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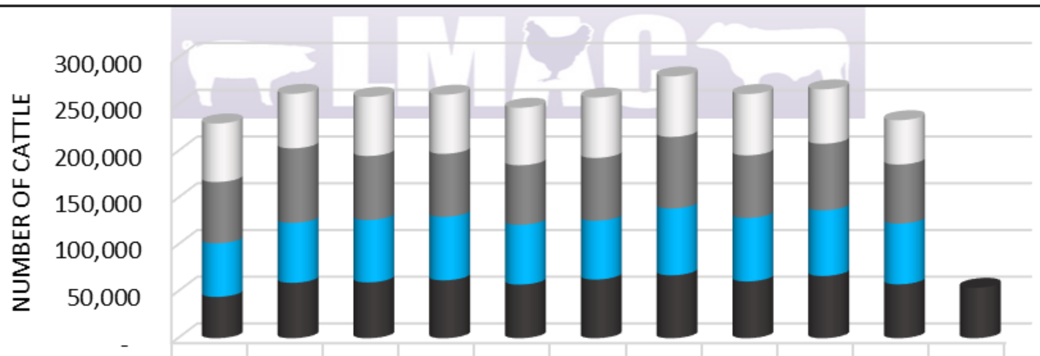
Market Watch: First Quarter 2020

Beef Sector

Cumulative slaughters for the first quarter of 2020 were 53,921 head, a decrease of 7% over the same period in 2018 but 14% up on the fourth quarter of 2019. However, the first quarter slaughters are the second lowest statistics for the same period since 2010.

Abattoir operators continue to report increasing uncertainty in the business environment with currency depreciation, increased levies and taxes and the outbreaks of diseases like Foot and Mouth Disease and Theileriosis being the major headwinds.

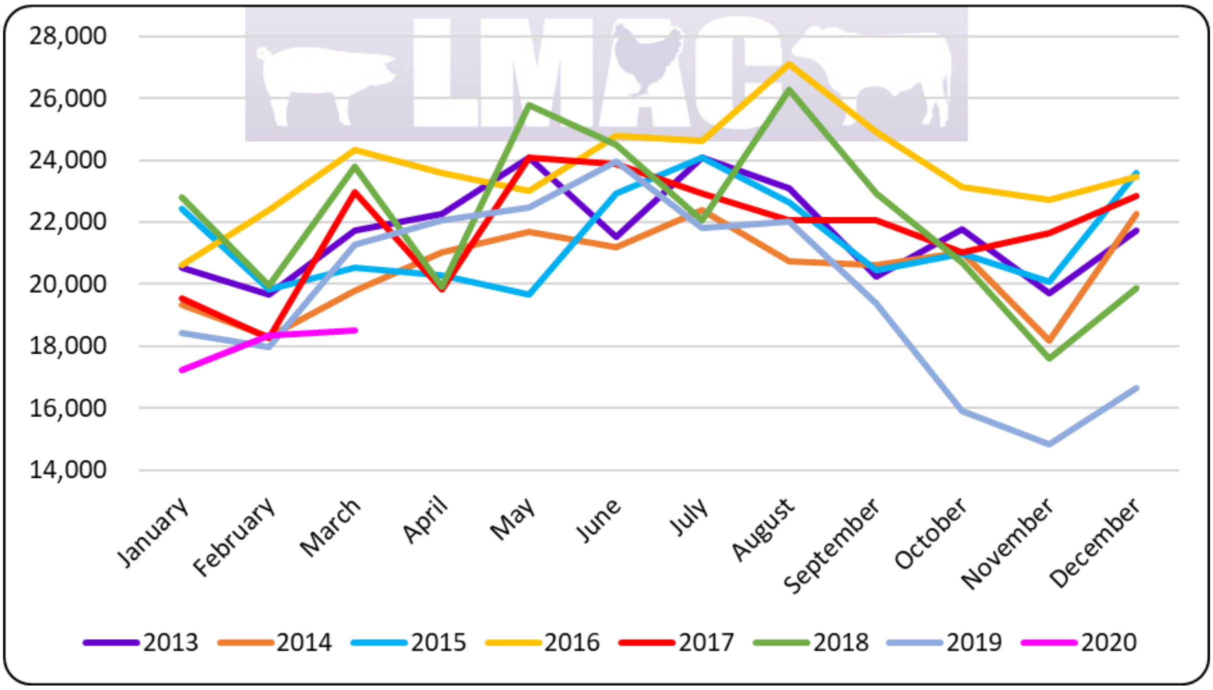
The COVID-19 pandemic and resultant lockdown period has created major dislocation in the day to day activities in the beef sector and business conditions are expected to deteriorate further on the back of weakening macroeconomic fundamentals exacerbated by the global pandemic.



