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NEXT PUBLICATION

November 2017



AMT
BEEF & MUTTON
MONTHLY REPORT
OCTOBER 2017

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AMT MONTHLY BEEF AND MUTTON REPORT – OCTOBER 2017

BOTTOM LINE

Beef

- In September 2017 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by respectively 22,0%, 25,8% and 35,8%.
- For October 2017, an increase is predicted in the average price of Class A2/A3, and based on the price information of the past 19 years, the probability is 52,6% that the average price of the A2/A3's is going to be higher compared to the previous month.
- For October 2017, an increase is predicted in the average price of weaners, and based on the price information of the past 20 years, the probability is 85,0% that the average price of weaners is going to be higher in October compared to the previous month.
- The average yellow maize price (all contracts on JSE SAFEX) was 37,9% lower in September 2017 year-on-year. Over the same period the average price of medium light weaners increased in total by 65,6% in September.
- In September 2017 year-on-year, the import parity price of Australian cow meat was 17,0% lower compared to an increase of 25,8% in the average price of Class C2/C3 beef.
- In September 2017, the number of beef cattle slaughtered was in total 5,8% less compared to the previous month, 9,2% less than in September 2016 and 9,2% below the long-term average over the period September 2014 to September 2017.
- In June 2017, South Africa imported 9 181 tons of beef from Namibia (including live animals), which was 559,1% more than in the same month in 2016.
- In July 2017, South Africa imported 1 287 tons of beef from Botswana, which was 44,0% more than the same month a year ago.
- In July 2017, a total of 318 ton of beef (excluding offal) was imported from overseas, which was 135,6% more than the same month in 2016.

Mutton

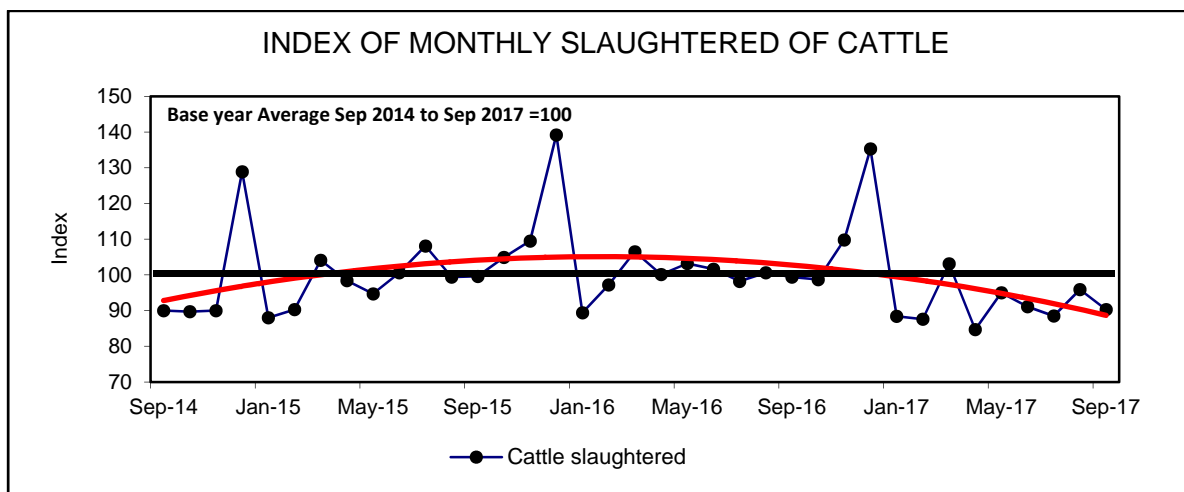
- In September 2017 the number of mutton and lamb slaughtered was 3,4% more compared to the previous month, 5,6% less compared to September 2016, and 12,5% down compared to the long-term average over the period September 2014 to September 2017.
- The average producer prices of Class A2/A3, B2/B3 and C2/C3 increased in total by 24,7%, 27,7% and 27,7% in September 2017 year-on-year, the and the average price of all classes was 24,7% higher than the average over the period September 2014 to September 2017.
- For October 2017, 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 October compared to the previous month.
- In September 2017 year-on-year, the import parity price of Australian lamb increased in total by 10,5% and the average price of AU-mutton increased by 14,9%.
- In June 2017, South Africa imported 1 181 tons of mutton and lamb from Namibia (including live sheep), which was 35,0% less than in the same month in 2016.
- In July 2017, a total of 258 tons of mutton was imported from overseas, which was 8,8% less than the same month in 2016.

PRODUCTION INFORMATION FOR THE MONTH OF SEPTEMBER 2017

Item	Sep 2017	Previous month	Sep 2016	Forecast	
				Oct 2017	Nov 2017
BEEF					
Abattoir selling prices (c/kg)					
A2/A3's	4 617	4 647	3 784	4 620	4 651
AB2/AB3's	4 576	4 577	3 671	4 565	4 591
B2/B3's	4 314	4 321	3 429	4 282	4 335
C2/C3's	4 108	4 105	3 265	4 174	4 221
Net weaner price (c/kg)	3 238	3 213	1 956	3 389	3 430
Slaughtering index (Ave.=100)	90,3	95,9	99,4		-
Import parity AU-cows (c/kg)	6 371	6 471	7 676	-	-
MUTTON					
Abattoir selling prices (c/kg)					
A2/A3's	7 437	7 319	5 965	7 391	7 601
AB2/AB3's	6 650	6 570	5 412	6 567	6 789
B2/B3's	6 488	6 495	5 082	6 372	6 654
C2/C3's	6 203	6 156	4 857	6 079	6 191
Slaughtering (Ave.=100)	87,5	84,7	92,7	-	-
Import parity AU-mutton (c/kg)	5 552	5 531	4 834		-
Import parity AU-lamb (c/kg)	9 061	8 910	8 220	-	-

