



Agri Trends

10 May 2019

Local beef and pork producers encouraged to take biosecurity precautions

Beef: There has been a surge in the slaughtering of animals in the US in anticipation of the seasonal demand, however the wet weather conditions in the US is delaying the grilling season and thereby the expected seasonal demand is not materializing in the market, the overall result is beef stocks piling up. In the local beef market class A beef prices increased by 0.4%, class C price decreased by 1.3% and weaner calf prices have declined by 1.6% week-on-week. There has been reports of malignant catarrhal fever (snotsiekte) outbreaks in 8 provinces; farmers are advised to practice precaution and monitor their animals.

Mutton: The New Zealand lamb price increased by 0.7% compared to last week, this price is 1.7% lower than the prices received a year ago. The import parity for both lamb and ewes has increased compared to last week. The domestic market traded negatively for both class A and class C this week, with the price of class A declining by 3.6% and the price of class C declining by 9.7% week-on-week. Seasonal trends indicate that domestic prices are expected to experience a dip in May before increasing from June due to increased demand in winter months.

Pork: There are two main events, namely the African Swine Fever outbreak in China and the ongoing US/China trade war that are currently majorly affecting the US pork market. SA has experienced another African Swine Fever outbreak, the affected commercial farm is located just outside Davyton near Springs. All pigs on the farm were culled and the outbreak is considered to be controlled.

Poultry: The US poultry market traded mostly positively this week with prices of whole birds, leg quarters and fresh and frozen MDM increasing week-on-week. The price of chicken breasts declined by 9.1% compared to last week's price. The domestic poultry market had a positive week with prices of fresh and frozen whole birds and IQF increasing week-on-week. The domestic poultry industry is set to start on a downward trend in line with the seasonal expectations.

Hides: Domestic hide prices declined by 6.2% compared to last week's price of R1.82/kg. There is currently an oversupply of wet blue hides in the market.

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

Week-on-week US beef prices of topside, rump and chuck declined by 5.2%, 4.2% and 6.5% respectively while prices of striploin and brisket increased by 0.5% and 1.3% respectively. There is has been a surge in the slaughtering of animals in the US in anticipation of the seasonal demand, however the wet weather conditions in the US is delaying the grilling season and thereby the expected seasonal demand is not materializing in the market, the overall result is beef stocks piling up. The weather conditions have created further problems logistically as the transportation of beef became difficult. The New Zealand beef market is experiencing increased demand from China with China importing 69% more beef from New Zealand than they did last year; this is due to two aspects. 1. There has been an increased demand for beef from legal channels following a crackdown on "grey trade channels" - China does not officially accept beef from India due to FMD concerns, however large amounts of Indian beef has been coming into the country illegally via Vietnam and Hong Kong. 2. There has been an increase in Chinese discretionary incomes (income remaining after deduction of taxes and living costs) causing an increase in the demand for high-end protein such as beef and lamb.

	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 NZc/kg	NZ Cows NZc/kg
Price	204.00	332.36	775.00	200.00	264.00	339.48	533.00	379.00
w/w	-5.2%	-4.2%	0.5%	-6.5%	1.3%	-1.4%	0.0%	1.6%
m/m	-5.2%	-2.2%	14.0%	-19.0%	3.5%	1.3%	0.9%	2.7%
y/y	-12.6%	-5.2%	0.5%	-7.6%	5.3%	-1.1%	0.0%	-4.3%

