



BEEF & MUTTON MONTHLY REPORT MARCH 2016

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AGINFO MONTHLY BEEF AND MUTTON REPORT – MARCH 2016

BOTTOM LINE

Beef

- In February 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 14,7%, 15,8% and 16,7%.
- For March 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 61,1% that the average price of the A2/A3's is going to be higher compared to the previous month.
- For March 2016, a decline 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 lower in March compared to the previous month.
- The average yellow maize price (all contracts on JSE SAFEX) was 61,0% higher in February 2016 year-on-year. Over the same period the average price of medium light weaners increased in total by 1,5% in February.
- In February 2016 year-on-year, the import parity price of Australian cow meat was 28,1% higher compared to an increase of 16,7% in the average price of Class C2/C3 beef.
- In February 2016, the number of beef cattle slaughtered was in total 3,3% less compared to the previous month, 17,3% more than in February 2015 and 10,6% above the long-term average over the period February 2013 to February 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 December 2015, South Africa imported 416 tons of beef from Botswana, which was 3,5% less than in the same month in 2014.
- In December 2015, a total of 283 tons of beef (excluding offal) was imported from overseas, which was 424,1% more than the same month in 2014.

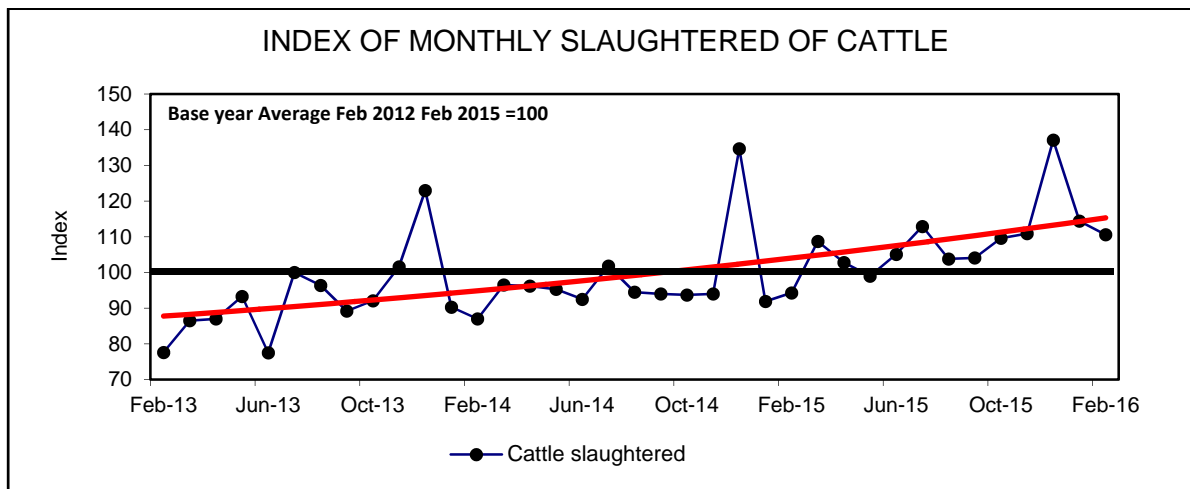
Mutton

- In February 2016 the number of mutton and lamb slaughtered was 6,0% more compared to the previous month, 18,2% more compared to February 2015, and 8,8% up compared to the long-term average over the period February 2013 to February 2016.
- The average producer prices of Class A2/A3, B2/B3 and C2/C3 increased in total by 14,4%, 23,6% and 14,0% in February 2016 year-on-year, the and the average price of all classes was 22,2% higher than the average over the period February 2013 to February 2016.
- For March 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 99,0% that the average price of the A2/A3's is going to be lower in March compared to the previous month.
- In February 2016 year-on-year, the import parity price of Australian lamb increased in total by 15,8% and the average price of AU-mutton declined by 4,8%.
- 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 December 2015, a total of 1 491 tons of mutton was imported from overseas, which was 182,4% more than the same month in 2014.

ITEM	Feb 2016	Previous month	Feb 2015	Forecast	
				Mar 2016	Apr 2016
BEEF					
Abattoir selling prices (c/kg)					
A2/A3's	3 725	3 527	3 249	3 782	3 856
AB2/AB3's	3 564	3 285	2 997	3 568	3 595
B2/B3's	3 280	2 998	2 832	3 235	3 284
C2/C3's	3 107	2 818	2 662	3 033	3 020
Net weaner price (c/kg)	1 986	1 754	1 957	1 904	1 880
Slaughtering index (Ave.=100)	108,5	112,1	94,5		-
Import parity AU-cows (c/kg)	6 917	7 072	5 401	-	-
MUTTON					
Abattoir selling prices (c/kg)					
A2/A3's	6 103	5 618	5 334	5 820	5 808
AB2/AB3's	5 269	4 905	4 524	4 952	4 889
B2/B3's	5 019	4 393	4 061	4 597	4 614
C2/C3's	4 610	4 114	4 045	4 322	4 279
Slaughtering (Ave.=100)	102,1	96,3	92,6	-	-
Import parity AU-mutton (c/kg)	4 264	4 299	4 479		-
Import parity AU-lamb (c/kg)	8 254	7 848	7 130	-	-

