



Agri Trends: Livestock and Hide Report

A slowdown in the economy could affect all animal proteins

Beef: The self-distancing protocols that South Africans are currently observing with the aim to reduce the spread of Covid-19, has changed the way consumers spend their money. Consumers are now shifting their money spend on “at-home” meals rather than eating out, caused by the self-distancing efforts coupled with recessionary pressures. A slower economy is negative for all the animal proteins especially beef and lamb as those are considered luxury products in economic terms. Beef is used more in the restaurants and fast food services, of which a significant decline in demand is expected in the short term. Currently weaner calf and feeder lamb prices are on the decline due to the uncertainty caused by the coronavirus. The demand for weaner calves from the feedlots have been lower this week, because no one really knows if the demand will be there a few months from now.

Mutton: The national average Class A carcass lamb price increased by 0.5% at R76.97/kg and the average Class C carcass price increased by 1.4% at R54.44/kg. The price of merino skins remained decreased from R48.89/skin to R48.33/skin this week and the Dorper skin price increased from R35.07/skin to R37.22/skin week on week. Compared to a year ago the price of dorper skins is 14.52% higher and the price of merino skins is 25.08% higher. Lamb remains the most expensive protein alternative, which means consumers are more likely to purchase poultry, pork or beef in these economic tough times.

Pork: The local pork prices traded negatively this week. The average porker price is 3.1% lower from R23.32/kg to R22.59/kg, while the average baconer price declined by 1.4% from R22.93/kg to R22.61/kg. The average cutters prices increased marginally from R22.56/kg to R22.57/kg and the average heavy baconer price was 0.2% lower from R22.19/kg to R22.13/kg. The sausage price was 0.7% higher from R16.87/kg to R16.99/kg. Pork prices were lower this week due to subdued demand.

Poultry: Locally the largest coronavirus related issues will be the potential supply and demand shocks, driven by the national lockdown, logistics and temporary consumer demand trends such as bulk buying and more at home consumption and higher demand for non-perishable products.

Hides: For the coming weeks, a very significant % of the local hides won't be taken up by the leather industry. According to industry players hide pricing is almost no longer relevant, due to the cost to transport and processing far outweighing the raw material costs.

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Beef Market Trends

International Beef Market

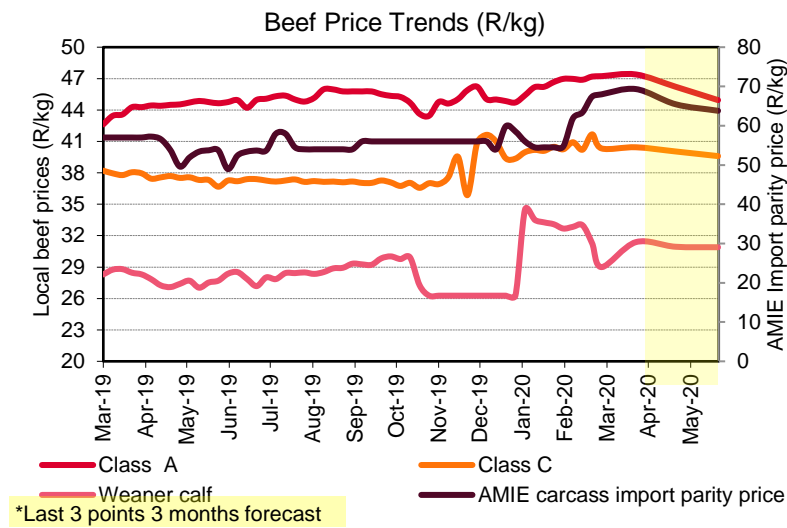
Prices in the international beef market traded mostly positive this week. The price of topside, rump and chuck increased by 13.7%, 14.9% and 19.4% week on week. The prices of striploin and brisket declined by 6.7% and 3.7% respectively week on week. The coronavirus could have a similar effect on the US beef sector as the African Swine Fever (ASF) had on the pork industry in China. US Beef prices tend to move higher in March and April as warmer weather drives spring features and we see increased traffic at food service restaurants, however due to Covid-19 this year prices declined. The chuck meat prices was supported because much of the chuck and round ends up in inexpensive cuts such as ground beef and economical cuts for slow cooking such as roast. The recent rush of sales at the retail level focused on these cuts as consumers were looking to stock their freezers mainly on ground beef and other lower-priced cuts.

