



Agri Trends

06 December 2019

Red meat producer cash flows may come under pressure due to a national ban on livestock auctions

Beef: Week on week, beef prices were mixed in the different classes. The average Class A price was 1.7% higher at R44.77/kg and Class C prices moved 0.2% lower to R36.92/kg week on week. The demand for weaner calves is low at the feedlots due to the uncertainty the latest FMD outbreak has caused. On the 3rd of December, DAFF released a statement banning auctions nationwide. This ban will cause severe cash flow pressure on producers, especially at a time when bonuses and wages must be paid. The lower supplies of red meat to the local market, may in turn cause an increase in red meat prices from December onwards.

Mutton: This week, lamb and mutton prices traded positively when compared to the previous week. Higher local demand continued to support sheep meat prices this week. The national average Class A carcass lamb prices increased by 3.1% to R67.92/kg and the average Class C carcass prices increased by 1.8% to R50.35/kg. The price of merino skins remained unchanged at R45.71/skin this week. The Dorper skin price was lower by 2.6% week on week at R30.74/skin. Compared to a year ago the price of dorper skins is 0.4% lower and the price of merino skins is 51.88% lower.

Pork: The local pork prices traded mostly lower this week due to subdued demand. The average porker price is 1.3% lower at R27.95/kg, while the average baconer price declined by 0.1% to R26.76/kg. The average cutters prices were 0.1% higher at R27.05/kg and the average heavy price was 0.6% lower at R25.80/kg. The sausage price was 0.4% lower at R20.76/kg. Rains are critical for the production of maize and oilseeds. With feed making up 70% of the costs, lower maize supplies in 2020 could have a negative effect on the pork producers. Industry expects to see an uptick in demand in December based on seasonal trends.

Poultry: The average poultry prices traded positively this past week. The average price for frozen birds increased by 0.9% to R26.85/kg, the average prices for fresh whole birds increased by 0.6% to R28.37/kg and IQF poultry prices were up 0.3% to R24.57/kg week on week. The demand for poultry products has been on the rise in November. Poultry remains a cheaper protein alternative to red meat which attracts buyer interest. The poultry industry expects to see a continuing trend in increasing purchases of poultry in the next month.

Hides: The current average hide price is R1.41/skin, this is 14.5% lower than last week's price of R1.65/skin. The current price is 18.0% lower than prices were a month ago and the current hide price is 63.3% lower than prices were a year ago. Over supply in Europe and China continues to weigh on the global market prices. Locally all automotive plants will be closing this week which will keep prices at the current low levels in the short to medium term.

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Beef market trends

International beef market

Prices in the international beef market traded mostly negative this week. The price of topside, rump and striploin decreased by 1.1%, 3.6% and 4.2% respectively week on week. The price of chuck and brisket increased by 2.5% and 0.7% respectively week on week. 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 | 227.38 | 284.33 | 460.00 | 254.25 | 272.00 | 296.36 | 624.00 | 488.00 |
| w/w | -1.1% | -3.6% | -4.2% | 2.5% | 0.7% | -0.7% | 0.2% | 1.0% |
| m/m | 1.5% | -10.4% | -7.0% | 11.0% | -0.4% | -0.2% | 2.5% | 2.7% |
| y/y | 13.2% | -14.7% | -3.0% | 22.8% | -0.3% | 4.1% | 12.6% | 23.2% |

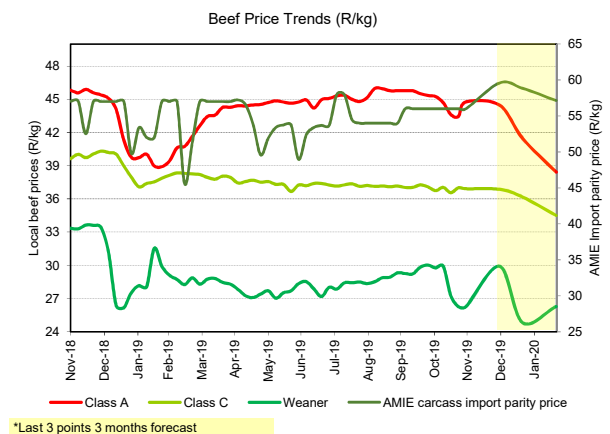
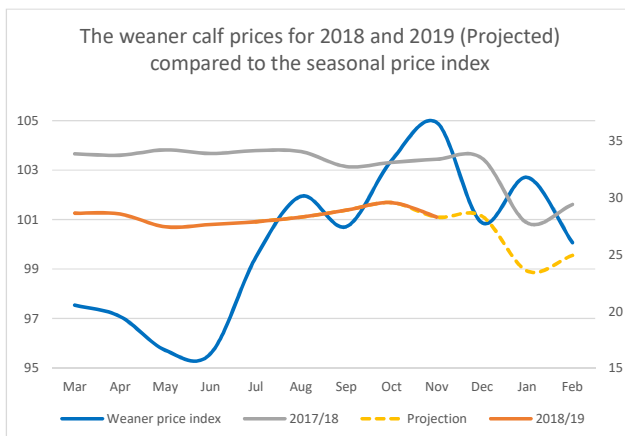
Local beef market

