



Retail and Business Bank
Sector Economics
22 January 2021



Agri Trends: Livestock and Hide Report

COVID-19, African Swine Fever and Bird-flu continue into 2021

Beef: Internal beef prices generally traded positively this week, with only the price of chuck decreasing 1.0% week-on-week. The price for steers and cows in New Zealand decreased 0.4% and 0.3%, respectively, week-on-week. Australia is experiencing low cattle slaughter rates and subsequent low export volumes. Domestic demand for beef products is usually slow in January as consumers tend to struggle financially after the holiday season. Continued high grain and oilseed prices will adversely affect animal feed costs for livestock producers.

Mutton: The price of lambs in New Zealand decreased 1.5% from the previous week to NZD6.45/kg, and the price of ewes decreased by 0.6% from the previous week to NZD4.80/kg. There are positive feed levels in New Zealand resulting in reduced pressure on producers to sell lambs at this time. The national average Class A carcass lamb price decreased 4.0% to R79.70/kg, while the average Class C carcass price decreased 0.7% to R64.58/kg in the local sheep meat market this week.

Pork: The US pork carcass price increased 2.5% in the international pork market compared with the previous week. Germany's exports of pork to Asia remain at a standstill amid their ongoing African Swine Fever (ASF) outbreak. Tanzania also reported a major outbreak of ASF with 500 pigs dying due to the virus. In the domestic market, the average price of porkers decreased 2.4% from the previous week to R32.73/kg, while the average price of baconers declined 1.9% to R31.00/kg week-on-week.

Poultry: The price of US whole birds increased 0.7% week-on-week. The poultry industry is on high alert as a highly pathogenic strain of bird flu is spreading. Bird flu outbreaks continue across Europe and Asia resulting in many countries placing bans on poultry products imported from those infected areas. Domestic demand for poultry is expected to pick up in the next week as it is month-end. Members of the poultry industry are highly concerned about increasing costs, particularly of feed components such as maize and soybeans.

Hides: The average local hide price increased 3.9% to R4.03/kg from last week. This price is 1.2% lower month-on-month and 185.0% higher year-on-year.

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Beef Market Trends

International Beef Market

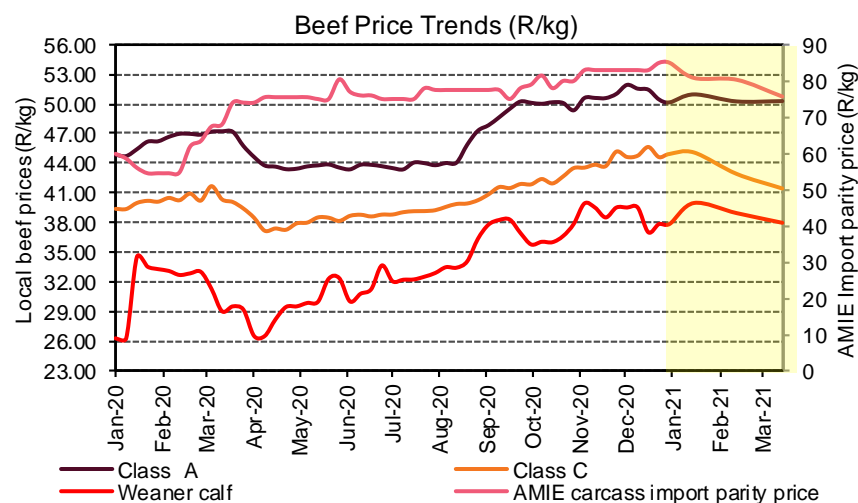
Internal beef prices generally traded positively this week, with only the price of chuck decreasing 1.0% week-on-week. Those of rump, striploin and brisket increased 4.1%, 5.2% and 3.6%, respectively, week-on-week. Topside prices had the strongest performance with a 7.4% increase compared with the previous week. The price for steers and cows in New Zealand decreased 0.4% and 0.3%, respectively, week-on-week. Australia is experiencing low cattle slaughter rates and subsequent low export volumes, which is resulting in an increase in demand for New Zealand beef in key markets such as the United States, where Australia is usually a key competitor.

