



Agri Trends

01 November 2019

The local meat market is currently under pressure; seasonally this should be a time of higher prices and increased demand.

Beef: Locally, prices have been under pressure due to lack of demand. The struggling South African economy may negatively affect demand. Prices may however recover in line with seasonal trends, as there is normally improved demand during the month-end period and going into the festive season.

Mutton: Lamb and mutton prices remain subdued due to cheaper meat alternatives such as pork and poultry, which add a bearish tone to lamb and mutton prices. The lower meat prices were reflected in the consumer price index, which measured that meat prices were 0.1% lower in September 2019 compared to August of 2019. Lamb and mutton remains the most expensive meat in the market. Consumer resistance to high lamb and mutton prices remains a risk.

Pork: This week, pork prices continued to strengthen, and traded mostly higher across the different categories due to increased demand. The average porker prices are 2.0% higher at R27.05/kg, while the average baconer prices are 1.6% higher at R26.50/kg. The average cutters prices were 1.7% higher at R26.80/kg and the average heavy price was 3.1% higher at R25.98/kg. The sausage price was meanwhile 2.7% higher at R21.13/kg. Locally, pork prices are supported by strong uptake. Pork and poultry remain the more affordable protein option available. With current sluggish economy negatively affecting the consumer's affordability. Pork and poultry demand is expected to increase as consumers shift from other meats. This trend is expected to continue into the festive season in line with seasonality.

Poultry: The average poultry prices remained unchanged over the past week. The average prices for frozen birds were R25.95/kg and the average prices for fresh whole birds were R25.75/kg and IQF poultry prices were R23.99/kg during the week. Higher feed costs coupled with high supplies continues to weigh on the market. Uptake improved during this week, supported by month-end sales. The industry is managing to move some volumes but any price increase remains a risk due to the flat demand. Consumers are under strain and the extent of price increases will be limited. Meat prices have been subdued because some resistance is to be expected if meat prices were to be increased.

Hides: The current price is 7.7% lower than prices were a month ago and the current hide price is 65.9% lower than prices were a year ago. Unfortunately the hide situation continues to remain very much stagnant. Abundant supplies continue to weigh down the global and local market. Prices remain weak locally and globally. Prices could potentially decline further during the festive holidays, seasonally this is a tough period with the automotive industry closing for holidays.

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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, striploin and brisket increased by 2.8%, 8.2%, 2.1% and 1.5% respectively week on week. The price of chuck decreased 0.5%. US beef prices are rallying because of the upcoming holiday parties. Strong international demand for beef is expected to drive export growth. Dry conditions in Australia persist forcing additional cattle slaughter. Supplies in the US remains solid, while New Zealand and Australian supplies are tight. The beef trade agreement between Britain and China has been finalised, which will support market access and prices for Britain's beef producers.

	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	220.00	305.00	499.43	222.96	276.00	295.60	607.00	473.00
w/w	2.8%	8.2%	2.1%	-0.5%	1.5%	1.7%	0.0%	0.6%
m/m	7.3%	15.1%	-3.1%	3.7%	1.9%	1.7%	0.5%	3.3%
y/y	-0.4%	8.7%	-0.7%	5.0%	5.3%	3.1%	7.1%	20.1%

