



Agri Trends

08 November 2019

SA wool exports is set to continue as normal without any interruptions amid the new FMD outbreak in Limpopo.

Beef: The South African Weather Service's latest release indicated a poorer rainfall outlook over the coming months. Below normal rainfall is expected over the eastern regions of SA however, the western regions of the country could possibly receive above normal rainfall between November 2019 and January 2020. Higher day temperatures are expected over this period, which could lead to damage of crops due to very hot conditions and high evaporative demand. All this is painting a poor picture of the prospects for the upcoming summer crop production season, which could spill over into the livestock sector. The price of heavier weaner calves gained momentum this week in anticipation of the usual increase in uptake leading to the festive season. The number of cattle slaughtered decreased by 6.6% month on month, however increased marginally by 0.97% year on year.

Mutton: Cape Wools SA issued a statement during the week about the FMD outbreak in Molemole Limpopo. The outbreak will not have any impact on wool exports because the biosecurity measures put in place, accepted by the GACC in China, and the renegotiated health certificate makes provision for FMD inactivation as required by the terms of the OIE terrestrial Code. Therefore, the state vet will continue to certify wool for exports without any interruptions and participants in the wool value chain (wool growers, buyers and brokers) will continue as normal with trading operations.

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 1.1% higher at R28.03/kg, while the average baconer prices are 2.3% higher at R27.11/kg. The average cutters prices were 3.1% higher at R27.64/kg and the average heavy price was 0.2% higher at R26.04/kg. The sausage price was meanwhile 2.4% higher at R21.64/kg. Pork uptake is gaining momentum in the market, therefore supporting prices. The number of pigs slaughtered for the year to date is 2,423,890.

Poultry: Consumers are under strain and the extent of price increases will be limited. Poultry prices have been subdued because some resistance is to be expected if meat prices were to be increased.

Hides: The current price is 7.5% lower than prices were a month ago and the current hide price is 64.5% lower than prices were a year ago. This week a slight uptick in local demand supported prices. Generally, the hide market sentiment is bearish, in line with the weak international hide market. Abundant supplies continue to weigh down the global and local market. Prices are not expected to rebound in the short to medium term.

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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 1.8%, 4.0% and 2.7% respectively week on week. The price of striploin and brisket decreased by 0.9% and 1.1% week on week. Australia exported 1.09 million tonnes of beef for the year to end of October, a big jump from the 939,367 tonnes exported during the same period last year. US beef demand is expected to remain strong and exports may climb above 2018's levels. Strong international demand for beef is expected to drive export growth.

	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	223.91	317.16	494.84	229.00	273.00	296.89	609.00	475.00
w/w	1.8%	4.0%	-0.9%	2.7%	-1.1%	0.4%	0.3%	0.4%
m/m	15.4%	17.9%	0.0%	1.8%	-2.5%	1.5%	0.3%	3.3%
y/y	-1.0%	4.0%	1.1%	5.0%	3.4%	2.9%	9.3%	21.8%

