



Agri Trends

22 February 2019

Weaner calf prices recovered by 20% + the past month

Compared year on year the average price for all grades are significantly down by an average 15,6%. Carcass prices declined week on week by 1,6%. Further declines are not expected for the A and B grades. Class A beef prices are expected to enjoy underlying support as demand should increase until April. But, the beef prices for Class C can trade 3% to 4% lower until March. International beef prices reach a seasonal low level in May. However, the weak Rand and expected increase in US beef prices provide counter-seasonal support until May. Weaner calf prices recovered week on week by 12,4%. Prices reached R31.45/kg this week compared to a month ago when prices were 20,5% lower. Improved rainfall conditions, lower supply and tax purchases provide support. But prices are still 16,2% lower than a year ago. Weaner calf prices will continue to trade marginally higher to sideways until May. Don't expect a return to 2017 price levels. Higher maize prices may still impact negatively on feedlot margins. Secondly, South Africa need to regain its FMD-free status to allow the continuation of beef exports.

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Beef market trends

International

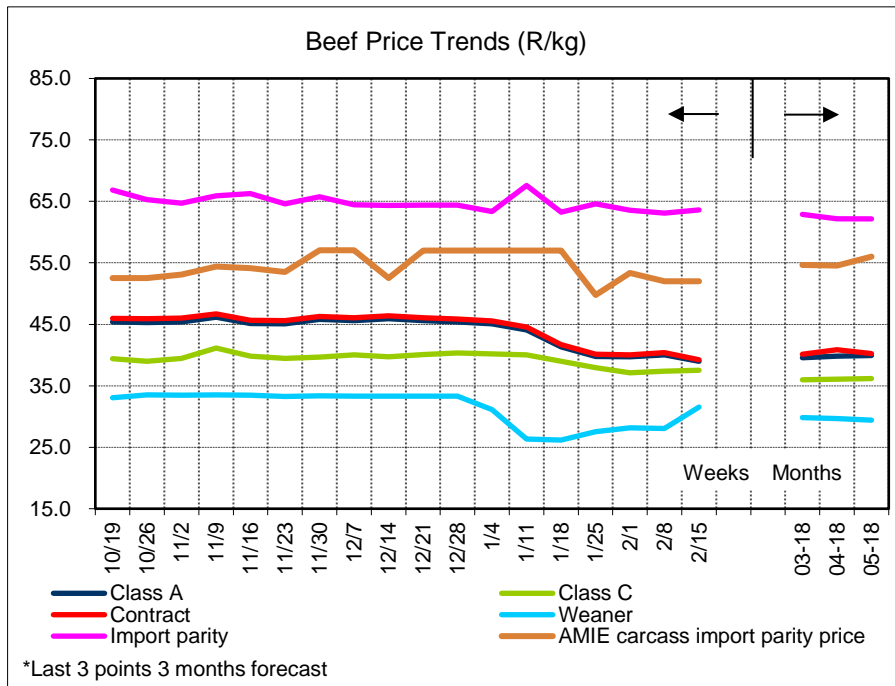
For the week ending 15 February New Zealand steer prices trade 3.0% lower over the past week at 5.24NZ\$/kg and cows traded 3.8% lower at 3.78 NZ\$/kg compared to a week ago. In the US, beef prices traded for the week ending 15 February on a carcass equivalent basis 1.2% lower. Topside traded 0.2% lower at \$215.00/cwt. Rump traded sideways at \$345.00/cwt. Prices for striploin traded 0.6% higher at \$520.00/cwt. Chuck traded 1.3% lower at \$222.92/cwt. Brisket traded 3.9% lower at \$247.00/cwt. The carcass equivalent price was 1.2% lower at \$293.03/cwt.

Local

Week on week, the beef prices reported by the Red Meat Abattoir Association for the week ending 15 February start to increase across the different classes. The average Class A price traded 2.6% lower at R38.99/kg. Class C prices increased by 0.4% at R37.54/kg. The average weaner calf prices increased significantly by 12.4% week on week to R31.54/kg. The average hide price decreased by 32.4% to reach R2.00/kg green.

