



## Agri Trends: Livestock and Hide Report

# Poultry products are piling up in cold storage locally due to COVID-19 knock-on effects.

**Beef:** Week on week, beef prices were negative in the different classes. The average Class A price decreased by 0.6% to R43.39/kg and Class C prices moved 0.3% lower to R37.26/kg week on week. 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 services of which a significant decline in demand is expected in the short term. The uncertainty in the market is currently dominating views. Prices are expected to trade at current levels or lower because of subdued demand.

**Mutton:** This week, lamb and mutton prices traded mixed when compared to the previous week. The national average Class A carcass lamb price increased by 0.2% to R73.51/kg and the average Class C carcass price decreased by 0.6% to R52.51/kg. The price of merino skins decreased from R46.88/skin to R43.33/skin this week and the Dorper skin price decreased from R34.55/skin to R32.10/skin week on week. Compared to a year ago the price of dorper skins is 12.5% lower and the price of merino skins is 7.6% lower. Prices across the spectrum are slowly recovering. Locally, lamb and mutton prices remain subdued due to the availability of cheaper protein alternatives and weakened economic activity. Prices are expected to trade sideways to higher according to seasonality.

**Pork:** Pork prices were remained lower this week compared to a year ago due to subdued demand. Prices were supported by the minor gains in the beef and sheep sector. The prices are slowly recovering.

**Poultry:** The local poultry market is bearish, dominated by very large poultry supplies and lack of demand due to COVID-19 distortions. Large poultry producers are sitting with heavy stocks in on-site cold storage or using additional cold storage facilities (adding more pressure on their operating costs). Producer prices are collapsing, almost 15% down to what it should be during this time of the year. The only poultry demand that is steady at the moment, is from the lower value lines such as livers, necks, heads and feet. Currently local prices are lower than import prices, which should support uptake however, that is not the case. The closure of restaurants have resulted in the collapse of chicken breast prices, due to a lack in demand.

**Hides:** Currently there isn't much of a market for hides locally and globally. The standstill in the local automotive sector, of which the leather and hide industry is largely dependent on, has resulted in almost no sales across South Africa.

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## Agri Trends

# Beef Market Trends

### International Beef Market

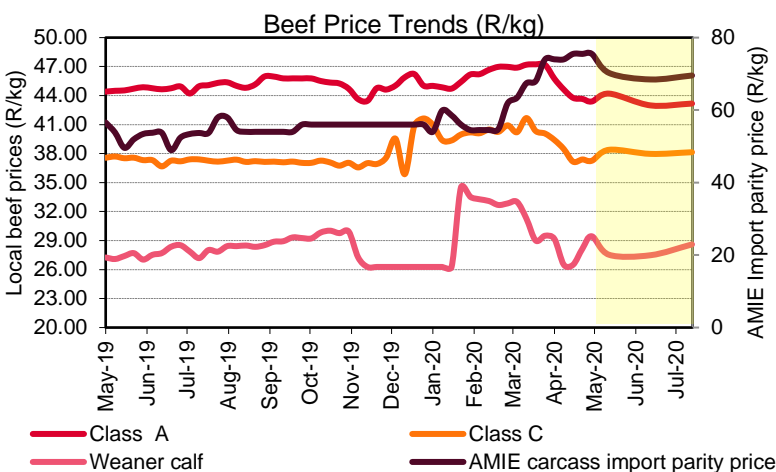
Prices in the international beef market were higher again this week. The price of topside, rump, striploin, chuck and brisket increased by 12.5%, 7.5%, 2.8%, 10.1% and 21.2% respectively week on week. The prices of all select cuts increased by more than 80% month on month, coming from a period of low prices driven by the coronavirus outbreak. It was another heated week in the US beef market. US beef production remains hampered by the COVID-19 outbreak, pushing US beef prices higher. According to the USDA, the total US red meat production for 2021 is projected higher than the 2020 as the industry continues to recover from the impacts of COVID-19 in 2020. The US market is heading into a peak season for demand; prices are expected to be supported according to seasonal trends.

	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	490.00	501.00	893.95	481.00	400.97	500.66	472	313
w/w	12.5%	7.5%	2.8%	10.1%	21.2%	9.7%	0.0%	0.0%
m/m	84.6%	196.4%	86.3%	68.8%	135.9%	82.8%	-1.9%	-4.3%
y/y	148.7%	60.0%	16.6%	140.5%	50.7%	48.7%	-11.4%	-17.4%

### Local Beef Market

Week on week, beef prices were negative in the different classes. The average Class A price decreased by 0.6% to R43.39/kg and Class C prices moved 0.3% lower to R37.26/kg week on week. 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 services of which a significant decline in demand is expected in the short term. The uncertainty in the market is placing downward pressure on prices.