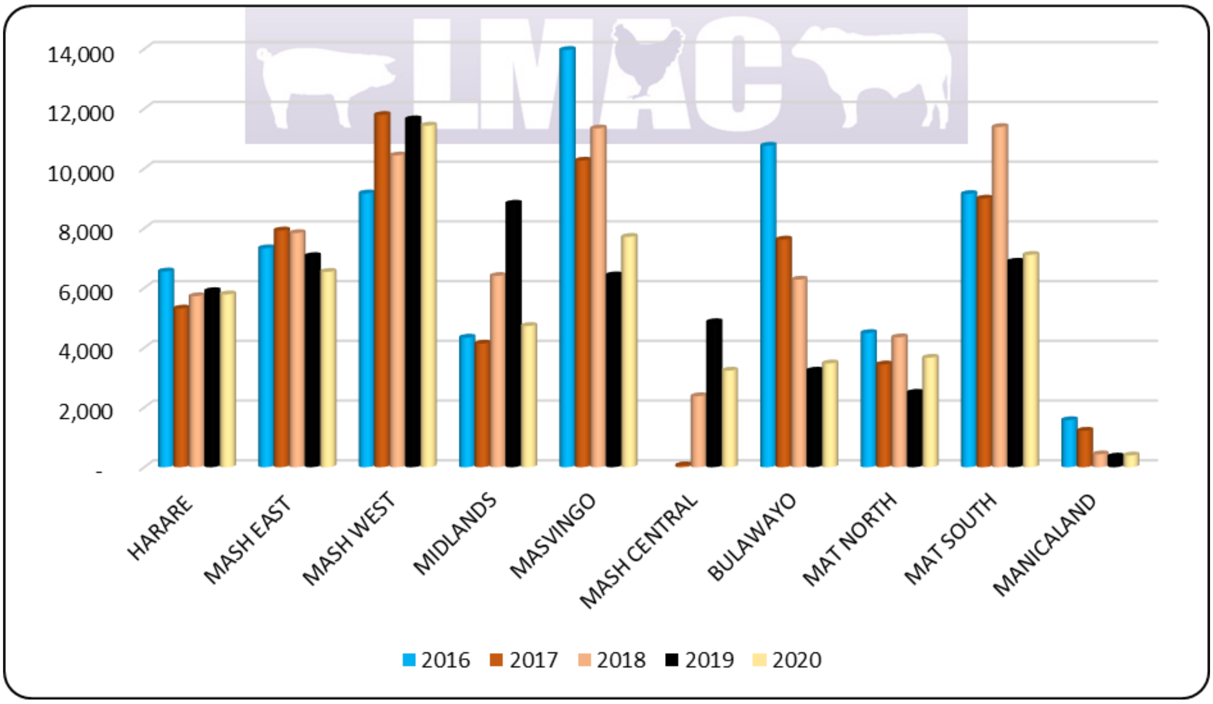
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Q4	62,5	58,2	63,2	63,2	61,4	64,6	64,6	65,5	58,1	47,3	
Q3	65,6	79,7	68,5	67,4	63,7	67,1	76,6	67,0	71,2	63,2	
Q2	57,2	64,1	66,6	67,9	63,9	62,9	71,4	67,8	70,1	64,9	
Q1	44,2	59,2	59,7	61,9	57,4	62,7	67,3	60,7	66,5	57,6	53,9

Cattle Slaughters by Quarter, 2010 – 2020

The lowest slaughter figure was recorded in January although each subsequent month then recorded an increase. The relatively low monthly slaughters in the first quarter reflect a difficult business environment with pressure being exerted from both the demand and supply sides. Low disposable incomes have dampened the demand for animal protein, while bottlenecks have impacted upon the supply of cattle into the market.



