



**AMT**  
**BEEF & MUTTON**  
**MONTHLY REPORT**  
**AUGUST 2018**

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## AMT MONTHLY BEEF AND MUTTON REPORT – AUGUST 2018

### BOTTOM LINE

#### Beef price

- In July 2018 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by respectively 0,4%, 2,0% and 0,8%.
- This increase in prices was caused by mainly less cattle being slaughtered in July 2018 year-on-year. This decline is still the aftermath of the drought of 2016-18, which had a destructive effect on cattle herds throughout the country. Producers are at present still in a herd building phase.

#### For the coming month

- Due to the seasonal trend in beef prices, the probability is 80,0% for a higher price in August compared to July, based on price information over the past 20 years. The under supply of cattle to the markets will continue in the months to come. We can therefore assume that the present high price level will continue in the months to come, with the possibility of a 2,7% increase from July to December.
- Due to the large differential between world prices of beef and RSA prices, imports from overseas hold at this stage no threat to South African beef producers. In March year-on-year, total beef imports from overseas constitutes for approximate 0,4% of the total South African commercial slaughter and 6,9% when offal is included.

#### Weaner price

In July, the average weaner price is still in a downward trend after the relative sharp decline of 8,1% in February 2018. The decline in the average weaner price is expected to be mainly the result of an increase of 10,8% in the price of maize from February to July.

#### For the coming month

An increase in the weaner price is expected in July ,and based on the price information of the past 20 years, the probability is 75,0% that the average price of weaners may be higher in August compared to the previous month.

#### Mutton price

- As in the case of beef cattle, the mutton industry also suffered severely due to the 2016/17 drought, and lamb prices reach a record price level of R77,43/kg in July 2018, which is 6,5% higher year-on-year.
- Preliminary information indicates that slaughter shows a decline of 1,2% in July year-on-year.
- In June compared to the previous month, the average producer price of lamb increased in total by 5,3%, which may be the result of the pressure on the supply of Class A2/A3 being slaughtered in July.
- From the import side, Namibia is still the main exporter of mutton to South Africa and in April year-on-year it amounted to approximate 10,7% of the total South African commercial slaughter.
- As far imports from overseas are concerned, the world price for lamb meat and mutton is still well above the average South African price level, with is putting a damper on imports from overseas.
- In May year-on-year imports from overseas amounted to only 3,5% of the total South African commercial slaughter, and if the import of offal is included imports from overseas amounted to 8,1%. At this stage imports from overseas do not have a substantial impact on the South African lamb and mutton market.

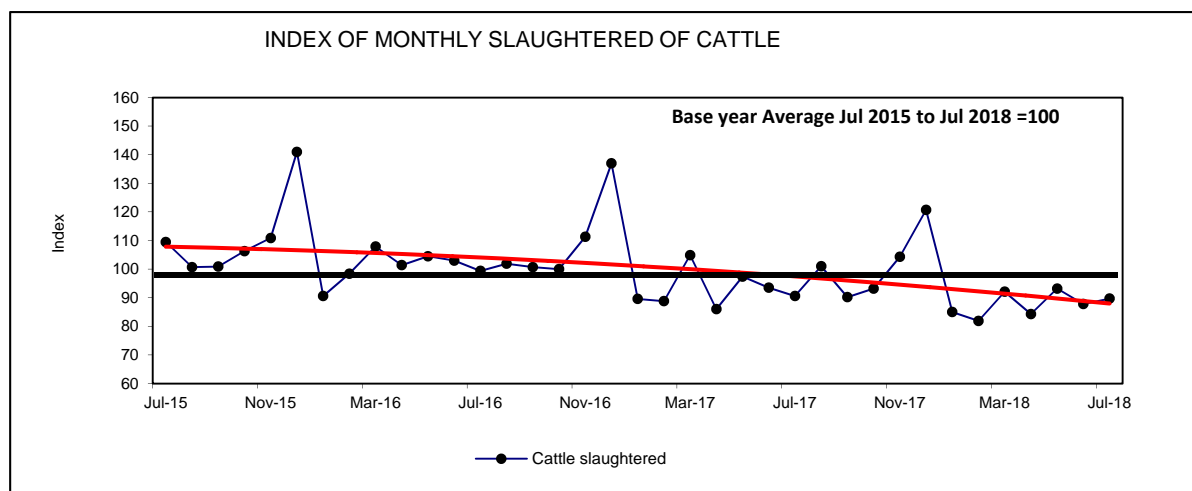
## For the coming month

The average lamb price is expected to increase in August and based on the average lamb prices of the past 20 years, the chance is 70% that the price will be higher in August compared July, but 65,0% for a lower price in September against the previous month.

PRODUCTION INFORMATION FOR THE MONTH OF JULY 2018					
Item	Jul '18	Previous month	Jul '17	Forecast	
				Aug'18	Sep'18
<b>BEEF</b>					
Abattoir selling prices (c/kg)					
A2/A3's	4 668	4 721	4 648	4 721	4 654
AB2/AB3's	4 543	4 630	4 513	4 603	4 576
B2/B3's	4 307	4 374	4 222	4 420	4 408
C2/C3's	4 115	4 125	4 082	4 264	4 287
Net weaner price (c/kg)	3 195	3 204	3 320	3 118	3 006
Slaughtering index (Ave.=100)	89,7	87,8	90,6		-
Import parity AU-cows (c/kg)	5 690	5 581	6 534	-	-
<b>MUTTON</b>					
Abattoir selling prices (c/kg)					
A2/A3's	7 743	7 356	7 272	7 920	7 836
AB2/AB3's	6 474	6 667	6 666	6 937	6 828
B2/B3's	7 047	6 419	6 385	7 168	6 992
C2/C3's	6 067	5 758	5 858	6 561	6 487
Slaughtering (Ave.=100)	82,0	85,3	90,1	-	-
Import parity AU-mutton (c/kg)	6 595	5 839	6 085		-
Import parity AU-lamb (c/kg)	9 492	8 303	8 509	-	-

## BEEF INDUSTRY

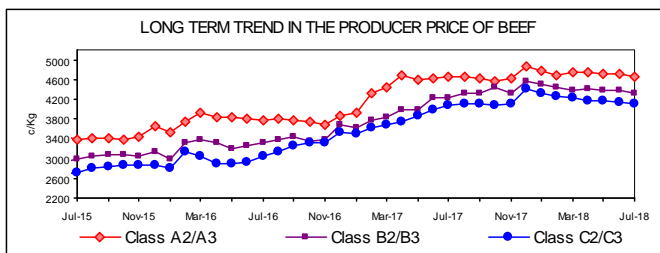
### Slaughtering of beef cattle



- Aggregate commercial slaughter Information received from of Red Meat levy Admin only available till **May 2018**. The month of July 2018 is an estimate, calculated by means of the smoothing multiplicative technique of Holt & Winters, which gives an indication of what can be expected in the month of June..
- The horizontal 100-line on the graph represents the long term average monthly slaughter of beef cattle from July 2015 to July 2018.
- In July 2018, the slaughter of beef cattle estimated to increase in total by 2,1% compared to the previous month, and declined by 1,0% compared to the same month a year ago, and 10,3% below the long- term average based on the period July 2015 to July 2018. The slaughter curve shows a downward trend from July 2015 to July 2018 due to the effect of the drought.

