



Agri Trends

24 May 2019

Local markets fairly stable amidst international volatility

Beef: Prices in the US beef market trended downwards this week, the largest week-on-week movement in price was striploin which declined by 8.7%. Spikes in the grain prices due to the wet weather have added pressure to the beef prices. President Trump has announced the launch of a support system amounting to \$16 billion to assist US farmers affected by the US/China trade war. New Zealand beef exports to China increased by 3,600 tons compared to a year ago. The domestic beef market remained fairly stable this week with marginal price movements.

Mutton: Prices for New Zealand lamb and ewes increased week-on-week with high demand for lamb exports. New Zealand lamb exports to China constitute 41% of this season's exports. New Zealand's export demand from the EU is lagging behind last season's levels. In the local market this week the price for class A remained relatively stable with only a 0.2% increase in price while the class C price experienced a nice increase of 3% week-on-week.

Pork: The African Swine Fever Outbreak in China continues to be an issue internationally and seems to be providing support for international prices. Traders in the US are becoming concerned that the US will not regain all of the Chinese market share that they have lost during these US/China trade negotiations. Trump has announced the launch of a trade assistance package for US farmers affected by the US/China trade war, \$100 million is dedicated for the establishment of new export markets through the Agricultural trade Promotion Program (ATP). The domestic pork market moved sideways this week with prices remaining stable as only marginal increases in prices were experienced. Prices in the domestic market are expected to remain fairly stable for the next three months.

Poultry: The US poultry market traded positively this week. Compared to a year ago the price of US whole birds is 13.6% lower. The international poultry prices are expected to continue receiving support due to the African Swine Fever outbreak in China. Domestic poultry prices moved downwards this week. Increasing grain prices are expected to put the domestic poultry prices under pressure.

Hides: The domestic hide price for the week ending 24th May 2019 remained fairly stable at R1.72/kg on average, this is 0.15% lower than the average price last week. Current prices are 77.9% lower than prices a year ago.

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Beef market trends

International beef market

Prices in the US beef market trended downwards this week, the largest week-on-week movement in price was striploin which declined by 8.7%. Compared to a year ago prices are much lower with prices of rump, striploin and topside between 15% and 18% down. The USDA cold storage report indicates that the frozen beef stocks are 5% down from last month and 9% down from last year. The wet weather in the US has resulted in spikes in the grain prices resulting in increased production costs of beef as feed costs increase which has added pressure to the beef prices. President Trump has announced the launch of a support system amounting to \$16 billion to assist US farmers affected by the US/China trade war. The New Zealand beef market is experiencing increased demand from China with beef exports to China increasing by 3,600 tons compared to a year ago. It is expected that there will be extreme protein shortages due to the African Swine Fever outbreak, this has resulted in increased speculative buying of New Zealand beef.

	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	195.84	310.00	700.00	200.80	262.68	322.46	537.00	381.00
w/w	-0.6%	-1.0%	-8.7%	0.40%	-1.2%	-4.3%	0.75%	0.53%
m/m	-12.0%	-8.8%	-3.4%	-11.9%	1.0%	-5.0%	0.75%	1.9%
y/y	-18.1%	-15.3%	-17.6%	-10.7%	5.1%	-11.1%	0.75%	-6.2%

