



Agri Trends

17 January 2020

Meat prices were mainly flat, or lower due to by lower consumer demand

Beef: Grazing conditions improved over most parts of the Free State, Mpumalanga, Limpopo and KZN after receiving good rainfall over December and January. Namibia and Botswana also received very good rainfall the past weeks and need to start rebuilding their depleted herds as well. This will also lower the immediate supply of not only breeder cattle into SA, which will be supportive for local beef prices. The FMD outbreak is still not completely under control. The national ban of auctions continues to place producer cash flows under pressure. The demand for weaner calves is low at the feedlots due to the uncertainty the latest FMD outbreak has caused.

Mutton: According to Santam Agri's weather report, some sporadic rainfall occurred over some parts of the Northern Cape and Eastern Cape. Drought conditions still persist in the regions, because the very hot day temperatures caused high evaporative demand. Natural grazing and pasture conditions in the large sheep producing areas continues to deteriorate.

Pork: The local pork prices traded lower this week due to subdued demand. This week was a flat week, consumer demand for red meat was low across the board. The average porker price is 1.0% lower at R27.11/kg, while the average baconer price declined by 1.7% to R25.79/kg. The average cutters prices were 1.7% lower at R26.38/kg and the average heavy price was 0.4% lower at R25.14/kg. The sausage price was 0.3% lower at R20.01/kg. Feed prices are the largest cost component in piggeries. The improved rainfall during the planting of maize and soybean crop increased the business confidence amongst our maize and soybean producers. We expect that the hectares planted will improve (compared to estimates a month ago), supporting lower production costs.

Poultry: Local poultry prices and uptake was flat this week. Prices are expected to find support because poultry remains a cheaper protein source compared to beef and mutton. Seasonally January is a period of lower poultry prices, with poultry prices following the downward trend in beef and mutton prices. Prices are expected to pick up towards March.

Hides: The current average hide price is R1.42/skin. The current price is 2.9% higher than prices were a month ago and the current hide price is 64.1% lower than prices were a year ago. The local market remains under pressure. Global slaughter continues at a good rate, with global hide stocks also rising. Locally week on week prices were supported by the re-opening of the automotive plants and lower slaughter numbers.

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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 brisket decreased by 2.9%, 4.7% and 0.4% respectively week on week. The price of striploin remained unchanged and the price of chuck increased by 4.7% week on week. Tight livestock inventories in Australia will drive beef production down. 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	208.72	262.00	490.00	244.00	259.00	292.09	558.00	428.00
w/w	-2.9%	-4.7%	0.0%	4.7%	-0.4%	0.8%	-6.8%	-6.6%
m/m	-7.2%	-6.5%	6.5%	0.0%	-7.3%	-0.9%	-9.1%	-10.5%
y/y	-1.1%	-22.3%	-2.0%	11.1%	-2.3%	-0.2%	3.7%	9.7%

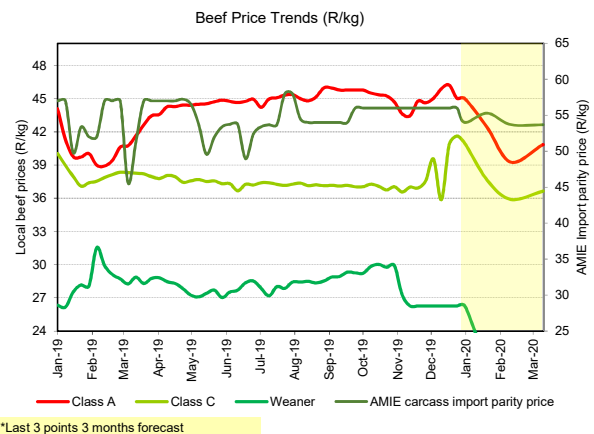
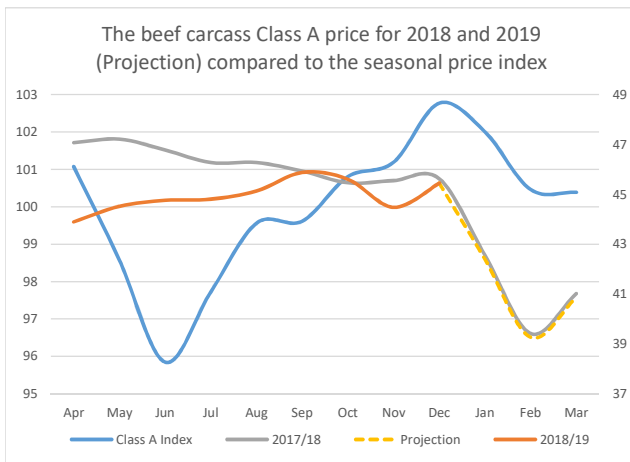
Local beef market

