



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

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## AMT MONTHLY BEEF AND MUTTON REPORT – JUNE 2018

### BOTTOM LINE

#### Beef price

- In June 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 2,1%, 3,8% and 3,4%.
- This increase in prices were caused by an expected decline of 6,1% in slaughter in June 2018 year-on-year. This decline was the result of the drought of 2016/17, 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 65,0% for a higher price in July compared to June, based on price information over the past 20 years, due to the effect of the drought. 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 and based on the present information will stay above the 2017 price line till the end of 2018.
- Although the pork industry is launching a huge national pork promotion campaign at present to regain their market share, these efforts up to now have no effect on the demand side of both beef and mutton over the short term.
- 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.

#### Weaner price

In June, the average weaner price stabilized after the relative sharp decline of 8,1% since February 2018. The decline in the average weaner price is expected to be mainly the result of an increase of 14,9% in the price of maize from February to June..

#### 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 90,0% that the average price of weaners may be higher in July 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 R75,60/kg in December 2017. However, from December to June, the average price of Class A2/A3 lamb declined in total by 3,7%. Preliminary slaughter data shows a decline of 9,0% in June year-on-year.
- In June compared to the previous month, the average producer price of lamb increased in total by 3,0%, which may be the result of the expected decline in the number of A2/A3 lamb being slaughtered in June.
- 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. It therefore does not have a substantial impact on the South African lamb and mutton market.

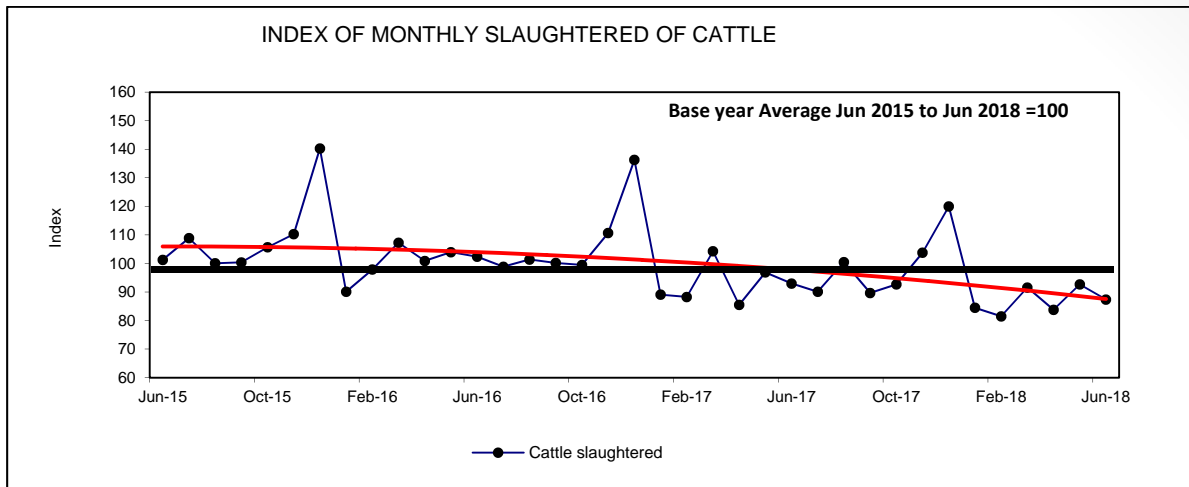
## For the coming month

The average lamb price is expected to increase July and based on the average lamb prices of the past 20 years, the chance is 85% that the price will be higher in July compared June and 70,0% for a higher price in August against the previous month.

PRODUCTION INFORMATION FOR THE MONTH OF JUNE 2018					
Item	June 2018	Previous month	June 1017	Forecast	
				July 2018	August 2018
<b>BEEF</b>					
Abattoir selling prices (c/kg)					
A2/A3's	4 718	4 729	4 621	4 702	4 755
AB2/AB3's	4 639	4 657	4 513	4 701	4 736
B2/B3's	4 377	4 378	4 216	4 528	4 601
C2/C3's	4 116	4 175	3 981	4 225	4 377
Net weaner price (c/kg)	3 314	3 351	3 014	3 449	3 427
Slaughtering index (Ave.=100)	87,4	92,7	93,0		-
Import parity AU-cows (c/kg)	5 581	5 246	6 333	-	-
<b>MUTTON</b>					
Abattoir selling prices (c/kg)					
A2/A3's	7 278	7 067	6 927	7 698	7 875
AB2/AB3's	6 607	5 155	6 275	6 971	7 171
B2/B3's	6 382	5 634	5 728	6 726	7 028
C2/C3's	5 693	5 305	5 401	6 280	6 668
Slaughtering (Ave.=100)	82,0	85,3	90,1	-	-
Import parity AU-mutton (c/kg)	5 839	5 343	6 758		-
Import parity AU-lamb (c/kg)	8 303	7 833	9 079	-	-

## BEEF INDUSTRY

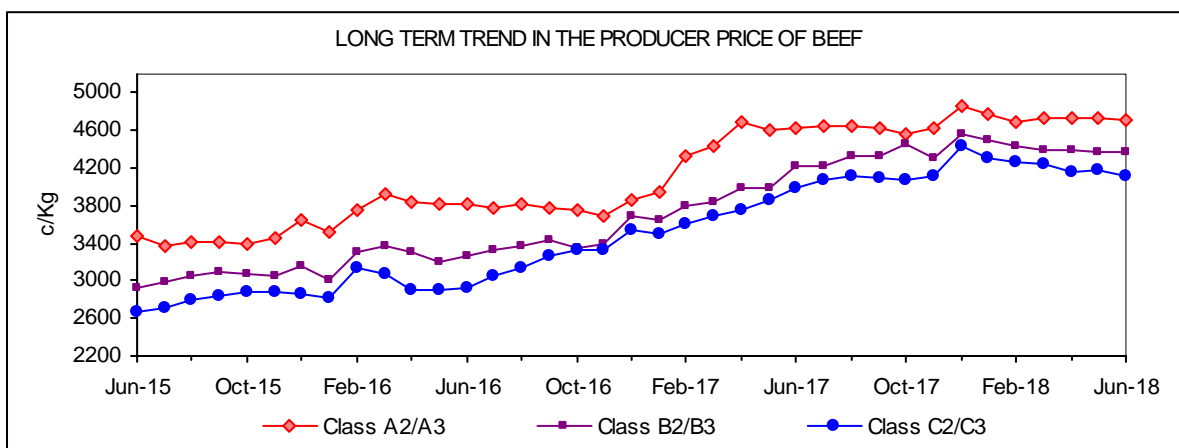
### Slaughtering of beef cattle



- Aggregate commercial slaughter Information received from of Red Meat levy Admin only available till **May 2018**. The month of June 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 June 2015 to June 2018.
- In June 2018, the slaughter of beef cattle estimated to decline in total by 5,8% compared to the previous month, and declined by 6,1% compared to the same month a year ago, and 12,6% below the long- term average based on the period June 2015 to June 2018. The slaughter curve shows a downward trend from October 2015 to June 2018 due to the effect of the drought.

