



Agri Trends

8 March 2019

Producers hope for increased meat prices during Easter

Beef: The average price across all grades decreased week on week by 0.2%. In line with seasonality Class A beef prices are expected to enjoy underlying support and increase by 2,3% until May. The beef prices for Class C should continue to trade 1,4% higher in June. If local feedlot margins improve weaner calf prices may recover in April.

Mutton: In line with seasonal trends it can be expected that Class A and Class C prices will reach a seasonal low during March after which it will start to increase during Easter. The weakening Rand will provide underlying support.

Pork: Despite a 4,4 % increase in the number of hogs slaughtered the average contract price traded only 0,2% lower. Prices are stil 12.3% lower than a year ago. Seasonal trends indicate that prices start to bottom by April to increase from June.

Poultry: The continuation of cheap and competitive imports of poultry will limit the expected seasonal price increases on whole frozen chicken while whole fresh chicken will enjoy increased demand and a premium during April.

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Beef market trends

Cold winter weather limits beef production in the northern hemisphere

The current cold and wet winter weather in the USA limits weight gain for live cattle and keep beef production low. Production is currently 2,2% below a year ago. During spring the production of beef will increase significantly and traders in the US expect hefty numbers if weather conditions improve. Easter is approaching and it is expected that beef prices will enjoy underlying support during April.

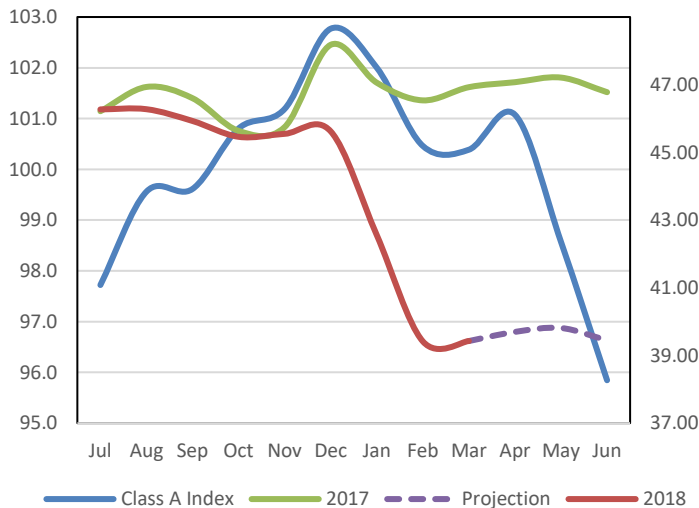
	US Beef Topside US\$/cwt	US Beef Rump US\$/cwt	US Beef Striploin US\$/cwt	US Beef Chuck US\$/cwt	US Beef Brisket US\$/cwt	US Beef Carcass Equivalent US\$/cwt	NZ Steer NZ\$/kg	NZ Cows NZ\$/kg
Price	212.00	340.00	555.00	231.93	255.00	305.03	521.00	360.00
w/w	0.3%	-0.6%	4.3%	3.5%	1.2%	2.7%	0.0%	-2.7%
m/m	-2.3%	1.1%	15.2%	4.7%	1.2%	6.6%	-3.5%	-9.3%
y/y	-7.0%	-2.2%	-10.8%	2.5%	-11.3%	-7.0%	-6.8%	-17.6%

