



## Agri Trends

04 October 2019

Price increases in the livestock market are capped by lower consumer spending power.

**Beef:** In the local beef market this week, prices of class A and class C remained fairly stable week on week. Cattle producers in South Africa are under pressure due to issues such as drought and decreasing profit margins. The local beef market remains quiet with little movement. The consumer spending power is simply under strain and the lack of demand is placing prices under pressure. The weaner calf price got support this week from lower supplies and increased demand. The industry will monitor the impact of the opening of live cattle exports from Botswana and Namibia.

**Mutton:** In the local market this week the price for class A and class C decreased by 4% and 4.1% respectively while the price for feeder lambs increased by 0.5% week on week. The current price of feeder lambs is 23.9% lower than prices were a year ago. Constrained consumer spending power has capped any increases in the lamb and mutton market. It is difficult for the lamb and mutton prices to compete with cheaper protein alternatives in the local meat market. Local prices are expected to experience some increases from November due to increased seasonal demand, however this year, that increase will be capped by the lower spending power consumers are facing.

**Pork:** Prices in the pork market have been trading flat for the past month. Producers were expecting the market to pick up in September due to warmer weather sparking more braai-ing trends however, that was not the case. The market is now starting to show small gains in October driven by a pick-up in demand. The factory prices are not expected to pick up significantly due to consumer resistance, everyone is feeling the pinch. The industry remains hopeful for better consumption into the summer period and growing demand because pork is a cheaper protein alternative.

**Poultry:** The South African consumer remains under pressure and is resistant to increased poultry prices which is limiting producers profit margins. Local poultry prices were kept steady this week. The upturn in demand from month-end is supporting sales volumes.

**Hides:** The current hide price is 65.3% 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 mostly negative this week. The price of topside, striploin, chuck and brisket declined by 4.7%, 9.6%, 4% and 1.5% respectively week on week. Chicken is starting to become the American's favorite meat choice and because of the beef prices are declining. The USDA cut its outlook for beef consumption last month and now projects that demand for beef will stay stagnant for this year.

	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	205.00	265.00	515.25	215.00	270.81	290.77	604.00	458.00
w/w	-4.7%	0.0%	-9.6%	-4.0%	-1.5%	-5.2%	1.2%	1.6%
m/m	-8.8%	-8.0%	-31.3%	-3.6%	-2.2%	-15.7%	1.3%	3.4%
y/y	2.2%	-3.2%	-8.6%	-1.7%	10.2%	-1.2%	2.5%	6.0%

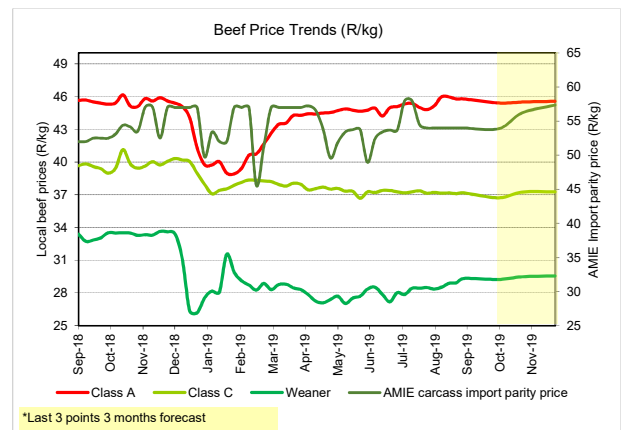
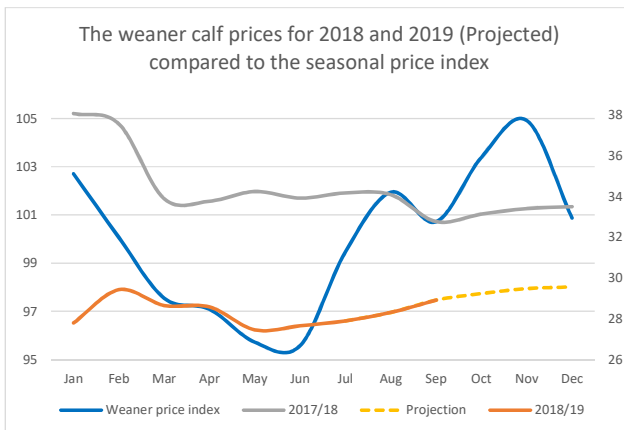
### Local beef market

In the local beef market this week, prices of class A and class C remained fairly stable week on week. Cattle producers in South Africa are under pressure due to issues such as drought and decreasing profit margins. The local beef market remains quiet with little movement. The consumer spending power is simply under strain and the lack of demand is placing prices under pressure. The weaner calf price got support this week from lower supplies and increased demand. The industry will monitor the impact of the opening of live cattle exports from Botswana and Namibia.

