



Agri Trends

18 January 2019

Livestock prices dropped sharply!

A number of factors played together to create the perfect storm leading to the sharp decline in livestock prices during the past week. Consumers are under pressure due to our weak economic growth and relatively high energy prices and cannot pay more for protein. The imports of poultry products from Brazil prevent the expected increase in prices during the three weeks before Christmas day. During this time period rains stayed away. Maize producers failed to plant according to their intentions and as a result the maize price start to increase to import parity. It became evident that we will need to import yellow maize to meet the demand of the animal feeds market. The increase in maize prices threatens the future profitability of feedlots and as a result the price of weaner calves start to decline. During January, South Africa's exports of meat are suspended due to the prevalence of foot and mouth disease in FMD-free areas. The approximate 3 % of beef exports as % of total beef production were immediately halted and redirected into the local meat market. The combined simultaneous impact of these events lead to a unexpected sharp decline in the price of carcass prices and this fuel further declines in the prices for weaner calves and feeder lambs. Government and the private sector is underway to regain South Africa's FMD-free status. In the short term, consumers expect to benefit from lower meat prices. This will lead to increased consumption in beef and mutton for years to come. An increased demand will support prices to recover sooner than later as the demand for protein is strong.

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Beef market trends

International

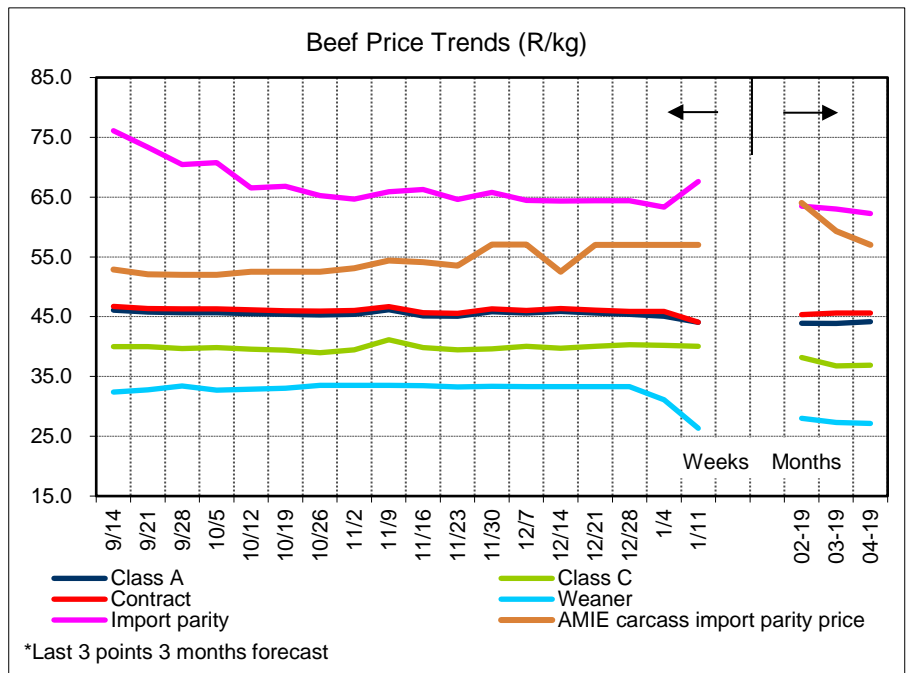
New Zealand steer prices trade -0.2% lower over the past week at 5.38NZ\$/kg and cows traded 3,2% higher at 3.90NZ\$/kg compared to a week ago. In the US, beef prices for the week traded on a carcass equivalent basis 0,2% higher. Topside traded -3,9% lower at \$211.00/cwt. Rump traded sideways at \$337.00/cwt. Prices for striploin traded sideways to \$500.00/cwt. Chuck traded 2.1% higher at \$219.60/cwt. Brisket traded 0.8% lower at \$265.00/cwt. The carcass equivalent price was 0.2% higher at \$292.72/cwt.

Bullish factors

The US imported beef market picked up from where it left off in late December. The market is expected to remain steady in the coming weeks on the back of limited shipments and a lack of manufacturing beef heading to the US. Beef prices in China increased over December.

