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BEEF & MUTTON MONTHLY REPORT DECEMBER 2016

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AMT-AGINFO MONTHLY BEEF AND MUTTON MONTHLY REPORT – DECEMBER 2016

BOTTOM LINE

Beef

- In November 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 5,8%, 10,3% and 15,3%.
- For December 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 72,2% that the average price of the A2/A3's is going to be higher compared to the previous month.
- For December 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 65,0% that the average price of weaners is going to be lower in December compared to the previous month.
- The average yellow maize price (all contracts on JSE SAFEX) was 1,0% higher in November 2016 year-on-year. Over the same period the average price of medium light weaners increased in total by 3,8% in November.
- In November 2016 year-on-year, the import parity price of Australian cow meat was 6,2% higher compared to an increase of 15,3% in the average price of Class C2/C3 beef.
- In November 2016, the number of beef cattle slaughtered was in total 7,2% less compared to the previous month, 16,3% less than in November 2015 and 5,0% below the long-term average over the period November 2013 to November 2016.
- In September 2016, South Africa imported 810 tons of beef from Namibia (including live animals), which was 90,2% less than in the same month in 2015.
- In August 2016, South Africa imported 1 265 tons of beef from Botswana, which was 53,3% more than the same month a year ago.
- In August 2016, a total of 427 tons of beef (excluding offal) was imported from overseas, which was 556,9% more than the same month in 2015.

Mutton

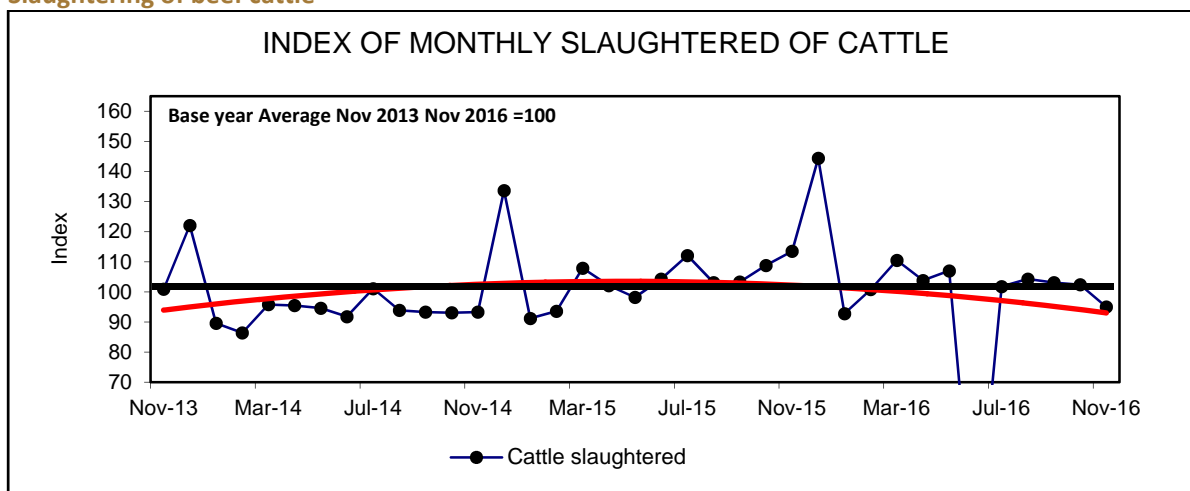
- In November 2016 the number of mutton and lamb slaughtered was 6,8% less compared to the previous month, 28,2% less compared to November 2015, and 16,1% down compared to the long-term average over the period November 2013 to November 2016.
- The average producer prices of Class A2/A3, B2/B3 and C2/C3 increased in total by 11,8%, 17,7% and 19,3% in November 2016 year-on-year, the and the average price of all classes was 13,3% higher than the average over the period November 2013 to November 2016.
- For December 2016, an increase 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 90,0% that the average price of the A2/A3's is going to be higher in December compared to the previous month.
- In November 2016 year-on-year, the import parity price of Australian lamb increased in total by 14,9% and the average price of AU-mutton increased by 26,8%.
- In September 2016, South Africa imported 579 tons of mutton and lamb from Namibia (including live sheep), which was 51,3% less than in the same month in 2015.
- In August 2016, a total of 122 tons of mutton was imported from overseas, which was 63,6% less than the same month in 2015.

PRODUCTION INFORMATION FOR THE MONTH OF NOVEMBER 2016

Item	Nov 2016	Previous month	Nov 2015	Forecast	
				Dec 2016	Jan 2017
BEEF					
Abattoir selling prices (c/kg)					
A2/A3's	3 647	3 745	3 448	3 743	3 753
AB2/AB3's	3 595	3 643	3 305	3 632	3 702
B2/B3's	3 374	3 354	3 060	3 369	3 379
C2/C3's	3 318	3 321	2 877	3 297	3 355
Net weaner price (c/kg)	2 075	1 998	1 767	2 025	2 033
Slaughtering index (Ave.=100)	95,0	102,4	113,5		-
Import parity AU-cows (c/kg)	6 939	7 402	6 534	-	-
MUTTON					
Abattoir selling prices (c/kg)					
A2/A3's	6 056	5 937	5 418	6 056	6 329
AB2/AB3's	5 447	5 129	4 763	5 709	5 581
B2/B3's	5 044	5 011	4 285	5 301	5 244
C2/C3's	4 737	4 654	3 971	4 8725	4 851
Slaughtering (Ave.=100)	83,9	90,0	116,8	-	-
Import parity AU-mutton (c/kg)	4 947	4 927	3 961		-
Import parity AU-lamb (c/kg)	7 560	7 990	6 577	-	-

