



Agri Trends

12 July 2019

Strong Chinese demand supports New Zealand lamb prices

Beef: In the US beef market this week, price movements were mostly negative and trade of US beef contracts was sluggish. The market is hopeful that increased demand levels will provide support for the market and prevent prices from slipping further. Prices for US feeder cattle were relatively low this week as the volatility in the grains complex is causing uncertainty. Prices in the domestic beef market remained relatively stable this week. The domestic market is finding that demand for beef is currently low.

Mutton: The New Zealand market experienced positive price movements this week with a 0.6% increase in the lamb price and a 1.9% increase in the ewe price. The Chinese market continues to be a large buyer of New Zealand lamb. In the season to date 101,000 tons of New Zealand lamb has been sent to China. In the domestic market this week, the price of class A declined by 0.8% week-on-week and the price for class C remained relatively stable with a 0.1% increase in price week-on-week. The price for feeder lambs declined by 1.7% week-on-week.

Pork: The US pork market experienced negative price movements this week with the US pork carcass price declining by 2.7% week-on-week. The US hog market is currently uncertain regarding pork exports as there is no news on the US/China trade negotiations. In the domestic pork market the price for porkers increased by 1.3% while the price of baconers remained stable with only a slight 0.01% decline in price week-on-week.

Poultry: This week the price for US whole birds increased by 1% compared to last week and the price of chicken breasts remained the same as last week. Chinese poultry prices are considered to be exceptionally high currently due to the shift from pork to poultry due to the African Swine Fever outbreak. Prices in the domestic poultry market remained relatively stable this week with marginal increases in prices compared to last week.

Hides: The domestic hide market moved positively this week with a 2.1% increase in the calculated average hide price. This price of R1.70/kg is the highest price recorded in the past month.

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Beef market trends

International beef market

In the US beef market this week, price movements were mostly negative and trade of US beef contracts was sluggish. The market is hopeful that increased demand levels will provide support for the market and prevent prices from slipping further. Prices for US feeder cattle were relatively low this week as the volatility in the grains complex is causing uncertainty. High grains costs result in higher feed costs and as such will negatively influence the feeder cattle price. Price for rump and chuck increased by 1% and 2.9% respectively for the week. Week-on-week prices for topside and brisket declined by 2.9% and 0.8% respectively while the price for striploin dropped sharply to a price 21.3% lower compared to prices a year ago. The USDA WASDE report indicates a reduction in forecasted US domestic beef production for the season with a resulting expected increase in imports and decrease in exports of 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	201.08	298.00	545.25	222.00	239.00	291.22	559.00	418.00
w/w	-2.9%	1.0%	-9.1%	2.9%	-0.8%	-3.2%	0.7%	1.0%
m/m	0.5%	-1.3%	-12.8%	1.9%	-17.4%	-9.4%	3.5%	8.0%
y/y	-1.0%	-15.0%	-21.3%	-0.1%	0.6%	-10.1%	3.7%	-2.3%

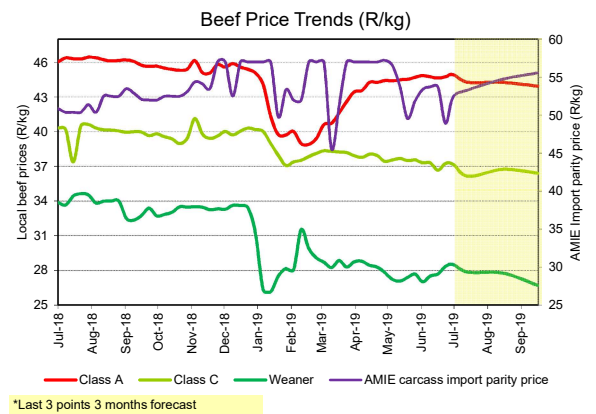
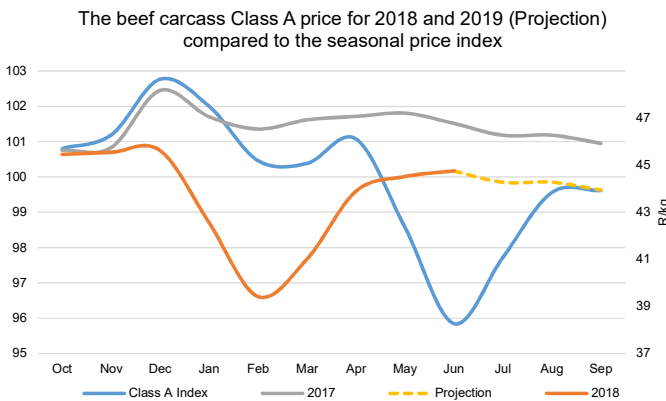
Local beef market

