



Agri Trends

27 September 2019

Beef exports destined for South Africa from Namibia has increased by 83% year on year when compared to the same period (Jan-Jul) last year.

Beef: In the local beef market this week, prices of class A and class C declined by 0.4% and 0.2% respectively week on week. Cattle producers in South Africa are under pressure due to issues such as drought and decreasing profit margins. Prices are currently trading sideways in the market. The industry will monitor the impact of the opening of live cattle exports from Botswana.

Mutton: In the local market this week the price for class A and class C decreased by 1.5% and 4.3% respectively while the price for feeder lambs increased by 0.5% week on week. The current price of feeder lambs is 22.9% lower than prices were a year ago. The price for dorper skins declined by 3.2% from R25.83/skin to R25.00/skin and the price of merino skins declined by 8% from R38.57/skin to R35.50/skin this week. Compared to a year ago the price of dorper skins is 16.7% lower and the price of merino skins is 62.64% lower. The seasonal pick-up in demand usually seen during Heritage day / Braai day was not as evident compared to previous years. Consumer spending and demand for lamb, mutton and beef is lower than the demand seen for poultry.

Pork: Local pork prices were negative this week with the porker price decreasing by 1.9% and baconer price declining by 1.6%. Compared to a year ago, current prices for porkers and baconers are 4% and 4.8% higher respectively. According to the RMLA 275,393 head of pigs were slaughtered in July 2019. This is a 9% increase month on month.

Poultry: This week in the local poultry market the price for frozen whole birds decreased by 1.6%, fresh whole bird prices decreased by 1.2% and the price of Individually Quick Frozen chicken pieces declined by 0.6%. The South African consumer is under pressure and is resistant to increased poultry prices which is limiting producers profit margins. There is a shortage of wings in the poultry market, which is lending some support to the wings' price.

Hides: The current hide price is 63.6% lower than prices were a year ago. Prices remain weak both locally and globally and a major recovery is not to be expected in the short to medium term.

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Beef market trends

International beef market

Prices in the international beef market were mixed this week. The price of striploin and brisket declined by 10.2% and 1.7% respectively week on week while the price of topside and chuck both increased by 1.6% this week. The US feeder cattle and live cattle futures recovered this week backed by strength from the cash market. In New Zealand, procurement rates for bulls are growing weaker, despite tough competition in the manufacturing of beef.

	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	215.00	265.00	570.25	224.00	275.00	306.70	597.00	451.00
w/w	1.6%	0.0%	-10.2%	1.6%	-1.7%	-4.0%	0.2%	0.0%
m/m	-8.3%	-2.6%	24.0%	-2.6%	10.0%	9.2%	0.5%	1.8%
y/y	10.6%	-5.2%	-0.3%	3.2%	16.5%	4.9%	1.2%	2.5%

Local beef market

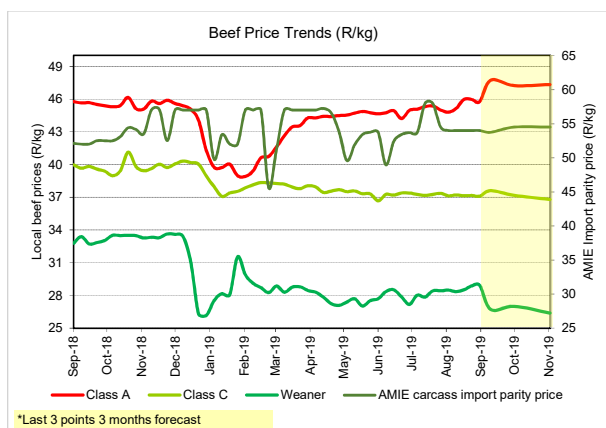
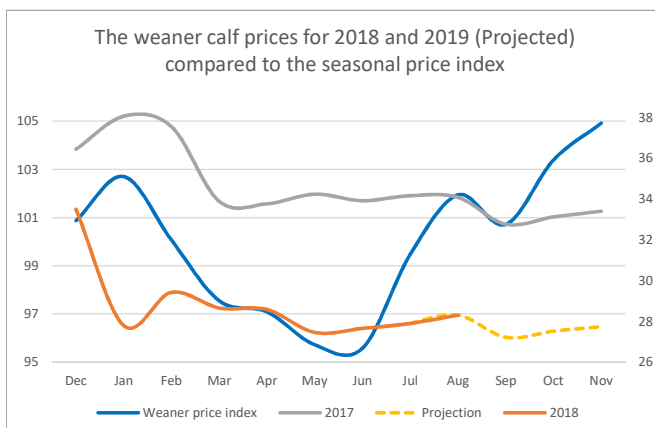
In the local beef market this week, prices of class A and class C declined by 0.4% and 0.2% respectively week on week. Cattle producers in South Africa are under pressure due to issues such as drought and decreasing profit margins. Prices are currently trading sideways in the market. The industry will monitor the impact of the opening of live cattle exports from Botswana. The country's Ministry of Agriculture has announced that cattle would be allowed to be exported to South Africa. The announcement indicates that 30% of the total herd can be exported. In the past, Botswana's legislation had prevented this.