BEEF INDUSTRY

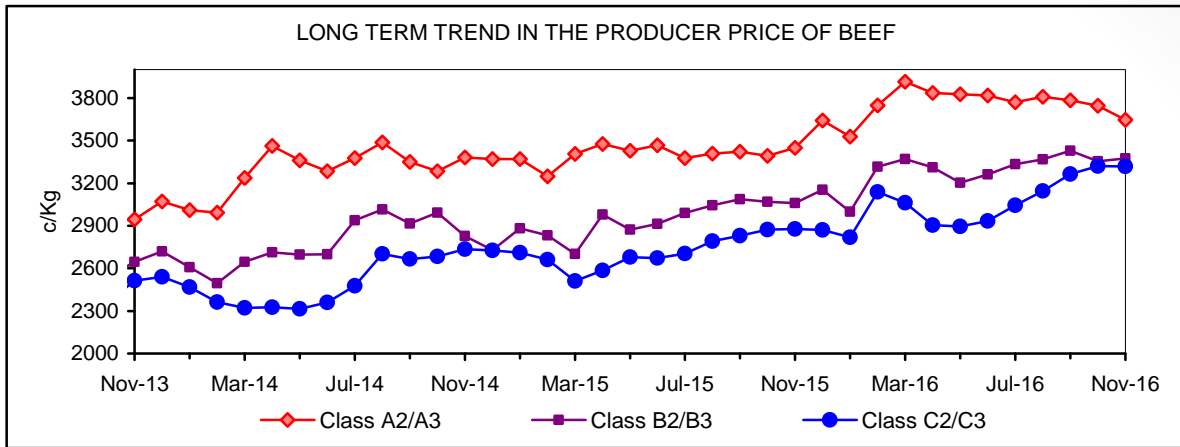
Slaughtering of beef cattle



- Aggregate slaughter Information received from of Red Meat levy Admin only available till **October 2016** with preliminary slaughter based on information from the Red Meat Abattoir Association for November 2016. For the month of November 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 November 2013 to November 2016.
- In November 2016, the slaughter of beef cattle seems to decline in total by 7,2% compared to the previous month, 16,3% less than the same month a year ago, and 5,0% below the long- term average based on the period November 2013 to November 2016. The slaughter curve shows a downward trend from March 2016 to November 2016.

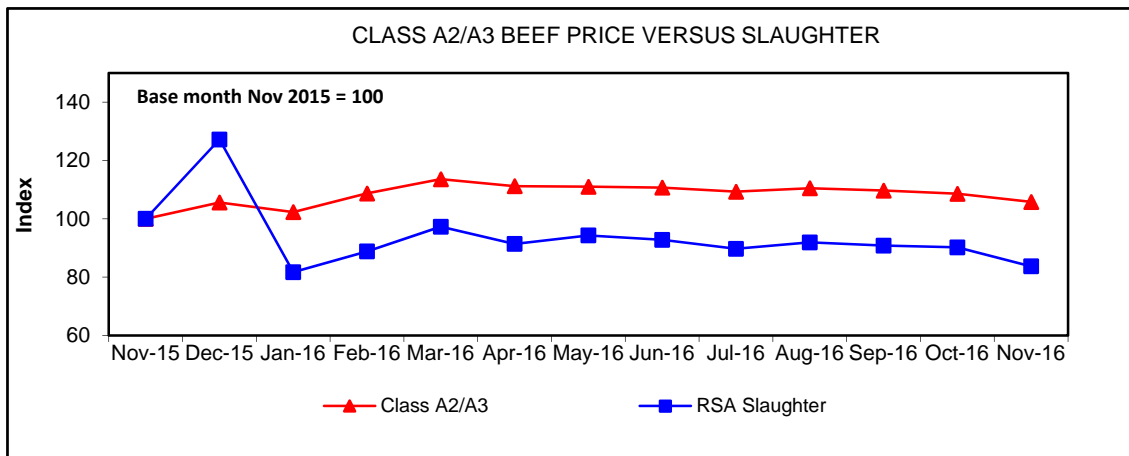
Price movements of beef

Long term trends in beef prices



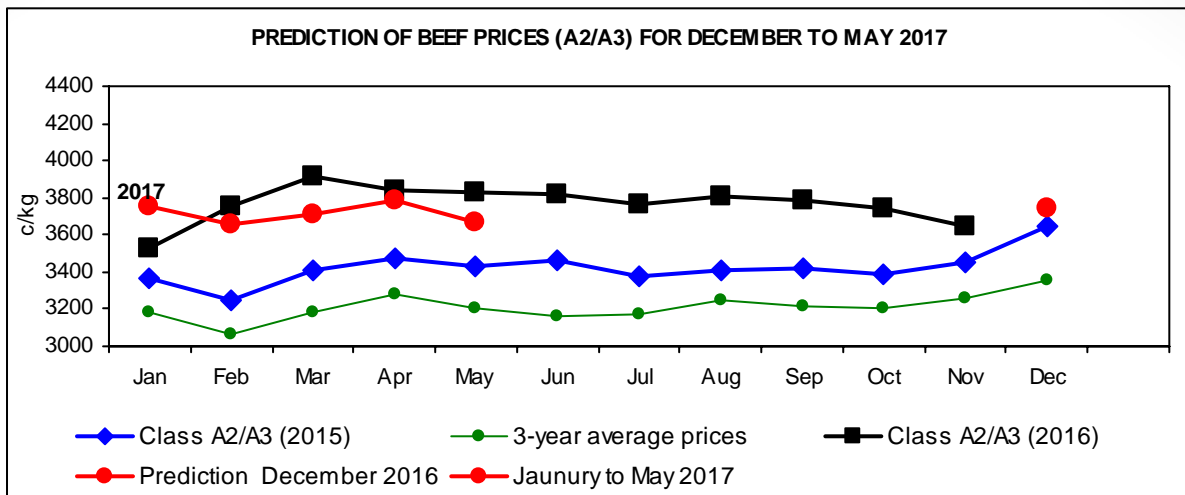
In November 2016 year-on-year, the average producer prices of Class A2/A3, Class B2/B3 and Class C2/C3 beef increased in total by 5,8%, 10,3% and 15,3%. The average price of the A2/A3's was 5,3% above the long term average over the period November 2013 to November 2016. The impact of the drought over the past two years can clearly be seen in the relative high price level of the A2/A3's since from March 2014 to November 2016.