BEEF INDUSTRY

Slaughtering of beef cattle

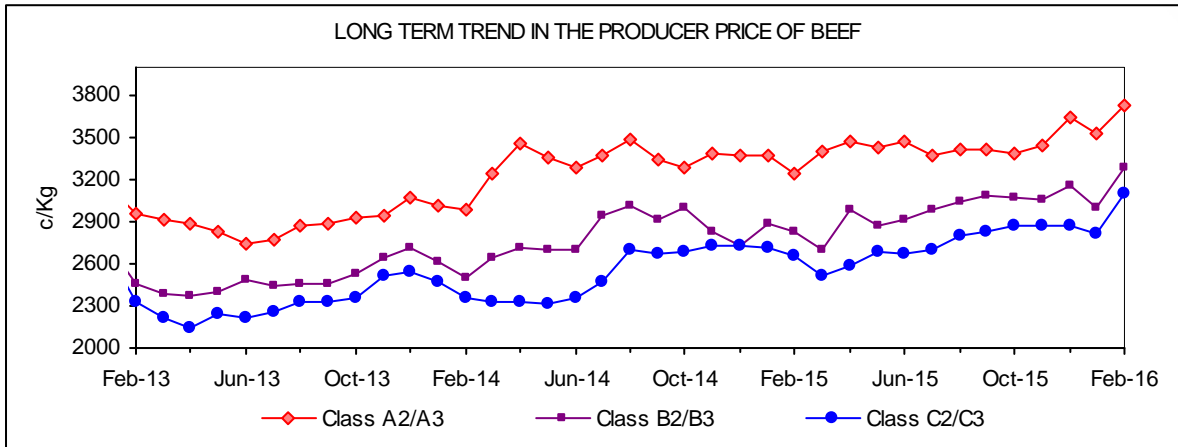


- Aggregate slaughter Information received from of Red Meat levy Admin only available till **December 2015** with preliminary slaughter based on information from the Red Meat Abattoir Association for January and February 2016. For the month of January and February we have to rely on the percentage change 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 February 2013 to February 2016.
- In February 2016, the slaughter of beef cattle seems to decline in total by 3,3% compared to the previous month, 17,3% more than the same month a year ago, and 10,6% above the long- term average

based on the period February 2013 to February 2016. The slaughter curve shows an upward trend from February 2013 to February 2016.

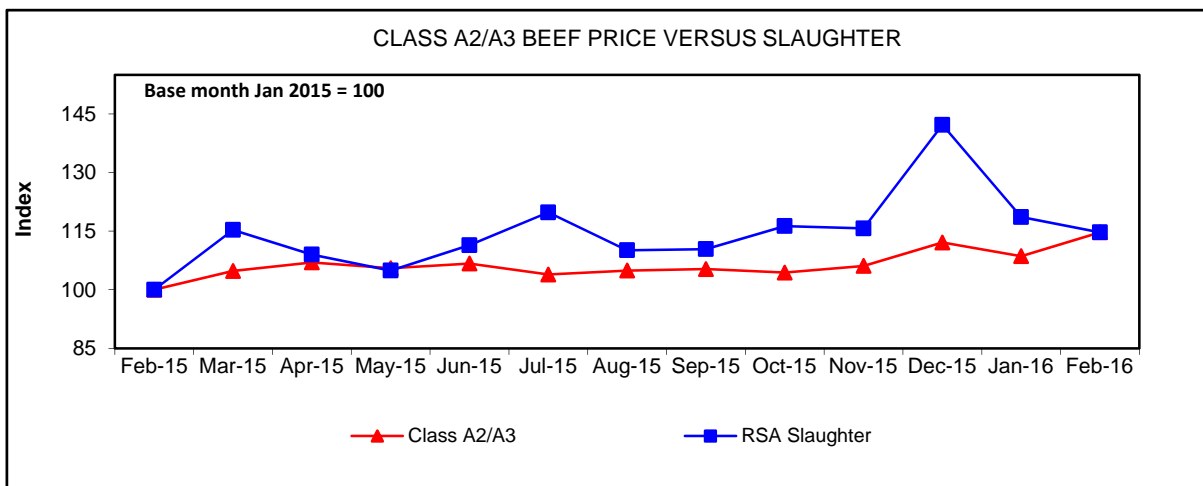
Price movements of beef

Long term trends in beef prices



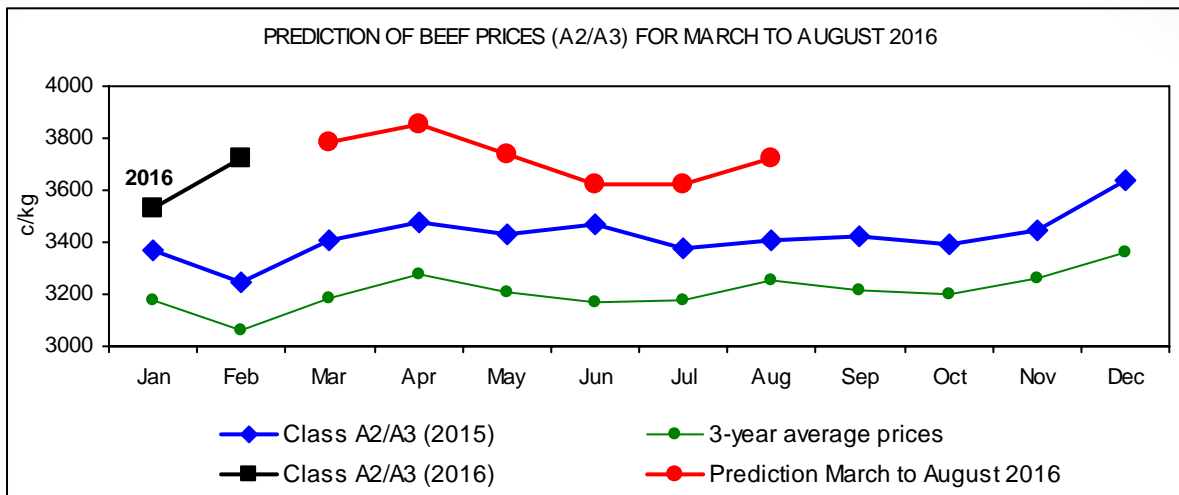
In February 2016 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 14,7% 15,8% and 16,7%. The average price of the A2/A3's was 15,1% above the long term average over the period February 2013 to February 2016. The impact of the drought over 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