Week on week, beef prices were mixed in the different classes. The average Class A price remained unchanged at R45.01/kg and Class C prices moved 0.5% higher to R39.30/kg week on week. Grazing conditions improved over most parts of the Free State, Mpumalanga, Limpopo and KZN after receiving good rainfall over December and January. Namibia and Botswana also received very good rainfall the past weeks and need to start rebuilding their depleted herds as well. This will also lower the immediate supply of not only breeder cattle into SA, which will be supportive for local beef prices. The FMD outbreak is still not completely under control. The national ban of auctions continues to place producer cash flows under pressure. The demand for weaner calves is low at the feedlots due to the uncertainty the latest FMD outbreak has caused.

	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	14.21	9.47	45.01	39.30	45.18	26.27	70.58	54.00
w/w	1.1%	0.1%	0.0%	0.5%	0.0%	0.0%	-6.5%	-3.6%
m/m	-2.8%	-0.8%	-0.1%	3.7%	-0.1%	0.0%	-11.1%	-3.6%
y/y	2.1%	-4.8%	2.1%	-1.8%	1.4%	-0.3%	4.4%	-5.3%

Outlook

Strong demand will be the main factor in the global beef market in 2020, while beef production is expected to experience slow growth. Locally, the closure of all auctions in South Africa amid the latest FMD outbreak continues to cause uncertainty and puts producers under strain. Local beef prices is expected to follow a downward trend after the December period based on seasonal trends.



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Sheep meat market trends

International sheep meat market

The international price of lambs and ewes decreased by 6.8% and 6.2% respectively week on week. The price of mutton ribs increased by 5.0% week on week while the price of mutton shoulders remained unchanged week on week. Hot and very dry conditions continues to put pressure on grazing conditions in Australia. This combined with the Christmas shutdown added pressure on sheep slaughter prices. The market expects more declines in the coming weeks. There is currently a large decrease in Chinese lamb buying.

	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	7.95	5.63	82.72	62.25	42.40	73.00
w/w	-6.8%	-6.2%	-6.1%	-5.3%	5.0%	0.0%
m/m	-9.5%	1.5%	-9.4%	-8.7%	5.0%	0.0%
y/y	12.8%	14.2%	15.1%	15.7%	19.0%	23.7%