Price of Class A2/A3 beef versus slaughter



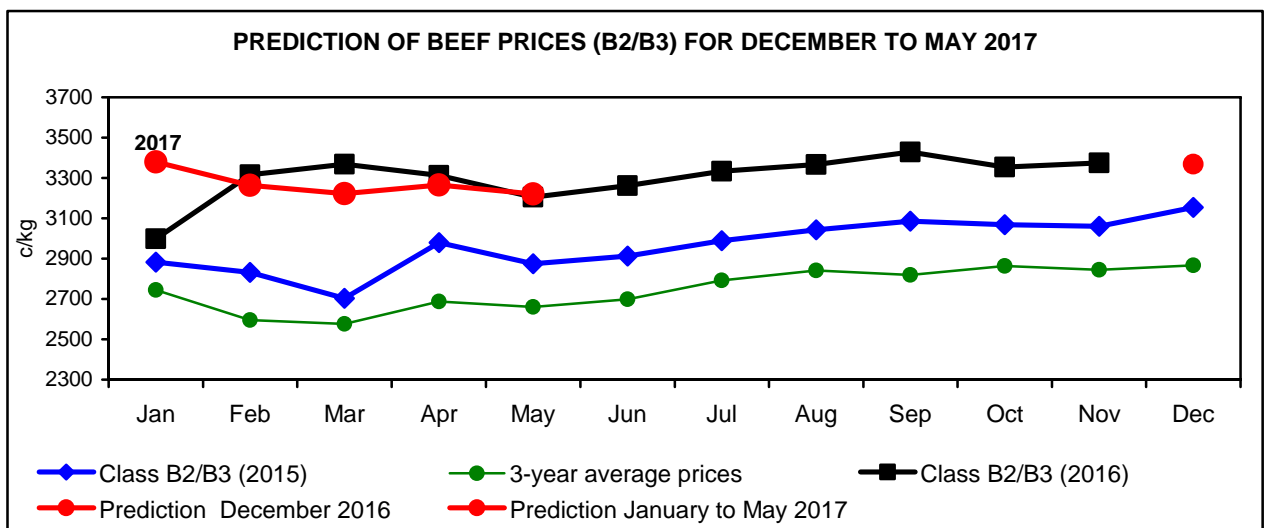
From November 2015 to November 2016, the average producer price of Class A2/A3 beef increased in total by 5,8% and over the same period national slaughter declined in total by 16,3%.

Price prediction for Class A2/A3 beef



- In November 2016, compared to the previous month the average price of Class A2/A3 beef declined in total by 2,6%. For November an increase in the average price for Class A2/A3 beef was predicted in the previous monthly report, which was incorrect, but it was based on a probability of 72,2% for an increase according to the price information over the past 18 years.
- The actual beef price in November was 4,5% (R1,70/kg carcass weight) lower compared to the price predicted for November in the previous monthly report.
- For December 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 72,2% for a higher in price from November to December each year.

Price prediction for Class B2/B3 beef



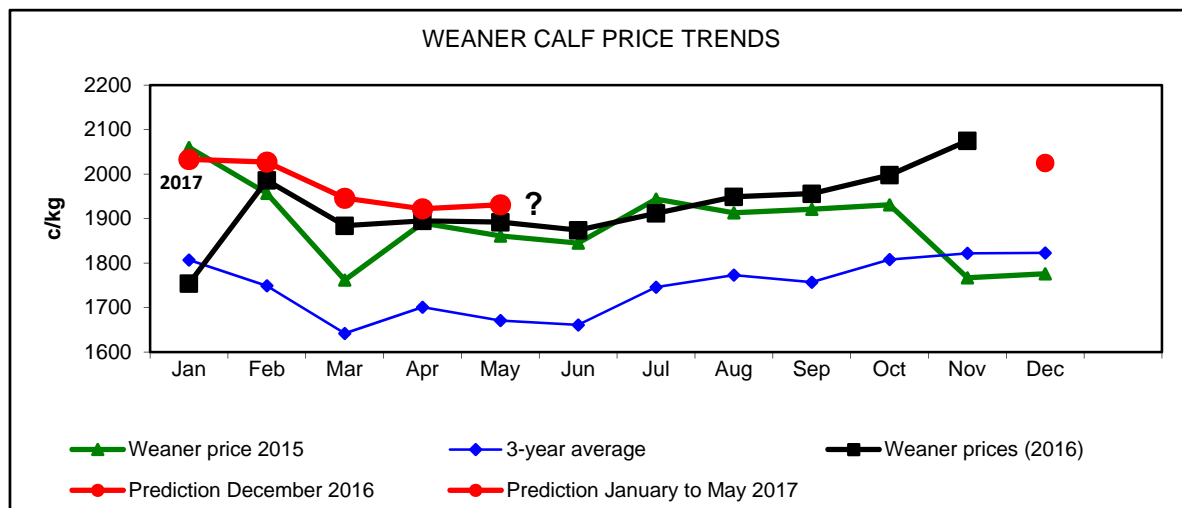
In November 2016, compared to the previous month the average price of Class B2/B3 beef increased in total by 0,6%. For November a decline in the average price for Class BA2/B3 beef was predicted in the previous monthly report, which was incorrect, but it was based on a probability of 52,6% for an increase according to the price information over the past 18 years. The actual beef price in November was 0,1% (R0,04/kg carcass weight) higher compared to the price predicted for November in the previous monthly report.

For December 2016 an increase is predicted in the average price of the B2/B3's, and according to the price information over the past 18 years, the probability is 68,4% for a higher in price from November to December each year. Although not being shown in the above graph, the average producer price of Class C2/C3 is expected to decline in December.

