

Compiled by Pieter Cornelius

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NEXT PUBLICATION

5 September 2016

REGISTER NOW!

The 16th AMT Agri-Outlook Conference will be held on 28 September 2016 at the CSIR Convention Centre in Pretoria. The theme of this year's conference is: Politics, conflicts, global warming, the world economy and the future of agriculture in South Africa.

Producers, producer organizations, banks, universities, government officials, agri businesses and the media will attend. This is an excellent annual networking opportunity for all role-players involved in agriculture.

Some of the renowned speakers will be Mr. Mike Schussler, who will give an economic outlook for 2017, and Mr. Johan van den Berg who will discuss the climate outlook for 2016 and 2017. Mr. Van den Berg will give his opinion regarding rain expectations for the coming summer. Another world class speaker, Mr. Theo Venter, will present a political outlook for 2017 which will be interesting following the outcomes of the local municipal elections in August 2016. Mr. Chris Hart will share his insights in terms of the impact of policy on the economic and agricultural economic environment while Mrs. Chantell Ilbury will elaborate on the mega trends focusing on the growing global conflict and tension and how this will impact on local agribusiness in the years to come.

During the panel discussion the opportunity will arise for interaction between the audience and experts in their field. This year the panel of experts, which includes Prof Nick King, Dr Andries Jordaan and Mr. Christo van der Rheede, will focus on issues regarding risk mitigation within the context of climate change, water and food security as well as drought mitigation strategies and drought relieve in South Africa.

The Global and South African Outlook for the supply and demand of grains, oilseeds and livestock will be addressed by Mr. Ernst Janovsky with final perspectives on the day's deliberation that will be dealt with by Dr Herman van Schalkwyk.

The day's programme will be concluded with a gala dinner with guest artists (It Takes Four) and a lucky prize draw. This conference will provide you the opportunity to listen, experience and interact with the experts and leaders in the agricultural business environment. If you are interested in attending this conference, or want to sponsor, exhibit or advertise in the conference programme booklet, contact Mrs. Dalene Coetzer at 076 188 6533 or e-mail liaison@amtrends.co.za

"Our endeavour is to provide you with a thought provoking experience that will help you to shape your business or organisation for future challenges."
– Dr Flippie Cloete, CEO: AGINFO (t/a AMT).

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BEEF & MUTTON MONTHLY REPORT AUGUST 2016

BEEF AND MUTTON MONTHLY REPORT - AUGUST 2016

BOTTOM LINE

Beef

- In July 2016 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by respectively 11,3%, 11,5% and 12,6%.
- For August 2016, an increase is predicted in the average price of Class A2/A3, and based on the price information of the past 18 years, the probability is 83,3% that the average price of the A2/A3's is going to be higher compared to the previous month.
- For August 2016, an increase is predicted in the average price of weaners, and based on the price information of the past 20 years, the probability is 80,0% that the average price of weaners is going to be higher in August compared to the previous month.
- The average yellow maize price (all contracts on JSE SAFEX) was 19,9% higher in July 2016 year-on-year. Over the same period the average price of medium light weaners declined in total by 1,6% in July.
- In June 2016 year-on-year, the import parity price of Australian cow meat was 33,9% higher compared to an increase of 12,6% in the average price of Class C2/C3 beef.
- In July 2016, the number of beef cattle slaughtered was in total 0,8% more compared to the previous month, 2,1% less than in July 2015 and 7,6% above the long-term average over the period July 2013 to July 2016.
- In March 2016, South Africa imported 804 tons of beef from Namibia (including live animals), which was 91,0% less than in the same month in 2015.
- In June 2016, South Africa imported 1 434 tons of beef from Botswana, which was 10,4% less than the same month a year ago.
- In June 2016, a total of 255 tons of beef (excluding offal) was imported from overseas, which was 7,6% less than the same month in 2015.

Mutton

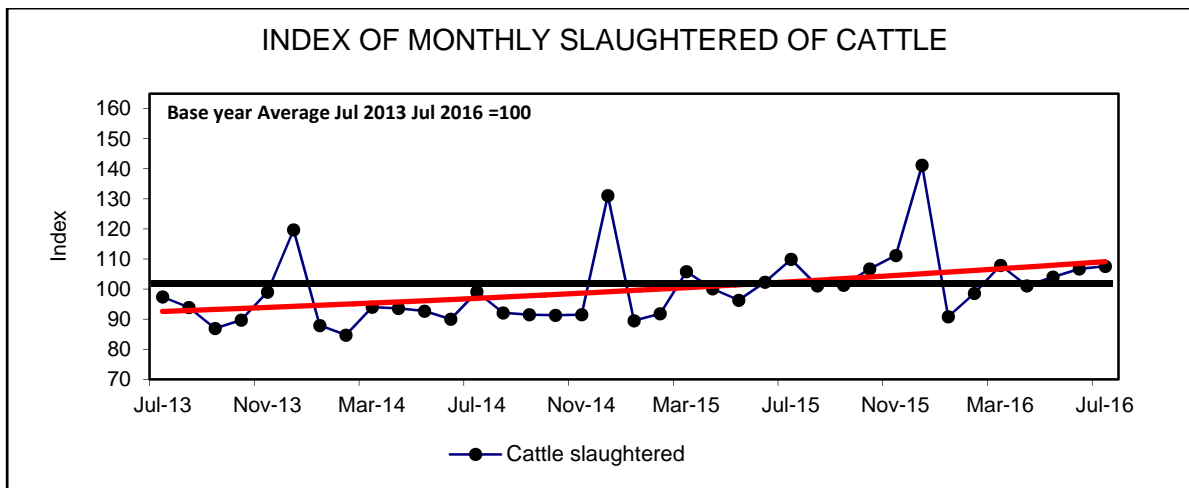
- In July 2016 the number of mutton and lamb slaughtered was 1,5% less compared to the previous month, 19,1% less compared to July 2015, and 16,7% down compared to the long-term average over the period July 2013 to July 2016.
- The average producer prices of Class A2/A3, B2/B3 and C2/C3 increased in total by 8,8%, 6,4% and 15,3% in July 2016 year-on-year, the and the average price of all classes was 15,3% higher than the average over the period July 2013 to July 2016.
- For August 2016, an increase is predicted in the average price of Class A2/A3, and based on the price information of the past 20 years and the probability is 65,0% that the average price of the A2/A3's is going to be higher in August compared to the previous month.
- In July 2016 year-on-year, the import parity price of Australian lamb increased in total by 22,8% and the average price of AU-mutton increased by 9,1%.
- In March 2015, South Africa imported 1 513 tons of mutton and lamb from Namibia (including live sheep), which was 29,5% less than in the same month in 2015.
- In June 2016, a total of 494 tons of mutton was imported from overseas, which was 37,9% less than the same month in 2015.