Local beef prices to be support by Easter until May

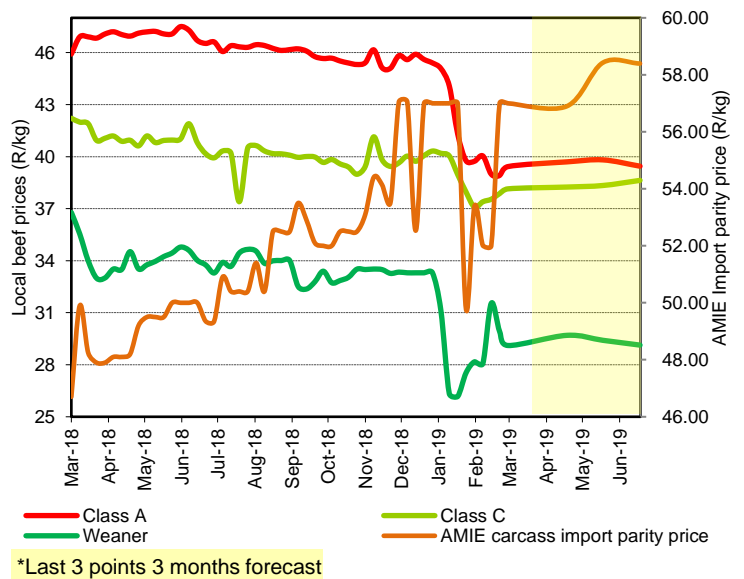
The average price across all grades decreased week on week by 0.2%. In line with seasonality Class A beef prices are expected to enjoy underlying support and increase by 2,3% until May. The beef prices for Class C should continue to trade 1,4% higher in June. The weakening Rand will provide underlying support when US beef supply increase during the US spring. Given stable maize prices and a recovery in beef carcass prices feedlot margins may improve supporting the recovery of weaner calf prices by 2% to R29.70/kg in April.

	R/ US\$	R/ NZ\$	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	13.98	9.58	R38.91/kg	R37.87/kg	R39.17/kg	R29.11/kg	NZc 370/kg	R57.00/kg
w/w	-0.4%	-0.3%	-0.2%	0.9%	-0.2%	-2.7%	-2.6%	9.6%
m/m	5.1%	4.2%	-2.1%	-0.2%	-2.4%	3.3%	-4.1%	14.5%
y/y	19.2%	11.3%	-16.7%	-10.9%	-18.2%	-20.9%	-1.8%	22.1%

The beef carcass Class A price for 2018 and 2019 (Projection) compared to the seasonal price index



Beef Price Trends (R/kg)



Sheep meat market trends

Brexit and production conditions in Nieu Zeeland underpin global mutton prices

New Zealand lamb and mutton prices traded lower for the past week. The GBP (Pound) strengthened with the increased possibility of a Brexit deal. A strong pound and weaker Nieu Zeeland \$ improves processor margins on lamb. Great lamb growing conditions limits the availability of lighter store lambs.

	NZ Lamb price	NZ Ewe price	Import parity NZ Lamb	Import Parity NZ Ewe	NZ Mutton ribs	NZ Mutton shoulders
Price	6.88	4.90	73.00	55.53	35.59	58.99
w/w	-1.0%	-0.6%	-1.2%	-0.8%	-0.1%	0.0%
m/m	-2.4%	-0.6%	1.9%	3.6%	-6.2%	0.0%
y/y	-2.0%	2.1%	9.6%	13.4%	-3.8%	4.0%