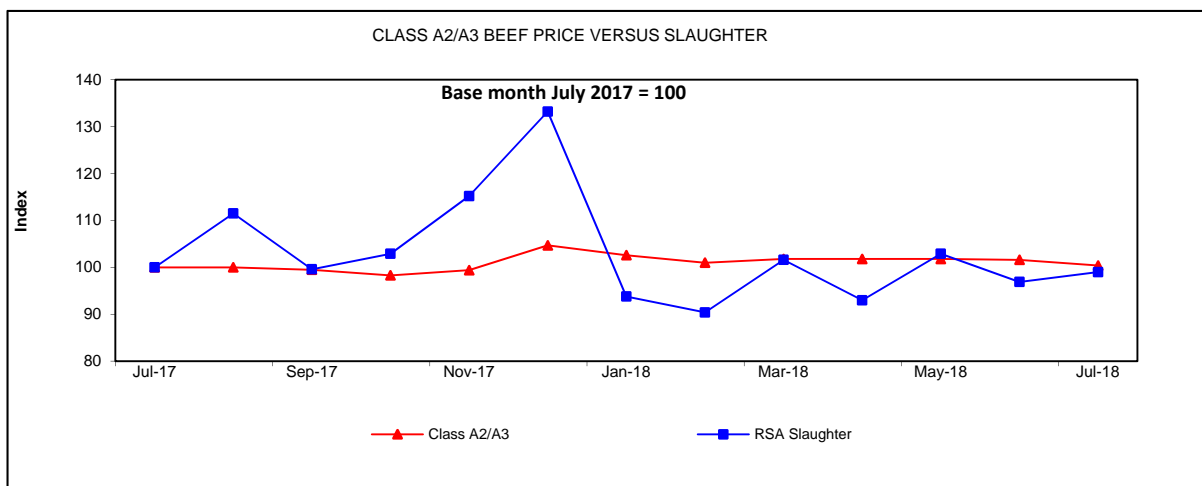
### Price movements of beef

#### Long term trends in beef prices



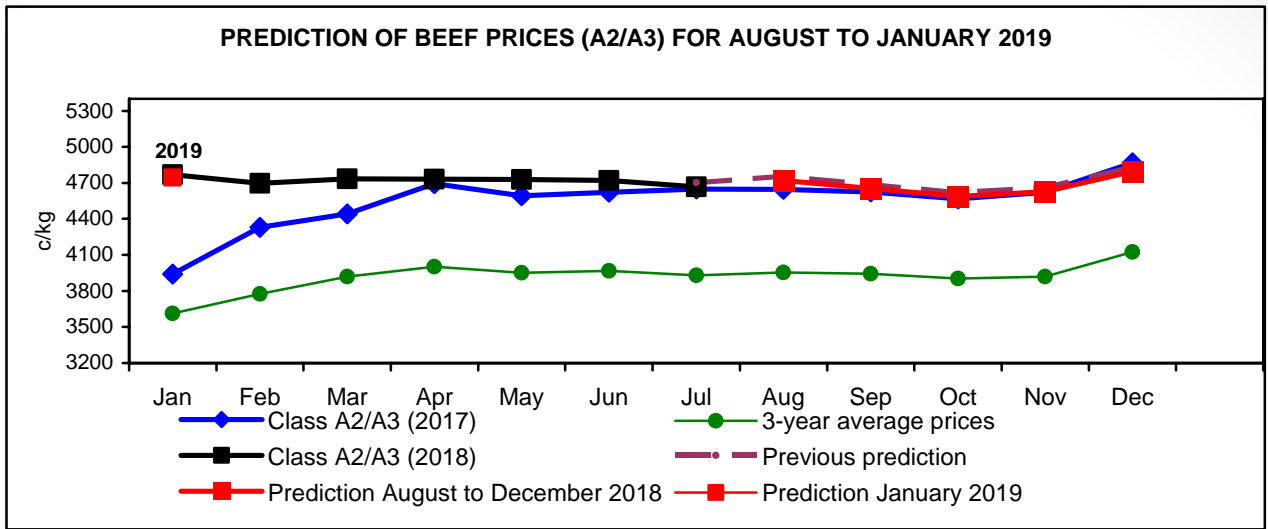
In July 2018 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 0,4%, 2,0% and 0,8%. The average price of the A2/A3's was 12,4% above the long term average over the period July 2015 to July 2018.

#### Price of Class A2/A3 beef versus slaughter



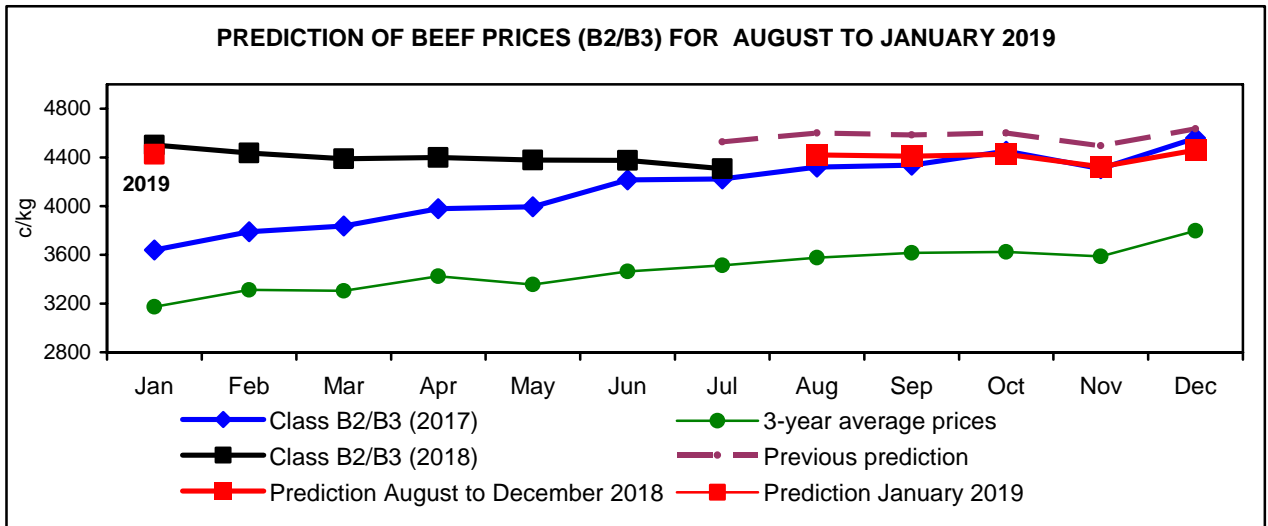
In July 2018 year-on-year, the average producer price of Class A2/A3 beef increased in total by 0,4% and over the same period national slaughter declined by 1,0%.

### Price prediction for Class A2/A3 beef



- In July 2018, compared to the previous month the average price of Class A2/A3 beef declined in total by 1,1%. For July 2018 a decline in the average price for Class A2/A3 beef was predicted in the previous monthly report, which was correct, but it was based on a probability of 65,0% for an increase in price according to the price information over the past 20 years.
- The actual beef price in July was 0,7% (R0,34/kg carcass weight) lower compared to the price predicted for July in the previous monthly report.
- For August 2018 an increase is predicted in the average price of the A2/A3's but according to the price information over the past 20 years, the probability is 80,0% for an increase in price from July to August each year.