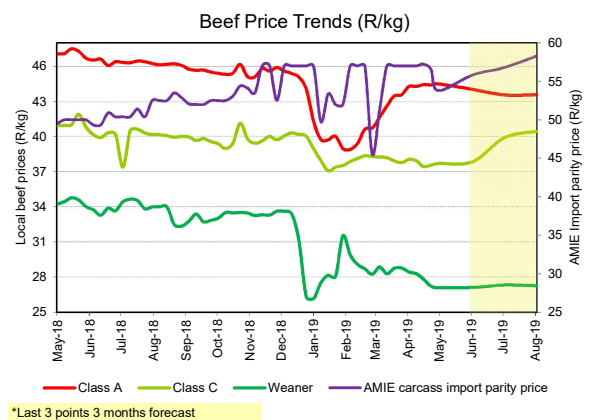
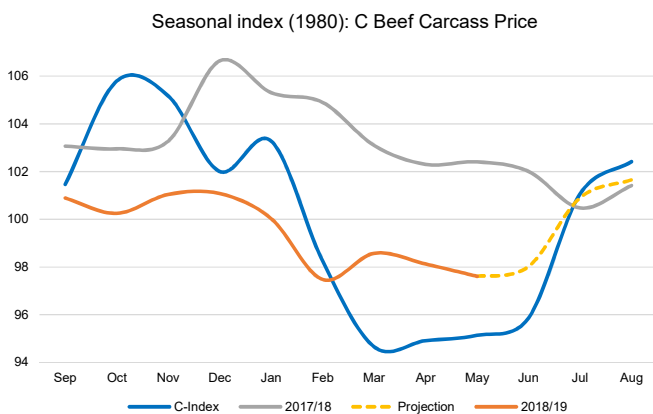
Local beef market

The domestic beef market remained fairly stable this week with marginal price movements. The price of class A and class C beef increased slightly week-on-week while the weaner price declined by 0.6%. The weaner price is almost 21% lower than prices a year ago. The import parity has declined by 4.9% compared to last week.

	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	14.25	9.37	44.49	37.70	44.71	27.09	62.19	53.81
w/w	-1.01%	-1.1%	0.2%	0.3%	0.20%	-0.6%	-0.5%	-4.9%
m/m	1.6%	-0.5%	0.5%	-0.9%	0.5%	-4.8%	1.3%	-5.6%
y/y	14.1%	6.2%	-5.5%	-7.9%	-6.9%	-20.9%	-0.4%	8.7%

Outlook

The US market is hoping for a slight bump in demand due to grilling season which will provide support to prices. The announcement of the trade assistance package by Donald Trump has indicated that there is no end in sight for the US/China trade war. Domestic beef prices are expected to remain fairly stable for May. From June the class C price is expected to increase while the class A price is expected to decline, weaner calf prices are expected to remain stable for the next three months.



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Sheep meat market trends

International sheep meat market

Prices for New Zealand lamb and ewes increased week-on-week by 1.4% and 1% respectively. The New Zealand market has experienced high demand for lamb exports with their export values for this season to 11,000 tons ahead of last season, despite concerns at the start of the season. New Zealand lamb exports to China constitute 41% of this season's exports. Export demand from the EU is lagging behind last seasons levels, however increased demand has been seen coming from Germany and the Netherlands. The import parity for lamb increased by 0.2% while the import parity for ewes declined by 0.2% week-on-week. The price for mutton ribs has increased by 2.2% week-on-week but is down by 5.6% year-on-year.

	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	7.28	5.00	75.54	55.67	33.60	58.95
w/w	1.4%	1.0%	0.2%	-0.2%	2.2%	0.0%
m/m	4.0%	1.0%	3.0%	0.3%	2.1%	2.9%
y/y	-0.6%	0.0%	6.2%	6.8%	-5.6%	-3.2%

