



Agri Trends

09 August 2019

Lamb slaughter prices are coming down as producers that had bought lambs at higher prices are struggling to sell.

Beef: Prices in the domestic beef market were mixed this week. The price of class C beef declined 0.3% week on week while the price for class A increased by 0.5%. Weaner calf prices decreased by 0.6% compared to last week's prices. The volume of local weaner calves available at auctions are declining. Compared to a year ago prices for class A and weaner calves are lower by 2.4% and 19.4% respectively. According to the latest RMLA statistics, the slaughter numbers for cattle for June 2019 is 184,699 per head, down 14% from the May 2019 slaughter figure of 215,696.

Mutton: Slaughter prices are coming down, and the industry expects further declines for the rest of August. Producers had bought lambs at higher prices but now they are struggling to sell. According to RMLA the number of sheep slaughtered in June 2019 is 316,739 that is 21% lower than May 2019 slaughter number which was 399,685.

Pork: The number of animals slaughtered according to RMLA in June 2019 is 244,898 which is 0.20% lower than May 2019. The accumulated number of pigs slaughtered for the year to date is 1,599,223. This figure is a 4.5% improvement from the 2018 slaughter number of 1,525,280 for the same period last year.

Poultry: Domestic prices remained stable this week. Poultry imports are fairly stable to strong. The anticipated month-end increase in demand was not as big as the market had hoped for. The industry hopes that prices will pick up from September onwards till the festive season according to seasonal trends.

Hides: The current average hide price is R1.58/kg, this is 70.4% lower than prices were a year ago. The low demand and reduced consumer spending are contributing factors to the low hide prices. Prices are expected to remain steady at this level for the medium term

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Beef market trends

International beef market

US beef prices were mostly positive this week. Price for rump increased by 24.5% and the price of strip loin increased by 58.3% for the week. Week on week prices for topside declined by 2%. Chuck and brisket prices increased by 0.1% and 7% respectively. US live cattle prices are higher due to an uptick in beef demand. A significant US grain report will be released on Monday 12th August 2019, which dictate what feedcosts will be in the near term. Beef supply is lower at the processors in Australia.

	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	208.83	300.00	565.00	215.00	253.69	297.91	583.00	435.00
w/w	-2.0%	24.5%	58.3%	0.1%	7.0%	20.3%	1.2%	0.0%
m/m	3.9%	0.7%	3.6%	-3.2%	6.1%	2.3%	4.3%	4.1%
y/y	0.5%	-7.6%	8.8%	1.3%	10.3%	5.6%	5.2%	-2.7%

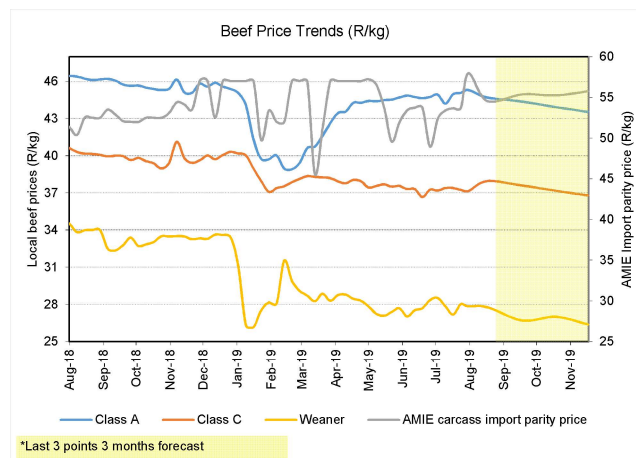
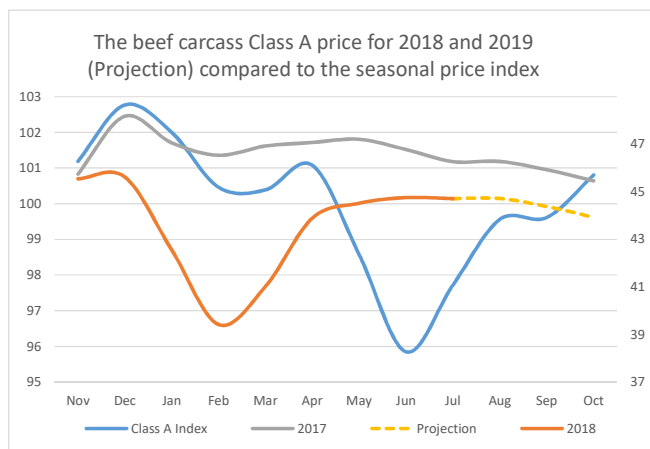
Local beef market

