



Agri Trends

19 July 2019

The SARB cuts repo rate by 25 basis points

Beef prices, lamb prices and poultry prices have remained at the same level if not lower for the past months, due to a lacklustre demand from the financially stressed consumer. With the lower lending rate, we hope the consumer can now return to the livestock market to enjoy a few more steaks!

Beef: Prices in the domestic beef market traded mostly negatively this week. The price of class C beef increased by 0.5% week-on-week while the price for class A and weaner calves decreased by 1.6% and 2.3% respectively compared to last week's prices. Demand for beef remains low due to consumer spending restraints. Compared to a year ago prices for class A, class C and weaner calves are lower by 4.7%, 7.0% and 17.3% respectively. The import parity for beef, according to AMIE, is 1.9% higher compared to last week. The number of animals slaughtered this week, according to RMAA, amounts to 11,623 which is 2.1% lower compared to last week.

Mutton: In the domestic market this week, the price of class A declined by 0.2% week-on-week and the price for class C increased by 5.6% week-on-week. The price for feeder lambs declined by 2.5% week-on-week. This decline in feeder lamb price is attributed to reduced domestic demand during the mid-month period. The number of animals slaughtered this week, according to RMAA, decreased by 27.4% compared to last week. The price of Merino skins declined by 6.7% from R38.57/skin to R36.00/skin week-on-week, this price is 62.21% lower compared to prices a year ago.

Pork: The US pork market is expected to perform better, supported by the increased import demand for pork in China amid their ASF woes. The uncertainty around the trade resolution is limiting a pork price rally, however, there was optimism in the US pork market this week which supported prices. US pork production is expected to increase in the remainder of the year. The domestic pork market is expected to continue along an increasing trend for the next three months.

Poultry: Due to the ASF outbreak in China, global pork prices increased sharply and as such global poultry prices followed suit. This means poultry imports into SA have become more expensive. Local poultry prices are expected to remain steady with no major shifts in prices, the industry is hoping the month-end demand will support prices. We anticipate an increase in prices from November onwards till the festive season based on seasonal trends.

Hides: The domestic hide market moved positively this week with a 0.4% increase from R1.70/kg to R1.71/kg in the calculated average hide price.

Contents

Beef market trends	2
Sheep meat market trends	3
Pork market trends	4
Poultry market trends	5
Hide market trends	6

Beef market trends

International beef market

In the US beef market this week, price movements were mostly negative. Prices for US feeder cattle and live cattle were relatively low this week as the volatility in the grains complex is causing uncertainty. The rise in US and China competition for the New Zealand manufacturing beef market, keeps US imported beef prices above the previous year's prices. Imports of manufacturing beef from New Zealand to the US declined in June 2019 from a 5 year-average. Price for rump and chuck decreased by 2.5% and 3.2% respectively for the week. Week-on-week prices for topside and brisket declined by 0.5% and 1.9% respectively while the price for striploin increased marginally by 0.7% compared to prices a week ago.

	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	200.00	290.57	548.94	215.00	234.52	287.59	564.00	426.00
w/w	-0.5%	-2.5%	0.7%	-3.2%	-1.9%	-1.2%	0.9%	1.9%
m/m	-2.0%	-4.7%	-8.7%	-3.5%	-16.2%	-9.0%	3.9%	7.3%
y/y	-2.7%	-17.2%	-18.9%	-2.5%	3.8%	-9.2%	3.7%	-1.2%