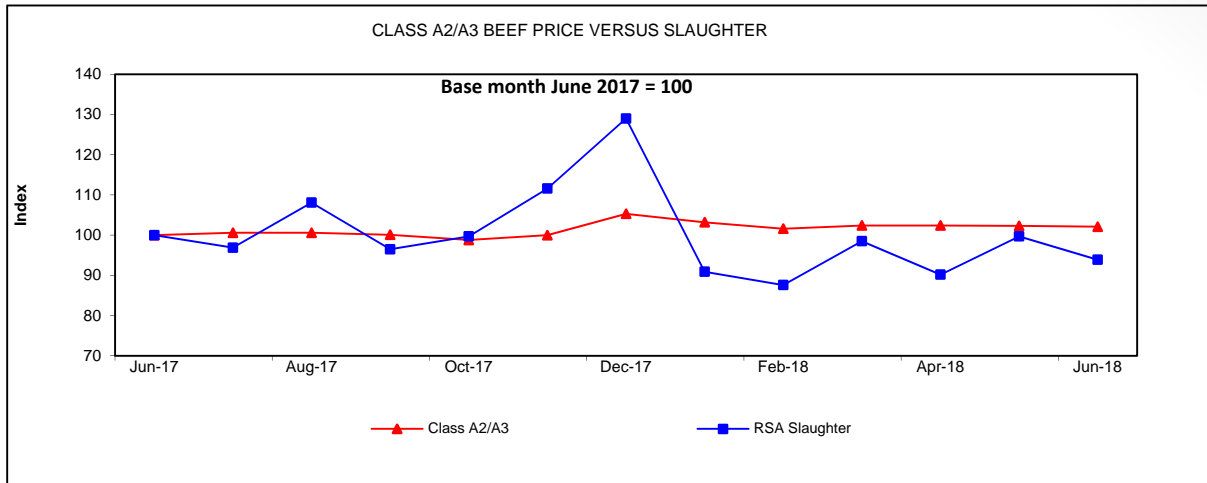
### Price movements of beef

#### Long term trends in beef prices



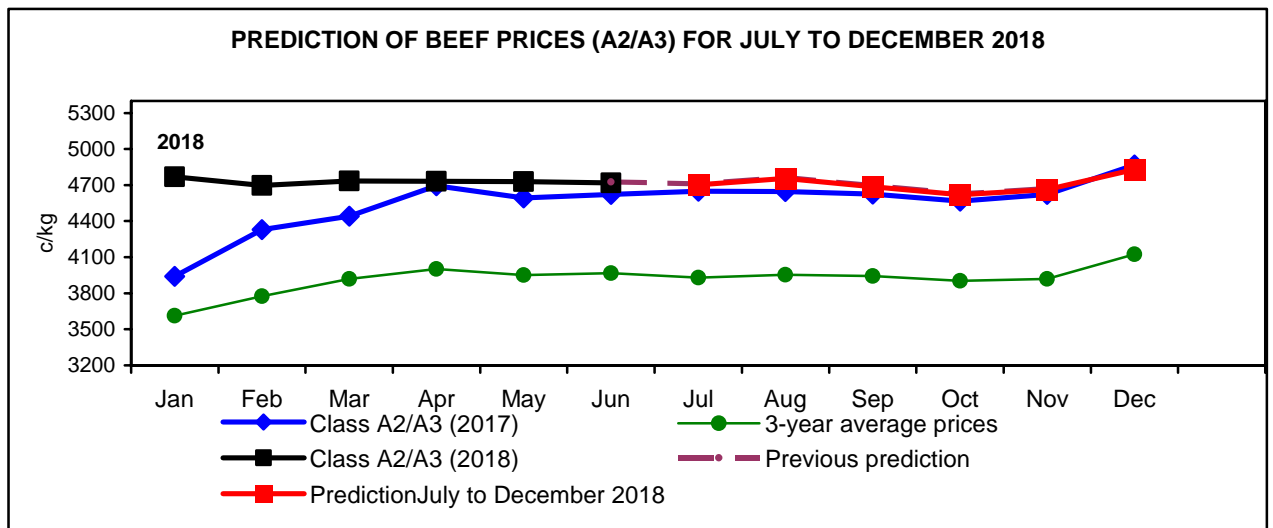
In June 2018 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 2,1% 3,8% and 3,4%. The average price of the A2/A3's was 15,5% above the long term average over the period June 2015 to June 2018.

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



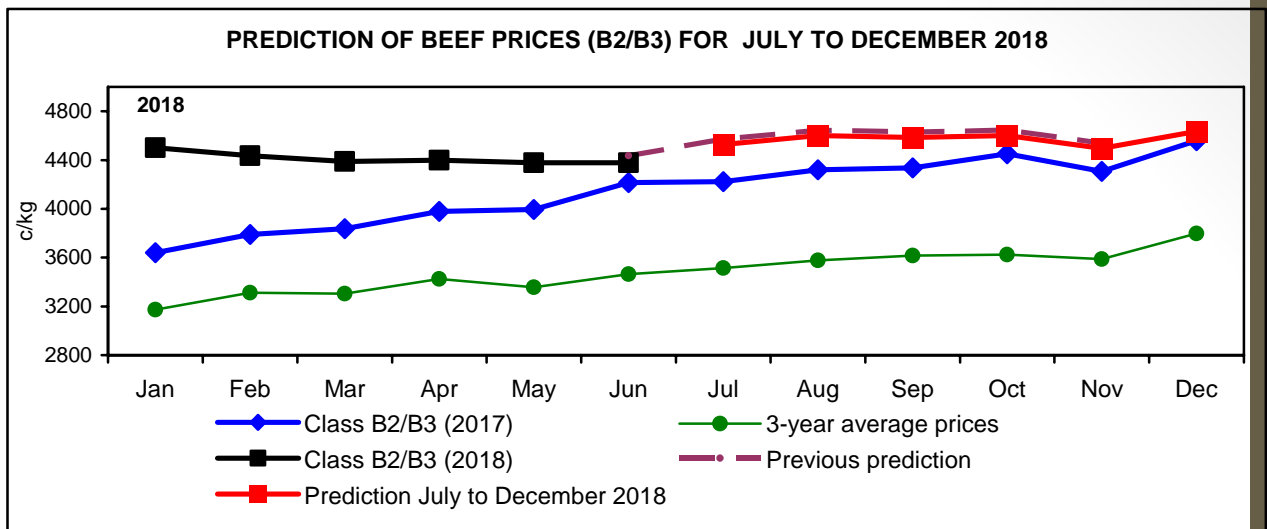
In June 2018 year-on-year, the average producer price of Class A2/A3 beef increased in total by 2,1% and over the same period national slaughter declined by 6,1%.

