



Agri Trends

21 June 2019

Price movement mixed as increased grains prices adds pressure across the livestock market

Beef: The US beef market was mixed this week with both positive and negative shifts in market prices. Increased domestic demand provided support for prices. The increasing grains prices is still a concern as increased feed prices will have a negative impact on the US livestock industry. In the domestic beef market, the price for class A and C remained relatively stable this week with the weaner calf price increasing by 1.8% this week. The high maize prices continue to be a concern for livestock farmers.

Mutton: The New Zealand sheep meat market traded positively this week with a 1.6% increase in lamb price and a 1% increase in ewe prices week-on-week. Latest slaughter statistics show that this season's kills to date of 14.7 million head of lamb is a record low level for this time of year. The domestic sheep market is not experiencing the same increasing trend as the international market. The price of feeder lambs increased by 0.9% week-on-week. Increased domestic grains prices is having a negative impact on the domestic lamb and mutton market.

Pork: The US pork market mainly traded negatively this week. There has been no recent updates regarding African Swine Fever or a resolution to the US/China trade negotiations. Increased grains prices is creating a black cloud over the livestock market as higher feed prices are looming which will have a negative influence on livestock prices. The domestic pork market is doing well with current prices of porkers and baconers between 7% and 18% higher compared to prices a year ago.

Poultry: The US poultry market moved negatively this week as increased grains prices added pressure to the market due to rising feed costs. Increased grains prices is being felt in most countries around the world in response to the US prices - Brazil specifically, who were enjoying increased poultry exports to China are now experiencing pressurised margins as their feed costs increase. The domestic poultry market also experienced negative price movements this week as increased domestic grains prices resulted in rising feed costs, the market is further under pressure due to mid-month demand being at lower levels.

Hides: The calculated average hide price declined by 0.4% compared to last week. The current hide price is 77.9% lower compared to prices a year ago. The hide market continues to remain under pressure but prices are holding relatively steady.

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Beef market trends

International beef market

The US beef market was mixed this week with both positive and negative shifts in market prices, the US beef carcass equivalent declined by 1.7% week-on-week. The price for US topside, rump and chuck increased by 2%, 1% and 2.2% respectively week-on-week while the price for striploin and brisket declined by 3.8% and 3.3% respectively week-on-week. Increased domestic demand provided support for prices. The increasing grains prices is still a concern as increased feed prices will have a negative impact on the US livestock industry. Positive price movements were experienced in the New Zealand beef market with steer prices up by 0.6% and cow prices up by 2.6% week-on-week. Increased prices is due to continued strong export demand to China.

	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	305.00	600.96	222.81	280.00	315.93	543.00	397.00
w/w	2.0%	1.0%	-3.8%	2.2%	-3.3%	-1.7%	0.6%	2.6%
m/m	4.2%	-1.6%	-14.1%	11.0%	6.6%	-2.0%	1.12%	4.2%
y/y	-1.4%	-17.4%	-28.2%	-0.3%	0.7%	-13.9%	1.31%	-5.7%