Prices in the domestic beef market were mixed this week. The price of class C beef declined 0.3% week on week while the price for class A increased by 0.5%. Weaner calf prices decreased by 0.6% compared to last week's prices. The volume of local weaner calves available at auctions are declining. Compared to a year ago prices for class A and weaner calves are lower by 2.4% and 19.4% respectively. According to the latest RMLA statistics, the slaughter numbers for cattle for June 2019 is 184,699 per head, down 14% from the May 2019 slaughter figure of 215,696.

	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	14.35	9.49	45.31	37.17	45.51	27.85	71.87	57.97
w/w	2.72%	1.2%	0.5%	-0.3%	0.5%	-0.6%	1.2%	8.0%
m/m	1.7%	0.7%	0.8%	-0.1%	0.8%	-2.3%	4.8%	10.6%
y/y	7.9%	5.6%	-2.4%	-8.5%	-3.5%	-19.4%	2.8%	12.8%

Outlook

US beef production is forecast above 2018 production, supported by higher slaughter and heavier carcass weights. The volatility in the US grain complex is a fundamental factor influencing any price movements in the feeder cattle and live cattle. A significant US grain report will be released on Monday 12th August 2019, which dictate what feedcosts will be in the near term. Locally: According to the latest RMLA statistics, the slaughter numbers for cattle for June 2019 is 184,699 per head, down 14% from the May 2019 slaughter figure of 215,696. The lift on the export ban for South African cloven hoofed animals and their products will continue to support South African beef exports and provide underlying support to domestic beef prices.



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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 1.3% increase in the lamb price while the ewe price remained steady. Supply is expected to remain low throughout winter and into early spring. EU lamb prices remained steady this week due to lower supplies available in the country. The EU market is affected by the heat and the caution around Brexit. A "no deal" Brexit is expected to cause chaos and confusion, especially at the ports. Subsequently lamb buyers are cautious to buy any New Zealand lamb that will arrive around the expected Brexit date.

	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	8.05	5.48	83.90	61.01	38.59	68.50
w/w	1.3%	0.0%	2.4%	1.2%	3.0%	-4.9%
m/m	3.9%	1.5%	4.3%	2.0%	12.8%	-0.7%
y/y	-0.6%	3.8%	5.4%	9.5%	7.2%	7.6%

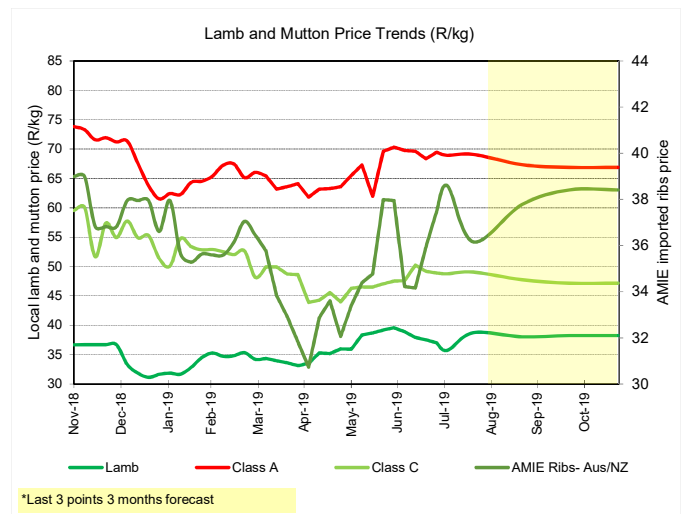
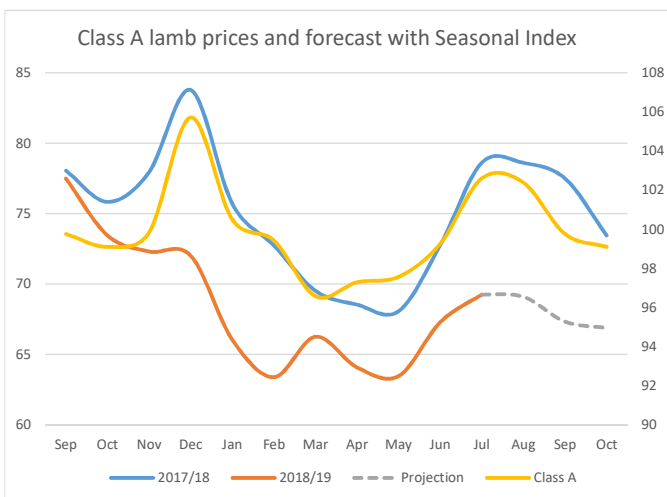
Local sheep meat market

