



## Agri Trends

14 December 2018

### Poultry imports lead to price declines for December

The total poultry imports from Brazil are estimated at R3,2 billion for 2017. During the first 10 months of 2018 Brazilian imports already exceeded R2,9 billion. The expected imports for 2018 can be estimated at R3,6 billion. From the world, South Africa imported until October an estimated R5,14 billion broiler meat products. The total imports from the world for 2018 are estimated at R6,2 billion. Keep in mind that the average exchange rate for the Rand to the \$ were R13.32 in 2017 and R13.16 in 2018. The import value of poultry products increased by 20% year on year. The profitability of local poultry production is challenged by the increased competitive imports from the world. South African exports of poultry declined year on year by 16,3%. The impact of imports on the poultry industry and the consequent substitution of local production impacts also on other industries such as the grain and oilseeds industry. Growth in the domestic market for locally produced feedstock such as maize and soybean are impacted negatively as well.

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# Beef market trends

## International

New Zealand steer prices trade 1,8% lower over the past week at 5.44NZ\$/kg and cows traded 3,3% lower at 3.83NZ\$/kg compared to a week ago. In the US, beef prices for the week traded on a carcass equivalent basis 3,3% lower. Topside traded 3,9% lower at \$193.09/cwt. Rump was 4.6% lower at \$318.00/cwt. Prices for striploin declined by 2.1% to \$464.35/cwt. Chuck traded 3.4% lower at \$200.00/cwt. Brisket traded 5.4% lower at \$258.00/cwt. The carcass equivalent price was 3.7% lower at \$274.33/cwt.

### Bullish factors

The expected lower seasonal beef supply in Q1 of 2019, sustained high rate of exports and lower cattle weights support US beef prices. The African Swine Fever outbreak in China increase the demand for Australian beef

### Bearish factors

The strong NZ\$ weigh on processing margins and export prices in New Zealand. The Rand value of broiler meat imports by South Africa from Brazil and other destinations increased by 20% in 2018. The cheaper protein alternative to beef weighs on SA beef prices. Poultry SA submitted an application to increase the import tariff on selected broiler cuts to support the profitability of broiler production in South Africa.

## Local

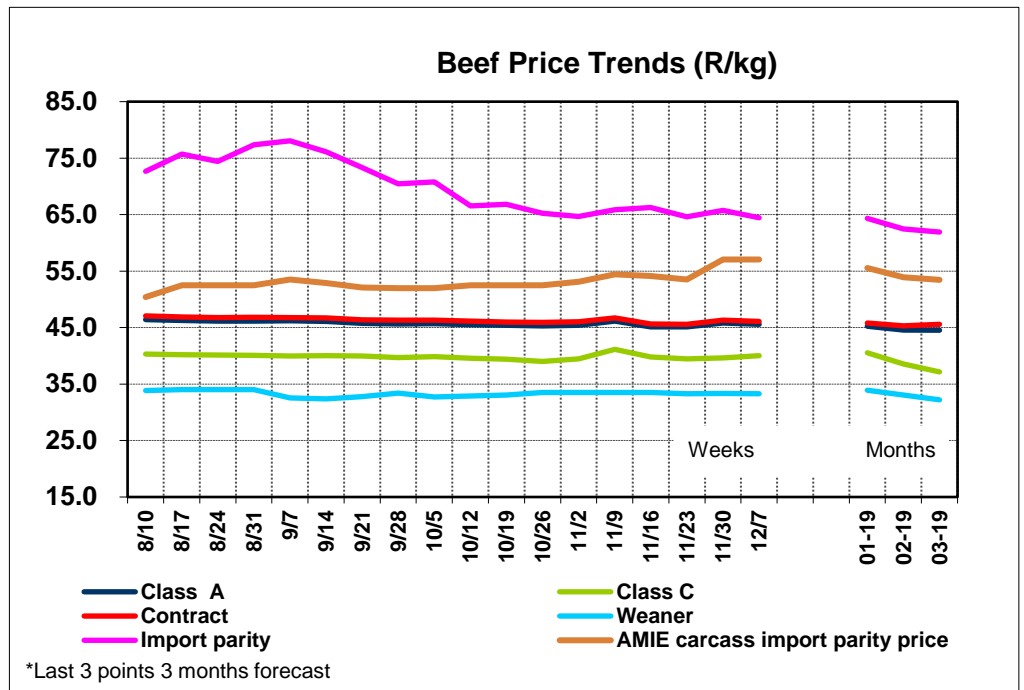
Week on week, beef prices were mostly sideways cross the different classes. The average Class A price decreased by 0.5% lower this week to R45.59/kg. Class C prices increased by 0.98% to R40.03/kg. The average weaner calf prices traded over the past week 0.61% higher to R29.88/kg. The average hide price this week trade sideways when compared to the previous week. The average hide price was w/w at R3.85/kg green.