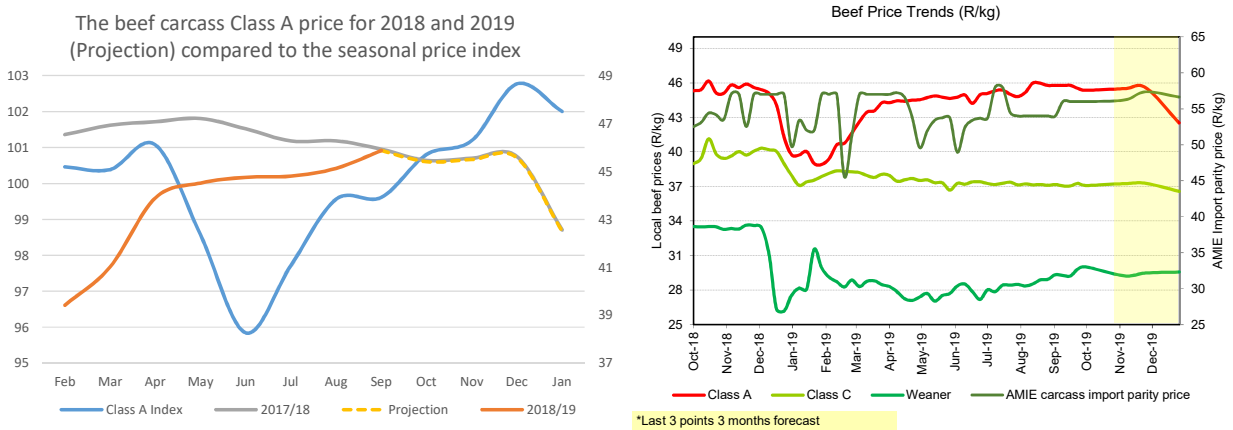
Local beef market

Week on week, beef prices moved negatively across the different classes due to subdued demand. The average Class A price was 0.3% lower this week at R45.35/kg. Class C prices were 0.5% lower at R37.09/kg. The average weaner calf prices over the past week traded 0.6% higher at R30.02/kg. Weaner calf prices are slowly moving upwards. Thin cow prices remain under pressure; however, this is normal before the summer rains.

	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	14.68	9.38	45.35	37.09	45.56	30.02	77.23	56.00
w/w	-1.0%	-0.2%	-0.3%	-0.5%	-0.4%	0.6%	0.4%	0.0%
m/m	-2.1%	-0.7%	-0.9%	-0.2%	-1.0%	2.4%	2.6%	3.7%
y/y	1.9%	-1.4%	0.1%	-4.9%	-0.8%	-10.4%	18.3%	6.7%

Outlook

It is expected that US cattle prices will remain firm going into 2020. Global beef exports forecast to increase by 4% by the end of 2019. The declining pork production in Asia will support demand and underpin export growth and prices. Locally, prices have been under pressure due to lack of demand. The struggling South African economy may negatively affect demand. Prices may however recover in line with seasonal trends, as there is normally improved demand during the month-end period and going into the festive season.



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Sheep meat market trends

International sheep meat market

The international price of ewes increased by 2.3% week on week while the price of lambs increased marginally by 0.2% week on week. The price of mutton ribs increased by 4.4% week on week while the price of mutton shoulders remained unchanged week on week. The drought in Australia has impacted the ability of producers to grow their stock, which lead to widespread destocking of cattle, lambs and sheep throughout Australia. It will take a couple of years for producers to rebuild their herds and flocks. International lamb markets are trading high. Farm gate prices in New Zealand are expected to remain at high levels for the next few weeks. The Chinese lamb and mutton demand keeps growing.

	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	8.65	5.88	88.46	63.98	42.40	72.90
w/w	0.2%	2.3%	0.0%	1.8%	4.4%	0.0%
m/m	0.8%	1.5%	0.1%	4.0%	1.3%	5.7%
y/y	8.1%	18.8%	6.1%	14.6%	5.5%	13.0%

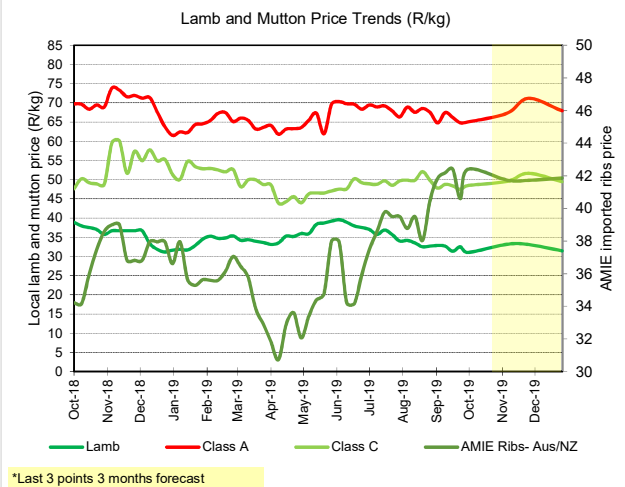
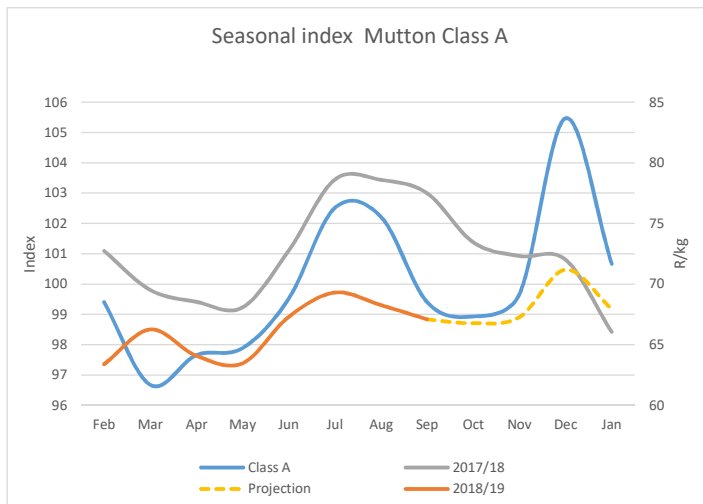
Local sheep meat market