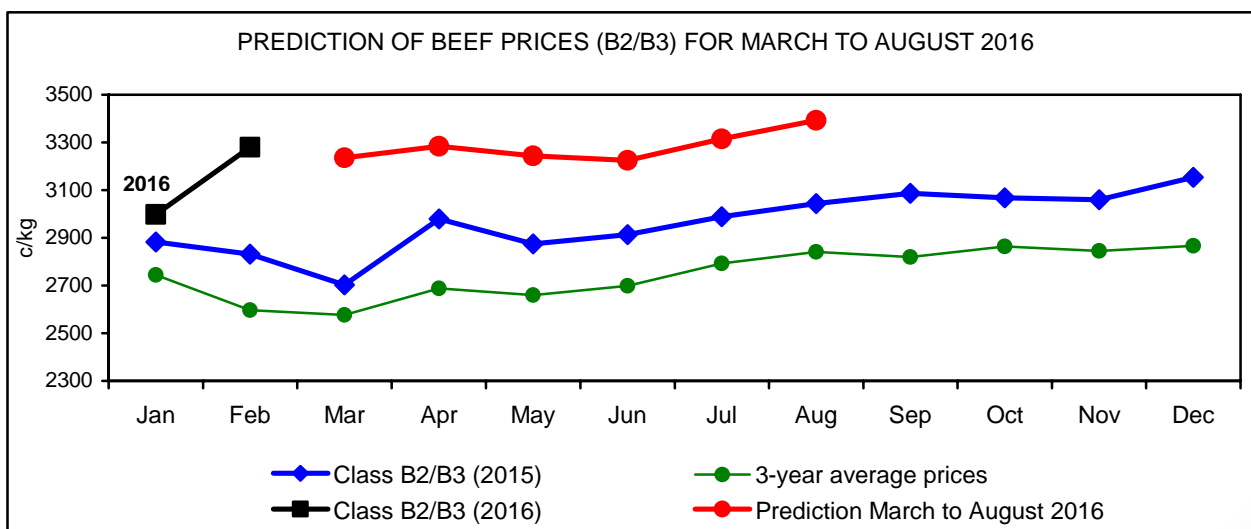
From February 2015 to February 2016, the average producer price of Class A2/A3 beef increased in total by 14,7% and over the same period national slaughter also increased in total by 14,7%. The above Graph indicated a weak relationship between price and slaughter.

Price prediction for Class A2/A3 beef



- In February 2016, compared to the previous month the average price of Class A2/A3 beef increased in total by 5,6%. For February a decline in the average price for Class A2/A3 beef was predicted, which was not correct, but it was based on a probability of 61,1% for a decline according to the price information over the past 18 years.
- The actual beef price in February was 8,7% (R2,98/kg carcass weight) higher compared to the price predicted for February in the previous monthly report.
- For March 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 61,1% for a higher in price from February to March 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 March.

Price prediction for Class B2/B3 beef



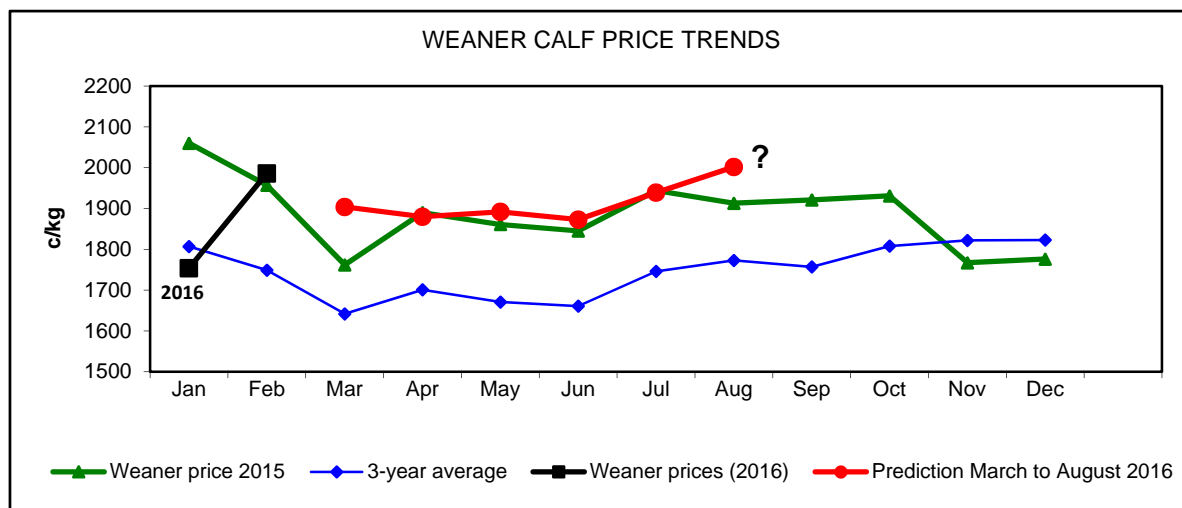
In February 2016, compared to the previous month the average price of Class B2/B3 beef increased in total by 9,4%.

For March 2016 a decline is predicted in the average price of the B2/B3's and according to the price information over the past 19 years, the probability is 57,9% for a lower in price from February to March each year. This prediction may be affected by the impact of the present drought on the number of marketable beef animals in March. After good rain in most of the beef producing areas producers may restrain marketing by getting their beef animals in a better marketing condition which will push supply downward and the average price upward.

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

Monthly prices (c/kg)	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016
Class A2/A3	3 421	3 392	3 448	3 642	3 527	3 725
Class AB2/AB3	3 290	3 289	3 305	3 465	3 285	3 564
Class B2/B3	3 086	3 068	3 060	3 154	2 998	3 280
Class C2/C3	2 831	2 874	2 877	2 870	2 818	3 107
Medium Light weaners	1 921	1 931	1 767	1 776	1 754	1 986