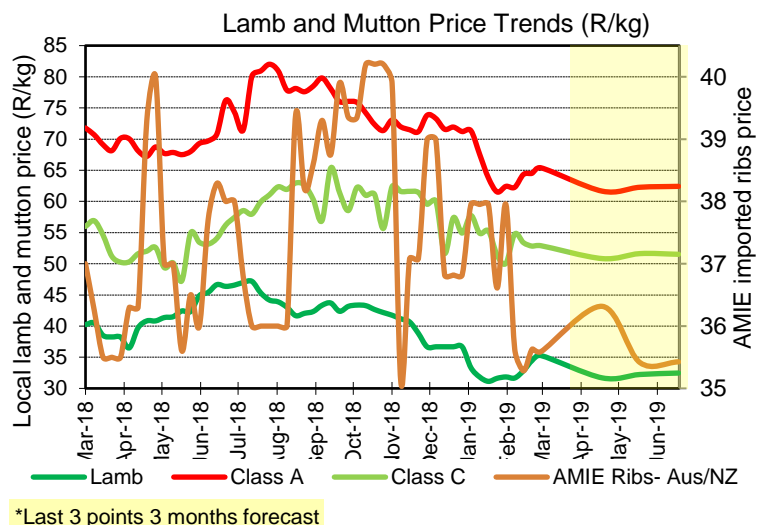
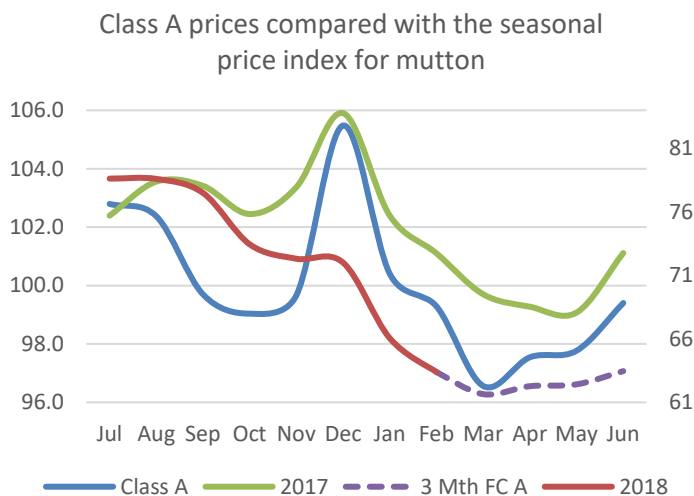
Local mutton prices to bottom out during March

For the week ending 1 March lamb and mutton prices increased week on week overall by 10.3% with AB grades taking the lead with an increase of 12.8%.

	Class A	Class C	Feeder Lamb	Dorper skin	Merino skin	Slaughtering
Price	65.39	52.90	35.27	28.33	45.00	11,332
w/w	1.4%	0.1%	2.2%	-8.6%	0.0%	12.8%
m/m	4.8%	5.7%	10.8%	-16.1%	-43.5%	0.7%
y/y	-8.9%	-5.5%	-12.3%	-12.1%	-49.8%	-18.5%

Easter and a weakening Rand will support local prices during April

Mutton prices are overall 10.8% lower than a year ago. In line with seasonal trends it can be expected that Class A and Class C prices will reach a seasonal low during March after which it will start to increase during Easter. The weakening Rand will provide underlying support for imported shoulder and rib prices.



Pork market trends

Expect global pork prices to increase by 12.9% in the latter half of 2019

The national pig price in China increased 5.1% week on week. Chinese pig prices already increased by 14.6% for 2019. The USA exported 526 million pounds of pork during December which is an increase of 2,3 % compared to a year ago. Prices increased despite the import tariff issues between the USA, Mexico and China. If China need to replace 15% of their production losses due to African Swine Fever during the second half of 2019 by imports the US price of pork may increase by an additional 12.9% in the long term. The USA share in total Chinese imports from the world is 25%. China needs to import 385 million pounds of pork per month.

	US Pork Carcass price (US\$/cwt)	US Loin (US\$/cwt)	US Rib (US\$/cwt)	US Ham (US\$/cwt)	US Import Parity Rib (R/kg)	US Import Parity Ham (R/kg)
Price	59.29	58.07	111.13	43.29	48.09	23.41
w/w	-5.6%	-8.6%	-8.3%	1.5%	-7.4%	0.6%
m/m	-10.3%	-12.3%	-10.2%	-9.1%	-3.9%	-1.3%
y/y	-23.6%	-21.1%	-15.8%	-29.0%	3.7%	-4.9%

