



## Agri Trends

13 December 2019

### Red meat prices expected to find support during the Christmas period

**Beef:** Week on week, beef prices were mixed in the different classes. The average Class A price was 0.3% lower at R44.62/kg and Class C prices moved 1.8% higher to R37.58/kg week on week. The demand for weaner calves is low at the feedlots due to the uncertainty the latest FMD outbreak has caused. Beef prices are expected to find support from increased consumer demand in the next 2-3 weeks. Auctions are still banned nationwide which is going to put strain on producers' cash flows.

**Mutton:** This week, lamb and mutton prices traded mixed when compared to the previous week. The national average Class A carcass lamb prices increased by 1.1% to R68.65/kg and the average Class C carcass prices decreased by 2.4% to R49.17/kg. The price of merino skins was down by 5.3% from R45.71/skin to R43.29/skin this week. The Dorper skin price was up by 11.2% week on week at R34.17/skin. Compared to a year ago the price of dorper skins is 11.3% higher and the price of merino skins is 53.20% lower. Higher local demand during the festive season is expected to support sheep meat prices for the next two weeks. 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).

**Pork:** The local pork prices traded mostly lower this week due to subdued demand. This week was a flat week, consumer demand for red meat was low across the board. We expect pick up for the next two weeks. The average porker price is 2.1% lower at R27.36/kg, while the average baconer price declined by 1.0% to R26.49/kg. The average cutters prices were 1.9% lower at R26.55/kg and the average heavy price was 0.6% lower at R25.65/kg. The sausage price was 1.9% lower at R20.37/kg. Industry expects to see an uptick in demand in December based on seasonal trends.

**Poultry:** The average poultry prices traded mixed this past week. The average price for frozen birds remained unchanged at R26.85/kg, the average prices for fresh whole birds remained unchanged at R28.37/kg and IQF poultry prices were down by 2.4% to R23.99/kg week on week. Poultry industry players do not anticipate any increases in the next few weeks. Most price increases were priced in during November. Sales are expected to pick up significantly in the next two weeks. 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 throughout December.

**Hides:** The current average hide price is R1.43/skin, this is 1.1% higher than last week's price of R1.41/skin. The current price is 11.2% lower than prices were a month ago and the current hide price is 62.7% lower than prices were a year ago. The local market remains stable. Locally the closure of automotive plants for the holidays 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 chuck decreased by 1.0%, 1.5% and 4.0% respectively week on week. The price of striploin remained unchanged and the price of brisket increased by 2.7% week on week. Strong global demand will continue to support cattle prices in 2020.

	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	225.00	280.20	460.00	244.00	279.25	294.66	621.00	485.00
w/w	-1.0%	-1.5%	0.0%	-4.0%	2.7%	-0.6%	-0.5%	-0.6%
m/m	-5.9%	-15.1%	-4.2%	2.9%	-0.1%	-2.0%	0.8%	1.9%
y/y	16.5%	-11.9%	-0.9%	22.0%	8.2%	7.4%	14.2%	26.6%

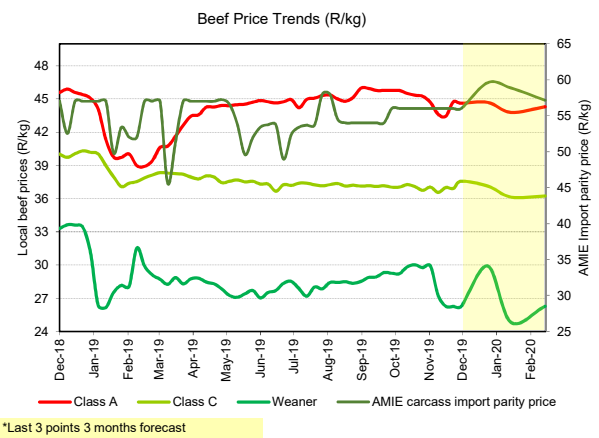
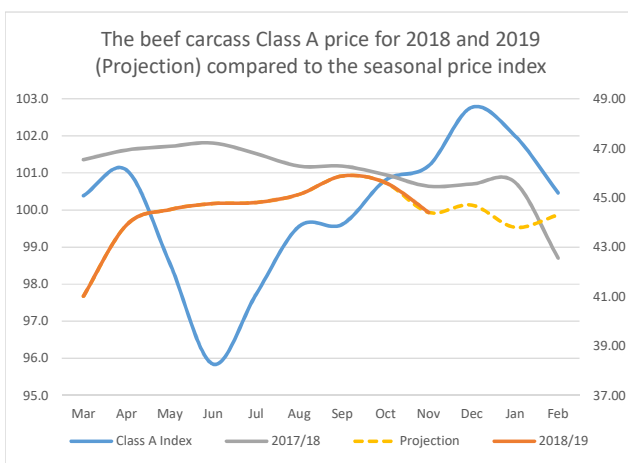
### Local beef market

