



Agri Trends

28 June 2019

Domestic pork prices supported by ASF outbreak in China

Beef: The US beef market was mostly negative this week with a 1.9% decline in the carcass equivalent. The high grain prices are putting the beef market under pressure. The latest USDA cattle on feed report indicates an increased number of cattle and calves on feed. In the domestic beef market this week, prices of class A beef declined by 0.2%. Class C beef prices declined by 1.72% week-on-week. The price for weaner calves increased by 0.6% week-on-week as stabilizing maize prices seem to have had a positive impact on the market.

Mutton: China's demand for New Zealand lamb remains high with 42% of all New Zealand's lamb exports going to China in the season to date. Lamb prices are currently underpinned by Chinese demand which does not appear to be slowing down any time soon. The domestic market is experiencing a positive price trend with class A prices increasing by 12.4% w/w.

Pork: The US pork market continues to experience high levels of volatility as input costs remain high. Many traders in the US pork market decided to liquidate their positions this week as confidence in the market is very low. The domestic pork market is benefiting from the uncertainty in the international markets and increased domestic seasonal demand. The baconer price increased by 6% while the porker price increased by 8.4% week-on-week.

Poultry: The US poultry industry was mixed this week with high grain prices putting the US poultry industry under pressure. The price of whole birds declined by 0.7% week-on-week, this brings current prices 20.5% lower compared to prices a year ago. The domestic poultry market remained relatively stable this week. There is currently a large supply of IQF in the market. The domestic poultry industry expects to experience increased domestic demand in the two-week period over month-end which will provide support for domestic prices.

Hides: The calculated average hide price declined by 1.3% to R1.66/kg this week. The current hide price is 76.7% lower compared to the price received a year ago.

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Beef market trends

International beef market

The US beef market was mostly negative this week with a 1.9% decline in the carcass equivalent. The high grain prices are putting the feeder market under pressure. Week-on-week prices of striploin, brisket and rump declined by 1.3%, 4.3% and 5.8% respectively while prices of chuck and topside increased by 0.5% and 0.9% respectively. The latest USDA cattle on feed report indicates that the number of cattle and calves that are on feed is up 2% from the 11,740 head of cattle reported on the 1st of June 2019. According to the USDA this is the highest reported number since 1996. New Zealand exporters are trying to fill existing orders to China with a dwindling beef supply.

	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	205.75	287.26	593.00	224.00	268.00	309.95	550.00	399.00
w/w	0.9%	-5.8%	-1.3%	0.5%	-4.3%	-1.9%	1.3%	0.5%
m/m	4.4%	-7.8%	-10.2%	7.6%	-7.5%	-4.8%	2.42%	3.9%
y/y	1.7%	-20.8%	-26.3%	0.2%	-2.7%	-13.7%	2.61%	-4.8%

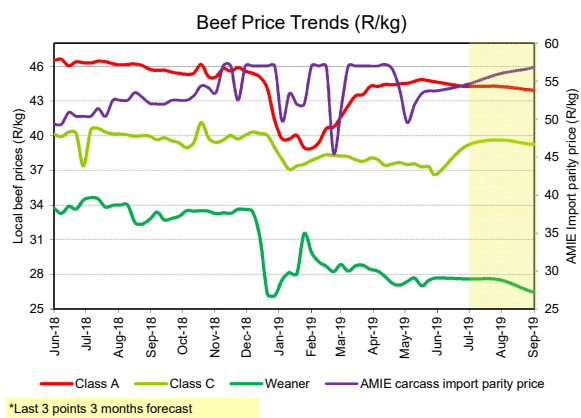
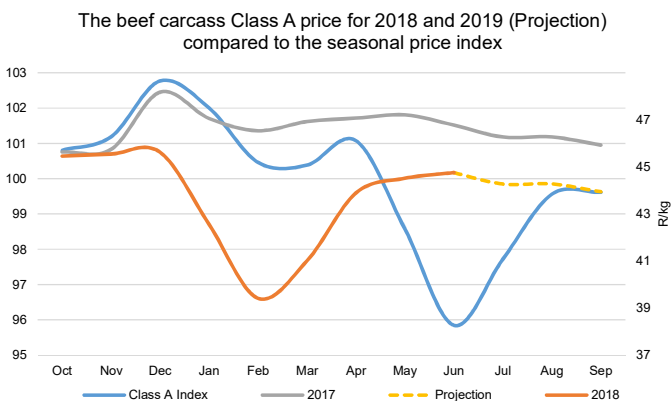
Local beef market

