Enquiries:
Dalene Coetzer
Cell: 076 188 6533
Web: www.agrimark.co.za
E-mail: liaison@amtrends.co.za

Compiled by Pieter Cornelius
E-mail: pieter@amtrends.co.za

NEXT PUBLICATION
6 MARCH 2016

BEEF & MUTTON MONTHLY REPORT FEBRUARY 2016

Aginfo (Pty) Ltd

AGINFO MONTHLY BEEF AND MUTTON REPORT - FEBRUARY 2016

BOTTOM LINE

Beef

- In January 2016 year-on-year, the average producer prices of Class A2/A3 and Class B2/B3 beef increased in total by respectively 4,5%, 3,5% and 3,4%.
- For February 2016, a decline is predicted in the average price of Class A2/A3, and based on the price information of the past 18 years, the probability is 61,1% that the average price of the A2/A3's is going to be lower compared to the previous month.
- For February 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 55,0% that the average price of weaners is going to be higher in February compared to the previous month.
- The average yellow maize price (all contracts on JSE SAFEX) was 91,0% higher in January 2016 year-on-year. Over the same period the average price of medium light weaners declined in total by 14,9% in January.
- In January 2016 year–on-year, the import parity price of Australian cow meat was 48,3% higher compared to an increase of 3,4% in the average price of Class C2/C3 beef.
- In January 2016, the number of beef cattle slaughtered was in total 20,2% less compared to the previous month, 16,4% more than in January 2015 and 8,2% above the long-term average over the period January 2013 to January 2016.
- In December 2015, South Africa imported 3 291 tons of beef from Namibia (including live animals), which was 3,8% more than in the same month in 2014.
- In November 2015, South Africa imported 431 tons of beef from Botswana, which was 38,3% less than in the same month in 2014.
- In November 2015, a total of 54 tons of beef (excluding offal) was imported from overseas, which was 48,6% less than the same month in 2014.

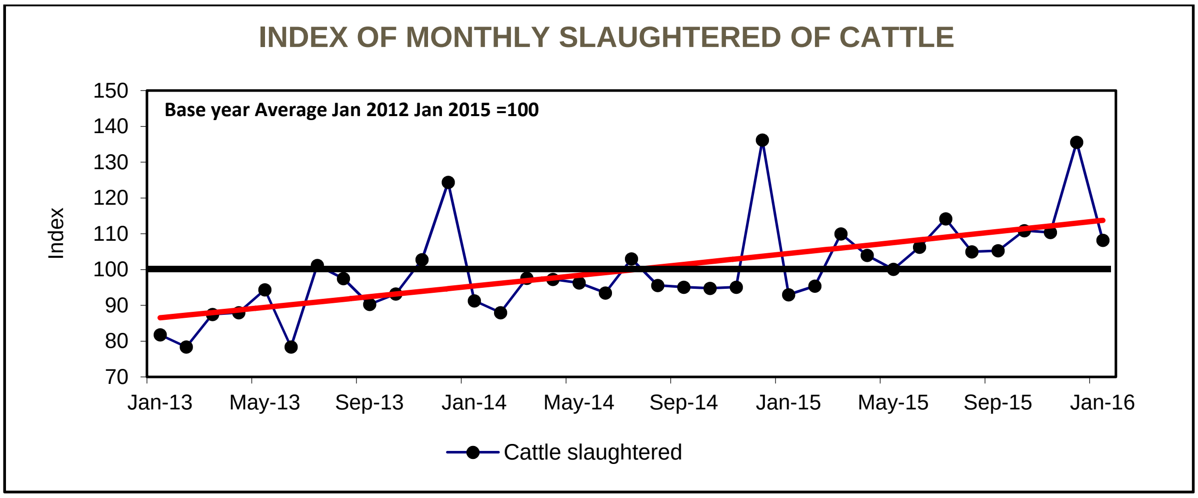
Mutton

- In January 2016 the number of mutton and lamb slaughtered was 37,2% less compared to the previous month, 9,1% more compared to January 2015, and 6,9% down compared to the long-term average over the period January 2013 to January 2016.
- The average producer prices of Class A2/A3 and C2/C3 declined in total by 2,2% and 4,1% and the B2/B3's increased by 3,5% in January 2016 year-on-year, the and the average price of all classes was 13,8% higher than the average over the period January 2013 to January 2016.
- For February 2016, a decline 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 70,0% that the average price of the A2/A3's is going to be lower in February compared to the previous month.
- In January 2016 year-on-year, the import parity price of Australian lamb increased in total by 11,8% and the average price of AU-mutton increased by 0,5%.
- In December 2015, South Africa imported 1 179 tons of mutton and lamb from Namibia (including live sheep), which was 101,5% more than in the same month in 2014.
- In November 2015, a total of 528 tons of mutton was imported from overseas, which was 73,7% more than the same month in 2014.

PRODUCTION INFORMATION FOR THE MONTH OF JANUARY 2015					
Item	Jan 2016	Previous month	Jan 2015	Forecast	
				Feb 2016	March 2016
BEEF					
Abattoir selling prices (c/kg)					
A2/A3's	3 520	3 642	3 369	3 427	3 480
AB2/AB3's	3 274	3 465	3 058	3 184	3 211
B2/B3's	2 984	3 154	2 882	2 864	2 827
C2/C3's	2 803	2 870	2 712	2 693	2 630
Net weaner price (c/kg)	1 754	1 776	2 060	1 733	1 666
Slaughtering index (Ave.=100)	108,2	135,6	93,0		-
Import parity AU-cows (c/kg)	7 072	7 053	4 768	-	-
MUTTON					
Abattoir selling prices (c/kg)					
A2/A3's	5 613	5 644	5 738	5 463	5 212
AB2/AB3's	4 835	4 827	4 617	4 674	4 442
B2/B3's	4 401	4 305	4 254	4 205	4 017
C2/C3's	3 083	4 140	4 258	3 898	3 656
Slaughtering (Ave.=100)	93,1	148,3	85,3	-	-
Import parity AU-mutton (c/kg)	4 299	3 995	4 279		-
Import parity AU-lamb (c/kg)	7 848	7 238	7 019	-	-