Locally, the sheep meat market traded negatively this week as the price of class A decreased by 0.8% week on week and the price for class C decreased by 0.3% week on week. The price for feeder lambs declined by 3.5% week on week. The price of Dorper skins increased by 11.3% week on week. Slaughter prices are coming down, and the industry expects further declines for the rest of August. Producers had bought lambs at higher prices but now they are struggling to sell. According to RMLA the number of sheep slaughtered in June 2019 is 316,739 that is 21% lower than May 2019 slaughter number which was 399,685.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.49	68.93	48.76	35.72	28.75	10125
w/w	1.3%	-0.8%	-0.3%	-3.5%	11.3%	5.9%
m/m	0.8%	-1.2%	2.5%	-8.2%	19.8%	-13.0%
y/y	5.6%	-14.8%	-21.8%	-18.6%	-16.5%	-0.8%

Outlook

Global lamb prices are expected to remain high underpinned by high global protein prices and low global supply. SA: Based on seasonal trends, the domestic market is expecting prices of class A, class C and feeder lambs to follow a declining trend from August and move sideways from September. Slaughter prices are coming down, and the industry expects prices to either remain steady or to further declines for the rest of August. Producers had bought lambs at higher prices but are now struggling to get them sold. The domestic demand for sheep meat is currently low as the South African consumer is struggling to keep up with pricier sheep cuts in a stagnant economy. Domestic stocks are building up in cold storage due to the lower demand.



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Pork market trends

International pork market

The US pork market traded mostly positive this week with the US pork carcass price increasing by 5.6% week-on-week. Prices for pork loin decreased by 0.2%. The US rib and US ham price increased by 4.6%, 9.3% respectively compared to prices a week ago. The US import parity for pork ribs increased by 6.6% and the import parity for ham increased 9.9% week on week. African Swine Fever continues to devastate China's pork supply. If China does end up increasing its pork imports, it's unlikely it would turn to the US. China announced a halt to all US agricultural imports this 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	86.19	74.61	107.48	82.83	48.55	38.93
w/w	5.6%	-0.2%	4.6%	9.3%	6.6%	9.9%
m/m	20.4%	0.6%	3.8%	42.7%	4.9%	32.3%
y/y	18.7%	-0.3%	-9.8%	48.0%	-0.3%	45.8%

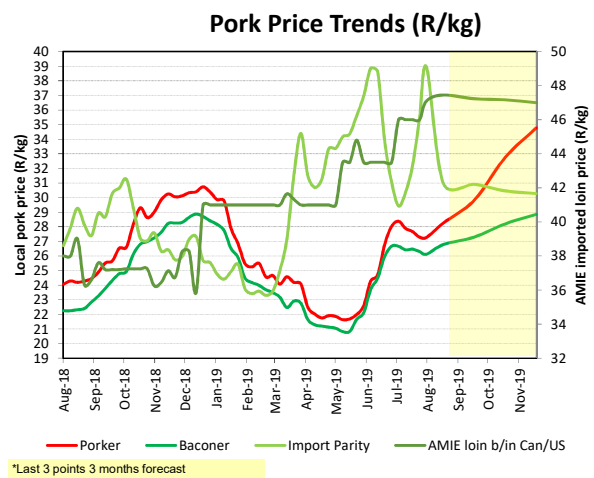
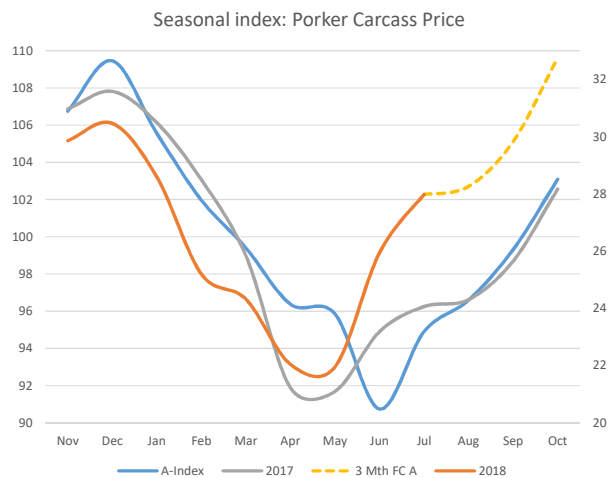
Local pork market

