



Agri Trends

18 April 2019

Local markets expected to remain stable

Beef: The short week is resulting in reduced activity on the international market this week. The USDA Cattle on Feed report is to be released later today. This report may spark an increase in demand resulting in increased market interest when the markets open again after the Easter weekend. Prices in the local beef market are remaining fairly stable with only slight changes in prices.

Mutton: Lamb and ewe prices in New Zealand increased week-on-week while import parity for each declined compared to last week. New Zealand lamb average hot carcass weights are currently at a ten-year high of 18.73kg. The local market traded negatively this week with a decline in class A and feeder lamb prices; while class C prices remained the same as last week.

Pork: In general US pork prices traded positively this week with carcass prices up by 25.8% year-on-year. There is massive volatility expected in the international pork market due to the African Swine Fever outbreak in China with prices expected to soar in the second half of 2019. Despite a strengthening Rand and rising international prices, domestic prices traded negatively this week. This may be due to increased supply as the number of animals slaughtered this week is 26.3% higher than last week.

Poultry: The US poultry industry is hopeful that China will lift their ban on US poultry during the ongoing trade talks. It is expected that China will experience large protein shortages due to the African Swine Fever outbreak which will provide support to the international poultry market. The domestic poultry market is expected to remain relatively stable in the next months with little movements in prices of whole fresh and frozen birds and IQF. Price movements are expected to follow a downward trend.

Hides: The local hide market has been following a downward trend since March 2017 with prices now sitting at R1.78/kg. Current prices are 6.7% higher than prices last week, however, this is a decline of 78.7% since last year.

Contents

Beef market trends	2
Sheep meat market trends	3
Pork market trends	4
Poultry market trends	5
Hide market trends	6

Beef market trends

International beef market

The short week is resulting in reduced activity on the international market this week. In the US topside, rump and striploin prices all increased week-on-week while chuck and brisket prices declined week-on-week. The USDA Cattle on Feed report is to be released later today (18 April). This report may spark an increase in demand resulting in increased market interest when the markets open again after the Easter weekend. The warm weather as Spring approaches in the US is expected to support prices due to increased demand for grilling season. New Zealand beef prices traded up this week, but prices are down from last year.

	US Beef Topside US\$/cwt	US Beef Rump US\$/cwt	US Striploin US\$/cwt	US Beef Chuck US\$/cwt	US Brisket US\$/cwt	US Beef Carcass Equivalent US\$/cwt	NZ Steer NZ\$/kg	NZ Cows NZ\$/kg
Price	216.47	350.00	705.14	228.00	253.00	333.79	533.00	373.00
w/w	0.6%	2.9%	3.7%	-7.7%	-0.8%	-0.4%	0.9%	1.1%
m/m	0.1%	2.5%	13.1%	-3.5%	-3.1%	3.5%	2.9%	4.2%
y/y	-0.2%	6.0%	10.5%	11.7%	-3.6%	6.3%	-0.4%	-9.0%

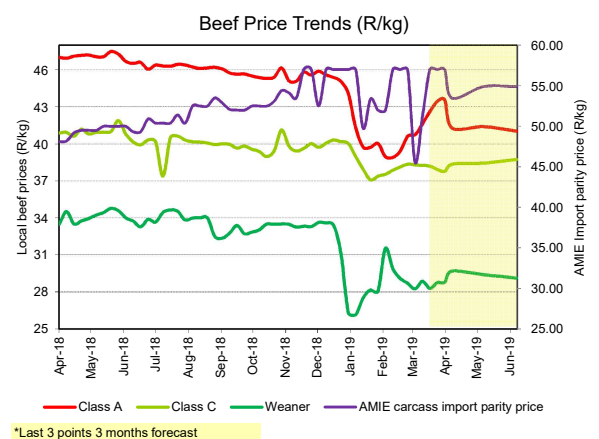
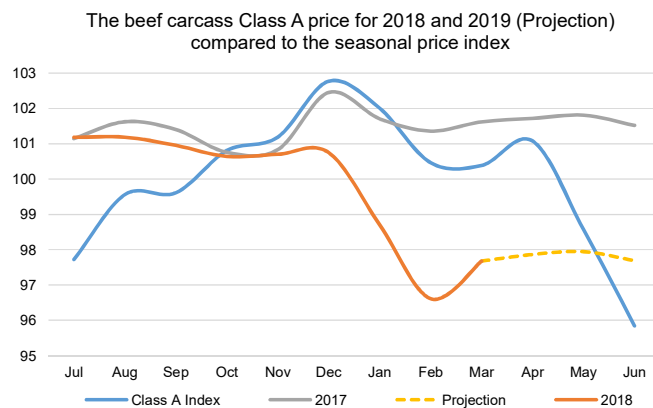
Local beef market