BEEF INDUSTRY

Slaughtering of beef cattle

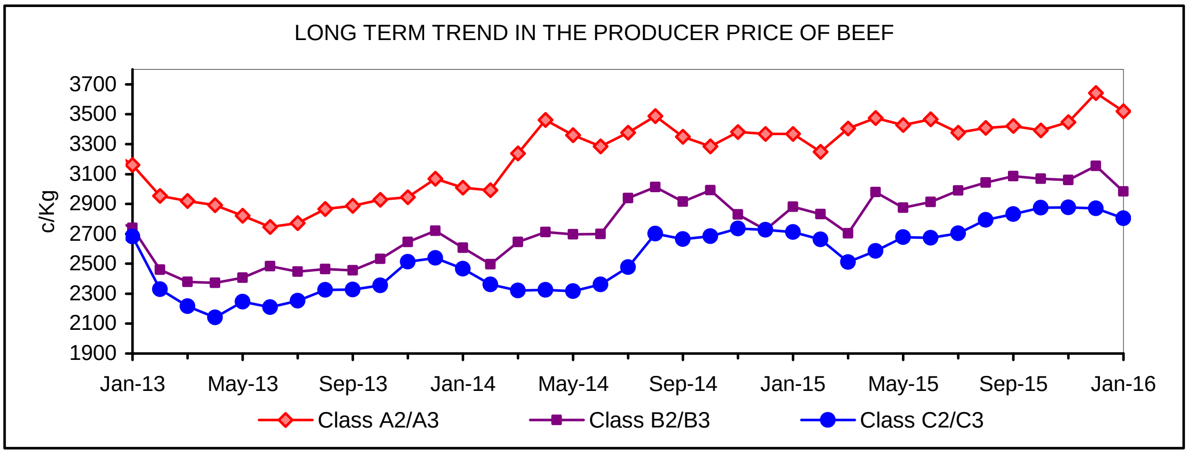


- Aggregate slaughter Information received from of Red Meat levy Admin only available till **December 2015** with preliminary slaughter based on information from the Red Meat Abattoir Association for January 2016. For the month of January we have to rely on the percentage change in the total slaughter 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 January 2013 to January 2016.

- In January 2016, the slaughter of beef cattle seems to decline in total by 20,2% compared to the previous month, 16,4% more than the same month a year ago, and 8,2% above the long- term average based on the period January 2013 to January 2016. The slaughter curve shows an upward trend from January 2013 to January 2016.

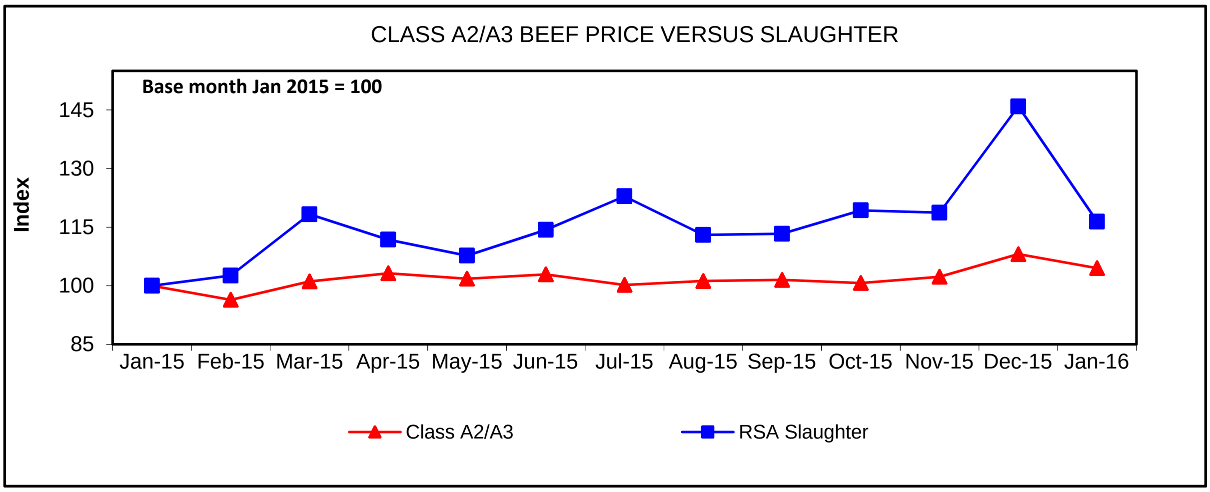
Price movements of beef

Long term trends in beef prices



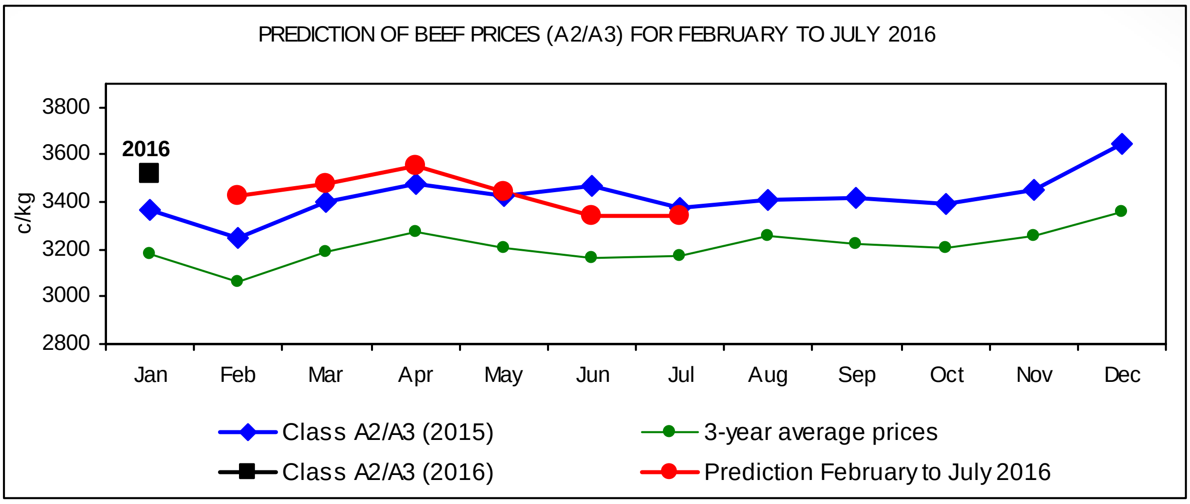
In January 2016 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 4,5% 3,5% and 3,4%. The average price of the A2/A3's was 9,3% above the long term average over the period January 2013 to January 2016. The impact of the drought over the past two years can clearly be seen in the relative high price level of the A2/A3's since April 2014.

