



AMT
BEEF & MUTTON
MONTHLY REPORT
JUNE 2018

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NEXT PUBLICATION
JULY 2018

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AMT MONTHLY BEEF AND MUTTON REPORT – JUNE 2018

BOTTOM LINE

- In May 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 2,7%, 9,2% and 8,2%.
- This increase in prices were caused by a decline of 12,8% in slaughter in May 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, while others are still struggling to survive.

For the coming month

- Due to the seasonal trend in beef prices, the probability is 80,0% for a lower price in June compared to May, based on price information over the past 20 years, but due to the effect of the drought, the under supply of cattle to the markets will continue in the months to come. Therefore the average price of Class A2/A3 beef is expected to even increase in June notwithstanding the seasonal trend which indicates a decline. We can therefore assume that the present high price level will continue in the months to come.
- 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 May, the average weaner price stabilized after the relative sharp decline of 10,0% since February 2018. The decline in the average weaner price was mainly the result of an increase of 16,1% in the price of maize from February to May.

For the coming month

- A further decline in the weaner price is expected in June, and based on the price information of the past 20 years, the probability is 55,0% that the average price of weaners may be lower in June 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 May, the average price of Class A2/A3 lamb declined in total by 6,5%. Preliminary slaughter shows a decline of 5,5% in May year-on-year. The fact that the price of lamb declined in May together with a decline in slaughter may be the result of large overflow stocks from the previous months due to a slack demand, which could be the result of a price resistance from consumers due to the pressure on disposable income.
- From the import side, Namibia is still the main exporter of mutton to South Africa and in May year-on-year it amounted to approximate 10,6% 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 the result that imports from overseas in May year-on-year 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.

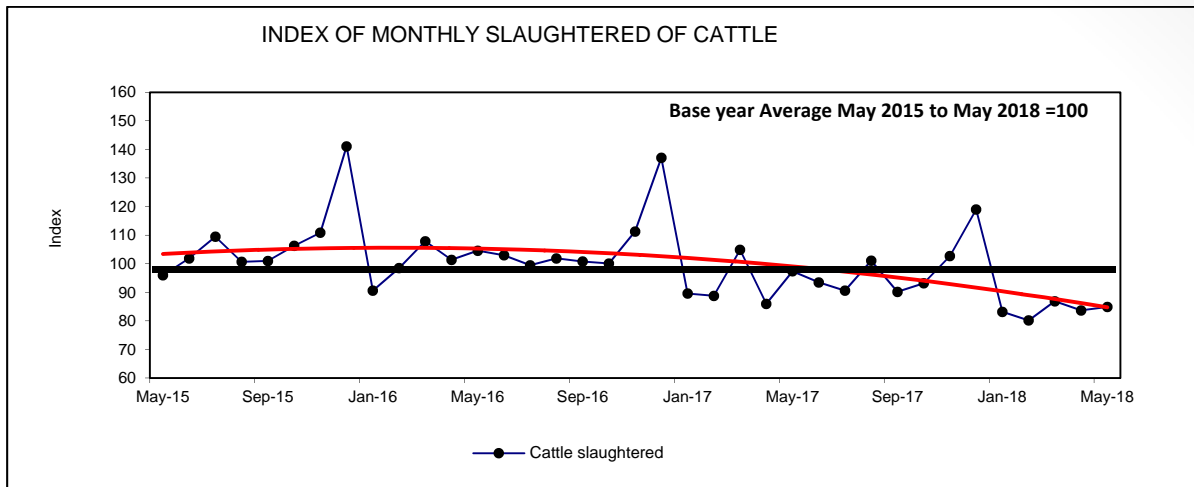
For the coming month

- The average lamb price is expected to increase June and based on the average lamb prices of the past 20 years, the chance is 65% that the price will be higher in June compared May and 85,0% for a higher price in July against the previous month.

PRODUCTION INFORMATION FOR THE MONTH OF MAY 2018					
Item	May '18	Previous month	May '17	Forecast	
				Jun'18	Jul'18
BEEF					
Abattoir selling prices (c/kg)					
A2/A3's	4 716	4 732	4 594	4 726	4 711
AB2/AB3's	4 657	4 646	4 360	4 633	4 693
B2/B3's	4 360	4 400	3 994	4 436	4 572
C2/C3's	4 176	4 156	3 861	4 226	4 337
Net weaner price (c/kg)	3 247	3 210	2 883	3 218	3 327
Slaughtering index (Ave.=100)	84,9	83,7	97,4		-
Import parity AU-cows (c/kg)	5 246	5 323	6 286	-	-
MUTTON					
Abattoir selling prices (c/kg)					
A2/A3's	7 065	7 033	6 541	7 220	7 637
AB2/AB3's	6 131	6 247	5 792	6 401	6 837
B2/B3's	5 585	5 938	5 061	5 881	6 405
C2/C3's	5 247	5 330	4 747	5 498	6 096
Slaughtering (Ave.=100)	82,7	82,8	87,5	-	-
Import parity AU-mutton (c/kg)	5 343	5 280	6 607		-
Import parity AU-lamb (c/kg)	7 833	7 836	9 186	-	-

