



## Agri Trends

18 October 2019

### Global oversupply of hides continues to weigh on the local hide market

**Beef:** In the local beef market this week, prices of class A and C remained unchanged week on week. It has been a quiet week in the beef market. The market expects an increase in the coming weeks, as we get closer to month-end. Consumers are under pressure, the usual seasonal increase in demand during this period is lagging. Cheaper proteins are readily available, which is adding a bearish tone to prices. As soon as it starts raining in Botswana and Namibia, the local market expects to see lower imports from those regions, which may lead to an uptick in local beef prices. Pasture conditions may improve if the seasonal rains materialize.

**Mutton:** In the local market this week the price for class A, class C and feeder lamb decreased by 1.9%, 0.7% and 4.1% respectively week on week. The current price of feeder lambs is 27.6% lower than prices were a year ago. The price for dorper skins remained unchanged at R23.33/skin and merino skins remained unchanged at R39.29/skin this week. Compared to a year ago the price of dorper skins is 25.34% lower and the price of merino skins is 57.69% lower. The best price for lamb/ mutton is usually seen from 25 November to 15 December. The market is hopeful for an increase in demand during this warmer season, as consumer's grill more and have festivities over the school holidays and Christmas period.

**Pork:** Local pork prices could be supported in the medium to long term. The local pork prices are following an increasing trend that is supported by positive demand growth and lower prices. Prices are expected to trade higher into the festive season.

**Poultry:** The local poultry prices are expected to improve due to better uptake in the market as we head to month-end and the festive holidays, which is in line with seasonal trends. Meanwhile, consumers remain under pressure, which is limiting the consumer uptake. This week local poultry prices traded mostly positive. The whole frozen bird price and whole fresh bird price increased by 1.0% and 0.7% respectively week on week. The IQF price increased by 0.5% week on week. Local poultry prices have been trading steadily during this mid-month period. Higher feed costs coupled with high supplies continues to weigh on the market. The stronger consumer demand, usually seen during this period is still not present. Demand for fresh and frozen whole chickens as well as IQF poultry products is lagging. There is an increase in demand for the lower value poultry products such as chicken livers.

**Hides:** The current price is 17.6% higher than prices were a month ago, however, the hide price is 57.7% lower than prices were a year ago. The global hide market remains under pressure. The worldwide hide supply continues to grow while end-user demand continues to decline. Increased beef production in Australia, the US and Brazil has caused the oversupply of hides in the market. The reduction in the manufacture of luxury goods coupled with the rise of convincing synthetic leather substitutes has caused a decline in global demand. Some tanneries have been closed down in China due to environmental concerns, which reduced selling options for hides in the country. Due to all these factors, the hide market remains low in the global and local market.

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## Beef market trends

### International beef market

Prices in the international beef market were mostly positive this week. The price of topside, rump and striploin increased by 9.2%, 3.3% and 1.4% respectively week on week. The price of chuck and brisket decreased by 7.6% and 1.7% respectively. Dry conditions in Australia persist forcing additional cattle slaughter. Supplies in the US remains solid, while New Zealand and Australian supplies are tight. Australian beef exports to China triggered the 172,400 million ton safeguard in mid-August, resulting in an increase in tariffs. The tariff lines doubled back to levels prior to the FTA.

	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	211.92	278.00	501.75	208.00	275.25	288.37	607.00	468.00
w/w	9.2%	3.3%	1.4%	-7.6%	-1.7%	-1.5%	0.0%	1.7%
m/m	0.2%	4.9%	-21.0%	-5.7%	-1.6%	-9.8%	1.8%	3.8%
y/y	-0.1%	3.4%	2.2%	-1.0%	10.8%	3.7%	6.1%	15.6%