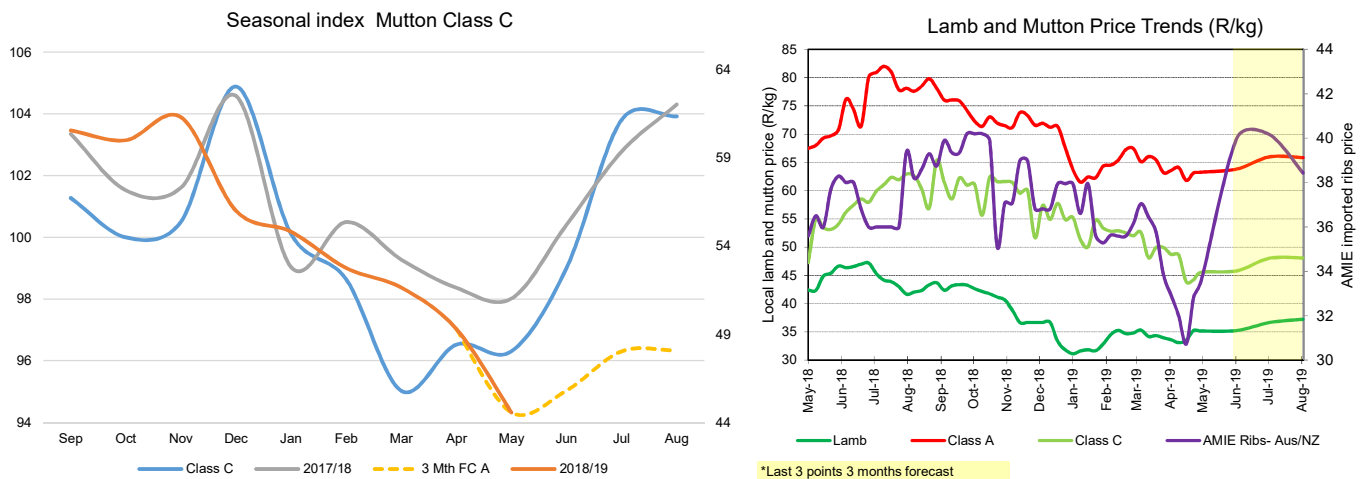
Local sheep meat market

In the local market this week the price for class A remained relatively stable with only a 0.2% increase in price while the class C price experienced a nice increase of 3% week-on-week. The price of feeder lambs declined by 0.3% this week, the current price is 17.1% lower than prices a year ago. The number of animals slaughtered this week is 27.4% more than last week. The price of dorper skins has increased by 7.9% week-on-week, prices are almost 17% higher than a year ago.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.37	63.27	45.57	35.17	36.67	10811
w/w	-1.1%	0.2%	3.0%	-0.3%	7.9%	27.4%
m/m	-0.5%	-0.5%	-6.5%	4.6%	12.8%	-7.9%
y/y	6.2%	-6.3%	-3.6%	-17.1%	16.9%	-7.4%

Outlook

Demand for New Zealand lamb is expected to remain strong which will lend support to international prices. The domestic price for class C is expected to follow an upward trend from May onward due to increased seasonal demand. Domestic prices for Class A and feeder lambs are expected to remain fairly stable for the rest of May going into June, in June the prices are expected to experience an increase before stabilizing at that increased level in July.



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Pork market trends

International pork market

The African Swine Fever Outbreak in China continues to be an issue internationally and seems to be providing support for international prices. Week-on-week the price of pork carcass, loin and ham each increased by approximately 2% while the US rib price declined by 3.9%. There is concern in the US market as China's preferred supplier for hog replenishment is the EU. Traders in the US are becoming concerned that the US will not regain all of the Chinese market share that they have lost during these US/China trade negotiations. The import parity for ham remained fairly stable this week while the import parity for ribs declined by 4.4% week-on-week. The USDA Cold Storage report indicates that the stock of frozen pork is 2% higher than last month's stock but is down by 2% compared to a year ago. Trump has announced the launch of a trade assistance package for US farmers affected by the US/China trade war, \$100 million is dedicated for the establishment of new export markets through the Agricultural trade Promotion Program (ATP).

	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	85.43	78.62	152.64	71.01	64.67	34.28
w/w	2.0%	2.2%	-3.9%	2.1%	-4.4%	0.6%
m/m	-0.4%	4.5%	3.4%	11.0%	4.6%	9.7%
y/y	16.3%	5.6%	2.9%	45.9%	17.9%	52.0%

