



Agri Trends

07 May 2018

Is listeriosis under control?

Since the recall of affected products on 4 March from shop shelves the incidence of listeriosis dropped significantly. Compared to the level of occurrences under normal circumstances in the USA the reported cases of listeriosis in South Africa dropped to similar levels in the latest report of the National Listeria Incident Management Team. It is therefore expected that this crucial statistics should be shared with consumers. It may just be that the listeriosis outbreak is under control and that the ready to eat products can be consumed with increased consumer confidence. Currently, these products sell at a fair discount and it is expected, as consumer confidence recovered, the price of these products will follow suit. An announcement in this regard is due.

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Beef market trends

International

New Zealand steers traded sideways over the past week at 5.30NZ\$/kg and cows traded sideways at 4.00NZ\$/kg compared to a week ago. In the US, beef prices for the week were mostly higher as follows: Topside traded 3.44% higher at \$223.59/cwt. Rump was 3.79% higher at \$340.86/cwt and strip loin was 11.09% higher at \$714.96/cwt. Chuck traded 3.39% higher at \$210.36/cwt. Brisket traded 1.47% higher at \$246.78/cwt. The carcass equivalent price was 6.14% higher at \$327.58cwt.

Bullish factors

- The return of more spring-like temperatures across most of the US should boost beef demand especially with Mother's Day and then Memorial Day fast approaching. Better weather around the US as May approaches allow for more outdoor grilling.

Bearish factors

- Concerns about increased supplies ahead.
- Large volumes of Brazilian beef are also pouring onto the global market; which may weaken the overall market sentiment.

Domestic

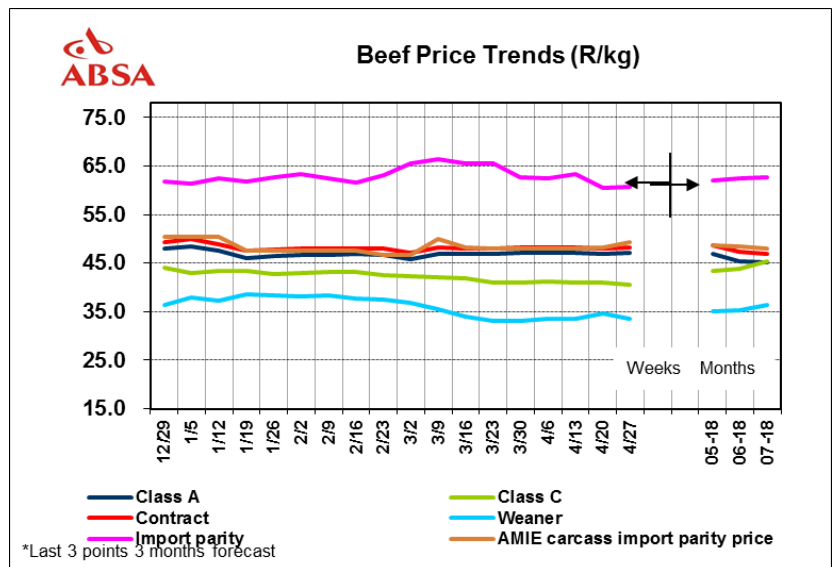
Week on week, beef prices were mixed across the different classes. The average Class A price was 0.36% higher this week at R47.12/kg. Class C prices were 0.79% lower at R40.62/kg. The average weaner calf prices over the past week decreased by 2.9% to R34.52/kg. The average hide price over the past week continued to record declines. The hide market remains weak. If the ZAR holds at the current levels, it can be expected that prices can be maintained moving forward. The average hide prices traded 3.5% lower w/w at R7.89/kg green. NB* Hide prices are determined by the average of the RMAA (Red Meat Abattoir Association) and independent companies.