BEEF INDUSTRY

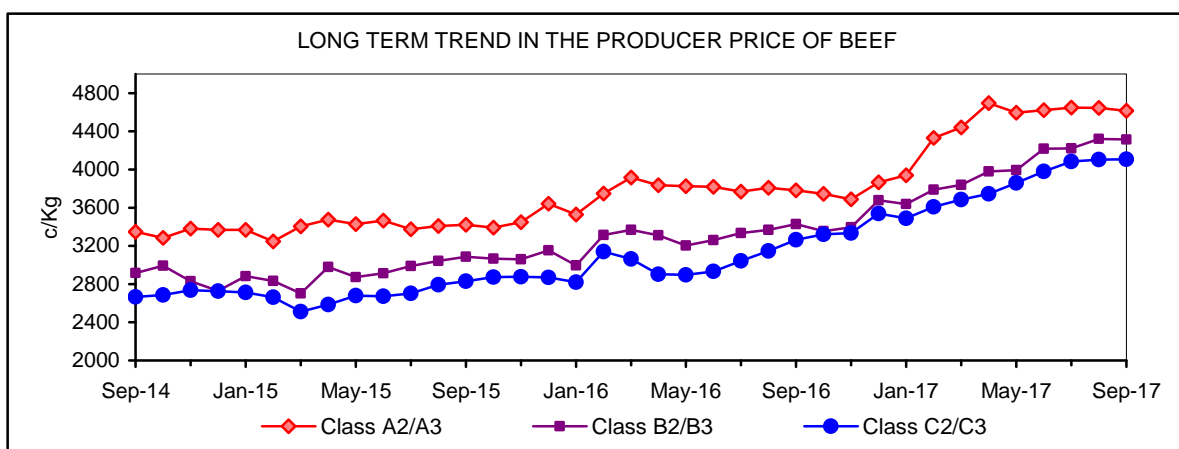
Slaughtering of beef cattle



- Aggregate commercial slaughter Information received from of Red Meat levy Admin only available till **June 2017**. The month of September 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 September.
- The horizontal 100-line on the graph represents the long term average monthly slaughter of beef cattle from September 2014 to September 2017.
- In September 2017, the slaughter of beef cattle estimated to decline in total by 5,8% compared to the previous month, 9,2% less than the same month a year ago, and 9,2% below the long- term average based on the period September 2014 to September 2017. The slaughter curve shows a downward trend from May 2016 to September 2017 due to the effect of the drought.

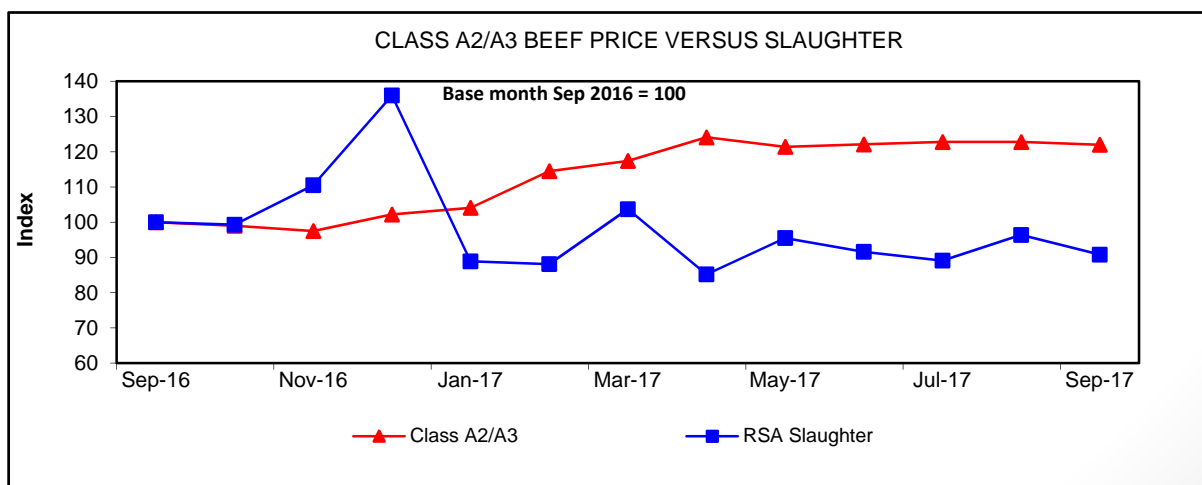
Price movements of beef

Long term trends in beef prices



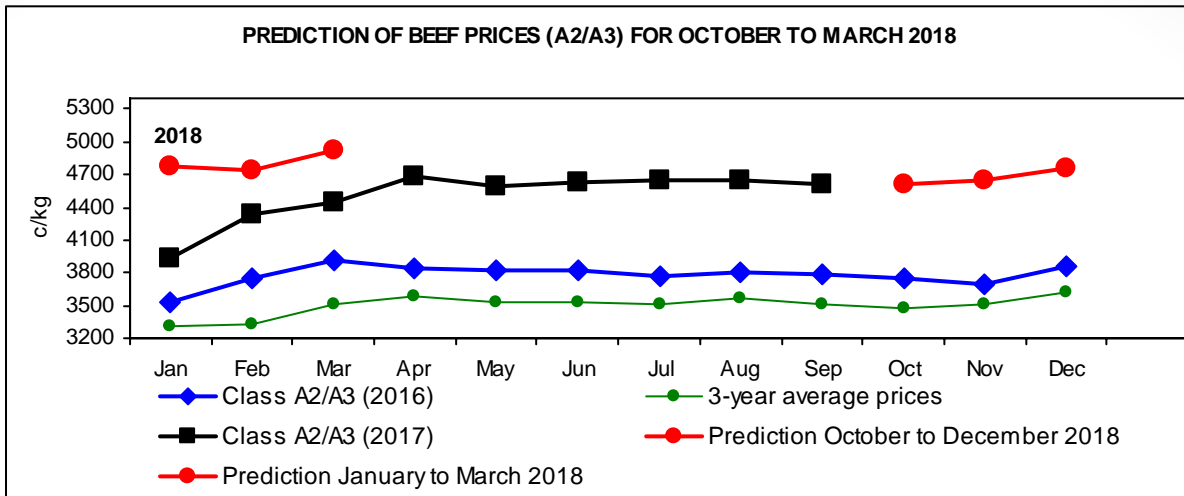
In September 2017 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 22,0% 25,8% and 25,8%. The average price of the A2/A3's was 9,7% below the long term average over the period September 2014 to September 2017.