Namibia is currently facing a severe drought; some even predicting it to be one of the worst for the last century. As a result, there is an increase in supply of animals in the Namibian marketing channels. Beef exports destined for South Africa from Namibia has increased by 83% year on year when compared to the same period (Jan-Jul) 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	14.71	9.32	45.78	37.10	46.00	28.93	73.24	54.00
w/w	0.3%	-0.7%	-0.4%	-0.2%	-0.4%	0.2%	-0.7%	0.0%
m/m	-3.6%	-4.7%	2.2%	-0.1%	2.2%	1.6%	-3.0%	0.0%
y/y	0.1%	-2.6%	0.0%	-7.2%	-0.8%	-11.7%	-0.1%	3.6%

Outlook

International beef prices are expected to continue their decline in the medium term due to continued pressure and political uncertainty. Local prices are expected to remain relatively stable however, prices may decline in the short term due to increased imports from the neighbouring countries entering the market. Prices are expected to pick up in November and December due to increased seasonal demand.



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Sheep meat market trends

International sheep meat market

The international price of lambs increased marginally by 0.6% week on week while the price of ewes remained unchanged. The price of mutton ribs increased by 6.4% week on week while the price of mutton shoulders increased marginally by 0.7%. The high sheep slaughter numbers, poor mating, and lambing rates in Australia have led to an estimated national sheep flock of 66 million head, representing a decline of 6.5% year-on-year. Forward contracts released by processors for September to November in Australia and New Zealand suggest that there will be price support until the end of the year. Exceptionally strong demand for lamb from China and the US supported by a depreciating Australian dollar underpinned sheep prices this 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	8.53	5.58	86.78	60.79	40.48	69.00
w/w	0.6%	0.0%	-0.2%	-0.8%	6.4%	0.7%
m/m	3.4%	1.5%	-1.8%	-3.5%	2.5%	0.7%
y/y	2.2%	7.3%	-0.5%	3.8%	1.5%	5.8%

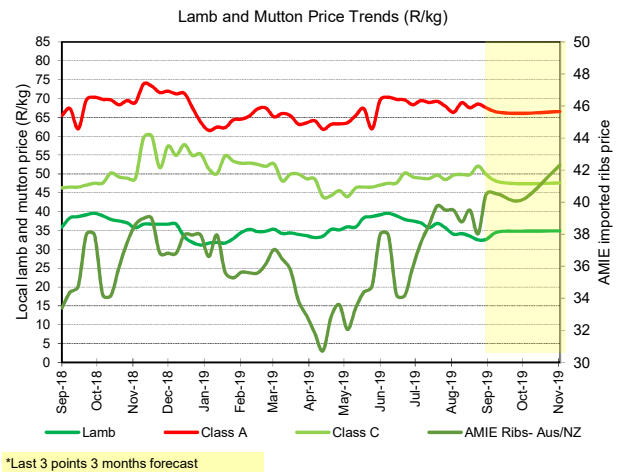
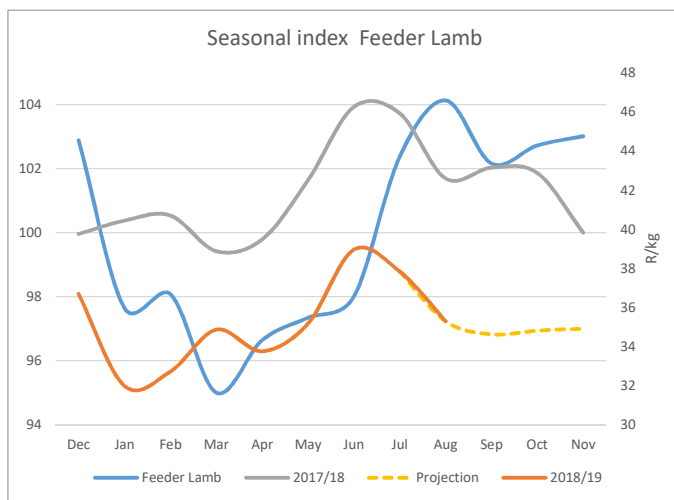
Local sheep meat market