PRODUCTION INFORMATION FOR THE MONTH OF JULY 2016

Item	July 2016	Previous month	July 2015	Forecast	
				August 2016	September 2016
BEEF					
Abattoir selling prices (c/kg)					
A2/A3's	3 759	3 818	3 376	3 863	3 900
AB2/AB3's	3 639	3 611	3 232	3 759	3 736
B2/B3's	3 330	3 262	2 989	3 407	3 445
C2/C3's	3 050	2 933	2 704	3 114	3 188
Net weaner price (c/kg)	1 912	1 874	1 944	1 967	1 982
Slaughtering index (Ave.=100)	107,6	106,7	109,9		-
Import parity AU-cows (c/kg)	7 362	7 236	5 498	-	-
MUTTON					
Abattoir selling prices (c/kg)					
A2/A3's	5 949	5 609	5 476	6 012	5 918
AB2/AB3's	5 039	5 033	4 639	5 117	5 081
B2/B3's	4 494	4 658	4 351	4 596	4 466
C2/C3's	4 572	4 088	4 008	4 620	4 509
Slaughtering (Ave.=100)	83,3	84,6	102,9	-	-
Import parity AU-mutton (c/kg)	5 014	5 075	4 595		-
Import parity AU-lamb (c/kg)	9 416	9 078	7 687	-	-

BEEF INDUSTRY

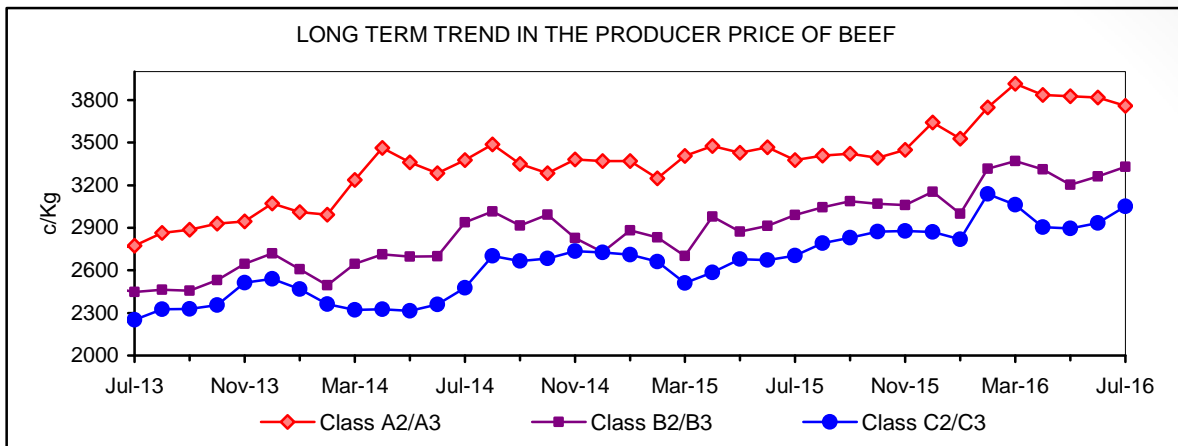
Slaughtering of beef cattle



- Aggregate slaughter Information received from of Red Meat levy Admin only available till **May 2016** with preliminary slaughter based on information from the Red Meat Abattoir Association for June and July 2016. For the month of June and July we have to rely on the percentage change in the total slaughter against the previous month of the approximately 20 abattoirs which provide the information for the price analysis.
- The slaughter index in the graph is based on the total slaughter of Red Meat levy Admin in South Africa, and gives a good indication of what is happening on the production side. The horizontal 100-line on the graph represents the long term average monthly slaughter of beef cattle from July 2013 to July 2016.
- In July 2016, the slaughter of beef cattle seems to increase in total by 0,8% compared to the previous month, 2,1% less than the same month a year ago, and 7,6% above the long- term average based on the period July 2013 to July 2016. The slaughter curve shows a upward trend from July 2013 to July 2016.

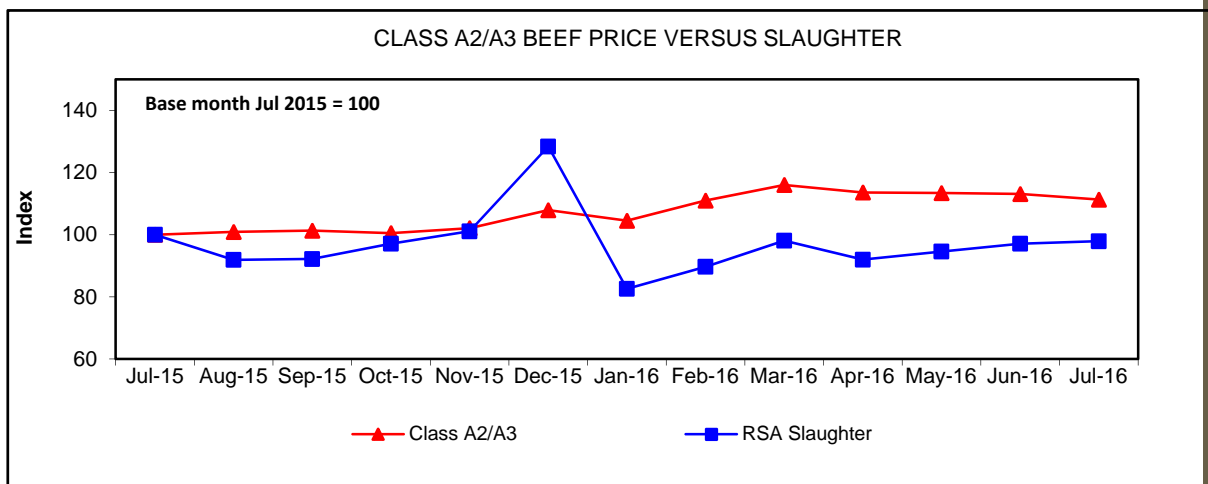
Price movements of beef

Long term trends in beef prices



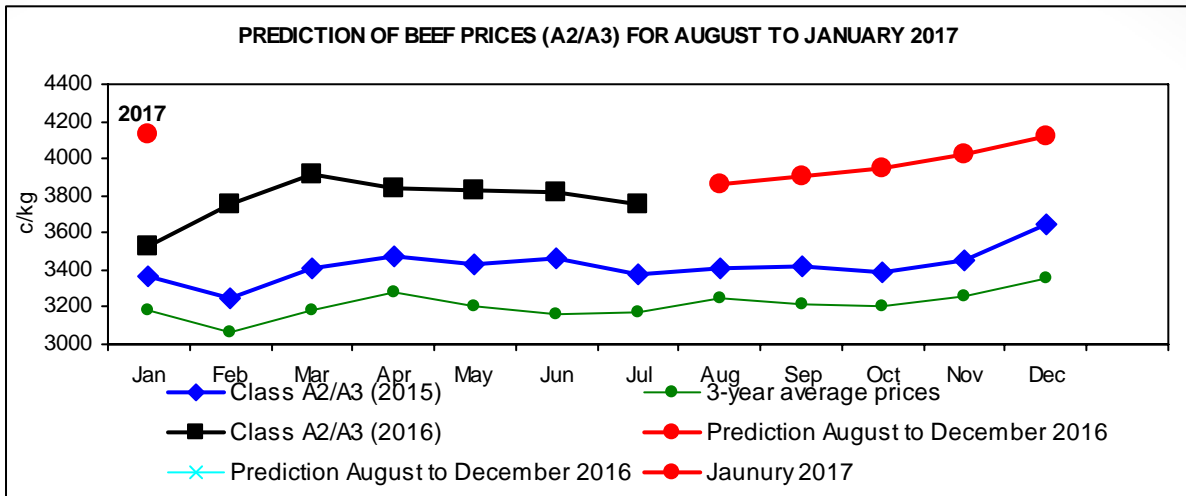
In July 2016 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 11,3%, 11,5% and 12,6%. The average price of the A2/A3's was 11,6% above the long term average over the period July 2013 to July 2016. The impact of the drought over the past two years can clearly be seen in the relative high price level of the A2/A3's since from May 2014 to July 2016.