### Price prediction for Class B2/B3 beef



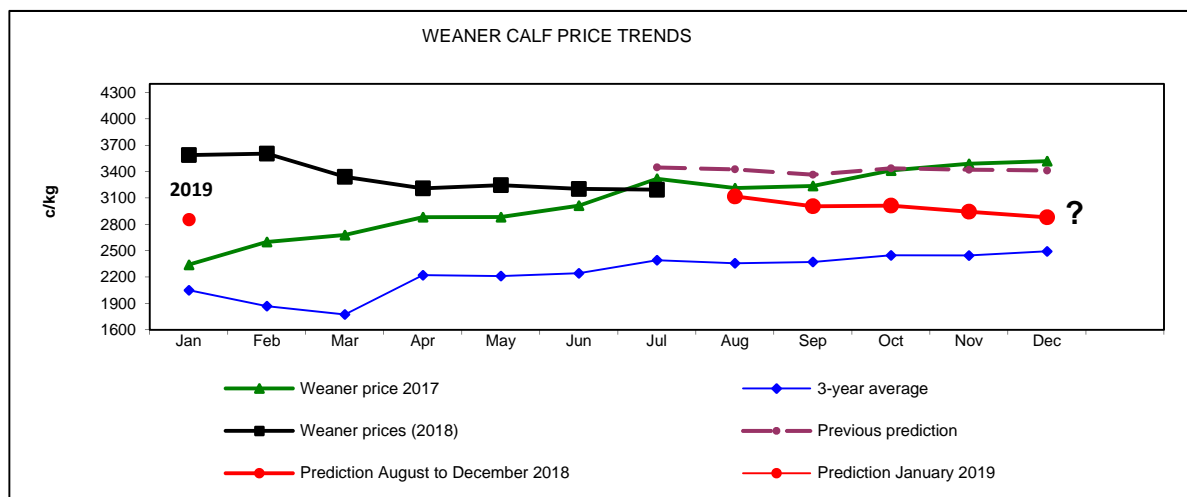
- In July 2018, compared to the previous month the average price of Class B2/B3 beef was 1,5% lower. For July an increase or decline in the average price for Class B2/B3 beef was predicted for July, which was incorrect, and based on the price information over the past 20 years, the probability is 80,0% for an increase. The actual beef price in July was 4,9% (R2,21/kg carcass weight) lower compared to the price predicted for July in the previous monthly report.

- For August 2018 an increase is predicted in the average price of the B2/B3's, and according to the price information over the past 20 years the probability is 80,0% for a higher price in August compared to July each year.
- Although not being shown in the above graph, the average producer price of Class C2/C3 is expected to increase in August.

#### MONTHLY AVERAGE ABATTOIR SELLING PRICES OF BEEF CARCASSES EXCLUDING V.A.T.

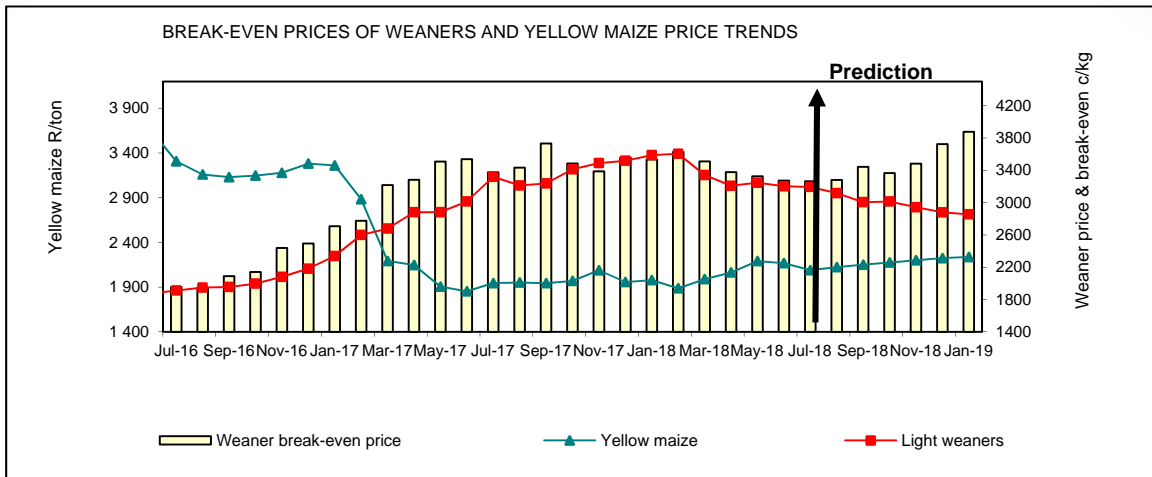
Monthly prices (c/kg)	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18
Class A2/A3	4 696	4 733	4 732	4 729	4 721	4 668
Class AB2/AB3	4 526	4 655	4 646	4 657	4 630	4 543
Class B2/B3	4 436	4 388	4 400	4 378	4 374	4 307
Class C2/C3	4 261	4 234	4 156	4 175	4 125	4 115
Medium Light weaners	3 606	3 342	3 210	3 247	3 204	3 195

#### Weaner (190 – 240kg) price movements



- The net price (farm gate price) of medium light weaners (190-240kg) declined in total by 0,3% in July 2018 compared to the previous month and declined in total by 3,8% year-on-year. The prediction of an increase in the average price of weaners for July 2018 in the previous monthly report was incorrect and was based on a probability of 90,0% over 20 years for the average price to be higher in July compared to the previous month.
- The real price in July 2018 was 7,4% (R2,54/kg) lower than the predicted price for July in the previous monthly report.
- For August 2018, an increase is predicted in the average price of weaners, but based on the price information over the past 20 years, the probability is 75,0% for the average weaner price to be higher in August compared to the previous month.