BEEF INDUSTRY

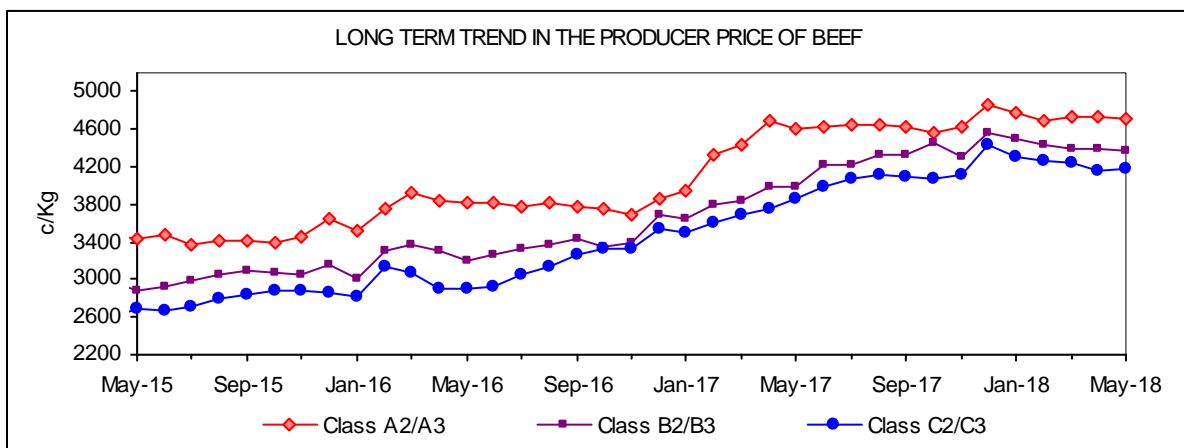
Slaughtering of beef cattle



- Aggregate commercial slaughter Information received from of Red Meat levy Admin only available till **March 2018**. The month of April to May 2018 is 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 May.
- The horizontal 100-line on the graph represents the long term average monthly slaughter of beef cattle from May 2015 to May 2018.
- In May 2018, the slaughter of beef cattle estimated to increase in total by 1,5% compared to the previous month, and declined by 12,8% compared to the same month a year ago, and 15,1% below the long- term average based on the period May 2015 to May 2018. The slaughter curve shows a downward trend from July 2016 to May 2018 due to the effect of the drought.

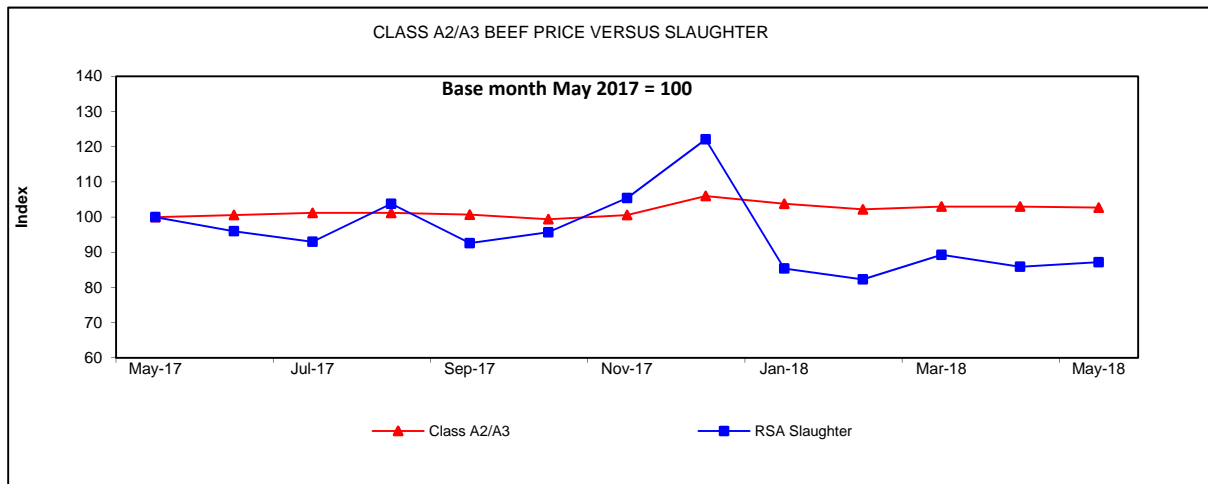
Price movements of beef

Long term trends in beef prices



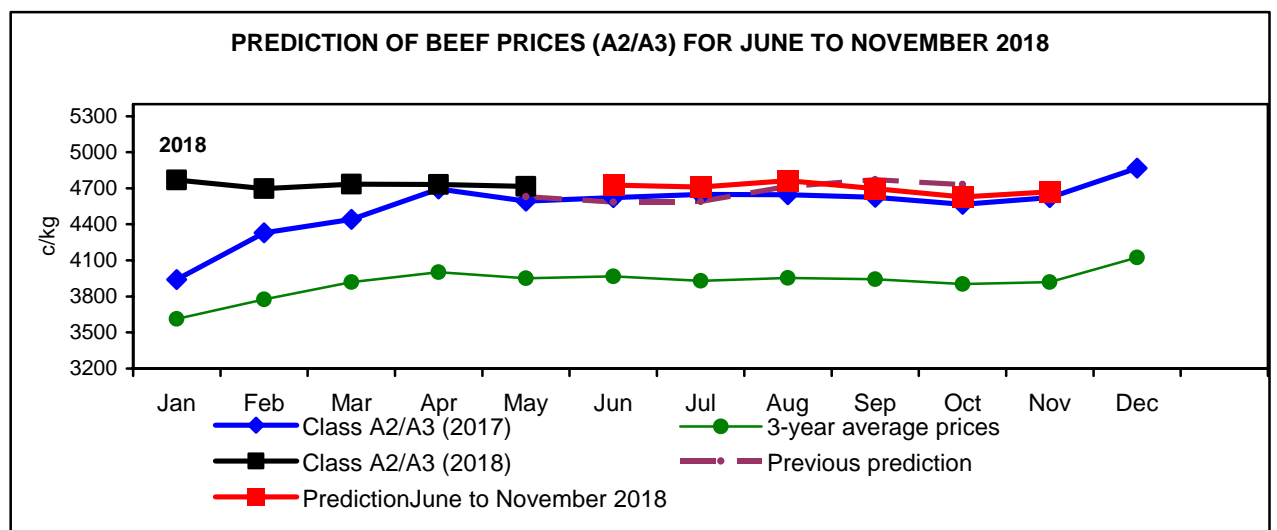
- In May 2018 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 2,7% 9,2% and 8,2%. The average price of the A2/A3's was 15,4% above the long term average over the period May 2015 to May 2018.

Price of Class A2/A3 beef versus slaughter



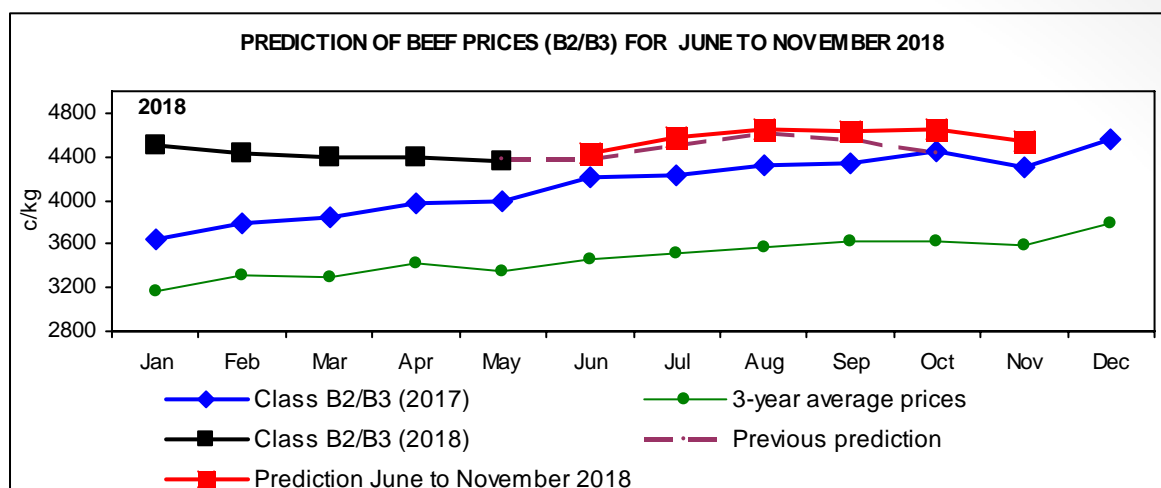
In May year-on-year, the average producer price of Class A2/A3 beef increased in total by 2,7% and over the same period national slaughter declined by 12,8%.