Weaner (190 – 240kg) price movements

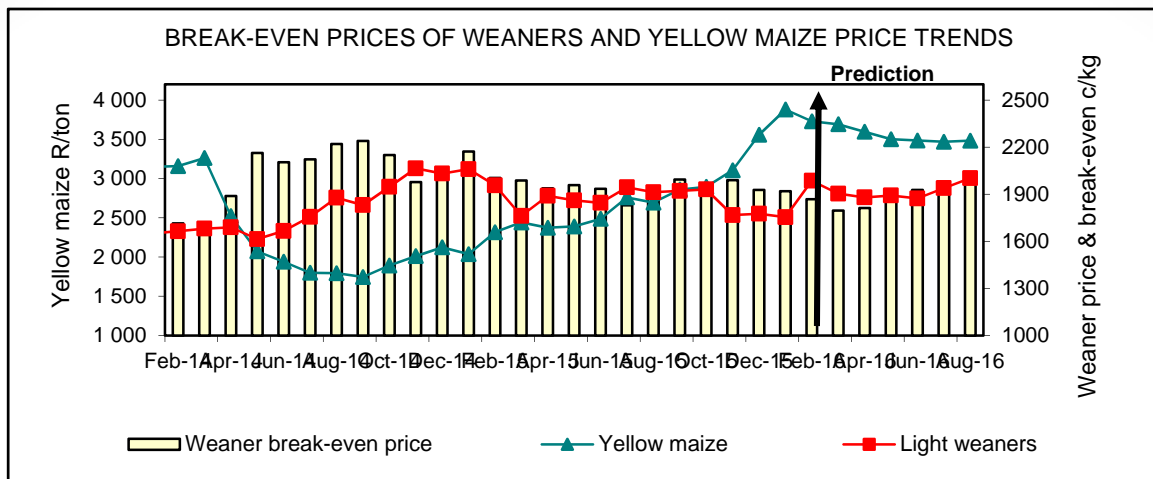


The net price (farm gate price) of medium light weaners (190-240kg) increased in total by 13,2% in February 2016 compared to the previous month and increased in total by 1,5% year-on-year. The prediction of an increase in the average price of weaners for February was correct, and was based on price information over the past 20 years, indicating a probability of 55,0% for the average weaner price to be higher in February compared to the previous month.

The actual weaner price in February was 14,6% (R2,53/kg carcass weight) higher compared to the price predicted for February.

For March, a decline is predicted in the average price of weaners, and based on the price information over the past 20 years, the probability is 80,0% for the average weaner price to be lower in March compared to the previous month.

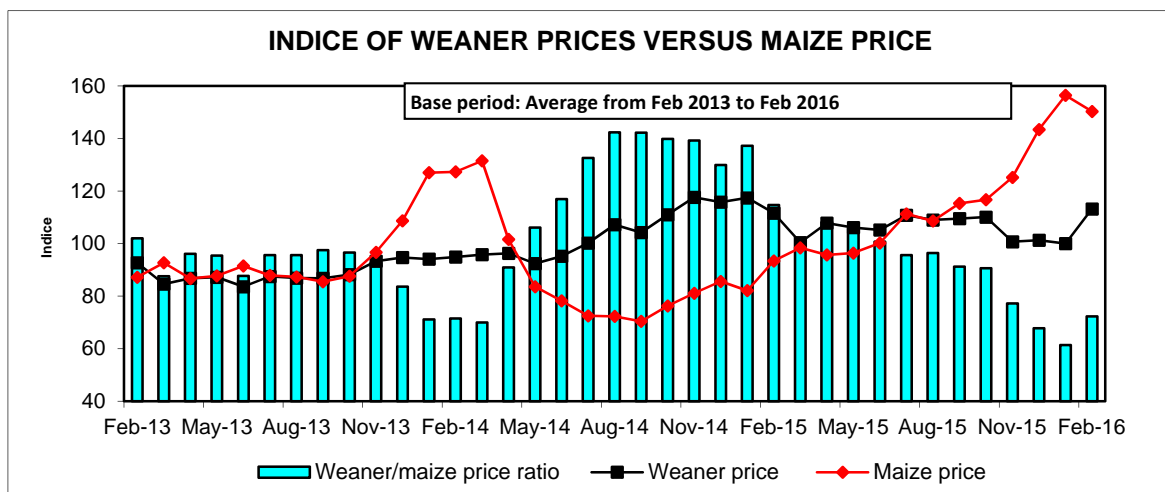
The maize/weaner break-even price



The average yellow maize price (on JSE SAFEX based on all February 2016 contracts Randfontein) in February 2016 was in total 3,9% lower compared to the previous month, and 61,0% higher compared to the same month a year ago.

The expected break-even-price of weaners for March 2016 is based on the predicted future price of Class A2/A3 beef in June 2016 and the SAFEX price for yellow maize in March 2016. With a predicted meat price (Class A2/A3) of R36,25 per kilogram in June 2016 and an average maize price (JSE SAFEX) of R3 692 per ton in March, for a feedlot to break even in March as far as the price beef and the price of maize are concerned, the weaner price should not higher than R17,96 per kg live weight in March, which is 5,7% lower than the average predicted weaner price of R19,04/kg for March. Or based on the expected average weaner price of R19,04 per kg live weight for weaners in March and a maize price of R3 692 per ton in March, by selling these animals in June 2016, the price for Class A2/A3 beef should not be less than R37,84 per kilogram, which is 4,4% higher than the predicted price R36,25/kg for Class A2/A3 in June 2016.