	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	15.00	9.44	45.78	37.17	46.00	29.33	75.29	54.00
w/w	1.9%	1.2%	0.0%	0.2%	0.0%	1.4%	2.8%	0.0%
m/m	-1.9%	-2.7%	1.4%	-0.1%	1.5%	3.4%	0.6%	0.0%
y/y	5.1%	0.8%	0.3%	-6.3%	-0.6%	-12.2%	6.9%	3.8%

### Outlook

International beef prices are expected to continue their decline in the medium term due to continued competition for other protein sources and political uncertainty. Local prices are expected to remain relatively stable due to consumer spending constraints. 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 3.4% week on week while the price of mutton shoulders remained unchanged. New Zealand lamb supply is low at this time of the season. Both international prices and the farm gate prices farmers are receiving for stock are at high levels. China's demand for other meat is supporting meat prices. UK retailers will be anxious to secure New Zealand lamb and mutton products for the Christmas period. The Chinese buyers remain eager for New Zealand lamb products, especially lamb breasts that is pushing prices above the US\$8/kg.

	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	8.58	5.58	88.36	61.54	41.84	69.00
w/w	0.6%	0.0%	1.8%	1.2%	3.4%	0.0%
m/m	3.0%	1.5%	-0.1%	-1.4%	7.9%	0.7%
y/y	3.4%	9.4%	4.1%	9.1%	6.3%	5.8%

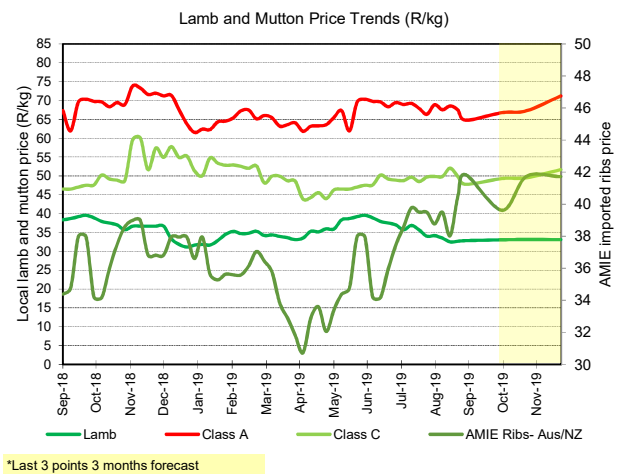
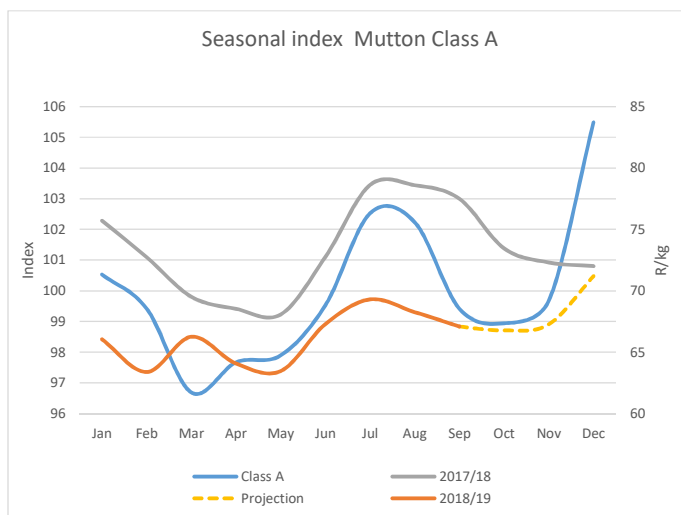
### Local sheep meat market

