



## Agri Trends

25 October 2019

### Local hide prices may decline further due to large supplies and the automotive companies closing early December

**Beef:** Week on week, beef prices were mixed across the different classes due to subdued demand. The average Class A price was 0.6% lower this week at R45.51/kg. Class C prices were 0.6% higher at R37.27/kg. The average weaner calf prices over the past week traded 2.1% higher at R29.83/kg. Weaner calf prices are slowly moving upwards. Thin cow prices remain under pressure; however, this is normal before the summer rains.

**Mutton:** This week, the domestic lamb and mutton prices moved negatively when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices decreased by 2.1% to R64.79/kg and the average Class C carcass prices decreased by 2.1% to R47.40/kg. The average price for feeder lambs traded 3.8% higher at R32.52/kg. 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. Shrinking production areas and drought conditions are negatively affecting sheep production. 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.

**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 R26.08/kg. The average cutters prices were 0.4% higher at R26.35/kg and the average heavy baconer price was 1.4% higher at R25.20/kg. The sausage price was meanwhile 2.0% higher at R20.57/kg. The local pork industry may benefit from increased demand. Pork remains a cheaper alternative protein available on the shelves. It is expected for prices to find support from the improved demand in the next 3 months, with festive holidays ahead, encouraging more outdoor braai activities.

**Poultry:** The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 0.3% higher at R25.95/kg during the week. The whole fresh medium bird prices were 0.2% higher at R27.57/kg and IQF poultry prices were 0.7% higher at R23.99/kg. Higher feed costs coupled with high supplies continues to weigh on the market. Uptake is expected to improve during the next two weeks and going into the summer period which encourages outdoor grilling. Industry anticipates a price support and a lifting of prices during this period. However consumers are under strain and the extent of price increases will be limited.

**Hides:** The current price is 2.8% lower than prices were a month ago and the hide price is 62.9% lower than prices were a year ago. The global hide market remains under pressure. Prices remain weak locally and globally. The worldwide hide supply continues to grow while end-user demand continues to decline. Local prices may go down even further as the market already has enough stock for orders this year. The automotive companies are shutting down early December.

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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 chuck increased by 1.0%, 1.4% and 7.7% respectively week on week. The price of striploin and brisket decreased by 2.5% and 1.2% respectively. Strong international demand for beef is expected to drive export growth, with 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. Dry conditions in Australia persist forcing additional cattle slaughter. Supplies in the US remains solid, while New Zealand and Australian supplies are tight.

	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	214.00	282.00	489.00	224.00	272.00	290.72	607.00	470.00
w/w	1.0%	1.4%	-2.5%	7.7%	-1.2%	0.8%	0.0%	0.4%
m/m	-0.5%	6.4%	-14.2%	0.0%	-1.1%	-5.2%	1.7%	4.2%
y/y	-0.1%	3.4%	2.2%	-1.0%	10.8%	3.7%	6.1%	15.6%

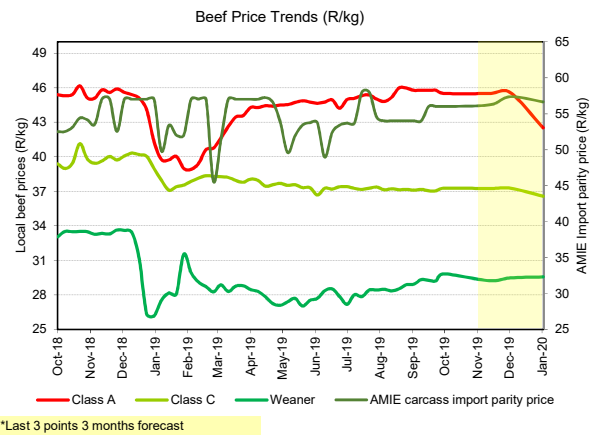
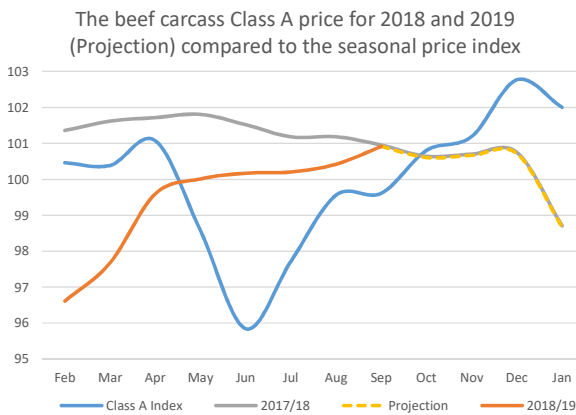
### Local beef market