Week on week, beef prices were mixed in the different classes. The average Class A price was 0.3% lower at R44.62/kg and Class C prices moved 1.8% higher to R37.58/kg week on week. The demand for weaner calves is low at the feedlots due to the uncertainty the latest FMD outbreak has caused. Beef prices are expected to find support from increased consumer demand in the next 2-3 weeks. Auctions are still banned nationwide which is going to put strain on producers' cash flows.

	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	14.63	9.54	44.62	37.58	44.80	26.27	80.60	56.00
w/w	-0.6%	0.0%	-0.3%	1.8%	-0.3%	0.0%	-0.6%	0.0%
m/m	-0.9%	1.3%	-0.2%	1.4%	-0.2%	-12.2%	3.2%	0.0%
y/y	6.1%	-1.2%	-2.1%	-6.1%	-2.7%	-21.1%	25.1%	-1.8%

### Outlook

US cattle price is forecasted to remain strong in the first quarter of 2020. Global beef prices will see a continuation of strong import demand from China in 2020. Locally, the closure of all auctions in South Africa amid the latest 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 lambs and ewes decreased by 0.6% and 0.3% respectively week on week. The price of mutton ribs decreased by 2.9% week on week while the price of mutton shoulders increased marginally by 0.1% week on week.

	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	8.95	6.33	92.91	69.41	40.40	73.00
w/w	-0.6%	-0.3%	-0.5%	-0.3%	-2.9%	0.1%
m/m	-0.6%	1.5%	0.8%	5.3%	-2.2%	0.1%
y/y	13.3%	29.2%	10.9%	23.3%	3.6%	17.0%

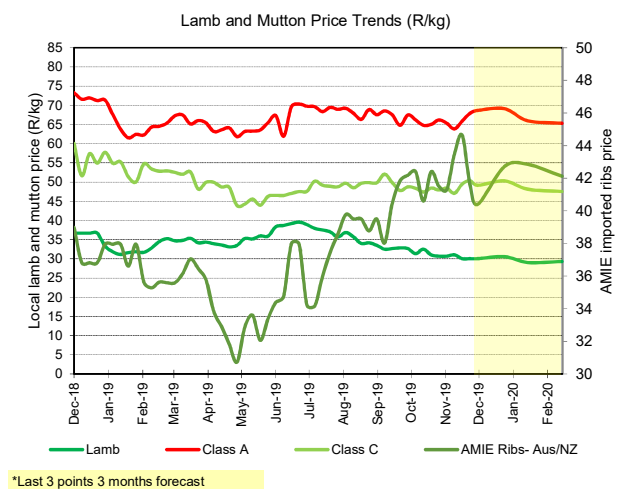
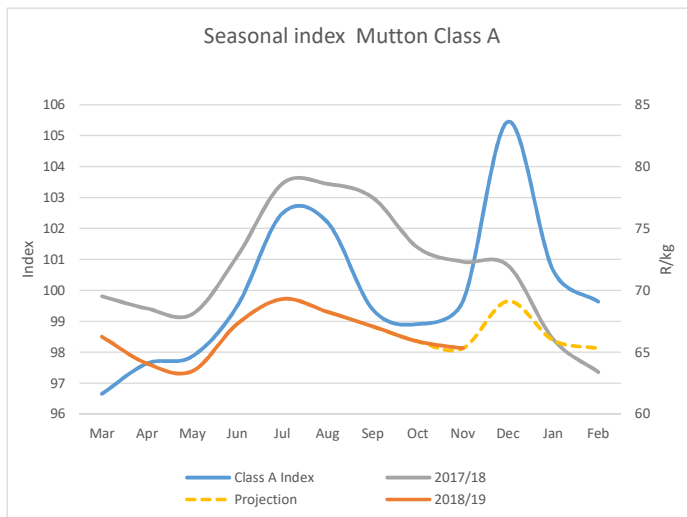
### Local sheep meat market