Week on week, beef prices were mixed in the different classes. The average Class A price was 1.7% higher at R44.77/kg and Class C prices moved 0.2% lower to R36.92/kg week on week. The demand for weaner calves is low at the feedlots due to the uncertainty the latest FMD outbreak has caused. On the 3rd of December, DAFF released a statement banning auctions nationwide. This ban will cause severe cash flow pressure on producers, especially at a time when bonuses and wages must be paid. The lower supplies of red meat to the local market, may in turn cause an increase in red meat prices from December onwards.

| | 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 | 14.72 | 9.54 | 44.77 | 36.92 | 44.95 | 26.27 | 81.10 | 56.00 |
| w/w | -0.1% | 0.9% | 1.7% | -0.2% | 1.7% | 0.0% | 2.0% | 0.0% |
| m/m | -0.6% | 0.4% | -1.1% | 0.5% | -1.1% | -11.8% | 3.2% | 0.0% |
| y/y | 6.6% | 0.1% | -2.3% | -6.9% | -2.9% | -21.2% | 23.3% | -1.8% |

Outlook

Global beef prices will see a continuation of strong import demand from China in 2020. Locally, prices have been under pressure due to a lack of demand. The closure of all auctions in South Africa amid the FMD outbreak will add severe strain on producer cash flows for the next month until the ban on auctions is lifted. Local beef prices normally improve during the festive holidays. It is expected that the same trend will follow.



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Sheep meat market trends

International sheep meat market

The international price of ewes increased by 1.9% week on week while the price of lambs remained unchanged week on week. The price of mutton ribs decreased by 6.8% week on week while the price of mutton shoulders increased by 0.1% week on week. Sheep meat supply coming from New Zealand and Australia accounts for more than 70% of global trade. The supply from these two regions has not been able to keep pace with strong global demand, led by China in 2019. Strong global demand and increased consumption will support prices going into 2020.

| | 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 | 6.35 | 93.38 | 69.60 | 41.60 | 72.95 |
| w/w | 0.0% | 1.9% | 1.0% | 2.6% | -6.8% | 0.1% |
| m/m | 3.1% | 1.5% | 3.3% | 5.5% | 0.2% | 0.1% |
| y/y | 12.5% | 27.0% | 11.7% | 23.1% | 6.7% | 16.9% |

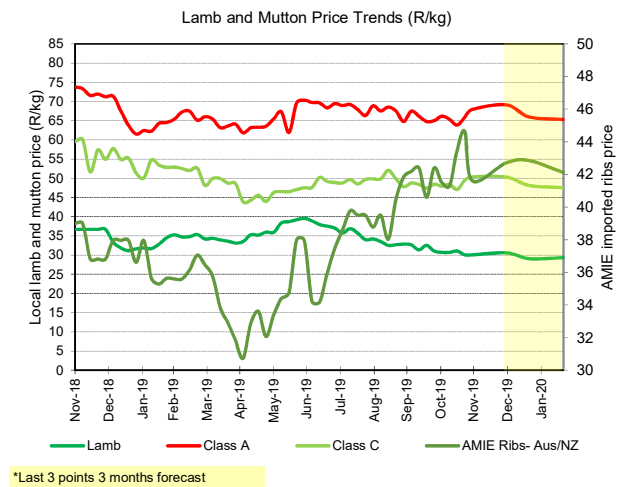
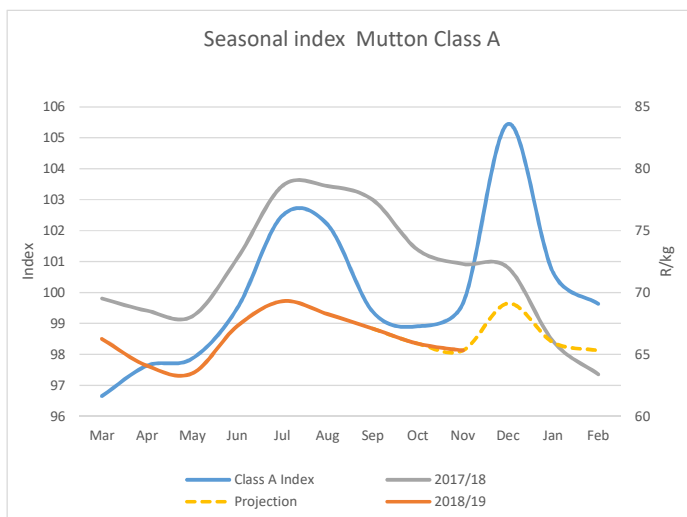
Local sheep meat market