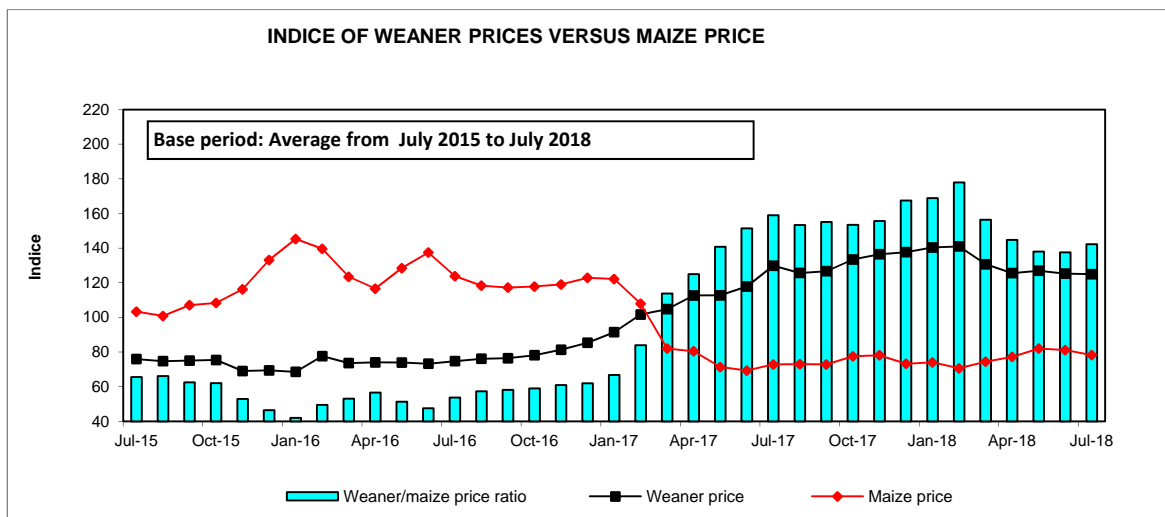
## The maize/weaner break-even price

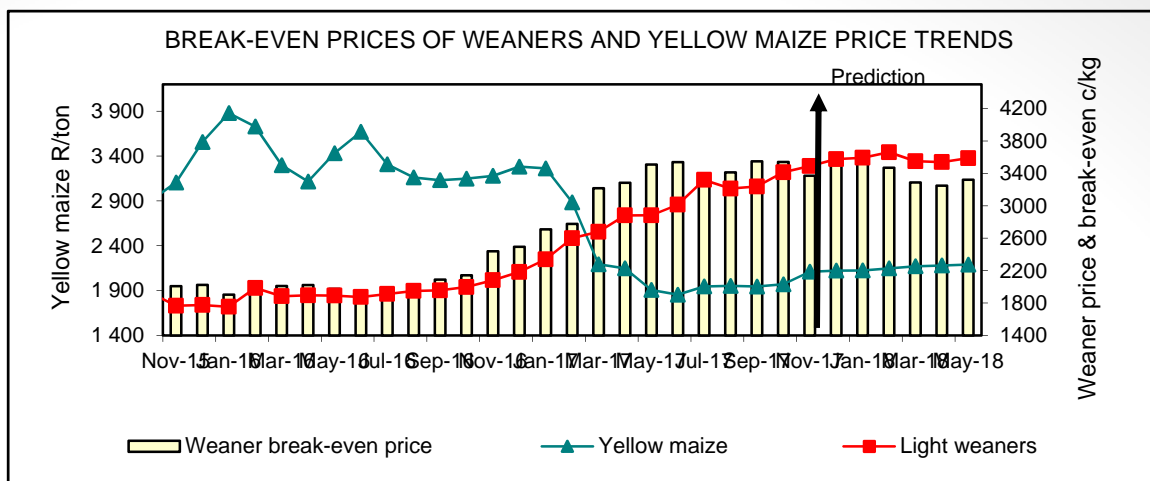


The average yellow maize price in July 2018 was in total 3,6% lower compared to the previous month, and 7,5% higher compared to the same month a year ago.

The expected break-even-price of weaners for August 2018 is based on the predicted future price of Class A2/A3 beef in November 2018 and the SAFEX price for yellow maize in August 2018 (based on all July 2018 contracts Randfontein). With a predicted meat price (Class A2/A3) of R46,28 per kilogram in November 2018 and an average maize price (JSE SAFEX) of R2 091 per ton in August, for a feedlot to break even in August as far as the price beef and the price of maize are concerned, the weaner price should not higher than R32,82 per kg live weight in August, which is 5,3% higher than the average predicted weaner price of R31,18/kg for August. Or based on the expected average weaner price of R31,18 per kg live weight for weaners in August and a maize price of R2 091 per ton in August, by selling these animals in November 2018, the price for Class A2/A3 beef should not be less than R44,77 per kilogram, which is 3,3% lower than the predicted price R46,28/kg for Class A2/A3 in November 2018.

## Weaner price versus maize price

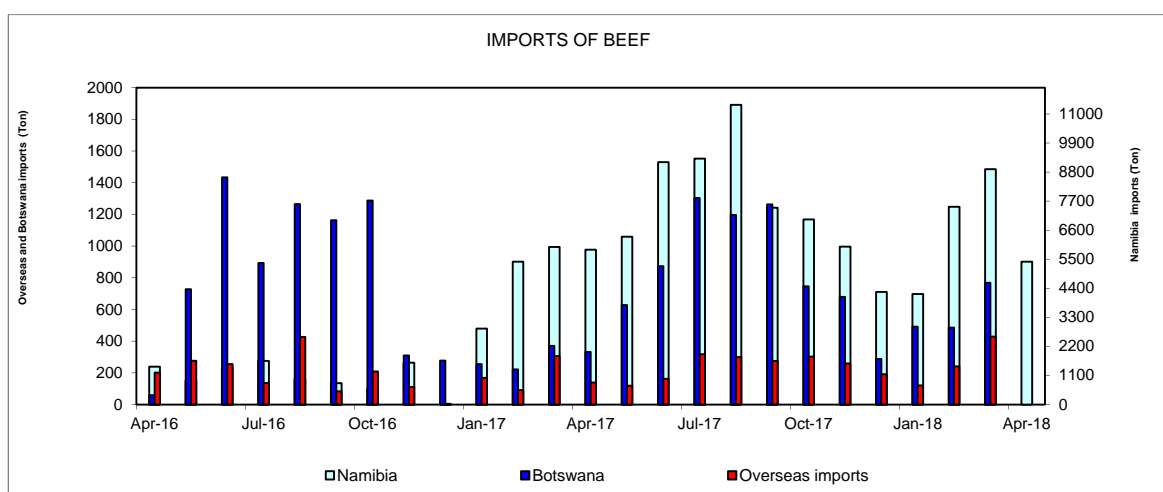




The above graph shows clearly the effect of a lower maize price on the weaner/maize price ratio.

In July 2018, the weaner/maize price ratio improve in total by 3,4% against the previous month and year-on-year the weaner/maize price ratio weakened in total by 10,5% due to an increase of 7,5% in the maize price and a decline of 3,8% in the average price of weaners.

### Imports of beef



Import information from Namibia is only available till **April 2018**, and Botswana and overseas up to **March 2018**.

In April 2018 South Africa imported 5 413 tons of beef from Namibia, which was 39,3% less than in the previous month and 7,7% less than in the same month a year ago. These imports include live animals and canned meat.

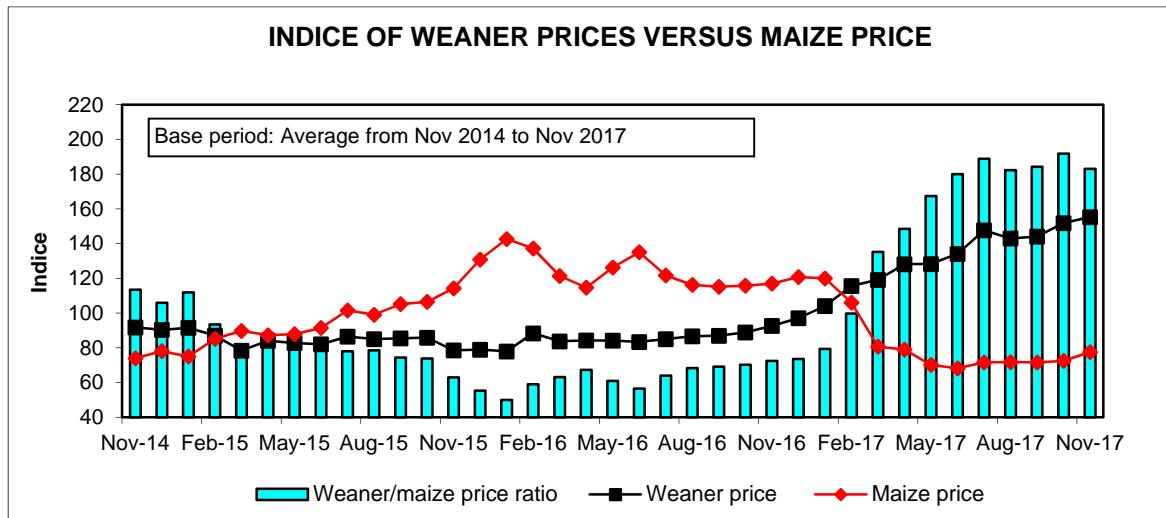
In April year-on-year, total beef imports from Namibia constitutes for approximate 12,5% of the total South African commercial slaughter.