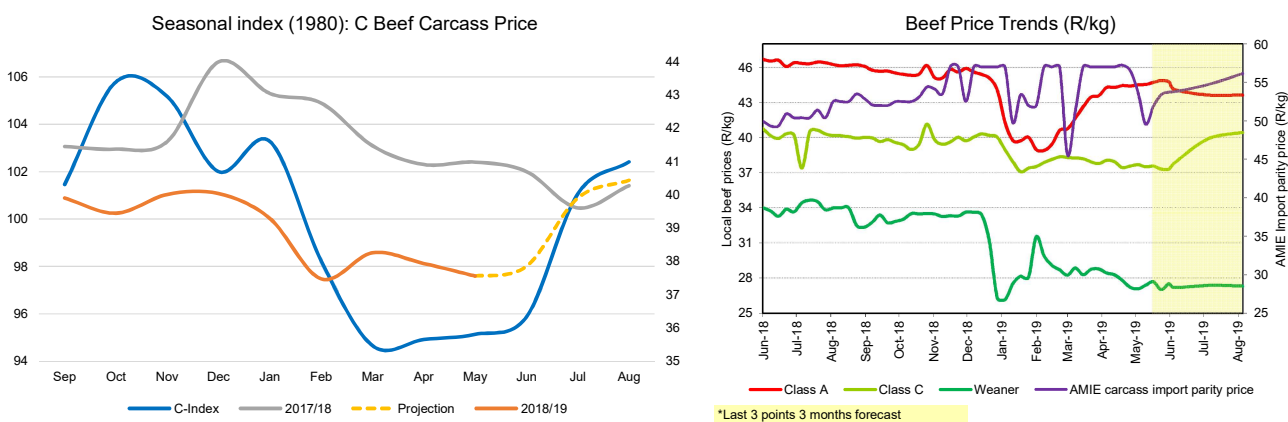
Local beef market

In the domestic beef market, the price for class A and C remained relatively stable this week with a very slight decline in price of 0.2% for class A and 0.01% for class C week-on-week. The weaner calf price increased by 1.8% this week. Although the domestic maize prices are currently at a high level, prices do appear to be stabilizing. The high maize prices continue to be a concern for livestock farmers though as increased feed costs will negatively impact livestock markets.

	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	14.81	9.72	44.76	37.32	44.97	27.53	67.24	53.74
w/w	0.37%	-0.7%	-0.2%	-0.01%	-0.2%	1.8%	1.9%	0.6%
m/m	3.9%	3.8%	0.6%	-1.0%	0.6%	1.6%	8.1%	-0.1%
y/y	11.8%	4.2%	-4.2%	-8.5%	-5.6%	-19.1%	-1.7%	7.5%

Outlook

In the international markets – the New Zealand beef market is expected to continue to experience strong export demand which will support prices although supply is expected to decline to winter low levels while the US beef market is expected to continue experiencing high levels of volatility. The US market is hopeful that the 4th of July will bring a spike in domestic demand. Continued wet weather is adding pressure to the market as increased US feed costs will impact their livestock markets. In the local market, beef prices are expected to remain relatively stable in the next three months. Class C prices should increase due to increased seasonal domestic demand due to winter that will provide support for prices.



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Sheep meat market trends

International sheep meat market

The New Zealand sheep meat market traded positively this week with a 1.6% increase in lamb price and a 1% increase in ewe prices week-on-week. Latest slaughter statistics show that this season's kills to date of 14.7 million head of lamb is a record low level for this time of year. This slaughter level is 5.5% behind last year. There may still be a large number of lambs coming to market this season as the promise of good winter premiums result in producers holding on to lambs in order to maximize margins later in the season. The price for mutton shoulders and ribs increased by 0.8% and 1.1% respectively week-on-week with the price of mutton shoulders up by 7% compared to a year ago.

	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	7.60	5.25	81.57	60.22	34.76	65.52
w/w	1.6%	1.0%	0.7%	0.1%	1.1%	0.8%
m/m	4.4%	5.0%	7.9%	8.0%	3.5%	11.1%
y/y	-0.3%	3.4%	4.4%	7.8%	-9.2%	7.0%

