



## Agri Trends

07 February 2020

### Higher summer crop planting, which could lower feed costs bodes well for the intensive livestock sector

**Beef:** Week on week, beef prices were higher in the different classes. The average Class A price increased by 1.5% to R45.41/kg and Class C prices moved 1.6% higher to R39.97/kg week on week. The preliminary area estimate to be planted under white maize is 1,515 million hectares, which is a 216,400 hectares (16.7%) increase compared to last season's 1,298 million hectares. The yellow maize preliminary area estimate is 1,020 million hectares, that is 18,400 hectares (1.84%) more than the 1,002 million hectares of last season. The total summer crop plantings increased by 8% compared to last season. The higher summer crop plantings will benefit the intensive livestock sector. The demand for weaners in SA is up slightly at the feedlots.

**Mutton:** This week, lamb and mutton prices traded positively when compared to the previous week. The national average Class A carcass lamb price increased by 4.2% to R71.17/kg and the average Class C carcass price increased by 4.2% to R53.82/kg. The price of merino skins declined by 1.3% to R47.50/skin this week. The Dorper skin price was down by 1.6% week on week at R33.20/skin. Compared to a year ago the price of dorper skins is 1.63% lower and the price of merino skins is 40.33% lower.

**Pork:** Pork imports into SA amounted to 27,070 tons in 2019; this is a 17.4% decline from the 32,802 tons imported in 2018. Pork imports were 6.2% lower in December 2019 compared to November 2019 a total of 2,236 tons of pork was imported into SA during December 2019 compared to 2,383 tons imported in November 2019. Higher summer crop plantings bodes well for the intensive livestock industries, as feed costs will be lower.

**Poultry:** Locally, lower priced poultry products is expected to encourage uptake when compared to other pricier meat types. Prices tend to increase from February onwards according to seasonality. The outlook on poultry is bullish supported by lower grain prices, a potential amendment to the import tariff and a suspension of imports from one of the largest importing countries.

**Hides:** The local and global hide market remains very quiet. Chinese buying is expected to be suppressed amid the virus outbreak. With the uncertainty of the coronavirus looming over markets in China, it is unclear when China will be purchasing hides.

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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, chuck and brisket decreased by 0.7%, 0.4% and 0.8% respectively week on week. The price of rump and striploin increased by 3.7% and 1.3% respectively week on week. In New Zealand, the activity on export beef markets has died off as news of the coronavirus in China spread. There are big inventories of beef in China that are not selling due to the coronavirus outbreak.

	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	215.72	294.01	519.73	250.00	253.70	300.99	530.00	395.00
w/w	-0.7%	3.7%	1.3%	-0.4%	-0.8%	0.3%	-1.5%	-4.4%
m/m	0.3%	6.9%	6.1%	7.3%	-2.4%	3.8%	-11.5%	-13.8%
y/y	-0.6%	-12.6%	7.9%	12.8%	0.7%	5.2%	-1.9%	-0.5%

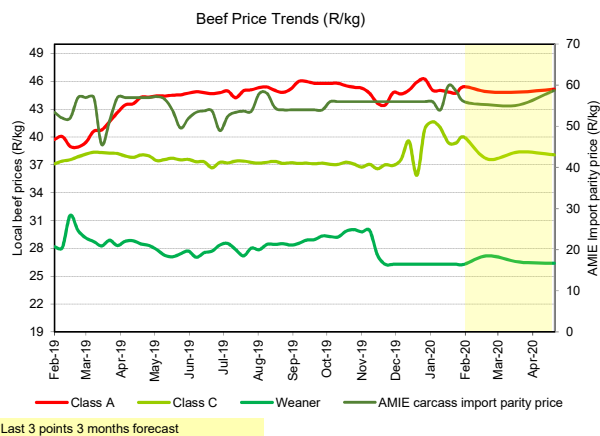
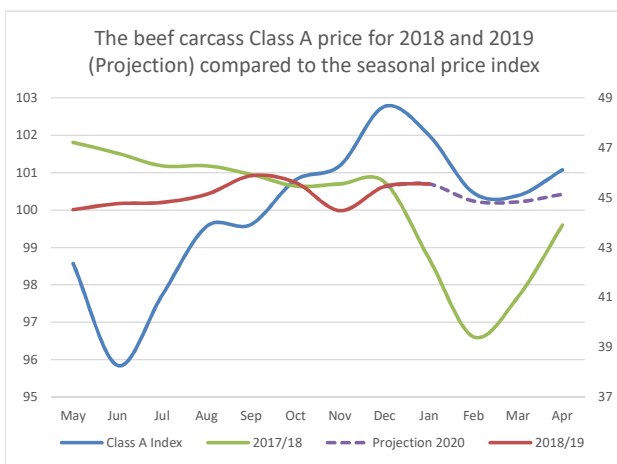
### Local beef market