Prices in the domestic beef market remained relatively stable this week. The price of class C beef declined by 0.2% week-on-week while the price for class A and weaner calves increased by 0.4% and 0.6% respectively compared to last week's prices. The domestic market is finding that demand for beef is currently low. Compared to a year ago prices for class A, class C and weaner calves are lower by 2.4%, 7.7% and 15.9% respectively. The import parity for beef, according to AMIE, is 7% higher compared to last week. The number of animals slaughtered this week, according to RMAA, amounts to 11,877 which is 14% lower 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	14.11	9.42	44.95	37.20	45.16	28.52	68.56	52.40
w/w	-1.02%	-0.9%	0.4%	-0.2%	0.4%	0.6%	0.1%	7.0%
m/m	-4.4%	-3.8%	0.2%	-0.3%	0.2%	5.5%	3.9%	-1.9%
y/y	2.9%	2.2%	-2.4%	-7.7%	-3.8%	-15.9%	-0.2%	2.9%

Outlook

The US beef market is expecting cattle prices to remain low in the medium term. Volatility in the grains complex is expected to continue putting pressure on the beef market. An increase in US domestic demand would provide support for US beef prices. The USDA WASDE report forecasts US steer prices to be lower than last year. The domestic beef market is expecting that prices for weaner calves may dip in the next week as a large supply of weaners are expected to be released into the market. Low domestic demand levels, specifically in the mid-month period, are expected to result in relatively stable prices for class A and class C beef in the short term. According to seasonal trends, prices for class A, class C and weaner cattle are expected to follow a slight declining trend over the next three months.



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Sheep meat market trends

International sheep meat market

The New Zealand market experienced positive price movements this week with a 0.6% increase in the lamb price and a 1.9% increase in the ewe price. The Chinese market continues to be a large buyer of New Zealand lamb. In the season to date 101,000 tons of New Zealand lamb has been sent to China. The main form of lamb exported to China is frozen bone-in cuts (93% of exported amount). Chinese buyers can further process bone-in cuts with relatively inexpensive Chinese labour. New Zealand processors are achieving better margins as they receive higher prices and they incur fewer costs producing the frozen bone-in lamb portions. The New Zealand market is having to balance between supplying the high Chinese demand for bone-in cuts and maintaining the traditional boneless cuts markets. This balance is important for the New Zealand market in the event that there is a lull in Chinese buying.

	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	7.75	5.40	80.41	59.78	34.22	69.00
w/w	0.6%	1.9%	-0.3%	0.7%	-9.8%	4.5%
m/m	3.6%	3.8%	-0.7%	-0.6%	-0.5%	6.1%
y/y	-0.6%	4.2%	2.0%	6.4%	-7.0%	7.6%

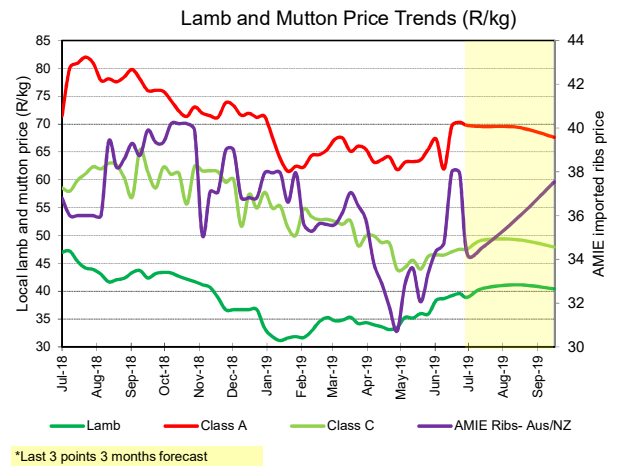
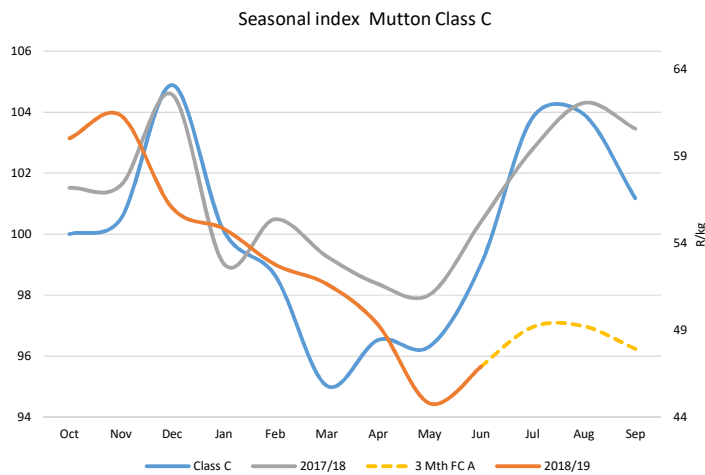
Local sheep meat market