In the local market this week the price for class A and class C decreased by 4% and 4.1% respectively while the price for feeder lambs increased by 0.5% week on week. The current price of feeder lambs is 23.9% lower than prices were a year ago. The price for dorper skins declined by 6.7% from R25.00/skin to R23.33/skin and merino skins increased by 10.7% from R35.50/skin to R39.29/skin this week. Compared to a year ago the price of dorper skins is 37.5% lower and the price of merino skins is 58.88% lower. Constrained consumer spending power has capped any increases in the lamb and mutton market. It is difficult for the lamb and mutton prices to compete with cheaper protein alternatives in the local meat market.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.44	64.78	47.77	32.83	23.33	15013
w/w	1.3%	-4.0%	-4.1%	0.5%	-6.7%	64.4%
m/m	-2.7%	-6.0%	-4.2%	-3.9%	-9.7%	17.2%
y/y	0.8%	-14.8%	-18.4%	-23.9%	-37.5%	28.7%

### Outlook

International prices are expected to stay in the higher range in the medium term, supported by growing demand by the UK market in preparation for the Christmas season. Local prices are expected to experience some increases from November due to increased seasonal demand, however this year, that increase will be capped by the lower spending power consumers are facing.



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## Pork market trends

### International pork market

The majority of prices in the international pork market traded positively this week with the US pork carcass price increasing by 4.5%. Week on week prices of ribs and ham increased by 1.8% and 3.7% respectively. The import parity for pork ribs increased by 3.5% and the import parity of ham increased by 4.7% week on week. China has just announced that they will ease back on restrictions on US pork and soybean exports, providing some relief of the pressure from new tariff regulations. Given that the US is the world's second largest pork producer, they are a logical supplier to fill the supply gap in China, that is assuming that trade negotiations can be agreed upon.

	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	71.14	67.95	109.39	61.32	51.37	32.41
w/w	4.5%	-0.3%	1.8%	3.7%	3.5%	4.7%
m/m	-4.7%	-4.4%	-1.7%	5.6%	-3.3%	2.0%
y/y	-10.1%	-18.8%	-9.3%	-0.1%	-2.7%	5.6%

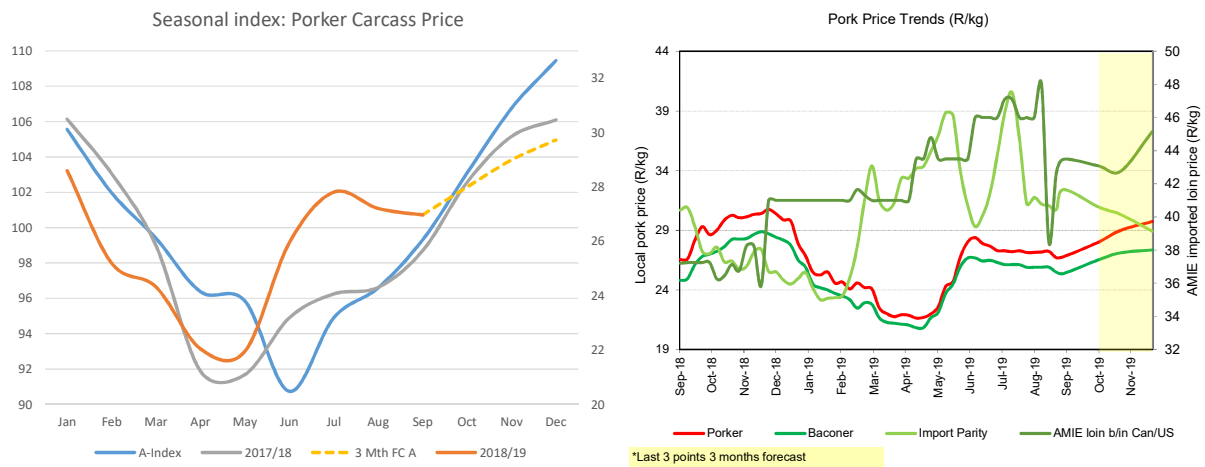
### Local pork market

Pork prices traded mixed this week with the porker price increasing marginally by 0.3% and baconer price declining by 0.4%. Compared to a year ago, current prices for porkers and baconers are 0.9% and 2.3% higher respectively. Prices in the pork market have been trading flat for the past month. Producers are expecting the market to pick up in September due to warmer weather sparking more braai-ing trends however, that was not the case. The market is now starting to show small gains in October driven by a pick-up in demand. The factory prices are not expected to pick up significantly due to consumer resistance, everyone is feeling the pinch. The industry remains hopeful for better consumption into the summer period and growing demand because pork is a cheaper protein alternative.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	15.00	27743	26.07	26.78	25.37	43.48
w/w	1.9%	-0.7%	-0.1%	0.3%	-0.4%	2.0%
m/m	-1.9%	-7.1%	-1.7%	-1.3%	-2.0%	-5.5%
y/y	5.1%	22.0%	1.6%	0.9%	2.3%	16.9%

### 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. Consumers are expected to increase their meat consumption during this summer period until the Christmas period.