Price of Class A2/A3 beef versus slaughter



From January 2015 to January 2016, the average producer price of Class A2/A3 beef increased in total by 4,4% and over the same period national slaughter increased in total by 16,4%. The above Graph indicated a weak relationship between price and slaughter.

Price prediction for Class A2/A3 beef

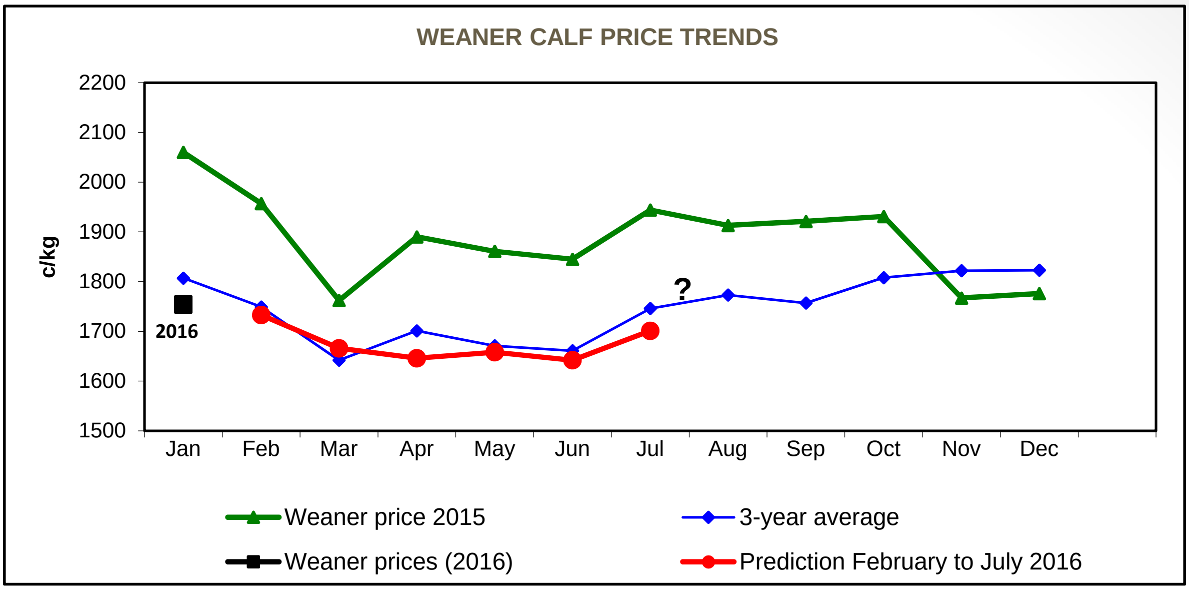


- In January 2016, compared to the previous month the average price of Class A2/A3 beef declined in total by 3,3%. For January an increase in the average price for Class A2/A3 beef was predicted, which was not correct, but it was based on a probability of 56,3% for an increase according to the price information over the past 17 years.
- The actual beef price in January was 1,0% (R0,35/kg carcass weight) lower compared to the price predicted for January.
- For February 2016 a decline 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 61,1% for a lower in price from January to February each year. This prediction may be affected by the impact of the present drought on the number of marketable beef animals in February. After good rain in most of the beef producing areas producers may restrain marketing to get their beef animals in a better marketing condition.
- Although not being shown in the above graph, the average producer price of Class B2/B3 and C2/C3 I also expected to decline in February.

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

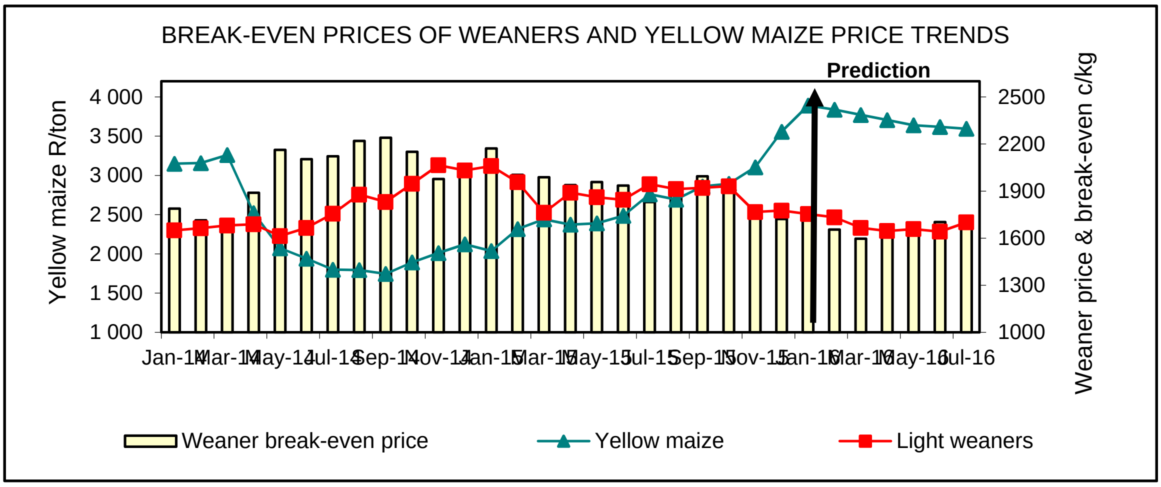
Monthly prices (c/kg)	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016
Class A2/A3	3 408	3 421	3 392	3 448	3 642	3 520
Class AB2/AB3	3 316	3 290	3 289	3 305	3 465	3 274
Class B2/B3	3 043	3 086	3 068	3 060	3 154	2 984
Class C2/C3	2 793	2 831	2 874	2 877	2 870	2 803
Medium Light weaners	1 913	1 921	1 931	1 767	1 776	1 754