In March 2018, South Africa imported 768 tons of beef from Botswana, which was 58,0% more compared to the previous month and 107,6% more compared to the same month a year ago.

In March year-on-year, total beef imports from Botswana constitutes for approximate 1,3% of the total South African commercial slaughter, and also 1,3% when offal is included.



In March 2018, South Africa imported 429 ton of beef from overseas, which was 78,0% more than in the previous month and 40,2% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

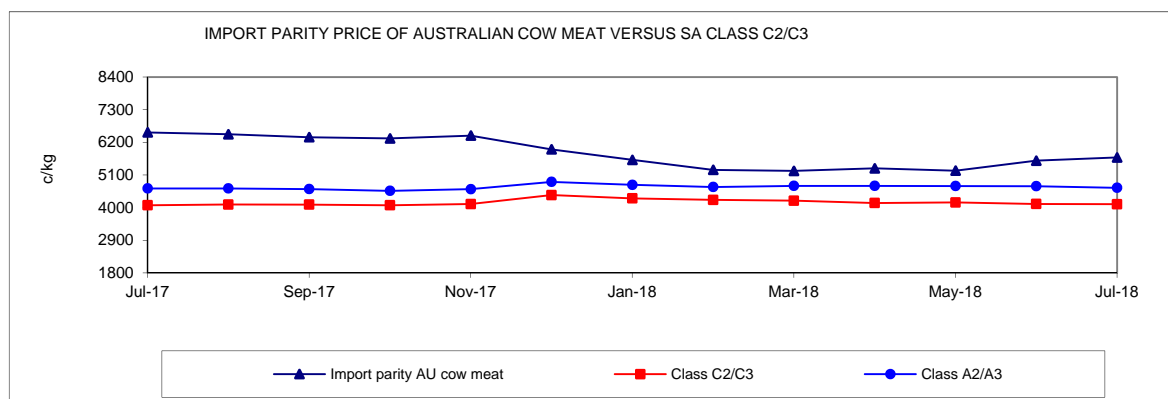


In March year-on-year, total beef imports from overseas constitutes for approximate 0,4% of the total South African commercial slaughter and 6,9% when offal is included.

In March, the main export country from overseas of beef meat to South Africa were Uruguay (43,3%), USA (38,0%), and Australia (18,6%). When liver, hearts, offal and tongue were included, the total imports amounted to 4 477 tons and the main export countries were Australia (28,9%), U.S.A (20,0%), Britain (15,9%), Argentina (8,6%) New Zealand (8,5%), Ireland (7,8%), France (4,9%), Uruguay (4,2%), Denmark (0,6%) and Estonia (0,6%).

**International markets and price movements of beef.**

**The import parity price situation**



In July 2018, the average price of South African beef (A2/A3 and C2/C3) was 4 668c/kg and 4 115c/kg compared to the derived import parity price of Australian cow meat of 5 590/kg. The import parity price is thereby 21,8% and 38,3% higher compared to the average price of Class A2/A3 and C2/C3 beef.

In July 2018-year-on-year, the import parity price of Australian cow meat was 12,9% lower compared to an increase 0,4% and 0,8% in the average producer price of Class A2/A3 and C2/C3 beef.

## Beef trade overseas

### Australia

#### Cattle market update

The young cattle market has found relative stability in recent weeks with the EYCI hovering around the 500c/kg mark for the best part of a fortnight. Sale yard throughput has been on the rise driven by an increase in supply of older cattle with EYCI eligible cattle throughput remaining fairly stable during July.

### Weekly cattle yardings

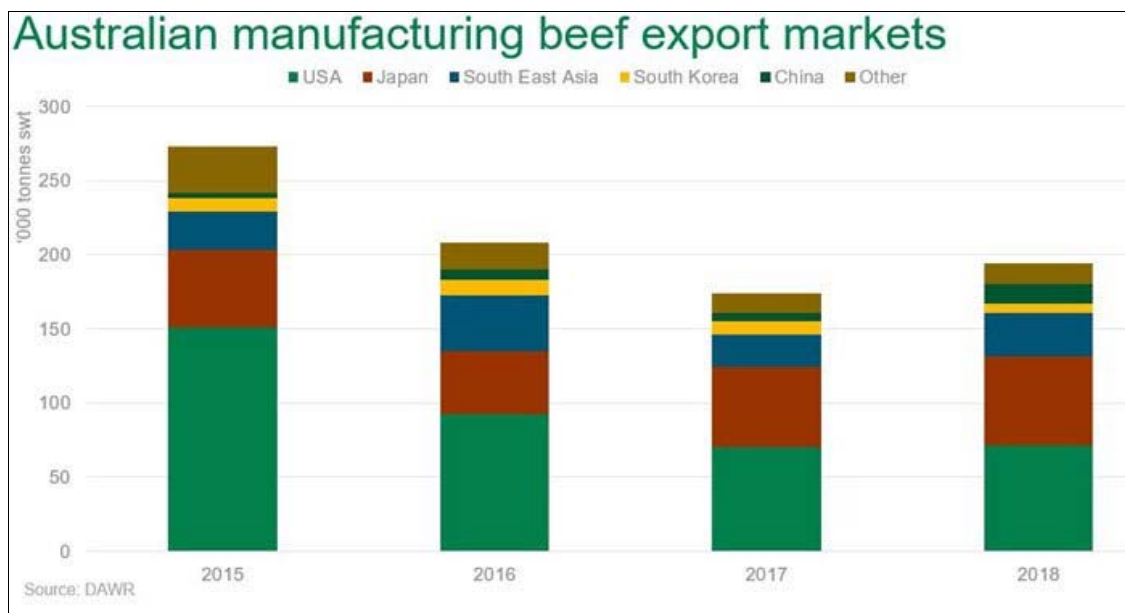


#### Cow Prices

Cow prices have been the big mover over the last month, the medium cow indicator falling just short of 220c/kg on Tuesday, prices not seen since November last year. This week is also the first time in 2018 that cow prices have exceeded year-ago levels, despite an increase in yarding's. Weekly cattle yarding's have increased 39% on last month, with 63,206 head yarded last week. During the same period the medium cow indicator has increased 20%.