Weaner price versus maize price

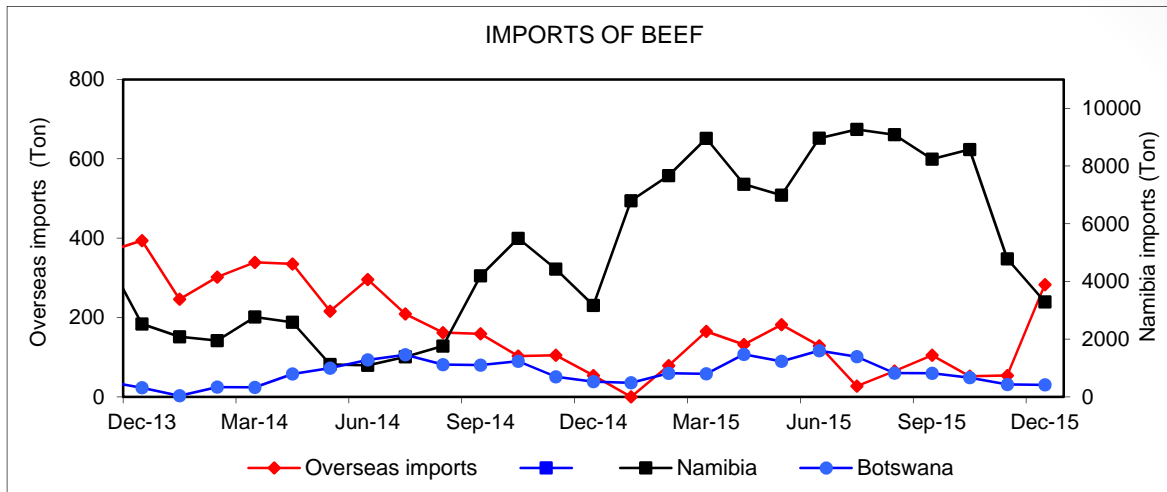


The above graph shows clearly the effect of a higher maize price on the weaner/maize price ratio.

In February 2016, the weaner/maize price ratio improved in total by 17,8% against the previous month.

In February 2016 year-on-year, the weaner/maize price ratio weakened in total by 37,0% due to an increase of 61,0% in the maize price and an increase of 1,5% in the average price of weaners.

Imports of beef



Import information from Namibia, Botswana and overseas is only available till December 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.

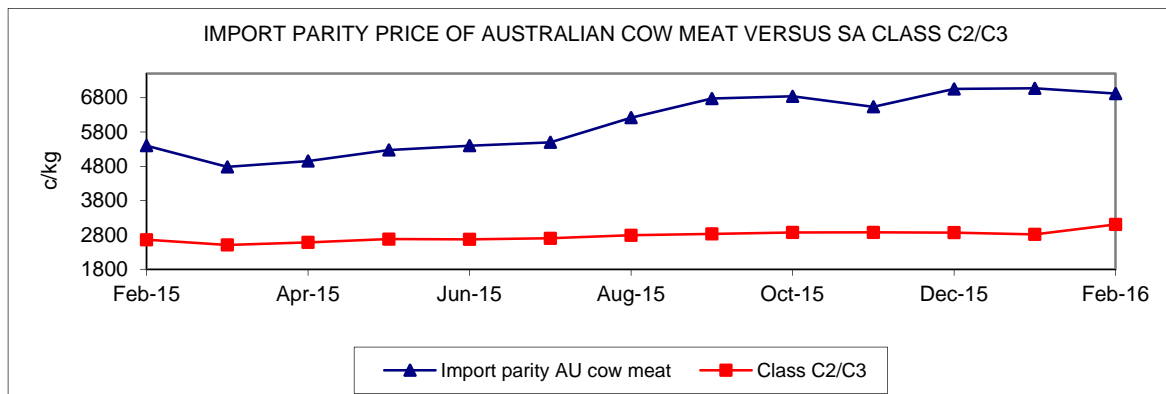
In December 2015, South Africa imported 416 tons of beef from Botswana, which was 3,5% less than in the previous month and 21,4% less than in the same month a year ago.

In December 2015, South Africa imported 283 tons of beef from overseas, which was 424,1% more than in the previous month and 424,1% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

In December, the main export countries from overseas of beef meat to South Africa were Uruguay (74,6%), Australia (18,0%) and Britain (7,4%). When liver, hearts, offal and tongue were included, the total imports amounted to 1 845 tons and the main export countries were Australia (59,6%), Uruguay (11,4%), Britain (10,6%), Ireland (9,3%), Argentina (4,9%) and New Zealand (4,2%).

International markets and price movements of beef.

The import parity price situation



In February 2016, the average price of South African beef (C2/C3) was 3 107c/kg compared to the derived import parity price of Australian cow meat of 6 919c/kg. This differential between the two prices can clearly be seen in the above graph.

In February-on-year, the import parity price of Australian cow meat was 28,1% higher compared to an increase 16,7% in the average producer price of Class C2/C3 beef.

Beef trade overseas

International Trade Highlights

CattleFax: Expectations for Global Beef Trade

ANALYSIS - CattleFax analysts predicted \$294 per head added value for US cattle producers from exports for 2016 – a \$66 drop per head from 2014 values.

Randy Blach, CattleFax CEO and the CattleFax analyst team recently presented at the National Cattlemen's Beef Association (NCBA) meeting in San Diego, California, US.

This decrease in export potential is caused by a combination of a stronger US dollar, slowdown in global markets and challenges with market access. China and other global markets are still the biggest opportunities for US beef, but trade restrictions will continue to limit potential in the year ahead.

Global Trends

- Global red meat and poultry production has increased 85.3 billion pounds since 2006, but global beef production has only increased 3.4 billion pounds in that time.
- Several of the world's largest beef exporters are expanding their beef production by growing their beef cow herds: India, Brazil and the US.
- Of the expanding countries, the US is the largest producer of grain-finished beef versus predominantly grass-finished Brazilian beef or Indian water buffalo.
- Australia, the second largest beef exporter and our largest import supplies in 2015, is undergoing contraction from a drought-forced herd liquidation and will have large reductions in beef available for export.
- Globally tighter beef supplies have led to historically high global beef prices; the US consumer has been a willing buyer of the expensive global supply.

- A stronger US Dollar created opportunity for US beef imports by strengthening purchasing power and a challenge by making US beef exports more expensive globally.