This week, lamb and mutton prices traded positively when compared to the previous week. Higher local demand continued to support sheep meat prices this week. The national average Class A carcass lamb prices increased by 3.1% to R67.92/kg and the average Class C carcass prices increased by 1.8% to R50.35/kg. The price of merino skins remained unchanged at R45.71/skin this week. The Dorper skin price was lower by 2.6% week on week at R30.74/skin. Compared to a year ago the price of dorper skins is 0.4% lower and the price of merino skins is 51.88% lower. National auctions on livestock have been banned, which will place producer cash flows under pressure because they can't sell their livestock. Stakeholders in the industry hope that situation will be resolved soon.

| | R/NZ\$ | Class A (R/kg) | Class C (R/kg) | Feeder Lamb (R/kg) | Dorper Skin (R/skin) | Slaughtering |
|-------|--------|----------------|----------------|--------------------|----------------------|--------------|
| Price | 9.54 | 67.92 | 50.35 | 30.04 | 30.74 | 13820 |
| w/w | 1.0% | 3.1% | 1.8% | 0.0% | -2.6% | -15.7% |
| m/m | 0.4% | 2.6% | 5.0% | -2.1% | 31.8% | 19.3% |
| y/y | 0.1% | -8.0% | -15.4% | -18.1% | 0.4% | -6.1% |

Outlook

Global beef and lamb prices are expected to be supported in 2020 due to lower inventories in the major producing countries. Locally, lamb and mutton prices remain subdued due to the availability of cheaper protein 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. With the closure of auctions, producers may not be able to supply the markets which could mean that in January or February we might have lower supplies available, which in turn could lead to higher meat prices (dependent on when auctions resume operations).



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Pork market trends

International pork market

The international pork market traded mostly negative this week with the US pork carcass price and US ham prices lower by 2.0% and 0.2% respectively week on week. The import parity for pork ribs decreased by 1.0% and the import parity of ham decreased by 0.2% week on week. US pork prices are expected to be supported by an increased uptake throughout December. China's Finance Ministry mentioned this week that China will waive import tariffs for some soybeans and pork shipments from the US.

| | 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 | 81.51 | 71.72 | 132.28 | 85.07 | 59.14 | 40.71 |
| w/w | -2.0% | 1.7% | -1.0% | -0.2% | -1.0% | -0.2% |
| m/m | 8.3% | 5.5% | 5.0% | 26.8% | 3.5% | 18.9% |
| y/y | 21.9% | 17.9% | 15.1% | 70.0% | 19.9% | 56.8% |

