



Agri Trends

1 April 2019

Protein deficit in China provide underlying support for protein product prices.

Beef: The weakening Rand will provide underlying support as RSA exports to certain destinations recover. Given stable maize prices and a recovery in beef carcass prices, feedlot margins may improve supporting the recovery of weaner calf prices during April.

Mutton: For the week ending 22 March Class A prices decreased week on week by 3,5%. Class A prices are 4,4% lower than a year ago and feeder lamb prices 7,7% lower than a year ago. In line with seasonality prices are expected to increase from April onwards.

Pork: USA pork carcass prices increased week on week by 10.7% and 3.5% year on year. A massive increase in pork exports to China are expected as the production of pork is between 15% to 30% down. China need to import 10% more of what they used to do

Poultry: US poultry prices increased week on week across all categories. Global trade conditions are expected to gradually improve in 2019. China is expected to face a protein shortage this year with poultry as the major substitute. Changing global trade access will drive volatility in the 2019 market

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Beef market trends

Cold winter weather limits beef production in the northern hemisphere

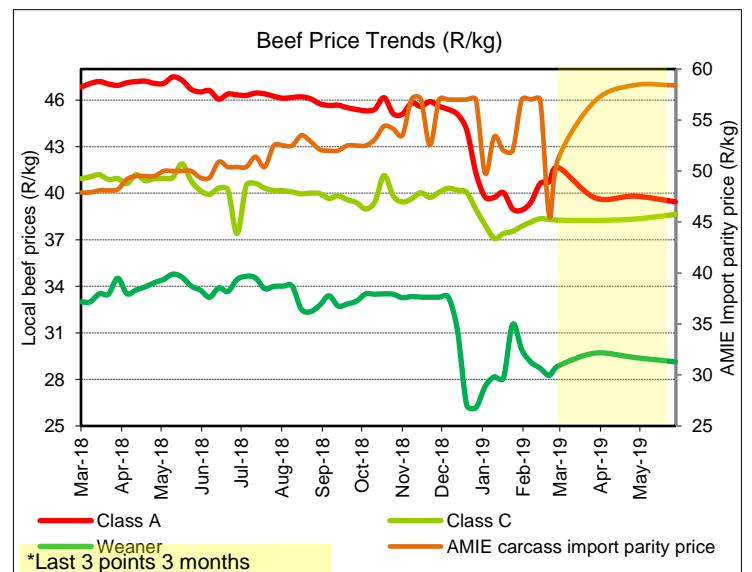
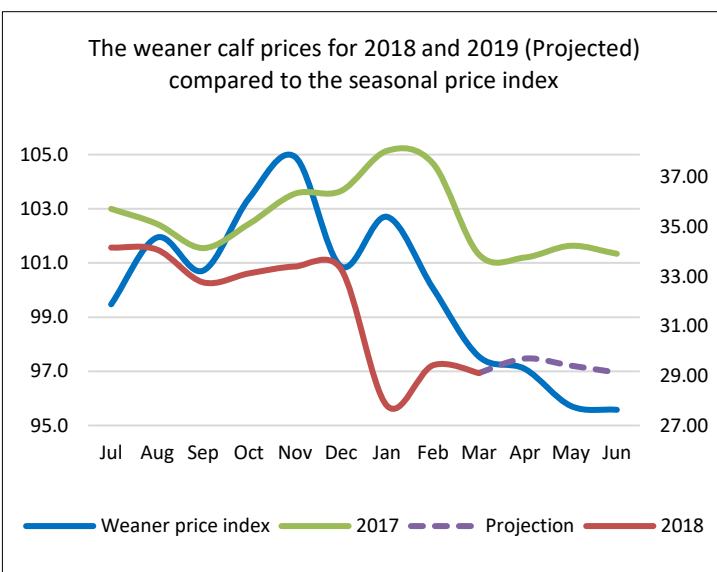
The US feeder cattle market is more stable the past week with prices being higher supported by the increase in hog prices. During spring the production of beef will increase significantly and traders in the US expect hefty numbers if weather conditions improve. Easter is approaching and it is expected 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	221.00	345.00	640.00	237.79	262.97	327.28	523.00	367.00
w/w	2.2%	1.0%	2.6%	0.6%	0.7%	1.5%	1.0%	2.5%
m/m	4.6%	0.8%	20.3%	6.2%	4.4%	10.2%	0.4%	-0.8%
y/y	-0.4%	0.1%	-4.0%	9.3%	-6.3%	-1.2%	-5.9%	-17.2%