### Exports of Manufacturing Beef



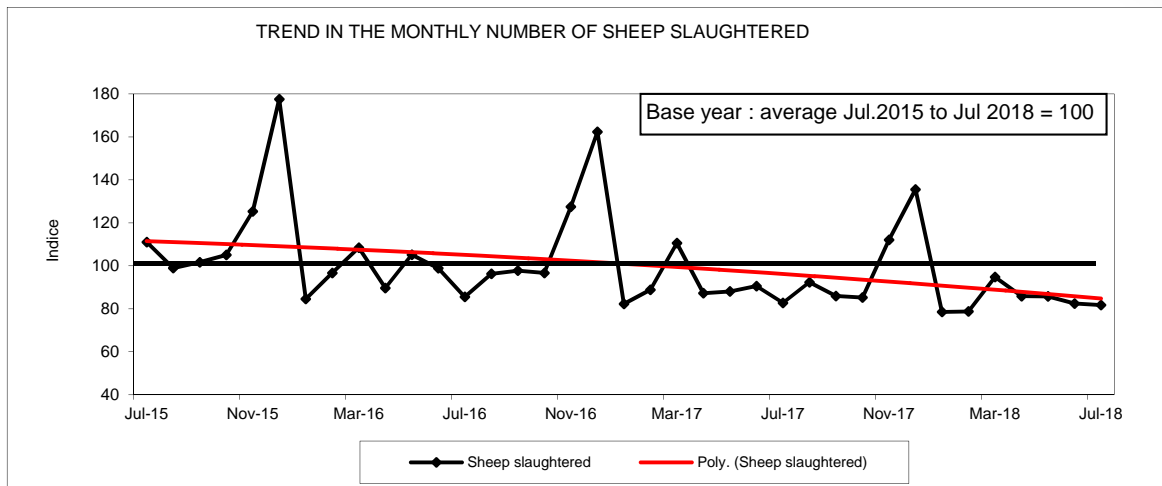
Australia has exported over 190,000 tons swt of manufacturing beef in 2018 year-to-June, which is 11% up on year ago levels. Whilst exports to the US are up around 2% it has been other key markets in Asia taking bigger volumes driving this growth with China (+126%), the Philippines (+23%), Japan (+10%) and Indonesia (+51%). Impacted by domestic production in the US, Australia has only sent 37% of its manufacturing beef to the US so far in 2018, whilst this was up over 50% a few years ago.

**SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - [www.mla.com.au](http://www.mla.com.au), 25 July 2018.**

## THE MUTTON INDUSTRY

### Slaughter trends

#### Long term trends in sheep slaughter

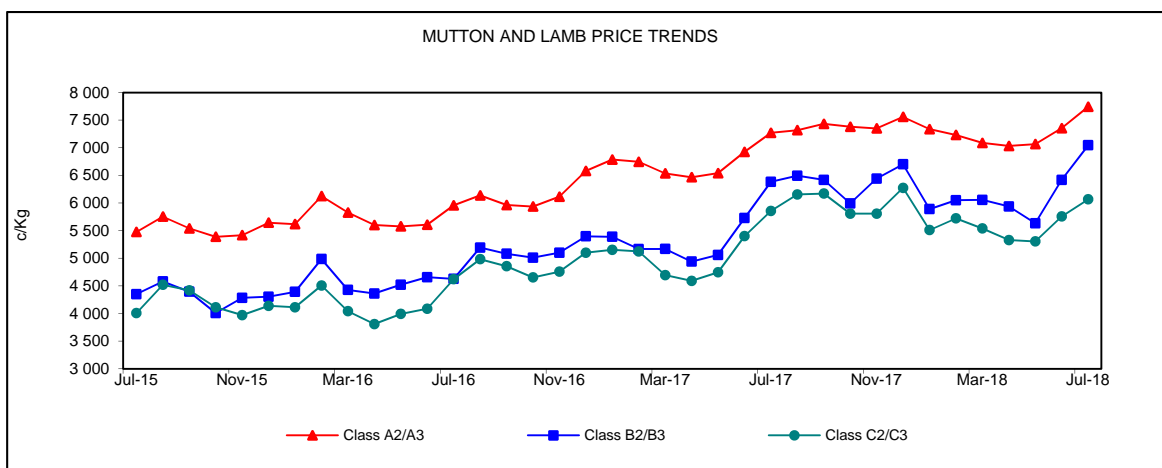


Aggregate slaughter Information received from of Red Meat levy Admin only available till **March 2018**. The months of April to July are estimates, calculated by means of the smoothing multiplicative technique of Holt & Winters, which gives an indication of what can be expected in the month of June 2018.

In July 2018, the preliminary indication is that the number of sheep and lamb slaughtered seems to be 0,8% less compared to the previous month, 1,2% less year-on-year and 18,2% down on the average over the period July 2015 to July 2018, which was caused by the drought from 2016/17 and still continue in the South Western parts of South Africa in 2018.

### Producer prices of mutton

#### Long term trends in mutton and lamb prices

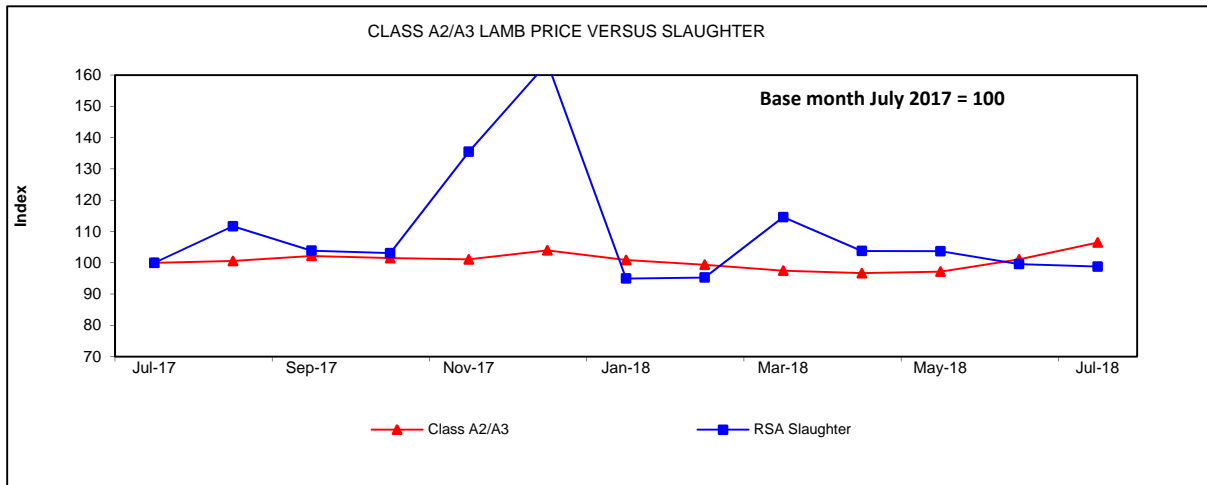


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

In July 2018 year-on-year, the average producer prices of Class A2/A3, the B2/B3's and Class C2/C3 increased in total by respectively 6,5%, 10,4% and 3,6%.