In the domestic pork market the price for porkers decreased by 0.1% while the price of baconers declined by only 0.68% week on week. Compared to a year ago, current prices are 15.3% higher for pork average contract price, 13.3% higher for porkers and 17.4% higher for baconers. The number of animals slaughtered according to RMLA in June 2019 is 244,898 which is 0.20% lower than May 2019. The accumulated number of pigs slaughtered for the year to date is 1,599,223. This figure is a 4.5% improvement from the 2018 slaughter number of 1,525,280 for the same period last year.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Lion (R/kg)
Price	14.35	28942	26.70	27.27	26.12	47.10
w/w	2.72%	-0.8%	-0.4%	-0.1%	-0.68%	2.4%
m/m	1.7%	-0.6%	-3.0%	-3.9%	-2.1%	2.4%
y/y	7.9%	39.5%	15.3%	13.3%	17.4%	23.9%

Outlook

The significant losses in China's pork supplies will leave a huge gap in the global protein supplies for the next year. Global pork prices are expected to be supported by the increased demand and lower supplies in the medium term. In July China cancelled pork orders from the US. If China does end up increasing its pork imports, it's unlikely it would turn to the US. The domestic pork market is expected to continue along an increasing trend for the next three months. The number of animals slaughtered according to RMLA in June 2019 is 244,898 which is 0.20% lower than May 2019. The accumulated number of pigs slaughtered for the year to date is 1,599,223. This figure is a 4.5% improvement from the 2018 slaughter number of 1,525,280 for the same period last year.



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Poultry market trends

International poultry market

This week the price for US whole birds decreased by 3.8% compared to last week and the price of chicken breasts increased by 1.2% week on week. Prices of chicken have increased by almost 50% in China. Poultry prices in China are expected to continue rising for the rest of the year, supported by a great demand in poultry after China's ASF outbreak. Poultry is now considered the safe option as health concerns mount over ASF further poultry boosting demand. The price for fresh MDM decreased by 1.3% week on week and the price for frozen MDM decreased by 2.42% compared to last week. The price for US leg quarters increased by 1.8% and the price for EU leg quarters decreased 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	82.97	86.00	22.72	27.00	20.49	27.96
w/w	-3.8%	1.2%	-1.3%	-2.42%	1.8%	-3.0%
m/m	-11.5%	-12.2%	-0.2%	-2.4%	1.2%	-0.3%
y/y	-13.5%	-12.2%	-0.8%	-14.2%	19.2%	11.4%

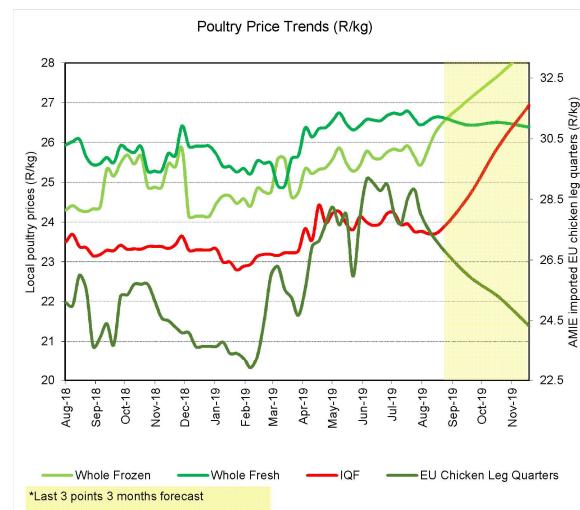
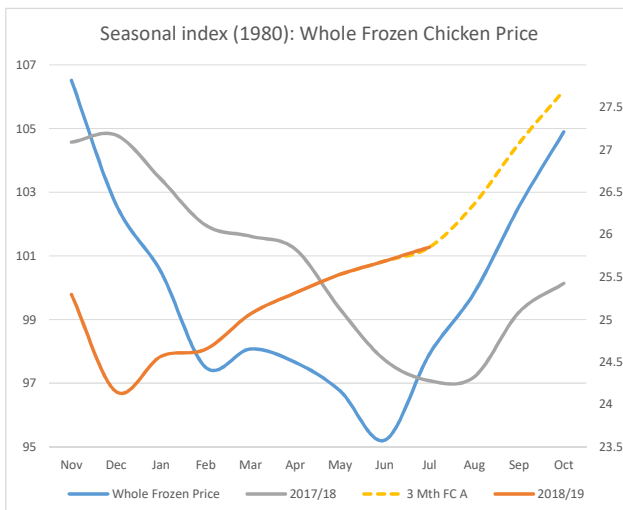
Local poultry market