Weaner (190 – 240kg) price movements



- The net price (farm gate price) of medium light weaners (190-240kg) declined in total by 1,3% in January 2016 compared to the previous month and declined in total by 14,9% year-on-year. The prediction of an increase in the average price of weaners for January was incorrect, but was based on price information over the past 20 years, indicating a probability of 73,7% for the average weaner price to be higher in January compared to the previous month.
- The actual weaner price in January was 1,0% (R0,18/kg carcass weight) higher compared to the price predicted for January.
- For February, an increase is predicted in the average price of weaners, and based on the price information over the past 20 years, the probability is 55,0% for the average weaner price to be higher in February compared to the previous month.

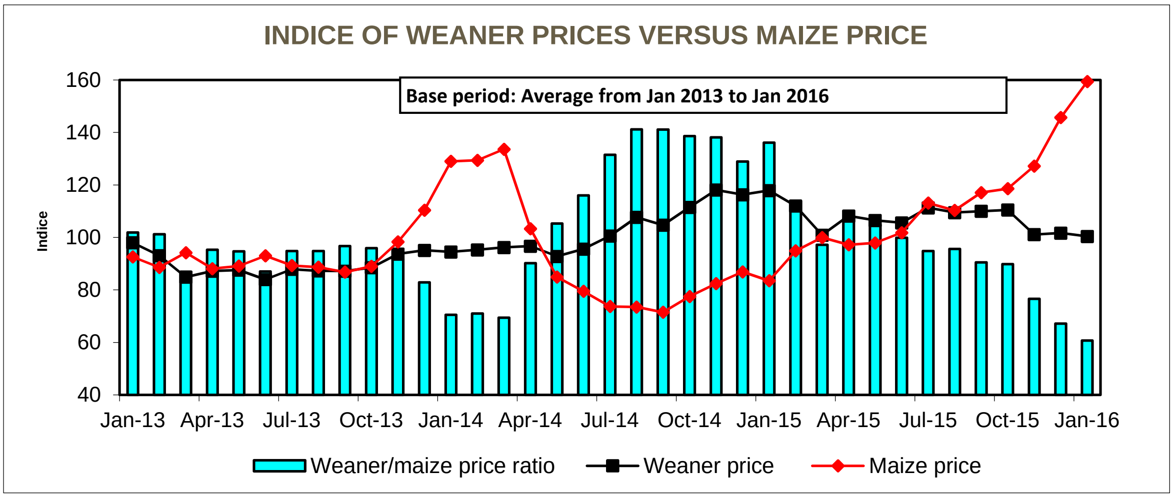
The maize/weaner break-even price



The average yellow maize price (on JSE SAFEX based on all January 2016 contracts Randfontein) in January 2016 was in total 9,4% higher compared to the previous month, and 91,0% higher compared to the same month a year ago.

The expected break-even-price of weaners for February 2016 is based on the predicted future price of Class A2/A3 beef in May 2016 and the SAFEX price for yellow maize in February 2016. With a predicted meat price (Class A2/A3) of R34,46 per kilogram in May 2016 and an average maize price (JSE SAFEX) of R3 839 per ton in February, for a feedlot to break even in February as far as the price beef and the price of maize are concerned, the weaner price should not higher than R16,55 per kg live weight in February, which is 4,5% lower than the average predicted weaner price of R17,33/kg for February. Or based on the expected average weaner price of R17,33 per kg live weight for weaners in February and a maize price of R3 839 per ton in February, by selling these animals in May 2016, the price for Class A2/A3 beef should not be less than R35,67 per kilogram, which is 3,5% higher than the predicted price R34,46/kg for Class A2/A3 in May 2016.

Weaner price versus maize price

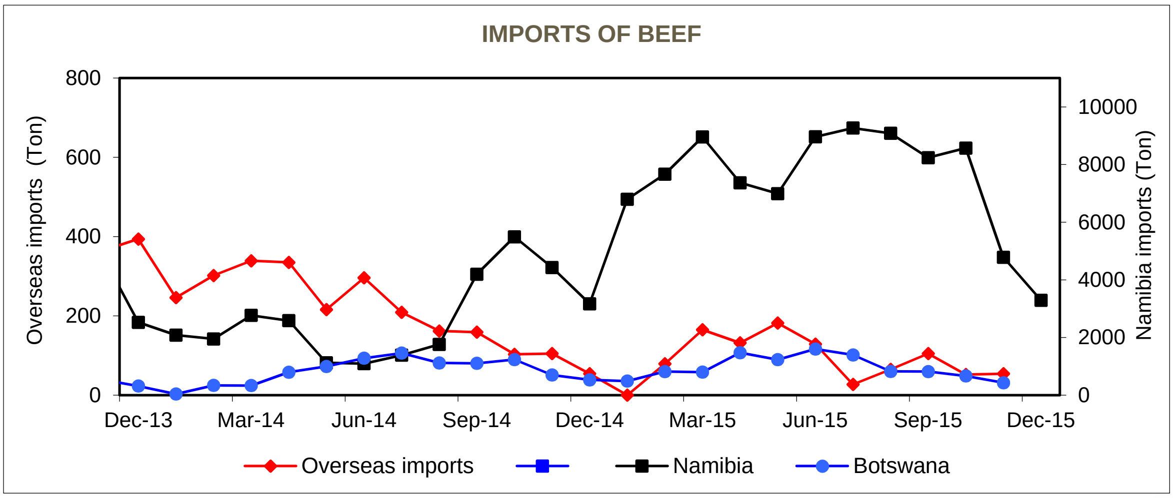


The above graph shows clearly the effect of a higher maize price on the weaner/maize price ratio.