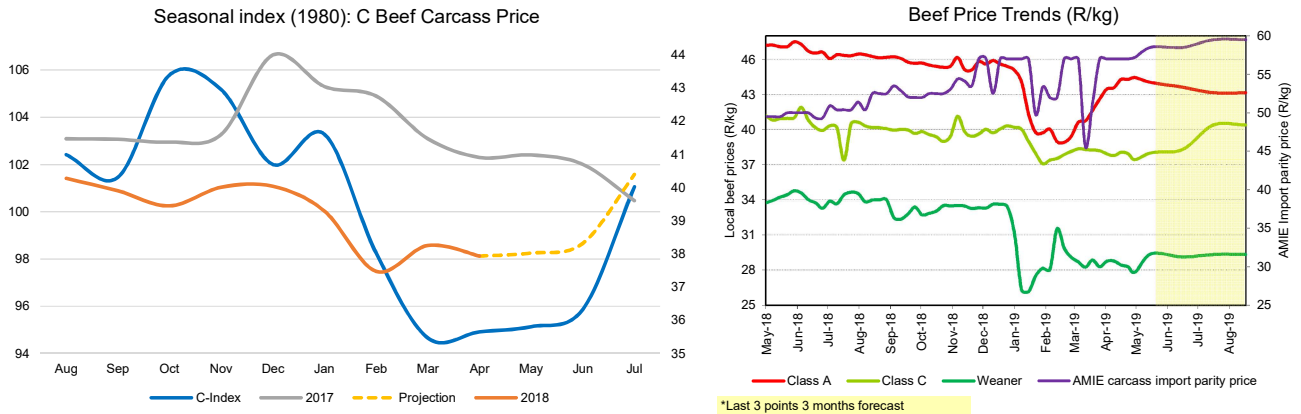
Local beef market

In the local beef market, compared to the previous week class A beef prices increased by 0.4% and the class C price decreased by 1.3%. Weaner calf prices have declined by 17.5% compared to prices received a year ago. The New Zealand carcass equivalent have increased by 2% week-on-week while the AMIE import parity has increased by 15.6% year-on-year. There has been reports of malignant catarrhal fever (snotsiekte) outbreaks in 8 provinces (only the Northern Cape province has not made reports of the disease). Farmers are advised to practice precaution and monitor their animals.

	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	14.40	9.56	44.43	37.44	44.65	27.84	63.11	57.23
w/w	0.5%	0.4%	0.4%	-1.3%	0.3%	-1.6%	2.0%	n/a
m/m	1.6%	-0.1%	2.3%	-1.3%	2.3%	-3.2%	2.6%	0.4%
y/y	14.5%	9.1%	-5.8%	-9.1%	-7.3%	-17.5%	4.4%	15.6%

Outlook

Domestic beef prices are expected to follow the seasonal trends with class A prices beginning to decrease from June while class C prices increasing from June onwards. Internationally, markets are currently experiencing weak demand resulting in pressure on prices, this is likely to remain in the short term. The US markets are expecting prices to increase due to spillover demand from the hog market, furthermore, once the weather has cleared the US demand is expected to increase for grilling season which will boost prices.



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Sheep meat market trends

International sheep meat market

The New Zealand lamb price increased by 0.7% compared to last week, this price is 1.7% lower than the prices received a year ago. The ewe price remained the same as last week and the price has returned to the same price that was received at this time last year. The import parity for both lamb and ewes has increased compared to last week. The price for specific mutton cuts has declined since last year with mutton rib prices dropping by 16.9%. Support for prices is still coming from the exports of frozen cuts.

	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	7.13	4.95	75.42	56.08	30.73	58.99
w/w	0.7%	0.0%	1.0%	0.3%	n/a	n/a
m/m	3.3%	0.4%	2.9%	0.3%	-14.1%	0.9%
y/y	-1.7%	0.0%	7.7%	9.2%	-16.9%	-0.9%

