



Agri Trends: Livestock Report

Input cost pressures and weak demand cause prices to trade sideways

Beef: Local week-on-week price movements showed marginal decreases, which is typical for mid-month price movements. Monthly price decreases were more pronounced, compared to weekly trends, and could potentially be ascribed to weak demand. Based on this, we expect a downward price trend over the coming weeks, which could be offset in some weeks where public holidays are usually associated with increased demand. Weaner calf prices are also trending lower. This is due to increased supply as we enter weaning season.

Mutton: Like beef, week-on-week price movements for mutton prices trended slightly lower with monthly price decreases more pronounced. Our view is that this is due to weak demand. Feeder lamb prices, in turn, are also somewhat lower. Our view is that feeder lamb prices will move sideways over the coming months and that the effect of tight supplies will be offset by lower slaughtering. As with beef, the Easter holidays could, however, provide short-term demand support.

Pork: Stakeholders in the local pork industry report that pork slaughter prices are increasingly under pressure and this trend is confirmed by week-on-week movements. Globally, US prices are firm due to strong demand. Current South African prices seem to move counter cyclically to global prices. Here, global prices have seen a strong price run since the beginning of 2021 with local prices trending downward in the corresponding period.

Poultry: In terms of long-term price movements, year-on-year price changes still indicate that poultry margins are under pressure. Poultry product prices increased in the range of 0.1% to 4.4%, with input prices such as grains and oilseeds increasing by more than 30%. As with the other meat categories discussed above, Easter, coinciding with a new month, could bolster demand, which will allow for price increases.

Abrie Rautenbach
+27 67 417 1645
Abrie.Rautenbach@absa.africa

Marlene Louw
+27 060 881 2450
Marlene.Louw@absa.africa

Paige Bowen
+27 66 288 9429
Paige.Bowen@absa.africa

www.absa.co.za

<https://www.absa.co.za/business/sector-solutions/agribusiness/agri-smart-insights/>

Beef market trends

International beef market

US beef prices decreased by 1.1% week on week and 3.4% month on month. This decreasing trend is as a result of weather-related slaughter disruptions in quarter 1, which moved slaughtering to quarter 2. This is expected to put downward pressure on prices as we approach quarter 2. Import parity prices, in turn, are up significantly, both week on week and month on month. This is potentially a lagged effect of higher prices in February, where prices were higher on the back of strong global demand associated with Chinese New Year combined with lower production in the US due to weather concerns.

	R/USD	R/NZD	US beef carcass equivalent USD/cwt	NZ steers NZc/kg	NZ cows NZc/kg	AMIE carcass import parity price for beef trimmings (R/kg)
Price	14.77	10.62	343.21	485	341	84.99
w/w	-2.3%	-2.1%	-1.1%	0.0%	0.0%	18.5%
m/m	1.2%	0.7%	-3.4%	-1.4%	-1.7%	18.5%
y/y	-12.8%	7.1%	18.6%	0.0%	2.4%	26.1%

Local beef market

Class A and Class C beef prices showed marginal week-on-week decreases and more pronounced increases month on month. It is expected that this is related to weak demand. Weaner calf prices are down substantially compared to this time last month, which is a typical seasonal phenomenon as we approach weaning season. Although weaner calf prices have decreased over the shorter term, it remains remarkably resilient compared to 2020. This points to constrained supply.

	Class A (R/kg)	Class C (R/kg)	Beef contract price (includes hides) (R/kg)	Weaner calf (R/kg)
Price	50.50	44.22	51.12	37.50
w/w	-0.5%	-1.7%	-0.4%	-2.3%
m/m	-4.5%	-5.6%	4.3%	-11.6%
y/y	7.0%	6.1%	8.0%	19.9%

Outlook

In our previous Agri Trends Livestock Report, we noted that prices are expected to move sideways for Class A and Class C beef, with weaner prices trending lower based on seasonal trends. Based on meat prices trending lower over the past weeks, we adjust our projections to reflect this with a slight downward trajectory. We foresee that demand over Easter could support prices over the next two weeks, but that sluggish demand will put downward pressure on prices as we approach May. It also seems that the cost pressures apparent in quarter 1 have stabilised, which could increase supply somewhat over the coming months.

