



## Agri Trends

26 July 2019

### The CEC's 6th crop estimates upgrades maize production to 10.98 million tons

**Beef:** Prices in the domestic beef market traded mostly positive this week. The price of class C beef remained stable week-on-week while the price for class A increased by 1.7% and weaner calves decreased by 2.4% compared to last week's prices. Demand for beef remains low with customers still under pressure financially. Compared to a year ago, prices for class A and weaner calves are lower by 2.9% and 21.1% respectively. High local maize prices are suppressing weaner prices. The import parity for beef, according to AMIE, is 0.5% higher compared to last week. The number of animals slaughtered this week, according to RMAA, amounts to 10,153 which is 28.6% lower compared to last year.

**Mutton:** Locally the sheep meat market traded lower this week, the price of class A declined by 1.9% week-on-week and the price for class C decreased by 2.1% week-on-week. The price for feeder lambs declined by 1.1% week-on-week. Lamb prices remain high in comparison to other protein alternatives. Due to consumer spending constraints, demand remains limited. The number of animals slaughtered this week was 10,028 according to RMAA. This is a 33% decreased year-on-year. The price of Merino skins increased by 0.9% from R36.00/skin to R36.33/skin week-on-week, this price is 62.48% lower compared to prices a year ago. The price of Dorper skins increased 3.3% from R25.00/skin to R25.83/skin week-on-week, which is 36.32% lower year-on-year.

**Pork:** The US market remains hopeful, but there's no clear signs yet for an increased demand for American pork from China (the world's largest pork importer). Bulgaria has a new case of ASF. US Market is still awaiting new US-China trade talks, a resolution would lift the US livestock complex as a whole. Locally: In the domestic pork market the price for porkers decreased by 0.8% while the price of baconers declined by only 0.19% week-on-week. Compared to a year ago, current prices are 16.7% higher for the pork average contract price, 14.9% higher for porkers and 18.7% higher for baconers. The domestic pork market is expected to continue along an increasing trend for the next three months.

**Poultry:** Prices in the domestic poultry market increased marginally this week. Local poultry prices are expected to remain steady. High local maize prices continue to put pressure on the intensive livestock sector. The industry is hoping the month-end demand will support prices in the next week. The market anticipates an increase in domestic poultry prices from November onwards till the festive season based on seasonal trends.

**Hides:** The current hide price is 70.8% 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. Oversupply of hides in the global market coupled with weak international hide demand keeps the hide market sentiment bearish. The market is expected to remain suppressed in the medium term.

### 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

US beef prices were mixed this week. Price for rump increased by 1.2% and chuck declined by 1.9% for the week. Week-on-week prices for topside declined by 0.1% and brisket rose by 0.5%. Strip loin prices declined by 1.3% compared to prices a week ago. Red meat exports from Australia for the year, hit their 2nd best performance financially in 2018/19 driven by a strong global demand. Australian beef exports increased 7% year-on-year, lamb and mutton exports increased 2% and 17% respectively. Beef cattle export values were supported by the Australian dollar trading at a 10-year low and the drought in key producing regions which elevated sheep and cattle slaughter rates. US Grain trade is creating a lot of uncertainty in the US feeder market. The US cattle futures prices traded mixed driven by a drop in US maize and soybean prices and forecasts of cooler weather in the US Midwest, which eased concerns around US maize and soybean crop yield losses.

	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	199.71	294.00	542.00	211.00	235.70	285.41	569.00	430.00
w/w	-0.1%	1.2%	-1.3%	-1.9%	0.5%	-0.8%	0.9%	0.9%
m/m	-2.9%	2.3%	-8.6%	-5.8%	-12.1%	-7.9%	3.5%	7.8%
y/y	-2.9%	-14.6%	-11.9%	-4.0%	5.6%	-5.7%	4.6%	-1.1%

