



Agri Trends

31 May 2019

Levels of high volatility in international markets

Beef: There is concern amongst some buyers that the protein shortage caused by the African Swine Fever outbreak in China is not going to be as high as estimated. Chinese buyers have cautioned that much of the current buying is speculative and these high prices are not supported by the current Chinese wholesale beef prices. Local beef prices remained fairly stable this week. Domestic prices of class C and weaner cattle are expected to remain fairly stable for May going into June with prices expected to increase from July onwards.

Mutton: The New Zealand lamb and mutton market continues to experience high levels of demand which resulted in the boosted prices. The New Zealand lamb price and ewe price both increased by 1% week-on-week. The price of New Zealand mutton shoulders has increased by 5.1% week-on-week; the current price is 1.4% higher than prices a year ago. In the local market the class A price remained fairly stable with only a slight increase of 0.5% in price week-on-week while the class C price dropped by 3.5% week-on-week.

Pork: The US pork rib price experienced a large decline this week of 8.5%, as South Africa is an importer of pork ribs due to high demand this international price decline may be beneficial to South African consumers. The domestic pork market traded positively this week with porker prices experiencing an increase of 1.3% and baconer prices moving up by 4% week-on-week

Poultry: The US poultry market experienced a 0.9% decline in the price of whole birds this week while the price of breasts remained the same as last week. The international poultry market was hoping to experience increased prices following the African Swine Fever outbreak in China, however the majority of the protein demand appears to be falling to beef rather than poultry as the industry had hoped. The domestic poultry market remained fairly stable this week with marginal declines in prices; the price of whole fresh birds as well as IQF declined by 0.6% while the price for whole frozen birds declined by 0.8% week-on-week.

Hides: The average price for domestic hides moved upwards by 1.02% to R1.74/kg for the week ended 31 March 2019. The current hide price is still considerably low compared to the price a year ago of R7.74/kg.

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Beef market trends

International beef market

International beef prices experienced some large moves this week with brisket prices 10.3% up, chuck prices up 3.7% and the price of striploin down by 5.7% week-on-week. There is concern amongst some buyers that the protein shortage caused by the African Swine Fever outbreak in China is not going to be as high as estimated. Chinese buyers have cautioned that much of the current buying is speculative and these high prices are not supported by the current Chinese wholesale beef prices. If the Chinese wholesale prices don't increase to the anticipated high, then Chinese buyers may sit on inventory rather than sell it which would slow down the purchase of beef and as such prices may experience a drop. Increased grains prices has placed additional pressure on the US beef prices.

	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	197.00	311.50	660.00	208.16	289.61	325.59	537.00	384.00
w/w	0.6%	0.5%	-5.7%	3.7%	10.3%	1.0%	0.00%	0.79%
m/m	-8.5%	-10.2%	-14.4%	-2.7%	11.1%	-5.4%	0.75%	2.9%
y/y	-16.9%	-14.4%	-23.5%	-6.1%	14.5%	-10.9%	0.19%	-7.9%

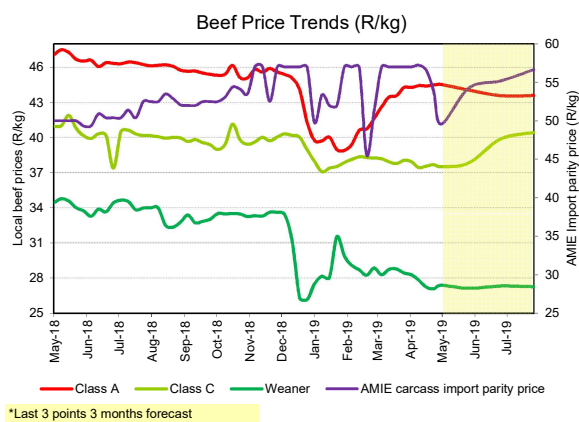
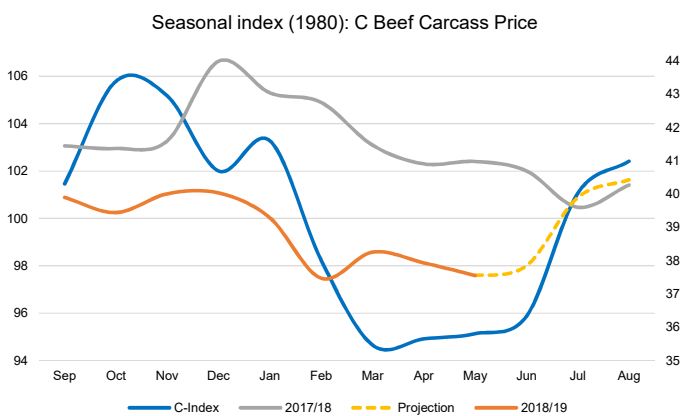
Local beef market