### Price prediction for Class A2/A3 beef



- In June 2018, compared to the previous month the average price of Class A2/A3 beef declined in total by 0,2%. For June 2018 a decline in the average price for Class A2/A3 beef was predicted in the previous monthly report, which was correct, and it was based on a probability of 80,0% for a decline according to the price information over the past 20 years.
- The actual beef price in June was 0,2% (R0,08/kg carcass weight) lower compared to the price predicted for June in the previous monthly report.
- For July 2018 a **decline** 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 65,0% for an **increase** in price from June to July each year.

## Price prediction for Class B2/B3 beef

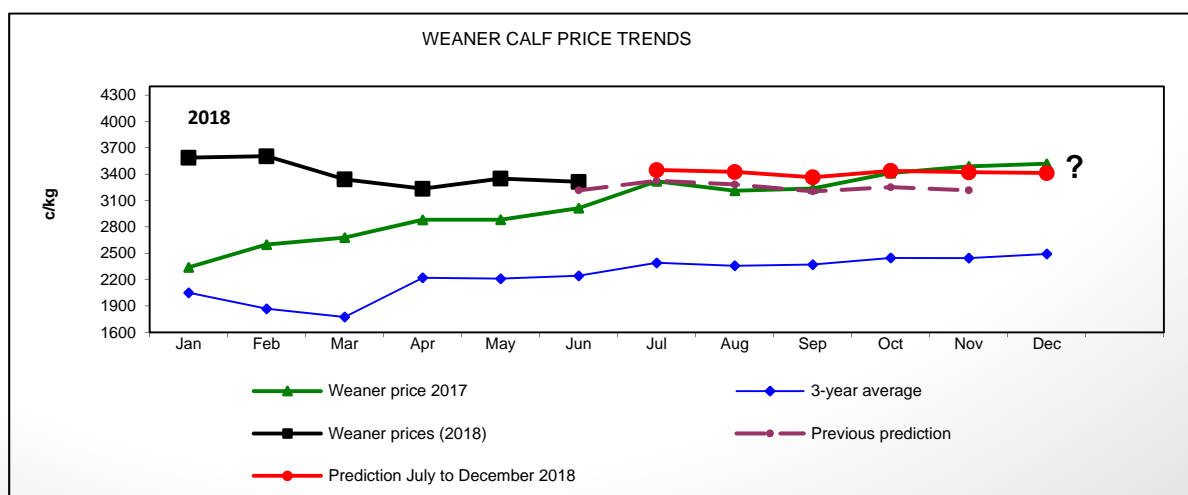


- In June 2018, compared to the previous month the average price of Class B2/B3 beef was 0,1% lower. For June an increase or decline in the average price for Class B2/B3 beef was predicted – which was correct, and based on the price information over the past 20 years, the probability is 50,0% for a decline or increase. The actual beef price in June was 1,3% (R0,59/kg carcass weight) lower compared to the price predicted for June in the previous monthly report.
- For July 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 July compared to June each year.
- Although not being shown in the above graph, the average producer price of Class C2/C3 is expected to increase in July.

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

Monthly prices (c/kg)	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18
<b>Class A2/A3</b>	4 768	4 696	4 733	4 732	4 729	4 718
<b>Class AB2/AB3</b>	4 592	4 526	4 655	4 646	4 657	4 639
<b>Class B2/B3</b>	4 502	4 436	4 388	4 400	4 378	4 377
<b>Class C2/C3</b>	4 313	4 261	4 234	4 156	4 175	4 116
<b>Medium Light weaners</b>	3 589	3 606	3 342	3 236	3 351	3 314

## Weaner (190 – 240kg) price movements

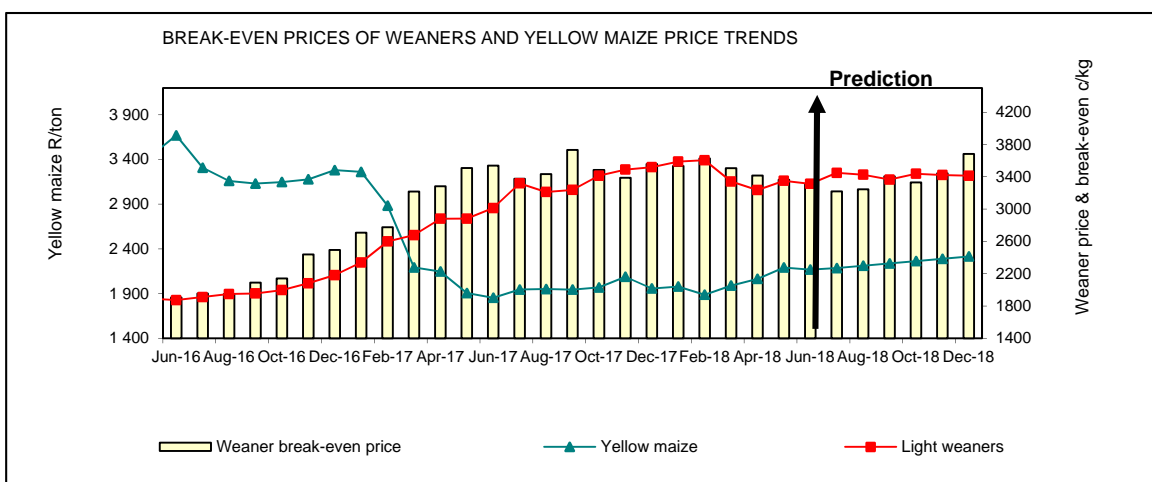


The net price (farm gate price) of medium light weaners (190-240kg) declined in total by 1,1% in June 2018 compared to the previous month and increased in total by 10,0% year-on-year. The prediction of a decline in the average price of weaners for June 2018 in the previous monthly report was correct and was based on a probability of 55,0% over 20 years for the average price to be lower in June compared to the previous month.