Price prediction for Class A2/A3 beef



- In May 2018, compared to the previous month the average price of Class A2/A3 beef declined in total by 0,3%. For May 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 75,0% for a decline according to the price information over the past 20 years.
- The actual beef price in May was 1,8% (R0,85/kg carcass weight) higher compared to the price predicted for May in the previous monthly report.
- For June 2018 a decline is predicted in the average price of the A2/A3's and according to the price information over the past 20 years, the probability is 80,0% for a decline in price from May to June each year.

Price prediction for Class B2/B3 beef

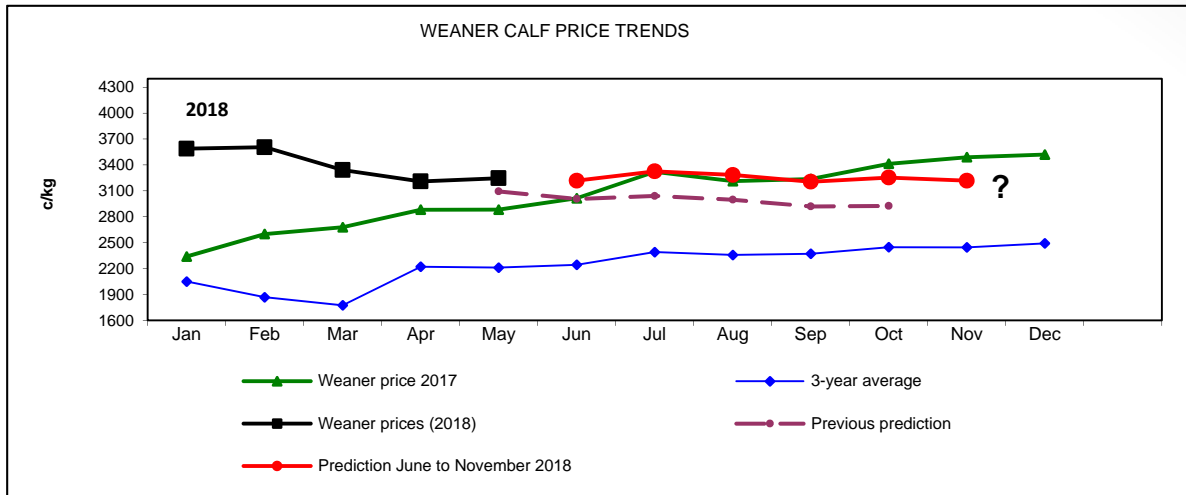


- In May 2018, compared to the previous month the average price of Class B2/B3 beef was 0,9% lower. For May a decline in the average price for Class B2/B3 beef was predicted – which was correct, and based on the price information over the past 20 years, the probability is 55,0% for a decline. The actual beef price in May was 0,2% (R0,08/kg carcass weight) lower compared to the price predicted for May in the previous monthly report.
- For June 2018 an increase or decline 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 50,0% for a lower or higher price in June compared to May each year.
- Although not being shown in the above graph, the average producer price of Class C2/C3 is expected to increase in June.

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

Monthly prices (c/kg)	Dec'17	Jan'18	Feb'18	Mar'18	Apr'18	May'18
Class A2/A3	4 868	4 768	4 696	4 733	4 732	4 716
Class AB2/AB3	4 794	4 592	4 526	4 655	4 646	4 657
Class B2/B3	4 560	4 502	4 436	4 388	4 400	4 360
Class C2/C3	4 424	4 313	4 261	4 234	4 156	4 176
Medium Light weaners	3 520	3 589	3 606	3 342	3 210	3 247

Weaner (190 – 240kg) price movements

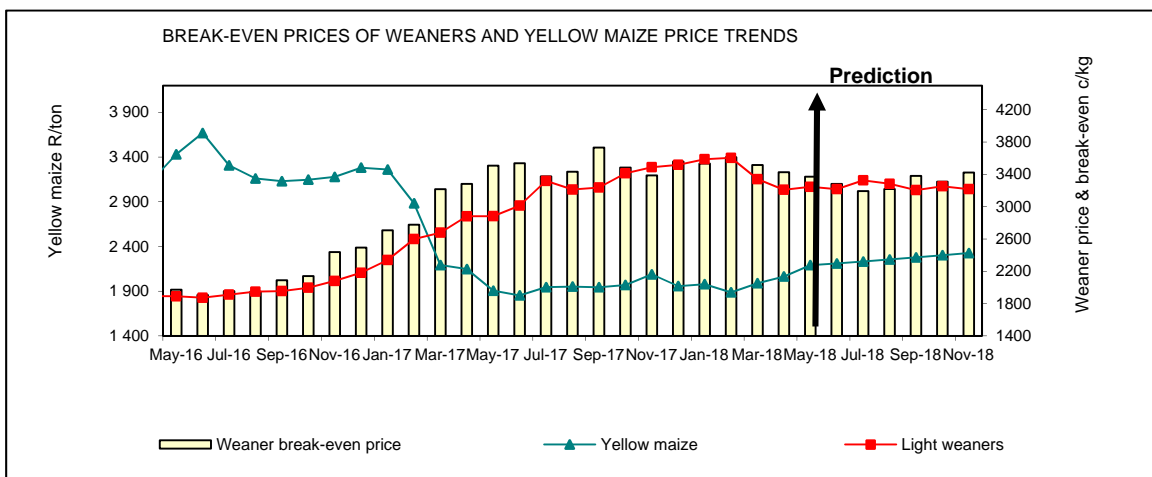


The net price (farm gate price) of medium light weaners (190-240kg) increased in total by 1,1% in May 2018 compared to the previous month and increased in total by 12,6% year-on-year. The prediction of a decline in the average price of weaners for May 2018 in the previous monthly report was correct and was based on a probability of 65,0% over 20 years for the average price to be higher in May compared to the previous month.