Prices in the local beef market are remaining fairly stable with only slight changes in prices. Week-on-week class A prices increased by 0.3% while class C prices declined by 0.4%. Weaner cattle prices increase by 0.1% this week and the AMIE import parity remained the same as the previous week. Although DAFF announced on Wednesday the FMD outbreak is under control as no new cases have been detected, domestic movement restrictions are likely to remain in place until the end of April. There is no indication of when SA's FMD-free zone will be reinstated.

	R/US\$	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)	NZ Cows Carcass equivalent 0-1 mm (R/kg)	AMIE carcass import parity price for beef trimmings (R/kg)
Price	14.01	9.46	43.58	37.79	43.80	28.80	61.45	57.00
w/w	-1.1%	-1.1%	0.3%	-0.4%	0.3%	0.1%	-0.1%	0.0%
m/m	-1.0%	-4.1%	6.9%	-1.4%	7.0%	1.9%	-0.1%	25.1%
y/y	16.3%	6.6%	-7.4%	-7.6%	-9.0%	-14.0%	-3.0%	18.5%

Outlook

Local Class A beef prices are expected to remain fairly stable until the end of May, from there the prices are expected to start declining as the demand for Class C beef increase. The strengthening of the Rand as well as increased prices in the international markets may support domestic beef prices.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Sheep meat market trends

International sheep meat market

Lamb and ewe prices in New Zealand increased week-on-week while import parity for each declined compared to last week. With regards to specific cuts - rib prices are down by 5.4% week-on-week and shoulder were not traded this week. New Zealand lamb average hot carcass weights are currently at a ten-year high of 18.73kg. Current lamb production is at higher levels than last year due to a similar number of animals slaughtered but at a higher carcass weights. However, poor feed quality in some areas may result in a decline of carcass weights in the coming months.

	NZ Lamb Price (NZ\$/kg)	NZ Ewe Price (NZ\$/kg)	Import Parity NZ Lamb (R/kg)	Import Parity NZ Ewe (R/kg)	NZ Mutton Ribs (R/kg)	NZ Mutton Shoulders (R/kg)
Price	6.98	4.95	73.06	55.36	33.83	n/a
w/w	1.2%	0.4%	-0.1%	-0.8%	-5.4%	n/a
m/m	2.6%	1.0%	-1.8%	-3.2%	-6.4%	n/a
y/y	-2.0%	1.5%	4.8%	8.1%	-6.8%	n/a