	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	18.54	11.21	43.39	37.26	43.51	29.44	61.12	75.50
w/w	0.8%	-1.5%	-0.60%	-0.3%	-0.6%	4.5%	-1.5%	0.0%
m/m	1.4%	2.4%	-5.1%	-5.4%	-5.1%	0.9%	-2.0%	2.0%
y/y	28.8%	18.3%	-2.3%	-0.8%	-2.5%	8.0%	-2.3%	33.5%



\*Last 3 points 3 months forecast

### Outlook

Globally, Due to the COVID-19 effects, demand from restaurants fell drastically. The closures and slowdowns at the processing plants in the US have created oversupply of live animals and shortages of processed animals. We expect volatility in the meat market futures for the coming months and weeks.

Locally, uncertainty in the market is currently dominating views. Prices are expected to trade at current levels or lower because of subdued demand.

## Sheep Market Trends

### International Sheep Meat Market

The international price of lambs and ewes remained unchanged week on week. In Australia and New Zealand, workers are required to keep their distance inside meat-processing factories to help prevent the spread of COVID-19. This could potentially affect New Zealand and Australia's exports in May and beyond because of a decrease in production efficiency.

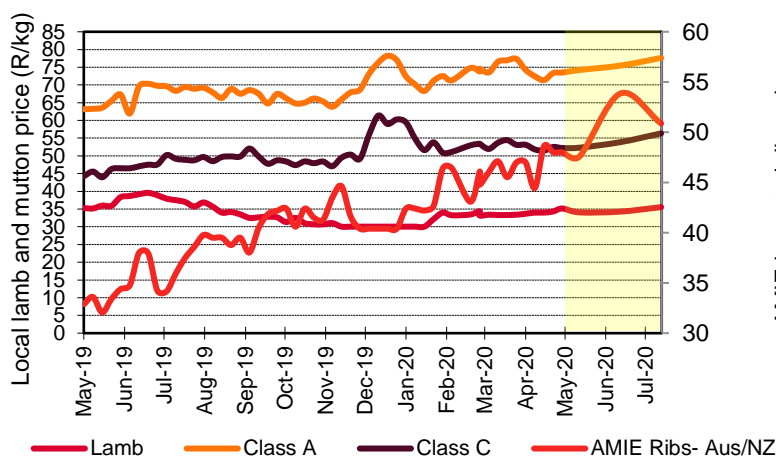
	NZ Lamb Price (NZ\$/kg)	NZ Ewe Price (NZ\$/kg)	Import Parity NZ Lamb (R/kg)	Import Parity NZ Ewe (R/kg)	NZ Mutton Ribs (R/kg)	NZ Mutton Shoulders (R/kg)
Price	6.40	4.25	80.61	58.01	47.99	69.00
w/w	0.0%	0.0%	-1.5%	-1.5%	0.0%	0.0%
m/m	-5.6%	1.5%	-2.8%	-0.6%	2.1%	1.5%
y/y	-10.9%	-14.1%	6.8%	3.9%	46.0%	17.0%

### 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 price increased by 0.2% to R73.51/kg and the average Class C carcass price decreased by 0.6% to R52.51/kg. The price of merino skins decreased from R46.88/skin to R43.33/skin this week and the Dorper skin price decreased from R34.55/skin to R32.10/skin week on week. Compared to a year ago the price of dorper skins is 12.5% lower and the price of merino skins is 7.6% lower. Prices across the spectrum are slowly recovering.

	R/NZ\$	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	11.21	73.51	52.21	35.15	32.1	11,890
w/w	-1.5%	0.2%	-0.6%	2.4%	-7.1%	1.2%
m/m	2.4%	-1.0%	-1.7%	4.4%	-9.9%	8.6%
y/y	18.3%	16.4%	18.0%	-0.4%	-12.5%	40.2%

Lamb and Mutton Price Trends (R/kg)



\*Last 3 points 3 months forecast

### Outlook

The coronavirus is unlikely to decline the strong lamb market but international wool prices are likely to decline further before gaining strength late this year. This trend is expected to be on the back off the assumption of decreased US and Chinese consumer sentiment.