Week on week, beef prices were higher in the different classes. The average Class A price increased by 1.5% to R45.41/kg and Class C prices moved 1.6% higher to R39.97/kg week on week. Locally, the rainfall forecast for autumn (Feb-May) shows a higher probability of below normal rainfall over most parts of the country except the eastern parts where above normal rainfall is more likely. Higher than normal temperatures are expected for the rest of the summer and early autumn throughout the country, however, the far southwestern parts of the country is expected to receive lower than normal/minimal temperatures throughout late summer and autumn. The demand for weaners in SA is up slightly at the feedlots. The uptake from consumers is still at low levels, which is in line with seasonality. The preliminary area estimate to be planted under white maize is 1,515 million hectares, which is a 216,400 hectares (16.7%) increase compared to last season's 1,298 million hectares. The yellow maize preliminary area estimate is 1,020 million hectares, that is 18,400 hectares (1.84%) more than the 1,002 million hectares of last season. The total summer crop plantings increased by 8% compared to last season. The higher summer crop plantings will benefit the intensive livestock sector.

	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	14.64	9.58	45.41	39.97	45.58	Auctions Closed	65.91	56.00
w/w	1.3%	0.6%	1.5%	1.6%	1.5%	n/a	-3.8%	-4.3%
m/m	4.2%	1.3%	0.9%	2.2%	0.9%	n/a	-12.7%	0.0%
y/y	8.3%	4.2%	14.3%	7.8%	13.8%	n/a	3.7%	4.9%

### Outlook

The longer-term global protein demand which depends on global economic growth and consumer preference is looking stable to strong. Locally, the closure of all auctions in South Africa amid the FMD outbreak continues to cause uncertainty and puts producers under strain. Local beef prices are expected to trade sideways from February.



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## Sheep meat market trends

### International sheep meat market

The international price of lambs and ewes decreased by 0.9% and 2.8% respectively week on week. The price of mutton ribs increased by 1.1% while the price of shoulders remained unchanged week on week. The slowdown in China due to the coronavirus is still being assessed in the global lamb market. So far the immediate ramifications aren't as severe as with mutton and beef.

	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	7.48	5.13	79.24	58.23	42.66	68.00
w/w	-0.9%	-2.8%	-0.3%	-1.9%	1.1%	0.0%
m/m	-12.3%	1.5%	-10.1%	-11.4%	5.6%	-6.8%
y/y	6.1%	4.1%	10.6%	8.5%	12.4%	15.3%

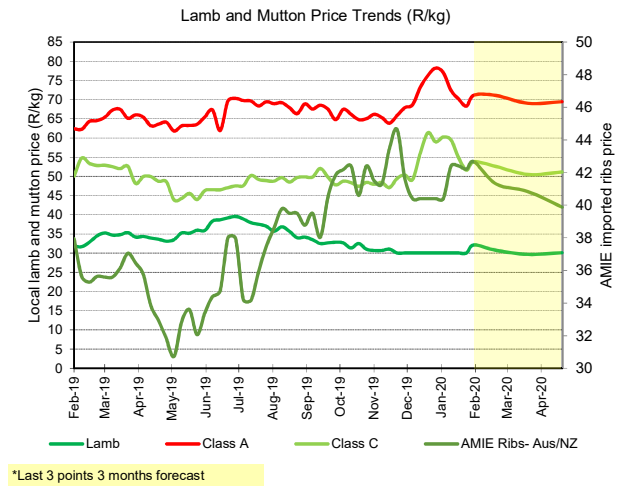
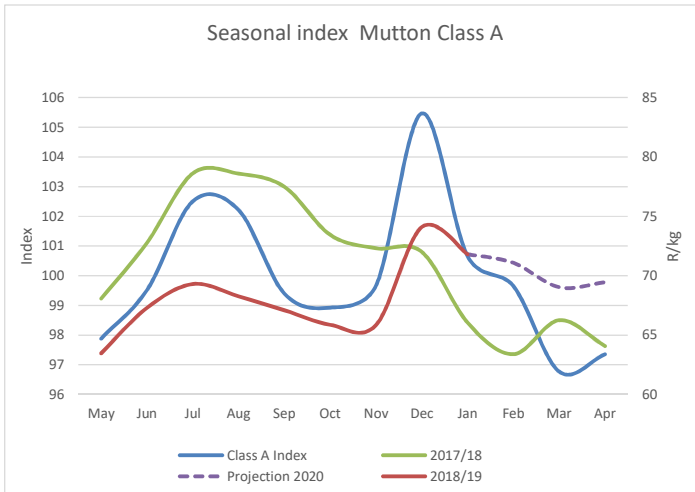
### Local sheep meat market