	US Beef Topside USD/cwt	US Beef Rump USD/cwt	US Striploin USD/cwt	US Beef Chuck USD/cwt	US Brisket USD/cwt	US Beef Carcass Equivalent USD/cwt	NZ Steers NZc/kg	NZ Cows NZc/kg
Price	220.26	255.00	555.00	239.93	212.00	289.25	481.00	347.00
w/w	7.4%	4.1%	5.2%	-1.0%	3.6%	3.0%	-0.4%	-0.3%
m/m	21.0%	2.8%	8.8%	9.1%	11.6%	9.7%	-3.4%	-4.4%
y/y	1.5%	-6.3%	20.7%	-1.3%	-18.8%	0.6%	-13.0%	-16.2%

Local Beef Market

Average Class A prices declined by 0.6% week-on-week to R50.16/kg. Class C prices increased 0.7% to R44.94/kg week-on-week. The local weaner calf price has been trading upwards in recent weeks due to high demand; however, this week saw prices remaining relatively unchanged at R37.85/kg, only 0.04% higher than the previous week. Current weaner prices are 44.1% higher than a year ago.

	R/USD	R/NZD	Class A (R/kg)	Class C (R/kg)	Beef Contract Price (includes hides) (R/kg)	Weaner Calf (R/kg)	NZ Cows Carcass Equivalent 0-1 mm (R/kg)	AMIE Carcass Import Parity Price for Beef Trimmings (R/kg)
Price	15.29	11.00	50.16	44.94	50.66	37.85	66.46	84.99
w/w	2.2%	1.7%	-0.6%	0.7%	-0.5%	0.04%	1.4%	0.0%
m/m	3.1%	4.0%	-3.4%	0.7%	-3.3%	-4.2%	-0.6%	2.4%
y/y	6.5%	15.2%	11.8%	14.1%	12.5%	44.1%	-3.5%	41.9%



*Absa Agribusiness forecasts

Outlook

COVID-19 continues to worry the international market as it is impacting demand for imported beef products. China specifically seems to be shying away from importing manufacturing cuts of beef.

Australia's participation in the export market may continue to be inactive due to low production, which will allow competitor countries an opportunity to capitalise.

Domestic demand for beef products is usually slow in January as consumers tend to struggle financially after the holiday season. Continued high grain and oilseed prices will adversely affect animal feed costs for livestock producers.

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Sheep Market Trends

International Sheep Meat Market

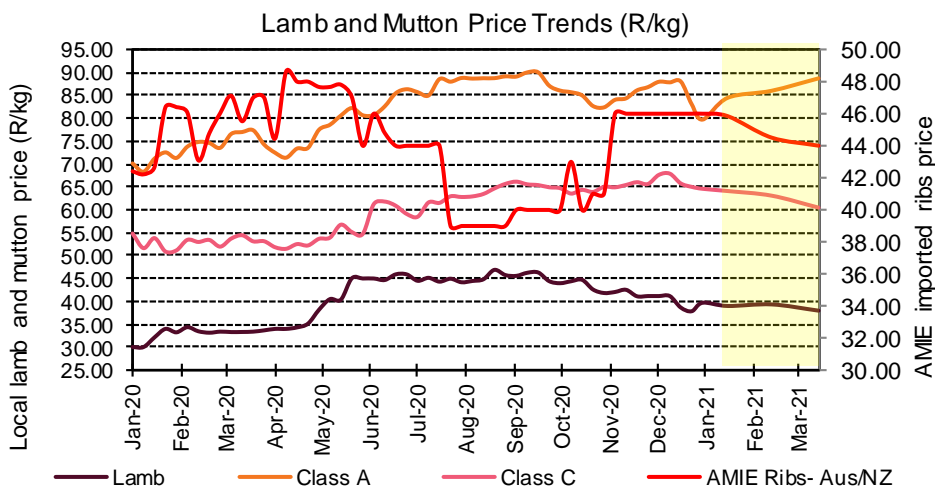
The price of lambs in New Zealand decreased 1.5% from the previous week to NZD6.45/kg, and the price of ewes decreased by 0.6% from the previous week to NZD4.80/kg. Compared with a year ago, New Zealand lamb and ewe prices are down 16.6% and 11.1%, respectively. The price of mutton ribs and shoulders remained the same compared with a week ago. There are positive feed levels in New Zealand, resulting in reduced pressure on producers to sell lambs at this time as there is a sufficient amount of grass on the lands.