Week on week, beef prices were mixed across the different classes due to subdued demand. The average Class A price was 0.6% lower this week at R45.51/kg. Class C prices were 0.6% higher at R37.27/kg. The average weaner calf prices over the past week traded 2.1% higher at R29.83/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	14.83	9.40	45.51	37.27	45.73	29.83	76.91	56.00
w/w	-1.8%	-1.3%	-0.6%	0.6%	-0.7%	2.1%	-0.9%	0.0%
m/m	0.8%	0.8%	-0.6%	0.5%	-0.6%	3.1%	5.0%	3.7%
y/y	2.5%	0.9%	0.6%	-6.4%	-0.2%	-11.1%	16.6%	6.7%

### Outlook

It is expected that US cattle prices will remain firm going into 2020. Global beef production is forecast to grow 1% in 2020 to 61.9 million tons. Increased production in Brazil, the US and Argentina more than offset declines in China, Australia, and the EU. Prices have been under pressure due to the constrained demand. Consumers are price sensitive in a low growth economy; this puts a limit on any price increases. Seasonally this is a period of high consumption as we head for the warmer season and festive holidays. We expect to see an improved demand



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## Sheep meat market trends

### International sheep meat market

The international price of ewes increased by 0.9% week on week while the price of lambs remained unchanged week on week. The price of mutton ribs decreased by 4.2% week on week while the price of mutton shoulders remained unchanged week on week. The Chinese lamb and mutton demand keeps growing. Global demand is expected to continue to support the mutton market.

	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	5.75	88.42	62.87	40.60	72.90
w/w	0.0%	0.9%	-1.3%	-0.5%	-4.2%	0.0%
m/m	1.2%	1.5%	1.9%	3.4%	0.3%	5.7%
y/y	7.2%	16.2%	5.6%	12.7%	1.0%	13.0%

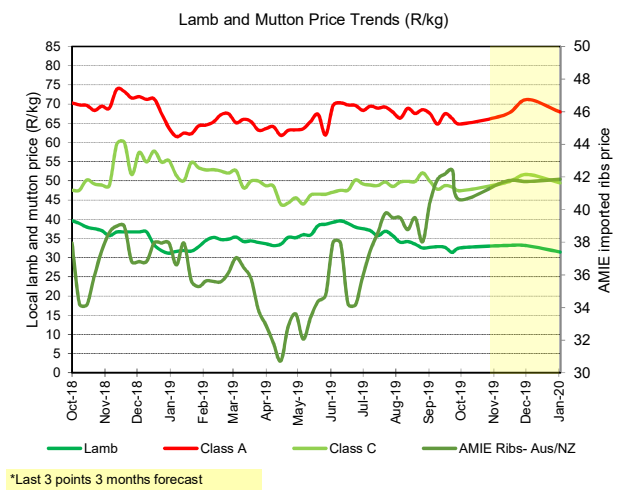
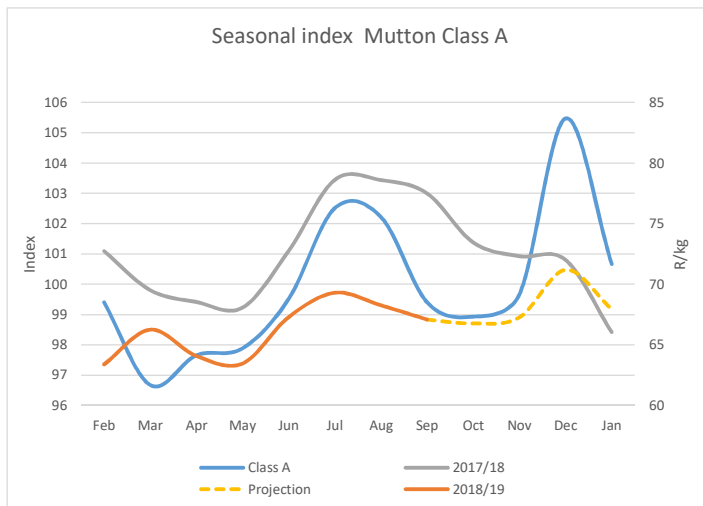
### Local sheep meat market