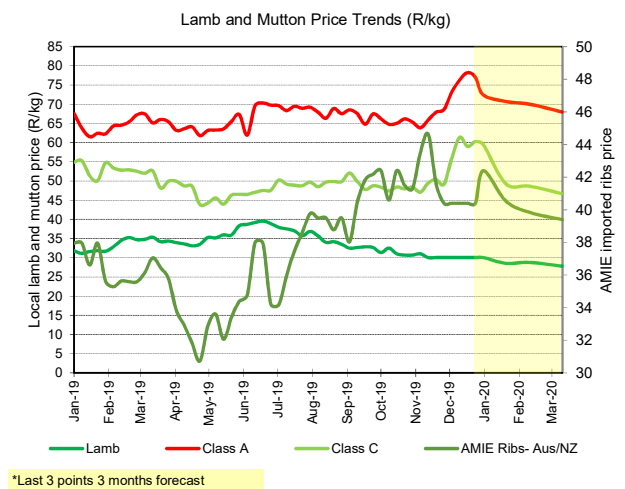
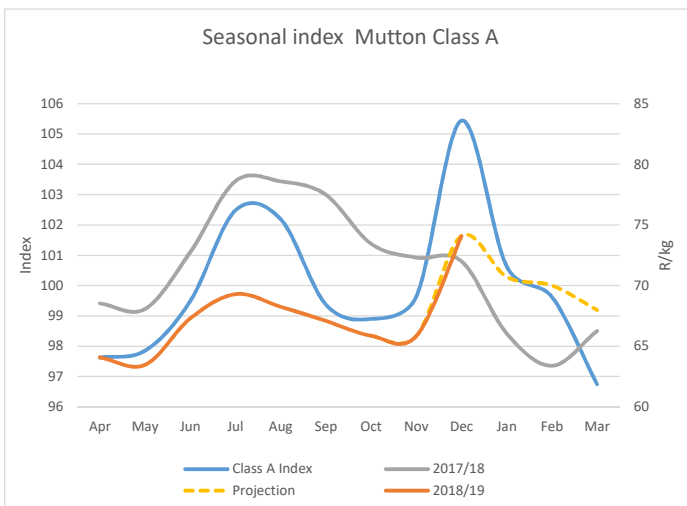
Local sheep meat market

This week, lamb and mutton prices traded negatively when compared to the previous week. The national average Class A carcass lamb prices decreased by 6.0% to R72.41/kg and the average Class C carcass prices decreased by 1.8% to R52.52/kg. The price of merino skins was down by 2.1% from R46.67/skin to R45.71/skin this week. The Dorper skin price was down by 18.0% week on week at R28.69/skin. Compared to a year ago the price of dorper skins is 11.1% higher and the price of merino skins is 26.29% lower. According to Santam Agri's weather report, some sporadic rainfall occurred over some parts of the Northern Cape and Eastern Cape. Drought conditions still persist in the regions, because the very hot day temperatures caused high evaporative demand. Natural grazing and pasture conditions in the large sheep producing areas continues to deteriorate.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.47	72.41	52.52	30.04	28.69	9287
w/w	0.1%	-6.0%	-1.8%	0.0%	-18.0%	-2.3%
m/m	-0.8%	-1.1%	3.4%	0.0%	-6.7%	-43.4%
y/y	2.7%	16.3%	-4.1%	-5.1%	11.1%	-14.4%

Outlook

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. Local mutton/lamb prices are expected to decline which is normal in January following a high-demand and consuming 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 1.3% and 2.5% respectively. The US rib prices and US ham price higher by 0.9% and 2.5% respectively week on week. The import parity for pork ribs increased by 1.9% and the import parity of ham increased by 3.0% week on week. In the EU, pork production are set to rise in 2020, driven by export opportunities. In China, ASF still dominates the outlook, Rabobank expects a decline in pork production in 2020. Pork production in North America is expected to rise above all other meat types.

	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	72.55	68.86	138.54	66.07	59.41	32.49
w/w	-1.3%	-2.5%	0.9%	2.5%	1.9%	3.0%
m/m	-9.6%	-2.3%	4.7%	-19.2%	1.1%	-17.2%
y/y	5.3%	11.4%	12.6%	41.7%	13.9%	32.6%