	NZ Lamb Price (NZD/kg)	NZ Ewe Price (NZD/kg)	Import Parity NZ Lamb (R/kg)	Import Parity NZ Ewe (R/kg)	NZ Mutton Ribs (R/kg)	NZ Mutton Shoulders (R/kg)
Price	6.45	4.80	79.46	62.82	45.99	51.99
w/w	-1.5%	-0.6%	0.3%	1.2%	0.0%	0.0%
m/m	-3.7%	1.5%	0.5%	3.4%	0.0%	-35.0%
y/y	-16.6%	-11.1%	-2.3%	3.7%	8.5%	-28.8%

Local Sheep Meat Market

The national average Class A carcass lamb price decreased 4.0% to R79.70/kg, while the average Class C carcass price decreased 0.7% to R64.58/kg in the local sheep meat market this week. Feeder lamb prices are 4.9% higher compared with prices a week ago and are 32.2% higher compared with prices last year. Prices of dorper skins were down 4.5% week-on-week from R31.43/skin to R30.00/skin, while prices of merino skin rose 1.2% compared to a week ago from R46.43/skin to R47.00/skin. Prices of dorper skin were down 2.4% and those of merino skins were 2.8% higher than a year ago.

	R/NZD	Class A (R/kg)	Class C (R/kg)	Feeder Lamb (R/kg)	Dorper Skin (R/skin)	Slaughtering
Price	11.00	79.70	64.58	39.71	30.00	9111
w/w	1.7%	-4.0%	-0.7%	4.9%	-4.5%	14.0%
m/m	4.0%	-9.4%	-4.5%	-3.5%	-7.9%	-44.0%
y/y	15.2%	13.7%	17.8%	32.2%	-2.4%	-1.5%



*Absa Agribusiness forecasts

Outlook

Domestic demand for lamb and mutton products is slow in January as consumers tend to struggle financially after the holiday season. Continued high grain and oilseed prices will adversely affect animal feed costs for livestock producers.

Prices of Class A are expected to trend sideways to upwards over the next three months in line with seasonality.

Pork Market Trends

International Pork Market

The US pork carcass price increased 2.5% in the international pork market compared with the previous week. The price of US pork ribs increased 1.2%, while the price of loins remained unchanged week-on-week. The price of ham rose 14.3% week-on-week likely due to increased demand around the festive season. The import parity price of pork ribs increased 3.3%, while that of ham increased 12.9% week-on-week. Germany's exports of pork to Asia remain at a standstill amid their ongoing African Swine Fever (ASF) outbreak. On 21 January 2021, 30 more cases of ASF were detected in wild boar in Eastern Germany; this brings the country's total number of reported case to 544. To date no commercial farm-pigs have been affected. On 17 January 2021, Tanzania also reported a major outbreak of ASF with 500 pigs dying due to the virus.