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

Monthly prices (c/kg)	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016
Class A2/A3	3 818	3 770	3 809	3 784	3 745	3 647
Class AB2/AB3	3 611	3 649	3 654	3 671	3 643	3 595
Class B2/B3	3 262	3 333	3 367	3 429	3 354	3 374
Class C2/C3	2 933	3 044	3 146	3 265	3 321	3 318
Medium Light weaners	1 874	1 812	1 949	1 956	1 998	2 075

Weaner (190 – 240kg) price movements

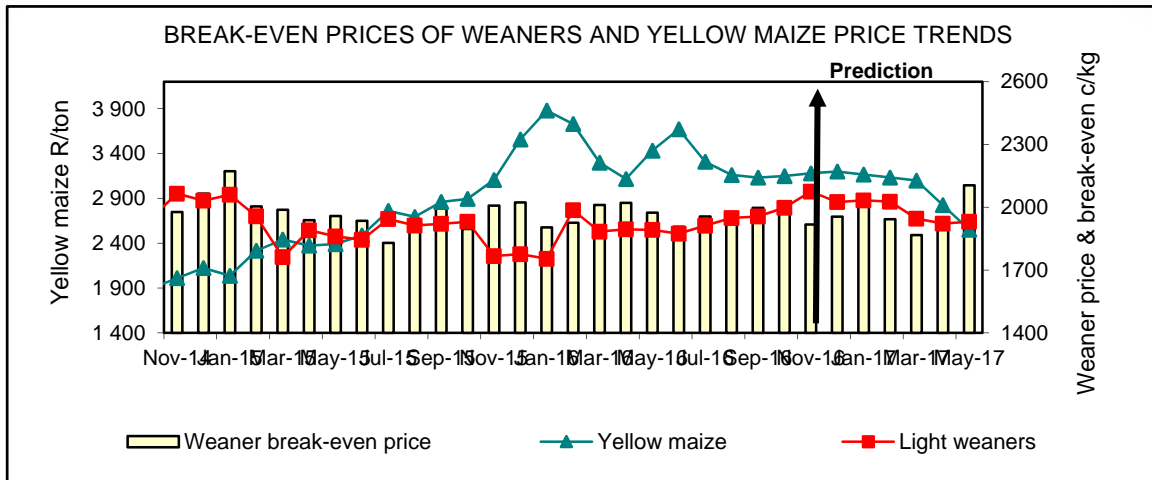


The net price (farm gate price) of medium light weaners (190-240kg) increased in total by 3,8% in November 2016 compared to the previous month and increased in total by 17,4% year-on-year. The prediction of an increase in the average price of weaners for November in the previous monthly report was correct, and was based on a probability of 80,0% over 20 years for the average weaner price to be higher in November compared to the previous month.

The actual weaner price in November was 1,4% (R0,29/kg carcass weight) higher compared to the price predicted for November in the previous monthly report.

For December, a decline is predicted in the average price of weaners, and based on the price information over the past 20 years, the probability is also 65,0% for the average weaner price to be lower in December compared to the previous month.

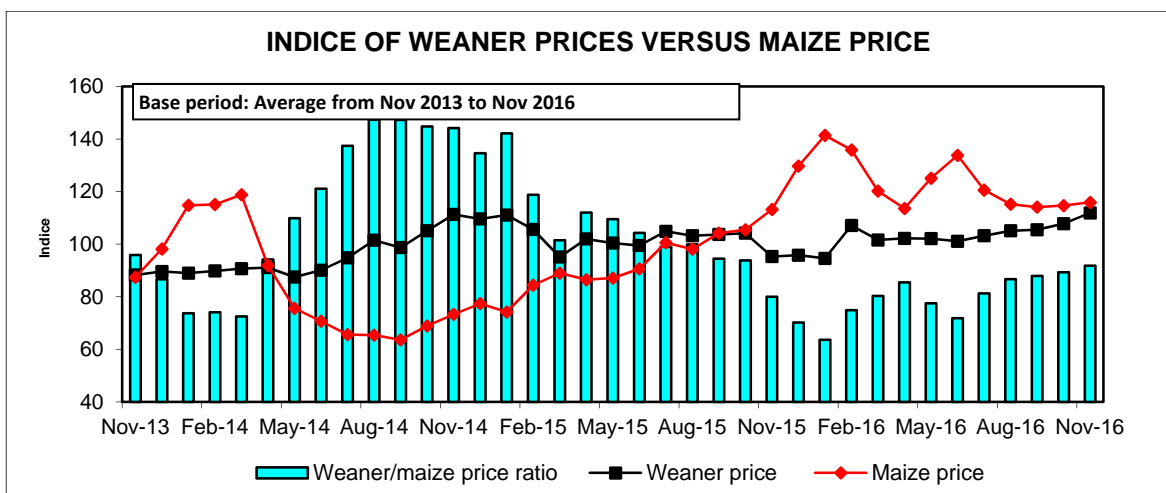
The maize/weaner break-even price



The average yellow maize price in November 2016 was in total 1,0% higher compared to the previous month, and 2,4% higher compared to the same month a year ago.

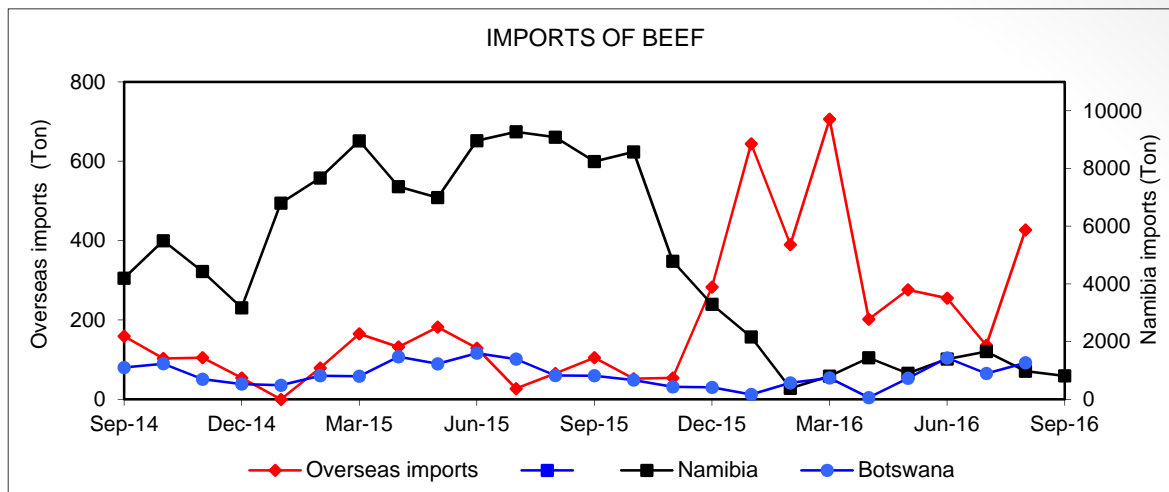
The expected break-even-price of weaners for December 2016 is based on the predicted future price of Class A2/A3 beef in March 2017 and the SAFEX price for yellow maize in December 2016 (based on all November 2016 contracts Randfontein). With a predicted meat price (Class A2/A3) of R37,09 per kilogram in March 2017 and an average maize price (JSE SAFEX) of R3 199 per ton in December, for a feedlot to break even in December as far as the price beef and the price of maize are concerned, the weaner price should not higher than R19,55 per kg live weight in December, which is 3,5% lower than the average predicted weaner price of R20,25/kg for December. Or based on the expected average weaner price of R20,25 per kg live weight for weaners in December and a maize price of R3 199 per ton in December, by selling these animals in March 2017, the price for Class A2/A3 beef should not be less than R38,04 per kilogram, which is 2,6% higher than the predicted price R37,09/kg for Class A2/A3 in March 2017.