	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 NZ c/kg	NZ Cows NZ c/kg
Price	279.00	327.37	508.00	267.50	217.00	299.48	485.00	333.00
w/w	13.7%	14.9%	-6.7%	19.4%	-3.7%	3.5%	0.0%	0.0%
m/m	22.8%	16.1%	-6.1%	12.9%	-1.8%	3.1%	2.3%	-0.9%
y/y	29.9%	-3.7%	-24.4%	9.2%	-17.0%	-10.6%	-7.6%	-7.0%

Local Beef Market

Week on week, beef prices were mixed in the different classes. The average Class A price increased by 0.1% to R47.23/kg and Class C prices moved 3.2% lower to R40.33/kg week on week. The self-distancing protocols, which South Africans are currently observing with the aim to reduce the spread of Covid-19, has changed the way consumers spend their money. Consumers are now shifting their money spend on “at-home” meals rather than eating out, caused by the self-distancing efforts coupled with recessionary pressures. A slower economy is negative for all the animal proteins especially beef and lamb as those are considered luxury products in economic terms. Beef is used more in the restaurants and fast food services, of which a significant decline in demand is expected in the short term. Currently weaner calf and feeder lamb prices are on the decline due to the uncertainty caused by the coronavirus. The demand for weaner calves from the feedlots have been lower this week, because no one really knows if the demand will be there a few months from now.

	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	17.55	10.28	47.23	40.33	47.35	29.00	62.58	68.00
w/w	3.6%	3.7%	0.1%	-3.2%	0.1%	-7.3%	8.8%	0.9%
m/m	14.5%	6.1%	0.5%	0.2%	0.5%	-11.3%	10.4%	24.2%
y/y	21.0%	3.7%	10.8%	5.6%	10.6%	2.5%	1.3%	19.3%



Outlook

Globally, since the end of February, and particularly in mid to late March, both live cattle and feeder cattle futures have been volatile. The driving factors behind these swings is the extreme uncertainty surrounding the Covid-19 event and future expectations of macro factors. Local beef prices are expected to trade sideways for the next few weeks.

Locally, uncertainty in the market is currently dominating views. Prices are expected to trade at current levels or lower because of subdued demand. This follows the high demand seen 2 weeks ago as consumers stockpiled before the shutdown.

Sheep Market Trends

International Sheep Meat Market

The international price of lambs and ewes remained unchanged week on week. The price of mutton ribs and mutton shoulders decreased by 3.4% and 5.0% week on week. The demand for beef and lamb into China has been affected because of movement restrictions. European lamb markets are flat because of the fast spreading Covid-19. New Zealand lamb production and exports will be geared towards China.

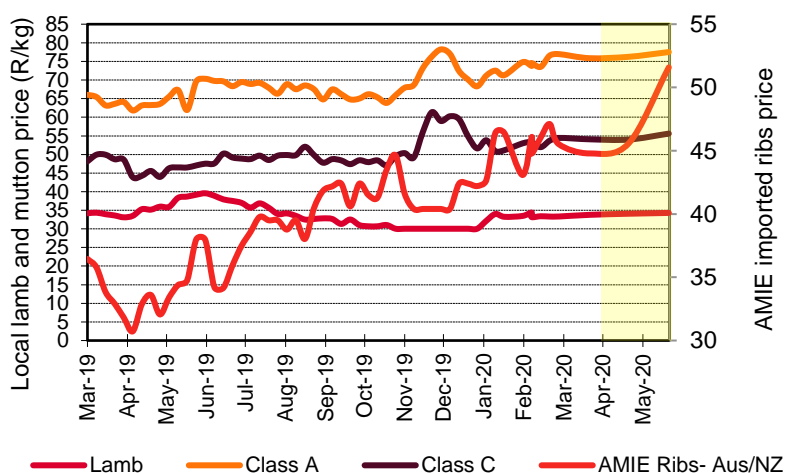
	NZ Lamb Price (NZ\$/kg)	NZ Ewe Price (NZ\$/kg)	Import Parity NZ Lamb (R/kg)	Import Parity NZ Ewe (R/kg)	NZ Mutton Ribs (R/kg)	NZ Mutton Shoulders (R/kg)
Price	6.90	4.35	79.05	54.34	45.52	66.00
w/w	0.0%	0.0%	3.7%	3.6%	-3.4%	-5.0%
m/m	0.7%	1.5%	6.8%	5.4%	5.7%	-2.9%
y/y	0.3%	-11.8%	4.4%	-6.1%	24.9%	14.0%

