



Agri Trends

22 November 2019

Livestock prices are expected to find support from Black Friday increased spending

Beef: Four more cases of FMD outbreak had been confirmed in feedlots in Limpopo earlier this week. Uncertainty about the FMD outbreak in Limpopo added downward pressure to the weaner calf prices this week. The demand for beef has been quiet for months. The market hopes that Black Friday and the festive season will bring about increased domestic demand

Mutton: This week, lamb and mutton prices traded mostly negative when compared to the previous week. The national average Class A carcass lamb prices decreased by 2.3% to R63.84/kg and the average Class C carcass prices decreased by 2.7% to R47.08/kg. The average price for feeder lambs increased by 1.1% to R31.04/kg this week. The price for dorper skins declined by 10.3% to R19.44/skin and the price of merino skins remained unchanged at R42.86/skin this week. Compared to a year ago the price of dorper skins is 36.8% lower and the price of merino skins is 53.1% lower.

Pork: Locally, pork prices are supported by strong demand, because pork and poultry remain the relatively cheaper protein alternatives. The increased uptake seen in early November is expected to continue into the festive season in line with seasonality. It is expected that prices will be supported by increased consumer demand during the month-end period and Black Friday weekend.

Poultry: The average poultry prices remained unchanged during this past week. The average prices for frozen birds were R24.67/kg, the average prices for fresh whole birds were R27.95/kg and IQF poultry prices were R25.78/kg week on week. Supplies are low in the market this week. We are starting to see an uptick to the demand levels usually seen during this period for some products. We expect to see an uptick in prices next week as we draw closer to month end and during the Black Friday weekend.

Hides: The current average hide price is R1.64/skin, this is 2.2% higher than last week's price of R1.61/skin. The current price is 5.9% lower than prices were a month ago and the current hide price is 60.5% lower than prices were a year ago. The hide market remains under immense pressure. Abundant supplies continue to weigh down the global and local market.

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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, rump and chuck decreased by 0.4%, 3.4% and 5.8% respectively week on week. The price of striploin remained unchanged at US\$480/cwt. The price of US brisket increased by 0.2% week on week. Japan and the US have agreed to a trade deal that will see US beef exporters enjoy the same tariff benefits granted to New Zealand. This means that New Zealand will lose the comparative tariff advantage it had over the US and increase competition between the two countries for exports to Japan. Chinese imports of Brazilian beef is up 23.6% year on year. Strong global demand will continue to support cattle prices

	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	238.00	318.94	480.00	223.23	280.00	295.14	623.00	483.00
w/w	-0.4%	-3.4%	0.0%	-5.8%	0.2%	-1.8%	1.1%	1.5%
m/m	11.2%	13.1%	-1.8%	-0.3%	2.9%	1.5%	2.6%	2.8%
y/y	16.7%	0.8%	-0.9%	4.8%	5.2%	3.2%	12.5%	22.3%