Outlook

Compared year on year the average price for all grades (Class A, AB, B and C) are significantly down by 15,6%. Although prices declined week on week by a further 1,6% further declines are not expected. In line with seasonality Class A beef prices are expected to enjoy underlying support as demand should increase until April. The beef prices for Class C can continue to trade between 3% to 4% lower until March. International beef prices reach seasonally a low level in May after which it start to recover. However, the weaker Rand and expected higher US beef prices will provide underlying support on any imported beef products until May. Weaner calf prices recovered week on week by 12,4% to reach R31.45/kg this week. Compared to a month ago weaner calf prices recovered by 20,5%, due to improved rainfall conditions, but are still 16,2% lower than a year ago. We expected that weaner calf prices will enjoy underlying support over the next three months until May. Marginally higher maize prices may impact negatively on feedlot margins suppressing a full blown recovery of weaner calf prices to the price levels of a year ago.



Sheep meat market trends

International

New Zealand lamb and mutton prices traded sideways to lower the past week compared to the previous week. Lamb prices traded at NZ\$7.03/kg. Ewe prices trade at NZ\$4.93/kg. The import parity price for lamb was 4,5% higher at R75.32/kg and the import parity price for mutton was 4.6% higher at R56.53/kg.

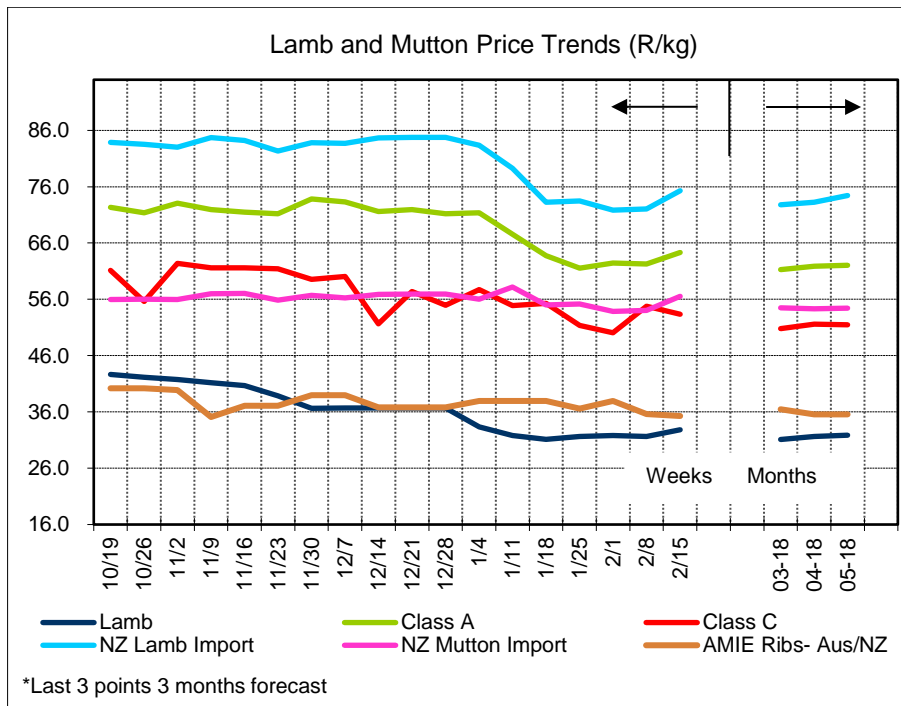
Local

This week, lamb and mutton prices increased overall compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb price increased by 3,3% to R64.33/kg and the average Class C carcass price decreased by 2.5% to R53.38/kg. The average price for feeder lambs traded 3.7% higher at R32.84/kg. The average price for dorper skin traded 23,4% higher at R31.88/skin and merino skin prices traded 20.6% lower at R49.21/skin.