The real price in June 2018 was 3,0% (R0,96/kg) higher than the predicted price for June in the previous monthly report.

For July 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 90,0% for the average weaner price to be higher in July compared to the previous month.

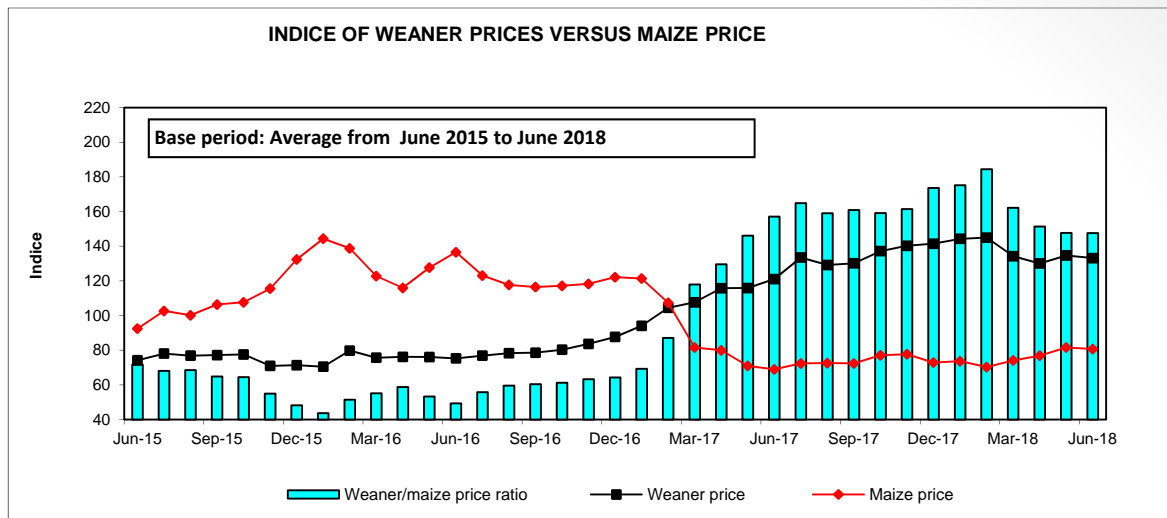
**The maize/weaner break-even price**



The average yellow maize price in June 2018 was in total 1,0% lower compared to the previous month, and 17,0% higher compared to the same month a year ago.

The expected break-even-price of weaners for July 2018 is based on the predicted future price of Class A2/A3 beef in October 2018 and the SAFEX price for yellow maize in July 2018 (based on all June 2018 contracts Randfontein). With a predicted meat price (Class A2/A3) of R46,19 per kilogram in October 2018 and an average maize price (JSE SAFEX) of R2 186 per ton in July, for a feedlot to break even in July as far as the price beef and the price of maize are concerned, the weaner price should not higher than R32,21 per kg live weight in July, which is 6,6% lower than the average predicted weaner price of R34,49/kg for July. Or based on the expected average weaner price of R34,49 per kg live weight for weaners in July and a maize price of R2 186 per ton in July, by selling these animals in October 2018, the price for Class A2/A3 beef should not be less than R48,28 per kilogram, which is 4,5% higher than the predicted price R46,19/kg for Class A2/A3 in October 2018.

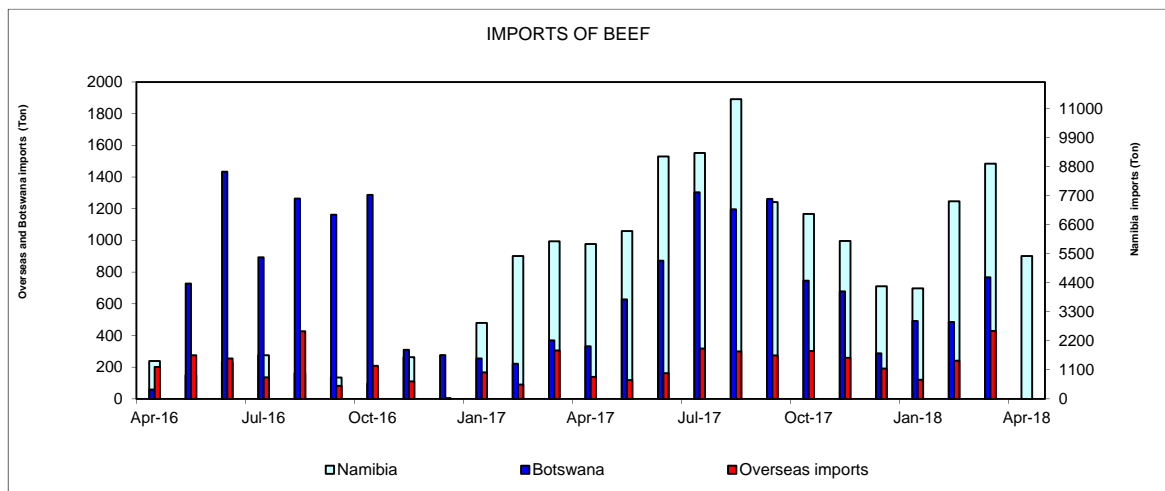
## Weaner price versus maize price



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

In June 2018, the weaner/maize price ratio weakened in total by 0,1% against the previous month and year-on-year the weaner/maize price ratio weakened in total by 6,0% due to an increase of 17,0% in the maize price and an increase of 10,0% in the average price of weaners.