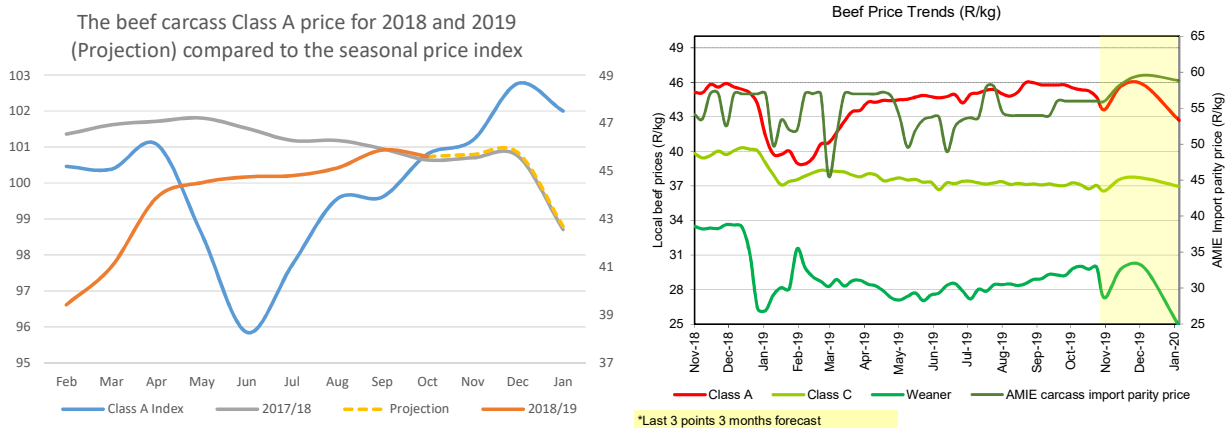
Local beef market

Week on week, beef prices traded negatively across the different classes. The average Class A price was 2.4% lower this week at R43.63/kg. Class C prices moved 1.3% lower at R36.57/kg. The average weaner calf prices over the past week traded 8.9% lower at R27.27/kg. There's a temporary ban on live auctions in Limpopo, Mpumalanga, Gauteng and North West Provinces. Auctions are suspended with immediate effect until further notice. Four more cases of FMD outbreak had been confirmed in feedlots in Limpopo earlier this week. Uncertainty about the FMD outbreak in Limpopo added downward pressure to the weaner calf prices this week. The demand for beef has been quiet for months. The market hopes that Black Friday and the festive season will bring about increased domestic demand

	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	14.87	9.47	43.63	36.57	43.84	27.27	79.69	56.00
w/w	0.7%	0.6%	-2.4%	-1.3%	-2.4%	-8.9%	2.0%	0.0%
m/m	0.3%	0.8%	-4.1%	-1.9%	-4.1%	-8.6%	3.6%	0.0%
y/y	3.5%	-1.7%	-3.3%	-8.2%	-4.0%	-18.6%	20.2%	3.4%

Outlook

It is expected that US cattle prices will remain firm going into 2020. Due to the smaller livestock inventories in Australia. The 2020 Australian beef production is estimated to be lower but prices are expected to be favourable. Locally, prices have been under pressure due to a lack of demand. The halt of auctions in the drought stricken areas will place cattle producers' cash flows under severe pressure. Prices are expected to decline slightly in the next weeks amid the new FMD outbreak. Local beef 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 1.3% week on week while the price of lambs remained unchanged week on week. The price of mutton ribs increased by 5.3% week on week while the price of mutton shoulders remained unchanged week on week. The global sheep meat price continues to be supported by the increased demand for meat from China. The supplies of new season lambs is tight, which will underpin prices for November. Prices are expected to hold at record levels until the end of November driven by the strong demand from key international markets. From December prices are expected to ease in Australia and New Zealand when large numbers of new season lambs start entering the market. However, the ongoing strong export demand and limited supply will provide support to prices and limit a huge decline.

	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	9.00	6.13	92.67	66.98	43.48	72.90
w/w	0.0%	1.3%	0.6%	1.7%	5.3%	0.0%
m/m	4.3%	1.5%	4.8%	6.5%	7.1%	0.0%
y/y	13.2%	23.1%	10.4%	17.8%	17.3%	19.4%

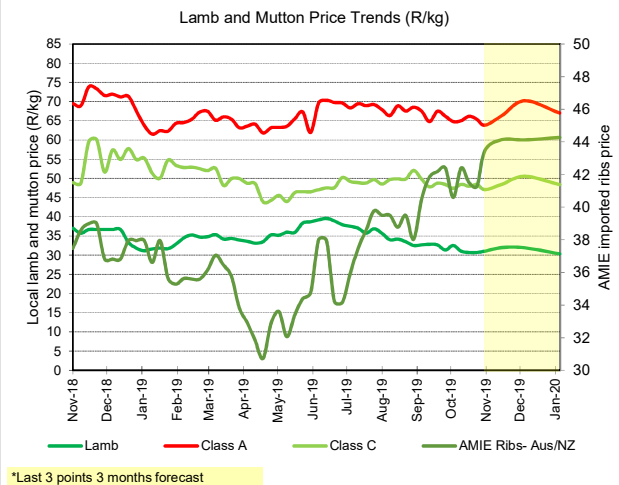
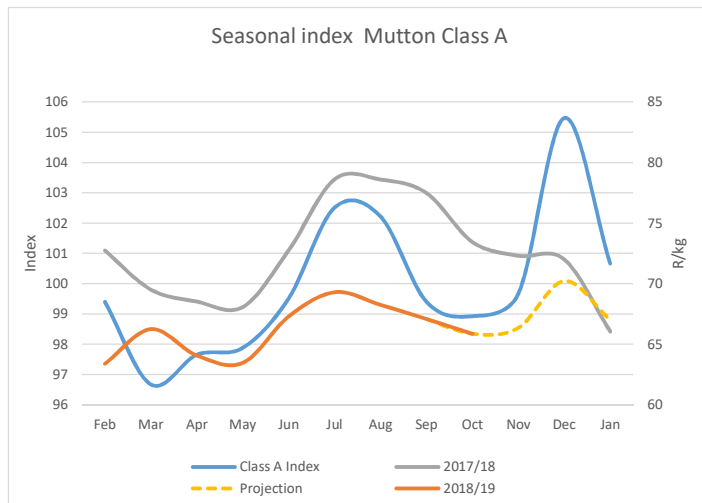
Local sheep meat market