In the local market this week the price for class A and class C decreased by 1.5% and 4.3% respectively while the price for feeder lambs increased by 0.5% week on week. The current price of feeder lambs is 22.9% lower than prices were a year ago. The price for dorper skins declined by 3.2% from R25.83/skin to R25.00/skin and merino skins declined by 8% from R38.57/skin to R35.50/skin this week. Compared to a year ago the price of dorper skins is 16.7% lower and the price of merino skins is 62.64% lower. The seasonal pick-up in demand usually seen during Heritage day / Braai day was not as evident compared to previous years. Consumer spending and demand for sheep meat and beef meat is lower than the demand seen for poultry.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.32	67.51	49.82	32.67	25.00	9130
w/w	-0.8%	-1.5%	-4.3%	0.5%	-3.2%	-17.7%
m/m	-4.8%	1.8%	0.3%	-3.9%	-3.2%	-11.9%
y/y	-2.6%	-11.2%	-18.9%	-22.9%	-16.7%	-16.0%

Outlook

The strong overseas demand and lower sheep numbers in New Zealand is expected to support the Australian domestic and export prices in the short to medium term. International prices are expected to trade relatively stable in the medium term. Local prices are expected to experience increases from November due to increased seasonal demand.



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Pork market trends

International pork market

The majority of prices in the international pork market traded negatively this week with the US pork carcass price declining by 3.5%. Week on week prices of pork loins, ribs and ham declined by 2.4% ,1.1% and 2% respectively. The import parity for pork ribs declined by 0.6% while the import parity of ham declined by 1.1% week on week. On Thursday China's Commerce Ministry said China will be buying significant amounts of US soybeans and pork ahead of discussions scheduled to take place in October. Hopes for Chinese buying helped underpin futures as Beijing and Washington plan for high-level trade talks in October. South Korea and the Philippines are two additions to the list of regions with confirmed outbreaks of ASF in Asia.

	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	67.71	68.21	107.48	58.50	49.66	30.74
w/w	-3.5%	-2.4%	-1.1%	-2.0%	-0.6%	-1.1%
m/m	-14.8%	-3.8%	-4.5%	2.9%	-7.2%	-1.6%
y/y	-11.7%	-17.1%	-10.3%	1.0%	-8.1%	1.5%