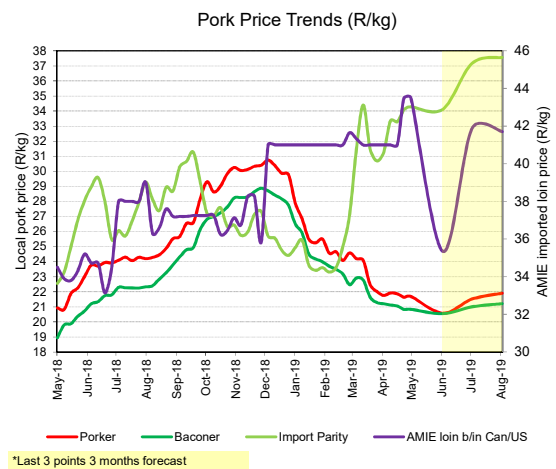
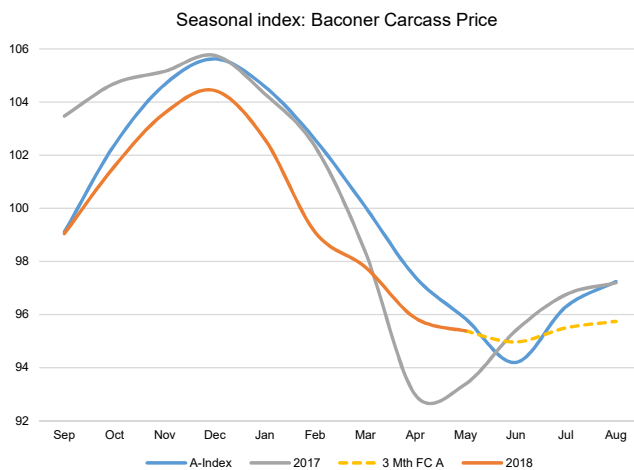
Local pork market

The domestic pork market moved sideways this week with prices remaining stable as only marginal increases in prices were experienced. Year-on-year the price of porkers has increased by 3.7% while the price of baconers has increased by 10%. Compared to last week 5.9% more pigs were slaughtered this week, this is 25.8% more than the number of pigs slaughtered a year ago. The AMIE price for loins has increased by 26.1% compared to a year ago.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.25	30066	21.26	21.69	20.83	43.50
w/w	-1.01%	5.9%	0.2%	0.3%	0.1%	0.0%
m/m	1.6%	18.4%	-1.0%	-0.3%	-1.7%	n/a
y/y	14.1%	25.8%	6.7%	3.7%	10.0%	26.1%

Outlook

The international pork market is expecting continued high levels of volatility in the short term. The US market still lacks certainty on which way the market will move with continued pressure from the US/China trade war as well as concerns regarding African Swine Fever. Prices in the domestic market are expected to remain fairly stable for the next three months. Domestic prices may experience a slight dip in June before picking up again in July to follow an increasing seasonal trend.



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Poultry market trends

International poultry market

The US poultry market traded positively this week. The price of whole birds remained stable with a slight increase in price while the price of chicken breasts increased by 3.2% week-on-week. Fresh and frozen MDM prices increased by 3.8% and 1.2% respectively week on week. The price of US leg quarters declined slightly this week while the price of EU leg quarters increased. Compared to a year ago the price of US whole birds is 13.6% lower. The international poultry prices are expected to continue receiving support due to the African Swine Fever outbreak in China. The USDA cold storage report indicates that frozen chicken stocks are up 3% from last month. The \$16 billion trade assistance package announced by Trump includes \$14.5 billion for direct payments to producers through the Market Facilitation Program (MFP) and \$1.4 billion for commodity purchases through the Food Purchase and Distribution Program (FPDP)

	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	101.87	98.00	22.90	27.90	20.36	28.01
w/w	0.3%	3.2%	3.8%	1.2%	-0.7%	1.3%
m/m	4.9%	-10.9%	0.6%	2.2%	4.3%	3.2%
y/y	-13.6%	-7.5%	-5.8%	-15.5%	15.8%	23.3%