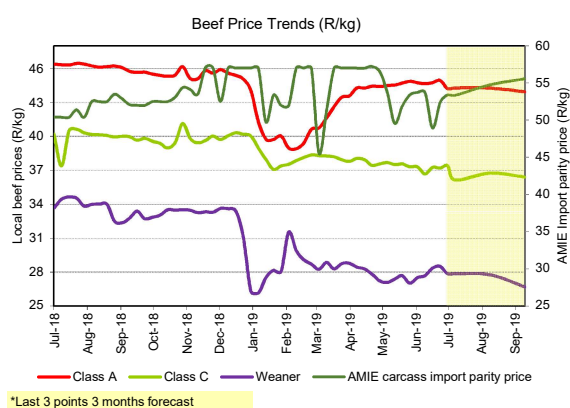
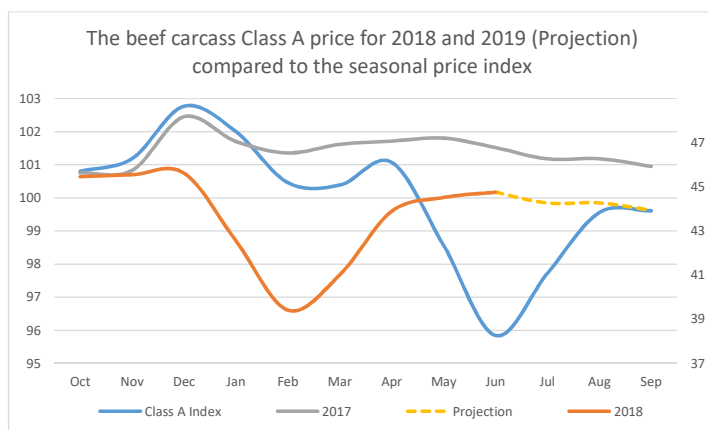
Local beef market

Prices in the domestic beef market traded mostly negatively this week. The price of class C beef increased by 0.5% week-on-week while the price for class A and weaner calves decreased by 1.6% and 2.3% respectively compared to last week's prices. Demand for beef remains low due to consumer spending restraints. Compared to a year ago prices for class A, class C and weaner calves are lower by 4.7%, 7.0% and 17.3% respectively. The import parity for beef, according to AMIE, is 1.9% higher compared to last week. The number of animals slaughtered this week, according to RMAA, amounts to 11,623 which is 2.1% 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	14.10	9.80	44.22	37.40	44.41	27.86	72.72	53.40
w/w	-0.06%	4.1%	-1.6%	0.5%	-1.7%	-2.3%	6.1%	1.9%
m/m	-4.8%	0.8%	-1.2%	0.2%	-1.2%	1.2%	8.1%	-0.6%
y/y	5.0%	9.2%	-4.7%	-7.0%	-6.0%	-17.3%	7.9%	6.0%

Outlook

Globally, beef and sheep meat prices will likely continue to rise after droughts in major producing regions. Continuing global protein shortage, high world meat prices, limited global herd growth, and Australia's low beef herd and sheep flock will likely underpin prices. The rise in US and China competition for the New Zealand manufacturing beef market, keeps US imported beef prices above the previous year's prices. Imports of New Zealand manufacturing beef to the US declined in June 2019 from a 5 year-average. Volatility in the grains complex is expected to continue putting pressure on the beef market. Low domestic demand levels, specifically in the mid-month period, are expected to keep prices stable. 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 lamb market experienced positive price movements this week with a 0.6% increase in the lamb price and a 0.9% increase in the ewe price. June lamb exports are down for the season to date due to a lower slaughtering rate in New Zealand. July exports is estimated to follow a downward trend with fewer slaughtering numbers. New Zealand's national lamb slaughtering number is down 6% year-on-year. Analysts caution that this trend of reduced slaughtering numbers will continue before it improves in September and October. China remains the major export destination for New Zealand lamb, taking up 42% of New Zealand lamb exports.