In the domestic market this week, the price of class A declined by 0.8% week-on-week and the price for class C remained relatively stable with a 0.1% increase in price week-on-week. The price for feeder lambs declined by 1.7% week-on-week. This decline in feeder lamb price is attributed to reduced domestic demand in the mid-month period. The number of animals slaughtered this week, according to RMAA, decreased by 4% compared to last week, however, is 19.6% higher compared to a year ago. The price of Merino skins remained the same as last week at a price of R38.75/skin, this price is 58% lower compared to prices a year ago.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.42	69.76	47.58	38.90	24.00	11637
w/w	-0.9%	-0.8%	0.1%	-1.7%	-4.0%	-4.0%
m/m	-3.8%	3.6%	2.3%	1.4%	-7.1%	-0.9%
y/y	2.2%	-2.4%	-18.7%	-17.2%	-33.0%	19.6%

Outlook

The New Zealand market is expecting the Chinese demand will continue to remain at high levels for frozen bone-in cuts. New Zealand prices will continue to be supported by the export demand and as such, processors are expected to continue experiencing improved margins. Based on seasonal trends, the domestic market is expecting prices of class A, class C and feeder lambs to follow an increasing trend for the month of July before declining from August into September.



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Pork market trends

International pork market

The US pork market experienced negative price movements this week with the US pork carcass price declining by 2.7% week-on-week. Prices for pork loins, ribs and ham declined by 1.6%, 4.6% and 5.9% respectively compared to prices a week ago. The US hog market is currently uncertain regarding pork exports as there is no news on the US/China trade negotiations. US domestic demand for pork is currently low which is further adding pressure to the market. The USDA WASDE report indicates that US pork production is expected to increase in the remainder of the year. The US import parity for pork ribs and ham declined by 4.8% and 5.2% respectively week-on-week.

	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	71.59	74.18	103.54	58.05	46.28	29.40
w/w	-2.7%	-1.6%	-4.6%	-5.9%	-4.8%	-5.2%
m/m	-13.2%	-10.4%	-14.8%	-27.2%	-16.2%	-24.3%
y/y	-15.9%	-8.9%	-17.6%	1.3%	-11.8%	5.1%

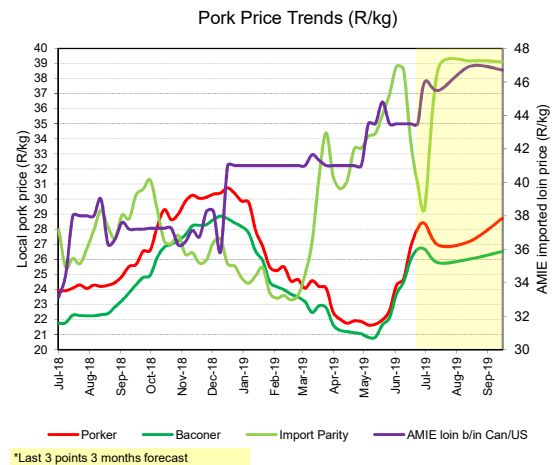
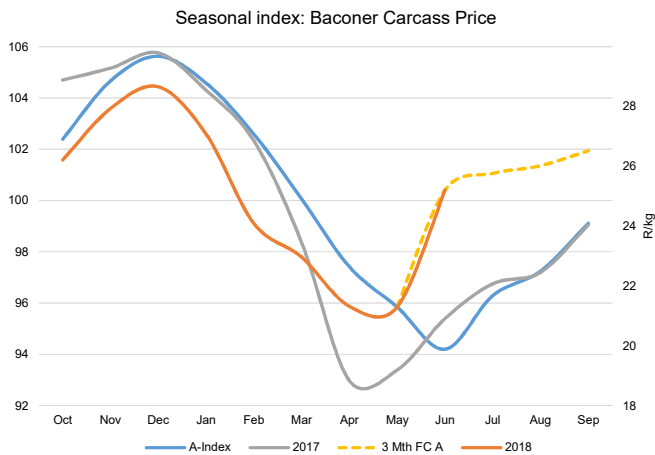
Local pork market

