



Agri Trends

05 July 2019

Strong domestic demand supports local prices

Beef: Price movements in the US beef market were mixed this week. Increased demand for better quality cuts offered support to the market. New Zealand beef prices increased week-on-week. The domestic beef market moved positively this week due to increased domestic demand. Class A prices increased by 0.2%, class C prices increased by 1.6% and weaner calf prices increased by 2.4%. The number of animals slaughtered this week increased by 29.4% compared to last week.

Mutton: New Zealand prices moved upwards this week due to continued high levels of export demand. The lamb price increased by 0.7% and the ewe price increased by 0.4% week-on-week. The export demand for New Zealand sheep meat this season is not expected to grow significantly higher than its current level. In the domestic market prices increased by 1% week-on-week for class A, class C and feeder lambs. Compared to a year ago the number of animals slaughtered is 180% higher; this time last year only 4 331 animals were slaughtered. The price of merino skins increased by 7.7% week-on-week to a price of R38.57/skin.

Pork: The US pork market traded negatively this week with the US pork carcass price dropping by 5.4% w/w as the market continues to experience high levels of volatility. Week-on-week declines in pork prices ranged between 4.6% (pork loins) and 14.5% (pork ribs). News that the US and China are to resume trade talks should provide support for US pork prices in the short term. The domestic pork market continues to benefit from increased seasonal demand as well as the expectation of increased export demand in the long term. The number of animals slaughtered is 55.8% higher compared to a year ago, current prices are between 18% and 25% higher compared to prices a year ago.

Poultry: price movements in the US poultry market were mixed this week. The price of chicken breasts and frozen MDM moved sideways with no change in price compared to last week. The price of whole birds and fresh MDM declined by 1.2% and 0.6% week-on-week respectively. The domestic poultry market experienced positive price movements due to increased demand over the month-end period.

Hides: This week the calculated average hide price increased by 0.5% week-on-week. The current hide price is 76.3% lower compared to prices a year ago. Hide prices seem to have stabilized at these low levels.

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Beef market trends

International beef market

Price movements in the US beef market were mixed this week. Independence Day in the US resulted in increased levels of domestic demand. There is potential for the market to build from this point onwards as prices have been hovering at low levels lately. Increased demand for better quality cuts offered support to the market. Prices of topside, rump and striploin increased week-on-week by 0.6%, 2.7% and 1.2% respectively. Prices for chuck and brisket dropped by 3.7% and 10.1% respectively. New Zealand beef prices increased week-on-week. Although Japan has not been a large market for New Zealand beef this season, there is talk of the US and Japan entering into a trade agreement regarding reducing US beef tariffs in return for a better deal for Japanese vehicle exports into the US. If an agreement is reached, there will be added competition for the New Zealand beef exporters who have been struggling to gain the attention of the Japanese markets.

	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	207.00	295.00	600.00	215.73	241.03	300.72	555.00	414.00
w/w	0.6%	2.7%	1.2%	-3.7%	-10.1%	-3.0%	0.9%	3.8%
m/m	3.0%	-1.7%	-6.3%	-1.0%	-11.7%	-5.8%	3.35%	7.0%
y/y	2.5%	-17.9%	-16.7%	-2.8%	-7.6%	-10.7%	3.35%	-2.1%