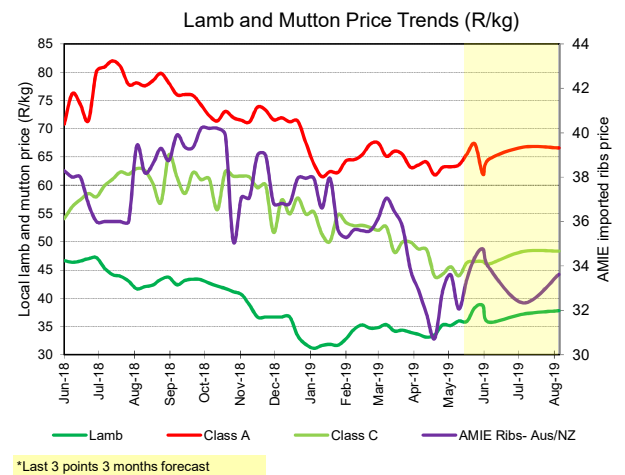
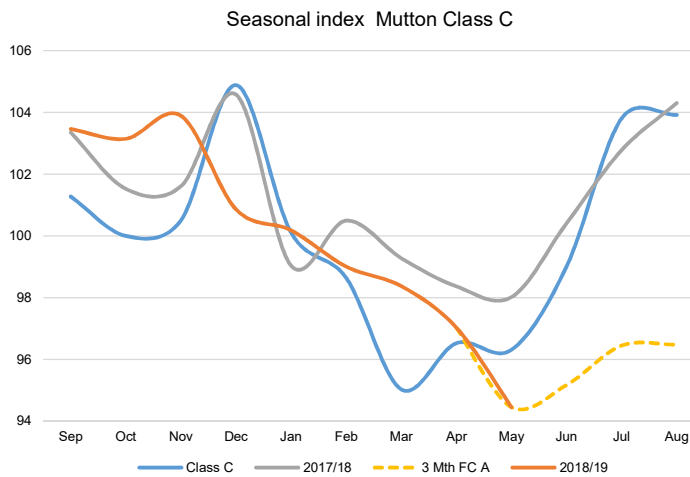
Local sheep meat market

The domestic sheep market is not experiencing the same increasing trend as the international market. The price of class A declined by 8% this week causing prices to be 12.5% lower compared to a year ago while the price for class C declined by only 0.04% week-on-week. Seasonal demand for class A is relatively lower than the demand for class C at this time of year. The price of feeder lambs increased by 0.9% week-on-week. Increased domestic grains prices is having a negative impact on the domestic lamb and mutton market. While the price of dorper skins remained the same as last week, the price for merino skins dropped by 6.5% week-on-week to R36.08/skin.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.72	61.94	46.50	38.68	25.83	10981
w/w	-0.7%	-8.0%	-0.04%	0.9%	0.0%	-6.5%
m/m	3.8%	-2.1%	2.0%	10.0%	-27.7%	1.6%
y/y	4.2%	-12.5%	-14.0%	-17.1%	-20.5%	95.6%

Outlook

The New Zealand market for lamb and mutton is expected to continue experiencing strong export demand which will continue to provide support for prices. In the domestic market, prices are expected to be under pressure in the short term due to increased grains prices. Increased seasonal demand for class C meat is expected to provide support for prices in the next three months with class A prices also expected to experience an improvement. The price of feeder lambs is expected to continue along an increasing trend.



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Pork market trends

International pork market

The US pork market mainly traded negatively this week. The US pork carcass and loin price declined by 0.5% and the ham price declined by 1.3% while the rib price increased by 0.7% week-on-week. Despite the ham price declining compared to last week, prices are 29.9% higher compared to a year ago. There has been no recent updates regarding African Swine Fever or a resolution to the US/China trade negotiations. Improved weather conditions in the US may result in an increase in domestic demand which would provide support for prices however forecasts call for continued rainfall. Increased grains prices is creating a black cloud over the livestock market as higher feed prices are looming which will have a negative influence on livestock prices.

	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	82.04	82.37	122.31	78.69	55.73	38.59
w/w	-0.5%	-0.5%	0.7%	-1.3%	0.9%	-0.6%
m/m	-4.0%	4.8%	-19.9%	10.8%	-13.9%	12.3%
y/y	1.4%	3.9%	-10.9%	29.9%	2.2%	37.6%