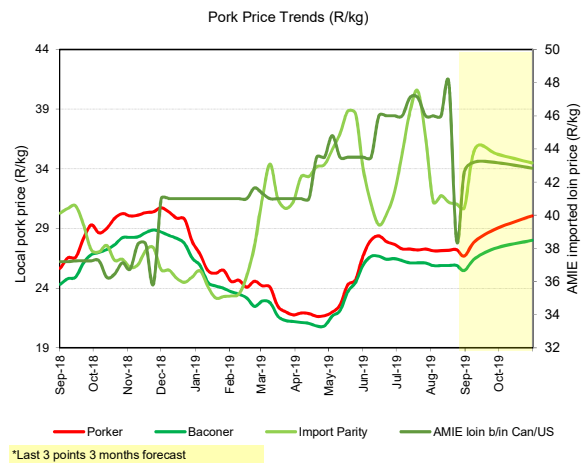
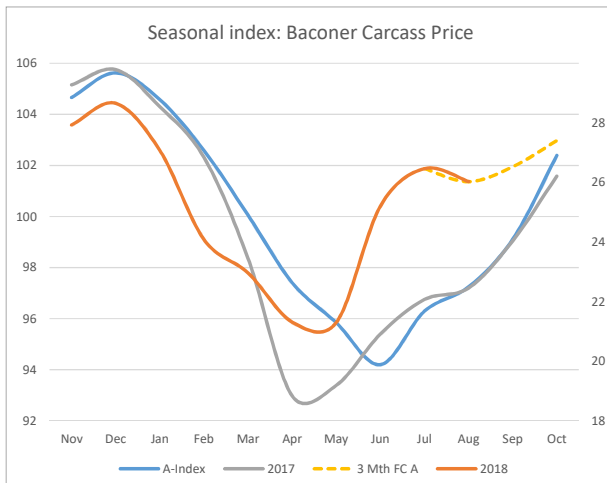
Local pork market

Pork prices were negative this week with the porker price decreasing by 1.9% and baconer price declining by 1.6%. Compared to a year ago, current prices for porkers and baconers are 4% and 4.8% higher respectively. According to the RMLA 275,393 head of pigs were slaughtered in July 2019. This is a 9% increase month on month.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.71	27948	26.09	26.70	25.48	42.63
w/w	0.3%	6.5%	-1.8%	-1.9%	-1.6%	10.9%
m/m	-3.6%	-3.4%	-1.6%	-1.6%	-1.6%	-7.3%
y/y	0.1%	23.7%	4.4%	4.0%	4.8%	14.6%

Outlook

There's hope for Chinese buying amid renewed high-level trade talks to be held October. This supported prices in the short term. Local prices are expected to follow an increasing trend for the medium term. Locally, the warmer season is synonymous with braai's. Consumers are expected to increase their meat consumption during this season onwards till the festive holidays.



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Poultry market trends

International poultry market

The international poultry market traded mostly negative this week. The price of US whole birds increased by a marginal 0.9% and the price of frozen MDM experienced a slight decrease of 0.5%. Compared to a year ago the price of US whole birds and US chicken breasts are 8.5% and 15.7% lower respectively. The price of leg quarters in the US increased by 1.9% while the price of EU leg quarters increased by 1.2% week on week. Compared to a year ago the price of leg quarters for the US and the EU are 18.4% and 15.2% higher respectively. Total US frozen poultry supplies on August 31, 2019 were up 4% from the previous month but down 5% from a year ago. Total stocks of chicken were up 6% from the previous month.

	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	76.91	70.00	22.56	26.55	20.16	27.31
w/w	0.9%	-6.7%	-0.5%	-1.4%	1.9%	1.2%
m/m	-3.0%	-18.6%	0.6%	-2.1%	-2.5%	-2.4%
y/y	-8.5%	-15.7%	0.4%	0.5%	18.4%	15.2%

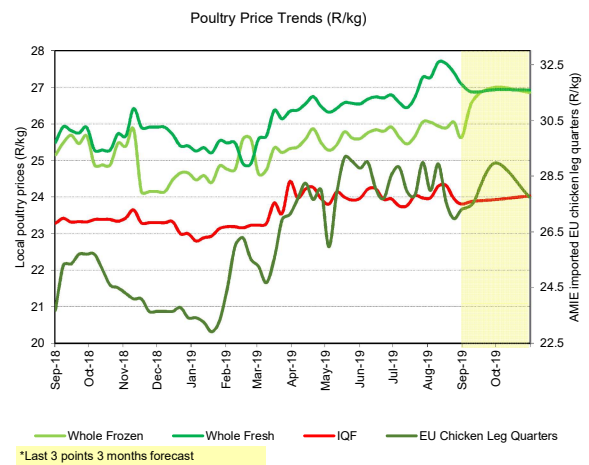
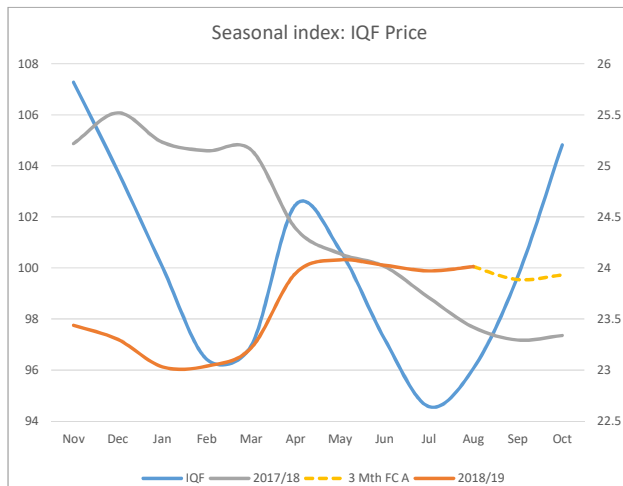
Local poultry market