Price of Class A2/A3 beef versus slaughter



From September 2016 to September 2017, the average producer price of Class A2/A3 beef increased in total by 22,0% and over the same period national slaughter declined in total by 9,2%.

Price prediction for Class A2/A3 beef



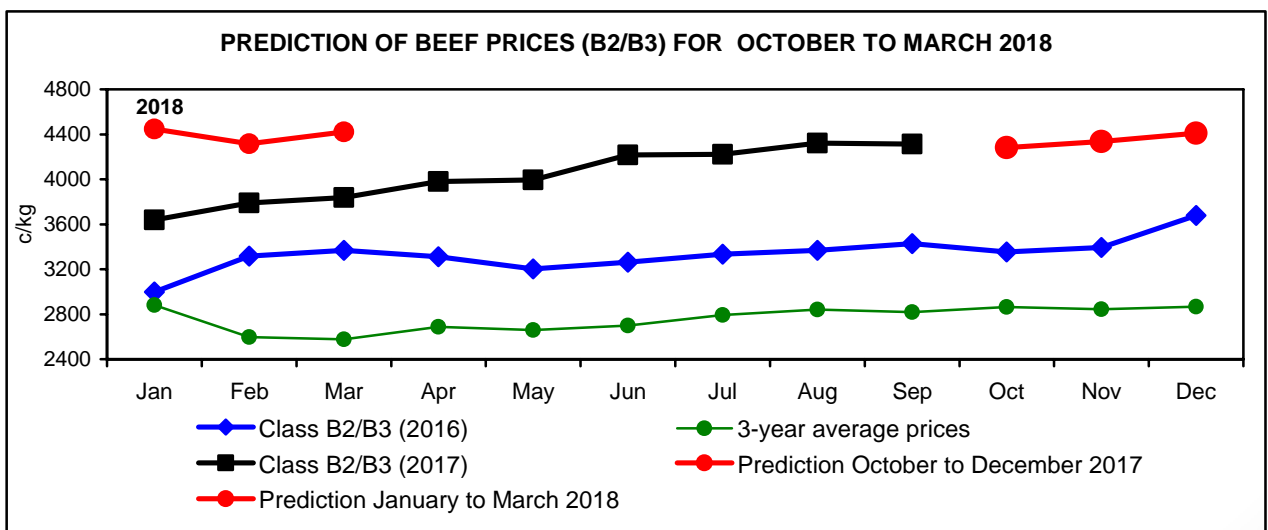
In September 2017, compared to the previous month the average price of Class A2/A3 beef declined in total by 0,6%. For September an increase in the average price for Class A2/A3 beef was predicted in the previous monthly report, which was correct, and it was based on a probability of 52,6% for an increase according to the price information over the past 19 years.

The actual beef price in September was 1,8% (R0,83/kg carcass weight) lower compared to the price predicted for September in the previous monthly report.

For October 2017 an increase is predicted in the average price of the A2/A3's and according to the price information over the past 19 years, the probability is 52,6% for an increase in price from September to October each year.

The JSE futures price of beef from August to December 2017 is going to be in the order of 4 700c/kg.

Price prediction for Class B2/B3 beef

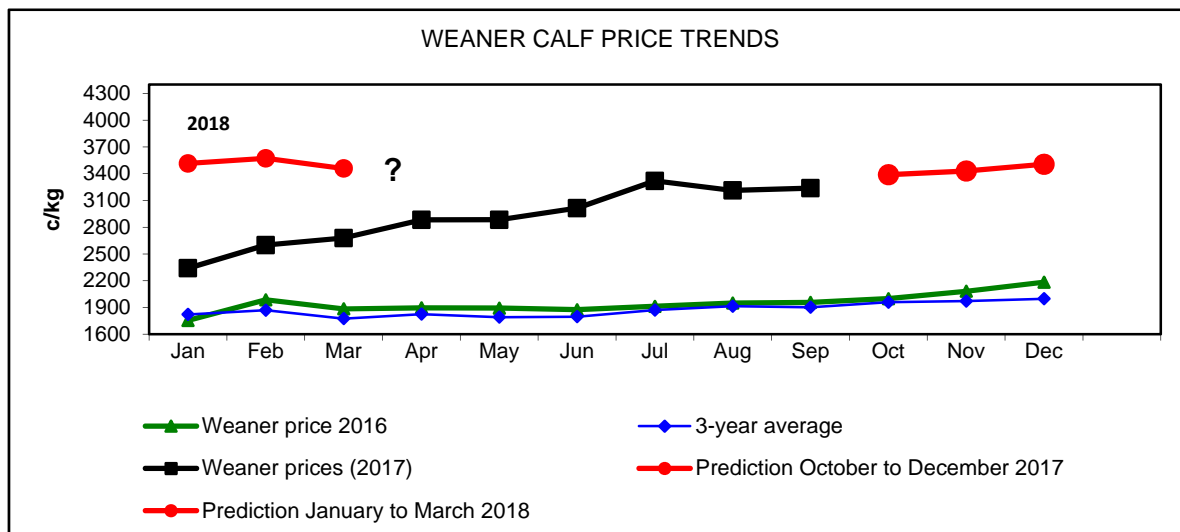


- In September 2017, compared to the previous month the average price of Class B2/B3 beef was 0,2% lower. For September an increase in the average price for Class B2/B3 beef was predicted – which was correct and based on the price information over the past 19 years, the probability is 57,9% for an increase. The actual beef price in September was 0,7% (R0,29/kg carcass weight) lower compared to the price predicted for September in the previous monthly report.
- For October 2017 an increase 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 an increase in price from September to October each year.
- Although not being shown in the above graph, the average producer price of Class C2/C3 is expected to increase in October.

