



Agri Trends

07 June 2019

Increased feed prices a concern for livestock farmers

Beef: US prices were mixed this week across the different cuts of beef with the beef carcass equivalent dropping by 1.9% week-on-week. There is concern that there will be a shortage of grains in the US due to the wet weather, but there is also concerns regarding the quality of the grains that will be produced. The sharp increase in grains prices is a concern for cattle farmers as feed prices are expected to increase. Domestic beef prices remained fairly stable this week with slight increase in the prices of class A (up 0.4%) and class C (up 0.2%) week-on-week. The increase in domestic grains prices is a concern as feed prices are expected to increase which will have an impact on beef prices.

Mutton: The New Zealand prices for lamb and ewes increased week-on-week with the price of lamb 1.1% higher and the price of ewes 1.6% higher. These increased prices is due to continued strong demand from international markets with the Chinese market showing phenomenal growth in demand for New Zealand lamb.

Pork: The US pork market was mixed this week as the concerns remain high regarding the trade negotiations with China and now Mexico as well as the African Swine Fever outbreak in China. Domestic demand for pork is sluggish and US pork stocks are increasing. The domestic pork market moved positively this week with prices for porkers increasing by 2.8% and the price for baconers increasing by 2.1% week-on-week.

Poultry: The US poultry market was mixed this week. The price of whole birds declined by 1.4% week-on-week. Increased grains prices may put additional pressure on the US poultry price. Domestic prices for whole birds remained fairly stable this week with the price of whole fresh birds increasing by 0.4% and the price for whole frozen birds increasing by 0.6% week-on-week. In the domestic market in the very short term the price of IQF is expected to drop slightly.

Hides: Due to a decline in the RMAA price for feedlot and field hides this week the resulting decline in the average local hide price was 2.73% week-on-week. Marketing campaigns by some leather brands are hoping to result in increase domestic demand therefore provide support to prices.

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Beef market trends

International beef market

US prices were mixed this week across the different cuts of beef with the beef carcass equivalent dropping by 1.9% week-on-week. For rump, striploin and brisket prices declined this week by 3.7%, 3% and 5.7% respectively while the price for topside and chuck increased by 2% and 4.7% respectively week-on-week. There is concern that there will be a shortage of grains in the US due to the wet weather, but there is also concerns regarding the quality of the grains that will be produced. The sharp increase in grains prices is a concern for cattle farmers as feed prices are expected to increase.

	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	201.00	300.00	640.00	217.94	273.00	319.30	537.00	387.00
w/w	2.0%	-3.7%	-3.0%	4.7%	-5.7%	-1.9%	0.00%	0.78%
m/m	-1.5%	-9.7%	-17.4%	9.0%	3.4%	-5.9%	0.75%	2.1%
y/y	-9.1%	-18.7%	-25.2%	-2.4%	2.5%	-13.2%	0.19%	-7.2%