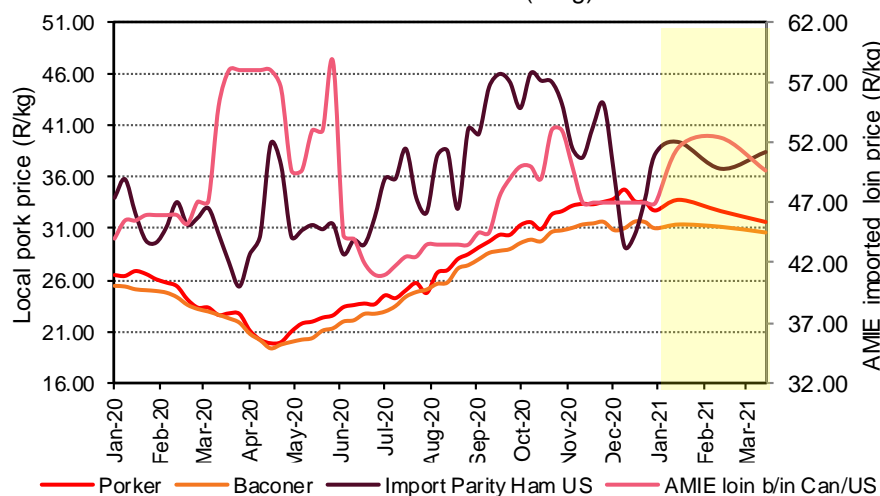
	US Pork Carcass Price (USD/cwt)	US Loin (USD/cwt)	US Rib (USD/cwt)	US Ham (USD/cwt)	US Import Parity Rib (R/kg)	US Import Parity Ham (R/kg)
Price	78.94	71.93	147.18	75.00	67.18	38.27
w/w	2.5%	0.0%	1.2%	14.3%	3.3%	12.9%
m/m	8.2%	3.8%	10.5%	2.8%	12.3%	5.3%
y/y	7.0%	6.2%	4.1%	8.5%	9.9%	12.7%

Local Pork Market

The number of pigs slaughtered this week, as reported by the RMAA, declined 4.1% compared with the previous week. The average price of porkers decreased 2.4% from the previous week to R32.73/kg, while the average price of baconers declined 1.9% to R31.00/kg week-on-week. The average price was down 2.1% to R31.75/kg for cutters and 2.2% to R30.06/kg for heavy baconers. The price for sausages dropped 4.0% to R25.13/kg from last week.

	R/USD	RMAA Slaughter Nr	Contract Average (R/kg)	Porker (R/kg)	Baconer (R/kg)	AMIE Loin (R/kg)
Price	15.29	24 225	31.86	32.73	31.00	46.99
w/w	2.2%	-4.1%	-2.2%	-2.4%	-1.9%	0.0%
m/m	3.1%	-20.6%	-1.5%	-3.4%	0.6%	0.0%
y/y	6.5%	-10.3%	22.8%	23.7%	22.0%	6.8%

Pork Price Trends (R/kg)



*Absa Agribusinessforecasts

Outlook

China is rebuilding its pig herds after the ASF outbreaks last year resulted in devastating losses. This will reduce the country's reliance on imports in 2021.

Locally, pork prices are expected to trade sideways to higher over the next three months, in line with seasonality. Pork remains one of the cheaper protein alternatives available on the shelves, which usually increases consumer uptake. This should continue to support pork prices. Continued high grain and oilseed prices will adversely affect animal feed costs for livestock producers.

Poultry Market Trends

International Poultry Market

The price of US whole birds increased 0.7% week-on-week. The price of US chicken breasts remained the same as the previous week, at USD78/lb. Prices of US whole birds were 9.0% lower than prices a year ago. The price of both fresh and frozen MDM increased 0.2% week-on-week. The price of US leg quarters rose 1.3%, while the price of EU leg quarters remained the same week-on-week. The poultry industry is on high alert as a highly pathogenic strain of bird flu is spreading. According to Reuters, bird flu is spreading rapidly through Europe, including Germany, France and Lithuania. Now the Czech Republic has also recorded an outbreak and Hungary's food safety authority has ordered the slaughter of 101,000 chickens on an egg farm. Bird flu outbreaks continue across Europe and Asia resulting in many countries placing bans on poultry products imported from those infected areas. To date, South Korea has culled over 18 million poultry in order to stem the spread of the virus.