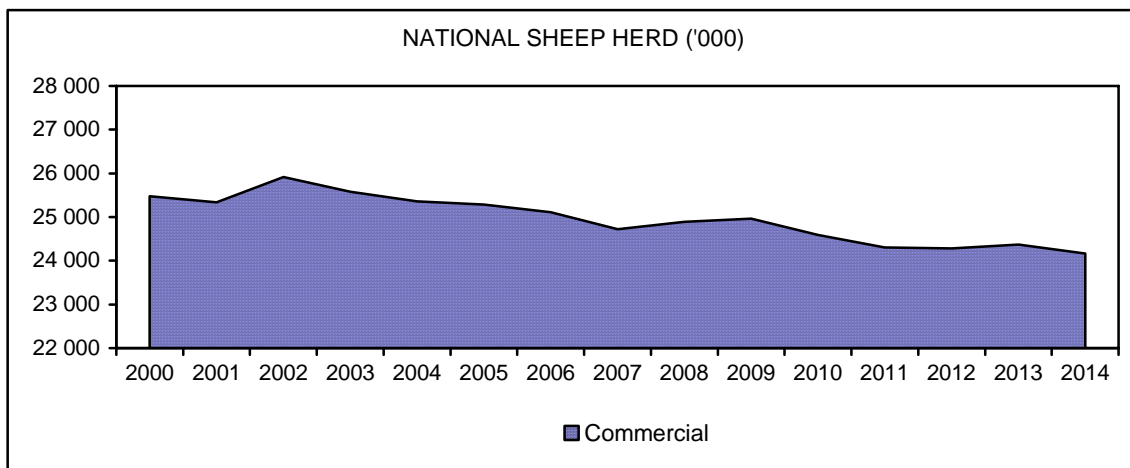
US Beef Trade

- Beef imports are projected to be down 8 per cent in 2016, following a 14.5 per cent year-over-year increase in 2015.
- Increases to commercial cow and fed slaughter will increase domestic supply, reducing the need for imports especially as tighter supplies bring higher prices from Australia.
- Beef exports are projected to be up 3 per cent following a 13 per cent year-over-year decrease in 2015.
- A strong US Dollar hurt exports to Canada and Mexico, our second and third largest beef export markets but should rebound next year with a more stable currency.
- Market share will grow in Japan with smaller Australian exports, more so if the Trans-Pacific Partnership is ratified, equalizing US and Australian import tariff rates.

Source: The Cattle Site, 23 February 2016.

THE MUTTON INDUSTRY

The National Sheep herd



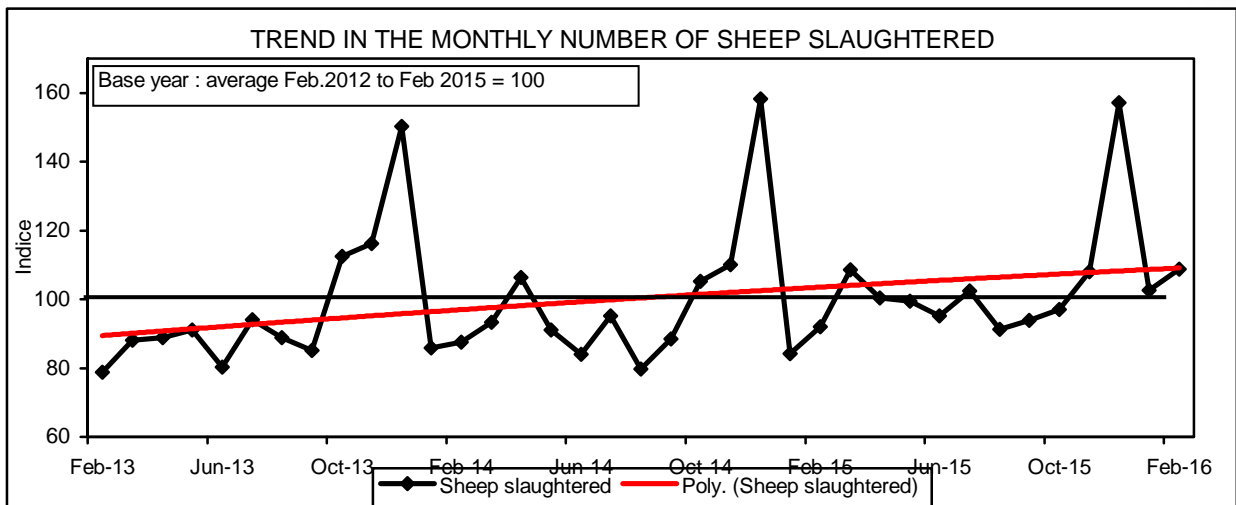
Source: NDA

(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



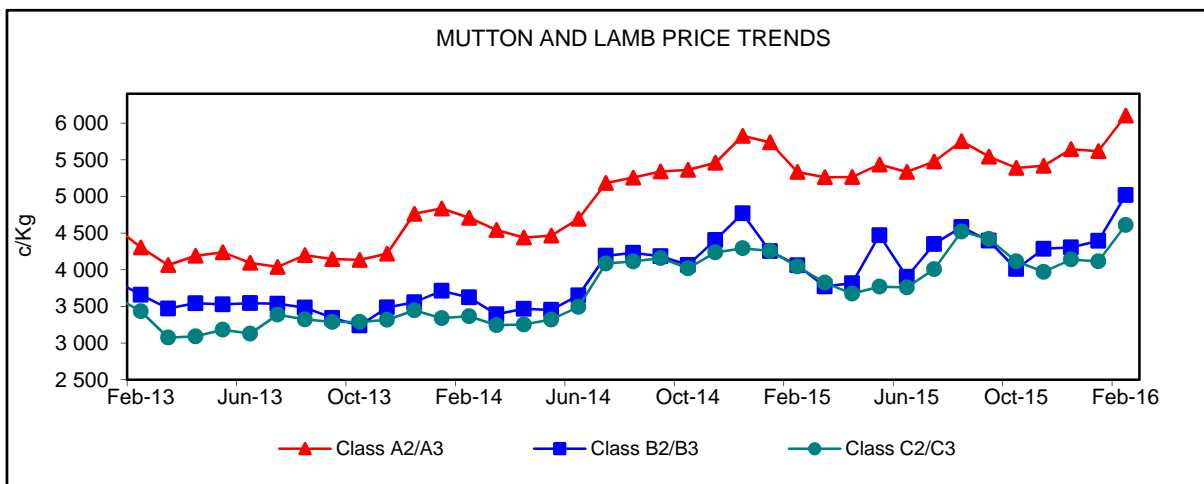
Slaughter of Red Meat levy Admin in South Africa only available till **December 2015**.