Local beef prices remained fairly stable this week with the price of class A moving up by 0.1% and class C down by 0.5% week-on-week. The price of weaner calves increased by 1.1% week-on-week. Year-on-year the local prices have declined for both class A and C as well as the weaner price which is 20.4% lower to prices received a year ago.

	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	14.41	9.40	44.54	37.52	44.75	27.40	62.86	49.58
w/w	1.15%	0.3%	0.1%	-0.5%	0.1%	1.1%	1.1%	-7.9%
m/m	0.6%	-1.3%	0.6%	-1.2%	0.6%	-3.2%	1.6%	n/a
y/y	14.7%	8.8%	-5.4%	-8.4%	-6.8%	-20.4%	0.2%	-0.8%

Outlook

International prices are expected to experience some volatility in the short term as the market waits for a more definitive direction following news on the US/China trade negotiations as well as the impact of the African Swine Fever outbreak. The market is hopeful that prices will remain high in the next few weeks. Domestic prices of class C and weaner cattle are expected to remain fairly stable for May going into June with prices expected to increase from July onwards. The largest price increase is expected for class C beef while weaner cattle prices are expected to increase to a lesser extent. Class A prices are expected to experience marginal declines in the next three months.



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Sheep meat market trends

International sheep meat market

The New Zealand lamb price and ewe price both increased by 1% week-on-week, with the lamb price down by 1.7% from a year ago and the ewe price returning to the same level it was a year ago. The price for New Zealand mutton ribs have declined by 4.6% week-on-week with the price 12.2% down compared to prices a year ago. The price of New Zealand mutton shoulders has increased by 5.1% week-on-week; the current price is 1.4% higher than prices a year ago. The New Zealand lamb and mutton market continues to experience high levels of demand which resulted in the boosted prices.

	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	7.35	5.05	76.42	56.30	32.06	61.98
w/w	1.0%	1.0%	1.2%	1.1%	-4.6%	5.1%
m/m	3.8%	2.0%	2.0%	0.4%	n/a	n/a
y/y	-1.7%	0.0%	7.8%	9.3%	-12.2%	1.4%