In January 2016, the weaner/maize price ratio weakened in total by 9,7% against the previous month.

In January 2016 year-on-year, the weaner/maize price ratio weakened in total by 55,4% due to an increase of 91,0% in the maize price and a decline of 14,9% in the average price of weaners.

Imports of beef



Import information from Namibia is only available till **December** and from Botswana and overseas till **November 2015.**

In December 2015 South Africa imported 3 291 tons of beef from Namibia, which was 31,2% less than in the previous month and 3,8% more than in the same month a year ago. These imports include live animals and canned meat.

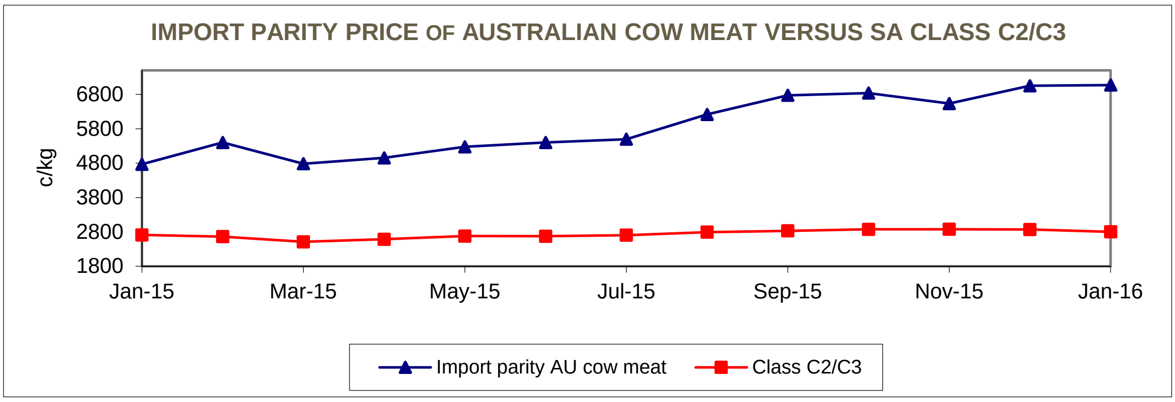
In November 2015, South Africa imported 431 tons of beef from Botswana, which was 35,4% less than in the previous month and 38,3% less than in the same month a year ago.

In November 2015, South Africa imported 54 tons of beef from overseas, which was 3,8% more than in the previous month and 48,6% less than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

In November, the main export countries from overseas of beef meat to South Africa were New Zealand (3,7%) and Australia (96,3%). When liver, hearts, offal and tongue were included, the total imports amounted to 1 558 tons and the main export countries were Australia (66,5%), Great Britain (12,8%), New Zealand (8,3%), Ireland (8,0%), and Argentina (4,3%).

International markets and price movements of beef.

The import parity price situation



In January 2016, the average price of South African beef (C2/C3) was 2 803c/kg compared to the derived import parity price of Australian cow meat of 7 072c/kg. This differential between the two prices can clearly be seen in the above graph.

In January-on-year, the import parity price of Australian cow meat was 48,3% higher compared to an increase 3,4% in the average producer price of Class C2/C3 beef.

Beef trade overseas

International Trade Highlights

Statement from Agriculture Secretary Tom Vilsack on Expanded Market Access for U.S. Poultry, Pork and Beef Exports to South Africa

WASHINGTON, Jan. 7, 2016 -- Agriculture Secretary Tom Vilsack today released the following statement:

On Jan. 7, the U.S. Department of Agriculture (USDA), in collaboration with the Office of the U.S. Trade Representative (USTR), reached agreement with South African officials to allow most U.S. exports of poultry, pork and beef and their products to re-gain access to the South African market, pursuant to an out-of-cycle review of South Africa conducted under the African Growth and Opportunity Act. The agreement was reached following intense U.S. government engagement with South African officials over the last year. Only a limited number of U.S. poultry and meat products have been exported to South Africa in recent years, due to unwarranted sanitary requirements by the South African authorities, with most poultry exports blocked for the last 15 years. With this renewed access for U.S. red meat and poultry products, U.S. exports to South Africa could generate $75 million of shipments annually.

Agriculture Secretary Tom Vilsack today made the following statement regarding this announcement:

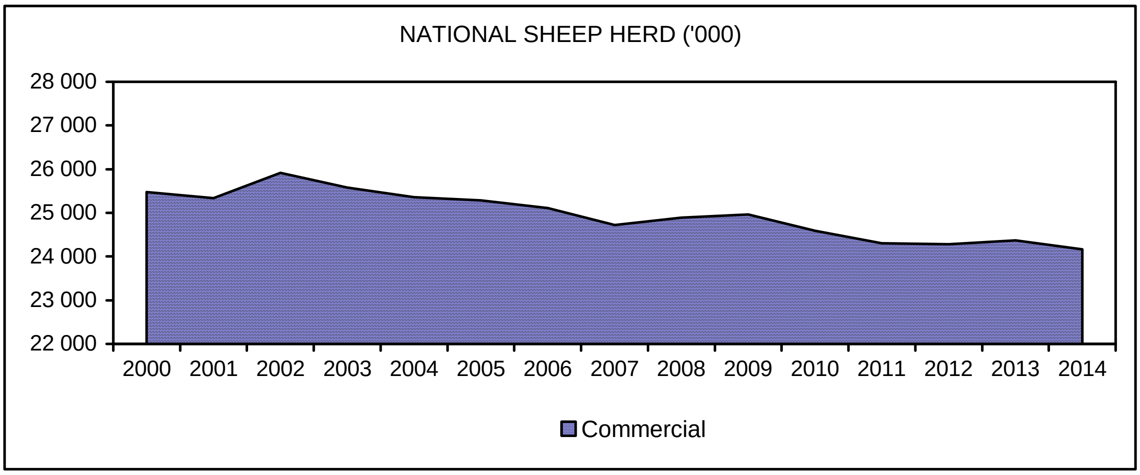
"This is good news for American farmers, ranchers and poultry, pork and beef companies. We welcome this move by South Africa and will continue our efforts to break down barriers and expand access for high-quality, safe and wholesome U.S. food and agricultural products around the world. With this agreement, South Africa reaffirms the scientific soundness and integrity of the U.S. system for ensuring animal health and food safety, and this will result in high-quality U.S. meat and poultry being available for South African consumers.