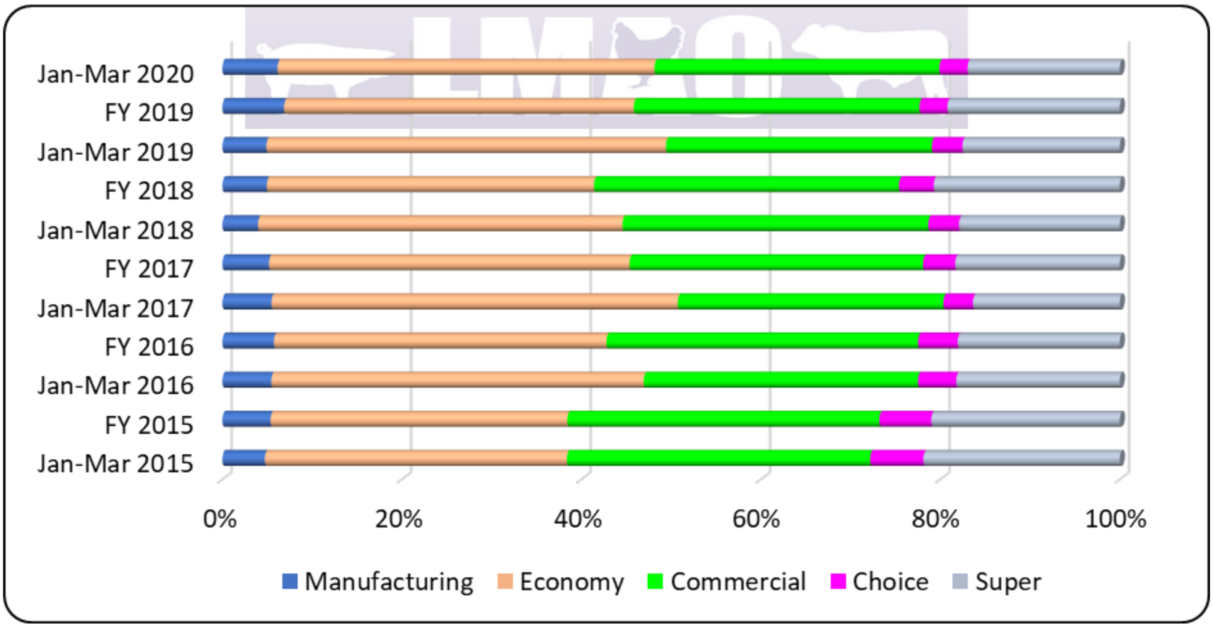
Monthly Cattle Slaughters, 2013 – 2020



First Quarter Cattle Slaughters by Province, 2016 – 2020

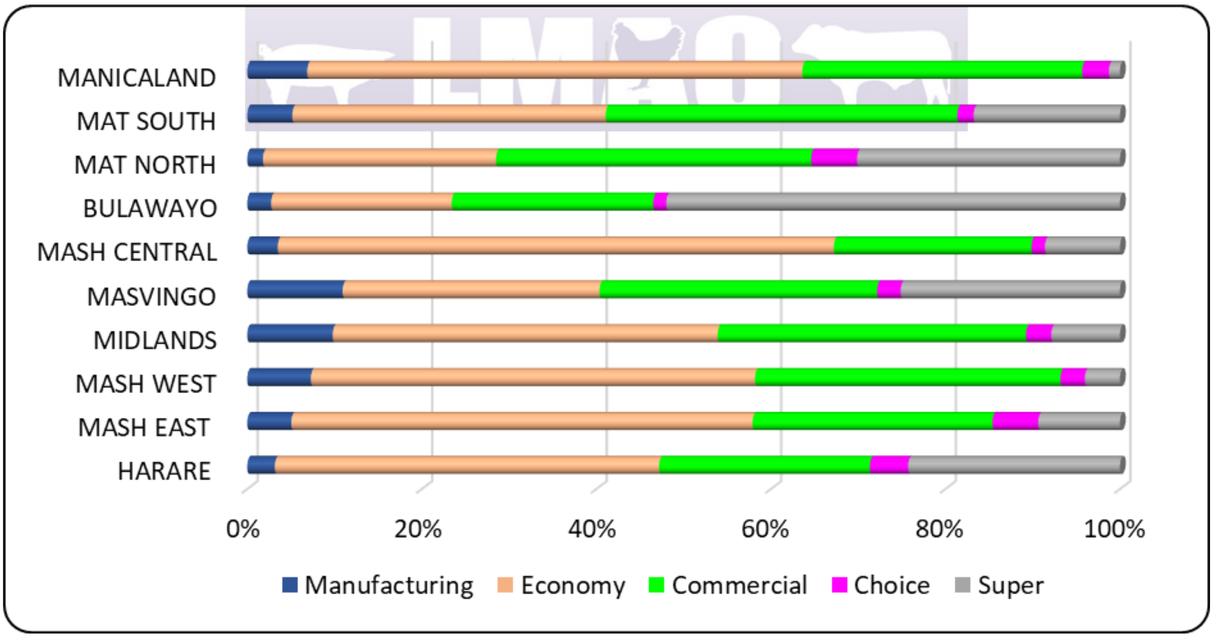
The quality composition continues to be dominated by Economy grade, accounting for 42% in the first quarter of 2020. The proportion of Super carcasses decreased marginally from 18 to