In the domestic pork market the price for porkers increased by 1.3% while the price of baconers remained stable with only a slight 0.01% decline in price week-on-week. Current prices are 18.5% higher for porkers and 22.6% higher for baconers compared to prices a year ago. The number of animals slaughtered this week, according to RMAA, is 1.9% lower than last week. Red Meat Levy Admin (RMLA) has recorded that the total number of pigs slaughtered across South Africa for the month of May 2019 is 277,114 head. This is a 1.2% increase in the number of pigs slaughtered compared to April 2019.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.11	29120	27.52	28.38	26.67	46.00
w/w	-1.02%	-1.9%	0.6%	1.3%	-0.01%	5.7%
m/m	-4.4%	2.3%	14.7%	16.9%	12.5%	5.7%
y/y	2.9%	8.4%	20.5%	18.5%	22.6%	38.8%

Outlook

The USDA WASDE report forecasts that prices for US pork are to decline for the next two months. Positive news regarding the US/China trade negotiations is expected to result in a sharp increase in US pork prices. However, there is no indication of when, or if, a positive resolution will occur. The domestic pork market is expected to continue along an increasing trend for the next three months. Prices may experience a slight dip in August but it is not expected to be significant.



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Poultry market trends

International poultry market

This week the price for US whole birds increased by 1% compared to last week and the price of chicken breasts remained the same as last week. The global poultry market has experienced gradually improving market conditions for the first half of 2019 mainly due to a more balanced supply in key trading markets such as Brazil, Thailand, the US and the EU. Chinese poultry prices are considered to be exceptionally high currently due to the shift from pork to poultry due to the African Swine Fever outbreak. The price for fresh MDM dropped by 3% week-on-week and the price for frozen MDM remained relatively stable with a 0.04% decline in price compared to last week. The price for US leg quarters declined by 0.7% and the price for EU leg quarters declined by 3.3% week-on-week.

	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	93.75	98.00	22.76	27.66	20.25	28.04
w/w	1.0%	0.0%	-3.0%	-0.04%	-0.7%	-3.3%
m/m	-3.4%	0.0%	-1.3%	-0.4%	-3.0%	-3.9%
y/y	-18.0%	-18.3%	-7.3%	-17.2%	10.8%	11.0%

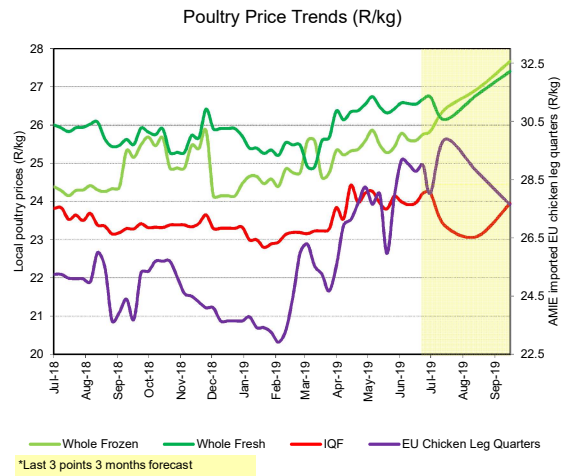
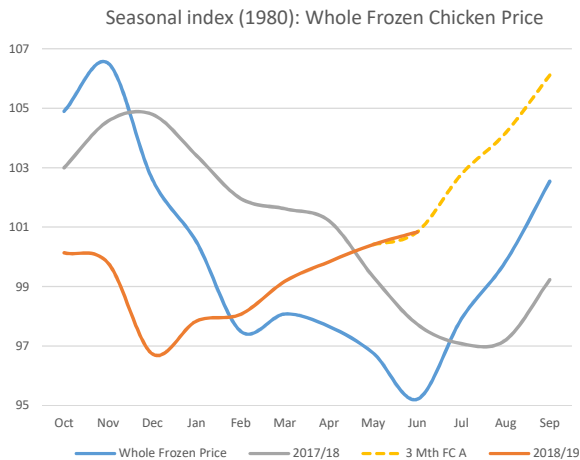
Local poultry market

Prices in the domestic poultry market remained relatively stable this week with marginal increases in prices compared to last week. The price of fresh whole birds increased by 0.2%, the price of frozen whole birds increased by 0.3% and Individually Quick Frozen chicken prices increase by 0.04% week-on-week. Current prices of frozen whole birds are 6% higher compared to prices a year ago. The import parity for whole birds and chicken breasts declined compared to last week by 0.1% and 1% respectively.