Figure 1: Local beef and weaner calf prices



*Area in grey represents Absa AgriBusiness forecasts

Sheep market trends

International sheep meat market

International mutton prices showed only marginal movements, both week on week and month on month. Lamb prices are lower compared to the corresponding time in 2020, with ewe prices higher. Parity prices into South Africa also showed diverging short-term trends. The year-on-year trends, however, correspond with local New Zealand price trends. In general, our expectation is that global prices will continue to find support from herd rebuilding in Oceania.

	R/NZD	NZ lamb price (NZD/kg)	NZ ewe price (NZD/kg)	Import parity NZ lamb (R/kg)	Import parity NZ ewe (R/kg)
Price	10.62	6.38	5.05	67.76	55.13
w/w	-2.1%	0.5%	-0.6%	-1.7%	-2.6%
m/m	0.7%	-0.3%	1.5%	0.3%	-0.3%
y/y	7.1%	-7.5%	16.1%	-11.1%	5.2%

Local sheep meat market

Class A2/A3 and Class C carcass prices decreased by 1.5% and 1.3% respectively, with a larger effect if monthly movements are considered. This correspond with beef price movements as mentioned above and could point to weak consumer demand. Feeder lamb prices, in turn, were 1.6% higher from a week ago and 19.4% higher year on year. Feeder lamb prices are still supported by tight supply.

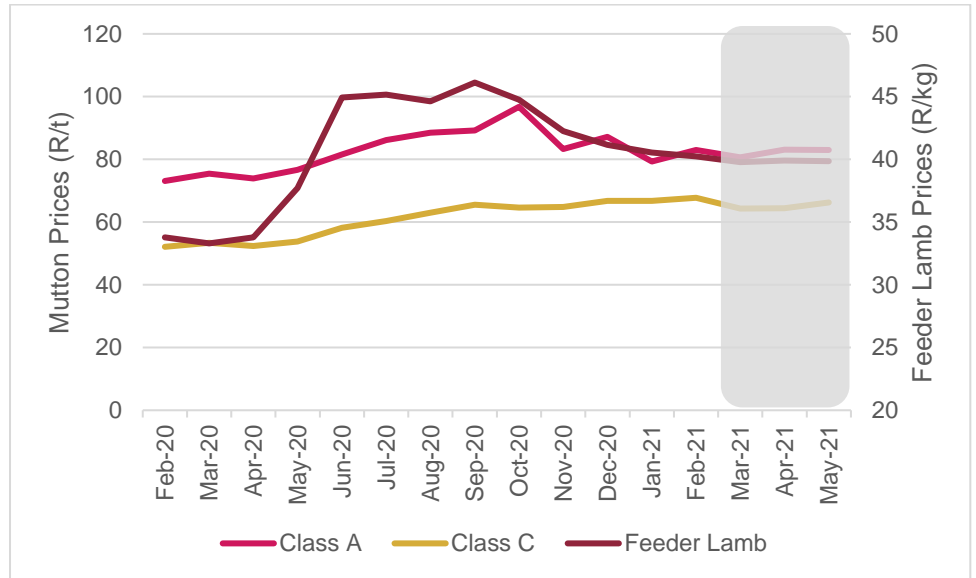
	Class A2/A3 (R/kg)	Class C (R/kg)	Feeder lamb (R/kg)	Dorper skin (R/skin)	Merino skin (R/skin)
Price	80.13	64.29	39.78	35.74	52.86
w/w	-1.5%	-1.3%	1.6%	-15.9%	-10.7%
m/m	-3.4%	-5.7%	-3.4%	3.6%	5.7%
y/y	3.8%	19.7%	19.4%	1.9%	8.1%

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Outlook

In our previous Agri Trends Report in early March, we noted that slaughter prices have lost some momentum. Our view is that this is due to weak demand that is likely to continue with some alleviation in weeks with public holidays, such as Easter. Based on this, we expect feeder lamb prices to trade sideways over the coming months due to tight supplies, countered by slaughter prices trending lower.