This week, lamb and mutton prices traded mostly negative when compared to the previous week. The national average Class A carcass lamb prices decreased by 2.3% to R63.84/kg and the average Class C carcass prices decreased by 2.7% to R47.08/kg. The average price for feeder lambs increased by 1.1% to R31.04/kg this week. The price for dorper skins declined by 10.3% to R19.44/skin and the price of merino skins remained unchanged at R42.86/skin this week. Compared to a year ago the price of dorper skins is 36.8% lower and the price of merino skins is 53.1% lower.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.47	63.84	47.08	31.04	19.44	9876
w/w	0.6%	-2.3%	-2.7%	1.1%	-10.3%	-7.4%
m/m	0.8%	-1.5%	-0.7%	-4.5%	-16.7%	-9.2%
y/y	-1.7%	-10.7%	-23.6%	-23.7%	-36.8%	36.1%

Outlook

Australia and New Zealand are the two largest exporters of sheep meat and therefore prices in the two regions reflect global prices. The tight inventories in Australia will keep meat production steady in 2020, at high prices. The ongoing demand from China for key lamb cuts is underpinning prices. The buyers in the UK and EU are being forced to match Chinese pricing levels especially if they want to secure enough supplies over the Christmas season. Locally, lamb and mutton prices remain subdued due to cheaper meat alternatives such as pork and poultry, which add a bearish tone to sheep meat prices, prices are expected to trade sideways even during the usual "high consumption period" in December. We could possibly see an increase in prices next week as we draw closer to month-end, coupled with Black Friday specials.



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Pork market trends

International pork market

The international pork market traded positively this week with the US pork carcass price, loin price, US rib and US ham prices higher by 8.8%, 1.3%, 2.8% and 18.3% respectively week on week. The import parity for pork ribs increased by 3.1% and the import parity of ham increased by 14.8% week on week. US Ham prices have risen sharply underpinned by increased demand. Seasonally in the US, this is a time of increased domestic buying. During the Christmas season, the US consumer is less sensitive to price changes which supports higher prices.

	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	86.63	70.31	132.63	91.87	59.86	43.66
w/w	8.8%	1.3%	2.8%	18.3%	3.1%	14.8%
m/m	13.0%	0.2%	12.3%	50.1%	10.6%	36.3%
y/y	27.3%	10.3%	16.3%	89.9%	17.4%	65.2%