Weaner price versus maize price



- The above graph shows clearly the effect of a higher maize price on the weaner/maize price ratio.
- In November 2016, the weaner/maize price ratio improved in total by 2,8 % against the previous month.
- In November 2016 year-on-year, the weaner/maize price ratio improved in total by 14,7% due to an increase of 2,4% in the maize price and an increase of 17,4% in the average price of weaners.

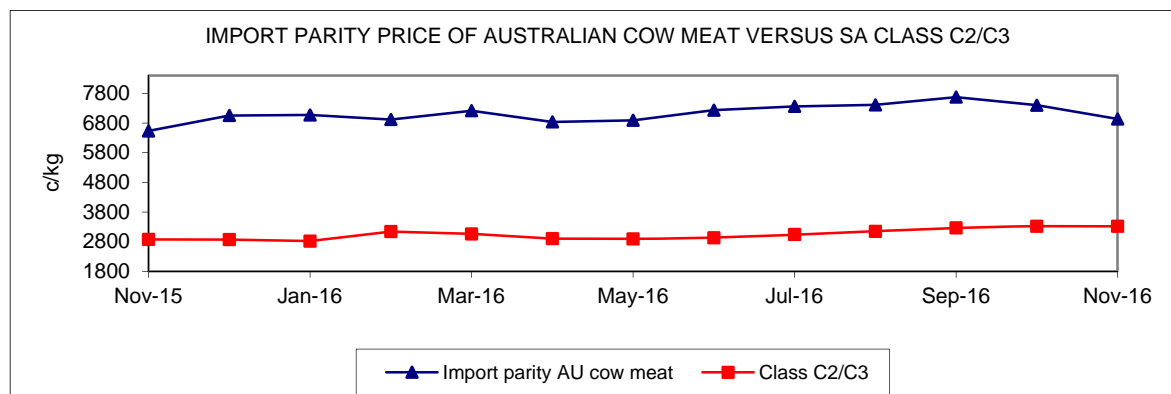
Imports of beef



- Import information from Namibia is only available till September **2016**, Botswana and overseas is only available till **August 2016**.
- In September 2016 South Africa imported 810 tons of beef from Namibia, which was 16,9% less than in the previous month and 90,2% less than in the same month a year ago. These imports include live animals and canned meat.
- In August year-on-year, total beef imports from Namibia constitutes for approximate 5,2% of the total South African slaughter.
- In August 2016, South Africa imported 1 265 tons of beef from Botswana, which was 41,5% more compared to the previous month and 53,3% more compared to the same month a year ago.
- In August year-on-year, total beef imports from Botswana constitutes for approximate 1,1% of the total South African slaughter.
- In August 2016, South Africa imported 427 tons of beef from overseas, which was 214,0% more than in the previous month and 556,9% more than in the same month a year ago. The beef import data from overseas exclude tongues, hearts and livers.
- In August year-on-year, total beef imports from overseas constitutes for approximate 0,4% of the total South African slaughter.
- In August, the main export countries from overseas of beef meat to South Africa were New Uruguay (88,3%) Zealand (11,0%) and Australia (0,7%). When liver, hearts, offal and tongue were included, the total imports amounted to 3 663 tons and the main export countries were Australia (28,7%), U.S.A (26,2%), Uruguay (12,5%), New Zealand (9,3%), Britain (8,0%), Argentina (6,5%), and Ireland (5,5%).

International markets and price movements of beef

The import parity price situation



In November 2016, the average price of South African beef (C2/C3) was 3 318c/kg compared to the derived import parity price of Australian cow meat of 6 939c/kg. The import parity price is thereby 109,1% higher compared to the average price of Class C2/C3 beef.

In November-on-year, the import parity price of Australian cow meat was 6,2% higher compared to an increase 15,3% in the average producer price of Class C2/C3 beef.

Beef trade overseas

IRELAND - ICSA president Patrick Kent has said figures from the Teagasc research institute showing a likely drop of more than 10 per cent in beef prices in 2017 illustrates how much current agriculture policies and the national strategy for expansion are out of touch with reality on the ground.

"Food Wise 2025 is a call to beef farmers to expand production, which can now only be described as ludicrous advice. It simply does not make sense anymore and new policies need to be explored," Mr Kent was speaking following the release of Teagasc's Outlook for Agriculture Incomes in 2017.

"While report is shocking in terms of outlook for the beef sector in 2017, it is not surprising. It has been blatantly clear that this was coming down the line for beef farmers. Figures indicate that there are too many cattle in the country.