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

## Pork Market Trends

### International Pork Market

The international pork market traded mixed this week with the US pork carcass price and US rib price lower by 5.6% and 18.1% week on week, while the US loin prices and US ham prices are 6.2% and 0.6% higher respectively week on week. Some of the major meat processing plants in the US were closed which caused a possible shortage of beef and pork, therefore supporting beef and pork prices. The ongoing Chinese demand for pork continues to underpin prices during these uncertain times.

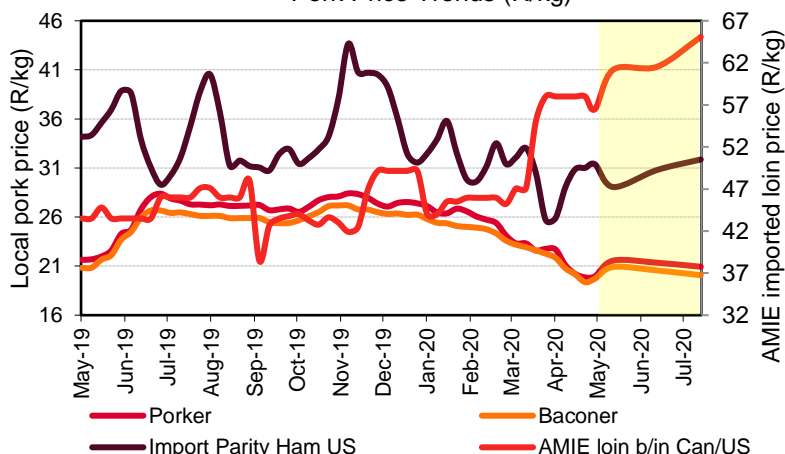
	US Pork Carcass Price (US\$/cwt)	US Loin (US\$/cwt)	US Rib (US\$/cwt)	US Ham (US\$/cwt)	US Import Parity Rib (R/kg)	US Import Parity Ham (R/kg)
Price	114.2	155.37	152.91	42.5	84.40	31.37
w/w	-5.6%	6.2%	-18.1%	0.6%	-15.4%	1.2%
m/m	110.7%	77.5%	55.6%	34.4%	46.8%	21.2%
y/y	36.3%	101.9%	-3.7%	-38.9%	24.7%	-8.2%

### Local Pork Market

The local pork prices traded mixed this week. The average porker price is 1.2% higher at R19.85/kg while the average baconer price increase by 0.6% at R19.73/kg. The average cutters prices increased marginally from R19.33/kg to R19.35/kg and the average heavy baconer price was 0.3% lower from R19.66/kg to R19.59/kg. The sausage price was 1.6% higher from R14.76/kg to R15.00/kg. Pork prices remained lower this week compared to a month and year ago due to subdued demand. Prices were supported by the minor gains in the beef and sheep sector. The prices are slowly recovering.

	R/US\$	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	18.54	31,854	19.85	19.96	19.73	56.50
w/w	0.8%	12.3%	1.2%	0.6%	1.9%	-2.6%
m/m	1.5%	13.3%	-10.9%	-12.0%	-9.7%	-2.6%
y/y	28.8%	12.1%	-6.5%	-7.7%	-5.3%	29.9%

Pork Price Trends (R/kg)



\*Last 3 points 3 months forecast

### Outlook

The USDA in their WASDE report increased its global pork price forecast from last month, supported by current higher prices and expectations of improved demand as the year progresses. The export forecast for pork for 2020 is reduced due to global economic weakness, expected sluggish demand and lower supplies.

Locally, pork prices are expected to follow other protein prices. Based on seasonal trends, pork prices are expected to trade higher from May to June and then sideways onwards.

## Poultry Market Trends

### International Poultry Market

The international poultry prices were mostly positive this week. The price of US whole birds and breasts increased by 5.3% and 19.2% respectively week on week. The price of fresh MDM increased by 2.9% and frozen MDM increased by 2.5% week on week. Compared to a year ago the price of US whole birds is 32.6% lower while the price of US chicken breasts are 50.5% higher. Global livestock prices have been in a sharp decline for most of the year due to the coronavirus outbreak and its knock-on effects. Some prices started to rebound after President Trump directed slaughterhouses in the US to remain open. Despite the current uptick in futures markets, prices remain too low for producers. Some are still sitting with large inventories of animals that they still are not able to sell. Poland's poultry industry (which is the EU's largest broiler meat producing country) could suffer major losses due to the pandemic. According to the latest USDA's World Supply and Demand Monthly Report, the global poultry production forecast is reduced from the previous month due to COVID-19 and global economic uncertainty.