This week, lamb and mutton prices moved negatively when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices decreased by 2.1% to R64.79/kg and the average Class C carcass prices decreased by 2.1% to R47.40/kg. The average price for feeder lambs traded 3.8% higher at R32.52/kg. 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. Shrinking production areas and drought conditions are negatively affecting sheep production. 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.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.40	64.79	47.40	32.52	23.33	10881
w/w	-1.3%	-2.1%	-2.1%	3.8%	0.0%	-12.8%
m/m	0.8%	-4.0%	-4.9%	-0.5%	-6.7%	19.2%
y/y	-1.1%	-10.4%	-22.5%	-23.8%	-25.0%	16.4%

### 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 are the most expensive meat prices therefore prices remain under pressure due to the subdued demand, 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 remained unchanged. Week on week prices for loin and ribs increased by 1.3% and 5.5% respectively. The import parity for pork ribs increased by 2.7% and the import parity of ham increased by 1.9% week on week. The ASF outbreak continues to dampen the global pork market. Not only did we see a drop in production in Asian countries, it is also adding uncertainty to production prospects and trade in other countries. The ASF outbreak in eastern Europe remains a concern, discouraging expansion. In the US, pork exports are struggling, the resolution of trade terms with Mexico and Canada should boost exports, and the resumption of trade negotiations with China will be a positive factor.

	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	76.66	70.15	118.08	61.20	54.12	32.01
w/w	0.0%	1.3%	5.5%	5.3%	2.7%	1.9%
m/m	12.6%	2.9%	9.9%	3.5%	9.0%	3.4%
y/y	-1.4%	-8.3%	0.0%	20.0%	3.7%	17.6%

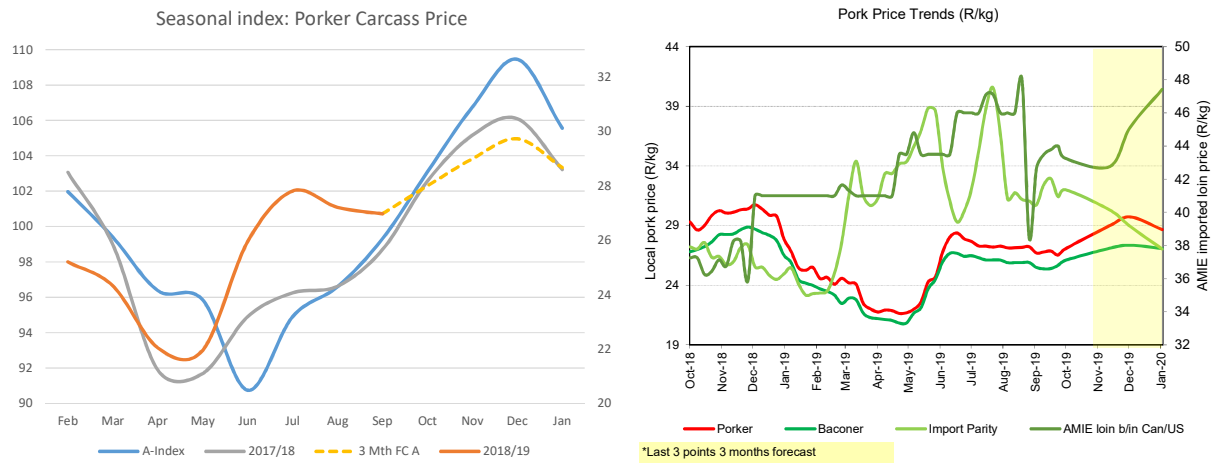
### Local pork market

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 R26.08/kg. The average cutters prices were 0.4% higher at R26.35/kg and the average heavy baconer price was 1.4% higher at R25.20/kg. The sausage price was meanwhile 2.0% higher at R20.57/kg.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.83	26725	26.56	27.05	26.08	43.26
w/w	-1.8%	-2.6%	1.8%	2.0%	1.6%	-1.7%
m/m	0.8%	-4.4%	1.8%	1.3%	2.3%	1.5%
y/y	3.7%	16.5%	-5.3%	-7.7%	-2.7%	16.1%

### 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. The ASF outbreak in eastern Europe remains a concern, discouraging expansion. In the US, pork exports are struggling, the resolution of trade terms with Mexico and Canada should boost exports, and the resumption of trade negotiations with China will be a positive factor. The local pork industry may benefit from increased demand. Pork remains a cheap protein alternative available on the shelves. It is expected for prices to find support from the improved demand in the next 3 months, with festive holidays ahead, encouraging more outdoor braai activities.