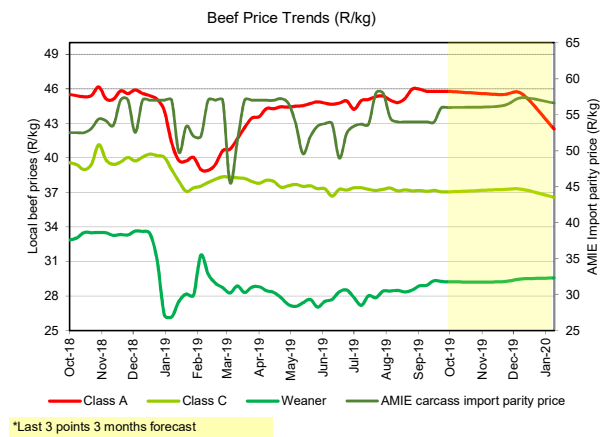
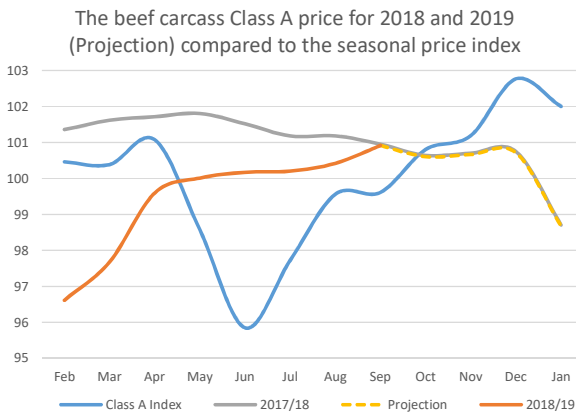
### Local beef market

In the local beef market this week, prices of class A and C remained unchanged week on week. It has been a quiet week in the beef market. The market expects an increase in the coming weeks, as we get closer to month-end. Consumers are under pressure, the usual seasonal uptick in demand during this period is lagging. Cheaper proteins are readily available, which is adding a bearish tone to prices. As soon as it starts raining in Botswana and Namibia, the local market expects to see lower imports from those regions, which may lead to an uptick in local beef prices.

	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	15.10	9.52	45.78	37.04	46.04	29.22	77.59	56.00
w/w	-0.8%	-0.2%	0.0%	0.0%	0.1%	-0.1%	1.6%	0.0%
m/m	3.0%	1.3%	-0.4%	-0.3%	-0.3%	1.2%	5.2%	3.7%
y/y	2.5%	0.9%	0.6%	-6.4%	-0.2%	-11.1%	16.6%	6.7%

### Outlook

The US cattle price for 2019 is raised, driven by current price strength. It is expected that cattle prices will remain firm going into 2020. US beef exports are raised on increased global demand. Local beef prices have been under pressure due to lack of demand, as the pressure on consumers limit increases in prices. Prices may however recover in line with seasonal trends, as there is normally improved demand during this period and into the festive season. Pasture conditions may improve if the seasonal rains materialize.



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## Sheep meat market trends

### International sheep meat market

The international price of ewes increased by 1.8% week on week while the price of lambs increased by 0.6% week on week. The price of mutton ribs increased by 0.5% week on week while the price of mutton shoulders remained unchanged week on week. Over the past five years, New Zealand exports to China have grown 13% per year on average and now China is taking 43% of all New Zealand lamb exports.

	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	8.63	5.70	89.59	63.20	42.40	72.90
w/w	0.6%	1.8%	0.4%	1.4%	0.5%	0.0%
m/m	1.8%	1.5%	3.0%	3.2%	11.5%	6.4%
y/y	5.9%	14.0%	6.5%	13.1%	5.5%	13.0%