## Imports of beef



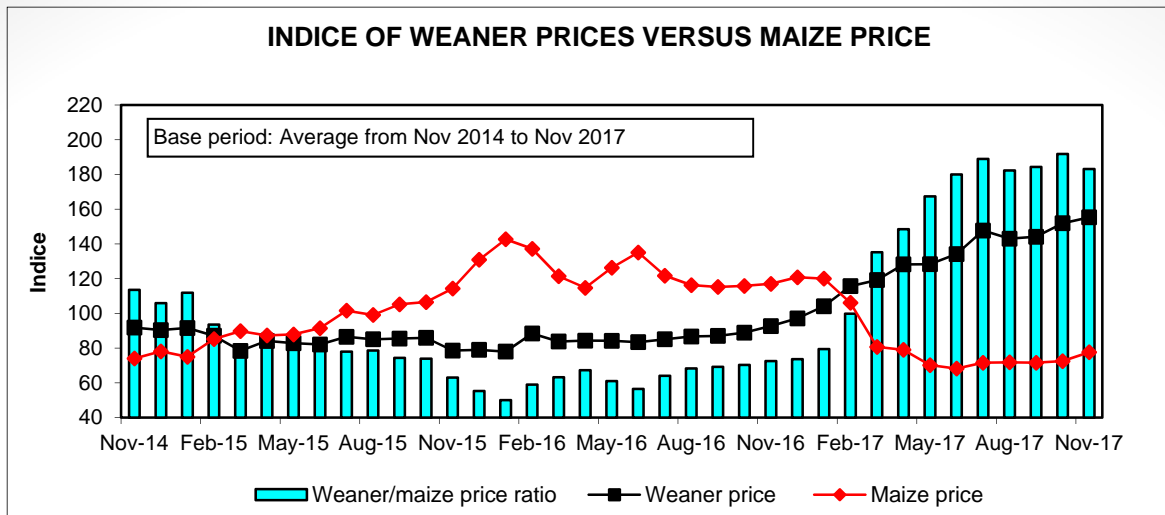
Import information from Namibia is only available till **April 2018**, and Botswana and overseas up to **March 2018**.

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.

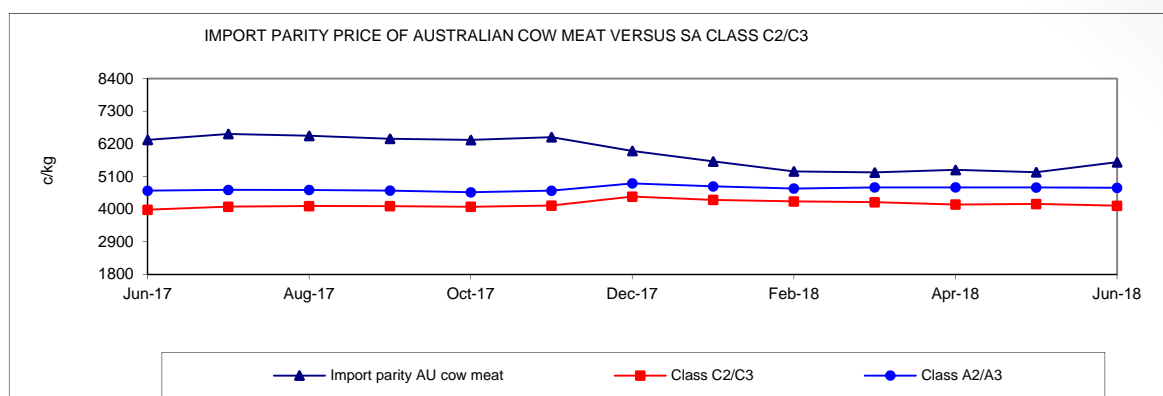
In March 2018, South Africa imported 429 ton of beef from overseas, which was 78,0% more than in the previous month and 40,2% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

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 June 2018, the average price of South African beef (A2/A3 and C2/C3) was 4 718c/kg and 4 116c/kg compared to the derived import parity price of Australian cow meat of 5 581/kg. The import parity price is thereby 18,3% and 35,5% higher compared to the average price of Class A2/A3 and C2/C3 beef.

In June-year-on-year, the import parity price of Australian cow meat was 11,9% lower compared to an increase 2,1% and 3,4% in the average producer price of Class A2/A3 and C2/C3 beef.

### Beef trade overseas

#### Australia

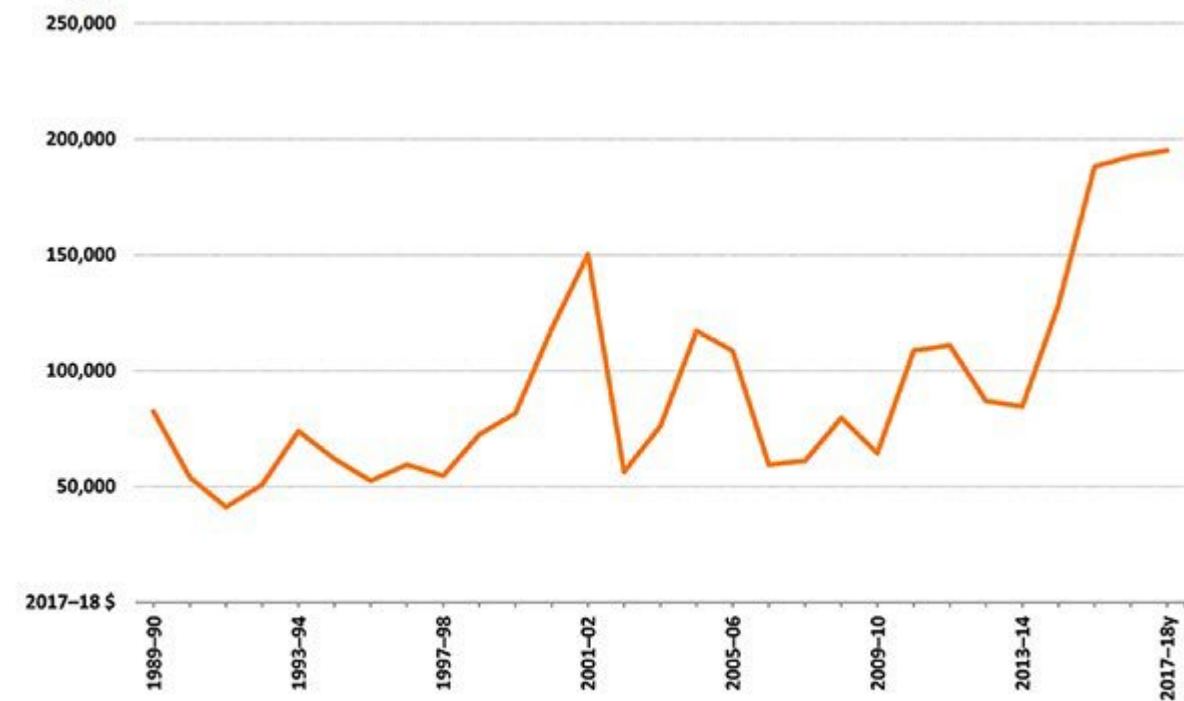
#### Beef farm income reaches 20-year high

**In 2016–17 and 2017–18, farm cash incomes for Australian beef producers are estimated to be the highest in over two decades (in real terms).**

The average farm cash income in 2016–17 was estimated to have increased 4% year-on-year, to \$188,800 per farm, according to data collected from the ABARES Australian Agricultural and Grazing Industries Survey (AAGIS). Cash receipts for beef farms were up 7% over the same period – to be the highest average for beef farmers since 2006-07 (in real terms), underpinned by high livestock prices and above-average crop production. However, increased receipts were somewhat offset by an increase in costs, associated mostly with greater expenditure on hired labour and livestock purchases.