The real price in May 2018 was 4,9% (R1,52/kg) higher than the predicted price for May in the previous monthly report.

For June 2018, a decline is predicted in the average price of weaners, but based on the price information over the past 20 years, the probability is 55,0% for the average weaner price to be lower in June compared to the previous month.

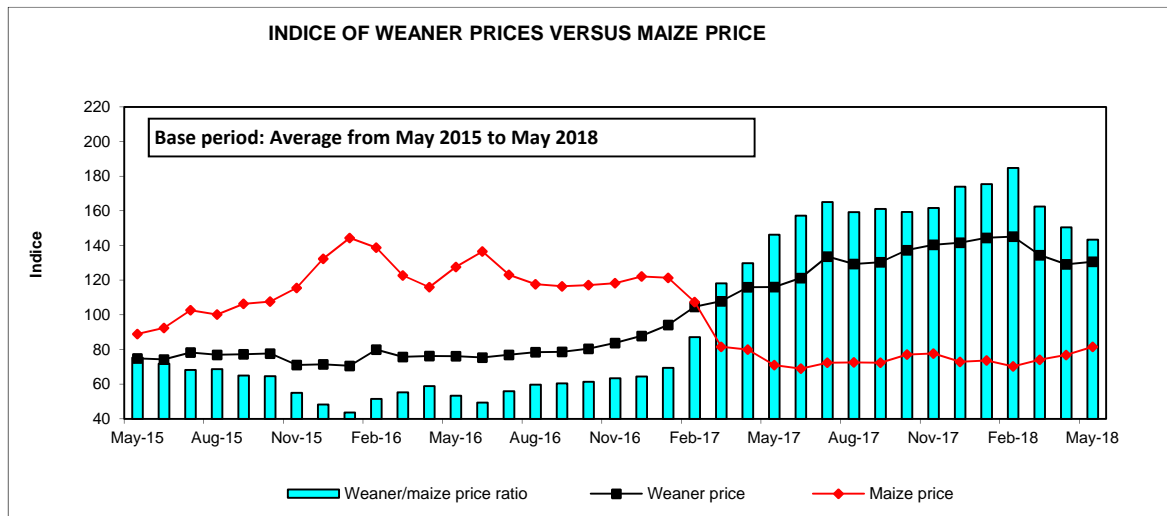
The maize/weaner break-even price



The average yellow maize price in May 2018 was in total 6,1% higher compared to the previous month, and 14,9% higher compared to the same month a year ago.

The expected break-even-price of weaners for June 2018 is based on the predicted future price of Class A2/A3 beef in September 2018 and the SAFEX price for yellow maize in June 2018 (based on all May 2018 contracts Randfontein). With a predicted meat price (Class A2/A3) of R46,96 per kilogram in September 2018 and an average maize price (JSE SAFEX) of R2 211 per ton in June, for a feedlot to break even in June as far as the price beef and the price of maize are concerned, the weaner price should not higher than R32,84 per kg live weight in June, which is 2,1% higher than the average predicted weaner price of R32,18/kg for June. Or based on the expected average weaner price of R32,18 per kg live weight for weaners in June and a maize price of R2 211 per ton in June, by selling these animals in September 2018, the price for Class A2/A3 beef should not be less than R46,34 per kilogram, which is 1,4% lower than the predicted price R46,96/kg for Class A2/A3 in September 2018.

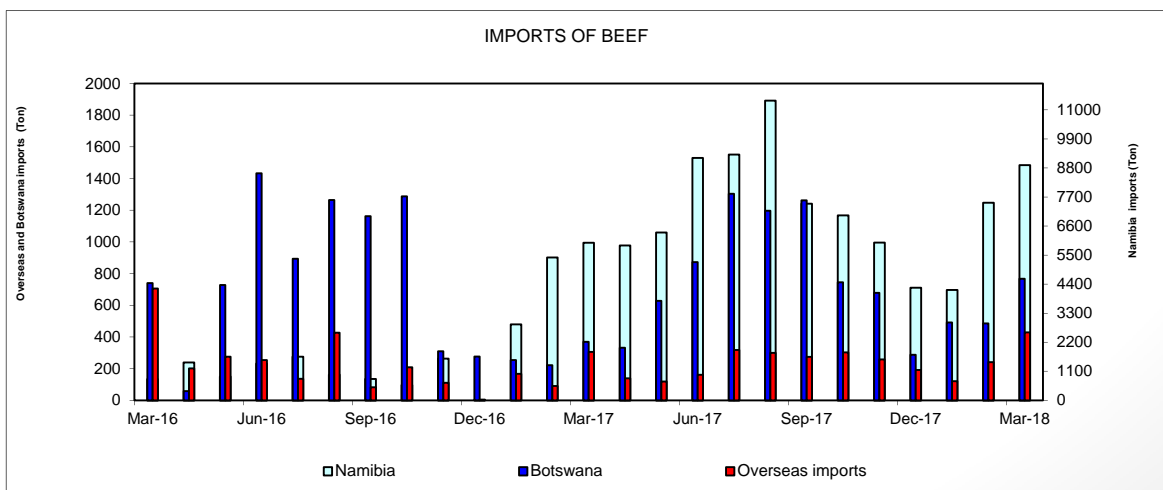
Weaner price versus maize price



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

In May 2018, the weaner/maize price ratio weakened in total by 4,7% against the previous month and year-on-year the weaner/maize price ratio weakened in total by 2,0% due to an increase of 14,6% in the maize price and an increase of 12,6% in the average price of weaners.

Imports of beef



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

In March 2018 South Africa imported 8 912 tons of beef from Namibia, which was 19,0% more than in the previous month and 49,3% more than in the same month a year ago. These imports include live animals and canned meat.

In March 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.