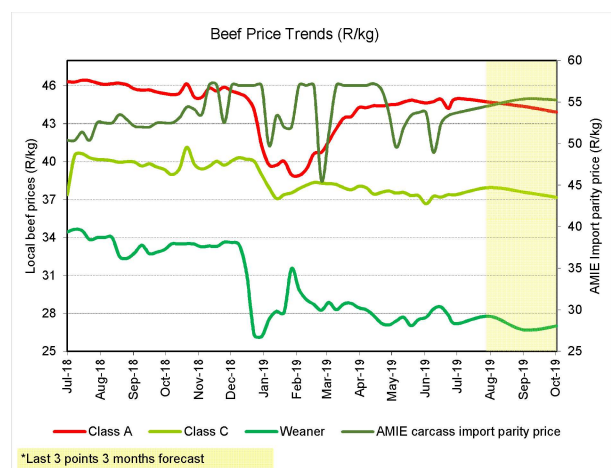
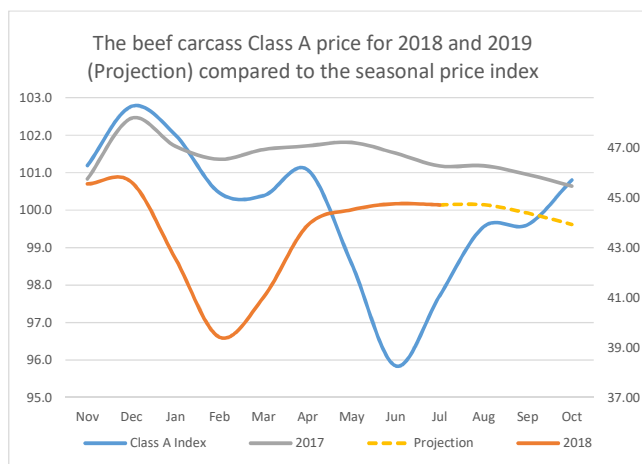
### Local beef market

Prices in the domestic beef market traded mostly positive this week. The price of class C beef remained stable week-on-week while the price for class A increased by 1.7%. Weaner calves decreased by 2.4% compared to last week's prices. Demand for beef remains low with customers remaining under pressure financially. Compared to a year ago prices for class A and weaner calves are lower by 2.9% and 21.1% respectively. High local maize prices are suppressing weaner prices. The import parity for beef, according to AMIE, is 0.5% higher compared to last week. The number of animals slaughtered this week, according to RMAA, amounts to 10,153 which is 28.6% lower compared to last year.

	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	13.94	9.80	44.97	37.40	45.18	27.18	73.41	53.69
w/w	-1.13%	0.0%	1.7%	0.0%	1.7%	-2.4%	0.9%	0.5%
m/m	-4.0%	3.4%	0.7%	2.0%	0.7%	-1.9%	11.4%	-0.1%
y/y	4.6%	7.3%	-2.9%	0.0%	-3.9%	-21.1%	6.1%	6.5%

### Outlook

Globally, volatility in the US grains complex is expected to continue putting pressure on the US beef market. Locally, consumers remain under pressure, driving red meat demand levels down. The CEC released its latest crop estimate yesterday, estimating a higher local maize crop of 10.979 million tons. Although the increased supply hasn't yet reflected in the Safex prices; in the medium term it could potentially lower feed costs, which in turn can support weaner prices. 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.



**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

## 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 and the ewe price remained stable. Australian sheep meat exports performed the strongest on record with lamb shipments reaching 275,000 tons and mutton 188,000 tons. The ongoing widespread drought and high slaughter rates were the primary driver of increased exports. Supply is expected to remain low throughout winter and into early spring. New Zealand farmgate lamb and mutton prices have skyrocketed, however supply is not nearly enough. New Zealand analysts expect to see an improvement in this season's slaughter rates during September and October, but for now the NZ export lamb slaughter number is 6-7% below last year's level.

	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	7.88	5.45	84.95	62.63	35.94	72.00
w/w	1.0%	0.0%	0.9%	0.0%	5.2%	2.1%
m/m	3.0%	3.2%	6.2%	6.1%	-5.4%	12.9%
y/y	-0.6%	3.8%	7.1%	11.1%	-0.2%	13.3%

