



Agri Trends

23 August 2019

Hide market remains under pressure driven by amongst other factors the US-China trade war.

Beef: The price of class C beef increased 0.3% week on week while the price for class A decreased by 0.8%. Weaner calf prices remained stable at R28.42/kg this week. Compared to a year ago prices for class A and weaner calves are lower by 2.7% and 16.4% respectively. The local beef market was quiet this week; however, there is anticipation for the beef market to trade positively next week, driven by increased consumer demand as we head for month-end. Currently supply is outweighing demand.

Mutton: The consumers remain cash strapped, with current economic conditions weighing on the market. Prices are expected to trade downwards for the next two weeks. There are not enough buyers at the auctions. Supplies are outweighing demand. Prices might get support from the month-end increased demand; however, this trend is expected to be short-lived.

Pork: In the domestic pork market the price for porkers increased by 0.3% week on week, while the price of baconers remained unchanged at R26.11 week on week. Compared to a year ago, current prices are 14.8% higher for pork average contract price, 12.7% higher for porkers and 17.0% higher for baconers. Pork prices are expected to recover in the short term. In the month of August, ASF outbreak cases were reported in Mpumalanga and Gauteng. Pigs that were affected or were in direct contact with affected pigs have been culled or are in the process of being culled at all the sites identified. The global ASF outbreak has increased the demand for other meat imports (poultry, beef and lamb) from countries such as Brazil. This creates an opportunity for our local producers, because competition from major importers could be lower.

Poultry: The industry is slightly increasing prices in anticipation of increased demand from consumers; as month-end approaches. Producers increased their prices this week in an effort to relieve some of the cost pressures they are facing. Increased costs of production is the main driver for the increases in the local poultry prices this week. Feed prices makes up 60% of the costs in poultry business. There are cost pressures arising from higher fuel prices and increased feed costs. Low supplies of day-old chicks continue to support prices. There is anticipation that consumer demand will be higher closer to month-end, therefore prices will likely increase in the next two weeks.

Hides: The current average hide price is R1.54/kg, this is 2.2% lower than last week's price of R1.57/kg. The current price is 71.3% lower than prices were a year ago. Prices are expected to remain steady at this level for the medium term.

The market remains under immense pressure, a recovery is not to be expected in the short to medium term. The global hide market continues to decline, driven by large supply and demand factors; the latest being the trade dispute between the US and China.

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Beef market trends

International beef market

US beef prices traded mixed this week. Price for topside, rump and chuck increased by 1.6%, 2% and 2.5% respectively for the week. Week on week prices for strip loin and brisket decreased by 1% and 0.9% respectively for the week. Australian beef exports will face increased competition for the Indonesian market after the country announced plans to start importing beef from Brazil.

From August 17, China has doubled the quota applying to Australian beef from 6% to 12% after the two nation's Free Trade Agreement safeguard provision was triggered. For the first time in history, China has become Australia's largest export beef market by volume. China has surpassed the traditional big-hitting customers Japan and the United States in trade during July.

	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	220.50	290.75	569.15	215.00	257.94	300.16	594.00	441.00
w/w	1.6%	2.0%	-1.0%	2.5%	-0.9%	0.2%	0.5%	1.4%
m/m	10.4%	-1.1%	5.0%	1.9%	9.4%	5.2%	4.4%	2.6%
y/y	5.9%	-7.8%	6.8%	0.7%	4.8%	3.6%	4.4%	-2.0%

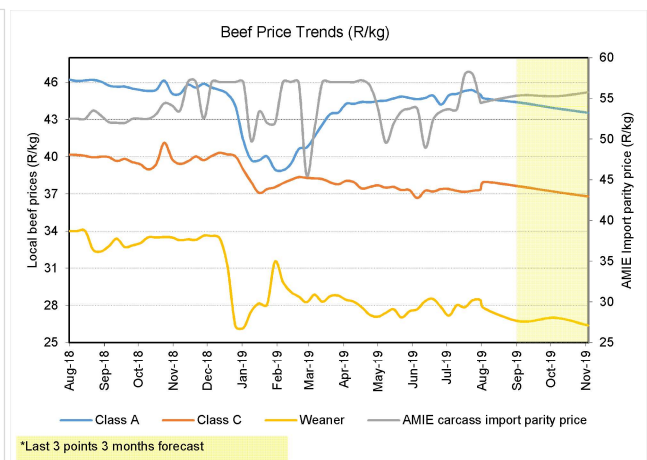
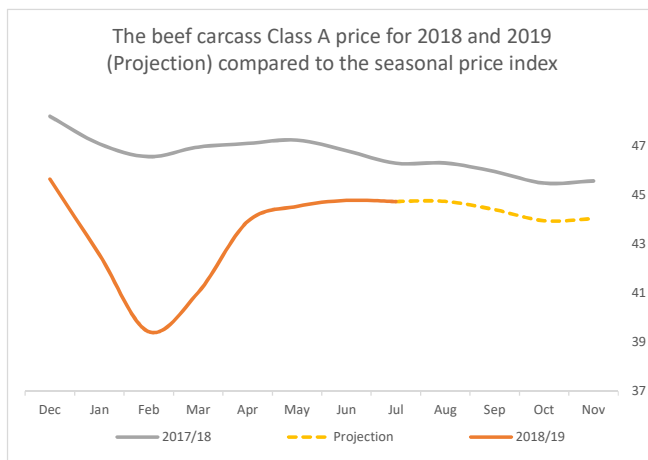
Local beef market