The regained access for American meat and poultry exports we're announcing today is the culmination of many months of hard work by USDA and USTR staff. The past seven years have been the strongest in history for agricultural trade, with U.S. agricultural product exports totalling $911.4 billion since 2009. Strong agricultural exports contribute to a positive U.S. trade balance, create jobs and boost economic growth. Those exports supported approximately 1 million U.S. jobs last year. The economy is strengthened in rural communities and throughout the entire country from the additional economic activity that flows from the expanded farm and processing business".

SOURCE: USDA Newsroom release 7 January 2016.

THE MUTTON INDUSTRY

The National Sheep herd



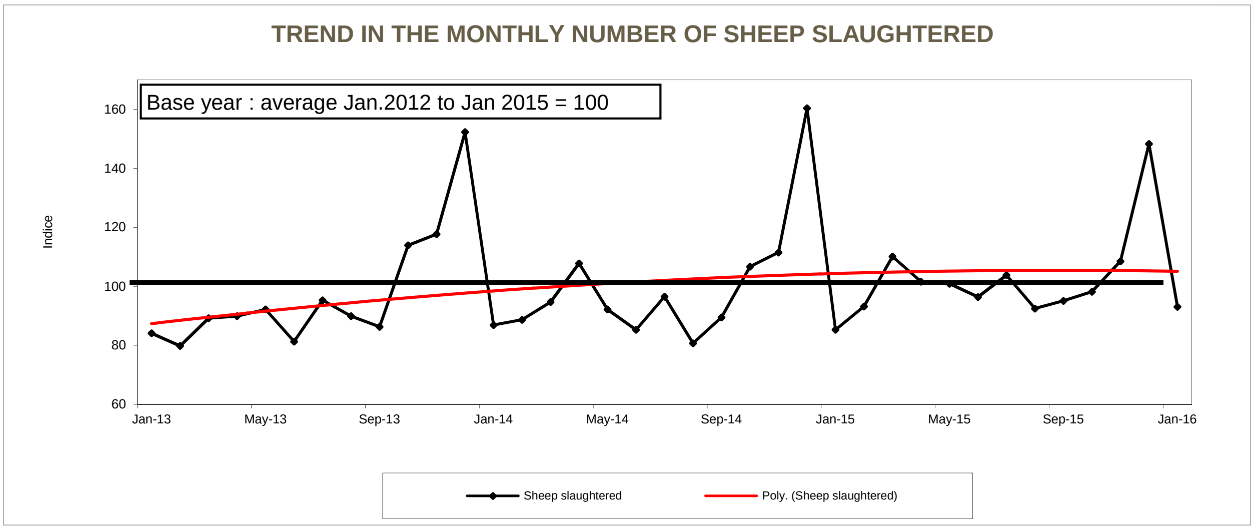
Source: NDA

(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



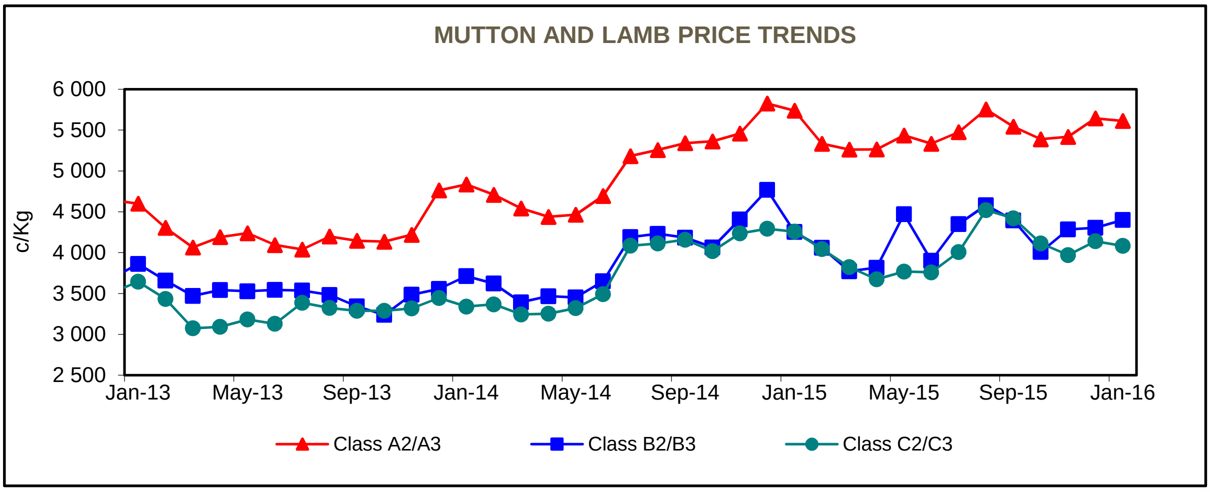
Slaughter of Red Meat levy Admin in South Africa only available till **December 2015**.

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 January 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 January 2016, the number of sheep and lamb slaughtered were 37,2% less compared to the previous month, 9,1% more year-on-year and 6,9% down on the average over the period January 2013 to January 2016.