	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	7.80	5.45	84.16	62.63	34.16	70.50
w/w	0.6%	0.9%	4.7%	4.8%	-0.2%	2.2%
m/m	2.6%	3.8%	3.2%	4.0%	-1.7%	7.6%
y/y	-0.6%	4.2%	8.9%	13.3%	-5.1%	10.9%

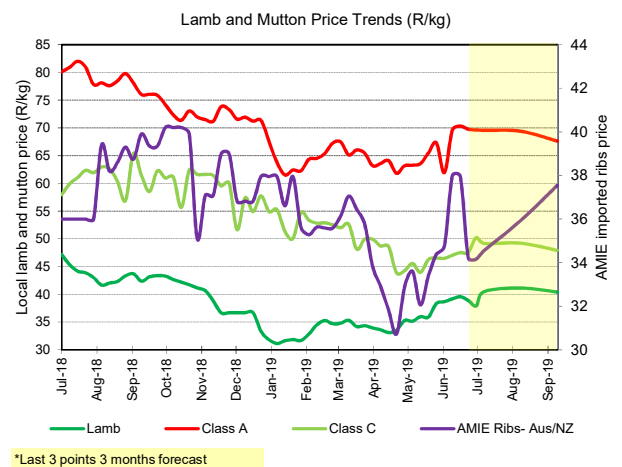
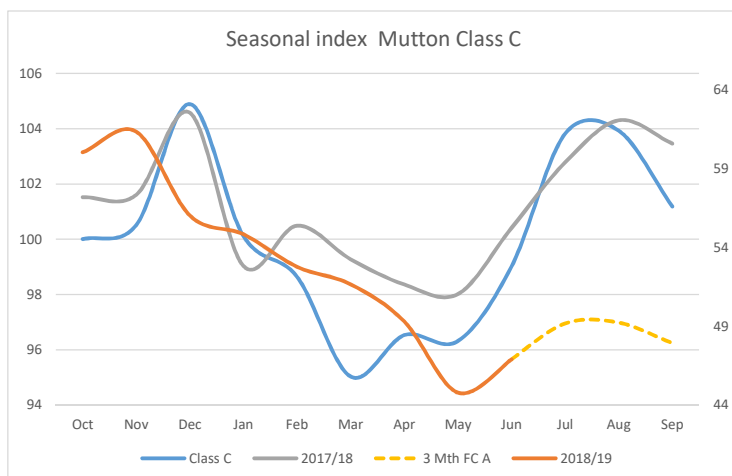
Local sheep meat market

In the domestic market this week, the price of class A declined by 0.2% week-on-week and the price for class C increased by 5.6% week-on-week. The price for feeder lambs declined by 2.5% week-on-week. This decline in feeder lamb price is attributed to reduced domestic demand during the mid-month period. The number of animals slaughtered this week, according to RMAA, decreased by 27.4% compared to last week. The price of Merino skins declined by 6.7% from R38.57/skin to R36.00/skin week-on-week, this price is 62.21% 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	9.80	69.63	50.23	37.92	25.00	8447
w/w	4.1%	-0.2%	5.6%	-2.5%	4.2%	-27.4%
m/m	0.8%	12.4%	8.0%	-2.0%	-3.2%	-23.1%
y/y	9.1%	-13.1%	-13.3%	-19.6%	-38.5%	-25.7%

Outlook

Global lamb prices are expected to remain high, underpinned by high world meat prices, New-Zealand and Australia's low beef and sheep flock, limited global herd growth, drought in major exporting countries and the increasing global demand for proteins. 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 traded marginally negative this week with the US pork carcass price declining by 0.8% week-on-week. Prices for pork loin and ribs declined by 0.6% and 2.9% respectively. The ham price increased by 4.6% compared to prices a week ago. The US pork market is expected to perform better, supported by the increased import demand for pork in China amid their ASF woes. The uncertainty around the trade resolution is limiting a pork price rally, however, there was optimism in the US pork market this week which supported prices. US pork production is expected to increase in the remainder of the year. The US import parity for pork ribs declined by 2.4% and import parity for ham increased 3.2% 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	71.01	73.71	100.52	60.73	45.15	30.33
w/w	-0.8%	-0.6%	-2.9%	4.6%	-2.4%	3.2%
m/m	-13.4%	-10.5%	-17.8%	-22.8%	-19.0%	-21.4%
y/y	-14.2%	-7.3%	-13.3%	17.6%	-6.0%	19.1%