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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 increased by 2% while the price of fresh MDM and frozen MDM increased by 1.2% and 0.4% respectively. Compared to a year ago the price of US whole birds and US chicken breasts are 5% and 19.5% lower respectively. The price of leg quarters in the US decreased by 8.5% and the price of EU leg quarters decreased by 3.5% week on week. Compared to a year ago the price of leg quarters for the US and the EU are 6.3% and 4.2% higher respectively.

	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	78.48	70.00	22.82	26.65	18.45	26.36
w/w	2.0%	0.0%	1.2%	0.4%	-8.5%	-3.5%
m/m	2.9%	-6.7%	-1.5%	-1.1%	-10.9%	-8.9%
y/y	-5.0%	-19.5%	5.2%	1.6%	6.3%	4.2%

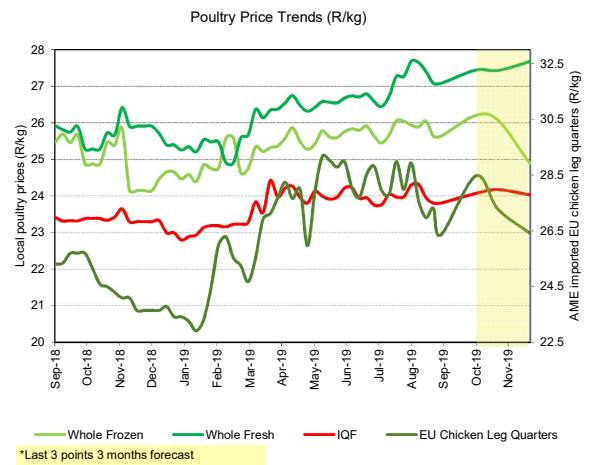
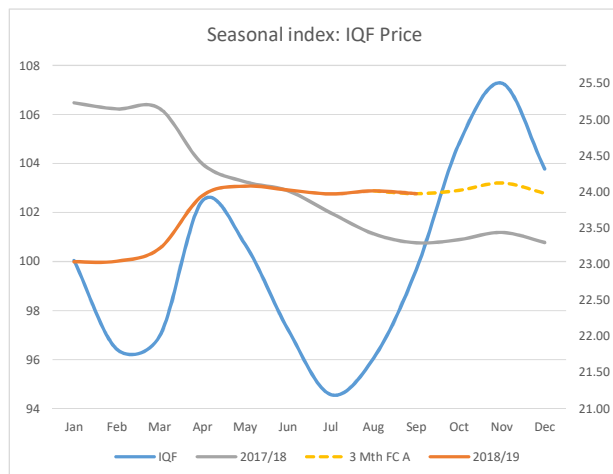
### Local poultry market

This week local poultry prices remained unchanged. The South African consumer remains under pressure and is resistant to increased poultry prices which is limiting producer's profit margins. The upturn in demand from month-end is supporting sales volumes.

	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	15.00	25.64	27.08	23.81	39.46	27.65
w/w	1.9%	0.0%	0.0%	0.0%	2.7%	1.8%
m/m	-1.9%	-1.2%	-2.2%	-2.0%	0.5%	-7.3%
y/y	5.1%	0.6%	4.5%	1.7%	0.3%	-12.8%

### Outlook

International poultry prices are expected to remain at current levels. The sustained demand for poultry from China continues to support international poultry prices. Locally, prices are expected to trade slightly up due to an increase in demand. According to consumer trends, meat consumption increases during this period. Prices are expected to increase over the summer period and Christmas season.



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## Hide market trends

### Local hide market

The current average hide price is R1.78/kg, this is 0.6% lower than last week's price of R1.79/kg.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	1.85	1.53	1.78
w/w	-3.6%	2.0%	-0.6%
m/m	2.2%	2.7%	17.9%
y/y	-63.7%	N/A	-65.3%

### Outlook

The current hide price is 65.3% 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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