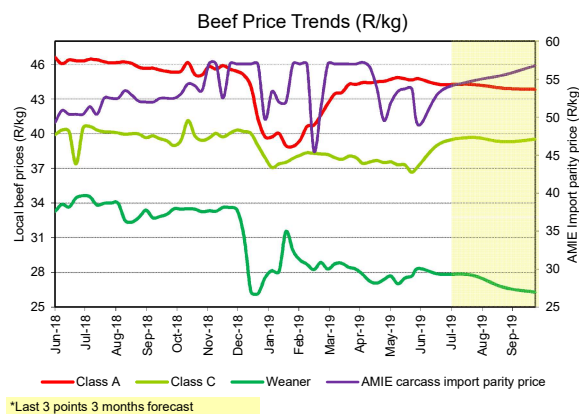
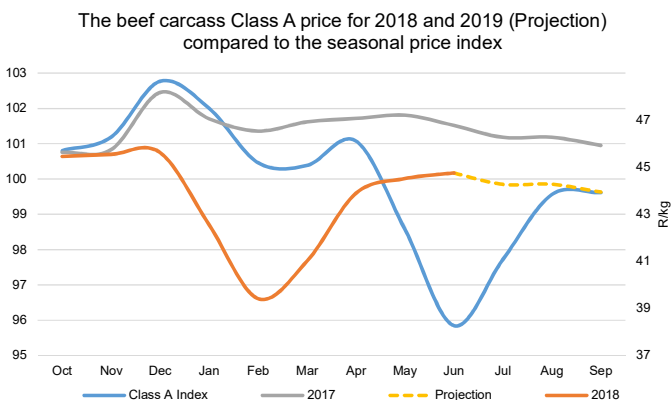
Local beef market

The domestic beef market moved positively this week with the beef contract price increasing by 0.2% week-on-week. The price for class A increased by 0.2% while the price for class C increased by 1.6% compared to last week. Although class A prices are 4% lower and class C prices are 6.7% lower compared to prices a year ago. The price for weaner calves increased by 2.4% this week, this is due to increased domestic demand. The number of animals slaughtered this week increased by 29.4% compared to last week. The import parity price for beef has declined by 8.9% week-on-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	14.25	9.50	44.76	37.27	44.96	28.36	68.50	48.95
w/w	-1.80%	0.2%	0.2%	1.6%	0.2%	2.4%	4.0%	-8.9%
m/m	-2.7%	-0.5%	0.1%	-0.8%	0.1%	2.4%	6.4%	-5.7%
y/y	4.3%	2.2%	-4.0%	-6.7%	-5.3%	-14.8%	0.0%	-0.8%

Outlook

The US beef market is expecting that the increased demand for higher quality cuts will remain throughout July which will provide support for prices. US grains prices are still at high levels which is putting pressure on the price of feeder calves in the US. In the domestic beef market; class A prices are expected to remain relatively stable, class C prices are expected to increase until August and the weaner calf prices are expected to remain stable before declining slightly from August into September.



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Sheep meat market trends

International sheep meat market

New Zealand prices moved upwards this week due to continued high levels of export demand. The lamb price increased by 0.7% and the ewe price increased by 0.4% week-on-week. The export market is stronger than it was this time last year. Due to this, the New Zealand market expects prices to continue increasing and as such, speculative buying of lambs is high. The export demand this season is not expected to grow significantly higher than its current level. The price for mutton ribs declined slightly this week while the price of mutton shoulders increased by 3.5% week-on-week.

	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	7.70	5.30	80.63	59.33	37.95	66.00
w/w	0.7%	0.4%	0.8%	0.5%	-0.1%	3.5%
m/m	3.6%	3.3%	2.8%	2.3%	13.6%	3.1%
y/y	-0.4%	3.3%	2.3%	5.7%	-0.1%	2.7%