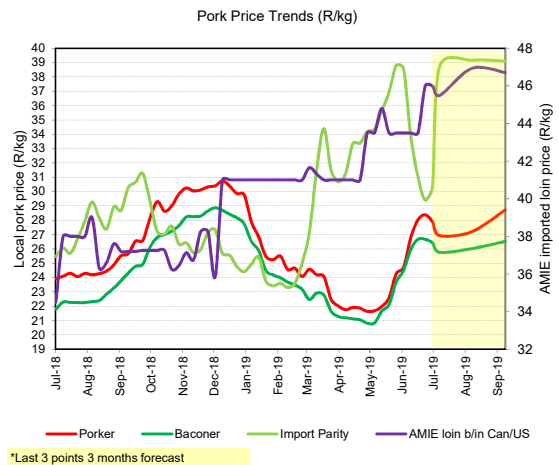
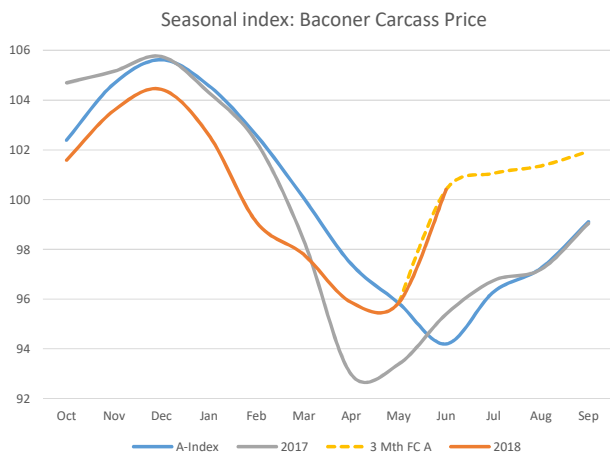
Local pork market

In the domestic pork market the price for porkers decreased by 1.7% while the price of baconers declined by only 0.92% week-on-week. Compared to a year ago, current prices are 18.8% higher for pork average contract price, 16.6% higher for porkers and 21.2% higher for baconers. The number of animals slaughtered this week, according to RMAA, is 6.0% higher than last week.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Lion (R/kg)
Price	14.10	27377	27.16	27.89	26.42	46.00
w/w	-0.06%	-6.0%	-1.3%	-1.7%	-0.92%	0.0%
m/m	-4.8%	4.2%	10.4%	12.9%	7.9%	5.7%
y/y	5.0%	6.7%	18.8%	16.6%	21.2%	33.3%

Outlook

US pork prices are expected to rise on the back of future prospects of exports to China, considering the huge demand the Chinese market has for pork imports due to the ASF outbreak. 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.



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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 declined by 6.1% week-on-week. The demand for thighs are so high, completely eclipsing the demand for breasts from the US consumer. The ASF outbreak in China (resulting in very high prices for pork in China), will likely stimulate demand for alternatives such as chicken in the short to medium term. The price for fresh MDM dropped by 0.2% week-on-week and the price for frozen MDM declined marginally by 0.11% compared to last week. The price for US leg quarters remained steady and the price for EU leg quarters declined by 1.2% 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	92.81	92.00	22.71	27.63	20.24	27.70
w/w	-1.0%	-6.1%	-0.2%	-0.11%	0.0%	-1.2%
m/m	-1.9%	-5.2%	-0.7%	0.6%	-4.8%	-4.6%
y/y	-17.5%	-17.1%	-3.6%	-15.7%	12.3%	9.7%