17% when compared to the same period in 2019. The market for Supers is under pressure as consumer incomes have declined in real terms while prices for stockfeed increased in the period under review, and as a result profit margins have been significantly eroded.



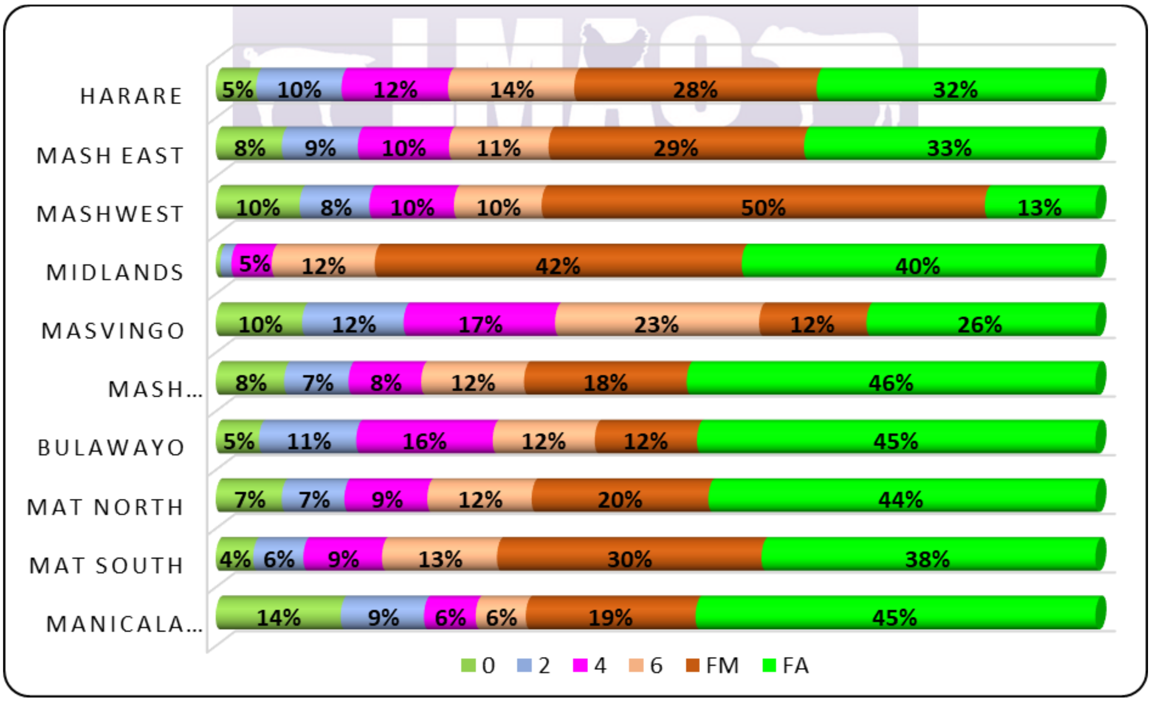
Quality Composition by Grade, 2015 – First Quarter 2020

Grade classification by province shows that Bulawayo has the highest composition of Supers, accounting for 52%, while Matabeleland North and Masvingo are second (30%) and third (25%), respectively. Economy grade dominated slaughters in Mashonaland Central (64%), Manicaland (57%) and Mashonaland East (53%).