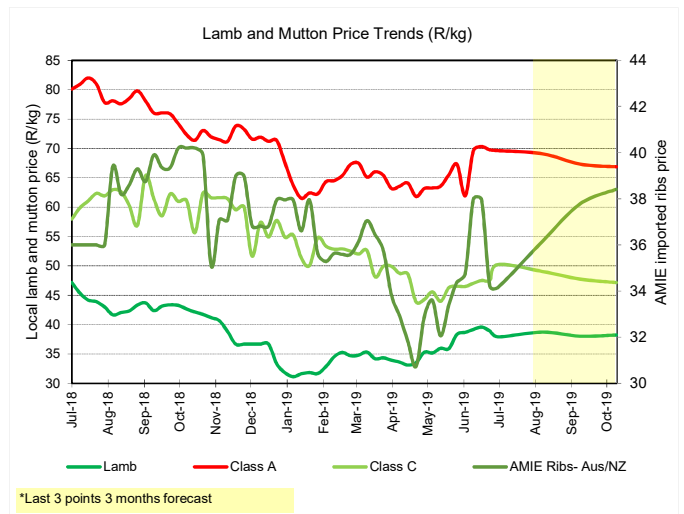
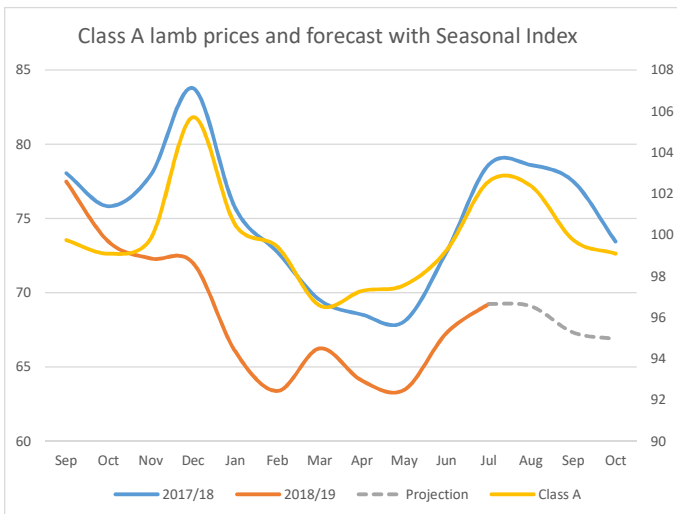
### Local sheep meat market

Locally the sheep meat market traded lower this week, the price of class A declined by 1.9% week-on-week and the price for class C decreased by 2.1% week-on-week. The price for feeder lambs declined by 1.1% week-on-week. Lamb prices remain high in comparison to other protein alternatives. Due to consumer spending constraints, demand remains limited. The number of animals slaughtered this week was 10,028 according to RMAA. This is a 33% decrease year-on-year. The price of Merino skins increased by 0.9% from R36.00/skin to R36.33/skin week-on-week, this price is 62.48% lower compared to prices a year ago. The price of Dorper skins increased 3.3% from R25.00/skin to R25.83/skin week-on-week, which is 36.32% lower year-on-year.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.80	68.34	49.18	37.51	25.83	10028
w/w	0.0%	-1.9%	-2.1%	-1.1%	3.3%	18.7%
m/m	3.4%	-1.8%	4.5%	-4.3%	3.3%	-6.9%
y/y	7.3%	-15.5%	-17.9%	-17.3%	-36.3%	-33.0%

### Outlook

Global lamb prices are expected to remain high, underpinned by high world meat prices and low global supply. 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. Lamb prices remain high in comparison to other protein alternatives. Due to consumer spending constraints, demand remains limited.



**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

## Pork market trends

### International pork market

The US pork market traded marginally positive this week with the US pork carcass price increasing by 5.5% week-on-week. Prices for pork loin and ham increased by 0.5% and 10.1% respectively. The rib price decreased by 1.1% compared to prices a week ago. The US import parity for pork ribs declined by 2.0% and import parity for ham increased 6% week-on-week. Increased purchases of US pork from China would help alleviate some of the build-up of US pork inventories. The US market remains hopeful, but there's no clear signs yet for increased demand for American pork from China (the world's largest pork importer). Bulgaria has a new case of ASF. The US Market IS still awaiting new US-China trade talks, a resolution would lift the US livestock complex as a whole.

	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	74.90	74.05	99.37	66.89	44.23	32.16
w/w	5.5%	0.5%	-1.1%	10.1%	-2.0%	6.0%
m/m	-3.7%	-6.3%	-21.8%	-1.6%	-21.6%	-5.1%
y/y	-8.5%	-3.8%	-13.9%	24.0%	-6.8%	23.4%