Price of Class A2/A3 beef versus slaughter

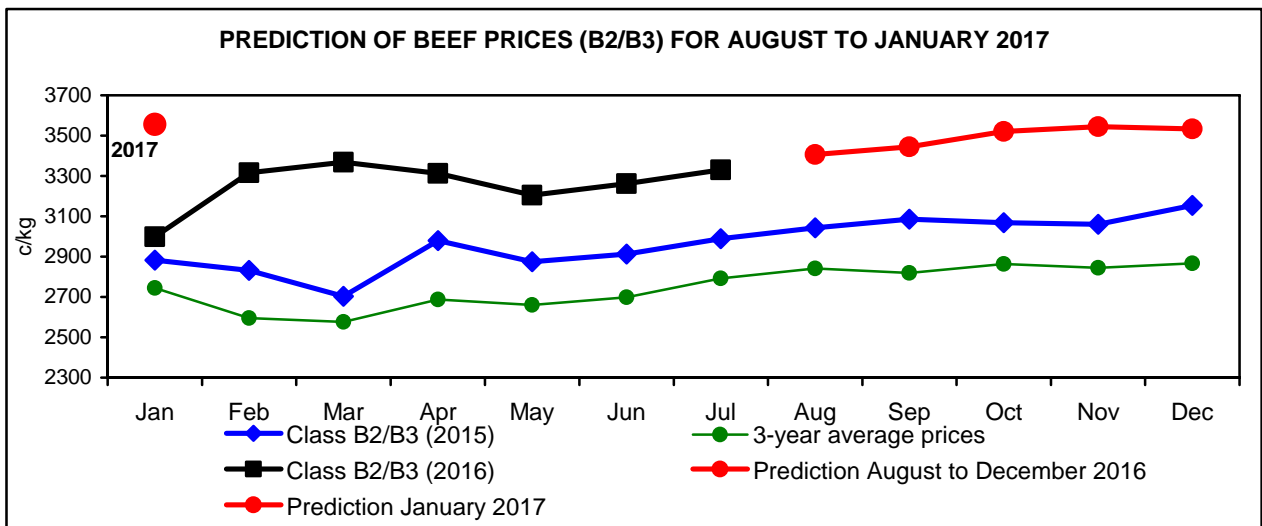


From July 2015 to July 2016, the average producer price of Class A2/A3 beef increased in total by 11,3% and over the same period national slaughter declined in total by 2,1%. The above Graph indicates a weak relationship between price and slaughter.

Price prediction for Class A2/A3 beef



- In July 2016, compared to the previous month the average price of Class A2/A3 beef declined in total by 1,3%. For July an increase in the average price for Class A2/A3 beef was predicted in the previous monthly report, which was incorrect, but it was based on a probability of 66,7% for an increase according to the price information over the past 18 years.
 - The actual beef price in July was 1,6% (R0,61/kg carcass weight) lower compared to the price predicted for July in the previous monthly report.
 - For August 2016 an increase is predicted in the average price of the A2/A3's and according to the price information over the past 18 years, the probability is 83,3% for a higher in price from July to August each year.
- **Price prediction for Class B2/B3 beef**



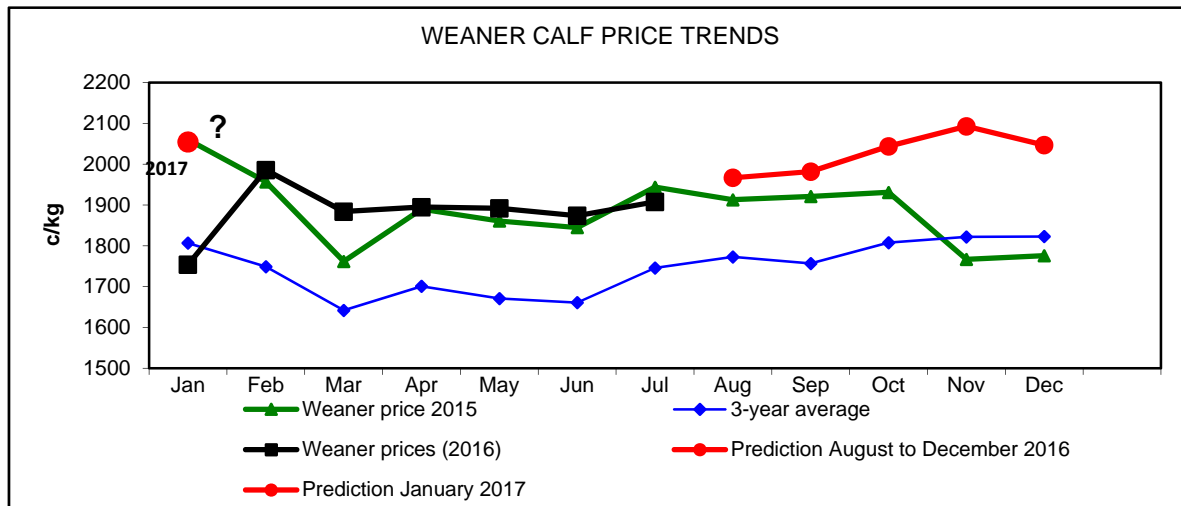
- In July 2016, compared to the previous month the average price of Class B2/B3 beef increased in total by 2,1%. For July an increase in the average price for Class BA2/B3 beef was predicted in the previous monthly report, which was correct, and it was based on a probability of 78,9% for an increase according to the price information over the past 18 years. The actual beef price in July was 0,5% (R0,17/kg carcass weight) lower compared to the price predicted for July in the previous monthly report.