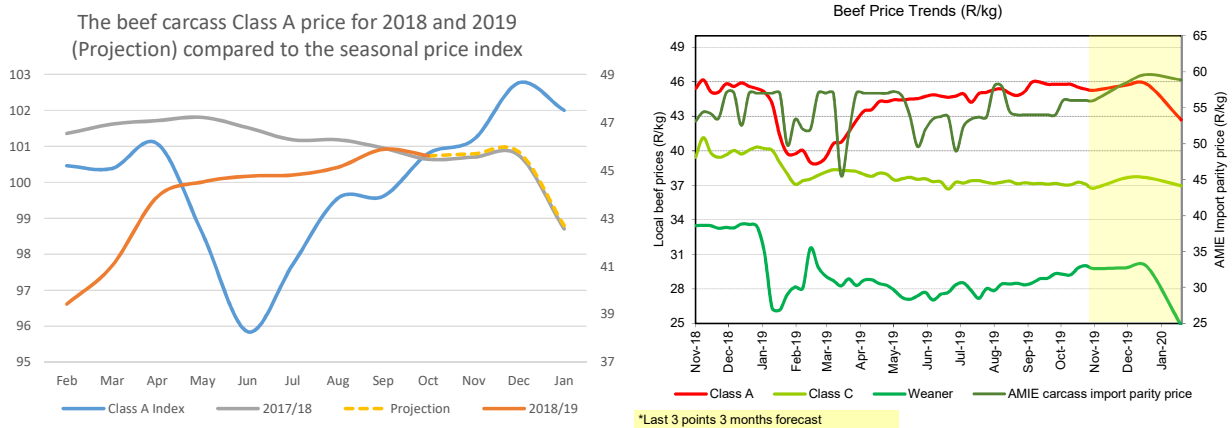
Local beef market

Week on week, beef prices moved negatively across the different classes due to subdued demand. The average Class A price was 0.2% lower this week at R45.25/kg. Class C prices moved 0.9% lower at R36.75/kg. The average weaner calf prices over the past week traded 0.8% lower at R29.77/kg. The South African Weather Service's latest release indicated a poorer rainfall outlook over the coming months. Below normal rainfall is expected over the eastern regions of SA however, the western regions of the country could possibly receive above normal rainfall between November 2019 and January 2020. Higher day temperatures are expected over this period, which could lead to damage of crops due to very hot conditions and high evaporative demand. All this is painting a poor picture of the prospects for the upcoming summer crop production season, which could spill over into the livestock sector. The number of cattle slaughtered decreased by 6.6% month on month, however increased marginally by 0.97% year on 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	14.81	9.50	45.25	36.75	45.47	29.77	78.62	56.00
w/w	0.9%	1.4%	-0.2%	-0.9%	-0.2%	-0.8%	1.8%	0.0%
m/m	-2.7%	-0.3%	-1.1%	-0.8%	-1.2%	1.7%	2.9%	0.0%
y/y	1.8%	-0.2%	-0.4%	-6.8%	-1.2%	-11.1%	21.5%	5.5%

Outlook

It is expected that US cattle prices will remain firm going into 2020. 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 2.0% week on week while the price of lambs increased marginally by 0.9% week on week. The price of mutton ribs decreased by 2.1% week on week while the price of mutton shoulders remained unchanged week on week. Australia exported 141,917 tonnes of mutton for the year to end October up from 136,117 tonnes last year. The increased exports were largely driven by the robust China demand.

	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	8.73	6.00	90.40	65.96	41.50	72.90
w/w	0.9%	2.0%	2.2%	3.1%	-2.1%	0.0%
m/m	1.7%	1.5%	1.3%	5.8%	-1.6%	0.0%
y/y	10.1%	21.7%	9.2%	18.4%	4.0%	14.1%

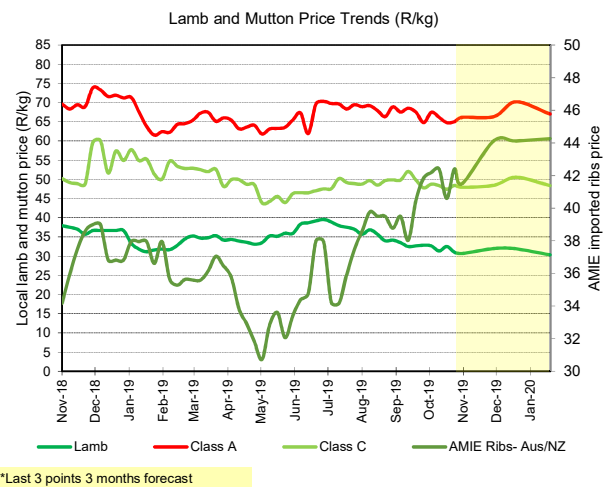
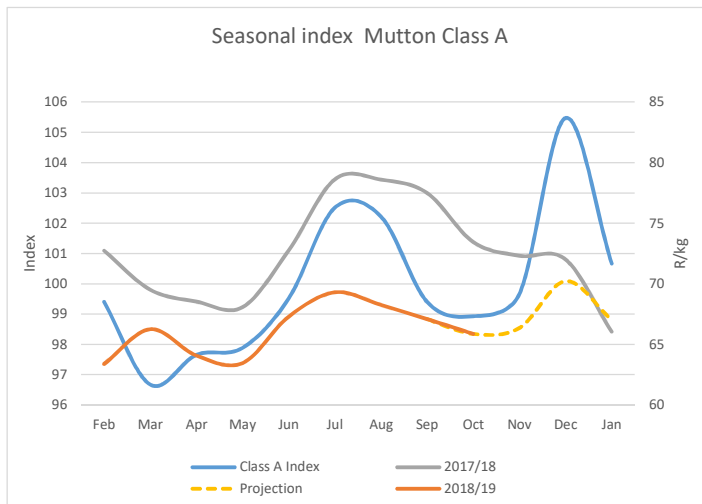
Local sheep meat market