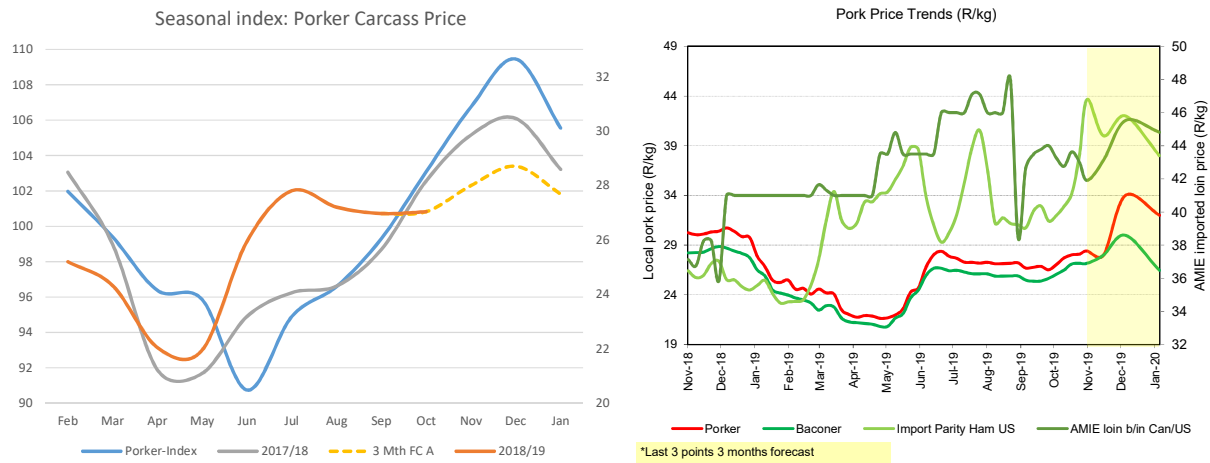
Local pork market

This week, pork prices continued to strengthen this week, and traded mostly higher across the different categories due to increased demand. The average porker prices are 1.1% higher at R28.41/kg, while the average baconer prices remained unchanged at R27.18/kg. The average cutters prices were 0.2% lower at R27.67/kg and the average heavy price was 0.2% higher at R26.56/kg. The sausage price was 3.0% lower at R21.29/kg. Pork uptake is gaining momentum in the market, therefore supporting prices.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.87	27326	27.80	28.41	27.18	41.91
w/w	0.7%	-4.6%	0.6%	1.1%	0.0%	-2.6%
m/m	0.3%	2.2%	4.6%	5.0%	4.2%	-3.1%
y/y	3.5%	3.6%	-4.9%	-6.1%	-3.7%	12.9%

Outlook

Global: The increased foreign demand for US pork is particularly driven by Asian countries whose hog herds were affected by ASF. Prices are expected to be high for hogs in 2020 due to strong global demand. Locally, pork prices are supported by strong demand because pork and poultry remain the relatively cheaper protein alternatives. The increased uptake seen in early November is expected to continue into the festive season in line with seasonality. It is expected that prices will be supported by increased consumer demand during the month-end period and Black Friday weekend.



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Poultry market trends

International poultry market

The international poultry price traded mostly negatively this week. The price of US whole birds decreased by 0.2% and the price of fresh MDM decreased by 1.0% while the price of 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 10.8% and 10.3% lower respectively. The price of leg quarters in the US increased by 0.4% and the price of EU leg quarters increased by 1.3% week on week. Compared to a year ago the price of leg quarters for the US are 3.0% higher and the price of EU leg quarters are 11.8% higher respectively. The US mechanically deboned meats are trending mostly steady. The market activity in the US is slow to moderate. Prices of MDM is trending steadily, supplies are large in the US market.

	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	22.18	26.44	17.05	27.40
w/w	-0.2%	0.0%	-1.0%	-0.2%	0.4%	1.3%
m/m	-0.2%	0.0%	-2.3%	-0.6%	0.2%	0.6%
y/y	-10.8%	-10.3%	7.0%	6.2%	3.0%	11.8%

