Agri trends

Agri Trends

1 March 2019

Weaner calf prices again under pressure

The recent recovery in weaner calf prices fuelled by tax purposes was short lived and did not carry though the past week. The dry conditions and lack of sufficient follow up rainfall in the grain production regions lead to price increases for yellow maize and soybeans. This may lead to future increases in animal feed costs for feedlots. Additionally, the number of weaner cattle offered for purchase to feedlots increased by more than 30 %. The increased supply in weaner calves added to the price pressure in the weaner calf market. However, the price for feeder lamb continues to increase. South Africa did not yet regain its FMD-free status to allow the continuation of beef exports. The outcome of the tariff application by the SA Poultry Association is not yet known. US leg quarters declined over the past year by about 33%. The Rand is 20% weaker than a year ago and provides partial relief against cheap poultry imports.

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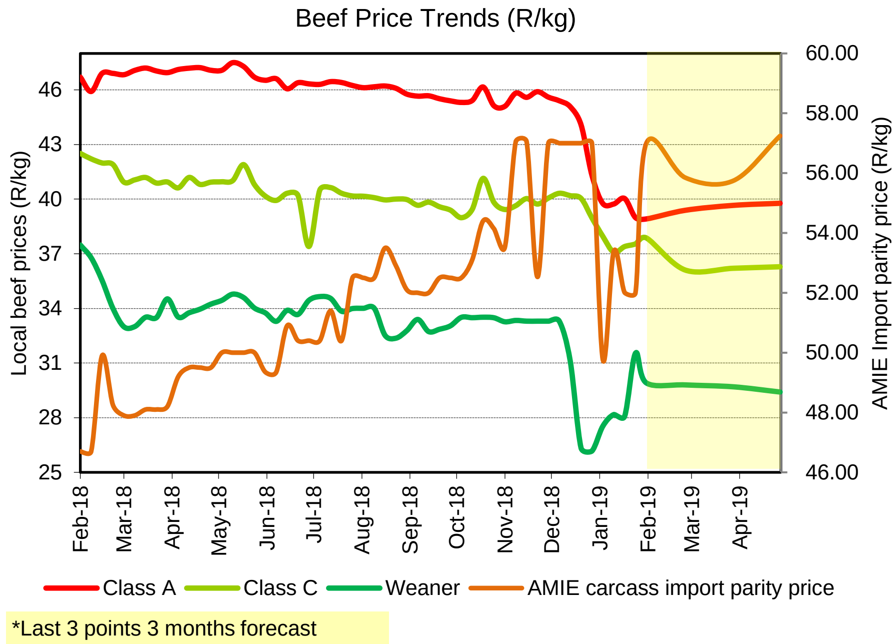
Beef market trends

International

For the week ending 22 February New Zealand steer prices trade 0.6% lower over the past week at 5.21NZ$/kg and cows traded 2.1% lower at 3.70 NZ$/kg compared to a week ago. In the US, beef prices traded for the week ending 22 February on a carcass equivalent basis 1.3% higher. Topside traded 1.7% lower at $211.30/cwt. Rump 0.8% lower at $342.18/cwt. Prices for striploin traded 2.3% higher at $532.00/cwt. Chuck traded0.5% higher at $224.00/cwt. Brisket traded 2.0% higher at $252.00/cwt. The carcass equivalent price was 1.3% higher at $296.91/cwt.

Local

Week on week, the beef prices reported by the Red Meat Abattoir Association for the week ending 22 February start to increase on average across the different classes. The average Class A price traded 0.2% lower at R38.91/kg. Class C prices increased by 0.9% at R37.87/kg. The average weaner calf prices declined by 5.2% week on week to R29.91/kg. The average hide price increased by 2.3% to reach R2.04/kg green.