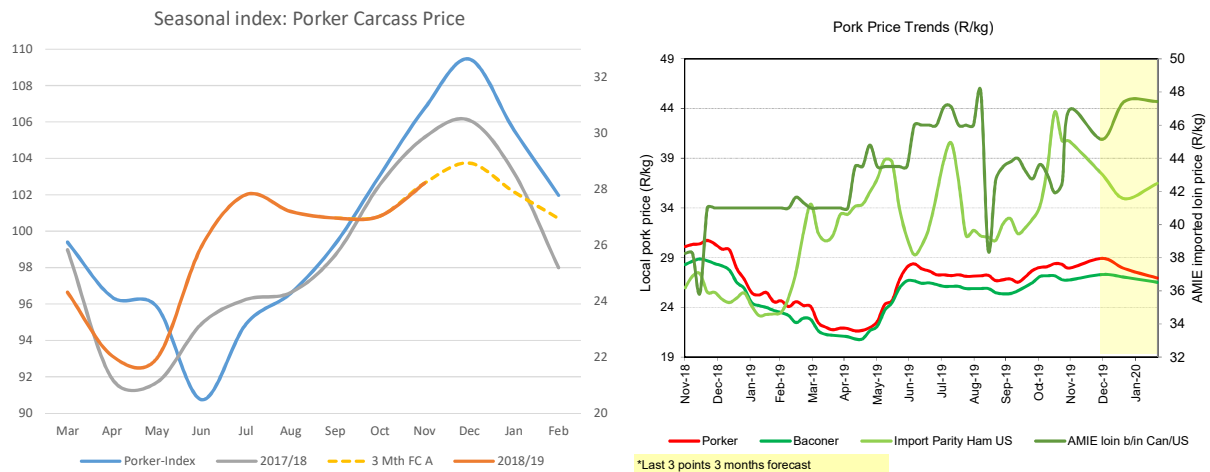
Local pork market

The local pork prices traded mostly lower this week due to subdued demand. The average porker price is 1.3% lower at R27.95/kg, while the average baconer price declined by 0.1% to R26.76/kg. The average cutters prices were 0.1% higher at R27.05/kg and the average heavy price was 0.6% lower at R25.80/kg. The sausage price was 0.4% lower at R20.76/kg. Rains are critical for the production of maize and oilseeds. With feed making up 70% of the costs, lower maize supplies in 2020 could have a negative effect on the pork producers. Industry expects to see an uptick in demand in December based on seasonal trends.

| | R/US\$ | RMAA Slaughter Nr | Contract Average (R/kg) | Porker (R/kg) | Baconer (R/kg) | AMIE Loin (R/kg) |
|-------|--------|-------------------|-------------------------|---------------|----------------|------------------|
| Price | 14.72 | 30974 | 27.36 | 27.95 | 26.76 | 46.94 |
| w/w | -0.1% | 7.6% | -0.7% | -1.3% | -0.1% | 10.4% |
| m/m | -0.6% | 14.5% | -0.8% | -0.3% | -1.3% | 7.6% |
| y/y | 6.6% | 11.6% | -6.3% | -7.2% | -5.4% | 22.7% |

Outlook

Global prices are expected to be high for hogs in 2020 due to strong global demand. Locally, pork is among the cheaper protein alternatives which bodes well for demand. It is expected that prices will be supported by increased consumer demand during the festive holiday.



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Poultry market trends

International poultry market

The international poultry price traded mostly positive this week. The price of US whole birds increased by 3.2% week on week. The price of fresh MDM decreased by 4.0% while the price of frozen MDM increased by 0.6% week on week. Compared to a year ago the price of US whole birds and US chicken breasts are 8.8% and 2.6% lower respectively. The price of US leg quarters increased by 7.6% and the price of EU leg quarters decreased by 0.3% week on week. Compared to a year ago the price of leg quarters for the US are 12.9% higher and the price of EU leg quarters are 13.4% higher. The changing economic and dietary factors in developing countries have resulted in the increase of poultry consumption. This trend is expected to increase in the next year. Poultry production is expected to rise strongly in 2020, partly in response to ASF in South East Asia.

| | 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 | 79.50 | 74.00 | 21.13 | 26.10 | 18.24 | 27.34 |
| w/w | 3.2% | 5.7% | -4.0% | 0.6% | 7.6% | -0.3% |
| m/m | 0.7% | 5.7% | -3.3% | -2.0% | 7.2% | 3.1% |
| y/y | -8.8% | -2.6% | 3.7% | 5.4% | 12.9% | 13.4% |

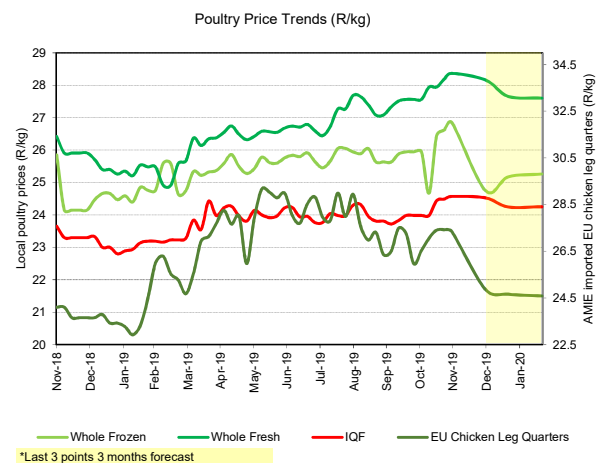
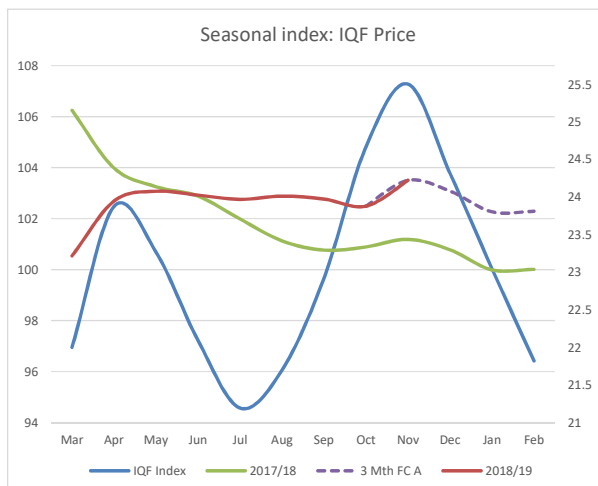
Local poultry market

