



## Agri Trends

1 February 2019

### Keep a multi-season perspective during a drought.

The late rainfall during the planting window of maize threatens to limit the output of the crop in the 2019/20 marketing year. Until the end of December the monthly rainfall distribution mimicked the rainfall pattern in 2016. However, maize producers in the western production regions manage to increase plantings during January. Although the amount of hectares planted is very similar to that of the 2017/18 production season, production may suffer due to insufficient heat units and the possibility of colder weather and frost. During the 2016 drought and the season thereafter the increased price levels maintained the gross producer value of production. It is expected to be the case in 2019 as well and higher income levels will support the value of collateral assets such as land. Although the impact of the drought is severe the impact on agriculture in general will be softened by increased prices. Having said this, the cash flow of individual producers without a crop will be impacted the most severe. It is key to remember that production will recover after a drought and often at increased price levels resulting in an increased gross production value to the producer in the next season.

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## Beef market trends

### International

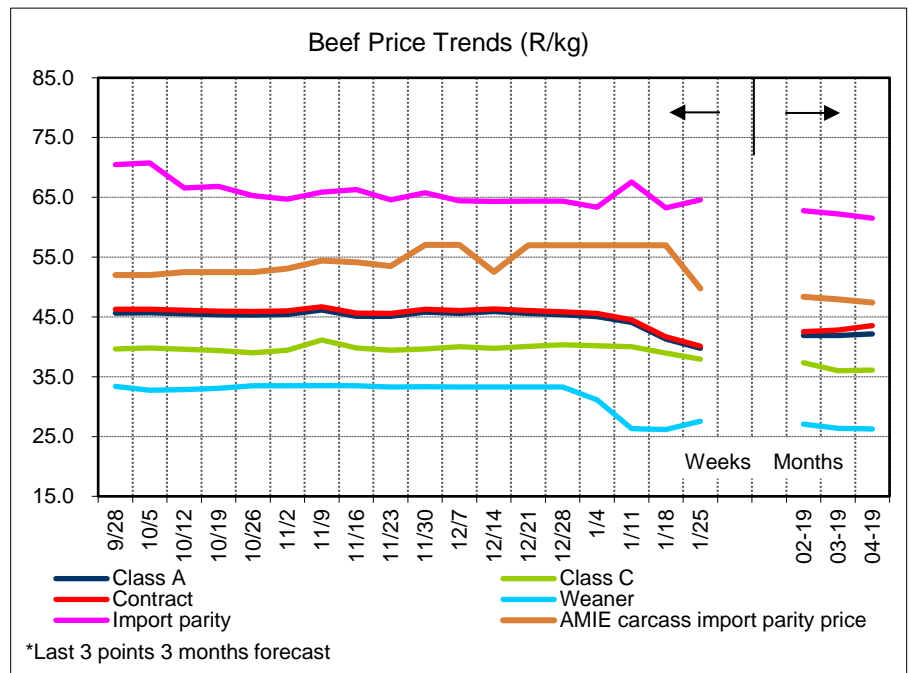
For the week ending 1 February New Zealand steer prices trade 0.2% lower over the past week at 5.40NZ\$/kg and cows traded sideways at 3.97NZ\$/kg compared to a week ago. In the US, beef prices traded for the week ending 25 January on a carcass equivalent basis lower. Topside traded 3.1% higher at \$207.95/cwt. Rump traded 2.2% lower at \$320.00/cwt. Prices for striploin traded 10.9% lower at \$462.00/cwt. Chuck traded 3.7% higher at \$220.00/cwt. Brisket traded 1.5% lower at \$260.00/cwt. The carcass equivalent price was 3.4% lower at \$282.44/cwt.

#### Bullish factors

The dovish stance of the US Federal Reserve and weaker economic outlook may underpin a weaker \$ given that the Euro remain strong which is unlikely. German retail sales were the most down in 11 years. A Weak \$ support US beef export and prices. The muddy conditions in feedlots during December and January impact negatively on beef supply as weight gains were down. The recent cold blast in the US urban centers impact demand as restaurant orders declined sharply in the short term

#### Bearish factors

A weakening Euro may underpin a strong Dollar impacting negatively on US beef export prices.



### Local

Week on week, the beef prices reported by the Red Meat Abattoir Association for the week ending 25 January declined further across the different classes. The average Class A price decreased by 3.8% this week to R39.76/kg. Class C prices decreased by 2.6% to R37.96/kg. The decline in the average weaner calf prices recovered by 5.2% week on week to R27.53/kg. However, the average hide price declined sharply this week. The average hide price declined by 5.7% to reach R2.83/kg green.