In the domestic beef market this week, prices of class A beef remained relatively stable with a 0.2% decline in price while the class C beef prices declined by 1.72% week-on-week. The price for weaner cattle increased by 0.6% week-on-week as stabilizing maize prices seem to have had a positive impact on the market. Low domestic demand, as consumers battle the current economic climate, is likely the cause behind the reducing class A and C prices. The import parity for beef has remained the same as 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	14.52	9.48	44.65	36.67	44.85	27.70	65.89	53.74
w/w	-1.98%	-2.5%	-0.2%	-1.72%	-0.2%	0.6%	-2.0%	0.0%
m/m	0.7%	0.9%	0.3%	-2.2%	0.2%	1.1%	4.8%	8.4%
y/y	6.3%	2.2%	-4.0%	-8.7%	-5.5%	-17.9%	-2.7%	8.9%

Outlook

The US beef market is hoping for increased domestic demand and positive news coming out of this week's G20 summit regarding the trade negotiations with China which would provide support for US beef prices. The domestic maize price is expected to remain stable in the medium term which is positive news for livestock farmers. Although, the current prices are high which will put livestock producers under pressure. Class A beef prices are expected to continue following a declining trend. Class C prices should increase from August in line with the trend prices followed last year, the increase in price is normally seen earlier in the winter season as indicated by the seasonal trend. Weaner calve prices are expected to remain stable in the medium term.



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Sheep meat market trends

International sheep meat market

China's demand for New Zealand lamb remains high with 42% of all New Zealand's lamb exports going to China in the season to date. Lamb prices are currently underpinned by Chinese demand which does not appear to be slowing down any time soon. New Zealand lamb prices this week increased by 0.7% and ewe prices increased by 0.6% week-on-week. The price for New Zealand mutton shoulders declined by 2.7% but the price for mutton ribs increased by 9.3% week-on-week. This increase in mutton rib price brings current prices level with prices 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	7.65	5.28	80.00	59.03	37.99	63.75
w/w	0.7%	0.6%	-1.9%	-2.0%	9.3%	-2.7%
m/m	4.1%	4.6%	4.6%	4.7%	18.5%	2.9%
y/y	-0.4%	4.0%	2.4%	6.3%	0.0%	-0.8%

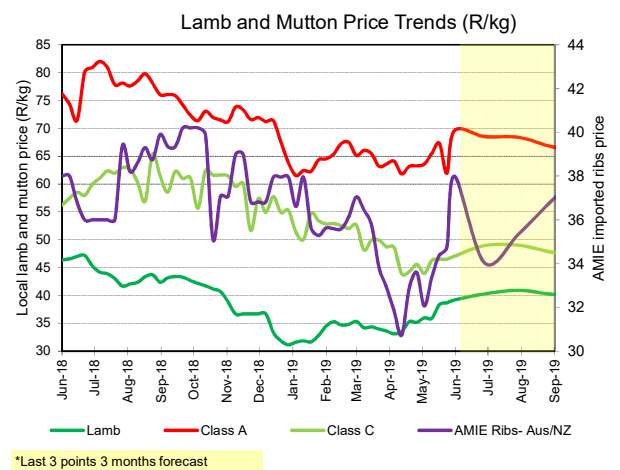
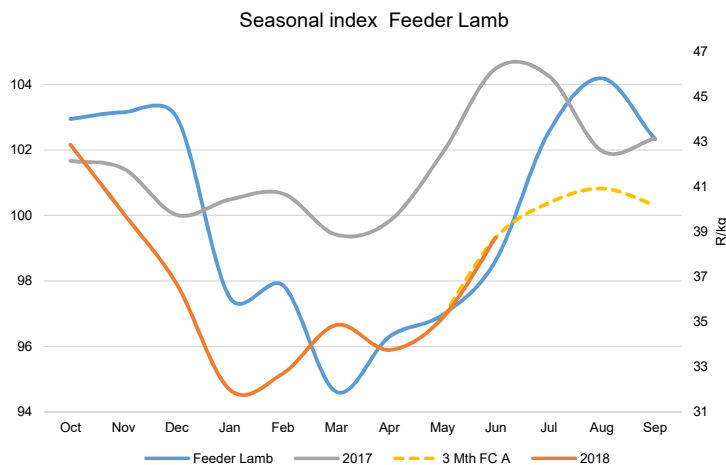
Local sheep meat market