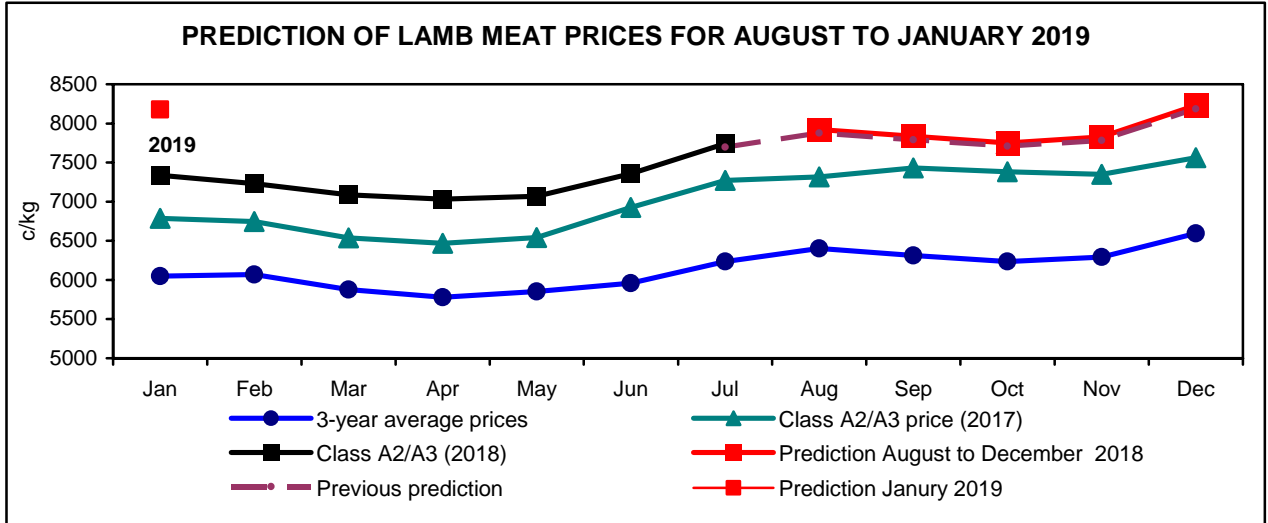
In July, the average producer price (all classes) was 19,9% above the average over the period July 2015 to July 2018.

### Price of lamb versus slaughter



Purely seen from a supply side, the average price of Class A2/A3 lamb does not react alone on supply, but also from the demand side. From March 2018 to July a decline occurred in the number of lamb slaughtered while the average price of Class A2/A3 lamb went up in July. The decline in price of the A2/A3 in June can be contributed to lower slaughter since March 2018.

### Price prediction for Class A2/A3 lamb



In July 2018, the average producer price of Class A2/A3 lamb was 5,3% up compared to the previous month, and an increase was correctly predicted for July in the previous monthly report, which was based on a probability of 85,0% for an increase according to the price information over the past 20 years.

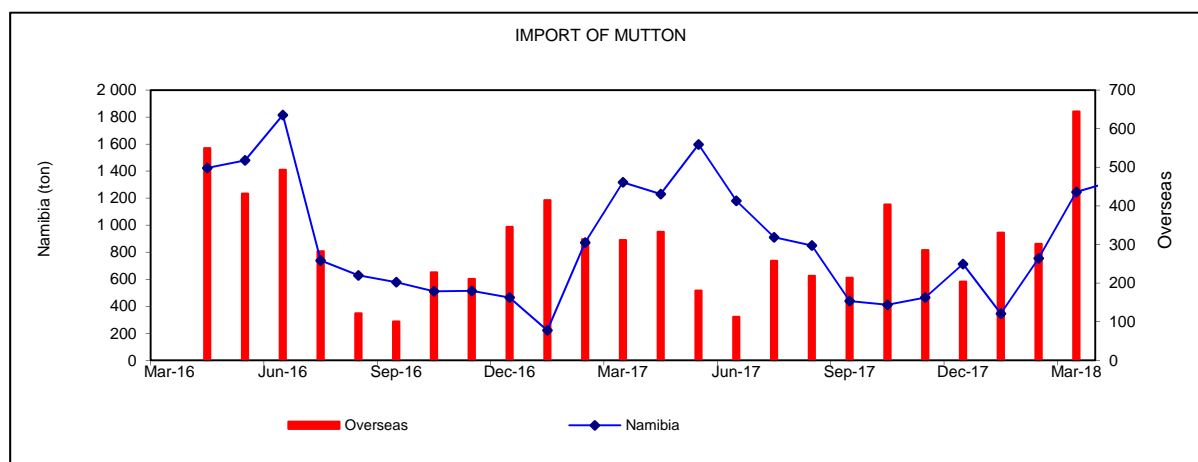
The actual price in July was 0,6% (R0,45/kg) higher than the price predicted in the previous monthly report. For August 2018, an increase is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 70,0% for a higher price from July to August each year.

Although not being shown in the above graph, the average producer prices of the B2/B3's and the C2/C3's are expected to increase in August 2018 compared to the previous month.

#### MONTHLY CARCASS SELLING PRICES OF MUTTON AND LAMB EXCLUDING V.A.T.

Monthly prices (c/kg)	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18
Class A2/A3	7 232	7 089	7 033	7 067	7 256	7 743
Class AB2/AB3	6 130	6 476	6 247	6 155	6 667	6 474
Class B2/B3	6 051	6 057	5 938	5 634	6 419	7 047
Class C2/C3	5 723	5 540	5 330	5 305	5 758	6 067

#### Imports of mutton



Import figures from Namibia is only available up to **April 2018** and overseas to **March 2018**.

In April 2018, South Africa imported 1 328 tons of mutton from Namibia, which was 6,6% more than in the previous month and 7,9% more than the same month in 2017.

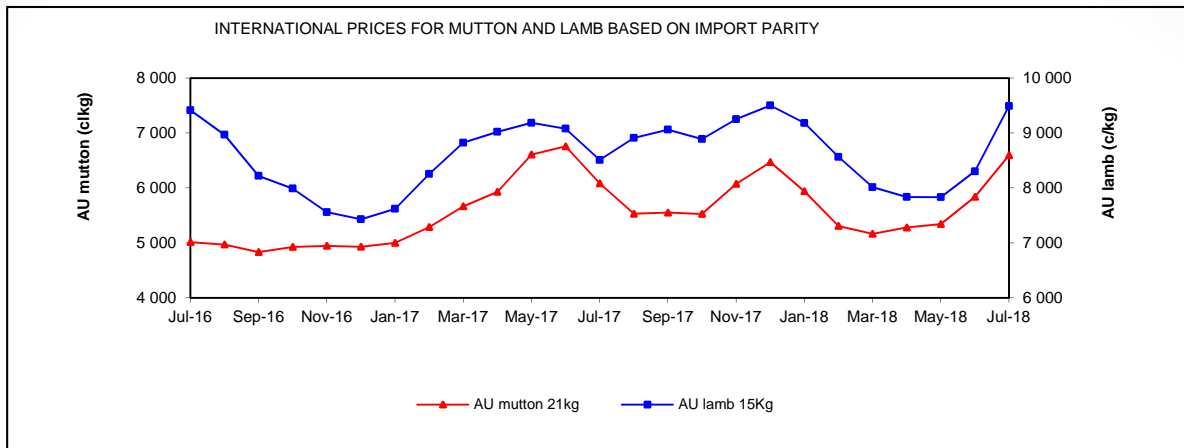
In April 2018 year-on-year, mutton imports from Namibia constitutes for approximate 10,7% of the total South African commercial slaughter.

In March 2018, South Africa imported 645 tons of mutton (excluding offal) from overseas, which was 113,6% more than in the previous month and 106,7% more compared to the same month in 2017.