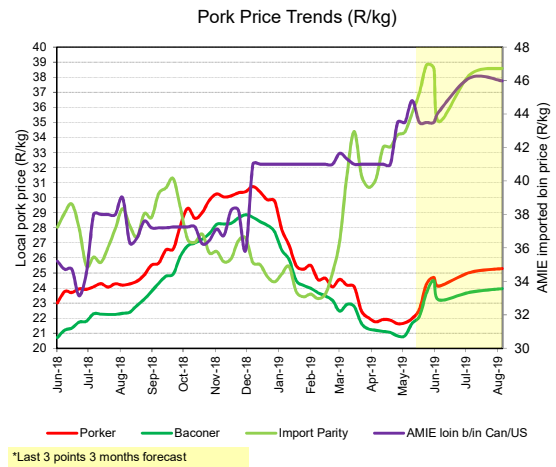
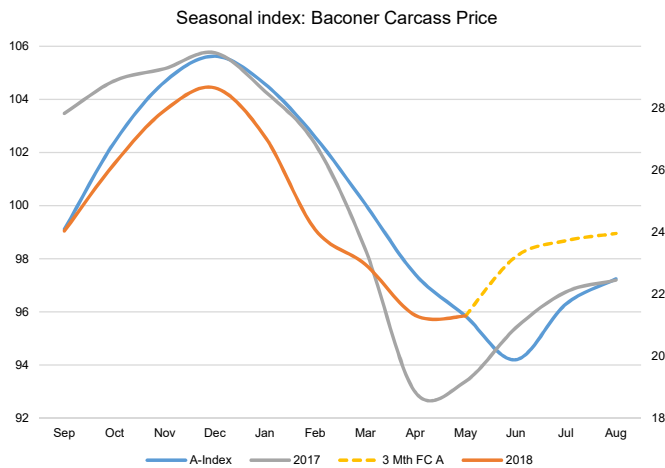
Local pork market

The domestic pork market is doing well with current prices of porkers and baconers between 7% and 18% higher compared to prices a year ago. Week-on-week the porker price increase by 1.7% while the baconer price increased by 3.3%. These price increases are due to increased seasonal domestic demand for pork. The number of animals slaughtered is 7.7% lower than last week but is 41.3% higher compared to the number of animals slaughtered a year ago.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.81	26273	24.59	24.70	24.49	43.50
w/w	0.37%	-7.7%	2.5%	1.7%	3.3%	0.0%
m/m	3.9%	-12.6%	15.7%	13.9%	17.5%	0.0%
y/y	11.8%	41.3%	12.5%	7.3%	18.2%	23.6%

Outlook

The US pork market is expected to continue to experience high levels of volatility. Increased grains prices causing rising feed costs will create added pressure on an already pressurised market as uncertainty continues regarding the US/China trade deal and the impact of ASF. The domestic pork market are expected to continue experiencing higher prices in the next three months as increased seasonal domestic demand provides support for prices.



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Poultry market trends

International poultry market

The US poultry market moved negatively this week as increased grains prices added pressure to the market due to rising feed costs. The price of whole birds declined by 2.5% while chicken breasts declined by 1% week-on-week. Fresh and frozen MDM prices declined week on week by 0.8% and 1.1% respectively. US chicken leg quarters experienced the only week-on-week price increase for the week with an increase of 1.8% while the price EU chicken leg quarters declined by 0.5%. Increased grains prices is being felt in most countries around the world in response to the US prices - Brazil specifically, who were enjoying increased poultry exports to China are now experiencing pressurised margins as their feed costs 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	94.63	97.00	22.88	27.47	21.25	29.03
w/w	-2.5%	-1.0%	-0.8%	-1.1%	1.8%	-0.5%
m/m	-7.1%	-1.0%	-0.1%	-1.5%	4.3%	3.6%
y/y	-21.2%	-11.8%	-6.8%	-19.7%	6.9%	21.1%