The domestic market is experiencing a positive price trend due to increased domestic demand as well as support from international prices. Class A prices increased by 12.4% to R69.61/kg. Despite the large week-on-week price increase for class A, the current price remains lower compared to prices a year ago. Feeder lamb prices increased by 1.3% week-on-week with prices expected to increase above the R40/kg mark in the short term. The number of animals slaughtered is 12.6% less compared to the number of animals slaughtered a year ago.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.48	69.61	47.05	39.18	25.00	10771
w/w	-2.5%	12.4%	1.19%	1.3%	-3.2%	-1.9%
m/m	0.9%	9.5%	7.0%	8.9%	-23.1%	0.1%
y/y	2.2%	-8.6%	-16.3%	-15.5%	-23.7%	-12.6%

Outlook

Continued export demand for New Zealand lamb will provide support for prices and as such prices are expected to continue along their increasing trend in the medium term. Domestic prices for class A, class C and feeder lambs are expected to continue on their upward trend in the short term and are then expected to decline from August into September.



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Pork market trends

International pork market

The US pork market continues to experience high levels of volatility as well as input costs remaining high. Many traders in the US pork market decided to liquidate their positions this week as confidence in the market is very low. This contributed to the large decline in pork prices this week with carcass prices declining by 5.2% week-on-week. The price of ham dropped sharply compared to last week as it is considered a more luxury product and demand for the product drops as consumers struggle in the economic environment. The market is hopeful that positive news will come out of the G20 summit this week which would provide the market with a much needed boost. Uncertainty regarding the extent of the protein shortage experienced in China following the Africa Swine Fever outbreak as well as uncertainty regarding the outcome of the US/China trade negotiations is causing the volatility in the US pork market

	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	77.80	79.02	127.04	67.98	56.39	33.89
w/w	-5.2%	-4.1%	3.9%	-13.6%	1.2%	-12.2%
m/m	-7.0%	0.9%	-9.1%	-7.3%	-7.1%	-4.8%
y/y	-7.4%	-4.0%	-12.9%	11.8%	-4.8%	16.9%

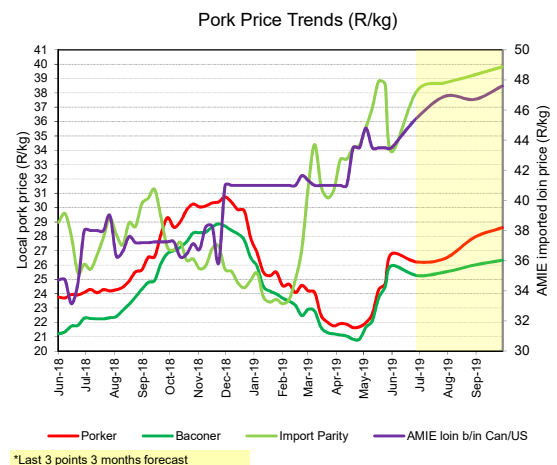
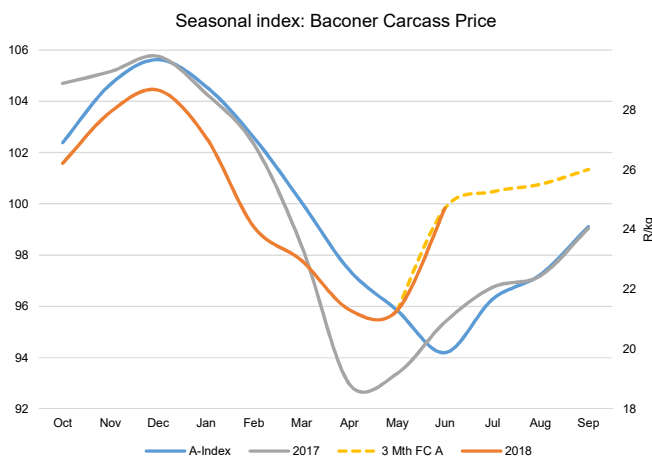
Local pork market