Figure 2: Local sheep and feeder lamb prices



*Area in grey represents Absa AgriBusiness forecasts

Pork market trends

International pork market

US pork carcass prices increased by 9% week on week and 12% month on month. These price increases are driven by strong US demand, supported by the US stimulus package announced in early March. Like beef, US pork prices also received price support from production downturns due to cold weather in the US mid-west. Prices are expected to remain firm on the back of strong demand.

	R/USD	US pork carcass price (USD/cwt)	US import parity rib (R/kg)	US import parity ham (R/kg)
Price	14.77	100.68	62.92	30.90
w/w	-2.3%	9.0%	3.3%	1.9%
m/m	1.2%	12.0%	-2.7%	-19.2%
y/y	-12.8%	27.6%	-22.4%	-6.2%

Local pork market

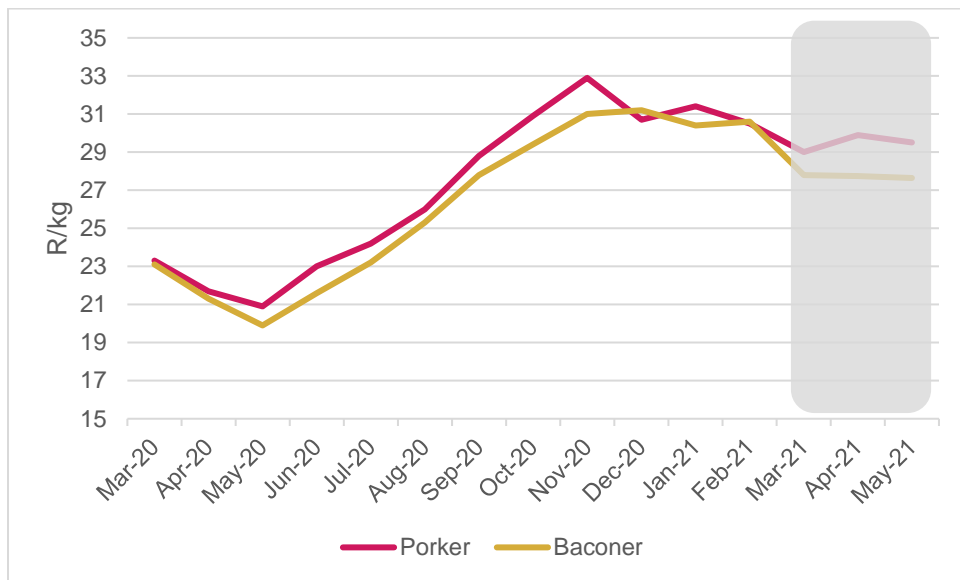
Porker and baconer prices are down slightly compared to a week ago. While monthly prices of porkers are slightly higher, industry stakeholders report that demand is increasingly under pressure and expect prices to decrease. Pork prices in general are still significantly higher than a year ago. Parity prices across the board are lower. Here we believe that the exchange rate dynamics is a key driver.

	Porker (R/kg)	Baconer (R/kg)	AMIE loin (R/kg)
Price	30.28	28.70	41.99
w/w	-1.5%	-2.4%	-4.5%
m/m	1.6%	-2.4%	-6.7%
y/y	29.9%	25.1%	-10.8%

Outlook

Based on the above, we expect local pork prices to trade marginally lower over the next three months and our projection from early March remains unchanged. Like red meat, as discussed above, price could find demand support as we approach Easter, but our view is that it will remain under pressure until May. Seasonal trends suggest that prices could start increasing again during the winter months.