This week, lamb and mutton prices moved marginally upwards when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices increased by 0.3% to R65.01/kg and the average Class C carcass prices increased by 2.2% to R48.44/kg. The average price for feeder lambs traded 4.6% lower at R31.02/kg. The price for dorper skins remained unchanged at R23.33/skin and the price of merino skins decreased by 2.1% to R38.19/skin this week. Compared to a year ago the price of dorper skins is 26.3% lower and the price of merino skins is 55.54% lower. Lamb and mutton prices remain subdued due to cheaper meat alternatives such as pork and poultry, which add a bearish tone to lamb/mutton prices. The lower meat prices were reflected in the consumer price index, which measured that meat prices were 0.1% lower in September 2019 compared to August of 2019. Lamb and mutton remains the most expensive meat in the market. Consumer resistance to high lamb and mutton remains a risk.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.38	65.01	48.44	31.02	23.33	11906
w/w	-0.2%	0.3%	2.2%	-4.6%	0.0%	9.4%
m/m	-0.6%	0.4%	1.4%	-5.5%	0.0%	-20.7%
y/y	-1.4%	-8.9%	-13.0%	-26.4%	-26.3%	11.9%

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. Global demand is expected to continue to support the mutton market. This could limit the capacity and ability for farmers to rebuild their flock. Locally, prices remain under severe pressure due to subdued demand because mutton and lamb prices are the most expensive meat prices, but prices may gain some support in the short term in line with increased demand and outdoor braai activities during the festive season.



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Pork market trends

International pork market

The international pork market traded mixed this week with the US pork carcass price and loin price lower by 1.5% and 1.8% respectively. Week on week prices for ribs and ham increased by 3.9% and 5.3% respectively. The import parity for pork ribs increased by 2.2% and the import parity of ham increased by 2.8% week on week. The ASF outbreak continues to dampen the global pork market. The ASF outbreak in eastern Europe remains a concern, discouraging expansion.

	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	75.51	68.86	122.66	64.47	55.30	32.89
w/w	-1.5%	-1.8%	3.9%	5.3%	2.2%	2.8%
m/m	6.1%	1.3%	12.1%	5.1%	7.7%	1.5%
y/y	-0.4%	-6.0%	3.0%	29.0%	4.3%	21.6%