This week, lamb and mutton prices traded positively when compared to the previous week. The national average Class A carcass lamb price increased by 4.2% to R71.17/kg and the average Class C carcass price increased by 4.2% to R53.82/kg. The price of merino skins declined by 1.3% to R47.50/skin this week. The Dorper skin price was down by 1.6% week on week at R33.20/skin. Compared to a year ago the price of dorper skins is 1.63% lower and the price of merino skins is 40.33% lower. Many areas have begun to improve but drought persists in several provinces. Below normal rainfall is expected with above normal temperatures in most parts of the country. The eastern parts of the country is expected to enjoy above average rainfall towards mid-autumn while the southwestern regions can expect minimal temperatures. Shrinking production areas continue to limit sheep production.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	9.58	71.17	53.82	32.15	33.20	10475
w/w	0.6%	4.2%	4.2%	7.0%	-1.6%	33.8%
m/m	1.3%	-7.6%	0.6%	7.0%	-5.1%	10.2%
y/y	4.2%	14.0%	7.5%	1.0%	-1.6%	-6.9%

### Outlook

Looking forward, the reduced sheep flock and strong demand from China is likely to keep global lamb prices supported in 2020. Locally, lamb and mutton prices remain subdued due to the availability of cheaper protein alternatives. Prices are expected to decline which is normal from January due to constrained demand, an uptick in prices is expected from March.



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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 ham price down by 6.5% and 13.9% respectively week on week. The US rib price nudged 1.6% higher this week compared to the previous week while the US loin price remained unchanged week on week. The import parity price for pork ribs increased by 2.7% and the import parity price of ham decreased by 9.2% week on week. Pork production continued to rise in Russia throughout 2019 while price declined. The Chinese market remains closed for Russian exporters. Pork production is expected to increase in 2020 because profitability is still good in the sector in Russia. In Brazil, the ASF's impact on global pork production gave rise to international export opportunities for Brazilian pork producers.

	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	72.09	68.25	147.55	63.26	64.66	32.48
w/w	-6.5%	0.0%	1.6%	-13.9%	2.7%	-9.2%
m/m	-1.9%	-3.4%	7.5%	-1.8%	10.8%	2.8%
y/y	9.0%	3.1%	19.3%	32.8%	27.0%	34.5%