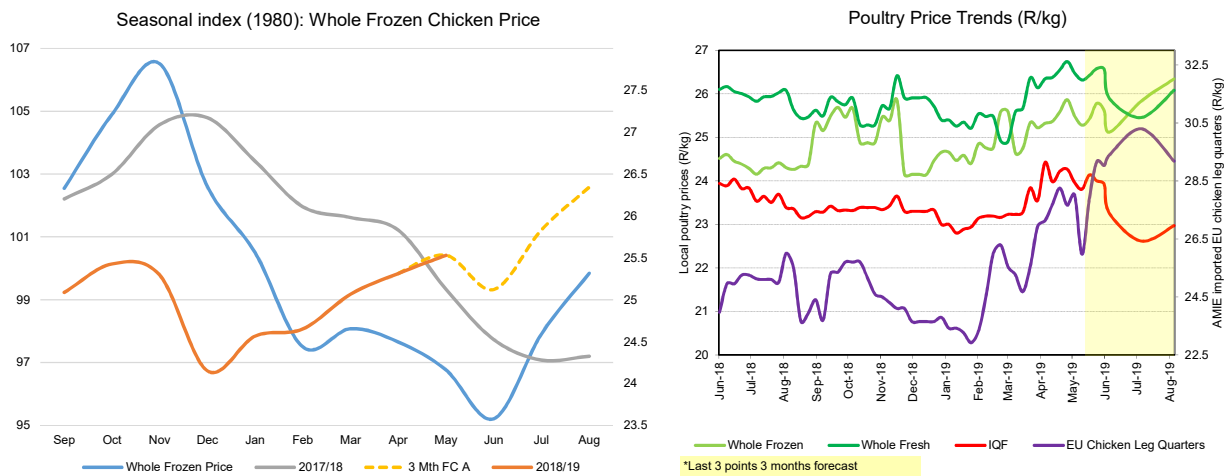
Local poultry market

The domestic poultry market also experienced negative price movements this week as increased domestic grains prices resulted in rising feed costs, the market is further under pressure due to mid-month demand being at lower levels. The price of fresh whole birds declined by 0.1%, frozen whole birds declined by 0.7% and Individually Quick Frozen prices declined by 0.3% 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	14.81	25.61	26.57	23.92	44.38	36.14
w/w	0.37%	-0.7%	-0.1%	-0.3%	-1.5%	-0.6%
m/m	3.9%	0.5%	0.3%	-0.2%	-2.2%	2.7%
y/y	11.8%	4.5%	1.8%	-0.1%	-7.8%	-0.2%

Outlook

The international poultry market is likely to experience volatility in the short term as increased grains prices result in rising feed costs which places pressure on the poultry industry which is a feed intensive sector. Increased demand is expected in the medium term due to the protein shortage in China. The local poultry industry is expecting increased domestic demand in the next two weeks due to month end which should provide support for prices. In the next three months the domestic poultry prices are expected to decline until June/July before increasing into August.



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Hide market trends

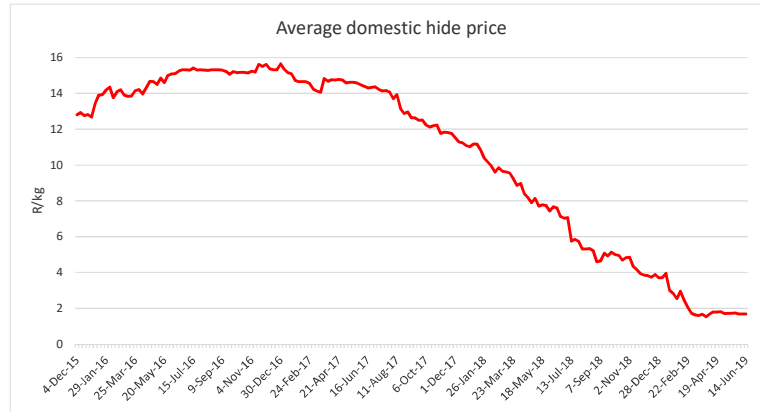
Local hide market

The calculated average hide price declined by 0.4% compared to last week. The RMAA price for feedlot hides declined by 2.1% while the RMAA price for field hides increased by 0.6% 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	1.91	1.56	1.68
w/w	-2.1%	0.6%	-0.4%
m/m	-4.5%	-4.3%	-2.3%
y/y	-77.4%	n/a	-77.9%

Outlook

The current hide price is 77.9% lower compared to prices a year ago. The hide market continues to remain under pressure but prices are holding relatively steady despite the pressure which is a silver lining for producers.



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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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