Local beef prices to be support by Easter until May

The average price across all grades except Class C increased week on week by 1,1%. It is expected that the prices of weaner calves will follow the price trends in 2017 until June. The production of maize is similar to the previous CEC production forecast. The weakening Rand will provide underlying support as RSA exports to certain destinations recover. Given stable maize prices and a recovery in beef carcass prices, feedlot margins may improve supporting the recovery of weaner calf prices during 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	14.42	9.91	R41.64/kg	R38.26/kg	R41.85/kg	R28.87/kg	NZc 367/kg	R51.29/kg
w/w	1.9%	0.5%	2.2%	-0.1%	2.2%	2.2%	2.5%	12.5%
m/m	2.7%	3.1%	7.0%	1.0%	6.9%	-3.5%	-0.8%	-10.0%
y/y	20.8%	16.7%	-11.1%	-6.5%	-12.8%	-12.5%	-17.2%	7.1%



Sheep meat market trends

Nieu Zealand export values is higher than last year.

The average export value for NZ lamb was 6,2% higher in February year on year. Even though Easter was two years earlier last year the February's prices for bone-in lamb cuts is also ahead of last year's prices. New Zealand lamb prices traded higher for the past week but is still 3,2% lower year on year. Import parity prices of NZ lamb and ewe is higher year on year.

	NZ Lamb price	NZ Ewe price	Import parity NZ Lamb	Import Parity NZ Ewe	NZ Mutton ribs	NZ Mutton shoulders
Price	6.85	4.90	75.25	57.43	37.05	58.99
w/w	0.7%	0.0%	1.1%	0.4%	2.5%	-2.8%
m/m	-1.4%	-0.6%	1.8%	2.5%	4.0%	0.0%
y/y	-3.16%	1.58%	13.84%	18.39%	4.37%	1.88%

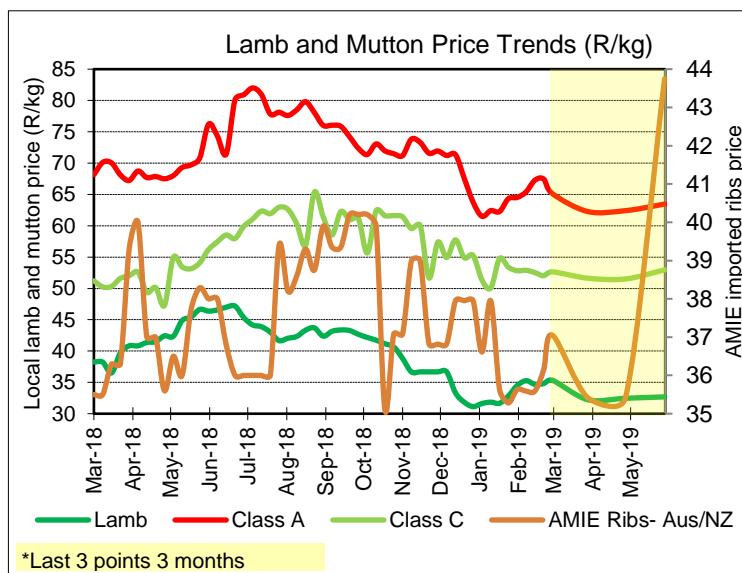
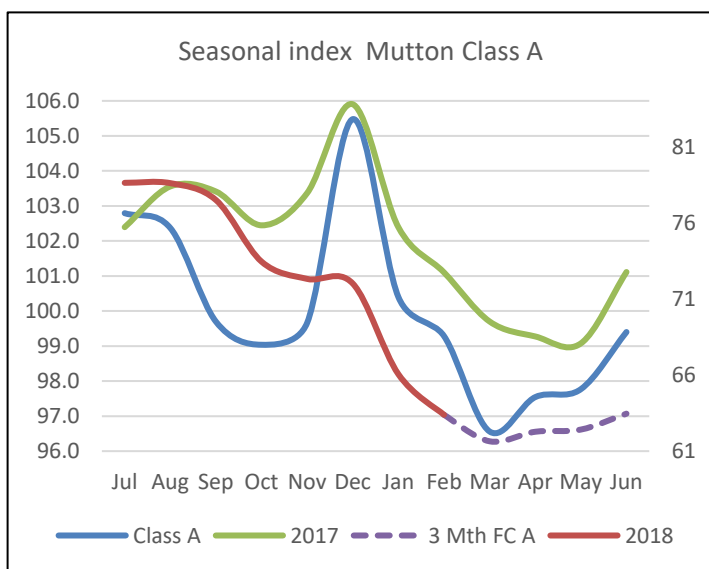
Local mutton prices to bottom out during March

For the week ending 1 March Class A prices decreased week on week by 3,5%. Class A prices are 4,4% lower than a year ago and feeder lamb prices 7,7% lower than a year ago. In line with seasonality prices are expected to increase from April onwards.