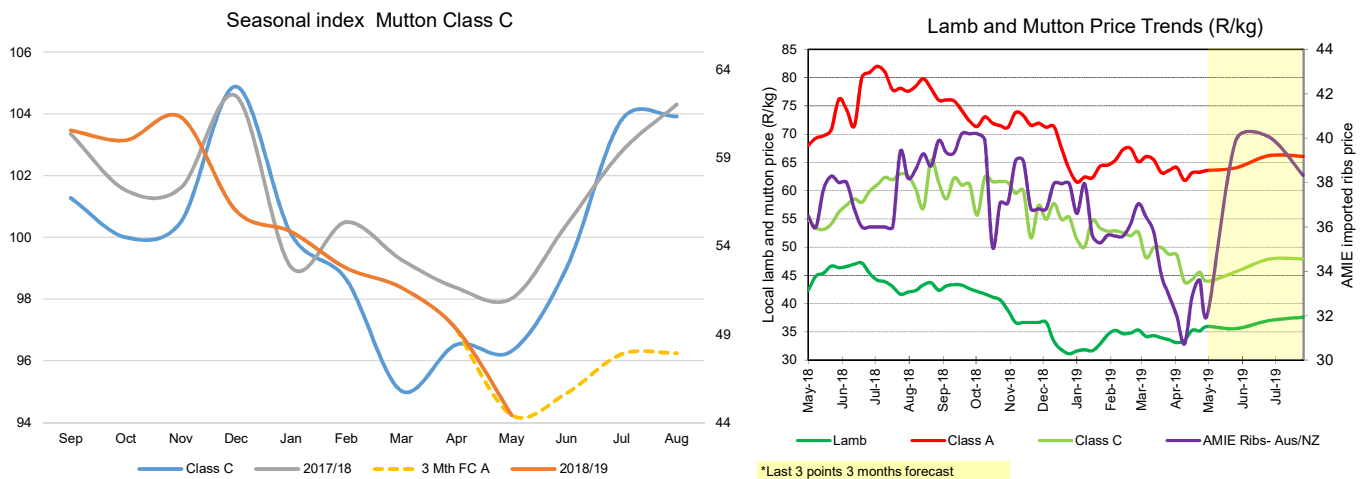
Local sheep meat market

In the local market the class A price remained fairly stable with only a slight increase of 0.5% in price week-on-week while the class C price dropped by 3.5% week-on-week. This dip in class C price is in line with the seasonal trends as prices are expected to bottom out in May. The price of feeder lambs experienced an increase of 2.3% this week. The price of merino skins increased by 6.8% week-on-week to a price of R48.75/skin, however, this price is almost 50% lower than prices received a year ago.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.40	63.58	43.97	35.97	35.71	10757
w/w	0.3%	0.5%	-3.5%	2.3%	-2.6%	-0.5%
m/m	-1.3%	-0.8%	-9.6%	8.6%	8.2%	11.1%
y/y	8.8%	-6.5%	-20.0%	-15.1%	16.3%	-1.4%

Outlook

New Zealand prices are expected to continue their steady increase as demand levels are expected to remain high for the next three months. In the domestic market: class C prices are expected to bottom out in May before increase from June onwards, class A prices are expected to be on an increasing trend but increases in prices are not expected to be as large compared to class C. Feeder lamb prices are expected to follow a relatively sharp incline in the next three months.



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Pork market trends

International pork market

The pork market experienced mainly negative price movements this week with a decline in the price of US pork carcasses down by 2.1% week-on-week. The price of loins remained fairly stable with a slight decline in price of 0.4% where as the price of US ham increased by 3.3% week-on-week. The US pork rib price experienced a large decline this week of 8.5%, as South Africa is an importer of pork ribs due to high demand this international price decline may be beneficial to South African consumers. The closing price for hogs at the end of the day on the 31st of May should give an indication of the short term direction that the market will take.

	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	83.66	78.30	139.74	73.35	60.63	35.53
w/w	-2.1%	-0.4%	-8.5%	3.3%	-6.3%	3.6%
m/m	-1.3%	5.4%	-9.7%	8.0%	-7.9%	6.5%
y/y	12.6%	4.6%	0.1%	45.0%	15.7%	52.5%