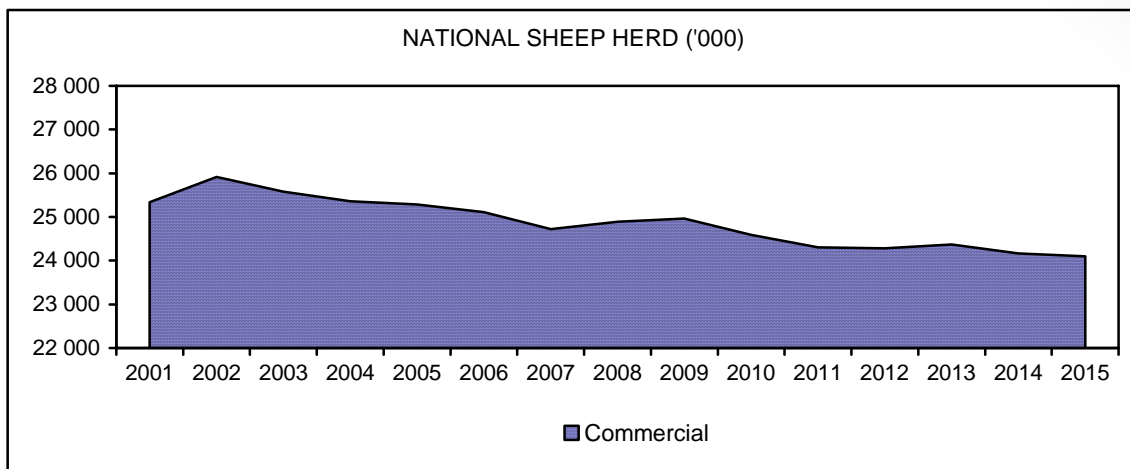
"With an additional 200,000 head of cattle for slaughter forecast for 2017, it is evident that new policies will have to be considered to address this new reality. Advising expansion in a loss making enterprise seems insane when it will only result in greater losses. When cattle numbers are up, prices have always gone down. The idea of cutting production in the beef sector now needs to be given serious consideration."

Continuing Mr Kent said: "Adding insult to injury, the Teagasc figures also indicate that dairy incomes are set to hit record levels 2017. We have seen continued rescue packages for that sector while other sectors are addressed merely as an afterthought. The figures must be seen as a wake-up call given that none of what Teagasc has predicted for beef farmers should come as a surprise to anyone."

Source: The Cattle Site, 1 December 2016.

THE MUTTON INDUSTRY

The National Sheep herd



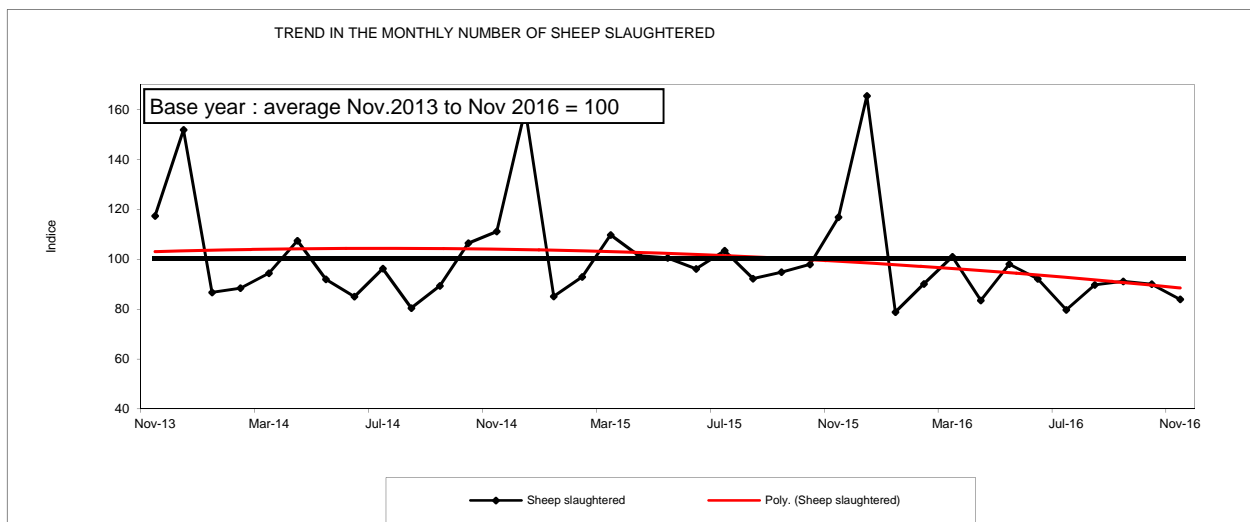
(1) Preliminary

Source: NDA

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 24,1 million for 2015. Over the last ten years the national sheep herd of South Africa declined in total by 4,0%.

Slaughter trends

Long term trends in sheep slaughter



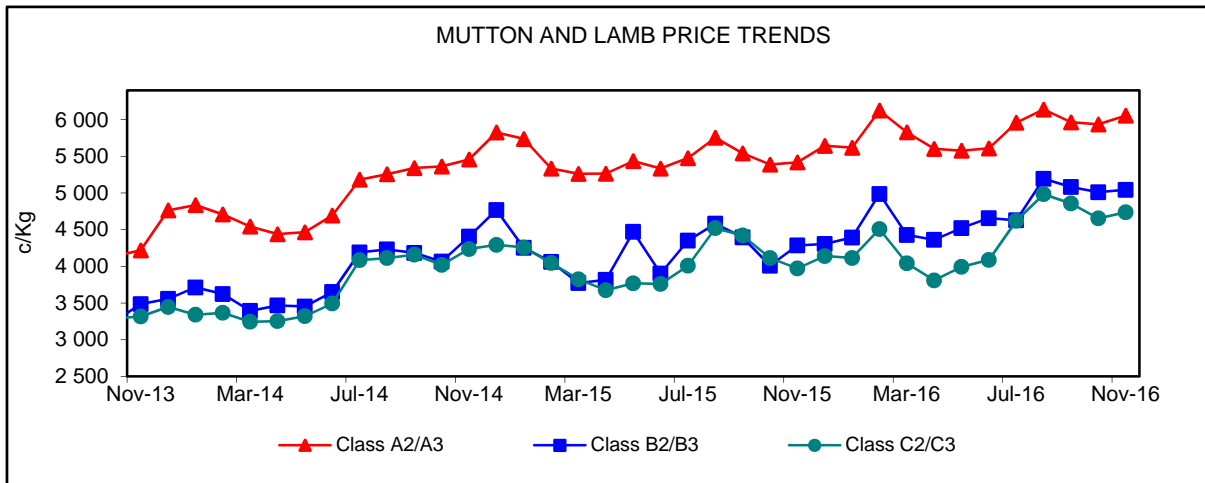
Slaughter of Red Meat levy Admin in South Africa only available till **October 2015**.