	Class A	Class C	Feeder Lamb	Dorper skin	Merino skin	Slaughtering
Price	65.13	52.64	35.33	33.00	45.00	9,099
w/w	-3.5%	1.2%	1.5%	3.1%	-16.7%	15.6%
m/m	0.9%	-0.4%	2.4%	6.5%	0.0%	-9.4%
y/y	-4.43%	2.79%	-7.65%	-0.66%	-46.43%	-23.96%

Easter and a weakening Rand will support local prices during April

In line with seasonal trends it can be expected that Class A and Class C prices will start to increase during Easter. The weakening Rand will provide underlying support for imported shoulder and rib prices.



Pork market trends

China pork imports to increase by 10%

USA pork carcass prices increased week on week by 10.7% and 3.5% year on year. A massive increase in pork exports to China are expected as the production of pork is between 15% to 30% down. China need to import 10% more of what they used to do. US monthly exports may increase by 257 million pounds (116 000 ton) per month. In the past month US pork carcass prices increased by 17%. It can potentially increase further by 12%.

	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	73.41	67.60	113.08	62.89	50.4	31.33
w/w	10.7%	10.2%	0.6%	20.0%	2.5%	16.1%
m/m	16.9%	6.4%	-6.7%	47.5%	-3.1%	34.4%
y/y	3.5%	-7.2%	-14.5%	19.5%	6.5%	38.9%

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

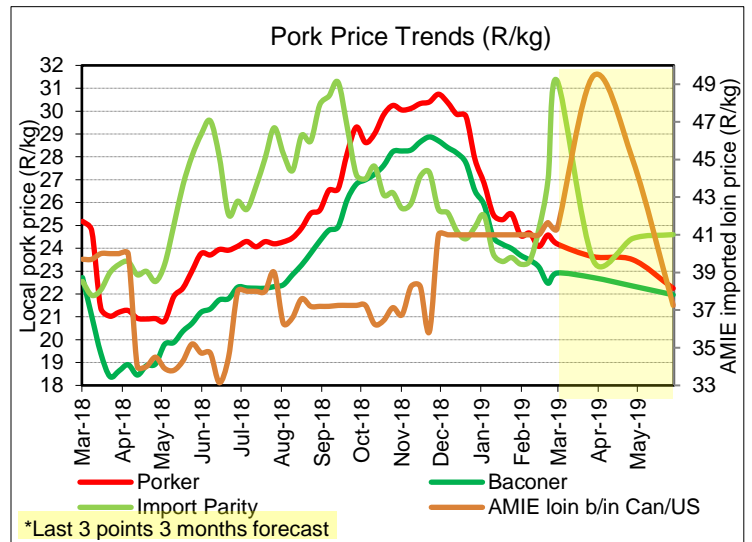
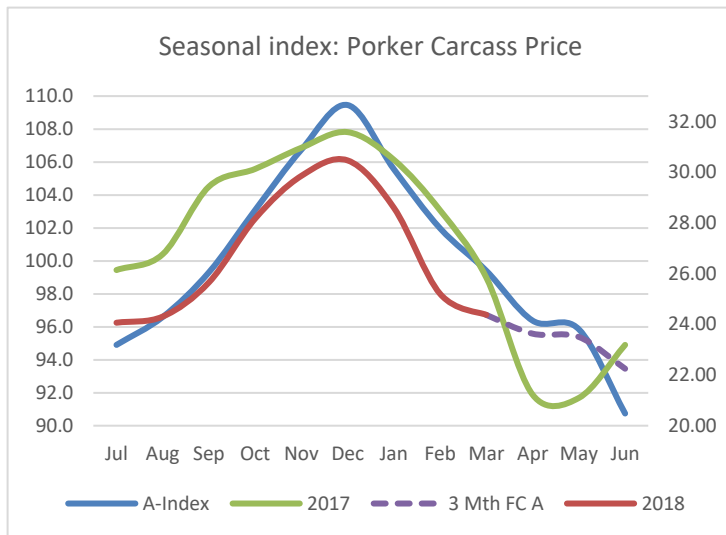
Slaughter numbers are week on week -8,2 % lower compared to the 36% increase in slaughter numbers year on year. The contract average price is 1,6% lower than a year ago. Despite the year on year increase in supply prices remain firm on strong local demand. Seasonal trends indicate that prices used to bottom out by April to increase from June onwards. However, local prices will be underpinned by significantly higher global prices due to an increase in imports by China.