Expect local prices to be underpinned by global pork prices from July onwards

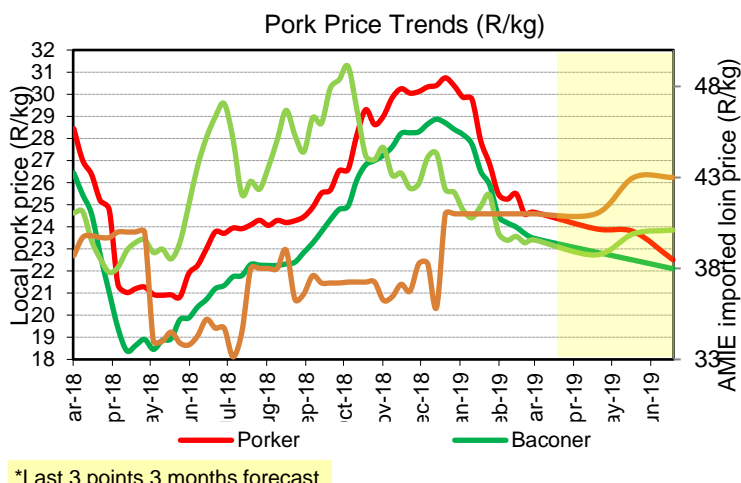
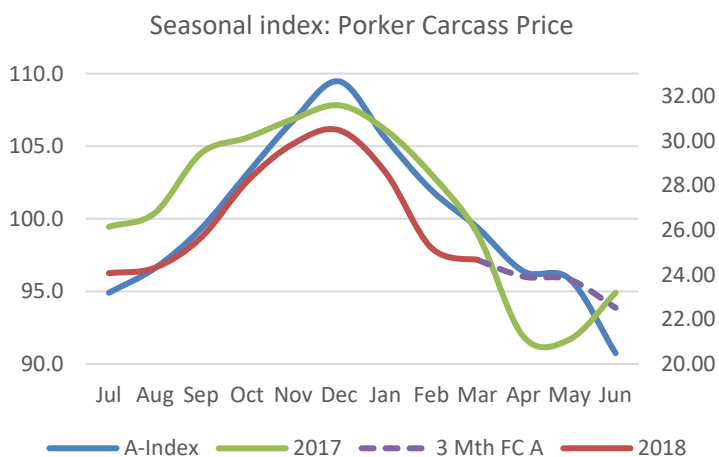
Despite a 4,4 % increase in the number of hogs slaughtered the average contract price traded only 0,2% lower. Prices are still 12.3% lower than a year ago. Seasonal trends indicate that prices start to bottom by April to increase from June onwards. Local prices will be underpinned by significantly higher global prices in the second half of 2019.

	RMAA Slaughter nr	Contract average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE loin b/in Can/US
Price	29231	24.07	24.66	23.48	41
w/w	1.6%	-0.2%	0.4%	-0.9%	0.0%
m/m	3.8%	-3.7%	-3.2%	-4.1%	0.0%
y/y	4.4%	-12.3%	-13.3%	-11.2%	5.9%

RMAA: Red Meat Abattoir Association

The profitability of local pork production will recover in the latter part of 2019

The profitability of pork production will be under pressure from April to June due to increased animal feed prices. However, the expected increase in global pork prices together with a weakening Rand will underpin pork production incomes during the latter part of 2019. Local prices is expected to strengthen despite seasonal trends indicating lower prices.



Poultry market trends

Brazil poultry exports to South Africa risk to be temporarily banned as in March 2018

Three Brazilian laboratories involved in a food safety scandal involving the testing for Salmonella at meatpacker BRF SA have lost their accreditations. The laboratories cheated on food safety checks. SAPA now calls on the South African government to ban poultry imports from Brazil. SAPA recently applied for an increase of 82% in tariffs on poultry.