Bearish factors

In the short term US cattle futures market is overbought and role players expect a technical recovery in prices. However, the demand for beef stay strong.



Local

Week on week, beef prices were sharply lower across the different classes. The average Class A price decreased by 0.2% lower this week to R44.08/kg. Class C prices decreased by 0.37% to R40.04/kg. The average weaner calf prices traded over the past week 15% lower to R26.34/kg. The average hide price this week lower. The average hide price was w/w at R3.94/kg green.

Bullish factors

The strong US beef prices provide underlying support for beef import and local prices.

Bearish factors

The following factors impact beef prices negatively this week. Impact of drought increase yellow maize prices to import parity price levels 2) Suspension of beef exports due to the foot and mouth disease outbreak 3) Increased slaughtering and supply of pigs.

Outlook

Beef prices traded lower this week and indications are that the trend may continue in the short term until the price of yellow maize are fully factored into higher animal feed prices. Both beef carcass and weaner prices will continue to trade lower. To regain our foot and mouth disease free status may take up to a year.

Sheep meat market trends

International

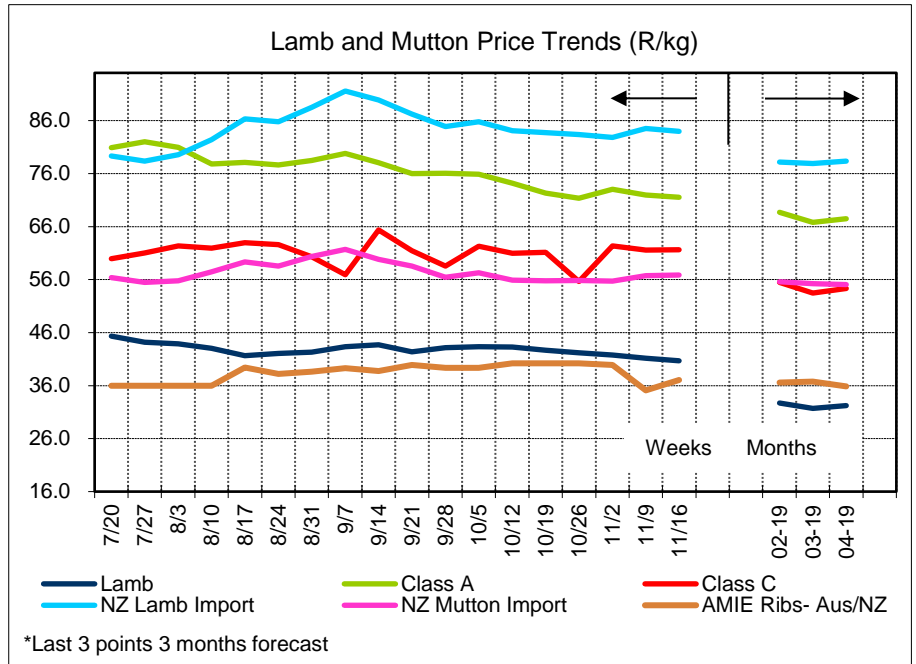
New Zealand lamb and mutton prices traded sharply lower this week compared to last week. Lamb prices were 8,9% lower at NZ\$7.20/kg. Ewe prices increased by 0,6% to NZ\$4.93kg. The import parity price for lamb was 0.2% higher at R83.70/kg, while the import parity price for mutton was 3,9 higher at R58.23/kg.

Bullish factors

The national lamb kill in Nieu Zeeland is 7,4% behind last year. Due to increased rainfall a great number of lambs remained on farm and will continue to underpin the store lamb market.

Bearish factors

Currently, farm gate prices are above average and it remain to be seen if processors will start to pay premiums from February to acquire stock for Easter.



Local

This week, lamb and mutton prices decreased overall by 7,0% when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb price decreased by 5.3% to R67.55/kg and the average Class C carcass price decreased by 4.95% to R54.89/kg. The average price for feeder lambs traded 4.5% lower at R31.83/kg. The average price for dorper skin traded 2,3% higher at R33.75/skin and merino skin prices traded 4.0% lower at R92.78/skin.

Bullish factors

The stable import price for mutton provide underlying support to local mutton prices.