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 November 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 November 2016, the number of sheep and lamb slaughtered seems to be 6,8% less compared to the previous month, 28,2% less year-on-year and 16,1% down on the average over the period November 2013 to November 2016.

Producer prices of mutton

Long term trends in mutton and lamb prices

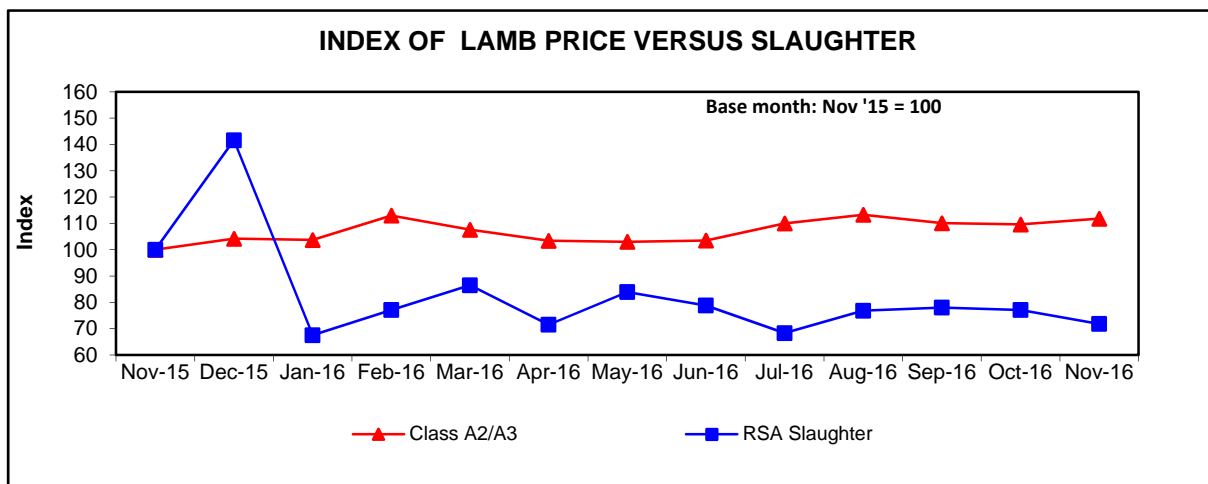


The prices in the above graph are the selling prices of the abattoirs to the meat trade.

In November 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 11,8%, 17,7% and 19,3%.

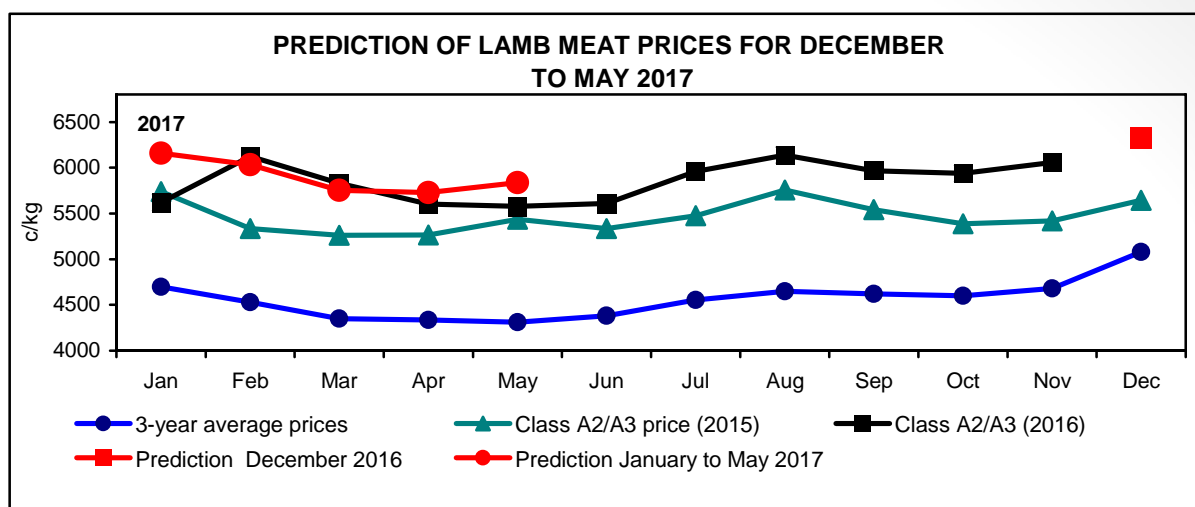
In November, the average producer price (all classes) was 13,3% above the average over the period November 2013 to November 2016.

Price of lamb versus slaughter



From November 2015 to November 2016, the average producer price of Class A2/A3 lamb increased in total by 11,8 % and over the same period national slaughter declined in total by 28,2%.

Price prediction for Class A2/A3 lamb



In November 2016, the average producer price of Class A2/A3 was 2,0% up compared to the previous month. The prediction of an increase in the average price for Class A2/A3 beef for November in the previous monthly report was correct, and it was based on a probability of 95,0% for an increase according to the price information over the past 20 years.

The actual Class A2/A3 price in November was 0,8% (R0,48/kg) lower compared to the price predicted for November in the previous monthly report.