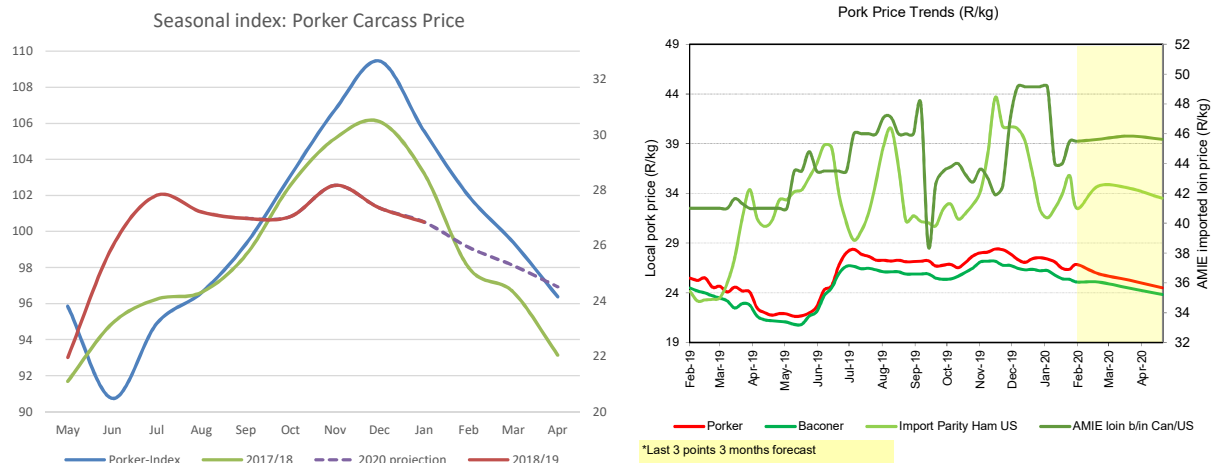
### Local pork market

The local pork prices traded mostly negative this week. The average porker price is 1.8% higher at R26.85/kg, while the average baconer price declined by 1.1% to R25.08/kg. The average cutters prices were 1.6% lower at R25.39/kg and the average heavy baconer price was 2.4% lower at R23.99/kg. The sausage price was 1.5% lower at R18.36/kg. Pork imports into SA amounted to 27,070 tons in 2019; this is a 17.4% decline from the 32,802 tons imported in 2018. Pork imports were 6.2% lower in December 2019 compared to November 2019 a total of 2,236 tons of pork was imported into SA during December 2019 compared to 2,383 tons imported in November 2019.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	14.64	29932	25.97	26.85	25.08	45.50
w/w	1.3%	5.6%	0.4%	1.8%	-1.1%	0.0%
m/m	4.2%	44.1%	-3.2%	-2.0%	-4.4%	-7.4%
y/y	8.3%	6.3%	3.9%	5.4%	2.4%	11.0%

### Outlook

In Europe, production is forecast to increase by 1% in 2020. The Brexit trade-deal negotiation, ongoing US/China tensions and ASF will continue to cause EU production and trade uncertainties in 2020. US pork exports to the China/Hong Kong region closed 2019 with tremendous momentum. The coronavirus situation is uncertain and disruptive, but it hasn't dampened the potential increase in exports from the US to China. Locally, pork prices are expected to follow beef and mutton prices lower according to seasonality. Pork remains among the cheaper protein alternatives available on the shelves, which usually attracts consumer uptake.



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## Poultry market trends

### International poultry market

The international poultry prices traded mostly lower this week. The price of US whole birds decreased by 2.4% week on week. The price of US chicken breast remained unchanged week on week. The price of fresh MDM decreased by 2.3% and the price of frozen MDM decreased by 0.1% week on week. Compared to a year ago the price of US whole birds and US chicken breasts are lower by 3.6% and 12.9% respectively. The price of US leg quarters increased by 0.9% and the price of EU leg quarters decreased by 0.1% week on week. Compared to a year ago the price of US leg quarters are 18.1% higher and the price of EU leg quarters are 23.7% higher. The shutdown in several provinces in China amid the coronavirus outbreak have hit supply chains. Transport restrictions is impeding farmers from receiving animal feed such as soybean meal, which could lead to deaths of many birds in China. The outlook for China's poultry might be further affected, considering that authorities reported an outbreak of H5N1 bird flu in Hunan the past weekend.

	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	88.75	74.00	21.30	26.54	18.52	28.78
w/w	-2.4%	0.0%	-2.3%	-0.1%	0.9%	-0.1%
m/m	-1.9%	-7.5%	1.4%	0.2%	4.5%	1.2%
y/y	-3.6%	-12.9%	0.9%	11.0%	18.1%	23.7%

### Local poultry market

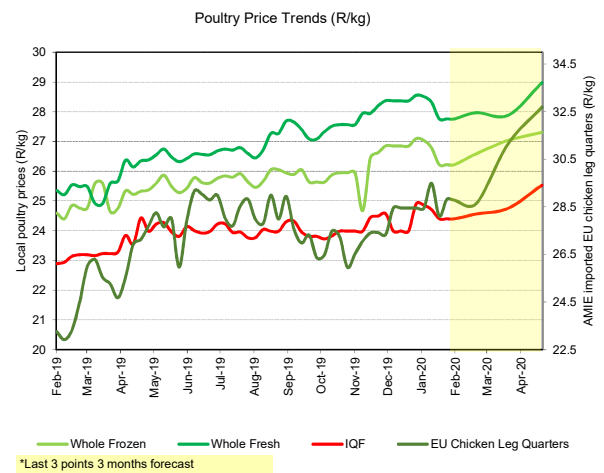
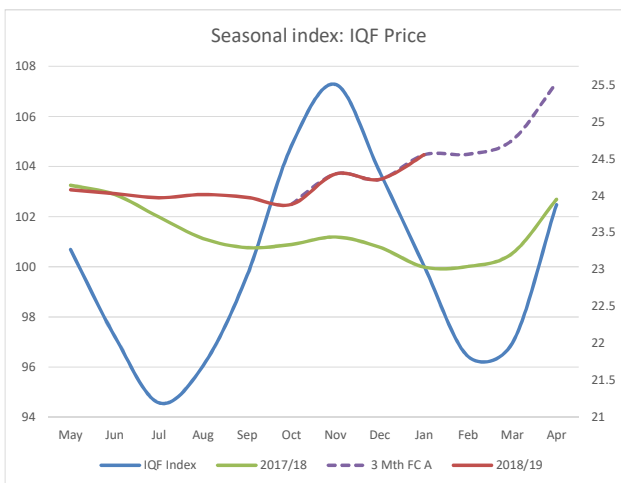
The average poultry prices remained stable this past week. The average price for frozen birds remained unchanged to R26.22/kg, the average prices for fresh whole birds remained unchanged at R27.76/kg and IQF poultry prices remained unchanged at R24.40/kg week on week. Poultry imports for December 2019 equaled 40,094 tons, which is 9.5% lower than the November 2019 imports of 44,295 tons. Poultry imports for December 2019 were 12% higher when compared to the same month last year. The preliminary area estimate to be planted under white maize is 1,515 million hectares, which is a 216,400 hectares (16.7%) increase compared to last season's 1,298 million hectares. The yellow maize preliminary area estimate is 1,020 million hectares, which is 18,400 hectares (1.84%) more than the 1,002 million hectares of last season. The total summer crop plantings increased by 8% compared to last season. Higher summer crop plantings bodes well for the intensive livestock industries, as feed costs will be lower.