This week, lamb and mutton prices traded mixed when compared to the previous week. The national average Class A carcass lamb prices increased by 1.1% to R68.65/kg and the average Class C carcass prices decreased by 2.4% to R49.17/kg. The price of merino skins was down by 5.3% from R45.71/skin to R43.29/skin this week. The Dorper skin price was up by 11.2% week on week at R34.17/skin. Compared to a year ago the price of dorper skins is 11.3% higher and the price of merino skins is 53.20% lower. Higher local demand during the festive season is expected to support sheep meat prices for the next two weeks. 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).

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.54	68.65	49.17	30.04	34.17	13731
w/w	0.0%	1.1%	-2.4%	0.0%	11.2%	-0.6%
m/m	1.3%	5.1%	1.6%	-2.1%	57.7%	28.8%
y/y	-1.2%	-6.3%	-18.1%	-18.1%	11.3%	-7.9%

### Outlook

The New Zealand and Australian sheep flock numbers continue to decline and the strong mutton price and persisting dryness are the key drivers behind the contraction. Looking forward, the reduced sheep flock and strong demand from China is likely to keep lamb prices supported in 2020. 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.



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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 US rib prices lower by 0.1% and 1.2% respectively week on week. The import parity for pork ribs decreased by 1.5% and the import parity of ham decreased by 0.5% week on week. Slow export numbers weighed on US hog prices this week.

	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	81.43	71.82	130.73	85.14	58.23	40.51
w/w	-0.1%	0.1%	-1.2%	0.1%	-1.5%	-0.5%
m/m	2.3%	3.5%	1.4%	9.6%	0.2%	6.4%
y/y	16.2%	15.5%	13.1%	57.3%	18.2%	49.2%