**Bullish factors:** The lower fuel price, festive season and seasonal increase in demand for imported beef provides underlying support for local prices.

**Bearish factors:** The combination of 1) the unusual increase in supply by primary producers of cattle to meet cash flow needs and 2) the seasonal increase of supply by feedlots at abattoirs to meet demand during the festive season weigh on local beef prices.

### Outlook

Local prices enjoy underlying seasonal price support during the festive season. However, compared to December, prices are expected to trade lower in January.



## Sheep meat market trends

### International

New Zealand lamb and mutton prices traded lower this week compared to last week. Lamb prices were 1,3% lower at NZ\$7.90/kg. Ewe prices traded also lower at NZ\$4.90/kg. The import parity price for lamb was 0.2% higher at R83.70/kg, while the import parity price for mutton was 0.4% lower at R56.22/kg.

#### Bullish factors

The tightening supply in Australia and a strong export demand will support prices in 2019. The national sheep flock in Australia are going to decline by 2%. Poor seasonal conditions will reduce the number of lambs for slaughter.

#### Bearish factors

The current increased slaughter of Australian lamb and mutton constrain prices to increase more in the immediate short term. Secondly, the price of lamb relatively to other meats have risen significantly. Cheaper alternatives will lure cost-conscious consumers away from lamb.

### Local

This week, lamb and mutton prices increased overall by 0,7% when compared to the previous week but were still 1,3% lower than a month before. Lamb and mutton prices were as follows: The national average Class A carcass lamb price decreased by 0.7% to R73.30/kg and the average Class C carcass price increased by 0.87% to R60.06/kg. The average price for feeder lambs traded sideways at R36.68/kg. The average price for dorper skin traded 0,5% higher at R30.71/skin and merino skin prices traded 2,6% lower at R92.50/skin.

#### Bullish factors

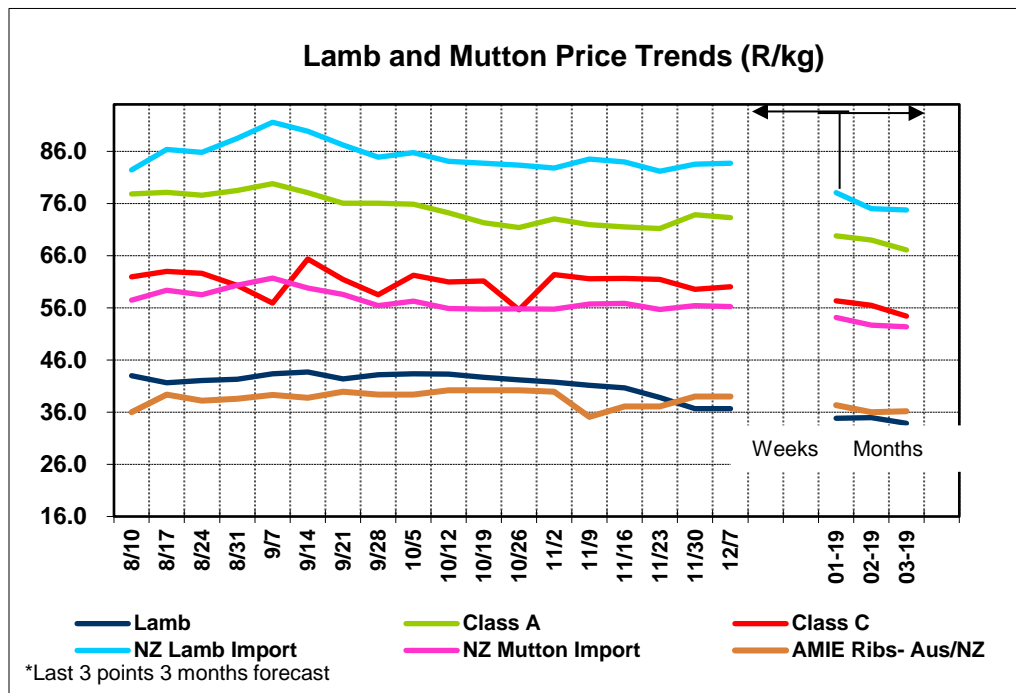
The increased demand for mutton during the festive season are seasonal and provide strong underlying support for local Class A prices.