Producer prices of mutton

Long term trends in mutton and lamb prices



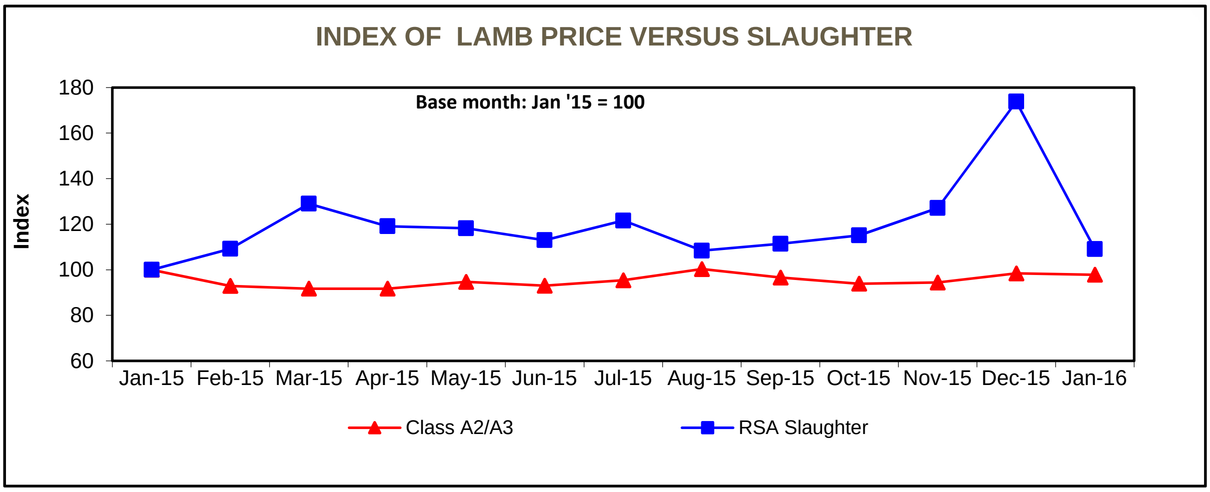
The prices in the above graph are the selling prices of the abattoirs to the meat trade.

Aginfo (Pty) Ltd

In January 2016 year-on-year, the average producer prices of Class A2/A3, and Class C2/C3 declined in total by respectively 2,2% and 4,1% and the B2/B3's increased by 3,5%.

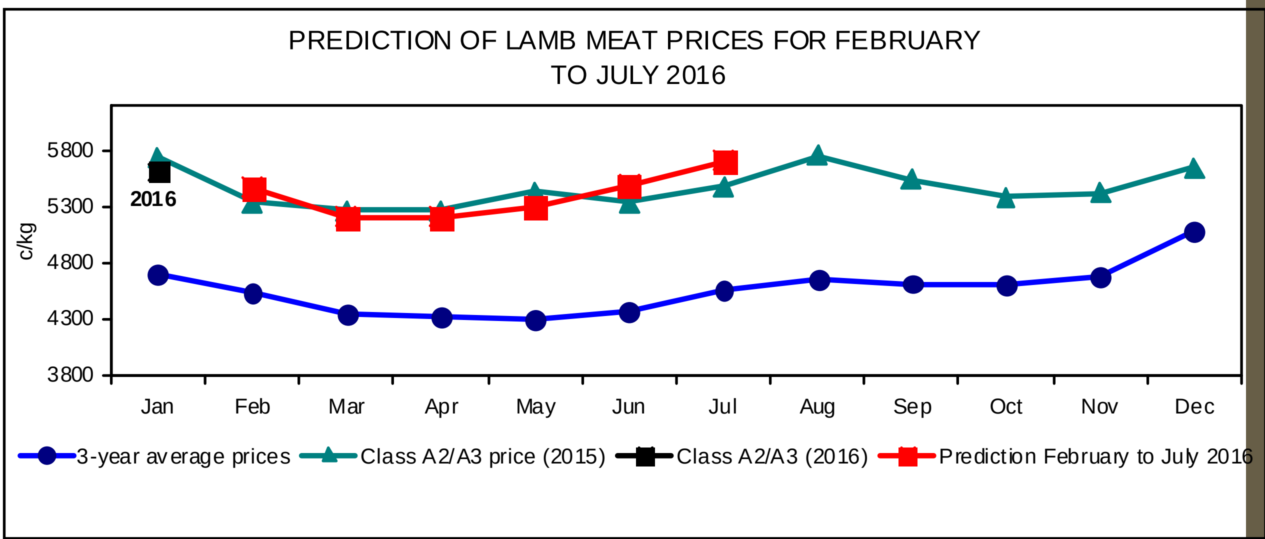
In January, the average producer price (all classes) was 13,8% above the average over the period January 2013 to January 2016

Price of lamb versus slaughter



From January 2015 to January 2016, the average producer price of Class A2/A3 lamb declined in total by 2,2 % and over the same period national slaughter increased in total by 9,1%.

Price prediction for Class A2/A3 lamb



In January 2016, the average producer price of Class A2/A3 was 0,5% down compared to the previous month. The prediction of a decline in the average price for Class A2/A3 beef in January was correct, and it was based on a probability of 78,9% for a decline according to the price information over the past 20 years. The actual Class A2/A3 price in January was 1,9% (R1,07/kg) higher compared to the price predicted for January.