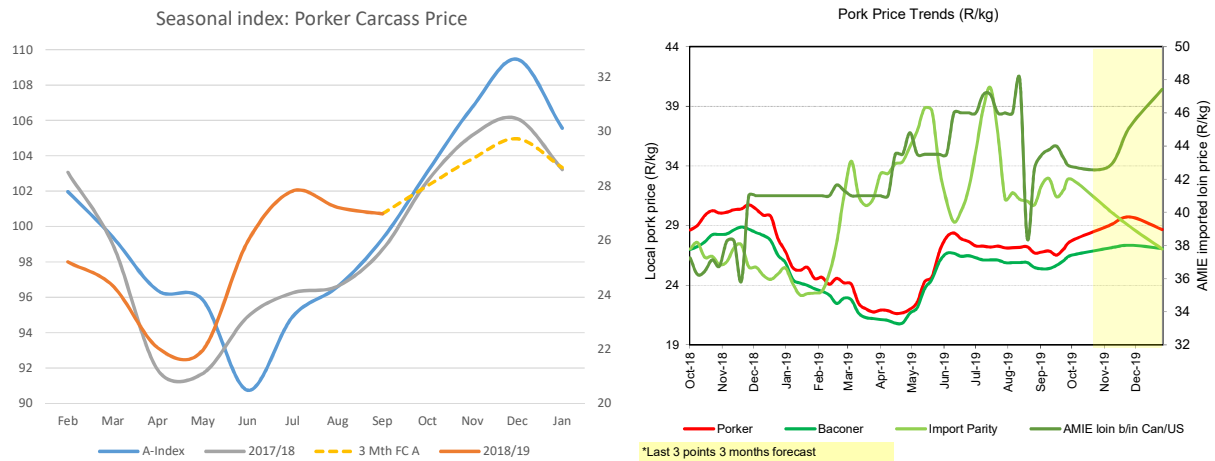
Local pork market

This week, pork prices continued to strengthen, and traded mostly higher across the different categories due to increased demand. The average porker prices are 2.0% higher at R27.05/kg, while the average baconer prices are 1.6% higher at R26.50/kg. The average cutters prices were 1.7% higher at R26.80/kg and the average heavy price was 3.1% higher at R25.98/kg. The sausage price was meanwhile 2.7% higher at R21.13/kg.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.68	24916	27.11	27.71	26.50	42.76
w/w	-1.0%	-6.8%	2.1%	2.5%	1.6%	-1.2%
m/m	-2.1%	-10.2%	4.0%	3.5%	4.5%	-1.7%
y/y	1.9%	-9.7%	-2.5%	-3.2%	-1.8%	14.8%

Outlook

Global: The ASF Outbreak continues to dampen the global pork market. Not only did we see a drop in Asian countries, it is also adding uncertainty to production prospects and trade in other countries. US hog prices are expected to increase in 2020 almost 18% higher than 2019 prices due to enhanced competition and strong foreign demand especially heightened by ASF in Asia. Locally, pork prices are supported by strong uptake. Pork and poultry remain the more affordable protein option available. With current sluggish economy negatively affecting the consumer's affordability. Pork and poultry demand is expected to increase as consumers shift from other meats. This trend is expected to continue into the festive season in line with seasonality.



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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 reduced by 0.2% while the price of fresh MDM decreased by 3.2% and frozen MDM decreased by 0.2% week on week. Compared to a year ago the price of US whole birds and US chicken breasts are 8.2% and 10.3% lower respectively. The price of leg quarters in the US decreased by 0.6% and the price of EU leg quarters decreased by 4.7% week on week. Compared to a year ago the price of leg quarters for the US are 4.4% lower and the price of EU leg quarters are 1.0% higher respectively. Global breast meat prices remain under pressure due to weak demand. The US, Brazil and the EU breast meat markets are oversupplied causing bearish pressure on global prices. US chicken feet are the major cut exported to China, demand for leg quarters and breasts may also gain because of the current depressed prices.

	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	78.31	70.00	21.97	26.55	16.91	25.96
w/w	-0.2%	0.0%	-3.2%	-0.2%	-0.6%	-4.7%
m/m	-0.2%	0.0%	-3.7%	-0.4%	-8.4%	-1.5%
y/y	-8.2%	-10.3%	4.3%	3.3%	-4.4%	1.0%