The average poultry prices traded positively this past week. The average price for frozen birds increased by 0.9% to R26.85/kg, the average prices for fresh whole birds increased by 0.6% to R28.37/kg and IQF poultry prices were up 0.3% to R24.57/kg week on week. The demand for poultry products has been on the rise in November. Poultry remains a cheaper protein alternative to red meat which attracts buyer interest. The poultry industry expects to see a continuing trend in increasing purchases of poultry in the next month.

| | 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 | 14.72 | 26.85 | 28.37 | 24.57 | 39.27 | 28.48 |
| w/w | -0.1% | 0.9% | 0.6% | 0.3% | 2.0% | 4.7% |
| m/m | -0.6% | 3.5% | 2.9% | 2.4% | 0.0% | 4.1% |
| y/y | 6.6% | 3.9% | 7.4% | 3.9% | -1.5% | 3.7% |

Outlook

Global poultry production is set to increase in 2020, driven by the reduction in global pork supplies amid the FMD outbreak. The growth of export opportunities in Europe will encourage poultry expansion in Europe. Locally poultry remains a cheaper protein alternative compared to the other meat types. Prices are expected to find support from increased demand throughout December and possibly higher red meat prices in January and February, should livestock auctions not be reopened in early 2020.



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Hide market trends

Local hide market

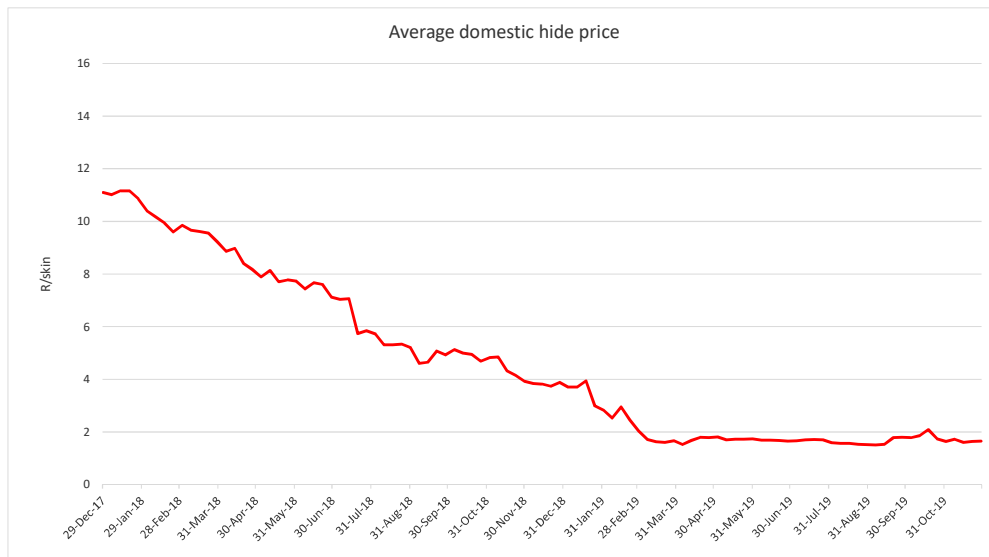
The current average hide price is R1.41/skin, this is 14.5% lower than last week's price of R1.65/skin.

| | Weighted Feedlot hide Price (RMAA) R/skin | Average Field hide Price (RMAA) R/skin | Average local Hide Price (Calculated) R/skin |
|-------|--|---|---|
| Price | 1.86 | 1.53 | 1.41 |
| w/w | -12.3% | -11.6% | -14.5% |
| m/m | -16.6% | -19.5% | -18.0% |
| y/y | -61.6% | N/A | -63.3% |

Outlook

The current price is 18.0% lower than prices were a month ago and the current hide price is 63.3% lower than prices were a year ago. Over supply in Europe and China continues to weigh on the global market prices. Locally all automotive plants will be closing this week which will keep prices at the current low levels 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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