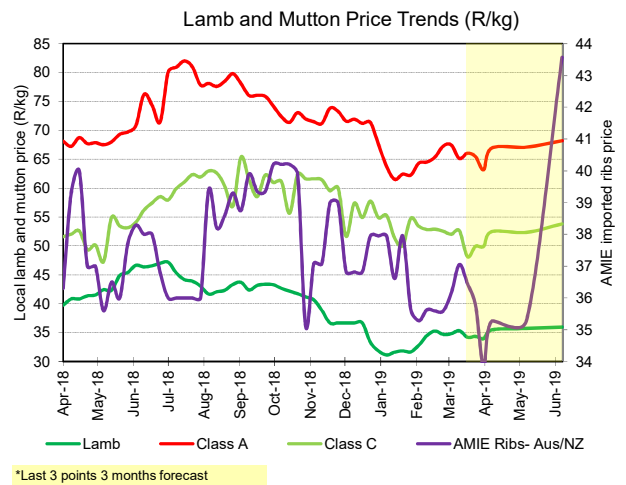
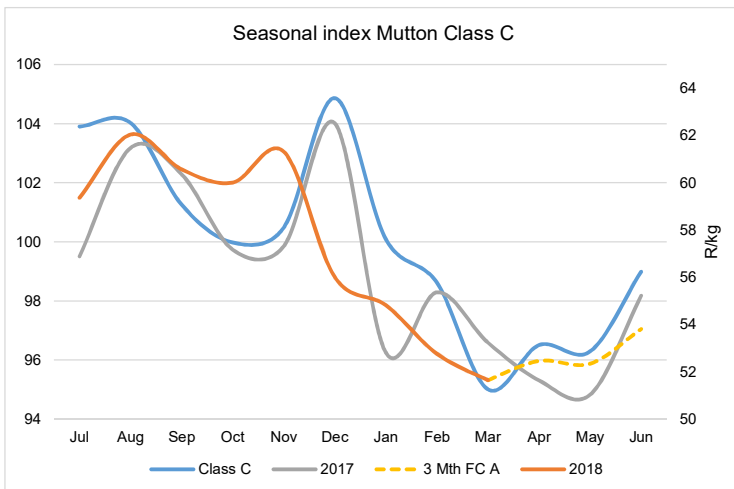
Local sheep meat market

The local market traded negatively this week with a decline in class A and feeder lamb prices; while class C prices remained the same as last week. All prices are lower than levels achieved this time last year with feeder lambs showing the largest decline of 14.5% down year-on-year. The number of animals slaughtered increased this week and is 20.4% higher than a month ago.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.46	63.18	49.93	33.94	32.50	9474
w/w	-1.1%	-3.4%	0.0%	-1.2%	-1.5%	5.1%
m/m	-4.1%	-6.3%	-4.0%	-2.5%	1.6%	20.4%
y/y	6.6%	-7.3%	-3.3%	-14.5%	-7.5%	1.4%

Outlook

Class C prices are expected to start trending upwards as winter approaches, however prices may experience a dip in May in line with seasonal trends. Whereas Class A prices are expected to remain fairly stable in the coming months with minimal price movements.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Pork market trends

International pork market

In general US pork prices traded positively this week with carcass prices up by 25.8% year-on-year. Loin and rib prices were up week-on-week by 1.8% and 5% respectively. US ham prices and ham import parity showed the only decline this week, while the import parity of ribs increased week-on-week. All prices are up year-on-year. There is massive volatility expected in the international pork market due to the African Swine Fever outbreak in China with prices expected to soar in the second half of 2019.

	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	82.60	73.37	135.39	62.48	56.97	30.29
w/w	2.9%	1.8%	5.0%	-2.0%	3.1%	-2.6%
m/m	24.5%	19.6%	20.5%	19.2%	15.9%	12.2%
y/y	25.8%	9.4%	6.3%	18.3%	23.0%	32.1%