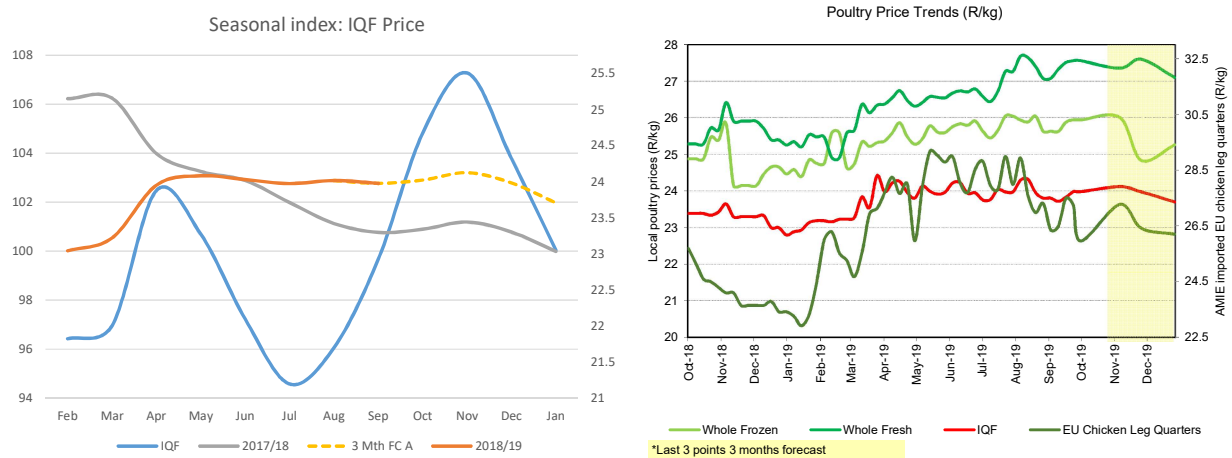
Local poultry market

The average poultry prices remained unchanged over the past week. The average prices for frozen birds were R25.95/kg and the average prices for fresh whole birds were R25.75/kg and IQF poultry prices were R23.99/kg during the week. Higher feed costs coupled with high supplies continues to weigh on the market. Uptake improved during this week, supported by month-end sales. The industry is managing to move some volumes but any price increase remains a risk due to the flat demand. Consumers are under strain and the extent of price increases will be limited. Meat prices have been subdued because some resistance is to be expected if meat prices were to be increased.

	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	14.68	25.95	27.57	23.99	38.80	27.11
w/w	-1.0%	0.0%	0.0%	0.0%	-0.9%	-0.9%
m/m	-2.1%	1.2%	1.8%	0.7%	-1.7%	-1.9%
y/y	1.9%	4.3%	9.0%	2.6%	-4.3%	-7.2%

Outlook

International: The USDA is forecasting global poultry production at 4% higher in 2020 to a record 103.5 million tons, surpassing pork production. The main driver being China accounting for more than half of the global production increase. China's increased production will be driven by rising meat prices as ASF outbreaks reduced domestic pork supplies. Locally prices remain under pressure. The poultry industry anticipates a price support and a lifting of prices during the festive period following seasonal trends.



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Hide market trends

Local hide market

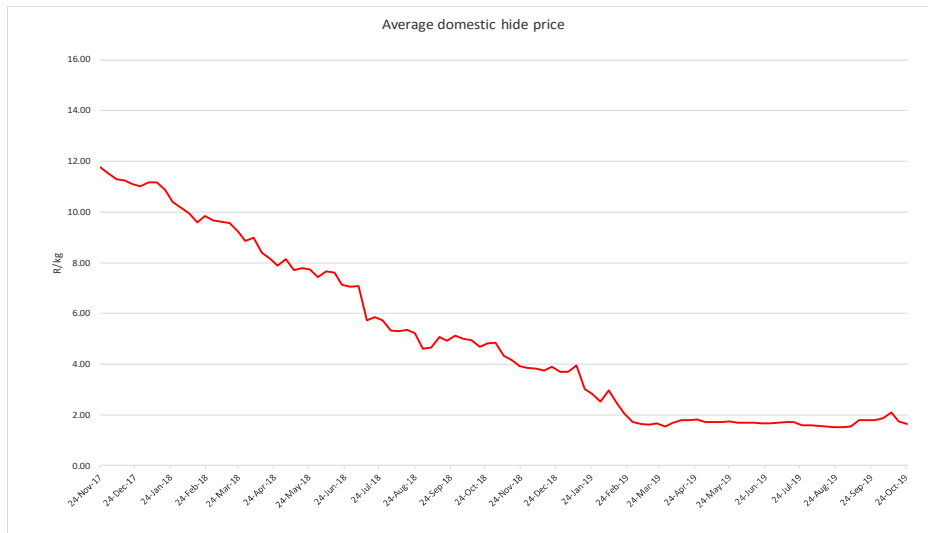
The current average hide price is R1.65/skin, this is 5.6% lower than last week's price of R1.74/skin.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.10	1.73	1.65
w/w	-9.1%	-9.4%	-5.6%
m/m	13.5%	13.1%	-7.7%
y/y	-58.1%	N/A	-65.9%

Outlook

The current price is 7.7% lower than prices were a month ago and the current hide price is 65.9% lower than prices were a year ago. Unfortunately the hide situation continues to remain very much stagnant. Abundant supplies continue to weigh down the global and local market. Prices remain weak locally and globally. Prices could potentially decline further during the festive holidays, seasonally this is a tough period with the automotive industry closing for holidays.

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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