For 2017–18, the average farm cash income is projected to rise 3%, to be the highest in more than 20 years, as total cash costs are anticipated to decrease by a greater extent than cash receipts. Even though more cattle were turned off, lower cattle prices have seen total cash receipts reduce. ABARES is projecting the drop to be 11% in 2017–18, down to \$461,000 per farm.

**Figure 1 Farm cash income, beef farms, Australia, 1989–90 to 2017–18**  
average per farm



y Provisional estimate.

Source: ABARES Australian Agricultural and Grazing Industries Survey

After rising to record highs in 2016–17, farm business profit is projected to decrease by 3% in 2017–18, as cattle prices decline and the value of livestock on hand follows suit. Despite the decline, it is still predicted to be the second highest year in the past two decades (in real terms), at an average of \$113,000 per farm. In 2017–18, beef farms recording negative business profits is projected to average 44%, well down on the ten-year average of 61%.

### North vs South

The average farm cash income varies greatly between northern and southern Australia, and by scale operation (herd size). Increases in financial performance have been more prevalent in northern regions as, on average, the larger average farm size has allowed producers to make the most of price rises.

In 2016-17, the average farm cash income for beef farms in the northern region was \$248,500 and \$163,000 per farm in the southern region. In 2017-18, late seasonal rain gave the northern sector a boost ahead of their southern counterparts. The southern region has experienced the more severe of the weather conditions with farm cash income projected to fall by 4% in 2017-18, to \$157,000 – still 60% higher than the average farm income since 2001 (in real terms).

### Other factors

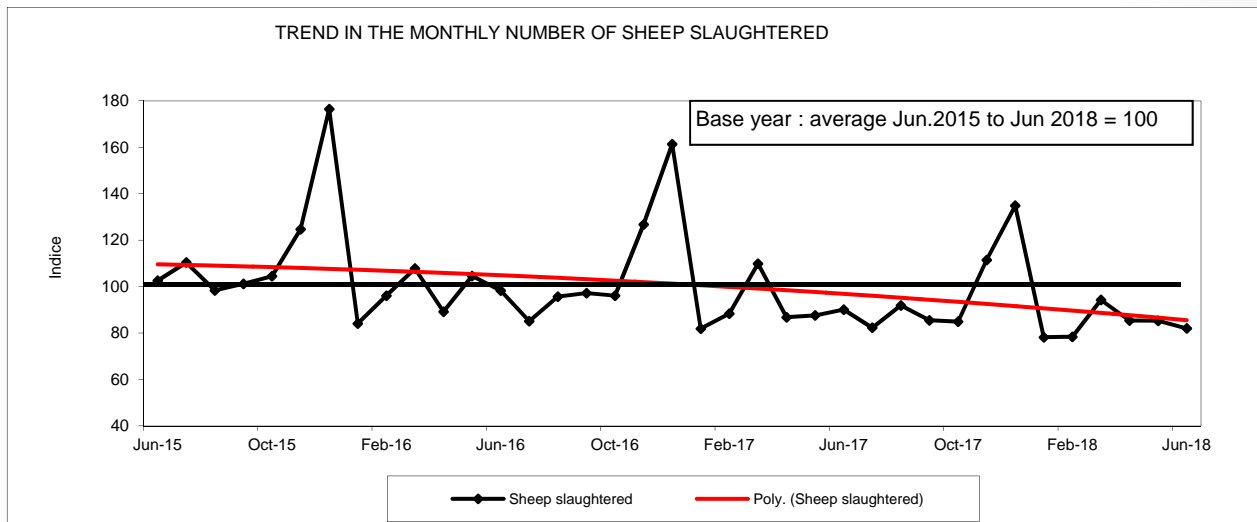
While the Eastern Young Cattle Indicator (EYCI) has reached its lowest point since 2015, it is still higher than anything prior to that. There is, however, no great outlook for conditions to improve with long range climatic outlooks forecasting higher than average temperatures combined with less than a 50% chance of above average rainfall for most of the country with the exception of Tasmania.

**SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - [www.mla.com.au](http://www.mla.com.au), 13 June 2018.**

## THE MUTTON INDUSTRY

### Slaughter trends

#### Long term trends in sheep slaughter

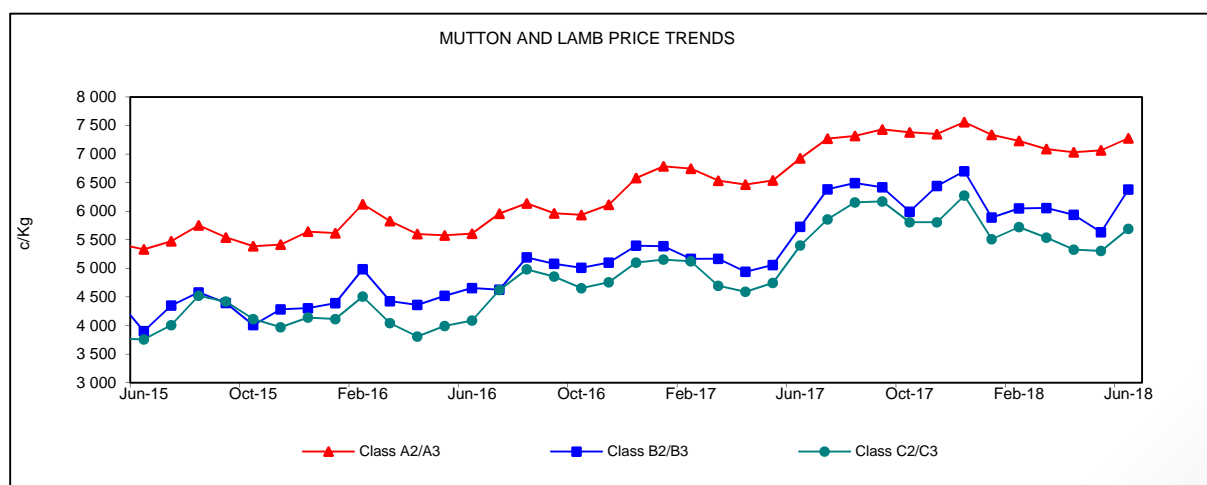


Aggregate slaughter Information received from of Red Meat levy Admin only available till **March 2018**. The months of April to June are estimates, calculated by means of the smoothing multiplicative technique of Holt & Winters, which gives an indication of what can be expected in the month of June 2018.