This week in the local poultry market the price for frozen whole birds decreased by 1.6%, fresh whole bird prices decreased by 1.2% and the price of Individually Quick Frozen chicken pieces declined by 0.6%. The South African consumer is under pressure and is resistant to increased poultry prices which is limiting producers profit margins. There is a shortage of wings in the poultry market, which is lending some support to the wings' price.

	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	14.71	25.64	27.08	23.81	38.41	27.16
w/w	0.3%	-1.6%	-1.2%	-0.6%	0.9%	-5.3%
m/m	-3.6%	-1.6%	-0.7%	-0.7%	-4.6%	-18.9%
y/y	0.1%	1.9%	6.2%	2.3%	-5.4%	-13.2%

Outlook

International poultry prices are expected to remain at these levels. The sustained demand for poultry from China continues to support international poultry prices. Locally, prices are expected to pick up again from October. According to consumer trends, meat consumption increases during this period. Prices are expected to increase over the festive holidays.



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Hide market trends

Local hide market

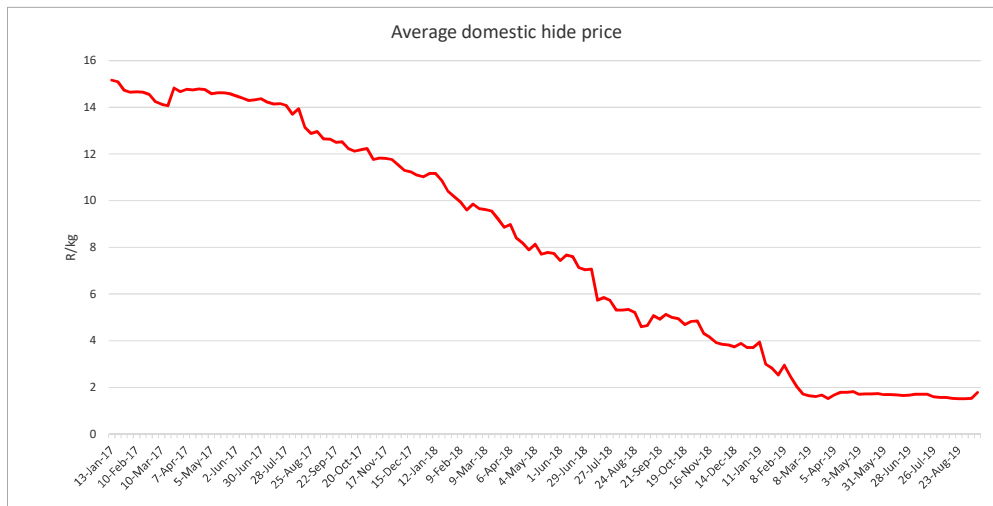
The current average hide price is R1.79/kg, this is 0.7% higher than last week's price of R1.78/kg.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.92	1.50	1.79
w/w	2.7%	0.0%	0.7%
m/m	2.7%	2.7%	17.9%
y/y	-64.4%	N/A	-63.6%

Outlook

The current hide price is 63.6% lower than prices were a year ago. Prices remain weak both locally and globally and a major recovery is not to be expected in the short to medium term.

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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