	RMAA Slaughter nr	Contract average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE loin b/in Can/US
Price	27778	23.55	24.19	22.92	41.32
w/w	-8.2%	0.1%	-1.6%	2.0%	-0.8%
m/m	-3.5%	-2.4%	-1.5%	-3.3%	0.8%
y/y	35.9%	-1.6%	-3.9%	0.9%	4.1%

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

Global trade in poultry to increase in 2019

US poultry prices increased week on week across all categories. Global trade conditions are expected to gradually improve in 2019. China is expected to face a protein shortage this year with poultry as the major substitute. Changing global trade access will drive volatility in the 2019 market. A potential US-Chinese trade agreement may re-open the Chinese market or US chicken exports. Mexico wants to impose safeguards on US imports and South Africa on imports from Brazil.

	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	96.33	114.00	35.00	23.05	27.00	25.26
w/w	4.7%	9.6%	0.0%	1.6%	1.1%	-1.1%
m/m	5.9%	26.7%	45.8%	10.4%	6.9%	8.3%
y/y	-9.2%	-19.4%	-10.3%	-2.9%	-15.4%	8.6%

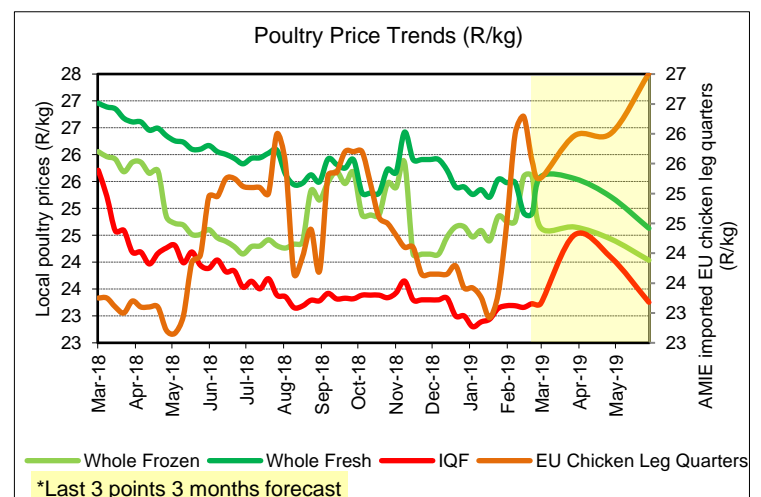
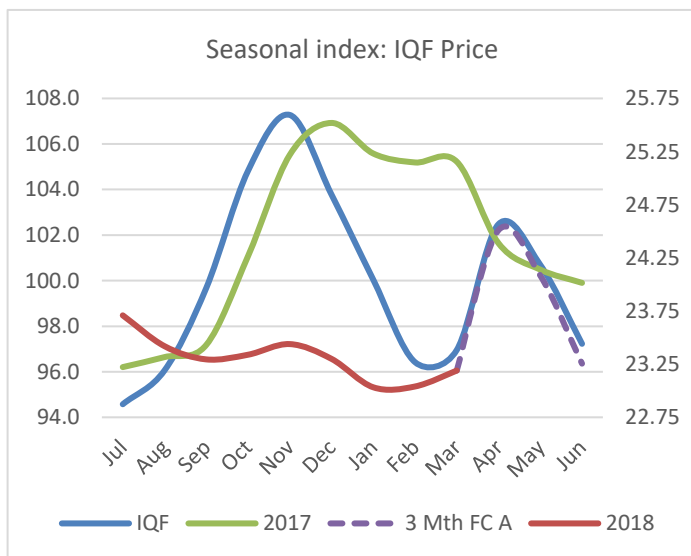
Global poultry prices increase while local prices decline

Prices of local frozen whole bird declined week on week by 3,7% and is respectively 5,4% and 5,1% lower than a year ago. The price of individually quick frozen poultry is 9,6% lower than a year ago. The higher year on year maize prices impacts negatively on margins. Prices of US poultry products increased week on week driven by higher pork prices and an expected increase in imports by China

	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	24.64	25.59	23.23	43.93	40.53	19.79
w/w	-3.7%	2.7%	0.0%	3.5%	8.9%	0.3%
m/m	-0.8%	0.2%	0.4%	5.9%	25.8%	23.1%
y/y	-5.4%	-5.1%	-9.6%	7.7%	-1.3%	7.1%

Prices of locally produced fresh fillet products to increase over Easter

The prices of imported individually quick frozen products seasonal increases during April. The prices of local fillet products may increase from R32/kg to R38/kg as the supply of imported products do not meet local demand.



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*