This week, lamb and mutton prices traded mixed when compared to the previous week. The national average Class A carcass lamb prices increased by 1.8% to R66.17/kg and the average Class C carcass prices decreased by 1.0% to R47.93/kg. The average price for feeder lambs traded 1.0% lower at R30.70/kg. The price for dorper skins remained unchanged at R23.33/skin and the price of merino skins increased by 8.5% to R41.43/skin this week. Compared to a year ago the price of dorper skins is 23.83% lower and the price of merino skins is 57.24% lower. According to the SAWS, the probability of dryness across the country has increased. Grazing conditions will be negatively impacted, with the availability of food for animals becoming more limited and the disaster areas increasing. Sheep slaughter numbers was recorded at 367,599 for the month of September, marginally higher when compared to 339,599 head of sheep slaughtered at the same time the previous year. Cape Wools SA issued a statement during the week about the FMD outbreak in Molemole Limpopo. The outbreak will not have any impact on wool exports because the biosecurity measures put in place, accepted by the GACC in China, and the renegotiated health certificate makes provision for FMD inactivation as required by the terms of the OIE terrestrial Code. Therefore, the state vet will continue to certify wool for exports without any interruptions and participants in the wool value chain (wool growers, buyers and brokers) will continue as normal with trading operations.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.50	66.17	47.93	30.70	23.33	11583
w/w	1.3%	1.8%	-1.0%	-1.0%	0.0%	-2.7%
m/m	-0.3%	-1.9%	-1.7%	-6.0%	0.0%	-19.5%
y/y	-0.2%	-9.4%	-23.2%	-26.4%	-23.8%	14.2%

Outlook

There is positive sentiment in the lamb/mutton market driven by the strong Chinese demand. China's demand for red meat from other regions 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, 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, 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 0.3% and 1.3% respectively. Week on week prices for ribs and ham increased by 2.7% and 4.1% respectively. The import parity for pork ribs increased by 3.2% and the import parity of ham increased by 3.9% week on week. Expansion in pork production is limited in the EU due to weak demand, ongoing ASF outbreaks in some other states of the EU and environmental regulations. Most pork exporting countries will boost production in 2020 due to the increased global demand. US production is up by 4% and Brazil 5%.

	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	75.25	67.98	125.96	67.11	57.07	34.19
w/w	-0.3%	-1.3%	2.7%	4.1%	3.2%	3.9%
m/m	1.4%	-0.2%	14.1%	9.2%	8.6%	3.8%
y/y	0.6%	-5.3%	7.3%	32.7%	7.8%	24.0%

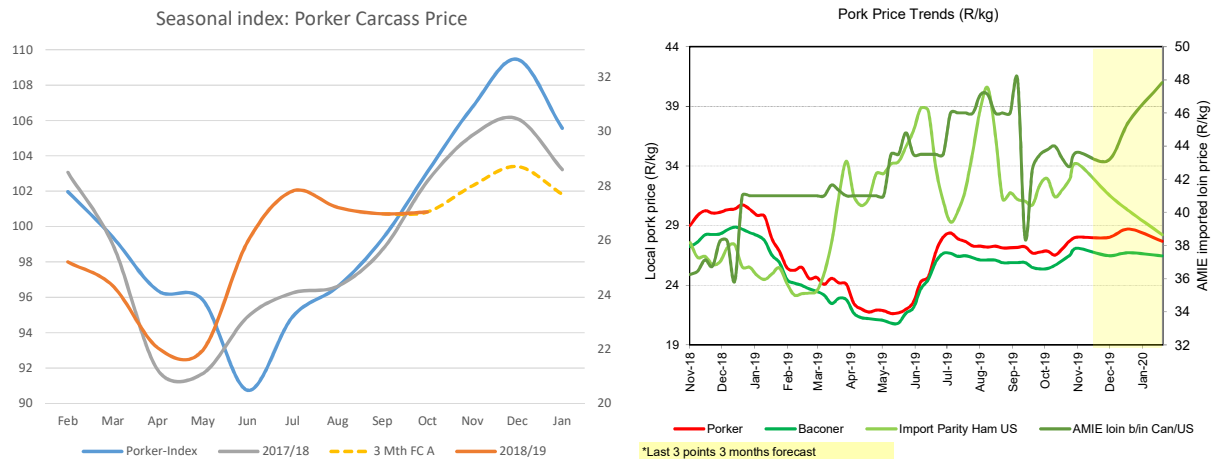
Local pork market

This week, pork prices continued to strengthen, and traded mostly higher across the different categories due to increased demand. The average porker prices are 1.1% higher at R28.03/kg, while the average baconer prices are 2.3% higher at R27.11/kg. The average cutters prices were 3.1% higher at R27.64/kg and the average heavy price was 0.2% higher at R26.04/kg. The sausage price was 2.4% higher at R21.64/kg. Pork uptake is gaining momentum in the market, therefore supporting prices. The number of pigs slaughtered for the year to date is 2,423,890.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.81	27044	27.57	28.03	27.11	43.63
w/w	0.9%	8.5%	1.7%	1.1%	2.3%	2.0%
m/m	-2.7%	-0.6%	5.5%	4.3%	6.7%	-0.3%
y/y	1.8%	4.4%	-2.0%	-3.4%	-0.5%	20.4%