Bearish factors

The seasonal decline in prices coincide with the weaning of lambs ready to market and this increased the supply of feeder lamb. The lower beef prices due to higher feed prices and the suspension of meat exports has a spill over effect into the mutton market impacting mutton prices negatively.

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 may follow the lower beef prices into next week.

Pork market trends

International

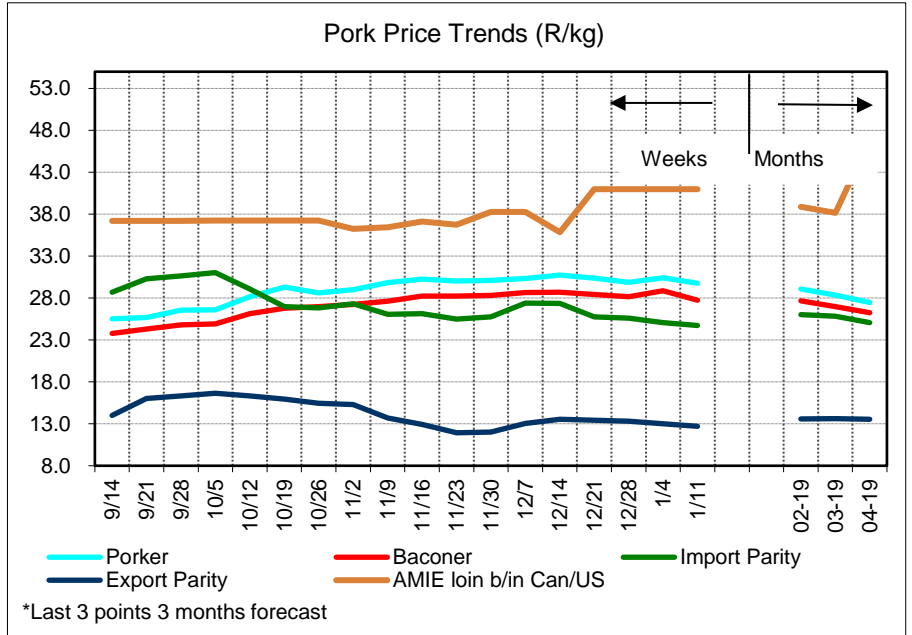
The average weekly US pork carcass prices were mostly higher over the past week. Carcass prices were 0,6% higher at US\$68.91/cwt, loin prices were 0.6% lower at US\$61.84/cwt, rib prices were 1.5 % higher at US\$123.05/cwt and ham was 2.9% higher at US\$64.64/cwt.

Bullish factors

In China the breeding stock numbers was 8,3% down in Dec 2018 indicating a short supply in the second half of 2019. This relates to a decline of 5,8 million hogs slaughtered per month. Smaller producers liquidate the production of pork due to the African Swine Fever outbreak in China. Expect price support as China will have to source pork globally.

Bearish factors

US hog prices are still under pressure in the short term but expect tight stocks in the second half of the year.



Domestic

This week, pork prices declined and traded mostly lower across the different categories. The latest average pork prices are as follows: The average porker prices are 2% lower at R29.78/kg, while the average baconer prices are 3.9% lower at R27.74/kg. The average cutters prices were 2.6% lower at R28.00/kg and the average heavy baconer price was 0.9% lower at R26.78. The SAU price was 5.5% higher at R19.50/kg.

Bullish factors

Consumer confidence in the consumption of pork recovered and the demand for pork increased. Prices increased between 7% and 8% over the past month.

Bearish factors

The weak economic growth weigh on consumer demand and the increase in maize prices due to the drought and the indirect impact of foot and mouth disease that leads to a suspension of beef exports weigh on prices. It should also be noted that the slaughter of pork increased significantly week on week.

Outlook

Internationally, the impact of African Swine Fever in China will curb production in the second half of 2019. It is expected that China will source pork globally underpinning global pork prices. Locally, pork prices may follow the price declines in poultry, beef and mutton in order to stay competitive.