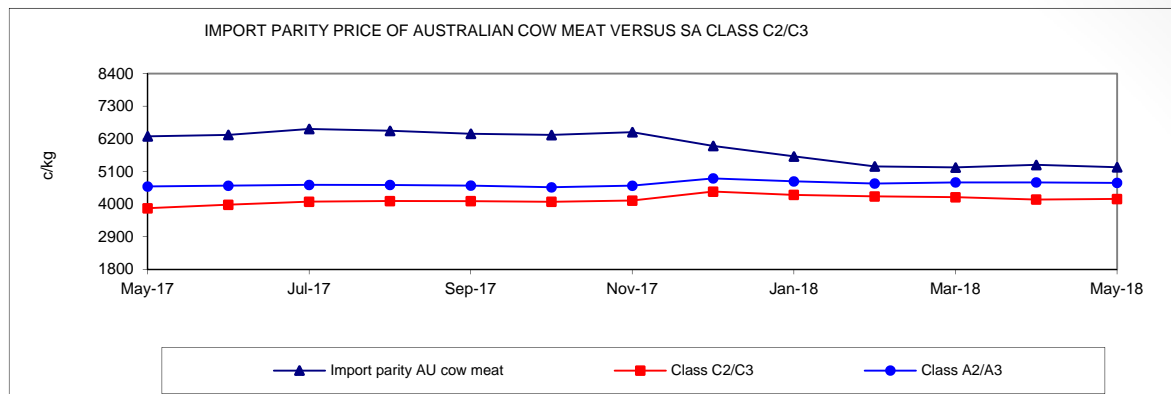
In March 2018, South Africa imported 429 ton of beef from overseas, which was 78,0% more than in the previous month and 40,2% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

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 May 2018, the average price of South African beef (A2/A3 and C2/C3) was 4 716c/kg and 4 176c/kg compared to the derived import parity price of Australian cow meat of 5 246/kg. The import parity price is thereby 11,2% and 25,6% higher compared to the average price of Class A2/A3 and C2/C3 beef.

In May-year-on-year, the import parity price of Australian cow meat was 16,6% lower compared to an increase 2,7% and 8,2% in the average producer price of Class A2/A3 and C2/C3 beef.

Beef trade overseas

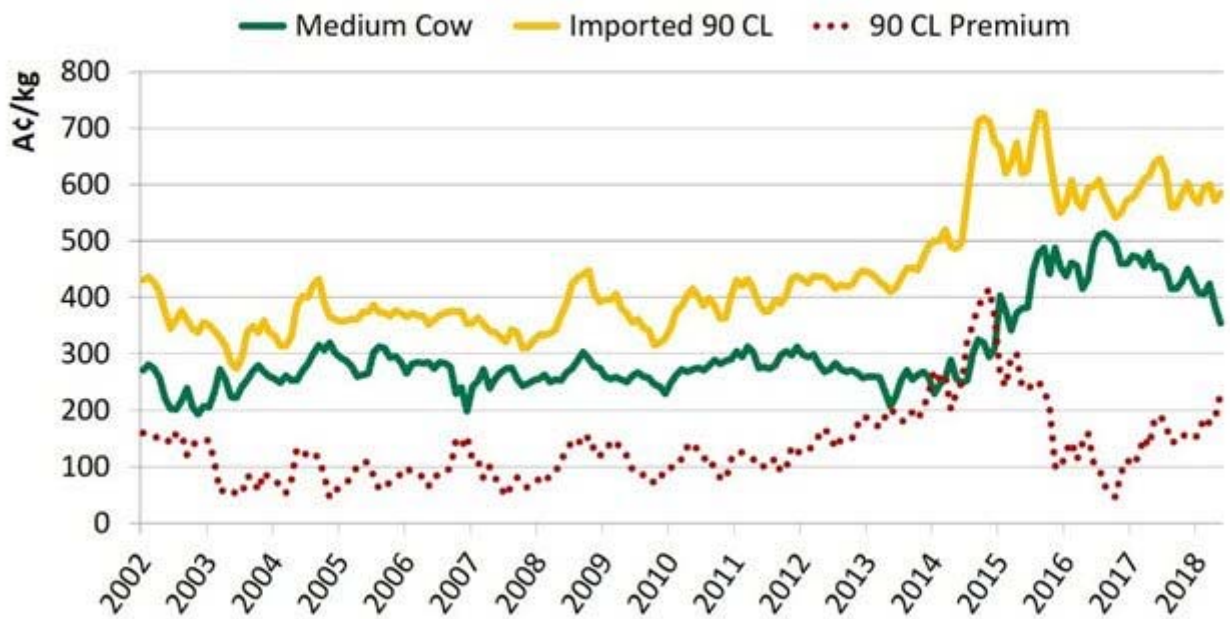
Australia

Market watch: US imported beef

The imported US 90CL beef price indicator – a key benchmark for Australian manufacturing beef exports – has shown relative stability so far in 2018, averaging 583.7A¢/kg CIF, in the face of growing US beef production.

In contrast, Australian cattle prices have trended lower since the turn of the year, driven by sustained dry conditions and subsequent supply lift. As a result, the imported 90CL and Australian medium cow indicators have diverged, with a 230A¢/kg premium currently reflected between the aforementioned indicators. The gap between the two indicators is the largest since September 2015 – at this time, the 90CL indicator reached record highs, as US import demand spiked after the US herd reached a cyclical low. In the five years prior to 2013, the 90CL indicator averaged a 120A¢/kg premium.

US Imported 90CL prices vs Medium Cow



Source: MLA, Steiner Consulting Group

*= Medium cows are 400-520kg D3, national average across all NLRs reported saleyards

Market influences

Critical to US imported beef prices remaining stable, US beef demand has remained strong and there have been excellent retail features in the lead up to and during peak demand summer 'grilling' season. The price of US domestic round cuts has also remained firm, which has further underpinned imported prices.

Strong demand from Asian markets has also supported beef prices into the US. For the calendar year-to-April, Australian manufacturing beef exports to Asia (all markets) have lifted 22%, to 65,000 tonnes shipped weight (swt), with overall exports to the region totalling 232,000 tonnes swt, up 19%. Total US beef exports to Asia have also increased 14% for the calendar-year-to-March, which has helped divert more beef from the domestic market hence contributing the stable imported prices.

Outlook

Poor moisture conditions in a number of the largest US cattle producing states has seen beef cow slaughter accelerate in recent weeks. Beef cow slaughter in the four weeks ending 12 May averaged 60,400 head, 13.5% higher compared to last year.

Furthermore, dairy cow slaughter also seasonally declines through the US summer but for the aforementioned four week period has still averaged 57,500 head, up 3.5% year-on-year.

In the latest USDA cattle on feed report, marketing's in April were reported to be 6% higher year-on-year and market expectations are for slaughter numbers to stay above year ago levels throughout the summer. Therefore, imported prices could come under pressure as a result of further increases in US slaughter but demand remains a critical component.