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

Monthly prices (c/kg)	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17
Class A2/A3	4 694	4 594	4 621	4 648	4 647	4 617
Class AB2/AB3	4 464	4 360	4 513	4 513	4 577	4 576
Class B2/B3	3 980	3 994	4 216	4 222	4 321	4 314
Class C2/C3	3 746	3 861	3 981	4 082	4 105	4 108
Medium Light weaners	2 882	2 883	3 014	3 320	3 213	3 238

Weaner (190 – 240kg) price movements

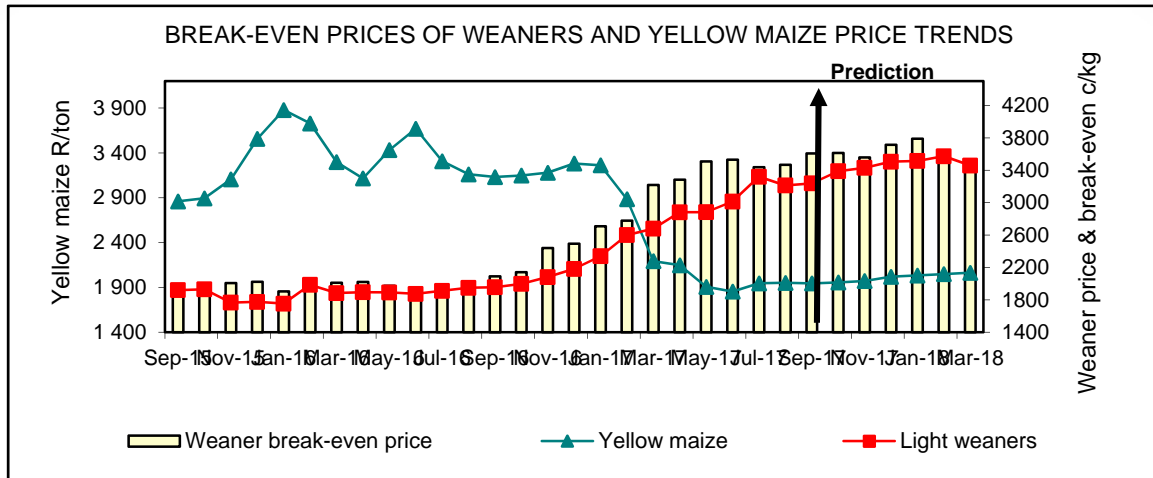


The net price (farm gate price) of medium light weaners (190-240kg) increased in total by 0,8% in September 2017 compared to the previous month and increased in total by 65,6% year-on-year. The prediction of an increase in the average price of weaners for July 2017 was correct and was based on a probability of 70,0% over 20 years to be higher in September compared to the previous month.

The real price for September was 1,1% (R0,36/kg) lower than the predicted price for September in the previous monthly report.

For October, an increase is predicted in the average price of weaners, and based on the price information over the past 20 years, the probability is 85,0% for the average weaner price to be higher in October compared to the previous month.

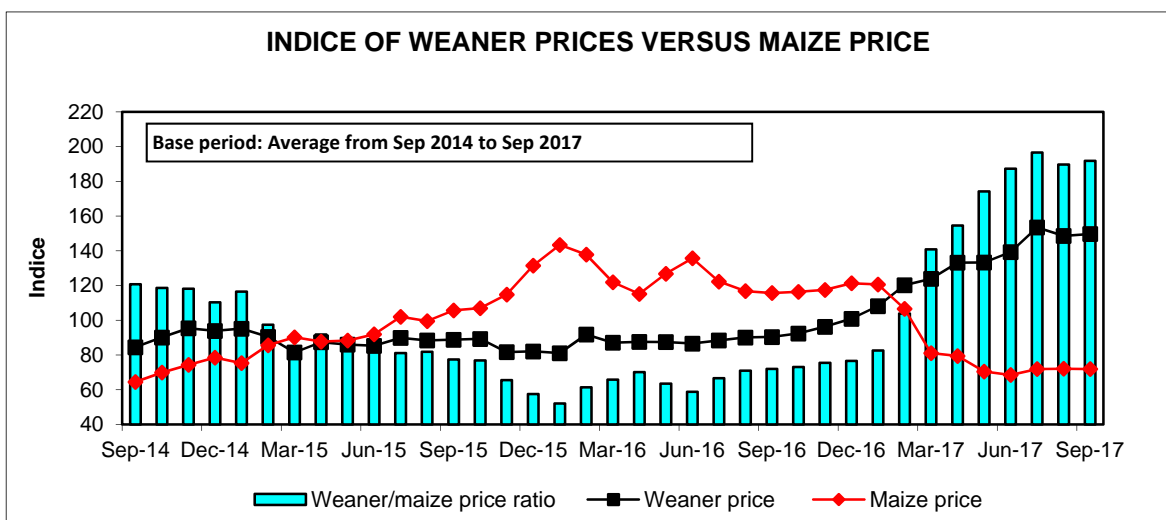
The maize/weaner break-even price



The average yellow maize price in September 2017 was in total 0,3% lower compared to the previous month, and 37,9% lower compared to the same month a year ago.

The expected break-even-price of weaners for October 2017 is based on the predicted future price of Class A2/A3 beef in January 2018 and the SAFEX price for yellow maize in October 2017 (based on all September 2017 contracts Randfontein). With a predicted meat price (Class A2/A3) of R47,78 per kilogram in January 2017 and an average maize price (JSE SAFEX) of R1 956 per ton in October, for a feedlot to break even in October as far as the price beef and the price of maize are concerned, the weaner price should not higher than R36,13 per kg live weight in October, which is 6,6% higher than the average predicted weaner price of R33,89/kg for October. Or based on the expected average weaner price of R33,89 per kg live weight for weaners in October and a maize price of R1 956 per ton in October, by selling these animals in January 2018, the price for Class A2/A3 beef should not be less than R45,89 per kilogram, which is 4,0% lower than the predicted price R47,78/kg for Class A2/A3 in January 2018.