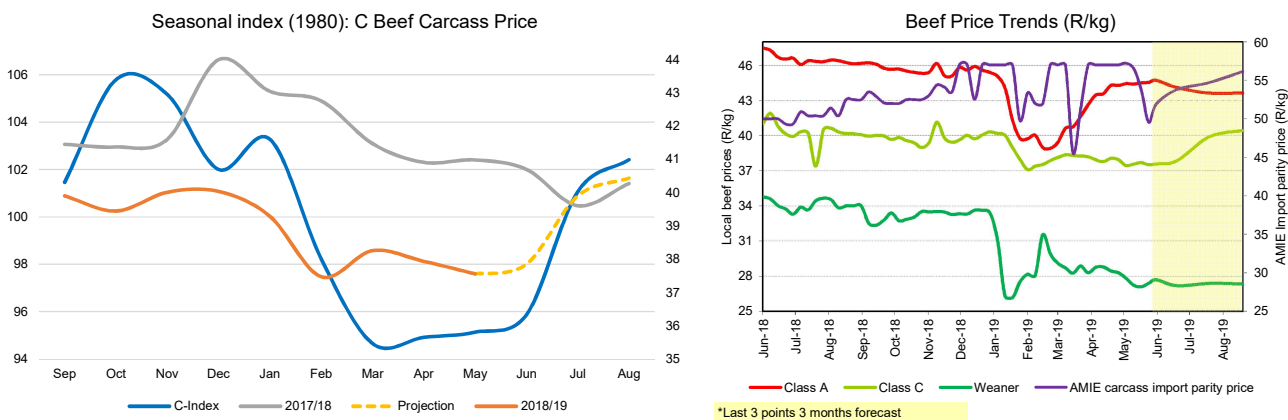
Local beef market

Domestic beef prices remained fairly stable this week with slight increase in the prices of class A (up 0.4%) and class C (up 0.2%) week-on-week. The price of weaner cattle increased by 1.1% week-on-week but prices are 20.4% lower compared to prices a year ago. The increase in domestic grains prices is a concern as feed prices are expected to increase which will have an impact on beef prices.

	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	14.65	9.55	44.72	37.58	44.91	27.70	64.36	51.92
w/w	1.61%	1.6%	0.4%	0.2%	0.4%	1.1%	2.4%	4.7%
m/m	1.7%	-0.1%	0.6%	0.4%	0.6%	-0.5%	2.0%	-9.3%
y/y	16.4%	7.8%	-5.8%	-8.4%	-7.3%	-20.4%	0.0%	3.8%

Outlook

The US market is expecting the increased grains prices to negatively affect their feeder prices in the short term. Overall it is expected that the US beef market will continue to experience volatility with a likely decline in prices as trade negotiations with China and Mexico continue as well as the increased grains prices impact the market. In the domestic beef market, the class C beef prices are expected to start experiencing larger price increase in the next two months before stabilizing into August. Class A prices are expected to start a slight downward trend in the next month. Weaner cattle prices may experience a dip in the short term due to higher maize prices but overall are expected to remain fairly stable for the next three months



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Sheep meat market trends

International sheep meat market

The New Zealand prices for lamb and ewes increased week-on-week with the price of lamb 1.1% higher and the price of ewes 1.6% higher. Compared to a year ago, the lamb price is 1.6% lower while the ewe price is 1.1% higher. The import parity for lamb and ewes increased by 2.6% and 2.9% respectively week-on-week. For specific mutton cuts – rib prices increased by 4.2% while shoulder prices increased by 3.3% week-on-week. These increased prices is due to continued strong demand from international markets with the Chinese market showing phenomenal growth in demand for New Zealand lamb.

	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	7.43	5.13	78.39	57.93	33.40	64.02
w/w	1.1%	1.6%	2.6%	2.9%	4.2%	3.3%
m/m	4.2%	3.6%	3.7%	2.9%	8.7%	8.5%
y/y	-1.6%	1.1%	6.6%	9.1%	-7.2%	4.9%