- For August 2016 an increase is predicted in the average price of the B2/B3's, and according to the price information over the past 18 years, the probability is 83,3% for a higher in price from July to August 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)	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016
Class A2/A3	3 749	3 915	3 835	3 827	3 818	3 759
Class AB2/AB3	3 619	3 706	3 636	3 616	3 611	3 639
Class B2/B3	3 316	3 369	3 312	3 204	3 262	3 330
Class C2/C3	3 139	3 062	2 904	2 895	2 933	3 050
Medium Light weaners	1 986	1 884	1 895	1 892	1 874	1 812

Weaner (190 – 240kg) price movements

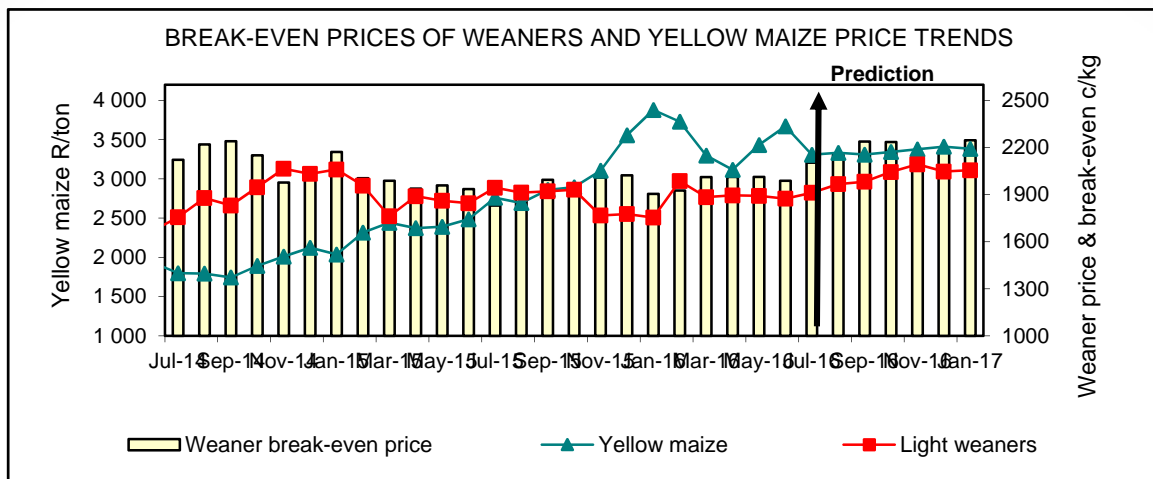


The net price (farm gate price) of medium light weaners (190-240kg) increased in total by 2,1% in July 2016 compared to the previous month and declined in total by 1,6% year-on-year. The prediction of an increase in the average price of weaners for July in the previous monthly report was correct, and was based on price information over the past 20 years, indicating a probability of 90,0% for the average weaner price to be higher in July compared to the previous month.

The actual weaner price in July was 2,0% (R0,98/kg carcass weight) lower compared to the price predicted for July in the previous monthly report.

For August, an **increase** is predicted in the average price of weaners, but based on the price information over the past 20 years, the probability is 80,0% for the average weaner price to be **lower** in August compared to the previous month.

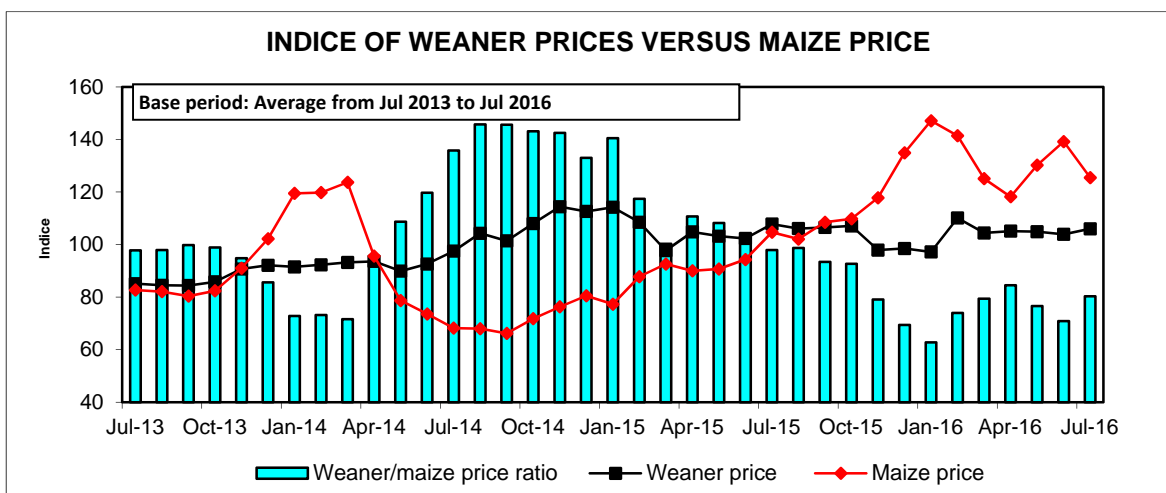
The maize/weaner break-even price



The average yellow maize price (on JSE SAFEX based on all July 2016 contracts Randfontein) in July 2016 was in total 9,9% lower compared to the previous month, and 19,9% higher compared to the same month a year ago.

The expected break-even-price of weaners for August 2016 is based on the predicted future price of Class A2/A3 beef in November 2016 and the SAFEX price for yellow maize in August 2016. With a predicted meat price (Class A2/A3) of R40,19 per kilogram in November 2016 and an average maize price (JSE SAFEX) of R3 332 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 R21,52 per kg live weight in August, which is 9,4% higher than the average predicted weaner price of R19,67/kg for August. Or based on the expected average weaner price of R19,67 per kg live weight for weaners in August and a maize price of R3 332 per ton in August, by selling these animals in November 2016, the price for Class A2/A3 beef should not be less than R37,68 per kilogram, which is 6,2% lower than the predicted price R40,19/kg for Class A2/A3 in October 2016.

Weaner price versus maize price

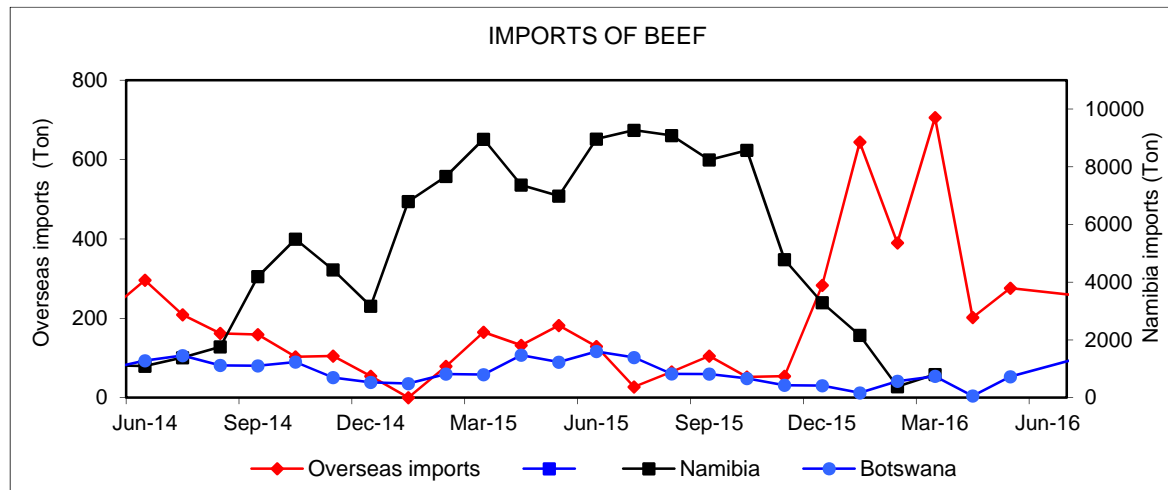


The above graph shows clearly the effect of a higher maize price on the weaner/maize price ratio.