Bullish factors

- The lower feed price together with the lack of weaner calves to rebuild the national herd in the medium term may result in carcass prices to remain elevated for a long time period to come.
- Weather forecasters indicated that the best rainfall in many months occurred over large parts of the Summer Rainfall Area in March and April 2018. Favourable rains improve soil moisture levels, veldt conditions ahead of winter.
- Weaner calf prices remain high compared to previous year levels. Beef feedlots pay too high prices to acquire weaner calves.
- Decline in available supplies after the weaner calf season may add a bullish tone to prices.

Bearish factors

- Cattle producers continue to sell a higher % of female stock (heifers) than normal limiting the rebuilding of the national herd.
- Normally, the increased supply for weaner calves during the weaner season from March until May weigh on weaner calf prices. This will improve the price margin for feedlots.
- Lower pork prices may weigh on the beef market.



Outlook

Internationally, better weather around the US during the month of May allow for more outdoor grilling, this may improve uptake.

Locally, the lower feed price together with the lack of weaner calfs to rebuild the national herd in the medium term may result in carcass prices to remain elevated for a long time period to come.

Sheep meat market trends

International

New Zealand lamb prices traded sideways this week compared to last week. Lamb prices closed sideways at NZ\$106.9/head for 15kg lamb. Lamb prices were sideways at NZ\$149.6/head for 21kg lamb. Ewe prices traded sideways at NZ\$101.9/head for a 21kg ewe. The import parity price for lamb was 0.6% higher at R68.42/kg, while the import parity price for mutton was 0.6% higher at R50.08/kg.

Bullish factors

- Lamb slaughter prices are set for a small increase as they prepare for winter, but as a whole there's not many lambs being slaughtered in New Zealand.
- Demand for Australian sheep meat is expected to remain strong, supported by strong income growth in major export markets especially China.
- Global demand for sheep meat remained strong due to tight availability from Australia and New Zealand.

Bearish factors

- Over the medium term, continued high prices are expected to provide Australian producers with an incentive to maintain a high rate of lamb turn-off.

Domestic

This week, lamb and mutton prices were mostly higher this week when compared to the previous week. Lamb and mutton prices were as follows: The national average Class A carcass lamb prices increased by 2.2% to R68.74/kg and the average Class C carcass prices increased by 1.1% to R52.60/kg. The average price for feeder lambs traded sideways at R40.83/kg. The average price for dorper skin is 2.3% lower at R33.33/skin and merinos were 3.5% lower at R83.13/skin.

Bullish factors

- Weather forecasters indicated that the best rainfalls in many months occurred over large parts of the Summer Rainfall Area in March and April 2018. Favourable rains improve soil moisture levels, veldt conditions ahead of winter

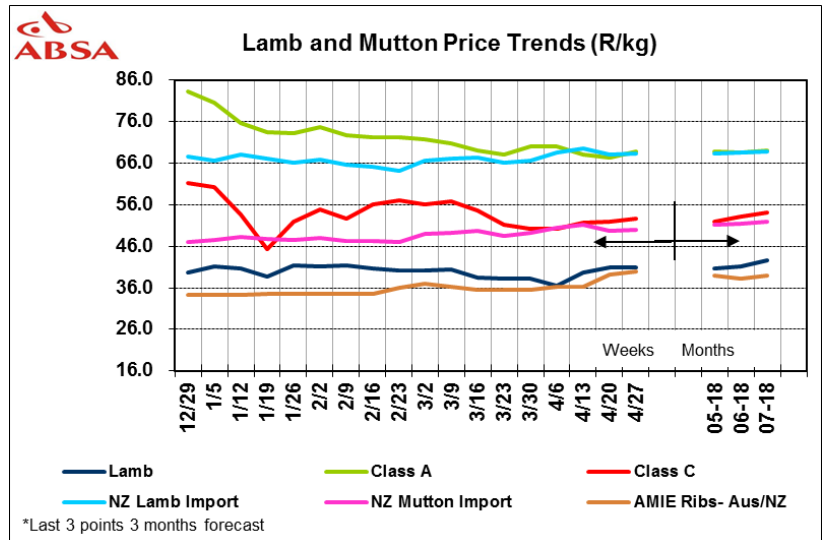
Bearish factors

- Lamb and mutton remains an expensive meat in the market.