#### Bearish factors

Class C prices trade lower during the festive season

#### Outlook

Internationally, the strong global demand for sheep meat and limited supply availability are expected to support strong prices through 2019. Locally, Sheep meat prices start to recover in line with seasonal trends and improved demand for higher quality cuts during the festive season.



# Pork market trends

## International

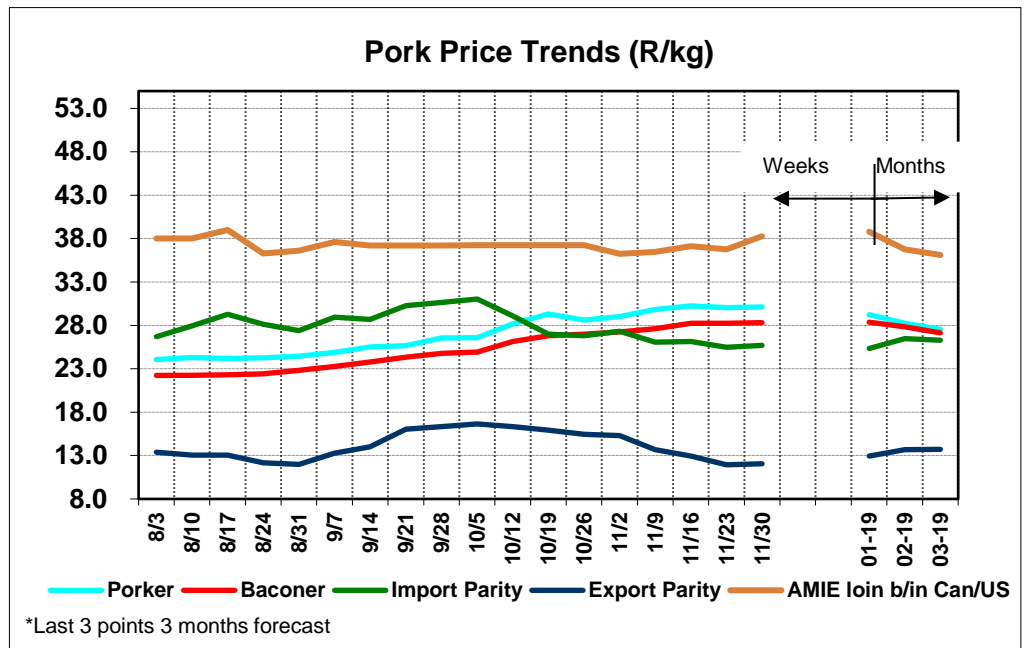
The average weekly US pork carcass prices were mostly higher over the past week. Carcass prices were 4.8% higher at US\$70.05/cwt, loin prices were 2.3 % higher at US\$62.19/cwt, rib prices were 0,6% higher at US\$115.56/cwt and ham was 8.2% higher at US\$54.13/cwt.

### Bullish factors

At current prices US pork producers will be producing pork at break-even levels during Q1 in 2019. Producers will incur losses with further declines in pork prices.

### Bearish factors

The US exports for October revealed record volumes of pork leaving the USA, but at lower prices due to the import tariffs imposed by China and Mexico. The US industry will produce record pork volumes in 2019 and that pork needs alternative markets.



## Domestic

This week, pork prices continued to strengthen, and traded mostly higher across the different categories. The latest average pork prices are as follows: The average porker prices are 1,0% higher at R29.49/kg, while the average baconer prices are 1,2% higher at R28.65/kg. The average cutters prices were 0.4% higher at R29.3/kg and the average heavy baconer price was 5.3% lower at R25.74/kg. The SAU price was 1.8% higher at R20.30/kg.

### Bullish factors

Consumer confidence is still recovering. Prices increased marginally higher over the past week and enjoys underlying support from the increase in beef, mutton and poultry prices during the festive season. The uncertain weather conditions for the planting of grain and oilseeds lead to expected increases in feed prices and lower profitability for pork production.

### Bearish factors

The weak economic growth weigh on consumer demand for more expensive protein foods such as pork and poultry.

### Outlook

Internationally, in general meat prices are trading sideways. Locally, pork prices are supported by price increases in poultry, beef and mutton during the festive season and lower fuel prices. The seasonal demand for imported pork shoulders and ribs support prices.