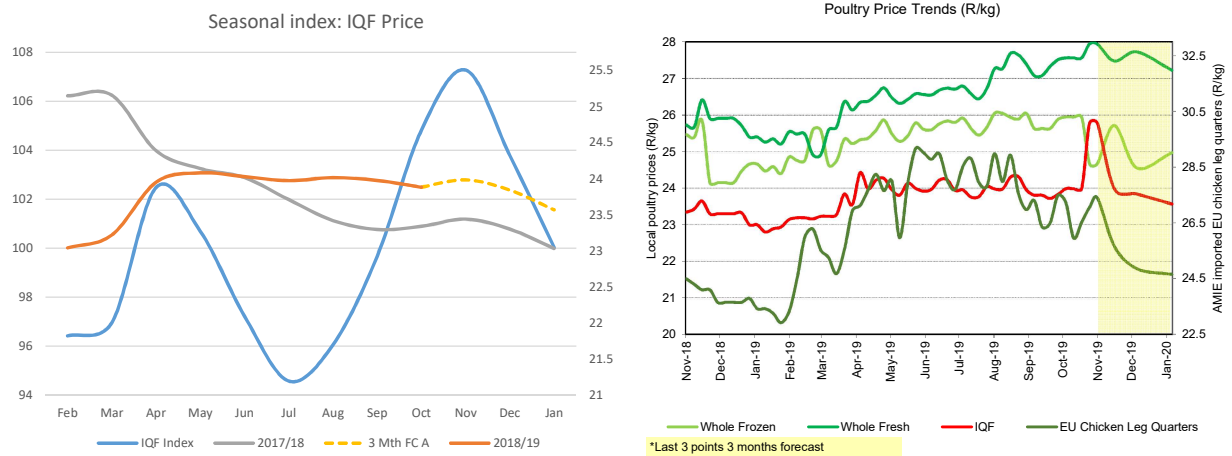
Local poultry market

The average poultry prices remained unchanged during this past week. The average prices for frozen birds were R24.67/kg, the average prices for fresh whole birds were R27.95/kg and IQF poultry prices were R25.78/kg week on week. Supplies are low in the market this week. We are starting to see an uptick to the demand levels usually seen during this period for some products. We expect to see an uptick in prices next week as we draw closer to month end and during the Black Friday weekend.

	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	14.87	24.67	27.95	25.78	39.18	27.44
w/w	0.7%	0.0%	0.0%	0.0%	0.3%	0.6%
m/m	0.3%	-4.9%	1.4%	7.5%	0.1%	0.3%
y/y	3.5%	-3.1%	8.6%	10.4%	-5.0%	-5.8%

Outlook

International: The global supplies of animal proteins was significantly reduced in 2019 due to the ASF outbreak. The US broiler prices are expected to remain supported in 2020. The South African poultry industry is starting to see an increase in demand. Traditionally November is the best performing month in terms of uptake and pricing. Stakeholders in the poultry industry hope for seasonal trends to support demand. Local prices are expected to find continued support during the Black Friday weekend and festive period following seasonal trends.



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Hide market trends

Local hide market

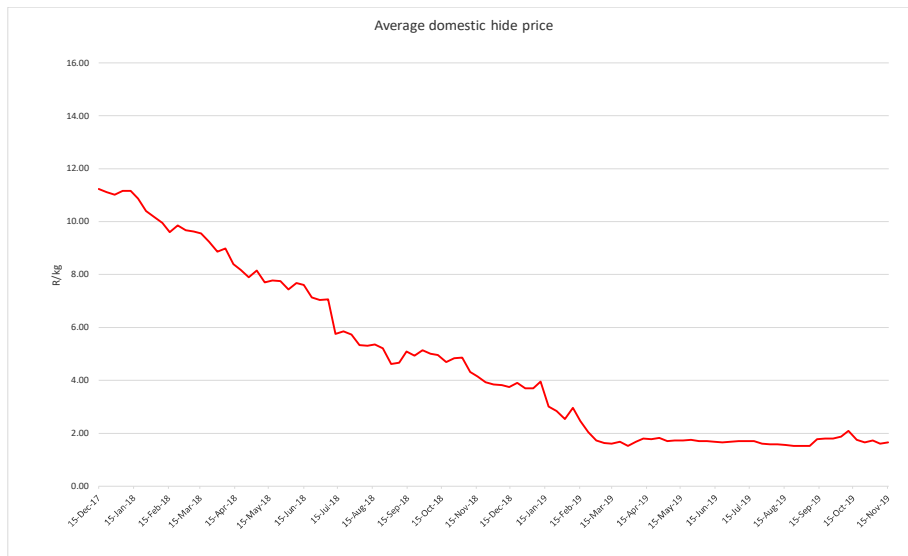
The current average hide price is R1.64/skin, this is 2.2% higher than last week's price of R1.61/skin

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.06	1.75	1.64
w/w	3.5%	4.2%	2.2%
m/m	-10.8%	-8.4%	-5.9%
y/y	-60.0%	N/A	-60.5%

Outlook

The current price is 5.9% lower than prices were a month ago and the current hide price is 60.5% lower than prices were a year ago. The hide market remains under immense pressure. Abundant supplies continue to weigh down 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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