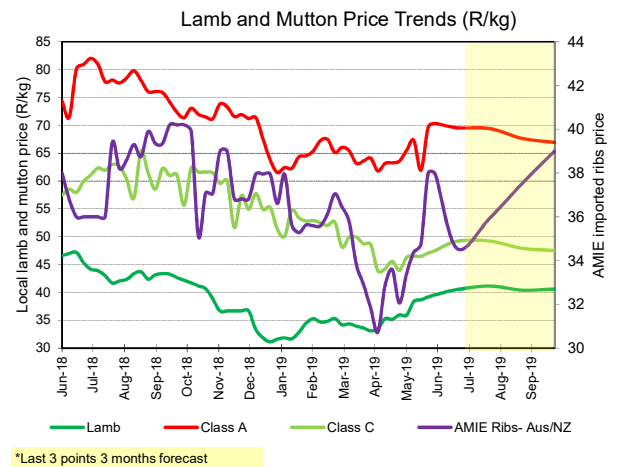
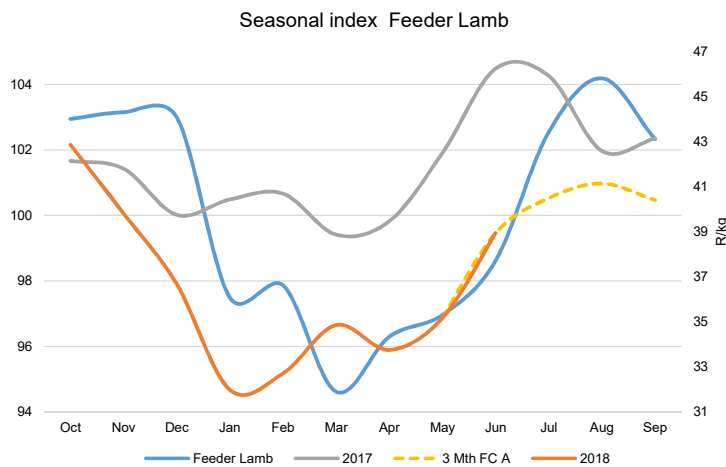
Local sheep meat market

In the domestic market prices increased by 1% week-on-week for class A, class C and feeder lambs. The week-on-week increase in price, despite the 12.6% increase in the number of animals slaughtered, indicates the high demand for sheep meat products. The number of animals slaughtered is 180% higher compared to a year ago; this time last year only 4 331 animals were slaughtered. The price of merino skins increased by 7.7% week-on-week to a price of R38.57/skin. Current merino skin prices are 55.5% 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	9.50	70.32	47.52	39.57	25.00	12126
w/w	0.2%	1.0%	1.0%	1.0%	0.0%	12.6%
m/m	-0.5%	7.4%	2.7%	10.2%	-24.2%	10.3%
y/y	2.2%	-5.4%	-17.3%	-15.0%	-22.2%	180.0%

Outlook

The New Zealand market is expecting prices to continue increasing through to October of this year. The strong export demand is supporting current New Zealand prices with many processors buying lambs speculatively as they expect prices to rise further. The domestic prices are expected to continue along an increasing trend for the next two months before declining slightly from August into September.



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Pork market trends

International pork market

The US pork market traded negatively this week with the US pork carcass price dropping by 5.4% w/w as the market continues to experience high levels of volatility. Week-on-week declines in pork prices ranged between 4.6% (pork loins) and 14.5% (pork ribs). The current price for US pork ribs is 23.1% lower compared to prices a year ago. Unfortunately, the US pork market is currently lacking buyer confidence and is not attracting new buyers, which is putting the market under pressure and causing price declines. News that the US and China are to resume trade talks should provide support for US pork prices in the short term.

	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	73.57	75.41	108.58	61.72	48.60	31.02
w/w	-5.4%	-4.6%	-14.5%	-9.2%	-13.8%	-8.5%
m/m	-10.8%	-5.6%	-16.7%	-18.2%	-16.4%	-16.0%
y/y	-14.9%	-8.8%	-23.1%	-1.1%	-15.7%	4.9%