# Poultry market trends

## International

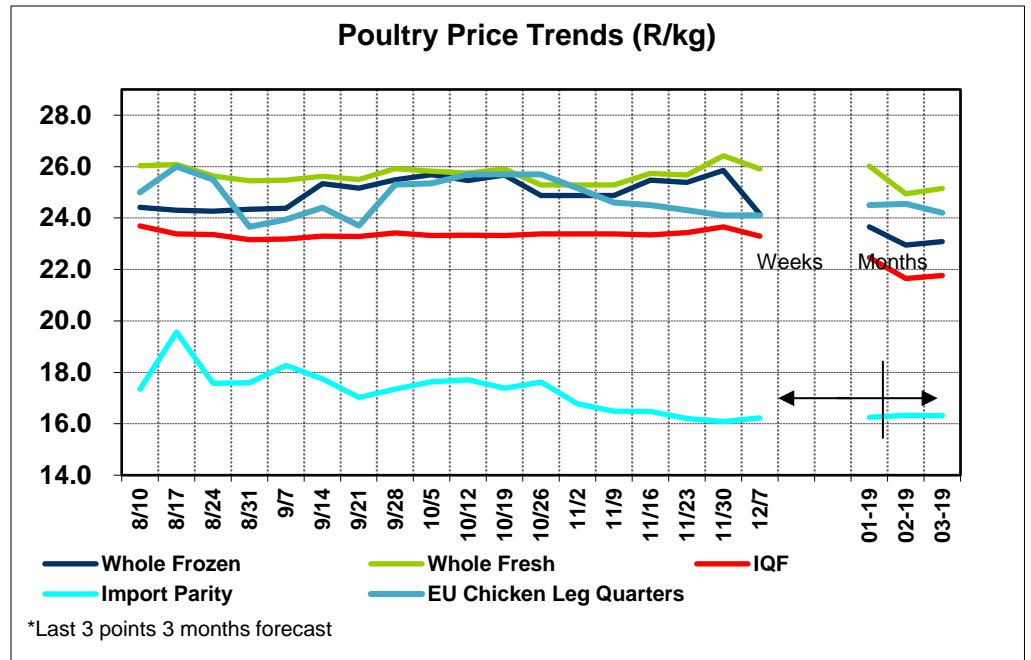
Poultry prices in the US were mostly higher over the past week. Whole bird prices were 1.4% higher at 88.39 USc/lb. Breast traded 2,6% higher at 78.00 USc/lb, while leg quarters also traded higher at 25.00 USc/lb.

### Bullish factors

The drawdown in US meat stocks during November was 10.7 per cent compared to 9.3 per cent average of the last five years.

### Bearish factors

The total supply of US beef, pork, chicken and turkey in cold storage at the end of November was 2.179 billion pounds, 4.9 per cent higher than a year ago and 10.2 per cent higher than the five year average.



## Domestic

The average poultry prices over the past week were sharply lower. The average prices for frozen whole birds were 6.6% lower at R24.15/kg during the week. Whole fresh medium bird prices were 1.9% lower at R25.91/kg, while IQF prices were 1,5% lower at R23.30/kg.

### Bullish factors

The festive season and lower fuel prices are underlying support for the increase in poultry prices. Current dry weather conditions impacts negatively on the planting of grain and oilseeds thereby increasing the future cost of feed and profitability of production.

### Bearish factors

The strong Rand lower import parity price levels thereby limiting price increases of locally produce products. Imports of Brazilian frozen chicken weigh on local prices to reduce sharply.

### Outlook

Internationally, the higher US chicken prices provide underlying support. If Poultry SA succeed in applying for a higher import tariff the new tariff will provide further support to chicken prices.

Locally, the seasonal demand for the festive season and lower fuel prices provide underlying support for SA poultry prices. but competitive imports from Brazil lead local prices lower. South African poultry imports increased 20% in Rand value since 2017.

	Beef			Mutton			Pork			Poultry		
	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week	%	Current week	Prior week
Class A/ Porker/ Fresh birds	1.61	45.59	45.82	-0.7	73.30	73.83	0.7	30.33	30.12	-1.9	25.91	26.42
Class C/ Baconer/ Frozen birds	0.53	40.03	39.64	+0.9	60.06	59.54	1.2	28.65	28.30	-6.6	24.15	25.85
Contract/Baconer/ IQF	1.57	46.07	46.30	-0.8	74.05	74.67	1.0	29.49	29.21	-1.48	23.30	23.65
Import parity price	1.79	64.44	65.76	-0.4	56.22	56.45	5.5	27.11	25.70	0.9	16.20	16.10
Weaner calves/ Feeder lambs	0.2	33.30	33.34	0.0	36.68	36.67		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	n/a	57.05	57.05	n/a	n/a	62.04	n/a	n/a	38.26	n/a	n/a	n/a

Livestock prices (R/kg) for the week of 30 Nov 2018