Market highlights for the week ending 24 May

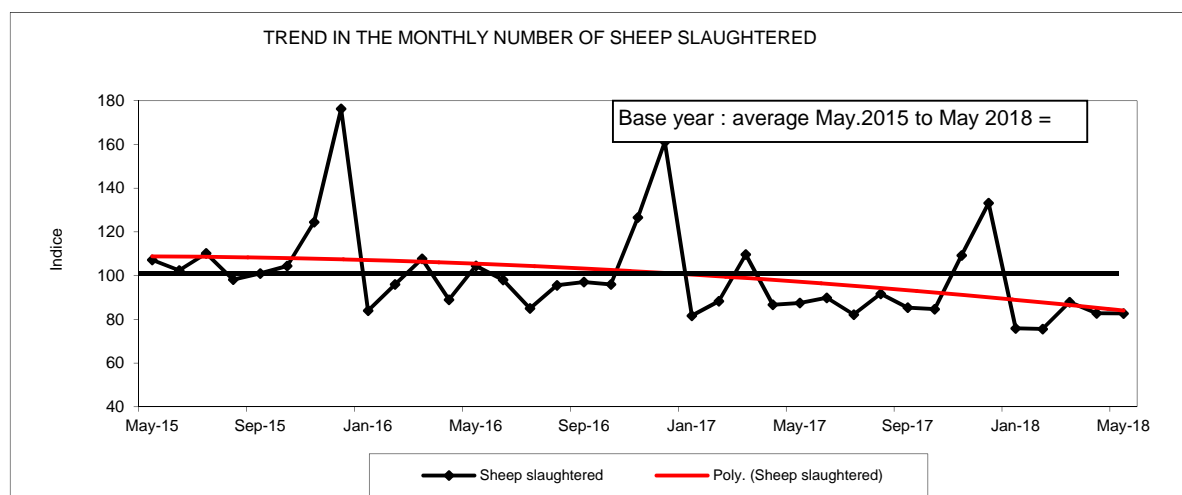
- The imported 90CL beef indicator declined 2US¢, to 198US¢/lb CIF (down 9A¢ at 577.4A¢/kg CIF).
- Memorial Day (28 May) was the most important beef consumption holiday of the year. US end users were focusing on clearing product over the long holiday weekend.
- Fed cattle slaughter for the week ending 25 May was estimated at 520,000 head, 3.1% higher than a year ago. Non-fed slaughter for the week was an estimated 127,000 head, 7.6% higher than last year.
- CME fed cattle futures rallied earlier in the week on strong beef wholesale prices and robust packer margins.

Source: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 30 May 2018.

THE MUTTON INDUSTRY

Slaughter trends

Long term trends in sheep slaughter

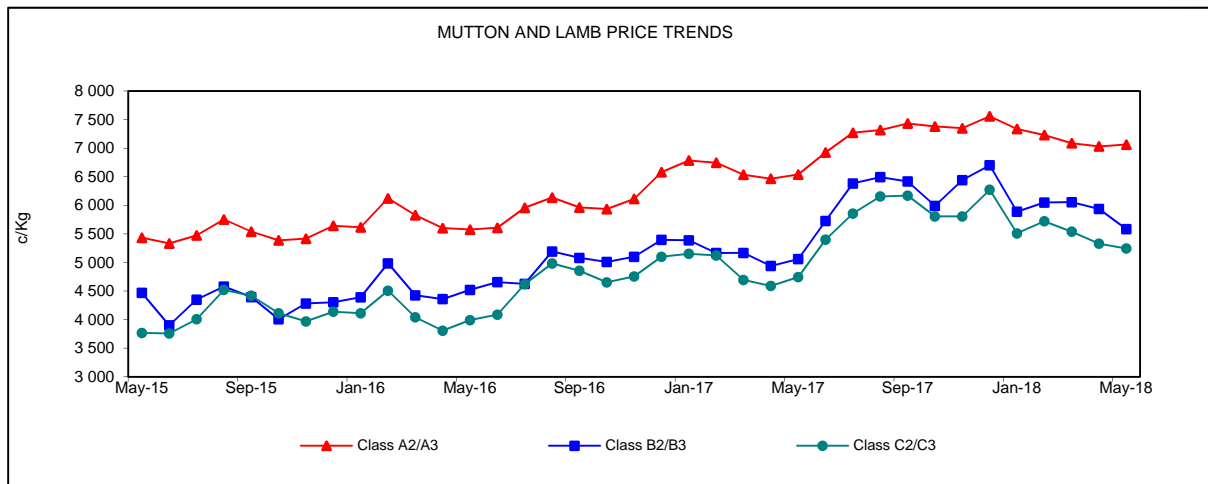


Aggregate slaughter Information received from of Red Meat levy Admin only available till **March 2018**. The months of April and May are estimates, calculated by means of the smoothing multiplicative technique of Holt & Winters, which gives an indication of what can be expected in the month of May 2018.

In May 2018, the preliminary indication is that the number of sheep and lamb slaughtered seems to be 0,2% less compared to the previous month, 5,5% less year-on-year and 17,3% down on the average over the period May 2015 to May 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