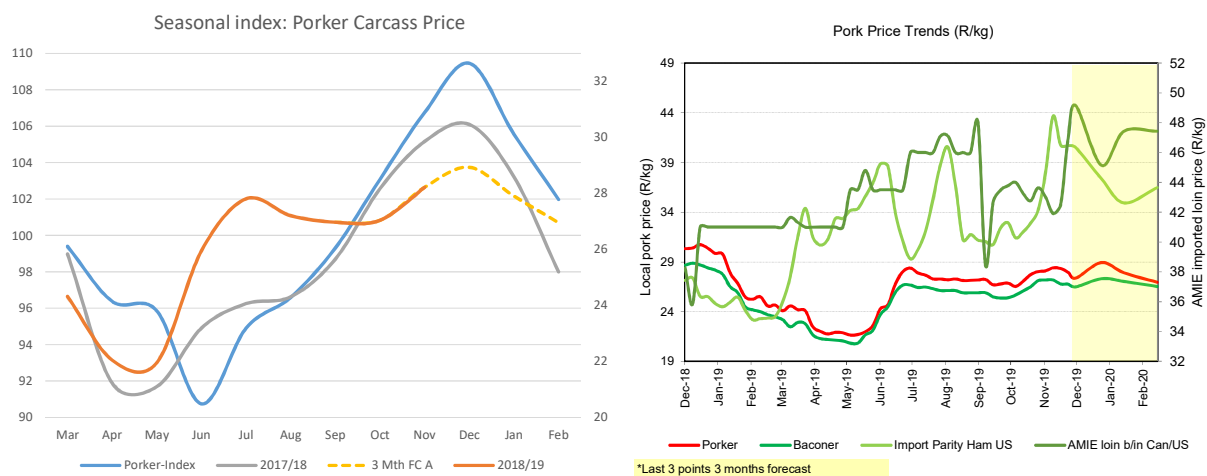
### Local pork market

The local pork prices traded mostly lower this week due to subdued demand. This week was a flat week, consumer demand for red meat was low across the board. We expect pick up for the next two weeks. The average porker price is 2.1% lower at R27.36/kg, while the average baconer price declined by 1.0% to R26.49/kg. The average cutters prices were 1.9% lower at R26.55/kg and the average heavy price was 0.6% lower at R25.65/kg. The sausage price was 1.9% lower at R20.37/kg. 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	14.63	31614	26.93	27.36	26.49	49.15
w/w	-0.6%	2.1%	-1.6%	-2.1%	-1.0%	4.7%
m/m	-0.9%	10.4%	-2.6%	-2.6%	-2.5%	14.3%
y/y	6.1%	39.8%	-8.7%	-9.8%	-7.5%	28.5%

### Outlook

The US is the lowest-cost producer of pork in the world, however the 72% import duty China has imposed on US pork remains a major hurdle in that market. China will need large supplies of pork imports going into 2020 and they are going to substitute other proteins. Analysts predict that the world will be 7% short of proteins in 2020, which will support protein prices in 2020. Given the high prices in China in 2019 it is expected that the EU, Brazil and Canada will increase pork shipments to China in 2020. 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 mixed this week. The price of US whole birds increased by 3.9% week on week. The price of fresh MDM decreased by 0.7% while the price of frozen MDM decreased by 1.0% week on week. Compared to a year ago the price of US whole birds and US chicken breasts are 4.6% lower and 1.3% higher respectively. The price of US leg quarters decreased by 0.4% and the price of EU leg quarters increased by 4.1% week on week. Compared to a year ago the price of US leg quarters are 11.9% higher and the price of EU leg quarters are 18.0% higher. Short term global outlook for poultry is bullish driven by supply reductions in Brazil and the US, low Chinese protein supplies and ongoing low feed 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	82.59	79.00	20.99	25.85	18.18	28.45
w/w	3.9%	6.8%	-0.7%	-1.0%	-0.4%	4.1%
m/m	5.2%	12.9%	-6.3%	-2.5%	7.0%	5.1%
y/y	-4.6%	1.3%	2.4%	4.3%	11.9%	18.0%

### Local poultry market

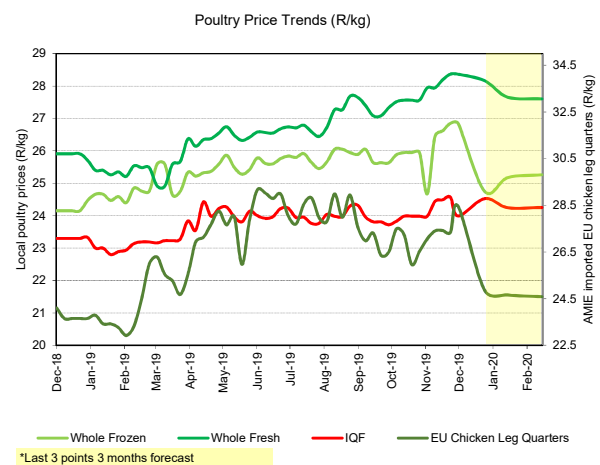
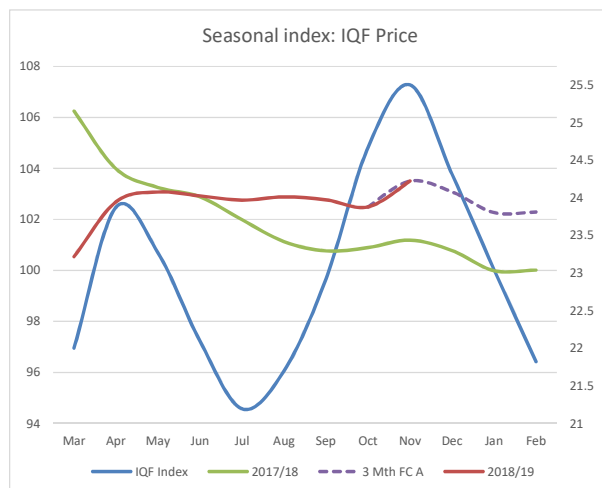
The average poultry prices were mixed this past week. The average price for frozen birds remained unchanged at R26.85/kg, the average prices for fresh whole birds remained unchanged at R28.37/kg and IQF poultry prices were down by 2.4% to R23.99/kg week on week. Poultry industry players do not anticipate any increases in the next few weeks. Most price increases were priced in during November. Sales are expected to pick up significantly in the next two weeks. 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 throughout December.