The price of class C beef increased by 0.3% week on week while the price for class A decreased by 0.8%. Weaner calf prices remained stable at R28.42/kg this week. Compared to a year ago prices for class A and weaner calves are lower by 2.7% and 16.4% respectively. The local beef market was quiet this week; however, there is anticipation for the beef market to trade positively next week, driven by increased consumer demand as we head for month-end. Currently supply is outweighing demand.

	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	15.29	9.85	45.00	37.37	45.20	28.42	75.64	54.50
w/w	2.3%	0.7%	-0.8%	0.3%	-0.8%	0.0%	2.1%	-6.0%
m/m	9.7%	0.5%	0.1%	-0.1%	0.0%	4.6%	3.0%	1.5%
y/y	5.6%	1.9%	-2.7%	-7.0%	-3.6%	-16.4%	-0.1%	3.8%

Outlook

Continuing strong growth in Chinese demand for New Zealand beef is set support beef prices. Australian beef exports will face increased competition in Indonesia after the country announced plans to start importing beef from Brazil. Locally: The supplies are currently outweighing the demand for beef. The consumer remains under immense pressure. Prices are expected to trade sideways in the next 2-3 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 1% increase in the lamb price while the ewe price remained steady. Very short supply of New-Zealand lambs since May 2019 is limiting exports (exports to China remain firm, despite the lower supplies available). The national New Zealand slaughter rates is 6.7% (1.2 million head) down compared to the previous season. The New Zealand lamb exports to the EU and UK is below the 2018 levels, with exporters cautious about tight supplies, the sluggish EU/UK economy, Brexit concerns and heat/drought concerns.

	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	8.18	5.45	88.34	62.95	39.50	68.50
w/w	1.0%	0.0%	1.6%	0.7%	-0.7%	0.0%
m/m	3.8%	1.5%	4.0%	0.5%	9.9%	-4.9%
y/y	0.0%	4.2%	2.3%	6.1%	0.3%	3.8%

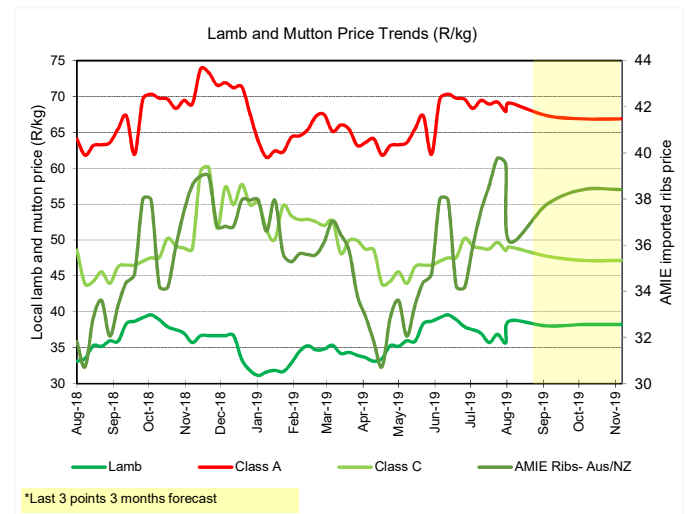
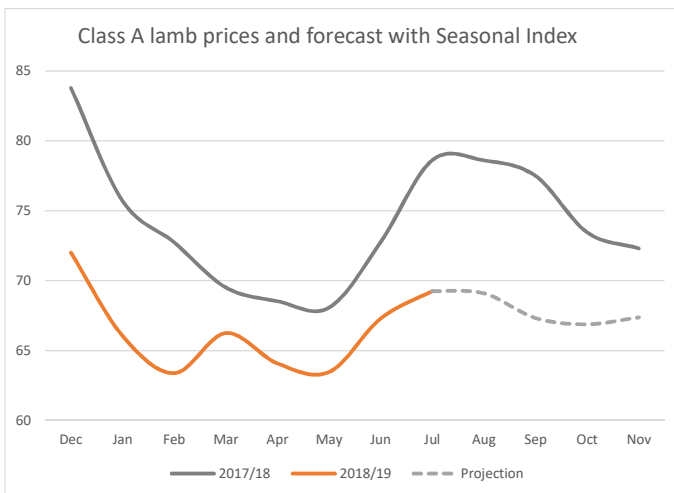
Local sheep meat market