Outlook

Mutton prices recovered but are still 11% lower than a year ago. Due to the lost FMD-free status the price for merino hides declined weak on weak by 11,1% The price for merino hides are 45.3% lower than a year ago. South Africa's lost FMD-free status lead to a lower supply of wool and a subsequent increase of 20% in the prices of fine wool on the Australian wool market.

Seasonally, mutton prices are at a lowest price level during March, April and May but with the exception that prices of Class C grade mutton follow demand during April higher. Prices will start to recover in April onwards. The same is true for feeder lamb prices which reaches a seasonal low during April.



Pork market trends

International

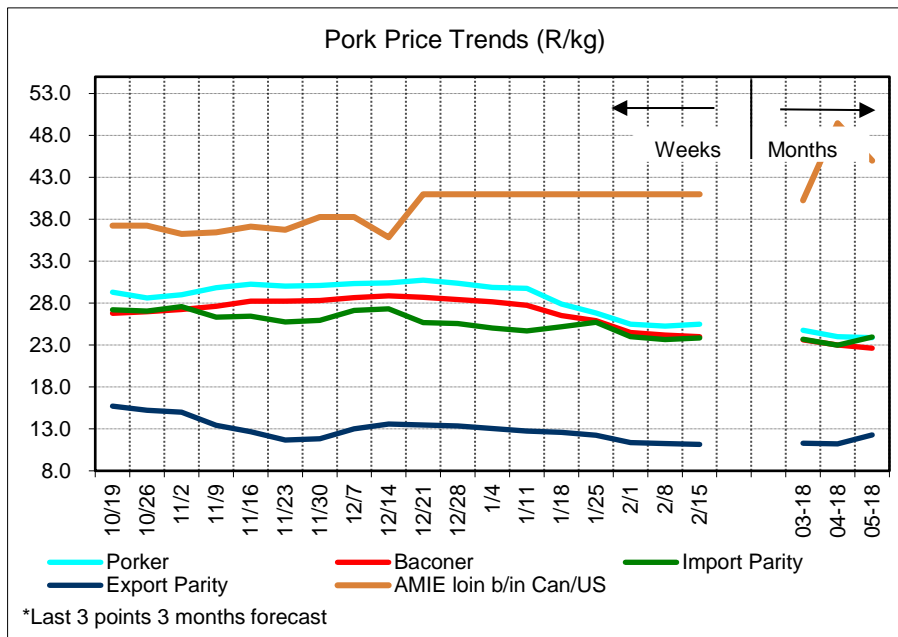
The average weekly US pork carcass prices traded lower over the past week. Carcass prices were 0,6% lower at US\$62.81/cwt, loin prices were 1,1% lower at US\$63.56/cwt, rib prices were 0,4% higher at US\$121.21/cwt and ham was 1.4% lower at US\$42.63/cwt.

Domestic

This week, pork prices traded mixed across the different categories. The latest average pork prices are as follows: The average porker prices are 1.0% higher at R25.50/kg, while the average baconer prices are -0.8% lower at R23.99/kg. The average cutters prices were 1.0% higher at R24.30/kg and the average heavy baconer price was 1.1% lower at R23.23/kg. The SAU price was 0.3% higher at R17.11/kg.

Outlook

Since March 2018 the price of porkers and baconers declined significantly by 10.8% year on year. Prices only start to recover during May and June but did not yet succeed to meet the pre-disaster price levels achieved in 2017. We expect that the prices of pork during will follow any recovery in poultry and beef prices to trade higher from May and June onwards.