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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 0.3% while the price of fresh MDM decreased by 0.2% and frozen MDM increased by 0.1%. Compared to a year ago the price of US whole birds and US chicken breasts are 6.6% and 10.8% lower respectively. The price of leg quarters in the US decreased by 3.0% and the price of EU leg quarters decreased by 0.9% week on week. Compared to a year ago the price of leg quarters for the US are 2.4% lower and the price of EU leg quarters are 6.0% higher respectively. Global breast meat markets are oversupplied and causing prices in Brazil, the EU and the US to stay low. This is 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	78.49	70.00	22.70	26.61	17.01	27.24
w/w	-0.3%	0.0%	-0.2%	0.1%	-3.0%	-0.9%
m/m	2.1%	0.0%	0.6%	0.2%	-15.6%	-0.3%
y/y	-6.6%	-10.8%	7.7%	2.3%	-2.4%	6.0%

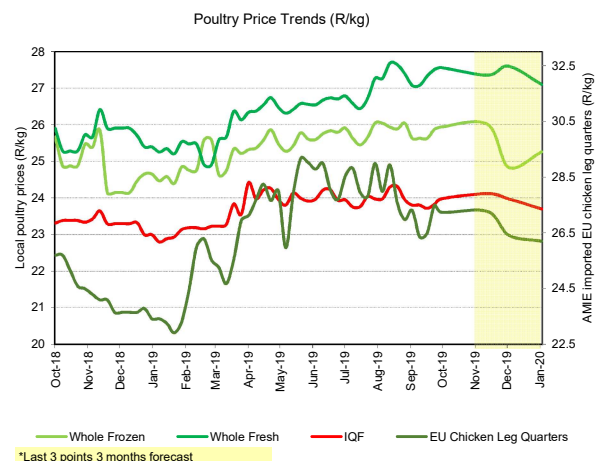
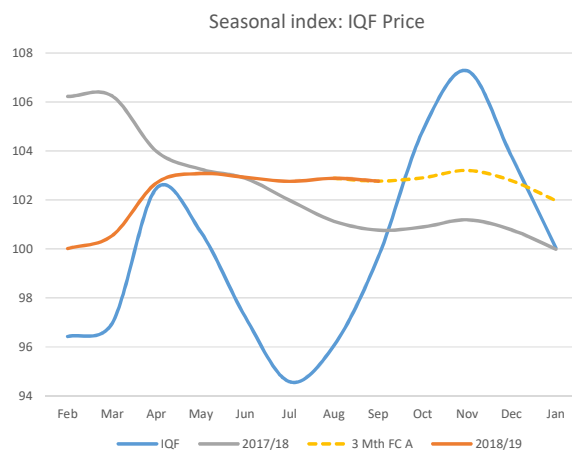
### Local poultry market

The average poultry prices over the past week were mostly higher. The average prices for frozen birds were 0.3% higher at R25.95/kg during the week. The whole fresh medium bird prices were 0.2% higher at R27.57/kg and IQF poultry prices were 0.7% higher at R23.99/kg. Higher feed costs coupled with high supplies continues to weigh on the market. Uptake is expected to improve during the next two weeks and going into the summer period which encourages outdoor grilling. Industry anticipates a price support and a lifting of prices during this period. However consumers are under strain and the extent of price increases will be limited.

	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	14.83	25.95	27.57	23.99	39.15	27.37
w/w	-1.8%	0.3%	0.2%	0.7%	-1.5%	-1.6%
m/m	0.8%	1.2%	1.8%	0.7%	1.9%	0.8%
y/y	3.7%	1.1%	6.4%	2.9%	-1.9%	-6.1%

### 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. 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 R1.74/skin, this is 16.7% lower than last week's price of R2.09/skin.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.31	1.91	1.74
w/w	-8.7%	-8.6%	-16.7%
m/m	20.3%	27.3%	-2.8%
y/y	-56.2%	N/A	-62.9%

### Outlook

The current price is 2.8% lower than prices were a month ago and the hide price is 62.9% lower than prices were a year ago. The global hide market remains under pressure. Prices remain weak locally and globally. 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 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. Local prices may go down even further as the market already has enough stock for orders this year. The automotive companies are shutting down early December.

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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