The domestic sheep meat market traded negatively this week as the price of class A decreased by 1.9% week on week and the price for class C decreased by 2.4% week on week. The price for feeder lambs decreased by 3.2% week on week. The price of Dorper skins decreased by 7.1% week on week. The Merino skin price is down 0.2% week on week from R36.04/skin to R35.96/skin. The Merino skin price is 60.48% down year on year. The consumers remain cash strapped, with current economic conditions weighing on the market. Prices are expected to trade downwards for the next two weeks. There are not enough buyers at the auctions. Supplies are outweighing demand. Prices might get support from the month-end increased demand; however, this trend is expected to be short-lived.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.85	67.91	48.50	35.68	24.00	11344
w/w	0.7%	-1.9%	-2.4%	-3.2%	-7.1%	6.7%
m/m	0.5%	-0.6%	-1.4%	-4.9%	-7.1%	13.1%
y/y	1.9%	-13.1%	-23.0%	-14.4%	-33.3%	3.2%

Outlook

Global lamb prices are expected to remain high driven by high global protein prices and low global supply. New Zealand lamb slaughter prices are anticipated to elevate during September. Locally lamb prices remain the most expensive protein source. Despite the lower supply of lamb, the lower beef and poultry prices have limited any price gains for lamb. Based on seasonal trends, it is expected that the domestic market prices of class A, and feeder lambs to will follow a declining trend from August and then to move sideways from September and October.



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Pork market trends

International pork market

The US pork market traded mostly negative this week with the US pork carcass price decreasing by 2.2% week on week. Prices for pork loin and ham decreased by 0.3% and 14.9% respectively this week. The US rib price increased by 0.6% compared to prices a week ago. The US import parity for pork ribs increased by 2.8% and the import parity for ham decreased 9.5% week on week. The US hogs market was lower this week, as the market corrected itself. US analysts expects prices to get support as they head to the Labour Day holiday, which will spark increased consumption. Even though the African Swine Fever outbreak is largely contained in China, pork prices remain elevated. With the shortage of live pigs, China has increased its imports of other meats. Pork prices continue to rise sharply in Hong Kong due to the ASF outbreak, analysts' fear prices in Hong Kong may soar even higher ahead of the peak season next month (September).

	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	86.06	73.44	109.92	70.71	52.71	36.80
w/w	-2.2%	-0.3%	0.6%	-14.9%	2.8%	-9.5%
m/m	14.9%	-0.8%	10.6%	5.7%	19.1%	14.3%
y/y	26.9%	-2.0%	-4.0%	25.1%	2.9%	25.7%