In June 2016, the weaner/maize price ratio improved in total by 13,2 % against the previous month.

In July 2016 year-on-year, the weaner/maize price ratio weakened in total by 17,9% due to an increase of 19,9% in the maize price and an increase of 11,3% in the average price of weaners.

Imports of beef



Import information from Namibia is only available till **March**, and Botswana and overseas till **June 2016**.

In March 2016 South Africa imported 804 tons of beef from Namibia, which was 110,5% more than in the previous month and 91,0% less than in the same month a year ago. These imports include live animals and canned meat.

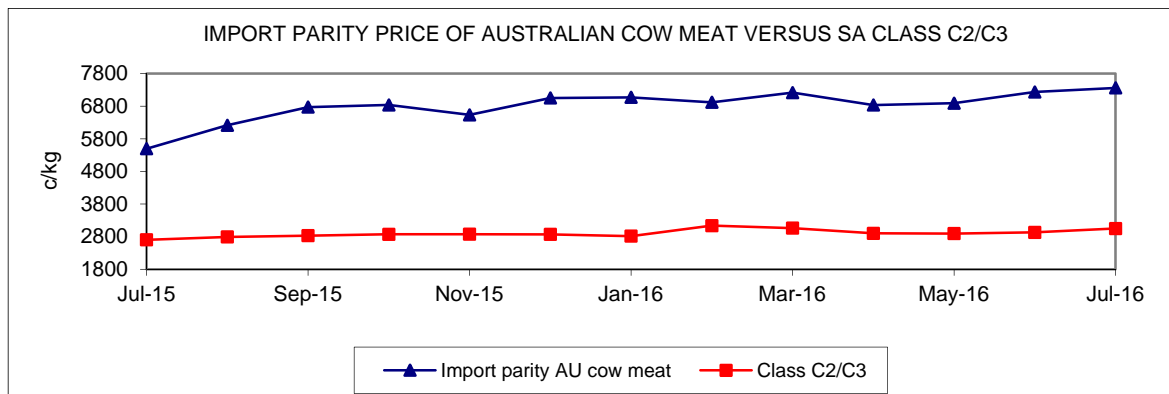
In June 2016, South Africa imported 1 434 tons of beef from Botswana, which was 97,0% more compared to the previous month and 10,4% less compared to the same month a year ago.

In June 2016, South Africa imported 255 tons of beef from overseas, which was 7,6% less than in the previous month and 97,7% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

In June, the main export countries from overseas of beef meat to South Africa were Uruguay (43,1%), Australia (0,8%) and New Zealand (56,1%). When liver, hearts, offal and tongue were included, the total imports amounted to 3 589 tons and the main export countries were Australia (40,1%), New Zealand (15,4%), Denmark (7,0%), Britain (6,8%), Ireland (7,7%), Uruguay (7,8%), U.S.A (4,7%) Estonia (4,1%) and Argentina (6,4%).

International markets and price movements of beef

The import parity price situation



In July 2016, the average price of South African beef (C2/C3) was 3 050c/kg compared to the derived import parity price of Australian cow meat of 7 362c/kg. The import parity price is thereby 141,4% higher compared to the average price of Class C2/C3 beef.

In July-on-year, the import parity price of Australian cow meat was 33,9% higher compared to an increase 12,6% in the average producer price of Class C2/C3 beef.

Beef trade overseas

Australia

Beef export values trend lower as supply tightens

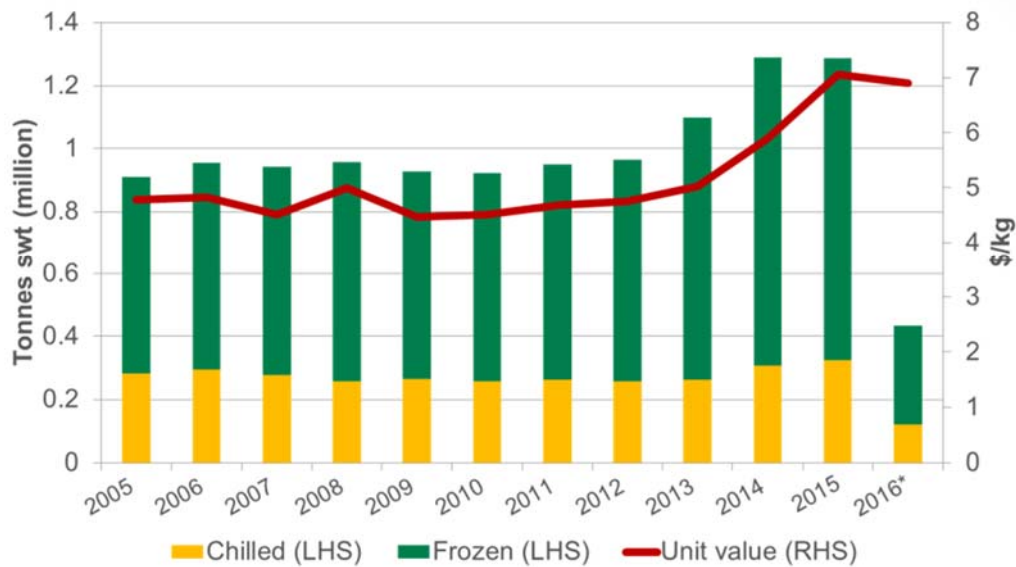
In May, **Australian beef export values** declined 18% on the year-prior, reaching just over \$717.5 million for the month – driven by lower shipments to both the **US** and **China**.

2016 year-to-date (January to May) beef shipments have generated just over \$3.02 billion, 18% lower than the same time last year, but 27% greater than the five-year average over the corresponding time period (\$2.38 billion).

So far this year, compared to the same time last year, export values to:

- the **US** declined 35% - at \$840.1 million
- **Japan** declined 12% - to \$653.2 million
- **South Korea** increased 17% - at \$512.4 million
- **China** declined 29% - at \$257.3 million
- **Indonesia** increased 57% - to 142.5 million

Australian beef export volume & value



Source: DA/Global Trade Atlas

*=Jan-May

Highlighted in the latest update to MLA's Cattle Industry Projections, beef export volumes are expected to ease to just over 1 million tonnes in 2016 (down 20% year-on-year) – largely driven by lower beef production, and with a small influence from a stronger than anticipated A\$ so far this year (0.74US\$).