The domestic pork market is benefiting from the uncertainty in the international markets and increased domestic seasonal demand. Due to the African Swine fever outbreak in China, China's imports of pork are expected to increase by approximately 40% for the year, this expected increase in demand is providing support for domestic prices. The contract price of pork increased by 7.2% week-on-week. The baconer price increased by 6% while the porker price increased by 8.4% week-on-week. The Baconer price is 22.4% higher compared to prices a year ago while the import parity for loins is 25.3% higher year-on-year. The number of animals slaughtered this week is 14.7% less than the number slaughtered a month ago.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.52	25890	26.37	26.78	25.96	43.50
w/w	-1.98%	-1.5%	7.2%	8.4%	6.0%	0.0%
m/m	0.7%	-14.7%	20.8%	21.8%	19.8%	-2.9%
y/y	6.3%	-1.3%	17.3%	12.7%	22.4%	25.3%

Outlook

Continued volatility is expected in the US market. Low confidence and high input costs is adding pressure to the pork market as uncertainty regarding the US/China trade negotiations remains. Positive news from the G20 summit would provide support for US beef prices. The expectation for the long term is that US prices will benefit from an increase in China's imports of approximately 40%. The domestic pork market is expected to continue on its increasing trend for the next three months.



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Poultry market trends

International poultry market

The US poultry industry was mixed this week with high grains prices putting the US poultry industry under pressure. The price of whole birds declined by 0.7% week-on-week bringing current prices 20.5% lower compared to prices a year ago. The US MDM prices moved upwards this week with a 0.7% increase in frozen MDM and a 3.2% increase in the price of fresh MDM compared to last week. The price of leg quarters declined week-on-week however, current prices are 12.5% higher for US leg quarters and 15.4% higher for EU leg quarters compared to prices a year ago.

	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	93.96	98.00	23.61	27.67	20.64	28.79
w/w	-0.7%	1.0%	3.2%	0.7%	-2.9%	-0.8%
m/m	-6.9%	0.0%	3.3%	0.7%	0.5%	10.9%
y/y	-20.5%	-10.1%	-4.5%	-18.5%	12.5%	15.4%