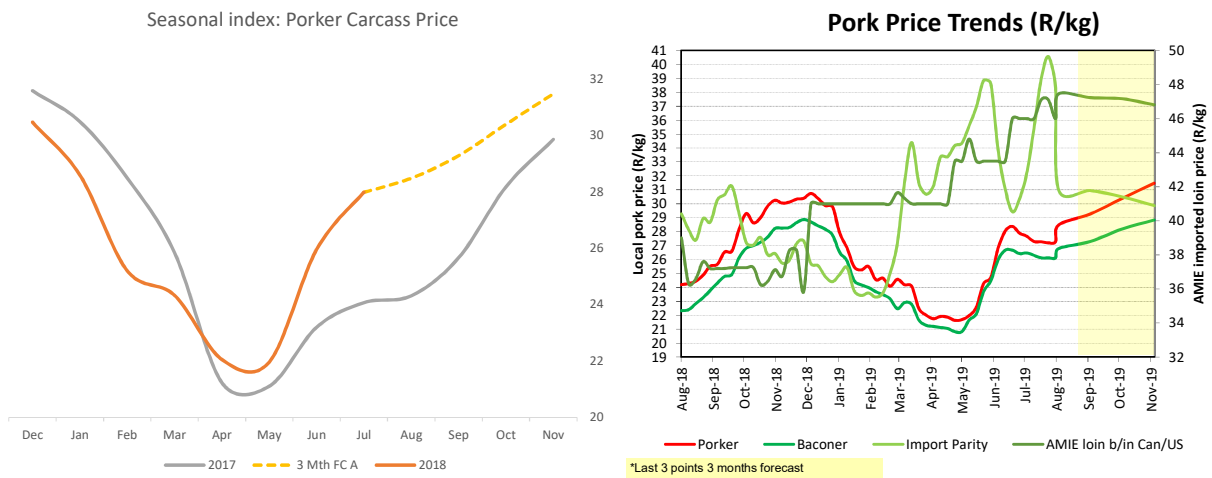
Local pork market

In the domestic pork market the price for porkers increased by 0.3% week on week, while the price of baconers remained unchanged at R26.11 week on week. Compared to a year ago, current prices are 14.8% higher for pork average contract price, 12.7% higher for porkers and 17.0% higher for baconers. Pork prices are expected to recover in the short term. In the month of August, ASF outbreak cases were reported in Mpumalanga and Gauteng. Pigs that were affected or were in direct contact with affected pigs have been culled or are in the process of being culled at all the sites identified. The global ASF outbreak has increased the demand for other meat imports (poultry, beef and lamb) from countries such as Brazil. This creates an opportunity for our local producers, because competition from major importers such as Brazil could be lower.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Lion (R/kg)
Price	15.29	27303	26.70	27.28	26.11	46.00
w/w	2.3%	7.0%	0.1%	0.3%	0.0%	-2.3%
m/m	9.7%	-2.6%	-1.4%	-1.4%	-1.4%	0.0%
y/y	5.6%	5.9%	14.8%	12.7%	17.0%	17.9%

Outlook

The US hogs market was lower this week, as the market corrected itself. US analysts expects prices to get support as they head to the Labour Day holiday, which will spark increased consumption. Global pork prices are expected to be supported by the increased demand and lower supplies in the medium to longer term. Pork prices remain at elevated levels in Asia. 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 decreased by 0.8% compared to last week and the price of chicken breasts remained unchanged week on week. The price for fresh MDM decreased by 1.8% week on week and the price for frozen MDM decreased by 0.22% compared to last week. The price for US leg quarters remained stable and the price for EU leg quarters increased by 4.2% week-on-week. An outbreak of African Swine Fever, which triggered an unmatched global meat supply imbalance, lifted meat prices and sales volumes across many regions in the world. Pork shortages in China boosted global poultry exports (especially from Brazil, the largest exporter) and continues to boost global poultry 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	82.55	86.00	22.38	27.00	21.07	28.99
w/w	-0.8%	0.0%	-1.8%	-0.22%	0.0%	4.2%
m/m	-4.1%	3.6%	-1.6%	-2.3%	4.9%	1.6%
y/y	-4.2%	-5.5%	-2.9%	-3.4%	7.7%	11.5%

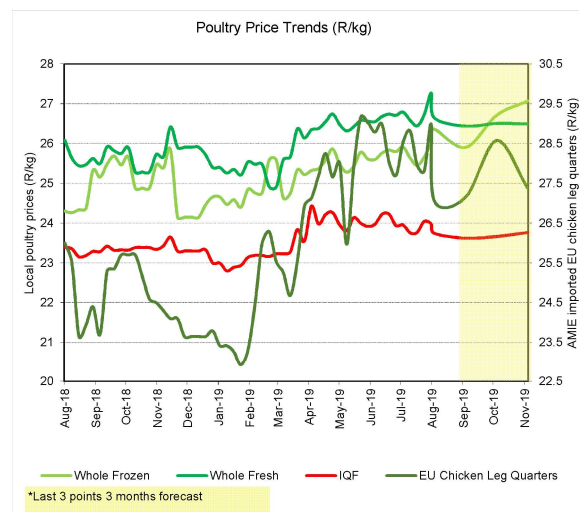
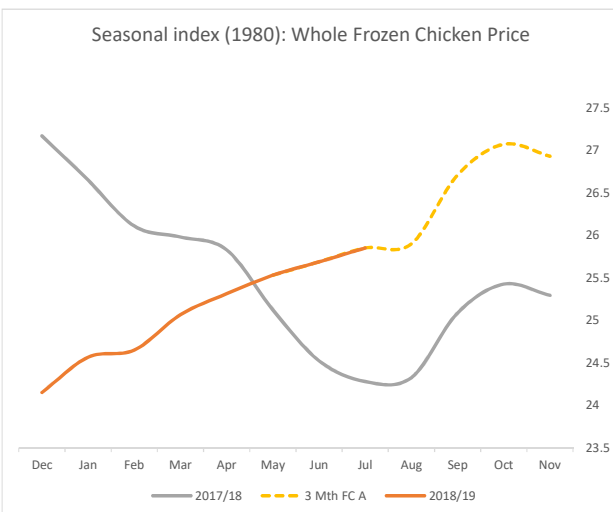
Local poultry market