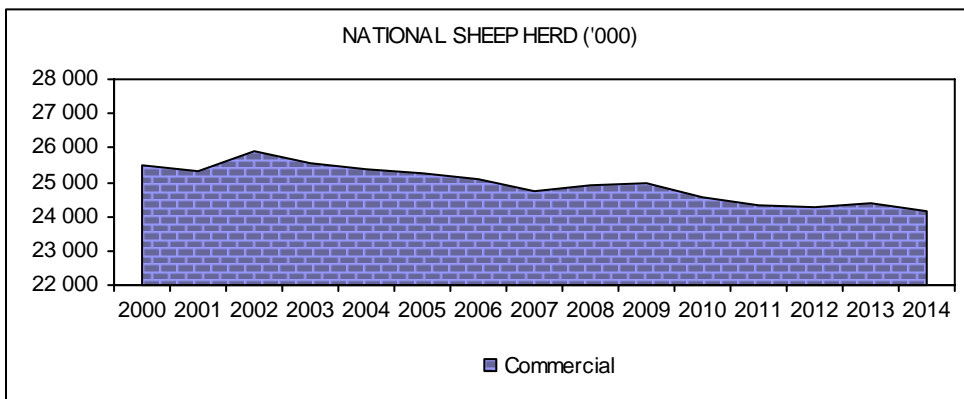
As shown in the chart above, the average unit price of Australia's beef exports has declined slightly in 2016. This is largely due to a slowing of the extremely strong demand for Australian beef in export markets during 2014 and 2015. Further downward adjustments in export prices are expected to occur in 2016 and 2017, with major overseas competitors, including the US, Brazil and India, producing and exporting more beef.

The Australian cattle market is expected to remain buoyant as a result of a further tightening in slaughter now forecast in 2016 (7.4 million head – down 18%) – with the latest rainfall outlook also bolstering producer confidence in the ability to feed and water stock through the coming seasons.

Source: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 26 July 2016

THE MUTTON INDUSTRY

The National Sheep herd



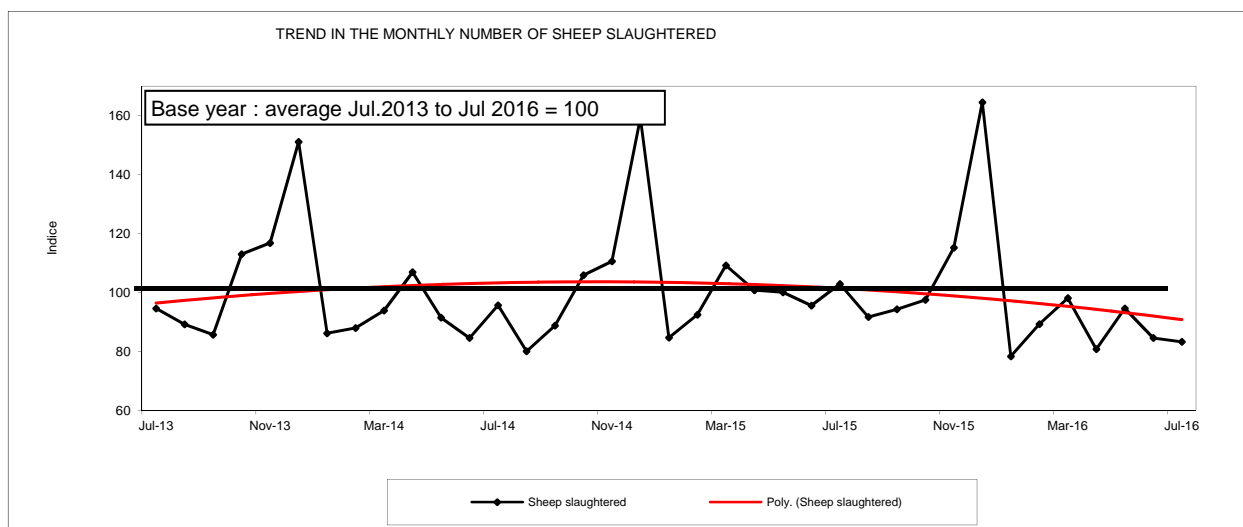
Source: NDA

(1) Preliminary

Based on the latest information from the National Department of Agriculture, total sheep numbers, which include sheep from the non-commercial sector, are in the order of 24,2 million for 2014. Over the last ten years the national sheep herd of South Africa declined in total by 4,4%.

Slaughter trends

Long term trends in sheep slaughter



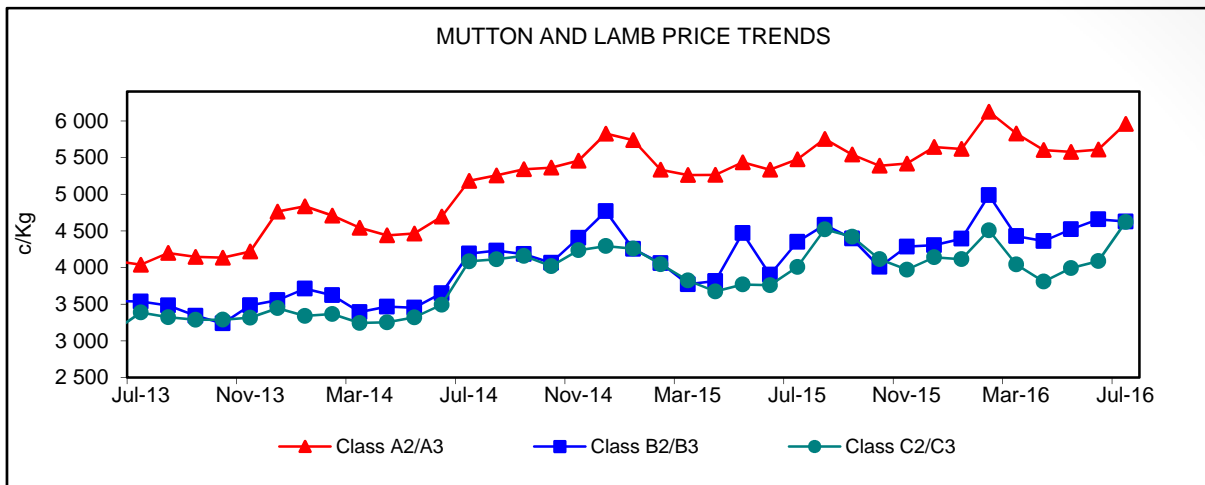
Slaughter of Red Meat levy Admin in South Africa only available till **May 2015**.

The slaughter index in the graph is based on the total slaughter of Red Meat levy Admin in South Africa, and gives a good indication of what is happening on the production side. For June and July we have to rely on the percentage monthly change in the total slaughter data from the RMAA which represents approximately 20% to 30% of RSA abattoirs.

In July 2016, the number of sheep and lamb slaughtered seems to be 1,5% less compared to the previous month, 19,1% less year-on-year and 16,7% down on the average over the period July 2013 to July 2016.