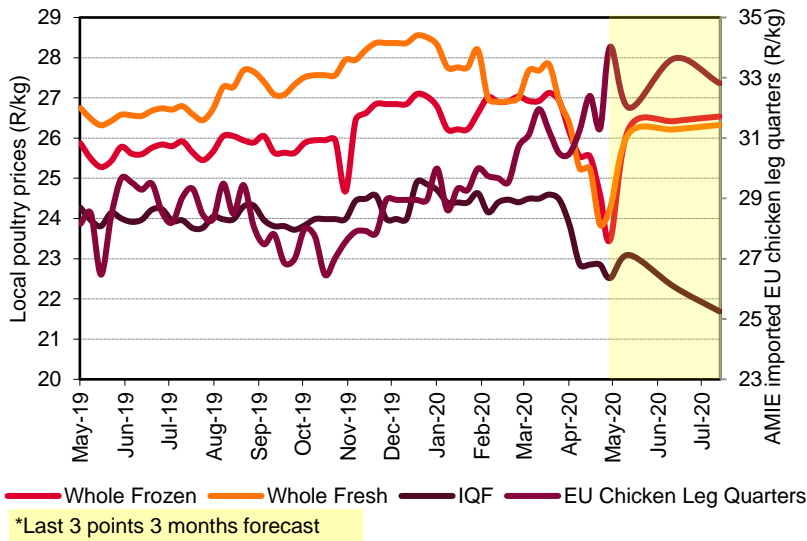
	US Whole Bird (US\$/lb.)	US Breasts (US\$/lb.)	US MDM Fresh (US\$/lb.)	US MDM Frozen (US\$/lb.)	US Leg Quarters (R/kg)	EU Leg Quarters (R/kg)
Price	68.42	143	26.02	27.68	19.67	33.53
w/w	5.3%	19.2%	2.9%	2.5%	0.5%	8.8%
m/m	35.5%	81.0%	9.5%	3.5%	-8.5%	11.8%
y/y	-32.6%	50.5%	17.9%	0.4%	-4.2%	21.2%

### Local Poultry Market

The average poultry prices were mixed this past week. The average price for frozen birds decreased by 4.5% at R23.48/kg, the average prices for fresh whole birds increased by 1.8% at R24.27/kg and IQF poultry prices were lower by 1.4% at R22.52/kg week on week. The local poultry market is bearish, dominated by very large poultry supplies and lack of demand due to COVID-19 distortions. Large poultry producers are sitting with heavy stocks in on-site cold storage or using additional cold storage facilities (adding more pressure on their operating costs). Producer prices are collapsing, almost 15% down to what it should be during this time of the year. The only poultry demand that is steady at the moment, is from the lower value lines (livers, necks, heads and feet). Currently local prices are lower than import prices, which should support uptake however, that is not the case. The closure of restaurants have resulted in the collapse of chicken breast prices, due to a lack in demand.

	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	18.54	23.48	24.27	22.52	42.09	63.46
w/w	0.8%	-4.5%	1.8%	-1.4%	4.0%	18.2%
m/m	1.4%	-10.2%	-7.9%	-5.5%	22.2%	72.2%
y/y	28.8%	-9.2%	-9.3%	-7.2%	-7.8%	83.6%

Poultry Price Trends (R/kg)



### Outlook

The USDA forecast global pork prices to increase from last month, supported by current higher prices and expectations of improved demand as the year progresses. The export forecast for pork for 2020 is reduced due to global economic weakness, expected sluggish demand and lower supplies.

Local poultry prices have come under immense pressure in the past two weeks due to stock build-up. Some of the large players that previously supplied the large franchises have diverted they products into the retail space at discounted prices to keep supply flowing. This has caused some volatility in the market. Locally prices are expected to remain volatile in the short to medium term. As lockdown measures start to ease, and supplies are moving, we could see a rebound in the market. Prices are expected to rebound from June according to seasonality.

## Hide Market Trends

### Local Hide Market

The current average hide price decreased by 7.3% to R0.82/kg from R0.89/kg green a week ago. The current price, however, is 11.1% lower than the average price a month ago and is 51.9% 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	1.52	1.16	0.82
w/w	9.4%	0.9%	7.3%
m/m	-2.6%	2.7%	-11.1%
y/y	-22.8%	-27.5%	-51.9%

### Outlook

Currently there is not much of a market for hides locally and globally. The standstill in the local automotive sector, of which the leather and hide industry is largely dependent on, has resulted in almost no sales across South Africa. For the coming weeks, a very significant percentage of the local hides will not be taken up by the leather industry. The local hide market is expected to remain under immense pressure.

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

