



Agri Trends

05 April 2019

Prices expected to increase as Easter approaches

Beef: Feedlot margins are expected to increase due to declining yellow maize prices. Class A beef prices are expected to stabilize in April before declining in June when Class C prices will begin to increase due to higher demand in winter.

Mutton: Class A prices increased week-on-week by 1.4%. Class C and feeder lamb prices declined week-on-week. All prices are lower year-on-year. The number of animals slaughtered is 12.4% higher than it was last week. Prices are expected to increase in April for Easter.

Pork: Swine Fever outbreak in China has resulted in a loss of production of 15-40%. Due to this Chinese imports are expected to increase which will support pork prices world-wide. Large volatility is expected in the international pork market in the next few months which will impact the local market. Locally pork prices declined week-on-week despite the positive movements in the international market.

Poultry: A bird flu outbreak was reported in Bulgaria which may support local poultry prices. Week-on-week prices have increased slightly however are lower year-on-year. Prices of fresh and frozen birds are expected to increase in April while prices of IQF are expected to bounce sharply in April.

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Beef market trends

International beef market

Increased demand and optimism surrounding the beef industry is driving beef futures prices higher. China is one of the largest beef importers in the world, however the US only has approximately 1% of that market. Producers are hopeful that in the US/China trade negotiations China will commit to buying more beef from the US thereby increasing beef prices. The surge in pork prices will provide underlying support to beef prices in the short term.

	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	214.85	340.00	672.00	245.00	261.44	334.91	525.00	358.00
w/w	-2.8%	-1.4%	5.0%	3.0%	-0.6%	2.3%	0.4%	-2.5%
m/m	1.3%	0.0%	21.1%	5.6%	2.5%	9.8%	0.8%	-0.6%
y/y	-2.3%	2.9%	-0.2%	15.5%	-7.2%	1.5%	-2.8%	-14.8%

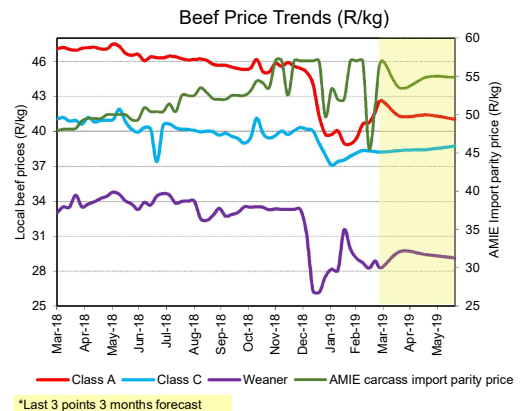
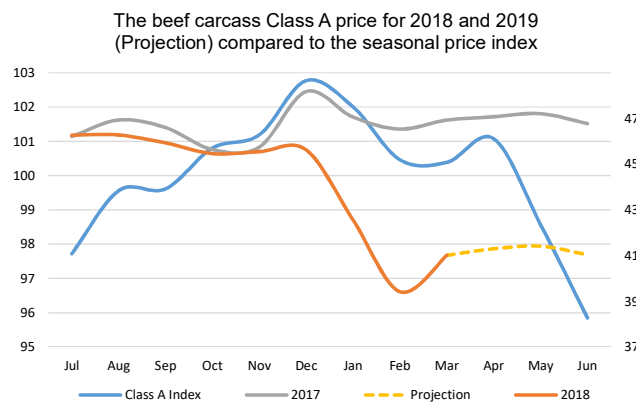
Local beef market

The average week-on-week increase in beef prices for all grades was 2.1%; only C prices declined. South Africa is yet to fully regain their FMD-free status, although prices are recovering nicely. Prices are expected to be supported at this time by the approach of Easter as well as by the weakening Rand. Weaner calf prices are 14.3% lower than they were last year.

	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	14.50	9.91	42.63	38.20	42.82	28.30	61.79	57.00
w/w	0.5%	0.3%	2.4%	-0.2%	2.3%	-2.0%	-2.2%	11.1%
m/m	3.7%	3.5%	8.1%	0.2%	8.1%	-2.8%	2.9%	0.0%
y/y	24.0%	15.6%	-9.4%	-7.0%	-11.2%	-14.3%	-1.4%	19.0%

Outlook

It is expected that class A beef prices will follow a similar trend to 2017. In April prices will stabilize before dropping in June. At this time class C prices will start to increase as more consumers purchase stewing meats for the winter season. Feedlot margins may improve as yellow maize prices are expected to decline in April.



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Sheep meat market trends

International sheep meat market

The New Zealand sheep meat market generally had a positive week with lamb and ewe prices as well as import parities increasing week-on-week. The prices of specific cuts, mutton ribs and mutton shoulders, declined week-on-week. The current price of mutton shoulders is the same as it was a year ago, the price of ribs is 2.7% higher than it was a year ago. Year-on-year only New Zealand lamb prices declined. A study conducted by IBISWorld has shown that the increased demand for vegan products is threatening the New Zealand meat and dairy industries.