Local Sheep Meat Market

This week, lamb and mutton prices traded marginally higher when compared to the previous week. The national average Class A carcass lamb price increased by 0.5% to R76.97/kg and the average Class C carcass price increased by 1.4% to R54.44/kg. The price of merino skins decreased from R48.89/skin to R48.33/skin this week and the Dorper skin price increased from R35.07/skin to R37.22/skin week on week. Compared to a year ago the price of dorper skins is 14.52% higher and the price of merino skins is 25.08% higher.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	10.28	76.97	54.44	33.33	37.22	16199
w/w	3.7%	0.5%	1.4%	0.1%	6.1%	28.5%
m/m	6.1%	2.9%	2.8%	-0.4%	0.0%	39.9%
y/y	3.7%	16.6%	13.1%	-2.5%	14.5%	58.4%

Lamb and Mutton Price Trends (R/kg)



*Last 3 points 3 months forecast

Outlook

From beef and chicken to lamb and turkey, sales of animal protein across the board have increased dramatically in the last week. This surge puts fresh meat in the same category as canned foods, hand sanitizer and toilet paper, which have been hard to obtain as consumers stock up on staples to prepare for quarantine measures. The Coronavirus situation has led to global pricing volatility and uncertainty in the markets.

Locally, lamb and mutton prices remain subdued due to the availability of cheaper protein alternatives. Prices are expected to trade sideways to lower according to seasonality.

Pork Market Trends

International Pork Market

The international pork market traded mostly negative this week with the US pork carcass price, US rib price and US ham prices lower by 11.3%, 26.7% and 15.8% respectively week on week. The US loin price increased by 13.3% week on week. The import parity price for pork ribs decreased by 20.5% and the import parity price of ham decreased by 7.6% week on week. Pork production in China declined by more than 20% in 2019 due to ASF. The addition of the coronavirus will add more volatility to pork production, consumption and price in 2020. The coronavirus is likely to delay the restocking of hogs to make up for the ASF-related losses in 2019.

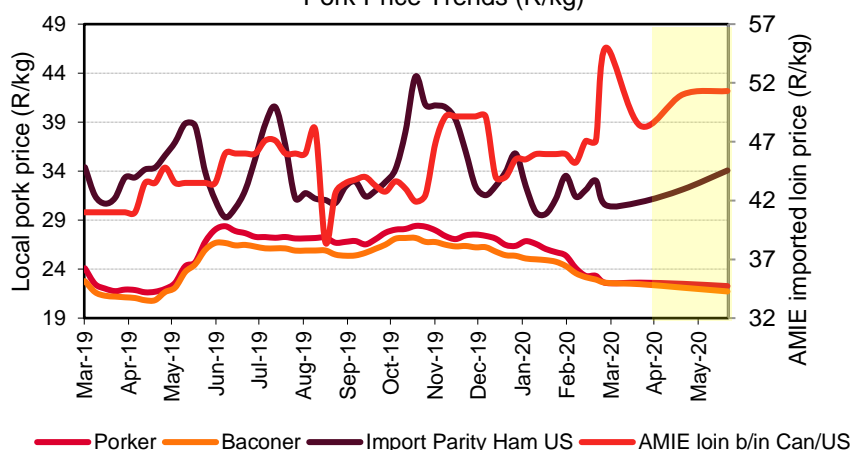
	US Pork Carcass Price (US\$/cwt)	US Loin (US\$/cwt)	US Rib (US\$/cwt)	US Ham (US\$/cwt)	US Import Parity Rib (R/kg)	US Import Parity Ham (R/kg)
Price	70.00	100.10	118.86	44.37	64.52	30.53
w/w	-11.3%	13.3%	-26.7%	-15.8%	-20.5%	-7.6%
m/m	9.3%	54.1%	-11.4%	-28.6%	3.4%	-9.0%
y/y	-11.7%	41.2%	-2.9%	-36.9%	18.9%	-11.2%