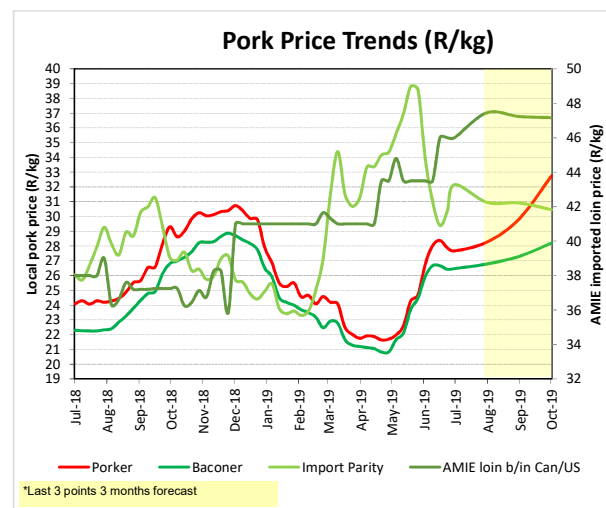
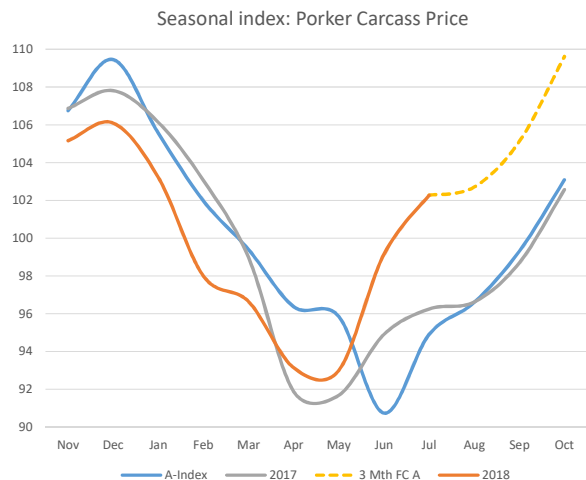
### Local pork market

In the domestic pork market the price for porkers decreased by 0.8% while the price of baconers declined by only 0.19% week-on-week. Compared to a year ago, current prices are 16.7% higher for pork average contract price, 14.9% higher for porkers and 18.7% higher for baconers. The number of animals slaughtered this week, according to RMAA, is 2.4% higher than last week.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	13.94	28041	27.07	27.67	26.47	46.00
w/w	-1.13%	2.4%	-0.3%	-0.8%	0.19%	0.0%
m/m	-4.0%	8.3%	2.7%	3.3%	2.0%	5.7%
y/y	4.6%	16.2%	16.7%	14.9%	18.7%	21.1%

### Outlook

The US market remains hopeful, but there's no clear signs yet for increased demand for American pork from China (the world's largest pork importer). Bulgaria has a new case of ASF. The US market still awaiting new US-China trade talks, a resolution would lift the US livestock complex as a whole. The domestic pork market is expected to continue along an increasing trend for the next three months.



**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

## Poultry market trends

### International poultry market

This week the price for US whole birds decreased by 7.2% compared to last week and the price of chicken breasts declined by 9.8% week-on-week. Chicken prices are surging in China as consumers shift to poultry as a cheaper alternative to pork amid the ASF outbreak. Chinese poultry analysts caution that they are not as hopeful for the market because feed costs and day-old chick costs are soaring. The price for fresh MDM increased by 0.2% week-on-week and the price for frozen MDM remained stable compared to last week. The price for US leg quarters declined by 0.8% and the price for EU leg quarters increased by 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	86.11	83.00	22.75	27.63	20.08	28.54
w/w	-7.2%	-9.8%	0.2%	0.00%	-0.8%	3.0%
m/m	-8.4%	-15.3%	-3.6%	-0.1%	-2.7%	-0.9%
y/y	-22.7%	-18.6%	-1.9%	-14.3%	14.8%	13.6%

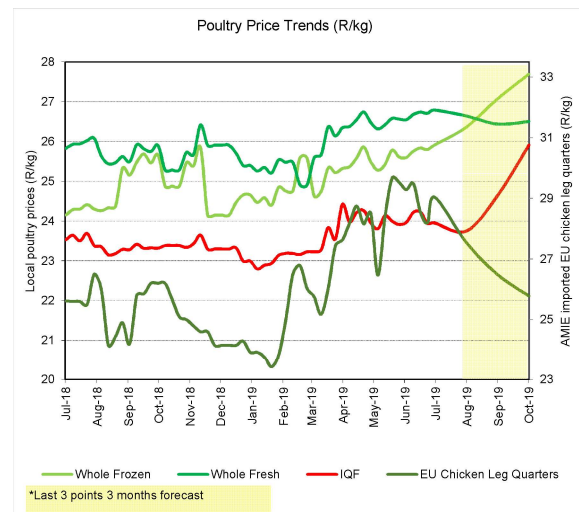
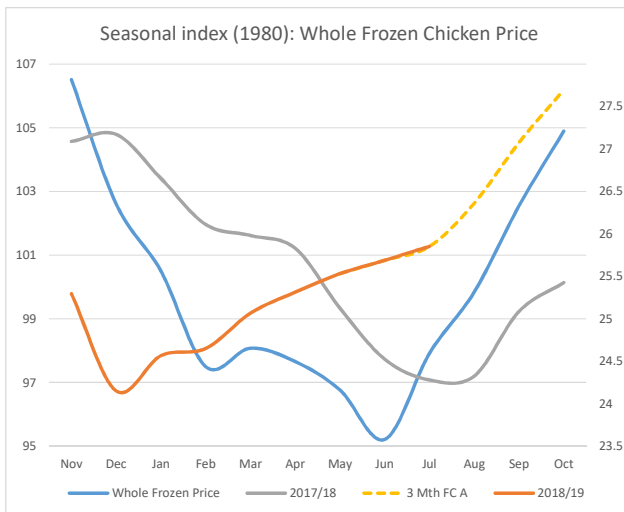
### Local poultry market