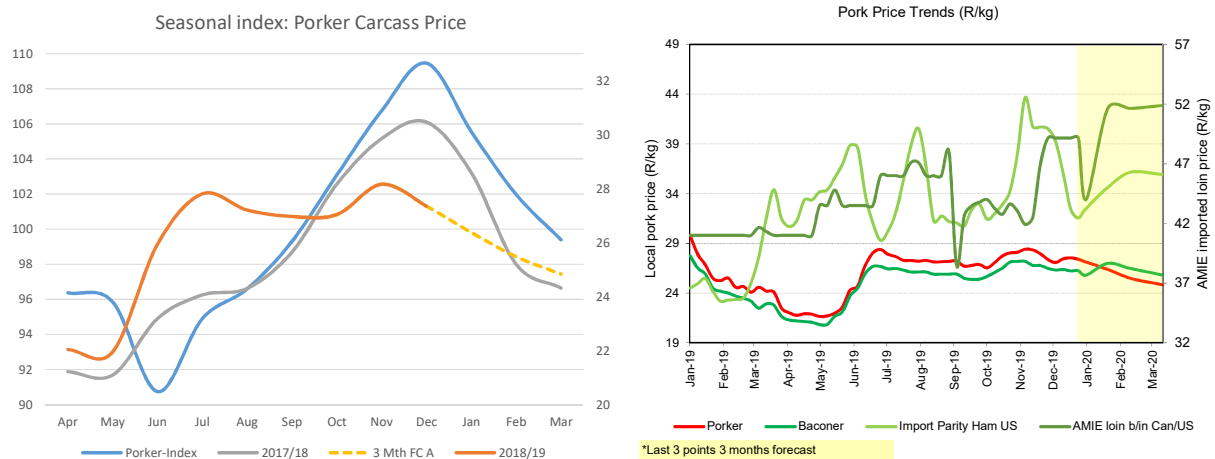
Local pork market

The local pork prices traded lower this week due to subdued demand. This week was a flat week, consumer demand for red meat was low across the board. The average porker price is 1.0% lower at R27.11/kg, while the average baconer price declined by 1.7% to R25.79/kg. The average cutters prices were 1.7% lower at R26.38/kg and the average heavy price was 0.4% lower at R25.14/kg. The sausage price was 0.3% lower at R20.01/kg. Feed prices are the largest cost component in piggeries. The improved rainfall during the planting of maize and soybean crop increased the business confidence amongst our maize and soybean producers. We expect that the hectares planted will improve (compared to estimates a month ago), supporting lower production costs.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.21	30202	26.45	27.11	25.79	44.00
w/w	1.1%	45.4%	-1.4%	-1.0%	-1.7%	-10.5%
m/m	-2.8%	-7.9%	-0.9%	0.2%	-2.0%	-10.5%
y/y	2.1%	12.6%	-8.0%	-9.0%	-7.0%	7.3%

Outlook

The USDA in its Quarterly Hog's and Pigs report estimates the Sep-Nov 2019 pig herd higher than the same period in 2018, which will be supportive of a higher slaughter and production rate in the first half of 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, prices are expected to follow a sideways to downward trend from January. It is normal behaviour for consumers to focus on other financial obligations such as school after a season (festive holidays) of high meat demand and consumption.



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Poultry market trends

International poultry market

The international poultry price traded mostly higher this week. The price of US whole birds increased by 1.1% week on week. The price of fresh MDM increased by 2.3% and the price of frozen MDM increased by 1.0% week on week. Compared to a year ago the price of US whole birds and US chicken breasts are lower by 11.9% and 15.2% respectively. The price of US leg quarters increased by 0.7% and the price of EU leg quarters increased by 3.7% week on week. Compared to a year ago the price of US leg quarters are 8.7% higher and the price of EU leg quarters are 24% higher. The trade issues between the EU and Brazil is still an on-going concern, and is likely to carry-on for the 1st half of 2022. Global breast meat prices is expected to remain under pressure in 2020, because Europe is the only western market that's open to breast meat imports and changes are needed in Brazil's animal health monitoring systems.