In March 2018 year-on-year, mutton imports from overseas constitutes for approximate 3,5% of the total South African commercial slaughter over the same period and 8,2% when offal is included.

In March, the main export countries of mutton (offal excluded) to South Africa from overseas were UC (58,7%), Australia (39,2%) and New Zealand (2,0%). When offal is included total imports was 890 tons and the main export countries of mutton to South Africa were UC (42,6%), Australia (37,1%), New Zealand (17,6%) and Belgium (2,7%).

## International mutton prices



In July 2018 on year-to-year, the import parity price of Australian-lamb declined in total by 11,6% and Australian mutton increased by 8,4%.

In July the import parity price for Australian lamb and mutton were respectively in the order of R94,92 and R65,95 per kilogram based on the Rand/A\$-exchange rate.

## World mutton and lamb meat market review

### Australia

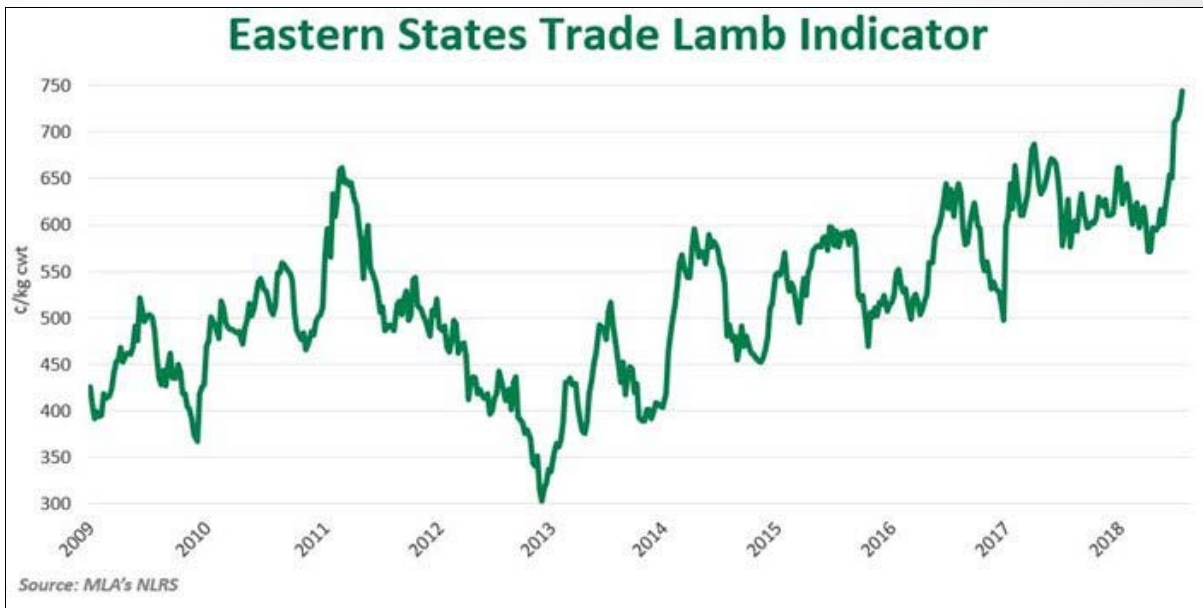
#### Lamb prices break new records

At the risk of sounding like a broken record, lamb prices have once again broken records this week!

On Tuesday the 17<sup>th</sup> of July, the Eastern States Trade Lamb Indicator (ESTLI) reached a new high of 744¢/kg carcass weight (cwt), driven by a waning supply of finished lambs.

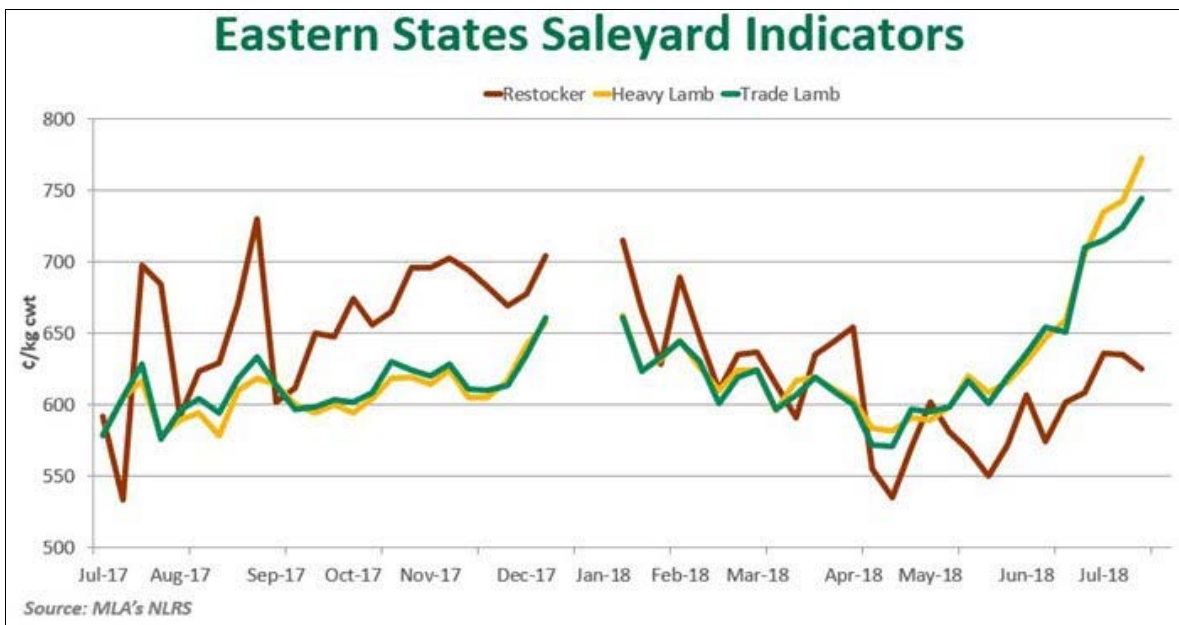
Sale yard sheep and lamb indicators have been rising strongly since mid-April, with strong processor demand combined with a falling supply of finished lambs driving prices.

The ESTLI Indicator hit an all-time high of 733¢/kg cwt on Monday, only to rise 11¢ the very next day.



As has been reported for a number of weeks now, poor seasonal conditions combined with high feed costs have seen trade and heavy weight lambs at a premium to lighter weight categories. The falling supply of finished lambs comes at a time of unprecedented export demand. As a result, some producers are making the decision to continue with supplementary feeding programs despite the high cost. Although little has changed in terms of market dynamics over the last few weeks, a closer examination of various market indicators paints an interesting picture.

Since 16 April, the ESTLI (18-22kg cwt) has risen 30%, while the heavy lamb indicator (22+kg cwt) has risen 35%, to 773¢/kg cwt. On the other hand, restocker lambs (0-18kg cwt) saw a comparatively modest increase of 11%, to 625¢/kg cwt. What this demonstrates is processor demand for finished lambs, rather than restocker demand, is driving prices. This is unlikely to change in the short term, with a lack of pasture added to a poor weather outlook forcing many restockers to sit on the sidelines.



SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - [www.mla.com.au](http://www.mla.com.au), 18 July 2018