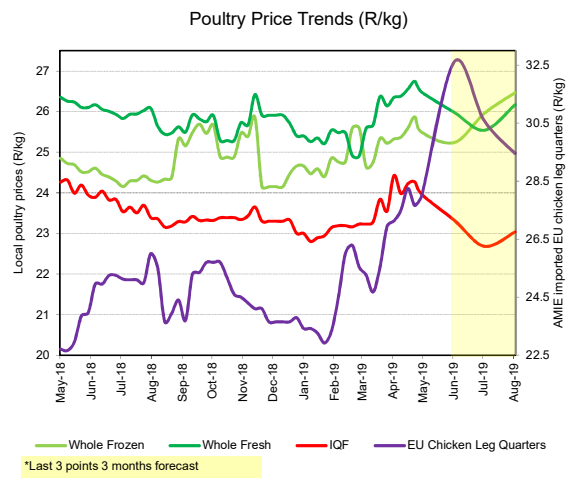
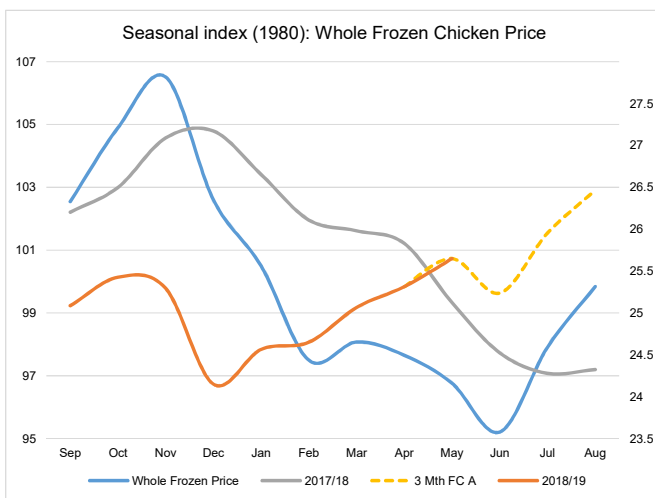
Local poultry market

Domestic poultry prices moved downwards this week. Compared to last week the price of frozen whole birds declined by 1.5%, fresh whole birds declined by 1% and Individually Quick Frozen prices declined by 1.3%. Increasing grain prices are expected to put the domestic poultry prices under pressure.

	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	14.25	25.49	26.48	23.96	45.38	35.16
w/w	-1.01%	-1.5%	-1.0%	-1.3%	-0.5%	1.8%
m/m	1.6%	0.7%	0.5%	-1.9%	4.6%	-8.3%
y/y	14.1%	2.6%	0.5%	-1.3%	-0.2%	6.0%

Outlook

International poultry prices are expected to experience continued support as demand increases due to the protein shortage following the African Swine Fever outbreak. Domestic poultry prices are expected to continue their decline for the rest of the month. In line with seasonal trends prices of whole frozen birds are expected to increase from June onwards while prices of whole fresh and IQF are only expected to increase from July.



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Hide market trends

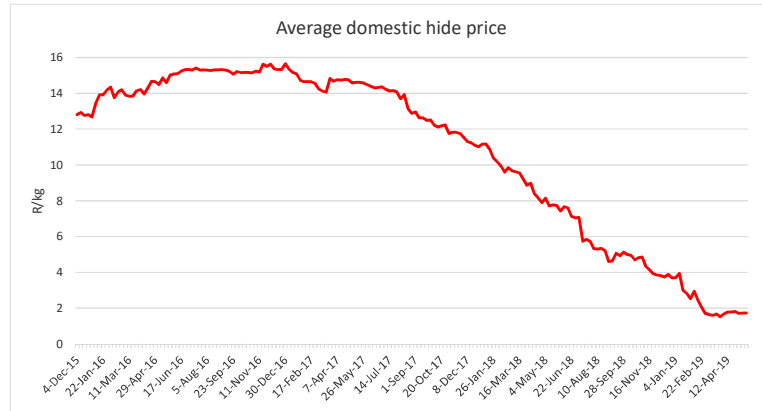
Local hide market

The domestic hide price for the week ending 24th May 2019 remained fairly stable at R1.72/kg on average, this is 0.15% lower than the average price last week. Current prices are 77.9% lower than prices a year ago. The RMAA price for feedlot hides declined by 2.4% while the RMAA price for field hides increased by 2.5% week-on-week.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.00	1.63	1.72
w/w	-2.4%	2.5%	-0.15%
m/m	6.4%	9.4%	-3.4%
y/y	-76.6%	n/a	-77.9%

Outlook

With domestic hide prices almost 80% lower than prices a year ago the domestic hide market continues to be under pressure. The global market for hides is struggling with the needed relief not expected in the short term.



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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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