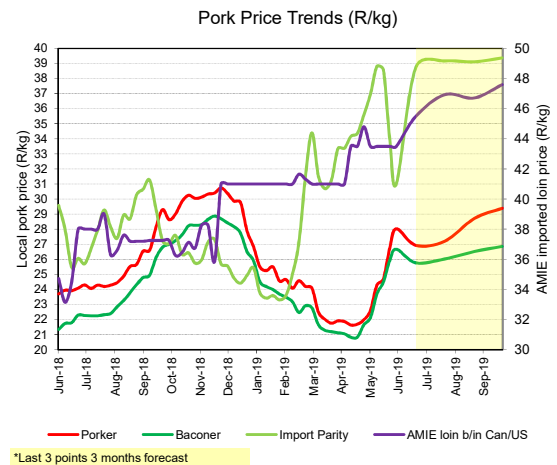
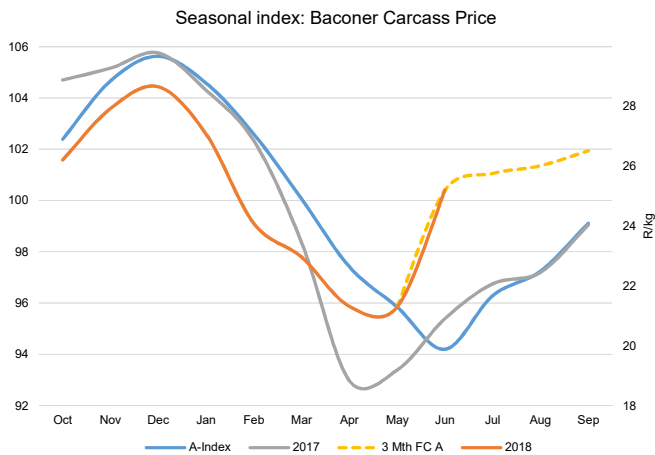
Local pork market

The domestic pork market continues to benefit from increased seasonal demand as well as the expectation of increased export demand in the long term. The contract average for pork increased by 3.7% this week with baconer prices increasing by 2.7% and porker prices increasing by 4.7% week-on-week. The number of animals slaughtered is 14.7% higher this week compared to last week, this increase in animals slaughtered along with the increase in prices demonstrates the large demand for pork. While the number of animals slaughtered is 55.8% higher compared to a year ago, current prices are between 18% and 25% higher compared to prices a year ago.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.25	29686	27.35	28.03	26.67	43.50
w/w	-1.80%	14.7%	3.7%	4.7%	2.7%	0.0%
m/m	-2.7%	-5.7%	22.3%	24.0%	20.6%	0.0%
y/y	4.3%	55.8%	21.4%	18.2%	24.9%	25.3%

Outlook

In the long term the US market is expecting large demand for pork from China, however, there is no indication as to when this demand will materialize. In the medium term, prices will remain volatile as the market lacks direction. Positive news coming from the G20 summit regarding the resuming of US/China trade talks should provide support for prices in the short term. Domestic pork prices are expected to continue along their increasing trend for the next three months as domestic demand levels remain high.



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Poultry market trends

International poultry market

Price movements of the US poultry market were mixed this week. The price of chicken breasts and frozen MDM moved sideways with no change in price compared to last week. The price of whole birds and fresh MDM declined by 1.2% and 0.6% week-on-week respectively. For leg quarters, the US price fell by 1.2% while the EU price increased by 0.7% week-on-week. Compared to a year ago the current price of whole birds is 20.2% lower.

	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	92.79	98.00	23.47	27.67	20.39	28.99
w/w	-1.2%	0.0%	-0.6%	0.0%	-1.2%	0.7%
m/m	-6.8%	0.0%	2.7%	0.9%	-1.8%	3.9%
y/y	-20.2%	-10.9%	-2.8%	-18.4%	10.1%	16.2%