Outlook

Global: A dramatic decline in pork production due to the ASF caused higher prices for animal proteins, driving chicken meat production as well as imports for all three meats (beef, pork, and chicken) to record highs in China. Lower Chinese supplies will boost demand for foreign pork, which will result in record imports. However, Chinese consumers are expected to pay higher pork prices over the next two years. Locally, pork prices are supported by strong uptake. 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 price was mixed this week. The price of US whole birds increased by 0.8% while the price of fresh MDM decreased by 0.5% and frozen MDM increased by 0.3% week on week. Compared to a year ago the price of US whole birds and US chicken breasts are 6.8% and 11.4% lower respectively. The price of leg quarters in the US increased by 0.6% and the price of EU leg quarters increased by 2.2% week on week. Compared to a year ago the price of leg quarters for the US are 1.0% higher and the price of EU leg quarters are 5.4% higher respectively. Abundant global supplies of chicken breast meat continues to weigh on prices. According to the FAO, global production of poultry is expected to grow till the end of 2019 with increases probable in Argentina, Brazil, the EU and the US. This increased production added a bearish tone to 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	78.92	70.00	21.86	26.63	17.00	26.53
w/w	0.8%	0.0%	-0.5%	0.3%	0.6%	2.2%
m/m	-0.9%	0.0%	-3.2%	1.0%	-8.7%	0.2%
y/y	-6.8%	-11.4%	2.9%	5.0%	1.0%	5.4%

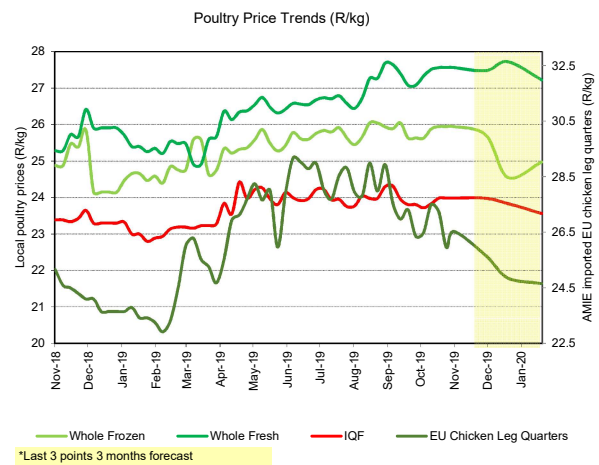
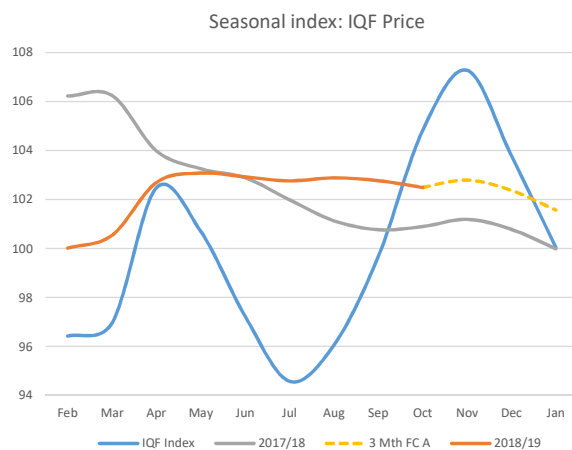
Local poultry market

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 R27.57/kg and IQF poultry prices were R23.99/kg during the week. Poultry stakeholders are cautious to increase prices at the moment due to expected resistance if prices increase. Consumers are under strain and the extent of price increases will be limited. 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.

	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	14.81	25.95	27.57	23.99	39.26	27.34
w/w	0.9%	0.0%	0.0%	0.0%	1.2%	0.8%
m/m	-2.7%	1.2%	0.9%	1.1%	-2.5%	-2.5%
y/y	1.8%	4.3%	9.0%	2.6%	-3.4%	-8.3%

Outlook

International: The USDA and FAO is forecasting global poultry production to be higher in 2020 surpassing pork production. The main driver being China accounting for more than half of the global production increase. Locally prices remain under pressure. The poultry industry anticipates an increase in price during the festive period following seasonal trends.



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Hide market trends

Local hide market

The current average hide price is R1.72/skin, this is 4.6% higher than last week's price of R1.65/skin.

	Weighted Feedlot hide Price (RMAA) R/kg	Average Field hide Price (RMAA) R/kg	Average local Hide Price (Calculated) R/kg
Price	2.23	1.90	1.72
w/w	6.2%	9.8%	4.6%
m/m	9.3%	15.2%	-7.5%
y/y	-57.7%	N/A	-64.5%

Outlook

The current price is 7.5% lower than prices were a month ago and the current hide price is 64.5% lower than prices were a year ago. This week a slight uptick in local demand supported prices. Generally, the hide market sentiment is bearish, in line with the weak international hide market. Abundant supplies continue to weigh down the global and local market. Prices are not expected to rebound 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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