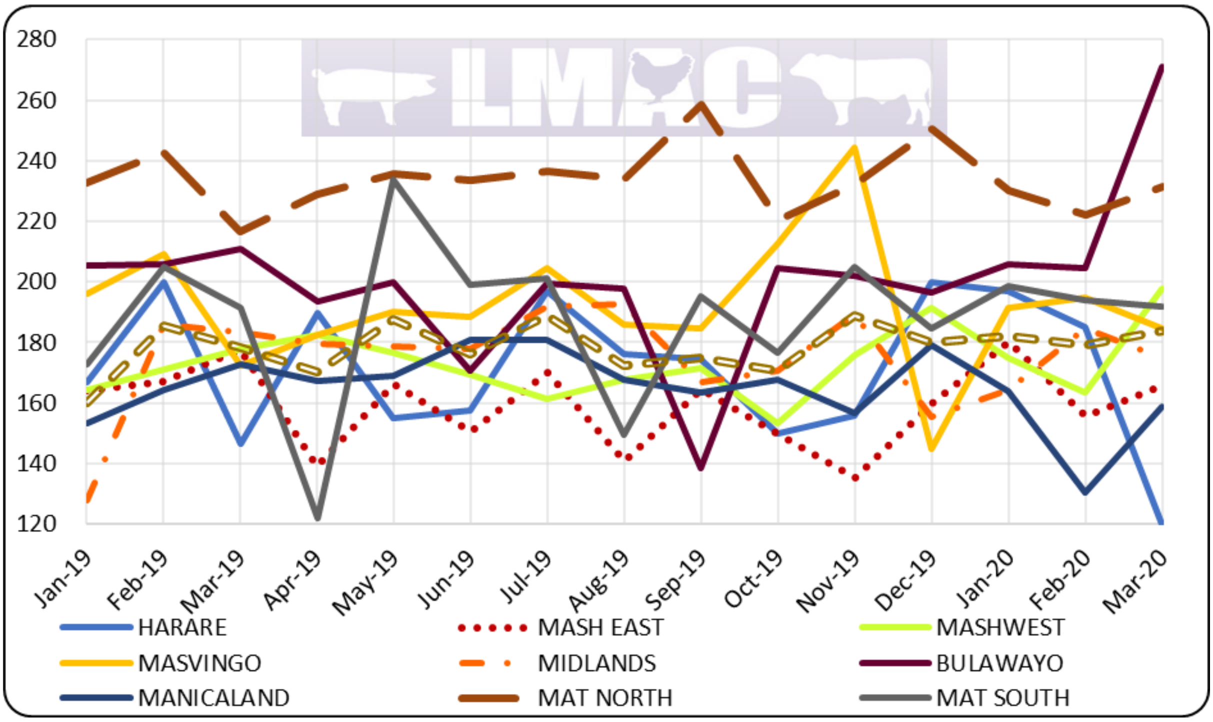
Grade Classification by Province, January to March 2020

The influence of the communal herd in supplying the market is illustrated below with Full Mouth and Full Attrition accounting for between 38 – 82% of total slaughters.



Provincial Slaughters Composition by Age, January to March 2020

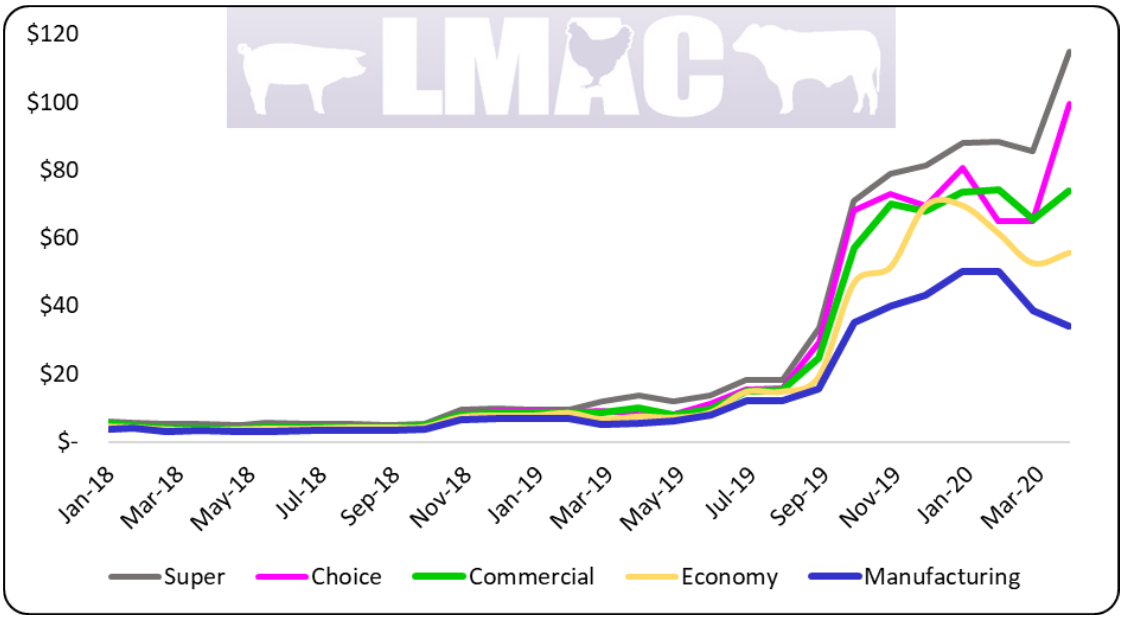
Matabeleland North boasted the highest average carcass size, averaging between 222 – 231kg in the first quarter of 2020. Bulawayo was second, averaging between 204 and 271kgs. Manicaland had the smallest carcass weight, ranging between 130 – 164kgs. The national weighted average carcass ranged between 179 and 184kgs.