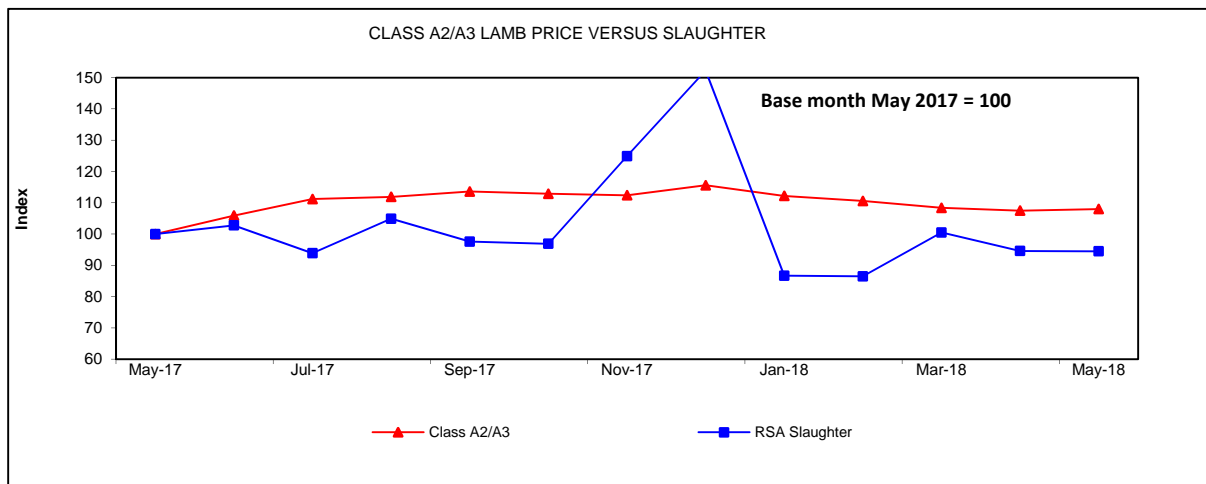


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

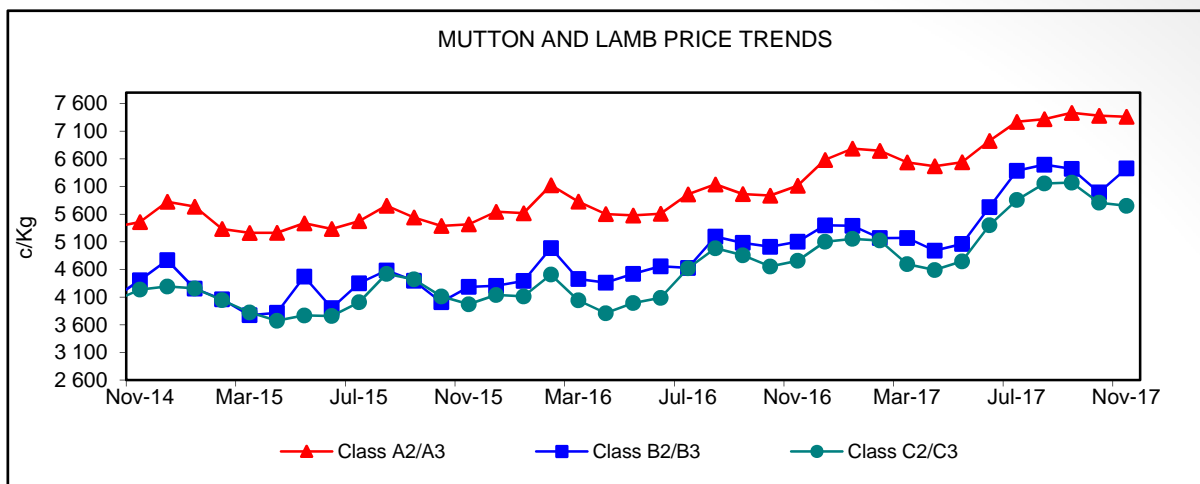
In May 2018 year-on-year, the average producer prices of Class A2/A3, the B2/B3's and Class C2/C3 increased in total by respectively 8,0%, 10,4% and 10,5%.

In May, the average producer price (all classes) was 11,2% above the average over the period May 2015 to May 2018.

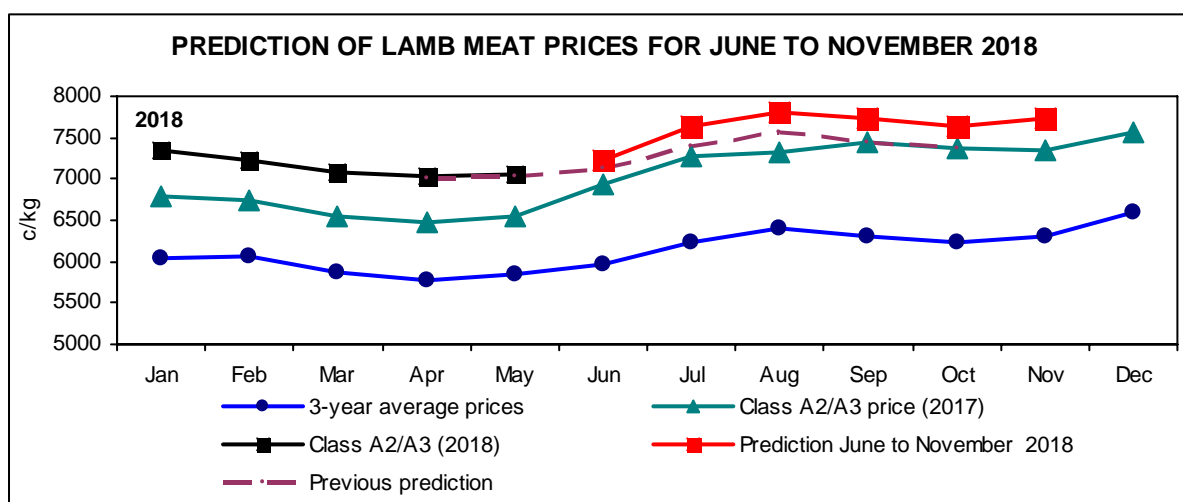
Price of lamb versus slaughter



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 October to December a sharp increase occurred in the number of lamb slaughtered while the average price even went up in December. Then follows a sharp decline in slaughter in January while the price started to decline. The decline in price can either be large carryover stocks from December or a resistance from consumers due to the high December price. Whatever the case, demand is just as important in price formation but can't be determined or predicted without a very big effort and high costs.



Price prediction for Class A2/A3 lamb



In May 2018, the average producer price of Class A2/A3 lamb was 0,5% up compared to the previous month, and an increase was correctly predicted for May in the previous monthly report, and was based on a probability of 70,0% for an increase according to the price information over the past 20 years.

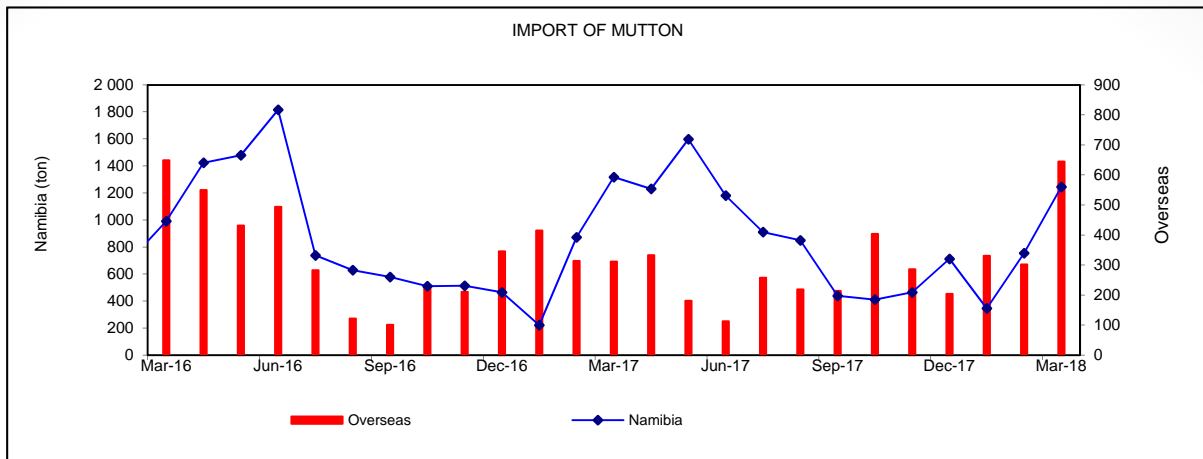
The actual price in May was 0,3% (R0,24/kg) higher than the price predicted in the previous monthly report. For June 2018, an increase is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 65,0% for a higher price from May to June 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 decline in June 2018 compared to the previous month.