Local Pork Market

The local pork prices traded negatively this week. The average porker price is 3.1% lower from R23.32/kg to R22.59/kg, while the average baconer price declined by 1.4% from R22.93/kg to R22.61/kg. The average cutters prices increased marginally from R22.56/kg to R22.57/kg and the average heavy baconer price was 0.2% lower from R22.19/kg to R22.13/kg. The sausage price was 0.7% higher from R16.87/kg to R16.99/kg. Pork prices were lower this week due to subdued demand.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	17.55	35198	22.60	22.59	22.61	55.00
w/w	3.6%	13.4%	-2.3%	-3.1%	-1.4%	16.8%
m/m	14.5%	14.7%	-9.1%	-11.0%	-7.0%	19.7%
y/y	21.0%	36.1%	-3.5%	-6.2%	-0.7%	34.1%

Pork Price Trends (R/kg)



*Last 3 points 3 months forecast

Outlook

The looming threat of ASF spreading beyond Poland and into Germany (Europe’s largest pork producer) could have a detrimental effect on the pork outlook in Europe for 2020. Global pork prices reached high levels in 2019, supported by lower global supplies. Chinese imports of other meats was at record levels, which pulled other meat prices higher. In 2020, however the widespread slow economic growth may put a cap on meat prices.

Locally, pork prices are expected to follow other protein prices. Locally, pork products remain a cheaper alternative to beef and lamb. Based on seasonal trends, pork prices are expected to follow a downward trend from March to April.

Poultry Market Trends

International Poultry Market

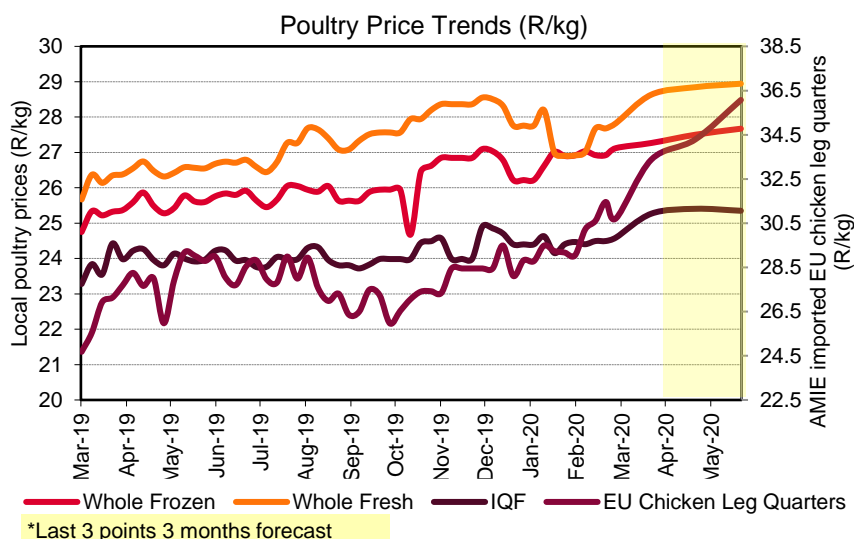
The international poultry prices were mostly negative this week. The price of US whole birds and breasts decreased by 4.4% and 4.0% respectively week on week. The price of fresh MDM increased by 1.4% week on week. Compared to a year ago the price of US whole birds is 12.4% lower while the price of US chicken breasts are 9.1% higher. Analysts note that China’s poultry and egg products could potentially be affected in the coming 6 months due to the ongoing Covid-19 virus. Global poultry prices have fallen quite drastically in the past weeks due to restrictions placed on moving birds and slaughterhouses being closed for extended periods. Labour shortages and transport disruptions have led to some buildup of frozen chicken, pork and beef at some of China’s major ports.