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 and February 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 February 2016, the number of sheep and lamb slaughtered were 6,0% more compared to the previous month, 18,2% more year-on-year and 8,8% up on the average over the period February 2013 to February 2016.

Producer prices of mutton

Long term trends in mutton and lamb prices

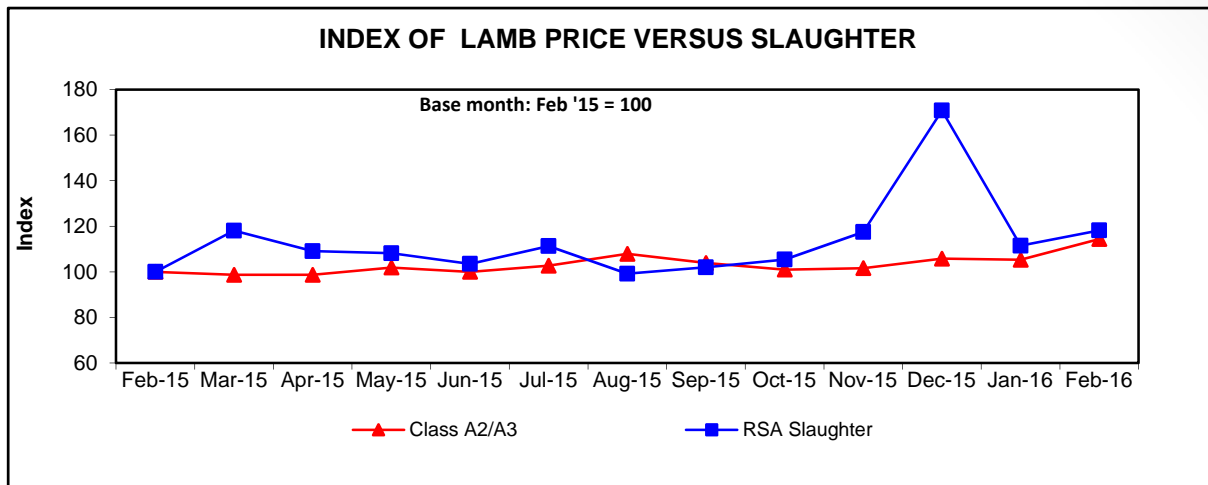


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

In February 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 14,4%, 23,6% and 14,0%.

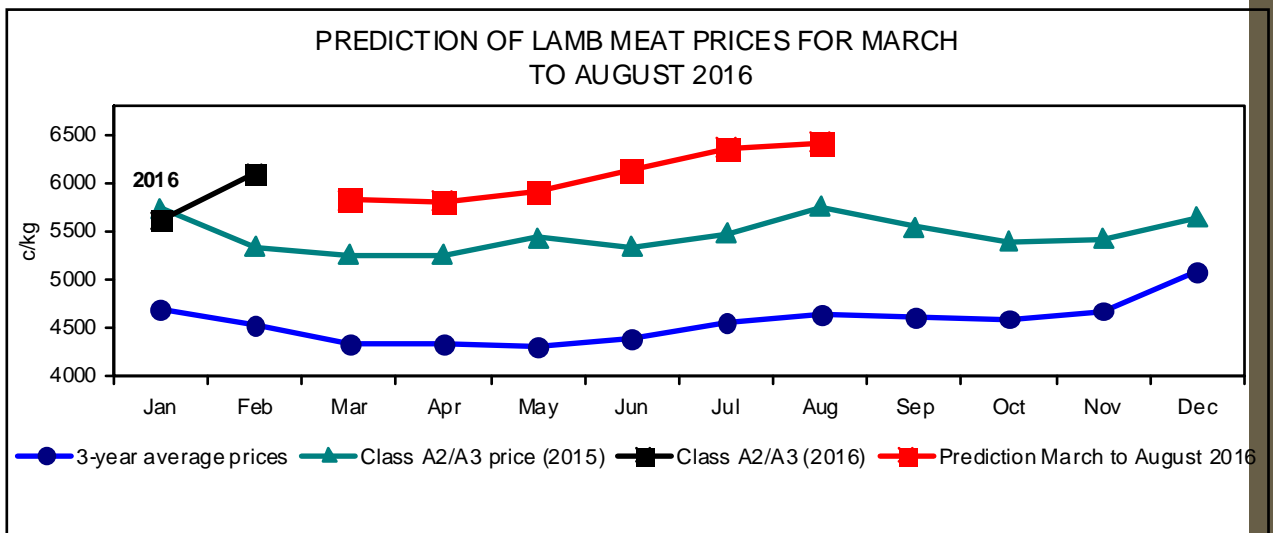
In February, the average producer price (all classes) was 22,2% above the average over the period February 2013 to February 2016

Price of lamb versus slaughter



From February 2015 to February 2016, the average producer price of Class A2/A3 lamb increased in total by 14,4 % and over the same period national slaughter increased in total by 18,2%.

Price prediction for Class A2/A3 lamb



In February 2016, the average producer price of Class A2/A3 was 8,6% up compared to the previous month.

The prediction of a decline in the average price for Class A2/A3 beef in February was incorrect, but it was based on a probability of 70,0% for a decline according to the price information over the past 20 years.

The actual Class A2/A3 price in February was 11,7% (R6,40/kg) higher compared to the price predicted for February in the previous monthly report.