Producer prices of mutton

Long term trends in mutton and lamb prices

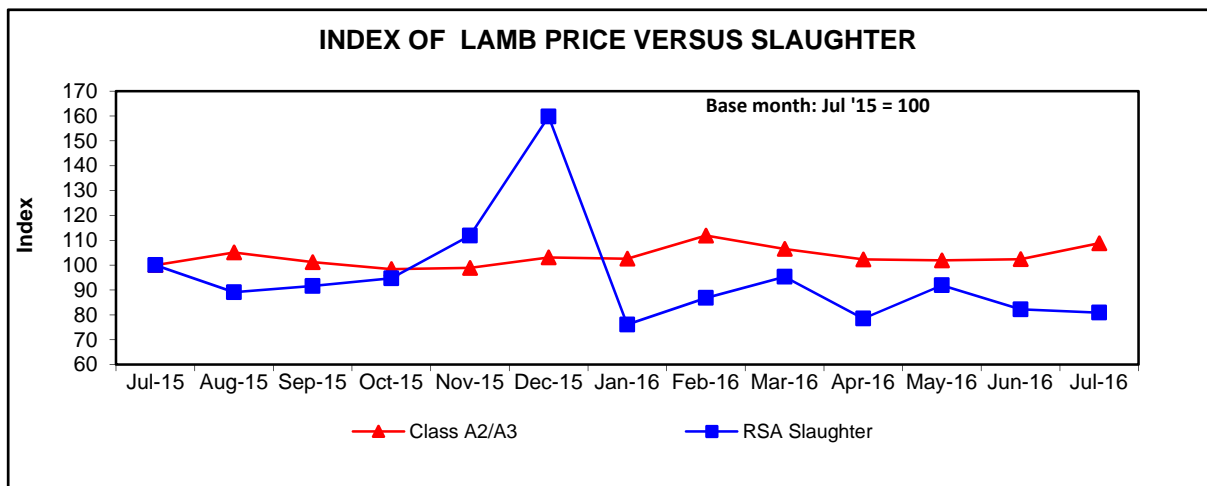


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

In July 2016 year-on-year, the average producer prices of Class A2/A3, the B2/B3's and Class C2/C3 increased in total by respectively 8,8%, 6,4% and 15,3%.

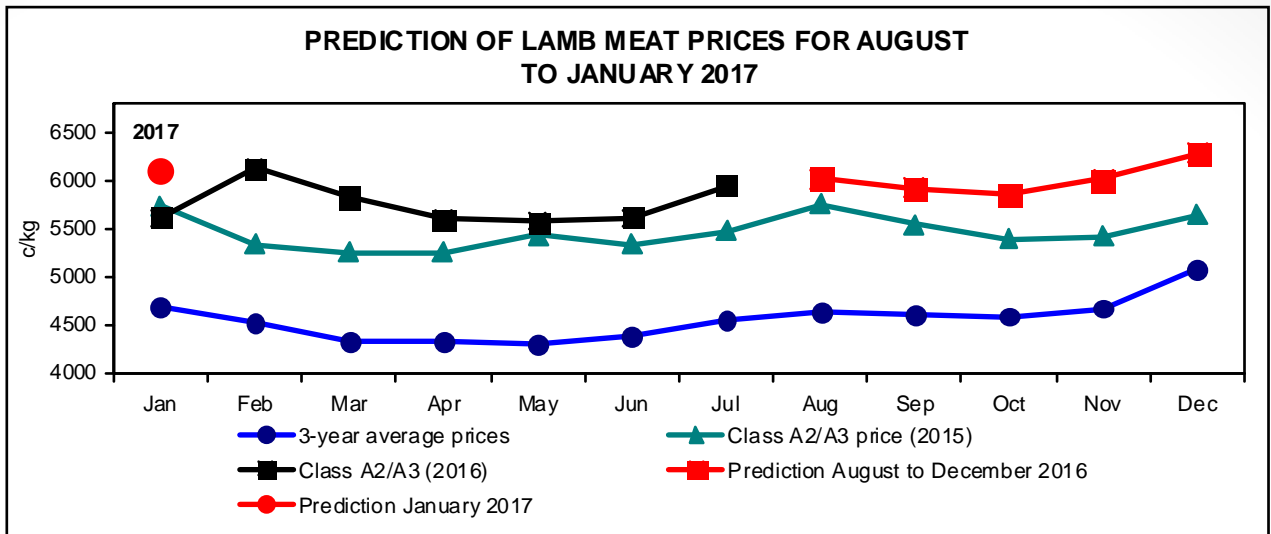
In July, the average producer price (all classes) was 15,3% above the average over the period July 2013 to July 2016.

Price of lamb versus slaughter



From July 2015 to July 2016, the average producer price of Class A2/A3 lamb increased in total by 8,8 % and over the same period national slaughter declined in total by 19,1%.

Price prediction for Class A2/A3 lamb



In July 2016, the average producer price of Class A2/A3 was 6,2% up compared to the previous month. The prediction of an increase in the average price for Class A2/A3 beef in July was correct, and it was based on a probability of 85,0% for an increase according to the price information over the past 20 years.

The actual Class A2/A3 price in July was 2,9% (R1,68/kg) higher compared to the price predicted for July in the previous monthly report.

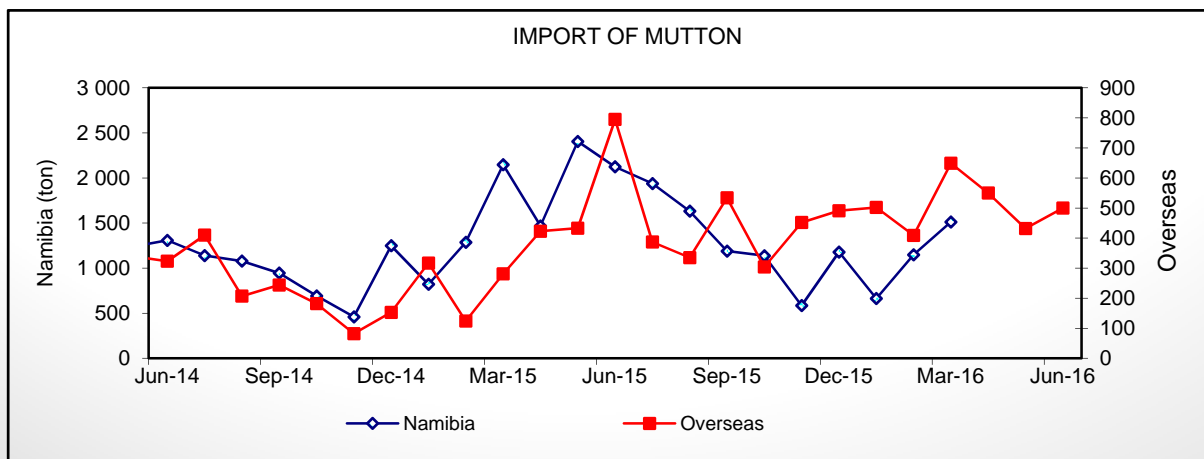
For August 2016, an increase is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 65,0% for a higher in price from July to August each year.