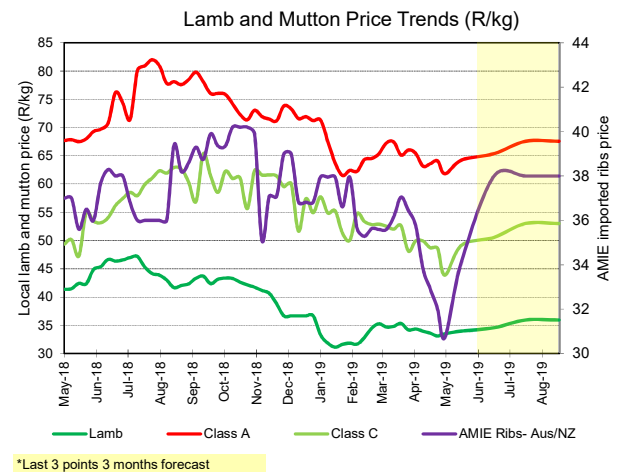
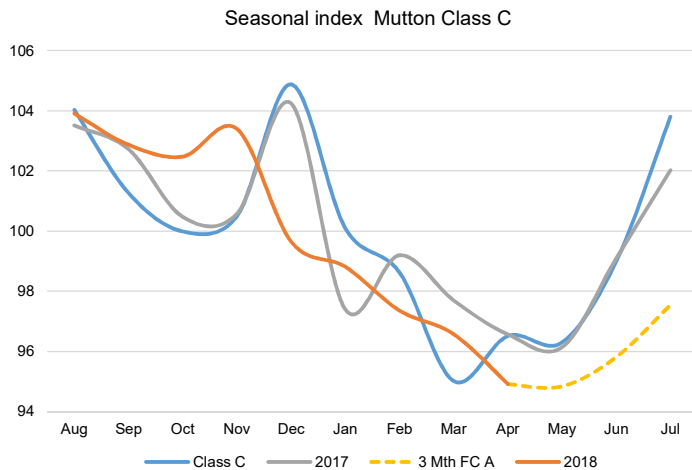
Local sheep meat market

The domestic market traded negatively for both class A and class C this week, with the price of class A declining by 3.6% and the price of class C declining by 9.7% week-on-week. The price for feeder lamb increase by 1.2% week-on-week but is 19% lower than prices received a year ago. The number of animals slaughtered this week is 34.4% more than the number slaughtered last week. Dorper skins traded up by 3% week-on-week; prices are up by 17.2% compared to last year.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.56	61.82	43.88	33.51	34.00	13014
w/w	0.4%	-3.6%	-9.7%	1.2%	3.0%	34.4%
m/m	-0.1%	-5.5%	-12.1%	-2.4%	3.0%	44.4%
y/y	9.1%	-8.7%	-11.1%	-19.0%	17.2%	19.7%

Outlook

Seasonal trends indicate that domestic prices are expected to experience a dip in May before increasing from June due to increased demand in winter months. Feeder lamb prices are expected to remain on their increasing trend in the next three months. International markets are still experiencing support from the demand for frozen cuts, prices are expected to remain fairly stable in the next month. The African Swine Fever outbreak in China may result in support for global prices across all sectors.



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Pork market trends

International pork market

Week-on-week the US pork carcass price and the US ham price declined by 3.9% and 0.9% respectively, while the price of US loin and US ribs increased by 0.5% and 1.8% respectively. Year-on-year the current pork prices have increased with the import parity of ribs has increased by 35.2% and the import parity for ham increased by 44.7%. There are two main events, namely the African Swine Fever outbreak in China and the ongoing US/China trade war that are currently majorly affecting the US pork market.

	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	81.52	74.61	157.52	67.29	66.92	33.05
w/w	-3.9%	0.5%	1.8%	-0.9%	2.1%	-0.2%
m/m	1.6%	3.5%	22.1%	5.6%	20.7%	5.7%
y/y	18.8%	2.5%	20.7%	37.1%	35.2%	44.7%