Poultry market trends

International

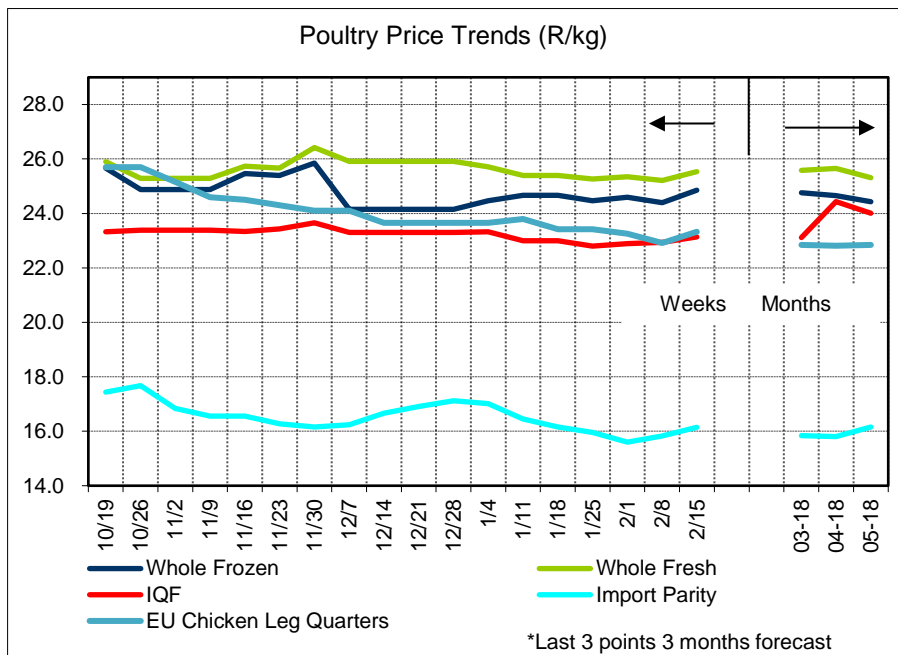
Poultry prices in the US were lower over the past week. Whole bird prices decreased by 0.2% to 90.94 US\$/lb. Breast traded 2,2% lower at 90.00 US\$/lb, while leg quarters traded sideways at 24.00US\$/lb. MDM (frozen) traded 1.0% higher at 25.25 US\$/lb.

Domestic

The average poultry prices over the past week traded higher. The average prices for frozen whole birds were 1.8% higher at R24.85/kg during the week. Whole fresh medium bird prices were 1,3% higher at R25.54/kg, while IQF prices were 0,9% higher at R23.14/kg.

Outlook

Due to the continuation of cheap and competitive imports of poultry the seasonal high in prices during November over the Christmas season and during the April holidays is non-existent. Consumers benefit from the imported bargains over these festive holidays. South Africa's WTO bound rates allow for supportive and significant increases in import tariffs, but South Africa fails to use them to the full. The low poultry prices do not impact only on the prices of beef and pork negatively but an increase in poultry imports impact the demand for locally grown and manufactured animal feeds also. While prices and profitability remains under pressure the industry awaits the outcome of the SAPA's tariff application.



Livestock prices (R/kg) for the week ending 15 Feb 2019

	Beef ¹			Mutton ²			Pork ³			Poultry ⁴		
	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week	%	Cur- rent week	Prior week
Class A/ Porker/ Fresh birds	-2.6	38.99	40.04	3.3	64.33	62.27	1.0	25.50	25.25	1.3	25.54	25.21
Class C/ Baconer/ Frozen birds	0.4	37.54	37.40	-2.5	53.38	54.77	-0.8	23.99	24.18	1.8	24.85	24.40
Contract prices /Avg Pork / IQF	-2.9	39.23	40.40	3.2	65.13	63.11	0.1	24.75	24.72	0.9	23.14	22.94
Import parity price / Ham / US Leg 1/4	0.8	63.60	63.11	4.6	56.53	54.03	0.8	23.84	23.66	2.0	16.14	15.82
Weaner calves/ Feeder lambs	12.4	31.54	28.07	3.7	32.84	31.67		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ EU chicken leg 1/4	0.0	52.00	52.01	0.0	58.99	58.99	0.0	41.00	41.00	1.7	23.32	22.92