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 2016.

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

Monthly prices (c/kg)	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016
Class A2/A3	6 125	5 829	5 603	5 578	5 609	5 959
Class AB2/AB3	5 366	5 102	4 877	4 901	5 033	5 161
Class B2/B3	4 987	4 428	4 362	4 522	4 658	4 628
Class C2/C3	4 508	4 042	3 809	3 993	4 088	4 622

Imports of mutton



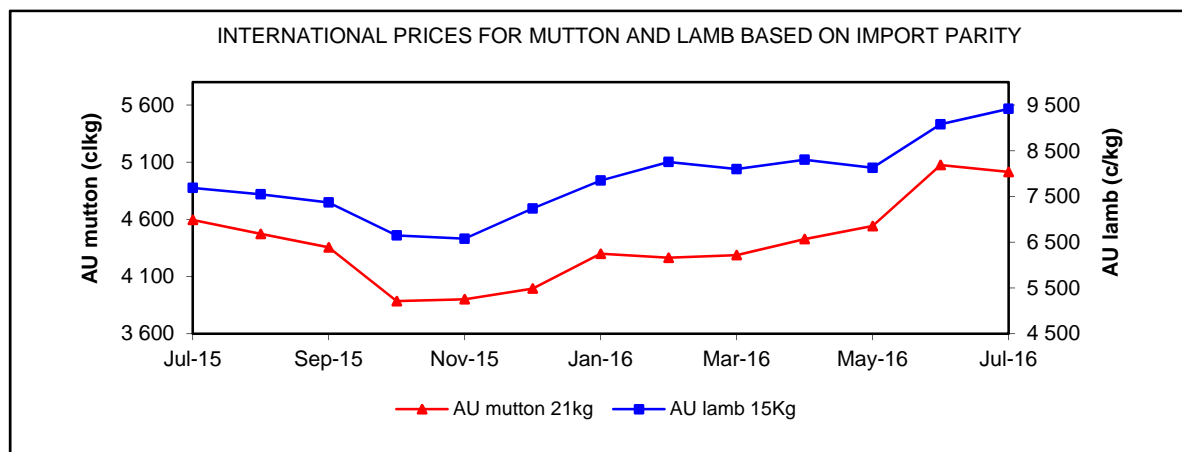
Import figures from Namibia are only available up to **March** and overseas up to **June 2016**.

In March 2016, South Africa imported 1 513 tons of mutton from Namibia, which was 31,7% more than in the previous month and 29,5% less than the same month in 2015.

In June 2016, South Africa imported 494 tons of mutton (excluding offal) from overseas, which was 14,4% more than in the previous month and 37,9% less compared to the same month in 2015.

In June, the main export countries of mutton (offal excluded) to South Africa from overseas were Australia (84,2%) and New Zealand (15,8%). When offal is included total imports was 972 tons and the main export countries of mutton to South Africa were Australia (56,2%), New Zealand (41,4%) and Estonia (2,4%).

International mutton prices



In July 2016 on year-to-year, the import parity price of Australian-lamb increased by 22,8% and Australian mutton increased by 9,1%.

In July, the import parity price for Australian lamb and mutton were respectively R94,16 and R50,14 per kilogram based on the Rand/A\$-exchange rate.

World sheep meat market review

Australia

Lamb slaughter eases, while sale yard prices lift

Eastern states average weekly lamb slaughter during July eased 6% on the corresponding month last year, to 298,095 head, and is 7% lower than the five -year average for the month (321,718 head).

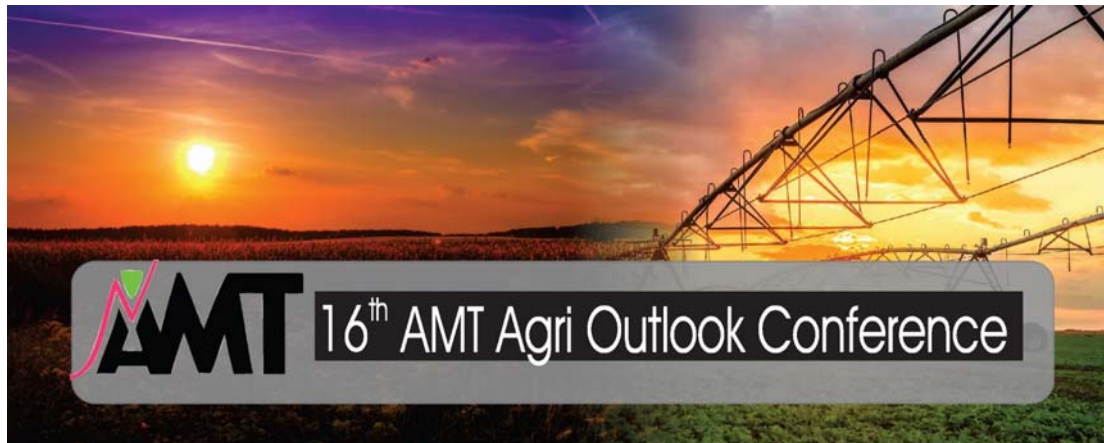
Queensland lamb slaughter remained below 100 head per week in July – significantly lower than past years, due to a processing facility temporarily closing. Somewhat counteracting this though, was the average weekly kill in **NSW** lifting 11% year-on-year, to 103,676 head. Every other state registered lower average kill levels during July:

- **SA** slaughter was down 13%, to 34,969 head
- **Victorian** slaughter eased 8%, to 150,492 head
- **Tasmanian** slaughter slipped 36%, to 8,875 head

The tighter lamb availability helped to lift sale yard prices during the month, with the **National Trade Lamb Indicator (NTLI)** up 6% year-on-year, to 615¢/kg cwt, which is 21% higher than the five-year average (510¢/kg cwt). The other lamb indicators also increased on year-ago levels:

- The **light** lamb indicator was 6% higher, to average 567¢/kg cwt
- The **heavy** lamb indicator gained 8%, to settle on 635¢/kg cwt
- The **Merino** lamb indicator lifted 7%, to average 566¢/kg cwt
- The **restocked feeder** lamb indicator increased 10%, to 566¢/kg cwt

Source: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 2 August 2016.



Conference theme:

Politics, conflicts, global warming, the world economy and the future of agriculture in South Africa.



Save the date:
 Wednesday,
 28 September 2016
 CSIR International Conference
 Centre, Pretoria

Early Bird registrations are now open for the 2016 AMT Agri-Outlook Conference!
 Registration forms can be obtained from www.agrimark.co.za (click on Conference)

Conference speakers:

Mike Schussler • Chris Hart
 Prof Nick King • Ernst Janovsky
 Chantell Ilbury • Theo Venter
 Johan van den Berg • Herman van Schalkwyk • Mr Christo van der Rheede



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