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

Monthly prices (c/kg)	Dec17	Jan 18	Feb 18	Mar 18	Apr 18	May 18
Class A2/A3	7 560	7 338	7 232	7 089	7 033	7 065
Class AB2/AB3	7 304	6 291	6 130	6 476	6 247	6 131
Class B2/B3	6 702	5 891	6 051	6 057	5 938	5 585
Class C2/C3	6 274	5 511	5 723	5 540	5 330	5 247

Imports of mutton



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

In March 2018, South Africa imported 1 246 tons of mutton from Namibia, which was 65,0% more than in the previous month and 5,5% less than the same month in 2017.

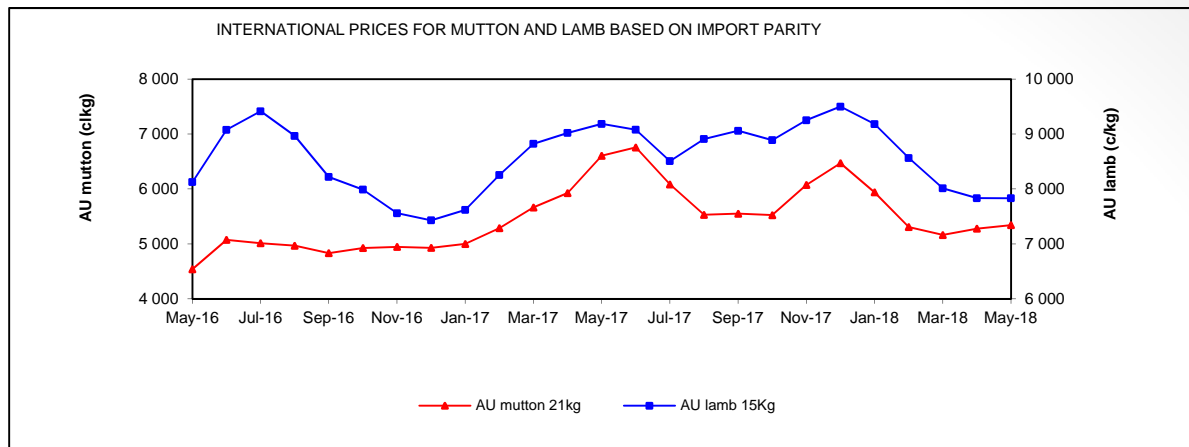
In March 2018 year-on-year, mutton imports from Namibia constitutes for approximate 10,6% of the total South African commercial slaughter.

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 May 2018 on year-to-year, the import parity price of Australian-lamb declined in total by 14,7% and Australian mutton declined by 19,1%.

In May the import parity price for Australian lamb and mutton were respectively R78,33 and R53,43 per kilogram based on the Rand/A\$-exchange rate.

World mutton and lamb meat market review

Australia

Market Watch: Sheep meat

16 May 2018

Following recent rainfall in Victoria and southern NSW, the Eastern States Trade Lamb Indicator (ESTLI) has increased, opening the week at 612¢/kg cwt before reaching 618¢/kg cwt yesterday (15 May).

Supply

May has seen eastern states lamb slaughter continue its upward trajectory, totalling close to 799,000 head for the first two weeks of May, up 11% year-on-year. This has been underpinned by last week's highest weekly lamb slaughter since December 2016.

Up until last week, continued dry seasonal conditions in the south had been a major contributing factor in the offloading of stock, with the largest increases seen in key sheep producing regions.

NSW saw an increase of 13% year-on-year, totalling just over 226,000 head, while Victoria processed over 437,000 head, up 24% on year-ago levels. Meanwhile, SA reported a 25% decrease in the number of lambs processed for the past fortnight, to just under 116,000 head.

Eastern states sheep slaughter totalled almost 255,000 for May so far, up 34% year-on-year. Victoria saw the largest increase, up 46% on year ago levels, to just over 104,000 head for the first half of May.

Sale yard throughput

National lamb sale yard throughput for the first two weeks of May decreased 17% year-on-year, totalling 388,159 head.

Numbers through sale yards has contracted over the past couple of weeks due to recent rain. Victoria saw the largest decrease, back 28% or 33,093 head on year-ago levels. Numbers at Horsham almost halved, totalling 8,232 head for the fortnight, and CVLX Ballarat saw a decrease of 35%, to total 34,363 head.

NSW also saw a decrease, with May throughput back 6% year-on-year, to 242,214 head, with numbers down at most of the NLRS reported sale yards.

National sheep sale yard throughput, on the other hand, for the first half of May has increased considerably (16%) from 2017 levels, to 192,481 head. NSW saw the largest increases here, at 118,256 head, up by 28% year-on-year.

Forbes and SELX Yass saw sizeable increases, up 29% and 57%, respectively. Victoria also saw an increase in sheep coming through the sale yards, up by 32% on 2017, totalling 37,849 head for the last two weeks.

Prices

Recent rainfall in Victoria and parts of southern NSW has seen the Eastern States Trade Lamb Indicator (ESTLI) increase slightly after a small dip in early May – reaching 618¢/kg cwt yesterday (15 May). The Indicator eased to 589¢/kg cwt on 7 May, before rallying to 618¢ earlier this week.

The Victorian trade lamb indicator has rallied significantly – reaching 638¢ on Tuesday 15 May.

The Eastern States Mutton indicator has tracked below 2017 levels since late March – opening May at 443¢/kg cwt. It has also experienced a rain induced kick, gaining 20¢ since the beginning of May, opening at 463¢ this week.

Source: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 16 May 2018