In June 2018, the preliminary indication is that the number of sheep and lamb slaughtered seems to be 3,9% less compared to the previous month, 9,0% less year-on-year and 18,0% down on the average over the period June 2015 to June 2018, which was caused by the drought from 2016/17 and still continue in the North Western and South Western parts of South Africa in 2018.

### Producer prices of mutton

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

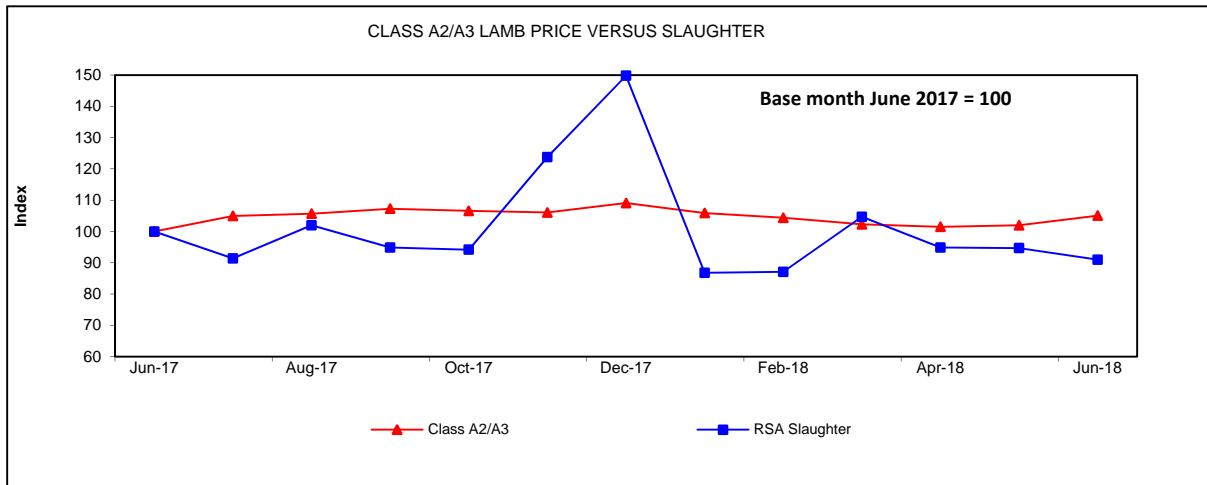


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

In June 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 5,1%, 11,4% and 5,4%.

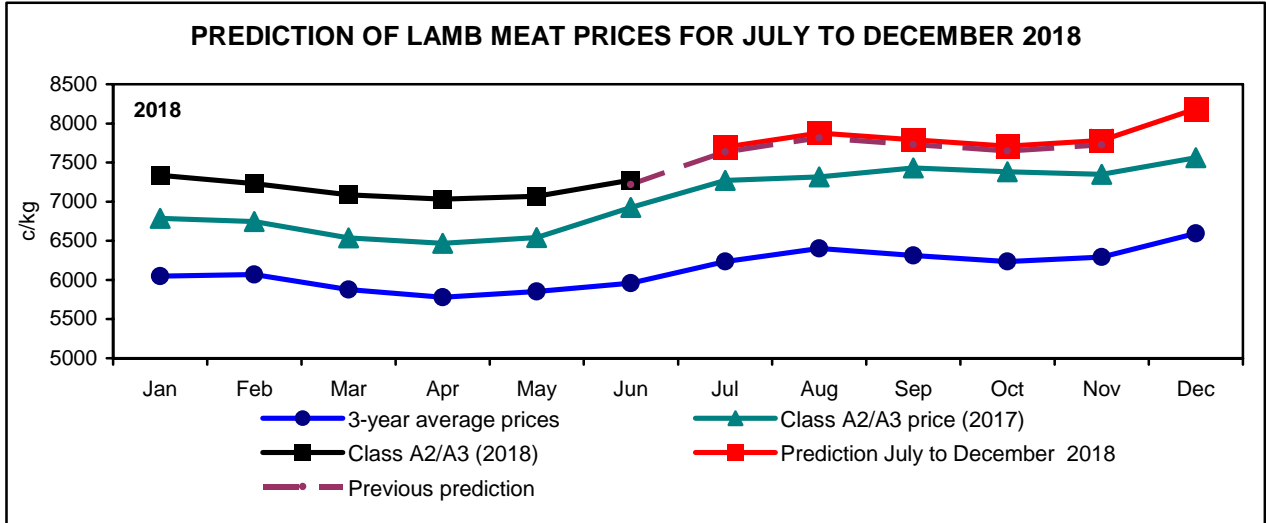
In June, the average producer price (all classes) was 13,1% above the average over the period June 2015 to June 2018.

### 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 June a decline occurred in the number of lamb slaughtered while the average price of Class A2/A3 lamb went up in June. The decline in price of the A2/A3 in June can be contributed to lower slaughter in June.

### Price prediction for Class A2/A3 lamb



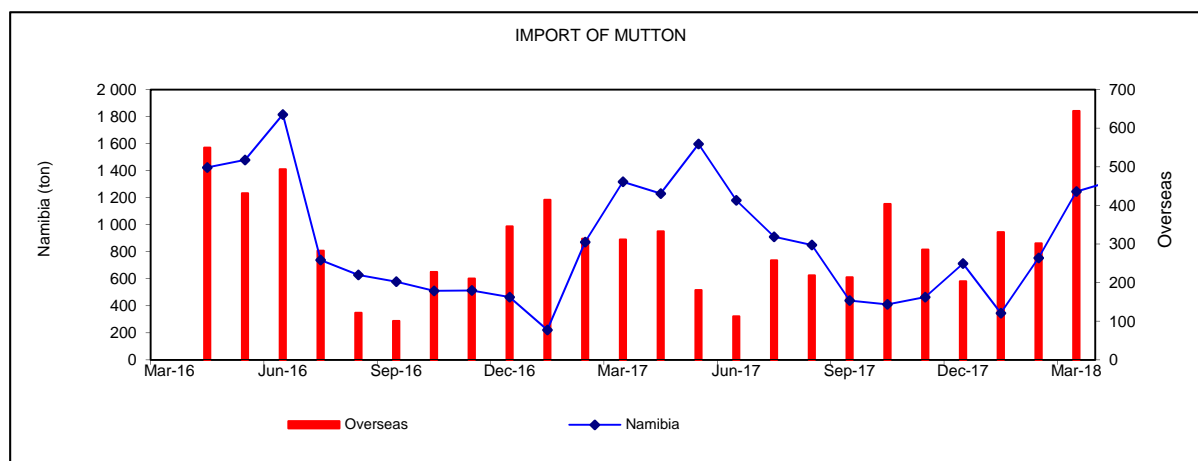
In June 2018, the average producer price of Class A2/A3 lamb was 3,0% up compared to the previous month, and an increase was correctly predicted for June in the previous monthly report, which was based on a probability of 65,0% for an increase according to the price information over the past 20 years.