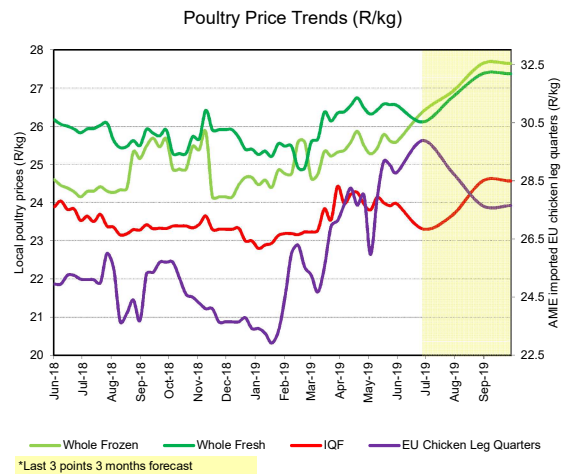
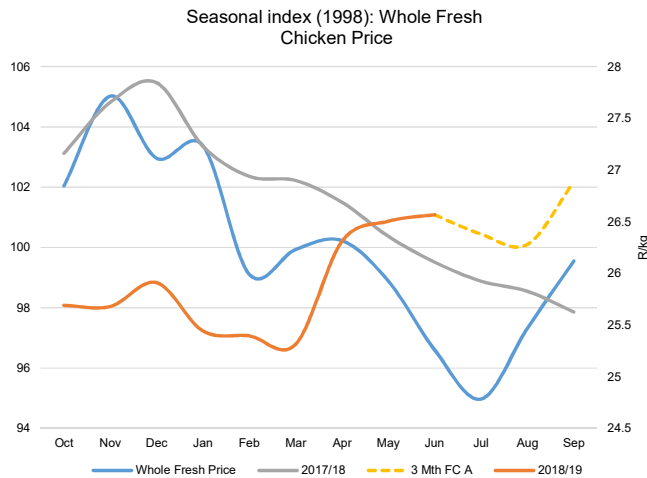
Local poultry market

The domestic poultry market remained relatively stable this week. The price of fresh and frozen whole birds both declined by 0.1% compared to last week. Individually Quick Frozen prices increased by 0.2% week-on-week. There is currently a large supply of IQF in the market. The domestic poultry industry expects to experience increased domestic demand in the two-week period over month-end which provides support for domestic prices during that period.

	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	14.52	25.60	26.55	23.97	43.51	35.79
w/w	-1.98%	-0.1%	-0.1%	0.2%	-2.0%	-1.0%
m/m	0.7%	1.3%	0.9%	0.7%	-4.4%	0.7%
y/y	6.3%	4.0%	1.5%	0.3%	-10.7%	-3.2%

Outlook

The US poultry market will remain under pressure in the short term due to the increased grain prices. In the long term the US poultry market is expected to benefit from increased demand from China due to the expected protein shortage following the African Swine Fever outbreak. The price of leg quarters is expected to remain high with prices declining into August. The domestic market is expecting increased prices in the next two weeks due to increased domestic demand over month-end. In the medium term, the price of whole frozen birds is expected to follow an increasing price trend while the price of fresh whole birds and IQF is expected to increase from August into September.



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Hide market trends

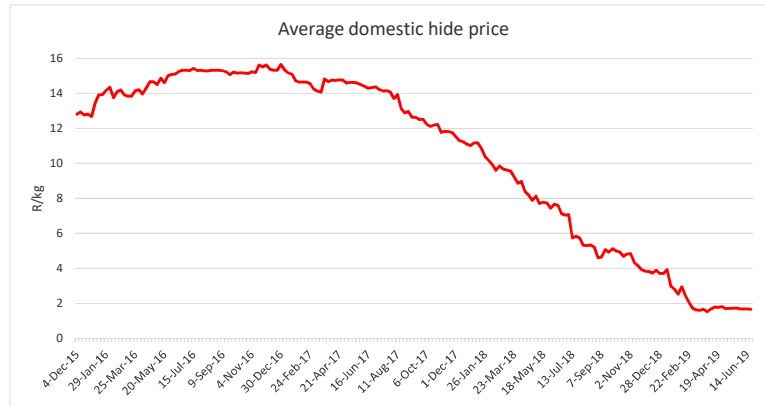
Local hide market

The RMAA feedlot hide price dropped by 4.2% this week which resulted in the calculated average hide price declining by 1.3% from R1.68/kg Last week to R1.66/kg this week.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.83	1.55	1.66
w/w	-4.2%	-0.6%	-1.3%
m/m	-10.3%	-6.6%	-4.6%
y/y	-78.0%	n/a	-76.7%

Outlook

The hide market remains under pressure with the current hide price being 76.7% lower compared to the price received a year ago. Prices seem to have created a resistance line as seen in the graph. Reduced consumer purchasing power as consumers struggle in the current economic climate is likely a contributing factor to the declining hide market.



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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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