	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	6.88	4.93	75.55	57.72	36.45	57.90
w/w	0.4%	0.6%	0.6%	0.8%	-1.6%	-1.8%
m/m	0.0%	0.6%	3.5%	3.9%	2.4%	-1.8%
y/y	-2.8%	1.6%	13.2%	17.3%	2.7%	0.0%

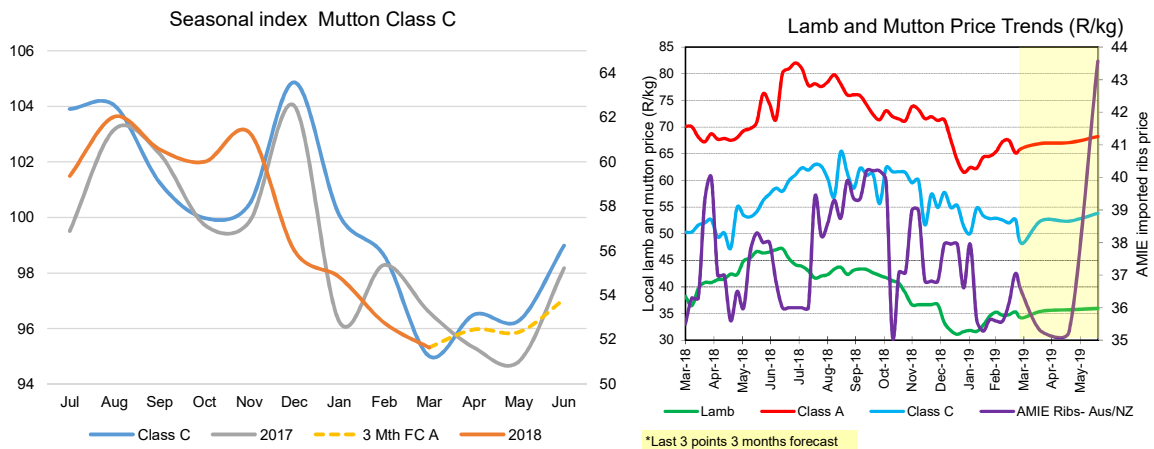
Local sheep meat market

As Easter approaches Class A prices were the only prices that increased week-on-week. All classes of sheep meat as well as feeder lamb prices declined year-on-year. The number of animals slaughtered across all classes increased by 12.4% week-on-week.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.91	66.03	48.15	34.19	32.50	10225
w/w	0.3%	1.4%	-8.5%	-3.2%	-1.5%	12.4%
m/m	3.5%	1.0%	-9.0%	-3.1%	14.7%	-9.8%
y/y	15.6%	-5.8%	-4.2%	-10.6%	-11.4%	14.9%

Outlook

Sheep meat prices are expected to increase in April as Easter approaches, this is in line with seasonal trends. Prices will stabilize in May before experiencing another increase in June due to increased consumer demand during the winter season in South Africa.



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Pork market trends

International pork market

China has lost between 15-40% of their production due to a Swine Fever outbreak, it is expected that China will have to import large volumes of pork over the next year. If China were to get 25% of their imports from the US, they would need to import 257 million pounds of pork per month, this would have a massive impact on pork prices. Pork prices have surged due to this but large volatility is expected over the next few months. US pork prices across all cuts increases week-on-week. Year-on-year only US rib prices declined while US ham prices had the largest increase of 34.9%. Import parity prices of ribs and ham both increased week-on-week.

	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	79.27	70.91	122.41	70.33	54.11	34.22
w/w	8.0%	4.9%	8.3%	11.8%	7.4%	9.2%
m/m	33.7%	22.1%	10.2%	62.5%	12.4%	46.0%
y/y	13.6%	0.9%	-7.1%	34.9%	17.1%	56.0%