Outlook

Compared year on year the average price for all grades (Class A, AB, B and C) are significantly down by 15,2%. Prices increased week on week by 0.1%. Declines are not expected. In line with seasonality Class A beef prices are expected to enjoy underlying support as demand should increase until April. The beef prices for Class C can continue to trade between 3,7% lower for March. International beef prices reach are seasonally at lower price levels in May after which it start to recover. The weaker Rand and firm US beef prices will provide underlying support on any imported beef products until May. Weaner calf prices declined after tax purchased week on week by 5.2% to reach R29.91/kg this week. The number of weaner calves purchased by feedlots increased week on week by about 30% Compared to a month ago weaner calf prices recovered by 8.6% but are 20.2% lower than a year ago. We expected that weaner calf prices will enjoy seasonal underlying support over the next three months until May. Seasonal prices are normally 1,3% higher in March compared to February. The dry weather conditions in the maize production regions lead to an increase in maize prices which can impact negatively on future feedlot margins and weaner calf prices.

Beef Price Trends: 22 Feb 2019						
	Class A	Class C	Beef contract price (includes hides)	Weaner calf	NZ Cows Carcass equivalent 0-1 mm	AMIE carcass import parity price for beef trimmings
Price	R38.91/kg	R37.87/kg	R39.17/kg	R29.91/kg	NZc 370/kg	R57.00/kg
w/w	-0.2%	0.9%	-0.2%	-5.2%	-2.6%	9.6%
m/m	-2.1%	-0.2%	-2.4%	8.6%	-4.1%	14.5%
y/y	-16.7%	-10.9%	-18.2%	-20.2%	-1.8%	22.1%

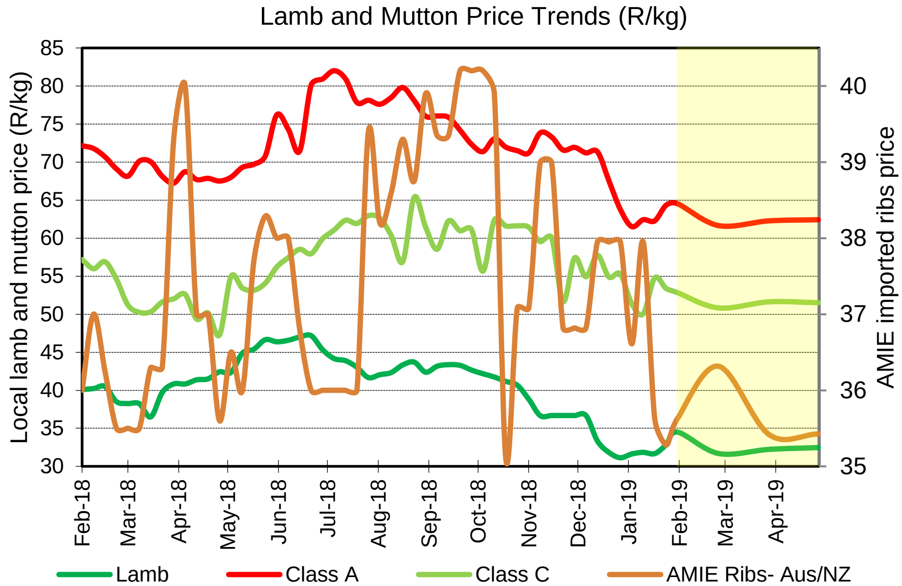
Sheep meat market trends

International

New Zealand lamb and mutton prices traded lower for the past week compared to the previous week. Lamb prices traded 1.1% lower at NZ$6.95/kg. Ewe prices trade sideways at NZ$4.93kg. The import parity price for lamb was 1,5% lower at R73.91/kg and the import parity price for mutton was 0.5% lower at R56.00/kg.

Local

For the week ending 22 February, lamb and mutton prices decreased overall compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb price increased by 0.3% to R64.52/kg and the average Class C carcass price decreased by 1.0% to R52.38/kg. The average price for feeder lambs traded 5.1% higher at R34.50/kg. The average price for dorper skin traded 2.3% lower at R31.00/skin and merino skin prices traded 8.6% lower at R45.21/skin. The prices for merino skin declined by 44.42% year on year. Dorper skin trade at the same price level.



*Last 3 points 3 months forecast

Outlook

Mutton prices are overall 9.5% lower than a year ago. Class A prices are 10.6% lower than a year ago and Class C are 1.0% lower. Class AB are 18.5% lower. Seasonally, mutton prices are at a lowest price level during March, April and May but with the exception that prices of Class C grade mutton follow demand during April higher. Prices will start to recover in April onwards. The same is true for feeder lamb prices which reaches a seasonal low during April.

