fresh medium bird prices were 2.9% higher at R26.42/kg, while IQF prices were 0.94% higher at R23.65/kg.

Bullish factors

The festive season and lower fuel prices are underlying support for the increase in poultry prices. Current dry weather conditions impacts negatively on the planting of grain and oilseeds thereby increasing the future cost of feed and profitability of production.

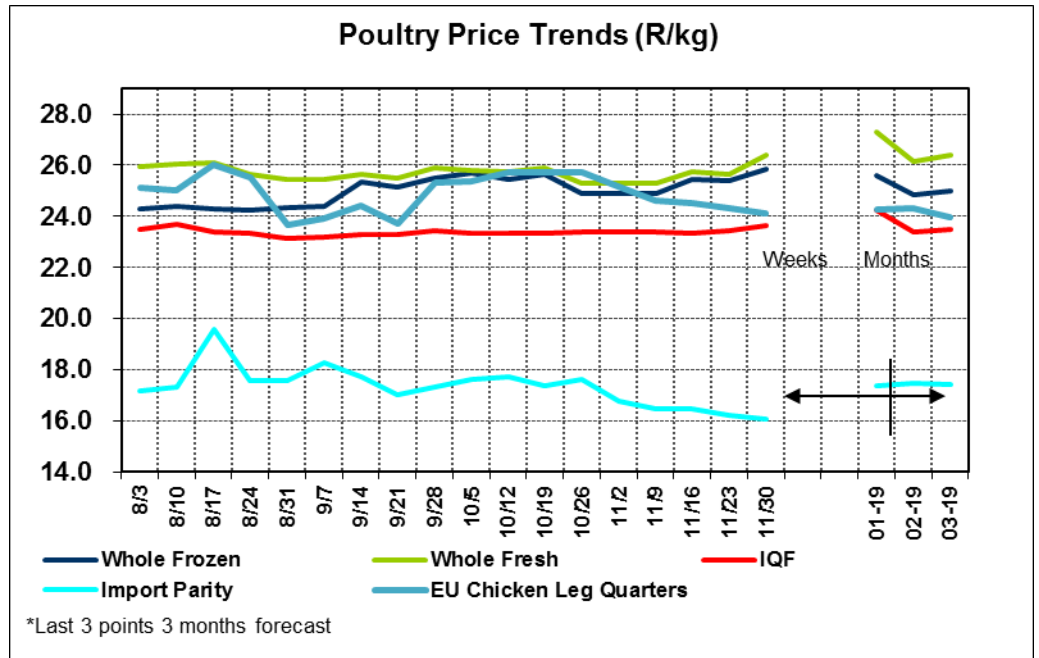
Bearish factors

The strong Rand lower import parity price levels thereby limiting price increases of locally produce products.

Outlook

Internationally, US meat stocks and a strong Rand weigh on import prices but the festive season and lower fuel prices provide underlying support for SA poultry prices.

Locally, the bullish underlying factors provide support for further price increases for especially whole fresh and frozen birds. IQF price increases are limited by the strong Rand supporting imports.



Livestock prices (R/kg) for the week of 30 Nov 2018

	Beef			Mutton			Pork			Poultry		
	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week
Class A/ Porker/ Fresh birds	1.61	45.82	45.10	3.7	73.83	71.19	0.2	30.12	30.05	2.9	26.42	25.67
Class C/ Baconer/ Frozen birds	0.53	39.64	39.43	-3.1	59.54	61.44	0.2	28.30	28.25	1.8	25.85	25.39
Contract/Baconer/ IQF	1.57	46.30	46.69	4.2	74.67	71.65	0.2	29.21	29.15	0.9	23.65	23.43
Import parity price	1.79	65.76	64.60	1.4	56.45	55.68	0.9	25.70	25.48	-0.7	16.10	16.20
Weaner calves/ Feeder lambs	0.2	33.34	33.27	-5.6	36.67	38.83		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	6.6	57.05	53.52	3.5	62.04	60.30	4.1	38.26	36.75	-0.8	24.10	24.30