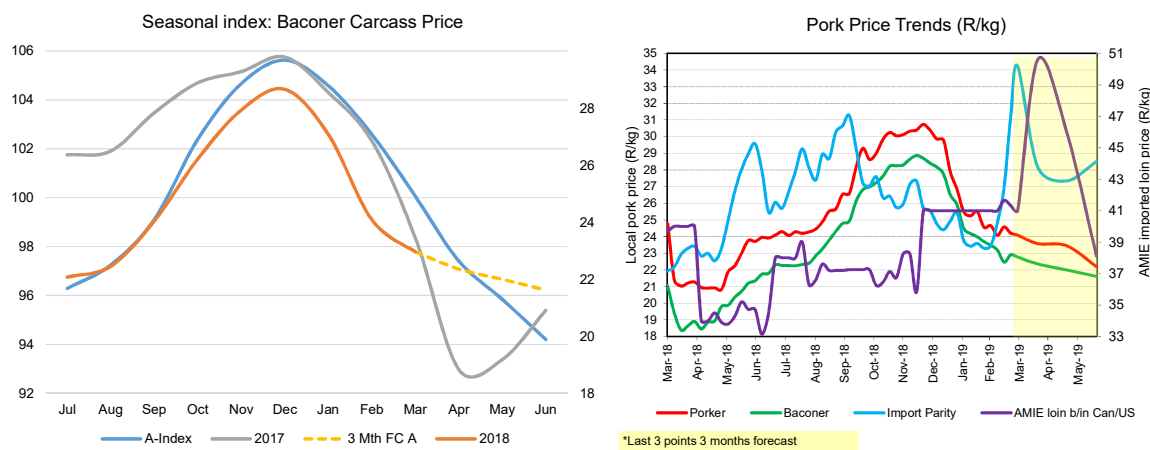
Local pork market

Unlike the international market, overall the local pork market was more negative than a week ago. Prices of porkers, baconers and the contract average declined. The number of animals slaughtered across all classes declined by 6.9% week-on-week although it is 29.7% higher than it was a year ago. The price of baconers have seen a 8.2% increase since last year.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Lion (R/kg)
Price	14.50	25870	23.43	24.08	22.77	41.00
w/w	0.5%	-6.9%	-0.5%	-0.5%	-0.6%	-0.8%
m/m	3.7%	-11.5%	-2.7%	-2.3%	-3.0%	0.0%
y/y	24.0%	29.7%	2.3%	-2.8%	8.2%	3.3%

Outlook

Prices in 2018 are not expected to follow the same trend as seen in 2017. Prices are expected to trade slightly lower in the next 3 months before picking up in June in line with seasonal trends.



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Poultry market trends

International poultry market

A Bird Flu outbreak was reported in Bulgaria on the 3rd of April 2019. The virus was discovered on a duck farm; a 3km protection zone has been set around the farm. The National Farmer's Union in the US are urging President Donald Trump not to close the US-Mexican border as they feel it would be disastrous to the US agriculture industry.

	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	95.48	110.00	22.52	27.00	19.86	24.68
w/w	-0.9%	-3.5%	-2.3%	0.0%	0.4%	-2.3%
m/m	8.5%	34.1%	4.5%	-0.7%	17.4%	-5.1%
y/y	-12.1%	-20.3%	-4.9%	-14.2%	8.9%	6.2%

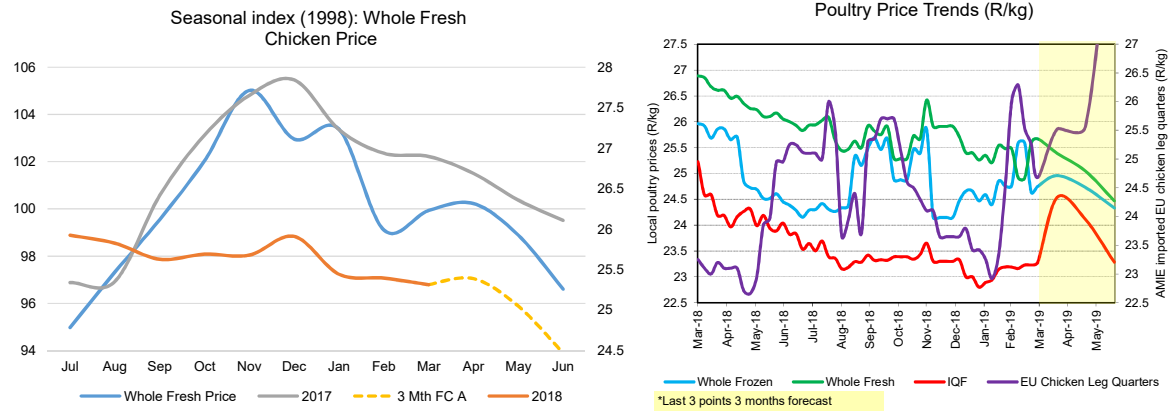
Local poultry market

South African poultry prices increased slightly this week however year-on-year prices have decreased by between 4.5% and 7.7%. The import parity of whole birds and breasts has also declined week-on-week but is higher than prices a year ago. The bird flu outbreak in Bulgaria may support South African poultry prices in the next weeks.

	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	14.50	24.75	25.67	23.28	43.83	39.46
w/w	0.5%	0.4%	0.3%	0.2%	-0.2%	-2.6%
m/m	3.7%	0.0%	0.7%	0.4%	8.6%	33.7%
y/y	24.0%	-4.7%	-4.5%	-7.7%	7.4%	0.2%

Outlook

Prices for whole fresh and whole frozen chickens are expected to increase in April before declining in May to a low. Prices are expected to increase again in July. Prices for Individually Quick Frozen chicken is expected to bounce up in April in accordance with seasonal trends.



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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*

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