	US Whole Bird: US\$/lb	US Breasts US\$/lb	US Leg Quarters US\$/lb	USA MDM Fresh US\$/lb	US MDM Frozen US\$/lb	EU Chicken Leg Quarters (R/kg)
Price	87.96	82.00	27.00	21.56	27.20	26.00
w/w	-1.3%	-1.2%	0.0%	-2.0%	8.8%	6.2%
m/m	-6.6%	-10.9%	12.5%	4.2%	11.1%	11.0%
y/y	-3.8%	-21.9%	-28.9%	-10.3%	-12.3%	8.7%

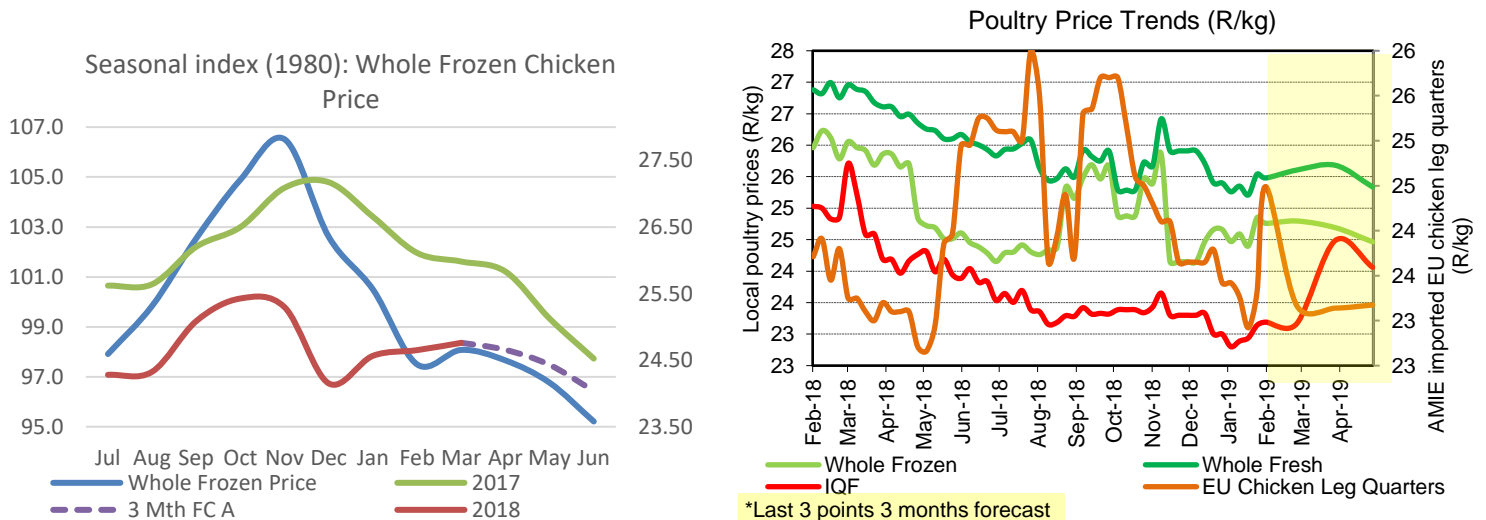
Cheap imports harm the poultry production industry

Chicken imports totalled a record 538 434 tons, equal to 55 containers / day. By replacing these imports worth R6 billion, 30 000 jobs can be created. A recent BFAP report indicate that South Africa were the fifth most competitive producer of poultry worldwide. The higher ranked countries subsidise the production of maize and soybeans which represent 70% of the cost to produce broilers. South Africa cannot compete with the imports of brown meat portions (leg quarters) from subsidised countries.

	SA frozen whole bird (R/kg)	SA fresh whole bird (R/kg)	SA Individually quick frozen (R/kg)	US Whole Bird Import parity (R/kg)	US Breasts Import Parity (R/kg)	US Leg quarters Import Parity (R/kg)
Price	24.76	25.48	23.19	40.34	20.50	16.92
w/w	0.0%	0.0%	0.0%	-1.2%	-1.4%	-0.3%
m/m	1.2%	0.9%	1.7%	-3.8%	-8.5%	6.4%
y/y	-5.6%	-5.0%	-7.2%	10.7%	-4.7%	-6.1%

Prices of locally produced fresh whole chicken to increase over Easter

The continuation of cheap and competitive imports of poultry will limit the expected seasonal price increases on whole frozen chicken while whole fresh chicken will enjoy increased demand and a premium during April.



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*