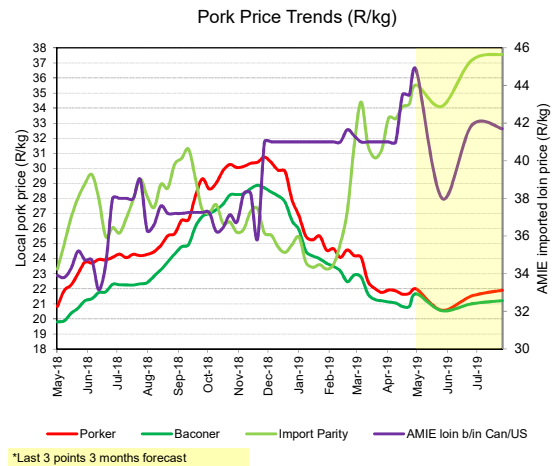
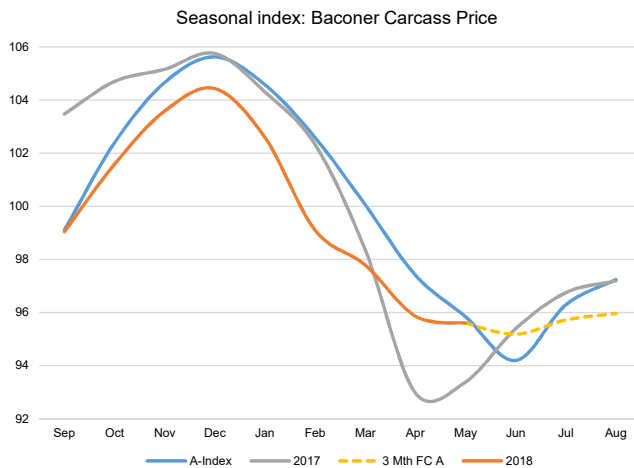
Local pork market

The domestic pork market traded positively this week with porker prices experiencing an increase of 1.3% and baconer prices moving up by 4% week-on-week. The number of pigs slaughtered this week is fairly consistent with the number slaughtered last week, the number of animals slaughtered has increased by 30.8% compared to a year ago. The local pork market is expected to experience increased demand as China's import demand increases in order to cover their production loss from the African Swine Fever outbreak.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.41	30349	21.82	21.98	21.66	44.80
w/w	1.15%	0.9%	2.6%	1.3%	4.0%	3.0%
m/m	0.6%	17.5%	1.4%	0.3%	2.5%	n/a
y/y	14.7%	30.8%	7.4%	5.5%	9.4%	32.2%

Outlook

US pork prices are expected to increase in the short term as seen in the futures price of lean hogs. However, there are high levels of volatility in the hog market as prices are impacted by both the African Swine Fever Outbreak in China as well as the ongoing US/China trade negotiations. Domestic pork prices are expected to continue on their increasing trend for the next three months. Local prices may experience a slight dip in July but it is not expected to last long.



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Poultry market trends

International poultry market

The US poultry market experienced a 0.9% decline in the price of whole birds this week while the price of breasts remained the same as last week. Prices for fresh and frozen MDM declined by 0.2% and 1.5% respectively week-on-week. US leg quarters increased by 0.8% week-on-week while the price for EU leg quarters dropped by 7.3%. The international poultry market was hoping to experience increased prices following the African Swine Fever outbreak in China, however the majority of the protein demand appears to be falling to beef rather than poultry as the industry had hoped.

	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	100.95	98.00	22.86	27.49	20.52	25.97
w/w	-0.9%	0.0%	-0.2%	-1.5%	0.8%	-7.3%
m/m	0.6%	-10.9%	2.8%	-0.5%	3.6%	n/a
y/y	-15.6%	-7.5%	-6.9%	-17.6%	10.2%	14.6%

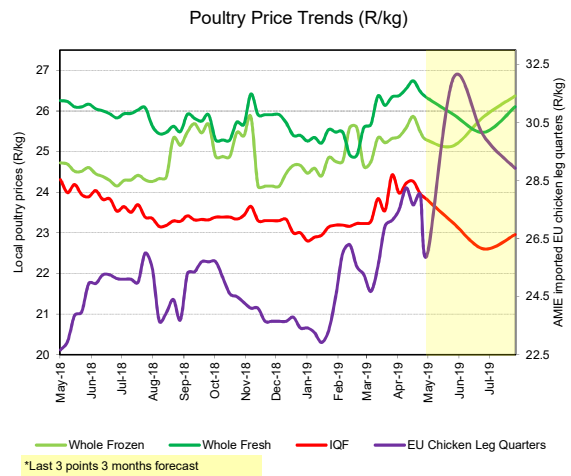
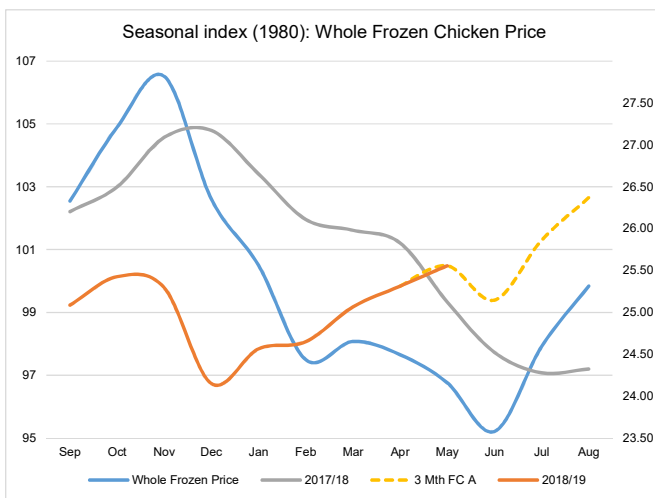
Local poultry market