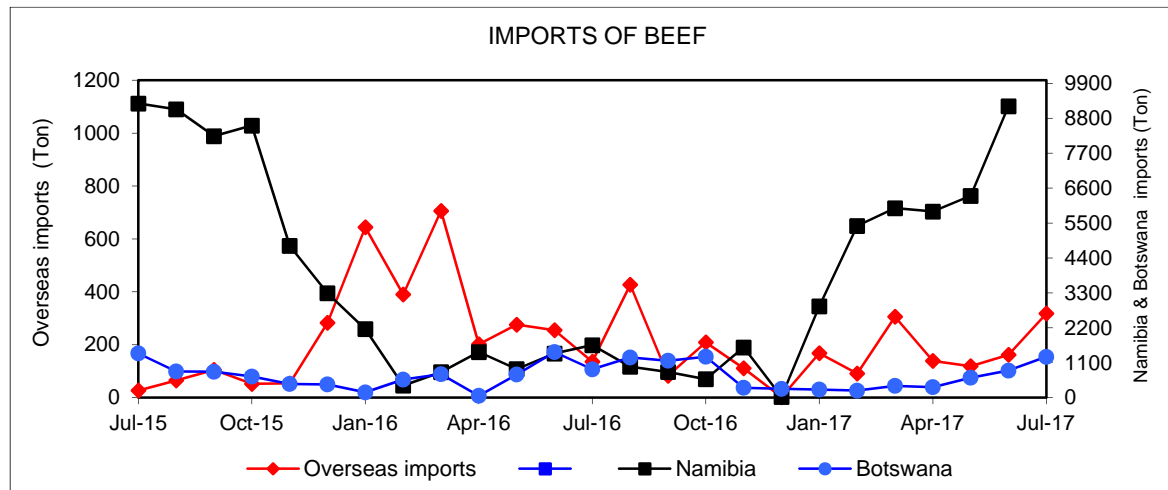
Weaner price versus maize price



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

In September 2017, the weaner/maize price ratio improved in total by 1,1% against the previous month and year-on-year the weaner/maize price ratio improved in total by 166,5% due to a decline of 37,9% in the maize price and an increase of 65,6% in the average price of weaners.

Imports of beef



Import information from Namibia is only available till **June 2017**, and Botswana and overseas is only available till **July 2017**.

In June 2017 South Africa imported 9 181 tons of beef from Namibia, which was 44,4% more than in the previous month and 559,1% more than in the same month a year ago. These imports include live animals and canned meat.

In June year-on-year, total beef imports from Namibia constitutes for approximate 5,3% of the total South African commercial slaughter.

In July 2017, South Africa imported 1 287 tons of beef from Botswana, which was 50,9% more compared to the previous month and 44,0% more compared to the same month a year ago.

In July year-on-year, total beef imports from Botswana constitutes for approximate 1,2% of the total South African commercial slaughter.

In July 2017, South Africa imported 318 ton of beef from overseas, which was 96,3% more than in the previous month and 135,6% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.

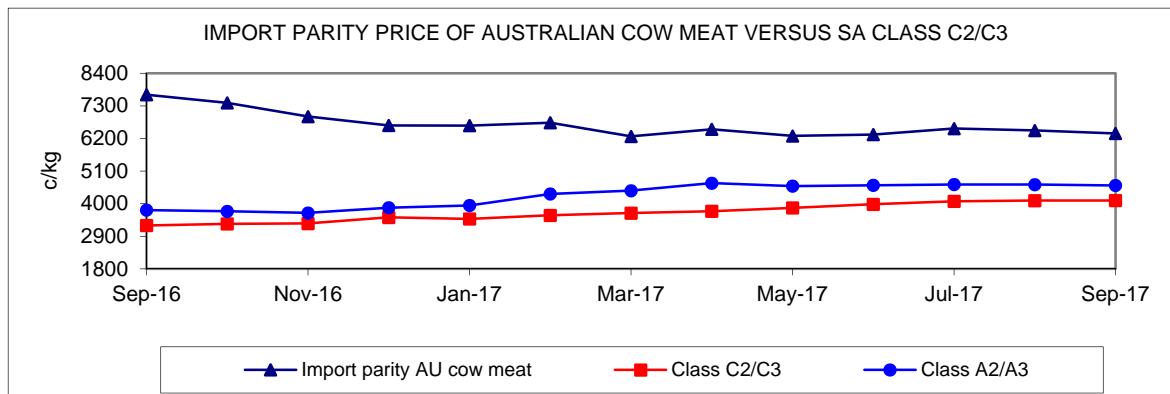
In July year-on-year, total beef imports from overseas constitutes for approximate 0,3% of the total South African commercial slaughter.

In total, imports in June constitutes for 6,8% of the total South African commercial slaughter

In July, the main export country from overseas of beef meat to South Africa was Uruguay (58,5%), Denmark (13,8%), Australia (11,6%), US (8,2%) and New Zealand (7,9%). When liver, hearts, offal and tongue were included, the total imports amounted to 5 117 tons and the main export countries were U.S.A (37,8%), Australia (24,5%), New Zealand (17,4%), Britain (5,2%), Ireland (4,3%), Uruguay (3,6%), Argentina (3,3%), Denmark (2,4%) and France (1,4%).

International markets and price movements of beef.

The import parity price situation



In September 2017, the average price of South African beef (A2/A3 and C2/C3) was 4 617c/kg and 4 108c/kg compared to the derived import parity price of Australian cow meat of 6 371/kg. The import parity price is thereby 38,0% and 55,1% higher compared to the average price of Class A2/A3 and C2/C3 beef.

In September-year-on-year, the import parity price of Australian cow meat was 17,0% lower compared to an increase 22,0% and 25,8% in the average producer price of Class A2/A3 and C2/C3 beef.

Beef trade overseas

Australia

Over-the-hooks resist rain

Despite widespread rain across the southern half of the state over the weekend, and more light showers forecast in coming days for the south-east, Queensland cattle over-the-hook indicators remained steady this week for most descriptions. Yearlings, grown steers, heifers and cows were firm on week-ago levels, with very few contributors changing grids. Meanwhile, bulls and MSA categories eased – with the margins narrowing between MSA and non-MSA types.

This week in Queensland, over-the-hook indicators averaged:

- 489¢/kg cwt for yearling steers (300-320kg cwt, 0-2 teeth, 5-22mm fat)
- 484¢/kg cwt for yearling heifers (300-320kg cwt, 0-2 teeth, 5-22mm fat)
- 509¢/kg cwt for MSA yearling steers (300-320kg cwt, 0-2 teeth, 5-22mm fat)
- 485¢/kg cwt for grown steers (300-400kg, 0-4 teeth, 5-22mm fat)
- 425¢/kg cwt for cows (300-400kg, 0-8 teeth, 3-12mm fat)

The lack of movement in processor grids indicates the reasonable supply booked in advance, on the back of the deteriorating conditions across the state.