Outlook

Internationally, market conditions continue to support prices, due to tight global supplies.

Locally, Lamb and mutton remains an expensive meat in the market. We are moving away from warmer temperatures which are supportive of outdoor grilling, which may weigh on demand prospects.



Pork market trends

International

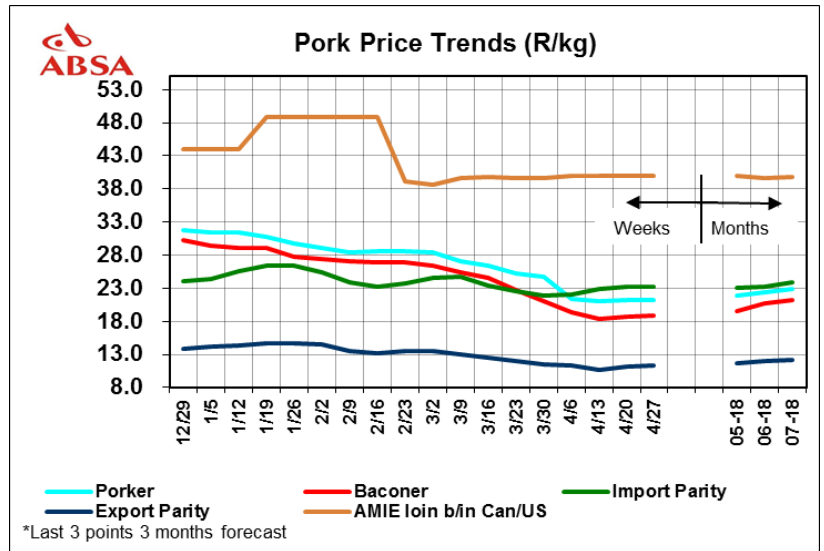
The average weekly US pork prices were mixed over the past week. Carcass prices were 0.3% lower at US\$67.34/cwt, loin prices were 2.8% higher at US\$70.61/cwt, rib prices were 1.1% higher at US\$126.06/cwt and ham was 2.9% lower at US\$52.62/cwt.

Bullish factors

- Steady economic growth means that meat demand is increasing in most countries.
- Milder weather around the US as May approaches should allow for more outdoor grilling.

Bearish factors

- Global production of pork is expected to increase by 2% in 2018, to 113.5 million tons, largely driven by an increase in production in China, alongside the increase in the US and EU.
- Abundant hog supplies in the US.
- Chilly weather last week has delayed the traditional start of the outdoor grilling season in much of the country in the US. A late start to spring also means grilling season has started slow, but hopes remain that the situation will change once grills fire up.



Domestic

Average pork prices have shown a steady declining trend since January 2018. Average pork prices have declined by between 30% and 40% during the second week of April 2018, compared to the second week of January 2018. This week, pork prices continued to show signs of recovery across the board.

This week, pork prices continued to show signs of recovery, recording gains for the second successive week. The latest average pork prices are as follows: The average porker prices are 0,3% higher at R21.27kg, while the average baconer prices are 1.5% higher at R18.91/kg. The average cutters prices were 3.1% higher at R19.8/kg and the average heavy baconer price was 8.1% higher at R19.64. The SAU price was 8.3% higher at R15.14/kg.

Bullish factors

- Sappo has indicated that most retail groups have reported increase in demand for fresh pork.
- Marketing and promotion campaigns by the pork industry drive increased pork sales.
- The current low prices of pork may increase consumer uptake of fresh pork cuts.

Bearish factors

- Plentiful supplies in the market.

Outlook

Internationally, large global production may add pressure on the international market.

Locally, prices are expected to show some recovery as the lower product prices boost sales.