Prices in the domestic poultry market mostly decreased this week. The price of fresh whole birds declined by 0.5%, the price of frozen whole birds decreased by 0.7% and Individually Quick Frozen chicken prices remained stable week on week. Current prices of frozen whole birds are 4.7% higher compared to prices a year ago and current IQF prices are 1.1% higher year on year. The import parity for chicken breasts increased by 3.6% compared to last week and declined by 3.9% year on year. Domestic prices remained stable this week. Poultry imports are fairly stable to strong. The anticipated month-end increase in demand was not as big as the market had hoped for. The industry hopes that prices will pick up from September onwards till the festive season according to seasonal trends.

	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	14.35	25.45	26.45	23.77	39.68	31.63
w/w	2.72%	-0.7%	-0.5%	0.0%	-0.6%	3.6%
m/m	1.7%	-1.5%	-1.1%	-1.9%	-6.7%	-9.3%
y/y	7.9%	4.7%	1.9%	1.1%	-3.9%	-3.9%

Outlook

International: Poultry prices in China are expected to continue rising for the rest of the year, supported by a great demand in poultry after China's ASF outbreak. Poultry is now considered the safe option as health concerns mount over ASF further poultry boosting demand. US broiler production is expected to surpass 2018 as the industry responds to favorable US broiler prices. SA: The industry hopes that prices will pick up from September onwards till the festive season according to seasonal trends.



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Hide market trends

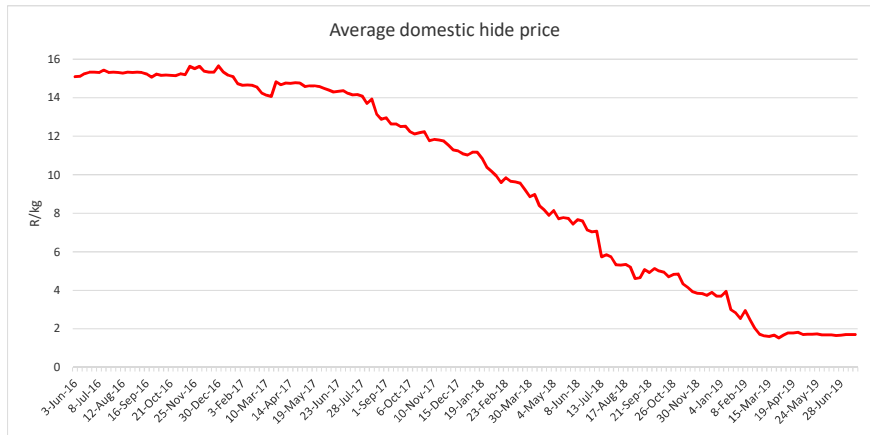
Local hide market

The domestic hide market traded marginally negative this week with a 1.1% decrease from R1.59/kg to R1.58/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	1.94	1.61	1.58
w/w	-3.5%	0.0%	-1.1%
m/m	0.0%	0.0%	-7.4%
y/y	-70.5%	n/a	-70.4%

Outlook

The current average hide price is R1.58/kg, this is 70.4% lower than prices were a year ago. The low demand and reduced consumer spending are contributing factors to the low hide prices. Prices are expected to remain steady at this level for the medium term.



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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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