The domestic poultry market remained fairly stable this week with marginal declines in prices; the price of whole fresh birds as well as IQF declined by 0.6% while the price for whole frozen birds declined by 0.8% week-on-week. Astral's Standerton branch is experiencing water supply shortages and interruptions which is having significant cost implications for the company currently estimated at R85 million. Astral is unable to process at their usual levels; other processors are buying up the extra stock, prices are expected to drop slightly in the next few 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	14.41	25.28	26.32	23.81	45.48	35.54
w/w	1.15%	-0.8%	-0.6%	-0.6%	0.2%	1.1%
m/m	0.6%	-0.4%	-0.2%	-0.7%	0.9%	-9.2%
y/y	14.7%	2.3%	0.2%	-2.1%	-1.4%	6.5%

Outlook

International poultry prices are expected to remain fairly stable in the coming months. However, international protein markets are expected to experience volatility in the short term due to the African Swine Fever outbreak in China as well as the US/China trade negotiations. Local prices for whole fresh birds and IQF are expected to follow a similar seasonal trend of declining prices that bottom out in July before increase from August. Prices of whole frozen birds are also expected to continue their decline, however prices are expected to hit bottom in June and then increase from July onwards.



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Hide market trends

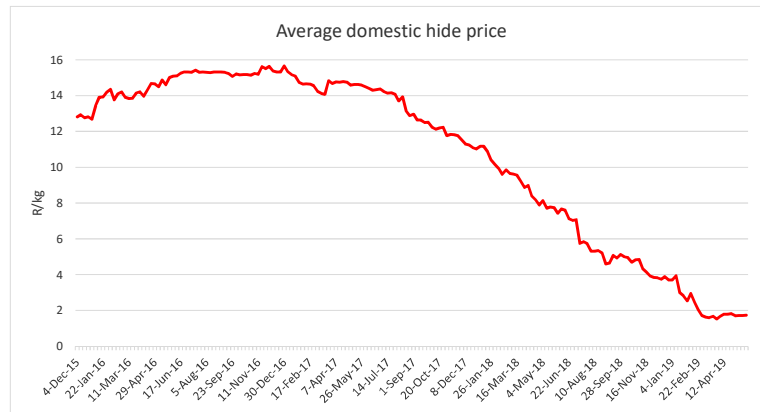
Local hide market

The average price for domestic hides moved upwards by 1.02% to R1.74/kg for the week ended 31 March 2019. This increase in price is due to the increase in the RMAA price for field hides and for feedlot hides by 1.8% and 2% respectively week-on-week. The current hide price is still considerably low compared to the price a year ago of R7.74/kg.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.04	1.66	1.74
w/w	2.0%	1.8%	1.02%
m/m	2.5%	8.5%	-4.4%
y/y	-75.8%	n/a	-77.5%

Outlook

Local prices are holding under the continued pressure with prices 77.5% lower than prices received a year ago. It is estimated that hides from Africa account for 8% of the world's hide market, with the potential for Africa to grow their share in the global hide market, however, at these low prices growth of the hide market is not expected in the short to medium 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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