However, the Bureau of Meteorology's most recent rainfall outlook for October is more positive. Almost all of NSW, SA and Queensland are very likely to receive above-average rain for the month. In particular, the likelihood for southern Queensland is higher than 75%. For November, on the other hand, the likelihood of a wetter or drier than average month is roughly equal.

If the October outlook comes to fruition, this may reassert upward pressure on the market, as supply tightens and restockers re-enter the market.

This was evident at today's (Tuesday 3 October) Roma Store sale, where young cattle sold to stronger restocker demand as a result of the rain and a smaller yarding, with most selling to a dearer trend.

Restocker C2 yearling steers weighing 200-280kg were 23¢ higher, averaging 342.9¢ and ranging from 238¢ to 388¢, while their heifer counterparts sold for an average of 301.4¢, up 43¢/kg lwt. Heavier types to also lifted, with C3 yearling steers weighing 330-400kg selling to restockers for an average of 326.1¢, up 44¢/kg, This translated to a lift of 9.75¢/kg cwt from the previous day for the Eastern Young Cattle Indicator (EYCI), which settled on 517.75¢/kg cwt. The EYCI has predominantly been trending downwards since June, despite a brief uplift in late August.

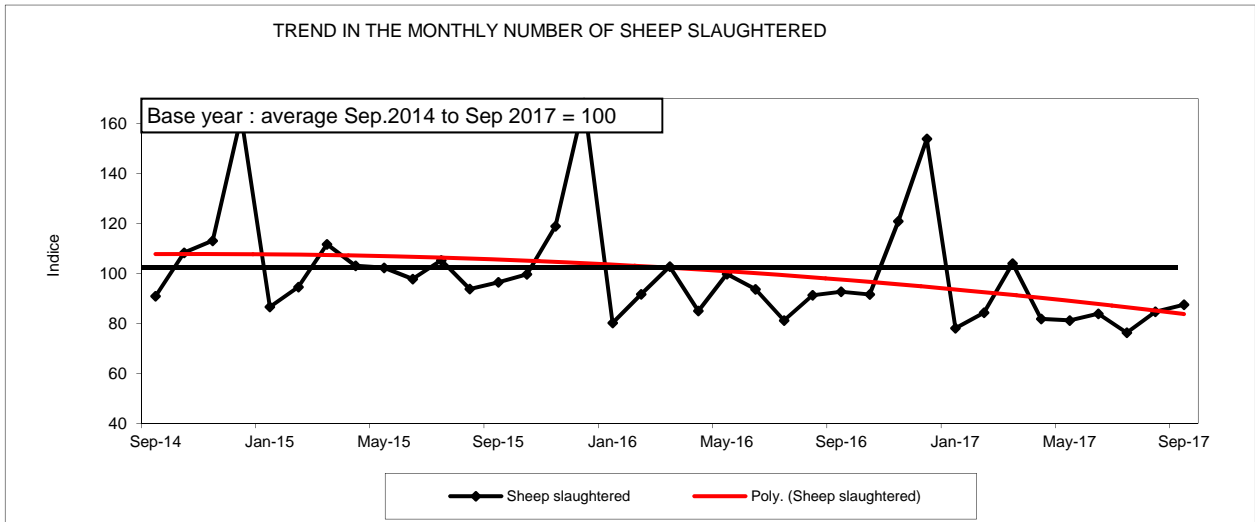
Some recovery in the domestic market may be further supported if US imported 90CL beef prices continue to lift. US imported beef prices have maintained their upward trajectory over the last two weeks, as a result of limited offerings from overseas suppliers, predominantly Australia and New Zealand, and tight availability of spot supplies in the US.

Source: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 3 October 2017

THE MUTTON INDUSTRY

Slaughter trends

Long term trends in sheep slaughter

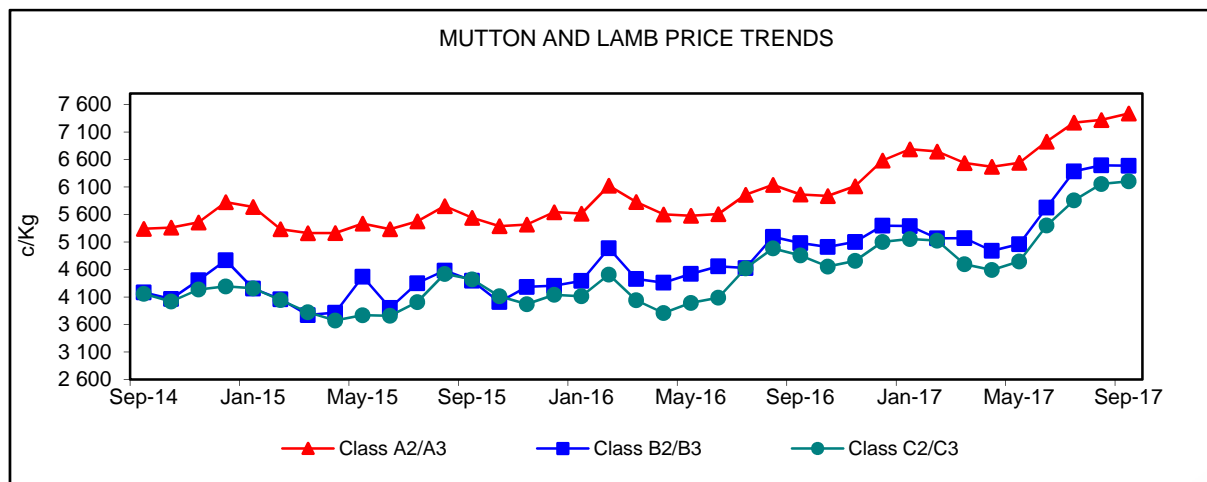


Aggregate slaughter Information received from of Red Meat levy Admin only available till **August 2017**. The month September is an estimate, calculated by means of the smoothing multiplicative technique of Holt & Winters, which gives an indication of what can be expected in the month of September.

In September 2017, the preliminary indication is that the number of sheep and lamb slaughtered seems to be 3,4% more compared to the previous month, 5,6% less year-on-year and 12,5% down on the average over the period September 2014 to September 2017, which was caused by the drought from 2016 and still continue in the North Western parts of South Africa in 2017.