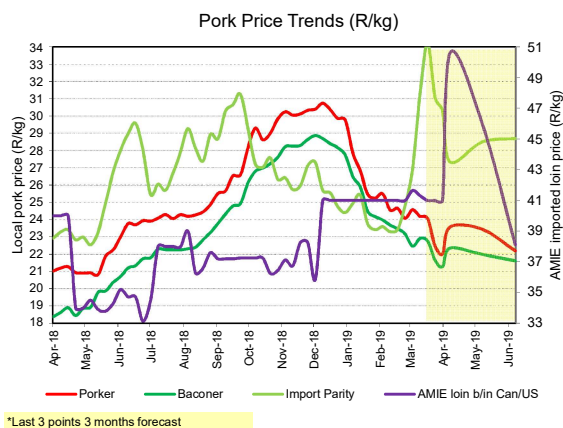
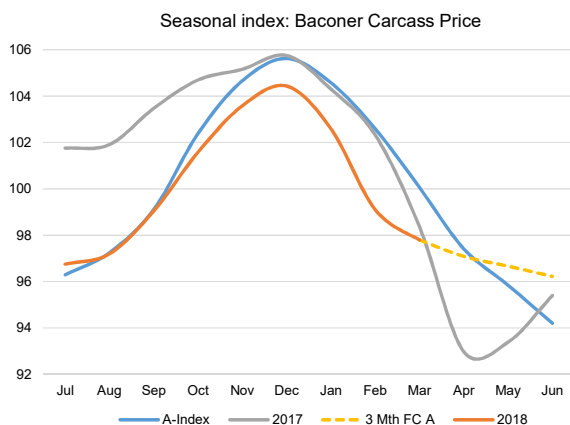
Local pork market

Despite a strengthening Rand and rising international prices, domestic prices traded negatively this week. This may be due to increased supply as the number of animals slaughtered this week is 26.3% higher than last week. Week-on-week porkers are down by 2.1% and baconers are 1.7% down. Although porker prices and baconer prices are 4.7% and 15.7% higher respectively than prices were a year ago.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.01	31782	21.65	22.02	21.28	41.00
w/w	-1.1%	26.3%	-1.9%	-2.1%	-1.7%	0.0%
m/m	-1.0%	5.0%	-8.0%	-10.4%	-5.3%	-1.6%
y/y	16.3%	14.7%	9.9%	4.7%	15.7%	2.5%

Outlook

It is expected that domestic pork prices will continue their decline, however the high international prices and extreme volatility may provide some support for the local market. With slaughter numbers increasing to this extent the market price is expected to decline further.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Poultry market trends

International poultry market

The US poultry industry is hopeful that China will lift their ban on US poultry during the ongoing trade talks. It is expected that China will experience large protein shortages due to the African Swine Fever outbreak which will provide support to the international poultry market. The USDA have estimated that China's total chicken imports will increase by 68% this year. US whole bird prices declined by 0.4% week-on-week while the price of breast remained the same. Prices for fresh MDM was up but frozen MDM was down week-on-week. Prices of leg quarters from the EU are 17.1% higher than last year.

	US Whole Bird (US\$/lb)	US Breasts (US\$/lb)	US MDM Fresh (US\$/lb)	US MDM Frozen (US\$/lb)	US Leg Quarters (R/kg)	EU Leg Quarters (R/kg)
Price	96.25	111.00	23.28	26.65	19.41	26.93
w/w	-0.4%	0.0%	1.0%	-1.8%	-0.7%	5.4%
m/m	4.6%	6.7%	2.6%	-0.2%	-1.6%	5.4%
y/y	-11.2%	-4.7%	-2.8%	-15.7%	2.8%	17.1%

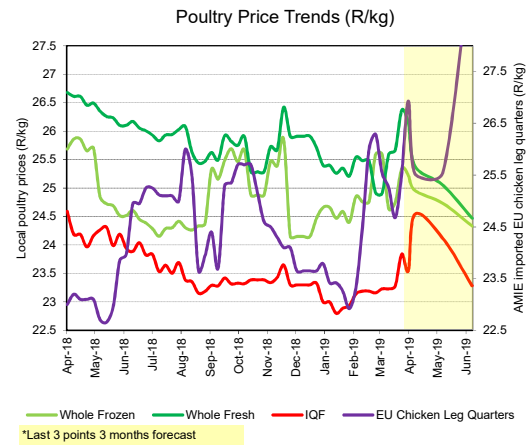
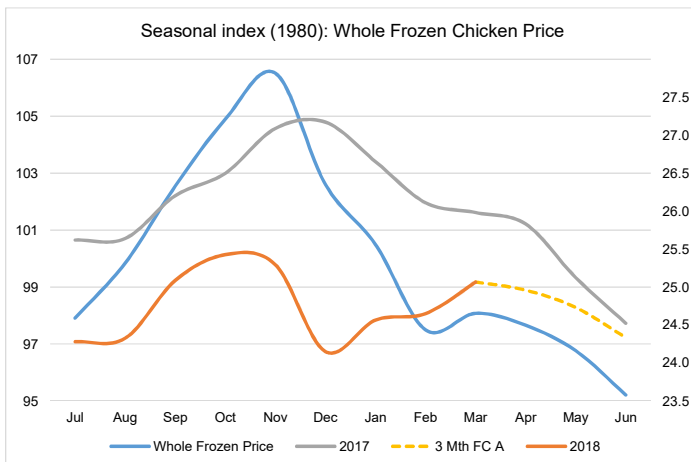
Local poultry market