Lamb and Mutton Price Trends: 22 Feb 2019						
	Class A	Class C	Feeder Lamb	NZ Lamb parity	NZ Mutton parity	AMIE Ribs-Aus/NZ
Price	R64.52/kg	R52.83/kg	R34.50/kg	R73.91/kg	R56.00/kg	R35.63/kg
w/w	0.3%	-1.0%	5.1%	-1.5%	-0.5%	1.0%
m/m	4.9%	2.9%	9.1%	0.9%	1.9%	-2.7%
y/y	-10.6%	-7.6%	-14.0%	15.2%	18.8%	-1.0%

Pork market trends

International

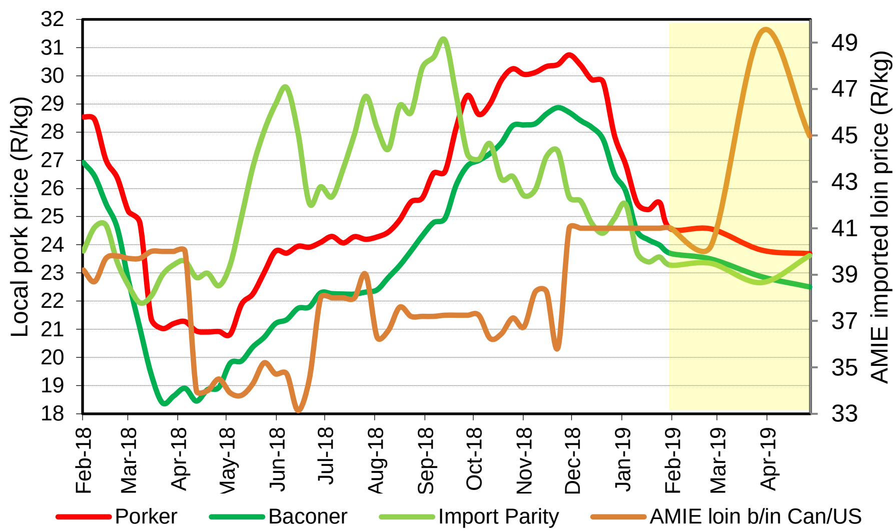
The average weekly US pork carcass prices traded 6.5% lower over the past week at S$58.72/cwt, loin prices were 8.0% lower at US$58.47/cwt, rib prices were 7.8% lower at US$111.70/cwt and ham was 0.2% higher at US$42.71/cwt.

Domestic

The week ending 22 February, pork prices traded lower across the different categories. The latest average pork prices are as follows: The average porker prices are 3.7% lower at R24.56kg, while the average baconer prices are 1.3% lower at R23.69/kg. The average cutters prices were 2.1% lower at R23.77/kg and the average heavy baconer price was 0.6% lower at R23.08/kg. The SAU price was 0.9% lower at R16.95/kg.

Outlook

Compared to March 2018 the price of porkers and baconers are respectively 13.9% and 12.0% lower year on year. According to seasonal price trends the prices of pork may continue to trade lower to sideways and following the suppressed prices of poultry and beef.



*Last 3 points 3 months forecast

Pork Price Trends: 22 Feb 2019					
	Porker	Baconer	Import parity (Ham)	Export parity (Ham)	AMIE loin b/in Can/US
Price	R24.56/kg	R23.69/kg	R23.27/kg	R11.28/kg	R41.00/kg
w/w	-3.7%	-1.3%	-1.2%	-1.3%	0.0%
m/m	-8.5%	-8.5%	-8.5%	-10.0%	0.0%
y/y	-13.9%	-12.0%	-2.1%	-16.5%	4.6%