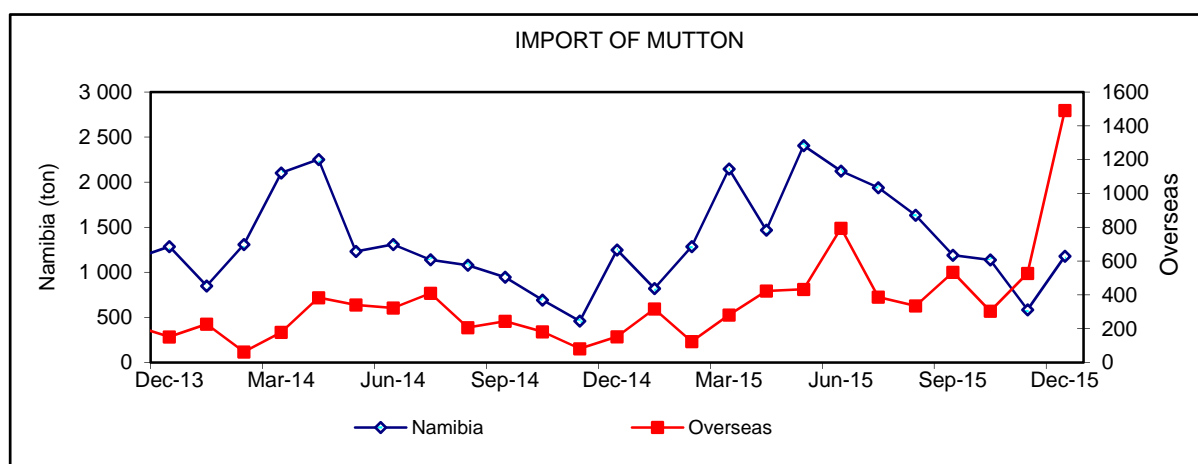
For March 2016, a decline is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 99,0% for a lower in price from February to March each year.

Although not being shown in the above graph, the average producer prices of the B2/B3's is expected to increase and the C2/C3's is expected to decline in March 2016.

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

Monthly prices (c/kg)	Sep 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016
Class A2/A3	5 542	5 389	5 418	5 644	5 618	6 103
Class AB2/AB3	4 864	4 574	4 763	4 827	4 905	5 269
Class B2/B3	4 396	4 009	4 285	4 305	4 393	5 019
Class C2/C3	4 421	4 114	3 971	4 140	4 114	4 610

Imports of mutton



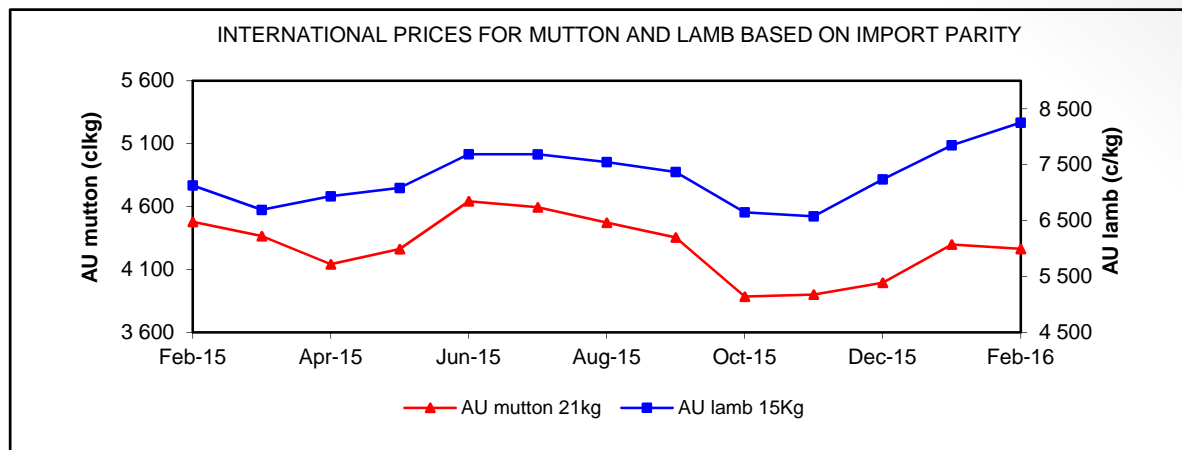
Import figures from Namibia and overseas are only available up to **December 2015**.

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 December 2015, South Africa imported 1 491 tons of mutton (excluding offal) from overseas, which was 182,4% more than in the previous month and 874,5% more compared to the same month in 2014.

In December, the main export countries of mutton (offal excluded) to South Africa from overseas were Australia (98,4%) and New Zealand (1,6%). When offal is included total imports was 802 tons and the main export countries of mutton to South Africa were Australia (75,3%) and New Zealand (24,7%).

International mutton prices



In February 2016 on year-to-year, the import parity price of Australian-lamb increased by 15,8% and Australian mutton declined by 4,8%. In February, the import parity price for Australian lamb and mutton were respectively R82,54 and R42,64 per kilogram based on the Rand/A\$-exchange rate.

World sheep meat market review

Australia

Lamb prices lower than start of 2015.

So far this year, average national lamb indicators have been tracking lower than 2015 levels. Due to last years unprecedented export demand helping relieve the pressure of high supplies, 2016 has started out at a more restrained pace; with the national trade lamb indicator back 2% year-on-year, at 531¢, although it remains 8% above the five year average (491¢/kg cwt).

Trade lamb prices in NSW were steady year-on-year, averaging 538¢/kg cwt, as some timely rain has been received. However, the same cannot be said for Victoria – with very much below average rainfall for the last 12 months, it is not surprising that prices have suffered, with the Victorian trade lamb indicator down 5%, to 530¢/kg cwt. This is notable, as Victorian prices usual track above NSW price levels at this time of year.

Of note also is slaughter, with NSW lamb slaughter up 2%, at 722,515 head so far this year. Victorian lamb slaughter is hovering around 1.4 million so far this year, up 2% from the same period in 2015. Sale yard supply has been tightening in Victoria over the last few weeks, back around 20% on this time last year, with more sheep and lambs sold direct-to-works.

In the west, with dry and hot conditions restricting lamb quality over the last month, trade lamb prices in WA are 4% lower year-on-year, at 479¢, but are 5% above the five year average (458¢/kg cwt). Whilst WA slaughter is hard to compare to previous years (due to a lack of slaughter data collection), MLA's recently collated WA sheep and lamb slaughter report shows that average weekly WA lamb slaughter so far this year is 55,873 head, with slaughter increasing over the last two weeks.

SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 3 March 2016.