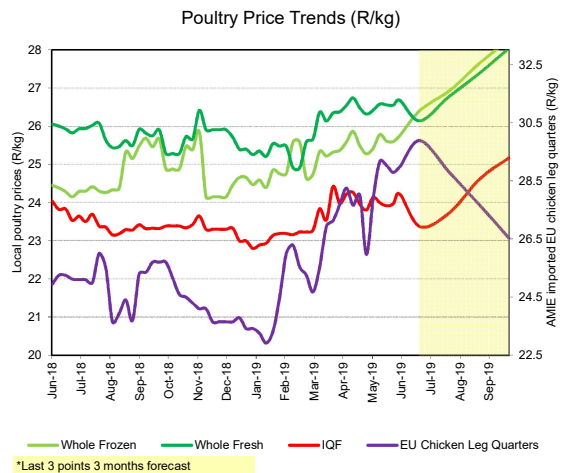
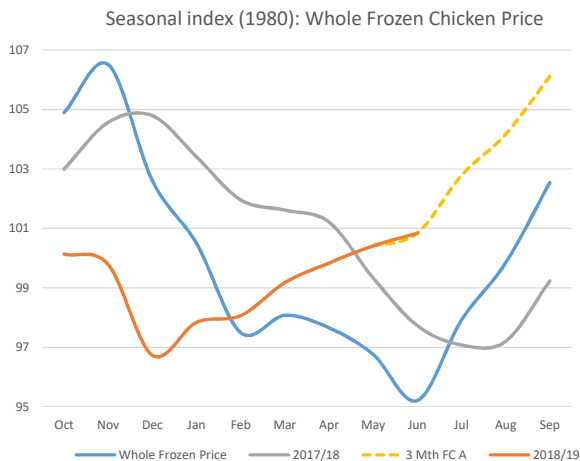
Local poultry market

The domestic poultry market experienced positive price movements due to increased demand over the month-end period. The price of fresh whole birds increased by 0.5% while that of frozen whole birds increased by 0.6% week-on-week. Despite the large supply of Individually Quick Frozen chicken in the market, prices did increase by 1% this week due to the increased demand. Current prices of IQF are 0.7% higher compared to a year ago while the price of frozen whole birds is 5.3% higher compared to a year ago. The import parities for whole birds and chicken breasts declined 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	14.25	25.76	26.68	24.22	42.56	35.19
w/w	-1.80%	0.6%	0.5%	1.0%	-2.2%	-1.7%
m/m	-2.7%	1.3%	1.0%	0.3%	-6.7%	-2.5%
y/y	4.3%	5.3%	2.4%	0.7%	-11.8%	-5.8%

Outlook

In the domestic market, prices of whole birds is expected to follow an increasing trend for the next three months. Seasonal trends indicate that prices of whole birds may decline slightly in July (fresh whole birds) and August (frozen whole birds) before picking up again in September. The price of IQF is expected to decline in the short term due to the large supply in the market. Seasonal trends indicate that prices may increase again from the end of August moving into September, however, this price trend did not materialize last year.



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Hide market trends

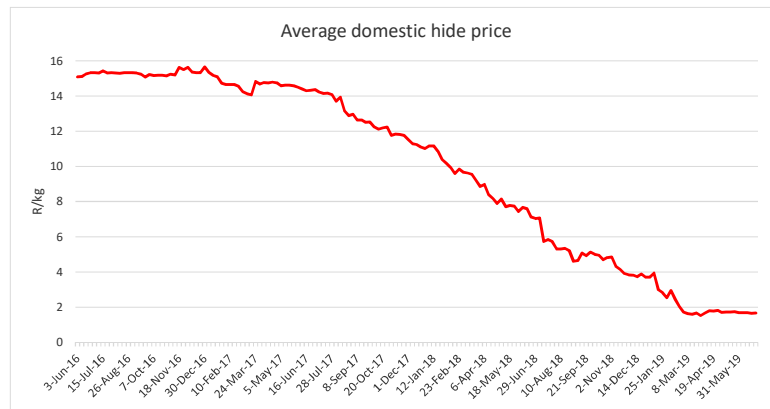
Local hide market

This week the calculated average hide price increased by 0.5% week-on-week. The RMAA prices for feedlot hides remained the same as last week while the RMAA price for field hides increased by 1.9% 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	1.83	1.58	1.67
w/w	0.0%	1.9%	0.5%
m/m	-5.7%	0.6%	-1.5%
y/y	-77.8%	n/a	-76.3%

Outlook

The current hide price is 76.3% lower compared to prices a year ago. Hide prices seem to have stabilized at these low levels. Low consumer confidence is a contributing factor to the current 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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