	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	91.46	78.00	21.48	26.76	17.84	29.49
w/w	1.1%	-2.5%	2.3%	1.0%	0.7%	3.7%
m/m	7.7%	-2.5%	2.3%	3.6%	-1.8%	3.7%
y/y	-11.9%	-15.2%	2.5%	10.1%	8.7%	24.0%

Local poultry market

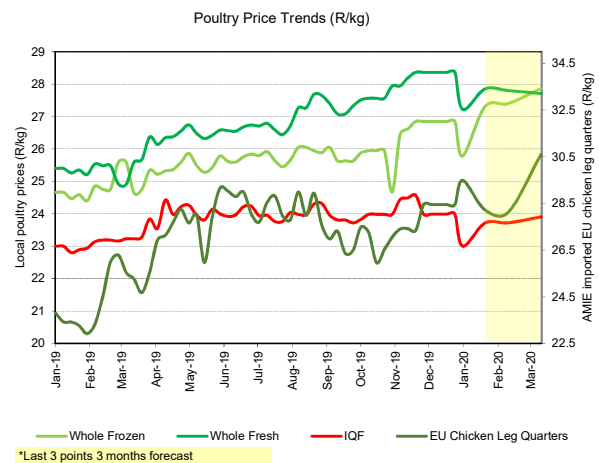
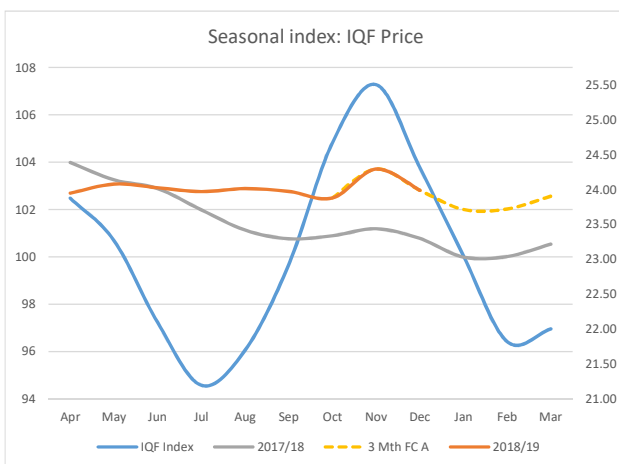
The average poultry prices were negative this past week. The average price for frozen birds declined by 4.0% to R25.78/kg, the average prices for fresh whole birds also declined by 4.0% to R27.22/kg and IQF poultry prices were down by 4.1% to R23.00/kg week on week. Poultry industry players do not anticipate any increases in the next few weeks. Feed prices are the largest cost component in the intensive livestock production such as broiler units. The improved rainfall during the planting of maize and soybean crop increased the business confidence amongst our maize and soybean producers. We expect that the hectares planted will improve.

	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	14.21	25.78	27.22	23.00	42.05	28.84
w/w	1.1%	-4.0%	-4.0%	-4.1%	1.6%	-1.1%
m/m	-2.8%	-4.0%	-4.0%	-4.1%	3.0%	-4.7%
y/y	2.1%	4.6%	7.2%	0.0%	-6.7%	-11.2%

Outlook

For January 2020, broiler prices are forecasted lowered due to higher production estimates adding downward pressure on markets. The USDA's January report forecasts a larger broiler production driven by continued expansion of laying flock in the US. Some "wildcards" could have an effect on markets such as Brexit.

Local poultry prices and uptake was flat this week. Prices are expected to find support because poultry remains a cheaper protein source compared to beef and mutton. Seasonally January is a period of lower poultry prices, with poultry prices following the downward trend in beef and mutton prices. Prices are expected to pick up towards March.



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Hide market trends

Local hide market

The current average hide price is R1.42/skin, this is 2.9% higher than last week's price of R1.38/skin.

	Weighted Feedlot hide Price (RMAA) R/skin	Average Field hide Price (RMAA) R/skin	Average local Hide Price (Calculated) R/skin
Price	2.12	1.29	1.42
w/w	7.6%	0.8%	2.9%
m/m	16.5%	-9.8%	2.9%
y/y	-58.4%	N/A	-64.1%

Outlook

The current price is 2.9% higher than prices were a month ago and the current hide price is 64.1% lower than prices were a year ago. The local market remains under pressure. Global slaughter continues at a good rate, with global hide stocks also rising. Locally week on week prices were supported by the re-opening of the automotive plants and lower slaughter numbers.

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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