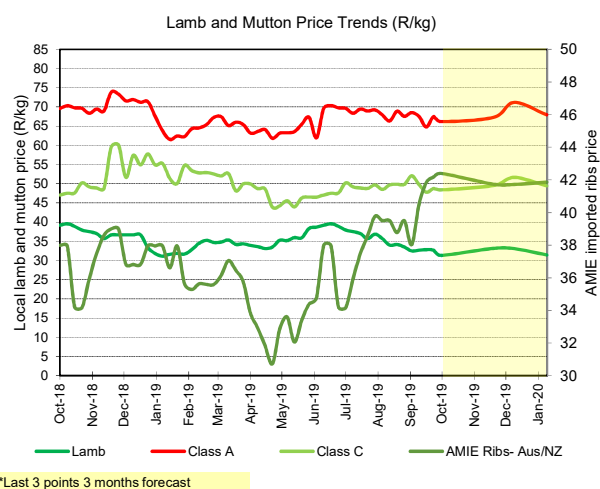
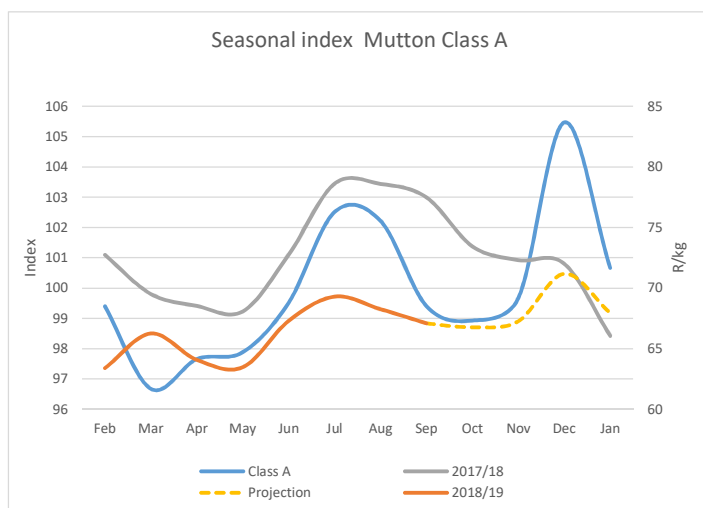
### Local sheep meat market

In the local market this week the price for class A, class C and feeder lamb decreased by 1.9%, 0.7% and 4.1% respectively week on week. The current price of feeder lambs is 27.6% lower than prices were a year ago. The price for dorper skins remained unchanged at R23.33/skin and merino skins remained unchanged at R39.29/skin this week. Compared to a year ago the price of dorper skins is 25.34% lower and the price of merino skins is 57.69% lower. The best price for lamb/ mutton is usually seen from 25 November to 15 December. The market is hopeful for an increase in demand during this warmer season, as consumer grill more and have festivities over the school holidays and Christmas period.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.52	66.18	48.40	31.33	23.33	12483
w/w	-0.2%	-1.9%	-0.7%	-4.1%	0.0%	-13.2%
m/m	1.3%	-3.4%	-7.0%	-3.6%	-9.7%	12.5%
y/y	0.9%	-10.8%	-20.6%	-27.6%	-25.3%	52.9%

### Outlook

There is positive sentiment in the lamb/mutton market driven by the strong Chinese demand. China's demand for red meat from all sources is expected to continue to grow. This could limit the capacity and ability for farmers to rebuild their flock. Locally lamb, mutton prices remain under pressure due to the subdued demand during mid-month, however prices may recover in the short term in line with seasonal trends.



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## Pork market trends

### International pork market

The international pork market traded mostly positive this week with the US pork carcass price increasing by 3.4%. Week on week prices for loin and ribs increased by 1.7% and 1.3% respectively. The import parity for pork ribs increased by 0.3% and the import parity of ham decreased by 4.6% week on week. Pork exports have increased in Brazil, driven by Chinese and Russian demand. Brazilian pork prices are on the rise due to exports outpacing production growth. US pork production is expected to rise, because of a large breeding stock and increased productivity. Trade tensions have limited the export potential.