	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	83.68	120.00	22.37	26.52	20.51	30.72
w/w	-4.4%	-4.0%	1.4%	-0.9%	2.4%	-2.4%
m/m	9.1%	73.9%	3.5%	1.1%	9.5%	5.8%
y/y	-12.4%	9.1%	-0.7%	-1.8%	3.0%	24.5%

Local Poultry Market

The average poultry prices were higher this past week. The average price for frozen birds increased by 0.7% at R27.12/kg, the average prices for fresh whole birds increased by 0.5% at R27.83/kg and IQF poultry prices were higher by 0.4% at R24.60/kg week on week. The ongoing depreciation of the Rand strength against major global currencies is going to affect the local consumer price of imported poultry. Poultry suppliers will carry on with daily/weekly deliveries as per usual business cycles. High volumes were demanded by retailers leading to the days before and after the lockdown, thereafter sales are expected to decline since the lockdown is in progress. The industry has communicated that prices will be adjusted according to supply and demand fundamentals, and prices will not be hiked because consumer-spending power is still limited

	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	17.55	27.12	27.83	24.60	46.32	51.31
w/w	3.6%	0.7%	0.5%	0.4%	-0.4%	-0.3%
m/m	14.5%	0.8%	3.4%	0.5%	17.2%	84.0%
y/y	21.0%	9.6%	8.4%	5.6%	5.6%	29.9%



Outlook

The Covid-19 virus and the ongoing African Swine Fever will affect the global outlook on poultry prices for the year. ASF, coronavirus and bird flu influence consumer habits and may drive Chinese demand for other meat types. The coronavirus will also affect the global supply of poultry inputs such as feed additives and animal health products due to the logistic disruption at Chinese ports and other suppliers.

Local producers that primarily provide poultry products in the franchise businesses such as KFC, Nandos, Chicken Licken etc. will be under pressure during this lockdown. The occurrence of bird flu in some of the major importing EU countries, will reduce imports into the country. The upcoming large maize crop will alleviate some of the feed costs pressures. Locally the largest coronavirus related issues will be the potential supply and demand shocks,

driven by the national lockdown, logistics and temporary consumer demand trends such as bulk buying and more at home consumption and higher demand for non-perishable products.

Hide Market Trends

Local Hide Market

The current average hide price decreased by 28.6% to R0.94/kg from R1.31 a week ago. The current price, however, is 29.4% lower than the average price a month ago and is 43.9% lower than the average price a year ago.

	Weighted Feedlot hide Price (RMAA) R/skin	Average Field hide Price (RMAA) R/skin	Average local Hide Price (Calculated) R/skin
Price	1.85	1.40	0.94
w/w	6.3%	-1.4%	-28.6%
m/m	-1.1%	-2.8%	-29.4%
y/y	-22.9%	-31.4%	-43.9%

Outlook

According to industry players, hide pricing is almost no longer relevant, due to the cost to transport and processing far outweighing the raw material costs. The local hide market is largely driven by the automotive industry, and with the lockdown and current manufacturing disruptions in those industries, the local hide price has been under pressure. The South African hide industry is reliant on exports to Italy and China, the two largest countries affected by Covid-19. Currently there is no market for the hides locally and globally. The local hide supply to the plants is limited to what can be sold; which is dropping daily. For the coming weeks, a very significant percentage of the local hides won't be taken up by the leather industry.

NB* Hide prices are determined as the average of the RMAA (Red Meat Abattoir Association) prices and prices of independent companies.