#### Bullish factors

The improved rainfall and growing conditions for maize holds promise that the required imports of 1.1 million ton may decline leading to lower animal feed prices. This underpin the increase in weaner calf prices. In the longer term, the collaboration between the private sector including the National Animal Health Forum and DAFF holds promise that South Africa may regain its Foot and Mouth Disease Free Status sooner than later.

#### Bearish factors

The suspension of beef exports due to the foot and mouth disease outbreak continue to weigh on beef carcass prices as the beef targeted for exports are redirected into the local retail market. However, the sharp decline in carcass prices do not reflect fully in retail red meat prices. As a result the benefit of the lower prices are not shared with the consumer downstream in the value chain. Timely lower retail meat prices should lead to an increase in demand and more firm prices. Sticky retail prices limit the increase in demand and prolong the recovery of wholesale and carcass prices.

### Outlook

After the sharp decline in local beef and weaner calf prices, prices start to recover as widespread rainfall improve grazing conditions for weaner calves. Producer resistance against lower prices limited supply. Both beef carcass and weaner prices will continue to trade higher.

## Sheep meat market trends

### International

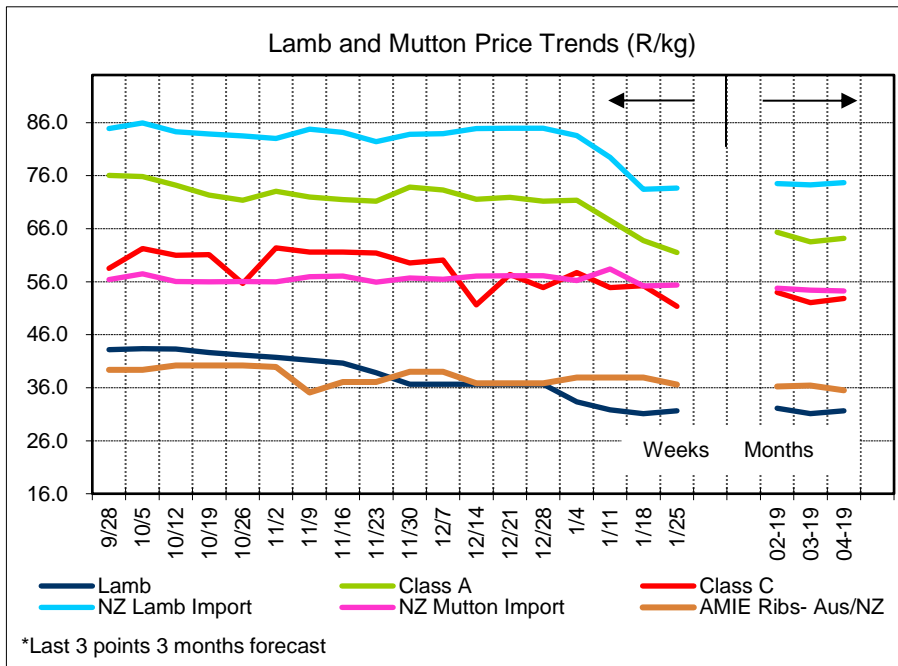
New Zealand lamb and mutton prices traded sideways this week compared to last week. Lamb prices traded at NZ\$7.10/kg. Ewe prices trade at NZ\$4.98/kg. The import parity price for lamb was 0,3% higher at R73.68/kg and the import parity price for mutton was 0,3% higher at R55.38/kg.

#### Bullish factors

The short supply of feeder lambs in Nieu Zeeland are underpinning prices. The excellent pasture conditions allow producers to hold lambs for longer without impacting the condition of ewes. The 2% decrease in ewe numbers in 2018 result in a smaller lamb crop.

#### Bearish factors

The national lamb kill in Nieu Zeeland are running behind. As soon as the lamb kill increase prices will decline.



### Local

This week, lamb and mutton prices decreased overall by 3.7% compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb price decreased by 3.5% to R61.52/kg and the average Class C carcass price decreased by 7.1% to R51.35/kg. The average price for feeder lambs traded 1.6% higher at R31.63/kg. The average price for dorper skin traded 1,5% lower at R30.63/skin and merino skin prices traded 7.1% higher at R87.50/skin.