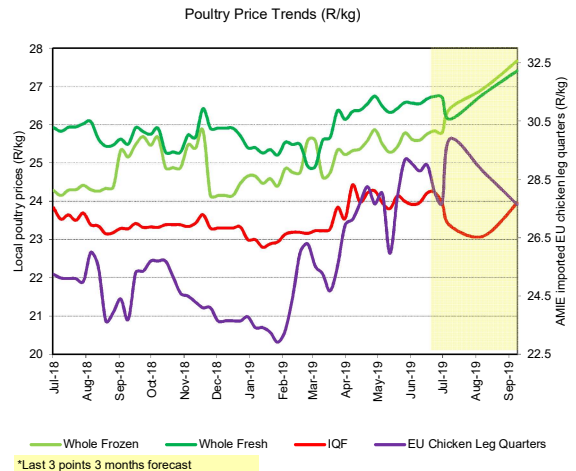
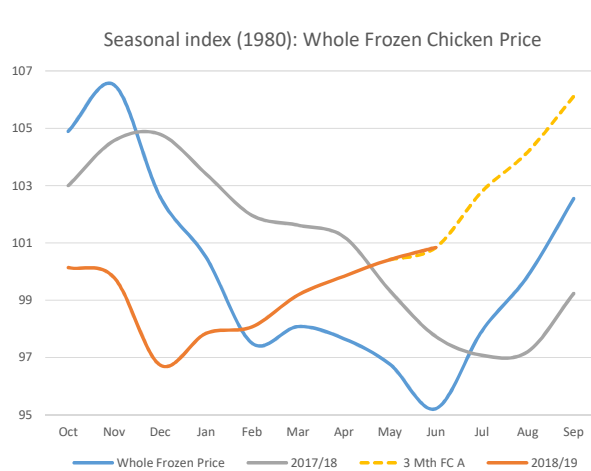
Local poultry market

Prices in the domestic poultry market declined marginally this week. The price of fresh whole birds decreased by 0.1%, the price of frozen whole birds decreased by 0.2% and Individually Quick Frozen chicken prices decreased by 1.2% week-on-week. Current prices of frozen whole birds are 6.2% higher compared to prices a year ago, current IQF prices are 0.4% higher year on year. The import parity for whole birds and chicken breasts declined compared to last week by 0.7% and 5.4% 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	14.10	25.80	26.71	23.94	42.23	32.97
w/w	-0.06%	-0.2%	-0.1%	-1.2%	-0.7%	-5.4%
m/m	-4.8%	0.7%	0.5%	0.1%	-4.9%	-8.8%
y/y	5.0%	6.2%	3.0%	0.4%	-9.1%	-11.0%

Outlook

International: 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. Due to the ASF outbreak in China, global pork prices increased sharply and as such global poultry prices followed suit. This means poultry imports into SA have become more expensive. Local poultry prices are expected to remain steady with no major shifts in prices in the medium term. The industry is hoping the month-end demand will support prices in the next two weeks. We anticipate an increase in domestic poultry prices from November onwards till the festive season based on seasonal trends.



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Hide market trends

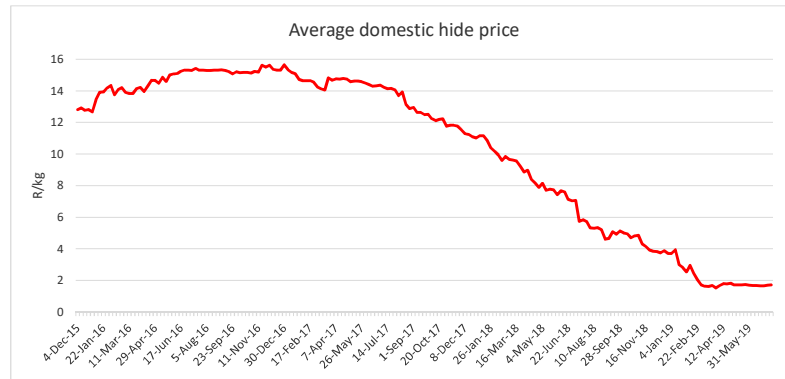
Local hide market

The domestic hide market moved positively this week with a 0.4% increase from R1.70/kg to R1.71/kg in the calculated average hide price.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.99	1.59	1.71
w/w	2.6%	-1.2%	0.4%
m/m	4.2%	1.9%	1.6%
y/y	-76.6%	n/a	-70.2%

Outlook

The current hide price is 70.2% 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. Prices are expected to remain steady at this level.



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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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