Prices in the domestic poultry market increased marginally this week. The price of fresh whole birds increased by 0.3%, the price of frozen whole birds increased by 0.5% and Individually Quick Frozen chicken prices increased by 0.1% week-on-week. Current prices of frozen whole birds are 7.3% higher compared to prices a year ago, current IQF prices are 1.8% higher year on year. The import parity for whole birds and chicken breasts declined compared to last week by 5.7% and 9.4% respectively. The number of day-old chicks in the market is currently low. Market expects through-put to be low in August. In the very short term, we anticipate month-end demand to stimulate an increase in prices.

	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	13.94	25.92	26.79	23.96	39.82	29.86
w/w	-1.13%	0.5%	0.3%	0.1%	-5.7%	-9.4%
m/m	-4.0%	1.2%	0.9%	-0.1%	-8.5%	-16.6%
y/y	4.6%	7.3%	3.7%	1.8%	-13.2%	-12.5%

### Outlook

International: Chicken prices are surging in China as consumers shift to poultry as a cheaper alternative to pork amid the ASF outbreak. Chinese poultry analysts caution that they are not as hopeful for the market because feed costs and day-old chick costs are soaring. 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. Local poultry prices are expected to remain steady. High local maize prices continue to put pressure on the intensive livestock sector. The industry is hoping the month-end demand will support prices in the week. The market anticipates an increase in domestic poultry prices from November onwards till the festive season based on seasonal trends.



**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

## Hide market trends

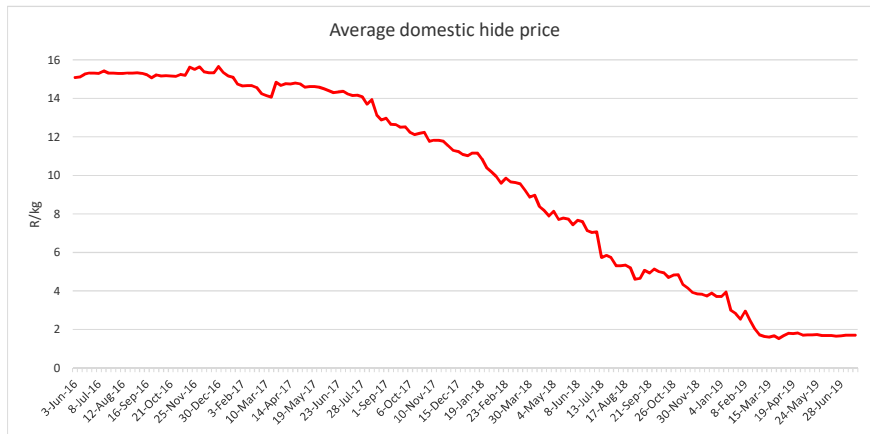
### Local hide market

The domestic hide market traded marginally negative this week with a 0.1% decrease from R1.707/kg to R1.705/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	2.01	1.56	1.71
w/w	1.0%	-1.9%	-0.1%
m/m	9.8%	0.6%	2.9%
y/y	-69.5%	n/a	-70.8%

### Outlook

The current hide price is 70.8% 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. Oversupply of hides in the global market coupled with weak international hide demand keeps the hide market sentiment bearish. The market is expected to remain suppressed in the medium term.



**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.

## 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)

**Disclaimer:** Although everything has been done to ensure the accuracy of the information, Absa Bank takes no responsibility for actions or losses that might occur due to the use of this information.