#### Bullish factors

The maize hectares planted, although for most areas past the optimum planting date, are similar to the previous season. If rainfall is sufficient and growing conditions perfect for the remainder of the season lower animal feed prices will underpin feeder lamb prices.

#### Bearish factors

The strong Rand lead to competitive poultry meat imports. The price of more expensive protein sources such as lamb may follow the imported poultry prices lower.

### Outlook

The more favourable weather conditions improving the outlook for maize production, resistance against low price bids for feeder lambs and the recovery in beef carcass prices will lead feeder lamb prices to trade sideways to higher in the coming week.

## Pork market trends

### International

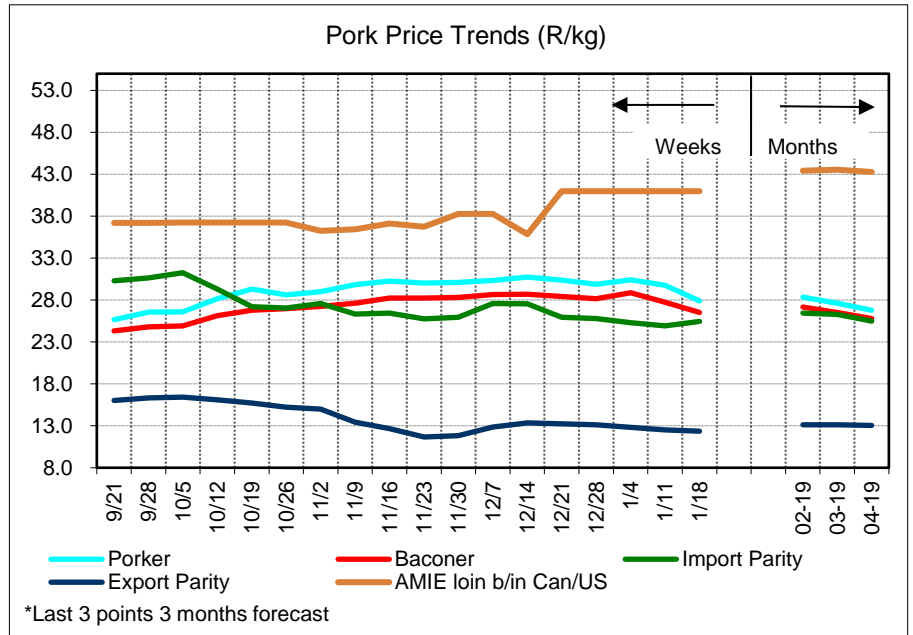
The average weekly US pork carcass prices traded lower over the past week. Carcass prices were 1,7% lower at US\$66.29/cwt, loin prices were 0,7% higher at US\$65.42/cwt, rib prices were 0,7.% higher at US\$125.20/cwt and ham was 4.4% lower at US\$47.62/cwt.

#### Bullish factors

US pork prices are underpinned by the severe cold weather that limit the movement of hogs to the market .Expect tight global and Chinese stocks in the second half of the year.

#### Bearish factors

In China smaller pork producers exit the industry due to the negative impact of African Swine Fever. The liquidation of the pork herd lead to increased supplies and lower pork prices in China. The USA/China trade war and increased import tariffs are not resolved yet.



### Domestic

This week, pork prices declined further and traded mostly lower across the different categories. The latest average pork prices are as follows: The average porker prices are 3,8% lower at R26.84/kg, while the average baconer prices are 2.3% lower at R25.90/kg. The average cutters prices were 0.9% lower at R26.64/kg and the average heavy baconer price was 1.6% lower at R25.71. The SAU price was 1.8% higher at R18.56/kg.

#### Bullish factors

Consumer confidence in the consumption of pork recovered.

#### Bearish factors

As the prices of beef and mutton traded further lower this week the price of pork followed suit. The increase in maize prices due to the drought and the indirect impact of foot and mouth disease that leads to a suspension of beef exports still weigh on the prices of livestock products

### Outlook

The local decline in beef and mutton prices levelled out as the growing conditions and rainfall start to improve. Secondly, resistance to lower beef carcass prices and lower weaner calf prices provide underlying support to lower prices and as a result pork prices should follow the firm beef and mutton prices sideways to higher in the week to come.

## Poultry market trends

### International

Poultry prices in the US were higher over the past week. Whole bird prices increased by 7.5% to 101.24 USc/lb. Breast traded lower at 85.00 USc/lb, while leg quarters traded sideways 24.00USc/lb.