	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	14.11	25.84	26.74	24.23	42.54	34.85
w/w	-1.02%	0.3%	0.2%	0.04%	-0.1%	-1.0%
m/m	-4.4%	0.2%	0.6%	1.0%	-5.6%	-4.1%
y/y	2.9%	6.0%	2.8%	1.7%	-10.9%	-13.9%

Outlook

The volatility in the US grains complex is expected to have an influence on the US poultry industry as increased feed costs will negatively affect poultry producers in the US. It is expected that the price of US leg quarters will remain relatively stable for the next three months while the price for EU leg quarters are expected to decline from August. The domestic poultry market is not expecting major price changes in the next two months. The price for frozen whole birds are expected to continue along their increasing trend in the medium term and while prices for fresh whole birds and IQF are expected to dip in August.



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Hide market trends

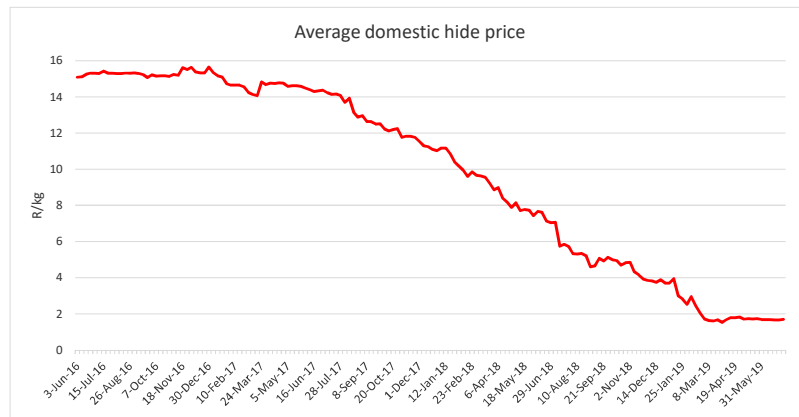
Local hide market

The domestic hide market moved positively this week with a 2.1% increase in the calculated average hide price. This price of R1.70/kg is the highest price recorded in the past month.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.94	1.61	1.70
w/w	6.0%	1.9%	2.1%
m/m	-0.5%	3.9%	0.7%
y/y	-76.3%	n/a	-75.9%

Outlook

The current hide price is 75.9% lower compared to prices a year ago. The hide market remains under pressure at this time, however prices do appear to be stabilizing. Low demand and reduced consumer spending power are contributing factors to the low hide 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

Sheep carcass prices:

Class A: lamb or A grade (0-12 months, Milk Teeth). Class C: (28 – 48 months, 8 Teeth). (Source: Red Meat Abattoir Association; sheep carcass prices are a week delayed). Feeder lamb (27-41kg) Average live feeder lamb prices (Excluding VAT) at auctions and feedlot in the Northern Free State and auctions in the Central Free State (Bloemfontein) in the current week. Dorper Skins: Price per skin (Source: Red Meat Abattoir Association; Dorper skin prices are a week delayed). Slaughter numbers: The total number of sheep (all grades) slaughtered in the week (Source: Red Meat Abattoir Association; slaughter numbers are a week behind). AMIE carcass import parity price for mutton ribs and shoulders: wholesale delivered price of mutton ribs and shoulders (Excluding VAT) (Source: Association of Meat Importers & Exporters; prices are a week delayed)

Pork carcass prices:

Porker: Average price for porker pigs (weighing 20-55.99kg) across the fat thickness levels (PORCUS) Baconer: Average price for baconer pigs (weighing 65-79.99kg) across the fat thickness levels (PORCUS). (Source: Red Meat Abattoir Association; pork carcass prices are a week delayed). Fat thickness level (PORCUS): P: <12mm, O: 13-17mm, R: 18-22mm, C: 23-27mm, U: 28-32mm, S: >32mm. Slaughter numbers: The total number of pigs (all grades) slaughtered in the week (Source: Red Meat Abattoir Association; slaughter numbers are a week behind). AMIE loin import parity price: wholesale delivered price of pork loins (Excluding VAT) (Source: Association of Meat Importers & Exporters; prices are a week delayed)

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