	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	76.68	69.26	111.92	58.14	52.71	31.42
w/w	3.4%	1.7%	1.3%	-5.4%	0.3%	-4.6%
m/m	9.3%	-0.9%	3.0%	-2.6%	5.6%	1.1%
y/y	-1.0%	-10.2%	-5.1%	6.8%	-1.9%	7.2%

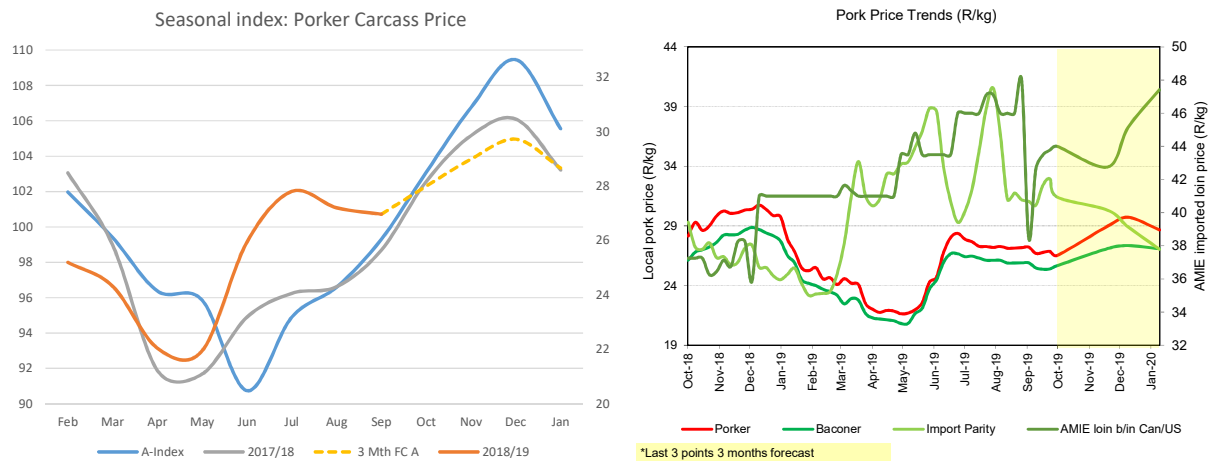
### Local pork market

Pork prices traded mixed this week with the porker price decreasing by 1.3% and baconer price increasing by 1.1%. Local pork prices were supported by stronger demand this week. The pork industry is expected to benefit from increased demand during this warmer period, as warmer weather encourages grilling. Pork prices are lower than most of the protein options, this will encourage sales.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	15.10	27444	26.09	26.53	25.66	44.00
w/w	-0.8%	0.9%	-0.1%	-1.3%	1.1%	0.5%
m/m	3.0%	4.6%	-1.8%	-2.6%	-0.9%	14.4%
y/y	2.5%	11.9%	-3.9%	-5.8%	-1.8%	18.1%

### Outlook

Global: In the case of the ASF outbreak in China, pork production may take more than five years to recover to prior production levels. There may be challenges ahead such as lack of capital, higher investment requirements, and other long-term issues, such as limited land access and strict environmental standards. Local pork prices could be supported in the medium to long term. The local pork prices are following an increasing trend that is supported by positive demand growth and lower prices. Prices are expected to trade higher into the festive season.



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## Poultry market trends

### International poultry market

The international poultry market traded mostly positive this week. The price of US whole birds decreased by 1.1% while the price of fresh MDM and frozen MDM increased by 0.7% and 0.8% respectively. Compared to a year ago the price of US whole birds and US chicken breasts are 5.5% and 12.5% lower respectively. The price of leg quarters in the US decreased by 5.8% and the price of EU leg quarters decreased by 3.8% week on week. Compared to a year ago the price of leg quarters for the US are 1.3% lower and the price of EU leg quarters are 7.0% higher respectively. Global breast meat markets are oversupplied and causing prices in Brazil, the EU and the US to stay low. This due to weak demand for these products.