Poultry market trends

International

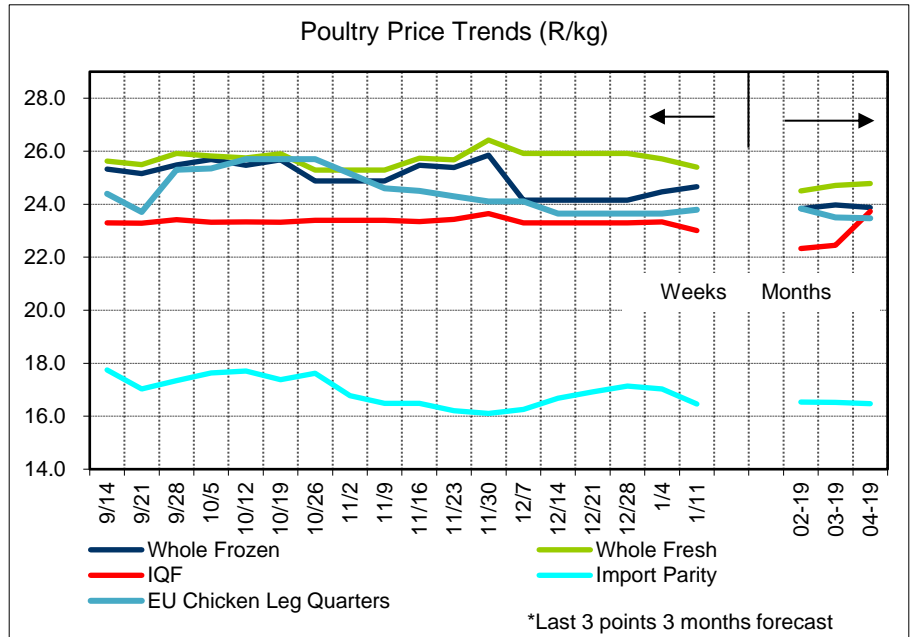
Poultry prices in the US were mostly lower over the past week. Whole bird prices were 0.9% lower at 103.87 US\$/lb. Breast traded 1.6% higher at 92.00 US\$/lb, while leg quarters traded 2,8% lower at 25.50US\$/lb.

Bullish factors

Tensions start to subside between the USA and China. USA chicken products are part of the broader trade negotiations to resolve the trade tensions. The trade discussion is scheduled for 30 January.

Bearish factors

The world's largest poultry exporter Brazil are still impacted by bird flu bans in the EU and a potential increase in import tariffs by South Africa .



Domestic

The average poultry prices over the past week were lower. The average prices for frozen whole birds were 0.8% higher at R24.66/kg during the week. Whole fresh medium bird prices were 1.2% lower at R25.40/kg, while IQF prices were 1,41% lower at R23.00/kg.

Bullish factors

The SA Poultry Association calls for an increase in the a valorem tariff on bone-in and boneless frozen chicken portions to 82% from existing levels of 37% and 12% respectively. If successful, the prices and production of poultry in South African will be underpinned by the new trade remedies.

Bearish factors

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

Outlook

Internationally, US poultry meat prices traded lower and Brazil faces increased trade remedies by South Africa and the ban on poultry imports in the EU. Locally, the decline in alternative meat products compete with poultry products while the sharp increase in poultry feed prices threaten the sustainability of poultry operations.

Livestock prices (R/kg) for the week ending 18 Jan 2019

	Beef			Mutton			Pork			Poultry		
	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week
Class A/ Porker/ Fresh birds	-2.22	44.08	45.08	-5.3	67.55	71.36	-2.0	29.78	30.40	-1.2	25.40	25.71
Class C/ Baconer/ Frozen birds	-0.37	40.04	40.19	-3.1	54.89	57.75	-3.9	27.74	28.87	0.8	24.66	24.47
Contract prices /Avg Pork / IQF	-0.50	44.08	45.88	-6.1	68.04	72.48	-3.0	28.76	29.78	-1.4	23.00	23.33
Import parity price / Ham / US Leg 1/4	1.79	65.76	64.60	1.4	56.45	55.68	-1.4	24.73	25.09	-3.3	16.50	17.00
Weaner calves/ Feeder lambs	-15.4	26.34	31.13	-4.5	31.83	33.33		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0.0	57.00	57.00	3.1	37.95	36.82	0.0	41.00	41.00	0.6	23.79	23.65