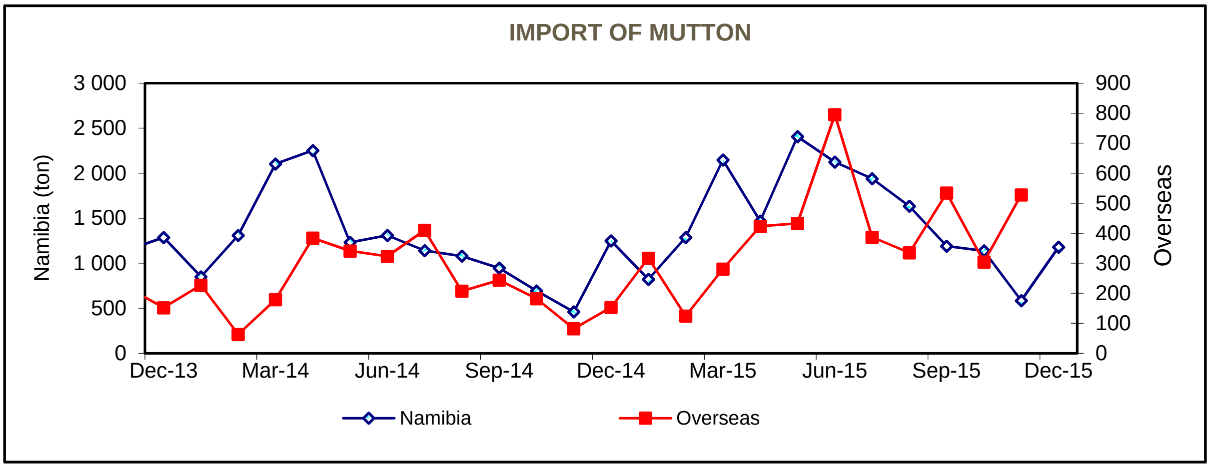
For February 2016, a decline is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 70,0% for a lower in price from January to February each year.

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 February 2016.

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

Monthly prices (c/kg)	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016
Class A2/A3	5 754	5 542	5 389	5 418	5 644	5 613
Class AB2/AB3	4 973	4 864	4 574	4 763	4 827	4 835
Class B2/B3	4 582	4 396	4 009	4 285	4 305	4 401
Class C2/C3	4 521	4 421	4 114	3 971	4 140	4 083

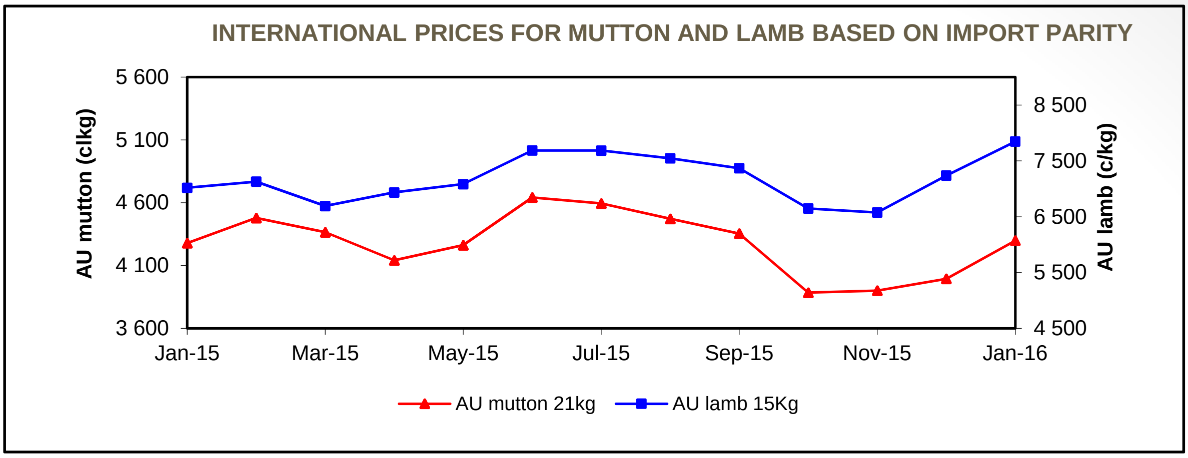
Imports of mutton



Import figures from Namibia is only available up to **December 2015** and overseas up to **November 2015.** In December 2015, South Africa imported 1 179 tons of mutton from Namibia, which was 101,5% more than in the previous month and 5,6% less than the same month in 2014.

In November 2015, South Africa imported 528 tons of mutton (excluding offal) from overseas, which was 73,7% more than in the previous month and 543,9% more compared to the same month in 2014.
In November, the main export countries of mutton (offal excluded) to South Africa from overseas were Australia (90,9%) and New Zealand (9,1%). When offal is included tot al imports was 890 tons and the main export countries of mutton to South Africa were Australia (68,4%), New Zealand (23,9%), Estonia (5,1%) and Belgium (2,7%).

International mutton prices



In January 2016 on year-to-year, the import parity price of Australian-lamb increased by 11,8% and Australian mutton increased by 0,5%. In January, the import parity price for Australian lamb and mutton were respectively R78,48 and R42,99 per kilogram based on the Rand/A$-exchange rate.

World sheep meat market review

Australian lamb exports hit new highs in 2014, surpassing the previous year's record by 23,193 tonnes swt (11%), at 236,908 tonnes swt.

The majority of export markets for Australian lamb registered considerable growth over the past 12 months, fortunately absorbing high domestic supplies, as feed and water deficits were recorded across many key livestock producing regions throughout the year.

Lamb shipments to the Middle East in 2014 were 7% higher than the previous year, totalling 64,249 tonnes swt, while volumes to the US for the year surged to 46,224 tonnes swt – 18% higher than the 2013 total.

Demand from China was not as strong as the year prior, with the 2014 total back slightly (2%), to 38,842 tonnes swt. Lamb exports to the EU increased 20%, to 14,042 tonnes swt, while volumes to South East Asia (13,019 tonnes swt) and Japan (10,127 tonnes swt) lifted 20% and 32% year-on-year, respectively.

Papua New Guinea finished the year on a stronger note, although the overall total for 2014 was 28% lower than the year before, totalling 9,033 tonnes swt. Shipments to Canada were up 11%, at 6,191 tonnes swt, and volumes to Korea reached 4,837 tonnes swt in 2014 – 52% higher year-on-year.

It is likely that Australian lamb exports in 2015 will come back from the highs seen in 2014, as domestic supplies begin to tighten, although global demand is expected to remain strong.

SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 19 January 2016.