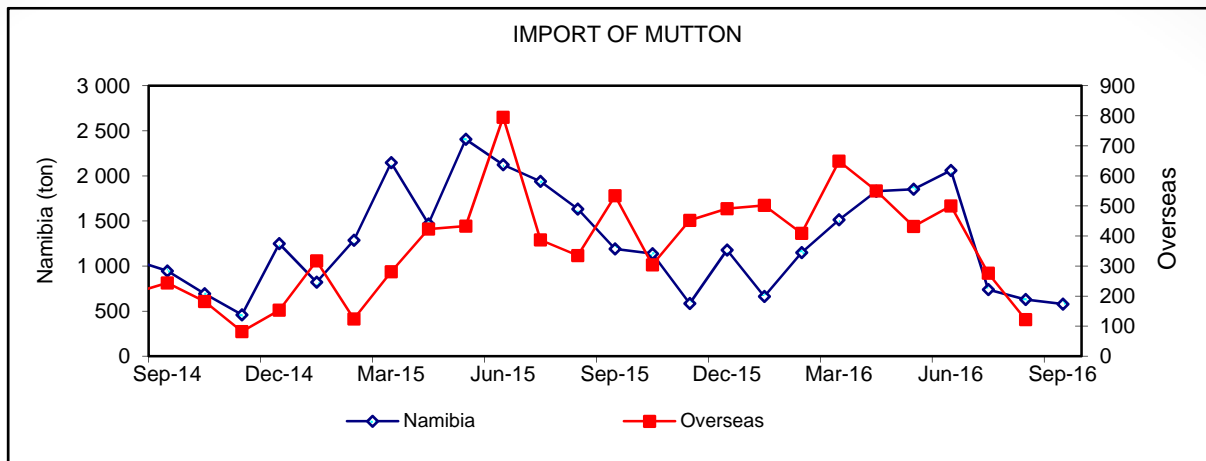
For December 2016, an increase is predicted in the average price of lamb (the A2/A3's), and according to the price information over the past 20 years, the probability is 90,0% for a higher in price from November to December each year.

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 increase in December 2016.

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

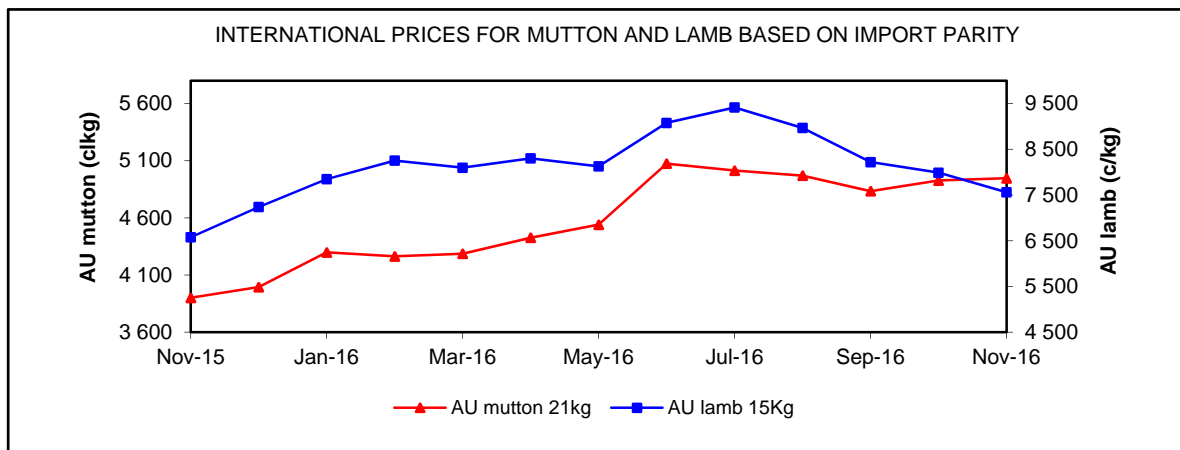
Monthly prices (c/kg)	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16
Class A2/A3	5 609	5 959	6 139	5 996	5 937	6 056
Class AB2/AB3	5 033	5 161	5 602	5 412	5 129	5 447
Class B2/B3	4 658	4 628	5 194	5 082	5 011	5 044
Class C2/C3	4 088	4 622	4 984	4 857	4 654	4 737

Imports of mutton



- Import figures from Namibia are only available up to **September 2016** and overseas up to **August 2016**.
- In September 2016, South Africa imported 579 tons of mutton from Namibia, which was 7,9% less than in the previous month and 51,3% less than the same month in 2015.
- In August year-on-year, total mutton imports from Namibia constitutes for approximate 13,2% of the total South African slaughter.
- In August 2016, South Africa imported 122 tons of mutton (excluding offal) from overseas, which was 55,8% less than in the previous month and 63,6% less compared to the same month in 2015.
- In August year-on-year, total mutton imports from overseas constitutes for approximate 4,6% of the total South African slaughter.
- In August, the main export countries of mutton (offal excluded) to South Africa from overseas were Australia (78,7%) and New Zealand (21,3%). When offal is included total imports was 317 tons and the main export countries of mutton to South Africa were Australia (49,2%), New Zealand (44,8%) and France (6,0%).

International mutton prices



- In November 2016 on year-to-year, the import parity price of Australian-lamb increased by 14,9% and Australian mutton increased by 26,8%.
- In November, the import parity price for Australian lamb and mutton were respectively R75,80 and R49,47 per kilogram based on the Rand/A\$-exchange rate.

World sheep meat market review

Strong foundations for Australian sheep meat industry in 2017

As discussed in MLA's recently released Sheep Industry Projections 2017, lower lamb marking rates and fewer ewes joined has led to MLA's forecast for Australian lamb slaughter to decline in 2017, and the result will cascade to lower production and exports.

The number of lambs processed in 2017 is expected to trend back towards 22 million head. While this is a decline year-on-year, 22 million head is still in line with the long-term growth trend observed over the past decade.

The Australian domestic market is anticipated to remain the largest consumer and account for 48% of production, with many encouraging signs coming from the market. On the export front, Australian lamb shipments are anticipated to ease 4% year-on-year in 2017, to 220,000 tonnes shipped weight (swt). While there are strong demand signals from the domestic market, internationally, signals are mixed.

Reduced supplies and the apparent resilience from the domestic consumer are expected to provide a strong foundation for the Australian sheep and lamb markets in 2017. Despite mixed signals from the major Australian export markets, there are still many willing to procure Australian product and New Zealand lamb and mutton exports are anticipated to fall further. The result may be a fifth consecutive year of higher year-on-year prices, or if not, at least levels similar to those of 2016.

SOURCE: Reproduced courtesy of Meat & Livestock Australia Ltd - www.mla.com.au, 6 December 2016.