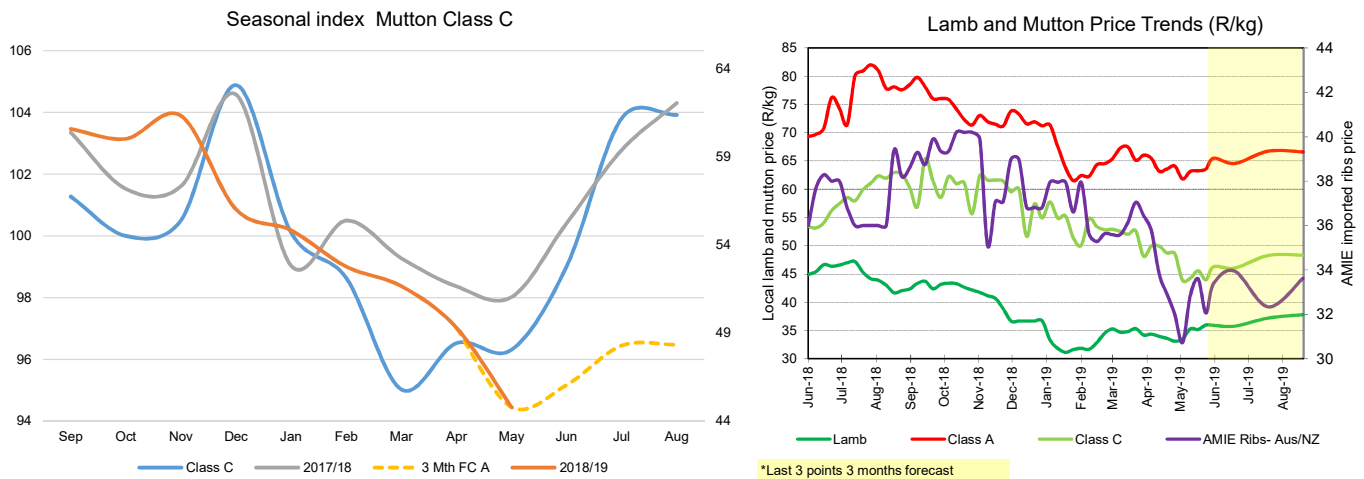
Local sheep meat market

The local market also moved positively this week likely due to support from the international market as well as increased seasonal domestic demand. The price for class A increased by 3% and the price for class C increased by 5.3% week-on-week, although the current prices are lower for both classes compared to a year ago. The price for feeder lambs remained fairly stable with a slight decline in price of 0.2% week-on-week. The price of merino skins dropped by 14.1% to a price of R41.90/skin compared to last week's price of R48.75/skin.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.55	65.49	46.28	35.91	32.50	10993
w/w	1.6%	3.0%	5.3%	-0.2%	-9.0%	2.2%
m/m	-0.1%	5.9%	5.5%	7.2%	-4.4%	-15.5%
y/y	7.8%	-5.5%	-13.4%	-20.0%	2.6%	-4.3%

Outlook

The New Zealand prices are expected to continue on their upward trend as continued demand for lamb exports supports prices. Domestic prices are expected to follow an upward trend for the next three months in line with the increased seasonal domestic demand. The price of feeder lambs may come under some pressure in the short term due to the increased grains prices.



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Pork market trends

International pork market

The US pork market was mixed this week as the concerns remain high regarding the trade negotiations with China and now Mexico as well as the African Swine Fever outbreak in China. Domestic demand for pork is sluggish and US pork stocks are increasing. US prices this week for loins and ham increased by 2% and 2.8% respectively while prices for pork carcass declined by 1.4% and rib prices dropped by 6.7% week-on-week. Increased commercial buying in mid-week provided some support for the market 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	82.46	79.88	130.35	75.42	58.06	36.87
w/w	-1.4%	2.0%	-6.7%	2.8%	-4.2%	3.8%
m/m	1.2%	7.1%	-17.2%	12.1%	-13.5%	10.8%
y/y	9.4%	6.8%	1.3%	36.1%	18.4%	47.5%