Average Cold Dressed Weight by Province (kg), 2019 to March 2020

The month on month trajectory of wholesale prices in the first quarter illustrated in the graph below shows the challenges experienced in demand as prices across the board declined in February but recovered in March against the backdrop of a depreciating currency.

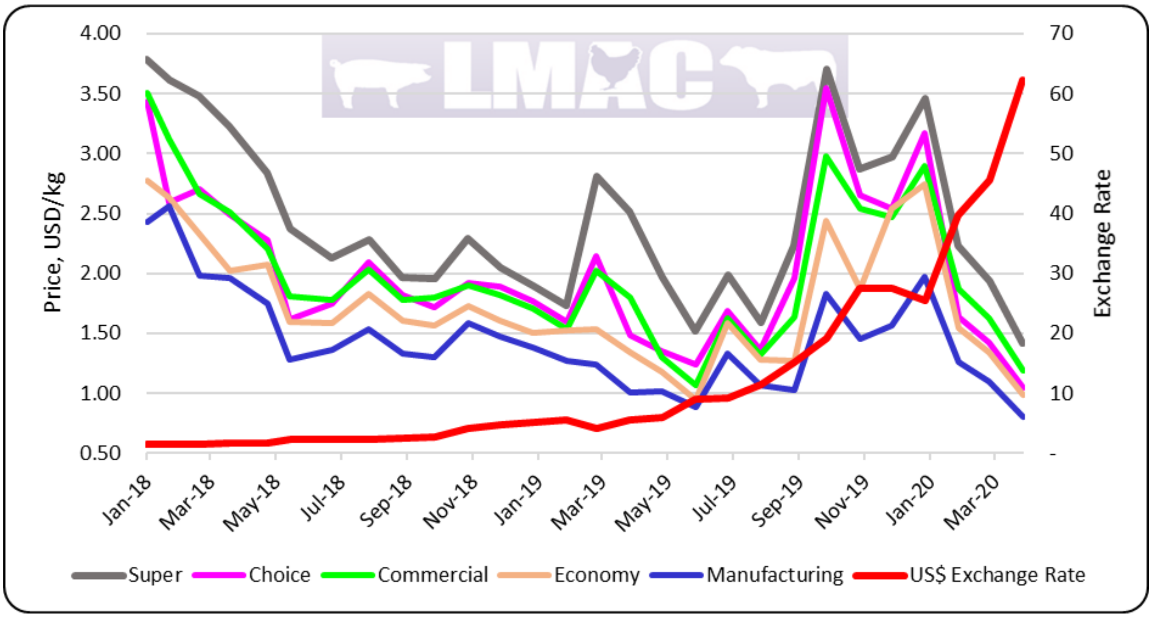
The wholesale price of Super grade increased by the highest percentage of all meat grades by 31% in the first quarter of 2020 from ZWL 88 to 115/kg. The wholesale price of Economy grade retreated by 20% from ZWL 70 to 56/kg.



Beef Prices (USD/kg), 2018 to March 2020

The figure below shows the USD prices using the Old Mutual Implied Rate. Meat prices in USD in 2018 through to March 2020 show a significant lag when compared to the depreciation of the ZWL.

Prices in the first quarter of 2020 in real terms declined by 59 and 51% for Supers and Economy, respectively.



Beef Prices, USD/kg, 2018 to March 2020