Prices in the domestic poultry market traded mostly positive this week. The price of fresh whole birds and price of frozen whole birds increased by 2.0% and 1.5% respectively week on week. Prices of individually quick frozen chicken declined by 0.3% week on week. Current prices of frozen whole birds are 7.2% higher compared to prices a year ago and current IQF prices are 2.5% higher year on year. The import parity for chicken breasts increased by 2.1% compared to last week and increased by 0.5% year on year. The industry is slightly increasing prices in anticipation of increased demand from consumers; as month-end approaches. Producers slightly increased prices this week, in an effort to relieve some of the cost pressures they're facing. Increased costs of production is the main driver for the increases in the local poultry prices this week. Feed prices makes up 60% of the costs in poultry business. Lower supplies of day-old chicks continue to support prices. There is anticipation that consumer demand will be higher closer to month-end, therefore prices will likely increase in the next two weeks.

	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	15.29	26.05	27.27	23.98	41.42	33.56
w/w	2.27%	1.5%	2.0%	-0.3%	1.1%	2.1%
m/m	9.7%	0.5%	1.8%	0.1%	4.0%	12.4%
y/y	5.6%	7.2%	4.6%	2.5%	1.4%	0.5%

Outlook

International: Global poultry prices are set to remain high, supported by higher poultry prices in China. The price of poultry in China is expected to continue rising for the rest of the year, supported by a greater demand for poultry after China's ASF outbreak. SA: Local poultry prices are expected to remain supported driven by supply constraints. Poultry remains the cheapest meat alternative. With current economic conditions, it is expected for the consumer to opt for a more affordable protein choice. We anticipate prices to increase from September until the festive season, with producers trying to manage the cost squeeze of production, and according to seasonal trends.



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Hide market trends

Local hide market

The domestic hide market traded marginally negative this week with a 2.2% decrease from R1.57/kg to R1.54/kg in the calculated average hide price.

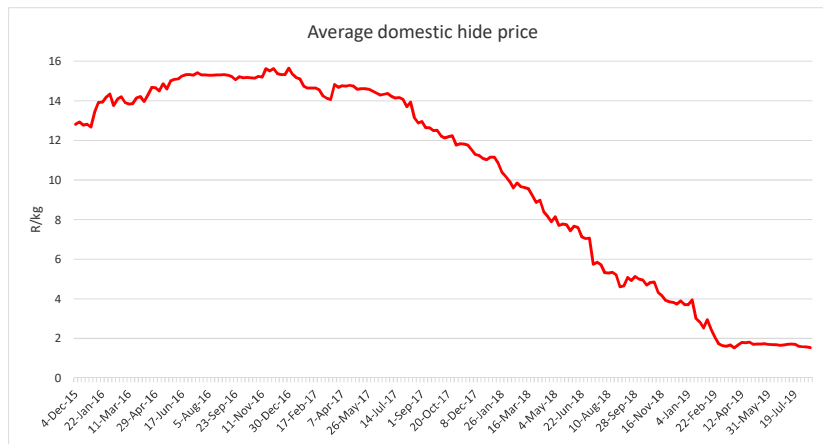
	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.92	1.47	1.54
w/w	-2.0%	-6.4%	-2.2%
m/m	-4.5%	-5.8%	-10.0%
y/y	-67.2%	n/a	-71.3%

Outlook

The current average hide price is R1.54/kg, this is 2.2% lower than last week's price of R1.57/kg. the current price is 71.3% lower than prices were a year ago. Prices are expected to remain steady at this level for the medium term.

The market remains under immense pressure, a recovery is not expected in the short to medium term. The global hide market continues to decline, driven by large supply and demand factors; the latest being the trade dispute between the US and China.

NB* Hide prices are determined as the average of the RMAA (Red Meat Abattoir Association) prices and prices of independent companies.



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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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