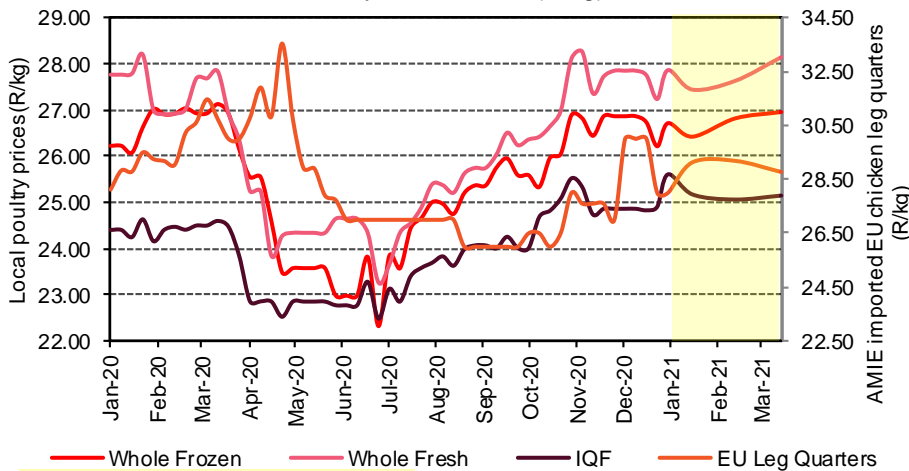
	US Whole Bird (USD/lb.)	US Breasts (USD/lb.)	US MDM Fresh (USD/lb.)	US MDM Frozen (USD/lb.)	US Leg Quarters (R/kg)	EU Leg Quarters (R/kg)
Price	82.31	78.00	25.03	31.32	15.98	27.99
w/w	0.7%	0.0%	0.2%	0.2%	1.3%	0.0%
m/m	0.6%	-6.0%	-0.1%	0.4%	6.2%	-6.7%
y/y	-9.0%	5.4%	15.1%	18.1%	-11.1%	-0.4%

Local Poultry Market

The average price of frozen birds rose 1.9% to R26.71/kg and that of fresh whole birds increased 2.3% to R27.86/kg in the local poultry market this week. Individually quick frozen (IQF) poultry prices were 2.8% higher at R25.60/kg week-on-week. The domestic poultry industry is under pressure as high feed costs are squeezing margins.

	R/USD	SA Whole Bird, Frozen (R/kg)	SA Whole Bird, Fresh (R/kg)	SA Individually Quick Frozen (R/kg)	US Whole Bird Import Parity (R/kg)	US Breasts Import Parity (R/kg)
Price	15.29	26.71	27.86	25.60	41.28	30.82
w/w	2.2%	1.9%	2.3%	2.8%	2.0%	2.0%
m/m	3.1%	-0.6%	0.0%	3.0%	2.7%	-2.5%
y/y	6.5%	1.9%	0.4%	4.9%	-1.9%	10.6%

Poultry Price Trends (R/kg)



*Absa Agribusiness forecasts

Outlook

The international poultry industry is under pressure due to the bird flu outbreaks and resulting trade restrictions, leading to increased poultry prices.

Demand for poultry is expected to pick up next week as it is month-end. Members of the poultry industry are highly concerned about increasing costs, particularly of feed components such as maize and soybeans.

Hide Market Trends

Local Hide Market

The average local hide price increased 3.9% to R4.03/kg from last week. This price is 1.2% lower month-on-month and 185.0% higher year-on-year.

	Weighted Feedlot Hide Price (RMAA) R/kg	Average Field Hide Price (RMAA) R/kg	Average Local Hide Price (Calculated) R/kg
Price	3.62	3.26	4.03
w/w	-6.6%	1.3%	3.9%
m/m	6.3%	52.4%	-1.2%
y/y	67.0%	150.4%	185.0%

Outlook

Industry players are reporting reduced numbers of animals being slaughtered and as such, the amount of hides available on the market has decreased.

NB* hide prices are determined as the average of the RMAA prices and prices of independent companies.