Domestic poultry prices traded negatively this week with prices of fresh whole birds declining by 0.5% and frozen whole birds declining by 0.9% week-on-week. Week-on-week the price of IQF declined by 1.2% with the import parity of both whole birds and breasts down by 1.1%. The import parity of breasts is up 10.5% since last year.

	R/US\$	SA Whole Bird, Frozen (R/kg)	SA Whole Bird, Fresh (R/kg)	SA Individually Quick Frozen (R/kg)	US Whole Bird Import Parity (R/kg)	US Breasts Import Parity (R/kg)
Price	14.01	25.22	26.14	23.55	42.97	38.51
w/w	-1.1%	-0.5%	-0.9%	-1.2%	-1.1%	-1.1%
m/m	-2.5%	-1.4%	4.9%	1.4%	1.3%	3.5%
y/y	16.3%	-1.8%	-2.0%	-4.2%	3.1%	10.5%

Outlook

The domestic poultry market is expected to remain relatively stable in the next months with little movements in prices of whole fresh and frozen birds and IQF. Price movements are expected to follow a downward trend. There has been a reduction in the imports of fillets in the past week and there seems to be a potential shortage of gizzards in the SA market so imports of those products are likely to increase in the next weeks.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

Hide market trends

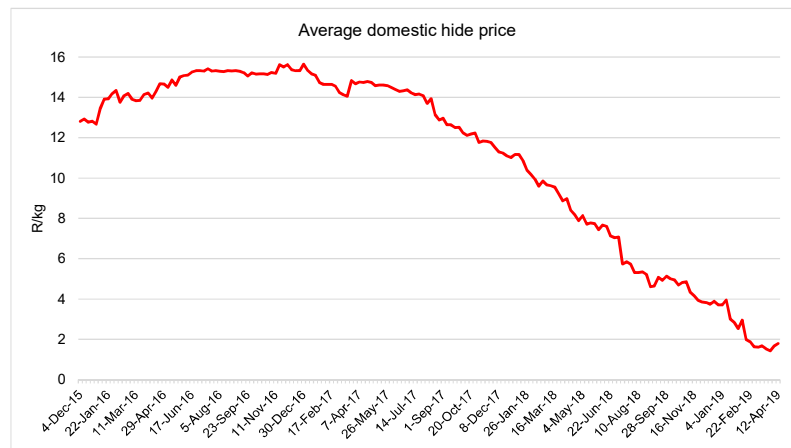
Local hide market

The local hide market has been following a downward trend since March 2017 with prices now sitting at R1.78/kg. Current prices are 6.7% higher than prices last week, however, this is a decline of 78.7% since last year. Declining hide prices was seen to following the declining demand from the shoe industry. It was originally thought that the decline in leather demand was due to the anti-leather movement, however it is now expected that this is not the case. It is argued that any meat/beef consumer would be willing to purchase leather products provided they have the reason to do so.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.88	1.49	1.78
w/w	-2.6%	0.0%	6.7%
m/m	-21.7%	-27.0%	6.4%
y/y	n/a	n/a	-78.8%

Outlook

The domestic hide market continues to remain under pressure. It is the hope of industry members that prices will begin to pick up in response to increased demand created by the current low prices.



Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

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*

Disclaimer: Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.