#### Bullish factors

Brazil are ready to restart high level talks with China that could boost farm trade. Brazil meat packers needs to be permitted to export to China.

#### Bearish factors

Saudi Arabia has barred a number of Brazilian chicken processing plants from exporting to the Middle Eastern country. Compared to previous exports Brazilian exports to Saudi Arabia are now limited to 63% of the Brazilian poultry exports to Saudi Arabia.

### Domestic

The average poultry prices over the past week traded higher. The average prices for frozen whole birds were 0.5% higher at R24.59/kg during the week. Whole fresh medium bird prices were 0,4% higher at R25.35/kg, while IQF prices were 0,4% higher at R22.89/kg.

#### Bullish factors

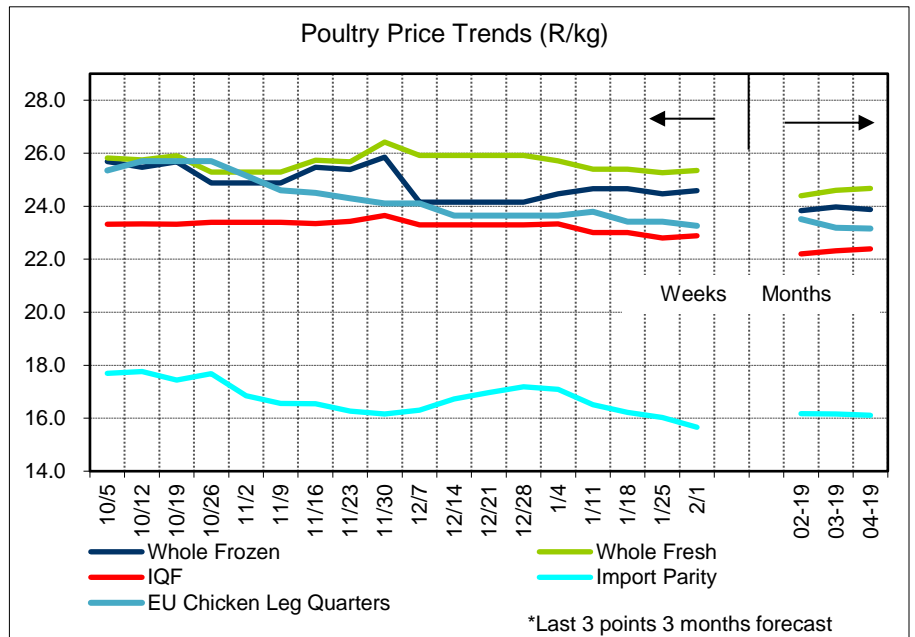
In the longer term, depending a positive outcome of the SA Poultry Association call for an increase in the ad valorem tariff on bone-in and boneless frozen chicken portions will underpin prices. The application are currently under review by the International Trade Administration Commission and AFMA support the application.

#### Bearish factors

The lower beef, mutton and pork price weigh on poultry prices and the strong Rand support imports. US leg quarters is 8,5% cheaper than a month ago but traded sideways week on week. US mechanically separated separated chicken is 23% and leg quarters 38% cheaper than a year ago.

### Outlook

Although 11% weaker than a year ago the Rand strengthened by 7% over the past month allowing the imports of more competitive poultry products. The strong Rand negates the positive impact of improved rainfall conditions in the grain producing areas on future animal feed cost increases. Local poultry prices remain under pressure.



## Livestock prices (R/kg) for the week ending 25 Jan 2019

	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	-3.8	39.76	41.31	-5.6	61.52	63.77	-3.8	26.84	27.89	0.4	25.35	25.26
Class C/ Baconer/ Frozen birds	-2.6	37.96	38.97	-7.1	51.35	55.27	-2.3	25.90	26.51	0.5	24.59	24.47
Contract prices /Avg Pork / IQF	-3.7	40.12	41.67	-4.6	62.31	65.30	-3.1	26.37	27.20	0.4	22.89	22.80
Import parity price / Ham / US Leg 1/4	-1.6	63.55	64.58	0.3	55.38	55.21	2.4	47.62	49.81	-2.3	15.70	16.00
Weaner calves/ Feeder lambs	5.2	27.53	26.17	1.6	31.63	31.13	-	-	-	-	-	-
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	0.0	49.77	Na	0.0	58.99	58.98	0.0	Na	Na	0.0	Na	Na