	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	78.71	70.00	22.75	26.59	17.54	27.49
w/w	-1.1%	0.0%	0.7%	0.8%	-5.8%	3.8%
m/m	3.3%	-6.7%	0.4%	-1.3%	-11.4%	1.9%
y/y	-5.5%	-12.5%	5.1%	2.6%	-1.3%	7.0%

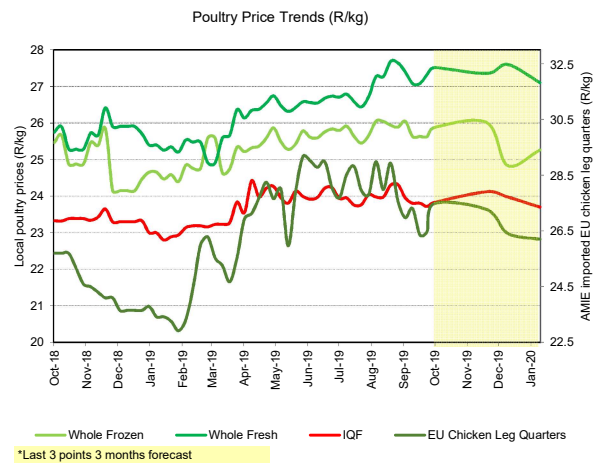
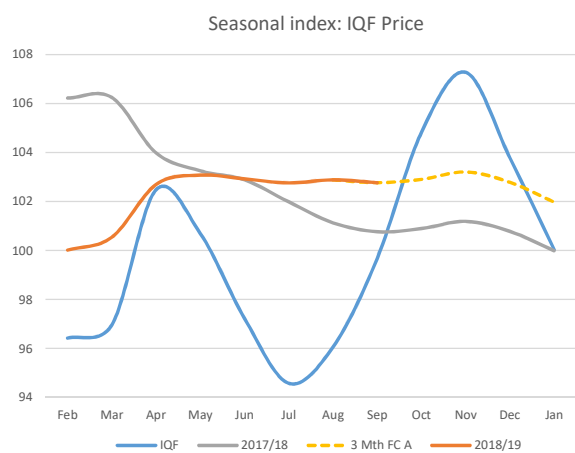
### Local poultry market

This week local poultry prices traded mostly positive. The whole frozen bird price and whole fresh bird price increased by 1.0% and 0.7% respectively week on week. The IQF price increased by 0.5% week on week. Local poultry prices have been trading steadily during this mid-month period. Higher feed costs coupled with high supplies continues to weigh on the market. The stronger consumer demand, usually seen during this period is still not present. Demand for fresh and frozen whole chickens as well as IQF poultry products is lagging. There is an increase in demand for the lower value poultry products such as chicken livers.

	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	15.10	25.88	27.52	23.83	39.73	27.83
w/w	-0.8%	1.0%	0.7%	0.5%	-1.3%	-0.7%
m/m	3.0%	-0.7%	0.4%	-0.5%	4.3%	-3.0%
y/y	2.5%	1.6%	6.9%	2.1%	-2.0%	-8.6%

### Outlook

International: Due to the limited pork breeding stock in China, poultry prices in China are expected to keep going strong for the remainder of 2019. The Eastern Europe poultry market is facing ongoing oversupply concerns. The local poultry prices are expected to improve due to better demand in the market as we head to month-end and the festive holidays, which is in line with seasonal trends. Meanwhile, consumers remain under pressure, which is limiting the consumer uptake.



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## Hide market trends

### Local hide market

The current average hide price is R2.09/kg, this is 12.5% higher than last week's price of R1.86/kg.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.53	2.09	2.09
w/w	24.0%	26.7%	12.5%
m/m	35.3%	39.3%	17.6%
y/y	-52.9%	N/A	-57.7%

### Outlook

The current price is 17.6% higher than prices were a month ago, however, the hide price is 57.7% lower than prices were a year ago. The global hide market remains under pressure. The worldwide hide supply continues to grow while end-user demand continues to decline. Increased beef production in Australia, the US and Brazil has caused the oversupply of hides in the market. The reduction in the manufacture of luxury goods coupled with the rise of convincing synthetic leather substitutes has caused a decline in global demand. Some tanneries have been closed down in China due to environmental concerns, which reduced selling options for hides in the country. Due to all these factors, the hide market remains low in the global and local market.

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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