Poultry market trends

International

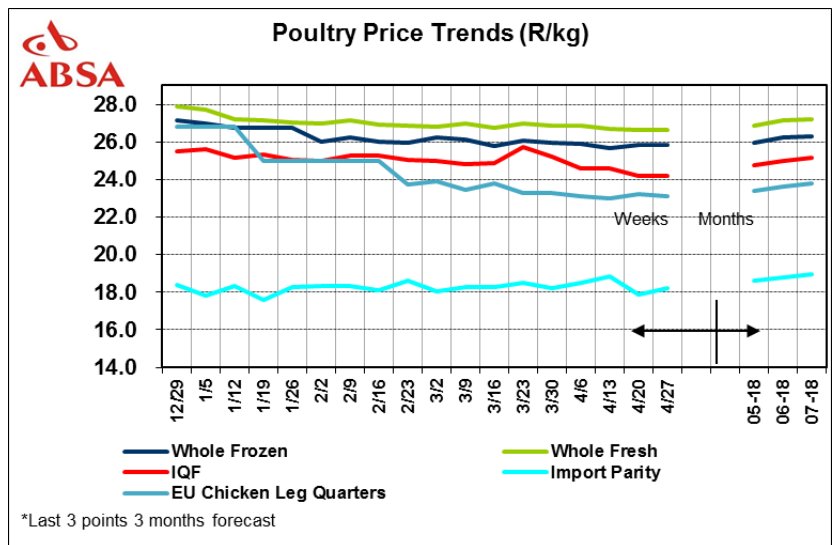
Poultry prices in the US were mostly higher over the past week. Whole bird prices were 0.3% higher at 109.06USc/lb. Breast traded 4.0% higher at 118.00USc/lb, while leg quarters traded sideways at 36.50USc/lb.

Bullish factors

- Expansion in China remains partially constrained by a lack of new genetic stock due to HPAI-related bans on most major suppliers.
- Growth in US domestic consumption.

Bearish factors

- China/US trade dispute continue to cause uncertainties.
- Following 2 years of decline, China's production is now forecast up slightly by 1% on efforts to curb HPAI outbreaks, stable feed costs and rebounding domestic demand.
- Ample feed supplies at relatively low prices.



Domestic

The average poultry prices over the past week were sideways. The average prices for frozen birds were the same at R25.86/kg during the week. Whole fresh medium bird prices were sideways at R26.61/kg, while IQF prices were sideways at R24.19kg.

Bullish factors

- The Stats SA monthly prices for March 2018 show that consumer egg prices are showing increases month on month. This is after some slight recovery in February 2018. Egg prices followed increasing trends towards the end of 2017 due to bird flu. Egg prices for ½ dozen increased by 0.24%, to R16.44 whilst prices for 2.5 dozen increased by 0.27% to R63.14 during March 2018 when compared to February 2018.
- The possibility of new occurrences of bird flu towards winter.

Bearish factors

- Lower pork prices may weigh on the poultry market.
- Favourable feed price environment.

Outlook

Internationally, larger broiler supplies are expected to weigh on the broiler market.

Locally, the lower pork market may pose competition to the poultry market. Subdued demand during mid-month may weigh on the market.

Livestock prices (R/kg) week 04 May 2018	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	0.36	47.12	46.95	2.2	68.74	67.23	0.3	21.27	21.20	0	26.61	26.61
Class C/ Baconer/ Frozen birds	-0.79	40.62	40.94	1.1	52.60	52.02	1.5	18.91	18.64	0	25.86	25.86
Contract/Baconer/ IQF	0.30	48.13	47.99	2.1	69.35	67.90	0.9	20.09	19.92	0	24.19	24.19
Import parity price	0.62	60.80	60.42	0.6	50.08	49.78	2.5	28.3	27.6	1.7	18.2	17.9
Weaner calves/ Feeder lambs	-2.9	33.52	34.52	0	40.83	40.83		-	-			
Specific imports: Beef trimmings 80vl/b/ Mutton shoulders/Loin b/in/ chicken leg 1/4	2.07	49.20	48.20	1.0	58.60	58.00	0	40.00	40.00	-0.4	23.10	23.20

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