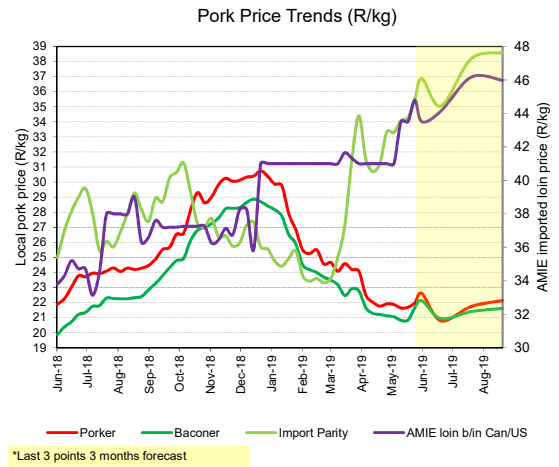
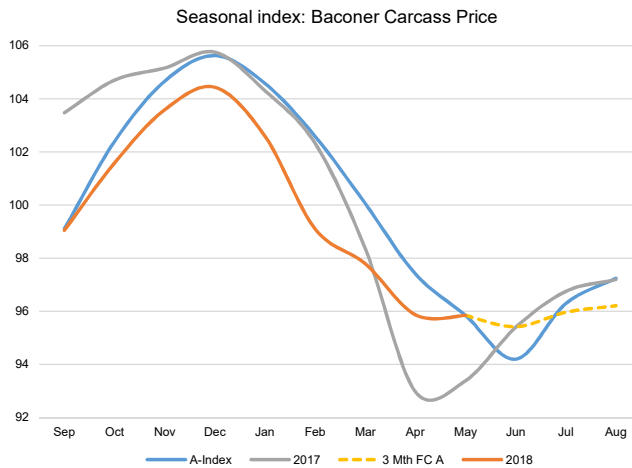
Local pork market

The domestic pork market moved positively this week with prices for porkers increasing by 2.8% and the price for baconers increasing by 2.1% week-on-week. The number of animals slaughtered this week is 3.7% more than last week and 26.4% higher than the number of animals slaughtered last year.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Lion (R/kg)
Price	14.65	31484	22.36	22.60	22.11	43.50
w/w	1.61%	3.7%	2.4%	2.8%	2.1%	-2.9%
m/m	1.7%	17.2%	4.2%	3.4%	5.1%	6.1%
y/y	16.4%	26.4%	7.1%	3.2%	11.3%	28.7%

Outlook

The US pork market is expecting positive news in the long term with a resolution to the trade negotiations at some point in the future but it is unknown when this will happen. In the shorter term the pork market is expected to continue to experience high levels of volatility. In the domestic pork market prices are expected to follow a similar trend to last year's prices are remain on an increasing trajectory, however based on the seasonal index prices may experience a slight dip in the next month.



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Poultry market trends

International poultry market

The US poultry market was mixed this week. The price of whole birds declined by 1.4% week-on-week while the price of US chicken breasts and fresh MDM remained the same as the previous week and frozen MDM was fairly stable with a 0.2% decline in price week-on-week. For leg quarters; the US price increased by 1.1% week-on-week while the EU price increased by 7.5%, this is a 21.6% increase in EU leg quarter price compared to a year ago. The US poultry market is still hopeful that there will be an increased demand for poultry due to the protein shortage in China which will provide support to prices.

	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	99.52	98.00	22.85	27.43	20.75	27.91
w/w	-1.4%	0.0%	0.0%	-0.2%	1.1%	7.5%
m/m	-0.9%	-2.0%	0.9%	-0.9%	4.4%	-1.2%
y/y	-17.2%	6.5%	-6.8%	-18.1%	12.0%	21.6%

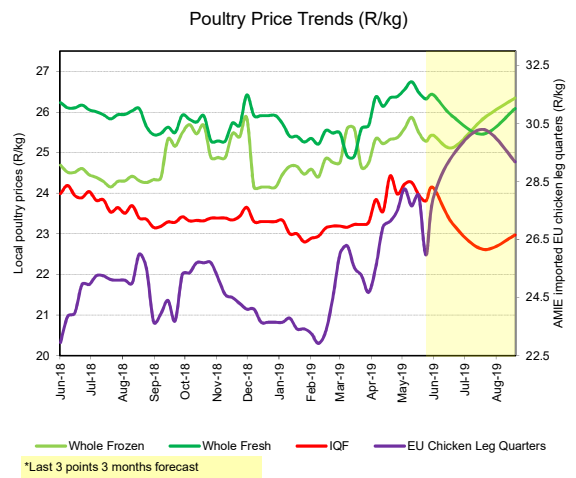
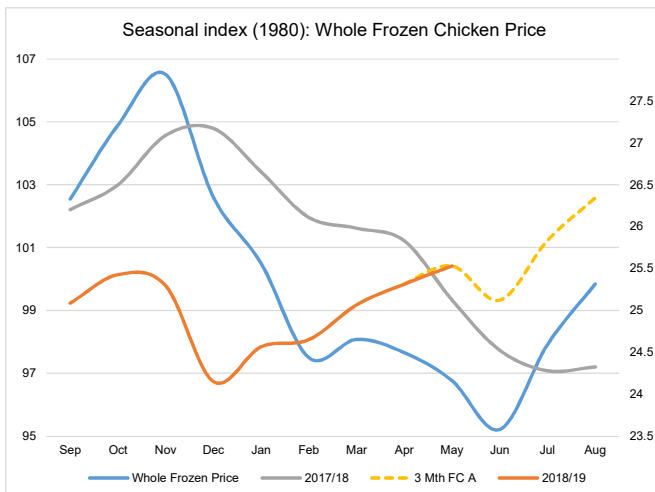
Local poultry market