Figure 3: Local porker and baconer prices



*Area in grey represents Absa AgriBusiness forecasts

Poultry market trends

International poultry market

As with red meat, chicken prices in the US were also affected by the severe US cold spell during February. Here, slaughter numbers decreased, but hatcheries were also affected. The latter is expected to have a negative effect on slaughter numbers up until April which, in turn, will support prices. The effect of this also shows in parity prices for leg quarters imported from the US.

	R/USD	US MDM fresh (USD/lb.)	US MDM frozen (USD/lb.)	AMIE US leg quarters (R/kg)	AMIE EU leg quarters (R/kg)
Price	14.77	29.00	40.00	27.72	27.99
w/w	-2.3%	-6.6%	6.1%	1.4%	0.0%
m/m	1.2%	13.2%	21.0%	8.8%	3.7%
y/y	-12.8%	31.4%	49.5%	38.5%	-11.0%

Local poultry market

Whole bird price movements have been marginal week on week, but have seen decreases month on month, with IQF prices increasing week on week. IQF prices are, however, only marginally higher than the corresponding time last year. This is creating a cost price squeeze with grain and oilseed prices showing a year-on-year increase of more than 30%. Industry stakeholders reported difficulty in moving volumes since the start of 2021, but have seen some movement during March. They anticipate that Easter, coinciding with a new month, will bolster demand.

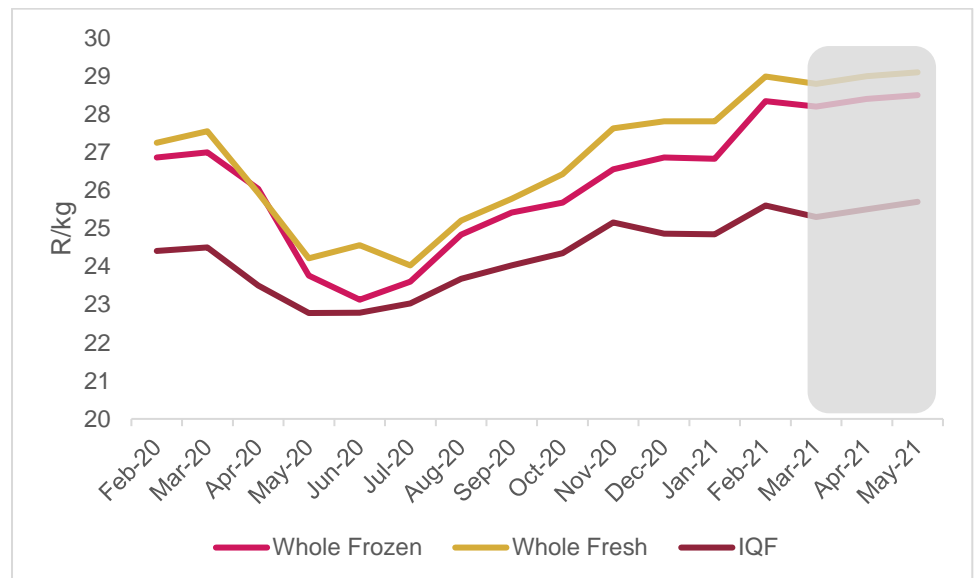
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	SA whole bird, frozen (R/kg)	SA whole bird, fresh (R/kg)	SA individually quick frozen (R/kg)
Price	28.10	27.70	24.71
w/w	0.8%	0.1%	2.4%
m/m	-0.8%	-5.1%	-4.0%
y/y	4.4%	0.1%	0.9%

Outlook

Our outlook from earlier in March remains constant as it is expected that poultry prices will increase marginally over the coming three months, with some upside potential due to underlying production cost pressures, as mentioned above. Stronger consumer demand will allow for some of the cost pressures to be passed through to the final retail price.

Figure 4: Local chicken prices



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