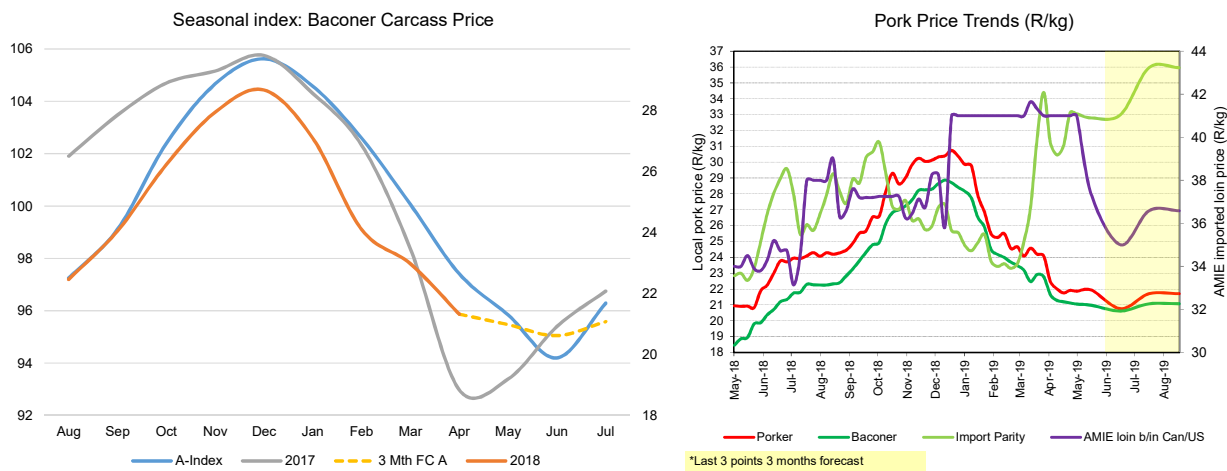
Local pork market

The local market slaughtered 26,874 animals this week which is 4% more than last week, and almost 35% more than the number slaughtered a year ago. The price of domestic pork traded negatively this week with porker prices declining 0.2% and baconer prices declining 0.4% week-on-week. Although prices declined compared to last week, prices are higher compared to a year ago with the price of baconers 14.1% higher. SA has experienced another African Swine Fever outbreak, the affected commercial farm is located just outside Daviton near Springs. All pigs on the farm were culled and the outbreak is considered to be controlled. Pork producers are advised to ensure strict biosecurity measures, specifically with transportation of animals, and to purchase animals from reputable sellers.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.40	26874	21.46	21.86	21.05	41.00
w/w	0.5%	4.0%	-0.3%	-0.2%	-0.4%	n/a
m/m	1.6%	6.8%	-2.8%	-2.8%	-2.8%	0.0%
y/y	14.5%	34.9%	8.9%	4.4%	14.1%	20.6%

Outlook

The international pork market is expecting high levels of volatility within the next three months due to the African Swine Fever outbreak in China and the ongoing US/China trade negotiations. It is expected that there will be large purchases of pork coming from China which will support US prices; but it is unknown when this will occur. The local pork market is expected to follow a downward trend with prices decreasing marginally over the next month, prices are expected to start increasing from mid-June onwards in line with seasonal trends.



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Poultry market trends

International poultry market

The US poultry market traded mostly positively this week with prices of whole birds, leg quarters and fresh and frozen MDM increasing week-on-week. The price of chicken breasts declined by 9.1% compared to last week's price of US\$110/lb. this is a 15.3% decline in price compared to last year. Year-on-year the price of whole birds declined by 11.8%. The ongoing US/China trade war is the likely cause of the large year-on-year price declines of whole birds, breasts and frozen MDM. The US poultry industry is still set to benefit largely by the African Swine Fever outbreak in China as demand for other protein sources is expected to increase.

	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	100.46	100.00	22.65	27.69	19.81	28.25
w/w	0.1%	-9.1%	1.9%	0.2%	0.3%	n/a
m/m	4.0%	-9.9%	-1.7%	2.0%	1.1%	10.6%
y/y	-11.8%	-15.3%	-7.0%	-16.7%	7.2%	22.3%