	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	14.64	26.22	27.76	24.40	42.13	28.37
w/w	1.3%	0.0%	0.0%	0.0%	-0.7%	1.2%
m/m	4.2%	-3.0%	-2.6%	-1.8%	1.7%	-2.8%
y/y	8.3%	6.6%	9.5%	6.6%	3.8%	-3.9%

### Outlook

Global feed prices might face some potential risks with the US-China trade negotiations, ASF, and weather. The signing of the phase 1 trade deal might support better access for US grains & oilseeds to China, which could be bullish for prices, while a worse ASF situation could be a upside risk for price.

Locally, lower priced poultry products is expected to encourage uptake when compared to other pricier meat types. Prices tend to increase from February onwards according to seasonality. The outlook on poultry is bullish supported by lower grain prices, a potential amendment to the import tariff and a suspension of imports from one of the largest importing countries.



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## Hide market trends

### Local hide market

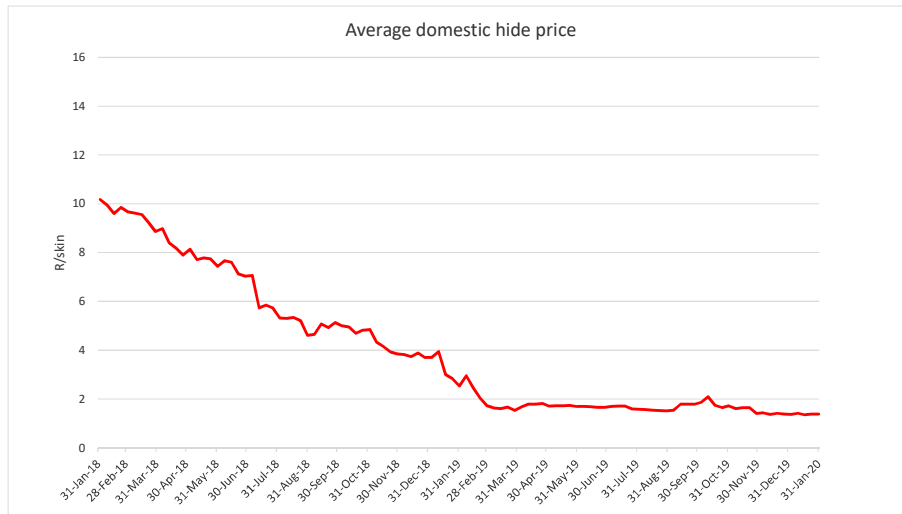
The current average hide price is R1.38/kg, this is 0.5% lower than last week's price of R1.39/kg.

	Weighted Feedlot hide Price (RMAA) R/skin	Average Field hide Price (RMAA) R/skin	Average local Hide Price (Calculated) R/skin
Price	1.82	1.44	1.38
w/w	-2.7%	1.4%	-0.5%
m/m	-7.6%	12.5%	0.2%
y/y	-55.8%	N/A	-45.6%

### Outlook

The current price is 0.2% higher than prices were a month ago and is 45.6% lower than prices were a year ago. The local and global hide market remains very quiet. Chinese buying is expected to be suppressed amid the virus outbreak. With the uncertainty of the coronavirus looming over markets in China, it is unclear when China will be purchasing hides.

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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