Producer prices of mutton

Long term trends in mutton and lamb prices

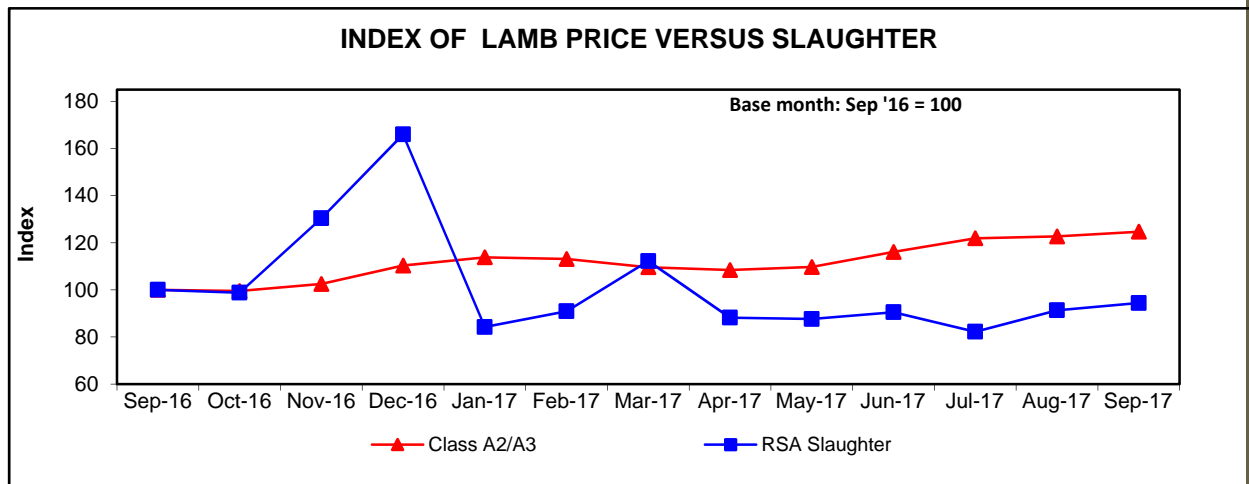


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

In September 2017 year-on-year, the average producer prices of Class A2/A3, the B2/B3's and Class C2/C3 increased in total by respectively 24,7%, 27,7% and 27,7%.

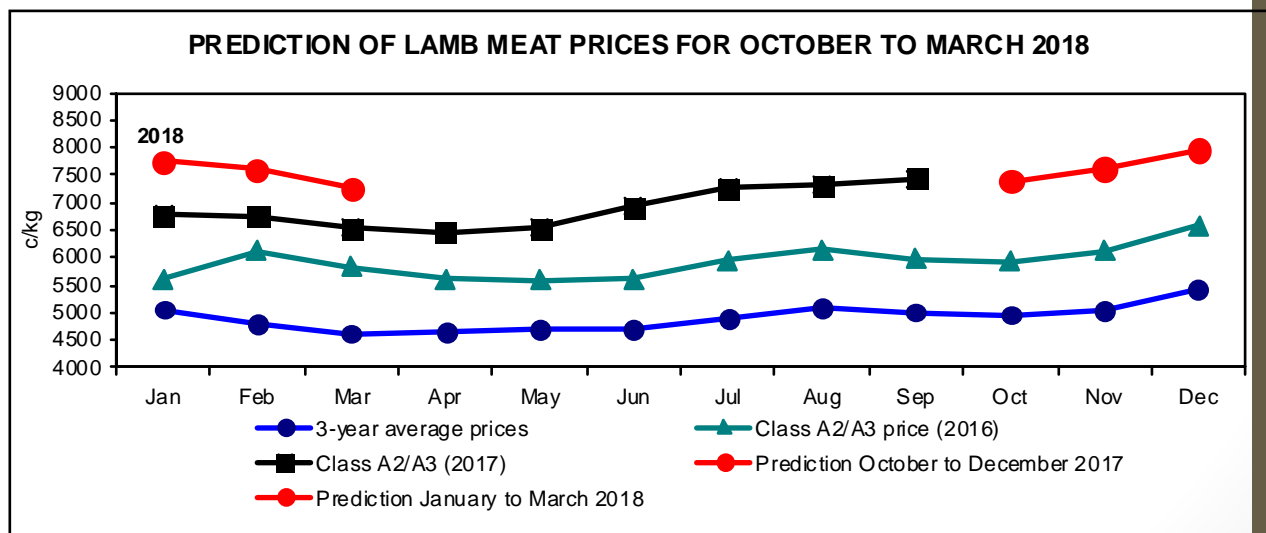
In September, the average producer price (all classes) was 24,7% above the average over the period September 2014 to September 2017.

Price of lamb versus slaughter



In September 2017 year-on-year, the average producer price of Class A2/A3 lamb increased in total by 24,7 % and over the same period national slaughter declined in total by 5,6%.

Price prediction for Class A2/A3 lamb



In September 2017, the average producer price of Class A2/A3 lamb was 1,6% up compared to the previous month, but a decline was incorrectly predicted for September in the previous monthly report, which was based on a probability of 70,0% according to the price information over the past 20 years.

The actual price in September was 2,9% (R2,13/kg) higher than the price predicted in the previous monthly report.