Domestic prices for whole birds remained fairly stable this week with the price of whole fresh birds increasing by 0.4% and the price for whole frozen birds increasing by 0.6% week-on-week. The price of Individually Quick Frozen chicken increased by 1.4% week-on-week. There is a shortage of chicken fillets in the domestic market so imports are likely to occur in the short term, demand for gizzards and necks is still high but that demand is mostly being met by local supply

	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	14.65	25.43	26.43	24.14	45.57	36.07
w/w	1.61%	0.6%	0.4%	1.4%	0.2%	1.5%
m/m	1.7%	-0.6%	-0.5%	-0.3%	0.6%	-0.2%
y/y	16.4%	3.0%	0.7%	0.6%	-1.7%	22.1%

Outlook

US poultry prices are expected to continue to experience volatility as the trade negotiations continue. Increased grains prices may put additional pressure on the US poultry price. In the domestic market in the very short term the price of IQF is expected to drop slightly. In the next three months, it is expected that prices of fresh whole birds and IQF will follow a declining trend to a low in July before increasing while fresh whole birds will decline to a low in June and then increase.



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Hide market trends

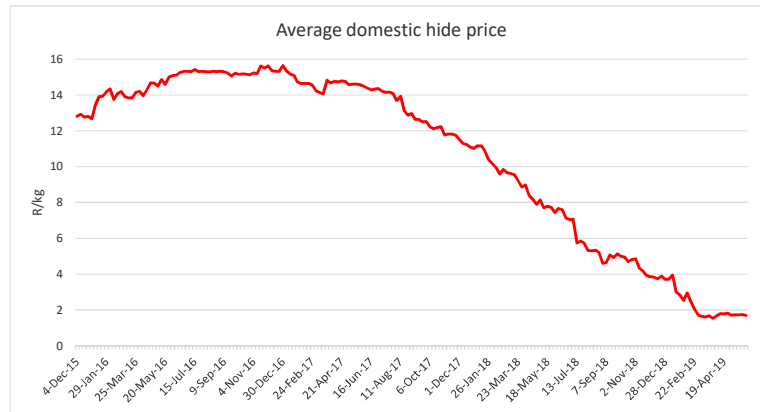
Local hide market

Due to a decline in the RMAA price for feedlot and field hides this week the resulting decline in the average local hide price was 2.73% week-on-week to a price of R1.69/kg. The current price is 77.3% lower than prices a year ago.

	Weighted Feedlot hide Price (RMAA)	Average Field hide Price (RMAA)	Average local Hide Price (Calculated)
	R/kg	R/kg	R/kg
Price	1.94	1.57	1.69
w/w	-4.9%	-5.4%	-2.73%
m/m	-1.5%	-1.9%	-0.9%
y/y	-77.4%	n/a	-77.3%

Outlook

Local hide prices are expected to remain under pressure but the market is hopeful that prices have reached a low and will begin to turn around in the short term. Marketing campaigns by some leather brands are hoping to result in increased domestic demand therefore providing support to prices.



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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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