Poultry market trends

International

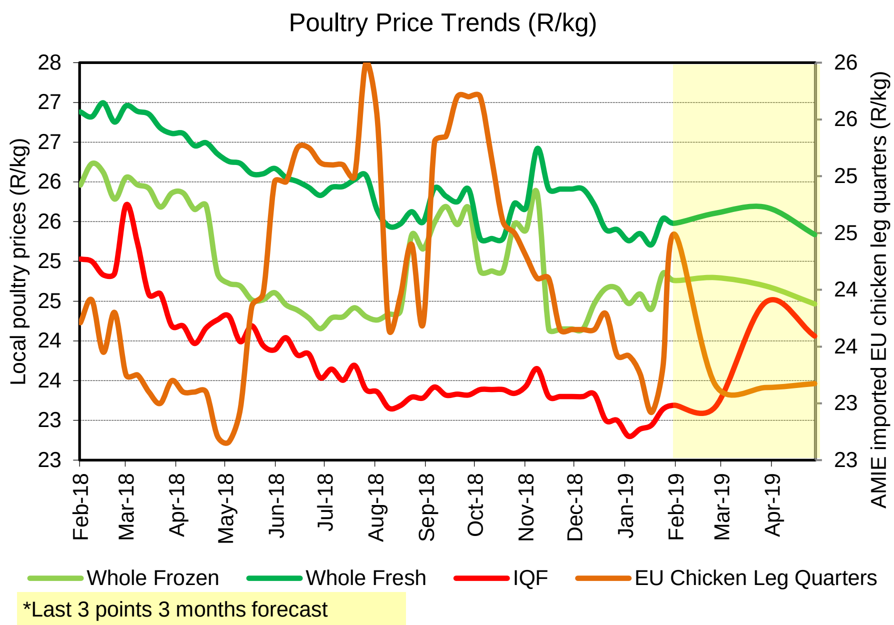
Poultry prices in the US were lower for the week ending 22 February. Whole bird prices decreased by 2.0% to 89.16 USc/lb. Breast traded 7.8% lower at 83.00 USc/lb, while leg quarters increased by 12.5% to 27.00USc/lb. MDM (frozen) traded 1.0% lower at 25.00 USc/lb. Note that the prices of whole bird are 2.4% lower year on year, breast 9.8% but leg quarters 33.3%.

Domestic

The average poultry prices over the past week traded mixed. The average prices for frozen whole birds traded 0.4% lower at R24.76/kg during the week. Whole fresh medium bird prices were 0,2% lower at R25.48/kg, while IQF prices were 0,2% higher at R23.19/kg.

Outlook

The continuation of cheap and competitive imports of poultry will limit the expected seasonal price increases over the April holidays. Low prices poultry imports, impact the prices of beef and pork negatively as well as the demand for locally grown and manufactured animal feeds. The industry awaits the outcome of SAPA's tariff application. Compared to a year ago the price of frozen whole birds are in $-terms 20.7% cheaper than a year ago. The price of US leg quarters are 33.3% lower year on year. The Rand is 20.2% weaker than a year ago and provide partial protection against the lower priced imports.



Poultry Price Trends: 22 Feb 2019						
	SA frozen whole bird	SA fresh whole bird	SA Individually quick frozen	US Leg Quarters	EU Chicken Leg Quarters	Chicken Grillers- EU
Price	R24.76/kg	R25.48/kg	R23.19/kg	R16.96/kg	R24.49/kg	R30.00/kg
w/w	-0.4%	-0.2%	0.2%	5.6%	5.0%	n/a
m/m	1.2%	0.9%	1.7%	6.7%	4.6%	5.5%
y/y	-4.6%	-5.2%	-7.4%	-8.9%	3.3%	-6.3%

Notes on data used

Beef carcass prices: **Class A**: Weaner or A grade (0-18 months, Milk Teeth). **Class C**: (48 – 50 months, 8 Teeth). *(Source: Red Meat Abattoir Association; beef carcass prices are a week delayed).* Live weaner calf prices: **Weaner** (200-250kg) Average live weaner calf prices (Excluding VAT) at auctions and feedlot in the Northern Free State and auctions in the Central Free State (Bloemfontein) in the current week. **AMIE carcass import parity price**; wholesale delivered price of beef trimmings 80VL (Excluding VAT) (Source: Association of Meat Importers & Exporters; prices are a week delayed) *Beef trimmings are pieces of meat remaining after steaks, roasts, and other cuts are removed. Beef trimmings are very often used to make ground beef. VL: Visual Lean*