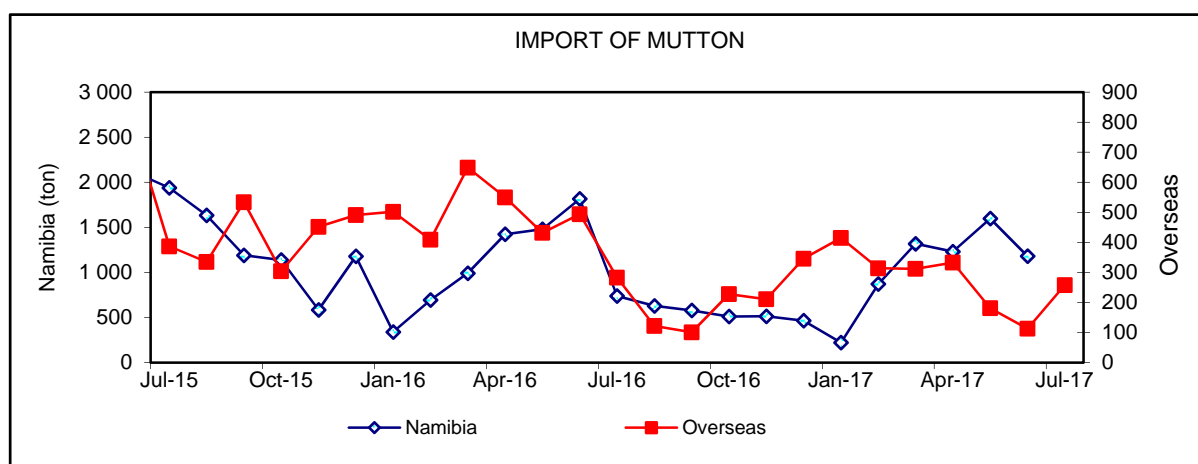
For October 2017, a decline is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 70,0% for a lower price from September to October each year.

Although not being shown in the above graph, the average producer prices of the B2/B3's and the C2/C3's are also expected to decline in October 2017.

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

Monthly prices (c/kg)	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17
Class A2/A3	6 468	6 541	6 927	7 272	7 319	7 737
Class AB2/AB3	5 390	5 690	6 275	6 666	6 570	6 650
Class B2/B3	4 941	5 061	5 728	6 385	6 495	6 488
Class C2/C3	4 591	4 747	5 401	5 858	6 156	6 203

Imports of mutton



Import figures from Namibia are only available up to **June 2017** and overseas are only available up to **July 2017**.

In June 2017, South Africa imported 1 181 tons of mutton from Namibia, which was 26,1% less than in the previous month and 35,0% less than the same month in 2016.

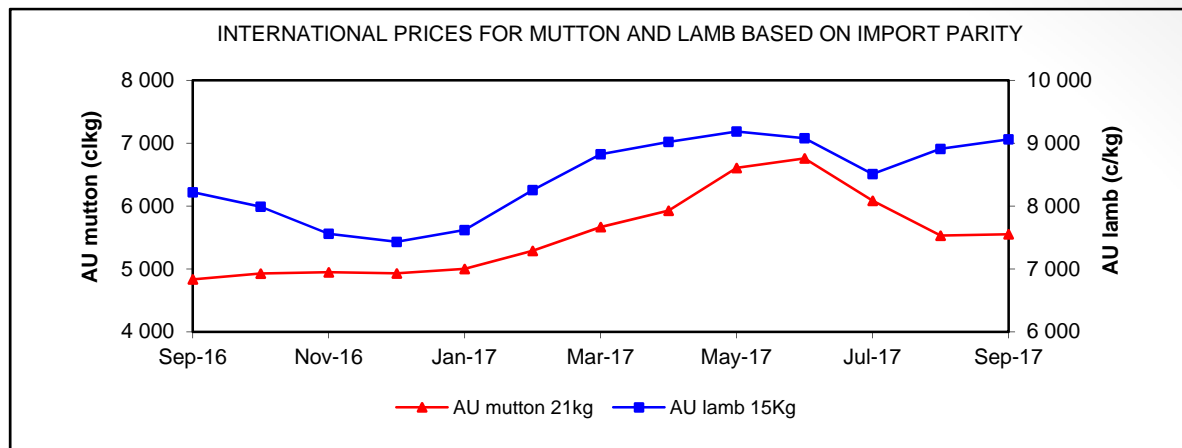
In total from June 2016 to June 2017, mutton imports from Namibia constitutes for approximate 10,0% of the total South African commercial slaughter.

In July 2017, South Africa imported 258 tons of mutton (excluding offal) from overseas, which was 128,3% more than in the previous month and 8,8% less compared to the same month in 2016.

In total from July 2016 to June 2017, mutton imports from overseas constitutes for approximate 2,8% of the total South African commercial slaughter.

In July, the main export countries of mutton (offal excluded) to South Africa from overseas were Australia (64,3%) and New Zealand (35,7%). When offal is included total imports was 548 tons and the main export countries of mutton to South Africa were Australia (60,5%), New Zealand (34,9%) and Denmark (4,5%).

International mutton prices



In September 2017 on year-to-year, the import parity price of Australian-lamb increased in total by 10,5% and Australian mutton increased by 14,9%.

In September the import parity price for Australian lamb and mutton were respectively R90,61 and R55,52 per kilogram based on the Rand/A\$-exchange rate.

World mutton and lamb meat market review

Australia

Sheep slaughter soars in the seventh month

Slaughter

Lamb slaughter in July totalled just over 1.65 million head– 9% higher than year-ago levels. Numbers processed for the year-to-date (January-July) remain 4% lower year-on-year, at just over 12.65 million head (ABS).

Sheep slaughter in July saw a significant rise – up 15% from June and 59% year-on-year, to just above 480,000 head. For the year-to-date, however, the number of sheep processed tracked 6% last year's level, at just under 3.77 million head. The rebuilding phase of the national flock has seen producers retain more lambs over the past two years, many of which are coming through the system now as hogget's and older sheep. This, as well as the dry conditions during winter, saw increased sheep turn off leading to spring.

Production

Lamb production for July totalled just above 38,000 tonnes carcass weight (cwt), up 16% year-on-year. The total volume for the year-to-date was 1% lower than the corresponding period last year, at close to 293,000 tonnes cwt – assisted by heavier carcasses.

Mutton production for the month saw a marked increase on year-ago levels – up 69%, to 12,250 tonnes cwt. Total volumes for the year-to-date were 2% lower year-on-year, close to 93,000 tonnes cwt.

Deteriorating seasonal conditions during recent months have seen increased supplementary feeding of stock. This, combined with genetic improvements over time, have seen carcass weights continue the long-term upward trend. National lamb and sheep carcass weights for the year-to-date increased 2% and 5%, to average 23.14kg and 24.64kg/head, respectively.

SOURCE: Reproduced courtesy of Meat & Livestock Australia Limited - www.mla.com.au, 12 September 2017.