The actual price in June was 0,8% (R0,58/kg) higher than the price predicted in the previous monthly report. For July 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 85,0% for a higher price from June to July 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 July 2018 compared to the previous month.

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

Monthly prices (c/kg)	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Class A2/A3	7 338	7 232	7 089	7 033	7 067	7 278
Class AB2/AB3	6 291	6 130	6 476	6 247	6 155	6 607
Class B2/B3	5 891	6 051	6 057	5 938	5 534	6 382
Class C2/C3	5 511	5 723	5 540	5 330	5 305	5 693

### 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.

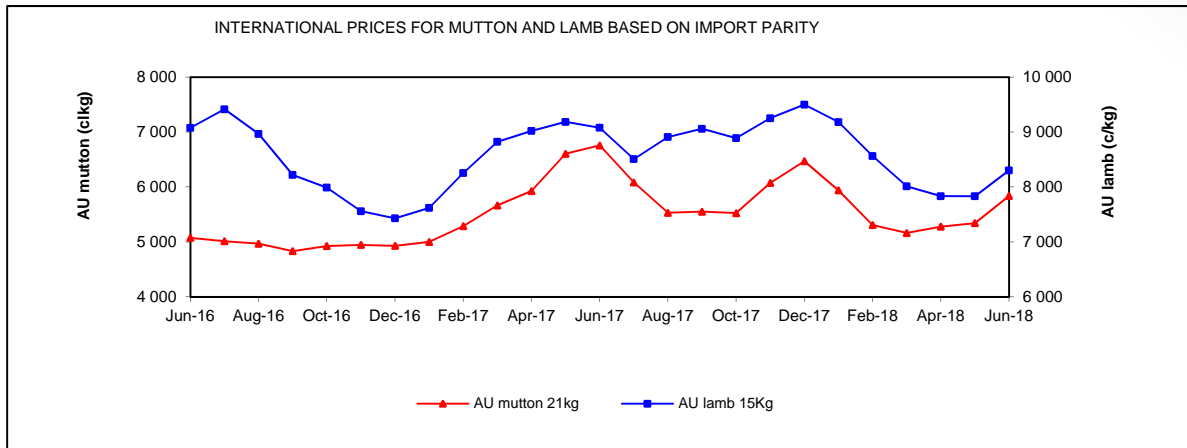
In April 2018 year-on-year, mutton imports from Namibia constitutes for approximate 10,7% of the total South African commercial slaughter.

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 June 2018 on year-to-year, the import parity price of Australian-lamb declined in total by 8,5% and Australian mutton declined by 13,6%.

In June the import parity price for Australian lamb and mutton were respectively R83,03 and R58,39 per kilogram based on the Rand/A\$-exchange rate.

## World mutton and lamb meat market review

### Australia

#### Lamb prices scale new heights

Scattered rainfall combined with tighter supply has boosted already-resilient sale yard prices, with the Eastern States Trade Lamb Indicator (ESTLI) reaching 721¢/kg carcass weight (cwt) on Tuesday, 9¢/kg higher than the previous record set on Friday.

Sale yard sheep and lamb prices have been resilient in 2018, despite abundant supply and limited restocker activity. In recent weeks, some rainfall in drought-affected areas combined with a slight tightening of supply has lit a fire under prices, with processors competing fiercely for finished lambs.

#### Winter rainfall scarce

While parts of central NSW received some helpful falls over the last week, over 99% of the state remains in 'drought watch' conditions or worse (according to NSW Department of Primary Industries). Elsewhere, parts of Victoria and SA saw a number of cold fronts induce rain in early June; however, meaningful falls have been scarce. Likewise, south-western WA received scattered falls throughout early June, although the season has been largely disappointing thus far.

## Sheep yarding's up, lamb numbers fall

The traditional winter shortage has begun to impact lamb numbers, while dry conditions in NSW have seen increased sheep yarding's.

For the month of June, eastern states lamb yarding's totalled 679,000 head, down 134,000 head (17%) year-on-year, driven by a 21% decline in NSW. Market reports suggest lamb supply has fallen across most categories, particularly in southern NSW sale yards where lighter weight lambs are often well-supplied at this time of year. Along with trade and lighter weight lambs, heavy lamb numbers have fallen, with reports the high cost of feed is limiting producer capacity to finish stock.

Unlike lambs, mutton has remained in reasonable supply. Sale yard throughput fell month-on-month, though not by as much as would usually be expected this time of year. Yarding's for the month of June totalled 285,000 head, representing an increase of 54,000 head (24%) on June 2017 numbers.

## Supply

According to National Livestock Reporting Service (NLRS) data, weekly eastern states lamb slaughter has finally begun to fall back in line with 2017 levels, while mutton slaughter remains well up year-on-year.

After five months of increased slaughter, lamb supply is beginning to show signs of tightening (if only slight). June eastern states lamb slaughter totalled 1,420,000 head, which was up 4% year-on-year, though tracking closer to 2017 levels than previously.

Drought conditions across the eastern states, particularly in NSW, have forced many producers to destock despite booming sheep meat and wool prices. June Sheep slaughter totalled 290,000 head, up 29% year-on-year. Slaughter has remained high throughout 2018, with year-to-date total up 21% year-on-year.

## Prices break records in southern yards

Fierce competition among processors, combined with tighter supply has seen the ESTLI rise 100¢/kg carcass weight (cwt), or 16%, between 1 June and 3 July to a record 721¢/kg cwt.

All the major eastern states sheep and lamb sale yard indicators have rallied strongly since mid-April. A declining supply of finished lambs has seen the Heavy Lamb indicator perform particularly well, reaching 722¢/kg cwt on Tuesday, up 17% since 1 June. Strong export demand has translated into rising sale yard prices, with processors competing fiercely in the face of declining supply.

In another positive note for sheep producers, the Eastern States Mutton Indicator rose 10% since 1 June, closing Tuesday at 519¢/kg cwt – just 10¢/kg below the all-time high set in May 2017.

**SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - [www.mla.com.au](http://www.mla.com.au), 4 June 2018**