	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	14.63	26.85	28.37	23.99	40.11	29.95
w/w	-0.6%	0.0%	0.0%	-2.4%	2.1%	5.1%
m/m	-0.9%	8.8%	1.5%	0.0%	2.7%	9.8%
y/y	6.1%	11.2%	9.5%	3.0%	1.3%	7.0%

### Outlook

The growth of export opportunities in Europe will encourage poultry expansion in Europe, especially amid the ASF outbreak in China which reduced global protein supplies. The expected increase in broiler production in the US for 2020 is expected to pressure prices.

Local poultry prices and uptake was flat this week. The month-end uptake was not as high as expected by market players. However, increased buying interest is to be expected for the next two weeks. Prices are expected to find support from increased demand throughout December. Seasonally January is a period of lower poultry prices however in 2020 we could potentially see higher poultry prices supported by higher red meat prices (driven by lower supplies) in January and February, should livestock auctions not be reopened in early 2020.



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## Hide market trends

### Local hide market

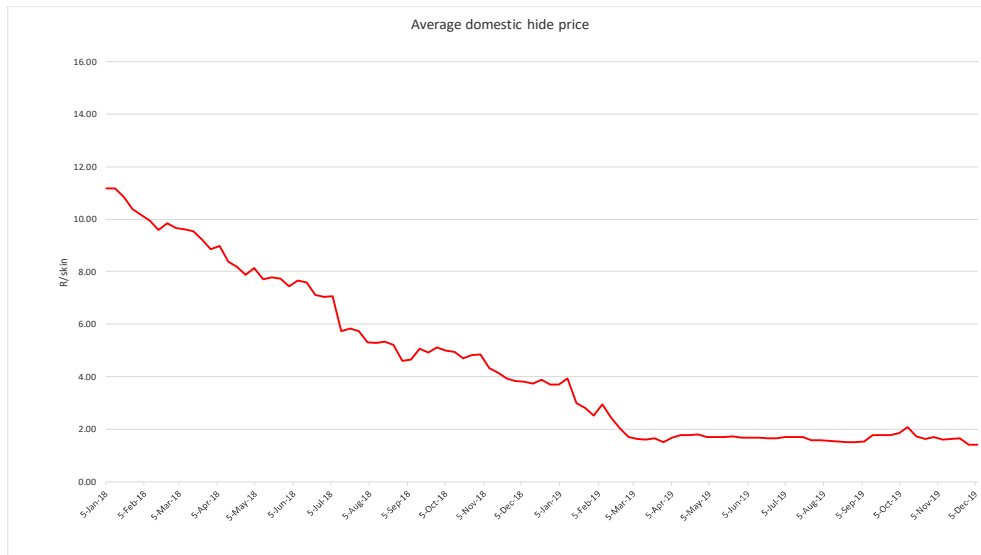
The current average hide price is R1.43/skin, this is 1.1% higher than last week's price of R1.41/skin.

	Weighted Feedlot hide Price (RMAA) R/skin	Average Field hide Price (RMAA) R/skin	Average local Hide Price (Calculated) R/skin
Price	1.92	1.53	1.43
w/w	3.2%	0.0%	1.1%
m/m	-3.5%	-8.9%	-11.2%
y/y	-59.2%	N/A	-62.7%

### Outlook

The current price is 11.2% lower than prices were a month ago and the current hide price is 62.7% lower than prices were a year ago. The local market remains stable. Locally the closure of automotive plants for the holidays 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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