Local poultry market

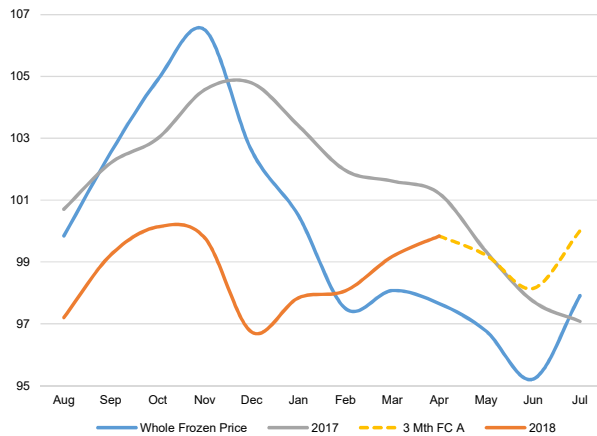
The domestic poultry market had a positive week with prices of fresh and frozen whole birds increasing by 0.6% and 1% respectively while the price of Individually Quick Frozen increased by 1% week-on-week. The import parity for whole birds increased by 0.5% while the import parity for breasts declined by 7.6% week-on-week.

	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	14.40	25.59	26.55	24.22	45.23	36.08
w/w	0.5%	0.9%	0.6%	1.0%	0.5%	-7.6%
m/m	1.6%	1.0%	0.7%	1.6%	4.0%	-7.4%
y/y	14.5%	-0.2%	0.4%	1.1%	1.4%	-1.7%

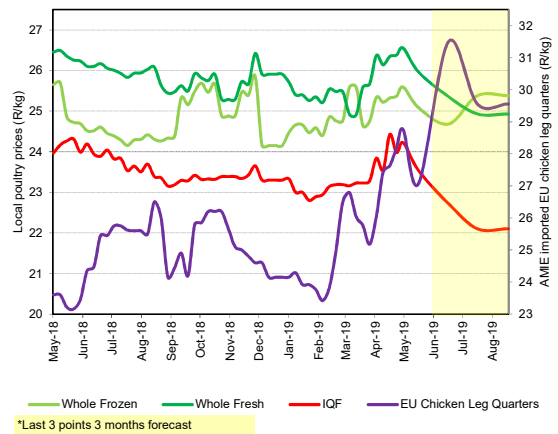
Outlook

The domestic poultry industry is set to start on a downward trend in line with the seasonal expectations; this downward trend of prices is expected to continue until the month of June. July prices are expected to be higher as the increasing trend begins. International prices are expected to experience increasing demand from the spill over demand in the hog market which will support prices.

Seasonal index (1980): Whole Frozen Chicken Price



Poultry Price Trends (R/kg)



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Hide market trends

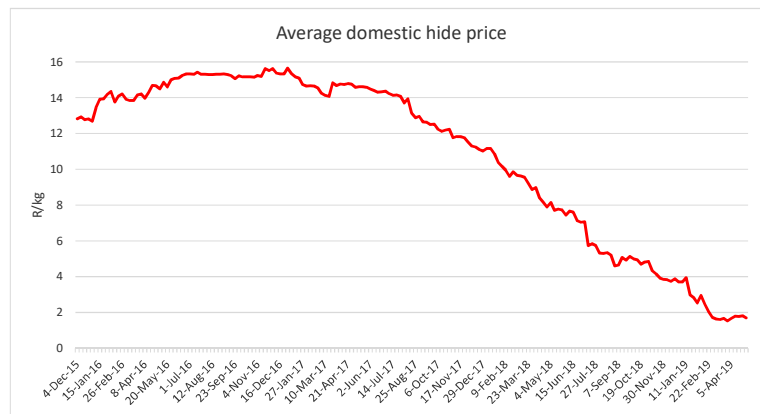
Local hide market

Domestic hide prices declined by 6.2% compared to last week's price of R1.82/kg. The current price is 79% lower than prices received a year ago. The RMAA feedlot price declined by 1% while the field prices increased by 4.6%. There is currently an oversupply of wet blue hides in the market.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.97	1.60	1.71
w/w	-1.0%	4.6%	-6.2%
m/m	1.5%	5.3%	1.6%
y/y	-77.9%	n/a	-79.0%

Outlook

Hide prices are expected to remain low in the coming weeks. The US beef market has increased its slaughter numbers based on seasonal trends, however their expectations of demand were not met and as such the beef market is experiencing an oversupply of beef reducing beef prices. The increased hide output due to increased slaughter numbers may lead to declining hide prices in the US market.



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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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